



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

I respectfully submit the 2024 Recommended Budget for your review and consideration. The 2024 Recommended Budget includes a tax levy of \$77.5 million.

Total expenditures, tax levy, and the tax rate included in the 2024 Recommended Budget as compared to the 2023 Adopted Budget are as follows:

	Adopted <u>2023</u>	Recommended <u>2024</u>	Percentage <u>Increase (Decrease)</u>
Total Expenditures	\$218,712,048	\$230,467,445	5.37%
Tax Levy	\$70,493,509	\$77,500,871	9.94%
General Fund Applied	\$3,666,423	\$5,721,000	56.0
Tax Rate (per \$1,000)	\$4.334239	\$4.193943	(3.24%)

While the tax levy would increase by 9.94%, the tax rate would decrease by 3.24%. This results from an increase in the County's equalized value of 13.6%. This is the tenth year in a row that Rock County's equalized value has increased.

The tax rate of \$4.19 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 \$40.34 on a home that was valued at \$100,000 at this time last year.

Tax Levy

The 2024 Recommended Budget includes a tax levy of \$77,500,871. **The overall tax levy is recommended to increase by \$7,007,362, or 9.94%.** 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 2024 budget, the percentage increase due to net new construction is 2.14%. When applied to the 2023 tax levy for operations, and taking into account several required adjustments, this would result in an allowable tax levy for operations of \$67,954,553, which would be an increase of \$1,730,303.

2) *Limited Tax Levies*—This is the amount for items funded by limited tax levies for the Prairie Lakes Library System and Town Bridge Aid, which are exempt from levy limits. In 2024, **the limited levies are budgeted to increase by \$126,902.** The total limited tax levy in 2024 would be \$1,537,968.

- The Prairie Lakes Library System will have an increase of \$76,902, which will bring the total levy for this purpose to \$1,487,968. The Prairie Lakes Library System levy is levied only on property in the towns plus the Village of Footville. The increase in levy for the Prairie Lakes 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. \$50,000 in Town Bridge Aid levy is recommended in 2024.

3) *Debt Service Levy*—This is the amount used to repay borrowed funds, which is also exempt from levy limits. In the 2023 Adopted Budget, the County Board approved a one-time transfer of \$3.6 million from the General Fund and \$2.0 million from the prior year sales tax account to reduce the debt service levy, which resulted in a reduction of taxes levied in 2023. Without another application of one-time funds, the debt service levy in the 2024 Budget would increase as the amount of debt service required to pay off borrowing returns to its expected level. Specifically, the debt service levy in 2024 would increase by a total of \$7,950,154 as follows:

- \$5,666,423 due to the one-time funds used to reduce the tax levy in 2023; and
- \$2,283,731 due to the scheduled payments for previously approved borrowing.

Continuing to use one-time funds to reduce taxes is not sustainable. Eventually, when one-time funds are no longer available, taxpayers will see a large increase in taxes. In order to smooth this expected tax increase, I am recommending \$2.8 million from the unassigned General Fund balance be applied to pay down the debt service levy. This represents about half the amount that was used in 2023, allowing for this increase to occur over two years and lessening the impact on taxpayers in a single year. As a result, **the overall levy for debt service will increase by \$5,150,154 in 2024.** Applying this \$2,8 million reduction to the \$5.6 million increase due to the one-time funds used to reduce the debt service levy in 2023 results in a net increase of \$2,866,423, accounting for 40.9% of the overall tax levy increase in 2024.

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. I am recommending a County budget for sales tax collections of \$20,126,189 in 2024, which is \$1.2 million more than the amount budgeted in 2023. These funds would be used as follows:

Operational Costs	\$7,522,973
Capital and One-Time Expenditures	<u>12,603,216</u>
Total	\$20,126,189

In the 2023 Adopted Budget, the Board approved \$1.1 million of sales tax to fund the operational costs of Rock Haven, which was the first increase in the use of sales tax for operational costs since 2011. However, due to federal Medicaid and Medicare rate increases in 2023, the County Board approved returning this \$1.1 million to the Prior Year Sales Tax account. The amount of sales tax included in the 2024 Recommended Budget for operational costs is again consistent with the amounts used for operations since 2011.

