

Rock County
2015 Recommended Budget Presentation
Josh Smith, County Administrator
October 9, 2014

“The way Rock County has been able to survive without drastically reducing service levels has been to continually strive to change operations to become more effective.” This was the characterization of Rock County’s budget approach by then-County Administrator Craig Knutson in his 2013 Budget speech. In the 2009 Budget speech, when referring to new programming, he noted, “We’ve fundamentally changed the way we do business.” Referring to the 2007 Budget in which the sales tax was adopted, he noted “This will require some significant changes and hard choices.”

It’s probably not surprising that the word “change” has been on my mind lately, and I imagine on yours, as I stand before you presenting the first Rock County budget not prepared by County Administrator Knutson in 30 years.

The County Administrator’s point in the statements I referenced was that the only way the County can continue to meet its obligations is to be adaptable to the ever-changing environment shaped by state and federal mandates and funding fluctuations, the economy, the needs of the community, and technology. It doesn’t take long to identify examples of this in our recent experience. For example:

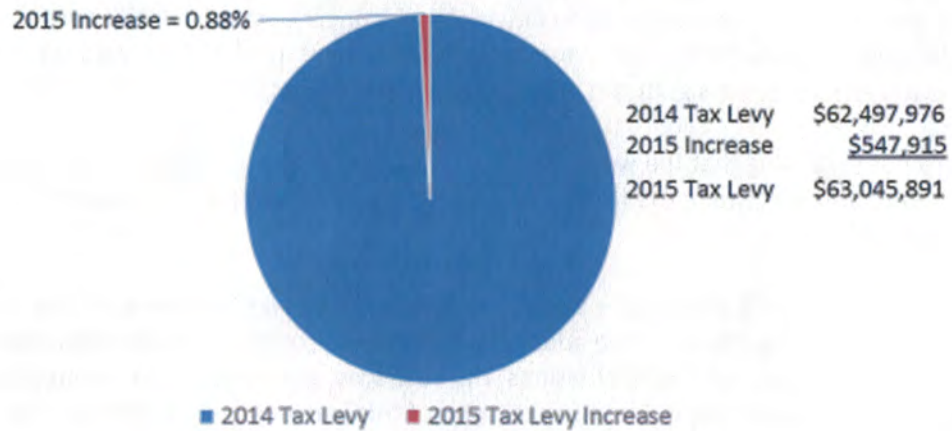
- Many of you will remember the old Aid to Families with Dependent Children (AFDC) program, which in the 1990s transitioned to the Wisconsin Works (W-2) program. Since that time, the Human Services Board has seen significant changes in how counties operate under what was called welfare reform. Beginning in 2013, those services were privatized and are no longer provided by Rock County.
- Ten years ago, very few of us would have given much thought to treatment courts and other diversion programs that have become core to the County’s approach to the criminal justice system.
- As recently as when I first started with the County in 2005, manufacturing in Rock County was much different than it is today. This has caused us to change our approach to economic development.
- Earlier this year the County Board voted to implement Family Care in Rock County. Although we are not planning for this to occur in the 2015 Budget, it will represent a significant change in how long-term care services are provided. The ADRC that we’ve already opened at the Job Center is the first step in this transition.

This list could go on. A much more succinct way of saying this is attributed to the Greek philosopher Heraclitus around 500 B.C. He said, “The only thing that is constant is change.” Obviously, this is not a new concept.

With that as an introduction, the budget we present to you tonight is different than those you have received before—there are changes in how we operate, what we spend our limited funds on, and what we prioritize. At the same time, the budget we present to you tonight is the same as every one this Board has ever received, as all have included such changes.

