



2024-2025 Budget Hearing

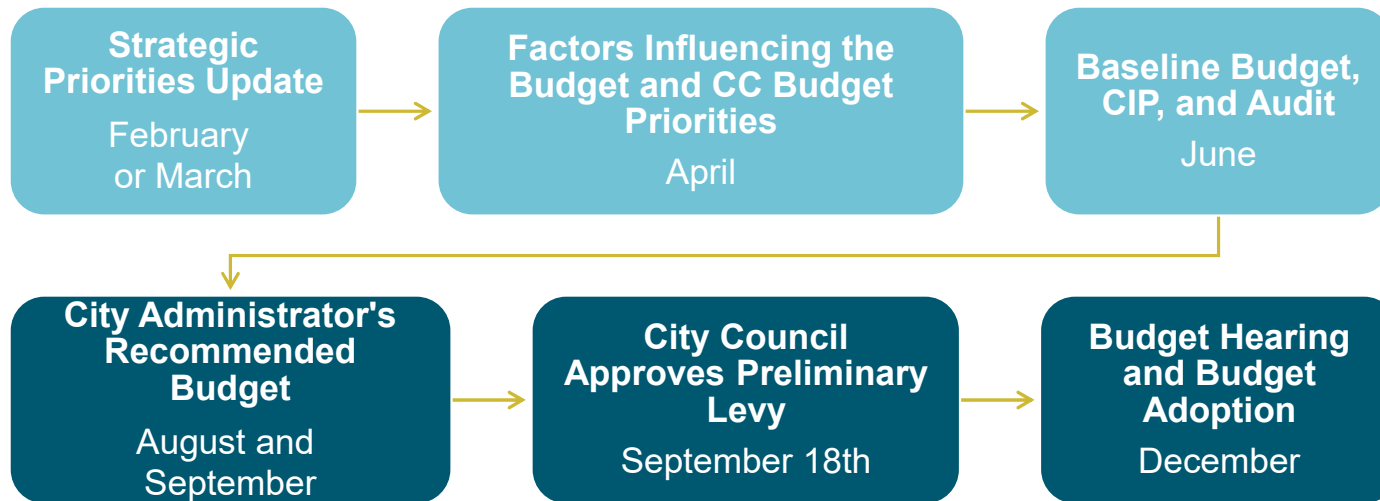
December 4, 2023

A collage of images representing various city services: a fire truck, a worker on a lift, a library aisle, and a garden. The collage is set against a light blue and yellow background with dashed lines.

**City of Rochester
Minnesota**
2024-2025
Operating Budget
2024-2029
Capital Improvement Plan

The City of Rochester, Minnesota logo is repeated at the bottom of the slide, centered between two horizontal dashed lines.

2024-2025 BUDGET: KEY CITY COUNCIL ENGAGEMENT POINTS



[Link to 2024-2025 Budget Documents](#)



Budget Hearing and Adoption

1. We are here tonight to receive public feedback on the budget and property tax levy and for City Council to consider those items for adoption.
2. Increase in taxes are often a reflection of increased property valuations. You can contact the Olmsted County Assessor's office if you have questions regarding individual property valuations via phone 507-328-7635 or email propertyweb@co.olmsted.mn.us

PROGRAMS THAT MAY REDUCE YOUR PROPERTY TAXES

• Homestead Exclusions Programs

- You may safely and securely apply for homestead online: olmstedcounty.gov/post/homestead-applications

New for 2023

- The tax bill increases refund amounts for the 2022 Homestead Credit Refund (for Homeowners) and Renter's Property Tax Refund (Form M1PR):
 - Refunds for homeowners and renters were increased by 20.572%. Taxpayers who already filed a 2022 Form M1PR may see a larger refund than originally claimed.
 - Homeowners may now qualify for a special (or "targeting") refund if their property tax increased by more than 6% — rather than 12% — from 2022 to 2023.
- The income requirements have not changed for claiming either the Homestead Credit Refund or Renter's Property Tax Refund.



PROGRAMS THAT MAY REDUCE YOUR PROPERTY TAXES

Special Homestead Classification for Blind or Permanently and Totally Disabled Persons - <https://www.revenue.state.mn.us/special-homestead-classification>

- A special homestead classification that provides a reduced class rate for homestead property of any person who qualifies as blind or as permanently and totally disabled.

Market Value Exclusion on Homestead Property of

Disabled Veterans <https://www.revenue.state.mn.us/market-value-exclusion-veterans-disability>

- This program provides a market value exclusion for property tax purposes for the homestead property of an honorably discharged veteran who has a service-connected disability rating of 70% or higher, as determined by the US Department of Veterans Affairs.

Senior Citizen Property Tax Deferral - <https://www.revenue.state.mn.us/property-tax-deferral-senior-citizens>

- You are 65 or older in the year you apply. If married, one of you is 65 or older and the other is at least 62.
- Your household income is \$96,000 or less.
- You have owned and lived in your home for the last 5 years.
- Your home has been homesteaded for 5 years.
- You do not have a reverse mortgage, a life estate, or any state or federal liens on your property.
- Other liens against your property are less than 75% of the estimated market value.

