

October 10, 2019

Honorable Chair, Vice Chair, and Members
Rock County Board of Supervisors

I respectfully submit the 2020 Recommended Budget for your review and consideration. The 2020 Recommended Budget includes a tax levy of \$70,418,774.

Total expenditures, tax levy, and the tax rate included in the 2020 Recommended Budget as compared to the 2019 Adopted Budget are as follows:

	Adopted <u>2019</u>	Recommended <u>2020</u>	Percentage <u>Increase (Decrease)</u>
Total Expenditures	\$188,594,252	\$194,857,227	3.35%
Tax Levy	\$67,635,689	\$70,418,774	4.11%
General Fund Applied	\$0	\$0	N/A
Tax Rate (per \$1,000)	\$6.196945	\$5.996732	(3.23%)

While the tax levy increases 4.11%, the tax rate would decrease by 3.23%. This results from an increase in the County's equalized value of 7.6%. This is the sixth year in a row that Rock County's equalized value has increased.

The tax rate of \$6.00 per thousand is a countywide average based on the County's equalized value as determined by the Wisconsin Department of Revenue. Each taxing unit (town, city, or village) will have a rate for county taxes that is different depending on assessment practices and limited tax levy jurisdictions. On average, the recommended tax levy increase would raise the County portion of the property tax bill by \$23.64 on a home that was valued at \$100,000 at this time last year.

Tax Levy

The 2020 Recommended Budget includes a tax levy of \$70,418,774. **The overall tax levy is recommended to increase by \$2,783,085, or 4.11%.** The tax levy is composed of three parts:

- 1) *Operational Levy*—This is the amount for operational costs allowed under the State's tax levy limits. The levy for operations is allowed to increase by the greater of 0% or the percentage increase in the County's equalized value due to net new construction. **For the 2020 budget, the percentage increase due to net new construction is 1.597%.** When applied to the 2019 tax levy for operations, and taking into account several required

adjustments, this would result in an allowable tax levy for operations of \$61,223,415, which would be an increase of \$1,299,312.

2) *Limited Tax Levies*—This is the amount for items funded by limited tax levies for the Arrowhead Library System and Town Bridge Aid, which are exempt from levy limits. The increase of \$161,323 in the limited levy amount is part of the total limited tax levy of \$1,591,981.

- The Arrowhead Library System will have an increase of \$88,584, which will bring the total levy for this purpose to \$1,188,742. The Arrowhead Library System levy is levied only on property in the towns plus the Village of Footville. The increase in levy for the Arrowhead Library System is typically based on increased usage of municipal libraries by rural Rock County residents.
- Town Bridge Aid is recommended to increase \$72,739, which will bring the total levy for this purpose to \$403,239. Town Bridge Aid is levied on property in all towns. The increase in Town Bridge Aid is due to an increased number of towns requesting bridge projects due to the deteriorating condition of this infrastructure, as well as increased costs.

3) *Debt Service*—This is the amount used to repay borrowed funds, which is also exempt from levy limits. The levy increase for debt service totals \$1,322,450 in 2020. This increase is due to borrowing that occurred in 2019 for County Trunk Highway construction projects and the purchase of and architectural/engineering services for the 1717 Center Avenue property. The debt service levy in the 2020 Recommended Budget totals \$7,603,378.

Sales Tax and Use of Sales Tax Proceeds

The half-cent county sales tax was adopted as part of the 2007 budget process and became effective April 1, 2007. I am recommending the County budget for sales tax collections of \$14,621,120 in 2020. These funds would be used as follows:

Operational Costs	\$7,522,973
Capital Expenditures	<u>7,098,147</u>
Total	\$14,621,120

The amount used for operational costs is the same amount that has been used for that purpose since 2011. Capital expenditures include a variety of construction projects, facility improvements, equipment purchases, and conservation easements that might otherwise be funded through

long-term debt. Sales tax proceeds of \$7,098,147 in 2020 are proposed to be applied to capital expenditures in the following departmental budgets (and facilities):

