



Dakota County, Minnesota

2020

Budget Workshop - 1

June 18, 2019



A premier county in which to live and work.



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Introduction

Commissioners,

The June 18 Budget Workshop will report the next phase of the 2020 budget and tax levy process with the Board. Consistent with prior years, in this workshop we will:

- Review 2018's ending financial performance;
- Review the current year budget performance to date, and year-end projections through 2019;
- Look to the future, including the 2020 financial planning environment, budget pressures and opportunities identified to date by divisions and offices, and the current outlook for 2020- 2022 budget and levy planning, given current trends and forecasts and the resources available for levy management.

The primary purpose of this workshop is to provide an overview of the context for 2020 budget and levy decision-making (as we know it at this date), and to seek Board feedback on the general framework and parameters for planning as we continue to develop budget and levy options. We will continue to develop more refined information over the summer, and then at the August workshop staff will seek more specific Board direction on budget and levy parameters for next year.

To allow the Board an opportunity for advance review (and then also to shorten the deck of slides to be presented in the workshop) staff has created this book containing background information to supplement the discussion at the workshop.

In it you will find detailed information on 2018 financial performance, 2019 projections, fund balances, and 2020 pressures and resources. We hope you find it useful as we begin consideration of the 2020 budget and levy.

Regards,

Matt Smith, County Manager

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

(These principles were developed in this form out of a Board financial planning workshop in 2009, and have been used in the budget process since that time.)

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Fund Balance Summary

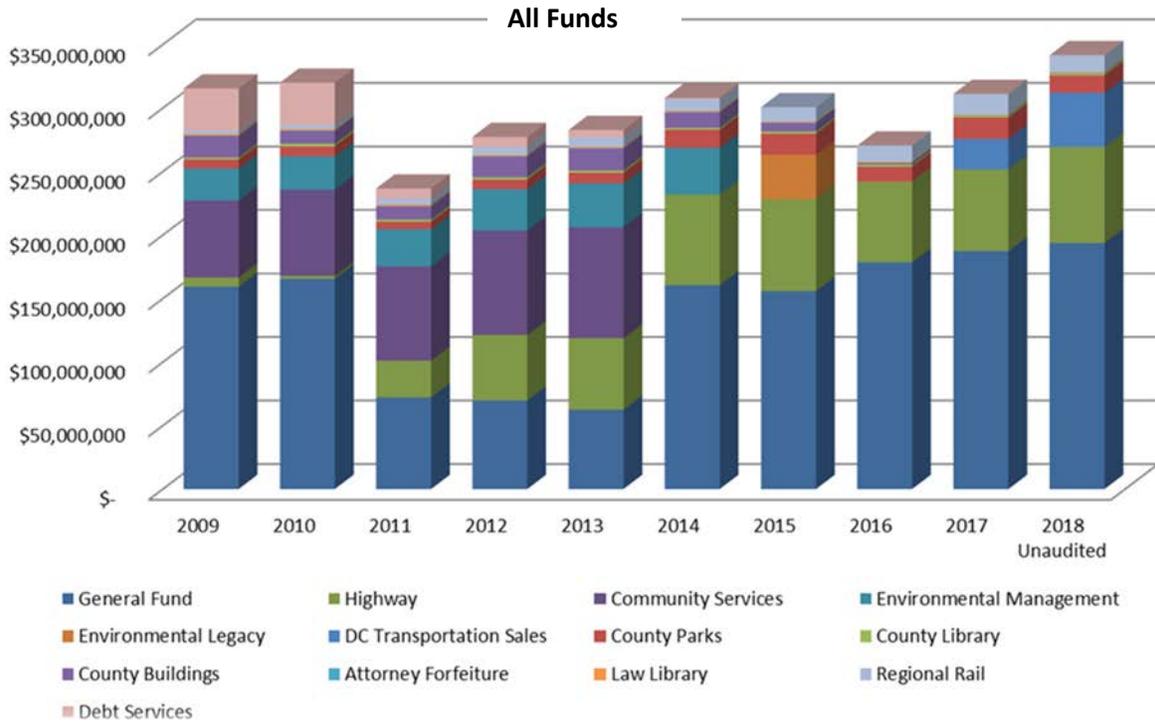
(in millions)

	Audited 12/31/2017	Unaudited 12/31/2018
Beginning Fund Balance	\$ 270.3	\$ 310.4
Total Revenues	356.5	357.7
Expenditures:		
Current	311.2	314.9
Capital Projects and Equipment	5.2	12.3
Debt service	-	-
Total Expenditures	316.4	327.2
Other Financing Sources (uses)	-	-
Non-spendable, Restricted, Committed or Assigned	188.4	217.0
Unassigned	122.0	124.5
Ending Fund Balance	\$ 310.4	\$ 341.4
Net Change in Fund Balance	40.1	31.0

Preliminary financial statements compare 2017 actual and unaudited 2018 financial activity. Revenues are up in 2018 primarily due to transportation sales tax, and additional federal and state transportation revenue. There were no debt service payments in 2017 or 2018.

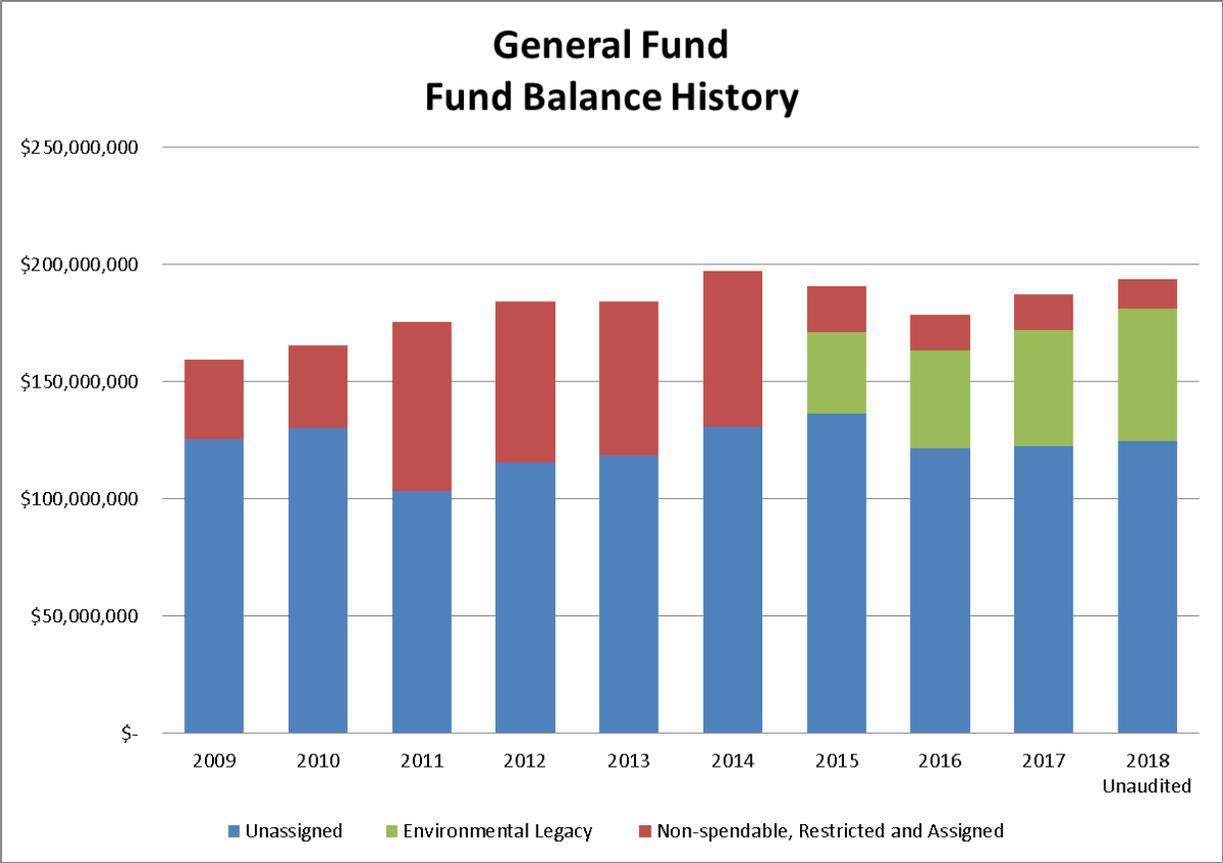
The net changes in fund balance for 2018 equals \$31.0 million. The unassigned general fund balance grew by \$2.5 million.

Fund Balance History



Dakota County’s unaudited 2018 end of year fund balance is \$341.4 million. The major funds that hold these balances include the General Fund, Highway Fund, DC Transportation and Sales Tax Fund, County Parks Fund, County Library Fund, County Building Fund. The bar chart shows a ten year history of Dakota County fund balance by fund.

These fund balances represent all fund designations; Unassigned, Assigned, Committed, Restricted, and Non-Spendable. Definitions can be found later in this book.



The ten year history of General fund balance shows a steady trend.

The blue is the unassigned fund balance. Below are the definitions of fund balance designations according to County Policy #2003

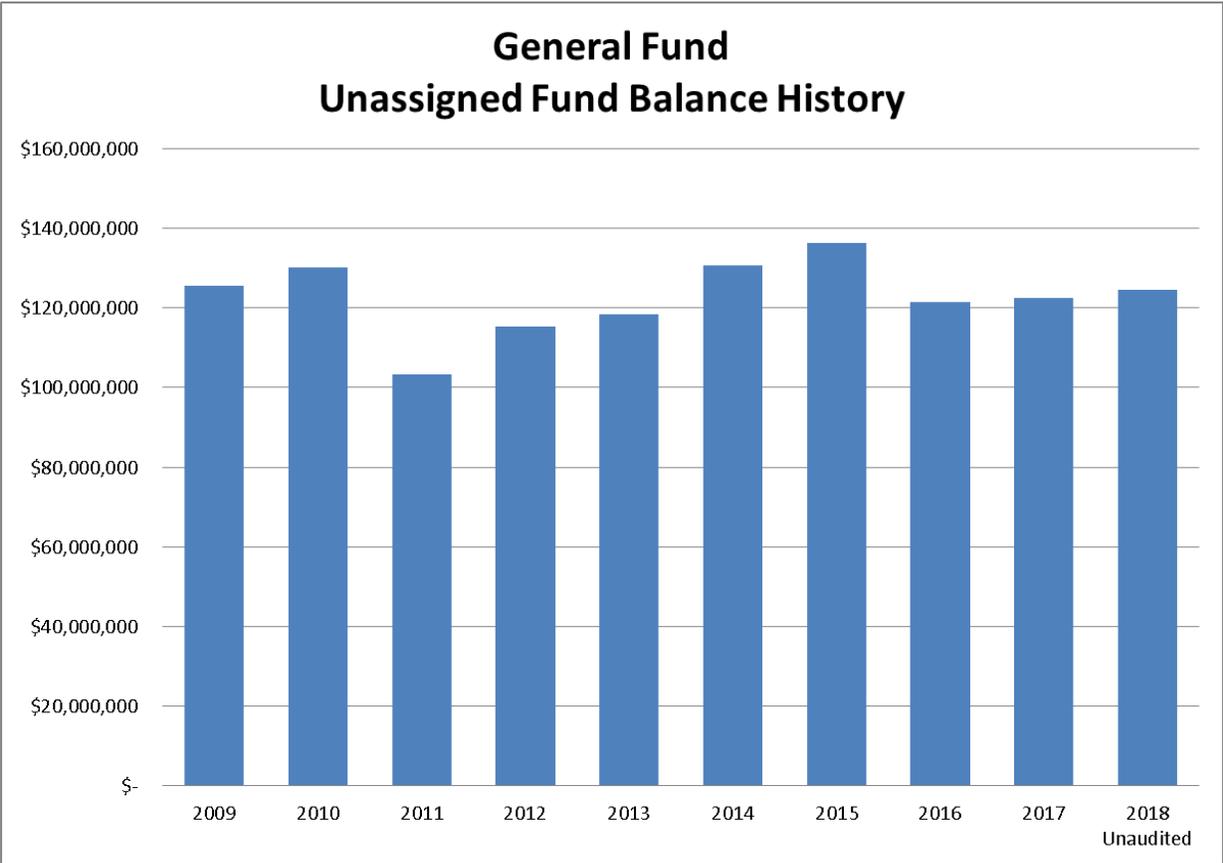
Unassigned Fund Balance is the residual classification for the general fund.

Assigned Fund Balance includes general fund amounts constrained for a specific purpose by a delegated county official

Committed Fund Balance includes amounts constrained for a specific purpose by County Board resolution

Restricted Fund Balance includes amounts constrained for a specific purpose by external parties.

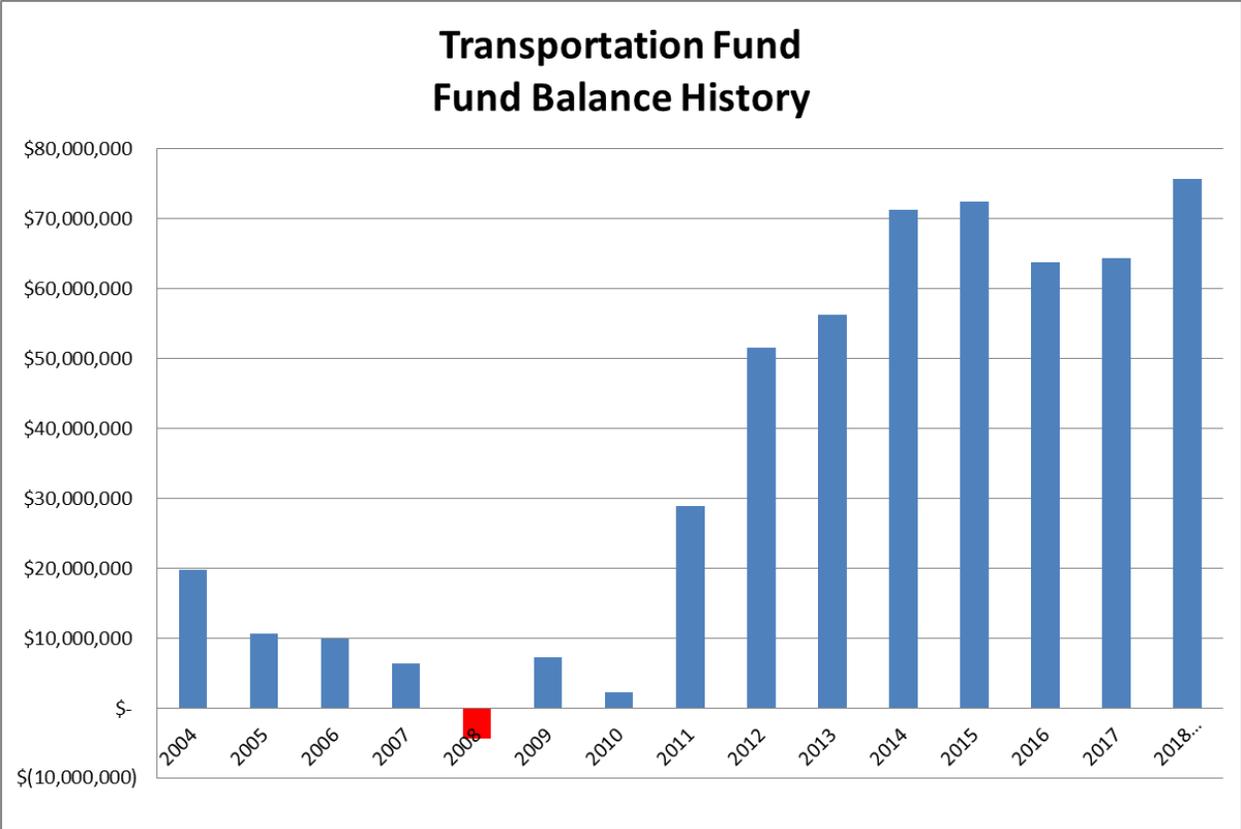
Non-spendable Fund balance includes amounts **not** in spendable form, such as inventory



The unassigned General Fund balance at the end of 2018 is \$124.5 million. The unassigned fund balance increased by \$2.5 million in 2018.

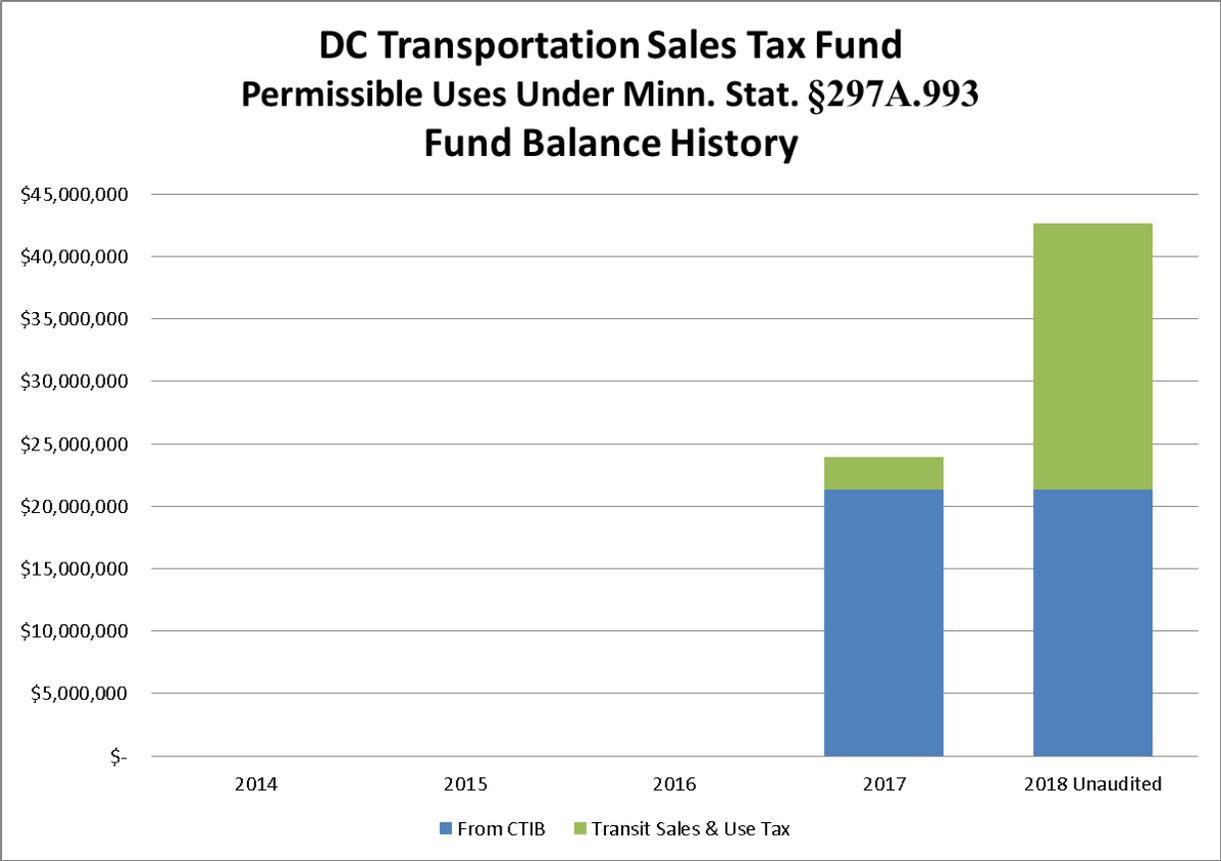
In 2016 \$24 million was transferred from the General Fund to the Debt Services fund to pay off County debt.

In 2018 \$11.8 million was transferred from the General Fund to the Building Fund to cover the negative fund balance.



Money in this fund includes state and federal reimbursements and can be used for transportation maintenance and construction projects.

Fund balances reflect actual expenditures and actual revenues at the close of each fiscal year. Money in the Transportation Fund is designated as non-spendable (for inventory) or assigned.



The DC Transportation Sales Tax Fund consists of two revenue sources; the Counties Transit Improvement Board (CTIB) and the Transportation Sales Tax.

