



CITY OF  
**ROCHESTER**  
MINNESOTA

# RECOMMENDED 2024 BUDGET PREVIEW & RECOMMENDED CIP

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July 17, 2023





# STRATEGIC PRIORITIES



**Strategic Priority: Affordable Living**

**Areas of Focus**

- Housing variety and affordability
- Transportation options and access
- Equitable regulatory landscape and creative incentives
- Access to opportunities and amenities
- Owner occupied affordable housing
- Increasing ownership opportunities for Black, Indigenous, People of Color, and Seniors

**Strategic Priority: Economic Vibrancy and Growth Management**

**Areas of Focus**

- Create clarity, alignment and unity with economic development partners in defining city leadership and community values
- Establish competitive and sustainable approach to effectively allocate DMC resources, Legislative allocations, and city revenue
- Develop implementation tools and strategies for Comprehensive Plan to ensure current decisions reflect future projections
- Adopt design guidelines that better reflect Council and community values

**Strategic Priority: Quality Services**

**Areas of Focus**

- Cultural and recreational opportunities that provide access and equity
- The organization and services reflect changing demographics and needs identified by the community
- Operations are sustainable, integrated, and easy to navigate
- Service delivery is optimized, cost effective, and reflect our Foundational Principles





# 2024 BUDGET BUILDING BLOCKS

## Strategic Priorities

Strategic Priority:  
Affordable Living

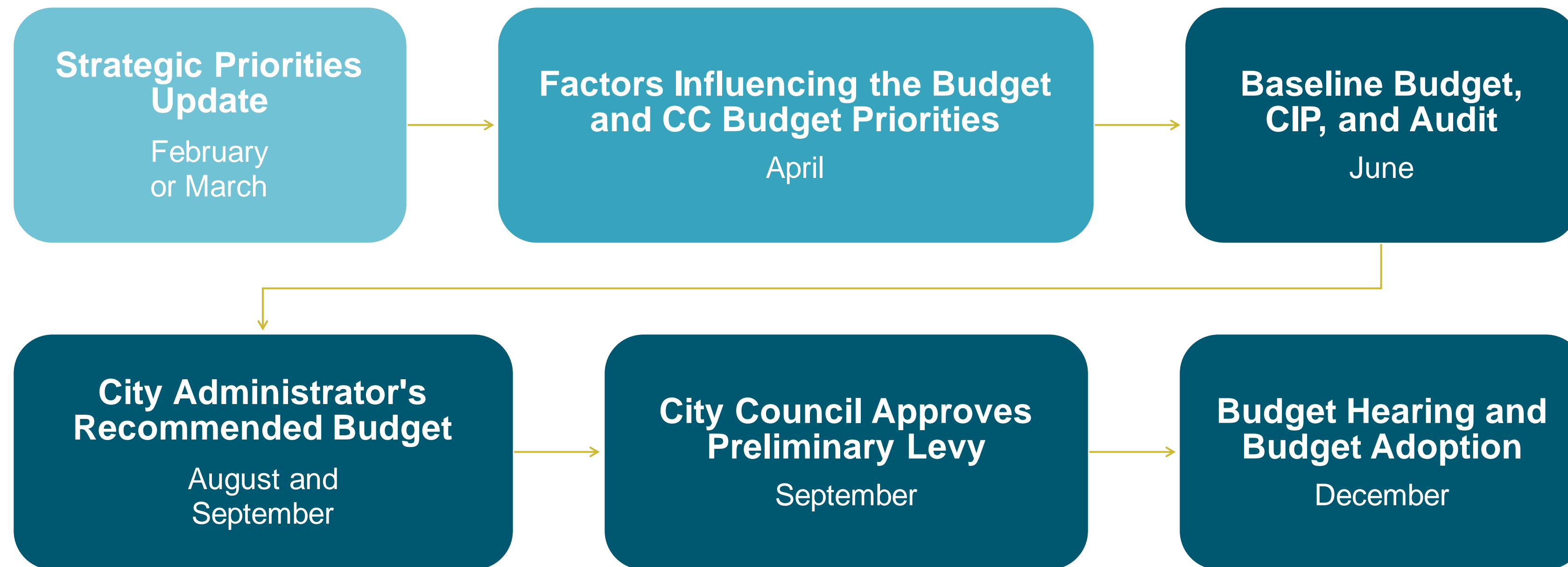
Strategic Priority:  
Economic Vibrancy and  
Growth Management

Strategic Priority:  
Quality Services

## Key goals based on Council discussion



# 2024-2025 Budget: Key City Council Engagement Points



Budget Documents:

<https://www.rochestermn.gov/government/departments/finance-information-technology/reports/current-budget-summary-cip/2023-supplemental>





# POLICY CONSIDERATIONS

1. Are there preliminary questions or feedback on the 2024 Recommended budget?
2. Are there preliminary questions or feedback on the 2024-2029 Recommended Capital Improvement Plan Budget?