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 \$13,936,216 are proposed to be applied to capital and one-time expenditures in the following departmental budgets (and facilities) in 2024. Of this amount, \$4.0 million in sales tax 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
Facilities Management (Public Works)	1,519,000
Facilities Management (Health Care Center)	1,200,000
Public Works - Highway	1,013,585
Facilities Management (Medical Examiner)	921,000
Facilities Management (Fairgrounds)	915,000
Sheriff's Office	844,140
Information Technology	790,591
Community Initiatives	500,000
Facilities Management (UW-Whitewater at Rock County)	450,000
Facilities Management (Courthouse)	393,600
911 Communications Center	203,500
Facilities Management (Veterans Services)	203,000
Land Conservation – PACE	200,000
Facilities Management (Jail)	185,000
Human Services	178,000
Emergency Management	129,000
Facilities Management (Public Health)	85,000
Facilities Management (IT/911 Building)	70,000
County Administrator	50,000
Southern Wisconsin Regional Airport	24,700
Facilities Management (Diversion/Extension)	23,000
Facilities Management (Dr. Daniel Hale Williams RCRC)	12,000
Facilities Management (Eclipse Center)	10,000
Facilities Management (Youth Services Center)	9,100
Rock Haven	<u>7,000</u>
Total	\$13,936,216

The above amounts include \$1,333,000 in prior year sales tax, which accumulates when the amount of sales tax collected exceeds the amount budgeted in a given year. County policy is to place any excess collections in a segregated account to be used for future capital projects. The 2024 Recommended Budget includes \$1.2 million in prior year sales tax for abating hazardous materials in the Health Care Center building, and \$133,000 for renovation of the new Veterans Services building. This would leave \$4,000 in the account for use in future years. Any sales tax receipts exceeding \$20,126,189 in 2024 will be deposited into the prior year sales tax account for future use.

General Fund Balance

In the 2023 Adopted Budget, the County Board approved using \$3.6 million from the General Fund to reduce the debt service levy. This reduced the unassigned General Fund balance to 23% of certain expenditures identified in the County's fund balance policy, which is within the policy's 20%-25% target range.

Rock County's recently completed 2022 audited Financial Statements indicate an increase in the unassigned General Fund Balance of \$5.3 million, bringing the total unassigned General Fund Balance to \$46.06 million as of December 31, 2022.

Consequently, the unassigned General Fund balance is at 29%, which is above the maximum of the target range. This increase in the unassigned General Fund was due to several factors, including fewer out-of-home placements for both children and adults, a greater number of vacancies in certain Human Services positions than was budgeted, lower operating costs than expected in the first full year of operations at the Dr. Daniel Hale Williams Rock County Resource Center, and increased unbudgeted state revenue in Human Services.

In the 2024 Recommended Budget, \$2,921,000 of unassigned General Fund Balance is recommended to be used for County highway construction and maintenance projects. As noted above, an additional \$2.8 million is recommended to be used to reduce the debt service levy. Overall, \$5,721,000 in undesignated General Fund balance is recommended to be applied to one-time purposes in 2024. After this action, the unassigned General Fund balance would be at 24% of the target range of the fund balance policy.

Long-term Debt

The 2024 Recommended Budget does not include any new borrowing.

Outstanding debt as of December 31, 2023, will total \$109,325,000, which is \$53,055,000 million more 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 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, 44.5% 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 \$7,281,132 million, or 7.6%.

In 2023, the federal government announced significant Medicaid and Medicare rate increases for skilled nursing facilities. As a result, federal funding from these two sources is increasing by \$4.4 million in 2024 as compared to the 2023 adopted budget. In addition, The State of Wisconsin 2023-25 Biennial Budget included a \$1.4 million increase in shared revenue for Rock County. Rock County also receives utility aids through the shared revenue program to compensate for lost tax revenue due to public utilities located in Rock County. In 2024, Rock County will receive an increase of \$439,548 in utility share revenue.

