

DRAINAGE MEETING
JOINT DISTRICT MARSHALL-STORY #1
JUNE 25, 2024

The Drainage District Trustees of Marshall and Story Counties met via Zoom in the Public Meeting Room of the Story County Administration Building in Nevada, Iowa to consider a correction (attached) to a drainage district assessment levied against Joint Drainage District Marshall-Story #1, Story County controlling, on May 22, 2024. Members present were Lisa Heddens, chair, Linda Murken, and Latifah Faisal of Story County and Steve Salasek, Carol Hibbs, and Jarret Heil of Marshall County. Also present were Marshall County Engineer Paul Geilenfeldt and Assistant Auditor/Recorder Sara Badger, Story County Communications Assistant Bryce Garman and Drainage Clerk Scott Wall, and district landowner John Allen of State Center, IA.

Heddens called the meeting to order at 8:32 a.m.

Murken moved, seconded by Salasek, to approve the agenda. Motion carried unanimously (MCU).

Wall said the reason for the levy against Marshall-Story #1 was that an assessment made against the district in 2016 was not going to be sufficient to cover the costs of a district improvement to the Main Open Ditch and Main Tile completed in December of 2015. Landowners were given the option to pay their assessments over ten years, the last year being 2025. Because of interest accumulating on the unpaid installments the amount collected by the time final payments are made will leave the district with approximately a \$10,000 shortfall. Story County Bookkeeping has recommended levying the district this year to accelerate payments on the remaining claims against the district and to reduce the amount of interest the district ultimately pays.

At the meeting on May 22 the trustees approved a 2% levy against the district using an assessment schedule that was intended to be used for a 2016 levy only. All subsequent assessments were to have been made against the sub-districts created as part of the improvement project completed in December of 2015. Wall had mistakenly based the 2024 proposed assessment on the 2016 schedule when he should have used the new schedules for the Main Open Ditch and the Main Tile. He stated that it was a conversation with Mr. Allen three weeks ago that had alerted him to the use of the 2016 schedule.

The 2016 schedule had an original assessed value of \$850,000. The schedule for the Main Open Ditch has an original assessed value of \$250,000 and the Main Tile has an original assessed value of \$500,000 for a total of \$750,000. Because the original assessed amounts are so large a 1% levy was insufficient to cover the projected shortfall anticipated by Story County when final waived payments are made in 2025 while 2% generates more than would be ideal. Levying 2% against \$750,000 is better than levying against \$850,000 as it generates adequate funds while leaving less overage, plus the excess money will be split into two funds instead of all being in a single fund. It should be noted that Iowa Code Section 468.127 allows the trustees to levy an amount "sufficient to pay outstanding indebtedness and leave the balance which the board determines is desirable as a sinking fund to pay maintenance and repair expenses."

Wall is recommending that the levy approved on May 22 be changed to apply to the sub-districts for the Main Open Ditch and for the Main Tile and that the amount of the levy remain at 2%.

Allen had several concerns with the proposed 2024 levies. The first is why this levy is needed. Has any repair work been done?

Wall said when the district was levied in 2016 to pay for the main tile improvement and ditch cleanout landowners in the district were given the option of spreading their payments over a ten-year period. There

were estimates made by the drainage engineer and by Story County Bookkeeping as to what we might anticipate in terms of how many landowners would choose that option and what additional costs the district would have to bear due to accumulated interest on claims that could not be paid in 2016. Because landowners must know what their assessments are before they can decide whether to spread their assessments over ten years the levy has to be made before the district knows how many landowners will pay up front and how many will opt to make annual payments. In this case our Bookkeeping Department has determined that when the final payments are made in 2025 the district fund will be about \$10,000 short. Levying this year reduces the amount of interest the district will ultimately pay.

Allen paid all of his 2016 assessments up front. Why is he being taxed for someone else's interest?

Wall said there is no provision in Iowa Code to only charge some of the people in a district. (*Note: The 2016 assessment included educated guesses about interest costs so some of what was collected in 2016 has also gone to cover accumulated interest on district debt.*) Allen is correct about being levied to cover costs incurred because not everyone could pay their 2016 assessments in a lump sum.

Allen asked if anyone did not pay the 2016 assessment, specifically the railroad, the DNR, the Iowa DOT, and Marshall and Story counties.

Wall said, outside of the remaining installment payments, all 2016 assessments have been paid.

Allen asked how much money would be left in the district fund after all debts are paid. The main tile is only 8 years old. It shouldn't need any maintenance for a long time. Having a large balance in that fund is unnecessary.

