

2018 Proposed Budget Workshop

November 21, 2017

City of Shakopee | (952) 233-9300 | www.ShakopeeMN.gov
Shakopee
Minnesota



2018 Proposed Budget Workshop

- Agenda
 - **Budget Overview**
 - Department Review
 - EDA Levy & Budget
 - Other Funds
 - Sewer Utility Rates



2018 Proposed Budget Workshop

- Budget Overview
 - For the 2nd consecutive year, staff is proposing a budget with no impact to residents absent any increases in property valuation.
 - The proposed budget decreases the city's tax rate from 38.521% to 37.120%.
 - Adding the EDA levy increases the rate is still below the prior year at an estimated 37.877%



2018 Proposed Budget Workshop

- Budget Overview
 - Budget is focused on right-sizing our organization
 - Public Safety Focus
 - 2 police officers to focus on keeping our streets safe
 - A code compliance officer to monitor health and safety
 - An assistant fire chief to focus on training or fire forces
 - Planning & Development
 - A junior planner to ensure our growth is properly mapped for the future
 - A economic development specialist that focus on business retention



2018 Proposed Budget Workshop

- Budget Overview
 - Final year of a 3-year transformational budget process that sets the stage to achieve the Council's ultimate goals of:
 - Low taxes
 - Financial stability
 - Stable tax rate
 - This new foundation will keep those goals in play for the foreseeable future



2018 Proposed Budget Workshop

- Budget Overview
 - Budget continues to be retooled in order to:
 - Establish true fiscal transparency, including defining revenues
 - Funding sources identified, i.e. Tax Abatements and the CIF and EDA levies vs. transfers from GF
 - Ensure our budgets accurately reflect how we spend tax dollars
 - Reducing variances by budgeting on anticipated needs
 - If a budgetary need arises, staff will make council aware of the change
 - » ie. – storm water engineer



2018 Proposed Budget Workshop

- Budget Impact Issues
 - Wages & Benefits
 - 3 union contracts have now settled for 2017-2019
 - 3% COLA equates to \$411,000 for the entire General Fund
 - Health Insurance – 29% increase was reduced to about 19% with a change in plan options and employee contributions.
 - 19% equates to about \$240,000
 - 2014-2017 average health insurance rate increase was 2.7%



2018 Proposed Budget Workshop

- Budget Impact Issues
 - Wages & Benefits
 - 6 new FTE's
 - Department Directors will review positions with their departmental slides
 - \$133,000 of additional part-time salaries related to the community center pool staffing



2018 Proposed Budget Workshop

- Budget Impact Issues

- Internal Charges

- Part of the 2017 budget process was restoring internal service charges that were reduced by 20% in 2014.
 - Restoration is needed to ensure long-term sustainability and replacement of city assets.
 - Second and final year of rent restoration equates to approx. \$150,000
 - Total rent increases including rent restoration and new equipment and facilities is approximately \$265,700



2018 Proposed Budget Workshop

- Budget Impact Issues
 - Other Service & Charges
 - Natural Gas and Electric charges for the community center and ice arena are being budgeted with an additional \$103,500.
 - Revenue
 - Building permits are anticipated to increase by 10% or \$161,600
 - Community Center members are anticipated to increase by \$300,000, with total CC revenues increasing by \$430,000



2018 Proposed Budget Workshop

- Budget Impact Issues

- EDA

- EDA has statutory authority to levy up to 0.0183% of the city's estimated market value
 - Cap is limited to approx. \$768,500
 - EDA special market value levy applies to all taxable properties within the city including properties that are receiving tax abatement or TIF proceeds
 - Budget neutral change – eliminates an annual transfer from the city's General Fund
 - Increases transparency
 - Proposed EDA Levy is \$350,000 – estimated \$20 tax impact



2018 Proposed Budget Workshop

- Budget Impact Issues

- Debt Service

- Payments anticipated to remain stable at approx. \$2.2 million
 - Available fund balance allows for the cancelation of \$870,000 in debt service levies for 2018

- 2018-2022 CIP

- Implemented the first stand-alone CIP this past summer
 - Since this a planning document, the 2018 projects have been brought forward into the budget



2018 Proposed Budget Workshop

- Levy Request & Impact
 - 2.58% or \$488,883 preliminary levy increase approved in September
 - EDA levy of \$350,000
 - Since the preliminary levy approval, staff has been able to reduce the levy by \$154,000, down to 1.77%
 - 8 1/2 % growth in 2018, 25% is related to new growth
 - New growth allows the city to increase the levy by 2.58% without having a tax impact on existing properties



