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COUNTY BUDGET PLANNING WORKSHOP

June 18, 2019

Discussion Items

- 2020 Financial Planning Environment
- 2018 Financial Year-End Review

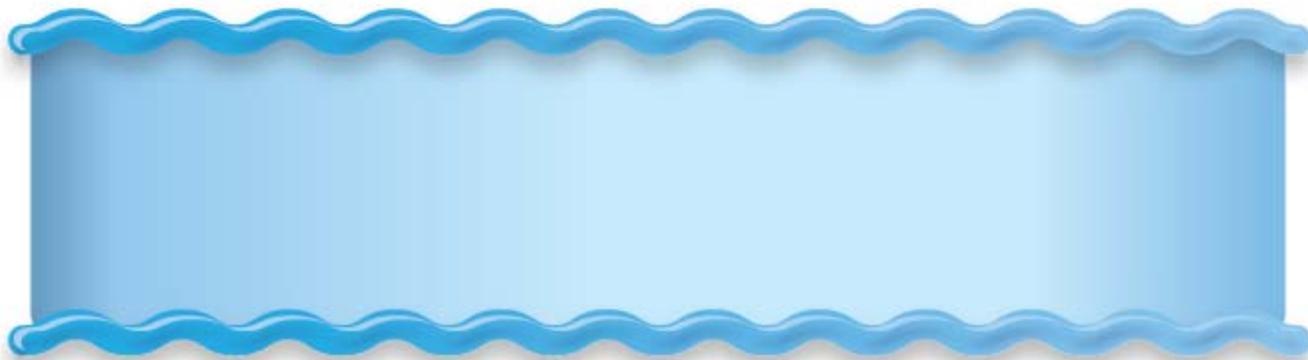
Dakota
COUNTY

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Current amount of services—again next year,
but with cost inflation covered

Current level

Caseload and demand growth
Funding for prior year initiatives and pilots

Current level

New program and
policy initiatives

Caseload and demand growth
Funding for prior year initiatives and pilots

Current level

Budget Development 2020



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- Are there any particular service or capital initiatives the Board would like to identify to explore or have developed further for 2020?
 - 2020 Board Priorities process

Budget Development 2020



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- What is the appetite to fund growth beyond cost inflation in the 2020 budget?
 - Caseload/demand growth in current services
 - Permanent funding for prior year initiatives or pilots
 - New initiatives for 2020 and after

Budget Development 2020



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- Is there interest in revisiting any current policies or practices on uses of special revenue funds?

Legislative Impacts



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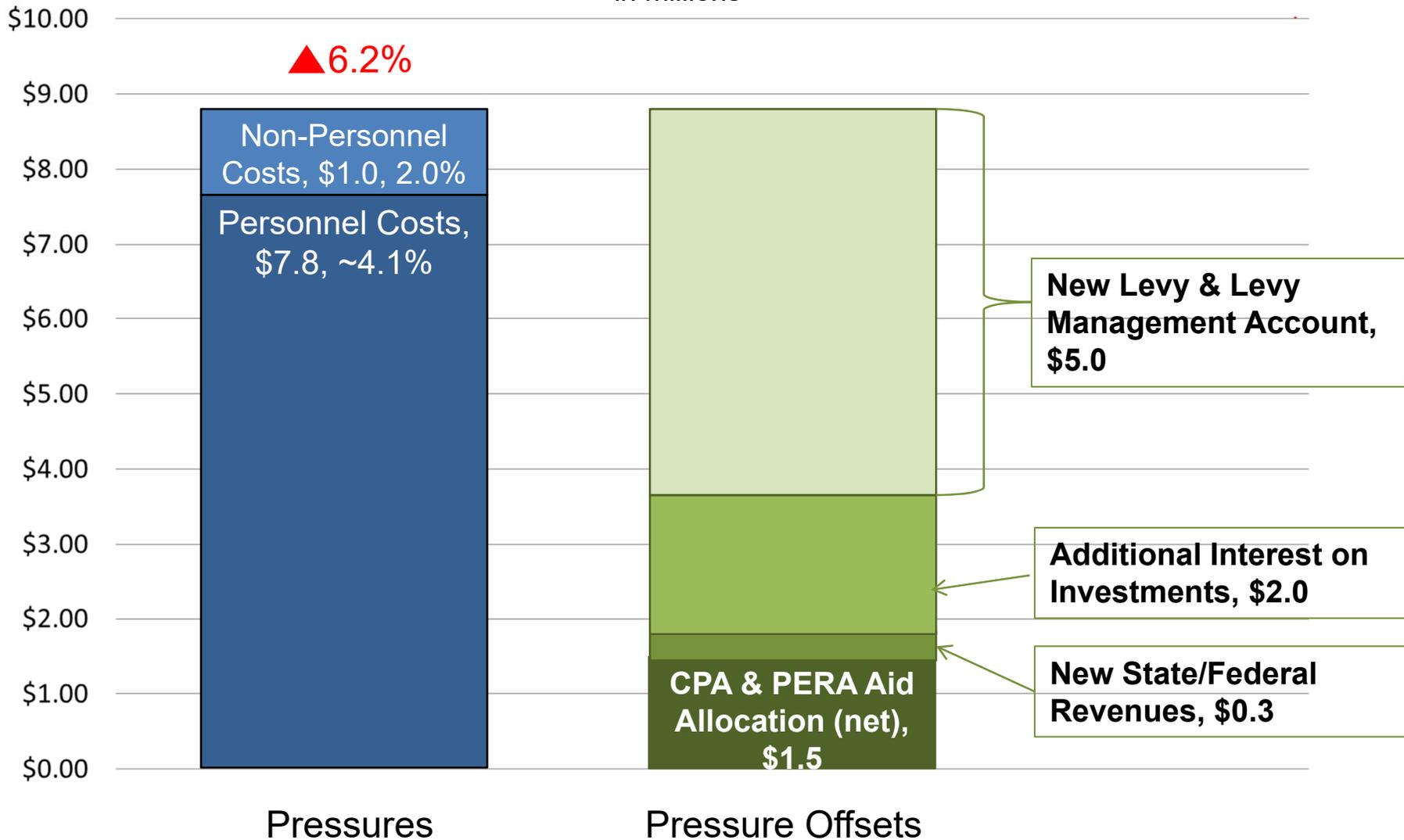
- \$1.78M County Program Aid
- (\$0.33M) PERA Aid
- \$0.03M SCORE grant
- \$0.25M Deputy Registrar Reimbursement
- \$0.02M Vehicle Filing Fee increase
- \$0.00M HAVA grant (No money allocated to counties)
- (\$0.15M) Child Protection Withhold Elimination
- \$0.27M Opiate Epidemic Response Account (must be used for child protection)
- \$1.42 Parks and Trails Legacy
- \$1.00 Outdoor Heritage Funds

Projected 2020 Current Level Pressures



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in millions

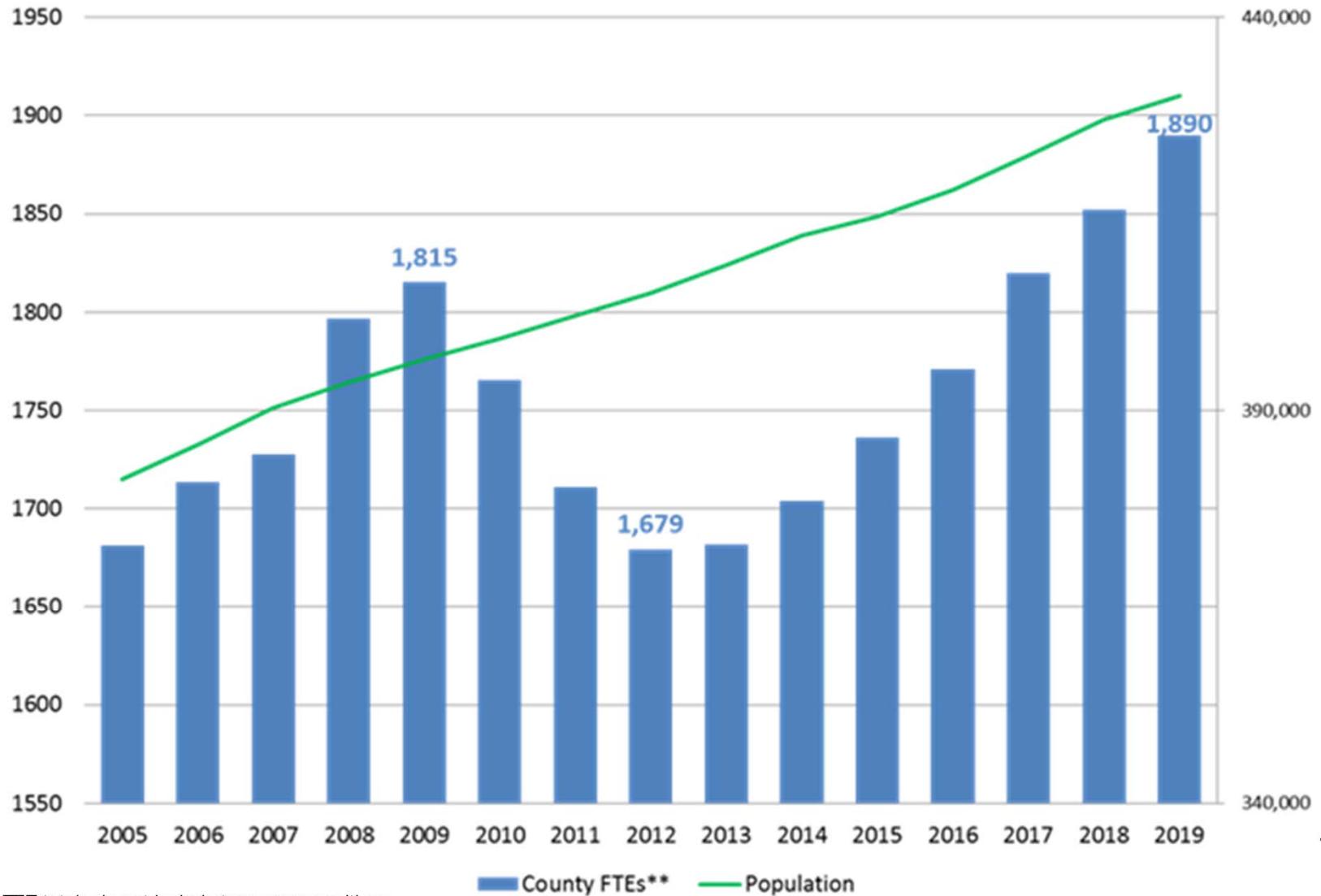


2020 Current Level Pressures and Pressure Offsets

FTE History



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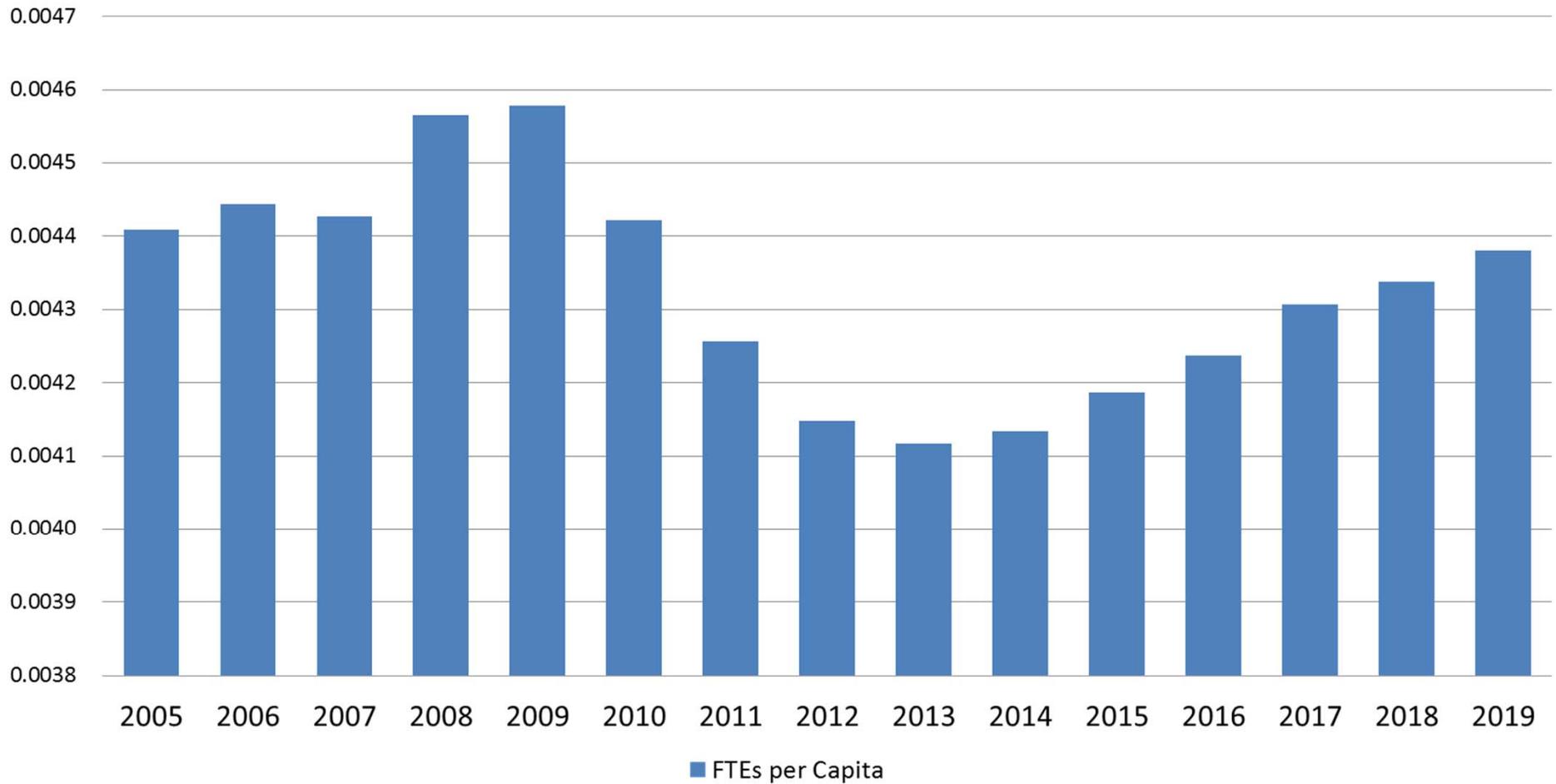


