

October 10, 2013
Honorable Chair, Vice Chair, and Members
Rock County Board of Supervisors

The budget I submit to you for 2014 totals \$191,998,395 in expenditures. This is an increase of \$11,246,032 or 6.22%. About half of this increase or \$5,582,385 is in a result of a net increase in Capital Expenditures, primarily as a result of the funding of the CTH G and CTH BT project.

The other half or approximately \$5.66 million is composed of increases in operational expenditures. \$2.4 million of the increase in operational expenditures results from additional funding the State is providing to the seven (7) counties in the Southern Consortium to implement provisions of the Affordable Care Act (ACA). As the lead county in the Southern Consortium all of the funding for all seven (7) counties goes through Rock County's budget.

After accounting for the increase in Capital Expenditures for road projects and the special funding for the ACA, about \$3.26 million represents increased expenditures for all other departments and operational expenditure items in the budget.

The recommended property tax levy of \$62,497,976 is \$1,383,766 or 2.26% higher than the prior year. On average, this will raise the County portion of the property tax bill by \$14.32 on a property valued at \$100,000.

The tax levy increase is within the tax levy limits as imposed by the State of Wisconsin. It can be thought of as made up of three parts. Those parts are the amount allowed under the State imposed levy limits for operational costs, the amount for items funded by limited tax levies which are exempt from levy limits, and the amount needed for debt service. These amounts are as follows:

Levy Change for Operations	\$1,277,459	2.09%
Levy Change for Limited Levies	(57,876)	(0.09%)
Levy Change for Debt Service	<u>164,183</u>	<u>0.26%</u>
	\$1,383,766	2.26%

The levy for operations is allowed to increase due to two (2) factors. One factor allows an increase equal to the percentage increase in net new construction. Despite the fact the County's total equalized valuation decreased, the value due to net new construction increased by .73%, which allows for an increase of \$409,042 in levy. The second factor deals with the reduction in the levy for debt service for debt issued prior to July 2005. Rock County's debt issued prior to July 2005 is being paid off in 2013. This allows the County to move the levy for that debt to operations in the 2014 Budget. In total, Rock County could increase the levy for operations by \$1,291,726 for 2014. The amount recommended is \$14,267 less than what would be allowed.

The decrease of \$57,876 in the limited levy amount consists of a decrease of \$17,876 for the Arrowhead Library System and a decrease of \$40,000 for Town Bridge Aid. The Arrowhead levy is imposed on property in the towns plus the Village of Footville while the levy for Town Bridge Aid applies to property in the towns.

Debt service payments are decreasing by \$3,122 from 2013 to 2014, yet the levy to fund debt service is increasing by \$164,183. This is largely due to the fact that \$158,000 of premium revenue from a 2012 note issue was used to pay debt service in 2013. Those funds had to be used for that purpose and are not available to be used in 2014.

While the tax levy goes up 2.26% the average tax rate increases 5.33%. This results from the County's equalized value decreasing 2.91% from 2012 to 2013.

The last time Rock County applied General Fund balance as part of the annual budget process was in the 2009 Budget. The General Fund balance has grown every year since then. General Fund balance as of December 31, 2012 was \$31,940,253 with \$25,453,843 of this being Unassigned. The County's policy on fund balance states that Fund Balance and Working Capital should be in a range of 10% - 17% of total expenditures. The December 31, 2012 figure was 20.11%. Therefore, Rock County is in good fiscal condition.

The 2014 Budget contains funding for the CTH G / CTH BT project, the CTH H project and the final phase of the CTH M project. Given the need for a larger than normal amount for highway project funding I have recommended the use of \$2,000,000 of General Fund application to fund the bulk of the regular highway construction account for CTH M and CTH H. Using General Fund Unassigned Balance to fund one time capital projects should be acceptable to the rating agencies. Despite the use of \$2,000,000, the projected General Fund Unassigned Balance is \$25,354,826 as of December 31, 2013. This is only \$100,000 less than the Unassigned Balance as of December 31, 2012.

The County Sales Tax was adopted as part of the 2007 Budget process to become effective April 1, 2007. The 2013 Budget included \$10,420,883 in sales tax revenue to be used as follows:

\$ 7,522,973	Operational Costs
<u>\$ 2,897,910</u>	Capital Expenditures
\$10,420,883	

The 2013 amount included 13 months of collections. The 2014 collections are based on 12 months and projected to total \$10,406,000. We also have \$965,703 of excess 2012 sales tax collections available to use for capital assets. In addition, if current collection trends continue, we may have \$1,319,952 of 2013 sales tax collections over and above the budgeted amount. County policy is to place any excess collections in a segregated account to be used for capital projects.

The 2014 Budget proposes using the available 2012 excess sales tax collections along with \$319,952 of the projected excess 2013 collections and the \$10,406,000 projected to be collected in 2014. This amount totaling \$11,691,655 is proposed to be used as follows:

\$ 7,522,973	Operational Costs
<u>4,168,682</u>	Capital Expenditures
\$11,691,655	

The amount recommended for Operational Costs is at the same level as 2011, 2012 and 2013. The amount designated for Capital Expenditures is for a variety of construction projects, equipment and software I would otherwise recommend be funded through deferred financing.

If 2013 projections hold true we should have approximately \$1 million of excess 2013 sales tax funds available when we close the 2013 books. This is important as there are several capital projects such as Courthouse security which may be in need of additional funding.

As we look forward, the County will be facing a variety of issues over the next several years. I would like to share my observations regarding three issue areas. One of these is the County Trunk Highway System (CTH).

