

# Dakota County, Minnesota

# 2023 Budget in Brief



A premier county in which to live and work.



## MEMORANDUM

**DATE:** November 14, 2022

**TO:** Dakota County Board of Commissioners

**FROM:** Matt Smith, County Manager

**SUBJECT:** **2023 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 expect to have: our employees, public funds, and other resources.

The 2023 recommended budget reflects the evolving conditions in the economy, the cost and availability of labor and materials, and the demands for service and support from among county programs serving our 442,000 residents.

Prices for a wide range of purchased good and services that are necessary to provide county services have been increasing significantly during 2022 and are expected to continue at least at these levels during 2023, if not rise further. A very competitive labor market, and particularly for the variety of specialized skills and roles we require, poses continual challenges to attract and retain staff at the county, as well as for many of the contract providers we rely on to help deliver our services to residents. This environment risks delay or gaps in critical services, particularly in mandated human service and public safety areas, if not addressed. At the same time, demands for county services in a number of areas are increasing and becoming more acute.

Rising costs and future uncertainty are concerns for the county's budget, and for county taxpayers as well. 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 2023 at \$147.4 million, up 1.9% (\$2.75 million) from the amount levied in 2022. This becomes the foundation for the 2023 budget recommendation.

**Matt Smith**  
County Manager





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## Longstanding Dakota County principles for financial management

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### 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
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# 2023 Adopted Budget

## DAKOTA COUNTY, MINNESOTA FOR THE FISCAL YEAR BEGINNING JANUARY 1, 2023



This document is a brief overview of the 2023 Adopted Budget for Dakota County, Minnesota. We hope this document will enhance your understanding of how the County is organized, the services it provides, and the funding sources used to provide those services. The County’s purpose is to deliver the highest quality of services as efficiently, effectively, and responsively as possible. Dakota County aims to be a premier county in which to live and work. Thank you for the opportunity to serve you and to make Dakota County the best it can be.

### Dakota County Board of Commissioners

- 1<sup>st</sup> District ..... Mike Slavik
- 2<sup>nd</sup> District ..... Joe Atkins
- 3<sup>rd</sup> District..... Laurie Halverson
- 4<sup>th</sup> District..... William Droste
- 5<sup>th</sup> District..... Liz Workman
- 6<sup>th</sup> District..... Mary Liz Holberg
- 7<sup>th</sup> District..... Mary Hamann-Roland





A comprehensive overview of the Dakota County 2023  
Adopted Budget is available by contacting:

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

[www.co.dakota.mn.us](http://www.co.dakota.mn.us)

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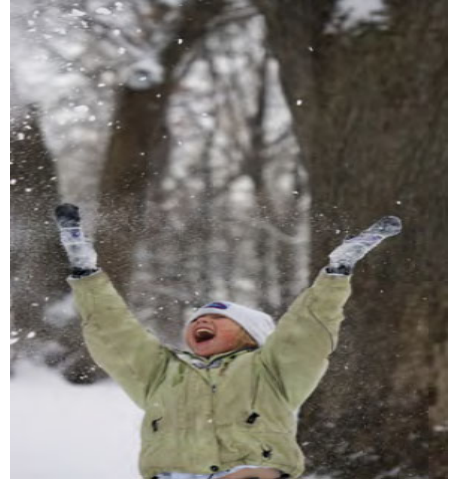
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## 2023 ADOPTED BUDGET HIGHLIGHTS

- Ensures we can continue to provide current services at high quality in the face of cost and demand pressures
- Financially disciplined for the long-term
- Respectful of County taxpayers
- Address rising caseloads in mandated services
- Longer term investments in Parks, Natural Resources, Libraries and maintenance facilities
- Minimal growth in property tax levy



### **Funds operating cost pressures through internal reallocations and savings and a 1.9% levy increase**

- Using Fund Balance for one-time capital and operating items
- 38.5 Full-Time Equivalent (FTE) employees added for 2023. These are funded by State & Federal revenues, charges for services, and reallocation of County resources
- Since 2018, workforce increased by net 119.61 FTEs
- Total operating expenses are budgeted at \$57.7 million above 2018
- Median-priced home with value increasing 17.0% will see about \$23 increase in County taxes
- Adopted 2023 levy (\$147,361,306) is a 1.9% increase from 2022.

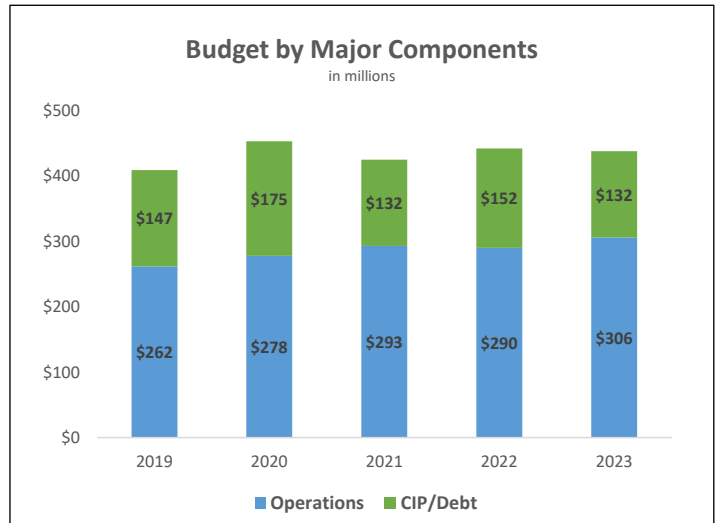
### **Sound long-term financial plan supports future budget and service stability**

- **2023 adopted 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 2023 Adopted Dakota County Budget, budgets Operations and CIP expenditures totaling \$438.0 million, a decrease of 0.8% from the 2022 Adopted Budget.

