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Dakota County Budget Workshop

August 20, 2019

Discussion Items



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- 2020 Budget/Levy Decision Schedule
- Financial Planning Assumptions
- Budget Priorities by Division
- Levy Planning Financial Models
- 2020 Property Tax Base and Market Values

2020 Budget/Levy Decision Schedule



- August 20 – County Board Budget Workshop #2
- September 10 – County Manager’s Recommendation of Maximum Levy (GGP)
- September 24 – County Board Adoption of TNT maximum levy
- November 4-7 – County Board Budget Hearings

FINANCIAL PLANNING ASSUMPTIONS AND DIVISION BUDGET PRIORITIES

Summary of Proposed Planning Parameters



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- Preliminary cost pressure estimates
 - Labor Costs: ~4.2%
 - Non Labor Costs: 2.0%
- Internal reallocations aligned to cover current level 2019 cost pressures and revenue shortfalls
- Utilize a portion of Levy Management Account to reduce cost pressures on the 2020 levy
 - Retain Levy Management Account (LMA) for future years as uncertainties grow
- Caseload Growth/Prior Commitments & Pilots/New Initiatives (TBD)
 - Extent/Type
 - Funding

2020 Current Level



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		<u>% Levy Increase</u>
2019 Adopted Levy	\$ 140.61	
Add: Expense Change		
Personnel Cost Increases	\$ 8.16	
Non-Personnel Cost Increases	\$ 0.63	
<u>Total Current Level Cost Increases</u>	<u>\$ 8.79</u>	
Less: Current Level Revenue Increase	\$ 0.60	
Total 2020 Current Level	<u><u>\$ 148.80</u></u>	5.8%

2020 Division Identified Requests



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2020 Budget Summary Report - Operations

Requested Changes to Planning Base Summary
as of 8/1/19

Division Summary	FTE	Total New Expenses	External Revenue	Internal Funding	Levy
Countywide Operations	-	-	-	-	-
County Administration	-	-	-	-	-
Physical Development	3.00	1,617,229	178,054	1,397,236	41,939
Operations, Management and Budget	7.60	2,532,371	-	1,241,108	1,291,263
Public Service and Revenue	0.50	697,773	-	519,200	178,573
County Attorney	-	320,000	-	300,000	20,000
County Sheriff	10.00	1,408,026	-	567,902	840,124
Community Services	29.95	4,388,714	1,502,868	-	2,885,846
Transportation CIP	-	-	-	-	-
Total	51.05	\$10,964,113	\$1,680,922	4,025,446	\$5,257,745

Additional Specific Items:

Cahill Place	\$660,000
Building CIP Maintenance Needs	\$2,400,000
Continue Social Services/Law Enforcement Coordinated Response Pilot	\$96,432
Expand Social Services/Law Enforcement Coordinated Response Pilot (1 City)	\$96,432
Expand Social Services/Law Enforcement Coordinated Response Pilot (All Remaining Cities @ Current Cost Share)	\$712,177
Total Identified Needs	\$9,222,786

