



PERFORMANCE STANDARDS

STANDARD

1. Property Tax Rate
2. Bond Rating
3. General Fund Balance
4. Investment Level
5. Property Tax Ratio
6. Fire Relief Ass'n Pension
7. Budget Outcome

OBJECTIVE

- Lowest in Scott County
- Attain Aa2
- Maintain a 45% Reserve
- Keep 97% Invested
- Keep at 60/40
- 100% Funded
- Attain 98%

The Financial Performance Standards serve as best practice measures to strengthen the City's financial position and maximize the return of the taxpayer dollar; to communicate the fiscal performance and condition of the City to residents in a consistent manner; and to facilitate the setting of policy and financial direction by the Council with resident input. There are seven key benchmarks which the City has reported each year since 2007.

The benchmarks are offered as a supplement to the more comprehensive data provided in the annual financial report available on the City's website at www.cityofpriorlake.com.

What do you think?

Is this financial report helpful or would other information be beneficial? Please pass your comments and suggestions along to:

Finance Director Jerilyn Erickson
City of Prior Lake
4646 Dakota St. SE
Prior Lake, MN 55372

(952) 447-9841
or jerickson@cityofpriorlake.com.

This document was produced by the City of Prior Lake and is also available at www.cityofpriorlake.com.

For information about the City of Prior Lake, contact Communications Coordinator Michael Peterson at (952) 447-9804, mtpeterson@cityofpriorlake.com.



Financial Gold Standards 2009



The City of Prior Lake

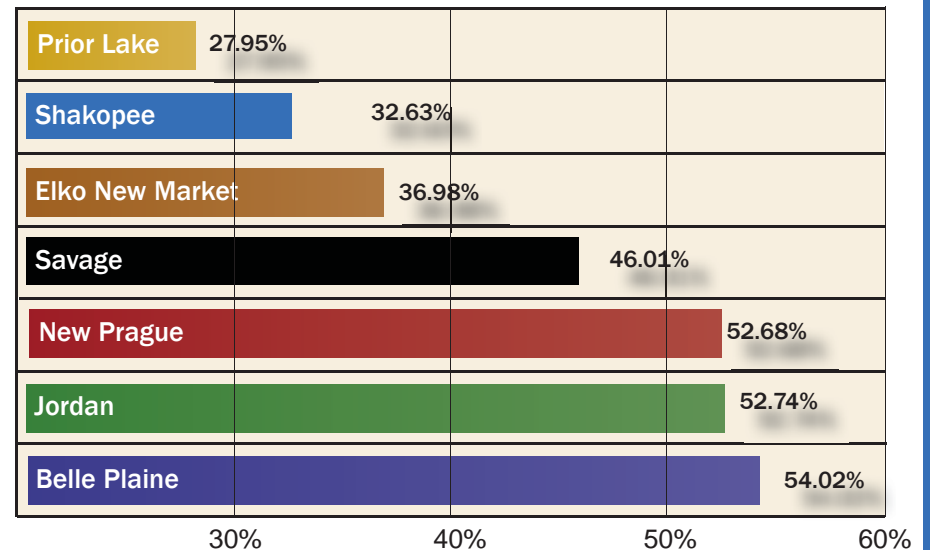
2009 Financial Performance Standards

Your City Council wants you to know how the City uses your money.

This performance outlook gives you financial information about seven key benchmarks for your City.

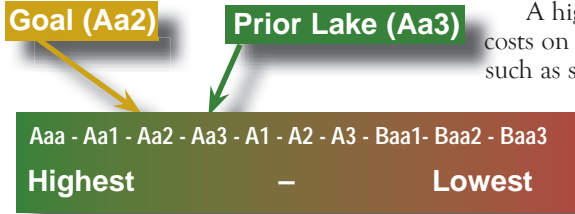
1. Property Tax Rate The 2009 Tax Rate By City

A favorable tax rate provides stimulus for growth of residential and commercial property tax base. Prior Lake had the lowest 2009 tax-capacity based rate of the seven Scott County cities. This rate is based on the tax levy which the City Council approves each year to fund general services such as police, fire, street maintenance, parks, recreation, finance and general administration. Prior Lake also has a market-value based tax rate which is not reflected in this chart. The market-value based rate is based on the market referendum levies which were approved by Prior Lake voters to finance construction of the two fire stations and improvements to the City parks and library.

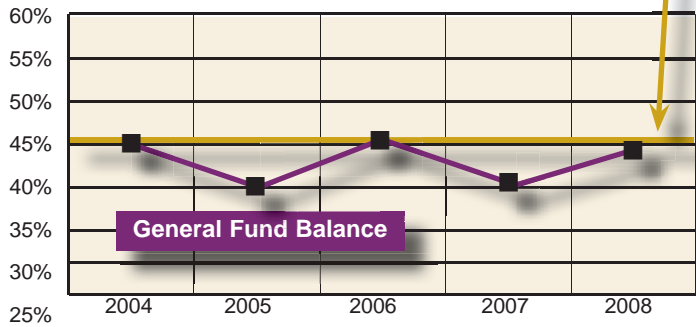


2. Bond Rating

In April, 2010 Prior Lake's bond rating was recalibrated to a Aa2. The chart reflects the Aa3 credit rating that was in place at the end of 2009. A high bond rating results in lower interest costs on bonds issued for capital improvements such as street reconstruction and City facilities. The City has a strong bond rating because of the focus on the future needs of the community through our long-term planning documents and maintaining sufficient fund balance reserves.



