SHAKOPEE

To: Mayor and Council Members

From: Nate Reinhardt, Finance Director

Cc: Bill Reynolds, City Administrator

Date: December 5, 2023

Re: 2024 Property Tax Levy & Budget

Background

Each year the city must prepare a budget and property tax levy for the following year. Staff has analyzed revenues, expenditure information and initiatives to prepare a proposed budget and levy for your consideration.

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 their work. The strategic priorities of Financial Stability, Enhanced Community Strengths, Effective Public Services and Communication are key considerations of the 2024 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 included a long-term financial plan, a 15-year capital improvement plan, establishment of internal service funds, and financial projections of our various funds.

As detailed in this memo, a 6.62 percent increase in the city's levy would be required to fund the proposed 2024 budget. For the median value home, whose property value decreased from $346,500 to $338,400 (-2.3%), this equates to a decrease of $54 or (6.4 percent) annually in city property taxes.

When viewing property value changes by property type over the past year, we've seen a reversal from what occurred in the previous valuation year. In the previous budget cycle, residential properties saw a sharp increase in value, far outpacing the more moderate value increases in commercial and industrial property types. This created a shift in the property tax burden from commercial and industrial to residential properties. As a result, homeowners saw increases to their property taxes in 2023. Looking at assessment data for this year's budget cycle, the opposite has occurred. Taxable market value for commercial and industrial has

increased 13.9% and 26.3%, respectively. Whereas existing residential taxable value has seen a small decrease in value, which has reversed that shift in property tax burden.

Legislative Impacts

For upcoming budgets, changes in state laws will impact Shakopee in a number of different ways. The 2023 state legislative session introduced a record number of bills. As a result of the number of new laws passed and depth of changes, the full impacts are still being determined.

State law changes include, but are not limited to:

Employment

- Paid family and medical leave insurance. Employees would be eligible for up to 20 weeks of leave annually. Requires a 0.7% payroll tax, effective January 1, 2026 for all employees (half can be charged to employees).
- Earned sick and safe time, effective January 1, 2024. Requires that all employees earn one hour of sick time for every 30 hours worked.
- Public employment labor relations, effective July 1, 2023. Staffing ratios subject to collective bargaining.
- Juneteenth (June 19th) was added as a holiday which public business cannot be conducted.
- Local government compensation cap and waiver process repealed, effective May 25, 2023.

Elections

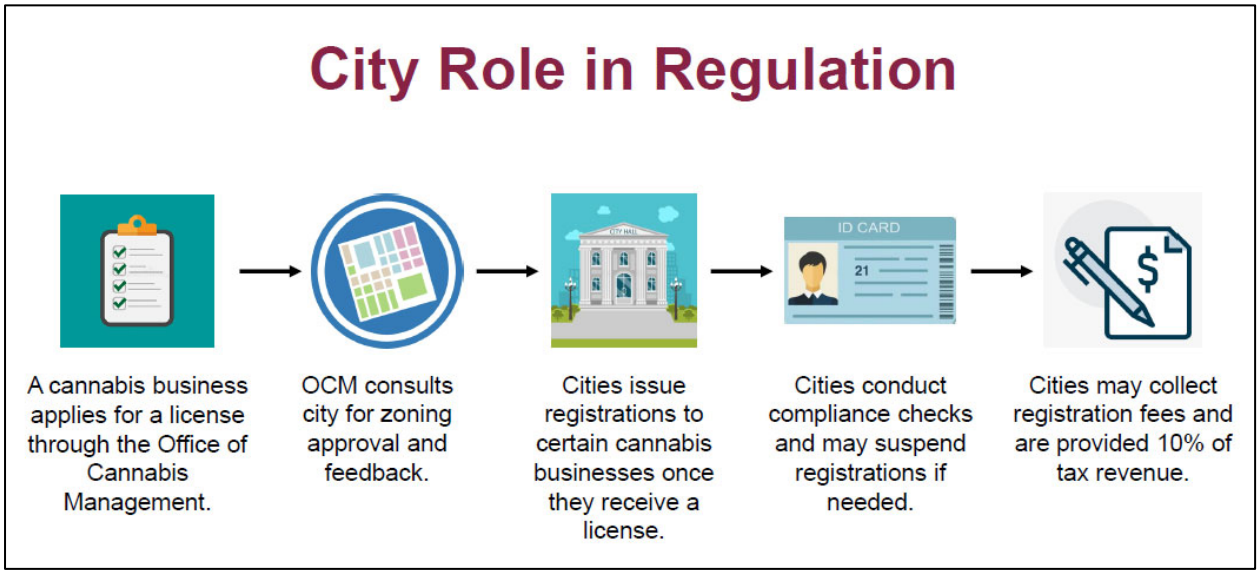
- Effective for the 2024 general election. Early voting replaces direct balloting, with true early voting for the 18 days leading up to an election. Early voting hours include:
    - Until 7pm on Tuesday before the election
    - From 9am to 3pm on two Saturdays before the election
    - From 9am to 3pm on Sunday immediately before the election
    - Until 5pm on the day before the election

Housing

- A historic $1 billion housing bill includes significant increases in one time funding for existing and new programs.
- 0.25% metro sales tax to be distributed to metro cities >10,000 in population for affordable housing and programs. The estimated distribution for Shakopee is $374,612.

