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## 2022 Budget Assumptions

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Certain broad assumptions are determined in the first two quarters of 2021 to update the 2020 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 2022 Budget development:

- Overall inflation factor estimates assumed for calculating the cost to continue to provide existing county services were projected to be moderate (2.25%) in 2022. Recent Consumer Price Index (CPI) data has shown higher increases in prices, although the Federal Reserve has indicated rising prices could be temporary as loosening pandemic restrictions boosted consumer demand, with some inflationary increases concentrated in specific sectors like travel and used vehicles. The Budget Division will continue to monitor.
- Significant revenue issues linked to economic activity impact the 2021 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, resulting in a \$500,000 decrease in that revenue budget for 2021. This temporary revenue reduction was offset with one-time General Fund balance use of \$500,000 in the 2021 budget. For the 2022 budget, this \$500,000 of General Fund balance is removed, and replaced with of \$500,000 of federal funding from the American Rescue Plan Act (ARPA) – Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) program, which allows for recovery of revenue lost following the pandemic.
  - 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, and flat in 2021), these revenues would be decreased \$100,000 in 2022. (The 2022 budget includes a decrease of \$80,000 in these revenues, and a \$40,000 decrease in the General Fund balance offsetting these lower 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 \$136,500 in the 2022 budget). With lower interest rates spurring additional mortgage refinancing, document recording fees were conservatively assumed to remain at the 2021 budgeted level.
- Major state revenue funding areas include the following:
  - General Transportation Aids were anticipated to decrease \$240,000 based on current-year allocation. The 2022 budget includes a \$100,000 decrease after the state's 2021-23 budget was adopted with a 2% increase statewide, which could mitigate some of the county's decrease.
  - Most other intergovernmental revenues assumed to remain flat.
- Net personnel cost appropriations include steady modest increases in salaries along with health insurance premium charges that were projected to increase 10%, after being increased 13% in the 2021 budget based on higher-cost individual claims in recent years that drive up claims experience and premium charges for stop loss insurance coverage. With claims experience leveling off in 2021, planned implementation of plan design changes, and actuarially analysis support, health insurance premiums were later updated to increase 2.2% in 2022.
- Average fuel prices are budgeted to remain flat in the 2022 budget after several years of incremental decreases based on lower actual prices. Similar to the CPI (mentioned above), fuel prices have been higher in recent months. The U.S. Energy Information Administration, which generates energy price projections, indicates that there is uncertainty related to the ongoing economic recovery from the pandemic, which could have factored in to rising energy consumption. The Budget Division will monitor fuel prices going forward to get a sense of whether fuel price increases are temporary or lasting.

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## County Board Amendments to the 2022 County Executive Proposed Budget

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The County Board approved the County Executive's Proposed 2022 Budget without amendments.