



Title: 2023 Budget Forecast

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Purpose:

At the April 28, 2022 Policy and Planning Committee (PPC) Meeting, staff will initiate the 2023 budget process, by:

- Providing a preliminary projection of the 2023 budget-levy
- Outlining the 2023 budget planning process, and timeline
- Obtaining initial feedback from the Committee

Background:

Through the Minnehaha Creek Watershed District's strategic planning efforts, culminating in 2017, the MCWD Board of Managers implemented a series of fiscal measures to carefully manage the District's levy, while maintaining high quality mission aligned output and service.

Those actions included:

- Aligning program budgets with organizational priorities
- Making strategic reductions and implementing operational efficiencies
- Right-sizing, aligning and investing in human resources
- Strengthening partnerships for capital project financing
- Securing increasing levels of outside funding
- Restructuring existing capital project debt
- Reallocating funds from initiatives delivered under budget to capital projects

That work continues to position MCWD well for fiscal year 2023.

Preliminary 2023 Budget-Levy Projection:

Current projections for 2023 show a balanced budget of \$12,958,216. Relative to 2022, these preliminary 2023 projections represent a 14% decrease or (\$2,169,316) in budgeted expenditures. Currently, this budget is supported with a flat (0% change) levy of \$9,675,993 (*Table 1*). This is accomplished by drawing on the funds levied in past years for capital projects, the reallocation of funds from programs either deprioritized or delivered under budget, and external grant funds.

At the top level, the District's budget is comprised of:

- Operations
- Programs
- Capital Finance
- Capital Improvement Projects

Operations:

Includes General Operations, Information Technology and Facility Maintenance.

Current projections show Operations down 1% (\$17,910). This is largely due to planned reductions in Information Technology as this strategic initiative continues to progress through implementation, and the projected 2022 completion of the website rebuild. Also, within Operations, plans for investing in Facility Improvements are shown extending into 2023, based on the status of the project which was slowed down due to a downturn in office use during COVID, the pace of discussions with adjacent landowners, and turnover in planning and project management. Budgeted expenditures of \$75,000 have also been included in facility improvements, in 2023, for changes to the floorplan inside the building, in anticipation of changes in staffing in coming years. This preliminary estimate will be refined through the course of the 2023 budget process.

Programs:

Includes Permitting, Planning, Project Maintenance & Land Management, Outreach, and Research & Monitoring.

2023 Program spending shows an increase of 3% or \$157,931. This increase is comprised of increases in expenditures of \$337,468 in Research and Monitoring (R&M), including the development of a 2D watershed model for which LCCMR funding is being sought. Also, Permitting is preliminarily proposing an increase of 12%, due in part to increased engineering and legal costs in recent years to support the efficient processing of permit applications and service to applicants. The proposed increases in R&M and Permitting are offset by proposed budget decreases in Project Maintenance and Land Management, which is seeing planned decreases in expenditures as part of the multi-year effort to reconstruct the Minnehaha Preserve Boardwalk. Given the nascent stage of implementation of MCWD's realigned outreach strategy, the Outreach budget is currently proposed to remain flat. This will be revisited through the development of the 2023 budget as workplans are developed and program staff are hired in 2022.

Capital Finance:

This fund services debt issued by MCWD partners for capital improvement projects and land acquisitions, and provides flexible and strategic reserves for unplanned opportunities to improve the watershed, while minimizing levy volatility.

In 2021, Hennepin County and the City of Richfield issued refunding bonds to achieve debt service savings, which reduced annual debt service for these bonds by approximately \$75,000 per year.

In 2023, the capital finance budget shows a proposed increase of \$1,454,250 due to the planned final payment for the 325 Blake Road property, which is working its way through final design in 2022. Given the Board's policy of not including grants or outside revenue within the budget until secured, sale proceeds from the pending sale of 325 Blake Road are not included in the capital finance budget.

Capital Projects:

Includes:

- Minnehaha Creek
 - 325 Blake Road, SWLRT Trail and Creek Restoration
- Six Mile Creek – Halsted Bay
 - Wassermann Internal Loading, Turbid-Lundsten Corridor, and the East Auburn Wetland Restoration
- Land and Water Partnership Projects
 - No projects currently budgeted in 2023.