Cannabis

- Legalizes possession and home growth became effective August 1, 2023. Legal sales expected to begin by January 2025.
- Establishes regulatory structure and advisory council.



Property taxes and aids

- Updates LGA formula and increases the appropriation by $80 million. (City of Shakopee is not a recipient of LGA).
- Ongoing increase to the homestead credit refund
- One time increases to the homestead credit refund, renters credit, and targeted property tax refund
- Homestead Market Value Exclusion increased from $417,000 to $517,000 (this will shift property taxes to other properties). Effective with property taxes payable in 2025.
- Reduction in 4d low-income rental housing property tax classification rate and two-year aid to help with transition for cities most impacted by the shift.
- Reenactment of the Historic Structure Rehabilitation Credit.
- Two-year moratorium on local sales tax requests and task force assigned to evaluate local sales tax requests going forward.
- Removes supplemental information on changes by revenue and expenditure categories (implemented last year) from Truth in Taxation notices.

Transportation

- Ongoing funding for Small Cities Assistance Account and establishes and provides funding for Larger Cities Assistance Account.
- Provides $18 million statewide for the local road improvement program and $18 million for the local bridge replacement program.
- Increases license tab fees, the motor vehicle sales tax and the gas tax (indexed for inflation).
- Increases in metropolitan area sales tax by 0.75% for transit and county roads.

Public Safety

- One-time public safety aid includes $210 million in aid to cities based on population. (City of Shakopee will receive $1,995,109 by December 2023).
- Catalytic converter theft law (penalties for possession and new rules for scrap metal dealers).
- Public safety PTSD duty disability bill enacted.
    - Full state funding for continued health insurance benefit.
    - Mental injury prevention training required pre-service and in-service.
    - No duty disability benefits through PERA unless 24 weeks of treatment is completed.
    - State pays for time off and some expenses for mental injury treatment.
    - Reemployment offsets in PERA.
    - One-time funding of $104 million.

Pension and retirement

- Reduction in the assumed rate of return for invested assets to 7 percent from 7.5 percent.
- One-time cost of living adjustments of 2.5 percent (General Plan) and 4 percent (Police & Fire Plan).
- $170 million in direct aid to the PERA General Plan and $19 million to PERA Police and Fire Plan.
- PERA General Plan full vesting period changes from 5 to 3 years.

Other

- Open Meeting Law – authorizes officials to participate via interactive technology up to three times in a year for personal or family medical reasons.
- $15 million in ReLeaf urban forestry program for Emeral Ash Borer.

Bonding

- Provides $1.5 billion statewide in bonding and $850 million in cash funding for projects including:
    - Shakopee – Riverbank Stabilization ($8.26 million)
    - Scott County – Merriam Junction Trail and Riverbank Stabilization ($4 million)
    - Scott County – Public Water Access Improvement ($500k)
    - Department of Corrections – Shakopee Programming Space Addition and Interior Renovation ($18.432 million)

General Fund Budget

Below is the 2024 General Fund budget. The budget incorporates the General Fund portion of the tax levy along with the budget impact items noted in this memo.

2024 Annual Budget
GENERAL FUND SUMMARY

	Actual 2021	Actual 2022	Budget 2023	Requested Budget 2024
TAXES	18,481,045.21	19,649,595.58	20,938,500.00	22,569,800.00
SPECIAL ASSESSMENTS	7,393.60	76,312.19	2,000.00	14,000.00
LICENSES AND PERMITS	4,640,345.19	6,088,411.99	3,432,700.00	3,491,450.00
INTERGOVERNMENTAL	8,674,772.48	5,384,242.38	4,666,000.00	4,979,000.00
CHARGES FOR SERVICES	4,990,850.42	4,129,796.08	4,593,400.00	4,813,350.00
FINES AND FORFEITURES	2,483.92	9,271.31	1,700.00	200.00
MISCELLANEOUS	27,431.07	(538,070.87)	333,400.00	379,200.00
TOTAL REVENUES	**36,824,321.89**	**34,799,558.66**	**33,967,700.00**	**36,247,000.00**
GENERAL GOVERNMENT	(5,008,070.06)	(5,157,127.79)	(5,422,400.00)	(6,226,450.00)
PUBLIC SAFETY	(14,323,609.45)	(15,255,048.92)	(15,995,900.00)	(17,019,800.00)
PUBLIC WORKS	(6,926,789.07)	(7,473,400.08)	(7,934,600.00)	(8,260,450.00)
RECREATION	(4,184,907.28)	(4,828,598.28)	(4,886,600.00)	(5,208,560.00)
UNALLOCATED	(40,426.74)	(7,279.98)	(128,200.00)	(343,100.00)
DEBT SERVICE	(5,535.00)	(44,095.00)	0.00	0.00
CAPITAL OUTLAY	(73,415.15)	(37,911.06)	(126,000.00)	0.00
TOTAL EXPENDITURES	**(30,562,752.75)**	**(32,803,461.11)**	**(34,493,700.00)**	**(37,058,360.00)**
TRANSFERS IN	605,400.00	400,000.00	400,000.00	611,360.00
PROCEEDS FROM SALE OF ASSETS	0.00	0.00	0.00	0.00
BOND PROCEEDS	0.00	57,208.38	0.00	0.00
TRANSFERS OUT	(5,222,862.00)	(226,000.00)	0.00	0.00
TOTAL OTHER FINANCING	**(4,617,462.00)**	**231,208.38**	**400,000.00**	**611,360.00**
COMMITTED FUNDS - BUILDING INSPECTIONS	0.00	0.00	126,000.00	0.00
ASSIGNED FUND BALANCE- SAND VENTURE	0.00	0.00	0.00	200,000.00
NET	**1,644,107.14**	**2,227,305.93**	**0.00**	**0.00**

Preliminary Summary of Levy Changes

A summary of changes impacting the levy are as follows with detailed information on each section following the summary.

