



Dakota County, Minnesota

2021 Budget in Brief



A premier county in which to live and work.





Dakota County Administration
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MEMORANDUM

DATE: November 3, 2020
TO: Dakota County Board of Commissioners
FROM: Matt Smith, County Manager
SUBJECT: **2021 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.

Developing the budget is a challenging process even in a normal year, and the sudden onset of the COVID-19 pandemic and accompanying abrupt economic downturn in the spring of 2020 have made planning for the next year even more difficult.

One element of the budget for 2021 is clear: In response to the economic downturn and distress facing many residents and firms, the Board has adopted a maximum property tax levy increase of zero percent. The recommended 2021 budget is based on a property tax levy of \$144.6 million, unchanged from the amount levied in 2020.

The rest of the budget environment for 2021 remains highly uncertain: The future course of the pandemic and economic recovery (and the impact on both costs and revenues to the County) remains unknown. The State of Minnesota faces a multi-billion dollar budget deficit, with risks to the County of revenue reductions and/or cost shifts as a consequence. Future Federal policies that could affect revenues and costs are uncertain. And a major driver of operating costs—any employee compensation changes—are not yet known. Overall, many of the factors that will shape actual revenues and spending in 2021 may not be fully known until mid-year.

As result of all this uncertainty, the recommended Dakota County Budget for 2021 is little changed from the 2020 budget—but it does incorporate a number of elements to create flexibility for future decision-making and adjustments as the year goes on. Highlights of the budget include:

- Budgeted operating costs increase 2.5% overall—nearly all of this due to establishment of a one-time, \$6 million pandemic response set-aside from which to defray potential costs for public health measures, economic relief, or other spending needed to respond to the continuing pandemic.
- Budgeted personnel costs are at nearly the same level as in 2020, but in order to preserve future flexibility, approximately \$3 million (equaling about 50 FTE) of currently-vacant, levy-funded positions will continue to be held vacant going into 2021. These vacancies are the product of natural attrition and re-hiring restrictions in place since spring of 2020, and those identified to continue to be held open are the result of an internal business prioritization process. While there are long-term service and effectiveness implications for each position left unfilled, these temporary vacancies can provide a starting point for future permanent adjustments if and when they become necessary.

- The recommended budget will add just two FTEs net: Added are two social worker positions in Social Services to provide short-term mental health crisis stabilization services to adults and families, entirely funded by new grant dollars; and one new Patrol Deputy in the Sheriff's Office to begin to address the service and staffing needs in their growing patrol area. Eliminated is one position in County Administration.
- The recommendation for long term capital improvements (the CIP) continues to make long-term infrastructure investments, but also adjusts to the effects of the pandemic: Transportation projects are funded more heavily from the County's transportation sales tax to offset an expected decline in State transportation revenues. County building costs are held to the same level as planned for a year ago, and internal office space remodeling projects (save those required for public health reasons) are delayed until future space needs and uses become more clear in the aftermath of COVID-19 and the rapid growth in tele-work and tele-services that has occurred.

While the 2021 recommended budget reflects near-term uncertainties and prepares for those in a number of ways, the longer-term focus on balancing and sustaining high quality services and a low tax burden remains. Next year, Dakota County taxpayers will continue to enjoy the lowest property tax rate of any Metro county and will likely again pay the least per-capita of any county statewide. This year, we have managed to adapt and sustain our services safely and effectively to the pandemic environment, thanks to innovations, investments in technology and health measures, and the tremendous efforts of our staff. We expect that to continue into 2021 and as long as it is necessary.

Looking beyond the current moment, the County remains well-positioned to maintain our sound long-term financial planning and practices. The 2021 recommended budget is positioned to offset potential cost increases or revenue losses with equivalent budget adjustments, to ensure that permanent spending obligations can continue to be sustained by current revenues. It is prudent in the use of financial reserves, so that fund balance policy requirements can continue to be met while funding the 5-year CIP with cash resources at least through 2024. And 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 in future years.

I believe this budget reflects the realities and uncertainties of the current outlook for 2021, and positions the County to address them responsibly. 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, in this very 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
-



2021 Adopted Budget

DAKOTA COUNTY, MINNESOTA FOR THE FISCAL YEAR BEGINNING JANUARY 1, 2021



This document is a brief overview of the 2021 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 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 2021
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

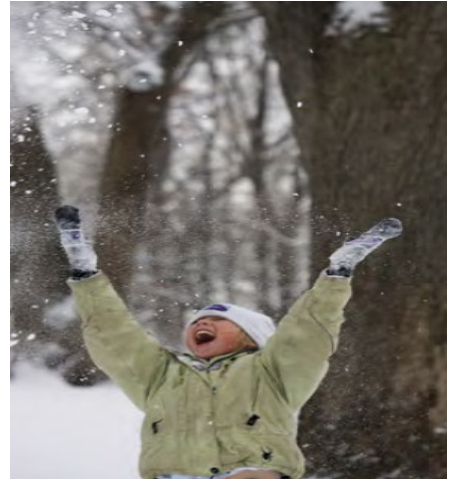
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2021 ADOPTED BUDGET HIGHLIGHTS

- 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
- 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
- 12.0 Full-Time Equivalent (FTE) employees added for 2021. These are funded by State & Federal revenues and reallocation of County resources
- Since 2011, workforce increased by net 176.05 FTEs
- Total operating expenses are budgeted at \$58.9 million above 2011
- Median-priced home with value increasing 4.5% will see about \$11 decrease in County taxes.
- Adopted 2021 levy is the same as 2020.
- The adopted Dakota County levy will have a combined levy increase of 0% from 2020

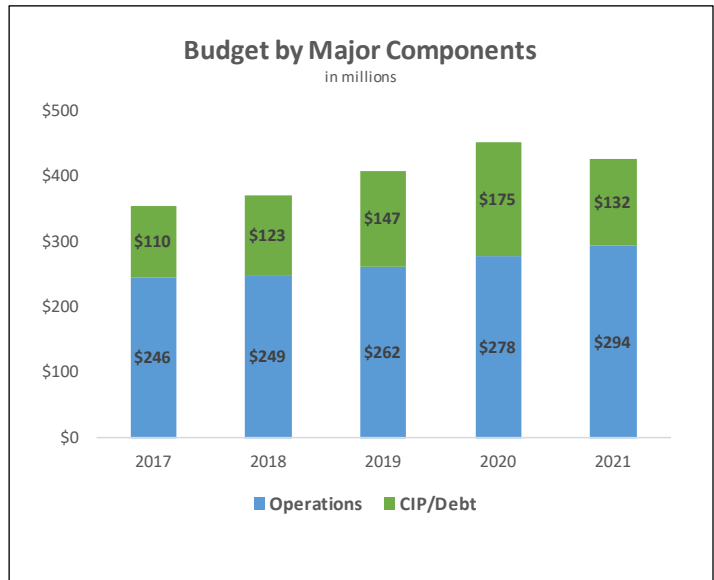
Sound long-term financial plan supports future budget and service stability