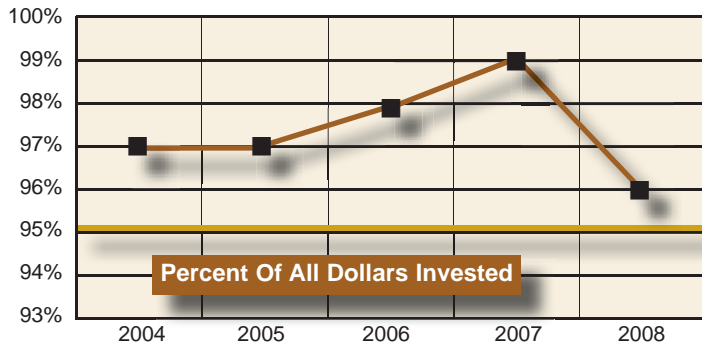
3. General Fund Balance



Goal Prior Lake had a 50% General Fund Reserve balance at the end of 2009. The Office of the State Auditor and the City's independent auditor both recommend a 35-50% General Fund reserve balance. This is primarily due to the City receiving its largest funding source (property taxes) in June and December.

A reserve balance provides adequate funds for cash flow, revenue shortfalls, unforeseen catastrophic events and one-time opportunities. The City Council will be establishing a fund balance policy in 2010 which sets targeted reserve levels and defines intended uses.

4. Investment Level

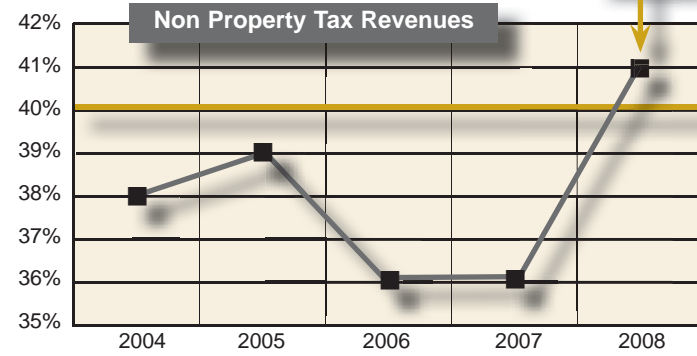


Throughout the year, the City invests its cash balances to maximize earnings. Active investment realizes the best possible return and funds stewardship. Investing such funds reduces reliance upon other revenue sources.

Goal

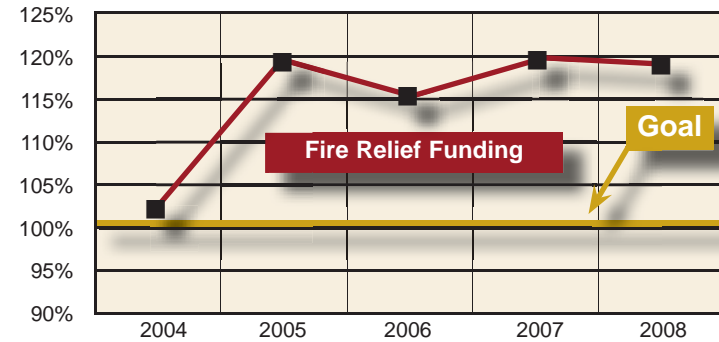
This chart reflects the investment level of 99 percent on Dec.31, 2009. Typically, the investment level is close to 100% throughout the year. Our goal is to manage a 97% investment position of all City funds.

5. Property Tax Ratio



The percentage of revenues (for all City funds) come from property taxes increased to 42% in 2009. This is primarily due to the significant decline in development-related revenues, investment earnings, court fines and state fire aid. The City Council periodically evaluates what the appropriate balance is for providing baseline services that are funded by general taxation and other services which are more discretionary in nature and funded by user fees.

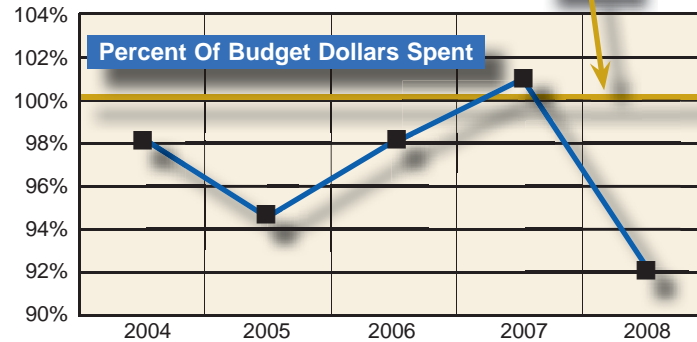
6. Fire Relief Ass'n Pension



As of Dec. 31, 2008, (the most recent information available) the level of funding for the Fire Relief Assoc. was at 68%. Consequently, the City is required to make a \$78,000 contribution over and above its regular contribution in 2010 (and possibly future years) to fund a portion of the projected pension benefit deficit.

The 42 members of the Volunteer Fire Department may receive a lump sum pension of \$130,000 after 20 years of service. The City is responsible for paying these retirement benefits. To assure a 100% funded Fire Relief Association Pension reduces reliance upon future property rate increases.

7. Budget Outcome



Limiting expenditure level to a 98% General Fund Budget Outcome ensures fiscal accountability at the highest level. In 2009, the City expended about 89% of its original General Fund budget. Due to continued anticipated reductions in development-related revenues, the Council had approved reductions in expenditures early in 2009. In addition, the City realized some savings from lower fuel and utility prices, etc.

The 2010 budget reflects further adjustments in revenues and expenditures due to the continued decline in development-related revenues and investment earnings. The City has strived to minimize the impact of these reductions on the residents. With reduced staffing levels and resources available, it is inevitable that the delivery of services will be affected.