Under the Adopted Budget, the operating budget totals \$306.2 million, an increase of \$16.7 million or 5.8% more than the previous year. Additionally, the Adopted Budget contains the 2023 Capital Improvement Program (CIP) of \$131.8 million, a decrease



of \$20.4 million, or 14.3% less than the 2022 CIP. Both of these budgets are supported by an adopted property tax levy of \$147.4, which is a \$2.8 increase or 1.9% higher than the 2022 Adopted Budget. The 2023 Adopted 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.

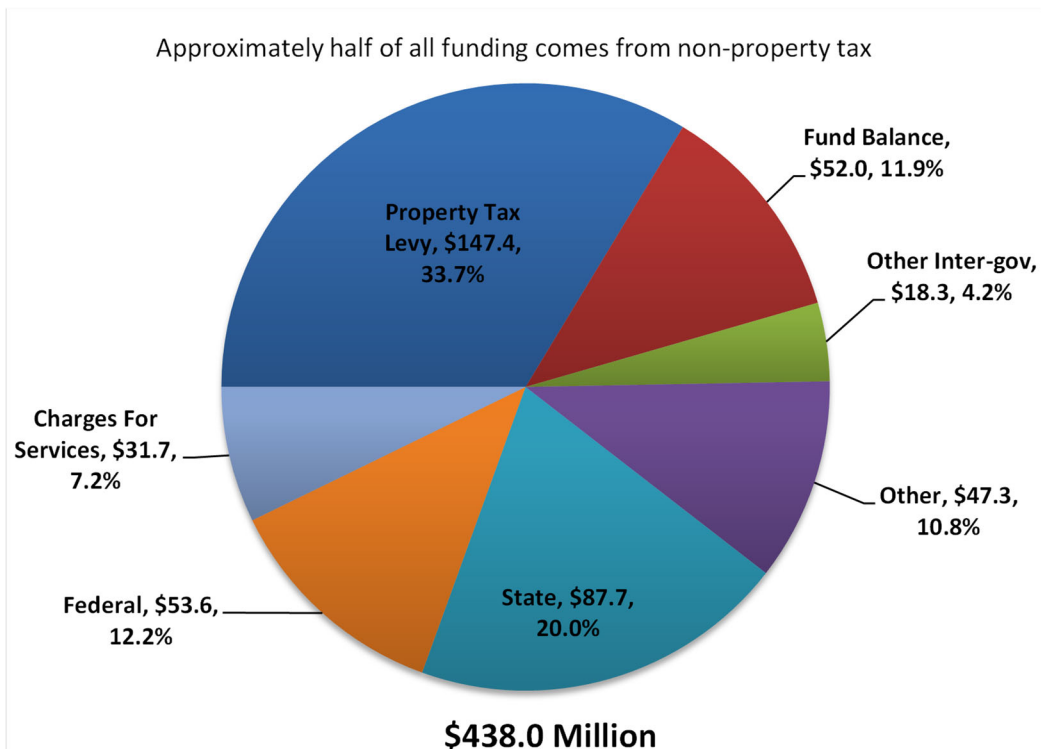




# TOTAL REVENUE

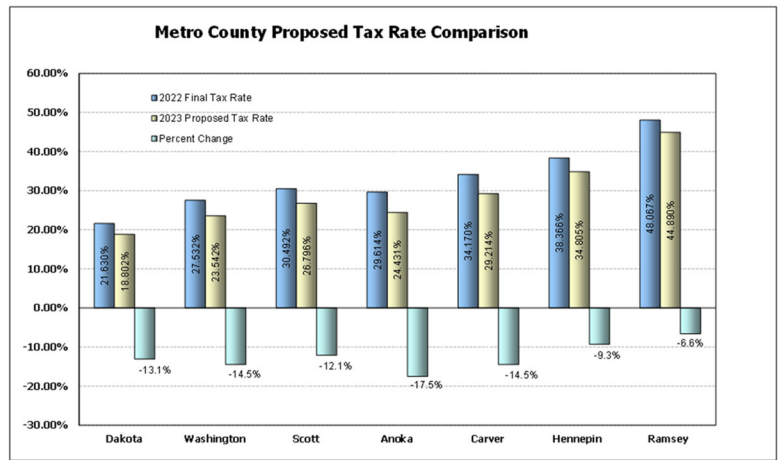
For the 2023 Adopted Budget, total revenue decreased by 0.8% to \$438.0 million. Operating revenues increased from the previous year’s budget from \$289.5 million to \$306.2 million, a increase of 5.8%. The majority of increase in operating revenues is related to the tax revenues from state policy changes for the taxing of electric distribution lines and the recommendation of a 1.9% levy increase. Additional shifts of County Program Aid and levy from the CIP also added to the operating revenue increase. Revenues supporting the CIP decreased in 2023 by -13.4% to \$131.8 million. The majority of the revenue decrease in the CIP is related to non-levy revenue to cover fewer 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 adopted for debt principle or interest payments. The following sections are an overview of budgeted revenues by funding source.

