



To: Mayor and Council Members  
From: Nate Reinhardt, Finance Director  
Cc: Bill Reynolds, City Administrator  
Date: September 6, 2022  
Re: Preliminary Levy

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### **Updates**

*The following modifications have been made to the original memo presented to City Council on August 16.*

- *Health Insurance – revised estimated increase from \$144k (8%) to \$24k (1.3%).*
- *Compensation and Class Study Allocation – increased allocation from \$200k to \$320k (offsets health insurance decrease).*
- *Market Value Information – revised for most recent estimates from Scott County, included a slight reduction in market value and an increase in the fiscal disparities distribution amount. Results in a lower tax rate calculation.*

### **Background**

Each year the city must prepare a budget and property tax levy for the following year. Staff has been analyzing revenues, expenditure information and initiatives to prepare a preliminary budget and levy for your consideration. It is early in the process, with various unknowns and numbers that will be adjusted as more information is received including insurance rates, fiscal disparities contribution numbers, agreement revisions and expenditures/revenue estimates.

In February 2020, the City Council adopted its 2020-24 strategic plan, which lays out the City Council's strategic priorities while serving as a broad, guiding document for city staff to do its work. The strategic priorities of Financial Stability, Enhanced Community Strengths, Effective Public Services and Communication are key considerations of the 2023 budget.

From providing fun recreation programs and beautiful parks to ensuring safe neighborhoods, providing high-quality services enhance and protects people's lives. Responsible fiscal management also builds the foundation for the City to run smoothly and provide effective, innovative programs and services while keeping in mind ways to evolve to meet future expectations and demands. Decisions are made with the future in mind to ensure the city's ongoing ability to provide quality services at a reasonable price.

Shakopee continues to remain in an extremely strong financial position. The city's AA+ long term credit rating, reflects the rapidly growing local economy, strong reserves, manageable debt burden and strong financial management practices and policies. The city maintains a very diverse tax base across all sectors, entertainment, industrial, commercial and a range of housing options. An emphasis on long term financial planning includes a long-term financial plan, a 15-year capital improvement plan and financial projections of our various funds.

A key contributor to the city's financial strength was the establishment of internal service funds several years ago. These funds account for equipment, buildings, park assets, and information technology infrastructure and equipment. The philosophy behind these funds is they take out the large swings in the tax levy by charging level rents on annual basis. When replacement equipment or infrastructure is needed the appropriate internal service fund makes the purchase from accumulated reserves. Having this system in place and established sets the city up for long-term financial sustainability.

Staff has proposed budgets with minimal or no impact to residents in recent years. However, the city is experiencing budget pressures impacting both current and future years, many of which are not unique to Shakopee nor other local governments including:

- The state annually distributes \$570 million of local government aid to cities across the state. Shakopee is not a recipient of local government aid, increasing our reliance on property taxes to pay for city services.
- Shakopee's contribution to the Fiscal Disparities Program continues to increase. In 2022, Shakopee was the 10<sup>th</sup> largest net contributor. At \$6.2 million in tax capacity for 2023, this is equivalent to a decrease of nearly seven percent of the city's tax capacity.
- The Consumer Price Index through the midpoint of 2022, is showing an increase of 9.1 percent, the largest annual cost increase in the past 30 years. The increase was broad based with gasoline, shelter and food being the largest contributors. The City itself is seeing impacts in fuel, street materials and energy costs.
- Personnel accounts for nearly 70 percent of city operational costs.
  - Local governments are experiencing staffing challenges in many areas including police officers, firefighters and part-time positions.
  - The city desires to remain competitive with wages and ensuring wages rates match the market. Future market adjustments could have significant budgetary impacts.
  - Current and future escalations are expected in health insurance and workers compensation insurance. Most notably in workers compensation from PTSD related costs and claims in public safety.
- In 2022, Scott County began distributing the shortfall in funding for joint prosecution costs net of related fine revenues. The allocation was phased over a two year period, but will result in a \$50k increase for 2023 and likely continue to increase.
- As Shakopee's population and development grows the demand for city services also grows. In the past five years the city has added 14.1 miles of street, 23 miles of sidewalks/trails and 75 acres of parks/open space. Increasing the demand for snow removal, street maintenance, landscaping and additional funds for future park and infrastructure replacement.

Statewide residential properties saw a sharp increase in value for property taxes payable in 2023, far outpacing the more moderate value increases in commercial and industrial property types. This creates a shift in the property tax burden from commercial/industrial to residential properties. As a result, homeowners can expect to see an increase in property taxes, prior to any change in the city budget/levy.

