



**ROCK COUNTY, WISCONSIN**  
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September 26, 2024

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

I respectfully submit the 2025 Recommended Budget for your review and consideration. Total expenditures, tax levy, and the tax rate included in the 2025 Recommended Budget as compared to the 2024 Adopted Budget are as follows:

	Adopted <u>2024</u>	Recommended <u>2025</u>	Percentage <u>Increase (Decrease)</u>
Total Expenditures	\$228,770,945	\$238,763,015	4.37%
Tax Levy	\$75,500,871	\$77,312,145	2.40%
General Fund Applied	\$7,221,000	\$0	(100.00%)
Tax Rate (per \$1,000)	\$4.085713	\$4.042161	(1.07%)

While the tax levy would increase by 2.40%, the tax rate would decrease by 1.07%. This results from an increase in the County's equalized value of 3.5%. This is the 11th year in a row that Rock County's equalized value has increased.

The tax rate of \$4.04 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 \$8.22 on a \$100,000 home.

#### Tax Levy

The 2025 Recommended Budget includes a tax levy of \$77,312,145. **The overall tax levy is recommended to increase by \$1,811,274, or 2.40%.** The tax levy is composed of the operational levy, limited levies, and debt service levy.

Operational Levy—This is the amount for operational costs allowed under the State's tax levy limits. **The operational levy totals \$68,050,255, an increase of \$95,698 or 0.14%** as compared to the 2024 operational levy. For 2025, there are two factors influencing the operational levy.

- 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 2025 budget, the percentage increase due to net new construction is 1.48%. When applied to the 2024 tax levy for operations, this would result in an allowable tax levy increase of \$1,008,936.
- 2023 Wisconsin Act 12 repealed the personal property tax in Wisconsin effective January 1, 2024. To adjust for the removal of personal property tax from the base on which levy limit increases were calculated, the State is providing personal property aid to make up for this loss. In the first year of this aid payment, the amount provided reduces the amount that can be taxed under levy limits, which essentially replaces what otherwise would have been local property taxes with state aid. As a result, and taking into account other required adjustments, the increase in the County's 2025 personal property aid payment of \$1,001,472 reduces the increase allowed for the operational levy to \$95,698, as noted above.

**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 2025, the **limited levies are budgeted to increase by \$215,576**. The total limited tax levy in 2025 would be \$1,753,545.

- The Prairie Lakes Library System will have a decrease of \$25,924, which will bring the total levy for this purpose to \$1,462,045. The Prairie Lakes Library System levy is levied only on property in the towns plus the Village of Footville. The change in levy for the Prairie Lakes Library System is typically based on changes in usage of municipal libraries by rural Rock County residents.
- Town Bridge Aid is levied on property in all towns. \$291,500 in Town Bridge Aid levy is recommended in 2025, which is an increase of \$241,500 over 2024.

**Debt Service Levy**—This is the amount used to repay borrowed funds, which is also exempt from levy limits. Over the past several years, the County Board has used one-time funds to reduce the debt service levy as a way to reduce taxes:

- In the 2023 Budget, the County Board approved the use of \$5.6 million in one-time funds to reduce taxes, including a transfer of \$3.6 million from the unassigned General Fund balance and \$2.0 million from prior year sales tax.
- In 2024, the County Board approved \$4.8 million in one-time funds to lower the debt service levy to maintain a lower level of taxes, including a \$4.3 million transfer from the unassigned General Fund balance and \$500,000 in sales tax.

The total amount of debt service the County will owe in 2025 totals \$13,259,278. Without the use of one-time funds, the debt service levy would increase by \$7,250,933, or 121%. This figure is composed of the \$4.8 million used in the 2024 budget to reduce taxes and the \$2.45 million increase in debt service costs the County will owe in 2025.

In May 2024, the County Board Staff and Finance committees provided direction to maintain a lower level of taxes in the 2025 budget. This direction included to:

- Use \$4.8 million in one-time funds to reduce the debt service levy consistent with the amount of one-time funds used in the 2024 budget.
- Use \$2.45 million in one-time funds to pay down what would otherwise be the 2025 increase in the debt service levy. Combined with the \$4.8 million, this would result in no increase in the debt service levy in 2025.
- Increase taxes for operations to the extent allowed by levy limits.

In the 2025 Recommended Budget, I am proposing to use \$5.75 million in sales tax to reduce the debt service levy and to **increase the debt service levy by \$1.5 million**. With the reduction in the operational levy under levy limits due to the state aid payment for personal property aid, as noted above, increasing the debt service levy by this amount will accomplish several things:

- It will result in an overall tax levy increase of 2.4%, as noted above, which is within the range of typical tax increases prior to 2023 and consistent with the overall tolerance for a tax increase identified by the County Board Staff and Finance committees.
- It will be significantly lower than the 7.1% tax increase in the 2024 budget.
- It will mitigate the extent to which one-time funds are needed in the 2026 budget to maintain a lower level of taxes. Increasing the debt service levy in 2025 by \$1.5 million will mean that \$5,750,933 in one-time funds will be needed in the 2026 budget to maintain the lower level of taxation. Without the \$1.5 million debt levy increase in 2025, \$7,250,933 would be needed to maintain the same level of taxes in 2026.

