

# BUDGET IN BRIEF

## 2026



# Budget in Brief

As a steward of taxpayer dollars, the City of Rochester, MN prides itself on providing transparency and accountability in its budget.

This document is intended to provide you with information about your City’s budget process. Included in the Budget in Brief are totals for revenues and expenditures. Also included in the Budget in Brief are facts about the various departmental budgets.

It is important to note that the City of Rochester is able to maintain its positive financial condition and AAA credit rating due to the fiscally responsible actions taken in the prior years and by prudently investing

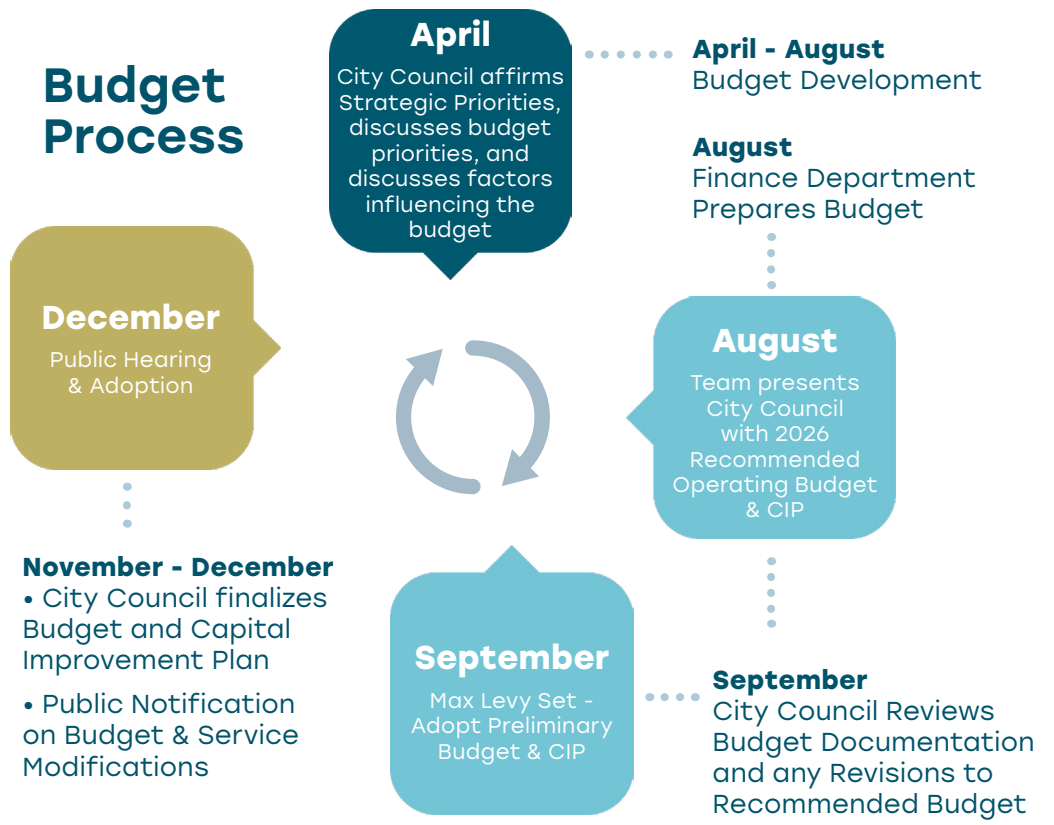
in service level enhancements as resources allow. The 2026 budget represents a financial commitment to the vital and necessary services that our residents and businesses depend on. It also continues some prior year cost reductions, while prioritizing necessary strategic investments for a growing city.

The 2026-2027 budget is a third attempt at a two year budget. It is where budget priorities and an initial budget for both years is set.