# 2024 Preliminary Tax Levy & Budget

- **Preliminary Tax Levy \$101.5 million**
- **Preliminary Total Budget \$562.3 million\***

\*2024 RPU BUDGET IS BASED ON PRELIMINARY NUMBERS





# 2024 RECOMMENDED BUDGET



The 2024 tax levy budget is currently \$101,530,873 which represents a 9.44% increase from 2023



The 2024 general fund budget is currently \$114,538,303 which represents 4.22% increase from 2023



The Action Plan is in the process of being updated to reflect feedback from the City Council's Strategic Priorities conversation



2022 audit and annual comprehensive financial report was presented to City Council at 7/10/23 study session

# 2024 BUDGET OVERVIEW AND CONTEXT

## Baseline Budget

- 6.9% levy increase to support current services
- Addressing deferred liabilities including Equipment Revolving and facilities
- Employee services is a significant portion of this
- Holistic budget stability funding reduction

## Decision Packages

- 2.54% increase to address deferred maintenance, service enhancements, DEI, organizational sustainability, health, and response to legislative requirements
- Process improvement to move toward long term budget stability

## Other Considerations

- Outside Agency Requests are 22% higher and being evaluated

**BUILDING THE BUDGET – INVESTING IN PRIORITIES**





## SIX YEAR FORECAST – HOLISTIC BUDGET STABILITY FUND SUPPORT

This is one-time funding that moderates levy increases allowing us to catch up from a:

- 0% levy in 2021
- \$721,000 in reserve utilization

This reestablishes essential expenditures that were part of \$3.5 million in unsustainable expenditure reductions.



### Budget Stability Funding (\$6.2M)

- 2022 - \$1,467,446
- 2023 - \$2,368,028
- 2024 - \$1,427,500
- 2025 - \$ 713,750
- 2026 - \$ 285,500
- 2027 - \$ 0

