

MAKING CENTS

COLUMBIA COUNTY

Guide to County Budget/Finances

Spring 2022

Revised 4/2022

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ABOUT THIS REPORT

As we begin the 2023 budget process, we must move forward managing old and new financial hurdles.

This report examines the relationship between our finances, the budget, and the Levy Limit. It provides a historical perspective, as well as, an in-depth review of pending issues & the future.

Lois Schepp, CPA, MBA
Comptroller

INTRODUCTION

Finances, accounting, restrictions, and budget/taxation are difficult concepts in Wisconsin county governments. This guide will clarify those topics and also provide specific Columbia County data.

FINANCES

Unlike the private sector, there is no “profit motive” in county government. Other differences in county government from the private sector:

- Property taxes, which represent the largest funding source for the county, are apportioned and billed to property owners.
- Many county expenditures are mandated services from the State of Wisconsin or Federal Government.
- Counties are governed by an elected board of supervisors.
- Services provided are separated by departments. Each department has very different operations and requirements, lead by department heads and governing committees.

ACCOUNTING

Governmental accounting, though encompassing all basic accounting regulations, has very different reporting requirements and presentation criteria. Someone who is fluent in standard profit and loss statements or balance sheets, will notice many differences in governmental accounting. Because of this, training and education for all decision-makers is a top priority.

RESTRICTIONS

County government must meet objectives and provide public service needs, within the mandates of statutes, state and federal regulations, and a state mandated levy limit.

BUDGET/TAXATION

Because property taxes are only assessed once per year, counties need to carefully prepare and follow a budget. Balancing the needs of our county, with available resources, is the budget’s most important goal.

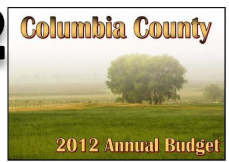
FORECASTING

County budgets must be prepared within the confines of restrictions and mandates. The need for financial planning has never been greater. Forecasting is an important tool to utilize before making current year decisions. Using long-term financial planning, funding and expenditure strategies can be developed, which can assist in balancing the budget while meeting needs.

HISTORY OF SIGNIFICANT BUDGET ISSUES

Mill Rate Limit repealed.

« 2012



Sheriff's Department assumed responsibility for City of Portage Dispatch.

With adoption of a new State budget, all county employees began paying a portion of their retirement, with the exception of Sheriff Sworn and Sheriff Management.

A multi-county consortium for Income Maintenance was established.



2013 »

Wind turbine revenue became an annual source of funds.

1st year County assumed full responsibility of CCEDC costs.

County Board approved \$45.5 million for building/other projects.

« 2014



Co-Composting operations ceased in April 2014.

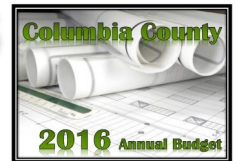


2015 »

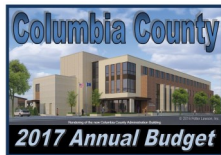
Broke ground for the new buildings.

Personnel adjustments from 2015 wage study, were budgeted for the first time.

« 2016



Highway authorized a new office and fuel system.



2017 »

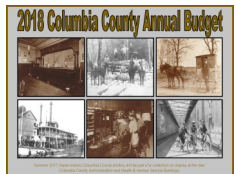
Began funding operation costs of new buildings.

Received a one-time payment of \$1.2 million from the American Transmission Co. Funds are designated for new Election equipment and an upgrade to the County 911 system.

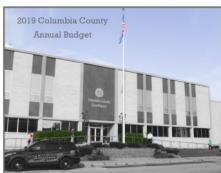
Utilized \$2.4 million in reserves to balance the budget. Largest amount to date.

Completed building projects.

« 2018



All staff moved to new/remodeled locations.



2019 »

Issued bonds for the Sheriff's Department to upgrade radios/towers and purchase software for a total of \$3.2 million.

Interest earned on investments was budgeted with a 60% increase due to interest rates.

Received Routes to Recovery and CARES Act funding to help offset unbudgeted expenditures due to Coronavirus.

« 2020



Interest earned on investments was budgeted with a 26% increase due to interest rates.



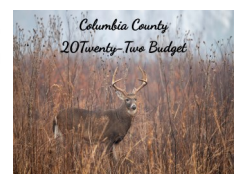
2021 »

Interest earned on investments was budgeted with a 39% decrease.

A Capital Project for an upgrade to recycling operations was included in the budget.

Interest earned on investments was budgeted with a 65% decrease.

« 2022



There was a 5% decrease in the County's Mill Rate.

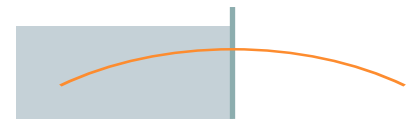
QUICK FACTS

Snapshot of County Finances

Total Expenditures	\$83,876,640
Total Revenue Budgeted	(\$50,666,980)
Total Equity Applied	(\$4,748,170)
Total 2022 County Levy	\$28,461,490

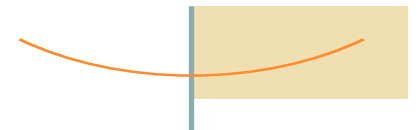
\$142,603,000

Value of County Capital Assets *(Includes Infrastructure)*



\$47,600,000

Total Outstanding Debt



25 # of Departments (approximately)
with Numerous Divisions

28 # of Elected County Board
Supervisors

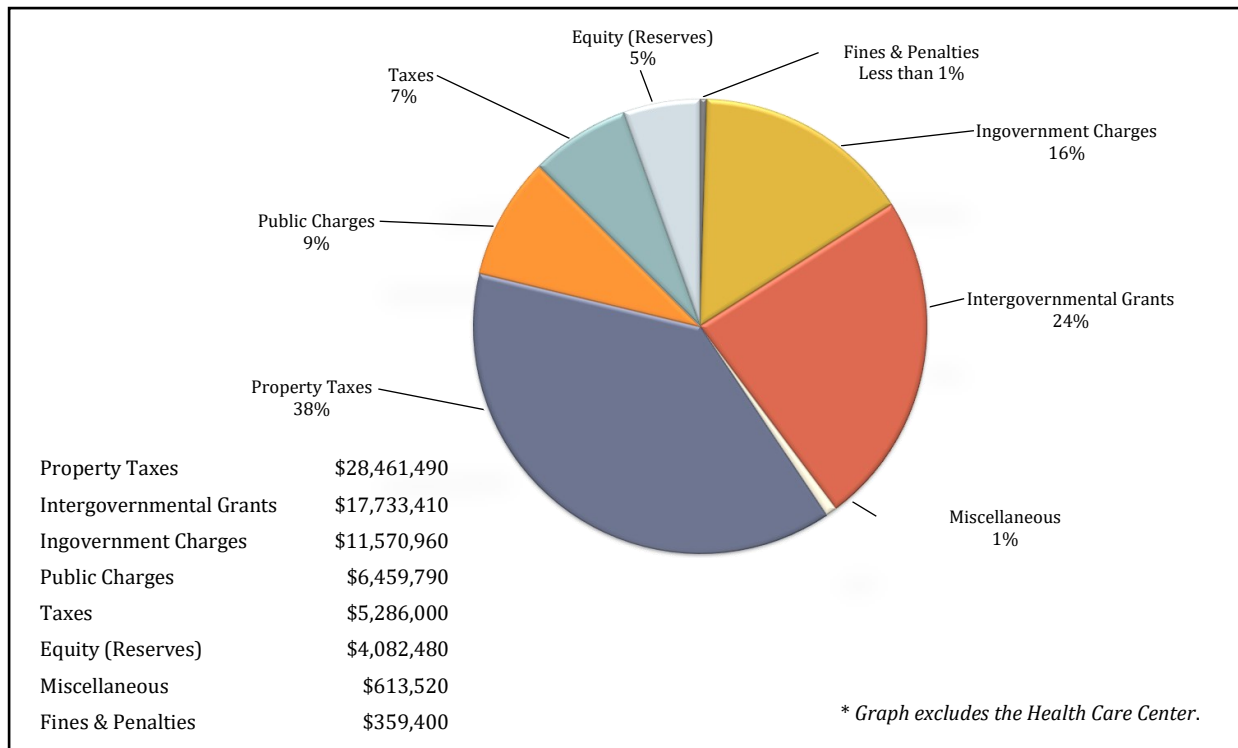
660 # of Employees

COUNTY REVENUES

WHERE DOES THE MONEY COME FROM?