The property tax you pay will be 3% of your total household income based on your prior year income. The state pays the remainder as a loan. When you sell your home or voluntarily cancel the deferral, you must repay the loan plus interest. The interest rate varies but does not exceed 5%

Direct Tax Rebate Payments

- The Minnesota Department of Revenue has begun sending direct tax rebate payments of up to \$1,300 for tax year 2021 to eligible Minnesotans. Legislation signed in May provides payments of:
 - \$520 for married couples filing a joint return with adjusted gross income of \$150,000 or less
 - \$260 for all other individuals with adjusted gross income of \$75,000 or less
 - Another \$260 for each dependent claimed on your return, up to three dependents (\$780)



PROGRAMS THAT MAY REDUCE YOUR PROPERTY TAXES

Additional State Refund Programs

- Homestead Credit Refund Program
 - <https://www.house.leg.state.mn.us/hrd/pubs/ss/sshptrp.pdf>
- Renter's Property Tax Refund Program
 - <https://www.house.leg.state.mn.us/hrd/pubs/ss/ssrptrp.pdf>
- Targeting Property Tax Refund Program
 - <https://www.house.leg.state.mn.us/hrd/pubs/ss/sstrgt.pdf>



PROGRAMS THAT MAY REDUCE YOUR PROPERTY TAXES

Learn More

- **Online:** revenue.state.mn.us/property-tax-refund
- **Call:** 651-296-3781
- **Mail:**
Minnesota Department of Revenue
Mail Station 0020
600 North Robert St.
St. Paul, MN 55145-0020





2024-2025 Operating Budget

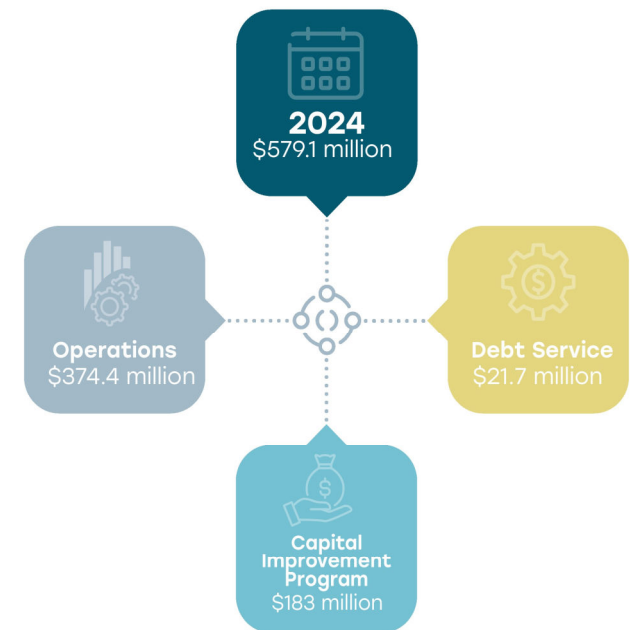
\$579.1 Million Budget

All Funds Combined

- **9.44%** tax levy increase (\$8.8 Million)
- **3.2%** general rate increase for Electric
 - Plus an additional \$1.94 per month related to the AMI implementation
- **5.5%** general rate increase for Water
 - Plus an additional \$1.32 per month related to the AMI implementation

*Note – RPU Budgeted CIP basis changed to show Total Investment rather than Net Investment

City of Rochester Budget 2024, Inclusive of RPU



2024 & 2025 Major Revenues

Table 1
2024 AND 2025 MAJOR REVENUES VERSUS 2022 & 2023 INCLUSIVE OF RPU

	2022 Adopted Budget	2023 Adopted Budget	2024 Adopted Budget	2025 Recommended Budget	2023-2024 Increase/Decrease	2023-2024 Percent of Change	2024-2025 Increase/Decrease	2024-2025 Percent of Change
Tax Levy & Tax Abatements	86,823,881	92,772,574	101,530,873	110,209,367	8,758,299	9.44%	8,678,494	8.55%
Local Government Aid	6,372,634	3,958,994	3,958,994	3,958,994	0	0.00%	0	0.00%
Local Government Aid (CIP)	0	0	800,000	1,067,000	800,000	0.00%	267,000	33.38%
Hotel/Motel Tax	4,946,480	5,353,601	5,915,155	6,491,160	561,554	10.49%	576,005	9.74%
Cable TV Franchise Fee	1,300,000	1,165,296	1,165,296	1,165,296	0	0.00%	0	0.00%
Inspection Permits	3,410,426	3,563,892	3,930,322	3,930,322	366,430	10.28%	0	0.00%
In Lieu of Tax	12,726,858	13,567,858	14,190,858	15,372,858	623,000	4.59%	1,182,000	8.33%
Sewer Utility Charge	28,100,000	28,381,000	28,500,000	28,500,000	119,000	0.42%	0	0.00%
Storm Water Utility Fee	8,734,260	8,821,603	8,934,050	8,934,050	112,447	1.27%	0	0.00%
Library Fund								
City Share-Levy	7,390,959	7,816,734	8,330,636	8,730,923	513,902	6.57%	400,287	4.80%
County Share	1,131,821	1,151,638	1,183,842	1,183,842	32,204	2.80%	0	0.00%
Municipal Recreation Fund								
Fee Revenues	4,138,604	4,184,120	4,637,118	4,637,118	452,998	10.83%	0	0.00%
Non-Fee Revenues	9,302,012	9,881,044	10,615,916	11,777,457	734,872	7.44%	1,161,541	10.94%
Parking Fund								
Parking Fines	466,676	471,343	471,343	471,343	0	0.00%	0	0.00%
Parking Ramps	4,618,275	4,664,458	5,897,234	5,897,234	1,232,776	26.43%	0	0.00%
Street Meters	1,325,000	1,338,250	1,338,250	1,338,250	0	0.00%	0	0.00%
Parking Lots	413,565	417,701	417,701	417,701	0	0.00%	0	0.00%
RPU								
Charges for Services	187,127,000	187,924,000	205,271,000	215,314,000	17,347,000	9.23%	10,043,000	4.89%
Private Funds	15,304,000	18,300,000	6,672,000	3,952,000	(11,628,000)	-63.54%	(2,720,000)	-40.77%