It should be noted that this approach still results in an increase in the amount of one-time funds used in 2025 and needed in 2026 to pay down the debt service levy and maintain lower taxes, even beyond the amount used for this purpose in the 2023 budget.

#### 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 sales tax collections of \$20,467,859 in 2025, which is \$341,670, or 1.7%, more than the amount budgeted in 2024. These funds would be used as follows:

Operational Costs	\$7,522,973
Capital and One-Time Expenditures	<u>\$12,944,886</u>
Total	\$20,467,859

The amount of sales tax included in the 2025 Recommended Budget for operational costs is the same amount used for operations since 2011.

In addition to 2025 sales tax proceeds, two other sources totaling \$2,312,443 are used to fund recommended projects in 2025: \$1,416,804 in prior years sales tax, and \$895,639 in sales tax that was budgeted for projects in 2024, but which has been reallocated to 2025 projects. This results in \$15,257,329 in sales tax proceeds available for capital expenditures in 2025.

Capital expenditures include a variety of facility improvements, equipment purchases, and conservation easements that might 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) in 2025. Of this amount, \$5,750,933 is used to reduce the debt service levy, and \$4.0 million is included in the budget to reduce borrowing costs for the Sheriff’s Office construction project, per County Board Resolution 22-3B-468. These two uses account for 63.9% of the capital and one-time expenditures funded by sales tax in 2025.

Reduction in Debt Service Levy	\$5,750,933
Facilities Management (Sheriff’s Office Construction Project)	4,000,000
Public Works – Highway Construction	2,656,000
Public Works – Highway Equipment	1,326,767
Sheriff’s Office	625,129
Facilities Management (Courthouse)	415,000
Land Conservation – PACE	200,000
Facilities Management (Youth Services Center)	130,000
Public Works - Parks	50,000
Facilities Management (DWRC)	36,000
Facilities Management (Public Works)	35,000
Emergency Management	<u>32,500</u>
Total	\$15,257,329

County policy is to place any excess collections in a segregated account to be used for future capital projects. Any sales tax receipts exceeding \$20,467,859 in 2025 will be deposited into the prior year sales tax account for future use. In addition, remaining in the prior year sales tax account is \$1.2 million, which is the amount the County Board removed from the 2024 Recommended Budget that was intended for hazardous materials remediation of the Health Care Center. If the County’s efforts to sell the Health Care Center are unsuccessful, this funding would be available to fund a portion of remediation costs.

#### General Fund Balance

Rock County’s recently completed 2023 audited Financial Statements indicate an increase in the unassigned General Fund Balance of \$2.72 million, bringing the total unassigned General Fund Balance to \$43.34 million as of December 31, 2023. This amount represents 24.7% of certain expenditures identified in the County’s fund balance policy, which is within the policy’s 20%-25% target range.

This unassigned General Fund balance incorporates the Board’s approval in the 2024 budget to use \$7.2 million of unassigned General Fund balance, which included \$4.3 million to reduce the debt service levy and \$2.9 million for County highway construction projects.

I do not recommend using unassigned General Fund balance in the 2025 budget. Given the large fund balance applications over the last several years, I would caution that further uses of the unassigned General Fund balance could have a negative effect on the County's bond rating.

#### Long-term Debt

The 2025 Recommended Budget does not include any new borrowing.

Outstanding debt as of December 31, 2024, will total \$138,780,000, which is \$29,455,000 more than the prior year. The typical term of debt for County highway projects has been 10 years. For the Rock Haven and Dr. Daniel Hale Williams Rock County Resource Center projects, the term of borrowing is 15 years, while the debt structure for the Sheriff's Office construction project includes 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 2025, 46.3% 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 \$7,865,394, or 7.7%.

In 2024, the federal government again increased Medicaid funding for skilled nursing facilities. As a result, Medicaid funding at Rock Haven is increasing by \$3,758,267, or 42.8%, in 2025 as compared to the 2024 budget.

The State of Wisconsin 2023-25 Biennial Budget included a provision increasing shared revenue payments to local governments. The County will receive nearly \$5.15 million in shared revenue in 2025, an increase of \$115,431 over the 2024 budgeted amount. The County also receives a separate allocation of utility aids through the shared revenue program to compensate for lost tax revenue due to public utilities located in Rock County, as well as for solar developments. In 2025, the County will receive \$4.47 million in utility aids, an increase of \$225,308.

