

2023 Preliminary Budget

City Council Meeting

September 6, 2022



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Budget Changes/Update Since Aug. 16

- Assessment Data (most recent date provided by Scott County)
 - Estimated/Taxable Market Value (0.4% decrease)
 - Fiscal Disparities Distribution (\$235k increase)
 - Lowers tax rate and tax calculations (\$14 decrease on median value home)
- Health Insurance Renewal Rates **(-\$120,000)**
 - Revised increase from \$144k (8%) to \$24k (1.3%)
- Full-time Comp and Class Study Allocation +\$120,000
 - Increased allocation from \$200k to \$320k



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2023 Financial Objectives

- City Council
 - Low taxes/stable tax rate
 - Increase tax capacity
 - Strategic priorities
 - Financial stability
 - Enhanced community strengths
 - Effective public services
 - Communication
- Administration
 - True fiscal transparency
 - Long-term perspective



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Shakopee continues to remain strong financially...

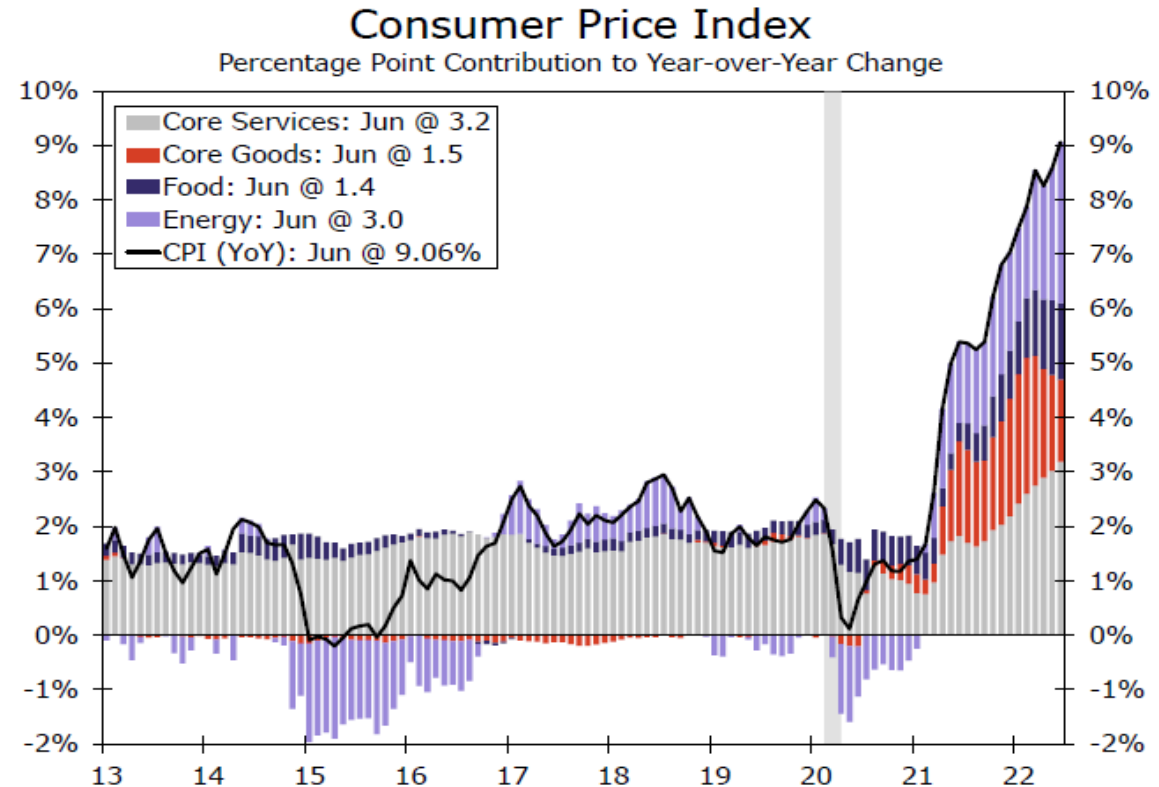
- AA+ credit rating
- Diverse tax base across all sectors
- Strong financial practices and polices
 - Long-term financial plan, 15-year capital improvement plan, financial projections
 - Internal service funds (Equipment, Buildings, Park, Technology)



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Budget pressures

- City share of \$570 million of local government aid - \$0
- 10th largest contributor to fiscal disparities (8% of tax capacity)
- Consumer Price Index (9.1% annual increase)
 - Direct impact to fuel, street materials and energy costs
 - Infrastructure costs