The CIP shows a \$3,763,587 decrease in 2023, due in part to changes in MCWD's multi-year capital project budgeting process. Specifically, given additional detail emerging through the 325 Blake Road design regarding the multi-year construction sequencing, total estimated project costs have been broken out over three years, thereby reducing the 2023 budgeted expenditures.

Table 1 – Preliminary DRAFT 2023 Budget-Revenue Summary

EXPENSES	2022	2023	2022-2023 Δ	% Change
Operations	\$1,808,491	\$1,790,581	\$ (17,910)	-1%
Programs	\$5,680,250	\$5,838,181	\$ 157,931	3%
Capital finance	\$2,758,468	\$4,212,718	\$ 1,454,250	53%
Capital projects	\$4,880,324	\$1,116,737	\$ (3,763,587)	-77%
TOTAL	\$15,127,532	\$12,958,216	\$ (2,169,316)	-14%
REVENUE				
	2022	2023	2022-2023 Δ	% Change
Preliminary levy	\$9,675,993	\$9,675,993	\$ -	0%
Projects fund balance	\$3,511,052	\$1,073,631	\$ (2,437,422)	-69%
Programs fund balance	\$1,212,049	\$1,678,593	\$ 466,543	38%
Grants and partner funds	\$647,218	\$445,000	\$ (202,218)	-31%
Interest, permit fees, reimbursemer	\$81,220	\$85,000	\$ 3,780	5%
TOTAL	\$15,127,532	\$12,958,216	\$ (2,169,316)	-14%

April 28, 2022 Meeting:

At the April 28, 2022 Policy and Planning Committee, staff will provide an overview of:

- The preliminary 2023 budget projection
- Operations, Programs, Capital Finance and Capital Projects
- Current working assumptions
- Process and timeline for completing the 2023 budget

The Committee will be asked to provide feedback regarding:

- The preliminary budget-levy projection
- Areas of interest and concern for subsequent meetings
- The 2023 budget process and schedule

Supporting documents (list attachments):

