

ANNUAL BUDGET REVIEW-2024

OVERVIEW – MANAGER ANDERSON PERSPECTIVE

Upon further review of the proposed 2024 district budget, I have several concerns I wish to share with my fellow Board of Managers. To make the discussion process easier, I have provided my specific comments within the broad categories of our financial chart of accounts, and any recommended dollar changes at the specific line-item level. Furthermore, I have rounded dollar amounts to the nearest whole dollar for ease of discussion.

In summary, I am concerned that our 2024 proposed expense budget of \$2.6M is \$1.7M lower than our 2023 budget of \$4.3M. **This is sending a statement to the public that we are taking a 40% reduction in activity in one year.** We know there are remaining big projects in our 10-year Comprehensive Plan in the Little and Big Comfort sub-watersheds, which as the last two sub-watersheds in our district's water flow hydrography, are at the beginning of their major project phases. In the past, the budget has included projects that we planned to begin in the next year, whether we had grants* confirmed, or were just starting the grant process, and our next year work plan was derived from the board approved budget. If the grant did not come in for the next year, then the project was put on hold and the budget revised. Our annual budget and annual work plan were in synch. **(Many of the grants we have used are applied for in the fall with awards announced in Q1 of the following year.)*

My understanding is the proposed budget for 2024 does not follow that protocol, but instead staff will be working on the grants and then add the projects to the budget if the grant is awarded. ***I am not in favor of this approach as it means our work plan and budget will not be in synch, and it does not provide the budget transparency required of public entities.*** The budget is our public statement of what our annual priorities are, and what projects and programs we have selected and will be working on to accomplish our clean water goals for our citizens and taxpayers. In the past, district staff has reviewed, with the Board, a list of projects identified from our major lake sub-watershed diagnostic and comprehensive plans for inclusion in our annual budgeting. We need to return to that practice and include those anticipated projects in our annual budget.

Our District budget philosophy -since our first levy in 2008- has been a plateau strategy to keep our levy budget amounts as level as possible - for as long as possible – to ease the burden on our citizens. With the increase in residential building in our area since Covid, our citizens have experienced double digit increases in valuation the past several years. With a reported 2024 increase of 35% in Chisago County and 20+% in Washington County: We local taxpayers (board managers) are looking at increases in our District taxes if we follow a percentage increase strategy. I am in favor of keeping our **levy dollar amount** the same in 2024. If we do that, and with the increase in market value, our tax line will show as a percentage decrease, even though we are collecting the same aggregate levy amount of dollars from each county.

Another pillar of our fiscal policy equation is grants. They are critical to continuing the good work we do, and at the accelerated pace we like. To continue utilizing this revenue stream, we must expand our access to a variety of non-traditional grant sources with the potential for bigger, more sustainable, and reliable grant awards. We also need to fully utilize the state and federal Clean Water and Climate

Resiliency grant sources available from Federal and State programs as they shift focus to more climate resiliency and conservation enhancement plans. We need to budget the staff time and expense to go beyond our current three or four grant sources and specific project focused sources. I estimate an additional \$800,000 in our current program and project areas could qualify for grants focused on the new “hot” categories of climate resiliency and the resulting flooding from bigger more intense storm events, including expanded coverage for AIS and communication, outreach and education programs. The Board has been talking about expanding our grant sources for several years: Now it is time to make this happen by providing the resources in the 2024 budget.

BUDGET DOCUMENT PURPOSE

If you are new to the government budgeting process, I think you will find the following purpose statement helpful as we go through our budget process. I find the following to be a very concise, yet encompassing statement, on the purpose and importance of public budgets. There are similar statements in the League of Minnesota Cities Governance Manual.

“The budget is the government (entity’s) key policy document. It should be comprehensive, encompassing all government revenue and expenditure, so that the necessary trade-offs between different policy options can be assessed.”

