



MEMORANDUM

Comfort Lake-Forest Lake Watershed District

Date: June 21, 2024
To: CLFLWD Board of Managers
From: Mike Kinney, District Administrator
Subject: Draft 2025 Budget



District Wide

Background/Discussion

The Board held its second workshop on the draft 2025 budget on June 20th. One of the main topics that was discussed was the loan repayment projection and debt service levy. The Board directed staff to prepare alternate 10-year debt service levy projections. These are enclosed for managers to review and to ultimately discuss at the June 27th regular board meeting.

Attached Loan Scenarios

As discussed at the June 20th meeting, all of the attached loan and 10-yr projection scenarios show: close out Loan C and apply for Loan D; increase 2025 staff wages/benefits to \$1.226 million; updated with latest estimates for 2024 yearend expenditures, grant awards, and budget transfers; total levy has not been adjusted from original (the proportion of the levy dedicated to debt services is the variable in each scenario). In other words, the expenses remain the same (total revenue/expense is unchanged), but the Debt Service Levy varies with each scenario, meaning the Yearend Fund Balance varies with each scenario.

- Loan Scenario 1: Updated Original
 - As shown in staff-proposed budget that was previously posted, but updated to reflect latest 2024 YE expense estimates, grants, transfers and increased 2025 staff budget per 6/20 discussion.
 - Note the original scenario includes a 3% levy increase each year from 2026-2033, and both Scenario 2 and Scenario 3 include this as well.
- Loan Scenario 2: Debt Service Levy at \$500,000 for years 2025-2031
- Loan Scenario 3: Debt Service Levy equal to Total Loan Repayment for years 2025-2031

Without increasing the total levy, dedicating a higher portion of the levy to the dedicated Debt Service Fund results in less funding available to cover operating expenses, thus resulting in a lower Yearend Fund Balance projection, and ultimately running into a negative Fund Balance.

For comparison and discussion purposes, one additional scenario is included –

- Loan Scenario 4: Updated Original + 5% Levy Increase from 2025-2033