**County FTE totals do not include temporary positions

FTEs Per Capita



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History of Salary/Benefit Savings



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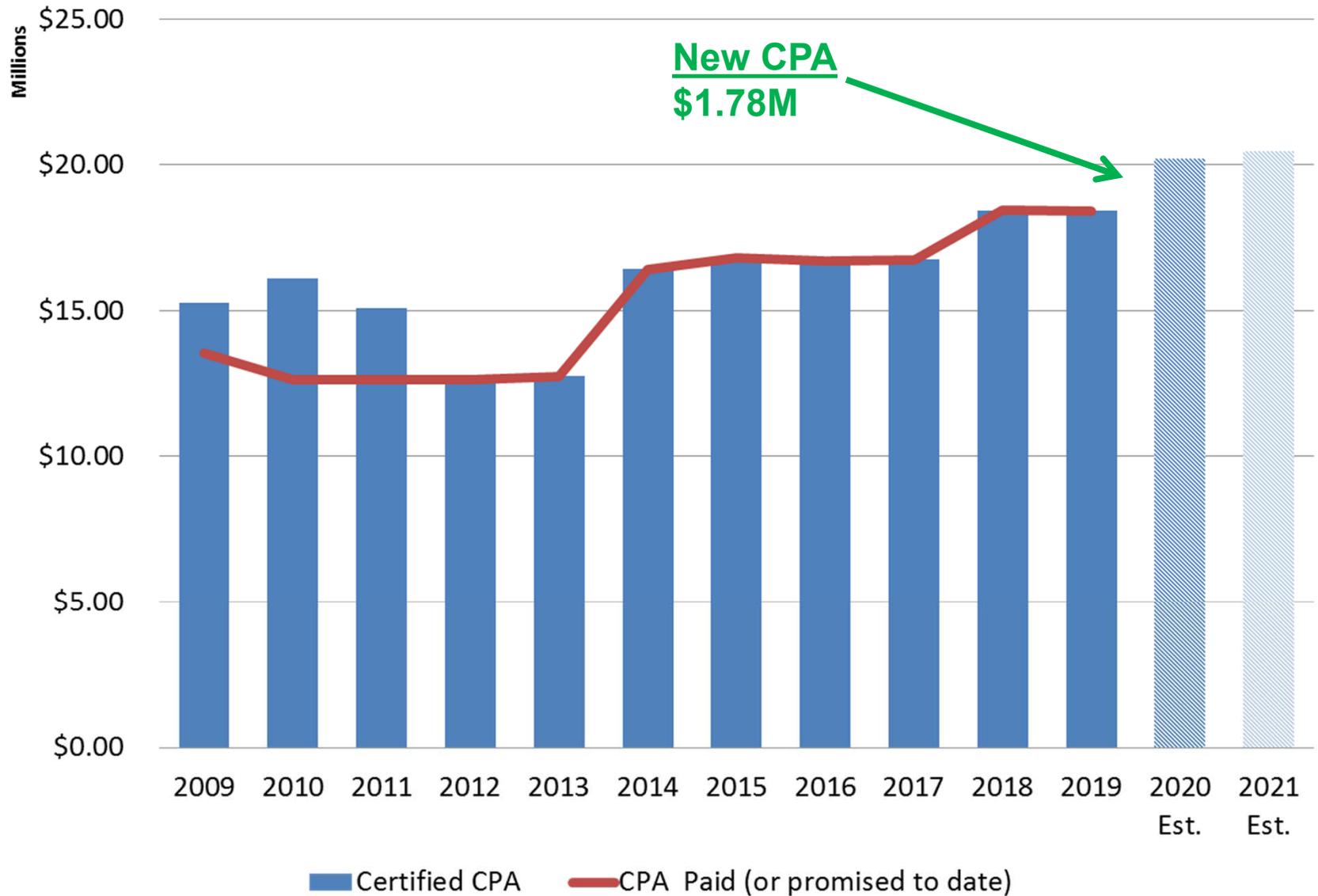


■ Salary/Benefit Savings ■ Projected Salary/Benefit Savings ■ 3% Salary/Benefit Savings Used for Levy Relief

County Program Aid



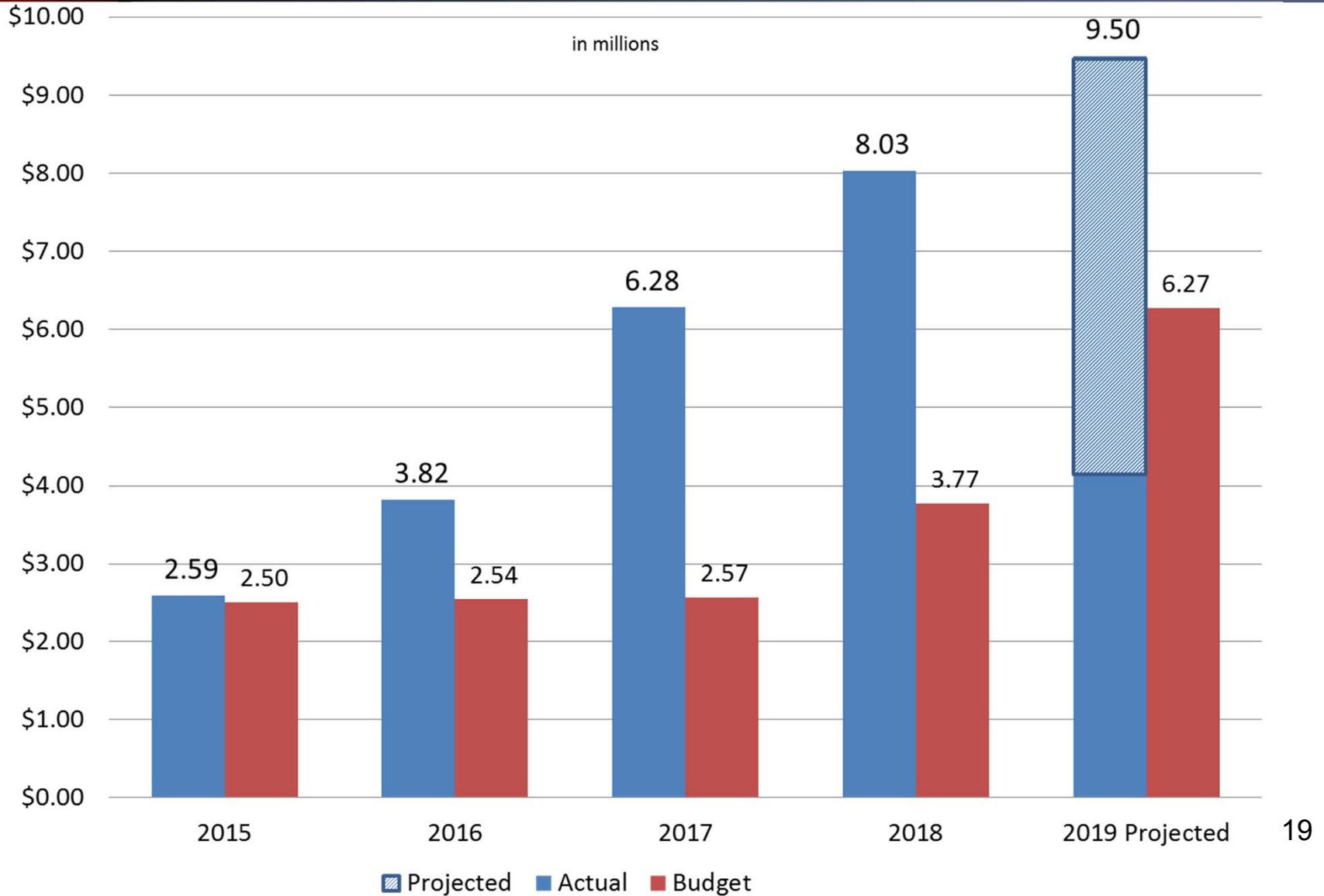
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Investment Earnings Revenue



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Levy Management Account (LMA) History



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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

Projected Budget Issues

(Planned to be addressed in Current Level)

Amount Rightsized During the 2019 Budget Process

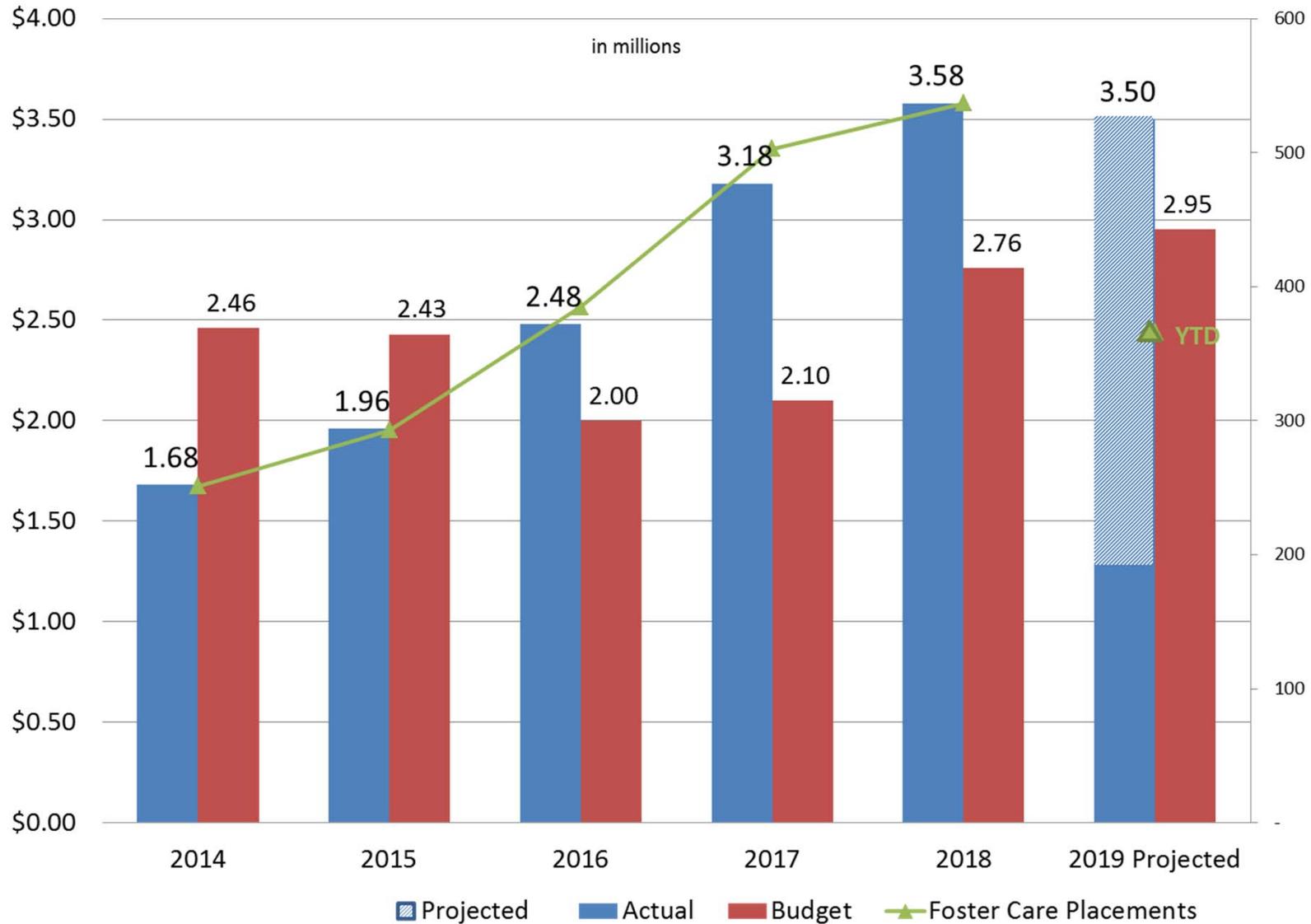


| | |
|---|----------------|
| County Administration | \$100K |
| Community Services | \$650K |
| County Sheriff | - |
| County Attorney | - |
| Operations, Management & Budget | \$10K |
| Public Service & Revenue | \$200K |
| Physical Development | \$100K |
| <hr/> | |
| Total Levy Relief from Rightsizing | \$1.06M |

