

STATE APPEAL BOARD

In Re:	Poweshiek County) Budget Appeal) FY 2003-2004)	Order June 2, 2003
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BEFORE STATE AUDITOR DAVID A. VAUDT; STATE TREASURER MICHAEL L. FITZGERALD; AND THE DIRECTOR OF THE DEPARTMENT OF MANAGEMENT, CYNTHIA P. EISENHAUER:

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 22, 2003. The hearing was before a panel consisting of Stephen Larson, Executive Officer IV and presiding Hearing Officer, Office of the State Treasurer; Jim Nervig, County Budget Director, Department of Management; and Kevin J. Borchert, Professional Development Director, Office of the State Auditor.

The primary spokespersons for the petitioners were Vince Johnson and Ron Lang. Sandy Moffett, Vice-Chair of the Board of Supervisors, and Jo Wray, County Auditor, represented Poweshiek County.

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 sustain the Poweshiek County FY2004 budget as described herein.

PROCEDURAL HISTORY

The FY2004 Poweshiek County proposed budget summary was published in the Montezuma Republican and the Brooklyn Chronicle on February 26 and the Grinnell Herald Register on February 27, 2003. On March 13, 2003 the County submitted a request for an extension to certify the budget to allow time for more public input. On March 14, 2003 an extension was granted giving the County until March 27, 2003 to certify the budget. The budget was adopted on March 27, 2003.

A petition protesting the certified FY2004 Poweshiek County budget was filed with the Poweshiek County Auditor on March 31, 2003 and was received by the State Appeal Board on April 2, 2003.

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

The petitioners objected to wage and salary increases for County employees, property and equipment purchases, increased expenditures in the Environmental Restoration Fund, the County's sick leave policy, increases in expenditures in the roadway maintenance program, leased equipment and health insurance for retired elected officials.

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

Mr. Johnson and Mr. Lang represented the petitioners. In their presentations, the petitioners made the following requests:

1. The County should freeze employee wage and salary increases. The increases are not based on merit and should not be authorized because of current economic conditions.
2. Property purchased for the Mental Health CPC Office and equipment purchased for the Secondary Roads Department that were identified in the findings section of the Poweshiek County Audit report for FY2002 should be sold and the proceeds be returned to the County coffers.
3. The \$180,000 increase in the line item Environmental Restoration should be decreased or eliminated.
4. The County sick leave policy of granting 2.5 days per month should be scaled back.
5. The \$785,375 increase in the Roadway Maintenance section of Service Area 7, Roads and Transportation be eliminated.
6. The County policy of providing health insurance coverage for qualified retired elected officials be eliminated.

Other comments and explanations stated by the petitioners are as follows:

- They were not concerned with what other counties were doing and that the County should compare itself to the private sector.
- A committee of concerned citizens presented the Board of Supervisors with \$500,000 in recommended cuts to the budget, but recommendations were not acted upon.
- The \$206,000 in budget cuts made by the County were "bogus" and the Board of Supervisors has not made any effort to make real cuts.
- The existing building housing for the CPC Office is good enough and the County did not need to buy another building.

POWESHIEK COUNTY RESPONSE

Mr. Moffett and Ms. Wray were the primary spokespersons for Poweshiek County. A summary of the County response is as follows:

The Board of Supervisors stated that they addressed two primary objectives in constructing the budget; (1) to freeze or reduce overall County expenditures while maintaining an appropriate level of service; and (2) to begin rebuilding seriously depleted ending fund balances in the General and Rural Services Basic Funds to a responsible level. The citizens of Poweshiek County have benefited from some of the lowest levy rates in the State. This benefit has made it necessary in recent years, in order to maintain services, to compensate for the lack of revenue by spending down what at one time were healthy ending fund balances to dangerously low levels.

The County provided the following responses to the petitioners' objections.

1. The Board of Supervisors feels the 2% increase is reasonable when compared to increases granted by other local governmental entities and by comparable counties. The County is currently in wage and benefit negotiations with two recently formed collective bargaining units that represent approximately 60% of County employees. The budgeted salary increase is what the County believes the cost will be at the end of negotiations.
2. The property and equipment purchases identified by the petitioners were purchased in previous year's budgets and are currently in use by the County. The Board of Supervisors feels the excavator purchased for the Secondary Roads Department will prove to be cost effective. The Board of Supervisors also feel that ownership of the CPC Office Building will prove to be both cost effective and enable an important County service to be provided in the best possible manner.
3. The Environmental Restoration line item of the budget is used for expenditures and financial assurance for the closure\postclosure costs associated with maintaining the landfill site which was closed in 1991. The Iowa Department of Natural Resources required pledging of financial assurances to provide for removal and cleanup of ground water contamination should a problem occur. The Board of Supervisors has annually budgeted \$150,000 in the Sanitary Landfill Fund for potential cleanup, as well as additional funds to be used for maintaining groundwater monitoring.
4. The County is interested in making reductions to the sick leave policy, but this issue is a subject of mandatory bargaining with the collective bargaining units. The County does not want to make a change to the policy until the results of collective bargaining are known.
5. In preparation of the FY2004 budget, the Board of Supervisors reduced FY2003 budgeted amounts for Roadway Maintenance to a more realistic figure. They also reduced Local Effort transfers to the 75% minimum level required by statute, which will reduce transfers to the Secondary Roads Fund by \$168,843. Finally, total secondary road expenditures for FY2004 are \$221,500 less than originally budgeted in FY2003.