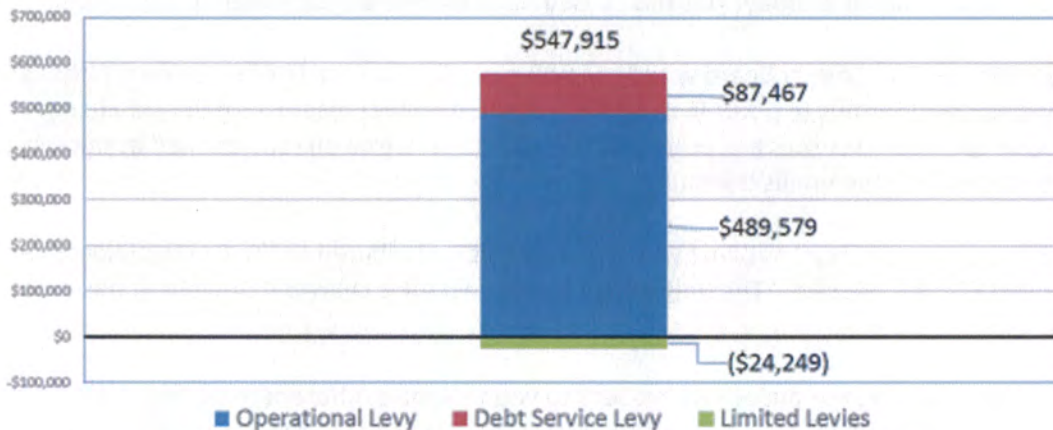
In the 2015 Budget, the overall tax levy is recommended to increase by \$547,915, or 0.88%. Figure 1 shows this increase in the context of the overall 2015 tax levy of \$63,045,891.

Figure 1
2015 Recommended Tax Levy



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

Figure 2
2015 Recommended Tax Levy Increase

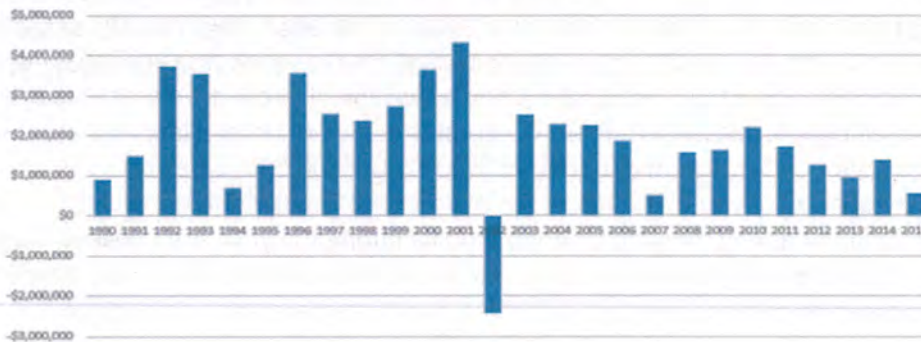


- 1) First is the tax levy for operations, which is subject to state tax levy limits of the greater of 0% or the increase in the County's equalized value due to net new construction. This allows for an increase of 0.776% or \$489,579 after a few required adjustments are made.
- 2) Second is the limited levies for the Arrowhead Library System and Town Bridge Aid, which are exempt from levy limits and overall are decreasing by \$24,249.

- 3) Third is the tax levy for debt service, which is also exempt from the levy limits. In 2015, this will increase by \$87,467.

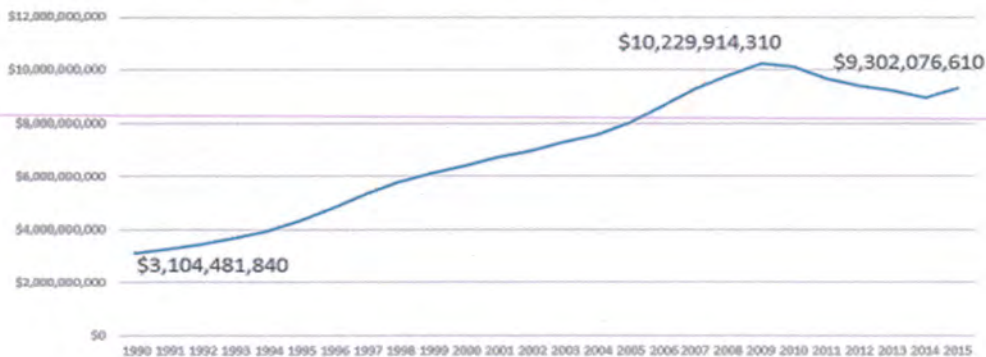
Let me share with you some more wisdom—not from Heraclitus, but from my predecessor. In his 2012 Budget letter, the County Administrator noted, “As difficult as the 2012 Budget was to put together, I foresee the 2013 Budget and beyond as potentially more difficult.” As usual, Craig was right. Figure 3 shows the dollar amount of tax levy increases over the past 25 years. In only two years during this span has the County had a smaller increase in the tax levy. In 2007, this was because the County implemented the sales tax and used some sales tax to offset operational costs. In 2002, we received our first payment through the intergovernmental transfer program for Rock Haven, which significantly reduced the tax levy for Rock Haven operations and the remainder of the County budget.

