Ramsey County
Budget and Financial Overview

August 14, 2012

Prepared for the Ramsey County Board of Commissioners
by the Ramsey County Office of Budgeting and Accounting
I. Historical Budgeting and Financial Trends  Pages 3-21

II. Year-End Status of 2011 General Fund and Other County Funds  Pages 22-31
Part I: Historical Budgeting & Financial Trends

What will be covered:

- Budget Trends
- Revenue Trends
- Comparative Data From Selected Jurisdictions
- County Employment Trends
- Debt Profile
- Financial Achievements and Awards
Budget Trends
(Total Budget From All Sources,
In Actual and 1970 Inflation-Adjusted Dollars)
Ramsey County, 1970 to 2013

In actual dollars, total spending increased from 1970 - 2009 but has stabilized or decreased since 2009. When considering inflation, total spending has been flat or declining since 1990.
Consumer inflation has increased predictably since 1970, significantly reducing purchasing power for goods, commodities and labor services.
Budget Trends
(Total Budget From All Sources, In Actual and 2000 Inflation-Adjusted Dollars)
Ramsey County, 2000 to 2013

Total spending has largely stabilized since 2009 in actual dollars, but has decreased when considering inflation.
Intergovernmental Revenues
(In Actual and 1970 Inflation-Adjusted Dollars)
Ramsey County, 1970 to 2013

State funding has declined since 2000 in actual and inflation-adjusted dollars. Ramsey county now receives more Federal than State funding.
Intergovernmental Revenues
(In Actual and 2000 Inflation-Adjusted Dollars)
Ramsey County, 2000 to 2013

State funding peaked in 2000 but has declined since then in actual and inflation-adjusted dollars.

Federal funding peaked in 2009 but has dropped dramatically since then.
Property tax levies have increased since 1970 in actual dollars, but have increased at a much slower rate when considering inflation. Levy increases reflect stagnant or reduced intergovernmental aids, increased service demands from the public, increased cost of mandated services, and general inflation.

Average Annual Levy Increase (1970 - 2013) = 6.02 % in actual dollars
Lower Average Annual Levy Increases since 2008: 4.8% 2008; 4.5% 2009; 2.7% 2010 and 2011; 1.7% 2012
Average Annual Levy Increase (1970 - 2013) = 1.60 % in inflation adjusted dollars
Property tax levies have increased since 2000 in actual dollars, but at a much slower rate when considering inflation. Levy increases reflect stagnant or reduced intergovernmental aids, increased service demands from the public, increased cost of mandated services, and general inflation.
Revenue Sources as a % of Budget

2000
- Intergov Revenue: 36%
- Property Taxes: 36%
- Charges for Services/Fines: 14%
- Other: 14%

2013
- Intergov Revenue: 27%
- Property Taxes: 47%
- Charges for Services/Fines: 19%
- Other: 7%
Annual spending increases in all three jurisdictions have been smaller (or negative) in recent years.
Ramsey County levy increases have been more stable and predictable than in other jurisdictions. Levy increases in all three jurisdictions have been smaller in recent years.
### Statewide Property Tax Levy Comparisons for Taxes Payable 2000 and 2012

<table>
<thead>
<tr>
<th>Rank</th>
<th>County</th>
<th>Property Tax Levy Per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cook</td>
<td>$740</td>
</tr>
<tr>
<td>12</td>
<td>Hennepin</td>
<td>$386</td>
</tr>
<tr>
<td>16</td>
<td>Carver</td>
<td>$367</td>
</tr>
<tr>
<td>32</td>
<td>Ramsey</td>
<td>$319</td>
</tr>
<tr>
<td>40</td>
<td>Scott</td>
<td>$303</td>
</tr>
<tr>
<td>72</td>
<td>Washington</td>
<td>$245</td>
</tr>
<tr>
<td>74</td>
<td>Dakota</td>
<td>$238</td>
</tr>
<tr>
<td>81</td>
<td>Anoka</td>
<td>$212</td>
</tr>
<tr>
<td>87 (lowest)</td>
<td>Roseau</td>
<td>$179</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rank</th>
<th>County</th>
<th>Property Tax Levy Per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Traverse</td>
<td>$1,314</td>
</tr>
<tr>
<td>36</td>
<td>Hennepin</td>
<td>$579</td>
</tr>
<tr>
<td>48</td>
<td>Ramsey</td>
<td>$534</td>
</tr>
<tr>
<td>61</td>
<td>Carver</td>
<td>$491</td>
</tr>
<tr>
<td>73</td>
<td>Scott</td>
<td>$442</td>
</tr>
<tr>
<td>82</td>
<td>Washington</td>
<td>$363</td>
</tr>
<tr>
<td>83</td>
<td>Anoka</td>
<td>$362</td>
</tr>
<tr>
<td>85</td>
<td>Dakota</td>
<td>$324</td>
</tr>
<tr>
<td>87 (lowest)</td>
<td>Rice</td>
<td>$294</td>
</tr>
</tbody>
</table>

Note: Ramsey County has the smallest geographical area, minimal developable acres remaining, the highest population density of all counties in Minnesota, and a high percentage of non-taxable public land and buildings.

