



2022 Budget Workshop

Budget Office & Physical Development
June 22, 2021

Discussion Items

2020 Financial Year Review

2021 Budget & Financial Performance

- 2021 Year-end Projections

2022 Budget Pressures & Opportunities

Post COVID Impacts on Buildings CIP

2022 Financial Planning Environment

Policy Options for the 2022 Budget

2020 Financial Year Review

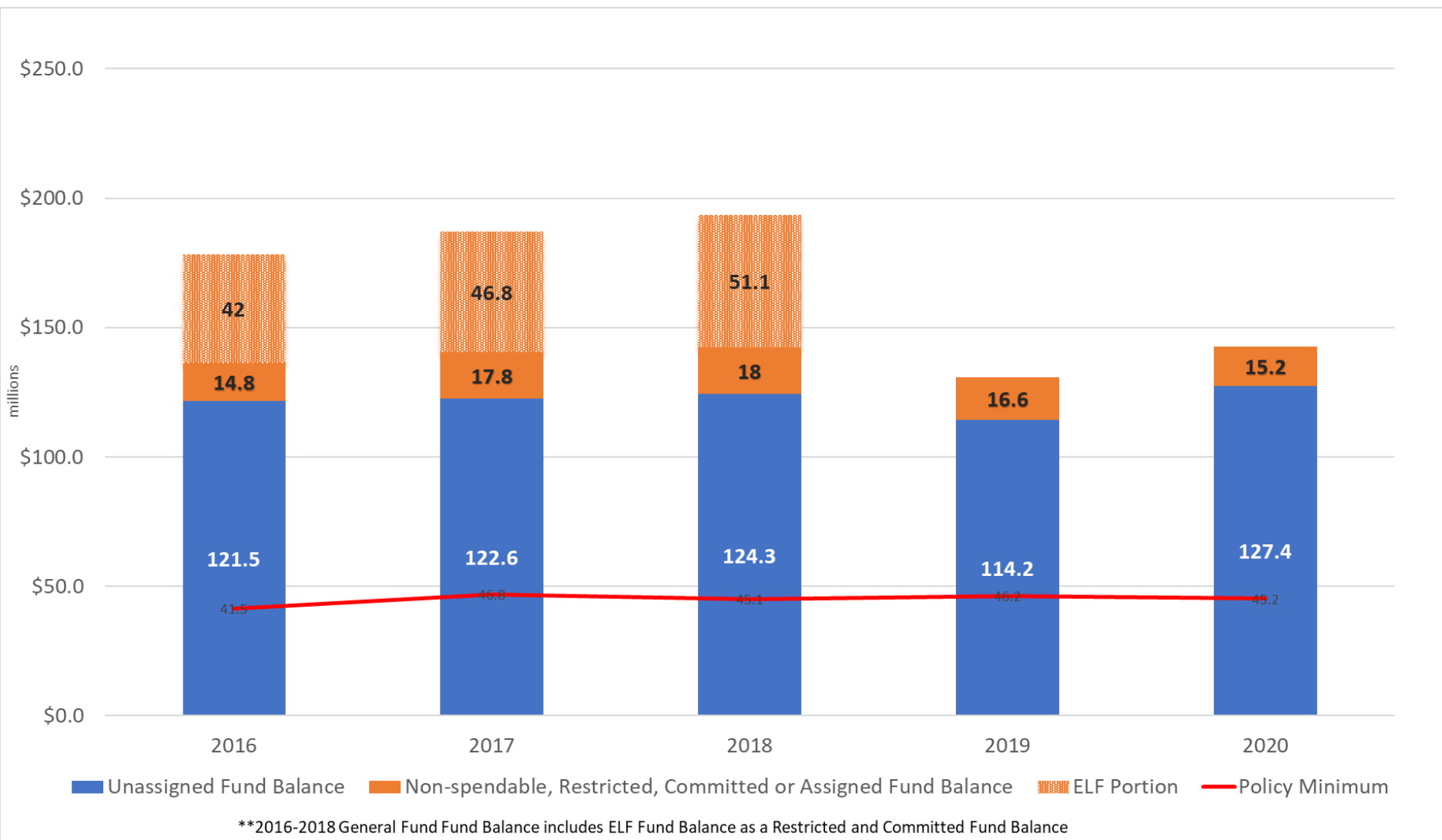


Fund Balance Summary

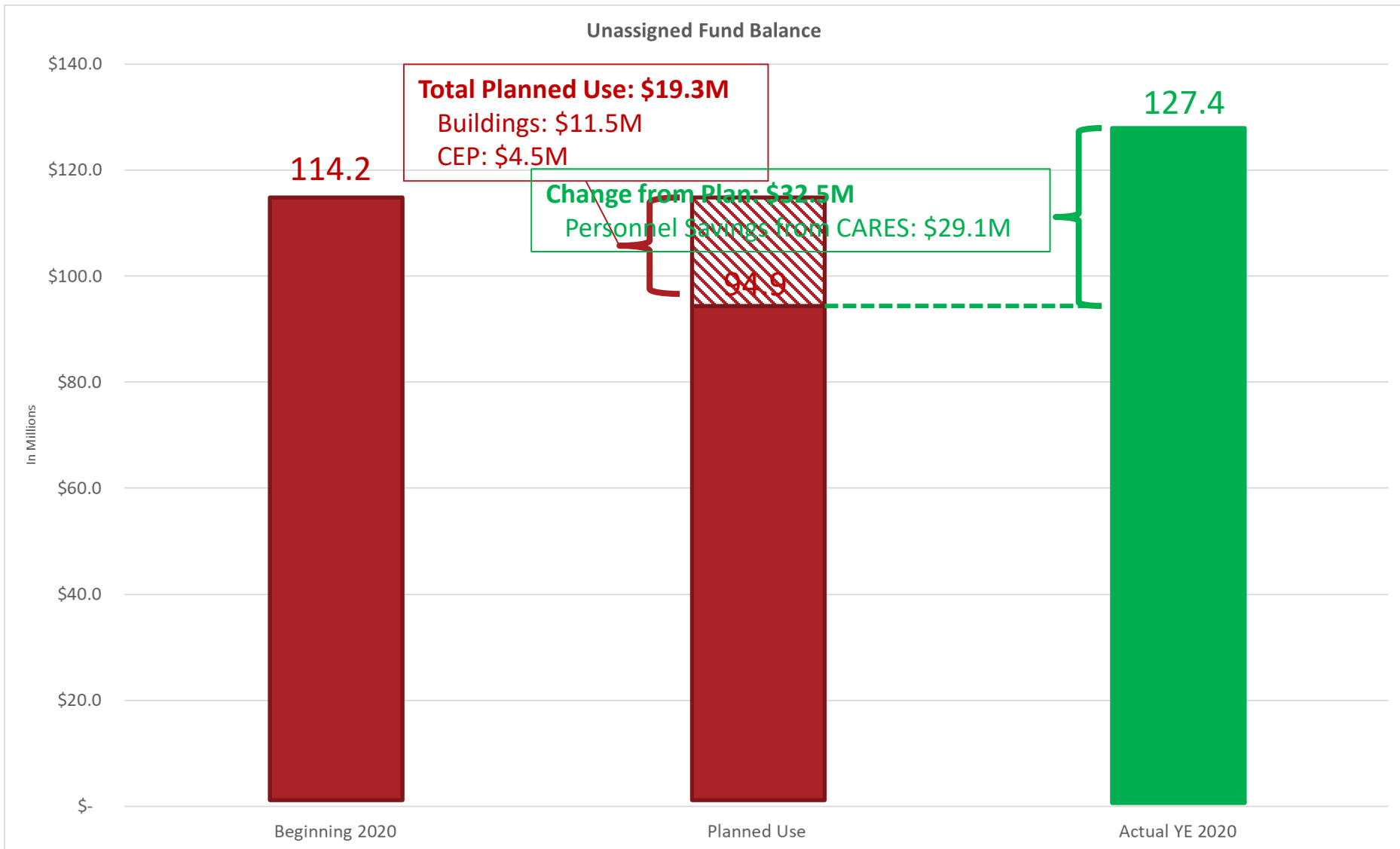
(in millions)

	Audited 12/31/2019	Unaudited 12/31/2020
Beginning Fund Balance	\$ 341.3	\$ 353.6
Total Revenues	365.6	407.0
Expenditures:		
Current	330.4	398.0
Capital Projects and Equipment	17.1	25.4
Debt service	-	-
Total Expenditures	347.5	423.4
Other Financing Sources (uses)	(5.8)	1.1
Non-spendable, Restricted, Committed or Assigned	239.4	210.9
Unassigned	114.2	127.4
Ending Fund Balance	\$ 353.6	\$ 338.3
Net Change in Fund Balance	\$ 12.7	\$ (15.3)

