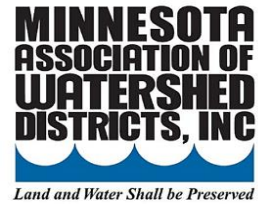


**Minnesota Association of Watershed Districts (MAWD)  
Finance Committee Meeting**

June 1, 2022  
Via Zoom



Meeting participants: Chair Sherry Davis White, MAWD Board (Minnehaha Creek WD); Region 1 Manager Dennis Kral, (Pelican River WD) and Region 1 Manager Linda Vavra (Bois de Sioux WD); Region 1 Administrator Tera Guetter, (Pelican River WD); Region 2 Administrator Amber Doschadis (Upper Minnesota River WD); and Emily Javens and Jan Voit, MAWD

Absent: Region 3 Manager Jill Crafton (Riley-Purgatory-Bluff Creek WD); Region 3 Administrator Matt Moore (South Washington WD); and Region 2 Manager Wayne Rasche (Heron Lake WD)

**The items in Task One and Task Two were provided to committee members for review before the meeting. Discussion was held on this information as noted below.**

**WELCOME AND INTRODUCTIONS**

The meeting began at 3:02 p.m. Emily Javens gave an overview of the meeting packet.

**TASK ONE. Review and discuss dues scenarios**

*At the last meeting we narrowed down possible ideas for a revised dues’ structure that would be simple, flexible, non-volatile, and fair. Staff was asked to run scenarios for the committee to review in greater detail. Those scenarios are shown below. The objective of this portion of the meeting is to review the new information and submit a recommendation to the MAWD Board of Directors.*

**Scenario 1. Keep the same formula but raise the cap each year by an inflation factor.**

Notes:

- The values shown in the chart only include revenue from watersheds that have been members from 2018-2022.
- The Consumer Price Index (CPI) was used to calculate the value of \$7,500 in September 2017 to September of each year.
- 2018: Membership voted in July 2017 to increase dues cap to \$7,500 for 2018.
- 2019 – 2022: if inflation had been considered, the new annual caps would have been:

Year	Dues Cap	Dues Revenue – using existing formula	Dues Revenue – when applying the CPI inflation factor	Increased revenue when comparing formulas	# of WDs impacted
2018 - base line year	\$7,500	\$192,700	\$192,700	N/A	N/A
2019	\$7,671	\$192,169	\$194,392	\$1,692	13
2020	\$7,825	\$197,450	\$201,675	\$4,225	13
2021	\$7,909	\$202,173	\$207,490	\$5,317	13
2022	\$8,335	\$202,342	\$213,302	\$10,960	14
2023 Projected	\$8,785	\$202,342	\$219,152	\$16,810	14

The watershed districts impacted by this change during all years include nine metro watershed districts, three Red River Watershed Management Board members, and one Region 1, non-RRWMB member.

*(METRO: Capitol Region, Coon Creek, Minnehaha Creek, Nine Mile, Ramsey Washington Metro, Rice Creek, Riley Purgatory Bluff Creek, South Washington, Valley Branch. RRWMB: Bois de Sioux, Red Lake, Wild Rice. OTHER: Buffalo Red. Note: In 2022, Cedar River would have seen an increase of \$105 beyond the current cap of \$7,500.)*

**Scenario 2. Keep the same formula but set different caps based on type of watershed.**

Different thresholds were set for metro versus rural and whether the rural watersheds had additional taxing authorities beyond the \$250,000 general operating revenue. This holds true for members of the Red River Watershed Management Board (RRWMB) and two watersheds: Sauk River and Shell Rock.

Two options are shown below and summarized in the following table. Countless scenarios can be quickly run by adjusting the values in each cap.

<b>Option A.</b>	103B metro watershed member	Cap = \$12,500
	Rural member with additional tax revenue options	Cap = \$10,000
	Rural member without additional tax revenue options	Cap = \$7,500
<b>Option B.</b>	103B metro watershed member (EMV > \$10B)	Cap = \$12,500
	103B metro watershed member (EMV < \$10B)	Cap = \$10,000
	Rural member with additional tax revenue options	Cap = \$7,500
	Rural member without additional tax revenue options	Cap = \$5,000

Note: There was no inflation factor applied to these scenarios.

Annual Dues Revenue	Existing Formula	Option A	Option B
2018	\$192,700	\$241,061	\$225,438
2019	\$192,169	\$240,814	\$226,678
2020	\$198,982	\$247,663	\$232,169
2021	\$202,173	\$253,696	\$234,023
2022	\$203,870	\$254,147	\$236,060

**Scenario 3. Run scenarios that illustrate the approximate increase in dues if staffing was increased or if a new strategic plan called for increased services.**

Since we don't know what the next strategic plan will include, a scenario was run with a cap equal to \$12,500 without separate tiers. \$12,500 was selected because it was the originally recommended level for the cap when the membership voted in 2017 to adopt a new strategic plan and increase the cap.

