Finance Department

Jason Szymanski, CPA
Finance Director
721 Oxford Avenue
Eau Claire, WI 54703

Phone: 715.839.2827
E-Mail: Jason.Szymanski@eauclairecounty.gov

To: Eau Claire County Board of Supervisors
Date: May 16, 2024
Re: March 2024 – 1st Quarter 2024 Financial Report

Results through the first quarter of the fiscal year provide very limited guidance in assessing the County's financial performance. Given the fact that revenues and expenditures are recorded on a cash basis until year end, it is more insightful to compare current year results to those of the previous year for comparative analysis and to identify potential early concerning trends.

High-Level General Fund Analysis

Revenues	2024 Budget	2024 YTD Q1	2024 % of Budget	2023 Budget	2023 YTD Q1	2023 % of Budget
Tax Levy	$ 16,293,404	$ 4,073,521	25.00%	$ 15,527,978	$ 3,882,035	25.00%
Sales Tax	12,950,000	1,040,038	8.03%	12,100,000	946,426	7.82%
Other Taxes	809,500	264,931	32.73%	823,525	162,009	19.67%
Intergovernmental Grants & Aids	7,221,076	19,262	0.27%	5,974,970	100,523	1.68%
Intergovernmental Charges for Services	133,600	19,864	14.87%	154,000	24,138	15.67%
Public Charges for Services	4,672,966	765,272	16.38%	4,528,343	723,886	15.99%
Licenses & Permits	444,092	87,184	19.63%	427,369	86,665	20.28%
Fines & Forfeitures	333,000	40,419	12.14%	308,000	65,975	21.42%
Other Revenue	2,536,295	716,646	28.26%	1,183,243	604,171	51.06%
Total Revenues	**$45,393,933**	**$7,027,136**	**15.48%**	**$41,027,428**	**$6,595,827**	**16.08%**
Expenditures						
Personnel	$ 29,950,785	$ 5,240,892	17.50%	$ 26,546,519	$ 4,825,595	18.18%
Contracted Services	10,349,681	2,688,146	25.97%	10,167,063	2,784,730	27.39%
Supplies & Services	2,591,083	371,084	14.32%	2,105,212	353,651	16.80%
Fixed Charges (liability insurance)	787,556	201,173	25.54%	740,826	188,279	25.41%
Local Community Grants*	1,937,900	701,158	36.18%	1,870,629	585,482	31.30%
Capital Outlay	855,507	156,921	18.34%	879,229	102,971	11.71%
Total Expenditures	**$ 46,472,512**	**$ 9,359,374**	**20.14%**	**$ 42,309,478**	**$ 8,840,707**	**20.90%**
Excess of Revenues Over (Under) Expenditures	**$ (1,078,579)**	**$ (2,332,237)**		**$ (1,282,050)**	**$ (2,244,880)**	
Other Financing Sources/(Uses)						
Transfer In				$ -	$ -	
Transfer Out	(2,083,951)			-	-	
Net Surplus/(Deficit)	**$ (3,162,530)**	**$ (2,332,237)**		**$ (1,282,050)**	**$ (2,244,880)**	

**Local Community Grants include the following: Community Agencies, Beaver Creek Reserve contract payments, libraries, the Communication Center, and the Health Department*

Through the first quarter the general fund generated a net year to date (YTD) cash basis deficit of $2.3M, which is in line with the $2.2M deficit reported in the first quarter of 2023. In nominal dollars, revenues and expenditures increased year over year. However, both revenues and expenditures are slightly behind 2023 as a percentage of budget. The reduction in recognized revenues as a percentage of budget is largely due to increased budgets. Of note are the $0.9M increase in budgeted sales tax, the $1.0M increase in budgeted shared revenue (Intergovernmental Grants and Aids) due to the additional supplemental shared revenue in Act 12, and the $1.3M increase in budgeted investment income (Other Revenue) related to higher interest rates. Most general fund departments generated a net surplus through the first quarter, while those generating a deficit were likely attributed to lagging revenues or due to timing of receipts. An example of this would be Child Support. Over 70% of Child Support's funding comes in the form an administrative cost reimbursement from the State of Wisconsin. These cost reimbursements are received roughly a month after a quarter end. Because revenues and expenditures are recorded on a cash basis until year end, Child Support's March 31, 2024 financials would reflect a full quarter of expenses without recognizing the administrative cost reimbursement received at the end of April. Most of the year-over-year increase in expenditures is in Personnel and is related to the implementation of the compensation plan and increases in the cost of benefits.