Foster Care Expenses



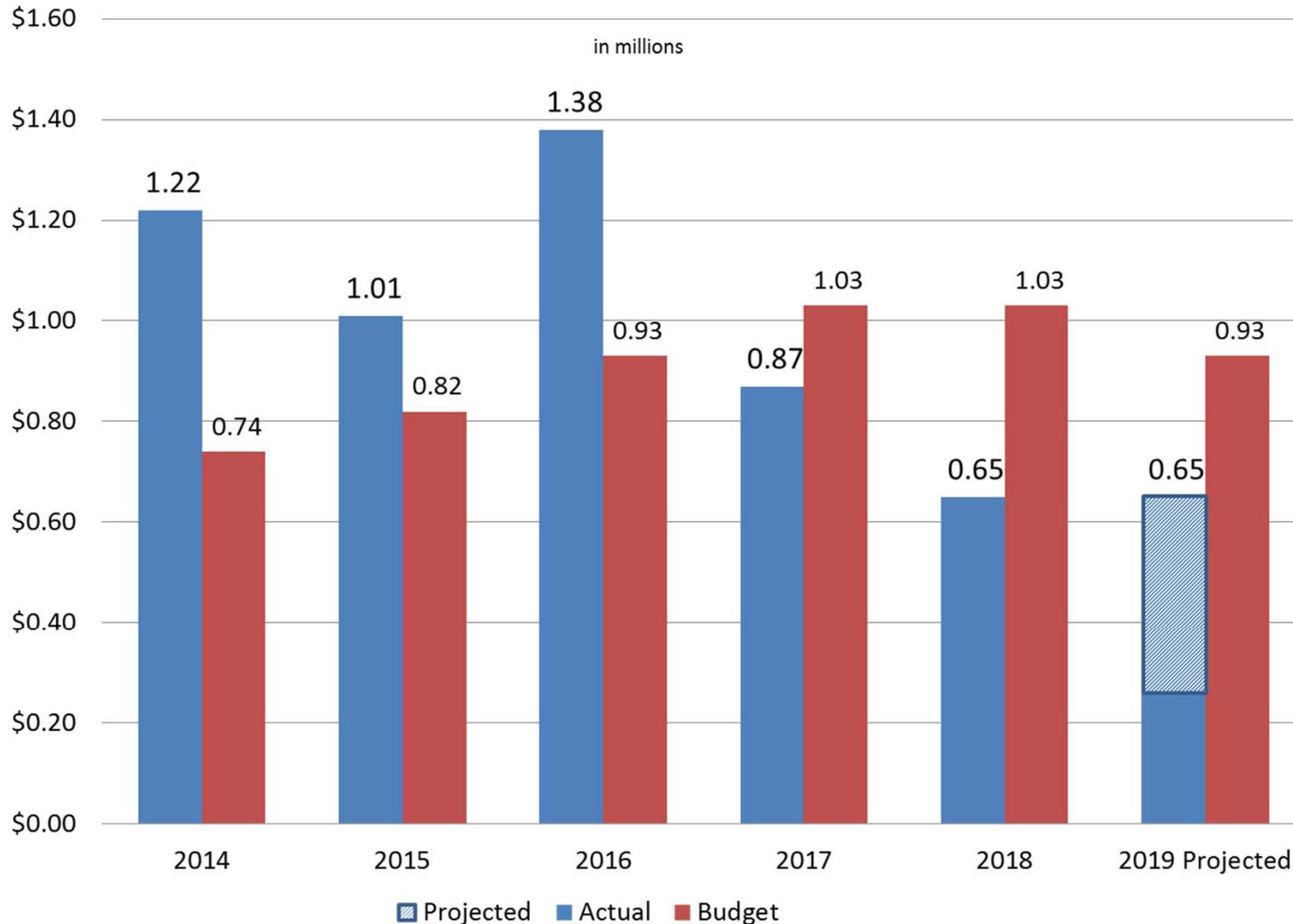
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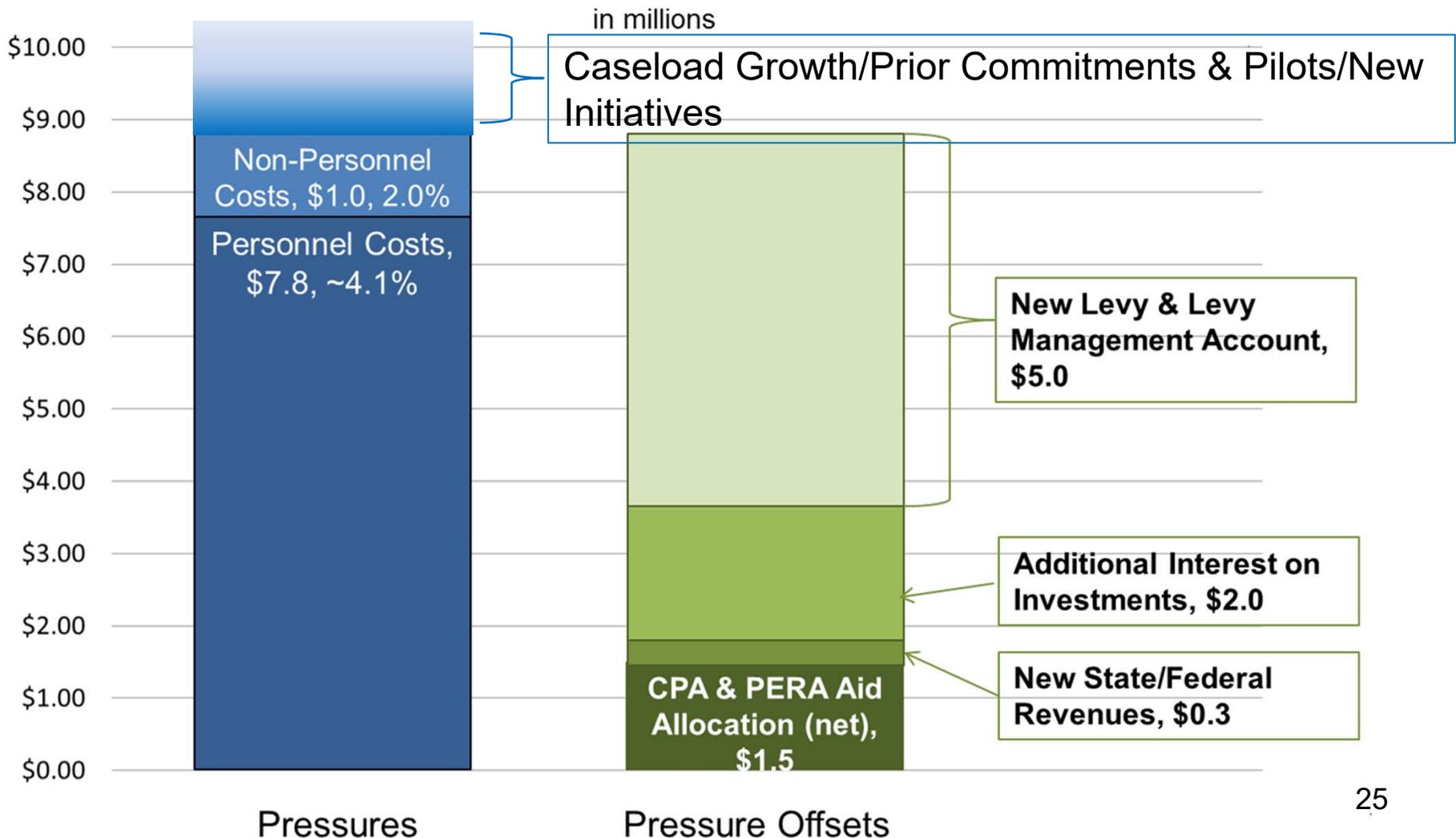
Juvenile Service Center Fee Revenue



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New Initiatives & Budget Issues (Outside Current Level)



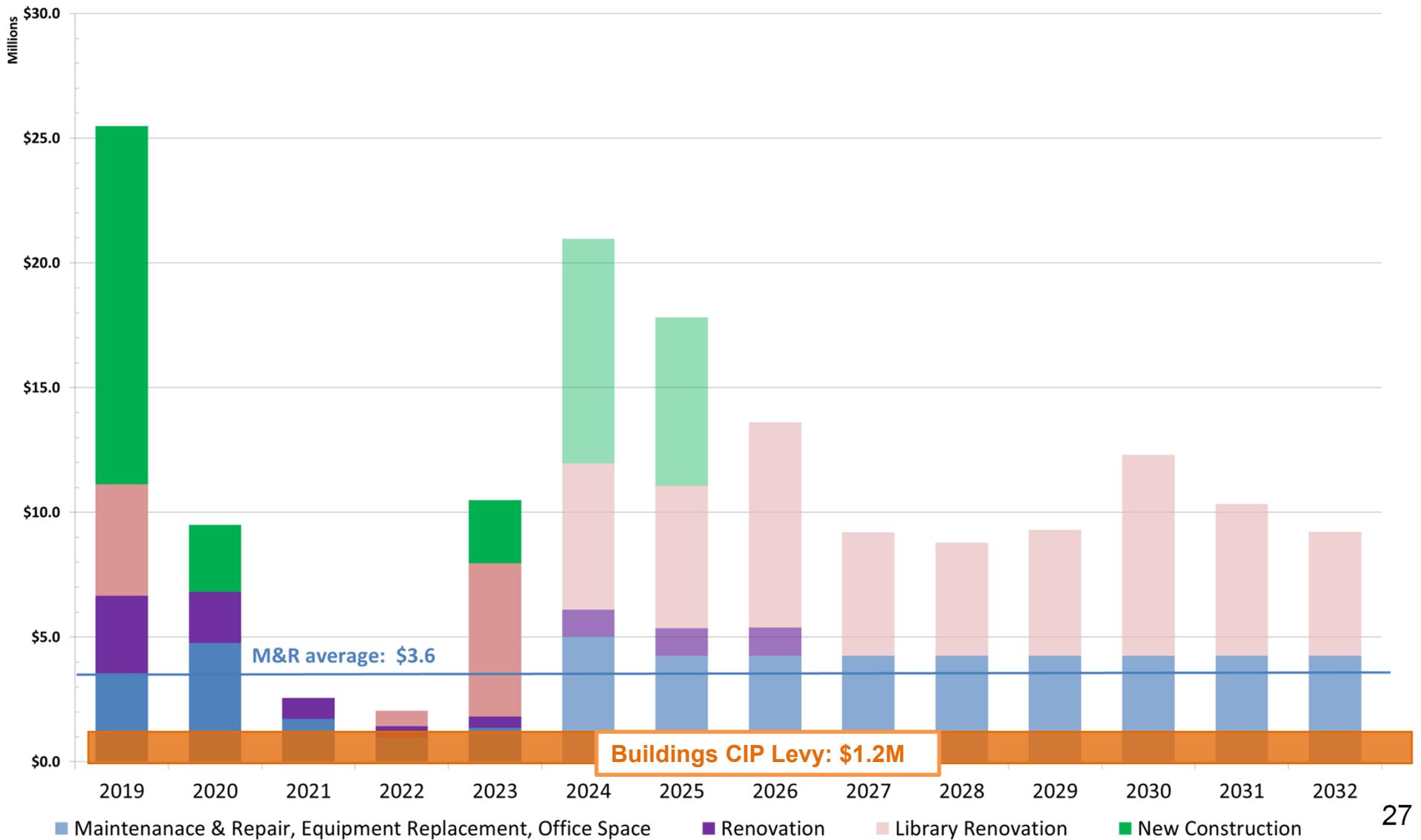
Possible Additional Items Impacting the 2020 Budget

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

Buildings CIP by Type (Funding Source: General Fund)



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2020 Divisional Budget Pressures & Opportunities

Countywide



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- 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
 - Electronic Data storage and management (e.g. Cloud Storage)
- Future of Dakota County Criminal Justice Network
- Uncertainty around Homeland Security Grant Program (UASI Grant)

Community Services



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- **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 Services and Revenue



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- 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



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- 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

2020 County Attorney's Office



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- 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 (Operations)



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- Continued development of State Bonding Projects.
- 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 Update and any policy adjustments.
- Completion of the Groundwater Plan.

Capital Improvement Program (CIP)



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Pressures:

- Increasing Construction Costs
- Adjust CIP's to reflect State funding allocations
- State and local capacity to partner on projects

Major Projects:

- Buildings:
 - MFOS Phase I – Empire Addition: MFOS Phase II – South Site Acquisition
 - SMART Center Construction
- Parks:
 - Master/Natural Resource Management Plans: Spring Lake Park Reserve
 - Design/Engineering: Thompson County Park Master Plan Improvements
 - Master Plan Improvements (construction): Whitetail Woods Regional Park and Lake Byllesby Regional Park
- Transportation:
 - CSAH 70 two to four lane reconstruction, Lakeville
 - CSAH 78 gravel to paved surface reconstruction, Castle Rock
 - CR 73 gravel to paved surface reconstruction, Rosemount
 - Increased pavement preservation due to rejection of 2019 contract

