

Dakota County, Minnesota

2020 Budget in Brief



A premier county in which to live and work.



Dakota County Administration
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MEMORANDUM

DATE: November 5, 2019
TO: Dakota County Board of Commissioners
FROM: Matt Smith, County Manager
SUBJECT: **2020 Recommended Budget**

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

The 2020 budget recommendations reflect discussions with the Board over much of this past year about strategic service and financial and tax priorities. They also reflect many, many hours spent by managers and staff throughout the County to analyze the demand for the many services we now provide, the best strategies to deliver them effectively and efficiently, and to identify opportunities to respond to changing needs of the residents we serve. Throughout this process, we have paid close attention to ensuring that funds provided by taxpayers are used efficiently and effectively.

The 2020 budget is built on the County's longstanding financial management principles: structural balance and a multi-year perspective, maintaining prudent levels and uses of our fund balances and ensuring our budget plans are realistic and implemented effectively.

We do all this to ensure that we will be able to deliver our services reliably and at a fair cost to taxpayers, in both 2020 and the years to follow.

The 2020 budget plan reflects a number of basic principles and goals developed through the Board's discussions and direction this year:

Continue to meet our current obligations respond to growth in demand for required services.

County services reflect the combination of state-mandated services (primarily in human services and public safety), as well as the highly-valued local services and investments that help make Dakota County a great place to live.

The first thing we have to face in the budget is that price increases in the costs for employee wages and healthcare are growing. We need to cover these costs in the budget, and we do.

The budget must respond to caseload and demand growth. In 2020, it will add staff positions to support a number of human services that the County provides under state and federal mandates. These include positions in adult protection, Indian Child Welfare, and crisis stabilization. The 2020 budget also solidifies ongoing funding for caseload-driven positions added in previous years, including health-care eligibility and child protection workers.

The budget also reflects the legal requirement that the County provide medical care for inmates in the jail; the 2020 budget will provide for round-the-clock medical staffing. This is to care for the health and safety of

inmates, while allowing jail staff to focus on security. The budget also adds a new staff position to support a growing Courts caseload at the Western Service Center in Apple Valley.

Safely storing, managing, and retrieving the growing volume of data is an essential responsibility of the County, and it is a critical resource to enhance services to the public. This budget adds new resources for data storage, generating internal reports, and meeting the privacy requirements for data that is requested for public release.

The budget also invests in innovative strategies to improve services. For 2020 this includes full funding to support Cahill Place, which will open in mid-year and provide permanent supported housing for 40 families. It also sets aside resources to continue and expand the co-response pilot between Community Services and local police departments. And some funds will help support the search for new ways to utilize data more effectively to improve services.

Make modest improvements to discretionary services. This budget makes staffing additions to two of the County's most popular public services: Parks and Libraries. In the park system, a new position is added to meet growing visitor demand for camping and other facility rentals—funded by user fees. In the library system, a part-time position is added at the Pleasant Hill library to allow that site to offer the expanded Sunday hours already available at other locations.

Continue to invest in maintaining and improving the County's roads, parks, and buildings. A first responsibility of the County is to maintain existing facilities. The 2020 capital improvement budget realigns a portion of current resources to ensure a reliable long-term foundation for the annual maintenance of county buildings.

The 2020 budget will provide funds for transportation improvements across the County highway system, including reconstruction of CSAH 78,86 and 91 in the southern part of the County, CSAH 73 in Rosemount, CSAH 70 in Lakeville, and right of way acquisition for 'new' CSAH 32 in Inver Grove Heights. It will also begin preliminary engineering to prepare for future state investment on State 77 and I-35.

Funding for parks and greenways includes master plan improvements at Thompson County Park and Spring Lake Park Reserve, prepare for construction on the Mississippi River Greenway, and continuing funding for natural resource conservation and restoration. It also prepares for major safety improvements at a variety of places along the greenway system, pending requested State support for the effort.

New investments in buildings in 2020 will include the SMART Center construction, renovations at the Court facility in Hastings to support better case flow, and ongoing scheduled maintenance and replacement of components at existing facilities.

Keep the burden on County taxpayers low. Again in 2020, Dakota County will have the lowest per-capita property tax levy anywhere in the state, as well as the lowest property tax rate among metro counties. This is a result of many factors, including limiting growth in new spending that has to be funded from property taxes and increased revenues in 2020 from other sources, including growth in state County Program Aid and a significant increase in budgeted investment earnings. The 2020 budget and tax levy also continue to benefit from decisions made in prior years, such as paying off the county's debt in 2016.

Maintain sound long-term planning and practices. The County's AAA/Aaa credit ratings reflect a strong tradition of budget governance and oversight, effective implementation, and a multi-year planning perspective. This budget continues that practice. It does not add any permanent spending obligations that cannot be sustained with current revenues. Under conservative projections, the five-year CIP can be funded with cash at least through 2022 and still maintain financial reserves at levels consistent with established policies. And in the face of future economic uncertainty, this budget preserves resources for future reallocation of the existing tax levy, to help ensure that stable tax rates and service levels can be maintained beyond 2020.

I believe this budget reflects the needs, priorities, and resources of our County for 2020. 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.



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

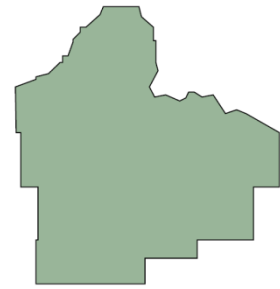
Realistic budget plans and effective management

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



2020 Adopted Budget

DAKOTA COUNTY, MINNESOTA
FOR THE FISCAL YEAR
BEGINNING JANUARY 1, 2020



This document is a brief overview of the 2020 Adopted Budget for Dakota County, Minnesota. We hope this document will enhance your understanding of how the County is organized, the services it provides, and the funding sources used to provide those services. The County’s purpose is to deliver the highest quality of services as efficiently, effectively, and responsively as possible. Dakota County aims to be a premier county in which to live and work. Thank you for the opportunity to serve you and to make Dakota County the best it can be.