Rock County has about 215 miles of County Trunk Highways. Many of these miles were designed and constructed 60-70 years ago. Over the decades the County has maintained these roads by putting a blacktop overlay on them and seal coating them in between the overlays. This worked and kept County road costs at a modest level. In fact, when the Wisconsin Taxpayers Alliance used to do cost comparisons of the 72 counties, Rock County would consistently rank in the lowest 25% of counties in spending per capita on roads.

However, the types of traffic on County Trunk Highways is different today than it was even 15 to 20 years ago. Farm equipment and vehicles are much bigger and heavier. Other vehicles that use these roads are also bigger and heavier. The need for County Trunk Highways to be built to Class A standards rather than Class B standards has increased greatly. To put it another way, the road base under many miles of County Trunk highways was designed when vehicles the size of Model A Ford pickups were using the roads rather than semi tractor trailers.

Currently 30% to 40% of the CTH system is constructed to Class A standards and the rest are Class B. As roads are resurfaced in the future more of the projects will encompass reconstruction as opposed to simple resurfacing. Also, with 215 miles of CTH the number of miles addressed each year will need to increase or the overall condition of the system will decline.

Another issue I want to mention is Family Care. Family Care is the managed care option which replaces MA Waiver programming for the elderly, physically disabled and developmentally disabled. The MA Waiver programs for the elderly and physically disabled are administered by the Long Term Support Division of the Human Services Department. The MA Waiver programs for the developmentally disabled are operated through the County's Developmental Disabilities Department.

Currently 57 of the 72 counties in Wisconsin have transitioned to Family Care. The remaining 15 counties, including Rock County, continue operating the MA Waiver Programs. The State put a halt to extending Family Care to additional counties right at the time Rock County was scheduled to switch over in 2011. There are certainly pros and cons of switching to Family Care. Some fear that switching to a managed care system will result in people currently receiving services having those services watered down. Some of the providers also fear being faced with reduced reimbursement rates. The other side of the issue is that waiting lists in those counties which have switched to Family Care are supposed to be eliminated in three (3) years. Current

waiting lists in Rock County's Developmental Disabilities Programs stretch out 10 years. This means individuals who would benefit from services are not receiving them. With levy limits counties currently operate under and State Aid not increasing and in some years decreasing it is impossible for the County to deal with those waiting lists. Particularly in developmental disabilities, those waiting lists will continue to get longer and the County will be under more pressure from frustrated consumers.

I don't know what the future timetable will be for the issue of Family Care to again be addressed. However, I expect it will be an issue the County Board will be faced with at some point in time.

The final observation I want to share deals with the reorganization of the Human Services Department.

There has been a lot of attention nationally and at the State level over the last year on mental health services. Rock County has been working to improve mental health services for a number of years. Program initiatives such as mobile crisis, Crisis Intervention Training for law enforcement, and specialized services such as Coordinated Services Teams have been implemented. The Behavioral Health Redesign Steering Committee has been hard at work identifying service gaps and ways to improve the system both within County operations and in the wider community. Ways to better integrate mental health care for children and families who may be in the CPS and Juvenile Justice systems has been a topic of discussion.

Progress has been made over the last several years in improving the county's services. The proposed reorganization is the next step we must take to continue the process to improve services and keep costs under control.

Points of Interest

- 1) The 2014 Budget contains funding for several road construction projects. Funding in the amount of \$7,030,500 is included to cover the County's share of the CTH G and CTH BT project. Also funded is \$1,617,000 to complete the 4th and final phase of the CTH M project as well as \$710,000 to mill and resurface 2.5 miles of CTH H. These projects are funded through a combination of General Fund application, sales tax and deferred financing.
- 2) Among the projects funded through the General Services budget are replacement of the cooling towers at the Jail and Courthouse, construction of an outdoor recreation yard at the Youth Services Center and additional funding to cover the cost of the Mass Notification and Security System project at UW-Rock County. Whether the funding provided in the 2013 Budget for the security upgrade in the Courthouse is sufficient remains to be seen.
- 3) The Communications Center 2014 Budget contains funding to improve coverage by the voice radio system. Included is funding for a new tower and radio building in the Edgerton area, making the County main law channel simulcast, adding simulcast to the fire channel in the Edgerton area and adding law and fire receiver sites at Blackhawk Technical College.

- 4) The Sheriff's Office budget contains funding for two (2) new positions including a Detective and Deputy Sheriff. The Detective is needed due to increased and more complex caseloads. The Deputy will be primarily assigned to recreational programs such as water patrol and snowmobile patrol with partial grant reimbursement beginning in 2015.
- 5) The 2014 Budget contains a total of \$5,965,141 of deferred financing. This funding will be devoted to the federal aid highway construction projects. It will primarily be used for the CTH G and CTH BT project.
- 6) Personnel actions recommended in the 2014 Budget result in a net increase of 11.9 full time equivalent positions. The 2014 recommended personnel roster includes 1,191 positions. Compared to 2000, Rock County's workforce is 248.5 positions or 17.3% lower.
- 7) Outstanding debt at the end of 2013 will total \$45,940,000

The Administrator's Letter, which is found near the front of your budget document, contains additional budget information. Also, each departmental budget contains "Administrator's Comments" which summarize the important points in each departmental budget.

The timetable for budget consideration includes:

9:00 A.M.	Monday, November 4	County Administrator's Review and Explanation of the Budget with Questions from the Board
6:00 P.M.	Wednesday, November 6	Public Hearing on the Budget
9:00 A.M.	Tuesday, November 12	Statutory Annual Meeting and Budget Adoption

As you review the 2014 Budget the staff and I are ready to assist you and answer your questions. Please feel free to contact us with whatever questions you may have.

Sincerely,

Craig Knutson
County Administrator