- **2021 adopted budget is positioned to remain structurally balanced in preparation of uncertainties**
 - Known cost increases offset with spending savings
 - 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 rate of levy-funded spending growth remains moderate
 - Preserve vacancy savings and Levy Management Account for future flexibility

INTRODUCTION

The 2021 Adopted Dakota County Budget, budgets Operations and CIP/Debt expenditures totaling \$425.8 million, a decrease of 6.1% from the 2020 Adopted Budget.

Under the Adopted Budget, the operating budget totals \$293.5 million, an increase of 15.5 million or 5.6% more than the previous year. Additionally, the Adopted Budget contains the 2021 Capital Improvement Program (CIP) of \$132.3 million, a

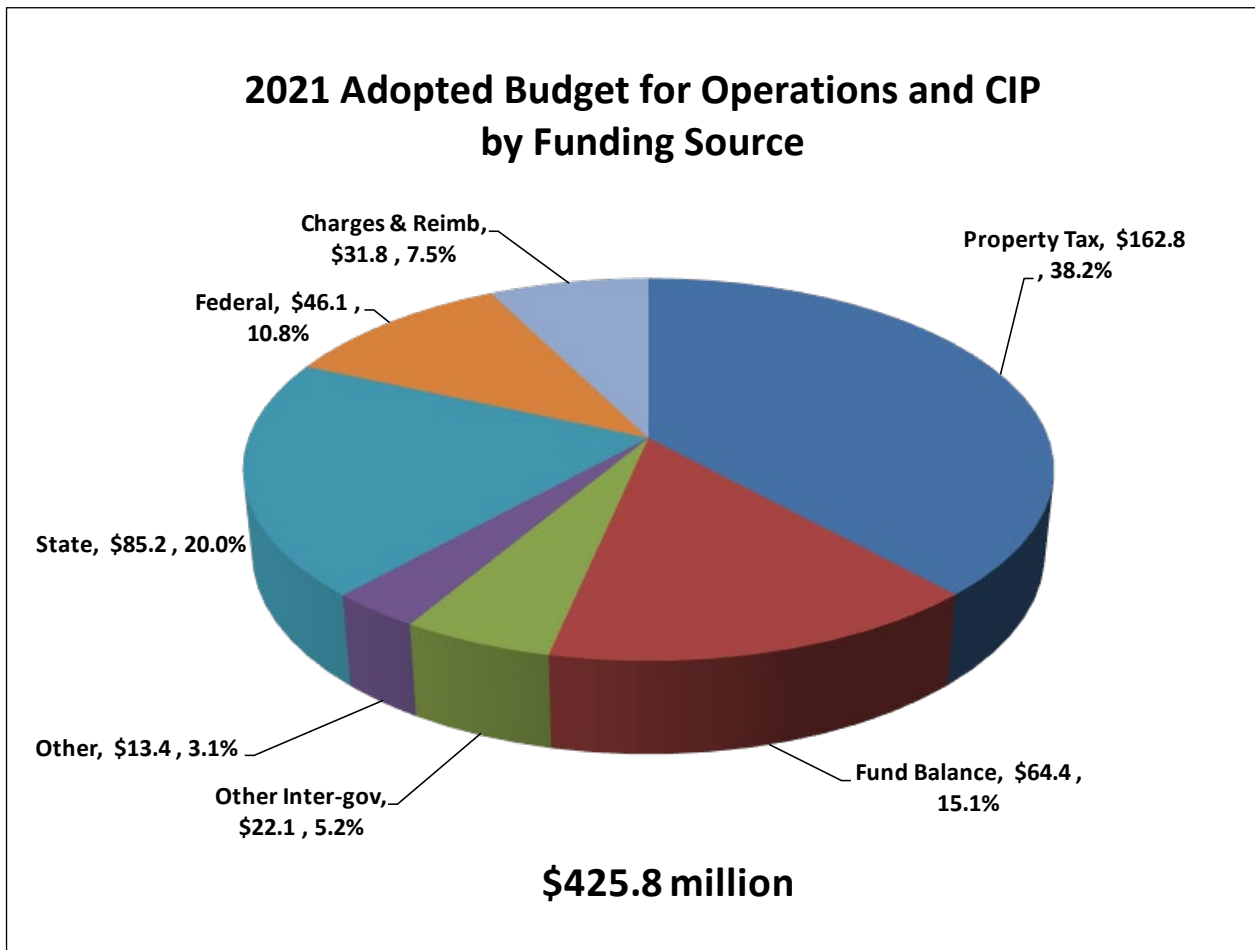


decrease of \$43.2 million, or 24.6% less than the 2020 CIP. Both of these budgets are supported by a recommended property tax levy of \$144.6 million, which is unchanged for the 2020 Adopted Budget. The 2021 Adopted Budget relies upon the internal reallocation of resources and other savings along with external revenues to cover the County's cost growth in excess of the recommended property tax levy.