## The Goals of the Process are:

- Ensure sufficient revenues exist to deliver existing and proposed services and projects
- Prioritize both operating and capital expenditure
- Advance the City’s commitment to financial sustainability
- Align resources with City Council strategic priorities

## Budget Process

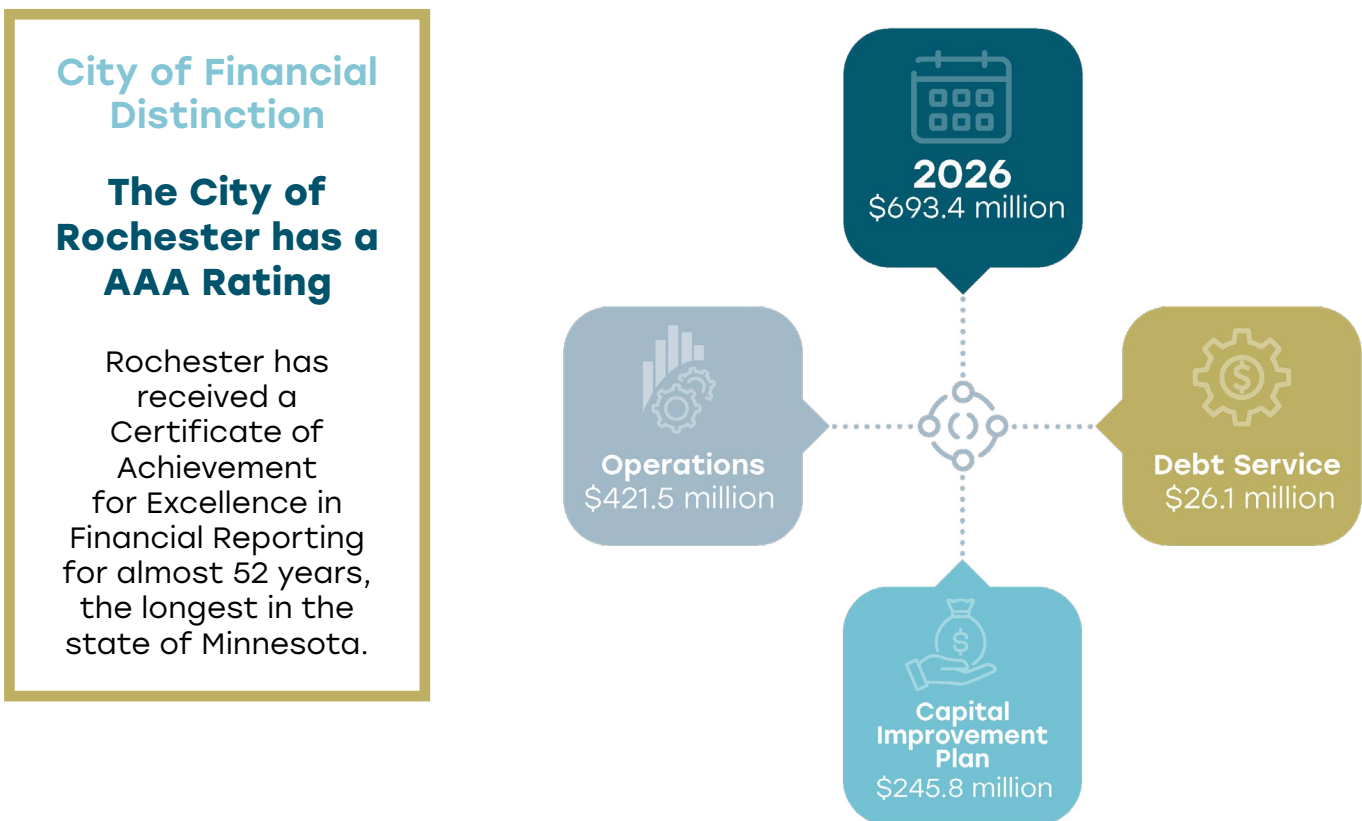


# 2026 Adopted Budget

The 2026 adopted budget is \$693,371,371 with the General Fund expenditures accounting for \$137,571,464. The Capital Improvement Plan (CIP) accounts for \$245,753,341 with the six-year CIP totaling \$1.1 billion. The City's other major funds are inclusive of the Enterprise, Special Revenue, Debt, and Internal Service Funds and Airport total \$310,046,566.

The inclusion of Rochester Public Utilities' (RPU) budgets with all other City budgets is to ensure a comprehensive financial picture. It is included in the same document for the benefit of the Mayor, City Council, community, and Rochester team.

