

October 11, 2012
Honorable Chair, Vice Chair, and Members
Rock County Board of Supervisors

2012 is the first full year local governments are subject to the provisions of Act 10 as well as new more stringent tax levy limits. The new limits allow the tax levy for operational expenditures to increase by 0% or whatever the increase in net new construction may be.

This very strict levy limit became effective at a time when service demand continues to increase throughout the programs the County is mandated to provide.

For example, the increasing demand for mental health services is reflected by data from the Crisis Unit which shows Crisis contacts increasing 27% from 2011 to 2012. Rock County's Economic Support caseload has increased from 15,200 cases in July 2011 to 21,372 cases in July 2012. In addition, the number of child abuse or neglect reports made to Child Protective Service has been increasing.

The way Rock County has been able to survive without drastically reducing service levels has been to continually strive to change operations to become more effective. This involves examining operations and implementing proven best practices.

Examples exist in the Human Services Department in many of the divisions and programs. Changes in Juvenile Justice, Mental Health and Child Protective Services programs have allowed those areas to reduce out of home placement costs for both children and adults despite increasing caseloads. These reduced out of home placement costs have enabled the Department to cover cost increases in other areas with very little impact on the tax levy.

Everyone is aware of the success of the diversion programs run by the Sheriff's Office. In September 2012 there were 584 inmates under the Sheriff's control but only 442 actually housed in the Jail. The other 142 were involved in either electronic monitoring, the Workender Program or Community Recap/Drug Court. Without the diversion programs, the Jail would be over capacity and we would again be shipping prisoners to other counties.

Rock Haven has been reducing the property tax subsidy for several years. This is occurring again in 2013 with the move to the new facility and the further efficiencies it will provide.

The above are but a few examples, others could be cited as well. I believe it is important to recognize and commend the many dedicated, smart and hard working county employees who put their heart and soul into what they do to serve the citizens of Rock County.

The budget I submit to you for 2013 contains \$180,743,683 in total expenditures. This is an increase of \$5,488,057 or 3.13%.

The recommended property tax levy of \$61,114,210 is \$940,990 or 1.56% higher than the prior year. On average, this will raise the County portion of the property tax bill by \$9.15 on a property valued at \$100,000.

The tax levy increase is within the tax levy limits as imposed by the State of Wisconsin. It is comprised of three parts.

Those parts are the amount allowed under the State imposed levy limits for operational costs; the amount for items funded by limited tax levies which are exempt from levy limits; and the amount needed for debt service. These amounts and percentages are as follows:

Levy Change for Operations	\$511,159	0.85%
Levy Change for Limited Levies	(26,292)	(0.04%)
Levy Change for Debt Service	<u>456,123</u>	<u>0.75%</u>
	\$940,990	1.56%

The levy for operations is allowed to increase by 0% or the increase in net new construction. Rock County's net new construction went up by approximately .89% from 2011 to 2012. Our current estimate is this would allow an increase of approximately \$556,000 in additional property tax levy. Unfortunately, as of earlier this week the State had not made available the information to precisely calculate this figure. It was supposed to be available September 14. Therefore, the actual allowable increase may be somewhat more or less than \$556,000. To stay on the safe side, I have recommended an increase of \$511,159.

The decrease of \$26,292 is in the portion of the levy which is exempt from levy limits. It consists of a levy decrease of \$31,292 for the Arrowhead Library System and an increase of \$5,000 for Town Bridge Aid. The Arrowhead levy is levied on property in the towns plus the Village of Footville while the levy for Town Bridge Aid is levied on property in the towns.

The levy increase for debt service of \$456,123 is the amount needed to meet the County's obligations for debt which has been issued.

In addition to tax levy limits, the County is also subject to State imposed tax rate limits. Tax rate limits were enacted in the early 1990s. They require that a county not exceed the tax rate adopted in 1992, which funded the 1993 Budget. This did not impact most counties as property values rose at a rate equal to or greater than tax levies through the 1990s and continued until the recession. Property values fell in 2008, 2009, 2010 and 2011 in many counties including Rock County. As property value (equalized value) falls, it takes a higher tax rate to raise the same amount of revenue (tax levy). Recognizing the problem this could cause counties who are already subjected to the levy limits, the State suspended the tax rate cap for operational levies for the 2012 and 2013 budget years.

