

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.



Draft 2024 Budget

Comfort Lake-Forest Lake Watershed District

Account Code	Budget Item	2022 Audited Yearend Expense	2023 Total Expense Budget w/ Transfers	2023 YTD June	2023 Estimated Yearend	2024 WMP	2024 Est. Grant Spend	2024 Est. Other Rev. Spend	2024 Ongoing Expenses	2024 New Expenses (JA Adds)	2024 Total Expense Budget
<i>Staff/Consultant Summaries (pulled out from budget below)</i>											
	<i>District Staff Wages/Benefits (Rolled in to each subcate</i>	\$815,520	\$884,345	\$444,307	\$884,345	\$806,814	\$0	\$49,886	\$922,893	\$14,000	\$972,780
	<i>Engineering Costs (Rolled in to subcategories below)</i>	\$892,729	\$745,000	\$306,021	\$640,537	\$698,072	\$50,000	\$0	\$705,000	\$0	\$755,000
	<i>Legal Costs (Rolled in to subcategories below)</i>	\$70,988	\$87,000	\$38,214	\$69,191	\$94,420	\$5,000	\$0	\$80,000	\$0	\$85,000
1-000	ADMINISTRATION	\$479,493	\$470,488	\$286,162	\$497,688	\$462,224	\$0	\$0	\$530,043	\$110,536	\$640,579
1-001	BOARD ADMINISTRATION	34,512	32,700	10,901	32,700	73,213			36,000	4,000	40,000
1-002	GENERAL OFFICE EXPENSES	96,700	99,767	67,719	105,667	110,365			127,470	32,536	160,006
1-003	GENERAL ADMINISTRATIVE	222,406	228,021	131,102	236,321	184,671			256,573	14,000	270,573
1-004	PROFESSIONAL SERVICES	125,874	110,000	76,441	123,000	93,975			110,000	60,000	170,000
2-000	DEBT SERVICES FUND	\$150,000	\$325,000	\$75,000	\$150,000	\$150,000	\$0	\$0	\$325,000	\$0	\$325,000
2-000	CWP LOAN PRINCIPAL REPAYMENT	150,000	325,000	75,000	150,000	150,000			325,000	0	325,000
3-000	PROGRAMS	\$1,614,149	\$2,035,605	\$475,848	\$1,199,862	\$1,613,266	\$29,954	\$87,886	\$1,197,083	\$382,000	\$1,696,923
3-000	GENERAL PROGRAM DEVELOPMENT	7,187	12,559	3,741	8,559	15,845	0	0	8,814	50,000	58,814
3-001	DISTRICT RULES AND RULEMAKING	0	25,000	0	0	0	0	0	0	0	0
3-002	PERMITTING	232,694	225,433	108,580	241,170	218,545	0	78,386	183,901	0	262,287
3-003	MONITORING & DATA ASSESSMENT	178,184	184,229	106,174	167,409	297,222	0	0	176,144	0	176,144
3-004	NON-POINT SOURCE POLLUTION ABATEMENT	28,126	191,653	14,439	179,826	134,405	0	0	181,629	0	181,629
3-005	EDUCATION AND OUTREACH	133,179	149,203	50,456	149,203	136,773	0	0	184,254	0	184,254
3-006	INTERAGENCY COMMUNICATION	156,338	48,971	28,344	56,471	61,193	0	0	60,513	0	60,513
3-007	RESEARCH	76,904	9,559	18,716	24,559	18,030	0	0	9,314	0	9,314
3-008	MEASUREMENT OF PROGRESS	12,030	9,059	3,716	10,559	12,566	0	0	10,314	0	10,314
3-009	GRANT RESEARCH & PREPARATION	12,244	23,473	4,886	17,559	23,494	0	0	13,314	12,000	25,314
3-010	OPERATIONS & MAINTENANCE										
OR 4-000	[JA RECOMMEND CREATE NEW 4-000 SERIES]	51,394	63,387	44,784	70,473	61,193	0	0	98,692	0	98,692
3-011	AIS PREVENTION & MANAGEMENT	188,552	276,932	66,014	226,839	302,904	29,954	9,500	196,315	20,000	255,769
3-012	LAND ACQUISITION & MANAGEMENT										
OR 6-000	[JA RECOMMEND CREATE NEW 6-000 SERIES]	530,386	806,471	22,282	37,559	302,139	0	0	18,314	300,000	318,314
3-013	WATERSHED PLANNING & RESILIENCY	6,931	9,679	3,717	9,679	28,957	0	0	55,564	0	55,564
5-000	PROJECTS	\$1,831,087	\$2,288,596	\$1,694,828	\$2,314,373	\$1,996,791	\$896,138	\$0	\$405,592	\$367,000	\$1,668,730
5-000	GENERAL PROJECT DEVELOPMENT	129,773	112,793	49,583	97,793	101,077	0	0	91,572	60,000	151,572
5-100	FLOODPLAIN	35,058	77,676	13,772	27,676	103,263	0	0	34,943	60,000	94,943
5-200	LAKES	1,526,527	2,008,027	1,577,315	2,091,694	895,686	896,138	0	199,191	0	1,095,329
5-300	STREAMS	37,678	67,426	11,149	42,676	39,520	0	0	54,943	2,000	56,943
5-400	WETLANDS	13,869	15,117	7,432	15,117	833,751	0	0	16,629	213,000	229,629
5-500	UPLAND RESOURCES	81,251	0	31,860	31,860	0	0	0	0	20,000	20,000
5-600	GROUNDWATER	6,930	7,559	3,716	7,559	23,494	0	0	8,314	12,000	20,314
TOTAL BUDGET		\$4,074,728	\$5,119,689	\$2,531,838	\$4,161,923	\$4,222,281	\$926,092	\$87,886	\$2,457,719	\$859,536	\$4,331,233

