

## FY14 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, 2013 and ending June 30, 2014. 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 FY06 of \$688,926,655 to a high in FY14 of \$940,026,588 averaging over ten (10) years to \$801,439,070. 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 \$251,099,933 virtually \$135 million in rural taxable values and \$116 million in urban value surrounding residential and commercial property reappraisal and new construction.

Taxes for fiscal year 2014 on property in Clay County represents approximately 52% (\$6,960,629) of all revenue collected. FY14 has budgeted revenues totaling \$13,308,363 which increased by \$397,988 dollars from FY13 with the largest increase coming from Intergovernmental or State Shared Revenues. The Intergovernmental or State Shared Revenues represents approximately 29.5% or \$3,927,436. 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 FY14 fiscal year the Rural Basic Fund will support \$778,723 in service area expenditures and a transfer to Secondary Roads of \$1,111,988 totaling \$1,890,711. The service area expenditures in Rural Basic will increase by \$22,215 over FY13 due largely to Public Safety and County Environment expenditure increases. The Rural tax levy is proposed to remain at the FY13 rate of \$3.87 per thousand of taxable valuation. This levy has remained constant for the past five (5) fiscal years. Revenues to Rural Basic for FY14 from taxation have increased by \$69,503 primarily due to the increased taxable valuation. The projected

ending fund balance for June 30, 2014 in Rural Basic is \$416,852 which is a approximately \$249 thousand more than the average actual fund balance of \$167,397 over the past ten (10) years.

Urban taxable values in Clay County support services in areas not specific to rural property. The FY14 urban taxable values have increased \$12,391,339 from FY13 at \$461,279,647 to \$473,670,986 which is a 2.68% increase in one year. Over the past ten (10) years the urban taxable value has averaged \$410 million so the proposed fiscal year of 2014 taxable value is 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 FY14 is \$940,026,588 which was \$909,912,472 in FY 13 for an increase of 3.3%.

The County's total proposed expenditure budget is \$14,347,561. There are numerous explanations in the following sections that 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 nine (9) active TIF districts resulting in a captured value of \$17,099,814 for FY14 that can only be taxed by the County's debt levy. This incremental value would generate approximately \$165,328 in FY14 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 FY14 levy is proposed at the same rate as FY09 of \$1.44 to cover expenditures of \$1,437,874. The levy rate remains at the FY09 level for FY14 even though there is an increase in expenditures of \$61,222 over FY12.

The FY14 proposed budget includes the recommendations of the Clay County Compensation Board, created by Iowa Code Chapter 331.905. 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 FY14 county compensation recommendation of a \$725 annual increase for the members of the Board of Supervisors; a \$980 annual increase for the County Attorney, a \$1,569 annual increase for offices of County Auditor, County Recorder, County Treasurer; and a \$4,507 annual increase for the County Sheriff which will be submitted for inclusion in the county budget. This annual increase reflects a total of \$13,819 for the elected officials.

The County budget also allocates non-mandated discretionary spending to support outside agencies that deliver services to the residents of Clay County in such a way that alleviates the need to grow local government departments to provide the essential services. The total allocation to non-mandated agencies for FY14 is \$349,779. The County funds that support this total allocation is as follows: General Basic \$185,169; Rural Basic \$49,610 to the county libraries; and Local Option Sales Tax (not property tax) \$115,000.

### **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 FY14 expenses total: \$3,012,267 which is an increase of 4.5% over FY13 or \$130,749. The Law Enforcement Program expenditures represent the largest increase in this service area due to adult corrections and the criminal prosecution expenses. 18.5% of the total service area expense is paid for with Rural valuation.
  - While sections of Law Enforcement and Court Proceedings increased over FY13 there was an 18.6% decrease (\$126,276) spending in areas of Legal Services, Emergency Services, Assistance to the District Court System, and Juvenile Justice Administration.
- 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 FY14 expenses total: \$784,903 which is a net increase of 38.7% or \$219,400.
  - The area of Physical Health Service Programs represents 61% or \$134,254 of the increase to this service area due primarily to the Public Health contract increase with the Spencer Municipal Hospital and the State required recognition of the Iowa Department of Public Health flow through grant dollars.
  - 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 revenue funding stream from county tax valuation has been limited to \$402,866 since 1996. The FY14 budget reflects a tax revenue funding stream to \$394,962 or a levy rate of \$.42016/ thousands of taxable valuation. The balance of funding is from State Replacement or entitlement dollars and the beginning year cash fund balance. Proposed revenues for FY13 from State Replacement or entitlements is \$458,833 which is an increase of \$203,595 from FY12 or 30%.
  - Expenditures are grouped in four (4) main categories. The proposed expenses for FY14 are \$882,832 which is a decrease of \$1,147,004 or 56.5%.
  - 11.6% of this service area budget is for Mental Health Problems/Mental Illness, 40.7% for Chronic Mental Illness, 31.6% for Mental Retardation, and 1.2% for Other Developmental Disabilities, and 8.3% for Administration.
  - The proposed ending cash fund balance in Mental Health is a meager \$56,423.
  
