

# 2021 PROPOSED BUDGET

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12/3/2020

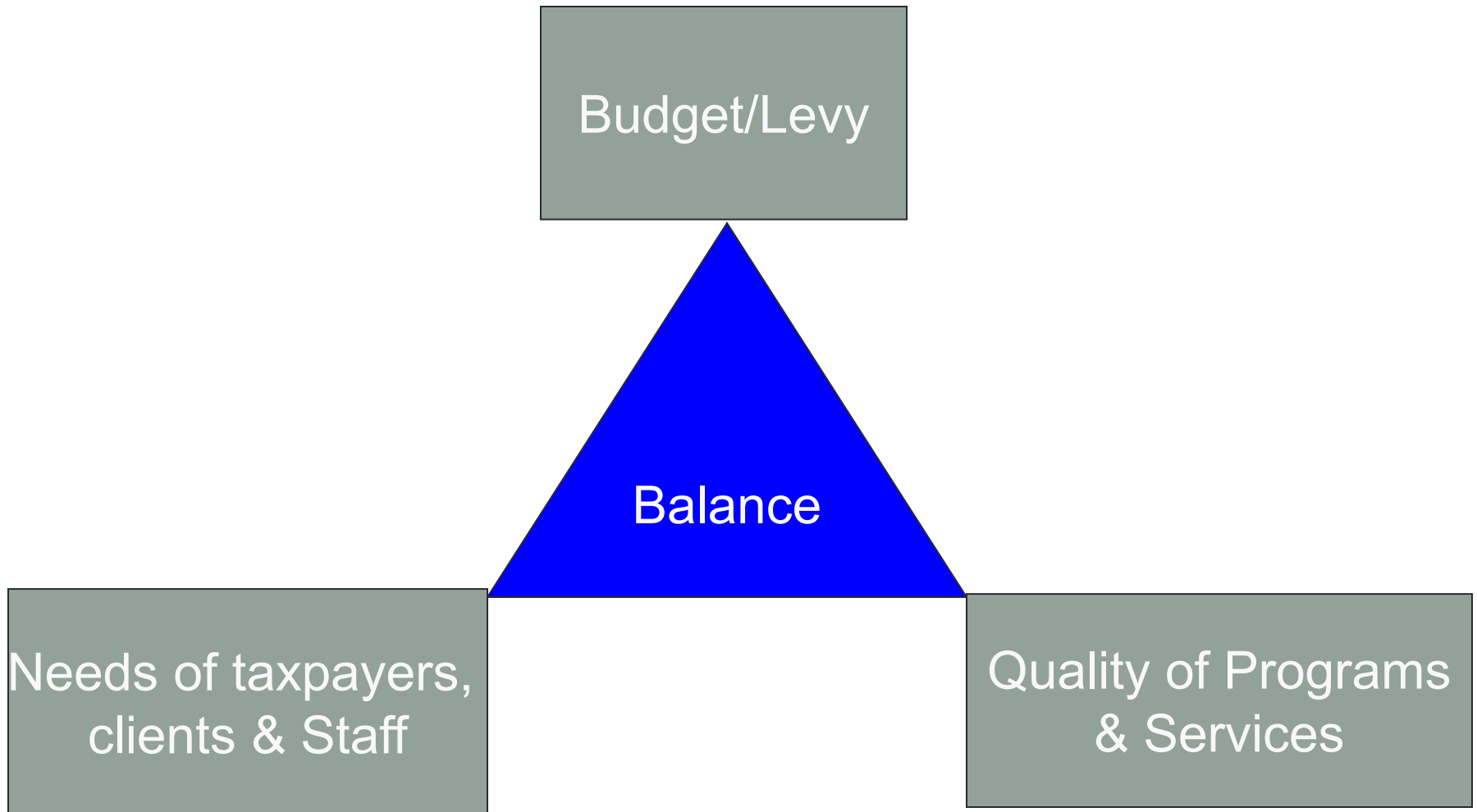
# Consistent Board Policy & Direction

- Provide long-term fiscal stability while minimizing tax impacts
- Maintain a reasonable, level, and constant tax burden; focused on modeling limited and relatively level increases
- Manage limited resources over unlimited demands; and, provide the level of services necessary to meet mandates and citizen expectations

# Maintain Fiscal Stability

- Maintain a structurally balanced budget
- Maintain the County's reserves (fund balance)
- Maintain the County's bond rating
- Plan/Prepare for the future
- Don't spike the levy – no surprises

# Fiscal Stability – Structurally Balanced Budget



# Budget Development Goals

- Fund salary & benefits increases
- Maintain critical operations
- Keep levy increase to a minimum
- Implement multi-year budget reduction plan

# Key Budget Funding Highlights

- Funding for Salary & Benefits Increase
  - Maintains the County's current compensation strategy, keeping employees competitive with the market
- Maintains capital while plans for the future
  - Funding for financial system replacement
  - Funding for software implementation on-going operations costs
- Funds required expenditures for buildings and contracts
  - Funding for new building operating costs, managed services, treatment court
- Budget cuts will have a significant impact, but all are sustainable
- Maintains critical operations and services

# Environment Going Into Budget

Very difficult year going in

- Knew 2021 was going to be a tight year on the levy regardless of COVID-19
  - 3.71% levy increase projected in forecast prior to new requests
- Very little (if any) easy areas to cut
  - 0% and negative levy during recession, minimal increases since
- Few new items added over the years, frequently from direct growth in demand, or re-organization and repurposing of positions
  - Staff has gotten creative to meet needs without requesting positions
- Approach to Budget has consistently eliminated any capacity in department/division budgets
  - End of year savings was frequently cut or repurposed the next year
  - Vacancy savings are now expected to cover almost 2.5% worth of levy (2.9% of operating levy)
  - Has made it possible for levy increases to remain low

# Divisional Work to Meet Target

- 2020 Reductions – Projected Deficit Eliminated
  - \$1.2 Million in reductions to make up shortfall
  - Shortfall driven by revenue losses and lack of job turnover
- 2021 Reductions - \$6.6 Million in reductions identified
  - Would have required the elimination of over 35 FTE
  - Likely not achievable for 2021 without significant disruption to services
- Board approved a multi-year reduction strategy
  - Work assuming revenues would come in close to projects
  - Make cuts of opportunity or that are less painful for 2021
  - Identify and begin work on changes to business for 2022 budget gap
  - Utilize One-Time cuts or funds to make up difference in short-term



