



Eau Claire County
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November 15, 2017

TO: Eau Claire County Board of Supervisors and County Taxpayers
FROM: Kathryn Schauf, County Administrator
SUBJECT: Finance and Budget Committee 2018 Approved Budget

On behalf of the Finance and Budget Committee I present for your review and consideration, the Approved 2018 Budget for Eau Claire County, Wisconsin totaling \$109,368,515. Upon review and analysis of all revenue and expenditure requests, the attached Eau Claire County 2018 Budget Recommendations propose a balanced 2018 county budget, meaning that revenues match the projected annual expenditures for all operations and capital costs.

The budget process is far more than an opportunity to assign dollar values for services provided. It is an opportunity to take stock of the community and the role that Eau Claire County government assumes in defining the community. The budget is a planning tool for financial and operational resources, and reflects the County's determination to allocate resources responsibly. It was prepared with the goal of preserving the highest possible level of services to the residents, visitors, and businesses of the County while balancing of priorities and compromise between competing needs for limited funding.

Local governments continue to operate in a constrained fiscal environment presenting constant challenges to the county to develop a balanced budget and meet the charge of the county's mission statement: *"To provide quality, innovative and cost-effective services that safeguard and enhance the well-being of residents and resources"*. Those challenges include increased demand for services, limited revenue enhancement options, aging population demographics, long-term county infrastructure needs, health care and justice systems cost increases.

Recognizing these fiscal pressures and challenges, the Committee on Finance & Budget developed 2018 budget guidelines in May of 2017 requiring county departments and community agencies to submit budget proposals that had 0% increase in the county levy over 2017 levels. Departments and agencies were also required to submit a list of prioritized programs for review by the Committee that will be assessed "on performance, effectiveness, affordability and prioritized contribution to the county's strategic goals". (*strategic goals at right*)

STRATEGIC PLAN **2016-2018**

Ensure Financial Stability

- Limit County Borrowing
- Develop a new tracking system for county wide investments
- Create a reporting mechanism to better inform board committees

Innovate and Adapt

- Establish an innovation fund
- Create a virtual or physical idea lounge
- Revise county code and administrative policies to foster more innovation
- Create public service messages to showcase current innovative practices

Improve Collaboration

- Identify 3 cross-department or cross system collaborations
- Create collaborations with 2 external stakeholders

There are many inputs to the compilation of the budget – the construction of which begins at the department and committee level. The analysis of current trends and relevant historical data provide for an informed budget process. Coupled with the biennial strategic planning process, the budget becomes a process where the allocation of resources strategically looks to align resources to meet not only the needs of today, but plan for the needs of the future. Stakeholder input was obtained via a budget survey, (the results of which are incorporated in the appendix), as well as two public input sessions:

- July 27: Public input session @ City of Augusta
- August 10: Public input session @ LE Phillips Senior Center

Brief Summary of Adopted Budget

The adopted 2018 balanced budget is summarized as follows.

	2018 Budget	2017 Budget	Dollar Change	Percent Change
Levy Amount	\$32,235,911	\$30,595,302	\$1,640,609	5.36%
Levy Rate	\$4.094	\$4.086	.008	0.20%
County Operations	\$99,930,773	\$94,560,190	\$5,370,583	5.68%
Debt Service	9,437,742	8,164,673	\$1,273,069	15.59%
Total Expenditures	\$109,368,515	\$102,724,863	\$6,643,652	6.47%
Equalized Value	\$7,873,610,400	\$7,487,463,400	\$386,147,000	5.16%

Balancing taxpayer ability to pay for the services provided is a key component of the Finance and Budget Committee’s budget deliberation. Maintaining a stable taxation rate that is not subject to erratic swings, keeping any increases to a minimum and decreasing costs when possible, while ensuring that the services are provided as efficiently as possible are key considerations in the recommended budget.

The Finance and Budget Committee have dedicated hours to developing the 2018 Budget. The detailed summaries, analysis and comparisons would not be possible without the professional expertise and knowledge of Amy Wong, County Finance Director, and the Finance and Administration department staff.

