

COUNTY BUDGET PLANNING WORKSHOP

June 20, 2017

Discussion Items



Efficient, Effective, Responsive

- Current Year Financial Performance
- Future Demands and Uncertainties
- 2018 Financial Planning Assumptions & Legislative Impact
- Financial Projections and Outlook

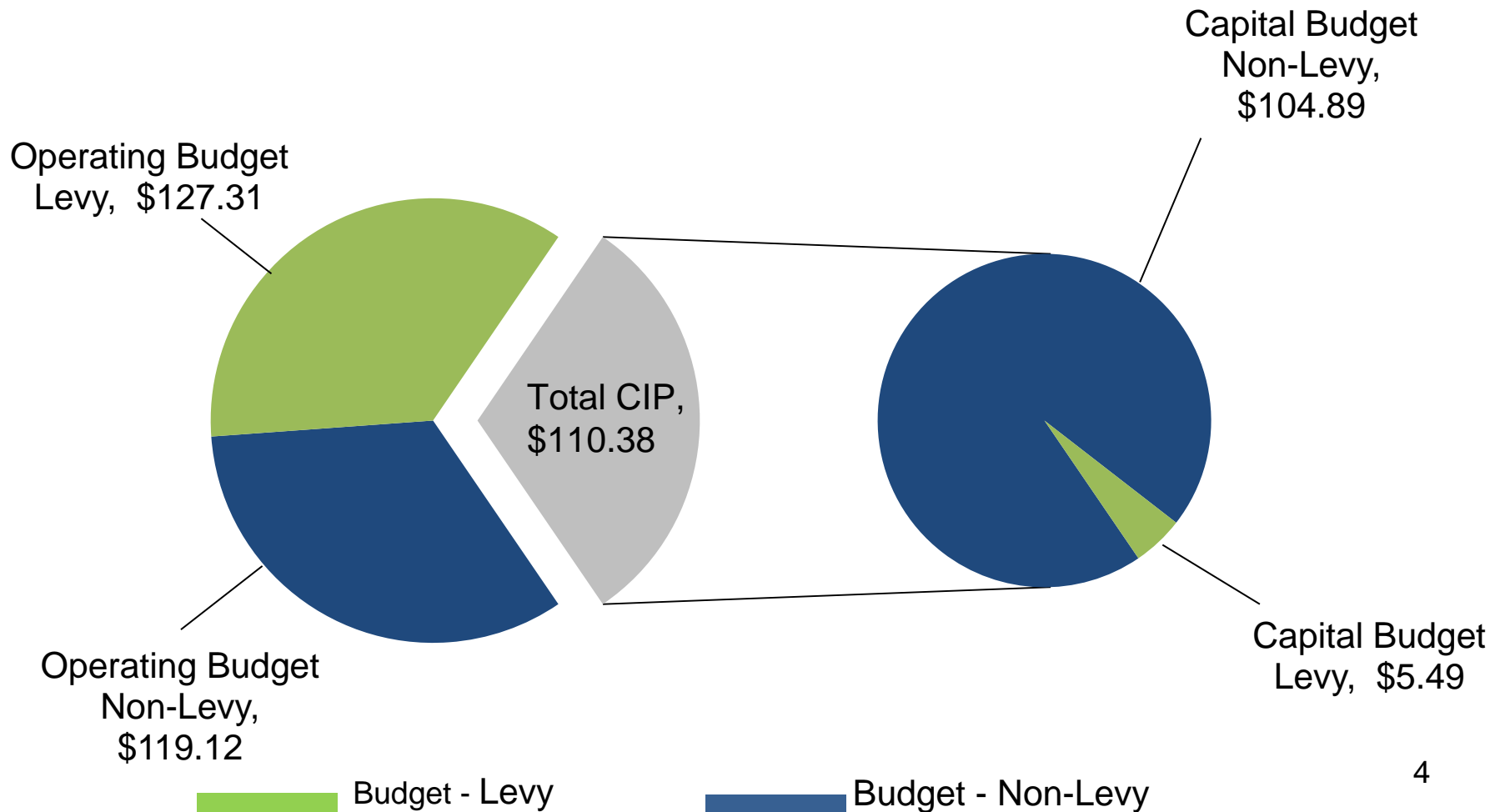
2017 Financial Performance and Projections

2017 Operating vs. Capital/Debt Service Budget



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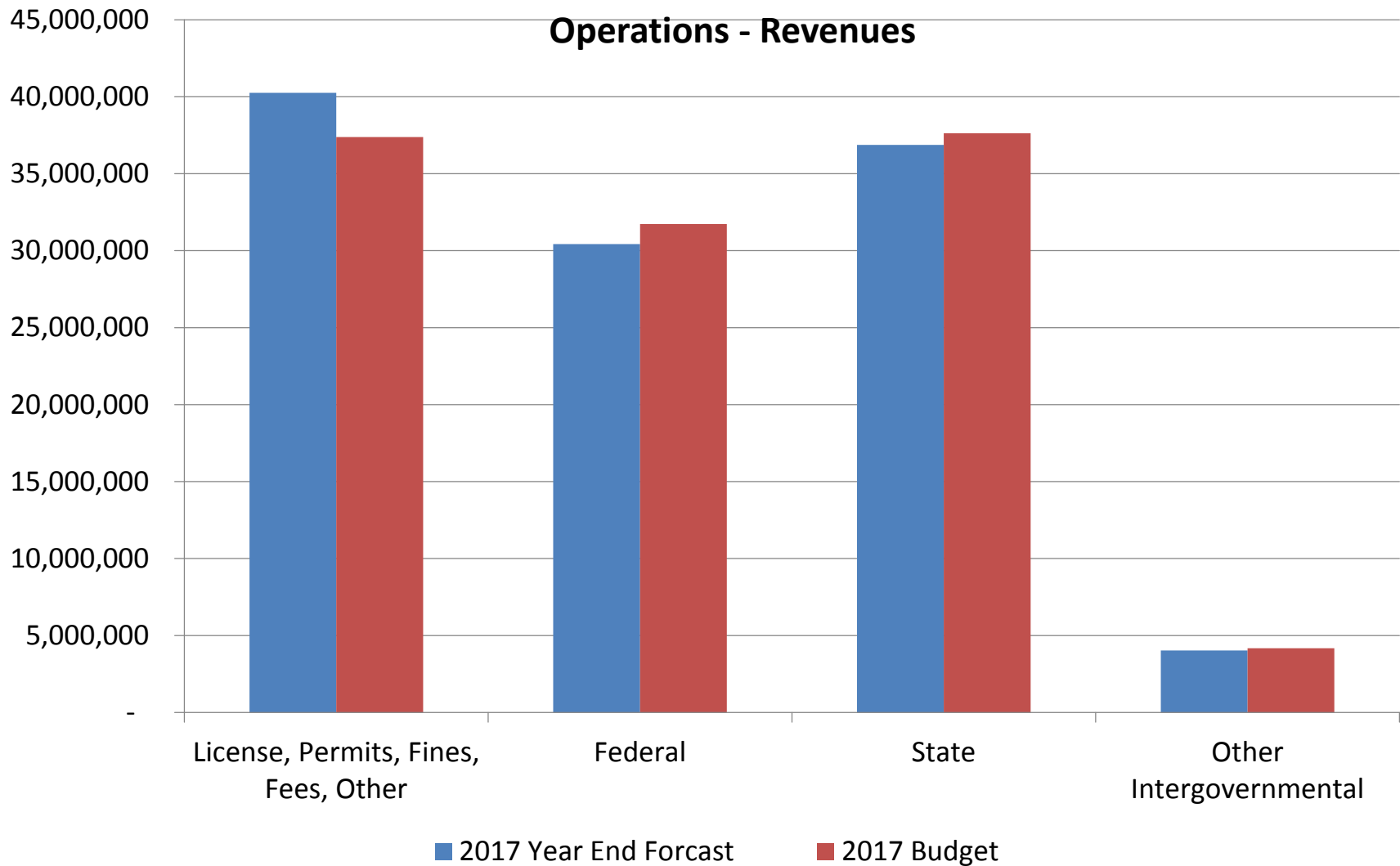
Total Budget = \$356.81 million



Current Year Operating Budget Projection



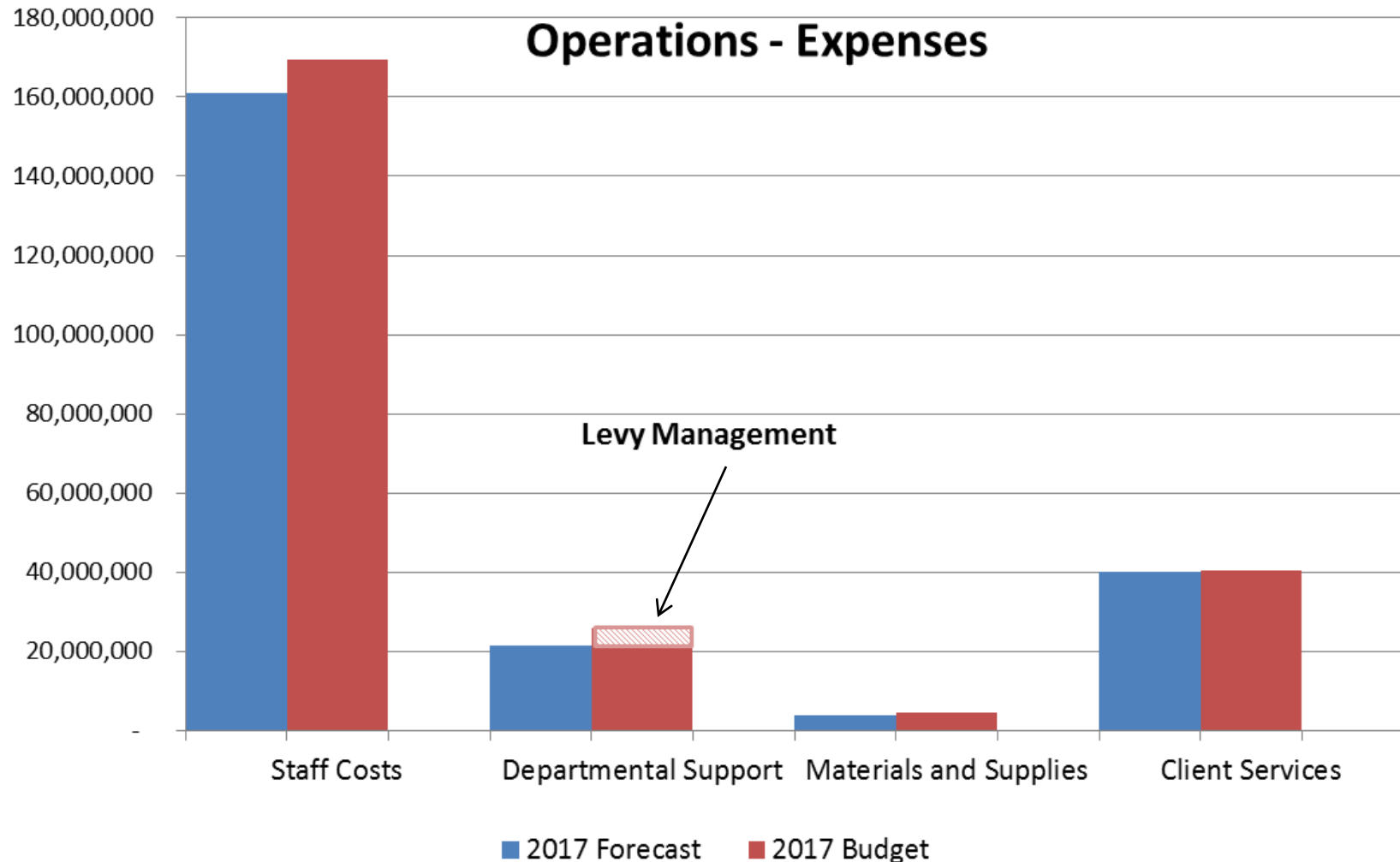
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Current Year Operating Budget Projection