For the city of Shakopee, the total residential taxable market value increased 26.5 percent (including new construction) according to data from Scott County. Of existing homes, 99

percent are seeing an increase in value greater than 10 percent. As outlined in this memo, staff recommends increasing the city's preliminary levy 6.25 percent. For the median value home whose property value increased from \$284,700 to \$346,500 (21.7%), this equates to an increase of \$91 or (10.3 percent) annually in property taxes.

The City's total taxable market value for taxes payable 2023 increased \$1.2 billion (19.4 percent) to \$7.2 billion. New construction accounts for \$127 million (10.8 percent) of this increase. New construction allows the tax levy to be spread across a larger tax base, which reduces tax burden of existing taxpayers. The proposed tax levy will significantly decrease the city's tax rate from 32.111 percent to 28.422 percent, a decrease of 3.689 percent.

### **Wages and benefits**

Wages and benefits account for nearly 70% of the City's General Fund costs. The City has three unions (Patrol, Sergeants, Public Works), all three union contracts have been settled through December 31, 2023. The contracts include market adjustments and annual 2.5 percent cost of living adjustments. The preliminary 2023 budget has been built with the assumption that non-union wages will see an equivalent 2.5 percent cost of living adjustment. Across all employee groups the cost of living adjustment amounts to approximately \$537,020.

During 2022, the City Council approved changes to the part-time pay plan as a result of an independent consultant review on part-time employee compensation and classification in comparison to peer cities. The budget impact of these changes will be first realized with the proposed 2023 budget and impact public works and recreation part-time staff. The total impact to the preliminary 2023 budget amounts to \$140,390.

The City is utilizing the same independent consultant to complete a full-time employee compensation and classification review. A completed report is not yet available, but a preliminary overview indicates a range of adjustments from one to nine percent should be considered for various ranges. The adjustments would continue to align our pay ranges with the mid-point of our ten peer cities, which is consistent with previous goals to ensure our wages remain market competitive. An initial placeholder has been included in the preliminary budget of \$320,000.

The city, working through our insurance representative, completed a request for proposals for our 2023 health insurance plans. The results of that process were favorable and as a result the City has included a 1.3 percent for 2023 or \$24,000 following a 4.5 percent increase in 2022.

The City is a member of the League of Minnesota Cities Insurance Trust (LMCIT) for property, liability, auto, and workers' compensation coverage. The most recent data from the LMCIT is showing a significant increase in workers compensation claims statewide, driven in large part by the rapid increase in PTSD claim costs. As a result, we have anticipated a 25% increase in premiums for public safety personnel and a 5 percent premium increase for all other personnel, which amounts to \$128,470.

2022 was a state and local election year which will require the hiring of election judges. The city was required to host absentee and early balloting. The reduction in the cost of election judges from the prior year is \$64,920.

The city is proposing the following full time staff positions.

- A full-time parks maintenance operator position at a total cost of \$93,840. The position would ensure an appropriate level of staffing for the cities growing open space, parks and streetscaping which include the downtown parklets, Stagecoach, Ridgecreek, Jennifer Lane, Windermere, Windermere Bluff, Valley Crest, Quarry Lake and West End Dog parks.
- A full-time rental housing inspector at a total cost of \$108,100. This position would be responsible for implementing the city's rental housing ordinance and inspection procedures. The position would be funded through rental housing license and inspection revenues.
- Fire Department Supervisor positions (3) to be implemented on July 1, 2023 with a net cost of \$50,200. The three full-time shift supervisors would work rotating 24-hour shifts. Currently on-call fire officers (Deputy Chiefs, Fire Marshal, Captains, and Lieutenants) provide the supervision at night and on the weekends. They receive a monthly stipend and compensation for the hours they respond to a call vs. the firefighters on shift receive compensation for their entire shift (16 or 12 hours). With the current on-call positions, they are not present when needed for shift change meetings, pre-trip truck inspection, coordinating and executing training, assigned station duties, scheduling changes and employee oversight, etc. These duties are important for employee safety, accountability and consistency. We have seen an increase in call volume and on-call supervisors are responding to multiple over night calls.

When hired, employees are placed on a wage scale based on their experience level. Employees will advance to the next step on the wage scale on their anniversary date until the top of the pay range for that position is achieved. Step increases amount to \$154,600.

The net general fund impact of all personnel changes in comparison to the 2022 budget is \$1,607,700.