Columbia County’s 2022 budgeted revenues and equity applied, total \$83,876,640. The majority of this is from (3) sources:

- **Property Taxes:** Regulated by the State of Wisconsin, through a Levy Limit. They are computed during the budget process: Total Expenditures - Total Revenues and Equity Applied = Property Taxes.
- **Grants:** Awarded by the Federal and State Governments. There are a few grants awarded, with no required reporting or restrictions. However, the majority of grants are for pre-determined purposes and require detailed reporting to the grantor.
- **Intergovernmental Charges for Services:** Generated when a county department does work for another governmental agency. This can also account for in-county charges.



COUNTY REVENUES

HISTORY

SUMMARY OF COUNTY FUNDING SOURCE						
	2018 Budget	2019 Budget	2020 Budget	2021 Budget	2022 Budget	% Change (2018-2022)
Property Taxes-Operating	\$21,743,260	\$21,850,670	\$22,192,380	\$22,435,280	\$22,721,030	4%
Property Taxes-Debt/Special	\$5,435,480	\$5,436,890	\$5,418,210	\$5,582,950	\$5,740,460	6%
Total Property Taxes	\$27,178,740	\$27,287,560	\$27,610,590	\$28,018,230	\$28,461,490	5%
Other Taxes	\$5,012,500	\$5,095,000	\$5,188,000	\$5,176,000	\$5,286,000	5%
Grants/Aids	\$21,086,140	\$22,411,580	\$22,971,760	\$23,840,300	\$23,949,940	14%
Fines/Penalties	\$412,100	\$379,600	\$372,400	\$370,900	\$377,400	(8%)
Public Charges	\$7,647,780	\$7,776,400	\$8,135,100	\$8,401,340	\$8,846,670	16%
Intergovernmental Chgs	\$9,346,040	\$10,061,760	\$10,347,180	\$10,564,330	\$11,570,960	24%
Miscellaneous	\$900,710	\$1,152,820	\$1,178,660	\$916,700	\$636,010	(29%)
General Fund	\$1,503,320	\$1,561,940	\$1,615,430	\$1,039,100	\$1,418,420	(6%)
General Fund—Capital Projects	\$0	\$0	\$0	\$2,183,450	\$0	
Other Equity	\$3,111,830	\$3,059,880	\$3,499,100	\$2,929,440	\$3,329,750	7%
Total Revenue	\$76,199,160	\$78,786,540	\$80,918,220	\$83,439,790	\$83,876,640	10%

SYNOPSIS

The county's primary revenue source is property taxes. This is problematic because the State's Levy Limit restricts increases. The chart above illustrates an operating property tax levy, which has seen minimal increases in the last five years.

Other Taxes: Increase is due to sales tax revenue.

Grants/Aids: Increased services within Health & Human Services' Comprehensive Community Service and Children's Long Term Support programs contributes to most of this increase.

Public Charges: Solid Waste garbage and recycling fees and volume were the largest factor of the increase.

Intergovernmental Chgs: This increase is due to Solid Waste Municipal contracts, insurance allocations to departments and Highway road revenue.

Miscellaneous: Interest rate volatility resulted in a decrease in budgeted Interest on Investments.

General Fund: From 2021 to 2022, the increase in General Fund applied is due to a higher cost of living increase allowed.

Other equity, as listed above, represents specific earmarked funding, which is utilized to offset the budget. Examples: Highway internal reserves, nonlapsing funds, Health Care Center IGT prior revenues.

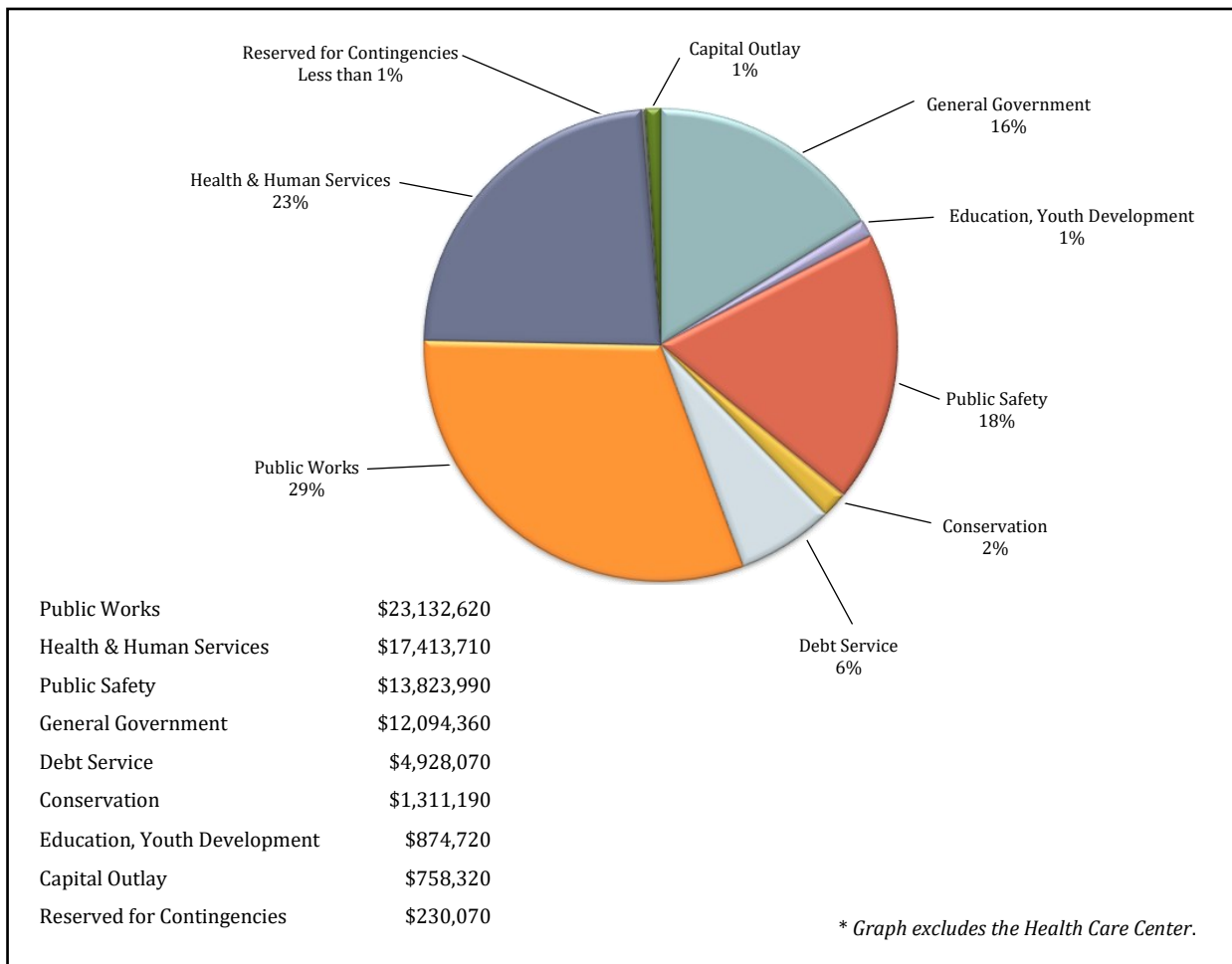
COUNTY EXPENDITURES

WHERE DOES THE MONEY GO?

Columbia County’s 2022 budgeted expenditures total \$83,876,640. The (3) largest categories are:

- **Health & Human Services:** This is the largest expenditure category (or function). This function includes all of the Health & Human Services Department, the Health Care Center, Veterans Services and Child Support. Though this category has the highest level of spending, it does not have the highest property tax funding.
- **Public Works:** This includes Highway and Solid Waste.
- **Public Safety:** These expenditures come in third. However, the Sheriff’s Department utilizes the most property tax revenue compared with other functions.

These categories are divided by line item (object code). Countywide, personnel costs account for 52% of all expenditures. This is followed by contracted services at 13%.



