2013

BUDGET OVERVIEW

Dakota County, Minnesota

Dakota
COUNTY

2013 Adopted Budget

Dakota County, Minnesota

For The Fiscal Year

Beginning January 1, 2013

This document is an overview of the 2013 Adopted Budget for Dakota County, Minnesota. We hope this document will enhance your understanding of how the County is organized, the services it provides, and the funding sources used to provide those services. The County's purpose is to deliver the highest quality of services as efficiently, effectively, and responsively as possible. Dakota County aims to be a premier county in which to live and work. Thank you for the opportunity to serve you and to make Dakota County the best it can be.

Dakota County Board of Commissioners

1st District .... Mike Slavik
2nd District .... Kathleen Gaylord
3rd District .... Thomas Egan
4th District .... Nancy Schouweiler
5th District .... Liz Workman
6th District .... Paul Krause
7th District .... Chris Gerlach


GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

Dakota County

Minnesota

For the Fiscal Year Beginning

January 1, 2012

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented the Distinguished Budget Presentation Award to Dakota County, Minnesota for the adopted budget for the fiscal year beginning January 1, 2012. In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. Dakota County believes our current budget continues to conform to all program requirements. As for nearly two decades, the 2013 Adopted Budget document for the fiscal year beginning January 1, 2013 will also be submitted to the GFOA for consideration.

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2013 Adopted Budget Overview

The 2013 Adopted Budget Overview contains the following sections:

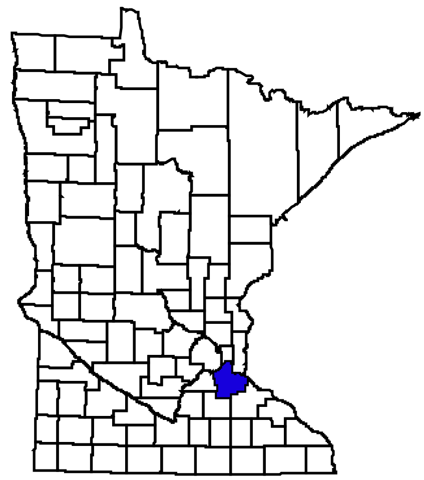
Dakota County Facts	Land use, demographic and economic trends
Dakota County Structure	Board of Commissioners and countywide, officials; Committees of the Whole; Citizen Advisory Committees; and overall organizational structure
Budget Summary	County goals and objectives; budget at a glance; budget highlights and challenges; property tax levy practices; and summaries of revenues and expenditures
2013 Adopted Budget Overview	Expenditures and revenues by major account group; expenditures and revenues by department; adopted budget highlights by department; budget development process; fund types and balance; and changes in fund balance
Debt	Debt management; debt ratio; long-term liabilities; and schedule of bond retirement
Capital Improvement Program (CIP)	Impacts on operating budget; Park CIP; Buildings CIP; and Transportation CIP
Financial Policies and Guidelines	Financial philosophy and guidelines; fund balance management; debt administration; investment policy; and budget compliance policy
Appendix, Glossary and Index	Property tax comparison; employee summary; and definition of terms

DAKOTA COUNTY FACTS

This section provides information on the following:

- Location & History
- Land Use
- Demographic Trends
- Economic Trends

Location & History



In 1849, the Minnesota Territory legislature created nine original counties, including Dakota. The County's original boundary extended only as far south as Hastings, but extended west several hundred miles to the Missouri River in the current State of South Dakota. Large numbers of European settlers began arriving to the region in the mid-1850s. With increased population, Minnesota became a state in May 1858, nine years after the creation of Dakota County. Dakota County has an area of 593 square miles, including 13 townships and 21 full and fractional, incorporated municipalities. It is one of seven counties comprising the Twin Cities metropolitan area. The County lies within the confluence of the Minnesota and Mississippi Rivers along the northern border and the confluence of the Mississippi and St. Croix Rivers on the eastern border. The county seat, Hastings, is located on the Mississippi River 18 miles southeast of the state capital, Saint Paul.

Land Use

Before the 1950s, land in Dakota County was used primarily for agriculture. Since that time, major transportation improvements and continued growth in the metropolitan area have brought more intense land use to the County. Land use in Dakota County is a mix between first-ring suburbs (West St. Paul, Mendota Heights), second-ring suburbs (Eagan, Burnsville) and third-ring suburbs (Lakeville, Rosemount). There are small cities that existed before suburban growth moved close to their borders, such as Hastings and Farmington.

Land development continues in the County, though at a slower pace than in previous decades when the rate of consumption (acres converted to development from agricultural use or open space) averaged between 2,200 and 2,900 acres annually. About 65% of Dakota County's total land area is agricultural and undeveloped. Based on 2011 population estimates, the average population density is approximately 678 people per square mile.

Demographic Trends

Dakota County is the third most populous county in Minnesota, with an estimated population of 398,552 based on 2010 census data. Between 2000 and 2010, Dakota County's population increased by 12%, adding 42,648 people. According to Census estimates, 2008 was the first year since 1977 that Dakota County gained less than one percent in population, with the trend continuing in 2011. The American Community Survey's estimate shows that in 2011, Dakota County population reached 402,006, which is a 0.9% (or 3,454 persons) increased from 2010.

Over the next 20 years, regional growth is projected to continue at an average rate of approximately 1% per year. The seven-county metropolitan region is anticipated to increase by 36.5% between 2000 and 2030, to a total population of more than 3.6 million residents. The Metropolitan Council projects the County will attain a population of about 525,275 people by the year 2030.

The estimated total number of households in Dakota County is 152,060, based on 2010 estimates. This represents an increase of 15.9% over 2000. During the same time period, the increase in Dakota County's general population was 12%. Between 2010 and 2011, the number of population in Dakota County increased by 0.9%, while the number of household decreased by 0.3%. The average household size is slowly decreasing, from 2.78 persons per household in 1990 to 2.6 in 2011. Single-person households (both under and over age 65) are increasing, as well as single female with children households, while married couple households with children are decreasing.

As development continues to move outwards from the urban core of Minneapolis and St. Paul, largely residential second and third ring suburban communities will increase in population in Dakota County. In Dakota County, second-ring suburban cities Eagan and Burnsville are now the most populated cities (estimated) 64,206 in Eagan and 60,306 in Burnsville in 2010). With land for development running short in the second ring, the third ring cities of Apple Valley, Rosemount, Lakeville, and Farmington are experiencing significant gains in population. The Metropolitan Council expects Lakeville, Rosemount and Farmington to lead this growth with an additional 28,000, 19,000, and 12,000 residents, respectively, between 2010 and 2030.

Dakota County Population, 1970 to 2030						
1970	1980	1990	2000	2010	2020*	2030*
139,808	194,279	275,186	355,904	398,552	484,175	525,275

**Metropolitan Council projections as of January 1, 2012*

Other important demographic facts about Dakota County:

- Diversity is growing in Dakota County. Since 2000, Dakota County's population is becoming more racially and ethnically diverse, including both native born and foreign born residents. In 2011 about 14.7% of the population identified themselves as members of a racial minority group. Between 2000 and 2030, the non-white population in Dakota County is forecasted to grow by almost 176%, from a count of 23,934 non-white residents in 2000 to some 66,000 by 2030. Hispanic/Latino, Asian and African American are the largest non-white population groups.
- Student diversity is also increasing. During the 2011-2012 school year, 25% (18,254) of students in grades kindergarten through 12th grade were of racial and ethnic minority groups, more than doubled since 1995. More than 108 different languages other than English are spoken by students in schools in Dakota County.
- Dakota County's median age is increasing. In 1990, the median age was 30.2 years; in 2011 it was 37.2. The number of people over the age of 65 in Dakota County is expected to increase 137% between 2010 and 2030. According to the Minnesota State Demographic Center's estimate, by 2025, seniors age 65 and older will surpass the number of school aged children (5-19).
- People in Dakota County are well-educated. In 2011, 95.1% of the population (over the age of 25) had a high school degree or higher; 38.5% had a bachelor's degree or higher. Minnesota numbers, themselves higher than the national numbers, were 92% (high school degree or higher) and 32.3% (bachelor's degree or higher) in 2011.

Economic Trends

Recent economic conditions have resulted in challenges for many residents of Dakota County. Between 2002 and 2012, the unemployment rate in Dakota County has generally increased, largely in line with both state and national unemployment trends. At the end of 2012, the state's unemployment rate was 5.4%, the national unemployment rate was 7.6% and Dakota County's unemployment rate reached fell from 5.2% in 2011 to 4.8% by December 2012.

Generally, Dakota County is considered to have an economically healthy mix of industry types. Five industries (retail trade, manufacturing, health care and social assistance, educational services, and accommodation and food services) employed 50% of the total workforce in Dakota County in 2011. The Minnesota Department of Employment and Economic Development projects that professions in the health care and social assistance fields will have the highest growth rate during the next several years, a direct effect of the rapidly aging population.

Affordable housing has become more limited with greater competition for existing moderately priced units. In Dakota County, the growing demand for affordable housing is especially critical for individuals employed in the service sector and for single head-of-household families with children. Further, the demand for affordable housing is critical for senior citizens, the population of which will increase substantially in Dakota County and the metropolitan area in the next 20 years.

The rate of home ownership in Dakota County declined slightly from 78% to 73% between 2000 and 2011 According to the Minneapolis Area Association of Realtors, between 2002 and 2012, the median sale price of residential property in Dakota County peaked in 2006 at $234,000 and has been decreasing since. In 2012 and median sale price was $170,500, which is a 9.3% increased from 2011. In 2011, 49% of the renter households and 30% of those who own homes (with mortgage) were cost burdened.

Annual average wages in Dakota County have risen from $33,456 in 2000 to $46,391 in 2011. For 2011, the median household income was $69,902 in Dakota County compared to the State of Minnesota's median income amount of $56,954.

The labor force in has grown over the last decade. In December 2011, the number of residents who were eligible to be considered part of the labor force was 229,293, a 4.4% increase compared to 219,431 in December 2000.

Rates of poverty among Dakota County families remain below state and national averages. According to the 2011 ACS, 6.9% of the Dakota County population is below the federal poverty level. The state and national poverty rate are 11.9% and 15.1%, respectively.

DAKOTA COUNTY STRUCTURE

This section provides information on the following:

- Dakota County Board of Commissioners
- Dakota County Countywide, Elected Officials
- Committees of the Whole
- Citizen Advisory Committees & Commissions
- Dakota County Organizational Structure

Dakota County Board of Commissioners

Dakota County (County) is governed by a seven member Board of Commissioners (Board) individually elected from seven separate districts. Normally, the Board meets on the first three Tuesdays of each month. The first and third Tuesday is for televised Board meetings, whereas the second Tuesday is generally reserved for untelevised Committees of the Whole meetings.

Dakota County Board of Commissioners			
District	Name	Begin Term	End Term
1st	Mike Slavik	2013	2016
2nd	Kathleen Gaylord (Chair)	2003	2014
3rd	Thomas Egan	2005	2016
4th	Nancy Schouweiler	1999	2016
5th	Liz Workman (Vice Chair)	2009	2016
6th	Paul Krause	1995	2016
7th	Chris Gerlach	2013	2016

Due to the retirement of two long-serving commissioners, the Board will be joined by two new members: Mike Slavik (District 1) and Chris Gerlach (District 7). These commissioners are replacing Joseph Harris and Will Branning, respectively.

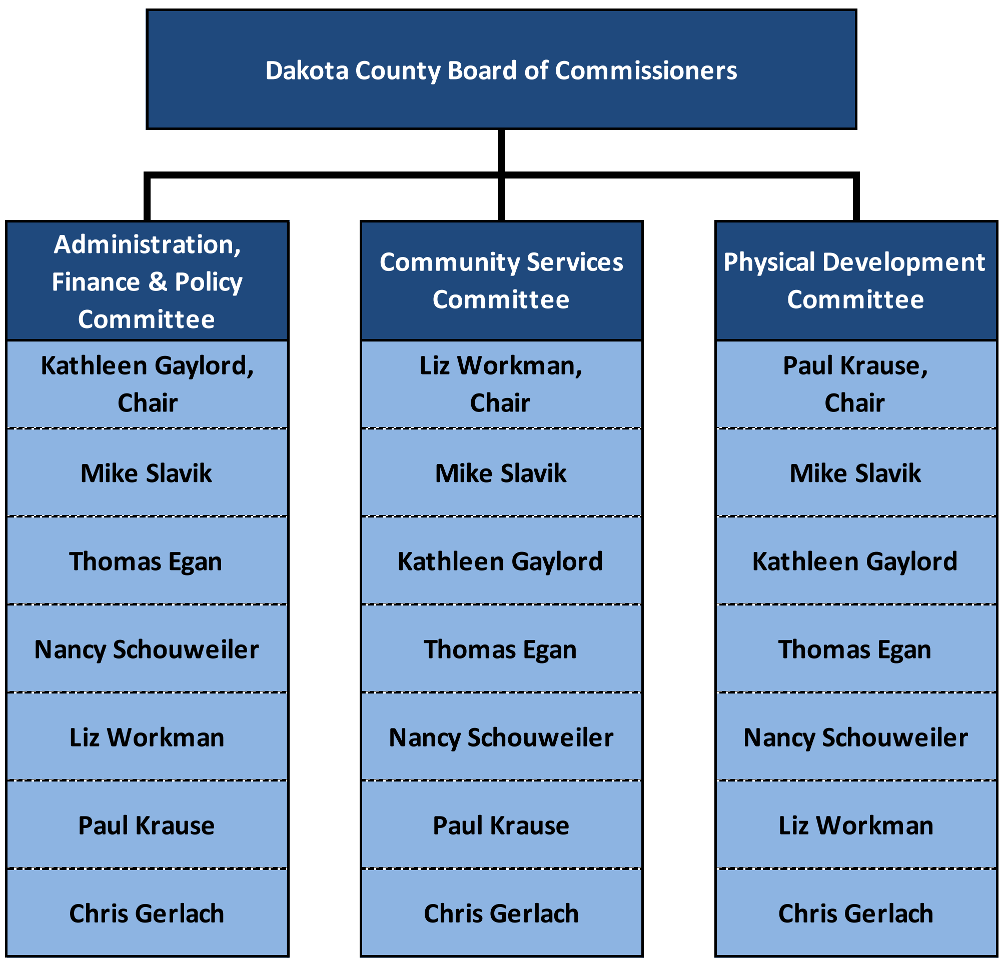
Countywide, Elected Officials

Dakota County also elects two countywide officers for the discharge of public safety duties: the County Attorney and County Sheriff. These officials each serve a four year term upon election.

Countywide, Elected Officials			
Office	Name	Begin Term	End Term
County Attorney	James Backstrom	1987	2014
County Sheriff	David Bellows	2010	2014

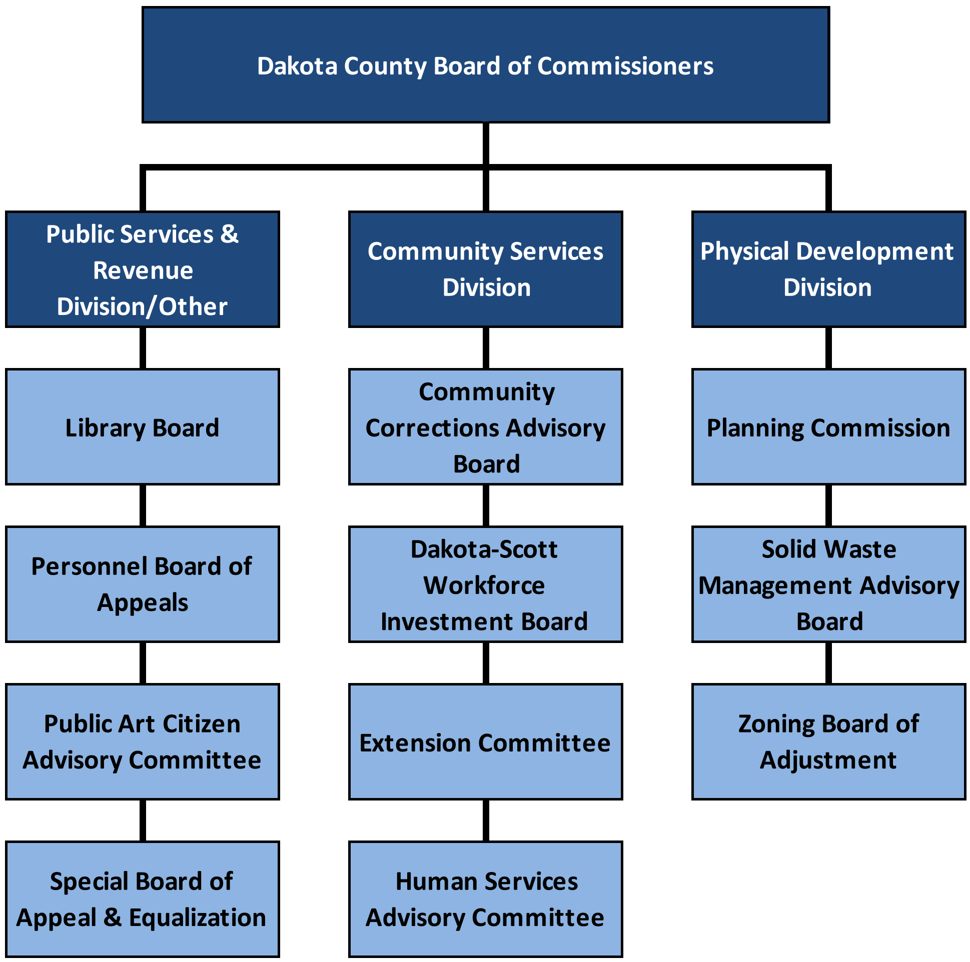
Committees of the Whole

There are three Committees of the Whole, which all Board members serve on: Administration, Finance and Policy Committee of the Whole; Community Services Committee of the Whole; and Physical Development Committee of the Whole.



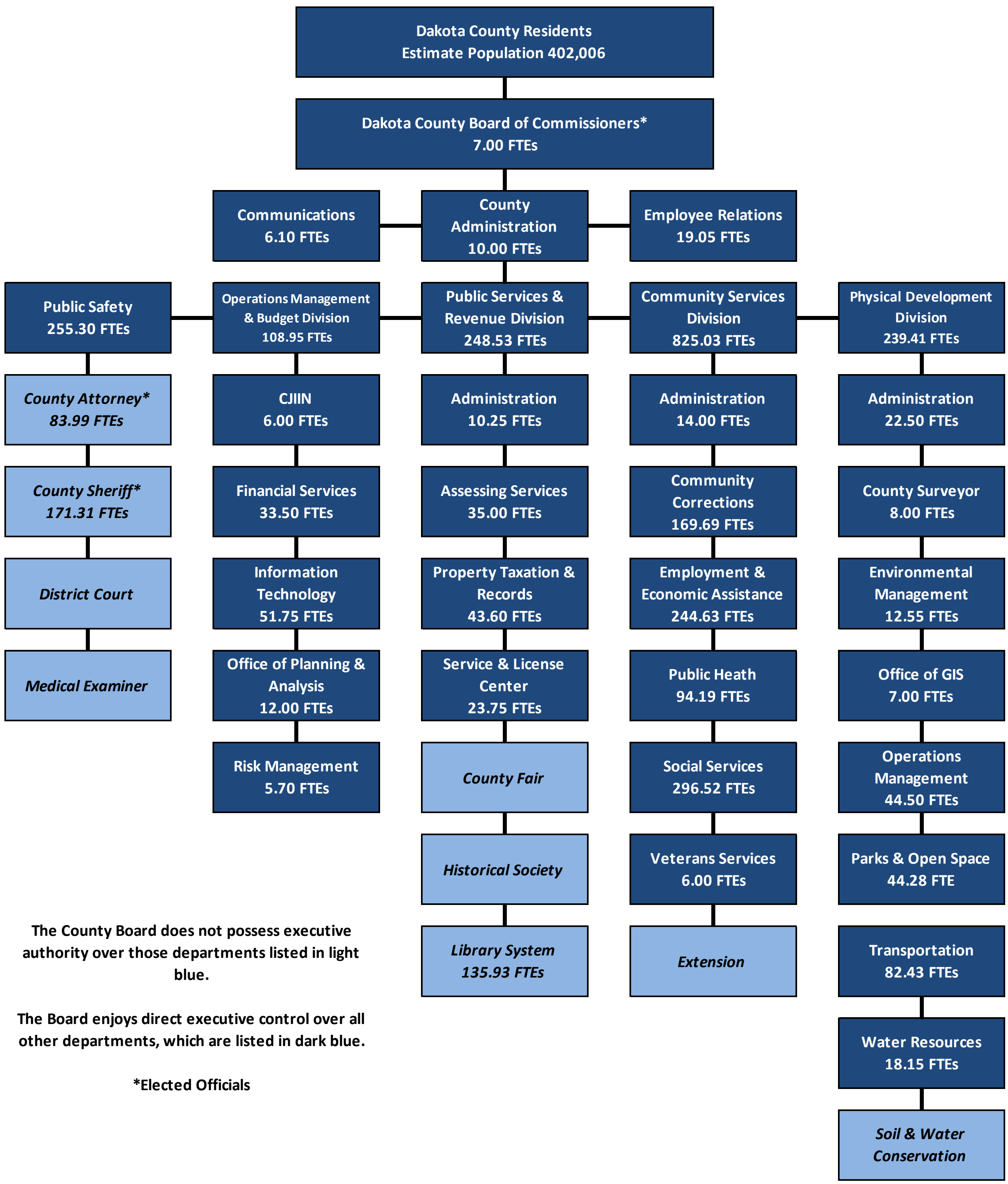
Citizen Advisory Committees and Commissions

The Board also appoints a number of individuals from the community to serve on Citizen Advisory Committees. Each of these advisory groups receives direction from the Board in the form of work plans. These various committees, commissions and boards provide advice and insight for the Board when it renders decisions on germane topics.



Dakota County Organizational Structure

The 2013 Adopted Budget authorizes funding for 1,722.37 Full Time Equivalent (FTE) employees. The following organizational chart outlines the allocation of FTEs among the various County departments as well as the County's reporting relationships.



BUDGET SUMMARY

This section provides information on the following:

- County Goals and Strategies for the Upcoming Fiscal Year
- 2013 Adopted Budget at a Glance
- 2013 Adopted Budget Highlights
- Challenges Facing the County
- Property Tax Levy Practices
- Overview of Expenditures
- Overview of Revenues

County Goals & Objectives

Dakota County's vision is to be *a premier place in which to live and work.*

Dakota County's mission is to provide e*fficient, effective, and responsive government*.

Dakota County works diligently to manage strategically by using important tools such as a countywide strategic plan with relevant performance indicators, a balanced scorecard framework to ensure performance is measured from different perspectives, ongoing monitoring of community indicators to provide context for our work, and a routine residential survey to gather public opinion.

Dakota County has been engaged in this work for several decades. In 2012, the Board adopted a new strategic plan, which affirmed the existing vision and mission (above) and identified five goals and 20 strategies to achieve both. Each year, the Board also adopts a set of annual strategic priorities, to emphasize timely initiatives used to meet its longer-term goals. The goals for Dakota County include:

1. A great place to live
2. A clean, green place
3. Good for business
4. Thriving people
5. County government that leads the way

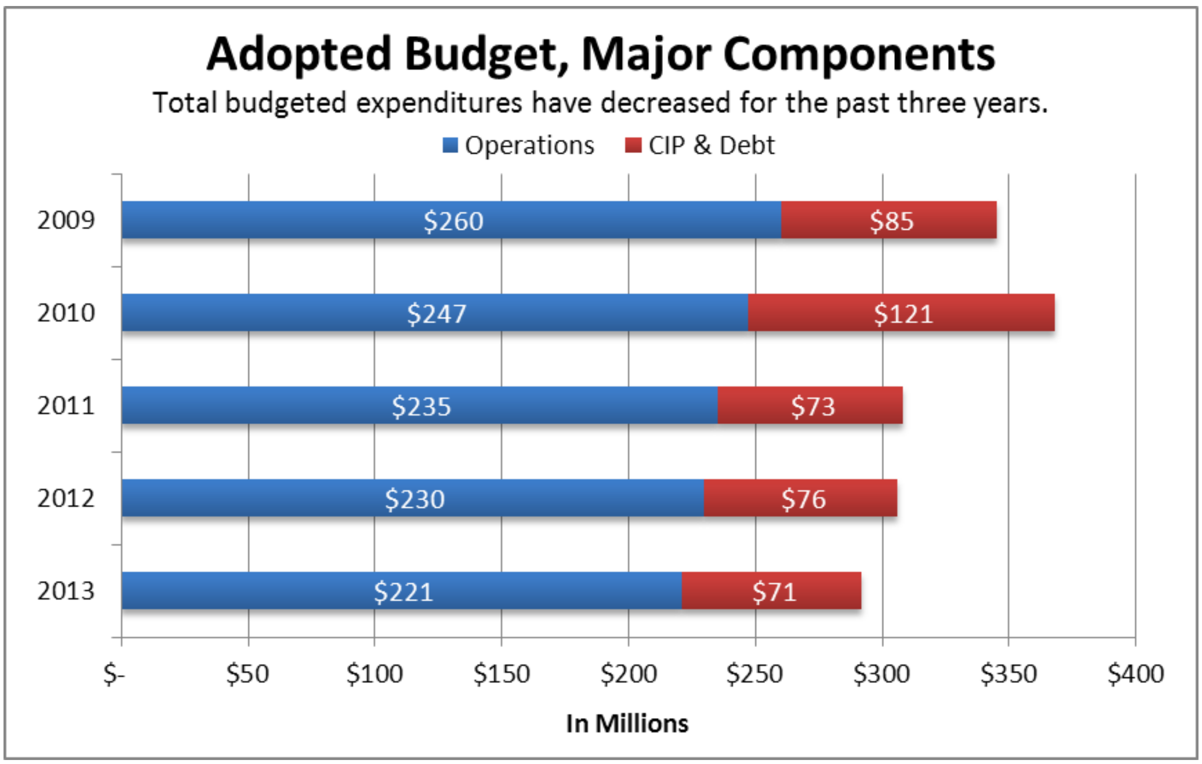
In alignment with the strategic plan, other efforts further the use of strategy and data to inform policy and budget decisions, such as:

- Forty performance measures have been identified to represent the goals and strategies in the strategic plan. These measures will be monitored and discussed regularly by senior leaders and use to manage and inform deeper conversations about operational issues and processes as well as resource needs.
- Each of the measures is incorporated into a balanced scorecard, which provides a framework to ensure that the County uses a diverse set of measures to analyze its performance and align its strategy. These include the stakeholder, financial, internal, and learning and growth perspectives.
- Annual Budget Summaries produced by the divisions and departments document not only budget requests, but achievements and challenges supported by performance indicators and linked to the strategic plan.
- Ongoing monitoring of community indicators provides timely data and analysis on external socioeconomic, demographic, and other trends in the County and informs future strategic direction and policies.
- A statistically valid residential survey is conducted every two to three years. The survey is currently underway in spring 2013. The survey provides valuable information on the priorities and concerns of County residents. This information helps the Board achieve its responsibilities as a policymaking body.