2018 Proposed Budget Workshop

- Levy Request & Impact
 - If all values stayed the same from last year to this year, an average value home of \$243,100 would see a tax decrease of \$30, given a levy increase of 1.77%
 - The new EDA levy adds about \$20 annually to the average value home tax liability, reducing the decrease from \$30 to \$10. Again, this absent any change in value



City of Shakopee Preliminary Levy Analysis November 21, 2017						
	2016 Final	2017 Final	2018 Proposed	2018 Adjusted	Increase/ (Decrease)	% Change
City Levy						
General Fund	\$ 16,825,900	\$ 16,175,900	\$ 16,849,176	\$ 16,694,500	\$ 518,600	3.21%
Abatements		174,915	182,400	182,400	7,485	4.28%
Capital Improvement Levy		385,000	200,000	200,000	(185,000)	-48.05%
Debt Service						
2004 B	238,027	-	-	-		
2006 B	315,390	-	-	-		
2007 B Improve	94,992	92,471	-	-		
2008 A Improve	-	148,800	135,448	135,448		
2010 A Improve	88,500	107,145	105,940	105,940		
2012 A Refunding	47,386	-	-	-		
2016 Abatement	-	1,842,110	1,942,260	1,942,260		
Total Debt Service	784,295	2,190,526	2,183,648	2,183,648	(6,878)	-0.31%
Total City Levy	\$ 17,610,195	\$ 18,926,341	\$ 19,415,224	\$ 19,260,548	\$ 334,207	1.77%
EDA Market Value Levy	\$ -	\$ -	\$ 350,000	\$ 350,000	\$ 350,000	100.00%
Total City and EDA Levies	\$ 17,610,195	\$ 18,926,341	\$ 19,765,224	\$ 19,610,548	\$ 684,207	3.62%

2018 Proposed Budget Workshop

– Property Valuations

- Virtually steady from 1/1/15 to 1/1/16 for taxes payable 2017
- From 1/1/16 to 1/1/17 for taxes payable 2018 values are increasing
 - 80% of homes will be seeing an increase of 5 to 10%
 - The average valued home increased from \$229,100 to \$243,100
- Taxes payable 2017 saw a shift in tax burden as commercial values rose and residential properties were stagnant.
- Taxes payable 2018 will see a slight shift in tax burden as residential properties appreciate in value.



Residential Valuation Changes

Payable 2017 Value	Properties in Category	Average of Net % Change for pay 2018
<\$100,000	116	8.5%
100000-149999	2,135	7.8%
150000-199999	3,232	6.4%
200000-249999	2,395	6.1%
250000-299999	1,595	5.7%
300000-399999	1,853	3.6%
400000-499999	471	1.9%
500000-699999	125	1.6%
700000-999999	6	2.6%
>\$999,999	2	1.3%
Grand Total	11,930	5.8%

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2017 & 2018 Property Tax Levy Comparison

