

STATE APPEAL BOARD

**In re: Carroll County
Budget Appeal**

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Order

FY2001-2002

April 24, 2001

BEFORE STATE AUDITOR, RICHARD D. JOHNSON; STATE TREASURER, MICHAEL L. FITZGERALD; AND THE DIRECTOR OF THE DEPARTMENT OF MANAGEMENT, CYNTHIA P. EISENHAUER:

The above captioned matter was heard on April 17, 2001 before a panel consisting of Ronald J. Amosson, Executive Secretary to the State Appeal Board and presiding officer; Gretchen C. Page, Investment Officer I, Office of State Treasurer, and Kevin J. Borchert, Professional Development Director, Office of Auditor of State.

The hearing was held pursuant to Section 331.436 and Chapter 24 of the Code of Iowa. John Werden, Carroll County Attorney and other County Officials represented the County and Marty Danzer and other individuals spoke on behalf of the petitioners.

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, and after a public hearing to consider the matter, the State Appeal Board has voted to sustain in part and reduce in part Carroll County's fiscal year 2002 budget as described herein.

PROCEDURAL HISTORY

The FY2002 Carroll County proposed budget summary was published in the Carroll Today, Carroll, Iowa, on February 23, 2001, The Times Herald, Carroll, Iowa on February 22, 2001, and in The Coon Rapids Enterprise, Coon Rapids, Iowa on February 22, 2001. The date of the public hearing was March 12, 2001 and the budget was adopted on that same day.

A petition protesting the certified FY2002 Carroll County budget was filed with the Carroll County Auditor on March 22, 2001 and was received by the State Appeal Board on March 27, 2001. On the petition document, the petitioners outlined four basic objections. They objected to (1) the expenditures for the new multi-year geographic information system (GIS), (2) the multi-year expenditure commitment for the construction of an Education Center at Swan Lake, (3) the inclusion of \$50,000 in the Capital Projects account in the FY2002 Budget and, (4) the inclusion of the Compensation Board's recommended salary increases in the County budget. The reason for the first objection, as stated in the petition, was that the new information technology (IT) department was being funded with a split between the General Basic Fund, the rural levy, the Assessor's Office and the Secondary Road's budget the first year. The petitioners do not believe this is the time to embark on a project of this magnitude as few counties across the state, with most being more populated, have even begun such a project and no county has "completed" such a project. The petitioners do not believe that this program is necessary, reasonable or in the interest of the public welfare. The reason given for the petitioners second objection was that the education center project would cost an estimated \$1.5 million with \$275,000 to be from property taxes over the next three years. The balance of the costs "might" be funded with private

donations and grants. The payments are to be made to a private foundation for a project on state owned property. It is expected that the County will become the final owner with all future expenses and staffing being the County's responsibility. The petitioners do not believe that this program is necessary, reasonable or in the best interest of the public welfare. The reason given for the third objection was the \$50,000 transfer to the Capital Projects Fund was not ear marked for any future projects but was rather for a discretionary fund available for future fund requests. The reason given for the objection to the fourth item was that the Compensation Board's recommended salary increases were not properly adopted in accordance with Chapter 331.907 of the Code of Iowa. The petitioners allege that no public hearing on the Compensation Board's recommendations was held and that no members of the Compensation Board appeared at the public hearing.

DISCUSSION

At the public hearing, several individuals presented the petitioner's objections to the FY2002 Carroll County Budget.

PETITIONERS

The petitioners requested that the State Appeal Board direct the Carroll County Board of Supervisors to take the following actions.

1. Eliminate funding for the GIS system from the County Budget and reduce taxes accordingly.
2. Eliminate funding for the Education Center from the County Budget and reduce taxes accordingly.
3. Eliminate the transfer of \$50,000 from the General Fund to the Capital Projects Fund and reduce taxes accordingly.
4. Eliminate raises recommended by the Compensation Board and approved by the Board of Supervisor's for County Officials and reduce taxes accordingly.

A summary of additional petitioners remarks follows:

GIS System

With current farming income falling and other expenses increasing faster than inflation, a project of this magnitude is not in the best interest of the taxpayers. In addition, the petitioners indicate that the contract for this project was entered into prior to the adoption of the budget and before the appropriations were made. Also, the GIS Committee's' recommendation discussing the cost and benefits of the system mentions that it will not reduce staff or save money. Furthermore, the list of people who will benefit from the system includes appraisers, realtors, attorneys, surveyors, and other businesses that routinely conduct transactions with the courthouse. The list does not benefit a large amount of Carroll County taxpayers. The petitioners note that the GIS system will not encourage businesses to move to the Carroll County area and other databases which can provide similar information are free.

