

**STATE APPEAL BOARD**

|               |                        |   |                       |
|---------------|------------------------|---|-----------------------|
| <b>In Re:</b> | <b>Riverdale, Iowa</b> | ) |                       |
|               | <b>Budget Appeal</b>   | ) | <b>Order</b>          |
|               |                        | ) |                       |
|               | <b>FY 2010</b>         | ) | <b>April 30, 2009</b> |

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**BEFORE STATE TREASURER, MICHAEL L. FITZGERALD; STATE AUDITOR, DAVID A. VAUDT; AND THE DIRECTOR OF THE DEPARTMENT OF MANAGEMENT, CHARLES J. KROGMEIER:**

A hearing on the above captioned matter was held pursuant to the provisions of Chapters 24 and 384 of the Code of Iowa on April 15, 2009. The hearing was before a panel consisting of Stephen Ford, City Budget Director and presiding officer, Department of Management; Luke Donahue, Investment Officer, Office of the State Treasurer; and K. David Voy, Manager, Office of the State Auditor.

Corporation Counsel for the City of Riverdale, Attorney Angela Reier, Mayor Jeff Grindle, and Council member Jack Franklin represented the City and spokespersons for the petitioners were Allen Diercks and Marie Randol.

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 modify, in part, the City of Riverdale's fiscal year (FY) 2010 budget as described herein.

**PROCEDURAL HISTORY**

The FY 2010 City of Riverdale proposed budget summary was published on February 7, 2009 in the Quad Cities Times. The required public hearing was held and the budget was adopted on February 24, 2009.

A petition protesting the certified FY 2010 City of Riverdale budget was filed with the Scott County Auditor on March 23, 2009, and was received by the State Appeal Board on March 27, 2009.

The petition documents states, in part: The City of Riverdale recently approved a budget for the upcoming year which will raise taxes on all residents of Riverdale by 80%. 1) The City of Riverdale has had and continues to have over 1 million dollars in surplus monies. 2) Based on a recommendation by the State of Iowa Auditors conducted for year 2006 "the City should evaluate the need for this large cash balance and, where appropriate, consider reducing the balance in an orderly manner through receipt reductions, such as reducing property tax rates". 3) State law states a municipality should not tax for more than it plans to spend. We the undersigned believe this tax increase should be revoked and the City of Riverdale should follow the Auditor's recommendation in regard to surplus funds.

## DISCUSSION

The petitioners and representatives of the City 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

At the budget appeal public hearing, petitioner Allen Diercks represented the petitioners and was assisted by Marie Randol. In their presentation, they provided certain comments with regard to the Riverdale budget, summarized as follows:

1. The large increase in the amount budgeted for legal fees for FY 2010 compared to other small towns in our area spend on legal fees.
2. The State Auditor's report dated July 9, 2007 states the City's General Fund balance has been too high and should be reduced by "reducing property tax rates". We feel the City should not levy property taxes for more than it is proposing to spend. In past years, it has sometimes added hundreds of thousands of dollars to its General Fund.
3. The audit report states in many areas the City has no policies or procedures. We feel this would help the City control it's spending and oversight of money. The petitions state the fire department budget is too high. The City has a volunteer firefighter Awards Fund established with a balance that may approach \$100,000. We do not understand how a volunteer is eligible for any annuity since no wages have been paid. We all volunteer but have never received a pension let alone any other monetary benefits. We feel this fund is illegal and the money should be deposited back into the General Fund.
4. We feel the City's inventory is incomplete. We feel the Mayor and Council have not done their fiduciary responsibilities and this has cost the taxpayers large amount of money.
5. In conclusion, the petitioners do not understand why taxes should be raised with such a tremendously high General Fund balance. The General Fund ending balance is greater than one year of General Fund expenditures. The published budget rate was 5.8 dollars per thousand then some council members wanted a 4.2 rate and settled on 4.9. We now ask the State of Iowa intervene and straighten this out. We feel our tax rate should be eliminated, lowered, or held the same until the General Fund is worked down to appropriate levels.