## 2023 Adopted Budget for Operations and CIP by Funding Source



Dakota County currently maintains the lowest property tax rate among the metropolitan counties. The 2023 Adopted 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



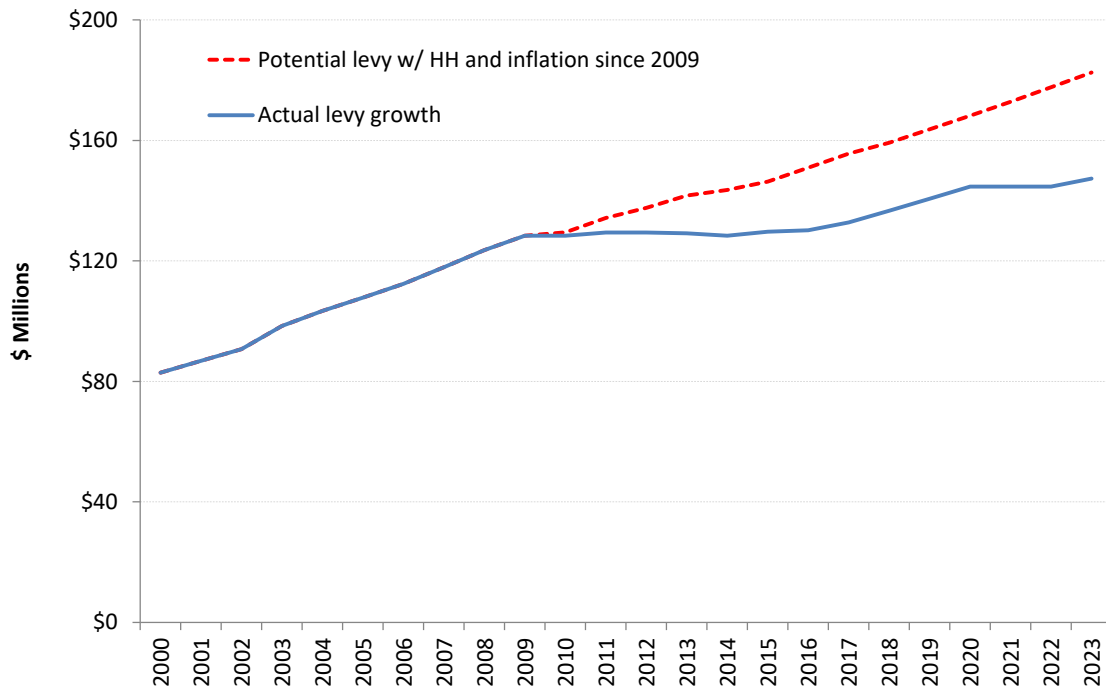
\*\*In St Paul and Minneapolis there is a different level of services and therefore a higher county rate. All remaining cities in both counties pay the suburban rate and tax.

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

The County’s adopted property tax levy (Levy) will increase for Fiscal Year (FY) 2023. Currently, the Levy funds 33.7% of both County Operations and CIP. Under the 2023 Adopted Budget, the County portion of total property taxes levied by all jurisdictions within the County is approximately 17%.

### 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

### Licenses, Fines & Charges

Revenues earned from these sources increased from \$31.9 million in FY2022 to \$33.2 million for FY2023 or an increase of 2.1%.

### 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 FY2023, these revenues increased by \$2.8 million or 6.6%. The majority of this increase results from the new revenues from taxing of electric distribution lines.

### Federal Revenues

Federal Revenues are anticipated to increase in FY2023 by 6.7% or \$3.4 million. The main increase in Federal Revenue is the use of American Rescue Plan (ARP) funds in the Building CIP.

### State Revenues

State Revenues are anticipated to decrease in FY2023 by 8.6% or \$8.3 million. This decrease is based on decreases state revenue sources in the Environmental Resources CIP.