# 1.99% Proposed Final Levy

1.99% Levy keeps the County on stable footing:

- Keeps services at a sustainable level while reducing costs
- Meets union contract obligations and keeps Scott County a competitive employer
- Financial obligations on a steady path for the future
  - Debt funded
  - Fund balance healthy
  - Levy is on a stable path – no spikes needed
- Preliminary Levy of 2.52% was in case of potential State actions
  - Current State Budget projections ease concerns for CPA reduction for 2021 Budget
- Use of fund balance, one-time and additional on-going reductions to make up difference to get to 1.99%
  - Much lower than 1.99% would require additional fund balance, and create potential spikes in 5-year model

# 2021 Proposed Budget Increases

- Increased Funding: \$1,289,695
  - GC West Operating Costs: \$335,000
  - IT Managed Services: \$335,000
  - Treatment Court: \$200,000
  - Financial System Replacement: \$187,500
  - Fiber Audit: \$50,000
  - Software Licensing: \$49,483
  - HHS Program Increases: \$26,320
  - Medical Examiner Cost Increase: \$22,231
  - Debt Levy Increase: \$84,251 (due to variation in payment schedule)
- Salary and Benefits: \$2,416,758
- Utilities, Postage, Insurance Increase: \$167,450
- Grant Expenses: \$1,058,842
- Lost Revenue: \$1,420,000

**Total Increased Expenses: \$6,352,745**

# Budget Reductions & Gap Coverage

- \$1,071,302 – Increased Grant Revenue
- \$1,191,707 – Division Budget Reductions
- \$116,877 – Discretionary Services Reductions
- 140,133 – Bond Refunding Savings
- \$705,000 – One-Time Reduction to State Aid Maintenance projects
- \$564,940 – One-Time Reductions for 2021
- \$1,147,438 – Use of Fund Balance for 2021

**Total Reductions/Revenue for 2021: \$4,937,397**

**\$1,415,348 – Tax Levy Increase for 2021 (1.99%)**

# 2022 – 2025 Outlook

- 1.99% instead of 1.92% provides some levy relief for 2022
- Low or no impact savings already identified for 2022
  - Bond Refunding (remainder from 2021)
  - ME Facility savings
  - IRTS Facility savings
- OPEB Savings after increase for bond payments already included
  - \$500k in levy savings already included in forecast
- Short staffing in certain areas still a concern
- Final year of transitional funding for Treatment Court
- Operational funding for CIP Projects incorporated
- Expiration of sales tax impacting forecast in 2024
  - One-time Sales Tax dollars supporting Transit through 2023

# Included Forecast Changes

## 2022 - Savings & Revenue Increases

- \$100,000 – ME Facility Savings
- \$215,000 – IRTS Facility Savings
- \$97,000 – Bond Refunding Savings
- \$150,000 – Workforce Center Operating Savings
- \$52,500 – Arvig Fiber Agreement Revenue Increase
- **\$599,413 - Total**

## 2022 – Expense Increases & Revenue Loss

- \$85,196 – CPA Reduction
- \$61,500 – Jail Revenue
- \$187,500 – Infor Upgrade/Replacement
- \$18,616 – Managed Services Cost Increase
- \$100,000 – Treatment Court
- \$14,400 – CIP Operating Costs
- \$100,000 – CARES Projects Operating Costs
- **\$567,212 - Total**

# Included Forecast Changes

## 2023 Expense Increases & Revenue Loss

- \$187,500 – Infor Upgrade/Replacement
- \$343,000 – Contracted Case Management Admin. Cost Loss
- \$30,000 – CIP Operating Costs
- **\$1,112,132 Total**

