2010 BUDGET ASSUMPTIONS

Certain broad assumptions are determined in April and May 2009 to establish a basic foundation for building a budget. 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 in the summer months.

The following general assumptions were used in guiding the development of the County's 2010 Budget:

- Overall inflation factor estimates for the cost to continue existing services are projected at a range from 2% to 3% for 2009, depending upon the particular service or commodity. The major exceptions include cost increases for road salt, prescription drugs, medical services, food costs and some commodity prices such as paper.

- Road salt (for winter storm cleanup and the public's safety) prices, based on the State bid, increase 33% from $40.42 to $54.10/ton in 2010. Assuming no increase in tonnage is necessary from the 2009 budget, this results in the need for an additional $200,000 in tax levy to cover increased costs.

- Overall utility rates are estimated to rise more than inflation. Water rate charges are projected to rise 10%, while natural gas prices are expected to increase by at least 4.4%. The price of electricity to power County facilities is assumed to increase 2.6%. However, energy conservation efforts are in place designed to more than offset rate increases and result in a base budget savings on energy costs estimated at nearly $55,000. Additionally, average fuel costs for vehicles are assumed to remain unchanged from the 2009 Budget, averaging $3.00 per gallon (equivalent to approximately $3.33 retail).

- Personnel cost increases will continue to put pressure on the overall budget since most revenues supporting mandated Federal and State programs are not increasing to cover personnel cost increases. Assumptions include a 2.5% average health insurance premium increase, well below the national average.

- Due to the downturn in the real estate market and the economic recession, real estate related fees (real estate transfer fees, subdivision and plot reviews, and permitting revenues) are estimated to decrease $850,000 in 2010. Real estate transfer fee revenues alone are expected to decline $750,000, or 39% to about $1.25 million. This is down from $2 million budgeted in 2009.

- Influenced by the economic recession, the County's overall property tax base is estimated to decline by 1%. This decrease is mainly due to an estimated 2% reduction in housing values somewhat offset by increases in commercial value. Residential property values account for three quarters of the County tax base.

- Due to continuing significant State and Federal budget deficits, County estimates for revenue decreases and expenditure cost shifts are indicated below:
  - Health and Human Services expects approximately a $1 million revenue loss. Additionally, the State is shifting Mental Health Institute Placement costs to the County, resulting in a new added cost of between $500,000 and $750,000. This results in a total impact of $1.5 million to $1.75 million to the Department of Health and Human Services.
  - State Transportation Aids are expected to be reduced by $170,000 and State Circuit Court Support grant revenues are expected to drop slightly below $1.1 million (the level had been frozen since 2000).
  - State Shared Revenues are projected to decline by $150,000.

- Treasurer's investment income is projected to decrease by $250,000 (to $5.5 million) from the 2009 Budget, based on declining rates of return on invested funds from estimated returns. Additionally, Agriculture Conversion revenues are expected to drop $85,000 due to the slowdown in real estate development. This will be offset by an expected increase of $350,000 in interest and penalties on delinquent taxes.

- Property taxes to support debt borrowing are estimated to increase by $130,000 based on the Capital Plan project funding need. This takes into account the 2009 debt issue, which was reduced to $8 million from the $10 million originally budgeted for 2009.

- The Tax Levy effort to fund the Capital Budget will be reduced in the short term by $950,000 to $2.1 million. This is down from $3.05 million appropriated in the 2009 Budget.