



# Board of County Commissioners Agenda Request

## 3B

Agenda Item #


**Requested Meeting Date:** May 26, 2015

**Title of Item:** 2016 Budget Parameters and Priorities

<input checked="" type="checkbox"/> REGULAR AGENDA <input type="checkbox"/> CONSENT AGENDA <input type="checkbox"/> INFORMATION ONLY	<b>Action Requested:</b> <input type="checkbox"/> Approve/Deny Motion <input type="checkbox"/> Adopt Resolution (attach draft)	<input type="checkbox"/> Direction Requested <input checked="" type="checkbox"/> Discussion Item <input type="checkbox"/> Hold Public Hearing* <small>*provide copy of hearing notice that was published</small>
<b>Submitted by:</b> Nathan Burkett		<b>Department:</b> Administration
<b>Presenter (Name and Title):</b> Nathan Burkett, County Administrator		<b>Estimated Time Needed:</b>
<b>Summary of Issue:</b>  Please see the attached memo.		
<b>Alternatives, Options, Effects on Others/Comments:</b>		
<b>Recommended Action/Motion:</b>		
<b>Financial Impact:</b> Is there a cost associated with this request? <input type="checkbox"/> Yes <input type="checkbox"/> No What is the total cost, with tax and shipping? \$ Is this budgeted? <input type="checkbox"/> Yes <input type="checkbox"/> No <i>Please Explain:</i>		

# AITKIN COUNTY ADMINISTRATION

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**Nathan Burkett, Administrator**  
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DATE: 5/20/15  
TO: County Board  
FROM: Nathan Burkett, County Administrator   
RE: Information for Board consideration re: 2016 budget parameters and priorities

## **QUESTIONS OF THE COUNTY BOARD**

At the 5/26/15 regular County Board meeting, administration is asking for the County Board to provide guidance and parameters as deemed appropriate for preparation of the 2016 budget.

The Board is in no way bound by this guidance. It is intended to give administration and departments a base point with which to begin the budgeting process, so that the proposed budget meets the Board's objectives; financially, operationally, and in terms of community priorities.

The questions that administration would appreciate guidance on are as follows:

1. Will the County Board be willing to consider a levy increase between 2015 and 2016, and if so what parameters would be considered acceptable as a start point? As always, any increase recommended would be justified, and the Board is the final authority.
2. What priorities does the County Board have for 2016 and beyond? Are there any particular projects, initiatives or objectives that the County Board would like staff to focus on?

## **SUMMARY OF RECOMMENDATIONS IN THIS DOCUMENT**

1. Levy recommendation
  - a. The Board is willing to consider increasing the 2016 levy between 137,463 (1.15%) and 523,999 (4.37%)
  - b. Any additional financial parameters the Board wishes to impose
2. Priorities recommendation

- a. Aggressive pursuit of technology opportunities to increase efficiency and deliver better services to the public
- b. Focus on continuous improvement of customer service, both in terms of accessibility and ease of interaction
- c. Strategic investments in opportunities to deliver services to the community pro-actively
- d. Seeking out and implementing means to improve efficiency in work flow
- e. Any additional priorities the Board wishes to advise

## 2016 FINANCIAL PARAMETERS

### Budget Gap

The projected budget gap is based on the best estimations of planned and agreed to expense increases between the 2015 budget and the 2016 budget.

Presumptions are as follows:

- Levy revenues remain at 2015 levels
- Revenues that increase with expenditures are adjusted based on historical and known factors
- Inflation between 2015 and 2016 estimated at approximately 1%
- Does not include any initiatives or projects or additional staff that may be proposed for the 2016 budget by the Board or staff

This projection is refined from previous projections.