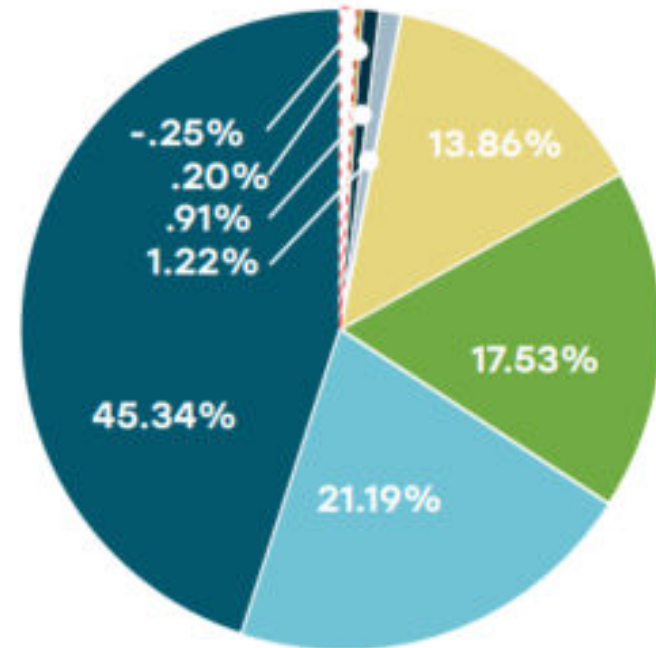
Where does the Money Come From?



*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

2024 Total Operating Revenue, inclusive of RPU





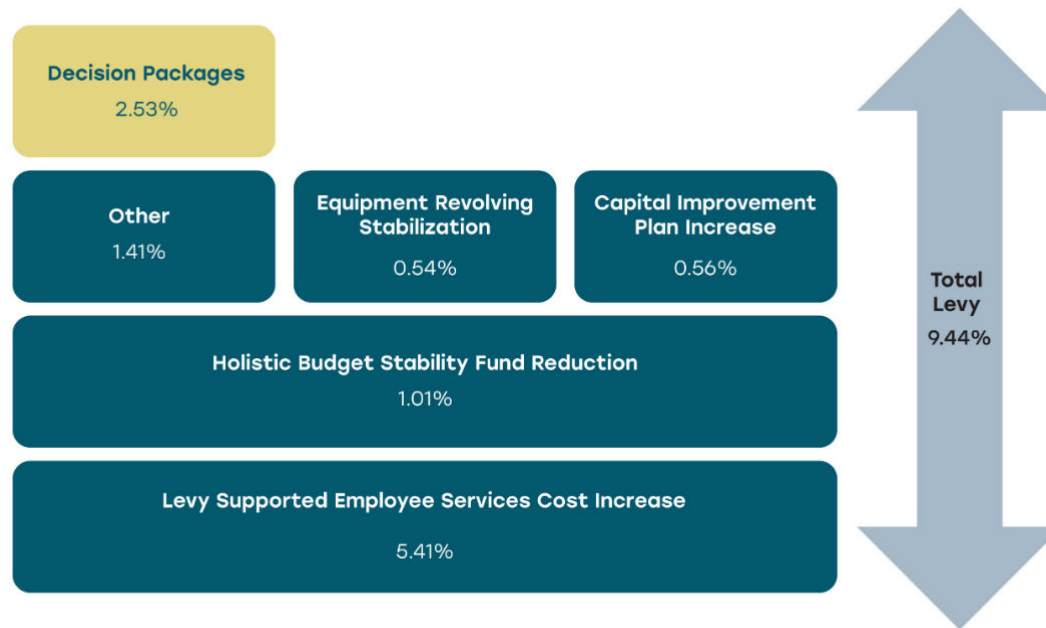
Tax Levy & Tax Capacity

2024 Preliminary Tax Levy & Budget

- **Preliminary Tax Levy \$101,530,873 (9.44% increase)**
- **Preliminary Total Budget \$579.1 million**