COUNTY EXPENDITURES

HISTORY

EXPENDITURES BY FUNCTION						
	2018 Budget	2019 Budget	2020 Budget	2021 Budget	2022 Budget	% Change (2018-2022)
General Government	\$9,236,475	\$9,877,110	\$10,573,870	\$10,173,650	\$10,580,940	15%
Public Safety	\$13,109,030	\$12,942,850	\$12,977,960	\$13,022,410	\$13,214,730	1%
Facilities Management	\$2,717,860	\$2,741,710	\$2,990,970	\$2,883,840	\$2,875,270	6%
Public Works	\$19,418,626	\$20,747,010	\$20,835,970	\$21,072,340	\$22,973,940	18%
Health & Human Services	\$24,347,210	\$25,318,140	\$25,990,520	\$26,498,440	\$26,723,300	10%
Education & Conservation	\$1,759,853	\$1,522,330	\$1,464,730	\$1,726,340	\$1,437,930	(18%)
Debt Service	\$4,634,850	\$4,647,330	\$4,723,900	\$4,743,200	\$4,928,070	6%
Capital Projects	\$0	\$0	\$0	\$2,183,450	\$0	
Contingency Fund	\$222,660	\$200,000	\$588,920	\$200,000	\$230,070	3%
Exempt Levy Items	\$752,596	\$790,060	\$771,380	\$936,120	\$912,390	21%
Total Expenditures	\$76,199,160	\$78,786,540	\$80,918,220	\$83,439,790	\$83,876,640	10%

SYNOPSIS

General Government: The largest of the increases is for the Retirement Pool. The Retirement Pool increased due to long-term employees retiring. MIS Operations, due to the on-going demand for current technology, had a 9% increase. Also, rising wages and benefits contribute to the increase.

Public Safety: Wages and benefits were the largest factor in the five year increase in costs. Increased revenues for Board of Inmates significantly lowered the County net cost.

Facilities Management: Operational costs for two additional buildings resulted in a 6% increase.

Health & Human Services: The majority of the increase in HHS was for contracted services and new positions granted. (*Note:* this category includes the Health Care Center.)

Debt Service: The Sheriff Radio Tower Project/Debt Refunding increased annual debt service.

Exempt Levy Items: Library, State Charges, County Aid Bridge. Debt Service is also exempt, but is listed separately in this table.

UNDERSTANDING THE BUDGET

HOW IS THE BUDGET DEVELOPED?

Throughout the year, County Board Supervisors and Department Heads evaluate needs and available resources.

JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
Departments are given guidelines on how to prepare the next year's budget.	Departments receive their budget preparation packets. All requested changes in personnel are presented to the HR and Executive Committees. There they are reviewed, evaluated, and prioritized.	After budget materials are completed by departments, requests are reviewed by governing committees. All budgets must be approved by governing committees and turned in and reviewed by the Accounting Department.	After compilation, all budgets are then reviewed by the Finance Committee and County Board Chair.	A Finance Committee recommended budget is presented to the County Board.	A public hearing is held. After that, the budget is approved.	Tax apportionment is completed and tax bills are generated.

KEY TERMINOLOGY

Tax Levy: Amount of money to be raised by general property taxes for purposes specified in the County Board adopted budget.

Equalized Valuation: State's estimate of the full value of property. Used to apportion property tax levy among municipalities.

Assessed Valuation: Local assessor's value of property.

Tax Rate (also referred to as the Mill Rate): Amount of tax levied for each \$1,000 of valuation. The Tax Rate, for Wisconsin counties, is divided into three components:

- **Special:** Items exempted from the Levy Limit, including Libraries, Bridge Aid, State Special Charges and Debt Service.
- **Debt:** Expenditures related to debt service.
- **General:** All other operations.

Total Expenditures	\$83,876,640
Total Revenue Budgeted	(\$50,666,980)
Total Equity Applied	(\$4,748,170)
Total 2022 County Levy	\$28,461,490
Equalized Valuation	\$6,436,186,576
Tax Rate (per \$1,000 assessed property valuation)	4.422

UNDERSTANDING THE BUDGET

KEY TERMINOLOGY (continued)

Levy Limit: Beginning in year 2006, this limit was enacted for all Wisconsin counties. Excluded from the limit are:

- Debt Service
- County Bridge Aid
- State Charges
- Library Payments

Computation of the allowable increase has seen some minor changes since adoption.

Currently, the formula allows “0” percent or the percentage increase in valuation due to new construction, whichever is higher, along with any decrease that may result from terminating a tax incremental financing district.

Dissecting the LEVY LIMIT

Years 2018-2022 the allowed increase to the operating levy is as follows:

COLUMBIA COUNTY OPERATIONAL LEVY		
Year	Total Operating Levy <i>Subject to Levy Limit</i>	Allowable Increase
2018	\$21,743,260	*\$610,525
2019	\$21,850,670	\$260,260
2020	\$22,192,380	\$333,573
2021	\$22,435,280	\$242,900
2022	\$22,721,030	\$285,750

* Includes one-time carry forward allowance of \$344,675.

As illustrated above, the operating levy has increased minimally. Countywide, expenditures have increased 10%.

ALL ABOUT PROPERTY TAXES

HOW ARE YOUR COUNTY PROPERTY TAXES COMPUTED?

①

Each municipality is apportioned a share of the county property tax (which has been adopted by the Columbia County Board of Supervisors). This is based on equalized value.

②

The municipality computes the county property tax to be allocated to individual property owners.

This is done by calculating individual property assessment as a percentage of the municipalities' total assessment.

③

Multiply Step 1 by Step 2.

Example:

A taxpayer lives in the Town of Wyocena.

Town of Wyocena's share county property tax (based on apportionment) = \$1,040,376

Taxpayer's assessment of home = \$200,000

Town of Wyocena's total assessment = \$231,509,900

Taxpayer's assessment, as a percentage of the Town of Wyocena's assessment = .000864

Columbia County Property Tax = \$884

ALL ABOUT PROPERTY TAXES

WHAT IS INCLUDED ON A PROPERTY TAX BILL?

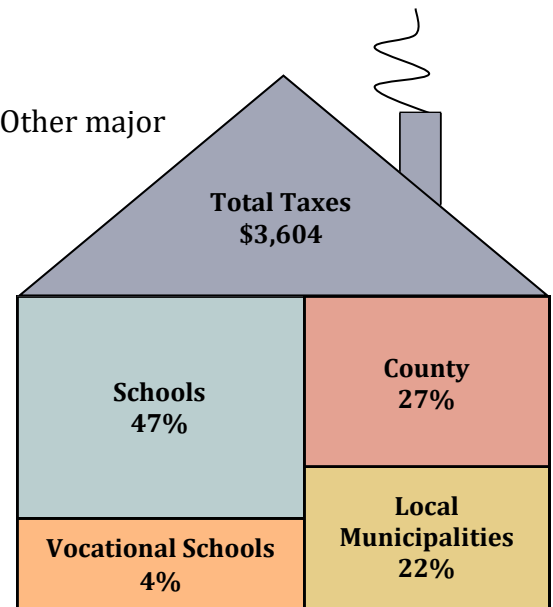
The Columbia County tax is only one portion of the total tax bill. Other major taxing jurisdictions include:

- State of Wisconsin
- Municipality
- School District
- Technical College

In Step 2 on page 10, municipalities also apportion these levies. In Columbia County, the average taxpayer has a property tax bill of \$3,604 which \$973 is for the County.

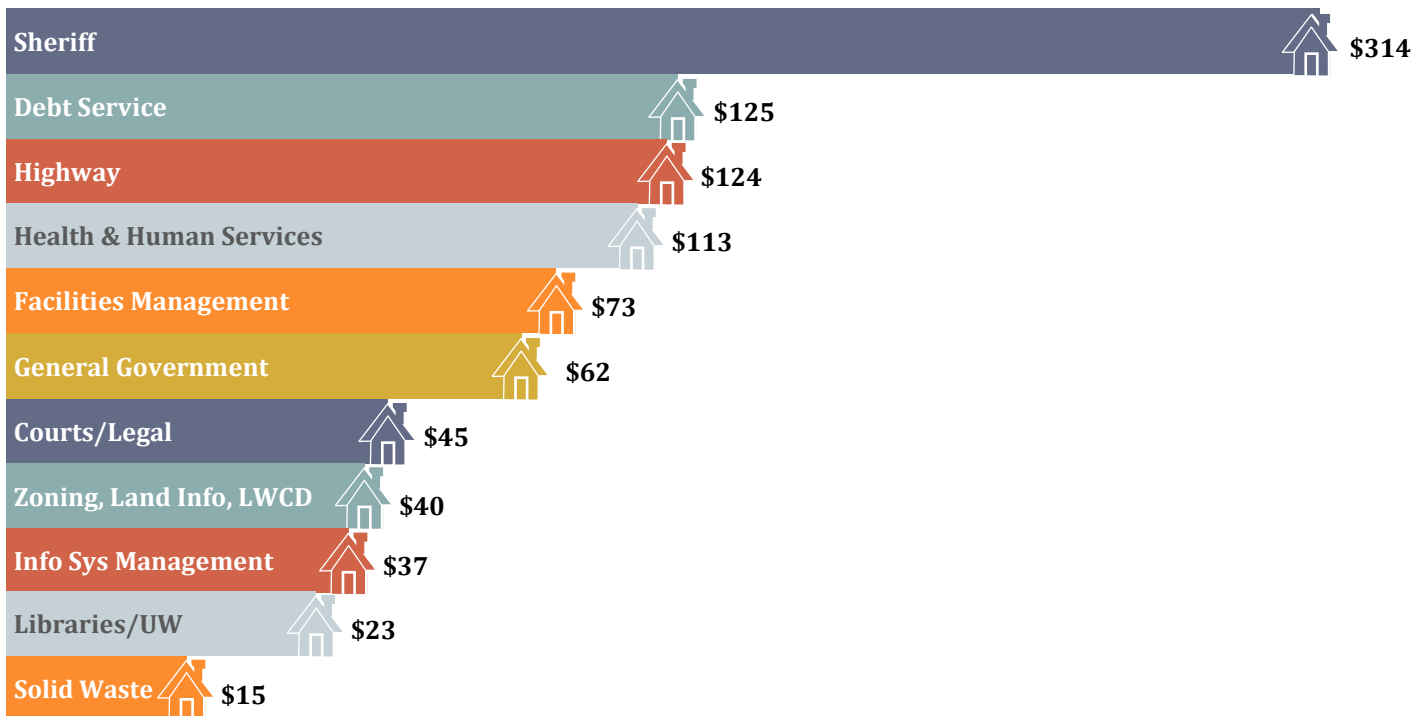
- Comparables:** ✓ The median property tax in WI is \$3,007.
 ✓ Dane County collects the highest tax of \$4,149.
 ✓ Iron County collects the lowest of \$1,520.

