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: August 20, 2024
Re: June 2024 – 2nd Quarter 2024 Financial Report

Results through the second quarter of the fiscal year provide 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 potentially concerning trends early.

High-Level General Fund Analysis

Revenues	2024 Budget	2024 YTD Q2	2024 % of Budget	2023 Budget	2023 YTD Q2	2023 % of Budget
Tax Levy	$ 16,293,404	$ 8,146,367	50.00%	$ 15,527,978	$ 7,773,751	50.06%
Sales Tax	12,950,000	4,291,674	33.14%	12,100,000	4,265,462	35.25%
Other Taxes	809,500	456,353	56.37%	823,525	343,990	41.77%
Intergovernmental Grants & Aids	7,310,024	866,850	11.86%	5,843,681	923,124	15.80%
Intergovernmental Charges for Services	133,600	30,798	23.05%	154,000	42,708	27.73%
Public Charges for Services	4,672,966	1,910,256	40.88%	4,528,343	1,541,813	34.05%
Licenses & Permits	444,092	208,959	47.05%	427,369	239,800	56.11%
Fines & Forfeitures	333,000	132,116	39.67%	308,000	111,063	36.06%
Other Revenue	2,539,295	1,551,514	61.10%	1,193,243	1,304,809	109.35%
Total Revenues	**$45,485,881**	**$17,594,887**	**38.68%**	**$40,906,139**	**$16,546,521**	**40.45%**
Expenditures						
Personnel	$ 28,774,215	$ 12,519,934	43.51%	$ 26,475,265	$ 11,126,613	42.03%
Contracted Services	12,052,039	4,692,666	38.94%	10,836,164	4,783,636	44.15%
Supplies & Services	3,155,236	852,414	27.02%	2,422,007	713,562	29.46%
Fixed Charges (liability insurance)	787,556	397,197	50.43%	740,826	370,918	50.07%
Local Community Grants*	2,089,556	1,119,645	53.58%	2,022,285	1,047,560	51.80%
Capital Outlay	1,290,028	407,548	31.59%	1,166,284	507,149	43.48%
Total Expenditures	**$ 48,148,630**	**$ 19,989,403**	**41.52%**	**$ 43,662,831**	**$ 18,549,437**	**42.48%**
Excess of Revenues Over (Under) Expenditures	**$ (2,662,749)**	**$ (2,394,516)**		**$ (2,756,692)**	**$ (2,002,916)**	
Other Financing Sources/(Uses)						
Transfer In				$ -	$ 20,000	
Transfer Out	(2,083,951)			-	-	
Net Surplus/(Deficit)	**$ (4,746,700)**	**$ (2,394,516)**		**$ (2,756,692)**	**$ (1,982,916)**	

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

Through the second quarter the general fund generated a net year to date (YTD) cash basis deficit of $2.3M, which is slightly higher than the $2.0M deficit reported in the second 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 second quarter, while those generating a deficit were mostly 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 June 30, 2024 financials would reflect a full quarter of expenses without recognizing the administrative cost reimbursement received at the end of July. 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, and Opioid Settlement. As disclosed in their monthly financial reports, DHS has seen increases in contracted services related to 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 second quarter compared to last year. This is primarily related to construction of the new facility.

County-wide Revenue

From a county-wide overall perspective, excluding internal service fund (ISF) activity, 38.99% of the 2024 annual revenue budget has been recognized through June 30, 2024, as shown in the table below. This is behind the revenue recognized at this same time last year (41.84%). 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 Q2	2024 % of Budget	2023 Budget	2023 YTD Q2	2023 % of Budget
Tax Levy	$ 41,525,414	$ 20,762,372	50.00%	$ 41,508,172	$ 20,763,849	50.02%
Sales Tax	12,950,000	4,291,674	33.14%	12,100,000	4,265,462	35.25%
Other Taxes	3,375,856	1,553,835	46.03%	3,414,337	1,453,461	42.57%
Intergovernmental Grants & Aids	39,232,589	10,568,239	26.94%	39,080,628	12,608,083	32.26%
Intergovernmental Charges for Services	21,223,575	7,451,023	35.11%	18,350,213	7,690,241	41.91%
Public Charges for Services	8,027,033	3,575,473	44.54%	7,781,982	3,131,171	40.24%
Licenses & Permits	444,092	208,959	47.05%	427,369	239,800	56.11%
Fines & Forfeitures	333,000	132,116	39.67%	308,000	111,063	36.06%
Other Revenue	4,478,453	2,757,473	61.57%	2,327,261	2,162,963	92.94%
Total Revenues	**$131,590,012**	**$51,301,164**	**38.99%**	**$125,297,962**	**$52,426,093**	**41.84%**