Dakota County Board of Commissioners

- 1st District Mike Slavik
- 2nd District Kathleen A. Gaylord
- 3rd District Thomas A. Egan
- 4th District Joe Atkins
- 5th District Liz Workman
- 6th District Mary Liz Holberg
- 7th District Chris Gerlach





A comprehensive overview of the Dakota County 2020
Adopted Budget is available by contacting:

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

www.co.dakota.mn.us

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2020 ADOPTED BUDGET HIGHLIGHTS

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



Funds operating cost pressures through internal reallocations and savings and a 2.8% levy increase

- Using Fund Balance for one-time capital and operating items
- 19.1 Full-Time Equivalent (FTE) employees added for 2020. A large portion of these are funded by State & Federal revenues and reallocation of County resources
- Since 2010, workforce increased by net 107.67 FTEs
- Total operating expenses are budgeted at \$31.4 million above 2010
- Median-priced home with value increasing 6.2% will see about \$10 increase in County taxes.
- Adopted 2020 levy is \$3,998,972 higher than 2019
- The Adopted Dakota County levy has a combined levy increase of 2.8% from 2019

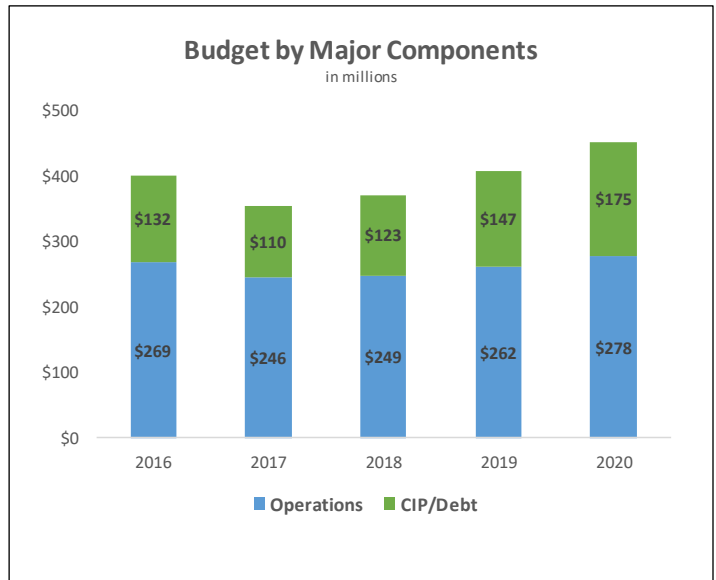
Sound long-term financial plan supports future budget and service stability

- **2020 adopted budget is structurally balanced**
 - Ongoing costs funded from permanent revenues—new and reallocated
 - Spending from fund balances on one-time capital and operating items
- **Plans for sustaining services and containing future levy growth**
 - Multi-year planned use of internal reallocations to help offset future cost pressures
 - Planned future rate of levy-funded spending growth remains moderate

INTRODUCTION

The 2020 Adopted Dakota County Budget, budgets Operations and CIP/Debt expenditures totaling \$453.5 million, an increase of 10.8% from the 2019 Adopted Budget.

Under the Adopted Budget, the operating budget totals \$277.6 million, an increase of 15.8 million or 6.0% more than the previous year. Additionally, the Adopted Budget contains the 2020 Capital Improvement Program (CIP) of

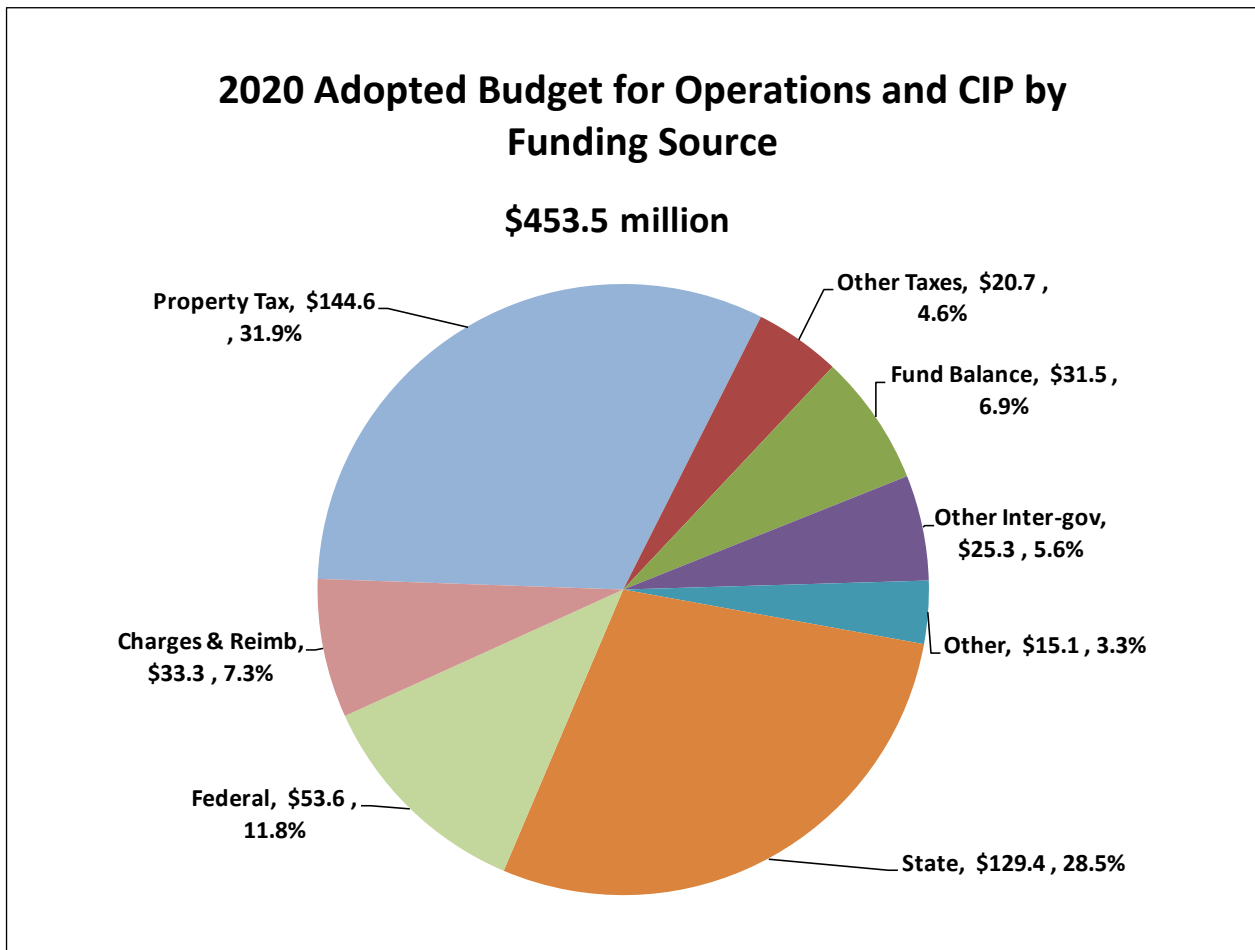


\$175.5 million, an increase of \$28.2 million, or 19.2% more than the 2019 CIP. Both of these budgets are supported by an adopted property tax levy of \$144.6 million, which is \$4.0 million more than the 2019 Adopted Budget. The 2020 Adopted Budget relies upon the internal reallocation of resources and other savings to cover the County’s cost growth in excess of the increased recommended property tax levy.