Possible Resourcing Options

2020 Resourcing Options



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

Faster Use of LMA



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2020

2021

2022



← New Initiatives

Current Level Cost Pressures (net): ~6%

LMA

New Levy

LMA

New Levy

LMA

New Levy



Increase Levy & Faster Use of LMA



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2020

2021

2022



← New Initiatives

Current Level Cost Pressures (net): ~6%

LMA

New Levy

LMA

New Levy

LMA

New Levy

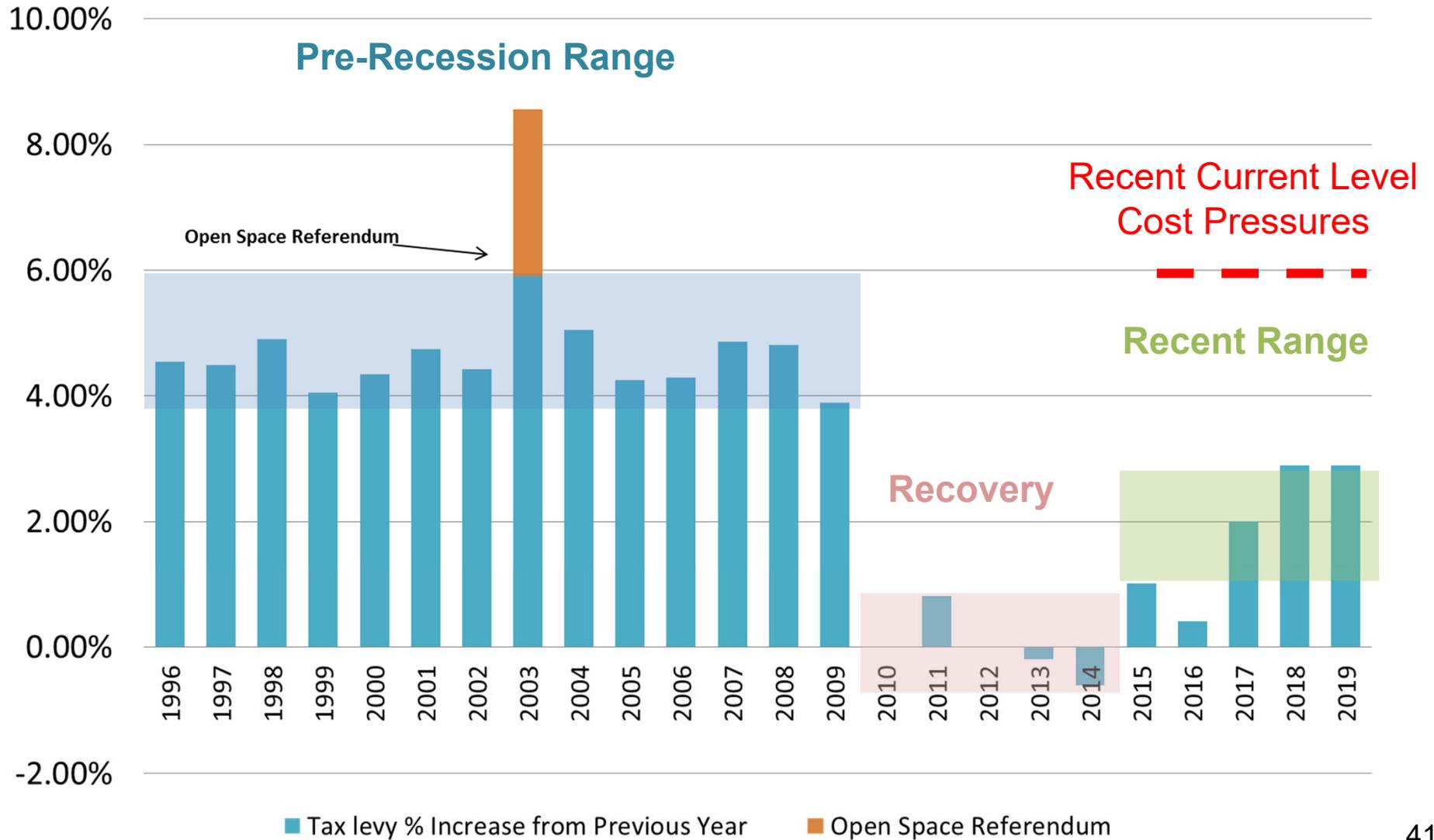


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Levy History



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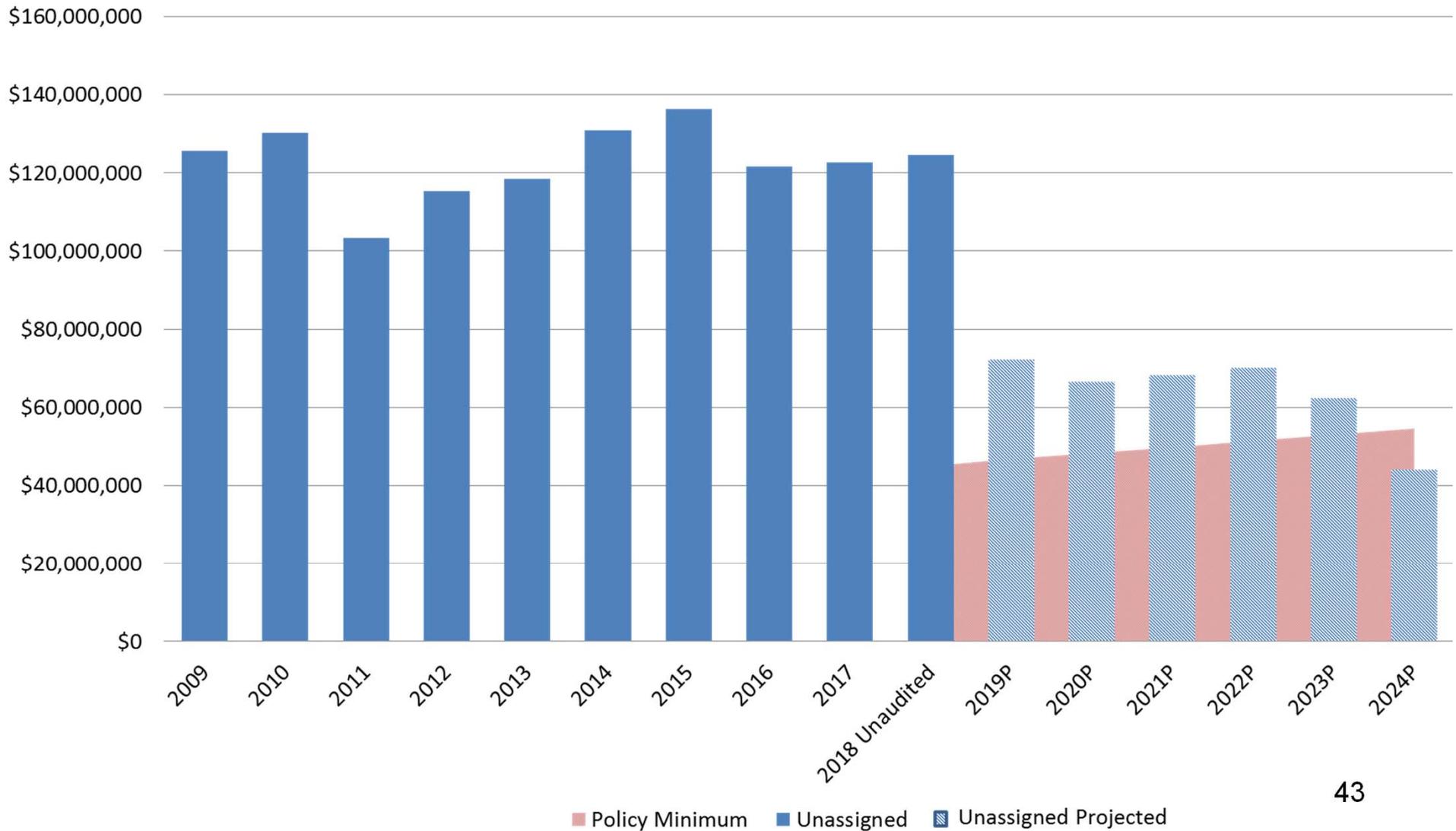
Summary of Proposed Planning Parameters

- Preliminary cost pressure estimates
 - Labor Costs: ~4.1%
 - Non Labor Costs: 2.0%
- Internal reallocations aligned to cover current level 2019 cost pressures and revenue shortfalls
- Utilize a portion of Levy Management Account to reduce cost pressures on the 2020 levy
 - Retain some LMA for future years
- Caseload Growth/Prior Commitments & Pilots/New Initiatives (TBD)
 - Extent/Type
 - Funding

General Fund – Unassigned Fund Balance History



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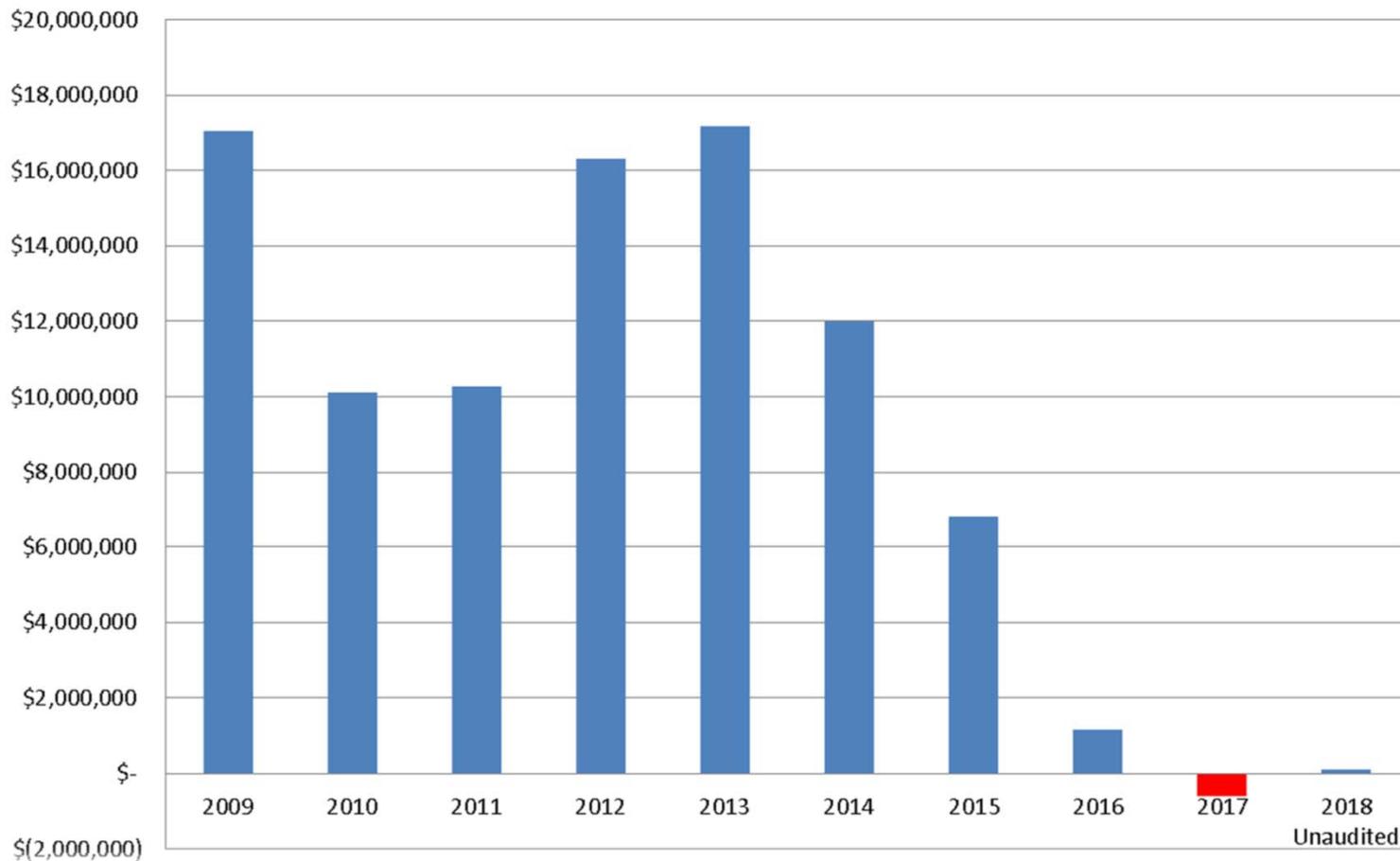


Buildings – Fund Balance History



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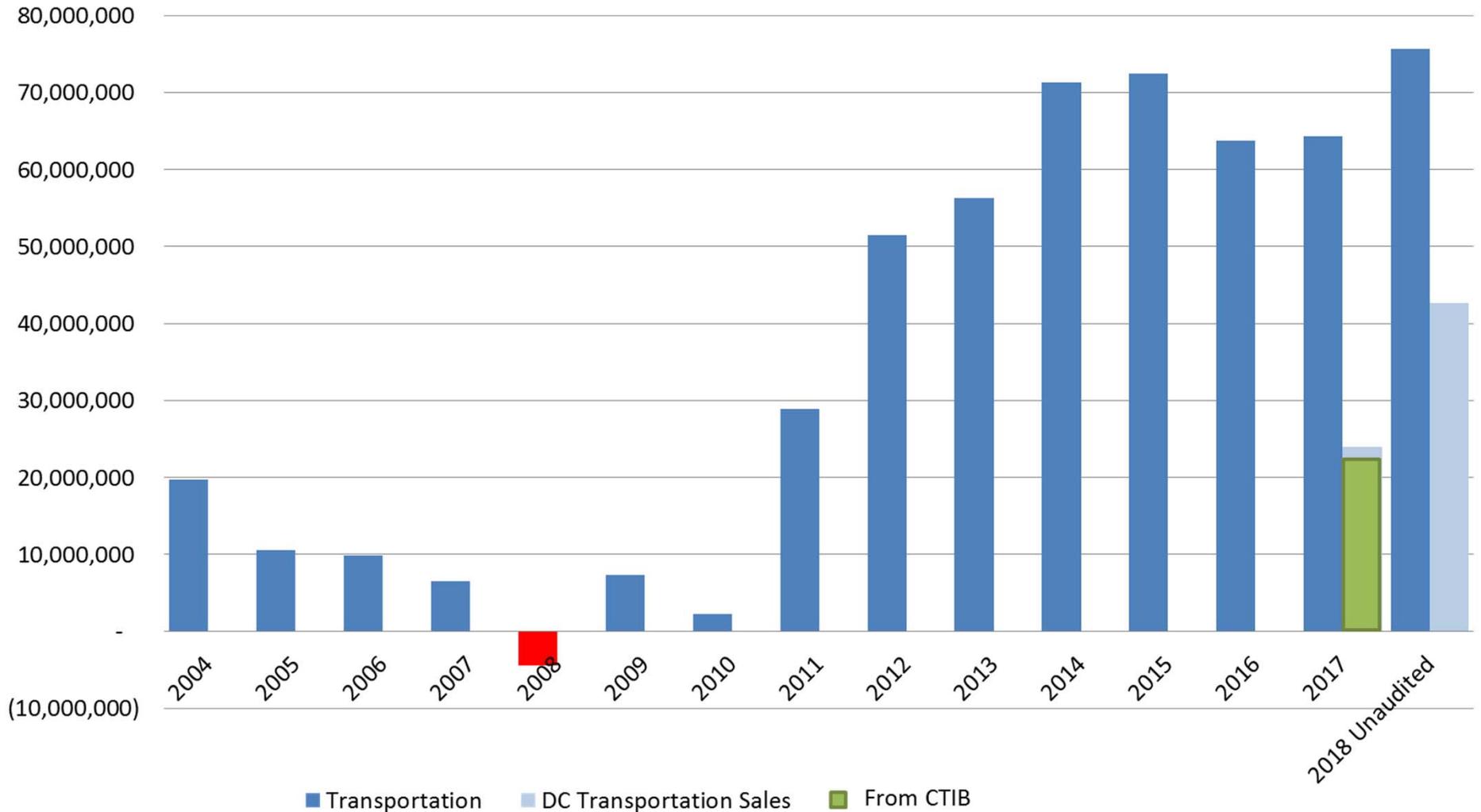
Building Fund Fund Balance History



Transportation Fund/ DC Transportation Sales Fund– Fund Balance History



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Dakota County Transportation Sales and Use Tax Eligible Uses