## City of Rochester Budget 2026, Inclusive of RPU



## Budget Formula



# Where the Money Comes From

## General Fund

\$137,571,464

Tax dollars are accounted for in the General Fund, along with license fees, permit fees, state shared revenues, interest income, miscellaneous revenues, and prior year revenue.

This portion of the budget is comprised largely of discretionary funds, since the Mayor and City Council can allocate the funds to programs and services in any area. There are few restrictions on how these resources may be allocated. The City cannot use fees collected from services for discretionary use.

General fund dollars are used to support such City services as police and fire, as well as streets, community development and administrative support services.

## Enterprise, Special Revenue, Capital Improvement Plan, Airport, Debt, and Internal Service Fund

\$555,799,907

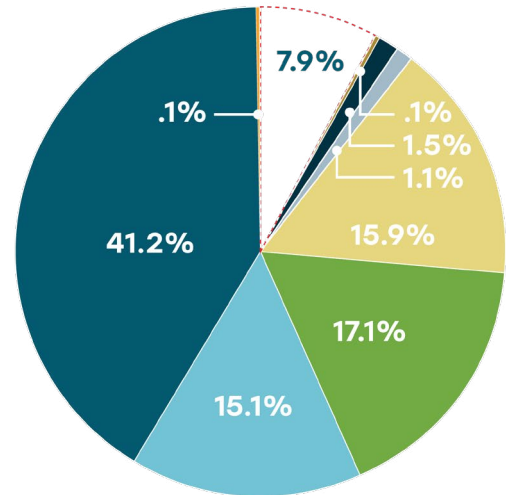
The City of Rochester has a few different enterprise and special revenue funds. Enterprise funds are entirely funded through customer charges and do not require tax support. These include electric utility, water utility, sewer utility, storm water utility, and the parking fund. Special revenue funds are a combination of customer charges and taxes.

These include: municipal recreation, library, and transit.

## 2026 Total Operating Revenue Inclusive of RPU

As shown in the chart, the majority of funding for the City of Rochester budget comes from sources other than property taxes. Those taxes fund 17.1% of the total revenues. Items like charges for services, which are items like electricity, water, parking, and sewer fund the total budget by 41.2%.

2026 Total Operating Revenue, Inclusive of RPU



- Charges for Service 41.2%
- Miscellaneous Revenue 15.1%
- Tax Levy 17.1%
- Intergovernmental Revenue 15.9%
- Fines, Forfeits and Penalties 0.1%
- Other Taxes 1.1%
- Licenses and Permits 1.5%
- Special Assessments 0.1%
- Prior Year Revenue 7.9%

\*Miscellaneous Revenues include:

- Non Property Tax Debt Payment Revenue
- Capital Improvement Program
- Revenues In Lieu of Tax Enterprise Funds
- Private funds
- Fines, forfeits, and penalties

# Property Tax

Median Residential Home



38.16%	44.11%	16.24%	1.49%
Olmsted County	City of Rochester	School District (535)	Olmsted County HRA

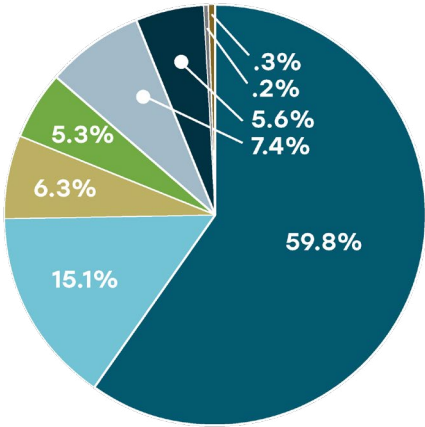
Commercial/Industrial Property



29.7%	35.7%	20.5%	12.9%	1.2%
Olmsted County	City of Rochester	State of MN	School District (535)	Olmsted County HRA

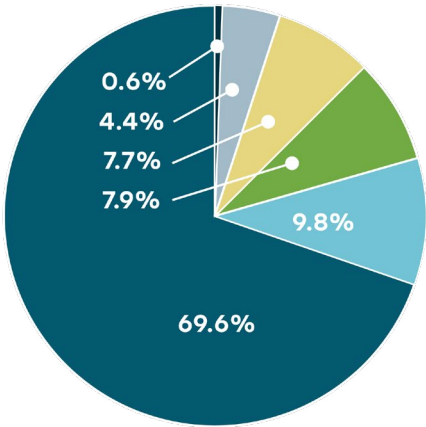
In total, the City of Rochester receives \$118.3 million from residential and commercial property tax. Residential property owners pay 54.9% of the levy, commercial property owners pay 33.6%, apartment complexes pay for 10.4% of the levy and other sources account for 1.1% of the total levy. Of the \$118.3 million, 69.6% supports the General Fund, while 9.8% supports the Parks & Recreation department and 7.7% supports the Rochester Public Library.

