

October 14, 2021

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

I respectfully submit the 2022 Recommended Budget for your review and consideration. The 2022 Recommended Budget includes a tax levy of \$73,677,623.

Total expenditures, tax levy, and the tax rate included in the 2022 Recommended Budget as compared to the 2021 Adopted Budget are as follows:

	Adopted <u>2021</u>	Recommended <u>2022</u>	Percentage <u>Increase (Decrease)</u>
Total Expenditures	\$212,020,910	\$210,886,083	(0.54%)
Tax Levy	\$72,576,118	\$73,677,623	1.52%
General Fund Applied	\$0	\$2,000,000	N/A
Tax Rate (per \$1,000)	\$5.831175	\$5.42267	(7.01%)

While the tax levy would increase by 1.52%, the tax rate would decrease by 7.01%. This results from an increase in the County's equalized value of 9.2%. This is the eighth year in a row that Rock County's equalized value has increased.

The tax rate of \$5.42 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 \$6.01 on a home that was valued at \$100,000 at this time last year.

Tax Levy

The 2022 Recommended Budget includes a tax levy of \$73,677,623. **The overall tax levy is recommended to increase by \$1,101,505, or 1.52%.** 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 2022 budget, the percentage increase due to net new construction is 2.603%.** When applied to the 2021 tax levy for operations, and taking into account several required

adjustments, this would result in an allowable tax levy for operations of \$63,887,609, which would be **an increase of \$1,461,377**.

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 2022, **the limited levies are budgeted to decrease by \$74,130**. The total limited tax levy in 2022 would be \$1,321,753.

- The Arrowhead Library System will have an increase of \$74,070, which will bring the total levy for this purpose to \$1,321,753. 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.
- The Town Bridge Aid levy is recommended to decrease by \$148,200, which means there will be no levy for this purpose in 2022. Town Bridge Aid is levied on property in all towns.

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 decrease by \$285,742 in 2022**. The debt service levy in the 2022 Recommended Budget totals \$8,468,621.

Sales Tax and Use of Sales Tax Proceeds

The half-cent county sales tax was adopted as part of the 2007 budget process and became effective April 1, 2007. I am recommending a County budget for sales tax collections of \$16,226,022 in 2022, which is \$2,989,496 more than the amount budgeted in 2021. This increase is due to sales tax receipts having strongly exceeded expectations combined with a cautiously reduced sales tax budget in 2021. These funds would be used as follows:

Operational Costs	\$7,522,973
Capital and One-Time Expenditures	<u>8,703,049</u>
Total	\$16,226,022

The amount used for operational costs is the same amount that has been used for that purpose 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 \$8,703,049 in 2022 are proposed to be applied to capital and one-time expenditures in the following departmental budgets (and facilities):

Public Works – Highway	\$3,087,500
Facilities Management (Courthouse)	1,631,000
Information Technology	1,196,692
Sheriff’s Office	623,440
Southern Wisconsin Regional Airport	330,000
Facilities Management (Youth Services Center)	275,000
Land Conservation – PACE	200,000
Facilities Management (Diversion)	176,000
Public Works – Parks	175,000
Medical Examiner	163,093
Facilities Management (UW Extension)	136,000
Community Initiatives (Humane Society)	100,000
Human Resources	100,000
Facilities Management (Fairgrounds)	85,000
Corporation Counsel	82,138
Facilities Management (Dr. Daniel Hale Williams RCRC)	80,000
County Administrator’s Office	50,000
Facilities Management (911 Communications Center)	45,000
Facilities Management (UW-Whitewater at Rock County)	44,000
911 Communications Center	43,186
Facilities Management (Eclipse Center)	30,000
Facilities Management (Jail)	30,000
Finance	<u>20,000</u>
Total	\$8,703,049

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. At the end of 2020, \$1,026,373 in excess sales tax remained, none of which is recommended to be used in the 2022 budget. In addition, sales tax collections in 2021 are estimated to exceed the amount budgeted. Any receipts exceeding \$13.3 million in 2021 will be deposited into the excess sales tax account for future use.

General Fund Balance

The audited General Fund balance as of December 31, 2020, was \$45,371,302, of which \$38,658,000 was unassigned. Taking into consideration the results of operations in 2021, it is estimated that the unassigned General Fund balance as of December 31, 2021, will be \$39.2 million, which represents an increase of about \$540,000. 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 \$10.8 million, or 38%, due to responsible fiscal management by the various County departments. Given this continued strong performance, I am recommending that \$2.0 million be applied from the General

Fund as a one-time funding source to pay for County highway construction projects in 2022. Due to the history of growing fund balances, the nature of this one-time application, and the County's history of strong financial management, there should be no negative effects on the County's bond rating.

