

## FY19 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, 2018 and ending June 30, 2019. This document will compare over 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 County MHDS, 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, County MHDS, County Environment, Roads & Transportation, Governmental Services to Residents, Administration, and Non-program Expenditures that relate to long term debt and capital projects.

Historically, over ten (10) years, the total taxable values on Rural and Urban properties in Clay County have ranged from a low in FY09 of \$760,008,957 to a high in FY19 of \$1,102,625,594 averaging over ten (10) years to \$1,027,395,688. 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 2009 the taxable values have grown by \$342,616,637 virtually \$202 million in rural taxable values and \$140 million in urban value surrounding residential and commercial property reappraisal and new construction.

Taxes on property for fiscal year 2019 in Clay County represents approximately 51.8% (\$8,010,141) of all revenue collected. FY19 has budgeted revenues totaling \$15,458,585 which increased by \$324,659 dollars from FY18 due primarily from Federal Grants and Entitlements. The total Intergovernmental or State Shared Revenues represents approximately 34.6% or \$5,354,589. 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 FY19 fiscal year the Rural Basic Fund will support \$1,037,281 in service area expenditures and a transfer to Secondary Roads of \$1,370,955 totaling \$2,408,236. The rural expenditures increase of \$153,733 over FY18 is due to an increase in Public Safety and County Conservation as well as an increase in the transfer to Secondary Roads.

The Rural tax levy will remain at \$3.78 per thousand of taxable valuation for FY19. The Rural Basic property taxes to collect in FY19 will increase by \$106,630 due to increased taxable valuations. The projected ending fund balance for June 30, 2019 in Rural Basic is \$260,291 which includes a transfer of \$1,370,955 to Secondary Roads to comply with the Road Use Tax Funding requirement. The projected ending balance represents 25.09% of proposed expenditures for FY19.

Urban taxable values in Clay County support services in areas not specific to rural property. The FY19 urban taxable values have decreased 4.2% or \$23.8 million from FY18 at \$560,495,947 to \$536,678,564. 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 FY19 is \$1,102,625,594 which was \$1,098,238,010 in FY 18 for an increase of .4%.

The County's total proposed expenditure budget is \$16,586,707 which is a increase from the FY18 expenditure budget by \$1.6 million due primarily to secondary road capital projects. 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 sixteen (17) active TIF districts resulting in a captured value of \$43,732,042 to generate the \$1,271,797 dollars requested for FY19. The captured value can only be taxed by the County's debt levy. This incremental value would generate approximately \$629,487 in FY19 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 FY19 levy is proposed to be \$1.22 to cover expenditures of \$1,566,145 which is an increase over FY18 of \$60,000. The levy rate will be decreased by \$.07 from the rate of \$1.29 in FY18.

The FY19 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 FY19 county compensation recommendation of a 3% annual increase for the Supervisors, Treasurer, and Recorder, a 4% increase for the County Attorney and Auditor, and a 5% increase for the County Sheriff. The increase amounts to \$832 per member of the Board of Supervisors; a \$3,713 annual increase for the County Attorney, a \$1,818 annual increase for offices of County Recorder, and County Treasurer; a \$4,017 annual increase for the County Sheriff, and a \$2,423 annual increase for the County Auditor which will be submitted for inclusion in the county budget. This annual increase reflects a total of \$17,949 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 FY19 is \$391,712. The County funds that support this total allocation is as follows: General Basic \$270,583; Rural Basic \$25,000 to the Fire Training Facility; and Local Option Sales Tax (not property tax) \$96,129.