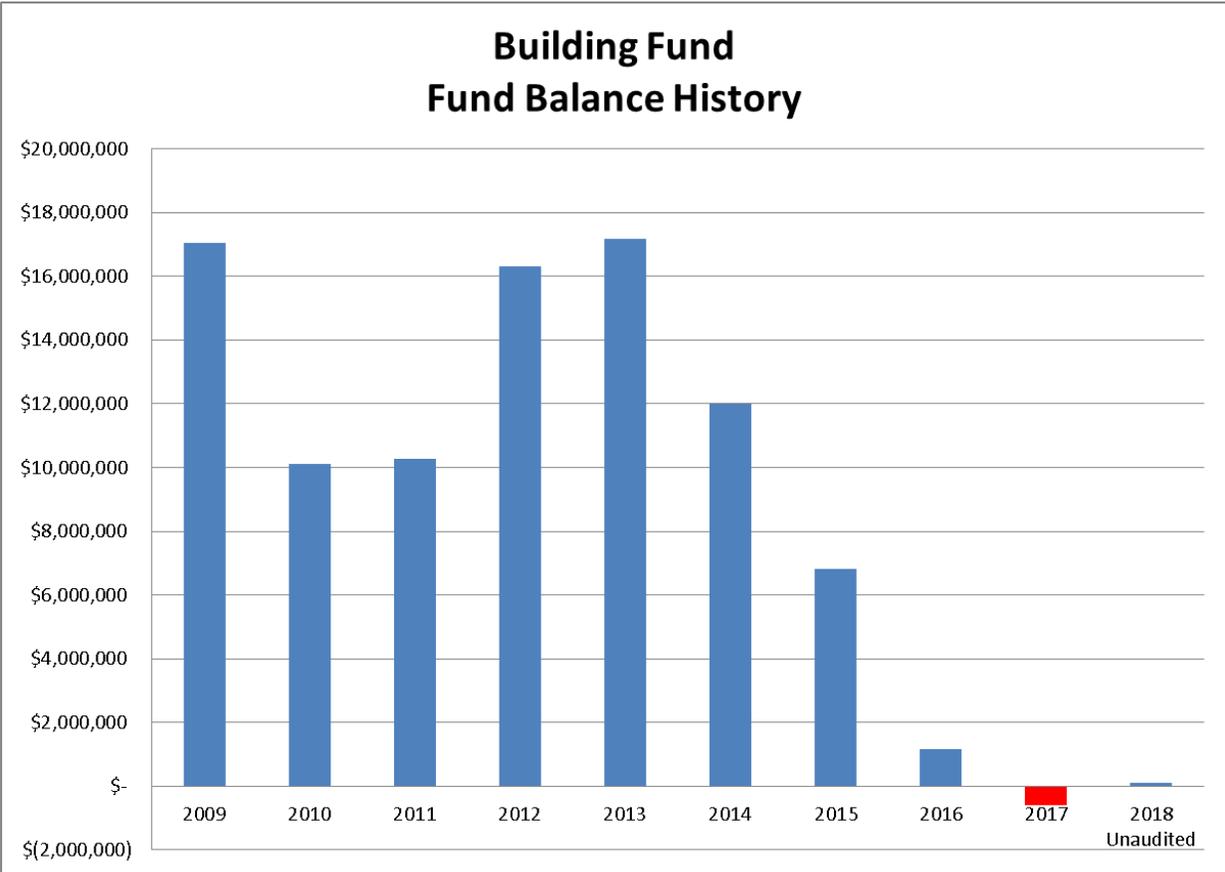
The CTIB JPA was terminated and \$21.3 million (blue) was refunded to Dakota County in 2017. The Greater MN Transportation Sales Tax was implemented in 2017 and raised \$2.6 million (green) in 2017 and \$18.1 million in 2018.

Money in this fund is designated as restricted. A recent law change allowed CTIB and tax funds to be used more broadly as governed by Minnesota Statute 297A.993.

- (1) Capital cost of a transportation project;
- (2) Both capital and operating costs of a transit project;
- (3) Capital costs of a safe routes to school program;
- (4) Transit operating costs.

Dakota County Transportation Sales and Use Tax Eligible Uses

Statutory Eligible Use	County Policy Use
Payment of the capital cost of a specific transportation project or improvement	Regional County Highway Projects
	Trunk Highway Projects
	Regional Trail Projects to Match Federal Transportation Funds <ul style="list-style-type: none"> • Up to \$1 million annually
Payment of the capital costs of a safe routes to school program under section 174.40	
Payment of transit operating costs	Regional Transitway Capital and Operation Costs
Payment of the costs, which may include both capital and operating costs, of a specific transit project or improvement	Transit Service Expansion Capital and Operating Costs <ul style="list-style-type: none"> • Up to \$1 million annually

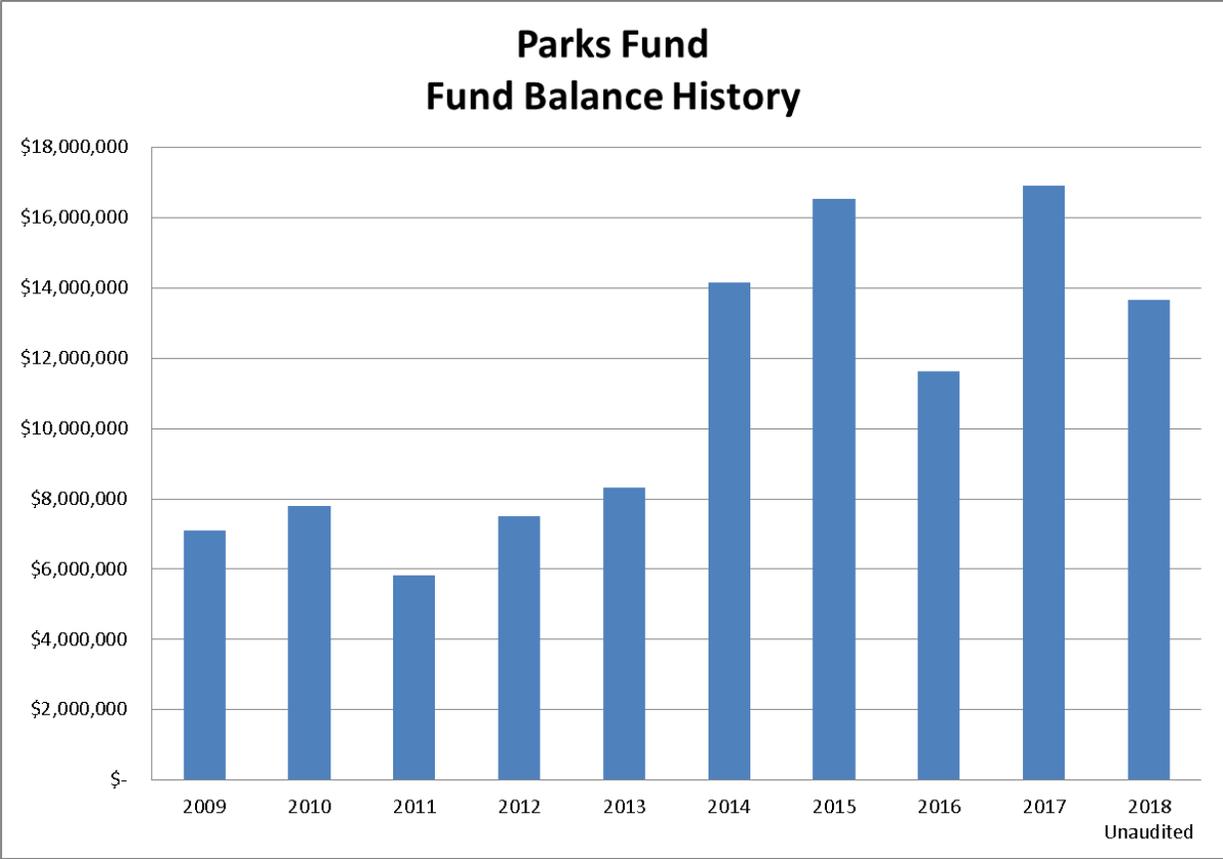


This fund reflects tax levy dollars budgeted for construction and improvement of buildings

The negative in 2017 reflects the approved budget which includes the use of General Fund fund balance. With the building fund exhausted future building projects over the next 5 year CIP will have to rely on General Fund balance, state bonding dollars, or levy dollars.

Money in the Building Fund is designated as assigned.

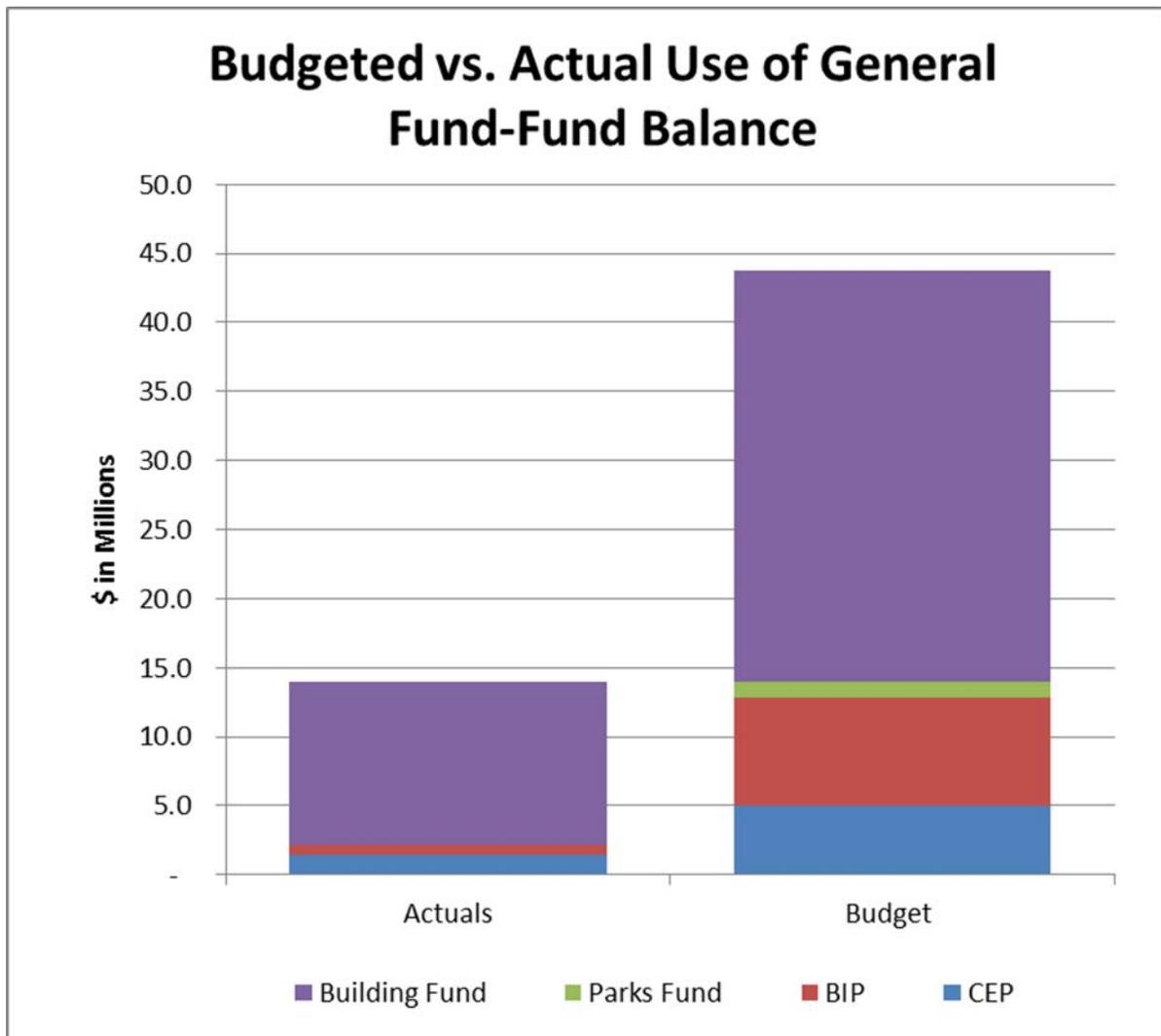
In 2018 \$11.8 million was transferred from the General Fund to the Building Fund to cover the negative fund balance.



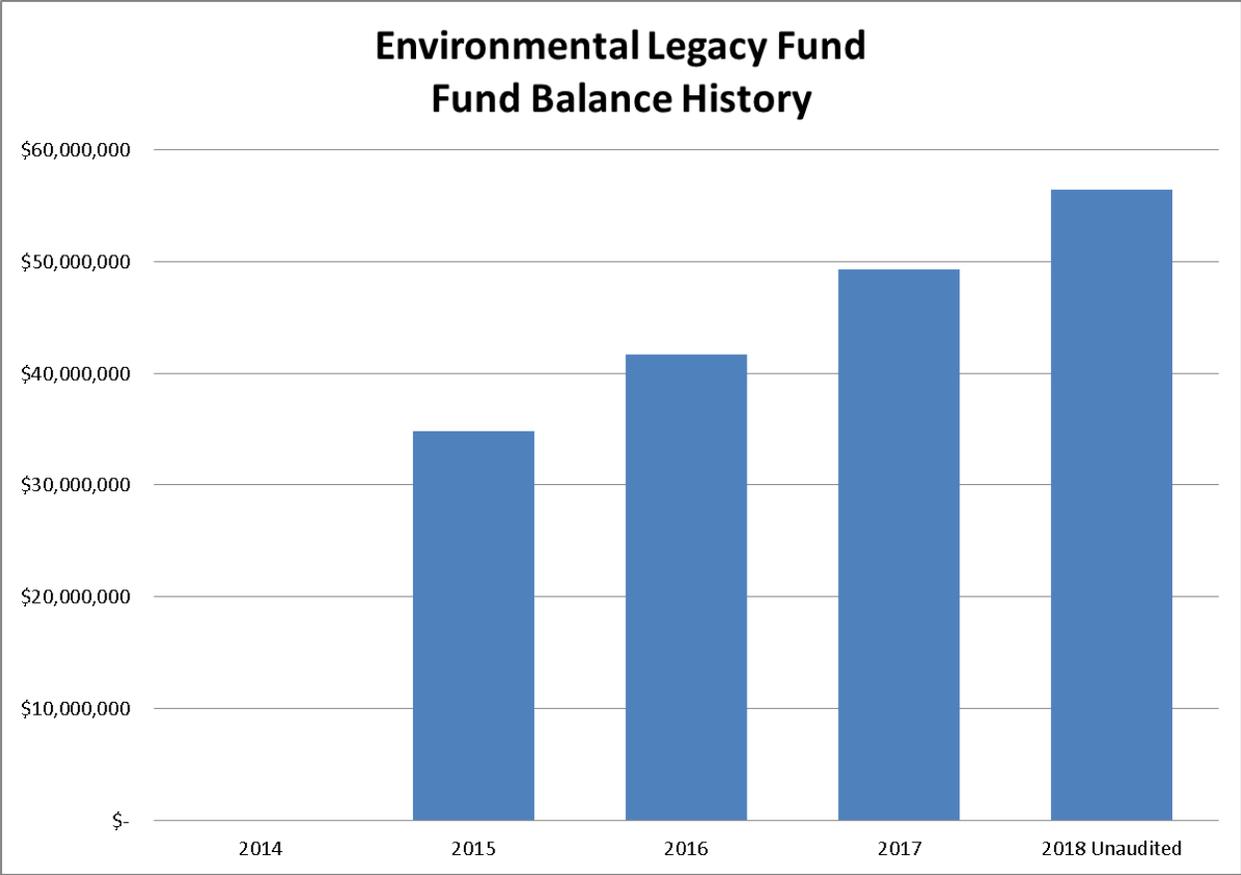
Money in this fund includes parks fees and state and federal reimbursements and can be used for use to maintain and improve parks and trails.

Fund balances reflect actual expenditures and actual revenues as the close of each fiscal year. Money in the Parks Fund is designated as assigned.

2018 Use of General Fund – Fund Balance



Dakota County budgets annually to spend General Fund fund balance including carryovers of budgets from prior years. Actual spending historically comes in lower than the amount budgeted.

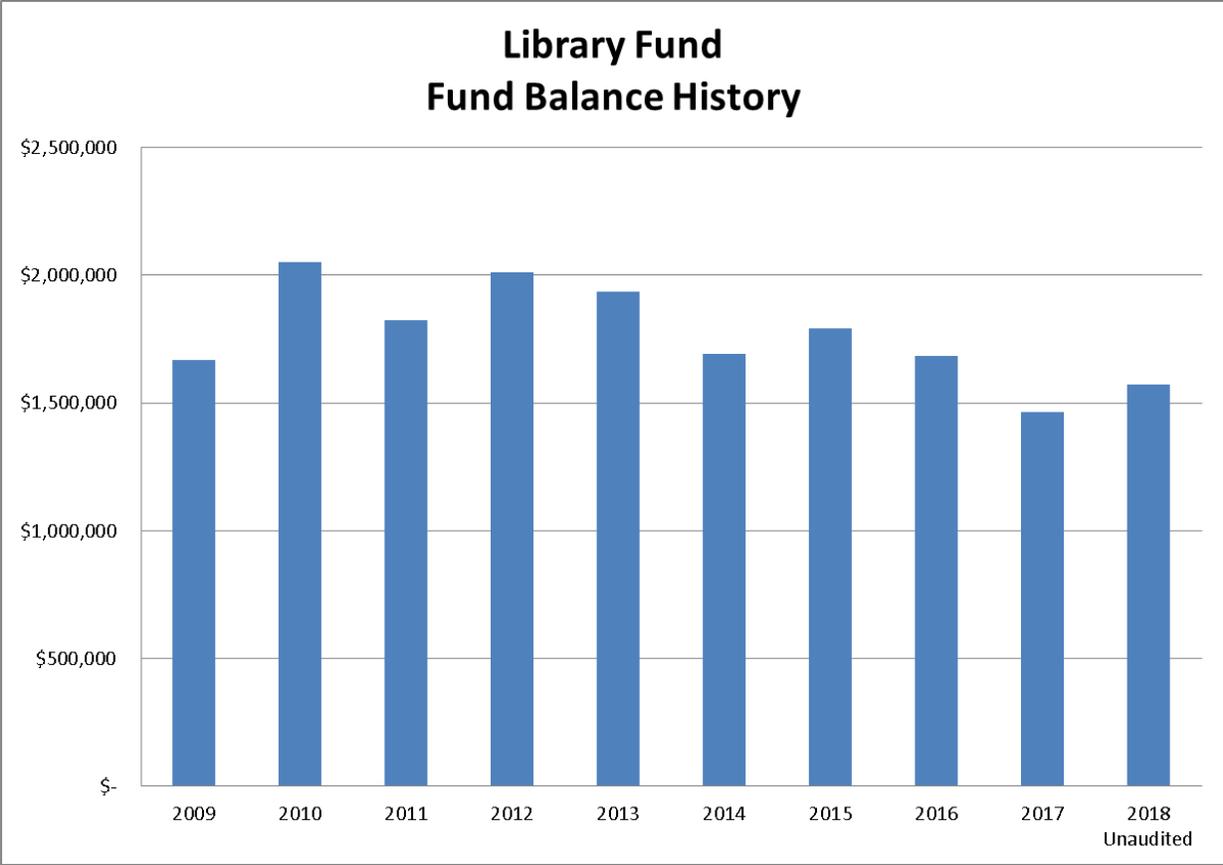


The Environmental Legacy Fund was established in 2015 from the transfer of activities originally organized within the Environmental Management Fund. These activities represent fees collected for the protection and preservation of the environment. Although the proceeds reported in this fund are from specific revenue sources, the use of these funds are reported as transfers to the General Fund or Special Revenue funds as costs related to environmental projects occur.

Money in the Environmental Legacy Fund is designated as either restricted or committed.

Environmental Legacy Fund Eligible Uses

County Board Approved Eligible Uses
Brownfield redevelopment activities
Environmental capital projects
Environmental resources operations
Gravel pit remediation
Natural areas and shoreland conservation activities
Natural Resources Management Plan activities
Parks/greenway master plan improvements
Solid Waste Master Plan activities
The Landfill Host Community ELF Grant Pilot Program also permitted economic development projects as an eligible use.



Money in this fund includes library fees and state reimbursements and can be used for use to operate libraries.

Fund balances reflect actual expenditures and actual revenues at the close of each fiscal year. Money in the Library Fund is designated as assigned.

