



# Budget & Capital Improvement Plan

ADOPTED DECEMBER 27, 2022

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## Introduction

The budget recommendations herein are intended to address the County's current financial hardships, working towards long-term financial stability and, at the same time, providing for prudent investments in public service delivery. Simultaneously, the recommended budget was intended to lessen the economic burden on Mille Lacs County residents associated with the sizeable levy increase of 2022, and increasing market values for taxes payable 2023.

The 2023 recommended budget was developed over seven months, through staff meetings, County Board work sessions, and public hearings. The hard work of all staff involved should be acknowledged, as their work was instrumental in preparing this budget. Furthermore, their willingness to work together in preparing a budget that addresses their departmental needs, while minimizing impacts on Mille Lacs County residents, is commendable.

Associated with the 2023 budget development process was the creation of a revised Capital Improvement Plan. This is a document that is utilized to plan for future capital improvements. This document is of great importance when considering the County's long-term financial stability, and addressing operational challenges in 2023 and beyond.

The 2023 levy of \$22,812,133 represents a 9.50% increase from 2022. While the levy has increased, the County's tax capacity rate has decreased to 65.481%, a reduction of 13.583% from 2022. This results in an estimated 17.18% county property tax reduction on the average residential homestead property in Mille Lacs County, assuming the same value from year to year.

| <b>Fund</b>            | <b>Levy</b>  |
|------------------------|--------------|
| • General Fund         | \$14,605,297 |
| • Public Works Fund    | \$1,709,745  |
| • CVS Fund             | \$3,145,853  |
| • Debt Service Fund    | \$949,080    |
| • Capital Project Fund | \$2,402,158  |

The County Board held a public hearing on the 2023 budget on Thursday, December 8, 2022. The Board is being asked to approve the final 2023 budget and levy on Tuesday, December 27, 2022. This document will provide a broad overview of the budget, in addition to summaries for all county divisions and departments, and the 2023 to 2027 Capital Improvement Plan (CIP).

Sincerely,

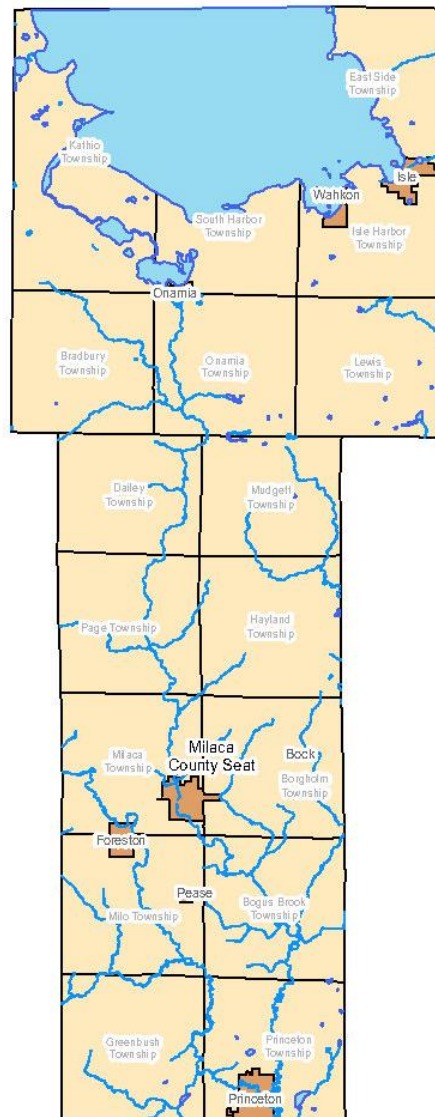
*Dillon Hayes*

Dillon Hayes  
County Administrator

## County Profile

Mille Lacs County was created in 1858 by the State of Minnesota. The original county seat designated by the Legislature was Hanover, an Indian trading post near Lake Mille Lacs at the source of the Rum River. On February 1, 1860, the county seat was removed to Princeton upon popular vote; this was the original county seat of Monroe County, which was never organized. The county seat was located in Princeton until 1920, when, by another election held on May 22<sup>nd</sup> of that year, it was removed by Milaca.

Mille Lacs County is located in east central Minnesota, approximately 60 miles north of the Twin Cities, and 25 miles east of St. Cloud. Mille Lacs County has a land area of 572.3 square miles, making it the 56<sup>th</sup> largest county in Minnesota by total area. It contains eight (8) cities (Princeton, Pease, Foreston, Milaca, Bock, Onamia, Wahkon, and Isle) and 17 townships (Princeton, Greenbush, Bogus Brook, Milo, Borgholm, Milaca, Hayland, Page, Mudgett, Dailey, Lewis, Onamia, Bradbury, Isle Harbor, South Harbor, Kathio, and East Side).



## Demographics

Mille Lacs County is a growing rural county. Historical census data shows a steady population increase over the last 50 years. While growth was steady from 1960 to 1990, it greatly increased in the period between 1990 and 2010. Mille Lacs County's population, as of the 2020 decennial census, was 26,459, an increase of 362 (1.4%) from the 2010 decennial census. Long-term population projections from the Minnesota State Demographer in 2021 estimate that Mille Lacs County will reach a population of 22,159 in 2060, a decrease of 16.3% from 2020.

The median age in Mille Lacs County is 40.4 years of age, slightly higher than the State average of 38.8 years of age. The same data shows that 18.2% of County residents are 65 years and older, 1.4% above the State average of 16.8%. Only 23.9% of the County's population is under 18 years of age.

Mille Lacs County has historically exhibited lower educational attainment, and a lower median household income than the State average. Only 16% of County residents have a Bachelor's degree or higher, less than half of the State average. More than 11% of County residents live in poverty, and the median household income is \$57,173, considerably higher and lower than the State average for each benchmark, respectively. However, with 81.1% of County youth enrolled in kindergarten to 12<sup>th</sup> grade, the County has a higher school enrollment than that State average.

Most Mille Lacs County residents are employed in the field of educational services, health care, and/or social assistance, nearly one-quarter of the civilian employed population. This is followed by manufacturing (16.5%), construction (11.6%) and retail trade (11.6%). County residents commute approximately eight minutes more to work each day than the average Minnesotan. However, with median rent at only 68% of the State average, and more than 75% of County residents owning their own home, nearly 3% more than the average Minnesotan, the County may provide more attainable housing options than other areas in Minnesota.

## County Officials

### Elected Officials

| <b>Office</b>                        | <b>Name</b>         | <b>Term</b>  |
|--------------------------------------|---------------------|--------------|
| <u>Board of County Commissioners</u> |                     |              |
| District 1                           | Genny Reynolds      | Expires 2024 |
| District 2                           | Tim Wilhelm         | Expires 2022 |
| District 3                           | Phil Peterson       | Expires 2024 |
| District 4                           | Roger Tellinghuisen | Expires 2022 |
| District 5                           | David Oslin         | Expires 2024 |
| <u>County Attorney</u>               | Joe Walsh           | Expires 2022 |
| <u>County Sheriff</u>                | Don Lorge           | Expires 2022 |

### Appointed Officials

| <b>Office</b>               | <b>Name</b>  | <b>Term</b> |
|-----------------------------|--------------|-------------|
| <u>County Administrator</u> | Dillon Hayes | Indefinite  |

### Department Heads

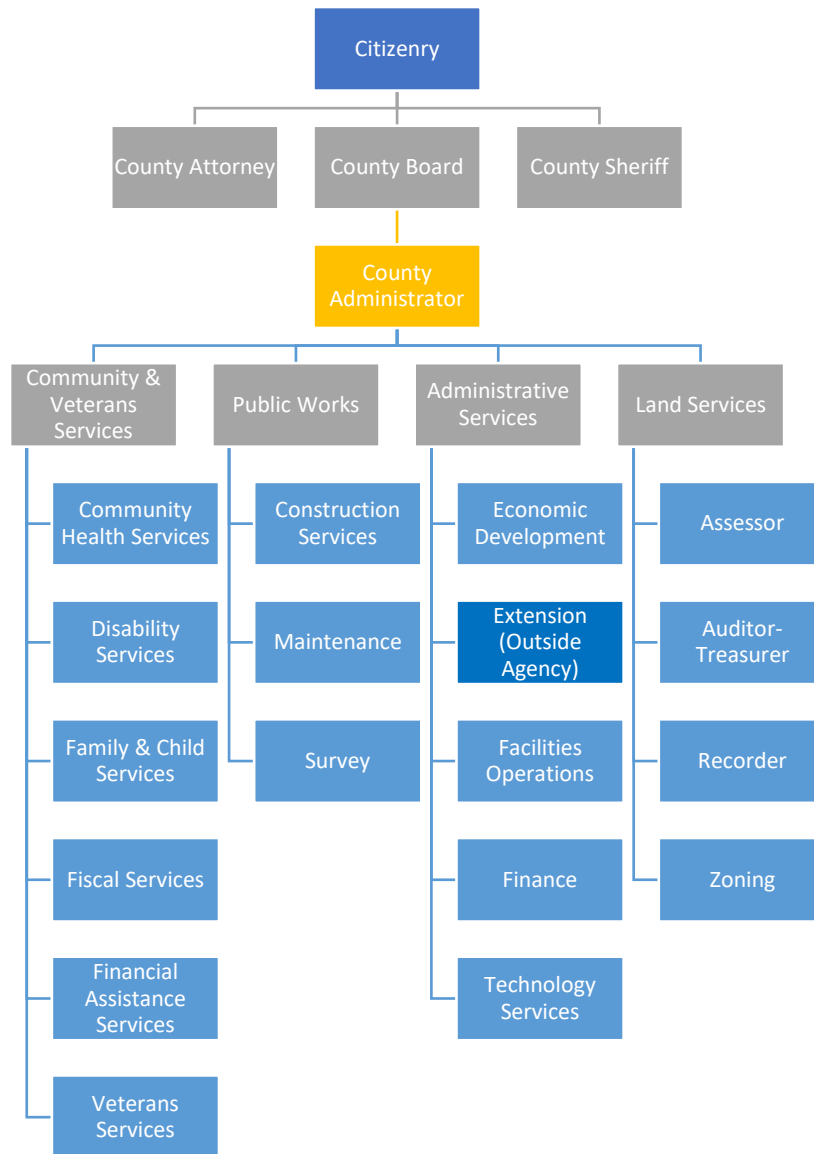
|                        |               |            |
|------------------------|---------------|------------|
| Land Services Director | Doug Hansen   | Indefinite |
| CVS Director           | Beth Crook    | Indefinite |
| Public Works Director  | Kevin Schultz | Indefinite |

### Organizational Structure

The Board of Commissioners is the governing body of Mille Lacs County. There are five members of the County Board. Each member represents one of five districts, and are elected to staggered four-year terms. Board members, in partnership with County staff, work to ensure the delivery of services and programs essential to the prosperity of Mille Lacs County.

The Board appoints a County Administrator who is the chief appointed administrative officer of the County. The Administrator is responsible for the administration of Board policy and for the management of various County divisions and departments. The Attorney and Sheriff are elected officials.

The County provides a full range of services contemplated by statute. These services include public safety, highway, health, attorney, human services, recreational, maintenance of property records, vital statistics, issuance of various permits and licenses, administration of property tax assessment and collection, and the distribution of local governments' property taxes within the County.



## Budget Overview

Mille Lacs County operates and budgets on a calendar year basis, meaning that the County’s fiscal year runs from January to December each year. The Mille Lacs County Board of Commissioners is responsible for approving and adopting the budget each year, in addition to the corresponding property tax levy. The County Administrator is responsible for presenting a proposed budget for the Board’s consideration; however, in practice, this includes review and consultation with Department Heads, who are responsible for presenting proposed budgets for their respective Departments to the County Administrator.

## Budget Calendar

The budget process spans multiple months, and includes a variety of check points and administrative tasks that all culminate in the adoption of a final budget and levy in December each year.

- **May 17, 2022:** Review Budget Goals with the Board of Commissioners
- **May 18, 2022:** Review Budget Goals with Department Heads
- **May 24, 2022:** Budget Worksheets distributed to Department Heads
- **June 10, 2022:** Deadline to return completed Budget Worksheets to Administration
- **June 21, 2022:** Initial Preliminary Budget review with the Board of Commissioners
- **July – September, 2022:** Complete Preliminary Budget review and amendment process with Department Heads and the Board of Commissioners
- **September 27, 2022:** Adopt the Preliminary Budget and Levy
- **September – December, 2022:** Continue Final Budget and Levy review and amendment process with Department Heads and the Board of Commissioners
- **November 15, 2022:** Public Hearing held on 2023-2027 Capital Improvement Plan and 2023 Fee Schedule
- **December 8, 2022:** Truth in Taxation hearing
- **December 20, 2022:** Adopt Final Budget, Levy, and Capital Improvement Plan

## Budget Summary

The 2023 budget includes total expenditures of \$53,087,500, which is an increase of approximately \$7 million from the 2022 budget. The charts below compare major revenue and expenditure categories for 2022 and 2023. The most significant change in the 2023 budget, which will be reviewed in more detail herein, is increased allocation of resources to address deferred capital improvements.

| 2023 BUDGET                               | 2023                    | 2023                    | 2023                     | 2022                   | INCREASE                 |
|---|-------------------------|-------------------------|--------------------------|------------------------|--------------------------|
| PUBLIC WORKS                              | REVENUE                 | EXPENDITURES            | NET                      | NET                    | (DECREASE)               |
| 300 Public Works - General                | \$ -                    | \$ -                    | \$ -                     | \$ -                   | \$ -                     |
| 310 Public Works - Administration         | \$ 575,000.00           | \$ 405,078.71           | \$ 169,921.29            | \$ 193,085.00          | \$ (23,163.71)           |
| 320 Public Works Engineering/Construction | \$ 10,589,740.43        | \$ 11,472,895.51        | \$ (883,155.08)          | \$ (37,721.00)         | \$ (845,434.08)          |
| 330 Public Works Maintenance              | \$ 2,545,000.00         | \$ 2,206,972.25         | \$ 338,027.75            | \$ 128,139.00          | \$ 209,888.75            |
| 340 Public Works Equipment Maint & Shop   | \$ 125,032.11           | \$ 1,340,800.20         | \$ (1,215,768.09)        | \$ (588,175.00)        | \$ (627,593.09)          |
| 350 Public Works Seasonal/Students        | \$ -                    | \$ -                    | \$ -                     | \$ -                   | \$ -                     |
| 360 Public Works Surveyor                 | \$ -                    | \$ 118,771.30           | \$ (118,771.30)          | \$ (114,712.00)        | \$ (4,059.30)            |
| <b>Total Highway</b>                      | <b>\$ 13,834,772.54</b> | <b>\$ 15,544,517.97</b> | <b>\$ (1,709,745.43)</b> | <b>\$ (419,384.00)</b> | <b>\$ (1,290,361.43)</b> |



