

Environmental Scan

August 2022



PriorLakeMN.gov





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Introduction

This environmental scan was developed in support of the City of Prior Lake's current strategic planning process. The environmental scan examines demographic data and tracks the trends that influence the City. The results will be useful in shaping the City's goals and strategies moving forward.

This report begins with an overview of Prior Lake followed by an analysis of external data that shows how Prior Lake has changed statistically over the past decade. The report then looks at data related to internal City operations and how that information impacts City services. The goal of the scan is to provide a common understanding of the current environment and issues affecting the City of Prior Lake, now and into the future.

This report will be one of several inputs, including a community survey, that will be presented to the City Council to develop the City's new strategic plan. The City's most recent strategic plan was developed in 2017 and is ready to be refreshed to guide the City through 2030 and beyond. The new strategic plan should be adopted by the City Council in late 2022.

Adopted in 2018, the City's vision statement reads:

Prior Lake is a vibrant and welcoming life-long community offering a high quality of life and small-town feel.

The current strategic plan focuses City priorities under the following goal areas:

- High-Value City Services
- Public Safety
- Desirable and Sustainable Development
- Transportation and Mobility
- Environmental Stewardship and Recreation



EXTERNAL OVERVIEW

About Prior Lake

Prior Lake is named after Charles H. Prior, a superintendent at the Milwaukee Railroad, who routed a track through land he owned in the area. Prior Lake was platted in 1871 and was incorporated as a village in 1891. From 1870 to the 1920s, Prior Lake was primarily a farming town focused on agriculture related commerce and development because of the railroad.

At the same time, Prior Lake was a summer resort hot spot due to the large recreational lake and the opening of the Grainwood Hotel in 1879. Through the 1920s to 1950s, Prior Lake was a typical American small town experiencing moderate growth. From World War II through the 1970s, Prior Lake experienced significant growth and became a desirable suburban, bedroom community outside Minneapolis.

Today, Prior Lake, population 28,357 (2022), is located in one of the fastest growing counties, Scott County, in Minnesota. Prior Lake is a 19.5 square mile developing suburb with a small-town atmosphere, just 30 miles south of downtown Minneapolis. Prior Lake features more than 54 parks on 1,000 acres, over 92 miles of trails and sidewalks, 14 lakes, and a charming downtown. Upper and Lower Prior Lake are popular recreational lakes totaling 1,340 acres. The City of Prior Lake is unique in that it is home to the Shakopee Mdewakanton Sioux Community (SMSC) and Mystic Lake Casino, the second largest Indian Gaming Casino in the nation.



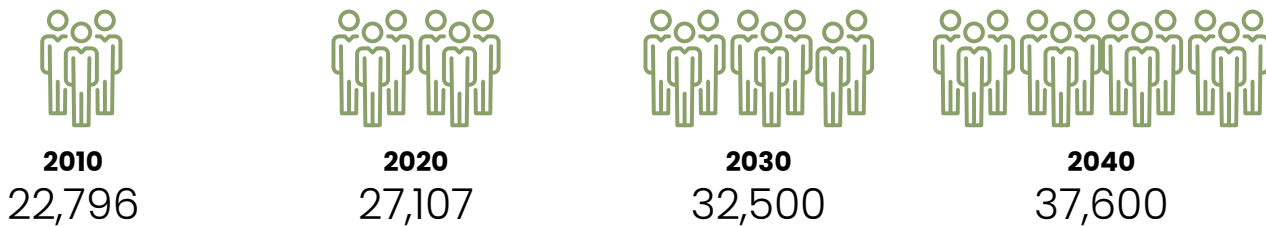
Introduction

One word can be used to illustrate the future of Prior Lake: **growth**. As the statistics below show, Prior Lake is growing not only in population and households but also in area through annexation. The City anticipates the sale of approximately 450 acres of land over the next few years. This transaction will transfer this acreage from agricultural uses to residential and commercial uses which will elicit development opportunities for the next several years. How the City plans for and responds to this growth will define the future of the community.