Fund Balance Policy and Comparisons

Current County Policy on Fund Balance

Minimum Unassigned General Fund (GF) – Fund Balance equal to at least 20% of General Fund operating expenses

(County Policy #2003)

	<i>(millions)</i>
Policy Minimum (unaudited)	\$45.1
2018 Year End GF Unassigned(unaudited)	\$124.5
Fund Balance as % of Operating Exp. (Approx.)	55.2%

- **County Policy #2003 (Board Resolution 12-625)** – minimum General Fund (GF) balance of 20% operating expenses
- **Government Finance Officer Association** – 2 months operating expense or revenues
- **State Auditor** - 35% to 50% of GF operating revenues or 5 months operating expenses (*issued in 2007 reviewed in 2014*)

Policy 2003 Fund Balance Policy

Adopted 12/13/11

Amended 12/11/12

POLICY

Dakota County adopts a Fund Balance Policy which serves as the framework upon which County operations may be built and sustained. It is the basis for a stable financial environment for County operations that allows the County to provide quality services to County Residents in a fiscally responsible manner designed to maintain services and taxes in a consistent manner over time.

The County Board complies with the requirements of Governmental Accounting Standards Board Statement 54 (GASB 54) requirements for the standards for reporting its fund balances in its financial statements.

DEFINITIONS

Fund Balance – the difference between assets and liabilities in a governmental fund

Non-spendable Fund Balance – the amount of fund balance that may not be spent as it is either not in spendable form or there is a legal or contractual requirement for the funds to remain intact

Spendable Fund Balance – the amount of fund balance that may be spent consistent with applicable constraints

Restricted Fund Balance – funds in connection with which there are constraints on spending that are legally enforceable by outside parties (e.g., unspent bond proceeds, grants earned but not spent, items restricted by state statute)

Committed Fund Balance – funds in connection with which there are constraints on spending that the County has imposed upon itself by action of the County Board of Commissioners prior to the close of the fiscal year (e.g., County Board action to set aside a specific dollar amount of funds for new park equipment)

Assigned Fund Balance – funds that are intended to be used by the County for specific purposes established either by the County Board through adoption of operational plans or by an individual or body that has been properly delegated the authority to establish such purposes

Unassigned Fund Balance – residual funds that are spendable but not restricted, committed or assigned

IMPLEMENTATION

1. At the end of each fiscal year the County will report the portion of the Fund Balance that is not spendable as Non-Spendable Fund Balance on its financial statements.

2. At the end of each fiscal year, the County will report the portion of the Fund Balance that is restricted as Restricted Fund Balance on its financial statements.

3. Prior to the end of each fiscal year, the County will adopt (a) resolution(s) establishing its commitments for the expenditure of funds for specific purposes.

4. The County Board delegates to its Financial Services Director the authority to assign unexpended funds to the Assigned Fund Balance in accordance with adopted County operational plans and policies.

5. The County maintains 20% of the General Fund operating expenditures at the end of the fiscal year for working capital and a margin of safety to address local and regional emergencies without borrowing. If, during the year, the amounts assigned for cash flow exceed or fall below this range, the County Administrator reports such amounts to the County Board as soon as practical after the end of the fiscal year. If the amount falls below the range, the County Board will adopt a plan to restore

the appropriate levels. If the amount exceeds the range, excess funds shall remain unassigned pending County Board action transferring amounts to another fund. Such excess funds shall be reported as Spendable Fund Balance.

6. It is County policy to expend Restricted Fund Balances first when an expenditure is incurred for which both restricted funds and unrestricted funds (Committed, Assigned, Unassigned) are available. If only unrestricted funds are available, the County will first expend Committed Fund Balance (if funds were so committed). If no funds were committed, then Assigned Fund Balance will be expended (if funds were so assigned). Lastly, the County will expend Unassigned Fund Balance.

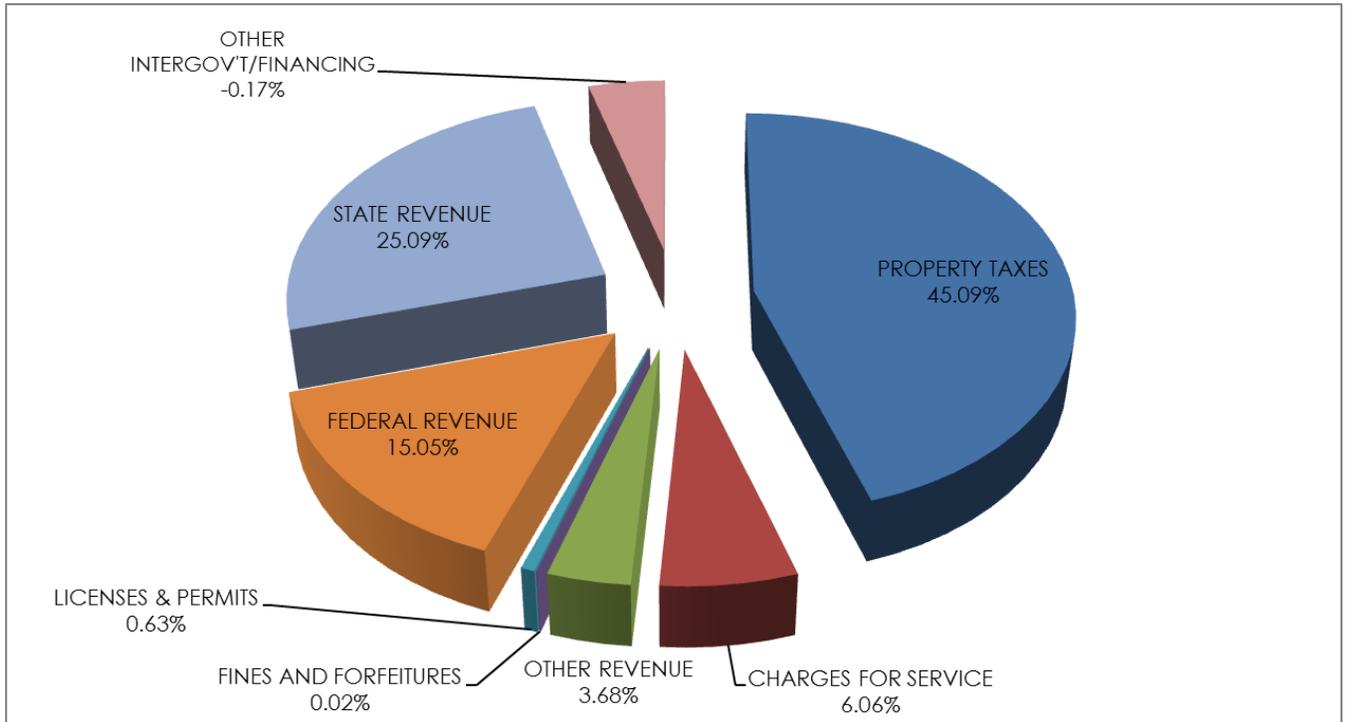
General Fund Unassigned Fund Balance

	In Millions						Preliminary 2024
	Unaudited 2018	2019	2020	Projected			
			2021	2022	2023		
Unassigned(Beginning Balance):	\$ 124.5	\$ 72.4	\$ 66.6	\$ 68.4	\$ 70.1		\$ 62.4
Unassigned Increases:							
Contributions from Operational Savings or Revenue surpluses		8.0	8.0	8.0	5.0	4.0	4.0
LMA for CIP		6.0	1.4	-	-	-	
Total Increases		14.0	9.4	8.0	5.0	4.0	4.0
Unassigned Decreases:							
Parks CIP - Transfer		(3.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Parks 2018-2019 Carryover		(9.5)	-	-	-	-	
Building CIP - Transfer		(24.4)	(8.4)	(1.4)	(0.9)	(9.3)	(19.8)
Buildings 2018-2019 Carryover		(18.7)	-	-	-	-	
Data Networks CIP		(1.2)	-	-	-	-	
Data Networks 2018-2019 Carryover		(1.9)	-	-	-	-	
BIP/CEP		(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
BIP/CEP Carryover		(6.0)	-	-	-	-	
Medical Examiner Cost Share			(4.3)	(2.4)			
Total Decreases		(66.1)	(15.1)	(6.2)	(3.3)	(11.8)	(22.2)
Unassigned(Year-End Balance):	\$ 124.5	\$ 72.4	\$ 66.6	\$ 68.4	\$ 70.1	\$ 62.4	\$ 44.1
General Fund - Unassigned Fund Balance Policy Minimum (Inflated 3.1%/yr):	\$ 45.6	\$ 47.0	\$ 48.4	\$ 49.9	\$ 51.5	\$ 53.1	\$ 54.7
Variance		\$ 25.4	\$ 18.2	\$ 18.5	\$ 18.6	\$ 9.3	\$ (10.6)

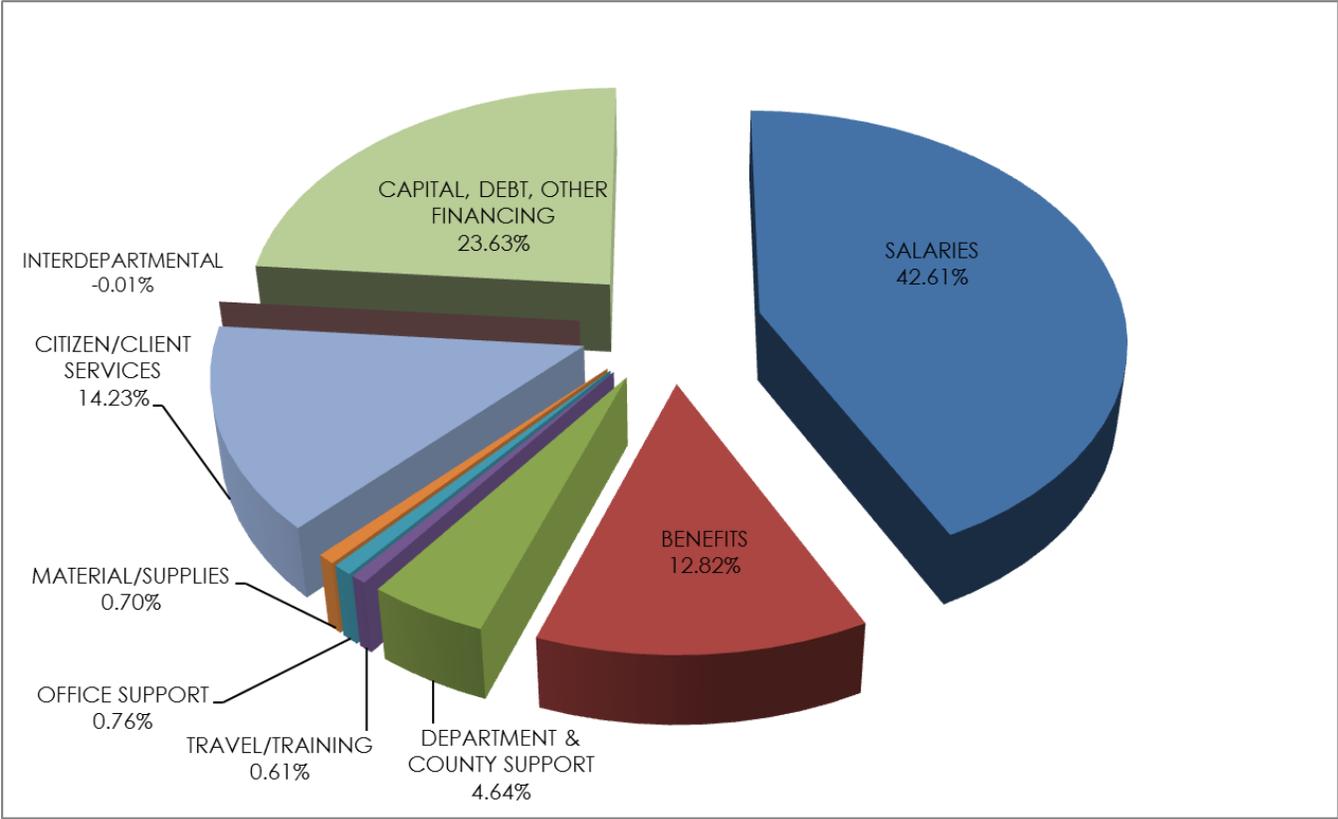
* Variances due to rounding

Projected use of fund balance is based on the adopted 2019-2023 CIP along with other known future needs.

2018 Funding by Sources

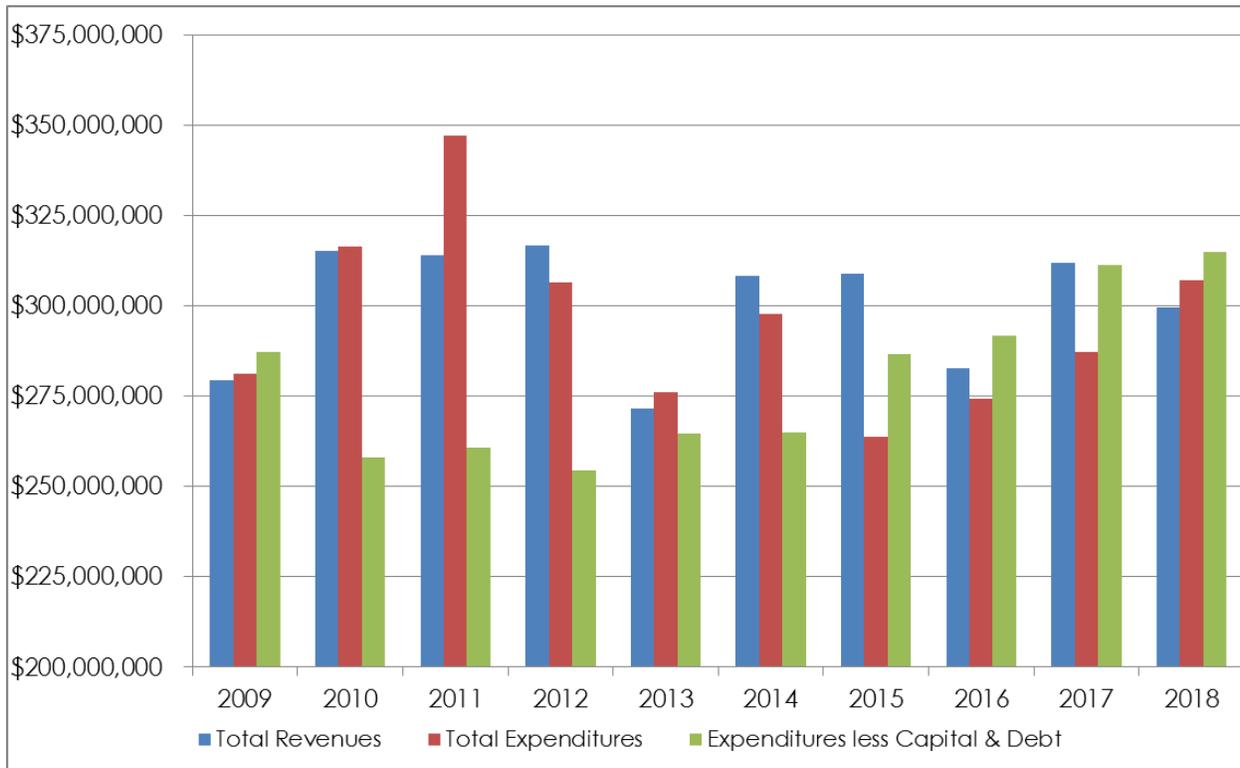


2018 Expenditures by Categories



Operating and capital budget expenditures are included.

Revenue and Expenditure Trends

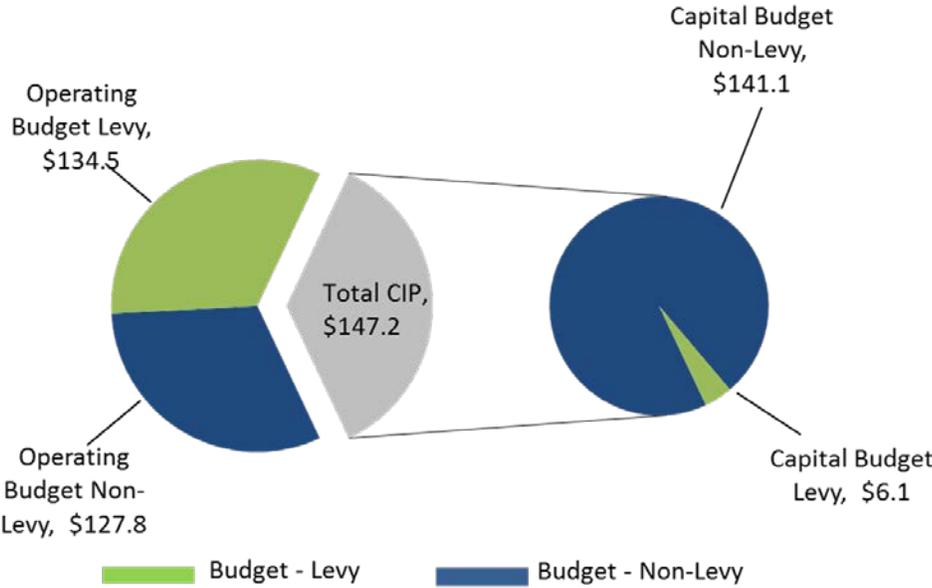


Total revenues were higher in 2017 due to dissolution of CTIB, Transportation Sales Tax revenue, and additional State and Federal Transportation revenues.

