

**Carver County Board of Commissioners
November 20, 2007
County Board Room
Carver County Government Center
Human Services Building
Chaska, Minnesota**

**PLEASE NOTE TIME CHANGE FOR
THIS WORK SESSION**

County Board Work Session Agenda

Time	Topic	Page
9:15 a.m.	1. PUBLIC WORKS	
	1.1 Parks-current initiatives, funding	1
10:15 a.m.	2. FINANCIAL SERVICES	
	2.1 Financial issues	2-14
11:30 a.m.	Board and Administrator Reports	

David Hemze
County Administrator

Cologne Public Works Storage Buildings
Ribbon Cutting Ceremony
November 20, 2007 – 12:00 p.m.



REQUEST FOR BOARD ACTION

AGENDA ITEM: Public Works Topics

Originating Division: Public Works Meeting Date: November 20, 2007
 Amount of Time Requested: 60 minutes Attachments for packet: Yes No
 Item Type: Consent Regular Session Closed Session Work Session Ditch/Rail Authority

BACKGROUND/EXPLANATION OF AGENDA ITEM:

❖ **Parks**

40 Minutes

➤ Current Initiatives

- Lake Minnewashta Park
- Lake Waconia Park
- Baylor Park
- Dakota Rail
- Mittelstaedt Parcel
- Comprehensive Plan

20 Minutes

➤ Funding

- Current Model
- Needs
- Strategies

ACTION REQUESTED:

No action is requested.

FUNDING

County Dollars = \$
 Other Sources & Amounts = \$
 = \$
TOTAL = \$

FISCAL IMPACT

- None
 Included in current budget
 Budget amendment requested
 Other:

Related Financial Comments:

Reviewed by Division Director

RMG

Date: November 8, 2007



REQUEST FOR BOARD ACTION

AGENDA ITEM : Financial Issues

Originating Division: Financial Services

Meeting Date: November 20th, 2007

Amount of Time Requested: 75 minutes

Attachments for packet: Yes No

Item Type: Consent Regular Session Closed Session Work Session Ditch/Rail Authority

BACKGROUND/EXPLANATION OF AGENDA ITEM: Three separate but related financial issues will be presented at the workshop:

1. Financial Review thru 9/30/07: The latest estimate, based on the first 9 months of 2007, is that the County can expect to bring in about \$750,000 more dollars than it spends in 2007 which will be a variance of 1% from Budget. However, the County Administrator's Recommended 2008 Budget proposes to increase overall budget expenditures by approximately \$3 million. Since County Policy is to designate 40% of the next year's expenditure budget as working capital to offset the negative cash flow caused by the County receiving property taxes only twice during the year, the County's working capital designation would need to be increased by approximately \$1.2 million in 2007 to remain at the 40% policy.

In addition, the County Administrator's Recommended 2008 Budget proposes to spend the \$8.6 million in the Year End Savings Account as of 12/31/06. Thus, it appears likely that the County's Year-End Savings account as of 12/31/07 will be zero and the County's working capital designation will be below its 40% policy. However, the actual working capital designation % is still expected to be within the range deemed acceptable by the State Auditor's office. Additional 2007 Budget information will be presented at the workshop.

2. 2008 Bond Sale: The County Administrator's Recommended 2008 Budget proposed a \$7.6 million dollar bond sale to finance 2008 Road Projects. The last time the Board issued bonds was in 2005. Issuing Bonds is a statutory process which will be outlined at the workshop.
3. Long Term Financial Plan: The attached *Administrator's Recommended Long Term Financial Plan*, along with the *Administrator's Recommended 2008 Annual Budget*, fulfills the County Board's direction to "connect financial strategies to the County's short and long-term strategic goals and objectives". The Long Term Financial Plan will be presented at the workshop prior to being presented, along with the 2008 Budget, at the December 11, 2007 County Board meeting.

ACTION REQUESTED: High level overview of these three financial issues.

