ISAC New County Officers School
Basic Budgeting
Marjorie Pitts, Clay County Auditor
January 16, 2019

Agenda

• County Organizational Chart
• What are Governmental Funds
• What are Special Revenue Funds
• How Valuations Tie to Budgets
• How Tax Rates Tie to Budgets
• Budget Calendar and Processing
Clay County Organizational Chart

A dashed line means that the Board of Supervisors appoints one or more persons to serve on each of the boards, which in turn appoint the department head. The appointee may be a supervisor.

What are Governmental Funds

• The accounts of the County are organized by funds and account groups, each being considered a separate accounting entity.

• The operations of each fund are accounted for by a separate set of accounts that comprise assets, liabilities, fund balances, revenues, and expenditures.
What are Governmental Funds

**Governmental Fund Types**
- **General Fund**: Primary operating fund of the County. All tax revenue and other monies not allocated by law to some other fund are accounted for in this fund. General operating expenses and capital improvement costs not paid from other funds are paid from this fund.
  - General Basic Levy Limit: $3.50 / thousand of taxable value
  - General Supplemental No Levy Limit
- **Special Revenue Funds**: Accounts for proceeds which are usually required by law or regulation to be accounted for in a separate fund and to be expended for specific purposes. Expendable trusts should be reported here.
  - Mental Health
  - Rural Basic
  - Rural Supplemental
  - Secondary Roads
  - County Drainage (If the Supervisors are the Trustees)

**Capital Projects Funds**: Money used in the acquisition or construction of major capital facilities and assets.
  - Routine purchases of capitalized items (i.e. law enforcement vehicles, paper copiers, etc.) are typically budgeted for in General Basic.

**Debt Service Fund**: This fund pays the interest and principal on the County's general long-term debt loans.
  - Pays judgments against the county
  - Pays lease or lease-purchase agreement payments
  - Pays to a flood project fund
What are Special Revenue Funds

• Rural Basic Fund:
  • The operating fund for county services benefiting property not within incorporated areas of the
    county.
  • Rural Services Basic Levy Limit: $3.95 / thousand of taxable value
  • Rural Services Supplemental No Levy Limit
    • If the Rural Basic levy is insufficient to meet the county’s needs, the supplemental levy
      can be used to pay charges for:
      • FICA, IPERS, and unemployment premiums associated with salaries in Rural
        Basic, and County contribution to an aviation authority

• Secondary Roads Fund:
  • The operation fund for maintenance and repair of secondary roads, construction and maintenance of
    county bridges and bridges in cities having a population of 8,000 or less, and all or part cost of
    construction of roads which are located in cities of less than 4,000 and lead to state parks.
  • Revenues from federal, state, and county
    • Road Use Tax - Farm-to-Market – Transfers from General Basic and Rural Basic funds
  • Does not levy directly against land valuations
    • Transfers from General Basic: not to exceed the equivalent of a tax of 16 7/8 cents / thousand of
      taxable value.
      • Must be transferred by Board Resolution.
    • Transfers from Rural Basic: not to exceed the equivalent of a tax of $3.375 / thousand of taxable
      value.
      • Must be transferred by Board Resolution.
    • Money credited to the secondary road fund for construction and maintenance of roads can not be
      transferred out.
What are Special Revenue Funds

- **County Mental Health and Disabilities Services MHDS Fund**
  - Senate File 2315 effective 7-1-2013 [Changed our WORLD]
  - All counties were to join into regions.
    - Counties had to be contiguous and consist of at least three counties
    - Must have capacity to provide CORE services, have a community mental health center, and an inpatient psychiatric service
      - As of April 2018 additional CORE services were required.
    - Must have a regional administrative structure (CEO & Fiscal Agent & DSCs)
    - Regions began operating 7-1-2014
  - State to fund Medicaid services
    - Regional Governance determines and approves expenditures under 28E agreements
      - Have a Regional Advisory Committee of stakeholders
        - Providers, Family members, Consumers from each member county
  - Regional Finances
    - Pooling (or not pooling) cash and assets
    - Each Region has a County that serves as their Fiscal Agent
    - Each County in the Region budgets for Mental Health separately & certifies to Dept of Mgmt
      - County may have Administrative Expense that is paid by the County
        - i.e. Wage and office expense for a DSC or CEO or Fiscal Agent
      - County budgets to distribute revenue to Region Fiscal Agent ($$ X Population)
        - Ex: County population 16000 X $30.30/person = $484,800 to distribute to Fiscal Agent
      - Cap on Regional expenditures to the level of FY16
        - Result: Each Region is different
Valuation * Rate = Taxes Levied

- Tax base to which the rate is applied and over which the levy is spread
- Amount of tax per $1,000 of taxable value the taxpayer owns
- Dollars generated by the Tax

