



MEMORANDUM

To: MCWD Board of Managers
From: James Wisker
Date: August 11, 2016
Re: 2017 Budget Development – Status and Discussion

Purpose:

To inform the August 4, 2016 Joint Committee meeting focused on the development of the 2017 budget.

Introduction:

At the July 21, 2016 Joint Committee Meeting the Board of Managers reviewed and discussed a series of recommendations across a range of policy topics to effectively balance the 2017 budget. The next steps identified at that time included meetings on August 4, 2016 and August 11, 2016 to begin reviewing program workplans and assembling the budget for public hearing in September.

At the August 4, 2016 Joint Committee Meeting staff will review the following:

- Recommended Minnehaha Creek Watershed District (MCWD) 2017 budget and levy
 - Joint Committee recommendations on policy decisions to balance the budget
 - Divisional breakdown of budget and levy

- Workplans for Education and Communications (Ed-Comm)
 - 4001 – Cynthia Krieg Education Grant Program
 - 4002 – Education Program
 - 4003 – Communications Program
 - 4005 – Cost Share Grant Program

- Workplans for Research and Monitoring (R&M)
 - 5001 – Research and Monitoring Program
 - 5002 – E-Grade Program
 - 5005 – Aquatic Invasive Species Program

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Background:

April 7, 2016 Board of Managers Retreat:

On April 7, 2016 the Board of Managers held an annual retreat. At the retreat staff provided a first quarter projection of the 2017 Minnehaha Creek Watershed District (MCWD) budget and levy. This 2017 projection included the following assumptions evaluated against a potential levy increase of 5%:

- Incorporated audited carryover from 2015 into 2016
- Zero carryover from 2016 into 2017
- 2017 program budgets = 2016 program budgets (flat program budgets)
- Incorporated 2017-2018 Capital Improvement Plan

The resulting discussion focused on the projected gap between the 2017 budget and levy, and potential strategies to bridge that gap gradually over 2017, 2018 and 2019. At this meeting the Board of Managers resolved to:

- Modify the District's 2017-2018 Capital Improvement Plan (CIP) as a first step in closing the projected 2017 budget-levy gap.
- Direct staff to prepare a presentation of alternative budgeting and spending scenarios for MCWD programs.

May 26, 2016, Operations and Programs Committee:

On May 26, 2016 the Operations and Programs Committee (OPC) received a budget status briefing from District staff. The Committee received an overview from staff highlighting proposed 2017 budget changes by program division (Education and Communications, Planning-Projects and Permitting, Operations and Support Services, and Research and Monitoring). The Committee also received information summarizing how the proposed program changes may impact the projected budget-levy gap.

June 16, 2016 Joint Committee:

At the June 16, 2016 Joint Committee meeting, staff reviewed refined second quarter projections of the 2017 MCWD budget targeting a 5% levy increase, and provided a divisional breakdown of:

- Potential 2016 program spending cuts that would generate carryover into 2017
- 2017 program budget reductions
- The program impact of the potential 2016 and 2017 changes

Staff also outlined areas where, with additional clarity, the remaining 2017 budget-levy gap could be closed.

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The Board of Managers directed staff to bring back a recommended strategy for closing the projected 2017 budget-levy gap, by providing clarity and budget-levy recommendations across the following areas:

- 50% fund balance provision and cash flow requirements
- Operations and organizational legal budgets
- Tax delinquency with regards to cash flow
- Creating a debt service fund for the Six Mile-Halsted Bay focal geography
- Streamlining departmental contingencies
- Final adjustments to planning or capital budgets based on project planning and partnership status
- Project Maintenance and Land Management planning

Also, at the June 16, 2016 Joint Committee meeting, staff introduced the concept of an organizational needs list (staffing, operational initiatives, and programmatic elements) that could serve as a central repository for departmental needs that could be evaluated and prioritized strategically based on an estimated future return on investment (watershed impact of a program initiative, increased efficiency, etc.). In response, the Board of Managers discussed the conditions under which a levy increase larger than 5% might be considered, reaching consensus that any proposed increase must be contextualized against 3-5 year projections.

July 21, 2016 Joint Committee Meeting:

On July 21, 2016 a Joint Committee meeting was held to facilitate a final directional discussion by the Board of Managers regarding the 2017 budget-levy. The Committee considered information across the range of policy topics listed immediately above, and reached consensus to balance the remaining budget-levy gap through the following strategies:

- Not increasing the levy \$100,000 for General Operations legal budget
- Draw down \$400,000 of General Operations fund balance
- Not increasing the levy \$250,000 to manage the issue of delinquent taxes
- Removing \$80,000 in capital project funding dedicated to MPRB partnership

The Joint Committee also reviewed future projections for the 2018 fiscal year and agreed to establish meetings in the fourth quarter of 2016 to discuss forward looking budgeting policies.

Following this discussion, the Joint Committee considered and reached consensus on a 7% levy increase to support the implementation of the Minnehaha Preserve connection, which is shovel ready.

August 4, 2016 Joint Committee Meeting and Next Steps:

At the August 4 Joint Committee Meeting staff will review the:

- Recommended Minnehaha Creek Watershed District (MCWD) 2017 budget and levy
- Workplans for Education and Communications (Ed-Comm)
- Workplans for Research and Monitoring (R&M)

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Following the meeting, on August 11, 2016 the Board will review workplans for Planning, Permitting and Projects, and Operations and Support Services, and establish a date in September for a public hearing on the recommended 2017 budget-levy.

If there are questions in advance of the meeting, please contact: James Wisker at Jwisker@minnehahacreek.org or 952-641-4509

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