

October 12, 2017

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

I respectfully submit the 2018 Recommended Budget for your review and consideration. The 2018 Recommended Budget includes a tax levy of \$66,912,013.

Total expenditures, tax levy, and the tax rate included in the 2018 Recommended Budget as compared to the 2017 Adopted Budget are as follows:

	Adopted <u>2017</u>	Recommended <u>2018</u>	Percentage <u>Increase (Decrease)</u>
Total Expenditures	\$167,822,024	\$174,031,681	3.70%
Tax Levy	\$65,107,690	\$66,912,013	2.77%
General Fund Applied	\$0	\$0	N/A
Tax Rate (per \$1,000)	\$6.701789	\$6.517012	(2.76%)

While the tax levy increases 2.77%, the tax rate would decrease by 2.76%. This results from an increase in the County's equalized value of 5.7%. This is the fourth year in a row that Rock County's equalized value has increased.

The tax rate of \$6.52 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 \$16.70 on a home that was valued at \$100,000 in 2017.

Tax Levy

**The overall tax levy is recommended to increase by \$1,804,323, or 2.77%.** 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 2018 budget, the percentage increase due to net new construction is 1.77%.** When applied to the 2017 tax levy for operations, and taking into account several required adjustments, **this percentage results in an allowable and recommended tax levy increase for operations of \$1,059,813.** In 2018, the Recommended Budget includes an operational levy of \$59,529,638.

- 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 **increase of \$174,688 in the limited levy amount** is part of the total limited tax levy of \$1,381,129.
- The Arrowhead Library System will have an increase of \$37,768, which will bring the total levy for this purpose to \$1,069,209. 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 increase \$136,920, which will bring the total levy for this purpose to \$311,920. Town Bridge Aid is levied on property in all towns. The increase in Town Bridge Aid is due to an increased number of towns requesting bridge projects in 2018 due to the deteriorating condition of this infrastructure.
- 3) *Debt Service*—This is the amount used to repay borrowed funds, which is also exempt from levy limits. **The levy increase for debt service totals \$569,822 in 2018.** This increase is due to the fact that in 2017 the County will borrow funds for three years of County Trunk Highway construction projects, increasing debt service payments beginning in 2018. The County has combined multiple years of approved borrowing into one debt issue to reduce issuance costs, which saves the County about \$156,000 over three years. The debt service levy in the 2018 Recommended Budget totals \$6,001,246.

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 \$12,565,670 in 2018, which would be used as follows:

Operational Costs	\$ 7,522,973
Capital Expenditures	<u>5,042,697</u>
Total	\$12,565,670

**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, and conservation easements that might otherwise be funded through long-term debt. Sales tax proceeds of \$5,042,697 noted above, as well as \$500,000 in prior year sales tax collected, are proposed to be applied to capital expenditures in the following departmental budgets (and facilities):

Public Works – Highway	\$1,578,200
Facilities Management (Health Care Center Complex)	1,186,855
Facilities Management (Courthouse)	1,032,000
Facilities Management (Jail)	600,500
Sheriff’s Office	212,715
Land Conservation – PACE	200,000
Public Works – Airport	175,000
University of Wisconsin-Rock County	125,000

Facilities Management (Diversion/Old JCC Building)	123,000
Farm	95,000
Public Works – Parks	75,000
Fairgrounds	41,000
911 Communications Center	25,780
Facilities Management (Court Street)	20,000
Facilities Management (Eclipse Center)	20,000
Facilities Management (Franklin Street)	20,000
Medical Examiner’s Department	<u>12,647</u>
Total	\$5,542,697

Due to an improving economy and conservative budgeting, the amount of sales tax collected in 2016 exceeded budget estimates. In addition, we anticipate more sales tax revenue will be collected by the end of 2017 than what was budgeted. We expect these excess sales tax amounts to total \$2,807,000 at the end of 2017. Of this prior year sales tax amount, \$500,000 is included in the above list of projects for Phase 2 of the Courthouse security project. County policy is to place any excess collections in a segregated account to be used for capital projects. Therefore, **the Recommended Budget anticipates that there would be \$2,307,000 remaining in the excess sales tax account** for future capital projects, projects that may need additional funding, or unforeseen needs.

General Fund Balance

The audited General Fund balance as of December 31, 2016, was \$37,816,805, of which \$31,324,971 was unassigned. Taking into consideration the results of operations in 2017, it is estimated that the General Fund balance as of December 31, 2017 will be \$35,841,682, of which \$30,419,682 would be unassigned. This represents a decrease in the unassigned General Fund balance of \$905,289, which is primarily due to costs for out-of-home placements for children and youth in the Human Services Department exceeding 2017 budgeted amounts. Despite the decrease, the General Fund balance remains at the top of the target range of the County’s fund balance policy. **No General Fund balance application is recommended in 2018.**

Long-term Debt

The 2018 Recommended Budget includes a total of \$3,000,000 in new long-term debt for the County Trunk Highway A reconstruction project. This is \$50,000 less than the long-term debt included in the 2017 Budget.

