



Dakota County, Minnesota

2019

Budget in Brief



A premier county in which to live and work.





Dakota County Administration
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MEMORANDUM

DATE: November 6, 2018
TO: Dakota County Board of Commissioners
FROM: Matt Smith, County Manager 
SUBJECT: **2019 Recommended Budget**

Each year, the County's annual budget stakes out our organization's public service commitments – efficient, effective, responsive government for the residents of Dakota County – and how we intend to meet them in the year ahead by applying the assets we have: our employees, public funds, and other resources.

The 2019 budget recommendations reflect discussions with the Board over much of this past year about strategic service and financial and tax priorities. They also reflect many, many hours spent by managers and staff throughout the County to analyze the demand for the many services we now provide, the best strategies to deliver them effectively and efficiently, and to identify opportunities to respond to changing needs of the residents we serve. Throughout this process we have paid close attention to wringing the most value we can from the resources we already have, before asking for more.

The 2019 budget is built on the County's longstanding financial management principles: structural balance and a multi-year perspective, maintaining prudent levels and uses of our fund balances, and ensuring our budget plans are realistic and implemented effectively.

We do all this to ensure that we will be able to deliver our services reliably and at a fair cost to taxpayers, not just in 2019, but in the years to come.

The 2019 budget plan does four basic things:

First, continue to meet our current obligations and the public's expectations for services. County services reflect the combination of state-mandated services (primarily in human services and public safety), as well as the highly-valued local services and investments that help make Dakota County a great place to live.

The first thing we have to face in the budget is that price increases in the costs for staff (wages, insurance) and other goods and services we purchase have to be accounted for in the budget so we can sustain our commitments. Our negotiated labor agreements provide for salary increases to retain and attract staff, and costs for health insurance are growing. We need to cover these costs in the budget, and we do.

The budget must respond to caseload and demand growth. In 2019 it will add to our capacity in high-risk probation, juvenile prosecution, truancy prevention, needs assessments for the vulnerable, property assessing, and highway maintenance.

A budget should make smart upstream investments that we know will make a positive difference for the future. This budget provides resources to expand our Birth to 8 early literacy efforts in partnership with school districts, support our 'pathways' efforts to realign programs toward promoting greater self-sufficiency, and improve our capacity to support public health, and address chemical dependency in particular.

The County's infrastructure (our roads, parks, and other facilities) provide services for current residents and are a platform for future growth.

In 2019 the Capital Improvement Budget will provide funding for parks and natural areas, libraries, highways, and County facilities.

This will include improvements at Lake Byllesby and Thompson parks, funds for natural resource protection and restoration, and continuing progress on developing our greenway system.

It will support the renovations underway at the Pleasant Hill and Heritage libraries. It begins the long-term expansion and improvement of our maintenance facilities, starts construction on the SMART Center, and begins design on a second recycling center.

The budget will support maintenance and growth in our transportation network. It funds reconstruction, expansion and safety improvements on County highways from Greenvale Township to West St. Paul, and from Nininger to Lakeville. And it helps support construction of the Orange Line Bus Rapid Transit line linking Burnsville to downtown Minneapolis.

Second, we improve or grow our services where we have the opportunity and resources.

This budget will allow our libraries to open an hour earlier on weekday mornings (and close a half hour earlier in the evening) to provide more overall access to patrons. We are able to do this primarily by shifting the working hours of current staff, with very little new additional cost.

It will add new capacity for commercial vehicle enforcement on our County roadways. This is important for a County like ours with heavy loads operating on our local system.

And consistent with the Parks visitor services plan adopted last year, we will add capacity for outdoor education, funded from park user fees.

Third, we will do what's needed now to ensure we can continue to provide high quality services in the future.

Our service delivery depends primarily on our own well-trained staff, so the budget adds capacity in training and organizational development.

Data, and the IT infrastructure that manages, stores, moves, and protects it, is a critical resource. This budget adds to our capacity to use and protect data in a number of ways, from data storage to network security to updates to some of our key business systems.

And looking ahead, we must continue to be vigilant and prepared for the variety of risks that could threaten County residents and our ability to provide services for them – both the risks we know of now, as well as those we're only beginning to recognize. This budget takes a variety of steps, including cybersecurity insurance, funding for emergency responder radio replacements, and building our overall capacity to identify, assess and manage the wide range of risks facing our enterprise.

And last but not least, we manage our finances to keep both our County property tax rate the lowest in the region again next year, and also ensure that we can continue to maintain both reliably good services and reliably low tax rates in future years.

The 2019 budget benefits from our overall strong economy, nationally and locally, increased investment earnings, stable state aids, improving transportation revenues, and drawing on the County's long-term plan to plow savings from debt payoff and other efficiencies into holding down the property tax levy.

The 2019 budget eliminates completely the tax levy for regional rail. Combined with the change in the County's tax levy, overall property tax collections by Dakota County will grow just 2.6% next year – the lowest rate of growth among any metro county (or among any of the largest counties statewide). Coupled with continued very strong growth in the County's tax base, this will reduce the County's 2019 tax rate to the lowest in over ten years, and between 14 and 52 percent lower than the tax rates planned in the other metro counties!

This budget is fiscally responsible for future years. It does not add any new permanent spending obligations that cannot be sustained with current revenues. The five-year CIP can be financed within existing resources, without taking on any debt, and still maintain our financial reserves at levels consistent with our established policies.

I believe this budget reflects accurately and well on the priorities and resources of our County, and I want to thank the Board and all the many staff who have all brought it to this point.



Longstanding Dakota County principles for financial management

Structural balance:

- Match ongoing spending commitments with ongoing revenue streams to avoid future ‘cliffs’

Multi-year perspective:

- Recognize (and plan to fund) the future ‘tails’ of current spending decisions

Prudent reserve levels and uses

- Maintain sufficient reserves to ride through the economic cycle
- Spend one-time funds for one-time purposes only

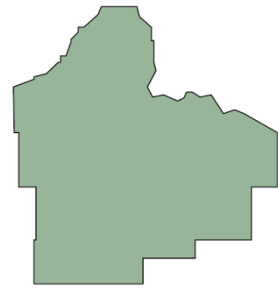
Realistic budget plans and effective management

- Prudent estimates of revenues and costs in the budget
 - Monitor and manage the adopted budget carefully
-