Generally, revenues were in line with the prior year. The largest variances were in Intergovernmental Grants & Aids and Other Revenue. The decrease in Intergovernmental Grants & Aids is primarily due to a decrease in the recognition of ARPA revenue, which is tied to expenditure activity, partially offset by a $434k grant recognized by the Airport. The increase in Other Revenue was caused by the receipt of $575 thousand in opioid settlement funds to be used for opioid abatement activities.

Specific components of revenue that 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 June 30, 2024 corresponds to sales collected from January through April. Collections were $26 thousand greater than the prior year. While four months of data provides limited insight into sales tax trends, it is encouraging that collections have kept up with 2023's record collections. 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. Since June 30, YTD sales tax collections have continued to exceed 2023. 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%
February	962,078	811,233	689,004	(28,617)	14.53%	13.35%
March	974,660	1,165,157	1,482,721	288,947	24.16%	24.80%
April	1,424,149	1,342,647	1,079,911	26,211	35.25%	33.14%
Total YTD	$ 4,335,153	$ 4,265,462	$ 4,291,674			
Budget	$ 11,718,000	$ 12,100,000	$ 12,950,000			
Actual Collections	$ 13,731,189	$ 14,262,074				
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 Second quarter, only one of the two property tax installments has been collected. Outstanding taxes as of June 30, 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 June 30, 2024, is approximately $3.3M 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 30-Jun-24	2024 Percent of County-Wide Levy Collected	Uncollected Taxes as of 30-Jun-23	2023 Percent of County-Wide Levy Collected
2023	2024	$ 3.26	$ 41,896,635	$ 206,824,992	$ 38,113,891	81.57%	$ -	N/A
2022	2023	3.69	41,755,142	194,772,142	445,335	99.77%	34,923,787	82.07%
2021	2022	3.96	40,446,683	187,590,924	217,485	99.88%	405,687	99.78%
2020	2021	3.96	37,733,091	182,215,345	92,330	99.95%	222,616	99.88%
2019	2020	4.07	36,245,245	179,058,769	31,837	99.98%	83,838	99.95%
2018	2019	4.06	34,228,107	173,460,506	10,441	99.99%	25,222	99.99%
2017	2018	4.09	32,444,886	172,992,808	8,638	100.00%	11,126	99.99%
2016	2017	4.09	30,595,302	169,167,068	2,259	100.00%	3,757	100.00%
2015	2016	4.02	29,015,350	159,300,022	1,604	100.00%	2,400	100.00%
2014	2015	3.92	27,690,123	155,168,476	384	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	**$ 38,924,833**		**$ 35,679,847**	

Vehicle Registration Fee (VRF)

The chart below outlines the VRF activity through the second 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 June of 2024, collections from January through May have been received. Collections appear to be in line with prior years. 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	YTD 2023 % of Budget	YTD 2024% of Budget
January	$ 173,312	$ 183,433	$ 183,611	$ 178	7.38%	7.44%
February	186,926	186,547	214,124	27,755	14.89%	16.13%
March	247,218	252,274	204,006	(20,513)	25.04%	24.40%
April	221,744	212,376	227,249	(5,641)	33.58%	33.61%
May	235,695	234,288	226,476	(13,452)	43.01%	42.79%
YTD Total	$ 1,064,894	$ 1,068,918	$ 1,055,466			
Budget	$ 2,600,000	$ 2,485,200	$ 2,466,356			
Actual Collections	$ 2,458,769	$ 2,457,579				
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 second 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; however, this will need to be monitored closely as the Federal Reserve is expected to enter a rate cutting cycle and the County's cash balances fall while a funding source for capital projects is determined.