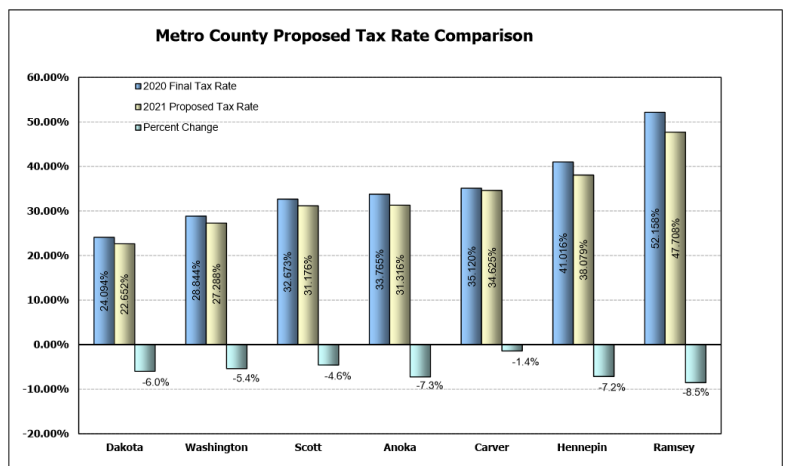
TOTAL REVENUE

For the 2021 Adopted, total revenue decreased by 6.1% to \$425.8 million. Operating revenues increased from the previous year’s budget from \$278.0 million to \$293.5 million, an increase of 5.6%. Revenues supporting the CIP decreased. In FY2021, CIP revenues decreased by 24.6% to \$132.3 million. The majority of the revenue increases in operations and CIP is attributed to federal revenues, state revenues, and use of Fund Balance. 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 2021 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



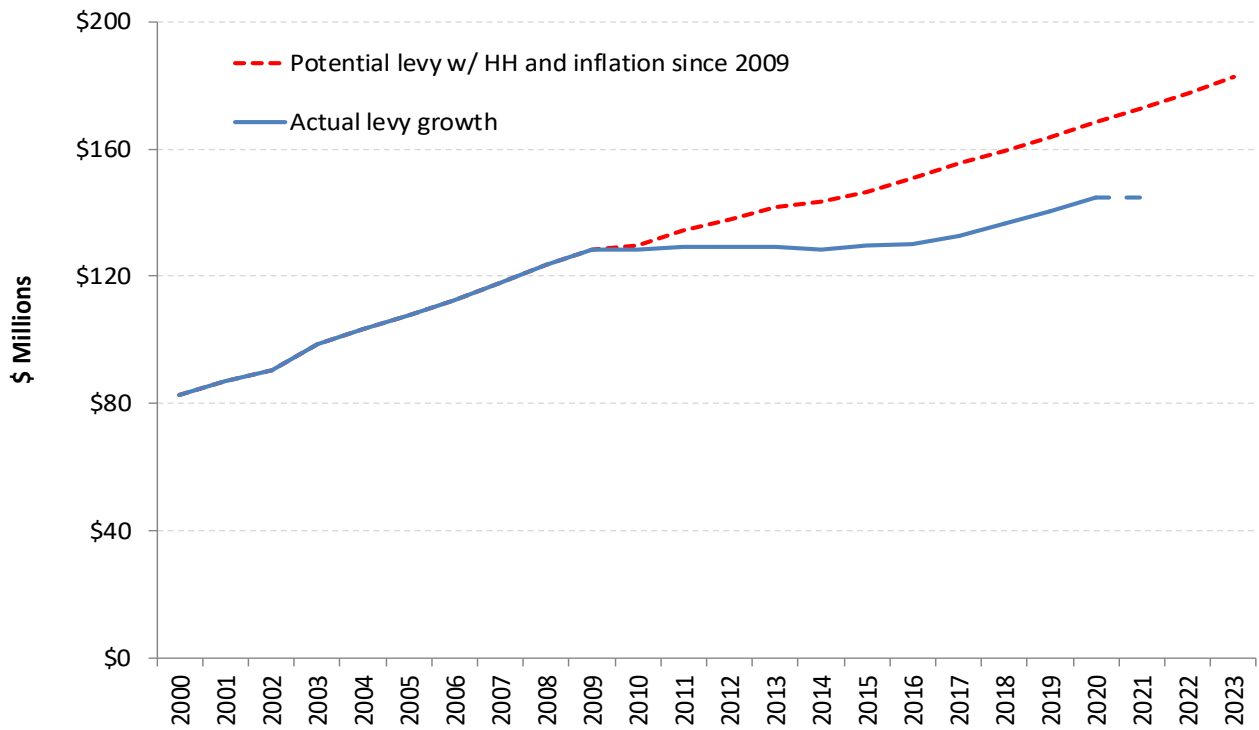
**In St Paul and Minneapolis there is a different level of services and therefore a higher county rate. All remaining cities in both counties pay the suburban rate and tax.

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) would not increase for Fiscal Year (FY) 2021. Currently, the Levy funds 34.0% of both County Operations and CIP. Under the 2021 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 decreased from \$33.3 million in FY2020 to \$31.8 million for FY2021 or a decrease of 4.34%.

Other Revenues

Other Revenues include property taxes and penalties; excluding the current property tax levy, as well as other miscellaneous financing sources. For FY2021, these revenues decreased by \$1.6 million or 10.76%.

Federal Revenues

Federal Revenues decreased in FY2021 by 14.04% or \$7.5 million. Decrease based on Capital projects eligible for federal reimbursement.

State Revenues

State Revenues are anticipated to decrease in FY2021 by 34.19% or \$44.2 million. Decrease based on Capital projects eligible for state reimbursement.



Other Intergovernmental Revenues

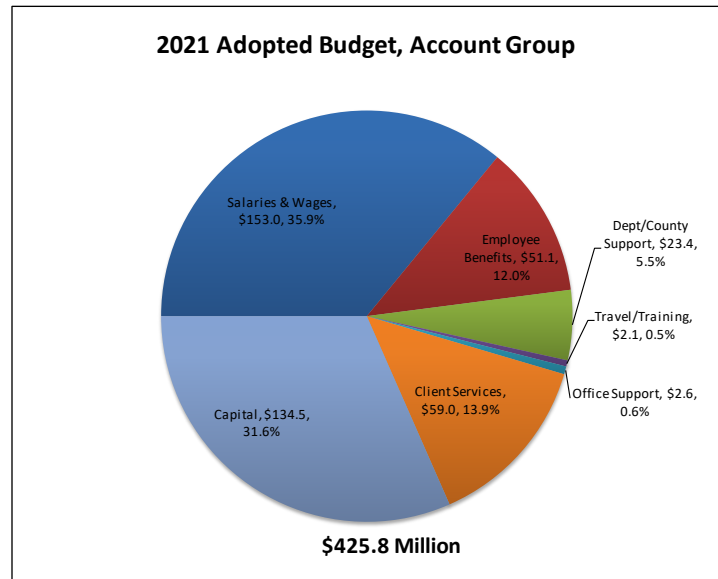
Other Intergovernmental Revenues include those revenues received from other government agencies. This funding has decreased in FY2021 to \$22.1 million, a decrease of 12.87%. Decrease was seen in the Capital Improvement Program.

