



**Title:** 2022 Budget Forecast

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**Purpose:**

At the April 22, 2021 Policy and Planning Committee (PPC) Meeting, staff will initiate the 2022 budget process, by:

- Providing a preliminary projection of the 2022 budget-levy
- Outlining the 2022 budget planning process, and timeline
- Obtaining initial feedback from the Committee

**Background:**

Through the Minnehaha Creek Watershed District's strategic planning, 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 2022.

**Preliminary 2022 Budget-Levy Projection:**

Current projections for 2022 show a balanced budget of \$15,038,967. Relative to 2021, these preliminary 2022 projections represent a 2% or \$322,547 increase 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 3% (\$63,991). This is largely due to planned reductions in Information Technology as this strategic initiative continues to progress through implementation. Also within Operations, plans for investing in Facility Improvements are shown extending into 2022, based on the status of the project and the downturn in use of the District’s office between 2020 and 2021.

Programs:

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

2022 Program spending shows an increase of \$1,137,142 or 25%. This is predominantly attributed to Project Maintenance and Land Management which contains preliminary estimates of repair costs for the Minnehaha Preserve Boardwalk. Also within Programs, 2020 Research & Monitoring costs are projected to be down 8% (\$93,604) due to completion of initial investments, including MCWD’s Real Time Sensor Network (RESNET) and machine learning. 2021 marked the final year of Lessard Sams Outdoor Heritage Council funding of the Six Mile Habitat Restoration Program (carp management). Sustainment costs for carp removal and aeration will be refined within the R&M budget throughout the 2022 budget process.

Capital Finance:

This 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 subsequently benefited MCWD. On average, in the future, annual debt service in 2022 and beyond will be approximately \$90,000 less annually, than in 2020 – prior to refinancing.

Capital Projects:

Includes:

- Minnehaha Creek
  - 325 Blake, SWLRT Trail and Creek, Louisiana Area Stormwater, Meadowbrook
- Six Mile Creek – Halsted Bay
  - Six Mile Marsh Prairie, Wassermann Internal Loading, Turbid-Lunsten Corridor

The CIP shows a 14% decrease (\$795,420), due in part to the completion of the Six Mile Marsh Prairie Trail project in 2021, and the advancement of design on 325 Blake Road in 2021.

**Table 1**

<b>EXPENSES</b>	<b>2021</b>	<b>2022</b>	<b>2021-2022 Δ</b>	<b>% Change</b>
Operations	\$1,883,098	\$1,819,107	\$ (63,991)	-3%
Programs	\$4,552,671	\$5,689,814	\$ 1,137,142	25%
Capital finance	\$2,713,652	\$2,758,468	\$ 44,816	2%
Capital projects	\$5,566,999	\$4,771,579	\$ (795,420)	-14%
<b>TOTAL</b>	<b>\$14,716,420</b>	<b>\$15,038,967</b>	<b>\$ 322,547</b>	<b>2%</b>

<b>REVENUE</b>	<b>2021</b>	<b>2022</b>	<b>2021-2022 Δ</b>	<b>% Change</b>
Preliminary 2021 levy	\$9,675,993	\$9,675,993	\$ -	0%
Projects fund balance	\$2,847,446	\$3,021,031	\$ 173,585	6%
Programs fund balance	\$1,313,961	\$1,657,718	\$ 343,757	26%
Grants and partner funds	\$709,801	\$603,006	\$ (106,795)	-15%
Interest, permit fees, reimbursemer	\$169,220	\$81,220	\$ (88,000)	-52%
<b>TOTAL</b>	<b>\$14,716,421</b>	<b>\$15,038,967</b>	<b>\$ 322,547</b>	<b>2%</b>

**April 22, 2021 Meeting:**

At the April 22, 2021 Policy and Planning Committee, staff will provide an overview of:

- The preliminary 2022 budget projection
- Operations, Programs, Capital Finance and Capital Projects
- Current working assumptions
- Process and timeline for completing the 2022 budget

The Committee will be asked to provide feedback regarding:

- The preliminary budget-levy projection
- Areas of interest and concern for subsequent meetings
- The 2022 budget process and schedule

