

FY15 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, 2014 and ending June 30, 2015. 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 FY15 of \$948,077,252 averaging over ten (10) years to \$826,249,526. 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 \$259,150,597 virtually \$145 million in rural taxable values and \$114 million in urban value surrounding residential and commercial property reappraisal and new construction.

Taxes on property for fiscal year 2015 in Clay County represents approximately 48% (\$6,800,634) of all revenue collected. The net property taxes of \$6.8 million has dropped by \$129,995 over FY14 due primarily to an increase revenue from State Credits applied to real property. FY15 has budgeted revenues totaling \$14,149,464 which increased by \$841,101 dollars from FY14 with the largest increase coming from Secondary Roads Intergovernmental and Traffic Safety funds. The total Intergovernmental or State Shared Revenues represents approximately 32% or \$4,516,679. 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 for service areas of Public Safety and County Environment and Education. For the FY15 fiscal year the Rural Basic Fund will support \$907,935 in service area expenditures and a transfer to Secondary Roads of \$1,167,128 totaling \$2,075,063. The service area expenditures in Rural Basic will increase by \$129,212 over FY14 due largely to County Environment and Education expenditure increases to purchase a motor vehicle and equipment. The Rural tax levy is proposed to remain at the FY14 rate of \$3.87 per thousand of taxable valuation. This

levy has remained constant for the past six (6) fiscal years. Rural Basic net property taxes for FY15 have decreased by \$16,965 primarily due to the increased revenue from State Credits applied to real property. The projected ending fund balance for June 30, 2015 in Rural Basic is \$290,788 which is nearly \$37,000 thousand more than the average actual fund balance of \$252,895 over the last ten (10) years.

Urban taxable values in Clay County support services in areas not specific to rural property. The FY15 urban taxable values have decreased \$1,647,938 from FY14 at \$473,670,986 to \$472,023,048 which is a .35% decrease in one year. Over the past ten (10) years the urban taxable value has averaged \$420 million so the proposed fiscal year of 2015 taxable value is 12% 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 FY15 is \$948,077,252 which was \$940,026,588 in FY 14 for an increase of 12%.

The County's total proposed expenditure budget is \$15,974,986. 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 eleven (11) active TIF districts resulting in a captured value of 22,623,152 for FY15 that can only be taxed by the County's debt levy. This incremental value would generate approximately \$218,644 in FY15 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 FY15 levy is proposed at the same rate as FY09 of \$1.44 to cover expenditures of \$1,542,101. The levy rate remains at the FY09 level for FY15 even though there is an increase in expenditures of \$104,227 over FY14.

The FY15 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 FY15 county compensation recommendation of a \$275 annual increase for the each member of the Board of Supervisors; a \$1,980 annual increase for the County Attorney, a \$1,114 annual increase for offices of County Auditor, County Recorder, County Treasurer; and a \$1,477 annual increase for the County Sheriff which will be submitted for inclusion in the county budget. This annual increase reflects a total of \$7,704 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 FY15 is \$340,579. The County funds that support this total allocation is as follows: General Basic \$175,969; 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 FY15 expenses total: \$2,929,699 which is a decrease of 2.7% over FY14 or \$82,568. The Law Enforcement Program expenditures represent the largest decrease in this service area due to Communication Center expenses and adult corrections expenses. 20% of the total service area expense is paid for with Rural valuation.
 - While sections of Law Enforcement and Court Proceedings decreased over FY14 there was an 2.2% increase (\$51,950) spending in areas of Legal Services, Emergency Services, 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 FY15 expenses total: \$781,793 which is a net decrease of .39% or \$3,110.
 - The area of Physical Health Service Programs increased \$63,933 due primarily to the Public Health Sanitation costs.
 - 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 FY15 budget reflects a tax revenue funding stream to \$394,722 or a levy rate of \$.41634/ 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 FY15 from State Replacement or entitlements is \$831,303 which is a decrease of \$13,529 from FY14.
 - Expenditures are grouped in four (4) main categories. The proposed expenses for FY15 are \$831,303 which is an increase of \$5,102 or .62%.
 - 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 \$506,812.
 - The enactment of SF2315 into Iowa Code Chapter 331.388 through 331.398 changed the delivery of services from county level to a regional approach. On or before June 30, 2014, all counties shall be in compliance with all of the mental health and disability services region implementation criteria pursuant to Iowa Code Chapter 331.389(4)(d).

- 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 \$1,497,667 which is an increase of \$159,612 or 12%.
 - Conservation & Recreation Services represents the largest increase of \$87,066 primarily in the area of Solid Waste Disposal.
 - 43% of this service area funding is from General Basic & General Supplemental fund that utilize both Rural & Urban taxable valuation while 21% 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 FY15 are \$5,397,768 which is an increase of \$402,956 or 8%.
 - Secondary Roads Administration increased by \$32,153 or 7% over FY14.
 - Roadway Maintenance programs covering bridges, roads, and snow & ice control increased by \$114,446 over FY14 primarily in the area of Roads.
 - General Roadway Expenditures covering equipment operations increased by \$256,357 over FY14 primarily in the area of real estate and buildings.
 - 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 FY15 are \$129,266 from General Basic and \$1,167,128 from

- the Rural Basic fund. This is an increase of \$58,612 that ensures access to State Road Use Tax dollars.
- Revenues to Secondary Roads, other than from transfer, are proposed to be \$3,689,808 which is an increase of \$686,054 from FY14 due primarily to a gain of receipts in the area of contributions from other Intergovernmental Units and Traffic Safety Funds for East 4th Street, Spencer.
 - State Shared Revenues represents 79.5% of the revenues while Intergovernmental State Shared Revenues represent 4.5%. The remaining 16% 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 FY15 are \$434,947 which is a decrease of \$75,955 or 14.8% 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 FY15 is \$136,977 which reflects a 28.7% decrease over FY14 expenditures.
 - The Motor Vehicle Registration & Licensing services are covered here totaling \$88,498 reflecting a decrease of \$25,432 over FY14.
 - The Recorders Records Management of Public Documents is serviced here for \$209,472 in FY15 reflecting a \$4,872 increase over FY14 or 2.3%.
 - 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 FY15 are \$1,759,218 which is an increase of \$111,657 over FY14 or 6.8% due primarily in the area of general county management.
 - 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 FY15 budget reflects \$431,109 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 \$72,635 for FY15 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, 2015 is \$181,309 which, by law, can only be used to retire incurred county debt.