

October 13, 2016

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

I respectfully submit the 2017 Recommended Budget for your review and consideration. The 2017 Recommended Budget includes a tax levy of \$65,107,690.

Total expenditures, tax levy, and the tax rate included in the 2017 Recommended Budget as compared to the 2016 Adopted Budget are as follows:

	Adopted <u>2016</u>	Recommended <u>2017</u>	Percentage <u>Increase (Decrease)</u>
Total Expenditures	\$194,317,323	\$167,812,570	(13.64%)
Tax Levy	\$64,156,054	\$65,107,690	1.48%
General Fund Applied	\$0	\$0	N/A
Tax Rate (per \$1,000)	\$6.769104	\$6.701789	(0.99%)

While the tax levy increases 1.48%, the tax rate would decrease by 0.99%. This results from an increase in the County's equalized value of 2.5%. This is the third year in a row that Rock County's equalized value has increased.

The tax rate of \$6.70 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 \$8.73 on a home that was valued at \$100,000 in 2016.

Tax Levy

The overall tax levy is recommended to increase by \$951,636, or 1.48%. 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 2017 budget, the percentage increase due to net new construction is 1.28%.** When applied to the 2016 tax levy for operations, and taking into account several required adjustments, **this percentage results in an allowable and recommended tax levy increase for operations of \$796,541.**
- 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 \$151,065 in the limited levy amount** consists of an increase of \$36,065 for the Arrowhead

Library System and an increase of \$115,000 for Town Bridge Aid. The Arrowhead Library System levy is levied on property in the towns plus the Village of Footville, while the levy for Town Bridge Aid is levied on property in all towns. The increase in levy for the Arrowhead Library System is typically based on increased usage of municipal libraries by rural Rock County residents. The increase in Town Bridge Aid is due to an increased number of towns requesting bridge projects in 2017.

- 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 \$7,181 in 2017.**

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 we budget for sales tax collections of \$12,305,871 in 2017, which would be used as follows:

Operational Costs	\$ 7,522,973
Capital Expenditures	<u>4,782,898</u>
Total	\$12,305,871

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, equipment, conservation easements, and software that might otherwise be funded through long-term debt. Sales tax proceeds estimated to be received in 2017, as well as \$1.5 million in prior year sales tax collected, are proposed to be applied to capital expenditures in the following departmental budgets (and facilities):

Public Works – Highway	\$1,590,000
Information Technology	913,207
Communications Center	886,941
Facilities Management (Health Care Center Complex)	673,000
Facilities Management (Courthouse)	552,000
Public Works – Airport	475,000
Sheriff’s Office	229,250
Human Services (Job Center)	225,000
Facilities Management (Youth Services Center)	200,000
Land Conservation – PACE	200,000
Public Works – Parks	130,000
Facilities Management (Jail)	124,000
Fairgrounds	45,000
Facilities Management (Health Department/Council on Aging)	14,500
Facilities Management (Communications Center)	15,000
Facilities Management (Eclipse Center)	5,000
Farm	<u>5,000</u>
Total	\$6,282,898

Due to an improving economy and conservative budgeting, the amount of sales tax collected in 2015 exceeded budget estimates. In addition, we anticipate more sales tax revenue will be collected by the end of 2016 than what was budgeted. We expect these excess sales tax amounts to total \$2,980,792 at the end of 2016. Of this prior year sales tax amount, \$1,000,000 is included in the above list of projects for Public Works—Highway to offset the cost of the County Trunk Highway MM reconstruction project. An additional \$500,000 of prior year sales tax is set aside in the Courthouse security account. 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 \$1,480,792 remaining in the excess sales tax account for future capital projects, projects that may need additional funding, or unforeseen needs.