Total 2020 Requests by Category

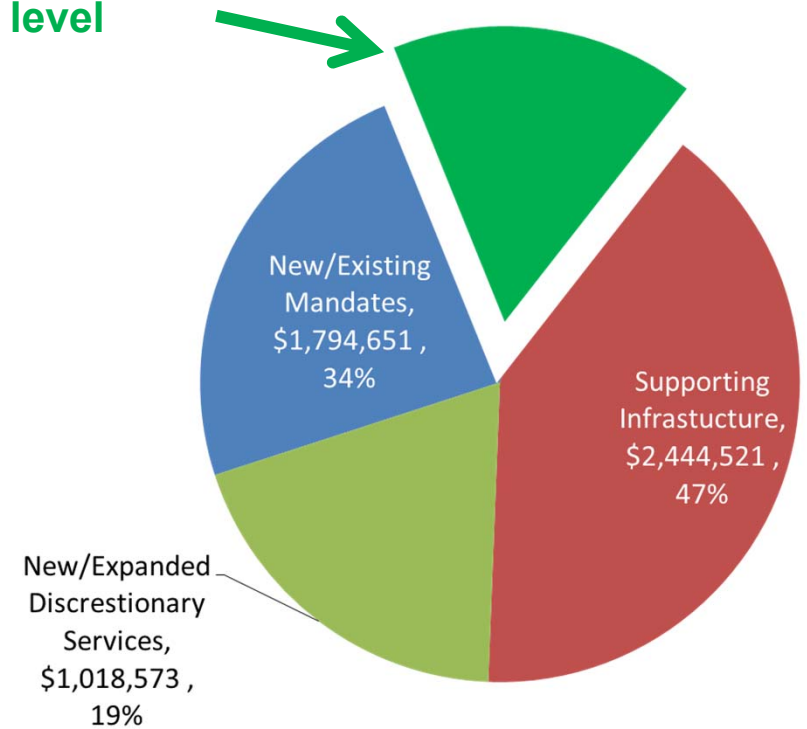
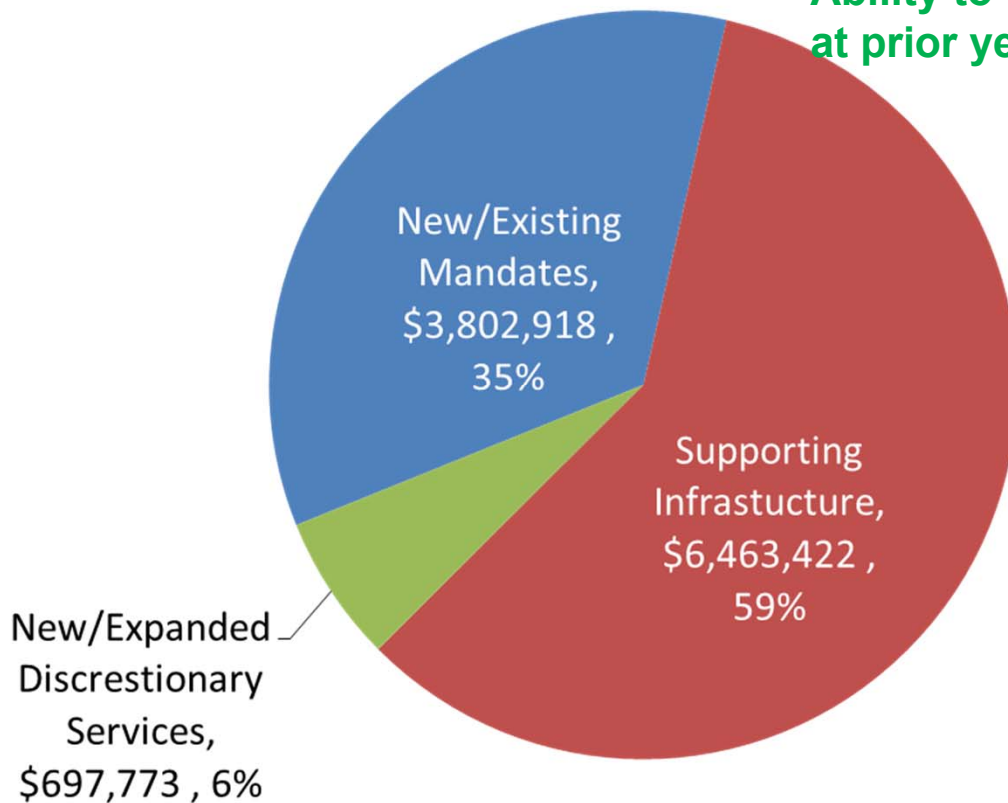


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Total Requests: \$10,964,113

Levy Portion: \$5,257,745

Ability to fund 1 in 5 levy funded requests at prior year's level



2020 Budget Issues Resolved in Planning Base



Foster Care Costs	\$800K
Juvenile Services Bed Fees Shortfall	\$320K
Fleet Capital Equipment Base Increase	\$50K
Highway Salt & Sand Increase (Levy Impact \$28K)	\$250K
Library Fines Shortfall	\$40K