Other Fund Activity

Other funds with significant year-to-year (YTY) changes included DHS, Highway, Opioid Settlement, and ADRC. As disclosed in their monthly financial reports, DHS has seen increases in contracted services related to IMD and alternate care placements. The Opioid Settlement Fund has received an additional $575 thousand, resulting in a positive year over year variance. The Highway department has decreased expenditure activity through the first quarter compared to last year. This is primarily related to construction of the new facility. The ADRC had a YTY positive variance due to the timing of the receipt of a transportation grant.

County-wide Revenue

From a county-wide overall perspective, excluding internal service fund (ISF) activity, 17.18% of the 2024 annual revenue budget has been recognized through March 31, 2024, as shown in the table below. This is behind the revenue recognized at this same time last year (17.58%). As noted in the general fund discussion, most of this difference is due to increases in the sales tax, shared revenue, and investment income budgets. In addition, the budget for Intergovernmental Charges for Services budget has been increased to reflect expected Highway Department cost sharing billings for the CTH T project and an increase in projected maintenance billings to the State.

Revenues	2024 Budget	2024 YTD Q1	2024 % of Budget	2023 Budget	2023 YTD Q1	2023 % of Budget
Tax Levy	$ 41,525,414	$ 10,381,524	25.00%	$ 41,508,172	$ 10,377,084	25.00%
Sales Tax	12,950,000	1,040,038	8.03%	12,100,000	946,426	7.82%
Other Taxes	3,375,856	466,854	13.83%	3,414,337	363,123	10.64%
Intergovernmental Grants & Aids	38,740,688	2,690,036	6.94%	38,567,138	2,794,724	7.25%
Intergovernmental Charges for Services	21,223,575	4,538,208	21.38%	17,959,213	4,671,356	26.01%
Public Charges for Services	8,027,033	1,610,901	20.07%	7,781,982	1,441,367	18.52%
Licenses & Permits	444,092	87,184	19.63%	427,369	86,665	20.28%
Fines & Forfeitures	333,000	40,419	12.14%	308,000	65,975	21.42%
Other Revenue	3,908,628	1,571,119	40.20%	2,316,581	1,124,793	48.55%
Total Revenues	**$130,528,286**	**$22,426,283**	**17.18%**	**$124,382,792**	**$21,871,511**	**17.58%**

Generally, revenues were in line with the prior year. The largest variance was in Other Revenue, which was caused by the receipt of $575 thousand in opioid settlement funds to be used for opioid abatement activities.

Specific components of revenue are more sensitive to the local and national economy and are uncontrollable. These components can provide insight into the financial state of the county and include sales tax collections, property tax collections, the vehicle registration fee, and other more general economic indicators. Each of these is reviewed in the following sections.

Sales Tax

With the two-month lag in receipt of sales tax collections, the sales tax revenue as of March 31, 2024 corresponds to sales collected from January 2024. While collections were $93 thousand greater than the prior year, one month of data provides little insight into sales tax trends. The unpredictable nature of collections requires continued monitoring for any potential negative trends. On a positive note, Act 12 reduced the county sales tax administrative fee retained by the State from 1.75% to 0.75%. This means the County will be able to keep an additional 1% of the county portion of the sales tax. This fee reduction is expected to be reflected with the July payment. For more updated information on sales tax collections through the most recent collection, please review the sales tax report found under Report Central – Countywide reports.

Month	2022	2023	2024	Cumulative YTY Change	2023 % of Budget	2024% of Budget
January	$ 974,265	$ 946,426	$ 1,040,038	$ 93,612	7.82%	8.03%
Total YTD	$ 974,265	$ 946,426	$ 1,040,038			
Budget	$ 11,718,000	$ 12,100,000	$ 12,950,000			
Actual Collections	$ 13,731,189	$ 14,262,074	$ 1,040,038			
Surplus	$ 2,013,189	$ 2,162,074				

Monthly amounts reflect sales tax earned. Payments received approximately two months later.

Property Taxes

At the end of the first quarter, only one of the two property tax installments has been collected. Outstanding taxes as of March 31, 2024, are presented below and in comparison, to one year ago. As noted in the table, the absolute amount of uncollected county-wide levy as of March 31, 2024, is approximately $3.1M higher than that from one year ago, although the relative percentage of uncollected taxes to the total YTY is essentially flat. Reviewing this data after the second installment is collected in July will give a better indication of potential increasing tax delinquencies. The introduction of IN-REM as a means of enforcement has assisted in reducing a portion of the older past due amounts.