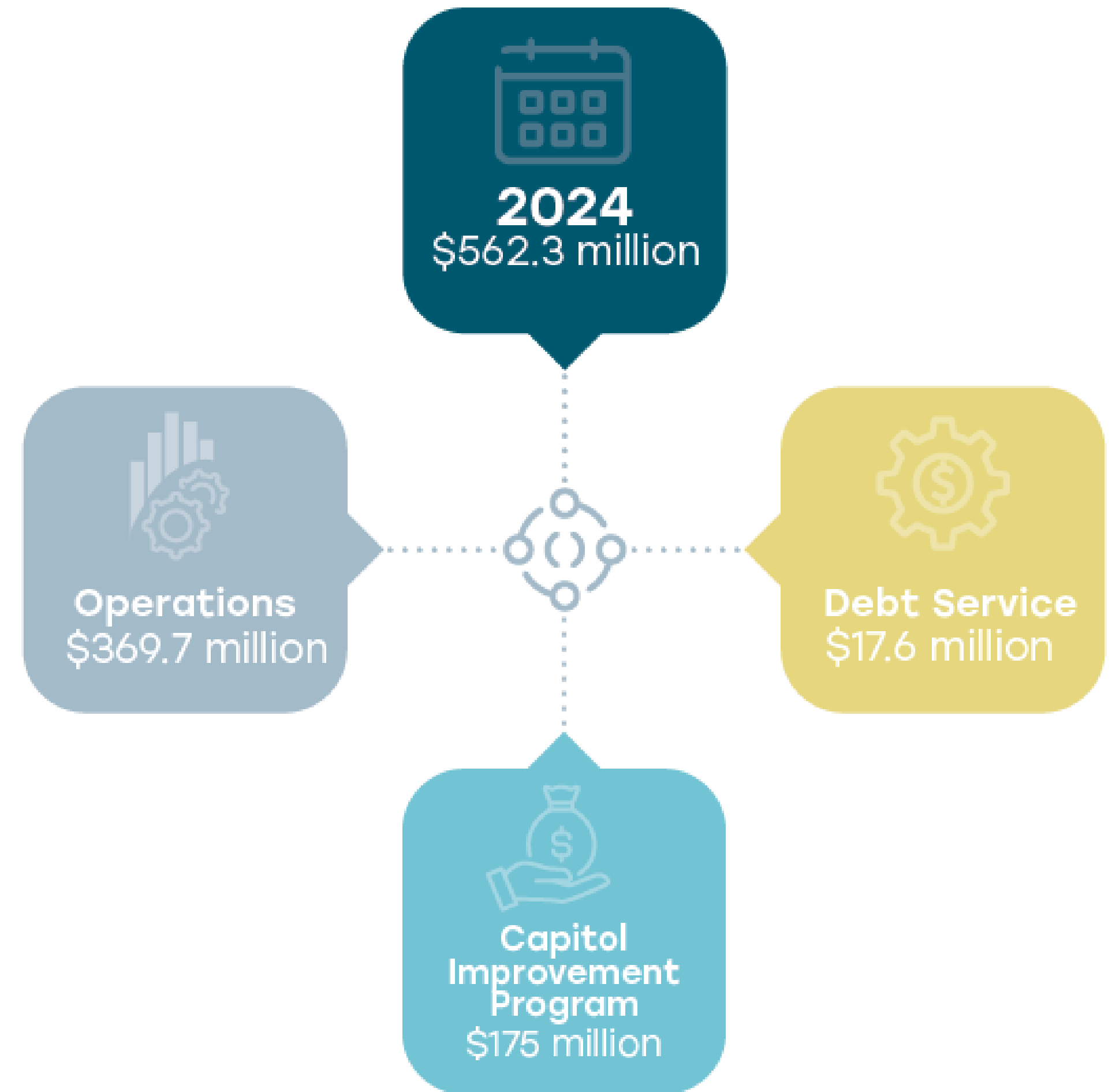


# \$562.3 MILLION BUDGET

## All Funds Combined

- 9.44% Total Levy Increase
- RPU Cost Service Study in Progress
  - Preliminary review contemplates increase of overall RPU Budget and an increase to water and electric rates

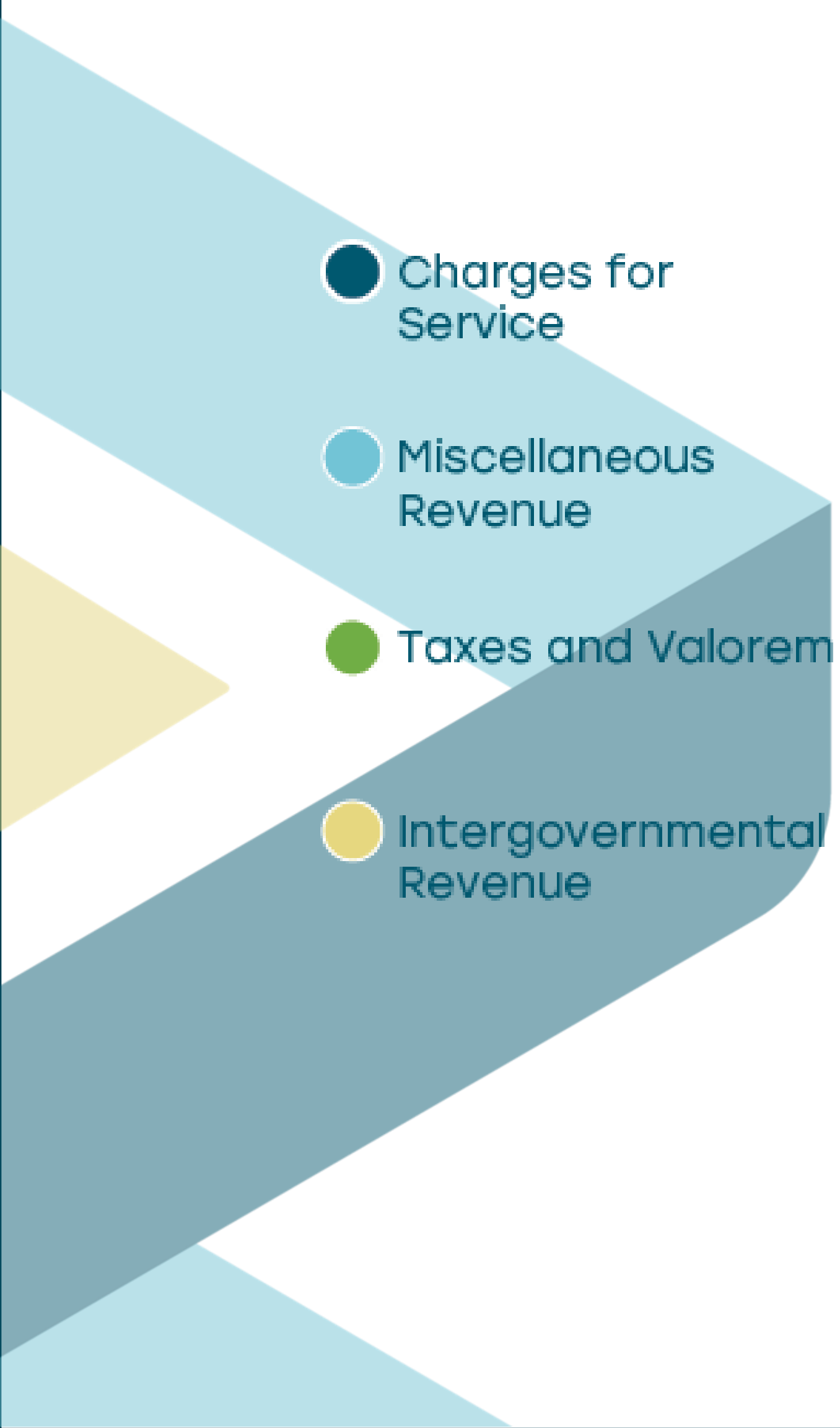
City of Rochester Budget 2024, Inclusive of RPU\*