1000 Admin: Total New Expenses	\$110,536
2000 Debt Services (Loan Repayment): Total New Expenses	\$0
3000 Programs: Total New Expenses	\$82,000
4000 O&M (Potential New Category): Total New Expenses	\$0
5000 Projects: Total New Expenses	\$367,000
6000 Land Acquisition & Mgmt (Potential New Category): Total New Expenses	\$300,000
SUBTOTAL NEW	\$859,536
1000 Admin: already added on 8/15/23 draft for addtl office space (ongoing)	\$20,464
TOTAL INCLUDING ALREADY-ADDED OFFICE SPACE	\$880,000

8/15/23 Draft Budget Total:	\$3,471,697
8/23/23 JA Additions Draft Budget Total:	\$4,331,233
Difference	\$859,536

8/23/2023
With Additions by Manager Anderson



Draft 2024 Budget

Comfort Lake-Forest Lake Watershed District

Expense-Revenue Recap
With \$943K Added Grants and Flat Levy

	Budget Item	2022 Audited Yearend	2023 Total Expense Budget	2023 Estimated Yearend	2024 Total Expense Budget (JA Adds)	Difference from 8/15/23 Draft
TOTAL - COMFORT LAKE-FOREST LAKE						
REVENUE	TAX LEVY	\$1,617,288	\$1,622,500	\$1,617,288	\$1,622,500	(\$97,350)
	EARNED GRANT REVENUE (awarded/high probability)	\$1,540,369	\$2,926,563	\$1,275,148	\$926,092	\$0
	EARNED GRANT REVENUE (potential additional)				\$943,141	\$943,141
	OTHER (see Grant & Other Revenue Summary)	\$63,306	\$73,500	\$93,500	\$97,886	\$0
	UNEARNED GRANT REVENUE (Not Included in Total)	\$398,650	\$38,040	\$0	\$213,440	
	TOTAL REVENUE:	\$3,220,963	\$4,622,563	\$2,985,936	\$3,589,619	\$845,791
LOAN PROCEEDS						
	CWP LOAN DISBURSEMENT (DEBT)	\$763,394	\$1,200,000	\$1,362,698	\$800,000	\$0
	TOTAL LOAN PROCEEDS:	\$763,394	\$1,200,000	\$1,362,698	\$800,000	\$0
EXPENSES						
	1000 ADMINISTRATION	\$479,492	\$470,488	\$497,688	\$640,579	\$110,535
	2000 DEBT SERVICES FUND (CWP LOAN REPAYMENT)	\$150,000	\$150,000	\$150,000	\$325,000	\$0
	3000 PROGRAMS	\$1,614,149	\$2,035,605	\$1,199,862	\$1,696,923	\$382,000
	5000 PROJECTS	\$1,831,087	\$2,288,596	\$2,314,373	\$1,668,730	\$367,000
	TOTAL EXPENDITURES:	\$4,074,728	\$4,944,689	\$4,161,923	\$4,331,233	\$859,536
	REVENUE OVER/(UNDER) EXPENDITURES (without loan proceeds):	(\$853,765)	(\$322,126)	(\$1,175,987)	(\$741,614)	
	NET CHANGE IN CASH BALANCE (includes loan proceeds):	(\$90,371)	\$877,874	\$186,711	\$58,386	

