

October 13, 2022

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

I respectfully submit the 2023 Recommended Budget for your review and consideration. The 2023 Recommended Budget includes a tax levy of \$76,159,932.

Total expenditures, tax levy, and the tax rate included in the 2023 Recommended Budget as compared to the 2022 Adopted Budget are as follows:

	Adopted <u>2022</u>	Recommended <u>2023</u>	Percentage <u>Increase (Decrease)</u>
Total Expenditures	\$210,886,083	\$218,545,764	3.63%
Tax Levy	\$73,677,623	\$76,159,932	3.37%
General Fund Applied	\$2,000,000	\$0	N/A
Tax Rate (per \$1,000)	\$5.42267	\$4.68264	(13.65%)

While the tax levy would increase by 3.37%, the tax rate would decrease by 13.65%. This results from an increase in the County's equalized value of 19.7%. This is the ninth year in a row that Rock County's equalized value has increased.

The tax rate of \$4.68 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) will 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 \$14.10 on a home that was valued at \$100,000 at this time last year.

#### Tax Levy

The 2023 Recommended Budget includes a tax levy of \$76,159,932. **The overall tax levy is recommended to increase by \$2,482,309, or 3.37%.** 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 operational levy totals \$66,224,252, an increase of \$2,336,643, or 3.66%. In 2023, the operational levy increase is composed of two primary parts under the State's levy limit formula.

- 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 2023 budget, the percentage increase due to net new construction is 1.675%. When applied to the 2022 tax levy for operations, and taking into account several required adjustments, this would result in an allowable tax levy an increase of \$1,175,831.
  - Cities and villages create tax incremental financing districts (TIDs) as an economic development tool for a specified period of time. The increase in taxes generated following the establishment of a TID can be used by a municipality during this term for costs of development and are not distributed to other taxing units. This has the effect of lowering the amount of taxes other taxing jurisdictions can collect during the term. When the term ends, the increased value of property in the TID is subject to taxation by other taxing units. Due to several TIDs that were terminated in 2022, the levy limit formula allows the County to increase the tax levy an additional 1.806%, or \$1,160,812.
- 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. In 2023, **the limited levies are budgeted to increase by \$89,313**. The total limited tax levy in 2023 would be \$1,411,066.
- The Arrowhead Library System will have an increase of \$89,313, which will bring the total levy for this purpose to \$1,411,066. The Arrowhead Library System levy is levied only on property in the towns plus the Village of Footville. The increase in levy for the Arrowhead Library System is typically based on increased usage of municipal libraries by rural Rock County residents.
  - Town Bridge Aid is levied on property in all towns. No Town Bridge Aid levy is recommended in 2023. Town Bridge Aid projects in the 2023 budget would be funded with Town Bridge Aid fund balance.
- 3) *Debt Service Levy*—This is the amount used to repay borrowed funds, which is also exempt from levy limits. **The levy for debt service will increase by \$56,353 in 2023**. The debt service levy in the 2023 Recommended Budget totals \$8,524,614.

#### Sales Tax and Use of Sales Tax Proceeds

The half-cent county sales tax was adopted in the 2007 budget and became effective April 1, 2007. Sales tax collections in 2022 have strongly exceeded the 2022 budgeted amount. Therefore, I am recommending a County budget for sales tax collections of \$18,926,869 in 2023,

which is \$2.7 million more than the amount budgeted in 2022. These funds would be used as follows:

Operational Costs	\$8,622,973
Capital and One-Time Expenditures	<u>10,303,896</u>
Total	\$18,926,869

The amount used for operational costs is \$1.1 million higher than the amount used for that purpose in 2022. This increase is to be used to cover revenue shortfalls in the Rock Haven budget (additional detail is provided below in the “Notable 2023 Initiatives, Projects, and Budget Changes” section). This the first time since 2011 that sales tax dedicated to ongoing operational expenditures has been increased.