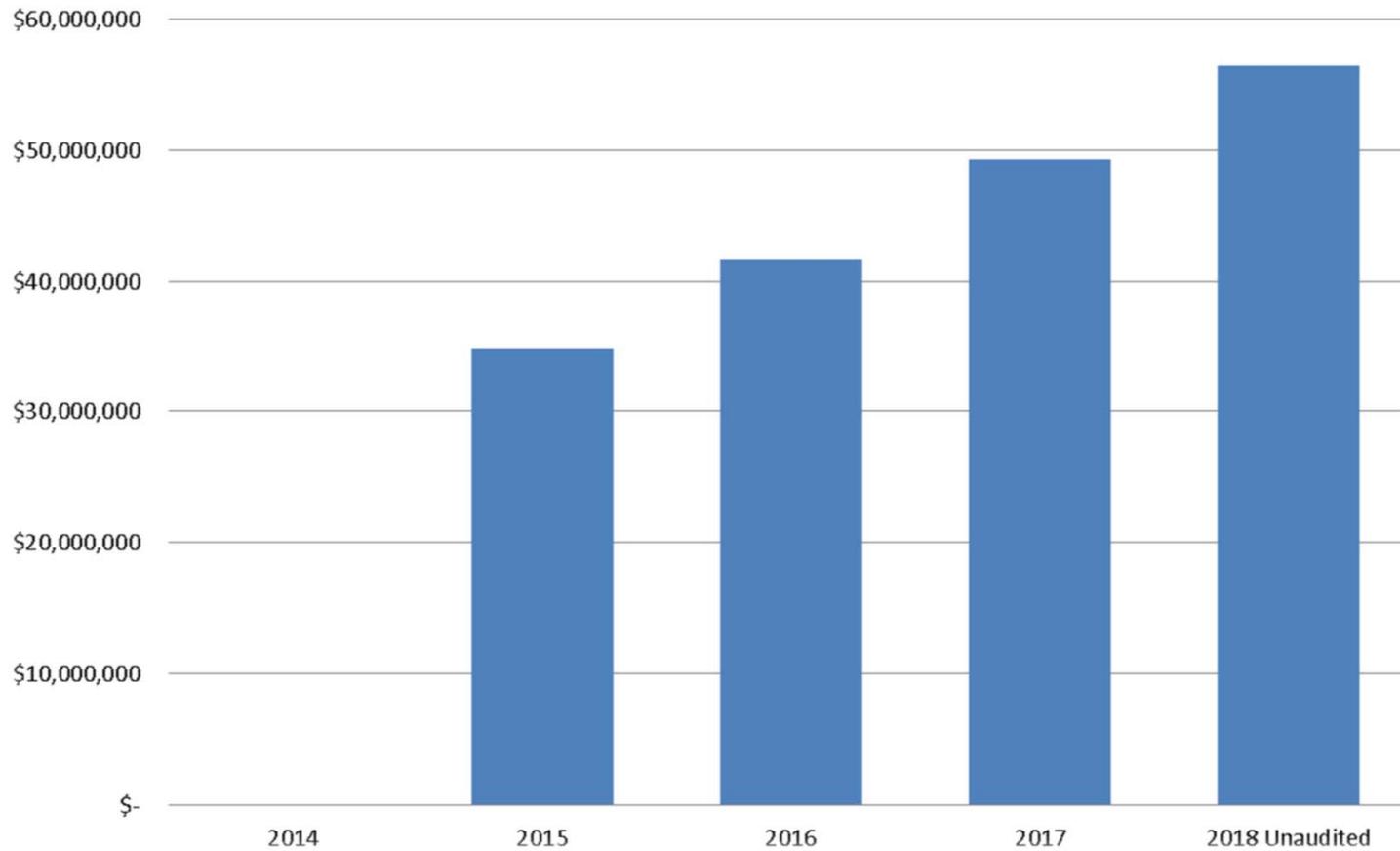


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| Statutory Eligible Use | County Policy Use |
|--|--|
| Payment of the capital cost of a specific transportation project or improvement | Regional County Highway Projects |
| | Trunk Highway Projects |
| | Regional Trail Projects to Match Federal 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 |

ELF Fund – Fund Balance History

Environmental Legacy Fund Fund Balance History



Environmental Legacy Fund Eligible Uses



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| 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 |

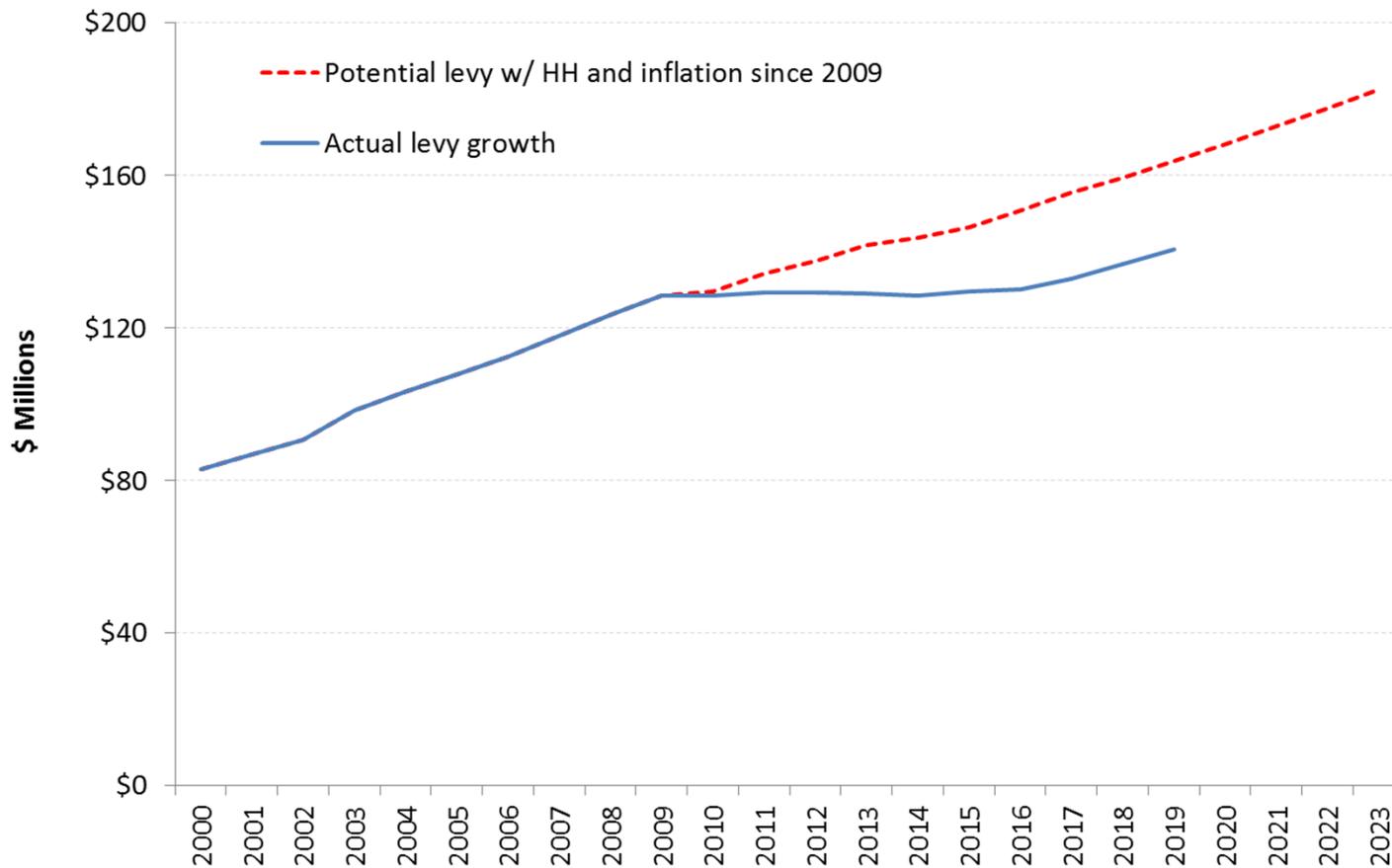
Levy and Household Growth



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Growth in County tax levy compared to household growth and inflation

Balancing affordable taxes with cost and demand growth



Source: MN Demographic Center, Bureau of Labor Statistics, and Minnesota Inter-County Sssociation

Budget Development Process



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- 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

Budget Development 2020



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Budget Development 2020



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Budget Development 2020



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- Is there interest in revisiting any current policies or practices on uses of special revenue funds?



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THANK YOU!

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2018 Financial Year Review



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Fund Balance Summary

(in millions)

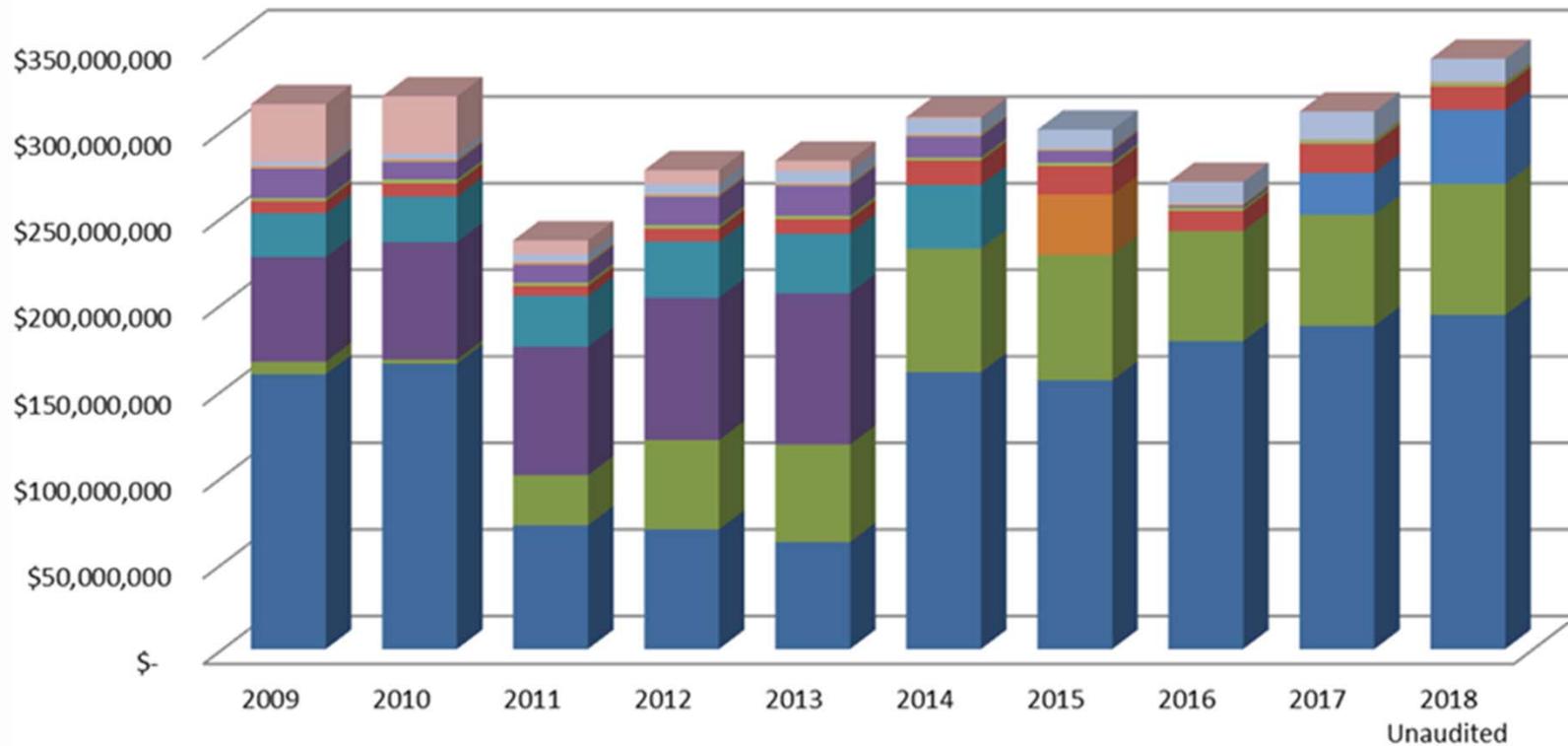
| | Audited 12/31/2017 | Unaudited 12/31/2018 |
|---|-----------------------|-------------------------|
| Beginning Fund Balance | \$ 270.3 | \$ 310.4 |
| Total Revenues | 356.5 | 357.7 |
| Expenditures: | | |
| Current | 311.2 | 314.9 |
| Capital Projects and Equipment | 5.2 | 12.3 |
| Debt service | - | - |
| 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 |

Fund Balance – All Funds



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Fund Balance History



- General Fund
- Highway
- Community Services
- Environmental Management
- Environmental Legacy
- DC Transportation Sales
- County Parks
- County Library
- County Buildings
- Attorney Forfeiture
- Law Library
- Regional Rail
- Debt Services

General Fund Unassigned Fund Balance



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| | In Millions | | | | | | Preliminary 2024 |
|--|-------------------|----------------|----------------|----------------|----------------|----------------|---------------------|
| | Unaudited 2018 | 2019 | 2020 | 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 - Tansfer | | (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) |