## General Fund Revenue \$137,571,464



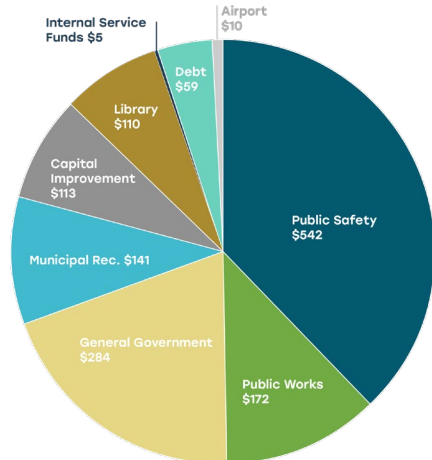
- Tax Levy 59.8%
- License & Permits 7.4%
- Misc Revenue 15.1%
- Charges for Govt Services 5.6%
- Intergovernmental Revenue 6.3%
- Prior Year Revenue .3%
- Other Taxes (such as Hotel/Motel tax, Cable Franchise Fee, and People Coop Franchise) 5.3%
- Fines, Forfeits, and Penalties .2%
- Special Assesments 0%

## 2026 Property Tax \$118,284,623



- General Fund 69.6%
- Library 7.7%
- Parks and Rec 9.8%
- Debt/Internal Service 4.4%
- CIP 7.9%
- Airport 0.6%

## Property Tax Allocation for Median Home Value of \$304,100

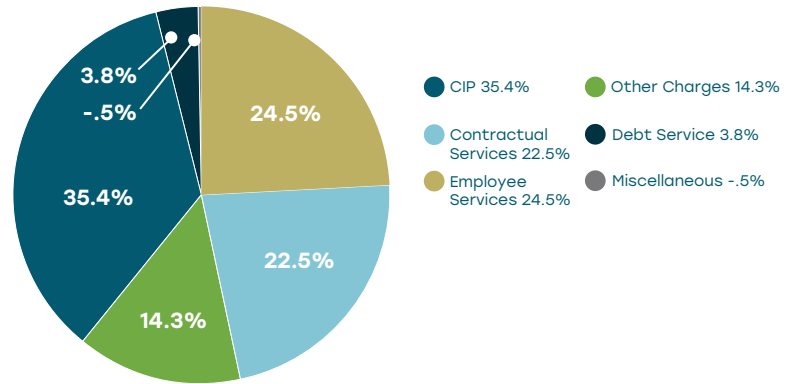


- Public Safety \$542
- Public Works \$172
- General Government \$284
- Municipal Recreation \$141
- Capital Improvement \$113
- Library \$110
- Internal Service Funds \$5
- Debt \$59
- Airport \$10

# Where Does the Money Go?

Overall, the adopted 2026 budget includes expenditures in six major categories for all funds. The largest being the CIP at \$245.8 million dollars. Approximately 24.5% of the City's total budget is invested in Employee Services, with a total of \$169.8 million dollars. This expense is for the City's full-time and part-time employees, which allows the City of Rochester to deliver high quality services. Approximately 71% is related to salaries, while 29% is related to benefits.