Long-term Debt

The 2022 Recommended Budget includes a total of \$450,000 in County highway projects to be funded with long-term debt. This is the lowest amount of borrowing for highway projects since before 2010. Due to the variability in costs and timing for construction projects, the Board will need to amend the budget in 2022 once bids come in to award contracts for the IT/911 construction project and the Sheriff's Office Pinehurst building replacement/law enforcement services construction project.

Outstanding debt as of December 31, 2021, will total \$64.8 million, which is \$22.6 million more than the prior year. The largest portion of this increase is due to the Dr. Daniel Hale Williams Rock County Resource Center. 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. The County currently holds a bond rating of "Aa1" by Moody's and "AA" by Standard and Poor's.

Other Revenue

In 2022, 45% 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 \$14,635,703, or 18.5%. This is due to a variety of factors, including pass-through funds for the Children's Long-Term Support (CLTS) program added to the budget per the recommendation of our external auditors, increased funding for the CLTS and Comprehensive Community Services (CCS) programs, budgeting American Rescue Plan Act (ARPA) funding, more aid for County highway projects, and an increased reliance on Medical Assistance revenue at Rock Haven.

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 6% of total revenues in the 2022 Recommended Budget.

Expenditures

Total expenditures in 2022 amount to \$210,886,083 and would decrease by \$1,134,827 or 0.54% as compared to the 2021 Adopted Budget. Of this amount:

- Operating expenditures total \$187,547,907, which is an increase of \$15,497,174, or 9.01%.
- Capital project expenditures total \$14,794,915, which is a decrease of \$16,296,259, or 52.41%.
- Debt service expenditures total \$8,468,261, which is a decrease of \$285,742, or 3.26%.
- The contingency fund is budgeted at \$75,000 in 2022, which is a \$50,000 decrease as compared to 2021. This amount was increased slightly in 2021 in anticipation of additional uncertainty due to the pandemic, but has not yet been used. This decrease returns the contingency fund to a more typical level.

Notable 2022 Initiatives, Projects, and Budget Changes

The 2022 Recommended Budget includes a number of priority initiatives that reflect the continuing response to COVID-19, organizational improvement efforts, and management of capital projects.

American Rescue Plan Act (ARPA)

In 2021, the County Board allocated \$7.5 million of the County's total \$31,729,599 ARPA allocation, which must be allocated by December 31, 2024, and expended by December 31, 2026. In the 2022 budget, I am recommending ARPA expenditures totaling \$2,964,760.

Of this amount, \$1,188,997 would be spent under categories that are directly related to ARPA's intent to respond to or mitigate the adverse impacts of COVID-19 in the following areas.

- *Public Health* (\$610,426)
 - \$610,426 is budgeted to hire 4.0 FTE Public Health Strategist positions, as well as fund the additional 3.0 FTE the County Board approved in 2021. COVID-19 has exacerbated health challenges, particularly for disadvantaged populations. ARPA funding provides an opportunity to address social determinants of health and health inequities that will both address the ongoing pandemic response and recovery and position the County's residents to be healthier in the long term. Specific areas of focus for the four new positions would include maternal and child health, access to care, food access, and harm reduction. ARPA's Interim Final Rule

allows funding to be used to fund “programs or services that address disparities in public health that have been exacerbated by the pandemic.”

- *Human Services* (\$513,540)
 - \$251,341 is budgeted to fund the increased cost of providing out-of-home behavioral health care and treatment for adults. ARPA funds may be used to fund “new or enhanced services that meet behavioral health needs exacerbated by the pandemic,” including mental health and substance misuse treatment.
 - \$200,000 is budgeted to help build the service array infrastructure and strengthen community partnerships in the child welfare system by adding additional providers and resources in areas such as child abuse prevention, childcare, parenting, resource parenting, housing supports, and more immediate access to mental health and substance abuse treatment. ARPA funds may be used for “enhanced services for child welfare-involved families and foster youth to provide support and training on child development, positive parenting, coping skills, or recovery for mental health and substance use challenges.”
 - \$62,199 is budgeted to hire a 1.0 FTE Bilingual Economic Support Screener. This position would be available at the Dr. Daniel Hale Williams Rock County Resource Center to assist clients in accessing services and navigating through the building and the variety of services available. ARPA funding can be used for “public benefits navigators to assist community members with navigating and applying for available Federal, State, and local public benefits or services.”

