

October 8, 2020

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

I respectfully submit the 2021 Recommended Budget for your review and consideration. The 2021 Recommended Budget includes a tax levy of \$72,576,118.

Total expenditures, tax levy, and the tax rate included in the 2021 Recommended Budget as compared to the 2020 Adopted Budget are as follows:

	Adopted <u>2020</u>	Recommended <u>2021</u>	Percentage <u>Increase (Decrease)</u>
Total Expenditures	\$194,927,357	\$212,020,910	8.77%
Tax Levy	\$70,418,774	\$72,576,118	3.06%
General Fund Applied	\$0	\$0	N/A
Tax Rate (per \$1,000)	\$5.996732	\$5.831175	(2.76%)

While the tax levy would increase by 3.06%, the tax rate would decrease by 2.76%. This results from an increase in the County's equalized value of 5.99%. This is the seventh year in a row that Rock County's equalized value has increased.

The tax rate of \$5.83 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 \$16.43 on a home that was valued at \$100,000 at this time last year.

#### Tax Levy

The 2021 Recommended Budget includes a tax levy of \$72,576,118. **The overall tax levy is recommended to increase by \$2,157,344, or 3.06%.** 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 2021 budget, the percentage increase due to net new construction is 1.334%.** When applied to the 2020 tax levy for operations, and taking into account several required

adjustments, this would result in an allowable tax levy for operations of \$62,426,232, which would be **an increase of \$1,202,817**.

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. The **decrease of \$196,098 in the limited levy amount** is part of the total limited tax levy of \$1,395,883.

- The Arrowhead Library System will have an increase of \$58,941, which will bring the total levy for this purpose to \$1,247,683. 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 recommended to decrease by \$255,039, which will bring the total levy for this purpose to \$148,200. 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 increase for debt service totals \$1,150,625 in 2021**. The debt service levy in the 2021 Recommended Budget totals \$8,754,003.

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 the County budget for sales tax collections of \$13,276,526 in 2021, which is \$1.3 million less than the amount budgeted in 2020. This reduction represents a very cautious approach as there is uncertainty regarding sales tax collections due to the pandemic's unknown impact on the economy in 2021. These funds would be used as follows:

Operational Costs	\$7,522,973
Capital Expenditures	<u>5,753,553</u>
Total	\$13,276,526

**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. Sales tax proceeds of \$5,753,553 in 2021 are proposed to be applied to capital expenditures in the following departmental budgets (and facilities):

Facilities Management (Courthouse)	\$1,737,000
Public Works – Highway	1,146,000
Sheriff’s Office	1,012,099
Information Technology	361,315
911 Communications Center	258,400
Facilities Management (Youth Services Center)	266,000
Land Conservation – PACE	200,000
Facilities Management (Fairgrounds)	191,000
Facilities Management (Jail)	175,000
Facilities Management (Council on Aging)	128,139
Public Works – Parks	110,000
Southern Wisconsin Regional Airport	73,600
Facilities Management (UW-Whitewater at Rock County)	50,000
Facilities Management (Health Department)	25,000
Facilities Management (Eclipse Center)	<u>20,000</u>
Total	\$5,753,553

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. In 2020, the County Board used \$1.05 million in excess sales tax to fund the COVID-19 Emergency Small Business Loan Fund. Following this action, \$45,213 in excess sales tax remains, none of which is recommended to be used in the 2021 budget. In addition, \$2.0 million in sales tax-funded projects were put on hold in 2020 due to concerns that COVID-19 would harm the economy and reduce collections. Despite this cautious approach, sales tax collections through August 2020 have exceeded the amount collected through August 2019 and may yet meet the \$14.6 million budgeted for 2020. Any receipts exceeding \$12.6 million in 2020 will be deposited into the excess sales tax account for future use.

#### General Fund Balance

The audited General Fund balance as of December 31, 2019, was \$41,996,205, of which \$37,654,021 was unassigned. Taking into consideration the results of operations in 2020, it is estimated that the unassigned General Fund balance as of December 31, 2020, will be \$36,654,000, which represents a decrease of about \$1.0 million. The unassigned General Fund balance is slightly above the maximum of the target range included in the County’s fund balance policy. No General Fund balance application is recommended in 2021. Given the uncertainty of the ongoing effects of the pandemic, there is greater risk that anticipated revenues in the 2021 budget will not materialize, or costs will be higher than expected. This would result in a reduction to the unassigned fund balance when the books close on 2021 operations. While not ideal, a major reason organizations maintain a healthy fund balance is to have a savings account to address the “rainy day.” Even if this comes to pass, the County is in excellent financial position.