2019 Adopted Budget

DAKOTA COUNTY, MINNESOTA
FOR THE FISCAL YEAR
BEGINNING JANUARY 1, 2019

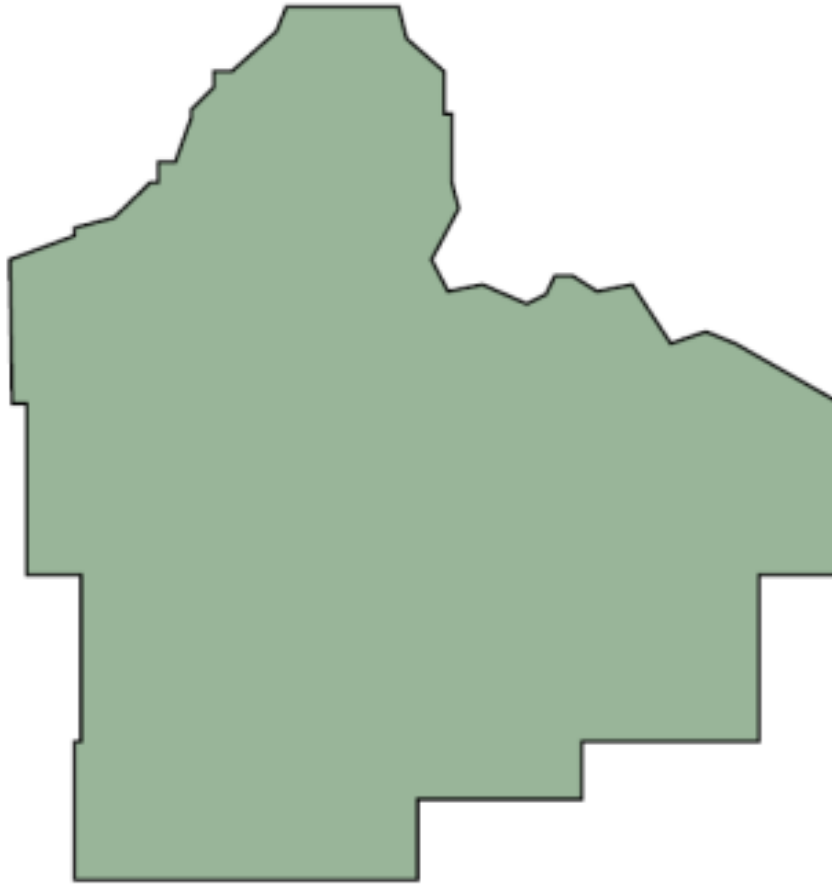


This document is a brief overview of the 2019 Adopted Budget for Dakota County, Minnesota. We hope this document will enhance your understanding of how the County is organized, the services it provides, and the funding sources used to provide those services. The County's purpose is to deliver the highest 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 A. Gaylord
- 3rd District Thomas A. Egan
- 4th District Joe Atkins
- 5th District Liz Workman
- 6th District Mary Liz Holberg
- 7th District Chris Gerlach





A comprehensive overview of the Dakota County 2019
Adopted Budget is available by contacting:

Dakota County Budget Office Department
1590 Highway 55 West
Hastings, MN 55033
(651) 438 – 4612

www.co.dakota.mn.us

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2019 ADOPTED BUDGET HIGHLIGHTS

- Ensures we can continue to provide current services at high quality in the face of cost and demand pressures
- Financially disciplined for the long-term
- Respectful of County taxpayers
- Increase capacity to plan and deliver more transportation projects
- Address rising caseloads in mandated services
- Longer term investments in Parks, Natural Resources, Libraries and maintenance facilities
- Invest in Information Technology security and access
- Minimal growth in property tax levy



Funds operating cost pressures through internal reallocations and savings and a 2.9% levy increase

- Using Fund Balance for one-time capital and operating items
- 31.25 Full-Time Equivalent (FTE) employees added during the budget process for 2019. A large portion of these are funded by State & Federal revenues and reallocation of County resources. Total adopted FTEs were reduced by 3.10, due to the elimination of temporary positions.
- Since 2009, workforce increased by net 35.62 FTEs
- Total operating expenses are budgeted at \$1.9 million above 2009
- Median-priced home with value increasing 8.6% will see about \$30 increase in County taxes.
- Adopted 2019 levy is \$3,962,901 higher than 2018
- The Adopted Dakota County levy will have a combined levy increase of 2.9% from 2018

Sound long-term financial plan supports future budget and service stability

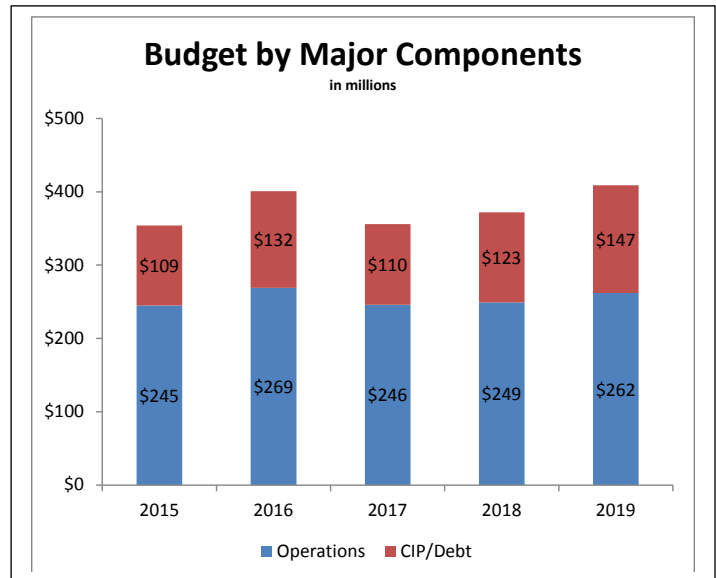
- **2019 recommended budget is structurally balanced**
 - Ongoing costs funded from permanent revenues—new and reallocated
 - Spending from fund balances on one-time capital and operating items
- **Plans for sustaining services and containing future levy growth**
 - Multi-year planned use of internal reallocations to help offset future cost pressures
 - Planned future rate of levy-funded spending growth remains moderate

INTRODUCTION

The 2019 Adopted Dakota County Budget, budgets Operations and CIP/Debt expenditures totaling \$409.5 million, an increase of 10.2% from the 2018 Adopted Budget.

