



Dakota County, Minnesota

2022 Budget in Brief



A premier county in which to live and work.





Dakota County Administration
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MEMORANDUM

DATE: November 2, 2021
TO: Dakota County Board of Commissioners
FROM: Matt Smith, County Manager
SUBJECT: **2022 Recommended Budget**

Commissioners,

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.

After a year and a half of dealing with the public health, service, and fiscal impacts and uncertainties of the COVID-19 pandemic, the outlook has clarified and stabilized for 2022. Local non-levy revenues have largely recovered, the State budget outlook has improved considerably from this time last year, there are significant new Federal resources available for use over the next several years (although not permanently), and labor agreements have been reached for 2021-22 that give predictability to the County's largest operational cost. In addition, changed business practices resulting from the pandemic experience affect costs for activities such as office configuration, business travel and printing, and technology. On balance, these adjustments are favorable to the County's budget.

With the economy recovering (albeit still unevenly) as the pandemic persists, some new issues have emerged. These include a shrinking labor market and more difficulty in keeping budgeted staff positions filled, rapidly escalating costs and supply disruptions for some materials that affect capital construction projects, and increasing focus on recognizing and serving mental health needs among the community, in particular at the nexus with public safety.

Earlier this year, the Board set the maximum property tax levy (the total amount of property taxes the County will bill to help pay for the budget) for 2022 at \$144.7 million, unchanged from the level in 2020 and 2021. This becomes the starting point for the 2022 budget recommendation.

The 2022 recommended budget reflects the current fiscal and economic environment and outlook and service demands and opportunities. Highlights of the budget include:

- Budgeted operating costs decrease 3.7% overall, largely due to removing one-time items that had been added in 2021 for technology and pandemic contingency.
- Budgeted personnel costs in the recommended budget are increasing 3.2% overall. This reflects the combined impacts of:
 - Wage and benefit-cost adjustments for 1,958.44 FTE continuing positions carried over from the 2021 budget. 3.0 positions from 2021 have been eliminated. Others have been reconfigured to reflect changing opportunities while still maintaining service levels.
 - Continuing funding into 2022 for 3.5 positions that were funded in 2021 and prior years and which need to be retained in 2022 to meet continuing demands. These positions are primarily in public safety and mostly funded with non-County resources.
 - Adding 7.5 positions to the budget to bring 'in-house' some services that were formerly provided under contract by non-County providers. These changes are cost-neutral to the County and are in the areas of housing support and facility maintenance.
 - Adding 24.0 positions to reflect growing caseloads in human services, maintain newly added building and greenway infrastructure, and support new policy initiatives for mental health response and follow-up in partnership with public safety.

The Capital Improvement Program (CIP) recommendation for 2022-26 is based on the principles of prioritizing safety improvements, finishing projects that are underway, and meeting commitments undertaken for the use of non-County funds. The recommended capital budget for 2022 totals \$152.1 million and includes maintenance, renovation, and new construction on county buildings, parks and greenways, highways, environmental and natural resource improvement, and investments in the County's internal data networks. Overall, just 4% of the annual tax levy supports CIP investments; the remainder is financed from internal savings and non-County funds. As in the past several years, the recommended CIP for 2022-2026 does not anticipate the issuance of any debt by the County.

An added element to the 2022 budget considerations is the availability of Federal funding that has been granted to the County through the American Rescue Plan (ARP) Act. These funds may be utilized for a fairly broad set of purposes and are available to spend through 2026. The largest grant (Fiscal Recovery Funds, or FRF) has approximately \$62 million remaining unallocated (after accounting for future annualized costs of programs already funded for 2021-22). This recommended budget contains no additional use of FRF resources beyond those already approved by the Board. However, several of the items recommended in this budget could instead be funded with FRF if the Board so chooses. They are identified in the budget documents, and staff will seek Board direction on the funding source for these items.

With no increase in the property tax levy for next year, Dakota County taxpayers will continue to enjoy the lowest property tax rate of any Metro county (and 5% lower than in 2021) and will likely again pay the least per-capita tax of any county statewide. Cost increases in the 2022 budget are covered primarily by internal reallocations of existing County levy and other resources, higher staff vacancy and turnover rates that reduce actual payroll cost growth, and some cost savings due to changed 'new normal' business practices.

Looking beyond the current year, the County remains well-positioned to maintain a sound long-term financial outlook. The 2022 recommended budget is structurally balanced and reflects the longstanding fiscal management principles and policies that have helped Dakota County sustain AAA/Aaa credit ratings. It maintains reserves and some flexible funding streams that can be utilized in future years to help stabilize services and tax rates, and the County retains ability to increase revenue streams in future years as necessary. All of these will be important if future cost pressures increase at a faster rate than they have in recent years, as is now beginning to appear more likely.

I believe this budget reflects the priorities of the Board to meet the current and future needs of our growing county, minimizes the burden on taxpayers, and begins to reflect both the opportunities and challenges of the emerging post-pandemic environment. I thank the Board for your engagement and direction throughout the budget development process and the many staff across the organization who have worked hard to prepare and present these materials--all in another unusual year.



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

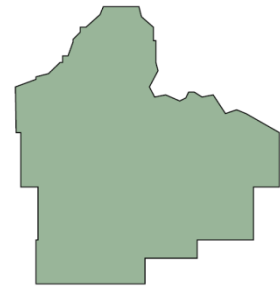
Realistic budget plans and effective management

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



2022 Recommended Budget

DAKOTA COUNTY, MINNESOTA
FOR THE FISCAL YEAR
BEGINNING JANUARY 1, 2022



This document is a brief overview of the 2022 Recommended 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 DistrictMike Slavik
- 2nd District Kathleen A. Gaylord
- 3rd District..... Laurie Halverson
- 4th District.....Joe Atkins
- 5th District.....Liz Workman
- 6th District.....Mary Liz Holberg
- 7th District..... Mary Hamann-Roland





A comprehensive overview of the Dakota County 2022
Recommended Budget is available by contacting:

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

www.co.dakota.mn.us

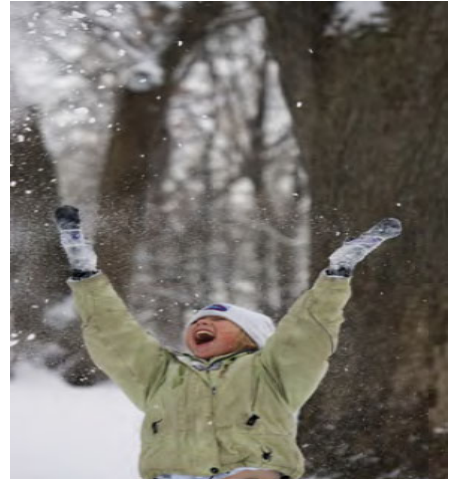
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2022 RECOMMENDED BUDGET HIGHLIGHTS

- 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
- Address rising caseloads in mandated services
- Longer term investments in Parks, Natural Resources, Libraries and maintenance facilities
- No growth in property tax levy



Funds operating cost pressures through internal reallocations and savings and a 0% levy increase

- Using Fund Balance for one-time capital and operating items
- 35.0 Full-Time Equivalent (FTE) employees added for 2022. These are funded by State & Federal revenues, charges for services, and reallocation of County resources
- Since 2018, workforce increased by net 106.15 FTEs
- Total operating expenses are budgeted at \$34.0 million above 2018
- Median-priced home with value increasing 5.8% will see about \$7 increase in County taxes
- Recommended 2022 levy (\$144,613,647) is the same as 2021
- The recommended 2022 Dakota County levy will have a combined levy increase of 0% from 2021

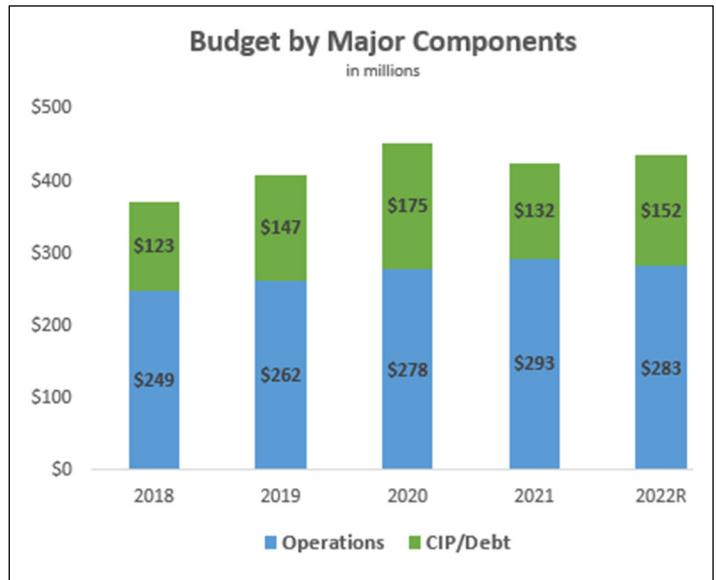
Sound long-term financial plan supports future budget and service stability

- **2022 recommended budget will remain structurally balanced**
 - Known cost increases offset with spending savings and reallocation of existing levy
 - 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
 - Future projected rate of levy-funded spending growth remains low to moderate
 - Preserve vacancy savings and Levy Management Account for future flexibility

INTRODUCTION

The 2022 Recommended Dakota County Budget, budgets Operations and CIP/Debt expenditures totaling \$434.7 million, an increase of 2.1% from the 2021 Adopted Budget.

Under the Recommended Budget, the operating budget totals \$282.6 million, a decrease of \$10.9 million or -3.7% less than the previous year. Additionally, the Recommended Budget contains the 2022 Capital Improvement Program (CIP) of



\$152.1 million, an increase of \$19.8 million, or 15.0% more than the 2021 CIP. Both of these budgets are supported by a recommended property tax levy of \$144.6 million, which is unchanged for the 2021 Adopted Budget. The 2022 Recommended Budget relies upon the internal reallocation of resources and other savings along with external revenues to cover the County’s cost growth in excess of the recommended property tax levy.

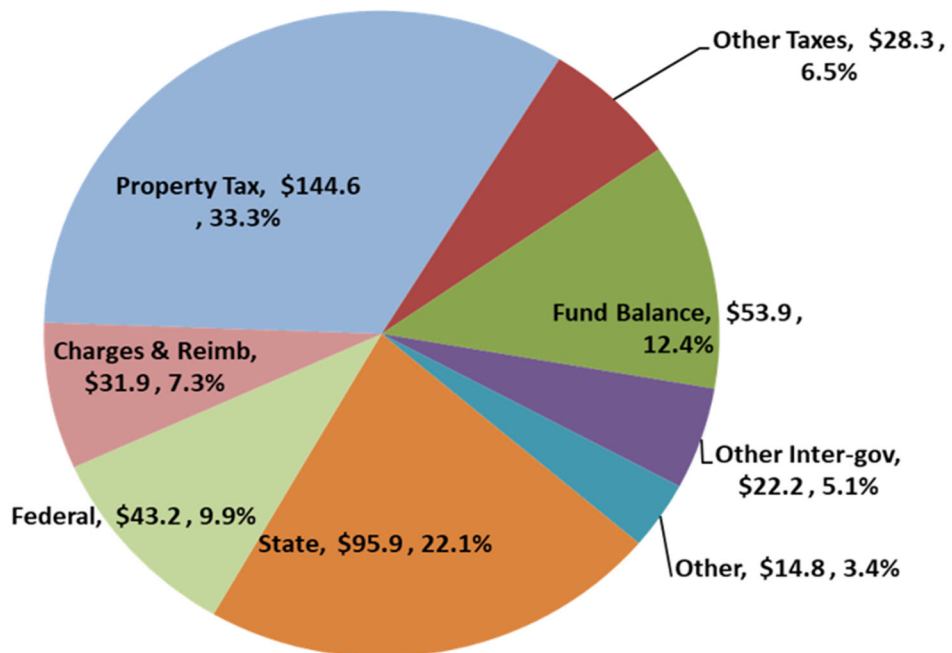


TOTAL REVENUE

For the 2022 Recommended Budget, total revenue increased by 2.1% to \$434.7 million. Operating revenues decreased from the previous year’s budget from \$293.5 million to \$282.6 million, a decrease of 3.7%. The majority of decrease in operating revenues is the elimination of one-time use of fund balance for one-time expense. Revenues supporting the CIP increased in 2022 by 15.0% to \$152.1 million. The majority of the revenue increases in the CIP is non-levy revenue to cover increases capital project expenditures. 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.