### Other Intergovernmental Revenues

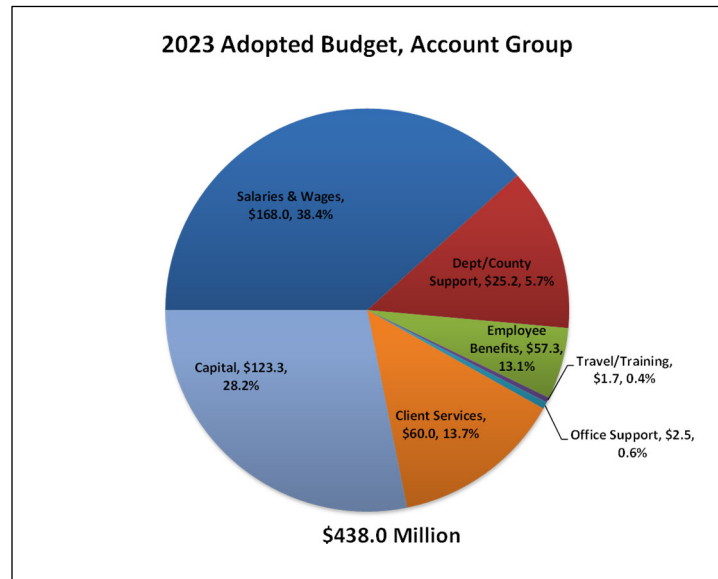
Other Intergovernmental Revenues include those revenues received from other government agencies. This funding is expected to decrease for FY2023 to \$18.3 million, a decrease of 17.9%. The decrease is in the Buildings Capital Improvement Program as well as the elimination of the Criminal Justice Network (CJN) for the County budget.

### Fund Balance

Fund Balance supports \$52.0 million of the \$438.0 million Adopted Budget for 2023. The County only uses Fund Balance to support one-time expenditures, mainly in the Capital Improvement Program.

# TOTAL EXPENDITURES

The 2023 Adopted Budget of \$438.0 million decreases total expenditures by \$3.7 million, or 0.8% more than the previous year’s budget. This is due largely to decreases in the Capital Improvement Program (CIP) of \$20.4 million offset by inflationary cost increases in operations. The following sections are an overview of budgeted expenditures for FY2023 by account group.

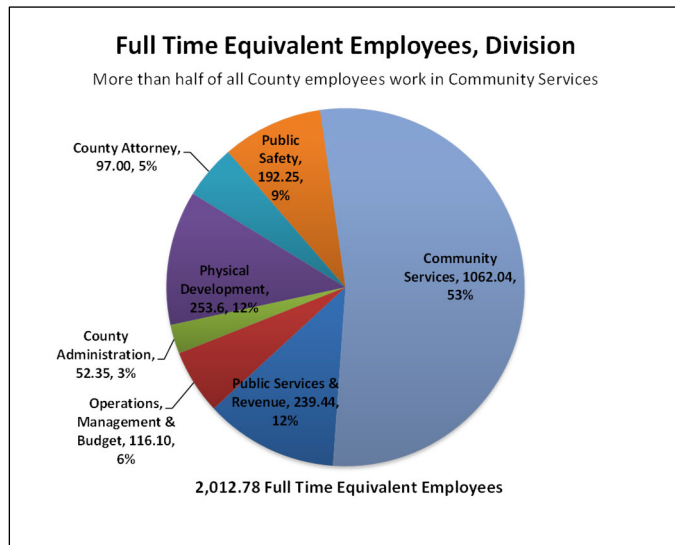


## Salaries/Benefits

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 FY2023 are estimated at \$225.3 million or approximately 73.6% of the total budgeted operating expenditures.

## Full Time Equivalents (FTEs)

The 2023 Adopted Budget increased Full-Time Equivalents (FTEs) from 1,977.19 in FY2022 to 2012.78 in FY2023, 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 FY2023, the Adopted Budget increased from \$24.3 million to \$25.2 million, an increase of \$.9 million or 3.0%. Increases are mainly the result of increased contract costs for software maintenance, and vendor 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 FY2023 is \$2.5 million, no change from prior year.

### **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, as well as tuition and mileage reimbursement. The overall Travel and Training budget for FY2023 is \$1.7 million, no change from prior year.

### **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 FY2023, the Citizen/Client Services and Materials budget was adopted at \$60.0 million, an increase of \$4.7 million. The increase is the result of increased contract costs in the jail, increased Medical Examiner contract, and increased client related expenses in Community Services.



### **Capital Expenditures**

The budget for this account category includes all Capital Improvement Program (CIP) expenses. Total capital spending will decrease from \$152.2 million in FY2022 to \$129.8 million in FY2023, a \$22.4 million or 13.4% decrease.