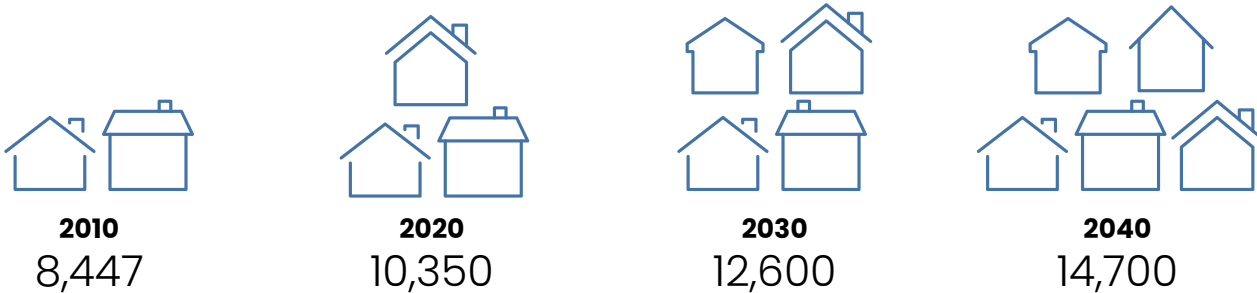


Date source: Met Council Community Profiles




Population



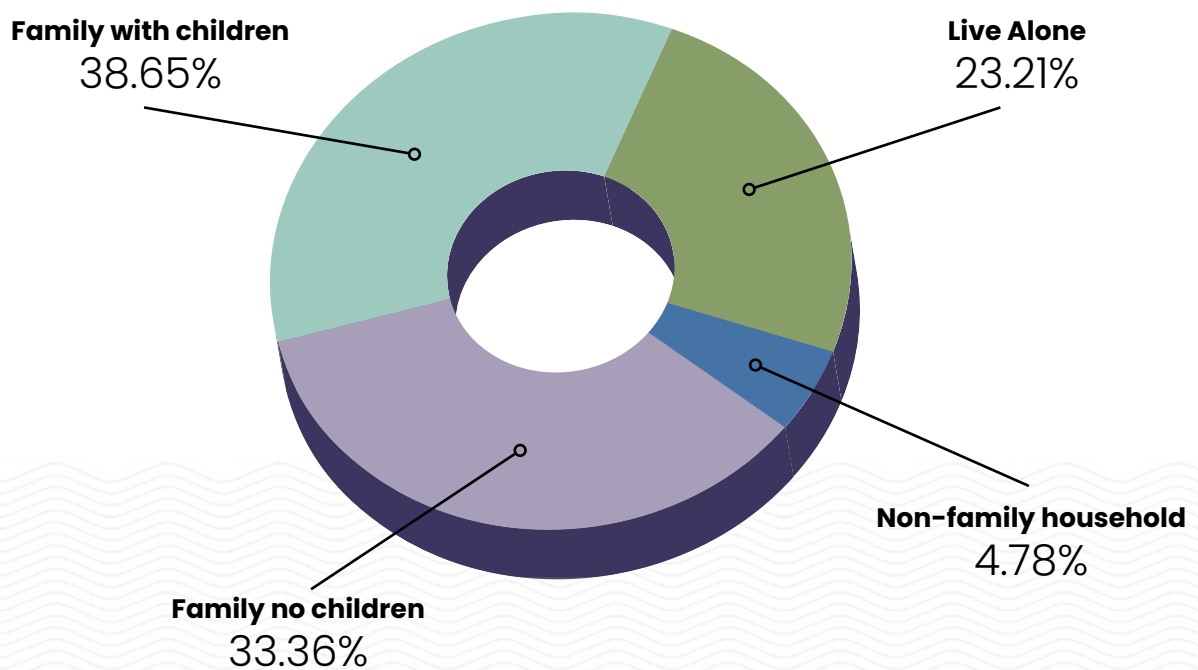
Households



Housing Type

	2000	2010	2020
 Single Family	4,592	5,952	6,925
 Town Home	549	1,818	2,045
 Multi-Family	444	940	1,200

Housing by Family Type 2020



Geographical Size



2010
17.51
Square Miles



2020
19.59
Square Miles



2040
20.14
Square Miles

Median Housing Value (2020 dollars)



Prior Lake
\$328



Scott County
\$317



Metro Area
\$271

Trends

- The population of Prior Lake is expected to grow by 28% by 2040.
- The median household income is 24% higher than the metro area.
- Homes in Prior Lake are almost 20% more expensive than the metro area.
- Prior Lake is less diverse than Scott County and significantly less diverse than the metro area.



COMPARISON to county and metro area

Race & Ethnicity 2020

	Prior Lake	Scott County	7-County Metro
White	87%	80	72
Non-White	13%	20	28

	Prior Lake	Scott County	7-County Metro
Median Household Income 2020	\$108.50	103.3	82.9
Household Size 2020	2.65	2.84	2.5
Home Ownership 2020	84.5%	83.6	68.8
Education Level (Associates degree and higher)	62%	54	55

Date source: Met Council Community Profiles



INTERNAL OVERVIEW

The City of Prior Lake is a Statutory Plan B City (council-manager), represented by five, at-large City Council Members (including the Mayor) who serve staggered, four-year terms. The City Manager, appointed by the City Council, develops the annual budget and manages the operations of six department comprised of 103 employees.

