



# 2022-2023 Budget Check-in and Updates

November 8, 2021



City of Rochester  
Minnesota

2022-2023  
Operating Budget

2022-2027  
Capital Improvement Plan



# Budget Schedule



# Scheduling

Budget Phase	Date	Link to Presentation	Focus
3: Development	06/28/2021 Study Session	<a href="#">06/28/2021 Presentation</a>	Comprehensive Annual Financial Report and Audit Review/2022-2023 Baseline Budget Update ( <b>Complete</b> )
4: Recommendation	07/19/2021 Study Session	<a href="#">7/19/2021 Presentation</a>	Revenue Enhancement & Diversification ( <b>Complete</b> )
4: Recommendation	08/23/2021 Study Session	<a href="#">08/23/2021 Presentation</a>	Presentation of City Administrator's Recommended 2022-23 Operating Budget ( <b>Complete</b> )
4: Recommendation	08/30/2021 Study Session	<a href="#">08/30/2021 Presentation</a>	Discussion of City Administrator's Recommended 2022-23 Budget and Presentation of 2022-2027 Capital Improvement Plan ( <b>Complete</b> )
4: Recommendation	09/13/2021 Study Session	<a href="#">09/13/2021 Presentation</a>	Discussion of City Administrator's Recommended 2022-23 Budget and Discussion of 2022-2027 Capital Improvement Plan ( <b>Complete</b> )
4: Recommendation	09/20/2021 Council Meeting	<a href="#">09/20/2021 Presentation</a>	Approve Preliminary Budget and Set Preliminary Levy ( <b>Complete</b> )
4: Recommendation	11/08/2021 Study Session		Check-in on Budget and Action Plan
5: Adoption	12/06/2021 Council Meeting		Review of final budget, CIP, & decision packages

Link to [2022-2023 Budget Documents](#)



# Policy Considerations

1. Are there any remaining questions or feedback on the 2022-2023 recommended Operating Budget?
2. Are there any questions or feedback on the recommended 2022-2027 Capital Improvement Plan Budget?
3. Confirmation of the City Council's direction on the additional contingency funds?
4. Does City Council support the final recommended rate changes from Rochester Public Utilities?

# Other Updates Included

1. Tax Levy and Local Government Aid Benchmarking
2. CIP Revisions since Recommended Budget Presentation
3. RPU Budget Update
4. Action Plans
5. Budget Flipping Books Located at:  
Operating Budget  
CIP Budget



# Recommended 2022-2023 Operating Budget

**Policy Consideration #1:** Are there any remaining questions or feedback on the 2022-2023 recommended Operating Budget?

# \$494.4 Million Budget

## All Funds Combined

- **6.5%** tax levy increase
- **1.5%** general rate increase for electric
  - Down from the preliminary 2.5%
- **No** parking ramp or transit rate increases
- Transition to a two-year budget process

