



October 9, 2014

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

I respectfully submit the 2015 Recommended Budget for your review and consideration. The 2015 Recommended Budget includes a tax levy of \$63,045,891.

Total expenditures, tax levy, General Fund application, and the tax rate included in the 2015 Recommended Budget as compared to the 2014 Adopted Budget are as follows:

	Adopted <u>2014</u>	Recommended <u>2015</u>	Percentage <u>Increase (Decrease)</u>
Total Expenditures	\$191,998,395	\$191,688,009	(0.16%)
Tax Levy	\$62,497,976	\$63,045,891	0.88%
General Fund Applied	\$2,000,000	\$0	(100.00%)
Tax Rate (per \$1,000)	\$6.990935	\$6.777615	(3.05%)

You will note that while the tax levy increases 0.88%, the tax rate decreases 3.05%. This decrease of approximately 21 cents per thousand results from an increase in the County's equalized value of 4.05%. This represents the first increase in equalized value in Rock County since 2008.

The tax rate of \$6.78 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 \$5.27 on a home that was valued at \$100,000 in 2014.

Tax Levy

The overall tax levy is recommended to increase by \$547,915, or 0.88%. 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 2015 budget, the percentage increase due to net new construction is 0.776%.** When applied to the 2014 tax levy for operations, and taking into account several required

adjustments, **this percentage results in an allowable tax levy increase for operations of \$489,579.**

- 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 decrease of \$24,249 in the limited levy amount** consists of a decrease of \$14,249 for the Arrowhead Library System and a decrease of \$10,000 for Town Bridge Aid. The Arrowhead Library System levy is levied on property in the towns plus the Village of Footville, while the levy of Town Bridge Aid is levied on property in all towns. Reductions in levy are based largely on reduced usage of municipal libraries by rural Rock County residents and fewer requests for eligible bridge aid projects, respectively.
- 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 \$87,467 in 2015, an increase of 1.8%.**

The overall tax levy increase of \$547,915 represents the third smallest tax levy increase in absolute dollars in the past 25 years.

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.

Due to an improving retail economy and conservative budgeting, the amount of sales tax collected in 2012 and 2013 exceeded budget estimates. At the end of 2014, these excess sales tax amounts are expected to total \$1,028,755. County policy is to place any excess collections in a segregated account to be used for capital projects. Sales tax collections in 2014 are also expected to outpace the budgeted amount by \$1,089,381.

Based on prior experience, I am recommending we budget for sales tax collections of \$10,699,666 in 2015. In addition, the 2015 Recommended Budget proposes using nearly all of the excess sales tax from 2012 and 2013 for capital projects. Overall, sales tax funds in the 2015 Recommended Budget would be used as follows:

Operational Costs	\$ 7,522,973
Capital Expenditures	<u>4,177,742</u>
Total	\$ 11,700,715

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):

<u>Department (Facility)</u>	<u>Amount</u>
General Services (Courthouse)	\$ 850,600
General Services (UW-Rock County)	750,000
Information Technology	622,976
General Services (Jail/Health Care Center Complex)	506,560
Public Works – Highway	468,959
Sheriff’s Office	305,100
Public Works – Parks	216,837
Communications Center	212,282
Land Conservation – PACE	200,000
General Services (Health Department)	24,328
Fairgrounds	<u>20,100</u>
Total	\$4,177,742

Assuming 2014 collections continue at the projected pace, we anticipate a total of \$1,117,087 in the excess sales tax account at the end of 2014. These funds would be available to be used for future capital expenditures or for projects that may need additional funding.

General Fund Balance

The audited General Fund balance as of December 31, 2013, was \$35,335,254, of which \$27,239,981 was unassigned. In the 2014 Budget, \$2,000,000 from the General Fund balance was applied to offset costs for highway construction. Taking into consideration this use of General Fund balance and the results of operations in 2014, it is estimated that the General Fund balance as of December 31, 2014, will be \$34,039,005, of which \$27,795,315 would be unassigned. The 2014 estimated unassigned balance represents an increase of \$555,334 from 2013. No General Fund balance application is recommended in 2015.

Long-term Debt

The 2015 Recommended Budget includes a total of \$2,700,400 in new long-term debt for three county trunk highway construction projects and two sealcoating projects. This is less than the \$5,965,141 in long-term debt included in the 2014 Budget.

It should also be noted that in 2014 the Board of Supervisors approved the purchase of the Rock County Job Center at a cost of \$1,918,907 and passed an initial borrowing resolution to fund the purchase through long-term debt. As was noted at the time, purchasing the building will result in an overall savings to the County as compared to the current lease arrangement.

Borrowing for the recommended 2015 highway construction projects, the Job Center, and other previously approved projects would occur during 2015. As of December 31, 2014, outstanding debt will total \$42,395,000. The majority of this amount 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 2015, we are anticipating that intergovernmental revenues will increase by \$2.6 million, or 2.8%. Examples of increases include for General Transportation Aids, Child Support reimbursement, and Medical Assistance payments for services provided through the Developmental Disabilities Board. In some 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, and Medical Assistance reimbursement generally covers around 60% of the cost of providing services.

Other sources of revenue include fees charged to the public for services or for the costs of providing regulatory and compliance services. Combined, these sources comprise about 6.5% of total revenues in the 2015 Recommended Budget.