FUNDING

County Dollars = \$
 Other Sources & Amounts = \$
 = \$
TOTAL = \$

FISCAL IMPACT

None (for now)
 Included in current budget
 Budget amendment requested
 Other:

Related Financial Comments:

Reviewed by Division Director

Date: November 8, 2007

Administrator's Recommended Long Term Financial Plan



**CARVER
COUNTY**

2008

Table of Contents

I.	Executive Summary	3
II.	Capital Improvement Plan (CIP).....	4
	a. Buildings	6
	b. Roads and Bridges	7
III.	Capital Improvement Strategy for Parks and Trails	8
IV.	Bond Authorization	9
V.	Financial Strategy for Funding Future Operations.....	10
VI.	Attachments: (To be added later)	
	A. Bonding Authorization CIP - M.S. 373.40	A-1
	B. Consolidated Report of Capital Projects	B-1
	C. Capital Projects by Type:	
	a. Buildings.....	C-1
	b. Roads & Bridges.....	C-3
	c. Facilities & Equipment	C-5
	d. Debt Service	C-12
	D. Capital Projects by Department	D-1
	E. Listing of Individual Capital Projects	E-1
	F. Definitions of Priorities	F-1

I. Executive Summary

This Administrator's Recommended Long Term Financial Plan, along with this Administrator's Recommended 2008 Annual Budget, fulfills the County Board's direction to "connect financial strategies to the County's short and long-term strategic goals and objectives".

The focus of the Long Term Financial Plan is two-fold:

1. Capital Projects:

Create a strategic financing plan to fund significant current and future road and building needs by allocating existing dollars and setting aside funds in anticipation of bonding.

2. Operating Budget:

Identify significant financial challenges to the Annual Budget and provide a strategic plan for addressing these potentially budget busting issues

Thus, the Plan is not a budget but rather a non-binding assertion of future intent. Ideally, individual elements of the Plan will be systematically implemented each as part of the Annual Budget process.

The County Board carries the ultimate budget authority and will be asked to adopt the final Annual Budget and Long Term Financial Plan on Tuesday, December 11, 2007. A complete 2008 Adopted Long Term Financial Plan will be prepared after adoption by the County Board. That Plan will incorporate this document and along with Attachments will provide much more detail on the proposed capital projects.

The hard work staff members provided in assisting with the preparation of this budget should be acknowledged. In particular, the assistance of Division Heads, Department Managers, and finance staff was instrumental in preparing this recommendation and is greatly appreciated.

II. Capital Improvement Plan

A Capital Improvement Plan (CIP) is created to provide a stable and sustainable road-map for funding future capital projects. Financing and developing projects often takes several years due to the increasing complex financial and regulatory environment. The five year plan ensures a long range perspective for capital projects and provides for efficient project tracking from their inception to construction.

By design, a CIP is fluid because future priorities can change dramatically based on current circumstances. Thus, only projects listed in the first year of a five year plan are approved in the Annual Budget whereas projects listed in years two thru five are merely considered placeholders.

A CIP is developed by prioritizing a list of projects based on the estimated earliest year needed. The estimated total project cost is listed which includes construction costs, soft costs (engineering, legal, administration), and contingencies. An inflation factor is then added based on the number of years before the project is estimated to start. Funding sources are also identified. At the bottom is a summary of the projected fund balance for future years based on the timing and cost of the projects and the estimated funding sources. Projected deficits in future years indicate that additional capital project funding needs to be identified and/or capital projects need to be pushed back until the necessary financial resources are available.

Carver County has two CIPs: Buildings – Fund #30 and Roads – Fund #32. The majority of the County funding for these CIPs is expected to be drawn from a growing County tax base. Thus, in simple terms, growth is expected to pay for growth.

A. BUILDINGS CIP” - Fund #30 (Formerly “Capital Project” Fund)

This CIP funds a comprehensive \$43 million (estimate includes inflation) list of capital projects over the next ten years for Justice Center/Government Center/License Center expansions and remodeling, libraries book and shelves, a joint MNDOT facility, fiber connections, technology upgrades and land acquisition for future County buildings.

The primary revenue sources are transfers from the County’s Year-End-Savings (Y.E.S.) account and the County’s property tax levy.

For 2008, this Administrator’s Recommended Budget proposed a \$500,000 Capital Levy to build financial capacity for future building projects. In 2009 and thru 2013, this Administrator’s Recommended Financial Plan proposes to increase the Capital Levy by \$750,000 each year which will almost close this CIP’s funding gap without issuing any bonds. The remaining unfunded issue is an estimated \$5.5 million of Government Center infrastructure projects (boiler, electrical grid, etc.) that needs further study in 2008 before I can recommend a funding option.