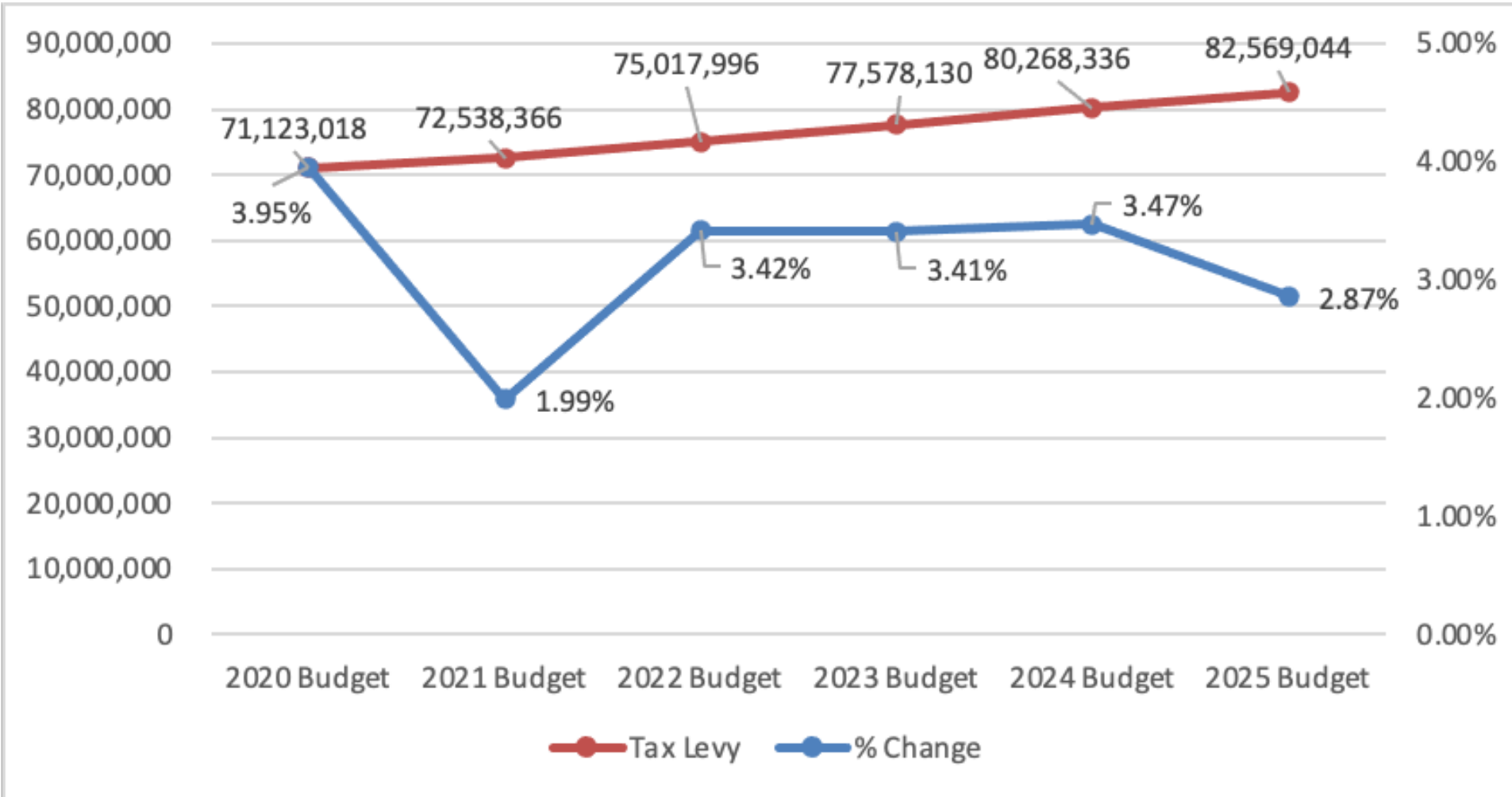
## 2024

- \$551,632 – Transit Sales Tax Funding Ends

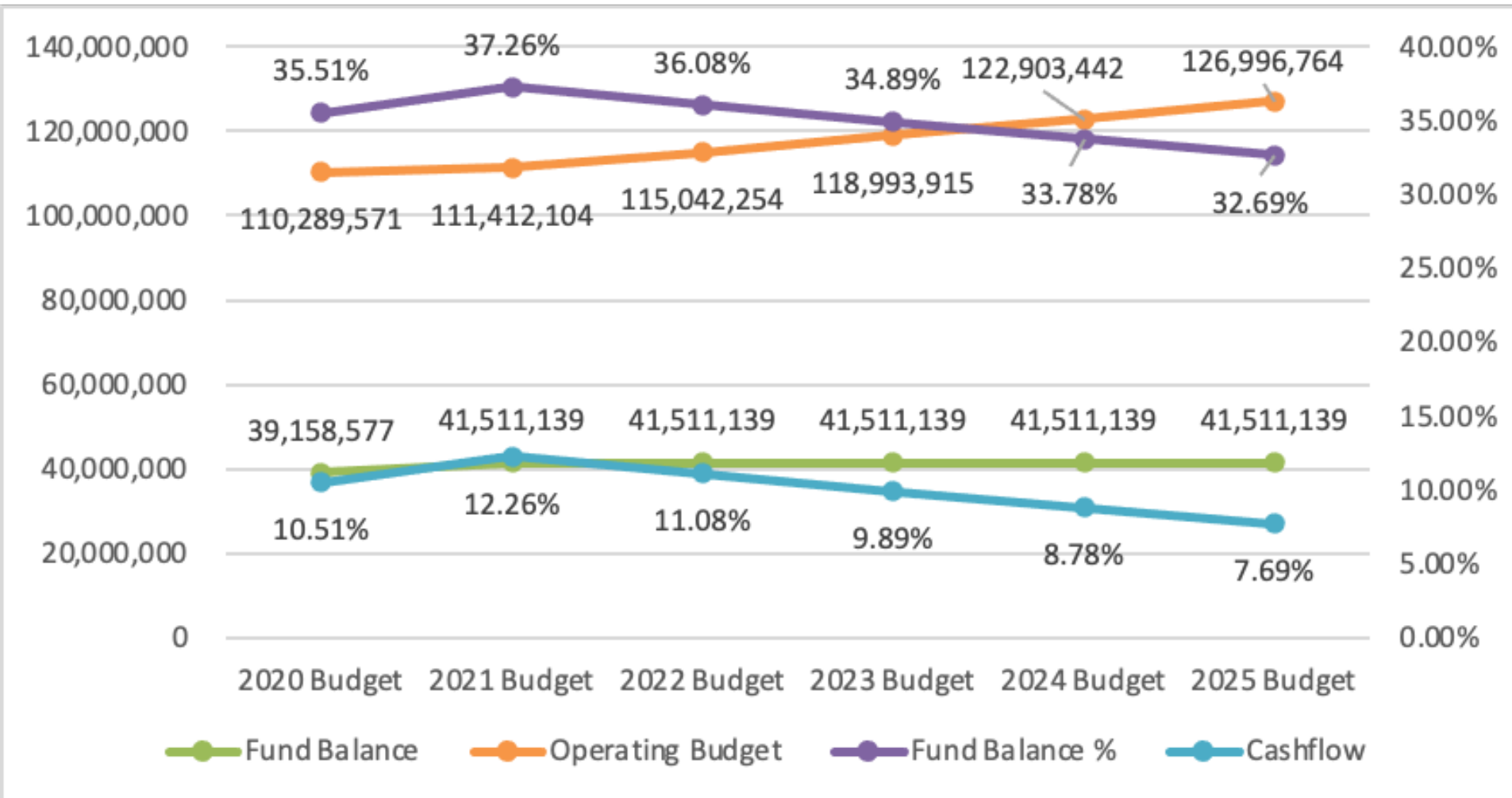
## 2022 Thru 2025 Forecast General Assumptions

- 2.75% - General Wage Adjustment
- 3% - Health Insurance Increases
- 3.1% - Revenue Increase
- 4% Levy Increases Expected through-out the model
  - Based on current assumptions
  - Known staffing needs
  - History of increased costs in areas

