

To: NPNRD Board of Directors
From: John Berge, General Manager
Subject: Fiscal Year 2021 Budget
Date: May 12, 2020

The purpose of this memo is to update you on our budget planning activities for the upcoming fiscal year. Given the remote nature of the work of a number of our staff members, budget planning has become necessarily delayed, so our hope is that we will have the budget, complete with line items available for the Budget Committee's review by the end of May. Under current circumstances, I would like to have the Committee consider the budget in July and make recommendations to the full Board during the September Board meeting. This will allow us to get our assessor reports in for each of the counties that we represent so that we can set our tax levy properly. As a reminder, this is standard protocol. The only item that has been delayed is the budget request that we make to you – under normal circumstances, this is done by the end of April.

We have endeavored to ensure that this upcoming year's budget is as flat as possible, but our hope is that we can take those savings and apply them to build our cash reserves for future years' needs. As you will recall, we gave several options during the budget consideration last year, and the Board acted to provide no additional reserves in this current year's budget. This causes a great deal of strain during the year when our cash flow is reduced because of the way property taxes are collected. NPNRD normally gets large tax payments in January, May and September, but in the intervening months, our tax receipts are reduced. Because we have cut our tax receipts four out of the last five years, those reduced revenues have caused us to convert our reserves two or three times a year each of the past two years. Happily, we have been able to replenish our reserves at the end of each year, but it does not leave us any room for unexpected expenses – the purpose of having a cash reserve in the first place.

So, we have reduced our budget of expenditures by an additional approximate \$265,000 (as of this writing), and those funds will be used to buttress our reserves – this puts our budget reductions at just over \$2 million over the past three years. These reductions and repurposing of savings to reserves will put us on much better financial footing, not just for fiscal year 2021, but well into the future. Under current circumstances, we will be increasing our property tax asking by an approximate \$82,000 to bridge the gap that was caused by reductions in traditional grant programs that we have utilized to fund our operations. This will ensure that we can build those reserves over time. We are not asking for additional funds for salaries (there will not be even a cost of living increase) this year. We have reduced our programmatic budgets to the point where we cannot reduce any more, and we have reduced personnel training and travel expenses as well.

This is a defensive budget. We are in a defensive time. The agricultural economic outlook is bearish, and we need to prepare as if valuations will be reduced. Our levy limit is 5.5 cents, and last year's property tax request put our levy at 4.7 cents. This slight increase in property tax asking, along with the reductions in the budget of expenses will make our levy request increase or decrease (depending on valuations) only negligibly. This budget request, once finalized, will accomplish the goal of meeting our operational and programmatic needs in addition to putting our reserves on good footing for the next several years and any eventualities that may come to pass.