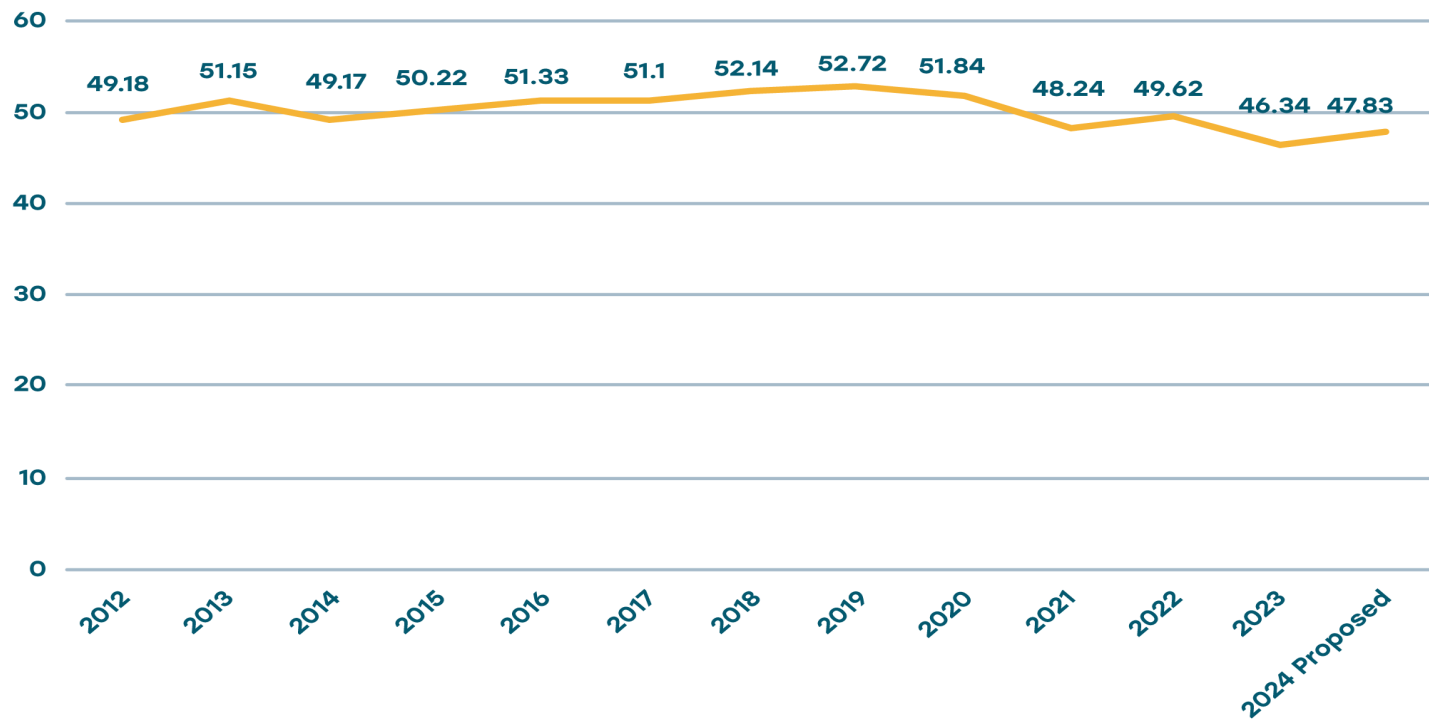
BREAKING DOWN THE LEVY INCREASE



Note: "Other" includes increases in Utilities and Software Maintenance. In addition, the projected increases above total more than 9.44% with the additional expenses offset by additional non-levy revenue.



City of Rochester Property Tax Rates since 2012



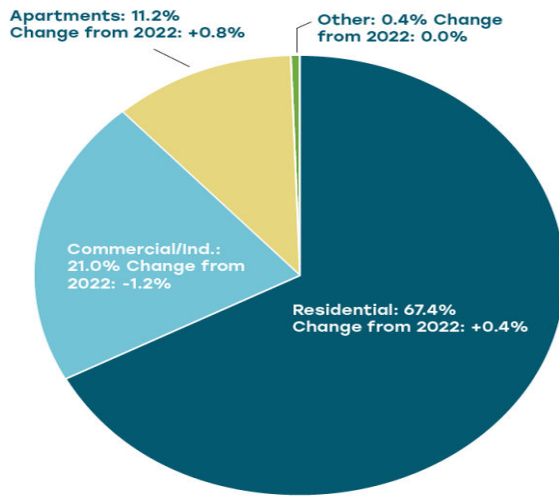
Tax Impact – Median Value Home

		No Valuation Change			Valuation Increase		
	Pay 2023	Pay 2024			Pay 2024		
	Median Value Home	No Value Change	Amount Change	Percent Change	Median Value Home	Amount Change	Percent Change
Valuation							
Median Home Value	\$273,000	\$273,000	\$-	0%	\$289,600	\$16,600	6.1%
Property taxes							
City	1,265	1,306	41	3.2%	1,385	120	9.5%
County	1,218	1,177	(41)	-3.3%	1,249	31	2.5%
School	494	469	(24)	-4.9%	498	4	0.9%
HRA	46	46	(0)	-0.9%	49	2	5.1%
Total Combined Tax	3,023	2,998	(24)	-5.9%	3,181	158	18.1%

