Marshall County Budget FY08

Presented March 6, 2007

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This presentation will share information about the current proposed budget as well as some historical data that was used as a comparison during the budgetary process. In January, each Department Head submitted a re-estimate of their budget for FY07 and a budget for FY08 to the Board of Supervisors. Property valuations were shared by the Auditors office, along with the increased revenue that would be available based on the current FY07 levy rates.

FY08 Budget Process

- The FY08 budget was developed using the following objectives:
  - No change in the current level of service
  - Reduce operating expenditures within county departments.
  - Raise the General Fund balance to an acceptable operating level
  - Maximize funding from the state for Mental Health

The Board then proceeded with the following objectives: Keeping the current level of service being provided to Marshall County, After initial numbers were reviewed, all Departments were asked to reduce their current asking and those asked for in FY08, effectively reducing operating expenditures. The goal here was to raise the General Fund balance to an acceptable operating level, which will be discussed in more detail on a slide to come, and finally they looked at the opportunity to maximize funding available from the state for Mental Health which will also be explained in more detail.

General Fund

- The general fund is the primary operating fund of Marshall County. It is to be used to account for all financial resources except those required legally or by sound financial management to be accounted for in another fund.
- Marshall County is and has been at the maximum levy rate of \$3.50/1000

A little background - The General Fund is the primary operating fund for the county. It is to be used to account for all financial resources except those required legally or by sound financial management to be accounted for in another fund – such as the Rural Basic Fund, Mental Health, Debt Service, etc.

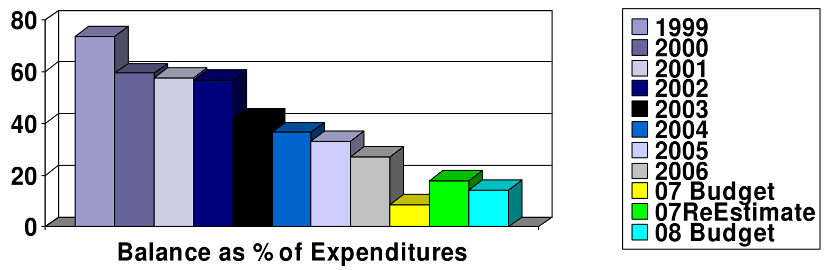
Marshall County is now and has been at the maximum levy rate for this fund of \$3.50/1000.

General Supplemental Fund

- Used for specific purposes as defined by Sec 331.424 of the Iowa Code.
- Examples include:
  - Elections
  - Operation of the court
  - Employee benefits
  - Insurance necessary in the operation of the county.

Counties can only utilize the general supplemental fund after they have reached the maximum levy rate of $3.50/1000 in the General Fund. Which, as I stated on the last slide, is where we are currently. And it can only be used for specific purposes that are defined in the Iowa Code. Some examples are: Elections and Voter Registration, operation of the court, county employee benefits, and insurance necessary for the operation of the county, such as property and liability insurance. Those expenses are moved out of the general fund and into the general supplemental fund.

General Fund Balance History



- It is recommended that counties maintain a balance of 20-25% in order to meet financial obligations at the beginning of a new fiscal year. FY07 budget was taking us well below that recommendation.

The General Fund Balance is what helps the county meet it's financial obligations at the beginning of a new fiscal year. You could compare this to the recommendation that all of us should have 3 months worth of our personal expenses tucked away in a savings account for emergencies. In FY 2000, the county started spending down the General Fund balance (which includes the general and general supplemental funds). As you can see by the yellow bar, the FY07 budget was taking us well below a recommended 20-25% balance. A minimum of 10-11% is necessary just to meet payroll needs, which would not allow for any bills to be paid, before property taxes are received in September. To alleviate the strain this would have caused, department heads were asked to commit to giving back from their current budgets to help raise this fund balance. This commitment is reflected by the green bar and was also reflected by the amended FY07 budget. Further cuts were made from the initial budget requests for FY08, in order for the Board to be as conservative as possible with the increase in levy rates. As you can see by the chart, the FY08 budget still leaves us with some work to do in order for our general fund balance to be where it needs to be, however, progress is being made.