Respectfully,

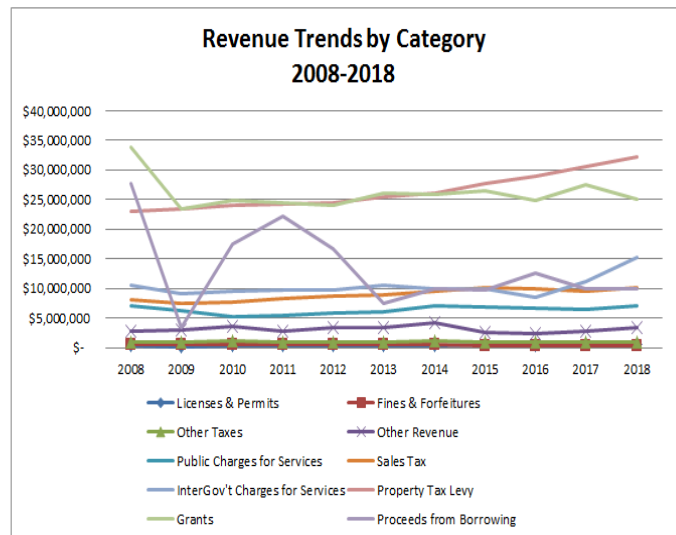
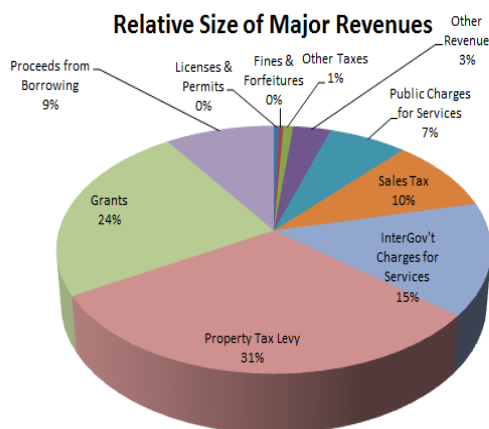
Kathryn Schauf
 County Administrator
 October 16, 2017

Revenues

Wisconsin Statute §66.0602 limit county operating property tax levy increases to 0% or the increase in county wide net new construction value, whichever is greater. Equalized value due to net new construction increased at 2.024% this year; therefore the 2018 budget recommendations are based on a **2.024%** increase in the operating property tax levy. Due to the 2.024% increase in the operating levy and an increase of \$1,273,069 for county debt service, the adopted 2018 levy rate is \$4.094/\$1000 of equalized value vs. the current \$4.086/\$1000 of equalized value.

County sales tax revenues are projected at \$10,100,000 for 2018, an increase of \$500,000 from the 2017 budget. The sales tax revenue increase is based upon actual receipts in excess of budget for 2016, year to date 2017 receipts and estimates for 2018.

State aids are budgeted consistent with the approved 2017-2019 biennial state budget – the same level as 2017 for many categories, including shared revenue, and various human services programs. Revenue proportions are in the chart below (left).



The Revenue Trends chart shows by category how county-wide major revenue sources have changed over time; as well as provides a pictorial view of the revenue relationships. **Of greatest note is the divergence of grants and aids, and the subsequent impact to the reliance upon property tax as a funding source for mandatory, protective services.**

Fund balance will be applied to the 2018 budget for contingency, paid-time-off payouts, insurance gap funding and capital projects.

Capital Improvement Plan:

The capital improvement plan includes county-wide capital requests for a five-year time line. Capital outlay expenditures include routine replacements such as computers and vehicles, as well as large projects such as roof repairs or carpet replacement. Emphasis is placed on analysis of future operating costs related to capital acquisitions. However, as budgets have tightened, most expenditures have been for maintenance or replacement, not expansion or growth.