- 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 \$1,338,055 which is a decrease of \$68,734 or 4.9%.
  - Conservation & Recreation Services represents the largest increase of \$140,416 primarily in the area of Maintenance & Operations. Areas of Environmental Quality and County Development, and Educational Services have proposed decreases totaling \$209,150.
  - 55% of this service area funding is from General Basic & General Supplemental fund that utilize both Rural & Urban taxable valuation while 15% of the expenditures are paid for from Rural Basic that is restricted to provide services to rural residents only. The remaining 30% 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 FY14 are \$4,994,812 which is an increase of \$457,725 or 10%.
  - Secondary Roads Administration maintained the same level as FY13.
  - Roadway Maintenance programs covering bridges, roads, and snow & ice control increased by \$337,623 over FY13 primarily in the area of Roads.
  - General Roadway Expenditures covering equipment operations increased by \$120,106 over FY13.
  - 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 FY14 are \$125,794 from General Basic and \$1,111,988 from the Rural Basic fund. This is an increase of \$110,472 that ensures access to State Road Use Tax dollars.
  - Revenues to Secondary Roads, other than from transfer, are proposed to be \$3,003,754 which is an increase of \$45,831 from FY13 due primarily

to a gain of receipts in the area of State Shared Revenues and Federal Grants and Entitlements.

- State Shared Revenues represents 96% of the revenues while Intergovernmental State Shared Revenues represent 1%. The remaining 3% is received from Licenses & Permits, Use of Money & Property, and Miscellaneous revenues.
- 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 FY14 are \$510,902 which is an increase of \$102,929 or 25% 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 FY14 is \$192,372 which reflects a 88% increase over FY13 expenditures.
  - The Motor Vehicle Registration & Licensing services are covered here totaling \$113,930 reflecting an increase of \$5,573 over FY13.
  - The Recorders Records Management of Public Documents is serviced here for \$204,600 in FY14 reflecting a \$7,435 increase over FY13 or 3.8%.
- 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 FY14 are \$1,647,561 which is an increase of \$11,460 over FY13 or .70% or less than 1%.
  - 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 (2) loans paid by taxes levied on property and one loan by other county funds, and also reports the flow through of a loan payment for the Clay Regional Event Center. In December, 2010 the County paid off one Courthouse Restoration Loan in the amount of \$667,107. This loan was paid off five (5) years in advance of the retirement date and saved \$59,832 in loan interest.

- Debt Schedule

Description	Amount of Issue	Year Issued	Year to Retire	Paid by Debt Rate	Paid by Other Funds
Regional Event Center	\$2,000,000	2004	2030		Yes
Governmental Serv Building	\$400,000	2012	2022		Yes
Clay Co Jail & Sheriff Office	\$5,090,000	2011	2031	Yes	
Clay Co Jail & Sheriff Office	\$1,065,000	2012	2016	Yes	

- The proposed FY14 budget reflects \$424,863 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 \$75,635 for FY14 which covers the loan payment for renovation done to the Governmental Services Building and the interest payable on the County Jail and Sheriff Office project.
- The Debt Service tax rate of \$.43534 / thousand has remained the same with the intent to pay additional principal payments in advance therefore retiring loans prior to their maturity dates.
- The proposed ending cash balance in the County Debt Service Fund for the year ending June 30, 2014 is \$213,463 which, by law, can only be used to retire incurred county debt.