

Message from City Administrator Mark McNeill

March 20, 2009

The City of Shakopee like virtually every other public or private business has been affected by the current recession. Relatively speaking, Shakopee is in better shape than many of our Minnesota city counterparts. Even during the boom development period of the mid-1990s up until a couple of years ago, Shakopee was conservative in extending public infrastructure and how that was to be financed.

In addition, Shakopee has not received Local Government Aid (LGA) since 2003, nor did it count on receiving another state payment known as Market Value Homestead Credit, which has also been eliminated by the state because of its budget situation. Therefore, we will not have to make budget cuts to accommodate the reductions that many other cities and counties are having to make.

Probably the most significant issue for the City this year, and in the foreseeable future, will be the impact of declining property values. You should have recently received your property valuation notice for taxes payable in 2010.

In the vast majority of cases, property values for non-commercial properties have gone down. Citywide, it was by a total of 7.5 percent for residential properties. Commercial and industrial property values held up relatively well—increasing by a total of 3.71 percent. Overall, it means that the total market value for the City decreased by 5.16 percent. If the tax rate stays the same, this by itself creates a gap of about \$700,000 for 2010.

However, this is only half of the formula by which taxes are determined, and it does not necessarily mean that your taxes will go down proportionately as a result.

The other part of the formula--how much the City of Shakopee, Scott County, and the Shakopee School district will spend--is the other component to factor in. Those expenditures will be determined by choices that the City Council and the other governmental boards will make later this summer.

Right now, however, given very conservative estimates with typical spending requirements that are built into this year's budget, the gap increases to a range of between \$1.05 to \$1.4 million in a budget of \$18.6 million, assuming no change in the tax rate.

City staff and the City Council began preparing for the 2010 budget in January of this year, several months in advance of when that would normally start. Funding will not permit all of the previous services to continue at the same level. The City Council will be identifying those services that will need to be lesser priorities and, therefore, may be cut. We will continue to look for the most cost effective ways of providing services. We want to make certain that the City will be able to provide for the highest priority services.

The City has also applied for portions of the nearly \$787 billion in federal stimulus monies, which were approved for expenditures by Congress in March. The City applied for approximately \$4.8 million, which would be used for asphalt street overlays and to construct two pedestrian bridges over US 169. There was some debate by the City Council as to whether those projects would otherwise be the city's highest priorities. However, because the federal government desires to get monies moving as quickly as possible into the economy, the stimulus package gives first priority to what are called "shovel ready" projects.

The City is also applying for stimulus funding for two police patrol positions, which were previously cut from the budget.

However, from Shakopee's standpoint, probably the biggest direct impact from the federal stimulus money is the money that went to the state of Minnesota. In December 2008, the state's projected deficit was \$4.8 billion. The expectations in February were that because of the continued problems with the economy that the state's deficit would grow to more than \$6 billion. But because of the infusion of stimulus money, the state's projected deficit has been reduced slightly, to \$4.6 billion.

Because the state has often looked to cities and counties to fund some of their recent budget shortfalls, we are more optimistic that previous state reductions will not get worse, thus allowing Shakopee to deal with its projected City shortfall on its own. We will not know for certain how Shakopee and other cities will fare until the State Legislature takes final action later this spring.

Throughout this year, the City will update this "Budget Corner" web page with the latest information on Shakopee's budget. Please check back regularly.

If you have questions that I might be able to answer, please email me at budget@ci.shakopee.mn.us.