COON CREEK WATERSHED DISTRICT
Request for Board Action

MEETING DATE: July 22, 2019
AGENDA NUMBER: 14
ITEM: Rough Draft 2020 Budget: Review & Discuss

AGENDA: Discussion

ACTION REQUESTED
Review updated DRAFT of 2020 budget and decide on additional staffing level

BACKGROUND
The Coon Creek Watershed District is required to develop and adopt an annual budget for the successive year by September 15 of each year.

The Coon Creek Watershed District is a governmental subdivision of the State of Minnesota. The watershed district is a special taxing district created and authorized under Minnesota statutes, Chapter 103D on May 28, 1959.

The Board reviewed a Preliminary Rough Draft 2020 Budget at the July 8 meeting. During the July 8 Board discussion, 3 issues were raised, and the Board requested additional analysis and consideration. Those three issues were
1. Why operating costs decreased
2. Include forecast of revenue and expense. Basically, extend budget 2-3 years beyond focus year.
3. Review Financial Sustainability of the 3 proposed Staff Positions
4. Potential for Sharing or combining positions

Since July 8 the budget has been corrected and updated resulting in a significantly different proposed budget for 2020. In addition, the budget numbers are extended to 2022.

Limitations and uncertainty in the rough draft budget are:
The new building: There are several new costs associated with operating the building. It will take 2-3 years to develop experience with these new costs to ensure certainty and efficiency in those services.

BUDGET SUMMARY
- The rough draft 2020 budget is $4,352,816 (24% increase from 2019).
- The property tax levy, $2,577,244. This is a 4% increase over 2019.
- Rough DRAFT budget includes request for 3 Full Time positions
- This rough draft is for discussion purposes only.
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</tr>
</thead>
<tbody>
<tr>
<td>Property Tax</td>
<td>3,014,119</td>
<td>2,405,941</td>
<td>2,405,941</td>
<td>2,478,119</td>
<td>2,577,244</td>
<td>2,680,334</td>
<td>2,787,547</td>
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<tr>
<td>Special Assessment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fees &amp; Charges</td>
<td>129,860</td>
<td>323,140</td>
<td>214,600</td>
<td>214,124</td>
<td>210,000</td>
<td>210,000</td>
<td>215,250</td>
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<tr>
<td>Grants</td>
<td>52,002</td>
<td>126,223</td>
<td>469,099</td>
<td>976,621</td>
<td>1,300,434</td>
<td>584,876</td>
<td>497,144</td>
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<tr>
<td>Other Revenue</td>
<td>13,349</td>
<td>46,611</td>
<td>73,615</td>
<td>27,000</td>
<td>25,000</td>
<td>27,000</td>
<td>26,333</td>
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<tr>
<td>Fund Balances</td>
<td>2,062,557</td>
<td>2,273,831</td>
<td>1,040,225</td>
<td>263,374</td>
<td>240,139</td>
<td>827,042</td>
<td>1,003,500</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>5,271,887</strong></td>
<td><strong>5,175,746</strong></td>
<td><strong>4,203,480</strong></td>
<td><strong>3,959,237</strong></td>
<td><strong>4,352,816</strong></td>
<td><strong>4,329,251</strong></td>
<td><strong>4,529,774</strong></td>
</tr>
</tbody>
</table>

Rough Draft 2020 Budget

![Pie chart showing budget allocation]

- **Property Tax** 59%
- **Fees & Charges** 5%
- **Grants** 30%
- **Other Revenue** 1%
- **Fund Balances** 5%

- **Salaries & Benefits** 28%
- **Professional Services** 6%
- **Operating Expenses** 5%
- **Capital Costs** 2%
- **Program Costs** 59%
ISSUES/CONCERNS

1. **Decrease in Operating Costs:** The revised budget shows a 5% ($11,220) increase in operating costs. The principal drivers of this increase are associated with
   - Building care and maintenance
   - Costs now budgeted for as operating cost due to the changes in chart of accounts