Rural Basic Fund

- Rural valuation increase of .2%
- Rural valuation is still down by 8% from 4 years ago
- Rate increasing to cover the additional cost of doing business

The Rural Basic fund is used for services that benefit the rural residents of the county. The primary use of this fund is for the transfer of funds to the Secondary Roads Fund. Funding also goes to the county libraries, zoning, and a portion of sheriff deputy salaries, to mention a few. While the rural valuation has yet to recover from the equalization order that came through from the state in 2000, the expenses have continued to climb. The rural levy rate is proposed to increase to help keep the rural fund balance healthy.

Mental Health/Developmental Disabilities (MH/DD)

- MH/DD levy is frozen at a dollar amount vs. levy rate. $2,115,400 Maximum available

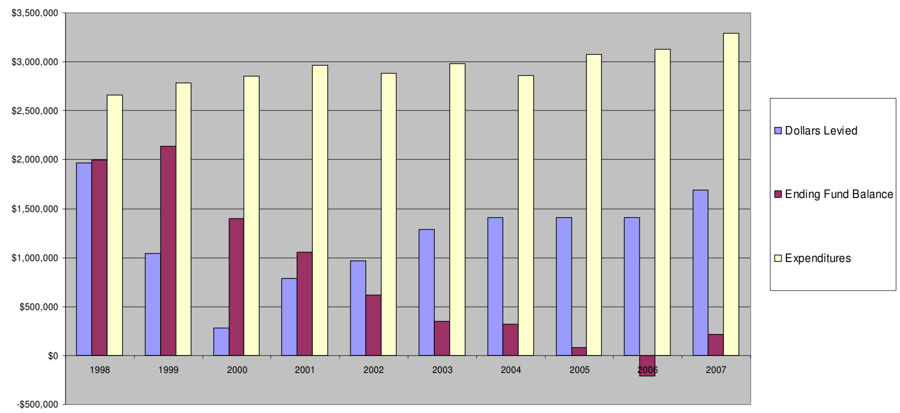
- Why raise the levy this year?
  - Fund balance is low
  - 3 year qualifier for accessing state money
    Below 25% fund balance in 2006
    Net county expenditures less than $116.77 per capita in 2007
    Levy 100% of eligible mental health levy in 2008

The Mental Health/Developmental Disabilities levy is frozen at a dollar amount vs. a levy rate. Currently that amount is $2,115,400. We have not had to levy that amount in the past - So - Why are we raising the MH levy this year?

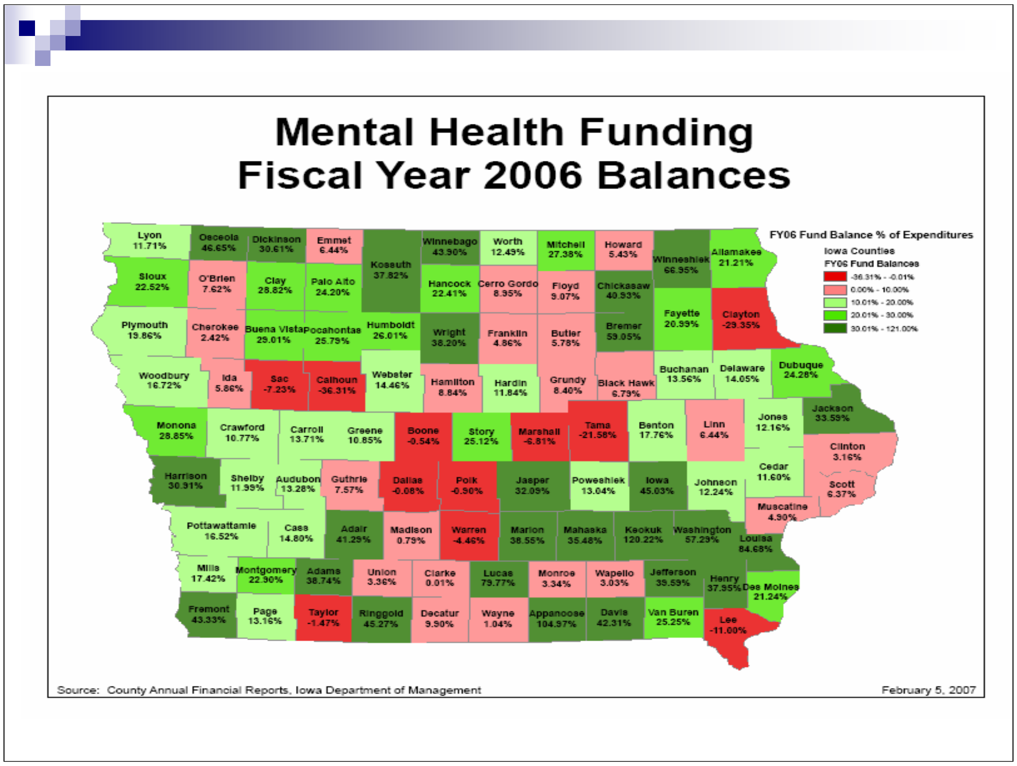
We have been using this fund balance for current expenditures over past years instead of increasing the levy and as you will be able to see in a future slide – that fund balance is no longer at a healthy level. So – part of the reason for the increased levy is due to the need to keep up with expenses and not draw on the fund balance.