Budget at a Glance

The Adopted Budget for the upcoming 2013 fiscal year totals $291.8 million. As compared to the previous year, this budget reduced total budgeted spending by $13.9 million, a decrease of 4.5%. Under the 2013 Adopted Budget (Adopted Budget), Dakota County decreased total operating spending by $8.7 million as well as by $4.4 million for the Capital Improvement Program, or decreases of 3.8% and 5.8% respectively as compared to the previous fiscal year. These decreases coupled with the reallocation of internal resources as well as the use of fund balance prompted the County to reduce the Certified Property Tax Levy (Levy) by $250,000 for the upcoming fiscal year. As such, the total Levy for the 2013 Adopted Budget is $129.2 million.

The chart below outlines the two major components of the previous five years of adopted budgets. As indicated by the chart, expenditures in both the operating and capital budgets decreased each of the past three years.



Budget Highlights

- Maintains all public services equal to the 2012 level and improves them in several areas:
    - Wider range of services and transactions available online
    - Start of new Metro Red Line BRT service on Cedar Avenue
    - New voting equipment for the public
    - Library renovations at Farmington and Inver Glen
    - Development of new Whitetail Woods Regional Park
    - $32 million in new transportation improvements authorized
- Funds operating cost pressures through internal reallocations and savings rather than additional tax dollars
    - Adopted tax levy for 2013 is 0.2% lower than 2012
    - Employee health care costs reduced by switch to self-funding and other measures
    - Implementation of recent technology investments brings ongoing operating savings from eliminating mainframe computer costs
    - 5.75 FTE positions added back for 2013 funded mainly from within existing budget
    - Since 2009, total budgeted operating spending will be 15% lower; total budgeted FTEs 7% lower
    - Reduces costs to property tax payers
    - Budget will reduce county tax on a median-valued home by $23 (4%)
- Sound long-term financial plan supports future budget and service stability
    - Budget is structurally balanced—ongoing costs funded with reliable revenue sources
    - County reserve levels and state and federal revenue reliance are prudent and recognize continuing long-term economic and budget uncertainty

Challenges Facing the County

- Maintaining fiscal health during economic and policy uncertainty
- Providing services for all residents

Maintaining Fiscal Health

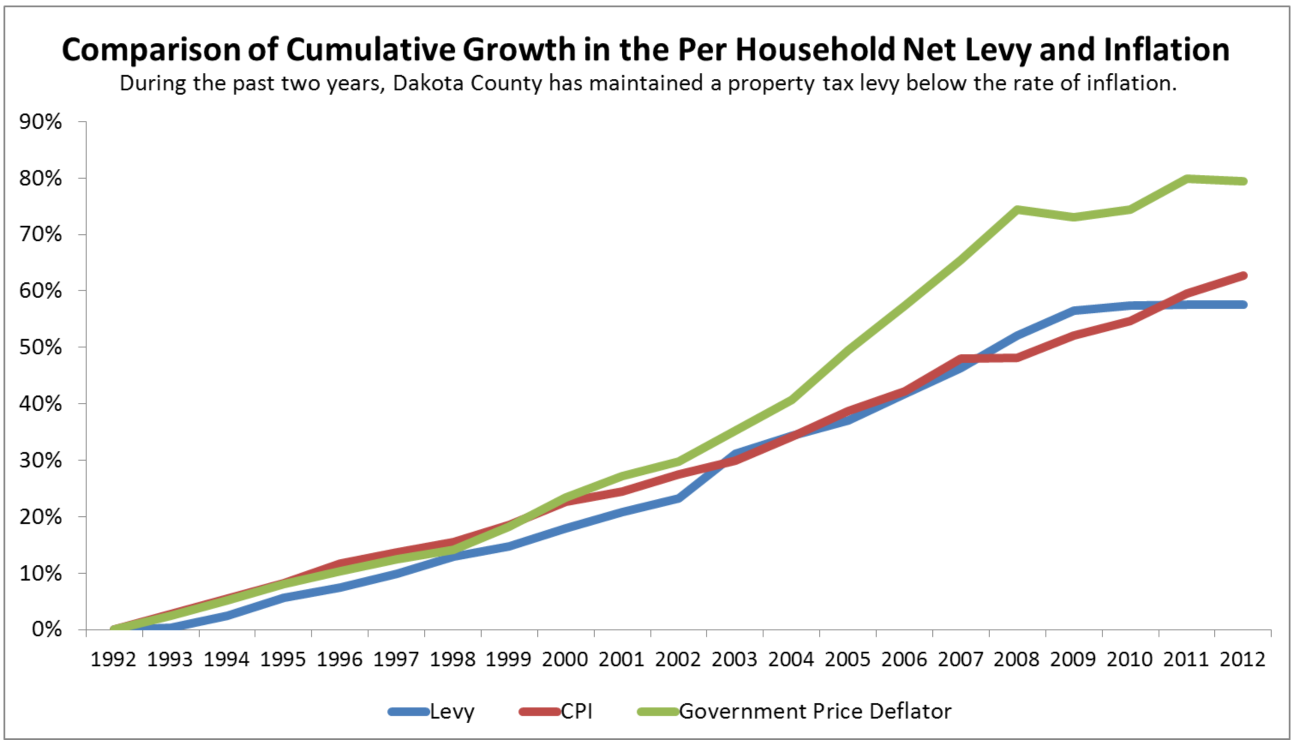
The 2013 Adopted Budget recognizes the uncertainty and risk present in both the State of Minnesota and Federal Government budgets. As in previous years, the County assigns general purpose aid revenue from the State of Minnesota to the County Improvement Program (CIP) as opposed to the operating budget. Given the volatility and therefore inherent risk of this funding source, the County prefers to delay or modify the construction of capital projects as opposed to upsetting regular County operations. The County will continue this strategy for the foreseeable future.

Providing services for all residents

Many of the services provided by the County are for citizens with specific needs. However, the County provides many services that are intended for the general population--services such as transportation, parks, and libraries. Increasing demand for services for individual citizens having specific needs makes it difficult to provide additional funding to meet the growing needs of the general population.

Property Tax Levy Practice

Since 1989, Dakota County has had the practice of limiting the change in property taxes to the same rate as population growth plus inflation. The County calls this taxing practice “Same Price per Household” (SP/H). In 2012, the County maintained the third lowest per capita property tax rate in the State of Minnesota and the lowest property taxes in the among the seven metropolitan counties. The County is committed to maintaining a low property tax levy, while providing cost efficient, highly effective, and customer-friendly services.



The above chart compares the increase in levy per household to the Government Price Deflator and Consumer Price Index. This chart indicates that the per household levy increase has generally reflected inflation, but has been lower than inflationary increases in recent years. More importantly, the chart also reveals that the County maintained a levy per household well below the Government Price Deflator, which is an indicator of the average price of government. In other words, the price of operating the Dakota County government is considerably less than the average.

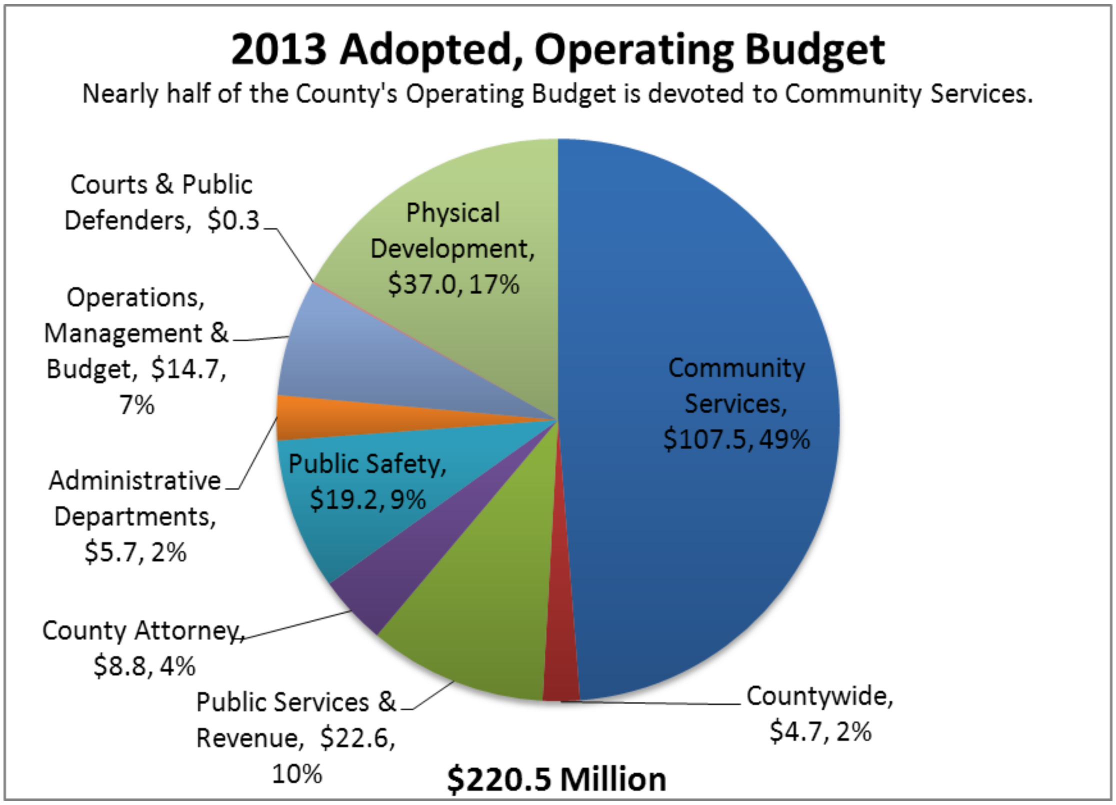
Summary of Expenditures

The 2013 Adopted Budget authorizes a total of $291.8 million in expenditures. As mentioned above, the amount represents a 4.5% decrease as compared to the 2012 Adopted Budget.

Operations

Total spending for operations (including Capital Equipment) decreased from 2012 to 2013. The 2013 Adopted Budget authorizes operating expenditures totaling $220.9 million, a decrease of $8.8 million or 3.8%.

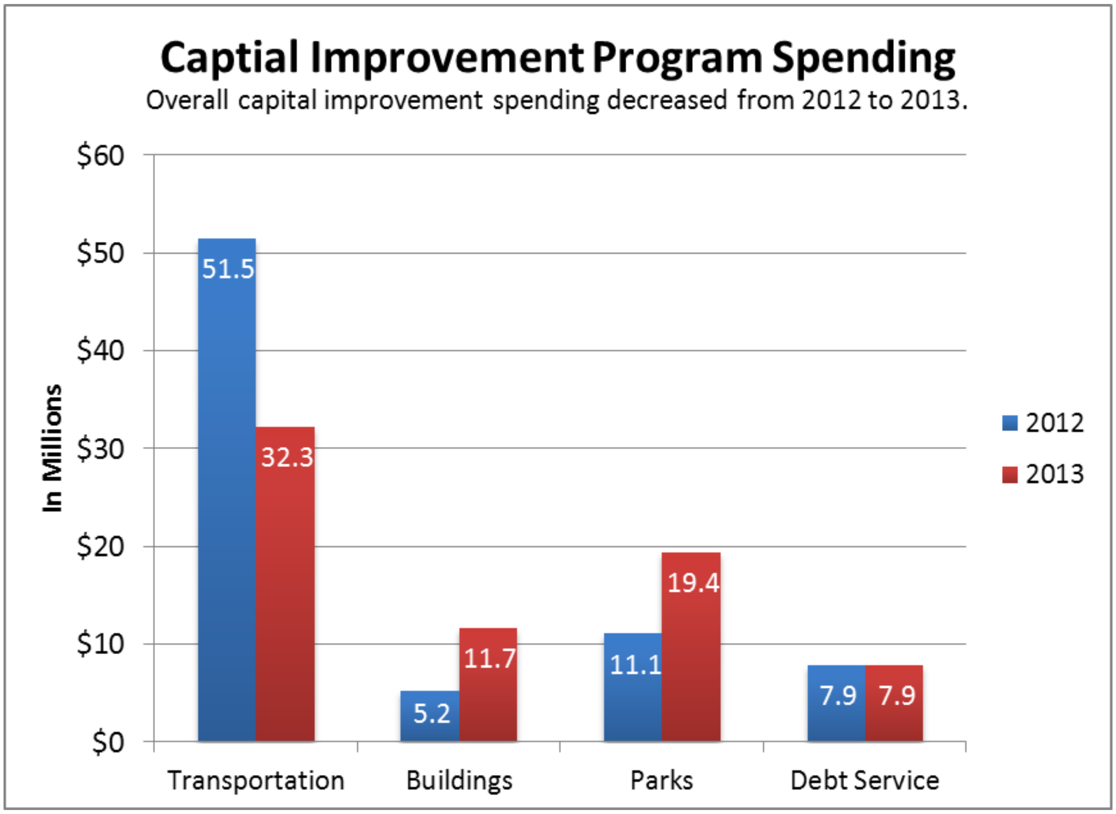
The chart below summarizes the authorized expenditures by division. As with past years, Community Services, the County's largest division, consume slightly less than a majority of the operating budget.



Capital Improvement Program & Debt Service

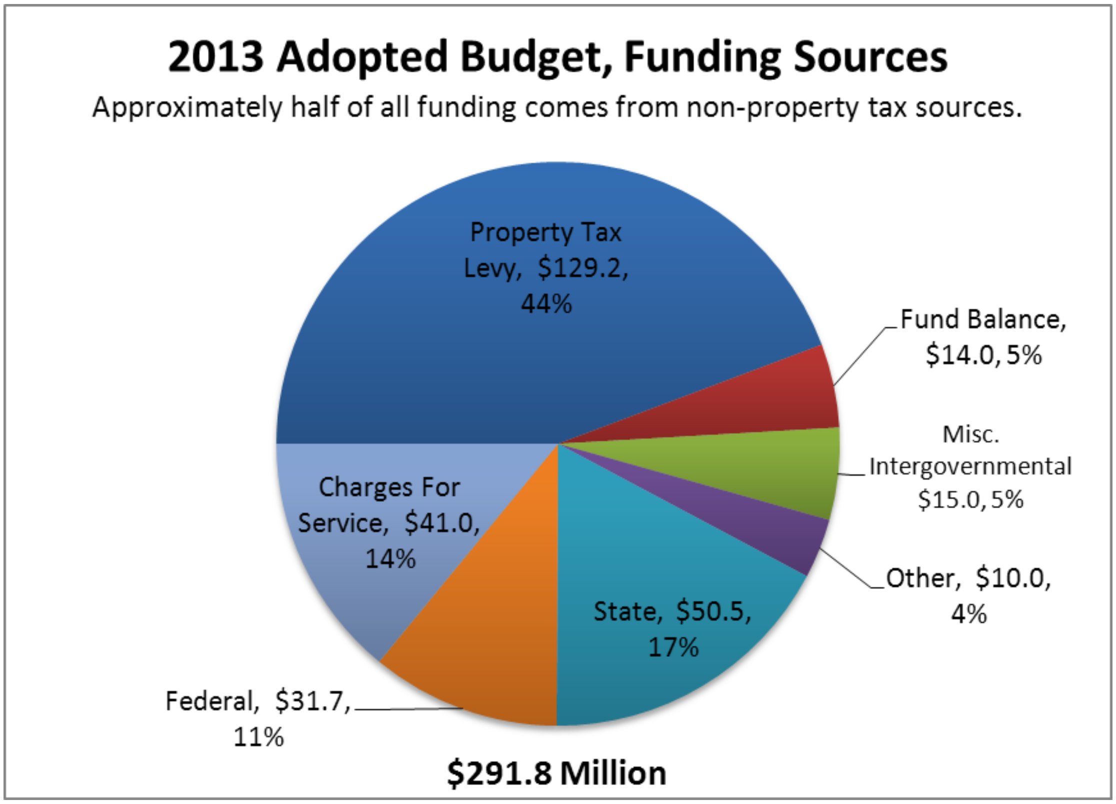
The 2013 Adopted Budget for the Capital Improvement Program (CIP) is $71.3 million, a decrease of $4.4 million or 5.8%. Generally, the CIP includes the funding for all transportation, buildings and parks projects. The content of each of these categories is discussed in greater detail beginning on page 55.

The 2013 Adopted Budget authorizes debt service totaling $7.9 million, the same amount as authorized for the 2012 Adopted Budget. As with the CIP, debt service is discussed in greater detail beginning on page 50. The following chart provides a comparison of the current and previous year's budgets for both CIP and debt service.


Captial Improvement Program Spending
Overall capital improvement spending decreased from 2012 to 2013.
$60
$50
$40
$30
$20
$10
$0
In Millions
51.5
32.3
5.2
11.7
11.1
19.4
7.9
7.9
Transportation
Buildings
Parks
Debt Service
2012
2013

Summary of Revenue

The relative mix of funding sources has remained fairly constant over the past several years with the greatest fluctuations typically occurring in Other Revenue and often in the capital budget, resulting from bond proceeds and revenue from Other Governments including revenue from cities for road construction. Variances in the proportion of State and Federal funding will also more frequently occur in capital projects.



Property tax dollars fund a significant portion of the County's budget: 44% for 2013 Adopted Budget. The County's property tax is the largest and most stable source of funding. In recent years, the proportion of the County's budget derived from the property tax has risen as external funding has decreased, particularly state general purpose revenue and investment income. The property tax levy is set annually by the County Board and cannot be adjusted during the year per State law.

State, Federal, and other intergovernmental revenue (e.g., Metropolitan Council and cities) combined fund 33.5%% of the total 2013 Adopted Budget. In total, revenues from these three sources decreased from $109.6 million in 2012 to $97.6 million in 2013, a reduction of $12 million or 10.9%.

Fund balance use also funds a portion of the County's annual expenditures, $14.0 million for the 2013 Adopted Budget. Additionally, for two departments (Water Resources and Environmental Management), which are funded by a special revenue fund, the County's practice has been to offset the entire cost of their operation with a budgeted use of fund balance to ensure the costs are covered by non-property tax sources. It is important to note, however, that the source of revenue for their operating fund is general revenue, and the expenditures from that fund do not exceed the revenues on an ongoing basis.

Dakota County does not use fund balance to fund operations, but rather, uses fund balance for one-time costs or time-limited needs.

2013 Adopted Budget Overview

This section provides information on the following:

- Expenditures and Revenues by Major Account Groups
- Expenditures and Revenues by Divisions/Departments
- Adopted Budget Highlights by Department
- Budget Development Process
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  - Planning Base Development
  - Changes to Planning Base
  - Final Budget Adoption
  - Budget Compliance Policy
  - Basis of Budgeting
- Fund Types
- Explanation of Reserved and Designated Fund Balance
- Changes in Fund Balances

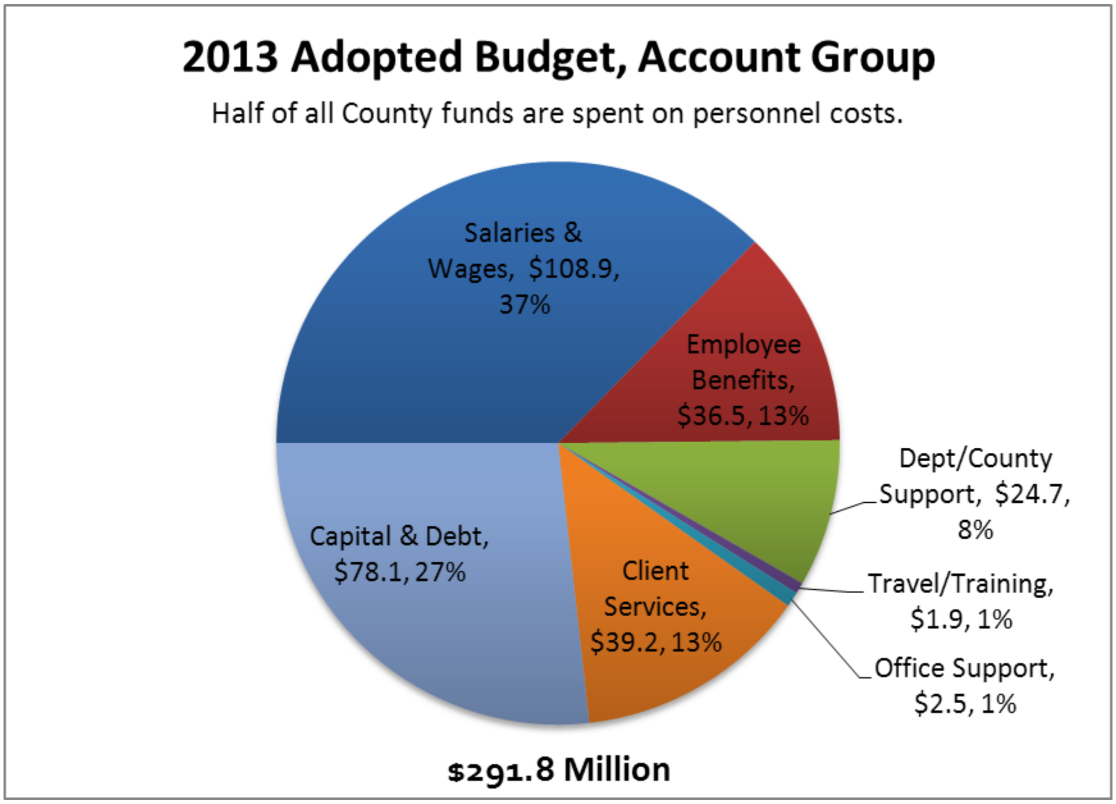
Expenditures & Revenues by Major Account Groups

This section provides an overview of revenues and expenditures for the 2013 Adopted Budget by account group. The chart below provides a general summary of the various revenues and expenditures for the 2013 Adopted Budget as well as a summary of the historical data used to inform this budget.

Dakota County Financial Summary						
Expenditures	2010 Actual	2011 Actual	2012 Adopted Budget	2013 Planning Base	2013 Adopted Budget	% Change 2012 to 2013
Full-Time Equivalents (FTE)			1,719.19	1,720.49	1,722.37	0.18%
Salaries & Wages	105,955,361	100,363,179	107,101,974	108,487,248	108,938,898	1.7%
Employee Benefits	36,010,086	37,706,987	37,813,419	36,379,595	36,488,187	-3.5%
Department & County Support	20,402,571	21,204,027	25,654,297	24,911,790	24,732,411	-3.6%
Travel & Training	1,308,111	1,280,660	1,840,131	1,847,860	1,858,138	1.0%
Office Support Costs	2,266,339	2,000,377	2,521,923	2,517,633	2,524,966	0.1%
Client Services & Materials	49,021,145	44,880,840	40,888,316	40,388,106	39,191,021	-4.2%
Capital	53,900,924	84,712,116	79,870,780	74,322,792	76,357,042	-4.4%
Budget Incentive Program (BIP)	1,514,463	2,599,787	1,413,686	1,413,686	1,082,686	-23.4%
Transfers to Other County Funds	(2,083,368)	(2,785,902)	8,400,672	600,672	600,672	-92.8%
Total Expenditures	268,295,632	291,962,071	305,505,198	290,869,382	291,774,021	-4.5%
Revenues						
Property Tax	135,270,898	132,339,035	129,402,073	129,121,541	129,152,073	-0.2%
Licenses, Fines & Charges	43,699,633	44,217,623	42,661,348	41,010,400	41,025,168	-3.8%
Other Revenue	7,986,554	16,512,256	14,096,633	9,024,357	9,461,057	-32.9%
Federal Revenue	36,398,843	40,434,124	36,193,966	32,004,316	31,661,501	-12.5%
State Revenue	36,538,360	47,089,807	61,178,470	50,592,795	50,483,822	-17.5%
Other Intergovernmental Revenue	10,017,659	24,041,995	12,201,697	14,638,244	15,433,494	26.5%
Transfer from Other County Funds	5,591,894	2,591,775	7,476,672	576,672	576,672	-92.3%
Total Revenue	275,503,841	307,226,615	303,210,859	276,968,325	277,793,787	-8.4%
Fund Balance						
Fund Balance	(7,208,209)	(15,264,544)	2,294,339	13,901,027	13,980,234	509.3%
Total Source of Funds	268,295,632	291,962,071	305,505,198	290,869,352	291,774,021	-4.5%

Total Expenditures

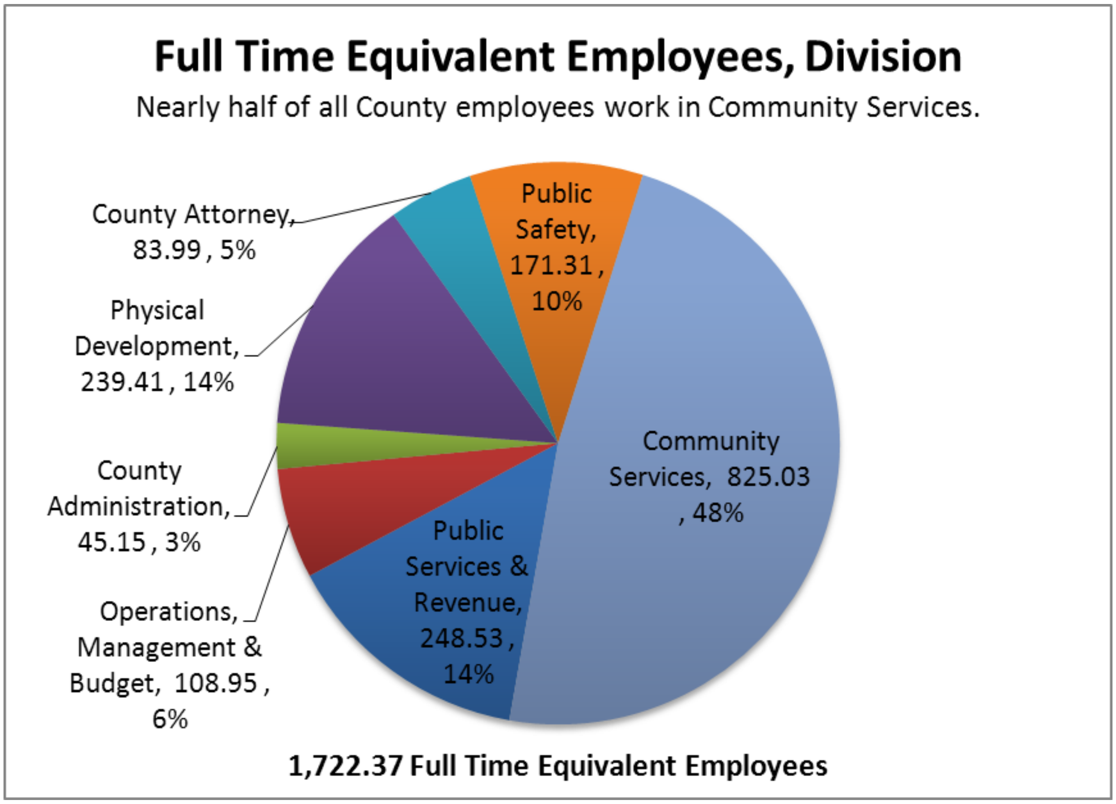
At $291.8 million, the 2013 Adopted Budget reflects a 4.5% decrease in total spending as compared to the 2012 Adopted Budget. As seen in the graph below, the County spends approximately 50% of the total budget on personnel cost, including wages, benefits, travel and training. The remaining half of the County's expenditures are divided among capital and debt expense contained in the County's CIP and departmental activities, which include client services and department support. The Other Support category includes office materials and supplies, and other purchased support services.