In some limited cases, state and federal revenue is intended to cover the full cost of providing a service, such as for the Children's Long-Term Support (CLTS) and Comprehensive Community Services (CCS) programs, which account for a portion of the increased intergovernmental revenues in 2024. 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%.

Expenditures

Total expenditures in 2024 amount to \$230,467,445 and would increase by \$11,755,397 or 5.37% as compared to the 2023 Adopted Budget. Of this amount:

- Operating expenditures total \$205,806,884, which is an increase of \$6,588,180, or 3.31%.
- Capital project expenditures total \$16,577,216, which is an increase of \$17,063 or 0.1%.
- Debt service expenditures total \$8,008,345, which is an increase of \$5,150,154, or 105.34%.
- The contingency fund is budgeted at \$75,000 in 2024, which is the same level as 2023.

Notable 2024 Initiatives, Projects, and Budget Changes

As in 2023, the priority in the 2024 Recommended Budget is to allocate funding for staff compensation to improve recruitment and retention in a challenging workforce environment. More broadly, a theme of the 2024 budget is improving well-being—well-being of employees, the organization, and the community.

Employee Recruitment and Retention

In 2023, the County Board adopted a new wage grid, effective October 1, 2023. To fund the wage increases consistent with the new grid, the 2024 recommended budget includes an increase in personnel-related costs of \$6.5 million, including wages, FICA, retirement, and

insurance. Under the new rules adopted by the County Board, staff would receive a COLA increase in January (pending further approval by the Board) and step increase in October of each year.

The increased focus on wages is intended to help recruit and retain staff. However, there are other workplace factors affecting overall culture and employee well-being that will also be a focus in 2024. Specifically:

- Employee recognition—\$22,000 in additional funding from the tax levy is included in the Countywide employee recognition account to improve the County’s efforts to make staff feel appreciated.
- Employee wellness—\$50,000 from the health insurance account is recommended to support new mental health initiatives for employees.
- Health insurance—2024 will mark the fifth year of the transition from a self-insured to a fully insured health insurance model. During this period, no changes were made to the amounts that employees were required to pay for health insurance costs in order to provide a period of stability in what were uncertain times. The McGrath compensation study affirmed that the County’s health insurance program is one of the best among our peers. At the same time, the increasing costs of healthcare require that the County evaluate the costs and benefits the program provides. I recommend that the County engage in a process with staff in 2024 to determine what changes should be made to the County’s health insurance that keep it attractive for current and prospective staff while addressing the increasing costs for the County.

In addition, I am recommending that \$50,000 in sales tax be set aside for one-time consulting services targeted to improving communication and engagement with employees, potential employees, and the public. These initiatives would be consistent with the strategic goals and objectives related to organizational excellence the County Board has endorsed, including to *improve transparency and access to County information* and *develop a plan to attract and retain employees to Rock County*.

American Rescue Plan Act (ARPA) and Community Improvement Efforts

I am recommending \$6,258,373 in new ARPA-funded initiatives be included in the 2024 budget. These would be funded through the ARPA funds the County Board has not yet allocated, as well as reallocating some funds designated for programs that will not be entirely spent. Recommended projects include the following:

- \$4.5 million to be allocated through the Rock County Housing Authority for specific projects identified by the County Board to assist private developers in obtaining sufficient capital to build affordable housing. This is consistent with the strategic objective to *advance efforts to increase access to affordable housing* and to *enhance collaboration efforts with municipal government*.
- \$750,000 to support the construction and development of Community Action’s new shelter serving Rock and Walworth counties. Supporting a project that is already in the

development phase with other dedicated sources of funding and an operational plan by an experienced community organization is the quickest and most effective way to expand emergency housing resources for Rock County residents. This project is also financially supported by Walworth County and meets the strategic objective to *enhance collaboration efforts with municipal government*.