Source: Tax-rates.org



WHAT DOES YOUR \$973 (AVERAGE) IN COUNTY PROPERTY TAXES PAY FOR?

(Note: This chart computes amounts after general revenues have been allocated against all operations.)



ALL ABOUT PROPERTY TAXES

TAX RATE

The chart to the right, tracks 10 years of rates.

What does this illustrate? Tax rate is computed by dividing the equalized value by the levy. In the last 10 years, the general tax rate has decreased .70/\$1,000 assessed property valuation or \$140 on a \$200,000 home.

Adding in the other levies (exempt from Levy Limit) and debt, the tax rate has decreased 13% over the last 10 years.

10 YEAR TRACKING OF THE TAX RATE				
	General	Other	Debt	Total
2013	4.232	0.156	0.718	5.106
2014	4.362	0.151	0.715	5.228
2015	4.323	0.160	0.689	5.172
2016	4.243	0.149	0.774	5.166
2017	4.161	0.148	0.838	5.147
2018	4.112	0.152	0.877	5.141
2019	3.991	0.144	0.849	4.984
2020	3.846	0.120	0.819	4.785
2021	3.737	0.140	0.790	4.667
2022	3.530	0.142	0.750	4.422

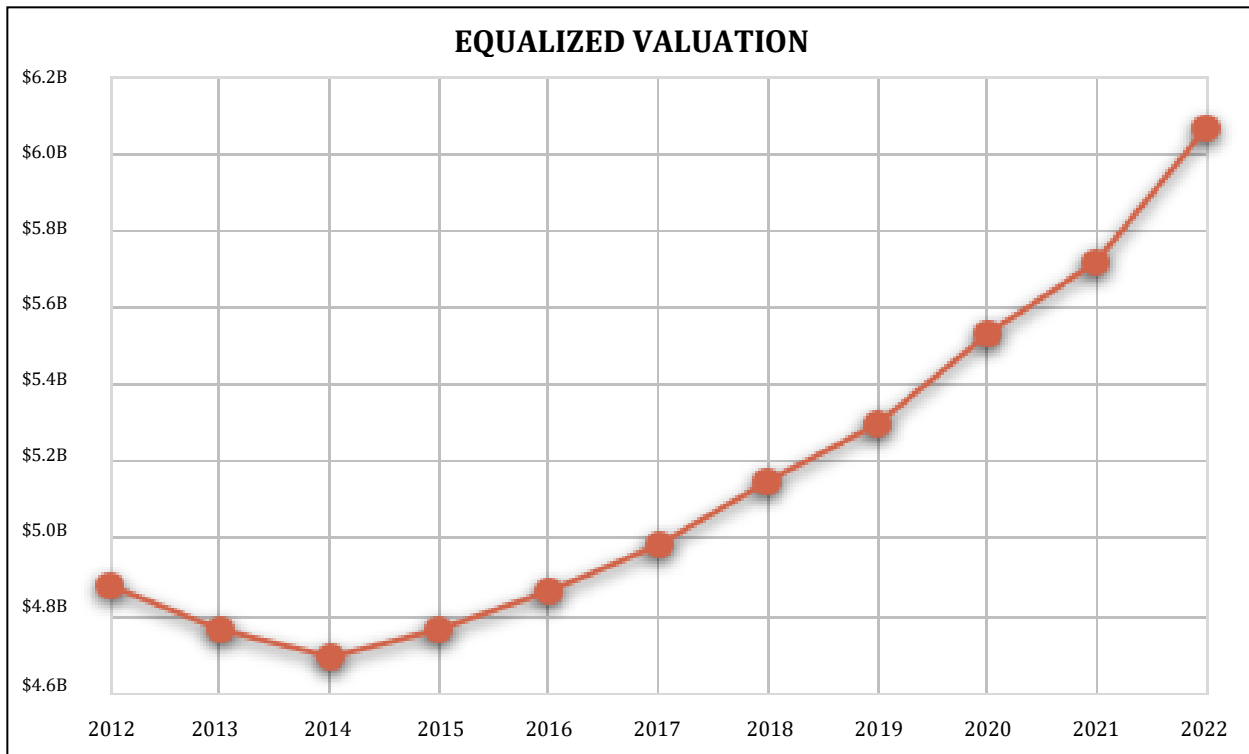
EQUALIZED VALUATION

The chart below, tracks 10 years of values.

What does this illustrate? Columbia County had three years of declining values. Since 2015, values have been on the rise again. Changes in equalized valuation directly impact taxes paid.

With a zero increase in levy, property taxes assessed may still increase if equalized valuation declines.

Reversing that scenario, property taxes assessed may decrease with the increases in equalized valuation. See the tax rates years 2015-2022. Though the Columbia County tax levy increased, the tax rate has dropped.



DEBT

THE BASICS OF BONDS (AND OTHER DEBT)

BOND BASICS:

Bonds/notes are just like IOUs. Purchasers of this debt means they are lending out their money.

Bonds are also called fixed-income securities because the cash flow from them is fixed.

A bond is characterized by its face value, coupon rate, maturity, and issuer.

Stocks are equity; bonds/notes are debt.

Yield is the rate of return received on a bond/note.

When price goes up, yield goes down and vice versa.

When interest rates rise, the price of bonds in the market falls and vice versa.

Bills, notes, and bonds are all fixed-income securities classified by maturity.

Columbia County has issued both bonds and notes. Notes have shorter maturities; up to 10 years. A shorter maturity date means lower rates. Bonds have maturities longer than 10 years, and are more complicated.

MOODY'S RATING

Moody's and Standard & Poor's are the best-known and most influential credit rating agencies. Columbia County bonds have always been rated by Moody's. Their role as raters is to assess the risk of bonds/notes through the study of all information provided to the public, and to assign to the issue and issuing company grades that accurately reflect the ability to meet the promised principal and interest payments.

Bond pricing and coupon are affected by the credit rating. Columbia County refunded existing debt in 2018 and 2019. 2019 had additional debt issued for upgrading Sheriff's radio towers and equipment. For each issuance, Columbia County was rated. Our current credit rating, issued by Moody's Investor Service, is Aa1.