Salaries and Wages

The 2013 Adopted Budget increased Full-Time Equivalents (FTEs) from 1,720.49 in FY2012 to 1,722.37 in FY2013, or an increase of .18%. However, since 2009, the total County workforce has decreased by 133.58 FTEs. Additionally, the County also maintains the lowest number of employees per 1,000 residents in the seven metropolitan county area.

The chart below provides a breakdown of the County's workforce by division. The small increase in the number of FTEs, coupled with a modest increase in salaries, bring total budgeted expenditures for salaries and wages increase from $107.1 million in 2012 to $108.9 million in 2013, or an increase of 1.7%.



Employee Benefits

In 2012, the County released Request for Proposals for the entire suite of employee benefits, including health, dental and life insurance. During this process, the County decided to utilize a self-insured health insurance model. This change was effective on January 1, 2013. Consequently, this new financing strategy allows the County to realize considerable savings and slow the ever-increasing cost of healthcare. In total, the Employee benefits budgets decreased from $37.8 million to $36.5 million, or a total decrease of 3.5%.

Public Employment Retirement Association

By Minnesota state law the County contributes a percentage of each employee's gross wages to the Public Employment Retirement Association (PERA). Given the County's relatively flat level of FTEs these cost have not changes significantly in the 2013 Adopted Budget.

Department & County Support

Department & County Support expenditures are used for the purchase of services, project support or activities related to the general support of County operations. The expenditures decreased from $25.7 million in 2012 to $24.7 million in 2013, a decrease of $1.3 million or 3.6%.

Office Support

Office Support expenditures are used to record administrative costs common to most departments, such as office supplies, postage, printing cost and phone services. For the 2013 Adopted Budget, the Office Support budget totals $2.5 million. This amount is consistent with the 2012 Adopted Budget.

Travel & Training Expenditures

Travel and Training expenditures account for those activities related to the general travel of employees while performing their duties (e.g. commuting to an offsite location for client services) and those costs incurred during employee related training, such as conferences and seminars. The most common expense in this category is mileage reimbursement.

The 2013 Adopted Budget for travel and training remains relatively consistent with past years. For 2013, budgeted expenditures total $1.86 million, or a 1% increase from 2012.

Client Services & Materials Expenditures

Client Services and Material expenditures include costs for both direct materials and supplies for County services generally and for citizen and client services specifically. Direct material and supplies are used to record the cost of materials that directly benefit citizens or clients. Citizen and client services are used to record the cost of purchasing services for citizen or clients, such as payment to vendors, which offer specific or unique services on behalf of the County. Expenditures budgeted in citizen and client services are frequently funded from other entities and are considered “pass-through” funds. Increases and decreases in these types of expenditures typically have corresponding changes in revenue.

For the 2013 Adopted Budget, the client services and material costs are budgeted at $39.2 million, a decrease of $1.7 million or 4.2% when compared to the 2012 Adopted Budget.

Capital Expenditures (including equipment and capital improvement projects)

Capital includes expenditures for the Capital Improvement Program (CIP) and Capital Equipment Program (CEP). The budget for this account category includes all CIP and Debt Service expenditures and capital equipment with a value typically greater than $20,000. Capital equipment purchases less than $20,000 are typically purchased with Budget Incentive Program (BIP) funds.

Total capital spending (including Debt Service) will decrease from $79.9 million in 2012 to $71.3 million in 2013, or a $4.4 million decrease. CIP budgets for Buildings and Park show significant increases between 2012 and 2013, as opposed to Transportation, which will decrease from $51.5 million in 2012 to $32.3 million in 2013. These year-to-year changes reflect the inclusion of large one-time projects budgeted in 2012. The largest components of the CIP (Building, Parks and Transportation) are discussed in greater detail in the CIP section of the budget.

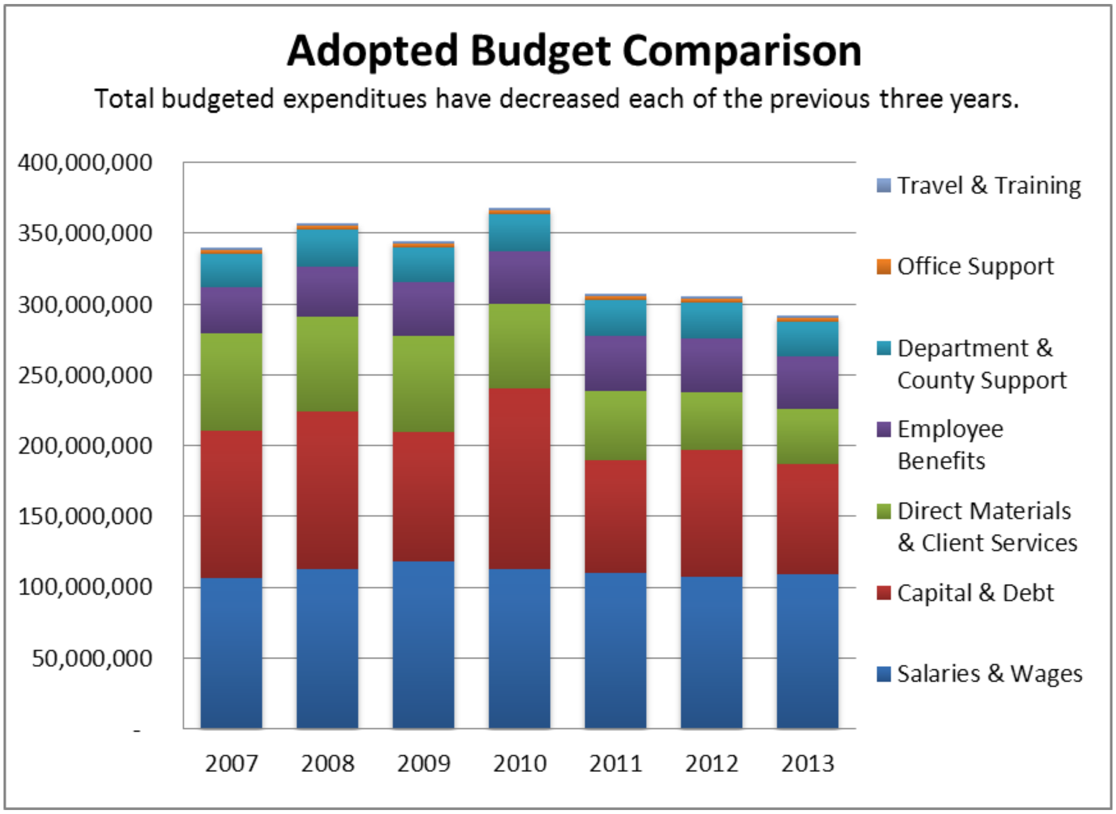
Budget Incentive Program Expenditures

Budget Incentive Program (BIP) expenditures are recorded across all account categories; however, for budgeting purposes, BIP is budgeted in one capital expenditure account.

Departments are not required to indicate in the budget how they plan to spend BIP funds, although they are requested to formulate a "BIP Spending Plan" for internal review, which is approved by County Administration. For the 2013 Adopted Budget, total BIP expenditures are budgeted at $1.1 million, a decrease of $331,000 or 23.4% as compared to the previous year's adopted budget of $1.4 million.

Summary

The graph below provides a general summary of the previous seven years of adopted budget expenditures. As reflected in the graph, County expenditures continue to decline.



Total Revenue

For the 2013 Adopted Budget revenues are expect to decrease significantly from $303.2 million in 2012 to $277.8 million, a decrease of $25.4 million or 8.4%. In order to offset this loss in revenue, the County budget relies upon $14 million of use of fund balance, an increase in the use of Fund Balance of $11.7 million or 509%. In total, the 2013 Adopted Budget assumes a total source of funds of $291.8 million.

Property Tax

The Property Tax Levy is the County's largest, most flexible and most stable source of funding. Given the County's commitment to reallocate internal resources and rely upon fund balance to fund one-time or time-limited expenditures, the County was able to reduce the 2013 Certified Property Tax Levy from $129.4 million in 2012 to $129.15 million, a decrease of $250,000 or 0.2%. As in previous years, the County assumes and strives for either no or modest changes in the Property Tax Levy.

Licenses, Fines & Charges

Licenses, Fine and Charges account for revenues derived from fees charged for County services. In order to budget for these revenues, the County relies on a five year average to understand the overall trend. Additionally, the County performs regular fee studies to ensure that charges in this category are recovering the costs of performing the service in question. In some case, however, fees are in fact set by State law or regulation and not subject to modification. In that case, the County assumes the fees will remain flat.

Under these assumptions, the total budget for Licenses, Fines and Charges decreased from $42.7 million in 2012 to $41 million in 2013.

Other Revenues

Generally, Other Revenues include a variety of revenue sources, including: property taxes (not collected through the Property Tax Levy), penalties and miscellaneous revenue. The 2013 Adopted Budget assumes Other Revenues to total $9.5 million, a decrease of $4.6 million or 32.9%. Like Licenses, Fines and Charges, these revenues are calculated with a five year average and, as reflected in previous budgets and actuals, they remain a volatile source of revenue.

Federal Revenues

Federal Revenue accounts for aid and other funding received from the federal government, such as monies to support federal entitlement programs. These revenues are adjusted using a five year average as well as an analysis of the current grant awards maintained by the County. Federal revenues decreased from $36.2 million in 2012 to $31.7 million in 2013, a change of $4.5 million or 12.5%. The first chart on the following page summarizes the major changes in Federal Revenues by department.

Changes in Federal Revenue			
Department	2013 Adopted Budget	% of Expenditures	Change from 2012
Employment & Economic Assistance	14,585,972	51.9%	(2,419,220)
Transportation CIP	2,924,675	9.0%	(3,342,925)
Social Services	5,597,923	11.2%	131,023
Countywide Operations	2,564,000	54.1%	-
Parks & Open Space CIP	3,100,000	16.0%	1,078,400
Public Health	2,529,718	26.9%	624,773
Operations Management	-	0.0%	(550,522)
County Sheriff	245,000	1.4%	(10,000)
County Attorney	59,213	0.7%	(21,119)
Community Corrections	55,000	0.3%	(22,875)
Total County	31,661,501	15.7%	(4,532,465)

State Revenues

State revenues account for direct aid and other funding obtained from the State of Minnesota, such as County Program Aid (CPA), which the 2013 Adopted Budget allocates to the CIP for the construction of buildings, parks and transportation projects. As with Federal Revenue, the County uses levels of certified aid as well as an analysis of grant awards to adjust the annual County budget. Under these assumptions, the State Revenues for the 2013 Adopted Budget total $50.5 million, a decrease of 10.7 million or 17.5% compared with 2012 Adopted Budget. The chart below outlines the major changes in State Revenues by division.

Changes in State Revenue			
Division	2013 Adopted Budget	% of Expenditures	Change From 2012
Capital Improvement Program	27,712,360	38.9%	(12,382,500)
Community Services	16,132,555	15.0%	2,112,254
Physical Development	5,447,532	14.7%	(415,166)
Public Safety	685,860	3.6%	(12,000)
Countywide Operations	333,927	7.0%	-
Public Services & Revenue	100,000	0.4%	-
County Attorney	71,588	0.8%	2,764
Administration	-	0.0%	-
Operations, Management & Budget	-	0.0%	-
District Courts	-	0.0%	-
Total County	50,483,822	17.3%	(10,694,648)

Other Intergovernmental Revenues

Other Intergovernmental Revenues account for the revenues received from external governmental organizations, such as the Metropolitan Council. These revenue assumptions reflect the commitment made by both external organizations and the County in various contracts and Joint Powers Agreements (JPAs). Unlike Federal and State Revenues, Intergovernmental Revenues are expected to increase in 2013. In the 2013 Adopted Budget, these revenues total $15.4 million, an increase of $3.2 million or 26.5% compared to the 2012 Adopted Budget.

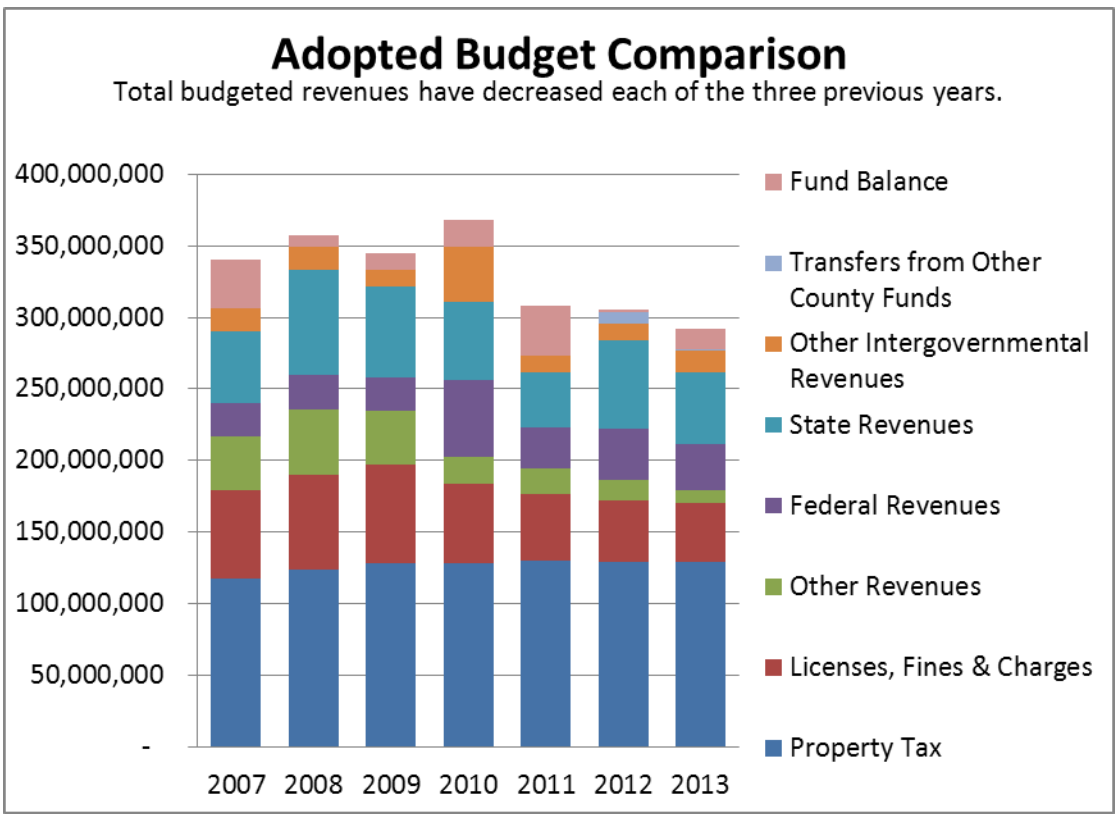
Fund Balance

Fund Balance, or monies held in reserve usually from positive budget variances from previous years, supports $14 million of the $291.8 million Adopted Budget. The amount of Fund Balance supporting the Adopted Budget increased from $2.3 million in 2012 to $14 million in 2013. As mentioned above, this represents a 509% increase in the use of Fund Balance for 2013.

As a matter of policy, the County does not use Fund Balance to support County operations; rather it is used for one-time or time-limited expenditures. Identified in the CIP as a five year projection, the use of Fund Balance is best understood as the projected difference between intergovernmental, federal, property tax and state revenues and the estimated cost of project construction. The County's approach to managing fund balance is discussed in greater detail in later sections.

Summary

The graph below provides a general summary of the previous seven years of adopted budget revenues. As reflected in the graph, County revenues continue to decline.



2013 Dakota County Budget Summary by Department

Dakota County Budget Summary By Department															
	2012 Adopted Budget		2013 Planning Base				2013 Final Budget						2013 Final Budget		
							Change		Total				FTEs		
	County	Total	County	Total	County	Total	County	Total	County	Total	County	Total	Current	New	Total
Countywide	(3,315,067)	12,171,640	(2,017,596)	7,143,783	-39.1%	-41.3%	(2,588,732)	(2,588,732)	(4,418,909)	4,742,470	33.3%	-61.0%	3.00	0.00	3.00
County Administration	1,563,284	1,605,701	1,583,106	1,625,523	1.3%	1.2%	54,400	54,400	1,637,506	1,679,923	4.7%	4.6%	10.00	0.00	10.00
County Board	706,261	708,261	714,398	716,398	1.2%	1.1%		9,000	714,398	725,398	1.2%	2.4%	7.00	0.00	7.00
County Communications	649,476	795,389	653,462	800,915	0.6%	0.7%	150,000	150,000	803,462	950,915	23.7%	19.6%	6.10	0.00	6.10
Employee Relations	2,259,561	2,374,561	2,213,857	2,328,857	-2.0%	-1.9%			2,213,857	2,328,857	-2.0%	-1.9%	19.05	0.00	19.05
Total Administration	**5,178,582**	**5,483,912**	**5,164,823**	**5,471,693**	**-0.3%**	**-0.2%**	**204,400**	**213,400**	**5,369,223**	**5,685,093**	**3.7%**	**3.7%**	**42.15**	**0.00**	**42.15**
Community Services Admin.	1,468,511	1,468,511	1,429,426	1,429,426	-2.7%	-2.7%	131,638	131,638	1,561,064	1,561,064	6.3%	6.3%	13.00	1.00	14.00
Social Services	24,601,074	51,634,696	24,539,135	50,315,287	-0.3%	-2.6%			24,536,152	49,792,960	-0.3%	-3.6%	294.52	2.00	296.52
Employment & Economic Asst.	7,145,013	28,238,271	7,296,646	28,198,308	2.1%	-0.1%			7,251,785	28,108,586	1.5%	-0.5%	244.63	0.00	244.63
Public Health	3,499,782	8,990,771	3,554,767	9,314,435	1.6%	3.6%	7,258	7,258	3,552,827	9,420,119	1.5%	4.8%	94.09	0.10	94.19
Veterans Services	534,175	534,175	522,708	522,708	-2.1%	-2.1%			522,708	522,708	-2.1%	-2.1%	6.00	0.00	6.00
Community Corrections	10,445,700	17,624,486	10,498,582	17,682,368	0.5%	0.3%	(3,792)	96,208	10,486,441	17,770,227	0.4%	0.8%	168.19	1.50	169.69
Extension	294,910	339,298	294,910	337,298	0.0%	-0.6%	2,926	2,926	297,836	340,224	1.0%	0.3%	0.00	0.00	0.00
Total Community Services	**47,989,165**	**108,830,208**	**48,136,174**	**107,799,830**	**0.3%**	**-0.9%**	**138,030**	**238,030**	**48,208,813**	**107,515,888**	**0.5%**	**-1.2%**	**820.43**	**4.60**	**825.03**
Public Services & Revenue Admin.	722,177	815,177	783,637	886,637	8.5%	8.8%			783,637	886,637	8.5%	8.8%	10.25	0.00	10.25
Assessing Services	3,247,941	3,251,141	3,228,291	3,231,491	-0.6%	-0.6%			3,228,291	3,231,491	-0.6%	-0.6%	35.00	0.00	35.00
Property Taxations & Records	539,961	3,692,061	326,952	3,684,102	-39.4%	-0.2%	510,000	1,016,000	836,952	4,700,102	55.0%	27.3%	43.60	0.00	43.60
Service & License Centers	364,327	1,745,452	252,464	1,697,589	-30.7%	-2.7%	60,000	60,000	312,464	1,757,589	-14.2%	0.7%	23.75	0.00	23.75
Historical Society	100,000	100,000	100,000	100,000	0.0%	0.0%			100,000	100,000	0.0%	0.0%	0.00	0.00	0.00
County Fair	115,000	115,000	115,000	115,000	0.0%	0.0%			115,000	115,000	0.0%	0.0%	0.00	0.00	0.00
Library	10,863,817	11,691,117	10,976,281	11,803,581	1.0%	1.0%			10,976,281	11,803,581	1.0%	1.0%	135.93	0.00	135.93
Total Public Services & Revenue	**15,953,223**	**21,409,948**	**15,782,625**	**21,518,400**	**-1.1%**	**0.5%**	**570,000**	**1,076,000**	**16,352,625**	**22,594,400**	**2.5%**	**5.5%**	**248.53**	**0.00**	**248.53**
County Sheriff	**15,160,589**	**17,535,223**	**15,327,643**	**17,697,277**	**1.1%**	**0.9%**			**15,327,643**	**17,697,277**	**1.1%**	**0.9%**	**171.31**	**0.00**	**171.31**
County Attorney	**4,883,913**	**8,700,638**	**5,203,676**	**8,784,073**	**6.5%**	**1.0%**	**160,000**	**160,000**	**5,245,232**	**8,825,629**	**7.4%**	**1.4%**	**84.99**	**0.00**	**84.99**
Medical Examiner	**559,359**	**559,359**	**1,026,016**	**1,453,320**	**83.4%**	**159.8%**			**1,026,016**	**1,453,320**	**83.4%**	**159.8%**	**0.00**	**0.00**	**0.00**
District Court	**260,733**	**260,733**	**260,733**	**260,733**	**0.0%**	**0.0%**			**260,733**	**260,733**	**0.0%**	**0.0%**	**0.00**	**0.00**	**0.00**
Office of Risk Management	2,305,497	4,212,762	1,596,869	2,184,019	-30.7%	-48.2%	131,366	131,366	1,731,235	2,318,385	-24.9%	-45.0%	5.70	0.00	5.70
Information Technology	7,845,854	8,015,854	6,775,019	6,909,119	-13.6%	-13.8%	403,488	403,488	7,178,507	7,312,607	-8.5%	-8.8%	51.75	0.00	51.75
Office of Planning & Analysis	1,087,820	1,087,820	1,077,371	1,077,371	-1.0%	-1.0%			1,077,371	1,077,371	-1.0%	-1.0%	12.00	0.00	12.00
CJIIN	328,931	787,790	412,937	855,834	25.5%	8.6%			412,937	855,834	25.5%	8.6%	6.00	0.00	6.00
Financial Services	2,971,435	2,971,435	3,150,731	3,150,731	6.0%	6.0%			3,150,731	3,150,731	6.0%	6.0%	33.50	0.00	33.50
Total Operations Mgmt. and Bdgt.	**14,539,537**	**17,075,661**	**13,012,927**	**14,177,074**	**-10.5%**	**-17.0%**	**534,854**	**534,854**	**13,550,781**	**14,714,928**	**-6.8%**	**-13.8%**	**108.95**	**0.00**	**108.95**
Fleet Management	3,910,498	4,798,048	2,495,974	3,093,977	-36.2%	-35.5%	1,670,500	2,359,200	4,166,474	5,453,177	6.5%	13.7%	13.00	0.00	13.00
Facilities Management	7,578,391	8,363,943	7,694,121	8,416,637	1.5%	0.6%			7,694,121	8,416,637	1.5%	0.6%	31.50	0.00	31.50
Physical Development Admin.	1,009,162	1,488,337	1,341,883	1,830,645	33.0%	23.0%	750	750	1,342,321	1,831,083	33.0%	23.0%	22.35	0.15	22.50
Office of GIS	727,602	835,685	727,677	837,752	0.0%	0.2%			727,677	837,752	0.0%	0.2%	7.00	0.00	7.00
Transportation	309,622	9,091,913	554,368	9,048,531	79.0%	-0.5%	(700,000)	(700,000)	(145,632)	8,348,531	-147.0%	-8.2%	82.43	0.00	82.43
Parks & Open Space	2,527,379	3,455,076	2,440,216	3,139,289	-3.4%	-9.1%	40,730	97,980	2,474,674	3,230,997	-2.1%	-6.5%	43.28	1.00	44.28
Soil & Water	263,482	263,482	263,482	263,482	0.0%	0.0%			263,482	263,482	0.0%	0.0%	0.00	0.00	0.00
Environmental Management	500,000	6,544,920	500,000	5,565,060	0.0%	-15.0%			500,000	5,565,060	0.0%	-15.0%	12.55	0.00	12.55
Survey	584,155	719,155	635,557	745,557	8.8%	3.7%			635,557	745,557	8.8%	3.7%	8.00	0.00	8.00
Water Resources		1,979,960		2,298,100		16.1%		(100,000)		2,185,100		10.4%	18.15	0.00	18.15
GIS Enterprise		82,595		82,595		0.0%				82,595		0.0%	0.00	0.00	0.00
Total Physical Development	**17,410,291**	**37,623,114**	**16,653,278**	**35,321,625**	**-4.3%**	**-6.1%**	**1,011,980**	**1,657,930**	**17,658,674**	**36,959,971**	**1.4%**	**-1.8%**	**238.26**	**1.15**	**239.41**
Total Operations	**118,620,325**	**229,650,436**	**118,550,299**	**219,627,808**	**-0.1%**	**-4.4%**	**30,532**	**1,291,482**	**118,580,831**	**220,449,709**	**0.0%**	**-4.0%**	**1717.62**	**5.75**	**1723.37**
Debt Service	5,318,778	7,895,450	5,298,388	7,875,060	-0.4%	-0.3%			5,298,388	7,875,060	-0.4%	-0.3%			
CIP (Buildings)	580,000	5,223,000	585,800	11,743,000	1.0%	124.8%			585,800	11,743,000	1.0%	124.8%			
CIP (Transportation)	4,572,970	51,501,219	4,373,954	32,335,607	-4.4%	-37.2%			4,373,954	32,335,607	-4.4%	-37.2%			
CIP (Parks)	310,000	11,071,266	313,100	13,644,050	1.0%	23.2%			313,100	13,812,050	1.0%	24.8%			
CIP (Land Conservation)				5,480,000						5,480,000					
CIP (FNAP)		163,827		163,827		0.0%		(85,232)		78,595		-52.0%			
Total CIP	**10,781,748**	**75,854,762**	**10,571,242**	**71,241,544**	**-2.0%**	**-6.1%**	**-**	**(85,232)**	**10,571,242**	**71,324,312**	**-2.0%**	**-6.0%**			
Grand Total	**129,402,073**	**305,505,198**	**129,121,541**	**290,869,352**	**-0.2%**	**-4.8%**	**30,532**	**1,206,250**	**129,152,073**	**291,774,021**	**-0.2%**	**-4.5%**	**1717.62**	**5.75**	**1723.37**

Budget Highlights by Department

The following provides a brief summary of the 2013 Adopted Budget changes by County department arranged by division.