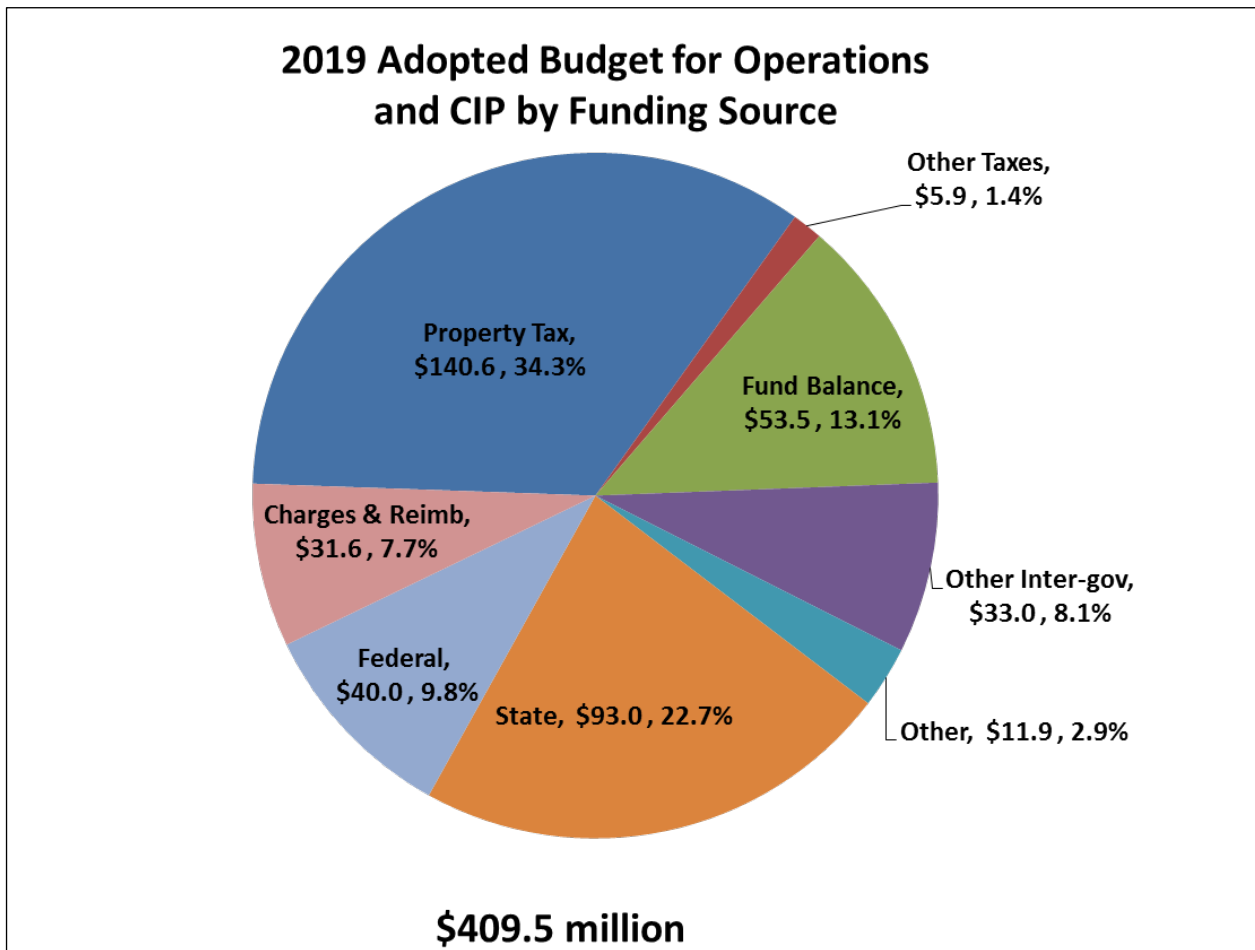
Under the Adopted Budget, the operating budget totals \$262.2 million, an increase of 13.7 million or 5.5% more than the previous year. Additionally, the Adopted Budget contains the 2019 Capital Improvement Program (CIP) of

\$147.2 million, an increase of \$24.2 million, or 19.7% more than the 2018 CIP. Both of these budgets are supported by an Adopted property tax levy of \$140.6 million, which is \$4.0 million more than the 2018 Adopted Budget. The 2019 Adopted Budget relies upon the internal reallocation of resources and other savings to cover the County's cost growth in excess of the increased adopted property tax levy.



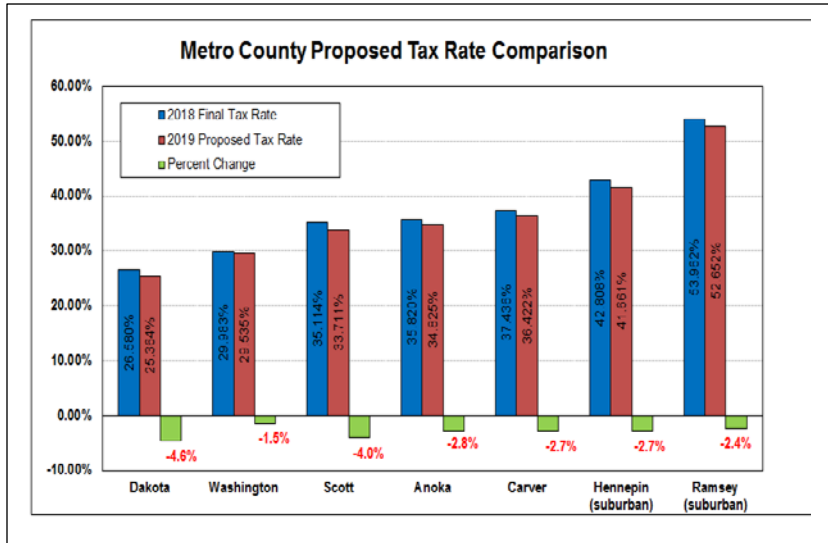
TOTAL REVENUE

For the 2019 Adopted Budget, total revenue increased by 10.2% to \$409.5 million. Operating revenues increased from the previous year's budget from \$248.5 million to \$262.2 million, an increase of 5.5%. Revenues supporting the CIP also increased. In FY2019, CIP revenues increased by 19.7% to \$142.2 million. The majority of the revenue increases in operations and CIP is attributed to interest on investments, federal and state revenues, and an increased use of fund balance. As of the end of 2017 the County no longer has any outstanding bond debt, resulting in no levy or fund balance being recommended for debt principle or interest payments. The following sections are an overview of budgeted revenues by funding source.



Dakota County currently maintains the lowest property tax rate among the metropolitan counties. The 2019 Adopted Budget will continue this trend.

During the past several years, the County has continued to provide significant services with little increase in the overall cost of government to residents. As indicated by the chart