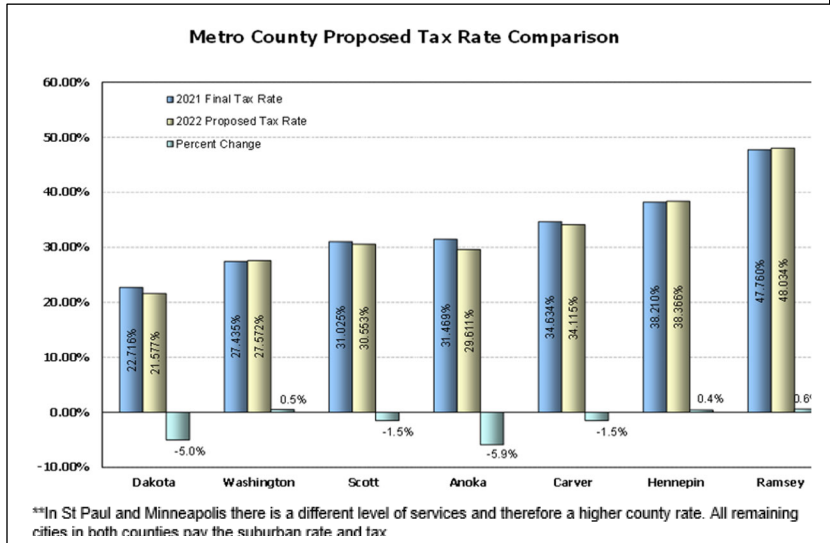
2022 Recommended Budget for Operations and CIP by Funding Source

\$434.7 million



Dakota County currently maintains the lowest property tax rate among the metropolitan counties. The 2022 Recommended Budget is expected to 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

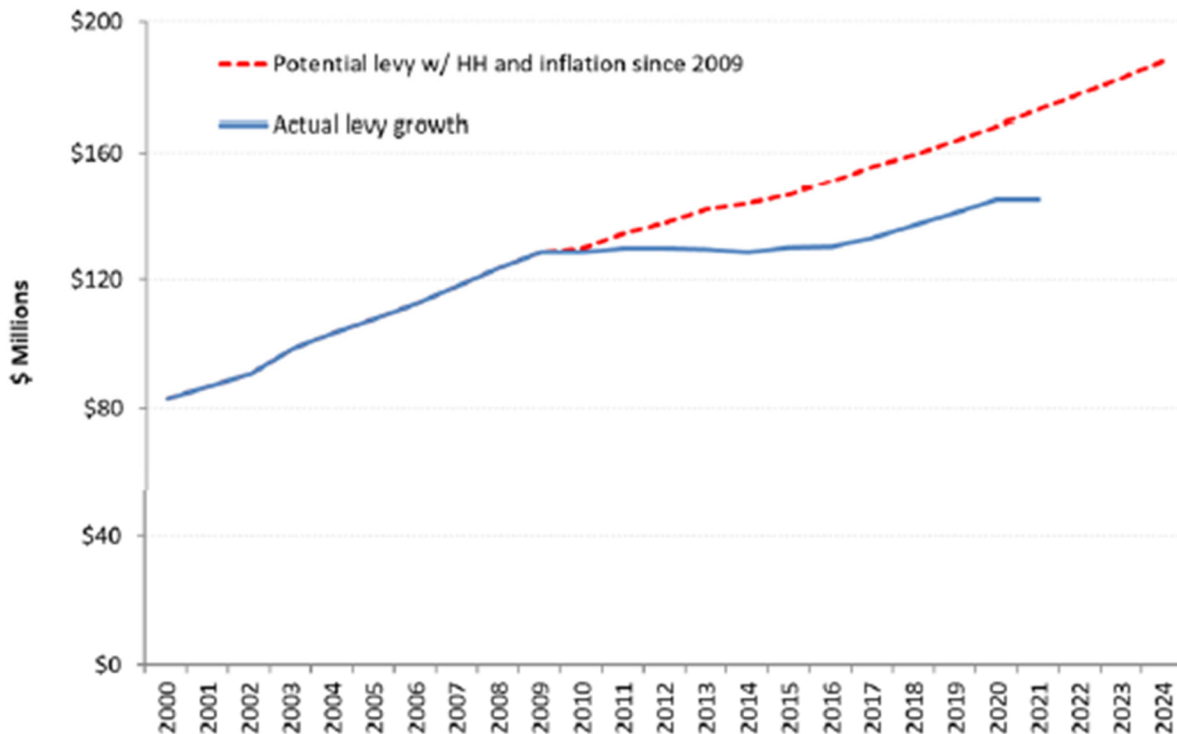


below, the County property tax increases remain below the potential levy growth when factoring in household growth in the County and inflation.

The County’s recommended property tax levy (Levy) will not increase for Fiscal Year (FY) 2022. Currently, the Levy funds 33.3% of both County Operations and CIP. Under the 2022 Recommended 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 \$31.8 million in FY2021 to \$31.9 million for FY2022 or an increase of 0.3%.

Other Revenues

Other Revenues include interest on investments, other taxes, and penalties; excluding the current property tax levy, as well as other miscellaneous financing sources. For FY2022, these revenues increased by \$1.1 million or 8.2%. This increase results from increased budgeted use of gravel taxes in the Transportation CIP.

Federal Revenues

Federal Revenues are anticipated to decrease in FY2022 by -6.2% or \$2.9 million. The majority of this decrease is based on Capital projects eligible for federal reimbursement.

State Revenues

State Revenues are anticipated to increase in FY2022 by 1.6% or \$1.5 million. Increase based on additional state grants in the Community Services division.



