

COUNTY BOARD STAFF/FINANCE COMMITTEES
Minutes - July 18, 2013

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 8:30 A.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, Brill, Bussie, Mawhinney, Peer, Yankee. Finance Committee – Supervisors Mawhinney, Kraft, Beaver, Podzilni.

Committee Members Absent: County Board Staff Committee - Supervisor Jensen; Finance Committee – Supervisor Fox.

Staff Members Present: Craig Knutson, County Administrator; Sherry Oja, Finance Director; Randy Terronez and Nick Osborne, Assistants to the County Administrator; John Hanewall, Developmental Disabilities Director; Jennifer Patridge, Deputy Director, Developmental Disabilities; Joanne Jones Foss, Financial Supervisor, Developmental Disabilities; Vicki Brown, Treasurer; Lori Stottler, County Clerk.

Others Present: Supervisor Terry Fell.

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

Citizen Participation, Communications and Announcements. None.

Minutes of June 26, 2013. Supervisor Peer moved approval of the June 26, 2013 minutes as presented, second by Supervisor Bussie. ADOPTED.

General Review of County's Financial Position as it Relates to the 2013 Budget. Ms. Oja went over the following reports:

Schedule of Monthly Cash Balances, Other Than Construction Funds. Ms. Oja said this shows the County's cash position at various points in time. The County co-mingles the cash from all funds and diversifies how it is invested to enhance investment yields and cash flows. Page 2 shows where the funds are invested.

Interest Earned on Investments. Ms. Oja said the interest earned on investments has dropped each year since 2007, due primarily to the interest rates. Investment earnings dropped 93% between 2007 and 2011. All interest earned (less the amounts credited to specific trust funds) are credited to the Treasurer's budget and offsets the tax levy.

Delinquent Tax Balances. Ms. Oja said the total amount of delinquent real estate taxes increased steadily from 2007 to 2010, seems to have leveled off for 2011, and dropped for 2012.

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.

Analysis of Tax Levy and Rate. Ms. Oja said the 2012 tax levy to fund the 2013 budget increased by 1.56% while the tax rate increased by 3.59%. The increase in the tax rate is due to the 1.92% decrease in equalized value combined with the tax levy increase.

County Sales Tax Budgets. Ms. Oja said if we collect more than we budgeted for, then assign this excess revenue to be used for future capital items. The excess in sales tax is used for capital projects and these excess funds are shown in the financial statements as part of Assigned Funds.

Outstanding Debts. Ms. Oja said the County's outstanding principal as of 12/31/12 is \$43,485,000 and is only 9% of our allowable debt limit. This is a factor used by the rating agencies in their determination of credit ratings and they look very favorably on it. We will be going out for debt again this year for \$6 million to cover highway construction projects in 2012 and 2013, which Standard and Poors felt would not affect their "AA/Stable" rating.

Mr. Knutson referred to the distributed copies of the County's Undesignated General Fund balance. He said our undesignated fiscal reserves were in good shape through 2006, in 2007 – 2008 they decreased by \$6.5 million, and have steadily increased since 2009. Our policy indicates we should be should be between 10% - 17% of annualized expenditures. Our goal was to stabilize and rebuild our reserves. Even though we never fell out of our range, we needed to get closer to the 17% and we did. This is important for our bond rating and gives us some room for fiscal hits, such as State cuts to Youth Aids, Victim Witness and Land Conservation programs. Mr. Knutson said part of the \$5 million increase in 2012 is due to a change in accounting standards. We feel we should review our policy given the accounting changes. It is not good to use financial reserves to pay for operating expenses. This gives us some room to absorb financial hits like the flood.

Mr. Knutson said the Governor recommended abolishing the tax rate limits in the 2013-2015 State budget. The levy limits will remain at 0% or net new construction. The net new construction for the 2013 budget was .8-.9 of 1% or about \$500,000. For 2014 we could see this amount or less.

Mr. Knutson said there is another provision in State law which could give us more flexibility for 2014. If there is a reduction in debt service for debt issued prior to July 1, 2005, the amount of that reduction can be shifted to levy for operating costs. Because we are paying off the pre July 1, 2005 debt in total in 2013, the amount of that debt service levy which is about \$850,000 may be available for operations if needed.

Mr. Knutson said the State budget keeps pretty much at a status quo. Child Support Administration funds were restored to where they were a couple years ago; also Land Conservation may have an increase. Some additional mental health funding for Coordinated Service Teams and Comprehensive Community Services will be available. Routine Maintenance Agreement funding for work counties do on State Trunk Highways will increase in the next biennium as will General Transportation Aids. The State has some funding cuts for the courts and this may cause a decrease for the County courts. Shared revenue is about the same.

