

Rock County
2016 Recommended Budget Presentation
Josh Smith, County Administrator
October 8, 2016

Why are we here?

Before anyone answers, let me assure you that I'm not trying to start some esoteric philosophical discussion. It is true that we do have a budgeting philosophy as we prioritize expenditures, but my point in asking this question is that it can be easy during the budget development process to get lost in the details. To remind ourselves what we are here to do as representatives of Rock County government, we've included in the front of your budget book this year the County Mission Statement, Core Values, and Vision, as previously approved by the County Board. There is one statement from our Vision that I would like to highlight, as it speaks to the question of "why are we here."

This statement reads, "SERVICE to the public is our fundamental reason for being." Whether it is by preparing meals for residents at Rock Haven, providing vaccinations, creating places where the public can enjoy the outdoors, promoting public safety, using creativity to educate the public, helping the youngest citizens find their way, or informing the public about their long-term care options, we are all here to serve the public.

It is through that lens of public service and the County's Mission, Vision, and Values that we prioritize budget decisions. And prioritize we must. In 2016 the overall tax levy is recommended to increase by \$1,111,768, or 1.76%. Figure 1 shows this increase in the context of the overall 2016 recommended tax levy of \$64,157,659.

The tax levy is made up of three parts, which are shown in Figure 2.

- 1) First is the tax levy for operations, which is subject to state tax levy limits of the greater of 0% or the increase in the County's equalized value due to net new construction. This allows for an increase of 0.915%, or \$582,029 after a few required adjustments are made.
- 2) Second is the limited levies for the Arrowhead Library System and Town Bridge Aid, which are exempt from levy limits and combined have a net increase of \$49,000.
- 3) Third is the tax levy for debt service, which is also exempt from the levy limits. In 2016, this will increase by \$480,739.

Due to an increase in the County's equalized value of 1.89%—the second year in a row in which the County's equalized value has increased—the tax rate will remain about the same, at \$6.77 per thousand. Figure 3 shows the trend in equalized value since 1990.

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.

Making everything fit together within these available resources requires hundreds of interrelated decisions as department heads decide what to request, we decide what to recommend, and you decide what to approve. Some of these decisions have significant funding implications, and some are relatively minor in the big picture. However, even these minor decisions—and there are many more minor decisions than major ones— can have a big budget impact when added together.

So in the spirit of the County's vision for DILIGENCE—which speaks to our work ethic and efficiency in carrying out our day-to-day tasks—I wanted to share and celebrate some of those minor decisions. While they may not have a huge impact by themselves, they are illustrative of the County's vision for FISCAL RESPONSIBILITY. And I'm even more pleased that the County's newest department heads have embraced these concepts. For example:

- The County's Health Officer, Noel Sandoval, requested a reduction in the Health Department's budget for interpreter services now that there are three staff in the office, including Noel, who can speak Spanish.
- Clerk of Circuit Court Jacki Gackstatter requested that one vacant Deputy Clerk of Court position be eliminated as the office was functioning well in 2015 without it.
- Planning Director Colin Byrnes agreed to take over supervision of the County Surveyor, which will lead to reduced personnel costs and improved customer service and coordination.
- County Clerk Lisa Tollefson was able to reduce her travel budget while prioritizing elections training for staff in the office.
- Human Resources Director Annette Mikula reduced the department's postage request as HR moves to increase scanning and the use of technology for delivery of information.
- Judge Werner, who is in his first year as presiding judge, reduced the request for juror fees and meals given the uncertainty surrounding the number of trials that will go to jury. Like other unpredictable areas of the budget, the County may have to look to the contingency fund for additional resources if expenses exceed budgeted authority in this area.

I appreciate the efforts of all department heads and their teams to keep the big picture in mind while not losing sight of the fact that minor decisions can add up to a major fiscal impact on the organization.

As important as it is to ensure that every dollar is being spent wisely, there are certain issues that have a much larger impact on the budget. In 2016, one of these issues driving the budget is the cost for out-of-home placements, such as foster care, in the Human Services Department. Figure 4 shows the trend of child protective services and juvenile justice placements over the past several years. Overall, out-of-home placements for children and youth in the Human Services Department are budgeted to increase in 2016 by about \$478,000 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 in its budget given tax levy limits, Human Services 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 will remain an area of risk in the 2016.

Another large expense in the 2016 budget is for road construction. I am recommending a little more than \$3 million in debt be used to reconstruct portions of CTH F and CTH MM. This compares to \$2.7 million in long-term debt included in the 2015 Budget. As of December 31, 2015, outstanding debt will total \$46.6 million. The largest single project funded through this debt is related to the construction of Rock Haven.

As noted, overall tax levy devoted to debt service is set to increase in 2016. This is due largely to the structure of debt service payments established for the Rock Haven borrowing, as well as the additional borrowing approved in 2014 and 2015 that will occur within the next month for the CTH G project and the purchase of the Job Center. Figure 5 shows the debt service schedule for outstanding debt as of

December 31, 2015. As you can see, current debt service payments are scheduled to increase in 2016 and remain fairly consistent through 2023 before declining and ending entirely in 2027. However, future borrowing—including the \$2.7 million approved in the 2015 budget and the \$3.0 million recommended in the 2016 budget—would increase the level of debt service payments.

In addition to borrowing, I am also recommending that a total of \$704,578 in sales tax be used for other highway projects, such as engineering and sealcoating. Continued strong performance of the County sales tax allows us to devote these funds not only to highway projects but to other capital needs. The 2016 Recommended Budget includes sales tax collections of \$11.7 million. I am recommending that \$7.5 million be used to fund operations—which is the same amount used for that purpose since 2011—and \$4.7 million be used for capital projects or purchases. This amount includes \$500,000 in prior year sales tax devoted to highway projects. Doing so would still leave an estimated \$2.4 million in excess sales tax for use on future capital projects.