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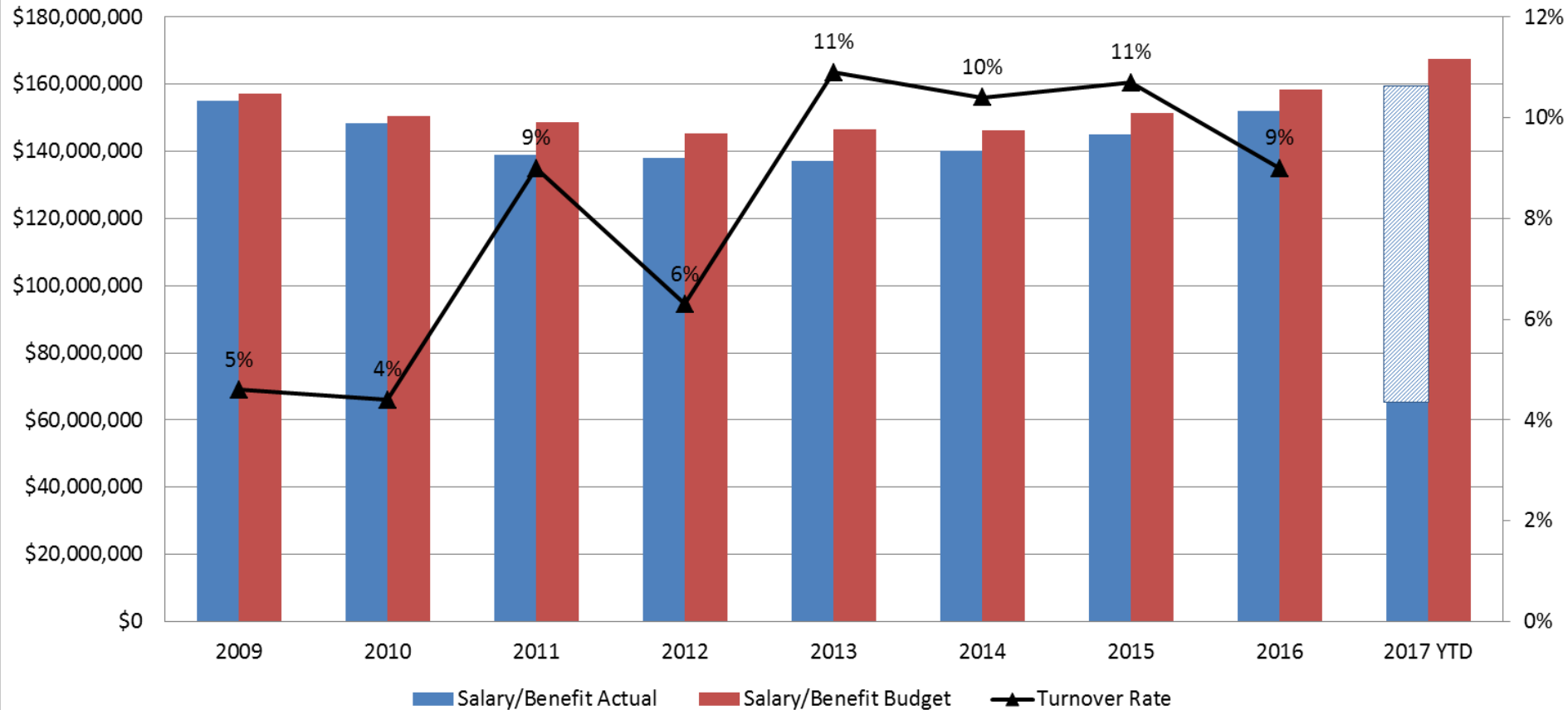


Budget vs. Actual Salary & Benefit Trends



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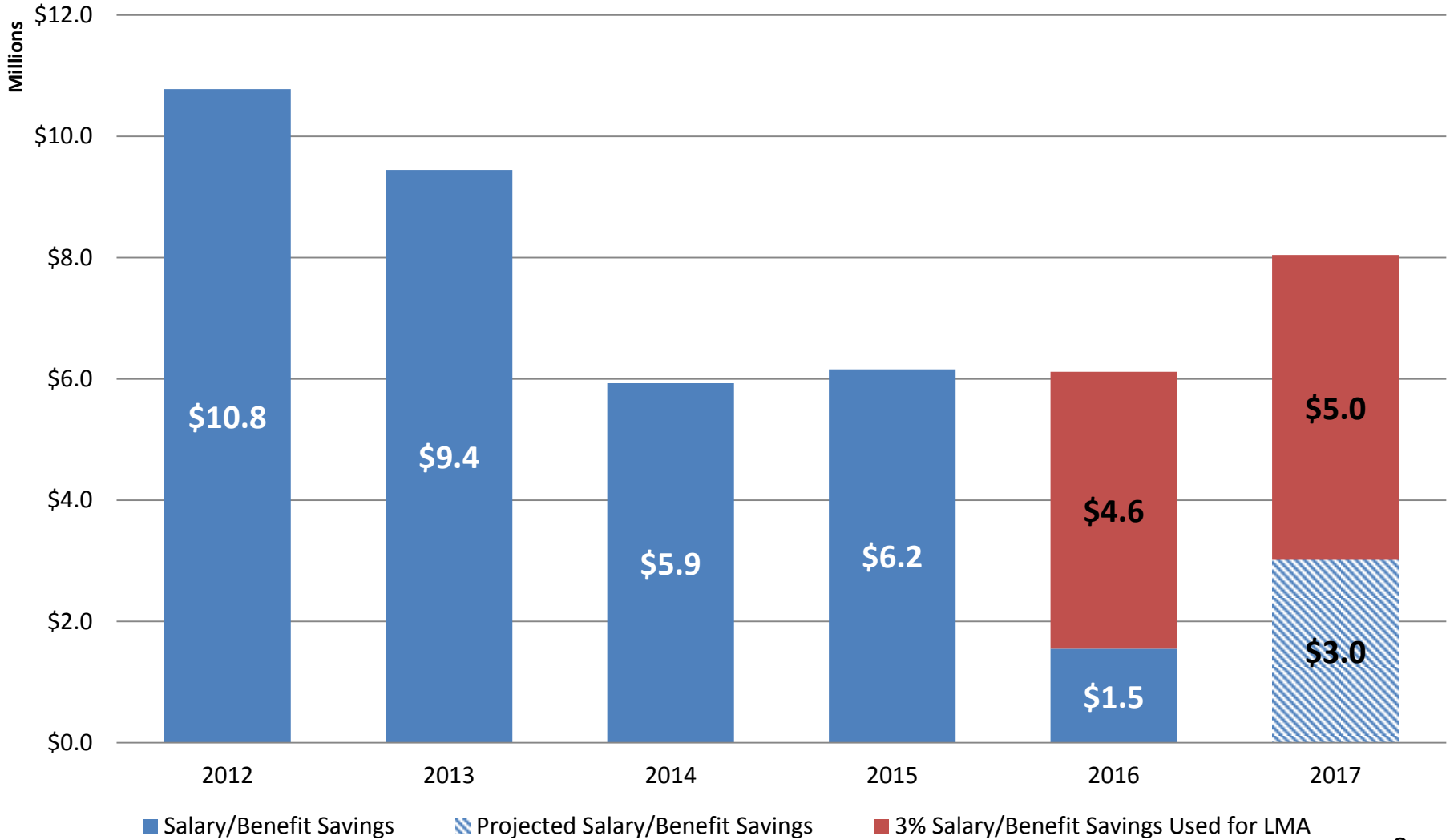
Salary and Benefit Historical Data



History of Salary/Benefit Savings



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Current Year CIP Status

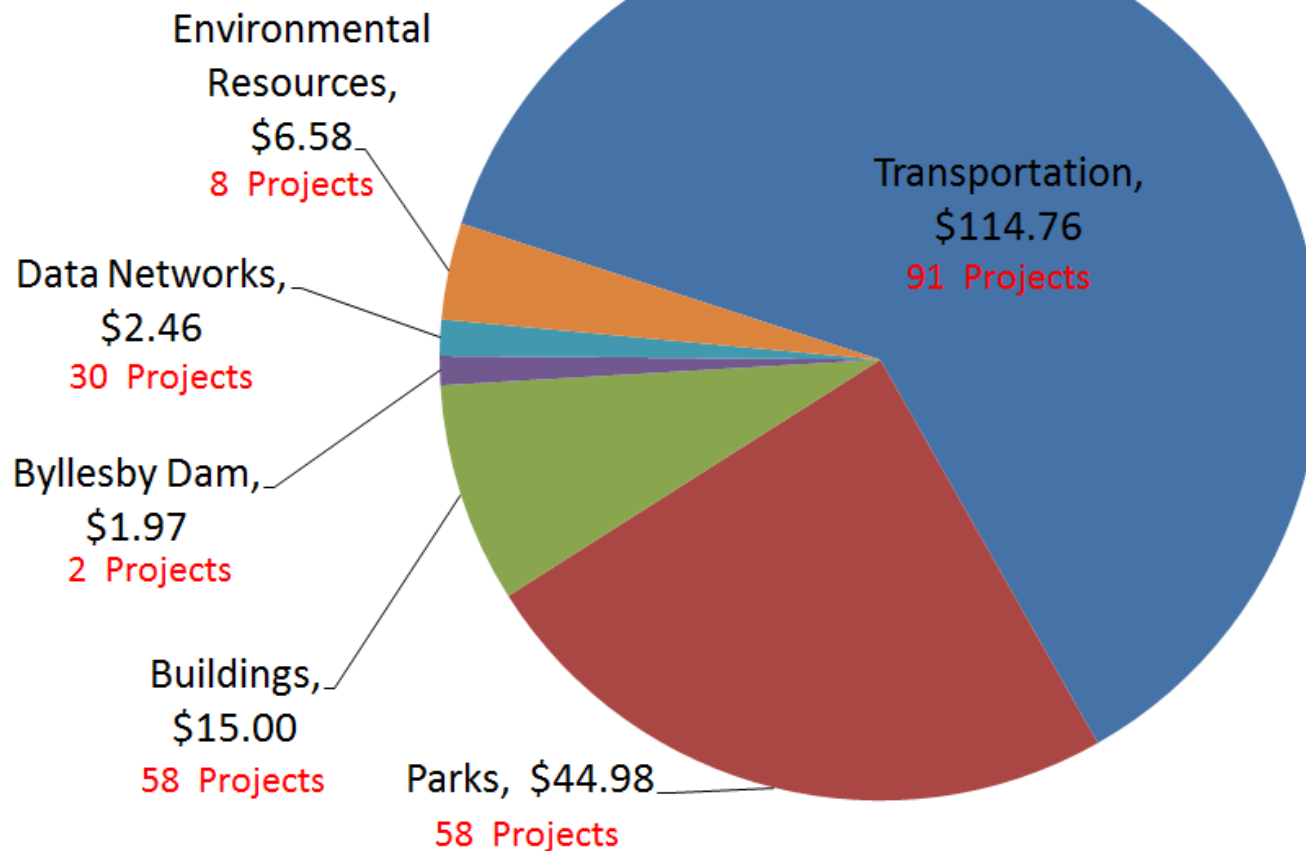


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Current Year CIP Projects

(In Millions)