Fund Balance

Fund Balance supports \$64.4 million of the \$425.8 million Adopted Budget for 2021. The County only uses Fund Balance to support one-time expenditures.

TOTAL

The 2021 Adopted Budget of \$425.8 million decreases total expenditures by \$27.7 million, or 6.1% less than the previous year’s budget. This is due largely to decreases in the Capital Improvement Program (CIP) of \$44.4 million offset by inflationary increases to operations. The following sections are an overview of budgeted expenditures for FY2021 by account group.

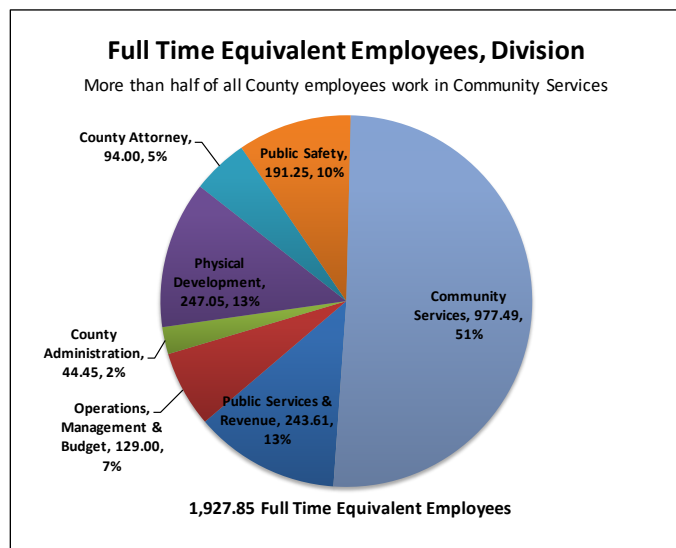


Personnel Expenditures

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 FY2021 are budgeted at \$204.2 million or approximately 48% of the total budgeted expenditures.

Full Time Equivalents (FTEs)

The 2021 Recommended Budget increased Full-Time Equivalents (FTEs) from 1,915.85 in FY2020 to 1,917.85 in FY2021, or an increase of 0.1%.





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 FY2021, the Recommended Budget decreased from \$24.0 million to \$23.4 million, a decrease of \$0.5 million or 2.37%.

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 FY2021 is \$2.6 million, an increase of 0.18%. The change in the office support budget is the result of movement from other expense categories.

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 \$2.1 million, an increase of 0.27%.

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 FY2021, the Citizen/Client Services and Materials budget is recommended at \$56.6 million, an increase of \$7.2 million. 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

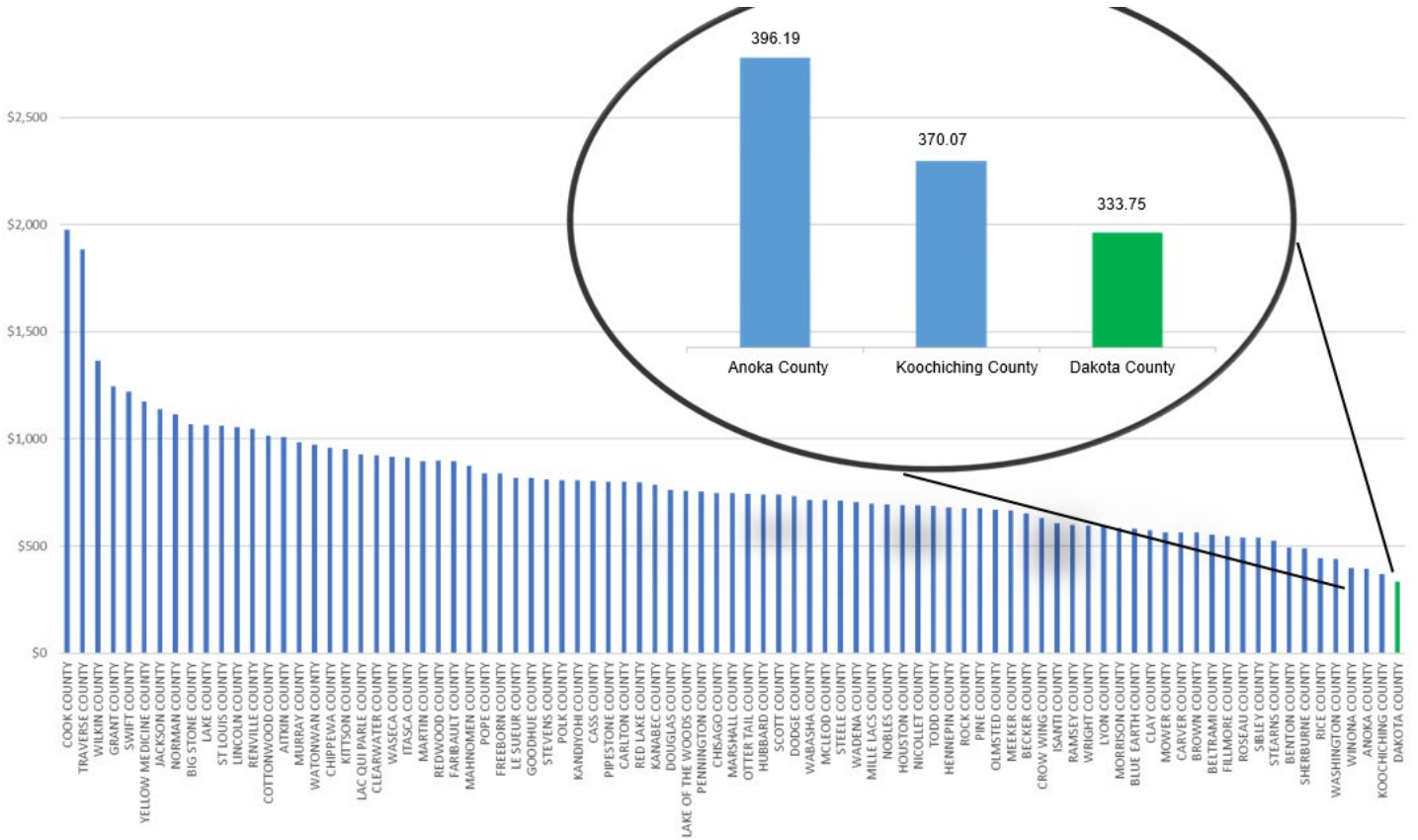
The budget for this account category includes all Capital Improvement Program (CIP) expenses. Total capital spending will decrease from \$183.2 million in FY2020 to \$144.7 million in FY2021, a \$38.4 million or 21.0% decrease.