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 in the Human Services Department. In 2025, we anticipate receiving an increase of \$2.57 million to fund the CLTS program and \$250,673 to fund the CCS program. In most cases, however, the County is required to match these revenue sources with County funds. For example, certain revenues received by Child Support Services are intended to cover 66% of costs, leaving the County to fund 34%. Likewise, Medicaid reimbursement has typically covered around 60% of the cost of providing services, leaving the County to fund about 40%.

#### Expenditures

Total expenditures in 2025 amount to \$238,763,015 and would increase by \$9,992,070 or 4.4% as compared to the 2024 Adopted Budget. Of this amount:

- Operating expenditures total \$215,783,223, which is an increase of \$15,638,242, or 7.8%. This increase is due to several factors, including health insurance costs increases, funding highway construction and equipment out of the operating budget, increased

state and federal revenue to fund expanded services for the Children’s Long Term Support (CLTS) Program in the Human Services Department, increases in the Sheriff’s Office budget for contracted medical and food service, and wage increases.

- Capital project expenditures total \$7,194,853, which is a decrease of \$8,182,363, or 53.2%.
- Debt service expenditures total \$15,709,939, which is an increase of \$2,536,191, or 19.2%.
- The contingency fund is budgeted at \$75,000 in 2025, which is the same level as 2024.

#### Notable 2025 Initiatives, Projects, and Budget Changes

There are two major factors impacting the 2025 Recommended Budget. First is the ongoing need to allocate funding for staff compensation and benefits to improve recruitment and retention in a challenging labor market. Second is the direction from the County Board Staff and Finance committees to maintain a lower level of taxes by using one-time sources to reduce the debt service levy.

#### Personnel Costs and Position Adjustments

The 2025 budget includes sufficient funding for a 3.0% cost-of-living adjustment (COLA) for County employees. In addition, most employees will also receive a 1.75% step increase in October. When adjusting for anticipated vacancies and taking into account related costs for social security (FICA) and retirement, these changes result in an increase of \$1,032,945 in 2025.

The County Board has created an Ad Hoc Committee on 2026 Employee Health Insurance to develop recommendations on changes to the County’s health insurance program. In the meantime, the 2025 budget will continue to fund the current program, with the change that all employees will pay a minimum of 1.0% of the cost of their health insurance premium. The 2025 budget includes \$30.1 million to pay for employee health insurance, which is an increase of \$3.7 million. These costs are funded through three sources:

- Charges to departmental budgets total \$25.7 million, funding 85.3% of costs.
- Use of fund balance from the segregated health insurance fund totals \$4.0 million, funding 13.2% of costs.
- Premium share charged to employees totals \$440,390, funding 1.5% of costs.

To help fund these wage-related and health insurance cost increases, the 2025 budget includes a number of position reductions. Currently, and as approved in the 2024 budget, the personnel roster totals 1,371.6 FTE. The 2025 Recommended budget includes a personnel roster of 1,341.35 FTE, a reduction of 30.25 FTE. While the majority of these positions are vacant, these reductions would result in the layoff of 14 employees unless these staff choose to retire or otherwise leave their positions prior to the end of the year.

### County Highway Construction and Maintenance

The 2025 Recommended Budget for the Highway Division is predicated on several internal and external factors. The County Board's interest in reducing reliance on borrowing and prioritizing a reduction in tax levels reduces the sources and amounts of funding available for Highway projects. The Department also must plan for a sufficiently balanced workload for staff to be available to complete both summer construction and maintenance projects and winter snow plowing for state, county, and town roads

I am recommending the following County highway projects be funded in 2025.

- The 2.0-mile project to pulverize and overlay CTH B between State Highway 213 and Coon Island Road at a cost of \$836,000.
- The 2.0-mile project to pulverize and overlay CTH T between Hafeman Road and State Highway 11 at a cost of \$836,000.
- Securing real estate and relocating utilities along the 5.0 miles of CTH H from State Highway 11 to US Highway 14 at a cost of \$448,000.

These three projects would be funded by a combination of sales tax and prior year sales tax.

A \$2.5 million federal aid project funded through the Bipartisan Infrastructure Law (BIL) on CTH N between State Highway 59 and Old US Highway 26 has a County share of \$516,000. This cost would be funded with prior year sales tax. Because this is a federal aid project, the work will be bid out and not completed by Highway staff.

In addition to these projects, funding for the 4.2-mile CTH X project included in the 2024 budget will be carried forward and completed in 2025.

### Rock Haven

In the 2024 budget, the tax levy needed to operate Rock Haven was reduced by \$1.0 million due to the first significant Medicaid rate increase in many years. In the 2025 budget, Medicaid rates are significantly increasing again as the federal government continues to increase funding for long-term care. Consequently, the recommended tax levy for Rock Haven in 2025 is \$2.5 million, which is a \$1.5 million decrease from the 2024 budget. This savings frees up tax levy to be used in other areas of the County budget.