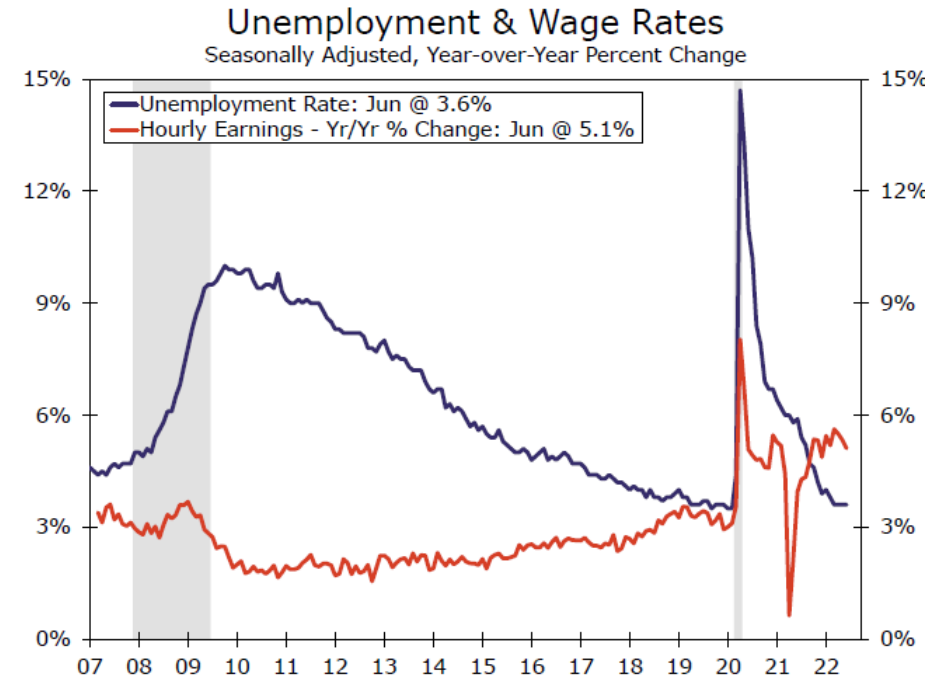
Source: U.S. Department of Labor and Wells Fargo Economics



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Budget pressures

- Staffing & personnel costs
 - Challenges to fill positions including public safety personnel, part-time positions
 - Wage rates, health insurance and workers compensation insurance costs
- Scott County prosecution cost allocation
- Population and development
 - 14.1 miles of street, 23 miles of sidewalks/trails, and 75 acres of parks/open space.
- Property tax shifts to residential properties



Source: U.S. Department of Labor and Wells Fargo Economics



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Taxable Market Value

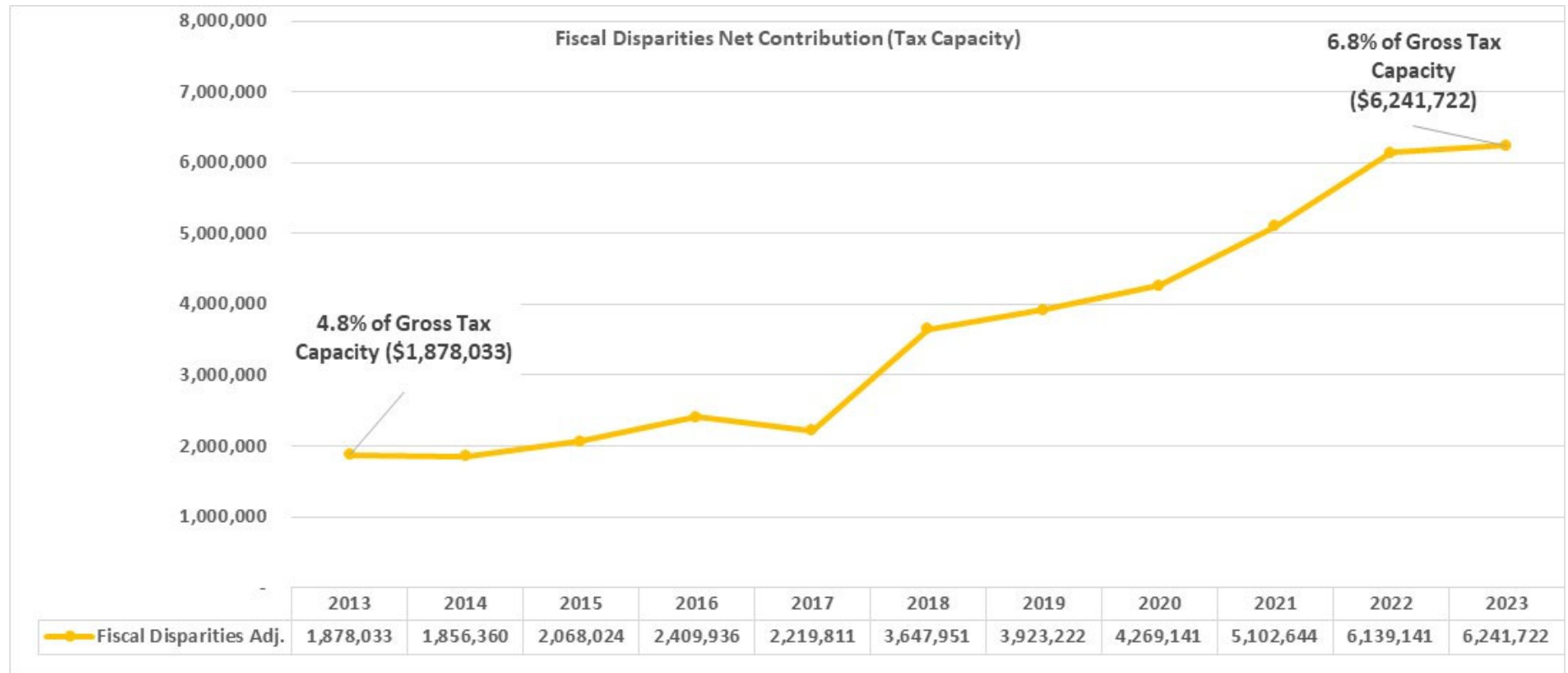
Class	Payable 2022	Payable 2023	Change (%)
Agricultural	\$80,612,179	\$61,725,686	-23.4%
Apartment	493,022,700	595,293,400	20.7%
Commercial	593,451,500	610,601,500	2.9%
Industrial	1,159,939,400	1,253,682,00	8.1%
Public Utility/Railroad	32,901,800	33,315,800	1.3%
Residential	3,682,892,656	4,660,162,836	26.5%
Other	<u>1,976,900</u>	<u>2,274,280</u>	<u>15.0%</u>
Totals	\$6,044,797,135	\$7,217,055,502	19.4%

