

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:

Ozaukee County, like the rest of the country and world, is experiencing a recession that is probably greater in magnitude than any other in at least the last 35 years and possibly since the 1920's. Locally this phenomenon has manifested in several ways:

- Sales tax revenue fell below our five and ten year average and about \$400,000 below the 2009 budget.
- Tax delinquencies increased 16% by number of parcels and over \$400,000 in delinquent tax dollars, representing a 58% increase.
- County unemployment doubled from 4% to 8%.
- Wisconsin is ranked the 10th worst state in terms of fiscal health and 60% of our support comes from state reimbursement.
- Client fees, where based on ability to pay, came in below budget.
- Road maintenance contracted to our municipalities was below predictions due to fiscal constraints within local governments.
- Property values declined by at least 5% across Ozaukee County between 2008 and 2009.
- Citizens needing County services increased across the board; from transit ridership, to social service needs, to influenza vaccinations.
- There was some drawdown of reserves as the County looked internally to fund some one-time expenses and opportunities.

Maybe the only benefit to the County from this recession was the free market correction to oil prices as worldwide demand evaporated. In 2008, we were forced to assume this commodity's price would remain high and budgeted accordingly. The subsequent fall in price saved the County about \$400,000 from budget in 2009.

Governments are always at least one year behind the general economy. Property tax delinquencies rarely occur at the beginning of an economic slump because most property owners escrow their taxes. The mortgage holder has already collected much of their taxes if they become unemployed during the year. It is in the next year when payments fall further behind that property tax collections suffer. Knowing this, we expect delinquencies to increase again in 2010. Our budgets are prepared a full eighteen months before we know the results of operations. No one predicted this present situation eighteen months ago and the same applies to a recovery. The 2010 budget had to assume continued weakness in sales tax and other revenues as well as be aware of tax burden upon our citizens.

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. Property sales and values continue to weaken and high unemployment stubbornly persists. Global competition vastly increases the opportunity for price comparisons and may lower the standard of living somewhere near to the lowest common denominator.

Nevertheless, it is not all doom and gloom for Ozaukee County. Rewards will always accrue to the creative and educated. We are recognized nationally for the health of our citizens, the high level of achievement in our schools, for our quality of life, 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:

- Ozaukee County government has reserves available to use through difficult times, our debt level is low, we quickly pay down principal (over \$1M in 2009), and our workforce is dedicated.
- Our roads and infrastructure have been well maintained over the years, we have been able to offset losses of revenue with budget cuts while not reducing services, and our tax levy remains very low in comparison with our peer counties.
- Our enterprise funds, Lasata and Golf, continue to operate without tax levy support.
- Our citizens are much more committed to education than average; we have a strong Midwestern work ethic ingrained with providing our children the skills they will need to succeed.
- Our property values never rose to the speculative heights and thus did not fall as precipitously.
- Ozaukee County property is still highly valued as a desirable place to live.

The Finance Department's duty is to provide service internally to management and departments. Our goals are to accurately track 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. To help accomplish those goals we submit our budget and audited financial statements for peer review. Our awards from the Governmental Finance Officers Association (GFOA) for excellence in financial reporting and budgeting attest to our professionalism. The fact that Ozaukee County, as a business entity, has largely escaped the fallout from this recession with no reduction in services or infrastructure maintenance demonstrates good planning, sound governance, and frankly some amount of good luck. We like to believe we offer wise financial counsel to management, committees, and the Board. In this new age of information, we try to stay abreast of current technology, standards, and practices.

We all want to keep Ozaukee County as a desirable place to live, work, and raise a family. 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