

MARATHON COUNTY FIVE-YEAR FINANCIAL FORECAST
MARATHON COUNTY BOARD PRESENTATION
January 24, 2012

INTRODUCTION

The County has established long-term financial policies since 1989. As established in #R-104-89, the "following items are considered necessary for financial stability for Marathon County. 1. Maintain a high bond rating, 2. Ability to cash flow operations of the County under all normal conditions and under most unusual conditions without having to go the market for short term borrowing and 3. Ability to earn interest on its funds in order to have direct reduction of property taxes."

In order to do that the County has implemented a number of planning processes such as the five-year capital project plan, approving comprehensive financial policies for revenues, debt and designation of funds for long-term liabilities. The County has also incorporated the planning process to include strategic planning, comprehensive planning, building and grounds maintenance, vehicle/equipment replacements and the development of a program prioritization process.

GOALS OF LONG RANGE FINANCIAL PLANNING

Along with the goals listed above, the objectives of a long range financial plan are:

1. Provide a tool to educate the public and policy makers of the long-term costs associated with proposed County activities, programs and services.
2. Identify the need for corrective actions if future fiscal problems can be identified to avoid fiscal adversity.
3. Provide a mechanism for evaluating the sensitivity of the County's financial condition due to economic factors that go beyond the direct control of the County
4. Provide a global high-level look at the financial future of the County as the cost of existing programs and services are considered.

INFORMATION REQUIREMENTS

1. Information provided is consistent with County's Comprehensive Annual Financial Report and current year adopted budget.
2. Information provided is at a high level consistent with the County's financial structure including summary information at the fund type.
3. County tax levy requirements for the first year are consistent with tax levy adopted in the annual budget process that considers the County tax levy and tax rates against a projected County Equalized Value and estimated County Net New Construction.
4. Forecast information presented represents an emphasis on personnel cost as a major expenditure totaling 37% of the County budget. Within the Personnel costs, health insurance is a major driver at 20% of the total personnel costs. In 2012, the new State requirement for employee contribution to WRS results in savings offsetting personnel cost and reduces future year costs for retirement contributions.
5. Forecast information is dynamic allowing for forecast methodology to incorporate "what if" scenarios or unanticipated events or circumstances.
6. Forecast information is to be updated semi-annually and presented to the County Finance Committee and County Board or as needed.

GENERAL ASSUMPTIONS

The forecast plan includes a base level projection of **existing service and personnel levels** from the adopted 2012 budget with the following revenue assumptions:

1. State revenue reductions in the area of transportation and shared revenues.
2. Based on the information from the County departments that run programs funded by Federal and State dollars; the forecast estimates an annual reduction on Income Maintenance Program of 7%, Youth Aids funding of 7% and Transportation Aids at 7%. Additional significant federal revenue impacts are anticipated but are currently unknown.
3. Tax levy growth is projected as revenue at 0.5% in 2013 and 1.0% for 2013 and 2% for 2014-2016.
4. The Tax base growth for 2012-2016 is projected to increase as follows: 0.5% for 2013, 1% for 2014-2015 and 2% for 2016.

Revenue Assumptions and Projections

Revenues are projected at the Department level by revenue source and based on broad general assumptions and trend data. Percentages below reflect general assumptions which may be overridden for known specific factors.

Table 1

2012	2013	2014	2015	2016	Revenue	Assumption	Description
0%	0.5%	1.0%	2.0%	2.0%	Property Taxes	Slow increase -Tax levy Limits	Maintain stable tax rate and levy limits
0%	1%	1%	1%	1%	Other Taxes	Increase in Economy	Slow economic growth
0%	-10%	-5%	0%	0%	Shared Revenue	Reductions for biannual budget	State budget balance to state
0%	-7%	-7%	-7%	-7%	Transportation Aids	straight reductions	Reductions like grant programs
0%	-7%	-7%	-7%	-7%	Intergovernmental grants	straight reductions	Grant reductions from State/Fed
0%	0%	1%	1%	1%	Intergovernmental Charges	Cost of users charges	Government charges to meet cost increases
0%	2%	2%	2%	2%	Fines/Licenses	slight increase	Fines/licenses to meet cost increases
0%	3%	3%	3%	3%	public charges	Keep up with cost of services	Increase to match cost increases
0%	1%	1%	1%	1%	Interdepartmental	Based on internal charges or carryover	Cost recovery or finalized costs for programs
0%	3%	3%	3%	3%	Misc. Revenues	interest and treasurer fees	Modest fee increases/Interest rate increases