Wall said he couldn't give an exact figure. It depends on how much of the current debt is paid through this assessment and the 2024 installment payments. Interest on the outstanding debt is growing all the time so that is a moving target. There will probably be \$7-8,000 in the Main Tile and Main Open Ditch funds combined. Allen is correct that we would not expect much in the way of maintenance on the Main Tile. Open ditches do require maintenance (spraying) to retard the regrowth of brush and trees. If the amount in the district fund is seen as excessive there is a mechanism to refund that to the landowners.

Allen asked if the district would get interest on the excess funds.

Wall said no.

Allen asked if there was any money in the district account before this project began.

Wall said the district was levied for \$18,444.23 in 2014. The engineering for the improvement was already underway at that time and the bulk of what was levied went to pay for work that had been completed. The 2014 levy left an overage of \$1,966.28 in the district fund which would have been depleted well before the 2016 levy. When this project first came up (late 2013) there was a little less than \$2,000 in the fund.

Allen asked about right-of-way payments for the land along the open ditch.

Wall said those payments were pending. The district did not have a defined right-of-way along the open ditch. As part of the improvement a 100' easement (50' on either side of the ditch centerline) was defined and landowners were to be reimbursed for the easement across their land. Without the proposed levy some of those payments will be made this fall with the rest to be made in 2025. With the 2024 assessment all of the right-of-way acquisition payments will be made this fall.

Allen asked if damage payments went to the landowner or the tenant. What if tenants have changed. What if landowners have changed?

Wall said damage payments go to the current owner of record. It would be up to them to distribute that payment as they see fit.

Allen repeated that he thought it was unfair that he should pay interest on other people's debts.

Wall said Dwight Papenberg, another district landowner in Marshall County, had stopped in the Auditor's Office last week. Papenberg said he had been approached by Allen who had given him the impression that the 2024 levy would mean that landowners who had paid several thousand dollars in 2016 would be paying similar assessments again this year. Wall wanted it understood that was not the case. The 2016 assessment was for 104% of the original assessed value of \$850,000. The 2024 levy is for 2% of \$750,000. Wall had looked at Allen's property and in 2016 he paid \$180.17 and his mother paid \$3,955.61. In 2024 those numbers will be \$5.00 and \$95.94 respectively.

Allen said the cost - \$5 or \$100 - doesn't matter to him. He is still paying for someone else who didn't make their payment up front and had the use of their money for other things while they made yearly payments.

Faisal asked if we had the ability to invest drainage funds in an interest-bearing account.

Wall said he thought the County Treasurer could invest district funds just as they do other funds but he did not believe that they do. That would be a question for Lisa Markley or Ted Rasmusson.

Allen says that money will just sit there because the tile is brand new.

Wall said that was true for any money in the main tile fund but the open ditch will require brush control.

Murken said Story County has dealt with several open ditches that were not maintained by previous boards and they become like forests and are tremendously expensive to restore to their original condition.

Allen asked if the trustees were in favor of requiring grass waterways to protect the open ditches from inflow of silt and cornstalks.

Murken said she was in favor of grass waterways but the district cannot dictate what people do with their own land.

Heddens asked about the carry-forward after the district's debts are paid.

Wall said that it is still a negative number in 2024 because the proposed levy is to leave the district with a positive balance by October 2025. Without a levy this year the district balances would be larger negative numbers.

Salasek said Allen had asked him about opting out of a drainage district. Is that a possibility?

Wall said individual landowners cannot opt out of a district. The district can be dissolved by petition from the landowners, so everyone would be out. Landowners can take over management of the district, giving them more control over what happens there. Marshall-Story #1 was managed by the landowners until the need for the recent improvement became apparent and it was more than the landowner/trustees wanted to tackle so they returned management of the district to the supervisors.

Hibbs asked when was the last time there had been any changes in the Code of Iowa relating to drainage districts?

Wall said there are minor changes every year. The last big change was the threshold above which an engineer had to be hired. It used to be that any repair or improvement in excess of \$50,000 required an engineer's report. Now the amount is linked to IDOT bid requirements which fluctuate every year. Currently a project requires an engineer's report if it will exceed somewhere between \$90-100,000. There have been no changes to how districts are levied or how benefits are assigned.

Allen asked about the other sub-districts in Marshall-Story #1. How much is in their accounts.

Wall said those accounts are empty. We only levy districts when the fund balance drops below zero or when we know there are expenses that will exceed the fund balance as is the case here. When it becomes necessary to do work in those sub-districts they will be levied to pay for that work plus leave a positive balance for future repairs.

Murken asked what are the consequences of a district carrying a negative balance?

