

STATE APPEAL BOARD

In Re:	Winnebago County) Budget Appeal) FY 2009)	Order May 5, 2008
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BEFORE THE DIRECTOR OF THE DEPARTMENT OF MANAGEMENT, CHARLES J. KROGMEIER; 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 17, 2008. The hearing was before a panel consisting of David Voy, Manager, Office of the State Auditor and presiding Hearing Officer; James Nervig, County Budget Director, Department of Management; and Luke Donahe, Investment Officer, Office of the State Treasurer.

The spokesperson for the petitioners was Scott Helgeson. The spokespersons for Winnebago County were Jim Oulman, Winnebago County Supervisor, and Jim Witt, Winnebago County Engineer.

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 Winnebago County fiscal year (FY) 2009 budget as described herein.

PROCEDURAL HISTORY

The FY 2009 Winnebago County proposed budget summary was published in the Forest City Summit on February 27, 2008 and the Lake Mills Graphic on February 27, 2008. The budget was adopted at a public meeting held on March 11, 2008.

A petition protesting the certified FY 2009 Winnebago County budget was filed with the Winnebago County Auditor on March 18, 2008, and was received by the State Appeal Board on March 21, 2008. The petitioners' objection and their reason listed on the petition document is as follows:

- An excessive tax rate increase.

DISCUSSION

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

PETITIONERS

Mr. Scott Helgeson represented the petitioners. In his presentation, he provided certain comments with regard to the Winnebago County budget, summarized as follows:

1. The budget significantly increases the taxes of Winnebago County overall by 30% with the Rural Basic Fund increasing 95%. State statute sets the allowable Rural Basic Fund rate at a maximum of \$3.95 per \$1,000 of taxable valuation which raises \$1,049,975. The FY 2009 budget passed by the Supervisor's for the Rural Basic Fund has a tax rate of \$7.70, or an increase of \$3.75 over the rate recommended by state law, which raises \$2,046,788, and increases taxes by \$1,000,000. There is also a Rural Supplemental Fund tax levy of \$0.60529. The rate for the entire county will go from \$11.118 to \$14.437 per \$1,000 of taxable valuation. The County Supervisors' rationale for such an increase was given as "a reduction or unusual low growth rate in the property tax base of the county." The petitioners believe the County used selective valuation information to justify exceeding the maximum levy, instead of looking at taxable valuation of all properties.
2. The petitioners object to Secondary Roads purchasing \$500,000 of new equipment in the FY 2009 budget. This amount is more than the total FY 2008 cost for upkeep and maintenance of all county roads, excluding rock and resurfacing. They proposed a moratorium on new equipment purchases for FY 2009. The County has a far more aggressive equipment replacement schedule than is warranted and the petitioners object to the County's practice of spending equal or more money on new equipment than is spent for road maintenance.
3. The adopted budget includes switching the cost of two Sheriff's deputies (\$161,042) from the General Fund to the Rural Fund. The petitioners stated they did not receive any rationale at the budget hearing as to why the Supervisors are requesting this change in funding. The petitioners object to this change given 64% of the General Fund property taxes already come from the rural property owners, although only 30% of the people live in rural areas. They also object to the increase in the Sheriff's budget of \$115,000, for an increase of 16.9%.

Additional comments by the petitioner regarding the items noted above are as follows:

The petitioners have recommended several actions to reduce costs and lower the tax levy rate as follows: transfer additional local option sales tax (LOST) revenues to the Rural Services Fund, keep Secondary Roads equipment longer and utilize it better, and consider reducing the number of employees.

Also, the petitioners stated the Sheriff's budget has a large increase with no explanation of the purpose, in addition to a large increase in the FY 2008 budget.

WINNEBAGO COUNTY RESPONSE

Mr. Oulman and Mr. Witt were the primary spokespersons for Winnebago County. In their response to the petition, they expanded upon the written remarks and the exhibits submitted.