Budget Incentive Program

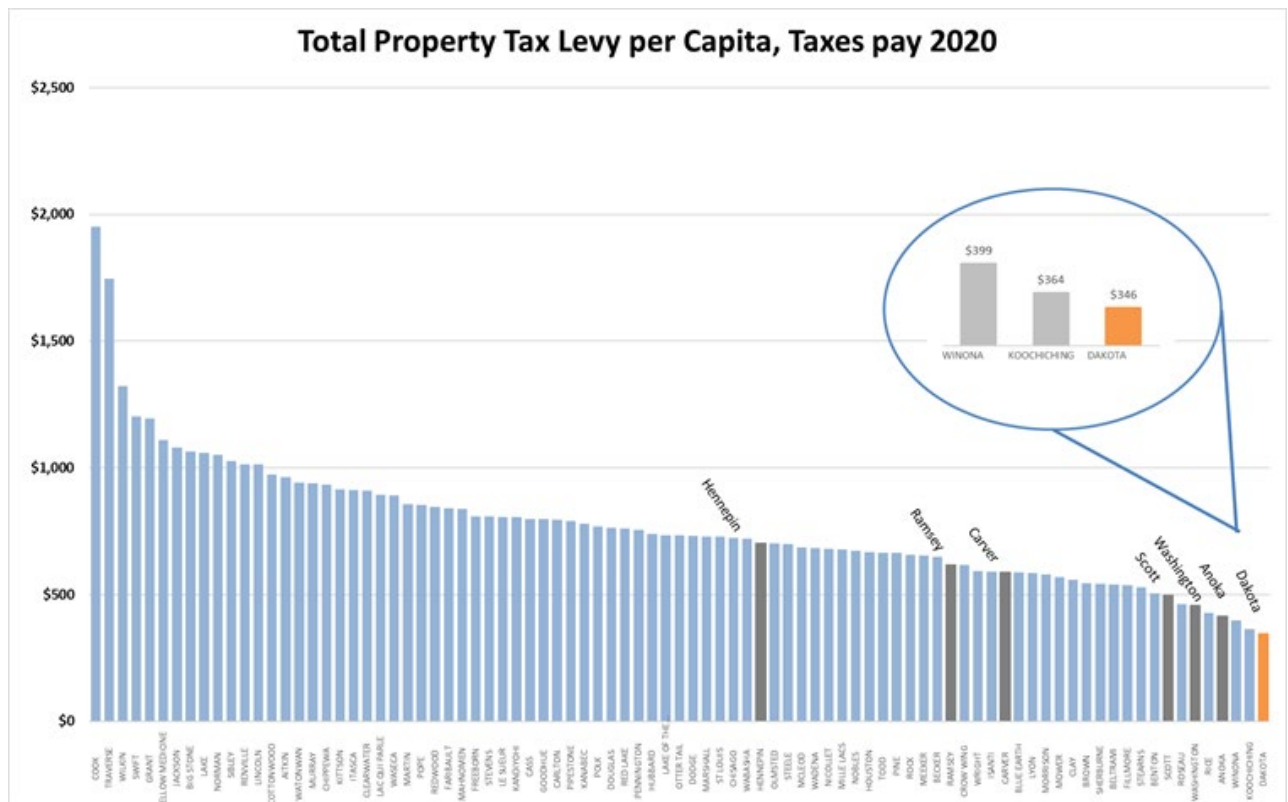
Budget Incentive Program (BIP) expenditures are recorded across all account categories; however, for budgeting purposes, BIP is budgeted in one capital expenditure account. Departments are not required to indicate in the budget how they plan to spend BIP funds, although they are requested to formulate a “BIP Spending Plan” for internal review. The Adopted amount of BIP is budgeted at \$1.1 million for FY2021.

APPENDIX

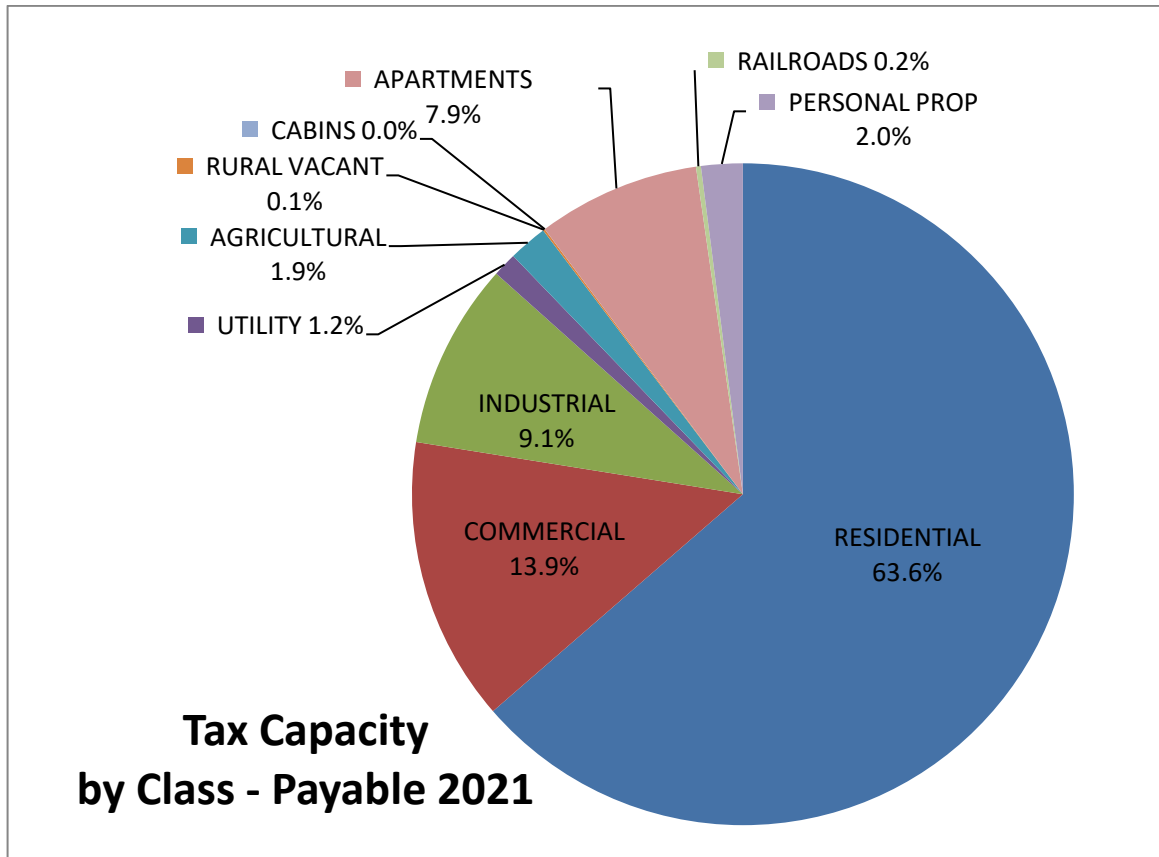
Item 1: Total Property Tax Levy per Household, Taxes Pay 2021