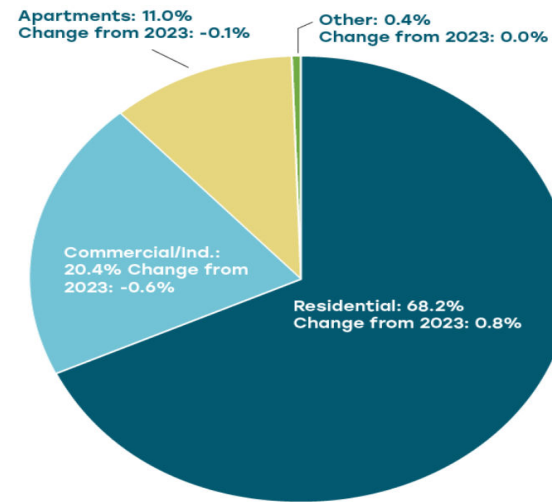


Pay 2023-2024 Tax Base by Property Class – City of Rochester

2023 Percentage of Market Value



2024 Percentage of Market Value

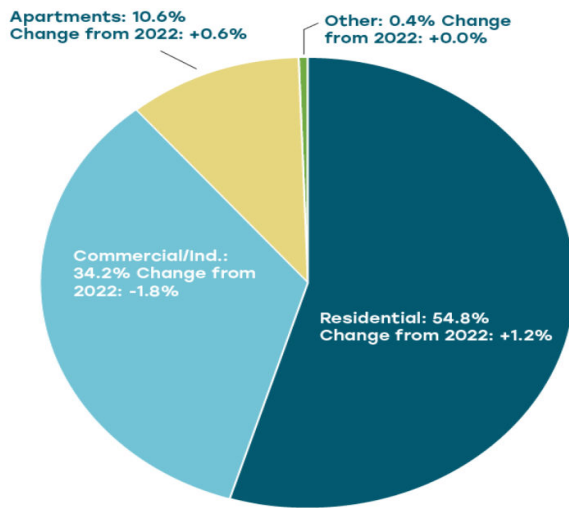


	Pay 2023	Pay 2024	Increase	Percent Change
Taxable Market Value	\$16.9 Billion	\$18.0 Billion	\$1 Billion	6.3%
Taxable Tax Capacity	\$204 Million	\$216 Million	\$13 Million	6.2%