# Property Tax Levy



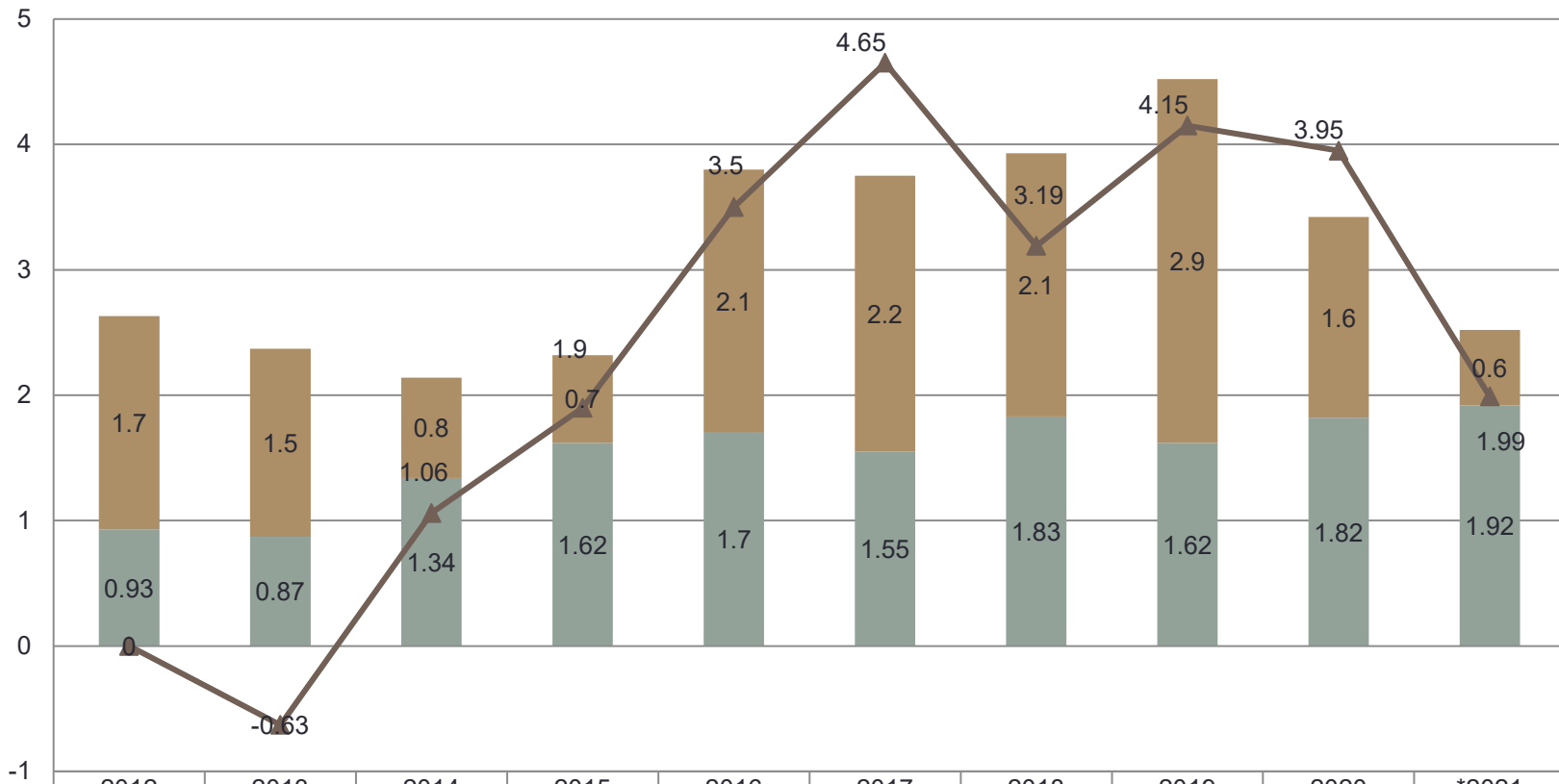
# Operating Budget





# Fiscal Stability – Don't Spike the Levy, No Surprises

## Net Levy vs. New Construction and Inflation Combined



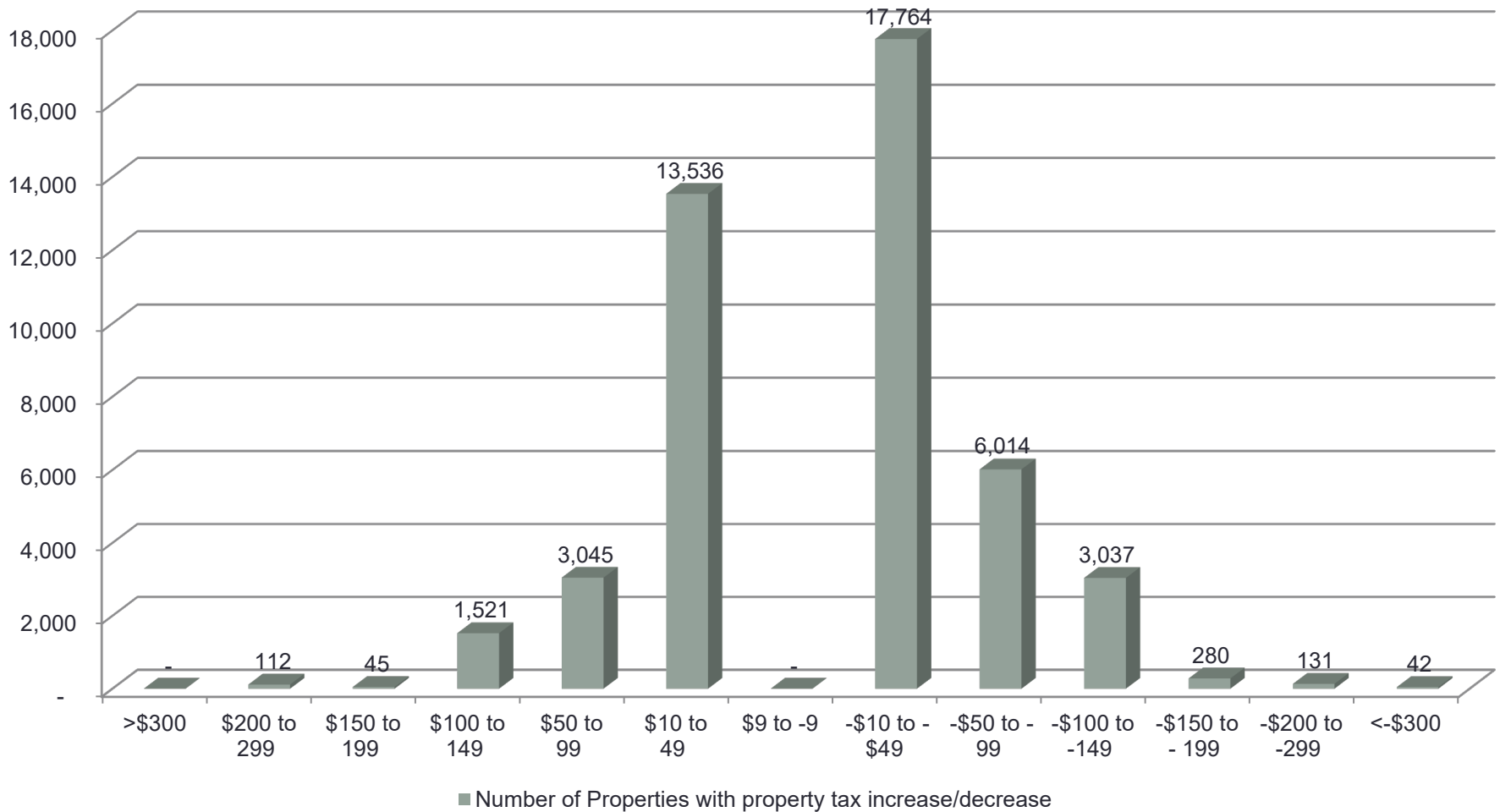
	2012	2013	2014	2015	2016	2017	2018	2019	2020	*2021
CPI - MPLS	1.7	1.5	0.8	0.7	2.1	2.2	2.1	2.9	1.6	0.6
New Const % Change	0.93	0.87	1.34	1.62	1.7	1.55	1.83	1.62	1.82	1.92
Net Levy	0	-0.63	1.06	1.9	3.5	4.65	3.19	4.15	3.95	1.99

