

Public Hearings *for the* St. Louis County 2010 Proposed Budget & Levy

December 3 & 10, 2009
Kevin Z. Gray, County Administrator



Now more than ever:

You need to know we're spending your money carefully.
Here is how taxes coming to St. Louis County are used.



2010 St. Louis County Budget:

Realistic

- Reflects reality of current economic condition
- Incorporates minimal increase in County property tax levy (lowest 30% of the State)
- Reflects a growth in expenditures and levy in line with County's benchmark of inflation + new construction
- Adjusts the County's operations to function with lower revenue
- Reflects continued commitment to high quality, core services for 2010



2010 St. Louis County Budget:

Realistic (continued)

- Reflects pressure as more citizens seek services from County government
- Reflects the reality that residents and taxpayers face financial challenges including property tax payments
- Reflects reality of State government reductions – anticipated and unanticipated – for example, the 2010 budget reflects 15% reduction in State Aids
- Requires continued strategic realignment and reform in many departments and programs



2010 St. Louis County Budget:

Incorporates Difficult Budget Decisions

- Continued focus on core services, service levels and service delivery
- Continued state and other revenue reductions resulting in further program reductions and/or higher caseloads for existing staff
- Continued trend towards reduced positions through vacancies and attrition
- Continued review and reduction of non-mandated, non-core services (Assisted Living Program, Chris Jensen Health & Rehabilitation Center) – where these services are provided by others in the community



2010 St. Louis County Budget:

Process Overview

Dates	Process	Output
January-March	<ul style="list-style-type: none"> •Set framework with budget instructions • Meetings with County Board Chair & Chair of Finance and Individual departments 	Budget manual & training
April-May	Department budgets submitted	Initial budget
June-August	Monthly Board Workshops with budget discussions	
September 15	Preliminary budget assembled	Maximum levy certified (1.3%)
October-November	<ul style="list-style-type: none"> •Continued Board workshops including budget elements •Continued review of department submissions • Budget refinements given the current economic climate 	
December 15	2010 Proposed Budget finalized	Budget adopted

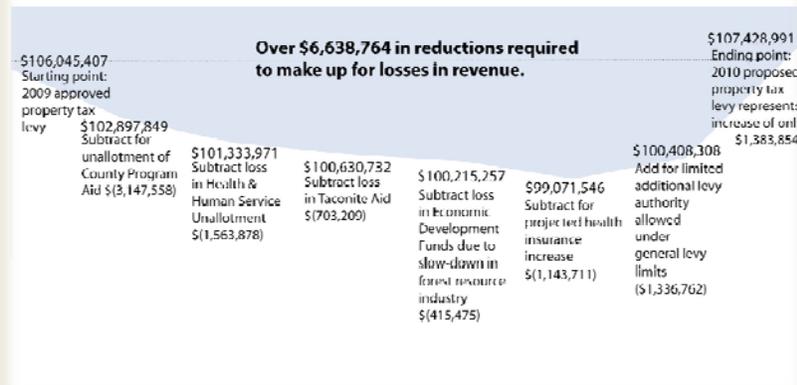


Major Changes in Planning Base: Required Significant Budget Reductions

- Revenue Losses
 - CPA Unallotment (\$3,147,558)
 - Health & Human Services Unallotment (\$1,563,878)
 - Taconite Aid (\$703,209)
 - Econ Dvpt funds (\$415.475)
- Revenue Gains
 - One time Federal Stimulus funding dedicated to specific projects
- Spending Increases
 - Health Insurance increase \$1,143,711
 - Utility cost increases of 12%
 - Fluctuation in gas & diesel costs
- Spending Decreases
 - Rent charges minimized
 - MIS & Telecommunication budgets reduced resulting in savings to departments
 - Elimination of operating subsidies



Major Changes in Planning Base: Required Significant Budget Reductions (continued)



Key Issues in 2010 Budget:

State's December Economic Update Serious

- Problems facing U.S. Economy & State economy have intensified over the last year and we have experienced a prolonged and deeper downturn than predicted 1 year ago
- Forecast for U.S. GDP on track (3rd quarter showed positive growth) but labor markets continue weaker than projected
- County's unemployment continues to lag behind State rate (October 2009 data):
 - US 9.5%
 - Minnesota 6.9% (seasonally adjusted 7.6%)
 - St. Louis County 7.7%
 - Duluth 6.9%
 - St. Louis County excluding Duluth 8.7%
- Unemployment rate expected to trend even higher over next 6 months
- State of Minnesota now projects a \$1.2 billion budget deficit for FY 2010-2011 and a structural shortfall of \$5.4 billion for FY 2012-2013