Concurrent with consideration of the 2025 budget, the County Board will have the opportunity to review the findings from the fiscal, operational, and staffing study of Rock Haven conducted by Health Dimensions Group. Given the timing, it is unlikely that significant recommendations can be incorporated into the 2025 budget. However, I urge the County Board to seriously consider the findings from this report during the coming year and take advantage of this opportunity to secure the long-term financial stability of Rock Haven.

### Projects and Expenditures not Recommended—Alternative Considerations

At the beginning of the budget development process, I communicated to departments the priorities of keeping taxes low and increasing wages for all staff through the COLA. In response to this direction, departmental budget requests were lower than in prior years. This is evident through position reductions, fewer capital projects, fewer personnel requests, reductions to operational accounts, and reallocation of funds budgeted in 2024 to higher priority items in 2025. Department heads took this direction seriously, and they are to be commended for their efforts and the difficult decisions they made in compiling their budget requests.

Despite these efforts, I have included additional reductions to departmental requests in the Recommended Budget. Given the extent of these reductions, I expect questions regarding options available to fund these items. Conversely, I expect questions regarding how further reductions can be made. Using more or less of the resources noted below could change the tax levy, increase expenditures, or increase savings. Regardless, it is important for the Board to understand where resources and options remain available. Specifically:

- The \$1.2 million intended for Health Care Center abatement that the County Board removed from the 2024 Recommended Budget remains in the prior year sales tax account for future use, whether ultimately for its original intended purpose or others.
- The sale of the old Job Center property recently closed, resulting in net proceeds of \$653,953 after repaying the General Fund for highway projects completed in 2023 using these funds. This amount must be used for future capital projects or to pay off debt.
- The increase in debt service payments the County owes in 2025 is about \$2.5 million. The recommended increase in the debt service levy of \$1.5 million leaves \$950,933 in sales tax used to fund debt service payments (and thereby reduce the potential increase in the debt levy). Further, an additional \$4.8 million in sales tax is used to keep the debt levy at the same level as the 2024 budget. Any increases in the debt service levy greater than \$1.5 million would free up sales tax for other purposes. Reducing the debt levy would reduce taxes and require reductions to sales tax-funded projects.
- I am recommending an increase in sales tax collections of \$341,670, or 1.7%, in 2025. This is a conservative estimate, based on economic uncertainty in 2025 and recent trends. For context, I expect the 2024 collections to meet or exceed the 1.9% budgeted increase over 2023 actuals. The 2023 collections represented a 1.4% increase over 2022 actuals. These increases represent the lowest in the last 10 years. A less conservative estimate for 2025 collections would result in more sales tax that could be devoted to capital projects. A more conservative approach to reduce the amount budgeted for 2025 collections would require reductions to sales tax-funded projects.
- As noted above, the unassigned General Fund balance as of 12/31/2024 is estimated to be \$43.3 million, which would place this balance at 24.6% of the 20%-25% range in the fund balance policy. In the last three budgets, the County Board has approved using \$12,887,423 from the unassigned General Fund balance to reduce taxes and for one-time projects. As noted, I have concerns that applying these funds in 2025 may have a negative impact on the County's bond rating.



### 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 standing 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.

The new County Board Rules of Procedure approved in April 2024 create a more formalized process for consideration of the Recommended Budget by standing committees and the County Board. County Board Supervisors who wish to make changes (referred to as appeals) to a department’s budget must submit a formal request to the standing committee with jurisdiction over that department. If the Supervisor requests to increase funding in a certain area, their appeal must also include the source of that funding from among the budgets under the purview of that standing committee. Supervisors or committees that would like to fund an appeal by reducing funding from a department under the purview of a different standing committee must get concurrence from that committee.

The Finance Committee will meet on November 7 to consider appeals approved by committees or brought directly by Supervisors. Importantly, the County Board may not consider appeals during its budget adoption meeting that were not voted on by the Finance Committee, whether they were approved by the Finance Committee or not. Refer to section IV.D.(3)-(6) on page 12 of the County Board Rules of Procedure for more details.

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

Monday, September 30, at 5:30 p.m.:	County Administrator’s Review and Explanation of the Budget with Questions from the Board
Wednesday, October 30, at 6:00 p.m.:	Public Hearing on the Budget
Tuesday, November 12, 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, Kristin Vander Kooi, Jodie Surber, Alyx Brandenburg, Rudy Frank, Haley Thompson, Tracey Van Zandt, and Mona Hareid for their work in helping to produce the 2025 budget. Thanks is also due to the department heads and their staff members who spent countless hours developing budget requests.

Josh Smith  
County Administrator