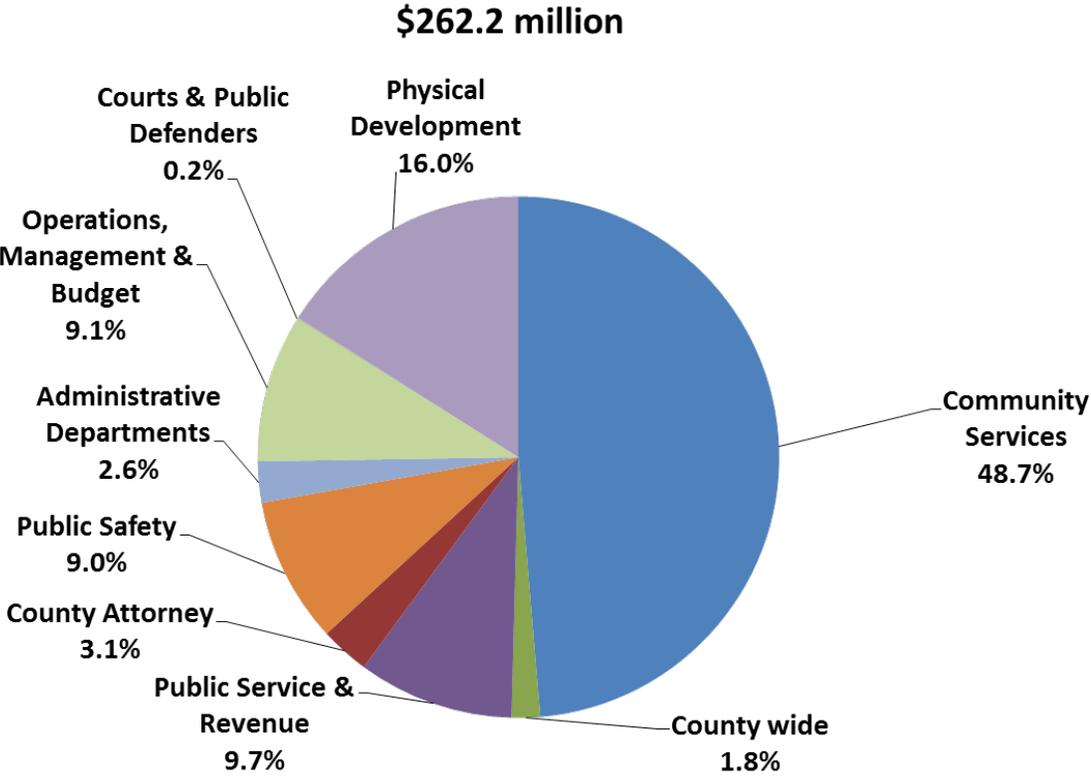
2019 Budget and Financial Performance

2019 Operating vs. Capital/Debt Service Budget

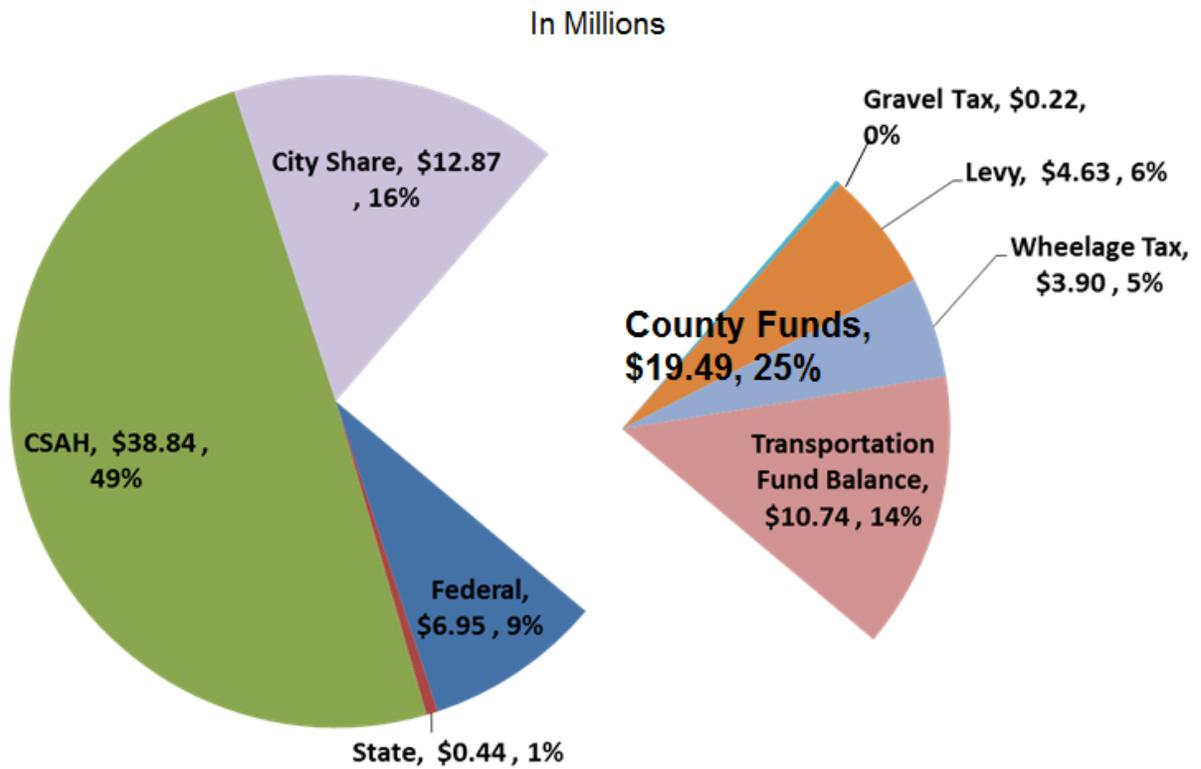
Total Budget = \$409.5 million



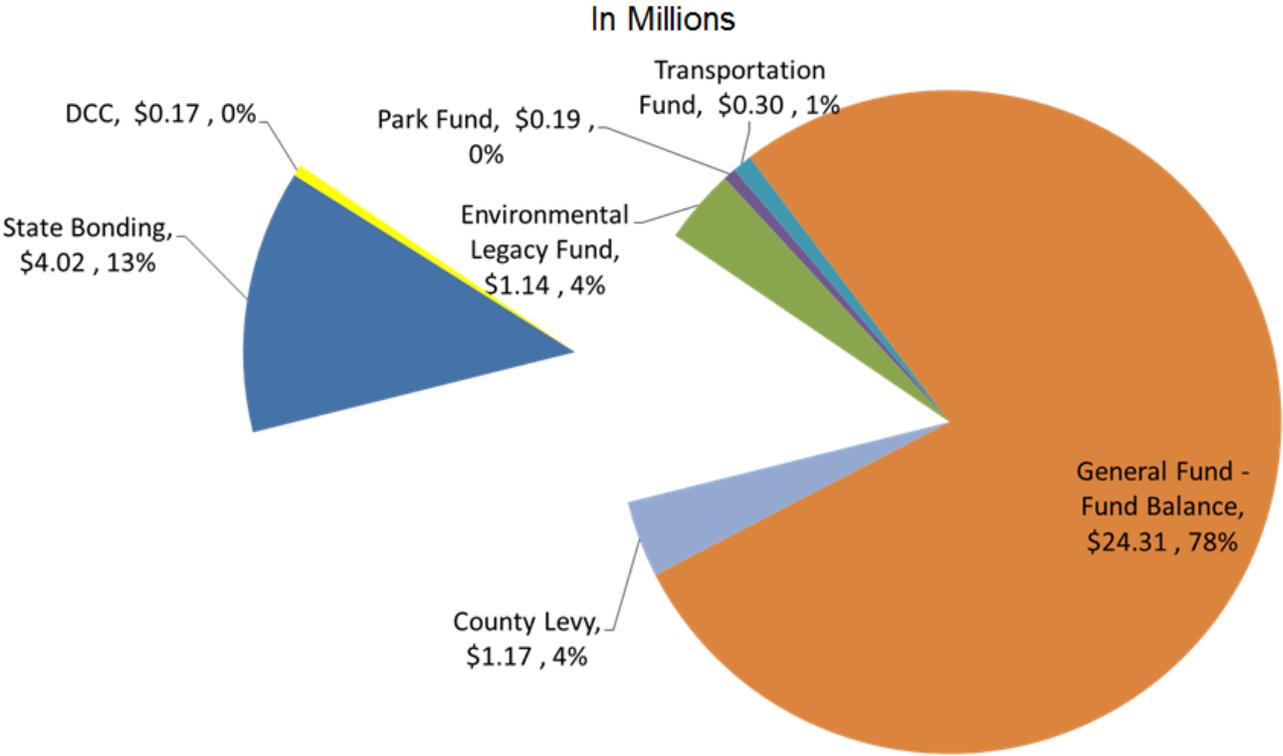
2019 Operating Budget by Division



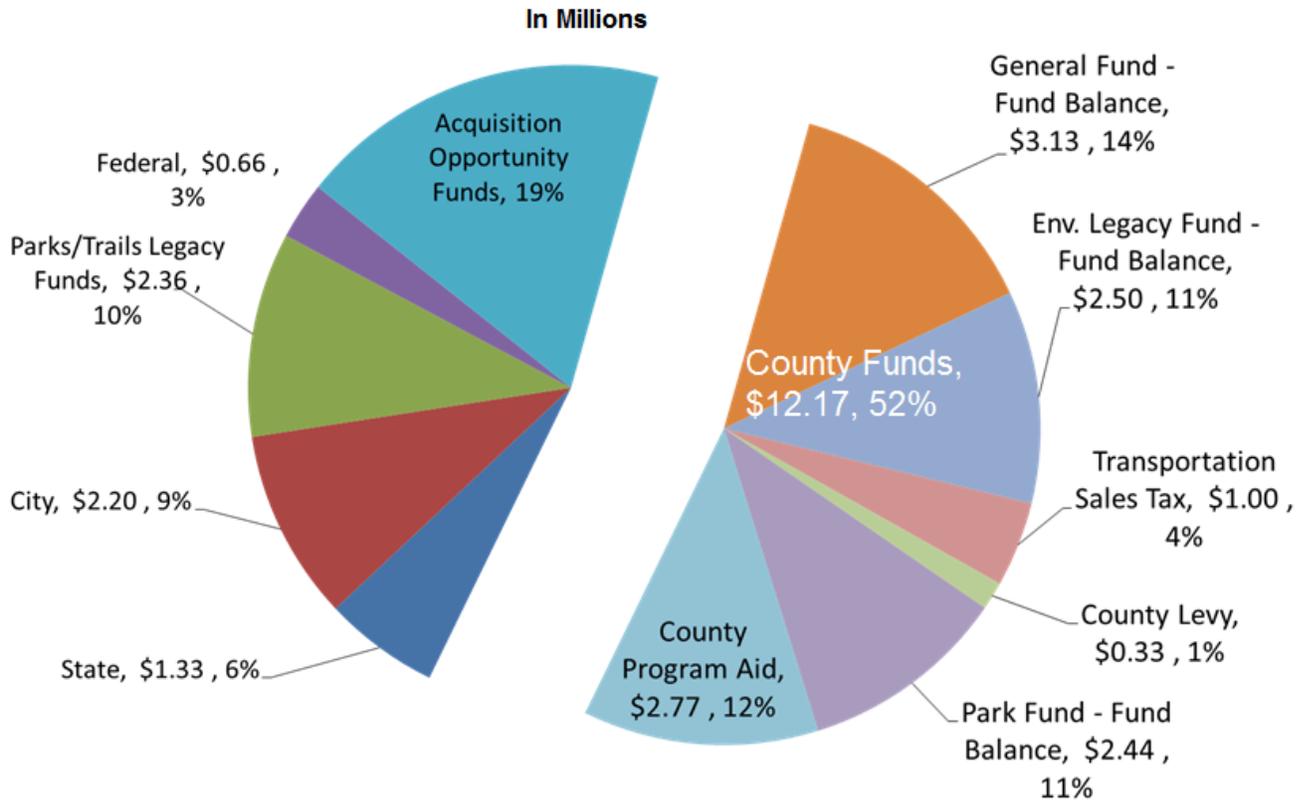
2019 Adopted Transportation CIP Funding Sources - \$78.59 Million



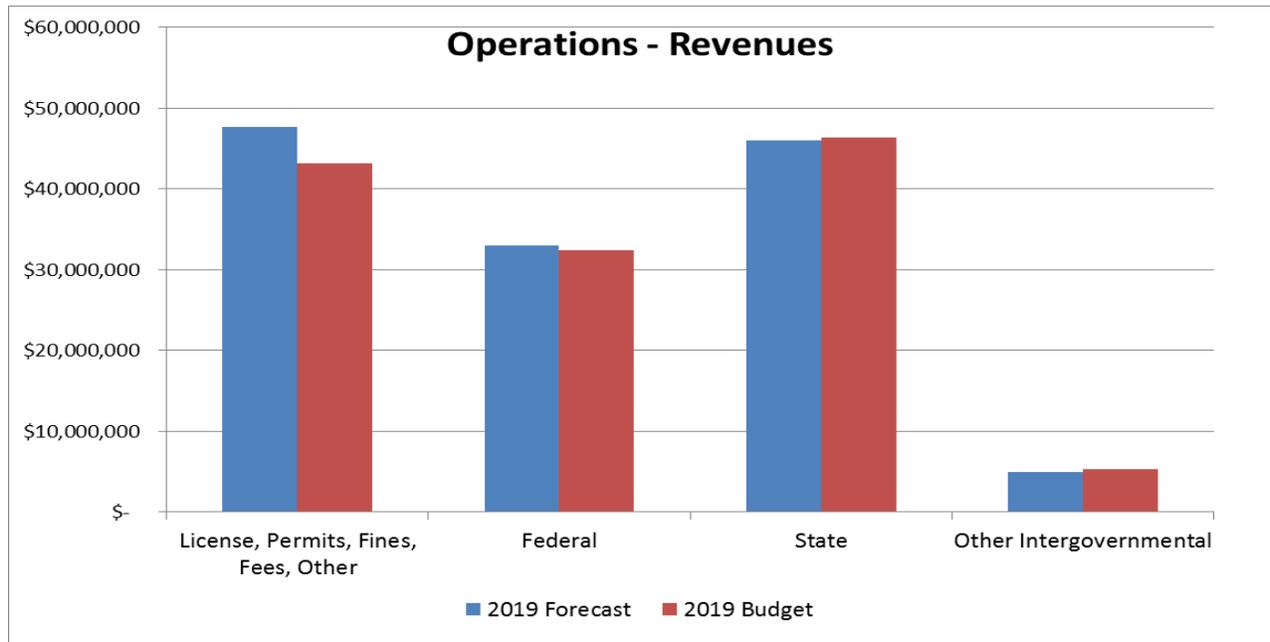
2019 Adopted Buildings CIP Funding Sources - \$31.30 Million



2019 Adopted Parks CIP Funding Sources - \$23.02 Million



Current Year Operating Budget Projection

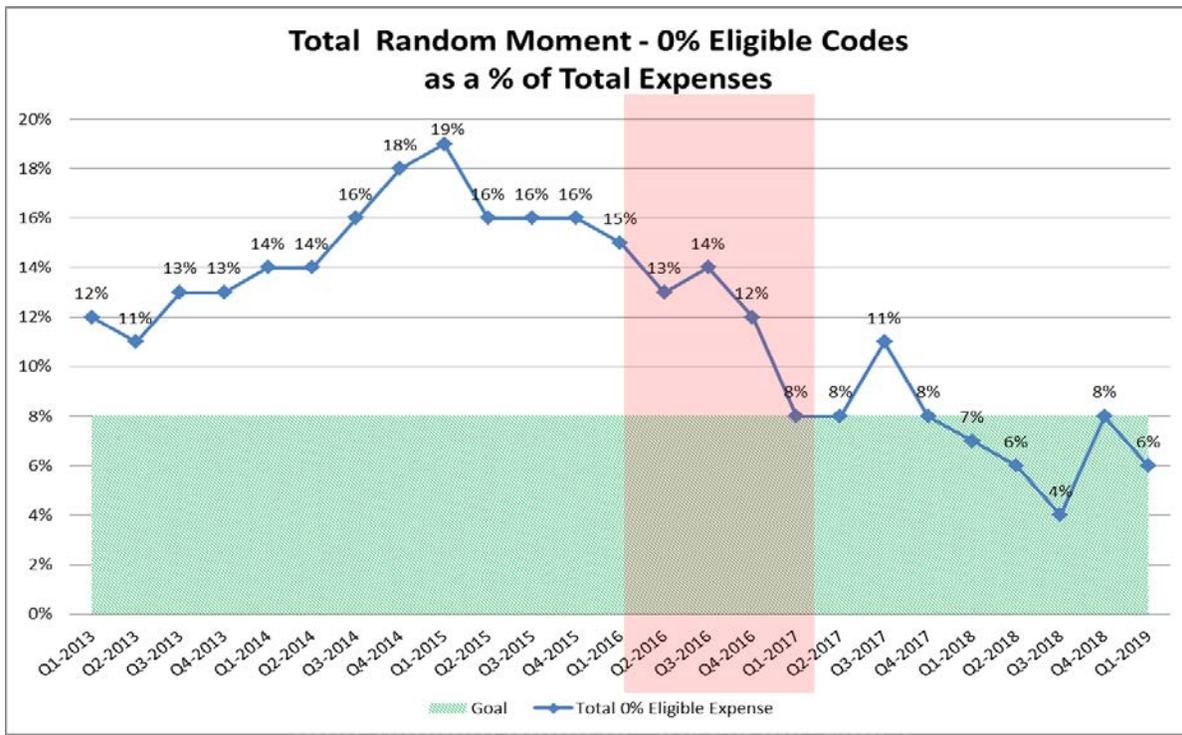


	<u>Projected Actuals</u>	<u>Budget</u>	<u>Variance</u>
License, Permits, Fines, Fees, Othe	\$ 47,659,228	\$ 43,238,153	\$ 4,421,075
Federal	\$ 33,011,275	\$ 32,402,002	\$ 609,273
State	\$ 46,024,703	\$ 46,364,256	\$ (339,553)
Other Intergovernmental	\$ 4,988,557	\$ 5,325,986	\$ (337,429)

Significant surplus in “License, Permits, Fines, Fees, Other” is attributed to a projected surplus in interest on investments of \$3.2 million along with a projected surplus in Environmental Legacy Fund host fees of \$1.6 million offset by a deficit in Juvenile Service Center (JSC) fee revenue of \$.3 million.

Federal Revenues are projecting a surplus due to increased FFP revenue in Employment and Economic Assistance.

EEA Non-Eligible Expense Rate



Random moments are a federally approved mechanism designed to collect statistical “time” information necessary to support federal claims through web based time sampling. Information collected is used to capture federal quarterly administrative reimbursement. Participants are randomly selected via email to report the program(s) and activity(s) they are working on at a randomly chosen moment.

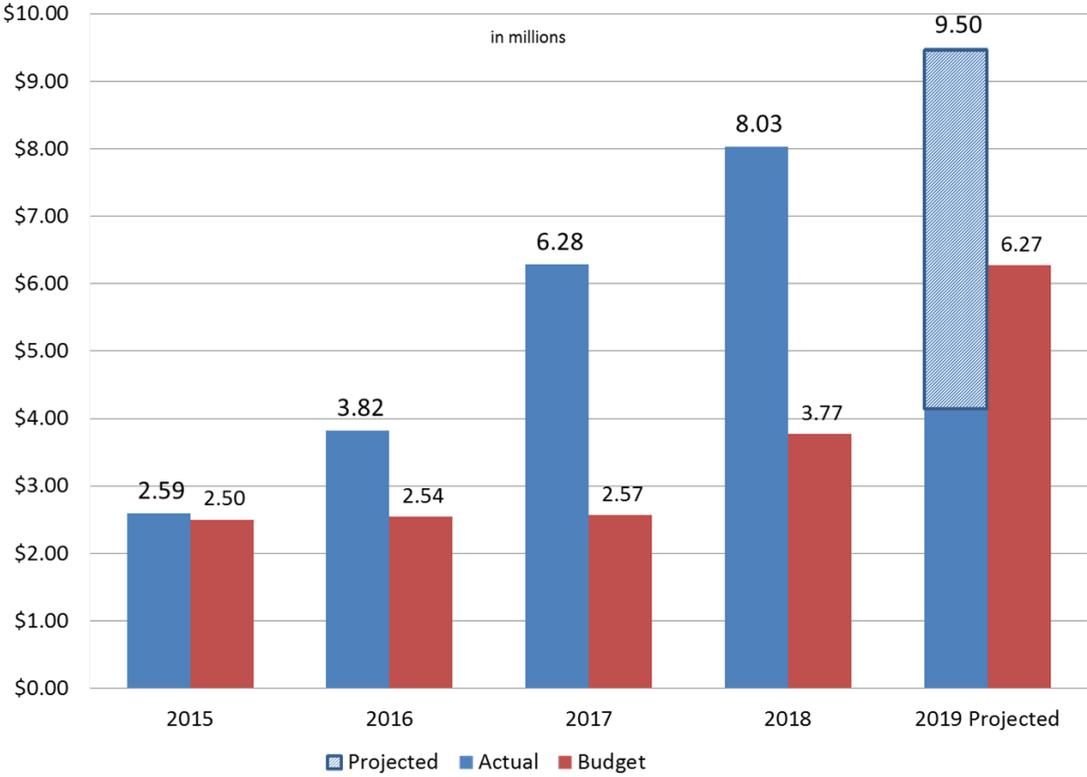
E&EA teamed up with the Budget Office to identify what were the drivers for the reimbursement. We identified a couple of different categories:

- 1) 50% activities
- 2) 66% Child Support activities
- 3) 75% enhanced match
- 4) Non-reimbursable

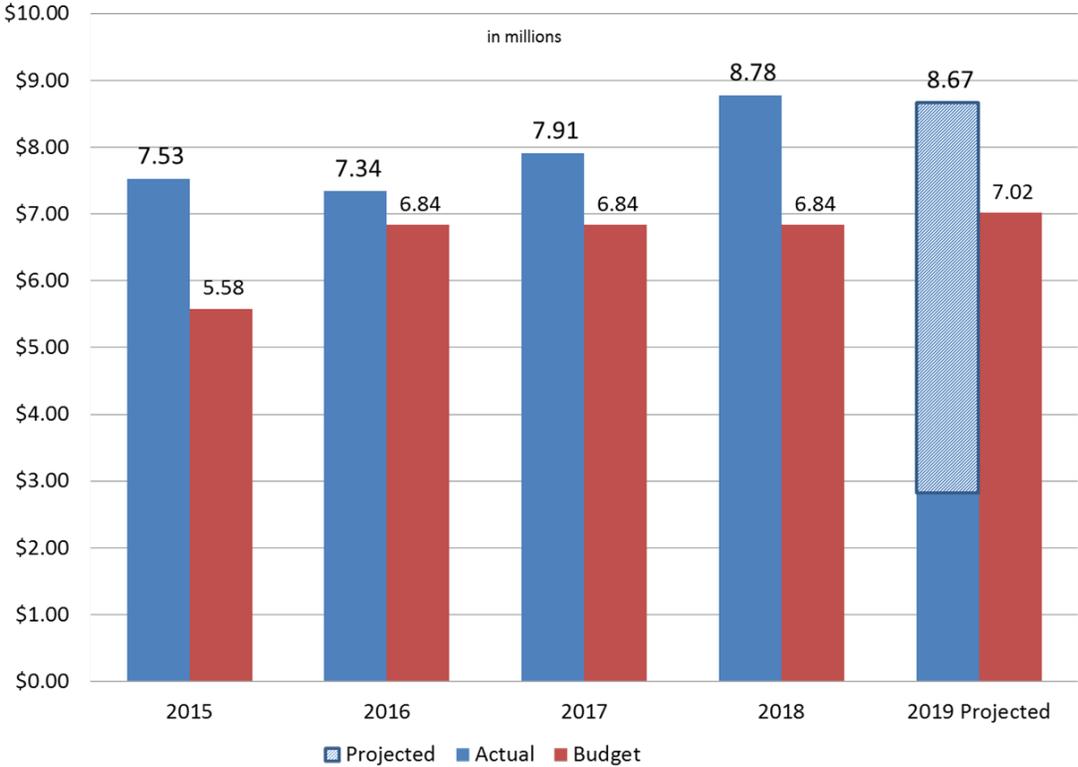
We found the cause for the low reimbursements was directly related to the non-reimbursable category. Random Moments participants were retrained on how to properly complete a Random Moments survey when working on multiple programs and activities at the same time. Prior to training, Financial Workers were selecting “Other” when working on multiple activities which is a non-reimbursable activity.