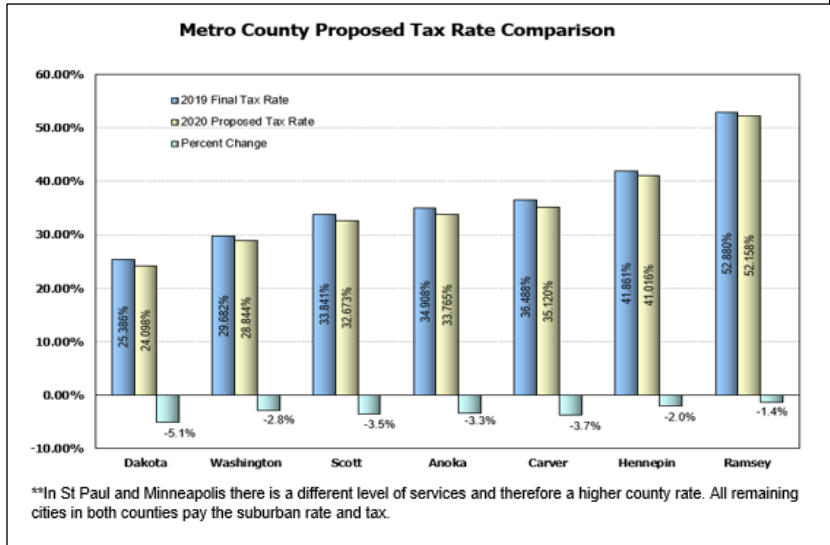
TOTAL REVENUE

For the 2020 Adopted Budget, total revenue increased by 10.7% to \$453.5 million. Operating revenues increased from the previous year’s budget from \$262.2 million to \$278.0 million, an increase of 6.0%. Revenues supporting the CIP also increased. In FY2020, CIP revenues increased by 19.2% to \$175.5 million. The majority of the revenue increases in operations and CIP is attributed to interest on investments, federal revenues, and state revenues. As of the end of 2017 the County no longer has any outstanding bond debt, resulting in no levy or fund balance being recommended for debt principle or interest payments. The following sections are an overview of budgeted revenues by funding source.



Dakota County currently maintains the lowest property tax rate among the metropolitan counties. The 2020 Adopted Budget will continue this trend.

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

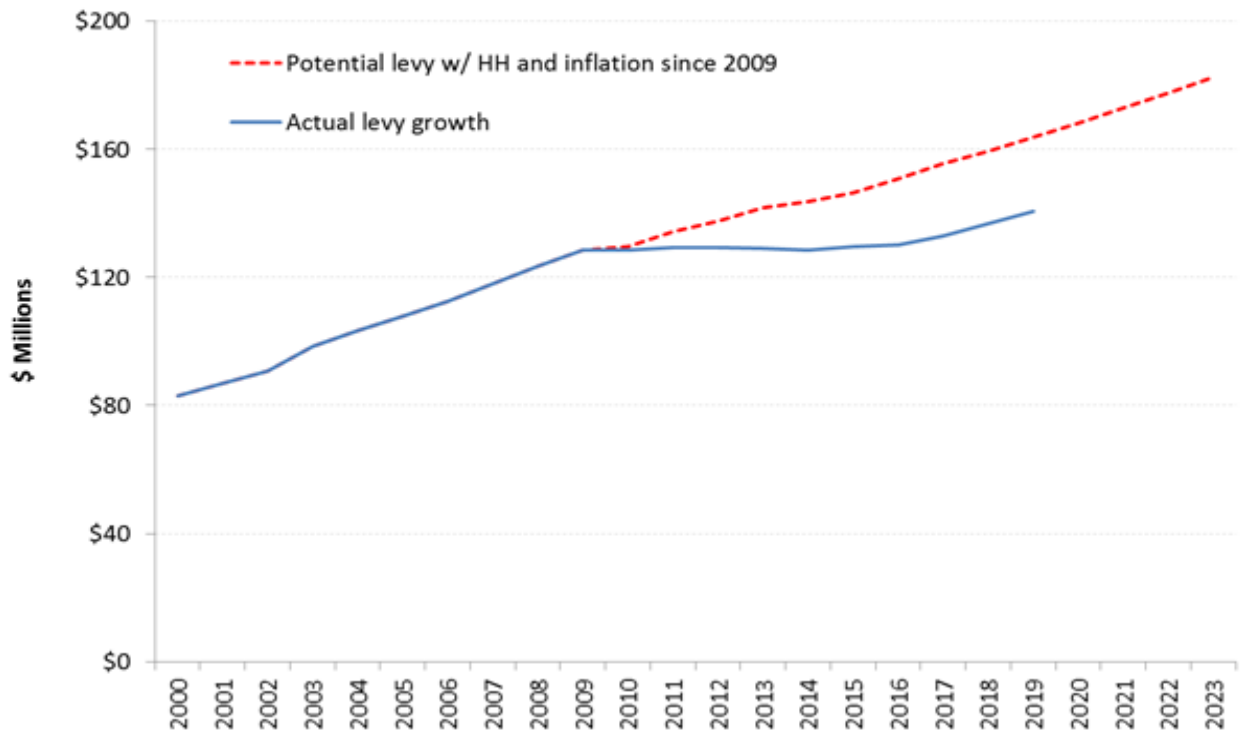


below, the County property tax increases remain below the potential levy growth when factoring in household growth in the County and inflation.

The County’s adopted property tax levy (Levy) increased by \$3,998,972 for Fiscal Year (FY) 2020. Currently, the Levy funds 31.9% of both County Operations and CIP. Under the 2020 Adopted Budget, the County portion of total property taxes levied by all jurisdictions within the County is approximately 20%.

Growth in County tax levy compared to household growth and inflation

Balancing affordable taxes with cost and demand growth



Licenses, Fines & Charges

Revenues earned from these sources increased from \$31.6 million in FY2019 to \$33.4 million for FY2020 or an increase of 5.4%.

Other Revenues

Other Revenues include property taxes and penalties; excluding the current property tax levy, as well as other miscellaneous financing sources. For FY2020, these revenues increased by \$22.0 million or 13.9%.

Federal Revenues

Federal Revenues increased in FY2020 by 39.1% or \$13.6 million. Increase based on Capital projects eligible for federal reimbursement.

State Revenues

State Revenues increased in FY2020 by 36.4% or \$36.4 million. Large increase was seen in Parks Capital Improvement Program.



