

**2009**

**ANNUAL BUDGET**



**FOR THE CITY OF  
SHAKOPEE, MINNESOTA**

**City of Shakopee**  
**Scott County**  
**Minnesota**

**2009 Budget**

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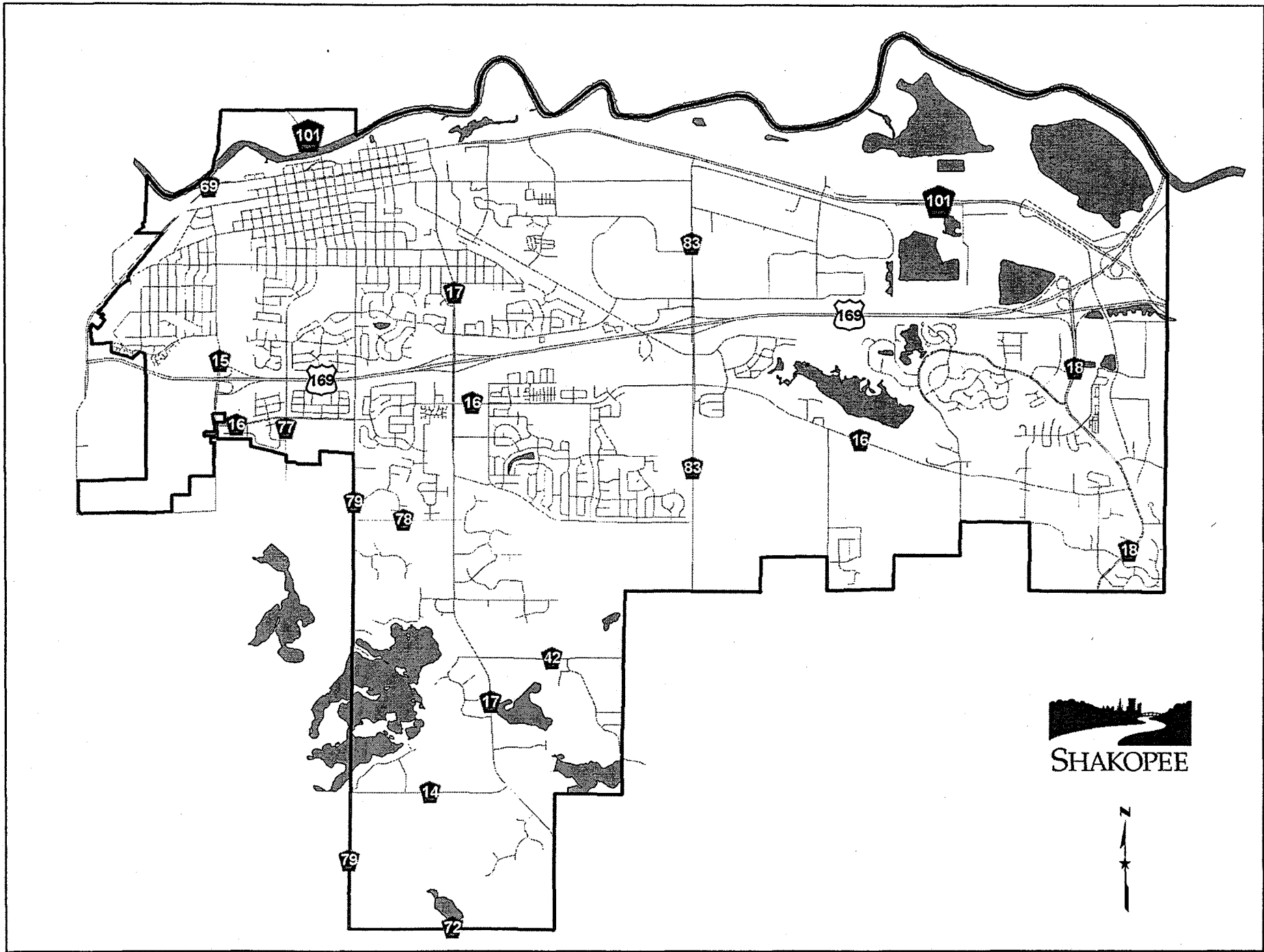
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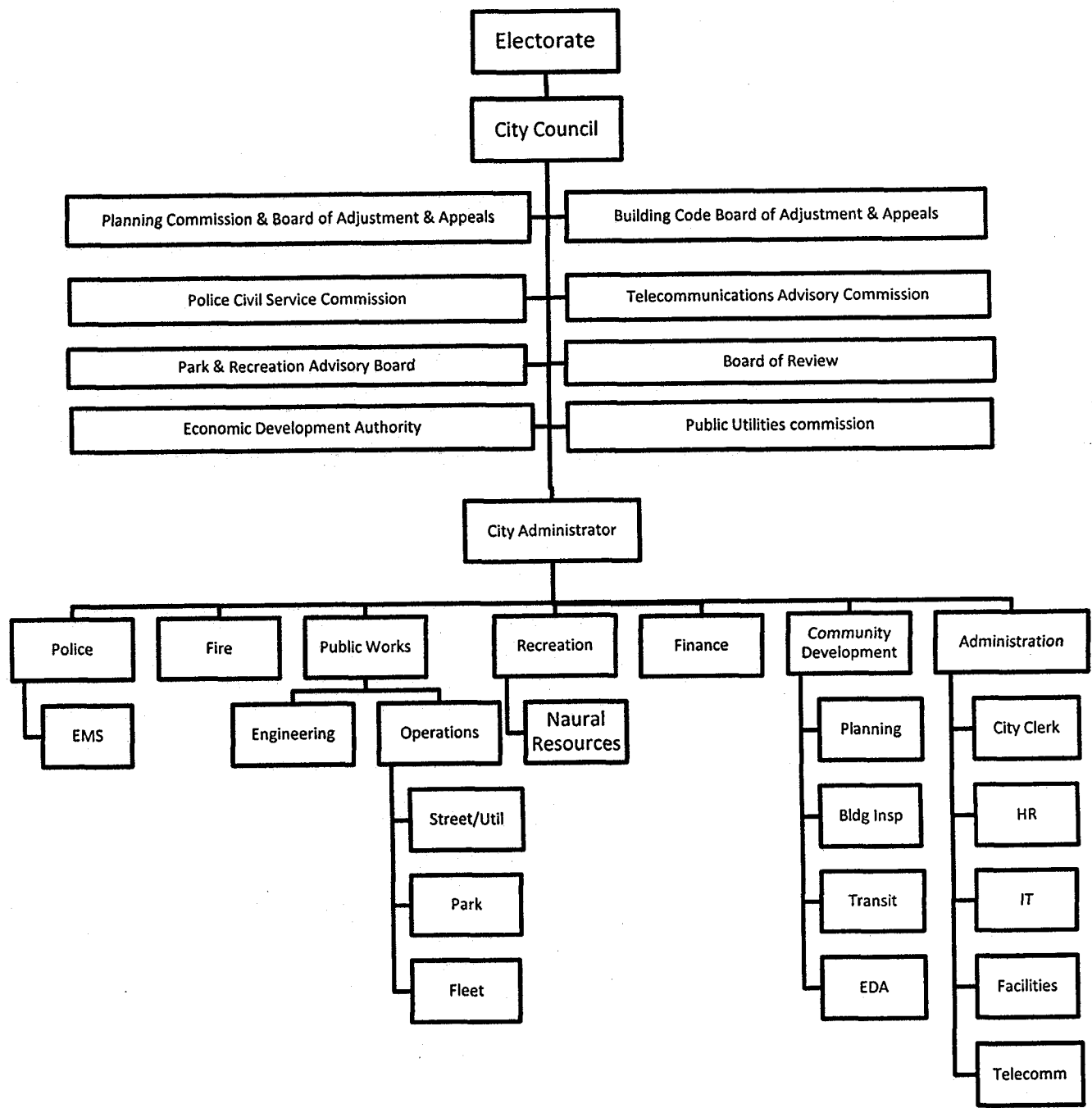
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## *Shakopee Mission Statement*

*The Mission of the City of Shakopee is to provide the opportunity to live, work and play in a community with a proud past, promising future, and small-town atmosphere within a metropolitan setting.*





## Profile of the Government

The City of Shakopee was incorporated for the second time in 1870 and is located about 25 miles southwest of Minneapolis. Bounded by the Minnesota River on the north, Shakopee is in the northern part of Scott County and is the county seat. The City is one of the most rapidly growing communities of the state. The 2000 population of the City was 20,568 and the land area covered is approximately 30 square miles. For 2007, the estimated population is about 34,000. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically.