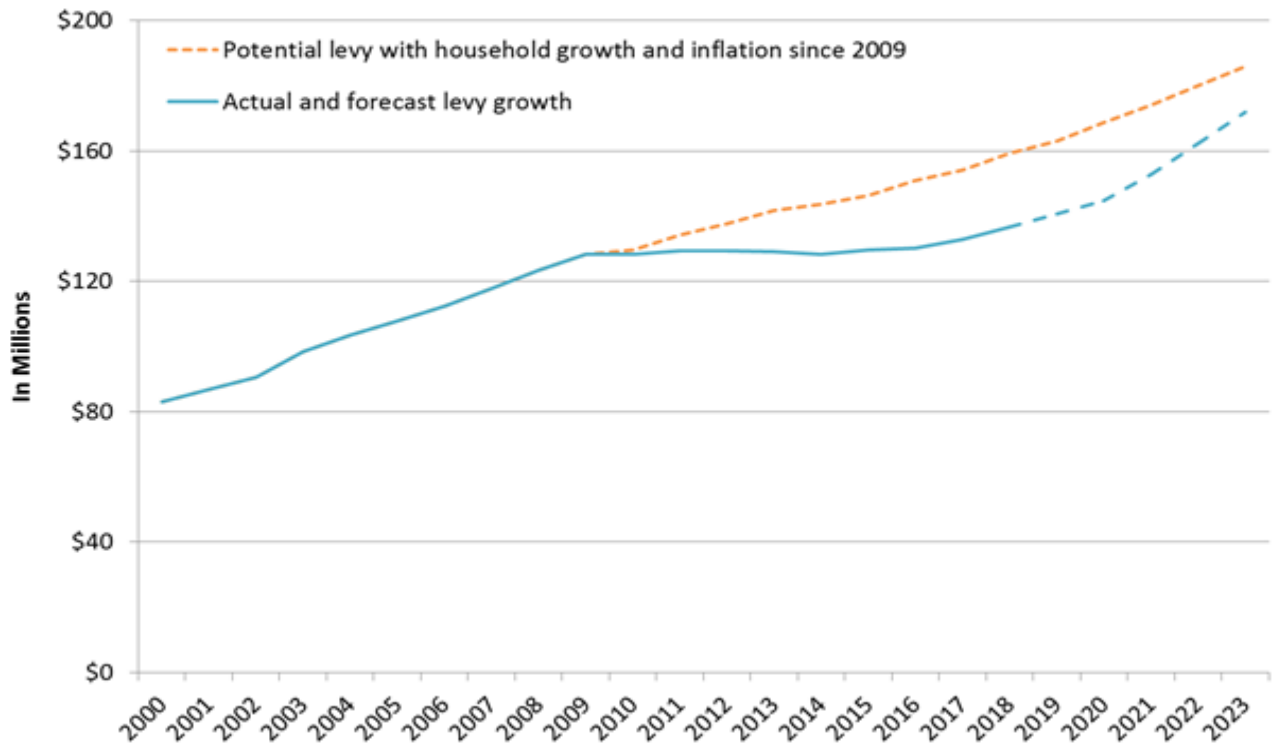


below, the County property tax increases remain below the potential levy growth when factoring in household growth in the County and inflation.

The County's adopted property tax levy (Levy) increased by \$3,962,901 for Fiscal Year (FY) 2019. Currently, the Levy funds 34.3% of both County Operations and CIP. Under the 2019 Adopted Budget, the County portion of total property taxes levied by all jurisdictions within the County is approximately 20%.

Growth in County tax levy compared to household growth and inflation

Balancing affordable taxes with cost and demand growth



Licenses, Fines & Charges

Revenues earned from these sources increased from \$30.4 million in FY2018 to \$31.6 million for FY2019 or an increase of 3.9%.

Other Revenues

Other Revenues include property taxes and penalties; excluding the current property tax levy, as well as other miscellaneous financing sources. For FY2019, these revenues increased by \$2.3 million or 23.7%.

Federal Revenues

Federal Revenues have increased by .9% or \$0.4 million.

State Revenues

State Revenues have increased in FY2019 by \$4.8 million or 5.4%.



Other Intergovernmental Revenues

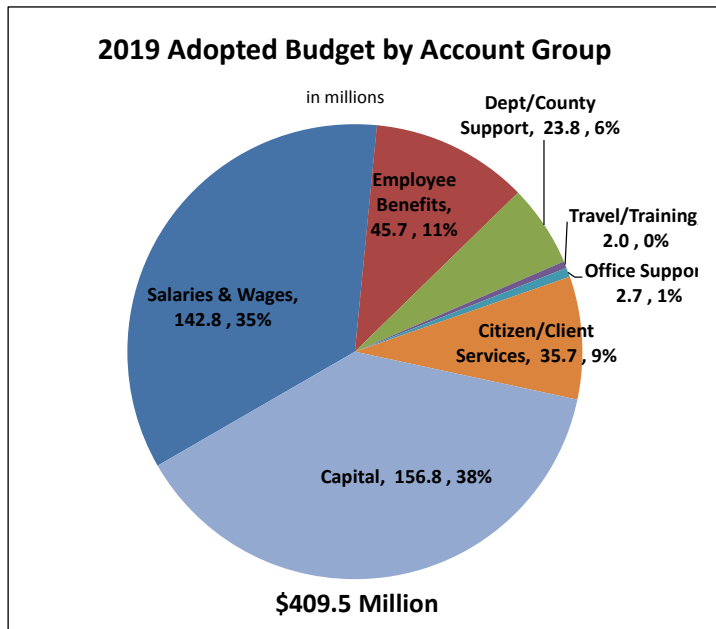
Other Intergovernmental Revenues include those revenues received from other government agencies. This funding has increased for FY2019 to \$33.0 million, an increase of 62.0%.

Fund Balance

Fund Balance supports \$53.5 million of the \$409.5 million Adopted Budget for 2019. The County only uses Fund Balance to support one-time expenditures.

TOTAL EXPENDITURES

The 2019 Adopted Budget of \$409.5 million increases total expenditures by \$37.9 million, or 10.2% more than the previous year's budget. This is due largely to increases in the Capital Improvement Program (CIP) of \$24.2 million and inflationary increases to operations. The following sections are an overview of budgeted expenditures for FY2019 by account group.

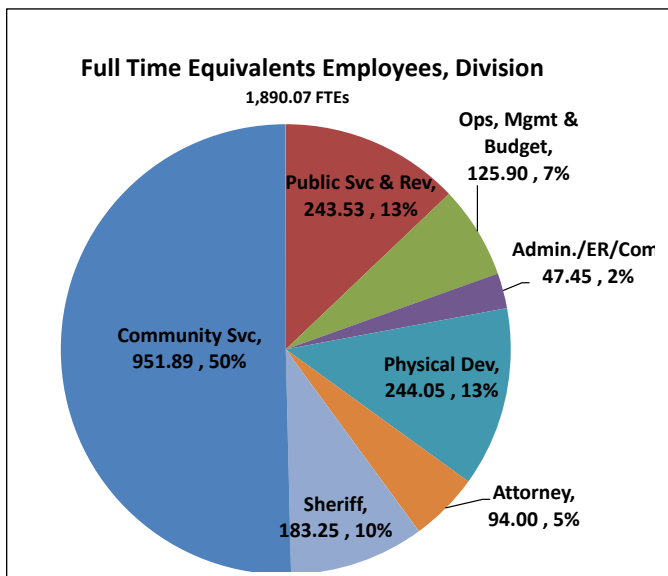


Personnel Expenditures

Personnel expenditures include the County's cost for salaries and wages, health insurance, Medicare and Social Security (FICA), Public Employee Retirement Association (PERA) contributions, and other employee benefits (e.g., life insurance, dental insurance, and unemployment insurance, etc.). County personnel costs for FY2019 are estimated at \$188.5 million or approximately 46.0% of the total budgeted expenditures.

Full Time Equivalents (FTEs)

The 2019 Adopted Budget decreased Full-Time Equivalents (FTEs) from 1,893.17 in FY2018 to 1,890.07 in FY2019, or a decrease of 0.2%. FTEs were increased by 31.25 during the budget process, but the total FTEs net to a slight decrease, due to eliminating budgeted temporary positions.





Department/County Support

Department/County Support is used for expenditures of purchased services, projects, or activities related to the overall support of the County, division, department or staff center. For FY2019, the Adopted Budget increased from \$22.3 million to \$23.8 million, an increase of \$1.5 million, or 6.6%.

