



PINE COUNTY

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To: Pine County Commissioners
From: David J. Minke, County Administrator 
Date: September 25, 2014
Subject: 2015 Budget (Updated)

The county board, meeting as the Budget Committee, has held three meetings to consider the 2015 budget. On July 22, 2014 the board reviewed the preliminary highway budget and discussed general goals and direction for 2015. On August 26, 2014 the board met with each department/unit head to review and discuss their budget request. At that meeting, the board also received input from the Pine County Historical Society and Soil and Water Conservation District. On September 9, 2014 the board met and discussed the Health and Human Services budget and reviewed the impact of the department requests on the general fund.

At the September 9, 2014 meeting, the Health and Human Services Fund (HHS) was presented with a deficit of \$880,000 and the General Fund was presented with a deficit of \$95,000. Board direction was to balance the General Fund budget without additional levy funds and to look to reduce the deficit in HHS to \$440,000. At that meeting, the board was also informed that health insurance premium costs would be more than what was in the preliminary budget.

Since that time, staff has worked to refine the budgets and reduce the deficit in both funds. The deficit in the General Fund has been reduced to \$24,200 and the HHS deficit reduced to \$645,943.

In all funds, adjustments were made to update the county contribution to health insurance. Additional significant adjustments to the General Fund include:

Change	Impact (rounded) (-) Net reduction (+) Net increase
Reduce county attorney wage. New attorney will not start at the same salary.	-9,000
Reduce county attorney professional/technical services to 2014 level. Increase was to account for potential trial in 2015.	-30,000
Recorder technology and compliance funds revenue/expenditure were adjusted to net to 0. Failure to make this adjustment would erroneously improve the bottom line by \$83,000.	+ 83,000
Veterans' revenue was increased \$10,000	-10,000
City police contracts increased 1.1% to reflect new rate	-5,000
Change FT probation officer to PT	-40,000
Reduce Library appropriation to reflect actual request	-10,000

Some significant unbudgeted expenses remain, including the compensation and pay equity study and the demolition of the old jail, each estimated at about \$40,000.

Preliminary General Fund Budget Detail

Total revenue in the General Fund for 2015 is \$14,408,037. This is an increase of \$63,000 from 2014. The preliminary budget includes a property tax levy at \$7,910,111, which is the same as 2014.

Total expenditure in the General Fund is \$14,432,237, an increase of \$584,000. The staffing in the General Fund was increased by a full-time jail sergeant and a part-time jail secretary. Staffing was decreased by a one-quarter-time zoning secretary.

General increases in the Fund include a 1.5% cost-of-living adjustment for all employees and step/performance increases for eligible employees. The county contribution to health insurance increased. The contribution to the single plan increased \$89.75 (\$480.75 to \$570.50) (\$1,077 per year). The contribution to the family plan increased \$79.55 per month (\$1,064 to \$1,143.55) (\$954.60 per year.). The budget held funding for outside organizations flat from 2014 to 2015. These organizations include the Historical Society, Agricultural Society, Soil & Water Conservation District and the Snake River Watershed District.

Chart 1 shows the change in funding by department from 2014 to 2015. Chart 2 shows the same information, but calculated as a percent of the net impact on the General Fund. The two graphs need to be used together as a large change in percentage in a small department can have a negligible impact in actual dollars.

Commissioner: This department has an increase due to health insurance costs and budgeting a new commissioner with family coverage.

Administrator: This department has an increase in health insurance that is misleading as the 2014 budget incorrectly calculated the amount.

Recorder: The total increase in spending in this department is 4.8%, but revenues are projected to be down 8% resulting in a net change of \$44,000.

Veterans: This department is up as a result of adding an additional one-quarter of secretary time and increases in health insurance. Twenty percent of the increase is the result of budgeting the CVSIO grant expense.

Sheriff: The increases in this department include \$32,000 for salaries, \$60,000 for over time, \$48,000 for health insurance, and \$23,000 for PERA.