- B. **ROADS AND BRIDGES CIP – FUND #32** (Proposing to separate Road & Bridge operating and capital activity by creating a new FUND #32. Formerly Road and Bridge Capital Projects were recorded in the Road & Bridge Operating Fund #03.)

This CIP includes \$29M of County funds (estimate does not include inflation) for capital improvement projects over the next five years related to County Roads and Bridges including right-of-way acquisition and engineering.

Non-County revenue sources will also be spent on the road and bridge projects which will be in various stages of design and construction during the next five years. These Federal, State Aid City, and other contributions are critical revenue sources in reaching total funding of the projects contained in the Road and Bridge CIP. However, these other contributions are not included in this CIP because they are in such a state of constant change.

For 2008, this Administrator's Recommended Budget proposed a \$300,000 Debt Service Levy for a Road Project Bond Sale. In 2009 and thru 2012, this Administrator's Recommended Financial Plan proposes to increase this Debt Service Levy by \$250,000 each year which will provide the debt service payments for a 2009 \$2.5 million and 2012 \$7.5 million bond sale. A funding gap of around \$8.5 million will still exist which will need to be closed by either finding additional funding or delaying projects.

BUILDINGS
CAPITAL IMPROVEMENT PLAN - Fund #30
2008

DESCRIPTION	ESTIMATED YEAR NEEDED	ESTIMATED PROJECT COST	ESTIMATED PROJECT COST PLUS INFLATION						
			2007	2008	2009	2010	2011	2012	
JUSTICE CENTER ("JC") AND GOVERNMENT CENTER ("GC"):									
PHASE I: Courts 2nd floor w 4th courtroom/Lower level and LEC Build-out	2008	8,200,000							8,200,000
GC/JC Infrastructure (boiler, electrical grid, etc.)	2009	5,050,000							5,252,000
Parking Expansion - GC	2011	1,330,000							1,496,000
Fifth Courtroom: Remodeling of Justice Center 2nd Floor	2011	1,400,000							1,575,000
Gov't Center Renovations after PHASE II	2014	2,655,000							3,359,000
LICENSE CENTERS:									
License Center - Chaska remodel	2008	1,000,000							1,000,000
License Center - Chanhassen new	2008	2,800,000							2,800,000
JOINT MNDOT/PUBLIC WORKS FACILITY:									
County contribution 15% of total project cost	2010	1,200,000							1,298,000
LIBRARIES (I):									
Norwood Young America Expansion	2009	870,000							905,000
Victoria - New	2012	1,130,000							1,322,000
Carver - New	2012	1,200,000							1,404,000
TECHNOLOGY IMPROVEMENTS AND UPGRADES:									
Connect to existing Metro fiber optics loop	2009	325,000							338,000
Annual technology projects	2009 - 2012	250,000							250,000
LAND ACQUISITION:									
2007 (Chan License Center land plus preliminary architectural/construction manager services thru 9-07)	2007	645,000							645,000
2008	2008	1,000,000							1,000,000
NEW COUNTY BUILDINGS AT REMOTE SITES:									
PHASE II: New Building not on Chaska Courthouse Campus	2013	5,200,000							6,327,000
PHASE III: New Building not on Chaska Courthouse Campus	2018	5,500,000							8,141,000
Totals		\$ 39,755,000	\$ 45,312,000						
BEG. FUND BALANCE: (Initial Transfers In: \$5M + \$2.5M+ \$1M)									
Proposed 2007 Additional Y.E.S. Transfer In for Justice Center and License Center projects	2007	\$8,500,000	\$12,500,000	\$	\$	\$	\$	\$	\$ (114,000)
Proposed 2007 Additional Y.E.S. Transfer In for land acquisition		3,645,000	-	-	-	-	-	-	-
Proposed 2007 Additional Y.E.S. Transfer In for land acquisition		1,000,000	-	-	-	-	-	-	-
Property Tax Levy (2009: +\$750,000 each year)		-	500,000	1,250,000	2,000,000	2,750,000	3,500,000		
Performance contracting/energy saving/delay/other budgets/lower costs		-	-	5,500,000	-	-	-	-	-
Interest income		-	-	-	-	-	-	-	-
Project Costs		(645,000)	(13,000,000)	(6,745,000)	(1,548,000)	(3,321,000)	(2,976,000)		
PROJECTED YEAR END FUND BALANCE: (Fund #30)		\$ 12,500,000	\$ -	\$ 5,000	\$ 457,000	\$ (114,000)	\$ 410,000		

(1) Cities provide the library buildings, County CIP pays for the initial set of books, shelves, etc. and County Operating Budget pays for operational costs including staff.