### **Other Expenditures**

The city utilizes internal services funds to accumulate funds for the purchase the replacement of city equipment. The funding source are annual rents (internal charges) to the appropriate funds. Increases to General Fund rent charges total \$96,300 the breakdown is as follows:

- Equipment Rent (Electric Vehicles added, increased replacement costs) - \$35,900
- Park Facilities Rent (Ridge Creek, Scenic Heights, Timber Trails added) - \$29,900
- Building Rent - \$27,200
- Information Technology Rent - \$3,300

The net change in all other expenditures (excluding personnel and rent) is \$605,000 the breakdown is as follows:

- Tyler Building Permit Software (Tyler Assist and Rental License Module) - \$70,000
- Elections Pollpad/Tabulator upgrades - \$66,300
- Fire Department SCBA (allocated from equipment to operating, no net change)- \$59,700
- Motor Fuel (25% increase across all divisions) - \$53,500
- County Prosecution Cost Allocation - \$50,400

- Credit Card Fees - \$31,500
- Street Sealcoat - \$20,000
- Natural Gas (10% increase across all divisions) - \$16,900
- Assessing Contract - \$16,100
- Miscellaneous net department adjustments based on preliminary budget review (increased contractual costs, material costs, etc.) - \$220,600

## **Revenues**

The City is projecting an overall \$1,059,000 increase in non-property tax revenues for the 2023 budget a description of revenue changes are as follows:

The city's building permits have been strong over the past few years with an influx of commercial and residential development. Development and the coinciding building permits are expected to continue, albeit at a more moderate level than what we have seen over the recent years. The city is forecasting a \$425,000 increase in budgeted building permit revenue for 2023, based on anticipated developments, but potential for a slower pace for single family homes. In total, the City is budgeting for \$2.9 million in building permit related revenues in comparison to a three year actual average of \$3.9 million.

A rental housing program is anticipated to be implemented at the beginning of 2023. The City has budgeted a total of \$150,000 in license and inspection revenue related to the program.

The budget includes a payment in lieu of taxes (PILOT) contribution from the Shakopee Public Utilities. The city and the commission reached a revised agreement at the end of last year that is based on the percentage of revenues. The 2023 budget estimates an increase of \$300,000 in revenue.

Municipal State Aid for maintenance is a portion of the state wide gas tax that is provided to the city to maintain state aided roads. The City has budgeted a \$90,000 increase.

Investment income is allocated across city funds based on the portion of total cash/investment balance. With rising interest rates the city has budgeted an increase of \$80,000 for investment earnings.

The City recently extended its School Resource Officer contract with the school district for an additional three years. The contract offsets the cost of three officers during the school year. The increase in that contract for 2023 is \$41,841.

Recreational revenues (community center, ice arena, Sand Venture, recreation programs) are estimated to increase by \$19,600.

## **Economic Development Authority**

The Shakopee EDA has the statutory authority to levy a small percentage (up to 0.0185%) of the city's taxable market value, which for 2023 would be a maximum of \$1,118,287. The EDA and City Council can set the levy at any amount up to this cap.

The EDA levy is identified on property tax statements as a separate local tax outside of the city's general property tax. Staff is not recommending any change in the EDA levy, which is currently at \$500,000. Additional funding is provided through a contribution of ½ percent of

revenues from the Shakopee Public Utilities Commission. The 2023 budget anticipates the contribution to be \$286,500.

The EDA has acquired the master lease for River City Centre, currently the EDA owns the land and the CDA owns the building. The EDA is responsible for the business tenants on the main level and the CDA continues to manage the senior apartments on the 2<sup>nd</sup> level. The activity (lease revenue and expenditures) will be accounted for in a separate fund of the EDA. This has not been incorporated in the preliminary 2023 budget.

### **Debt Service**

The debt service levy will be required to increase as a result of the 2022 General Obligation Improvement Bond issue. The bonds were issued to fund current year and 2023 projects identified in the Capital Improvement Fund. The required debt service levy for the repayment of this bond is \$347,893.

To offset the increase in the debt service levy, staff is recommending a transfer of \$200,000 from the city's Local Projects Fund to the debt service fund. This effectively would allow the City to step into the required annual debt service levy over a two year period. The transfer would require City Council approval prior to the approval of the preliminary levy.

Staff will also need the council to approve a debt service reduction resolution prior to September 30<sup>th</sup>, for both the available fund balance in the existing 2016A debt service fund and the 2022A debt service. A breakdown and comparison of the individual debt levies is provided in the levy analysis chart of the next page.