Item 2: Total Property Tax Levy per Capita, 2020

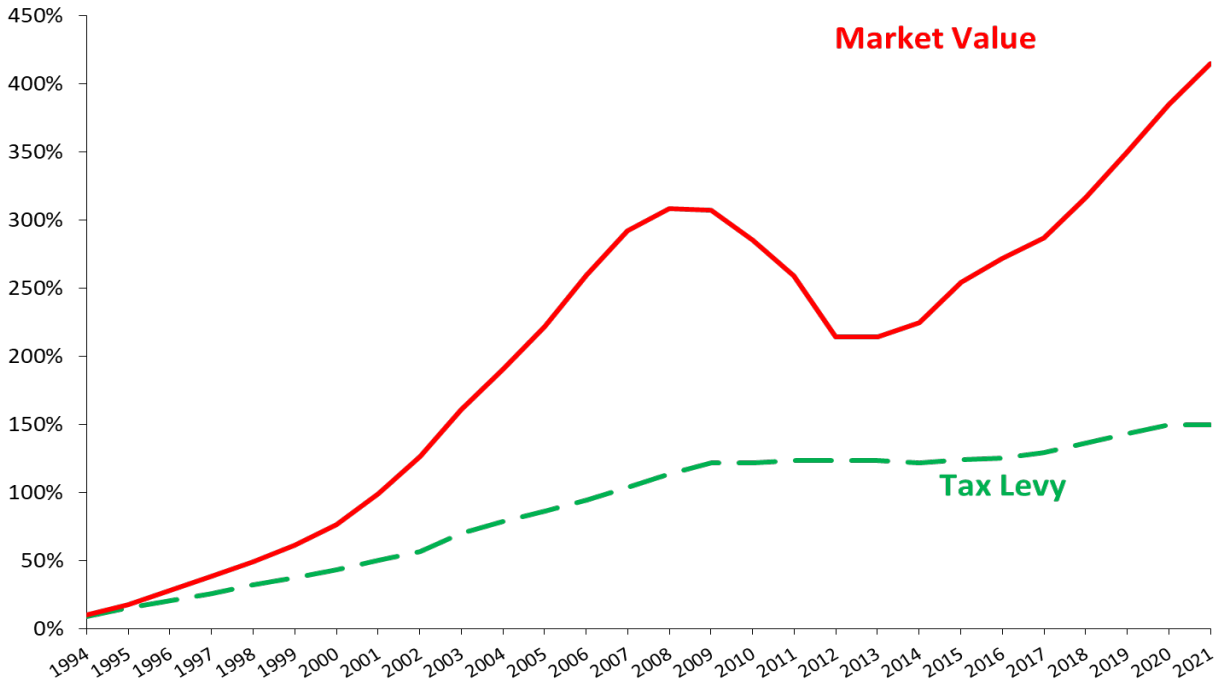


Item 3: County Tax Capacity by Class, Payable 2021

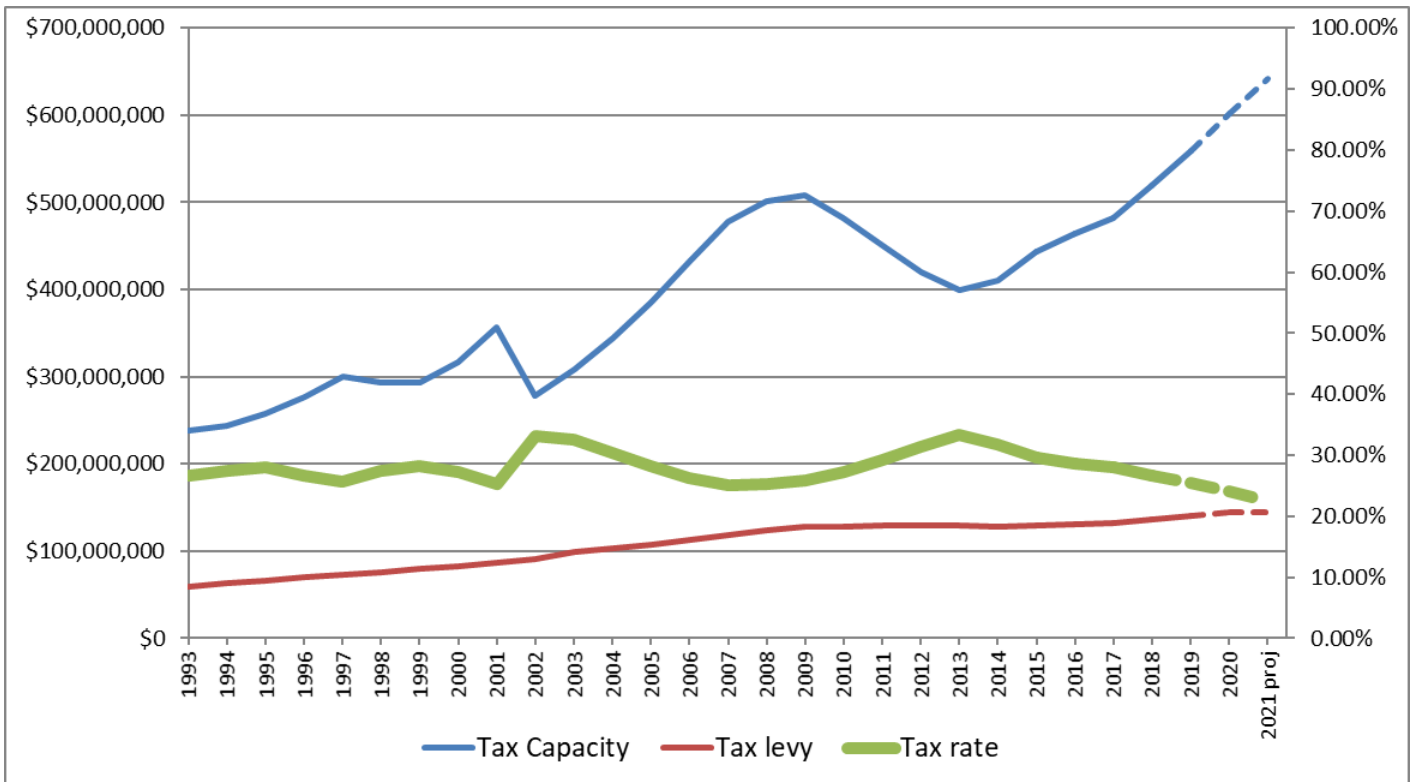


