

COUNTY BOARD STAFF/FINANCE COMMITTEES
June 1, 2010

Call to Order. County Board Staff Committee Chair Podzilni called the joint meeting of the County Board Staff Committee and the Finance Committee to order at 3:00 P.M. in Conference Room N-1/N-2 on the fifth floor of the Rock County Courthouse-East.

Committee Members Present County Board Staff Committee – Supervisors Podzilni, Kraft, Arnold, Bussie, Brill, Jensen (3:04 P.M.), Peer, Yankee. Finance Committee – Supervisors Mawhinney (3:08 P.M.), Kraft, Beaver, Diestler, Podzilni.

Committee Members Absent: Supervisor Collins (CBS).

Staff Members Present: Craig Knutson, County Administrator; Jeff Smith, Finance Director; Jeff Kuglitsch, Corporation Counsel; Randy Terronez and Nick Osborne, Assistants to the County Administrator; Sherry Gunderson, Nursing Home Administrator; David Sudmeier, Health Care Center Controller; Elizabeth Pohlman McQuillen, Criminal Justice System Planner/Analyst; Sherry Oja, Senior Accountant/Assistant to the Finance Director; Debbie Erickson, Public Health Nurse Supervisor; Serena Jahnke-Berg, Public Health Nurse; Rick Wietersen, Sanitarian II; Karen Cain, Public Health Officer; Tim Banwell, Environmental Protection Director; Vicki Brown, Treasurer; Lori Stottler, County Clerk; Mickey Crittenden, IT Director.

Others Present: Supervisors Alan Sweeney and Robert Fizzell.

Approval of Agenda. Supervisor Arnold moved approval of the agenda as presented, second by Supervisor Brill. ADOPTED.

Citizen Participation, Communications and Announcements. Supervisor Bussie said the Wisconsin Highway Conference is June 6 through June 8 and it is the 100-year anniversary. They will all be receiving a book and she will donate hers to the Arrowhead Library.

General Review of County's Financial Position as it Relates to the 2011 Budget. Mr. Smith went over the following reports attached to the agenda:

Interest Earned on Investments. Mr. Smith said that although the County's cash position remained strong in 2010, the continued depressed rates available on investments resulted in a \$700,443 (52%) decrease in interest earned on investments compared to 2009. LGIP rates have dropped from 4.07% in January 2008 to 0.15% in April 2011 (96% decrease). Mr. Smith said almost all interest earned offsets the tax levy to fund county operations dollar for dollar.

Monthly Cash Balances. Mr. Smith said these two pages show the County's cash position at a point in time for the years 2007 through April 2011. The \$65,426,954 cash balance as of April 30, 2011 is summarized on the next page, page 4.

Cash Investments. Rock County has 29.71% of its cash with Cutwater Asset Management with a 1.97% rate of return, 49.28% in LGIP at 0.15%, 11.48% with First National Bank of Beloit at 1.86% and 9.53% in CDs earning from 1.25% to 2.25%. Mr. Smith said LGIP interest rates have dropped dramatically from its most recent peak of 5.25% in March 2007.

Delinquent Tax Balances. Mr. Smith said the total amount of delinquent real estate taxes increased by \$132,697 or 1.97%. State Statutes requires the County to buy out delinquent real estate taxes, making the school districts, cities, towns and villages whole. This leaves the County responsible for the collection of all delinquent real estate taxes. Mr. Smith said after the taxes are delinquent over two years the County has the statutory authority to take title to property through court action called the In Rem Procedure. Currently there are 80 delinquent parcels listed in the court proceedings that the county may take title to this fall. The County does not take title to contaminated properties, but puts them in a hold status.

Mr. Smith said the bottom half of page 6 shows the interest and penalties the County Treasurer has collected on delinquent real estate taxes. This revenue source also reduces the county tax levy required for operations on a dollar-for-dollar basis.

Analysis of Tax Levy and Rate. Mr. Smith said the 2010 tax levy to fund the 2011 budget increased by 2.99% while the tax rate increased by 7.73%. The increase in the tax rate is due to the 4.40% decrease in equalized value combined with the tax levy increase.

Liability and Worker's Compensation. Mr. Smith said Rock County has been self-insured for most liability and workers compensation claims since 1979. Rock County joined Wisconsin Municipal Mutual Insurance Company (WMMIC) in May 2007 and remitted an equity investment of \$1,341,000 and a self-insured retention of \$300,000, which increased to \$400,000 in 2010. These funds remain Rock County's funds and are invested by WMMIC for credit to the County. In 2010 Rock County earned a capital dividend of \$52,299 on its equity investment and \$13,154 on its self-insured retention deposit. The 2011 premium was \$264,599. The current balance in the liability and property insurance trust fund, including the funds invested by WMMIC is \$3,858,042, an increase of \$50,817 from the prior year due to dividend and interest earnings as well as actual claims experience charged to the countywide account.