## 2026 Adopted Budget of \$693,371,371



## General Fund Expense \$137,571,464

<ul style="list-style-type: none"> <li>• Police</li> <li>• Animal Control</li> <li>• Dispatch</li> <li>• Fire</li> <li>• Building Safety</li> <li>• Flood Control and Emergency Management</li> </ul>	<ul style="list-style-type: none"> <li>• Mayor and City Council</li> <li>• City Administration</li> <li>• City Clerk</li> <li>• Elections</li> <li>• Administration Fines</li> <li>• Finance</li> </ul>	<ul style="list-style-type: none"> <li>• City Attorney</li> <li>• Human Resources</li> <li>• Planning and Zoning</li> <li>• Information Technology</li> <li>• City Hall Maintenance</li> </ul>	<ul style="list-style-type: none"> <li>• Engineering</li> <li>• Street Infrastructure</li> <li>• Fleet Maintenance</li> <li>• Traffic and City Lighting</li> </ul>	<ul style="list-style-type: none"> <li>• Music Art City/ Civic Theatre/ 125 Live</li> <li>• Community Reinvestment</li> <li>• Development Administration</li> <li>• Economic Development</li> <li>• Central Business District</li> <li>• Unallocated Contingency</li> </ul>
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## Top 5 CIP Projects



**Runway 3/21 Reconstruction**  
(Total Project Cost \$56.4 million)



**2030 RPU Resource Plan**  
(Total Project Cost \$235 million)



**Downtown Public-Private Infrastructure Investment Alignment**  
(Total Project Cost \$38.4 million)



**Liquid and Solids Upgrade**  
(Total Project Cost \$98 million)



**RPU Advanced Metering: Electric & Water**  
(Total Project Cost \$36.4 million)

# Vision, Principles, Priorities



## Community Vision

Rochester is a City that cares. Where all people are treated with dignity and respect. Where residents, employees, and visitors enjoy a high quality of life. Where business and industry thrive, and where the land and environment are renewed and sustained for the benefit of all. It is a welcoming and diverse community.

- Renowned for its reputation as a center for growth and innovation.
- Characterized by its safe and friendly neighborhoods.
- Committed to health and wellness for its people.
- Connected both physically and socially.
- Dedicated to the sustainable and responsible use of public resources.

## Strategic Priorities

We will focus our resources and initiatives to drive progress in these areas:

- 🏠 Economic Resilience
- 🏠 Housing Access
- 🏠 Inclusive Growth Management
- 🌱 Responsible Environmental Stewardship
- 🏠 Transformational Capital Projects

## Organizational Vision

A vibrant, compassionate, innovative team.

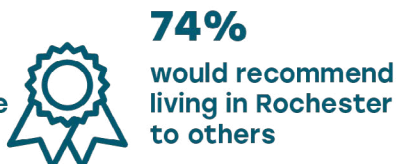
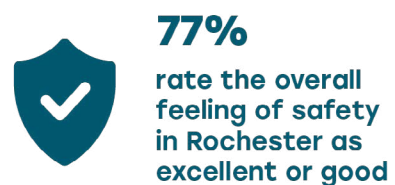
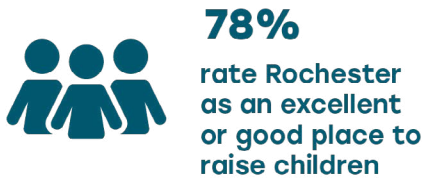
## Foundational Principles

We will approach every action and decision through a lens of:

- 🤝 Compassion
- 💰 Fiscal Responsibility and Sustainability
- 👥 Inclusive Decision-Making
- 🛡️ Public Safety
- 🎯 Quality Services
- 🏠 Social Equity