Item 4: Dakota County Property Tax Levy vs. Market Value

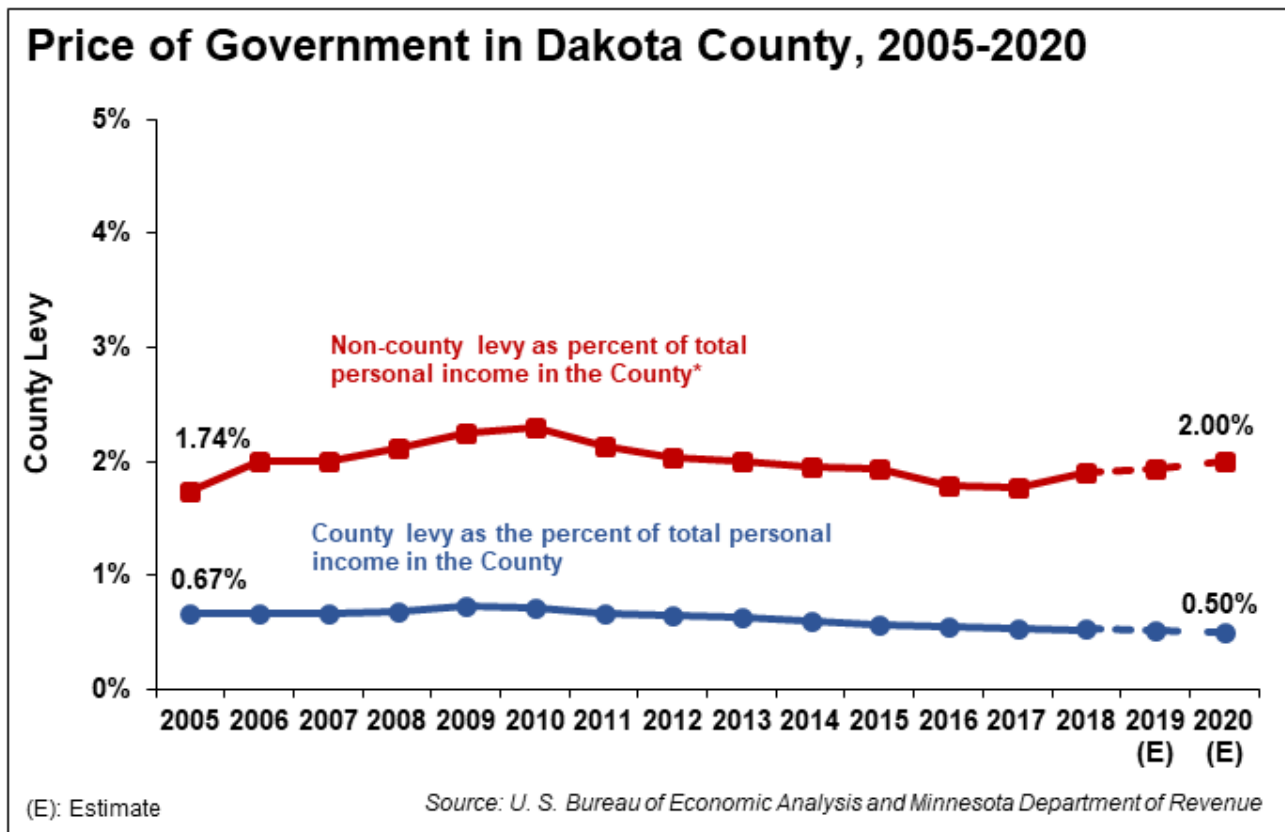
Dakota County Property Tax Levy vs. Market Value



