



To: Mayor and Council Members
From: Nate Reinhardt, Finance Director
Cc: Bill Reynolds, City Administrator
Date: August 7, 2024
Re: 2025 Budget Overview

Budget Overview

Staff is in the process of developing 2025 Budget revenue and expenditure projections. At the City Council meeting on August 7th, staff will present most recent assessed values (impacting tax rates for 2025) and factors that will influence the upcoming budget.

Revenues

Preliminarily we are anticipating an overall positive increase in revenues (excluding property taxes).

- Shakopee Public Utilities contribution – increase based on projected revenue
- SandVenture revenues – increase based on proposed fee schedule
- Investment income – based on current investment holdings and interest rates
- Building permits – although we aren't anticipating an increase in growth, currently we are looking at a more aggressive forecast for building permit revenues.

Expenditures

A number of factors will impact the cost of operations in next year's budget.

- Wages and benefits
 - Initial Assumptions
 - Cost of living adjustment (3% increase)
 - Health insurance (15% increase).
 - Impacts from 2024 Union Contracts (Police/Public Works)
 - Impacts from 2024 Fire staffing model changes
 - Fire Inspector (proposed new position)
- Equipment
 - New (Police side-by-side, building inspector vehicle, fire inspector vehicle)
 - Offset by building permit revenues and SMSC agreement
 - Equipment replacement costs continue to rise (impacting annual rent)
- Street maintenance – continued increase in cost to maintain current roadways

Preliminary Levy

As previously mentioned, there are a number of moving pieces, but after the initial review and modification of departmental budget requests, the levy needed is currently \$26,792,000, which is an increase of \$1,319,000 or 5.18 percent over last year.

The breakdown and comparison of the proposed 2025 levy is as follows:

City of Shakopee Levy Analysis August 7, 2024				
	2024 Final	2025 Estimated	Increase/ (Decrease)	% Change
City Levy				
General Fund	\$ 22,336,500	\$ 23,283,000	\$ 946,500	4.24%
Abatements	126,000	120,000	(6,000)	-4.76%
Capital Improvement Levy	700,000	1,200,000	500,000	71.43%
Debt Service				
2016 Abatement	2,189,000	2,189,000	-	0.00%
2022A Improvement	121,500	-	(121,500)	-100.00%
Total Debt Service	<u>2,310,500</u>	<u>2,189,000</u>	<u>(121,500)</u>	<u>-5.26%</u>
Total City Levy	\$ 25,473,000	\$ 26,792,000	\$ 1,319,000	5.18%
Shakopee EDA Special Levy	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>0.00%</u>
Total City and EDA Levies	<u>\$ 25,973,000</u>	<u>\$ 27,292,000</u>	<u>\$ 1,319,000</u>	<u>5.08%</u>

Taxable Market Value

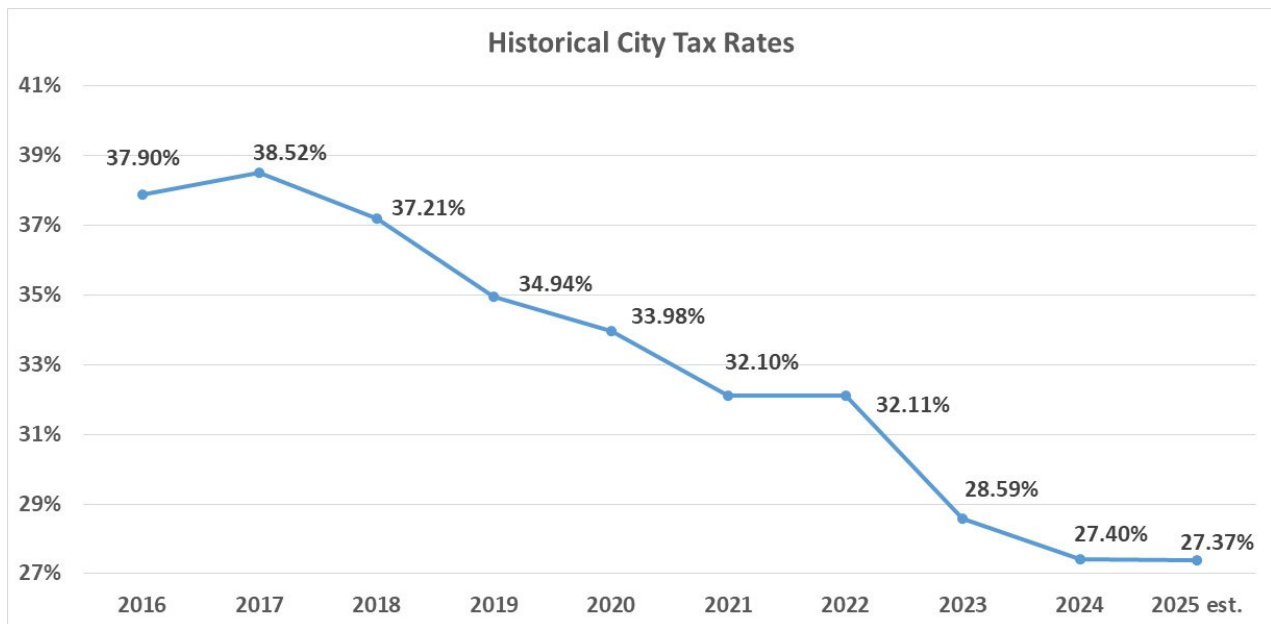
The city's taxable market value is at \$8.35 billion, which is an increase of \$572 million (7.4%) from last year. Apartment, commercial and industrial market value grew at the fastest rate. New construction accounted for \$250.2 million of the increase in taxable market value.