Description	Levy Impact
Revenues (increase)	$(883,160)
Expenditures:	
Wages & benefits	1,368,400
Operating expenses	468,705
Internal rent changes	376,300
One-time adjustments	186,255
Budget placeholders	165,000
Fund balance	(74,000)
Debt Service	(26,500)
Change in property tax levy	**$1,581,000**

Revenues

The City is projecting an overall net increase of $883,160 in non-property tax revenues for the 2024 budget a description of revenue changes are as follows:

Description	Change
Transfer from Public Safety Funds	$211,360
Shakopee Public Utilities PILOT	150,000
Tax abatements (net decrease in required levy)	139,000
Traffic safety officer grant	119,000
Community Center revenues	79,000
Building permit revenues	75,000
State Fire Aid (pass through)	45,000
Engineering grade fee	45,000
Sand Venture revenues	40,000
Interest income (General fund)	35,000
Go Gymnastics recreational programming	30,000
Fire Township Agreements	24,500
Building Official Grant	(35,000)
Other (net adjustments)	(74,700)
Change in Revenues	**$883,160**

The city is a recipient of $1,995,109 of one-time public safety aid from the State of Minnesota. The money will be received in December of 2023 and be placed in a separate special revenue fund to track expenditures. Staff has proposed to utilize a portion of the funding to add two patrol officers ($211,360), an additional marked squad car ($85,000), replacement of squad and body worn cameras ($270,590), fire self-contained breathing apparatus replacement ($262,500), fire department master study ($56,000) and renovation of Fire Station #1 to create a permanent dorm room space for overnight staffing of firefighters ($800,000). Most of the expenditures will be directly coded to the fund, however a transfer of $211,360 will be shown as a transfer to the General Fund to offset the cost of the two patrol officers. It is anticipated these officers would be half funded from public safety funds for budget year 2025.

The budget includes a payment in lieu of taxes (PILOT) contribution from the Shakopee Public Utilities. The city and the commission agreement requires a contribution to the city based on a percentage of revenues. The 2024 budget estimates an increase of $150,000 in general fund revenue.

A tax abatement levy is required for all city approved tax abatements. Effectively, the city increases the levy in the amount equivalent to the increase in taxes paid for a specific project that meets the city's business subsidy policy requirements (which include job related goals and wages). That levy will be reduced for 2024 as a result of the last year for Emerson and the removal of Shutterfly who no longer is meeting the job requirements of their abatement agreement. The net reduction in the abatement levy is $139,000.

The police department was awarded a MN Department of Public Safety traffic safety officer grant that pays the salary of an officer that is dedicated to impaired driving. This is the second consecutive year the department has received the grant and $119,000 has been included in 2024.

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 $75,000 increase in budgeted building permit revenue for 2024. In total, the City has budgeted $3.1 million in building permit related revenues.

Expenditures

The General Fund expenditures are budgeted to increase in total by $2,564,660. The expenditures have been categorized in this section as wages and benefits, operational (on-going) expenditures, rent (equipment and capital replacement), one-time adjustments and a preliminary budget contingency/placeholder.

Wages and benefits

Description	Change
Cost of living adjustment – 3%	$508,600
Health Insurance - 20.9%	378,280
New Patrol Officers (2)	238,820
Election judges	108,940
Full-time HR specialist	107,310
Fire department supervisors (3)	102,920
Workers Compensation (est.)	44,630
Other	(9,130)
Parks & recreation part-time	(111,970)
Change in wages & benefits	**$1,368,400**

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 are up for negotiations for 2024. The 2024 budget has been built with the assumption that union and non-union wages will see an equivalent 3.0 percent cost of living adjustment. Across all employee groups the cost of living adjustment amounts to approximately $508,600.

The city's health insurance renewal rates are increasing 20.9 percent for 2024. This calculates to an increase of $378,280 following a slight decrease last year in premiums. Data shows a significant increase in utilization over the past 24 months which has impacted rates.

2024 will be a presidential election year, requiring the hiring of election judges. The city will also need to comply with new early voting requirements leading up to Election Day, which will require a significant increase in hours. The budget includes a proposed $1.00 increase in election judge wages from $14.00 to $15.00 for head judges and $11.00 to $12.00 for election judges. The net impact of the election year is $108,940.

The city is proposing the following new staff positions.

- Two full-time patrol officers at a cost of $238,820. The city has not added any additional sworn officers in the past five years. The additional officers are based on the needs of the IACP formula, which is based on department workload. The funding would come from the city's allocation of one-time public safety funding, which would fund the cost of the positions (less PERA) in 2024 and half of the cost in 2025.