Total Projects
247
\$185.75 Million

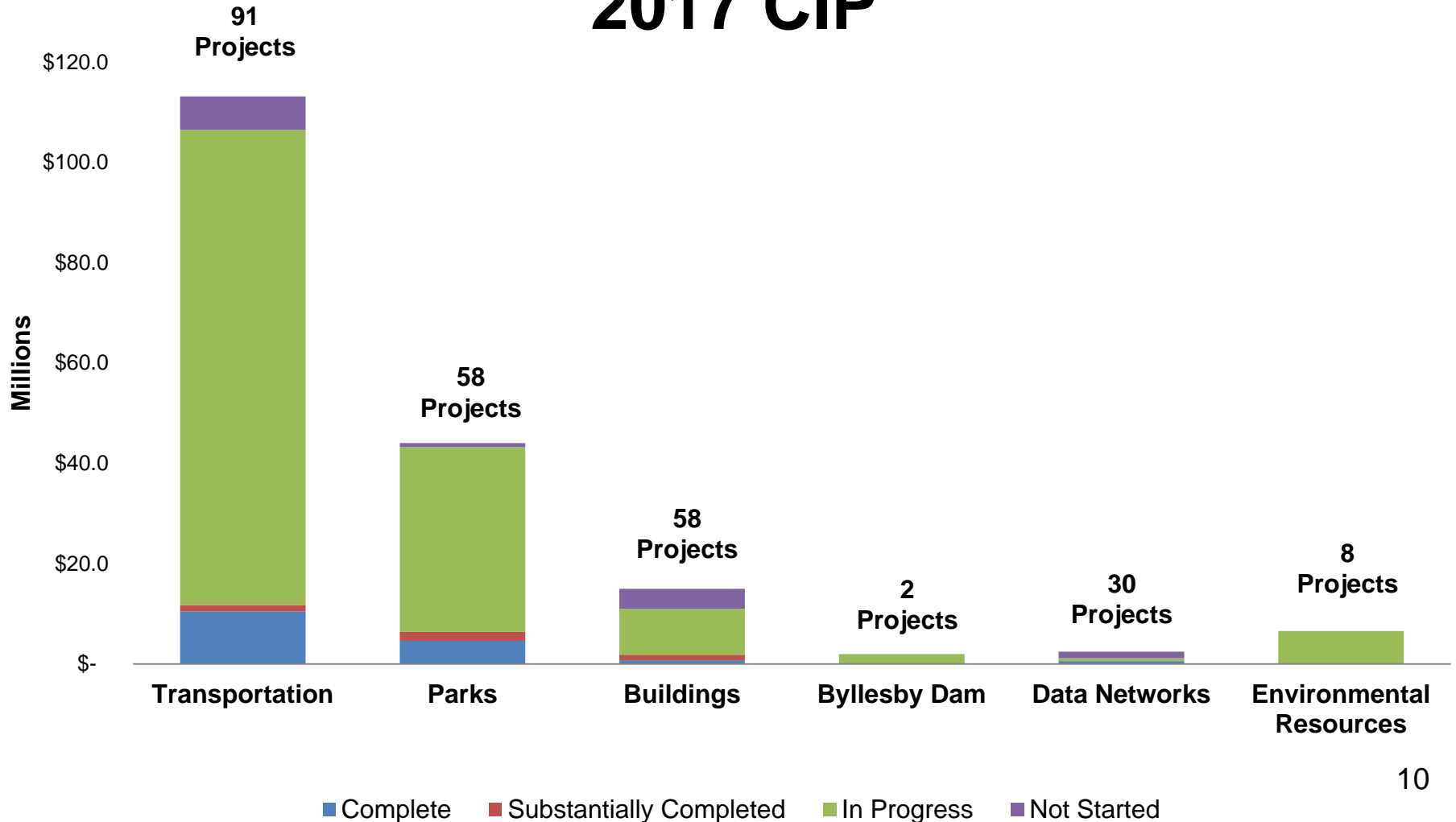


Current Year CIP Status



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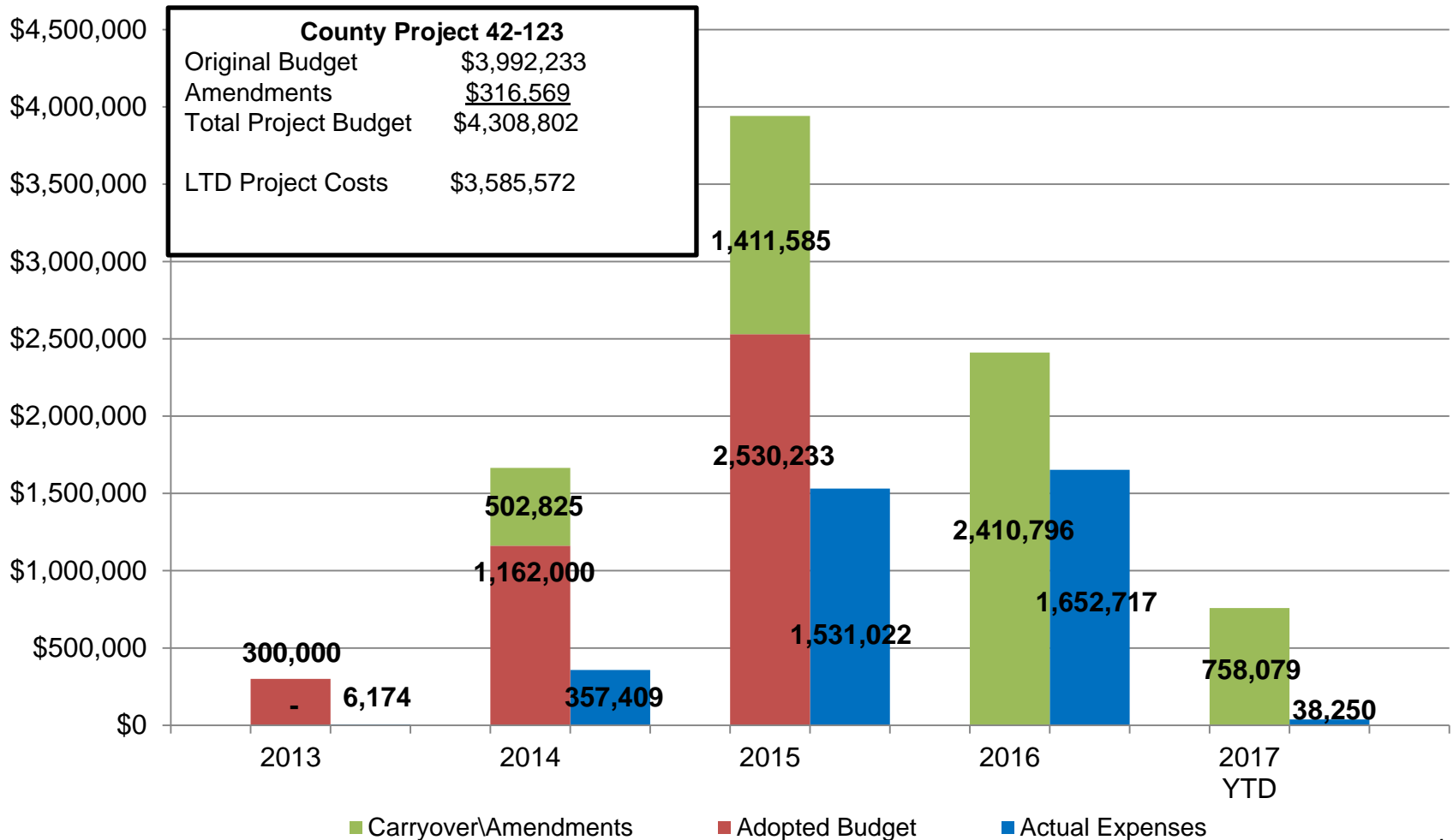
2017 CIP



CIP Project Lifecycle



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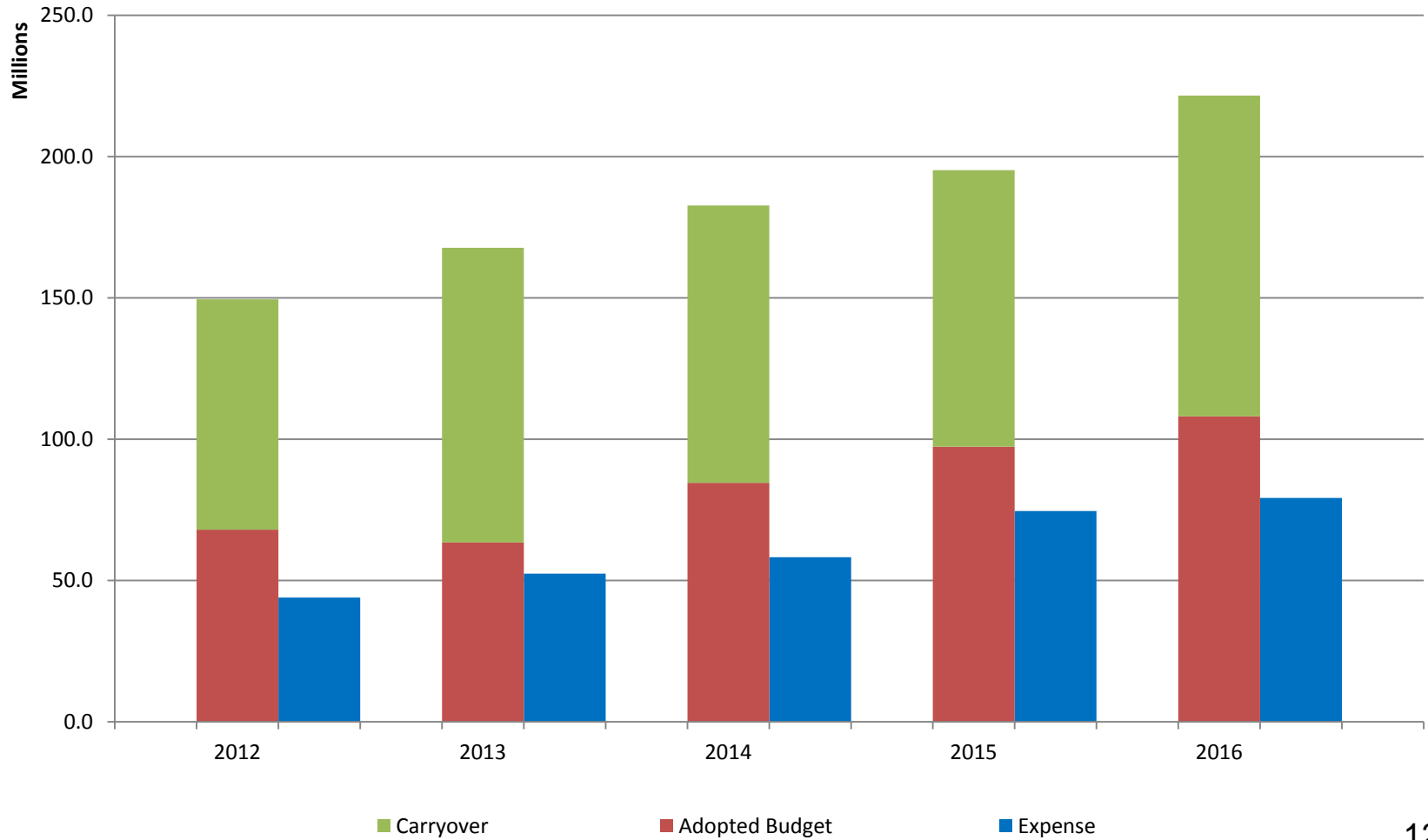