Public Works – Highway	\$2,115,226
Facilities Management (Courthouse)	1,420,000
Information Technology	839,130
911 Communications Center	775,909
Facilities Management (911/IT Facility Project)	575,000
Sheriff’s Office	428,040
Southern Wisconsin Regional Airport	247,730
Land Conservation – PACE	200,000
Facilities Management (Jail)	175,000
Facilities Management (Youth Services Center)	100,000
Public Works – Parks	95,000
Land Records	82,112
Facilities Management (UW-Whitewater at Rock County)	<u>45,000</u>
Total	\$7,098,147

Due to an improving economy and conservative budgeting, the amount of sales tax collected in 2018 exceeded budget estimates. In addition, we anticipate more sales tax revenue will be collected by the end of 2019 than what was budgeted. We expect these **excess sales tax amounts to total \$1,174,037 at the end of 2019**. No excess sale tax is budgeted to be used in the 2020 budget as the County begins to build up this fund balance to apply to future large capital projects. County policy is to place any excess collections in a segregated account to be used for capital projects.

General Fund Balance

The audited General Fund balance as of December 31, 2018, was \$41,003,073, of which \$33,525,023 was unassigned. Taking into consideration the results of operations in 2019, it is estimated that the unassigned General Fund balance as of December 31, 2019, will be \$34,000,000, which represents an increase of \$474,977. The General Fund balance remains within the target range of the County’s fund balance policy. No General Fund balance application is recommended in 2020. Due to responsible fiscal management by the various departments, the unassigned general fund balance has increased by \$5.1 million, or 18%, over the last five years.

Long-term Debt

The 2020 Recommended Budget includes a total of \$3,228,000 in new long-term debt for County highway construction projects. This is \$224,000 more than the debt included in the 2019 Adopted Budget. It should be noted that the 2020 Recommended Budget does not include the anticipated debt for the 1717 Center Avenue renovation project, as these costs will be known and the budget amended once bids are received.

Outstanding debt as of December 31, 2019, will total \$48,730,000. The largest single project funded through this debt is related to the construction of Rock Haven. The County has historically taken an aggressive approach to paying off debt, typically repaying borrowed funds within a 10-year timeframe. All current debt is scheduled to be repaid by September 1, 2029. The County currently holds a bond rating of "Aa1" by Moody's and "AA" by Standard and Poor's.

Other Revenue

In 2020, 40.5% of the County's total budgeted revenue will be from intergovernmental revenues, which are largely reimbursements for operating state and federal programs and grants. We are anticipating that intergovernmental revenues will increase by \$3,225,717, or 4.3%.

In some limited cases, state and federal revenue is intended to cover the full cost of providing a service, such as the Comprehensive Community Services (CCS) program in the Human Services Department that has been expanding over the last several years. In most cases, however, the County is required to match these revenue sources with County funds. For example, certain revenues received by the Child Support Office are intended to cover 66% of costs, leaving the County to fund 34%. Likewise, Medical Assistance reimbursement generally covers around 60% of the cost of providing services, leaving the County to fund about 40%.

Fees charged to the public for services or for the costs of providing regulatory and compliance services together account for about 6.1% of total revenues in the 2020 Recommended Budget.

Expenditures

Total expenditures in 2020 amount to \$194,857,227 and would increase by \$6,262,975 or 3.3% as compared to the 2019 Adopted Budget. Of this amount:

- Operating expenditures total \$172,849,285, which is an increase of \$7,943,187 or 4.8%.
- Capital project expenditures total \$14,354,564, which is a decrease of \$2,972,662 or 17.2%. As noted, this figure does not include the estimated cost for the renovation of 1717 Center Avenue. When bids are received and the actual project amount is known, a resolution will come before the County Board to amend the 2020 budget.
- Debt service expenditures total \$7,603,378, which is an increase of \$1,322,450, or 21.1%.
- The contingency fund is budgeted at \$50,000 in 2019, which is \$30,000 less than was budgeted in 2019. Since 2010, the average expenditure from the contingency fund during the year was \$20,193, with the maximum being \$42,968.

Notable 2020 Initiatives, Projects, and Budget Changes

In the 2020 Recommended Budget, a number of initiatives can be described as embracing new thinking to create long-term impact. Significant investments in these areas are intended to pay dividends in future years through better client outcomes, reduced risk and liability, and improved safety.