Employment and Economic Assistance (EEA) met with Olmsted County, Ramsey County, and Anoka County to identify best practices for training staff on Random Moments time reporting in 4th quarter 2016. Implemented changes to Random Moments training with Dakota County staff in 1st quarter 2017.

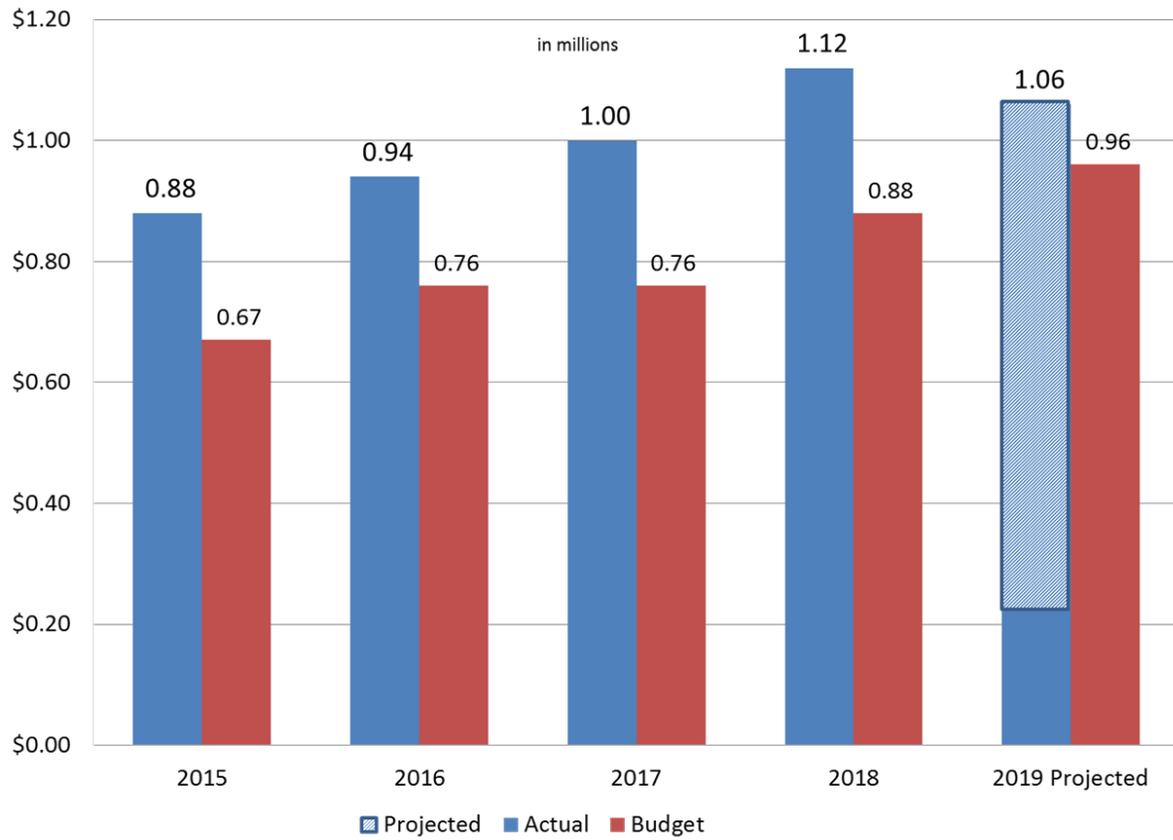
Investment Earnings Revenue



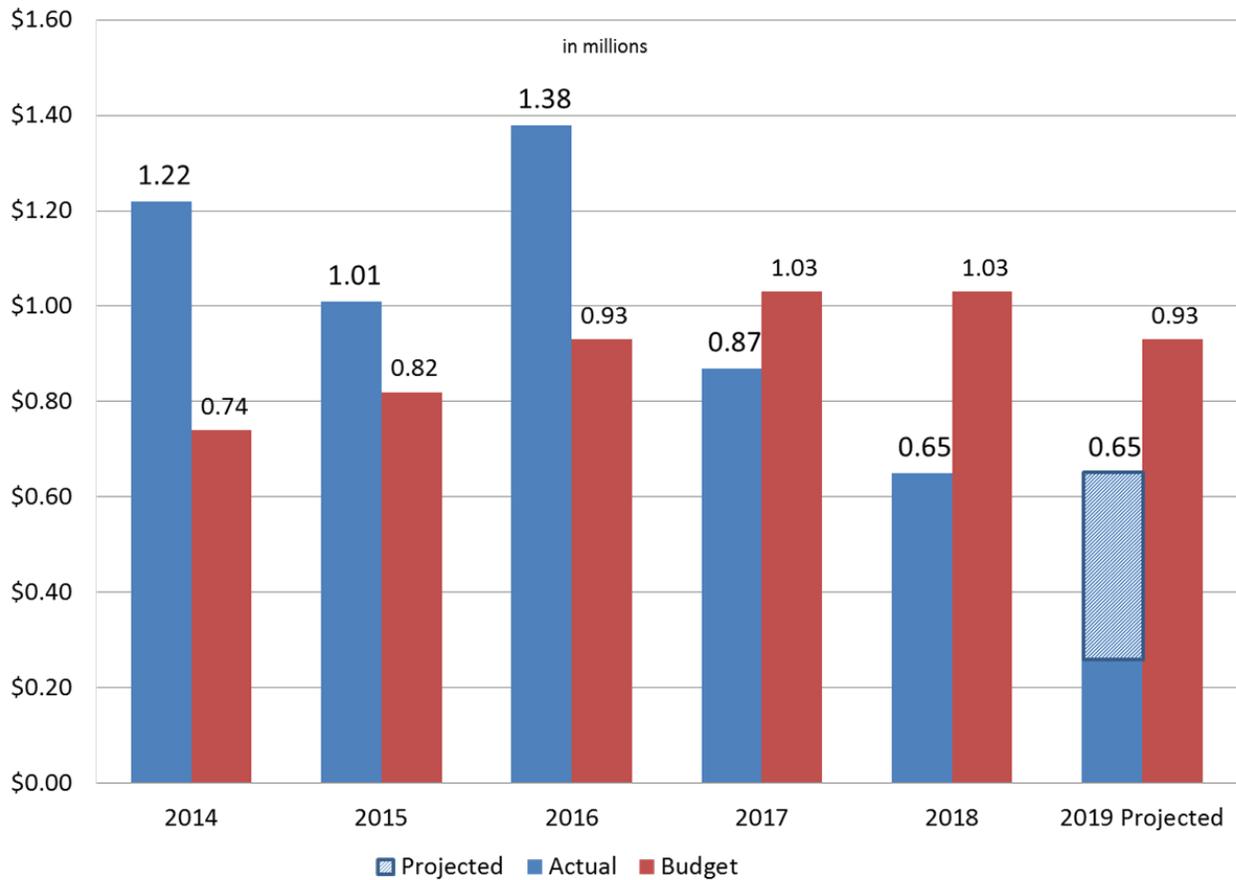
Host Fees Revenues



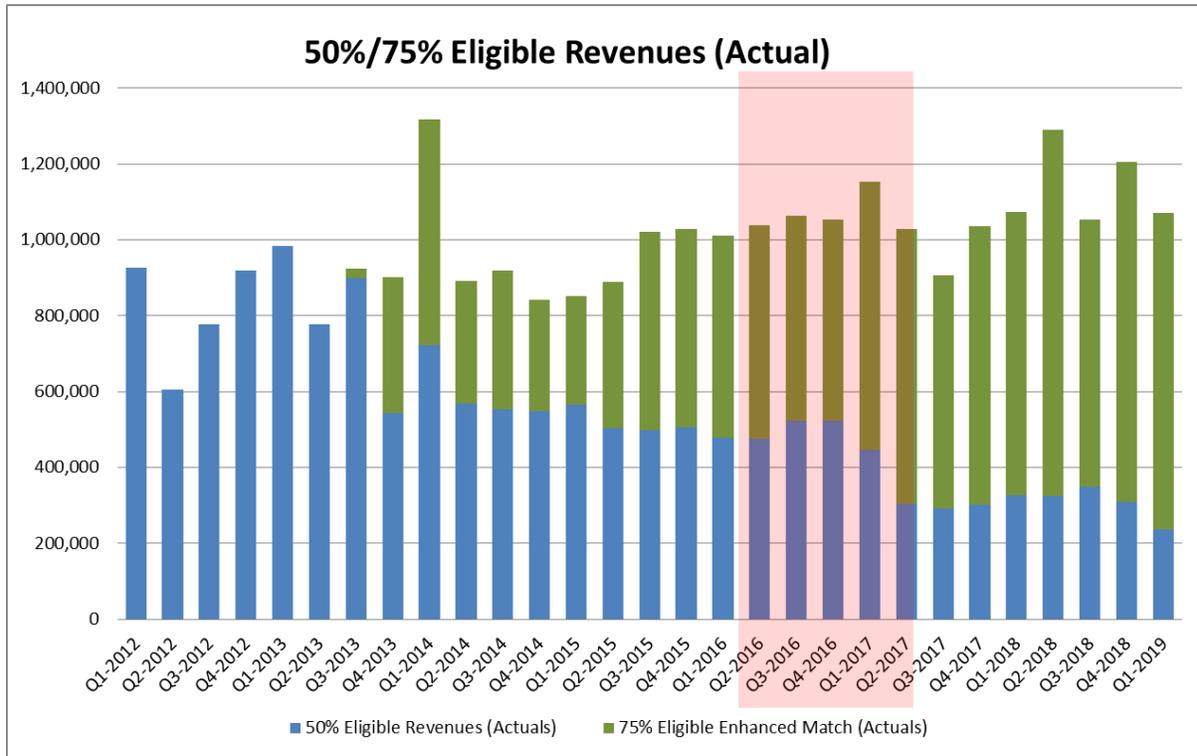
Parks Fees Revenues



Juvenile Service Center Fee Revenues

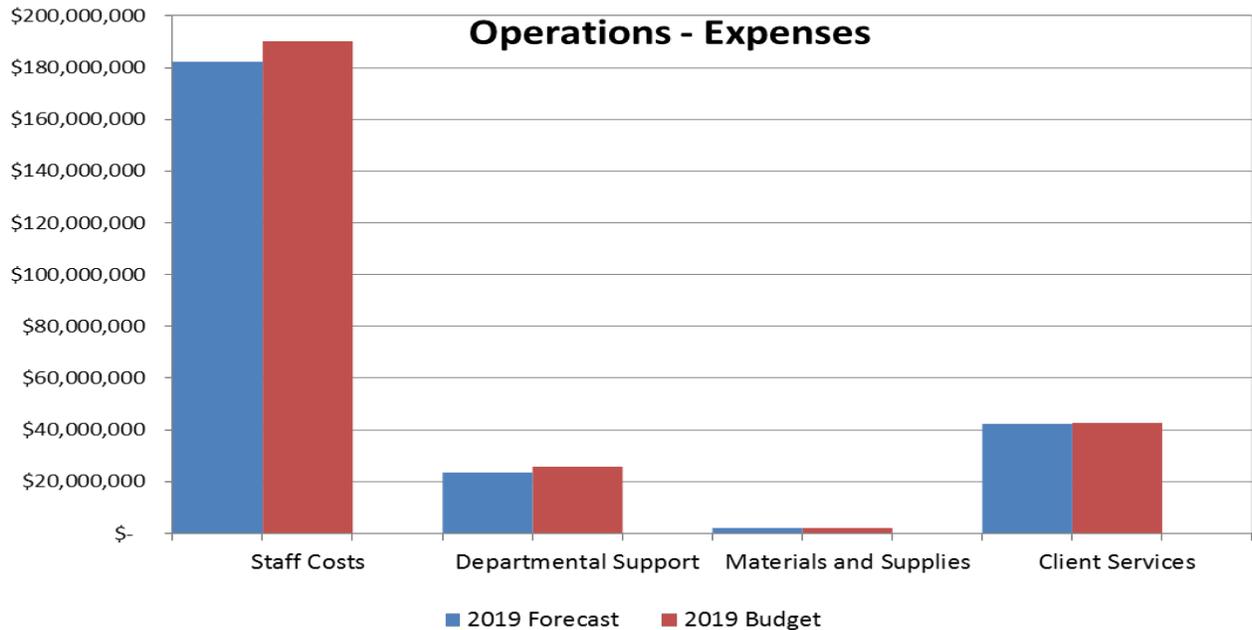


JSC revenues reached a historic low in 2018 and the trend is projecting to continue in 2019. Other facilities around the state are seeing similar reductions in juvenile bed fees.



Changes to Random Moments trainings resulted in improved Enhanced Match revenues which have a 75% reimbursement rate compared to a 50% reimbursement rate. This change improved EEA’s overall revenues in 2017 by approximately \$500,000.

Current Year Operating Budget Projection



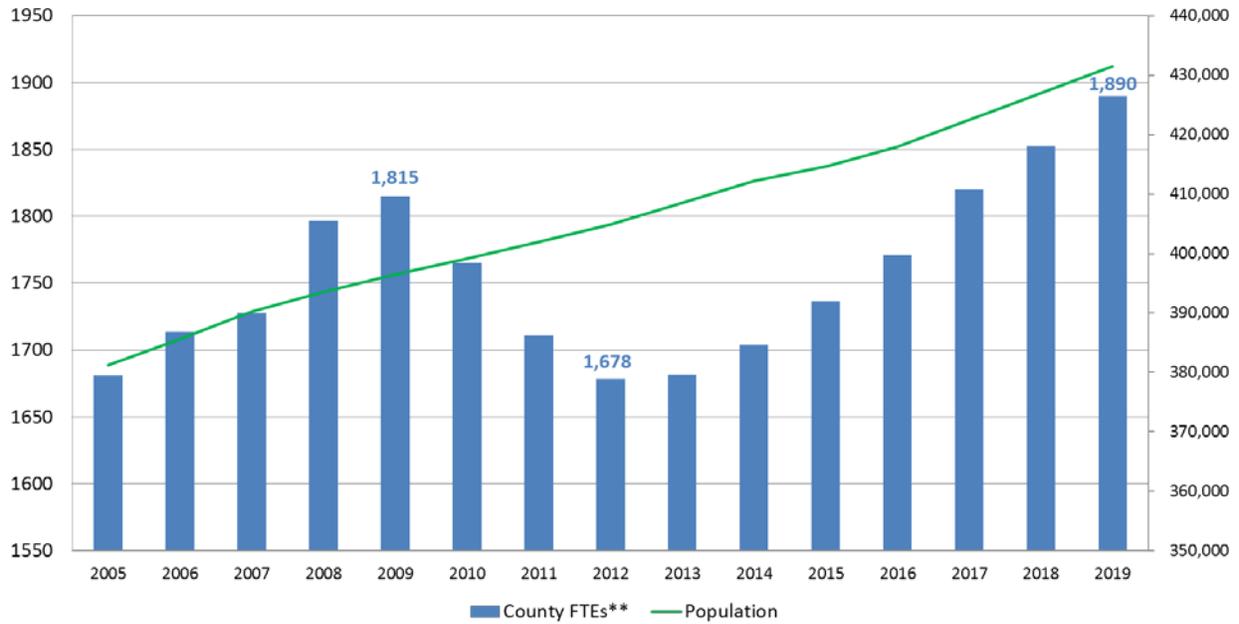
	<u>Projected Actuals</u>	<u>Budget</u>	<u>Variance</u>
Staff Costs	182,296,948	190,369,442	8,072,494
Departmental Support	23,371,420	25,785,559	2,414,139
Materials and Supplies	1,949,767	2,209,974	260,207
Client Services	42,446,464	42,644,825	198,361

Salaries/benefits are projecting a slightly greater than 3% surplus based on current year vacancy rates.

The departmental support surplus includes BIP and CEP surpluses within departments.

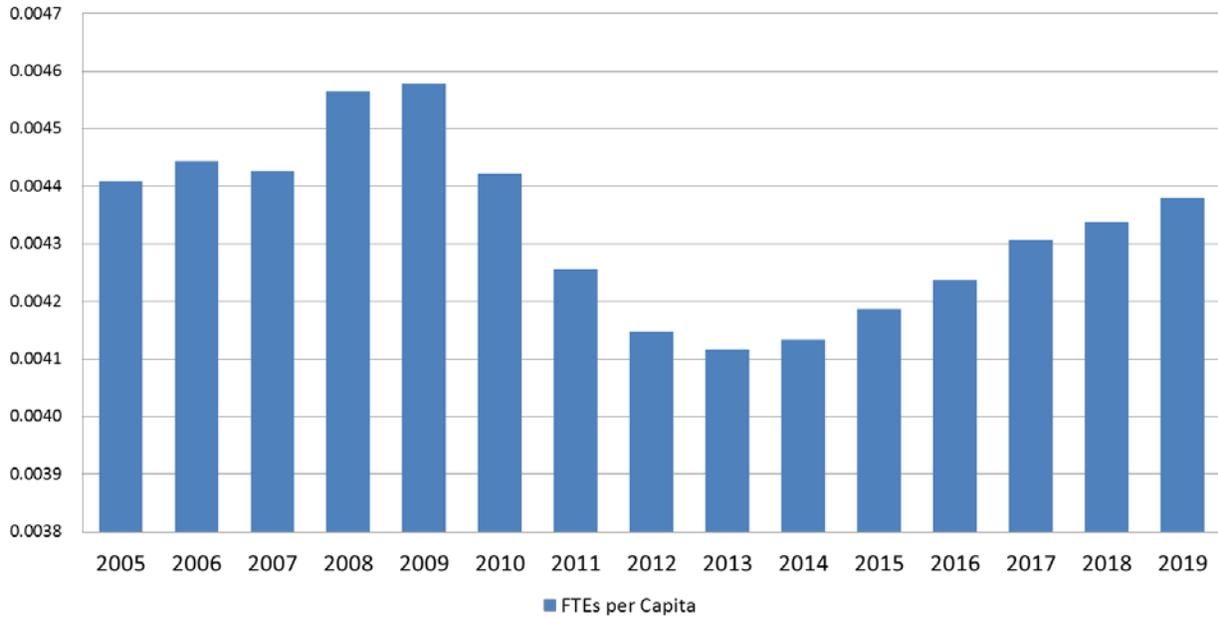
Client Services surpluses are in various grant areas and MA Cost Effective Health and are offset by deficits in revenues.

FTE History



On average FTEs have increased by 30 per year since 2013. Of that approximately 10-14 FTEs per year were levy funded.