6. The Poweshiek County Board of Supervisors adopted an early retirement policy on September 4, 1997 and a section of that policy included health coverage for retired elected officials. The purpose was to encourage early retirement in an effort to reduce County payrolls. Finally, this policy is not a new budget item and currently two individuals are covered under this policy.

In closing, the County stated that the Board of Supervisors has worked hard on the budget and acknowledges that they are not totally comfortable with the budget. However they ask that the State Appeal Board uphold the County FY2004 Budget.

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 County Board of Supervisors determines, as provided in Section 331.904 through 331.907 of the Iowa Code, the annual increase in compensation for elected officials, deputies, assistants and clerks. In addition, the County is currently involved in negotiations with two unions that represent approximately 60% of County employees over certain matters, including salaries and benefits. The County Board of Supervisors have approved, in the FY2004 budget, an approximately two percent increase in salaries. This increase appears to be a reasonable estimate for budgetary purposes for those salaries that are pending the outcome of the union negotiations. In addition, the State Appeal Board has historically not adjusted the salaries of local officials or employees if the proper statutory procedures have been followed.

6. Property purchased for the Secondary Road Department and the building purchased for the Mental Health CPC Office was included in the financial activity of FY2002. The question as to whether the County followed proper procedures in the borrowing of funds to purchase these items were addressed in the FY2002 audit report of Poweshiek County. This issue was referred to the County Attorney for disposition and is not within the jurisdiction of the State Appeal Board in considering the FY2004 budget.
7. The County budgeted \$186,500 in FY2004 for environmental restoration within the environmental quality program in the Sanitary Disposal Fund. The County budgeted the same amount in the FY2003 budget. This budgeted item is for expenditures and financial assurances for closure/postclosure costs associated with maintaining the existing landfill site that was closed October 28, 1991. The County has historically paid out amounts significantly less than budgeted for this line item. The effect of this potential overbudgeting is that the Sanitary Disposal Fund ending balance may be understated during the budget process. However, since the County is not transferring money into the Sanitary Disposal Fund, the tax asking would not be impacted. For future budget years, this line item should be reduced to the estimate of what is expected to be paid out that fiscal year and the fund balance should be reserved or designated for the potential additional costs. The Iowa Department of Natural Resources has identified various methods that may be used by a landfill to provide financial assurance. The method chosen to provide this financial assurance is clearly a local decision.
8. The County Board of Supervisors did adopt sick leave and health insurance policies for current employees, officials and prior officials. These policies were not budgeted for increases in FY2004. Therefore, the burden of proof is on the petitioners to demonstrate why these items should be reduced. The petitioners did not adequately satisfy this requirement as it relates to these employee benefits. Furthermore, the sick leave policy is part of the currently ongoing collective bargaining procedures.
9. The FY2003 adopted budget for the Roadway Maintenance Program was \$2,438,000 compared to \$2,377,500 for the FY2004 budget. Since this budgeted item was decreased from the previous year; the burden of proof is on the petitioners to demonstrate why this program's expenditures should be reduced. The petitioners did not adequately satisfy this requirement as it relates to the roadway maintenance program.

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

Section 24.28 states in part, "At all hearings, the burden shall be upon the objectors with reference to any proposed item in the budget which was included in the previous year and which the objectors propose should be reduced or excluded..." The Code continues: "...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".


The items questioned by the petitioners did not represent new items in the FY2004 Poweshiek County budget, with the exception of the increase in salaries. The petitioners were not able to adequately establish that these items should be reduced in the FY2004 budget. The County has demonstrated that the proposed salary increases were necessary, reasonable and in the best interest of the public welfare.


ORDER

Based on the information provided by the parties' involved, historical budgetary data of Poweshiek County and the Iowa Code, the State Appeal Board sustains the FY2004 Poweshiek County Budget as adopted.

STATE APPEAL BOARD

Absent
Cynthia P. Eisenhauer
Chairperson


Michael L. Fitzgerald
Vice Chairperson


David A. Vaudt
Member

6/2/03
Date