Department	Major Adopted Budget Changes
Countywide Funding	Increased support for Library materials totaling $300,000.
County Administration	During FY2013, purchasing new Request for Board Action (RBA) software at a cost not to exceed $40,000 as well as RBA software maintenance costs not to exceed $14,400.
County Attorney	Enhanced maintenance of $100,000 for CIBERLaw (case management system). Upgraded server hosting costs of $60,000 for the CIBERLaw system.
County Board	Purchase hardware improvements to support RBA software not to exceed $9,000.
County Communications	During FY2013 County Communications will update the County Boardroom technology in an amount not to exceed $150,000.
County Sheriff	None.
Employee Relations	None.
Medical Examiner	Consolidated with Hennepin County Morgue beginning for FY2013. The County will continue to make an annual payment.
Community Services Division	
Community Corrections	Added 1.0 FTE Adult Drug Court Probation Officer. Increased by 0.5 FTE Juvenile Detention Alternatives Initiative to 1.0 FTE.
Community Services Administration	Added 1.0 FTE Administrative Coordinator. Funded Midwest Training for ongoing administrative support.
Employment & Economic Assistance	None.
Extension	2013 University of Minnesota Memorandum of Agreement rate increase of 1% or $2,926.
Public Health	Added 0.1 FTE to expand the nurse pool to allow for flexibility in response to disease outbreak and support immunization clinics.
Social Services	Added 2.0 FTE Contracted Case Management Coordinator. Added contracted services for long-term support services. Added 1.0 FTE Chemical Dependency Recovery Specialist. Increased contracted services for administrative support. Each of these modifications is budget neutral.
Veteran Services	None.
Operations Management & Budget Division	
Criminal Justice Information Integration Network (CJIIN)	None.

Financial Services	None.
Information Technology	Decreased the cost of technology support by $299,011 by eliminating outmoded mainframe system. Increased software maintenance costs for VMware host servers by $52,499.
Office of Planning & Analysis	None.
Office of Risk Management	For FY2013, an additional $131,366 for increasing insurance costs, including: decrease of $19,291 for property insurance; increase of $3,868, $10,864, $54,477 and $81,123 for workers compensation TPA, auto insurance, workers compensation and general liability, respectively.
Physical Development Division	
County Surveyor	None.
Environmental Management	None.
Office of Geographic Information Systems	None.
Operations Management	Added a Special Limited Term, 1.0 FTE (9 months) to assist in project management for the Capital Improvement Program (CIP). Also, increased the fuel budget by $102,000 to account for fuel purchased for other jurisdictions as authorized under County Board approved Joint Powers Agreements (JPAs).
Physical Development Administration	Repurposed a vacant .35 FTE position for the Administrative Coordinating Unit
Soil & Water Conservations District	None.
Transportation	Transportation reduced budgeted salt expenditures by $700,000. The previous year's mild winter leave Transportation with considerable salt reserves. This is a one-time reduction.
Water Resources	Reduced the Remedial Actions & Site Investigations budget by $100,000 to reflect revised work plans and to focus on brownfield grant acquisition.
Public Services & Revenue Division	
Assessing Services	None.
County Fair	None.
Historical Society	None.
Library	None.
Property Taxation & Records	Replaced $6,000 mail handling equipment.
Public Services & Revenue Administration	None.
Service & License Centers	Replaced mailing machines at the Western and Northern Service Centers for a total cost of $60,000.

Budget Development Process

The Financial Services Department is responsible for developing and managing the budget process for the County, including the coordination of the five-year CIP. The Financial Services Department works closely with the various County departments, the County Administrator as well as the Board to develop the annual budget.

As the lead department in the budget process, Financial Services is also responsible for assuring that budget policies are followed and that the information presented is accurate and complete. This is accomplished through budget review meetings with departments, reconciliation of changes from one budget year to the next and careful monitoring of current year projections.

The County continues to strive to develop a budget process focused around outcome measurement and strategic planning by utilizing both a balance scorecard for identifying objectives and using performance measures to ensure each department is adhering to the County's Strategic Plan. The Department Summary (a performance report prepared by all county departments for the budget) has a separate section for select department objectives that include performance measurement indicators and typically indicate challenges and responses for each specific strategic objective.

The County Board, on a majority vote, adopts the budget for the following year. The budget may be amended by a majority vote of the Board or as authorized by the Budget Compliance Policy.

Process Planning Phase (January – March)

1. Consider financial conditions, primarily external factors that will affect revenues or property tax considerations.
2. Review prior year process to help improve the process for the coming budget year.
2. Develop plan for improving the reporting process for the budget. For instance, format improvements to budget reports and budget instruction enhancements.
3. Develop timeline for budget development and schedule future meeting dates.

County Board & County Administrator Initial Budget Direction Phase (March – August)

1. Complete reports needed for initial meeting with County Administrator to aid in evaluation of programs. The information needed is department mission, major goals, outcome indicators, and challenges/strategies.
2. Present programmatic information, including requests for additional resources to the County Administrator at department meetings or targets for resource reductions.
3. Develop visions for the organization units (divisions, and elected officials) to aid in preparing for the Board budget workshop.
4. Prepare material to be presented to the Board at budget workshops.
5. Present programmatic and fiscal challenges to the Board at budget workshops.
6. Present county management staff with direction provided by Board at budget workshops.

Financial Form Completion Phase (June – August)

1. Develop estimates for planning base expenditures and revenues for each department.

2. Review planning base expenditures and revenues at a joint meeting with Financial Services and each department.
3. Identify capital improvement projects for five-year time-frame for review by division directors and ranking by Capital Planning & Project Management Unit.

Review Phase (July – August)

1. Review planning base at joint meetings between Financial Services and each department.
2. Present programmatic changes, including requests for additional resources or recommended reductions, and financial information to the County Administrator at department meetings.
3. Review tax impact of planning base with County Administrator.
4. Finalize capital improvement project requests.
5. Develop the County Administrator's preliminary recommendation for funding priorities and proposed property tax levy change (if any) in preparation for Board Budget Workshop.

Proposed Levy Phase (August – September)

1. Hold a County Board Budget Workshop to seek Board input on funding priorities and proposed property tax levy.
2. Adopt the proposed maximum levy by the Board as required by state law.

Recommendation Phase (September – November)

1. Present draft capital improvement project plan to the Board for review.
2. Submit capital improvement project plan to other local governments (cities and townships) for review.
3. Develop and finalize a County Administrator budget recommendation for the Board.

Presentation and Adoption Phase (September – December)

1. Prepare for budget presentations to the Board.
2. Present County Administrator's budget recommendations and individual division budgets to the Board at budget hearings.
3. Hold public hearing for public to comment on Capital Improvement Program.
4. Present capital improvement project plan to the Board for final adoption.
5. Receive to public comment on the budget at Truth in Taxation (TNT) hearing.
6. Adoption of the budget by the Board.

Planning Base Development

Identifying a "Planning Base" cost is the first step in budget development. Planning base (previously known in Dakota County as the "current level") is the starting point of budget development, and it is intended to reflect prior year funding levels and updated revenue estimates. In prior years, Dakota County budget development was much more of a "current services" approach, in which prior year funding was adjusted to reflect the cost of providing the same amount of service in the coming year as in the current year, with the exception of categorical revenue changes. This approach created a "Current Level" instead of a planning base. Given the significant declines in revenues from 2010 and 2012, this Current Level approach was modified. Because the budget could not support the cost of continuing the prior year's level of services, there was no attempt to define it as the current level. County departments and Financial Services complete planning base development jointly.

Expenditures

Expenditure amounts in the planning base were generally carried forward at 2012 levels, though with some notable exceptions. Salary and benefit budgets were adjusted upward to reflect existing contractual obligations, and most of the impact of this was from modest increases in employee salaries and the expansion of the County's pay banding system. The planning base did not include a generalized inflationary adjustment.

Revenue

In a typical year, revenue budgets are set in a variety of methods such as using the amount from grant award letters, estimated as a function of expenditure, following the historical pattern, a calculated amount or other estimate. While most expenditure lines were unchanged in the planning base, Financial Services and County department staff paid particular attention to establishing current revenue estimates as part of the 2013 planning base. Accurate estimates of external revenue are of great importance in determining what costs remain to be borne by the property tax levy.

Changes to the Planning Base

After the Planning Base is developed, the next step is to prepare the County Administrator's recommendation for changes to this base. In prior years, changes often included new or enhanced services or service reductions. These changes would include changes in staffing complement, or other operational enhancements. However, given the nature of the budget challenges in 2013, the County Administrator's recommended budget included changes to the planning base resulting in a $250,000 reduction in the Levy per Board instruction.

Final Budget Adoption

In preparation for the final budget adoption, all County departments prepare presentations for the County Board of Commissioners. Presentations include a discussion of department mission, goals, performance measurements, as well as a review of Planning Base costs and any changes to the Planning Base. The County Board of Commissioners adopts a final budget for the County, usually at the last County Board meeting of the calendar year.

Budget Compliance Policy

Compliance to budgets is essential for the County to maintain its sound financial condition. Authority for County staff to spend and amend the adopted budget is identified in the Budget Compliance

The Budget Compliance Policy is described in detail on page 80-81.

Policy. The Budget Compliance Policy, which was created and adopted in 1996, and revised in 2001, sets forth varying levels of authority for staff to amend the budget without County Board approval.

Budget Accountability Points are specified accounting levels (i.e., objects or keys) to which staff is accountable for meeting set budget amounts. This allows managers authority to mix and match spending below Budget Accountability Points to help achieve their desired outcomes.

Basis of Budgeting (Accounting Perspective)

The basis of accounting refers to the time at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of budgeting relates to the timing of the measurements made regardless of the measurement focus applied.

All Governmental Funds and the Geographic Information Systems Enterprise Fund for which budgets are adopted are budgeted and reported on the modified accrual basis of accounting; all other funds have no budget. Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become measurable and available to finance expenditures of the fiscal period. “Available” means collectible within the current period or soon enough thereafter to pay current liabilities. The current period is generally considered 60 days, although exceptions are made for intergovernmental revenues that are received within 90 days. Revenues are generally budgeted on an accrual basis, meaning that the revenue necessary to support the expense is budgeted in the same period, regardless as to whether it is receivable in the current period.

Ad valorem property tax revenue is reported when it becomes available. Available means when due; past due and receivable within the current period and collected within the current period; or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

In applying the "susceptible to accrual" concept to intergovernmental revenues (grants, subsidies and shared revenues), the legal and contractual requirements of the numerous individual programs are used as guidelines. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project. Therefore, revenues are generally reported based upon the expenditures recorded. If the revenue is not received in the current period, it is then reported as deferred-not available. In the other type, monies are virtually unrestricted as to purpose of expenditure and nearly irrevocable (i.e., revocable only for failure to comply with prescribed requirements). These resources are reflected as revenues at the time of receipt or earlier if they meet the criterion of availability. Intergovernmental revenues received but not earned are reported as deferred revenue. Other revenues susceptible to accrual are investment earnings and charges for services.

Licenses and permits, fines and forfeits, penalties, gifts and contributions, and miscellaneous other revenues are reported as revenues when received in cash because they are generally not measurable until actually received.

Fund Types

The accounts of Dakota County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, expenditures, and expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Governmental Fund Type

Governmental funds are reported and accounted for on a "spending" or "financial flow" measurement focus. This means that the operating statements report increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in available spendable or appropriable resources. Only current assets and current liabilities are generally included on their governmental fund balance sheets. The reported fund balance (net current assets) is considered a measure of "available spendable resources." Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate that they should not be considered available spendable resources, since they do not represent net current assets. Recognition of governmental fund type revenues represented by non-current receivables is deferred until they become available.

Fund Types ($ millions)

Fund Type	Fund Balance as of 12/31/2011
Governmental	**236.60**
General	72.10
Special Revenue	146.30
Capital Projects	10.30
Debt Service	7.90
Proprietary	**2.10**
Business-type	2.10
Internal Service*	-
Fiduciary	**0.00**
Trust and Agency*	-
Long Term Assets-Net	**589.30**
Capital Assets	633.10
Long-Term Assets-deferred	16.90
Long-Term Liabilities	(60.70)
Total County Fund Balance 12/31/2011	**238.70**
Total County Net Assets 12/31/2011	**825.90**
Fund Balance 12/31/2010	**225.90**

* Indicates the funds for which the County does not budget because of the nature of the fund and its resources.

Governmental fund types include:

- The General Fund is the general operating fund of the County. It is used to account for all financial resources except those accounted for in another fund.
- Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.
- Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.
- Debt Service Fund is used to account for the accumulation or resources for, and the payment of, principal, interest, and related costs of general long-term debt.

Governmental funds may be either major or non-major, depending upon their proportion of the total entity.

Major Funds

Dakota County reports the following major funds:

- General Fund is the general operating fund of the County. It is used to account for all financial resources except those accounted for in another fund.
- Highway Special Revenue Fund accounts for all costs for maintenance and construction of streets and highways. Financing comes primarily from an annual property tax levy and intergovernmental revenue from local, State and Federal Governments.
- Community Services Special Revenue Fund accounts for all costs for human services. Financing comes primarily from an annual property tax levy and intergovernmental revenue from the State and Federal Governments.
- Environmental Management Special Revenue Fund accounts for environmental management activities within the county including waste reduction, planning, administration, regulation, and education.
- County Park Special Revenue Fund is to account for park acquisition, development and operating costs. Financing is provided by an annual property tax levy and restricted grants from Metropolitan Council.
- Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.
- Debt Service Fund is used to account for the accumulation or resources for, and the payment of, principal, interest, and related costs of general long-term debt.

Proprietary Fund Type

Proprietary funds are accounted for on an "income determination" or "cost of services" measurement focus (similar to commercial/industrial "for profit" organizations). Therefore, the operating statements report increases (revenues) and decreases (expenses) in economic net worth, and the fund equity on the balance sheet provides an indication of the economic net worth. All assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components.

- Enterprise Funds account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The County has two enterprise funds, the Geographic Information System (GIS) Fund, to account for the sale of GIS data/maps and updating the GIS database and the Criminal Justice Information Integration Network (CJIIN) Enterprise Fund, to account for revenue received from criminal justice agencies that use the County's applications.
- Internal Service Funds account for operations that provide services to other departments or agencies of the County, or to other governments, on a cost-reimbursed basis. The

County has one internal service fund, the Employee Services Reserve Fund, to account for services provided by employees, including compensated absences.

Other Fund Types

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. The fiduciary fund categories currently used by Dakota County are private-purpose trust funds and agency funds.

- Agency Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.
- Private Purpose Trust Funds are used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments.

Organization Structure

Dakota County prepares and presents its budget by organization structure versus by fund type. The County adopts a budget for all funds reported in the *Comprehensive Annual Financial Report (CAFR)* with the exception of the Internal Service Fund and Trust and Agency Funds[1]. The table below, lists the fund type where expenditures and revenues for each county department and division[2]. The table is organized by division.

Fund Type to Account for Department Budgets			
Division/Department	**Fund Type**	**Division/Department**	**Fund Type**
County Administration		**Physical Development Division**	
County Administration	General Revenue Fund	Physical Development Admin	General Revenue Fund
County Board	General Revenue Fund	Office of GIS	General Revenue Fund
County Communications	General Revenue Fund	Transportation	Special Revenue Fund
Employee Relations	General Revenue Fund	Parks	Special Revenue Fund
		Environmental Mgmt	Special Revenue Fund
Operations Management & Budget Division		Water Resources Office	Special Revenue Fund
Office of Risk Management	General Revenue Fund	Soil & Water Conservation Dist.	General Revenue Fund
Information Technology	General Revenue Fund	Survey and Land Information	General Revenue Fund
Financial Services	General Revenue Fund	Geographic Information System	Enterprise Fund
OMB Division Administration	General Revenue Fund	Operations Management	General Revenue Fund
Office of Planning & Analysis	General Revenue Fund	**Public Safety**	
CJIIN	General Revenue Fund	County Sheriff	General Revenue Fund
		Medical Examiner	General Revenue Fund
Public Services & Revenue Division			
Public Services & Rev Admin	General Revenue Fund	County Attorney	General Revenue Fund
Assessor	General Revenue Fund		
Property Taxation and Records	General Revenue Fund	District Court	General Revenue Fund
Service & License Centers	General Revenue Fund		
County Fair	General Revenue Fund	**Capital Improvement Programs**	
Historical Society	General Revenue Fund	Intermodal CIP	General Revenue Fund
Library	Special Revenue Fund	Transportation CIP	Special Revenue Fund
		Parks CIP	Special Revenue Fund
Community Services Division		Building CIP	Capital Project
Comm. Svcs. Admin.	Special Revenue Fund	Open Space Acquisition	General Revenue Fund
Social Services	Special Revenue Fund		
Employment & Economic Asst.	Special Revenue Fund	**Debt Service**	Debt Service Fund
Public Health	Special Revenue Fund		
Veterans' Services	Special Revenue Fund	**Regional Rail Authority**	Special Revenue Fund
Community Corrections	Special Revenue Fund		
Extension Services	Special Revenue Fund	**Countywide Operations**	General Revenue Fund

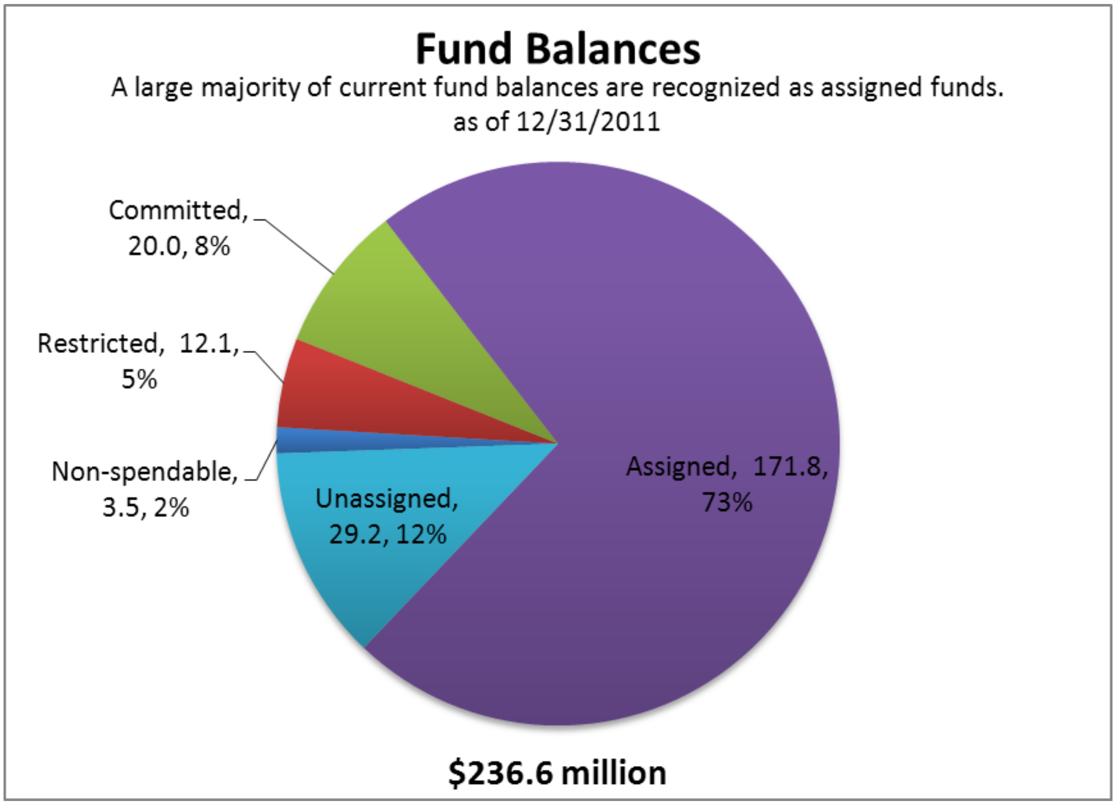
[1] The Dakota County Comprehensive Annual Financial Report also presents financial information for two discrete component units, the Dakota County Community Development Agency (CDA) and the Vermillion River Watershed. Neither is included in Dakota County's annual budgeting process; therefore, they are not subject to appropriation or included as part of this document.

[2] The budget for the Dakota County Regional Rail Authority is adopted by a legally separate board. Budgeted amounts for the Regional Rail are not included in this report. The activities of the Regional Rail are, however, recorded as a special revenue fund in the CAFR and are, therefore, included in the fund balance.

Fund Balance

In 2011, the County implemented the requirements of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The Statement requires retroactive restatement of fund balance for the reclassifications made to conform to this statement. Total fund balance did not change.

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:



Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. Inventories, prepaids, and advances to other funds fall into this category for the County in its 2011 audited financial statement. For 2011, nonspendable fund balance totaled $3.5 million.

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. This category is comprised of debt service, Recorder's equipment purchases, Spring Lake Park, victim witness, Sheriff 911, early retirement reinsurance program, election-HAVA, boat and water, Attorney-diversion, Sheriff-alcohol compliance and criminal forfeitures. For 2011, restricted fund balance totaled $12.1 million.

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. The Board committed fund balance to the Farmland and Natural Area Program and investigation and remediation of waste sites in 2011. For 2011, committed fund balance totaled $20.0 million.

Assigned

Amounts in the assigned fund balance classification the County intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the Financial Services Director who has been delegated that authority by Board resolution. In addition to the governmental fund assignments, the assigned classification includes; insurance, budget incentive program, capital equipment, petty cash, and other post-employment benefits. For 2011, assigned fund balance totaled $171.8 million.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed. For 2011, unassigned fund balance totaled $29.2 million.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Fund Balance Changes

Summary of Fund Balance Changes – Major Funds

General Fund

The General Fund is the chief operating fund of Dakota County. At the end of 2011, the General Fund balance was $72.1 million of which $66.6 million was committed, assigned or unassigned. As a measure of the General Fund's liquidity, it may be useful to compare committed, assigned and unassigned fund balance and total fund balance to total fund expenditures. Committed, assigned and unassigned fund balance represents 77.3% of total General Fund expenditures of $86.1 million, while total fund balance represents 83.7% of that same amount. In total, the General Fund increased by $885,906 between 2010 and 2011 due to higher investment income and personnel cost savings.

Community Services Fund

The Community Services Fund had a total fund balance of $74.2 million at the end of 2011. This is Dakota County's largest operating fund due to receipt of external revenues. The fund balance of the Community Services Fund increased by $6,287,769 during the 2011 fiscal year compared to an increase of $7.5 million in the previous period. Expenditure savings in various Community Services programs, primarily personnel cost savings and savings from placement costs were the major factors in the increase.

Highway Fund

The Highway Fund had total fund balance of $28.9 million at the end of 2011. The fund balance of the Highway Fund increased $26.7 million from 2010 through 2011. The increase is due to receiving city, state, and federal revenues from prior year projects in 2011 and County Program Aid (CPA) coming in greater than budgeted.

Parks Fund

The County Parks Fund had a total fund balance of $5.8 million at the end of 2011. The County Parks Fund balance decreased by $2.0 million during FY2011. This change is due to expenditures for trail and land acquisitions for the county parks.

Capital Projects Fund

The Capital Projects Fund has a total fund balance of $10,274,336. The fund balance for the Capital Projects Fund increased by $148,608 during 2011 compared to a decrease of $6.9 million in 2010. The increase in 2011 is due to more County Program Aid allocated to the fund.

Environmental Management

The Environmental Management fund had a total fund balance of $29.3 million at the end of 2011. The fund balance of the Environmental Management fund increased by $3.0 million during FY2011.This change is from host fee revenues exceeding budgeted amounts.

Bond Fund

The Debt Service Fund had a total fund balance of $7.9 million at the end of 2011, all of which is restricted for the payment of debt service. The fund balance of the Debt Service Fund decreased by $25.2 million during 2011. This change is due to the use of proceeds from the issuance of refunding bonds to retire callable debt.

Summary of Fund Balance Changes – Non-Major Funds

Dakota County's non-major governmental funds include the following special revenue funds: Library, Regional Rail, Law Library, and the Attorney Forfeiture Fund. The projected total amount of fund balance associated with non-major funds for 2011 is $8.1 million versus $7.0 million for 2010.

Summary of Net Assets

Total net assets increased from $772.6 million in 2010 to $828.0 million in 2011, or a $55.4 million increase.

Net Capital Assets

The value of land; buildings, improvements; machinery and equipment; and construction in progress make up the fixed assets fund balance. The value of the capital assets offset by accumulated depreciation is $633.1 million at the end of 2011 compared to the 2010 balance of $626.2 million. Net capital assets increased by $6.9 million.

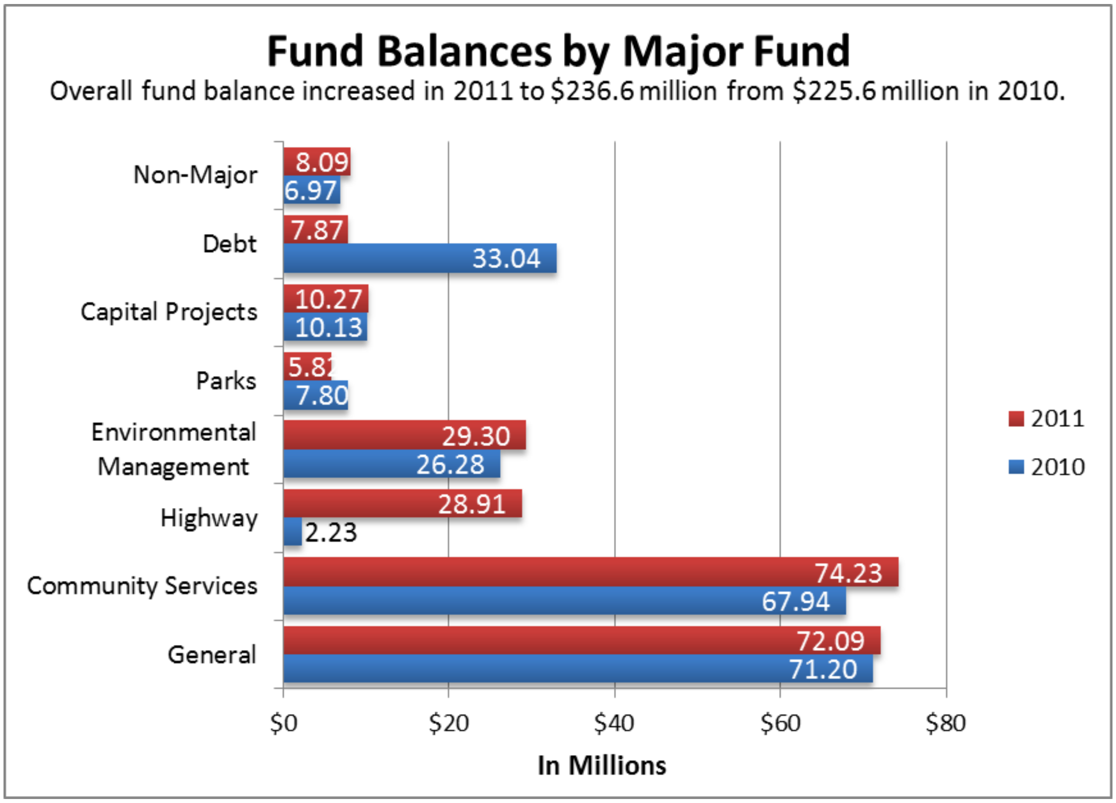
Long Term Assets

Long-term assets, such as funds receivable, are considered long term in nature if they are not received within 60 days (90 days for state and Federal revenues). Therefore, long term assets are deducted from the current available fund balance of the governmental funds by deferring as unavailable revenue.