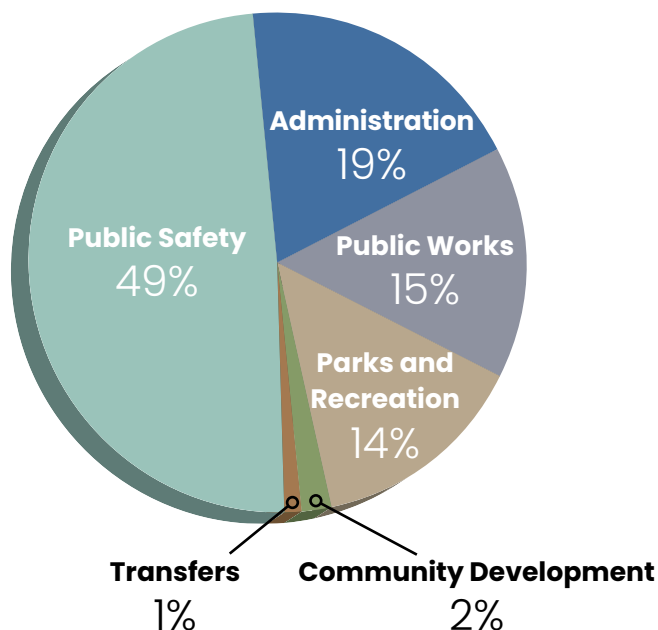
City Departments

- Administration
- Community Development
- Finance
- Fire
- Police
- Public Works

The City's Fire Department contracts services to the City of Credit River and Spring Lake Township. The City's Police Department provides police services to the SMSC.

The City's 2022 Annual budget \$35.2 million and General Fund budget was \$16.6 million, and the City's bond rating is AA+. Almost half of the City's expenditures are related to public safety.

2022 Budget Expenditures



Advisory Boards

The City has four advisory boards that provide opportunities for citizen input.

- Planning Commission
- Economic Development Authority
- Community Engagement Committee
- Arts and Culture Committee

PERSONNEL OVERVIEW

A long-range personnel plan is reviewed annually to monitor staffing needs related to service levels. Although the City lags similar sized metro cities in total employee count, the City has made significant strides over the last five years to address personnel needs. The Community Development department is fully staffed, a reorganization of the Public Works Department has streamlined services, key Administrative positions have been added, and a plan is in place to staff a full-time Fire Department. Most significantly, the Police Department has reached full staffing after the addition of at least one police officer per year over the last five years. Current service levels will not be possible moving forward without the consistent addition of employees each year as indicated in the long-range personnel plan.



Staff considered essential employees working in Public Works or Police
74%



General fund budget related to personnel costs
73%



Personnel Trends

Recruitment and Retention

With an unemployment rate of under 2% in Minnesota, the market for hiring new employees is extremely tight. Wages, benefits, and flexible work policies need to be competitive to recruit and retain high-quality workers to the City of Prior Lake.