**Supporting documents (list attachments):**

1. Attachment 1 – Operations and Programs Summary

Attachment 1 - DRAFT 2022 Operations and Programs Summary by Fund

Fund Code	Program/Fund	Past Expenditures				2021 Carryover Detail							2022 Budget and Revenue			2021-2022 Budget Change	
		2019 Budget	2019 Actual	2020 Budget	2020 Actual	2020 EOY Balance	2021 Budget	2021 Estimated Expenditures	2021 Levy	2021 External Revenue <sup>1</sup>	Assigned (carried to future years)	2021 Carryover (transferred to CIP)	2022 Budget	2022 External Revenue <sup>1</sup>	2022 Revenue Needs	\$ Change	% Change
1002	General Operations	\$ 1,205,802	\$ 1,098,544	\$ 1,158,557	\$ 898,177	\$ 1,990,767	\$ 1,077,848	\$ 1,040,764	1,007,848	\$ 5,000	\$ 1,904,689	\$ 58,162	\$ 1,098,107	\$ 10,000	\$ 1,088,107	\$ 20,259	2%
1003	Information Technology	\$ 265,000	\$ 302,276	\$ 465,332	\$ 241,220	\$ 306,825	\$ 419,250	\$ 326,000	218,205	\$ -	\$ -	\$ 199,030	\$ 335,000	\$ -	\$ 335,000	\$ (84,250)	-20%
1005	Facility Maintenance Plan			\$ 414,000	\$ 57,614	\$ 356,386	\$ 386,000	\$ -	\$ 44,000	\$ -	\$ 400,386	\$ -	\$ 386,000	\$ -	\$ 386,000	\$ -	0%
	<b>Operations Subtotal</b>	<b>\$ 8,760,500</b>	<b>\$ 9,172,796</b>	<b>\$ 9,138,740</b>	<b>\$ 8,370,903</b>	<b>\$ 2,653,978</b>	<b>\$ 1,883,098</b>	<b>\$ 1,366,764</b>	<b>\$ 1,270,053</b>	<b>\$ 5,000</b>	<b>\$ 2,305,075</b>	<b>\$ 257,192</b>	<b>\$ 1,819,107</b>	<b>\$ 10,000</b>	<b>\$ 1,809,107</b>	<b>\$ (63,991)</b>	<b>-3%</b>
2001	Permit Administration	\$ 609,966	\$ 674,400	\$ 700,822	\$ 695,019	\$ -	\$ 718,617	\$ 661,705	630,617	\$ 60,000	\$ -	\$ 28,912	\$ 735,356	\$ 60,000	\$ 675,356	\$ 16,739	2%
2007	Rule Revisions	\$ 40,000	\$ 17,953	\$ 65,000	\$ 20,102	\$ 44,898	\$ -	\$ 44,898	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0%
	<b>Permitting Subtotal</b>	<b>\$ 649,966</b>	<b>\$ 692,353</b>	<b>\$ 765,822</b>	<b>\$ 715,121</b>	<b>\$ 44,898</b>	<b>\$ 718,617</b>	<b>\$ 706,603</b>	<b>\$ 630,617</b>	<b>\$ 60,000</b>	<b>\$ -</b>	<b>\$ 28,912</b>	<b>\$ 735,356</b>	<b>\$ 60,000</b>	<b>\$ 675,356</b>	<b>\$ 16,739</b>	<b>2%</b>
2002	Planning & Projects	\$ 1,024,491	\$ 975,160	\$ 1,080,804	\$ 836,289	\$ 198,062	\$ 1,178,645	\$ 1,166,760	1,178,645	\$ 26,252	\$ -	\$ 236,199	\$ 1,221,856		\$ 1,221,856	\$ 43,210	4%