City of Rochester Budget 2022, inclusive of RPU



# 2022 Major Revenues

**Table 1**  
**2022 MAJOR REVENUES VERSUS 2020 & 2021 INCLUSIVE OF RPU**

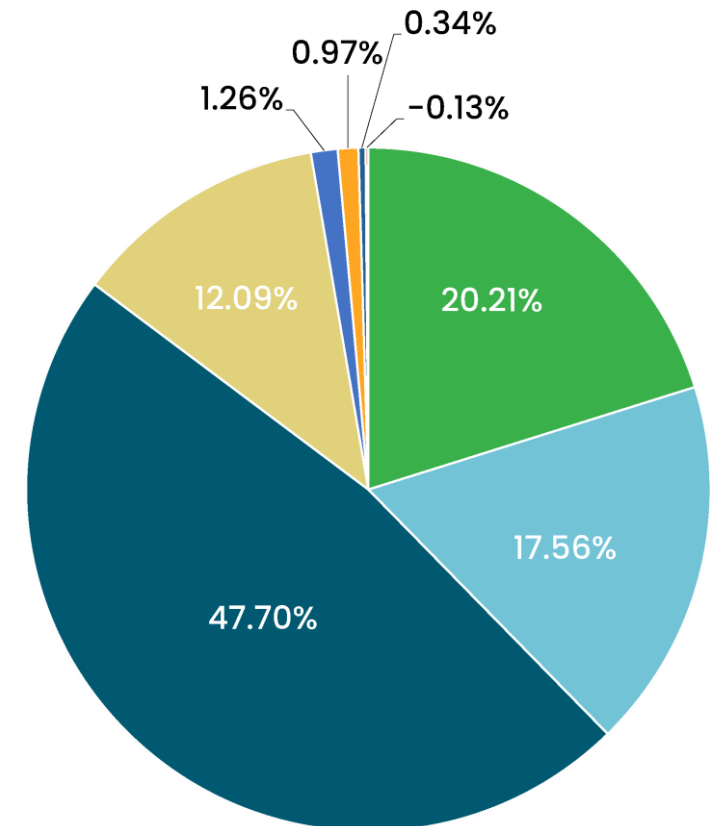
	2020 Adopted Budget	2021 Adopted Budget	2022 Recommended Budget	2021-2022 Increase/(Decrease)	2021-2022 Percent of Change
Tax Levy & Tax Abatements	79,524,771	81,524,771	86,823,881	5,299,110	6.50%
Local Government Aid	7,509,361	6,372,634	6,372,634	0	0.00%
Hotel/Motel Tax	6,275,000	4,580,000	4,946,480	366,480	8.00%
Cable TV Franchise Fee	1,440,000	1,350,000	1,300,000	(50,000)	-3.70%
Inspection Permits	3,795,000	3,477,633	3,410,426	(67,207)	-1.93%
In Lieu of Tax	12,884,858	12,884,858	12,726,858	(158,000)	-1.23%
Sewer Utility Charge	28,500,000	28,100,000	28,100,000	0	0.00%
Storm Water Utility Fee	8,572,000	8,572,000	8,734,260	162,260	1.89%
Library Fund					
City Share-Levy	7,158,871	7,127,713	7,390,959	263,246	3.69%
County Share	1,047,209	1,092,097	1,131,821	39,724	3.64%
Municipal Recreation Fund					
Fee Revenues	4,294,872	4,317,072	4,138,604	(178,468)	-4.13%
Non-Fee Revenues	8,341,017	8,285,916	9,242,481	956,565	11.54%
Parking Fund					
Parking Fines	370,000	370,000	466,676	96,676	26.13%
Parking Ramps	7,418,756	4,618,275	4,618,275	0	0.00%
Street Meters	1,075,000	1,175,000	1,325,000	150,000	12.77%
Parking Lots	574,000	401,800	413,565	11,765	2.93%
RPU					
Charges for Services	182,222,000	163,275,000	181,265,000	17,990,000	11.02%
Private Funds	6,376,000	10,023,000	5,523,000	(4,500,000)	-44.90%



# Where does the Money Come From?

- Miscellaneous Revenue
- Taxes Ad Valorem
- Charges for Service
- Intergovernmental Revenue
- Other Taxes
- Licenses and Permits
- Special Assessments
- Prior Year Revenues/Fund Balance

