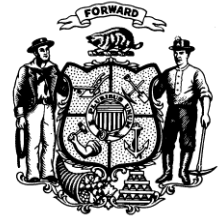


**Eau Claire County**  
**Office of the County Administrator**  
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November 9, 2022

**TO:** Citizens of Eau Claire County

**CC:** Eau Claire County Board of Supervisors

**FROM:** Kathryn Schauf, County Administrator  
Norb Kirk, Finance Director

**SUBJECT:** 2023 Adopted Budget

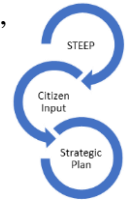
Presented for your review is the Adopted 2023 Budget for Eau Claire County, Wisconsin totaling \$152.77 million. The 2023 budget is not constructed on past activity, or past success – it looks forward while being responsive to community need. The adopted budget identifies areas of critical need that if left unaddressed pose future risk to Eau Claire County. Details are provided in the bulleted highlights section.

Upon review and analysis of all revenue and expenditure requests, the attached Eau Claire County 2023 Budget proposes a balanced county budget, meaning that revenues match the projected annual expenditures for all operations and capital costs. This was only possible through the diligent and thoughtful efforts of the board, committees and department heads to problem solve and identify solutions. Our county team has had numerous conversations around how this budget provides the most advantageous return-on-investment to the citizens of Eau Claire County.

The budget process maps a strategic workplan while assigning dollar values for services provided. It is an opportunity to take stock of the community and the role 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 services to the residents, visitors, and businesses of the County; balancing of priorities and compromise between competing needs for limited funding; and being responsive to our citizens.

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, infrastructure needs, public safety and justice system cost increases, cost of health care, and a competitive labor market.

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 (STEEP: societal, technological, environmental, economic, and political) and relevant historical data provide for an informed budget process. Coupled with the biennial strategic plan (summarized below), and citizen input, 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.



The county conducts a service survey. Although not exhaustive, the survey asks about many of the high impact services provided to residents. Results of the survey to date in summary form, by function, may be accessed here: [https://www.surveymonkey.com/results/SM-3j2VHWsBD9OrC xv2qOovFA\\_3D\\_3D/](https://www.surveymonkey.com/results/SM-3j2VHWsBD9OrC xv2qOovFA_3D_3D/)

*Eau Claire County*  
**STRATEGIC PLAN**

 <p><b>A HEALTHY, SAFE COMMUNITY</b></p> <ul style="list-style-type: none"> <li>• Explore and commit to community collaboration for proactive housing solutions</li> <li>• Individualize mental health solutions to vulnerable populations</li> </ul>	 <p><b>QUALITY &amp; MEANINGFUL RELATIONSHIPS</b></p> <ul style="list-style-type: none"> <li>• Identify opportunities to strengthen partnership and collaboration</li> <li>• Enhance employee engagement and resilience</li> </ul>	 <p><b>ROBUST INFRASTRUCTURE</b></p> <ul style="list-style-type: none"> <li>• Expand renewable energy sources for County facilities</li> <li>• Extend broadband internet service to areas identified as being underserved or unserved</li> </ul>	 <p><b>VIBRANT COMMUNITIES</b></p> <ul style="list-style-type: none"> <li>• Promote and increase environmental stewardship and sustainability in the County</li> <li>• Increase efforts to support local and minority businesses</li> </ul>
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2022-2024

## BUDGET PROCESS

The budget process is designed to be open and accessible to our board, staff, and the citizens we serve. The process focuses on educating and informing participants. Early dialog and discussion about the challenges we face as we prioritize service is essential. The diagram below shows the flow of the budget as it transitions to the final adoption by the Board on November 1-2, 2022.

Joint meetings of governing committees with Finance and Budget provide a forum for understanding the counties priorities more deeply for final budget recommendation. For added reference for all county board supervisors and the public, these joint review meetings were recorded as part of the 2023 budget review process.



**SUMMARY OF RECOMMENDATIONS**

The detailed summary of levy use, expenditures and revenues can be found beginning on page 23. A key highlight in this budget is the decline in the levy rate from \$3.97 to \$3.69. Increases in equalized valuation continue to positively affect the overall mill rate. The significant decrease in Operations and Capital from 2022-2023 is a result of the additional expenditures for ARPA and the new Highway facilities in 2022.

	<b>2023 Adopted Budget</b>	<b>2022 Adjusted Budget</b>	<b>Dollar Change</b>	<b>Percent Change</b>
<b>Levy Amount</b>	\$ 41,508,175	\$ 40,186,724	\$ 1,321,451	3.29%
<b>Levy Rate</b>	\$ 3.688	\$ 3.967	\$ (0.280)	-7.05%
<b>County Operations</b>	\$ 115,814,353	\$ 120,420,235	\$ (4,605,882)	-3.82%
<b>Debt Service</b>	\$ 15,886,918	\$ 15,946,360	\$ (59,442)	-0.37%
<b>Capital Outlay</b>	\$ 5,374,150	\$ 40,849,438	\$ (35,475,288)	-86.84%
<b>Total Expenditures ^</b>	\$ 137,075,421	\$ 177,216,033	\$ (40,140,612)	-22.65%
<b>Equalized Value *</b>	\$ 11,255,610,700	\$ 10,129,476,700	\$ 1,126,134,000	11.12%

\* Equalized Value is excluding Tax Incremental Districts (TID).

^ Note: Total Expenditures above is net of internal service fund activity and fund transfers.

<i>Internal Service Fund Expenditures</i>	\$ 13,268,049
<i>Interfund Transfer Expenditures</i>	2,423,738
<i>Total</i>	<u>\$ 15,691,787</u>

**RECOMMENDED BUDGET HIGHLIGHTS:**

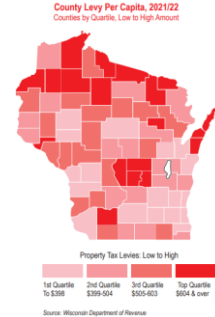
The 2023 budget guidance requested that departments present a budget that limited levy growth while also identifying deficiencies in service capacity. Governing committees weighed the costs and benefits and made recommendations on expenditures that ensure continuity of essential and mandated services. Noteworthy items included in this budget include the following:

- Investments into our compensation structure. A 3% COLA (cost-of-living) increase was incorporated into the recommendation.
- Provides necessary infrastructure to update critical Human Resource functions for recruitment and retention. In 2022 the county began reworking and adjusting its Total Reward Strategy. The budget invests in Human Resources personnel who will be responsible for critical job description updates, and revisions in the performance management program. This time intensive process will modernize our recruitment processes; improve compensation analysis, and provide the flexibility needed for employee retention. The additional personnel will provide training, education, and implementation support to move from a grade and step process to a system that is able to flexibly respond to the changing market and reflects a progressive, performance-based system. This is basic work to move the organizational systems.
- Offers improved health insurance options for employees at a lower cost and the benefit package will increase employee choice for services offered.

