
FOR THE YEAR 2012
BOARD OF SUPERVISOR'S MINUTE BOOK
CHEROKEE COUNTY, IOWA
JULY 3, 2012

The Cherokee County Board of Supervisors met in regular session on Tuesday, July 3, 2012 with Larry Prunty, Dean Schmidt, Mark Leeds, Terry Graybill, and Jeff Simonsen present. Dan Whitney, *Chronicle Times*, represented the press. Unless otherwise indicated, all votes were offered as follows: Ayes - Simonsen, Graybill, Prunty, Leeds, Schmidt; Nays - none; Abstentions - none.

Motion by Prunty, seconded by Graybill to approve the agenda. Motion carried.

Motion by Leeds, seconded by Graybill to approve the minutes of the previous meeting. Motion carried with Simonsen abstaining due to his absence at the last meeting.

Barb Staver, Sheriff's Office, reviewed revenues received from April 1st through June 30th. Staver reported that the state now requires all garnishment funds to be held in escrow by the Sheriff's Department with one total payment made to the claimant when the terms have been fulfilled or time has expired. Staver stated that this makes a lot more work and bookkeeping for their department since they used to just forward monies received directly to the Clerk of Court. Staver now must deposit payments collected from employers, track the funds, and issue checks to close out each garnishment order. A recent Shieldware software purchase makes this process manageable since it has a module designed for collections.

Motion by Simonsen, seconded by Graybill to accept the Sheriff's June 30, 2012 Quarterly Revenue Report as presented including \$29,957.39 of funds retained by the county. Motion carried.

Motion by Graybill, seconded by Prunty to approve fireworks permits for Meredith Scott, Sara Lucas, and Jean Norris. Motion carried.

Kris Glienke, County Auditor, asked how the supervisors were going to pay for the 134% increase in landfill payments from the County's Rural Tax Fund. The total county payment has been \$116,572.08 and will now be \$272,259 per year beginning July 1, 2012. The 2012/2013 budget was certified last March and there is no possible way of increasing taxes to cover the additional expense until the next budget beginning July 1, 2013. Cities have the choice of paying the additional landfill costs from their cash reserves or by increasing their residents' user fees; while the county funds their portion strictly through rural property taxes and cannot change that until the next budget year. A budget amendment could access any potential cash reserves in the Rural Services Fund, however, the expected ending cash balance is only \$79,549 and is not sufficient to pay for the increased landfill payments. Glienke suggested the supervisors may need to move some expenditures from the Rural Fund back into the General Fund to pay the additional landfill fees. Chapters 331.428 and 331.421 of the Code of Iowa restrict what expenses can be paid from the Rural Services Fund and what expenses cannot be paid from the General Fund. Budgeted Rural Services Fund expenditures for 2012/2013 include payments for road clearing, weed eradication, county libraries, aviation authority, economic development, sanitary disposal, and Sheriff's Deputies. The County Board of Supervisors may review expenses for Sheriff's Deputies and determine appropriate funding sources from the General Fund, Rural Services Fund, or a combination of both.

Leeds reported the increased rates will balance the 2012/2013 landfill budget, however, there still is approximately \$400,000 that has been borrowed at Cherokee State Bank and it is not included in the current budget. \$100,000 of the total is a DNR payment due on July 21, 2012 and the bank has extended a 90 day operating note with 5% interest to cover the payment.

Glienke mentioned the County's landfill payments will be \$22,688 per month and asked if the board should consider making a larger payment in July to assist the landfill in paying on the short term loan.

Glienke continued "If the county has a cash reserve that is basically not earning any interest or currently only a quarter of a percent (0.25%) interest on the money, and the landfill is paying 5% interest, wouldn't it make sense to use the cash reserve to stop interest? The taxpayers are going to be paying the landfill payments over 12 months anyway, so why should they be paying interest on top of it? The Rural Fund will be paying out \$272,000 over the course of the fiscal year, so why not pay 6 months of payments in July so the landfill can pay off their \$100,000 loan and then the remaining 6 months of payments can be paid monthly after January 1st. You're never going to win if you're sitting on money in one pocket that's not working for you and then paying interest on money out of the other pocket."