| 2023 BUDGET<br>REVENUE FUND              | 2023<br>REVENUES       | 2023<br>EXPENDITURES    | 2023<br>NET               | 2022<br>NET               | INCREASE<br>(DECREASE) |
|--|------------------------|-------------------------|---------------------------|---------------------------|------------------------|
| 003 Board of Commissioners               | \$ -                   | \$ 193,690.06           | \$ (193,690.06)           | \$ (268,865.00)           | \$ (75,174.94)         |
| 015 Court Administrator                  | \$ 3,250.00            | \$ 112,000.00           | \$ (108,750.00)           | \$ (89,000.00)            | \$ 19,750.00           |
| 035 Administrative Services              | \$ 3,500.00            | \$ 720,201.81           | \$ (716,701.81)           | \$ (647,849.00)           | \$ 68,852.81           |
| 041 Auditor-Treasurer                    | \$ -                   | \$ -                    | \$ -                      | \$ (211,656.00)           | \$ (211,656.00)        |
| 043 Licenses                             | \$ -                   | \$ -                    | \$ -                      | \$ 45,582.00              | \$ 45,582.00           |
| 045 Internal Auditing                    | \$ -                   | \$ 62,500.00            | \$ (62,500.00)            | \$ (50,000.00)            | \$ 12,500.00           |
| 060 General Administration               | \$ 329,500.00          | \$ 610,830.16           | \$ (281,330.16)           | \$ 2,809.00               | \$ 284,139.16          |
| 063 I.S. (Information Services)          | \$ -                   | \$ 573,023.37           | \$ (573,023.37)           | \$ (378,073.00)           | \$ 194,950.37          |
| 065 Data Processing                      | \$ -                   | \$ 141,480.00           | \$ (141,480.00)           | \$ (146,330.00)           | \$ (4,850.00)          |
| 071 Elections                            | \$ -                   | \$ 32,100.00            | \$ (32,100.00)            | \$ (134,100.00)           | \$ (102,000.00)        |
| 091 County Attorney                      | \$ 54,000.00           | \$ 1,786,249.90         | \$ (1,732,249.90)         | \$ (1,617,816.00)         | \$ 114,433.90          |
| 100 Assessor                             | \$ -                   | \$ -                    | \$ -                      | \$ (367,086.00)           | \$ (367,086.00)        |
| 101 County Recorder                      | \$ -                   | \$ -                    | \$ -                      | \$ (145,067.00)           | \$ (145,067.00)        |
| 103 Surveyor                             | \$ -                   | \$ -                    | \$ -                      | \$ -                      | \$ -                   |
| 107 Land Services                        | \$ 844,669.00          | \$ 1,720,590.91         | \$ (875,921.91)           | \$ 28,486.00              | \$ 904,407.91          |
| 110 Building Maintenance                 | \$ -                   | \$ 992,806.71           | \$ (992,806.71)           | \$ (819,201.00)           | \$ 173,605.71          |
| 111 Building Additions & Improvements    | \$ -                   | \$ -                    | \$ -                      | \$ -                      | \$ -                   |
| 121 Veterans Services                    | \$ -                   | \$ -                    | \$ -                      | \$ -                      | \$ -                   |
| 201 Sheriff                              | \$ 504,400.00          | \$ 4,174,338.02         | \$ (3,669,938.02)         | \$ (3,816,065.00)         | \$ (146,126.98)        |
| 202 Court Security                       | \$ 37,000.00           | \$ 560,050.44           | \$ (523,050.44)           | \$ (487,668.00)           | \$ 35,382.44           |
| 205 Boat & Water                         | \$ 20,000.00           | \$ 135,977.81           | \$ (115,977.81)           | \$ (107,240.00)           | \$ 8,737.81            |
| 206 Snowmobile Safety Enforcement        | \$ 2,300.00            | \$ 3,500.00             | \$ (1,200.00)             | \$ (3,707.00)             | \$ (2,507.00)          |
| 207 ATV Grant                            | \$ 3,300.00            | \$ 3,850.00             | \$ (550.00)               | \$ (584.00)               | \$ (34.00)             |
| 208 Mobile Crime Lab Jag Ojp Grant       | \$ -                   | \$ -                    | \$ -                      | \$ -                      | \$ -                   |
| 217 Deputy Reserve Acct                  | \$ -                   | \$ -                    | \$ -                      | \$ -                      | \$ -                   |
| 231 Animal Control                       | \$ 1,000.00            | \$ 14,000.00            | \$ (13,000.00)            | \$ (14,000.00)            | \$ (1,000.00)          |
| 235 North Central Drug Task Force        | \$ -                   | \$ -                    | \$ -                      | \$ -                      | \$ -                   |
| 240 Coroner                              | \$ -                   | \$ 64,745.00            | \$ (64,745.00)            | \$ (64,000.00)            | \$ 745.00              |
| 251 County Jail                          | \$ 5,400.00            | \$ 3,314,288.32         | \$ (3,308,888.32)         | \$ (3,412,328.00)         | \$ (103,439.68)        |
| 255 Probation                            | \$ 186,214.50          | \$ 1,003,210.52         | \$ (816,996.02)           | \$ (855,389.00)           | \$ (38,392.98)         |
| 256 Extended Juvenile Jurisdiction       | \$ -                   | \$ -                    | \$ -                      | \$ -                      | \$ -                   |
| 259 Case Load Reduction Acct             | \$ 10,000.00           | \$ 10,000.00            | \$ -                      | \$ -                      | \$ -                   |
| 280 Civil Defence - Emergency Management | \$ -                   | \$ -                    | \$ -                      | \$ 12,571.00              | \$ 12,571.00           |
| 283 PSAP                                 | \$ -                   | \$ 938,468.83           | \$ (938,468.83)           | \$ (892,299.00)           | \$ 46,169.83           |
| 394 HHW                                  | \$ -                   | \$ -                    | \$ -                      | \$ -                      | \$ -                   |
| 420 Income Maintenance                   | \$ -                   | \$ -                    | \$ -                      | \$ -                      | \$ -                   |
| 481 Public Health                        | \$ -                   | \$ -                    | \$ -                      | \$ -                      | \$ -                   |
| 483 WIC                                  | \$ -                   | \$ -                    | \$ -                      | \$ -                      | \$ -                   |
| 510 Snowmobile/ATV Trails                | \$ -                   | \$ -                    | \$ -                      | \$ -                      | \$ -                   |
| 520 Soo Line Trail                       | \$ -                   | \$ 50,000.00            | \$ (50,000.00)            | \$ -                      | \$ 50,000.00           |
| 530 Great Northern/Plains to Port Trail  | \$ -                   | \$ 5,000.00             | \$ (5,000.00)             | \$ -                      | \$ 5,000.00            |
| 540 OHV Park                             | \$ 74,800.00           | \$ 105,000.00           | \$ (30,200.00)            | \$ -                      | \$ 30,200.00           |
| 601 County Ag Society (Fair Board)       | \$ -                   | \$ 18,000.00            | \$ (18,000.00)            | \$ (17,000.00)            | \$ 1,000.00            |
| 603 Extension                            | \$ -                   | \$ 128,089.02           | \$ (128,089.02)           | \$ (104,625.00)           | \$ 23,464.02           |
| 609 SWCD/Ag Inspection                   | \$ 5,000.00            | \$ 142,239.00           | \$ (137,239.00)           | \$ (119,239.00)           | \$ 18,000.00           |
| 617 Environmental Resources              | \$ -                   | \$ -                    | \$ -                      | \$ -                      | \$ -                   |
| 701 Economic Development                 | \$ -                   | \$ 116,766.71           | \$ (116,766.71)           | \$ (102,642.00)           | \$ 14,124.71           |
| 811 Misc. & Non Dept'l                   | \$ 582,750.00          | \$ 1,114,729.73         | \$ (546,979.73)           | \$ (594,517.00)           | \$ (47,747.27)         |
| 841 County Library                       | \$ -                   | \$ 305,601.00           | \$ (305,601.00)           | \$ (289,513.00)           | \$ 16,088.00           |
| <b>Total Revenue Fund</b>                | <b>\$ 2,667,083.50</b> | <b>\$ 19,153,327.32</b> | <b>\$ (16,501,243.82)</b> | <b>\$ (15,666,621.00)</b> | <b>\$ 834,622.82</b>   |

| 2023 BUDGET<br>CVS FUND | 2023<br>REVENUE        | 2023<br>EXPENDITURES    | 2023<br>NET              | 2022<br>NET              | INCREASE<br>(DECREASE) |
|-------------------------|------------------------|-------------------------|--------------------------|--------------------------|------------------------|
| 121 Veterans Services   | \$ 10,000.00           | \$ 209,664.60           | \$ (199,664.60)          | \$ (185,325.00)          | \$ (14,339.60)         |
| 420 Income Maintenance  | \$ 1,691,359.16        | \$ 2,678,427.17         | \$ (987,068.01)          | \$ (907,028.00)          | \$ (80,040.01)         |
| 430 Social Services     | \$ 5,317,483.08        | \$ 9,051,701.21         | \$ (3,734,218.13)        | \$ (3,503,891.00)        | \$ (230,327.13)        |
| 481 Public Health       | \$ 762,932.43          | \$ 987,834.91           | \$ (224,902.48)          | \$ (830,884.00)          | \$ 605,981.52          |
| 653                     | \$ -                   | \$ -                    | \$ -                     | \$ -                     | \$ -                   |
| <b>Total CVS</b>        | <b>\$ 7,781,774.67</b> | <b>\$ 12,927,627.89</b> | <b>\$ (5,145,853.22)</b> | <b>\$ (5,427,128.00)</b> | <b>\$ 281,274.78</b>   |

| 2023 BUDGET<br>DEBT SERVICE FUND | 2023<br>REVENUE      | 2023<br>EXPENDITURES   | 2023<br>NET            | 2022<br>NET           | INCREASE<br>(DECREASE) |
|----------------------------------|----------------------|------------------------|------------------------|-----------------------|------------------------|
| 863 Jail Expansion Project       | \$ -                 | \$ -                   | \$ -                   | \$ -                  | \$ -                   |
| 863 Jail Expansion Project       | \$ -                 | \$ -                   | \$ -                   | \$ -                  | \$ -                   |
| 863 Jail Expansion Project       | \$ -                 | \$ -                   | \$ -                   | \$ -                  | \$ -                   |
| 863 Jail Expansion Project       | \$ -                 | \$ -                   | \$ -                   | \$ -                  | \$ -                   |
| 865 Office Building Project      | \$ -                 | \$ -                   | \$ -                   | \$ -                  | \$ -                   |
| 867 Justice Center               | \$ -                 | \$ 516,898.25          | \$ (516,898.25)        | \$ (30,151.00)        | \$ (486,747.25)        |
| 869 Historic Cths Remodel        | \$ -                 | \$ 150,237.50          | \$ (150,237.50)        | \$ 7,768.00           | \$ (158,005.50)        |
| 871 County Equip Bonds           | \$ -                 | \$ -                   | \$ -                   | \$ -                  | \$ -                   |
| 874 County Roads                 | \$ 874,912.50        | \$ 638,162.50          | \$ 236,750.00          | \$ 467,703.00         | \$ (230,953.00)        |
| 875 Cap Impr & Equip 2019A       | \$ -                 | \$ 473,500.00          | \$ (473,500.00)        | \$ (467,700.00)       | \$ (5,800.00)          |
| 876 Drainage Bonds 2019B         | \$ -                 | \$ -                   | \$ -                   | \$ -                  | \$ -                   |
| <b>Total Debt Service</b>        | <b>\$ 874,912.50</b> | <b>\$ 1,778,798.25</b> | <b>\$ (949,080.04)</b> | <b>\$ (22,380.00)</b> | <b>\$ (881,505.75)</b> |

| 2023 BUDGET<br>CAPITAL PROJECTS FUND    | 2023<br>REVENUE      | 2023<br>EXPENDITURES   | 2023<br>NET              | 2022<br>NET               | INCREASE<br>(DECREASE)   |
|---|----------------------|------------------------|--------------------------|---------------------------|--------------------------|
| 861 Court House Square Project          | \$ -                 | \$ -                   | \$ -                     | \$ -                      | \$ -                     |
| 863 Jail Expansion Project              | \$ -                 | \$ -                   | \$ -                     | \$ -                      | \$ -                     |
| 865 Office Building Project             | \$ -                 | \$ -                   | \$ -                     | \$ -                      | \$ -                     |
| 867 Justice Center                      | \$ -                 | \$ -                   | \$ -                     | \$ (32,000.00)            | \$ 32,000.00             |
| 869 Historic Cths Remodel               | \$ -                 | \$ -                   | \$ -                     | \$ -                      | \$ -                     |
| 870 Historic Cths 2010B Bond - Stimulus | \$ -                 | \$ -                   | \$ -                     | \$ -                      | \$ -                     |
| 873 General Equipment                   | \$ 110,023.88        | \$ 2,512,181.45        | \$ (2,402,157.57)        | \$ (44,000.00)            | \$ (2,358,157.57)        |
| 874 County Roads                        | \$ -                 | \$ -                   | \$ -                     | \$ -                      | \$ -                     |
| 875 Cap Impr & Equip 2019A              | \$ -                 | \$ -                   | \$ -                     | \$ -                      | \$ -                     |
| 876 Drainage Bonds 2019B                | \$ -                 | \$ -                   | \$ -                     | \$ -                      | \$ -                     |
| 877 Grant & Development                 | \$ -                 | \$ -                   | \$ -                     | \$ -                      | \$ -                     |
| 879 Interns                             | \$ -                 | \$ -                   | \$ -                     | \$ -                      | \$ -                     |
| <b>Total Capital Projects</b>           | <b>\$ 110,023.88</b> | <b>\$ 2,512,181.45</b> | <b>\$ (2,402,157.57)</b> | <b>\$ (21,356,008.00)</b> | <b>\$ (2,326,157.57)</b> |

| 2023 BUDGET<br>RESTRICTED REVENUE FUNDS | 2023<br>REVENUE        | 2023<br>EXPENDITURES   | 2023<br>NET          | 2022<br>NET          | INCREASE<br>(DECREASE) |
|---|------------------------|------------------------|----------------------|----------------------|------------------------|
| 025 Law Library                         | \$ 48,000.00           | \$ 20,700.00           | \$ 27,300.00         | \$ 32,300.00         | \$ (5,000.00)          |
| 092 Victim Emergency Grant              | \$ 133,388.00          | \$ 172,091.42          | \$ (38,703.42)       | \$ 102,790.00        | \$ (141,493.42)        |
| 102 Land Records & Information          | \$ 115,500.00          | \$ 105,035.00          | \$ 10,465.00         | \$ -                 | \$ 10,465.00           |
| 203 K9 Donation Account                 | \$ -                   | \$ -                   | \$ -                 | \$ -                 | \$ -                   |
| 204 Drug & Alcohol Contingency          | \$ 1,500.00            | \$ -                   | \$ 1,500.00          | \$ -                 | \$ 1,500.00            |
| 211 D.A.R.E Program                     | \$ 2,000.00            | \$ 2,000.00            | \$ -                 | \$ -                 | \$ -                   |
| 215 Hooked on Fishing                   | \$ -                   | \$ -                   | \$ -                 | \$ -                 | \$ -                   |
| 216 Chaplaincy                          | \$ 300.00              | \$ 300.00              | \$ -                 | \$ -                 | \$ -                   |
| 219 DWI Assessment                      | \$ 1,700.00            | \$ -                   | \$ 1,700.00          | \$ 1,700.00          | \$ -                   |
| 220 DWI Forfeiture                      | \$ 2,000.00            | \$ 1,000.00            | \$ 1,000.00          | \$ 1,000.00          | \$ -                   |
| 221 Drug Forfeiture                     | \$ -                   | \$ -                   | \$ -                 | \$ -                 | \$ -                   |
| 222 Fleeing An Officer Forfeiture       | \$ -                   | \$ -                   | \$ -                 | \$ -                 | \$ -                   |
| 226 Communication Agreements            | \$ 70,000.00           | \$ 14,000.00           | \$ 56,000.00         | \$ 56,000.00         | \$ -                   |
| 227 Records System                      | \$ 62,500.00           | \$ 62,500.00           | \$ -                 | \$ -                 | \$ -                   |
| 228 Permit To Carry                     | \$ 71,606.87           | \$ 71,606.87           | \$ -                 | \$ 916.00            | \$ (916.00)            |
| 236 Forfeiture - Pending                | \$ -                   | \$ -                   | \$ -                 | \$ -                 | \$ -                   |
| 253 Prisoner Acct                       | \$ 200,000.00          | \$ 180,000.00          | \$ 20,000.00         | \$ -                 | \$ 20,000.00           |
| 281 E-911                               | \$ 125,050.00          | \$ 83,895.00           | \$ 41,155.00         | \$ 68,436.00         | \$ (27,281.00)         |
| 391 Solid Waste Management (ECSWC)      | \$ -                   | \$ -                   | \$ -                 | \$ -                 | \$ -                   |
| 393 Solid Waste                         | \$ 339,372.67          | \$ 339,372.67          | \$ -                 | \$ (3,689.00)        | \$ 3,689.00            |
| 615 AIS Aid                             | \$ 118,545.77          | \$ 118,545.77          | \$ -                 | \$ (3,948.00)        | \$ 3,948.00            |
| 703 Economic Grant Loan Program         | \$ -                   | \$ -                   | \$ -                 | \$ -                 | \$ -                   |
| <b>TOTAL - RESTRICTED</b>               | <b>\$ 1,291,463.31</b> | <b>\$ 1,171,046.73</b> | <b>\$ 120,416.58</b> | <b>\$ 255,505.00</b> | <b>\$ (135,088.42)</b> |

The 2023 budget was developed pursuant to the following goals, which were provided by the County Board of Commissioners in May, 2022. These goals served to provide direction to administration and Department Heads in the development of the preliminary budget and levy recommendations.

1. Address the fund balance deficit in the General Fund and Public Works Fund; restore conformance with the County's fund balance policy.
2. Maintain a balanced budget.
3. Commit to saving Local Option Sales Tax (LOST) revenue for ongoing debt service beyond the LOST expiration date.
4. Capitalize on the increase in market value for 2023 to reduce the County tax rate.