## 2024 Community Survey Results

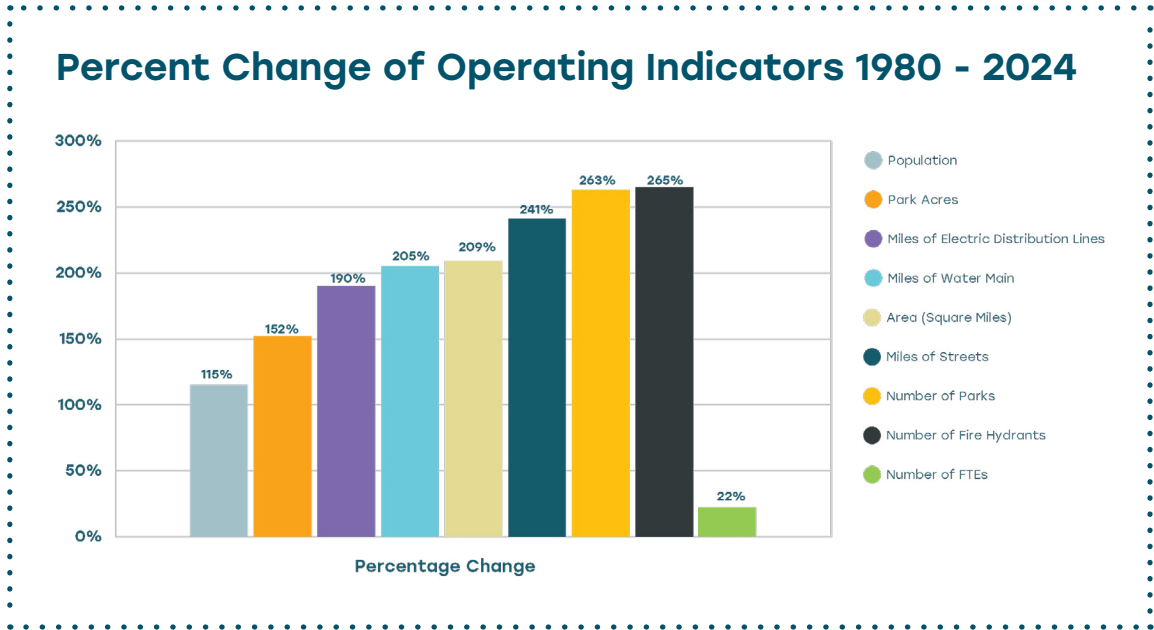
A representative sample of 635 Rochester residents were collected between July 19 to August 25, 2024. The margin of error around any reported percentage is 4% for all respondents and the response rate of the 2024 Community Survey was 15%. Survey results were weighted so that the demographics profile of respondents was representative of the demographic profile of adults in Rochester.



Incorporated **1854**

**57**  
Square miles

Population **125,000\***



### Rochester Fire Department

- Over 11,200 calls for service
- Hired 7 firefighters in 2026
- Received 168 total applicants and conducted 126 interviews
- Completed over 800 commercial inspections
- Partnered with RPD at Safe City Nights

### Rochester Police Department

- Responded to nearly 60,000 calls for service
- Detectives investigated approximately 1,300 cases
- Participated in more than 150 community engagement events

Wastewater Utility collected and treated **4.12 billion** gallons & beneficially reused **9.6 million** gallons of biosolids as a natural soil amendment in 2025.

\*Based on most recent demographers estimate

### Parks & Recreation is responsible for

- 2,989 acres of parkland
- 2,011 acres of additional public lands
- 100 playground areas
- 145 individual park areas to visit
- Over 50 miles of trails and sidewalks

### Community Development Department

- 32,842 Construction Inspections
- 290 Planning Applications Reviewed
- 441 New Housing Units
- 14,266 Construction Permits Issued
- 26,399 Housing Units Inspected
- \$1,158,039,275 In Construction



### 311

- Answered over 40,000 calls
- Processed over 18,500 Service Requests
- Over 3,600 residents used Ask Chester
- Processed over 2,300 voicemails



### Library

- 400,000 visits (4% increase from 2024)
- 100,000 program attendees (9% increase from 2024)
- Over 2.1 million items circulated (2% increase from 2024)



Rochester Public Music presented **29 community events** in seven parks, serving **25,000** residents and visitors, and **22** outreach programs for **4,500** elementary students and teachers in 2025.



### City Clerk (2025)

- Issued 1287 licenses in 2025
- Answered 1,149 requests for public data/records
- Executed 825 contracts of behalf of the City
- Processed 683 Resolutions and Official Acts

### Rochester Public Utilities

- 858.9 miles of distribution lines and 42.5 miles of transmission lines maintained and serviced
- 623.1 miles of water distribution pipes maintained and serviced
- 70,702 customer calls (est.)
- 16,406 walk ins (est.)
- 6,200+ safety training assignments completed
- Projected to meet annual energy savings goal of 1.5% of average retail sales (17,219,195 kWh)



### Public Works

- Maintain over 500 miles of streets and alleys
- Annual mill and overlay project 19.3 centerline miles
- Annual chip seal project 18.4 centerline miles
- Blacktop patched 11,531 tons
- Replaced 8,100 lineal feet of concrete curb
- Swept 13,000 miles of curblines

