

A FINANCIAL ROAD MAP FOR WAYNE COUNTY

“Business as it used to run in the counties can no longer happen,” says Ken Paust, county commissioner in Wayne County, Indiana.

He’s speaking of how local governments in Indiana were affected when property tax caps began taking effect just as a general economic downturn reduced other revenue sources.

“We had an idea of the effect of property tax caps on our county and had done some budget reductions in anticipation,” said Paust.

Then a startling development occurred: “Our auditor and treasurer came to us in early 2010 and said our cash flow was so diminished, we had only enough cash to operate for another month or two. We decided the best firm to give us an impartial look at our entire county finances would be Umbaugh.

“We asked Umbaugh to look at total financial management, the effect of property tax caps, our cash flow, projections for the end of 2010, and what changes we needed to make to have a positive cash flow.”

The resulting plan is providing a financial road map to accomplish Wayne County’s priorities over the next several years. It defines the county’s financial position, forecasts receipts and disbursements, identifies potential funding gaps and recommends funding solutions.

“Wayne County was fortunate to be in a financial position that we had a solution available. We loaned ourselves \$4 million from our capital reserve accounts,” said Paust. “We asked Umbaugh to structure our financial plan so we’d have adequate funds to repay the loan and also start the following year with an additional \$4 to 4.5 million.”

“Full implementation of new property tax policies, coupled with current economic conditions, is requiring all local governments to look at their financial situation over a much longer period of time,” said Gary Malone of Umbaugh, who worked with Wayne County on its financial study. “It’s no longer adequate to prepare a budget for the next year; you need to look ahead three to five years.”

Although Wayne County’s controlled funds had maintained an average cash reserve of 41% in the past three years, the Umbaugh study showed that those controlled funds cash reserves would fall from the \$14.8 million they had been in 2007 to just \$3.2 million by 2012 unless the County made sufficient budget adjustments. Cash reserves are considered an indicator of strong financial stability and they fund essential operations and cover temporary cash flow deficits.

Similar analyses were performed for all County funds – from highway and local road and street funds to courthouse, debt service and capital projects funds.

Paust adds: “Without Umbaugh’s assistance, we wouldn’t have known exactly how much to cut out of our budget this year. Having that number is worth its weight in gold. You need to know for sure what the number’s going to be.

“Wayne County has always managed its money very well, but we have to be even better managers of taxpayers’ dollars now because there are fewer dollars to work with. Counties need to stay ahead of this, and Umbaugh can give you financial information to do that.”

PULL OUT AND ADDITIONAL QUOTES:

“The people at Umbaugh are wonderful to work with. They come to meetings and make presentations to public. They even make suggestions about how they can help you effectively communicate the financial picture.”

Ken Paust, County Commissioner, Wayne County, Indiana

“Umbaugh is more than capable of giving you the big picture. Without the big picture you can’t run a county as efficiently as you should.”

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