- Maximizes revenues from non-property tax sources where possible. Sales tax continues to be steady. Due to volatility of sales tax as a funding source, the 2023 recommendation is for an increase of \$300,000.
  - Continues adoption of innovative practices and programs that are focused on leveraging all funding sources, targeting causes rather than reacting, and strategically preparing a solution to long-term revenue shortages.
  - Commits to maintaining core physical, technology and capital equipment infrastructure. This budget continues investments being made into parks' infrastructure. This requires the use of debt as a funding source, as well as American Rescue Plan dollars.
  - Continues the partnership with lake districts to maintain the integrity of Lake Eau Claire and Lake Altoona.
  - Utilizes the use of fund balance to fund contingency of \$300,000.
  - Provides for a continued focus on process automation and investment in information services systems, software, and positions to develop and optimize the use of the systems.
  - Invests in employee compensation by reserving \$200,000 in sales tax to make needed adjustments to the salary matrix This is part of a two-year plan to create a progressive pay plan that is responsive to the market and allow for flexibility in hiring.
  - Provides needed operational dollars for the 6<sup>th</sup> courtroom which became operational in August of 2022 with additional personnel in Clerk of Courts, Circuit Courts, and the District Attorney (see detail of position changes on page 71).
  - Develops capacity within the departments of:
    - Human Resources – rebuilding basic functionality;
    - Sheriff –recreational patrol; patrol officers and a jail lieutenant;
    - Information Systems – an additional position to work on cyber security;
    - Parks – creates a full-time position in lieu of the former part-time park ranger;
    - Human Services – enhanced crisis dollars from the State allows for targeted personnel; as well as increased services to assisting incarcerated persons, and records management.
-

## LEVY

Wisconsin Statute §66.0602 limits 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 2.71% this year; therefore the 2023 budget recommendations are based on a 2.71% increase in the operating property tax levy. Overall equalized value increased by 11%. This results in a 2023 allowable increase in the county operating property tax levy of \$670,213 to offset increased operational costs in 2023. Based on the allowable 2.71% increase in the operating levy, a decrease of \$60,000 for county debt service, and with the increase in equalized value, the recommended 2023 levy rate is \$3.688/\$1,000 of equalized value versus the current \$3.967/\$1,000 of equalized value. This is below the state average of \$3.80/\$1,000.



On average across the state, property tax levy supplies 40% of local government revenue. The overall levy has two components, operating and debt.

**Tax Levy Comparison:** For 2021 Eau Claire County was in the lowest quartile for property tax in the state at \$381 per capita. State average is \$403; State median is \$504.

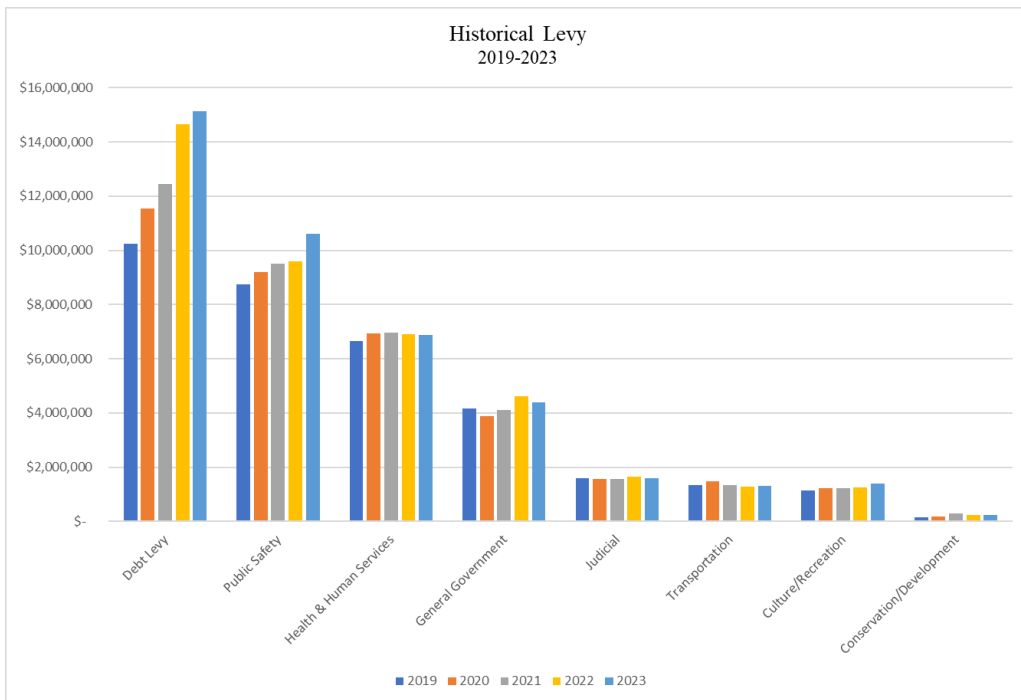
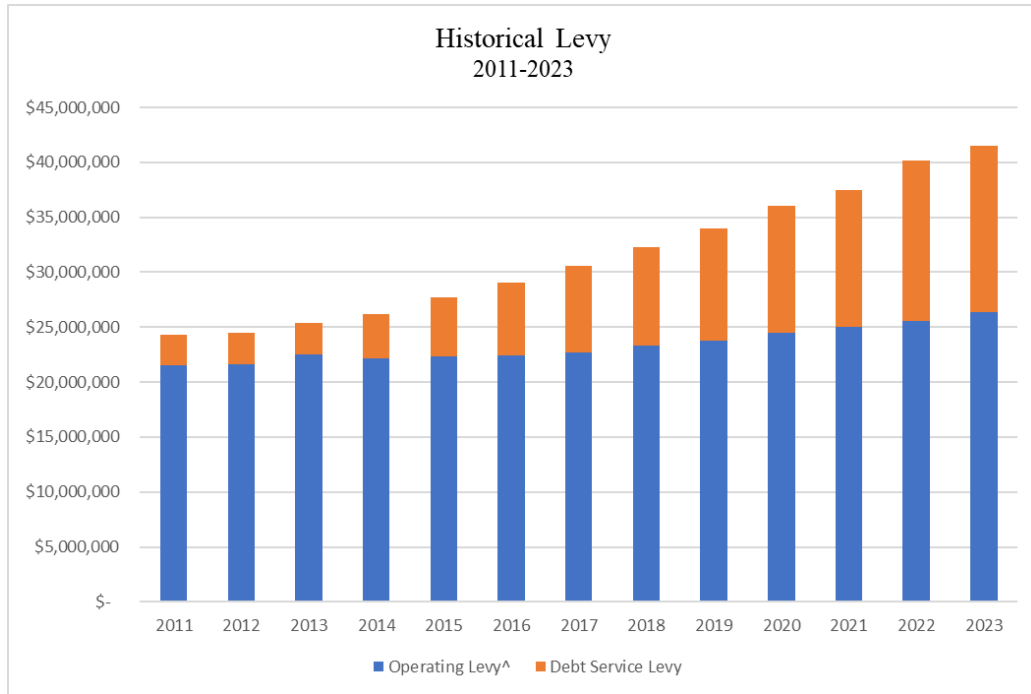
Functional categories of governmental services are funded through a combination of operating and debt levy. This distinction is important and provides a complete view of levy use. Public Safety is supported mostly by operating levy, while Transportation and Public Works is mainly supported by the debt levy. The debt levy in this category is for highway and is related to general obligation debt issued over the last several years for road and bridge infrastructure improvements and for the new highway building.