- *Facilities Management* (\$43,500)
 - \$40,000 is budgeted to improve ventilation and air quality at the Youth Services Center by cleaning the air ducts. ARPA funds may be used for “ventilation improvements in congregate settings.”
 - \$3,500 is budgeted for the cost of modifying a space outside the Register of Deeds Office to relocate the computers that members of the public use to access vital records so that they no longer will have to go behind the counter into the staff area. ARPA funding can be used for “capital investments or adaptations to public facilities” when the intent is to reduce the likelihood of COVID-19 exposure. This change also improves security for Register of Deeds staff.

- *Beloit-Janesville Express* (\$21,531)
 - The County collaborates with the cities of Janesville and Beloit and other partners to provide this inter-city bus route. The cities and the County are proposing to use a portion of their ARPA funds over the next three years to compensate for reduced ridership and client participation at several partner agencies, which limits their ability to fund their proportionate share and threatens the route’s continued

operation. This meets ARPA's criteria for addressing an economic disruption resulting from COVID-19, and retains this important service for disadvantaged populations that may have been disproportionately affected by the pandemic.

ARPA sets forth a specific formula, which by our calculations would allow the County to claim an estimated \$5.7 million in lost revenue in 2022. There are numerous areas of the budget in which the County has lost revenue over the past two years. For example:

- Investment income in the Treasurer's Office budget is estimated to be \$1.6 million less than budgeted in 2021, and in 2022 is budgeted \$800,000 below the 2021 budget.
- While the 2022 budget assumes the census at Rock Haven will return to more normal levels, Rock Haven is estimated to lose more than \$1 million in 2021.
- Revenue from electronic monitoring fees, Huber fees, and civil process fees in the Sheriff's Office is budgeted at \$190,000 less in 2022 than in 2021.
- Revenue in the Court System is budgeted at \$96,000 less in 2022 than in 2021.

I am recommending that \$1,775,862 be claimed under ARPA's lost revenue provision. Funding claimed as lost revenue can broadly be used for "general government operations." While there are no specific limitations on what can be considered general government operations, the ARPA Interim Final Rule provides specific examples, including "modernization of cybersecurity, including hardware, software, and protection of critical infrastructure" and "provision of police, fire, and other public safety services." The following expenditures are intended to be consistent with those specific examples.

- *911 Communications Center* (\$942,200)
 - \$633,000 is budgeted to replace and upgrade equipment consoles, controllers, microwaves, and phone positions.
 - \$290,200 is budgeted to maintain power and safe operations at several tower sites through the purchase of generators, UPS units, and an air handling unit.
 - \$19,000 is budgeted to enhance paging capability for county fire departments.
- *Information Technology* (\$833,662)
 - \$390,707 is recommended to continue the transition to a fully remote-capable workforce by replacing desktop computers with laptops. This not only supports a remote work environment generally, but aids in business continuity in emergency situations.
 - \$340,000 is recommended for contractors to accelerate the County's transition to the cloud, which will disperse the County's exposure from a ransomware attack, facilitate disaster recovery efforts, and support remote access to County systems.

- \$102,955 is recommended for several expenditures directly supporting improved cybersecurity, including improving security in IT data closets, implementing two-factor authentication, reviewing IT program source code for security gaps, and remediating any security concerns identified through a separately budgeted third-party review.

Organizational Improvement Efforts

The Blue Ribbon Commission on Organizational Excellence will soon receive the report from Hue Life, and a number of recommendations to improve organizational culture and processes are expected. The County Board will need to evaluate these recommendations and determine areas that may require additional investments. As we anticipate these recommendations, a number of organizational improvement efforts are recommended for 2022.