**ROAD & BRIDGE
CAPITAL IMPROVEMENT PLAN - Fund #32
2008**

DESCRIPTION	ESTIMATED YEAR NEEDED	ESTIMATED COUNTY CONTRIBUTION	ESTIMATED COUNTY CONTRIBUTION + INFLATION	ESTIMATED COUNTY CONTRIBUTION		
				2008	2009	2010
ROADS & BRIDGE IMPROVEMENTS: (CIP Book - Object Code 6281 AND 6282*)						
Hwy CR 40 (**)	2008	704,000	704,000			
CSAH 14 - Pioneer Trail (***)	2008	3,925,000	3,925,000			
Lyman Blvd (**)	2008	2,839,000	2,839,000			
Hwy CR 17 (**)	2008	549,000	549,000			
	2009	4,116,000	4,281,000			
	2010	2,443,000	2,642,000			
	2011	1,360,000	1,530,000			
	2012	8,241,500	9,641,000			
RIGHT-OF-WAY ACQUISITION: (CIP Book - Object Code 6285)						
	2009	274,500	285,000			
	2010	-	-			
	2011	25,000	28,000			
	2012	855,000	1,000,000			
PRE-CONSTRUCTION SERVICES: (CIP Book - Object Code 6260*)						
	2008	358,000	358,000			
	2009	246,000	256,000			
	2010	-	-			
	2011	249,000	280,000			
	2012	1,325,000	1,550,000			

Totals \$ 27,510,000 \$ 29,868,000

	2008	2009	2010	2011	2012
PROJECTED BEG. FUND BALANCE (1):	\$300,000	\$ -	\$ (1,807,000)	\$ (3,664,000)	\$ (4,447,000)
2008 Bond Proceeds (***) Authorized in 2005 - Debt Service from 300K '08 County Debt Service Levy	3,625,000	-	-	-	-
2008 Bond Proceeds (***) Authorized in '07 - Debt Service from Wheelage Tax revenue	3,000,000	-	-	-	-
2008 Bond Proceeds (Authorized in '07 - Debt Service from Lyman Tax Abatement)	950,000	-	-	-	-
Additional Bond Proceeds (Debt Service paid from increasing County Debt Service Levy)	-	2,500,000	-	-	7,500,000
Road & Bridge Debt Service Levy (2009: +\$250K each year)	300,000	550,000	800,000	1,050,000	1,300,000
Wheelage Taxes (increase 5% a year)	315,000	330,000	350,000	370,000	390,000
Tax Abatement Levy	100,000	100,000	100,000	100,000	100,000
Road & Bridge Project Debt Service Principal and Interest	(715,000)	(965,000)	(965,000)	(965,000)	(1,715,000)
Annual Capital Property Tax Levy	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Annual Road Resurfacing Costs	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
County Portion of "Pending" Road & Bridge Projects - See Map for details	(8,375,000)	(4,822,000)	(2,642,000)	(1,838,000)	(12,191,000)
PROJECTED YEAR END FUND BALANCE: (R&BCIP - Fund #32) (2)	\$ -	\$ (1,807,000)	\$ (3,664,000)	\$ (4,447,000)	\$ (8,563,000)

* See 2008 CIP Book for details on 2008 individual projects

(1) Effective 12/31/07, County staff proposes to split Public Works operating and capital activities into two separate funds: operating - Fund #03 and capital - Fund #32. The \$300,000 beginning reserve balance represents interest income from the 2005 Bond Sale that has not yet been spent on projects.

(2) After all known funding sources have been allocated, this amount of additional funding sources need to be identified or the projects will be delayed. Possible funding sources to close the gap are additional County bonding, State/Federal aid/grants or contributions from other sources such as local governments.