## CITY OF RIVERDALE RESPONSE

Angela Reier, Corporation Counsel for the City of Riverdale, Council Member Jack Franklin and Mayor Jeff Grindle were the primary spokespersons for the City of Riverdale. In their presentation, they provided certain comments with regard to the Riverdale budget, summarized as follows:

1. The levy rate remains considerably lower than the surrounding communities. An increase is necessary due to the changing tax base and is well under the rate permitted under the Iowa Code. Residents have the benefit of free garbage pick-up, free yard waste pick-up, etc. An increase in the levy rate is necessary, as Riverdale's cash reserves have been largely depleted.
2. Riverdale has maintained an exceedingly low tax levy since the elimination of the Machinery and Equipment tax between the years 1999 and 2004 by spending down its cash reserves. In order for Riverdale to maintain the same level of service it has provided to its residents in prior years, it must increase the tax levy. In total, the budgeted expenditures for FY 2010 have not increased.
3. Riverdale's General Fund projected beginning fund balance for FY 2010 will be approximately \$627,000 of unallocated funds. Riverdale is in the process of dedicating a portion to long-term projects which include an already established but yet unfunded "Road Replacement Fund" and a "Fire Truck Replacement and Overhaul Fund." Riverdale will likely commence FY 2010 with approximately \$500,000 in its General Fund.
4. The Capital Improvements Fund (Capital Projects Fund) balance currently contains approximately \$557,000. Two capital projects are underway which will result in depletion of approximately \$367,000 of the Capital Improvements Fund balance by June 30, 2009. The projects include Belmont Road Reconstruction and Volunteer Square Park, as budgeted in FY 2009. Further, in FY 2010 and FY 2011, an intergovernmental project for a bike path along the Mississippi River will cost an estimated \$77,000, leaving a Capital Improvements Fund balance of only \$113,000.
5. The Awards Fund provides monetary gifts to members of the Riverdale Volunteer Fire Department in recognition of years of service. The money in the Awards Fund is not available for general city business or operating expenses. The Awards Fund is a sub-fund of the General Fund and is reflected in the General Fund balance on the State budget forms.
6. The levy is within limits of Iowa Code Section 384.1. To maintain a cash reserve is clearly permissible and within the levying body's discretion. Iowa laws permits an increased levy beyond the amount permitted under Iowa Code Section 384.1 for building of a cash reserve. Iowa Code Chapter 384 permits a city to impose an additional levy to fund its capital improvements fund and its emergency fund. Rather than imposing additional levies, Riverdale remains well within the confines of Iowa Code Section 384.1.

7. In conclusion, the City's final remarks are the levy is necessary, reasonable and in the interest of the public welfare.

### FINDINGS OF FACT

1. The City of Riverdale, subject to various state laws and administrative rules, shall prepare and adopt a budget, certify taxes and propose budgeted expenditures. The City met those requirements.
2. Iowa Code Section 384.19 provides persons who are affected by a city budget, expenditure or levy, or by any item thereof, may appeal by filing a written protest with the county auditor "specifying their objections to the budget or any part of it." The protest must be signed by registered voters equal in number to one-fourth of one percent of the votes for governor in the last general election. The petitioners met this requirement.
3. Iowa Code Section 384.19 "Written Protest" states: "The state appeal board shall proceed to consider the protest in accordance with the same provision that protests to budgets of municipalities are considered under Chapter 24". Pursuant to Iowa Code Sections 24.28 and 24.29, a hearing was scheduled and conducted by designees of the State Appeal Board.
4. Iowa Code Section 24.28 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. "
5. Iowa Administrative Code Section 543-5.7 (8), "Hearing", provides "The appeal board shall exclude evidence which is irrelevant, immaterial or unduly repetitious."
6. Iowa Code Section 24.30 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...".
7. The FY 2010 budget includes total property valuations, with gas and electric of \$67,846,599, increasing from the FY 2009 valuation of \$67,381,774.