\$151,700 = \$2 tax increase

\$229,100 = \$9 tax decrease

\$330,100 = \$31 tax decrease

Pay
2017



\$161,400 = \$26 tax increase

\$243,100 = \$34 tax increase

\$342,000 = \$14 tax increase

Pay
2018



Tax impacts include proposed EDA levy

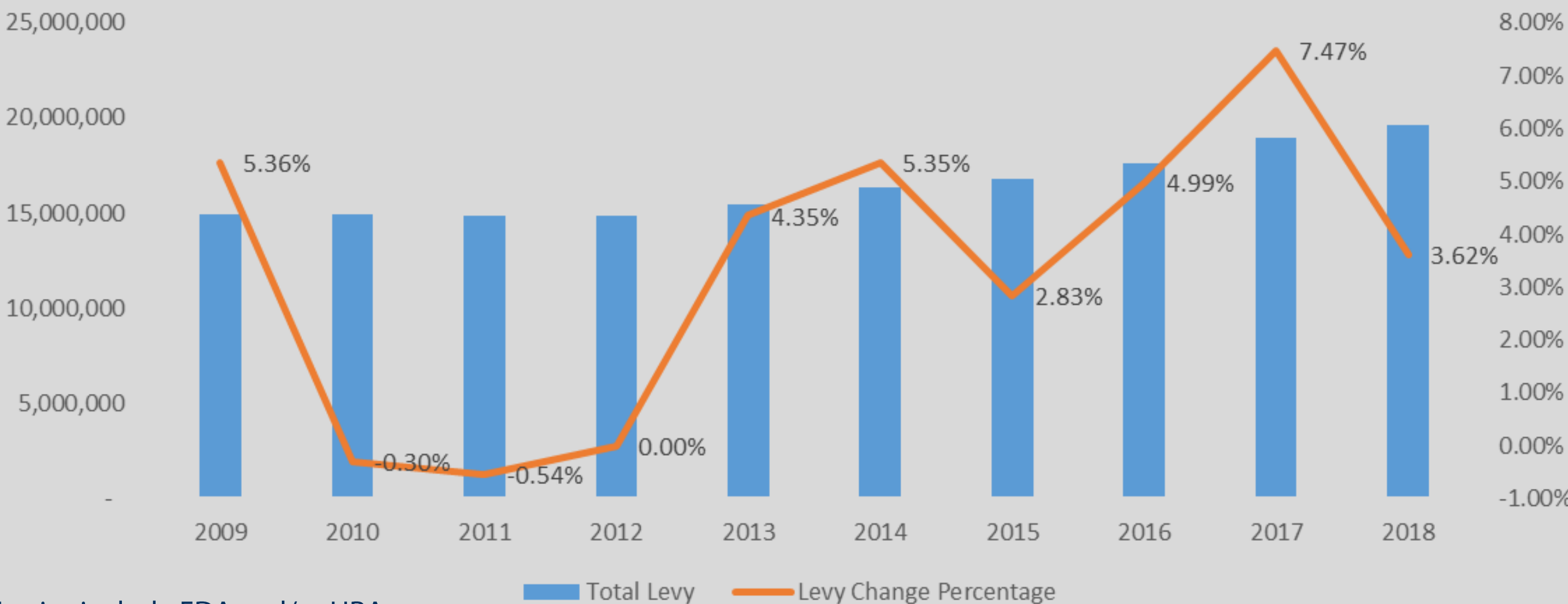
10-Year Tax Levy History

Budget	Levy	Increase/ (Decrease)	Tax Capacity	Tax Rate	Debt Service Levy	Total Levy	Levy Change %
2009	13,965,115	854,115	40,984,725	32.630%	998,562	14,963,677	5.36%
2010	14,236,138	271,023	38,952,163	33.710%	682,527	14,918,665	-0.30%
2011	14,717,438	481,300	37,680,587	34.731%	120,000	14,837,438	-0.54%
2012	14,717,438	-	35,402,744	36.655%	120,000	14,837,438	0.00%
2013	15,333,223	615,785	32,445,035	41.996%	150,000	15,483,223	4.35%
2014	15,793,220	459,997	34,210,957	41.437%	518,959	16,312,179	5.35%
2015	16,138,000	344,780	38,705,002	37.862%	635,267	16,773,267	2.83%
2016	16,825,900	687,900	40,933,710	37.902%	784,295	17,610,195	4.99%
2017	16,735,815	(90,085)	44,238,206	38.226%	2,190,526	18,926,341	7.47%
2018	17,426,900	691,085	46,216,684	37.877%	2,183,648	19,610,548	3.62%

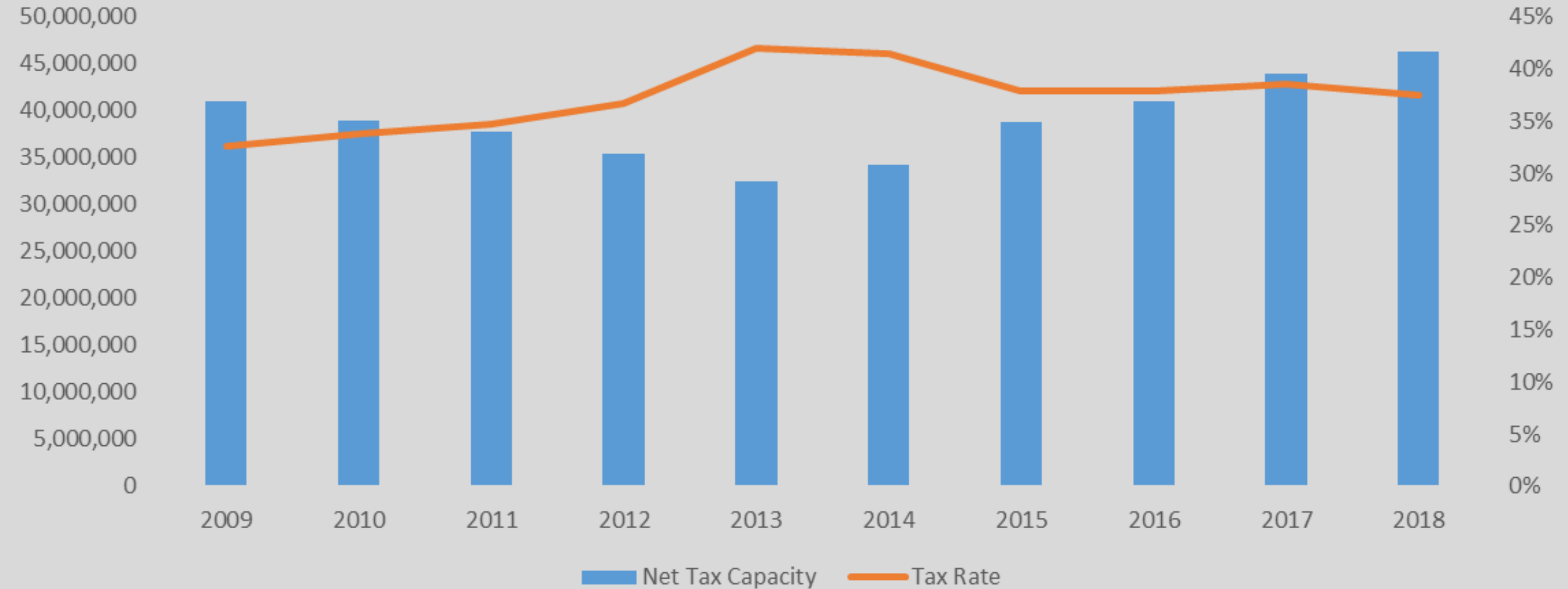
Levies include EDA and/or HRA respective levies



