

October 11, 2018

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

I respectfully submit the 2019 Recommended Budget for your review and consideration. The 2019 Recommended Budget includes a tax levy of \$67,635,689.

Total expenditures, tax levy, and the tax rate included in the 2019 Recommended Budget as compared to the 2018 Adopted Budget are as follows:

	Adopted <u>2018</u>	Recommended <u>2019</u>	Percentage <u>Increase (Decrease)</u>
Total Expenditures	\$173,940,169	\$188,548,421	8.4%
Tax Levy	\$66,915,105	\$67,635,689	1.1%
General Fund Applied	\$0	\$0	N/A
Tax Rate (per \$1,000)	\$6.517313	\$6.196945	(4.9%)

While the tax levy increases 1.1%, the tax rate would decrease by 4.9%. This results from an increase in the County's equalized value of 6.3%. This is the fifth year in a row that Rock County's equalized value has increased.

The tax rate of \$6.20 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 \$4.96 on a home that was valued at \$100,000 at this time last year.

Tax Levy

The overall tax levy is recommended to increase by \$720,584, or 1.1%. 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 2019 budget, the percentage increase due to net new construction is 1.282%.** When applied to the 2018 tax levy for operations, and taking into account several required adjustments, this results in **an allowable tax levy increase for operations of \$1,005,071.**

However, the State’s 2017-19 biennial budget exempted certain personal property (non-manufacturing machinery, tools, and patterns) from being subject to taxation. To account for this change, the State created the personal property aid program. As a result, **the County’s \$1,005,071 allowable levy increase is composed of a \$610,606 personal property aid payment from the state and an operational tax levy increase of \$394,465.**

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 \$49,529 in the limited levy amount** is part of the total limited tax levy of \$1,430,658.

- The Arrowhead Library System will have an increase of \$30,949, which will bring the total levy for this purpose to \$1,100,158. 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 \$18,580, which will bring the total levy for this purpose to \$330,500. 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 \$279,682 in 2019.** This increase is due to borrowing that occurred in 2017 for County Trunk Highway construction projects. The debt service levy in the 2019 Recommended Budget totals \$6,280,928.

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 \$14,038,114 in 2019, which includes a 2.0 percent increase due to Internet sales tax collections. These funds would be used as follows:

Operational Costs	\$7,522,973
Capital Expenditures	<u>6,515,141</u>
Total	\$14,038,114

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, and conservation easements that might otherwise be funded through long-term debt. Sales tax proceeds of \$6,515,141 in 2019, as well as \$4,245,416 in prior years' sales tax collections, are proposed to be applied to capital expenditures in the following departmental budgets (and facilities):

Facilities Management (Courthouse Security)	\$5,815,017
Public Works – Highway	1,228,200
Facilities Management (Courthouse)	1,105,000
911 Communications Center	872,930
Facilities Management (Jail)	484,000
Facilities Management (Fairgrounds)	200,000
Land Conservation – PACE	200,000
Facilities Management (Community Corrections/UW-Extension)	180,000
Facilities Management (Rock Haven)	153,700
Facilities Management (UW-Whitewater at Rock County)	140,000
Sheriff's Office	138,000
Public Works – Parks	100,000
Public Works – Airport	91,310
Facilities Management (911 Communications Center)	27,000
Facilities Management (Health Care Center Complex)	<u>25,600</u>
Total	\$10,760,757

Due to an improving economy and conservative budgeting, the amount of sales tax collected in 2017 exceeded budget estimates. In addition, we anticipate more sales tax revenue will be collected by the end of 2018 than what was budgeted. We expect these excess sales tax amounts to total \$4,326,024 at the end of 2018, of which \$4,245,416 is included in the above list of projects for Phase 2/3 of the Courthouse security project. County policy is to place any excess collections in a segregated account to be used for capital projects. Therefore, the Recommended Budget anticipates that **there would be \$80,608 remaining in the excess sales tax account.**

General Fund Balance

The audited General Fund balance as of December 31, 2017, was \$39,277,978, of which \$32,419,421 was unassigned. Taking into consideration the results of operations in 2018, it is estimated that the unassigned General Fund balance as of December 31, 2018, will be \$31,094,000, which represents a decrease of \$1,335,421. This decrease is primarily due to costs for out-of-home placements for children and youth in the Human Services Department and overtime expenditures exceeding budgeted amounts. Despite the decrease, the General Fund balance remains within the target range of the County's fund balance policy. It should be noted that the 2018 budget when presented anticipated a General Fund decrease of more than

\$900,000 at the end of 2017, but results of operations increased the unassigned balance by nearly \$1.1 million, due partly to an unexpected increase in state aids in the Human Services Department. No General Fund balance application is recommended in 2019.

Long-term Debt

The 2019 Recommended Budget includes a total of \$3,452,000 in new long-term debt for County highway construction projects. This is \$452,000 more than the long-term debt included in the 2018 Adopted Budget.