Source: MICA 2012 preliminary estimates.
County Employment Trends
(Budgeted Full Time Equivalent Positions)
Ramsey County, 1970 to 2013

The number of FTE positions has increased since 1970, but has been relatively flat since 2000 with decreases after 2009.
The number of County positions by function has been relatively stable since 2000, with decreases after 2009. Reduction in Public Safety in 2004 was due to State takeover of District Courts. This reduction was largely replaced in 2007 by Emergency Communications.
Ramsey County Debt per Capita
for County-Only Debt, 2009 - 2013
(using Standard and Poor's Benchmarks)

High
Moderate
Low

2009: $356
2010: $364
2011: $359
Est 2012: $365
Est 2013: $368
Ramsey County Debt as a % of Budget

for County-Only Debt, 2009 - 2013
(using Standard and Poor's Benchmarks)

<table>
<thead>
<tr>
<th>Year</th>
<th>High</th>
<th>Moderate</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>3.77%</td>
<td></td>
<td>3.77%</td>
</tr>
<tr>
<td>2010</td>
<td>4.11%</td>
<td></td>
<td>4.11%</td>
</tr>
<tr>
<td>2011</td>
<td>4.20%</td>
<td></td>
<td>4.20%</td>
</tr>
<tr>
<td>Est 2012</td>
<td>4.43%</td>
<td></td>
<td>4.43%</td>
</tr>
<tr>
<td>Est 2013</td>
<td>4.37%</td>
<td></td>
<td>4.37%</td>
</tr>
</tbody>
</table>
Ramsey County Debt as a % of Market Value
for County-Only Debt, 2009 - 2013
(using Standard and Poor’s Benchmarks)

- High: 0.36%, 0.39%, 0.40%, 0.40%, 0.40%
- Moderate: 3.00%
- Low: 1.00%

Estimated & Taxable Market Values
(Shown in $ Billions)
Ramsey County, 2000 - 2013

Estimated Market Value (Actual)
Taxable Market Value (actual)
Financial Achievements & Awards

- AAA bond rating from two rating agencies (12th consecutive year)
- “Strong” financial management rating and “stable” outlooks
- Three GFOA awards received:
  - Comprehensive Annual Financial Report (CAFR)
  - Budget Presentation
  - Popular Annual Financial Report (PAFR)
- Only County in Minnesota to have received AAA bond ratings from both rating agencies and all three GFOA awards
- Unqualified (clean) audit opinion for 2011 from State Auditor
- On schedule in addressing all KPMG internal audit findings
- Have successfully implemented new GASB 54 financial reporting requirements
Part II: Year-End Status of 2011 General Fund and Other County Funds

What will be covered:

- Fund Structure
- General Fund Balance Review
- Proprietary Fund Review
  - Lake Owasso Residence
  - Ramsey County Care Center
  - Ponds at Battle Creek
Ramsey County Fund Structure

Governmental Funds
- General Fund
- Capital Projects Fund
- Debt Service Funds
- Special Revenue Funds

Proprietary Funds
- Internal Service Funds
- Enterprise Funds
  - Lake Owasso Residence
  - Ramsey County Care Center
  - Ponds at Battle Creek
Fund Balance Review

What is “Fund Balance”?

- Difference between assets and liabilities

- Is the residual worth of the County if we were to discontinue operations

- “Fund balance” used in general fund financial statements. “Net assets” is an equivalent term used in proprietary funds and in private sector businesses

- Represents equity and an approximate measure of liquidity, but has significant limitations on use

- Is not “profit”
The 5 Components of Fund Balance
(New General Fund Categories under GASB 54)

<table>
<thead>
<tr>
<th>Fund Balance Categories</th>
<th>Description</th>
<th>2011 Balances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Spendable</td>
<td>Amounts that are not in spendable form – prepaid items, supply inventories, long-term loans and receivables</td>
<td>$ 18,675,330</td>
</tr>
<tr>
<td>Restricted</td>
<td>Legal constraints imposed by outside parties (State, grantors, bond covenants)</td>
<td>$ 155,244</td>
</tr>
<tr>
<td>Unrestricted:</td>
<td>Self-imposed commitments by formal Board action (Board resolutions) for a specific purpose</td>
<td>$ 3,819,936</td>
</tr>
<tr>
<td>— Committed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Assigned</td>
<td>Amounts <em>intended</em> to be used for a specific purpose.</td>
<td>$ 123,848,540</td>
</tr>
<tr>
<td>— Unassigned</td>
<td>Residual amounts available for other purposes (cash flow, 7.5% emergency reserves)</td>
<td>$ 68,873,130</td>
</tr>
<tr>
<td>Total General Fund Balance</td>
<td></td>
<td>$215,372,180*</td>
</tr>
</tbody>
</table>

