

# Lower Elkhorn NRD

## Overview and Budget Analysis

Fiscal Year 2015 vs. Fiscal Year 2016

## **Lower Elkhorn Natural Resources District Overview and Budget Analysis**

### **Overview**

The Lower Elkhorn Natural Resources District (LENRD) is one of 23 Natural Resources Districts created in 1969 with the passage of LB 1357 by the Nebraska Unicameral. The Natural Resources Districts have been given statutory responsibility outlined in Sections 2-3229, R.R.S. 1943. In this section it states that “The purposes of the Natural Resources Districts shall be to develop and execute, through the exercise of powers and authorities contained in this act, plans, facilities, works and programs relating to: 1) erosion prevention and control, 2) prevention of damages from flood water and sediment, 3) flood prevention and control, 4) soil conservation, 5) water supply for any beneficial uses, 6) development, management, utilization, and conservation of groundwater and surface water, 7) pollution control, 8) solid waste disposal and sanitary drainage, 9) drainage improvement and channel rectification, 10) development and management of fish and wildlife habitat, 11) development and management of recreational and park facilities, and 12) forestry and range management.”

The LENRD is located in the Eastern portion of the Elkhorn River Basin in eastern Nebraska and includes 2,560,000 acres of land. All of Pierce, Wayne, Stanton and Cuming counties are included while portions of Madison, Knox, Cedar, Dixon, Dakota, Thurston, Burt, Dodge, Colfax, Washington, and Platte are also included. Pierce County has the largest portion of ground in the LENRD with 367,360 acres. The LENRD boundaries include within them 48 cities, towns and villages. The City of Norfolk Nebraska is the largest city within the LENRD with a population base of 24,523. Madison County provides the largest percentage of fiscal input to the district at 21%. Total population of the LENRD is roughly 89,256. Urban population continues to grow at a steady pace, with most occurring closer to the larger metropolitan areas of Norfolk, Wayne, and West Point. Five major tributaries feed roughly 119 miles of the Elkhorn River that either runs through or borders the LENRD boundaries.

The LENRD is financed by a tax levy that may be up to four and one-half cents per \$100 valuation for general purposes and another one cent for water programs. Funding required for the LENRD projects and programs for fiscal year 2016, which runs from July 1, 2015 to June 30, 2016, requires a general operation budget of \$8,824,850. A tax levy of 0.023969 cents per \$100 actual valuation is required from District property. The LENRD levy in F.Y. 2015 represented about 1.7 percent of the total property tax collected. The 4.78 percent decrease in the tax levy for F.Y. 2016 will assumedly lower the percentage of total property tax collected.

## Budget Analysis

Table 1  
Lower Elkhorn Natural Resources District  
2015-2016 Revenues and Expenditures

	2015 Budget		2016 Budget		Change	
	Amount	% of total	Amount	% of total	\$ Change	% Change
<b>Revenues</b>						
Federal income	\$64,800	1%	\$274,000	3%	\$209,200	322.8%
State income	\$415,950	6%	\$632,300	7%	\$216,350	52.0%
Local income	\$1,034,950	15%	\$431,700	5%	-\$603,250	-58.3%
Property tax	\$3,834,140	54%	\$4,134,850	47%	\$300,710	7.8%
Beginning Balance (w/ transfers)	\$1,698,560	24%	\$1,452,000	16%	-\$246,560	-14.5%
Borrowed Money (meter cost share)	\$0	0%	\$1,900,000	22%	\$1,900,000	
<b>Total</b>	<b>\$7,048,400</b>		<b>\$8,824,850</b>		<b>\$1,776,450</b>	<b>25.2%</b>
<b>Expenditures by Department</b>						
Projects	\$2,924,876	41%	\$2,499,726	28%	(\$425,150)	-14.5%
Water	\$1,682,099	24%	\$3,594,764	41%	\$1,912,665	113.7%
O & M	\$768,620	11%	\$699,509	8%	(\$69,111)	-9.0%
I & E	\$131,088	2%	\$141,392	2%	\$10,304	7.9%
Administration	\$1,541,717	22%	\$1,889,459	21%	\$347,742	22.6%
<b>Total</b>	<b>\$7,048,400</b>		<b>\$8,824,850</b>		<b>\$1,776,450</b>	<b>25.2%</b>

There has been a 25% increase in the Lower Elkhorn NRD budget over the time span from F.Y. 2015 to F.Y. 2016 as seen in Table 1. The Lower Elkhorn NRD balanced budget went from \$7,048,400 in 2015 to \$8,824,850 in 2016, an increase of \$1,776,450. Property tax revenue increased in the same time frame by 7.75% or \$303,821 going from \$3,922,480 to \$4,226,301. Property taxes are the largest revenue source, and accounted for 47% of revenue for the Lower Elkhorn NRD in F.Y. 2016. This resulted in a tax levy of 0.023969 cents per \$100 of actual valuation on property within the District in F.Y. 2016. This increase in property tax revenue was a result of higher property valuations and not tax rate increases. As seen in Table 2, valuations increased by 12.85% and the tax rate actually decreased by 4.52%.

