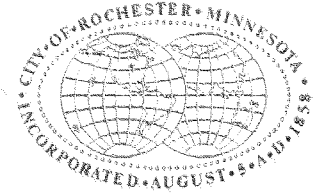




# ROCHESTER

*Minnesota*



January 4, 2008

STEVAN E. KVENVOLD  
City Administrator  
City Administrator's Office  
201 4th Street SE, Room 266  
Rochester, MN 55904-3781  
(507) 328-2000  
FAX (507) 328-2727

The Honorable Mayor  
and Common Council

The adopted budget for 2008 contains appropriations of \$161,886,151. A property tax of \$39,965,404 was adopted to assist in the financing of the 2008 budget expenditures. \$4,824,716 of the 2008 property tax is allocated to the Capital Improvements Program (CIP) to assist in the funding of 2008 capital projects. \$1,130,000 of the CIP property tax is a property tax abatement levy intended to assist in the redevelopment of the downtown area.

My appreciation is expressed to all of the departments and individuals who have participated in the preparation of the 2008 budget. I also wish to acknowledge the valuable assistance provided to me by the Finance Department in the preparation of the 2008 budget.

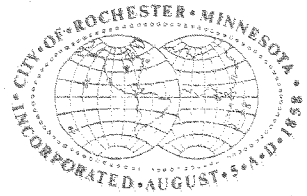
Respectfully submitted,

Stevan E. Kvenvold  
City Administrator



# ROCHESTER

*Minnesota*



November 28, 2007

STEVEN E. KVENVOLD

City Administrator

City Administrator's Office

201 4th Street SE, Room 266

Rochester, MN 55904-3781

(507) 328-2000

FAX (507) 328-2727

The Honorable Mayor and City Council:

Submitted herein for your consideration is the recommended budget for 2008. The total expenditures contained in the recommended budget are \$163,366,367. These expenditures are supported by a recommended property tax of \$39,965,404.

\$4,824,716 of the recommended property tax is proposed for usage in funding 2008 Capital Improvements Projects (CIP). \$1,300,000 of the recommended CIP property tax is designated for the Downtown Tax Abatement District. \$1,180,000 in property taxes were levied in 2007 for the Downtown Tax Abatement District.

## ANALYSIS OF PROPOSED EXPENDITURES

Employee Services - This category, which includes regular salaries, new positions, temporary salaries, overtime, pension costs, and group health expenses, increases by \$3,417,069 over the 2007 budgeted amount.

The recommended budget contains an increase of 2.75% in the base compensation of the organization's employees as negotiated in the employment contracts for the majority of the employees.

The recommended budget proposes the hiring of 16 new positions for a total wage and benefit cost of \$960,811. The recommended new positions are:

- the authorization of an additional ½ time Police Officer position needed to create 1 full time Police Officer position;
- 2 full time Community Service Officer positions in the Police Department;
- 6 ½ time Community Service Officer positions in the Police Department;
- 1 Public Education Officer for the Fire Department;
- 1 Infrastructure Asset and Inventory Manager position in the Public Works Department;
- 1 Automation Systems Coordinator position in the Public Library;

- 1 Equipment Operation I position for maintenance of the First Street Plaza;
- 1 Director of Golf position for the Park and Recreation Department;
- 1 Building Maintenance Worker I position for Graham Arena;
- 1 Operations Supervisor position for the Mayo Civic Center.

In addition to the above positions, two reclassifications in the Construction Engineering division of the Public Works Department are recommended.

Overtime - Estimated 2008 overtime expenses increase by \$213,195 over 2007 costs. These increases are located mainly in the Police and Fire Departments and are reflective of actual experience.

Pensions -The State Legislature has mandated increases in pension rates paid by both the employee and the employer. The employer rates for 2008 increase from 6.25% to 6.5% for coordinated plan members and from 11.7% to 12.9% for Police and Fire members.

The pensions costs for 2008, including the costs for the recommended new positions, increases by \$481,039.

Group Health Insurance - The City organization is self insured for health and dental insurance coverages. The premiums charged to the operating departments are recommended to increase by 5% for health coverages and 8% for dental coverage.

Contractual Services - This budget category, which contains services contracted by the City, professional services, communications, insurance, utilities, travel and other miscellaneous items, increases by \$2,017,714 over the 2007 expenses. The largest increase in this category is for utilities, with the cost of electricity reflecting the largest increase. A 4% increase in electrical rates is anticipated for 2008.

Materials and Supplies - This category, which contains office supplies, vehicle and machine operating supplies, clothing, small tools and equipment, commodities for the Water Reclamation Plant and construction materials increases by \$628,390 over 2007. The largest increases in this category are for gasoline, diesel fuel and construction materials.

Contributions - The main increase to this category are attributed to increased costs of the Emergency Management function, \$91,519, increased contributions to outside agencies, \$55,500, increased allocation to the Rochester Convention and Visitor's Bureau, \$250,000, and Public Transit, \$330,107.

Bond Principal and Interest -The increase is caused by principal and interest expenses associated with the bonds sold to finance the Water Reclamation Plant and sanitary sewer line expansion. The necessary payments are made from the Sewer Utility Fund and there is not any property tax dollars involved in the payments.

#### ANALYSIS OF MAJOR REVENUES

	2007 Budget	2008 Budget	Increase/ (Decrease)
Tax Levy	\$37,438,500	39,965,404	2,526,904
Local Government Aid	6,343,929	7,620,306	1,276,377
Hotel/Motel Tax	2,900,000	3,500,000	600,000
Cable TV Franchise Fee	1,200,000	1,200,000	-
Inspection Permits	3,061,100	2,975,000	(86,100)
In Lieu of Tax	9,818,916	10,603,678	784,762
Sewer Utility Charge	12,040,000	12,844,800	804,800
Storm Water Utility Fee	3,200,000	4,300,000	1,100,000
Library Fund			
- City Share	4,706,990	4,970,096	263,106
- County Share	823,010	879,904	56,894
Municipal Recreation Fund			
- Fee Revenues	5,720,692	5,921,395	200,703
- Non-Fee Revenues	5,581,923	6,016,125	434,202
Parking Fund			
- Parking Fines	562,000	554,000	(8,000)
- Parking Ramps	2,317,156	2,574,056	256,900
- Street Meters	660,000	643,000	(17,000)
- Parking Lots	304,461	282,036	(22,425)

Local Government Aid (LGA) declined from \$11,139,855 in 2003 to \$5,719,725 in 2006 and has now shown modest increases in 2007 and 2008. The increase in LGA has the effect of lowering the increase in property tax revenues needed to assist in the funding of providing City services.

Inspection permit revenue is estimated to decline due to the decline in the residential housing marking.

The storm water utility fee revenue estimate is dependent upon the Mayor and City Council's future consideration of a proposed increase in this fee.

In the Municipal Recreation Fund, the increase in fees does not keep up with the increase in expenses. Golf revenues continue to be a concern.

I wish to express my appreciation to all of the individuals who have participated in the preparation of the recommended 2008 annual budget.

Respectfully submitted,



Stevan E. Kvenvold  
City Administrator