

COUNTY BOARD STAFF/FINANCE COMMITTEES
May 28, 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 8:30 A.M. in Conference Room N-1/N-2 on the fifth floor of the Rock County Courthouse-East.

Given the bomb threat phoned into the Clerk of Court this morning, Chair Podzilni asked for a motion to recess until 10:30 A.M. to give the Sheriff's Department time to complete a building search. Supervisor Arnold moved to recess the meeting to 10:30 A.M., second by Supervisor Kraft. ADOPTED.

Chair Podzilni called the meeting back to order at 10:37 A.M.

Committee Members Present County Board Staff Committee – Supervisors Podzilni, Kraft, Arnold, Bussie, Collins, Jensen, Peer, Yankee. Finance Committee – Supervisors Mawhinney, Kraft, Beaver, Mawhinney.

Committee Members Absent: Supervisor Brill (CBS) and Supervisor Diestler (Finance).

Staff Members Present: Craig Knutson, County Administrator; Jeff Smith, Finance Director; Jeff Kuglitsch, Corporation Counsel; Phil Boutwell, Assistant to the County Administrator; Sherry Gunderson, Nursing Home Administrator; David Sudmeier, Health Care Center Controller; Erik Chellevoid, Rock County Sheriff's Office; Elizabeth Pohlman McQuillen, Criminal Justice System Planner/Analyst; Sherry Oja, Senior Accountant/Assistant to the Finance Director; Commander Tom Gehl; Janet Zoellner, Public Health Nurse Director; Ann Klesic, Public Health Nurse; Adam Elmer, Certified Sanitarian I; Karen Cain, Public Health Officer; Tim Banwell, Environmental Protection Director; Vicki Brown, Treasurer; Commander Barbara Tillman; Sheriff Robert Spoden; Lori Stottler, County Clerk.

Others Present: Supervisor Terry Thomas.

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

Citizen Participation, Communications and Announcements. Mr. Knutson thanked everyone for coming back to the meeting.

General Review of County's Financial Position as it Relates to the 2011 Budget. Mr. Smith advised the County's bond rating has been upgraded by Moody's to Aa1 and affirmed by Standard & Poor's at AA for all of our debt.

Interest Earned on Investments. Mr. Smith said that although the County's cash position remained strong in 2009, the continued depressed rates available on investments resulted in a

\$1,311,361 (49%) decrease in interest earned on investments from 2008. LGIP rates have dropped 95% from January, 2008 to December, 2009. Mr. Smith said almost all interest earned offsets the tax levy to fund county operations dollar for dollar. In 2010, \$1,035,000 was budgeted for interest. Mr. Knutson commented that in 2010 we have \$2.5 million dollars less to spend from investment earnings than we had in 2007.

Monthly Cash Balances. Mr. Smith said Rock County's cash position is strong in 2010 despite the State changing the way they disperse their funds. It used to be 1/12th every month, now it is 25% in the first six months.

Cash Investments. Rock County has 28.67% of its cash in long-term investments with a 2.11% rate of return, 46.60% in LGIP at 0.21%, 11.59% with First National Bank of Beloit at 1.86% and 13.14% in CDs earning from 1.40% to 2.70%. Mr. Smith said LGIP interest rates have dropped from 5.25% in March, 2007.

Delinquent Tax Balances. Mr. Smith said the total amount of delinquent real estate taxes increased by \$1,000,000 from 2008-2009. By State Statute, the County is required 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 the County has the statutory authority to take title to property with real estate taxes that are delinquent over two years. This process is call the In Rem Procedure.

Ms. Brown explained on September 1st, by statute, the County Treasurer has to put a lien on all unpaid parcels. This gives the owners two years to redeem their property. For instance, in two years from September 1st Rock County could begin foreclosing on 2009 taxes. She advised currently there are 91 delinquent parcels listed in the court proceedings that the County may take title to this Fall. Ms. Brown said the County does not take contaminated properties because of the liability risk. Rock County works with municipalities that secure funding for clean up of their sites to take title to the property. For the seventh year in a row, the County does not have any tax delinquent parcels available for sale to the general public.