Jail: The net increase in the jail is negligible. However, actual expenditures are increasing \$272,545. Significant increases are \$27,000 in health insurance, \$100,000 in medical costs, and \$31,000 in food and beverages. Revenues are increased 50%, or \$252,518, which reduces the net impact.

Probation: Virtually all of the increase is due to personnel cost increases.

Sentence to Serve: The total dollar increase of \$6,000 is related to personnel, including \$1,400 in workers' compensation cost.

Emergency Management: Shows a significant decrease. This department will likely need a budget adjustment.

Considerations

The General Fund is basically balanced. We could do some tweeks and eliminate the \$24,200 deficit; however, doing so ignores the fact that expenditures increased nearly \$600,000. The 2014 budget included a \$497,000 increase in the reserve. The 2015 budget eliminates these funds and ignores the \$80,000 in unbudgeted expense in the jail demo and compensation and pay equity study.

The total fund balance in the General Fund at the end of 2013 was \$2,105,345 and the unassigned portion was \$1,166,814, or about 8% of expenditures. In 2012, the county adopted a fund balance policy targeting 20% to 35% of current expenditures. The state auditor's office recommends 35%-50%. The county is making progress in building the fund balance, but by any measure, the county is still lagging in an adequate fund balance and should consider budgeting an amount for 2015 to continue to build the fund balance.

Property Tax Levy

The property tax levy for 2014 was \$14,497,250, including \$7,910,111 General Fund, \$2,775,000 Health and Human Services and \$1,525,000 Road and Bridge.

Health and Human Services

Cathy, Becky, and their staff have worked diligently to create a realistic budget. However, the budget is \$608,579 in the red. Theoretically there are three ways to balance the budget: 1) Cuts to HHS, 2) Cuts to non-HHS departments and shifting resources, 3) increasing the property tax levy. In practical terms, each of these methods is difficult.

The HHS budget is comprised of three major sub-units. 1) Social Services (adult and children), 2) Financial Assistance, and 3) Public Health. Our goal for 2015 is to combine public health budgets with Kanabec County and maintain the county contribution constant at \$353,435. The county also made cuts to the public health expenditure side of the equation by eliminating a public health nurse and fiscal supervisor (one-third cost to public health), and removing one-third of the HHS director and administrative staff from the public health budget.

In Income Maintenance, overall revenue is down \$95,246 (from \$2,690,333 to \$2,595,087). Expenditures are also down \$204,005 (from \$2,862,851 to \$2,658,846) resulting in a net of negative \$63,759, which is an improvement of the net of over \$100,000.

In social services, overall revenue is down \$172,226 (from \$4,454,401 to \$4,282,134). Expenditures are up \$255,965 (\$4,826,954 to \$4,570,989). Of the increase, \$225,000 is due to an increase in the out-of-home placement budget. The net deficit is an increase of \$544,820.

For Discussion

The board is scheduled to adopt the preliminary levy on September 30, 2014. The board should give direction as to the levy amount and also any changes to the preliminary budget. Once the preliminary levy is adopted, it can be lowered, but not increased. Included in your packet is an updated chart showing values and tax capacities by property type.