*“The relationship between good governance and better economic and social outcomes is increasingly acknowledged. Transparency – openness about policy intentions, formulation and implementation – is a key element of good governance. The budget is the single most important **policy document** of governments, where policy objectives are reconciled and implemented in concrete terms. Budget transparency is defined as the full disclosure of all relevant fiscal information in a timely and systematic manner.”* OECD (Organization for Economic Cooperation & Development)

NOTE: Also of note, there were 2023 legislative changes to budget information needed to forward to Counties. (Staff should check with Chisago and Washington Counties on our reporting requirements, based on this new law. Does it apply to Watershed Districts also?)

2023 Minn. Laws Ch. 64, Art. 3, § 23 amending Minn. Stat. § 275.065. TNT supplemental information reduction; website. In 2021, a substantial list of items was added to law that cities had to give the county as part of the tax notification procedure (TNT). Those changes took effect last year. However, effective for taxes payable in 2024, cities subject to TNT (those over population 500) are no longer required to provide detailed summary budget information or categorized revenues and expenditures. The only remaining piece of “supplemental information” to provide the county is the certified levy for the current taxes payable year, the proposed levy for taxes payable in the following year, and the percentage increase or decrease between those two amounts.

Breakdown of Comments/Changes by Category

1-000-ADMINISTRATION - Total Admin Increase - \$131,000

1-001 – Board Admin +\$4,000 – 4010, 4265 – Seminars & Conventions

1-002 – General Office +\$53,00 – 4210, 4220, 4300 -additional space & one-time reno expense

1-003 - General Admin +\$14,000 – 4100 – additional set-up expenses

1-400 – Professional Services +\$60,000 – Communications consultant & Gallagher contracts

3-000 – PROGRAMS - Total Programs Increase - +\$82,000 with two removed line items at -\$117,006, Programs Category draft budget at \$1,209,917*

3-000 - Program Development - +\$50,000

3-009 – Additional Grant Research & Prep - +\$12,000 – expand grant sources & size

3-011 – AIS Prevention & Mgt. - + \$20,000 – Bone & Comfort Lakes & rapid response

(Recommend moving 3-010, Operations & Maintenance to separate Account – 4000 category \$98,692, and 3-012, Land Acquisition to separate Account 6-000 at \$300,000)

4-000 – OPERATIONS & MAINTENANCE - \$98,692 * (\$100K)

(move to new distinct category– no impact to draft budget)

5-000-PROJECTS INCREASE - +\$367,000*

5-000 – General project development - +\$60,000

5-100 – Floodplain - +\$60,000

5-300 – Streams - +\$2,000

5-400 – Wetlands - +\$213,000

5-500 – Uplands - +\$20,000

5-600 – Groundwater - +\$12,000

6-000-LAND ACQUISITION - +\$300,000* – new category

Removed from PROGRAMS to new distinct category– recommended budget amount of +\$300,000*

TOTAL ALL CHANGES TO EXPENSE BUDGET - +\$613,000

TOTAL EXPENSE BUDGET - 2024 = \$3,868,733

(based on 1st draft budget total & without full anticipated 2024 grant funded projects added in.)

***Items marked with a red asterisk have potential to be funded with grant dollars = \$1.2M**

PROJECTED REVENUE BUDGET – 2024 = \$4,241,733

LEVY	\$ 1,622,500
CWF LOAN	\$ 750,000
GRANTS	<u>\$ 1,869,233</u>
TOTAL	
<u>REVENUE</u>	<u>\$ 4,241,733</u>

NOTE: We will need a carry-over cash reserve of \$1M to accommodate overhead expenses Jan-June 2024, which is estimated in the draft budget. This is usually accomplished with the phasing and timing of Grant projects. Ideally, expenditures for grant funded projects should be reconciled monthly against grant revenue received, which are structured to reimburse for implementation of project expenses incurred. These allocations will then transfer from the dedicated to unrestricted funds category (General Fund) and allocated as needed. (Funds are accounting entries and separate from the banking accounts). Under this budget scenario, we will generate an additional \$373,000 for the carry-over reserve fund at YE2024.

