

FY11 CLAY COUNTY BUDGET OVERVIEW

The following information is presented to give explanation and meaning to the Clay County Board of Supervisor's budget for the fiscal year beginning July 1, 2010 and ending June 30, 2011. This document will compare up to ten (10) years of taxable valuations for rural and urban property, related tax levy rates, and departmental expenditures within the governmental fund structure of the County Chart of Accounts.

This budget is compiled on a cash basis for the fiscal year in four (4) major fund groups of General that includes General Basic and General Supplemental; Special Revenue that includes Mental Health, Rural Basic, Secondary Roads, Records Management, and Local Option Sales Tax; Capital Project Funds and Debt Service Funds. The expenditures in each fund are categorized in eight (8) Service Areas which includes Public Safety, Physical Health, Mental Health, County Environment, Roads & Transportation, Governmental Services to Residents, Administration, and Non-program Expenditures that relating to long term debt and capital projects.

Historically the total taxable values on Rural and Urban properties in Clay County have ranged from a low in FY02 of \$680,515,160 to a high in FY11 of \$834,870,613 averaging over ten (10) years to \$740,373,666. From fiscal year 2004 to 2005, the taxable values dropped \$34,402,750 due to the five year productivity formula used to calculate rural value. Fiscal year 2006 saw yet another drop in total taxable value of \$10,746,014 resulting in a total of \$688,926,655 that was used countywide to generate property tax revenue to offset proposed budget expenditures submitted by the various county departments and outside agency requests for funding. Since fiscal year 2006 the taxable values have grown by \$145,943,958 virtually \$80 million in rural taxable values and \$65 million in urban value surrounding residential and commercial property reappraisal and new construction.

Taxes for fiscal year 2011 on property in Clay County represents approximately 49% (\$6,203,946) of all revenue collected. FY11 has budgeted revenues totaling \$12,573,946 which is reduced by just over 2 million dollars from FY10 in the area of Intergovernmental or State Shared Revenues. The Intergovernmental or State Shared Revenues represents approximately 33% or (\$4,132,768). The State shared revenues include grants, property tax replacements dollars, Federal entitlements, and contributions or reimbursements from other local government units. The balance of revenues come from Charges for Services both statutory and non-statutory, License & Permits, Local Option Sales & Service Tax collections, interest earned on investments, and miscellaneous reimbursements.

The Rural taxable values in Clay County support expenditures from service areas of Public Safety and County Environment and Education. For the FY11 fiscal year the Rural Basic Fund will support \$693,489 in service area expenditures and a transfer to Secondary Roads of \$955,516 totaling \$1,649,005. The service area expenditures in Rural Basic will increase by \$40,319 over FY10 due largely to Public Safety expenditure increases. The Rural tax levy is proposed to remain at the FY10 rate of \$3.87 per thousand of taxable valuation. This levy has grown by \$.68 from \$3.19 per thousand in FY02 to \$3.87 in FY11. Revenues to Rural Basic for FY11 from taxation have increased by \$106,838 primarily due to the increased taxable valuation. The projected ending fund

balance for June 30, 2011 in Rural Basic is \$249,725 which is a approximately \$120 thousand more than the average actual fund balance of \$129,744 over the past ten (10) years.

Urban taxable values in Clay County support services in areas not specific to rural property. The FY11 urban taxable values have increased \$9,313,421 from \$414,403,421 to \$423,716,842 which is a 2.25% increase in one year. Over the past ten (10) years the urban taxable value has averaged \$378 million so the proposed fiscal year of 2011 taxable value is 12.15% above average. All taxable value, whether rural or urban, support services budgeted in all of the eight (8) service areas mentioned on page 1. The countywide taxable valuation for FY11 is \$834,870,613 which was \$797,019,075 in FY 10 for an increase of 4.75%.

The County's total proposed expenditure budget is \$14,649,180 that reflects an increase of \$299,144 over last year. There are numerous explanations that account for the increase and the following sections will speak to the departmental budget changes, and capital projects that coincide with debt service rates. The effect of Tax Increment Financing (TIF) projects, in the generation of tax revenue in the County, will also be clarified. The mechanism of tax increment financing for funding economic development in the County has existed since the mid 1980's. An area of land in need of an economic boost is designated, usually by a city, to be a tax increment finance district. The taxable value of that district is then frozen to the value it was on the day of creation. This frozen value is called the base. All taxing authorities (i.e. county, schools, cities, and townships) have use of the base value. The TIF entity then prepares the district for development and incurs debt. As the district develops, the incremental value of taxes that would have been collected by all the taxing authorities is retained by the TIF entity to pay off the costs of development. The new value is called the increment. This increment value can only be used by taxing authorities (i.e. county, schools, cities, and townships) that have debt of their own to retire. At the end of the development project the incremental value is released to all taxing jurisdictions as value available to generate tax revenue. Clay County presently has eight (8) active TIF districts resulting in a captured value of \$22,834,164 for FY11 that can only be taxed by the County's debt levy. This incremental value would generate approximately \$221,990. in FY11 based on the combined county levies, if it were available.