Office Support

Office Support is used to record administrative costs common to most departments. Examples of Office Support accounts are telephone, printing, office supplies and postage. The cost of countywide support activities and citizen/client related services are recorded in a different account category than Office Support. The Office Support budget for FY2019 is \$2.7 million, an increase of 4.4%. The change in the office support budget is the result of inflationary increases along with additional budget to support new staff and department reallocations

Travel and Training

Travel and Training is the account category used to record the cost of travel and training for employees, including seminars and conferences, tuition and mileage reimbursement. The overall Travel and Training budget for FY2019 is \$2.0 million, an increase of 5.0%.

Client Services and Materials

Client Services and Materials include both Direct Materials and Supplies, and the Citizen/Client Services account categories. Direct Materials and Supplies are used to record the cost of materials and supplies that directly benefit citizens or clients. Citizen/Client Services are used to record the cost of purchasing services for citizens or clients. This includes the cost of payments to vendors that offer services to citizens or clients. For FY2019, the Citizen/Client Services and Materials budget was adopted at \$45.9 million, a decrease of \$0.4 million. This decrease was mainly the result of reducing contracted service costs and continuing programs with internal staffing .



Citizen/Client Services

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.

Capital Expenditures

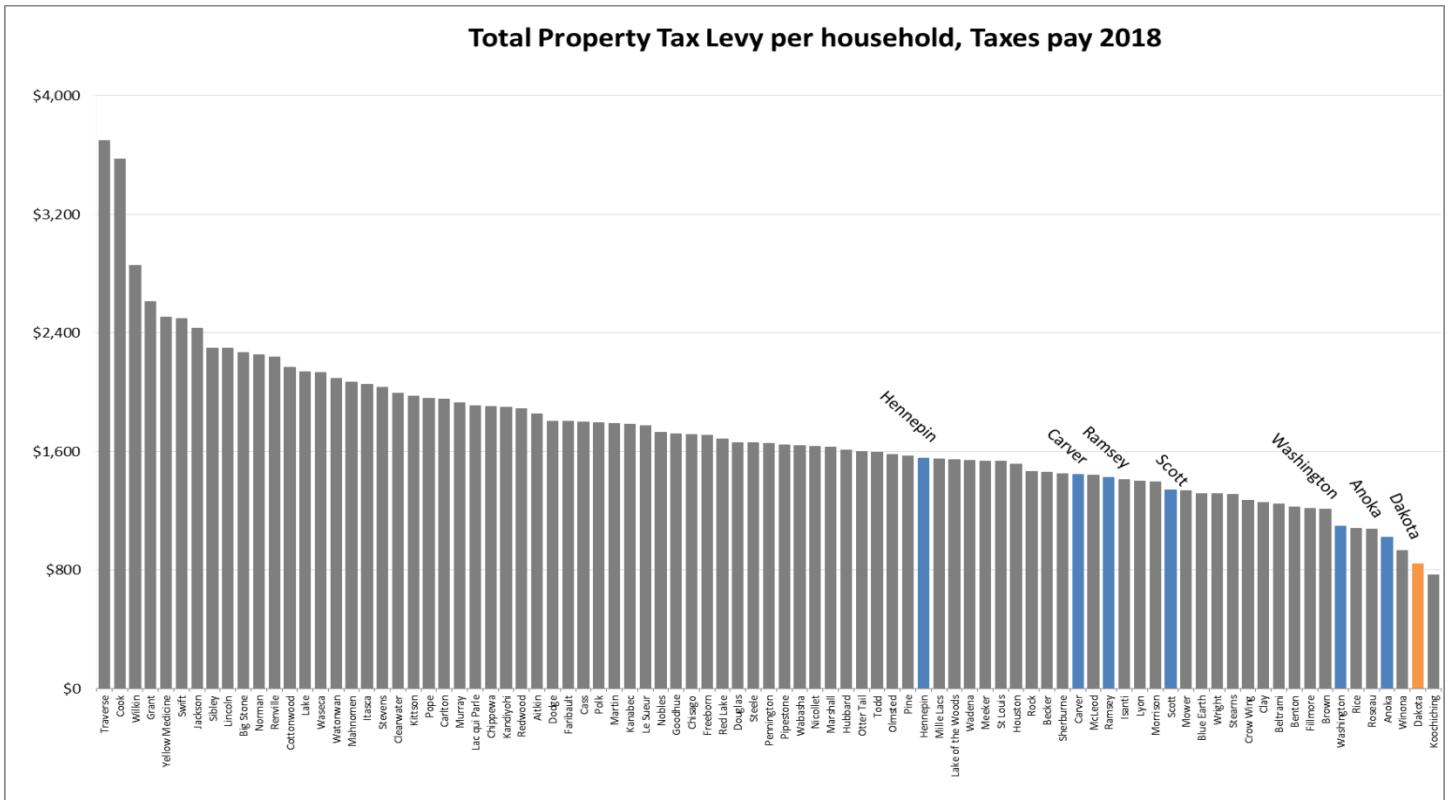
The budget for this account category includes all Capital Improvement Program (CIP) expenses. Total capital spending will increase from \$123.0 million in FY2018 to \$147.2 million in FY2019, a \$19.7 million or 19.7% increase.

