

## **FY12 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, 2011 and ending June 30, 2012. 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 FY12 of \$887,007,919 averaging over ten (10) years to \$761,054,041. 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 \$98 million in rural taxable values and \$88 million in urban value surrounding residential and commercial property reappraisal and new construction.

Taxes for fiscal year 2012 on property in Clay County represents approximately 51% (\$6,472,895) of all revenue collected. FY12 has budgeted revenues totaling \$12,562,598 which is reduced by just over \$11 thousand dollars from FY11. The Intergovernmental or State Shared Revenues represents approximately 31% or (\$3,998,669). 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 FY12 fiscal year the Rural Basic Fund will support \$780,560 in service area expenditures and a transfer to Secondary Roads of \$996,815 totaling \$1,777,375. The service area expenditures in Rural Basic will increase by \$129,370 over FY11 due largely to Public Safety and County Environment expenditure increases. The Rural tax levy is proposed to remain at the FY11 rate of \$3.87 per thousand of taxable valuation. This levy has remained constant for the past three (3) fiscal years. Revenues to Rural Basic for FY12 from taxation have increased by \$82,738 primarily due to the increased taxable valuation. The projected ending fund balance for June 30, 2012 in Rural Basic is \$341,971 which is a

approximately \$120 thousand more than the average actual fund balance of \$159,555 over the past ten (10) years.

Urban taxable values in Clay County support services in areas not specific to rural property. The FY12 urban taxable values have increased \$34,507,809 from FY11 at \$423,716,842 to \$458,224,651 which is an 81.4% increase in one year. Over the past ten (10) years the urban taxable value has averaged \$389 million so the proposed fiscal year of 2012 taxable value is 17.77% 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 FY12 is \$887,007,919 which was \$834,870,613 in FY 11 for an increase of 6.24%.

The County's total proposed expenditure budget is \$14,153,082 that reflects an decrease of \$496,098 or 3.38% over last year. There are numerous explanations that account for the decrease 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 six (6) active TIF districts resulting in a captured value of \$21,964,060 for FY12 that can only be taxed by the County's debt levy. This incremental value would generate approximately \$203,575. in FY12 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 FY12 levy is proposed at the same rate as FY09 of \$1.44 to cover expenditures of \$1,294,382. The levy rate remains at the FY09 level for FY12 even though there is an increase in expenditures of \$28,994 over FY11.

The FY12 proposed budget includes the recommendations of the Clay County Compensation Board, created by Iowa Code Chapter 331.905, with the exception of the Board of Supervisors vote to reduce the recommendation for their position to be zero percent increase for FY12. 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 FY12 county compensation recommendation of a 1.5% wage increase will be submitted for inclusion in the county budget. This annual increase reflects \$968 for the County Sheriff and \$769 for the County Auditor, Attorney, Recorder, and Treasurer.

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 FY12 is \$509,077 which is even with the net allocation of FY11. The County funds that support this total allocation is as follows: General Basic \$260,782; Rural Basic \$45,100 to the county libraries; Mental Health \$118,195; and Local Option Sales Tax (not property tax) \$85,000.

## 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 FY12 expenses total: \$2,381,469 which is a decrease of .53% over FY11 or \$12,735.. The Emergency Services expenditures represent the largest decrease in this service area due to not purchasing a county ambulance.
  - 20% of the total service area expense is paid for with Rural valuation.
  - While sections of Law Enforcement, Legal Services, Assistance to District Court and Court Proceedings increased over FY11 there was a decrease in 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 FY12 expenses total: \$572,940 which is a net increase of 13% or \$68,178.
  - The areas of Services to Poor; Services to Military Veterans; Children & Family Services; and Services to Other Adults represent an increase of \$128,893 in this service area while Physical Health Service Programs and Chemical Dependency Programs were decreased by a total \$10,917.
  - 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 FY12 budget reflects a tax revenue funding stream to \$386,150 or a levy rate of \$.43534/ 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 FY12 from State Replacement or entitlements is \$606,990 which is a decrease of \$184,603 from FY11 or 23%. The proposed revenue for FY12 compares to the funding level of FY05 and FY06.
  - Expenditures are grouped in four (4) main categories. The proposed expenses for FY12 are \$1,893,511 which is an increase of \$113,654 or 6%.
  - 61% of this service area budget is for Mental Retardation, 24% for Chronic Mental Illness, 13% for Mental Illness, and 2% for Other Developmental Disabilities
  - The proposed ending cash fund balance in Mental Health is a negative \$73,970 which is due, in large part, to over an 11% drop in State and Intergovernmental revenues based on a formula that factors in cash and accrued fund balances effecting allowable growth dollars.

- 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 \$1,275,219 which is an increase of \$75,756 or 6%.
  - County Development Programs represents the largest increase of \$48,206 primarily in the area of economic development. Areas of Environmental Quality, Conservation & Recreation Services, and Educational Services also proposed increases totaling \$27,550 while Animal Control Programs remained the same as FY11.
  - 46% of this service area funding is from General Basic & General Supplemental fund that utilize both Rural & Urban taxable valuation. 22% of the expenditures are paid for from Rural Basic that is restricted to provide services to rural residents only. The remaining 32% 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 FY12 are \$4,582,266 which is a decrease of \$254,525 or 5%.
  - Secondary Roads Administration decreased by \$359,453 over FY11.
  - Roadway Maintenance programs covering bridges, roads, snow & ice control increased by \$90,266 from FY11.
  - General Roadway Expenditures covering equipment operations increased by \$14,662 over FY11.
  - 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 FY12 are \$121,883 from General Basic and \$996,815 from the Rural Basic fund. This is an increase of \$52,204 to ensure access to State Road Use Tax dollars.
  - Revenues to Secondary Roads, other than from transfer, are proposed to be \$3,700,136 which is a decrease of \$494,633 from FY11 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 21% of the revenues while Intergovernmental State Shared Revenues represent 76%. The remaining 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 FY12 are \$430,700 which is an decrease of \$10,725 or 2% 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 FY12 is \$130,429 which reflects a 7% decrease over FY11 expenditures.

- The Motor Vehicle Registration & Licensing services are covered here totaling \$108,121 reflecting a \$96 increase over FY11.
- The Records Records Management of Public Documents is serviced here for \$192,140 in FY12 reflecting a \$197 decrease from FY11.
- 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 FY12 are \$1,606,052 which is a decrease of \$211,626 or 11%.
  - Policy & Administration Programs and Central Services Programs accounted for the largest element of the decrease in the amount of \$245,626 while Risk Management Services increased by 34,000.
  - 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 (1) loan paid by taxes levied on property 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
Courthouse Restoration (1)	\$500,000	2006	2016	Yes	
Regional Event Center	\$2,000,000	2004	2030		Yes

- The proposed FY12 budget reflects \$59,925 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 \$129,028 for FY12 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 beginning in June, 2010.
- The FY12 budget provides for a proposed building improvement not to exceed \$560,000 to be supported by Debt Service taxes included in the rate of \$.43534 / thousand of total taxable value.
- The proposed ending cash balance in the County Debt Service Fund for the year ending June 30, 2011 is \$748,601 which, by law, can only be used to retire incurred county debt.