10-Year Levy Comparison



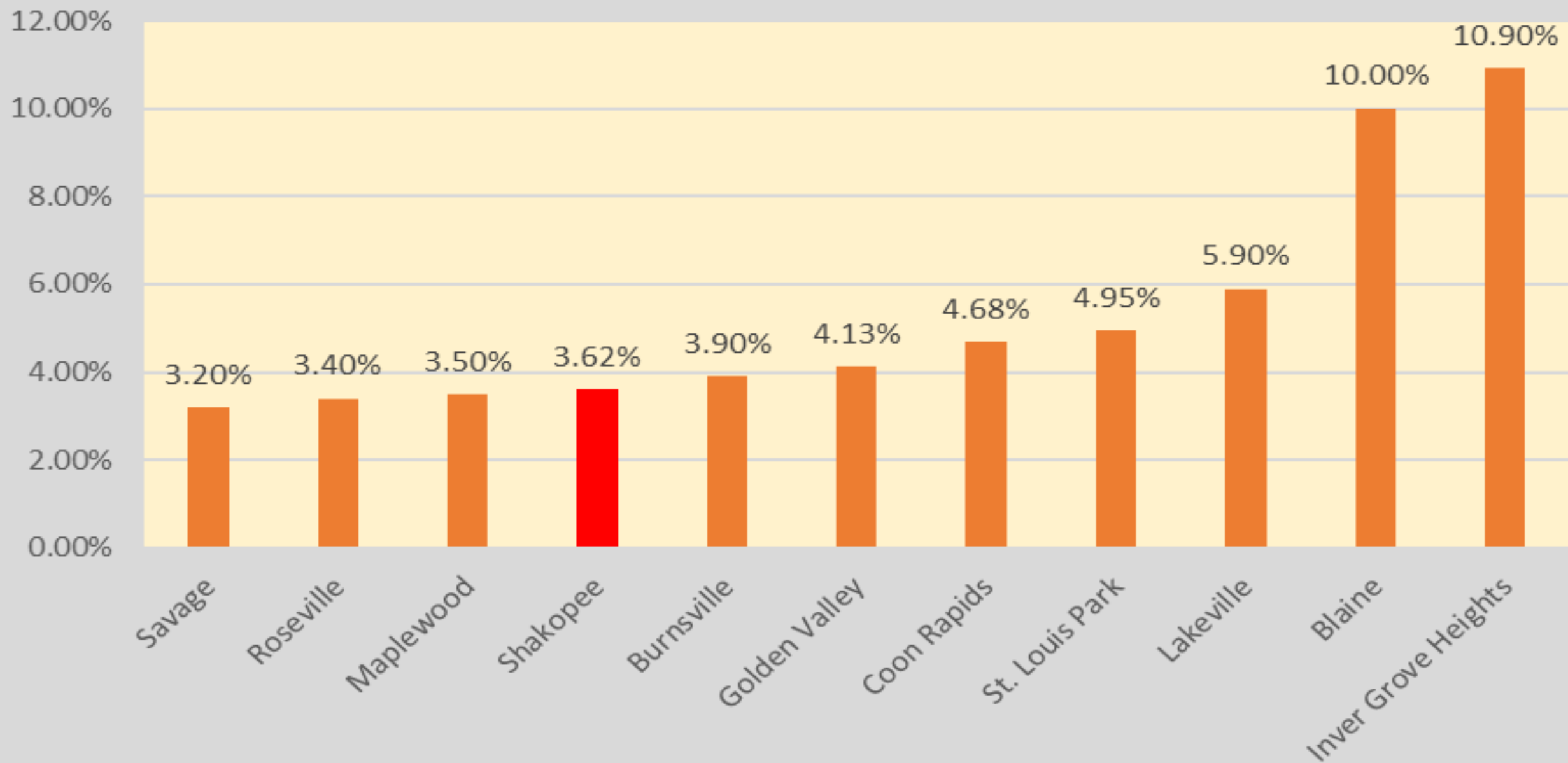
Tax Capacity & Tax Rate Comparison



Levies include EDA and/or HRA



2018 Preliminary Levy Increases



2018 Proposed Budget Workshop

- Agenda
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 - **Department Review**
 - EDA Levy & Budget
 - Other Funds
 - Sewer Utility Rates



2018 Proposed Budget Workshop

- Department Review
 - Administration
 - Mayor and Council - pg. 36
 - Administration – pg. 40
 - Clerk – pg. 44
 - Facilities – pg. 48



2018 Proposed Budget Workshop

- Department Review - Administration
 - Administration – pg. 40
 - IT – technology devices have increased 25% over the past 2 years
 - HR – instituted compensation plan, revamped health insurance plans & is working towards a performance management system
 - Communications – adding a part-time communications specialist to aid in providing proactive information and engaging the public



2018 Proposed Budget Workshop

- Department Review - Administration
 - Clerk – pg. 44
 - 2018 is an election year
 - Requesting to add a half-time staff person to help improve our customer service, aid in document retention of official records and issuances of licenses
 - Facilities – pg. 56
 - Reduced funding by 1 FTE and contracted with a vendor for cleaning services
 - City hall operations



2018 Proposed Budget Workshop

- Department Review – Finance, page 48
 - Past two years the department has focused on fiscal transparency and improvements in internal control
 - Budget document continues to be a work in progress to make more understandable to the general public
 - Stand alone CIP for planning purposes
 - Abatement, CIF and EDA levies or more transparent funding
 - Implemented franchise fees for gas and electric with funding dedicated to the CIF
 - Automated AP system to strengthen internal controls and provide a better level of customer services to our vendors



2018 Proposed Budget Workshop

- Department Review
 - Planning & Development
 - Planning – pg. 52
 - Building Inspections – pg. 70



Planning and Development

2018 Budget Highlights:

- Implementation of digital planning and zoning applications
- Completion of Envision Shakopee
- Orderly annexation of Jackson Township
- Digital in field inspections for Building Inspectors
