



MEMORANDUM

To: MCWD Board of Managers
From: James Wisker
Date: July 21, 2016
Re: 2017 Budget Development – Status and Discussion

Purpose:

To inform the July 21, 2016 Joint Committee meeting, focused on the development of the 2017 budget.

Introduction:

Pursuant to direction received from the Board during the June 2016 Joint Committee Meeting, on July 21 staff will present a series of recommendations across a range of policy topics that will effectively balance the 2017 budget.

Background:

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.

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

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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.

At a 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. 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

Finally, 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 and Next Steps

The July 21, 2016 Joint Committee meeting is intended as a final directional discussion for the Board of Managers regarding the 2017 budget-levy, before workplans are compiled and reviewed in August and a public hearing is held in September.

At the July 21 meeting staff will provide recommendations across the policy topics discussed in June (listed above) that will effectively close the projected 2017 budget-levy gap. Should the Board agree with the staff recommendation, then workplans and the final budget will be assembled for review in August, ahead of scheduling public hearing in September.

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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