Education Center

The proposed Swan lake Conservation Education Center is a \$1.5 million project to construct a county building in Swan Lake State Park. The project is supposed to be funded with a combination of property taxes, grants and private donations. Because of unresolved issues,

remaining questions and the present economy, the petitioners do not feel that this is a wise use of taxpayer dollars and is probably a big reason why there has been opposition to this project. The project may be more appropriate once the economy improves and once several issues surrounding the project have been resolved. First, the project does not have broad community support. The Conservation Board and foundation funded a survey on conservation programs, services and facilities. Out of 700 surveys sent out 358 were returned. The strongest support of a project was to improve water quality (83%). The education center only had lukewarm support with the majority saying it was somewhat important. The Carroll County Farm Bureau did a survey of its members in 1996 where only 31% of respondents supported a tax increase to fund a conservation center while 69% opposed it. Second, the Conservation Board is over budget by \$108,000 on their previous capital project, the Sauk Rail Trail project. Adequate funds were not raised for this project – the education center should not be started until the Sauk Rail Trail project is paid off. Third, we do not know where the remainder of the \$1.5 million will come from, as the full funding has not yet been secured. Fourth, the proposed building is on State land and the exact location has not been decided on. Also, paying for the proposed center with County property taxes is not an equitable distribution of the costs of the center, since the center will be open to all State residents for public use.

\$50,000 Transfer to Capital Projects Fund

The levying and transfer of money to the Capital Projects Fund is not needed and does not belong in a specialized fund. The Capital Projects Fund is for large capital projects and not day to day issues. If the funds are to be used for long-term build up of funds for a major project then the County should put the project to a vote of the people. Also, the County has a history of accumulating larger ending balances than budgeted. Because of this history of unused budget expenditures in the General Fund, \$50,000 does not need to be levied or transferred.

Compensation Board salary recommendations

The petitioners believe that County Officials are doing a good job overall, however the Board of Supervisors did not follow the proper procedures when approving the salary increases. The petitioners contend that Chapter 331.907 of the Code of Iowa requires that a separate public hearing should be held on the Compensation Board's report and that the Compensation Board must submit (and be present) at the County budget hearing where the recommendations are included into the County Budget. Since the Board of Supervisor's did not properly follow these procedures the increases are inconsistent with the Iowa Code and should therefore be disallowed and the taxes should be reduced accordingly.

CARROLL COUNTY RESPONSE

Carroll County's responses to part of the petitioners' concerns are as follows:

GIS System

The new IT Department is being funded totally from the General Fund, not a combination of funds as suggested by the petitioners. The IT Department is an expansion of the current Data Processing Department currently funded from the General Fund. The 2002 Secondary Roads Department contains \$40,000 for partial payment of the estimated \$52,950 cost of the replacement of 72 first order survey monuments on a 3 mile grid in Carroll County. The justification of this expenditure is based on the utility the Secondary Roads Department will

receive from the monumentation in carrying out Department responsibilities. This monumentation will aid greatly in the long-range preservation of Carroll County's section corners. Also, the County noted that 47 other Counties are currently involved in a GIS project or have completed one, several of them smaller than Carroll County. In addition, the County noted that Chapter 331.441(2)(b)(11) defines "...a geographic computer data system suitable for automated mapping and facilities management" as an "essential" County purpose.

Education Center

The County indicated that long range planning in 1999 provided a Comprehensive Action plan for the Carroll County Conservation Board. This plan called for "enhancing the educational capabilities of the Naturalist with a center to provide regional environmental/nature programming". The County has not rushed into this project but rather has held numerous hearings and discussed the center at various community gatherings to keep the public informed. The County surveyed its citizens and found that 24% said the project was very important and 50% said it was somewhat important. The public was given ample opportunity for input. The proposed \$1.6 million facility is only asking the County to contribute \$275,000 over a three year period. This amount is needed to establish a base to secure grants and individual and corporate donations.

\$50,000 Transfer to Capital Projects Fund

It has been the judgement of the Board of Supervisors to have funds available for emergency replacements and other capital additions. The County has been transferring funds for this purpose since 1992 and each year the needs are discussed at the budget hearing. This year's proposed uses being considered are replacing the single pane windows in the courthouse, and the demolition of the old County Home. The County does have plans for the funds and these projects will each be given careful consideration. The Board has used these funds in the past very prudently and when \$50,000 was needed to replace a leaking courthouse roof it was available immediately as an emergency project.

Compensation Board salary recommendations

After public notice and in accordance with law, the Carroll County Compensation Board met on December 4, 2000 and reviewed salary information and received comments from elected officials and the public. The Compensation Board submitted its recommended compensation schedule to the Board of Supervisors by written submission dated December 6, 2000. The Compensation Board's recommendation was discussed at several Board meetings and the Board ultimately reduced the recommended increases by 85%. At the public budget hearing on March 12, 2001, the elected official's compensation was addressed by members of the public in attendance. The final decision on the salaries was then made by the Board of Supervisors and is included in the Adoption of Budget & Certification of Taxes form submitted to the State Department of Management. The Code of Iowa only requires that the County Compensation Board's recommendations be submitted at the Budget hearing, it does not require that the members of the Compensation Board attend in person.

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

GIS System

The creation of an IT Department within the General Fund appears to be a proper expenditure of this Fund. The County has stated and the budget forms indicate that the Department is to be funded totally from the General Basic Fund levy and, therefore, does not affect the Rural Levy the Assessor's Levy or the Secondary Roads Department. The County has established that the expansion of the Data Processing Department is necessary, reasonable, and in the interest of the public welfare. Accordingly, no changes to the County Budget or tax levies are recommended for these expenditures.