Capital expenditures include a variety of construction projects, facility improvements, equipment purchases, and conservation easements that might otherwise be funded through long-term debt, as well as several one-time expenditures, such as for consulting engagements. Sales tax proceeds of \$10,303,896 are proposed to be applied to capital and one-time expenditures in the following departmental budgets (and facilities) in 2023. In addition, \$4.0 million in sales tax (from the excess sales tax account) is included in the budget to reduce borrowing costs for the Sheriff’s Office construction project, per County Board Resolution 22-3B-468.

Facilities Management (Sheriff’s Office Construction Project)	\$4,000,000
Public Works – Highway	\$3,480,000
Information Technology	1,464,548
Facilities Management (Courthouse)	1,003,500
911 Communications Center	865,634
Sheriff’s Office	731,718
Facilities Management (Dr. Daniel Hale Williams RCRC)	620,000
Facilities Management (UW-Whitewater at Rock County)	380,000
Facilities Management (Youth Services Center)	350,000
Human Services	289,096
Facilities Management (Public Works)	250,000
Land Conservation – PACE	200,000
Public Works – Parks	190,000
Facilities Management (Fairgrounds)	180,000
Rock Haven	102,200
Facilities Management (Public Health)	100,000
Southern Wisconsin Regional Airport	58,000
Facilities Management (Eclipse Center)	30,000
Facilities Management (Jail)	<u>9,200</u>
Total	\$14,303,896

Excess sales tax is accumulated when the amount of sales tax collected exceeds the amount budgeted in a given year, and County policy is to place any excess collections in a segregated account to be used for future capital projects. Following the application of \$4.0 million for the Sheriff's Office construction project in 2023, \$237,087 in excess sales tax will remain. In addition, sales tax collections in 2022 are estimated to exceed the amount budgeted by more than \$2.0 million. Any receipts exceeding \$16.2 million in 2022 will be deposited into the excess sales tax account for future use.

#### General Fund Balance

The audited General Fund balance as of December 31, 2021, was \$51,483,907, of which \$40,759,397 was unassigned. The unassigned General Fund balance is slightly above the maximum of the target range included in the County's fund balance policy. Since 2014, the audited unassigned General Fund balance has increased by nearly \$12.4 million, or 43.5%, due to responsible fiscal management by the various County departments. Given this strong performance, \$2.0 million was applied from the unassigned General Fund balance in 2022 for County highway construction costs to reduce borrowing. Taking into consideration the results of operations in 2022, it is estimated that the unassigned General Fund balance as of December 31, 2022, will be about \$41.0 million, which represents an increase of about \$240,000. No General Fund balance application is recommended in 2023.

#### Long-term Debt

The 2023 Recommended Budget includes a total of \$3,659,000 in County highway projects to be funded with long-term debt.

Outstanding debt as of December 31, 2022, will total \$62.2 million, which is \$2.6 million less than the prior year. The County has historically taken an aggressive approach to paying off debt, typically repaying borrowed funds within a 10-year timeframe; the Rock Haven and Dr. Daniel Hale Williams Rock County Resource Center projects have 15-year terms, while the anticipated debt structure for the Sheriff's Office construction project will include a 20-year term. The Rock Haven debt is scheduled to be paid off in 2026. The County currently holds a bond rating of "Aa1" by Moody's and "AA" by Standard and Poor's.

#### Other Revenue

In 2023, 44% of the County's total budgeted revenue will be from intergovernmental revenues, which are largely reimbursements for operating state and federal programs and grants. We are anticipating that intergovernmental revenues will increase by \$1.5 million, or 1.7%. This is due to a variety of factors, including increased funding for the Children's Long-Term Support (CLTS) and Comprehensive Community Services (CCS) programs.

In some limited cases, state and federal revenue is intended to cover the full cost of providing a service, such as the CCS and CLTS programs in the Human Services Department noted above,

which have been expanding over the last several years. In most cases, however, 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 4% of total revenues in the 2023 Recommended Budget.