In addition to that need, we find ourselves in a fortunate and unique position to receive additional State revenue. The State of Iowa set up a 3 year qualifier for accessing state allocations. We will be eligible for FY08 because - we had a fund balance below 25% in 2006, net expenditures of less than $116.77 per capita in 07 and we are increasing our levy to 100% of the maximum levy for FY08. If the legislature does not change the formula for FY08, this will provide Marshall County with additional revenues from the State which can bolster our Mental Health Fund balance bringing it back into an appropriate balance for operations.

MH/DD Dollars Levied, Fund Balance, and Expenditures History



This chart will give you a picture of what has been happening with the Mental Health Budget. Keep in mind that the FY07 numbers for expenditures and ending fund balance are estimates at this time since our fiscal year ends on June 30^{th}. The most dramatic change is shown in the ending fund balance (burgundy). Our levy amount (blue) remained fairly constant for the past 4 years or so, as did our level of expenditures (yellow) over the years. The need for these State mandated services continue to go up but by increasing to the maximum levy for FY08, tapping the additional state allocation, and continuing to be prudent with expenditures we can come closer to achieving a healthy fund balance of approximately $650,000.



This map shows where every county is with regard to their FY06 ending fund balance in mental health. Marshall County is one of 11 counties that had a negative fund balance to end that year. The Des Moines Sunday Register – February 18th – had a great article with regard to mental health funding and it pointed out that this is a state wide issue. Marshall County, again, is fortunate that we had not already been at our maximum levy or we would be discussing huge service cuts to individuals with disabilities like Polk, Scott and Linn Counties are currently.

Proposed Levy Rate Changes

- General Fund – remains at max. - $3.50/1000
- General Supplemental – 1.15663 to 1.85/1000
- MH-DD – 1.39787 to 1.72296/1000
- Debt Service – Decrease from .55420 to .52704/1000
- Rural Services Basic – 2.39895 to 2.7/1000

Total Increase of 1.29235/1000

With all that said, this slide shows the proposed levy rate changes for FY08.

The General Fund remains at the maximum levy of $3.50/1000.

The General Supplemental goes up approximately .69

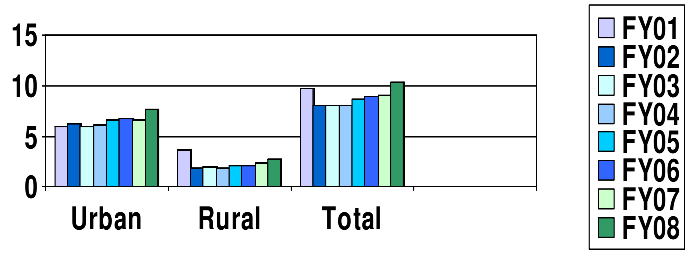
Mental Health sees an increase of about .33