Other Intergovernmental Revenues

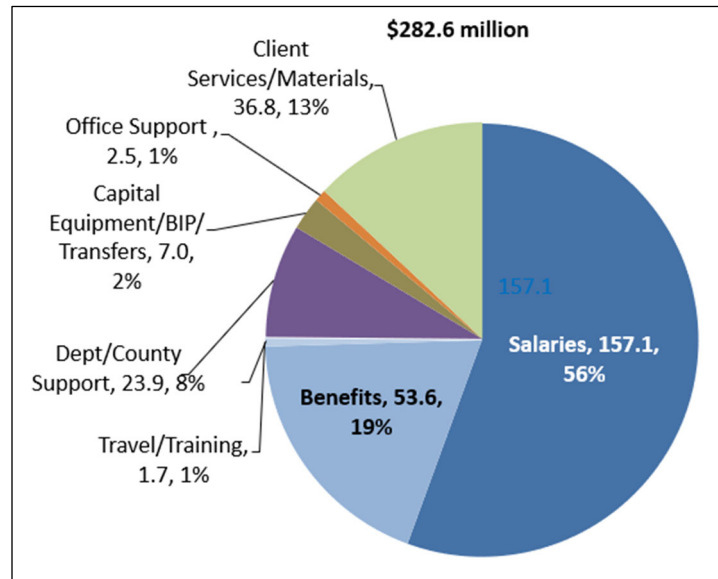
Other Intergovernmental Revenues include those revenues received from other government agencies. This funding is expected to increase for FY2022 to \$22.2 million, an increase of 0.2%. The increase is in the Capital Improvement Program.

Fund Balance

Fund Balance supports \$53.9 million of the \$434.7 million Recommended Budget for 2022. The County only uses Fund Balance to support one-time expenditures, mainly in the Capital Improvement Program.

TOTAL

The 2022 Recommended Budget of \$434.7 million increases total expenditures by \$8.9 million, or 2.1% more than the previous year's budget. This is due largely to increases in the Capital Improvement Program (CIP) of \$19.8 million offset by reductions of one-time expenditures in operations. The following sections are an overview of budgeted expenditures for FY2022 by account group.

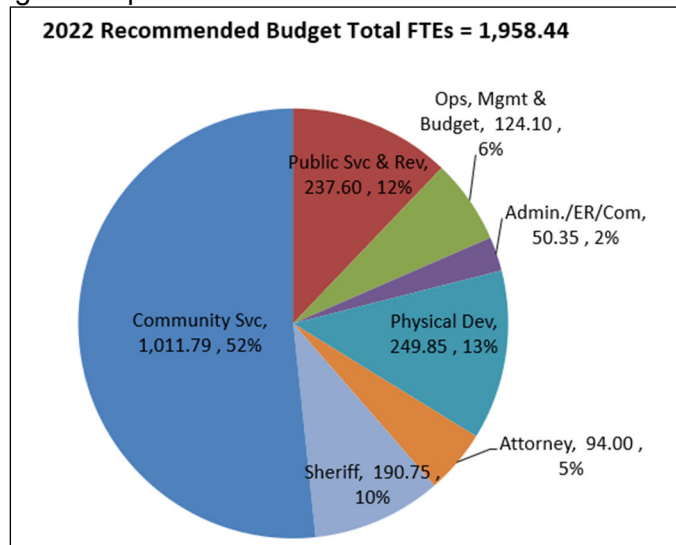


Salaries/Benefits

Salaries and Benefits 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 FY2022 are estimated at \$210.7 million or approximately 75% of the total budgeted expenditures.

Full Time Equivalents (FTEs)

The 2022 Recommended Budget increased Full-Time Equivalents (FTEs) from 1,923.44 in FY2021 to 1,958.44 in FY2022, or an increase of 1.8%.





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 FY2022, the Recommended Budget increased from \$23.4 million to \$23.9 million, an increase of \$0.5 million or 2.0%. Increases mainly the result of increased contract costs for software maintenance, postage, and interpreter contracts.

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 FY2022 is \$2.5 million, a decrease of 6.7%. The change in the office support budget is the result of across the County reductions in budgets due to increased remote work, which lead to decreased use of office supplies and printing.

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 FY2021 is \$1.7 million, a decrease of 17.2%. Decreases in this category result from low mileage claims due to increased remote work and more virtual conferences.

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 FY2022, the Citizen/Client Services and Materials budget is recommended at \$50.8 million, a decrease of \$10.6 million. The decrease is the result of the elimination of a couple large one-time expenses (pandemic response set-aside and budget for new Medical Examiner facility) as well as the reduction of contracts to fund staff because services will now be performed in house.



Capital Expenditures

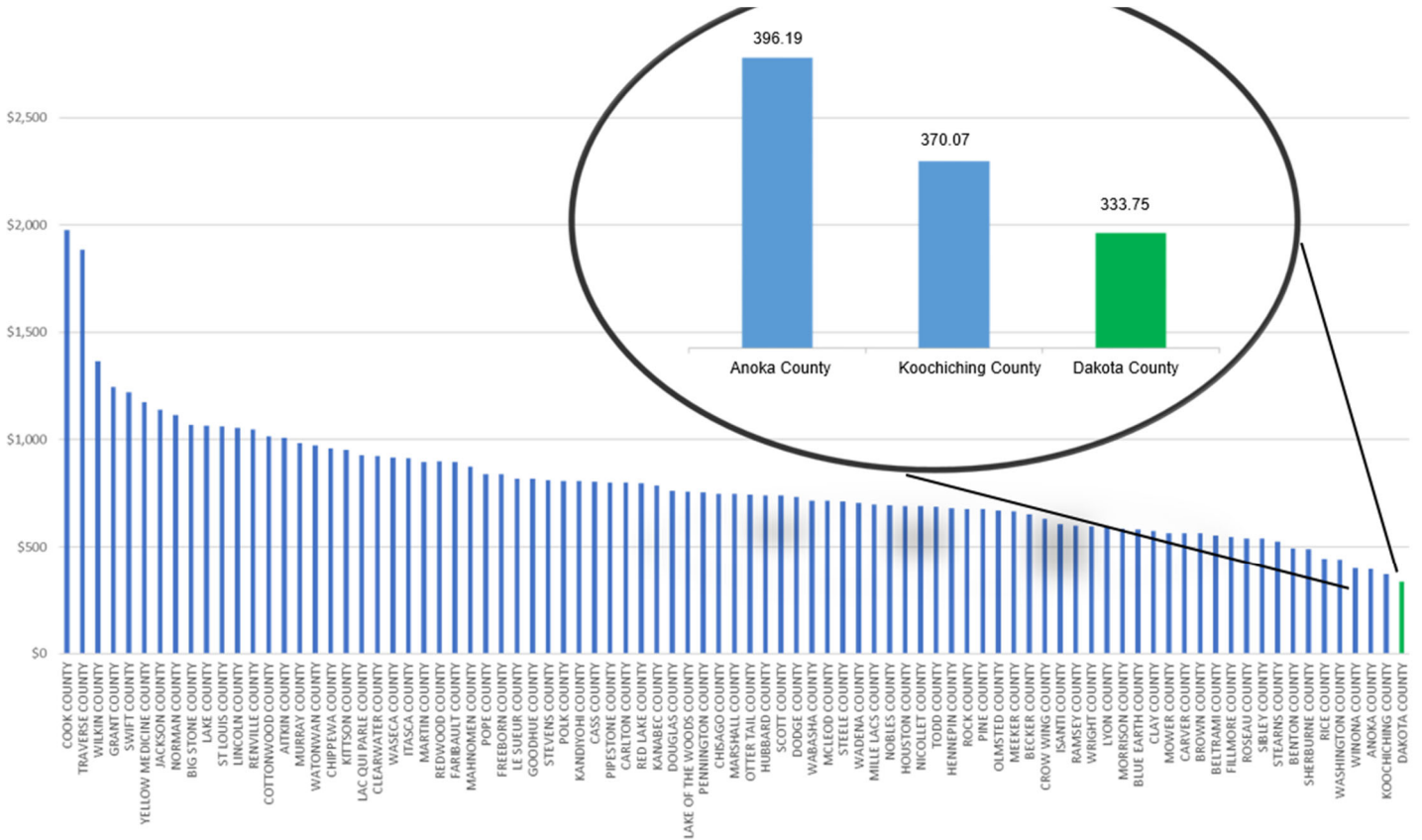
The budget for this account category includes all Capital Improvement Program (CIP) expenses. Total capital spending will increase from \$132.3 million in FY2021 to \$152.1 million in FY2022, a \$19.8 million or 15.0% increase.