- Rewrite of the Landscaping/Tree Ordinance
- Rewrite of the sign code to meet Reed v. Town of Gilbert
- New Planner to assist with:
 - Counter questions
 - Zoning verification letters
 - Sign permits
 - Single family permits



2018 Proposed Budget Workshop

- Department Review – Police, page 62
 - Overtime budget is increasing for 2018. This overtime is directly related to contractual overtime, for which the city is fully reimbursed
 - Requesting non-sworn code compliance officer to provide a more active code compliance response
 - Requesting two sworn officers in October 2018 to aid in proactively addressing repeat offenders, thefts and support our street crimes unit





2018 Proposed Budget Workshop

- Department Review – Fire, page 66
- Fire service industry constantly evolving, need to stay up to date to be proficient and safe
- Firefighter cancer is a very real concern and steps are in place to manage it
- We respond to all types of hazards, not just fires. We need to keep up with proper staffing and training to meet industry and national standards
- A full-time assistant fire chief responsible for training gets us closer to meeting that need
 - Develop training programs, schedule, supervise, and track to meet national standards
 - Full-time staff responsible for the department in the Chief's absence, assist with budget, managing personnel





2018 Proposed Budget Workshop

- Department Review – Fire, page 66
- Full-year salary and benefits for administration captain, restructured from office assistant in 2017
 - Provides organization, maintains records, provides more effective customer service, fill-in for firefighter absences
- Funding for current level services
 - Train firefighters, maintain vehicles and equipment, emergency medical services, technical rescue, fire prevention education, plan reviews and inspections – all of which are vitally important to maintain our consistently high ratings in citizen surveys
- Continually updating equipment to meet new standards for replacement
 - Example – SCBA's replaced yearly and spreading the cost over several budget cycles
- Constantly seeking grants and donations to support budget (ex. MBFTE & Rahr Malting)
- Relief Association has not required city support since 2012





