

## **FY17 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, 2016 and ending June 30, 2017. 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, Rural Basic Supplemental, 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 relate 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 FY07 of \$740,811,372 to a high in FY17 of \$1,038,977,487 averaging over ten (10) years to \$870,228,446. 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 \$350,050,832 virtually \$190 million in rural taxable values and \$159 million in urban value surrounding residential and commercial property reappraisal and new construction.

Taxes on property for fiscal year 2017 in Clay County represents approximately 50.2% (\$7,545,657) of all revenue collected. The net property taxes of \$7.5 million has risen by \$643,400 over FY16 due primarily to an increase in taxable valuations. FY17 has budgeted revenues totaling \$15,011,470 which increased by 1,146,339 dollars from FY16 with the largest increase coming from net property taxes and Local Option Sales Tax funds. The total Intergovernmental or State Shared Revenues represents approximately 31.2% or \$4,671,846. 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, Utility Tax Replacement Excise Taxes, 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 FY17 fiscal year the Rural Basic Fund will support \$1,052,636 in service area expenditures and a transfer to Secondary Roads of \$1,207,590 totaling \$2,260,226. The rural expenditures have increased \$105,570 over FY16 due primarily to Public Safety expenses.

The Rural tax levy reached the \$3.95 maximum rate per thousand of taxable valuation in FY16. The Rural Basic Supplemental levy rate was created with a rate of \$.16 per thousand of taxable valuation with the restricted use related to payroll taxes and benefits. Rural Basic net property taxes for FY17 will increase by \$150,601 due to increased taxable valuations. The projected ending fund balance for June 30, 2017 in Rural Basic is \$232,599 which includes a transfer of \$1,207,590 to Secondary Roads to comply with the Road Use Tax Funding requirement. The projected ending balance represents 22% of proposed expenditures for FY17.

Urban taxable values in Clay County support services in areas not specific to rural property. The FY17 urban taxable values have increased 9.7% or \$46 million from FY16 at \$471,508,450 to \$517,519,851. All taxable value, whether rural or urban, support services budgeted in all of the eight (8) service areas mentioned on page 1. The combined countywide taxable valuation for FY17 is \$1,038,977,487 which was \$959,966,822 in FY 16 for an increase of 8.2%.

The County's total proposed expenditure budget is \$15,943,223. 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 ten (10) active TIF districts resulting in a captured value of \$26,666,287 to generate the \$818,451 dollars requested for FY17. The captured value can only be taxed by the County's debt levy. This incremental value would generate approximately \$408,298 in FY17 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 FY17 levy is proposed to be \$1.36 to cover expenditures of \$1,523,435 which is an increase over FY16 of \$60,873. The levy rate was increased to shift \$.16 from the Rural Basic Supplemental levy.

The FY17 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 FY17 county compensation recommendation of a 2% annual increase for the Supervisors, Sheriff, Auditor, Treasurer, Recorder, and 5% increase for the County Attorney. The increase amounts to \$530 per member of the Board of Supervisors; a \$4,250 annual increase for the County Attorney, a \$1,158 annual increase for offices of County Auditor, County Recorder, County Treasurer; and a \$1,537 annual increase for the County Sheriff which will be submitted for inclusion in the county budget. This annual increase reflects a total of \$11,911 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 FY17 is \$354,059. The County funds that support this total allocation is as follows: General Basic \$211,969; Rural Basic \$52,090 to the county libraries; and Local Option Sales Tax (not property tax) \$90,000.

## **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 FY17 expenses total: \$3,059,650 which is an increase of 5.4% over FY16 or \$156,653. The Legal Services Program represents the largest increase in this service area due to Criminal Prosecution expenses. Twenty-four percent (24%) of the total service area expense is paid for with Rural valuation.
  - While sections of Emergency Services and Court Proceedings decreased \$7,248 over FY16 there was a 5.6% increase (\$163,791) in spending in the areas of Law enforcement, Legal Services, District Court, 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 FY17 expenses total: \$764,698 which is a net decrease of 3.7% or \$29,590.
  - The areas of Services to Military Veterans and Chemical Dependency increased \$28,011 due primarily to Chemical Dependency Preventive Services and administration of Military Veterans services. Physical Health Services, Services to the Poor, and Children and Family Services decreased by \$57,601 for FY17 due primarily to Environmental Health and Public Health Administration.

- 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 FY17 budget reflects a tax revenue funding stream to \$395,539 or a levy rate of \$.38070/ 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 FY17 from State Replacement or Shared Revenues is \$34,754 which is a decrease of \$11,133.
  - 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 were to be in compliance with all of the mental health and disability services region implementation criteria pursuant to Iowa Code Chapter 331.389(4)(d).
  - As of July 1, 2014 Clay County has been within the Northwest Iowa Care Connection Region comprised of six counties (i.e.: Lyon, Osceola, Dickinson, O'Brien, Palo Alto, and Clay) with O'Brien County functioning as the regional fiscal agent. Due to this legislation all revenues collected and cash on hand held by Clay County are disbursed to the fiscal agent less our local administrative costs.
  - The proposed expenses for FY17 are \$395,273 with \$87,887 identified as administrative costs.
  - The proposed ending cash fund balance in Mental Health is \$45,739.
- 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 \$1,426,452 which is a net decrease of \$94,930 or 6.2%.
  - Conservation & Recreation Services and County Development Programs represent the largest decrease of \$102,768 primarily in the area of Maintenance & Operation.
  - 62% of this service area spending is from General Basic & General Supplemental fund that utilize both Rural & Urban taxable valuation while 22% of the expenditures are paid for from Rural Basic that is restricted to provide services to rural residents only. The remaining 16% 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 FY17 are \$5,437,643 which is a mere increase of \$459.
  - Secondary Roads Administration increased by \$120,742 or 20.5% over FY16.

- Roadway Maintenance programs covering bridges, roads, and snow & ice control increased by \$88,817 over FY16 primarily in all areas of Roads, snow & Ice Control, Traffic controls, and Road Clearing.
  - General Roadway Expenditures covering equipment operations decreased by \$209,100 over FY16 primarily in the areas of Equipment and Equipment Operations.
  - 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 FY17 are \$135,112 from General Basic and \$1,207,590 from the Rural Basic fund. This is an increase of \$4,856 that ensures access to State Road Use Tax dollars.
  - Revenues to Secondary Roads, other than from transfer, are proposed to be \$4,218,069 which is an increase of \$564,402 from FY16 primarily from State Shared Revenues and Miscellaneous Revenue.
  - State Shared Revenues represents 75.6% of the revenues while Intergovernmental State Shared Revenues represent 13.4%. The remaining 11% 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 FY17 are \$459,323 which is an increase of \$4,556 or 1% due primarily to the State Administrative Services for Motor Vehicle and Recording of Public Documents.
    - The administration of all Federal, State, and County elections and township officials services are covered here. The proposed FY17 is \$150,492 which reflects a 3.5% decrease over FY16 expenditures.
    - The Motor Vehicle Registration & Licensing services are covered here totaling \$93,445 reflecting an increase of \$3,814 of 4.3% over FY16.
    - The Recorders Records Management of Public Documents is serviced here for \$215,386 in FY17 reflecting a \$6,183 increase over FY16 or 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 FY17 are \$1,811,381 which is an increase of \$58,669 over FY16 or 3.3% 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 one loan 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	

- The proposed FY17 budget reflects \$472,300 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 \$44,250 for FY17 which covers the loan payment for renovation done to the Governmental Services Building.
- 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, 2017 is \$202,504 which, by law, can only be used to retire incurred county debt.