Budget Incentive Program

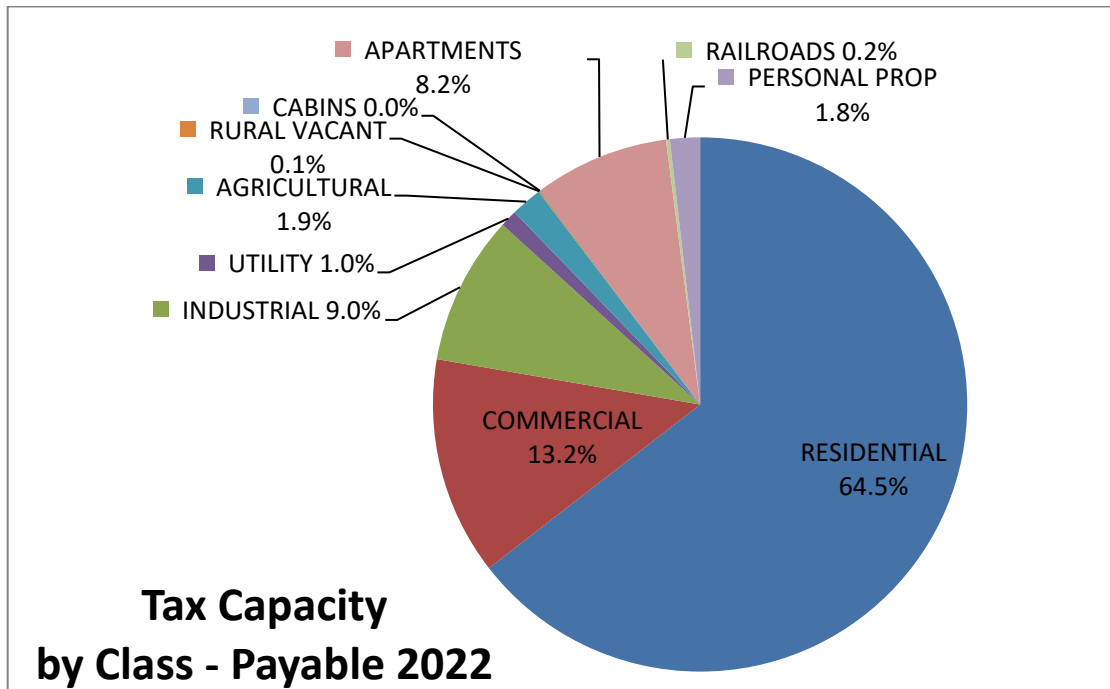
Budget Incentive Program (BIP) expenditures are recorded across all account categories; however, for budgeting purposes, BIP is budgeted in one capital expenditure account. Departments are not required to indicate in the budget how they plan to spend BIP funds, although they are requested to formulate a “BIP Spending Plan” for internal review. The Recommended amount of BIP is budgeted at \$1.1 million for FY2022.

APPENDIX

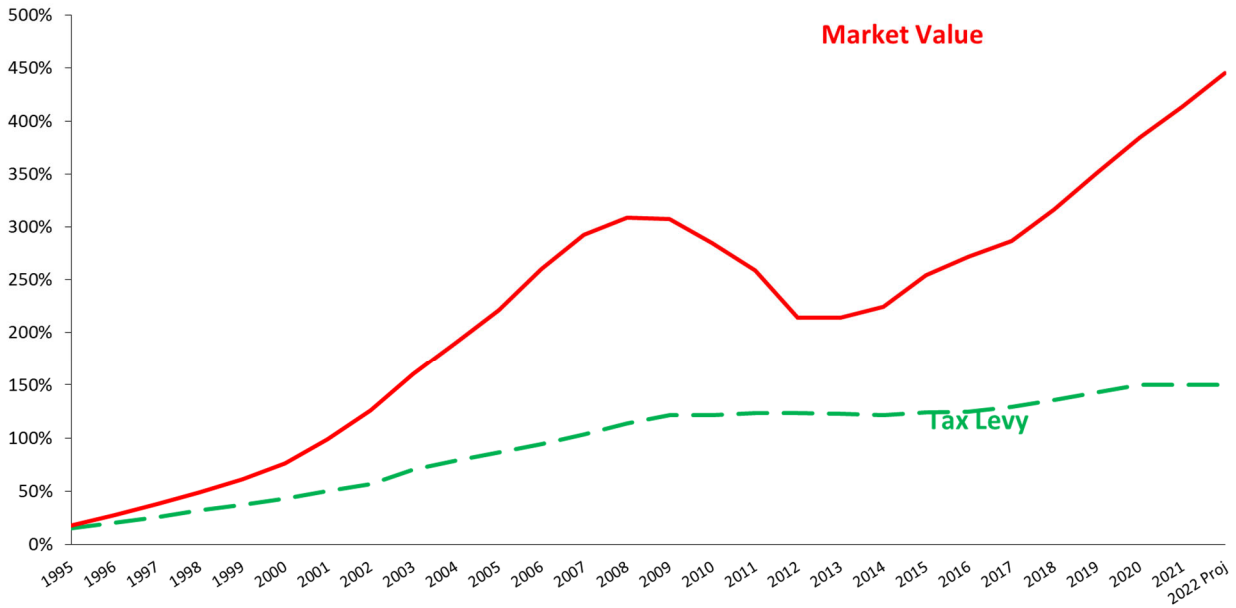
Item 1: Total Property Tax Levy per Household, Taxes Pay 2021