2022 Total Operating Revenue,  
inclusive of RPU





# **Tax Levy & Local Government Aid Benchmarking**

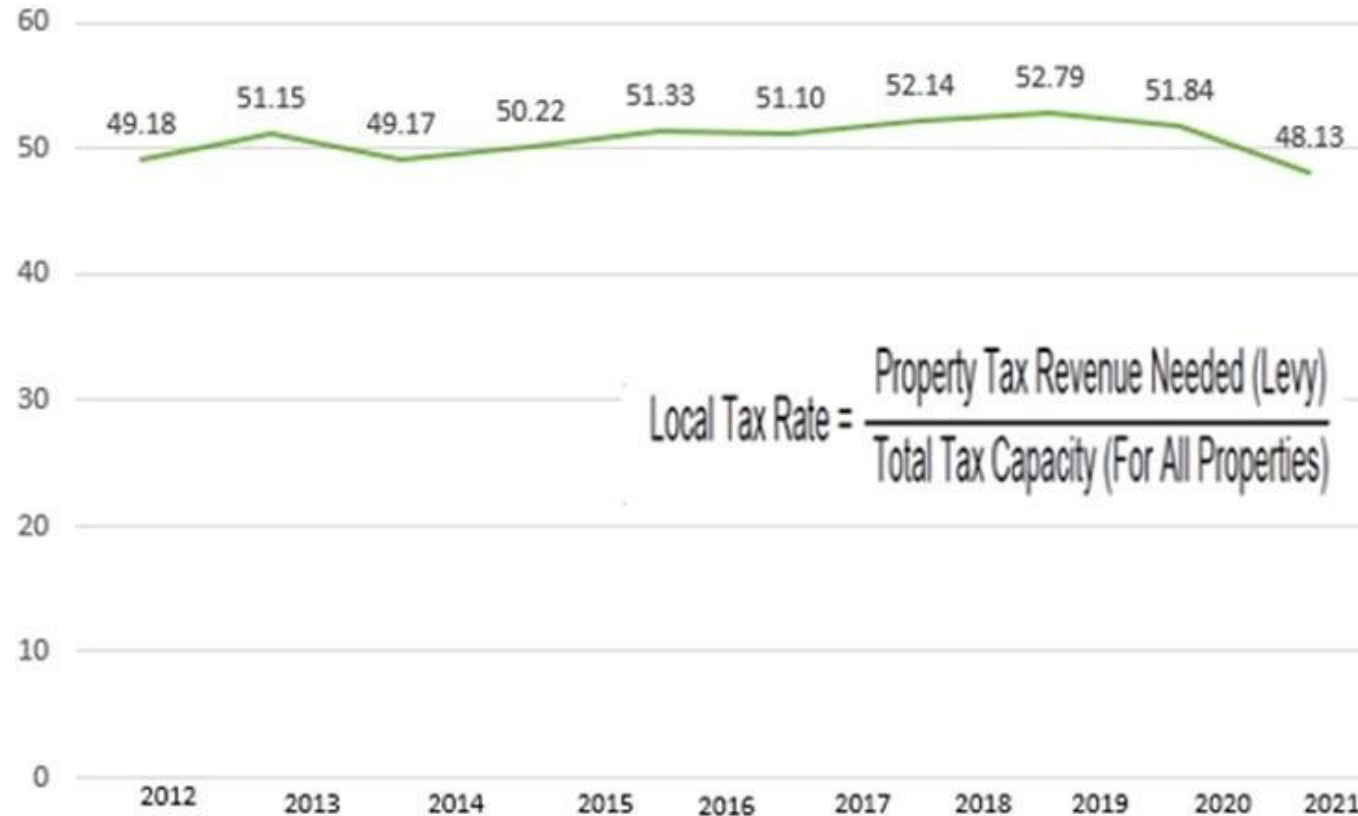
**Informational Update**

# 2022 Preliminary Tax Levy & Budget

- **Preliminary Tax Levy \$86,823,881 (6.5% increase)**
- **Preliminary Total Budget \$494.4 million**