#### General Fund Balance

The audited General Fund balance as of December 31, 2015, was \$35,975,838, of which \$29,978,897 was unassigned. Taking into consideration the results of operations in 2016, it is estimated that the General Fund balance as of December 31, 2016 will be \$34,119,081, of which \$27,906,789 would be unassigned. This represents a decrease in the General Fund Balance of \$1,856,757, which is primarily due to costs for out-of-home placements for children and youth in the Human Services Department exceeding 2016 budgeted amounts. Despite the decrease, the General Fund balance remains at the top of the 10% to 17% target range of the County's fund balance policy. No General Fund balance application is recommended in 2017.

#### Long-term Debt

The 2017 Recommended Budget includes a total of \$3,050,000 in new long-term debt for the County Trunk Highway MM reconstruction project. This is \$17,000 more than the \$3,033,000 in long-term debt included in the 2016 Budget.

Outstanding debt as of December 31, 2016, will total \$42,370,000. 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; even the debt issued for Rock Haven was on a 15-year term. All current debt is scheduled to be repaid by September 1, 2026. The County's credit is currently rated highly, with a bond rating of "Aa1" by Moody's and "AA" by Standard and Poor's.

#### Other Revenue

In 2017, 38.7% of the County's total revenue is from intergovernmental revenues, which are largely reimbursements for operating state and federal programs and grants. We are anticipating that intergovernmental revenues will decrease by \$32,492,548, or 33.4%. This decrease is due almost entirely to the transition to Family Care and the loss of federal funds that were used to operate the Medicaid waiver programs in the Long Term Support Division of the Human Service Department and the Developmental Disabilities Board.

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 6.6% of total revenues in the 2017 Recommended Budget.

#### Expenditures

Total expenditures in 2017 amount to \$167,812,570 and would decrease by \$26,504,753, or 13.6%, as compared to the 2016 Approved Budget. As noted, this is due to the County no longer providing services now provided through the Family Care program. Overall capital project expenditures would increase by \$3,871,089 in 2017. At the same time, operating expenditures are decreasing by \$30,383,023, or 16.9%.

#### Notable 2017 Initiatives, Projects, and Budget Changes

*Out-of-Home Placements and Services for Children and Youth*—Out-of-home placements for those involved with child protective services (CPS) and juvenile justice continue to have a significant effect on the County budget. CPS placement costs are up by \$218,223 as compared to the 2016 budget, which is estimated to exceed the budgeted amount by \$312,750. Changes in 2017 to improve service and reduce costs will include efforts to expand the number of foster homes and decrease child abuse and neglect through a targeted education program. Juvenile justice placement costs are budgeted to decrease by \$195,472, largely due to a number of changes in how youth are served at the Youth Services Center (YSC). These changes include contracting for shelter care off-site, renovating the current shelter care space at a cost of \$225,000, and using the new space to expand the ACTIONS program, which will allow more youth served in high-cost placements to instead be served at the YSC.

*Comprehensive Community Services (CCS)*—The Human Services Department will continue its expansion of CCS by significantly growing staff resources to serve community need and remain in compliance with strict state and federal guidelines. This expansion will enhance access to services for adults and children with complex needs including substance abuse and trauma. Overall, 14.0 FTE positions will be added, including 8.0 FTE Behavioral Health Clinicians, 2.0 FTE Supervisors, 1.0 FTE Registered Nurse, 1.0 FTE Program Analyst for quality assurance purposes, 1.0 FTE Administrative Assistant, and 1.0 FTE Account Clerk. These positions and other program costs are fully reimbursed.

*Evidence-Based Decision Making (EBDM)*—The County began participating in this criminal justice system reform initiative in 2014 and was recently chosen by the National Institute of Corrections to advance to the implementation phase (Phase VI) of the EBDM project after completing the planning phase (Phase V) in 2016. The EBDM Committee has identified several priorities, including pretrial assessment and monitoring, criminogenic risk screening and assessment, establishment of pre-charge diversion, enhancement of deferred prosecution, and behavioral health information sharing. Some of these initiatives are scheduled to begin implementation in 2017. Specific implementation plans are being created, and \$85,079 is set aside in the 2017 recommended budget to fund initial implementation as needed. As these plans are finalized, the County Board may be asked to endorse and approve organizational or other systemic changes to the criminal justice system.