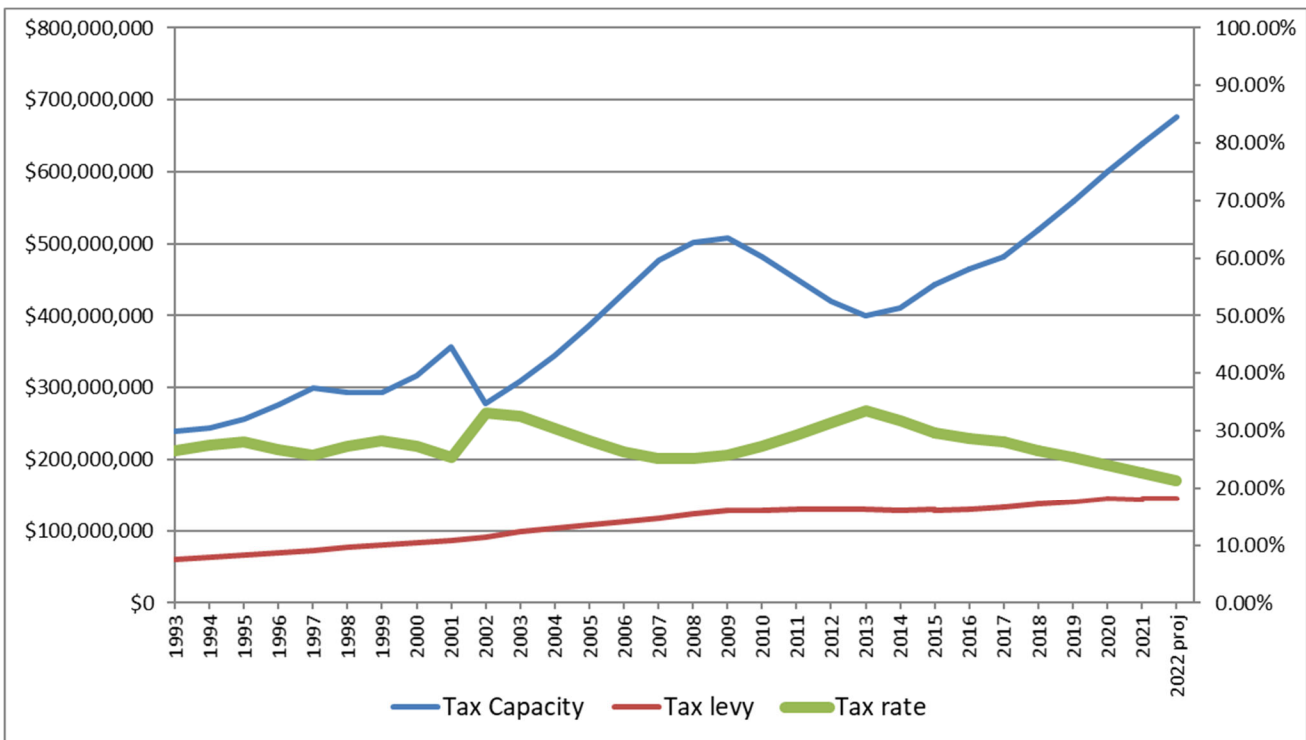
Item 2: County Tax Capacity by Class, Payable 2022