III. Capital Improvement Strategy for Parks and Trails

The County Board's strategy has been to maximize its funds by partnering with other organizations in the acquisition and development of county regional park and trail projects. For example, in 2007 Carver County agreed to offer space at Lake Minnewashta Regional Park for an off-leash dog area and provide on going operations and maintenance for the site. Other organizations donated cash to finance the construction of an off-leash dog area

The long-term funding source for park land acquisition and development has been reimbursement grants from the Metropolitan Council's Capital Improvement Program. The County Administrator's Recommended 2008 Budget proposes for \$4 million dollars in the County's Year-End Savings account (Fund #01) to be designated to advance fund additional park land acquisition under this program for the Lake Waconia Regional Park. Under the current reimbursement formula, it could take up to 14 years to reimburse the County for this land acquisition. Thus, development needs of this park land and other park land throughout the County (utilities, restrooms, parking lots and roads) during the next 14 years will likely have to come from other sources besides the Metropolitan Council.

Carver County has been awarded Federal Transportation Enhancement Funds to construct an asphalt trail on the former Dakota Rail corridor for non motorized uses. The Carver County Regional Railroad Authority is allowing Carver County to construct the trail on its property and is using its levying authority to accumulate funds (Fund #15) as the required local match for the Federal Grant as away of supporting ongoing land stewardship for the transportation corridor.

The County's Comprehensive Plan is currently under study and will be updated in 2008. It is anticipated that the County's current strategy for Park and Trail Improvements will be revisited within the context of this long range planning exercise.

IV. Bond Authorization

This Administrator's Recommended 2008 Budget proposes a sale of \$7.6 million in Road Project bonds. A bonding authorization of \$3.6 million remains from the 2005 bonding process. Thus, a new \$4 million bonding authorization will need to be approved by the County Board in order to issue the \$7.6 million in bonds that are needed to finance the 2008 recommended road projects of \$9.4 million.

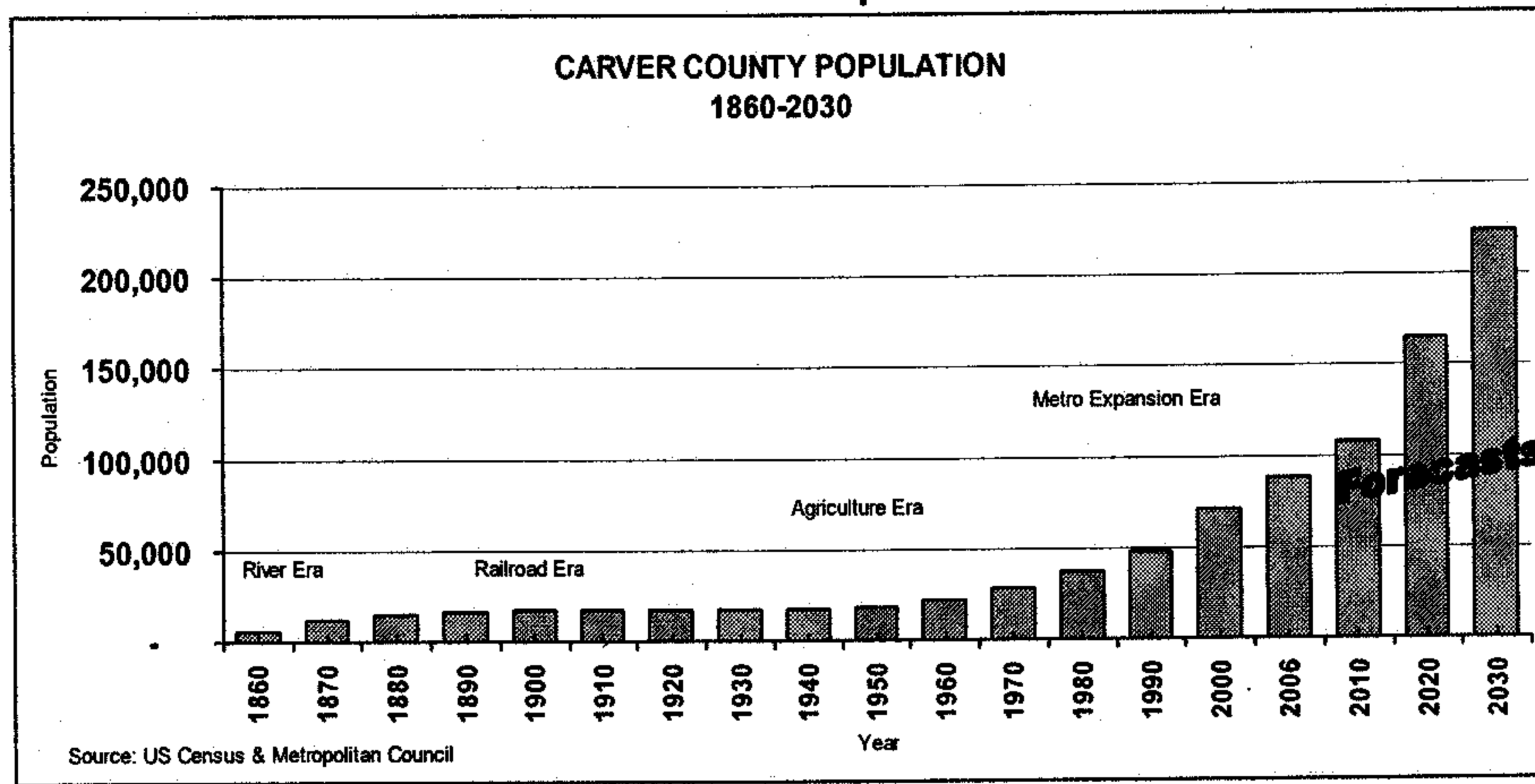
In addition, Public Works staff has requested to include in this new authorization an additional \$2.5 million for 2009 Bridge Repairs. This additional authorization would provide financial flexibility for the timing of these critical projects.