#### Expenditures

Total expenditures in 2023 amount to \$218,545,764 and would increase by \$7,659,681 or 3.6% as compared to the 2022 Adopted Budget. Of this amount:

- Operating expenditures total \$193,385,997, which is an increase of \$5,838,090, or 3.1%.
- Capital project expenditures total \$16,560,153, which is an increase of \$1,765,238, or 11.9%.
- Debt service expenditures total \$8,524,614, which is an increase of \$56,353, or 0.7%.
- The contingency fund is budgeted at \$75,000 in 2023, which is the same level as 2022.

#### Notable 2023 Initiatives, Projects, and Budget Changes

The priority in the 2023 Recommended Budget was to allocate funding for increased staff compensation to improve recruitment and retention in a challenging workforce environment. At the same time, the 2023 budget continues to prioritize the County's public safety agencies, Information Technology infrastructure and cybersecurity, and transportation infrastructure. The 2023 budget also invests one-time resources to sustain operations at Rock Haven as the facility faces a difficult workforce and revenue environment.

#### Implementation of the Classification and Compensation Study

The results of the classification and compensation study will be presented to the County Board in the coming weeks to be reviewed and adopted separately from the budget. The study will likely recommend a significant consolidation of the County's numerous pay grids, resulting in new pay rates for nearly all County positions.

Rock County, and the state and country overall, are facing both short- and long-term economic and demographic challenges that will increase competition for staff and affect the County's ability to provide services. As an organization whose mission is to provide services to the public,

most of which are required by State law, Rock County must prioritize recruiting and retaining staff. In the 2023 budget, personnel costs comprise 56% of the budget.

The 2023 budget includes a \$3.6 million increase in wage-related funding to implement the study, which represents a gross 4.0% aggregate increase to the wage lines. At the outset of the budget process, this was communicated to department heads as the top priority in the 2023 budget.

Given the challenges recruiting and retaining certain positions, it is likely that these funds will first need to be prioritized to areas of highest need, rather than be spread equally among all County positions. Consequently, it is important to note that this 4.0% funding increase for wages does not translate into a 4.0% across-the-board cost of living adjustment (COLA) for all staff. Furthermore, the results of the study may indicate that it will take more than one year to bring all positions closer to market wages.

To adapt to this new environment, the County will not only need to prioritize pay and benefits for staff, we will also have to revise our policies and procedures in a way that will reduce barriers to employment, increase flexibility, and create a work environment conducive to retaining staff.

#### Rock Haven

Staffing challenges are not new to Rock Haven, but in the past year have become particularly acute. For years, Rock Haven has used a combination of overtime, contracted staffing agencies, and mandation of staff to fill vacant shifts. These methods have been in response to what has been a competitive environment for certified nursing assistants (CNAs) and nurses and have been used to maintain Rock Haven's five-star rating in the staffing category, which is the highest level on the federal nursing home Care Compare rankings.

A combination of factors nationally, including the current upward pressure on wages, the increasing shortage of nursing and direct-care staff, and consequences of the COVID-19 pandemic on health care staffing, have exacerbated this problem.

For much of 2022, Rock Haven has operated with a reduced census by leaving one of its four wings vacant, largely due to not being able to hire sufficient staff to care for additional residents. The consequences of this reality have been reduced revenue. Because fixed costs of operating the facility cannot be reduced at the same rate as the reductions in revenue, Rock Haven will experience operating losses in 2022.

The most credible approach to Rock Haven's 2023 budget is to assume that this condition will continue. Without changes to the status quo, the 2023 budget would require a \$3.1 million tax levy increase to maintain current operations; this is in addition to the \$4.3 million tax levy in the 2022 budget. This would bring the total required tax levy for Rock Haven to \$7.4 million for 2023. Because this tax levy increase is not possible while funding other priorities in the County

operation, I am recommending that two sources of one-time funding be applied to the Rock Haven budget in 2023 to reduce the tax levy need. These include:

- \$1,223,638 in American Rescue Plan Act (ARPA) funding under the “lost revenue” provision, which can be used for general government operations. This represents all the remaining funding available to the County under the lost revenue provision of ARPA.
- \$1.1 million in sales tax. This is the first time since 2011 that sales tax has been budgeted for ongoing operational costs.