Services for Abused and Neglected Children and Youth

In the past several years, out-of-home placements for children and youth in the Human Services Department have been a primary factor driving the County budget. The costs of out-of-home placements increased from just under \$3.6 million in 2015 to more than \$4.5 million included in the 2019 budget, an increase of \$980,000 or 27.6%. Fortunately, the number of children being served in out-of-home placements is projected to plateau in 2020, due in part to operational investments approved by the County Board over the past several years.

These trends, due partly to the impact of the opioid epidemic, resulted in the State's 2019-2021 Biennial Budget providing an additional \$25 million annually to counties to address caseworker turnover and caseload, services, and placements. In 2020, Rock County anticipates receiving \$1.2 million from this appropriation. The County's 2020 budget allocates \$678,782 of this amount as follows:

- \$224,535 in incentive pay by providing a \$2.00 per hour incentive for CPS caseworkers to address retention and recruitment, which recognizes the difficulty and secondary trauma these staff face in their daily job responsibilities;
- \$200,000 toward out-of-home placements;
- \$81,226 to create a new Analyst position dedicated to evaluating issues such as barriers to improving the time it takes to place a child in a permanent living arrangement;
- \$53,785 to increase in-home safety services, which are intended to keep at-risk children safe in their homes;
- \$50,000 to provide a peer support program, in which parents who have been successful Child Protective Services (CPS) clients will serve as mentors to current CPS-involved parents;
- \$45,000 for consulting services related to improved engagement with foster families and leadership and organizational development in CPS; and
- \$24,236 for 25% of a new Quality Improvement Coordinator position to be dedicated to ensuring practices within CPS adhere to evidence-based standards.

The remaining \$521,218 is set aside with the highest and best use to be determined in 2020 after more study by the Human Services Department and Board.

Cybersecurity and Information Technology Realignment

One of the most significant investments of County resources in 2020 will be into improving the County's cybersecurity posture and repositioning the Information Technology Department to work more efficiently and effectively. With a ransomware or other cyber attack increasingly likely at the local government level, the County needs dedicated resources arrayed at protecting the County's network infrastructure. To this end, the budget includes the creation of an IT Security Officer position to oversee technical improvements and train all County staff. Numerous software and hardware solutions are also recommended, which will work in concert to significantly increase and better coordinate a defense strategy. These improvements include updating hardware and physical infrastructure to remove potential vulnerabilities, implementing cybersecurity software to identify and proactively address intrusions, and developing more robust data and system backup services in the event of a disaster. A total of \$839,130 in sales tax will support many of these one-time or capital expenditures, as will \$536,702 in a departmental fund balance application.

In addition to a number of personnel changes approved by the County Board in 2019, the 2020 budget recommends the creation of several additional positions that will better align needed staffing resources with the department's mission and improve the ability to support the work of other County departments. In addition to the IT Security Officer, these include a Data Services Manager, Network Technician, and User Support Specialist. The creation of these positions will complete the reorganization of the department as recommended in the two operational reviews conducted by Baker Tilly. Overall, the tax levy devoted to IT operations is recommended to increase by \$668,652, or 46.0%.

Highway Construction, Maintenance, and Personnel

The statewide discussion about the condition of the state and local roads continues. In Rock County, portions of the expanded Interstate are expected to open as early as 2020. In 2018 and 2019 the County took steps to prepare to manage these additional lane miles by procuring a parcel near Shopiere on which to base operations in the southern part of the County, funding the costs to design and build a new garage, and purchasing seven new quad trucks for snow plowing operations. The 2020 budget continues to address these new responsibilities by recommending the addition of 6.0 FTE positions to conduct plowing operations on the Interstate and other routes where the State is increasing the County's duties. The State is providing increased funding to recognize the increased costs of providing this service.

These new staff will also contribute to an expanded County highway construction and maintenance operation in 2020. Two projects on CTH F will reconstruct 5.2 miles and pulverize and overlay 0.9 miles from US Highway 14 to Indianford. These two projects will cost \$5,481,000 and are recommended to be funded with \$3,228,000 in deferred financing, \$1,853,000 in sales tax, and \$400,000 in State Local Road Improvement Program (LRIP) funding. An additional \$262,226 in sales tax would be dedicated to design work on future projects on CTH J and CTH O

and a federal aid bridge project on CTH E. A sealcoat project on CTH G at a cost of \$320,000 would be funded through the department's fund balance.