■ New Const % Change   
 ■ CPI - MPLS   
 ▲ Net Levy

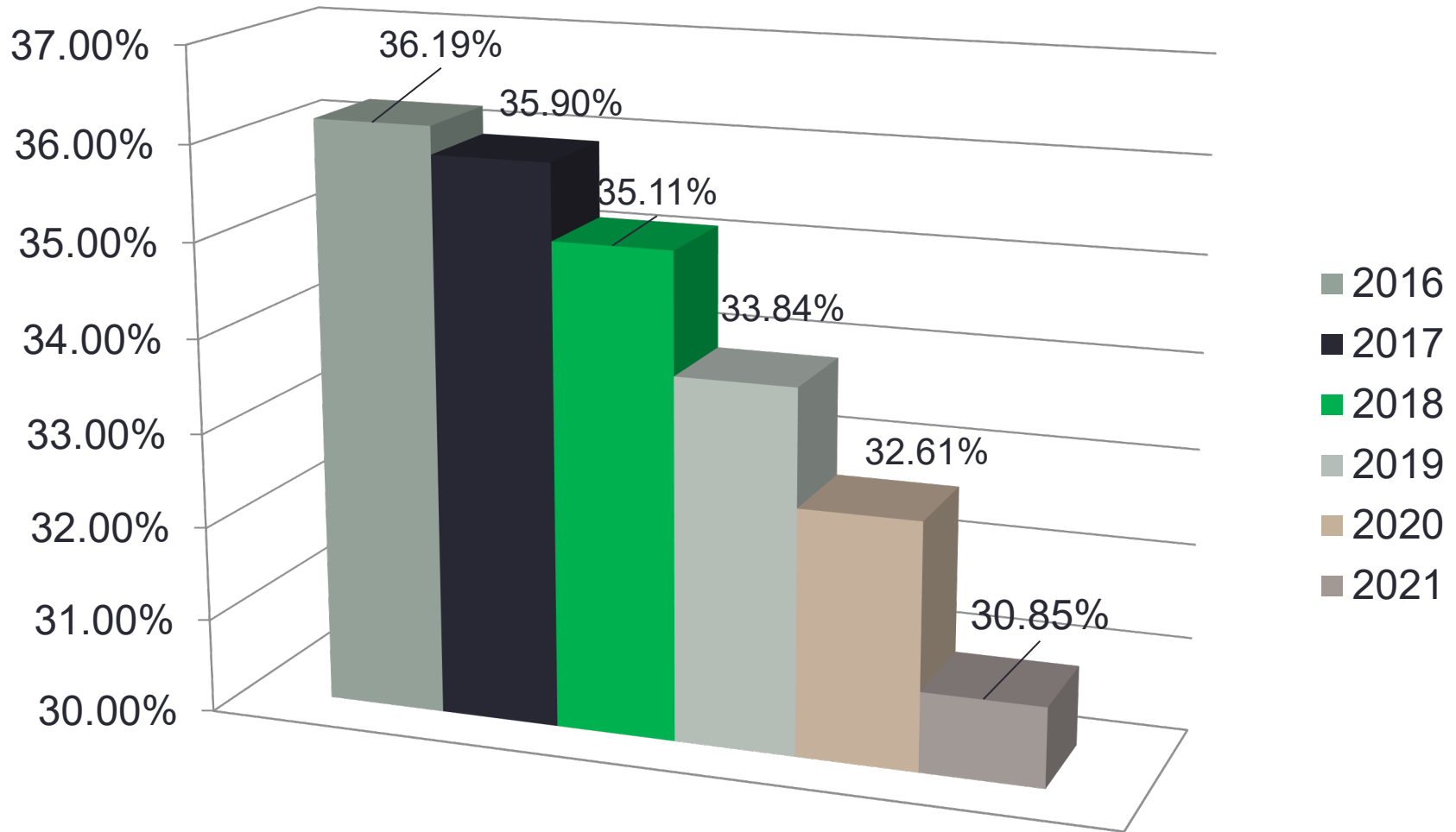
# Impact to Residential Taxes

- **Value changes will drive most increases** – Homes with 5% or less in value increase will generally see decreases in the County portion of their taxes.
- **County Wide Average** – Impact on an average home with a Taxable Market Value increase from \$318,645 to \$332,706; or, 4.4% will be a decrease of \$17.02; or, (1.6%) (after value exclusion).