In 2023, the County will have to develop a plan to increase revenue, reduce expenditures, change the current service delivery model, or commit to providing the additional resources necessary to fund Rock Haven operations. Anticipating the need for additional expertise to assist in these efforts, I have recommended the inclusion of \$75,000 in sales tax for consulting services.

#### Public Safety

The 2023 budget continues to prioritize the County’s public safety mission in various departments.

*Sheriff’s Office*—Tax levy support of the Sheriff’s Office totals \$26.4 million in the 2023 budget, an increase of \$1.5 million. The Sheriff’s Office receives the most tax levy support of all County departments. At the direction of the County Board, \$4.0 million in sales tax is included in the budget to reduce borrowing costs for the Sheriff’s Office construction project (I am recommending excess sales tax for this purpose). An additional \$731,718 in sales tax is included in the Sheriff’s budget for various capital priorities, such as squad cars, a body scanner in the jail, and portable radios.

*911 Communications Center*—The 911 Center operational costs are entirely supported by the tax levy, which totals \$5.1 million in 2023. A total of \$865,6354 in sales tax is included in the 911 Center budget for capital items, most notably microwave communication equipment to provide critical and redundant communications capability. An additional \$33,076 in sales tax is included in the Information Technology Department budget to allow municipal public safety agencies better access to information systems while mobile. Renovations of the current Center, and occupancy of the expanded space that is part of the IT/911 addition, will take place in 2023.

*Circuit Court*—Tax levy support for the Circuit Court is increasing by \$168,687, or 14.9%, due largely to personnel and technology cost increases. In addition, \$450,000 in sales tax is included to renovate the Probate vault into a hearing room.

### County Highway Construction Projects and Equipment

For many years, the County has prioritized improvements to the County Trunk Highway (CTH) system to improve safety, promote commerce and economic development, and create a positive travel environment for those living, working, and visiting Rock County. I am recommending the following County highway projects in 2023.

- The 7.5 mile project to pulverize and overlay CTH N between US Highway 26 and the County line will cost \$2.9 million and would be funded by \$2.2 million in borrowing and \$700,000 in state aid.
- The 4.2 mile project to pulverize and overlay CTH X between the Village of Clinton and the County line will cost \$1.7 million and would be funded by \$1.4 million in borrowing and \$250,000 in state aid.
- The County's share of the 2.0 mile project to pulverize and overlay CTH E between US Highway 14 and the City of Janesville will cost \$785,000, to be funded by sales tax. This project is also being funded by \$971,000 in federal aid from the Bipartisan Infrastructure Law (BIL).
- Design of the 5.0 mile CTH H project between State Highway 11 and US Highway 14 will cost \$281,000. Proceeds from the sale of the old Job Center are recommended to be used to fund this project.
- Two sealcoat projects on 2.8 miles of CTH F and another project on 9.1 miles of CTH A will cost a total of \$200,000 and are recommended to be funded by sales tax.

Overall, I am recommending these County highway construction projects and other highway construction and maintenance costs, such as crack sealing and grader patching, be funded with \$3.7 million of borrowing, \$1.8 million of sales tax, and \$1.9 million in state and federal aid.

The County's expenditure on equipment used to construct and maintain County highways has been increasing over the past decade, due both to a decision to modernize the fleet and increasing prices. The County purchases this equipment with cash, and then is required to include the annual depreciation cost of each piece of equipment in the budget each year. These annual depreciation costs, which have increased from \$680,000 in 2012 to \$1.7 million in 2023, have historically been funded through the tax levy. In 2023, I am recommending that this equipment depreciation cost be funded with sales tax. It is difficult to continue to fund this increasing capital expense through the tax levy and still fund other operational priorities, such as employee wages.