2018 Proposed Budget Workshop

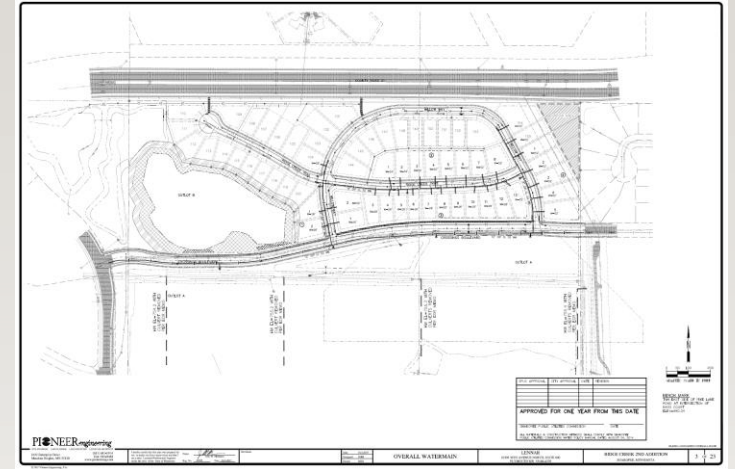
- Department Review – Fire, page 66
- Continue to provide same services more efficiently and with properly trained firefighters
- Continue to repair or replace equipment with fiscal accountability
- Third fire station in Southbridge neighborhood needed to meet 1 ½ mile radius goal
- 24/7 duty crew needed to meet NFPA and ISO engine on scene standards for response time
- Develop a system to manage permits, plan reviews, and inspections and efficiently utilize available staffing without interfering with day to day operations
- Supporting public education programs by utilizing available staff



2018 Proposed Budget Workshop

2018 Budget Highlights:

- **Engineering – pg. 76**
 - Deliver >\$10.6 mil of Capital Improvement Plan projects in 2018
 - Support development
- **Streets – pg. 80**
 - Evaluate methods to decrease salt usage for winter deicing
 - Continue implementing and improving pavement management system
- **Fleet – pg. 84**
 - Continue implementing new comprehensive fleet management
 - Deliver \$1.9 mil of vehicle/equipment replacements
- **Park Maintenance – pg. 90**
 - Continue maintaining facilities top-notch
 - Continue/improve streetscape maintenance



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2018 Proposed Budget Workshop

2018 Budget Highlights:

- **Natural Resources – pg. 94**
 - Manage reforestation and diseased tree programs
 - Manage conservation and buffer areas
 - Transition duties of Natural Resources Technician
- **Sanitary Sewer – pg. 128**
 - Implement new telemetry system
 - Continue maintaining 130 miles of sanitary sewer
- **Surface Water – pg. 132**
 - Hire new Water Resources/Environmental Engineer
 - Complete Water Resources Management Plan update
 - Improve MS4 and NPDES management systems
 - Watershed District Management Plan updates



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2018 Proposed Budget Workshop

- Department Review – Parks & Recreation, pg. 98
 - 2018 Budget Highlights:
 - Consolidating Business Units
 - Community Center Memberships/Ice Rentals
 - Community Center Operating Expenditures
 - Special Events



Parks and Recreation

- Combined Community Center Facilities BU and Community Center BU to show all Community Center revenues and expenditures.
- Reallocated Indoor Aquatic Center revenues and expenditures to Community Center BU.
- Aquatics BU renamed SandVenture Pool



Parks and Recreation

Revenues:

- Increased memberships revenue by 209%
 - Membership is currently at 5,458 members (1,961 packages)
- Ice Rental projected to increase by 200 hours
- Room rental increases



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Parks and Recreation

Expenditures:

- Added three full-time positions
 - Maintenance
 - 2-Lifeguards
- Electric and gas utilities
- Fitness equipment lease



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Parks and Recreation

Special Events

- Easter Egg Hunt
 - In partnership with Shakopee Jaycees
- Big Fun Day, Happy Birthday America & Pop Up Splash Pads
 - In partnership with Shakopee Fire
- Let's go Fishing
 - In partnership with Shakopee Lions
- Summer Carnival
- Jack-O-Lantern 5K & Kids Pumpkin Run
- Spooky Family Fun Night & Scary Skate
- Skating with Santa
- Huber Park Performance Series
- SandVenture Special Events



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2018 Proposed Budget Workshop