New construction accounts for 10.8% of the increase



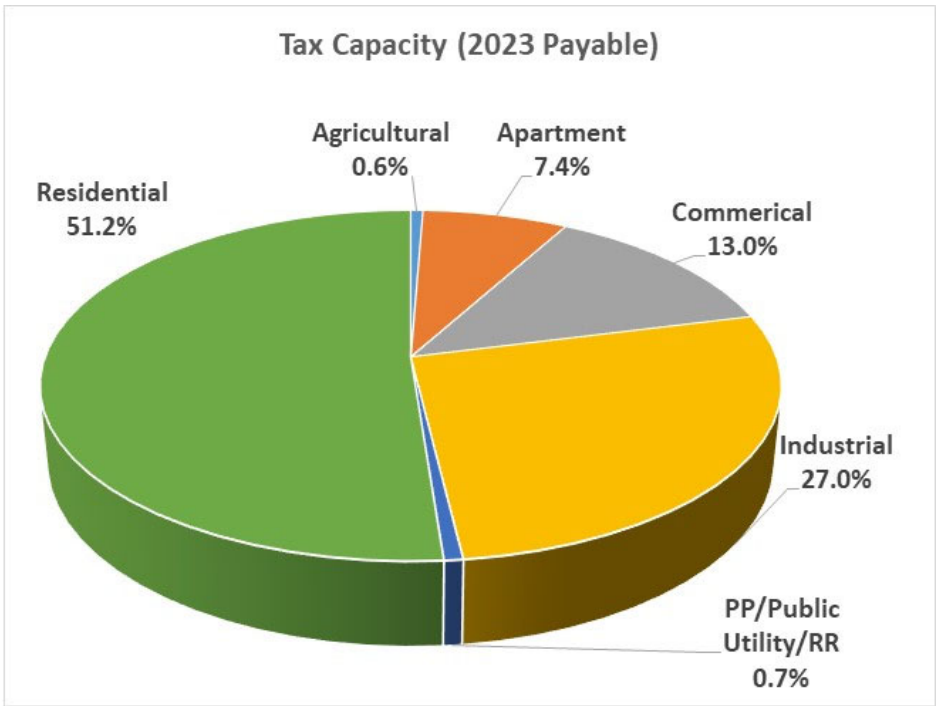
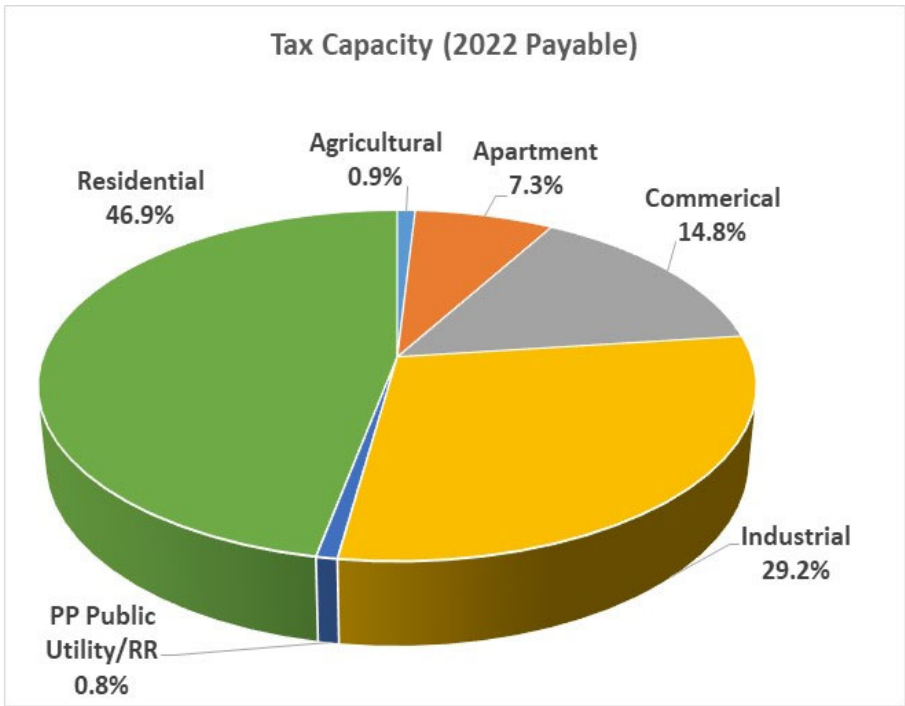
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Fiscal Disparities (net contribution)