BOND RATING CODES	
<u>Credit Worthiness</u>	<u>Moody's</u>
• An obligor has EXTREMELY STRONG capacity to meet its financial commitments.	Aaa
• High Quality	Aa
• Upper Medium Quality	A
• Medium Grade	Baa
• Somewhat Speculative	Ba
• Low Grade, Speculative	B
• Low Grade, Default Possible	Caa
• Low Grade, Partial Recovery Possible	Ca
• Default, Recovery Unlikely	C

DEBT

SUMMARY OF LONG TERM DEBT

<u>Debt Service Impact</u>	COLUMBIA COUNTY SUMMARY OF DEBT ISSUED				
Debt service payments for years 2021 and 2022 will average \$4.9 million per year. Of this, an average \$1,750,000 is for the 2014-2018 County building/other projects. An average taxpayer with a \$200,000 home will pay an additional amount, not to exceed \$40.00, to fund the building project.	Debt Issued	Purpose	Outstanding Balance 12/31/21		
	2003	\$28,420,000	Huber Center/Hwy/HCC	\$1,100,000	
	2016	\$35,510,000	Space Needs 2 & 3	\$30,100,000	
	2018	\$14,900,000	Refunding	\$13,400,000	
	2019	\$7,045,000	Refunding/Sheriff Proj	\$3,000,000	
	Total			\$47,600,000	

LEGAL DEBT LIMIT

The County has the power to incur indebtedness for County purposes specified by statute (Chapter 67, Wisconsin Statutes) in an aggregate amount, not exceeding five percent of the equalized value of taxable property in the County, as last determined by the State of Wisconsin Department of Revenue. In general, such indebtedness may be in the form of bonds and promissory notes for various public purposes. The County's unused borrowing capacity is as follows:

Equalized Value of Taxable Property in the County for 2021	\$6,436,186,576
Outstanding General Obligation Debt as of December 31, 2021	\$47,600,000
Legal Debt Capacity (5% of Equalized Value)	\$321,809,329
Unused Margin of Indebtedness	\$274,209,329
Unused Legal Debt Capacity	85.21%

DEBT AS A PERCENTAGE OF EXPENDITURES					
Year	Total Outstanding Debt	Total Debt Service	Total Expenditures	Total Levy	% Debt Service to Expend
2018	\$54,235,000	\$4,634,338	\$76,199,160	\$27,178,740	6.1%
2019	\$53,895,000	\$4,646,830	\$78,786,540	\$27,287,560	5.9%
2020	\$50,800,000	\$4,723,400	\$80,918,220	\$27,610,590	5.8%
2021	\$47,600,000	\$4,743,200	\$83,261,200	\$28,018,230	5.7%
2022	\$44,100,000	\$4,928,070	\$83,876,640	\$28,461,490	5.9%

WHAT'S AHEAD?

In 2022, our annual debt service is approximately \$4.9 million. For the average taxpayer, this computes to \$150. \$11 of this is attributable to the 2014-2018 building/remodeling project. (**Note:** amounts are gross, before the general revenue allocation.)

RESERVES

GENERAL RESERVES

Fund balance, as defined in the context of financial reporting, is used to describe the net position of funds. It must be calculated in accordance with generally accepted accounting principles. Governmental Accounting Standards Board (GASB) Statement No. 54, requires fund balance to be divided into five components.

Nonspendable

Not in spendable form or legally required to remain intact. These are non-cash assets. Examples: prepaid expenses, inventories, delinquent taxes.

Restricted

Externally enforceable limitations on use of proceeds. Externally imposed by creditors, grantors, laws of other governments, outside parties, enabling legislation. Examples: jail bond or note proceeds, nonlapsing balances (attributed to State regulations), CDBG housing program.

Committed

Self imposed limitations. Binding unless removed by county. Formal action needed to impose, remove, modify. Examples: equity applied to future budgets, nonlapsing balances, encumbrances.

Assigned

Limitation resulting from less formal action. Established by governing body or official delegated by governing body. Allows authority to be delegated to some other body/official. Examples: insurance fund, fuel/utility, capital improvements.

Unassigned

The last category - Unassigned - represents our **General Fund**. The unreserved portion of the fund balance (General Fund) serves as a key component of government fiscal stability. Adequate levels are essential to:

- a. Provide sufficient cash flow for financial needs during the year,
- b. Secure and maintain investment grade bond ratings and at the same time, keep long term investments intact, which translates into favorable interest rates when incurring debt,
- c. Offset significant economic downturns or revenue shortfalls, and
- d. Provide funds for unforeseen expenditures related to emergencies.

RESERVES

HOLDING THE CONVERSATION...WHAT IS THE RIGHT LEVEL OF RESERVES?

Columbia County's Financial Handbook defines the level of reserves as follows:

The Government Finance Officers Association (GFOA) recommends, at the very minimum, the County's general fund should maintain a level no less than two to three months of operating expenditures. For budget 2022, three months equates to \$21,000,000. GFOA also recommends the adequacy of reserves should take into account each government's unique circumstances.

Columbia County's historical general fund balances can be attributed to conservative budget practices and careful planning for the future. Below is a history of our General Fund, along with other comparative data.

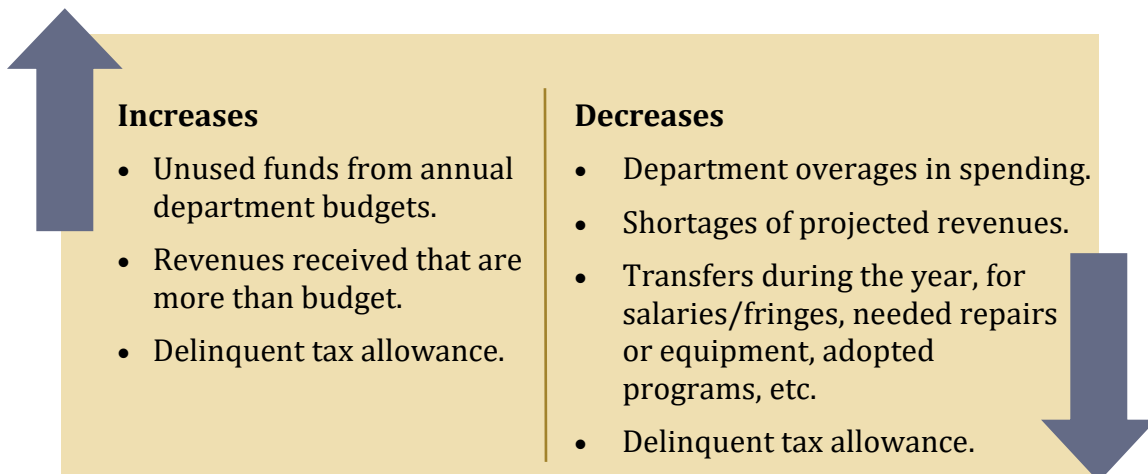
ANALYSIS OF RESERVES TO EXPENDITURES			
Year	Reserves Applied to Budget *	General & HHS Expenditures**	Reserves Used as a Percent of Expenditures
2016	\$1,696,207	\$42,131,172	4.02%
2017	\$2,381,198	\$43,898,460	5.42%
2018	\$1,503,320	\$46,770,870	3.21%
2019	\$1,561,940	\$48,084,210	3.25%
2020	\$1,615,430	\$50,559,980	3.20%
2021	\$1,039,100	\$50,589,100	2.05%
2022	\$1,418,420	\$52,012,250	2.73%

COLUMBIA COUNTY SUMMARY OF GENERAL FUND UNDESIGNATED RESERVES, AND CLOSEOUTS		
Year	General Fund/ Undesignated Reserves 12/31 Balance	Year End Department Closeouts
2017	\$22,128,096	\$2,644,354
2018	\$23,231,350	\$2,772,143
2019	\$22,440,345	\$2,629,567
2020	\$20,464,017	\$2,070,109
2021	\$21,747,998	\$1,786,165

* Reserves were also applied to the Health Care Center and Highway budgets, using their own internal funds.

** In this chart, only General and Health & Human Service expenditure totals are used. Debt Service has its own levy. Health Care Center and Highway apply their own reserves.

HOW DO RESERVES CHANGE?



RESERVES

QUESTIONS & ANSWERS

Does the General Fund represent cash in the bank?

No. Our fund balances contain other items such as inventories, receivables, and prepaid expenses. Many of these items are not available for spending.

Is the General Fund the difference between revenues and expenditures for the year?

No. The General Fund balance is cumulative. It includes balances and deficits from previous years.

How can money come out of the General Fund and be used for specific purposes?

*Columbia County Standing Rules - Rule 5 (4)
Resolutions to make transfers from the General Fund or the Contingency Fund shall be referred to the Finance Committee for its recommendation back to the Board, and shall require a two-thirds vote of the entire membership of the Board to obtain passage, pursuant to Sec. 65.90 (5)(a), Wis. Stats.*

What are some needs for a General Fund?

- *Planning - Reserves are a critical factor in the County's ability to plan and budget for the future.*
- *Cash Flow - Revenue receipts and expenditures are not spread evenly throughout the year, so cash flow has low points. Reserves ensure money is in the bank to pay our employees, vendors, contracts, and debt service. As the County grows (expenditures have risen 10% since 2018), the need for available and stable reserves is critical.*
- *Unforeseen expenditures or emergencies:*
 - ⇒ *More clients in the Health & Human Service Child and Family Services Division*
 - ⇒ *Heavier winter snow or ice*
 - ⇒ *Equipment breakdowns and required upgrades*
 - ⇒ *State/Federal mandates*
 - ⇒ *Other*
- *Bond Ratings - Fund balances have a direct impact on bond ratings. The lower the reserves, the higher the interest rate that will be paid. In the October 10, 2018 Moody's Credit Report, Columbia County was assigned an Aa1 rating. They acknowledge that we are "small for the rating category". However, they list the "proactive management and the maintenance of strong reserves" as a factor in our rating. It is noted that "narrowing of reserves or liquidity" could lead to a downgrade.*
- *Revenue Shortfalls - Revenue projections adopted in the budget may run short.*

FORECASTING *IN MILLIONS*

FORECASTING ASSUMPTIONS

Property Taxes Operating: New construction generated \$284,000 in 2022 and is estimated at \$300,000 per year for 2023-2025.