Mr. Knutson said on the cost side; a 1% increase in wages is about \$675,000 and a 1½% increase would be about \$1 million. We are looking at a 7 ½% increase in health insurance for 2014, which would be about \$1.4 million. Other costs are up for services, fuel, utilities, etc. The key is to continually strive to be more productive, cut costs, and use best practice standards. Case in point is the Jail Diversion programs which help keep people in the community instead of putting them in State institutions. Also, the use of best practices in mental health and juvenile justice services has had an impact. This keeps costs under control and makes it better for the community.

Review and Discussion of Preliminary 2013 Budget Projections and Program Information - Developmental Disabilities. Mr. Hanewall introduced Jennifer Patridge as his Deputy Director and Joanne Jones Foss as his Financial Supervisor. He gave an overview of the Department, which was established in 1973 to comply with requirements of Chapter 51 of the Wisconsin State Statutes. The Rock County Board of Supervisors designated the Developmental Disabilities Board (DDB) to coordinate both financial and programmatic services for developmentally disabled citizens in Rock County. This was based on the belief that people with disabilities should have the opportunity to remain within their own home counties and the services they receive would be more appropriate if determined at the county level. The DDB provides services to Rock County residents who are developmentally disabled or who may have sustained a traumatic brain injury. Services are available to eligible individuals from birth to death. Eligible individuals may include those who are cognitively disabled, have epilepsy, cerebral palsy, have sustained a traumatic brain injury, or conditions requiring similar treatment.

Mr. Hanewall went over his eight person staff roster and the structure of the department.

Mr. Hanewall gave a description of services and what the department does. He said case management is provided by Catholic Charities which coordinates the overall delivery of services to clients and are serving approximately 559 clients at this time. Residential placements are provided by approximately 25 different providers, which include AFHs, group homes, CBRFs, supportive and independent living apartments, and are serving over 355 clients. Day service programs are provided by Catholic Charities, KANDU, Lutheran Social Services, and Riverfront who are providing an alternative to vocational services and are serving over 430 clients. Vocational services are provided by CESA-2 Voc, KANDU, and Riverfront and includes pre-vocational training, on-site and supportive employment programs and are serving over 262 clients. Family Support and Birth-to-Three programs are overseen by Catholic Charities and CESA-2 TLC. Family Support serves children in Rock County covered by the Children's Long Term Waiver program. Birth-to-Three is a mandated program serving children in Rock County up to the age of three who are in need of services due to developmental delays and are serving over 500 children and their families. Recreational services are provided by Catholic Charities who provide monthly recreational activities for individuals as well as social events and is serving over 100 clients. Many of these clients are receiving more than one of the above services.

Mr. Hanewall said some of the other services of the DDB are: Fiscal agent services are provided by Epilepsy and Independent Disabilities Services (IDS) to assist clients with fiscal needs such as bill paying, shopping, budgeting, etc. and are serving over 130 clients. Respite care services are coordinated by Catholic Charities and IDS and provide families and AFH providers with a break

from services and are serving over 425 clients. MA/PC services are provided by the Department's RN who provides supervision, case management and oversight to over 116 clients to capture over \$3 million in reimbursement to offset the tax levy for the Department. In addition to all these services, the Department completes Adult Protective Services Annual Reviews for 45-50 clients, completes over 60 Provider Certification Reviews to ensure CIP standards are being followed in both residential, vocational and day services programs, attends IEPs in all 8 of the school districts in Rock County, assists families with over 25 Guardianship and/or Protective Placement Petitions for the court, completes over 300 reports to the State and Social Security in relation to Community Aids, Reconciliation reports, Representative Payee Reports and other documentation as required by the State Department of Health Services and Social Security to maintain compliance with the Waiver Program.

Mr. Hanewall said they have many different funding sources to operate the programs and each of these funding sources have specific regulations as to how they may be applied, reporting requirements, and instances where funding resources may be excluded from application. Their main funding source (44%) is CIP 1-B State/Federal, the County Tax Levy (12%) is the second largest source and the remaining sources are 10% or less each.

Mr. Hanewall went over the funding source breakdown for 2013 budget, 2013 anticipated, and 2014 projected. Mr. Hanewall said the status of the 2013 budget is as follows:

| | <u>2013 Budget</u> | <u>2013 Anticipated</u> |
|------------------------|--------------------|-------------------------------------|
| Total Revenue | \$25,705,750 | \$26,013,235 |
| Total Expenses | 29,573,845 | 29,800,146 |
| County Tax Levy | 3,868,095 | 3,868,095 |
| Add'l Co. Contribution | -0- | 81,184 (under budget as of 6/30/13) |

Mr. Hanewall said the operations of the 2013 budget are impacted by increased costs for relocations within the community; increased costs for high care medical needs; increased costs for community placements due to lack of support and increased restrictions on placements at the State centers and institutions; proactive placements and increased services to prevent emergent cases from occurring; and general unanticipated needs.