Item 3: Dakota County Property Tax Levy vs. Market Value

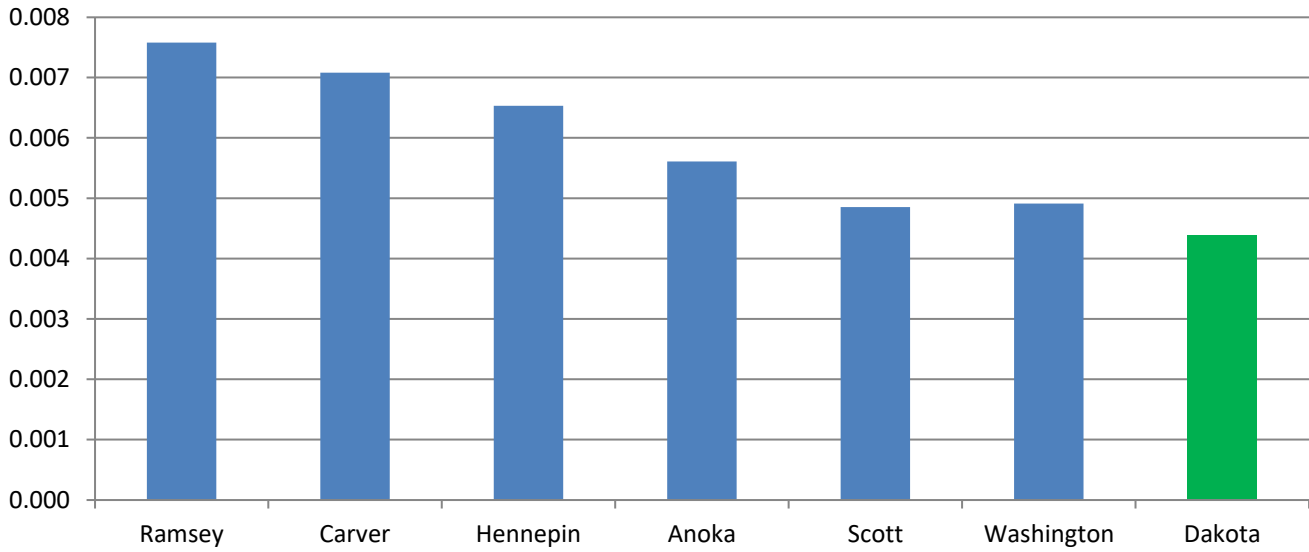


Item 4: Tax Base, Levy, and Rate Trends

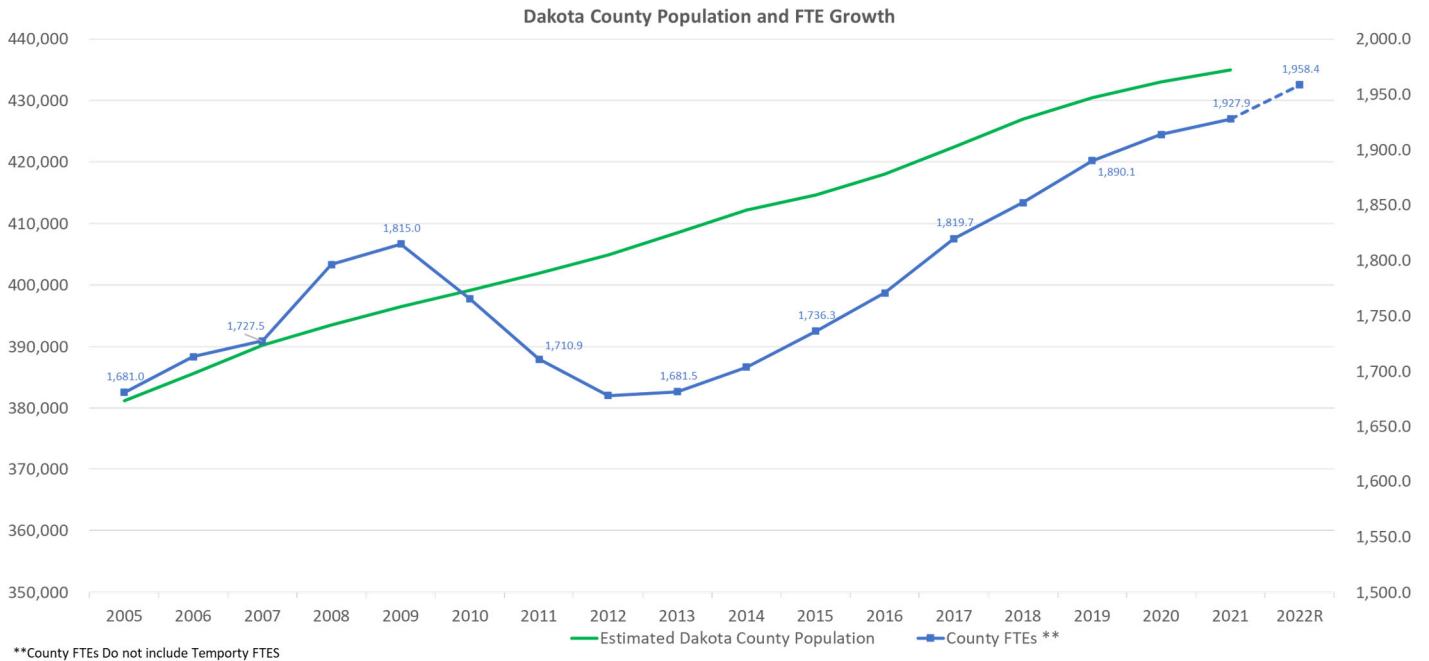


Item 5: Full Time Equivalent Employees/Capita, 2021

2021 Full Time Equivalent Employees/Capita

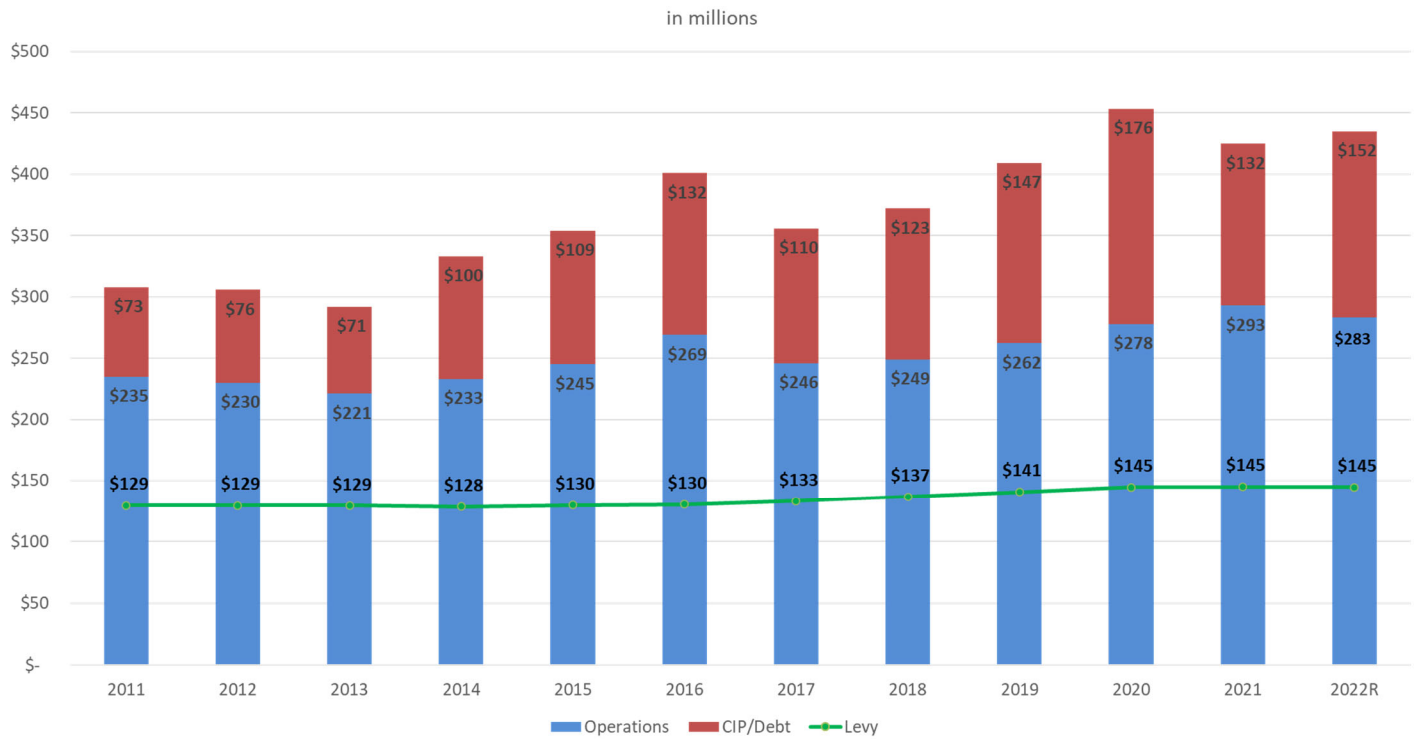


Item 6: Dakota County Population and FTE Growth



**County FTEs Do not include Temporty FTES

Item 7: CIP vs Operational Budget

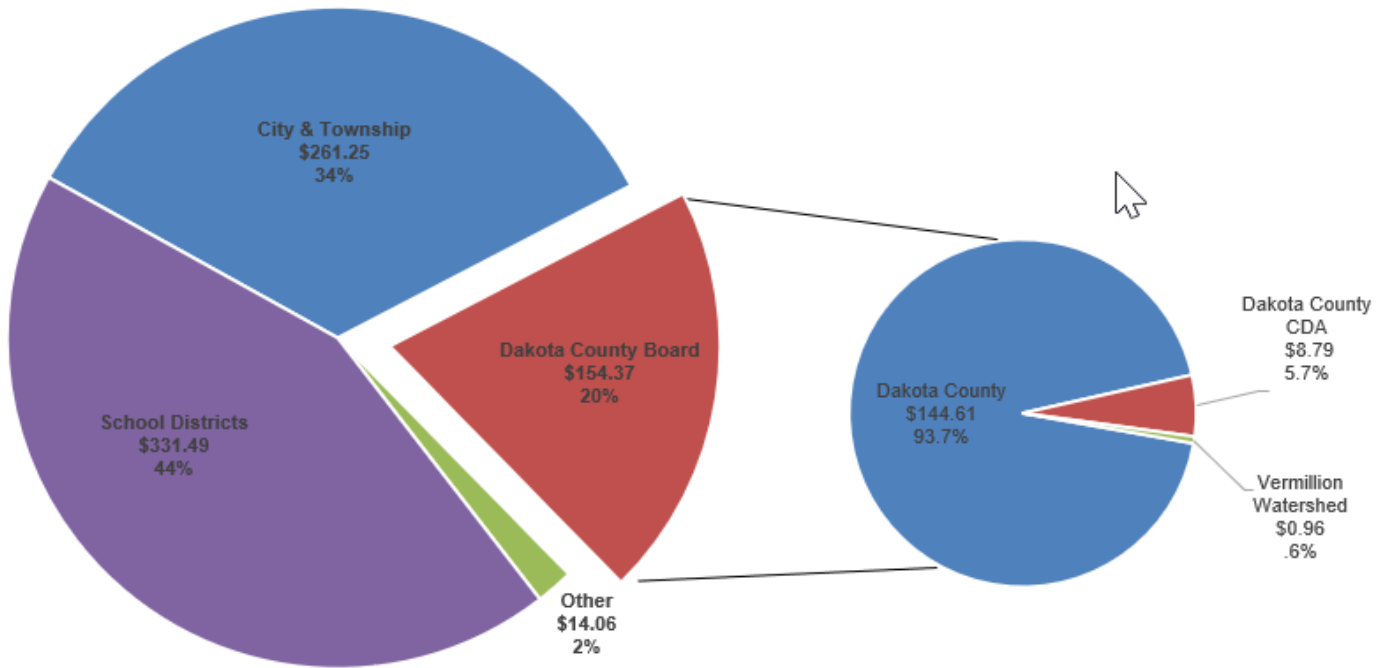


Item 8: Operating Budget by Account Group, Recommended 2022

	2021 Adopted	2022 Recommended Budget	% Change PY
Expenditures			
SALARIES	153,022,199	157,053,040	2.6%
BENEFITS	51,144,146	53,597,382	4.8%
DEPT/COUNTY SUPPORT	23,437,525	23,900,046	2.0%
TRAVEL/TRAINING	2,060,809	1,705,985	-17.2%
OFFICE SUPPORT	2,645,779	2,467,192	-6.7%
MATERIALS/SUPPLIES	2,405,919	2,649,964	10.1%
CITIZEN/CLIENT RELATED SERVICE	56,575,175	48,199,017	-14.8%