Other capital projects that would be funded with sales tax include projects to:

- replace several roofs on County buildings, including the Youth Services Center, a portion of the 1955 Courthouse, and a portion of the Healthcare Center building in order to keep our Information Technology staff and equipment dry;
- remove an interior wall at the Youth Services Center to improve programming and reduce staff resources required to supervise youth;
- reconstruct a portion of the parking lot at UW-Rock County and repave the parking lot at the Communications Center;
- replace an elevator at the Healthcare Center building; and
- refurbish the showers in another unit at the jail.

In addition, several projects are budgeted for the Job Center now that the County owns the building and has responsibility for maintaining it. Projects identified in the budget will be funded by tenant rent payments. In addition, I am recommending that an additional \$290,000 in sales tax be set aside in the Job Center account. This would allow the County to move forward more quickly with construction if design and engineering reviews scheduled for 2016 identify the need.

Figure 6 shows the trend in expenditures since 2005. In 2016, total expenditures are increasing by 1.3%. Capital project expenditures would increase by \$720,000 in 2016. At the same time, operating expenditures are increasing by \$1.3 million, or 0.75%. Operating expenditures can increase by this amount while the tax levy for operations increases by only \$582,029 because an increase in expenditures does not always result in an increase in the tax levy. For example, as shown in Figure 7, in 2016 about half of the County's expenditures would be supported by intergovernmental revenues, which are largely reimbursement for operating State and Federal programs.

In 2015, the County made a number of General Fund applications to support ongoing operations. These included \$225,500 to the Sheriff's Office to backfill overtime related to the Beloit "Stop the Violence" Initiative, \$89,508 to the Human Services Department to meet the increased demand for drug and alcohol treatment, and a total of \$54,875 for the housing program in the Planning Department. In addition, we expect that the Human Services Department will be over budget in the area of out-of-home placements in 2015. Taking into consideration the results of operations in 2015, it is estimated that the General Fund balance as of December 31, 2015, will be about \$34.5 million, of which \$28.4 million would be unassigned. Despite the General Fund applications I've noted, at this point we are estimating a

decrease in the unassigned General Fund balance of only \$3,531 from the prior year. No General Fund balance application is recommended in the 2016 budget.

Every budget builds upon the one that came before it. Likewise, decisions that we make in the 2016 budget year will affect where we start with the 2017 budget. So in addition to the minor decisions I described for you before—like office supplies, travel, and postage—and the issues that have a larger impact on the budget—like out-of-home placements and construction projects—there is a third group of issues that are just as important. These are the issues on the horizon that we know will have an impact on the organization but that have not yet been addressed. Implementation of these projects will be indicative of the County’s vision for INNOVATION, as over the long term these issues may have as much of an impact on future operations as what is included in the 2016 budget. For example:

- 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, no changes resulting from the study are included in the 2016 Recommended Budget. However, the Public Works Committee and the County Board will need 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.
- 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 Janesville Counseling Center building will likely need a new roof in 2017. In addition, there are several ongoing repair needs at the Health Care Center. I feel that the time is right to develop a big-picture perspective on the infrastructure needs of these buildings so the County can begin planning for potential future uses and options, which may include maintenance, renovation, or demolition.
- 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 make any recommendations until next year, so the 2016 recommended 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 be asked to consider budget and organizational changes during 2016.
- The County has recently been in discussions with the State regarding when the County may be able to move to Family Care. Under the Family Care program, the Developmental Disabilities Board and the Long Term Support Division in the Human Services Department would no longer provide the services they currently do. These responsibilities would be transitioned to a private, State-selected Managed Care Organization. If the transition to Family Care begins in 2016, we will have to undertake an extensive planning process that will significantly affect operations. At this point, however, no information is available on a specific timeline or process for such a transition.

- The Human Resources Department in 2016 will conduct its review of the County position classification plan, which is required by ordinance to be completed every three years. Historically, this was intended to address market conditions for positions in the unilateral pay plan, which were not subject to collective bargaining. Following 2011 Wisconsin Act 10, most positions that were previously subject to review through the bargaining process have not been reviewed. Therefore, HR will be expanding its review of position classifications to include all positions not subject to bargaining. I expect this will result in a number of recommendations in the 2017 budget.

In addition to these issues, I asked department heads during the budget process to submit specific ideas for future collaboration and strategic planning. Some of these ideas are being implemented in 2016, and some will require further discussion for possible future implementation.

Finally, I would like to note a few changes to the budget document. This year we've replaced what we called the "Budget Analysis by Program" tables for each department with pie charts indicating sources of revenue and expenditures by program. A couple of examples are included on the screen. Similarly, many departments have revised their charters to be a more concise and user-friendly description of their operations. Both of these changes were made with the intent of providing information that would be easier to understand.

The budget binder also contains the Administrator's Letter, which provides more detail than I've given tonight but still in a summary fashion. I would also refer you to the Administrator's Comments section of each departmental budget for a greater level of detail regarding the issues and rationale for my recommendations. The Administrator's Letter includes the times and dates of the upcoming meetings for budget consideration and adoption. These include:

October 12 through October 23	Governing Committees Meet for Budget Review
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

If you should have any questions in advance of these meetings, please feel free to contact me, Randy, Nick, or Sherry.

Finally, development of the budget would not be possible without the help of many individuals, some of whom I've thanked in the Administrator's Letter. I would like to thank them, the department heads and their staff who developed the budget requests, and everyone who had a role in putting the budget together. These individuals clearly demonstrated the County's vision for COOPERATION.

Thank you.