Remaining Right Sizing Surpluses by Division



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Community Services	\$207K
Physical Development	\$182K
County Administration	\$ 6K
Operations, Mgmt & Budget	\$ 0
Public Services & Revenue	\$ 8K
<u>Elected Offices</u>	<u>\$ 0</u>
Total	\$403K

Funding Options



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Current level Grant Revenue (Based on Inflation Increases for Existing Staff)	\$ 600,000
Additional Interest Earnings	\$ 2,000,000
Move CPA from CIP (Offset by \$1.0M Additional Interest Earnings)	\$ 1,000,000
Additional CPA Net (PERA Reduction)	\$ 1,447,000
Remaining Rightsizing After Planning Base Adjustments	\$ 403,000
Reallocate Environmental Resources Levy	\$ 436,176
Total Potential Funding Sources	\$ 5,886,176
<u>Additional Funding Options</u>	
2.9% Levy Increase	\$ 4,077,826
3.4% Levy Increase	\$ 4,780,899
Available Levy Management Account (LMA)	\$ 5,985,000

Funding Options - Building CIP Repair/Maintenance



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Option A: Increase Buildings CIP Levy by an additional \$2.4 million in 2020

Option B:

	2019 Levy	% Change	Revised Levy with Inflation	2019 CPA	CPA Change	Interest Change	Total Levy, CPA & Interest Funding
Transportation CIP	4,626,346	-43%	2,663,387	-	-	-	2,663,387
Parks CIP	332,372	-43%	191,347	2,766,913	(1,250,000)	1,000,000	2,708,260
Buildings CIP	1,173,103	185%	3,338,405	-	250,000	-	3,588,405
	\$ 6,131,821		\$ 6,193,139	\$ 2,766,913	\$ (1,000,000)	\$ 1,000,000	\$ 8,960,052

Building Needs	\$ 3,600,000
Levy	3,338,405
CPA	250,000
Interest	-
Variance	\$ (11,595)

+\$1,000,000 Operations
(Revised split 91.3% Ops, 8.7% CIP)

2020 Levy Scenario - 1



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	In millions	<u>% Levy Increase</u>
2019 Adopted Levy	\$ 140.61	
Add: Expense Change		
Current Level Inflation	\$ 8.79	
Funding for New Request (Consistent with Prior Years)	\$ 1.00	
Cahill Place	\$ 0.66	
Continue Co-Response and Add One City	\$ 0.19	
	<u>\$ 10.64</u>	
Less: Funding Source Increases	\$ 5.89	
Less: Use of Levy Management Account	\$ 0.67	
Total 2020 Current Level	<u><u>\$ 144.69</u></u>	2.9%

2020 Levy Scenario - 2



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In millions		<u>% Levy Increase</u>
2019 Adopted Levy	\$ 140.61	
Add: Expense Change		
Current Level Inflation	\$ 8.79	
Funding for New Request (Consistent with Prior Years)	\$ 1.00	
Cahill Place	\$ 0.66	
Co-Response Expanded to All Cities w/ Cost Share	\$ 0.90	
Keep Operational Reliance on CPA at 90%	\$ 0.90	
	<u>\$ 11.35</u>	
Less: Funding Source Increases	\$ 5.89	
Less: Use of Levy Management Account	\$ 0.67	
Total 2020 Current Level	<u><u>\$ 145.40</u></u>	3.4%

