

September 7, 2004

TO: Waseca County Board of Commissioners

FR: Bruce M. Boyce, County Coordinator

RE: 2005 Waseca County Preliminary Budget Overview

By state law, Waseca County's 2005 preliminary budget and tax levy must be established by September 15, 2004. This action sets the maximum amount for the final levy, which will be adopted after completing our December 2, 2004, public hearing. The final budget (total expenditures) may, however, vary up or down from the preliminary amount. The recommended 2005 preliminary budget equals \$16,254,506, a 6.3% increase compared to 2004. This budget has been prepared based on a preliminary levy of \$ 7,886,993, a 12.9% rise over last year.

Although the reasons for these amounts are varied, as usual, the overriding budget issues for 2005 include the continued reduced level of state aids, increased health insurance costs, potential restoration of items cut during the 2003 budget reductions and the need to increase local funding for road/bridge construction. These and other key factors are noted in this summary.

### **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.

For 2004 and most previous years, the legislature enacted strict limitations on most aspects of county tax levies. Under state law, most areas of Waseca County's 2004 levy were confined to an overall increase of no more than 1.3%. However, the legislature did not enact levy limits for 2005. This means that the County Board defines the "levy limit" for 2005--that is, the amount the Board finds necessary to fund identified needs and maintain financial stability while keeping taxes at an acceptable level.

### **Decreased State Aid, Increased Fee Income:**

County Program Aid--the primary state aid received by the County--is certified at \$936,282. This is only slightly more than the 2004 level and more than \$400,000 below

the original 2003 level. The budget is based on possible cuts in the certified amount. Partly in response to state cuts, the budget also relies on fee income from increases adopted in Zoning, Environmental Health, Sheriff's, and the Records Office.

### **Personnel Costs:**

- At present, all 4 labor contracts have expired and continue to be in negotiation. Limiting the costs of contract settlements has proven very difficult but is still vital in avoiding further staffing reductions and layoffs.
- Health insurance premiums are budgeted for a 15% increase based on BC/BS renewal quotes.
- In 2004, the County approved a "high deductible" (\$ 3000) insurance plan and contracted with a third party administrator to self-insure for lesser claims. Savings from this change will not be certain until year-end. They could be used to lessen future premium increases. Premium cost-sharing and reductions in supplemental insurance have been negotiation issues.
- Worker's compensation premiums have risen by about 5% on average.
- Some of the position cuts approved in order to balance the 2003 budget have continued in 2004 and are planned for 2005 The budget does include the following staffing changes from 2004:
  - replacement of a Deputy Sheriff which has been vacant for about a year
  - addition of a Dispatcher/Jailer, with costs to be offset by reduced overtime
  - an added Child Support Officer, funded from state/federal sources
  - a fulltime Assistant Network Administrator, partly funded by Human Services
  - restoration of .5 clerical position in Human Services
- The County VLWOP (leave without pay) and early retirement incentives continue.
- If the budgeted staffing changes were approved County staffing levels would remain 1.5FTE lower than 2003. In most areas the workload continues or increases.
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### **Court Administration:**

- As of July 2004 the state has assumed funding for most aspects of the County court system. Remaining County costs in 2005 total \$35,850, compared to a total of \$237,375 for the first half of 2004.

### **Central Services:**

- The MCIT dividend is virtually equal to last year (\$113,561/2004 > \$113,002/2005).
- Property/liability insurance premiums are down slightly.
- As in 2004, interest earnings are projected with no increase or decrease.
- \$ 50,000 is included for local matching funds for water quality grants.

**Elections:**

- Per the HAVA federal mandate, new voting equipment will be needed. This is not in the preliminary budget. If the County is required to buy it, remaining CIP funds should be adequate to cover the costs.

**Buildings:**

- Anticipating future building upkeep, the Building Fund levy is at \$ 90,000.
- Maintenance needs have increased with the new Public Health Services building, while staffing is down 1 FTE. To help with this, a maintenance contract for the East Annex is proposed (\$ 15,600)

**Sheriff:**

- 2 new Dispatcher/Jailers, 2 new Deputies, and replacement of the current Deputy vacancy, were requested. The budget allows the replacement Deputy and an extra Dispatcher/Jailer, but is also based on reduced overtime costs resulting from the added staff.
- Cost increases for board and medical care of prisoners, law enforcement supplies and other operating expenses are up by ~ 12%.
- The budget plans for replacement of two vehicles.

**Public Health Services:**

- New fee income for home care is well below expectations. The department's focus has shifted from home to WIC (Women, Infants and Children) clientele. However, the lack of fee income means increased reliance on property taxes.

**County-Funded Agencies (inc. Library):**

- Budget amounts were reduced 5% in 2003 and an additional 5% in 2004. Not surprisingly, most agencies are seeking restoration of their previous amounts and some of them have unique needs. The budget generally restores the 2003 amounts and also includes, at least partially, consideration for special cases.

**Extension:**

Since the joint 4H/Ag Educator position was discontinued, the 2005 budget includes a 75% 4H Coordinator and 1 FTE office staff. Funding is included for horticultural and other programming as well.

### **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 at the same level as 2003 (\$ 10K total)
- The levy for economic development tax abatements continues at \$30,189 but will rise in 2006 when the Latham Place (Lakeshore Inn) abatement takes effect.

### **HRA:**

- The ongoing Amberfield Place settlement expense rises by 2% (\$67,879/2004> \$69,237/2005).