Since 2014, the audited unassigned General Fund balance has increased by \$9.2 million, or 32%, due to responsible fiscal management by the various County departments.

#### Long-term Debt

The 2021 Recommended Budget includes a total of \$22,298,501 in projects to be funded with long-term debt, including the following projects: IT/911 Center renovation and construction, County highway construction, furniture and equipment to complete the 1717 Center Avenue project, and architectural and engineering services to design the replacement of the Sheriff's Pinehurst building.

Outstanding debt as of December 31, 2020, will total \$42,205,000, which is \$6.5 million less than the prior year. The largest single project funded through this debt is related to the construction of Rock Haven. 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 1717 Center Avenue 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 2021, 37.3% 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 \$122,177, or 0.2%.

In some limited cases, state and federal revenue is intended to cover the full cost of providing a service, such as the Comprehensive Community Services (CCS) program in the Human Services Department that has 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 5.7% of total revenues in the 2021 Recommended Budget.

#### Expenditures

Total expenditures in 2021 amount to \$212,020,910 and would increase by \$17,093,553 or 8.8% as compared to the 2020 Adopted Budget. Of this amount:

- Operating expenditures total \$172,050,733, which is a decrease of \$868,682 or 0.5%.
- Capital project expenditures total \$31,091,174, which is an increase of \$16,736,610 or 116.6%.

- Debt service expenditures total \$8,754,003, which is an increase of \$1,150,625, or 15.1%.
- The contingency fund is budgeted at \$125,000 in 2021, which is a \$75,000 increase as compared to 2020. While contingency fund utilization has decreased over the last several years, given the uncertainties in numerous departmental budgets it is prudent to prepare for the additional flexibility this could provide.

It is worth noting that while overall expenditures are increasing, operational expenditures are decreasing in 2021. The increase in capital and debt service expenditures represents, in part, implementation of the Facilities Master Plan and ongoing efforts to maintain County highways.

#### Notable 2021 Initiatives, Projects, and Budget Changes

The 2021 Recommended Budget includes a number of priority initiatives that reflect both the County's response to events in 2020 and ongoing obligations.

#### Financial Impacts of COVID-19

While the pandemic wreaked havoc on County operations in 2020, County staff were creative in finding ways to continue to provide mandated and necessary services. As with other jurisdictions, the County received funding from a variety of state and federal sources to respond to the crisis. I believe the use of these funds not only allowed the County to weather the initial storm, but also positioned us to address needs into 2021.

That being said, there are many uncertainties that remain in considering the financial impact of COVID-19 on the 2021 budget. Based on our experience in 2020 and with prior economic downturns, we expect that revenue will be reduced in many departments. For example, the 2021 Recommended Budget includes \$433,830 less in investment interest income in the Treasurer's Office budget and \$20,000 less in the Clerk of Court's budget. Non-election revenue is budgeted \$49,750 lower in the County Clerk's budget due to such things as fewer passports being issued.

Further, there has not yet been a commitment on the part of the state or federal governments to provide sufficient funding that would allow critical pandemic response efforts, such as increased hiring of temporary contact tracer positions in the Public Health Department, to continue without increased County resources. The 2021 Recommended Budget includes an assumption that the Health Department will receive some level of additional funding for its response efforts. However, if those funds do not materialize, or if response needs again exceed what we have been able to plan for, the County Board may have to consider appropriating additional resources.

### Public Utility Aids Increase

Rock County receives payments through the state's public utility aids program due to the location of the Alliant Energy Riverside plant in the Town of Beloit. Under state law, Rock County receives 2/3 of this payment, and the Town of Beloit receives 1/3. The payment is based on megawatt generating capacity, and with the expansion of the plant coming online in 2020, Rock County will receive the first of its increased annual payments in 2021. The estimated increase included in the 2021 budget totals \$1,085,378 and is deposited into the County's general fund to be used for any purpose.

