

STATE APPEAL BOARD

In Re:	Poweshiek County) Budget Appeal) FY 2005-2006)	Order June 6, 2005
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BEFORE STATE AUDITOR DAVID A. VAUDT; STATE TREASURER MICHAEL L. FITZGERALD; AND THE DIRECTOR OF THE DEPARTMENT OF MANAGEMENT, MICHAEL L. TRAMONTINA:

A hearing on the above captioned matter was held pursuant to the provisions of Section 331.436 and Chapter 24 of the Code of Iowa on April 21, 2005. The hearing was before a panel consisting of James B. Nervig, County Budget Director and presiding hearing officer, Department of Management; K. David Voy, Manager, Office of the State Auditor, and Luke Donahe, Investment Officer, Office of the State Treasurer.

The primary spokespersons for the petitioners were Jeff Tindle, Vice President of the Poweshiek County Farm Bureau, and Marvin Edwards, President of the Poweshiek County Farm Bureau. The spokesperson for Poweshiek County was Sandy Moffett, Chair of the Poweshiek County Board of Supervisors.

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 to the hearing panel both before and after the hearing, and after a public meeting to consider the matter, the State Appeal Board has voted to reduce the Fiscal Year (FY 2006) budget as described herein.

PROCEDURAL HISTORY

The FY 2006 Poweshiek County proposed budget summary was published in the Brooklyn Chronicle, the Grinnell Herald Register and the Montezuma Republican on February 28 and March 2, 2005. The budget was adopted on March 14, 2005.

A petition protesting the certified FY 2006 Poweshiek County budget was filed with the Poweshiek County Auditor on March 24, 2005 and was received by the State Appeal Board on March 31, 2005.

A summary of the petitioners' objections and the reasons for the objections that were listed on the petition document follows:

- The petitioners objected to the General Fund budgeted ending balance and request a reduction of \$550,000.

DISCUSSION

The petitioners and the representatives of Poweshiek County provided various written summaries, exhibits and verbal commentary in support of their positions. A summary of this information presented at the public hearing is as follows:

PETITIONERS

Jeff Tindle, Vice President of the Poweshiek County Farm Bureau, represented the petitioners. In his presentation, Mr. Tindle offered the following reasons for the petitioners' objection to the ending fund balance in the General Fund:

Mr. Tindle thanked past and present Supervisors for keeping tax increases to a minimum, watching expenditures and not spending money outside the budget but presented evidence to show that the County's actual ending fund balances historically were always higher than budgeted ending fund balances. Between 1998 and 2004, the County did not have an overly large actual ending General Fund balance, but indications are that the ending fund balance in FY 2005 will be much higher than prior years and the balance in FY 2006 will be even larger.

The FY 2006 budget has similar property tax levy rates compared to the FY 2005 budget. The County did not designate any of the FY 2006 General Fund ending balance for specific projects. The entire balance was undesignated.

A reduction of \$550,000 in the budgeted General Fund ending balance would reduce it to a reasonable level of approximately 24% as compared to expenditures. This reduction would accomplish three things: the budgeted ending balance in the General Fund will be at a similar level as compared to last year, none of the budgeted expenditures in the County will be affected and the County's share of the tax bill will be lower.

The County's budget included a large increase in the elections budget for FY 2006 for the purchase of voting machines. Between the current proposed budget in the elections administration and the financial support of the State and Federal governments, the County should have no problem meeting the HAVA (Help America Vote Act) requirements.

The union contract settlement in the Sheriff's Department should not be a concern because over one-half of the law enforcement expenditures are coming out of the Rural Fund and not the General Fund.

The petitioners closed by stating that at this point in time the County does not need the excessive budgeted General Fund ending balance. This money belongs in the taxpayer's pockets for as long as possible.

POWESHEIK COUNTY RESPONSE

Sandy Moffett, Chairman of the Poweshiek County Board of Supervisors, represented the County. Mr. Moffett wanted to address several points, including the recent history of the County budget, the current Board's strategy in putting its budget together and the uncertainty regarding possible large expenditures that might be necessary in the coming year.

Mr. Moffett stated that in January, 2003, a newly elected Board of Supervisors faced a situation in which the County's ending fund balance was seriously depleted and was concerned the County would not be able to pay expenditures during the first half of FY 2004. The County adopted a strategy to raise the property tax levy rate as little as possible while asking County department heads to cut budgets as much as possible. Mr. Moffett complimented department heads for their efforts which have enabled the County to slowly bring fund balances to a more healthy level.

Poweshiek County citizens have enjoyed comparatively low levy rates for a number of years and the FY 2006 budget will not change this. A FY 2005 comparison with the statewide average and the average for the 17 counties closest to Poweshiek County in population, property valuation and geography shows the County is far below average in property tax levy rates and budgeted expenditures. In order to keep these property tax levy rates low, department budgets have little or no cushion built in them for emergency spending. The County views a healthy ending fund balance as an absolute necessity.

The County identified four potential future expenditures:

1. In all probability, during the next fifteen months, the County will have to deal with HAVA requirements for upgrading voting machines and voting places. The cost of this is unknown at this time but it will be significant.
2. The County union contract with Sheriff's Department employees has not yet been settled and the County is not certain of the costs involved with this.
3. The County plans to enter into an economic development agreement for property near Grinnell. This agreement will commit the County, under certain circumstances, to buy down the cost of up to eleven development lots at \$20,000 each. The payments would not be made until after a Certificate of Occupancy has been issued for the improvements. While it is unlikely these lots will be taken in the next fiscal year, this is a \$220,000 commitment and the County needs to be prepared to honor this commitment when, and if, it becomes due.
4. The County is concerned about the potential for a reduction in the number of juvenile shelter beds and the potential costs of placing individuals in alternative care.