INTERDEPARTMENTAL	-10,229,337	-14,006,221	36.9%
CAPITAL, DEBT, OTHER FINANCING	12,444,159	7,009,748	-43.7%
TRANSFERS TO OTHER COUNTY FUN	0	0	0.0%
Total Expenditures	293,506,374	282,576,153	-3.7%
Funding Sources			
OTHER TAXES	2,012,250	2,012,250	0.0%
CHARGES FOR SERVICES	30,407,176	30,389,552	-0.1%
OTHER REVENUES	13,429,271	13,548,430	0.9%
FINES AND FORFEITURES	30,000	30,000	0.0%
LICENSES & PERMITS	1,402,826	1,436,430	2.4%
FEDERAL REVENUE	34,278,967	36,900,283	7.6%
STATE REVENUE	51,804,165	53,693,755	3.6%
OTHER INTERGOVERNMENTAL REV	5,468,294	4,760,998	-12.9%
OTHER FINANCING SOURCES	16,252,917	1,383,947	-91.5%
TRANSFERS FROM OTHER COUNTY F	0	0	0.0%
Total Non-Levy Funding Sources	155,085,866	144,155,645	-7.0%
PROPERTY TAXES	138,420,508	138,420,508	0.0%
Total Funding Sources	293,506,374	282,576,153	-3.7%

Item 9: Dakota County Property Taxes by Taxing Jurisdiction

Total 2021 Tax Levies Without State Property Tax: \$761.16
in Millions



*Dakota County Levy Portion Only