- \$375,000 for resources to provide stability and help prevent negative outcomes for families, including to reduce the likelihood of becoming more involved with Child Protective Services. This is consistent with the County's strategic objective to *improve substance abuse prevention and treatment service offerings*.
- \$303,373 for the National Alliance on Mental Illness (NAMI) Rock County to expand services at its new Enrichment Center drop-in site. This is consistent with the County's strategic objective to *broaden mental health awareness and education efforts*.
- \$150,000 for the Rock County Anti-Human Trafficking Task Force to expand services to clients. Specific needs of these individuals include housing and related costs, education and job training, health services (substance use treatment, mental health counseling, and medical and dental services), transportation, and assistance with basic needs. This is consistent with the County's strategic objective to *broaden mental health awareness and education efforts* and to *improve substance abuse prevention and treatment service offerings*.
- \$120,000 to support operations of domestic violence shelters in Beloit and Janesville. Among other important goals, these funds would help meet the County's strategic objective to *broaden mental health awareness and education efforts* by supporting the mental health recovery of survivors receiving services.
- \$60,000 to support the operational costs of the CARE House. This is consistent with the County's strategic objective to *sustain the overall effort to reduce the crime rate* and to *broaden mental health awareness and education efforts*.

In addition to these ARPA-funded community improvement efforts, I am recommending that \$500,000 in sales tax be used to support the Woodman's Sports and Convention Center. I believe this is a generational opportunity to address economic development, spur redevelopment along one of the County's key transportation corridors, and forestall potential blight in one of the County's urban centers. The County needs to remain open to being a partner on projects of County-wide importance, regardless of the municipality or district in which they are located. This means not just providing funding to the Woodman's Center, but considering future projects through Rock County that are impactful beyond political and geographic boundaries. This project is consistent with the County's strategic objective to *enhance collaboration efforts with municipal government*.

Opioid Settlement Funds

Rock County is a party to the national opioid settlements with manufacturers, distributors, and pharmacies. Over 17 years, Rock County is currently set to receive \$6,621,248 in settlement

funds. The County may receive additional funds in the future through settlement of ongoing litigation.

In August 2023, the County Board approved the *Rock County Opioid Funds Update and Implementation Plan*. This document included a prioritized list of the first projects and expenditures for the County's opioid settlement funds. Expenditure of these funds is consistent with the County's strategic objective to *improve substance abuse prevention and treatment service offerings* and to *enhance collaboration efforts with municipal government*.

Overall, the budget includes expenditures of \$906,591 from settlement funds, including:

- \$400,000 to support the establishment of higher-level treatment facilities and options;
- \$200,000 in one-time grants to establish sober living facilities;
- \$100,000 provided to youth substance misuse prevention coalitions;
- \$86,591 to provide substance use disorder and criminogenic risk assessments to individuals who become involved in the justice system;
- \$60,000 to contract for a gap analysis to further define service gaps and long-term service needs. This analysis will be conducted in partnership with Jefferson and Walworth counties in order to evaluate needs on a regional basis;
- \$50,000 to purchase medication for residents of the jail with Opioid Use Disorder; and
- \$10,000 to reduce the diversion of prescription opioids by offering disposal packets to people obtaining opioids after outpatient surgery.

County Highway Construction and Maintenance

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 be funded in 2024.

- The 3.2-mile project to pulverize and overlay CTH X between Hart Road and the Village of Clinton would be funded by \$1,704,000 in unassigned General Fund balance and \$315,000 in state aid.
- The 2.0-mile project to pulverize and overlay CTH B between Coon Island Road and Footville would be funded by \$811,000 in unassigned General Fund balance.
- The half-mile construction project on CTH Q between CTH D and the Rock River would be funded by \$406,000 in unassigned General Fund balance and \$700,000 in federal aid.

In total, I am recommending that \$2,921,000 from the unassigned General Fund Balance be used to fund County Highway Construction costs in 2024 due to the increase in the General Fund balance at the end of 2022. No borrowing is recommended in the 2024 budget. In addition, I am recommending other highway construction and maintenance costs, such as crack sealing and grader patching, be funded with \$1,013,585 of sales tax. Expenditure of these funds is consistent with the County's strategic objective to *continue to invest in county road improvements to reduce congestion*.

