COON CREEK WATERSHED DISTRICT  
Request for Board Action

MEETING DATE:  April 13, 2015
AGENDA NUMBER:  16
ITEM:  Budget Guidelines

POLICY IMPACT:  Policy
FISCAL IMPACT:  Budgeted

REQUEST
Adopt the Budget Guidelines.

DISTRICT GROWTH
In 2014, 78 projects were reviewed and approved as fully meeting the stormwater, water quality and conservation requirements of the District.

- New commercial development included 30 projects including five middle and elementary school additions. Some examples are Blaine Alzheimer’s Special Care Facility, Clock Tower Commons in Andover, Mercy Hospital/Healthcare Center Parking Addition; Metropolitan Transportation Network Parking Lot Expansion in Fridley; Spring Lake Park Addition Unity Hospital Campus; Vision Woodworking, and National Sports Center Field Expansion.

- New residential development included 29 projects including Carson's Ridge, Enchanted Estates 2nd Addition, Lawrence Estates and the Lakes of Radisson 59th Addition.

- Approximately 20 road and other public works projects were also reviewed and approved including Andover Blvd NW & Crosstown Blvd Turn Lane in Andover, Able Street Reconstruction in Blaine, and Coon Rapids Blvd. at Springbrook Drive in Coon Rapids.

- Another 20 applications were found to not need a permit either because they were exempt under the Wetland Conservation Act, their stormwater was already managed through existing stormwater infrastructure or there were no water or related resource issues.

The growth within the last several years continues to produce a profound increase in demand for District services and has significantly added to the District’s infrastructure and staffing needs. Consequently, this change will result in significant future operation
and maintenance costs. The chart below illustrates the significant growth anticipated for the portion of Anoka County within the watershed.

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<tr>
<td>Total Population</td>
<td>164,98</td>
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<td>Total Households</td>
<td>62,955</td>
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<td>64,666</td>
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<td>Annual Permit Applications</td>
<td>154</td>
<td>181</td>
<td>200</td>
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<td>Annual Inspections</td>
<td>175</td>
<td>188</td>
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<td>193</td>
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<td>Single Family Residential Applications</td>
<td>18</td>
<td>15</td>
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<tr>
<td>Additional Single Family Lots</td>
<td>136</td>
<td>117</td>
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<td>127</td>
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<td>Total Public Ditch Miles</td>
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<td>Total Water Control Structures</td>
<td>10</td>
<td>10</td>
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<td>Annual Corrective Maintenance Issues</td>
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<td>99</td>
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<td>Annual Aquatic Invasive Species</td>
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<td>7</td>
<td>9</td>
<td>10</td>
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<td>Annual Enforcement Incidents</td>
<td>58</td>
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<td>62</td>
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<tr>
<td>Annual Wetland Evaluations &amp; Review</td>
<td>35</td>
<td>41</td>
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**BUDGET GUIDELINES**

The following are Budget Development guidelines/financial goals presented in the Comprehensive Plan and used by District Staff while preparing their proposed operating budget, and presented with a brief description of the outcome of each guideline as part of the budget process:

**Budget Structure**

1. A commitment to a District Tax Capacity Rate to meet the needs of the District and positioning the District for long-term operation through the use of sustainable revenue sources and operational efficiencies

2. Actively pursue local sponsorship and pursue projects that have local interest.
3. Balance the method of funding, with the costs of projects, so that the appropriate
degree of responsibility and risk is realized.

4. Each program and activity should be treated as a discrete budget entity for purposes of
assigning and distributing revenues and allocation of overhead

5. Ensure that no individual is forced to carry an extraordinary burden, or is short
changed with respect to services.

6. Fund sources with restrictions or explicit designated purpose should be managed
discretely to ensure proper stewardship and accountability to external sponsors on
accordance with accounting and regulatory policy and procedures

7. Institutional shared or "public good" costs should be distributed as overhead cost to
each program and activity on a reasonable and equitable basis

8. Make use of outside dollars to match or supplement funds generated within the
District

9. Relate the sources of funds to the services rendered

10. Use of fees as a funding mechanism is generally appropriate when the result is:
    • A more accurate and efficient assignment of costs to discrete funding sources
      internally and externally particularly when such services are used unevenly across
time and the watershed
    • A more effective valuation of the demand for a particular service and a more
      efficient rationing of the use of such service.