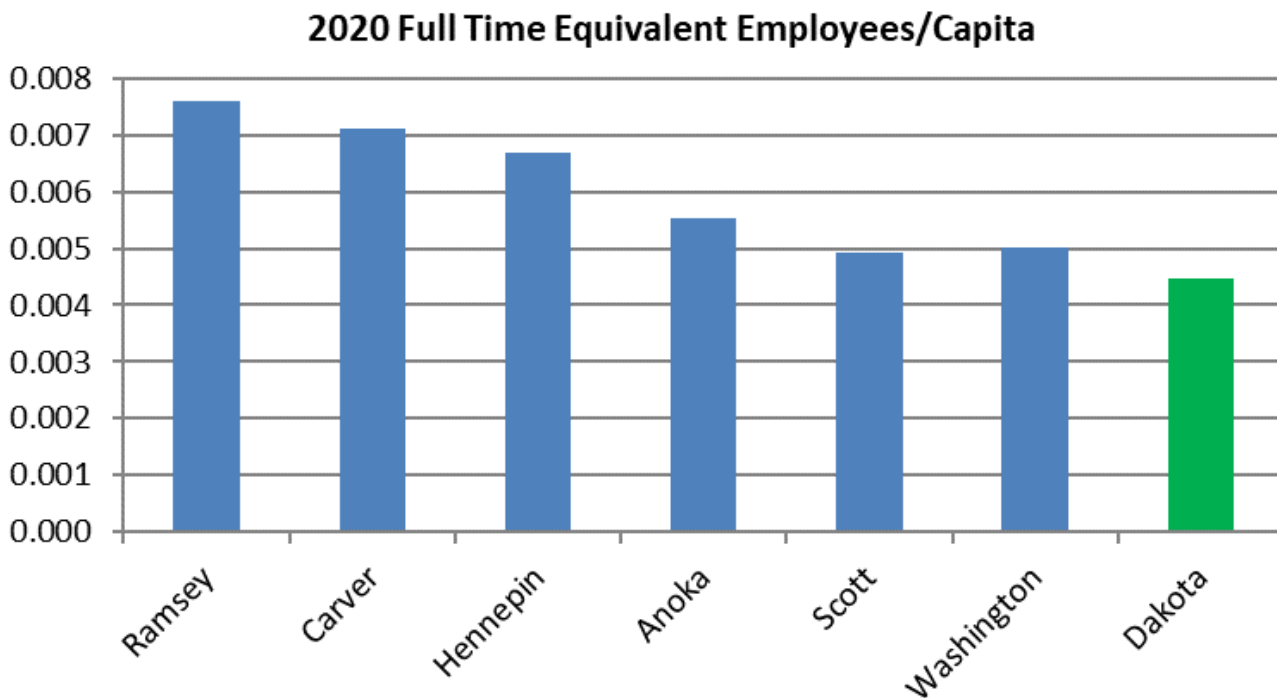
Item 5: Tax Base, Levy, and Rate Trends



Item 6: Price of Government in Dakota County, 2005-2020



Item 7: Full Time Equivalent Employees/Capita, 2020



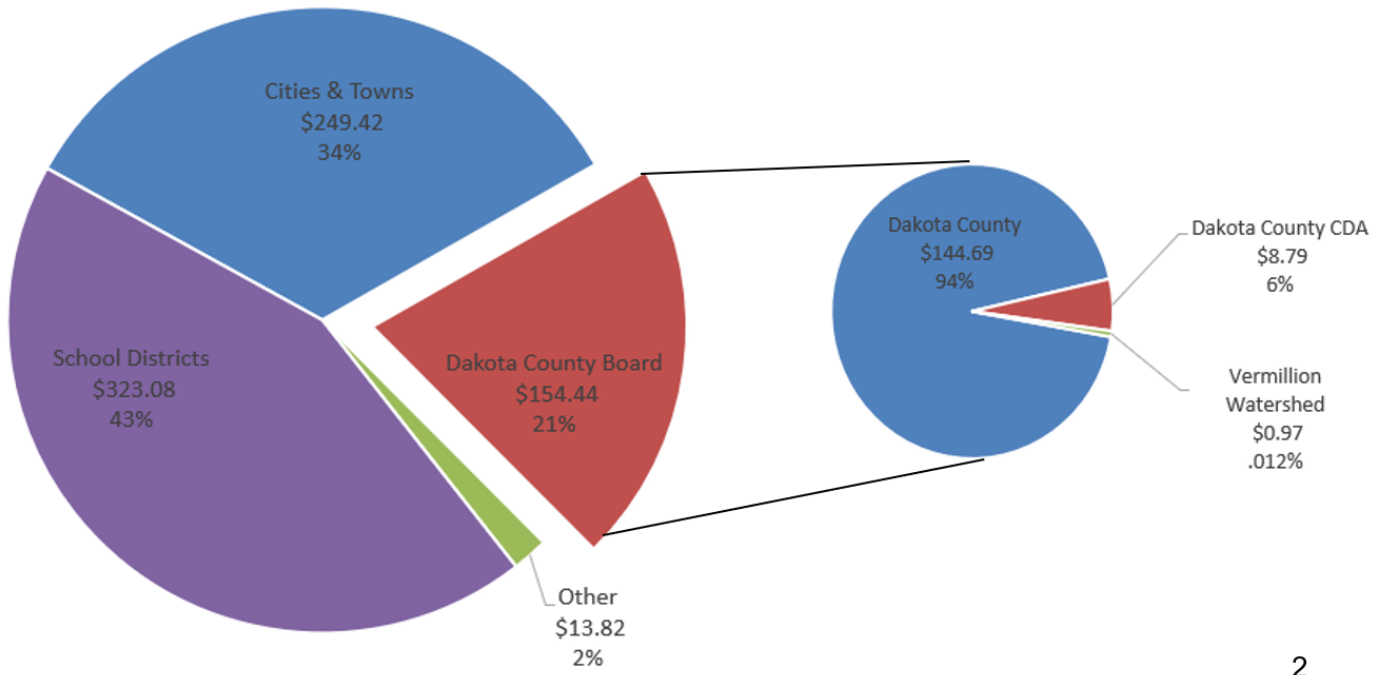
Item 8: Operating Budget by Account Group, Adopted 2021

2021 Adopted Operating Budget			
Financial Summary			
	2020 Adopted Budget	2021 Adopted Budget	% Change
Expenditures			
SALARIES	149,575,135	153,022,199	2.3%
BENEFITS	49,256,377	51,144,146	3.7%
DEPT/COUNTY SUPPORT	23,406,883	23,437,525	0.1%
TRAVEL/TRAINING	2,055,342	2,060,809	0.3%
OFFICE SUPPORT	2,341,936	2,346,636	0.2%
MATERIALS/SUPPLIES	2,527,060	2,405,919	-5.0%
CITIZEN/CLIENT RELATED SERVICE	49,418,599	56,575,175	12.6%
INTERDEPARTMENTAL	-9,161,611	-10,229,337	10.4%
CAPITAL, DEBT, OTHER FINANCING	1,403,111	6,054,695	76.8%
Total Expenditures	270,822,832	286,817,767	5.6%
Funding Sources			
OTHER TAXES	2,238,530	2,231,660	-0.3%
CHARGES FOR SERVICES	30,934,067	29,467,176	-5.0%
OTHER REVENUES	3,763,230	13,429,271	72.0%
FINES AND FORFEITURES	30,000	30,000	0.0%
LICENSES & PERMITS	1,379,806	1,402,926	1.6%
FEDERAL REVENUE	33,854,803	34,278,967	1.2%
STATE REVENUE	50,619,027	51,804,165	2.3%
OTHER INTERGOVERNMENTAL REV	5,637,973	5,200,794	-8.4%
OTHER FINANCING SOURCES	-2,266,302	-2,231,660	-1.6%
Total Non-Levy Funding Sources	126,191,134	139,094,549	9.3%
PROPERTY TAXES	144,631,698	147,723,218	2.1%
Total Funding Sources	270,822,832	286,817,767	5.6%

Item 9: Dakota County Property Taxes by Taxing Jurisdiction

Total 2020 Tax Levies Without State Property Tax: \$740.76

in Millions



*Dakota County Levy Portion Only