Other Intergovernmental Revenues

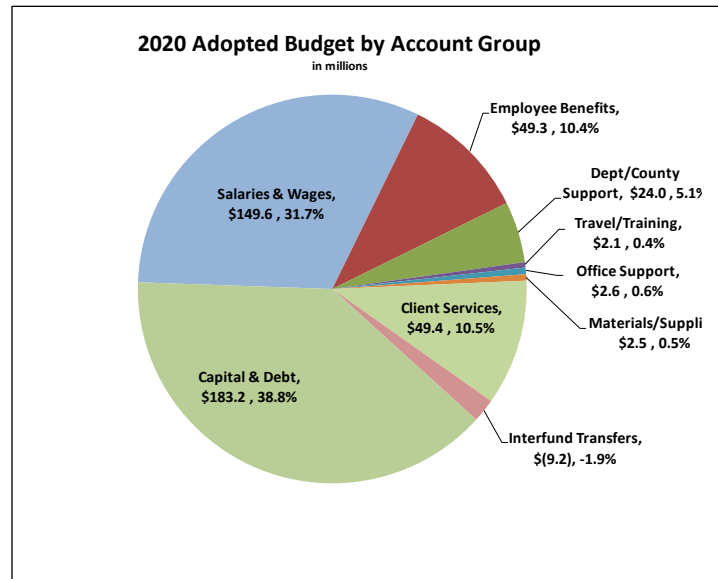
Other Intergovernmental Revenues include those revenues received from other government agencies. This funding decreased for FY2020 to \$25.3 million, a decrease of 23.3%. A large decrease was seen in Environmental Resources Capital Improvement Program.

Fund Balance

Fund Balance supports \$31.5 million of the \$453.5 million Adopted Budget for 2020. The County only uses Fund Balance to support one-time expenditures.

TOTAL

The 2020 Adopted Budget of \$453.5 million increases total expenditures by \$44.0 million, or 10.7% more than the previous year’s budget. This is due largely to increases in the Capital Improvement Program (CIP) of \$28.2 million and inflationary increases to operations. The following sections are an overview of budgeted expenditures for FY2020 by account group.

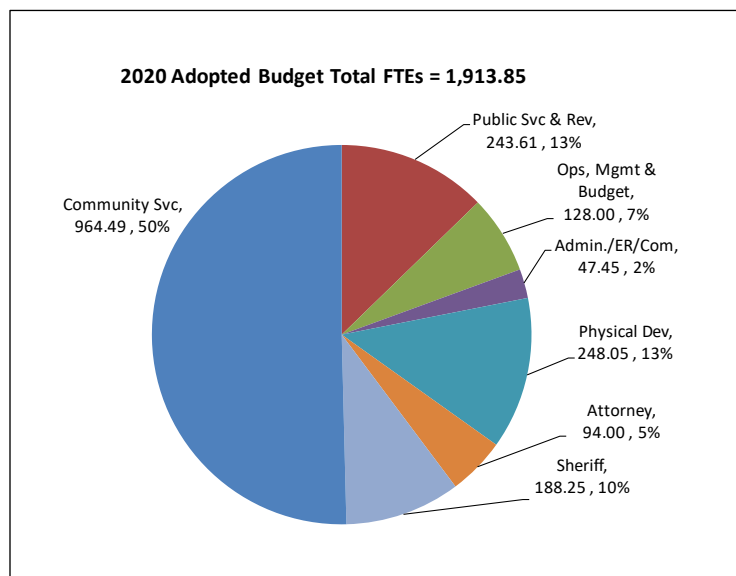


Personnel Expenditures

Personnel expenditures include the County’s cost for salaries and wages, health insurance, Medicare and Social Security (FICA), Public Employee Retirement Association (PERA) contributions, and other employee benefits (e.g., life insurance, dental insurance, and unemployment insurance, etc.). County personnel costs for FY2020 are estimated at \$198.9 million or approximately 43.9% of the total budgeted expenditures.

Full Time Equivalents (FTEs)

The 2020 Recommended Budget increased Full-Time Equivalents (FTEs) from 1,890.07 in FY2019 to 1,913.85 in FY2020, or an increase of 0.01%.





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 FY2020, the Adopted Budget increased from \$23.8 million to \$24.0 million, an increase of 0.84% .

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 FY2020 is \$2.6 million, a decrease of 3.70%.

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 FY2020 is \$2.1 million, an increase of 5.00%.

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 FY2020, the Citizen/Client Services and Materials budget is adopted at \$42.7 million, an increase of \$7.0 million. These expenses are mainly funded by external grant and program revenues.



Citizen/Client Services

Expenditures budgeted in Citizen and Client Services are frequently funded from other entities and are considered “pass-through” funds. Increases and decreases in these types of expenditures typically have corresponding changes in revenue.

Capital Expenditures

The budget for this account category includes all Capital Improvement Program (CIP) expenses. Total capital spending will increase from \$156.8 million in FY2019 to \$183.2 million in FY2020, an \$26.4 million or 16.8% increase.