Economic Indicator Line Items	2024 Annual Budget	Actual through 06/30/24	2024 % of Budget	2023 Annual Budget	Actual through 06/30/23	2023 % of Budget
Interest Collected on Delinquent Taxes	$ 320,000	$ 146,057	45.64%	$ 320,000	$ 112,457	35.14%
Penalties Collected on Delinquent Taxes	160,000	73,030	45.64%	160,000	56,229	35.14%
Zoning and Permits	338,552	155,394	45.90%	325,000	186,759	57.46%
Real Estate Transfer Tax	300,000	188,263	62.75%	315,000	151,746	48.17%
Register of Deeds Filing Fees	280,000	121,262	43.31%	325,000	116,345	35.80%
Interest Earned on Investments	1,750,000	1,026,179	58.64%	500,000	912,611	182.52%

Another key metric to consider for context is the local unemployment rate. The unemployment rate for Eau Claire County was 2.7% for June 2024. This is 0.3% lower than it was in June of 2023. The national average for unemployment in June of 2024 was 4.1%. 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 June 2024 was a 2.5% increase as compared to 2.4% at March 2023. The leveling in the inflation rate 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 – June 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 second quarter of 2024 amounted to $55.6 million (38.37% of budget) as compared to $51.4M (37.36% of budget) in the second quarter of 2023. Expenditures in both nominal terms and as a percent of budget have increased year over year. In examining individual line items year over year, General Government expenditures decreased due to higher ARPA expenditures in 2023. The increase in Health & Human Services expenditures is primarily due to increases in contracted services and payroll costs, as well as an increase in the Basic County Allocation (BCA) payback.

	2024 Budget	2024 YTD Q2	2024 % of Budget	2023 Budget	2023 YTD Q2	2023 % of Budget
General Government	$ 28,229,624	$ 8,079,438	28.62%	$ 29,540,285	$ 9,287,417	31.44%
Public Safety	26,529,344	10,604,933	39.97%	21,995,184	9,125,007	41.49%
Health & Human Services	55,397,172	27,490,656	49.62%	52,817,588	23,437,375	44.37%
Transportation & Public Works	23,722,000	6,263,351	26.40%	25,027,095	6,270,523	25.05%
Culture & Recreation	5,941,889	1,693,944	28.51%	5,051,810	2,014,756	39.88%
Conservation & Economic Development	3,486,861	1,457,595	41.80%	3,128,713	1,257,880	40.20%
Total Expenditures	**$ 143,306,890**	**$ 55,589,917**	**38.79%**	**$ 137,560,675**	**$ 51,392,957**	**37.36%**

Selected Expenditures by Category

The largest expenditure category for the county is, and will continue to be, personnel costs. For the second quarter, personnel expenditures are expected to be approximately 46% of budget due to the payroll processing lag. Personnel costs at the end of Q2 2023 are slightly below this target percentage, largely due to vacant positions. In actual dollars, personnel expenditures have increased $3.1M, primarily due to salary adjustments related to the compensation plan, increased benefit costs, and positions added during 2023.

Contracted services through the second quarter of 2024 increased ~$1.5 million year over year. This is primarily due to the DHS contracted services related to alternate care placements and CCS related services.

Expenditures	2024 Budget	2024 YTD Q2	2024 % of Budget	2023 Budget	2023 YTD Q2	2023 % of Budget
Personnel	$ 65,451,727	$ 28,210,529	43.10%	$ 58,940,097	$ 25,186,170	42.73%
Contracted Services	31,427,450	15,009,843	47.76%	30,223,434	13,460,750	44.54%

CONCLUSION

Second quarter data provides limited guidance into the financial performance of the County. Overall, revenues decreased year over year and expenditures increased year over year; however, it should be noted that the decrease in revenue is largely due to a higher amount of ARPA revenue recognized in 2023, which is tied to expenditure activity. 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.

For additional information, department financial reports for the second quarter ended June 30, 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