- Attachment 1 – Operations and Programs Summary

Attachment 1 - DRAFT 2023 Operations and Programs Summary by Fund

Fund Code	Program/Fund	Past Expenditures				2022 Carryover Detail							2023 Budget and Revenue			2022-2023 Budget Change	
		2020 Budget	2020 Actual	2021 Budget	2021 Actual	2021 EOY Balance	2022 Budget	2022 Estimated Expenditures	2022 Levy	2022 External Revenue ¹	Assigned (carried to future years)	2022 Carryover (transferred to CIP)	2023 Budget	2023 External Revenue ¹	2023 Revenue Needs	\$ Change	% Change
1002	General Operations	\$ 1,158,557	\$ 898,177	\$ 1,077,848	\$ 866,142	\$ 2,236,671	\$ 1,087,491	\$ 1,024,038	\$ 1,148,051	\$ 10,000	\$ 2,267,528	\$ 103,156	\$ 1,052,581	\$ 25,000	\$ 1,027,581	\$ (34,910)	-3%
1003	Information Technology	\$ 465,332	\$ 241,220	\$ 419,250	\$ 203,994	\$ 122,006	\$ 335,000	\$ 322,500	335,000			\$ 134,506	\$ 277,000		\$ 277,000	\$ (58,000)	-17%
1005	Facility Maintenance Plan	\$ 414,000	\$ 57,614	\$ 386,000	\$ 747	\$ 385,253	\$ 386,000	\$ -	0			\$ 385,253	\$ 461,000		\$ 461,000	\$ 75,000	19%
	Operations Subtotal	\$ 2,037,889	\$ 1,197,011	\$ 1,883,098	\$ 1,070,883	\$ 2,743,930	\$ 1,808,491	\$ 1,346,538	1,483,051	\$ 10,000	\$ 2,267,528	\$ 622,915	\$ 1,790,581	\$ 25,000	\$ 1,765,581	\$ (17,910)	-1%
2001	Permit Administration	\$ 700,822	\$ 695,019	\$ 718,617	\$ 741,954	\$ -	\$ 738,644	\$ 797,223	678,644	\$ 60,000		\$ (58,579)	\$ 841,075	\$ 60,000	\$ 781,075	\$ 102,431	14%
2007	Rule Revisions	\$ 65,000	\$ 20,102	\$ -	\$ 21,167	\$ 45,778	\$ 15,000	\$ 30,000	0			\$ 15,778	\$ 5,000		\$ 5,000	\$ (10,000)	0%
	Permitting Subtotal	\$ 765,822	\$ 715,121	\$ 718,617	\$ 763,121	\$ 45,778	\$ 753,644	\$ 827,223	678,644	\$ 60,000	\$ -	\$ (42,801)	\$ 846,075	\$ 60,000	\$ 786,075	\$ 92,431	12%
2002	Planning & Projects	\$ 1,080,804	\$ 836,289	\$ 1,178,645	\$ 1,090,005	\$ 144,808	\$ 1,226,937	\$ 1,176,565	1,226,937			\$ 195,180	\$ 1,269,230		\$ 1,269,230	\$ 42,294	3%
2003	Project Maint. & Land Mgmt	\$ 854,762	\$ 505,098	\$ 957,806	\$ 524,991	\$ 456,979	\$ 1,974,212	\$ 2,146,682	1,974,213			\$ 284,510	\$ 1,706,229		\$ 1,706,229	\$ (267,984)	-14%
	Planning & Projects Subtotal	\$ 1,935,566	\$ 1,341,387	\$ 2,136,451	\$ 1,614,996	\$ 601,787	\$ 3,201,149	\$ 3,323,247	3,201,150	\$ -	\$ -	\$ 479,690	\$ 2,975,459	\$ -	\$ 2,975,459	\$ (225,690)	-7%
4001	Cynthia Krieg	\$ -	\$ 336	\$ -	\$ -	\$ 8,129	\$ -	\$ -	0		\$ 8,129	\$ -	\$ -		\$ -	\$ -	0%
4002	Outreach	\$ 701,320	\$ 189,610	\$ 401,247	\$ 208,679	\$ 140,922	\$ 516,665	\$ 464,689	516,665			\$ 192,898	\$ 514,599		\$ 514,599	\$ (2,066)	0%
4005	Cost Share	\$ -	\$ 80,235	\$ -	\$ -	\$ 405,799	\$ -	\$ -	0		\$ 405,799	\$ -	\$ -		\$ -	\$ -	0%
	Outreach Subtotal	\$ 701,320	\$ 270,181	\$ 401,247	\$ 208,679	\$ 554,850	\$ 516,665	\$ 464,689	516,665	\$ -	\$ 413,928	\$ 192,898	\$ 514,599	\$ -	\$ 514,599	\$ (2,066)	0%
5001	Research & Monitoring	\$ 1,017,049	\$ 698,343	\$ 1,127,260	\$ 622,476	\$ 323,675	\$ 1,164,580	\$ 1,106,575	1,164,580			\$ 381,680	\$ 1,502,048		\$ 1,502,048	\$ 337,468	29%
5007	Six Mile Creek-Halsted Bay Carp Mgmt	\$ 101,000	\$ 98,736	\$ 51,000	\$ 94,911	\$ -	\$ 44,212	\$ -	0	\$ 44,212		\$ 44,212	\$ -		\$ -	\$ (44,212)	-100%
	Research & Monitoring Subtotal	\$ 1,118,049	\$ 797,079	\$ 1,178,260	\$ 717,387	\$ 323,675	\$ 1,208,792	\$ 1,106,575	1,164,580	\$ 44,212	\$ -	\$ 425,892	\$ 1,502,048	\$ -	\$ 1,502,048	\$ 293,256	24%
	Operations and Programs Total	\$ 6,558,646	\$ 4,320,779	\$ 6,317,672	\$ 4,375,066	\$ 4,270,020	\$ 7,488,741	\$ 7,068,273	7,044,090	\$ 114,212	\$ 2,681,456	\$ 1,678,593	\$ 7,628,762	\$ 85,000	\$ 7,543,762	\$ 140,021	2%

Notes

¹External revenue includes interest (Fund 1002), permit fee reimbursement (2001), and LSOHC grant (5007).