Budget vs. Actual CIP Trends



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CIP 5-Year History



Future Demands and Uncertainties

Countywide



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- State and Federal policy changes and economic conditions
- Capacity to initiate capital projects
- Operational costs (“tails”) associated with capital investments
- Technology
 - Communications infrastructure (internal and external)
 - Data network optimization and security
- Use of partnerships to leverage County efforts
- Continued competitive market for specialized positions
- Growing need for contract and project management skills

Community Services



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- **Affordable Housing:** The single most significant issue across our entire service continuum that adversely impacts the ability to achieve and sustain self-sufficiency
- **MNsure:** Continued implementation and workload stressors
- **MNChoices:** Ongoing rightsizing and alignment of staff to new work requirements; new legislatively mandated county cost-share
- **Child Protection:** Continued growth in reports and new legislative requirements that directly impact staffing and increase out-of-home placements, court services, county attorney's workload, and purchased services
- **Child Care:** Cost impact of center-based care coupled with over 300 families on waiting list
- **Olmstead Act Compliance:** Significant implications for the county and broader community (emergency response, police, housing, cities, faith communities, employers, etc.)
- Cities implementing **restrictive housing zoning** ordinances
- **Regional Treatment Center Costs:** increased costs due to more people entering treatment, higher per diem costs, and longer stays
- **Integrated Service Delivery:** Infrastructure required to support integrated service delivery

Public Service and Revenue



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- Service & License Centers:
 - Heritage License Center renovation 2018-2019
- Library
 - Pleasant Hill renovation 2017-2018
 - Heritage renovation 2018-2019
 - Galaxie renovation 2017-2018
 - Increased demand on eResources such as eBooks, eAudio books, and streaming movies
 - Library Strategic Plan
- Historical Society
 - Historical Society building renovation needs
- Elections
 - Appropriate staffing levels for Election Administration

Physical Development



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- Implementation of Visitor Services Strategic Operations Plan and Natural Resources Management Plan Initiatives
- Align CIP delivery with Board Expectations
- Continued Board Direction on use of Environmental Legacy Fund
- Adjust to impacts of legislative bonding authority
- Board direction on transportation and transit projects and programs given increased revenues from newly implemented sales tax

- In Custody Court Room (ICCR) expansion means an increase of Jail and Court capacity as well as additional movement of prisoners
- Due to growth of the County we need to be aware of the future capacity issues in the jail
 - Continue to board female inmates at Ramsey County for nearly \$1 million annually
- Continue staff's crisis intervention training
- Electronic Crime Task Force space expansion and additional pressures on domestic violence resources
- Increased pressure on Evidence Room resources

- Criminal caseload demands create additional pressure on attorney and support positions.
- Child Protection referrals continue to rise. This increase combined with recently enacted statutory and court mandates create additional pressure on dedicated resources for the CP caseload.
- Real property easements, acquisitions and condemnation actions are expected to increase significantly in 2018 and 2019.

Operations, Management, and Budget (OMB)



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- Office of Risk Management
 - Update 800 MHz Capital Equipment Infrastructure (> 10 yrs. old)
- Information Technology
 - Complete Dakota County Broadband I-Net
 - Complete Dakota BroadBand Joint Powers Agreement
- Financial Services
 - Transition to Private Audit Firm
- Criminal Justice Network (CJN)
 - JPA members exploring alternative governance models
 - Evaluating move of CJN infrastructure to Microsoft's Azure Cloud
- Budget Office
 - Dissolution of CTIB will result in additional financial reporting responsibilities for the County

2018 Financial Planning Assumptions and Future Financial Projections and Outlook

Financial Impacts of 2017 Legislative Session



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Source of Funds	Project	2018 Budget Impact
Capital Projects		
Bonding Bill	Byllesby Dam bond funding	\$6 million
Legacy Bill	Lake Byllesby Master Plan improvements	\$1.122 million
	Riparian and Lakeshore management project	\$480,000
Operating Funding		
Tax Bill	County Prog. Aid formula change and funding increase	\$1.7 million*
Enviro. & Nat. Res. Bill	Riparian buffer funding changes	\$71,784*
HHS Bill	Birth to Age 8 pilot	\$200,000
	Pilot for autistic Somali children	\$100,000
	MnChoices cost shift to counties	(\$232,574)* <i>up to (\$478,384) by 2019</i>
Transportation Bill	Leased Motor Vehicle Sales Tax formula change	\$650,000*
	One-time metro roads funding	\$1.226 million
	Highway User Tax Dist. Fund increase	\$700,000*
Legacy Bill	Parks Outreach and Engagement Coordinator funding	\$100,000
Public Safety Bill	Increase in pass-through for Community Corrections Act Counties	\$184,306*

*Ongoing revenue/costs

Fiscal Impacts of CTIB



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- Will generate approximately \$16.6 million in new sales tax to be used for Transportation/Transit
- Makes available \$21.3+ million for one-time Transportation/Transit projects
- Avoids \$1.3 million in Red Line operating costs
- Avoids Use of Fund Balance \$12.9 million (General Fund) for CTIB exit
- Creates potential for reduction in Regional Rail levy

2018 Preliminary Budget Assumptions



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<i>2017 Levy</i>	<i>\$132.80 million</i>
Change:	
Salaries/Benefits	\$5.83 M
Other Costs – 1.5%	
Client/County Support	\$800K
Materials/Supplies	\$40K
Travel/Training	\$30K
Capital	\$60K
Total 2018 Inflation Adjusted Planning Base	<u>\$139.56M</u>

2018-2022 Financial Projection



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(in millions)

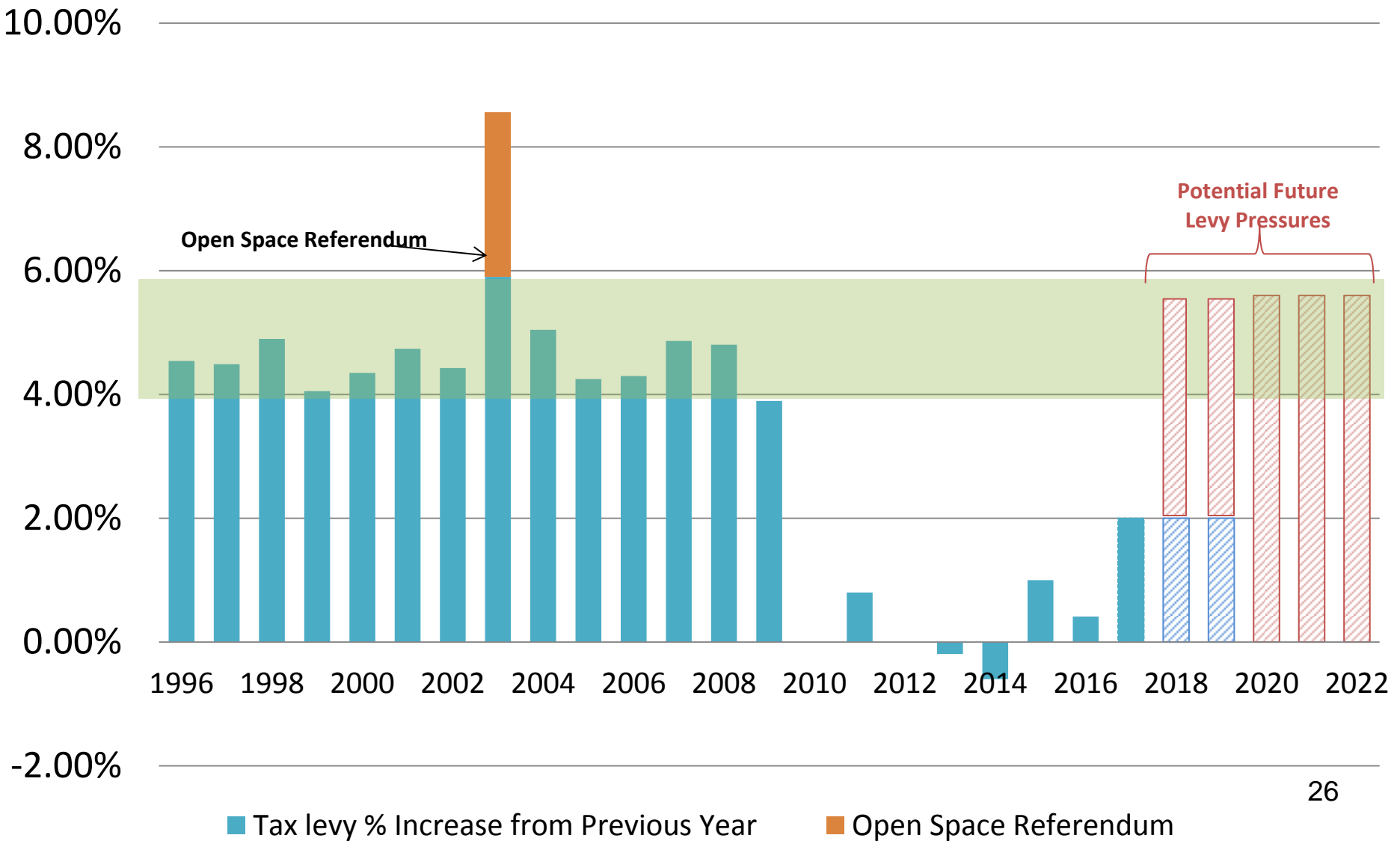
	2017	2018	2019	2020	2021	2022
Available Levy Management Account (LMA)	11.42	6.47	4.40	-	-	0.00
Overall Planning Base Inflation Adjustment (3.1%/yr)	132.80	139.56	142.41	145.33	153.21	161.62
Departmental Budget Right Sizing Adjustments		(0.30)	(0.20)	(0.10)		-
New Non-Levy Revenues		(1.35)	(1.39)	(1.41)	(1.49)	(1.57)
Adjusted Net Levy Costs		137.91	140.82	143.82	151.73	160.05
Total New Requests (Levy only)		TBD				
Assumed Funding of Requests		1.77	1.86	1.95	2.05	2.16
Total Requested Levy		139.68	142.68	145.78	153.78	162.21
Total Requested Levy (% increase)		5.2%	5.3%	5.4%	5.5%	5.5%
Less: Use of LMA	(5.95)	(4.22)	(4.40)	-	-	-
Total Adjusted Levy		135.46	138.28	145.78	153.78	162.21
Total Adjusted Levy (% increase)	2.0%	2.0%	2.1%	5.4%	5.5%	5.5%

Under current assumptions and prior to application of funding strategies projected levy pressure between 2017-2021: 5.3% or \$7.6 million average per year (cumulative total approximately \$37.8 million)

Levy History



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Property Tax Management Process and Strategy



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- Identify currently budgeted resources that have historically not been fully utilized in the operating budget
- Seek opportunities to use fund balance for one time expenditures now which in turn reduces levy demand in future years
- Continually review and realign these resources under a Levy Management Account (LMA) that can be reallocated over a multi-year period to:
 - Reduce net growth in the tax levy
 - Keep the operating budget structurally balanced

Levy Management Account (LMA) History



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in Millions

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
Levy Management Account Additions	\$4.675	\$3.853	\$8.085	\$1.579	\$18.192
Levy Management Account Uses (Levy Reduction)		(3.105)	(3.665)	(5.952)	(12.722)
Annual Levy Management Account Change	\$4.675	\$0.748	\$4.420	(\$4.373)	\$5.470
Cumulative Available LMA	\$4.675	\$5.423	\$9.843	\$5.470	