Audited General Fund Equity. Mr. Smith said the pre-audited, estimated \$16.9 million undesignated General Fund balance as of 12/31/10 is a \$3,289,651 (24%) increase from the audited 12/31/09 balance. The \$16.9 million undesignated fund balance is still a comfortable level for an operation our size

Mr. Smith said the Undesignated General Fund balance is one of the factors used by the rating agencies in assigning Rock County's AA bond rating as noted in the attached copies of the rating notices from Moody's and Standard and Poor's. Mr. Smith said both rating agencies affirmed the County's AA rating (Aa1 by Moody's) with a stable outlook. Mr. Smith referred to a matrix listing the credit ratings for all 72 Wisconsin counties, which was included in the agenda packet. Only five Wisconsin counties have a higher credit rating than Rock County.

County Sales Tax Receipts. Mr. Smith said pages 10 and 11 show the actual County sales tax receipts from April 1, 2007 through May 31, 2011. Page 12 shows the budgets for the County sales tax appropriations for 2007 through 2011.

Outstanding Debts End of Levy Year. Mr. Smith said the County's direct debt is moderately lower than that of similar sized counties and is rapidly repaid. These are also factors used by the rating agencies in their determination of credit ratings.

Mr. Knutson distributed copies of graphs relating to the County's Undesignated General Fund balance. He said last year we showed we had been running an operating surplus in the General Fund for several years, to one where we had an operating deficit, which was drawing down our fiscal reserves. One of our major goals for 2009 and 2010 was to reverse the trend, stabilize our financial reserves and improve or increase the amount. To accomplish this, we cut expenses, looked for additional revenue and applied no General Fund balance to either the 2010 or 2011 Budget. The charts show we have been successful the last two years with the Undesignated General Fund going up \$862,007 in 2009 and an estimated additional \$3,289,651 in 2010. In addition we have \$847,350 in sales tax revenues over and above the budgeted amount from 2010, which I am recommending we place in the designated General Fund reserves to be used for future needs. So, we are better positioned than many local governments to handle what faces us as we deal with the State budget fallout for the last half of 2011 and 2012. It wasn't easy, but we have positioned the County pretty well.

Mr. Knutson said the Undesignated General Fund, Special Revenue Fund and Enterprise Fund balances should be between 10-17% of expenditures. In 2005, we were at 17.7%, however, by 2008 we were down to 11.6%. We have increased the percentage to 12.8% at the end of 2009, and to an estimated 14% at December 31, 2010.

Mr. Knutson referred to the *Proposed State Budget Fiscal Impact: Rock County Estimates* (attached) he had handed out. He said here is the bad news. From what we know now we will lose and estimated \$1,406,991 in Shared Revenue, an estimated \$186,180 in General Transportation Aid, and an estimated \$1,753,369 in other State aid reductions (which is a compilation of the following: \$593,382 in Income Maintenance Administration; \$384,185 in Youth Aids; \$183,821 in Health & Human Services Program revenues; \$68,035 in State Circuit Court Support Grant & Guardian Ad Litem; \$523,946 in Child Support funding) for a total aid reduction of \$3,346,540. This does not include the State's cut in Medical Assistance (Medicaid) of \$500 million. Projected Employee Benefit savings is an estimated \$2,652,894 in Wisconsin Retirement Fund costs. The net impact of this is an estimated negative \$693,646. We are concerned that this could be even greater if there are people who stop getting benefits and they come into other programs the County offers.

Collective Bargaining. Mr. Knutson said the Budget Repair Bill allows for negotiating wages up to CPI over the past 12 month period. So if the CPI is 2% we could negotiate up to 2% in wages, but under the Budget Repair Bill the County would not have to go to 2%. Each 1% wage increase equals \$670,000.

Health Insurance. Mr. Knutson said the Budget Repair Bill would not affect Rock County as we are self-insured. The Budget Repair Bill does give counties the ability to modify the Health Plan.

The medical trend factor (cost increases) is running in the 8%-10% range and it is hard to say what it will be. Right now we have a \$19 million cost for the County Health Insurance Plan.