Clay County has been levying the maximum of \$3.50 in General Basic since FY02. The General Supplemental levy began in FY04 which is limited in what can be a covered expense such as payroll taxes, various health and risk management insurance premiums, criminal prosecutions, emergency services, and court costs for juveniles. The FY04 General Supplemental levy was \$.60 to cover expenditures of \$515,074 and the FY11 levy is proposed at the same rate as FY10 of \$1.44 to cover expenditures of \$1,265,388. The levy rate remains at the FY09 level for FY11 even though there is an increase in expenditures of \$44,559 over FY10.

The FY11 proposed budget includes the recommendation of the Clay County Compensation Board, created by Iowa Code Chapter 331.905, which met on January 6, 2010. This Board is composed of seven (7) members appointed to four-year staggered terms of office with two members for the Board of Supervisors and one member each for the county auditor, county attorney, county recorder, county sheriff, and county treasurer.

The members of the county compensation board receive no compensation and are required to meet annually to review the compensation paid to comparable officers in other counties, other states, private enterprise, and the federal government. At the public hearing held on the county budget, the FY11 county compensation recommendation of a 2.5% wage increase will be submitted for inclusion in the county budget. This annual increase reflects \$1,575 for the County Sheriff; \$1,250 for the County Auditor, Attorney, Recorder, and Treasurer; and \$600 for each County Supervisor.

Service Area Budget Reviews

- Public Safety and Legal Services: Revenues & Expenditures for Law Enforcement, Legal Services, Emergency Services, Assistance to District Court System, Court Proceedings & Juvenile Justice Administration
 - The programs / departments of Law Enforcement, Legal Services, Emergency Services, District Court System, Court Proceedings, and Juvenile Justice Administration are funded through this service area. The proposed FY11 expenses total: \$2,394,204 which is an increase of 5.3% over FY10 or \$120,493. The Emergency Services expenditures represent the largest increase in this service area due to the anticipated purchase of a county ambulance for \$120,000.
 - 17.5% of the total service area expense is paid for with Rural valuation.
 - While sections of Legal Services, Emergency Services and Court Proceedings increased over FY10 there was a decrease in Law Enforcement programs and District Court system Programs along with Juvenile Justice Administration remained the same as FY10
- Physical Health & Social Services: Revenues & Expenditures for Physical Health Services, Services to the Poor, Services to Military Veterans, Children's & Family Services, Services to Other Adults, and Chemical Dependency Programs.
 - The departments of Sanitarian, General Relief, Veteran Affairs, Non-departmental for drug treatment, youth guidance, and services to the elderly budget within this service area.
 - The proposed FY11 expenses total: \$504,762 which is a net decrease of .94% or \$4,790.
 - The areas of Services Military Veteran Programs and Services to Other Adults represent an increase of \$2,838 in this service area while Physical Health Services, Services to the Poor, and Chemical Dependency Programs were decreased by a total of 7,628. The areas of Children's and Family Services remained at the same funding level of \$37,000. The net resulting in a service area decrease of \$4,790.
 - Funding for this Service Area is totally through General Basic and General Supplemental which utilizes both Rural & Urban taxable valuation.
- Mental Health, Mental Retardation, & Developmental Disabilities: Revenues & Expenditures for Services to Persons with Mental Illness, Persons with Chronic Mental Illness, Persons with Mental Retardation, & Persons with Other Developmental Disabilities
 - The Mental Health tax revenue funding stream from county tax valuation has been limited to \$402,866 since 1996. The FY11 budget reflects a tax revenue funding stream to \$395,378 or a levy rate of \$.47358/ thousand of taxable valuation. The balance of funding is from State Replacement or entitlement dollars and the beginning year cash fund balance. Proposed revenues for FY11 from State Replacement or entitlements is \$791,593 which is a decrease of \$451,704 from FY10 or 36.33%. The proposed revenue for FY11 compares to the funding level of FY05 and FY06.
 - Expenditures are grouped in four (4) main categories. The proposed expenses for FY11 are \$1,779,857 which is an decrease of \$33,847 or 1.9%.
 - 62% of this service area budget is for Mental Retardation, 22.5% for Chronic Mental Illness, 13.3% for Mental Illness, and 2.3% for Other Developmental Disabilities
 - The proposed ending cash fund balance in Mental Health is \$649 which is .03% of proposed expenditures as a carry-over fund balance. The budgeted carry-over fund balance for FY10 was \$108,096 or 6%. Therefore services have grown to the extent of using 5.97% of the funds cash reserve.