Levy Year	Collection Year	County Tax Rate	County Levy	County-Wide Levy	Uncollected Taxes as of 31-Mar-24	2024 Percent of County-Wide Levy Collected	Uncollected Taxes as of 31-Mar-23	2023 Percent of County-Wide Levy Collected
2023	2024	$ 3.26	$ 41,896,635	$ 206,824,992	$ 40,586,492	80.38%	$ -	N/A
2022	2023	3.69	41,755,142	194,772,142	507,744	99.74%	37,591,355	80.70%
2021	2022	3.96	40,446,683	187,590,924	238,835	99.87%	420,311	99.78%
2020	2021	3.96	37,733,091	182,215,345	108,594	99.94%	224,116	99.88%
2019	2020	4.07	36,245,245	179,058,769	48,081	99.97%	88,376	99.95%
2018	2019	4.06	34,228,107	173,460,506	10,456	99.99%	31,290	99.98%
2017	2018	4.09	32,444,886	172,992,808	9,617	99.99%	7,415	100.00%
2016	2017	4.09	30,595,302	169,167,068	2,725	100.00%	2,898	100.00%
2015	2016	4.02	29,015,350	159,300,022	1,604	100.00%	2,057	100.00%
2014	2015	3.92	27,690,123	155,168,476	385	100.00%	718	100.00%
2013	2014	3.88	26,178,192	151,529,795	369	100.00%	402	100.00%
2012	2013	3.87	25,397,935	149,660,627	260	100.00%	293	100.00%
				Uncollected Taxes as of Jan 31	**$ 41,515,161**		**$ 38,369,231**	

Vehicle Registration Fee (VRF)

The chart below outlines the VRF activity through the first quarter of 2024. Like sales tax, receipt of the VRF lags the month of collection, normally by one month and with much less volatility. Through March of 2024, only January's had been received. While January's collection was in line with the prior year, it gives little insight into any trends. For more information on the vehicle registration fee, please review the VRF report found under Report Central – Countywide reports.

Month	2022	2023	2024	Cumulative YTY Change	2023 % of Budget	2024% of Budget
January	$ 173,312	$ 183,433	$ 183,611	$ 178	7.38%	7.44%
Total	$ 2,458,769	$ 2,457,579	$ 183,611			
Budget	$ 2,600,000	$ 2,485,200	$ 2,466,356			
Actual Collections	$ 2,458,769	$ 2,457,579	$ 183,611			
Surplus/(Deficit)	$ (141,231)	$ (27,621)				

Monthly amounts reflect vehicle registration fees earned. Payments received approximately one month later.

Economic Indicators

The local state of the economy is an important leading indicator of potential impact to Eau Claire County, which is monitored through key metrics including property tax collections, planning/zoning permits, register of deeds collections, and interest earned on invested funds. Some key metrics being monitored are summarized in the table below. Interest/penalties collected on delinquent taxes YTY was up, possibly a result of the shift to the IN-REM process. Through the first quarter of 2024, the county has seen an increase in activity in the housing and commercial market resulting in slight increases in the Real Estate Transfer Tax and Register of Deeds Filing Fees. Conversely, Zoning and Permits are slightly down based on activity. Investment income has increased due to the rise in interest rates.

Economic Indicator Line Items	2024 Annual Budget	Actual through 03/31/24	2024 % of Budget	2023 Annual Budget	Actual through 03/31/23	2023 % of Budget
Interest Collected on Delinquent Taxes	$ 320,000	$ 97,426	30.45%	$ 320,000	$ 65,829	20.57%
Penalties Collected on Delinquent Taxes	160,000	48,714	30.45%	160,000	32,915	20.57%
Zoning and Permits	338,552	53,740	15.87%	325,000	66,506	20.46%
Real Estate Transfer Tax	300,000	81,398	27.13%	315,000	59,653	18.94%
Register of Deeds Filing Fees	280,000	55,889	19.96%	325,000	53,234	16.38%
Interest Earned on Investments	1,750,000	463,310	26.47%	500,000	382,476	76.50%

Another key metric to consider for context is the local unemployment rate. The unemployment rate for Eau Claire County was 2.7% for March 2024. This is 0.2% higher than it was in March of 2023. The national average for unemployment in March of 2024 was 3.8%. This economic metric will be monitored closely and could provide some of the first insights into the impact of the HSHS closure on the local economy.