A detailed view of how both the operational and debt levy are allocated is shown in the chart below.

<b>Functional Category</b>	<b>Operational Levy</b>	<b>Debt Levy</b>	<b>Total Levy</b>	<b>% of Levy</b>
Public Safety	\$ 10,736,366	\$ 3,391,517	\$ 14,127,883	34.04%
Transportation & Public Works	1,297,499	8,609,683	9,907,182	23.87%
General Government	4,383,311	2,808,258	7,191,569	17.33%
Health & Social Services	6,739,513	9,379	6,748,892	16.26%
Judicial	1,597,131	-	1,597,131	3.85%
Culture & Recreation	1,397,444	305,800	1,703,244	4.10%
Conservation & Economic Development	232,272	-	232,272	0.56%
<b>Total</b>	<b>\$ 26,383,538</b>	<b>\$ 15,124,637</b>	<b>\$ 41,508,175</b>	<b>100.00%</b>

The information above highlights the importance of debt levy as a means of providing essential government services.

The graphs below show the progression of levy use within the functional categories of local government. This highlights that operationally there has been minimal growth and that debt levy is a key funding source for roads, infrastructure, equipment, software, and replacement County vehicles such as squad cars. The largest category of levy increase for 2023 is in the Public Safety category.



The detail below outlines county funding dollars by department with the relative percent of the overall levy, as well as a comparison to 2022.

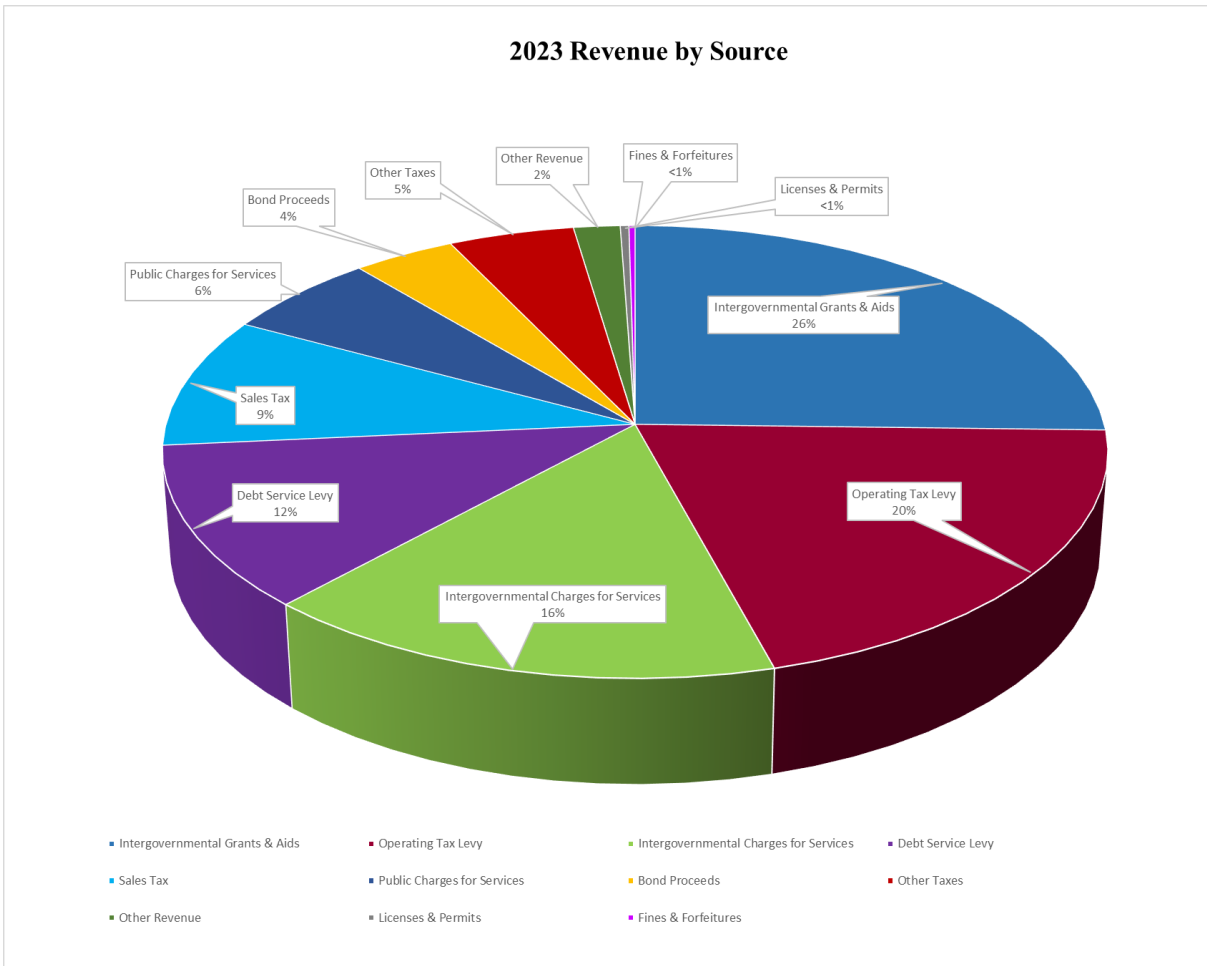
Department	2023 Adopted County Funding	% of Total County Funding	2022 Adjusted County Funding	Increase / (Decrease) in County Funding	% Change
Debt Service	\$ 15,124,637	36.44%	\$ 14,656,311	\$ 468,326	3.2%
Sheriff	13,717,947	33.05%	12,854,749	863,198	6.7%
Human Services	8,575,908	20.66%	8,808,190	(232,282)	-2.6%
Information Systems	2,369,977	5.71%	2,116,404	253,573	12.0%
Facilities	2,133,628	5.14%	1,913,366	220,262	11.5%
Communications Center	1,924,495	4.64%	1,910,134	14,361	0.8%
Highway	1,595,199	3.84%	1,595,199	-	0.0%
Health Department-City/Co	1,378,900	3.32%	1,334,181	44,719	3.4%
Library Funding	1,197,603	2.89%	1,016,120	181,483	17.9%
Planning & Development	1,021,146	2.46%	947,628	73,518	7.8%
Finance	964,074	2.32%	885,696	78,378	8.8%
Criminal Justice Services	906,788	2.18%	916,087	(9,299)	-1.0%
Clerk of Courts	777,343	1.87%	519,951	257,392	49.5%
Corporation Counsel	766,996	1.85%	755,519	11,477	1.5%
District Attorney	698,689	1.68%	564,456	134,233	23.8%
Human Resources	585,843	1.41%	563,563	22,280	4.0%
Community Agencies	472,667	1.14%	466,366	6,301	1.4%
Non-Departmental	434,222	1.05%	927,470	(493,248)	-53.2%
Airport	407,050	0.98%	403,020	4,030	1.0%
Medical Examiner	370,717	0.89%	260,761	109,956	42.2%
Veterans Services	337,489	0.81%	253,734	83,755	33.0%
Extension	304,263	0.73%	283,146	21,117	7.5%
Register in Probate	296,296	0.71%	255,268	41,028	16.1%
County Clerk	256,791	0.62%	272,656	(15,865)	-5.8%
Circuit Court	232,205	0.56%	198,943	33,262	16.7%
Aging & Disability Resource Center	227,401	0.55%	226,401	1,000	0.4%
Administration	210,935	0.51%	268,866	(57,931)	-21.5%
County Board	212,129	0.51%	214,585	(2,456)	-1.1%
Beaver Creek	180,000	0.43%	180,000	-	0.0%
Child Support	114,439	0.28%	98,749	15,690	15.9%
Highway Bridge Aid	40,000	0.10%	40,000	-	0.0%
Parks & Forest	(144,703)	-0.35%	(134,430)	(10,273)	-7.6%
Register of Deeds	(395,423)	-0.95%	(367,593)	(27,830)	-7.6%
Treasurer	(643,634)	-1.55%	(260,412)	(383,222)	-147.2%
Less: General Revenues	(15,143,842)	-36.48%	(14,758,360)	(385,482)	2.6%
<b>Net Levy (Operating and Debt)</b>	<b>\$ 41,508,175</b>	<b>100.00%</b>	<b>\$ 40,186,724</b>	<b>\$ 1,321,451</b>	<b>3.3%</b>