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Tax Capacity



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Change in City Tax Allocation Illustration

Property Tax Changes (Based on a **0% Levy** Increase & Market Value Changes)*

		2022	2023								
		Taxable	Taxable			2022	2022	2023	2023		
	Class	Market	Market	\$	%	Tax	City	Tax	City	\$	%
Classification*	Rate	Value	Value	Change	Change	Rate	Taxes	Rate	Taxes	Change	Change
Residential	1.00%	\$ 273,083	\$ 340,445	\$ 67,362	24.67%	32.111	\$ 877	26.557	\$ 904	\$ 27	3.11%
Apartment	1.25%	\$ 1,160,500	\$ 1,335,736	\$ 175,236	15.10%	32.111	\$ 4,658	26.557	\$ 4,434	\$ (224)	-4.81%
Commercial	1.50 - 2.00%	\$ 1,173,200	\$ 1,200,184	\$ 26,984	2.30%	32.111	\$ 7,294	26.557	\$ 6,176	\$ (1,118)	-15.33%
Industrial	1.50 - 2.00%	\$ 2,486,800	\$ 2,660,876	\$ 174,076	7.00%	32.111	\$ 15,730	26.557	\$ 13,934	\$ (1,796)	-11.42%

*Residential is the 2023 median residential estimated market value (homestead) of \$346,500 (taxable market value of \$340,445). 2022 median residential estimated market value (homestead) was \$284,700 (taxable market value of \$273,803). Multi-family residential, commercial, industrial values reflect the median value from the Scott County Assessor's report. The hypothetical properties were assumed to increase in taxable market value at the same proportion as existing total taxable market value for that classification type. Apartments will include anything 4+ units, which does bring this medial value lower that the traditional large apartment complex.



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**City of Shakopee
Levy Analysis
August 16, 2022**

	2022 Final	2023 Recommended	Increase/ (Decrease)	% Change
City Levy				
General Fund	\$ 19,381,000	\$ 20,590,000	\$ 1,209,000	6.24%
Abatements	216,000	265,000	49,000	22.69%
Capital Improvement Levy	700,000	700,000	-	0.00%
Debt Service				
2016 Abatement	2,189,000	2,189,000	-	0.00%
2022A Improvement	-	148,000	148,000	100.00%
Total Debt Service	2,189,000	2,337,000	148,000	6.76%
Total City Levy	\$ 22,486,000	\$ 23,892,000	\$ 1,406,000	6.25%
Shakopee EDA Special Levy	\$ 500,000	\$ 500,000	\$ -	0.00%
Total City and EDA Levies	\$ 22,986,000	\$ 24,392,000	\$ 1,406,000	6.12%

Notes:

- Assumes \$200k in debt service funding from the local project funds.
- A 1% increase/decrease in the levy = \$225k



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2023 Preliminary Budget & Levy

2023 Annual Budget GENERAL FUND SUMMARY

	Actual 2020	Actual 2021	Original Budget 2022	Requested Budget 2023
TAXES	17,277,737.95	18,481,045.21	19,724,500.00	20,938,500.00
SPECIAL ASSESSMENTS	(17,705.65)	7,393.60	4,000.00	2,000.00
LICENSES AND PERMITS	3,577,062.61	4,640,345.19	2,858,400.00	3,432,700.00
INTERGOVERNMENTAL	4,707,146.53	6,153,015.36	1,444,200.00	1,516,000.00
CHARGES FOR SERVICES	5,242,149.68	7,512,607.54	7,384,800.00	7,743,400.00
FINES AND FORFEITURES	7,061.63	2,483.92	1,700.00	1,700.00
MISCELLANEOUS	619,835.77	27,431.07	233,200.00	333,400.00
TOTAL REVENUES	31,413,288.52	36,824,321.89	31,650,800.00	33,967,700.00
GENERAL GOVERNMENT	(4,981,703.45)	(5,008,070.06)	(5,196,300.00)	(5,442,200.00)
PUBLIC SAFETY	(13,538,331.95)	(14,323,609.45)	(14,938,100.00)	(16,004,200.00)
PUBLIC WORKS	(6,551,230.44)	(6,926,789.07)	(7,487,800.00)	(7,885,300.00)
RECREATION	(3,537,763.26)	(4,184,907.28)	(4,506,000.00)	(4,845,000.00)
UNALLOCATED	(25,625.00)	(40,426.74)	(130,600.00)	(441,000.00)
DEBT SERVICE	(22,140.00)	(5,535.00)	0.00	0.00
CAPITAL OUTLAY	(226,730.14)	(73,415.15)	(42,000.00)	0.00
TOTAL EXPENDITURES	(28,883,524.24)	(30,562,752.75)	(32,300,800.00)	(34,617,700.00)
TRANSFERS IN	250,000.00	605,400.00	400,000.00	400,000.00
PROCEEDS FROM SALE OF ASSETS	10,284.00	0.00	0.00	0.00
BOND PROCEEDS	0.00	0.00	0.00	0.00
TRANSFERS OUT	(2,535,510.00)	(5,222,862.00)	0.00	0.00
TOTAL OTHER FINANCING	(2,275,226.00)	(4,617,462.00)	400,000.00	400,000.00
COMMITTED FUNDS - BUILDING INSPECTIONS	484,000.00	500,000.00	250,000.00	250,000.00
NET	738,538.28	2,144,107.14	0.00	0.00



