

## STATE APPEAL BOARD

In Re:	Ringgold County Budget Appeal  FY 2011	) ) ) ) )	Order   May 3, 2010
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**BEFORE THE DIRECTOR OF THE DEPARTMENT OF MANAGEMENT, RICHARD OSHLO, JR.; STATE AUDITOR, DAVID A. VAUDT; AND STATE TREASURER, MICHAEL L. FITZGERALD:**

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, 2010. The hearing was before a panel consisting of Luke Donahe, Investment Officer, Office of the State Treasurer and presiding hearing officer; Lisa Oakley, School Finance Director, Department of Management; and David Voy, Manager, Office of the State Auditor.

The spokesperson for the petitioners was Kevin Kilgore. The spokespersons for Ringgold County were Laurie Greenman, County Auditor, and Neil Morgan, County Assessor.

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 Ringgold County fiscal year (FY) 2011 budget as described herein.

### PROCEDURAL HISTORY

The FY 2011 Ringgold County proposed budget summary was published in the Mount Ayr Record News on March 4, 2010. The required public hearing was held and the budget was adopted on March 15, 2010.

A petition protesting the certified FY 2011 Ringgold County budget was filed with the Ringgold County Auditor on March 24, 2010, and was received by the State Appeal Board on April 5, 2010.

The petitioners' objections and their reasons listed on the petition document are as follows:

- The petitioners requested a FY 2011 budget which does not include a General Basic Fund levy of more than the current \$3.50 per \$1,000 of assessed property valuation cap and a minimal General Supplemental Fund property tax levy increase.
- The petitioners listed the following specific objections to the adopted budget:
  1. The public notification timeline of Section 331.434(2) of the Code of Iowa was not met.

2. Certifying the budget on March 15th is a literal violation of Section 331.434(3) of the Code of Iowa.
3. The Notice of Public Hearing does not include the major reasons for the difference between the proposed basic tax rate and the maximum basic tax rate as required by Section 331.426(2c) of the Code of Iowa.
4. The Notice of Public Hearing is incorrect in its published form, different from the published form in the budget supporting detail, and different still in the form provided with the certified budget to the Iowa Department of Management.
5. The re-estimated FY 2010 budget numbers on the certified budget do not include the February 9, 2010 budget amendment.
6. The certified budget has no debt service entry in line 26 to support the planned Capital Project expenditure in the current fiscal year.
7. The Budget Flex Sheets do not track line for line with the budget supporting detail sheets.
8. The certified budget represents some \$528,000 in actual budget growth of which only about \$100,000 is non-discretionary. The petitioners believe the interests of the taxpayers of Ringgold County would be best served by minimizing budget growth rather than raising levy rates.

### **DISCUSSION**

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

### **PETITIONERS**

Mr. Kevin Kilgore represented the petitioners. In his presentation, he provided certain comments with regard to the Ringgold County budget, summarized as follows:

1. The public notification timeline of Section 331.434(2) of the Code of Iowa was not met.
2. Certifying the budget on March 15th is a literal violation of Section 331.434(3) of the Code of Iowa.
3. The Notice of Public Hearing does not include the major reasons for the difference between the proposed basic tax rate and the maximum basic tax rate as required by Section 331.426(2c) of the Code of Iowa.
4. The Notice of Public Hearing is incorrect in its published form, different from the published form in the budget supporting detail, and different still in the form provided with the certified budget to the Iowa Department of Management.

5. The re-estimated FY 2010 budget numbers on the FY 2011 certified budget does not include the February 9, 2010 budget amendment.
6. The certified budget has no debt service entry in line 26 to support the planned Capital Project expenditure in the current fiscal year.
7. The budget flex sheets do not track line for line with the budget supporting detail sheets.
8. The certified budget represents some \$528,000 in actual budget growth of which only about \$100,000 is non-discretionary. The petitioners believe the interests of the taxpayers of Ringgold County would be best served by minimizing budget growth rather than raising levy rates.