One of the arguments by the petitioners in opposition to the expenditures for the GIS system was that other counties of Carroll County's size have not undertaken or completed such a project. The County produced significant documentation to the contrary. Additionally, the Code of Iowa does state that such systems are "essential" county purposes. The County documented that significant study was put into this project and that the public had ample opportunity to voice their concerns over the projects. The expenditure of \$40,000 from the Secondary Roads Department appears to be a necessary and reasonable expenditure of the Department. Accordingly, no change to the County budget or tax levies are recommended for these expenditures.

Education Center

The County and Conservation Boards and members have held numerous meetings with the public over the construction of the Education Center at Swan Lake. The public had opportunity for input at these meetings as well as through the County distributed survey. The Carroll County taxpayer's contribution to this project will represent approximately 17% of the total projected initial costs plus the maintenance and upkeep costs in future years. The County has demonstrated that the project is reasonable and in the public interest. However, the Board does share the concern of the petitioners that the remaining funding be secured before the project is allowed to go forward. Accordingly, the Board believes that the yearly budgeted funds for this project be set aside in a separate fund until the financing is complete. If the additional financing is not completed, the accumulated funds would be available for return to the General Fund to provide tax relief in subsequent years.

The Board believes the education center is a worthy project. However, based on the factors identified in the following section pertaining to the Capital Projects Fund, the Board believes the first installment of approximately \$95,000 of the three year commitment can be financed from existing funds.

\$50,000 Transfer to Capital Projects Fund

A Capital Projects Fund should be used for the construction and acquisition of capital assets. Funds should remain in the fund which generates the money and should not be transferred to the Capital Projects Fund until the time an asset is to be acquired, or until the year a project is started, in accordance with the Iowa Department of Management County Budget Instructions. The County has not met this requirement and has additional funds in the Capital Projects Fund from subsequent years. Expenditures for expected and unexpected maintenance costs would be more appropriately budgeted for in the General Fund under program 9100 (from the Uniform Chart of Accounts for Iowa County Governments).

The Capital Projects Fund has been funded from the General Fund for several years. The fund balance and expenditures of the Capital Projects Fund should be included with the General Fund's balance and expenditures to get a true picture of the amount of funds maintained on hand by the County. When the two funds are combined, the County, as of June 30, 2000, had a fund balance of \$2,115,496 and total expenditures of \$5,113,353 resulting in a fund balance of 41% of the year's expenditures. This percentage goes down to 28% using the 2001 re-estimated budget figures and to 21% using the 2002 budget figures. However, the County has historically underestimated fund balance and over estimated expenditures in the previous years. The fund balance as a percentage of expenditures for the General Fund has been; 46% at June 30, 1997, 44% at June 30, 1998 and 42% at June 30, 1999. The elimination of this transfer to the Capital Projects Fund for the 2002 Budget and the reduction of \$50,000 in the General Fund tax asking would not reduce the County's ability to fund the projects identified.

The reductions for the education center and the Capital Projects Fund would reduce the combined Fund balances of the General and Capital Projects Fund by approximately 7-15% based on past budget to actual results.

Compensation Board salary recommendations

The salary recommendations of the Compensation Board were discussed at several Board of Supervisor's meetings and at the budget hearing. The Board of Supervisors reduced the recommended increases by 85% and the final adopted salaries were included in the County Budget forms submitted to the State Department of Management. The Code of Iowa states that the Compensation Board's recommendation is to be submitted at the budget hearing, but it does not require that the Compensation Board members attend that hearing. Accordingly, no change to the County budget or tax rates are recommended for these expenditures.

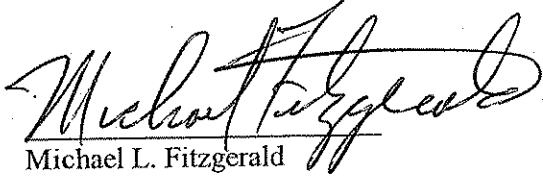
ORDER

Based on the financial position of the County, information provided by the parties involved and in reviewing the historical data of Carroll County, the State Appeal Board orders the following action:

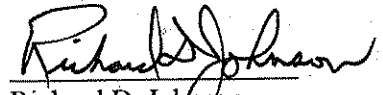
General Fund

Reduce the County General Fund utility replacement and property tax dollars by \$145,000 and eliminate the transfer from the General Fund to the Capital Projects Fund. These orders will result in a reduction of the General Fund ending balance of approximately \$95,000 and the Capital Projects Fund ending balance by \$50,000.

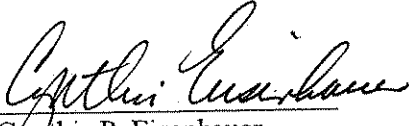
STATE APPEAL BOARD



Michael L. Fitzgerald
Chairperson



Richard D. Johnson
Vice Chairperson



Cynthia P. Eisenhauer
Member

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Date