<b>Item</b>	<b>Amount</b>	<b>Explanation</b>
Salary and Wage increases	434,921	Existing contracts through 2016 with bargaining units, presumes commensurate increases for non-union staff
FICA/PERA increase	61,323	Increase in expense associated with increase in payroll
EE Health ins increases	80,000	Estimate based on existing contracts through 2016, adjustments for non-union
Inflation on services and charges, materials, and capital equipment.	76,000	1% on total services, materials, equipment and misc expenditures.
<b>Total Projected Budget Gap</b>	<b>652,844</b>	<b>2.5 % of adjusted expenditures</b>

Additional Consideration: Decrease HHS Budget Deficit	200,000	HHS was budgeted to spend down 600,000 of fund balance in 14, and 400,000 in 15. Intent to decrease to 200,000 in 16.
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## 2016 Recommended Levy Parameters

**Disclaimer on this recommendation.** Recommendations are absent of any additional mandated spending increases or unknown factors that may impact necessary expenditures. Administration has a high degree of certainty that these parameters can be met, but unforeseen events may impact our ability to meet these parameters. The Board will be informed promptly of any such event.

All final decisions are at the Board's discretion, and any proposed increase will be justified and explained.

	Levy Change +/-(-)	New levy total
Highest	523,999	12,513,999
Anticipated low	137,463	12,127,463

**Justification for this recommendation.** The reason for this recommendation is within the context of this entire document. But primarily for planning purposes it has to do with what I have found to be a manageable budget gap during a budgeting process.

A budget gap of less than 2% of total adjusted expenditures is difficult to work with, but can typically be resolved without any major disruption to operations. There will be some budget trimming, and potentially a few recommendations that will impact the County's ability to provide exceptional services to the County Community. As the number grows closer to 2% and especially as it goes over, in general the Board could expect that recommendations include elimination of some services or reliance on fund balances.

Essentially, after any potential levy increase is inserted, administration and departments will be responsible for reducing baseline expenditures equivalent to the budget gap to achieve balance.

The recommendation above would, at a minimum, require administration and departments to reduce baseline expenditures between .5% and 2%.

Baseline reduction by %	Baseline reduction in \$	Levy adjustment req'd +/-(-)
0.5%	128,845	523,999
1.0%	257,691	395,153
1.5%	386,536	266,308
2.0%	515,381	137,463

**Use of fund balances to balance the budget.** At this point it is not recommended, and administration will not recommend the use of fund balance to balance the budget with the exception of up to about 200,000 for Health and Human Services.

The County is generally hovering around the State Auditor's minimum recommendation for fund balance, and it would be poor fiscal management to decrease any further for operations.

As part of a well thought out capital improvement plan, there may be opportunities to leverage fund balance to make larger, capital purchases with a long useful life. This may be included in the final budget recommendation and will be specifically noted.

### Tax Impact of Potential Levy Adjustment

Following the Board discussion of May 12, 2015 we can apply some of the projections to determine the potential impact of levy adjustments in 2016.

	Item	2015	High 2015	Low 2015	2016
<b>Constants</b>					
	Net Tax Capacity	26,677,074	27,007,108	27,007,108	27,007,108
	Tax Capacity Change +/-	(400,406)	330,034	330,034	
	Market Based Tax Cap Change +/-	(685,727)	142,527	142,527	
	New Construction	285,321	187,506	187,506	
	Special New Const				
<b>Baseline</b>					
Financial Base	Levy	11,999,900	11,999,900	11,999,900	11,999,900
	Levy Change +/-	274,204	523,999	137,463	
	Levy Change %	2.34%	4.37%	1.15%	
	Tax Rate	44.98%	46.37%	44.94%	
Average Homestead	Value	146,501	146,366	147,680	
	Average Tax	551	567	556	
	Average Tax +/-	(17)	16	5	
Avg 100k Homestead (2015 Value)	Value	100,000	99,908	100,805	
	Average Tax	323	332	326	
	Average Tax +/-	(12)	10	4	
Avg 250k Homestead (2015 Value)	Value	250,000	249,770	252,012	
	Average Tax	1,058	1,090	1,067	
	Average Tax +/-	(21)	32	9	
Avg C/I	Value	116,562	108,478	110,027	
	Average Tax	786	755	742	
	Average Tax +/-	(6)	(32)	(45)	
Avg 300k C/I (2015 Value)	Value	350,000	325,726	330,377	
	Average Tax	2,362	2,266	2,227	
	Average Tax +/-	189	(96)	(134)	