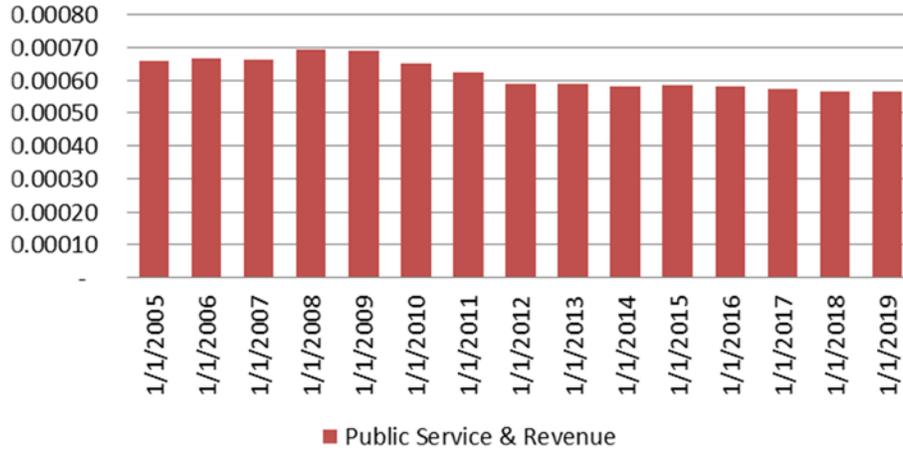
FTEs Per Capita



In 2019 the FTEs per capita is still below the pre-recession high in 2009.

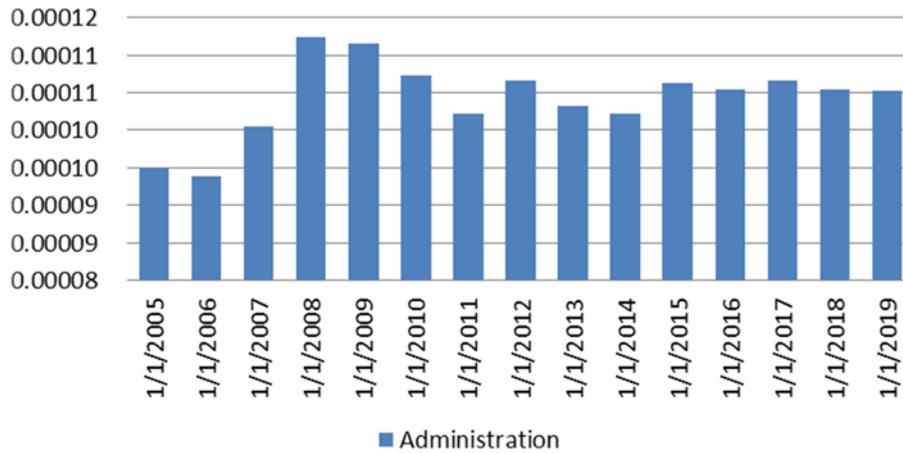
FTEs Per Capita By Division

Public Service & Revenue



■ Public Service & Revenue

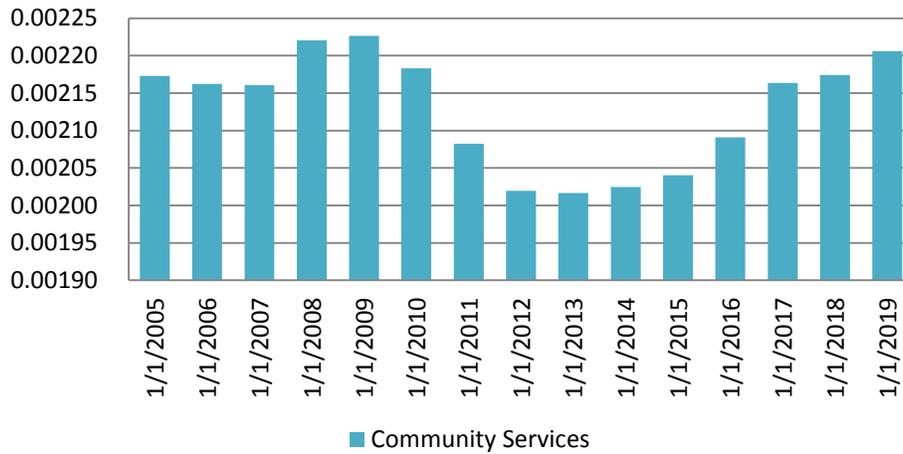
Administration



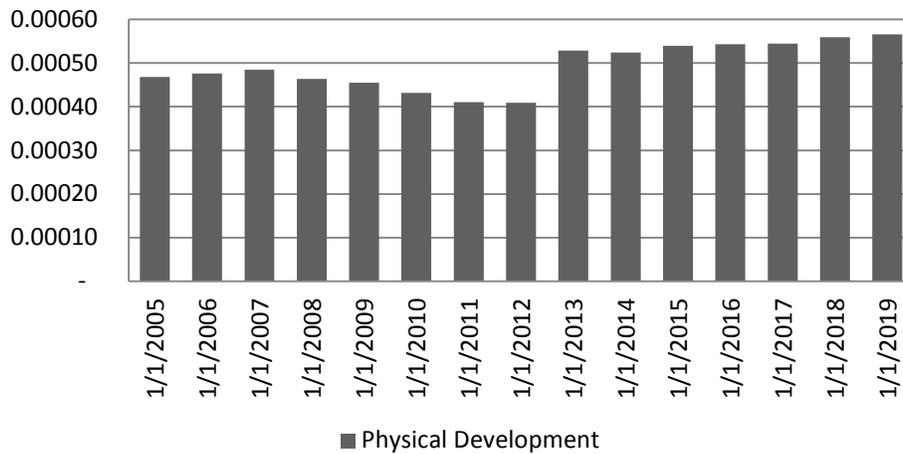
■ Administration

FTEs Per Capita By Division

Community Services

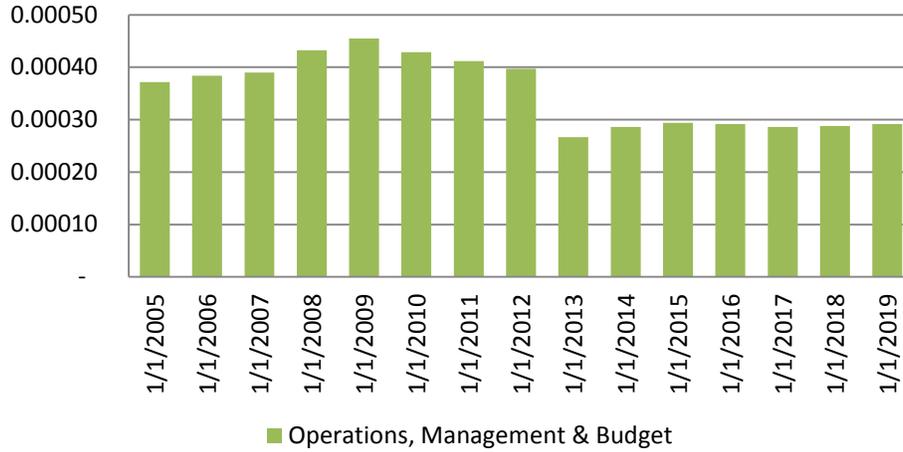


Physical Development

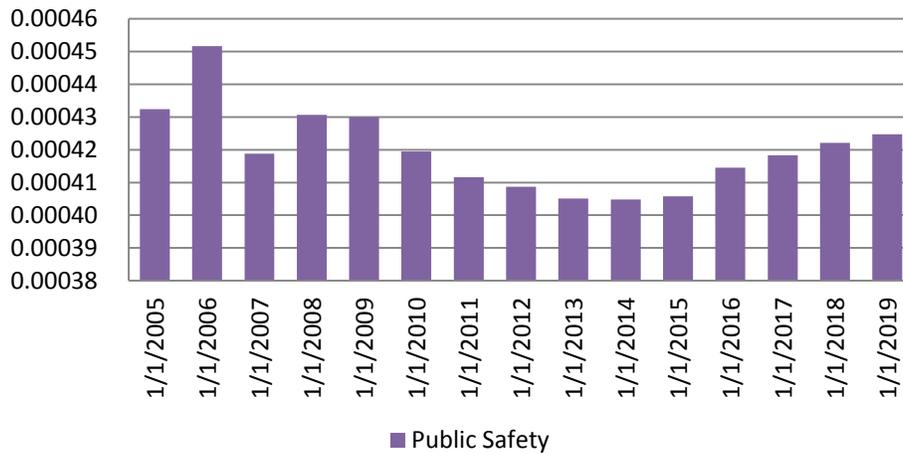


FTEs Per Capita By Division

Operations, Management & Budget

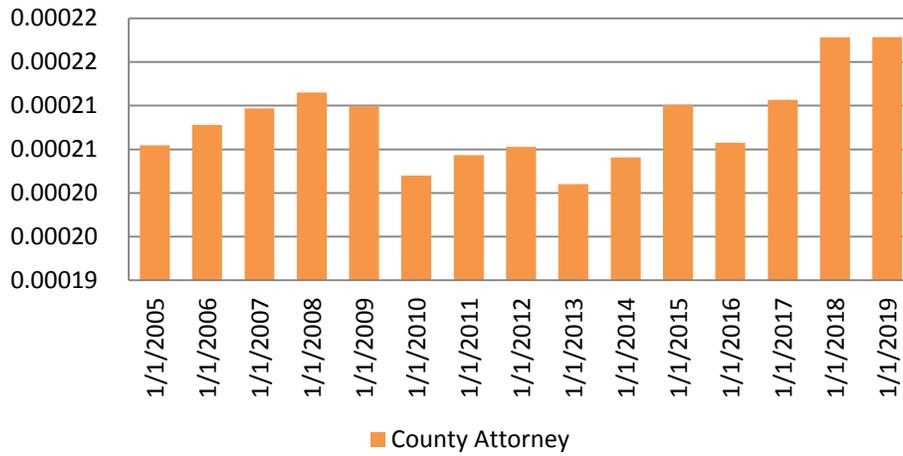


Public Safety

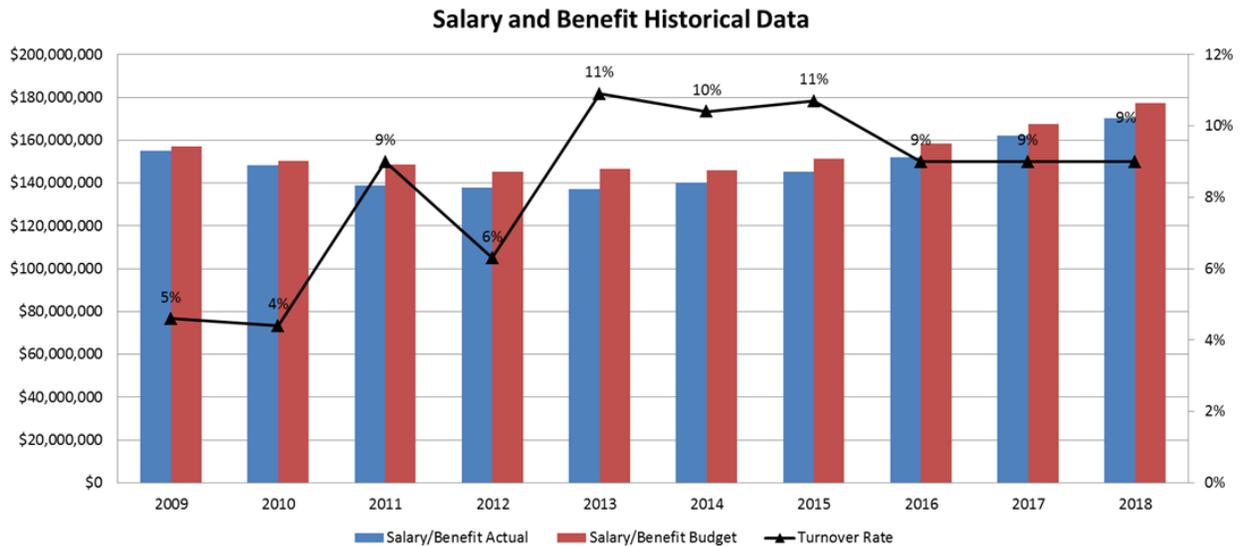


FTEs Per Capita By Division

County Attorney

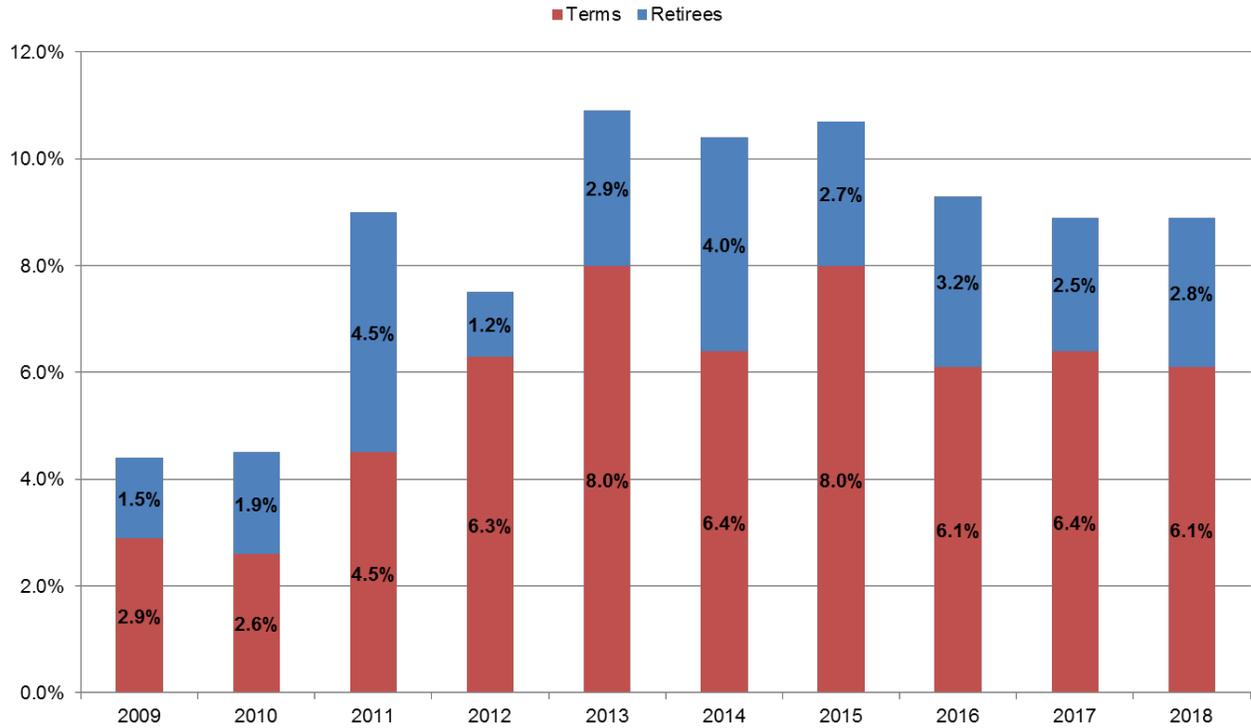


Budget vs. Actual Salary & Benefit Trends

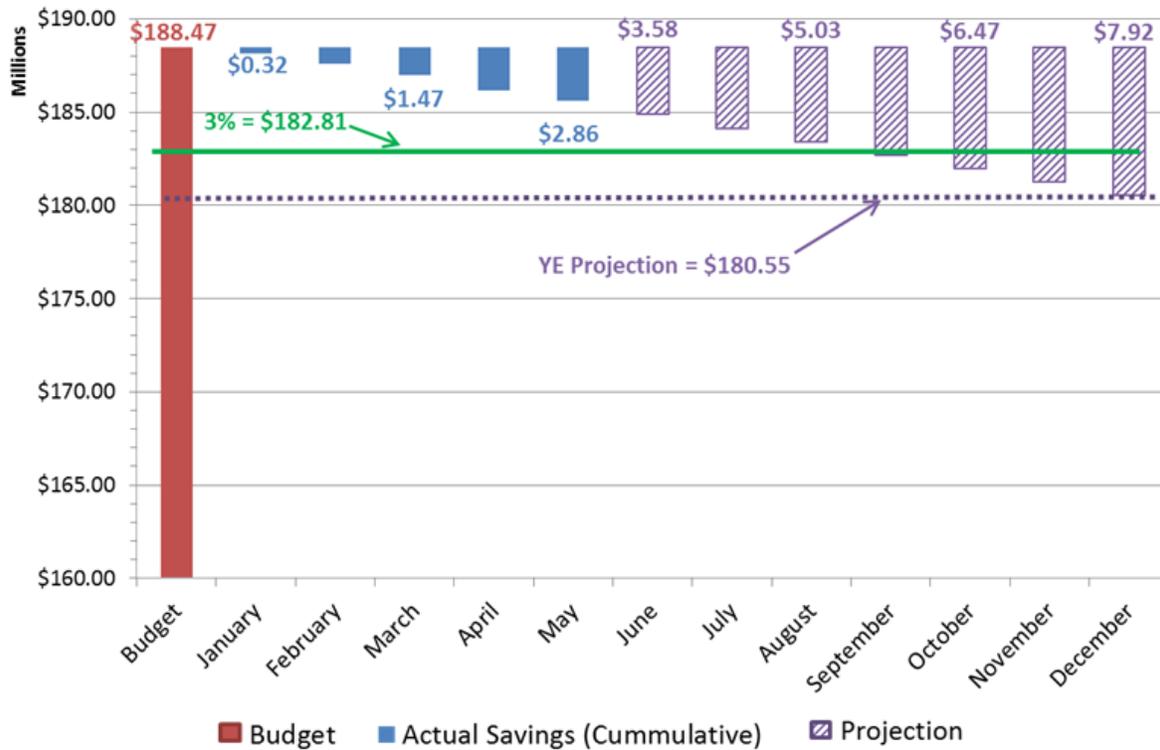


Between 2009 and 2018 the County’s salary and benefit actuals have been below 97% of budget. This historical surplus was used to increase Levy Management Account and now provides property tax levy relief by budgeting salaries and benefits at 97% at a department level since 2016.