Tax Levy and Rate. Mr. Smith said the drop in equalized value from 2009 to 2010 resulted in an increase in the tax rate to fund the 2010 Budget.

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. The self-insured retention was increased to \$400,000 in 2010. These funds remain Rock County's funds and are invested by WMMIC for credit to the County. In 2009 Rock County earned a capital dividend of \$61,686 on its equity investment and \$9,248 on its self-insured retention.

Audited General Fund Equity. Mr. Smith said the 12/31/09 Unreserved/Undesignated General Fund balance of \$13,650,944 (subject to audit) reflects an increase of \$840,264 over the 12/31/08 balance. This falls within the 10%-17% range of the County's Undesignated Fund Policy.

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. Mr. Smith said he hopes to have the "Near Final Official Statement" on the County's website in the near future.

Mr. Knutson distributed copies of his 2010 budget speech and graphs relating to the County's General Fund balance. He advised the County had an operational surplus in the General Fund for several years. This changed to an operating deficit in 2006 and increased in size through 2009. Over these three years of declining fiscal reserves, the General Fund decreased 25%.

He commented that rating agencies look very closely at this number and Rock County does have a policy stating that the Undesignated General Fund, Special Revenue Fund and Enterprise Fund balances should be between 10-17% of expenditures. In 2005, we were at approximately 18%, however, by 2008 we were down to 11.6%. Therefore, a major goal in 2009-2010 was to stabilize County finances and begin rebuilding the General Fund. This was accomplished through expense cuts, not filling positions and cutting positions in the 2010 Budget. We looked for additional revenue and did not apply any General Fund balance to the 2010 Budget. Our success was reflected in an increase of \$840,000 at the close of 2009. The bond rating reports noted the decline in 2008 and stopping declines in 2009.

Mr. Knutson said in the 2010 Budget we dealt with a budget gap of \$6,000,000 which was successfully dealt with and the County Board adopted a balanced budget. In 2011 we will have to face: 1) State Aids looking at a further \$100,000-\$200,000 in cuts, Community Aids going down again. What we do not know for the last half of 2011, 2012 and 2013 is what the effect of the loss of Stimulus Funding will have on the State Budget; 2) Cost increases for health insurance for employees – a 10% increase would be \$1,820,000; 3) Don't know what the Wisconsin Retirement Fund rate will be for 2011, however, it is anticipated they will go up again. A .6% increase (like in 2010) increases costs by \$350,000. 4) Don't know where we will be on bargaining with the unions. A 1% increase in wages is about \$700,000. He said other counties have had to make bigger cuts than we have done in Rock County, i.e., furloughs and wage cuts. Rock County has not suffered these drastic impacts. We have tried to plan ahead and maintain service levels because our citizens need services more now than ever. Rock County has the highest unemployment rate of surrounding counties.

Mr. Knutson distributed "Repealing the County Tax Rate Limit" which was received from the Wisconsin Counties Association. He explained that Rock County is under two property tax limits: 1) Tax Levy Limit – Cannot increase the levy over what the State allows from year to year; 2) Tax Rate Limit (since 1993).- Counties cannot exceed the 1992 tax rate for operational costs that were payable in 1993. He said this has not been a problem over the years because taxable property values have been rising faster than the increase in the tax levy. In 2009, however, the County's equalized value went down. We won't know until August 15th what the latest equalized value is for Rock County. Mr. Knutson said Residential Property represents over 70% of the equalized value, with the balance Agriculture, Commercial, Manufacturing.

Mr. Knutson said Mr. Boutwell and others have gone to Madison to talk with the Legislature about abolishing these limits. They were not able to accomplish this. He urged the Committees to talk with their Legislators about tax rate limits which only apply to Counties.

Set Future Meeting Dates. The next meeting of the Joint Committees will be Friday, June 18th, 8:30 A.M. with a presentation on Rock Haven by Sherry Gunderson.

Adjournment: Supervisor Arnold moved adjournment at 11:52 A.M., second by Supervisor Yankee. ADOPTED.

Respectfully submitted,

Linda Milligan
Confidential Administrative Assistant

NOT OFFICIAL UNTIL APPROVED BY COMMITTEES.