## REVENUES

County sales tax revenues are budgeted at \$12,100,000 for 2023. All department revenues have been adjusted to reflect 2022 year to date economic and program activity levels. State aids are budgeted consistent with the approved biennial state budget – the same level (or with slight increases) as 2022 for many categories, including shared revenue.

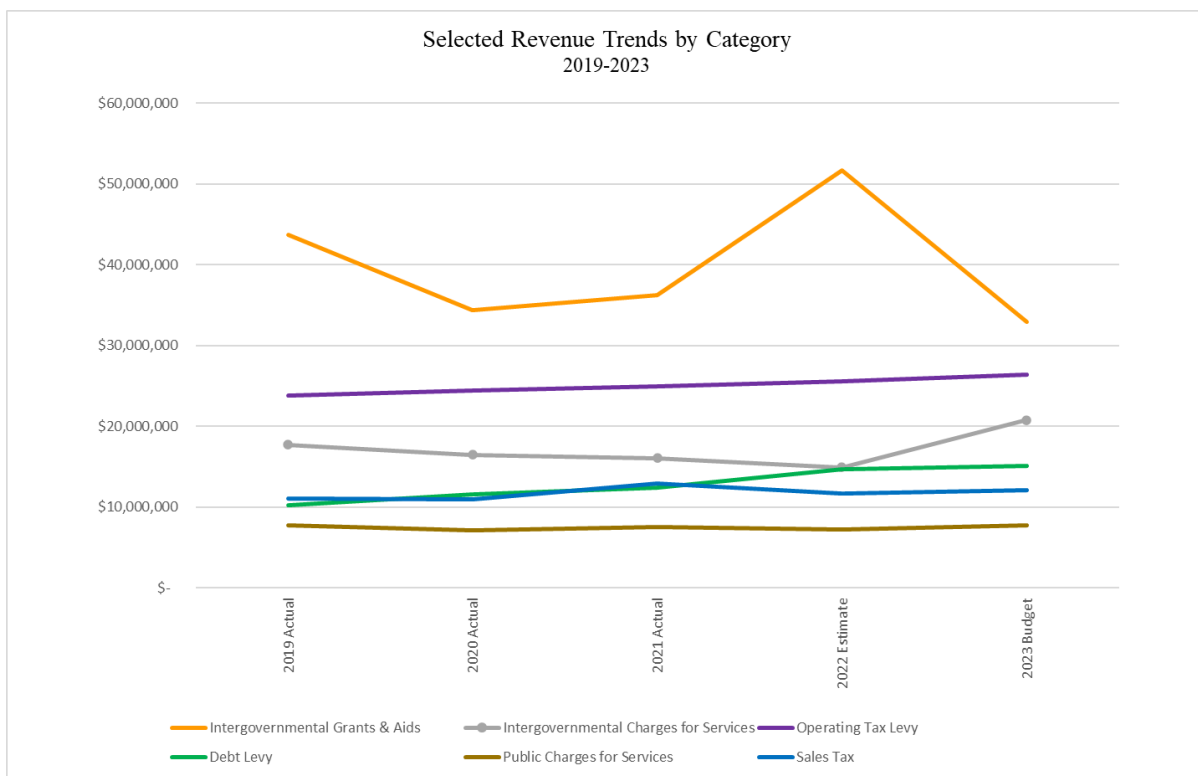
The revenue chart below highlights the funding sources included in the 2023 recommended budget.



The graph below shows selected revenue trends over time. As noted below, the categories of intergovernmental grants and aids and intergovernmental charges for services which have shown some variability.

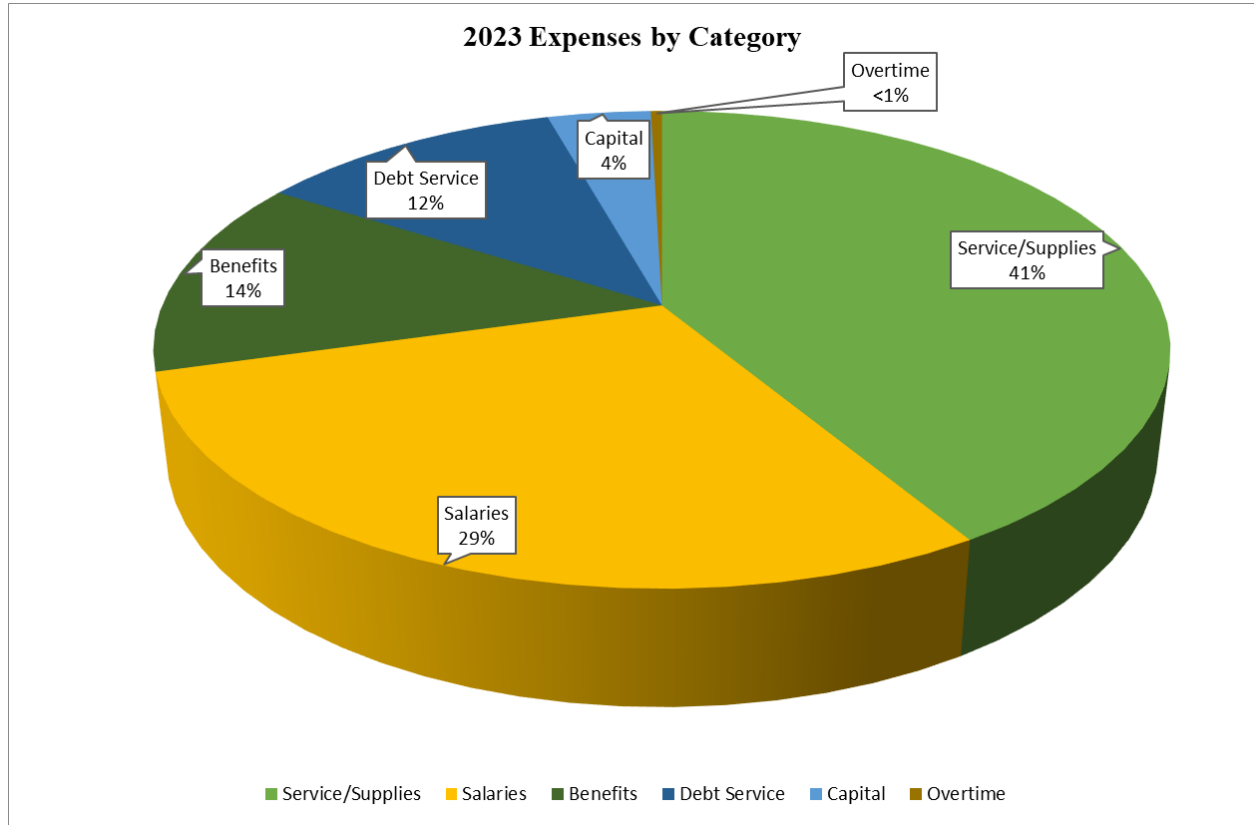
Intergovernmental grants and aids experienced a significant increase in 2019 due to Airport projects funded by state and federal aid. In 2021, Eau Claire County received its first tranche of funds related to the American Rescue Plan Act (ARPA), with the final tranche received in 2022. These funds are recorded as intergovernmental grants and aids revenue when the funds are expended. Without these two items the graph line for this category would be much flatter.

