

FY18 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, 2017 and ending June 30, 2018. 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, 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, 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 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 FY18 of \$1,098,238,010 averaging over ten (10) years to \$917,133,129. 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 \$357,426,638 virtually \$171 million in rural taxable values and \$186 million in urban value surrounding residential and commercial property reappraisal and new construction.

Taxes on property for fiscal year 2018 in Clay County represents approximately 49.82% (\$7,539,333) of all revenue collected. FY18 has budgeted revenues totaling \$15,133,926 which decreased by \$5,702 dollars from FY17. The total Intergovernmental or State Shared Revenues represents approximately 31.44% or \$4,758,278. 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 FY18 fiscal year the Rural Basic Fund will support \$947,645 in service area expenditures and a transfer to Secondary Roads of \$1,306,858 totaling \$2,254,503. The rural expenditures have a minimal decreased of \$5,723 over FY17 which is due to a decrease in rural expenditures but an increase in the transfer to Secondary Roads.

The Rural tax levy will be reduced by \$.16945 cents per thousand of taxable valuation for FY18 due primarily to reduced expenditure needs and the increase of taxable valuation of over \$16.2 million. Rural Basic net property taxes to collect in FY18 will decrease by \$34,468 due to increased taxable valuations. The projected ending fund balance for June 30, 2018 in Rural Basic and Rural Basic Supplemental is \$234,324 which includes a transfer of \$1,306,858 to Secondary Roads to comply with the Road Use Tax Funding requirement. The projected ending balance represents 24.73% of proposed expenditures for FY18.

Urban taxable values in Clay County support services in areas not specific to rural property. The FY18 urban taxable values have increased 8.3% or \$42.9 million from FY17 at \$517,519,851 to \$560,495,947. 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 FY18 is \$1,098,238,010 which was \$1,038,977,487 in FY 17 for an increase of 5.7%.

The County's total proposed expenditure budget is \$14,979,258 which is a decrease from the FY17 expenditure budget by \$963,965 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 (16) active TIF districts resulting in a captured value of \$32,533,662 to generate the \$993,748 dollars requested for FY18. The captured value can only be taxed by the County's debt levy. This incremental value would generate approximately \$305,301 in FY18 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 FY18 levy is proposed to be \$1.29 to cover expenditures of \$1,506,145 which is a decrease over FY17 of \$17,290. The levy rate will be decreased by \$.07 from the rate of \$1.36 in FY17.

The FY18 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 FY18 county compensation recommendation of a 2.5% annual increase for the Supervisors, Sheriff, Auditor, Treasurer, Recorder, and 4% increase for the County Attorney. The increase amounts to \$676 per member of the Board of Supervisors; a \$3,570 annual increase for the County Attorney, a \$1,477 annual increase for offices of County Auditor, County Recorder, County Treasurer; and a \$1,959 annual increase for the County Sheriff which will be submitted for inclusion in the county budget. This annual increase reflects a total of \$13,340 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 FY18 is \$321,807. The County funds that support this total allocation is as follows: General Basic \$214,717; Rural Basic \$52,090 to the county libraries; and Local Option Sales Tax (not property tax) \$55,000.

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 FY18 expenses total: \$2,987,497 which is a decrease of 2.35% over FY17 or \$72,153. The Law Enforcement Program represents the largest decrease in this service area due to Adult Correctional Services. Twenty-four percent (24%) of the total service area expense is paid for with Rural valuation.
 - While sections of Law Enforcement, District Court, Court Proceedings, and Juvenile Justice decreased \$90,495 over FY17 there was .6% increase (\$18,342) in spending in the area of Legal Criminal Prosecution.
- 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 FY18 expenses total: \$772,062 which is a net increase of .9% or \$7,364.
 - The areas of Services to Physical Health, Military Veterans Services, and Services to Other Adults increased \$17,856 due primarily to Physical Health Services. Services to the Poor, Chemical Dependency Programs, and Children

- and Family Services decreased by \$10,492 for FY18 due primarily to Services to Poor Programs.
- 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 FY18 budget reflects a tax revenue funding stream to \$385,295 or a levy rate of \$.36154/ 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 FY18 from State Replacement or Shared Revenues is \$35,756 which is an increase of \$1,002.
 - 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 \$403,438 with \$95,960 identified as administrative costs.
 - The proposed ending cash fund balance in Mental Health is \$205,451.
 - 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 \$1,458,042 which is a net increase of \$31,590 or 2.2%.
 - Conservation & Recreation Services and County Development Programs represent the largest decrease of \$102,768 primarily in the area of Maintenance & Operation.
 - 67% of this service area spending is from General Basic & General Supplemental fund that utilize both Rural & Urban taxable valuation while 16% of the expenditures are paid for from Rural Basic that is restricted to provide services to rural residents only. The remaining 17% 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 FY18 are \$5,181,292 which is a decrease of \$256,351 primarily in the area of Roadway Maintenance Programs.

- Secondary Roads Administration decreased by \$50,990 or .93% over FY17.
 - Roadway Maintenance programs covering bridges, roads, and snow & ice control decreased by \$579,488 over FY17 primarily in all areas of Roads, , and Bridges & Culverts.
 - General Roadway Expenditures covering equipment operations increased by \$374,127 over FY17 primarily in the area of Equipment.
 - 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 FY18 are \$142,421 from General Basic and \$1,306,858 from the Rural Basic fund. This is an increase of \$106,577 that ensures access to State Road Use Tax dollars.
 - Revenues to Secondary Roads, other than from transfer, are proposed to be \$4,226,470 which is an increase of \$8,401 from FY17 primarily from State Shared Revenues.
 - State Shared Revenues represents 76% of the revenues while Intergovernmental State Shared Revenues represent 13.4%. The remaining 10.6% 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 FY18 are \$551,008 which is an increase of \$91,685 or 20% 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 FY18 is \$183,580 which reflects a 22% increase over FY17 expenditures.
 - The Motor Vehicle Registration & Licensing services are covered here totaling \$146,927 reflecting an increase of \$53,482 or 57% over FY17.
 - The Recorders Records Management of Public Documents is serviced here for \$220,501 in FY18 reflecting a \$5,115 increase over FY17 or 2.4%.
- 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 FY18 are \$2,081,597 which is an increase of \$270,216 over FY17 or 14.9% 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
Governmental Serv Building	\$400,000	2012	2022		Yes
Clay Co Jail & Sheriff Office	\$5,090,000	2011	2031	Yes	

- The proposed FY17 budget reflects \$499,264 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 \$44,250 for FY18 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, 2018 is \$277,634 which, by law, can only be used to retire incurred county debt.