

RICHLAND COUNTY

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To: Richland County Board of Supervisors
Marty Brewer — Chair

Subject: 2021 County Budget Report — Message to the County Board

27-Oct-20

Report Content:

- Budget Objectives
- Process
- Adjustments
- Short-Term Financing and Capital Improvements
- 2020 Budget Review
- 2021 Budget Impacts
- Future Considerations and Planning

Budget Objectives:

The following proposed, 2021 budget objectives were accepted by the Finance and Personnel Committee meeting during their July 7th, 2020 meeting:

Levy:

- Meet the operating levy limit as imposed by the State of Wisconsin

Services:

- Within operating levy limit, protect the effective delivery of essential services and protections
- To the greatest extent possible, maintain current discretionary services provided directly by the county and/or through partnerships

Response to COVID-19 Impacts:

- Absorb 2020 revenue and expenditure impacts resulting from the pandemic
- Account for 2021 revenue and expenditure impacts resulting from the pandemic

Wages and Benefits:

- Meet projected increases and adjustments in health insurance premium costs and fringe benefits
- Evaluate and consider incremental adjusts in employee wages to progress towards the goal of obtaining market value as determined through 2018 study, Resolution 19 – 89

New Equipment:

- Reintroduce new equipment expenditures to department budgets, which were absorbed by loan funding in the 2020 budget for new equipment under \$5,000

Capital Improvements and Capital Outlays:

- Within the operating levy limit, maintain the county's infrastructure to ensure that future boards do not have to react to aging and broken systems causing frequent sharp rises in property tax levy and rate
- Investigate annual short-term loan financing for a capital improvements and capital outlay program that identifies and prioritizes projects and equipment over \$5,000

Preservation of Undesignated General Fund:

- Strive to build and maintain an appropriate minimum undesignated general fund balance according to Resolution 15 - 98

These goals were established to direct the efforts and outcomes of the budgeting process as managed by the Administrator and Finance and Personnel Committee.

The results of meeting the goals of the proposed 2021 budget:

<u>Goal:</u>	<u>Status:</u>
Levy	Met
Services	Met
Response to COVID-19 Impacts	Met (with use of 2020 general funds)
Wages and Benefits	Met (health insurance premium increase)
	Did not meet (Res. 19-98 wage adjustments)
New Equipment	Met (with use of borrowing)
Capital Improvements and Outlays	Met (with use of borrowing)
Preservation of Undesignated Gen Fund	Did not meet (Res. 15-98 reduction in funds)

Process:

The budget was planned with three phases: 1) preliminary, 2) reviewed and 3) hearing and finalization.

The intentions of the preliminary budget phase were to: 1) identify capital improvement and capital outlay projects, 2) gauge departments' abilities to provide services within guidance limits, and 3) lay groundwork for adjustments as unknown financial factors materialize (audit close, health insurance, future revenue projections, etc.).

The intensions of the review phase were to: 1) prioritize capital improvement and capital outlay projects across the county, 2) prioritize department services and operation allocations, 3) approve a health insurance renewal, 4) approve loan funding, and 5) adjust budgets for projected financial factors including: audit close, health insurance, future revenue projections, service adjustments, etc.

The intensions of the hearings and finalization phase were to: 1) present the reviewed plans to supervisory committees, 2) present the reviewed plans to the Finance and Personnel Committee for approval and recommendation, and 3) present to the County Board for adoption.

Departments and partners were instructed to draft preliminary budgets with a 0% increase in levy use, from salaries, fringes, contracts, operations, without consideration for capital outlay.

The preliminary levy gap amounted to \$764,978.33 with \$588,240.41 resulting from project revenue decreases and \$176,737.91 from projected expenditure increases.

The process deviated during the review phase. Additional financial obligations were identified during the review and the Finance and Personnel Committee requested the Administrator explore additional solutions to bring forward for consideration at their September 16th meeting. This impacted the timeline and ability to present reviewed budgets to committees. A survey initiative was added to gain individual input from County Board members, with the results presented at a September 21st meeting of the Finance and Personnel Committee.

Considering additional financial obligations identified through review the total proposed reviewed gap to fill amounted to \$1,457,042.21. In response to this identified gap the county administrator prepared a list of thirty adjustment options to bridge the gap. The total of all adjustments amounted to \$2,647,905.10.

This list of adjustments was solicited to all twenty-one members of the county board, and all twenty-one members responded to the survey. Results of the survey were prepared for the Finance and Personnel in two lists. The first list showed the averaged responses for all twenty-one members of the county board. The second list showed the averages of responses for the Finance and Personnel Committee. The committee took action to utilize the Finance and Personnel list as a base line and made several adjustments by motion.

Adjustments After Review:

Actions taken by the Finance and Personnel committee in their 21 September 2020 meeting resulted in the following directed adjustments in finalizing the 2021 budget.