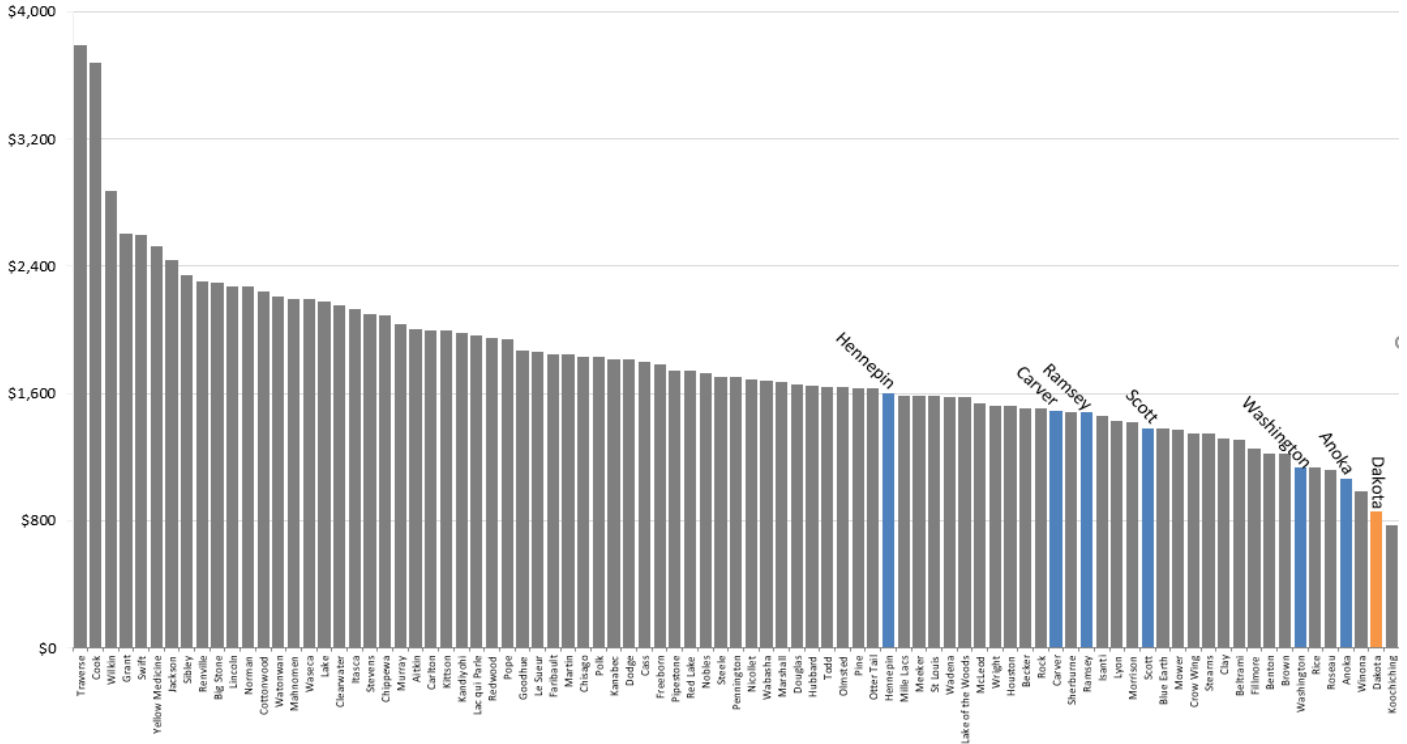
Budget Incentive Program

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 required to submit their BIP plan for internal review and approval. The Adopted amount of BIP is budgeted at \$1.1 million for FY2020.

APPENDIX

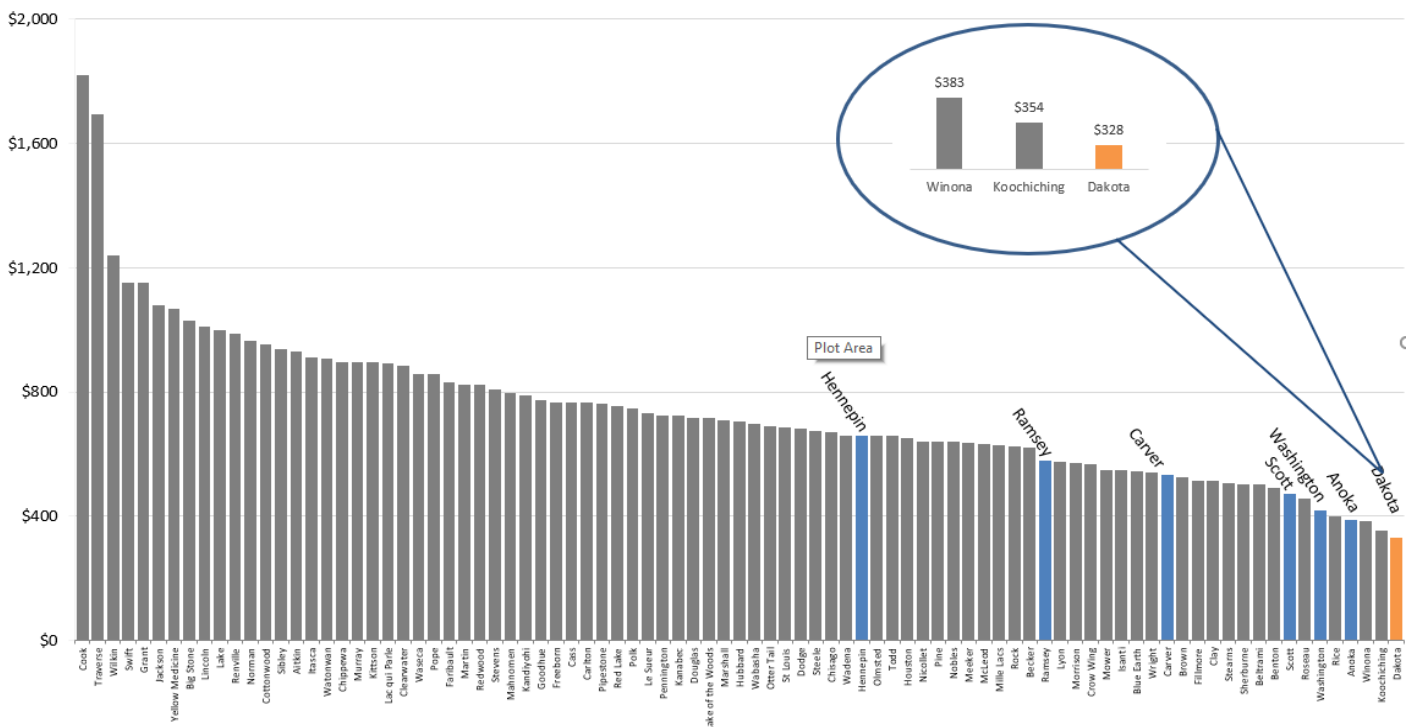
Item 1: Total Property Tax Levy per Household, Taxes Pay 2019