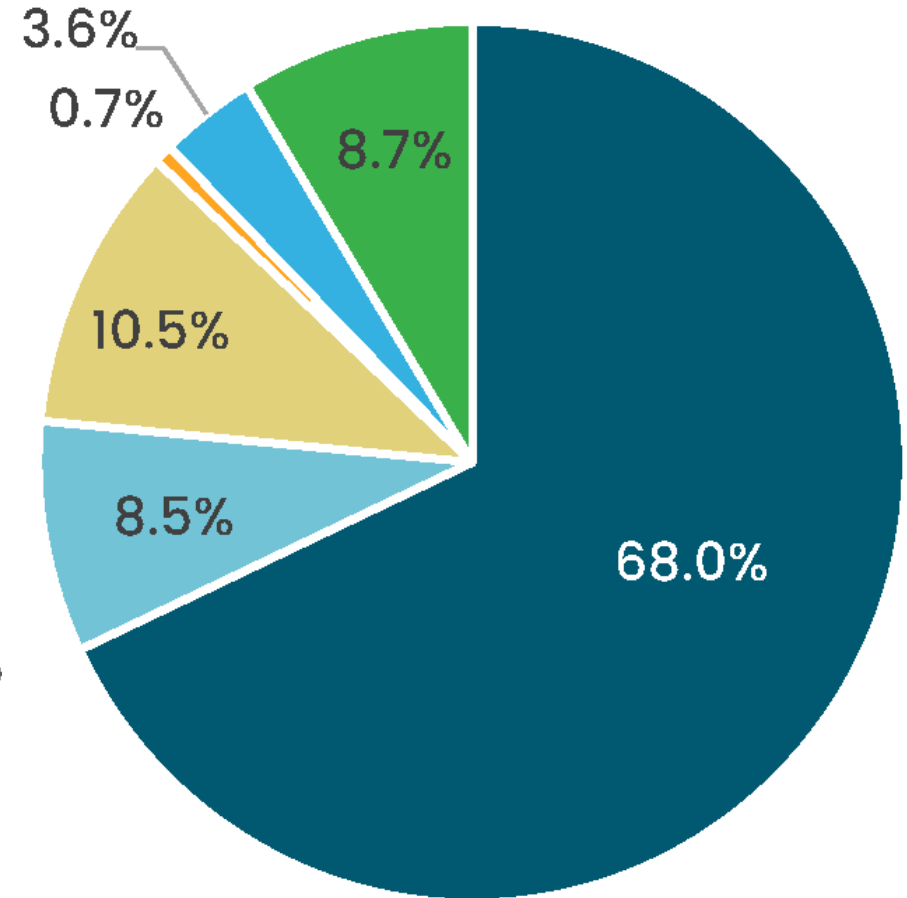


# City of Rochester Property Tax Rates since 2012

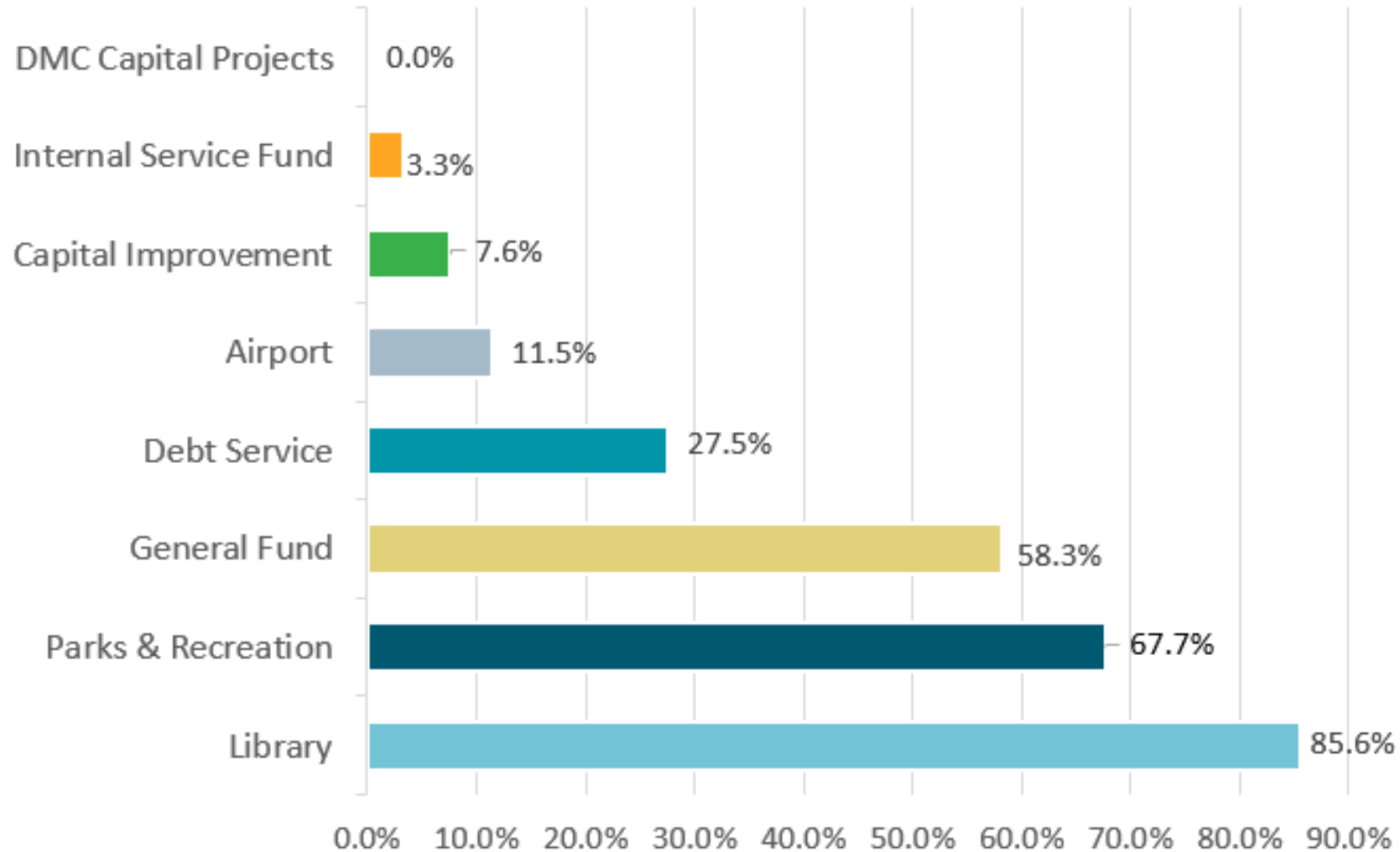


# 2022 Property Tax Distribution

- General Fund 68.0%
- Library 8.5%
- Parks and Rec 10.5%
- Airport 0.7%
- Debt/Internal Service 3.6%
- CIP 8.7%