### **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 FY19 expenses total: \$3,260,580 which is a increase of 9% over FY18 or \$273,083. The Law Enforcement Program represents the largest increase in this service area due to Uniformed Patrol and Adult Correctional Services. Twenty-four percent (20%) of the total service area expense is paid for with Rural valuation.
  - While sections of Law Enforcement, Legal Services, Court Proceedings, and Juvenile Justice increased \$289,700 over FY18 there was .6% decrease (\$16,617) in spending in the areas of Emergency Services and District Court.
- 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 FY19 expenses total: \$733,074 which is a net decrease of 5.5% or \$38,988.
  - The areas of Services to Physical Health, Services to the Poor, Military Veterans Services, Children and Family Services, and Chemical Dependency Programs decreased \$43,098 due primarily to Children and Family Services. Services to Other Adults increased by \$4,110 for FY19. 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 FY19 budget reflects a tax revenue funding stream to \$163,300 or a levy rate of \$.14180 / thousands of taxable valuation is translated from a formula of \$10.00 per population of 16,333 residents in Clay County. This levy rate is a decrease of \$.21974 cents from FY18. The balance of funding is from State Replacement or entitlement dollars and the beginning year cash fund balance. Proposed revenues for FY19 from State Replacement or Shared Revenues is \$69,032 which is an increase of \$33,276.
  - 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 FY18 are \$178,078 with \$99,241 identified as administrative costs.
  - The proposed ending cash fund balance in Mental Health is \$24,857.
  
- 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 \$1,501,181 which is a net increase of \$43,139 or 2.95%.
  - County Development Programs related to economic development loans represent the largest increase of \$63,958.
  - 66% of this service area spending is from General Basic & General Supplemental fund that utilize both Rural & Urban taxable valuation while 13% of the expenditures are paid for from Rural Basic that is restricted to provide services to rural residents only. The remaining 21% 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 FY19 are \$6,110,976 which is a increase of \$929,684 primarily in the area of Roadway Maintenance Programs.
  - Secondary Roads Administration increased by \$97,908 or 1.9% over FY18.

- Roadway Maintenance programs covering bridges, roads, and snow & ice control increased by \$705,389 over FY18 primarily in all areas of Roads.
  - General Roadway Expenditures covering equipment operations increased by \$126,387 over FY18 primarily in the area of Equipment Operations.
  - This service area is not funded by direct taxation but rather by transfer of funds from the General Basic, Rural Basic Funds, and Local Option Sales & Service (LOSST) funds. The operating transfers for FY19 are \$145,947 from General Basic and \$1,370,955 from the Rural Basic fund, and \$730,000 from the LOSST funds. This is an increase of \$197,623 that ensures access to State Road Use Tax dollars.
  - Revenues to Secondary Roads, other than from transfer, are proposed to be \$4,529,367 which is an increase of \$302,897 from FY18 primarily from State Shared Revenues.
  - State Shared Revenues represents 73% of the revenues while Intergovernmental State Shared Revenues represent 25%. The remaining 2% 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 FY19 are \$535,766 which is an decrease of \$15,242 or 2.7% due primarily to the Elections Administration.
    - The administration of all Federal, State, and County elections and township officials services are covered here. The proposed FY19 is \$150,868 which reflects an 18% decrease over FY18 expenditures.
    - The Motor Vehicle Registration & Licensing services are covered here totaling \$150,879 reflecting an increase of \$3,952 or 2.7% over FY18.
    - The Recorders Records Management of Public Documents is serviced here for \$234,019 in FY18 reflecting a \$13,518 increase over FY18 or 6%.
- 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 FY19 are \$2,327,252 which is an increase of \$245,655 over FY18 or 11.8% due primarily in the area of Central Service Programs for general services, information technology services, and GIS systems.
    - 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
Governmental Serv Building	\$400,000	2012	2022		Yes
Clay Co Jail & Sheriff Office	\$5,090,000	2011	2031	Yes	

- The proposed FY19 budget reflects \$520,571 in loan payments supported by Debt Service taxes at a rate of \$.43534 / thousands of total taxable value. The loan payments made from funds not supported by property tax equals \$44,300 for FY19 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, 2019 is \$370,696 which, by law, can only be used to retire incurred county debt.