Levy Management Planned Burn Rate



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In Millions

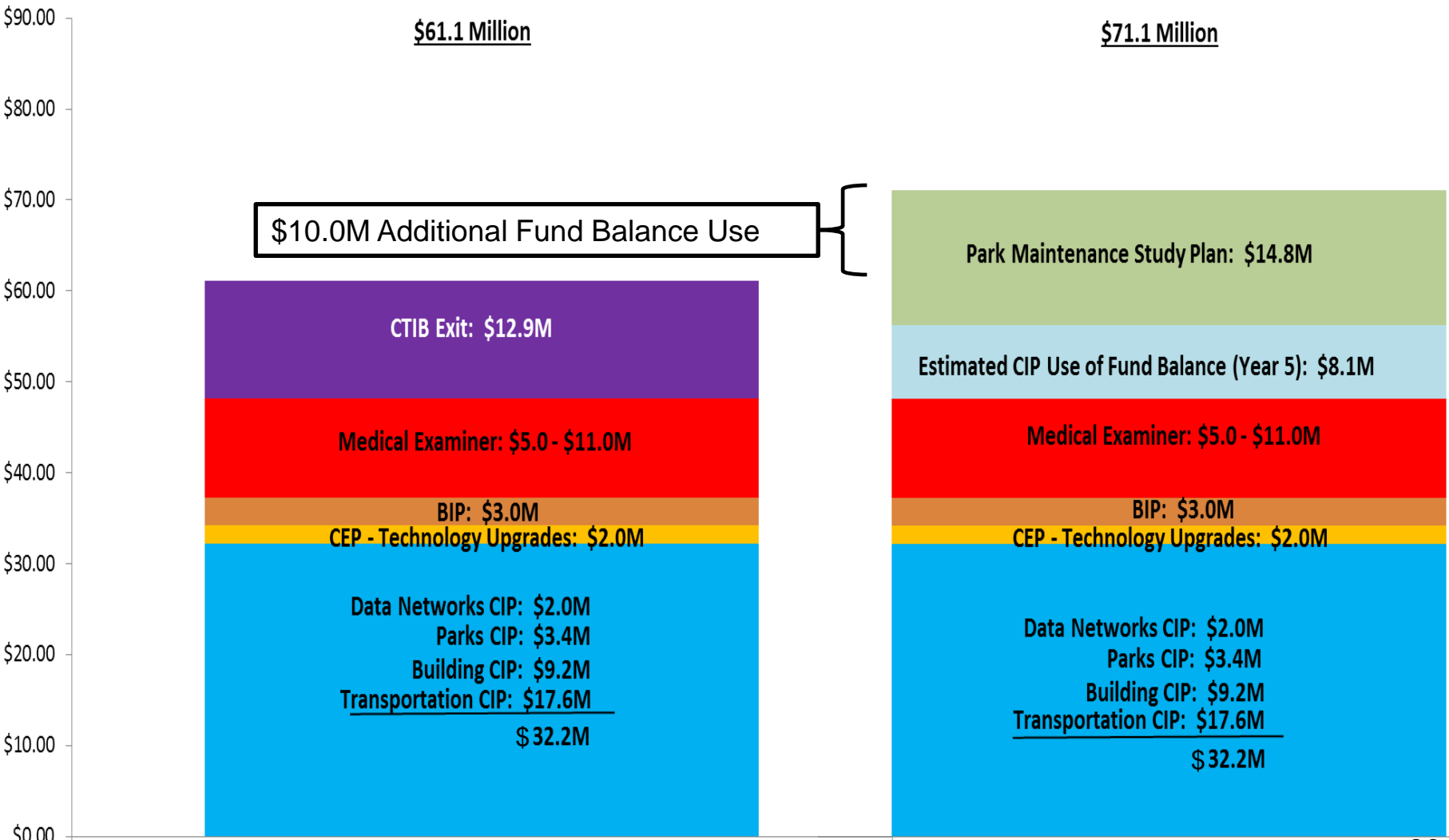
	Levy Management Account	Adjusted % Levy Increase
Current Level Management Account (LMA) Balance*	\$ 5.47	
Add: Previously Planned Shift of CPA from CIP	\$ 3.15	
Total Available LMA	\$ 8.62	
Less: 2% Levy Burn Rate 2018	\$ (4.22)	2.0%
2% Levy Burn Rate 2019	\$ (4.40)	2.1%
Ending LMA Balance	\$ -	

*Previous Use of LMA 2015 - \$3.11, 2016 - \$3.67, 2017 - 5.95 Total - \$12.72

Potential Planned Use of Fund Balance



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2018-2021

2018-2022+

**2017-2018 Planned Contribution to Fund Balance: \$8.6M

Potential Future Unassigned Fund Balance vs. Policy



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2016 Year End Unassigned Fund Balance:	\$121.6
Add: 2017-2018 Planned Contributions to Fund Balance (General Fund)	8.6
Less: 2018-2022 Planned Uses of Fund Balance (General Fund only)	
Parks Maintenance Study Plan	(14.8)
Estimated Parks/Buildings CIP Use of Fund Balance (Year 5)	(3.7)
Park Fund CIP	(3.4)
Building Fund CIP	(9.2)
Data Networks CIP	(2.0)
Medical Examiner	(11.0)
BIP	(3.0)
CEP	(2.0)
	<hr/>
	(49.1)

Projected 2022 Ending Unassigned Fund Balance (General Fund): \$81.1

Minimum Recommended Fund Balance based on 2016 Year End Values

Dakota County Policy	\$43.0
Government Finance Officers Association	\$35.8
Office of the State Auditor	\$89.6 - \$107.6

Possible LMA Additions



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CPA Split between Operation/CIP

in Millions

	<u>Current Plan: 75%</u>		<u>Option: 85%</u>	
Original Plan through 2019 (base on 2017 award)				
Operations	\$12.56	75%		
CIP	\$4.19	25%		
Total	\$16.75	100%		
Add: Additional 2018 CPA award	\$1.70			
Possible CPA split through 2019 (based on total 2018 award)				
Operations	\$13.84	75%	\$15.68	85%
CIP	\$4.61	25%	\$2.77	15%
Total	\$18.45	100%	\$18.45	100%

Change from Original Plan	<u>Current Plan: 75%</u>	<u>Option: 85%</u>
Operations	\$1.28	\$3.12
CIP	\$0.42	(\$1.42)
Total	\$1.70	\$1.70

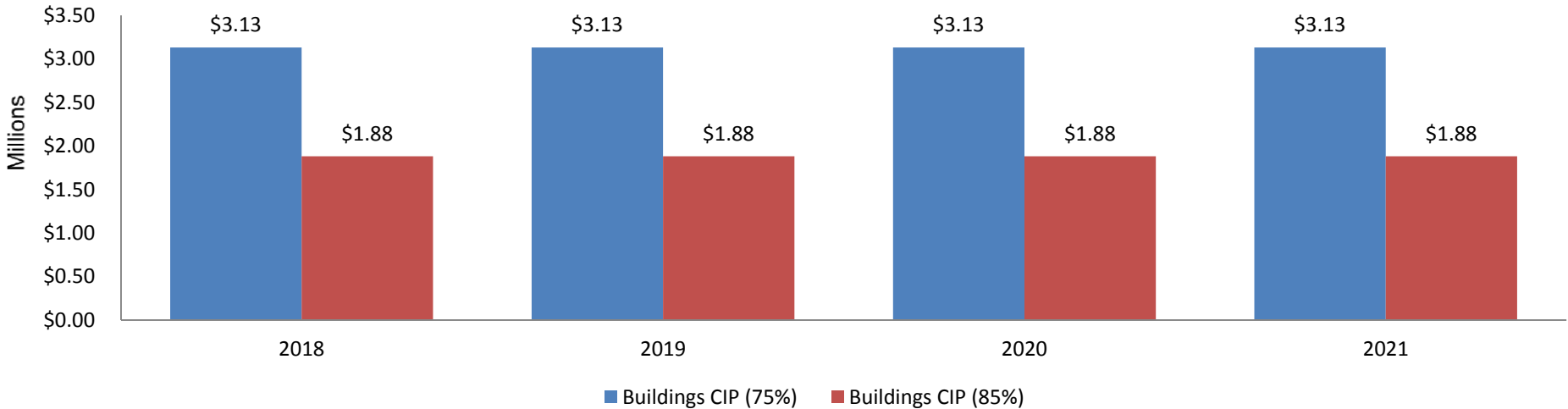
75% Plan vs. 85% Option



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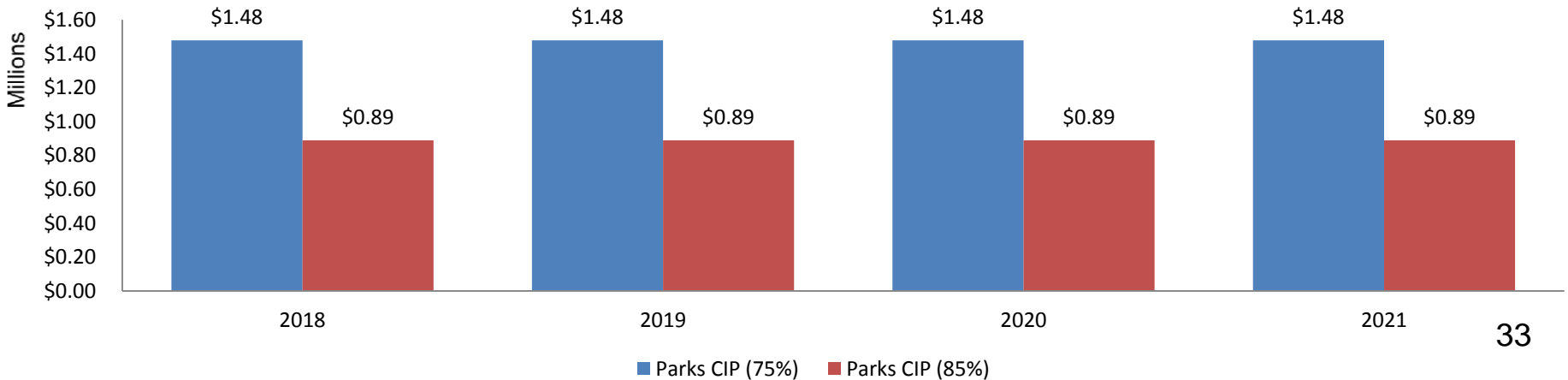
Buildings CIP