Shakopee is organized in Minnesota under Plan A, which includes a City Administrator, but the City Council retains most decision making authority such as policy setting, adopting ordinances, budget adoption and staffing. The City Council has four members who serve staggered terms of four years plus the Mayor who serves a two-year term. All council positions are non-partisan, part-time and members are elected at large.

The City provides the normal municipal services such as police and fire protection, street and infrastructure construction and maintenance, parks and recreation, planning and zoning. Also provided are electrical distribution, water, sewer and storm drainage utilities, organized refuse collection and recycling, and some transit services. Electric and water utilities are operated by Shakopee Public Utilities Commission which is appointed by the City Council. Housing, economic development and redevelopment are controlled by the Shakopee Economic Development Authority. The Authority is comprised of City Council members and is included as an integral part of the City's budget.

Date of Incorporation	1870
Form of Government	Council/Mayor
Fiscal Year	Calendar
Area of City	33 Square Miles
Population	34,360
Median Value of Home	254,100
Total Market Value	3,790,049,500
Miles of Roadway	154
Fire Stations	2
Number of Employees	3
Paid on Call	50
Police Stations	1
Sworn Officers	47
Civilian Employees	8

# **City Officials**

## **Elected**

**Mayor**  
**Councilor**  
**Councilor**  
**Councilor**  
**Councilor**

**John Schmitt**  
**Steven Clay**  
**Patrick Heitzman**  
**Matthew Lehman**  
**Terry Joos**

## **Appointed**

**City Administrator**  
**Assistant Administrator**  
**Finance Director**  
**City Clerk**  
**Police Chief**  
**Fire Chief**  
**Public Works Director**  
**Recreation Director**  
**Community Development Director**

**Mark McNeill**  
**Kris Wilson**  
**Gregg Voxland**  
**Judith Cox**  
**Dan Hughes**  
**Rick Coleman**  
**Bruce Loney**  
**Jamie Polley**  
**R. Michael Leek**

<b>Recreation</b>	
Park Ares (acres)	1,015
Number of Parks/Playgrounds	61
Municipal Pool	1
Ice Arena	1
<b>Employees</b>	
Full Time	133
Part Time	76

## CITY OF SHAKOPEE

TO: Mayor and City Council  
Shakopee Residents and Taxpayers

FROM: Mark McNeill, City Administrator

SUBJECT: City of Shakopee FY 09 Operating Budget

DATE: December, 2008

### **INTRODUCTION:**

Attached is the budget for the City of Shakopee for fiscal year 2009.

### **BACKGROUND:**

The adoption of the budget for a fiscal year is the culmination of several months of work by the elected officials and staff on behalf of the residents of Shakopee. This budget establishes the priorities for the upcoming year for levels of service. It is the product of factors relating quality of life, and rates of taxation and other charges for service for residents, property owners, and visitors.

The budget consists of the general operating fund revenues and expenditures, which comprise the first portion of this document. Following are special revenue, debt service, capital projects, enterprise and internal service funds.

The other major component of this budget document is the five year capital improvement plan. This identifies non-equipment expenditures of greater than \$20,000, for the years FY 09 through FY 13. For a City such as Shakopee that has experienced a high rate of growth, the CIP is an important planning document, in addition to being a budgetary tool.

However, the CIP and whole budget process were destined to be different in preparation for 2009. The residential housing market continues in a slump, which affects both demand for services and budgetary needs. In addition, earlier in 2008, the Minnesota Legislature imposed a cap on operating property tax levies of 3.9% plus a growth factor for each of the next three years. This does not impact the City of Shakopee for 2009. The budget process started earlier than normal, and discussions were held regarding the prioritization of City services.

Workshops were held to review departmental requests in July and August; on September 2<sup>nd</sup>, a preliminary budget was approved, showing a tax levy increase of 5.4% (which includes items outside of the levy cap set by the Legislature).

On November 5<sup>th</sup> the City Council held a review of the preliminary budget to ensure that items being considered at the Truth in Taxation hearing on December 1<sup>st</sup> are still valid, in view of financial market uncertainties experienced since the preliminary budget was set.

**Property Taxes**

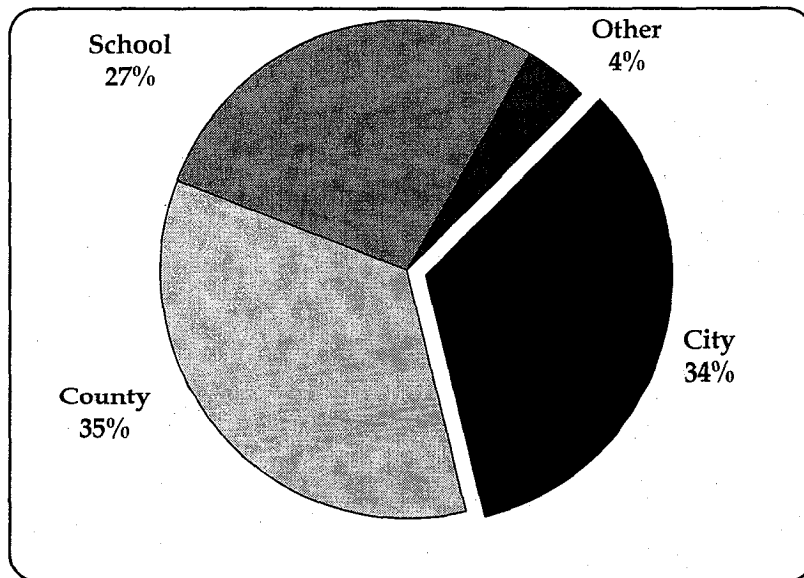
On September 2<sup>nd</sup>, a preliminary tax levy and budget for FY 09 were set by the City Council. The rate of taxation for the upcoming fiscal year was estimated to be slightly higher than FY 08. When combined with residential property valuation decreases, Shakopee residential property would see a decrease of about 2% on the average value home. This is an average – if property received a more or less than average valuation change, your property tax bill for the City could be different.

Property taxes comprise 72% of estimated General Fund revenues, with the balance of funding coming from licenses and permits, intergovernmental revenues, service charges, and other miscellaneous sources. From a property tax levy standpoint, the General Fund levy is a 4.7% increase over FY08. The total levy is a 5.4% increase over FY08.

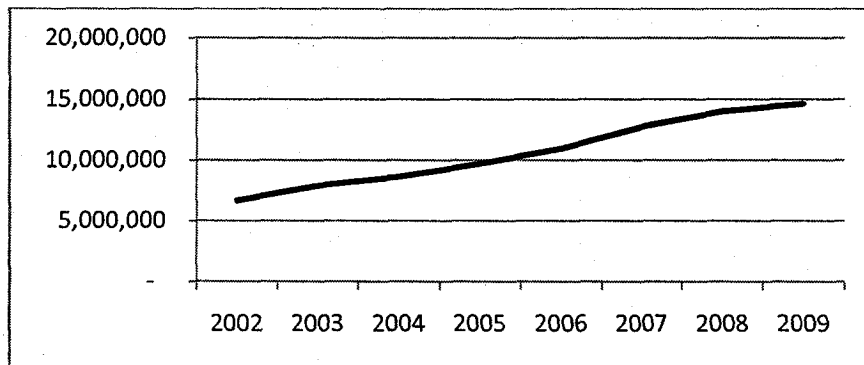
**Tax Levy (fiscal year):**

<u>Year</u>	<u>Debt</u>	<u>Operations</u>	<u>Total</u>	<u>Per Capita</u>
2004	600,041	8,025,654	8,625,695	345
2005	636,036	9,067,169	9,703,205	336
2006	933,006	10,018,911	10,951,917	353
2007	1,073,752	11,671,697	12,745,449	388
2008	1,101,007	13,121,000	14,222,007	419
2009	1,251,677	13,732,000	14,983,677	436