Figure 3
Tax Levy Change, 1990-2015



Although net new construction was up by less than one percent, some good news is that the County’s overall equalized value increased by 4.05%, which is the first increase in the County’s equalized value since the 2009 budget. As shown in Figure 4, this increase in equalized value follows several years of decline. This is a hopeful sign for economic growth. The combination of increased equalized value and a relatively small levy increase results in a decline in the tax rate of about 21 cents per thousand, to \$6.77 per thousand. 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.

Figure 4
Change in Equalized Value, 1990-2015



As the amount of new tax levy available has decreased, we have undertaken a new strategy for managing this narrow margin. This strategy recognizes that one of the greatest challenges of budgeting is that there are many things that may or may not happen over the course of the coming year that are at least partly out of our control. For example:

- We cannot accurately predict the number of children who might need an out-of-home placement in 2015 to keep them from an abusive situation.
- Similarly, the number of developmentally disabled citizens for whom an emergency placement may be necessary is largely unknown.
- Even the judges cannot know with 100% accuracy which cases will settle and which will go to a jury trial, requiring additional resources.
- And if our DPW staff could predict whether we'll have a heavy winter, they would probably leave County employment to make their riches in the road salt futures market.

If we planned for the possibility that all of these things might happen—and budgeted for it—we would quickly be out of money—money that in some cases would be sitting idle, as the potential situation would not occur every year. However, some of these circumstances do occur from year to year, and we have to plan for that eventuality. So, our strategy is not to budget for the worst case scenario, but to be as reasonable as possible and ensure there are back-up funds available if needed. To that end, one step we have taken is to reduce budget lines where there is a greater degree of uncertainty and increase the amount available in the County's Contingency Fund from \$75,000 to \$100,000 to be able to respond to needs as they arise. I can guarantee you that none of the department heads relish the idea of having to come back to the County Board asking for supplemental funding during the year, but I believe they understand why these steps are being taken. Therefore, I'd ask for your patience and understanding if the circumstances I've noted do come to pass and additional funds are necessary in any given department.

This provides a good opportunity to thank the department heads who not only submitted requests that were reflective of our funding environment but also prioritized and volunteered additional reductions. For example, Clerk of Court Eldred Mielke and incoming Clerk Jacki Gackstatter offered to hold open a vacant position for a portion of the year to try to capture some savings. I appreciate Judge Daley's actions to reduce numerous line items, District Attorney O'Leary's understanding of our approach, and Sheriff Spoden's collaboration in identifying needs that can be revisited in 2016. In addition, I appreciate in advance the efforts of the staff of our Human Services Department and Developmental Disabilities Board to closely monitor out-of-home placement costs. In fact, all County staff are to be commended for the conscientious work they do to provide quality services with the resources available.

As shown in Figure 5, overall expenditures are decreasing slightly, by 0.16%. 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 \$4.8 million in 2015. At the same time, operating expenditures are increasing by \$4.3 million, or 2.5%. Operating expenditures can increase by this amount while the tax levy for operations increases by only \$489,579 because an increase in expenditures does not always result in an increase in the tax levy. For example, as shown in Figure 6, in 2015 about half of the County's expenditures would be supported by intergovernmental revenues, which are largely reimbursement for operating State and Federal programs and grants.