Levy Limits and Tax Rate Limits. The Governor's proposal sets levy limits at 0% or net new construction, and leaves the tax rate limits in place. This means if property values as of January 1, 2011 decrease by more than 4% we would have to decrease tax levy for operations to stay within the tax rate limit. The Joint Finance Committee proposal would make the levy limits permanent with 0% for 2012 and 2013 and 1.5% in 2014 and thereafter or net new construction. This would also allow for the use of up to .5% of unused prior year levy with a ¾ vote of the County Board. So for 2012, if the County Board wished, they could increase levy for operational costs up to .5% - this would amount to a total of \$271,290. The Joint Finance Committee is also proposing to suspend the County tax rate limits for two years, 2012 and 2013. This would hopefully allow property values to recover before they go back into effect for 2014. The question is, will the legislature adopt it and will the Governor not veto it. Mr. Knutson said to summarize:

\$ 693,646	
<u>670,000</u>	1% 12/31/11 Wage Increase
\$1,363,646	
?	MA Changes
?	Salary & Wage Increase for 2012
?	Health Insurance Cost Increase
?	Other Costs (fuel, supplies, food, out of home placement charges, etc.)
(\$271,290)	.5% Levy Increase for Operations

Mr. Knutson said we are in relatively good shape but we face some challenges.

Chair Podzilni asked about the funds from the TIF District dissolving. Mr. Knutson said we should be receiving approximately \$412,000 and this will help bolster the General Fund in 2011. He said he is concerned that with the Youth Aids decreasing in July 2011 this could mean a loss in excess of \$192,000 in 2011, so this will help.

Set Future Meeting Dates. The next meeting of the Joint Committees will be Monday, June 13th, 9:00 A.M. at the Health Department with a presentation by Karen Cain.

Adjournment: Supervisor Arnold moved adjournment at 4:30 P.M., second by Supervisor Brill. ADOPTED.

Respectfully submitted,

Marilyn Bondehagen
Confidential Administrative Assistant

NOT OFFICIAL UNTIL APPROVED BY COMMITTEES.

	<u>Undesignated General Fund Balance</u>									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>			
Fund Balance	\$ 17,236,838	\$ 19,609,916	\$ 19,378,846	\$ 17,166,670	\$ 12,810,680	\$ 13,672,687	\$ 16,962,338			
\$ Change		\$ 2,373,078	\$ (231,070)	\$ (2,212,176)	\$ (4,355,990)	\$ 862,007	\$ 3,289,651			
% Change		13.8%	-1.2%	-11.4%	-25.4%	6.7%	24.1%			

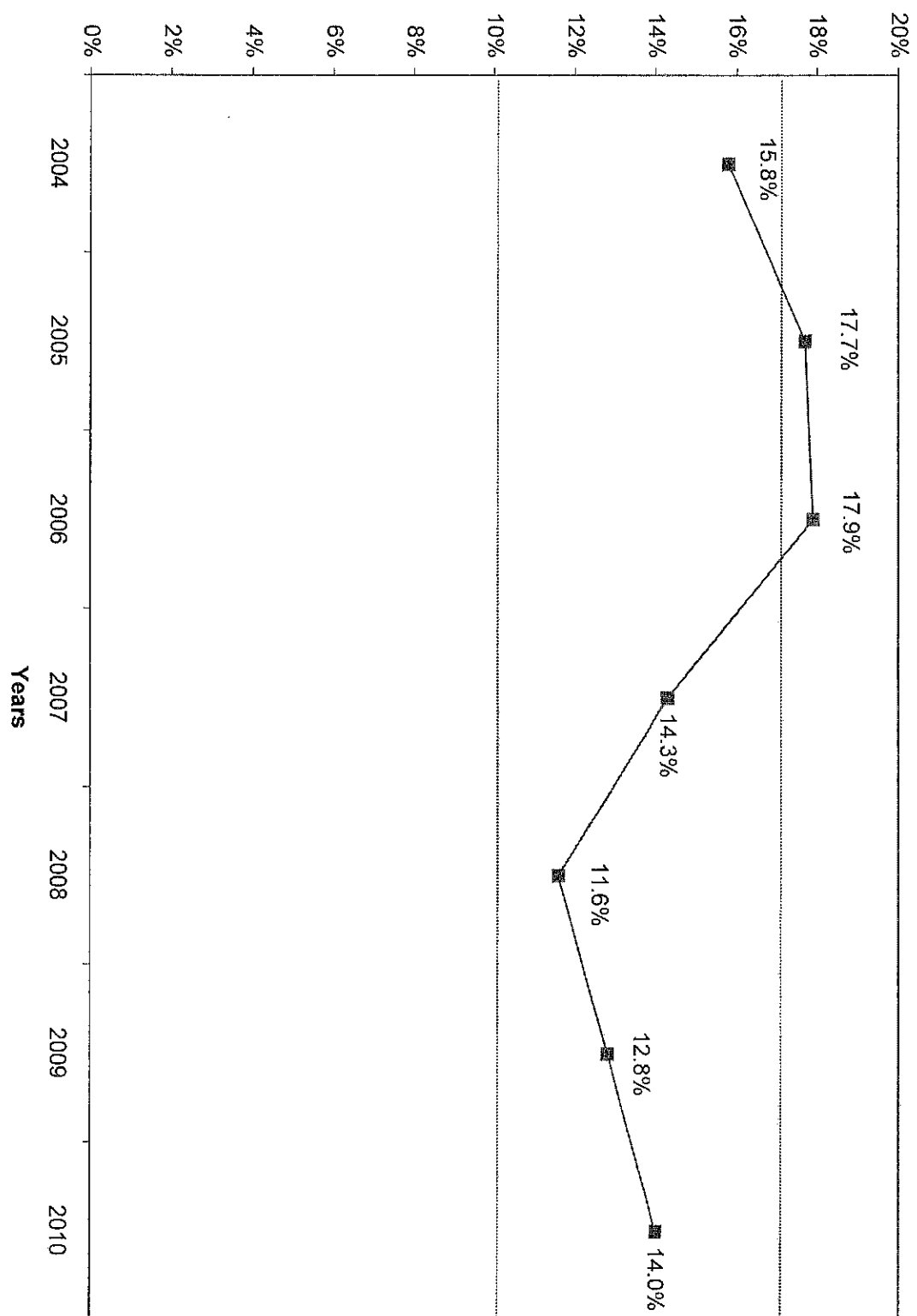
Rock County Undesignated General Fund Policy