8. Total budgeted FY 2010 expenditures of \$663,508, including a capital project of \$40,000, decreased from budgeted FY 2009 expenditures of \$1,054,598, including a capital project of \$395,000. Total budgeted FY 2010 expenditures, excluding capital projects, of \$623,508 decreased from total budgeted FY 2009 expenditures, excluding capital projects, of \$659,598.
9. The City has a FY 2010 General Fund budgeted ending balance of \$607,725, decreased from the budgeted FY 2009 balance of \$709,880 after making a transfer of \$200,000 out of the General Fund to the Capital Projects Fund. The budgeted FY 2010 Capital Projects Fund ending balance of \$202,190 is an increase from the FY 2009 budgeted ending balance of \$41,111. The budgeted FY 2010 Proprietary Fund budgeted ending balance of \$209,779 is an increase from the FY 2009 budgeted ending balance of \$154,486. The City has a total FY 2010 budgeted ending balance of \$1,019,694, increasing from the FY 2009 budgeted ending balance of \$905,477.
10. The FY 2010 budgeted total revenues of \$627,040, excluding transfers, increased from budgeted FY 2009 total revenues of \$488,808, excluding transfers.
11. The FY 2010 budgeted property tax revenues of \$303,126 increased from FY 2009 budgeted property tax revenues of \$166,013. The FY 2010 property tax levy rate of \$4.89929 increased from the FY 2009 property tax levy rate of \$2.70103.
12. An IPERS letter regarding the City's volunteer firefighter's awards plan dated August 30, 2007 states "After reviewing the information with my supervisor and legal department we find no conflict with it and IPERS." The letter continues to state "Since you do not compensate them in any way other than for reimbursement of expenses they are not covered by IPERS."
13. The FY 2010 budgeted expenditures for the Fire Department of \$77,600 increased from FY 2009 budgeted expenditures of \$53,983 primarily for the purchase of a jaws of life.

### **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.

### **BASIS FOR DECISION**

The budget appeal process established under state law provides for the State Appeal Board to review and rule upon proposed budgets, expenditures and tax levies. A portion of the petitioners' concerns involved their disagreement with specific decisions made by the City and not with identifiable budgetary effects of those decisions.

The City did satisfy the burden of proof to justify the increase in expenditures related to the fire department activity and that it is necessary, reasonable and in the interest of the public welfare.

While the State Appeal Board is not convinced the amount budgeted for legal services is warranted, no change in the budgeted amounts is ordered in order to preserve the City's ability to pursue necessary and appropriate legal action during FY 2010. However, the City should ensure the legal services it acquires are necessary, reasonable and in the interest of the public welfare.

The petitioners failed to demonstrated the expenditures from the Awards Fund were not necessary, reasonable and in the interest of the public welfare. However, the balance in the Awards Fund is available for general City operating expenditures.

The City has a General Fund ending balance of over 100% of annual expenditures in the FY 2010 budget.

The City failed to demonstrate the increase in the levy rate was necessary, reasonable and in the interest of the public welfare.


**ORDER**


Based on the financial position of the City, information provided by the parties involved and a review of historical data of the City of Riverdale, the State Appeal Board orders the following:


The budgeted FY 2010 expenditures under the Public Safety and General Government Programs are sustained.

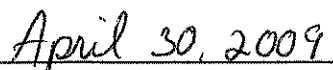
The property tax levy of \$4.89929 is disallowed. The property tax levy is reduced to the FY 2009 rate of \$2.70103 per \$1,000 of taxable property.

**STATE APPEAL BOARD**

  
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David A. Vaudt  
Chairperson

  
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Michael L. Fitzgerald  
Vice Chairperson

  
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Charles J. Krogmeier  
Member

  
\_\_\_\_\_  
Date