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2023 Preliminary Budget and Levy

- Revenue forecasts (net increase of \$1,059,000, excluding property taxes)

Description	2022 Budget	2023 Budget	\$ Change	% Change
SPUC - payment in Lieu of taxes	\$2,850,000	\$3,150,000	\$300,000	10.5%
Building permit revenues	2,460,000	2,885,000	425,000	17.3%
Rental housing revenues	-	150,000	150,000	100%
Municipal State Aid	485,000	575,000	90,000	18.6%
Investment income (General Fund)	210,000	290,000	80,000	38.1%
Police contracted services	291,200	332,740	41,540	14.3%
Tax Abatement (negative revenue)	(216,000)	(265,000)	(49,000)	(22.7%)



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2023 Preliminary Budget and Levy

- Expenditure forecasts (net increase of \$2,309,000)
 - Wages and benefits (\$1,607,700)
 - Cost of Living Adjustment (2.5 percent proposed for 1/1/2023, \$537k)
 - Unions settled through 12/31/2023
 - Independent consultation compensation and classification studies
 - 2022 part-time pay plan adjustments (\$140k)
 - 2023 full-time pay plan adjustments placeholder ~~(\$200,000)~~ (\$320,000)
 - Health insurance (8 1.3 percent increase, ~~\$144k~~ \$24k)
 - Estimated workers compensation (5 to 25 percent increase, \$128k)
 - Step increases (\$155k)



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2023 Preliminary Budget and Levy

Wages and benefits continued...

- Proposed full-time staff positions:
 - Park maintenance operation (\$94k)
 - Ensures the appropriate level of staffing for growing open space, parks and streetscaping
 - Rental housing inspector (\$108k)
 - Responsible for the implementation of city's rental housing ordinance and inspections
 - Three fire department supervisors (Mid-year implementation - \$50,200 net cost)
 - Shift compensation would replace stipends and on-call hours of deputy chiefs, fire marshall, captains and lieutenants for night and weekends.
 - Duties include to night and weekend calls, supervising firefighters, coordinating training and fielding phone calls.
- Election judges, non-election year (-\$65k)



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2023 Preliminary Budget and Levy

- Internal rent charges (\$96,300 increase)
 - Equipment fund (\$35,900)
 - Electric vehicles added, increases replacement costs
 - Reduced \$59,700 – Fire Department SCBA moved to operating
 - Park Facilities (\$29,900)
 - Ridge Creek, Scenic Heights, Timber Trails parks added
 - Buildings fund (\$27,200)
 - Information Technology (\$3,300)
- Other services and charges (\$605,000 net increase)

\$70,000	Tyler building software (Tyler Assist and Rental Housing License Module)
\$66,300	Elections pollpad/tabulator upgrades
\$59,700	Fire Department SCBA moved to operating
\$53,500	Motor fuels (25% increase)
\$50,400	County prosecution costs
\$31,500	Credit card fees
\$20,000	Street sealcoat
\$16,900	Natural gas (10% increase)
\$236,700	Misc. net departments adjustments based on preliminary budget review (increases contract costs, material costs, etc.)

Debt Service

- 2022A Improvement Bond Levy \$148,000 (new)
 - Provided funding for the Capital Improvements Fund
 - Staff proposing transfer of \$200,000 from local projects funds to phase increase over two-year period.
 - Requires debt cancellation of \$200,000
- 2016 Abatement Bond Levy \$2,189,000 (no change)
 - Funded Community Center and Ice Arena construction
 - Requires debt cancellation of \$48,793