Debt Service will decrease by about .03

And the Rural Services Basic levy will raise approximately .30

This gives us a total change in the Levy Rate of 1.29235/1000

Levy Rate History

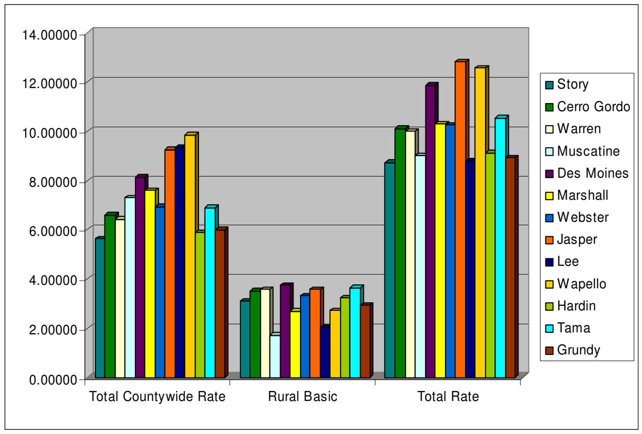


- 7 year average levy rate change — Urban 3.61%, Rural -1.24%, Total rate 1.37%
- Urban and Total rates rise more sharply this year due primarily to the increases in MH/DD and General Supplemental

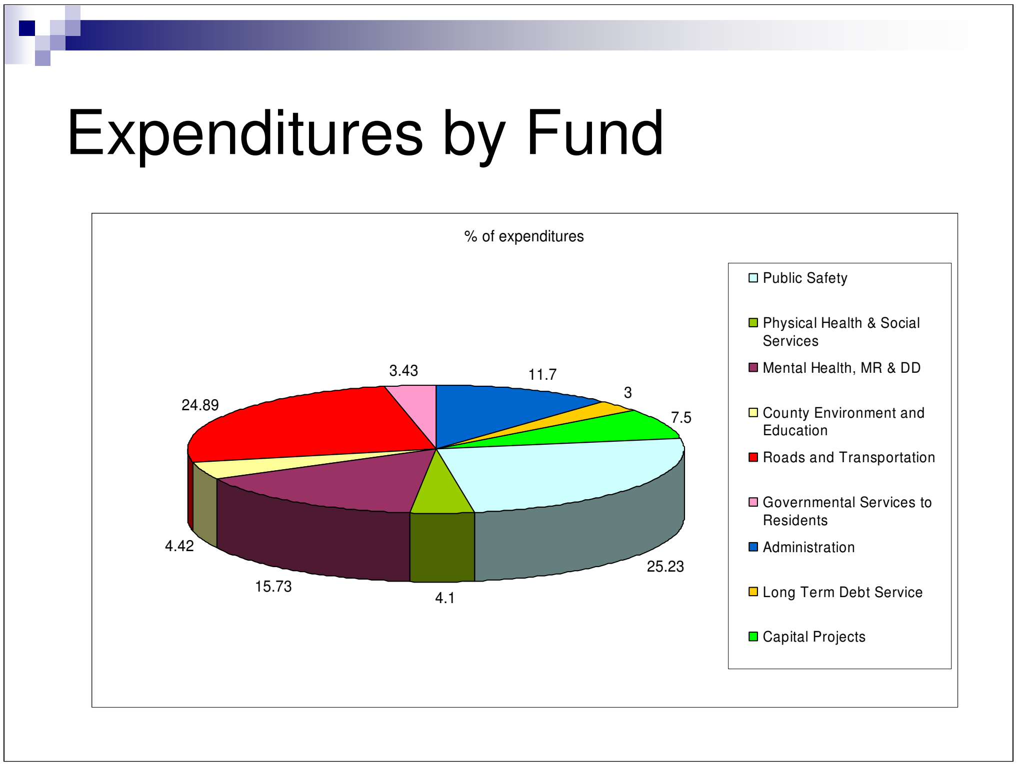
Working with data from the past 7 years shows an average rate change of 3.61% for the urban rate, a -1.24% average change in the rural rate – primarily due to the large drop in rate from FY01 to FY02, and an average change in the total rate of only 1.37%. These numbers Do include the proposed levy rate changes for FY08.

Many factors have allowed the county to keep the levy rate changes conservative over the past 7 years, however, issues previously discussed with regard to the general fund balance and the need to raise the mental health levy rate this year dictated the higher than usual proposed changes for FY08.

County Comparison
Our FY08 rate/Their FY07 rate



I thought it would be helpful to put our proposed levy rate increase in perspective by comparing our new rates with the existing FY07 rates of counties that are either close to us in population and/or our neighbors. Here you can see that our proposed new rates still put us pretty much in the middle of the pack. We will be as anxious as you to see where we fit after we can compare our new rates with their new rates, but we feel fairly safe in saying that most – if not all – will be raising their levy rates and this should put us in an even more conservative position.