Total Property Tax Levy per household, Taxes pay 2019

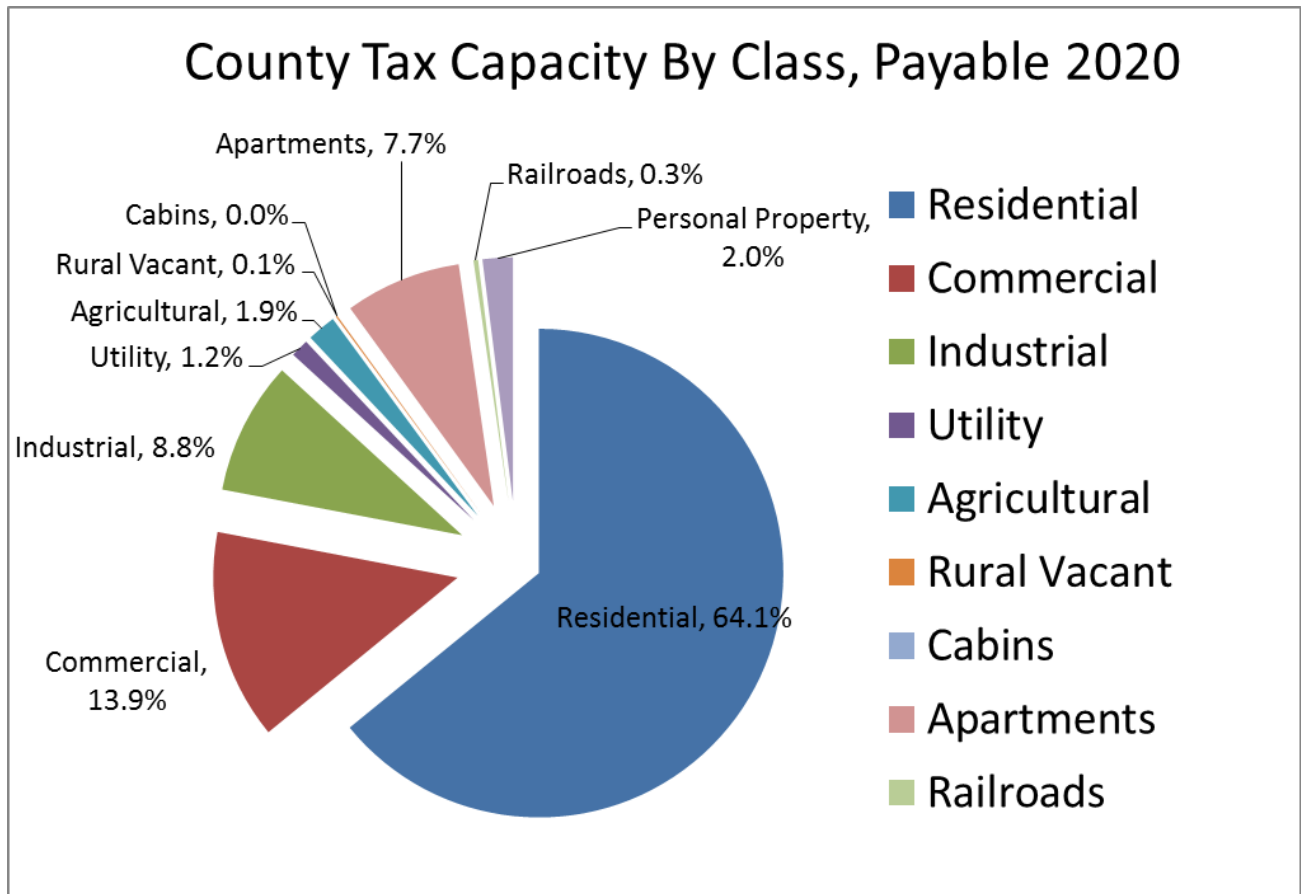


Item 2: Total Property Tax Levy per Capita, 2019

Total Property Tax Levy per Capita, Taxes pay 2019

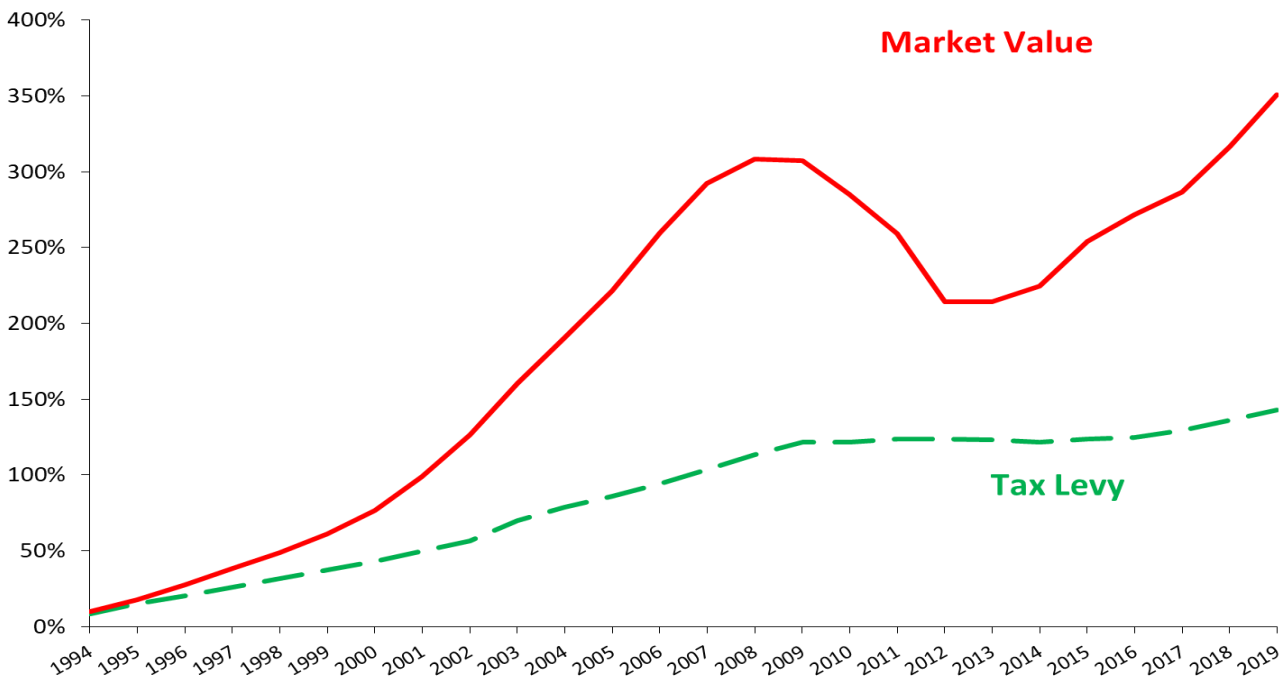


Item 3: County Tax Capacity by Class, Payable 2020

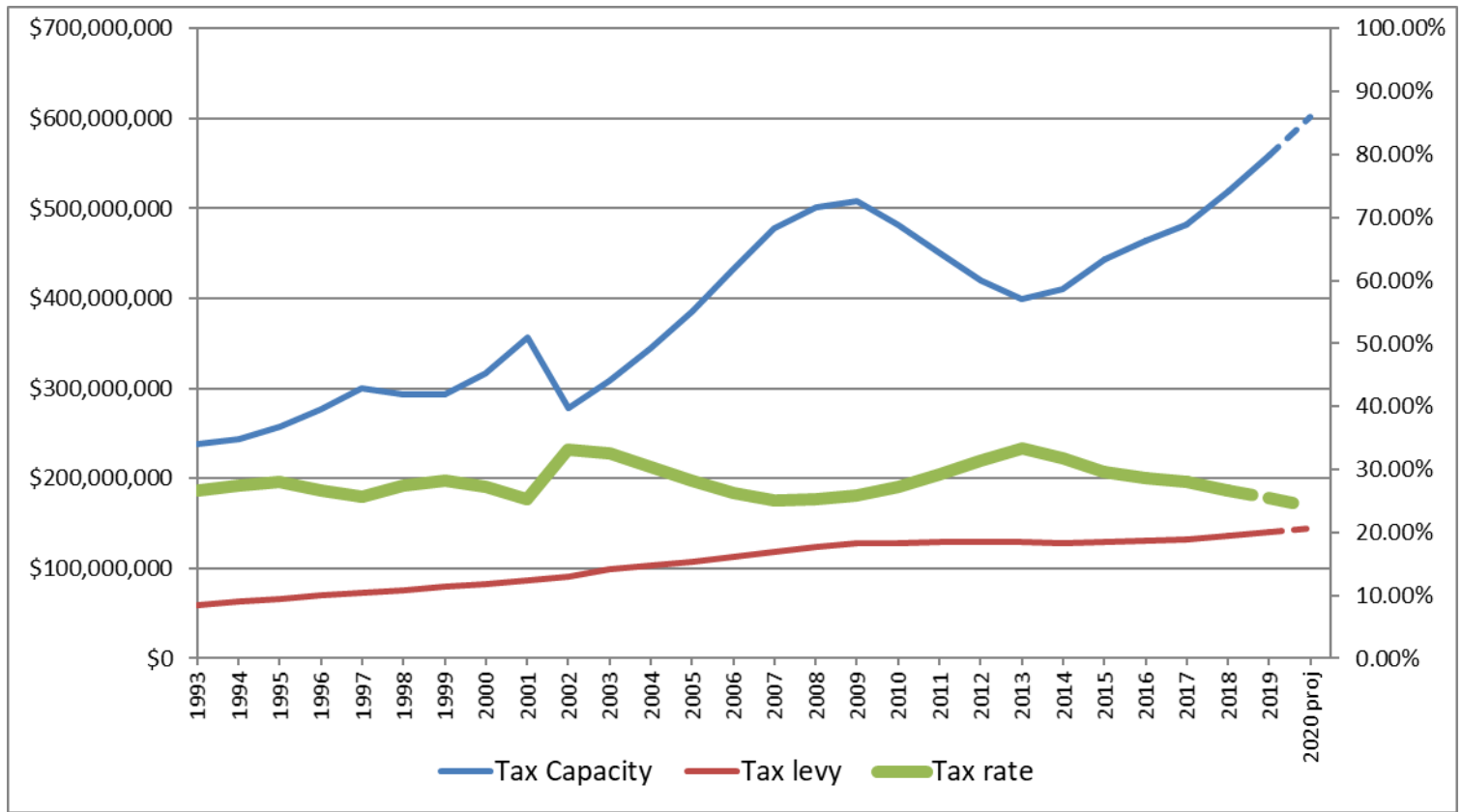


Item 4: Dakota County Property Tax Levy vs. Market Value

Dakota County Property Tax Levy vs. Market Value

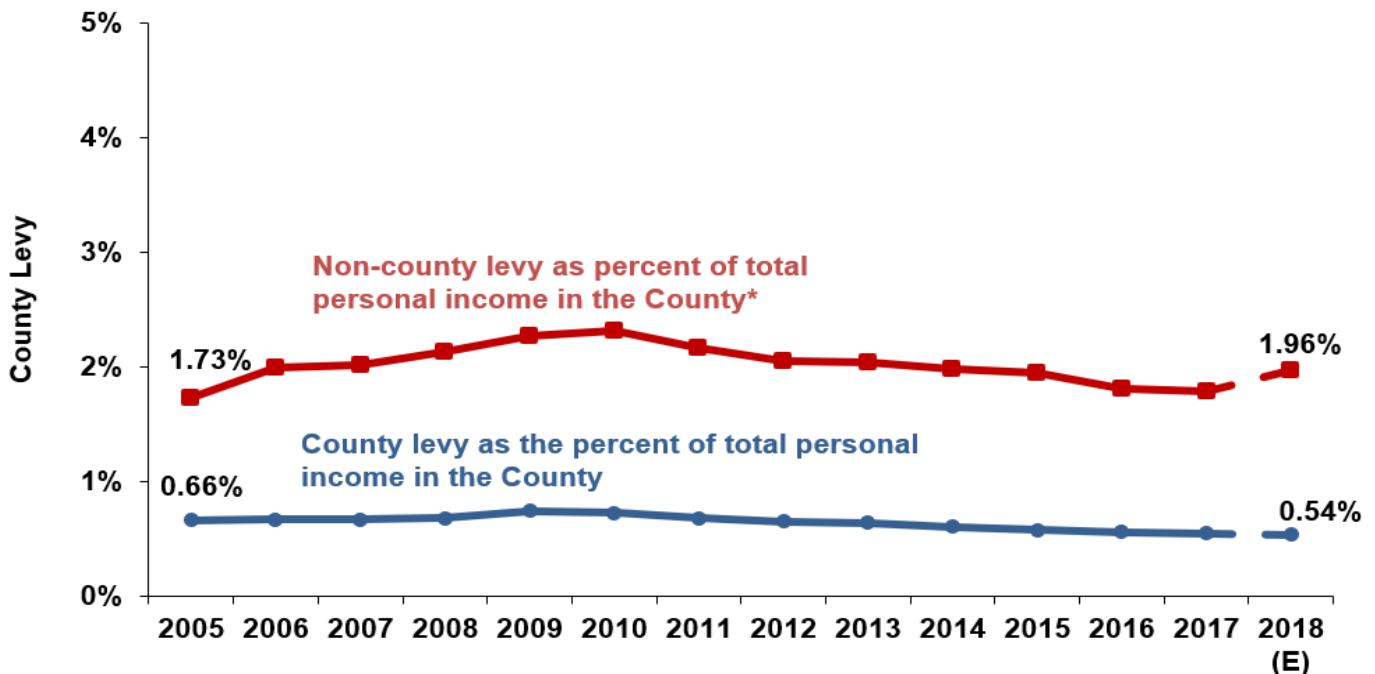


Item 5: Tax Base, Levy, and Rate Trends



Item 6: Price of Government in Dakota County, 2005-2018

Price of Government in Dakota County, 2005-2018

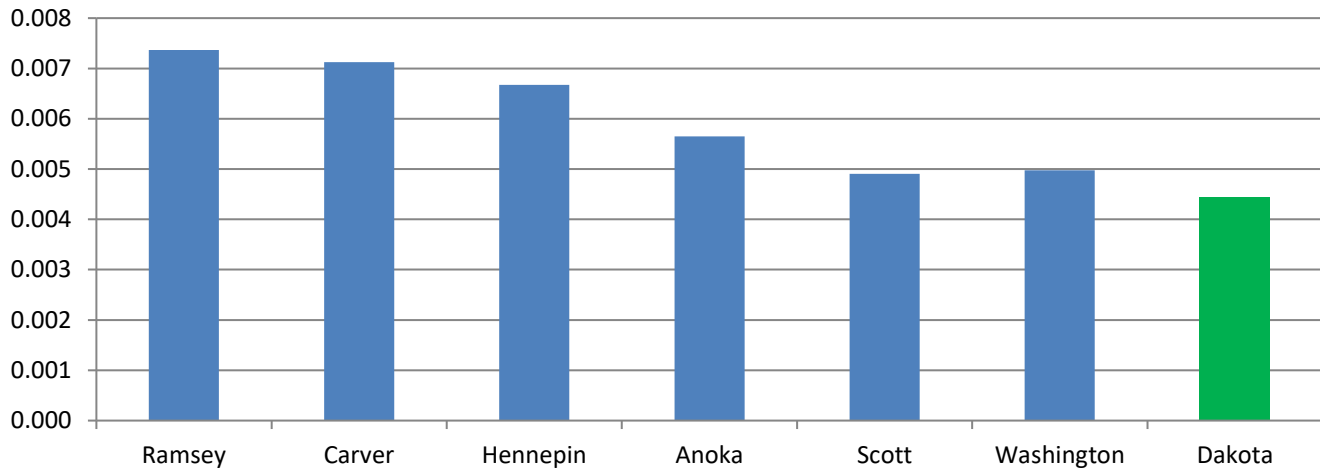


(E): Estimate

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

