

## **Manitowoc County debt: Walworth County offers example of how to break wasteful cycle**

Maura “Chip” Yost

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Manitowoc County is in the process of finalizing 2019's borrowing of \$6,505,000. That would bring our county's debt, with interest, to approximately \$40.1 million. It will leave us paying off that debt for the next 20 years, through 2039, while pushing today's costs onto future taxpayers.

Our county is at a financial tipping point because, with this borrowing, in just one year, our existing debt service (cash and interest until 2039) will have increased almost 32 percent, from \$30.5 million to \$40 million.

The rate of our county's borrowing has increased. Over the past three years, our county borrowed \$15.1 million.

Since 2006, when County Executive Bob Ziegelbauer took office, county taxpayers have paid \$13 million in interest; that's money that left our local economy, instead of re-circulating within it.

Yet, all that money only decreased our principal debt owed by \$1.2 million.

The rest, an eye-popping 91 percent, was paid for interest. That's all sunk costs.

All those figures sound mind numbing and mind boggling.

Chris Edwards, director of tax policy studies at the Cato Institute, describes bonding as a "hidden tax" because taxpayers don't realize they're paying far more than the advertised price for a project. He continued, "General obligation debt is a popular way of financing government spending, but it is an expensive and imprudent way to do so."

There are at least two other drawbacks of bonding. One is the expense of high-wage financial expert employees in the municipal bond industry, like underwriters, traders, advisers and bond insurers.

Another drawback is possible corruption. "The municipal bond industry has been plagued by 'pay to play' scandals, which involve finance firms providing campaign contributions and other benefits to government officials to win bond business," Edwards said.

Is there any way to break Manitowoc County's wasteful debt cycle: borrow, re-finance, make payments and borrow again?

With a plan, a commitment and persistence, one Wisconsin County, Walworth, did break the cycle. By planning ahead, Walworth County's elected officials and staff saved its taxpayers millions of dollars.

As an early adopter in 1986 of the half-penny sales tax, Walworth County now is debt free, while being able to fund a \$24 million Health & Human Services Building, pay down \$9.1 million in its 2018 budget, and reward taxpayers with a 2.8 percent drop in the tax levy.

Eleven years ago, Walworth County was \$53 million in debt. Over the past decade, it whittled down its debt to zero with its recent \$30 million payment, saving \$3.3 million in interest, and funded its new Health & Human Services Building.

As authentic fiscal conservatives, they agreed to keep their county expenditures below the tax levy and save and invest the remainder.

They had a vision for their county's future, one that corresponded to the values of their residents.

Historically, Manitowoc County residents demonstrated their values of self-reliance and frugality. They expect and demand good value for their money.

As a small county with an aging and dwindling population, we must address our spiraling debt problem. We may not have much impact on state or federal debt levels, but we can reduce debt at the county level.

Edwards cautioned: "Saving for a future project requires discipline and clear communication with voters. Many of the fiscal challenges this nation faces are a result of politicians viewing the world in one- or two-year increments, from one election to the next. Unfortunately, politicians don't plan to be in office when the bills come due and the financial wreckage becomes apparent."

As Benjamin Franklin wrote, "By failing to prepare, you are preparing to fail."