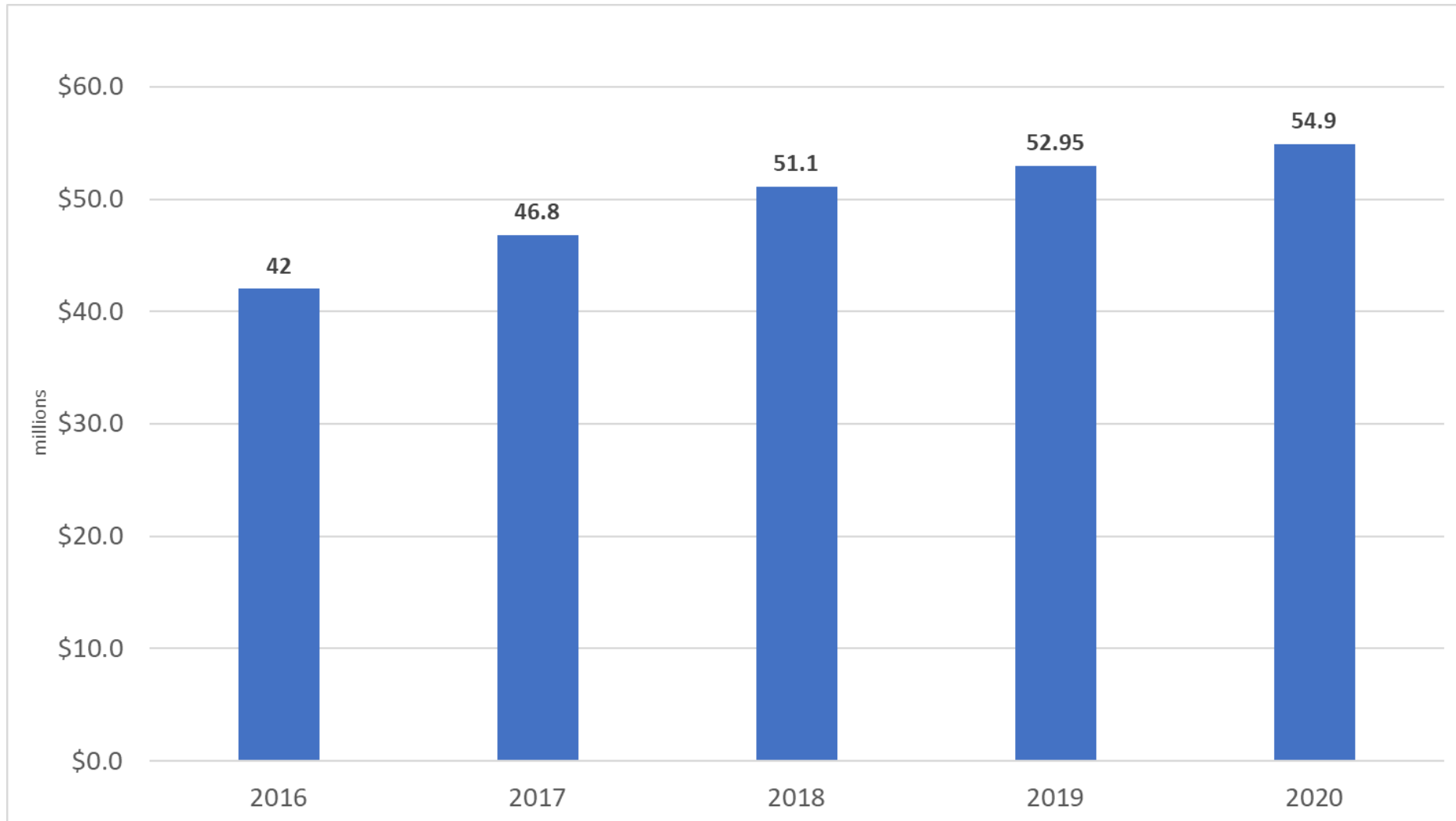
General Fund – Fund Balance History



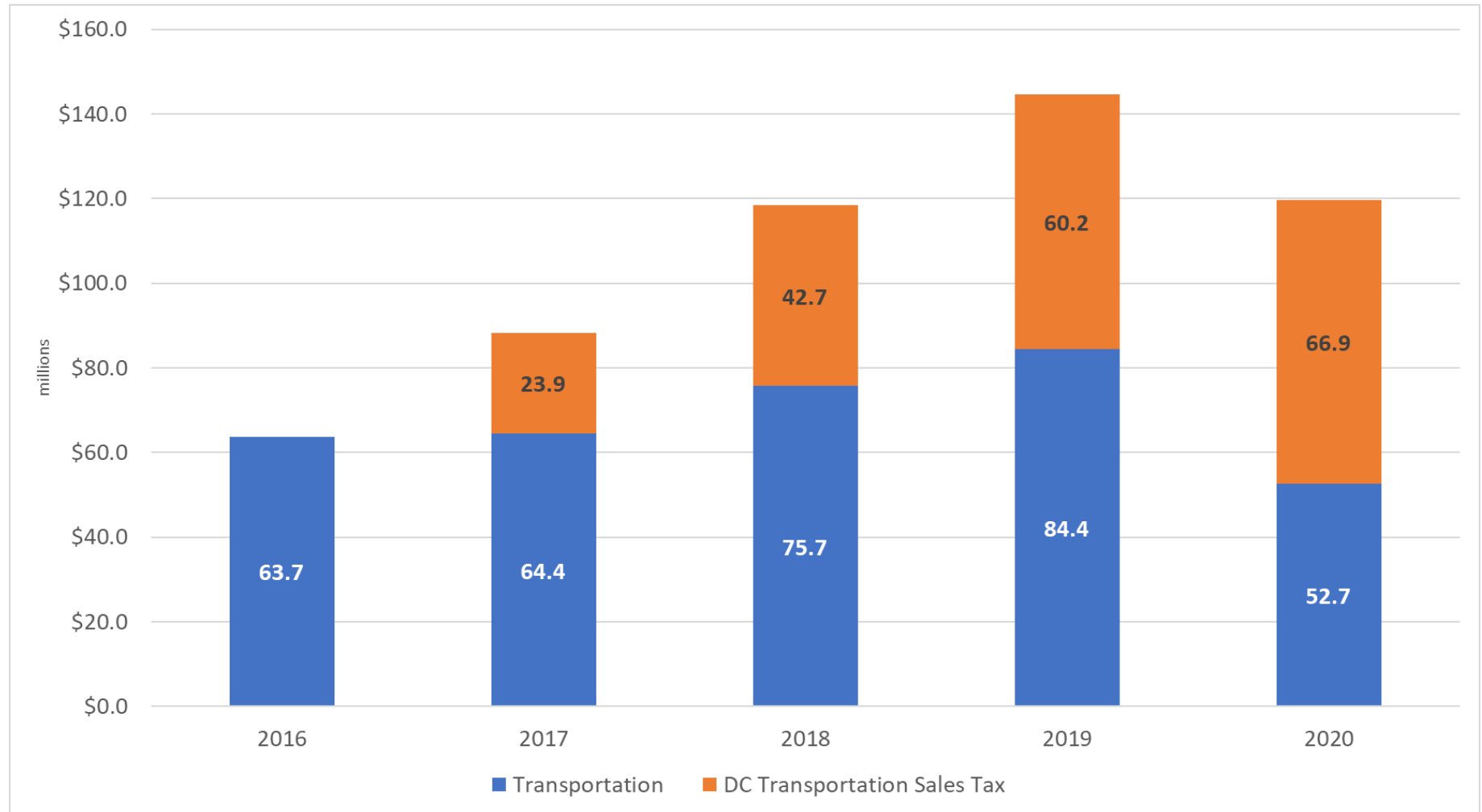
Unassigned Fund Balance Change (Unaudited)