*Buildings CIP CPA down \$6.25M over 5yrs



Parks CIP

*Parks CIP CPA down \$2.95M over 5yrs



2018-2022 Financial Projection w/ 85% CPA Option



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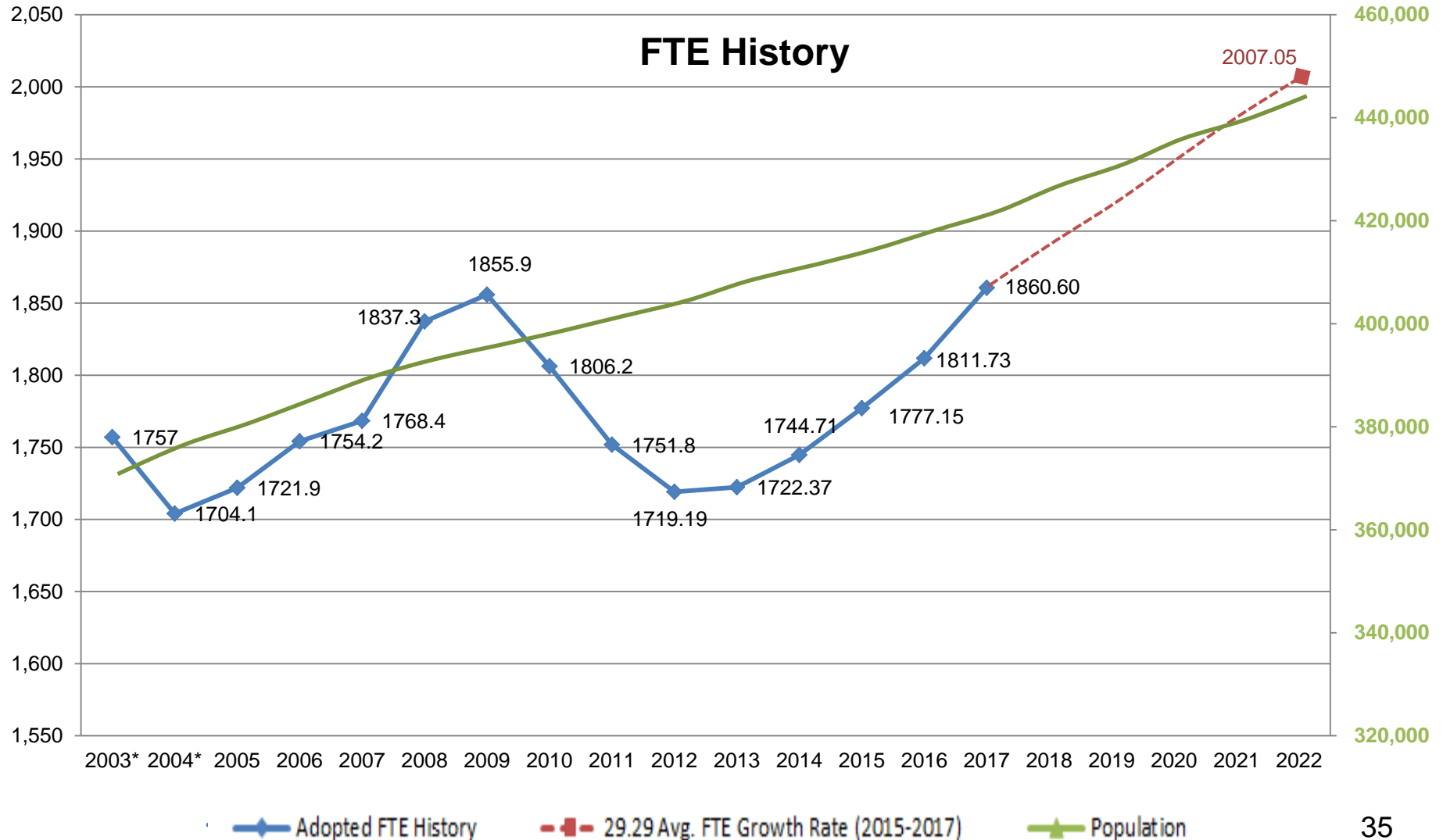
(in millions)

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Available Levy Management Account (LMA)	11.42	6.47	4.40	3.01	-	0.00
Overall Planning Base Inflation Adjustment (3.1%/yr)	132.80	139.56	142.41	145.21	149.92	158.19
Departmental Budget Right Sizing Adjustments		(0.30)	(0.20)	(0.10)	-	-
New Non-Levy Revenues		(1.35)	(1.39)	(1.41)	(1.45)	(1.54)
Adjusted Net Levy Costs		137.91	140.82	143.70	148.46	156.66
Total New Requests (Levy only)		TBD				
Assumed Funding of Requests		1.77	1.86	1.95	2.05	2.16
Total Requested Levy		139.68	142.68	145.66	150.52	158.81
Total Requested Levy (% increase)		5.2%	5.3%	5.4%	5.5%	5.5%
Less: Use of LMA	(5.95)	(4.22)	(4.51)	(3.01)	-	-
Total Adjusted Levy		135.46	138.17	142.64	150.52	158.81
Total Adjusted Levy (% increase)		2.0%	2.0%	3.2%	5.5%	5.5%

Future FTE Growth at Current Trends vs. Population



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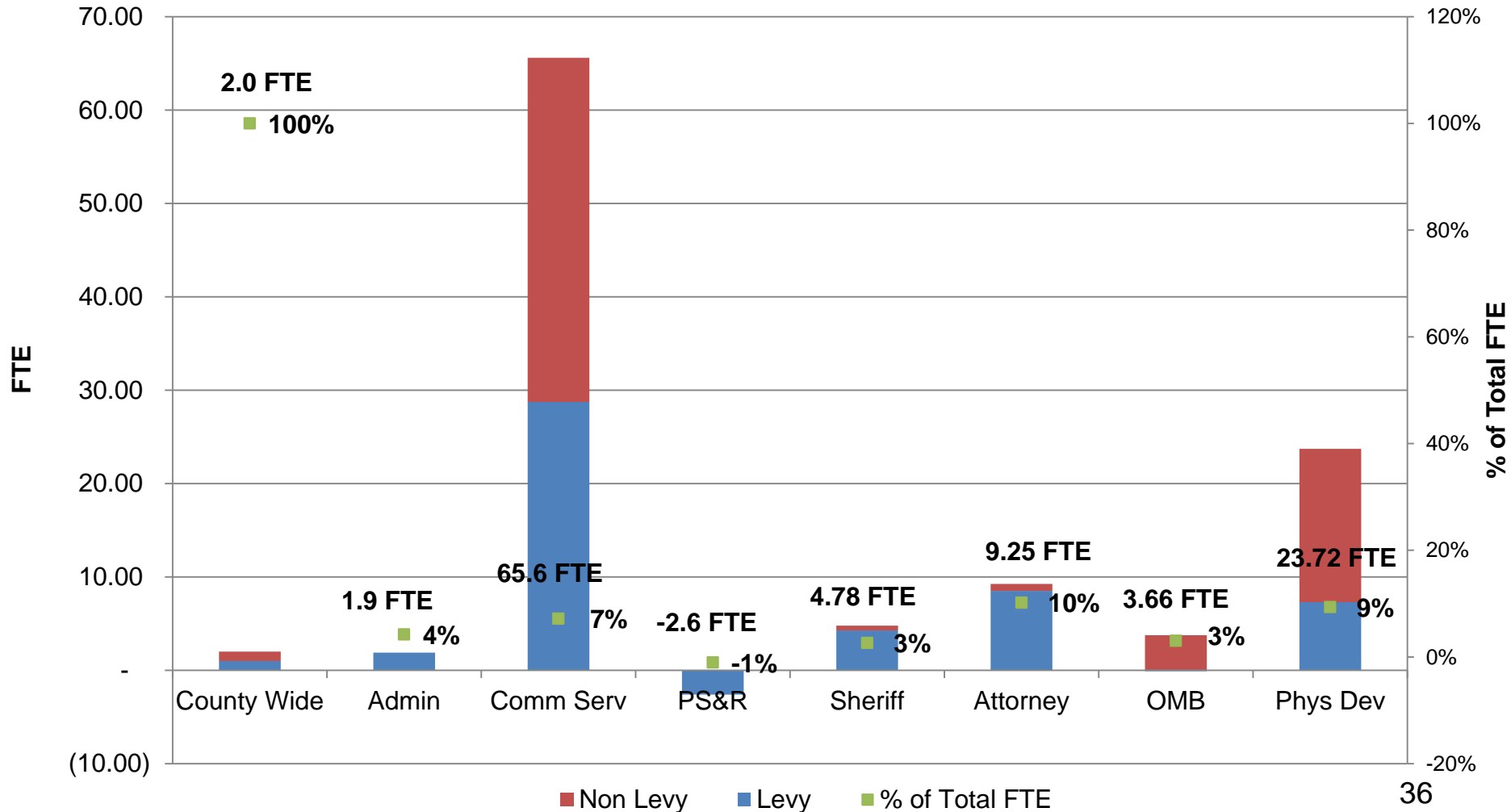
*2003 & 2004 Budgeted FTEs do not include District Court

Approved FTEs by Division



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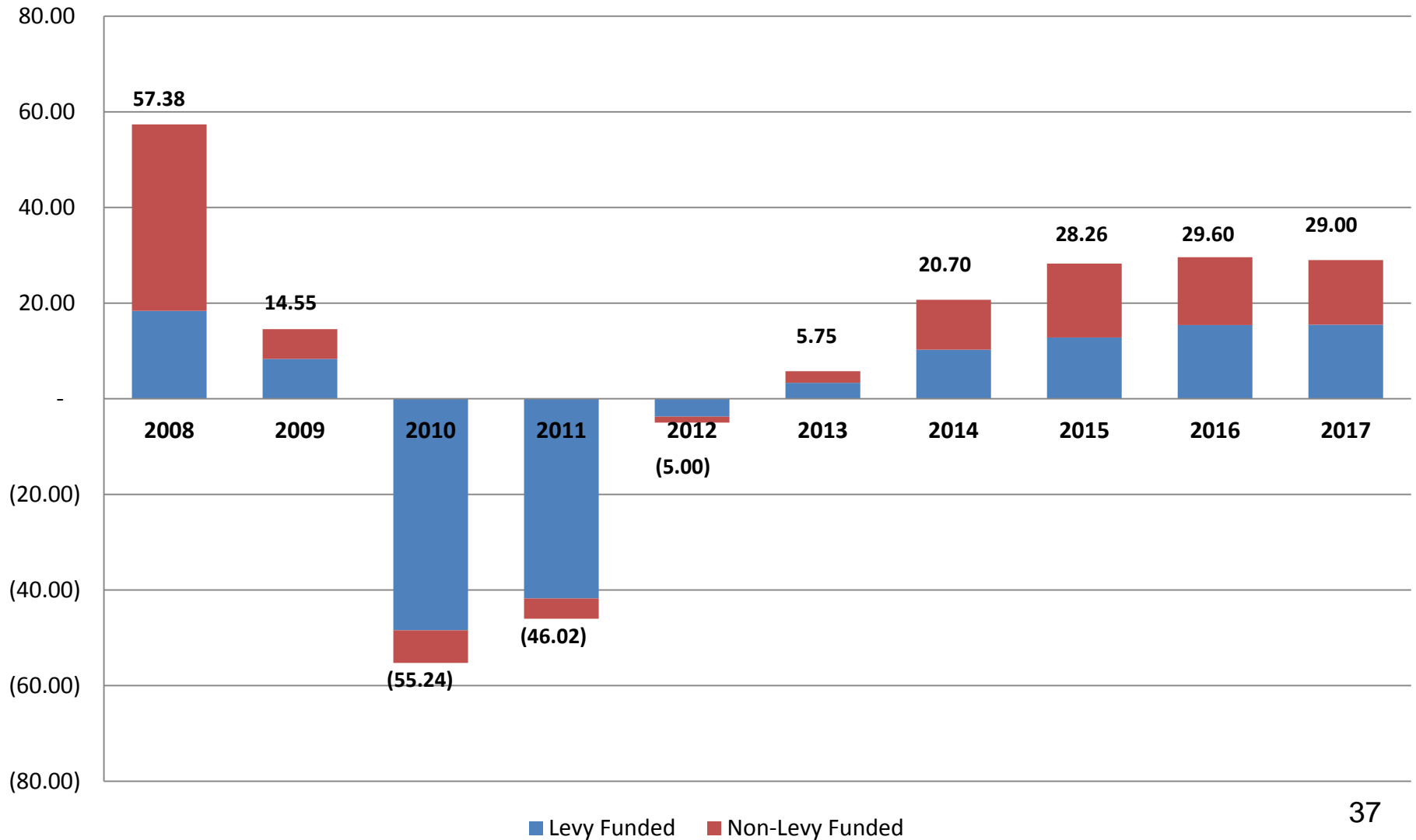
2012-2017 Approved Recommended FTE Requests