**Capital Investments**

1. A comprehensive review of the condition of capital equipment to ensure that the most
cost-effective replacement schedule is followed. Equipment will be replaced on the
basis of a cost benefit analysis rather than a year-based replacement schedule

2. Ensure consistency, a full appreciation of both the costs and benefits of proposed
capital investments, and raises the level of public understanding regarding the
District’s public improvement processes;

3. Provide information on the fiscal impacts of capital investment plans on total District
finances

**Collaboration**

1. A team approach that encourages strategic planning to meet immediate and long-term
operational, staffing, infrastructure and facility needs.
2. Continue to work on developing and maintaining working relationships with: school districts, county, cities; the goal being to reduce costs, improve service delivery and be as efficient as possible

3. New collaboration opportunities must be a win-win for the participating parties

4. Opportunities for shared services and resources across programs and organizational boundaries should be aggressively pursued where feasible.

5. Rethink how we deliver existing basic District services and seek lower cost with increased productivity.

6. Seek city support in meeting the District's needs relative to flood control and maintenance and improvement of water quality. In particular how improvements to City and District stormwater infrastructure can help solve water management problems.

7. Sponsored or contractual activity performed for external entities should be fully costed with direct and indirect expenses for the purpose of seeking full reimbursement from the external entity in accordance with accounting and regulatory policy and procedures

**Fiscal**
1. Assure District financial stability through cost effective service

2. Don't commit dollars today that will commit the District to unsustainable future expenses

3. Explore new revenue streams

4. Focus spending on District needs; Wants need to be supported by new or redirected sustainable revenues.

**Level of Service Delivery**
1. Analyze potential for "Administrative Fine" system (similar to Mankato)

2. Continually review our process to reduce unnecessary or unwanted service deliveries

3. Determine if the District should reduce maintenance of ditches not used or usable for cost savings; Focus maintenance on 3rd, 4th and 5th order streams

4. Pursue paperless opportunities whenever possible

5. Review District relationships with the cities to help provide exceptional service to the District
**Multi-Year Planning**

1. Ensure that District priorities are reflected in the capital investment plans of each program; to provide a consolidated financial picture of anticipated expenditures and outline recommended funding strategies to underwrite anticipated capital improvements.

2. Maintain a current 5 year budget plan shaped to optimize the investment of limited resources to meet program priorities, both current and long-term.

3. Effectively plan for public improvements that support District needs in the areas of private development infrastructure, transportation, public safety, parks and recreation, utilities, and commercial/industrial growth through fiscally responsible economic development initiatives.

**Operating Reserve**

1. A fiscal goal that works toward establishing the General Fund balance for working capital at no less than 35% of planned General Fund expenditures and the preservation of emergency fund balances (Natural disasters and emergencies, public safety, facility management and information technology) through targeting revenue enhancements or expenditure limitations.

2. Discrete reserve funds should be used in addition to general operating reserves to effectively plan for the renewal and/or replacement of specific functions, facilities and equipment.

3. Operating budgets or specific budget policies should be adjusted as necessary to maintain an adequate, but not excessive level of reserves.

4. Provide for periodic use and replenishment of reserves to enable one-time strategic investments for both short-term and long-term District needs.

5. Reserves are an appropriate and useful source of funds to ensure long-term stability of an operating unit's financial operations and to enable timely priority investments. Although strong reserve balances are a sign of fiscal health, such balances should be managed strategically to enable limited term priority investments that cannot be met through annual operating budgets.

**Prioritizing Use of Resources**

1. Align the use of resources with priority budget needs and redistribute resources as needed to ensure limited resources meet highest priority needs.