Figure 5
Change in Expenditures, 2005-2015

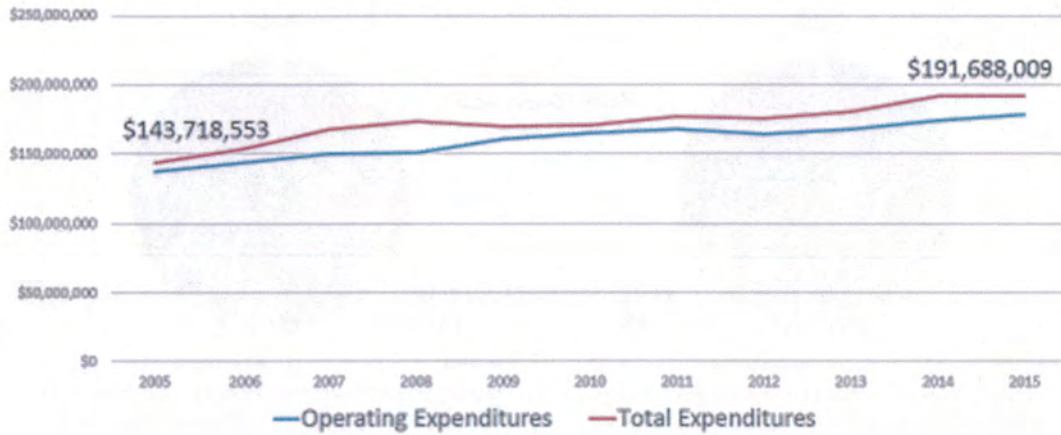
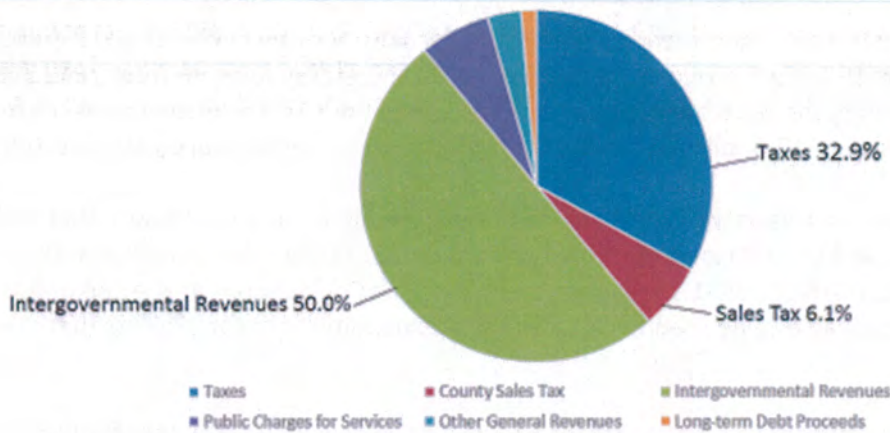
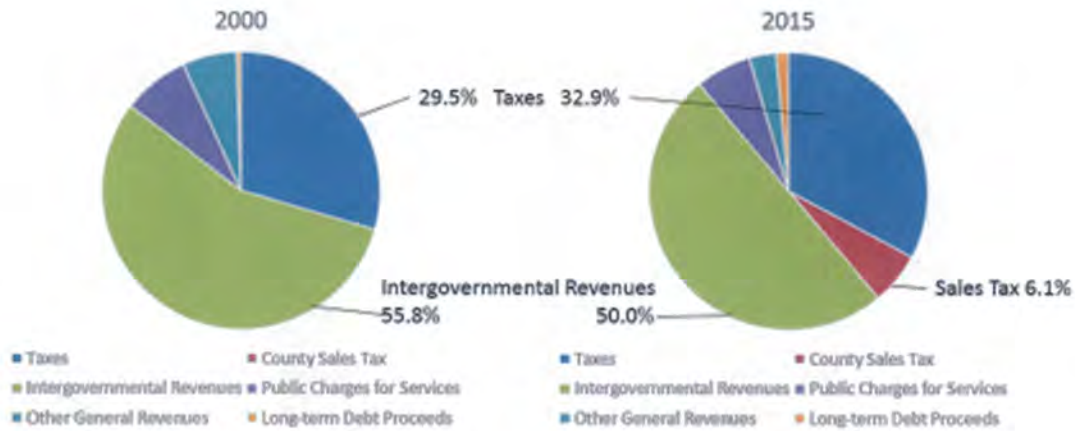


Figure 6
Revenues by Source, 2015



In 2015, we are anticipating that intergovernmental revenues will increase by \$2.6 million, or 2.8%. However, as shown in Figure 7, intergovernmental revenues represented 56% of the County budget in 2000 as compared to 50% in 2015. During the same time period, the percentage of the budget funded by tax levy has increased from 30% to 33% at a time when levy limits restrict our ability to use this funding source. I would also note that proceeds from the sales tax comprise about 6% of the budget now.