In addition, it is important to track the relative measure of inflation for the area, especially given its potential impact on sales tax collections and County operating expenses. The Midwest region Consumer Price Index (CPI) based on the last 12 months for March 2024 was a 2.8% increase as compared to 4.9% at March 2023. This is a positive sign for operating expenses but could slow the rate of growth in sales tax.

Additional information can be found at the following websites:

Unemployment Rate in Eau Claire, WI (MSA) (EAUC755UR) | FRED | St. Louis Fed (stlouisfed.org)
U.S. Bureau of Labor Statistics (bls.gov)
Consumer Price Index, Midwest Region – March 2024 : Mountain–Plains Information Office : U.S. Bureau of Labor Statistics (bls.gov)Bureau of Labor Statistics (bls.gov)

Expenditures by Function

A summary of the expenditures by function, excluding debt service and internal service fund activity, is shown below and provides a functional perspective of the expenditures in relationship to the budget. All county departments fall into one or more of the functional areas listed below. Capital expenditures are classified under the functional category that the purchase pertains to. Analysis of the functional expenditures can provide some insight into the demands of the community and the resulting expenditures incurred.

Expenditures through the first quarter of 2024 amounted to $24.30 million (18.91% of budget) as compared to $23.88M (19.77% of budget) in the first quarter of 2023. While expenditures increased slightly, the percentage to budget decreased due to the increase in budgeted amounts for Public Safety, Health & Human Services, and Culture and Recreation. The growth rate in these budgets exceeded the growth in expenditures in the quarter, causing the percentage to budget to decline. The overall increase in expenditures is primarily due to personnel costs and increased Health and Human Services contracted services comparable to one year ago. The decrease in Transportation and Public Works expenditures is due to one-time expenditures related to the construction of the new highway facility that occurred in 2023.

	2024 Budget	2024 YTD Q1	2024 % of Budget	2023 Budget	2023 YTD Q1	2023 % of Budget
General Government	$ 18,429,560	$ 3,408,314	18.49%	$ 18,195,919	$ 3,866,922	21.25%
Public Safety	25,334,851	4,466,933	17.63%	20,904,885	4,059,811	19.42%
Health & Human Services	54,345,788	11,881,965	21.86%	51,799,030	9,730,172	18.78%
Transportation & Public Works	21,861,906	2,657,222	12.15%	22,606,225	4,759,091	21.05%
Culture & Recreation	5,418,630	1,056,947	19.51%	4,237,623	950,085	22.42%
Conservation & Economic Development	3,128,176	830,000	26.53%	3,044,819	510,548	16.77%
Total Expenditures	**$ 128,518,911**	**$ 24,301,382**	**18.91%**	**$ 120,788,501**	**$ 23,876,629**	**19.77%**

Selected Expenditures by Category

The largest expenditure category for the county is, and will continue to be, personnel costs. For the first quarter, personnel expenditures are expected to be approximately 19% of budget due to the payroll processing lag. Personnel costs at the end of Q1 2024 are slightly below this target percentage, largely due to vacant positions. In actual dollars, personnel expenditures have increased $1.1M, primarily due to salary adjustments related to the compensation plan, increased benefit costs, and positions added during 2023.

Contracted services through the first quarter of 2024 increased ~$0.7M year over year. This is primarily due to the timing of a vendor payment in CJS and DHS contracted services related to IMD and alternate care placements.

Expenditures	2024 Budget	2024 YTD Q1	2024 % of Budget	2023 Budget	2023 YTD Q1	2023 % of Budget
Personnel	$ 65,633,963	$ 11,942,789	18.20%	$ 58,926,747	$ 10,795,405	18.32%
Contracted Services	27,869,399	7,125,546	25.57%	28,887,633	6,426,655	22.25%

CONCLUSION

First quarter data provides very limited guidance into the financial performance of the County. Overall, both revenues and expenditures increased year over year but trailed as a percentage of budget. Items to monitor in the future include sales tax collections, investment income as interest rates and the County's reserve levels change, and contracted services costs, all of which could have a significant impact on County finances. As stated in prior first quarter reports, the sheer lack of data makes it nearly impossible to draw any meaningful conclusions at this time.

For additional information, department financial reports for the first quarter ended March 31, 2024 are available on the County website under "Report Central" via the URL: https://www.co.eau-claire.wi.us/government/financial-information.

I encourage you to contact me with any questions you may have.
Jason Szymanski, CPA
Finance Director