### **RINGGOLD COUNTY RESPONSE**

County Auditor Laurie Greenman was the primary spokesperson for Ringgold County. In her presentation, she provided certain comments with regard to the Ringgold County budget, summarized as follows:

1. The Board of Supervisors determined the County needed to raise the tax levy because of significant increases in county operating expenses, including a 25.1% increase in health insurance premiums, and changes in property valuations which provided a very limited increase in the tax dollars coming into the county next year.
2. Sections 331.434(2) and 331.434(3) of the Code of Iowa require the Board of Supervisors to file a proposed budget with the County Auditor at least 20 days prior to the certification date of March 15<sup>th</sup>. The Board is required to publish this notice on Form 630, which is provided by the Iowa Department of Management. The notice is supposed to be published not more than 20 days nor less than 10 days prior to the public hearing. The Board provided a proposed budget to the County Auditor prior to February 24<sup>th</sup> and the Board published a copy of the proposed budget and notice of the public hearing in the Mount Ayr Record News and Diagonal Progress on March 4<sup>th</sup>. The public hearing was held on March 15<sup>th</sup>. The statute allows for the certification to take place on March 15<sup>th</sup>, which is when our budget was officially certified. The Board's actions in approving and certifying this budget have been in full compliance with the rules and regulations issued by the Iowa Department of Management.
3. The petition further asserts the Notice of Public Hearing (Form 600) did not include any major reasons for exceeding the maximum statutory limits. The form identified these reasons as follows: "need for additional moneys to permit continuance of programs which provide substantial benefits to county residents, lack of sufficient increase in property tax base in the county to support programs".

4. The budget flex sheets are the budget documents our individual offices use to itemize the revenue and expenditures for each of those offices. The information contained in these documents is in a format which makes the information understandable to each of the county officers, but this information is not intended to line up with the specific categories utilized by the Iowa Department of Management and required to be used on their forms.
5. In reviewing the re-estimated FY 2010 budget numbers, we determined a mistake was made and the February budget amendment was not included. Although this mistake was regrettably made, it has no real bearing on the issues decided on March 15<sup>th</sup>, or those that need to be decided today.
6. Ringgold County does not have a finalized and signed lease-purchase agreement or contract for the jail. Iowa law prohibits Ringgold County from making any lease-purchase payments until the construction is completely finished and we are ready to take possession of the facility. The auditor has been advised not to include the initial lease-purchase payment under capital projects or debt service at this time.
7. The heart of the petition's contention is the County should not raise tax levy rates and/or property taxes. The problem with this contention is it fails to take into account the increasing expenses facing the County and the limited tax revenue increases provided for by increased property valuations. While land values in Ringgold County have increased significantly in the past few years, the tax assessment formulas limit the tax increases generated by those rising property values.
8. While Ringgold County has experienced increases in most of its operating expenses, including increased utility costs, increased postage, fuel expenses which are projected to again reach \$4.00 a gallon, the lion's share of our increased expenditures in the coming fiscal year are health insurance premium increases of at least 25.1% and expenditures for personnel and utilities for the new jail facility.
9. In recent years, we have not budgeted tax levy rate increases, and the increased expenses we have faced have caused us to dramatically eat into our cash balances each year to a point they are virtually non-existent. Dwindling cash balances no longer provide us with a cushion against inflation. For prudent fiscal planning, we should be trying to replenish these cash balances, instead of merely trying to budget for expected expenses for FY 2011, which is all we are doing through the budget for the coming fiscal year.