In any given year there are a number of changes recommended to the County Board for the following year's budget. These are reviewed and analyzed over multiple months leading up to adoption of the preliminary levy in September, and again before the final levy is adopted in December. Staffing changes that were incorporated into the final budget include:

1. Additional, Returning, or New Staff
  - a. Technology Support Specialist (Administrative Services Office)
  - b. Building Maintenance Worker II (Administrative Services Office)
  - c. Land Services Generalist Position (Land Services Office)
  - d. GIS Technician (Land Services Office)
  - e. MNChoices Social Worker (Community & Veterans Services Office)
  - f. Extension Intern (University of Minnesota Extension)
  - g. Law Clerk (County Attorney's Office)
  - h. Program Counselor (Sheriff's Office)
  - i. Patrol Sergeant (Sheriff's Office)
2. Increased Investment in Capital Projects
3. Forego Utilization of LOST Funding for Public Works Equipment Purchases

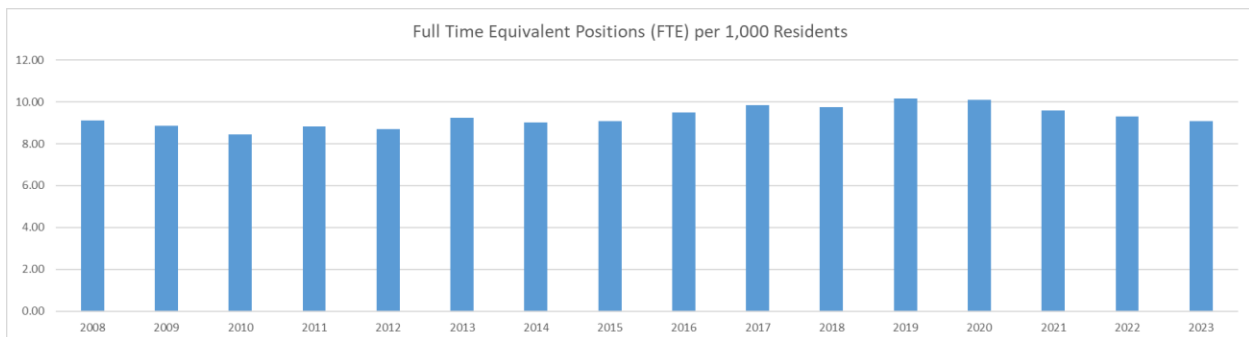
## Trend Analysis

In preparing the 2023 budget, trend data was analyzed to guide decision making. This data is useful in determining where and how to allocate resources to most effectively address service demands, and analyze operational impacts on the budget and levy over time.

### Staffing

The County's largest expense is personnel, and the number of County employees significantly impacts the budget. The most accurate way of measuring county employees is by reviewing the number of full-time equivalent (FTE) positions; for example, a full-time employee is 1 FTE, while a part-time employee working 20 hours per week is 0.5 FTE. The method utilized for the comparative analysis of FTE positions is county population, as an increase in population generally correlates with an increased need for service, and a resultant increase in staffing commensurate with the population increase.

While there was found to be some variability in this data from year-to-year, a distinct shift was identified in analysis of the time period from 2008 to 2022. From 2008 to 2015, the County averaged approximately nine (9) FTEs per 1,000 residents. From 2016 to 2021, the County averaged closer to ten (10) FTE per 1,000 residents.



In comparison to other counties in the State, Mille Lacs ranked 50 of 87 counties for the lowest number of FTEs per 1,000 residents. Statewide, there is a strong correlation (a correlation coefficient of 0.74 out of 1.00) between this figure and population rank, meaning that, generally, there is a strong likelihood that counties with a higher population will have a lower number of FTEs per 1,000 residents.

However, Mille Lacs County is doesn't follow that trend, being in the bottom 50% with regards to staffing, and upper 50% with regards to population. Additionally, at approximately 9.08 FTE per 1,000 residents, Mille Lacs County is 10% below the average. In comparison to neighboring counties, Mille Lacs ranks sixth of eight, though there exists a great deal of separation between the bottom six and the two highest counties, Kanabec and Aitkin.

In 2022 and 2023 staffing levels were reduced. Through reductions in Sheriff's Office staffing, most-directly attributable to more-realistic budgeting for vacancies in the Jail, elimination of some budgeted part-time positions, and modest increases in other departments that had previously dealt with staffing reductions, total budgeted FTEs were reduced from 250.05 in 2022 to 244 in 2023.

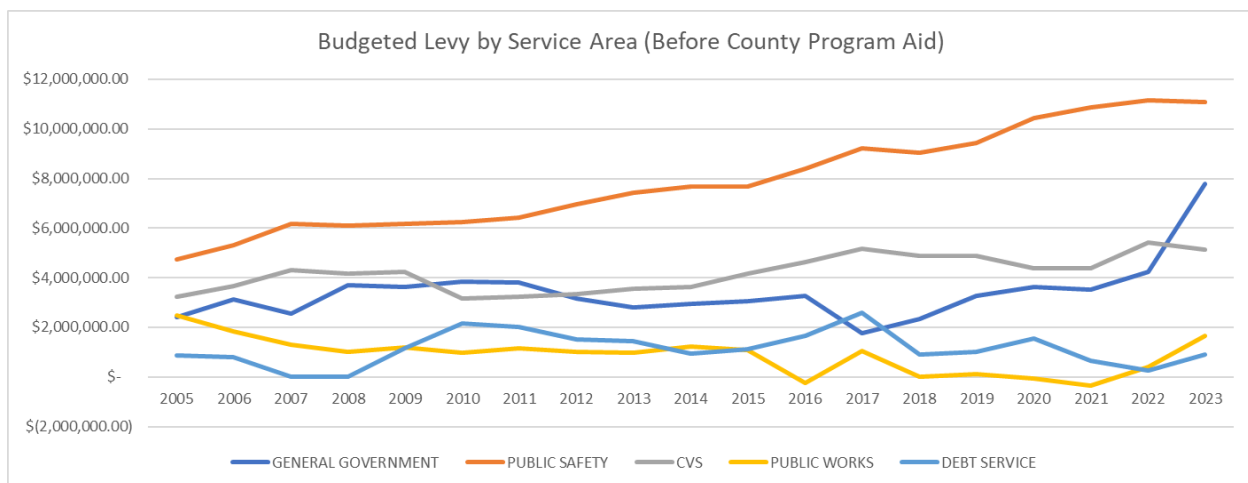
## Budget Allocation

An important factor to consider in evaluating and setting the annual budget is how budgeted expenses, and the resultant levy, are allocated to each department or service area. This analysis serves multiple purposes, but, most importantly, it can be utilized as a benchmark to ensure that county services are prioritized to address the needs of the constituency.

While the County levy has increased over time, most departments or service areas have remained relatively static, or even decreased, over time. Public Works, the department or service area associated with the construction and maintenance of county roads, county ditches, and other related services, has decreased considerably. This has been associated with increased reliance on County State Aid Highway (CSAH) funding, minimized maintenance or construction of County Roads, and implementation of a Local Option Sales Tax (LOST) in 2016.

The most notable increase identified in the last 20 years was in the area of Public Safety. Since 2005, the levy for Public Safety has increased by more than 100%. This is attributable, in part, due to the fact that Public Safety receives little State or Federal funding when compared to other programs.

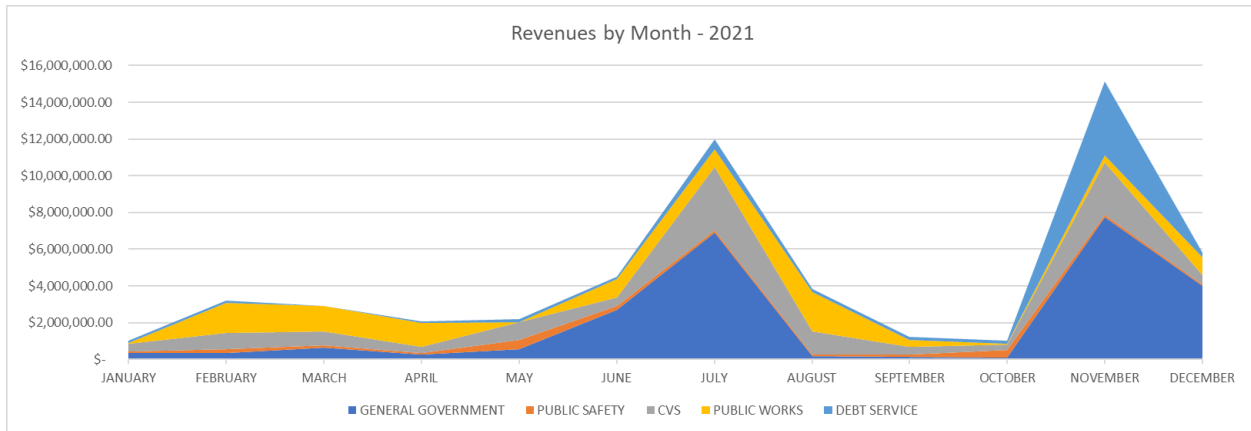
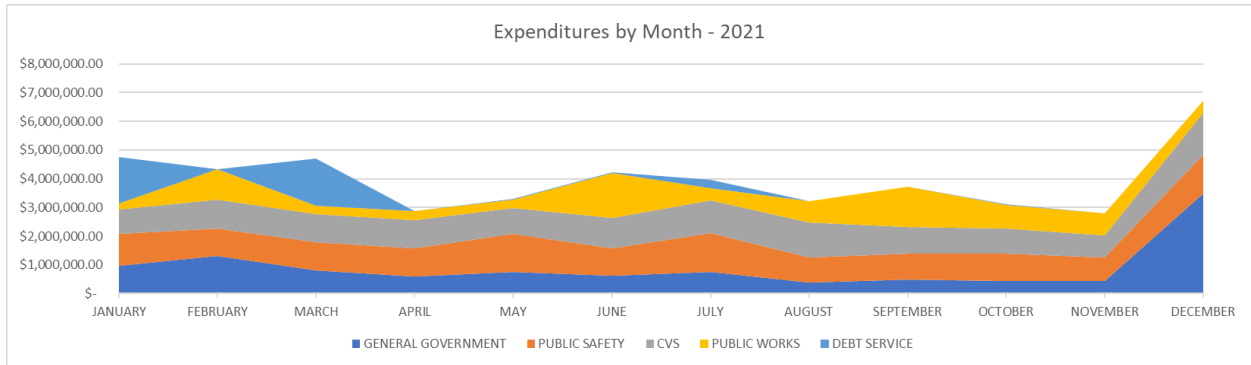
In 2023, a number of changes were made that shifted how budgeted levy dollars were allocated to these service areas. The most significant change was in general government, with a larger share of levy dollars budgeted than prior years for financing an increased investment in capital projects. Similarly, in Public Works, increased investments in capital projects, coupled with the retainage of LOST revenues to offset future debt service, has resulted in a higher budgeted levy allocation.



## Reserve Fund Balances

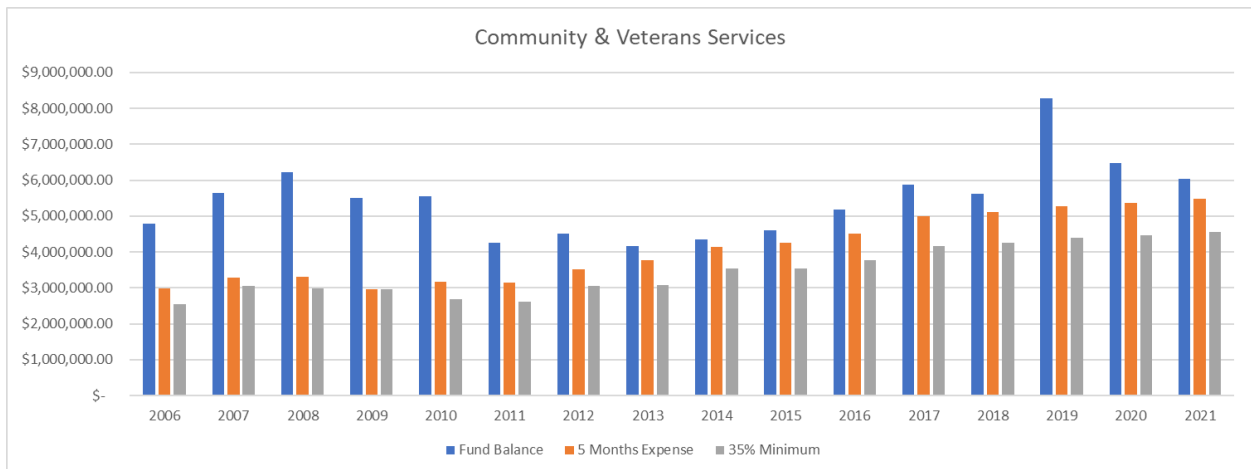
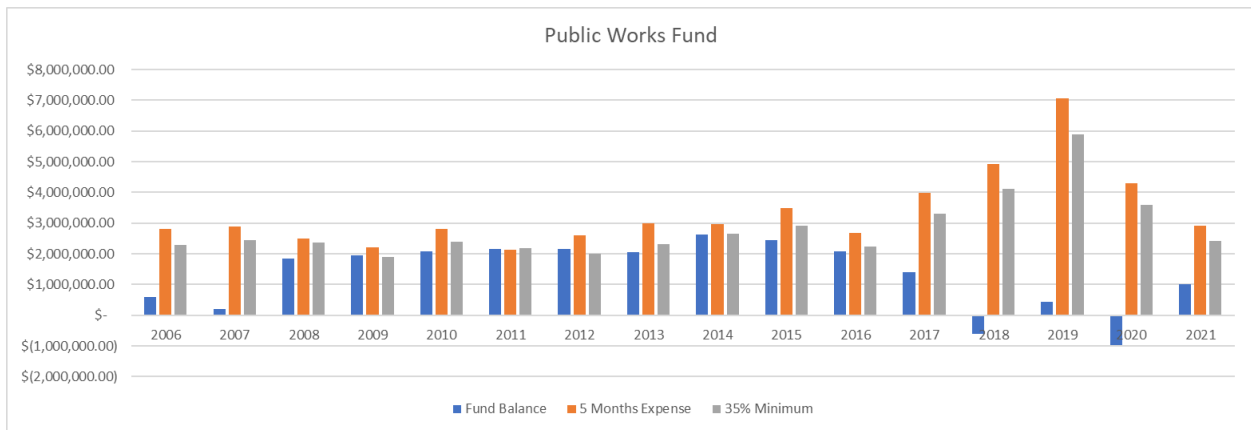
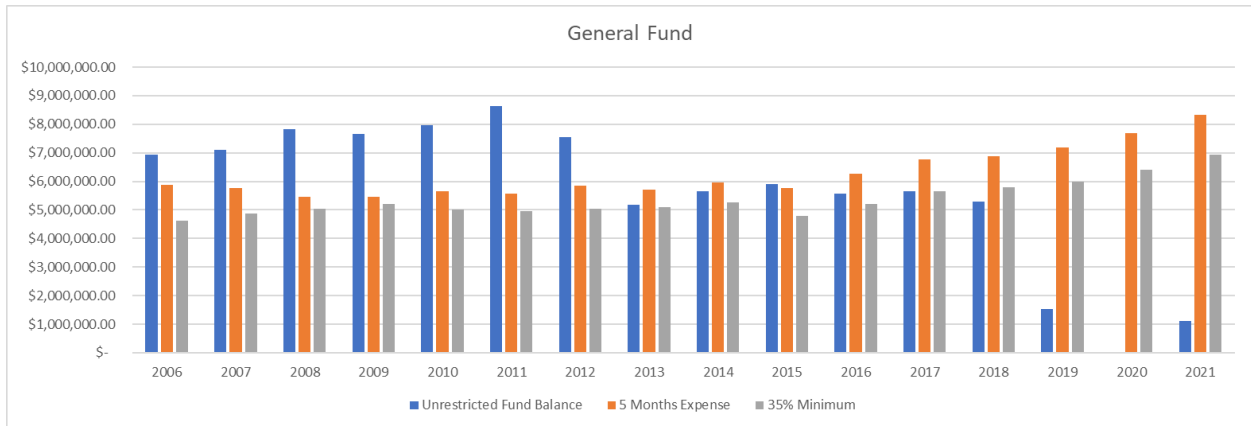
Mille Lacs County, like all counties in the State of Minnesota, maintains a fund-based accounting system. This is a system in which different funds are established to track and report expenditures and revenues for different purposes. Within each fund, financial software tracks a fund balance, which is essentially a measure of how much “cash” is available to cover expenditures in each fund.

