

December 4, 2003

TO: Waseca County Board of Commissioners

FR: Bruce M. Boyce, County Coordinator

RE: 2004 Waseca County Preliminary Budget Overview

This evening the Waseca County Board of Commissioners is holding a public hearing concerning its proposed 2004 budget and tax levy. The hearing is informational and for purposes of public comment. No decisions will be made at the meeting, and the final budget and levy will be scheduled for action at the December 16th, 2003, County Board meeting. The recommended 2004 preliminary budget equals \$15,081,596, a 13.7% decrease compared to 2003. Initially, this budget was based on a preliminary levy of \$ 7,081,058 (5.0% above 2003) adopted in September. However, since then the Department of Revenue has reduced the County's allowable special levies, permitting a maximum total levy of \$ 6,985,399, 3.6% above the 2003 amount.

Although the reasons for these amounts are varied, as usual, the overriding budget issues for 2004 are massive cuts in state aids, upcoming labor contract renewals, a downsized work force and the need to restore a levy for road/bridge construction. These and other key factors are noted in this summary.

Estimated Maximum Levy:

Historically, Waseca County has been conservative concerning property tax increases. Over the past 10 years, the tax levy has risen by an average of about 3.5 % annually--even after larger than usual increases in recent years. This average is generally below the level of increase in area counties over the same time span.

The 2003 legislature enacted strict limitations on most aspects of county tax levies, allowing counties to recover only a portion of the 2004 state aid reductions. Under state law, most areas of Waseca County's levy are confined to an overall increase of no more than 1.3%. However, some items are considered "special" levies, and, if approved by the Department of Revenue, are exempt from this limitation. The effect of these special levies is shown below:

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Maximum levy subject to levy limit (this figure was \$5,819,973 in 2003)	\$5,906,605
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“Special levies” exempt from limits	
• CIP debt service	517,224
• Capital equipment notes (new)	276,669
• Matching grant requirements	169,467
• Economic development abatements	30,189
• Increased PERA costs	15,044
• Court administration costs	<u>70,201</u>
 TOTAL	 \$6,985,399

This maximum amount is 3.6% above the 2003 levy of \$6,743,865.

The Department of Revenue reduced the special levy for court administration costs from an earlier estimate of \$ 230,574. This amount was reduced because the state will take over most of the costs of court administration in July, 2004.

Note that much of this total comes from a proposed new special levy for capital equipment notes. Without this new levy, the combined total of the County’s limited and special levies would equal \$ 6,708,730, a 0.5% decrease. The reasons for the proposed capital notes levy are detailed later in this summary.

Increased Fee Income:

Partly in response to state cuts, the budget includes fee increases in Zoning, Environmental Health, Sheriff’s, Recorders and Public Health. All of these have been enacted, and they are projected to raise more than \$106K in new revenue. Sheriff’s and Public Health are the largest sources. With the short track record since they were adopted it is difficult to accurately estimate fee income.

Personnel Costs:

- Overall, County staffing levels are 5.5FTE lower than a year ago at this time. In most cases the workload continues or increases with decreased staffing levels.
- All 4 labor contracts are up for negotiation. With tight levy limits and greatly reduced state aids, the 2004 budget does not plan on wage or salary increases. Limiting the costs of contract settlements will be very difficult. However, the contracts must be affordable within future levy limits and state funding to avoid further staffing reductions and layoffs.

- Health insurance premiums are budgeted for a 14% increase based on BC/BS renewal quotes. However, the County has adopted a much higher deductible and is now self-insuring for claims which fall between the prior deductibles and the new

deductible. This offers a good prospect for cost savings during 2004 and may help contain future premium costs.

- Premium cost-sharing, reductions in supplemental insurance and deductible amounts are likely negotiation issues.
- Worker's compensation premiums have risen by about 12%.
- The position cuts approved in order to balance the 2003 budget continue in 2004 (.5 Parks Caretaker, .5 Ext. Tech. Clerk, 1.5 Human Services clerical, .5 IT Tech, .3 4H Coordinator, FT P/Z Tech Clerk, FT Child Support Officer, 8 hrs./wk. License Bureau Tech Clerks). Some of these are new positions budgeted for but not filled, and others are reductions in existing positions.
- In addition, the budget does not include costs for replacing 3 currently vacant positions (Deputy Sheriff, Building Maintenance Worker, Social Worker).
- The only new positions included are in the County Attorney's Office to provide county-wide prosecution services. The added costs will be paid for by the cities in Waseca County.
- The County Voluntary Leave Without Pay (VLWOP) program continues and early retirement incentives have been developed this fall. Both of these are to encourage lower payroll costs.