The relocations within the community due to a corporate provider closing (9 clients), which the cost to relocate them to new settings was a 52% average increase (County share \$43,811); Relocations within the community (3 clients) due to Adult Family Homes (AFH) giving notice to "no longer serve" resulted in increases from 28% to 65% in daily care rates (County share \$51,719); Increased cost for high medical needs (County share \$62,319); increased cost related to State and Institutional restriction on placements are unpredictable and unanticipated, we have incurred costs of \$200,000 thus far in 2013 for three placements at State facilities; proactive placements and services to avert emergency placements, which includes four clients at a County share of \$43,371.

Mr. Hanewall reported on the General Unanticipated Needs there is a shortfall of approximately \$40,500 for the Birth-to-Three program, which is a State mandated program. This is due to the increased number of children being served in the program and the increased costs of therapy services.

Mr. Hanewall noted, regarding the 2013 budget, that the Department has been able to meet the placement needs for 13 clients through attrition in the program. The Department is anticipating an increase in MA/PC revenue of approximately \$600,000, which will offset some of the anticipated revenue loss from the State. The Department has been successful in appealing to the State on several occasions to obtain additional funding to offset higher care rates due to increased medical, behavioral and physical needs, to prevent the County from incurring those costs. The Department has successfully negotiated with many of our Providers to either reduce or hold costs steady given the financial status of the County for the past three years.

Mr. Hanewall said the 2014 proposed budget is:

| | <u>2013 Budget</u> | <u>2014 Projected</u> | <u>Change</u> |
|-----------------|--------------------|-----------------------|---------------|
| Total Revenue | \$25,705,750 | \$26,550,699 | \$844,949 |
| Total Expenses | 29,573,845 | 30,458,806 | 884,961 |
| County Tax Levy | 3,868,095 | 3,908,107 | 40,012 |

Mr. Hanewall said the contributing factors for this request include: 1) Revenue concerns with the primary components/factors being: a) funding at the State and Federal level to remain the same or less; b) any increases in Social Security are unknown at this time. 2) Increased cost for client care with an expectation to maintain clients in the community: a) occupancy, many providers are being faced with home modifications (ramps, widening hallways, renovating bathrooms, etc.) to continue to serve clients in their current homes; b) additional staff, especially during waking hours, due to clients needing assistance with basic cares; c) overall rising costs in utilities, transportation, food, etc.; d) increased cost for mandated services for Birth-to-Three program for an increase of \$63,731, which is the minimum required amount that the County must contribute to the program; e) potential “emergent” cases, the Department has no way of predicting when an emergent case will present itself or the costs attached for providing care.

Mr. Hanewall said the actions they would need to take to maintain a tax levy equal to 2013 and the impact would be:

| | |
|------------------------------------------|-------------|
| 2013 Budget Tax Levy | \$3,868,095 |
| 2014 Budget with 0% increase in Tax Levy | \$3,868,095 |
| 2014 Actual Budget Request Tax Levy | \$3,908,107 |
| 2014 Overage | \$ 40,012 |

1) Action: Maintain Rehab Resources at their 2013 budgeted amount of \$132,000 versus the amount of \$172,500.

Effect: Since Rehab Resources is totally funded utilizing Purchase of Care dollars, this would result in a savings of \$40,500 and would reduce the overage to under the \$40,012 additional levy request for 2014.

Impact: Since Rehab Resources will be requesting an additional \$40,500 in 2013 to meet a projected budgetary shortfall, it is predictable that this action would result in a budgetary shortfall in 2014. Since Rehab Resources is the therapeutic component of the Birth-to-

Three program, which is mandated service, the budgetary shortfall would have to be met in 2014.

- 2) Action: Maintain the request for Institutional Care Unanticipated Emergencies at the same budgeted level of 2013 (\$305,095) in the 2014 Budget in Purchase of Care, CIP 1A & CIP 1B areas.

Effect: This would result in a \$29,905 savings, which after the blended rate is applied, would result in a savings of \$10,816 and would further reduce the 2014 levy amount to under the \$40,012 request.

Impact: This potentially would force the Department to utilize additional funds from other areas of the budget thus reducing or eliminating services to pay for these unanticipated costs and since "emergent" cases are unknown and unpredictable, may cause the Department to seek additional funding from the General Fund to pay for any budgetary shortfall.

Mr. Hanewall thanked the Committees for their consideration and support of the Department and the services they provide the citizens of Rock County.

Set Future Meeting Dates. The next meeting of the Joint Committees will be Friday, July 26th, 8:00 A.M. in N-1/N-2 for the Human Services Department. The date for meeting at the Sheriff's Office was set for August 23rd at 8 A.M.

Adjournment: Supervisor Arnold moved adjournment at 10:18 A.M., second by Supervisor Peer. ADOPTED.

Respectfully submitted,

Marilyn Bondehagen
Confidential Administrative Assistant

NOT OFFICIAL UNTIL APPROVED BY COMMITTEES.