Wall said districts have negative balances when they have insufficient funds to pay for claims against the district. Interest accumulates on any unpaid claims until there are adequate funds to pay those claims.

Murken said levying drainage districts then, is a balancing act between having too much in the fund or not enough.

Wall said the goal when levying any district is to have enough money in the fund to cover at least one minor repair which, today, can cost \$2-3,000.

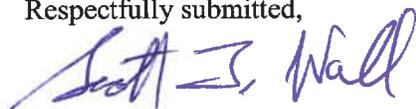
Faisal said the 2016 levy was made against the entire district to pay for the improvement. Now, the recommendation is to levy two sub-districts. Shouldn't the entire district be levied to make up the shortfall?

Wall said the sub-districts were set up so that no one pays for any work that does not benefit them. Because everyone uses the Main Open Ditch that subdistrict includes the entire district. Most people use the Main Tile so anyone above the tile outlet will get a levy for that as well. Thus, everyone in the district will get an assessment for the Main Open Ditch. Anyone who uses the Main Tile will get a second assessment for the Main Tile.

Murken moved, seconded by Heil, to approve the drainage clerk's recommendation to levy Joint Drainage Sub-Districts Marshall-Story #1 Main Open Ditch and Marshall-Story #1 Main Tile at 2% of their original assessed values, said assessments to replace the assessment approved on May 22, 2024 and said assessments to be due and payable on or before September 30, 2024. MCU.

Faisal moved, seconded by Heil, to adjourn. MCU. Meeting adjourned at 9:00 a.m.

Respectfully submitted,



Scott T. Wall

MARSHALL-STORY #1 DRAINAGE DISTRICT LEVY WORKSHEET (Corrected)

June 25, 2024

<u>DRAINAGE DISTRICT</u>	<u>CURRENT BALANCE</u>	<u>EXPECTED BILLINGS</u>	<u>NEW BALANCE</u>	<u>ORIGINAL ASSESSMENT</u>	<u>PARCELS</u>	<u>% ASSESSMENT</u>	<u>AMOUNT LEVIED</u>	<u>CARRY FORWARD</u>
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MARSHALL-STORY #1	(22,875.41)	10,062.16	(32,937.57)	850,000.00	127	2	17,000.00	(15,937.57)
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Last levied on 07/01/2016 at 104%. 2024 is the 9th of 10 years of waived payments. The remaining waived payments amount to \$28,787.36 with interest but the Story County Bookkeeping Department calculates that, due to interest that will accumulate on the unpaid debt through September 2025, the district will have a \$10,062.16 shortfall after the final waived payments have been collected. Bookkeeping recommends a levy this year. This will cover most or all of the district debt and reduce the total interest paid on that debt. Note that the recommended levy will not pay the entire debt this year. It will leave us with a carryover of around \$10,000 after the debt is completely paid in 2025.

The above levy was inadvertently based on a reclassification of the entire district that was intended to be used one time only, in 2016 to cover the costs of the 2015 improvement. That classification schedule was retired following the 2016 levy. Subsequent levies were to have been made against a new classification that breaks the district into subdistricts so that landowners only pay for work that benefits them, not for work done anywhere in the district. The 2024 levy should have used the assessment schedules for the Main Open Ditch and the Main Tile as follows:

CORRECTED LEVIES

<u>DRAINAGE DISTRICT</u>	<u>CURRENT BALANCE</u>	<u>EXPECTED BILLINGS</u>	<u>NEW BALANCE</u>	<u>ORIGINAL ASSESSMENT</u>	<u>PARCELS</u>	<u>% ASSESSMENT</u>	<u>AMOUNT LEVIED</u>	<u>CARRY FORWARD</u>
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1 MRSHLL-STORY #1 MAIN OPEN DITCH	(7,548.89)	3,320.51	(10,869.40)	250,000.00	127	2	5,000.00	(5,869.40)
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This is the first levy against the main open ditch. Prior to now this district was levied in its entirety to pay for any work done anywhere in the district. This levy is intended to cover a predicted shortfall when the final 10-year payments on a 2016 improvement are made in 2025.

2 MRSHLL-STORY #1 MAIN TILE	(15,326.52)	6,741.65	(22,068.17)	500,000.00	118	2	10,000.00	(12,068.17)
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This is the first levy against the main tile. Prior to now this district was levied in its entirety to pay for any work done anywhere in the district. This levy is intended to cover a predicted shortfall when the final 10-year payments on a 2016 improvement are made in 2025.

Totals					245		15,000.00	
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Total Parcels are for Story County Only