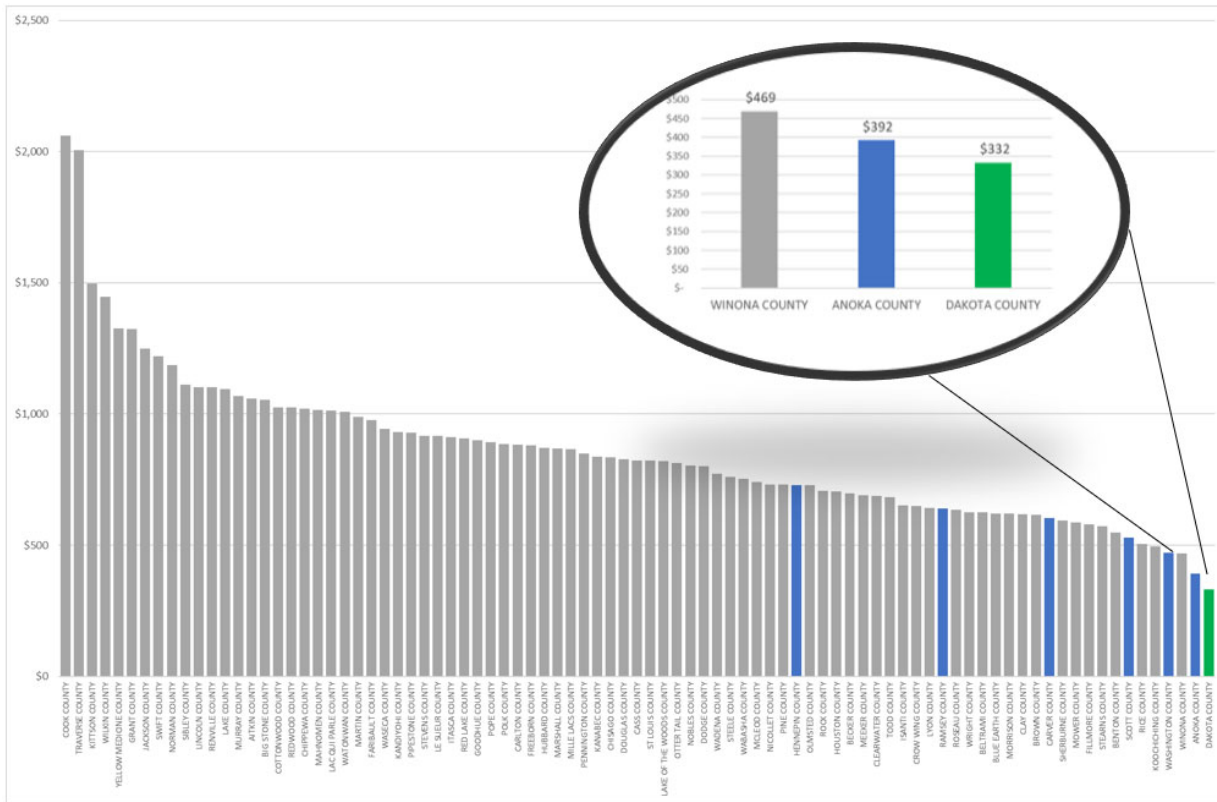
### **Budget Incentive Program**

Budget Incentive Program (BIP) expenditures are recorded across all account categories; however, for budgeting purposes, BIP is budgeted in one capital expenditure account. Departments are not required to indicate in the budget how they plan to spend BIP funds, although they are requested to formulate a “BIP Spending Plan” for internal review. The adopted amount of BIP is budgeted at \$.9 million for FY2023.