### Information Technology Infrastructure and Cybersecurity

Over the past several years, the County has invested in upgrading its information technology infrastructure and its cybersecurity posture. The 2023 budget continues these multi-year investments, including through the following initiatives.

- \$582,000 in sales tax is included in the budget for equipment and one-time services to strengthen the County's backup and disaster recovery capabilities.
- \$424,200 in sales tax is included to continue the purchase and replacement cycle for laptops, which provides multiple benefits including continuity of services in case of emergencies and work flexibility for staff.
- Implementation of the Ceridian HR/payroll system approved by the County Board earlier this year includes \$115,815 in one-time implementation costs funded by sales tax and \$424,020 in annual license and maintenance costs funded by the tax levy.
- \$256,350 in sales tax is included to support the department's move to its new facility and setting up the new data center.
- First-year operational costs for Microsoft's cloud-based storage and application management solution will cost \$167,128. Moving to the cloud provides both extra security and flexibility but is indicative of the increasing operational costs as vendors transition from selling hardware, which represents a one-time cost, to licensing and annual fees to access software and applications.
- \$93,600 in tax levy will support the County's new multi-factor authentication (MFA) process, which will require anyone accessing the County's network to use a second form of identification confirmation, much like financial institutions use for online access. This is a requirement to maintain cybersecurity insurance.

### Opioid Settlement Funds

Rock County has been a participant in the multi-state litigation related to opioid over-prescription and distribution. The first of what may be a number of settlements occurred in 2022, and Rock County has received \$229,991 to date from this settlement. In September, the County Board received a report from a staff work group outlining priorities for how these funds could be used. While the 2023 budget does not direct these funds to any specific projects, \$299,991 is included in the budget in anticipation of the County Board approving a number of uses of these funds in 2023 due to the urgency of addressing the consequences of the opioid epidemic. Additionally, the County Board will also soon be asked to make a decision on whether to securitize the funds from the settlement.

Personnel Changes

Over the course of 2022, the County Board approved a total of 5.55 FTE positions. This brings the current personnel roster to 1,366.0 FTE. The 2023 Recommended Budget includes a net increase of 5.0 FTE as compared to the current personnel roster and a total FTE count of 1,371.0 FTE. Given these changes, the 2023 Recommended Budget includes a personnel roster that is 10.55 FTE more than the 2022 Adopted Budget.

To increase the availability of funds to implement the classification and compensation study, the 2023 budget limits the number of new positions. As such, a number of requests by departments to add new positions were not recommended, however justified they might have been. Most of the new positions I have recommended for 2023 are either wholly or partially funded with non-levy sources or offset by reductions in other positions.

Budget Adoption Process

Each departmental budget includes a section entitled “Administrator’s Comments” where I have highlighted the important issues and provided the rationale for the recommendations. Over 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. If any governing committee wants to request a change to the Recommended Budget, it may do so by passing a motion at one of its upcoming meetings. These requests are then forwarded to the Finance Committee, which will meet in early November to decide whether to endorse each committee’s request before it advances to the full County Board for consideration at the budget adoption meeting. Individual supervisors are also able to make motions to change the budget at the budget adoption meeting.

The schedule for budget-related meetings by the full County Board is as follows:

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| Monday, October 17, at 5:30 p.m.:    | County Administrator’s Review and Explanation of the Budget with Questions from the Board |
| Wednesday, November 9, at 6:00 p.m.: | Public Hearing on the Budget  |
| Tuesday, November 15, at 6:00 p.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. I would particularly like to thank Randy Terronez, Sherry Oja, Jodie Surber, Haley Thompson, and Alyx Brandenburg for all of their work in helping to produce the 2023 budget. Thanks are also due to the department heads and their staff members who spent countless hours developing budget requests.

Sincerely,  
Josh Smith  
County Administrator