
2024 Budget Assumptions

Certain broad assumptions are determined in the first two quarters of 2023 to update the 2022 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 2024 Budget development:

- Inflation levels began increasing early in 2021 and continued to rise at high single-digit percent rates on a year-over-year basis through 2022. There are many factors that 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 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 3.0% 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. Although the rate of inflation has slowed during 2023, price levels generally remain at higher levels than previous years, making it a challenge for departments to absorb costs under this levy limit environment.
- Assumptions continued to include steady modest increases in across-the-board salary adjustments 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 2024 budget assumes an increase in health insurance premiums of 2.5%.
- In addition to annual salary and benefit cost increases, the 2024 budget assumes costs related to the implementation of compensation plan recommendations. Every five years, the county conducts a compensation study, comparing the wages and salaries of its workforce with comparable public sector entities and private businesses to identify adjustments that keep the county competitive. The compensation study was completed during the summer of 2023 and includes more significant changes than in previous years largely due to low unemployment levels that have contributed to a competitive labor market, driving up the price of labor. The estimated cost of these recommendations total \$2.7 million and are funded in the 2024 budget with a combination of tax levy and temporary American Rescue Plan Act funding, with ongoing funding support to be phased in for future years.
- After several years of stable, low fuel prices, costs began to increase significantly during 2022 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). Fuel prices have decreased since then, with the budget assuming a decrease of 8%, from \$3.79/gallon (\$4.00/gallon with markup) to \$3.50/gallon (\$3.71/gallon with markup). However, prices remain uncertain and at elevated levels compared to historical experience. For this reason, the 2024 budget assumes a continuation of the temporary use of American Rescue Plan Act (ARPA) funds to mitigate the cost impact to operations, helping avoid the need to make substantial cuts to operations while waiting for fuel prices to stabilize and allow the county to continue phasing up budgets, if necessary. After ARPA revenues are applied, departments cover a 5% increase in net costs, from \$2.51/gallon (\$2.72/gallon with markup) in 2023 to \$2.64/gallon (\$2.85/gallon with markup) in 2024.
- Utility costs have also been increasing. This includes electrical rates due to supply chain disruptions and the cost of fuel and transport. Water/sewer rates have increased steadily as the City of Waukesha phases in the costs of providing Lake Michigan water. Overall utilities, including natural gas, for general county buildings are budgeted to increase nearly \$310,000 in 2024.
- Significant revenue issues linked to economic activity impact the 2024 budget:
 - In response to rising inflation rates, the Federal Reserve has increased interest rates multiple times. This has resulted in higher investment income levels, which are budgeted to increase \$1.6 million in 2024.
 - 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, \$50,000 in 2023), these revenues will be decreased \$50,000 in 2024 to help bring the budget more in-line with actual revenues.
 - Higher interest rates have resulted in downward pressure on real estate transfer fee activity and lower document recordings, particularly for loan refinancings. The 2024 Register of Deeds budget reduces these revenues \$373,700. Document recording fee revenues dedicated to Land Information Systems in the Department of Parks and Land Use also decreases \$132,600.

County Board Amendments to the 2024 County Executive Proposed Budget

The County Board approved one amendment to increase personnel costs by \$302,517 in the District Attorney's Office for three positions to provide staff coverage for the sixth criminal court. This includes a 1.00 FTE special prosecutor, a 1.00 FTE senior administrative specialist, and a 1.00 FTE victim witness specialist. These positions will include a sunset clause, terminating on December 31, 2024. The amendment funded these positions with \$302,517 of American Rescue Plan Act revenues.