2020 Levy Scenario - 3



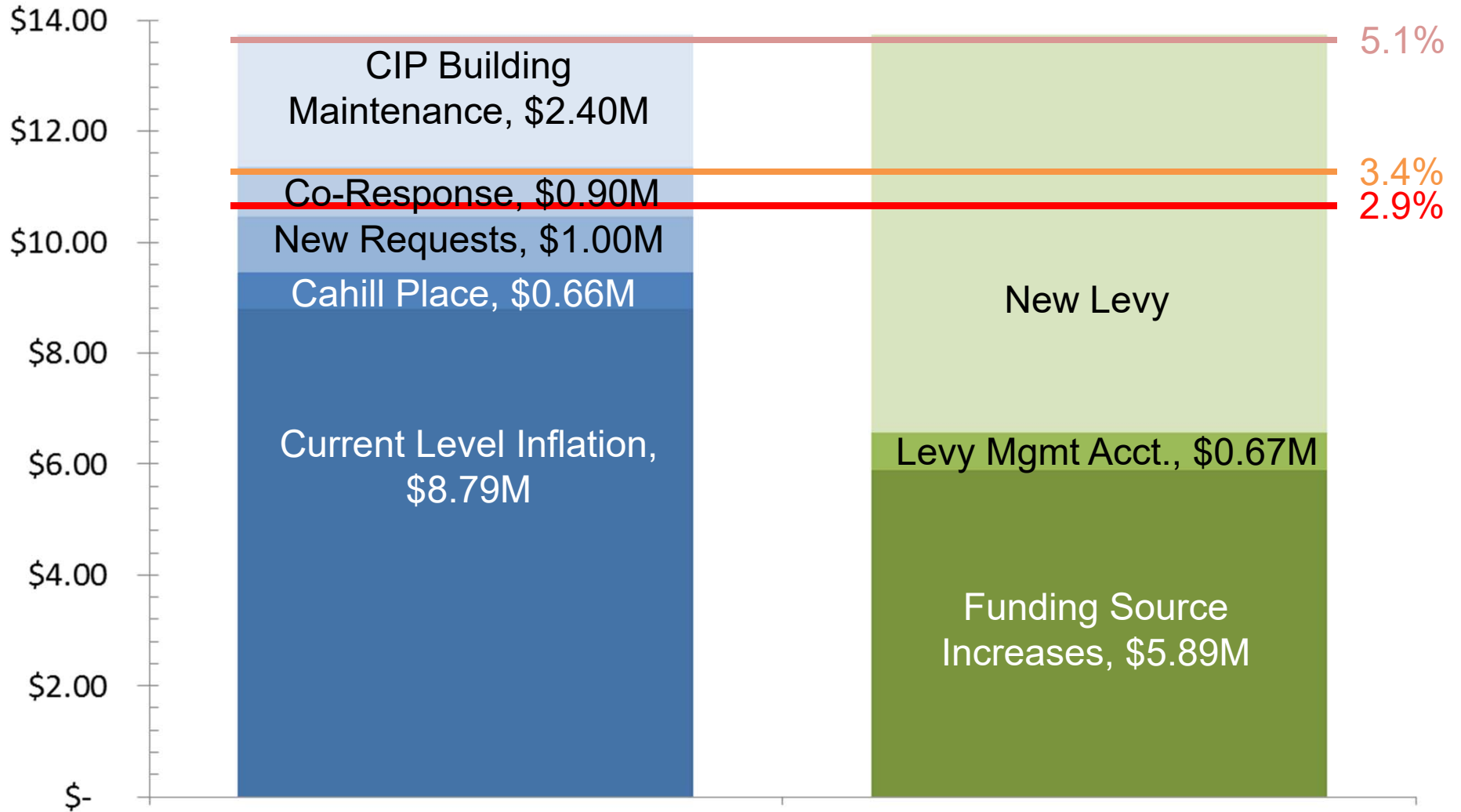
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	In millions	<u>% Levy Increase</u>
2019 Adopted Levy	\$ 140.61	
Add: Expense Change		
Current Level Inflation	\$ 8.79	
Funding for New Request (Consistent with Prior Years)	\$ 1.00	
Cahill Place	\$ 0.66	
Co-Response Expanded to All Cities w/ Cost Share	\$ 0.90	
Keep Operational Reliance on CPA at 90%	\$ 0.90	
Increase Building CIP Levy - No impact to Transportation or Parks CIP Levies	\$ 2.40	
	<u>\$ 13.75</u>	
Less: Funding Source Increases	\$ 5.89	
Less: Use of Levy Management Account	\$ 0.67	
Total 2020 Current Level	<u><u>\$ 147.80</u></u>	5.1%