- Agenda
 - Budget Overview
 - Department Review
 - **EDA Levy & Budget**
 - Sewer Utility Rates



2018 Proposed Budget Workshop

- EDA Levy and Budget will need to be approved the EDA Commission on December 5th.
 - City Council will approve EDA Levy and Budget on December 19th



Economic Development Authority

2018 Budget Highlights – pg. 110

- Infrastructure development and sale of EDA-owned properties at 69/169
- Request for Proposal evaluations for two sites Downtown and possible sale
- New Economic Development Specialist to assist with:
 - Business retention visits
 - Business expansion
 - Working with DEED on special projects
 - Business attraction, especially for local restaurants
 - Business attraction for high paying jobs (average more than \$19/hour)
 - Developing a path forward with First Stop Shop on job training
 - Entrepreneur development and support



2018 Proposed Budget Workshop

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 - **Other Funds**
 - Sewer Utility Rates



2018 Proposed Budget Workshop

- Other Funds
 - Debt Service Funds – pg. 116 to 119
 - Capital Projects Funds
 - Park Reserve Fund – pg. 122
 - Capital Improvement Fund – pg. 124
 - Refuse Enterprise Fund – pg. 136
 - Internal Service Funds
 - Equipment – pg. 140
 - Park & Recreation Asset – pg. 142
 - Information Technology – pg. 144
 - Building Asset – pg. 146
 - Self Insurance – pg. 148



2018 Proposed Budget Workshop

- Agenda
 - Budget Overview
 - Department Review
 - EDA Levy & Budget
 - Other Funds
 - **Sewer Utility Rates**



Sewer Fund Rate Increase

- Background
 - Council request to do an in-depth analysis on the enterprise funds
 - Presented back on April 18, 2017
 - Sanitary Sewer Fund is experiencing a steady decline in cash balances
 - Rate analysis is important, but determining an appropriate cash balance is also integral in establishing appropriate cash balances



Sewer Fund Rate Increase

- Goal of the Analysis
 - Determine our current financial condition and continue building upon our strong financial and operational foundation while maintaining moderate utility rates.



Sewer Fund Rate Increase

- Metropolitan Council Environmental Services (MCES) influence
 - The city does not maintain its own sewer treatment plant but participates in the MCES system
 - MCES allocates the cost of the system to each user based on relative % of the city's flow into the system.
 - MCES disposal charge is the single largest expense in the fund, accounting for almost 77% of operational expenses, excluding depr.



Sewer Fund Rate Increase

- Metropolitan Council Environmental Services (MCES) influence
 - For 2017, the MCES charge of \$2.5 million equates to a per thousand charge of \$2.53 based on 1.2 million gallons of water sales
 - The city's flow rate is \$2.42 per thousand, which means the city is subsidizing users
 - This structural imbalance needs attention



Sewer Fund Rate Increase

- Capital Outlay
 - Second biggest expenditure is capital outlay
 - Overall sewer infrastructure system is in excellent condition
 - Highly advantageous in maintaining long-term modest rates
 - 93% of sewer system is comprised of lined, reinforced fiberglass or polyvinyl chloride pipe.
 - Beyond 2021, infrastructure repair and replacement is expected to be curtailed significantly



