

3. Every asking in the FY2002 county budget which represents an increase over the fiscal year 2001 budget which are not required by contractual obligations or as a result of the collective-bargaining process.
4. The FY2002 budget of Black Hawk County Sheriff's Office which has an increase of \$411,173 or 6.8% over the FY2001 budget, the improper allocation of revenues within the budget, and the mismanagement of the jail operation.
5. The County Health Department budget which represents an improper allocation of the joint cost of operating the Department between the City of Waterloo and the County. The petitioners have withdrawn this objection.
6. Taxing the citizens to increase the budget's Reserve Fund balance.
7. The fact that a number of studies have been done of the operation of county government which have suggested changes to create efficiencies which, for the most part, have not been done.

Their reason for the first objection from the petition document is that expenses are overstated and revenues are understated, and the increases in the budget are unnecessary, unreasonable, and not in the interest of the public welfare.

Their reason for the second objection from the petition document is that there is no basis for the increases in the salaries proposed by the Compensation Board and approved by the Board of Supervisors for raising the salaries for the Board of Supervisors, specifically their 5% increase, and other elected officials. Furthermore, these expenditures are unnecessary, unreasonable, and not in the interest of the public welfare.

Their reason for the third objection from the petition document is that these expenditures are overstated and that the increases in the budget are unnecessary, unreasonable, and not in the interest of the public welfare.

Their reason for the fourth objection from the petition document is that the Sheriff's budget does not properly reflect contracted revenue received from other entities for patrol services into the Rural Services Fund where patrol expenses are charged.

Their reason for the fifth objection from the petition document is that it appears that the allocation of expenses between Black Hawk County and the City of Waterloo in operating a combined Health Department is not appropriately allocated between the two governments.

Their reason for the sixth objection from the petition document is that the General Fund ending balance is in excess of that required in order to meet the normal and necessary needs of the County.

Their reason for the seventh objection from the petition document is that the combined Waterloo and Cedar Falls Chamber of Commerce Government Affairs Committee and Business Department of the University of Northern Iowa conducted studies for government efficiencies. For the most part, the Board of Supervisors did not implement these recommendations.

DISCUSSION

The petitioners and the representatives of Black Hawk County provided various written summaries and exhibits in support of their positions. A summary of this information is as follows:

PETITIONERS

Mr. Field gave the petitioners' opening statement. The following are the petitioners' requests of the State Appeal Board.

1. A reduction in the budget of \$1 million in property taxes from the General Fund.
2. A reduction in the elected officials salaries to 3%.
3. A reduction in the budget of any item that increased from last year's budget, that has not been shown to be necessary, reasonable, or in the interest of the public welfare except for contractual obligations or collective bargaining.
4. The State Appeal Board should require that the County Sheriff charge \$74.50 per day for every inmate in the County Jail.
5. The Commissary Fund in the Sheriff's Department should be brought into the General County budget and taxes reduced accordingly.
6. The Board of Supervisors should review and then implement efficiencies from the studies the University of Northern Iowa conducted for the County.

The petitioners explained their appeal in greater detail and a summary is as follows:

- Black Hawk County held a series of public meetings and many residents objected to the budget with no support for the proposed 7.38% increase in property taxes.
- There was no indication that the elected officials looked at cost saving measures for the County. The petitioners deem that the Board of Supervisors should be "cost savers."

- The 7.38% property tax increase in Black Hawk County is to cover the county employees' and elected officials' salaries and wages. The Board of Supervisors will receive a 5% salary increase for the FY2002 budget year. Many Black Hawk County residents hold low-income jobs or are on fixed incomes and cannot afford the proposed higher property taxes.
- The Sheriff maintains a Commissary Fund that does not appear for public review in the County budget. The Commissary Fund should be part of the County budget and should be used to reduce any expenses and effectively reduce tax askings with respect to the Sheriff's Office. The State Auditor's Office has recommended this change for many years.
- Black Hawk County is currently under charging for out of county inmates who are housed in the Black Hawk County jail. This charge is clearly less than the operating cost to operate the jail on a per diem basis for these inmates.
- The University of Northern Iowa conducted studies for Black Hawk County. These studies identified inefficiencies in various County departments. The Board of Supervisors is not currently executing these studies in efforts to decrease inefficiencies of the County.

BLACK HAWK COUNTY RESPONSE

- Some of the protesters objected to the county taxes going up year after year. However, this is not the case. County taxes will still be less in FY2002 than they were seven years earlier.
- Salaries are increasing by about \$848,000. Of the county's 749 employees, 605 have their salaries determined by collective bargaining.
- Property taxes were not increased as much in the FY2001 Budget because about \$1,000,000 of General Fund ending balances were used.
- The main reason property taxes did not increase more than proposed is because cuts were made elsewhere in the budget, including inmate health services.
- The County has followed statutory procedures for determining salaries of the elected officials for FY2002.
- There is still considerably more Sheriff's patrol expense in the General Fund (\$190,844) than there is offsetting revenue from the contracts with various cities in the county for law enforcement services (\$56,842). Furthermore, moving \$56,842 in revenues out of the General Fund would require raising property taxes in the General Fund by that amount, and it would not lower property taxes in the Rural Services Fund since its levy is already zero.