2020 Levy Scenarios



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Funding Options Looking Beyond 2020



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	Growth from Prior Years		<u>Variance</u>
	<u>2020</u>	<u>2021</u>	
Current level Grant Revenue (Based on Inflation Increases for Existing Staff)	\$ 600,000	\$ 600,000	
Additional Interest Earnings	\$ 2,000,000	\$ -	
Move CPA from CIP (Offset by \$1.0M Additional Interest Earnings)	\$ 1,000,000	\$ -	
Additional CPA Net (PERA Reduction)	\$ 1,447,000	\$ 270,000	
Remaining Rightsizing After Planning Base Adjustments	\$ 403,000	\$ -	
Reallocate Environmental Resources Levy	\$ 436,176	\$ -	
Total Potential Funding Sources	\$ 5,886,176	\$ 870,000	\$ (5,016,176)
Potential Available Levy Management Account			\$ 5,225,000

LEVY PLANNING FINANCIAL MODELS

2019 Budget Model Updated with Scenario 1



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	2019	2020	2021	2022	2023	2024
Available Levy Management Account (LMA)	5.99	5.99	5.32	1.14	-	0.00
Overall Planning Base Inflation Adjustment (3.1%/yr)	140.61	149.40	153.69	158.31	166.47	176.37
Departmental Budget Right Sizing Adjustments		(0.40)			-	-
New Non-Levy Revenues		(5.49)	(0.60)	(0.60)	(0.60)	(0.60)
Adjusted Net Levy Costs		143.51	153.09	157.71	165.87	175.77
Potential New Initiatives (Levy Only)		1.85				
Total Requested Levy		145.36	153.09	157.71	165.87	175.77
Total Requested Levy (% increase)		3.4%	5.8%	5.9%	5.9%	6.0%
Less: Use of LMA (Total used through 2020 \$16.53M)		(0.67)	(4.18)	(1.14)	-	-
Total Adjusted Levy		144.69	148.91	156.57	165.87	175.77
Total Adjusted Levy (% increase)	2.9%	2.9%	2.9%	5.1%	5.9%	6.0%

** New Labor Contracts in 2021 could impact out year projections

2019 Budget Model Updated with Scenario 2



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(in millions)