Long Term Liabilities

Long-term liabilities decreased from $115.1 million to $83.9 million.

For comparison purposes, the following table compares various, audited fund balances or 2010 and 2011.



Additionally, the table on the following page compares total net assets as well as recent designations and reserved funds from 2007 through the 2011 audited financial statements.

Net Assets					
	2007	2008	2009	2010	2011
Net Capital Assets	517,243,957	579,420,843	612,627,712	626,238,880	633,146,205
Other Long Term Assets-Deferred	9,103,743	14,037,096	7,728,309	12,648,355	16,893,633
Long-Term Liabilities	(128,160,469)	(113,477,334)	(100,366,391)	(92,217,847)	(60,720,667)
Fund Balances					
Reserved	61,967,295	54,514,292	47,217,991	39,419,569	-
Unreserved	190,511,724	164,679,896	182,526,726	186,179,817	-
Nonspendable	-	-	-	-	3,532,451
Restricted	-	-	-	-	12,124,268
Committed	-	-	-	-	19,980,168
Assigned	-	-	-	-	171,752,360
Unassigned	-	-	-	-	29,176,838
Net Assets – Business-Type Activity	217,240	197,467	298,146	299,704	2,127,270
Total Net Assets	650,883,490	699,372,260	750,032,493	772,568,478	828,012,526

As taken from the chart above, the following graph summarizes the beginning and ending fund balances from 2007 to 2011.

Summary of Beginning & Ending Fund Balances					
	2007	2008	2009	2010	2011
Beginning Fund Balance	221,114,237	252,479,019	219,194,188	229,744,717	225,599,386
Ending Fund Balance	252,479,019	219,194,188	229,744,717	225,599,386	236,566,085

Fund Balance History and Projection

The table below shows recent and projected changes in fund balance by fund.

Fund Balance History					
Fund	Type	2009	2010	2011	2012 Projected
General	Major	73,657,313	71,202,672	72,088,578	72,000,000
Highway	Major	7,224,073	2,232,091	28,907,958	23,000,000
Community Services	Major	60,465,633	67,940,683	74,228,452	78,000,000
Environmental Management	Non-Major	25,178,225	26,940,683	29,296,836	30,000,000
Parks	Major	7,098,291	7,802,732	5,817,752	5,700,000
Library	Non-Major	1,667,883	2,053,163	1,825,157	1,800,000
Capital Projects	Major	17,043,782	10,125,728	10,274,336	10,000,000
Debt Service	Major	33,266,623	33,044,992	7,865,698	7,800,000
Regional Rail**	Non-Major	2,701,557	3,482,153	4,850,736	4,700,000
Law Library**	Non-Major	1,149,929	1,114,716	1,044,089	1,100,000
Attorney Forfeiture**	Non-Major	291,458	321,313	366,493	300,000
Total***	Total***	231,900,000	225,599,386	236,566,085	234,400,000

**Law Library and Attorney Forfeiture are not funds for which the County adopts an annual budget; therefore, the estimated 2012 fund balance for these funds assumes no budgeted change in fund balance.

***The total does not include net assets for the business-type activity of the GIS and CJIIN Enterprise Funds.

The 2012 fund balance amounts are estimates. The most recent audited financial statement is for 2011.

The decrease projected for 2012 relates to the use of fund balance as a resource for capital projects. In particular, the Capital Projects fund where the County chose cash financing instead of debt. This decrease in fund balance is partially mitigated by an estimated $4.0 million to $6.0 million operating budget surplus, primarily in the Community Services fund.

DEBT

This section provides information on the following:

- Debt Management
- Ratio of Net Bonded Debt
- Long-Term Liabilities – Bonds Payable
- Schedule for Bond Retirement

Debt Management

Dakota County's Debt Service is part of the overall Capital Improvement Program (CIP). Annual debt service payments for debt associated with buildings are funded through property tax levy and a transfer from the General Fund.

Debt Service has infrequently been used for Transportation projects and in the past has also been funded through a transfer from the Highway Fund. Payments for debt service for the Open Space Bonds are funded directly through levy (the bond issue was the result of a voter approved referendum) and the interest proceeds on the unspent balance of the funds. In the 2013 Budget, $2.0 million of Fund Balance is being used for debt payments. The County utilizes its Debt Service Policy to guide its debt decisions.

Future Bonding

The County Board has preliminary plans to issue bonds over the next several years to fund some of the major capital improvement projects included in the CIP. Below is a list of potential projects for bonding in future years.

Potential CIP Projects to Be Funded from Bond Proceeds (in millions)		
Estimated Bond Issuance Years	Potential Projects	Bond Amount
2014	Galaxy Library Addition	5.3
Total		5.3

Ratio of Net Bonded Debt to Tax Capacity

The ratio of *net* bonded debt to tax capacity and the amount of bonded debt per capita are useful indicators of the County's debt position for County management, citizens and investors. At the end of 2011, Dakota County's ratio of bonded debt to tax capacity was 11.92% and debt per capita was $125. The estimated ratio of debt to tax capacity for 2012 is 11.44% with a debt per capita of $114.

Dakota County Ratios		
	2011	2012
Net Bond Debt	50,000,000	45,800,000
Ratio of Net Debt to Tax Capacity	11.92%	11.44%
Debt per Capita	125	114

Long-Term Liabilities – Bonds Payable

The table below provides a list of changes in the long-term bonded debt for the year ending 2012. The figures below indicate principal only. The figures below have not been audited. The 2012 financial audit conducted by the Office of the State Auditor will not be finalized until the second quarter of 2013.

General Obligation Bonds (in millions)				
	Capital Improvement Projects (net of escrow)	Open Space	Refunding	Total General Obligation Bonds
Payable on December 31, 2011	22.81	4.56	30.52	57.88
Bonds Issued in 2012				
Payoff and Interest less Escrow Income			.	
Bonds Retired in 2012	(1.73)	(2.23)	(1.67)	(5.63)
Payable on December 31, 2012	21.08	2.33	28.86	52.26

Summary of Bonds Payable

This next section provides background information for the general long-term obligation and revenue bonds listed above.

Library Bonds Payable

In 1999, the County issued General Obligation Bonds in the amount of $7,875,000. The proceeds of the bonds were used to construct new County libraries in the cities of Lakeville and Inver Grove Heights. These bonds were refunded in 2008 with the General Obligation Refunding Bond issued in 2007.

CIP Bonds Payable

- Capital Improvement – Administration Center Addition $4,430,000
- Capital Improvement – Law Enforcement/Communication Centers $10,650,000
- Capital Improvement – Rosemount Library $5,995,000

In 2001, the County issued General Obligation Capital Improvement Bonds in the amount of $34,975,000. The proceeds of the bonds were used to construct a new Northern Service Center in the City of West St. Paul. These bonds were refunded in 2011 with the General Obligation Refunding Bond issued in 2007.

In 2003, the County issued General Obligation Capital Improvement Bonds in the amount of $7,010,000 (Series 2003B) for construction of an addition to the Administration Center in the City of Hastings. The bonds have a 20 year maturity and a true interest cost of 3.78%.

In 2005, the County issued General Obligation Capital Improvement Bonds in the amount of $16,800,000 for construction of an addition to the existing Law Enforcement Center and the construction of a new Communications Center facility. The bonds have a 15 year maturity and a true interest cost of 4.14%.

In 2006, the County issued General Obligation Bonds in the amount of $7,300,000. The proceeds of the bonds will be used to construct a County library in the City of Rosemount. The bonds have a true interest cost of 3.96% and the final payment will be made in 2027.

Open Space Bonds Payable

- Open Space Bonds Payable as of 12/31/2012 $2,325,000

In 2003, Dakota County issued General Obligation bonds in the amount of $20,000,000 for the purpose of Open Space Acquisition. These bonds have a maturity of 10 years and a true interest cost of 2.75%.

General Obligation Refunding/Escrow Bond Payable

- Refunding Bonds Payable of 12/31/2012 $28,855,000

In 2004, the County issued $31,695,000 in refunding bonds for the refunding of 1999a and 2001a General Obligation Capital Improvement Bonds. These bonds have a maturity of 20 years and a true interest cost of 4.11%.

Computation of Legal Debt Margin

State statute (Minn. Stat. Section 475.53 subd. 1) requires that no municipality, except school districts or a city of the first class may incur or be subject to a net debt in excess of three percent of the estimated market value, except as provided in Minn. Stat. Sections 475.51 to 475.75.

Debt margin is determined by comparing market value to total debt applicable to debt limit. Applicable debt is the difference between total bonded debt and amount available in Debt Service funds. For 2012 year-end, the legal debt margin is $.958 billion (unaudited figure). At the end of 2012, the total bonded debt amount is adjusted by the amount in Debt Service Fund balance of $6.5 million for a bonded debt applicable to debt limit of $52.3 million.

Computation of Legal Debt Margin as of December 31, 2012 (Unaudited)	
Estimated Market Value	$33.5 Billion
Debt Limit (3% of Estimated Market Value)	$1.004 Billion
Total Bond Debt (Net)	$52.255 Million
Legal Debt Margin	$.958 Billion

Debt Expenditures Ratio

The amount of debt paid as a proportion of total expenditures gives an idea of the debt burden in a year. The table below shows a comparison of the annual debt service expenditure compared to the total general governmental expenditures projected through 2012.

Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Government Expenditures					
Year	Principal	Interest	Total Paid	Total General Gov. Expenditure	Ratio
2003	4,294,871	3,075,658	7,370,529	248,306,035	2.97%
2004	6,708,778	4,424,848	11,133,626	243,466,734	4.57%
2005	6,920,000	3,931,502	10,851,502	271,962,671	3.99%
2006	7,185,000	4,096,008	11,281,008	281,231,098	4.01%
2007	7,825,000	4,952,326	12,777,326	316,346,231	4.04%
2008	14,155,000	5,103,037	19,258,037	347,029,843	5.55%
2009	12,650,000	4,519,421	17,169,421	303,611,115	5.66%
2010	8,715,000	4,052,158	12,767,158	276,174,012	4.62%
2011	31,180,000	3,122,794	34,302,794	297,778,525	11.52%
2012 Proj.	5,625,000	2,270,450	7,895,450	267,234,231	2.95%
2013 Est.	5,855,000	2,020,059	7,875,059	291,774,021	2.70%

Schedule for Bond Retirement

The table below shows a summary of annual estimated requirements to retire bonded debt outstanding through 2022 for bonds issued as of 12/31/2012. Ten years of projected debt payments are reflected, although payments for existing debt extend to 2027.

Dakota County Debt Schedule (figures in 000's)

		CIP (Refunding)	NSC (GO, CIP Bond)	Open Space (GO Bond)	Adm. Addition (GO, CIP Bond)	LEC/Comm. Ctr (GO, CIP Bond)	Rosemount Library (GO, CIP Bond)	Refunding	Total
	Original Issue Amount	28740	34975	20000	7,010	16,800	7,000	31,695	114,525
	Date/Series	1999/C	2001/A	2003/A	2003/B	2005/A	2006/A	2007/A	
	True Interest Rate	4.11139%	4.79352%	2.75316%	3.78979%	4.13673%	3.95858%	4.11084%	
2013	1/1 Principal Balance			2,325	4,430	10,650	5,995	28,855	52,255
	Principal Payment			2,325	325	1,170	300	1,735	5,855
	Interest Payment			58	164	418	234	1,146	2,020
2014	1/1 Principal Balance				4,105	9,480	5,695	27,120	46,400
	Principal Payment				335	1,215	310	1,810	3,670
	Interest Payment				152	371	222	1,076	1,820
2015	1/1 Principal Balance				3,770	8,265	5,385	25,310	42,730
	Principal Payment				350	1,255	325	1,890	3,820
	Interest Payment				141	321	209	1,002	1,672
2016	1/1 Principal Balance				3,420	7,010	5,060	23,420	38,910
	Principal Payment				365	1,300	335	1,965	3,965
	Interest Payment				128	269	196	924	1,517
2017	1/1 Principal Balance				3,055	5,710	4,725	21,455	34,945
	Principal Payment				380	1,350	350	2,050	4,130
	Interest Payment				114	214	182	844	1,355
2018	1/1 Principal Balance				2,675	4,360	4,375	19,405	30,815
	Principal Payment				395	1,400	365	2,150	4,310
	Interest Payment				100	156	168	760	1,184
2019	1/1 Principal Balance				2,280	2,960	4,010	17,255	26,505
	Principal Payment				415	1,450	375	2,250	4,490
	Interest Payment				84	96	153	672	1,005
2020	1/1 Principal Balance				1,865	1,510	3,635	15,005	22,015
	Principal Payment				435	1,510	390	2,355	4,690
	Interest Payment				67	32	138	580	817
2021	1/1 Principal Balance				1,430		3,245	12,650	17,325
	Principal Payment				455		410	1,855	4,690
	Interest Payment				50		122	495	666
2022	1/1 Principal Balance				975		2,835	10,795	14,605
	Principal Payment				475		425	1,950	2,850
	Interest Payment				31		105	416	552

CAPITAL IMPROVEMENT PROGRAM (CIP)

This section provides information on the following:

- Introduction to the CIP
- Impact on Operating Budget
- Parks CIP
    - Funding Strategies
- Buildings CIP
- Transportation CIP

Introduction

The Capital Improvement Program (CIP) is a five-year plan that is reviewed, updated, and adopted annually in conjunction with the operating budget for the County. It serves as a blueprint for the growth and development of Dakota County. There are four funds included in the CIP: Parks Fund, General Fund (for open space acquisition through the Farmland and Natural Areas Program), Highway Fund, and Building Fund. A detail of the five-year expenditures and funding is available later in this section.

Three Main Parts of the CIP

- Parks
- Buildings
- Transportation-Roads

The Parks CIP serves as the plan for parkland acquisition and development within the existing park system. The Building CIP is a plan for major improvements to existing County property and construction of new facilities. The Transportation CIP is a plan for major improvement and construction of County Roads.

The CIP does not include capital equipment purchased directly by departments such as vehicles, computers and furniture. Department capital equipment purchases exceeding $20,000 are identified in the operating budgets of the departments. Capital equipment purchases less than $20,000 are not specifically identified during the budget process but rather are part of the Budget Incentive Program.

Evaluation of Project Needs

The CIP is based on numerous long range planning documents that are updated periodically and on projected capital needs as identified by County staff, cities and townships. The CIP is the primary tool for implementing the Board's goals regarding the future of the County's infrastructure.

CIP Budget Process

The Financial Services Department coordinates the CIP process. Early in the budget process, Financial Services provides direction as to the total estimated amount of CIP resources available as guidance to the individual departments preparing the CIP. Transportation and Parks departments are responsible for preparing their CIP and submitting it to Financial Services. The Building CIP is prepared by the Operations Management Department. At several times during the process, cities and townships within the County are provided opportunities to comment on elements of the CIP and request that projects be included. Once the projects have been defined, Financial Services incorporates the CIP into the County budget in the fall.

Funding Sources

The Transportation CIP receives funding from cities and townships, State and Federal governments, and property taxes. The Parks CIP is funded mostly from revenue from the Metropolitan Council, property taxes, and general purpose state aid. The Building CIP is funded mostly by property taxes, general purpose state aid, and occasionally bond proceeds. In order to help manage the risk of additional losses of state revenue, $12.09 million of general purpose state aid is budgeted across the capital programs in 2013. The combined amounts of levy and general purpose state aid (County Program Aid or CPA) for the 2013-2017 CIP are indicated below.

2013 - 2017 CIP (County Property Tax Levy & CPA)				
Year	Roads	Parks	Buildings	Total
2013	13,557,992	1,276,178	2,575,892	17,410,062
2014	11,305,723	1,240,461	2,084,227	14,630,411
2015	9,053,890	1,012,566	1,592,621	11,659,077
2016	6,802,499	784,702	1,101,082	8,688,283
2017	4,551,554	325,813	609,585	5,486,952
Total	45,271,660	4,639,720	7,963,407	57,874,787

Impact on Operating Budget

Completed CIP Projects

The operating budget is impacted by changes in maintenance and utility costs for additional or improved buildings, parks, bikeways and highways. Depending on the project, there are also other aspects of the operating budget that may be impacted by the CIP that are not known until incurred. Therefore, in most cases, the full impact of the project on operations is not recognized until the year following project completion. The exception to this is when a project is projected to have a significant impact on operations or an impact is easily identifiable before project completion (i.e. construction of major new facilities).

Anticipated Operational Costs Associated with CIP Projects

Dakota County recognizes the correlation between the CIP and the operating budget. An example is that in 2006 the County Board approved the construction of a new library to open in 2009. Beginning with the 2005 budget year, the County began designating current property tax levy for future operating expenses associated with the new library. Because property tax levy has been gradually set-aside each year there was no increase in the 2009 Adopted Budget related to the opening of the library, above the amount set-aside, nor is there a greater-than-average increase in the 2009 budget. Rather, these funds that have been gradually grown over the past several years and set aside in the Countywide Operations department were reallocated in the 2009 budget process to the Library department for use in 2009. While no similarly sized projects are currently planned, this practice is long-standing in Dakota County.

In the case of capital improvement projects that are not anticipated to have a major impact on the operating budget, the budget base is adjusted in the year in which the improvement is completed.

One area in which additional operational costs have not been quantified, however, has been in the Transportation area. The cost to maintain lane miles is not specifically budgeted in conjunction with the construction. However, in the process of preparing the operating budget for the Transportation department, the number of road miles requiring maintenance is considered, as well as the rating of the quality of the existing infrastructure. An industry standard is applied and the Construction Cost Index is applied when reviewing inflationary costs associated with the road maintenance.

Parks Capital Improvement Projects

Mission

The Parks & Open Space Department mission is to enrich lives by providing high quality recreation and education opportunities in harmony with natural resource preservation and stewardship.

The Dakota County Parks System totals 5,900 acres and consists of the following parks and regional greenways (for a map of the County Park System, please see Appendix Item 5):

- Lake Byllesby Regional Park
- Lebanon Hills Regional Park
- Spring Lake Park Reserve
- Miesville Ravine Park Reserve
- Whitetail Woods Regional Park
- Regional Greenways
  - Big Rivers
  - Mississippi River
  - North Urban
- Thompson County Park

The Dakota County Park System offers diverse and year-round natural resource oriented recreation and education. Recreation opportunities include hiking, biking, camping, picnicking, swimming, boating, fishing, archery, skiing, mountain biking, snowshoeing and horseback riding.

Park System Plan

The 2008 Dakota County Parks System Plan (PSP) provides the foundation for the strategies guiding the CIP. The PSP created a system vision, with 10 year development priorities. Total estimated cost of implementing the park and greenway vision is $98.0 million with the 10 year priorities accounting for $52.0 million.

The PSP vision includes a park and greenway system that results in:

1. Great places: More For Visitors To See and Do
   - Add more of the most popular nature-based recreation to al parks such as looped paved trails and picnicking.
   - Add signature activities such as water play areas, winter use areas and special events.
2. Connected places: Bring Parks To People
   - Collaborate to interconnect parks with community places via a network of 200 miles of regional greenways and trails with 50 miles to be constructed from 2009 to 2018.
3. Protected places: Protecting Green Infrastructure
   - Restore 500 acres of landscapes near visitor use areas.
   - Improve landscape on 1,200 acres, converting cropland within parks and restoring prairies and savannas.
   - Protect 170 acres of natural diversity sites

2013 – 2017 Parks CIP

The Parks CIP is formatted to reflect the categories of capital projects the Parks department pursues. These categories are:

- Planning,
- Acquisition,
- Development,
- Natural Resource Management,
- Maintenance and Redevelopment.

The 2013 – 2017 capital projects focuses on:

- Planning, designing and constructing regional greenways;
- Opening Whitetail Woods Regional Park for public use;
- Enhancing the park and greenway system to increase service and visitation per the Park System Plan;
- Maintenance and operations of a growing park and greenway system with available resources;
- Acquiring key inholdings to advance protection of natural resources and providing recreation opportunities.

Strategies to Accomplish the 2013 – 2017 Parks CIP

Park Planning

Park and greenway planning is a priority as effective planning processes and documents are essential to guide effective management and be competitive for grants. County levy funds for planning are included in each of the five years of the CIP.

Park/Regional Greenway Acquisition

Acquisition is essential for full service parks and continuous regional greenway and trails. The 2013-2017 CIP reflects full utilization of the Metro Council Acquisition Opportunity Fund of $3.4 million per year.

Park Development

The development of park capital projects has been reduced since 2010 to accommodate reduced funds and not jeopardize the delivery of federally funded regional greenway projects. The exception is the 2013 CIP project opening Whitetail Woods Regional Park. Remaining funds for park development are suggested for building full service parks with focus where there is potential for high use, such as Lebanon Hills Regional Park.

Greenway and Regional Trail Development Strategies

The delivery of regional trails was prioritized to realize the benefit of approved Federal Transportation construction grants totaling $5.8 million. The Parks CIP will advance seven trail segments. Local match is derived from a blend of Parks and Trails Legacy funding, Metropolitan Council CIP grants, and County funds.

Natural Resource Management Strategies

The CIP continues the reduction of new natural resource restoration activities since 2010. The focus will instead be on maintenance of previously restored lands with funds derived primarily from Metropolitan Council Legacy grants.

Maintenance and Redevelopment Strategies

As park facilities age and more facilities are brought on line, the need for maintenance increases accordingly. The 2013-2017 CIP prioritizes available annual levy for the Public Facilities Upkeep Fund providing deferred maintenance and using Metropolitan CIP funds for redevelopment.

Funding Strategies

The County will continue to collaborate with a number of partners and seek additional federal, state, and other non-County funds for land protection and restoration. Specific funding strategies to accomplish the 2013 – 2017 CIP include:

- County Program Aid (CPA) funds were set to end in 2012. However, due to a more favorable State budget outlook CPA funds are expected to be available, but steadily decreasing, through 2016. To offset this decline the Park Fund balance will be further leveraged.
- System-wide Operations and Maintenance (O&M): It is estimated that by 2017, over $300,000 per year of new O&M support will be needed. For example, Whitetail Woods Regional Park will be partially developed and more than 16 miles of new regional trail will be opened. The CIP meets the O&M need through 2016 by relying on the Metro Council O&M funds. How to fund 2017 and beyond O&M needs remains uncertain.

  **Note: The diversion of $300,000 from the Metropolitan Council O&M annual grant of $500,000/year requires a reduction of $100K per year (from $300,000 to $200,000) to the Fleet Capital Equipment Program budget, and elimination of $200,000 per year for natural resource improvement.*
- The five year funding target for Metropolitan Council derived Park and Trail Legacy funds remains unchanged at about $5,820,000.The target is allocated to greenway/regional trails (87%) and natural resource program funding (13%).
- The Park Fund balance is used in the first two years of the CIP to meet two urgent needs - partial funding of the Whitetail Woods Regional Park project and the Big Rivers Regional Trail trailhead expansion.

2013-2017 Parks CIP Summaries

The following two charts summarize first the various funding sources for the Parks CIP and second the expenditure categories those revenues are committed to.

Overall Revenue Sources

Funding Source	Amount	% of Total CIP
Federal Transportation	5,800,000	12.30%
Legacy-derived Park and Trail Funds	5,820,000	12.30%
Metro CIP	3,404,000	7.20%
Metro Acquisition Opportunity Fund	17,000,000	36.00%
Other small grants	77,500	0.20%
County	15,155,878	32.10%
Total 5-Year Revenue	47,257,378	

Funding Distribution by Category

Category	Amount	% of Total CIP
Acquisition (Parks and Greenways)	22,666,660	48.00%
Parks	6,472,218	13.70%
Regional Greenway/Trails	14,561,000	30.80%
Natural Resources	750,000	1.60%
Maintenance, Redevelopment	2,000,000	4.20%
Planning	807,500	1.70%
Total 5-Year Expenses	47,257,378	

Parks

2013 Major Projects (not including acquisition)

- Development: Whitetail Woods Regional Park Phase I project.
- Street Assessments: Lebanon Hills Regional Park - Johnny Cake Ridge Road assessments to City of Eagan
- Enhancements: A budget for a variety of park improvements.

2014-2017 Major Projects (not including acquisition)

- 2014: Lebanon Hills master plan recommended project
- 2016: Master plan recommended project – location TBD

Year	Amount
2013	5,014,218
2013-2017	1,458,000
Total 5 Year Investment	6,472,218

Greenways & Regional Trails

2013 Major Projects (not including acquisition)

- Master Planning: Eagan Core Greenway.
- Development: Greenway Signage Phase I.
- Development: Mississippi River Regional Trail design and construction within the western/central portions of Spring Lake Park Reserve.
- Development: Construction assistance to City-led Lake Marion and Minnesota River Greenway projects.
- Development: Design of the Big Rivers Regional Trail trailhead expansion project.
- Development: Collaborative with cities to provide construction assistance for greenway projects.
- Enhancements: A budget for a variety of greenway improvements.

2014-2017 Major Projects (not including acquisition)

- Master Planning: Burnsville to Lebanon Hills Regional Park Greenway.
- Development: Design and construction of Mississippi River Regional Trail from South St. Paul to St. Paul.
- Development: Design and construction of North Creek Greenway in vicinity of Minnesota Zoo.