### **CPA:**

- In 2004, Homestead Agricultural and Credit Aids (HACA) and other aids were reduced and combined into County Program Aid (CPA), lowering state aid to the county by ~\$452K (\$1,263,360/2003>\$811,801/2004). The 2005 CPA amount is budgeted at \$842,654, still \$ 400K+ below 2003 amounts. Based on the 2003 experience and the unresolved state budget, it is far from certain that we will receive the amount certified. In that event the county would need to reconsider the 2003/2004 cost cutting moves proposed and discussed earlier.

### **Road/Bridge/Parks:**

- 2005 construction is based on paving CSAH 5 and 16 from the edge of Waseca to the Steele County line. \$400K of tax levy funding is included to match \$400K in state funding for the project, compared to \$200K in construction levy in 2004. This continues the process of increasing local funding for road construction. Work on CSAH 3 in Janesville is also planned at \$250K cost with 100% state funding.
- Preparations for 2006 construction of Clear Lake Drive and Trail are a major factor. Engineering and appraisal costs are figured at \$110K--up from \$80K in 2004. Also, \$200K is included for right-of-way acquisition based on 20 parcels at \$10K each. This is entirely county-funded.
- Due to the lack of state bonding no bridge replacements are included for 2005.
- 2004 equipment purchases were dependent on issuance of capital equipment notes which were exempt from last year's levy limits. Considering the dramatic rise in construction funding, the budget plans to use the money levied for bonding this

year to buy equipment in 2005. In 2006, the previously mentioned Clear Lake engineering and right-of-way costs will not recur and this money can be devoted to equipment needs.

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- Based on the above, the preliminary Road/Bridge/Parks levy is up substantially (\$1,058,270/2004>\$1,659,145/2005). However, the 2004 capital equipment notes levy (\$276K) has been removed from the 2005 budget and partly offsets the increase.

#### **Human Services:**

- Staffing levels are 1.5 FTEs lower than a year ago through attrition. The budget allows for replacement of a .5 FTE Office Support Specialist and an added Child Support Officer. Both are partly funded from state and federal sources.
- In addition the budget is based on conversion of a contracted Social Worker to county employment. It also provides funding to support 50% of the costs of the Assistant Network Administrator position.
- Increasingly, costs for mandated social services are falling on local funds due to state budget cuts. The county share for costs of group homes for mentally retarded is up (\$36K/2004>\$48.5K/2005), as are burial costs for general relief clients (\$6K/2004>\$15K/2005) and regional treatment center expense (\$56K/2004>\$60K/2005)
- Mandatory out-of-home placement costs have been estimated according to recent trends and have risen (\$732.5K/2004>\$752.5K/2005).
- Costs for Basic Sliding Fee Child Care are now paid directly by the state and do not reflect on the county budget except for administrative reimbursements.
- Costs for adult foster care and employment for developmentally delayed are up by a total of \$10K.
- Overall, the Human Services levy increase amounts to 5.7% (\$1,178,444/2004>\$1,245,451/2005), although spending is down by 7.2% (\$4,467,371/2004>\$4,146,495/2005).

#### **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 (\$50K) was requested and is included.
- In 2003 and 2004, 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. The 2005 budget does not plan on using Solid Waste funds for capital outlay.

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### **Debt Service:**

- The combined debt service for the refunded 1991 CIP bonds and the 1999 CIP bonds is almost the same as 2004 (\$517,224 > \$514,137). The refunded 1991 bonds will be paid off in 2006, but the debt service levy for the 1999 bonds will continue at \$515-520K until 2014.
- The 2004 capital equipment notes levy (\$276,669) is deleted from the 2005 budget.

### **Further Notes:**

- Departmental budgets not listed above are all close to their 2004 amount. All departmental and agency budget requests were reviewed repeatedly and in detail, and many needed to be reduced to arrive at the current preliminary figure. Funding the total of departmental and agency requests would have required a 30.7% levy increase.
- Per request of the State Auditor, the Ditch fund for maintenance of county drainage systems is now included in the budget totals (\$100K) even though it is funded by special assessments and not property taxes.

### **SUMMARY:**

Overall, the 2004 preliminary budget (estimated expenditures) shows an increase of 6.3% (\$15,285,537/2004 > \$16,254,506/2005). The final 2005 budget, when adopted in December, may be increased or decreased from this figure.

The budget is based on a levy of \$7,886,993 which is 12.9% above the 2004 levy of \$6,985,399. This guideline was discussed by the Budget Committee following its meetings this summer. Primary factors in this increase include restoration of budget cuts and a substantial rise in Road/Bridge funding. Proposing a tax increase is never easy or popular, but considering the needs identified for 2005 and the absence of \$400,000+ in state aid, it is appropriate as a preliminary amount. As we saw in 2003, there is no assurance that the state will provide all the aid it has committed to for 2005.

The preliminary levy set in September cannot be increased but may only be reduced before final adoption. The 2005 preliminary budget and levy are based on the best current estimate of next year's financial needs. Board adoption of the preliminary amounts does not indicate approval of any department or agency budget; this occurs only after final budget action in December. During the fall, the budget will be reviewed in detail at

regular county board meetings. Ultimately, the 2005 tax levy will be the amount the Board finds necessary to fund identified needs and maintain financial stability.

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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 the summer. Their assistance was crucial and is deeply appreciated.

BMB:mlw