Table 2 identifies over-all revenue changes mainly from State budget reductions anticipated in 2011, 2012 and 2013. Interdepartmental revenue increases are higher than the others due to health and dental internal fund charges for higher estimated costs at 7% in 2013 and beyond.

Table 2

Revenue by Category	2012	2013	2014	2015	2016
Property Taxes	47,573,011	47,810,876	48,288,985	49,254,765	50,239,860
Other Taxes	10,011,693	10,111,810	10,212,928	10,315,057	10,418,208
Shared Revenue	5,742,706	5,168,435	4,910,014	4,910,014	4,910,014
General Transportation Aids	4,451,742	4,140,120	3,850,312	3,580,790	3,330,135
Intergovernmental Grants/Aids	17,028,003	16,865,083	15,686,284	13,880,204	12,909,500
Intergovernmental Charges	18,579,773	18,579,773	18,765,571	18,953,226	19,142,759
Fines/Licenses	681,480	695,110	709,012	723,192	737,656
public charges	11,744,055	12,096,377	12,459,268	12,833,046	13,218,037
Interdepartmental/OFS	17,384,282	17,558,125	17,733,706	17,911,043	18,090,154
Misc. Revenues	16,099,464	16,582,448	17,079,921	17,592,319	18,120,089
Total Revenues	149,296,209	149,608,157	149,696,000	149,953,656	151,116,410

Table 3 further breaks down by fund and department the estimated grant and intergovernmental revenues that the County is estimating it will receive in years 2012-2016. For reference, to see the impact that reductions to state and federal program revenues has on Marathon County, we have included the 2011 revenues for comparison purposes.

Table 3

Department	2011	2012	2013	2014	2015	2016
General Fund						
County Admin	276,000	272,778	253,684	235,926	219,411	204,052
Finance	1,075,000	125,000	116,250	108,113	100,545	93,507
Clerk of Courts	426,000	420,000	390,600	363,258	337,830	314,182
District Attorney	288,444	314,039	292,056	271,612	252,599	234,918
CPZ	463,007	398,767	370,853	344,894	320,751	298,298
Health	1,366,488	694,089	645,503	600,318	558,295	519,215
Sheriff	562,933	143,069	133,054	123,740	115,079	107,023
Emergency Gov.	186,782	147,287	136,977	127,389	118,471	110,178
Jail	4,500	4,500	4,185	3,892	3,620	3,366
Juv Dentention	16,000	12,000	11,160	10,379	9,652	8,977
Shelter Home	5,000	5,300	4,929	4,584	4,263	3,965
Snowmobile	812,519	667,682	620,944	577,478	537,055	499,461
Forestry	166,644	65,840	61,231	56,945	52,959	49,252
UWEX	9,636	9,762	9,079	8,443	7,852	7,302
Land conservation	953,390	684,350	636,446	591,894	550,462	511,929
Veterans	13,000	13,000	12,090	13,000	13,000	13,000
Highway	4,451,742	3,345,247	4,140,120	3,850,312	3,580,790	3,330,135
Solid Waste	21,500	20,000	18,600	17,298	16,087	14,961
Social Services	8,755,380	7,304,672	6,793,345	6,317,811	5,875,564	5,464,275
Child support	1,046,991	996,908	927,124	862,226	801,870	745,739

Total Grants		20,900,956	15,644,290	15,578,230	14,489,510	13,476,155	12,533,734
Special Education			881,387	819,690	762,312		
Total Intergovernmental			16,525,677	16,397,920	15,251,822	13,476,155	12,533,734
ADRC-CW			4,954,068	4,607,283	4,284,773	3,984,839	3,705,901
Co Treasurer-State Shared Revenues			5,742,706	5,168,435	4,910,014	4,910,014	4,910,014
Total per Budget			27,222,451	26,173,639	24,446,609	22,371,007	21,149,648

Expenditures Assumptions and Projections

Table 4 provides overall expenditure assumptions identified at the category level and then the appropriation level with more specific details for wages and benefits. Percentages below reflect general assumptions which may be overridden for known specific factors.