## FINDINGS OF FACT

1. Section 24.27 of the Code of Iowa 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 of the Code of Iowa, a hearing was scheduled and conducted.
2. Currently, Ringgold County does not have a finalized building plan for the new jail. However, the FY 2011 budget does include expenditures for the operation of a new jail for six to seven months.
3. Section 331.434 of the Code of Iowa requires counties to submit budgets in the detail and form prescribed by the Director of the Iowa Department of Management.
4. Section 331.434(2) of the Code of Iowa states, in part, "Not less than twenty days before the date that a budget must be certified under section 24.17 and not less than ten days before the date set for the hearing under subsection 3 of this section, the board shall file the budget with the auditor. The auditor shall make available a sufficient number of copies of the budget to meet the requests of taxpayers and organizations and have them available for distribution at the courthouse or other places designated by the board." The County Auditor charged \$.50 a page for a copy of the budget.
5. The County certified its budget in accordance with the deadlines established in Sections 331.434(2) and 24.17 of the Code of Iowa.
6. Budget flex sheets are internal documents of the County used by individual departments to compile the revenue and expenditures of the County to prepare the budget forms required by the Iowa Department of Management. Once the budget is adopted, it is entered into the County computer software program and the budget flex sheets are no longer used.
7. Section 331.426 of the Code of Iowa requires the County to provide a statement of the major reasons for the difference between the proposed basic tax rate and the maximum basic tax rate. The published Notice of Public Hearing, form 600 for Ringgold County, explains the major reasons for the increase in the property tax levy, although the publication stated rural basic instead of the general basic fund in one place only. The County's budget on the IDOM web site does not include any reasons for the increase in the general basic fund property tax levy.
8. The FY 2011 budget forms include a column for the FY 2010 re-estimated budget which should have included the February 9, 2010 budget amendment. However, the budget amendment changes were not included.

9. The FY 2011 Ringgold County budget includes an increase in General Basic Fund property taxes of approximately \$247,000, which resulted from an increase in the levy rate from \$3.50 to \$4.50 per \$1,000 of the assessed value of taxable property. The General Basic Fund property tax levy is limited to \$3.50. The limit can be exceeded if a county has certain "unusual circumstances" and includes certain additional information in the Notice of Public Hearing on the county budget. The County has met these requirements. Expenditures in the General Basic Fund increased approximately \$100,000 and the ending fund balance is estimated to be approximately \$251,000, which is 11.8% of the budgeted expenditures for FY 2011.
10. The FY 2011 Ringgold County budget includes an increase in General Supplemental Fund property taxes of approximately \$245,000 which resulted from an increase in the levy rate of \$1.00 per \$1,000 of the assessed value of taxable property. The General Supplemental Fund property tax levy can only be used for the specific purposes listed in Section 331.424 of the Code of Iowa. Expenditures in the General Supplemental Fund increased approximately \$124,000 and the ending fund balance is estimated to be approximately \$285,000, which is 17.4% of the budgeted expenditures for FY 2011.

### **CONCLUSIONS OF LAW**

The State Appeal Board has jurisdiction over the parties and the subject matter of this appeal, pursuant to Sections 24.28 and 331.436 of the Code of Iowa.

### **BASIS FOR DECISION**

Section 24.28 of the Code of Iowa 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 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."

Ringgold County charged petitioner Kevin Kilgore \$.50 per page for a copy of the County budget for a total of \$10.

The Ringgold County Board of Supervisors has significantly increased estimated ending fund balances which resulted in a significant increase in the General Basic and Supplemental Fund property tax levies. The County did not adequately justify the full amount of the increased estimated ending fund balances and property tax levies. The increase in property tax levies of \$2.00 per \$1,000 of the assessed value of taxable property appears to be excessive and the County should gradually increase property taxes.

**ORDER**

Based on the information provided by the parties involved and the Iowa Code, the State Appeal Board orders the following action:

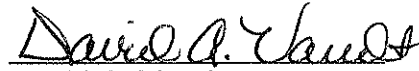
Reduce the General Supplemental Fund property tax levy by \$1.00 per \$1,000 of the assessed value of taxable property. By decreasing the resources of the General Supplemental Fund, which has limited uses per the Code of Iowa, rather than the General Basic Fund, the County retains greater flexibility in the use of its resources.

The County is reminded copies of the proposed budget must be available at no charge to the public as required by Section 331.434(2) of the Code of Iowa. The County is directed to refund petitioner Kevin Kilgore and any other taxpayer who paid for a copy of the budget for the cost of copies of the budget.

**STATE APPEAL BOARD**



Richard Oshlo, Jr.  
Chairperson



David A. Vaudt  
Vice Chairperson



Michael L. Fitzgerald  
Member

May 3, 2010  
Date