- Valuation is set by the County Assessor and the Department of Revenue
- Rates are set by local governments to generate the desired levy
How Valuations Tie to Budgets

- All property is assessed every other year [odd years]
- Most property assessed locally by County Assessor
- Utilities and railroad property centrally assessed by the State
- 18 – month lag between values and tax collection
- Budgets that will be certified March 15, 2019 are based on values from January 1, 2018
- Fiscal year begins July 1, 2019
- Taxes will be collected in September 2019 and March 2020
  - (i.e. Assessed 1-1-2018 Taxes payable 7-1-2019 thru 6-30-2020)
- Properties are divided into classes according to their primary use
  - Five major classes
    - Agricultural – Commercial – Industrial – Residential – Multi Residential
  - Classification enables groups of properties to be treated differently

How Valuations Tie to Budgets

- Valuation – Assessment Limitations
  - Taxable valuation of agricultural and residential classes of property are limited to 3% growth annually statewide (since 2013). Does not include new construction
  - Taxable valuation on commercial and industrial property is adjusted by 90%
  - Assessed valuation for multi-residential property is adjusted by 82.5% to determine taxable valuation
  - The rollback factor is calculated by Dept of Revenue and applied statewide
    - The taxable value after rollback is what we pay taxes on
    - No limit on loss or decrease in values by class
  - Coupling
    - Agricultural and residential values are coupled
      - One class cannot increase by more than the other
IOWA ASSESSMENT LIMITATIONS SINCE 2003
Assessment Limitation Factor and Allowable Growth (%) for Each Class of Property

<table>
<thead>
<tr>
<th>Year</th>
<th>Railroads</th>
<th>Commercial</th>
<th>Industrial</th>
<th>Utility</th>
<th>Residential Rollback</th>
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<tr>
<td>2003</td>
<td>48.4558%</td>
<td>99.2570%</td>
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<td>2004</td>
<td>47.9642%</td>
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<td>2005</td>
<td>45.9090%</td>
<td>99.8715%</td>
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<td>2006</td>
<td>45.5959%</td>
<td>99.7320%</td>
<td>100%</td>
<td>100%</td>
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<tr>
<td>2007</td>
<td>44.0803%</td>
<td>99.3129%</td>
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<tr>
<td>2008</td>
<td>42.5883%</td>
<td>99.1999%</td>
<td>100%</td>
<td>100%</td>
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<tr>
<td>2009</td>
<td>42.2716%</td>
<td>99.0344%</td>
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<td>2010</td>
<td>41.9342%</td>
<td>98.8399%</td>
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<td>2011</td>
<td>41.5114%</td>
<td>98.6318%</td>
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<td>2012</td>
<td>41.0162%</td>
<td>98.4192%</td>
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<td>2013</td>
<td>40.5387%</td>
<td>98.1941%</td>
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<td>2014</td>
<td>40.0721%</td>
<td>97.9632%</td>
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<td>2015</td>
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<td>97.7231%</td>
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<td>2016</td>
<td>39.1806%</td>
<td>97.4831%</td>
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<td>2017</td>
<td>38.7608%</td>
<td>97.2431%</td>
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<tr>
<td>2018</td>
<td>38.3480%</td>
<td>96.9990%</td>
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<td>100%</td>
<td>100%</td>
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</tbody>
</table>

Rollback for multi-residential property will continue to decrease by an average of 3.75% per year until assessment year 2021. The 2022 assessment will be equal to the residential rollback of that year.

* By statute, the percentage for railroads must equal the lowest of the percentages for commercial, industrial, and utility properties.

How Valuations Tie to Budgets

VALUATION – CREDITS AND EXEMPTIONS

- Homestead and Military Credit is based on property value
  - The state pays the tax due on the first $4,850 of taxable value for each Homestead Credit reported by the County
    - The $4,850 times the combined County tax levy for the property = $ benefit to the taxpayer
  - Qualifying veterans get a reduction in taxable value of $1,852 before the property taxes are calculated.
    - Value reduction slightly higher for WWI Veterans
  - State reimburses local governments about 20% of the cost
- Disabled Veteran Homestead Credit
  - Since March, 2015 includes disabled veterans with permanent & total disability ratings based on unemployability paid at the 100% disability rate
  - Applied for through County Assessor
- Ag Land and Family Farm Credits
  - The state appropriates $35 million; the first $10 million goes to Family Farm Credit
  - Ag land credit: Must have 10+ acres of farmland to qualify
  - Property owners must apply for the credits with the County Assessor
How Tax Rates Tie to Budgets

The tax rate for a specific taxing district is determined by the individual taxing authorities certified expenditures divided by the total taxing district taxable valuation.