Increases in intergovernmental charges for services can be attributed to an increase in activity in Human Services funding. Changes in Highway assumptions regarding work for other municipalities, depending on the season and weather conditions, also contributed to fluctuations.



**EXPENDITURES**

County government is a service industry, and the total cost of wages and benefits account for 32.37% of total 2023 county expenditures. The largest category of expenditures, services and supplies, is largely driven by expenditures in support of the county’s ability to utilize federal and state funding for Human Services, and Highway operations.



**Personnel and Labor:** The chart below identifies the expenditures associated with county staff included in this budget.

	<b>2023 Adopted Budget</b>	<b>2022 Adjusted Budget</b>	<b>% Change</b>
Wages	\$ 39,998,732	\$ 36,730,290	8.90%
Overtime	574,141	555,372	3.38%
Benefits	18,353,874	17,094,997	7.36%
	<b>\$ 58,926,747</b>	<b>\$ 54,380,659</b>	<b>8.36%</b>

- The County has 641.71 full-time equivalent positions. Cost-of-living salary increases are budgeted at 3%. The Chippewa Valley region is seeing increases in compensation overall of between 5%-7%.
- The County issued a request for proposal for a new insurance carrier in 2023. Increase in cost to the county will be ~9.5%, but with more cost effective options for employees. The County used this opportunity to create a robust health and wellness plan for employees.

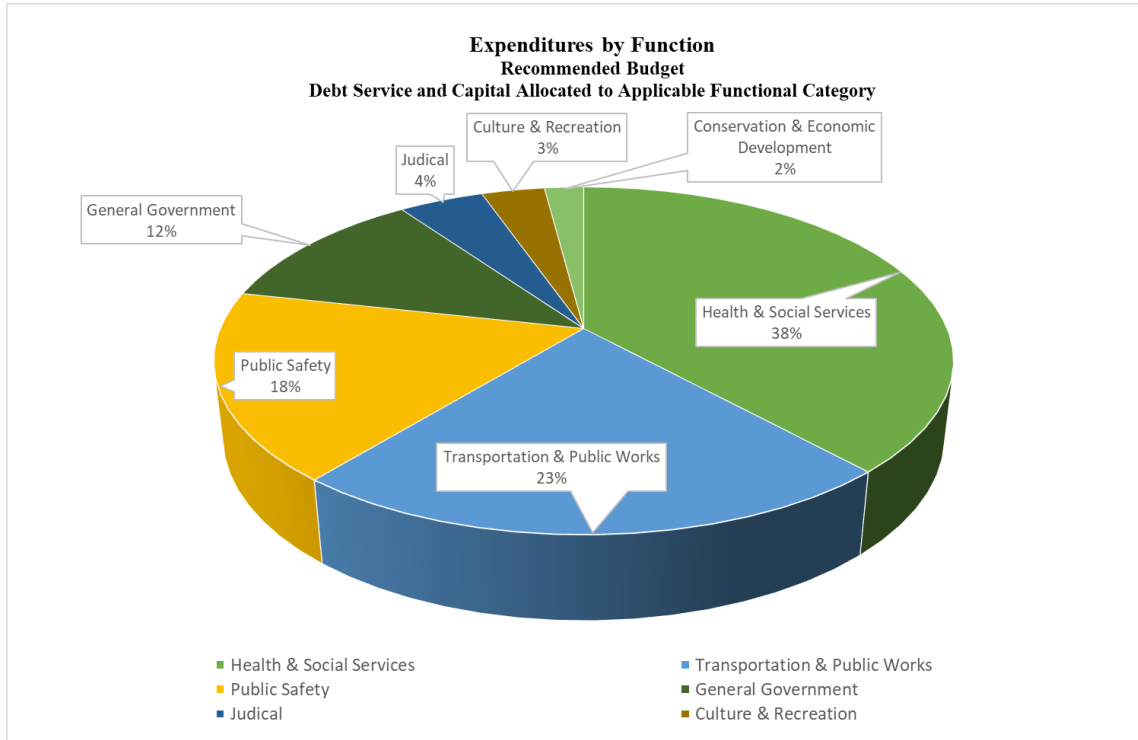
- Improvements in employee benefits for 2023 include:
  - **Health Insurance:** We negotiated a health plan design that lowers your plan deductible and out of pocket maximum and removes the need to utilize a health reimbursement account (HRA). This will streamline the claims process and provide less frustration around claims payment process. We will be offering one health plan for all employees in 2023.
  - **Free Access to Direct Primary Care Clinic:** Beginning in 2023, employees covered under the health benefit plan will have access to free primary care at the Oakwood Direct Access Center located in Eau Claire and Chippewa Falls. Services will include preventive care and treatment for minor acute and chronic medical conditions for the entire family.
  - **Vitality Wellness Programming:** We have seen great participation with our wellness program through Vitality and are excited to announce that we will continue to utilize their services to promote a culture of health and well-being. Vitality inspires healthy changes in individuals through an interactive and personalized programs that will meet people where they are at in their wellness journey.
  - **Health Savings Account:** The County will continue to contribute to a Health Savings Account (HSA) in 2023. This account is there to help support employees that have claims that are subject to their health plan deductible. This account is a “use it or keep it” account so if you do not have significant health care claims, the balance remains in your account to use for the cost of future medical care.
  - **Dental Insurance:** Eau Claire County will be contributing toward the premium on the dental coverage, which will lower the employee’s cost of participating in the 2023 plan year. We have also enhanced the dental benefit by providing additional cleanings for members with certain health conditions such as diabetes and pregnancy. We have also added coverage for white fillings on posterior teeth.
  - **Adding Optional Benefits:** We will be offering two new benefits for employees to choose from. LifeLock identity theft protection provides credit monitoring and alerts as well as identity restoration should you get your identity stolen. Employees will also have access to a Legal Plan that will give you access to consultations and legal advice through a network of contracted attorneys.