A healthy fund balance is necessary to ensure that funds are available to cover expenditures, as nearly 50% of the County’s revenue is received in just two (2) months (July and November). The graphs below illustrate the dichotomy in revenues and expenditures for the last full year in which data is available.



As a result, a thorough evaluation of the County’s fund balance for each major fund is an important consideration in the budget process each year. In relation to the budget process specifically, evaluating fund balances can shed light on the accuracy of the prior year’s budget. If fund balances are steadily increasing each year this is potentially a sign that budgeted expenditures, and the resulting property tax levy, are too high. If fund balances are steadily decreasing this may be a sign of budgeted expenditures that are too low, or unexpected expenditures that need to be incorporated in the budget for the following year.

After evaluating fund balances for each major fund two trends were clearly evident, dramatically decreasing fund balances in the General Fund and Public Works Fund, and consistently high fund balances in the Community and Veterans Services Fund. The trend of decreasing fund balances had become so extreme that, in two separate years, the Public Works Fund was negative, and the General Fund had only \$7,641, approximately 1% of what it should have been, at the end of 2020. Fund balances for each major fund, in comparison to the fund balance recommendations from the State Auditor’s Office, are shown below; note that the figures used for 2021’s unrestricted fund balance are not audited figures, and therefore subject to change.

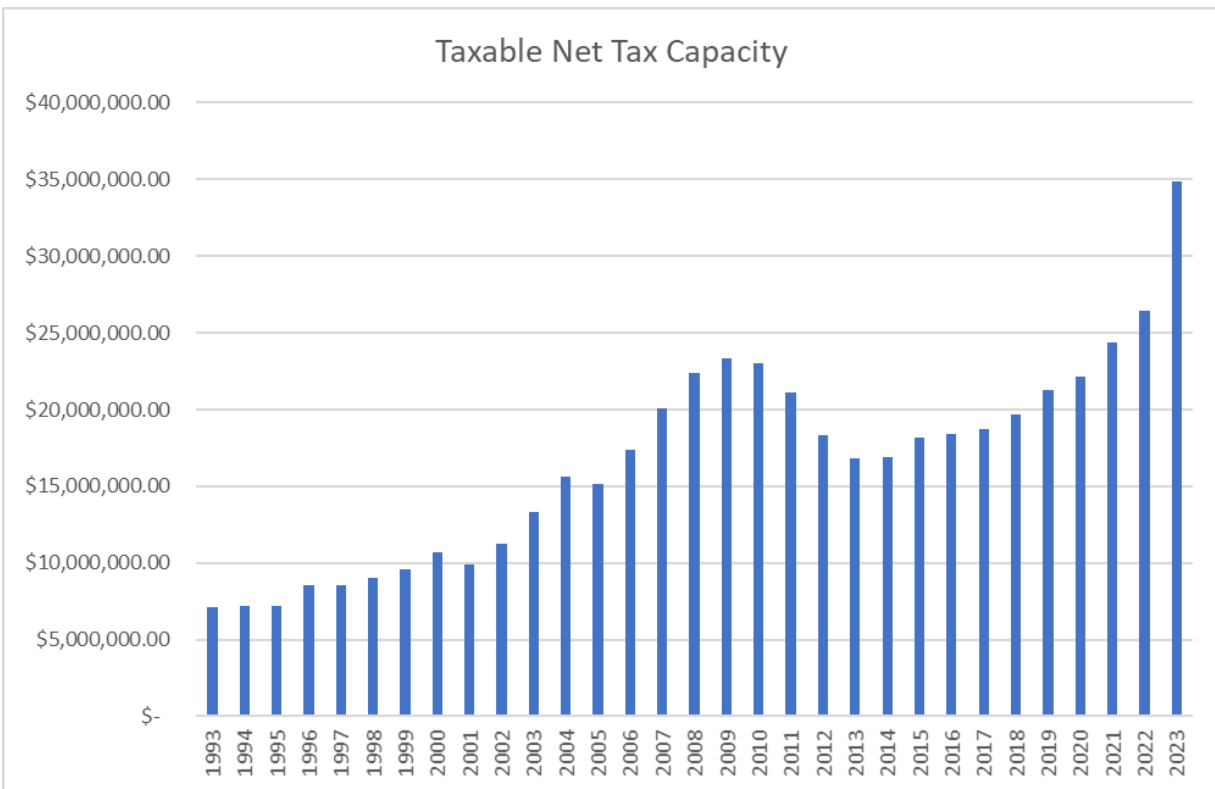


As a result, in 2022 and 2023, the property tax levy included dollars specifically for restoration of fund balance in the General Fund. This is to be year one of a three-year plan to restore fund balances in an attempt to limit the property tax burden for fund balance restoration by spreading it over multiple years.

## Tax Capacity, Levy & Property Tax Rate

The budget process is independent of any calculation of property tax; however, because the corresponding levy ultimately determines the county property tax levy, and therefore, the tax rate, these are important factors to consider. Furthermore, these metrics provide a way to compare relative levies across the State. Before reviewing these metrics in detail, it is important to define the key terms utilized herein. The tax capacity, or, the taxable net tax capacity, utilized here, is the total taxable net tax capacity for all properties in the county; this value is determined by multiplying a property's assessed value by their class rate, and serves as measure of tax base. The levy is the total amount to be levied, or the total amount to be raised by the collection of property taxes payable in any given year. Finally, the property tax rate is calculated by dividing the tax capacity by the levy; so, for instance, if the levy is \$1 million and the taxable net tax capacity is \$2 million the tax rate would be 50%.

Mille Lacs County's taxable net tax capacity has been increasing since 2014, and 2023 was no exception. As a result of dramatically-increasing property values and continued development, the taxable net tax capacity increased by nearly \$9 million dollars, or nearly 33%, in 2023. Since 2014, the taxable net tax capacity has doubled.



The property tax levy is oftentimes viewed as the most important budget item, even though it is really just a derivative of a multitude of factors associated with the larger budget. However, it is an important factor nonetheless, as this is the other component associated with calculating the tax rate. Property tax levies obviously vary across the State of Minnesota, but analyzing the levy per capita, that is, how much is levied per county resident, is a good way of comparing the cost of service with respect to the size of each individual county.



In that regard, Mille Lacs County is right in the middle with respect to all 87 counties statewide, at \$787 per resident, \$5 above the median and \$18 below the average. In comparison to neighboring counties, similar to the FTE comparison above, Mille Lacs ranks sixth of eight counties.



## 2023 Budget & Levy

The Mille Lacs County Board of Commissioners is required by State Statutes to annually adopt a budget for the next calendar year. This includes budgets for General, Special Revenue, and Debt Service Funds. The County Administrator is charged with presenting a proposed budget for consideration by the Board of Commissioners. Department Heads are provided with the authority to spend their budgets on any line item therein, so long as the Department budget is not overspent. Cost-neutral budgetary amendments or reallocations are approved by the County Administrator; budgetary amendments that result in a net change to fund balance or require additional resources are brought forward to the Board of Commissioners for consideration before the expenditure may be approved.

The major governmental funds included in the budget are as follows:

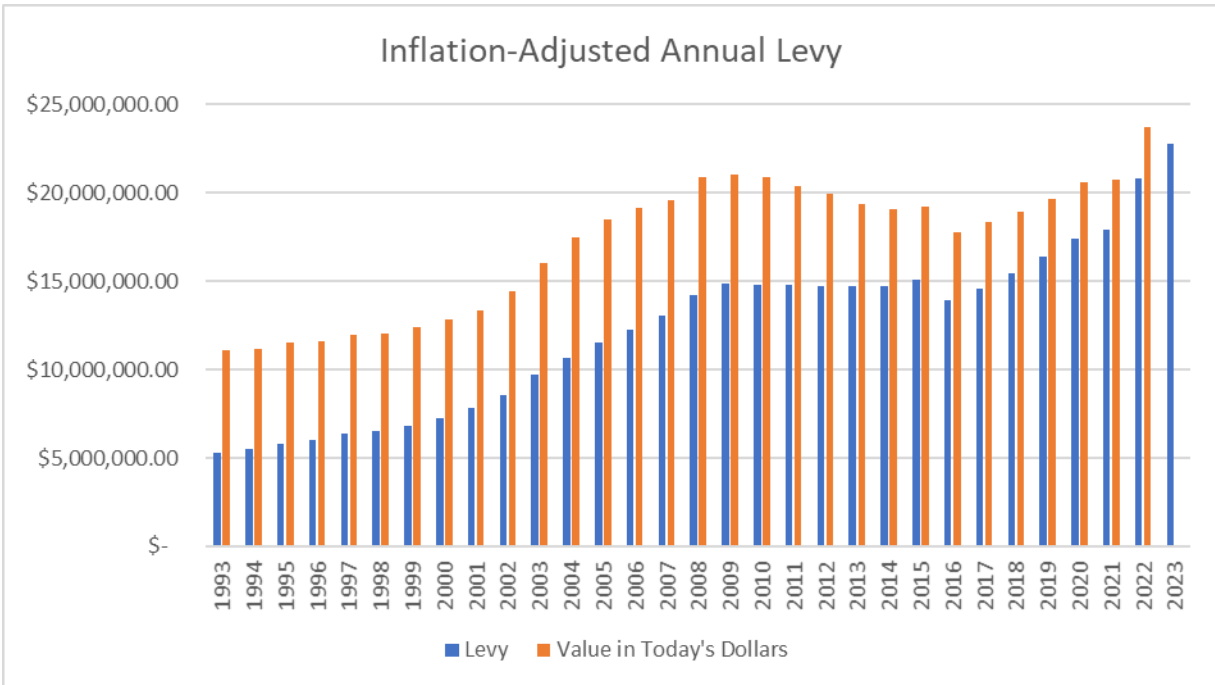
- **General Fund:** The General Fund is the County’s primary operating fund. It is used to account for and report all financial activity not reported in any other fund.
- **Public Works Fund:** The Public Works Fund is a special revenue fund used to account for all costs associated with the construction and maintenance of County roads.
- **Community & Veterans Services Fund:** The Community & Veterans Services (CVS) Fund is a special revenue fund used to account for social services, public health, and veteran’s services.
- **Debt Service Fund:** The Debt Service Fund is used to account for and report all financial resources restricted, committed, or assigned to the payment of principal and interest.
- **Capital Projects Fund:** The Capital Projects Fund is used to account for and report all financial resources that are restricted, committed, or assigned to expenditures associated with capital outlays, excluding the County’s roadways.

The budgeted revenues, expenditures, and correlating levy for each fund are adopted each year by resolution of the Board of Commissioners. The following depicts key measurables, before accounting for utilization of County Program Aid.

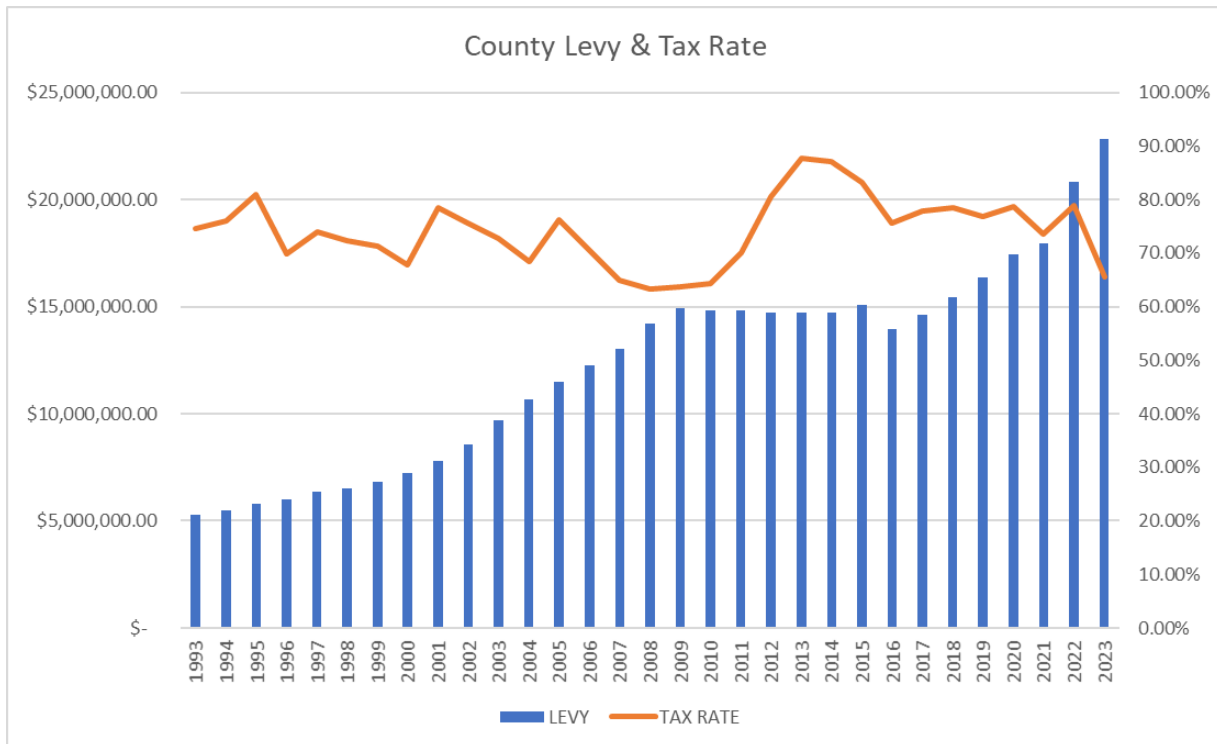
| FUND             | REVENUES      | EXPENDITURES  | USE OF RESERVES | LEVY          |
|------------------|---------------|---------------|-----------------|---------------|
| General          | \$ 3,958,547  | \$ 20,324,374 | \$ (185,000)    | \$ 16,430,411 |
| Public Works     | \$ 13,984,773 | \$ 15,544,518 | \$ 0            | \$ 1,709,745  |
| CVS              | \$ 7,781,775  | \$ 12,927,628 | \$ 2,000,000    | \$ 3,145,853  |
| Debt Service     | \$ 874,913    | \$ 1,778,798  | \$ 0            | \$ 949,080    |
| Capital Projects | \$ 110,024    | \$ 2,662,181  | \$ 0            | \$ 2,402,158  |

## Levy & Tax Rate

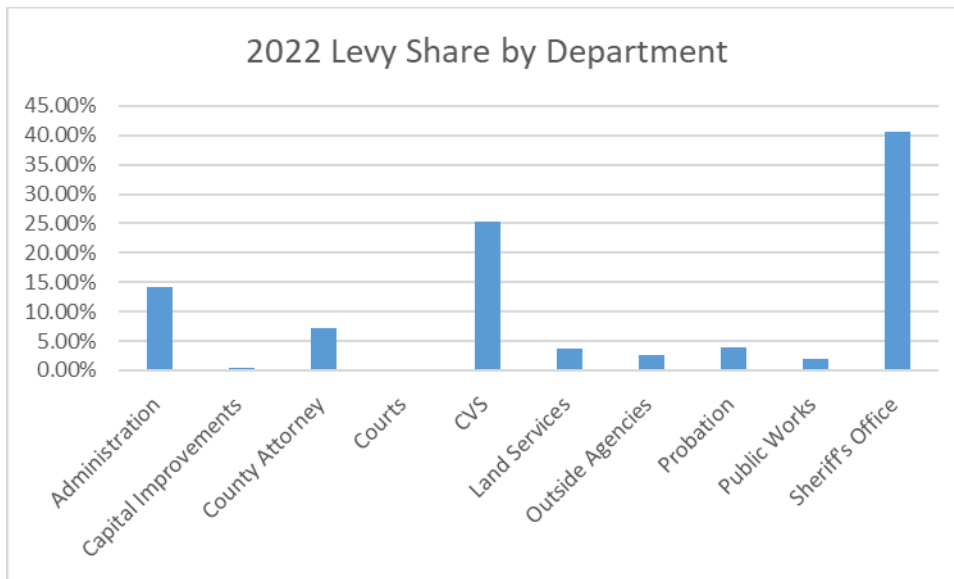
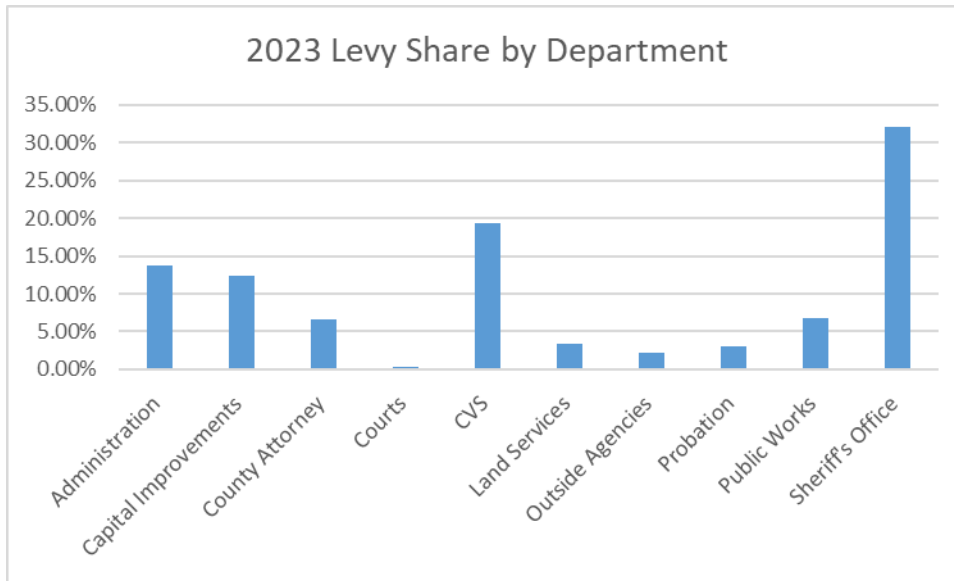
The resulting levy of \$22,812,133 represents a 9.50% increase from 2022. This is roughly double the average annual levy increase of 4.92% over the past 20 years. However, when adjusting for inflation, the 2023 levy is actually lower than 2022’s levy by approximately 4%. While the levy has gradually increased over time, when adjusted for inflation, it actually took 11 years to eclipse, in 2022, what was the peak levy in 2009.