- The Sheriff uses the Commissary Fund because he believes that it results in cost savings to the county and the Sheriff feels that he is in his legal prerogatives to maintain the account directly from his office.
- The Sheriff charges \$70.00 per day for inmates from other Iowa counties, \$74.50 for federal prisoners and \$65.00 per day for Black Hawk County inmates. The Sheriff believes that increasing per diem rates for the prisoners at Black Hawk County jail will be counter-productive given that surrounding counties charge \$50.00-\$60.00 per diems.
- County fund balances are budgeted to decrease, not to increase. In the General Fund, this has been a trend since FY97.
- The Board of Supervisors reserves the right to set what policies it deems proper for county government. The Board solicited the studies by UNI and the results began coming in last fall. Not all of the studies have been formally submitted or presented to the Board. The Board fully intends to review the studies and implement suggestions that it deems feasible and desirable.

CONCLUSIONS OF LAW

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

BASIS OF DECISIONS

Objection #1

7.38% (\$1,623,987) Increase in Property Taxes Over FY2001

According to the budget, the increase in property taxes is to pay for increased budgeted expenditures and to slow the decline in the ending fund balance. The increase in budgeted expenditures for FY2002 totals \$1,090,183, or a 1.8% increase compared to FY2001. Based on information provided by the County, this increase in budgeted expenditures is less than the anticipated \$1,327,069 increase in employee salaries and benefits for FY2002, primarily resulting from the County's collective bargaining agreements. The petitioners stated that they were not protesting increased expenditures required by contractual obligations or resulting from collective bargaining.

The County has been reducing its General Fund ending balance for the last several years. The cumulative reduction for FY1998 through FY2000 totals approximately \$3.7 million, with an additional reduction of over \$1 million expected for FY2001. The budget for FY2002 projects a further decrease of only \$43,200 in the General Fund ending balance, but it also projects a decline in the ending fund balance for all funds of over \$1.7 million. Stated as a percentage of expenditures, the actual ending fund balances in the General Fund for FY1998, FY1999, FY2000 have been 27.56%, 20.64%, and 14.22% respectively. They are projected to decline to 10.94% and 10.60% for FY2001

and FY2002, respectively. The unreserved/undesignated ending fund balance for all funds at the completion of FY2002 is projected to be 17.62% of budgeted expenditures for the fiscal year.

Objection #2

Salaries of the Elected Officials

The salaries of the Board of Supervisors of Black Hawk County were adopted in accordance with statutory provisions. Since the Iowa Code provides a method for counties to determine salaries at a local level, the State Appeal Board has historically not adjusted the salaries of local officials or employees if the statutory procedures for determining them has been followed.

Objection #3

Every Asking of the FY2002 Budget Which Represents an Increase Over the FY2001 Budget

The County has provided documentation that outlines the increases for FY2002 item by item. The County properly followed the procedures for adopting the budget. They held public meetings where they provided ample opportunity for input by residents of Black Hawk County. The budgeted operating expenditures, excluding salaries, benefits, and capital expenditures, as discussed under objection number one have been reduced from FY2001 budgeted levels.

Objection #4

Budget of the Sheriff's Department

While the County's revenue for housing prisoners is subject to appeal, the per diem rate charged for prisoners is not. Because of the unknown effects on occupancy levels if the Sheriff charges higher or lower rates, the effect on County revenues is unknown.

The State Appeal Board agrees that the Commissary Fund should be brought into the County budget. This commissary account includes expenditures for equipment purchases. These are currently not included in the County's accounting system and should become part of the County's budget process for public review. The State Appeal Board is precluded by Iowa Code Section 24.30 from ordering an increase in the budgeted expenditures. The inclusion of the Commissary Fund should be done by the County amending the budget, if necessary.

Objection #5

Health Department Budget

This objection was withdrawn by the petitioners at the start of the Hearing.

Objection #6

Taxing Citizens to Increase the Budget's Reserve Fund Balance

The Unreserved/Undesignated budgeted ending fund balance for the General Fund was 10.6% of budgeted expenditures. The County has been reducing its ending fund balances as a percentage of expenditures for the last five years. These ending fund balances, as a percentage of expenditures have gone from 27.56% in FY1998, 20.64% in FY1999, 14.22% in FY2000, and are projected to decline to 10.94% in FY2001 and to 10.6% in FY2002.

Objection #7

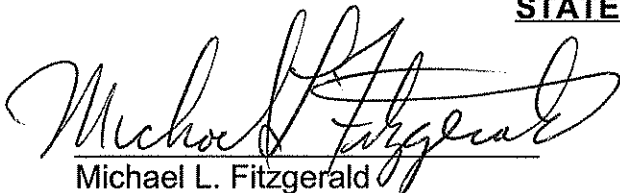
Studies by the University of Northern Iowa

While the State Appeal Board agrees with the petitioners that every county should be managed efficiently, the State Appeal Board concurs with the Board of Supervisors statement that they "reserve the right to set what policies it deems proper for county government."

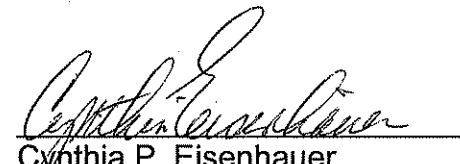
ORDER

Based on the information provided by the parties involved and the review of historical data of Black Hawk County, the State Appeal Board sustains the FY2002 Black Hawk County Budget as adopted.

STATE APPEAL BOARD


Michael L. Fitzgerald
Chairperson

- Absent -
Richard D. Johnson
Vice Chairperson


Cynthia P. Eisenhauer
Member

April 30, 2001
Date