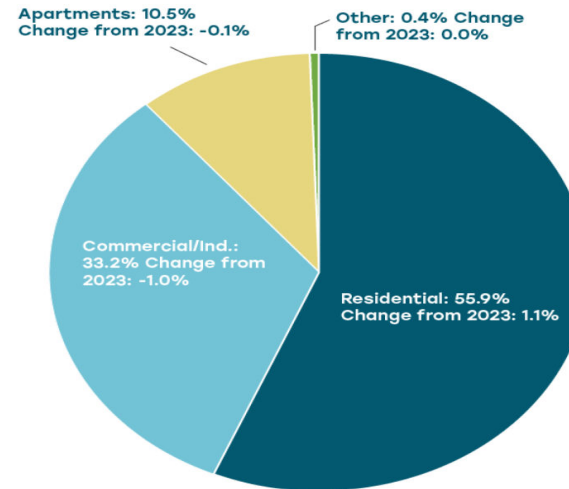


Pay 2023-2024 Tax Base by Property Class – City of Rochester

2023 Percentage of Tax Capacity
(Share of Tax Levy)



2024 Percentage of Tax Capacity
(Share of Tax Levy)

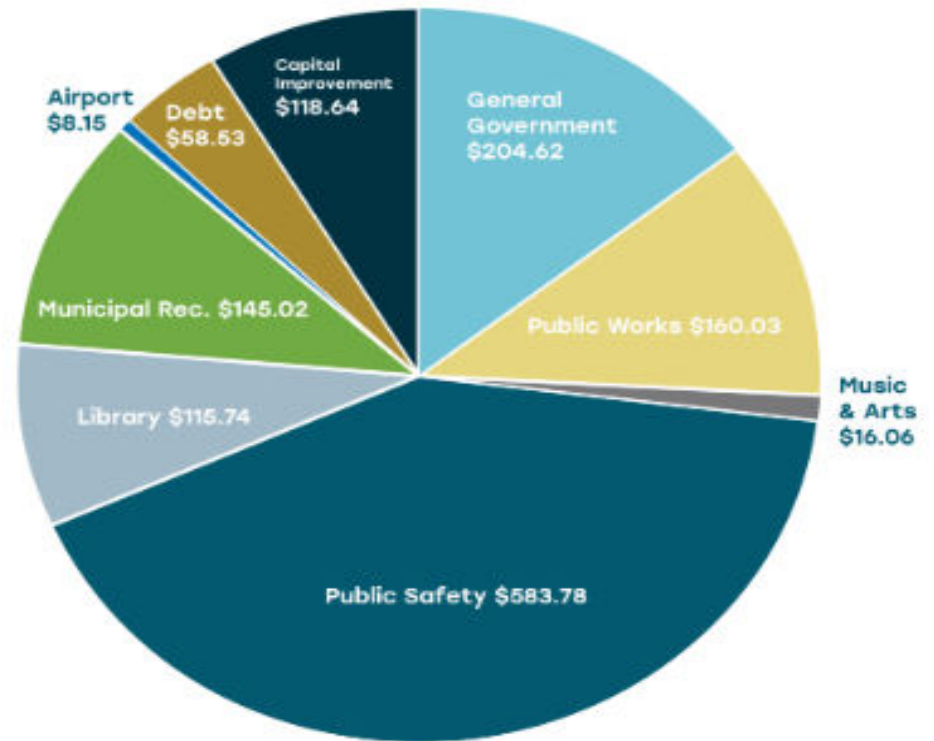


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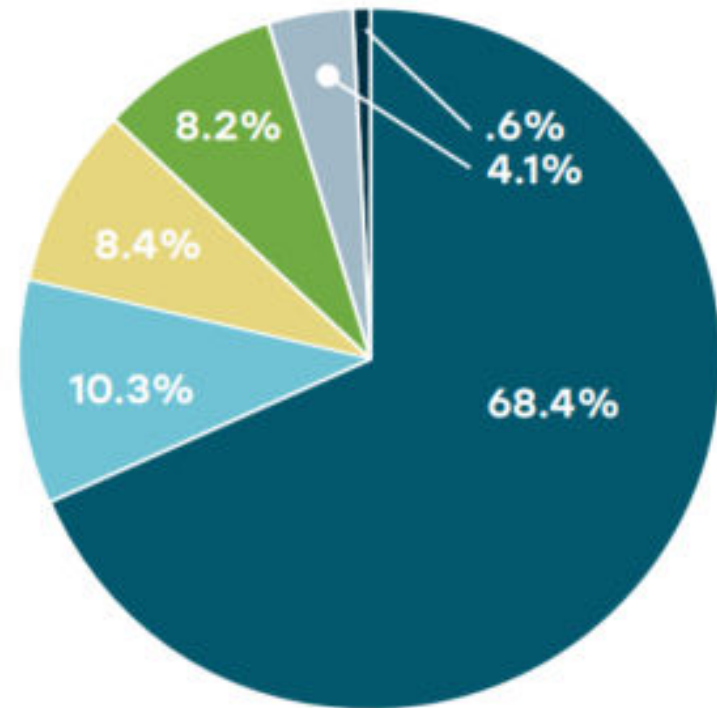
Property Tax Allocation for Median Value Home of \$289,600

- Public Safety \$583.78
- General Government \$204.62
- Public Works \$160.03
- Municipal Recreation \$145.02
- Library \$115.74
- Capital Improvement \$118.64
- Debt \$58.53
- Music & Arts \$16.06
- Airport \$8.15

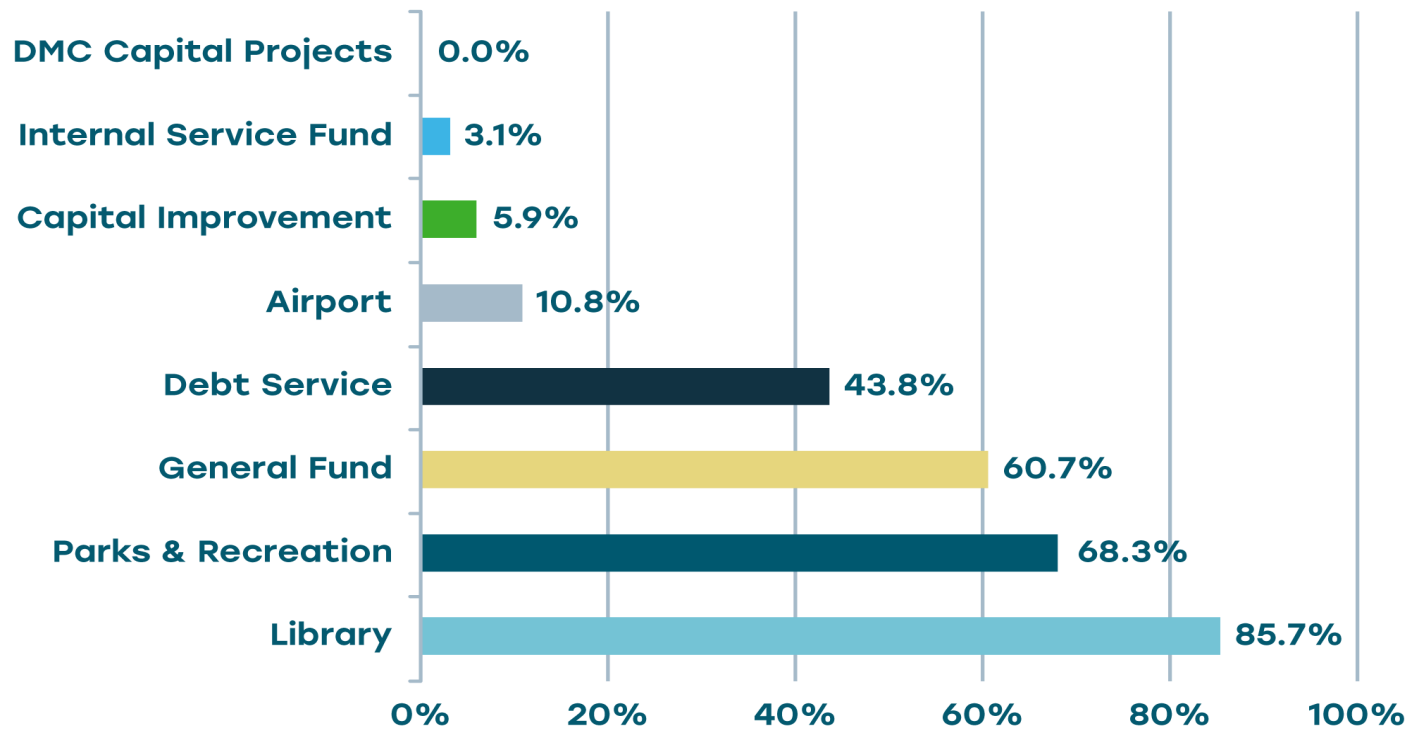


2024 Property Tax Distribution

- General 68.4%
- Rochester Public Library 8.2%
- Parks and Recreation 10.3%
- Debt. Internal Services 4.1%
- CIP 8.4%
- Airport .6%