Figure 7
Revenues by Source, 2000 and 2015



The strong performance of the County sales tax is one tool that has allowed us to operate under strict levy limits. This is another hopeful sign for economic growth. 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, excess sales tax amounts from these two years are expected to total just more than \$1.0 million. County policy is to place any excess collections in a segregated account to be used for capital projects.

Based on prior experience, I am recommending we budget for sales tax collections of \$10.7 million in 2015. In addition, the 2015 Budget proposes using nearly all of the excess sales tax from 2012 and 2013 for capital projects. Overall, the 2015 budget recommends using about \$4.2 million in sales tax for capital projects and the same \$7.5 million that has been used to fund operational costs since 2011.

Capital expenditures include a variety of construction projects, equipment, and software that mostly would otherwise be funded through long-term debt. Assuming 2014 collections continue at the current trend, we anticipate a total of about \$1.1 million 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.

The 2015 Recommended Budget includes a total of \$2.7 million in new long-term debt for three county trunk highway construction projects and two sealcoating projects. This compares to just under \$6.0 million in long-term debt included in the 2014 Budget. As of December 31, 2014, outstanding debt will total \$42.4 million. The majority of this amount is related to the construction of Rock Haven.

In the 2014 Budget, \$2.0 million of 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 increase by more than a half million dollars as compared to 2013. The General Fund balance at the end of 2014 would be about \$34.0 million, of which \$27.8 million would be unassigned. No General Fund balance application is recommended in 2015.

As we look to the future, there are several issues that merit further consideration. Actions in these areas will help position the County to be able to operate more efficiently and provide better services and outcomes for clients, customers, and citizens.

- First, as you know, the condition of the County's trunk highway system has been deteriorating and its maintenance will be an ongoing challenge. The 2015 Recommended Budget calls for milling and paving 8.3 miles on CTH F, CTH H, and CTH Y, as well as sealcoating 8.5 miles on CTH A and CTH M, to be funded by long-term debt. Engineering for 16.5 miles of future projects on CTH A and CTH MM is also included. Given these needs and the future demands on DPW as we plan for maintenance of an expanded I-39/90, Public Works Director Ben Coopman has requested a study be conducted to determine if the Highway Division is operating efficiently and effectively. I am recommending that this study be completed.
- Second, 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, resident care planning and billing at Rock Haven, staff scheduling at the Youth Services Center, 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, replacement servers, increased data storage capacity, and updated data back-up systems are recommended for the Information Technology Department.
- Third, Rock County, through the Criminal Justice Coordinating Council (CJCC), has been included as one of six counties in the state's application to participate in the 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 we 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.
- 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. Given the seemingly constant changes to the requirements and funding for programs operated by Human Services, we must continually innovate in this area.
- The new intergovernmental agreement with Dane County to provide management services for our new Medical Examiner Department is an example of how I believe we should continue to partner with other jurisdictions, nonprofit agencies, and private sector organizations to improve services, increase efficiency, and reduce costs.
- Finally, several County staff recently attended a "lean government" training session sponsored by the City of Janesville. These staff members have proposed initiating a lean government process for the County, which would expand countywide efforts underway in some departments

to identify processes that can be restructured to operate more efficiently and with a customer service orientation. I am recommending that we consider the implementation of a lean project for Rock County.

If I can refer back one more time to the 2013 Budget speech, County Administrator Knutson noted that change “involves examining operations and implementing proven best practices.” In considering the 2015 Recommended Budget, I think we have continued to manage change accordingly, by reacting quickly when it is forced upon us and being proactive to plan for change before it arrives.

The binder in front of you 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 13 through October 24	Governing Committees Meet for Budget Review
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

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

As a final note, if I could take a point of personal privilege, I would like to take a moment to publicly thank Craig Knutson for the work he did over the years to maintain the fiscal integrity of the County. Craig’s work with you and your predecessors has laid the foundation for this budget and for budgets in years to come. As you can tell by my speech tonight, Craig’s solid stewardship has influenced my own perspective on budget development. We will continue to strive to meet the high standards that have been established through his leadership over the years.

Thank you.