A similar trend is apparent when evaluating changes to the County’s tax rate over time. The projected tax rate for 2023 is the fifth-lowest in the last 30 years, slightly above historic lows in the period from 2007 to 2010, but nearly 10% below the 30-year average of 74.16%. This trend is expected to continue in 2024, though there is some measure of concern that a loss in market value associated with a recession, similar to the trend exhibited in the period from 2012 to 2015, would negate those gains made in recent years to lower the tax rate.



In 2023, there were some noticeable shifts in levy allocation by department or expenditure category. Most noticeable is the increased allocation of levy dollars towards capital improvements. This is the result of a large increase in expenditures associated with addressing deferred capital projects and repairs. Similarly, in Public Works, there was a similar shift associated again with increased allocation of resources towards capital projects to be completed by that department. Presumably, as a result of greatly-increased expenditures in the two aforementioned areas, the percentage of levy dollars allocated to the Sheriff's Office and CVS noticeably decreased, though they remain to the two

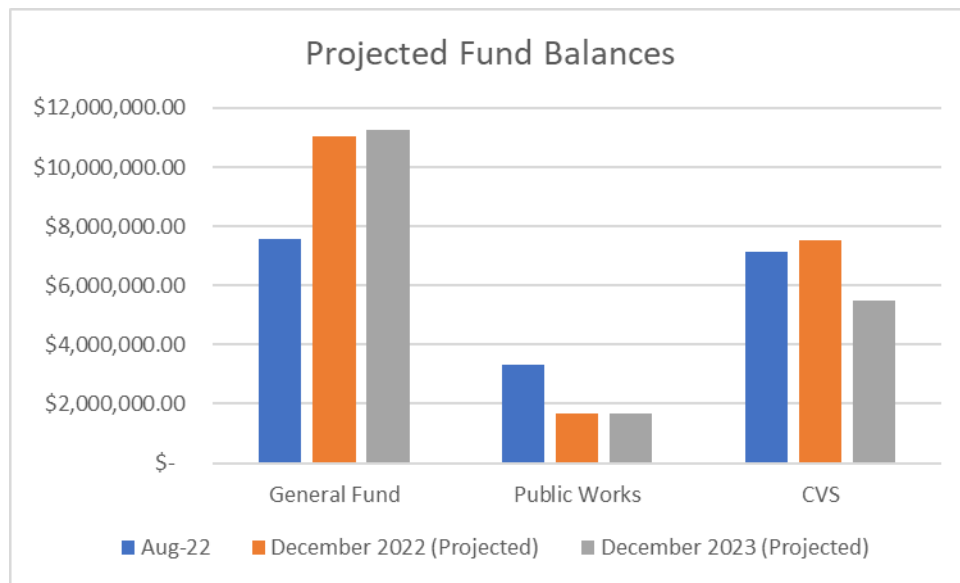


### Fund Balances

Major fund balances are an important consideration when setting the levy each year. Fund balances must be maintained at appropriate levels in accordance with recommendations from the State Auditor's Office and the Mille Lacs County Fund Balance Policy. No changes were made to fund balance requirements for

2023; however, historical trends in fund balance, an effort has been made increase General and Public Works fund balances, while maintaining the CVS fund closer to the minimum fund balance requirement.

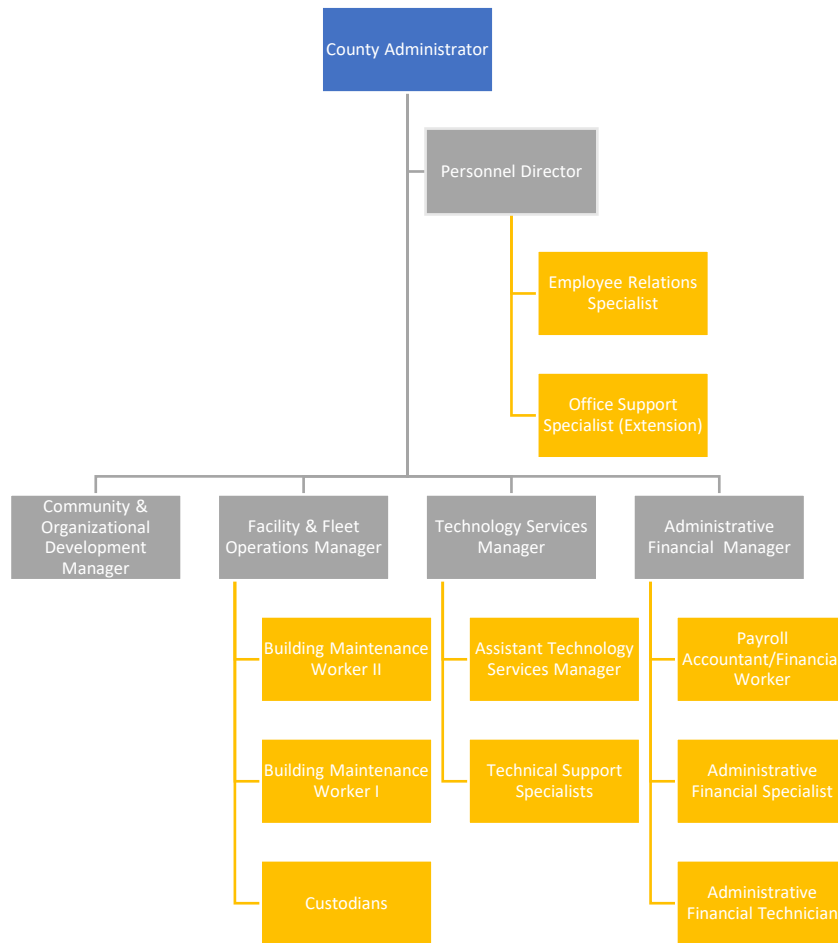
As a part of the budgeting process, fund balances were projected to evaluate both current year (2022) and budget year (2023) fund balances at year's end. While this projection is based on a number of assumptions, including conformance to the adopted budget and historical variations in fund balance by month, it appears that General Fund balance will exceed minimum requirements in both 2022 and 2023. However, in Public Works, it appears that fund balance will continue to operate below minimum requirements, while CVS will continue to operate above, albeit to a lesser degree, minimum requirements. While no funds were budgeted in 2023 to address the fund balance shortfall in Public Works, it may be necessary to explore a fund transfer from the General Fund if actual conditions match those projections below.



## Administrative Services Office

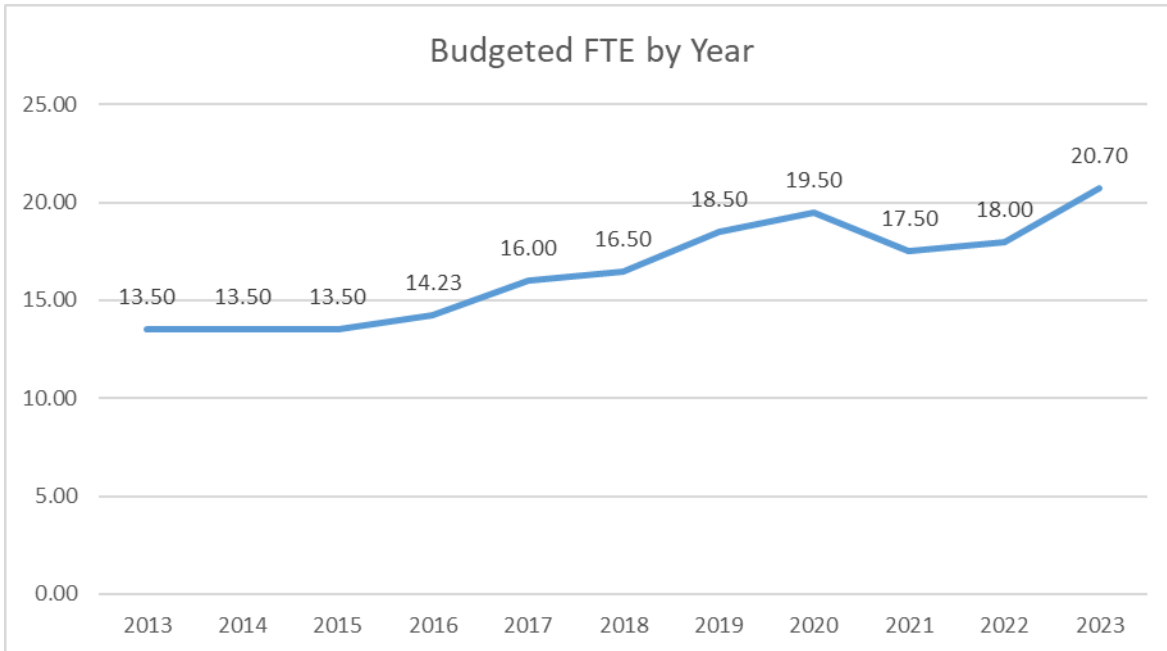
The Administrative Services Office (ASO) is responsible for managing and ensuring the delivery of services and programs countywide. This includes provision of central service functions of the County, including service areas such as finance, human resources, information technology, extension, in addition to providing services to the Board of Commissioners. The ASO is primarily responsible for providing resources to internal customers.

### Organizational Chart



### Staffing Summary

Staffing in the ASO has fluctuated regularly over the past seven years. In 2023, major changes included additional positions in Facilities and IT, and increasing hours (and thus, the FTE) allocated for Extension. In Administration, another component of the ASO, staffing is still below peak staffing levels from 2019 and 2020, even with the addition of finance-related duties and related staff in 2022. Overall, budgeted FTEs are at an all-time high of 20.70, reflecting an increased need for service in both building maintenance and information technology, but only 1.2 FTE above peak figures from 2019.



#### Budget Overview

The budgeted figures noted herein for Administrative Services Office include a number of general government expenditures, beyond operational expenditures for the department itself. For example, items such as appropriations to outside agencies and non-departmental expenditures are included, in addition to unallocated costs such as insurance and legal fees.

**Revenues:** \$915,750

**Expenditures:** \$4,526,029

#### Probation

In 2021 Mille Lacs County changed probation delivery models, from a combined Department of Corrections (DOC) and County Probation Officer (CPO) model, to a model by which DOC provides all supervision services. As a result, County probation officers providing services for juveniles and adult non-felons became DOC probation officers. However, the County continues to employ two staff, and contract with DOC for probation officer salaries.

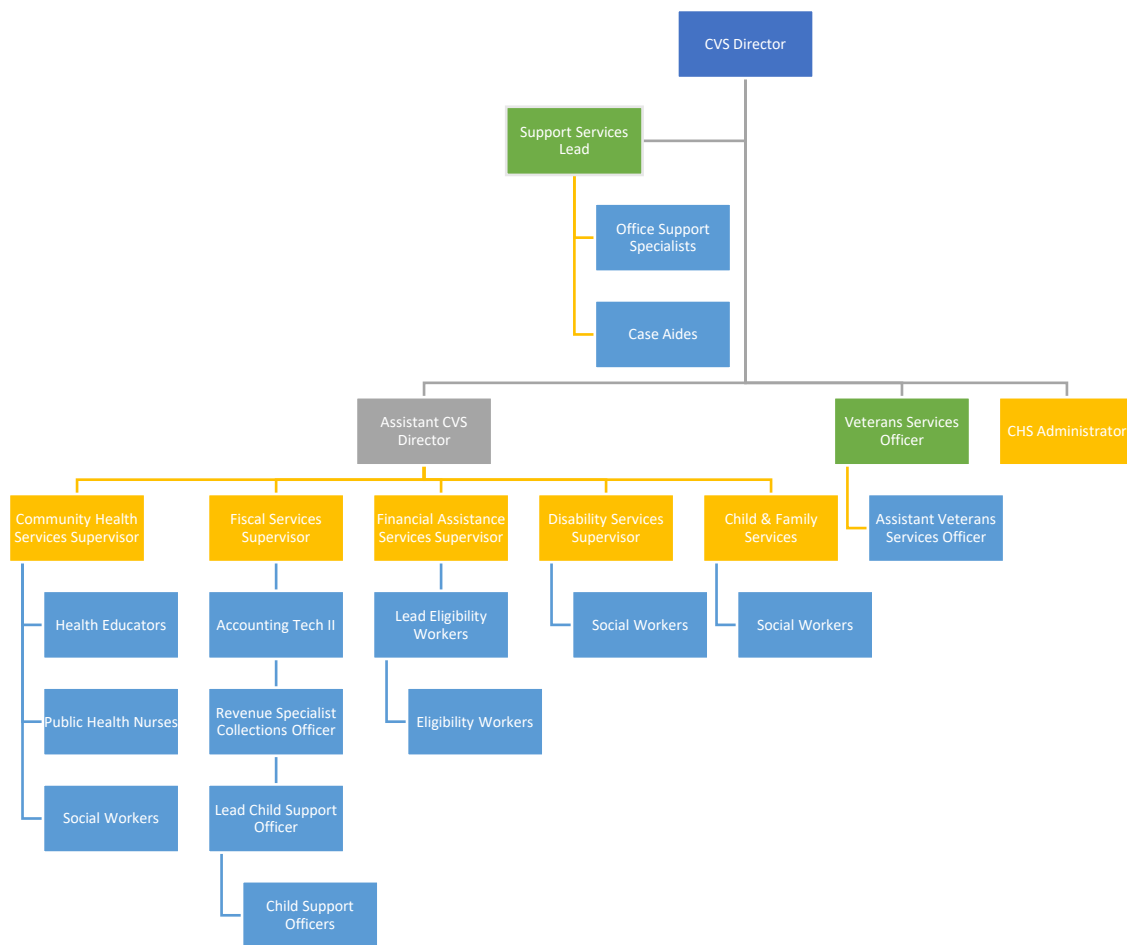
**Revenues:** \$186,214

**Expenditures:** \$1,003,211

## Community & Veterans Services Office

The mission of Mille Lacs County Community and Veterans Services is to promote the health, safety, and well-being of all county residents, by providing the services, resources, and assistance necessary for residents to improve their lives. Such services currently provided are: Adult DD Case Management, Adult Mental Health Case Management, Adult Protection, Chemical Dependency Case Management, Child Protection, Child Support, Child Welfare, Children’s Mental Health Case Management, Community Health including WIC, CTC, Family Home Visiting, Elderly Services, Financial Assistance, Foster Care, Licensing-Daycare, Adult/Child Foster Care and Respite; Special Needs Case Management; and Veterans Services.