So – where do the county tax dollars go? As in past years, the largest 3 areas of the county budget are made up of Public Safety, which includes the Sheriff department as well as the County Attorney and Emergency Services, at 25.23% of the total budget. Roads and Transportation at 24.89%. And Mental Health expenditures are at 15.73%.

When compared to previous years, these percentages have remained relatively status quo.

Additional Perspective

- For FY 2007 – 89 counties in Iowa had higher property taxes on a per capita basis.
- For FY 2006 – 83 counties had higher spending on a per capita basis.
- Marshall County continues to provide quality services with conservative rates.

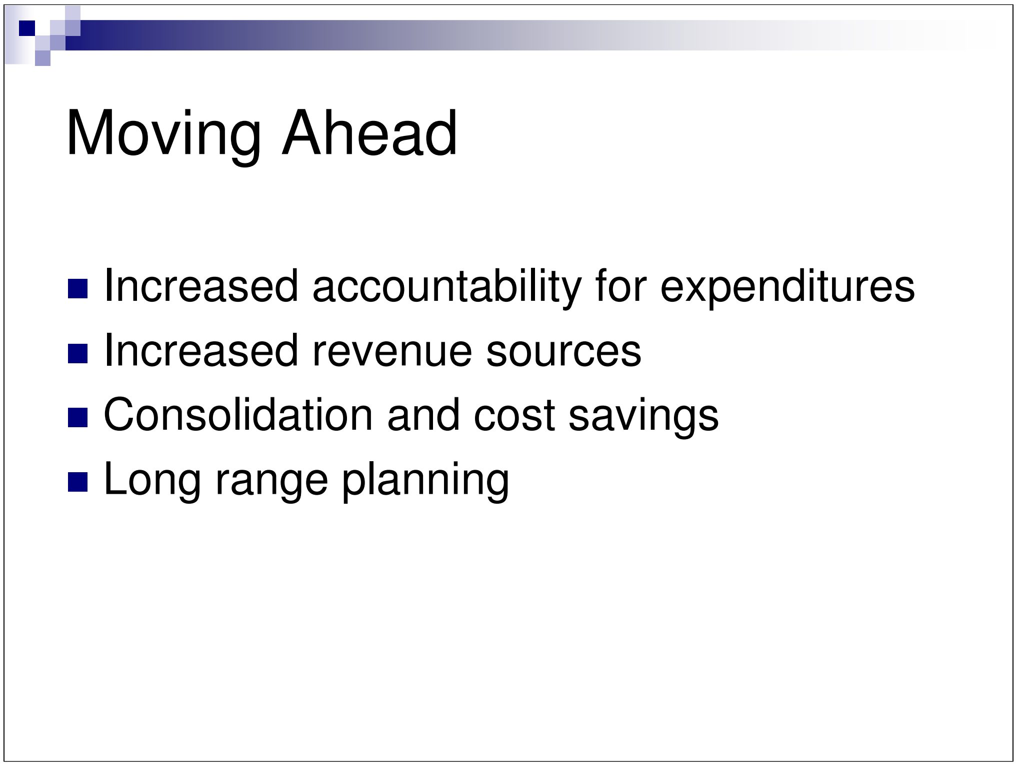
As additional perspective – as you all know – Iowa has 99 counties -

For FY07 – 89 counties in Iowa had higher property taxes on a per capita basis

For FY06 – 83 counties had higher spending per capita

For FY07 - We are ranked 16th by population and 17th by total valuation, 19th by total levy in the state.

Marshall County continues to provide quality services with conservative rates and we see no reason why this will change.



In order to proceed in coming years with a fiscally conservative county budget, the Board of Supervisors and Department Heads will be collaborating on ways to decrease expenditures while maintaining or adding service to the residents of Marshall County. New possibilities for increased revenues will be looked at, as well as ways to consolidate purchasing or other cost saving methods may be instituted.

Long range planning will take place to look at space needs, potential program changes, and ways to maintain our fund balances by keeping expenditures in line with our revenues.

This concludes my presentation of the FY08 proposed budget, as Auditor for Marshall County I recommend to the Board that they adopt the proposed budget and certify the taxes for FY07/08.