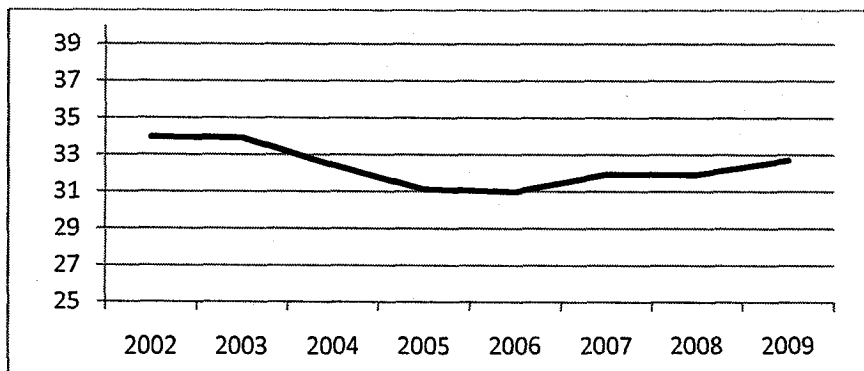
**City Share of property tax.**



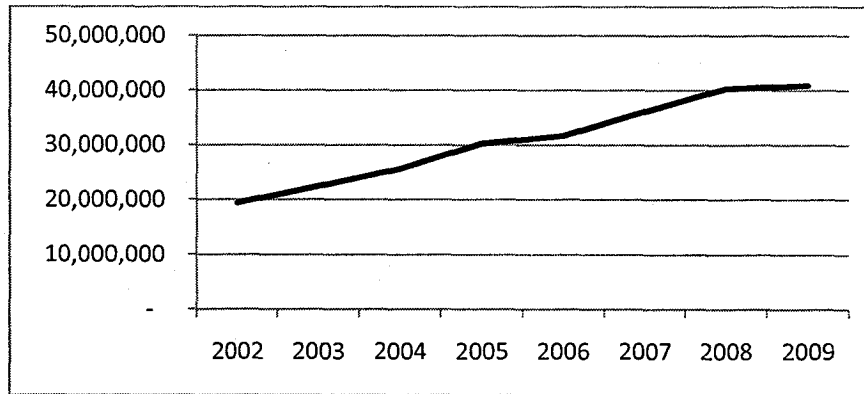
**Tax Levy**



**Tax Rate**



## Net taxable Tax Capacity



## Government Wide Budget (without SPUC)

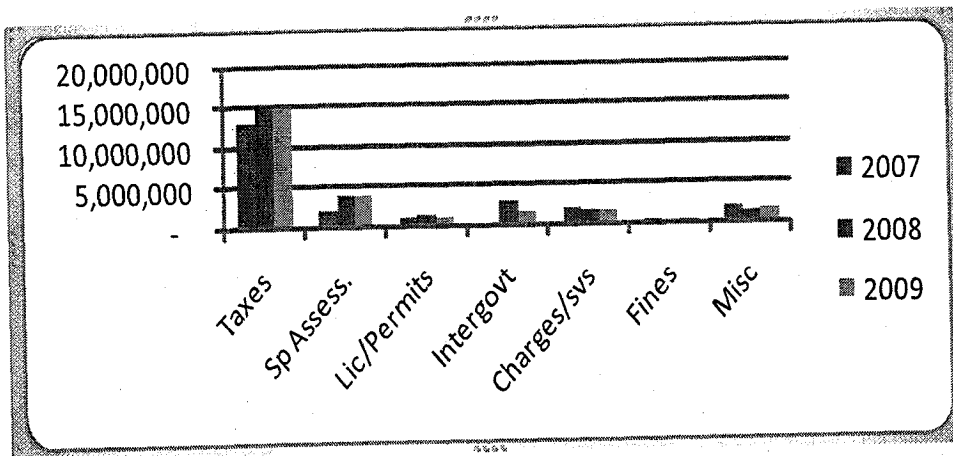
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Internal Svcs Funds	Total
<b>Revenues</b>						
Taxes	\$13,297,310	\$80,000	\$998,500	\$748,000	\$0	\$15,123,810
Special Assessments	2,000		1,165,000	3,187,000		4,354,000
Licenses And Permits	683,300	328,000		350,000		1,361,300
Intergovernmental						
Federal	5,000					5,000
State	539,000	1,025,000		391,900		1,955,900
Local	90,000					90,000
Charges For Service	886,600	1,082,600			5,859,130	1,969,200
Fines And Forfeits	510,000					510,000
Miscellaneous Revenue	51,300	43,000		780,900	1,776,910	875,200
Interest Earnings	400,000	121,000	298,600	310,590		1,130,190
<b>TOTAL Revenue</b>	<b>16,464,510</b>	<b>2,679,600</b>	<b>2,462,100</b>	<b>5,768,390</b>	<b>7,636,040</b>	<b>27,374,600</b>
<b>Expenditures</b>						
General Government	3,483,660	342,350				3,826,010
Public Safety	8,993,320					8,993,320
Public Works	2,762,950	1,173,500		5,865,000	6,613,200	9,801,450
Recreation	1,965,200	2,331,760		585,000		4,881,960
Debt Service			3,560,100			3,560,100
Miscellaneous	150,000					150,000
<b>Total Expenditures</b>	<b>17,355,130</b>	<b>3,847,610</b>	<b>3,560,100</b>	<b>6,450,000</b>	<b>6,613,200</b>	<b>31,212,840</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(890,620)</b>	<b>(1,168,010)</b>	<b>(1,098,000)</b>	<b>(681,610)</b>	<b>1,022,840</b>	<b>(3,838,240)</b>
<b>Other Financing Sources And (Uses)</b>						
Interfund Loan				(462,000)		(462,000)
Interfund Transfers In	2,019,900	1,236,160	465,500	1,050,000		4,771,560
Interfund Transfers (Out)	(1,236,160)	(136,900)		(740,000)	(570,000)	(2,113,060)
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>(\$106,880)</b>	<b>(\$68,750)</b>	<b>(\$632,500)</b>	<b>(\$833,610)</b>	<b>\$452,840</b>	<b>(\$1,641,740)</b>
<b>Property Tax Levy Required to Support This Budget</b>	<b>\$13,905,115</b>	<b>\$80,000</b>	<b>\$998,562</b>	<b>\$0</b>	<b>\$0</b>	<b>\$14,983,677</b>

## Revenues

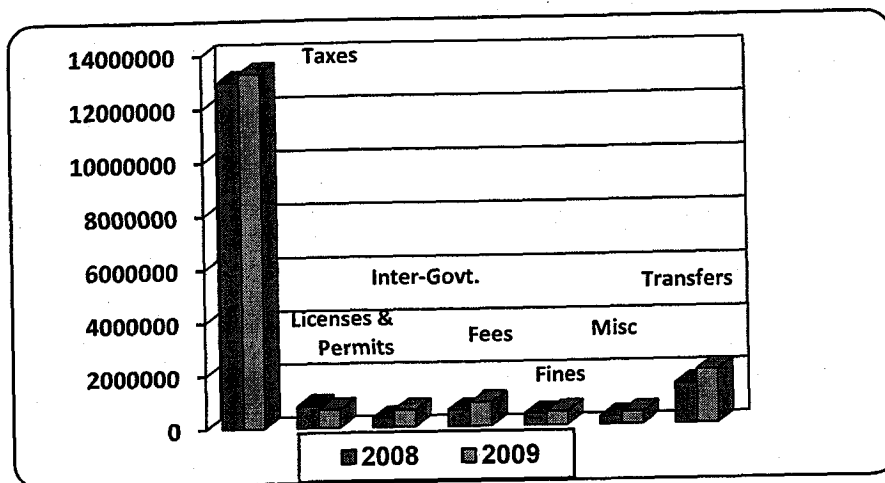
Property taxes are the major source of revenue for the city. User charges are the second biggest source of revenue and include utility bills for the sanitary sewer and storm drainage

funds and recreation fees. Other sources include licenses and permits, state aids, fines and forfeits and interest on investments.

### Governmental Funds



### General Fund Revenue



## EXPENDITURE CHANGES:

Overall, the major changes for 2009 are as follows:

- Inflationary cost increases, including a 3% cost of living adjustment for non-contract employees.
- Reduction of 4.75 Full time equivalent staff positions.