# Residential Properties with property tax increase/decrease Taxes Payable 2021



# 2016-2021 Scott County Tax Rates

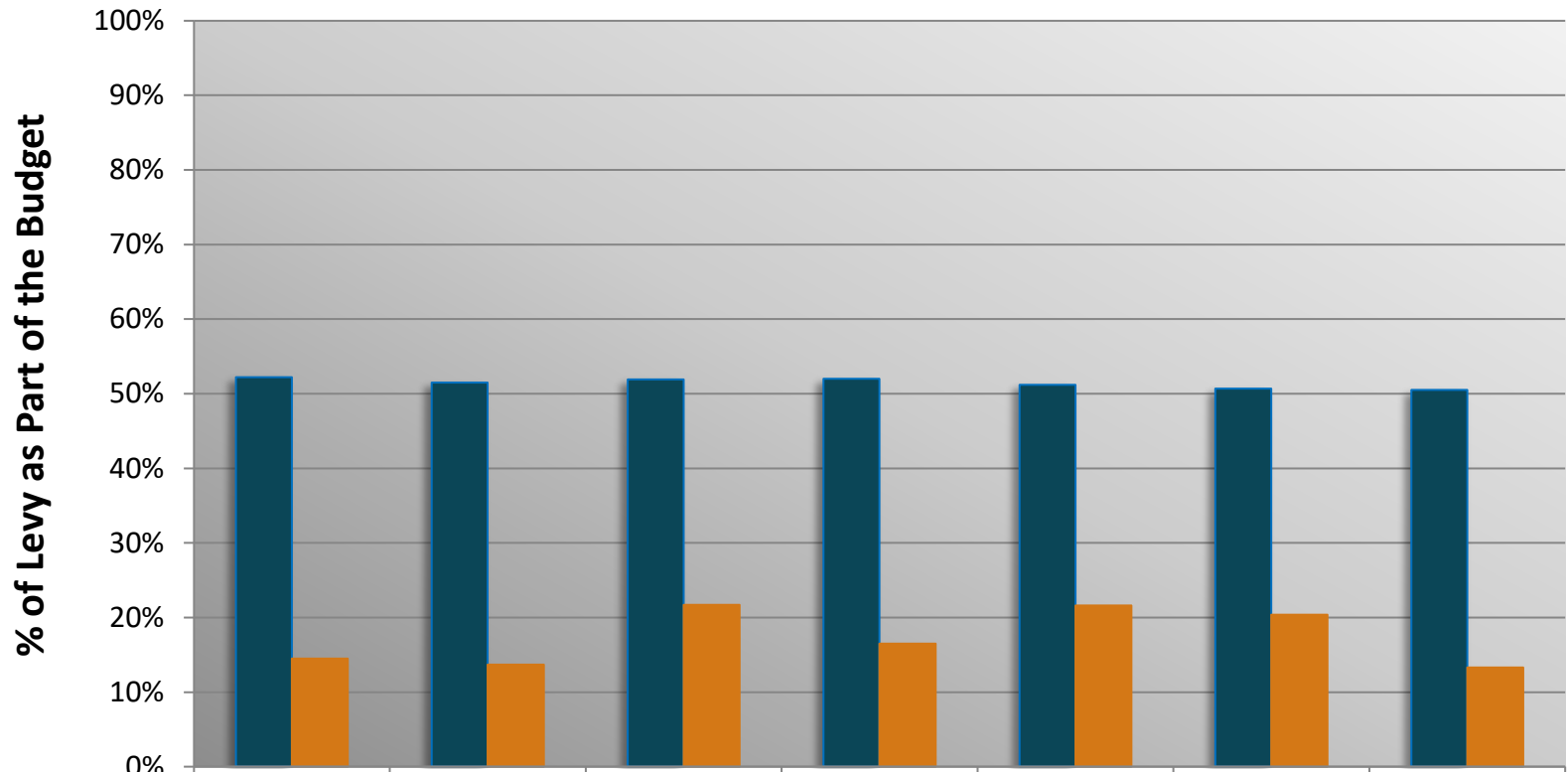


The Tax Rate has declined each of the last 8 years and is down by 9.88%

# 2010 vs. 2021 County Taxes

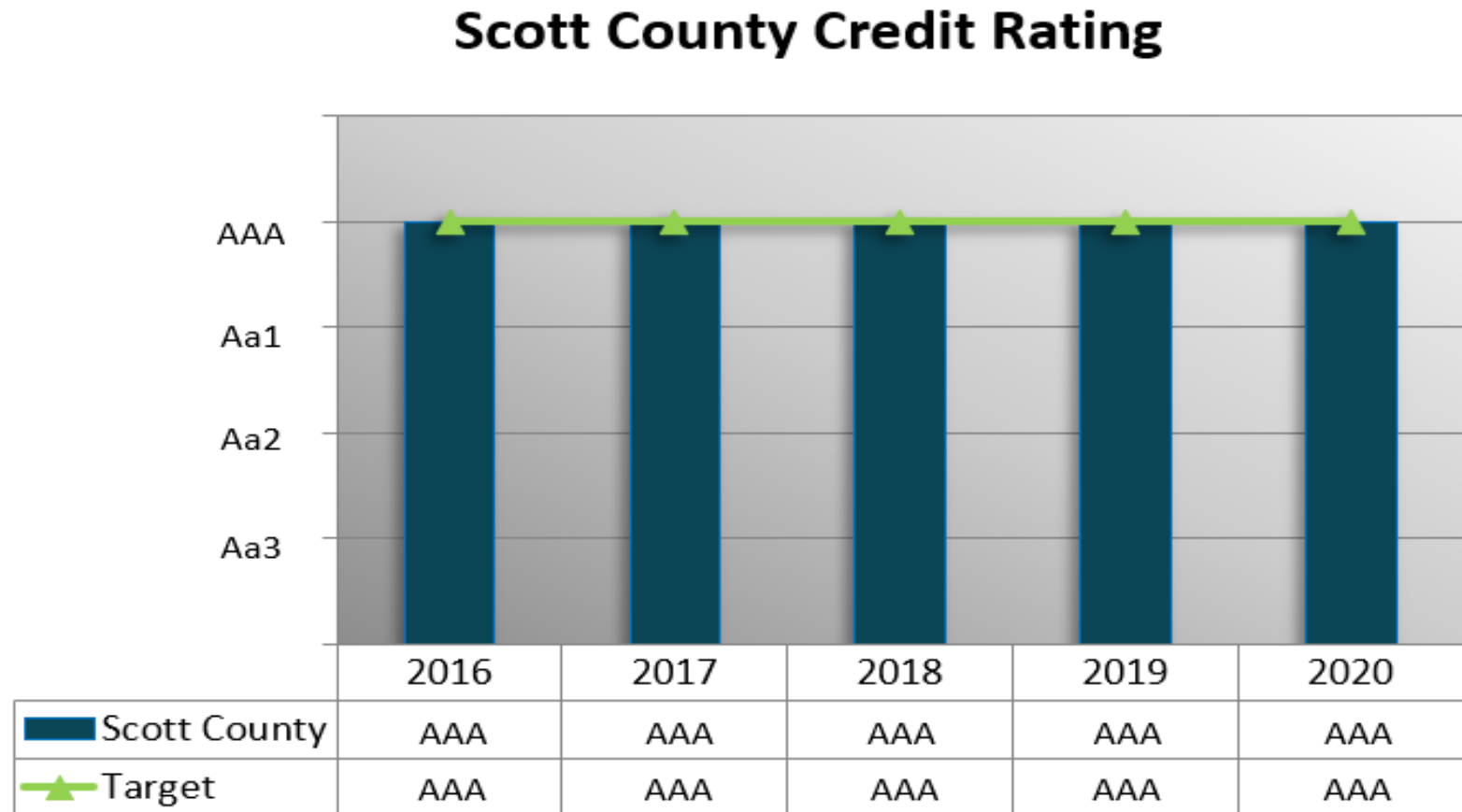
Home Value	2010 Taxes	2020 Taxes	2021 Taxes	2020 to 2021	2010 to 2021
\$276,300	\$877.24	\$901.09	\$851.66	(-\$49.43)	(-\$25.58)
\$318,645	\$1,034.51	\$1,042.54	\$982.18	(-\$60.36)	(-\$52.33)
\$332,706	\$1,086.73	\$1,085.05	\$1,025.52	(-\$59.53)	(-\$61.21)