Sewer Fund Rate Increase

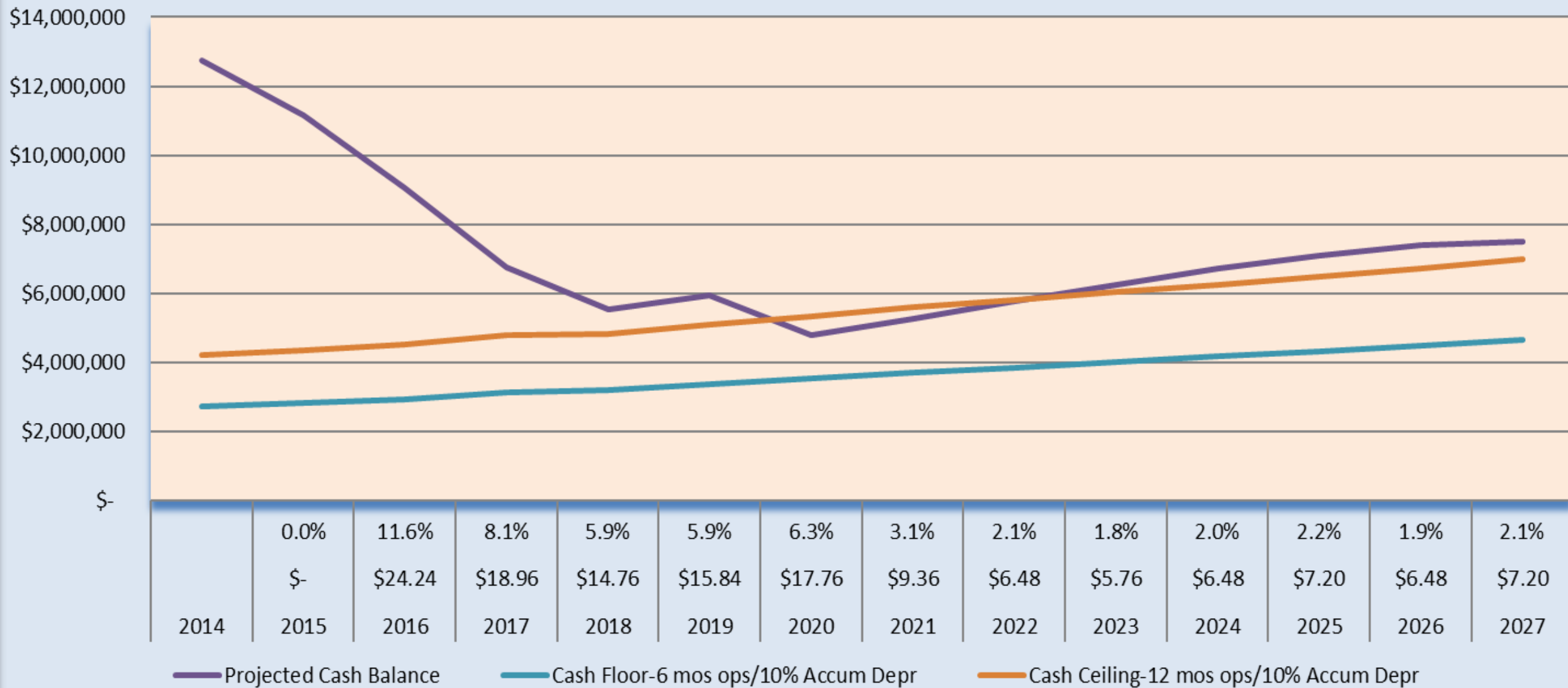
	Actual 2014	Actual 2015	Estimated 2016	Budget 2017	Projected 2018	Projected 2019	Projected 2020	Projected 2021	Projected 2022
Gallons Disposed per MCES (in millions)	1,225.5	1,155.6	1,040.5	1,037.6	1,040.6	1,044	1,047	1,050	1,053
Customer Count	10,500	10,627	10,650	10,650	10,650	10,750	10,825	10,875	10,925
Sewer Billings									
Gallons Billed (in millions)		967.4		1,020	1,020	1,027	1,033	1,036	1,040
Rate (\$ per 1,000 gallons)	2.07	2.07	2.24	2.42	-	-	-	-	-
City Rate (\$ per 1,000 gallons)	-	-	-	-	0.80	0.90	1.00	1.00	1.00
MCES Rate (\$ per 1,000 gallons)	-	-	-	2.53	2.45	2.57	2.70	2.83	2.92
Flat Rate per Household	5.00	5.00	6.00	6.50	2.75	2.75	2.85	2.85	2.85



Sewer Utility Fund Cash Balance Projections

Fully Funded 2020-Lower Flat Rate/Higher Flow Rate

2014-2027



Sewer Fund Rate Increase

Sanitary Sewer Utility Fund
Change in Yearly Sewer Bill
2017 Rate Analysis

Average 6,000 gallons per month or 72,000 gallons per year - Residential Only

	2018 Rate Changes			Annual Average Sewer Charges									
		\$ Change	% Change										
	2018	Per Year	Per Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	
Residential	\$267.00	\$ 14.76	5.9%	\$ 283	\$ 301	\$ 310	\$ 316	\$ 322	\$ 329	\$ 336	\$ 342	\$ 350	



Sewer Fund Rate Increase

- Sanitary Sewer Summary
 - Overall, the fund is in sound financial shape, but attention is needed to ensure long-term sustainability.
 - MCES will continue to be a major factor in rates as we move into the future.
 - Establishing a revised working capital target ensures the fund remains viable and the city continues with the practices and philosophy of not relying on debt issuance for routine capital outlay and maintaining modest utility rates.



2018 Proposed Budget Workshop

- Next Steps
 - December 4th
 - EDA approval of EDA levy
 - City Council Budget Public Meeting
 - 2018 Fee Schedule tentatively scheduled for City Council approval, including 2018 utility rates
 - December 19th
 - Council approves levy and budget