Outstanding debt as of December 31, 2017, will total \$46,915,000. 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; even the debt issued for Rock Haven was on a 15-year term. All current debt is scheduled to be repaid by September 1, 2027. The County currently holds a bond rating of “Aa1” by Moody’s and “AA” by Standard and Poor’s.

Other Revenue

In 2018, 40.2% 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 \$4,968,297 or 7.7%.

In some limited cases, state and federal revenue covers 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 6.6% of total revenues in the 2018 Recommended Budget.

#### Expenditures

Total expenditures in 2018 amount to \$174,031,681 and would increase by \$6,209,647, or 3.7%, as compared to the 2017 Approved Budget. Overall capital project expenditures total \$12,169,865, which is a decrease \$978,939 from 2017. At the same time, operating expenditures total \$154,825,757, which is an increase \$6,358,951 or 4.3%.

#### Notable 2018 Initiatives, Projects, and Budget Changes

*Out-of-Home Placements*—Out-of-home placements in the Human Services Department continue to be a primary factor driving the County budget.

In 2017, the cost of caring for children and youth in out-of-home placements, including foster care, group homes, residential care centers, and juvenile corrections, is estimated to exceed the budgeted amount by nearly \$1.7 million. The 2018 budget includes more than \$5.7 million for this purpose, an increase of \$423,984 over the 2017 budget. This includes an average of 144 children and youth in foster homes each day. Despite the budget-to-budget increase, the 2018 budgeted amount is still nearly \$1.3 million less than the amount we expect to spend in 2017. Therefore, the County is taking significant risk in the 2018 budget.

The Human Services Department is taking several actions to reduce the number and cost of out-of-home placements for children and youth in 2018. These steps include increasing the number of foster homes in Rock County, which has been successful thus far in 2017; finalizing plans to move shelter care into the community, which will increase space at the Youth Services Center to expand the ACTIONS program; increasing resources dedicated to in-home safety services to keep children safely in their homes; and contracting for paraprofessional services to free up social worker time to devote to case work.

The Human Services Department is also modifying how it staffs its Crisis Intervention Unit to improve the expertise available when making decisions on costly placements in the State mental health institutes. These changes will also provide more resources to help keep clients living in the community. Finally, hiring a Practice and Service Improvement Coordinator to work across the department will provide a greater focus on consistency in meeting clinical and best-practice standards, which will improve case management decisions in a variety of areas.

*Contingency Fund*—When we developed the strategy for preparing the 2018 budget, we took into account the possibility that incorporation by the Town of Beloit could lead to a reduction in public utility aid of \$670,000 annually, beginning as soon as 2019. To smooth this potential effect, we worked to limit expenditures throughout the budget in 2018 so that the potential effect would not be felt entirely in one year. At the same time, as noted above, the cost for out-of-home placements have increased significantly. Based on these factors, the Recommended Budget includes an additional \$259,813 placed into the contingency fund. Should out-of-home placements exceed the \$5.7 million budgeted for this purpose, these funds would be available to offset those costs. Should out-of-home placement costs be within the budgeted amount, and depending on the results of other 2018 operations, these funds may be available to be appropriated from the General Fund in 2019 to offset other potential revenue reductions.

*Comprehensive Community Services (CCS)*—The Human Services Department will continue its expansion of CCS, which provides behavioral health services to clients in the community. Overall, 14.0 FTE positions will be added in 2018, bringing the total number of CCS positions to 40.0 FTE. Because this program is fully reimbursed by Federal funding, this program fills a significant treatment need in the community without additional tax levy support.

*Evidence-Based Decision Making (EBDM)*—The County began participating in this criminal justice system reform initiative in 2014. A process to improve behavioral health information sharing between the Human Services Department and the Janesville Police Department was piloted in 2017, and expansion to other law enforcement agencies is planned in 2018. We also anticipate the implementation of pre-trial and criminogenic risk assessments, a pre-charge diversion program, and an enhanced deferred prosecution program. Specific implementation plans are being created, and \$158,584 is set aside in the 2018 Recommended Budget to fund initial implementation as needed.

*Highway Construction Funding and Projects*—The largest County Trunk Highway (CTH) construction project in 2018 will be the reconstruction of the first of four separate segments of CTH A from the Walworth County Line to CTH M at a cost of \$3,097,000. County bridge and highway projects that are eligible for Federal aid will require \$1,291,200 as the County's share of the projects. I am recommending that these projects, as well as an additional \$190,000 in highway maintenance and construction work, be funded with \$3,000,000 in deferred financing and \$1,578,200 in sales tax.