If tax rate limits go back into effect for 2014, they could cause problems for Rock County as well as a number of other counties. Current estimates are that property values (equalized value) in Rock County will have to increase approximately 2% during 2012 to allow Rock County to maintain the operational levy at the level recommended in the 2013 Budget. A 0% increase in property value in 2012 would require Rock County to decrease the levy for operational costs by \$1,060,000 in the 2014 Budget. This would have a serious impact on the ability of the County to maintain service levels.

Total expenditures included in the 2013 Budget are recommended to increase by \$5,488,057 or 3.13%. The budget for operational expenditures is recommended to increase by \$3,686,193 or 2.24%. Debt service is up \$496,169 while Capital Outlay is up \$1,305,695.

The majority of the increase in operational expenditures is a result of State funded program initiatives in the Human Services Department. In early 2012 Rock County became the lead agency for the Economic Support Consortium for the Southern Region. This added \$2.4 million of pass-through funds to the County Budget. These funds are paid to the other six counties in the consortium. In addition, start up and operation of the ADRC adds close to \$1.6 million (including renovation costs) to the 2013 budget. These items are somewhat offset by the loss of \$1.6 million of funding for the W-2 Program. The net of these program changes adds \$2.4 million to the operational budget alone.

Rock County's estimated General Fund balance as of December 31, 2012 is \$28,277,122. After reserving a portion of this balance for delinquent taxes and other receivables, the expected December 31, 2012 Unassigned General Fund balance is \$21,522,343. This compares to an audited Unassigned General Fund balance of \$19,865,358 as of December 31, 2011. This is an acceptable level for financial reserves. However, given the uncertain state of the economy and the state's unreliability when it comes to funding its mandates I have recommended no General Fund application for 2013.

The County Sales Tax was adopted as part of the 2007 Budget process and became effective April 1, 2007. The 2012 Budget included \$9,700,000 in sales tax revenue to be used as follows:

\$7,522,973	Operational Costs
<u>\$2,177,027</u>	Capital Expenditures
\$9,700,000	

Currently Rock County recognizes cash received in January as part of the previous year's sales tax collection. Our auditors have recommended cash received through February also be recognized as part of the prior years collections. Following the auditors recommendation would mean sales taxes received through February 2014 would be recognized as 2013 revenue. Making this adjustment would result in 13 months of collections being recognized in 2013. I have recommended this and included the additional \$720,883, with all of it directed to capital expenditures. Therefore, I have included a total of \$10,420,883 in sales tax revenue in the 2013 Budget to be used as follows:

\$ 7,522,973	Operational Costs
<u>2,897,910</u>	Capital Expenditures
\$10,420,883	

The amount recommended for Operational Costs is at the same level as both 2011 and 2012. The amount designated for Capital Expenditures is for a variety of construction projects, equipment and software I would otherwise recommend be funded through deferred financing.

Points of Interest

- 1) A major initiative included in the 2013 Budget is the establishment of an Aging and Disability Resource Center (ADRC). Organizationally it will be in the Human Services Department. Physically it will be located in renovated space in the Job Center. The State will provide the funds for operation as well as renovation of office space. A total of 14 new positions will be created to staff the ADRC. The ADRC will be a "one stop shop" for people to go to acquire information on services and programs for the elderly and individuals with physical or developmental disabilities.

The Rock County ADRC will operate with the MA Waiver programs currently run through both the Long Term Support Division of the Human Services Department and the Developmental Disabilities Board. Whether Rock County goes to Family Care will be a decision made at a future point in time.

- 2) One of the exciting transitions which will occur in 2013 is the move into the new Rock Haven facility. The new Rock Haven is nearing completion. Given the time which will be required to finish installing equipment and train staff it is estimated that residents will move in mid-March 2013.
- 3) Act 10 required all public employees (other than sworn law enforcement) to pay half of the required Wisconsin Retirement Systems contribution. This went into effect for unrepresented County employees in August 2011 and represented County employees January 1, 2012. For general employees in 2012, the County pays an amount equal to 5.9% of wages and the employee pays a like amount. The rate is increasing in 2013 to 6.65% of wages for both the employee and the County.