ELF – Fund Balance History



Transportation/Transportation Sales Tax – Fund Balance





2021 Budget & Financial Performance

– 2021 Year-end Projections

Year-End Projections - Operations

Total Operating Budget Year-End

Dakota County Year-End Projections by Total Account Group

As of 4/30/2021

Description	YTD Actual	% of Budget	Year-End Projection	% of Budget	Budget	Balance
41 - Property Taxes	\$ 20,058,067	14%	\$ 140,431,858	100%	\$ 140,431,858	\$ -
42 - Charges for Services	\$ 6,597,898	22%	\$ 29,876,211	98%	\$ 30,407,176	\$ (530,965)
43 - Other Revenues	\$ 2,450,761	18%	\$ 13,780,698	103%	\$ 13,366,271	\$ 414,427
44 - Fines and Forfeitures	\$ 1,955	7%	\$ 30,400	101%	\$ 30,000	\$ 400
45 - Licenses & Permits	\$ 801,081	57%	\$ 1,708,173	122%	\$ 1,402,826	\$ 305,347
46 - Federal Revenue	\$ 15,257,819	31%	\$ 47,438,655	97%	\$ 48,905,830	\$ (1,467,175)
47 - State Revenue	\$ 15,020,401	25%	\$ 59,805,787	99%	\$ 60,409,886	\$ (604,099)
48 - Other Intergovernmental Rev	\$ 476,840	9%	\$ 5,522,977	101%	\$ 5,468,294	\$ 54,683
49 - Other Financing Sources	\$ -	0%	\$ 16,876,138	84%	\$ 19,973,054	\$ (3,096,916)
Total Revenues	\$ 60,664,822	19%	\$ 315,470,897	98%	\$ 320,395,195	\$ (4,924,298)
51 - Salaries	\$ 30,182,786	20%	\$ 146,386,285	96%	\$ 153,041,895	\$ 6,655,610
52 - Benefits	\$ 10,673,059	21%	\$ 45,919,329	90%	\$ 51,155,945	\$ 5,236,616
53 - Dept/County Support	\$ 6,175,118	26%	\$ 23,203,150	99%	\$ 23,437,525	\$ 234,375
54 - Travel/Training	\$ 193,902	9%	\$ 1,204,843	58%	\$ 2,077,316	\$ 872,473
55 - Office Support	\$ 525,146	20%	\$ 2,327,494	88%	\$ 2,644,879	\$ 317,385
56 - Materials/Supplies	\$ 805,218	33%	\$ 2,189,386	91%	\$ 2,405,919	\$ 216,533
57 - Citizen/Client Related Service	\$ 17,970,708	22%	\$ 80,309,748	96%	\$ 83,473,389	\$ 3,163,641
58 - Interdepartmental (Chargeback)	\$ (694,635)	7%	\$ (9,922,457)	97%	\$ (10,229,337)	\$ (306,880)
59 - Capital, Debt, Other Financing	\$ 464,481	4%	\$ 9,290,748	75%	\$ 12,387,664	\$ 3,096,916
Total Expenses	\$ 66,295,781	21%	\$ 300,908,525	94%	\$ 320,395,195	\$ 19,486,670
Projected Contribution to Fund Balance					\$ 14,562,372	

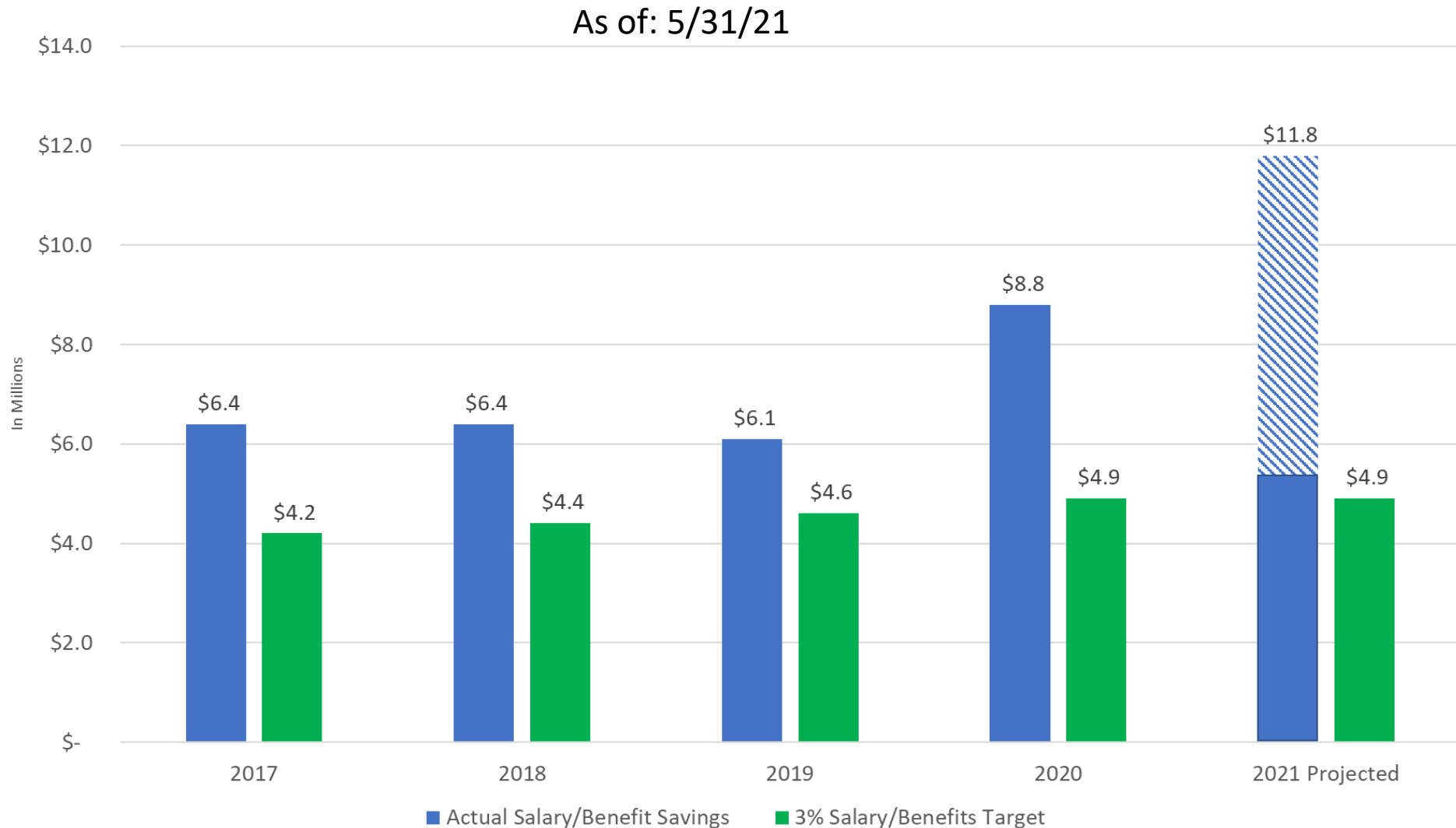
Significant Variances



- Charges for Services deficit due to lower Interest Earnings and Library Fines
- Federal, State, and Other Intergovernmental are grant revenues offset by salary and purchase of service surpluses.
- Salary and Benefits surplus results from approximately 95 vacant FTEs.
- Client related services majority is funded by grants and offset by the revenue deficits.