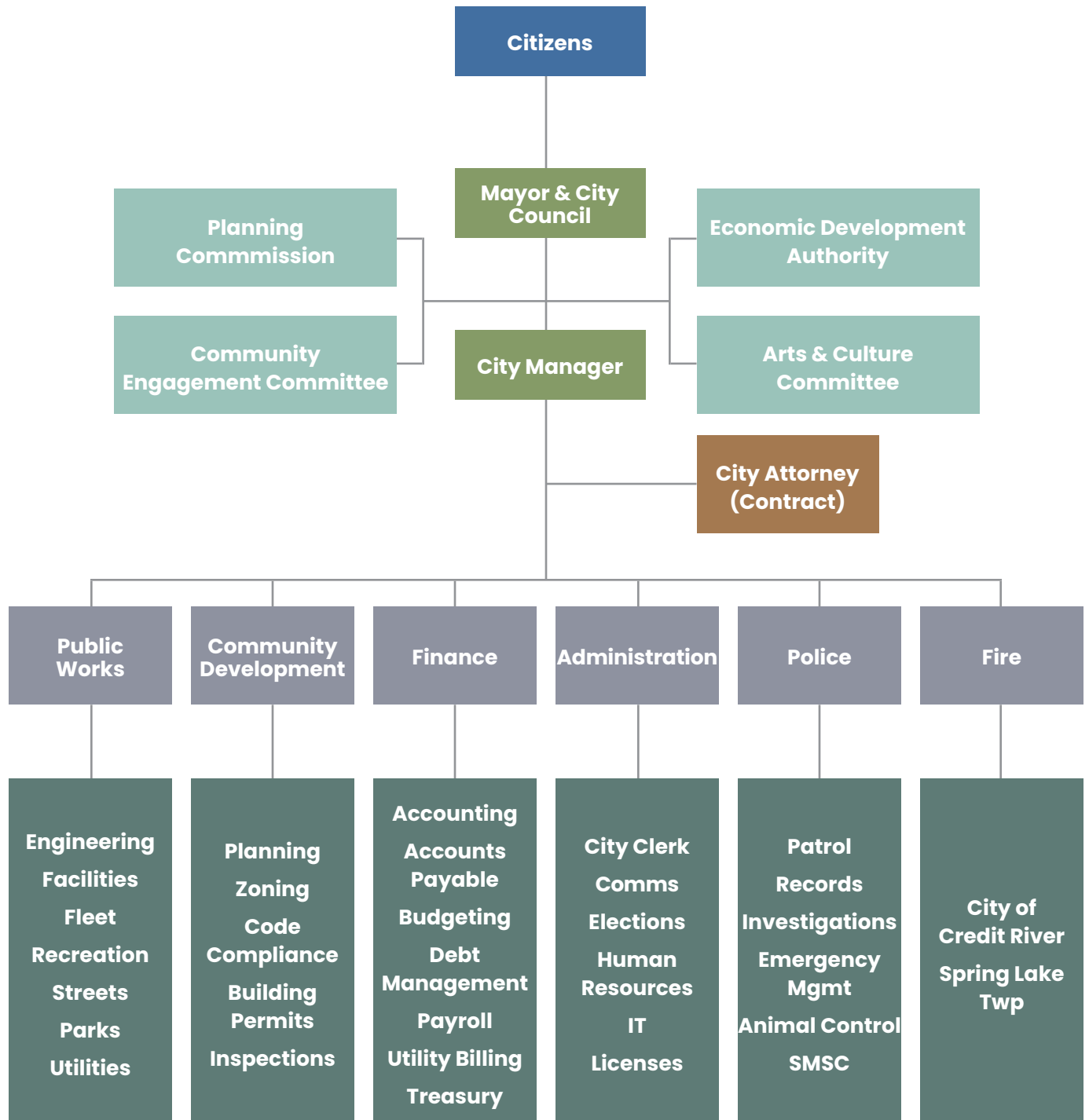
Seasonal Staffing

City services, like park maintenance and recreation, rely heavily on seasonal staffing. College-age kids are not working during the summers like they have in the past, opting to focus on internships, travel, and sports when off school. In addition, hourly wages have increased since the pandemic so there is more competition for these kinds of workers. Without seasonal workers, City services would need to be reduced or eliminated.

Healthcare Costs

Health insurance premiums continue to increase significantly. These increases are costly for both the City and employees on family plans. Healthcare premiums account for 63% percent of the City's benefits budget. At the same time, healthcare benefits are critical to attracting and retaining good staff. This trend has no indication of slowing down and could impact labor negotiations and budgets for years to come.