In 2018, during the debate over whether the Town of Beloit would incorporate, the County indicated it could use the increased public utility aids on items that would serve the interests of the entire County. Some of these issues, such as 911 equipment, the Groundwater Nitrate Workgroup, and opioid treatment, have since received funding from other sources to meet current needs. Others, such as addressing public health rankings, have not. In recommending how to use these funds in 2021, I have attempted to adhere to the intent of the goal of using these funds in a way that will benefit the entire County and/or on one-time expenditures. Following are my recommendations for how to best utilize these new funds in 2021:

#### *Maintain County Highways—\$260,000*

The 2021 Recommended Budget includes two sealcoating projects that will cost \$260,000. Using public utility funds for this one-time purpose preserves sales tax, reduces borrowing, improves the County's transportation infrastructure, and allows these funds to be available for use again in 2022.

#### *Address 911 Communications Center Workforce Retention and Training—\$247,060*

Despite CALEA accreditation and higher demands placed on our staff, wages for Rock County 911 staff are lower than a number of surrounding 911 centers and other competing employment options. This leads to turnover and concerns about maintaining highly trained staff and high-quality response. To address recruitment and retention, funds will be used to increase wages for telecommunicators, call takers, and shift supervisors at a 2021 cost of \$160,037. In addition, a new Training and Quality Assurance Manager position is recommended to increase the focus on these important goals.

#### *Improve Equity and Address Systemic Racism—\$196,738*

The County can play an important leadership role in racial and social justice issues, consistent with the direction of the County Board. See the section below for more details.

*Improve Communication with the Public—\$129,549*

One of the County’s vision statements reads:

“COMMUNICATION and an informed citizenry are essential to the democratic process. We are committed to providing citizens with relevant, accurate, and timely information about our goals, services, and the decisions that will affect the public.”

Despite our best efforts, one lesson learned from the pandemic is that we have lacked the necessary infrastructure to fulfill this vision, whether communicating during a crisis or about regular County services. To address this, I am recommending these funds be used for two purposes.

One is to fund the second half of 2021 costs for the Public Health Communication Specialist position created by the County Board in 2020 once grant funds are no longer available. Making this position permanent will not only assist in the ongoing need for COVID-19 communications, but also advance the communication and education necessary to improve population health.

The second is to create a Communications Manager in the County Administrator’s Office to improve County-wide efforts and support all departments in their communications to the public and the media, including an increased social media presence that is increasingly important to sharing information. This type of position has been discussed for many years but has not advanced due to competing priorities. The County Board can now decide whether this has risen sufficiently on the priority list to fund.

*Address One-time Community Needs—\$58,500*

The County provides funding to community organizations through the Community Agency Initiatives section of the budget. In 2021, I recommend providing four one-time allocations under the policy to either address COVID-19 impacts or builds capacity in a nonprofit that supports social justice efforts.

*Address Economic Support Workforce Retention as Caseloads Increase—\$39,679*

Turnover among the County’s Economic Support staff has been high over the last several years, creating challenges in providing mandated services to the public. With increased need due to the pandemic’s effects on the economy, it is important we take steps to maintain our experienced staff. Over the past year, FoodShare caseloads have increased by 15.3% and Medical Assistance caseloads by 9.9%, with significant uncertainty about what will happen in 2021.

With the increased economic uncertainty caused by the pandemic, the increase in public utility aids will provide the County with additional flexibility not only to continue current operations, but to improve and advance in strategic areas.

### Improving Equity and Addressing Systemic Racism

In 2020, the County Board passed two resolutions committing Rock County to engaging proactively within the organization and within the community to improve equity and address systemic racism. These resolutions—*Condemning George Floyd Death, Supporting Peaceful Demonstrations, and Calling for Action on Racial Reconciliation* and *Declaring Racism a Public Health Crisis*—resolved that the County would take several actions, as the excerpts from these resolutions below identify. Specifically, the County will:

- hold accountable anyone within the County systems practicing bias and perpetuating systemic racism;
- call for national law enforcement standards regarding inappropriate use of force, procedural justice, and implicit bias training, and support ongoing dialogue regarding improvements to law enforcement operations that demonstrate the value of human life and recognize the role of trauma;
- actively participate and promote county-wide dialogue regarding racism and the history of race in the nation in order to reconcile over 400 years of systemic oppression;
- work to establish a plan to address systemic/structural racism in Rock County that will include adopting set metrics to measure racial disparities in our county and pledge to reduce those disparities;
- advocate for policies that improve health in communities of color, eliminate health and opportunity gaps along racial lines, and increase the success of all groups by distributing resources justly across all communities;
- support local, state, and federal initiatives that advance social justice;
- encourage individual advocacy to dismantle systemic racism and recognize that every Rock County employee is responsible for creating and maintaining a culture in which employees respect the diverse values, beliefs, and behaviors in the workforce and the community they serve; and
- build alliances and partnerships with other organizations that are confronting racism and commit to engaging municipalities and institutions within the county to prioritize racial equity to address structural racism producing disparate population health outcomes.