Outstanding debt as of December 31, 2018, will total \$42,130,000. 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, 2027. The County currently holds a bond rating of "Aa1" by Moody's and "AA" by Standard and Poor's.

Other Revenue

In 2019, 40.1% 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 \$5,714,175, or 8.2%.

In some limited cases, state and federal revenue covers 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 6.3% of total revenues in the 2019 Recommended Budget.

Expenditures

Total expenditures in 2019 amount to \$188,548,421 and would increase by \$14,608,252 or 8.4% as compared to the 2018 Adopted Budget. Overall capital project expenditures total \$17,327,226, which is an increase of \$5,157,361 or 42.4% from 2018, largely due to the Courthouse Security project. Operating expenditures total \$164,840,267, which is an increase of \$10,045,518 or 6.5%.

Notable 2019 Initiatives, Projects, and Budget Changes

Significant cost drivers and major projects in the 2019 Recommended Budget are related to two of the primary missions of county government: caring for residents in need and ensuring the public safety and justice system has the resources to provide services in a safe and equitable

manner. Maintaining the County's building and road infrastructure also continues to be a high priority. To accomplish these goals, difficult choices must be made and new ways of thinking embraced.

Caring for County Residents in Need

Out-of-home Placements for Children and Youth—Out-of-home placements in the Human Services Department continue to be a primary factor driving the County budget. In 2019, Human Services anticipates 159 children in foster care, which is 13 more than the 2018 budgeted figure but consistent with actual foster care placements in 2018. Total out-of-home placements for children and youth are estimated at 199 in 2019. Overall, the budget-to-budget increase for out-of-home placements is \$886,733, and the total recommended budget for this purpose is \$6,644,579.

Out-of-home Placements for Adults—Offsetting the increase in budgeted costs for children and youth is a \$417,847 decrease in placement costs for adults in the state institutes and other residential placements. This represents a decrease from 39.7 adult placements budgeted in 2018 to 34.3 in 2019 and follows a number of changes the County Board approved in 2018, including increased use of contracts with private hospitals, a more structured rate assessment and placement review process, after-hours medication delivery, and use of peer specialists. A number of clients moving to Family Care has also had an effect. The total recommended budget for out-of-home placements for adults in 2019 is \$4,195,883.

Comprehensive Community Services (CCS)—The Human Services Department will continue its expansion of CCS, which provides behavioral health services to clients in the community and helps to reduce costly out-of-home placements. Overall, it is recommended that 9.0 FTE positions be added in 2019, bringing the total number of CCS positions to 63.0 FTE. A new CCS team focused on treating clients with co-occurring disorders will help address the needs of CCS clients with opioid addiction. This team will provide service County-wide but will be stationed at the Eclipse Center in Beloit in space previously occupied by UW-Extension. Because this program is fully reimbursed by Federal funding, this program fills a significant treatment need in the community without additional tax levy support.

Rock Haven Staffing—Overtime usage has risen considerably at Rock Haven since 2013. Rather than increasing the budget for overtime, a number of staffing changes are recommended that are intended to provide better supervisory coverage, improve staff education and onboarding, and ultimately reduce turnover and overtime costs. These improvements should also result in better care for residents. Changes include a shift to full-time Assistant Director of Nursing positions, part-time Nursing Supervisor positions to provide supervisory coverage on weekends and oversee the infection control and staff education programs, an additional 0.4 FTE Activity Therapy Assistant, and several position reclassifications. The cost of these changes totals \$280,670 and is offset by position reductions saving \$114,608, resulting in a net cost increase of

\$166,602. Because this investment is expected to reduce costs in 2020, an application from the Rock Haven fund balance of \$140,000 is recommended to cover a portion of these costs.

Home-delivered and Congregate Meals—In 2019, it is projected that more than 26,000 meals will be delivered to home-bound residents, which represents a 10% increase from 2018. This is consistent with the County Board’s directive to provide services without creating a waiting list. The tax levy for the home-delivered meal program is budgeted to increase from \$8,695 in 2018 to \$27,788 in 2019, or by \$19,093. Although participation in the congregate meal sites is expected to decrease by 4.5% from 2018 to about 17,500 meals served in 2019, budgeted tax levy support is increasing from \$0 in 2018 to \$20,628 due to not using the nutrition/meal program fund balance to offset costs.

Public Safety and Justice System Funding and Improvements

Overtime Costs—Overtime costs have exceeded the budgeted amounts in the Sheriff’s Office and the 911 Communications Center for many years. The 2019 Recommended Budget begins an effort to provide funding in departmental budgets commensurate with the need, which is consistent with the County’s efforts over the last several years to budget for costs where they actually occur. Overall, overtime costs are budgeted to increase by \$529,854 in these two departments:

- Between the jail and law enforcement services, Sheriff’s Office overtime has been budgeted at \$556,250 since 2010. In 2019, overtime is recommended to be budgeted at \$968,231, an increase of \$411,981. The 2019 recommended amount would be higher based on historical averages but has been reduced to account for anticipated savings from implementation of the Courts video conferencing project.
- 911 Communications Center overtime is recommended to increase from \$161,299 in the 2018 budget to \$279,172 in 2019, or by \$117,873.