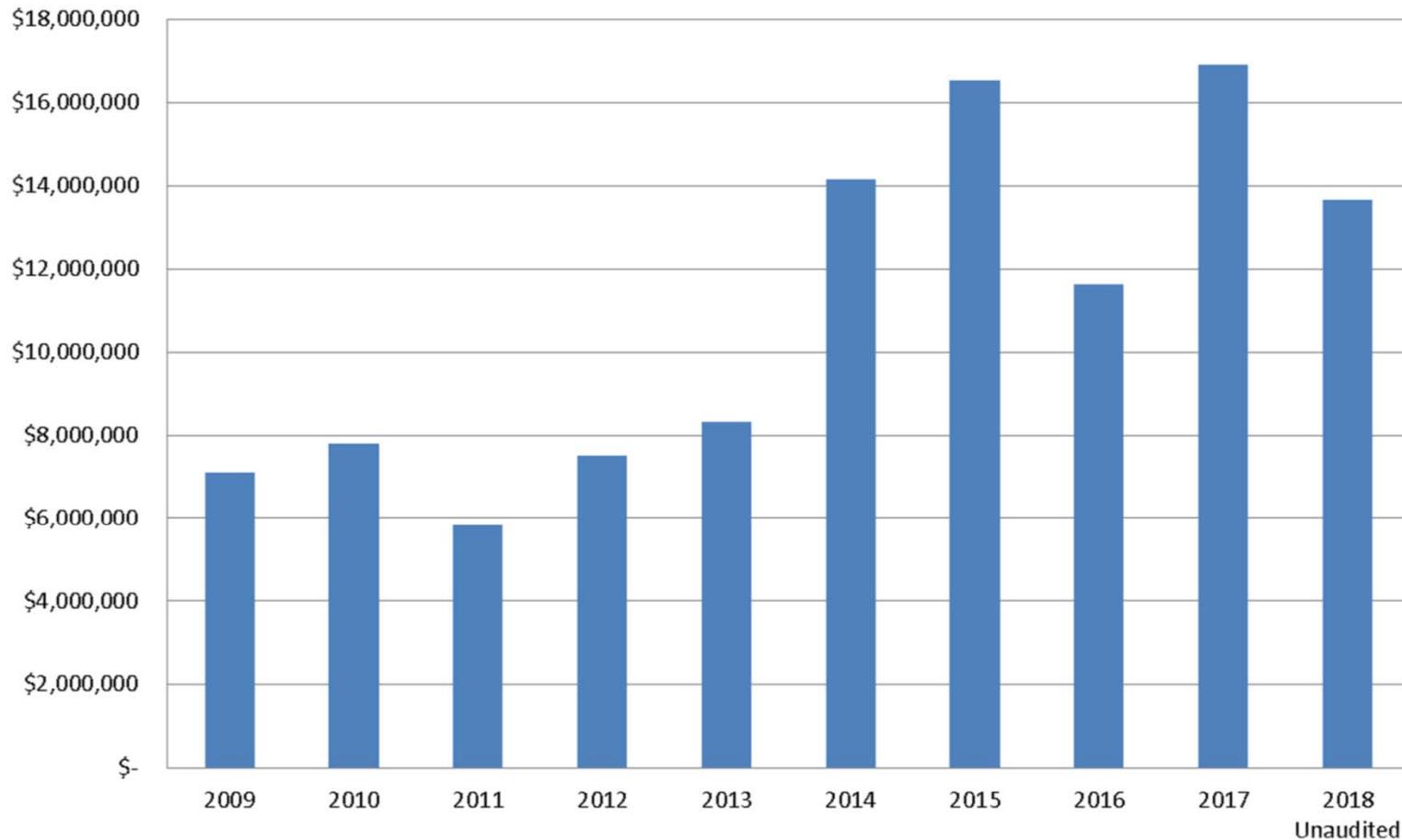
* Variances due to rounding

Parks Fund - Fund Balance History



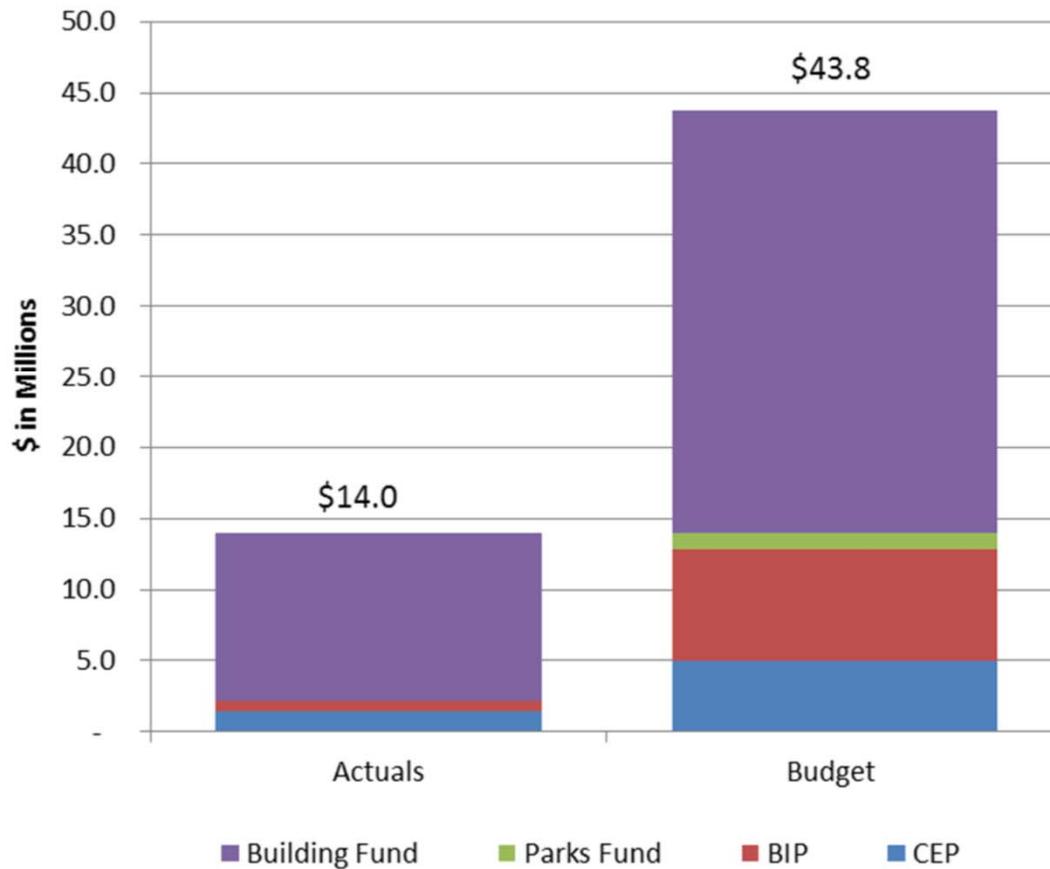
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Parks Fund Fund Balance History



2018 Use of General Fund - Fund Balance

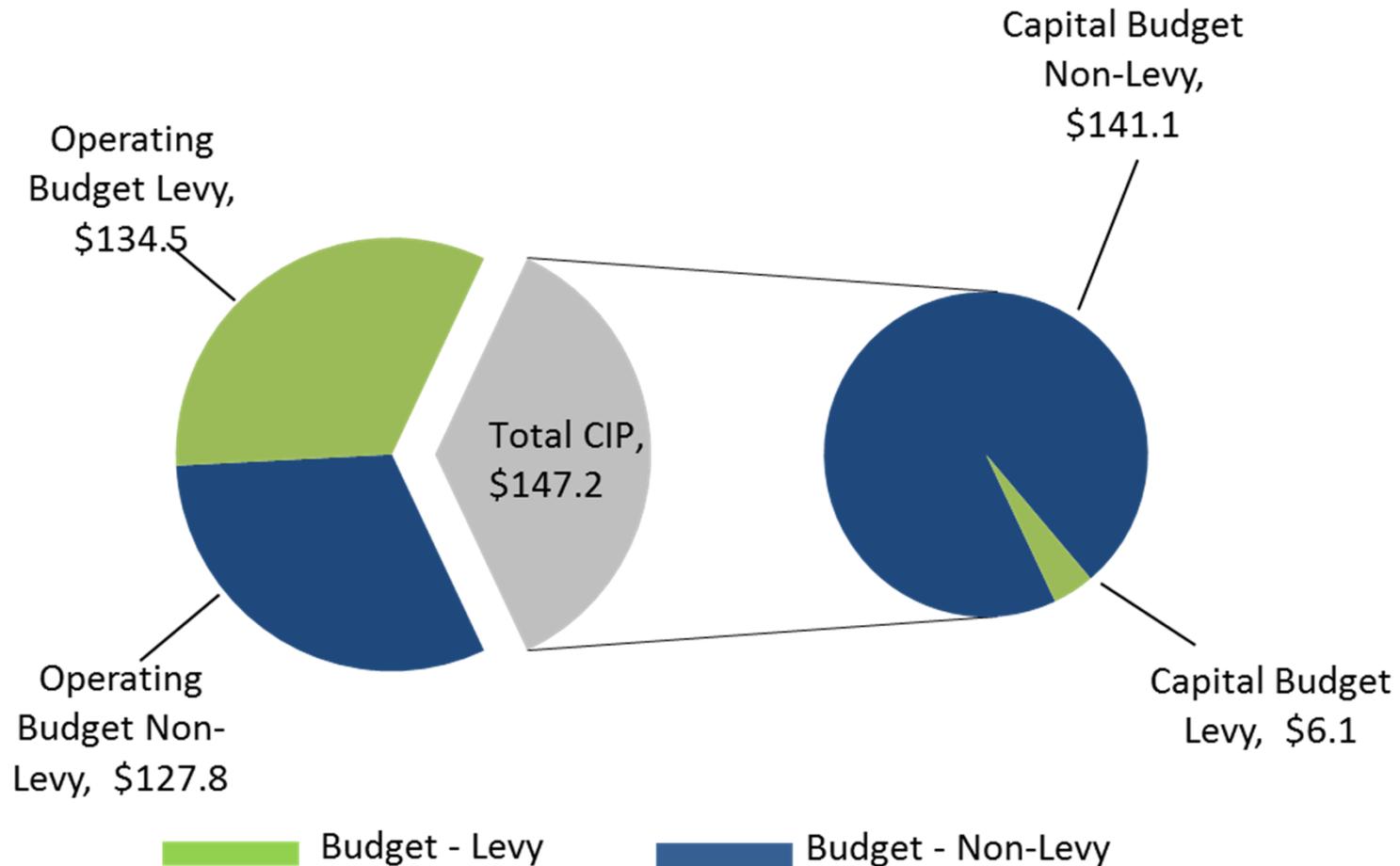
Budgeted vs. Actual Use of General Fund-Fund Balance



2019 Budget & Financial Performance

2019 Operating vs. Capital/Debt Service Budget

Total Budget = \$409.5 million

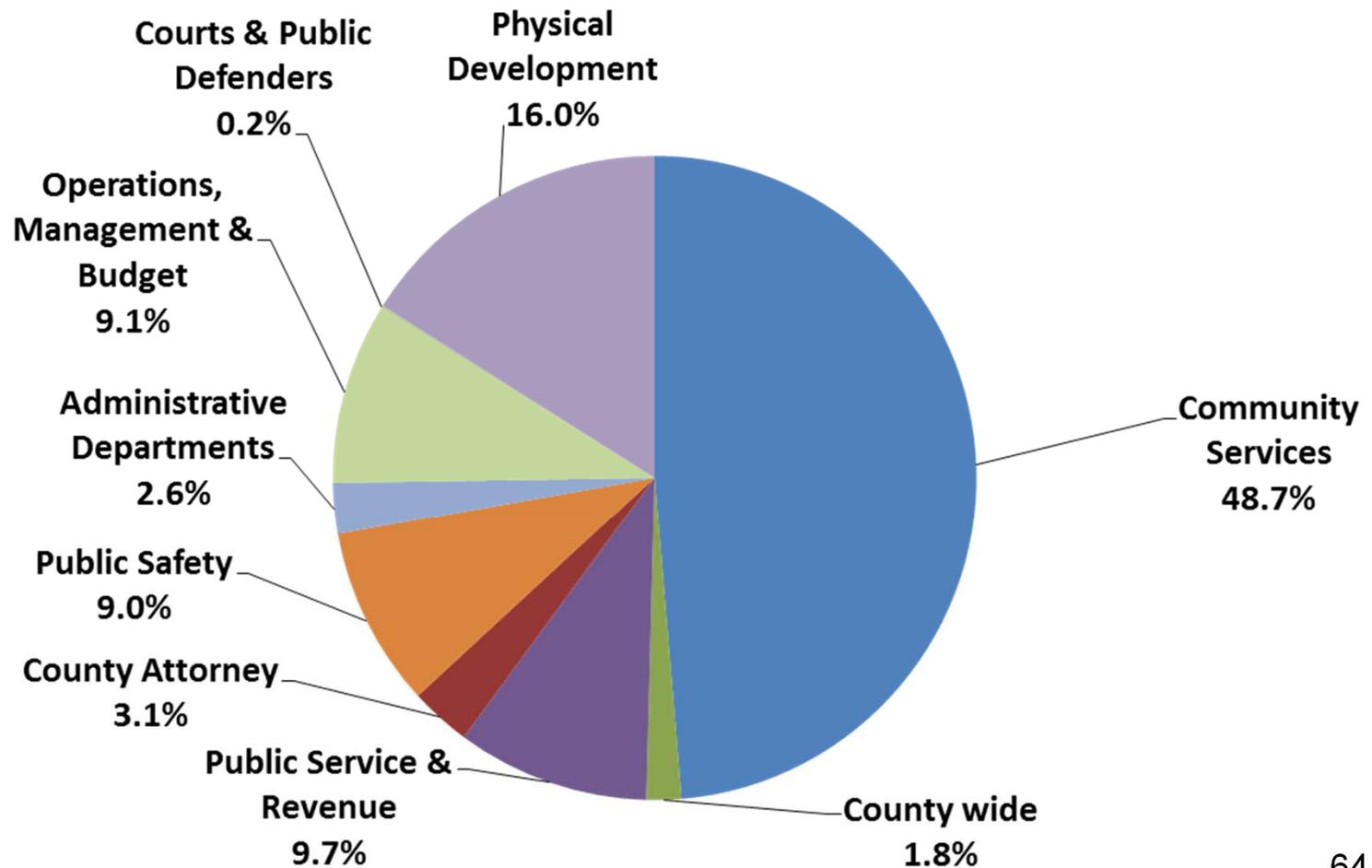


2019 Operating Budget by Division



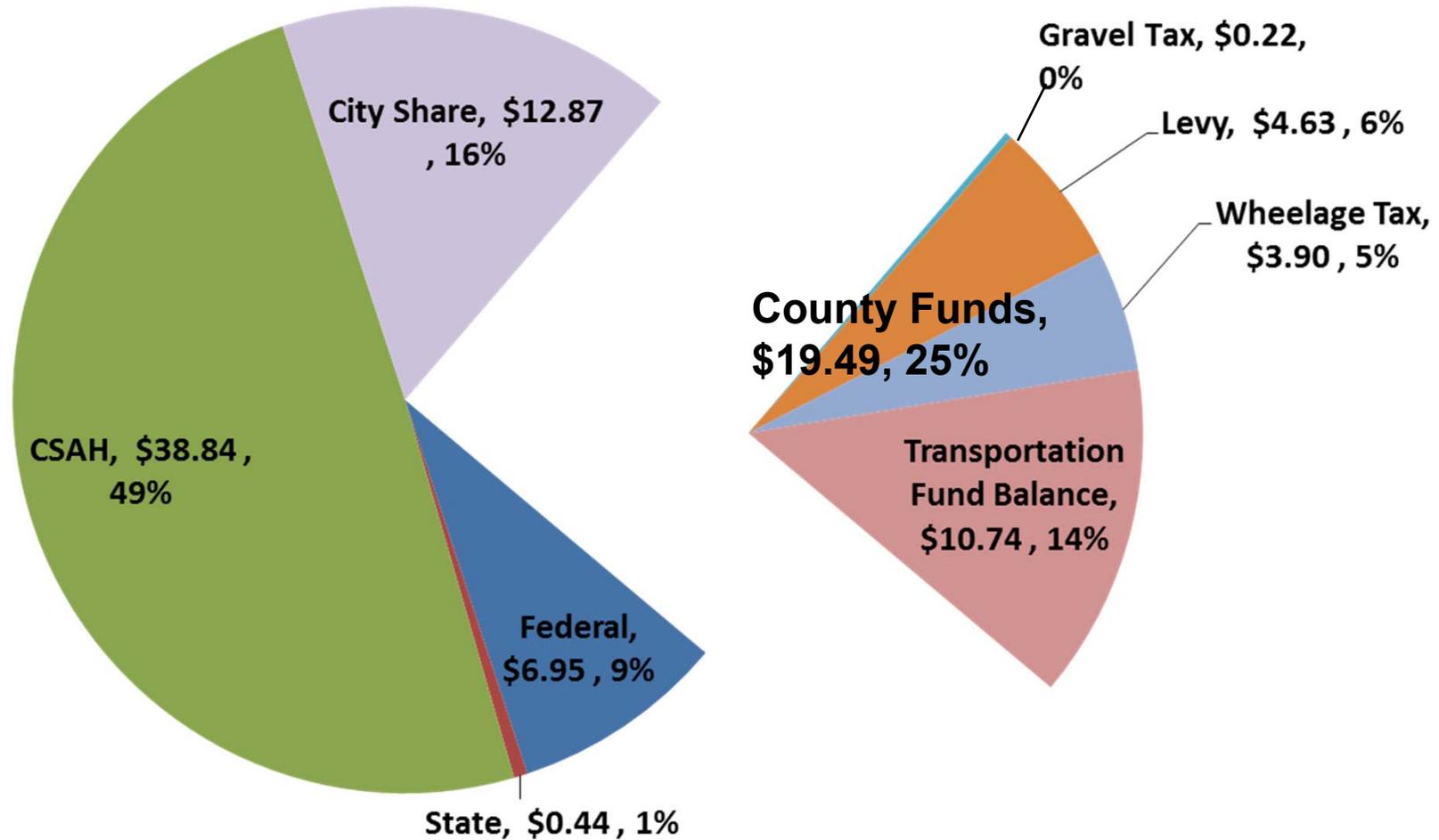
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\$262.2 million