Despite the various challenges currently before the Courts, the 2013 Budget assumes employees will continue paying into the Wisconsin Retirement System.

- 4) The Budget for the Developmental Disabilities program includes one of the largest tax levy increases in the 2013 Budget. The recommended property tax levy increase is \$177,467 or 4.8%. In addition, the responsibility for providing \$102,000 of match money for the Children's Long Term Waiver (CLTW) program was transferred to the Human Services Department. Without this transfer the tax levy increase would have been \$279,467 or 7.6%. This is in the context of State Law which limits Rock County's 2013 tax levy increase for operational costs to .89%.

Despite the requested increase, Mr. Hanewall has had to recommend some actions which will reduce funding to some agencies. These reductions may not be well received but must be considered in the context of the County Budget as a whole.

- 5) One of the issues which must soon be addressed is Courthouse Security. The current system includes electronics such as cameras, alarms, recording capability and door controls which are soon to be 17 years old. The technology is obsolete and becoming difficult to repair. We also need to take a look at Courthouse security as a whole and whether it should be extended.

Replacing the security electronics and making other improvements could be an expensive undertaking. I have placed \$550,000 of sales tax revenue in the 2013 Budget to provide funds for technical assistance as well as purchasing equipment and funding facility upgrades. Whether this will be sufficient to fund the project remains to be seen.

- 6) Another major capital project included in the 2013 Budget is the replacement of the 9-1-1 Telephone System. The current system was installed in 2005 and is reaching the end of its useful life. The budgeted cost for a new system is \$620,000. Sales tax is recommended as the funding source for this purchase.
- 7) The 2013 Budget includes the transfer of the Emergency Management function into the Sheriff's Office. With the retirement of long time Emergency Management Coordinator, Shirley Connors, Sheriff Spoden and I examined the pros and cons of doing this. Among the advantages is the Sheriff's Office will provide a "deeper bench" than is available in a two person office and the proposal will save approximately \$91,000 in tax levy.

A staff person in the Sheriff's Office will be appointed as the full time Emergency Management Coordinator. The clerical position in the Office will be retained and the offices will continue to be physically located in the Health Care Center. All of the functions currently being performed by Ms. Connors for all of the first responder agencies will continue to be performed under the new organizational structure. A number of counties, including Walworth and Kenosha, function in this manner.

- 8) The 2013 Budget contains a total of \$3,698,500 of deferred financing. All of the deferred financing is devoted to road projects. \$2,508,500 will be used for the regular road construction programs. This will fund 3.25 miles of CTH "M" reconstruction, which is the continuation of the multi-year project to reconstruct 11 miles of "M" from Milton to USH "14". Also included is a 1.25 mile segment of CTH "A" from CTH "H" to Britt Road.

The other \$1,190,000 of deferred financing includes \$55,000 for further design work on the CTH "F" project along with \$1,135,000 for items connected to the CTH "G" project.

- 9) Personnel actions recommended in the 2013 Budget result in a net increase of 1.9 full time equivalent positions. The establishment of the ADRC in 2013 includes the creation of 14 positions. Without the establishment of the ADRC, the number of positions would have decreased by 12.1 FTEs. The 2013 recommended personnel roster includes 1,161.75 positions. Since 2000, Rock County will have reduced its workforce by 277.45 positions or 19.3%.
- 10) Outstanding debt at the end of 2012 will total \$43,485,000.

The Administrator's Letter, which is found near the front of your budget document, contains additional budget information. Also, each departmental budget contains "Administrator's Comments" which summarize the important points in each departmental budget.

The timetable for budget consideration includes:

9:00 A.M.	Monday, November 5	County Administrator's Review and Explanation of the Budget with Questions from the Board
6:00 P.M.	Wednesday, November 7	Public Hearing on the Budget
9:00 A.M.	Tuesday, November 13	Statutory Annual Meeting and Budget Adoption

As you review the 2013 Budget the staff and I are ready to assist you and answer your questions. Please feel free to contact us with whatever questions you may have.

Sincerely,



Craig Knutson
County Administrator