*Highway Construction Funding and Projects*—The financing of transportation projects continues to be a topic of great interest around the state and will be debated during upcoming deliberations over the state biennial budget. Expenditures necessary to complete the remaining 4.0 miles of the CTH MM reconstruction project in 2017 total \$4,050,000, which is \$1,017,000 more than was budgeted in 2016 for highway construction projects. Of this amount, \$3,050,000 would come from deferred financing and \$1,000,000 from prior year sales tax amounts. Borrowing at this level is consistent with the debt service schedule and strategy established in 2015, which is intended to keep the tax levy for debt service at a manageable level. Despite the increase in funding, funds are insufficient to address needed reconstruction of 3.0 miles of CTH F, which would cost an additional \$2.8 million.

*Courthouse Security*—Phase I of the Courthouse security project will be bid soon, and improvements related to security electronics, cameras, and door monitoring are expected to be completed in 2017. While this work is being done, the County Board will need to determine what changes to make in Phase II, including where to relocate the current security station, whether to add additional screening stations, and who will be subject to screening. Although costs for Phase II are likely to be more expensive than Phase I, I am recommending \$500,000 be included in the 2017 budget to finish Phase I and develop plans for Phase II. The County Board will have to appropriate additional funds in 2017 or 2018 to fully implement Phase II.

*Capital Projects*—Numerous capital projects are included in the Facilities Management budget for 2017. Pending the receipt of the County Health Care Center complex facilities study this fall, \$230,000 is included in the budget for hazardous materials abatement at the old Rock Haven Building in anticipation of future demolition. This project will force the Medical Examiner's Department to stop using the coolers in the building. Consequently, \$400,000 is set aside to construct a garage for the department, which would house its vehicles and a storage cooler. It should be noted that the 2017 budget includes \$114,382 in additional tax levy for a new two-year agreement with Dane County for Medical Examiner services, bringing the annual cost of the contract to \$295,646.

Other capital projects include parking lot improvements at the Job Center, which will be funded with \$200,000 from the facility's fund balance; HVAC unit replacement at the Youth Services Center, funded with \$68,000 from the facility's fund balance; replacement surveillance cameras (\$49,000), an air handling controller (\$35,000), and another shower refurbishment (\$30,000) at the jail; security improvements (\$30,000) at the Health Care Center building; and various carpet and flooring replacements at the Courthouse, Glen Oaks, and the Eclipse Center at a cost of \$42,000.

*Communications Center Technology Upgrades*—The Communications Center budget includes two significant technology purchases for 2017. First is the replacement of the Computer-Aided Dispatch (CAD) system at a budgeted cost of \$550,000. While the current CAD system began operating in 2013, the current equipment was purchased in 2011 and is in need of replacement. Second is the replacement and upgrade of the fire paging system at a cost of \$331,964. The new system will be narrow-band compliant, resolve distortion issues, and improve coverage in the Milton and Edgerton areas. In addition, \$15,000 is included in the Facilities Management budget to replace the Communication Center's access control system.

*Information Technology Projects*—Funding is included in the Information Technology Department budget to replace and expand the videoconferencing system used by the courts at an estimated cost of \$450,000. The current system has become unreliable and results in increased costs to transport inmates from prisons and the mental health institute for court hearings. Also included is an upgrade of the County's financial system at a cost of \$227,203.

*Cultural Competency*—In 2017 the County will continue its important work of improving the cultural competency of the workforce. These changes will benefit the County's clients, who will receive improved services. These changes are also intended to benefit the County's current and future workforce by improving recruitment and retention. Efforts planned for 2017 include replacement of the County's current online diversity training module, expansion of more relevant in-person training opportunities, improved engagement with the workforce and the community, and continued analysis of Human Resources policies and processes. In addition, recommendations from a pending consultant report will be considered. The Human Resources budget includes \$10,000 for these efforts, and other budgeted training funds may be used as needed.