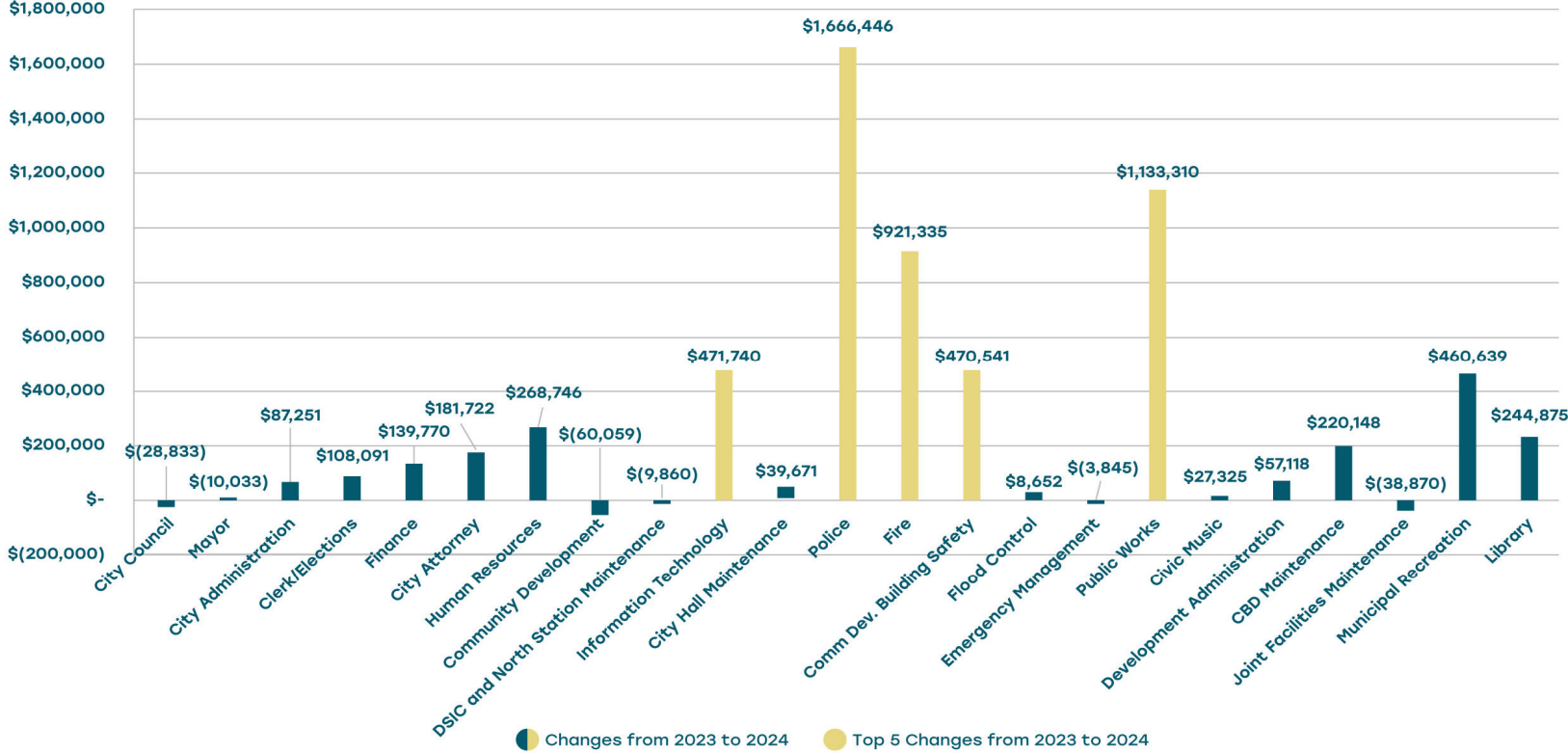


Fund Reliance on Tax Levy



EMPLOYEE SERVICES COSTS

Levy Funded Employee Services Changed by Department



Comparison Community Benchmarking

City	Population*	2023 LGA	2023 LGA per Capita	2024 LGA	2024 LGA per Capita
Rochester	125,055	\$3,958,994	\$31.66	\$5,026,033	\$40.19
Minneapolis	436,934	\$74,542,064	\$170.60	\$81,469,158	\$186.46
St. Cloud	71,122	\$14,198,354	\$199.63	\$15,855,712	\$222.94
St. Paul	310,992	\$72,817,360	\$234.15	\$81,648,670	\$262.54
Duluth	86,924	\$30,807,820	\$354.42	\$35,175,072	\$404.66
Woodbury	77,224	\$-	\$-	\$-	\$-
Bloomington	91,330	\$-	\$-	\$56,616	\$0.62