Organizational Chart



Employee Stats



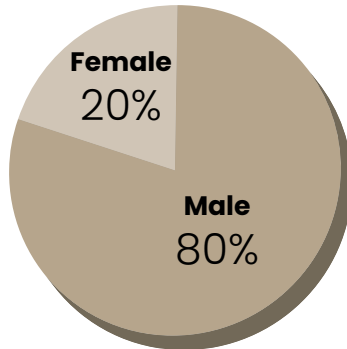
Employees

2018	2021
98	103

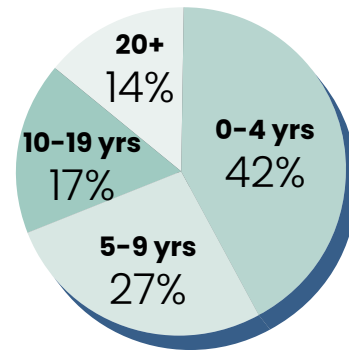
Reside in Prior Lake
14%

**Reside Outside
of Prior Lake**
86%

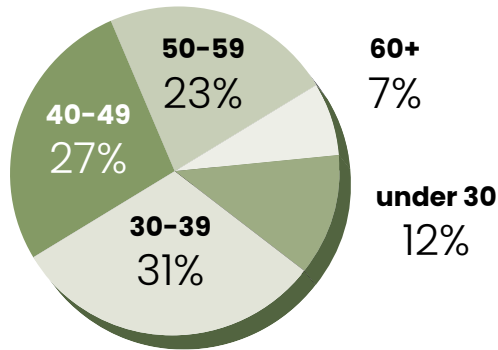
Gender



Tenure



Age



City Services



Police Calls

2018	2021
16,137	21,445



Fire Calls

2018	2021
468	674



Building Permits

2018	2021
2,581	2,839



Building Inspections

2018	2021
4,775	6,396



Total Building Permit Valuation

2018	2021
\$75.2 million	\$84.4 million



Kids in Recreation Program

2018	2021
743	1,650



Utility Bills

2018	2021
9,007	9,629

Infrastructure



Miles of Street

119



Miles Sanitary Sewer

141



Lift Stations

42



Miles Paved Trail and Sidewalk

92



Community and Neighborhood Parks

54

FINANCIAL OVERVIEW

Financial long range

Through a long-range financial plan, the City works to identify the funding needs and solutions to maintain current service levels, address the needs of a growing city, and provide budget stability. A goal of this effort is to minimize annual variation in the tax levy and to reduce debt. The primary service priorities include personnel, equipment replacement, facilities, parks, pavement management, and Economic Development Authority (EDA) funding.

Debt management is an integral part of the financial management of the City. Debt management aims to stabilize the overall debt burden and future tax levy requirements to ensure that issued debt can be repaid. The City is steadily paying down existing debt, while conservatively issuing new debt. The City Council supports incremental increases in the tax levy to support the long-term plans of the Capital Improvement Program (CIP) with the goal of building cash reserves to minimize future debt and to meet our capital replacement needs.



Top CIP Projects through 2030 are below:

Ladder Truck (2025)	\$1.5 million
Pumper Truck (2030)	\$1 million
Jet Vacuum for Sewer (2030)	\$580,000
City Hall Roof (2026)	\$393,000
Dump Truck (2029)	\$317,000
Library Parking Lot (2025)	\$300,000

(costs are estimates for planning purposes)



Over the past few years, major financial policies have been implemented to put the City on a good path financially, including:

- Adopting a property tax model that takes into account the cost of inflation and community growth when establishing the tax levy.
- Implementing franchise fees to fund pavement management projects.
- Updating the utility rate model into a tiered water and sewer rate structure based on usage while also increasing base fees to provide funding for fixed costs.
- Refunding debt for total interest savings of \$796,350.
- Utilizing federal grant funds, such as CARES, APRA and SAFER grants, to offset the cost of major planned expenditures.

Finance trends

- **Increased property valuations:** In 2022 assessed values increased by 18.4% across all property types.
- **Growth in tax base:** The City continues to experience growth in residential development. New construction added about \$83 million in estimated market value to the tax base for 2023. 9% of the City's increase in market value was from new construction.
- **General Fund balance:** Based upon the long-range financial plan, the reserve balance is planned to be between 40%-50% for 2023-2027.
- **Personnel costs:** Personnel continues to be the largest component of the annual budget. A competitive hiring market impacts the ability to recruit and retain employees. A market wage study will be necessary in the next couple of years.
- **Tax rate:** The City is educating stakeholders about the significance of the tax rate versus the tax levy to explain how services should be funded. Prior Lake has the lowest tax rate in Scott County.
- **Parks maintenance and replacement funding:** City leadership needs to identify a plan for maintaining and replacing existing neighborhood parks as there is no dedicated funding source for this effort.

CONCLUSION

The information outlined in this environmental scan provides a broad overview of current conditions to help inform the strategic plan. Overall, the City is in a good place with a solid general fund reserve balance and adequate staffing. Adhering to the long-range financial, debt management, and personnel plans will be important moving forward to remain that way.



Challenges over the next ten years, as identified by City Department Heads, include:

- Transitioning from a paid-on-call to **full-time Fire Department**. The City has applied for a federal grant, which would help ease the financial burden of this important public safety service.
- **Parks and trails maintenance and enhancement**. The estimated annual funding shortfall for neighborhood park renovations and trail maintenance is about \$500,000 per year. This does not include improvements to ballfields or community parks like Lakefront Park or Sandpoint Beach. A park referendum is an option that needs to be explored to help fund this gap.
- Managing 'pay go' versus debt issuance while addressing city **infrastructure replacement** needs. Funding for water and sewer infrastructure replacement past the year 2027 is inadequate and may require an increase in rates and/or the issuance of debt.
- **Technology** continues to evolve and become more integrated into all City services, especially in the Police Department. Software costs, particularly annual licensing fees, have increased significantly, and cybersecurity is a constant issue.
- The Public Works **Maintenance Center** requires an expansion and renovation. No funding source has been identified for this major capital improvement.
- Prior Lake is not done growing and will continue to annex surrounding farmland. Orderly **annexation planning** and related infrastructure costs need to be addressed.



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