mi	Payable 2024	Payable 2025	Change (%)
Agricultural	\$65,302,703	\$65,157,710	-0.2%
Apartment	713,349,600	778,527,700	9.1%
Commercial	702,496,200	769,135,900	9.5%
Industrial	1,571,476,000	1,773,380,700	12.8%
Public Utility/Railroad	31,337,200	31,337,200	0.0%
Residential	4,692,583,394	4,931,489,463	5.1%
Other	<u>2,279,600</u>	<u>2,300,500</u>	<u>0.9%</u>
Totals	\$7,778,824,697	\$8,351,329,173	7.4%

City Tax Rates

Based on preliminary levy and market value estimates, the tax rate would decrease for taxes payable in 2025, which is a continued trend over the past decade. The State Legislature increased the Homestead Market Value Exclusion from \$417,000 to \$517,000, which will shift the property tax burden from residential homes under \$517,000 to other property types.

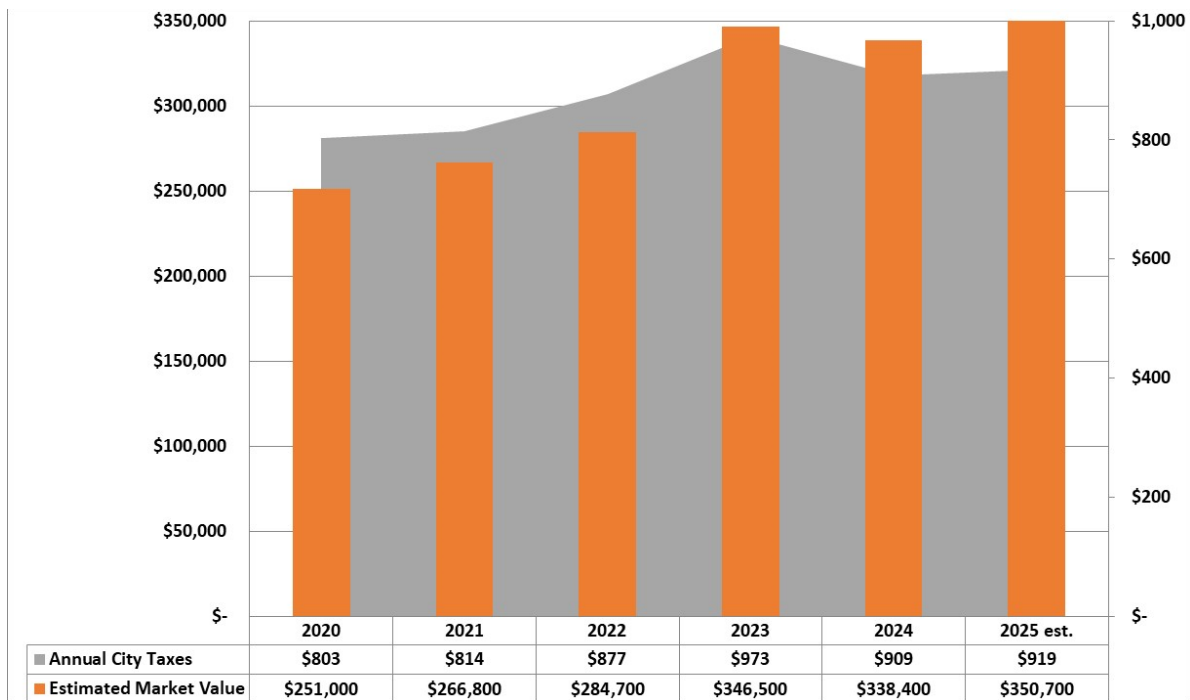
Fiscal disparities distribution amounts will not be known until the end of August, however we've seen a significant increase in our tax capacity amounts being contributed to the program as a result of the increase in commercial and industrial values. We anticipate our distribution amount (the amount we receive back) will likely also increase, which would further reduce the City tax rate.



Median Value Home

The value of the median value home has increased from \$338,400 to \$350,700 over the past year. This is an increase of \$12,300 (3.6%). The chart on the next page provides information on the median value home and city property taxes paid since 2020. The orange bar and amounts on the left axis represent the median value home.

For the median value home this equates to a increase of \$10 or (1.1 percent) annually in property taxes. Absent any change in value, homeowners can expect a tax decrease of \$26 or about 2.9 percent. For reference a 1% increase/decrease in the city's 2025 levy amounts to approximately \$10 annually on the median value home.



Schedule for budget and property tax levy development

Date	Who	What
May 7, 2024	Council/Staff	Review Long-term Financial Plan
July 10, 2024	Staff/Public	Public Input Meeting
August 7, 2024	Council/Staff	Review Preliminary Capital Improvement Plan (CIP)/ 2025 Budget Overview
August 20, 2024 or September 3, 2024	Council/Staff	Review proposed levy, initiatives, and requests
September 17, 2024	Council	Adopt proposed maximum tax levy for City and EDA.
September 30, 2024	Staff	Certify maximum tax levy to the County which will be used for proposed property tax notices
October 1, 2024	Council	Adopt final 2025-2029 CIP
Mid-November	County	Proposed tax notices sent to owners
December 3, 2024	Council	Hold public meeting to discuss levy and budget. Review and approve utility rates for 2025.
December 17, 2024	Council	Adopt final tax levy and budget
December 31, 2024	Staff	Certify final tax levy and budget to County and State