Item 7: Full Time Equivalent Employees/Capita, 2019

2019 Full Time Equivalent Employees/Capita



*Anoka based on 2017 adopted FTE

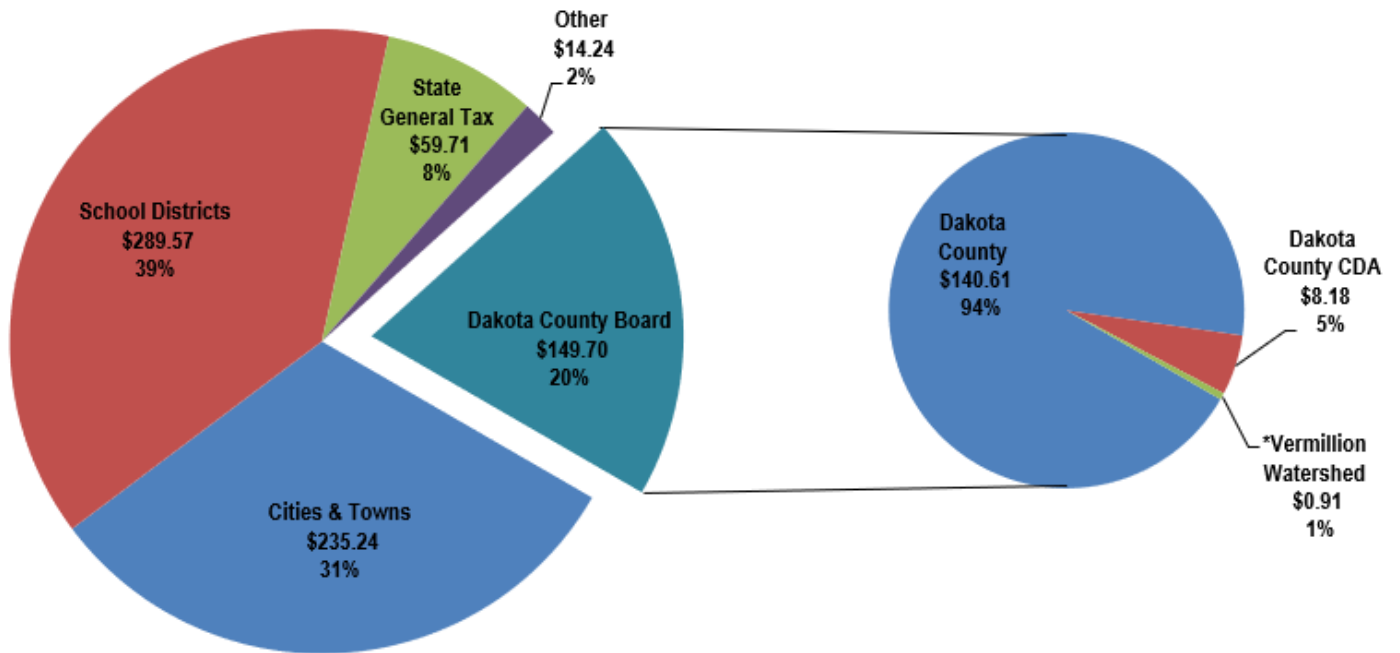
Item 8: Operating Budget by Account Group, Adopted 2020

	2019 Adopted	2020 Adopted Budget	% Change PY
Expenditures			
SALARIES	142,776,910	149,575,135	4.8%
BENEFITS	45,691,317	49,256,377	7.8%
DEPT/COUNTY SUPPORT	23,763,442	24,006,883	1.0%
TRAVEL/TRAINING	1,970,737	2,055,342	4.3%
OFFICE SUPPORT	2,666,343	2,641,079	-0.9%
MATERIALS/SUPPLIES	2,209,974	2,527,060	14.3%
CITIZEN/CLIENT RELATED SERVICE	43,693,352	49,418,599	13.1%
INTERDEPARTMENTAL	-10,065,813	-9,161,611	-9.0%
CAPITAL, DEBT, OTHER FINANCING	9,520,638	7,668,921	-19.4%
TRANSFERS TO OTHER COUNTY FUN	0	0	0.0%
Total Expenditures	262,226,900	277,987,785	6.0%
Funding Sources			
OTHER TAXES	1,982,250	2,012,250	1.5%
CHARGES FOR SERVICES	30,211,077	31,874,067	5.5%
OTHER REVENUES	11,636,391	13,763,230	18.3%
FINES AND FORFEITURES	30,000	30,000	0.0%
LICENSES & PERMITS	1,355,535	1,379,806	1.8%
FEDERAL REVENUE	32,394,002	33,854,803	4.5%
STATE REVENUE	46,364,256	50,619,027	9.2%
OTHER INTERGOVERNMENTAL REV	5,319,493	5,905,473	11.0%
OTHER FINANCING SOURCES	-1,548,958	128,621	-108.3%
TRANSFERS FROM OTHER COUNTY F	0	0	0.0%
Total Non-Levy Funding Sources	127,744,046	139,567,277	9.3%
PROPERTY TAXES	134,482,854	138,420,508	2.9%
Total Funding Sources	262,226,900	277,987,785	6.0%

Item 9: Dakota County Property Taxes by Taxing Jurisdiction

Total 2019 Tax Levies: \$748.46

in Millions



*Dakota County Levy Portion Only