### **Capital Project Funds**

During the Capital Improvement Plan (CIP) work session on July 19, staff and city council reviewed the 2023-2027 CIP and projects programmed for 2023. The CIP identifies \$31.6 million in projects for 2023. The creation and update of a multi-year capital plan allows the city to plan for its current and long-term needs. Project areas within the CIP include buildings, equipment replacement, information technology, parks, street, sanitary sewer and storm drainage. The CIP will be published as a separate document and include appendixes for a 15-year CIP, 20-year equipment replacement schedule and a long-term financial plan.

### **Levy Request & Impact**

Staff is recommending a preliminary city levy of \$23,892,000, which is an increase of \$1,406,000 or 6.25 percent over last year, and a preliminary EDA levy of \$500,000, which is no change from last year. The preliminary levy is the maximum the city can levy; the final levy may be less than the preliminary levy but may not be more.

The city experienced 19.5 percent growth in tax capacity for taxes payable 2023. This is on top of 7.7 percent, 9.7 percent and 9.9 percent the previous three years, respectively. New construction accounts for about \$1.30 million (10.8 percent) of additional tax capacity.

In terms of levy dollars, the new construction tax capacity allows for the city to increase the levy by approximately \$410,000 (1.8 percent) without having a net tax impact on existing properties.

The breakdown and comparison of the proposed preliminary 2023 levy is as follows:

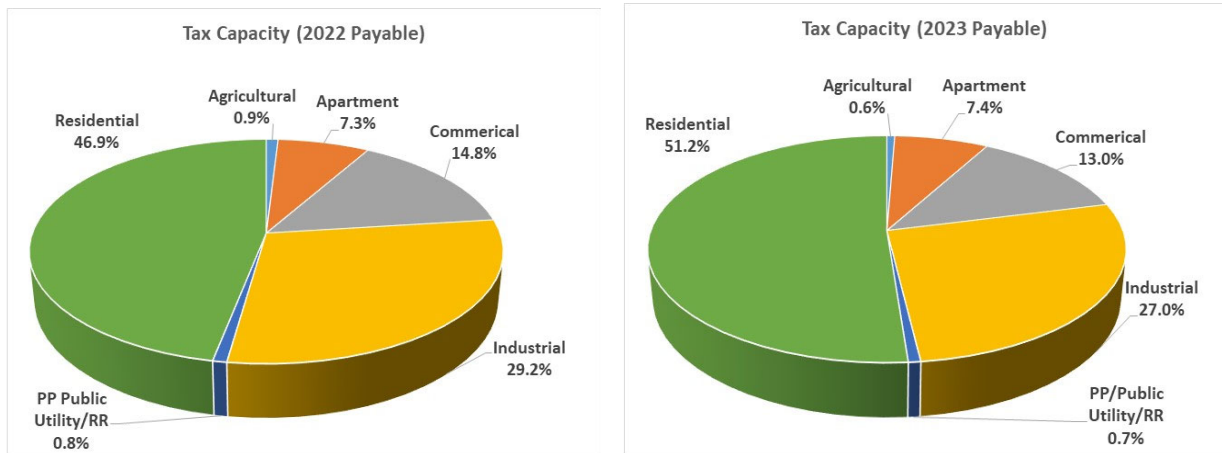
<b>City of Shakopee Levy Analysis August 16, 2022</b>				
	<b>2022 Final</b>	<b>2023 Recommended</b>	<b>Increase/ (Decrease)</b>	<b>% Change</b>
<b>City Levy</b>				
General Fund	\$ 19,381,000	\$ 20,590,000	\$ 1,209,000	6.24%
Abatements	216,000	265,000	49,000	22.69%
Capital Improvement Levy	700,000	700,000	-	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	<b>2,189,000</b>	<b>2,337,000</b>	<b>148,000</b>	<b>6.76%</b>
<b>Total City Levy</b>	<b>\$ 22,486,000</b>	<b>\$ 23,892,000</b>	<b>\$ 1,406,000</b>	<b>6.25%</b>
<b>Shakopee EDA Special Levy</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ -</b>	<b>0.00%</b>
<b>Total City and EDA Levies</b>	<b>\$ 22,986,000</b>	<b>\$ 24,392,000</b>	<b>\$ 1,406,000</b>	<b>6.12%</b>

### Taxable Market Value

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

The city's taxable market value is at \$7.22 billion, which is an increase of \$1.17 billion (19.4%) from last year. Residential market value grew at the fastest rate, with new growth making up \$65.1 of the \$977.3 million increase in residential value. Since 2018, spurred by growth the city has seen estimated market value increase by about \$2.9 billion (66.0%).