2. District will prioritize capital funding and rehabilitation based on position in the watershed, and effective role in conveying, retaining, or detaining water.
3. The District prioritize other budgetary needs relative to the District's mission statement and stated priorities

4. The District will place its highest program budget priority on addressing those issues in the watershed that pose threats to the public health, and safety.

5. The District will prioritize the maintenance of the drainage system based on stream order and volume of flow.

**Staffing**
1. Budget for all authorized positions

2. Evaluate and include funding for 2 new positions. One to assist in permit review, inspections and enforcement; One to assist in Operations and Maintenance and Asset Management

3. Discuss employee salaries and the review process with the budget development process

4. Include a 3% step change for the three employees who qualify.

5. Employer health care contributions are to be maintained at an employer ratio of 76% of the low end family coverage and 100% of the single coverage

6. Premiums for health insurance are expected to increase by 5% due to market conditions

7. Include a review of position based salaries to confirm competitiveness with other government entities

**Stewardship**
1. A management philosophy that actively supports the funding and implementation of Board of Manager policies and goals, and a commitment to being responsive to changing physical, social and management conditions, concerns and demands, and to do so in a cost-effective manner.

2. Changes in priorities and/or growth in a particular area should be addressed first through substitution or reallocation where feasible in order to minimize the demand for additional resources.

3. Program budget priorities should be allocated and applied in a manner consistent with current program budget priorities
4. Program budget priorities should be generally aligned and substantially consistent with District priorities. A balance should be maintained between prioritizing District needs and benefits with program needs and benefits.

5. Restricted resources should be used for their intended purpose prior to using unrestricted resources for the same purpose.

6. Review Storm Water regulations to achieve cost savings at the local level and help avoid duplicative regulatory enforcement by another governing body.

7. The District and operational programs will maintain balanced operating budgets within the budget period and over the long-term.

8. The District will continue to support and fulfill its role in providing and coordinating agricultural drainage.

9. The District will use its hydrologic model to forecast the potential threats to the public health, and safety from flooding for budget purposes.

10. To use revenues which are consistent with the District’s mission statement and responsibility for the watershed as a whole.

11. To use revenues which justify the cost of collection and administration.

LONG TERM FINANCIAL OBJECTIVES

The District Board and staff are committed to expending public resources in the most cost-effective and economical manner possible to ensure the stability of the District’s basic services. In light of the current sporadic onset of levy limits, fiscal strategies will need to be constantly monitored to ensure a balanced approach in providing sufficient revenues to fund District services:

1. Employing a strategy aimed at reducing the District's reliance on the property tax levy to fund basic District services through “sustainable” revenue sources such as special revenues, user fees and fee-for-service transaction.

2. The use of an appropriate cost accounting structure that will lead to the creation of individual cost centers for all District program activities to accurately reflect the true cost of providing specific services.

3. The development of work performance goals for each department to ascertain and measure how each operating program contributes to the District's mission.

4. The development of long-term financial models that identify anticipated trends in community growth and financial resources, designate appropriate capital resources to
future District needs, tracks per capita spending growth, and establishes a link between fiscal targets and budgetary expenditure goals.

5. The aggressive and appropriate investment of idle District funds to maximize the generation of interest income, while ensuring adequate cash flow requirements.

6. Greater reliance on technology to enhance employee productivity in all areas of District operations and improve customer communications.

7. The adoption of a financial philosophy that seeks to spread the cost of significant capital outlay expenditures over an extended period of time to ensure that current and future taxpayers share equally in underwriting the cost of significant public expenditures.

8. Involving all employees in the process of re-engineering the work environment by encouraging cross-training opportunities, reducing and eliminating bureaucratic barriers, streamlining public process requirements, and adopting private sector business values in District operations.

9. Continuously reviewing opportunities to form partnerships with the cities within the watershed and neighboring watershed management organizations to share services and equipment, jointly purchase equipment and develop strategies to deal with local issues using a regional approach.

**RECOMMENDATION**
Discuss the Budget Guidelines