Rock Haven

In 2023, Rock Haven received notification from the federal government that the Medicaid and Medicare rates would be significantly increasing. Medicaid rates, which fund care for 83% of the residents at Rock Haven, increased by 75.4% to \$338.63 per day. These new Medicaid and Medicare rates result in revenue increases totaling \$4.4 million in 2024.

In addition, I am recommending an increase to the private pay rate that individuals not covered by these insurance sources pay for their care. The rate for the average of eight individuals, or 8.3% of the resident population in this category, would increase from \$315 per day to \$340 per day, resulting in a revenue increase of \$220,658 in 2024. The private pay rate was last increased from \$311 to \$315 in 2022.

Despite these revenue increases, the tax levy for Rock Haven will only decrease by \$1.0 million in 2024. This is due to several factors, including replacing the \$2.3 million in one-time sources that were included in the 2023 budget to fund operations and increases in personnel costs. With a 2024 tax levy of more than \$4.0 million, Rock Haven remains one of highest levy-supported County nursing homes in Wisconsin. I urge the County Board to continue to prioritize identifying a long-term approach for financial sustainability at Rock Haven.

State Shared Revenue Increases

The State of Wisconsin 2023-25 Biennial Budget included a significant increase in shared revenue for local governments under a new supplemental county and municipal aid program. Rock County will receive a \$1,407,907 increase under this new program in 2024, bringing the County's allocation of shared revenue to \$9.3 million. Under this new state law, this increase is required to be used for one or more specific areas that include law enforcement, emergency response communications, court costs, public works, and transportation. Although this revenue is not budgeted directly in any of these departments and there is no reporting requirement, increases in personnel costs in several eligible departments that would otherwise need to have been funded by the tax levy more than account for the use of these funds. Specifically:

- Personnel costs for the Sheriff's Office are increasing by \$1.37 million.
- Personnel costs for the 911 Communications Center are increasing by \$314,547.
- Personnel costs for the court system are increasing by \$263,848.

Using the shared revenue increase to support these public safety agencies is consistent with the County's strategic goal prioritizing public safety, including the strategic objectives to *sustain ongoing efforts to reduce the overall crime rate and continue efforts to cut down on access to illegal drugs.*

Of the \$9.3 million in shared revenue the County receives, \$4.2 million is due to utility shared revenue. This is an increase of \$439,548 in 2024, or 10.3%. The County receives these payments in lieu of taxes for utilities located in the County. This figure has increased in recent years due to the expansion of the Alliant Energy Riverside plant and several solar farm developments.

Personnel Changes

Over the course of 2023, the County Board approved a total of 4.2 FTE positions. This brings the current personnel roster to 1,377.2 FTE. The 2024 Recommended Budget includes a net

decrease of 6.6 FTE as compared to the current personnel roster and a total FTE count of 1,370.6 FTE. Given these changes, the 2024 Recommended Budget includes a personnel roster that is 2.4 FTE less than the 2023 Adopted Budget.

The majority of these FTE deletions are in the Human Services Department. Due to challenges filling vacant positions, the Human Services Department is seeking to eliminate a total of 12.4 FTE and in their place create 4.6 FTE positions that it hopes to have more success in hiring.

Several departments have requested reclassifying positions to a higher pay grade following the outcome of wage grid placements and appeals. Regardless of the justifications for these requests, I cannot recommend these changes that would contradict the County’s contracted expert less than two weeks after implementation of the new wage grid. As a result, such personnel requests are not recommended. Furthermore, the budget contains few recommended position changes—even when they don’t contradict decisions made in the wage study—in order to prioritize scarce dollars for current staff in their current roles.

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, 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:

Monday, October 16, at 5:30 p.m.:	County Administrator’s Review and Explanation of the Budget with Questions from the Board
Wednesday, November 2, at 6:00 p.m.:	Public Hearing on the Budget
Tuesday, November 14, 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. I would particularly like to thank Randy Terronez, Sherry Oja, Jodie Surber, Ryan Wiesen, Alyx Brandenburg, Tracey Van Zandt, Laura Jones, and Mona Haried for all of their work in helping to produce the 2024 budget. Thanks are also due to the department heads and their staff members who spent countless hours developing budget requests.

Josh Smith
County Administrator