- A typical Taxing District will have:
  - Combined County rate (either urban or rural)
    - Will include County Assessor rate, Ag Ext Council rate, County Debt Service rate, mental health rate
  - Area School rate
  - School rate
  - Township rate (if a rural taxing district)
  - Benefitted Fire District rate (if fire protection not covered by the township)
  - City rate (if an urban taxing district)
  - Sanitary Sewer District rate
  - SSMID (Self-Supported Municipal Improvement District) rate
  - Statewide Bovine tuberculosis eradication rate
- There are over 13,000 separate taxing districts in Iowa in 2015

The consolidated tax rate * taxable value / 1,000 = taxes owed and collected by the County Treasurer

- County Treasurers apportion (pay) all taxes collected each month to each taxing authority, including the County
- Each taxing authority receives the collected taxes to pay the expenditures they budgeted and certified to the County Auditor.

The cycle is now complete
Budget Calendar and Processing

- OCTOBER
  - Good time to review established spending policies and labor negotiations for tentative budget proposals

- NOVEMBER / DECEMBER
  - Auditor (or Budget Director) will furnish budget worksheets to elected officials and department heads to prepare proposed revenues and expenditures for the next fiscal year.
  - County Compensation Board will meet to recommend salary changes for elected officials.

- JANUARY
  - Not later than January 1st the Auditor reports valuations by class of property for each taxing district in the county to the Dept of Management. These valuations shall be used for determining the levy rates necessary to fund the budgets for the following fiscal year.
  - Not later than January 1st the Auditor reports the assessed valuations of taxable property in the county to the governing body of each taxing authority.
  - On or before January 15th each elected official or appointed department head shall prepare an estimate of proposed expenditures and revenues (excluding property taxes) for the next fiscal year and submit to the County Auditor or Budget Director.
  - On or before January 20th the County Auditor or Budget Director shall compile these estimates and submit them to the Board of Supervisors.
  - Board of Supervisors meet with elected officials and department heads to review their budget proposals.
  - Board of Supervisors meet with representatives of organizations wishing county funding or allocations.

- FEBRUARY
  - The Board of Supervisors shall publish the time and place for a public hearing on the budget in all county newspapers not less than ten (10) days nor more than twenty (20) days prior to the hearing date.
  - The Board of Supervisors shall file the budget with the County Auditor not less than ten (10) days before the public hearing date.

- MARCH
  - After the hearing, the Board of Supervisors adopt by resolution a budget and certificate of taxes for the next fiscal year.
    - The Board can not adopt a tax in excess of the published estimate.
    - If the budget is certified after March 15th the county will be limited to the prior year budget amount.
  - County budgets must be certified to the Iowa Dept of Management not later than March 15. Other tax certifying bodies must be reviewed by the Auditor and forward one copy to the Iowa Dept of Management by March 15th also.
    - County budget and certificate of taxes adopted for the following fiscal year become effective on July 1st.
Budget Calendar and Processing

**APRIL**
- School budgets must be certified to the County Auditor not later than April 15th.

**MAY**
- The Board of Supervisors may amend the prior year (FY2019) adopted county budget by May 31st to allow time for a protest hearing. Any amendment after May 31st is void.
- The Board of Supervisors shall prepare and adopt a budget amendment in the same manner as the original budget.

**JUNE**
- The Board of Supervisors appropriate, by resolution, the amounts necessary for each county officer and department during the ensuing fiscal year.
  - Increases or decreases in appropriations do not require a budget amendment but need a resolution passed at a regular board meeting as long as each class of proposed expenditures is not increased.
  - Decreases in appropriations of more than ten (10) percent or $5000, whichever is greater, shall not be effective unless the Board of Supervisors have a public hearing.

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**Budget Calendar and Processing**

**BUDGET PROCESSING OPTIONS & TIPS**

- Develop a budget calendar of dates for January and February.
  - Determine the dates the Board will meet in special session to conduct Budget workshops with either your Auditor, Budget Director, or other departments.
  - Determine the date that the proposed budget must be taken to the newspapers (i.e. February 1, 2019).
  - Determine the date the proposed budget will be published in all newspapers (i.e. February 7, 2019).
    - Publish not less than 10 days nor more than 20 days before the hearing.
  - Determine the date the FY2020 budget hearing will be held (i.e. February 19, 2019).
    - Must set this date by Board motion while in a regular board session.
**BUDGET PROCESSING OPTIONS & TIPS**

- Establish salary and wage changes for department heads and hourly employees taking into consideration any union negotiations.
- Consider fund balance levels
  - Look to prior fiscal year (June 2018) ending fund cash balances
  - Departmental budgets can help to indicate cash flow needs
  - Request capital improvement plans and capital asset purchasing plans from officials and departments
- Consider difference between raising taxes collected **OR** not raising the tax rate