## Community Indicators

**Table 1 - Regional Unemployment Rates**

Year-Month	Aitkin County	Regional Average	Carlton County	Cass County	Crow Wing County	Itasca County	Kanabec County	Mille Lacs County	Pine County
Mar-15	8.3	8.1	6.2	9.3	7.4	7.1	10.2	8.1	7.9
2014 Annual Avg.	6.5	6.4	5.2	7	5.8	6.4	7.4	6.6	6
2013 Annual Avg.	7.3	7.3	6	8.1	6.8	7.5	8.2	7.5	6.9
2012 Annual Avg.	8	8.0	6.8	8.8	7.6	7.8	9	8.4	7.5
2011 Annual Avg.	9.5	9.2	7.6	10	8.7	9	10.1	9.6	8.8
2010 Annual Avg.	10.4	10.2	8.4	10.6	9.5	10.2	11.2	11.1	9.8
2009 Annual Avg.	10.3	10.8	8.5	10.6	9.6	10.8	13	12.5	11.2
2008 Annual Avg.	8.1	8.3	6.7	8.6	6.9	7.9	10.3	9	8.6
2007 Annual Avg.	6.8	7.0	5.7	7.1	5.6	7.2	8.3	7.6	7.6
2006 Annual Avg.	5.9	6.1	5.2	6.3	4.9	6	7	6.7	6.5

Source: <http://mn.gov/deed>

**Table 2 - Aitkin County Cost of Living**

Family Size	Age of Adults	Yearly Cost	Child Care	Food	Health Care	Housing	Trans	Other	Taxes
1 Adult, 2 Children	19-50	54,786	920	723	390	1,044	744	247	497
2 Adults, 2 Children	19-50	66,618	920	987	413	1,044	1,267	284	636
Single Person	19-50	23,420	-	358	135	588	519	132	219
Single Person	51+	23,555	-	336	169	588	519	129	222