Operational Costs—The 2019 Recommended Budget devotes significant operational funding increases to the County’s public safety departments. Tax levy has increased in these departments as follows:

- Sheriff’s Office—tax levy increase of \$1,267,422, or 6.0%. As noted, an increased budget for overtime costs has affected the Sheriff’s budget, as has a \$77,539 increase in costs for inmate medical care, a \$42,977 increase in the contracted cost to provide inmate meals, and decreased revenue of \$124,934 due to fewer contracted beds in the jail.

- District Attorney's Office—tax levy increase of \$290,962, or 20.0%. This increase is due to the addition of 2.0 FTE Legal Support Specialist positions approved by the County Board in 2018 and 2.0 FTE Lead Legal Support Specialist positions recommended in 2019.
- Circuit Courts—tax levy increase of \$116,906, or 4.4%. Increased costs include \$24,000 for guardian ad litem contracts, \$15,000 for veterans' court drug testing, and \$10,000 for indigent counsel fees.

Evidence Based Decision Making (EBDM)—The County began participating in this criminal justice system reform initiative in 2014. Implementation of pre-trial and criminogenic risk assessments, as well as a pre-trial supervision program, has been delayed in 2018 due to decisions of the state and federal governments, but we expect modified programs to be implemented in 2019. A vendor was chosen to operate these programs in Rock County, and I am recommending \$481,000 be budgeted for this and other programming in 2019. A new diversion program for low-risk offenders operated out of the District Attorney's Office could begin serving clients yet in 2018. The importance of these programs increases as the jail population approaches capacity, which occurred at several points in 2018 and is expected to continue in 2019.

Facilities and Capital Improvements

Courthouse Security—Bids were recently received for Phase 2/3 of the Courthouse security project. A total of \$5,815,017 is included in the 2019 budget, including \$4,245,416 prior years' sales tax and \$1,569,601 in 2019 sales tax collections, to fund this construction project. Due to prudent management of sales tax revenues, no borrowing will be needed for this project.

Facilities Planning—The 2018 budget included funding to conduct a facilities master plan focused on the County complex and a comprehensive facilities assessment to evaluate the condition of buildings and mechanical systems. These two reports have been received. No funding is included in the 2019 budget to implement facilities changes stemming from these reports, as the County Board and its committees will have to review options and develop priorities. However, I expect that further planning will be a focus in 2019 in anticipation of decisions in advance of the 2020 budget.

Highway Construction Funding and Projects—Reconstruction of County Trunk Highway (CTH) A from the Walworth County Line to CTH M was delayed in 2018 due to a utility provider's inability to relocate utilities in a timely manner. Resources were shifted to other projects, including CTH P. The CTH A project will be addressed again in 2019, as will projects on CTH F, CTH MM (Ruger Ave.), and design work on CTH K. I am recommending these projects be funded with a total of \$3,452,000 in deferred financing, \$1,228,000 in sales tax, and \$300,000 from the Highway capital fund balance.

Preparing for Interstate Expansion—The 2019 Recommended Budget includes authority to purchase seven quad axle trucks in anticipation of portions of the Interstate expansion being completed in 2020. This purchase is not planned to have an impact on the 2019 budget since the annual depreciation cost of \$208,250 will not be charged against the budget until these units are received, which is not expected until late 2019 or early 2020. Other changes due to Interstate expansion will also have to be considered during 2020 budget preparation, including potential staffing increases and other personnel changes.

Personnel Changes

Over the course of 2018, the County Board approved a total of 5.2 FTE positions. This brings the current personnel roster to 1,223.9 FTE. The 2019 Recommended Budget includes a net increase of 3.2 FTE as compared to the current personnel roster and a total FTE count of 1,227.1 FTE. Given these changes, the 2019 Recommended Budget includes a personnel roster that is 8.4 FTE more than the 2018 Adopted Budget. I would note that without the additional 9.0 FTE for the Comprehensive Community Services program, which is fully funded by the state and federal governments, the number of County positions would be decreasing. Other than position increases for Comprehensive Community Services, the net number of County positions has decreased in each of the last five years. 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 attempted to summarize the important issues and explain the reasoning behind 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:

Monday, November 5, at 9:00 a.m.:	County Administrator’s Review and Explanation of the Budget with Questions from the Board
Wednesday, November 7, at 6:00 p.m.:	Public Hearing on the Budget
Tuesday, November 13, 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. The Assistants to the County Administrator, Randy Terronez and Nick Osborne, and Finance Director Sherry Oja will also be able to assist you. Those three individuals provided me with 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 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,

A handwritten signature in cursive script that reads "Josh Smith". The signature is written in black ink and is positioned above the printed name.

Josh Smith

County Administrator