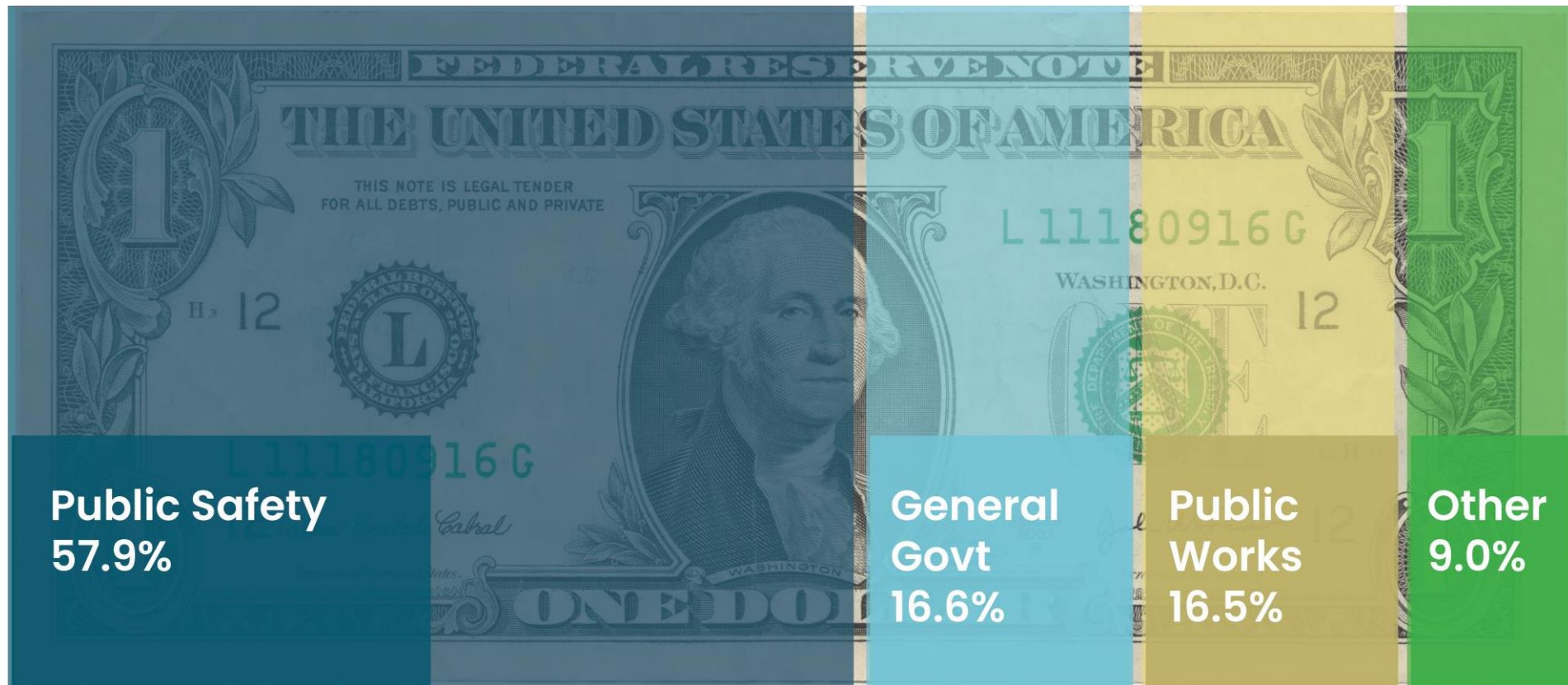


# Fund Reliance on Tax Levy



# Where Does the Money Go?

2022 General Fund expenses are \$4.3 million more than 2021



# Comparison Community Benchmarking

City	2021 Levy Increase	2022 Preliminary Levy Increase	Combined 2021 Levy and 2022 Preliminary Levy Increase
Bloomington	2.8%	2.8%	5.5%
Rochester	0.0%	6.5%	6.5%
St. Paul	0.0%	6.9%	6.9%
Duluth	3.0%	6.0%	9.0%
Woodbury	4.9%	5.5%	10.4%
St. Cloud	5.2%	5.5%	10.7%
Minneapolis	5.8%	5.5%	11.2%



# Comparison Community Benchmarking

City	Population*	2021 LGA	2021 LGA per Capita	2022 LGA	2022 LGA per Capita
Rochester	119,969	\$6,372,634	\$53.12	\$6,372,634	\$53.12
Minneapolis	435,885	\$78,313,191	\$179.66	\$78,313,191	\$179.66
St. Cloud	68,524	\$13,760,696	\$200.82	\$13,970,523	\$203.88
St. Paul	315,925	\$70,931,877	\$224.52	\$71,888,109	\$227.55
Duluth	87,306	\$30,543,564	\$349.84	\$30,671,679	\$351.31
Woodbury	N/A	-	N/A	-	N/A
Bloomington	N/A	-	N/A	-	N/A





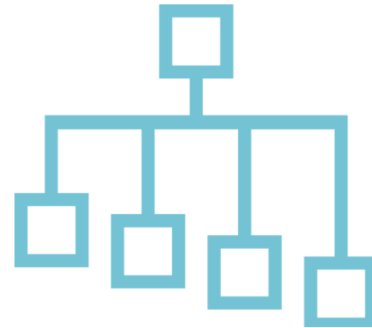
# Recommended 2022-2027 Capital Improvement Plan

**Policy Consideration #2:** Are there any questions or feedback on the recommended 2022-2027 Capital Improvement Plan Budget?

# 2022 CIP Projects as Revised



**193 Projects**



**23 Categories**



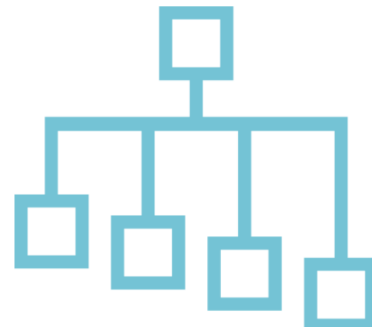
**\$134 Million  
Total Investment**



# 2022-2027 CIP Projects & 2022-2026 RPU CIP Projects as Revised



**295 Projects**



**23 Categories**



**\$657 Million  
Total Investment**



# CIP Revisions Continued

- **Parks-All Park Referendum funding removed with the exception of the following already approved by Council: Cascade Lake, Plummer House, & McQuillan Lighting**
- **Streets-RPU Marion Road Distribution Duct Project Along 9th St SE total budget reduced by \$47,400**
- **DMC-Rapid Transit no change to total budget, shift of funds between transit aid categories to better align with projected cash flow**
- **District Energy System and Flood Control-Silver Lake Sediment Removal, Trail Safety Improvements and Park Revitalization budgets revised to align with Council's approval of legislative priorities.**