Simonsen asked Leeds if a larger payment from the county in July would help the landfill. Leeds replied that the landfill would pay off the \$100,000 loan and remaining monthly payments from the cities should be enough to cash flow day to day operations. Leeds cautioned the landfill would still have a \$300,000 loan that they

FOR THE YEAR 2012
BOARD OF SUPERVISOR'S MINUTE BOOK
CHEROKEE COUNTY, IOWA
JULY 3, 2012

will be paying 5% interest on for 5 years but if the landfill's budget doesn't have any unexpected problems, it appears they will be able to pay the annual principal and interest payments.

Glienke reminded the supervisors that they had purposely budgeted for a larger ending cash balance in the General Fund in case the landfill was unable to make their semi-annual bond payments. The County's Rural Fund has \$392,000 budgeted for Sheriff's Deputies wages, benefits, vehicle purchase, and fuel. One possible solution would be to move the Deputy expenses into the General Fund which would make funds available in the Rural Fund to cover the County's increased monthly landfill payments and leave a balance available to apply to the \$300,000 loan if the supervisors would choose to do so. Property owners are already paying taxes for the increased General Fund balance so they would not see an increase in taxes but it would stop the interest that is included in the landfill budget.

Graybill asked if moving the funds would penalize property owners in the City by moving the Sheriff's expenses to the General Fund. Glienke replied that no one would be paying any additional taxes since all property owners have paid for the higher cash balance in the General Fund already. The supervisors originally budgeted to make landfill payments from the General Fund. They have recently found out that the State Auditor's Office does not recommend that option due to Iowa Code stating that the County's sanitary disposal expenses are to be paid from the Rural Fund only. Instead of paying the landfill with General Funds, the Sheriff's expenses and Landfill payments would be swapped between the Rural and General Funds with the net result being the same. Graybill asked what would happen in the next budget year and Glienke stated that the supervisors could choose to leave the Sheriff's Deputy expenses in the General Fund or move them back to the Rural Fund with tax rates being set accordingly. Glienke recommended that the supervisors consider implementing a debt service levy whenever the County issues bonds to insure that funds are available to make the payments. If the debt service funds are not needed, they would be transferred back into the County's cash reserves to reduce taxation the following year. The County is ultimately responsible for any payments resulting from the issuance of bonds in their name and should be fiscally prepared to assume those payments if needed.

Simonsen agreed that the County should have been using a Debt Service Levy from the first day the original General Obligation (GO) Bonds were issued for the Landfill Pellet Project in 2007. The supervisors have met with the former Landfill Manager and Chairman of the Solid Waste Commission every January during the budget process to confirm whether the landfill was financially in a position to fulfill their bond payments or if the County would need to consider a debt levy to provide funding for all or part of the bond obligations. Each year the supervisors received verbal guarantees from the two gentlemen that the landfill would not need financial assistance from the County.

Glienke reported she has been in contact with the County's legal bond counsel and the State Auditor's Office about what the County can legally do to assist the landfill with their payments and will continue to request their opinions before the supervisors take any action.

Motion by Simonsen, seconded by Leeds to approve a \$155,687.20 increase in the County's Rural Assessment for the Cherokee County Solid Waste 28E agreement with a total annual contribution of \$272,259.29 beginning July 1, 2012 and to move \$392,337 of budgeted expenses for Sheriff's Deputies from the Rural Fund to the General Fund. Motion carried. A budget amendment will be proposed when recommendations are received from the State Auditor's Office.

There being no further business, Chairman Schmidt adjourned the meeting at 9:50 a.m.
All board agendas and minutes are available online at www.cherokeecountyiowa.com .

Attest: _____

Dean Schmidt, Chairman

Kris Glienke, County Auditor