Court Administration:

- The state has mandated an 8% increase in the Court Administrator budget, prorated until the 7/1/2004 state takeover (\$364,309/2003 > \$204,025/2004). After that point, the County will have much less responsibility for funding the court system.
- Remaining county costs for the court system after 7/04 are included in a separate "Court Administrator-Waseca County" budget, which is increased (\$16,900/2003 > \$33,350/2004).

Central Services:

- After declining by almost \$100K in 2003, the MCIT dividend has rebounded (\$ 74,859/2003 > \$ 113,561/2004).
- Property/liability insurance premiums are up by ~3%.
- Following a \$250K decline in 2003, interest earnings are projected with no increase or decrease for 2004.
- Although the supervisory pay plan continues to lag behind statewide averages, the budget contains no money for needed revisions.

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Elections:

- 2004 is an election year, which increases costs about \$20K above 2003.

Attorney:

- After lengthy discussion this fall, the County Attorney's Office will begin providing all prosecution services for the cities of Waseca, Janesville and New Richland in 2004. This will mean an additional Attorney and a part-time Legal Secretary, but these costs (78,941) will be funded by the cities under a contractual agreement.

Buildings:

- Building/grounds improvement amounts (\$28K) could be used as seed money to set up a separate building fund. Additional startup funds could come from Solid Waste fund balance or added tax levy.
- While staffing is less, maintenance needs increase with the new Public Health Services building.
- Building budgets do not include amounts for major remodeling, which would require funding from Solid Waste fund balance.

Sheriff:

- 2 new Dispatcher/Jailers and 2 new Deputies, and replacement of the current Deputy vacancy, were requested but not included.
- New fee income helps to offset cost increases for health insurance, board of prisoners and supplies.
- The budget plans for replacement of two vehicles.

Public Health Services:

- New fees for environmental health and home care are included, limiting the amount of levy needed. However, nursing fees may discourage participation by homebound clients.

County-Funded Agencies (including Library):

- Budget amounts were reduced -5% in 2003 and an additional -5% for 2004. It is expected that these cuts will result in reduced hours, staffing reductions and facility closures among organizations funded by the county.

Extension:

- On a % basis, no county office shows as much budget reduction as Extension. The 2003 budget included the county share of salaries for an Extension Director and 2 Extension educators, an 80% 4H Coordinator and 1.5 FTE office staff. By contrast the 2004 budget includes a 50% 4H Coordinator, 1 FTE office staff and little else. Funding is included for purchasing added services as needed and for UM Extension administration, but overall the 2004 Extension budget is down by ~\$53K.

Economic Development:

The budget includes no appropriation to the county revolving loan fund as it has been relatively inactive and its balance is adequate (~\$160K).

- Funds for ED appropriations to New Richland, Waldorf and Janesville, are included but with the same reductions applied to other county-funded agencies (-5%/2003, -5%/2004).
- The levy for economic development tax abatements continues at \$30,189. These abatements were granted to assist 5 projects in the City of Waseca.

HRA:

- The ongoing Amberfield Place expense rises by 2% (\$66,548/2003 > \$67,879/2004), per the terms of the lawsuit settlement.

CPA:

- County Program Aid replaces Homestead Agricultural and Credit Aids (HACA) and other aids, reducing state aid to the county by ~\$452K. (1,263,360/2003 > 811,801/2004). Based on the past year's experience, it is far from certain that we will receive the amount certified. In that event, the county would need to reconsider additional 2004 cost cutting moves as proposed and discussed earlier this year.

Road/Bridge/Parks:

- The county portion of the contract with Bonestroo and Associates for Clear Lake trail design costs is included at \$50K.
- Replacement of a Vivian Township bridge on County Road 28 is included at \$150K and is funded through the state's township bridge replacement program.
- 2004 construction is based on 6.5 miles of paving on CSAH 22 from State Highway 13 west to County Road 35. \$200K of tax levy funding is included to match state

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funding for the project. It is also important to restore a construction levy for anticipated Clear Lake Trail costs in 2005 and beyond. In 2003, there was no tax

levy for road construction since the county had been relying on proceeds from a 1999 bond issue for local costs. Putting the local share of construction onto the levy requires shifting and increasing funds previously used for major equipment purchases. This leaves no capacity to levy for equipment, however.