Source: <http://mn.gov/deed>

**Table 3 - Aitkin County Household Income**

INCOME AND BENEFITS (IN 2013)	Minnesota			Aitkin County		
Total households	2,107,232	2,107,232	(X)	7,741	7,741	(X)
Less than \$10,000	118,627	5.6%	+/-0.1	626	8.1%	+/-1.0
\$10,000 to \$14,999	94,380	4.5%	+/-0.1	559	7.2%	+/-0.8
\$15,000 to \$24,999	196,633	9.3%	+/-0.1	1,003	13.0%	+/-1.3
\$25,000 to \$34,999	195,414	9.3%	+/-0.1	1,020	13.2%	+/-1.3
\$35,000 to \$49,999	278,751	13.2%	+/-0.1	1,455	18.8%	+/-1.5
\$50,000 to \$74,999	402,537	19.1%	+/-0.1	1,562	20.2%	+/-1.5
\$75,000 to \$99,999	300,891	14.3%	+/-0.1	770	9.9%	+/-1.1
\$100,000 to \$149,999	313,472	14.9%	+/-0.1	512	6.6%	+/-0.9
\$150,000 to \$199,999	109,669	5.2%	+/-0.1	137	1.8%	+/-0.5
\$200,000 or more	96,858	4.6%	+/-0.1	97	1.3%	+/-0.4
Median household income (dollars)	59,836	(X)	(X)	41,617	(X)	(X)
Mean household income (dollars)	77,204	(X)	(X)	52,391	(X)	(X)
With earnings	1,704,416	80.9%	+/-0.1	4,977	64.3%	+/-1.5
Mean earnings (dollars)	78,629	(X)	(X)	51,225	(X)	(X)
With Social Security	564,319	26.8%	+/-0.1	3,566	46.1%	+/-2.0
Mean Social Security income (dollars)	17,798	(X)	(X)	18,395	(X)	(X)
With retirement income	329,405	15.6%	+/-0.1	2,075	26.8%	+/-1.3
Mean retirement income (dollars)	22,182	(X)	(X)	22,162	(X)	(X)
With Supplemental Security Income	78,325	3.7%	+/-0.1	448	5.8%	+/-0.8
Mean Supplemental Security Income	9,407	(X)	(X)	10,202	(X)	(X)
With cash public assistance income	73,712	3.5%	+/-0.1	246	3.2%	+/-0.6
Mean cash public assistance income	3,325	(X)	(X)	2,653	(X)	(X)
With Food Stamp/SNAP benefits in the	172,849	8.2%	+/-0.1	725	9.4%	+/-1.2
Families	1,370,412	1,370,412	(X)	4,963	4,963	(X)
Less than \$10,000	42,749	3.1%	+/-0.1	174	3.5%	+/-1.0
\$10,000 to \$14,999	29,650	2.2%	+/-0.1	138	2.8%	+/-0.7
\$15,000 to \$24,999	81,397	5.9%	+/-0.1	538	10.8%	+/-1.4
\$25,000 to \$34,999	101,411	7.4%	+/-0.1	658	13.3%	+/-1.5
\$35,000 to \$49,999	159,565	11.6%	+/-0.1	933	18.8%	+/-1.8
\$50,000 to \$74,999	273,779	20.0%	+/-0.2	1,198	24.1%	+/-2.0
\$75,000 to \$99,999	233,410	17.0%	+/-0.2	650	13.1%	+/-1.6
\$100,000 to \$149,999	265,224	19.4%	+/-0.2	480	9.7%	+/-1.4
\$150,000 to \$199,999	97,097	7.1%	+/-0.1	105	2.1%	+/-0.6
\$200,000 or more	86,130	6.3%	+/-0.1	89	1.8%	+/-0.6
Median family income (dollars)	74,683	(X)	(X)	50,684	(X)	(X)
Mean family income (dollars)	92,087	(X)	(X)	62,794	(X)	(X)
Per capita income (dollars)	30,913	(X)	(X)	24,939	(X)	(X)
Nonfamily households	736,820	736,820	(X)	2,778	2,778	(X)
Median nonfamily income (dollars)	34,624	(X)	(X)	24,417	(X)	(X)
Mean nonfamily income (dollars)	46,575	(X)	(X)	31,386	(X)	(X)
Median earnings for workers (dollars)	32,439	(X)	(X)	23,591	(X)	(X)
Median earnings for male full-time,	51,911	(X)	(X)	40,950	(X)	(X)
Median earnings for female full-time,	41,320	(X)	(X)	32,489	(X)	(X)

Source: <http://factfinder.census.gov/>

**Table 4 - Household Income Detail**

Subject	Minnesota		Aitkin County, Minnesota	
	Total	Median	Total	Median
	Estimate	Estimate	Estimate	Estimate
Households	2,107,232	59,836	7,741	41,617
One race--				
White	89.6%	62,075	96.4%	41,875
Black or African American	4.4%	29,896	0.1%	22,083
American Indian and Alaska Native	0.9%	31,710	1.5%	32,083
Asian	2.9%	64,716	0.2%	59,583
Native Hawaiian and Other Pacific	0.0%	43,571	0.0%	-
Some other race	0.9%	39,688	0.0%	-
Two or more races	1.2%	42,394	1.8%	28,229
Hispanic or Latino origin (of any race)	3.0%	41,196	0.5%	34,659
White alone, not Hispanic or Latino	87.7%	62,560	95.9%	41,911
HOUSEHOLD INCOME BY AGE OF				
15 to 24 years	4.6%	28,363	3.2%	37,637
25 to 44 years	34.4%	67,074	19.2%	50,306
45 to 64 years	39.7%	73,441	40.1%	46,541
65 years and over	21.4%	37,329	37.5%	33,860
FAMILIES				
Families	1,370,412	74,683	4,963	50,684
With own children under 18 years	45.7%	74,967	30.9%	49,194
With no own children under 18 years	54.3%	74,485	69.1%	51,228
Married-couple families	78.9%	85,316	82.2%	55,373
Female householder, no husband	14.7%	33,515	11.7%	25,657
Male householder, no wife present	6.4%	46,146	6.1%	31,908
NONFAMILY HOUSEHOLDS				
Nonfamily households	736,820	34,624	2,778	24,417
Female householder	52.8%	30,144	44.5%	19,786
Living alone	44.2%	26,483	38.9%	17,551
Not living alone	8.6%	58,062	5.6%	46,053
Male householder	47.2%	40,287	55.5%	28,147
Living alone	36.1%	34,717	46.5%	23,776
Not living alone	11.0%	64,785	9.0%	43,523
PERCENT IMPUTED				
Household income in the past 12 months	23.1%	(X)	26.2%	(X)
Family income in the past 12 months	22.9%	(X)	26.5%	(X)
Nonfamily income in the past 12 months	22.1%	(X)	23.1%	(X)