Year	Amount
2013	3,547,000
2014-2017	11,014,000
Total 5 Year Investment	14,561,000

- Development: Construction of Big River Regional Trail Trailhead expansion.
- Development: Construction assistance for Vermillion River Trail in Hastings and North Creek Greenway in Lakeville.
- Enhancements: A budget for a variety of small greenway improvements.

Building Capital Improvement Projects

Background

Dakota County operates approximately 1,500,000 square feet (gross) in office buildings, libraries, correctional facilities, museum, dispatch, parks, maintenance and storage facilities. Most of the County's facilities are relatively new and have been built or renovated within the last 20 years. As the buildings age, the need for regular and preventive maintenance will increase placing greater stress on the County's Building Fund and the newly created Building Maintenance Fund. The County will need to continue to evaluate options for addressing this concern in the future.

A second challenge facing the County in the next 10 years is to provide adequate space to accommodate the public service needs of its growing population. According to forecasts from the Metropolitan Council, the County's population is projected to increase approximately 32% from 398,552 in 2010 to 526,727 in 2030. The pace and location of growth will be the primary force behind the timing and location of public facilities. Providing sufficient space for County service providers in a time of constrained revenue forecasts will also place pressures on the County's Building Fund and require considerable planning.

Highlights of the 2013 Buildings Capital Budget and 2013-2017 Capital Improvement Program

Major projects in the Building CIP follow the recommendations in the Long Range Facilities Plan. System replacement and miscellaneous projects are submitted by facilities and building staff. All projects contained in the Building CIP are evaluated and given a score based upon the following:

- Health and Safety (1 to 5 points),
- Asset Protection (1 to 5 points),
- Reduction in Operating Costs (1 to 5 points),
- Improve User Productivity (1 to 5 points),
- Strategic Objective (1 to 3 points),
- Ability to Postpone Project (1 to 3 points),
- Synergy Opportunities (1 to 3 points).

The Building CIP projects are $30.9 million for the next five years.

The following section highlights new projects added to the 2013-2017 CIP and major changes to existing projects.

Major New Projects for 2013:

- County-wide – Building Heat Load Study;
- County-wide – Interior Fall Protection;
- County-wide – Upgrade Generators to EPA Regulations (2013-2014);
- Empire Transportation Facility – Photovoltaic System;
- JDC & NSC – Data Center Enhancement (2013-2014);

- Judicial Center – Upgrade Emergency Generator;
- LEC – Renovation and Turnaround of 8100 unit.

Major New Projects for 2014:

- No new projects to begin in 2014.

Major New Projects for 2015:

- County-wide – Engineering Evaluation (Refrigerant Phase-out).

Major New Projects for 2016:

- No new projects to begin in 2016.

Major New Projects for 2017:

- Heritage Library – Needs Assessment.

Major projects with scope and budget changes:

- The budget was increased for the Farmington Library Renovation to accommodate remodeling the increase of space provided by vacated tenants.
- The Inver Glen Library Renovation scope increased after the 2012 Needs Assessment was completed. Additional dollars were added to CIP to cover changes.
- The Western Service Center Addition will remain out of the current CIP until further examination.
- The Regional Morgue Facility is out of our CIP process. Building to be done in conjunction with other Counties.

Major System Replacement Projects with scope and budget changes:

- County-wide Energy Improvements extended through 2017.
- $108,000 was moved into 2013 for the Government. Center exterior envelope inspection, repairs and cleaning to complete project in 2013.
- Project for the replacement of pneumatic controls in LEC continues into 2013 with $1,250,000.
- Security Improvements in LEC and JSC continues into 2013 with $338,000.
- Wentworth Library EMS replacement has been moved from 2012 to 2013.

Building CIP Financial Summaries*

Building Fund							
Year	Annual Cost	State	Bond Proceeds	County Cost	Levy	CPA	Ending Fund Balance
2013	11,743,000	50,000	-	11,693,000	585,800	1,990,092	860,012
2014	10,156,000	-	142,000	10,014,000	591,658	1,492,569	(7,069,761)
2015	2,297,000	-	1,363,000	934,000	597,575	995,046	(6,411,140)
2016	5,830,000	-	3,800,000	2,030,000	603,550	497,532	(7,340,058)
2017	908,000	-	-	908,000	609,585	-	(7,638,473)
Total	30,934,000	50,000	5,305,000	25,579,000	2,988,168	4,975,239	(27,599,420)

Debt Service Fund				
Year	Annual Cost	Levy	Transfers	Other
2013	5,491,934	4,915,262	-	576,672
2014	5,489,997	4,913,325	-	576,672
2015	5,492,119	4,915,447	-	576,672
2016	5,482,374	4,905,702	-	576,672
2017	5,484,774	4,908,102	-	576,672
Total	27,441,198	24,557,838	-	2,883,360

*Expenditures may include estimates for projects carried over from previous years.

Transportation Capital Improvement Projects

The Dakota County Transportation Department is responsible for the planning, design, construction, operation, and maintenance of roads, bridges and traffic control devices on the County highway system.

The existing County highway system has a total of 424 centerline miles of which approximately 353 miles are bituminous surface, 3 miles are concrete surface and 68 miles are gravel surface. There are 1,080 lane miles in the system. The highway system also has approximately 83 bridges, 250 traffic signals, and 25,000 signs.

In providing for pedestrians and bicyclists, the County has a policy to construct off-highway bikeways in conjunction with all County highway projects whenever appropriate. The County has provided more than 85 miles of bikeways.

Long range planning for road improvement and expansion projects are identified in the *Dakota County 2030 Transportation Plan* (Plan). The Plan focuses on six goals with desired outcomes, products, or services.

Transportation Plan Vision

The purpose of the transportation system in Dakota County is to move people and goods in the safest and most efficient manner possible. The Board envisions the transportation system as a critical element of the quality of life for its citizens. Transportation systems must safely, efficiently and effectively allow citizens to travel to work and to conduct their personal lives. Transportation systems must further provide for the efficient movement of goods to markets to support the County's economic vitality. Multiple transportation options should work in coordination to minimize congestion. Additionally, transportation decisions should carefully consider and reflect environmental and community concerns.

Plan Goals & Programming Strategies

Projects programmed in the Transportation CIP implement policies, strategies and investment levels identified in the Plan. Additional projects may be programmed to address emerging needs.

The Plan includes ten overarching principles that apply to all Plan goals. These included five guiding principles identified in *DC 2030: Planning for the Future* (Dakota County Comprehensive Plan) and five principles specific to transportation. All of these principles together guide the Plan policies and strategies, and help in forming the basis for decision-making and priority determination.

The County will incorporate the following principles into all aspects of transportation system development and operations. Each principle is supported by strategies and policies to:

- Sustainability: Living comfortably in a friendly, clean and healthy community and growing without placing environmental, economic and social burdens on current and future generations. Sustainable transportation is characterized by a transportation system that links people to activity centers through modes of transportation that reduce our use of natural resources and energy.
- Connectedness: Land use patterns and multimodal transportation networks that allow people to easily move between neighborhoods, providing jobs near housing, convenient shopping and services.

- Collaboration: Coordinating the efforts of public agencies and private entities toward maximizing transportation infrastructure, services and resources. Transportation corridors and transit services should provide access and mobility to business and residential communities. Collaboration is especially important as resources cannot keep pace with increasing transportation needs.
- Economic Vitality: Identifies transportation and technology infrastructure playing a large role in attracting high-paying employers in growth industries that are situated to help the region compete nationally and internationally. Interrelationships between transportation investment, telecommunications systems and other public infrastructure are recognized and coordinated with economic development goals.
- Growing and Nurturing People: Providing a variety of transportation choices to meet the needs of people of all ages, abilities, incomes and backgrounds. A safe and efficient transportation system exists to provide opportunities for people to accommodate a positive quality of life
- Transportation Planning: Activities include the development of plans and studies that identify potential solutions to transportation issues. A travel demand model is used to forecast future traffic projections to assist with transportation plans and studies. Dakota County participates with state, regional and local jurisdictions in transportation planning activities. Transportation planning activities also include the continual monitoring of land use development integration with the County transportation system and the identification of methods to integrate transit and other transportation modes within the overall transportation system.
- Transportation Safety: This is a critical factor underlying all transportation services and projects provided by the County. Safety of the traveling public is the priority on the County transportation system. This principle refers to system development and operations pertaining to all goals. Notable activities include design standards, traffic control devices, shoulders, trails, speed limits and intersection lighting with consideration for all modes of transportation.
- Social, Economic, and Environmental Impacts (SEE): This principle identifies activities that result in avoiding, minimizing or mitigating impacts associated with the transportation system. Also identified are ways to address air pollution, erosion, noise, wetlands, storm sewers and waste management within the transportation system. Federal and state requirements pertaining to this principle will be followed. In recent years, the importance of transportation design that is sensitive to the surrounding environment has received increasing attention. The growing emphasis on aesthetically pleasing and environmentally sensitive projects has been exhibited at both the federal and state level through funding and design policies. Local governments are increasingly interested in inclusion of aesthetic elements with transportation improvements. Limited investment of transportation funds is supported to enhance the aesthetic character of highway corridors on major transportation improvement projects.
- Public and Agency Involvement: Activities resulting in opportunities for residents and agencies to contribute to transportation plans, studies and projects. Examples include open houses, workshops, surveys, publications, web site information and e-mail. In addition, staff will frequently meet with staff from local County communities and Mn/DOT regarding transportation planning documents, studies and projects.

- Context Sensitive Design and Complete Streets: Roadway standards and development practices that are flexible and sensitive to community values allows roadway designs to better balance economic, social and environmental objectives. The complete streets principle seeks to accommodate all transportation system users safely and efficiently in appropriate contexts. Compete streets are defined as roadways designed and operated to enable safe, attractive and comfortable access and travel for all users including pedestrians, bicyclists, motorists and public transport users of all ages and abilities. Context varies by road segment, but can generally be described as rural, suburban and urban. Higher attention should be paid to more intense areas where higher pedestrian and bicyclist use is expected or desired

The *Dakota County 2030 Transportation Plan* focuses on six goals with desired outcomes, products, or services.

Goal 1 Limited Resources are Directed to the Highest Priority Needs of the Transportation System.

The County will develop the best transportation system to provide for safe movement of people and goods within financial constraints.

Goal 2 Transit and Integration of Transportation Modes

Dakota County will develop and integrate comprehensive transit systems, bicycle and pedestrian networks; and other non-automobile modes for people and freight to maximize the efficiency of the transportation system by providing safe, timely, and efficient connections between communities, activity generators and employment centers.

Goal 3 Preservation of the Existing System

The most effective way to protect the County's transportation system investments is to continually evaluate and maintain the existing system to reduce unnecessary or premature replacement investments while maintaining safety and mobility.

Goal 4 Management to Increase Transportation System Efficiency, Improve Safety and Maximize Existing Highway Capacity

Safe travel on routes with minimal congestion is an integral part of the County's vision for its transportation system. Fiscal, social and environmental constraints limit the ability for an accelerated road construction program to achieve this vision alone. Management strategies that optimize the capacity and safety of the existing transportation system must be pursued.

Goal 5 Replace Deficient Elements of the System

Transportation system elements such as pavement and bridges deteriorate over time. Even with proactive preservation over the life of the transportation system, replacement eventually becomes the most effective approach. Additionally, standards and practices change, affecting system safety and operation to maintain safe and efficient movement of people and goods. The County will replace deficient elements of the transportation system as they become structurally or functionally obsolete.

Goal 6 Improvement and Expansion of Transportation Corridors

The County will improve the existing transportation system to address emerging deficiencies and capacity needs to best provide efficient connections for people to travel to work, to shop and to one another by safe travel on routes with minimal congestion.

Highway Projects

The County Transportation Department is responsible for the planning, design, construction, operation, and maintenance of roads, bridges and traffic control devices on the County highway system.

Long range planning for road improvement and expansion projects are identified in the *Dakota County 2030 Transportation Plan*. Appendix Items 6 and 7 illustrate the current system's capacity deficiencies and the future study areas, interchanges and overpasses anticipated for study through 2030, respectively.

Proposed Investments for the 2013-2017 Capital Improvement Program

Goal 1 in the *Dakota County 2030Transportation Plan* is: Limited Resources are directed to the Highest Priority Needs of the Transportation System. Specific investment categories in Goals 2 through 6 of the *Dakota County 2030 Transportation Plan* are:

Goal	Investment Categories
Transit and Integration of Transportation Modes	• Cedar Avenue Transitway (Bus Rapid Transit) • Interstate 35W Transitway (Bus Rapid Transit) • Red Rock Transitway (Commuter Rail) • Robert Street Transitway • Transit Services • Integrating Pedestrian and Bicycling Modes
Preservation	• Highway Surface – Bituminous • Highway Surface – Gravel • Bridge Rehabilitation • Traffic Safety and Operation • Transit, Pedestrian and Bicycle Facilities • Storm Sewer Maintenance
Management	• Access Spacing • 10-Ton County Highway System • Functional Classification • Jurisdictional Classification • Traffic Control Devices • Roundabouts • Safety and Management • Traffic Signal Projects • Right-of-Way Preservation & Management
Replacement	• Highway Replacement & Reconstruction • Bridge Replacement • Gravel Road Paving • Traffic Signal Replacement
Improvement and Expansion	• Lane Additions/Expansion • Future County Highway Alignments • Interchanges and Overpasses • Future Studies

This is the second year that the Transportation CIP is guided by the *Dakota County 2030 Transportation Plan*. A majority of the existing projects and any new projects scheduled in the current CIP are consistent with the direction of the *Dakota County 2030 Transportation Plan*.

The chart below shows a comparison of the recommended category funding in the *Dakota County 2030 Transportation Plan* and the 2013-2017 CIP.

Transportation Plan, Budget v. Actual			
	Proposed Draft 5-Year Plan Targets	Proposed 5-Year CIP Actual	Target to Actual (%)
Resources	9,600,000	18,162,950	189.20%
Preservation	22,600,000	29,472,000	130.41%
Management	39,000,000	42,806,800	109.76%
Replacement	51,500,000	54,397,040	105.62%
Improve and Expansion	88,100,000	35,551,427	39.99%
Total	210,800,000	180,070,540	

Not all categories meet or exceed the 5 Year Target goals established in the Plan. It should be noted that projects typically include elements in more than one project type category. The Trunk Highway (TH) 13 and County State Aid Highway (CSAH) 5 Interchange Project will be constructed in 2013 and 2014, was budgeted fully in the 2012 CIP and is included in the proposed CIP for Improvement and Expansion. The Expansion category includes projects that at this time do not have all funding identified. These types of projects are included in the CIP to assist with the pursuit of additional funding.

The “Resources” category is used to include elements in the CIP that are not directly outlined in the Plan, Goals 1-6. “Other” consists of Township Road Distribution and CIP Reimbursement for operations, staffing and Attorney costs. This is the third year of the CIP to include the full cost of all staff necessary to support implementation of the CIP ($3.4-3.8 million/year).

The current 2013-2017 Transportation CIP totals approximately $180 million. The Plan determined that over $1.253 billion would be required to meet Dakota County transportation needs over the 20 year plan period. Less than $658 million of revenue is anticipated during this time.

The 2013-2017 Transportation CIP format is organized by which revenue sources are used to support each project. Projects in this CIP that are fully funded through County funds are shown first, projects fully funded with State Aid funds second, and projects funded through a combination of County funds and State Aid funds last for each year. In a time where County funds available for Transportation CIP projects are changing, this format allows for easy identification of projects by funding source.

Highlighted Highway Projects

Goal 1: Limited Resources are Directed to the Highest Priority Needs of the Transportation System

The CIP includes projects submitted through the Regional process for Federal TEALU funding:

- CSAH 5 at TH 13 interchange and associated roadway improvements in Burnsville, and
- CSAH 50 (Kenwood Trail) at CSAH 60 (185th Street) intersection improvements in Lakeville, and
- CSAH 9 (Dodd Road) from Scott/Dakota County line to CSAH 70 (215th Street) in Lakeville, and

- Intersections at various locations for Highway Safety Improvement Program (HSIP) funding

The County worked with Mn/DOT State Aid in 2012 to add 39.6 miles to the CSAH system.

Estimates of new revenue from the Transportation Funding Bill passed by the 2008 Legislature are included in the CIP. New revenue should grow over the life of the CIP. Economic impacts on fuel consumption and vehicle sales may reduce actual revenues from estimated amounts.

Goal 2: Transit and Integration of Transportation Modes

Transportation modes will be integrated and provide alternatives that maximize the efficiency of the transportation system.

Bike and Pedestrian Trail Rehabilitation and Transit Infrastructure are included in the Transportation section of the CIP.

Separated bike and pedestrian ways are an important element of a safe and efficient transportation system to serve all modes and users.

A system of bikeways will form a framework to serve countywide needs (e.g. access to major County facilities, activity centers, employment centers, and post-secondary schools) and provide connections between municipalities and to adjacent counties.

The CIP includes funding for Transit Infrastructure projects such as: bus shelters, bus pull-outs, pilot projects for transit improvements and preservation of right of way. The County will actively pursue Counties Transit Improvement Board (CTIB) funding for transit infrastructure projects.

Refer to the Parks section of the CIP for Regional Trail projects.

Refer to Regional Rail section of the CIP for Cedar Avenue Bus Rapid Transit (BRT) and Robert Street Corridor Transitway.

Goal 3 Preservation of the Existing System

Highway Surface – Bituminous

The County will program projects for bituminous milling, overlays and pavement recycling at various locations throughout the County. These projects will repair roadway deterioration and restore the asphalt surface, prolong the life of the roadway, and improve travel comfort as well as riding quality.

Potential bituminous resurfacing projects for consideration in 2013 are listed below. Final project selection will be determined based on a review of the roadways and pavement ratings and in coordination with the cities involved.

- CSAH 30 from TH 13 to Heinne Strasse in Burnsville/Eagan
- CSAH 38 from CSAH 5 to CSAH 11 in Burnsville
- CSAH 42 from Burnsville and Apple Valley line to CSAH 23 in Apple Valley
- CSAH 42 from CSAH 23 to CSAH 33 in Apple Valley
- CSAH 46 from east of CSAH 23 to CSAH 31 in Apple Valley & Lakeville
- CSAH 73 from CSAH 14 to CSAH 8 in West St Paul
- CSAH 88 from CSAH 47 to TH 56 in Sciota/Randolph Townships

Highway Surface – Gravel

The County will program gravel resurfacing projects at various locations throughout the County. These projects will repair deteriorated surfaces with a gravel surface, prolong the life of the roadway, and improve travel as well as ride quality. To control dust, magnesium chloride will be applied on Dakota County gravel roads.

Potential gravel surfacing projects for consideration in 2013 are listed below. Final project selection will be determined after the winter season.

- CR 76 from CR 89 to CR 91 in Douglas Township
- CR 91 from Nicolai Ave to 280th Street East in Douglas Township
- CR 93 from 260th Street to TH 61 in Douglas Township
- CR 89 from TH 50 to CSAH 62 in Marshan & Douglas Township
- CR 73 from Bonaire Path to CSAH 32 in the cities of Rosemount and Inver Grove Heights

Goal 4: Management to Increase System Efficiency and Maximize Existing Highway Capacity

Access and Management Projects

County Project (CP) 50-17: The construction of a roundabout will improve intersection operations of CSAH 50 (Kenwood Trail) and CSAH 60 (185th Street) in Lakeville. Roundabout construction is scheduled for 2014.

Goal 5: Replace Deficient Elements of the System

Bridge Replacement

The Bridge Replacement Program recommends replacing deficient bridges. The projects are funded with federal, county, state, and local funds.

Potential bridge replacement projects for consideration in 2013 are listed below. Final project selection will be determined based upon availability of bridge bonds or state funding.

- CSAH 80 (240th St) Bridge L-3167, west of CSAH 4 (Northfield Trail) in Hampton Township
- CR 90 (300th St) Bridge L-3934, over Dutch Creek in Greenvale Township

Highway Reconstruction

CP 9-79: This project will widen shoulders, add turn lanes, and reconstruct CSAH 9 from CSAH 2 in Scott County, Minnesota to CSAH 70 in Lakeville, which is located in Dakota County. Right of way acquisition in 2013, construction is scheduled in 2014.

Goal 6: Improvement and Expansion of Transportation Corridors

Interchanges/Overpasses

- CP 5-41: This project will construct a grade separated intersection at CSAH 5 and TH 13 in Burnsville. This project includes associated roadway improvements in the area of the new interchange. This project will be constructed using Federal TEALU, Routes of Regional Significance and State funds. Construction will begin in 2013 and continue into 2014.

Future Studies/Professional Services

- CP 14-78: CSAH 14 Roadway Study in South St Paul.
- East/West Principal Arterial Study in southern Dakota County.

Financial Summaries

The following three charts breakdown the various funding sources and commitments made to the Transportation CIP for the next five years. Collectively, they demonstrated the complicated nature of transportation finance.

CIP 5 Year Summary, Funding Sources

Year	Annual Cost	City	Federal	State	CPA	Gravel Tax	Other	Dakota County
2013	32,335,607	6,507,401	2,924,675	300,000	11,481,550	150,000	-	10,971,981
2014	41,397,255	9,118,809	8,499,200	200,000	10,668,303	150,000	132,500	12,628,443
2015	23,175,129	3,390,936	2,594,860	170,000	7,556,961	150,000	10,000	9,302,372
2016	40,213,499	5,839,210	720,000	1,447,500	13,998,825	150,000	-	18,057,964
2017	42,949,050	7,234,794	-	-	18,203,292	150,000	-	17,360,964

CIP 5 Year Summary, CSAH, LMVST & Flex. Hwy. Account

Estimated Ending Fund Balance (as of 12/31/2012): 0

Year	CSAH Construction	CSAH Maintenance	Flex. Hwy. Acct.	LMVST	CSAH Cost	Individual Year End Balance	Cumulative Year End Balance
2013	7,985,000	1,311,000	1,300,000	1,305,000	11,481,550	419,450	419,450
2014	8,178,000	1,337,000	1,350,000	1,306,000	10,668,303	1,502,697	1,922,147
2015	8,325,000	1,364,000	1,400,000	1,305,000	7,556,961	4,837,039	6,759,186
2016	8,449,000	1,391,000	1,450,000	1,304,000	13,998,825	(1,404,825)	5,354,361
2017	8,576,000	1,419,000	1,500,000	1,302,000	18,203,292	(5,406,292)	(51,931)
Total	41,513,000	6,822,000	7,000,000	6,522,000	61,908,931		

CIP 5 Year Summary, County Funds & CPA

Estimated Ending Fund Balance (as of 12/31/2012): 26,150,000

Year	Levy	CPA	Wheelage Tax	Dakota County	Individual Year End Balance	Cumulative Year End Balance
2013	4,373,954	9,184,038	1,600,000	10,971,981	4,186,011	30,336,011
2014	4,417,694	6,888,029	1,600,000	12,628,443	277,280	30,613,291
2015	4,461,871	4,592,019	1,600,000	9,302,372	1,351,518	31,964,809
2016	4,506,489	2,296,010	1,600,000	18,057,964	(9,655,465)	22,309,344
2017	4,551,554		1,600,000	17,360,964	(11,209,410)	11,099,934
Total	22,311,562	22,960,096	8,000,000	68,321,724		

FINANCIAL POLICIES AND GUIDELINES

The purpose of this section is to provide an understanding of the following:

- Financial philosophy that guides Dakota County's financial operation
- Long-range financial policies
- Fund balance management plan and practices
- Debt Administration
- Investment Policy
- Budget Compliance Policy

Financial Philosophy

The basic principles that drive the development of financial policies and guidelines for Dakota County are to:

- Maintain a clear definition of accountability and spending authority
- Maintain a long-term financial approach for responding to both current and future issues

  Examples of this approach include multi-year outlooks for budget planning as well as balancing the budgeting of tenuous state revenues between the operating and capital budgets. Additionally, as a matter of practice, the county begins budgeting for the operating costs of capital at the time major projects are approved to begin, ensuring resources are in place when the project is complete.
- Maintain appropriate levels of fund balance by:
  - utilizing fund balance for time-limited projects or services
  - fully funding all plans and obligations
  - enhancing funding for building projects

Long-Range Financial Policies

The County has a number of policies and practices that are long-term in scope, but there is no one stated long-range financial policy. For example, the County has a fund balance plan that advocates prudent use of fund balance to promote long-term budget stability. Fund balance is used to smooth the impact of one-time expenditures or revenue shortfalls. Additionally, the County designates a portion of its fund balance for budget stabilization to account for unforeseen disruptions in revenue. Budget planning in 2012 and 2013 has explicitly moved beyond single year budgeting for operations and has considered the longer term environment for revenue as well as likely cost pressures.

The County also adhere to a set of guideline adopted by the Board know as Dakota County's Principle for Financial Management (Principles). These Principles advocate the following:

- Structural balance:
  - Match all ongoing spending commitments with ongoing revenue streams to avoid any future financial "cliffs;"
- Multi-year perspective:
  - Recognize (and plan to fund) the impacts of current spending decisions;
- Prudent reserve levels and uses:
  - Maintain sufficient reserves to ride through the economic cycles;
  - Spend one-time fund for one-time purposes;
- Realistic budget plans and effective management:
  - Prudent estimates of revenues and costs in the budget;
  - Monitor and manage the adopted budget carefully.

Each of the above Principles informs the creation and maintenance of all County financial plans, including the 2013 Adopted Budget. Additionally, the Board regularly conducts Financial Planning Workshops to receive staff recommendations and to provide instruction for all long-term financial plans of the County. The next Financial Planning Workshop is scheduled for March 2012 to discuss the County's use of fund balance as well as strategies to combat pressures placed on the Property Tax Levy.

The County also engages in long-term facilities planning. The Capital Planning and Project Management unit, in cooperation with other County departments has created a Long Range

Facilities Plan. This plan was last updated in 2002 and looks at the County's facilities needs for the next fifteen years. The Long Range Facilities Plan is a planning document only. However, capital costs of future projects are quantified to allow for fiscal planning. In addition to the capital costs, the cost of operating these facilities is considered. Dakota County has a practice of building up operating funds when new facilities are planned to open. This longer-term planning for operating costs allows for a gradual increase in the amount of funding necessary to staff and run the facilities without causing an unusually high increase in property taxes in the years in which the facilities open.

An example is that in 2006 the County Board approved the construction of a new library to open in 2009. Beginning with the 2005 budget year, the County began designating current property tax levy for future operating expenses associated with the new library. Because property tax levy had been gradually set-aside each year there was no increase in the County's budget in 2009 related to the opening of the library, above the amount set-aside, nor was there a greater-than-average increase in the 2009 budget. Rather, the funds, which were set aside, were reallocated in the 2009 budget process to the Library department.