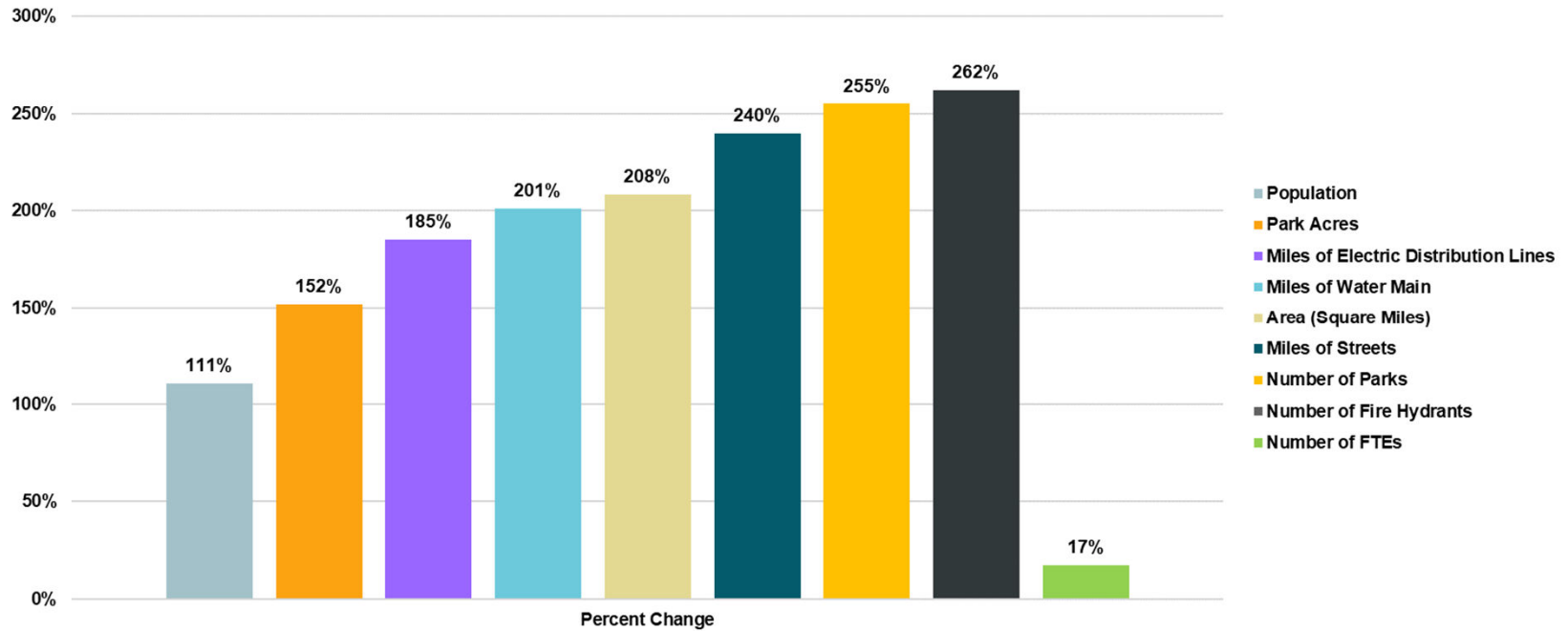


Where Does the Money Go?

2024 General Fund expenses are \$9.1 million more than 2023



PERCENT CHANGE OF OPERATING INDICATORS: 1980 - 2022



Sustainability Initiatives

Over \$61+ million in initiatives across organization

- \$57 million Environmental Sustainability initiatives
- \$3 million Economic Vitality initiatives
- \$1.6 million Social Equity initiatives

Funding & Pending Opportunities

- 6th Street Neighborhood Safety & Riverfront improvements (awarded)
- North Broadway Park & Ride (awarded)
- Urban Tree funding (awarded)
- Park Maintenance Facility (awarded)
- Benchmarking funding (pending)
- EV funding (pending)

Note: Team is continuing to review IRA funding programs to determine a practical approach to additional sustainability support. Most if not all of the new direct individual IRA grant programs are still under development by the State and Federal Government and not yet available for applications.

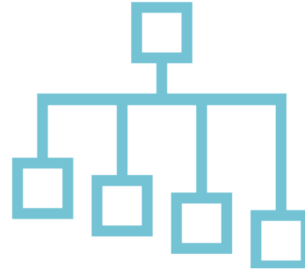


2024-2029 Capital Improvement Plan

2024 CIP Projects as Revised



200 Projects



22 Categories



**\$195.2 Million
Total Investment***

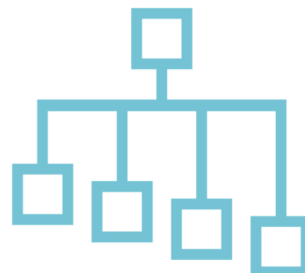
*CIP Total Investment is now inclusive of RPU total project costs including other funding sources such as private investment, bonds, grants, internal labor, etc.)



2024-2029 CIP Projects & 2024-2028 RPU CIP Projects as Revised



307 Projects



22 Categories



**\$1.1 Billion Total
Investment***

*CIP Total Investment is now inclusive of RPU total project costs including other funding sources such as private investment, bonds, grants, internal labor, etc.)



Public Hearing and Feedback on the Budget