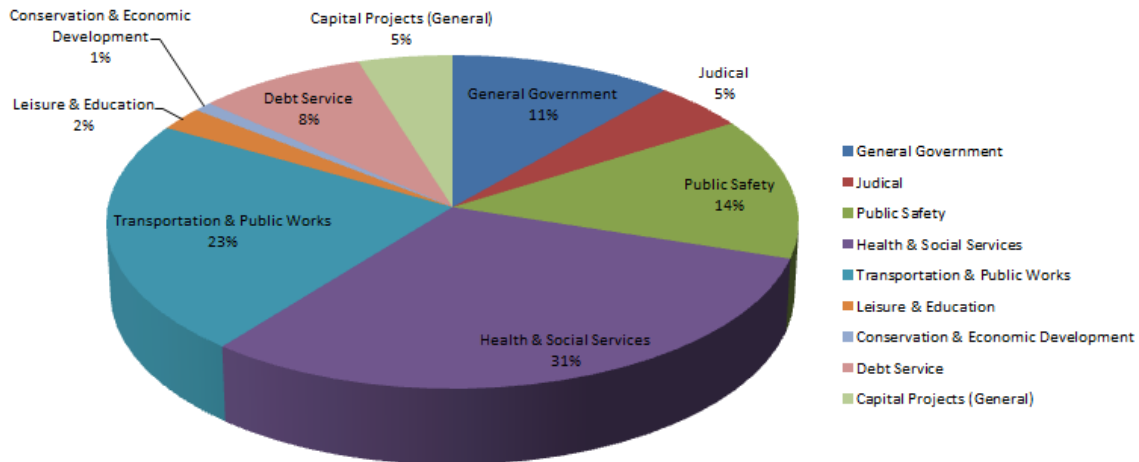
Maintaining the county’s existing road and bridge infrastructure is one of the major funding challenges into the future. The adopted 2018 Budget coincides with the 2015 recommendation of the Transportation Work Group’s Highway Outlay and Maintenance Program Review to invest \$4.0 million in annual borrowing, and 1.5 million in funds balance as a means to maintain and improve the overall pavement quality rating of the county road system. Highway operations have engineered and developed methodologies of improving and maintaining the overall condition of roadways that have resulted in significant savings.

Borrowing to fund county wide capital projects necessary to maintain county infrastructure and operational capacity is recommended in the 2018 budget in the amount of \$9.88 million vs. \$9.98 million in the 2017 budget. Short-term borrowing for county wide capital projects and road and bridge infrastructure needs authorized in the 2017 adopted budget will increase county debt service payments by approximately \$1,273,069 in 2018.

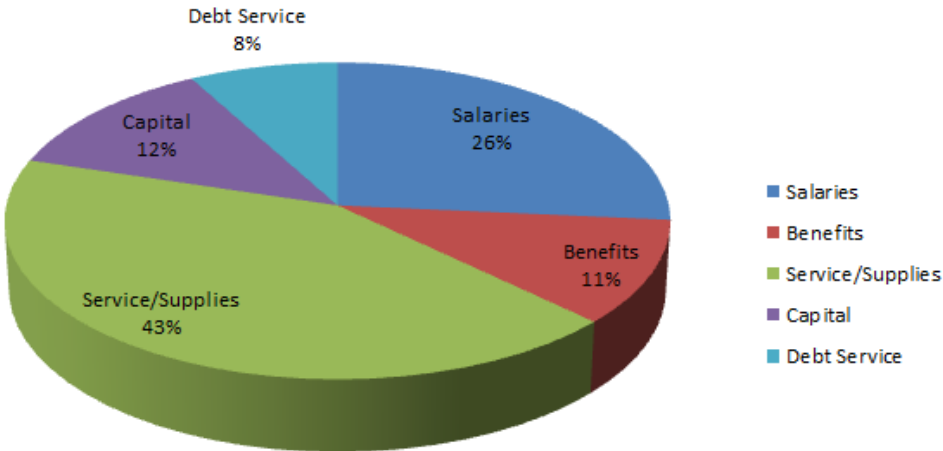
Expenses

Expenses tend to be far more predictable than revenues. Expenses are also more controllable than revenues. Many expenses also follow the existence of grants and aids revenues. The chart below breaks out expenditures by function. Health and Social Services comprises the largest function of service provided by Eau Claire County. However, when broken out by tax levy distribution public safety is the largest component.