Table 2

Lower Elkhorn Natural Resources District				
2014-2015 Valuation Analysis				
	2014 Budget	2015 Budget	Change	
	Amount	Amount	\$ Change	% Change
Property Tax Impacts (Valuation)	\$15,624,602,705	\$17,632,364,152	\$2,007,761,447	12.85%
Property Tax Rates	0.0251045	0.023969	-0.001136	-4.523%
Property Tax Collected	\$3,922,480	\$4,226,301	\$303,821	7.75%

Borrowed money in the form of a line of credit is the second largest revenue source in F.Y. 2016, accounting for 22% of revenue. This is a new revenue source for the district in F.Y. 2016. This \$1,900,000 increase is attributed to the willingness of the district to cost-share on irrigation meters. It is estimated that nearly 4500 meters will be installed in the district over the next 18 months. These borrowed monies will be used strictly for the meter cost share program and the districts liability will be budgeted over the next five years.

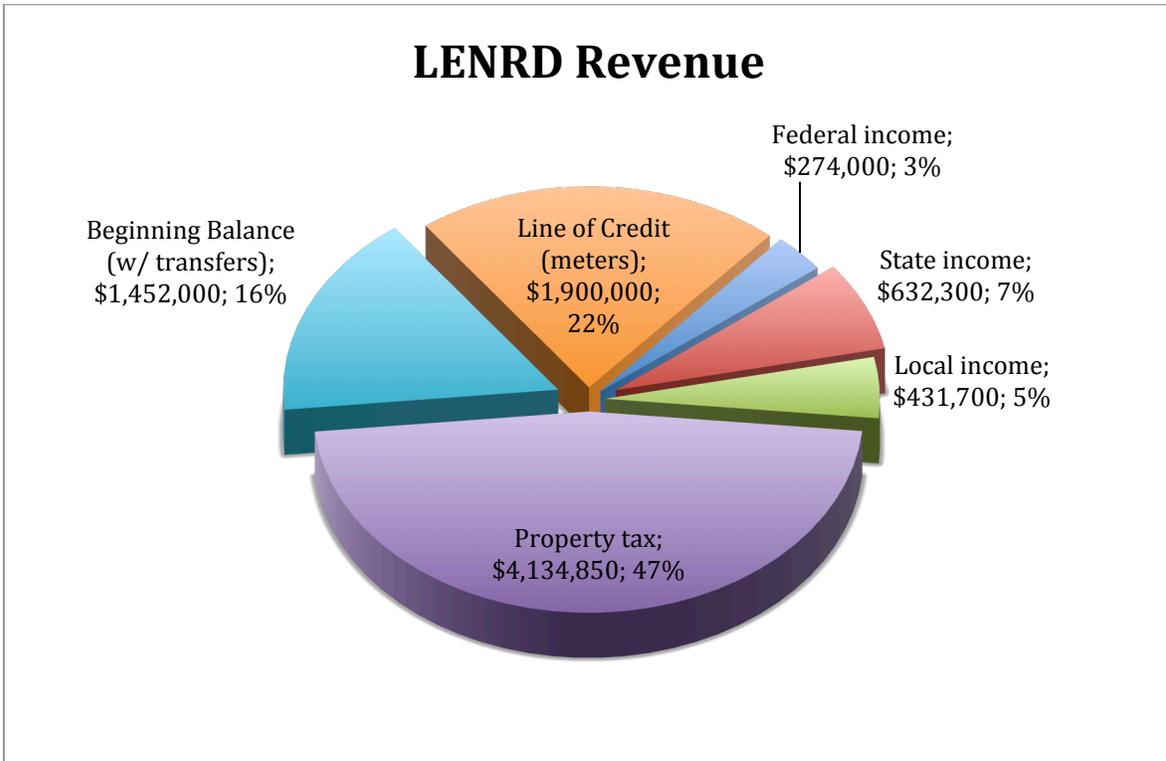
Revenues from the State of Nebraska accounted for 7% of the total revenue for the F.Y. 2016 budget. State revenue increased by 52% or \$216,350 from F.Y. 2015 to F.Y. 2016, going from \$415,950 to \$632,300. The Property Tax Credit of \$160,000 from the counties accounted for a majority (25%) of the State income. Grants from the Environmental Trust accounted for \$145,835 or 23% of State revenue. The third largest contributor to State revenue is the new 319 Watershed Management Grant of \$90,000 which is 14% of State revenue.