**Chart 1
General Fund Change in Funding by department 2014 to 2015**

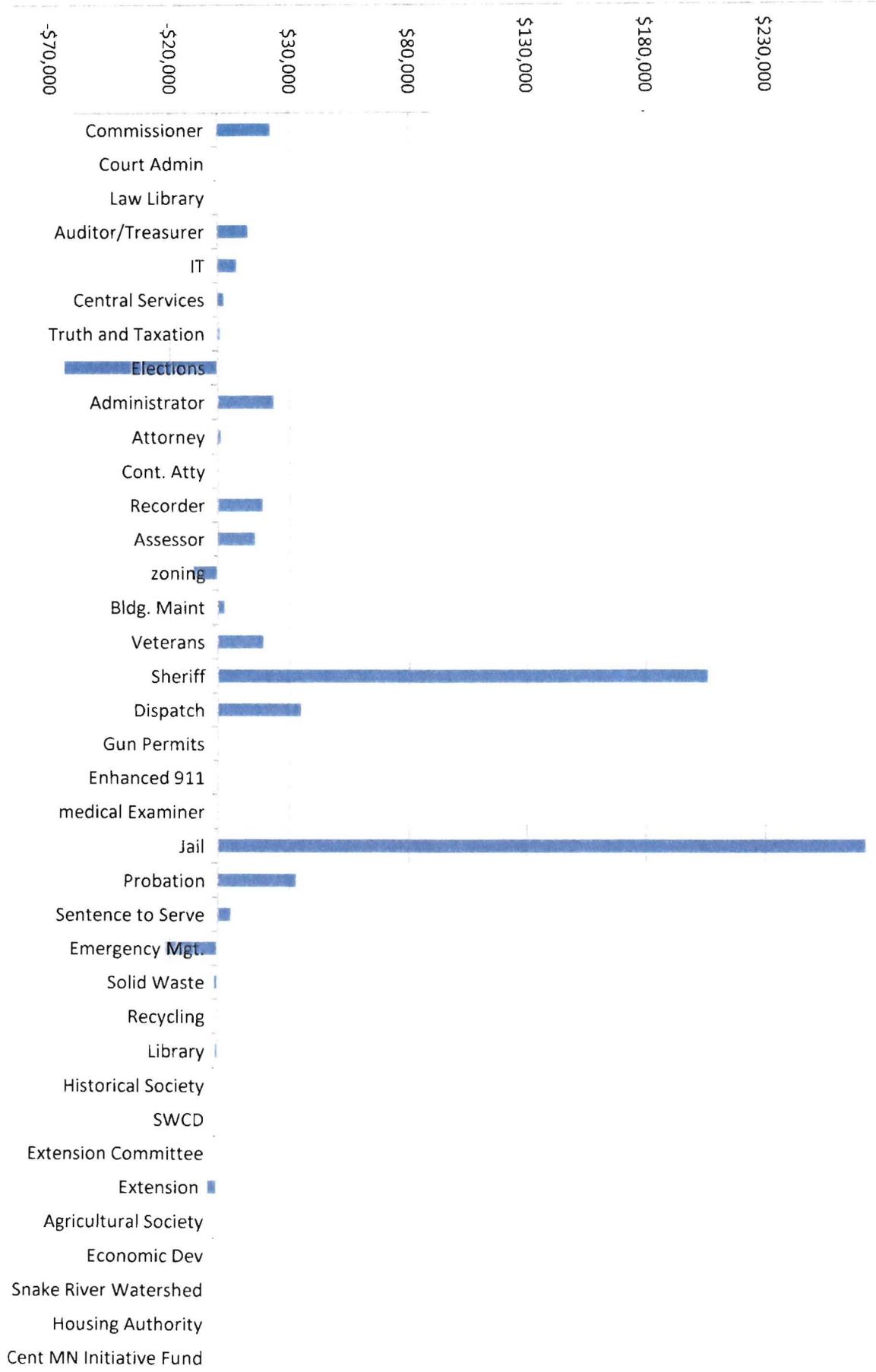
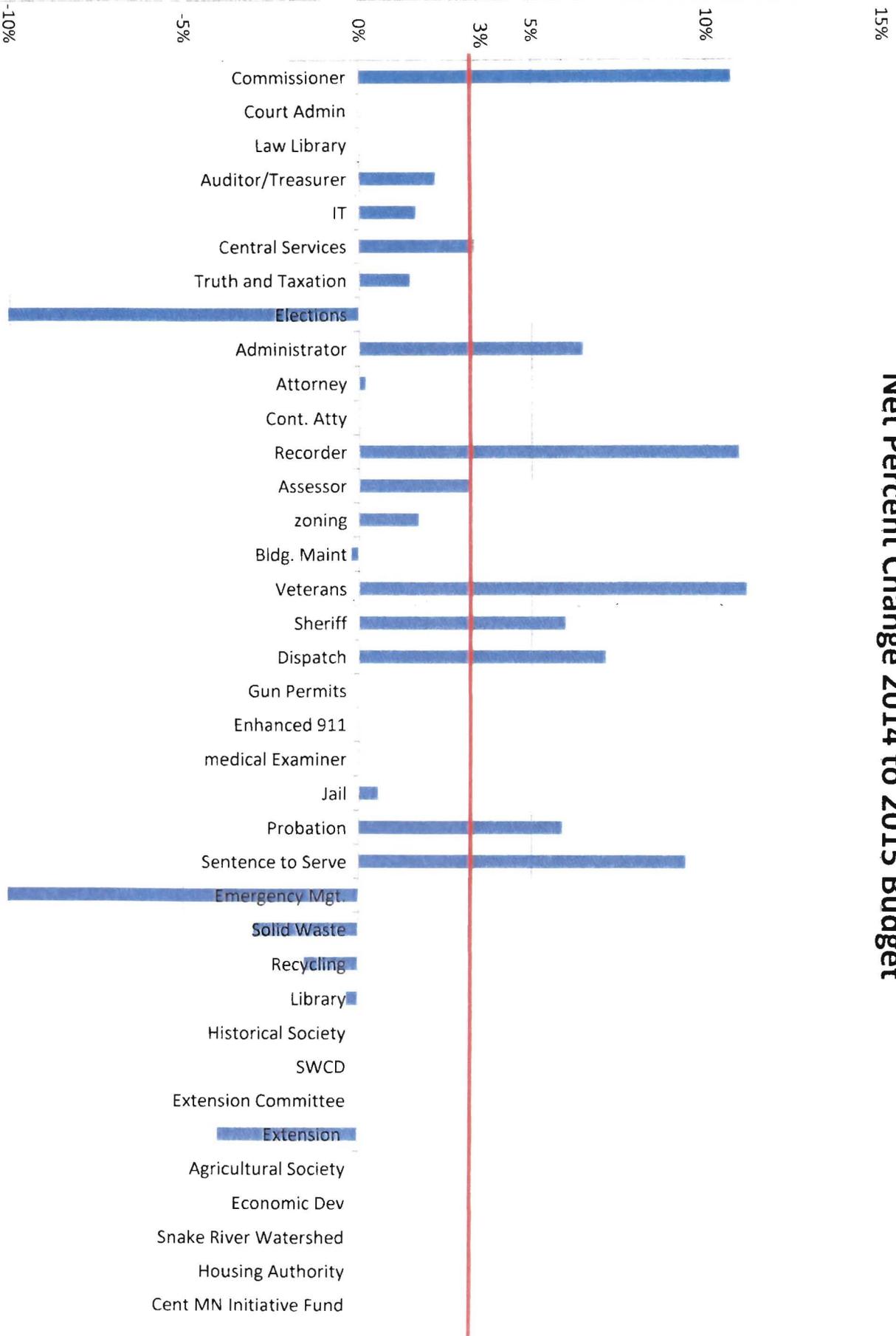


Chart 2
Net Percent Change 2014 to 2015 Budget



Values and Tax Capacities

Property Type	2015 Value	% of Total	Change	2015 Tax Capacity	% of Total	Change
Residential	1,013,252,768	40.0%	1.5%	8,466,991	36.8%	1.9%
Seasonal	468,548,800	18.5%	2.4%	4,689,195	20.4%	2.3%
Agricultural	846,601,827	33.4%	3.8%	6,180,847	26.9%	3.6%
Commercial	169,107,900	6.7%	0.1%	3,299,916	14.3%	-1.4%
Apartments	33,744,000	1.3%	-0.5%	370,080	1.6%	-0.4%
Total	2,531,362,900	100.0%	2.3%	23,007,029	100.0%	1.9%