### Organizational Chart

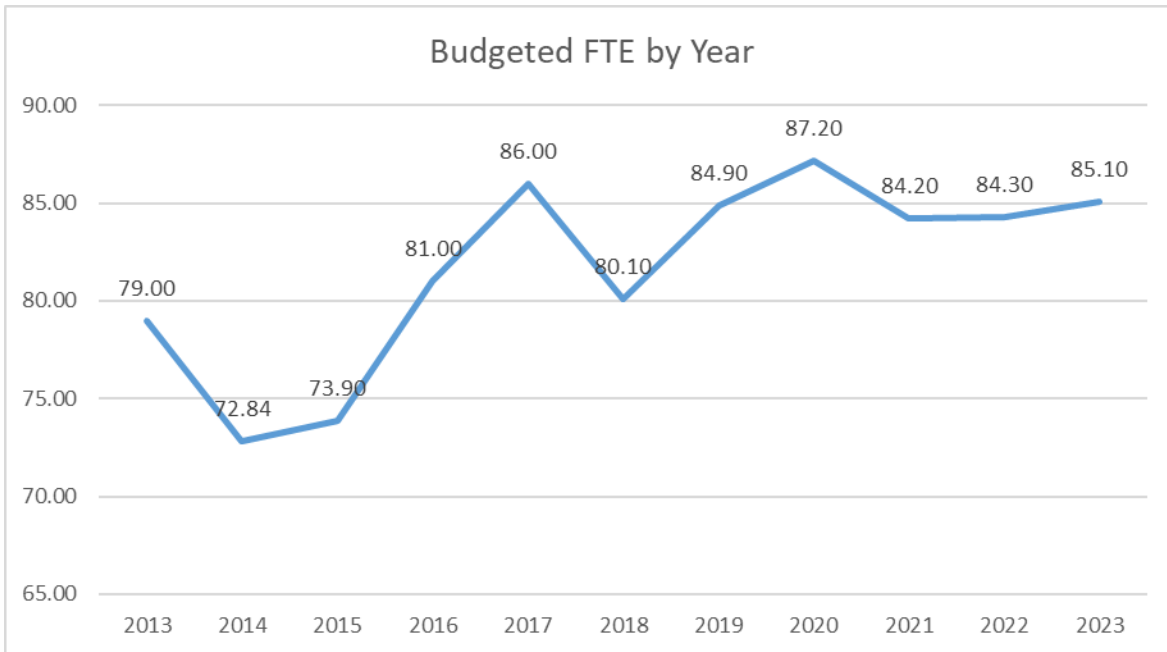


### Staffing Summary

Staffing fluctuations in CVS appear to be more attributable to budgeting practices, though some changes have taken place. In 2021, one Office Support Specialist position was eliminated. In 2023, an additional Social Worker position was added. This position is intended to reduce wait times for completion of assessments, and facilitate division of labor to restore practices intended to maximize utilization of non-levy revenue sources.



Staffing from year-to-year has varied within CVS. However, those budgeted figures below may not actually reflect FTEs on-staff. Staffing in the department is slightly higher than 2022, but below 2020's peak of 87.2 FTE, even though metrics indicate that caseload has not been reduced.



#### Budget Overview

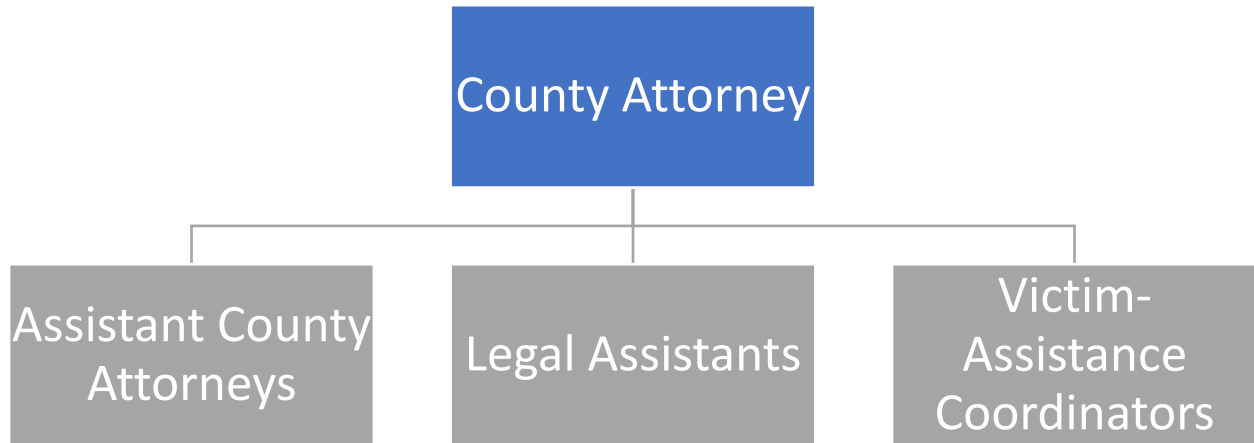
**Revenues:** \$7,781,775

**Expenditures:** \$12,927,628

## County Attorney's Office

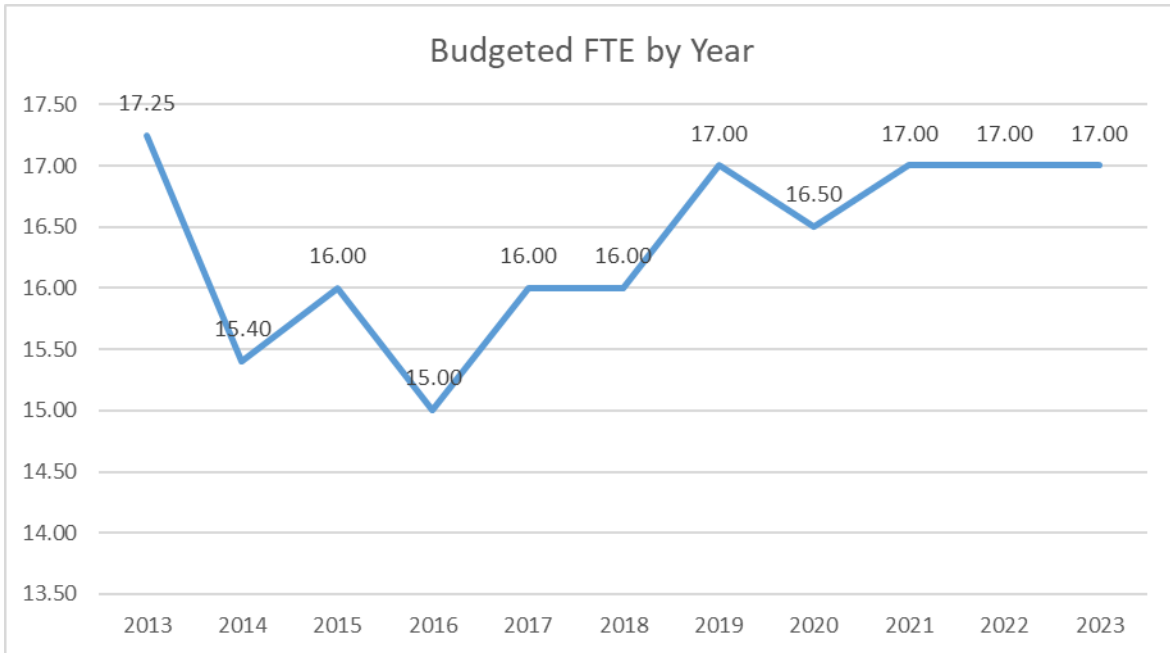
The County Attorney is the chief prosecutor for crimes which occur within the County. The Attorney is also the legal advisor for the Mille Lacs County Board of Commissioners and County Departments. The position of the County Attorney is elected by Mille Lacs County citizens every four years.

### Organizational Chart



### Staffing Summary

Staffing in the County Attorney's Office has been relatively static for a long period of time. While additional positions were proposed in 2022 and 2023, in part, to deal with aggressive court calendars coming out of the pandemic-precipitated period of inactivity, none were added. However, the 2023 budget does include additional funds slated for the implementation of new technology aimed at reducing workload associated with the influx of new types of digital evidence and associated discovery, and a temporary Law Clerk position to be hired for the summer of 2023.



Budget Overview

**Revenues: \$197,388**

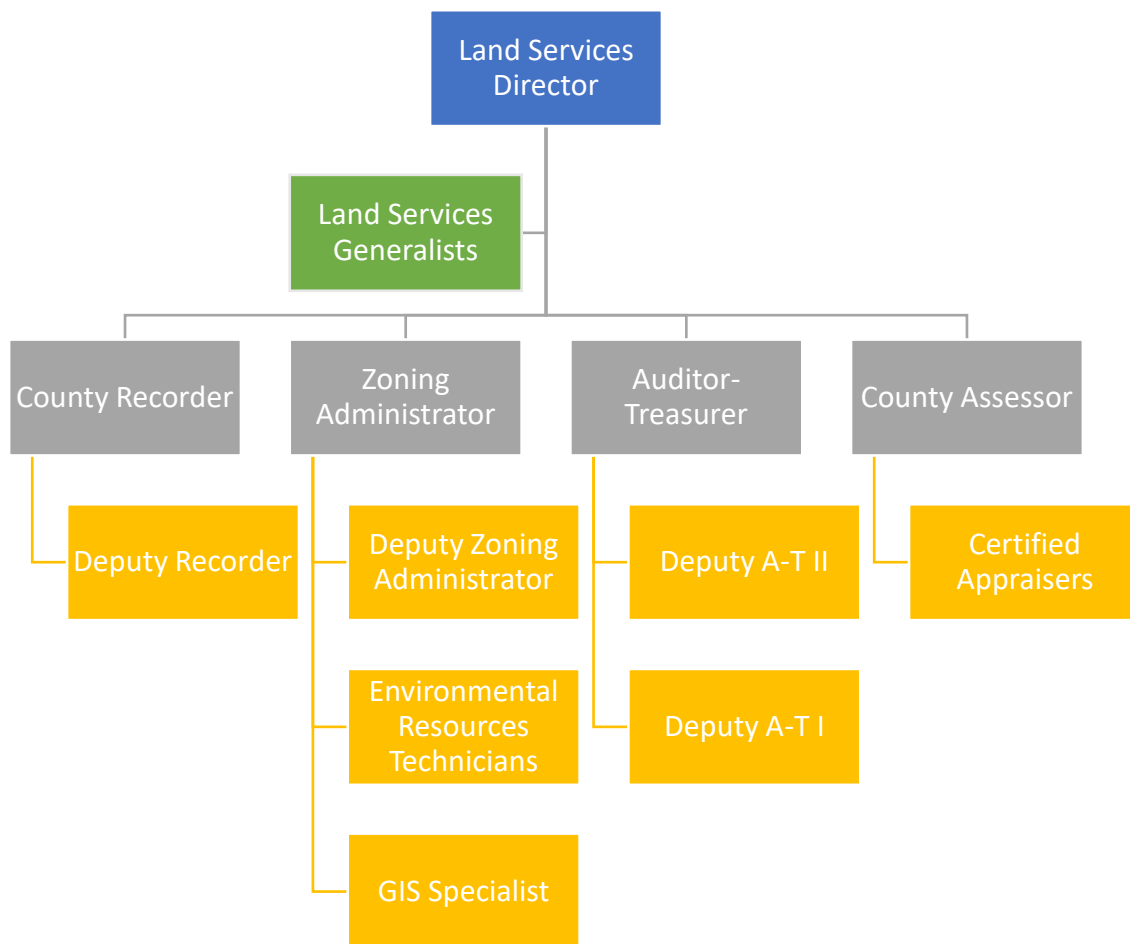
**Expenditures: \$1,968,341**

## Land Services Office

Land Services consists of the Assessor, Auditor-Treasurer, Recorder and Zoning offices.

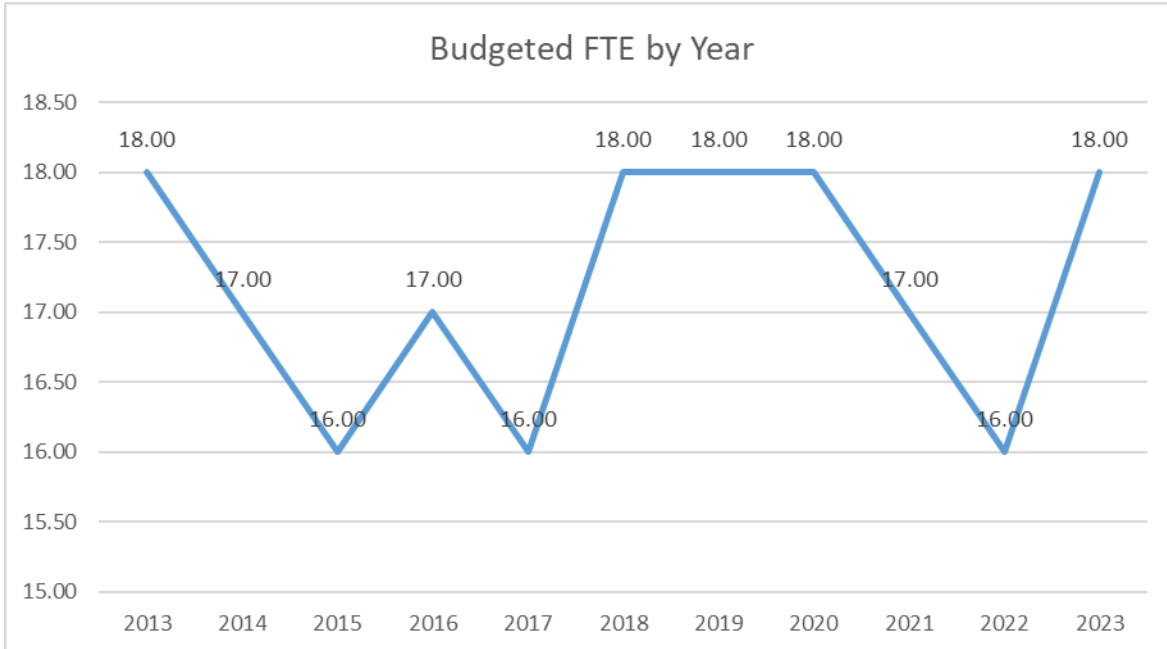
The Assessor's Office is responsible for estimating the market value and determining the classification of each piece of property in Mille Lacs County for property tax purposes. The Auditor-Treasurer's office is responsible for property tax administration, collection and distribution; election administration; management of tax forfeited properties; the issuance of business licenses; and processing of property transfers and parcel combinations. The primary responsibility of the Recorder's Office is the recording and preserving of real estate records for properties located in Mille Lacs County. The Recorder's Office also issues all vital records including Birth, Death, Marriage and Military Discharges and files Minister's Credentials & Notary Public Commissions. The Zoning office administers and enforces the zoning and land use regulations including the aquatic invasive species (AIS) program; subsurface sewage treatment systems (SSTS); wetland conservation act (WCA) and the issuance of building permits, land subdivisions and E911 addresses. The Zoning office also coordinates the solid waste, recycling and household hazardous waste programs within the County.

### Organizational Chart



## Staffing Summary

Staffing in the Land Services Office has decreased considerably from, what appears to be, an all-time high of 26.25 FTE in 2008. While a reorganization in 2022 was implemented to seek increased efficiencies in departmental operations, it became evident that the prior year's staffing reductions were no longer tenable. As a result, in 2023, two of four-and-a-half FTE requested were approved, including an additional Land Services Generalist and a GIS Specialist.