The reduction of the 4.75 FTE's are in the following positions:

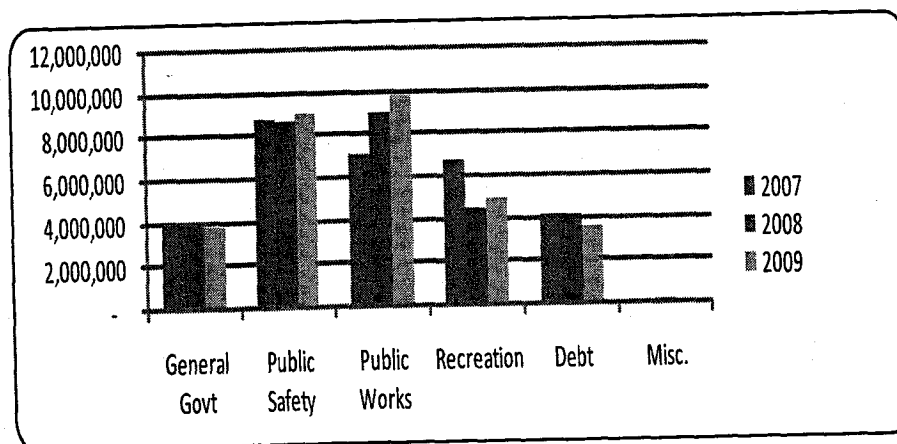
- 1.0 Building Inspector
- 2.0 Police officer positions (budgeted in 2008 but not filled)
- .75 Police Records Specialist
- 1.0 Landscape Designer

The City will continue to monitor staffing levels and demand throughout FY 09, to be certain that staffing levels are commensurate with demands.

Previous councils have counted on "under spending" the budget as a way of reducing the tax levy. The current council is not counting on any under spend and budgeting by departments has been tightened up as a result.

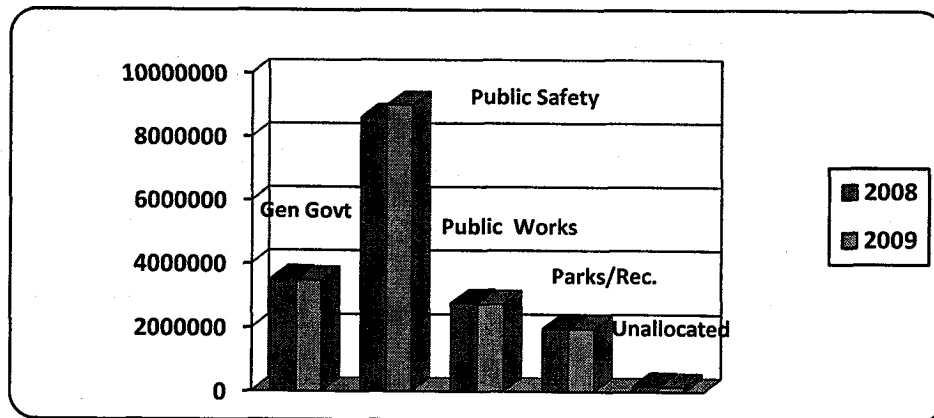
## EXPENDITURE BREAKDOWN:

### Governmental Funds

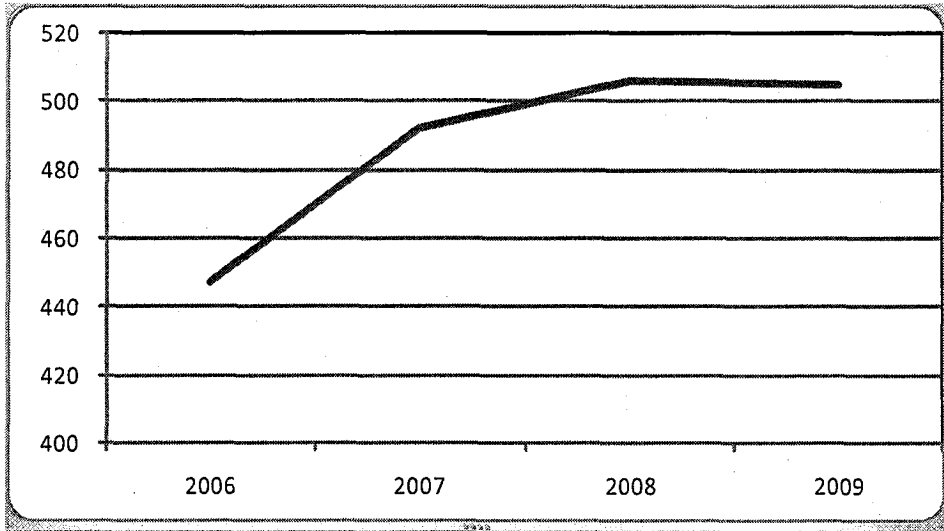


The General Fund operating budget to be adopted by the City Council in December totals \$17,334,100, an increase of 2% over the 2008 original adopted budget of \$17,049,460. The performance centers/divisions for 2008 and 2009 are as follows:

DIVISION	2008 Budget	2009 Budget
MAYOR & COUNCIL	\$ 177,190	\$ 165,700
CITY ADMINISTRATOR	516,670	553,930
CITY CLERK	364,540	310,200
FINANCE	770,090	819,090
LEGAL COUNSEL	533,500	533,500
COMMUNITY DEVELOPMENT	546,670	505,820
GENERAL GOVERNMENT BLDGS	296,470	236,250
INFORMATION TECHNOLOGY	312,020	359,170
POLICE DEPARTMENT	5,851,840	6,257,710
FIRE DEPARMENT	1,925,730	1,986,480
INSPECTION-BLDG-PLMBG-HTG	820,540	749,130
ENGINEERING	786,220	758,300
STREET MAINTENANCE	1,890,310	1,901,010
SHOP	94,380	103,640
PARK MAINTENANCE	1,557,550	1,506,000
LIBRARY/CONGREGATE DINING	297,080	323,380
NATURAL RESOURCES	127,660	135,820
UNALLOCATED	181,000	150,000
	<u>\$ 17,049,460</u>	<u>\$ 17,355,130</u>



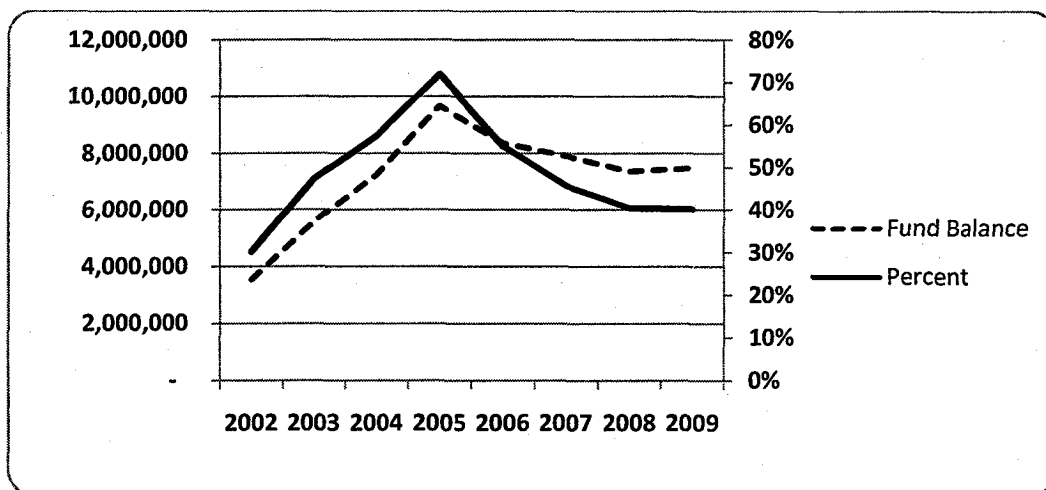
### General Fund Expenditures per Capita



### Fund Balance

The city has a target level of undesignated/unreserved fund balance of 40 to 45 percent of expenditures and transfers out for the General Fund. The purpose is to provide working capital since the major revenue source is received in June and November. It also covers deviations in estimates for other revenue sources and contingency funding. The other funds do not have target levels of fund balance established. The Sewer and Storm Drainage funds have minimum cash levels set at the amount of accumulated depreciation plus three months working capital.

### General Fund Balance



Outstanding debt for Shakopee remains at a moderate level.

**Outstanding Debt** (including SPUC)

<u>Year</u>	<u>Revenue</u>	<u>G.O./Imp</u>	<u>Total</u>	<u>Per Capita</u>
2003	25,215,000	15,550,000	40,765,000	1,633
2004	25,515,000	28,800,000	54,315,000	1,879
2005	24,750,000	24,635,000	49,385,000	1,593
2006	34,535,000	25,020,000	59,555,000	1,816
2007	33,895,000	24,725,000	58,620,000	1,726
2008	33,225,000	23,615,000	56,840,000	1,654

**SUMMARY:**

The provision of services to the residents, businesses, and taxpayers of Shakopee always involves the challenge of balancing the demand for services, with available resources. The slowdown of the residential development market over the preceding months, volatile energy prices and uncertainties in global and local economic markets and changing Shakopee's financial planning and outlook for operations even more. Fy09 will likely see flat or even reduced market values as a result of the housing "correction". This will mean monitoring of the budget throughout the year, and may result in mid-year adjustments to staffing and service levels.