- A full-time human resource specialist at a cost of $107,310. This position is necessitated by the increase in hiring processes, legislative changes and implementation of new software in 2024. Additionally, this position will provide administrative support to the city administrator and other members of the administration department.

Fire Department Supervisor positions (3) were budgeted to be implemented on July 1, 2023. The 2024 budget will recognize the full year of net cost increase of $102,920. The positions are currently open, but the budget anticipates they will be filled by the start of next year. 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).

The City is a member of the League of Minnesota Cities Insurance Trust (LMCIT) for property, liability, auto, and workers' compensation coverage. Workers compensation rates have not yet been determined for 2024. The budget estimates a 5 percent increase in workers compensation rates for all employee classes, which amounts to a $44,630 increase.

Park and recreation have implemented numerous staffing changes over the past couple of years. This includes moving part-time positions to full-time and changes to various program offerings. Part-time hours have been reevaluated as a result and based on anticipated needs for 2024 and part-time hours can be further reduced in the net amount of $111,970.

The net general fund impact of all personnel changes in comparison to the previous budget is $1,368,400.

Operational Expenditure Changes

Adjustments to operating budgets that are anticipated to continue into future years are shown below. These include contractual and utility increases.

Description	**Change**
Electric (10% increase)	$63,500
Fire relief state aid payment (pass through)	45,000
County prosecution costs	38,690
Building inspection software	34,900
ERP software annual cost	25,600
Motor fuels (8% increase)	22,000
Go gymnastics programming (offset by revenue)	22,000
Natural gas (10% increase)	19,500
Custodial contractual increase	18,000
Assessing/Audit contractual increase	11,700
Street striping	10,000
Annual park bench replacement	10,000
Fire self contained breathing apparatus	9,000
Misc. other adjustments	138,815
Change in operational expenses	**$468,705**

Rent Changes

The city utilizes internal services funds to accumulate funds for the purchase or replacement of city equipment and facilities. The funding sources are annual rents (internal charges) to the appropriate departments.

Description	Change
Equipment Rent	$145,900
Building Rent	167,700
Park Facilities Rent	23,200
Information Technology Rent	39,500
Change in internal rent charges	**$376,300**

The equipment rent increase is both a result of new equipment being added to the schedule as well as a ten percent increase in year over year costs of vehicles and equipment. A 20-year equipment replacement schedule is included in the 5-year Capital Improvement Plan that identifies all General fund equipment, useful lives, replacement years and costs.

The increase in building rent is based on the estimated construction cost of Sand Venture. The rents have been adjusted to reflect the future replacement of Sand Venture and internal borrowing needed to cover the cost of the construction.

The net general fund impact of rent changes in comparison to the prior budget is $376,300.

One-time Adjustments

The General Fund up and down swings are typically moderated through the use of internal rent charges. However, a couple of one-time adjustments have been included in this budget. These costs will not be recurring in future budgets.

Description	Change
ERP Software Implementation Cost	$252,555
Elections Pollpad/Tabulators (purchased in 2023)	(66,300)
Change in one-time costs	**$186,255**

Shakopee is a member of the LOGIS consortium which provides technology solutions and support for local government members. The consortium recently completed an 18 month process researching, evaluating and selecting a new enterprise resource planning (ERP) system provider to replace the finance and human resources software. The Oracle Cloud ERP system is a top tier cloud based solution and includes guaranteed pricing over the next ten years at rates below what the City would be able to obtain on an individual basis. Oracle Cloud replaces various applications currently used and will be a fully-integrated human resources, payroll and general ledger with built in workflows (time entry/accounts payable/on boarding/etc.), budgeting, financial reports and dashboards. The one-time implementation cost covers the additional support to transition from the current software along with the initial buy-in cost.

Contingencies and Placeholders

As a placeholder for the proposed budget, the City has included an additional $165,000. It is assumed that this amount will be allocated as the “unknowns” become “known” or reduced. This amount is being set aside to account for legislative impacts and union negotiations. The exact impacts of these items are not known at the time the levy is required to be set.

Fund Balance Assignments

The past few years we have seen a significant amount of 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 2023 budget utilized $126,000 of those revenues, the 2024 budget has eliminated the budgeted use.

The City has set aside $200,000 of fund balance within the General Fund to help offset operating costs for Sand Venture in 2024. The funding provides an additional safeguard for any unexpected project unknowns and ultimately lowers the impact on the 2024 tax levy.

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 2024 would be a maximum of $1,334,915. 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 recommending no 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 2024 budget anticipates the contribution to be $300,000.

The EDA serves as the landlord for the main level business tenants at River City Centre. The EDA currently owns the land and the CDA owns the building. The activity (lease revenue and expenditures) is accounted for in a separate fund of the EDA.

Debt Service

In last year’s budget, to offset the increase in the debt service levy, city council approved a transfer of $200,000 from the city’s Local Projects Fund to the debt service fund. This effectively would have allowed the City to step into the required annual debt service levy over a two year period. In Spring, the City Council approved the setting aside of an additional $226,000 of year-end fund balance to defray the debt levy increase an additional year.

Council approved a debt service reduction resolution for both the available fund balance in the existing 2016A debt service fund and the 2022A debt service, which resulted in a net levy reduction of $26,500. A breakdown and comparison of the individual debt levies is provided in the levy analysis chart on the next page.