Most of our other benefits, including life, disability and vision insurance will remain unchanged for the 2023 plan year, including the cost to purchase the coverage. We also continue to provide advocacy services, employee assistance programs, and flexible spending arrangement for employees that would like access to these services.

A breakdown of the recommended employee FTE by category is noted below.

	<b>2023</b>
	<b><u>Adopted FTE</u></b>
Health & Social Services	276
Public Safety	148
Transportation & Public Works	74
General Government	62
Judicial	55
Culture & Recreation	11
Conservation & Economic Development	16
<b>Total Full Time Equivalents (FTE)</b>	<b><u>642</u></b>

Another view of expenditures is by functional category. The county provides services on behalf of the State by providing Human Services programming, Circuit Courts (Judicial), and shared Transportation services. These are the largest functional areas of service on behalf of the State of Wisconsin. These areas of service are heavily funded by grants and aids.



- Human Services - For every tax levy dollar, we have ~\$4.50 of other funding sources. Intergovernmental funding dollars have increased close to \$17 million over the last 10 years. This reflects development of the Comprehensive Community Services program and the Clinic, the expansion of the Crisis program, the ending of the Children’s Long Term Support waitlist, and our integration with Juvenile Detention Center.
- Highway – Highway services are provided via a variety of funding mechanisms (Vehicle Registration Fee, and agreements for service with municipalities). The county also partners with the state and provides services on behalf of the state. The ratios of total funding levels to total funding needed are presented below.

County	\$ 8,380,742.00	45.40%
State	9,123,883.00	49.43%
Other	953,864.00	5.17%
	<b>\$ 18,458,489.00</b>	<b>100.00%</b>

## DEBT

Eau Claire County is projected to end 2022 with outstanding debt totaling \$96.97 million, which includes Series 2022A, issued in April 2022 for \$5.5 million. This issue is the final installment needed to finance the construction of the new highway facility. There are no additional debt issues anticipated for 2022. The resulting projected debt service levy for 2023 will be \$15.1 million, an increase of \$0.5 million (3.20%) from \$14.6 million in 2022. The debt service levy is net of all available original issue premiums. Premiums are generated when bonds are sold for more than par value. These premiums are used to make interest payments on outstanding bond issues in subsequent years. While the County has the borrowing capacity under Wisconsin Statutes and County code to incur considerably more debt, the resulting increasing debt service payments are becoming a concern. Given the current market conditions, the County will continue to monitor and assess the feasibility of refunding existing bond issues with more favorable interest rates when possible. The Finance and Budget Committee will be developing a 10-year debt management strategy to reduce debt issues year-over-year and provide guidance on what should be financed by debt.

The projected 2023 debt service levy as estimated will be 36.44% of the total county levy, which will exceed the county debt management policy limit set at 30% of the county total tax levy. The increase in percentage from prior year's is due to the investment in the new Highway Facility, requiring ~ \$30 million in additional debt.

With the current tax levy limitations and the resulting necessity to continue to borrow to fund capital purchases in the future, it will very likely not be possible to maintain future debt service levies below the county debt management limitations. The current budget recommendation for 2023 requires additional borrowing of \$5.1 million. Based on this recommendation, the projected resulting debt service levy for 2024 is estimated to be \$14.8 million, which currently would be projected to be 35.45% of the county total tax levy.

The summary below provides an overview of the services that are funded by debt. Essential components of operation are funded through debt including technology investments, roads, and squad cars.

Functional Category	Total Cost	Bonds
Transportation & Public Works	\$ 13,306,889	\$ 2,823,738
General Government	1,988,438	1,920,438
Public Safety	543,974	264,974
Judicial	86,000	86,000
Culture & Recreation	1,262,198	-
Conservation & Economic Development	923,300	-
<b>Grand Total</b>	<b>\$ 18,110,799</b>	<b>\$ 5,095,150</b>

The continued strategy to require additional borrowing and incur the resulting debt service payments is creating a difficult dilemma for the County. While the borrowing capacity exists, the supporting payment requirements will continue to place an increasing burden on the total county levy. Lack of operational capacity continues to put pressure on the funding structure.

**Debt Comparison:** As of 2022 Eau Claire County was in the top quartile for debt amongst the 72 Wisconsin Counties. County per capita debt was at \$816 / per capita (down from \$842 per capita). State average is \$459; State median is \$430.

**FUND BALANCE**

As has been noted, the current fund balance position was considered as part of this recommendation. Preserving fund balance position buffers the county financially in case of worst-case events and scenarios coming to fruition. Risks that are considered include: Revenue and expenditure predictability and volatility, potential impact of Federal and State funding changes, external fiscal limitations (such as levy or revenue limits), natural disasters, health of infrastructure, and liquidity of cash reserves.

The Board has set a minimum for unassigned fund balance as follows:

*“The General Fund unassigned fund balance shall be maintained as of December 31 of each year equal to a minimum of 20% of the ensuing year’s budgeted General Fund expenditures, or the County’s projected annual general debt service payment, whichever is greater, with a targeted maximum of 30% of the ensuing year’s budgeted expenditures.”*

The following information provides the current projection of the impact to the 2022 General Fund based on the information provided by departments (in June) as a component of their budget packages.

**2022 Estimated General Fund Balance Unassigned Summary**

Unassigned General Fund Balance, 12/31/21	\$ 17,857,024	
Assigned Fund Balance in 2022 Budget released for 2022 activity	1,223,433	
<b>ADJUSTED Unassigned General Fund Balance at 12.31.21</b>	<b>\$ 19,080,457</b>	
Net 2022 Estimated Department Activity	\$ (1,444,969)	
2023 Recommended General Fund Balance Assigned	(1,082,050)	
<b>Net Decrease in Unassigned Fund Balance</b>		<b>(2,527,019)</b>
<b>Estimated 2022 Ending General Fund Balance Unassigned</b>		<b>\$ 16,553,438</b>

**Percentage Change in Unassigned Fund Balance YTY** **-13.2%**

**Fund Balance Policy: Unassigned balance to be GREATER of**

<b>Projected 2023 Debt Service Payment</b>		<b>\$ 15,886,918</b>
<b>--OR--</b>		
<b>30% of Next Year General Fund Expenditures</b>		<b>\$ 12,480,300</b>
<b>2023 Budgeted General Fund Expenditures</b>	<b>\$ 41,601,000</b>	
<b>% of Unassigned General Fund Balance to General Fund Expenditures</b>	<b>39.79%</b>	

The chart below outlines the budgeted use of fund balance included in this budget. Effort has been taken to mitigate the use of fund balance as part of this budget recommendation. Fund balance provides the safety net for governmental finances and is replenished by revenues exceeding expenditures within a given year. Revenue restrictions and rising costs impede the ability of the county in increasing reserves.