Nonetheless, the City of Shakopee is committed to providing services to its residents, property owners, and other stakeholders with the greatest efficiencies and highest levels possible.

Mark McNeill  
City Administrator

## **Budget Development**

### **Fund Structure**

The financial matters of the City of Shakopee are arranged into groups called funds. Each fund is a separate accounting activity. The funds are;

#### **Governmental Funds using modified accrual accounting:**

General Fund is the main operating fund and accounts for the usual activities of general government, public safety (police and fire), public works (streets) and culture/recreation (library and park maintenance).

Special Revenue Funds are for resources received for specific purposes and include Transit, Telecommunication, Revolving Loan, Recreation programming and Forfeitures.

Debt Service Funds are to account for money dedicated to paying the city's bonded debt.

Capital Project Funds are to account for the larger construction projects in the city. Ongoing funds are the Capital Improvement, Park Reserve and State Aid funds. Other funds exist for the life of the projects financed by that fund.

#### **Proprietary Funds using accrual accounting:**

Enterprise Funds account for business-like activities of the city. There are four enterprise funds. The Electric and Water funds are operated by the Shakopee Public Utilities Commission and make a financial contribution to the General Fund of the City. The City operates the Sewer and Storm Drainage Funds with the utility commission providing billing services for these two funds.

Internal Service Funds account for providing goods or services to various city divisions. These are the Building Fund for major city buildings, Capital Equipment Fund for major pieces of mobile equipment and the Employee Benefit Fund for compensated absences and other post employment benefits (implicit rate subsidy for health insurance benefits).

### **Major Funds**

Major funds are the funds of the city that are larger in terms of assets, liabilities, revenues or expenditures. The General Fund is always a major fund and the four enterprise funds, Electric, Water, Sewer and Storm Drainage are classed as major funds. Individual debt service or capital projects funds may be determined to be major funds for one or more years depending on the activity in that fund.

### **Budget Process**

Scott County assessor sets property values during the previous year. The county sends valuation notices early in the current year for the next year's taxes. In May and June the local Board of Review and County Board of Equalization meet to consider appeals of property values

from owners. June through March – Tax Court petitions must be filed to appeal previous year assessment.

The City's, budget process starts in the spring for the following year. The Five Year Capital Improvement Plan and the Ten Year Capital Equipment List are reviewed and updated. By late June the operating budget materials are distributed to Department Heads.

Management and City Council begin to review budget data in late July and the maximum tax levy is certified to the county auditor by September 15<sup>th</sup>. In mid-November, tax payers receive a notice of the proposed amount of property taxes they would be billed for in the following year. Early in December a public hearing on the budget and tax levy is held and the final tax levy and budget are adopted.

Budgets are legally adopted for the General Fund and the Telecommunication, Transit, and Recreation Special Revenue Funds. The Economic Development Authority is a legally separate entity but is blended in as a special revenue fund because the City Council also serves as the Board for the EDA.

Budgets are legally adopted at the division level for the General Fund and at the Fund level for Special Revenue Funds. Staff may shift budget amounts within divisions but governing body action is needed to change division or fund totals. Budgets are not amended after the close of the fiscal year (December 31<sup>st</sup>). Appropriations lapse at the year's end.

Budgets are prepared but not formally adopted for:

- Debt Service Funds because these are controlled by the bond indentures.
- Capital Projects Funds because these are controlled by specific project authorizations.
- Enterprise Funds because these are flexible budgets based on service needs.
- Internal Service Funds because these are controlled by project authorizations, specific purchase approvals or are dependent on the operating budget.

## **CITY OF SHAKOPEE FINANCIAL MANAGEMENT POLICIES**

The City of Shakopee has an important responsibility to its citizens to plan the adequate funding of services desired by the public, including the provision and maintenance of public facilities, to manage municipal finances and resources wisely, and to carefully account for public funds. The City strives to ensure that it is capable of adequately funding and providing local government services needed by the community. The City will maintain or improve its infrastructure on a systematic basis to maintain quality neighborhoods. These policies provide the framework for fiscal management and guide the decision making process. The policies operate independently of changing circumstances and conditions.

### **Objectives**

1. To protect the Council's policy-making ability by ensuring that important decisions are not controlled by financial problems or emergencies.
2. To enhance the Council's policy-making ability by providing accurate information on the cost of various authority or service levels.
3. To assist sound management of the City government by providing accurate and timely information on financial condition.
4. To provide sound principles to guide the important decisions of the Council and of management which have significant fiscal impact.
5. To set forth operational principals which minimize the cost of local government, to the extent consistent with services desired by the public, and which minimize financial risk.
6. To employ revenue policies and forecasting tools to prevent undue or unbalanced reliance on certain revenues, especially property taxes, which distribute the cost of municipal services fairly, and which provide adequate funds to operate desired programs.
7. To provide essential public facilities and prevent deterioration of the City's infrastructure including its various facilities.
8. To protect and enhance the City's credit rating and prevent default on any municipal debts.
9. Ensure the legal use and protection of all City funds through a good system of financial and accounting controls.
10. Manage risk through loss awareness, loss prevention, loss control and loss financing.

### **Operating Budget Policy**

The operating budget policies ensure that the City's annual operating expenditures are consistent with past expenditures and respond to long-term objectives rather than short-term benefits. The policies allow the City to maintain a stable level of service, expenditures and tax

levies over time. These policies are most critical to programs funded with property tax revenue because accommodating large fluctuations in this revenue source can be difficult.

1. The City will adopt a balanced operating budget for the General Fund with current revenues equal or greater than current expenditures. It is not the policy to finance ongoing operations with one-time revenues or fund balance. One time revenues and fund balance will only be used for one- time expenditures.
2. The City will not budget to accrue future revenues.
3. An objective analytical process will be used to forecast revenues.
4. Opportunities for other revenue sources will be explored to reduce property tax levels.
5. The City will avoid postponing expenditures and provide for the adequate maintenance, replacement and improvement of the City's physical assets in order to protect the capital investment and minimize future maintenance and replacement costs.
6. To protect against unforeseen events, the City will budget a contingency and maintain fund balances according to the City's policies.
7. The City will apportion its administrative and general government costs to all its funds as appropriate and practical.
8. The City staff will monitor revenues and expenditures to adhere to their budgeted amounts. Monthly reports comparing budget with revenues and expenditures will be prepared. Line items within a division may be over spent as long as the total division budget is not over spent.
9. Appropriations will be included in the operating budgets to keep internal service fund resources at an appropriate level.
10. Appropriations lapse at year end.

## **Fund Balance/Equity**

Fund balance is the difference between the assets and liabilities in a governmental fund. A governmental fund generally involves tax support and the focus of accounting is the flow or control of money. The General, Special Revenue, Debt Service and Capital Projects funds are governmental funds.

Fund equity is similar to fund balance but applies to enterprise and internal services fund and has a longer term focus including fixed assets, accumulated depreciation and long term debt.

**General Fund:** City Council has set a fund balance target for the General Fund of 40 to 45 percent of expenditures and transfers out. This amount is for working capital, to provide cash flow between its two semi-annual state aid and tax payments (June and December) and uncertainties in state aid receipts or other revenue sources. Annually the City Council will decide what to do with the General Fund unreserved fund balance that exceeds 45% of expenditures and transfers out.

**Special Revenue Funds:** These funds shall maintain sufficient fund balance to provide for working capital.

**Debt Service Funds:** These funds shall maintain sufficient fund balance to provide for the timely payment of principal, interest and service charges. The Capital Improvement Fund will receive fund balances remaining in any debt service fund once the debt is retired.

**Capital Project Funds:** There are no fund balance requirements for these funds.

**Enterprise Funds:** These funds shall have sufficient equity and liquid assets to provide for three to five months operating costs and to have at least as much as the amount of accumulated depreciation.

**Internal Service Funds:** These funds shall have sufficient equity to smooth out the “peaks and valleys” of major expenditures over the long term and to provide full funding for employee compensated absences and other post employment benefits.

## **REVENUE AND EXPENDITURE POLICY**

The revenue policy is designed to ensure; 1) diversified and stable revenue sources, 2) adequate long-term funding by using specific revenue sources to fund related programs and services, and 3) funding levels to accommodate needed City services and programs equitably.