Expenditures

The \$191,688,009 in total expenditures in the 2015 Recommended Budget represents a decrease of \$310,386, or 0.16%, as compared to the 2014 Budget. The decrease in expenditures is primarily due to the 2014 costs for the CTH G and CTH BT project, which are not reflected in the 2015 budget. Overall capital project expenditures would decline by nearly \$4.7 million in 2015. At the same time, operating expenditures are increasing by \$4.3 million, or 2.5%.

Other Points of Interest

- 1) Due to the pressure on the tax levy, it was necessary to make many reductions to line items in departmental accounts, particularly those for which need varies considerably, cannot be easily forecast, or is subject to external factors. To compensate for these numerous reductions, an additional \$25,000 was included in the Contingency Fund, for a total of \$100,000 available for unbudgeted or unforeseen needs in 2015.
- 2) Funds are included in the 2015 budget for the transition from a Coroner system to a Medical Examiner Department. The budgeted tax levy increase to support this change totals \$55,876. This takes into account an increase of \$50 in the cremation permit fee, which was last increased in 2012.
- 3) New capital projects in the General Services budget for 2015 include demolition of the Courthouse tower, construction of the grinder lift near the Jail, replacement of air handlers at UW-Rock County, and refurbishment of jail pod showers. It is also expected that projects not completed in 2014, including the UW-Rock County mass notification system and tuckpointing at the Pinehurst building, will be completed. Additional funds are also included for the potential Courthouse security project.
- 4) New highway construction projects include milling and paving on CTH F, CTH H, and CTH Y. Additionally, construction on the CTH G and CTH BT project that was funded in the 2014 Budget is expected to begin in 2015.

- 5) The airport terminal building project will be completed in 2015 with the anticipated addition of a new tenant for the restaurant space. The first year of operating the new terminal building will add \$31,000 to the tax levy due to increased costs for utilities, cleaning, and data lines for phone and Internet connectivity.
- 6) As approved by the County Board, \$200,000 of sales tax funds and no tax levy are included in the 2015 Recommended Budget to support the PACE program. This action was taken to augment the PACE program's use of environmental impact fees from ATC that were first included in the budgets of the Land Conservation Department and Parks Division in the 2009 Budget. The remaining allocation of the Parks Division's ATC funds are used in the 2015 Recommended Budget to fund 0.6 FTE of the community coordinator position, which was made full time with ATC funds in the 2009 Budget.
- 7) Several improvements to data and information management through the implementation of new software systems are budgeted in 2015. These include new systems for inmate records and health information at the Sheriff's Office, care planning and billing at Rock Haven, and contracted provider management and documentation at the Human Services Department. Investment in these systems is intended to improve outcomes, better target resources, increase revenue, and make it more likely the County will receive grants, which increasingly require demonstration of data tracking. To help accommodate these purchases and a general growing County need, new servers, data storage capacity, and data back-up systems are recommended for the Information Technology Department.
- 8) Rock County, through the Criminal Justice Coordinating Council (CJCC), was recently selected as one of six counties in Wisconsin to participate in the potential implementation of Evidence Based Decision Making (EBDM) in the County's criminal justice system through a program of technical assistance facilitated by the National Institute of Corrections. We are optimistic about the likelihood that Wisconsin's application will be accepted but will not receive confirmation for at least a couple months. Although no funding accompanies this selection, it would require considerable work and would be one of the larger County initiatives in 2015.
- 9) I am recommending that we undertake two specific efforts in 2015 to evaluate and improve the organization. One is contracting for a study of the operations of the Public Works Department, which will not only provide useful information about how to more efficiently and effectively manage one of the County's highest-cost departments, but will also help position the County as we begin planning to maintain an expanded I-39/90. Second, we will appoint a group of staff to initiate a "lean government" initiative to identify processes that can be restructured to operate more efficiently and with a customer service orientation. Although some departments have undertaken such efforts, this project would expand the concept countywide.
- 10) The Human Services Department continues to implement the departmental reorganization begun in 2014 and make other programming changes intended to fill service gaps, improve client outcomes, and reduce costly out-of-home placements. The potential of institutional and out-of-home placements remains an area of risk in the County budget.

11) Personnel actions recommended in the 2015 budget result in a net decrease of 11.025 positions. The 2015 recommended personnel roster includes 1,187.06 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.

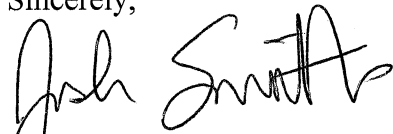
In the next several weeks, each governing committee will have a budget review item on its agenda. This is the opportunity for each committee to discuss with those departments under its jurisdiction the recommended budget and its effects on services provided. If any governing committee wants to request a change to the recommended budget, it may formally take action to do so. These committee-adopted requests are forwarded to the Finance Committee, which will meet 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 3, at 9:00 a.m.:	County Administrator's Review and Explanation of the Budget with Questions from the Board
Wednesday, November 5, at 6:00 p.m.:	Public Hearing on the Budget
Wednesday, November 12, at 9:00 a.m.:	Statutory Annual Meeting and Budget Adoption

In addition, you should 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 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 Dave O'Connell and Alyx Brandenburg in the Human Resources Office, as well as Marilyn Bondehagen, Mary Puckett, Sue Balog, and other members of the Finance Director's and Central Duplicating's staff for their work in processing and compiling the budget. The document before you would not have been possible without contributions from all of these individuals.

Sincerely,



Josh Smith
County Administrator