*Significant Variances are greater than one tenth of one percent of the total 2021 Operating Budget.

Salary/Benefits Savings vs Target (3%) *Dakota* COUNTY



** Actual Savings does not include entry booking Compensated Absences liability



2022 Budget Pressures & Opportunities

- More stable economic environment than during 2021 budget development
- 'Next Normal' implementation
- Staff recruitment and retention
- ERP implementation and 'Go Live'
- ARP Act funding

- Long-term website upgrade
- Supporting more staff & supervisors in telework
- New ERP implementation
- Begin collective bargaining for 2023
- Management of ARP Funding

Operations, Management, and Budget (OMB)



- Implementation of new Enterprise Resource Planning (Finance/Employee Relations/Budget) system
- COVID-19 and its continued impact
 - ARP
 - Recruitment and retention
 - Technology and ergonomic resources for hybrid environment
- Increasing cyber security threat environment
- Continued management of I-Net and expansion of capacity to un and underserved areas of the County
- CJNI Transition
- Enterprise Risk Management
- Increasing costs for insurance (property, auto and cyber security)

Ability to maintain same level of services

- Legal Administrative Assistant vacancy in the Child Support Division (held open since January 2021)
- One potential Attorney vacancy in the Child Support Division in 2022

Demands associated with transfer, retention and disclosure of electronic data

- Cellphones/Computers
- Body Worn Camera Video and Squad Video

Long-term operational needs exist in the case management system, as well as the ability to create specialized reports

- Funding Sunday hours for Library
 - 4.57 frozen positions
 - 7 of 9 branches had Sunday hours pre-pandemic
- Library Fines - Daily late fines paused during the pandemic
 - Unpause late fees August 1
- Replacement of all public printer/copiers in the libraries
- Burnsville License Center – remodel to increase number of service counters and larger waiting room space
- Improvements to Election night reporting – pursuing 2021 procurement of secure modems and enhancements to results reporting on website

Historical Society and County Fair



County Contribution

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022 Est.</u>
Historical Society	\$ 132,185	\$ 132,185	\$ 132,185	\$ 132,185	\$ 132,185

Historical Society Capital - ADA Improvements: \$1,200,000

*Not included in County Contribution Amount: Dakota County also covers utilities and facility maintenance costs for the Historical Society

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022 Est.</u>
County Fair	\$ 191,117	\$ 191,117	\$ 191,117	\$ 191,117	\$ 191,117

County Fair Capital: None

Increased Service Demands

Potential Funding Changes

“New Normal” Adaptations

Staffing Capacity

Maintaining Critical Innovation Priorities

New ARP-Funded Priorities



Impacts to Service Quality and Employee Health & Well-Being

- Continued discussion and implementation local and national police reform strategies
- Part time Property Room Technician funding
- Electronic Crimes Unit domestic violence grant for 1.0 FTE expires October 2021
- Staff funding pressures and needs– Parks, Patrol and Jail
- Support mental health and wellness of employees
- Replacement of Jail Management System
- Jail reconfiguration– medical and mental health unit, short term female unit, social services workspace
- Expansion of body-worn-cameras

Physical Development



Capital Projects:

- Construction and maintenance material cost escalation will impact construction project budgets.
- Staff capacity to deliver CIP including accelerated Greenway and Highway Projects while continuing other strategic and master plans implementation.
- County Board determination on the use of ARP funds to support water and sewer capital projects (like Byllesby, Thompson Oaks, etc.)

General Concerns:

- Uncertainty regarding the fate of the Environmental Omnibus Bill and related potential sources of funding (grants).
- Possible changes in forecasted revenues related to Host Fees if CON is not granted to Pine Bend and Burnsville Landfills by the MPCA.
- Lingering impacts from the pandemic on dedicated transportation revenues.

DCC Financing Task Force recommended County assume 100% of fixed costs beginning in 2022

- Total additional County cost by 2026: \$1.4 million
- 5 year phase in: County levy impact of additional \$290,000 levy growth each year

Subordinate Service District legislative proposal would allow per-call costs for Sheriff patrol area to be levied there (vs. countywide now)

- Total annual levy cost of \$356,299

Policy options for 2022 budget and levy:

- Defer any action for 2022 (potential to begin in 2023)
- Begin 5 year phase-in in 2022
- Partial (down-payment) contribution in 2022, commit to phase-in beginning in 2023



Post COVID-19 Impacts on Buildings Capital Improvement Plans (CIP)

**Jerome (Jay) Biedny, Capital Projects Manager
Facilities Management, Dakota County**

**County Board Workshop Update
June 22, 2021**

COVID-19 Impacts on Buildings

Looking Back on 2020/2021 Buildings CIPs

How we spent 2020 CARES Dollars

Looking Forward to 2022-26 Buildings CIP

Questions?

What stayed the same in 2020/21?

We finished 2020 construction on time & budget

COVID actually *helped* us complete some projects

But for the unknowns, we are on track to finish most
2021 funded construction on time/ budget

What Changed in 2020/21?

Placed any Office Remodeling projects on hold and redirected funds as needed.

Modified Buildings CIP Project requests for 2021 so as not to include any office projects until the Next Normal could be defined.

How we spent CARES Dollars



No CARES funding replaced levy on building projects

In October 2020, the County *did* purchase and install:

- Glass panels for countywide cubicles upgrades
- Electronic filters for WSC air handling systems

What will stay the same in 2022 and beyond?

Design and construct infrastructure and non-office construction projects on time and under budget

We will have several large non-office projects pending:

- Recycle Zone II (2022-2023)
- Maintenance Facilities in Hampton and Lebanon Hills (2024-2025)
- LEC Mental Health Renovations (2022-2023)
- Library Renovation cycle (starts with Wentworth, 2023)
- South St. Paul Library (if approved, 2022-2023)

What will change in 2022 and beyond?