Turnover: 2009-2018

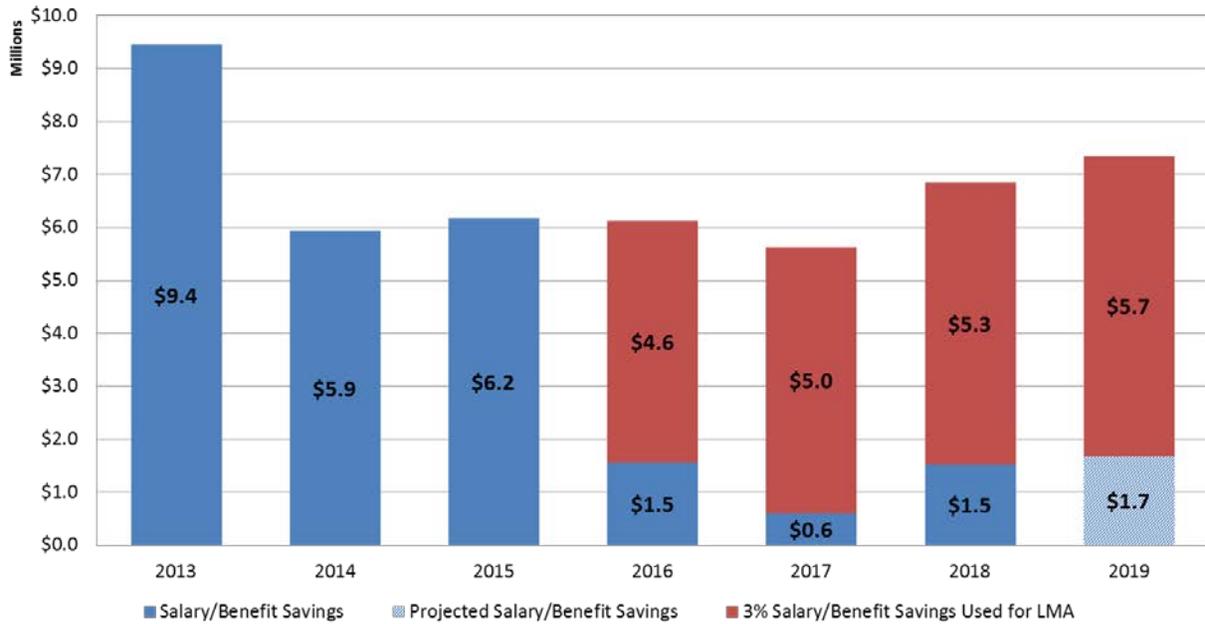


2018 Salary/Benefit Savings (Actuals & Projections)



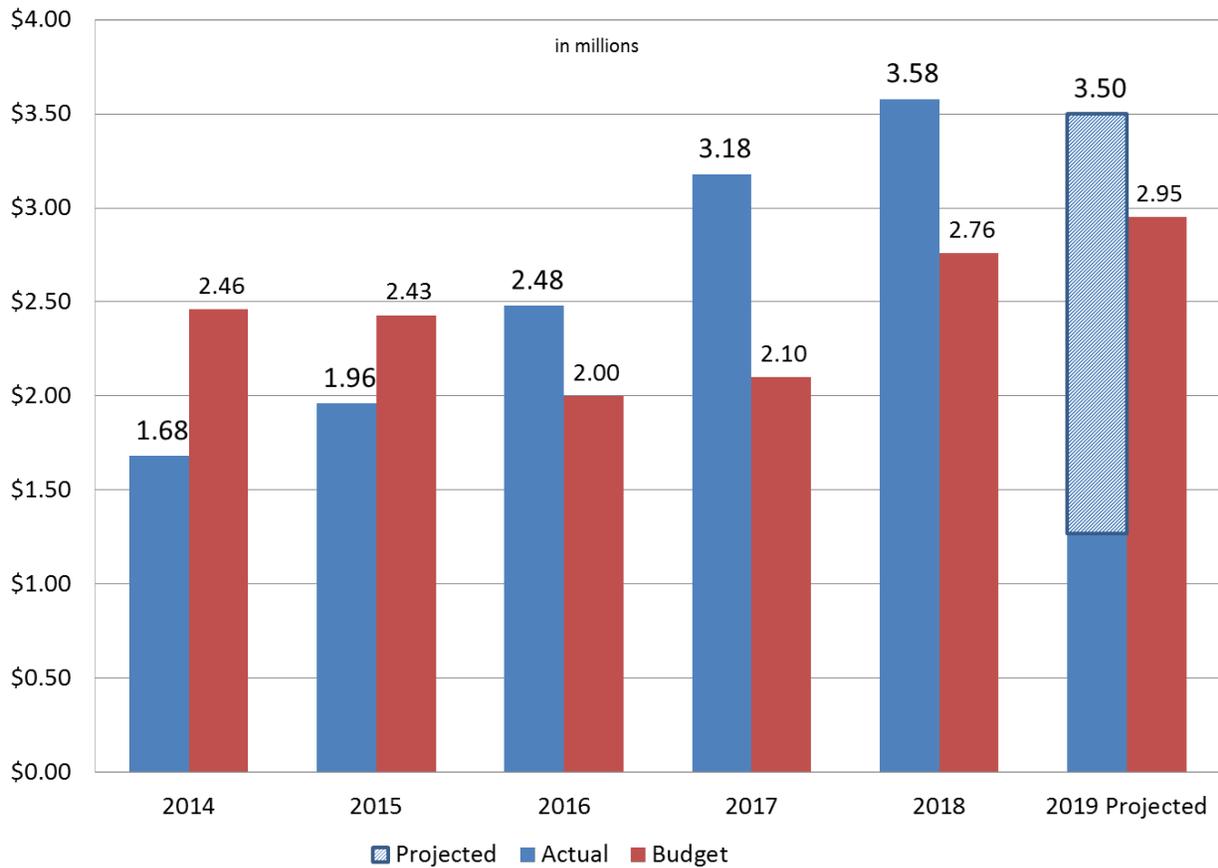
Salary and benefit surpluses arise from positions being vacant for a period of time due to the gap between departure of one staff and hiring of a replacement. The County typically has salary and benefit surpluses on a monthly basis (shown above in blue), but does not reach the 3% savings goal until later in the year (shown above as projections in purple). The 2019 year end projections are anticipating savings exceeding the 3%.

History of Salary/Benefit Savings



Since implemented in 2016 the County's salary and benefit surplus in excess of 3% has continued to drop.

Foster Care Expenses



Expenses have exceeded budget since 2016. The budget has been increased annually since 2016, however based on history and projections it will need additional right sizing in 2020 of approximately \$500,000.

2020 Budget Pressures & Opportunities

Divisions and Offices were asked to identify pressures and opportunities impacting the 2020 budget. Division heads and elected officials will give an update during budget workshop presentations

Countywide

- State and Federal policy changes and economic conditions
- Capital Project Financing
 - Ongoing Repairs/Maintenance
 - Operating Costs related to Capital
 - New/Renovated Facilities
- Attract/Retain and Develop County Staff
 - Competitive Labor Market
 - General Labor Market Costs and Conditions

Operations, Management, and Budget (OMB)

- Technology
 - Continue implementation of information security initiatives
 - Upgrade major systems (One Solution)
 - Support Dakota Broadband Board
 - Assess Cloud Storage
- Determine future state of Criminal Justice Network
- Uncertainty around Homeland Security Grant Program (UASI Grant)

Community Services

- Housing Business Plan
 - \$650K Cahill Place for ongoing annual operating budget
- Growth trends and associated costs
 - Out-of-home placement costs – Juvenile & Child Protection
 - Child Protection bottle necks in court system prolonging permanency options
 - Child and Adult Protection: continued staff to case ratio pressures
- MNChoices work requirements impact on staffing requirements
 - Ongoing rightsizing and alignment of staff to new work requirements set by DHS
 - Increased pressure on data practices workload
 - Innovative integrated service delivery models present additional complexity
 - Additional operational capacity needed to support ongoing integrated case management; e.g. consent management

Public Service and Revenue

- Property Taxation & Records – Land Records Imaging Conversion
- Library – Youth Collections and DVD Fines
- Assessing Services – Appropriate Staffing Levels for Commercial, Residential and Appeals
- Historical Society – Building Renovation Needs
- Service & License Centers – Service and Staffing Levels
-

Sheriff's Office

- Crisis Intervention Training
- Body Worn and In-Car Camera Transition
- Crime Evolution - technology
- Staffing Pressures – identify creative retention strategies
- Opioid Strategies – metro overdose spike in June 2019
- Evidence and Jail Property Room Technician Funding
- Gross Misdemeanors to Satellite Offices (WSC)
- Contraband in Jail – body scanner legislation
- Addressing Health Needs of Inmates
- Strategic Plan Implementation
- Park Rangers and Expansion of Park Property
- Patrol Staffing Study

County Attorney's Office

- Demands associated with transfer and retention of electronic data
 - Cellphones/Computers
 - Body Cameras/Squad Video
- Demands associated with conversion of paper files to electronic
 - Records retention data entry
 - Physical review and conversion of files
 - Transfer of old media (CD's, videotapes, etc.) into electronic storage
- Long-term operational needs exist in the case management system, as well as the ability to create specialized reports

Physical Development

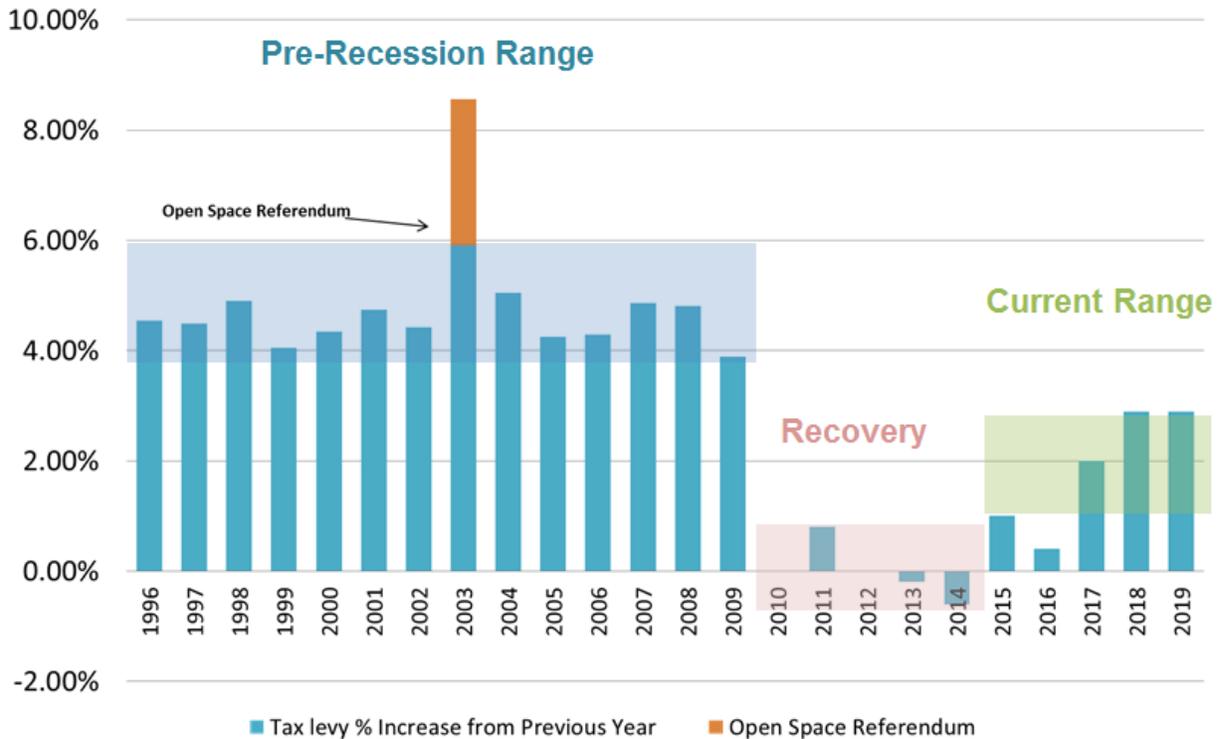
- Continue to align Environmental Legacy funding to Board direction
- Post-construction Byllesby Dam operations adjustments and power purchase agreement with Dakota Electric Association (DEA).
- Development of a partnership with Scott County on the Regional Household Hazardous Waste and Recycling facility.
- Substantial completion of the Transportation Plan and any policy adjustments.
- Continued development of State Bonding Projects.
- Completion of the Groundwater Plan.

Capital Improvement Program (CIP)

- **Pressures:**
 - Increasing Construction Costs
 - Adjust CIP's to reflect State funding allocations
 - State and local capacity to partner on projects
- **Major Projects:**
 - MFOS Phase I – Empire Addition
 - MFOS Phase II – South Site Land Acquisition
 - SMART Center Construction
 - Regional Household Hazardous Waste and Recycling Center Site Identification/Control
 - Completion of Spring Lake Park Reserve Master and Natural Resource Management Plans
 - Complete Construction of Whitetail Woods Regional Park and Lake Byllesby Regional Park Master Plan Improvements
 - Design/Engineering of Thompson County Park Master Plan Improvements
 - CP 70-23: CSAH 70 two to four lane reconstruction, Lakeville (Sales and Use Tax CIP)
 - CP 78-10: CSAH 78 Gravel to paved surface reconstruction, Castle Rock
 - CP 73-19: CR 73 Gravel to paved surface reconstruction, Rosemount
 - Increased pavement preservation due to rejection of 2019 contract

2020 Financial Planning Environment

County Levy History



Prior to impacts of the *Great Recession* annual levy growth ranged between 4% and 6%. During the recession and after, the County maintained low levy growth through a combination of spending reductions, reallocation of revenues, utilization of fund balance to pay off debt, and other levy management practices. Long term cost and service pressures remain in the same range that they were before the recession.

Legislative Impacts

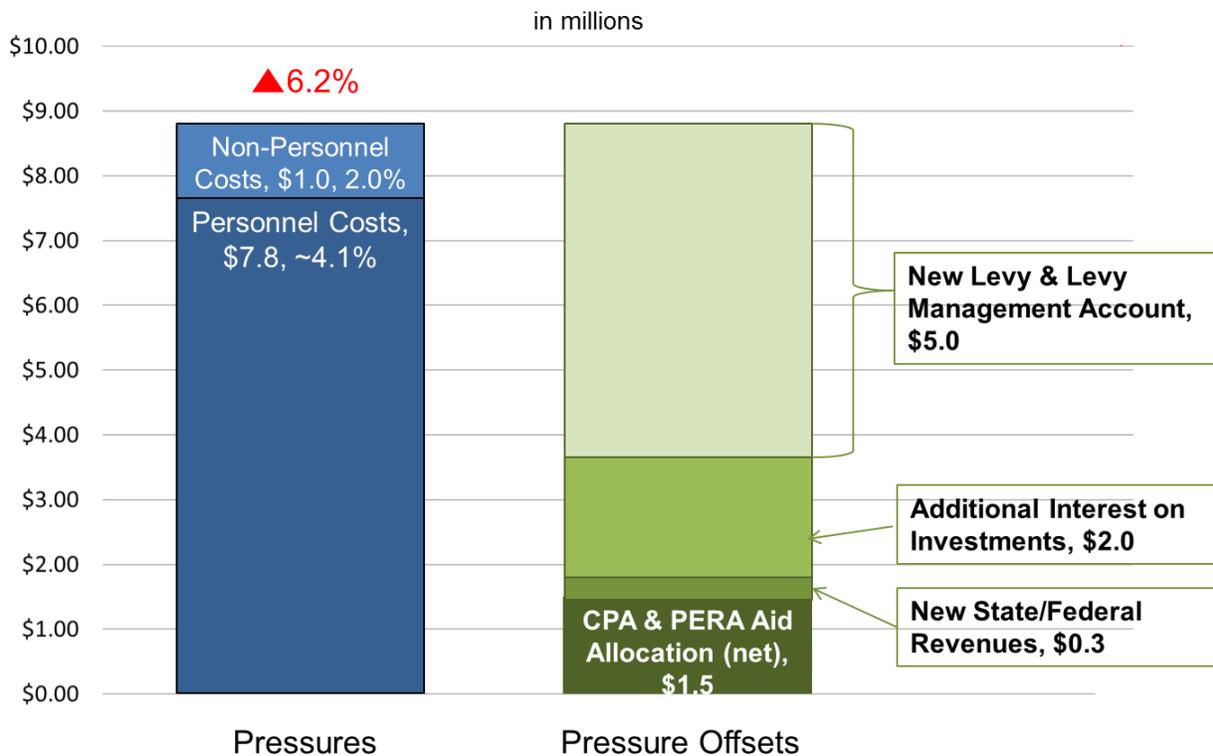
- \$1.78M County Program Aid
- (\$0.33M) PERA Aid
- \$0.03M SCORE grant
- \$.25M Deputy Registrar Reimbursement
- \$0.02M Vehicle Filing Fee increase
- \$0.00M HAVA grant (No money allocated to counties)
- (\$0.15M) Child Protection Withhold Elimination
- \$0.27M Opiate Epidemic Response Account (must be used for child protection)
- \$1.42 Parks and Trails Legacy
- \$1.00 Outdoor Heritage Funds

2020 Preliminary Budget Assumptions

2019 Levy	\$140.61 million
Change:	
Salaries/Benefits	\$7.80 M
Other Costs – 2.0%	
Client/County Support	\$800K
Materials/Supplies	\$79K
Travel/Training	\$40K
Capital (1.0%)	\$61K
Total 2020 Inflation Adjusted Planning Base	\$149.39M

Increases based on the new County merit plan and estimated inflationary increases (2%) on non-personnel costs will have increased pressure on the levy of approximately 6.2% for 2020. This is before adjustments for Levy Management, internal reallocations/adjustments, and changes to revenues. These estimates do not include any potential additions for initiatives and expanded service growth for 2020.

Projected Current Level Pressures



The levy pressure (▲) shows the levy increase needed to maintain the current level of County services based on merit comp plan, health insurance increases, and non-personnel inflation. The total pressures offsets are adjustments for new revenues, internal expense reallocations, use of levy management tools (ex. Levy Management Account), and new levy.

Potential Funding Strategy: Current Level Only (No New Initiatives)

(in millions)

	2019	2020	2021	2022	2023	2024
Available Levy Management Account (LMA)	5.99	5.99	5.09	0.91	-	0.00
Overall Planning Base Inflation Adjustment (3.1%/yr)	140.61	149.39	153.69	158.34	166.93	177.03
Departmental Budget Right Sizing Adjustments					-	-
New Non-Levy Revenues		(3.80)	(0.57)	(0.40)	(0.40)	(0.50)
Adjusted Net Levy Costs		145.59	153.12	157.94	166.53	176.53
Potential New Initiatives (Levy Only)						
Total Requested Levy		145.59	153.12	157.94	166.53	176.53
Total Requested Levy (% increase)		3.5%	5.8%	6.0%	6.0%	6.0%
Less: Use of LMA (Total used through 2020 \$16.53M)		(0.90)	(4.18)	(0.91)	-	-
Total Adjusted Levy		144.69	148.94	157.03	166.53	176.53
Total Adjusted Levy (% increase)		2.9%	2.9%	2.9%	5.4%	6.0%

This is the three-year (2020-2022) budget and levy planning model. Under a current level budgeting model the County could maintain a levy increase that would not exceed 3% through 2021.

Note: This model doesn't accommodate any new initiatives or case load growth in existing programs. Those initiatives and pressures would require additional financing.

Summary of Proposed Planning Parameters

- Preliminary cost pressure estimates
 - Labor Costs: ~4.1%
 - Non Labor Costs: 2.0%
- Levy funded FTE growth (TBD)
- Utilize levy management account to reduce cost pressures on the levy
 - Maintain practice of three year levy plan
- Internal reallocations aligned to meet highest priorities

Levy Management Burn Rate

Current Level Only (No New Initiatives)

In Millions

	Levy Management Account	Adjusted % Levy Increase
Current Level Management Account (LMA) Balance	\$5.99	
Total Available LMA for 2020+	\$5.99	
Forecast based on current projections:		
2.9% Levy Burn Rate 2020	(\$0.90)	2.9%
2.9% Levy Burn Rate 2021	(\$4.18)	2.9%
5.4% Levy Burn Rate 2022	\$0.91	5.4%
Ending LMA Balance	\$1.82	

Consistent with previous years, a potential new three year Levy Management Plan is illustrated with current projected budget pressures. Based on projections the County could use the remaining *Levy Management Account* to hold the levy at 3.0% or less for 2020 and 2021.