## Net Tax Capacity



The city levies a flat dollar for taxes which is spread amongst all taxable properties in proportion to their percentage of the total tax capacity of the city. Residential represents 51.2% of the city's tax capacity. The comparison of this chart to last year shows that residential properties will pay approximately 4.3% more of the total city property taxes in 2023. With residential taxable market values growing at a faster rate over the past year in comparison to other property types, the City will see a shift in the property tax burden from commercial and industrial properties to residential.

As an example, a median value home would see a 3.1% (\$27) annual city property tax increase even if there is no change to the city levy, whereas median apartment (-4.8%), commercial (-15.3%), and industrial (-11.4%) properties would see their taxes decrease under the same scenario.

A comparison of the property tax implications, accounting for the changes in market value, by property type is shown in the following two illustrations. These are hypothetical properties, individual changes will vary based on market value changes for that specific property. The first illustration is under the scenario that there is no change in the city tax levy, the second chart illustrates the changes with the proposed 6.25% levy increase.

Property Tax Changes (Based on a <b>0% Levy</b> Increase & Market Value Changes)*											
Classification*	Class Rate	2022	2023	\$ Change	% Change	2022	2022	2023	2023	\$ Change	% Change
		Taxable Market Value	Taxable Market Value			Tax Rate	City Taxes	Tax Rate	City Taxes		
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%



Property Tax Changes (Based on a <b>6.25% Levy</b> Increase & Market Value Changes)*											
Classification*	Class Rate	2022	2023	\$ Change	% Change	2022	2022	2023	2023	\$ Change	% Change
		Taxable Market Value	Taxable Market Value			Tax Rate	City Taxes	Tax Rate	City Taxes		
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%

\*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 than the traditional large apartment complex.

### Net Tax Capacity

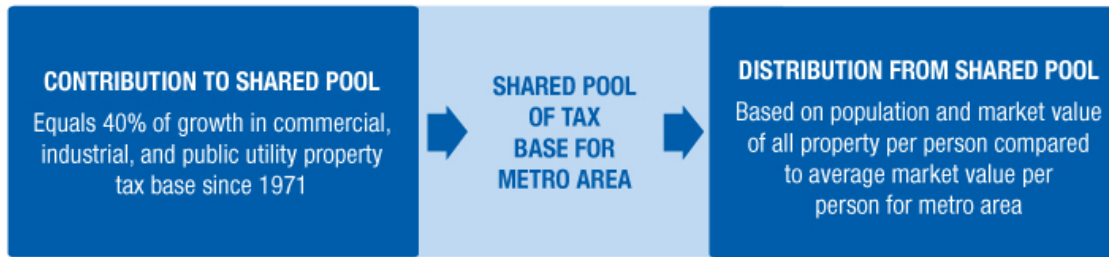
Class	Payable 2022	Payable 2023	Change (%)
<b>Agricultural</b>	\$743,033	\$573,602	-22.8%
<b>Apartment</b>	5,777,290	6,855,066	18.7%
<b>Commercial</b>	11,641,851	11,984,950	2.9%
<b>Industrial</b>	23,068,025	24,940,468	8.1%
<b>Public Utility/Railroad</b>	649,445	656,994	1.2%
<b>Residential</b>	37,019,036	47,244,242	27.6%
<b>Other</b>	20,374	23,350	14.6%
<b>Adj. to match county report</b>	(2,573)	152,209	
<b>Gross Tax Capacity</b>	\$78,916,481	\$92,430,881	17.1%
<b>Adjustments:</b>			
<b>Tax Increment</b>	(\$2,749,307)	(\$3,119,653)	13.5%
<b>Fiscal Disparity Contribution</b>	(13,061,747)	(13,894,834)	6.4%
<b>Net Tax Capacity</b>	\$63,105,427	\$75,416,394	19.5%
<b>Fiscal Disparity Distribution</b>	(\$6,922,606)	(\$7,653,112)	10.55%

The total net tax capacity of the city is estimated at \$75,416,394 compared to \$63,105,427 in 2022, which is an increase of \$12,310,967 (19.5%).