# **Additional Contingency**

**Policy Consideration #3: Confirmation on the City Council direction on the additional contingency funds?**

# Outside Agencies - Option 1 (20,000 Discretionary Funds)

	2021 Adopted	2022 Requested	2022 For Consideration	Difference from 2021
RNeighbors	101,700	101,700	101,700	0
125Live	108,000	120,000	105,000	-3,000
Art Center	173,160	173,160	170,000	-3,160
Southern Minnesota Initiative Foundation (SMIF)	18,000	18,000	15,000	-3,000
Rochester-Olmsted Youth Commission***	26,100	10,000	10,000	-16,100
History Center of Olmsted County	27,000	30,000	27,000	0
Human Rights Commission	5,400	6,000	5,400	0
Diversity Council	67,500	75,000	67,500	0
Civic Theater	0	75,000	15,000	15,000
Greater Rochester Advocates for Universities & Colleges (GRAUC)	10,000	20,000	0	-10,000
Rochester Downtown Alliance	90,000	125,000	125,000	35,000
Jeremiah Program	0	10,000	-	Recommend these organizations to apply for CDBG funding
First Homes	0	20,000	-	
Intercultural Cities Initiative	2,000	n/a	2,000	*Moving to Administration DEI Budget
Totals	626,860	783,860	643,600+20,000 Discretionary = 663,600	14,740 + 20,000 Discretionary = 34,740
Over Budget		-157,000	-34,740	

- Utilize additional contingency of \$34,740 funds to provide for requests that exceed 2022 baseline budget, to otherwise adjust the final 2022 allocations, or for unanticipated needs.
- Future budget baseline for OAOC would be \$661,600.



# Confirmation of Contingency Recommendation

- Requires carry forward of 2021 Contingency of \$35,469, and \$275,271 of the 2022 Contingency to fund the desired investments.

Sports Commission-Accelerate Lead Generation	\$25,000
One Time Outside Agency Investment (Pending CC Discussion)	\$34,740
City Facility AED Replacement Fund	\$156,000
Silver Lake Pool	\$95,000
<b>Total Investment</b>	<b>\$310,740</b>
2021 Contingency Encumber	\$35,469
2022 Contingency	\$275,271
<b>Total Contingency Funding of Investment</b>	<b>\$310,740</b>





# Rochester Public Utility Rates

**Policy Consideration #4:** Does City Council support the final recommended rate change from Rochester Public Utilities?

# Enterprise Fund – RPU Water Utility

(In Thousands \$)	2021 Adopted	2022 Recommended	Difference
Revenue	\$13,627	\$14,002	\$ 375
Water Supply Cost	\$ 1,822	\$ 1,847	\$ 25
Gross Margin	\$11,805	\$12,155	\$ 350

- 2.5% general rate increase
  - Cost impact to the average customer is \$0.57 per month (does not include Service Assured addition)
- Adoption of Service Assured (\$1.99/Month) for all residential customers. Customers will be able to opt out of this program.
- 1.0% Customer Growth
- 4.9% Consumption Decrease
- 2022 Capital Investment \$ 4,911,000



# Enterprise Fund – RPU Electric Utility

(In Thousands \$)	2021 Adopted	2022 Recommended	Difference
Revenue	\$ 173,739	\$ 188,519	\$ 12,780
Cost of Power	(\$ 93,646)	(\$ 95,001)	(\$ 1,355)
Gross Margin	\$ 80,094	\$ 93,518	\$ 13,424

- 1.5% general rate increase (reduced from 2.5% Preliminary Budget)
  - Cost impact to the average customer is \$2.28 per month
- 1.6% Customer Growth
- 1.0% Consumption Growth
- 2021 and 2022 Revenue includes Private Funds of \$8,923K and \$14,204K respectively
- 2022 Capital Investments of \$ 37,900,000