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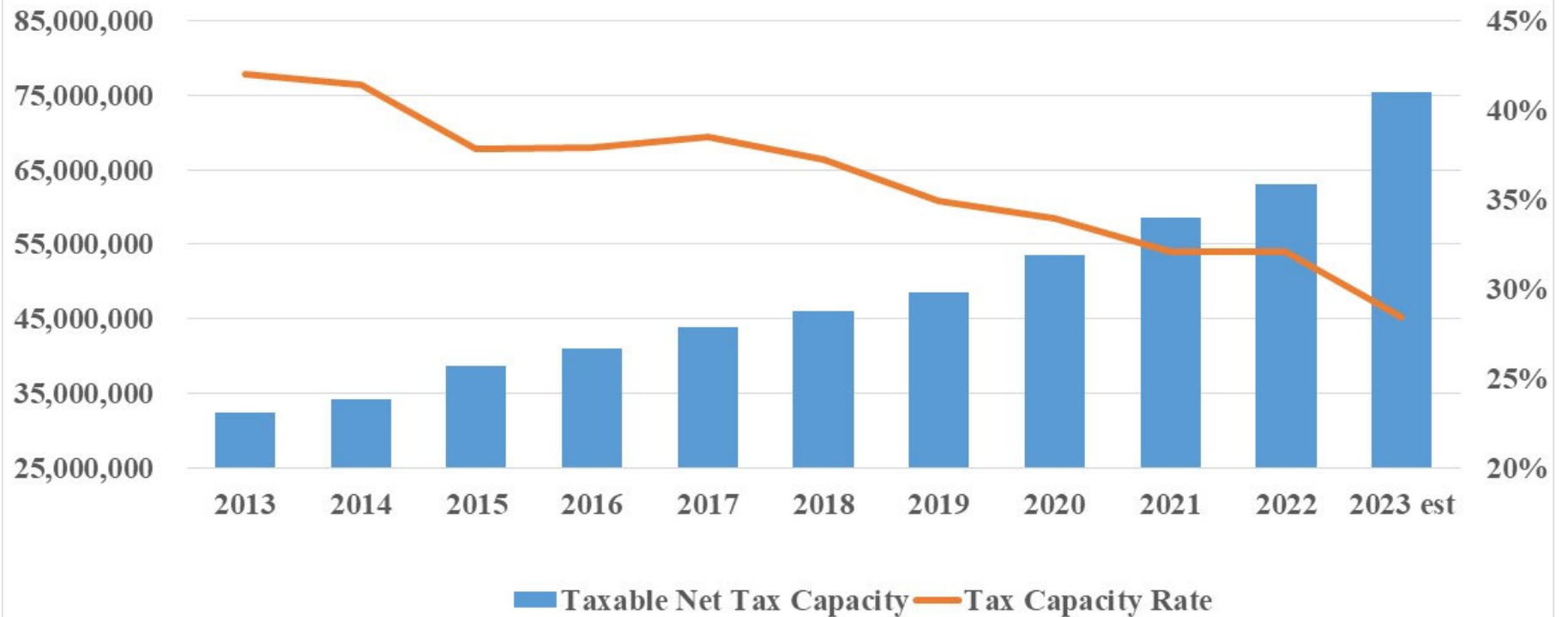
EDA Budget/Levy (preliminary)

- Proposed 2023 levy of \$500,000 (no change)
- Personnel includes 50% of the Planning & Development Director and 100% of the Economic Development Coordinator
- SPUC contribution of \$286,500 (half percent of revenue)
- River City Centre – if master lease is acquired, activity will be separated into a separate fund of the EDA



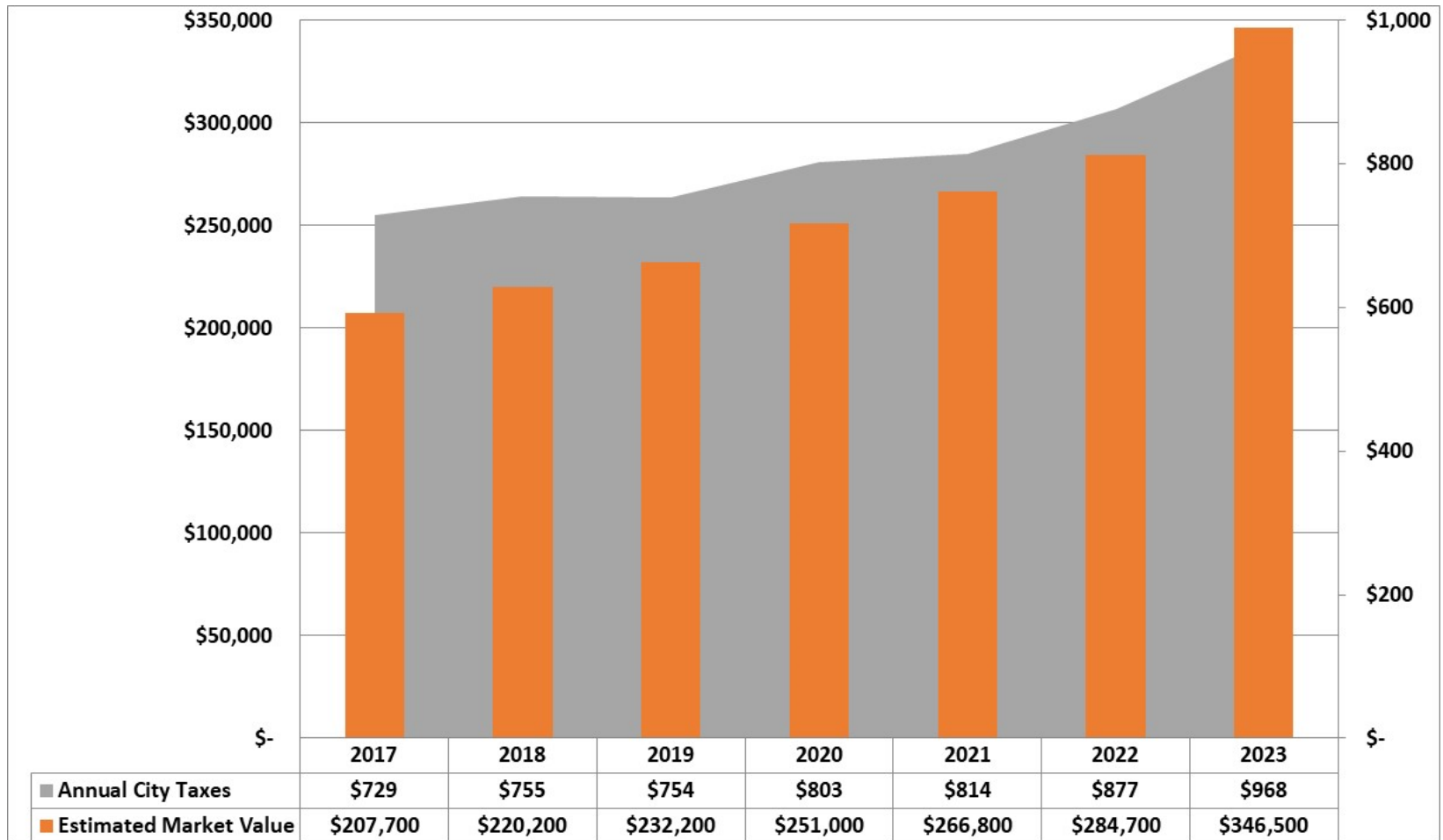
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Tax Capacity & Tax Rate Comparison