- County Environment & Education: Revenues & Expenditures for Environmental Quality, Conservation & Recreational Services, Animal Control, Educational Services & County Development are funded through this service area by dollars in General Basic, General Supplemental, Rural Services, & REAP
 - The total proposed expenditures are \$1,199,463 which is an increase of \$208,923 or 17.42%.
 - County Development Programs represents the largest increase of \$166,957 primarily in the area of economic development. Areas of Environmental Quality, Conservation & Recreation Services, and Educational Services also proposed increases totaling \$42,016 while Animal Control Programs decreased by \$50.
 - 50.4% of this service area funding is from General Basic & General Supplemental fund that utilize both Rural & Urban taxable valuation. 21.6% of the expenditures are paid for from Rural Basic that is restricted to provide services to rural residents only. The remaining 28% of funding is from other funds such as Local Option Sales & Service Tax or REAP
- Roads & Transportation: Revenues & Expenditures for Secondary Roads Administration and Engineering, Roadway maintenance, General Roadway Expenditures, and Mass Transit.
 - The total proposed expenditures for FY11 are \$4,836,791 which is a net increase of \$407,879 or 9.2%.
 - Secondary Roads Administration increased by \$429,996 over FY10.
 - Roadway Maintenance programs covering bridges, roads, snow & ice control decreased by \$171,309 from FY10.
 - General Roadway Expenditures covering equipment operations increased by \$149,192 over FY10.
 - This service area is not funded by direct taxation but rather by transfer of funds from both the General Basic and Rural Basic Funds. The operating transfers for FY11 are \$110,978 from General Basic and \$955,516 from the Rural Basic fund. This is an increase of \$13,756 to ensure access to State Road Use Tax dollars.
 - Revenues to Secondary Roads, other than from transfer, are proposed to be \$4,194,769 which is a decrease of \$697,535 from FY10 due primarily to a loss of receipts in the area of Miscellaneous Revenue and Local Option Sales Tax transfers.
 - Local Option Sales Tax revenue represents 22% of the revenues while Intergovernmental State Shared Revenues represent 66.7%. The remaining 11.3% is received as contributions from other intergovernmental units, licenses & permits, and charges for services.
- Governmental Services to Residents: Revenues & Expenditures for Representation Services and State Administrative Services
 - The departments of Auditor, Treasurer, and Recorder provide services through this service area.
 - This service area proposed expenditures for FY11 are \$441,425 which is an increase of \$40,169 or 10% due primarily to the Elections Administration section.
 - The administration of all Federal, State, and County elections and township officials services are covered here. The proposed FY11 is \$141,023 which reflects a 16.5% increase over FY10 expenditures.

- The Motor Vehicle Registration & Licensing services are covered here totaling \$108,025 reflecting an 8.8% increase over FY10 or \$8,738.
- The Records Records Management of Public Documents is serviced here for \$192,337 in FY11 or 6.3% increase over FY10 or \$11,354.
- Administration: Revenues & Expenditures for Policy & Administration, Central Services, & Risk Management Services
 - The Board of Supervisor, Auditor, Treasurer, Data Processing GIS, and Non-departmental departments propose budgets in this service area.
 - Proposed expenditures for FY11 are \$1,817,678 which is an increase of \$112,607 or 6.6%.
 - Policy & Administration Programs and Central Services Programs accounted for the largest element of the increase in the amount of \$126,017 while Risk Management Services decreased by \$13,410.
 - Funding for this Service Area is through General Basic and General Supplemental which utilizes both Rural and Urban taxable valuation.
- Long Term Debt: General Obligation Bonds, TIF Bonds, Revenue Bonds, Loans, and Lease-Purchase Payments are reported in the County Financials Long Term Debt Schedule. Iowa Code Chapter 331.478 allows counties to contract indebtedness and issue bonds in nine (9) categories. The debt payments may be repaid by taxes levied on property or resources from the fund which the debt was incurred. Clay County presently has two (2) loans paid by taxes levied on property, also reports the flow through of a loan payment for the Clay Regional Event Center.

- Debt Schedule

Description	Amount of Issue	Year Issued	Year to Retire	Paid by Debt Rate	Paid by Other Funds
Courthouse Restoration (2)	\$1,800,000	2005	2016	Yes	
Regional Event Center	\$2,000,000	2004	2030		Yes

- The proposed FY11 budget reflects \$200,280 in loan payments supported by Debt Service taxes at a rate of \$.43534 / thousand of total taxable value. The loan payments made from funds not supported by property tax equals \$130,802 for FY11 which passes through Clay County financials for the Regional Event Center.
- The Debt Service tax rate of \$.43534 / thousand has remained the same with the intent to pay principal payments in advance being in June, 2010.
- The proposed ending cash balance in the County Debt Service Fund for the year ending June 30, 2010 is \$469,358 which, by law, can only be used to retire incurred county debt.