

TO: THE HONORABLE BOARD OF SUPERVISORS AND CITIZENS OF OZAUKEE COUNTY, WISCONSIN

*The mission of the Ozaukee County Finance Department is to facilitate effective and efficient fiscal management while maintaining accountability for the financial resources in accordance with generally accepted accounting principles (GAAP).*

Reader:

The Great Recession appears to be easing. Officially ending in March of 2010 the recovery poses a contradiction locally. Sales Tax is showing a solid increase, reflecting a dramatic turnaround in retail sales, while tax delinquencies remain at historic highs. Ozaukee County is emerging with a lighter balance sheet but still on solid financial ground. A brief overview of Ozaukee County's financial position reveals some strengths as well as concerns.

**Good News:**

- Ozaukee County was upgraded from a Aa to Aaa bond rating by Moodys rating agency,
- Sales tax revenue ended almost \$340,000 above budget, over \$245,000 more than last year, and over \$60,000 greater than the five year average,
- Wages and Benefits ended under budget by over \$1M or 2.7%,
- We have no post retirement employee benefits (OPEBs) that plague some municipalities,
- We have a comparatively low level of debt, less than 3% of the amount allotted by statute, with a relatively short repayment schedule,
- In the past few years we have addressed many infrastructure problems and our roads are well maintained,
- Human Services handled the increase in provider services with a minimal operational loss,
- Prisoner boarding continues to offset costs associated with our jail,
- Highway benefited from lower fuel costs and a reduction from the previous year's extraordinary need for road salt,
- Lasata Care Center was profitable for 2010,
- The Lasata RCAC cost of construction benefited from the downturn, opened on time and budget, and ended very near projections for operations,
- Golf courses were profitable for the second consecutive year after several years of losses.

**Concerns:**

- Tax delinquencies increased over \$336,000 again in delinquent tax dollars, representing a another big (17%) increase,
- Property values declined an average 3.6% across Ozaukee County in 2010 according to US Census figures,
- Our cash reserves have trended down about \$1M over the past two to three years. This is due to the higher delinquencies where it is the counties' responsibility to reimburse the local governments for full value, results of operations, budget amendments during the year and converting liquid assets to long-term assets,
- Lasata will lose over \$400,000 of Supplemental Payments from the federal government for Medicaid residents in 2011,

- Register of Deeds fees were less than budget due to the continued national and local housing problems,
- Road maintenance contracted to our municipalities was below predictions due to fiscal constraints within local governments,
- Citizens needing County services increased across the board; from transit ridership, to social service needs, to influenza vaccinations in 2010.

### **2010 Results and Future Expectations:**

Results of operations in 2010 were generally better than budgeted. The recession beginning in 2008 caught us a little by surprise, with many residual effects still continuing. No one anticipated the severity of the downturn, and we are forced to budget a full six months before the start of the next year. The 2010 budget consequently planned for a similar or continued economic decline. The County benefited from a combination of the recent recovery, federal grants, labor cooperation, refinancing of debt, favorable rates in costs' of goods and services, and sufficient reserves to weather the storm. The 2010 budget planned for a larger than normal use of reserves that mostly didn't materialize. We actually added a small amount back to reserves.

Property tax delinquencies rarely occur at the beginning of an economic slump. We expect delinquencies to remain high or even increase again in 2011. Property sales and values continue to weaken, returns on our investments remain low, and high unemployment stubbornly persists. These will affect cash reimbursements to local governments for delinquent taxes, reduced revenue, and increased demand for services. The spike in sales tax revenue may be a harbinger of recovery or the result of pent-up demand that will subside. The 2011 budget had to assume continued weakness in many revenues but not forced to rely as heavily on reserves.

Ozaukee County may be at the juxtaposition between an affluent community expecting a high level of service and a new reality of lower expectations defined by a weakened economy and inability to support all its traditional programs. The duration of this economic downturn appears longer than usual. Global competition vastly increases the opportunity for price comparisons but rewards will always accrue to the creative and educated. We are recognized nationally for the high level of achievement in our schools, for our quality of life, for the health of our citizens, our strong Midwestern work ethic, and as an outstanding place to raise a family. We are fortunate to have many components of a sound financial foundation, enabling us to weather this storm while leaving us poised to take advantage of future opportunities.

The Finance Department's duty is to provide service internally to management and departments. Our goals are to accurately reflect financial events, effectively communicate results and trends to management, advise senior management and staff on plans of action, and help anticipate future needs and risks while safeguarding the interests of the County. We hope citizens think us good stewards of their tax dollars because we feel honored to serve this capacity within our community.

Respectfully submitted,

Andrew Lamb, CPA, CIA  
Finance Director