Property Taxes Debt/Special: Levy remains constant.

Other Taxes: Projections have been made at 4%.

Grant/Aids: Projections have been made at 3%. In 2024, utility aid will be reduced \$850,000 due to the closure of the Columbia County Power Plant. That is not factored in. Solar projects may offset some of that lost revenue.

Other Revenue: 4% increase per year.

General Fund Applied: Balancing amount determined by projected revenues less expenditures.

Expenditures: 5% increase per year.

Health Care Center (HCC): See page 21. For the purposes of this forecasting, the HCC property tax levy has been calculated with no County levy.

SUMMARY OF COUNTY FUNDING SOURCE					
	2021 Budget	2022 Budget	2023 Forecast	2024 Forecast	2025 Forecast
Property Taxes-Operating	\$22.4	\$22.7	\$23.0	\$23.3	\$23.6
Property Taxes-Debt/Special	\$5.6	\$5.7	\$5.7	\$5.7	\$5.7
Total Property Taxes	\$28.0	\$28.4	\$28.7	\$29.0	\$29.3
Other Taxes	\$5.2	\$5.3	\$5.5	\$5.7	\$5.9
Grants/Aids	\$23.8	\$24.0	\$24.7	\$25.4	\$26.2
Fines/Penalties	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4
Public Charges	\$8.4	\$8.8	\$9.1	\$9.5	\$9.9
Intergovernmental Chgs	\$10.6	\$11.6	\$12.1	\$12.5	\$13.0
Miscellaneous	\$0.9	\$0.7	\$0.7	\$0.8	\$0.8
General Fund	\$1.0	\$1.4	\$3.3	\$5.4	\$7.5
General Fund—Capital Projects	\$2.2	\$0.0	\$0.0	\$0.0	\$0.0
Other Equity	\$2.8	\$3.3	\$3.3	\$3.3	\$3.3
Total Revenue	\$83.3M	\$83.9	\$87.8	\$92.0	\$96.3

FORECASTING *IN MILLIONS*

FORECASTING ASSUMPTIONS (CONTINUED)

EXPENDITURES BY FUNCTION					
	2021 Budget	2022 Budget	2023 Forecast	2024 Forecast	2025 Forecast
General Government	\$10.2	\$10.6	\$11.1	\$11.7	\$12.3
Public Safety	\$13.0	\$13.2	\$13.9	\$14.6	\$15.3
Facilities Management	\$2.7	\$2.9	\$3.0	\$3.2	\$3.4
Public Works	\$21.1	\$23.0	\$24.1	\$25.4	\$26.6
Health & Human Services	\$26.5	\$26.7	\$28.0	\$29.4	\$30.9
Education & Conservation	\$1.7	\$1.5	\$1.6	\$1.6	\$1.7
Debt Service	\$4.8	\$4.9	\$5.0	\$5.0	\$5.0
Capital Projects	\$2.2	\$0.0	\$0.0	\$0.0	\$0.0
Contingency Fund	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2
Exempt Levy Items	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9
Total Expenditure	\$83.3M	\$83.9	\$87.8	\$92.0	\$96.3

GENERAL FUND/RESERVES

THE FUTURE OF GENERAL FUND/RESERVES				
	2021	2022	2023	2024
Fund Balance at Closing	\$23.1	\$23.5	\$22.0	\$18.4
Year End Close-Out	\$1.8	\$1.8	\$1.8	\$1.8
Applied to Following Year Budget	(\$1.4)	(\$3.3)	(\$5.4)	(\$7.5)
Ending Balance	\$23.5	\$22.0	\$18.4	\$12.7

SUMMARY

Keeping reserves at a level of three months with total County expenditures totaling \$83 million, a reserve of three months would be **\$21,000,000**.

As indicated above, this number is not sustainable with current revenue sources and funding.

Note: The projections include no new positions, reclasses or increase in hours for years 2022-2024. No injection of County funds into the Health Care Center has been added. No transfers out.

CLOSING ANALYSIS

TOP 10 ISSUES TO KNOW & WATCH

- Property taxes** and other revenue, are not keeping up with increasing expenditures. While expenditures have risen 10%, property taxes have only increased 4%. The Consumer Price Index rose by 7.9% through February, 2022. This is the fastest pace of annual inflation in 40 years. The current levy limit will be problematic to continue operations.

NONEXEMPT DATA		
	2018	2022
Expenditures	\$70,763,680	\$78,136,180
Property Taxes	\$21,743,260	\$22,721,030
General Fund Applied	\$1,503,320	\$1,418,420

- Borrowing for Roads/Outlay** is a strategy to comply with restrictions within the State levy limit, while balancing the budget and funding outlay or roads. This can be done two ways:

① We can borrow for outlay/roads and spread repayment over the life of the assets.

Pros:

- 1.1 Excluded from the levy limit restriction. Frees up levy dollars.
- 1.2 Annual cost to taxpayers is less, because items are financed over more than one year.
- 1.3 Fills the gap between spending and available revenue, without using reserves. This promotes stability and a positive bond rating.

Cons:

- 1.4 Tax levy would increase for debt service payments.
- 1.5 Additional cost of interest.

② We can borrow and immediately repay.

Pros:

- 2.1 Excluded from the levy limit restriction. Frees up levy dollars.
- 2.2 Minimal interest paid.
- 2.3 Keeps reserves in tact (see 1.3)

Cons:

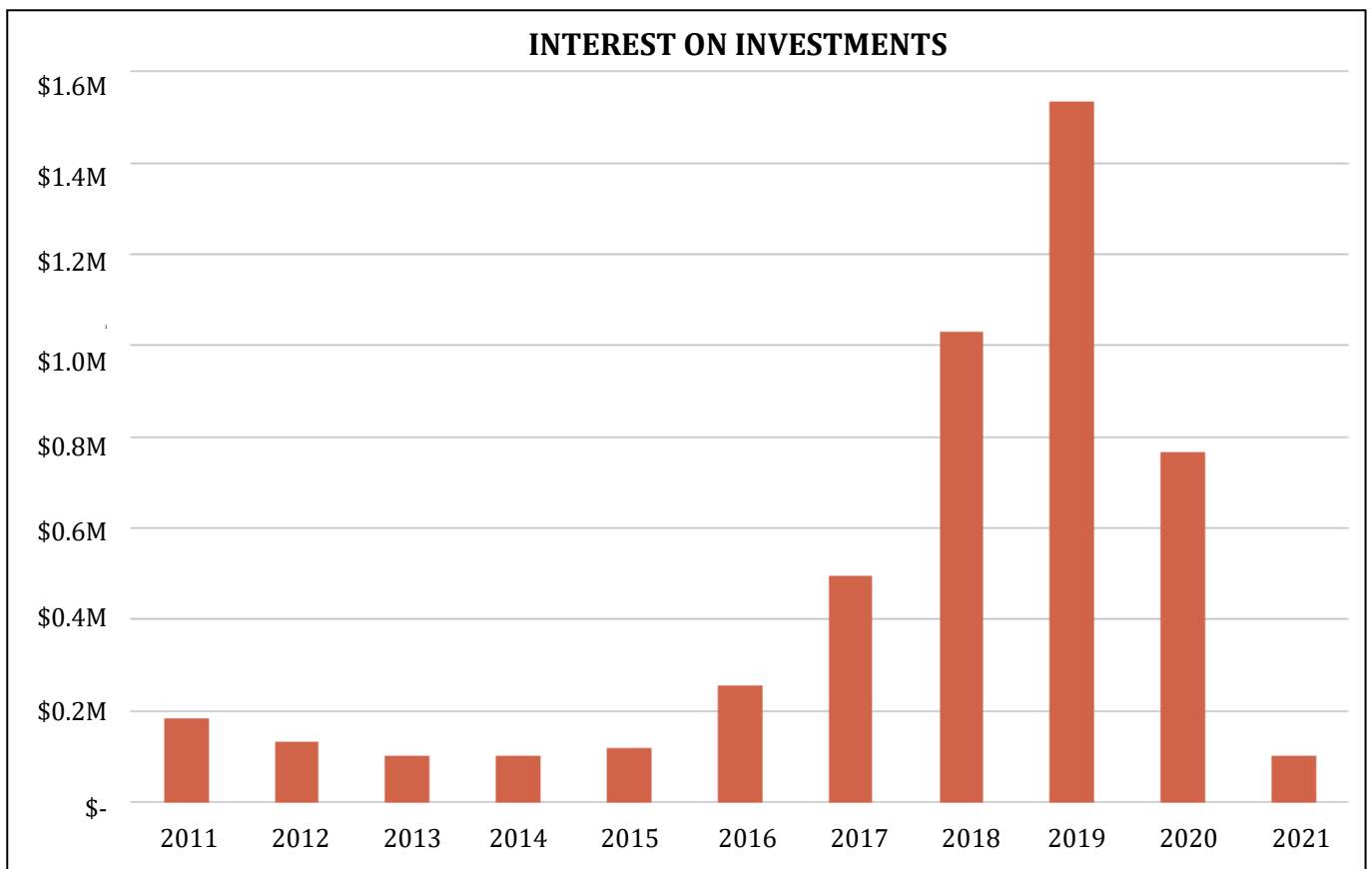
- 2.4 Tax levy would increase for the repayment amount.