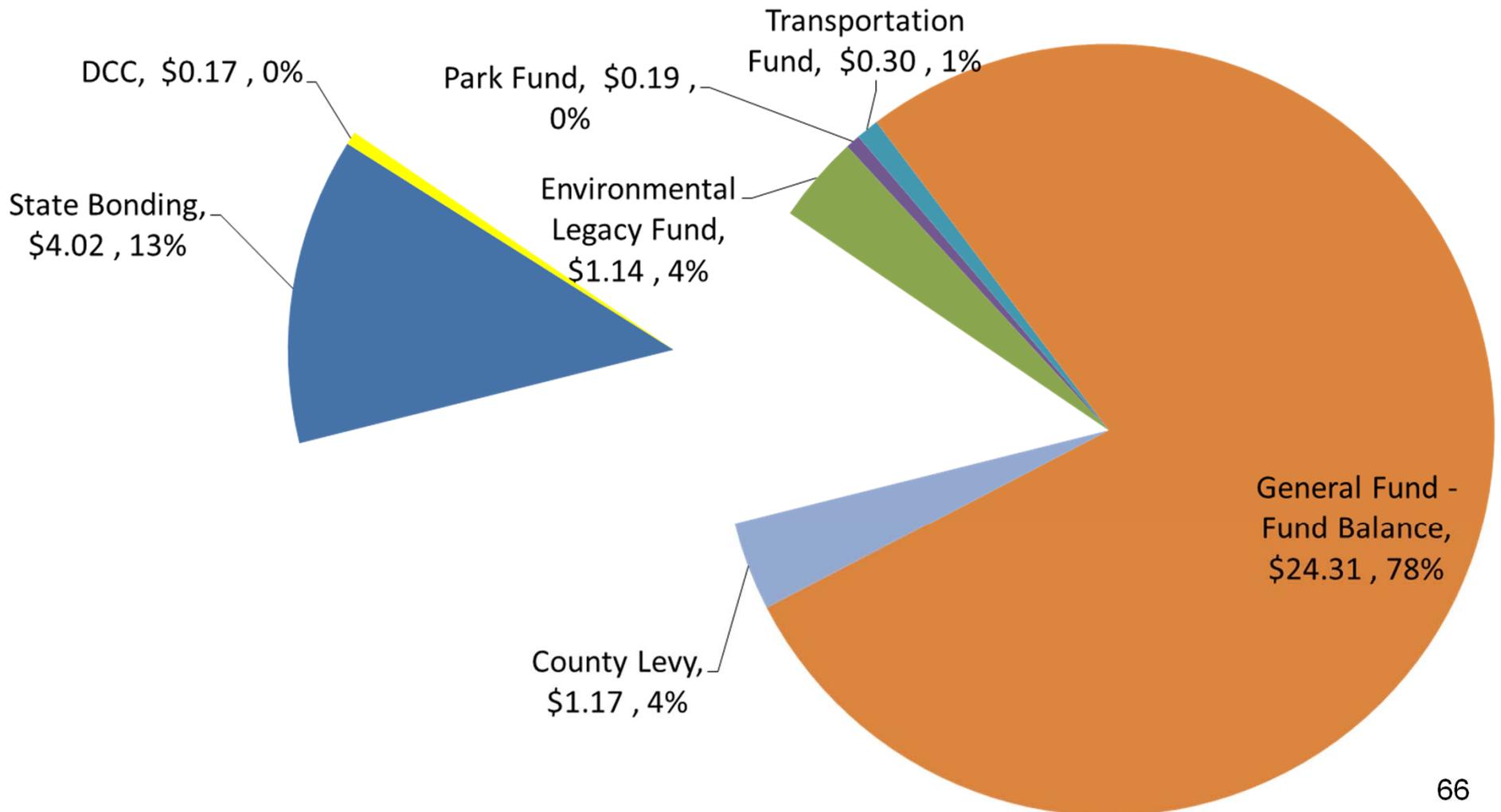
2019 Adopted Transportation CIP Funding Sources - \$78.59 Million

In Millions



2019 Adopted Buildings CIP Funding Sources - \$31.30 Million

In Millions

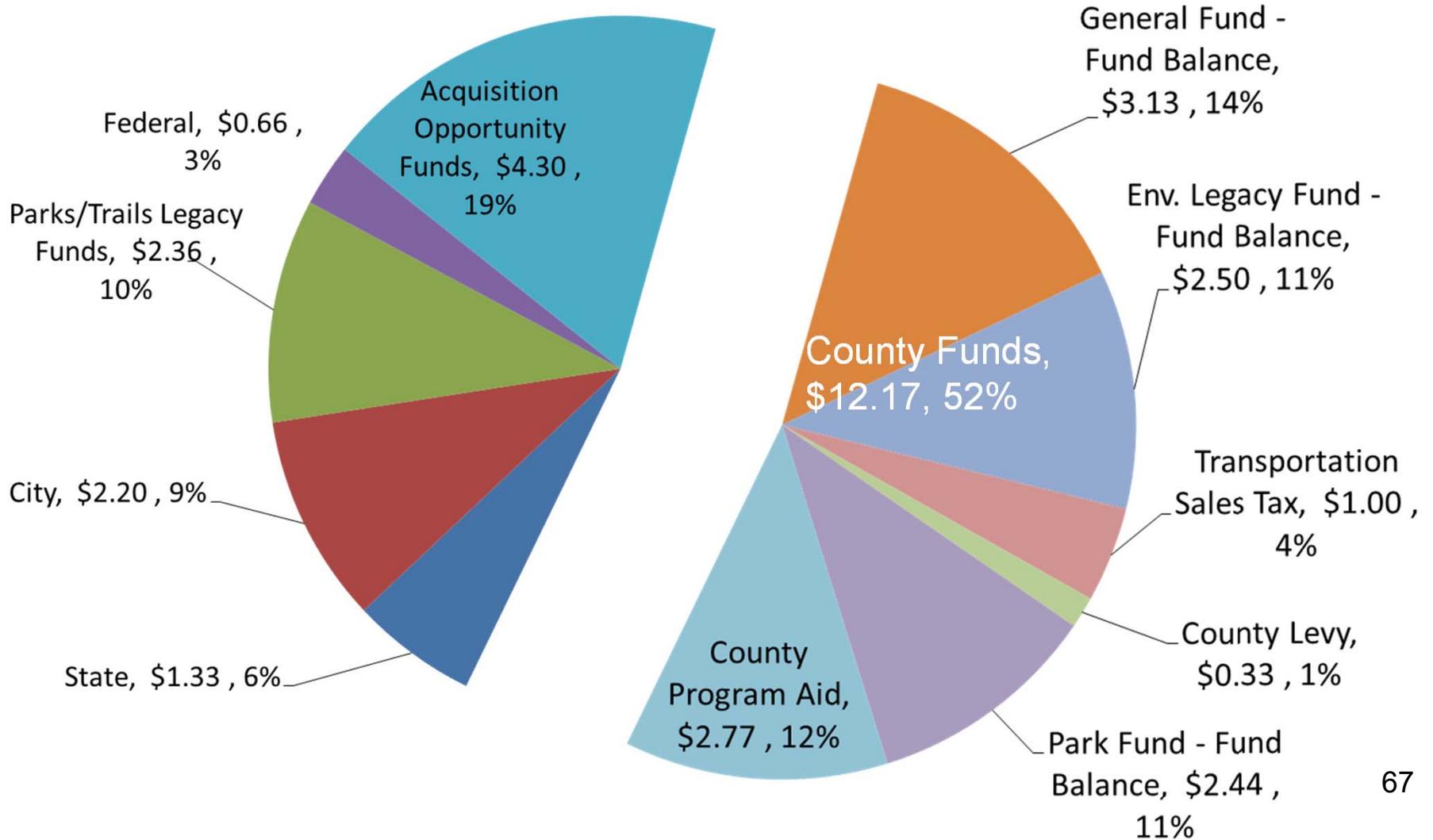


2019 Adopted Parks CIP Funding Sources - \$23.02 Million

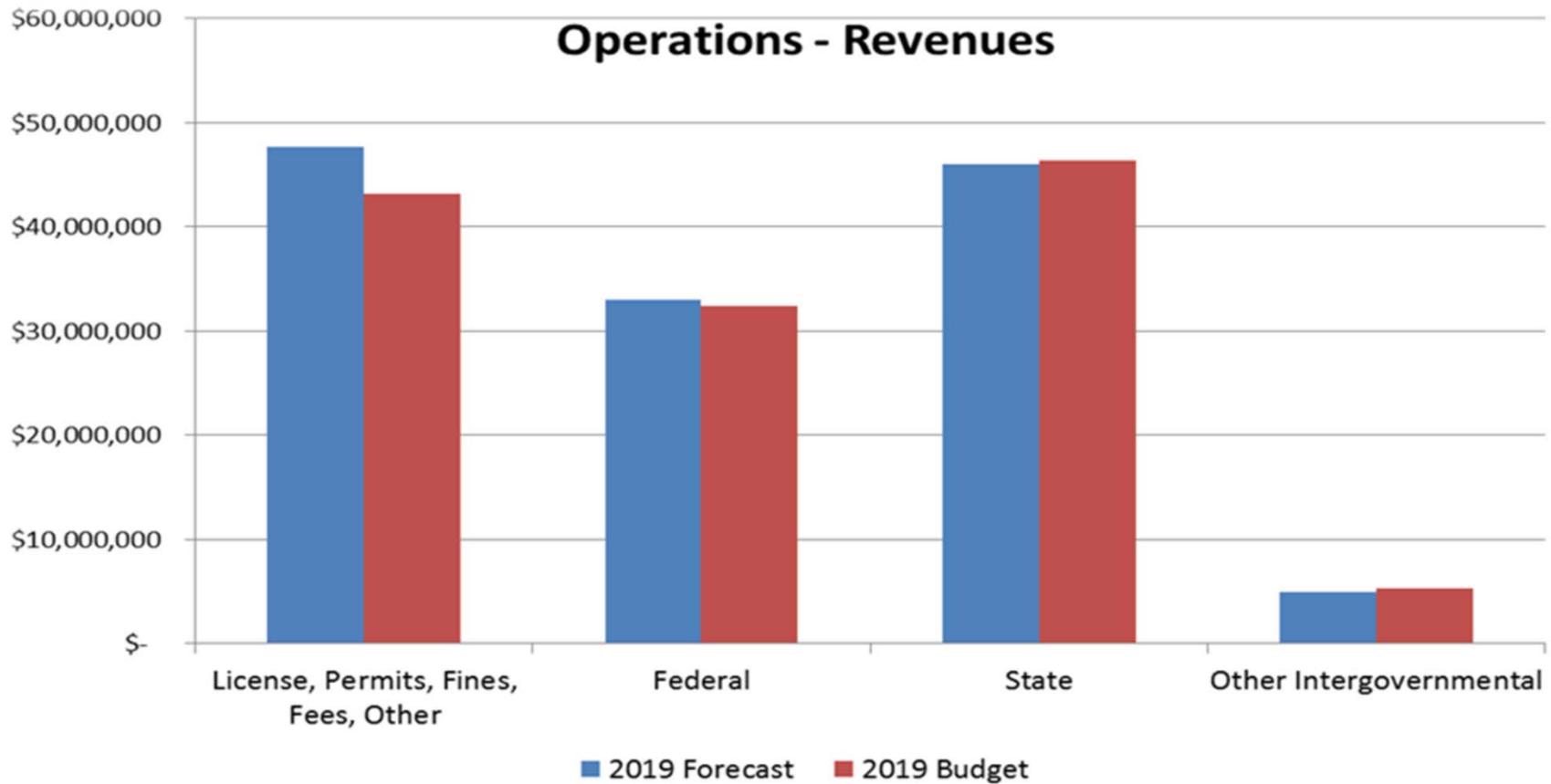


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In Millions



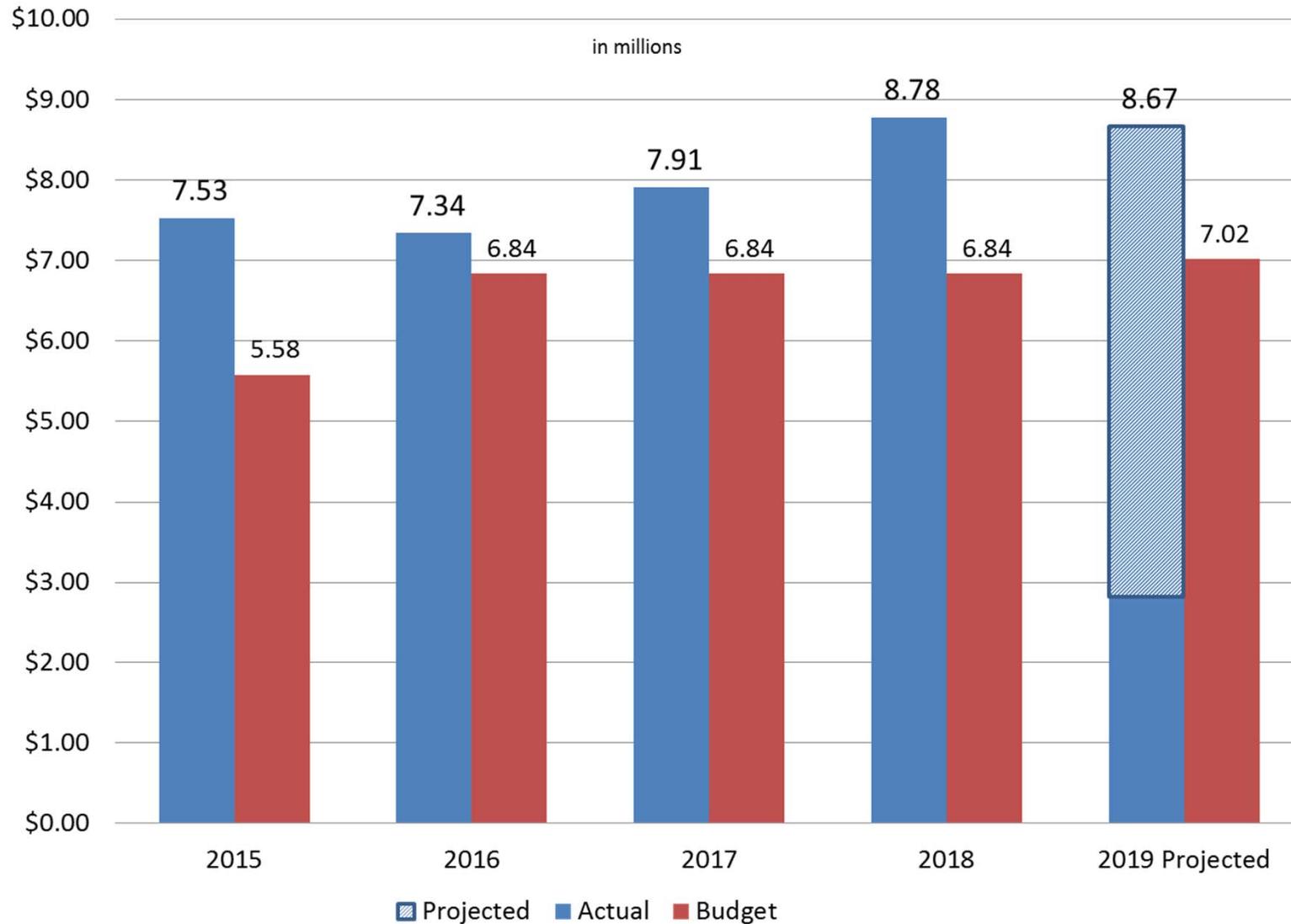
Current Year Operating Budget Projection



