

STATE APPEAL BOARD

In Re:	Larchwood, Iowa)	
	Budget Appeal)	Order
)	
	FY 2000-2001)	June 5, 2000

BEFORE STATE AUDITOR, RICHARD D. JOHNSON; STATE TREASURER, MICHAEL L. FITZGERALD; AND THE DIRECTOR OF THE DEPARTMENT OF MANAGEMENT, CYNTHIA P. EISENHAUER:

The above captioned matter was heard on May 4, 2000 before a panel consisting of Ronald J. Amosson, Executive Secretary to the State Appeal Board and presiding officer; Stephen E. Larson, Executive Officer III, Office of the State Treasurer; and Katherine L. Rupp, Senior Auditor II, Office of the State Auditor.

The hearing was held pursuant to Iowa Code Chapters 24 and 384. Robert L. Kerkvliet, Mayor of Larchwood, represented the city and the spokespersons for the petitioners were Scott Smidt, President of the Larchwood Parks and Recreation Board, and Frances Honrath, Larchwood Public Library Board Member.

Upon consideration of the specific objections raised by the petitioners, the testimony presented to the hearing panel at the public hearing, the additional information submitted subsequent to the hearing and after a public meeting to consider the matter, the State Appeal Board has voted to sustain the budget.

PROCEDURAL HISTORY

The FY2001 City of Larchwood proposed budget summary was published in the Lyon County Reporter, Rock Rapids, Iowa on February 23, 2000. The date of the public hearing for the budget was March 14, 2000, and the budget was adopted that same day. A petition protesting the certified FY 2001 City of Larchwood budget was filed with the Lyon County Auditor on March 24, 2000, and was received by the State Appeal Board on March 24, 2000.

On the petition document, the petitioners objected to the published budget amounts for the Larchwood City Library and the Larchwood Parks & Recreation budgets. The amounts published were not the amounts the City Council represented the two boards would receive. The decision to change those amounts was made by the City Clerk without the knowledge or input from the City Council members.

DISCUSSION

At the public hearing, Scott Smidt, President of the Larchwood Parks and Recreation Board, stated that the petitioners primary concern was that the budget process was not properly followed. The City Council did not have the opportunity for timely input and discussion of the proposed budget before it was published in the newspaper. Mr. Smidt expressed concern whether the Parks and Recreation Board is going to be funded as approved by the Council.

Mr. Smidt stated that the Parks and Recreation Board presented detailed spreadsheets of future expenditures at the February 7 Council meeting. There was little discussion and no action was taken at the meeting. Prior to the March 6 Council meeting, the budget was published on February 23. The budget was not published in the local newspaper, but rather in the Lyon County Reporter out of Rock Rapids. The published budget indicated that the requested funds were not approved as submitted. The cuts in the budget were made by the City Clerk with concurrence of the Mayor. The City Council member that is a member of the Parks and Recreation Board stated that he had no information on the budget and had no discussion with the Parks and Recreation Board.

At the March 6, 2000 Council meeting, the Council members voted to reinstate the library funds as submitted. After more discussion, the Council also agreed to approve the majority of the funding for the Parks and Recreation budget. The final adopted budget on March 14 did not reflect the corrections approved at the March 6 meeting. The Parks and Recreation Board is uncertain where their budget stands and the validity of the adopted budget and the motions made. Mr. Smidt wants to know whether the Parks and Recreation Board's budget has been amended, whether it will be amended and whether there will be funds available for improvements planned to occur in July and August 2000. Mr. Smidt expressed concern over the entire budget process and whether the Council is getting the opportunity to have input into the budget.

Frances Honrath, Larchwood Public Library Board Member, stated that the Library's concerns were similar to the Parks and Recreation Board. Mr. Honrath stated that when the Library presented the budget to the Council there was no motion approving the budget. However, there was clear consent among the Council that they agreed to the amount. He objects to a reduction of the budget after it has been approved.

The petitioners requested that the State Appeal Board increase the adopted budgeted expenditures to reflect the amounts approved by the Council on March 6th for the Library and Parks and Recreation.