2003	Project Maint. & Land Mgmt	\$ 814,296	\$ 624,764	\$ 854,762	\$ 505,098	\$ 24,164	\$ 957,806	\$ 740,305	957,806	\$ -	\$ -	\$ 241,665	\$ 2,170,654	\$ -	\$ 2,170,654	\$ 1,212,848	127%
	<b>Planning &amp; Projects Subtotal</b>	<b>\$ 1,838,787</b>	<b>\$ 1,599,924</b>	<b>\$ 1,935,566</b>	<b>\$ 1,341,387</b>	<b>\$ 222,226</b>	<b>\$ 2,136,451</b>	<b>\$ 1,907,066</b>	<b>\$ 2,136,451</b>	<b>\$ 26,252</b>	<b>\$ -</b>	<b>\$ 477,864</b>	<b>\$ 3,392,510</b>	<b>\$ -</b>	<b>\$ 3,392,510</b>	<b>\$ 1,256,058</b>	<b>59%</b>
4001	Cynthia Krieg	\$ -	\$ 1,000	\$ -	\$ 336	\$ 5,385	\$ -	\$ -	0	\$ -	\$ 5,385	\$ -	\$ -	\$ -	\$ -	\$ -	0%
4002	Outreach	\$ 767,797	\$ 458,638	\$ 701,320	\$ 189,610	\$ 122,672	\$ 519,344	\$ 315,734	\$ 519,344	\$ -	\$ -	\$ 326,282	\$ 528,293	\$ -	\$ 528,293	\$ 8,949	2%
4005	Cost Share	\$ -	\$ 119,966	\$ -	\$ 80,235	\$ 405,799	\$ -	\$ -	0	\$ -	\$ 405,799	\$ -	\$ -	\$ -	\$ -	\$ -	0%
	<b>Outreach Subtotal</b>	<b>\$ 767,797</b>	<b>\$ 579,604</b>	<b>\$ 701,320</b>	<b>\$ 270,181</b>	<b>\$ 533,856</b>	<b>\$ 519,344</b>	<b>\$ 315,734</b>	<b>\$ 519,344</b>	<b>\$ -</b>	<b>\$ 411,184</b>	<b>\$ 326,282</b>	<b>\$ 528,293</b>	<b>\$ -</b>	<b>\$ 528,293</b>	<b>\$ 8,949</b>	<b>2%</b>
5001	Research & Monitoring	\$ 711,018	\$ 662,178	\$ 1,017,049	\$ 698,343	\$ 225,289	\$ 1,127,260	\$ 942,031	1,127,260	\$ 11,200	\$ -	\$ 421,717	\$ 1,033,655	\$ -	\$ 1,033,655	\$ (93,604)	-8%
5007	Six Mile Creek-Halsted Bay Carp Mgmt	\$ 132,000	\$ 249,485	\$ 101,000	\$ 98,736	\$ 86,878	\$ 51,000	\$ 120,000	\$ -	\$ 178,874	\$ -	\$ 145,752	\$ -	\$ -	\$ -	\$ (51,000)	-100%
	<b>Research &amp; Monitoring Subtotal</b>	<b>\$ 843,018</b>	<b>\$ 911,663</b>	<b>\$ 1,118,049</b>	<b>\$ 797,079</b>	<b>\$ 312,167</b>	<b>\$ 1,178,260</b>	<b>\$ 1,062,031</b>	<b>\$ 1,127,260</b>	<b>\$ 190,074</b>	<b>\$ -</b>	<b>\$ 567,469</b>	<b>\$ 1,033,655</b>	<b>\$ -</b>	<b>\$ 1,033,655</b>	<b>\$ (144,604)</b>	<b>-12%</b>
	<b>Operations and Programs Total</b>	<b>\$ 12,860,068</b>	<b>\$ 12,956,340</b>	<b>\$ 13,659,497</b>	<b>\$ 11,494,671</b>	<b>\$ 3,767,125</b>	<b>\$ 6,435,769</b>	<b>\$ 5,358,198</b>	<b>\$ 5,683,724</b>	<b>\$ 281,326</b>	<b>\$ 2,716,259</b>	<b>\$ 1,657,718</b>	<b>\$ 7,508,920</b>	<b>\$ 70,000</b>	<b>\$ 7,438,920</b>	<b>\$ 1,073,151</b>	<b>17%</b>

Notes

<sup>1</sup>External revenue includes interest (Fund 1002), permit fee reimbursement (2001), East Auburn grant (2002), Long Lake Creek Assessment grant (5001), and LSOHC grant (5007).