

MEMORANDUM

To: MCWD Board of Managers

From: Lars Erdahl

Date: July 16, 2015

Re: 2016 Budget – Preliminary Discussion of: Work Plans, Budget-Levy and Process

Purpose:

In preparation for the July 30, 2015 Minnehaha Creek Watershed District (MCWD) Joint Committee budget discussion, this memorandum reviews the established 2016 budget process and summarizes the net budget changes across the following areas:

- Operations and Support Services
- Planning and Permitting
- Communications and Education
- Research and Monitoring

Summary:

In preparation for the September 15 annual budget and levy certification to Hennepin and Carver Counties, the MCWD Board of Managers and Staff annually initiate a process to review work plans, assemble the total budget, and then evaluate and establish the projected levy through review of financing options (levy, grants, debt, carry-over, appropriations), modifying timelines or eliminating initiatives.

As outlined in the June 11, 2015 memorandum to the Board of Managers, rather than presenting work plans incrementally, all work plans are proposed to be reviewed in aggregate for the 2016 budgeting framework. This is intended to streamline the process by providing an early coarse global overview of the total fiscal impact of all projects and programs when combined into the 2016 budget.

Therefore, at the July 30, 2015 MCWD Joint Committee Meeting, staff will:

- Review the historic budget to levy ratios
- Summarize the preliminary 2016 budget and levy
- Overview changes in work plans comprising the preliminary 2016 budget and levy
- Facilitate Committee discussion of the preliminary 2016 budget and levy

To facilitate the July 30, 2015 Joint Committee budget discussion, staff has prepared work plans for all proposed projects and programs. These work plans are organized into the following areas:

- Operations and Support Services
- Planning and Permitting
- Communications and Education
- Research and Monitoring

On subsequent pages of this memorandum, an overview of changes across these areas is provided. Attached to this memorandum are more detailed summary memoranda for each of these areas, which highlight specific program budget changes larger than \$10,000 and proposed changes to staffing. Beneath these summary documents, all specific details are included in the associated work plans.

IMPORTANT NOTE: Line item changes within program areas greater than \$10,000 do not necessarily mean a change to the bottom line budget for that program. These changes may reflect a shift in emphasis or priority within a specific program without change to the program's total budget.

Operations and Support Services:

Operations and Support Services encompasses staff salaries and benefits, manager expenses, meeting expenses, building operations and maintenance, insurance, managing professional services contracts, accounting, auditing, human resources, information technology, government relations, equipment and supplies, furniture, training and other miscellaneous operating expenses.

In 2016, personnel, information technology and vehicle budgets historically located across programs are proposed to be consolidated within Operations and Support Services. This relocation of budgets will have zero net impact to the District's budget but will increase efficiency and consistency.

Summary of Changes:

Budget:

The total 2016 combined budget for Operations and Support Services is approximately \$446,644 higher than the 2015 budget. This is primarily due to the consolidation of personnel, vehicle and IT costs, which will have zero net impact to the total District budget. \$100,000 of the proposed increase is for annual adjustments to staff salary and benefits.

Levy:

The Operations and Support Services levy is approximately \$379,881 higher than the 2015 levy. Again, this is primarily due to the consolidation of personnel, vehicle and IT costs. It also accounts for \$100,000 in annual adjustments to staff salary and benefits.

Planning and Permitting:

Planning and Permitting encompasses permit administration, planning, project maintenance and land management, land conservation, land restoration, the habitat restoration initiative and numerous capital projects.

Summary of Changes:

Budget:

The total combined budget for these programs and projects for 2016 is \$556,041 lower than the 2015 budget. However, \$113,093 in expenses are being relocated to the General Operations and IT funds to consolidate personnel, information technology, and vehicle expenses. Consequently, the net change from the 2015 to 2016 budgeted expenses for Planning and Permitting is a decrease of \$442,948.

Levy:

There is less projected carryover in 2016 than in 2015, resulting in a proposed levy increase of \$126,113 for Planning and Permitting.

Communications and Education:

Communications and Education encompasses communications, education, cost share, and the Cynthia Krieg grant program.

Summary of Changes:

Budget:

The total 2016 combined budget for Communications and Education is \$164,500 lower than the 2015 budget. The majority of this decrease is within the cost share budget associated with a calibration of program budget needs, proposed multi-year reimbursement schedules, and the consolidation of personnel costs into General Operations.

Staff:

A new District Representative position is proposed within the cost share program. This \$34,000 cost is proposed to be funded by consolidating \$34,000 of the cost share program budget into the General Operations fund.

Levy:

There is less projected carryover into 2016 than in 2015, resulting in a proposed levy increase of \$459,951 for Communications and Education.

Research and Monitoring:

Research and Monitoring encompasses water quality monitoring, the development of E-Grade, Lake Nokomis biomanipulation, the Joint Watershed Research Grant, the Aquatic Invasive Species (AIS) Program and the general operations of Research and Monitoring.

Summary of Changes:

Budget:

The total combined budget for these programs and projects for 2016 is \$210,098 lower than the 2015 budget. However, \$196,200 in expenses is being relocated to District General Operations for personnel, information technology, vehicle expenses, and IT in 2016. Consequently, the net change from the 2015 to 2016 budgeted expenses for the Research and Monitoring Department is a decrease of approximately \$7,500.

Staff:

An existing temporary AIS District Representative (20 months, without benefits) is proposed to be made a permanent full-time staff position.

Levy:

There is less projected carryover into 2016 than in 2015, resulting in a proposed levy increase of \$279,051 for Research and Monitoring.

Financial Implications:

The table below is an executive summary of the current projected 2016 budget and levy as compared to 2015:

	2015	2016	Difference
Total Budget	\$14,206,850	\$13,813,295	(\$393,555)
Total Levy	\$8,291,310	\$9,723,076	\$1,431,766

The total projected budget for 2016 is \$393,555 lower than the 2015 budget. However, following Board action over the past several years to spend down available carryover, there is less projected carryover going into 2016 than there was in 2015, resulting in a projected levy increase of \$1,431,766 or 17 percent. The recent history of budget-levy ratios will be reviewed in more detail as part of staff's presentation.

These 2016 budget and levy estimates assume the following:

- Available carryover from a variety of inactive or completed capital projects will be used as levy reduction in the amount of \$1,164,612.
- The Meadowbrook Golf Course Project, estimated at \$2.5 million, is proposed to be financed through the Minneapolis Park and Recreation Board with the District paying approximately \$280,000 in annual debt service.

As part of the presentation at the July 30, 2015 Joint Committee Meeting, staff will outline potential levy reduction options for Board consideration. Staff will also provide an overview of additional items that were considered for inclusion in the 2016 work plans but were excluded based on budget constraints.

Staff will be seeking Board direction on a target levy based on the information presented and will then refine the work plans and budgets for further discussion at the August 6, 2015 Joint Committee meeting.

Next Steps:

Below is the schedule for the 2016 budget and levy process, as included in the June 11, 2015 memo to the Board:

- July 30 – review all workplans, and total preliminary budget/levy at Joint Committee
- August 6 – review preliminary budget and levy at Joint Committee
- August 12 – preliminary budget presented to CAC
- August 13 – Board Workshop, could be used for budget and levy discussion if needed
- August 20 – PPC Meeting, could be used for budget and levy discussion if needed
- August 27 – review advanced budget and levy at Board Meeting
- September 3 – budget public hearing
- September 10 – approval of budget and levy for certification to Counties at Board Meeting
- September 15 – deadline for budget and levy certification to Counties
- December 10 – additional public comment at Board Workshop