C	Pine Valley	Contribute/transfer from net operation.	Directive was given to amend budget to more optimistic census revenues. This transfer may jeopardize solvency for the year.	\$ 200,000.00
O	Pine Valley	Directive to return an additional \$142,000	This will put Pine Valley at a \$0 net position for 2021 under an optimistic projection of census revenues. Pine Valley currently would have contingent fund of approximately 3.9 months with this reduction.	\$ 142,000.00
A	MGMT Info Systems	Remove "New equipment over \$5,000" line and add project to short-term borrowing.	Places Network Project on Capital Improvements	\$ 20,000.00
L	Zoning	Utilization against \$80,000 Land Grant fund to offset wages and benefits in 2021.	Impacts funding availability for future project like LIDAR mapping.	\$ 80,000.00
P	Zoning	Place additional wages and salaries on to Land Grant at level of 2020 budget	Impacts balance on the account and impacts future projects as needed Lidar mapping	\$ 50,000.00
D	HHS	Reduce operating levy towards services and functions.	Impact to maintenance, evaluations, and residential treatment substance-abuse.	\$ 120,000.00
G	Fair and Recycling	Reduce operating levy.	Impact advertising and publication materials, employee hours and benefits.	\$ 15,000.00
M	Courthouse Repair	Reduce operating levy, add projects to borrowing.	Reduces operational levy and places scheduled heat exchanger replacement on capital improvement loan.	\$ 20,000.00
E	Child Support	Reduce levy, eliminate 1 FTE Clerical Assistant II effective 1 Jan 2021.	Increased of financial responsibilities on case managers.	\$ 30,000.00
N	UW-Richland Outlay	Reduce operating levy.	Impacts our infrastructure upkeep and further delays proposed maintenance plan.	\$ 20,000.00
B	Register of Deeds	Propose utilization of \$20,000 against Redaction Fund #22 to offset wages and benefits in 2021.	Short-term impact. Adds concerns of longevity in position impacting recruitment and retention.	\$ 20,000.00
F	Highway	Reduce operating levy, add project funding from short-term borrowing.		\$ 150,000.00
T	Resolution 19-89	Forgo a step increase to employees on the Carlson Dettmann schedules. Estimated step increase in Carlson Dettmann wage schedule. Our goal is to continue progression to market value.	Preliminary budgets were designed without the increase. The added expenses are not currently accounted for and pose additional expenses outside levy consideration.	\$ 242,000.00
Z	General Fund Use	Use of general fund to cover projected 2020 shortfall.	This impacts the financial goal of Resolution 15-98, in achieving and maintaining a 25% annual operation expense in undesignated general fund.	\$ 348,042.21
Total Adjustemnt:				\$1,457,042.21

Short-Term Loan Borrowing:

To address the goal of a capital improvements and capital outlay program, Richland County investigated annual short-term loan financing to supplement projects and equipment over \$5,000, Carol Wirth (our municipal advisor with Wisconsin Public Finance Professionals) was asked to help develop a solution to address the county's continued challenges facing the maintenance, preservation and advancement of our facilities, capital infrastructure and capital improvements. The solution being perused is the utilization of short-term loan burrowing:

"Recurring" capital projects traditionally included in County's operating budget could be financed with a "short-term loan" each year by issuing General Obligation Promissory Notes ("Notes"). The County would sell the Notes in October/November, levy a tax for the principal and interest, and repay the Notes on March 1 the following year. The taxes levied are outside of levy limits and will result in a tax increase.

Not to Exceed Dollar Amount - \$1,050,000 – Determined by the County, the purpose of borrowing would: financing capital improvement projects, including highway improvements, vehicles and fleet management, technology capital improvements, facility maintenance and improvements, radio and tower project engineering and project design.

The County Board took action to pursue this method of financing by adopting an "authority resolution" during the September 15th meeting by the required three-quarters majority vote. It is anticipated that an "award resolution" will be brought before the County Board on October 27th in conjunction with the budget for approval of \$1,050,000 of borrowing that will impact the counties tax rate by \$83 per \$100,000 of appraised property value.

If an "award resolution" were not to be adopted in the 27 October county Board meeting, the county will have to do without intended projects and improvements, or displace from the operational levy to fund the initiatives.

2021 Budget Summary:

Current Proposed (at time of publication):

2021 Budget (Expenses)	\$33,780,122.50	(an increase of \$1,224,808.26)
2021 Budget (Revenue)	\$24,339,064.76	(an increase of \$637,708.49)
Tax Levy	\$9,441,057.74	(an increase of \$587,099.77)
General Fund Applied	\$0	
General Fund as of Dec 2019	\$4,785,283	(an increase of \$856,581 from 2018)

2021 Budget Includes:

- 3.9% increase in health insurance
- Matching an EDA Grant for Strategic Planning through Southwest Regional EDA Grant
- \$34900,000 contribution from Pine Valley for Contingency Fund
- \$1,050,000 in short-term borrowing for capital improvements / projects

Historic Comparison — 2020 Budget (adopted Oct. 29, 2019):

2020 Budget (Expenses)	\$32,555,314	(an increase of \$2,947,388)
2020 Budget (Revenue)	\$23,701,356	(an increase of \$2,840,125)
Tax Levy	\$8,853,957	(an increase of \$107,263)
General Fund Applied	\$137,691	
General Fund as of Dec 2018	\$3,928,702	(an increase of \$507,459 from 2017)

2020 Budget Included:

- 1.5% increase in health insurance
- 2% increase in wages
- Funding for County Administrator
- Funding for an Economic Development Position with 40% of funding from City
- \$200,000 contribution from Pine Valley for Contingency Fund
- Additional Pay Period costing \$124,000
- \$2,965,500 Capital Improvement Loan Funding

Future Considerations and Planning:

The condition of Richland County is one of continued financial challenges resulting from aging infrastructure, state imposed levy limits, and increased expenditures resulting from rising costs in health insurance, benefits, materials, and services.

Following the adoption of the 2021 budget, the County Administrator plans to engage with the Finance and Personnel Committee, County Departments, and financial partners on planning for the 2022 budget. The following tentative time-line will be proposed in addressing current needs and strategic goals:

Plan the 2022 budget process	Dec 2020 – Jan 2021
Affirm commitments to prior resolutions	Jan 2021
Capital improvements and projects	Jan – Feb 2021

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Review and affirm partnerships	Mar 2021
Staffing and spacing	April – June 2021
Health insurance and benefits	July 2021
Operating budget	August – September 2021
Hearing and Adopting	October 2021

Clinton Langreck
Richland County — Administrator