Capital Project Funds

The City's Capital Improvement Plan (CIP) was approved on October 3, 2023. The CIP identifies $36.8 million in projects for 2024. 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

The proposed city levy is currently at $25,473,000, which is an increase of $1,581,000 or 6.62 percent over last year, and an EDA levy of $500,000, which is no change from last year.

The city experienced 11.6 percent growth in tax capacity for taxes payable 2024. This is on top of 19.0 percent, 7.7 percent and 9.7 percent the previous three years, respectively. New construction accounts for about $2.85 million (30.8 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 $815,000 (3.4 percent) without having a net tax impact on existing properties.

The breakdown and comparison of the proposed 2024 levy is as follows:

City of Shakopee
Levy Analysis
December 5, 2023

	2023 Final	2024 Recommended	Increase/ (Decrease)	% Change
City Levy				
General Fund	$ 20,590,000	$ 22,336,500	$ 1,746,500	8.48%
Abatements	265,000	126,000	(139,000)	-52.45%
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	121,500	(26,500)	-17.91%
Total Debt Service	**2,337,000**	**2,310,500**	**(26,500)**	**-1.21%**
Total City Levy	**$ 23,892,000**	**$ 25,473,000**	**$ 1,581,000**	**6.62%**
Shakopee EDA Special Levy	$ 500,000	$ 500,000	$ -	0.00%
Total City and EDA Levies	**$ 24,392,000**	**$ 25,973,000**	**$ 1,581,000**	**6.48%**

Taxable Market Value

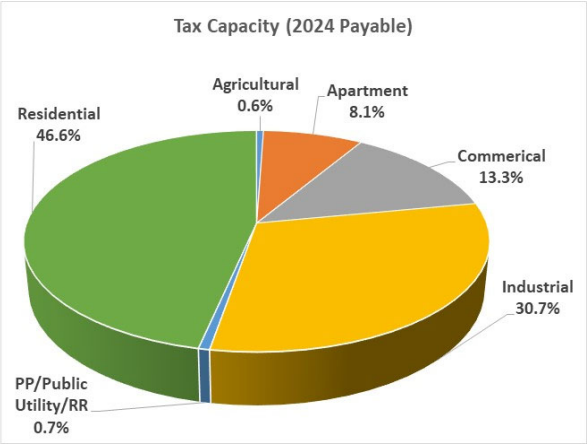
Class	Payable 2023	Payable 2024	Change (%)
Agricultural	$56,298,550	$61,503,547	9.2%
Apartment	596,660,000	713,799,800	19.6%
Commercial	610,225,800	695,026,900	13.9%
Industrial	1,251,764,400	1,580,751,200	26.3%
Public Utility/Railroad	36,512,700	34,467,300	-5.6%
Residential	4,662,097,455	4,702,360,020	0.9%
Other	2,197,900	2,279,600	3.7%
Totals	$7,215,756,805	$7,790,188,367	8.0%

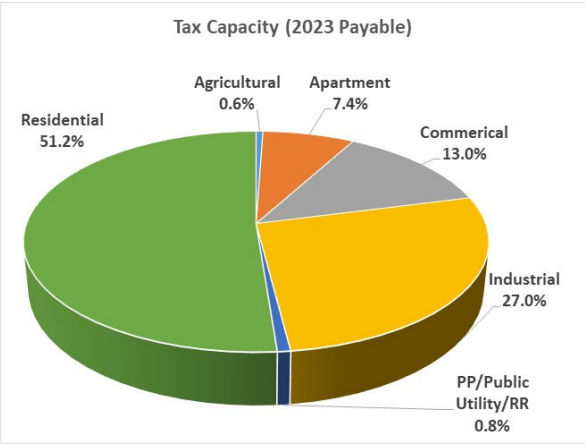
The city's taxable market value is at $7.79 billion, which is an increase of $574 million (8.0%) from last year. Apartment, commercial and industrial market value grew at the fastest rate. New construction accounted for $182.9 million of the increase in taxable market value. Since 2018, spurred by growth the city has seen a taxable market value increase by about $3.5 billion (80.6%).

For the city of Shakopee, the total residential taxable market value increased 0.9 percent, absent of new construction residential value would have decreased according to data from Scott County. Changes in values of existing residential properties were generally minimal, with only two percent of properties exceeding an increase in value greater than 5 percent and ten percent of properties exceeding a decrease in value of greater than 5 percent. Of existing homes, 83 percent had no change or a decrease in assessed value. As outlined in this memo, staff recommends increasing the city's levy 6.62 percent. For the median value home whose property value decreased from $346,500 to $338,400 (-2.3%), this equates to a decrease of $54 or (5.6 percent) annually in property taxes.

The proposed tax levy will decrease the city's tax rate from 28.585 percent to 27.704 percent, continuing the downwards trajectory of city tax rates over the past decade.

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 46.6% of the city's tax capacity. The comparison of this chart to last year shows that residential properties will pay approximately 4.6% less of the total city property taxes in 2024.