Customary stability may give way to rapid change

Next Normal in the workplace

Material costs have skyrocketed

Labor rates are poised to rise

Countywide Office Space Study Implementation

- Work paused

Sound Masking Deployment

- Work paused

Carpet Replacement Program

- Pause or make part of specific future projects

Adjustable Workstation Deployment

- Pause or make part of specific future projects

Future Funding Outlook



\$3.5M available from completed projects by 12/21

\$2.3M in three areas (CW office space, sound masking, carpeting) for 2022 and 2023 for:

- Brand new projects
- Earmark for Next Normal
- New project requests and infrastructure maintenance

Totals \$8.1 million for redirection over two years.

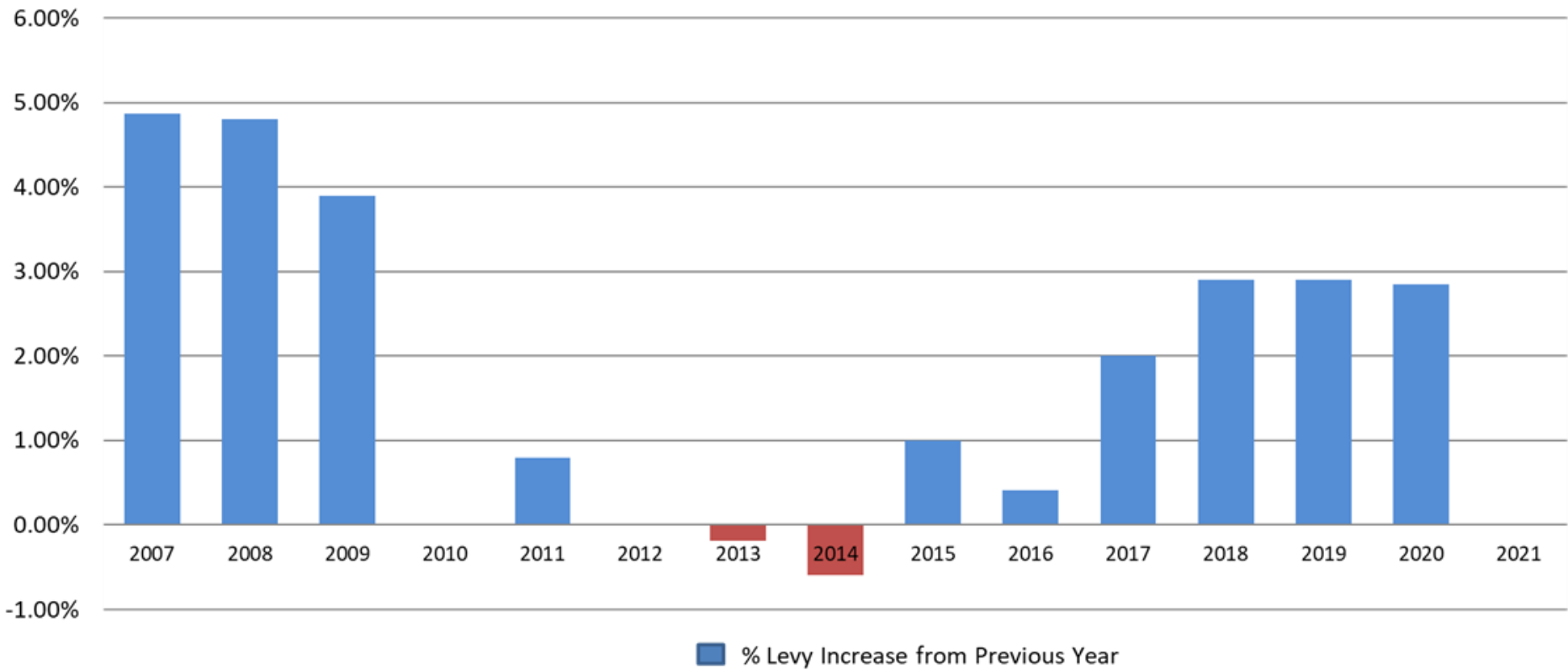
- Capital Projects Management will continue to deliver the Buildings CIP on time and under budget.
- There may be fewer projects that may end up costing more than expected – at least in the short term.

Questions?



2022 Financial Planning Environment

Levy History



2022 Preliminary Budget Assumptions



Base

\$ millions

Total Net Permanent Personnel Cost Growth	\$3.9
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Preliminary Inflation on Existing Contracts	<u>\$0.2</u>
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Total Net Preliminary Cost Growth (Levy Pressure)	<u>\$4.1</u>
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Percent Levy Pressure with No New Funding or Expense Adjustments	2.8%
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*Total personnel cost growth will increase by an additional \$3.5 million for one-time lump sum payments to be funded with fund balance

Levy Management Account (LMA)



in Millions

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Total</u>
Levy Management Account Additions	\$4.68	\$3.85	\$8.09	\$1.58	\$5.00	\$1.06	\$0.00	\$0.01	\$24.26
Levy Management Account Uses (Levy Reduction)		(\$3.11)	(\$3.67)	(\$5.95)	(\$3.03)	(\$2.51)	\$0.00	\$0.00	(\$18.26)
Annual Levy Management Account Change	\$4.68	\$0.75	\$4.42	(\$4.37)	\$1.97	(\$1.45)	\$0.00	\$0.01	\$6.00
Cumulative Available LMA	\$4.68	\$5.42	\$9.84	\$5.47	\$7.44	\$5.99	\$5.99	\$6.00	

What has 'funded' the LMA since it was created?