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Median Value Home



Change in City Tax Allocation Illustration

Property Tax Changes (Based on a **6.25% Levy** Increase & Market Value Changes)*

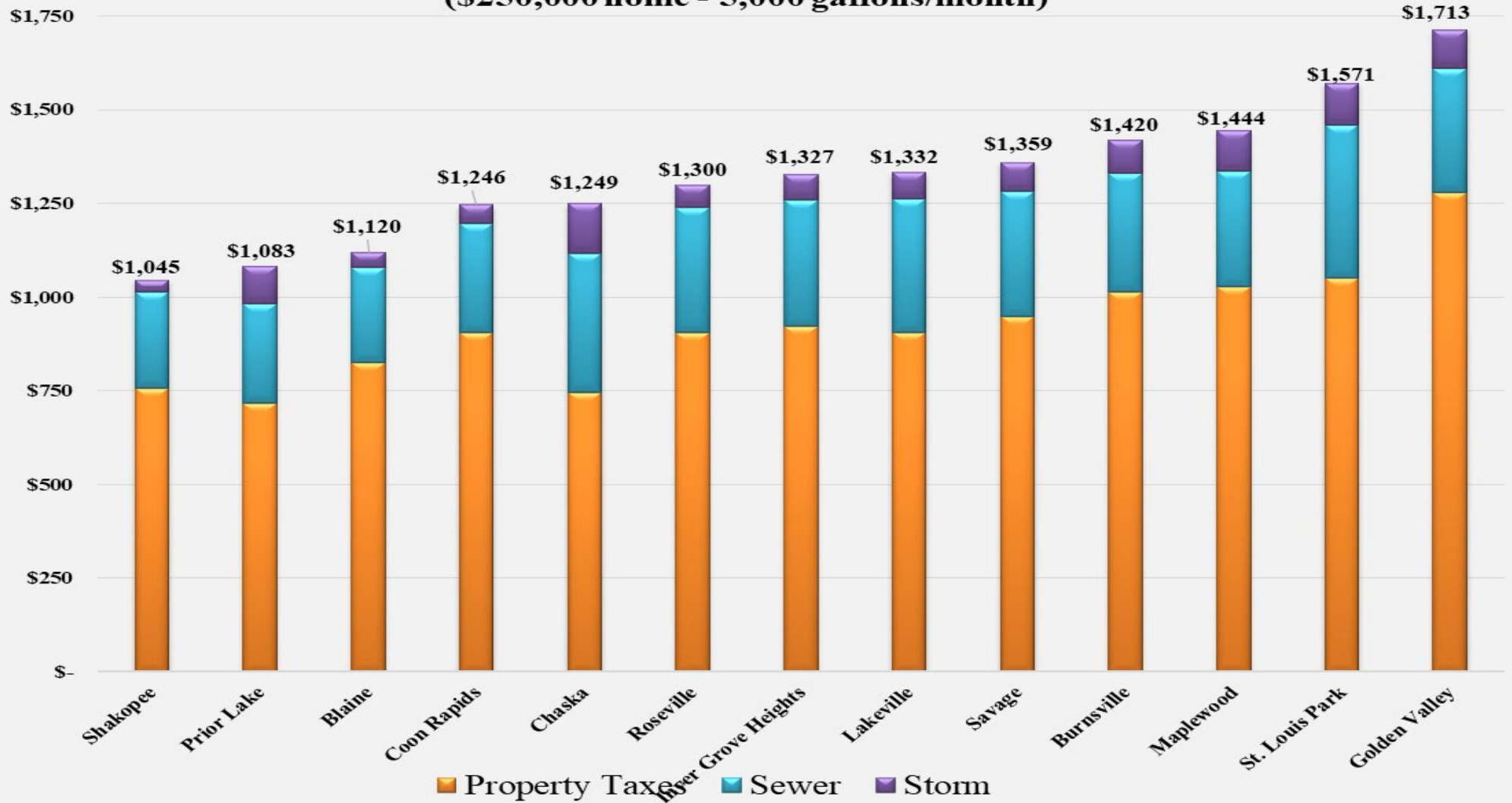
		2022	2023								
		Taxable	Taxable			2022	2022	2023	2023		
	Class	Market	Market	\$	%	Tax	City	Tax	City	\$	%
Classification*	Rate	Value	Value	Change	Change	Rate	Taxes	Rate	Taxes	Change	Change
Residential	1.00%	\$ 273,083	\$ 340,445	\$ 67,362	24.67%	32.111	\$ 877	28.422	\$ 968	\$ 91	10.34%
Apartment	1.25%	\$ 1,160,500	\$ 1,335,736	\$ 175,236	15.10%	32.111	\$ 4,658	28.422	\$ 4,745	\$ 87	1.88%
Commercial	1.50 - 2.00%	\$ 1,173,200	\$ 1,200,184	\$ 26,984	2.30%	32.111	\$ 7,294	28.422	\$ 6,609	\$ (685)	-9.39%
Industrial	1.50 - 2.00%	\$ 2,486,800	\$ 2,660,876	\$ 174,076	7.00%	32.111	\$ 15,730	28.422	\$ 14,912	\$ (818)	-5.20%

