

FY07 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, 2006 and ending June 30, 2007. This document will compare eight (8) 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 FY07 of \$754,647,162 averaging over eight (8) years to \$697,988,685. From fiscal year 2006 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. From fiscal year 2006 to 2007, the taxable values increased by \$65,169,000.

Taxes on property in Clay County represent approximately 43% (\$5,327,806) of all revenue collected. FY07 has budgeted revenues totaling \$12,004,172. The next largest revenue stream to the County is from Intergovernmental or State Shared Revenues that represents approximately 40% (\$4,834,432). 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, County Environment, Roads and Transportation, and Administration related to Emergency Management. For the FY07 fiscal year the Rural Basic Fund will support \$627,965 in service area expenditures and a transfer to Secondary Roads of \$868,940 totaling \$1,681,341 which is 9.2% of all proposed County expenditures. The Rural tax levy is proposed at \$3.86 per thousand of taxable valuation. This levy remained the same from FY06 to FY07. Service area expenditures in Rural Basic increased by \$49,869 from FY06 to cover the additional Uniformed Patrol expenses and Environmental and Conservation programs. Revenues to Rural Basic for FY07 have

increased by \$135,136 due to the increase of taxable valuation. The projected ending fund balance for June 30, 2007 in Rural Basic is \$184,436 which is approximately \$93,000 more than the average fund balance over the past eight (8) years.

Urban taxable values in Clay County support services in areas not specific to rural property. For the FY07 taxable values have increased \$30,222,470 from \$357,778,548 to \$388,001,018 which is an 8.4% increase in one year. Over the past eight (8) years the Urban taxable value has been \$350 million so the proposed fiscal year of 2007 is 10.7% above average. All taxable value, whether rural or urban, support services budgeted in all of the nine (9) services areas mentioned on page 1. The countywide taxable valuation for FY07 is \$754,647,162 which is an increase of 9.5% from FY06. Historically the countywide valuations have been as low as \$652 million in FY01 and as high as \$754 million in FY07

The County's total proposed expenditure budget is \$12,557,126 that reflects a decrease of \$618,616 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, and cities) 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, and cities) 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 nine (9) active TIF districts resulting in a value of \$13,835,790 for FY07 that can only be taxed by the County's debt levy. This TIF incremental value has been as high as \$17,400,000 in FY04. This incremental value would generate approximately \$131,300. in FY07 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. General Supplemental 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. In FY05 General Supplemental expenditures were budgeted at \$596,759 costing \$.84 per thousand, FY06 expenditures were \$869,200 at a cost of \$1.15 per thousand of taxable valuation, FY07 proposed expenditures are \$982,011 and retains the levy at \$1.15 per thousand of taxable valuation.

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 departments of County Sheriff, Child Support Recovery, Court system are funded through this service area. The proposed FY07 expenses total: \$2,276,571 which is an increase of 8% over FY06.
 - 17% of this service area is paid for with Rural valuation
 - The increase will cover increased Court appointed attorneys for Juvenile fees; criminal prosecutions; and law enforcement investigations, communications, and adult correctional services .
 - The scheduled funding for a new ambulance totaling \$50,000 will be paid by Local Option Sales & Service Tax funds instead of local property tax revenue.
- 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 FY07 expenses total: \$417,625 which is an increase of 10.4% or \$39,386.
 - The bulk of the increase is in Physical Health Services and Children's and Family Services 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 balance of funding is from State Replacement or Entitlement dollars. Total proposed revenues for FY07 are \$1,571,670
 - Expenditures are grouped in four (4) main categories. The proposed expenses for FY07 are \$1,619,758 which is an increase of \$274,195 or 20% due largely to increased funding allowances.
 - 60.3% of this service area budget is for Mental Retardation, 23.2% for Chronic Mental Illness, 14.1% for Persons with Mental Illness, and 2.3% for Other Developmental Disabilities
- 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 \$872,234 which is an increase of \$93,476 or 12%.
- Conservation & Recreation Services Programs were the largest increase for maintenance and operations totaling \$86,814.
- 53.6% of this service area funding is from General Basic & General Supplemental fund that utilize but Rural & Urban taxable valuation. 26.8% of the expenditures are paid for from Rural Basic that is restricted to provide services to rural residents only. The remaining 19.6% 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 are \$3,699,770 which is a decrease of \$87,650 or 2.3%
 - The areas of Roadway Maintenance programs covering bridges, culverts, snow & ice control, and General Roadway Expenditures covering equipment operations accounted for the decrease in expenditures.
 - This service area is not funding by direct taxation but rather by transfer of funds from both the General Basic and Rural Basic Funds.
 - The operating transfers are \$108,876 from General Basic, \$868,940 from Rural Basic, and \$630,000 from Local Option Sales & Service Tax Fund
- 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.
 - The administration of all Federal, State, and County elections and township officials services are covered here. The proposed FY07 is \$100,446 which reflects a 14% increase over FY06.
 - The Motor Vehicle Registration & Licensing services are covered here totaling \$124,725 for FY07
 - The Recorders Records Management of Public Documents is serviced here for \$169,915 in FY07.
 - This service area proposed expenditures for FY07 are \$395,086 which is an increase of \$28,689 or 7.8% due primarily to the Elections Administration section.
- 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 for FY07 is \$1,337,466 which is an increase of \$100,826 or 8.1%
 - The areas of Policy & Administration and Central Service Programs accounting for the largest element of the increase in this service area.

- 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 three (3) loans paid by taxes levied on property, one (1) paid from Local Option – Any Lawful Use proceeds, and one (1) paid from cash flow resources in the Governmental Services Fund. Clay County 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
Technology Update	\$125,000	2004	2007	Yes	
Sheriff Admin Bldg Purchase	\$175,000	2002	2007		Yes
Scharnberg Park Const	\$127,000	2004	2008	Yes	
Governmental Service Bldg Purchase & Remodel	\$400,000	1998	2009		Yes
Courthouse Restoration	\$1,800,000	2005	2016	Yes	
Regional Event Center	\$2,000,000	2004	2030		Yes

- The proposed FY07 budget reflects \$335,655 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 \$216,200 for FY07 of which \$126,500 passes through Clay County from the Regional Event Center
- The Debt Service tax rate has been as low as \$.06 in FY02 to the present rate of \$.43/thousand in FY07.
- The proposed ending cash balance in the County Debt Service Fund for the year ending June 30, 2007 is \$86,488 which, by law, can only be used to retire incurred county debt.