- Debt Payoff
- Self Funded Health Insurance
- 3% Salary Savings
- Recognition of CPA in Operations
- Budgeted Expense Reductions

Vacancies by Division/Department



As of 6/1/2021

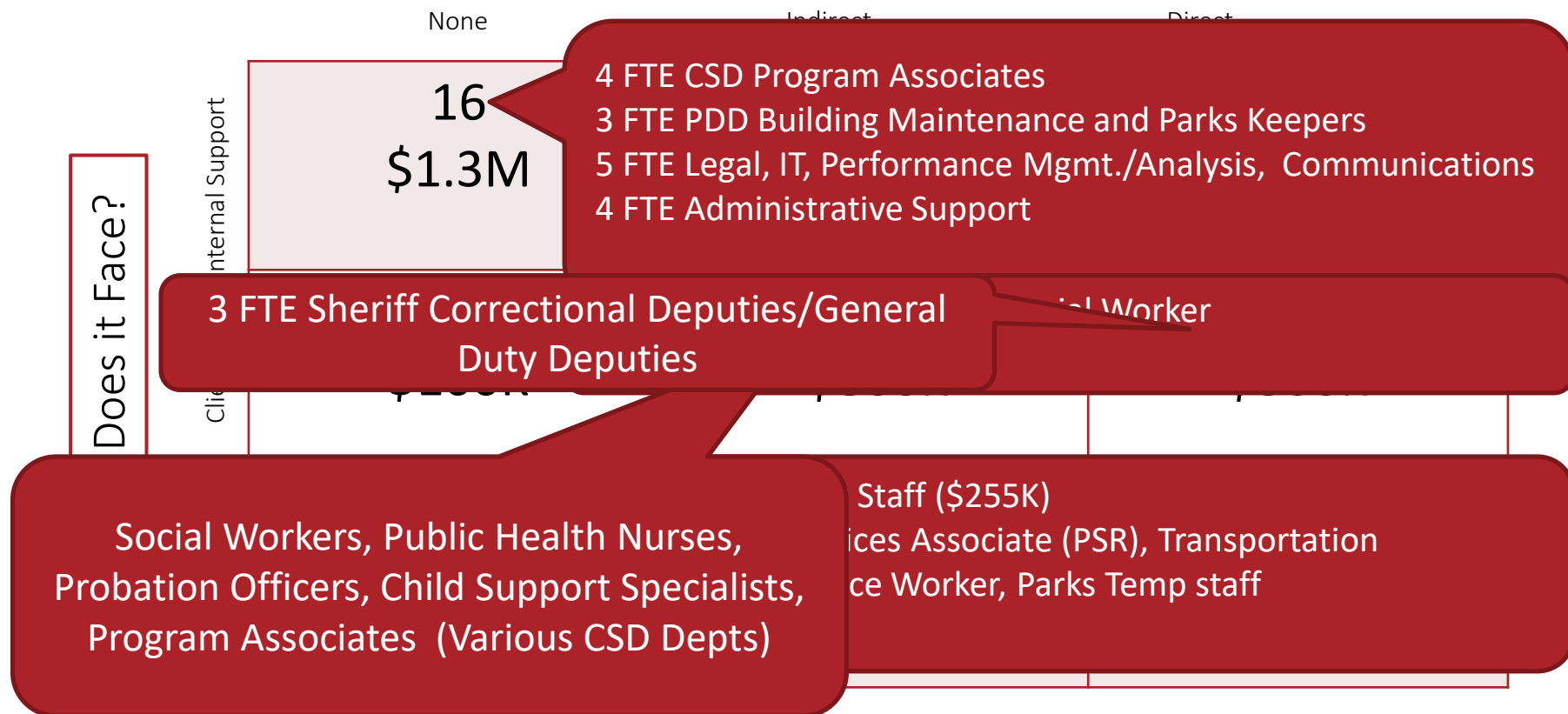
Division	Total Vacant Levy Costs Held for Savings	Vacant FTES	Total Levy Costs for Additional FTES	Additional Vacant FTES	Total Levy All Vacancies	Total Vacant FTES
Administration	\$ 100,000	1	\$ 250,000	3	\$ 350,000	4
Community Services	\$ 1,450,000	23	\$ 750,000	14	\$ 2,200,000	37
County Attorney	\$ 100,000	1	\$ 400,000	2	\$ 500,000	3
County Sheriff	\$ 300,000	3	\$ 500,000	6	\$ 800,000	9
Operations, Mgmt & Bdgt	\$ 250,000	2	\$ 1,050,000	11	\$ 1,300,000	13
Physical Development	\$ 450,000	6	\$ 200,000	6	\$ 650,000	12
Public Service & Revenue	\$ 350,000	5	\$ 550,000	9	\$ 900,000	14
Total County	\$ 3,000,000	41	\$ 3,700,000	51	\$ 6,700,000	92
Target	\$ 3,000,000					

Held Positions by General Type



As of 6/1/2021

Level of Mandate



Possible Options to Offset 2022 Cost Growth



Funding Options

Reallocate Existing Levy

- Levy Management Account (LMA)
- Shift Levy (Transportation CIP)
- Increase 3% Salary/Benefits Savings to 3.5%
- Shift Transportation Equipment to CIP

Annual Ongoing

\$6.0 million
\$2.7 million
\$1.0 million
\$0.25 – 0.4 million

Expense Reductions

- Levy Funded Personnel Costs
- Mileage/Printing/Office Support

\$3.0 million
\$0.5-0.7 million

Operational Chargebacks to CIP/Other Funds

???

Increase Overall Revenues (Permanent)

- Levy Increase (every 1%)
- State Revenues

\$1.4 million
???

Targeted 2021 Base Cost Growth:

\$4.1 million



Policy Options for the 2022 Budget

Possible 2022 Funding Options



Option 1

\$ millions

Gap to cover net base increase:

\$4.1

Solutions:

- 3.5% vacancy savings (0.5% increase) \$1.0
- "Next normal" expense reductions (mileage, printing, office support) \$0.6
- Shift transportation equipment to CIP \$0.4

Remaining gap to cover

\$2.1

Reallocate current levy

\$2.1

- Use Levy Management Account (LMA)
- Reallocate Transportation CIP Levy to Operations

Pros:

- No increase to taxpayers in 2022
- No impact on service delivery in 2022

Cons:

- Reduce LMA for future levy relief (possible higher levy increases)
- Redirecting CIP levy reduces resources

Possible 2022 Funding Options



Option 2

\$ millions

Gap to cover net base increase:

\$4.1

Solutions:

- 3.5% vacancy savings (0.5% increase) \$1.0
- "Next normal" expense reductions (mileage, printing, office support) \$0.6
- Shift transportation equipment to CIP \$0.4