1. The Board reviewed the projected revenues and expenditures and decided something had to be done. The revenues for roads have not increased for many years while expenditures have increased greater than inflation. The two choices were to raise taxes or to cut services. The services affected were roads and the Sheriff's Department.
2. The Board questioned the County Engineer's proposal concerning roads and the operations of the Secondary Roads Department and agreed the condition of the roads in the County was important and had to be maintained.
3. The Board reviewed the work being performed by each Sheriff's Deputy and decided to allocate the cost of two deputies to the Rural Services Fund.
4. Mr. Witt stated the biggest problem in the County is the decline in rural taxable valuation. In 1987 the rural taxable valuation was \$277 million, for FY 2008 the rural taxable valuation was \$247 million and FY 2009 will be \$269 million. As shown, the rural taxable valuation is still \$8 million less than in FY 1987. The market value of farm ground has increased significantly in the last 20 years. However, this increase has not impacted the taxable valuation over the same period.
5. The Iowa Code sets the maximum Rural Services Basic Fund property tax levy at \$3.95 per \$1,000 of taxable valuation but does allow counties to levy above the maximum if certain conditions are met.
6. Mr. Witt stated that while property taxes on rural property have increased over the past 20 years, the Secondary Roads Department has not received a proportionate share of the increase.
7. Mr. Witt provided charts and graphs demonstrating the cost of materials and equipment has increased significantly compared to revenues received.

FINDINGS OF FACT

1. Iowa Code Section 24.27 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.
2. Chapter 331.423 of the Code of Iowa allows the County to certify a levy for the Rural Services Basic Fund of up to \$3.95 per \$1,000 of the assessed value of taxable property outside of the incorporated city areas. If a county has unusual circumstances creating a need for additional property taxes for rural county services in excess of the amount that can be raised by the levy, the board may certify an addition to the rural basic levy if certain criteria are met. The County met this requirement by indentifying a reduced or unusually low growth rate in the property tax base of the county and by making the required public notice of a hearing on the budget.
3. Section 331.421 of the Iowa Code states that rural county services are "the services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas..."

4. The FY 2009 Winnebago County budget includes an increase in the Rural Services Basic Fund property taxes of approximately \$1,095,000 which resulted from an increase of \$3.75 per \$1,000 of assessed value of taxable property in the rural area. The increased property taxes are primarily budgeted for increased expenditures of approximately \$763,000, increased transfers to the Secondary Roads Fund of approximately \$65,000 and an increase in the ending fund balance of approximately \$230,000. The increased expenditures of approximately \$763,000 are primarily due to an increase in Secondary Roads equipment of approximately \$325,000, Secondary Roads tools, materials and supplies of approximately \$250,000 and moving expenditures for two Sheriff's Office deputies of approximately \$150,000 from the General Fund to the Rural Services Fund.

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

Iowa Code 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 petitioners did adequately satisfy this requirement to justify a change in the FY 2009 budget.

The Winnebago County Board of Supervisors has significantly increased roads and transportation and public safety and legal services expenditures which resulted in a significant increase in the Rural Services Basic Fund property tax levy. The County did not adequately justify the full amount of the increased expenditures and property tax levy.

While the Code of Iowa designates certain services as general county services or rural county services, expenditures to operate the Sheriff's Office are not included in those designated services. Under Home Rule and the Code of Iowa, each county determines whether operations of the Sheriff's Office is a general county service or a rural county service.

ORDER

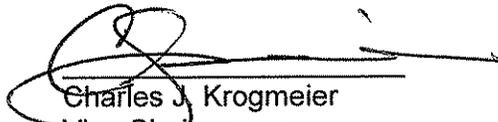
Based on the information provided by the parties involved and the Iowa Code, the State Appeal Board orders the following action:

Reduce the Rural Services Basic Fund property and utility replacement tax dollars by \$750,000. Also, expenditures will be reduced in the following functions: \$75,000 for Uniformed Patrol Services in the Public Safety and Legal Services Service Area, and \$220,000 for New Equipment and \$225,000 for Tools, Materials and Supplies in the Roads and Transportation Service Area. The remaining reduction of \$230,000 will be made to the ending fund balance of the Rural Services Basic Fund.

STATE APPEAL BOARD



David A. Vaudt
Chairperson



Charles J. Krogmeier
Vice Chairperson



Michael L. Fitzgerald
Member

5-5-2008
Date