	<u>Amount</u>	<u>Intended Use</u>
<b>Governmental Funds</b>		
Fund 100: General Fund	\$ 1,082,050	contingency fund, new positions, unspent grant dollars
Fund 201: American Rescue Plan Act	2,841,322	on-going board approved projects
Fund 205: Human Services	324,901	CCS reconciliation/WIMCR reimbursement
Fund 215: Aging & Disability Resource Center	23,017	balance budget for current year operations
Fund 300: Debt Service	762,281	premium on 2021/2022 bond issues/BAB refunds
<b>Subtotal: Governmental Funds</b>	<u>\$ 5,033,571</u>	
<b>Enterprise Funds</b>		
Fund 602: Airport	223,481	capital projects
Fund 701: Highway	1,740,425	completion of infrastructure projects
<b>Subtotal: Enterprise Funds</b>	<u>\$ 1,963,906</u>	
<b>Subtotal before Internal Service Funds</b>	<u><b>\$ 6,997,477</b></u>	
<b>Internal Service Funds</b>		
Fund 703: Risk Management	54,630	prior year workers' compensation claims
Fund 704: Health Insurance	200,000	health insurance premiums
Fund 705: Shared Services	213,443	communication updates
<b>Subtotal: Internal Service Funds</b>	<u>468,073</u>	
<b>Total Fund Balance Requests</b>	<u><u><b>\$ 7,465,550</b></u></u>	



## CAPITAL IMPROVEMENT PLAN

The capital improvement plan includes county-wide capital requests over a five-year timeline. The capital program is one which will receive additional scrutiny in 2023 to evaluate long-term sustainability of investments.

The recommendation is based on the need for infrastructure and county park and general facility maintenance and improvements. Currently, the county needs to borrow to fund a portion of county-wide capital projects essential to county infrastructure and operational capacity. Significant reductions in requests were made to mitigate the use of debt, and manage year-over-year borrowing. The bonding recommendation for the 2023 budget is \$5.1 million. The remaining portion of capital is funded mostly through intergovernmental grants and aids, American Rescue Plan dollars and the vehicle registration fee.

The chart below summarizes the recommended capital plan by functional category.

Functional Category	Total Cost	Bonds
<b>Transportation &amp; Public Works</b>	<b>\$ 13,306,889</b>	<b>\$ 2,823,738</b>
Fund 701: Highway	7,050,778	2,823,738
Fund 602: Airport Fund	6,256,111	
<b>General Government</b>	<b>1,988,438</b>	<b>1,920,438</b>
Fund 201: ARPA	-	-
Fund 405: Capital Projects	1,920,438	1,920,438
Fund 705: Shared Services Fund	68,000	-
<b>Public Safety</b>	<b>543,974</b>	<b>264,974</b>
Fund 100: General Fund	-	-
Fund 405: Capital Projects	543,974	264,974
<b>Judicial</b>	<b>86,000</b>	<b>86,000</b>
Fund 405: Capital Projects	86,000	86,000
<b>Culture &amp; Recreation</b>	<b>1,262,198</b>	-
Fund 100: General Fund	15,000	-
Fund 201: ARPA	1,247,198	
<b>Conservation &amp; Economic Developpr</b>	<b>923,300</b>	-
Fund 100: General Fund	200,000	-
Fund 201: ARPA	723,300	
<b>Grand Total</b>	<b>\$ 18,110,799</b>	<b>\$ 5,095,150</b>

Highlights of the capital budget include:

- Maintaining the county's existing road and bridge infrastructure is one of the major funding challenges of the future. In early 2019 the county implemented a vehicle registration fee (VRF). This partially covers the cost of maintaining the 421 miles of road the county is responsible for. In 2023, \$2.5 million is expected in VRF revenue; and additional \$2.4 million is in bonding.
- Invests in ongoing maintenance needs and updates for parks structures and equipment. The Comprehensive Outdoor Recreation Plan highlights needed investments in our Parks infrastructure. Parks saw significant increases in usage since the pandemic.
  - Increase in park passes and revenue of 126% from 2019 to 2021.
  - An increase of 51.7% in camping revenue from 2019 to 2021.

The investment in information systems includes essential telephony, and other network interfaces and components and software systems required to operate basic local government services. A more thorough description of the capital plan can be found beginning on page 53.

## **KEY 2023 BUDGET ASSUMPTIONS AND RISKS**

Throughout the budget process various key assumptions and risks are embedded into the fabric of the budget recommendation. These key assumptions can be divided into two categories: macro and micro. Macro key assumptions and risks are those that are relevant across all departments, while micro key assumptions are more relevant to individual department budgets. Noted below are some of the key macro and micro assumptions and risks included as a component of this budget recommendation.

### **Macro Key Assumptions/Risks**

1. Sales tax collections will continue at the current level experienced so far in 2022 and as a result facilitate an increase in the budget for sales tax from 2022 to 2023. Increasing the forecast beyond what is currently budgeted will increase the risk profile as the economy continues to slow and show signs of recession.
2. The key economic indicators for the County of low unemployment, low delinquent taxes, and increased interest income based on rising interest rates will continue during 2023.
3. The economy doesn't go into a recession, which would likely impact costs of goods and services as well as potentially reduce building permits and development.
4. There will be no significant additional decrease in State funding for programs, outside of what has been identified.
5. Open positions will be filled as needed and without significant delay.
6. The County cybersecurity risk can be mitigated through implementing new software and continued education with employees.