Federal revenues saw an increase of \$209,200 or 322% from F.Y. 2015 to F.Y. 2016, rising from \$64,800 to \$274,000. Federal revenues primarily deal with FEMA grant payments used for Maskenthine Lake maintenance building restoration. These grants accounted for \$250,000 or 91% of Federal revenues.

Any unspent funds from the previous fiscal year are rolled over into this starting balance and are used to help balance the budget. In F.Y. 2016 this accounted for \$1,452,000. This roll over amount mostly deals with invoices that have not been received by June 30, 2015 and also contains the Districts \$500,000 cash reserve. The majority of the beginning balance in revenue usually also comes with a beginning balance in expenditures. Normal operations don't allow every project to start on July 1 and be completed by June 30. The fiscal year budgeting doesn't necessary allow for this flexibility in accounting.

Local revenues did experience a 58% decrease going from \$1,034,950 to 431,700.

The \$603,250 decrease is attributed to all the insurance payments that the district realized in F.Y. 2015. The insurance payments made for the tornado damage of 2014 inflated the local revenues and are not expected for F.Y. 2016.



When looking at expenditures by department, the majority of them were attributed to the water department. The water department accounted for 41% of total expenditures, equating to \$3,594,764 in F.Y. 2016. This was a 113% increase over F.Y. 2015, or \$1,912,665. Some of the larger expenditures in the water department dealt with cost sharing on meters and debt and interest payments for the line of credit used for the meter cost share program. The \$1.9 million that will be used for meter cost-share represents 52.8% of the water department budget. Debt and interest payment expenses accounted for 11% of the water department budget, or roughly \$400,000.

The other two departments that realized an increase in their budget was the I&E department and administration department. I&E budget increased by 7.9% or \$10,304. The majority of the increase is attributed to the participation in the NARD/NET one hour program. The I&E department accounts for 2% of the total NRD budget. The administration department increased by 22.6% or \$347,742. This department accounts for 21% of the total budget or \$1,889,459. This 22.6% increase dealt with the creation of a new office sinking fund and higher insurance premiums. The sinking fund alone accounted for \$350,000.

The Projects and O&M department saw a decrease in expenditures. The operations and maintenance department budget decreased 9% or \$69,111 from F.Y. 2015

to F.Y. 2016, going from \$768,620 to \$699,509. The projects department experienced a 14.5% decrease or \$425,150. The projects department went from 41% to 28% of total expenditures from F.Y. 2015 to F.Y. 2016. The operation and maintenance expenditures only accounted for 8% of total expenditures. Both departments can attribute decreases to the budget due to completing tornado repair work and the insurance payments that were made in F.Y. 2015, which inflated the F.Y. 2015 budget. Some savings were also realized in the NRD office building maintenance agreement.

When comparing the total F.Y. 2015 budget to F.Y. 2016, the nominal dollar increase was \$1,776,450. It should be noted that \$1,900,000 of the budget increase comes from borrowing money. Remove the borrowed money and the budget has a decrease of \$123,550, which would include a \$400,000 principal and interest payment for the borrowed money. When factoring in an inflation rate of 1.0%, the analysis shows that the LENRD actually had a negative real growth rate of 2.8%. This clearly shows that the LENRD is not keeping up with inflation. This suggests that the LENRD is actually providing less service than previously, or the LENRD is providing the same service but with less money, thus being more productive. It is reasonable to make a case for either scenario. When looking at the budget, broken down by departments, the projects department lost roughly 14% of its budget from the previous year. This decrease to the budget was realized by completing rebuilding efforts from the 2014 tornado that struck district property. At the same time, the water department increased by 113%. This increase provided a different type of service to the public in the form of providing cost share to infrastructure to help with developing and managing water management policies. Tackling a large cost-share project in the current fiscal year has and will continue to increase debt payments. This action alone is requiring all departments to optimize operations and seek cost effective ways to accomplish the same amount of work with less money.