

October 8, 2015

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

I respectfully submit the 2016 Recommended Budget for your review and consideration. The 2016 Recommended Budget includes a tax levy of \$64,157,659.

Total expenditures, tax levy, and the tax rate included in the 2016 Recommended Budget as compared to the 2015 Adopted Budget are as follows:

	Adopted <u>2015</u>	Recommended <u>2016</u>	Percentage <u>Increase (Decrease)</u>
Total Expenditures	\$191,688,009	\$194,219,921	1.32%
Tax Levy	\$63,045,891	\$64,157,659	1.76%
General Fund Applied	\$0	\$0	N/A
Tax Rate (per \$1,000)	\$6.777615	\$6.769274	(0.12%)

While the tax levy increases 1.76%, the tax rate would remain approximately the same, decreasing by 0.12%. This results from an increase in the County's equalized value of 1.89%. This is the second year in a row that Rock County's equalized value has increased.

The tax rate of \$6.77 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) may 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 \$11.02 on a home that was valued at \$100,000 in 2015.

Tax Levy

The overall tax levy is recommended to increase by \$1,111,768, or 1.76%. 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 2016 budget, the percentage increase due to net new construction is 0.915%.** When applied to the 2015 tax levy for operations, and taking into account several required adjustments, **this percentage results in an allowable tax levy increase for operations of \$582,029.**
- 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 \$49,000 in the limited levy amount** consists of a decrease of \$11,000 for the Arrowhead Library System

and an increase of \$60,000 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. Reductions in levy for the Arrowhead Library System are based largely on reduced usage of municipal libraries by rural Rock County residents. The increase in Town Bridge Aid is due to the fact that no funds were levied for projects in 2015, and an increase in project requests is expected in 2016.

- 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 \$480,739 in 2016, an increase of 9.7%.**

Sales Tax and Uses 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. Based on prior experience, I am recommending we budget for sales tax collections of \$11,760,229 in 2016. Overall, sales tax funds in the 2016 Recommended Budget would be used as follows:

Operational Costs	\$ 7,522,973
Capital Expenditures	<u>4,737,256</u>
Total	\$12,260,229

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, and software that mostly would otherwise be funded through long-term debt. Sales tax proceeds are proposed to be applied to capital expenditures in the following departmental budgets (and facilities):

Information Technology	\$ 927,376
Public Works – Highway	704,578
General Services (Courthouse)	603,000
General Services (UW-Rock County)	590,050
General Services (Health Care Center Complex)	384,000
Human Services (Job Center)	290,000
Communications Center	249,447
General Services (Youth Services Center)	228,683
Land Conservation – PACE	200,000
General Services (Jail)	190,157
Sheriff’s Office	153,610
Public Works – Parks	105,000
General Services (Communications Center)	56,000
General Services (Health Department/Council on Aging)	32,755
Fairgrounds	20,100
Farm	<u>2,500</u>
Total	\$4,737,256

Due to an improving economy and conservative budgeting, the amount of sales tax collected in 2014 exceeded budget estimates. In addition, we anticipate more sales tax revenue will have been collected at the end of 2015 than what was budgeted. We expect these excess sales tax amounts to total \$2,868,590 at the end of 2015. Of this prior year sales tax amount, \$500,000 is included in the above list of projects for Public Works—Highway. 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 \$2,368,590 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, 2014, was \$34,826,762, of which \$28,399,334 was unassigned. Taking into consideration the results of operations in 2015, it is estimated that the General Fund balance as of December 31, 2015 will be \$34,476,393, of which \$28,395,803 would be unassigned. No General Fund balance application is recommended in 2016.

Long-term Debt

The 2016 Recommended Budget includes a total of \$3,033,000 in new long-term debt for two county trunk highway construction projects. This is \$332,600 more than the \$2,700,400 in long-term debt included in the 2015 Budget.

Taking into account borrowing approved in the 2014 and 2015 budgets for the CTH G project and the purchase of the Job Center, which will go to market within the next month, outstanding debt as of December 31, 2015, will total \$46,630,000. 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

About half of the County's total revenue is from intergovernmental revenues, which are largely reimbursements for operating state and federal programs and grants. In 2016, we are anticipating that intergovernmental revenues will increase by \$1.5 million, or 1.5%. In some limited cases, state and federal revenue covers the full cost of providing a service, but in most cases 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 6.4% of total revenues in the 2016 Recommended Budget.

Expenditures

Total expenditures in 2016 amount to \$194,219,921 and would increase by \$2,531,912, or 1.32%, as compared to the 2015 Approved Budget. Overall capital project expenditures would increase by \$720,328 in 2016. At the same time, operating expenditures are increasing by \$1,330,845, or 0.75%. As noted, debt service costs are increasing by \$480,739.