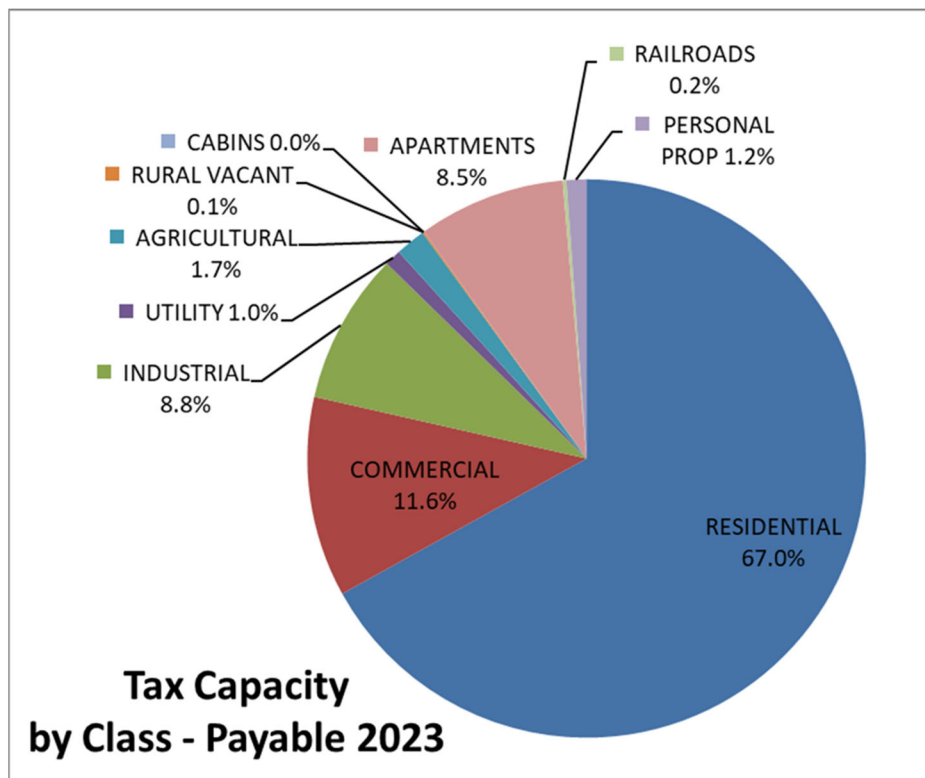


# APPENDIX

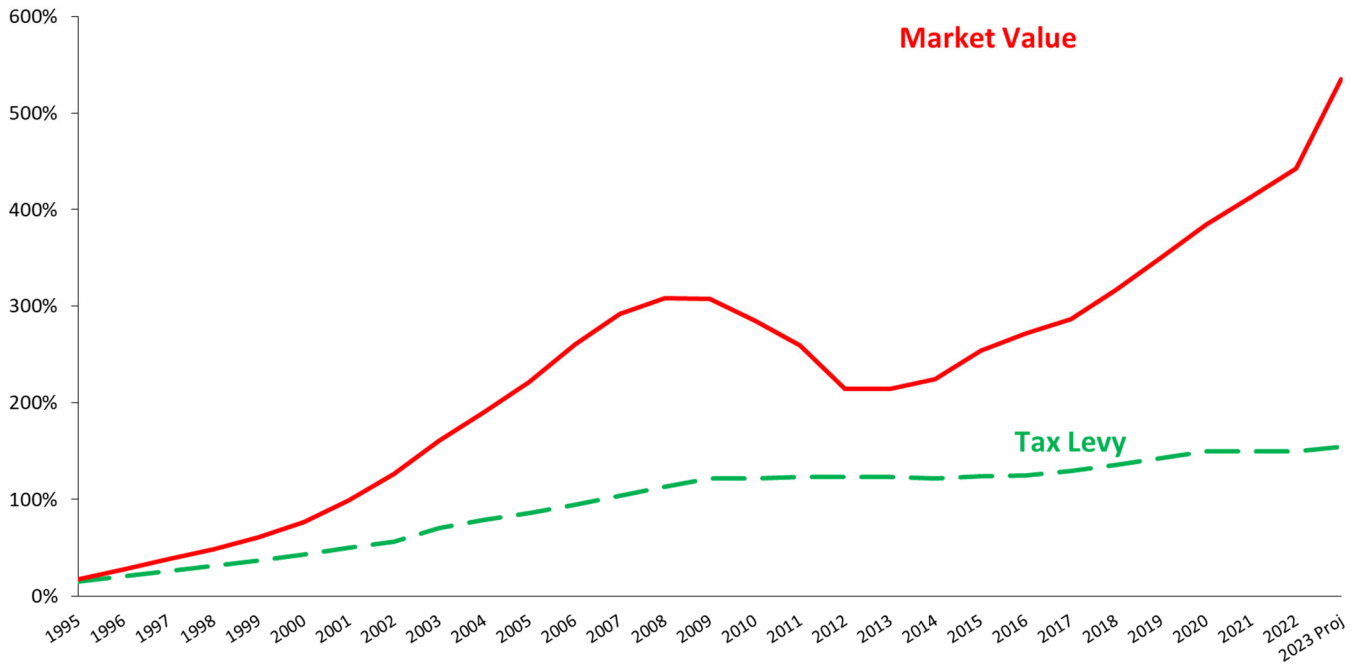
## Item 1: Total Property Tax Levy per Household, Taxes Pay 2023



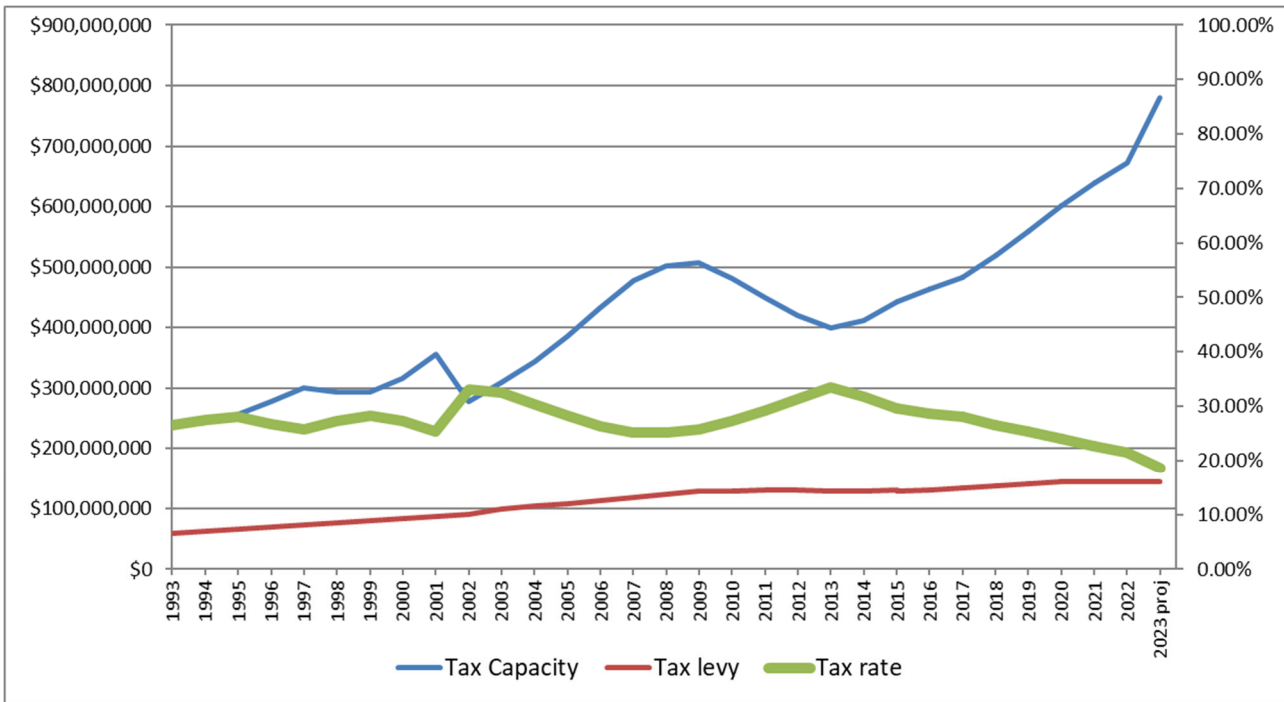
## Item 2: County Tax Capacity by Class, Payable 2023