What do other counties do? In a survey asking about borrowing for roads/outlay, 50 counties responded. 29 borrow for roads/outlay, 21 do not.

CLOSING ANALYSIS

TOP 10 ISSUES TO KNOW & WATCH (continued)

- Columbia County Health Care Center:** This facility has operated without a tax levy for the last 19 years. However, the facility has had recent losses and decreases in census. For 2020 and 2021, the facility had cash injections from the state and federal government due to COVID-19 dollars.
- Interest Earned on Investments:** In 2020 and 2021, rates significantly decreased and are expected to remain low. Budget 2022 projects a 65% decrease. The added revenue is an important component in balancing the tax levy.



CLOSING ANALYSIS

TOP 10 ISSUES TO KNOW & WATCH (continued)

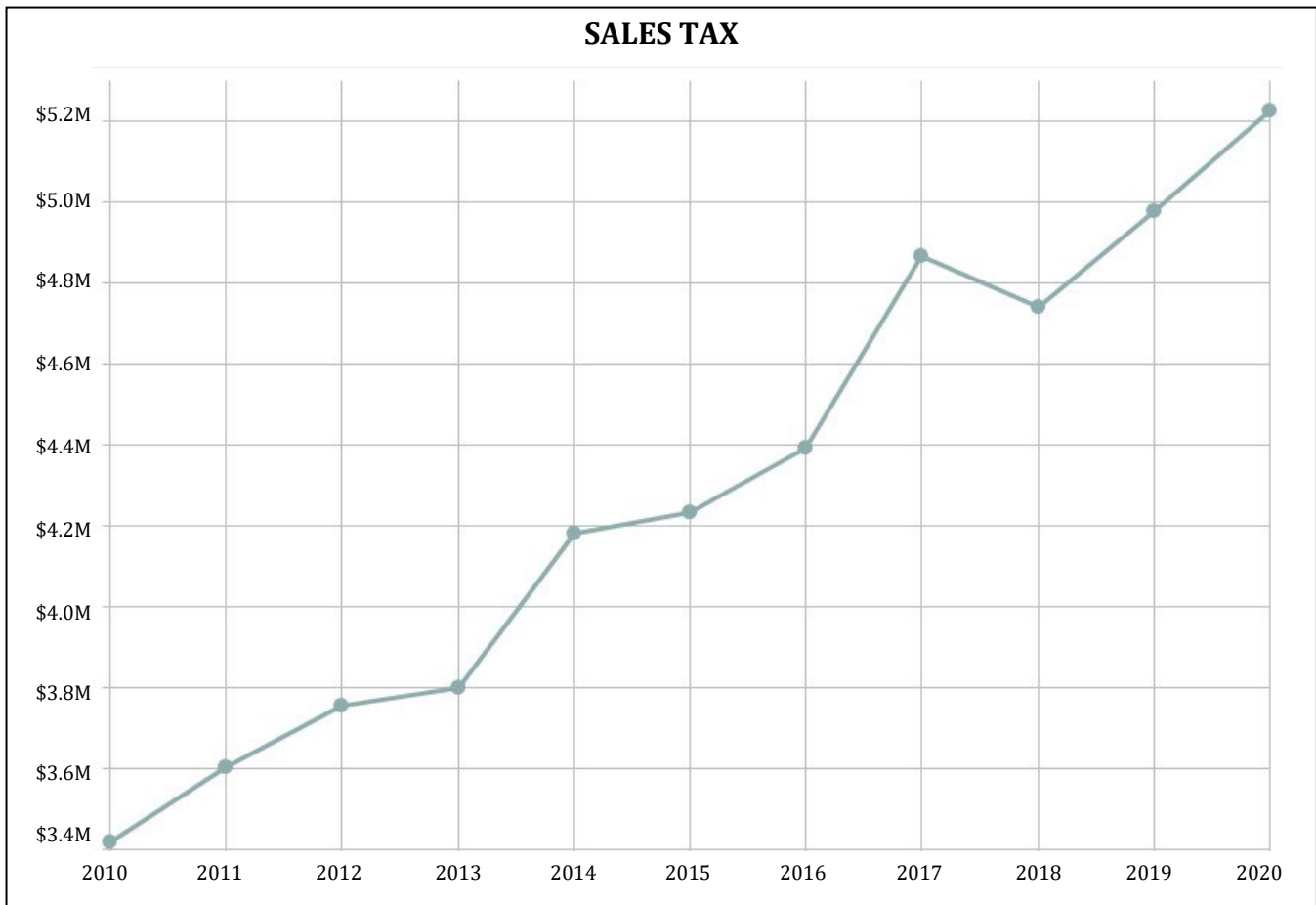
5. **Sales Tax:** Columbia County adopted a 0.5% sales tax in 1988, with an effective date of April 1989. We were part of the first 1/3 of all Wisconsin counties to take this step.

Today, 68 of 72 counties have the sales tax. Per capita, we total \$91, which is comparative to the statewide average of \$90. At \$154, Door County has the highest amount of county sales tax on a per capita basis.

Source: www.revenue.wi.gov

For 2020 and 2021 (to date), sales tax revenue has increased.

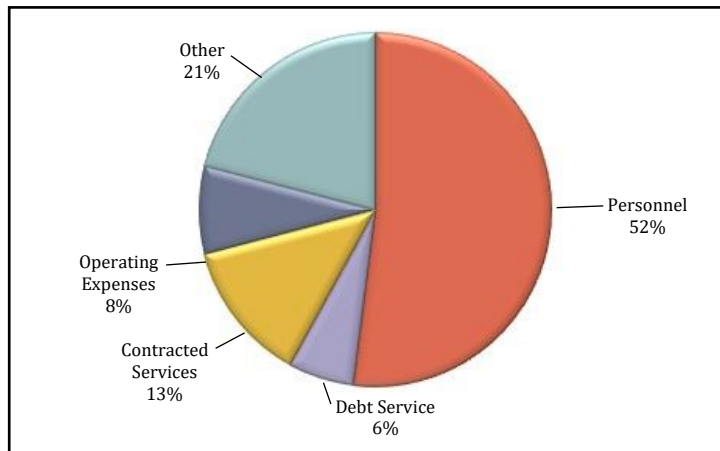
NEIGHBORING COUNTY SALES TAX COMPARISON		
County	Total Sales Tax (2020)	Per Capita (2020)
Adams	\$1,787,335.59	\$86
Columbia	\$5,225,904.43	\$91
Dodge	\$7,415,435.85	\$82
Green Lake	\$1,630,022.32	\$85
Juneau	\$2,051,200.67	\$75
Marquette	\$1,130,879.12	\$74
Sauk	\$8,906,846.10	\$141



CLOSING ANALYSIS

TOP 10 ISSUES TO KNOW & WATCH (continued)

6. **Personnel** costs, including salaries and fringe benefits account for 52% of all expenditures. Managing these costs is essential to balancing our budget for years to come. No other individual line item is close in comparison to total spending. All statistical numbers based on 2020 actuals.