To begin implementation of the County Board’s directives, the 2021 Recommended Budget includes the creation of 2.0 FTE Equity Manager positions, one assigned to County-wide responsibilities reporting to the County Administrator and one reporting to the Human Services Director focused on the County’s largest department. These two positions will help develop, coordinate, and advance both current and new initiatives. Steps currently in progress that could benefit from additional leadership include implementation of recommendations from both the County-wide and Human Services Department diversity and inclusion committees to improve professional development, recruiting, retention, and mentoring. In addition, the Blue Ribbon

Commission on Organizational Excellence is charged with, among other things, reviewing Human Resources policies through a social equity lens.

#### Facilities Master Plan Implementation

In 2021, the County will continue implementation of the Facilities Master Plan, which will further align physical infrastructure with operational improvements. Specifically:

- Work on renovation of the 1717 Center Avenue property has begun and is currently scheduled to be completed by August 2021. As noted, the 2021 Recommended Budget includes funding for the equipment and furniture to outfit the interior, as well as costs for moving.
- Following the development of a space program in 2020, the next phases of the project to move the data center, create new space for IT staff, and complete a renovation of the 911 Center to include new dispatch center furniture and equipment will be conducted in 2021. Construction is tentatively scheduled to begin in August 2021, with move-in not until the fourth quarter of 2022.
- A space program to replace the 1920's-era Pinehurst building, which houses the Sheriff's administrative offices and Huber housing, among other functions, is also being developed in 2020. This will provide an opportunity to consider the types of services the Sheriff's Office will provide to persons in its care. Included in the 2021 budget is \$4,360,000 for architectural and engineering services to design the replacement facility. This will include a new Emergency Operations Center to replace the current space located in the basement of the Health Care Center. Construction is not expected to begin until 2022.

#### Public Safety Technology Upgrades and Justice System Capital Projects

A number of public safety technology upgrades are included in the 2021 Recommended Budget, including a planned replacement of portable radios at the Sheriff's Office at a cost of \$609,393 and several items at the 911 Communications Center totaling \$263,604.

Other justice system-related capital projects include Courthouse renovations to the District Attorney's Office that were delayed in 2020 at a cost of \$974,000 and to two courts spaces—the 3<sup>rd</sup> floor Probate vault and the 4<sup>th</sup> floor Law Library—to provide more hearing room and meeting space at a cost of \$250,000 each.

The majority of these expenditures are recommended to be funded with sales tax.

Personnel Changes

Over the course of 2020, the County Board approved a total of 15.15 FTE positions, the majority of which were in the Human Services Department and funded by non-County sources. This brings the current personnel roster to 1,269.625 FTE. The 2020 Recommended Budget includes a net increase of 6.7 FTE as compared to the current personnel roster and a total FTE count of 1,276.325 FTE. Given these changes, the 2021 Recommended Budget includes a personnel roster that is 21.85 FTE more than the 2020 Adopted Budget.

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:

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|--------------------------------------|---|
| Thursday, October 29, at 6:00 p.m.:  | County Administrator’s Review and Explanation of the Budget with Questions from the Board |
| Wednesday, November 4, at 6:00 p.m.: | Public Hearing on the Budget  |
| Tuesday, November 10, 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. Assistant to the County Administrator Randy Terronez and Finance Director Sherry Oja will also be able to assist you. Those two individuals provided invaluable insights and advice during the process, not to mention significant amounts of their time on evenings and weekends. I am also grateful for the work of Annette Mikula and Alyx Brandenburg in the Human Resources Department, Marilyn Bondehagen and Jodie Surber in the Administrator’s Office, and staff in the Finance Department, including Lynn Heimann and Sharon Clark, for their work in processing and compiling the budget. Thanks are also due to the department heads and their staff members who spent hours developing budget requests.

Sincerely,  
Josh Smith  
County Administrator