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

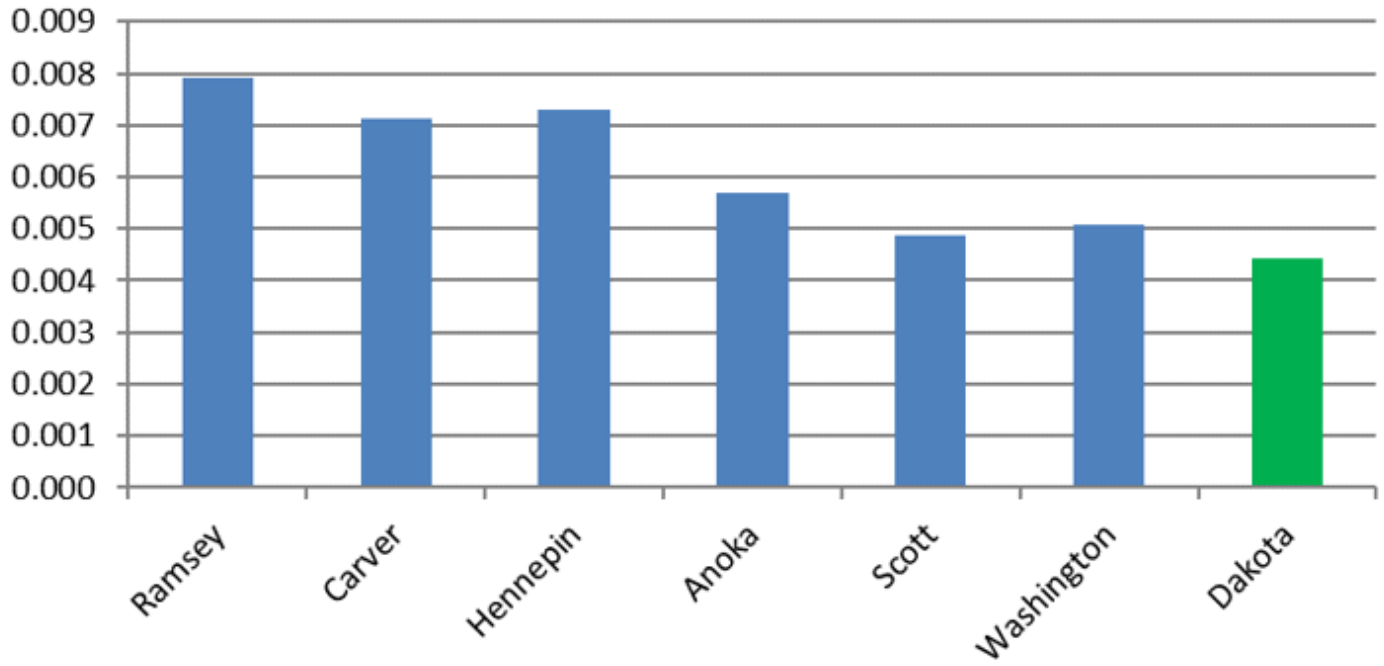


### Item 4: Tax Base, Levy, and Rate Trends

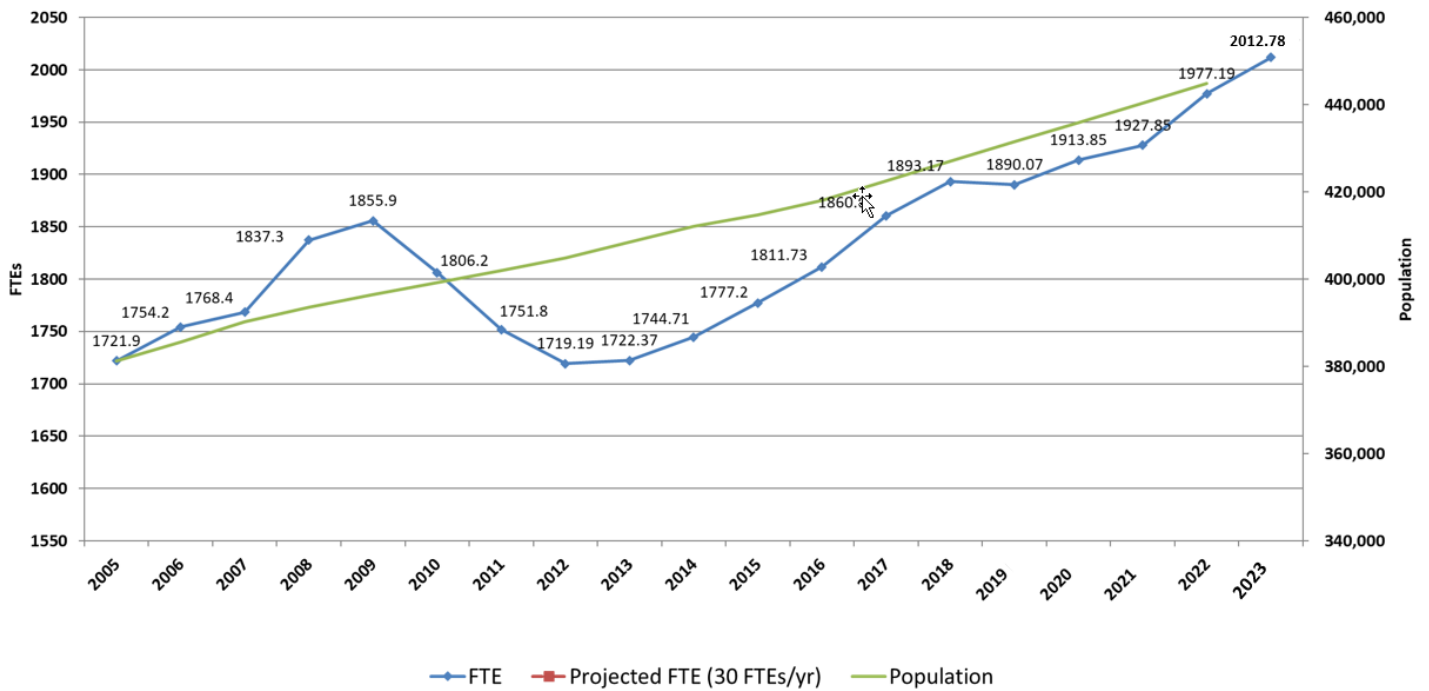


## Item 5: Full Time Equivalent Employees/Capita, 2023

### 2023 Full Time Equivalent Employees/Capita



## Item 6: Dakota County Population and FTE Growth



## Item 7: Operating Budget by Account Group, Adopted 2023

	2022 Adopted Budget	2023 Adopted Budget	% Change PY Adopted
<b>Expenditures</b>			
SALARIES	158,441,230	167,985,809	6.0%
BENEFITS	54,106,623	57,285,546	5.9%
DEPT/COUNTY SUPPORT	24,422,407	25,167,262	3.0%
TRAVEL/TRAINING	1,730,508	1,729,583	-0.1%
OFFICE SUPPORT	2,467,192	2,462,886	-0.2%
MATERIALS/SUPPLIES	2,649,964	2,694,802	1.7%
CITIZEN/CLIENT RELATED SERVICE	52,671,430	57,334,957	8.9%
INTERDEPARTMENTAL	-14,006,221	-15,957,297	13.9%
CAPITAL, DEBT, OTHER FINANCING	7,020,014	7,497,482	6.8%