* Total Fund Balance increased $3,927,041 or 1.86% at the end of 2011 (from $211,445,139 in 2010)
Minnesota Office of the State Auditor:

- Local governments should maintain unrestricted fund balances of 35% - 50% of the subsequent year’s budget to provide sufficient liquidity for cash flow, self-insurance and to cover legal obligations

Ramsey County:

- Board adopted a policy in 1997 to maintain emergency reserves at 7.5% of the subsequent year’s General Fund operating budget (included in unrestricted fund balance). Was $19.3 million in 2011.
## General Fund Balances

2005-2011

($ in Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total General Fund Balance</th>
<th>Unrestricted General Fund Balance</th>
<th>Unrestricted Fund Balance as a % of Subsequent Year’s Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$153.3</td>
<td>$135.1</td>
<td>34%</td>
</tr>
<tr>
<td>2006</td>
<td>$176.0</td>
<td>$155.9</td>
<td>38%</td>
</tr>
<tr>
<td>2007</td>
<td>$174.8</td>
<td>$148.6</td>
<td>35%</td>
</tr>
<tr>
<td>2008</td>
<td>$189.5</td>
<td>$164.8</td>
<td>34%</td>
</tr>
<tr>
<td>2009</td>
<td>$205.1</td>
<td>$174.3</td>
<td>42%</td>
</tr>
<tr>
<td>2010</td>
<td>$211.4</td>
<td>$174.3</td>
<td>40%</td>
</tr>
<tr>
<td>2011*</td>
<td>$215.4</td>
<td>$196.5</td>
<td>47%</td>
</tr>
</tbody>
</table>

* GASB 54 implemented in 2011
Proprietary Funds:  
Lake Owasso Residence

- Structural gap between revenues and expenditures prior to 2012-2013 budget
- Net assets and operating cash decreased in 2011
- County Board increased property tax levy support in 2012 and 2013 to balance the LOR budget:
  - 2012 levy was increased by $776,836 (from $264,099 to $1,040,935)
  - 2013 levy was increased by $252,408 (from $1,040,935 to $1,293,343)
- Long-term debt of $3,095,000 in General Obligation Bonds issued in 2000 to construct eight residences and storage facilities (refunded in 2006). LOR is repaying these bonds
- Loan of $378,206 from General Fund as an advance on operating funds during construction. Loan will be repaid after bonds are retired in 2020
Structural gap between revenues and expenditures prior to 2012-2013 budget

Net assets and operating cash decreased in 2011

County Board increased property tax levy support in 2012 and 2013 to balance the RCCC budget:

- 2012 levy was increased by $557,995 (from $366,854 to $924,849)
- 2013 levy was increased by $363,295 (from $924,849 to $1,288,144)

Long-term debt of $2,250,000 in General Obligation Bonds issued in 2007 for TCU. Debt repayment schedule was extended in 2010. RCCC is repaying these bonds

Loan of $500,000 authorized in 2009 for operating expenses. Loan is currently outstanding
The Ponds at Battle Creek continues to struggle to attain financial self-sufficiency.

Net assets and operating cash decreased in 2011 due to the bad economy and difficulty in accessing the site due to road construction on Century Avenue.

Since 2011, golf rounds are up 50% and course revenues are up $42,000 but total revenues are impacted due to the closure of the driving range during fence repair. Sufficient revenues are available to cover operating expenses, but not debt service.

Course was developed in 2002 using $3,550,000 in General Obligation Bonds (refinanced in 2011, saving $448,204 over the life of the bonds).

Cash loan of $2,747,781 from General Fund issued in 2007 to make payments on the 2002 bond issue. Repayment of loan is scheduled to begin in 2012 and end in 2032. Debt payment schedule should be modified to reflect available revenues.
GASB 67 and 68 recently adopted by Government Accounting Standards Board (GASB) regarding financial reporting for pensions

As currently written, local governments will be required to book unfunded pension liabilities of their employees (such as PERA participants) beginning in 2015

How unfunded pension liabilities are calculated will also change

Impact on our fund balance and credit ratings is unclear, but likely to be challenging. Moody’s is considering early implementation in their bond ratings.

More guidance from GASB and PERA will come out this fall