In conclusion, an ending fund balance of 32% of budgeted expenditures and other financing uses is not excessive under the current circumstances. The County has kept spending down and avoided unnecessary budget padding and the ending fund balance asked for is completely justified.

FINDINGS OF FACT

1. Poweshiek County, subject to various state laws and administrative rules, shall prepare and adopt a budget, certify taxes and authorize expenditures. The County met those requirements.

2. Section 24.27 of the Iowa Code provides persons who are affected by any proposed budget, expenditure or levy, or by an item thereof, may appeal. The petitioners met the requirements and pursuant to Sections 24.28 and 24.29, a hearing was scheduled and conducted.
3. 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. "
4. Section 24.30 of the Iowa Code states in part "It shall be the duty of the state board to review and finally pass upon all proposed budget expenditures, tax levies and tax assessments from which appeal is taken and it shall have power and authority to approve, disapprove, or reduce all such proposed budgets, expenditures, and tax levies so submitted..."
5. The Poweshiek County June 30, 2006 budgeted General Fund ending balance of \$1,429,450 represents 38.5% of the total budgeted General Fund expenditures and other financing uses of \$3,708,487.

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 331.436.

BASIS OF DECISION

The County identified several potential unbudgeted obligations in their remarks. The FY 2006 budget already contains an estimate for the purchase of voting equipment and associated debt financing; any additional State requirements or expense are still unknown. Also, the County's total potential commitment for the development project is \$220,000 over the next few years, but any payment made in FY 2006 will likely be minimal.

The Poweshiek County June 30, 2002 through June 30, 2004 actual General Fund ending balance percentage has been substantially greater than the budgeted General Fund ending balance percentage for the same period (see Exhibit A). Also, the actual ending fund balance percentage has been increasing approximately 6 to 9% each FY end (see Exhibit A). The June 30, 2005 General Fund ending balance has been re-estimated for the FY 2006 budget and should be closer to the actual ending fund balance at June 30, 2005. The June 30, 2005 re-estimated General Fund ending balance is approximately 37%. If the yearly increase in the actual ending fund balance trend continues, the County's actual ending fund balance percentage will be somewhat higher than the June 30, 2005 re-estimated ending fund balance of approximately 37%.

There is no statutorily authorized ending fund balance percentage. The interests of the petitioners in requesting a low ending fund balance percentage need to be balanced with the interests of the County to maintain an adequate fund balance. In the County's opening statement, it indicated a 32% ending fund balance in the General Fund would be appropriate.

An approximate ending fund balance of 32% would result in a June 30, 2006 General Fund balance of \$1,179,450, a reduction of \$250,000 from the budgeted ending fund balance.

ORDER

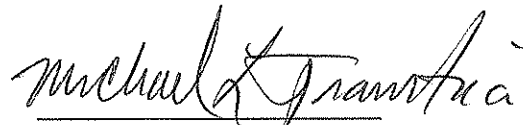
Based upon the financial position of the County, information provided by the parties involved, the State Appeal Board orders the following action:

Reduce the FY 2006 General Fund property and utility replacement tax dollars by \$250,000. This will result in a \$250,000 reduction in the budgeted FY 2006 General Fund ending balance.

STATE APPEAL BOARD



David A. Vaudt
Chairperson



Michael L. Tramontina
Vice Chairperson



Michael L. Fitzgerald
Member

6-6-05

Date

Poweshiek County

Exhibit A

	FY 02 Budget	FY 03 Budget	FY 04 Budget	FY 05 Budget	FY 06 Budget
Average Statewide County Ending General Fund Balance Carryover Percentage	22.6%	19.6%	18.4%	18.1%	18.6%
Median Statewide County Ending General Fund Balance Carryover Percentage	21.4%	20.2%	17.3%	17.0%	18.7%
Poweshiek County Ending General Fund Balance Carryover Percentage	0.5%	0.6%	14.0%	21.5%	38.5%
Poweshiek County Ending General Fund Balance	\$ 17,592	\$ 21,340	\$ 503,938	\$ 738,186	\$ 1,429,450

	FY 02 Re-estimated	FY 03 Re-estimated	FY 04 Re-estimated	FY 05 Re-estimated
Average Statewide County Ending General Fund Balance Carryover Percentage	27.6%	25.1%	22.5%	23.9%
Median Statewide County Ending General Fund Balance Carryover Percentage	28.8%	25.0%	22.7%	24.2%
Poweshiek County Ending General Fund Balance Carryover Percentage	6.1%	7.2%	16.3%	36.9%
Poweshiek County Ending General Fund Balance	\$ 217,563	\$ 254,831	\$ 584,666	\$ 1,264,779

	FY 02 Actual	FY 03 Actual	FY 04 Actual
Average Statewide County Ending General Fund Balance Carryover Percentage	33.7%	29.5%	28.6%
Median Statewide County Ending General Fund Balance Carryover Percentage	34.9%	30.4%	28.5%
Poweshiek County Ending General Fund Balance Carryover Percentage	13.7%	20.1%	29.1%
Poweshiek County Ending General Fund Balance	\$ 501,462	\$ 648,184	\$ 980,863

Comparison - Poweshiek County					
	FY 02	FY 03	FY 04	FY 05	FY 06
Budget	0.5%	0.6%	14.0%	21.5%	38.5%
Re-estimated	6.1%	7.2%	16.3%	36.9%	
Actual	13.7%	20.1%	29.1%		

Property tax levy rate:	FY 02	FY 03	FY 04	FY 05	FY 06
General Basic	3.10980	3.23622	3.50000	3.50000	3.50000
General Supplemental	-	-	0.17005	0.26378	0.23507
Rural Basic	2.44827	2.33807	2.49478	2.91494	3.10666
	5.55807	5.57429	6.16483	6.67872	6.84173