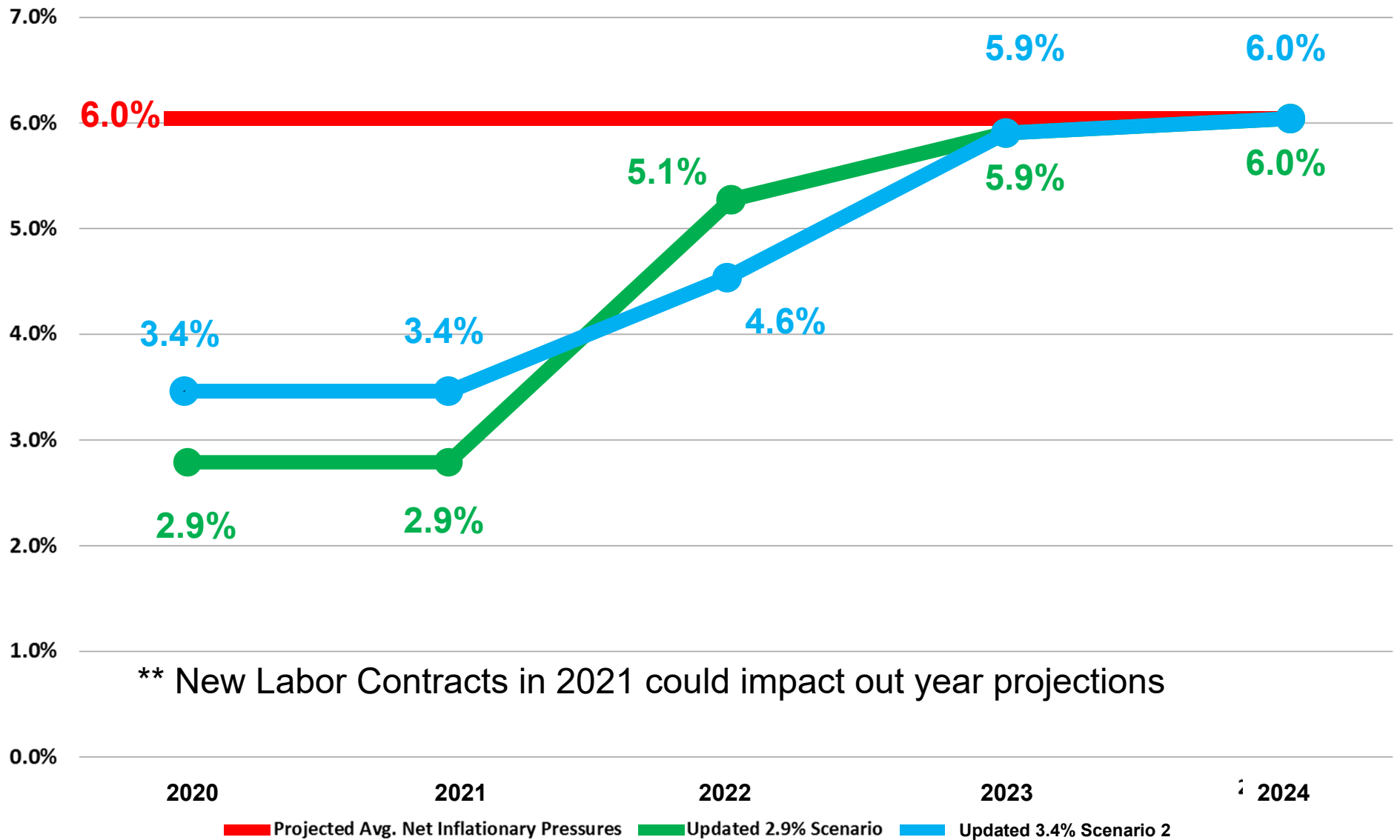
	2019	2020	2021	2022	2023	2024
Available Levy Management Account (LMA)	5.99	5.99	5.32	1.92	-	0.00
Overall Planning Base Inflation Adjustment (3.1%/yr)	140.61	149.40	154.40	159.80	167.18	177.10
Departmental Budget Right Sizing Adjustments		(0.40)			-	-
New Non-Levy Revenues		(5.49)	(0.60)	(0.60)	(0.60)	(0.60)
Adjusted Net Levy Costs		143.51	153.80	159.20	166.58	176.50
Potential New Initiatives (Levy Only)		2.56				
Total Requested Levy		146.07	153.80	159.20	166.58	176.50
Total Requested Levy (% increase)		3.9%	5.8%	5.9%	5.9%	6.0%
Less: Use of LMA (Total used through 2020 \$16.53M)		(0.67)	(3.40)	(1.92)	-	-
Total Adjusted Levy		145.40	150.40	157.28	166.58	176.50
Total Adjusted Levy (% increase)	2.9%	3.4%	3.4%	4.6%	5.9%	6.0%

** New Labor Contracts in 2021 could impact out year projections

Levy Management Scenarios



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Longer Term Issues and Uncertainties

- National Economic Trends
- Labor Market and Costs
- Federal Policy Changes
- State Budget, Mandates, and System Performance

2020 PROPERTY TAX BASE AND MARKET VALUES

2020 Property Tax Base



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- Total county tax capacity will increase approximately 7.74%, and taxable net tax capacity will increase by 8.29% for taxes payable in 2020
 - If tax levy collected remains at 2019 total, County tax rate will decrease 7.99%
 - If County tax rate from 2019 is maintained, total County tax collections would increase approximately \$4.3 million next year
- Trends in values vary by property type