Source: <http://factfinder.census.gov/>



**Table 5 - Families/Individuals in Poverty**

PERCENTAGE OF FAMILIES AND PEOPLE WHOSE INCOME IN THE PAST 12 MONTHS IS BELOW THE POVERTY LEVEL	Minnesota			Aitkin County		
All families	(X)	7.4%	+/-0.1	(X)	7.8%	+/-1.3
With related children under 18 years	(X)	12.4%	+/-0.3	(X)	13.7%	+/-3.4
With related children under 5 years	(X)	14.3%	+/-0.6	(X)	15.5%	+/-10.7
Married couple families	(X)	3.1%	+/-0.1	(X)	3.9%	+/-0.8
With related children under 18 years	(X)	4.6%	+/-0.2	(X)	3.8%	+/-2.1
With related children under 5 years	(X)	3.5%	+/-0.4	(X)	0.0%	+/-7.8
Families with female householder, no	(X)	27.6%	+/-0.6	(X)	28.9%	+/-7.5
With related children under 18 years	(X)	35.5%	+/-0.8	(X)	34.9%	+/-9.0
With related children under 5 years	(X)	46.2%	+/-1.9	(X)	49.5%	+/-23.7
All people	(X)	11.5%	+/-0.1	(X)	12.1%	+/-1.3
Under 18 years	(X)	14.7%	+/-0.3	(X)	14.7%	+/-3.6
Related children under 18 years	(X)	14.3%	+/-0.3	(X)	14.2%	+/-3.6
Related children under 5 years	(X)	17.0%	+/-0.6	(X)	18.4%	+/-7.5
Related children 5 to 17 years	(X)	13.3%	+/-0.3	(X)	12.7%	+/-3.4
18 years and over	(X)	10.4%	+/-0.1	(X)	11.6%	+/-1.0
18 to 64 years	(X)	10.9%	+/-0.1	(X)	12.8%	+/-1.5
65 years and over	(X)	8.0%	+/-0.2	(X)	9.2%	+/-1.6
People in families	(X)	8.4%	+/-0.2	(X)	8.3%	+/-1.5
Unrelated individuals 15 years and over	(X)	23.7%	+/-0.3	(X)	25.9%	+/-2.4

Source: <http://factfinder.census.gov/>

**Comparative Information**

**Table 6 - Regional Tax Rate Comparison**

	NTC	LEVY	TAX RATE	TAX RATE RANK
AITKIN COUNTY	27,580,796	11,999,900	43.51%	3
CARLTON COUNTY	27,539,814	23,552,165	85.52%	6
CASS COUNTY	63,656,213	20,182,969	31.71%	1
CROW WING COUNT	99,659,677	34,464,912	34.58%	2
ITASCA COUNTY	60,957,887	33,933,079	55.67%	4
KANABEC COUNTY	9,576,608	10,717,954	111.92%	8
MILLE LACS COUN	17,246,281	15,169,178	87.96%	7
PINE COUNTY	23,216,015	15,199,541	65.47%	5

Source: Tax policy Center

**Table 7 - Regional Tax Burden Comparison**

	\$	% of Home Value
AITKIN COUNTY	833	0.47%
CARLTON COUNTY	1,743	1.07%
CASS COUNTY	966	0.52%
CROW WING COUNT	1,241	0.66%
ITASCA COUNTY	980	0.65%
KANABEC COUNTY	1,500	93.00%
MILLE LACS COUN	1,653	1.01%
PINE COUNTY	1,247	0.79%

Source: Tax policy Center