TRANSFERS TO OTHER COUNTY FUN	0	23,750	0.0%
<b>Total Expenditures</b>	<b>289,503,147</b>	<b>306,224,780</b>	<b>5.8%</b>
<b>Funding Sources</b>			
OTHER TAXES	2,012,250	4,097,250	103.6%
CHARGES FOR SERVICES	30,430,378	31,671,393	4.1%
OTHER REVENUES	13,548,430	14,591,630	7.7%
FINES AND FORFEITURES	30,000	30,000	0.0%
LICENSES & PERMITS	1,436,430	1,470,851	2.4%
FEDERAL REVENUE	43,883,985	45,898,426	4.6%
STATE REVENUE	53,975,206	58,512,121	8.4%
OTHER INTERGOVERNMENTAL REV	4,760,998	4,028,162	-15.4%
OTHER FINANCING SOURCES	1,004,962	3,868,984	285.0%
TRANSFERS FROM OTHER COUNTY F	0	0	0.0%
<b>Total Non-Levy Funding Sources</b>	<b>151,082,639</b>	<b>164,168,817</b>	<b>8.7%</b>
PROPERTY TAXES	138,420,508	142,055,963	2.6%
<b>Total Funding Sources</b>	<b>289,503,147</b>	<b>306,224,780</b>	<b>5.8%</b>

## Item 9: Dakota County Property Taxes by Taxing Jurisdiction

Total 2023 Tax Levies Without State Property Tax: \$834.09  
in Millions