### **Micro Key Assumptions/Risks**

1. Treasurer - 2021 WI Act 216 gives the previous owner of a Tax Deed/In Rem property 5 years to request proceeds from our sale. This could potentially leave us with zero revenue within this program and only our expenses covered.
  2. District Attorney - State aid in the form of reimbursement for statutorily required victim services has fluctuated significantly over the last two years. The 2023 budget assumes reimbursement slightly exceeds the long-standing average reimbursement rate as a result of the return to more typical state collections that support the reimbursement fund and the allocation of state GPR funds in the most recent biennial budget meant to stabilize the reimbursement fund.
  3. Corporation Counsel - There will be additional scheduling and attorney time necessary for additional court hearings associated with the creation of Branch 6 which could impact services.
  4. Register of Deeds - The market has started to slow slightly in 2022 and we expect that to continue in 2023. Recordings remain higher but that could change into 2023.
  5. Register of Deeds - Increases in interest rates could negatively affect property sales.
  6. Register of Deeds - Inflated market prices in 2020 and 2021 may cause an increase in the number of homes that are foreclosed on.
  7. Planning & Development - any loss of state and federal funding could impact certain programs and staffing within Planning and Development.
  8. Planning & Development - climate change is causing more extreme weather events and increasing the frequency of historic storms. Conservation projects may need to be designed to hold more water and increase the overall cost to install them.
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9. Planning & Development - Increase in highway funding will lead to more improvement projects that could impact Public Land Survey System (PLSS) monuments in road right of ways, if the monuments are not protected timely, they could be destroyed.
10. Facilities - Extreme temperature events and geopolitical risks could affect energy usage and costs further. we may not have increased our energy budget enough to cover the increases in costs.
11. Parks - We are assuming high numbers of park users will continue in 2023 as we have seen in 2022. Lower attendance may impact fee revenue assumptions.
12. Parks - Timber markets will continue to fluctuate, with log markets staying high and pulp market remaining low. Changes in the market could impact our timber sale revenue assumptions.
13. Highway - General Transportation Aids will remain steady for the next 5 years and will decrease since bonding has been reduced.
14. Highway - Fuel costs remain at current levels for 2023.
15. Highway - Inflation of materials costs is not reconciled by reducing project size since we don't have increase revenues forecasted to keep up with inflation.
16. Human Services - Human Services programming continues to be a high-risk category. Services are provided on behalf of the State of Wisconsin and range from behavioral health, mental health to economic support. We have seen recent rises in case counts, in part due to the ongoing COVID-19 pandemic and the impact it has on the citizens in our community. Ongoing community need drives cost in this area – much of which is beyond control of local decision makers. Programming focused on using preventative techniques to mitigate high-cost placements is incorporated into this budget. The risk involved in increasing waitlists associated with some programs continues to exist.
17. Human Services - The Federal Government has committed to giving states a 60-day notice as to when the ending of the Public Health Emergency (PHE) will end. At this time Wisconsin is operating with the understanding that we will see the PHE officially be extended to Mid-January 2023. Impacts from the potential ending of Public Health Economic Support include:

Foodshare - Since the pandemic began WI has issued emergency FoodShare benefits to anyone who is eligible for Foodshare. This is in addition to normal allotments. When the PHE ends, emergency Foodshare will end. This will have a drastic effect on individuals and communities. Example: A single individual who may be income eligible for \$20/month may have been receiving just over \$300/month due to Emergency Foodshare. Individuals and families have become accustomed to large amounts of FoodShare that will decrease when the PHE ends. For Eau Claire County, its estimated to be a substantial reduction in Foodshare per month per family.

BadgerCare/Medical Assistance -When the PHE ends all BadgerCare/Medical Assistance recipients will once again be subject to income eligibility requirements. Since March of 2020, anyone that was income eligible or applied during the pandemic and was eligible for healthcare has maintained their eligibility regardless of income. It is not estimated how many individuals may lose eligibility and need to seek alternate healthcare. This will be a gradual process of reviewing each case through the 12 months following the ending of the PHE. This could impact the Comprehensive Community Services program as well as Children's Long-Term Support as both program require Medicaid eligibility.

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### 2023 Key Program Development Areas

Based upon County Strategic Plan initiatives, evidence based best practices, ongoing demands for services and budgetary pressures, the following county programs and operations are areas of focus and development for 2023

SUBJECT	DESCRIPTION
<b>Financial stabilization</b>	<p>It is anticipated that the Finance and Budget Committee will develop a long-term debt strategy with yearly limits aligned to planned infrastructure development and maintenance.</p> <ol style="list-style-type: none"> <li>1. What should be funded by debt? Level of debt required to fund ongoing infrastructure and operations.</li> <li>2. Agreement on strategies for continued efficiencies.</li> <li>3. Service level discussions.</li> </ol>
<b>Compensation Philosophy and Strategic Direction</b>	<p>Update job descriptions Revise our performance management program Enhance our awards and recognition programming</p> <p>This is a time intensive process to provide training, education, and implementation support to move from a grade and step process to a system that is able to flexibly respond to the changing market and reflects a progressive, performance-based system.</p>
<b>Systems Improvements: Internal Controls; Recruitment and Retention</b>	<p>The budget contains investments in the resource areas of software, and personnel to continue building the systems that support improved systems and practices. The Finance team has worked at solidifying and enhancing central accounting financial practices. Reporting has been improved and the chart of accounts has been enhanced for control purposes. Resources will be devoted to the following areas of focus in 2023:</p> <ol style="list-style-type: none"> <li>1. Process documentation on consistent practices.</li> <li>2. Fiscal policy generation based on improved processes.</li> <li>3. NeoGov Learn: development of training modules and compliance verification.</li> <li>4. Internal controls capacity through new Finance position.</li> <li>5. Streamlined hiring and recruitment / retention practices.</li> </ol>

## A LONG-TERM FINANCIAL VIEW

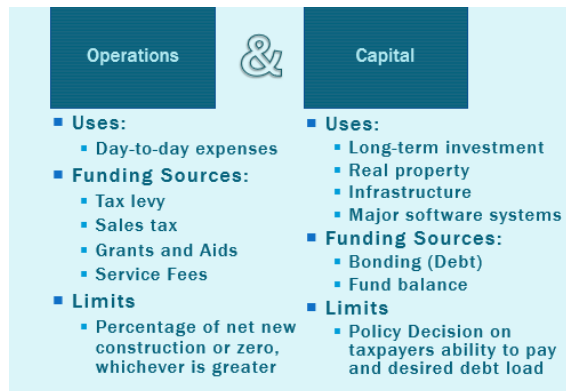
Long-term financial sustainability is predicated upon many variables and the interplay of those variables. Eau Claire County will analyze those variables in 2023 to ascertain a strategic plan of action to ensure that we are able to maintain county mandated services in the short and long term both in operations and capital investment.

A combination of increased levy capacity, reallocation of debt to levy, restructuring of existing debt when advantageous, and continued focus on efficiencies and a multi-year debt plan will be needed to change the current trajectory of increased debt. The budget recommendation carefully addresses the need for continued investment, being cognizant of the desired limits on borrowing.

Essential repairs, maintenance, software enhancements, and roads have no other funding source other than debt. Efficiencies alone are inadequate to be able to reduce the expenditures enough to expand operational capacity to move projects to operations. Drastic programmatic reductions would be required to reduce operational costs effectively enough to move projects from the capital budget to operations. It would directly impact the county's ability to provide essential, mandated services in critical areas.

Eau Claire County continues to work with the Wisconsin Counties Association and other state partners to identify sustainable funding models for the future.

The graphic below highlights the two types of levy the county relies upon for providing local government services.



## CONCLUSION

The budget is developed with long-term financial sustainability in mind – beyond 2023. Eau Claire County will analyze the variables that lead to a sustainable budget; and ensure that we are able to maintain county mandated services in the short and long term both in operations and capital investment.

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 limited revenue sources.

This is at the heart of the mission - “To provide quality, innovative and cost-effective services that safeguard and enhance the well-being of residents and resources.”

This budget is the product of dedicated time, energy and effort by the board, staff, and community partners. Additional gratitude is extended to the team in Finance for their diligence in improving readability and ease of access to the information.

We are available to answer questions you may have regarding the enclosed recommendations.

Respectfully,

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Kathryn Schauf  
County Administrator

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Norbert Kirk  
Finance Director