

FY10 CLAY COUNTY BUDGET OVERVIEW

The following information is presented to give explanation and meaning to the Clay County Board of Supervisor budget for the fiscal year beginning July 1, 2009 and ending June 30, 2010. 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 of Public Safety, Physical Health, Mental Health, County Environment, Roads & Transportation, Governmental Services to Residents, Administration, and Non-program Expenditures that includes 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 FY01 of \$652,068,011 to a high in FY10 of \$797,019,075 averaging over ten (10) years to \$722,093,405. 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 \$108,092,420 virtually \$56 million in rural taxable values and \$51 million in urban value surrounding residential and commercial property reappraisal and new construction.

Taxes for fiscal year 2010 on property in Clay County represents approximately 40% (\$5,937,677) of all revenue collected. FY10 has budgeted revenues totaling \$14,749,660. The next largest revenue stream to the County is from Intergovernmental or State Shared Revenues that represents approximately 45% (\$6,733,806). 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 FY10 fiscal year the Rural Basic Fund will support \$666,926 in service area expenditures and a transfer to Secondary Roads of \$941,760 totaling \$1,608,686. The service area expenditures in Rural Basic will increase by \$29,112 over FY09 due largely to Secondary Roads transfer increase to ensure access to State Road Use Tax dollars. The Rural tax levy is proposed to increase by \$.27 over FY09 to \$3.87 per thousand of taxable valuation. This levy has grown by \$.68 from \$3.19 per thousand in FY00 to \$3.87 in FY10 or 6.8%. Revenues to Rural Basic for FY10 have increased by \$136,654 primarily due to the increased tax levy to offset the reduction in Intergovernmental revenues. The projected ending fund balance

for June 30, 2010 in Rural Basic is \$150,431 which is a approximately \$37 thousand more than the average fund balance of \$112,973 over the past ten (10) years.

Urban taxable values in Clay County support services in areas not specific to rural property. The FY10 urban taxable values have increased \$18,586,432 from \$395,816,989 to \$414,403,421 which is a 4.69% increase in one year. Over the past ten (10) years the urban taxable value has averaged \$367 million so the proposed fiscal year of 2010 is 12.8% above average. All taxable value, whether rural or urban, support services budgeted in all of the nine (9) service areas mentioned on page 1. The countywide taxable valuation for FY10 is \$797,019,075 which is an increase of 4.87% from FY09.

The County's total proposed expenditure budget is \$14,350,036 that reflects an increase of \$457,432 over last year. There are numerous explanations that account for the increase 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 \$23,455,119 for FY10 that can only be taxed by the County's debt levy. This incremental value would generate approximately \$228,507. in FY10 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 levy was \$.60 to cover expenditures of \$515,074 and the FY10 levy is proposed at the same rate as FY09 of \$1.44 to cover expenditures of \$1,220,829. The levy rate remains at the FY09 level for FY10 even though there is a slight increase in expenditures of \$8,593.

The Board of Supervisors gave a directive to the elected officials and appointed department heads during their preparation of the FY10 expenditure budget. This directive stated that all elected officials, appointed department heads, and non-union employee wages were to be at FY09 rates and that operating budgets were to be submitted at the FY09 levels unless the new expenditure would be covered by an outside revenue source. Law enforcement and Conservation were allowed exceptions to this directive for certain employees.

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 FY10 expenses total: \$2,273,711 which is an increase of 1.4% over FY09 or \$33,179. The Law Enforcement Program Administration represents the largest increase in this service area due to changes in employee benefits.
 - 17.15% of the total service area expense is paid for with Rural valuation.
 - While Law Enforcement programs, Legal Services, Emergency Services, and Juvenile Justice Administration increased over FY09 there was an offsetting decrease in expenditure needs for Emergency Services and Assistance to District Court system Programs.
- 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.
 - The proposed FY10 expenses total: \$509,552 which is a net increase of 2.29% or \$11,449.
 - The areas of Services to Poor and Children's and Family Services represent the increase in this service area.
 - 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 FY10 budget reflects a reduction of the tax revenue funding stream to \$371,437 or a levy rate of \$.45627/ 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 FY10 from State Replacement or entitlements are \$1,243,297 which is an decrease of \$306,574 from FY09 or 19.8%.
 - Expenditures are grouped in four (4) main categories. The proposed expenses for FY10 are \$1,813,704 which is an decrease of \$61,650 or 3.2%.
 - 58.9% of this service area budget is for Mental Retardation, 25.4% for Chronic Mental Illness, 13.19% for Mental Illness, and 2.4% for Other Developmental Disabilities
 - The proposed ending cash fund balance in Mental Health is \$62,346 which is a 3.43% of proposed expenditures as a carry-over fund balance. The budgeted carry-over fund balance for FY09 was \$269,753 or 14.3%. Therefore services have grown to the extent of using 10.87% of the funds cash reserve.

- 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 \$990,540 which is a decrease of \$15,134 or 1.5%.
 - Conservation & Recreation Services represents the largest decrease of \$14,750 in maintenance and operations.
 - 58.4% of this service area funding is from General Basic & General Supplemental fund that utilize both Rural & Urban taxable valuation. 27.9% of the expenditures are paid for from Rural Basic that is restricted to provide services to rural residents only. The remaining 13.6% 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 FY10 are \$4,428,912 which is a net increase of \$29,606 or .67%.
 - Secondary Roads Administration decreased by \$44,532 over FY09.
 - Roadway Maintenance programs covering bridges, roads, snow & ice control increased by \$289,377 over FY09.
 - General Roadway Expenditures covering equipment operations decreased by \$215,239 over FY09.
 - 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 FY10 are \$108,560 from General Basic and \$941,760 from the Rural Basic fund.
 - Revenues to Secondary Roads, other than from transfer, are proposed to be \$4,892,304 which is an increase of \$1,806,885 over FY09 due primarily to receipts from Local Option Sales Tax, Rise funds and Road Use Tax.
 - Local Option Sales Tax revenue represents 24.5% of the revenues while Intergovernmental State Shared Revenues represent 73.4%. The remaining 2.1% 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 FY10 are \$401,256 which is a decrease of \$40,544 or 10.1% 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 FY10 is \$120,986 which reflects a 26% decrease over FY09 expenditures.
 - The Motor Vehicle Registration & Licensing services are covered here totaling \$99,287 reflecting a 2.6% decrease over FY09 or \$2,731.

- The Records Management of Public Documents is serviced here for \$180,983 in FY10 or 45% of the service area expenditures which is an increase of \$5,669 over FY09.
- 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 FY10 are \$1,705,071 which is an increase of \$87,324 or 5.3%.
 - Policy & Administration Programs accounted for the largest element of the increase in the amount of \$33,271.
 - 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 two (2) loans paid by taxes levied on property, also reports the flow through of a loan payment for the Clay Regional Event Center.

- Debt Schedule

Description	Amount of Issue	Year Issued	Year to Retire	Paid by Debt Rate	Paid by Other Funds
Courthouse Restoration (2)	\$1,800,000	2005	2016	Yes	
Regional Event Center	\$2,000,000	2004	2030		Yes

- The proposed FY10 budget reflects \$225,000 in loan payments supported by Debt Service taxes at a rate of \$.43453 / thousand of total taxable value. The loan payments made from funds not supported by property tax equals \$127,290 for FY10 which passes through Clay County financials from the Regional Event Center.
- The Debt Service tax rate of \$.43 / thousand has remained the same since FY06 with the intent to pay principal payments in advance being in June, 2010.
- The proposed ending cash balance in the County Debt Service Fund for the year ending June 30, 2010 is \$553,799 which, by law, can only be used to retire incurred county debt.