Key Issues in 2010 Budget:

State payments to Counties are not keeping pace with inflation

- Counties have Maintenance of Effort (MOE) requirements that require specific service levels in various program areas, primarily in human services
- Counties are working together to present other options to the State that focus on counties being responsible for outcomes desired, not the method for achieving these outcomes
- From 2002-2010 County's have seen their state aid reduced by 8.1% (in line with cities and schools) while retained state revenue has grown by 6.8%



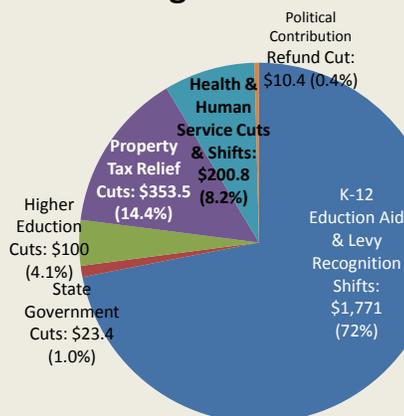
Key Issues in 2010 Budget:

Pattern of spending cuts and cost shifts show disproportionate impact to local government

Property Tax Relief Cuts
(\$353.5m or 14.4%)

include:

- 4.1% cut in County Program Aid (\$100 m)
- 6.0% in City LGA (\$147m)
- 2.2% cut in MV Homestead Credit (\$53 m)
- 2.0% in Renters' Property Tax Relief (\$48 m)



Key Issues in 2010 Budget:

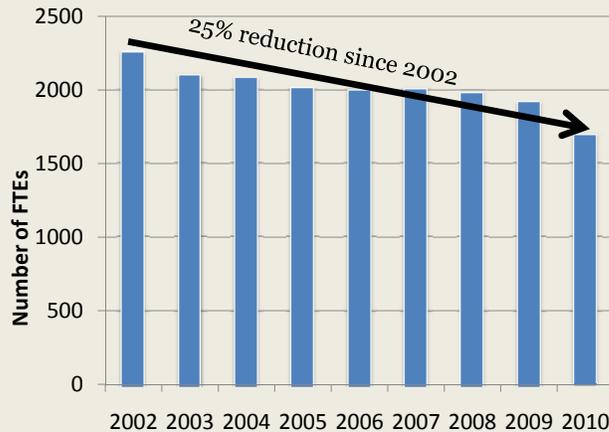
Continued Personnel Reductions

- Our employees are key to the services we provide
- Personnel costs make up approximately 50% of all county expenses, we have to look for efficiencies
- Budget reflects reduction in positions - we are reducing these positions through attrition, retirements and by no longer holding vacant positions open
- We will be able to hire to fill key positions but continue to examine what we do & how we do it into the future.

(Note: with lease of Chris Jensen facility, approximately 200 positions will be reduced from St. Louis County as those employees retire or become part of Health Dimensions Group)



Key Issues in 2010 Budget: Personnel Reductions continued



Key Issues in 2010 Budget: Opportunities

- Linking resources to outcomes
- Focus on budget objectives:
 - Accountability
 - Transparency
 - Continuation of services
- Minimize Property Tax increase
- Anticipate future State reductions
- Reduce reliance on other revenues
- Ensure the ongoing health of county funds



2010 Budget: Property Tax Impact

Impact of a 1.30% increase holding market values constant

- Based on 2010 market values, the impact of a 1.30% increase on St. Louis County property tax payers is likely to be flat or reduced.
- County-wide projections of tax impact:
 - A \$50,000 home would experience reduction of \$6.65
 - A \$100,000 home would experience reduction of \$13.30
 - A \$150,000 home would experience reduction of \$19.95
- 2009 -2010 Percent Change County portion based on Actual Values

	Duluth	Virginia	Mt. Iron	Hibbing	Ely
\$100,000	-3.99%	0.22%	15.16%	-10.23%	-0.54%
\$200,000	-7.26%	-3.10%	1.08%	-12.58%	-2.96%

Note: St. Louis County's Taxable Net Tax Capacity increased by \$11,564,876 or 6.9% for 2010 and Estimated Market Value declined by 0.3%



2010 Budget: Conclusion

- Minimized property tax increase
- Adjusted budget to actual revenues
- Ensured the health of county funds

Despite challenging times, St. Louis County continues to focus on the delivery of core services to our citizens, and to maintain strong fiscal management practices benefiting the county into the future.