Budget Incentive Program

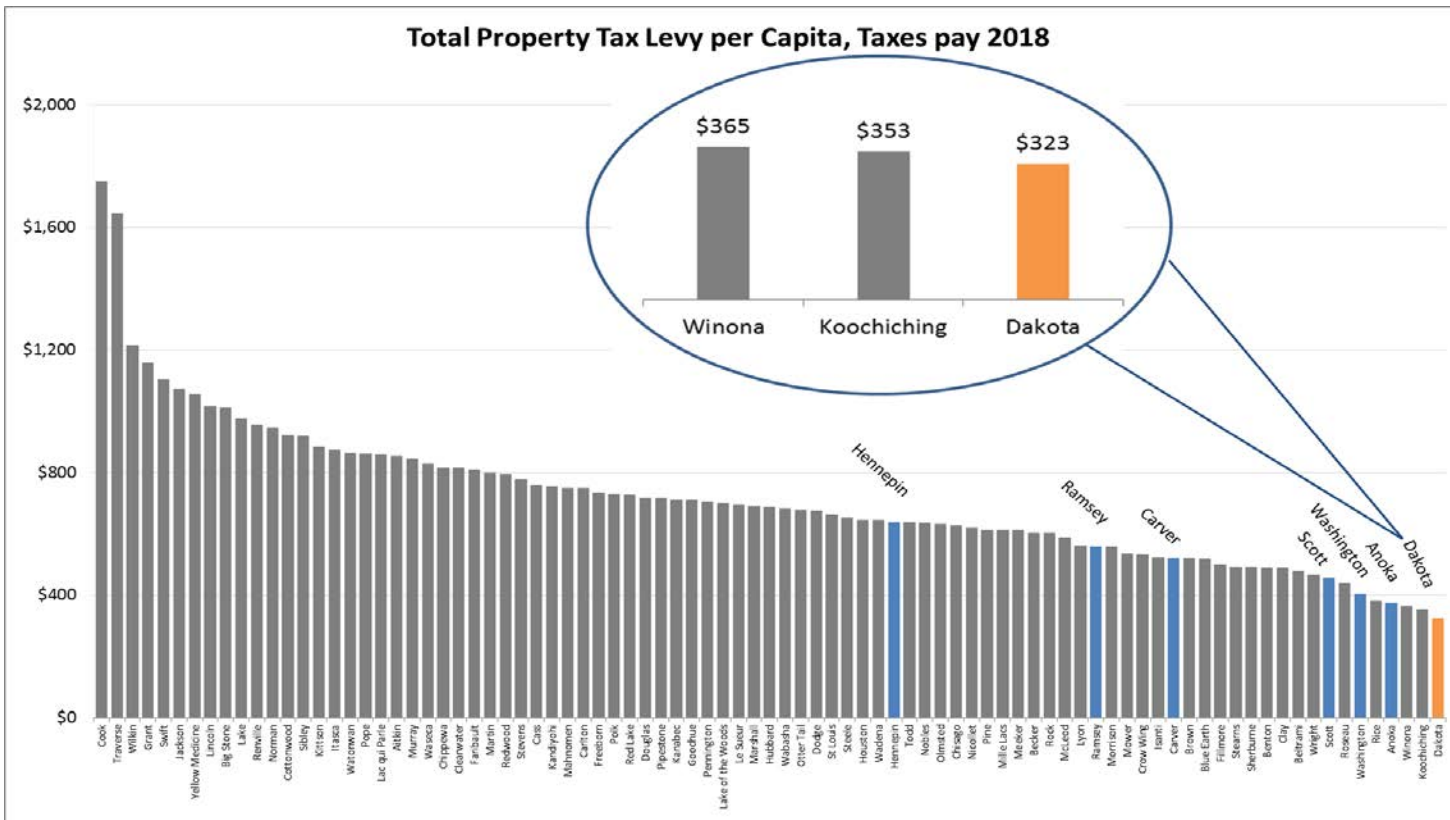
Budget Incentive Program (BIP) expenditures are recorded across all account categories; however, for budgeting purposes, BIP is budgeted in one capital expenditure account. Departments are not required to indicate in the budget how they plan to spend BIP funds, although they are requested to formulate a “BIP Spending Plan” for internal review. The adopted amount of BIP is budgeted at \$1.2 million for FY2019.