V. Financial Strategy for Funding Future Operations

A. FTE's Per 1000 Residents

Carver County's current population is approximately 87,000. Chart #1 shows the dramatic forecasted increase to over 220,000 citizens by the year 2030. This is roughly 2.5 times the current number of citizens within that timeframe! This explosive population growth is the biggest factor relating to increasing service demands and results in a requirement to make significant investments in County services.

Chart #1: Population Trend



The County's primary strategy to finance increasing service demands is for County Departments to utilize technology to gain efficiencies. Thus, the goal is for County Departments to continue to grow but just not as fast as the overall growth of the County. The 2008 Assessing Department Budget narrative is a shining example of how this strategy is already positively impacting this Department. For 2008, the County's Information Services Department is developing a Service Delivery and Technology Plan which will focus and enhance this strategy. As new technology is brought into the County, an opportunity will be created for redesigning workflow to increase efficiencies and eliminate duplication of efforts. An example is the On-Base document tracking system being implemented in Social Services. FTE's per thousand residents will be used to measure the County's overall progress for this strategy.

The County has also been very successful working with cities in Carver County and with neighboring counties to cooperatively enhance service delivery, increase efficiencies and eliminate duplication of efforts. This strategy is becoming more widely supported as the public realizes that service delivery rarely stops at a County/City border.

B. Skyrocketing Health Care Costs for the County and its Employees

The last time the County went out for health insurance bids the County received only one bid. For 2008, the County's Health Insurance premiums were capped at 17% increase which was a good thing because the premium increase would have been over 30% without the cap in place. Clearly the current system is broken and something needs to change. While we wait for outside forces to figure out a solution, the County's health care labor management committee is actively focusing on three areas:

1. Plan Design: Consumer-Driven Models

The latest trend to attempt to slow health care costs is to give health care consumers more choice in their health care. The County's attempt to follow this trend is "Plan C" which shares risk with the employee in exchange for lower premiums and provides "Tiering" where clinics/hospitals with higher care ratings have lower deductibles.

2. Education/Wellness

Estimates have calculated that 50% of health care costs relate to poor choices: what we eat, how much we eat, smoking, drinking, etc. The Mayo Clinic has developed a wellness program that over an extended period of time has shown to be successful at getting employees to make better health care choices. The Committee is working on a proposal to bring to the County Board for their consideration.

3. Data Mining

The Committee is also planning an extensive data mining of the County's generic (i.e. not-confidential) health care utilization records to see if any information can be gathered that might be useful when considering Plan Design or Education/Wellness program changes.

These efforts will not be silver bullet solution but hopefully will provide us with a plan that will eventually lead us out of this crisis.

VII. Attachments: (To be added later)

- G. Bonding Authorization CIP - M.S. 373.40A-1
- H. Consolidated Report of Capital ProjectsB-1
- I. Capital Projects by Type:
 - a. Buildings C-1
 - b. Roads & Bridges..... C-3
 - c. Facilities & Equipment C-5
 - d. Debt Service C-12
- J. Capital Projects by Department D-1
- K. Listing of Individual Capital ProjectsE-1
- L. Definitions of PrioritiesF-1