2018 Expenses by Function



2018 Expenses by Category



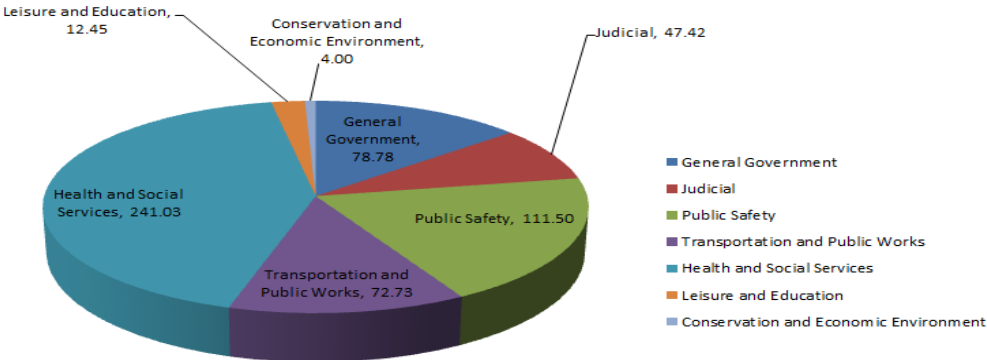
It is also beneficial to view expenditures by category. The largest is in the direct distribution of supplies and services to the residents of Eau Claire County.

Labor and Personnel

As with most governments, Eau County’s biggest investment is in its staff. The labor and benefits portion of the expense pie comprises 37 percent of the total expenses for 567.91 full-time equivalents (FTE’s) in 2018. Local government is a service industry, and all service sector employers are highly reliant upon attracting and retaining a highly qualified workforce.

The majority of county employees provide health and human services functions, with justice and public safety being the next largest area - *chart below*.

2018 FTE by Function



Since personnel is the largest expenditure of the County, projections of future staffing needs and their funding sources are extremely important.

Further, employee benefits continue to be a large portion of staff costs. The County seeks ways to minimize this cost by actively negotiating rates and coverage with health insurance companies. For 2018, the County will experience a slight decrease in health insurance premium costs. The lower benefits increase is a product of both aggressive bidding, supplemental programming (The Difference Card), and increasing emphasis on wellness programs.

	2018 Recommended	2017 Adopted	% Increase
Salaries	\$ 31,399,697	\$ 31,022,200	1.22%
Benefits	\$ 12,704,863	\$ 12,597,810	0.85%
Totals	\$ 44,104,560	\$ 43,620,010	1.11%

Summary

The key message embodied within the 2018 budget is focused on building future financial flexibility and designing service models that address current issues and trends. The ability of County government to meet needs, address issues and provide vital infrastructure must continue even as the County experiences an erosion of typical funding mechanisms for local government.