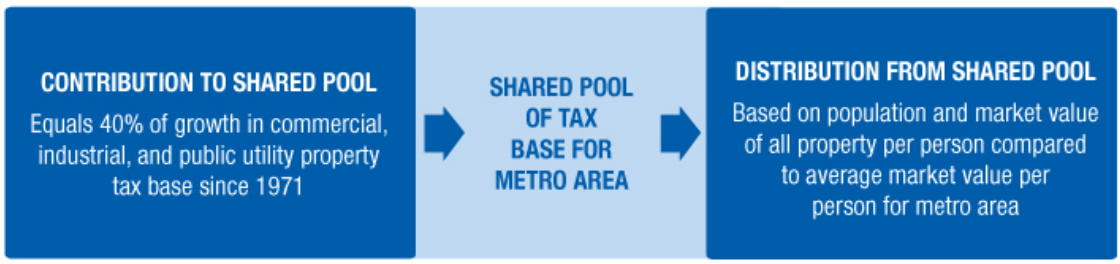
Net Tax Capacity

Class	Payable 2023	Payable 2024	Change (%)
Agricultural	$511,951	$566,345	10.6%
Apartment	6,872,148	8,294,283	20.7%
Commercial	11,974,550	13,671,387	14.2%
Industrial	24,904,366	31,480,408	26.4%
Public Utility/Railroad	720,951	680,677	-5.6%
Residential	47,261,031	47,691,756	0.9%
Other	20,584	23,401	3.6%
Adj. to match county report		-260,875	
Gross Tax Capacity	$92,267,581	$102,147,382	10.7%
Adjustments:			
Tax Increment	($3,393,736)	($3,787,780)	11.6%
Fiscal Disparity Contribution	(13,888,565)	(14,639,006)	5.4%
Net Tax Capacity	$74,985,280	$83,720,596	11.6%
Fiscal Disparity Distribution	($7,653,112)	($7,973,789)	4.2%

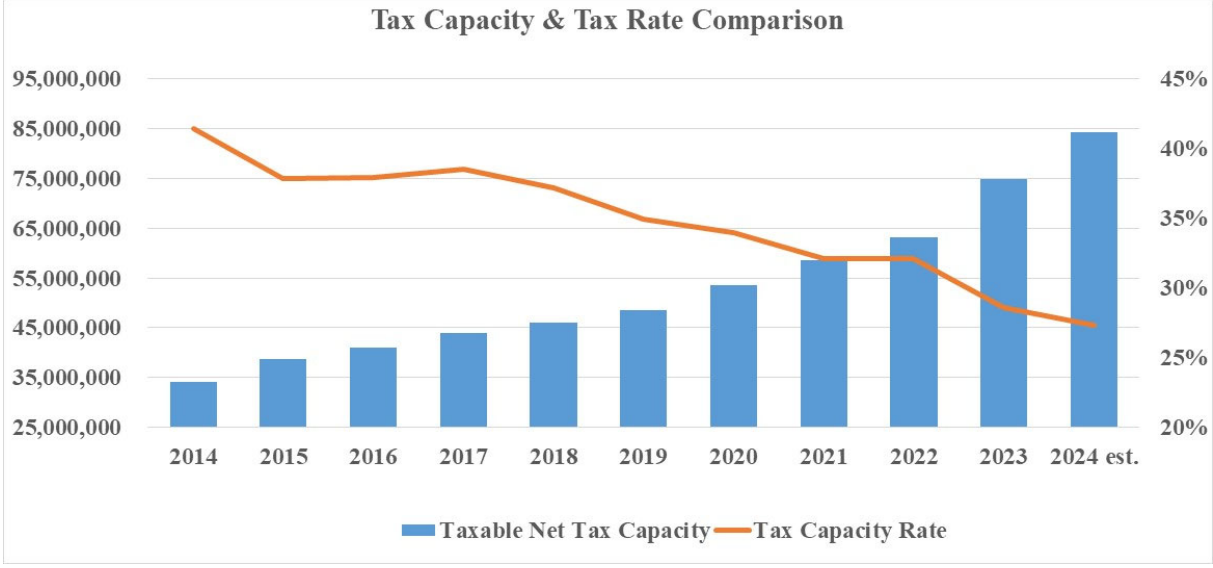
The total net tax capacity of the city is estimated at $83,720,596 compared to $74,985,280 in 2023, which is an increase of $8,735,316 (11.6%).

The gross tax capacity is adjusted for the increase in tax capacity of properties within tax increment financing districts. The tax increment adjustment of $3.8 million represents 3.7 percent of gross tax capacity. The net increase is primarily related to a portion of Shakopee Flats and Canterbury Commons being added. 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 roll 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:

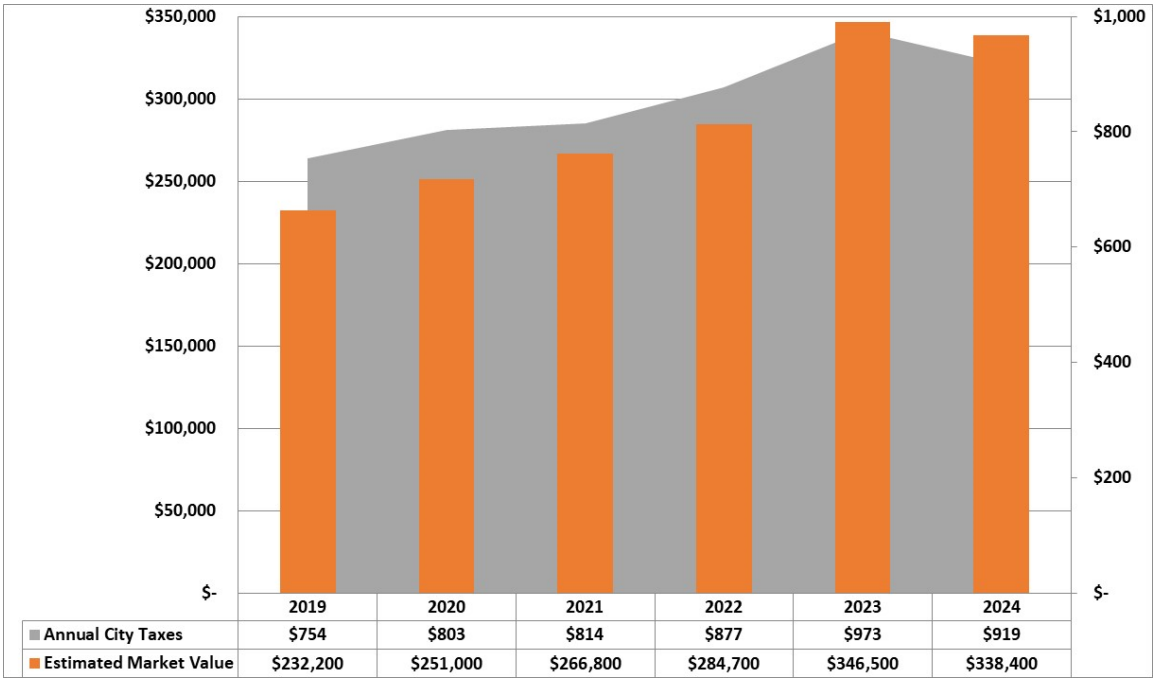


The city's contribution to the program is $14.6 million in tax capacity, and the distribution is estimated at $8.0 million. The city of Shakopee continues to be one of the top ten net contributors to the program, estimated for 2024 at $6.6 million (6.5%) of tax capacity.



Above is a chart comparing the city's tax capacity and tax rate over the past 10 years, including the 2024 preliminary levy. Based on assessment value data, the proposed tax levy will decrease the city's tax rate from 28.585 percent to 27.704 percent. This continues the trajectory of decreasing tax rates over the past decade.

Median Value Home

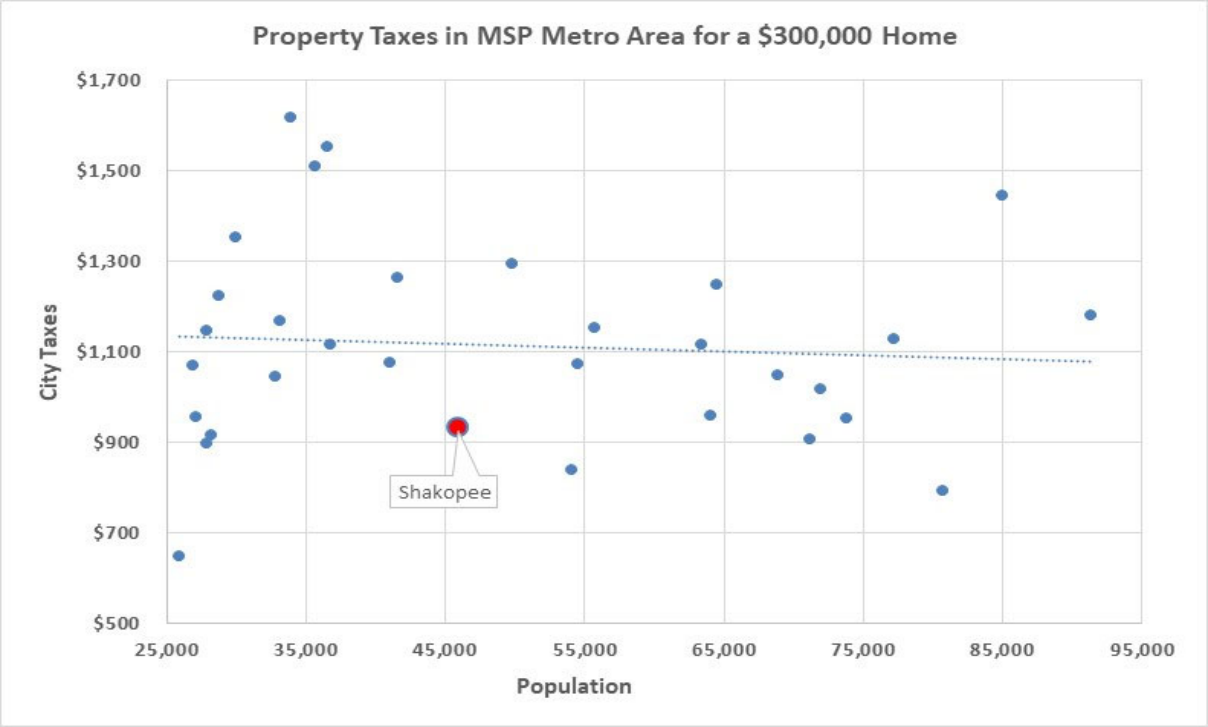


	2019	2020	2021	2022	2023	2024
Annual City Taxes	$754	$803	$814	$877	$973	$919
Estimated Market Value	$232,200	$251,000	$266,800	$284,700	$346,500	$338,400

The value of the median value home has decreased from $346,500 to $338,400 over the past year. This is a decrease of $8,100 (2.6%). The chart above provides information on the median value home and city property taxes paid since 2019. 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 2019 the median value home has increased in value by 48.2 percent compared to just a 21.8 percent increase in property taxes paid by that home.