ANNUAL AMOUNTS - COUNTY PAID

Payroll	\$28,150,000
Health Insurance	\$7,934,121
Life Insurance	\$61,412
Retirement Paid	\$2,079,592
Social Security	\$2,030,806
Sheriff Sworn Retirement (6)	\$30,417

Department	NEW POSITIONS (5 YEAR HISTORY)						INCREASE IN HOURS/ RECLASSIFICATIONS (5 YEAR HISTORY)					
	2018	2019	2020	2021	2022	Total	2018	2019	2020	2021	2022	Total
Accounting	0	0	0	0	0	0	0	1	7	0	1	9
Accounting (HHS)	0	1	0	0	0	1	0	0	4	0	0	4
Clerk of Courts	0	0	0	0	0	0	0	13	0	0	0	13
Corporation Counsel	0	0	0	0	0	0	0	0	0	2	0	2
County Clerk	0	0	0	0	0	0	0	0	3	0	0	3
District Attorney	0	0	0	0	0	0	0	0	2	0	0	2
Facilities Management	2	0	0	-1	0	1	0	15	3	18	0	36
Health & Human Services	0	0	1	2	0	3	0	4	3	15	11	33
HHS (ADRC Transportation)	0	0	1	0	0	1	0	14	0	0	14	28
Health Care Center	1	0	0	-1	0	0	1	1	0	96	0	98
Highway	4	0	2	0	0	6	0	12	0	91	0	103
Human Resources	0	0	0	0	0	0	0	1	0	0	0	1
Land Conservation	0	.5	0	0	1	1.5	0	3	0	0	0	3
Land Information	0	0	0	0	0	0	1	0	0	1	0	2
MIS	0	0	0	0	0	0	2	5	2	0	2	11
Planning & Zoning	0	.5	0	0	0	.5	0	4	0	0	0	4
Register in Probate	0	0	0	0	0	0	0	2	0	0	0	2
Sheriff	0	2	0	0	0	2	0	5	5	43	0	53
Solid Waste	1	0	1	0	0	2	0	14	0	27	0	41
Treasurer	0	0	0	0	0	0	0	0	0	1	0	1
UW- Extension	0	0	0	0	-1	-1	0	0	0	1	0	1
Veteran's Service Office	0	0	0	1	0	1	0	0	0	0	0	0
Totals	8	4	5	1	0	18	4	94	29	295	28	450

CLOSING ANALYSIS

TOP 10 ISSUES TO KNOW & WATCH (continued)

6. Personnel (continued)

WAGES

Average Columbia County Employee Salary (based on 2021) - \$56,000

HEALTH INSURANCE

Columbia County pays 88% of the total premium, with the employee responsible for 12%.

County Cost (2020)

County Cost (2021)

	<u>HMO</u>	<u>POS</u>		<u>HMO</u>	<u>POS</u>
Single	\$7,700	\$8,600	Single	\$7,875	\$8,724
Single + 1	\$16,600	\$18,400	Single + 1	\$16,920	\$18,745
Family	\$22,400	\$24,700	Family	\$22,787	\$25,205

RETIREMENT

Note: In 2021, the General and Elected percentages stayed the same.

Employee Class	2021 County/Employee (% of wages)	Total Employee Contribution Based on Average Salary
General	6.75/6.75	\$3,780
Elected	6.75/6.75	\$3,780
Sheriff Sworn	11.65/6.75	\$6,520

SOCIAL SECURITY

7.65% of Average Employee Salary - \$4,280

RETIREE HEALTH INSURANCE

Sheriff Sworn Only - Retiree annual payment to offset health insurance costs.

Retirement Age 53-65 * \$5,000/year to age 65

TOTAL COMPENSATION PACKAGE

Wages	\$56,000
Fringe Benefits	<u>\$33,270</u>
Total	\$89,270 (excludes Sheriff retirement package)

CLOSING ANALYSIS

TOP 10 ISSUES TO KNOW & WATCH (continued)

7. Health and Human Services (HHS): Placement costs and possible changes to Medicaid.

PLACEMENT FACTOR COSTS	A RELIANCE ON MEDICAID
<p>Youth</p> <ul style="list-style-type: none"> Increasing number of kids in higher levels of care. Increasing lengths of stay. Increasing rates. <p>Mental Health & Alcohol/Drug Abuse</p> <ul style="list-style-type: none"> State institutional cost for one admission is between \$1,149 to \$1,475 per day, depending on the unit the consumer is housed. Increasing community services to help divert the increasing costs of placements. <p><i>Medicaid doesn't pay for hospitalization for individuals between 21-64 or for residential substance abuse services.</i></p>	<ul style="list-style-type: none"> Affordable Care Act increased HHS ability to bill Medicaid. 2019 Wis Act 19 increased HHS ability to bill Medicaid for Crisis services. If repealed, HHS ability to generate revenue declines. Another issue is the likely change to Medicaid moving to a capitated system. That may also result in a decrease in revenues for HHS. 2022 budget for Medicaid revenue = \$3,846,070

8. Highway Department: Deteriorating Fleet & Roads.

ROADS	<p>Seal coat backlog is declining as road condition deteriorates into the next lower grade. Deterioration occurs in 7 years and our backlog is 10 years.</p> <ul style="list-style-type: none"> 177 miles in 2017 186 miles in 2019 139 miles in 2021
	<p>About 14 miles per year are seal coated (10 year backlog).</p>
	<p>On a backlog of 43 miles, 7.5 miles are resurfaced per year.</p>
	<p>85 miles of overlay backlog.</p>
	<p>Backlog of surface treatment for sealcoat, overlay and resurfacing has grown 13%:</p> <ul style="list-style-type: none"> 237 miles in 2017 271 miles in 2019 267 miles in 2021
FLEET	<p>Total number of trucks and autos = 85</p>
	<p>55% are fully depreciated.</p>
	<p>34% are at the end of their service life.</p>

CLOSING ANALYSIS

TOP 10 ISSUES TO KNOW & WATCH (continued)

9. Major Capital Outlay Requests

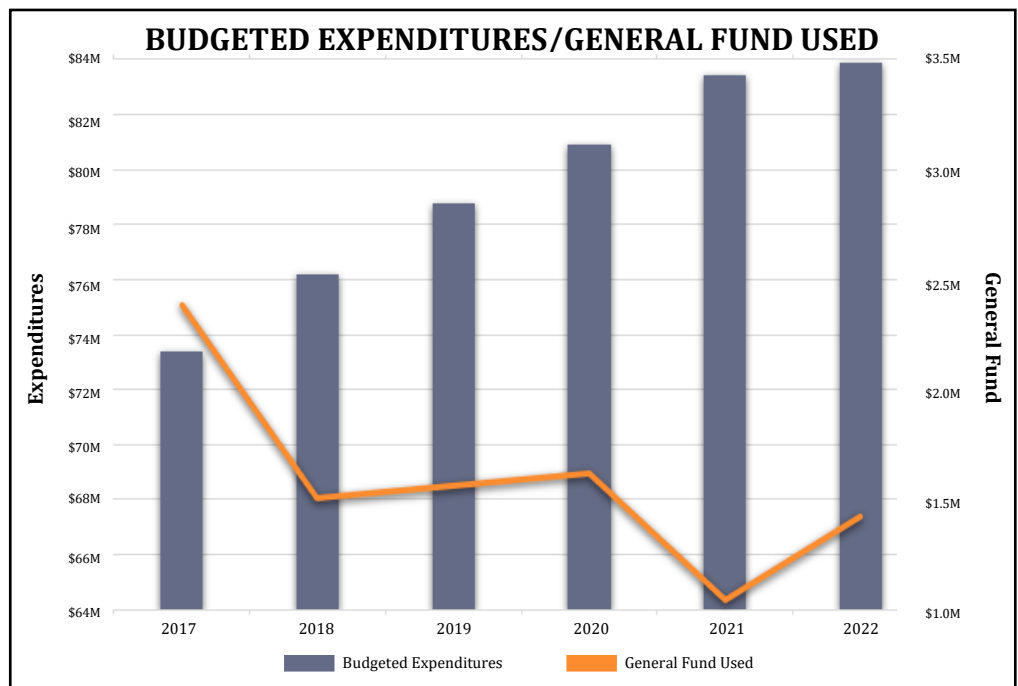
Highway Department: Facility and equipment needs have been identified.

10. **Sustainability - the capacity to endure:** Incorporated into any budget process, has to be sustainability. By law, we are required to balance our budget; what we project to spend, must have equal sources of funds.

However, a balanced budget does not always equate to a sustainable one. Our expenditures are rising at a faster pace than our revenue sources. To fill that gap, the County has used reserves, as illustrated below.

Those reserves, while healthy, cannot sustain our spending trends. This is especially true given the current inflation rate.

Our dependence on reserves should be capped and decisions made how we can plan ahead and not face a budget crisis in years to come.



“The challenge is to solve today’s problems without making those of tomorrow even worse.”

- Governor Jerry Brown, 2016 State of the State Address