2023 Budget Assumptions

Certain broad assumptions are determined in the first two quarters of 2022 to update the 2021 projections and to establish a basic foundation for building the county's budget, as the first year in the five-year budget projections. These general assumptions provide a framework to county staff, the County Executive, and the County Board of Supervisors for setting priorities, determining service levels, and allocating limited financial resources. Some adjustments have been made from updated information available during the summer months (June-August).

The following general assumptions were used in guiding the County's 2023 Budget development:

- Inflation levels began increasing early in 2021 and have continued to rise at high single-digit percent rates on a year-over-year basis into 2022. There are many factors that have led to increasing prices, including a rebound in consumer demand following pandemic precautions, supply chain disruptions, rising fuel costs, and low unemployment resulting a tight labor market. The initial five-year forecast mirrored these conditions, which is far higher than the typically levy growth factor (net new construction) allowed under state-mandated levy limits that are typically around 1.5%. For budget resource allocation purposes, a more modest inflationary factor of 2.5% was assumed, understanding that price increases would vary by commodity and service and that historically higher price levels cannot be accommodated in one year—rather they need to be phased up, where appropriate, over time. Department management was advised to consider adjusting user fee rates to help cover increasing program costs and to reasonably recovery higher costs through grants and other outside funding sources, where appropriate.

- Net personnel cost appropriations include steady modest increases in salaries along with health insurance premium charges that were projected to increase 5% to keep up with claims costs. With updated actuarial analysis and the implementation of plan design changes, the 2023 budget assumes an increase in health insurance premiums of 2.5%.

- Low unemployment levels have contributed to a competitive labor market, driving up the price of labor in several programs. The budget assumes pay adjustments in multiple areas to help promote recruitment and retention in order to maintain continuity of services to the public. In some cases, the cost impact of these pay adjustments are being phased-in using temporary usage of grant funds. The county conducts a compensation study, comparing the wages and salaries of its workforce with comparable public sector entities and private businesses, every five years. The next compensation study is planned for 2023, and these pay adjustments are being budgeted in anticipation of the study's recommendations.

- After several years of stable, low fuel prices, the budget assumes a 59% increase in fuel prices, from $2.39/gallon ($2.60/gallon with $0.21/gallon markup) to $3.79/gallon ($4.00/gallon with markup). There is considerable price volatility, with higher price levels mostly due to increased consumer/business demand since pandemic restrictions were eased, lower refining capacity that restricts supply of finished petroleum products, and other events (e.g., natural disasters, international conflict). The budget assumes the temporary use of American Rescue Plan Act (ARPA) funds to mitigate the cost impact to operations, with departments covering the first 5% of the increase up to $2.72/gallon (with markup) and ARPA funds covering the rest. The use of ARPA funds will help prevent making substantial cuts to operations while waiting for fuel prices to stabilize and allow the county to continue phasing up budgets, if necessary.

- Significant revenue issues linked to economic activity impact the 2023 budget:
  - The Federal Reserve significantly reduced interest rates at the outset of the COVID-19 pandemic in 2020, which reduced the county's investment income. More recently, the Federal Reserve has initiated multiple interest rate increases to mitigate inflation. While this is expected to have a favorable effect on the county's investment income, there may be a lag in earnings as the county's investment portfolios turnover. For that reason, the 2023 budget continues to conservatively assume $500,000 of federal funding from the American Rescue Plan Act (ARPA) – Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) program, to offset potential negative impacts to the General Fund, if needed.
  - After decreasing revenues from penalty and interest on delinquent taxes for most of the last several years (including by $310,000 in 2019, $140,000 in 2020, flat in 2021, $80,000 in 2022), these revenues will be decreased $50,000 in 2022 to help bring the budget more in-line with actual revenues.
  - Reflecting recent favorable trends in real estate market activity and valuation, real estate transfer fee revenues in the Register of Deeds Office were assumed to increase $100,000 (was increased $250,000 in the 2023 budget).

- Major state revenue funding areas include the following:
  - General Transportation Aids were anticipated to decrease $100,000 based on current-year allocation.
  - Most other intergovernmental aid revenues are assumed to remain flat.

County Board Amendments to the 2023 County Executive Proposed Budget

The County Board approved the County Executive's Proposed 2023 Budget without amendments.