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Percent	15.8%	17.7%	17.9%	14.3%	11.6%	12.8%	14.0%

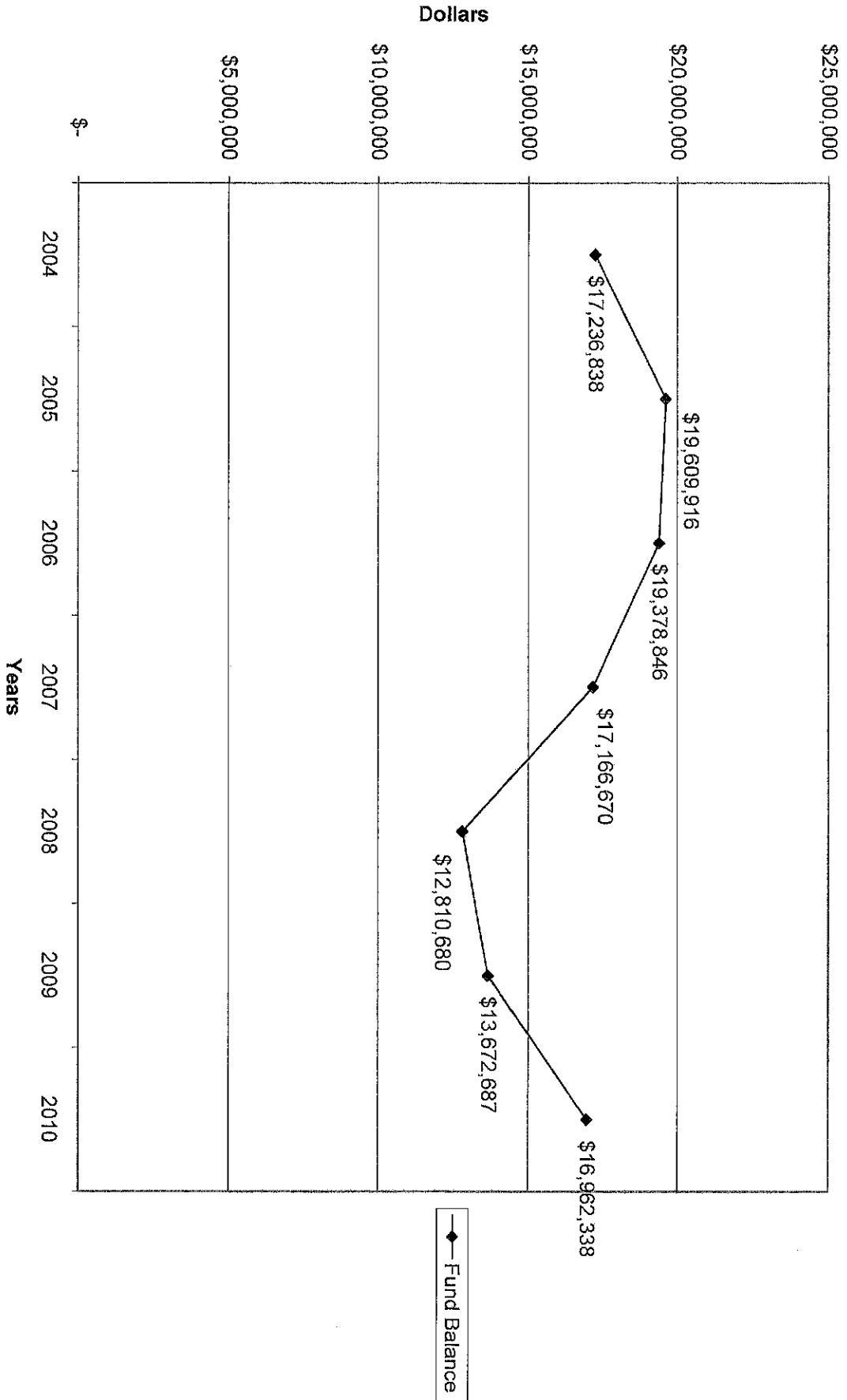
"The County shall maintain a minimum undesignated General Fund Balance (including designated Special Revenue fund balances and Enterprise Funds working capital) of 10% to 17% of the total audited General, Special Revenue and Enterprise Fund expenditures."