Levy Funded vs Non Levy Funded FTEs



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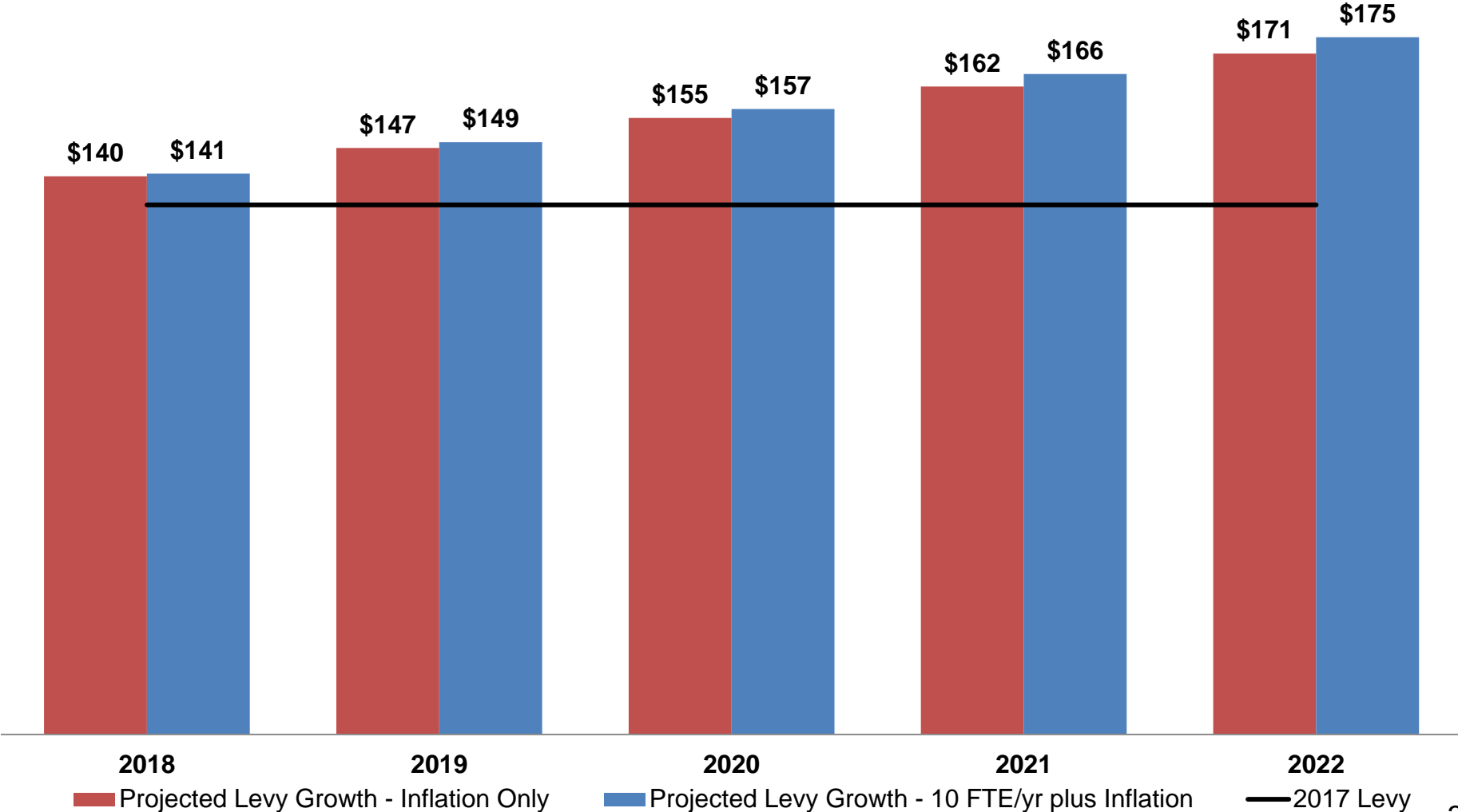


Potential Cost Growth Impact on Levy



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In Millions



Market Value Summary



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Property Taxes Payable in 2018:

- Residential Average Increase 4-7%
 - Median Market Value \$243,900
 - Mean Market Value \$264,035
- Apartments – 27.0% aggregate increase
- Commercial/Industrial – Varies by type; 3.8% aggregate increase
- Agriculture:
 - EMV decreased 5% on average
 - TMV decreased 10% on average
- Projected Tax Capacity Increase for 2018: 7.7%

Who Sets Tax Levies In Dakota County?

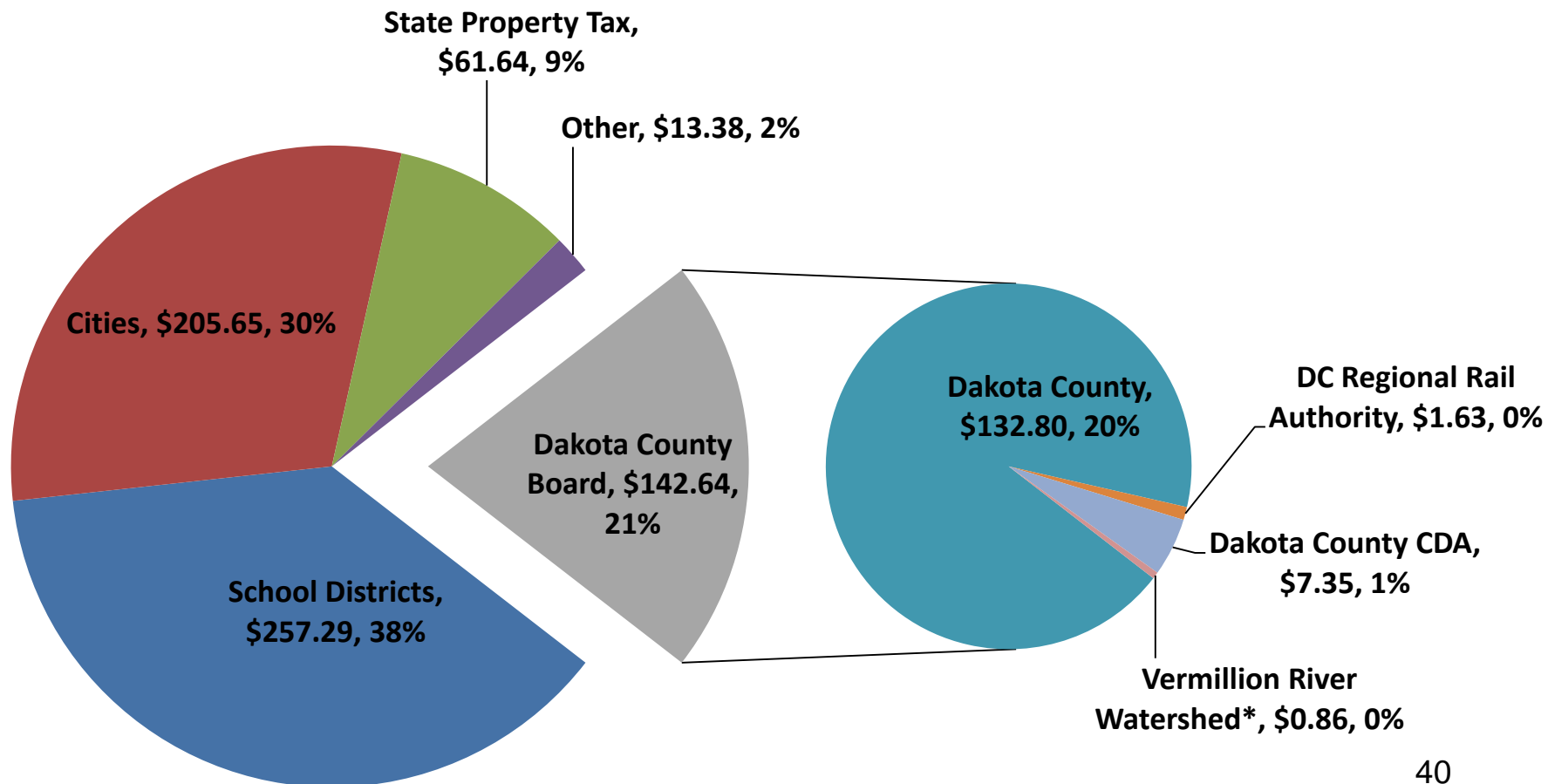
Pay 2017 Property Tax Levies for all Property Types



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Total 2017 Tax Levies: \$680.6

in Millions



*Dakota County Levy Portion Only

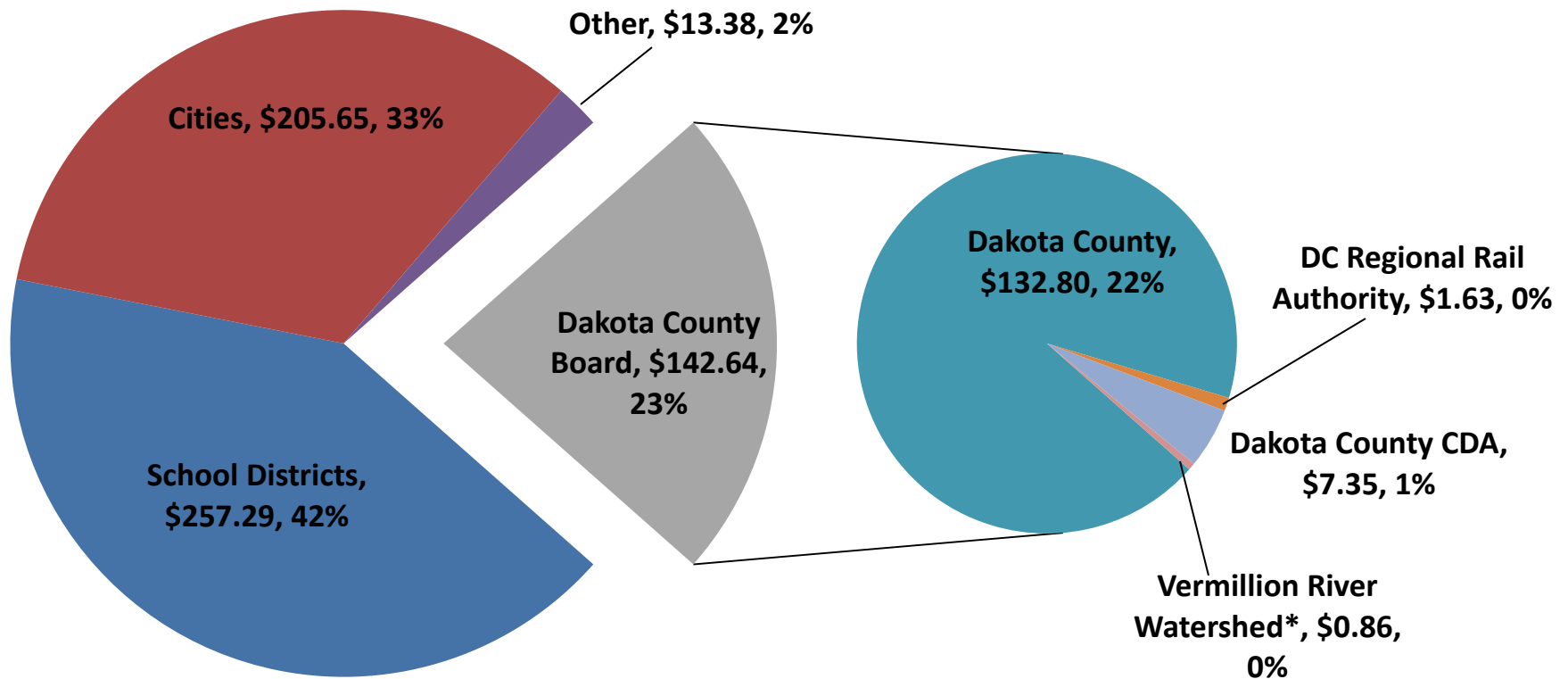
Who Sets Tax Levies In Dakota County?