Remaining gap to cover

\$2.1

Reduce or reallocate expenses

\$2.1

- Eliminate levy funded positions
- Chargeback more eligible operational expenses to other funds
- Seek other permanent expense reductions

Pros:

- No increase to taxpayers in 2022
- Retains LMA for future year(s) levy relief

Cons:

- Potential impacts to services provided to public (directly and indirectly)

Possible 2022 Funding Options



Option 3

\$ millions

Gap to cover net base increase:

\$4.1

Solutions:

- 3.5% vacancy savings (0.5% increase) \$1.0
- "Next normal" expense reductions (mileage, printing, office support) \$0.6
- Shift transportation equipment to CIP \$0.4

Remaining gap to cover

\$2.0

Increase permanent revenues

\$2.1

- Increase Levy
- Other permanent revenues

Pros:

- Retains LMA for future year(s) levy relief
- No impact on service delivery in 2022

Cons:

- Increased cost to some taxpayers

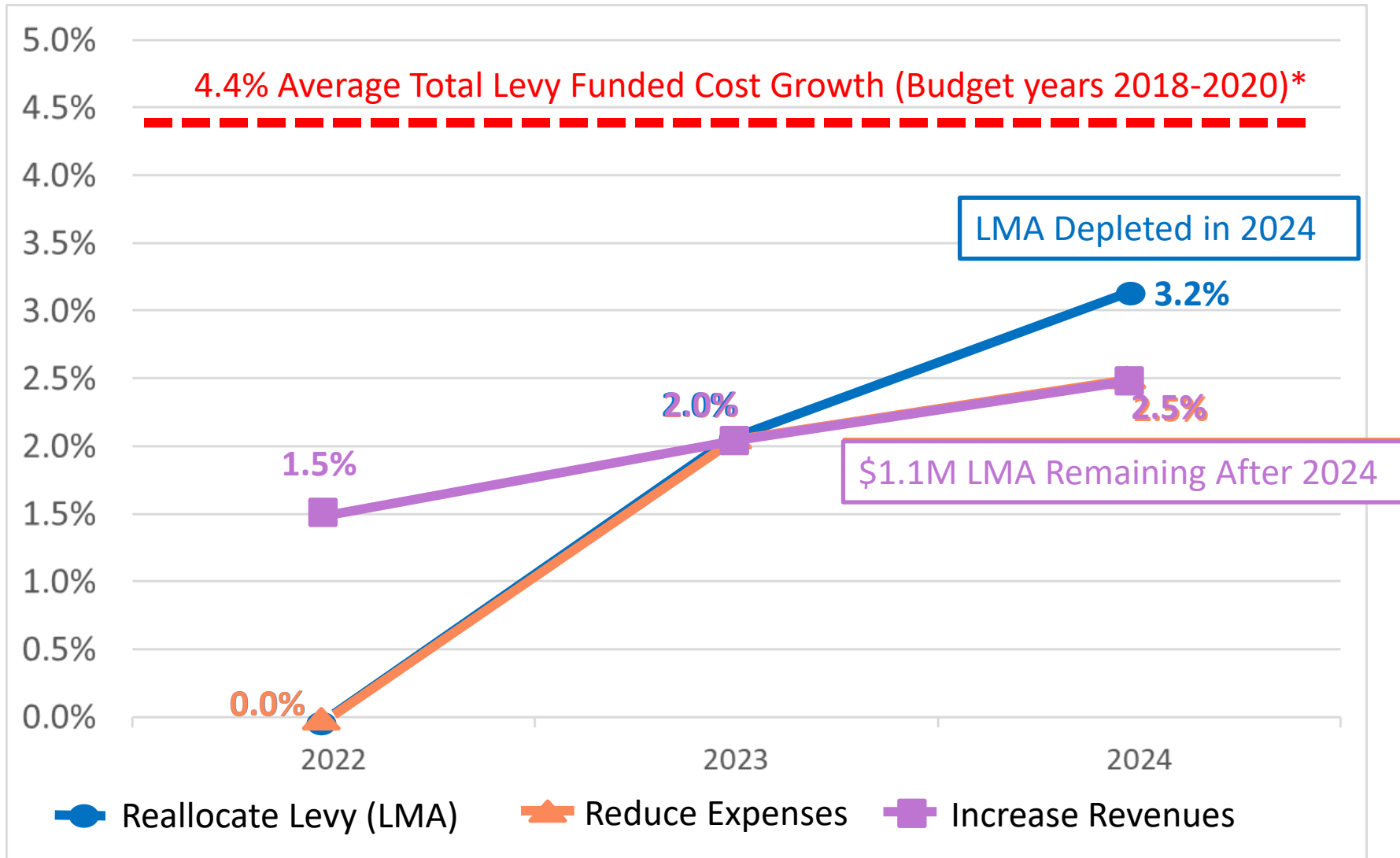
Key Assumptions in Future Cost Growth Models



Average Historical Net Cost Growth is approximately 3% of Operating budget less ~ 20% new revenues

- Forecast for 2023 uses net 2.3% cost growth on Operating budget based on growth following last recession
- Forecast for 2024 uses net 3.0% cost growth on Operating budget
- Factors that will impact forecast
 - Collective bargaining agreements for 2023 and 2024
 - Health insurance growth (average 6-8%)
 - General inflationary growth on non-personnel costs

Possible Future Levy Scenarios



*Total levy funded cost growth includes base growth plus new FTEs/initiatives

Additional Budget Issues



- Mental Health Crisis Response
- Broadband
- CJN JPA
- DCC
- Other Service Pressures

Board Policy Direction Discussion

Budget Development Process



June 22 – County Board Budget Workshop #1

August 24 - County Board Budget Workshop #2

September 7 - GGP Budget Update

September 21 - County Board Adoption of maximum levy

November 2-4 – County Board Budget Hearings

November 30 – CIP Public Hearings

November 30 – County Board Budget Public Hearing (“Truth-In-Taxation”)

December 14 – County Board Adoption of 2022 Budget

THANK YOU!