## Budget Overview

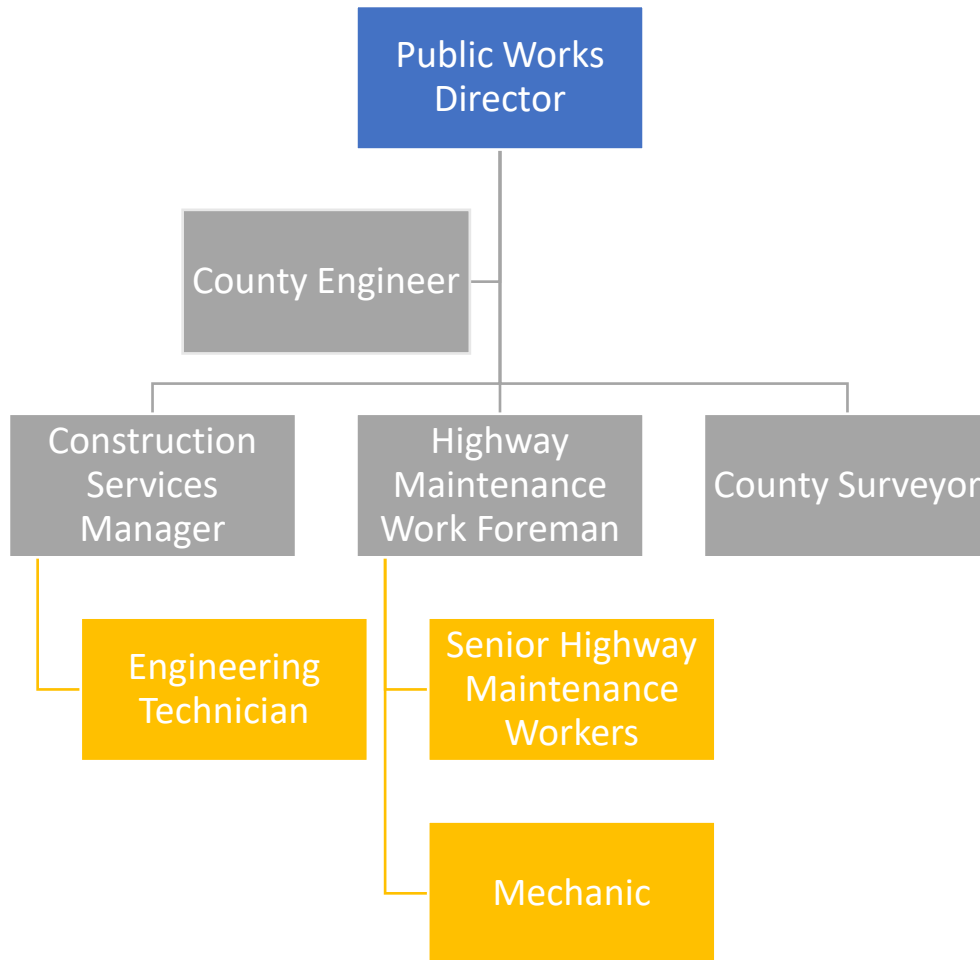
**Revenues:** \$1,418,087

**Expenditures:** \$2,315,644

## Public Works

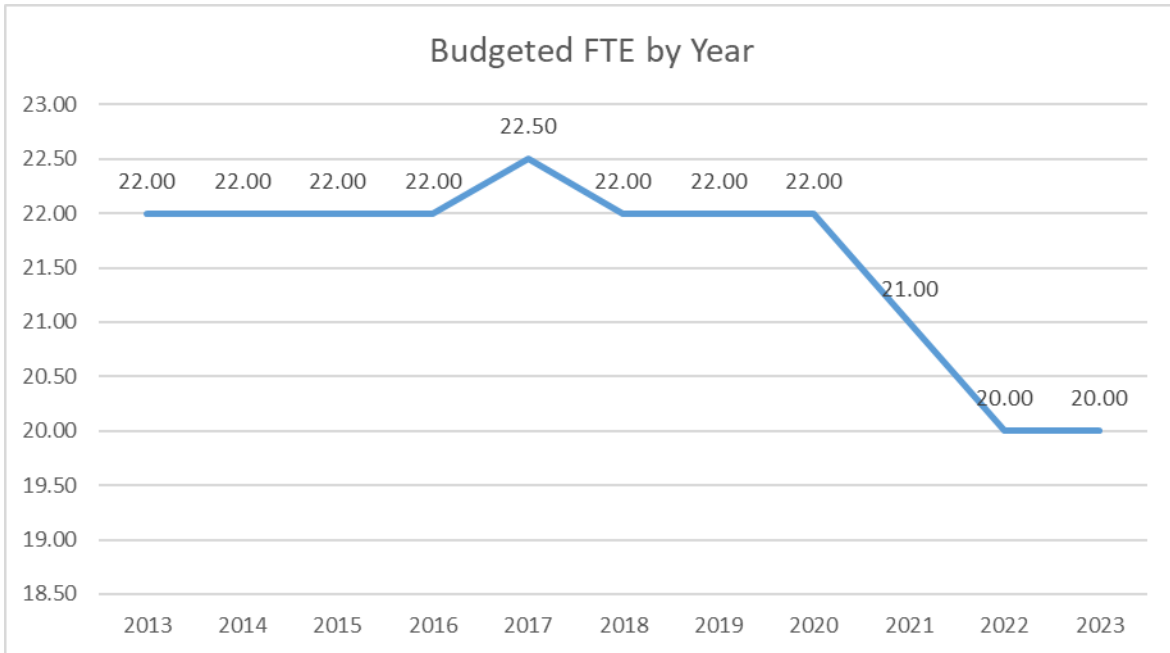
Public Works is responsible for the construction and maintenance of the county's roadways, bridges, and culverts. This includes services ranging from design and construction to a wide variety of maintenance tasks. Public Works is also responsible for the maintenance of County parks and trails, in addition to fulfilling the duties of Ditch Inspector pursuant to Minnesota Statutes Chapter 103E.

### Organizational Chart



### Staffing Summary

Public Works staffing, similar to that of the Land Services Office, has decreased considerably from a high of 27.75 FTE in 2008. More recently, reductions were made in engineering and accounting. While four additional FTE were requested for 2023, none were approved. However, as changes are made to processes and procedures within the department, staffing needs will be closely monitored to determine whether or not the current staffing levels are manageable in the long term.



Budget Overview

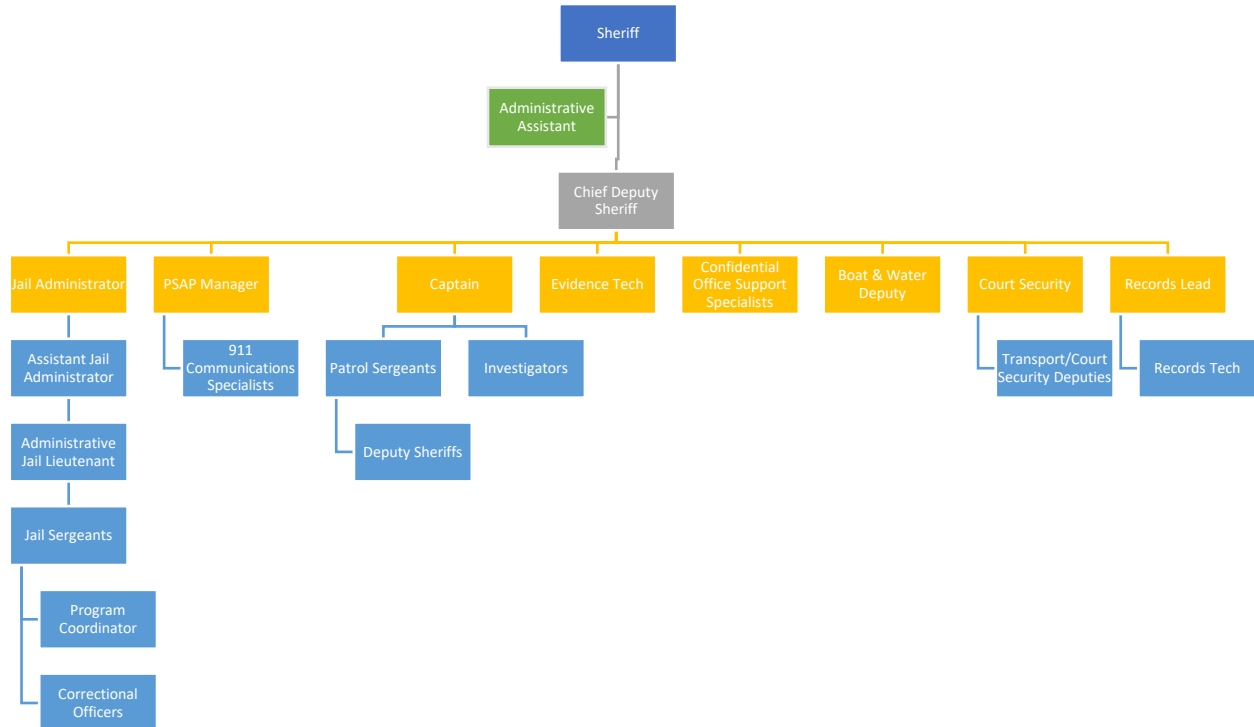
**Revenues:** \$13,909,573

**Expenditures:** \$15,704,518

## Sheriff's Office

The Sheriff's Office is run by the Sheriff who is an elected official responsible directly to the people of Mille Lacs County. State statutes define the Sheriff's responsibilities and outline the basic expectations of the office. Constituents further define the Sheriff's role by bringing forth the needs of their communities and their desire for service. The divisions of the Sheriff's Office include Patrol, Investigations, E-911 Dispatch, Boat and Water, Jail, Emergency Management and Support. Some divisions contain special units that serve a specific purpose such as Civil Process, Records, Transports and Court Security.

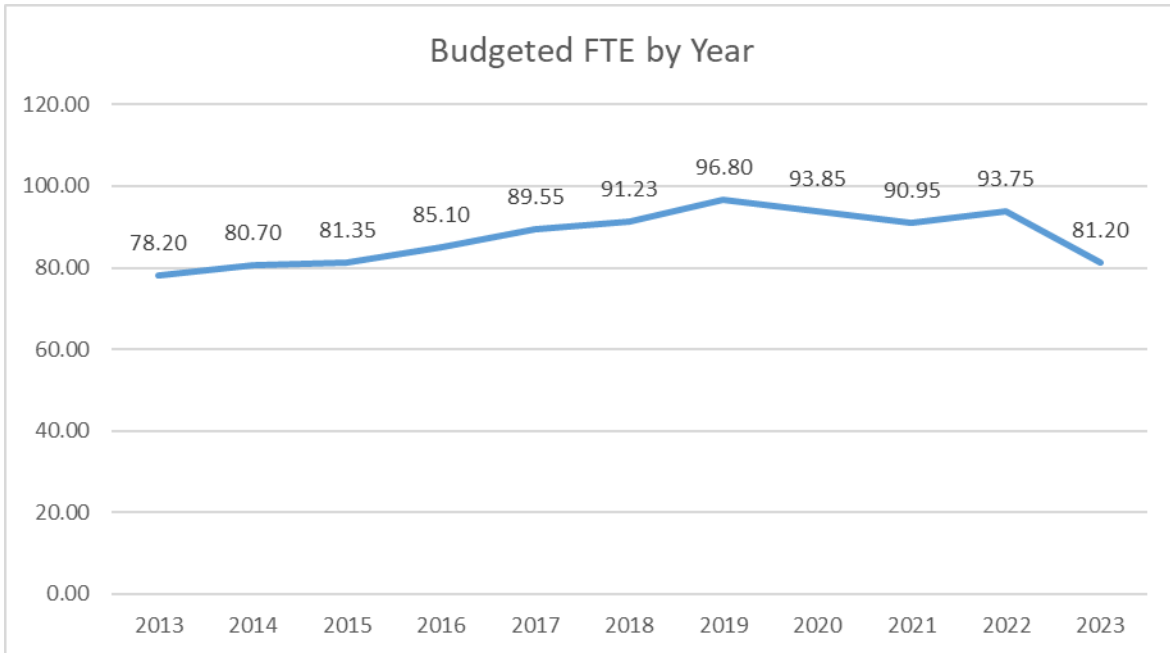
### Organizational Chart



### Staffing Summary

Staffing in the Sheriff's office is reduced for 2023, attributable in large part to reductions in jail staffing associated with a large number of vacant positions therein. A jail facility study to be completed in 2023 will facilitate a renewed discussion on jail operations, and subsequently, jail staffing. An additional deputy sheriff position was requested for 2023; however, after a series of discussions on staffing levels, Deputy Sheriff staffing was reduced by two FTE, and Patrol Sergeant staffing was increased by one FTE. Additionally, a Program Counselor position was added for 2023, replacing a position that was previously-budgeted but not filled in the last year.





Budget Overview

**Revenues:** \$1,110,057

**Expenditures:** \$9,624,520

## Capital Improvement Plan

The Mille Lacs County Capital Improvement Plan (CIP) is a multi-year guide to the construction, maintenance, repair, or improvement of county infrastructure. Through the process of preparing a CIP, the County strives to meet the need to be responsible stewards of public infrastructure. This CIP is intended to serve as a planning tool, and key component of evaluating budgetary needs for 2023 and beyond. Furthermore, the CIP is an instrument to present a meaningful long-range perspective on capital needs.

Minnesota Statutes § 373.40 provides counties with the ability to plan and finance the capital improvements of the county for authorized purposes. In order to qualify, a project must have an expected useful life of five years or more. The CIP must set forth:

1. The estimated schedule, timing, and details of specific capital improvements;
2. The estimated cost of the capital improvements;
3. The need for the improvements; and
4. The sources of revenue necessary to fully-pay for the improvements.

Furthermore, in order to access and utilize certain funding sources, approval of the CIP and annual amendments must be approved by the County Board after a properly-noticed public hearing. At a minimum, a CIP must cover a 5-year period, beginning with the date of adoption.

While cost estimates and proposed funding sources are identified for each project, the CIP is not intended to provide a detailed or complete financing plan. As the County prepares to initiate each individual project, or prepares to adopt each year's budget, the County Board may consider a different funding source than what was originally-identified in the CIP. As such, changes to the priorities established in the plan should be expected. Changes caused by reductions in funding, project delays due to price fluctuations or lack of resources, and other delays are commonplace and are expected while implementing the CIP.

## Planning Process

In conjunction with the annual budget development process, the County Administrator and Administrative Financial Manager work with Department Heads and Managers to update the CIP. The draft CIP is reviewed and amended as necessary by the County Administrator through an interactive review process with the County Board, which is generally coterminous with the budget development and review process.

All CIP updates and review processes include the following analysis for each project:

1. The condition of the county's existing infrastructure, including the projected need for repair or replacement;
2. The likely demand for the improvement;
3. The estimated cost of the improvement;
4. The available public resources;
5. The level of overlapping debt in the county;
6. The relative benefits and costs of alternative uses of the funds;
7. Operating costs of the proposed improvements; and
8. Alternatives for providing services more efficiently through shared facilities with other counties or local government units.

## Capital Project Debt & Financing Considerations

A county may not issue bonds under Minnesota Statute 373.40 if the maximum amount of principal and interest to become due and payable in any one year on all outstanding bonds issued pursuant to that statute (including the bonds to be issued) will equal or exceed 0.12% of the estimated market value of all property in the county. Calculation of this limit must be made using the estimated market value for the taxes payable in the year that obligations are issued and sold. This does not limit the authority, however, to issue bonds under any special or general law. For 2023, that calculation and corresponding limit is listed below:

- Taxes Payable 2023 Estimated Market Value: \$4,284,161,000
- Debt Limit: 0.12%
- Debt Limit Principal & Interest Payment: \$5,140,993.20

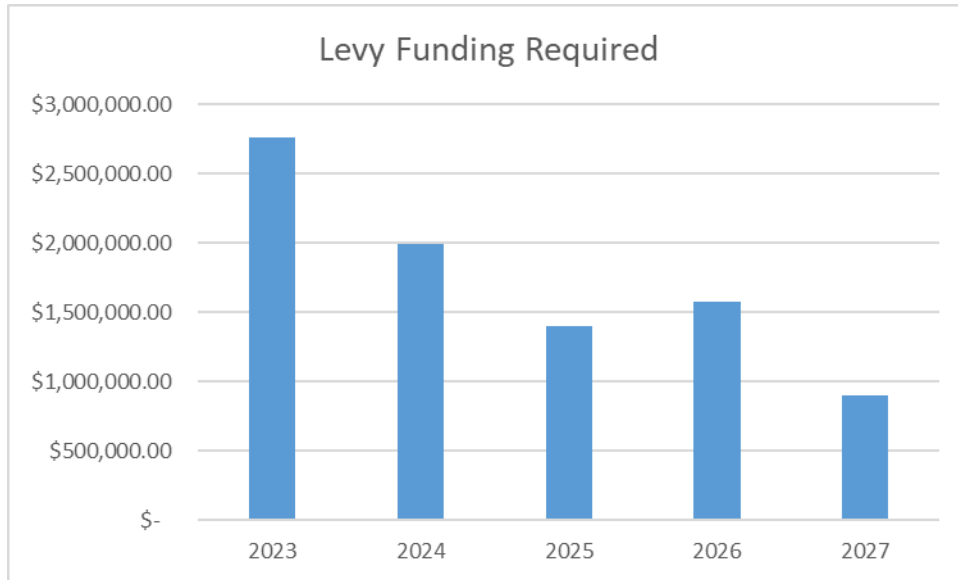
Through 2022, Mille Lacs County had the following debt; note that this does not include debt authorized by the Drainage Authority.

| TITLE                     | ORIGINAL ISSUE AMOUNT  | 2023 PRINCIPAL & INTEREST PAYMENT | TERM |
|---------------------------|------------------------|-----------------------------------|------|
| Series 2010B              | \$920,000              | \$150,237.50                      | 2026 |
| Series 2014 <sup>1</sup>  | \$4,805,000            | \$529,476.85                      | 2029 |
| Series 2018 <sup>2</sup>  | \$9,315,000            | \$638,162.50                      | 2039 |
| Series 2019A <sup>3</sup> | \$3,970,000            | \$473,500.00                      | 2035 |
| <b>TOTAL</b>              | <b>\$24,347,101.12</b> | <b>\$1,791,376.85</b>             |      |

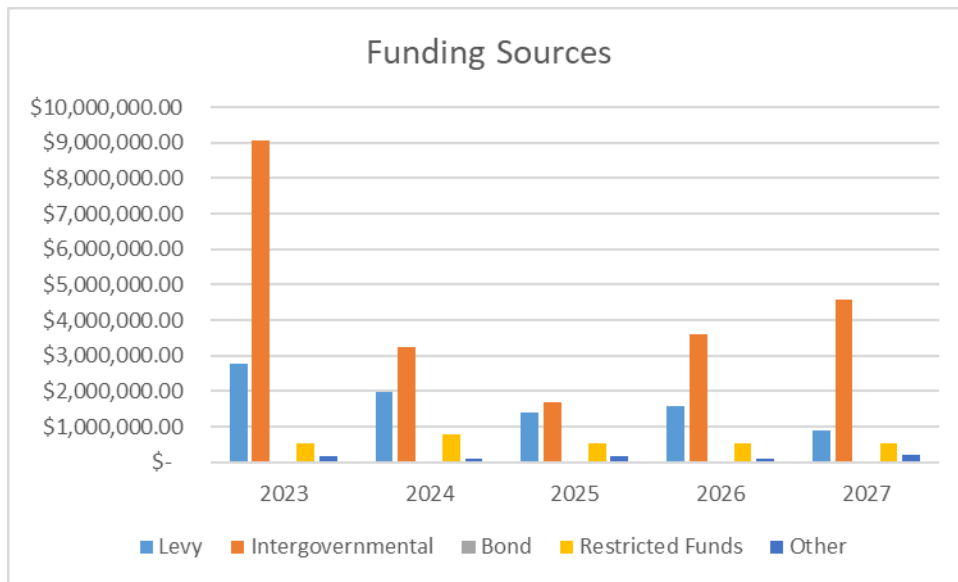
1. This bond was refunded in 2021 as Series 2021A.
2. This bond is completely paid with proceeds from the local option sales tax (LOST).
3. This bond is paid in part with proceeds from the local option sales tax (LOST).