For the median value home this equates to a decrease of $54 or (5.6 percent) annually in property taxes. Absent any change in value, homeowners can expect a tax decrease of $30 or about 3.1 percent. For reference a 1% increase/decrease in the city's 2024 levy amounts to approximately $9 annually on the median value home.

The City of Shakopee continues to be one of the lowest taxed communities in the metro area. There are 32 cities in the metro with a population between 25,000 and 100,000 based on the most Met Council population estimates. The below chart provides 2022 city property taxes calculated for those cities using the League of MN Cities property tax calculator.

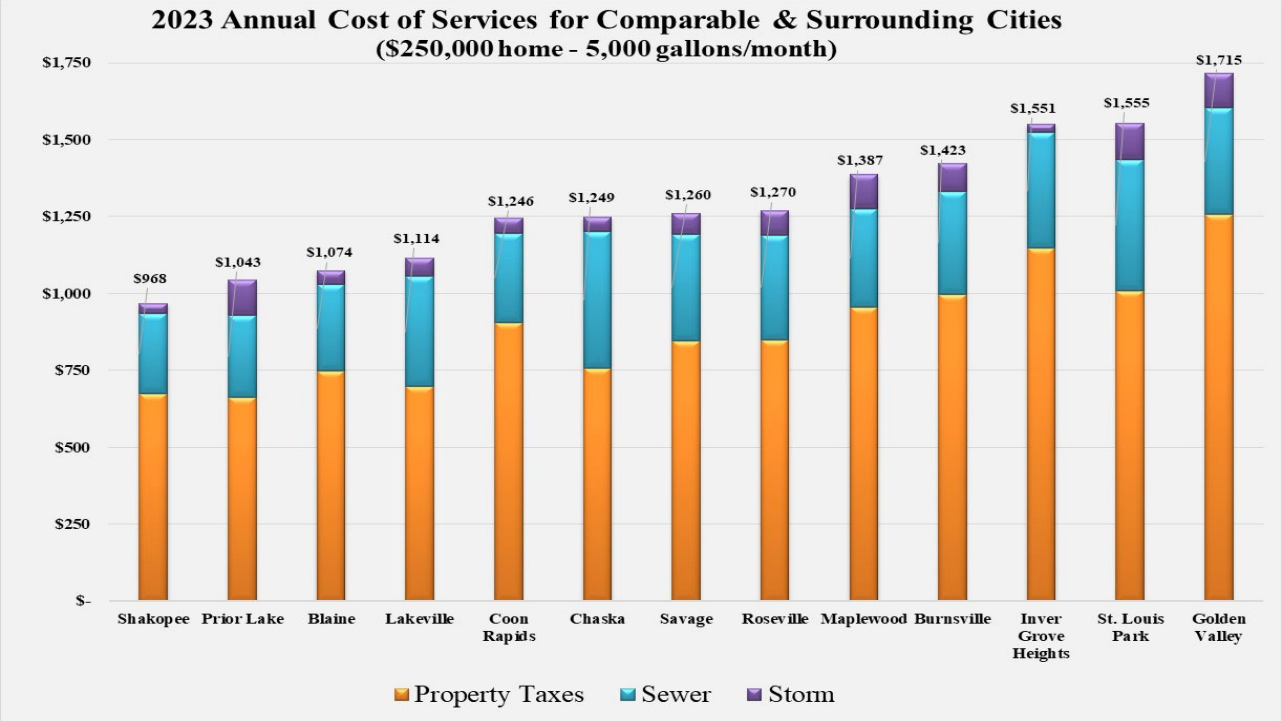


Enterprise Funds

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 surface water charge is based on acreage with residential paying a monthly charge equivalent to 1/3 of an acre. Staff anticipates proposing rate increases for each fund to keep pace with operational costs and maintain the current balances of those funds. The rate increase will be in the range of one to three percent. For a typical residential user, this would amount to approximately $5 annually for sewer charges and $1 in surface water charges.

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 2023 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

Date	Who	What
April 18, 2023	Council/Staff	Review Long-term Financial Plan
June 27, 2023	Staff/Public	Public Input Meeting
August 2, 2023	Council/Staff	Review Preliminary Capital Improvement Plan (CIP)
August 15, 2023	Council/Staff	Review proposed levy, initiatives, and requests
September 19, 2023	Council	Adopt proposed maximum tax levy for City and EDA.
September 30, 2023	Staff	Certify maximum tax levy to the County which will be used for proposed property tax notices
October 3, 2023	Council	Adopt final 2024-2028 CIP
Mid-November	County	Proposed tax notices sent to owners
December 5, 2023	Council	Hold public meeting to discuss levy and budget. Review and approve utility rates for 2024.
December 19, 2023	Council	Adopt final tax levy and budget
December 31, 2023	Staff	Certify final tax levy and budget to County and State