In terms of long range financial planning, Dakota County utilizes a long-term approach to strategic planning and goal setting. As part of a Balanced Scorecard model, the County has identified long-range objectives as the guiding principles for budget development and monitoring of performance.

Fund Balance Management

Background

When reviewing fund balance it is important to understand how it is built and used. Dakota County's fund balance management practices have grown and evolved significantly over time. In the 1980's, planned sources and uses of fund balance were very limited. Throughout the 1990's, these practices have become much better defined and have evolved into the current practices evident in the 2013 budget. Our practices and policies help to assure an appropriate level of fund balance and allow for the planned use of fund balance for defined purposes, including property tax relief and service and building improvements. As we face a more challenging economic environment, our fund balance practices will again warrant review as we manage risks and continue our transition to a future of lower revenue.

Our financial strengths are affirmed by the current bond ratings by both Moody's and Standard & Poor's indicating Dakota County's strong capacity to meet its financial obligations. The County's strong financial condition was further recognized by the elevation of the bond rating to AAA by Standard and Poor's in 2011. The Moody's rating remains at Aaa.

Current Bond Ratings	
Moody's Municipal:	Aaa
Standard & Poor's:	AAA

The County plans to be able to maintain long-term appropriate fund balance amounts. It is our desire to maintain an appropriate fund balance level, which allows the County sufficient lead time and resources to respond to budget deficits arising from revenue losses or expenditure increases.

The proper amount of fund balance and budget surplus is a very difficult issue. We believe the proper amount of fund balance varies for every county. Our belief is supported by there being no widely accepted guidelines for proper fund balance amounts. We also believe that each county's fund balance needs vary from year-to-year. Dakota County's fund balance needs increase when planning for major capital expenditures or when we fear declining revenue.

Nevertheless, Dakota County does not plan to utilize fund balance for on-going expenditures, but rather for one-time items such as capital purchases or improvements. The major issue related to fund balance is not the amount but rather that we understand our financial condition, have a solid financial plan, and review our plan on a regular basis.

Dakota County's Fund Balance Plan

Fund Balance Plan	
Components of Fund Balance Plan	Demonstration of Achievement of Plan
Maintain and possibly grow fund balance to meet obligations	• Cash flow requirements fully designated • IBNR fully designated • Compensated absences increases fully covered (annual transfer to Internal Service Fund)
Maintain flexibility to cover unforeseen	• Contingency funds • Losses in external funding

Explanation of Fund Balance Plan Components

Maintain and possibly grow fund balance to meet obligations. Dakota County currently has fund balance fully sufficient to cover all cash flow requirements and incurred but not recognized (IBNR) items.

Maintain flexibility to cover unforeseen costs. Dakota County manages its fund balance to insure that unforeseen expenditure increases or revenue losses can be covered in the short-term, thereby allowing the County Board and management sufficient lead time to respond to the financial situation. An unforeseen and untimely loss of revenue occurred at the end of 2008, when the Governor "unallotted" state aids to cities and counties on December 24th, just days before the close of the fiscal year (a state law allows the Governor to reduce state payments when of a state budget shortfall). This resulted in a loss of revenue of $2.3 million. The County's fund balance was necessary in this case, as there was no way to reduce expenses by this amount in that short of time period.

Debt Administration Policy

Dakota County has established debt administration guidelines. While the guidelines have not been formally adopted as a policy by the Board, they nevertheless provide guidance for debt administration. The purposes of the guidelines are to: maintain a high credit standing, preserve debt capacity for future capital needs, acquire capital at the lowest-possible borrowing cost and administer obligations in an efficient manner. Several key policy issues form the framework for the County's debt procedures. A listing of the key issues follows:

- Competitive and open bonding processes will be the standard.
- Communications with the investor and the national bond rating communities will be given high priority.
- Complete and full disclosure of all financial and economic operations will be met through the timely distribution of information.

- Compliance with the terms, conditions, and covenants of all outstanding bond or lease transactions will be monitored.
- Complex financial transactions requiring county limited or unlimited may be publicly sold through negotiation with a syndicate of investment banks with proper oversight.
- Determination of type and level of security of debt should be made based upon: direct and indirect beneficiaries of the project, time pattern of the stream and the project's useful life, and ability of a project to fund itself through use fees.
- Refunding and advance refunding opportunities will be monitored and the target level of a minimum of four percent Net Present Value debt service savings.
- General obligation bond proceeds will not be employed to fund general operation of the County.

The County policy on debt administration also addresses several guidelines to promote balance. The guidelines outline a variety of factors to consider when issuing debt is presented as a funding option. Samples of the guidelines are listed below:

- Debt service for general obligation (GO) property tax-supported debt and capital leases will not exceed seven percent (7%) of general fund and special revenue expenditures.
- Direct GO debt and capital leases will not exceed 0.65% of indicated Market Value of taxable property.
- Direct GO debt and capital leases will not exceed $300 per capita.
- Direct GO property tax-supported debt and capital leases will not exceed two percent (2%) of aggregate household income.
- The minimum debt capacity to be preserved for future projects and contingencies will be seventy percent (70%).
- Average life of county GO property tax-supported bonds should not exceed 10 years.
- Variable rate debt will not make up more than twenty percent (20%) of the combined debt portfolio of the County.

Investment Policy

While funds are in the custody of the County, the funds shall be invested prudently and in accordance with Minn. Stat. § 118A to assure the preservation of principal, provide needed liquidity for daily cash requirements, and provide an acceptable rate of return.

The portfolio is established to preserve financial assets for future operating and capital expenses. The portfolio will be actively invested to achieve growth of capital through appreciation of securities held and through the accumulation and reinvestment of interest income.

The County's Director of Financial Services is the fiduciary agent of the Portfolio. The responsibility for conducting investment transactions involving public funds of the County reside with the Cash Management Section of the Financial Services Department under the direction of the Finance Manager. In the management and investment of the Portfolio, he (she) must act in accordance with the standards of the "prudent person." All transactions shall be made in good faith with the degree of judgment and care, under the circumstances, at the discretion of the person of prudence.

In 2010, the County developed and implemented use of external professional investment managers to manage a portion of the county's intermediate-and long-term portfolio. This is expected to improve net budget revenues from investment returns while adhering to State law requirements and the County's investment principles of safety, liquidity and return.

Employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution and management of the investment program or that could impair their ability to make impartial decisions. Employees shall disclose any material direct interests in financial institutions with which the County conducts business. They shall further disclose any personal financial and investment positions that could be related to the performance of the investment portfolio. This will be managed by the annual related party transaction questionnaire that investment employees are required to complete.

The Board will approve the Investment Policy. The Investment and Cash Management Committee will review the portfolio and performance at least quarterly and the policy, guidelines and procedures annually.

The objectives for investing the Portfolio shall be, in order of priority:

1. Legality. Investments will be made in accordance with Minn. Stat. § 118A governing the investment of public funds. Prior to completing an initial transaction with a broker, Dakota County will receive a fully executed "Notification to Broker and Certification by Broker" form from the broker. "Notification to Broker and Certification by Broker" forms will be obtained whenever changes are made to the Investment Policy.
2. Safety of Principal. Investments will be made in a manner that seeks to ensure the preservation of principal in the overall portfolio and to mitigate credit risk and interest rate risk.
   a. Credit Risk - The risk of loss due to the failure of the security issuer or backer will be minimized by:
      i. Pre-screening and authorizing financial institutions, broker or dealers and intermediaries with which Dakota County will do business.
      ii. Diversifying the portfolio to minimize the impact of potential losses from any one type of security or from any one individual issuer.
      iii. Requiring insurance and collateral to ensure return of capital.
   b. Interest Rate Risk - The risk that the market value of securities in the portfolio will change due to changes in market interest rates will be minimized by:
      i. Structuring the portfolio so that securities mature to meet cash requirements for ongoing operations.
      ii. Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy.

   All investment securities purchased by the County shall be held in safekeeping by a third-party designated institution (the "custodian") as agent for the County. All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Cash, certificates of deposit and other depository accounts shall be collateralized by pledged securities as specified in Minn. Stat. § 118A. The County requires that all pledged collateral be placed in safekeeping at a Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral. Custodial and collateral holdings will be monitored for compliance.

3. Liquidity. The liquidity of the portfolio should be sufficient to meet all County cash flow requirements. Investments should be in liquid securities with a secondary or resale market (dynamic liquidity) and maturities should be laddered over time and structured to meet cash flow requirements to the extent possible (static liquidity). A portion of the portfolio may be placed in money market mutual funds or local government investment pools, which offer same-day liquidity for short-term investments. Securities may be liquidated to meet unanticipated cash requirements or to purchase other investments deemed more attractive in meeting the portfolio objectives.
4. Yield. The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.

   Securities shall generally be held until maturity with the following exceptions:

   a. Liquidity needs of the portfolio require that a security be sold
   b. A security swap would improve the quality, yield or duration in the portfolio.
   c. A security with declining credit may be sold early to minimize loss of principal

Budget Compliance Policy

The Board annually adopts a budget, which is the spending and funding plan for the County. The budget is balanced with revenues equaling expenditures. The County Board expects that funds will be spent and earned in compliance with the budget. Budget compliance requires expenditures to be equal or less than and the revenues to equal or exceed the budget amount. A projected budget deficit exists when expenditures estimates exceed authorized spending levels or when projected revenues are lower than budgeted. A projected deficit requires either a plan of action to reduce spending or a budget amendment. A budget amendment might reallocate resources or modify revenue levels to bring each deficit activity back into balance.

The chief purposes of the Budget Compliance Policy (BCP) are to:

- Identify clearly staff’s authority to amend the budget;
- Identify clearly where staff is held accountable;
- Provide staff with authority to resolve most projected budget deficits;
- Expect staff to resolve most projected budget deficits.

Budget compliance is measured at budget accountability points. A budget accountability point is the identified level used to evaluate each account group for budget compliance. Budget accountability points are at differing levels. Reasons for differing levels of budget accountability points include: external and internal reporting needs; county policies and practices; and varying levels of desired flexibility.

The BCP identifies the circumstances under which staff may amend the budget without Board action. In most cases, the authority has been granted to the County Administrator, who has then designated authority to lower levels. The following authorities have been granted to amend the budget:

- Transfer spending authority within a program or department;
- Transfer spending authority between or among programs/department within a division;
- Transfer spending authority between or among divisions;
- Reduce spending authority or increase other revenue budgets related to deficits;

- Expand spending authority related to new or increased categorical revenue sources;
- Transfer spending authority below the budget accountability point;
- Make budget corrections or amendments falling under the authority of other policies.

Budget amendments are required as soon as budget deficits are projected. All other budget amendments are required prior to implementing spending changes.

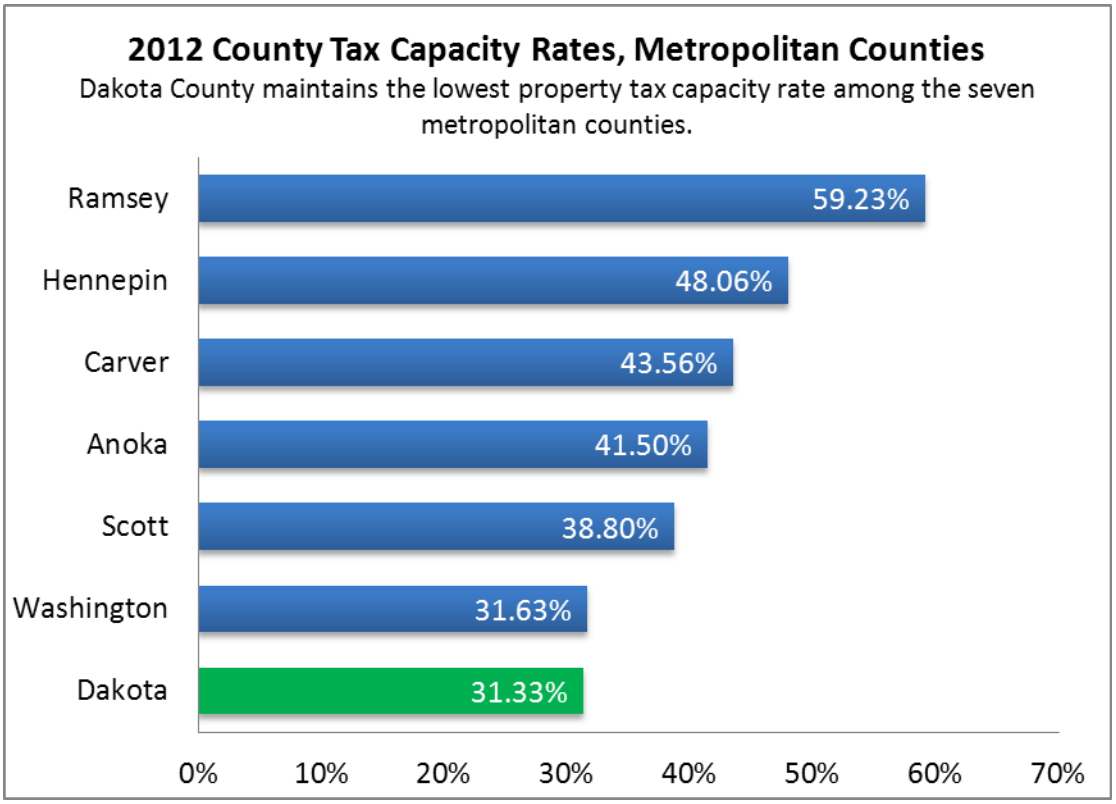
APPENDIX

This section provides information on the following:

- Item 1: Metropolitan Counties Property Tax Rates
- Item 2: Metropolitan Counties Property Taxes on $200,000 Home
- Item 3: Metropolitan Counties Per Capita Property Tax
- Item 4: Dakota County Budget Calendar
- Item 5: Dakota County Full Time Equivalents (FTEs) by Department
- Item 6: Dakota County Park System
- Item 7: Intersection Capacity Map
- Item 8: Future Studies Map

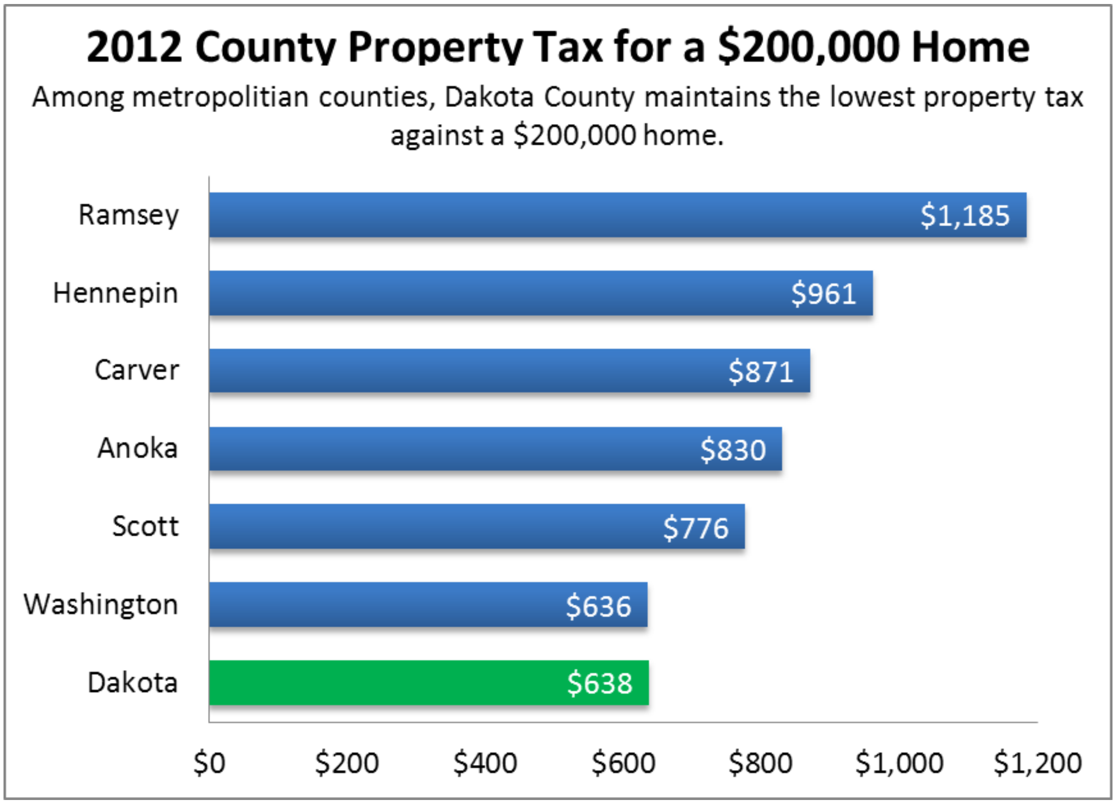
Item 1: Metropolitan Counties Property Tax Rates

Dakota County has the lowest property tax rate of all the seven metropolitan counties, as well as in the entire state. The amount of County property taxes paid on a $200,000 home is the lowest of the metropolitan counties for taxes payable in 2012.



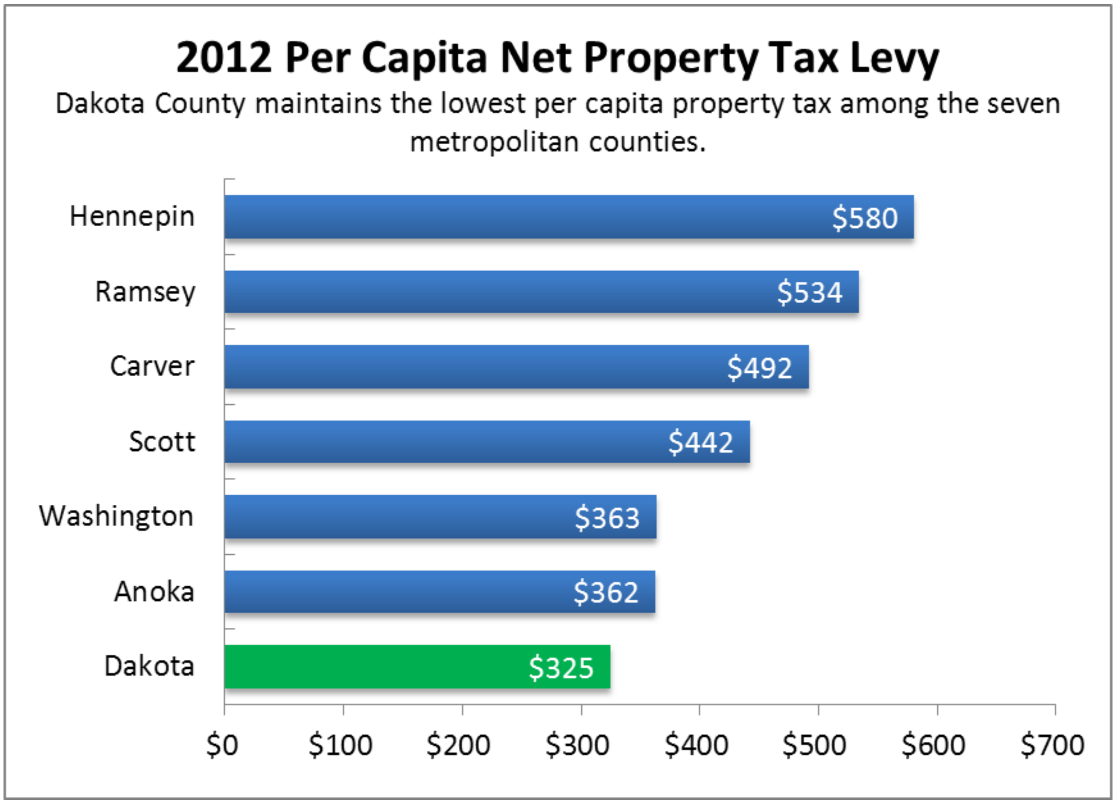
Item 2: Metropolitan Counties Property Taxes on $200,000 Home

The County also maintains the lowest property tax against a $200,000 home among the seven metropolitan counties and the fifth lowest in the State of Minnesota.

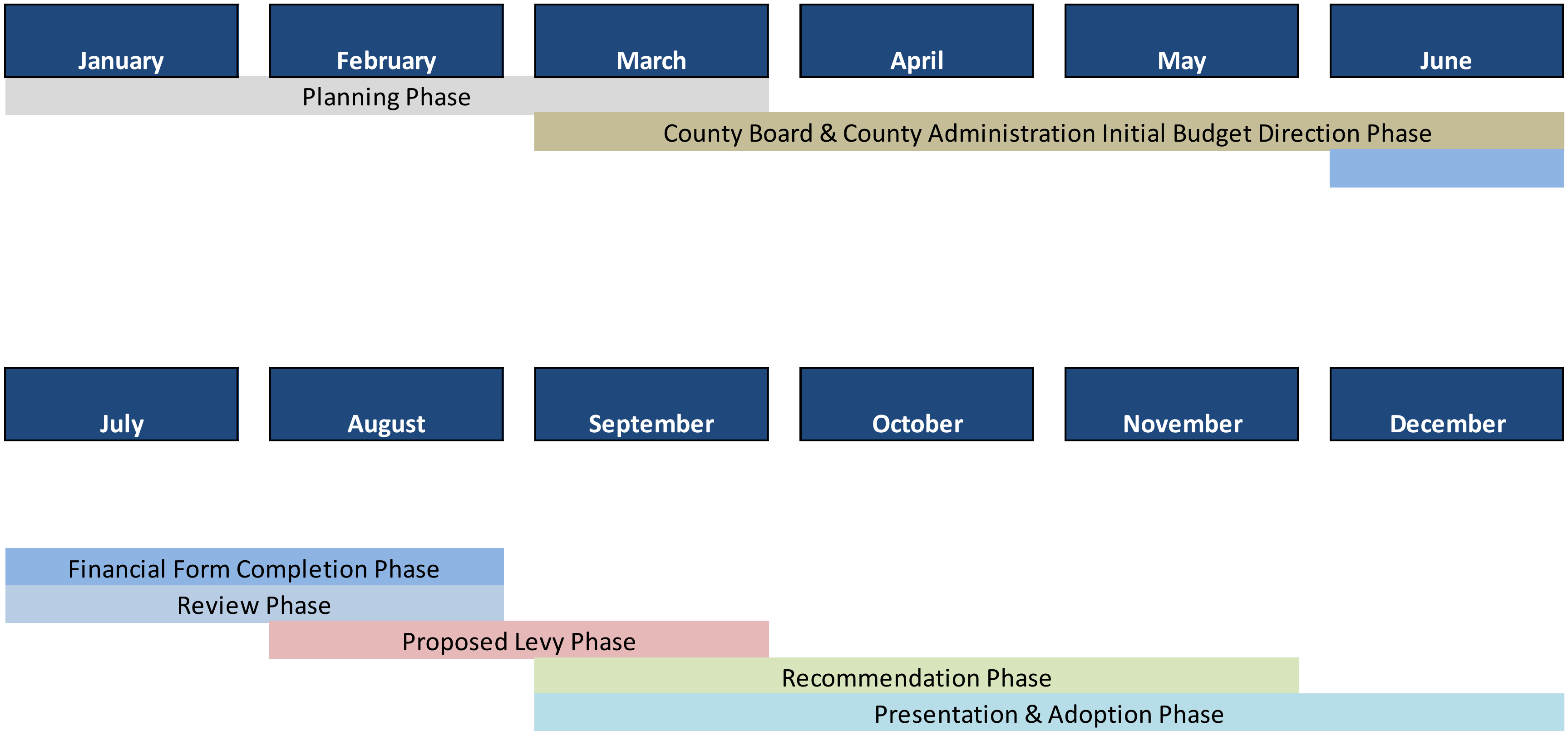


Item 3: Metropolitan Counties Per Capita Property Tax

Dakota County has the lowest per capita net property tax of the seven metropolitan counties.



Item 4: Dakota County Budget Calendar

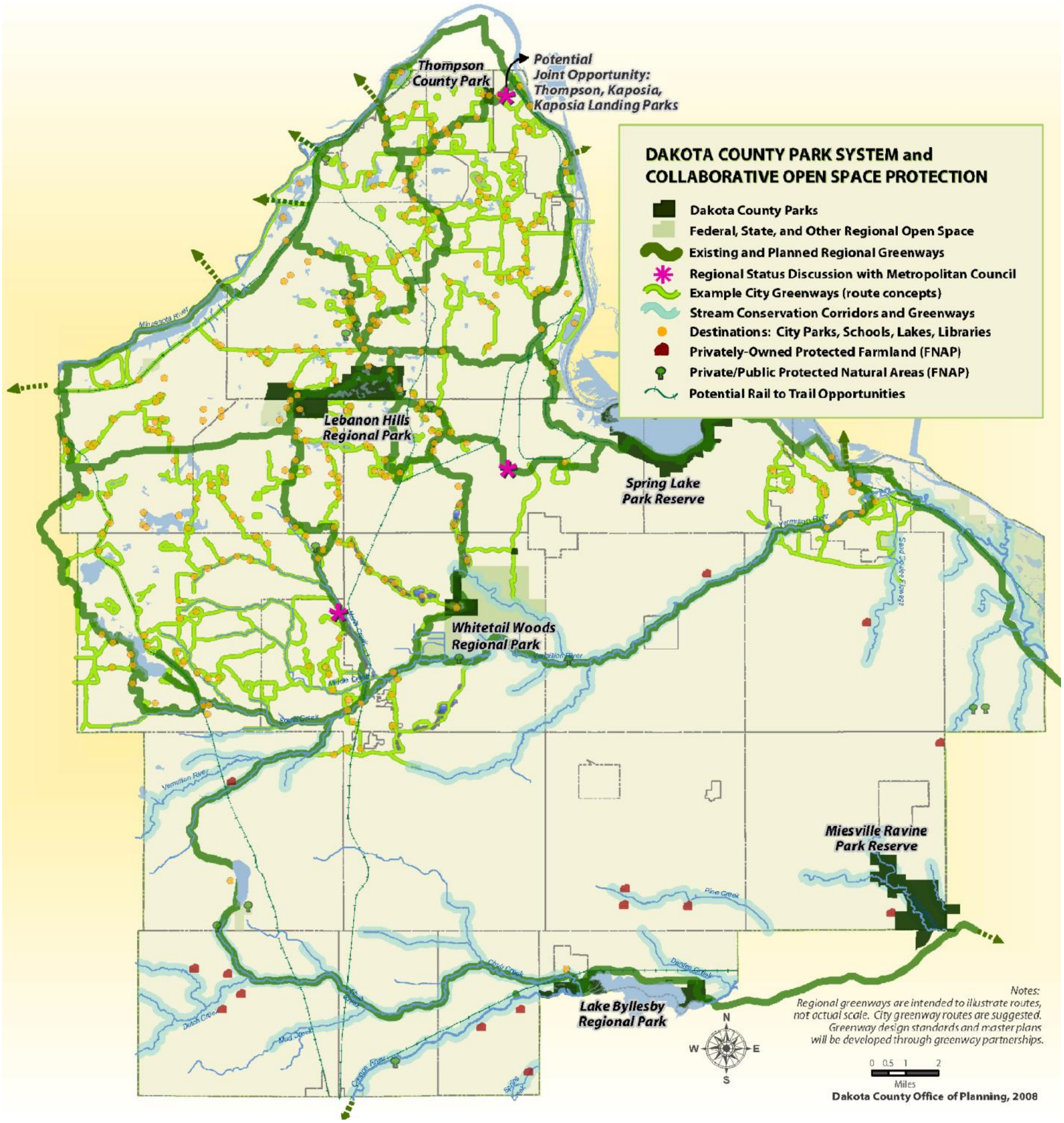


Item 5: Dakota County Full Time Equivalents (FTEs) by Department

A Full-Time Equivalent (1.0 FTE) employee totals 2,088 hours per year. Departments are authorized FTEs under the Adopted Budget. Generally, changes to FTEs must be authorized by the County Board. County staff has the authority to adjust the number of FTEs. These exceptions are outlined in the Position Control Policy, Budget Compliance Policy and the Innovative Program Policy. Each of these policies allow for certain modifications in FTEs, such as: eliminating FTEs if funding for the position has been reduced or eliminated. The table below outlines the number of FTEs by County department and division.