An important consideration for any county in preparing a CIP is the resulting property tax levy funding required to facilitate completion of all the projects identified therein. In order to manage the property tax levy burden in subsequent years, effort has been put forth to level the levy contribution over the planning period.

However, it should be noted also that, as the years progress, there is less certainty surrounding the capital improvements identified herein, and it is plausible that additional repairs or projects will become necessary as the infrastructure ages. With a lower property tax levy burden in later years, this allows for some flexibility to address those repairs without being burdened by an already full slate of projects and the associated levy burden.

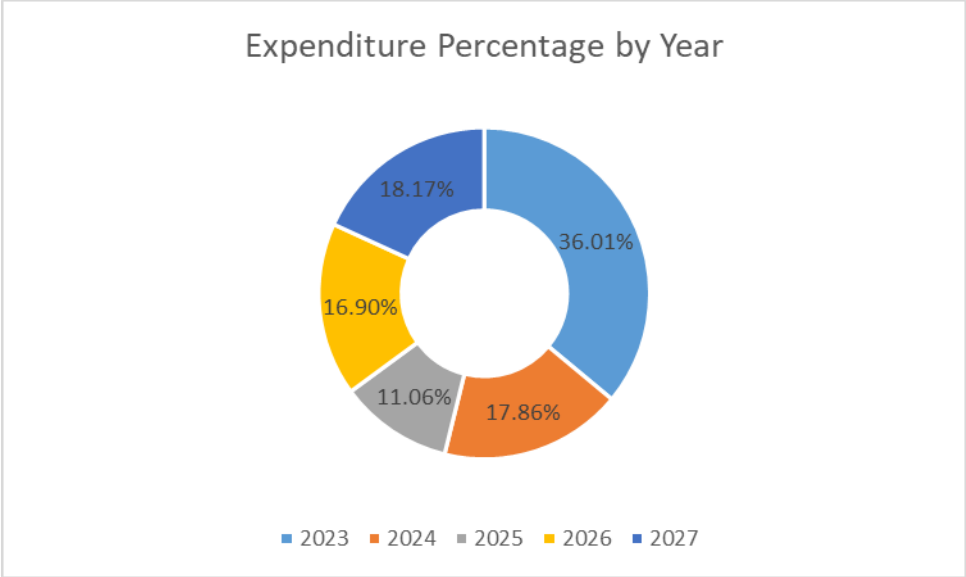


A variety of funding sources are utilized to finance CIP expenditures. The greatest funding source by far is intergovernmental funding, which is predominantly County State Aid Highway (CSAH) funding. No utilization of bonding is proposed at this time; however, the use of bonds as a funding mechanism to finance capital improvements may be considered at a later date. While the debt load is, currently, approximately 35% of the current debt limit, the levy requirements associated with the current CIP are expected to be less than 10% of the total levy in 2023 and any subsequent years.

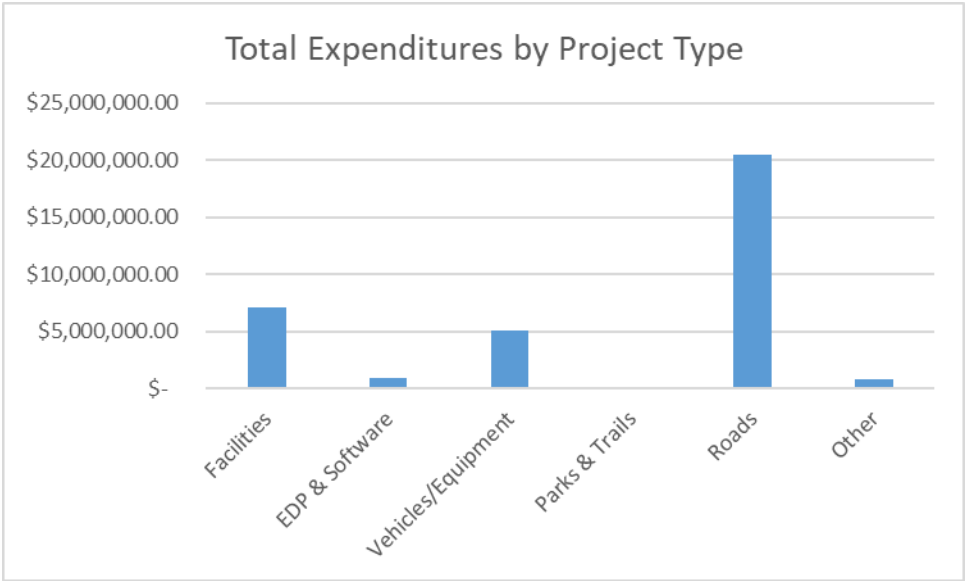


### Capital Projects

The Mille Lacs County CIP includes projects expected to cost \$34,444,147 over the next five years. As a result of capital project deferral in the preceding years, more than one-third of total CIP expenditures are planned for 2023.



As noted above, CSAH funding is the largest funding source for CIP projects. Accordingly, road projects make up the largest share of CIP projects by category, followed by facilities and vehicles/equipment. As supply chain issues continue to persist, it is expected that the category of vehicles and equipment will be subject to change over the planning period. Not depicted on the chart below is parks and trails; while there is one project in the plan, the associated dollar value was not enough to show on the chart.



2023

| PROJECT  | TOTAL COST      | PROJECT TYPE | FUNDING SOURCE         |
|--|-----------------|--------------|------------------------|
| CSAH Road Construction                           | \$ 6,500,000.00 | Repair       | Intergovernmental      |
| Milaca Public Works                              | \$ 4,289,740.43 | Replacement  | Intergovernmental/Levy |
| Public Works Equipment Purchases                 | \$ 478,349.00   | Replacement  | Restricted/Reserve     |
| County Wide Door Controls and Camera Upgrade     | \$ 535,000.00   | Replacement  | Levy                   |
| CVS Roof Replacement                             | \$ 122,768.88   | Repair       | Levy                   |
| Jail Facility Study                              | \$ 90,000.00    | Repair       | Levy                   |
| Soo Line Trail Slope Repair                      | \$ 50,000.00    | Repair       | Levy                   |
| Network Switching Replacement                    | \$ 45,000.00    | Replacement  | Levy                   |
| Computer Systems Replacement                     | \$ 41,550.00    | Replacement  | Levy                   |
| Squad Car Cradlepoints                           | \$ 36,000.00    | Improvement  | Levy                   |
| Verint Dispatch Logging Software                 | \$ 30,645.00    | Replacement  | Restricted/Reserve     |
| CVS Computer Systems Replacement                 | \$ 30,100.00    | Replacement  | Levy                   |
| Firewall Replacement                             | \$ 29,600.00    | Replacement  | Levy                   |
| CVS UPS and Maintenance Bypass Switch            | \$ 27,500.00    | Replacement  | Levy                   |
| Eagleview Aerial Imagery - Phase 1               | \$ 26,035.00    | New          | Restricted/Reserve     |
| County Campus Concrete Repairs - Phase 1         | \$ 20,000.00    | Repair       | Levy                   |
| CP Interview Room Camera/Recording System        | \$ 10,000.00    | Replacement  | Levy                   |
| CVS West Roof Top Unit #1 Compressor Replacement | \$ 6,498.00     | Repair       | Levy                   |

2024

| PROJECT                                   | TOTAL COST      | PROJECT TYPE | FUNDING SOURCE          |
|---|-----------------|--------------|-------------------------|
| CSAH Road Construction                    | \$ 3,250,000.00 | Repair       | Intergovernmental       |
| Public Works Equipment Purchases          | \$ 1,358,720.00 | Replacement  | Levy/Restricted Reserve |
| Ericksonville Roof & Reconstruction       | \$ 300,000.00   | Improvement  | Levy                    |
| County Campus Asphalt Repairs - Phase 1   | \$ 229,639.32   | Repair       | Levy                    |
| County Road Construction                  | \$ 200,000.00   | Repair       | Levy                    |
| HCH Tuckpointing                          | \$ 200,000.00   | Repair       | Levy                    |
| Network Switching Replacement             | \$ 114,000.00   | Replacement  | Levy                    |
| Broadband Grant Program Gap Funding       | \$ 100,000.00   | New          | Levy                    |
| Jail Facility Repairs                     | \$ 100,000.00   | Repair       | Levy                    |
| Class/Comp Study                          | \$ 100,000.00   | Improvement  | Levy                    |
| CVS Computer Systems Replacement          | \$ 36,550.00    | Replacement  | Levy                    |
| Jail Exterior Repairs                     | \$ 26,858.40    | Repair       | Levy                    |
| Eagleview Aerial Imagery                  | \$ 26,035.00    | New          | Restricted/Reserve      |
| Computer Systems Replacement              | \$ 25,300.00    | Replacement  | Levy                    |
| County Campus Concrete Repairs - Phase 2  | \$ 20,000.00    | Repair       | Levy                    |
| Server System Equipment Replacement       | \$ 17,500.00    | Replacement  | Levy                    |
| Sheriff's Office Exterior Repairs         | \$ 17,003.10    | Repair       | Levy                    |
| Sheriff's Office Lobby Carpet Replacement | \$ 10,830.00    | Repair       | Levy                    |

2025

| PROJECT  | TOTAL COST      | PROJECT TYPE | FUNDING SOURCE          |
|--|-----------------|--------------|-------------------------|
| CSAH Road Construction                           | \$ 1,680,000.00 | Repair       | Intergovernmental       |
| Public Works Equipment Purchases                 | \$ 1,220,000.00 | Replacement  | Restricted/Reserve/Levy |
| County Road Construction                         | \$ 200,000.00   | Repair       | Levy                    |
| Broadband Grant Program Gap Funding              | \$ 180,000.00   | New          | Levy                    |
| Jail Facility Repairs                            | \$ 100,000.00   | Repair       | Levy                    |
| County Campus Asphalt Repairs - Phase 2          | \$ 75,844.66    | Repair       | Levy                    |
| Computer Systems Replacement                     | \$ 65,100.00    | Replacement  | Levy                    |
| Storage Area Network (SAN) Replacement           | \$ 45,000.00    | Replacement  | Levy                    |
| CVS Computer Systems Replacement                 | \$ 43,000.00    | Replacement  | Levy                    |
| Justice Center Generator Base Tank               | \$ 42,296.57    | Replacement  | Levy                    |
| Eagleview Aerial Imagery                         | \$ 26,035.00    | New          | Restricted/Reserve      |
| Jail Tandem Hot Water Heat                       | \$ 25,992.00    | Replacement  | Levy                    |
| Server System Equipment Replacement              | \$ 25,000.00    | Replacement  | Levy                    |
| HCH UPS Replacement & Bypass Switch Installation | \$ 21,660.00    | Replacement  | Levy                    |
| County Campus Concrete Repairs - Phase 3         | \$ 20,000.00    | Repair       | Levy                    |
| Network Switching Replacement                    | \$ 18,000.00    | Replacement  | Levy                    |
| Copier Replacement                               | \$ 10,350.00    | Replacement  | Levy                    |

2026

| PROJECT  | TOTAL COST      | PROJECT TYPE | FUNDING SOURCE          |
|--|-----------------|--------------|-------------------------|
| CSAH Road Construction                                     | \$ 3,600,000.00 | Repair       | Intergovernmental       |
| Public Works Equipment Purchases                           | \$ 985,000.00   | Replacement  | Restricted/Reserve/Levy |
| Sheriff's Office & Jail Roof                               | \$ 215,538.66   | Repair       | Levy                    |
| County Road Construction                                   | \$ 200,000.00   | Repair       | Levy                    |
| Jail & Sheriff's Office Elevator Door Control Modification | \$ 119,130.00   | Improvement  | Levy                    |
| Jail RTU #3 Replacement                                    | \$ 115,129.76   | Replacement  | Levy                    |
| County Campus Asphalt Repairs - Phase 3                    | \$ 108,570.31   | Repair       | Levy                    |
| Jail Facility Repairs                                      | \$ 100,000.00   | Repair       | Levy                    |
| Broadband Grant Program Gap Funding                        | \$ 80,000.00    | New          | Levy                    |
| Computer Systems Replacement                               | \$ 63,600.00    | Replacement  | Levy                    |
| CVS Computer Systems Replacement                           | \$ 38,700.00    | Replacement  | Levy                    |
| Wahkon Expansion Joints                                    | \$ 34,981.00    | Repair       | Levy                    |
| Server System Equipment Replacement                        | \$ 32,500.00    | Replacement  | Levy                    |
| Firewall Replacement                                       | \$ 30,500.00    | Replacement  | Levy                    |
| Eagleview Aerial Imagery                                   | \$ 27,500.00    | New          | Restricted/Reserve      |
| Copier Replacement   | \$ 21,000.00    | Replacement  | Levy                    |
| County Campus Concrete Repairs - Phase 4                   | \$ 20,000.00    | Repair       | Levy                    |
| CVS Hot Water Heater                                       | \$ 8,664.00     | Replacement  | Levy                    |
| Squad Car Cradlepoints                                     | \$ 2,400.00     | Improvement  | Levy                    |

2027

| PROJECT                                  | TOTAL COST      | PROJECT TYPE | FUNDING SOURCE          |
|--|-----------------|--------------|-------------------------|
| CSAH Road Construction                   | \$ 4,600,000.00 | Repair       | Intergovernmental       |
| Public Works Equipment Purchases         | \$ 1,040,000.00 | Replacement  | Restricted/Reserve/Levy |
| County Road Construction                 | \$ 200,000.00   | Repair       | Levy                    |
| Computer Systems Replacement             | \$ 93,600.00    | Replacement  | Levy                    |
| Class/Comp Study                         | \$ 85,000.00    | Improvement  | Levy                    |
| Wahkon Salt Shed Cover                   | \$ 61,556.12    | Replacement  | Levy                    |
| County Campus Asphalt Repairs - Phase 4  | \$ 42,626.88    | Repair       | Levy                    |
| County Campus Concrete Repairs - Phase 5 | \$ 30,000.00    | Repair       | Levy                    |
| CVS Computer Systems Replacement         | \$ 27,950.00    | Replacement  | Levy                    |
| Eagleview Aerial Imagery                 | \$ 27,500.00    | New          | Restricted/Reserve      |
| Network Switching Replacement            | \$ 20,000.00    | Replacement  | Levy                    |
| Copier Replacement                       | \$ 12,000.00    | Replacement  | Levy                    |
| Squad Car Cradlepoints                   | \$ 1,200.00     | Improvement  | Levy                    |