*Personnel Changes*—The 2017 recommended budget includes 1,197.0 FTE positions, which is a net decrease of 4.0 FTE as compared to the current personnel roster and a net increase of 5.74 FTE as compared to the 2016 Approved Budget.

*Family Care Transition*—In 2016 the County will have transitioned all clients previously served by the Developmental Disabilities Board and the Long Term Support Division in the Human Services Department to Family Care, and the Aging and Disability Resource Center (ADRC) will begin transitioning clients from the waiting list. This will result in the elimination of the DD Board (as a department) and the Long Term Support Division, as well as 27.0 FTE positions and their associated budgets. This included \$3,981,298 in tax levy that was provided to the DD Board in 2016 (the Long Term Support Division operated without tax levy).

Although these parts of the organization will be eliminated, some functions for which they were previously responsible will still need to be performed, and these functions and their related costs will be the responsibility of the Human Services Department going forward. This includes the birth-to-three program, adult protective services, guardianships and client costs, and indirect and administrative costs spread among other divisions that when taken together will require an estimated \$1,275,070 in tax levy support. In addition, the County is required to pay the State \$1,394,766 in 2017 to support the State's costs for Family Care. Together, this results in using \$2,669,836 of the tax levy previously dedicated to the DD Board to fund these remaining responsibilities, and leaves \$1,311,462 of this tax levy that can be directed to other County priorities.

Given the constrictions of tax levy limits, these funds will allow the County in 2017 to fund priorities that otherwise may have either been paid for with other sources of revenue, such as sales tax, or not included in the recommended budget. In some cases, these are one-time purchases that will allow funds to be reallocated in 2018, while other expenditures would be built into the base going forward. Specifically, these tax levy dollars have been repurposed in the following manner:

**Redistribution of Tax Levy Related to Family Care Transition  
2017 Recommended Budget**

<b>Personnel Costs</b>	<b>Purpose</b>
\$275,000	additional funding for the salary reserve to implement the Human Resources Department's classification and compensation study in mid-2017
\$236,995	to maintain the four child protective services social workers authorized by the County Board in 2016 to address increasing caseloads and complexity
\$222,162	to fund new positions or those for which grant funding has expired, including the jail reentry social worker, the dementia specialist at the ADRC, the cost of making full time the legal stenographer in the District Attorney's Office, and the net cost of adding an additional Assistant Corporation Counsel to support the Human Services Department
<i>\$734,157</i>	<i>Sub-total, Personnel Costs</i>
<b>Capital Purchases</b>	
	<b>Purpose</b>
\$181,085	Microsoft software assurance contract—Information Technology Department
\$65,000	additional NetSmart Avatar module and related data analysis capabilities in the Human Services Department
\$20,000	work order management system for the Facilities Management Department
\$17,400	mobile data computers in squads at the Sheriff's Office
\$44,582	other miscellaneous capital purchases and projects
<i>\$328,067</i>	<i>Sub-total, Capital Purchases</i>
<b>Operational Costs</b>	
	<b>Purpose</b>
\$85,079	partial implementation of EBDM initiatives
\$15,000	consultant review of billing function in the Human Services Department
\$149,159	redistributed to other County departments for general operations
<i>\$249,238</i>	<i>Sub-total, Operational Costs</i>
<i>\$1,311,462</i>	<i>Total</i>

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.

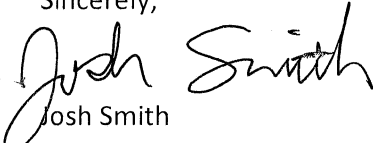
In the next several weeks, each governing committee will have a budget review item on its agenda. This is the opportunity for each committee to discuss with those departments under its jurisdiction the Recommended Budget and its effects on services provided. If any governing committee wants to request a change to the Recommended Budget, the Finance Committee will meet on November 10 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.

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

Monday, November 7, at 9:00 a.m.:	County Administrator's Review and Explanation of the Budget with Questions from the Board
Wednesday, November 9, at 6:00 p.m.:	Public Hearing on the Budget
Tuesday, November 15, 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,

  
Josh Smith  
County Administrator