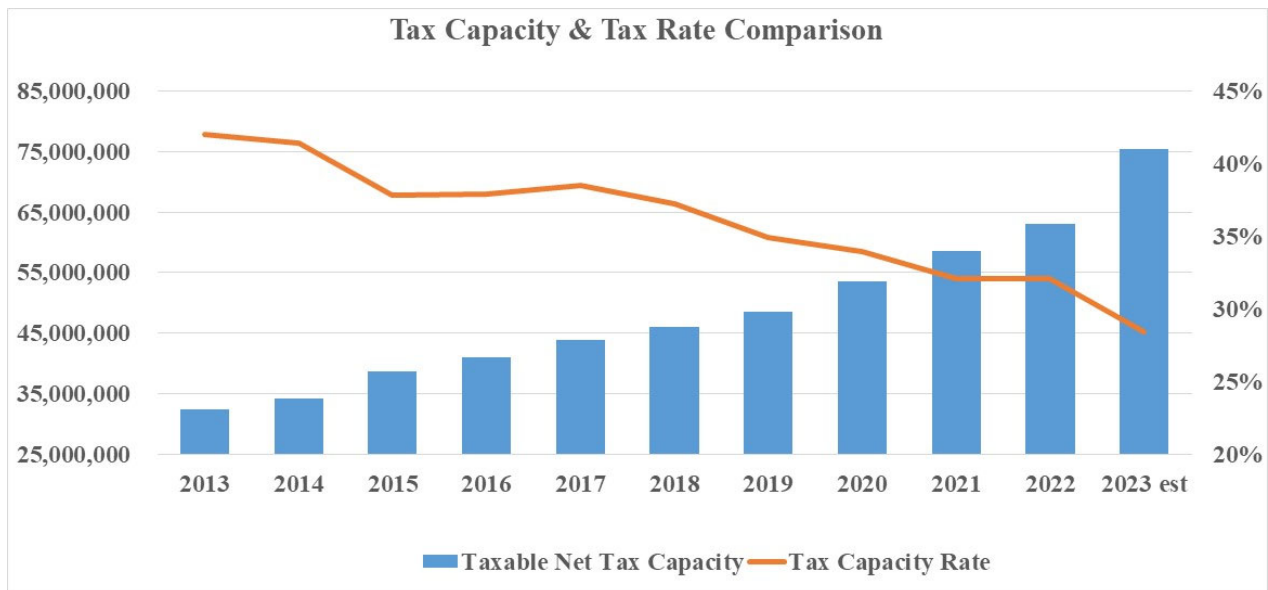
The gross tax capacity is adjusted for the increase in tax capacity of properties within tax increment financing districts. The tax increment adjustment of \$3.18 million represents 3.4 percent of gross tax capacity. The net increase is primarily related to a portion of Canterbury Commons being added, which is partially offset from the decertification of RAHR tax increment financing district for this year. It is important to note that these developments would not have

occurred without the use of tax increment financing. The value and tax capacity of these districts are added to the city's tax role upon the decertification of these districts.

The gross tax capacity is adjusted for the fiscal disparities program which is unique to the seven-county metro area and is further explained in the diagram below:

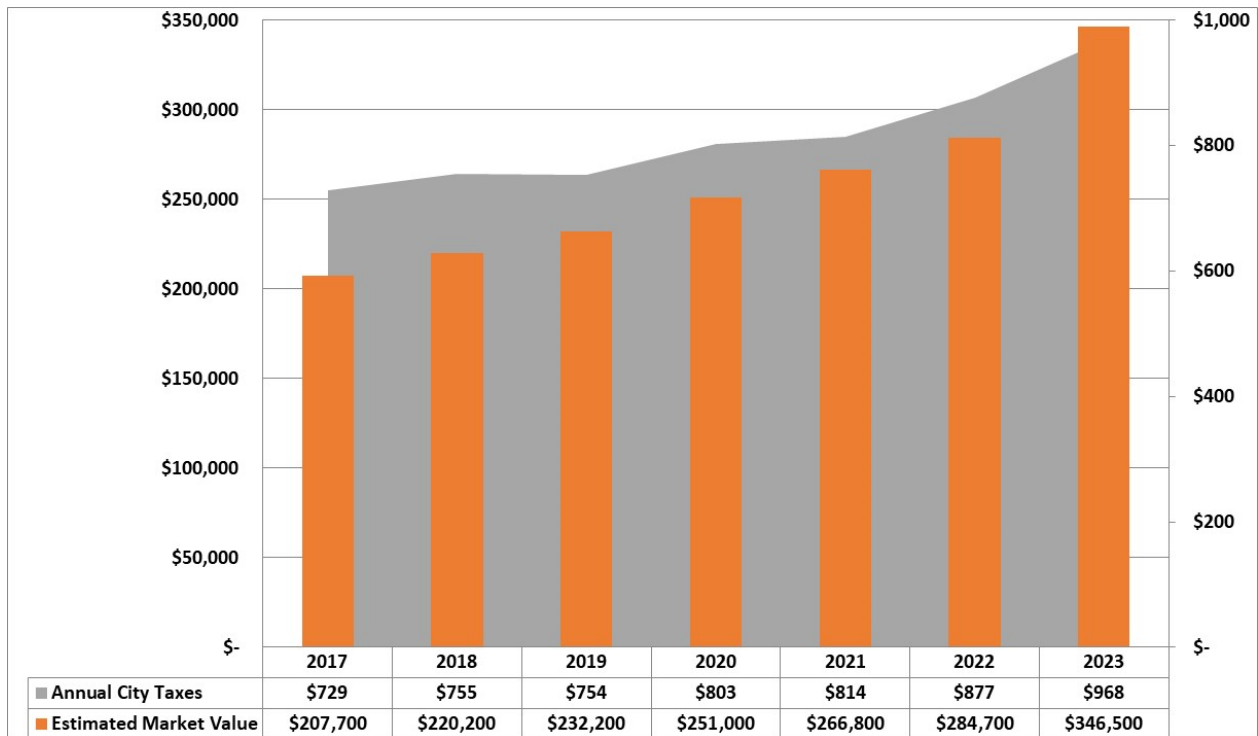


The city's contribution to the program is \$13.9 million, and the distribution is \$7.7 million for taxes payable 2023. The city of Shakopee continues to be one of the top ten net contributors to the program for 2023 at \$6.2 million (6.8%) of tax capacity.



Above is a chart comparing the city's tax capacity and tax rate over the past 10 years, including the 2023 preliminary levy. Based on preliminary assessment value data, the proposed tax levy will increase the city's tax rate from 32.111 percent to 28.422 percent, a decrease of 3.689 percent. This continues the trajectory of decreasing tax rates over the past decade.

## Median Value Home



The value of the median value home has increased from \$284,700 to \$346,500 over the past year. This is an increase of \$61,800 (21.7%). The chart above provides information on the median value home and city property taxes paid since 2017. The orange bar and amounts on the left axis represent the median value home. The grey shaded area and the amounts on the right axis is the property tax amount paid on the median value home. Since 2017 the median value home has increased in value by 67.9 percent compared to just a 34.0 percent increase in property taxes paid by that home.

For the median value home this equates to an increase of \$91 or (10.3 percent) annually in property taxes. Absent any change in value, homeowners can expect a tax decrease of \$101 or about 11.5 percent.

For reference a 1% increase/decrease in the city's 2023 levy amounts to approximately \$10 annually on the median value home.

## General Fund Preliminary Budget

Below is the 2023 preliminary General Fund budget. The budget incorporates the General Fund portion of the preliminary tax levy along with the budget impact items noted above.

The past few years we have seen record building permit volume. With larger projects we may see revenues collected in one year but incur inspections costs for that project in the following year. At year-end, the City sets aside a portion of building permit revenue for permits still open for future year expenditures. The 2022 budget utilized \$250,000 of those revenues, the 2023 budget remained unchanged and also budgeted the use of \$250,000.

The preliminary levy is the maximum levy that can be levied. The final levy can be reduced but it cannot be increased. Between the preliminary levy and the final levy staff will be working on fine tuning the current unknowns.

<b>2023 Annual Budget GENERAL FUND SUMMARY</b>				
	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
<b>TOTAL REVENUES</b>	<b>31,413,288.52</b>	<b>36,824,321.89</b>	<b>31,650,800.00</b>	<b>33,967,700.00</b>
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
<b>TOTAL EXPENDITURES</b>	<b>(28,883,524.24)</b>	<b>(30,562,752.75)</b>	<b>(32,300,800.00)</b>	<b>(34,617,700.00)</b>
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
<b>TOTAL OTHER FINANCING</b>	<b>(2,275,226.00)</b>	<b>(4,617,462.00)</b>	<b>400,000.00</b>	<b>400,000.00</b>
COMMITTED FUNDS - BUILDING INSPECTIONS	484,000.00	500,000.00	250,000.00	250,000.00
<b>NET</b>	<b>738,538.28</b>	<b>2,144,107.14</b>	<b>0.00</b>	<b>0.00</b>