APPENDIX

Item 1: Total Property Tax Levy per Household, Taxes Pay 2018

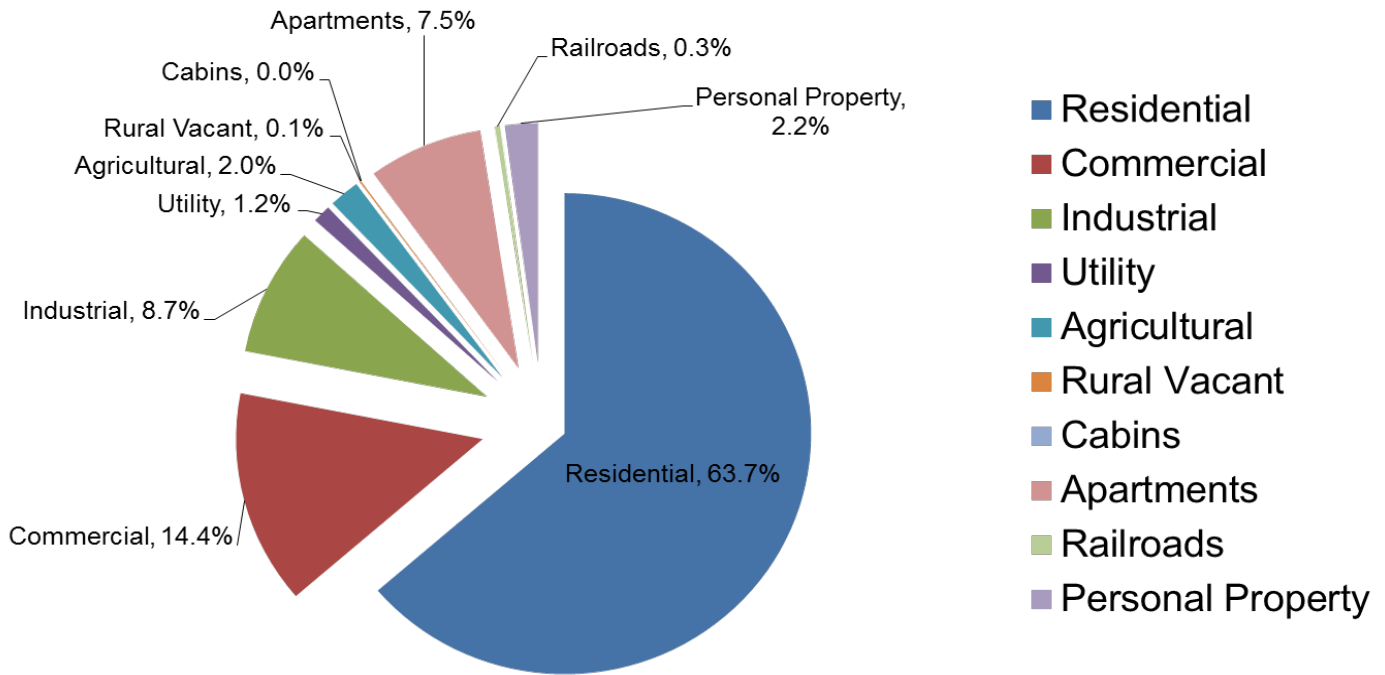


Item 2: Total Property Tax Levy per Capita, 2018



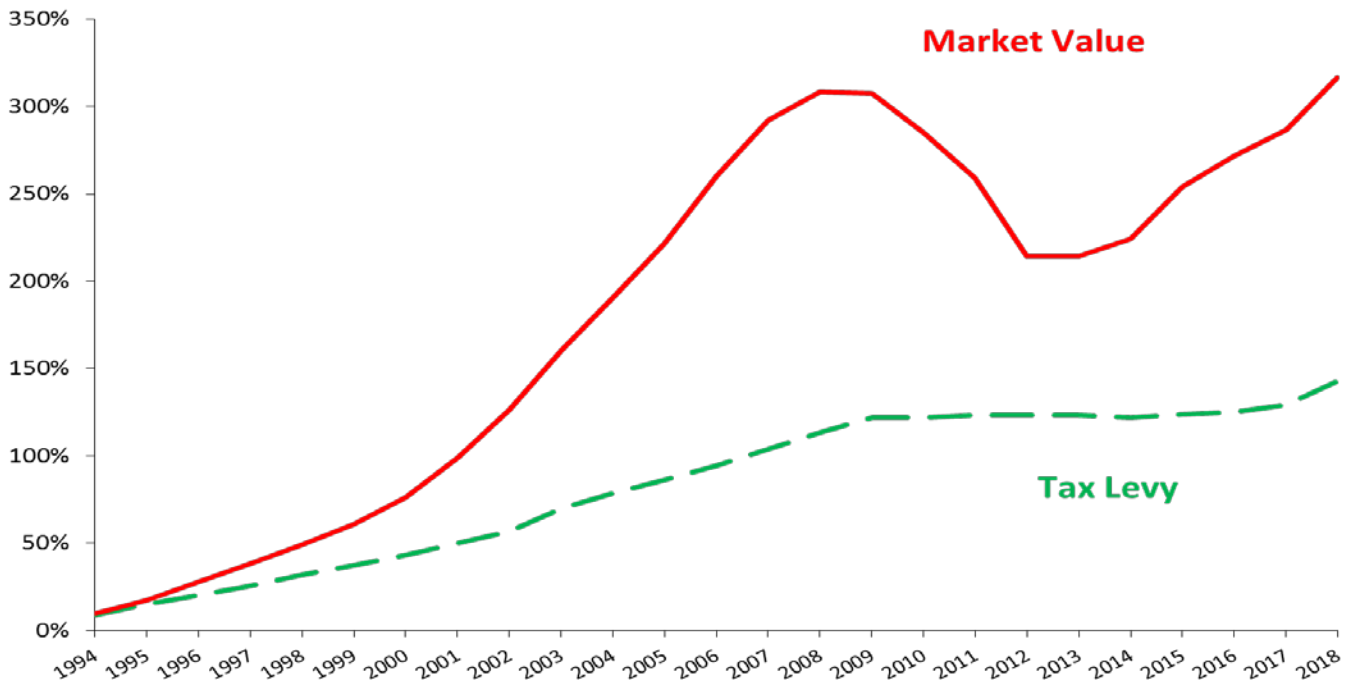
Item 3: County Tax Capacity by Class, Payable 2019