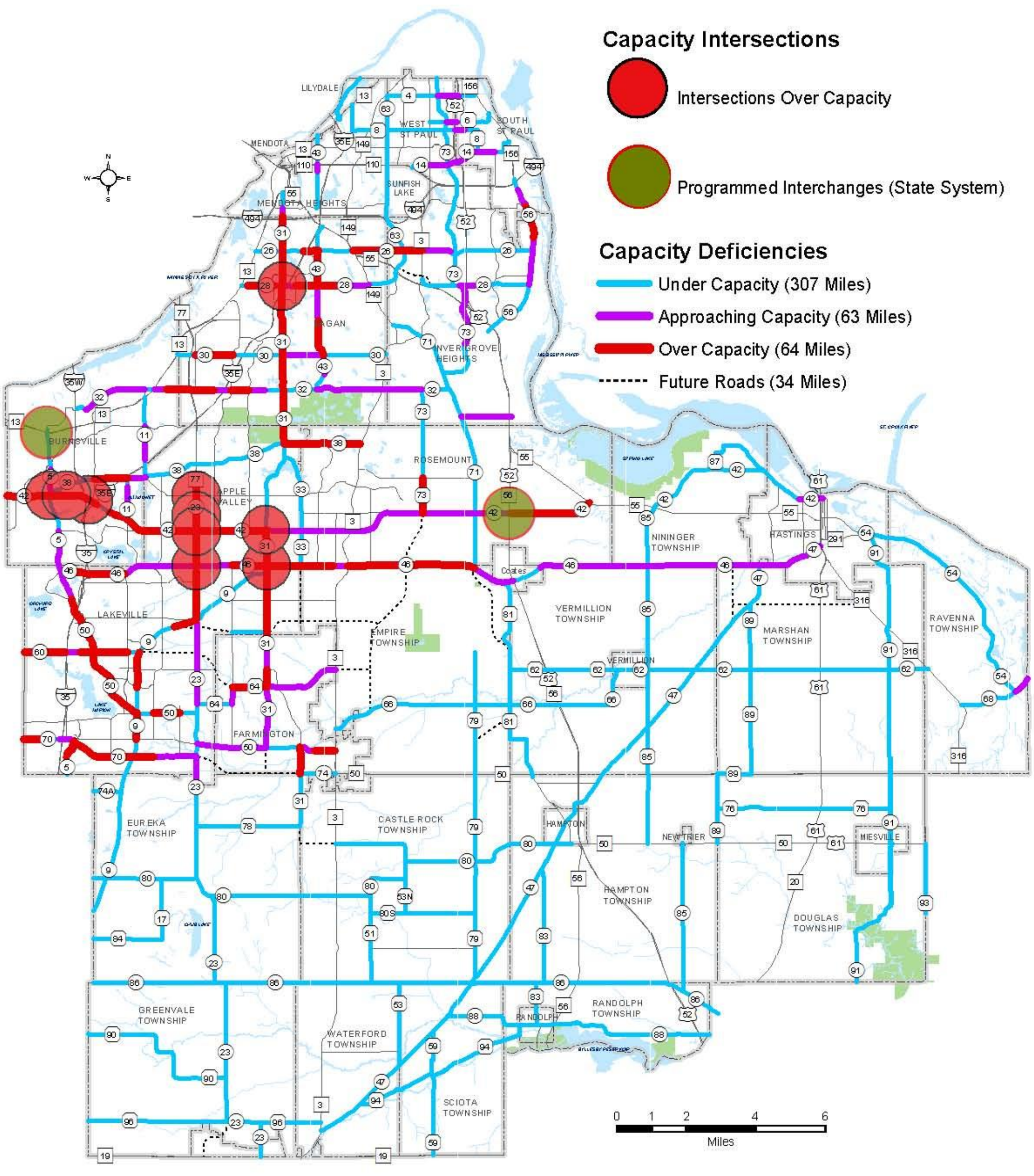
Department	2010	2011	2012	2013
Countywide		**4.00**	**3.00**	**3.00**
Public Services & Revenue Administration	10.25	9.25	9.25	10.25
Assessing Services	36.00	36.00	35.00	35.00
Property Taxation & Records	48.10	47.60	43.60	43.60
Service & License Centers	22.75	22.75	23.75	23.75
Library	150.93	143.43	135.93	135.93
Public Services & Revenue Division	**268.03**	**259.03**	**247.53**	**248.53**
Operations Management	61.05	60.70		
Risk Management			5.70	5.70
Information Technology	58.25	55.75	52.75	51.75
Financial Services	29.00	29.00	31.00	33.50
Office of Planning & Analysis	13.80	12.00	12.00	12.00
Criminal Justice Information Integration Network	5.00	6.00	6.00	6.00
Operation Management & Budget Division	**167.10**	**163.45**	**107.45**	**108.95**
County Administration	11.50	10.00	11.00	10.00
County Board	7.00	7.00	7.00	7.00
County Communications	7.60	7.10	6.10	6.10
Employee Relations	20.70	19.05	19.05	19.05
County Administration Division	**46.80**	**43.15**	**43.15**	**42.15**
Community Services Administration	13.00	12.00	13.00	14.00
Social Services	279.50	266.00	294.37	296.52
Employment & Economic Assistance	252.70	243.00	242.00	244.63
Public Health	144.84	142.69	94.38	94.19
Veterans Services	8.00	6.00	6.00	6.00
Community Corrections	174.64	168.57	169.30	169.69
Community Services Division	**872.68**	**838.26**	**819.05**	**825.03**
County Sheriff	**173.31**	**171.31**	**171.31**	**171.31**
County Attorney	**82.49**	**83.99**	**84.99**	**83.99**
Office of Geographic Information Systems	8.00	7.00	7.00	7.00
Operations Management			91.78	88.78
Physical Development Administration	16.85	16.85	17.20	22.50
Transportation	83.69	81.93	81.93	82.43
Parks	48.28	46.03		
Water Resources	17.60	16.15	16.15	18.15
County Surveyor	8.00	8.00	8.00	8.00
Environmental Management	13.35	12.65	12.65	12.55
Physical Development Division	**195.77**	**188.61**	**234.71**	**237.41**
Total County Full-Time Equivalents	**1,806.18**	**1,751.80**	**1,711.19**	**1,722.37**

Item 6: Dakota County Park System



Item 7: Intersection Capacity Map

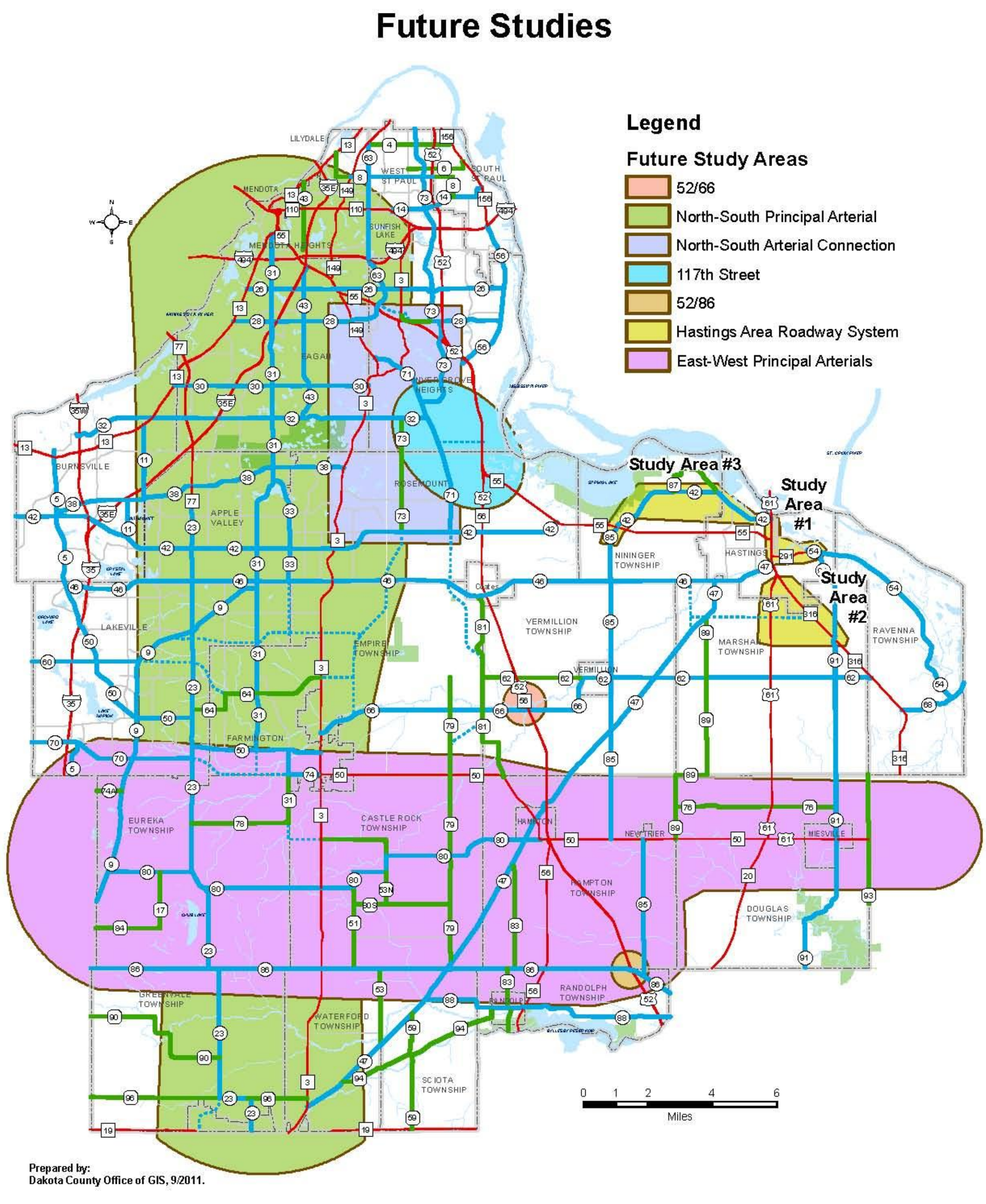
Intersections Approaching Capacity



Prepared by:
Dakota County Office of GIS, 9/2011.

Dakota County 2030 Transportation Plan - Figure 45

Item 8: Future Studies Map



Dakota County 2030 Transportation Plan - Figure 46

Glossary

In some cases, definitions for common terms are adopted from other government reports.

Accrual Basis	The recording of financial effects on a government of transactions and other events and circumstances that have cash consequences for the government in the periods in which those transactions, events and circumstances occur, rather than only in the periods in which cash is received or paid by the government.
Activity	A specific and distinguishable service performed by one or more organizational components of a government to accomplish a function for which the government is responsible.
Adopted Budget	The County budget for a fiscal year (January to December) as adopted by the County Board of Commissioners.
Advance Refunding	A transaction in which new debt is issued to provide monies to pay interest on old, outstanding debt as it becomes due, and to pay the principal on the old debt either as it matures or at an earlier call date.
Agency Fund	One of four types of fiduciary funds. Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).
Allotment	Portion of an annual or biennial budget appropriation allocated to an interim period.
Arbitrage	The reinvestment of the proceeds of tax-exempt securities in materially higher yielding taxable securities (GFOA).
Assessed Valuation	A value established for real property for use as a basis for levying property taxes.
Attorney Forfeiture Special Revenue Fund	To account for the 20 percent of the proceeds from the sale of forfeited property this is distributed to the County Attorney as a supplement to operating monies for prosecutorial purposes.
Available Fund Balance	The portion of fund balance not reserved for an existing obligation and could be used to finance appropriations.
Basic Financial Statements	The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP.
Basis differences	Differences that arise through the employment of a basis of accounting for budgetary purposes that differs from the basis of accounting prescribed by GAAP for a given fund type.
Basis of Accounting	The timing of recognition, that is, when the effects of the transactions or events should be recognized for financial reporting purposes. Basis of accounting is an essential part of measurement focus because a particular timing of recognition is necessary to accomplish a particular measurement focus.
Budget	A comprehensive financial plan of operation for a specified period of time that matches all planned revenues and expenditures.
Budgetary Basis of Accounting	The method used to determine when revenues and expenditures are recognized for budgetary purposes.

Budgetary Guidelines	Recommendation on budgeting issued by the National Advisory Council on State and Local Budgeting (NACSLB). The NACSLB's budgetary guidelines are chiefly of interest to accountants because of the emphasis they place on performance measurement in the context of the budgetary process.
Budgetary Reporting	The requirement to present budget-to-actual comparisons in connection with general purpose external financial reporting. Budgetary reporting is required in connection with the basic financial statements for both the general fund and individual major special revenue funds with legally adopted annual budgets. Budgetary reporting also is required within the comprehensive annual financial report to demonstrate compliance at the legal level of control for all governmental funds with legally adopted annual budgets.
Budget Compliance	The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.
Budget Compliance Points	The level at which spending in excess of budget and/or collecting revenue less than budget would be in violation of Dakota County's Budget Compliance Policy.
Budget Incentive Policy (BIP)	Dakota County policy whereby departments and divisions are able to receive a portion of their prior years' budget savings to purchase small capital items and supplement funding for short-lived or one-time projects.
Business-type Activities	One of two classes of activities reported in the government-wide financial statements. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. These activities are usually reported in enterprise funds.
Capital Expenditures	Expenditures resulting in the acquisition of or addition to the government's general fixed assets.
Capital Improvement	Major construction, repair of or addition to building, parks, roads and bridges, and bikeways.
Capital Improvements Budget	The schedule of project expenditures for the acquisition and construction of capital assets for the current fiscal year.
Capital Improvement Program	Five year plan for capital improvement projects.
Capital Projects Fund	Fund type used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).
Cash Basis of Accounting	Basis of accounting that recognizes transactions or events when related cash amounts are received or disbursed.
Challenges	Anticipated tests to the departments or organization's abilities or resources in achieving stated goals or undertakings.
Class Rates	The percent of market value set by state law that establishes the property's tax capacity subject to the property tax.
Community Services Special Revenue Fund	To account for all costs for human services. Financing comes primarily from an annual property tax levy and intergovernmental revenue from the State and Federal Governments.

Countywide Operations Department	An accounting entity where expenditures and revenues are recorded that impact or benefit all county departments.
Community Indicators	These provide a “snap-shot” of the quality of life in a community or county. They report on crime levels, housing conditions, environmental pollution, child immunization rates, demographic trends, incidents of youth and domestic violence, household wealth, community voting rates, and other aspects of community life.
County Library Special Revenue Fund	To account for the operating cost of the Dakota County Library System. Financing is provided by an annual property tax levy.
County Parks Special Revenue Fund	To account for park acquisition, development, and operating costs. Financing is provided by an annual property tax levy and grants from the Metropolitan Council.
Debt Service Fund	A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
Deficit	(1) The excess of expenditures over revenues during an accounting period. (2) When actual revenue received is less than budgeted. (3) When actual expenditures are greater than budgeted.
Department	An organizational entity designated by the County Board of Commissioners as a department.
Designated Fund Balance	A portion of an unreserved fund balance that has been identified for a specific purpose. Designations are can be either required by state statute or other policy or resolution.
Effectiveness Indicators	Performance indicators that measure how well a particular service accomplishes the intended purpose and that is of direct importance to managers, clients, and the public. It may measure an intermediate outcome (an initial outcome that is expected to lead to the desired end, but is not an “end” in itself, or an end outcome (long-term results that are anticipated or desired.
Efficiency Indicators	Measures that indicate how well resources are being used. It is expressed as a ratio between the amount of input and the amount of output or outcome, and is often described as the cost per unit of output. It may be the cost per library material circulated or the cost per person hired. The input may also be expressed in staff time; such as the number of welfare applications processed per financial worker FTE or the number of inspections completed per assessor per hour.
Enterprise Fund	(1) A fund established to account for operations financed and operated in a manner similar to private business enterprises (e.g., airports, transit systems). In this case the governing body intends that costs (i.e., expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user fees. (2) A fund established because the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.
Environmental Management Special Revenue Fund	To account for environmental management activities within the county including waste reduction, planning, administration, regulation, and education.

Expenditure	Use of an appropriation to purchase goods and services (including services of employees) necessary to carry out the responsibilities of a department or organization.
Expenditure-driven Grants	Government-mandated or voluntary non-exchange transactions in which expenditure is the prime factor for determining eligibility. Also referred to as *reimbursement grants.*
Expenditures	Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net current assets, debt service, and capital outlays, and intergovernmental grants, entitlements and shared revenues.
Expenses	Outflows or other using up of assets or incurrence of liabilities (or a combination of both) from delivering or producing goods, rendering services or carrying out other activities that constitute the entity's ongoing major or central operations.
FTE	Full Time Equivalent. A full time employee works 2,088 hours per year. FTE's are calculated by dividing hours worked per year (or planned hours to be worked) by 2,088. For example, an employee working 1,044 hours per year divided by 2,088 equals 0.50 FTE.
Fiduciary Funds	Funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs.
Financial Resources	Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g., receivables, instruments). Financial Resources also may include inventories and prepaid items (because they obviate the need to expend current available financial resources.
Fiscal Year	A 12-month period not necessarily corresponding to a calendar year.
Formula Grants	Government-mandated or voluntary non-exchange transactions involving the provision of resources based upon established criteria (e.g., number of full-time equivalent students) other than the incurrence of qualifying expenditures.
Function	A group of services aimed at accomplishing a defined purpose. Functions may cross-organizational boundaries.
Fund	An independent fiscal accounting entity with a self-balancing set of accounts. Examples are the General Fund, Special Revenue Funds, Capital Projects, Enterprise, and Internal Service Funds. Annual budgets may or may not be adopted for different funds.
Fund Balance	In accounting terms, it is the net fund assets minus fund liabilities. In simple non-accounting terms, ignoring such things as loans, designations, and reserves, fund balance can be considered the beginning fund balance + actual revenues – actual expenditures.
Fund Classifications	One of the three categories (governmental, proprietary, and fiduciary) used to classify fund types.
Fund Type	Any one of seven categories into which all funds are classified in governmental accounting. The seven fund types are: general, special revenue, debt service, capital projects, enterprise, internal service, and trust and agency.

Funded Mandate	Also known as a government-mandated non-exchange transaction. A situation where a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (for example, federal programs that state of local governments are mandated to perform).
General Fund	To account for all financial resources not required to be accounted for in another fund.
General Obligation	A security backed by the full and faith and credit of a municipality.
General Revenue	All revenues that are not required under GASB 34 to be reported as program revenues, for example, taxes—even those that are levied for a specific purpose.
Goal	A broad statement of the desired outcome for a county, division, department, or program.
Governmental Activities	Activities generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. These activities are usually reported in governmental funds and internal service funds.
Homestead and Agricultural Aid (HACA)	A property tax relief program that replaced the former homestead agricultural credit program. HACA is tied to class rate reduction for certain classes of property. HACA is no longer recognized as tax revenue, but rather revenue from the State.
Incurred But Not Reported (IBNR) Claims	Term used in connection with risk financing. Claims for insured events that have occurred but have not yet been reported to the governmental entity, public entity risk pool, insurer, or reinsurer as the date of the financial statements. IBNR claims include (a) known loss events that are expected to be presented later as claims (b) unknown loss events that are expected to become claims, and (c) expected future development on claims already reported.
Indirect Expenses	Expenses that cannot be specifically associated with a given service, program, or department and thus, cannot be clearly associated with a particular functional category.
Input	A resource used to achieve a department goal. Examples include, staff, volunteers, facilities, equipment, and funding. Departments use inputs to support their activities, which are organized as services or programs.
Interfund Transfers	A transfer of moneys between two different funds.
Internal service funds	Proprietary fund type that may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis.
Intrafund Transfer	A transfer of moneys between departments in the same fund.
Investment Trust Funds	Fiduciary fund type used to report governmental external investment pools in separately issued reports and the external portion of these same pools when reported by the sponsoring government.
Legal Level of Budgetary Control	The level at which a government's management may not reallocated resources without special approval from the legislative body *(see Budget Compliance Points).*

Local Tax Rate	The rate used to compute most taxes for each parcel of property. Local tax rate is computed by dividing the certified levy (after reduction for fiscal disparities distribution levy, if applicable, and counting disparity reduction aid) by the taxable tax capacity.
MFIP	Minnesota Family Investment Program – State welfare-reform program that encourages and promotes employment by supporting families who do not earn enough to support themselves on their wages alone. The program has a 60-month lifetime limit. Federal TANF funds are used to help support this program.
Mission	A concise statement of the fundamental current and future purpose of a county, division, department, or program.
Modified Accrual Basis of Accounting	Basis of accounting according to which (a) revenues are recognized in the accounting period in which they become available and measurable and (b) expenditures are recognized in a the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest on general long-term debt and certain similar accrued obligations, which should be recognized when due.
Net County Cost	The difference between budgeted appropriations (expenses) and departmental revenue. The total dollar difference is funded by property tax levy.
Net Interest Cost	Represents the average coupon rate of a bond issue, weighted to reflect the term adjusted for the premium or discount. It does not consider the time value of money, as does the true interest cost (TIC).
Objective	A broad statement of the desired outcome for a county, division, department, or program.
Overlapping Debt	The proportionate share of debt in addition to a community's own direct obligations, such as those by a county or school district in which it is located.
Outcome Claim	A general description of the relationship between what is expected (the outcomes), what means (program or service activities) will be used to achieve the desired outcome, and how it will be known that the outcomes have been achieved (by looking at indicators of effectiveness, efficiency, responsiveness). "If particular activities are completed, "then" what will result?
Outcome Statement	A concrete statement of a specific outcome that contributes to an overall goal.
Output Indicators	These measure the product of activity, the completion of service or program "units." These track internal activity, the amount of work done within an organization, rather than the result, impact, or outcome of that activity. For example, they are the number of interviews completed, the number of brochures distributed, the number of users served, or the number of transactions logged. A program or service's outputs should produce desired outcomes for the program's participants.
Pass-through Grants	Grants and other financial assistance received by a governmental entity to transfer to or spend on behalf of a secondary recipient.
Planning Base	Starting point for budget development. Typically, this is prior-year budgeted expense and updated estimate of revenue.
Process Indicators	A measure of some factor critical to the successful implementation of a program. This kind of data does not fit into any of the other indicator category, but provides crucial management information. For example, they could be staff quality indicators (the percent of certified workers), or the percent of approved staff positions that are filled.

Program	Group activities, operations or organizational units directed to attaining specific purposes or objectives.
Program Aid	State aid program for local governments. This revenue source replaces the former HACA program.
Property Class	The classification assigned to each parcel based on the use of the property. For example, owner occupied residential property is classified as homestead.
Proprietary Funds	Funds that focus on the determination of operating income, changes in net assets (of cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.
Recommended Budget	The County budget for a fiscal year as proposed by the County Administrator to the County Board of Commissioners, based on department requests.
Refunding	The issuance of new debt whose proceeds are used to repay previously issued debt. The proceeds may be used immediately for this purpose (a current refunding), or they may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding).
Regional Rail Authority Special Revenue Fund	To account for revenues and expenditures of the Regional Rail Authority established by the Dakota County Board of Commissioners to plan and develop light rail transit within the County.
Reimbursement Grant	A grant for which a potential recipient must first incur qualifying expenditures to be eligible. Reimbursement grants are also referred to as *expenditure-driven grants.*
Reserved Fund Balance	The portion of a governmental fund's net assets that is not available for appropriation.
Responsiveness Indicators	These measure the customer's evaluation of a product or service. It captures the customer's level of satisfaction with the timelines, accuracy, or convenience of a service (in terms of its location, hours of operation, and staff availability). Customers may also provide valuable feedback regarding staff pleasantness, friendliness, and flexibility in adapting to and meeting client needs. Departments are being responsive when they use customer feedback from surveys, focus groups, feedback cards, or other sources to change and improve service or program activities.
Revenue	Income from taxes, fees, and other charges, Federal or State government, excluding interfund transfers, fund balance, or debt issuance proceeds.
Road and Bridge Special Revenue Fund	To account for all costs for maintenance and construction of streets and highways. Financing comes primarily from an annual property tax levy and intergovernmental revenue from local, State and Federal Governments. Also known as *Transportation Fund*.
Same Price Per Citizen	A term Dakota County uses to refer to the practice of charging taxes at the same rate as population growth plus inflation.
Service/Program	Departments provide an array of programs and services - basic units or functions of activity organized for management or cost accountability purposes. These activities are what a department does with its inputs to fulfill its mission. Activities result in outputs.

Special Revenue Fund	A fund used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes. GAAP only requires the use of special revenue funds when legally mandated.
Strategies	Proposed continuation or modification of organizational activities and/or structures that will serve or appear to serve an important function in improving outcomes.
TANF	Temporary Assistance for Needy Families – Federal formula grant program to States, Territories, or Tribes to assist needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families.
Tax Capacity	The valuation of property based on market value and statutory class rates. The property tax for each parcel is based on its tax capacity.
True Interest Cost	A method of calculating interest cost while taking into account the time value of money.
Undesignated Unreserved Fund Balance	Available expendable financial resources in a governmental fund that are not the object of tentative managements (i.e., designations).
Use of Fund Balance	The amount of fund balance needed to fund current or budgeted expenditures.
Vision	A statement of an ideal future for an organization, or geographic location.
Wheelage Tax	A per vehicle fee of $5 assessed by Dakota County at the time of license plate renewal to garner additional resources for transportation.

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