FUND INFORMATION						
	Prior Yearend/Beginning of Year Fund Balance (Reserve) - unearned/dedicated revenues are already subtracted from this as part of the audit	\$1,217,329	\$1,126,958	\$1,126,958	\$1,113,669	
	Est Current Yearend Balance	\$1,126,958	\$2,004,832	\$1,313,669	\$1,172,055	
	Unearned Grant Revenue (already subtracted from YE reserve balance)	already taken out	already taken out	already taken out	already taken out	
	Future Loan Payback (debt service portion of levy - subtracted during audit)	already taken out	\$200,000	\$200,000	\$25,000	
	End of Year Reserve Minus Dedicated Funds	\$1,126,958	\$1,804,832	\$1,113,669	\$1,147,055	
	Reserve percentage of budget (beginning of year)	29.88%	22.79%	27.08%	25.71%	

If the 2025 budget was \$4 million, then the 2024 ending fund balance would be 29% of the 2025 budget (rule of thumb is approx. 33%)

Earned grant revenue = grant revenue that has been spent

Unearned grant revenue = grant revenue that is in the District's bank account, but hasn't yet been spent (carries forward each year until grant is spent up; reference figure only/not factored into total)

Note: Grants require a minimum match (in some cases 20% of total project cost, in some cases 10% of total project cost)



Draft 2024 Budget

Comfort Lake-Forest Lake Watershed District

Expense-Revenue Recap
With \$471K Added Grants and Flat Levy

	Budget Item	2022 Audited Yearend	2023 Total Expense Budget	2023 Estimated Yearend	2024 Total Expense Budget (JA Adds)	Difference from 8/15/23 Draft
TOTAL - COMFORT LAKE-FOREST LAKE						
REVENUE	TAX LEVY	\$1,617,288	\$1,622,500	\$1,617,288	\$1,622,500	(\$97,350)
	EARNED GRANT REVENUE (awarded/high probability)	\$1,540,369	\$2,926,563	\$1,275,148	\$926,092	\$0
	EARNED GRANT REVENUE (potential additional)				\$471,571	\$471,571
	OTHER (see Grant & Other Revenue Summary)	\$63,306	\$73,500	\$93,500	\$97,886	\$0
	UNEARNED GRANT REVENUE (Not Included in Total)	\$398,650	\$38,040	\$0	\$213,440	
	TOTAL REVENUE:	\$3,220,963	\$4,622,563	\$2,985,936	\$3,118,049	\$374,221
LOAN PROCEEDS						
	CWP LOAN DISBURSEMENT (DEBT)	\$763,394	\$1,200,000	\$1,362,698	\$800,000	\$0
	TOTAL LOAN PROCEEDS:	\$763,394	\$1,200,000	\$1,362,698	\$800,000	\$0
EXPENSES						
	1000 ADMINISTRATION	\$479,492	\$470,488	\$497,688	\$640,579	\$110,535
	2000 DEBT SERVICES FUND (CWP LOAN REPAYMENT)	\$150,000	\$150,000	\$150,000	\$325,000	\$0
	3000 PROGRAMS	\$1,614,149	\$2,035,605	\$1,199,862	\$1,696,923	\$382,000
	5000 PROJECTS	\$1,831,087	\$2,288,596	\$2,314,373	\$1,668,730	\$367,000
	TOTAL EXPENDITURES:	\$4,074,728	\$4,944,689	\$4,161,923	\$4,331,233	\$859,536
	REVENUE OVER/(UNDER) EXPENDITURES (without loan proceeds):	(\$853,765)	(\$322,126)	(\$1,175,987)	(\$1,213,184)	
	NET CHANGE IN CASH BALANCE (includes loan proceeds):	(\$90,371)	\$877,874	\$186,711	(\$413,184)	

Half grant scenario

FUND INFORMATION						
	Prior Yearend/Beginning of Year Fund Balance (Reserve) - unearned/dedicated revenues are already subtracted from this as part of the audit	\$1,217,329	\$1,126,958	\$1,126,958	\$1,113,669	
	Est Current Yearend Balance	\$1,126,958	\$2,004,832	\$1,313,669	\$700,484	
	Unearned Grant Revenue (already subtracted from YE reserve balance)	already taken out	already taken out	already taken out	already taken out	
	Future Loan Payback (debt service portion of levy - subtracted during audit)	already taken out	\$200,000	\$200,000	\$25,000	
	End of Year Reserve Minus Dedicated Funds	\$1,126,958	\$1,804,832	\$1,113,669	\$675,484	
	Reserve percentage of budget (beginning of year)	29.88%	22.79%	27.08%	25.71%	

If the 2025 budget was \$4 million, then the 2024 ending fund balance would be 17% of the 2025 budget (rule of thumb is approx. 33%)

Earned grant revenue = grant revenue that has been spent

Unearned grant revenue = grant revenue that is in the District's bank account, but hasn't yet been spent (carries forward each year until grant is spent up; reference figure only/not factored into total)

Note: Grants require a minimum match (in some cases 20% of total project cost, in some cases 10% of total project cost)