   **Examples are:**
<table>
<thead>
<tr>
<th>Examples</th>
<th>Increases</th>
<th>Pct</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Plow &amp; Mow</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expendable-Computer</td>
<td>$2,425</td>
<td>47%</td>
</tr>
<tr>
<td>Expendable-Equipment</td>
<td>$16,225</td>
<td>185%</td>
</tr>
<tr>
<td>Expendable-Furniture/Office</td>
<td>$38,994</td>
<td></td>
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<tr>
<td>Security</td>
<td>$971</td>
<td>345%</td>
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<tr>
<td>Waste Disposal</td>
<td>$1,000</td>
<td>55%</td>
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</table>

2. **Include Future Years in Budget Presentation:**
   The revised revenue budget presentation above assumes a 3.5% annual increase in property taxes, a 1.5% increase in billable development and services under existing rates, a general decrease in grants to the 5 year average modified with pessimistic professional judgement and an overall slight decrease in fund balance usage.

   The revised expenditure budget forecast assumes 3 new positions for 2020, existing scheduled step increases for qualifying staff and no new staff requests. The remainder of the expenditures assume an annual change of 0.93 to 3.5% based on best professional judgement
3. **Financial Sustainability of the 3 Proposed Staff Positions:**

Priorities for the 3 positions are, from most important are:

1. Water Quality Supervisor
2. Regulatory Technician
3. Operation & Maintenance Technician

The Water Quality and Regulatory positions are essential and to a degree time sensitive.

The impact of the positions on the existing budget were evaluated by running four scenarios. The results of those scenarios, assuming all three positions would elect to enroll in all available benefits involving employer costs are:

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Description</th>
<th>Additional FTEs</th>
<th>Additional Cost w/ Benefits</th>
<th>Percent Increase 2019-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>All three positions</td>
<td>3</td>
<td>215,167</td>
<td>22%</td>
</tr>
<tr>
<td>2</td>
<td>No OM Tech Position</td>
<td>2</td>
<td>150,818</td>
<td>15%</td>
</tr>
<tr>
<td>3</td>
<td>No Regulatory Position</td>
<td>1</td>
<td>86,465</td>
<td>9%</td>
</tr>
<tr>
<td>4</td>
<td>No additional Staff</td>
<td>0</td>
<td>5,298</td>
<td>1%</td>
</tr>
</tbody>
</table>

**Conclusion:** All three positions are financially viable. However, the OM Technician position does approach the cautionary zone by 2022, early 2023. The concern is that the assumed decrease in grants and the relative low rate of tax increase (assumed 3.5% annual increase) begins, with no other action taken, to squeeze District cash flow.

This problem could be alleviated by delaying the OM Tech position by 12 to 18 months. An additional small buffer could be created by not posting the other two positions until January ensuring several months of salary saving.

4. **Sharing or Combining Positions:** This is not advised at this point for the following reasons:

   1. The water quality position required a specialized knowledge and skill set not easily acquired or transferrable to the other two positions. Sharing or combing this position would be like asking your cardiologist to perform a root canal.
   2. The development regulation position requires extensive additional training not only in planning and zoning but in in performance regulation and inspection and most importantly in only regulating what is needed to the degree it is needed and assisting the applicant in pursuing their goals in a manner that is in synch with the hydrologic system’s needs and tendencies.

5. **Next Steps:** The next Board meeting is August 12.

   1. Subject to the decisions made at this meeting, changes will be made to the budget as proposed and presented to the Board at that meeting. At the August
12 meeting the Board will be asked to approve a rough DRAFT budget for review and suggestions by the Advisory Committees.

2. Those comments and suggestions, and their implications for the DRAFT budget, will be presented at the August 26 meeting for review and consideration by the Board. The Board will be asked to approve a DRAFT budget for public review and hearing at that budget.

3. September 12 Board meeting will include a hearing and recommendation, post hearing, for adoption of a 2020 budget

PRIOR DECISIONS
1. At the July 8 meeting the Board indicated it would decide on how many, if any, of the proposed positions to include in the 2020 budget proposal.

OPTIONS
1. Include monies in the 2020 budget for all three proposed positions
2. Include monies in the 2020 budget for two of the proposed positions
3. Include monies in the 2020 budget for one of the proposed positions
4. Do not fund any of the proposed positions at this time

RECOMMENDATION
Include monies in the 2020 budget for two of the proposed positions