Other Points of Interest

- 1) One factor driving the 2016 budget is an increase in the number of out-of-home placements in the Human Services Department, particularly for foster care. Overall, out-of-home placements for children and youth in the Human Services Department are budgeted to increase in 2016 by \$478,018 as compared to the 2015 budgeted amount. Despite this significant increase, this amount is actually less than the amount anticipated to be spent for this purpose in 2015. To accommodate this increase, given tax levy limits, the Human Services Department has made a number of reductions, including reducing the budget for anticipated high-cost mental health placements. Out-of-home placements for children and youth and for individuals with mental health needs remain an area of risk in the 2016 budget.
- 2) New highway construction projects include reconstruction on CTH F between the Janesville city limits and US Highway 51, and CTH MM between Emerald Grove Road and CTH M. Reconstruction of these 4.3 miles will be funded with \$3,033,000 in debt.
- 3) Results of the highway study approved by the County Board in the 2015 budget are expected soon. Due to the preliminary nature of the findings at this point, no changes resulting from the study are included in the 2016 budget as presented. However, the Public Works Committee and the County Board will want to carefully consider the results of the study as decisions are made on how to use funds that are included in the 2016 budget, such as for equipment purchases. The County Board will likely be asked to take further action in 2016 to implement changes resulting from the study.
- 4) New capital projects in the General Services budget for 2016 include new parking lot asphalt and LED lights at the Communications Center, a continuation of a multi-year effort to refurbish showers at the jail, replacement of a portion of the 1955 roof at the Courthouse, and reconstruction of the student parking lot at UW-Rock County. An additional \$500,000 in sales tax is being added to the Courthouse Security account in anticipation of the need to fund the next phase of this project.
- 5) The budget includes \$60,000 to study the physical infrastructure needs of various facilities at the County Complex. The County continues to pay for maintaining the old Rock Haven building, and the vacant building formerly used as the Janesville Counseling Center (JCC) will likely need a new roof in 2017. In addition, at the Health Care Center in 2016 ongoing repair needs include replacing a portion of the roof over the Information Technology Department and replacing one of the facility's elevators, which is increasingly out of service and could become a hazard for

staff and clients. This study would provide the County with information that would inform future decisions about options that include maintenance, renovation, or demolition.

- 6) The 2016 budget includes several changes in the General Services Department. Responsibility for the purchase of office supplies is being transferred to the Finance Department to consolidate all purchasing functions. One position is being increased from 0.8 FTE to full-time. Both these changes are made to provide additional administrative support to the department's core facilities management function. The budget formalizes the FTE reduction for the position responsible for central duplicating. Finally, a motor pool vehicle to transport supplies will be purchased to increase efficiency for, among other things, the department's support of leased facilities at the Eclipse Center in Beloit and on Franklin and Court streets in Janesville.
- 7) The Job Center, which the County purchased in December 2014, is in need of a number of repairs. Using tenant rent payments, the Job Center account in the Human Services Department budget includes \$175,734 in capital projects that include replacement of two HVAC units; sidewalk replacement; new light poles for the parking lot; and design/engineering for restroom improvements, the electrical system, and an exterior wall repair. The budget also includes \$290,000 in sales tax should the design/engineering projects identify the need to move forward with construction more quickly in 2016.
- 8) The County has recently been in discussions with the State regarding when the County may be able to move to Family Care. If the County is able to begin the transition to Family Care in 2016, the operations of the Developmental Disabilities Board and the Long Term Support Division in the Human Services Department would be significantly affected as the County would no longer be providing these services. Once entirely transitioned, services would be managed by a private, State-selected Managed Care Organization (MCO). At this point, however, no information is available on a specific timeline or process for such a transition.
- 9) In 2015, Rock County began participating in the implementation of Evidence Based Decision Making (EBDM) in the County's criminal justice system through a program of technical assistance funded by the National Institute of Corrections. The Committee will not develop any recommendations until next year and, therefore, the 2016 budget does not include any programmatic changes. However, we expect the work of this group to result in improvements to justice system programming that are research-based and data-driven. Depending on the timing of recommendations, the County Board may want to consider budget and organizational changes during 2016.
- 10) Funding is included in the Information Technology Department budget to upgrade the human resources and payroll system to the most recent version. This change will add new functionality, including electronic timesheets, and provide an opportunity to increase automation of the County's budgeting for personnel. This upgrade will cost \$156,555 and will be funded with sales tax.

11) There are several personnel actions recommended in the 2016 budget. To address market conditions at the Communications Center, telecommunicator positions would be reallocated to a higher pay range, and shift supervisors would be paid a shift differential. To address overtime issues at the Sheriff's Office, a new deputy position is recommended, effective July 1, 2016. To assist with medication management for clients receiving services in the community through the Human Services Department, a new registered nurse position is recommended. Positions are eliminated in Human Services, the Clerk of Courts Office, and the Planning Department. These personnel actions would result in a net decrease of 6.2 positions. The 2016 recommended personnel roster includes 1,190.26 positions.

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 October 29 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 2, at 9:00 a.m.:	County Administrator's Review and Explanation of the Budget with Questions from the Board
Wednesday, November 4, at 6:00 p.m.:	Public Hearing on the Budget
Tuesday, November 10, 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; Sharon Clark and Carla Quirk in the General Services Department; and Sue Balog, Lynn Heimann, and other members of the Finance Director's staff for their work in processing and compiling the budget. The document before you would not have been possible without contributions from these individuals.

Sincerely,

Josh Smith
County Administrator