



## MEMORANDUM

**To:** MCWD Board of Managers

**From:** James Wisker

**Date:** June 11, 2018

**Re:** Item 4.1 – Budget Update: June 14, 2018 Operations and Programs Committee (OPC)

---

### **Purpose:**

This memo provides information to support the June 14, 2018 Operations and Programs Committee (OPC) 2019 budget development discussion.

The purpose of the June 14, 2018 OPC meeting will be to review and discuss:

- Directional priorities and preliminary budgets for MCWD programs and operations
- Updated 2019 budget-revenue projections
- Revised framework for workplans that clearly communicates organizational outputs

### **Background:**

#### 2019 Budget Development Process:

The 2019 budget development process involves moving through the following phases of work:

1. Developing and refining preliminary budget and revenue projections (March – May)
2. Establishing directional priorities and outputs for the organization (May – July)
3. Assembling specific budget-revenue detail (July – August)
4. Certifying the budget and levy (September)
5. Evaluating and improving the budget development process for the future (October – December)

#### 2019 Budget Discussions to Date:

To date, in 2018, the Board has engaged in three budget discussions, moving from (1) global budget-revenue projections into (2) establishing directional priorities and outputs for the organization.

At the March 8, 2018 Operations and Programs Committee staff provided a first quarter projection of the 2019 budget and levy, based on the following working assumptions:

*We collaborate with public and private partners to protect and improve land and water for current and future generations.*

- Flat 2019 levy
- 2017 carryover from the draft audit
- Preliminary 2019-2020 capital improvement plan
- Debt service schedule
- Flat program budgets
- No carryover from 2018 into 2019
- Approximately \$2 million in grants and outside funds
- Restructured note for 325 Blake Road
- Approximately \$250,000 for responsive-track capital improvements

At the May 10, 2018 Operations and Programs Committee staff provided an updated budget projection based on refinement of the capital improvement plan, and reviewed other key variables and options for balancing the 2019 budget.

At the May 21, 2018 Policy and Planning Committee staff reviewed the 2019 capital improvement plan, including project priorities, project dependencies, and funding strategies. At this meeting, staff also outlined the organization's goal of increasing 2019 program alignment around capital project planning priorities.

Preliminary 2019 Budget-Revenue Estimates:

Based on those assumptions, preliminary estimated 2019 budgeted expenditures (\$16,633,659) were projected to exceed 2019 revenues (assigned/unassigned funds, grants and outside funds, interest, reimbursements, and levy) by approximately \$553,714.

As discussed with the Board on May 10, 2018, a number of options exist for manageably closing this gap, including:

- Reallocating assigned funds from General Operations
- Reducing the proposed funding for the grant program/responsive projects
- Refining capital finance levy assumptions
- Refining the capital improvement program
- Identifying programmatic and operational budget efficiencies

At this juncture, the District has a reasonable amount of time and degree of flexibility to refine a balanced 2019 budget that accomplishes established priorities for the organization and its partners.

**June 14, 2018 Operations and Programs Committee:**

The 2019 budget represents a significant milestone in the Minnehaha Creek Watershed District's evolution. Beginning in 2015, the District Board of Managers initiated a planning process to strategically realign the organization.

*We collaborate with public and private partners to protect and improve land and water for current and future generations.*

Between then and now the MCWD Board of Managers has implemented a series of fiscally responsive measures to maintain high levels of mission focused output and service while carefully managing its levy, including:

- Making targeted reductions in program budgets
- Implementing operational efficiencies
- Reallocating assigned funds to minimize levy increases

Those multi-year planning efforts have positioned the District well in the development of the 2019 budget, with a variety of options and flexibility early in the year for achieving organizational and partnership priorities.

As such, staff have emphasized the goal of moving the discussion with the Board of Managers from confidence in high level budget-revenue projections, into discussions that are focused on organizational priorities and outputs for 2019 and beyond. This practice of looking further into the future to identify needs and opportunities will serve to continue enhancing the District's budget and financial planning capabilities.

Accordingly, having already reviewed preliminary budget-revenue projections, the assumptions they were based on, and the 2019 capital improvement program; the June 14 OPC Meeting will focus on reviewing:

- Directional priorities and proposed budgetary expenditures for programs and operations
- Revised framework for workplans, that clearly communicate organizational outputs

#### **Next Steps:**

Following the June 14, 2018 OPC discussion, staff will continue refine the directional priorities and budgets for programs and operations, the framework for workplans, and 2019 budget-revenue projections.

The Board will have the opportunity to iteratively discuss these refinements, moving into increasing levels of detail, until the budget is certified in September. Below is an overview of the remaining meetings that will be used to finalize the 2019 budget and levy (additional meetings may be scheduled as deemed necessary):

- June 28, 2018 PPC
- July 12, 2018 OPC
- July 26, 2018 PPC
- August 16, 2018 OPC or Board Meeting
- August 30, 2018 PPC or Board Meeting

If you there are questions in advance of the meeting, please contact James Wisker at 952.641.4509 or [Jwisker@minnehahacreek.org](mailto:Jwisker@minnehahacreek.org).

*We collaborate with public and private partners to protect and improve land and water for current and future generations.*