1. The City will provide long-term financial stability through sound short and long term financial planning. The City will maintain a diversified and stable revenue system in order to avoid short-term fluctuations in a single revenue source.
2. The City will conservatively estimate its annual revenues. All existing and potential revenue sources will be re-examined annually.
3. The City will use one-time or special purpose revenue for capital expenditures or for expenditures required by the revenue, and not to subsidize recurring personnel, operation and maintenance costs.
4. The City will establish all fees and charges at a level related to the cost of providing the services, or as adjusted for particular program goals. The City will review the full cost of activities supported by fees and charges to identify the impact of inflation and other cost increases and will review these fees and charges along with resulting net property tax costs with the Council at budget time.
5. The City will seek a balanced tax base through support of a sound mix of residential, commercial, and industrial development.
6. The City will set enterprise fund fees at a level that fully supports the total direct and indirect cost of the activity (net of any grants or similar revenues), including depreciation of capital assets and debt service, to maintain a positive cash flow and provide adequate working capital. Replacement (or bonding for replacement)

of enterprise infrastructure will be paid for from accumulated (or annual) earnings of the particular fund.

7. The City will offset reduced revenues with reduced expenditures.
8. The City will budget for 98% of the tax levy to allow for delinquencies and adjustments.
9. The City will avoid nuisance charges as a revenue source.
10. Department heads are responsible to monitor their respective budget and control spending so that the budget is not exceeded. Expenditures over \$15,000 will have prior council approval. Any unauthorized expenditure or exceeding the budget shall be a personal obligation of the person incurring the obligation.

## **ACCOUNTING, AUDITING AND FINANCIAL REPORTING POLICY**

The accounting, auditing and financial reporting policy are designed to maintain a system of financial monitoring, control and reporting for all operations and funds in order to provide effective means of ensuring that overall City goals and objectives will be met and to assure the City's residents and investors that the City is well managed and fiscally sound.

1. The City will adhere to a policy of full and open public discourse of all financial activity. The proposed budget will be prepared in a manner to maximize its understanding by citizens and elected officials. Copies of financial documents will be made available to all interested parties. Opportunities will be provided for full citizen participation prior to adopting the budget.
2. The City will maintain its accounting records and report on its financial condition and results of operations in accordance with City, State and Federal law and regulations, and Generally Accepted Accounting Principles (GAAP), and standards established by the Governmental Accounting Standard Board (GASB). Budgetary reporting will be in accordance with City and State budget laws.
3. An independent firm of certified public accountants will annually perform a financial and compliance audit of the City's financial statements. Their opinions will be contained in the City's Comprehensive Annual Financial Report (CAFR).
4. As an additional independent confirmation of the quality of the City's financial reporting, the City will annually seek to obtain the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. The CAFR will be presented in a way designed to communicate with citizens about the financial affairs of the City.

# INVESTMENT POLICY

## I. Scope

This policy applies to the investment portfolio under the authority and control of the Finance Director/City Treasurer of the City of Shakopee. This policy shall be reviewed on an annual basis. Any changes must be approved by the City Council.

## II. General Objectives

The primary objectives, in priority order, on investment activities shall be:

### 1. Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

### 2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in local government investment pools, which offer same-day liquidity for short-term funds.

### 3. Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. Securities should not be sold prior to maturity with the following exceptions:

- a) A security with declining credit may be sold early to minimize the loss of principal.
- b) A security swap would improve the quality, yield, or target duration in the portfolio.
- c) Liquidity needs of the portfolio require that the security be sold.
- d) There is a definite economic benefit to be realized.

### III. Standards of Care

#### 1. Prudence

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations and the sale of securities are carried out in accordance with the terms of this policy.

Investments shall be made with judgment and care, under circumstances then prevailing, for investment, considering the probable safety of their capital as well as the probable income to be derived.

#### 2. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business.

#### 3. Delegation of Authority

Authority and responsibility for the operation of the investment program is hereby delegated to the Finance Director/Treasurer. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The use of an independent third party investment manager is authorized.

#### 4. Investing fees

The General Fund shall be reimbursed from interest earnings for the cost of an investment manager and safe keeping fees.

### IV. Safekeeping and Custody

#### 1. Authorized Financial Dealer and Institution

Security broker/dealers are selected by creditworthiness (minimum capital requirement \$10,000,000 and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following as appropriate:

- Audited financial statements
- Proof of National Association of Securities Dealers (NASD) certification

- Proof of state registration

## 2. Internal Controls

(1) The cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

a. Custodial safekeeping. Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping. All trades where applicable will be executed by delivery vs. payment (DVP). This ensures that securities are deposited with the custodian prior to the release of funds.

b. Clear delegation of authority to subordinate staff members. Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff position and their respective responsibilities.

c. Written confirmation of telephone transactions for investments. Due to the potential of error and improprieties arising from telephone transactions, all telephone transaction should be supported by written communications. Written communications may be via fax or Email.

## V. Suitable and Authorized Investments

### 1. Investment Types

The following investments will be permitted by this policy and are those defined by state law where applicable;

a. U.S. Government obligations, U.S. Government agency obligations, and U.S. Government instrumentality obligations, which have a liquid market with a readily determinable market value. This includes mortgage-backed pass-through securities issued by any U.S. Government agency.

b. Canadian government obligations (payable in local currency).

c. Certificates of deposit and other evidences of deposit at financial institutions, bankers' acceptances, and commercial paper, rated A-1, P-1, F-1 or higher by at least two nationally recognized rating agencies.

d. Investment-grade obligations of state and local governments and public authorities.

e. Repurchase agreements whose underlying purchased securities consist of the foregoing.

f. Money market mutual funds regulated by the Security and Exchange Commission and whose portfolios consist only of dollar-denominated securities.

The purpose of an investment pool is to allow political subdivisions to pool available funds in order to achieve a potentially higher yield. Authorized investment pools are the 4M Fund administered by the League of Minnesota Cities and the "sweep" pool administered by the investment custodian

g. Local government investment pools, either state-administered or through joint powers statutes and other intergovernmental agreement legislation.

Investment in derivatives or high-risk mortgage-backed securities is not authorized.

## 2. Repurchase Agreements

Repurchase agreements shall be consistent with state statutes and GFOA Recommended Practices on Repurchase Agreements.

## VI. Investment Parameters

### Pooling of Funds

Except for cash in certain restricted and special funds, the City of Shakopee will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

### 1. Diversification

The aggregate investment portfolio shall be diversified by:

- Limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities).
- Limiting investment in securities that have higher credit risks.
- Investing in securities with varying maturities.
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.
- All investments other than in direct obligations or agencies of the United States, secured by collateral, or repurchase agreements, shall not exceed fifty percent of the aggregate investment portfolio. Mortgage-backed securities shall not exceed thirty percent of the aggregate investment portfolio, at time of purchase.

- Investment in any one corporation shall not exceed five percent of the aggregate investment portfolio.

## 2. Performance Standards

The Longer-Term Core funds shall be managed in accordance with the parameters specified within this policy and shall be regularly evaluated against a benchmark. The benchmark will be a blend of eighty percent of the Merrill Lynch 1-5 Year U.S. Treasury index and twenty percent of the Merrill Lynch Mortgage, GNMA, All 15 Year index. This benchmark shall, at a minimum, be reviewed every year to ensure consistency with the City of Shakopee's investment policy and risk tolerances.

## 3. Maximum Maturities

To the extent possible, the City of Shakopee shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City of Shakopee will not directly invest in securities maturing more than ten (10) years from the date of purchase. Longer-term funds shall not be invested in securities exceeding 10 years in modified duration, at time of purchase.

## VII. Reporting

The Finance Director shall prepare an investment report at least quarterly. Included in the report shall be the following:

- A listing of individual securities held at the end of the reporting period listed by maturity date.
- The carrying basis, the current calculated accreted basis and the current market value.
- Weighted average yield.
- Total return performance measured against the selected benchmark for the Longer-Term funds.

## VIII. Depositories

Pursuant to Minnesota Statutes, Section 118A.02, the Finance Director is authorized to designate as a depository of city funds such national, insured state banks or thrift institutions as defined in MSA 51A.02, Subdivision 23, as deemed proper.

The Finance Director is authorized by City Council to approve of the arrangements for safekeeping of pledged collateral in accordance with MSA 118A.03. The depository may at its discretion furnish a bond and/or collateral aggregating the required amount. The City will not accept mortgages as collateral.