# Levy as a % of County's Annual Budget

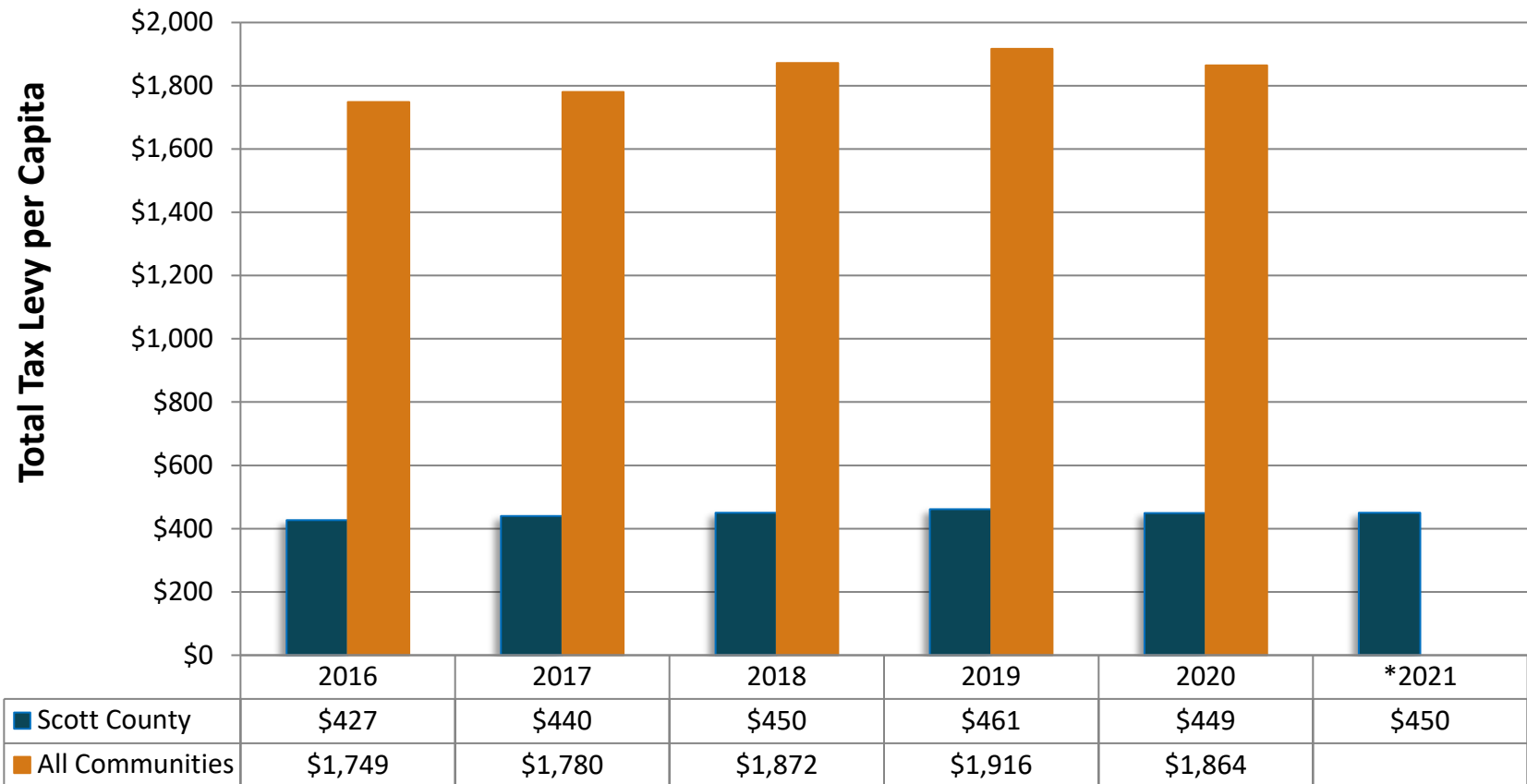


■ Operating Budget	52.2%	51.5%	51.9%	52.0%	51.2%	50.7%	50.5%
■ Capital Budget	15%	14%	22%	17%	22%	20%	13%