## Enterprise Funds

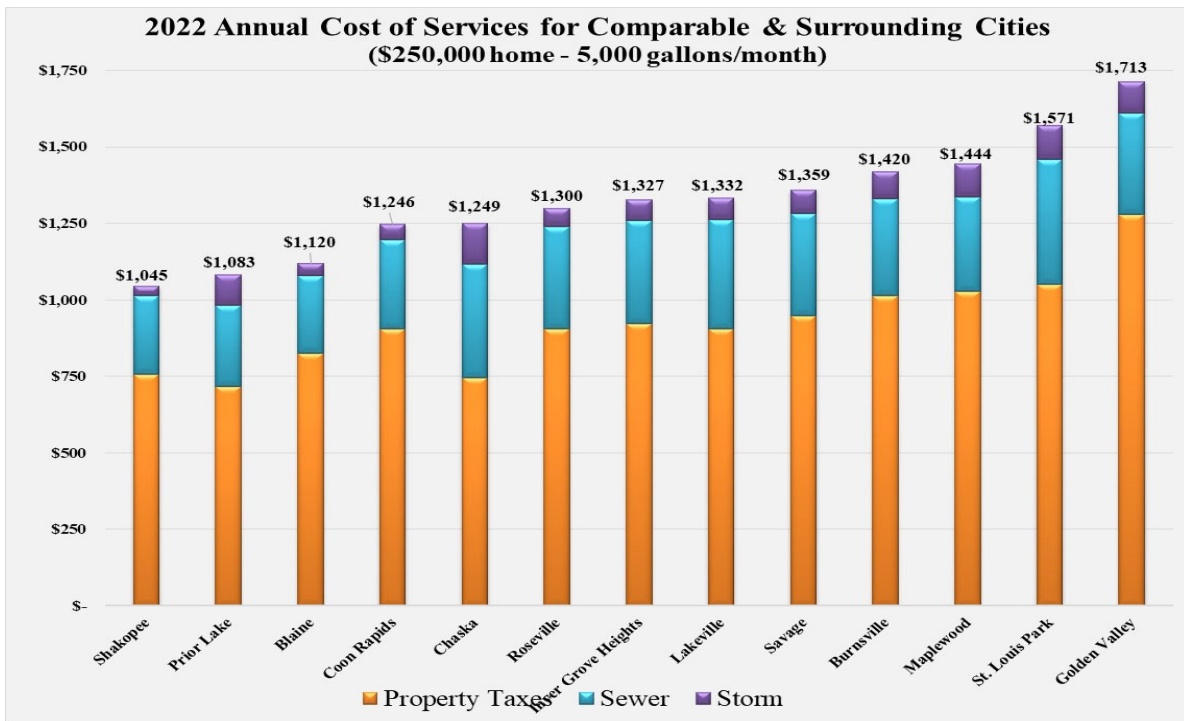
The city operates two public utility funds Sewer and Surface Water. These funds operate on their own ability to generate revenues and receive no property tax support. The Sewer fund provides for the collection and conveyance of wastewater through a system of mains and lift stations. Sewage is treated by the Metropolitan Council Environmental Services, whose contracted services account for approximately 80 percent of the fund's operating expenditures. The Surface Water fund maintains the surface water system for the city, which includes 140 miles of storm sewer and 224 ponds.

The City's sewer billings include a city usage rate, a city fixed rate, and Metropolitan Council disposal rate. The Metropolitan Council rate is calculated based on their allocated city charge divided by the average gallons disposed over the previous three years. This formula requires the 2023 rate to increase from \$2.80 per 1,000 gallons to \$2.82 per 1,000 gallons. Staff is also preliminarily proposing an increase in the city's usage rate of \$0.88 to \$0.91 and the city's fixed rate from \$3.00 to \$3.20 per month. For a typical user with an average of 5,000 gallons of usage per month, this equates to an annual increase of \$5.40 (2.1%).

Staff is proposing a one percent utility rate increase for the Surface Water funds for 2023. This would increase the monthly residential charge from \$2.71 to \$2.76.

The city hired a consultant to perform a utility rate review for both utilities, these results were presented in December 2021. The rates being proposed are consistent with the results from that rate study.

Shakopee is below comparable and surrounding cities when it comes to a cost comparison of city property taxes, sanitary sewer and storm water charges. The following chart provides the 2022 annual cost of services for a \$250,000 value home (slightly below the median value home in Shakopee) and 5,000 gallons of water usage a month.



## Schedule for budget and property tax levy development

<b>Date</b>	<b>Who</b>	<b>What</b>
May 17, 2022	Council/Staff	Review Long-term Financial Plan
June 21, 2022	Staff/Public	Public Input Meeting
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
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