The City will regularly analyze its cash flow needs of all funds. The City will collect, disburse, and deposit funds on a regular basis. Interest earnings and market value

adjustments will be credited to the source of the invested monies based on the average cash balance.

## **DEBT POLICY**

The debt policy ensures that the City's debt 1) does not weaken the City's financial structure; and 2) provide limits on debt to avoid problems in servicing debt. This policy is critical for maintaining the best possible credit rating.

1. The City will not use long-term debt for current operations.
2. The City will avoid the issuance of short-term debt such as, Budget, Tax and Revenue Anticipation Notes.
3. The City will confine long-term borrowing to capital improvements, equipment or projects that have a life of more than 5 years and cannot be financed from current revenues.
4. The City will use special assessments, revenue bonds, and/or any other available self-liquidating debt measures instead of general obligation bonds where and when possible, applicable and practical.
5. The City will pay back debt within a period not to exceed the expected life of the project.
6. Tax supported debt such as building bonds shall not exceed a term of 20 years unless there are extraordinary reasons.
7. Debt supported by special assessments shall have a term of 10 years or less depending on the size of the assessments.
8. Special assessments financed internally will bear 8% interest.
9. The City will not exceed 3 percent of the market value of taxable property for pure general obligation debt per state statutes.
10. The City will maintain good communications with bond rating agencies about its financial condition and will follow a policy of full disclosure in every financial report and bond prospectus. The City will comply with Securities Exchange Commission (SEC) reporting requirements.
11. The City will follow a policy of full disclosure on financial reports and bond prospectus.
12. The City may refinance or call any debt issue when beneficial for future savings.
13. Inter-fund loans will not exceed two years duration and interest earning on the investment portfolio will determine the interest rate to be paid to the lending fund.
14. Business/development subsidy financing will be based on pay as you go financing to the greatest extent possible.

## **Capital Items**

Fixed asset capitalization threshold is \$5,000 and a life of more than one year. Items such as lengths of fire hose and firefighter's turn out gear or non-major software are not capitalized. Significant software that the city uses is not purchased outright. Items purchased in lots where the individual items are less than \$5,000 are not capitalized. For infrastructure or buildings, repairs/additions of less than \$20,000 or not materially improving or extending the life of the assets are not capitalized.

Developer contributions of infrastructure items shall have 15% added to the estimated construction cost for indirect costs.

## **CAPITAL EQUIPMENT POLICY**

The purpose of the City's capital equipment program is to plan for the replacement of obsolete equipment and the purchase of new items without needing significant changes in the tax levy.

1. The City will plan for the purchase of any vehicles and mobile equipment costing over \$20,000 and a life of 1 year or more as part of the City's ten-year capital equipment program.
2. The City will plan the capital equipment program and revenues to assure that funds remain in the capital equipment fund to accrue interest.
3. The City will anticipate equipment replacements and additions based on realistic asset life expectancies and cash balances.
4. The City will project any future operating costs of purchases into the upcoming operating budgets. For example, the addition of park equipment might require more maintenance expenditures in future years.
5. The City will maintain its assets to protect its capital investment and to minimize future capital expenditures.
6. The City will use the least expensive financing method for all capital equipment purchases including multiple cost estimates and bids when appropriate and required by law.

## **CAPITAL IMPROVEMENT PROGRAM POLICY**

The purpose of the capital improvement policy is to plan for the construction, replacement and maintenance of the City's infrastructure with as little impact to City funds as possible.

1. The City will develop a 5 year plan for capital improvements and update it annually.
2. The City will identify the estimated cost and potential funding sources for each capital project.

3. The City will coordinate development of the capital improvement budget with the development of the operating budget. Future operating costs associated with new capital improvements will be projected and included in the operating budget.
4. The City will use inter-governmental assistance to finance those capital improvements that are consistent with the capital improvement plan and City priorities.
5. The City will maintain all its assets at a level adequate to protect the City's and its citizens' capital investment and to minimize future maintenance and replacement costs.
6. Federal, State and other intergovernmental and private funding sources of a special revenue nature shall be sought out and used as available to assist in financing capital improvements.

## **RISK MANAGEMENT POLICY**

The risk management policy assures proper insurance coverage of City assets while minimizing risk and cost.

1. Insurance policies will be analyzed regularly to assure proper coverage on City assets.
2. The City will maintain the highest deductible amount considered prudent in light of the relationship between the cost of insurance, the estimated deductible to be paid and the City's ability to sustain the loss.
3. The City will insure that contractors, license holders and parties using city facilities have appropriate insurance to protect the City.

## **2009 Budget Impacts**

### **Service levels**

Service levels for 2009 are expected to be mostly the same as 2008 with the exception of the Police Department which will have the same sworn officer staffing level as 2007. This may result in delays in response to calls for service and reduced patrol and traffic enforcement as well as reduced effort in some specific areas. Additionally, due to efficiencies and attrition, a ¾ time support position has been eliminated.

Building Inspection division has one less Building Inspector for 2009 due to attrition which is not anticipated to impact service levels. The Landscape Designer position in the Recreation Fund has been eliminated due to attrition and lack of development.

In the Transit Fund, consultant services are reduced and an existing Planner is expected to spend half time working on transit issues instead.

### **Property Tax Impact**

There is continued decrease in grant and development related revenues. The growth in tax capacity is estimated to be about 2.5% due to commercial and agricultural values. In order to supplement revenues, City Council has decided to use \$100,000 from cable franchise fees and \$215,000 from state aid road maintenance in the General Fund instead of placing those monies in the Telecommunications and State Aid Funds respectively.

City Council set the pay 2009 property tax levy at 5.4% more than pay 2008. Average residential values decreased about 4.5% and tax impact is about a 2% reduction.

The projects in the Capital Improvement Plan for 2009 are expected to have minimal impact on the operating budget. Some projects will increase costs while others will reduce costs such as the street overlay and reconstruction.

<b>Employees by Function</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Governmental Funds</b>				
<b>General Government</b>				
Administration				
City Administrator	1	1	1	1
Assistant Administrator	1	1	1	1
HR Technician	1	1	1	1
Secretary	1	1	.75	.75
Communications Coordinator		.5	.5	.5
Telecomm Coordinator	1	1	1	1
City Clerk				
City Clerk	1	1	1	1
Deputy Clerk	1	1	1	1
Record Clerk	1	1	1	1
Receptionist	1	1.1	1.1	1.1
Finance				
Finance Director	1	1	1	1
Senior Accounting Clerk	1	1	1	1
Accounting Clerk II	1	1	1	1
Planning				
Community Dev. Director	1	1	1	1
Planner II	1	2	2	2
Planner I	2	1	1	1
Secretary	1	1	1	1
Facilities				
Facilities Supervisor	1	1	1	1
Maintenance	1	1	1	2
Custodian	3	3	3	4
Information Technology				
IT Coordinator	1	1	1	1
IT Specialist	1	1	1	1
<b>Public Safety</b>				
Police				
Police Chief	1	1	1	1
Captain		2	2	2
Sergeant	8	8	8	8
Detective	2	3	4	4
School Resource	2	2	2	2
Patrol Officer	35	33	34	32
Secretary	1	1	1	1
CSO	3.25	3	3	3
Records Supervisor		1	1	1

<b>Employees by Function</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Records Specialist	2.75	2.75	2.75	2
Records Technician	2	2	2	2
<b>Fire</b>				
Fire Chief			1	1
Fire Inspector/Marshal				1
Office Service Worker		1	1	1
<b>Building Inspection</b>				
Building Official	1	1	1	1
Inspector	4	4	4	3
Fire Inspector	1	1	1	
Secretary	1	1	1	1
Office Service Worker	1			
<b>Public Works</b>				
<b>Engineering</b>				
Public Works Director	1	1	1	1
Assistant City Engineer	1	1	1	1
Project Engineer	1	1	1	1
Graduate Engineer		1	1	1
Project Coordinator	1			
Technician IV	2	2	1	1
Technician III	1	2	1	1
Technician II	1	1		
GIS Technician		1	1	1
Secretary	.9	.9	.9	.9
<b>Street</b>				
PW Superintendant	1	1	1	1
Street/Util. Supervisor	1	1	1	1
Engineering Tech IV			1	1
Maintenance Operator	9	10	10	6
<b>Fleet</b>				
Mechanic	2	2	2	2
Mechanic Apprentice	1	1	1	1
Secretary	1	1	1	1
<b>Culture and Recreation</b>				
<b>Park Maintenance</b>				
Park Supervisor	1	1	1	1
Maintenance Operator	6	7	7	7
<b>Library</b>				
<b>Natural Resources</b>				
Natural Res Specialist	1	1	1	1