Pay 2017 Property Tax Levies for Residential Properties



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Total 2017 Tax Levies: \$619.0 (without State Property Tax)
in Millions



*Dakota County Levy Portion Only

History Of Levies Under The Control Of Dakota County Commissioners



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	Pay 2013	Pay 2014	Pay 2015	Pay 2016	Pay 2017
Dakota County	\$129,152,073	\$128,377,938	\$129,661,717	\$130,196,625	\$132,800,558
DC Regional Rail Authority	\$1,640,516	\$1,630,673	\$1,630,673	\$1,630,673	\$1,630,673
Dakota County CDA	\$6,532,570	\$6,643,476	\$6,829,714	\$7,048,156	\$7,348,023
Vermillion Watershed	\$831,600	\$858,900	\$817,500	\$821,140	\$861,700
Total Levy	\$138,156,759	\$137,510,987	\$138,939,604	\$139,696,594	\$142,640,954
Percent Change From Previous Year	0.85%	-0.47%	1.04%	0.54%	2.11%

Combined Tax Levies



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	Pay 2015	Pay 2016	Pay 2017	Pay 18 Initial Forecast	Notes
Dakota County	\$129,661,717	\$ 130,196,625	\$132,800,558	\$135,456,569	2% growth, from 2017 levy model
DC Regional Rail Authority	1,630,673	1,630,673	1,630,673	1,630,673	Prior trend
Dakota County CDA	6,829,714	7,048,156	7,348,023	7,348,023	CDA FY18 budget (CY18 levy to be set later)
Vermillion Watershed	817,500	821,140	861,700	861,700	TBD
Total Levy	\$138,939,604	\$ 139,696,594	\$142,640,954	\$145,296,965	
% Change From Prior Yea	1.04%	0.54%	2.11%	1.86%	
		Total expected levy growth		\$ 2,656,011	

Alternatives for 2018 Levies



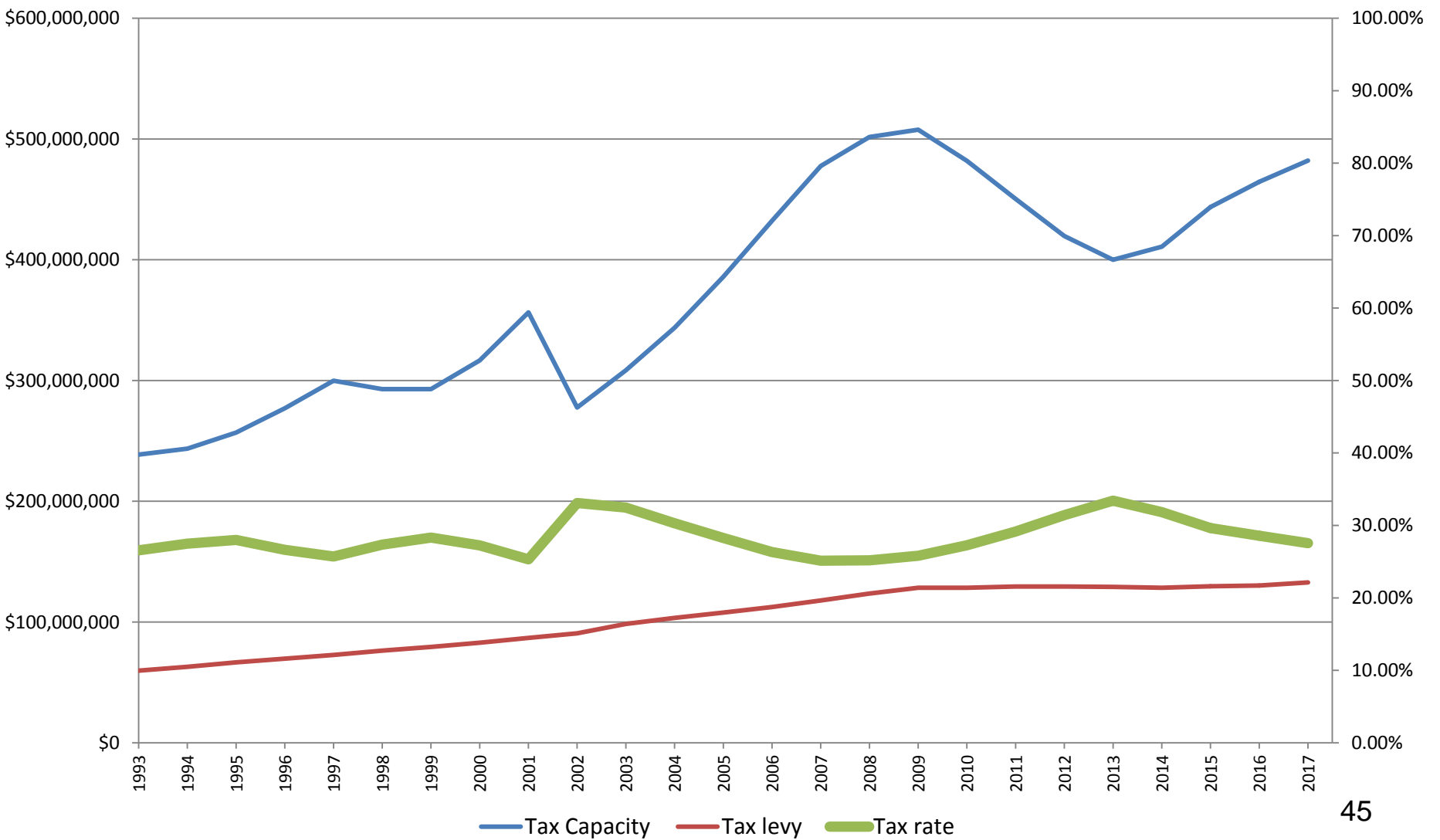
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	Initial Forecast	Policy Alternatives Change	Notes
Dakota County	\$135,456,569	TBD	Links to multi-year levy strategy
DC Regional Rail Authority	\$ 1,630,673	\$ (1,100,000)	Fund Transit Office only
Dakota County CDA	\$ 7,348,023	\$ 666,400	Maximum potential levy
Vermillion Watershed	\$ 861,700	TBD	
Total Levy	\$145,296,965	\$ (433,600)	
Dollar Change from Prior Year	\$ 2,656,011	\$ 2,222,411	
% Change From Prior Year	1.86%	1.56%	
Additional levy potential within initial 2018 forecast:		\$ 433,600	

Tax Base, Levy, and Rate Trends



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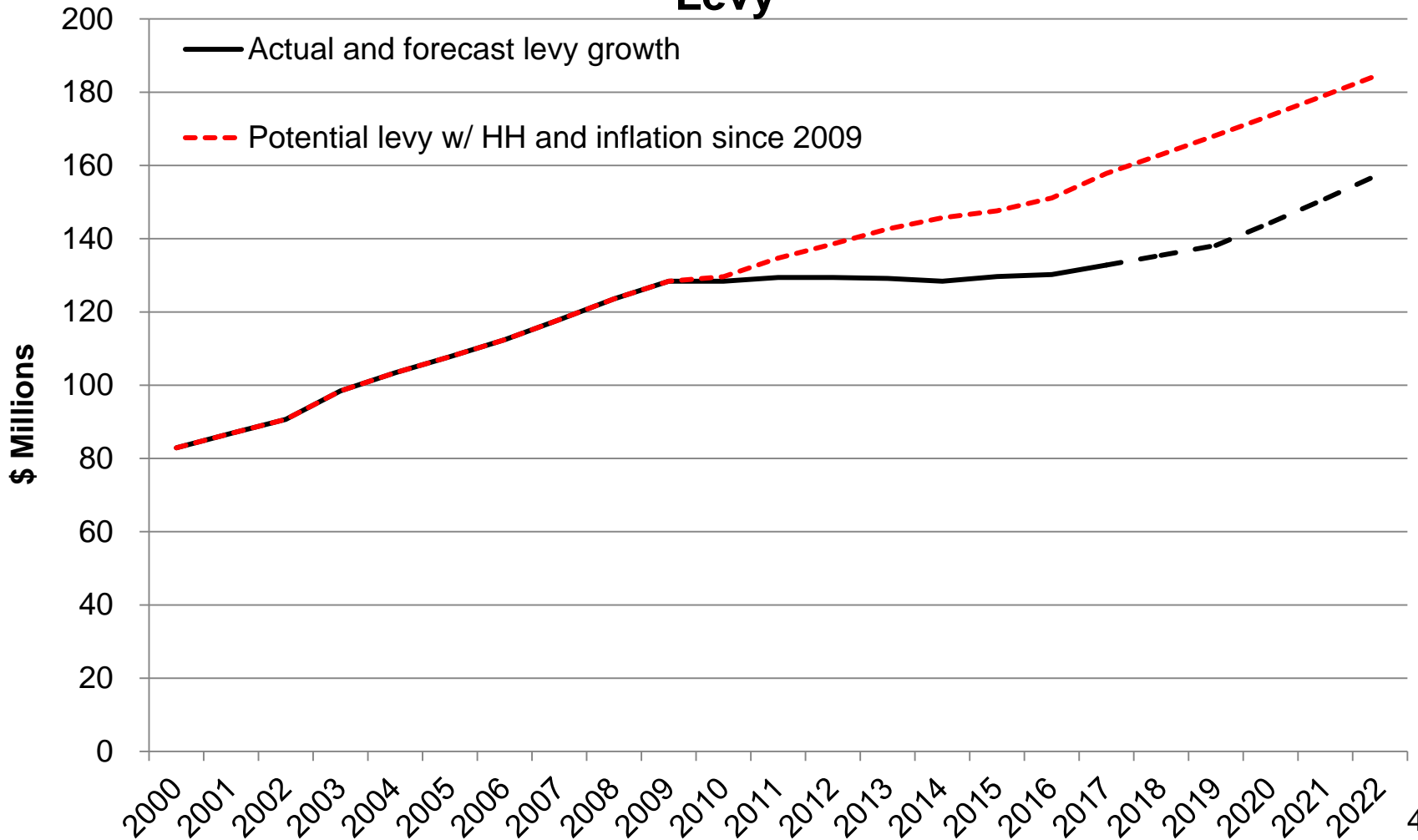


Levy and Household Growth



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Levy



Summary of Proposed Planning Parameters



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- Preliminary inflationary assumptions
 - Labor Costs: ~4% (based on prior years rates)
 - Non Labor Costs: 1.5%
- Levy funded FTE growth
 - Evaluate and possibly repurpose vacant FTEs to meet growing and changing demands
 - Past few years have resulted in moderate growth of levy funded FTE's.
- Utilize levy management account to reduce cost pressures on the levy
- Encourage internal reallocations aligned with strategic plan goals

Budget Development Process



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- August 22 - County Board Budget Workshop #2
- September 12 - GGP Budget Update
- September 26 - County Board Adoption of TNT maximum levy
- October 31-November 3 – County Board Budget Hearings
- November 14 – CIP Public Hearings
- November 28 – County Board Budget Public Hearing (“Truth-In-Taxation”)
- December 12 – County Board Adoption of 2018 Budget

THANK YOU!