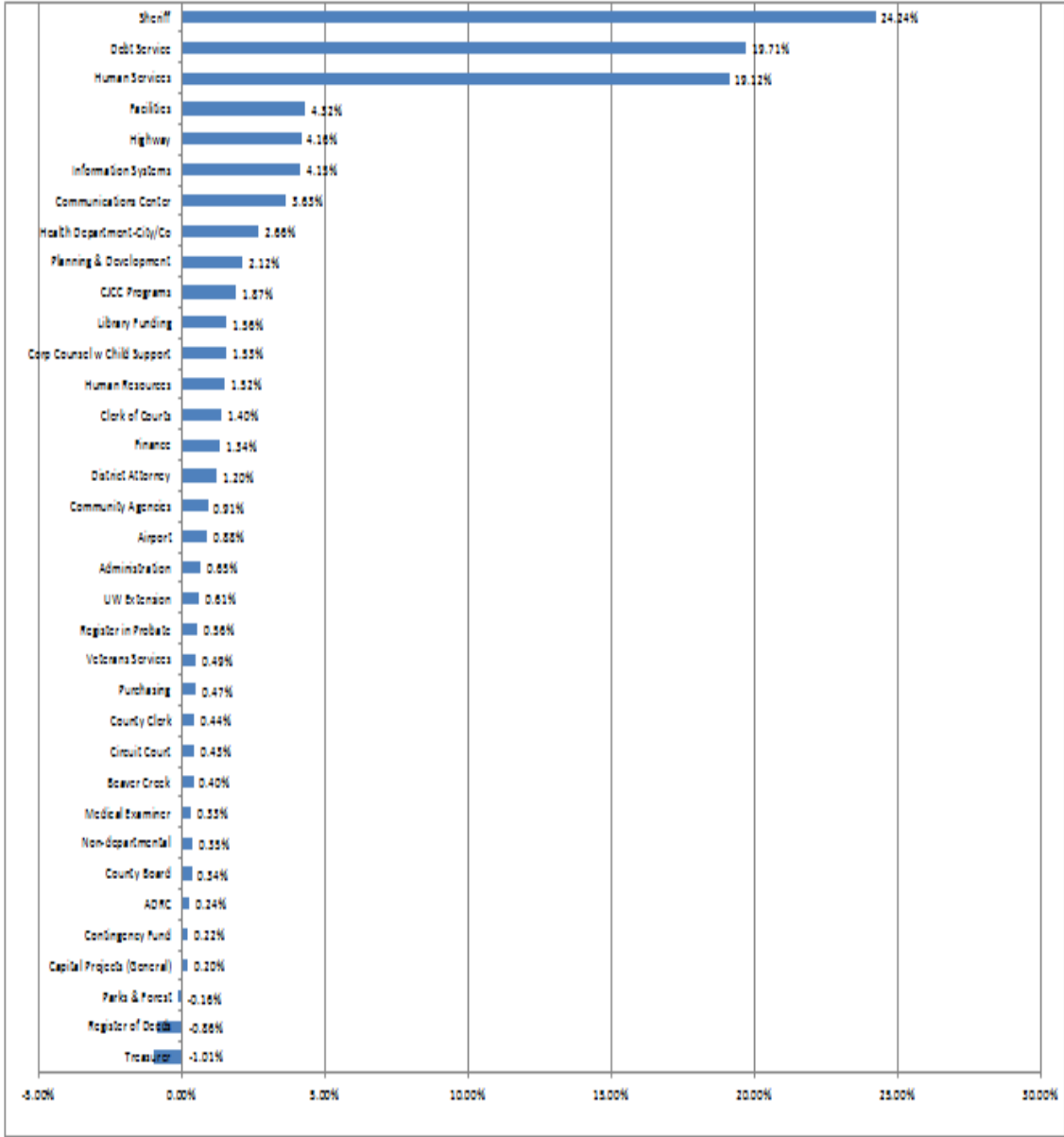
This budget is:

1. **A Policy Document** – reflective of constituencies’ desired type and level of service that encompasses the unique flavor of Eau Claire County.
2. **An Operations Guide** – providing direction on policy implementation in a detailed form.
3. **A Planning Document** – embodying the mission, vision and goals of Eau Claire County government, incorporating the strategic plan.
4. **A Communications Device** – providing transparency, accountability and information.

County government serves two purposes. It provides certain services at the local level for the state, and it is also a unit of local self-government. Counties engage in activities specifically authorized by statute, and have a great deal of latitude in the way in which services are actually provided. There are a multitude of good things that government does, and even more that could be done. The challenge will always be balancing the needs of the communities we live in against costs to the property taxpayer.

The Eau Claire County mission is, “To provide quality, innovative and cost effective services that safeguard and enhance the well-being of residents and resources.” Eau Claire County is fortunate to be in a strong fiscal position, which allows for continued development of streamlined processes that continue the Eau Claire County mission.

Allocation of Eau Claire County's Portion of the Property Tax Bill



The breakdown in the chart above shows how that property tax is apportioned and what “taxpayers” are receiving for their investment. Law enforcement, and jail operations are the largest component of the taxpayers investment in developing, maintaining, and operating a community consistent with the Eau Claire County mission.