Table 4

Expenditure Assumptions by Major Category					Expenditure Category	Comment
2012	2013	2014	2015	2016		
0.0%	3.0%	3.0%	3.0%	3.0%	Salaries	Cost to continue existing positions. Sheriff union contracts still negotiated
0.0%	7.0%	7.0%	7.0%	7.0%	Health Insurance	Increase limited due to higher co-pays and deductibles
5.9%	6.0%	6.3%	6.6%	6.9%	WRS contribution rates ER/EE	Prospective increase in rates for future years
0.0%	3.0%	3.0%	3.0%	3.0%	Dental	New dental plan-inflationary cost increases
0.0%	3.0%	3.0%	4.0%	5.0%	Workers Compensation	Increase due to medical cost inflation
0.0%	0.0%	1.0%	1.0%	1.0%	Other insurance	Inflationary Increases
-6.4%	3.5%	3.6%	3.6%	3.7%	Total Personnel	2012 is reduced due to Higher employee WRS contributions, health/dental plan changes
n/a	n/a	n/a	n/a	n/a	Debt Service	2010 A GO note
0.0%	2.5%	3.0%	3.0%	3.0%	Operating	Inflationary Increases
0.0%	1.0%	1.0%	1.0%	1.0%	Capital	Inflationary Increases
0.0%	0.0%	0.0%	0.0%	0.0%	Intergovernmental	Static

A further breakout of the salary/wage and benefit expenditure information is provided here to show the total personnel cost as displayed in Table 4. For comparison purposes, the 2011 payroll budget was included to provide information on the decrease in personnel costs from 2011-2012 due to changes in employee contributions to the WRS, a change in the Health Plan Design and implementing a new dental plan.

Table 5

Year	Gross pay	Fringe Benefits	PEHP/PAL	Total	Increase
2016	41,511,868	20,746,625	518,840	62,777,333	4%
2015	40,302,784	19,751,913	503,729	60,558,426	4%
2014	39,128,917	18,823,109	489,057	58,441,083	4%
2013	37,989,240	17,955,798	474,812	56,419,850	4%
2012	36,882,757	17,153,061	460,983	54,496,801	-6%
2011	37,028,816	20,851,970	331,777	58,212,563	

**MARATHON COUNTY FIVE-YEAR FINANCIAL FORECAST
Total County Financial Plan Results**

Table 6

	2012	2013	2014	2015	2016
Revenues less Tax Levy	101,723,198	101,797,281	101,407,015	100,698,891	100,876,550
Property Tax Levy	47,573,011	47,810,876	48,288,985	49,254,765	50,239,860
Total Expenditures	149,296,209	153,125,915	157,473,171	161,984,557	166,667,551
Deficit by year	-	(3,517,758)	(7,777,171)	(12,030,901)	(15,551,142)

In summary, based on the revenue and expenditure assumptions used to develop this 5 year financial forecast, the County will see structural gaps in its operating budget that will need to be addressed as soon as 2013. This gap then grows at a rapid pace and the gap between the revenues collected by all sources is unable to keep pace with the ever increasing costs of operational expenditures specifically personnel costs. The gap between revenues and expenditures is clearly displayed in Chart 1. The gap is growing at a pace that cannot be mitigated by developing small cuts to reduce program costs but instead demonstrates the need for the County to develop a plan to significantly reduce the gap through many large scale program changes and reevaluation of what services the County provides at what cost.

Chart 1