County Tax Capacity By Class, Payable 2019

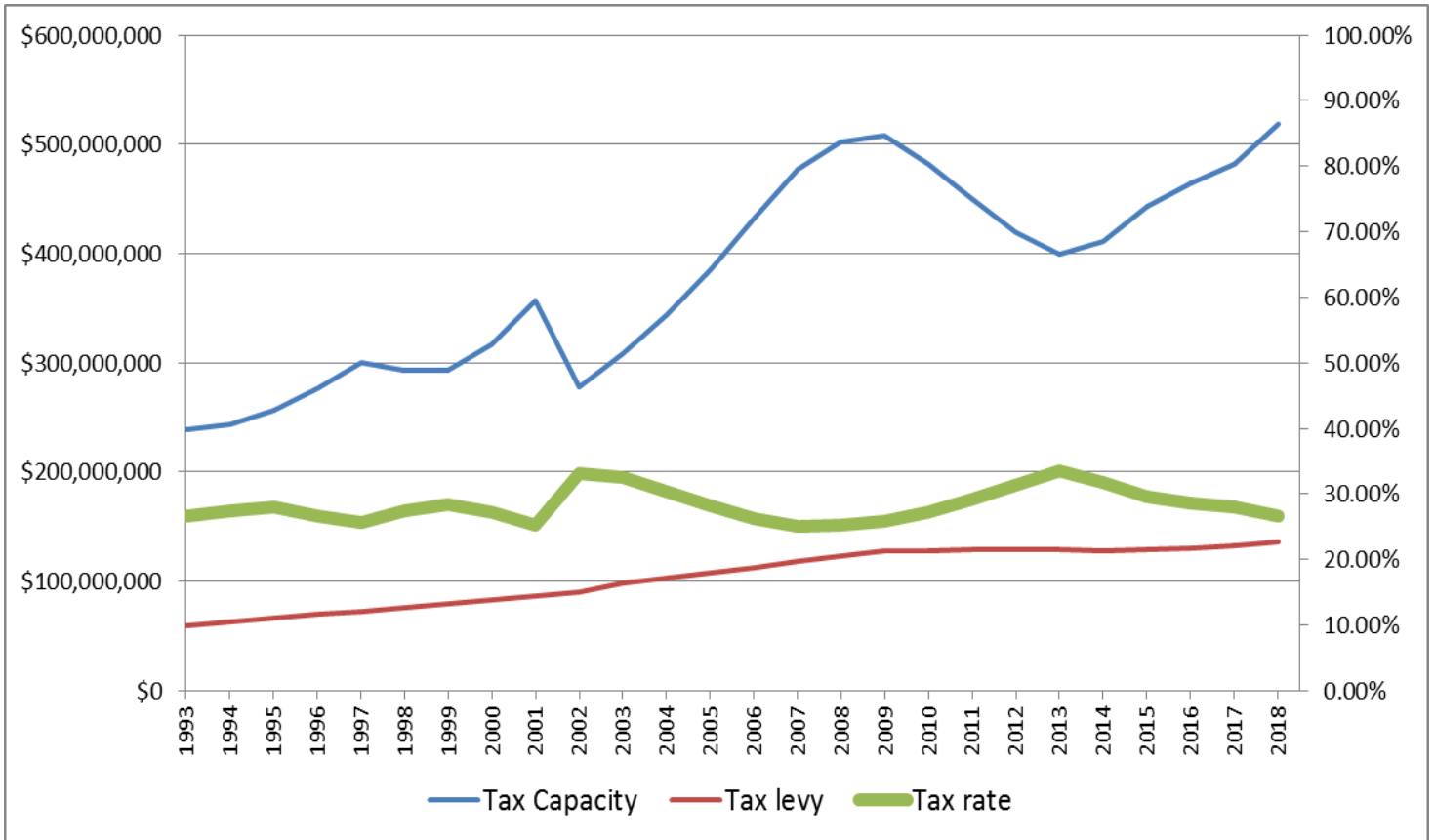


Item 4: Dakota County Property Tax Levy vs. Market Value

Dakota County Property Tax Levy vs. Market Value

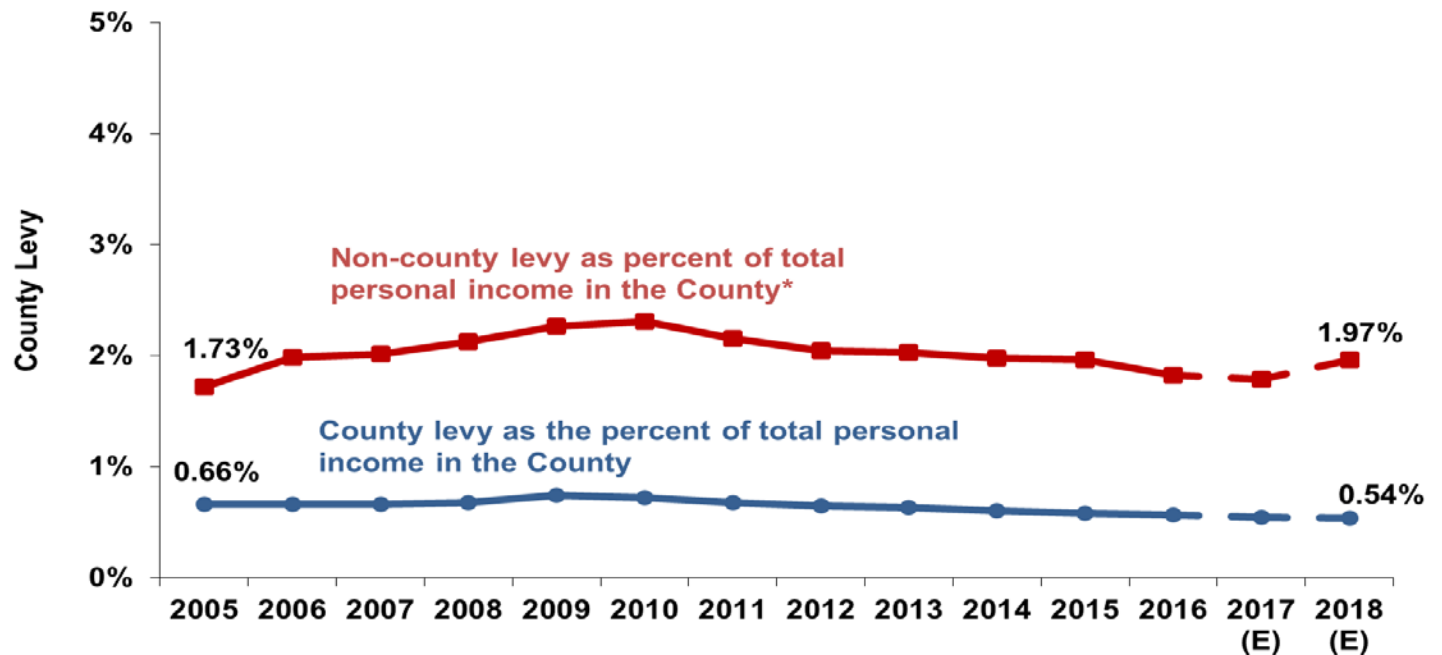


Item 5: Tax Base, Levy, and Rate Trends



Item 6: Price of Government in Dakota County, 2005-2017

Price of Government in Dakota County, 2005-2017

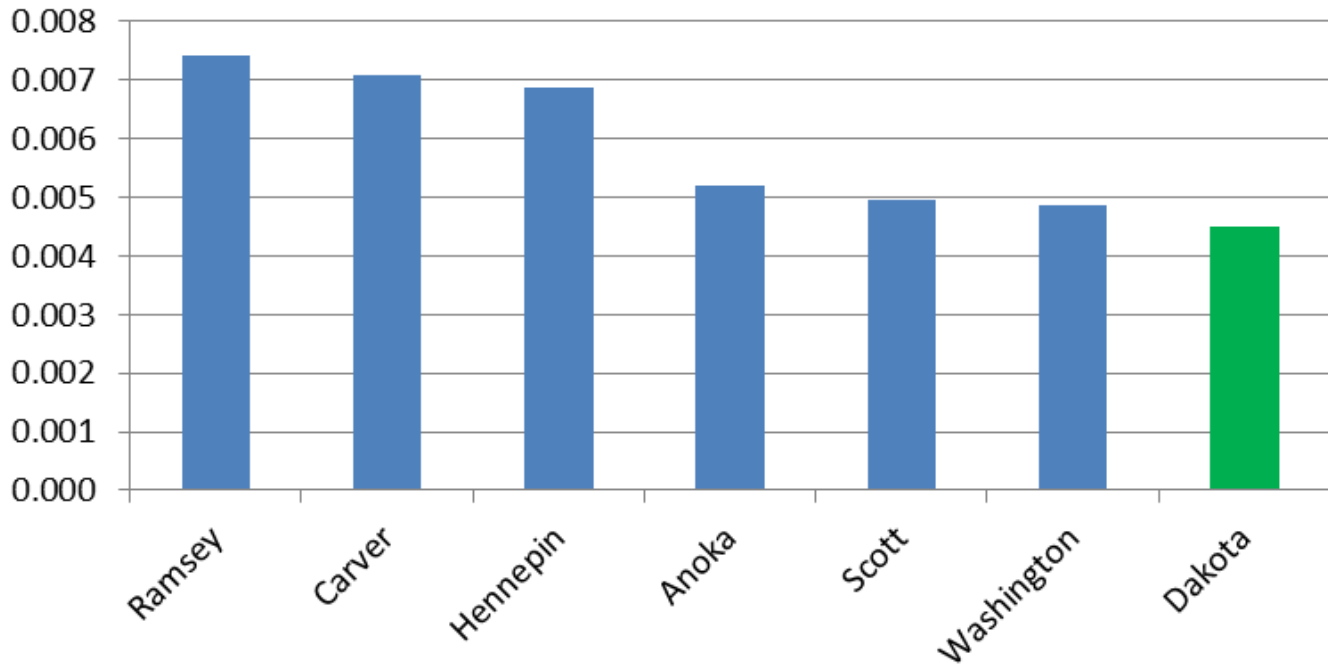


(E): Estimate

Source: U. S. Bureau of Economic Analysis and Minnesota Department of Revenue

Item 7: Full Time Equivalent Employees/Capita, 2018

2018 Full Time Equivalent Employees/Capita



*Anoka based on 2017 adopted FTE

Item 8: Operating Budget by Account Group, Recommended 2019

2019 Adopted Operating Budget			
Financial Summary			
	2018 Adopted	2019 Adopted	% Change
Expenditures			
SALARIES	134,850,487	142,776,910	5.9%
BENEFITS	41,910,879	45,691,317	9.0%
DEPT/COUNTY SUPPORT	22,295,241	23,763,442	6.6%
TRAVEL/TRAINING	1,877,105	1,970,737	5.0%
OFFICE SUPPORT	2,554,793	2,666,343	4.4%
MATERIALS/SUPPLIES	2,510,651	2,209,974	-12.0%
CITIZEN/CLIENT RELATED SERVICE	43,813,907	43,693,352	-0.3%
INTERDEPARTMENTAL	-9,108,450	-10,065,813	10.5%
CAPITAL, DEBT, OTHER FINANCING	7,847,963	9,520,638	21.3%
Total Expenditures	248,552,576	262,226,900	5.5%
Funding Sources			
OTHER TAXES	1,896,250	1,982,250	4.5%
CHARGES FOR SERVICES	29,047,466	30,211,077	4.0%
OTHER REVENUES	9,381,139	11,636,391	24.0%
FINES AND FORFEITURES	30,000	30,000	0.0%
LICENSES & PERMITS	1,327,894	1,355,535	2.1%
FEDERAL REVENUE	31,676,340	32,394,002	2.3%
STATE REVENUE	44,993,250	46,364,256	3.0%
OTHER INTERGOVERNMENTAL REV	5,354,674	5,319,493	-0.7%
OTHER FINANCING SOURCES	-5,735,102	-1,548,958	-73.0%
Total Non-Levy Funding Sources	117,971,911	127,744,046	8.3%
PROPERTY TAXES	130,580,665	134,482,854	3.0%
Total Funding Sources	248,552,576	262,226,900	5.5%

Item 9: Dakota County Property Taxes by Taxing Jurisdiction