<u>Employees by Function</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Recreation				
Recreation Director	1	1	1	1
Recreation Supervisor	4	4	4	4
Secretary	1	1	1	1
Customer Service Rep.	1	1	1	1
Landscape Designer	1	1	1	
Maintenance	1	1	1	
Custodian	1	1	1	
EDA Fund				
EDA Coordinator		1		
Enterprise Funds				
Sewer Fund				
Maintenance Operator				2
Storm Drainage Fund				
Maintenance Operator				2
<b>Total</b>	<b>129.9</b>	<b>137.25</b>	<b>138</b>	<b>133.25</b>

RESOLUTION NO. 2008-1

A RESOLUTION SETTING THE TAX LEVY FOR 2008/09 BY  
THE ECONOMIC DEVELOPMENT AUTHORITY FOR THE  
CITY OF SHAKOPEE AND ADOPTING THE 2009 BUDGET

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WHEREAS, the Economic Development Authority (EDA) in and for the City of Shakopee was created pursuant to Minnesota Statutes, Section 469.051 et seq., as amended, and

WHEREAS, Section 469.107 states that for economic development purposes, the governing body of the municipality may levy a tax at the request of the EDA, and Section 469.033 states that for redevelopment purposes, the EDA may levy a tax with the consent of the governing municipality, and

WHEREAS, the By-Laws of the EDA for the City of Shakopee provides that a budget be prepared on an annual basis,

NOW, THEREFORE, BE IT RESOLVED BY THE ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF SHAKOPEE, MINNESOTA, that the EDA hereby requests the City Council of the City of Shakopee to levy a special tax of \$60,000 pursuant to MSA 469.107 to be collected in 2009 for the EDA by the City of Shakopee.

BE IT FURTHER RESOLVED, that the EDA levies a special tax of \$20,000 pursuant to MSA 469.033 to be collected in 2009 by the EDA and hereby requests the City Council of the City of Shakopee to consent to such levy.

BE IT FURTHER RESOLVED, that the attached 2009 General Fund Budget be approved with total appropriations in the amount of \$116,680.

Adopted in \_\_\_\_\_ session of the Shakopee Economic Development Authority for the City of Shakopee, Minnesota held this \_\_\_\_\_ day of September, 2008.

\_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
Executive Director

RESOLUTION NO. 6801

A RESOLUTION LEVYING A TAX AT THE REQUEST  
OF, AND CONSENTING TO THE LEVY OF A TAX BY,  
THE ECONOMIC DEVELOPMENT AUTHORITY  
FOR THE CITY OF SHAKOPEE

---

WHEREAS, the Economic Development Authority for the City of Shakopee was created pursuant to Minnesota Statutes, Section 469.091 et. seq., as amended, and

WHEREAS, Section 469.107 states the governing body of the municipality may levy a tax at the request of the Authority, and

WHEREAS, Section 469.033 states that for redevelopment purposes, the Economic Development Authority may levy a tax with the consent of the governing municipality,

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SHAKOPEE, MINNESOTA, that the City Council levies a special tax of \$60,000 pursuant to MSA 469.107 to be collected in 2009 for the Economic Development Authority by the City of Shakopee.

BE IT FURTHER RESOLVED that the City Council of the City of Shakopee consents to a special tax levy of \$20,000 pursuant to MSA 469.033 to be collected in 2009 by the Economic Development Authority.

Adopted in \_\_\_\_\_ session of the City Council of the City of Shakopee, Minnesota held this \_\_\_\_\_ day of September, 2008.

\_\_\_\_\_  
Mayor of the City of Shakopee

ATTEST:

\_\_\_\_\_  
City Clerk

RESOLUTION NO. 6802

A RESOLUTION SETTING PROPOSED MAXIMUM 2008 TAX LEVY,  
COLLECTIBLE IN 2009

---

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SHAKOPEE, COUNTY OF SCOTT, MINNESOTA, that the following amounts be levied as the proposed maximum tax levy in accordance with existing law for the current year upon the taxable property in the City of Shakopee;

General Levy	\$14,657,438
Plus Economic Development Authority	60,000
Debt Service - Fire Referendum (Market Value)	246,239

BE IT FURTHER RESOLVED, that the proposed expenditures for the Governmental Funds Budget for 2009 is \$31,188,200.

BE IT FURTHER RESOLVED, that the City Clerk is hereby instructed to transmit a certified copy to this resolution to the County Auditor of Scott County, Minnesota.

Adopted in \_\_\_\_\_ session of the City Council of the City of Shakopee, Minnesota held this \_\_\_\_\_ day of September, 2008.

\_\_\_\_\_  
Mayor of the City of Shakopee

ATTEST:

\_\_\_\_\_  
City Clerk

RESOLUTION NO. 6803

A RESOLUTION CANCELING DEBT SERVICE LEVY FOR 2008/09

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SHAKOPEE, COUNTY OF SCOTT, MINNESOTA, that the following debt service levies are canceled:

2004D Capital Improvement Bonds	\$465,497
2007B GO Improvement Bonds	93,945
2008A GO Improvement Bonds	159,323

BE IT FURTHER RESOLVED that the following irrevocable transfer be made from the Internal Service Building Fund to the respective debt service fund in 2008:

2004D Capital Improvement Bonds	\$465,497
---------------------------------	-----------

BE IT FURTHER RESOLVED that the following irrevocable transfer be made from the General Fund to the respective debt service fund in 2008:

2007B GO Improvement Bonds	\$ 93,945
2008A GO Improvement Bonds	159,323

BE IT FURTHER RESOLVED, that the City Clerk is hereby instructed to transmit a certified copy to this resolution to the County Auditor of Scott County, Minnesota.

Adopted in \_\_\_\_\_ session of the City Council of the City of Shakopee, Minnesota held this \_\_\_\_\_ day of September, 2008.

\_\_\_\_\_  
Mayor of the City of Shakopee

ATTEST:

\_\_\_\_\_  
City Clerk

RESOLUTION NO. 6846

A RESOLUTION SETTING 2008 TAX LEVY, COLLECTIBLE IN 2009

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BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SHAKOPEE, COUNTY OF SCOTT, MINNESOTA, that the following sums of money be levied as the tax levy in accordance with existing law for the current year, collectible in 2009, upon the taxable property in the City of Shakopee, for the following purposes:

General Levy	\$14,657,438
Plus Economic Development Authority	60,000
Debt Service - Fire Referendum (Market Value)	246,239

BE IT FURTHER RESOLVED, that the City Clerk is hereby instructed to transmit a certified copy to this resolution to the County Auditor of Scott County, Minnesota.

Adopted in \_\_\_\_\_ session of the City Council of the City of Shakopee, Minnesota held this Sixteenth day of December, 2008.

\_\_\_\_\_  
Mayor of the City of Shakopee

ATTEST:

\_\_\_\_\_  
City Clerk

RESOLUTION NO. 6847

A RESOLUTION ADOPTING THE 2009 BUDGET

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SHAKOPEE, MINNESOTA that the 2009 Budget with the estimated revenues and appropriations for the General Fund and the Special Revenue Funds as shown below is hereby adopted.

	<u>Estimated Revenue &amp; Other Sources</u>	<u>Expenditures &amp; Other Uses</u>
<b>General Fund</b>		
Mayor and Council		\$ 165,700
Administration		553,930
City Clerk		310,200
Finance		819,090
Legal		533,500
Planning		505,820
Government Buildings		236,250
Information Technology		359,170
Police		6,257,710
Fire		1,986,480
Inspection		749,130
Engineering		758,300
Street		1,901,010
Shop		103,640
Park		1,506,000
Library/Congregate Dining		323,380
Natural Resources		135,820
Unallocated		150,000
Transfers		<u>1,236,160</u>
Total General Fund	\$18,484,410	18,591,290
<b>Transit Fund</b>	1,085,000	1,184,700
<b>Telecommunications Fund</b>	353,000	332,170
<b>Recreation Fund</b>	2,316,760	2,331,760

Adopted in \_\_\_\_\_ session of the City Council of the City of Shakopee, Minnesota held this Sixteenth day of December, 2008.

\_\_\_\_\_  
Mayor of the City of Shakopee

ATTEST:

\_\_\_\_\_  
City Clerk