# Scott County Credit Rating



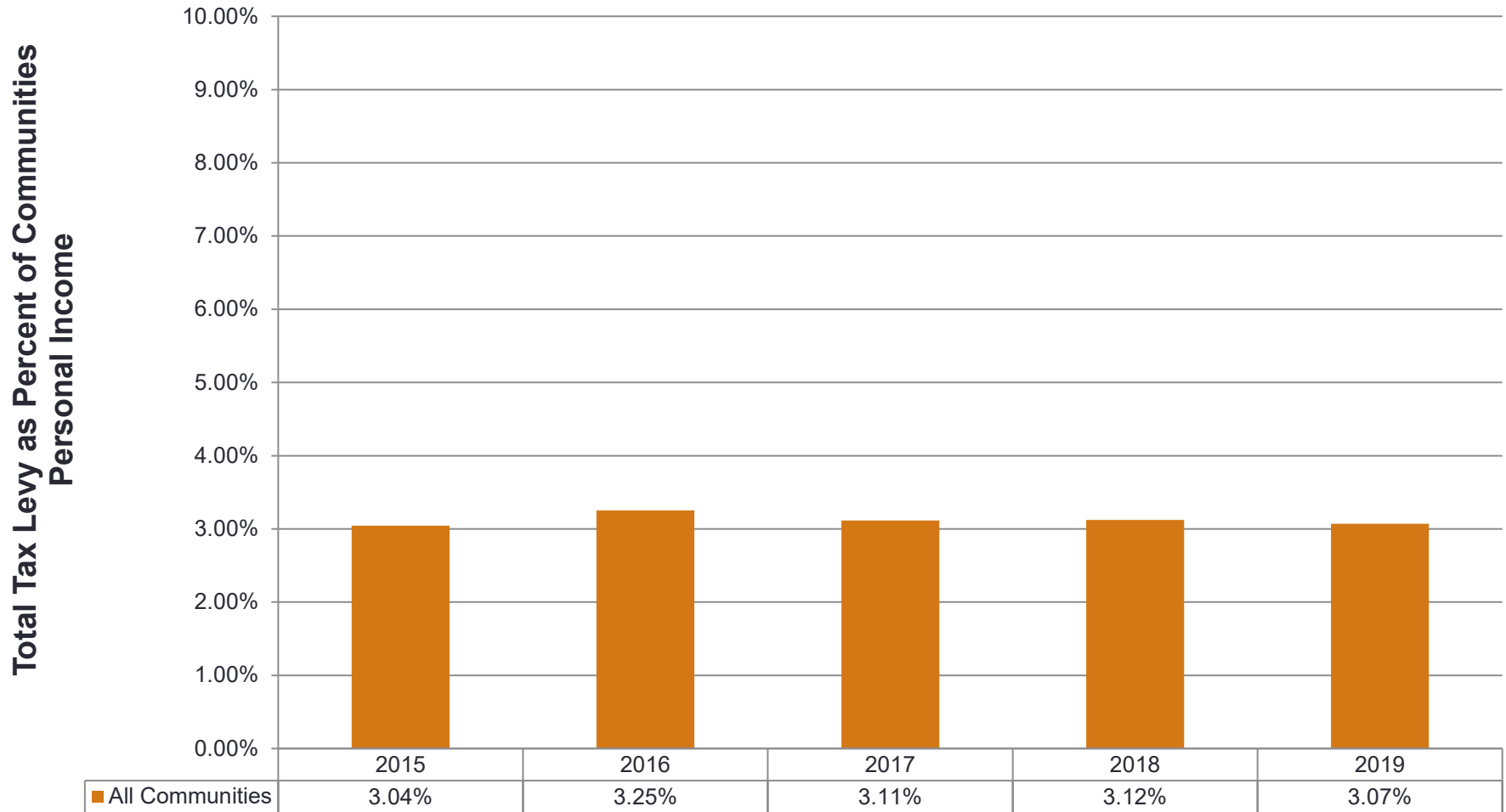
# County Tax Levy Per Capita



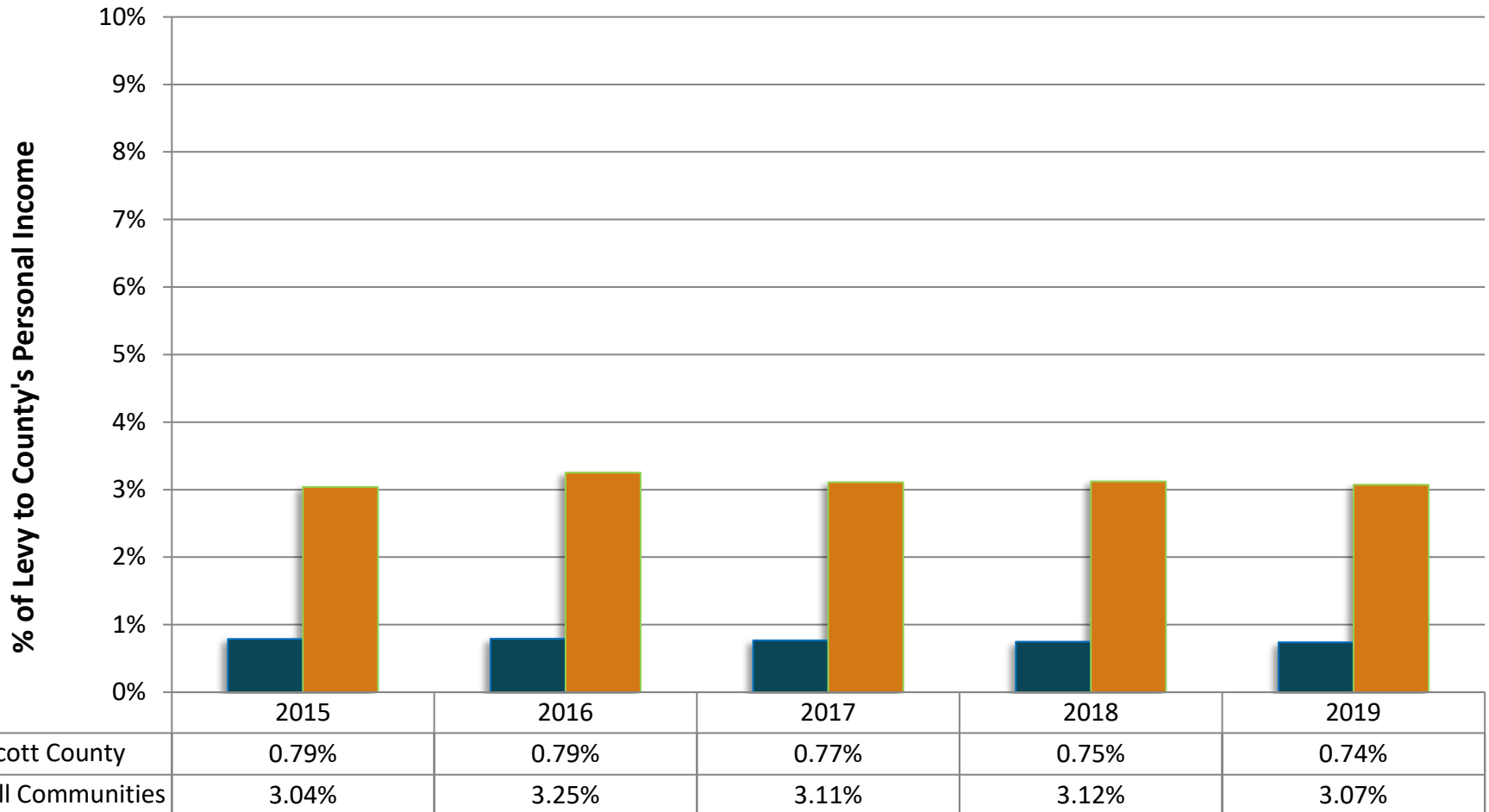
\*Pop. Estimated



# All Scott County Communities that Assess Property Tax Levy per Personal Income



# County Levy as a % of Total Personal Income



Questions?