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To: Treasurer Ken Guenthner
Elm Creek Commissioners

From: Erik Megow, Stantec
Judie Anderson, JASS

Date: January 5, 2024

Subject: 2023 Budget Concerns

Treasurer Ken Guenthner expressed concerns and asked Staff to respond to the following items at the January meeting: On January 2, 2024, Erik Megow responded via email to Guenthner, Anderson, Kevin Ellis, Doug Baines, Derek Asche, and Diane Spector as shown below. On January 8, 2024, Anderson added her responses, also shown below.

I. Conditions that resulted in a significant drop in project review applications in 2023.

Megow response:

- A.** *We budgeted for 50 Project reviews and ended the year with 30 project reviews. The 50 Review Budget was based on the number of projects we received in 2021 (55) and 2022 (49) .*
- B.** *Along with Shingle Creek and West Mississippi WMO, and some of the other watersheds we do reviews/permits for (Minnehaha and Coon Creek) we saw the fewest project reviews in years. We think this is mostly due to the interest rates and markets, leading to some developments and redevelopments being placed on hold, or being delayed a year.*
- C.** *We believe the number of project reviews will pick back up in 2024 and believe we should plan on 50 coming in in 2024.*

II. Additional projects ordered throughout the year that led to the additional expenses. The Commission budgeted \$75,000 for this line item in 2024. Megow response:

- A.** *The main reasons the 'Technical Other' was exceeded are:*
 - 1.** *The 'Technical Other' includes Prereviews, Meetings, and General tasks where we have spent about \$81,978 this year.*
 - a.** *Prereviews: The number of pre-reviews greatly increased from this year, compared to last year.*
 - b.** *Meetings: We had \$9,305 for meetings with \$1,910 coming from subcontractors. This \$1,910 could be charged to the project review budget.*
 - c.** *General: We had 59,895 for the General fund.*
 - 1)** *Months with higher-than-average fees under General were May-Jun-Jul-Aug.*
 - a)** *May would have been Budget, May-June-July was the review fee analysis, we spent a lot of time on that with JASS.*
 - b)** *Aug would be CIP, cooperative agreements, and fund balance analysis. Since we were working though some of these analyses for the first time, in future years they should be less time-consuming.*
 - 2.** *Overall, we believe budgeting \$75,000 for Technical Other in 2024 is correct.*

Here is a summary of where we are at the beginning of December:

| | Stantec | Subs | TOTAL |
|-----------------------|----------------|-------------|--------------|
| Project reviews | \$78,568.75 | \$17,781.78 | \$96,350.53 |
| | | | |
| Other Technical | | | |
| Prereviews | 12,578.75 | 200.00 | 12,778.75 |
| Meetings | 7,395.25 | 1,909.53 | 9,304.78 |
| General | 59,000.94 | 893.75 | 59,894.69 |
| Total Other Technical | \$78,974.94 | 3,003.28 | 81,978.22 |
| | | | |
| Stantec | \$157,543.70 | \$20,785.06 | \$178,328.80 |

III. As of November, the Commission is about 40% under budget for technical support by HCEE. The Commission budgeted \$22,000 for this line item in 2024. **JASS response:** *As shown in the January Treasurer's Report, HCEE has invoiced the Commission for fourth quarter project activity, which does not include hourly technical services provided by County Staff. The Commission will receive an invoice for those services for payment in February and should be in an amount that will bring the total close to the \$22,000 budgeted.*

IV. Three monitoring programs - CAMP, TRPD sentinel lakes, aquatic vegetation surveys. These line items show \$0.00 for 2023. The Commission budgeted approximately \$12,500 in 2023 and 2024. Are we just waiting for the TRPD bill at year-end? **JASS response:** *No lakes were monitored through Metropolitan Council (CAMP) in 2023, so the year-end total is \$0. The Commission will approve TRPD's 2023 monitoring bill at the January meeting. All items are within budget: Stream Monitoring – \$10,020; Sentinel Lakes - \$10,412; and Aquatic Vegetation Survey - \$1,365.*

V. Studies/Project ID/SWA - budgeted \$0, \$14,750 expense to date; Rush Creek SWA Implementation budgeted \$106,000, expense to date \$0. **JASS response:** *Funding requests for these items are still being determined and will be submitted to the appropriate entities by January 31, 2024. It is likely that the Commission will be asked to carry over the balance of the funds into 2024 in order to complete the projects, depending on the source of those funds.*

VI. Administrative - budgeted \$95,000, current "run rate" would put us at about \$117,000 through year-end. This is the fifth year in a row that we've exceeded the budget number, on average by about 13%. The Commission budgeted \$100,000 for 2024. What internal management steps will you take to try to hit the budget numbers? **JASS response:** *At FY-end 2023 JASS had expended \$118,897. Upon reviewing JASS invoices, it was revealed that time above and beyond routine administration (meeting-associated activities, monthly financial activities, annual budget, work plans, various audit reporting, insurance renewal, the Annual Activity Report, CIP-related activities, and the Annual Audit) duties, JASS spent time in 2023 on the Chloride Initiative, WBIF grant-related activity, developing cooperative agreements among the partners, and developing a Fund Balance Policy, as well as a preponderance of time working on and evaluating the project review fee policy and schedule. This latter item was invoiced as Administrative rather than through the Project Review Admin Support line item and should result in a significant reduction in future years. As for the more routine items, many of these have expanded in scope, i.e. time expended. JASS consistently seeks to invoice its time as prudently and accurately as possible and will continue to do so.*

VII. Interest/Dividends. Megow response:

- A.** *The Commission currently holds about \$1.25 million in reserved funds for CIP projects, assigned activities, and grant projects. That is generating several thousand in interest per month.*
- B.** *We will work with JASS to close out the outstanding CIPs (2 of the 9 outstanding CIPs got closed out in 2023) and get any unused funds transferred to the Closed Projects Account.*
- C.** *These funds can be used on other projects or feasibility studies or to reduce future levies. Meanwhile that interest is just accruing in the unrestricted reserve.*

VIII. One additional question that I (Ken) didn't raise relates to our ongoing evaluation of refundable and non-refundable project fees/escrows. Can we receive a high-level report on the YTD Project Review total fee collections (refundable/non-refundable.) **JASS response:** *JASS will be updating that report and issuing refund checks or invoicing for insufficient escrows on January 15, 2024. An up-to-date report will be available at the February meeting. This is a time-intensive task.*