Facilities Master Plan Implementation

In 2020 the County will continue implementation of the Facilities Master Plan, which will further align physical infrastructure with operational improvements. Specifically:

- In 2020, the County will solicit bids to renovate the 1717 Center Avenue property. In addition to consolidating Human Services operations to help break down silos among its historical divisions, the building will also co-locate the Council on Aging with the Aging and Disability Resource Center (ADRC) to improve convenience for their shared clients. Other offices, including for our Job Center partners and justice system programs, will also be located here. Once bids are received, a contractor selected, and the cost of the renovation is known, the County Board will need to amend the budget to identify a funding source, which is expected to be long-term debt.
- To plan for the relocation of other offices from the Health Care Center, \$300,000 is included to design and engineer a new data center, which is tentatively planned to be co-located with the 911 Center and timed to coincide with the planned replacement of dispatch center furniture and equipment. A new location for Information Technology staff will also need to be finalized, and \$275,000 is included to design space for this purpose.
- The next project in the Master Plan will be determining a replacement for the Pinehurst building, which houses the Sheriff's administrative offices and Huber housing, among other functions. Included in the budget is \$45,000 for a correctional consultant to assist the Sheriff's Office in evaluating future needs in anticipation of funding in 2021 to design a replacement facility. Included in these discussions will be the future location of the Emergency Operations Center, which also remains in the Health Care Center.

Organizational Improvement

Funds are included in the 2020 budget to review high-priority issues identified by the County Board. This includes \$30,000 in the Human Resources Department budget for consulting services to support the Blue-Ribbon Commission on Organizational Excellence, and \$35,000 in the Rock Haven budget anticipating the need for consultants to support the work of an ad hoc committee.

Personnel Changes

Over the course of 2019, the County Board approved a total of 6.25 FTE positions. This brings the current personnel roster to 1,233.95 FTE. The 2020 Recommended Budget includes a net increase of 18.575 FTE as compared to the current personnel roster and a total FTE count of 1,252.525 FTE. Given these changes, the 2020 Recommended Budget includes a personnel roster that is

24.825 FTE more than the 2019 Adopted Budget. With personnel costs representing more than half of operational costs, managing personnel costs is vital to ensuring County resources are used most efficiently and effectively.

Budget Adoption Process

Each departmental budget includes a section entitled “Administrator’s Comments” where I have highlighted the important issues and provide the rationale for the recommendations. In the next several weeks, each governing committee will have a budget review item on its agenda. This is the opportunity for each committee to discuss with those departments under its jurisdiction the Recommended Budget and its effects on services provided. If any governing committee wants to request a change to the Recommended Budget, it may do so by passing a motion at one of its meetings in the next several weeks. These requests are then forwarded to the Finance Committee, which will meet in early November to decide whether or not to endorse each committee’s request before it advances to the full County Board for consideration at the budget adoption meeting. Individual supervisors are also able to make motions at the budget adoption meeting.

The schedule for budget-related meetings by the full County Board is as follows:

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| Monday, November 4, at 9:00 a.m.: | County Administrator’s Review and Explanation of the Budget with Questions from the Board |
| Wednesday, November 6, at 6:00 p.m.: | Public Hearing on the Budget |
| Tuesday, November 12, at 9:00 a.m.: | Statutory Annual Meeting and Budget Adoption |

In addition, please feel free to ask me any questions you may have about the Recommended Budget and the rationale behind its contents. Assistant to the County Administrator Randy Terronez and Finance Director Sherry Oja will also be able to assist you. Those two individuals provided invaluable insights and advice during the process, not to mention significant amounts of their time on evenings and weekends. I am also grateful for the work of Annette Mikula and Alyx Brandenburg in the Human Resources Department, Marilyn Bondehagen and Jodie Surber in the Administrator’s Office, and numerous staff in the Finance Department, including Sue Balog, Lynn Heimann, and Sharon Clark, for their work in processing and compiling the budget. Thanks are also due to the department heads and their staff members who spent hours developing budget requests.

Sincerely,

Josh Smith
County Administrator