2010 figures are preliminary and subject to change

Rock County Undesignated General Fund Balance Policy



Rock County Undesignated Fund Balance



Proposed State Budget Fiscal Impact: Rock County Estimates

(Note that any and all amounts are estimated and are subject to change based on any amendments to or interpretations/classifications to or of the repair bill and/or the biennial budget)

Rock County

	State Aid Reductions - Estimates			Projected Employee Benefit Savings			Net Impact Total	
	Shared Revenue	General Transportation	Other (1)	Total Aid Reduction	WRS (b)	Health Insurance (2)		Total Benefits
Rock County's Estimates (a)	\$1,406,991	\$186,180	\$1,753,369	\$3,346,540	\$2,652,894	-	\$2,652,894	-\$693,646.4

(a) Excludes impacts of \$500 million statewide Medical Assistance (Medicaid) reductions.
 (b) Rock County has collective bargaining agreements in place until December 31, 2011. For this exercise, savings is projected for the twelve months of the 2012 county fiscal year. Total savings is gross. The net impact would reflect loss of grant funds from lower reimbursement. Estimate eliminates contribution from Income Maintenance function no longer at county level.

(1) Estimated Other State Aid Reductions	\$ Estimate	Comments
Income Maintenance Administration*	\$593,382	Rock County would pay for IM services regardless of who administers the program; therefore we assume zero net reduction. The IM consolidation would result in layoff of 49 FTEs. Rock County would be responsible for 26 weeks of unemployment for 49 workers (approximately \$462,000). In addition, Rock County would be eligible for less 50/50 matching funds under the federal indirect cost allocation (\$131,382)
Youth Aids	\$384,185	10% Reduction in Youth Aids Funding
Health & Human Services Program Revenues	\$183,821	10% reduction in mental health funding and loss of FMAP enhancement increases the County share for institutional placement under age 22 and over 64 from 28% to 40%.
State Circuit Court Support Grant & Guardian Ad Litem	\$68,035	10% Reduction in State Circuit Court Support Grant & Guardian Ad Litem
Child Support State GFR Reduction	\$523,946	\$157,910 direct state cut + \$59,500 Medicaid Support (birth expense). Total spending reductions are larger (est. at about \$524,000) due to the County losing federal matching funds (approximately \$2 match for each \$1 spent).
Est. Total Other State Aid Reductions	\$1,753,369	

(2) Health Insurance

Rock County is self insured for health care and is not in the State Health Plan. Most Rock County employees are in one of two county plans. In one plan, employees are required to pay 20% of the annual premiums. However, they can receive a 20% premium incentive by participating in an annual Clinical Health Risk Assessment (CHRA). For the other health plan, employees are required to pay 10% of the annual premium, but may receive a 10% premium incentive by participating in the annual CHRA and meeting targeted wellness plan goals. Increases to employee co-pays, deductibles, and overall contribution may be considered for 2012, but impact cannot be determined at this time.

* In addition to loss in BCA and unemployment claims, Rock County anticipates that waiting lists and poor administration of IM will lead to increasing costs in other programs such as child protective services, crisis intervention, and others.