Tax Base, Levy, and Rate Trends



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Market Value Summary



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- Property Taxes Payable in 2020:
- Residential Average Increase 4-9%
 - Median Market Value \$280,600
 - Mean Market Value \$300,933
- Apartments – 11.0% aggregate increase
- Commercial/Industrial – 6.2% aggregate increase
- Agriculture:
 - EMV increased 5%
 - TMV tillable acreage unchanged while non-tillable acreage decreased 6% on average

Levy Increases Used in Tax Rate Calculations



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- 0.0% - Historically used to illustrate baseline impact on property taxes
- 2.9% - Funding for cost growth, \$1.0 million in new levy requests, Cahill place, and Co-Response expansion to **one city**.
- 3.4% - Funding for cost growth, \$1.0 million in new levy requests, Cahill place, Co-Response expansion to **all cities (with cost sharing), and cap CPA operating split at 90%** .
- 5.1% - Funding for cost growth, \$1.0 million in new levy requests, Cahill place, Co-Response expansion to **all cities, and increases Buildings CIP levy by \$2.4M but does not change Transportation & Parks CIP levy amounts from 2019**.

2020 Property Tax Trends and Impacts: Homes



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Median Residential Homestead

2019 EMV: \$263,800

2020 EMV: \$280,600

Median MV Increase: 6.22%

Levy Increase	County Tax Change	% Change
0%	(\$9.08)	-1.43%
2.9%	\$11.51	1.81%
3.4%	\$15.06	2.37%
5.1%	\$27.13	4.27%

*The Homestead Market Value Exclusion phases out at a rate of 9% as market value increases above \$76,000. It phases out entirely at

2020 Property Tax Trends and Impacts: Farmland



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Agricultural per Acre

Pay 2019 EMV: \$7,500

Pay 2020 EMV \$7,900

Median MV Increase: 5.33%

Levy Increase	County Tax Change	% Change
0%	(\$0.31)	-3.25%
2.9%	(\$0.01)	-0.07%
3.4%	\$0.05	0.48%
5.1%	\$0.22	2.34%

2020 Property Tax Trends and Impacts: Business Property



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Mid-size Commercial/Industrial

2020 EMV: \$1,000,000

MV Increase: 4.2%

Levy Increase	County Tax Change	% Change
0%	(\$124.49)	-4.13%
2.9%	(\$11.68)	-0.81%
3.4%	(\$3.81)	-0.26%
5.1%	\$42.59	1.41%

2020 Property Tax Trends and Impacts: Apartments



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Mid-Sized Apartment

Pay 2020 EMV: \$1,000,000

Median MV Increase: 10.2%

Levy Increase	County Tax Change	% Change
0%	\$31.43	1.21%
2.9%	\$117.68	4.54%
3.4%	\$132.55	5.11%
5.1%	\$183.11	7.07%

How would a high range levy increase have effected the levy per capita?