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2022 Annual Cost of Services for Comparable & Surrounding Cities (\$250,000 home - 5,000 gallons/month)



Property Tax Notice – State Law Change

- Effective for property taxes payable in 2023 and thereafter, a separate statement must be included with parcel-specific proposed taxes notice. MN Stat. 275.065 subd. 3b
- Separate statement must include a list of various levy and budget details for the county, city and school district the parcel is within, and the percent change in the proposed levy by jurisdiction.
 - Revenues and expenditures by type compared to prior year budget (similar to what is shown on slide #10)
- The new supplement will be mailed out with the Truth in Taxation Notice in November 2022.



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- Regular - based on your income and property taxes
- Special - based on how much your property tax increased

TYPE OF
REFUND

Regular

- ## Special

- You owned and lived in the same home on January 2, 2021, and on January 2, 2022
- Your home's net property tax increased by more than 12% from 2021 to 2022
- The net property tax increase was at least \$100
- The increase was not because of improvements you made to the property



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Budget Calendar

Date	Who	What
May 17, 2022	Council/Staff	Review Long-term Financial Plan
June 21, 2022	Public/Staff	Budget Listening Session
July 18, 2022	Council/Staff	Review Preliminary Capital Improvement Plan (CIP)
August 16, 2022	Council/Staff	Review proposed levy, initiatives and requests
September 6, 2022	Council	Adopt proposed maximum tax levy for City and EDA.
September 20, 2022	Council	Adopt final 2023-2027 CIP
September 30, 2022	Staff	Certify maximum tax levy to the County which will be used for proposed property tax notices
Mid-November	County	Proposed tax notices sent to owners
November	Council/Staff	Work session to review budget document
December 6, 2022	Council	Hold public meeting to discuss levy and budget. Review and approve utility rates for 2023.
December 20, 2022	Council	Adopt final tax levy and budget
December 31, 2022	Staff	Certify final tax levy and budget to County and State

2023 Budget highlights

- ✓ $\approx$ 20% growth in City taxable market value
 - \$127 million (10% of growth) from new construction
 - Home value appreciation – 23% increase in existing residential values
- ✓ Significant (11%) decrease in the City tax rate (32.11% to 28.42%)
- ✓ Anticipated property tax decreases for commercial & industrial properties
- ✓ Investment in public safety
 - Full-time Fire Supervisor positions (3)
 - Rental Housing Program implementation
- ✓ Continued investment in parks and trails
 - \$6.8 million identified in CIP for park development and replacement
 - Full-time Park Maintenance Operator position



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Requested Actions

1. R2022-113 – Cancels (adjusts) the debt service levy on the 2016A Abatement Bonds and GO Improvement Bonds and authorizes a transfer of \$200,000 from the Local Projects Fund to the debt service fund.
2. R2022-114 – Sets the preliminary (maximum) city levy of \$23,892,000 (6.25% increase) and sets the truth in taxation meeting for December 6.
3. R2022-115 – Approves the preliminary EDA levy of \$500,000.



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