Robert L Kerkvliet, Mayor, stated that the Mayor, Clerk and Council members prepare the budget in accordance with the procedures outlined in Code of Ordinance, City of Larchwood, Chapter 6 Fiscal Management, Article 15 Budget,

as outlined by the Code of Iowa, Chapters 384.16 to 384.18. He stated that the Parks and Recreation Board is a voluntary advisory committee not established by City Ordinance. At the March 6, 2000 Council meeting, protesters to the proposed budget estimate asked why the Clerk and Mayor reduced the budgeted expenditures when it is the responsibility of the Council, not Clerk/Mayor to finalize the budget. The Clerk stated this was just an estimate, not a final budget, as finalization is the duty of the Council. Council voted to increase the Library and Parks and Recreation. At the March 14, 2000 public hearing, the Council discussed options and it was decided to adopt the budget as published and to amend the budget in early fall to include the increased budget expenditures.

Mayor Kerkvliet stated that the City is not required by law to publish in the local paper.

During the public hearing, the hearing panel noted that the City had budgeted a deficit fund balance in the General Fund for both fiscal year 2000 and fiscal year 2001. The Mayor responded that he did not think that was a problem as long as they had fund balances in the Enterprise Funds.

FINDINGS OF FACT

1. Section 24.28 of the Iowa Code states "At all hearings, the burden shall be upon the objectors with reference to any proposed item in the budget which was included in the budget of the previous year and which the objectors propose should be reduced or excluded; but the burden shall be upon the certifying board or the levying board, as the case may be, to show that any new item in the budget, or any increase in any item in the budget, is necessary, reasonable, and in the interest of the public welfare."
2. The March 6, 2000 City Council minutes state "Council voted to increase library allocation from \$17,000 to \$18,000, add \$3,500 for capital outlay at recreational center, increase park capital outlay from \$7,500 to \$15,500."
3. The March 14, 2000 City Council minutes state "Discussion followed as budget published did not include the revision made at the March 6, 2000 meeting, it was decided to adopt budget as published and amend budget in the early fall."
4. Section 384.16(3) of the Iowa Code states that the council shall publish notice before the public hearing on the budget not less than four nor more than twenty days before the date of the hearing. The City complied with this requirement.

5. Section 24.30 of the Iowa Code states the state appeal board "shall have power and authority to approve, disapprove, or reduce all such proposed budget, expenditures, and tax levies so submitted to it upon appeal.... but in no event may it increase such budget, expenditure, tax levies or assessments or any item contained therein."
6. Article 15.02(1) of the City of Larchwood Code of Ordinances states that "The clerk shall be responsible for helping the mayor prepare the annual budget detail of revenues and expenditures, for review and adoption by the council in accordance with directives of the mayor and council."
7. Article 15.02(3) of the City of Larchwood Code of Ordinances states that "The clerk shall submit the completed budget proposal to the council no later than February 1 of each year."
8. Article 15.02(4) of the City of Larchwood Code of Ordinances states that "The mayor and council shall review the proposed budget and may make any adjustments in the budget which they deem appropriate before accepting such proposal for publication of notice, hearing, and final adoption."
9. The City Council did not discuss the proposed budget until March 6, 2000, which was after it had been published in the newspaper on February 23, 2000.
10. Section 362.3(2) of the Iowa Code states that a publication required by the city code must be in a newspaper published at least once weekly and having a general circulation in the city.
11. The City has deficit budgeted Governmental Funds for FY1999, FY2000 and FY2001.

CONCLUSIONS OF LAW


The State Appeal Board has jurisdiction over the parties and the subject matter of this appeal, pursuant to Iowa Code Sections 24.28 and 384.19.


However, the State Appeal Board suggests the City should investigate alternatives to eliminate the deficits in the Governmental Funds in order to return these accounts to a sound financial condition.

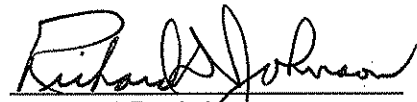
ORDER

The Fiscal Year 2001 budget for the City of Larchwood is sustained.

STATE APPEAL BOARD


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Chairperson


Michael L. Fitzgerald
Vice-Chairperson


Richard D. Johnson