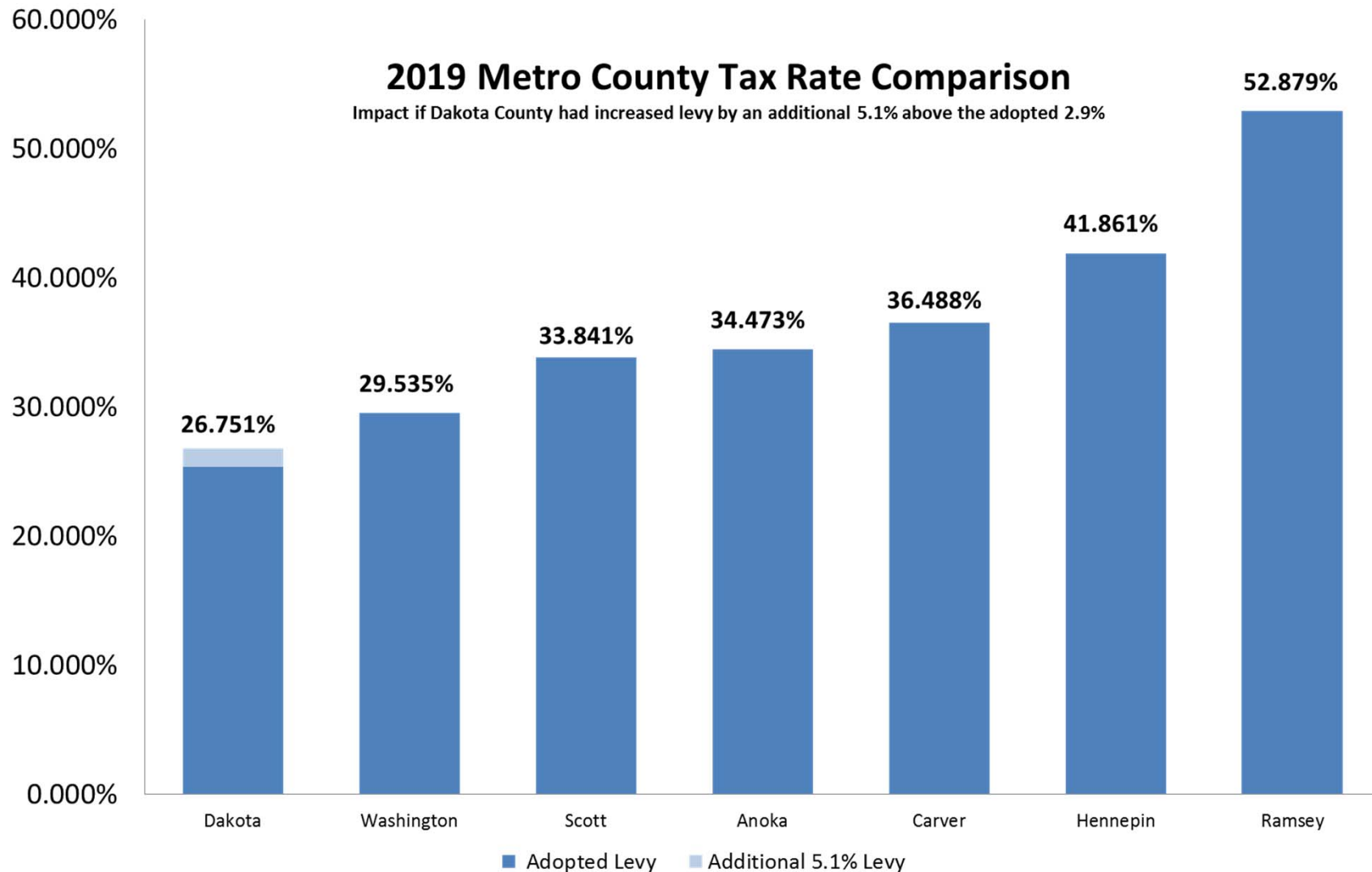
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	2019 Levy	2019 Levy Example	% Change	Population	2019 Levy Per Capita
Dakota	\$ 140,614,675	\$ 147,786,023	5.1%	422,580	\$ 349.72
Koochiching	\$ 4,466,000	\$ 4,466,000	0.0%	12,640	\$ 353.32
Anoka	\$ 138,258,297	\$ 138,258,297	0.0%	352,674	\$ 392.03
Washington	\$ 109,148,600	\$ 109,148,600	0.0%	256,905	\$ 424.86
Scott	\$ 68,460,000	\$ 68,460,000	0.0%	144,717	\$ 473.06
Carver	\$ 56,264,855	\$ 56,264,855	0.0%	102,858	\$ 547.01
Ramsey	\$ 318,453,646	\$ 318,453,646	0.0%	546,317	\$ 582.91
Hennepin	\$ 829,555,042	\$ 829,555,042	0.0%	1,249,512	\$ 663.90

How would a high range levy increase have effected the tax rate?



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Budget Development Process



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- August 20 - County Board Budget Workshop #2
- September 10 - GGP Budget Update
- September 24 - County Board Adoption of maximum levy
- November 4-7 – County Board Budget Hearings
- November 26 – CIP Public Hearings
- November 26 – County Board Budget Public Hearing (“Truth-In-Taxation”)
- December 17 – County Board Adoption of 2020 Budget



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Questions & Discussion