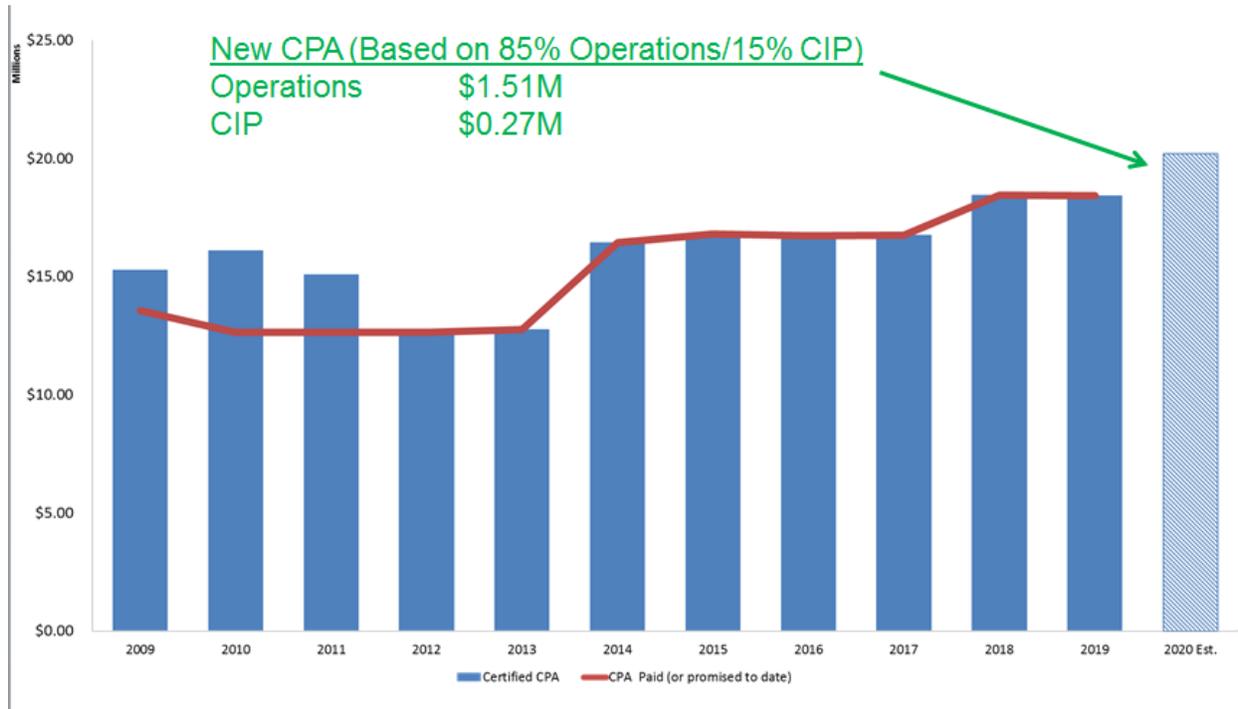
Levy Management Account (LMA) History

in Millions

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Total</u>
Levy Management Account Additions	\$4.68	\$3.85	\$8.09	\$1.58	\$5.00	\$0.00	\$23.19
Levy Management Account Uses (Levy Reduction)		(\$3.11)	(\$3.67)	(\$5.95)	(\$3.03)	(\$1.46)	(\$17.21)
Annual Levy Management Account Change	\$4.68	\$0.75	\$4.42	(\$4.37)	\$1.97	(\$1.46)	\$5.99
Cumulative Available LMA	\$4.68	\$5.42	\$9.84	\$5.47	\$7.44	\$5.99	

Available for 2020 and
other future budgets

County Program Aid



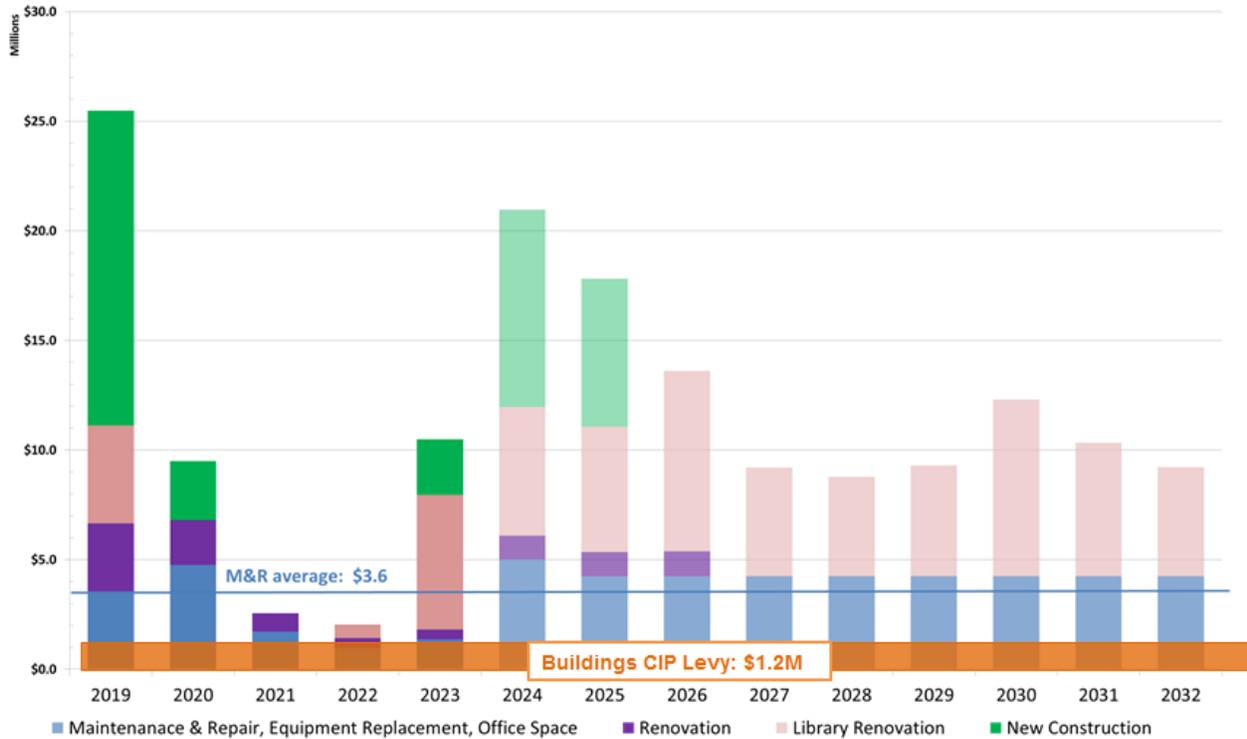
Since 2012 the County has received the full amount of certified CPA. In 2010 Dakota County saw the largest un-allotment of funds which was 22% of the certified amount.

Possible Additional Items Impacting the 2020 Budget

- Housing Business Plan, \$650K Annualized
- Ongoing Building CIP Maintenance, up to \$2.4M
- New Requests/Initiatives, \$???

Buildings CIP by Type

(Funding Source: General Fund)

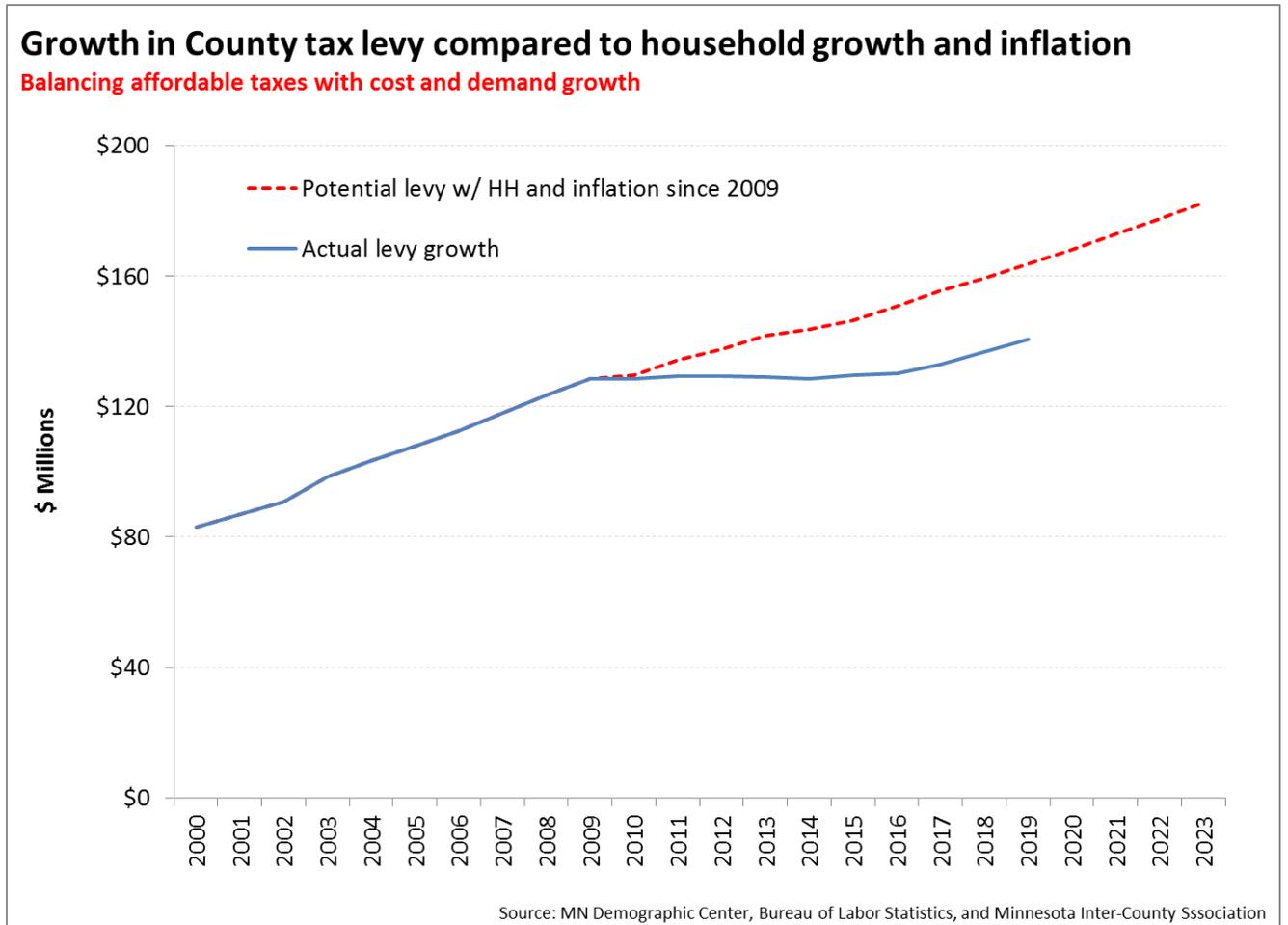


Current budgeted levy covers approximately one third of estimated repair and maintenance on existing county facilities.

2020 Resourcing Options

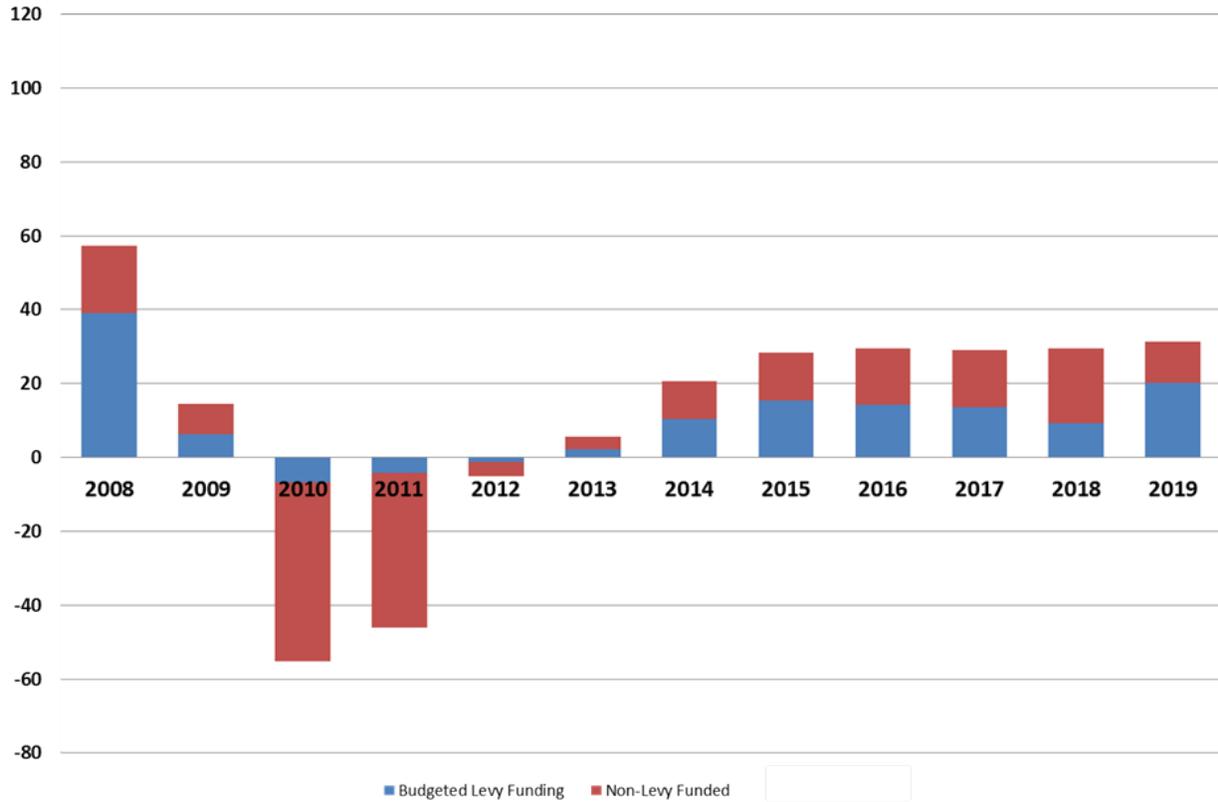
- Faster Use of Levy Management Account
- Internal Levy Reallocations and Use of Special Revenue Funds
- Increase Levy

Levy and Household Growth



Levy Funded vs. Non Levy Funded FTEs

Annual Budget Process Only



Market Value Summary

Property Taxes Payable in 2020:

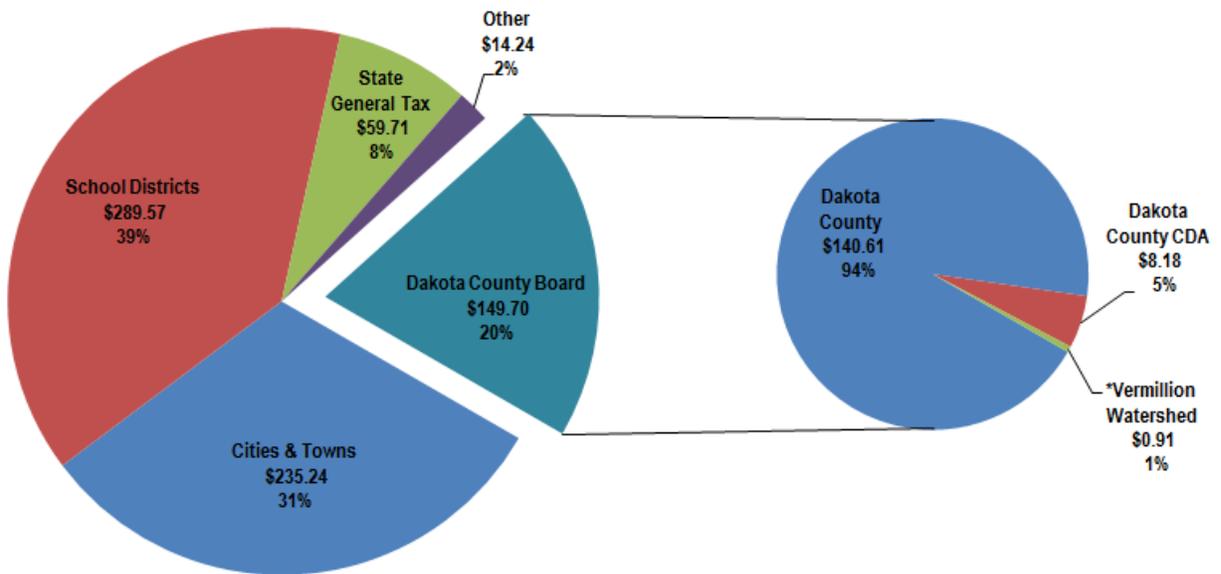
- Residential Average Increase 4-9%
 - Median Market Value \$280,600
 - Mean Market Value \$300,933
- Apartments – 11.0% aggregate increase
- Commercial/Industrial – 6.2% aggregate increase
- Agriculture:
 - EMV increased 5%
 - TMV tillable acreage unchanged while non-tillable acreage decreased 6% on average
- Projected Tax Capacity Increase for 2020: 7.5%

Who Sets Tax Levies In Dakota County?

Pay 2019 Property Tax Levies for all Property Types

Total 2019 Tax Levies: \$748.46

in Millions



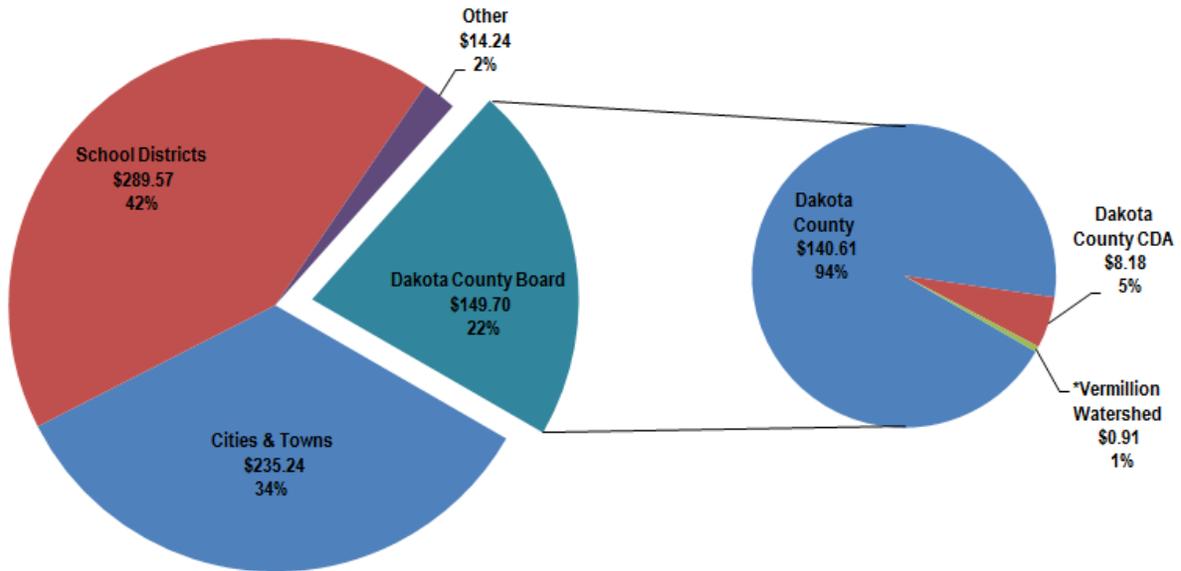
*Dakota County Levy Portion Only

Who Sets Tax Levies In Dakota County?

Pay 2019 Property Tax Levies for Residential Properties

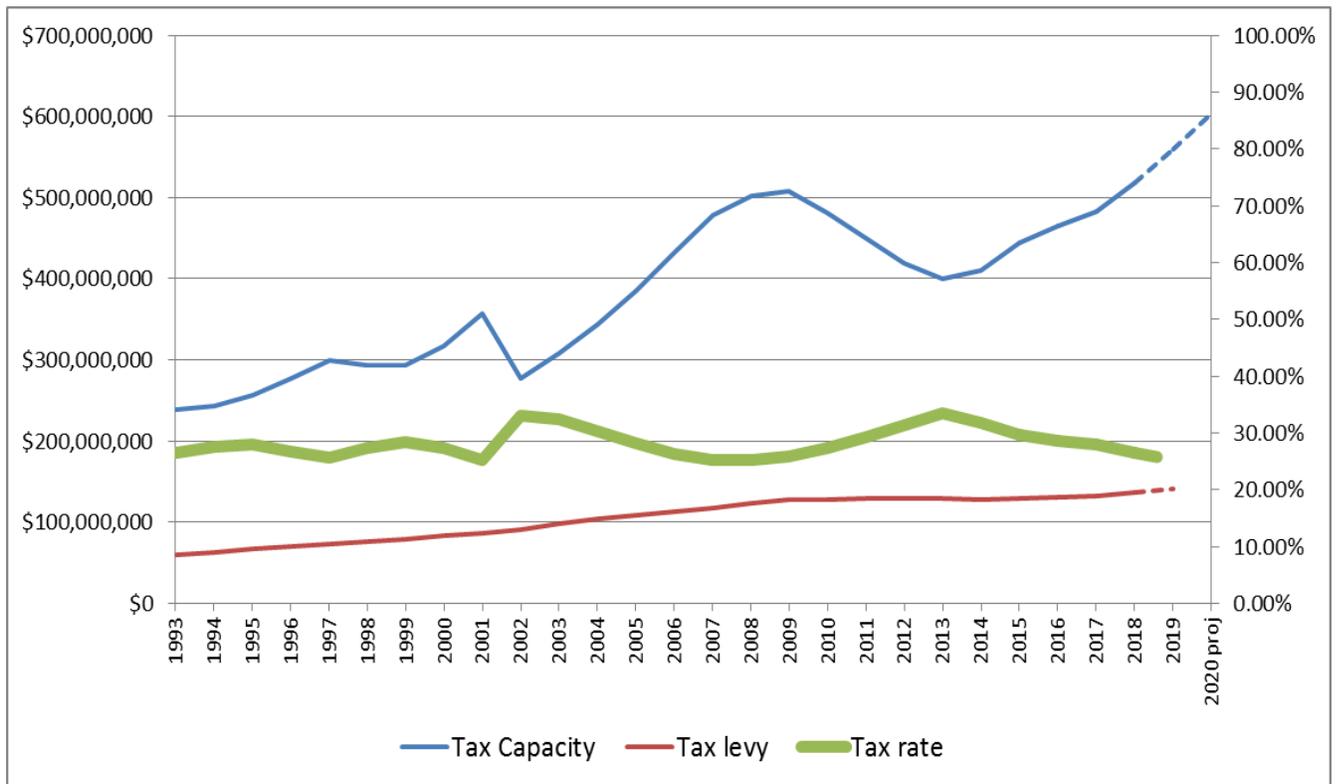
Total 2019 Tax Levies Without State Property Tax: \$688.75

in Millions



*Dakota County Levy Portion Only

Tax Base, Levy, and Rate Trends



Budget Development Process

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