*Security of County Facilities*—Several projects to improve the security of County facilities are recommended in 2018:

- Phase 1 of the Courthouse security project will be completed in 2018, and a decision on how to proceed in Phase 2 will be considered soon. I am recommending \$500,000 in prior year sales tax be included in the 2018 budget to begin engineering and design work for Phase 2. The County Board will have to appropriate additional funds in 2018 to fully implement Phase 2.
- \$323,000 in sales tax is included for security upgrades at the jail, including replacement cameras throughout the facility and an intercom system for E and F Units, which will improve the safety of correctional officers.
- \$60,000 in sales tax funding is recommended as the estimated cost to improve security at three satellite Human Services Department office locations (Court Street, Franklin Street, and the Eclipse Center).

*Facilities Planning*—In 2017, the County began planning for the future of its facilities through the Angus Young study of the old Rock Haven and the Health Care Center buildings. In 2018, I recommend that we continue this planning to ensure that the maintenance and updating of our facilities are provided as cost-effectively as possible. Recommended expenditures and projects in 2018, all funded from sales tax, include the following:

- \$1.0 million for demolition of the old Rock Haven, as approved by the County Board in August 2017;
- \$175,000 to contract for a comprehensive facilities assessment, which will evaluate the condition of facilities, equipment, and mechanical systems to allow the County to better plan for and prioritize future spending;
- \$114,000 to renovate the old Janesville Counseling Center adjoining the Diversion building, which will maximize the utilization of County-owned space and provide flexibility for future department needs; and
- \$80,000 for a facilities master plan that will create a roadmap for future County facility needs, particularly at the Health Care Center complex. Until the master planning process is completed, I am only recommending maintenance projects that are necessary to ensure employee safety, maintain facility operations, or reduce short-term operational costs.

*Diversity, Inclusion, and Cultural Competence*—In 2017, the County Board approved adding Diversity and Inclusion to the County’s Vision Statement following the efforts of a workgroup of County employees. A new online training module for employees with supervisory responsibilities was implemented in 2017, and in-person training is being piloted for Human Services Department employees. I am recommending \$20,000 be included in the Human Resources budget to expand training County-wide in 2018. This is twice the amount provided for this purpose in 2017. This training will benefit the County’s clients, who will receive improved services, as well as employee recruitment and retention. These efforts are important to the County’s future workforce development goals.

*Community Agency Initiatives*—In September 2017, the Wisconsin Attorney General issued a formal opinion that indicated that State statutes do not allow counties to make contributions to non-profit organizations unless explicitly authorized in Chapter 59, Wis. Stats. After reviewing this information, I am not recommending \$136,572 that in prior years had been provided to four agencies. I am recommending that \$120,443 be provided to seven non-profit organizations operating nine programs that have purposes specifically enumerated in Chapter 59. I would note that \$73,505 of the amount not recommended has been placed instead in the EBDM account.

*Personnel Changes*—Over the course of 2017, the County Board approved a total of 14.8 FTE additional positions (this total includes 11.0 FTE positions of the Children’s Long Term Support program in the Human Services Department considered by the Board in October 2017). This brings the current personnel roster to 1,207.8 FTE. The 2018 Recommended Budget includes a net increase of 10.9 FTE as compared to the current personnel roster and a total FTE count of 1,218.7 FTE. Given these changes, the 2018 Recommended Budget includes a personnel roster that is 25.7 FTE more than the 2017 Approved Budget. I would note that without the addition of the 14.0 FTE CCS positions noted above, the number of County positions would be decreasing as compared to the current roster.

Budget Adoption Process

Each departmental budget includes a section entitled “Administrator’s Comments” where I have attempted to summarize the important issues and explain the reasoning behind the recommendations. In the 2018 budget we have made a number of formatting changes, including to the Administrator’s Comments, in an attempt to make the information more concise and easier to understand. This includes changes to the presentation of personnel for each department, as well as a separate financial summary page for each department that highlights revenue and expenditures by funding source.

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 provided. If any governing committee wants to request a change to the Recommended Budget, the Finance Committee 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.

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

Monday, November 6, at 9:00 a.m.:	County Administrator’s Review and Explanation of the Budget with Questions from the Board
Wednesday, November 8, at 6:00 p.m.:	Public Hearing on the Budget
Tuesday, November 14, at 9:00 a.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. The Assistants to the County Administrator, Randy Terronez and Nick Osborne, and Finance Director Sherry Oja will also be able to assist you. Those three individuals provided me with 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 in the Administrator’s Office, and numerous staff in the Finance Department, including Sue Balog, 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