### City Attorney (2025)

- 576 gross misdemeanor cases
- 2050 misdemeanors
- 253 petty misdemeanor
- 3,822 victims assisted
- 35 civil cases





# High Performance Organization

**City of Rochester High Performance Organization (HPO) Philosophy**  
Organize as a City to create an extraordinary public service organization by supporting the purpose of each department's services with the belief:

- The City can achieve anything through teamwork, innovation and collective strategy that supports the overall mission of the organization
- HPO seeks to build and support an organizational culture where achievements are celebrated, teamwork is elevated, passionate people thrive and we are purpose driven

This approach helps achieve the Organizational Vision and ensure we are “a vibrant, compassionate, innovative team.”

High Performance will only be achieved through constant focus on building and nurturing an organizational culture that will support the HPO Philosophy.

Creating an organizational environment that prioritizes people, problem-solving, service optimization and customer relationships is critical. It involves a holistic approach encompassing culture, organizational structure and team development.

## 1. CULTURE OF EMPOWERMENT & COLLABORATION

- Foster a culture that values and prioritizes people. Ensure employees feel heard, valued and empowered.
- Encourage open communication and feedback at all levels.
- Recognize and reward achievements to boost morale.
- Participate in learning opportunities and training to increase knowledge around diversity, equity and inclusion (DEI), have a growth mindset and embed new learnings and skills into daily business practices.

## 2. PROBLEM-SOLVING FRAMEWORK

- Implement a systematic problem-solving framework to address challenges efficiently.
- Encourage a culture that views problems as opportunities for improvement.
- Establish cross-functional problem-solving teams to tackle complex issues. Forward Team, Leadership Forum and Impact Team Model.

## 3. SERVICE OPTIMIZATION

- Regularly assess and optimize service processes to enhance efficiency and quality.
- Implement technology solutions to streamline workflows and improve service delivery.
- Solicit customer feedback regularly to identify areas for improvement.

## 4. CUSTOMER-CENTRIC RELATIONSHIPS

- Develop strong relationships with customers by prioritizing their needs and expectations.
- Build capacity for employees in customer service skills and empathy.
- Utilize customer feedback to iterate and improve products/services.

## 5. ORGANIZATIONAL STRUCTURE & CAREER GROWTH

- Periodically review and adapt the organizational structure to align with business goals.
- Implement a clear career growth path for teammates, emphasizing skill development and promotions from within.
- Provide ongoing development and mentorship programs

## 6. LEADERSHIP DEVELOPMENT

- Identify and nurture leadership qualities within the organization.
- Establish a leadership development program with mentoring, coaching and skill-building components (HPO Academy).
- Encourage leaders to lead by example, promoting organizational values.

## 7. INTERDEPARTMENTAL RELATIONSHIPS

- Foster collaboration between departments through regular cross-functional meetings.
- Implement shared goals that require collaboration between different teams.
- Encourage social interactions through team-building activities.

## 8. EFFECTIVE COMMUNICATION

- Establish a robust communication strategy, utilizing both formal and informal channels.
- Implement tools for transparent and accessible communication.
- Conduct regular virtual Teammate Town Hall meetings to inform teammates about organizational changes and updates.

## 9. CONTINUOUS IMPROVEMENT

- Embrace a culture of continuous improvement where every process, policy and structure is subject to regular review.
- Encourage employees to propose improvements and provide constructive feedback.

## 10. FLEXIBILITY & ADAPTABILITY

- Build an organization that is agile and can adapt to changing conditions.
- Promote a flexible work environment that accommodates diverse needs and preferences.

## 11. WELL-BEING & WORK-LIFE BALANCE

- Prioritize employee well-being by offering wellness programs and mental health support.
- Promote a healthy work-life balance to prevent burnout and enhance productivity.

## 12. MEASUREMENT & ACCOUNTABILITY

- Establish key performance indicators (KPIs) to measure success in each area.
- Hold leaders and teams accountable for meeting performance and improvement targets.

### Forward Together

By implementing these strategies, our organization can create an environment that values its people, solves problems effectively, optimizes services and builds strong customer relationships, all while fostering growth and adaptability. The tactics to achieve the cultural outcome will continue to adjust and evolve as we see success and build toward the next level.