- To fund major equipment replacement for the next three years, the budget proposes issuance of capital equipment notes – a new, short-term bond issue. This would allow \$250K each year for major equipment purchases. It would be cheaper to levy directly for equipment, but the strict levy limits will not allow for this. Bonding is simply a way of creating a new special levy- exempt from the limits- to pay these costs.
- The Road/Bridge/Parks levy is up by 10% (\$962,210/2003>\$1,058,270/2004). The new capital equipment notes levy (\$276,669) would be in addition to this amount.

Human Services:

- Staffing levels are 2.5 FTEs lower than a year ago through attrition. This includes 1.5 office support positions and a Social Worker. The Human Services Director feels strongly that the Social Worker should be replaced and has identified additional cost reductions to allow for this within the proposed levy.
- Title XX and CSSA revenues reflect consolidation of funding from other programs (Family Preservation, Adolescent Service Grant, and Concurrent Permanency Planning) which are now eliminated. The result is the loss of \$145K in state/federal funding (\$653K/2003>\$508K/2004). Increasingly, costs for mandated social services are falling on local funds.
- Out-of-home placement costs have been estimated according to recent trends and are equal to the 2003 level (\$732,500).
- Revenues for Child Welfare/Targeted Case Management, a federal reimbursement, are up (\$100K/2003>\$146K/2004) due to careful monitoring by the Fiscal Supervisor.
- State cuts to the Basic Sliding Fee Child Care program means that both revenues and expenses decline and fewer citizens will be eligible.
- The pilot project for Alternative Response to child protection has ended, and no revenues or expenses for it are included.
- Projected expense and revenue for MFIP clients employment and training are up based on greater federal funding.
- Costs for the Child Day Treatment program, a contract with Waseca schools, are higher based on increased school expense (\$66K/2003>\$81K/2004).
- Revenues and costs for adult foster care are down based on lower-than-expected usage.

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- Overall, the Human Services levy increase amounts to 2.8% (\$1,146,541/2003>\$1,178,444/2004).

Solid Waste:

- As usual no levy is included; the budget is supported by customer and hauler fees, household assessments and commodity sales.
- Staffing level includes 3 county employees and contracts for service with the Senior Citizen's Center and Jobs Plus.
- A single axle truck for transporting commodities (\$50,000) was requested and is included.
- In 2003, the Solid Waste fund balance has been used to fund the Public Health Services remodeling, Sheriff's Dispatch remodeling and a portion of the emergency radio system installation. This will reduce the fund balance by ~\$500K, leaving an estimated year-end total between \$900K-1M.
- This still leaves some fund balance available for non-Solid Waste expenses. The State Auditors have said that the portion of Solid Waste fund balance derived from dedicated revenues (household assessments and SCORE funds) should remain in the Solid Waste fund. According to the Solid Waste Officer, these revenues comprise about 37% of the fund. This means that, once the radio system costs are completed, there should be between \$100-200K for non-Solid Waste costs.

Debt Service:

- The combined debt service for the refunded 1991 CIP bonds and the 1999 CIP bonds is almost the same as 2003 (\$514,123 > \$517,224), continuing until 2014.
- The new capital equipment notes levy would continue at about the \$275K level for 3 years.

Further Notes:

- In most cases, departmental budgets not listed above are less than their 2003 amount. All departmental and agency budget requests were reviewed repeatedly and in detail, and most needed to be reduced to arrive at the current preliminary figure. Funding the total of departmental and agency requests would have required a 12.9% levy increase, clearly impossible under the law.

SUMMARY:

Compared to 2003, most of the 27 different county departments have decreased expenses. All expenses to county-funded agencies have decreased. Overall, the 2004 preliminary budget (estimated expenditures) shows a decrease of **13.7%** (**\$17,480,521/2003 > \$15,081,596/2004**). .

The budget is based on a revised levy of **\$ 6,985,399** which is **3.6%** above the 2003 levy of \$6,743,865. Proposing a tax levy is neither easy or popular, but this is a moderate increase considering the County has lost in excess of \$600,000 in state funding for 2004. Further, there is no assurance that the state will provide even this reduced amount of funding.

The 2004 proposed budget and levy are based on the best current estimate of next year's financial needs. Throughout the fall, the budget has been reviewed in detail at regular county board meetings. When finally adopted, the 2004 tax levy will be the smallest amount the Board finds necessary to fund identified needs and maintain financial stability.

I would like to express my thanks to the Coordinator's and Information Technology staff, County department heads, employees and agency representatives for their role in helping prepare this budget during this past year. It has been a difficult budget year but one that was made better by working with the people involved in it. Their assistance has been crucial and is deeply appreciated.