Host Fees Revenue



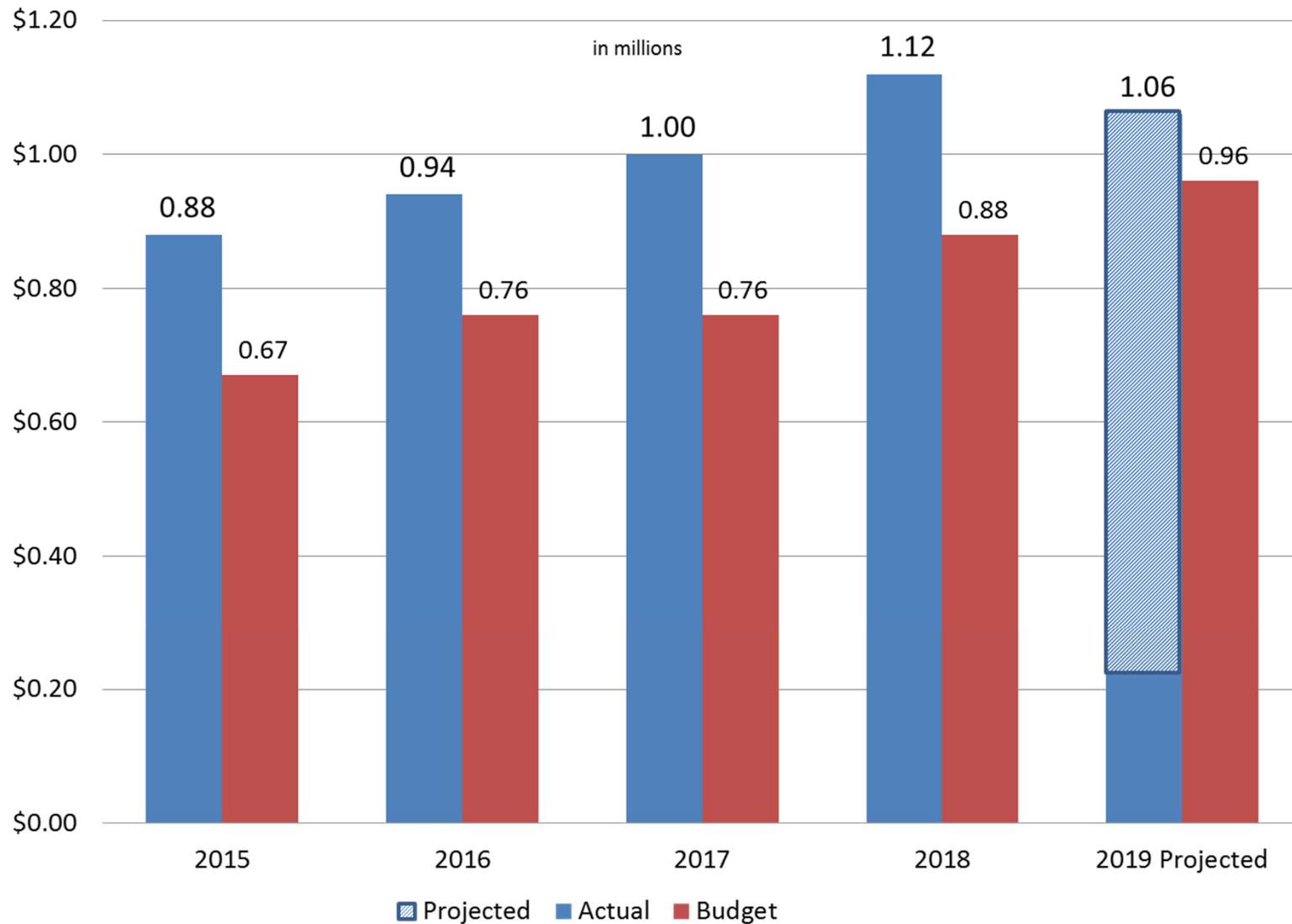
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Parks Fees Revenue



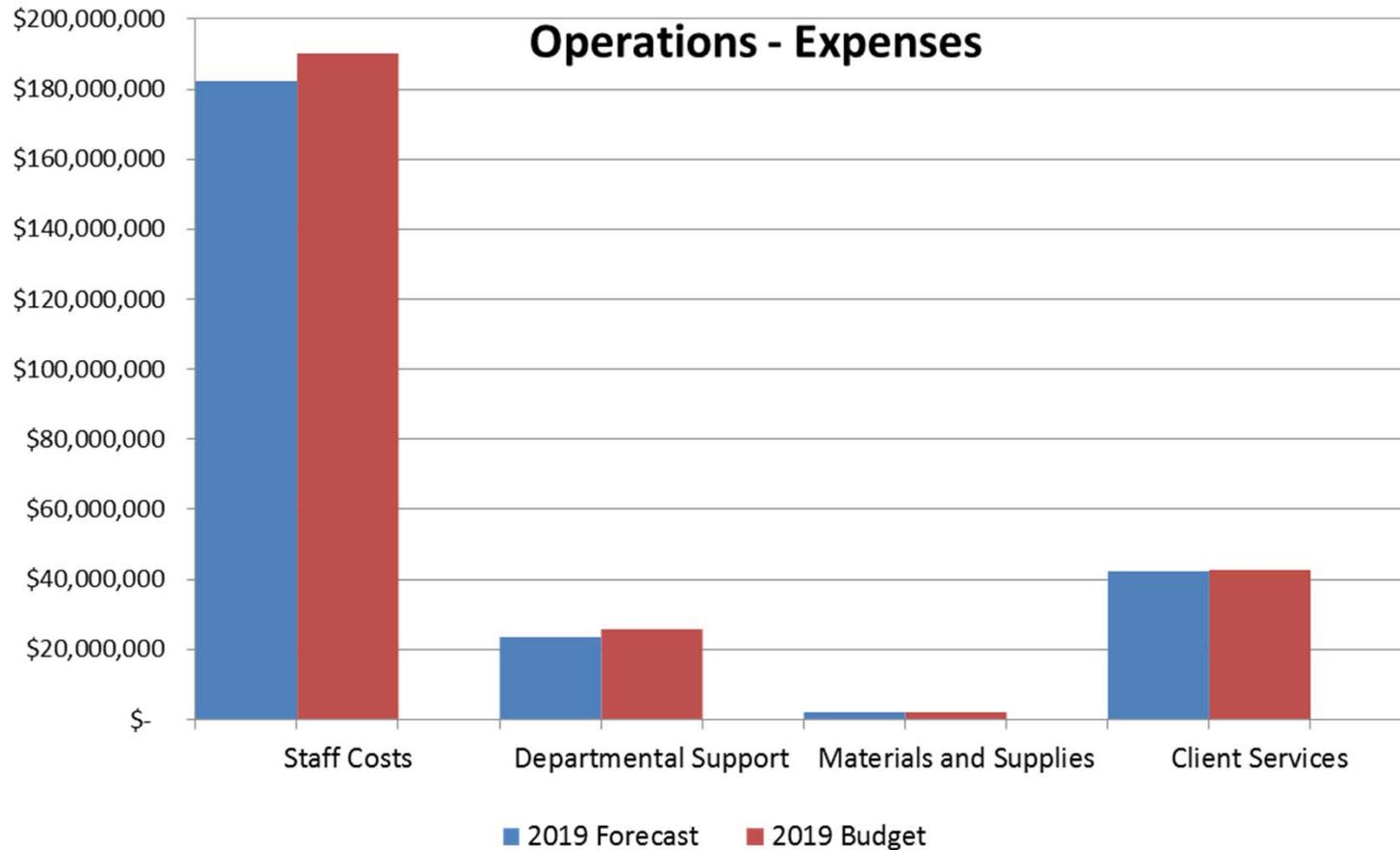
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Current Year Operating Budget Projection



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



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(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% | 6.0% |

*2021 New Non-Levy Revenues includes 15% increase in CPA

LMA Burn Rate: Current Level Only (No New Initiatives)



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In Millions

| | Levy Management Account | Adjusted % Levy Increase |
|--|--|-------------------------------------|
| | <u> </u> | <u> </u> |
| 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 | <u>\$1.82</u> | |

2020 Preliminary Budget Assumptions



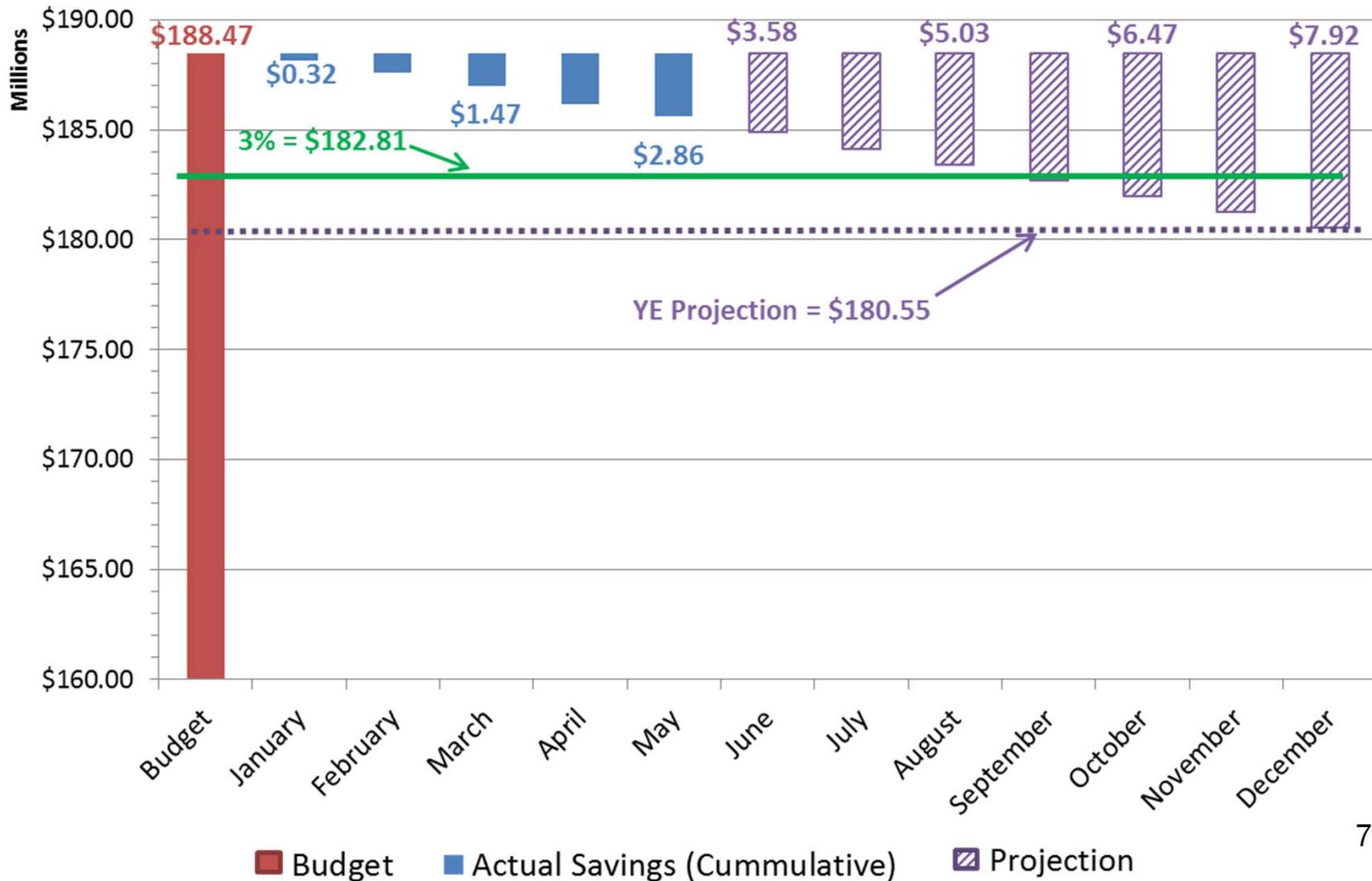
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| | |
|---|-------------------------|
| <i>2019 Levy</i> | <i>\$140.61 million</i> |
| Change: | |
| Salaries/Benefits | \$7.80 M |
| Other Costs – 2.0% | |
| Client/County Support | \$800K |
| Materials/Supplies | \$79K |
| Travel/Training | \$40K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

2019 Salary Savings (Actuals & Projections)



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Turnover: 2009-2018



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