- Human Resources classification and wage study (\$100,000)—Workforce challenges and the increasing number of requests from departments to reclassify and increase pay for positions has made it apparent that the County’s current approach to managing and updating its classification system and pay grid structure is unsustainable. Bringing in a third party to conduct a comprehensive review would position the County to be competitive in the current and future workforce environment. I expect this review to be one of several efforts in 2022 to focus on addressing future workforce challenges.
- Strategic planning (\$50,000)—Similar to the wage study, the overall competition for resources and varying perspectives of stakeholders lead me to conclude that now is an appropriate time for a documented, comprehensive strategic plan to better categorize existing and emerging challenges in a prioritized framework. A strategic plan will help provide guidance to County Administration and department heads when preparing budgets and programmatic initiatives.
- Finance Department organizational review (\$20,000)—In light of the additional duties Finance has taken on over the last several years, and with ongoing pressure to implement recommendations from external auditors, I am recommending a third-party review to provide recommendations to improve and streamline the department’s organizational structure, responsibilities, and processes.

All three of these one-time consulting engagements are recommended to be funded with sales tax proceeds.

County Highway Construction Projects

I continue to recommend that the County maintain its aggressive approach to maintaining the County Trunk Highway system. In 2022, the following highway projects are recommended.

- The reconstruction of CTH A between US Highway 14 and Tarrant Road is the last section of this multi-year project. This 3.0 mile stretch will cost \$3.7 million.
- The 5.2 miles of CTH M between Indianford and Milton is recommended for pulverize and overlay at a cost of nearly \$2.0 million.
- The reconstruction of 1.6 miles of CTH F between Indianford and Edgerton is eligible for federal aid, limiting the County's contribution to \$515,000.
- Sealcoat projects on 5.7 miles of CTH P and 14.6 miles of CTH J will cost a total of \$400,000.
- Preparation for a project on CTH O between Janesville and Highway 14 will result in a cost of \$197,000 for real estate and utilities.

Overall, I am recommending County highway construction projects be funded with \$3.0 million of sales tax, a \$2 million application from the General Fund, and \$450,000 in borrowing. This amount of borrowing represents the lowest level for highway construction projects in more than a decade. These actions are an intentional effort to keep borrowing in 2022 lower in anticipation of large facilities master plan projects in the next several years.

Facilities Master Plan and Capital Projects

The County continues planning for the Sheriff's Office construction project, currently estimated to cost \$96.6 million, and the 911 Center/IT construction project, currently estimated to cost \$10.0 million. Both projects are expected to be bid and have groundbreaking occur in 2022. Given the uncertainty that labor costs and availability, as well supply chain delays, could have on project costs and the timing of when the County would issue debt to fund these projects, the estimated costs for these two projects are not included in the 2022 budget. The County Board will have to amend the budget in 2022 when bids are awarded and final project costs and timing are known.

Work continues per the Master Plan to upgrade the facilities at the Fairgrounds, including \$90,000 for electrical upgrades and plumbing line replacements. However, due to competing priorities, I have not included a requested \$450,000 renovation of the grandstands in the 2022 budget. This important project will be addressed in a future year. Also not resolved in 2022 is the future of the Highway 59 Public Works garage near Edgerton, for which \$400,000 was requested for an architectural design.

Personnel Changes

Over the course of 2021, the County Board approved a total of 28.5 FTE positions. This brings the current personnel roster to 1,304.025 FTE. The 2022 Recommended Budget includes a net increase of 53.325 FTE as compared to the current personnel roster and a total FTE count of 1,357.35 FTE. Given these changes, the 2022 Recommended Budget includes a personnel roster that is 81.825 FTE more than the 2021 Adopted Budget.

Not considering the net effect due to positions deleted, there are a total of 56.0 new positions recommended in the 2022 budget:

- 38.0 FTE are for either the Children’s Long Term Support (CLTS) or Comprehensive Community Services (CCS) program in the Human Services Department and are completely state and federally funded with no impact on the tax levy.
- 5.0 FTE in the Public Health Department and Human Services are funded with ARPA.
- 2.0 FTE positions in the Community Support Program (CSP) in Human Services will reduce costs to the County by replacing several part-time positions and increasing billable hours.
- The remaining 11.0 FTE that impact the tax levy are spread among various departments, including Public Works, Rock Haven, Human Resources, Information Technology, Sheriff’s Office, Facilities Management, County Clerk’s Office, and Human Services.

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. In 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 meetings in the next several weeks. These requests are then forwarded to the Finance Committee, which will meet in early November to decide whether or not 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 at the budget adoption meeting.

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

Monday, November 1, at 6:00 p.m.:	County Administrator’s Review and Explanation of the Budget with Questions from the Board
Wednesday, November 3, at 6:00 p.m.:	Public Hearing on the Budget
Tuesday, November 9, 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, Alyx Brandenburg, and Annette Mikula for all of their work in helping to produce the 2022 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