**2022 Revenue with \$12,500 cap = \$262,807** (longstanding MAWD members only)

Current staffing includes a full-time executive director, and three part-time contract workers that include a lobbyist (approximately 500 hours), event planner (approximately 600 hours), and temporary support staff (approximately 1,200 hours). This level of staffing needs an investment of about \$250,000. Overhead costs are budgeted for \$60,000. Special projects, such as legal research or updating the watershed handbook, are not included in overhead. To maintain our current levels of service (with support staff), we will need \$310,000 per year. The sources of MAWD revenue include dues and event profit. Our last in-person conference saw a profit of about \$83,000. If that profit level is repeated, we will need \$227,000 from dues. If more staff is desired, more revenue would be needed. To help estimate those costs, values have been provided for what we could expect to pay for different types of positions in the Minneapolis – St. Paul area using the 2022 Government Pay Scale. Note: salaries in this area of the nation have been adjusted by 25.49 percent of more typical areas in the U.S. A preliminary budget is included to get a feel for Fiscal Year 2023.

<u>Staffing Options</u>	<u>Salary (Mpls/St. Paul)</u>	<u>Benefits/Payroll Taxes (30% estimated)</u>
Executive Director (G-13)	\$101,918 - \$132,491	\$30,575 - \$39,882
Assistant Director (G-11/12)	\$71,508 - \$111,425	\$21,452 - \$33,427
Program Director (G-9/10)	\$59,102 - \$84,612	\$17,731 - \$25,384
General Staff Position (G-7/8)	\$48,317 - \$69,559	\$14,495 - \$20,868

## **DISCUSSION**

Comprehension. Spreadsheets containing the dues revenue from the MAWD dues history from 2018-2022 were reviewed. An example for one district was followed through each scenario.

MAWD financial needs. MAWD receives revenue from events and dues. The past two years, events have been held online and just broke even. When the annual meeting is in person, the revenue is approximately \$75,000. A few years ago, sponsorship was redefined and tiers were added, which provided different levels of benefits. That change brought increased revenue to the event. A budget of \$220,000 provides funding to keep the existing staff.

The biggest reason for considering a new dues' structure is fairness, as well as keeping the existing staffing. It is not about a need for a huge increase in revenue for MAWD.

Scenario 1. Using inflation as the indicator for changing dues would seem problematic in terms of long-term sustainability. Because interest rates vary, the dues raised each year would not be consistent. MAWD has built a 12-month budgetary reserve, so there is some ability to weather consistency changes.

Inflation would only be applied to the cap. The cap only affects a certain number of entities.

Dues' structure. The committee's task is to determine which option is the most fair, flexible, and simple. When doing this, we need to consider that, if we use the inflation factor, what rate would we apply. Locking into the Consumer Price Index would require changes to be made every year. This seems like a mistake.

We need to be able to explain why we believe the option we recommend and how the membership will benefit. The goal is to keep current members, regain those that have left, and maybe offer membership to newly formed One Watershed, One Plan entities.

Consideration was given to the dues history and projections using different caps, the need for simplicity, and making the structure as fair as possible. Using the term "cap" sends a message that the dues will not increase. If that is the case, any future increases will be borne by the smaller WDs, which is what is happening now.

Scenarios 2A and 2B. In Scenario 2A, all metro WDs are in the same category. In Scenario 2B, the metro WDs are separated into categories with an EMV above or below \$10B. This was done in consideration of metro WDs who believe it is unfair for the very large metro WDs to have the same annual dues as smaller metro WDs. A distinction was also made for rural WDs that are affected by the general operating levy limit and those that have special legislation for an increased general operating levy.

Discussion was held regarding the dues amount for each tier. This included whether the maximum should be \$12,500 or \$10,000; whether the bottom tier for the metro WDs should be equal to the top tier of the rural; and which WDs would be affected by these amounts. In initial discussions with four of the eight metro WDs that would be affected by the biggest increase, there was no objection.

In Scenario 2B, there are four tiers. Nine WDs would have increased dues. Eight would have decreased dues. The majority of WDs dues would remain the same.

How watershed management organizations (WMOs) fit into the dues' structure was discussed. MAWD has the ability to calculate EMVs for WMOs. Some WMOs are quite small. The three current members have an EMV over \$10B.

#### **TASK TWO. Formulate recommendations to the MAWD Board of Directors**

*After discussing the scenarios presented:*

- *Formulate recommendations to the MAWD Board about whether the dues' structure should change and how.*
- *Include other points of consideration such as how to handle the uncertainty of a new strategic plan.*
- *Discuss other factors that may warrant additional guidance for how to handle dues given the uncertainty of a new strategic plan.*

#### **DISCUSSION AND ACTION**

Discussion was held regarding how the process works once a recommendation is made. The MAWD Board would act on the recommendation at their next meeting. If adopted, notice would be sent to the membership regarding the structure that would be in place for 2023.

Dennis Kral made a motion to recommend a four-tiered dues structure for 2023: 103B metro watershed member (EMV > \$10B), dues = \$12,500; 103B metro watershed member (EMV < \$10B), dues = \$7,500; rural member with additional tax revenue options, dues = \$7,500; and rural member without additional tax revenue options, dues = \$5,000; and that the MAWD Board directs the Finance Committee to review the dues' structure on an annual basis. Linda Vavra seconded the motion. The motion passed unanimously.

The meeting adjourned at 4:23 p.m.

Meeting notes submitted by  
Jan Voit

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