\*2024 RPU BUDGET IS BASED ON PRELIMINARY NUMBERS

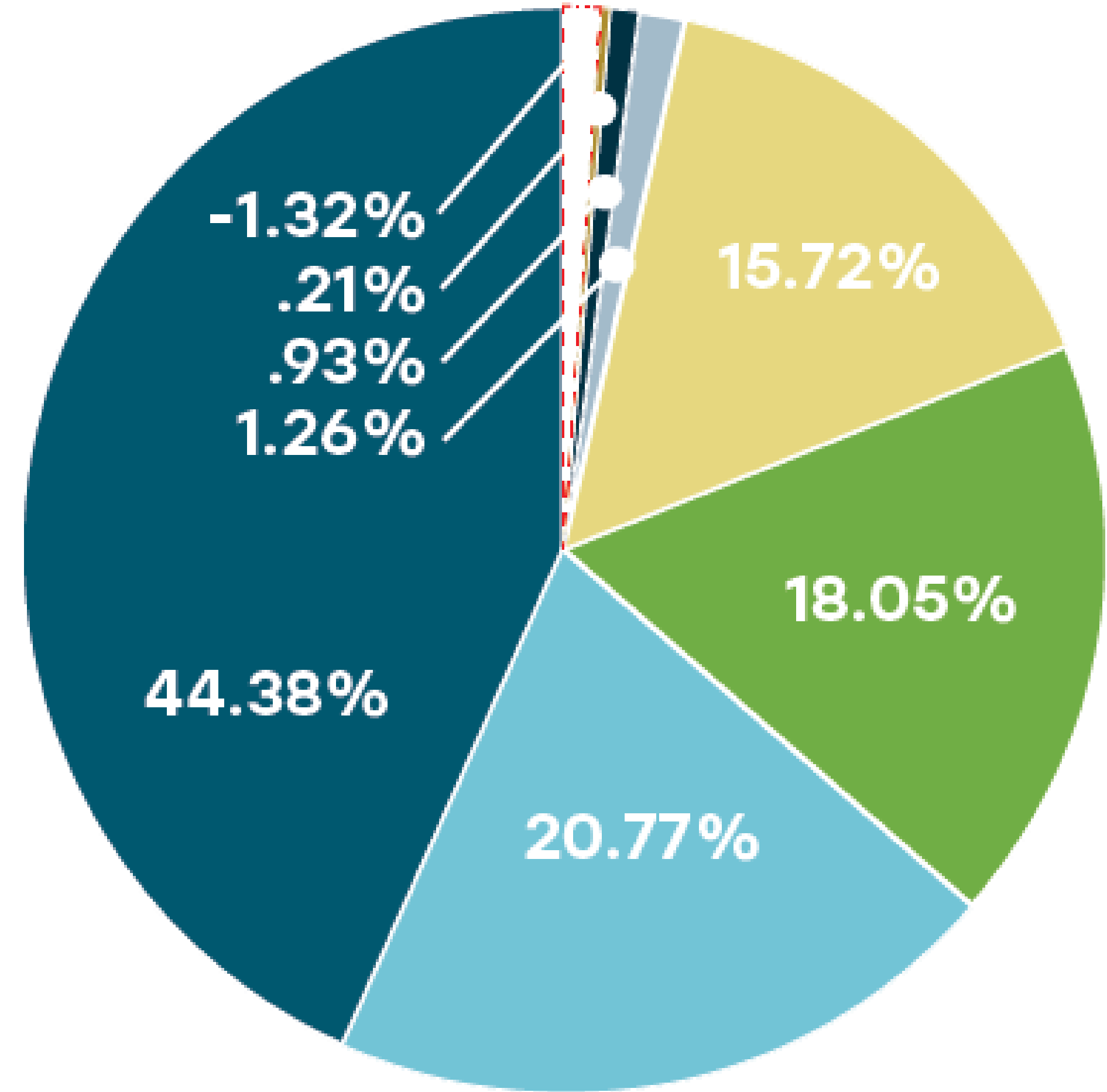


# WHERE DOES THE MONEY COME FROM?



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

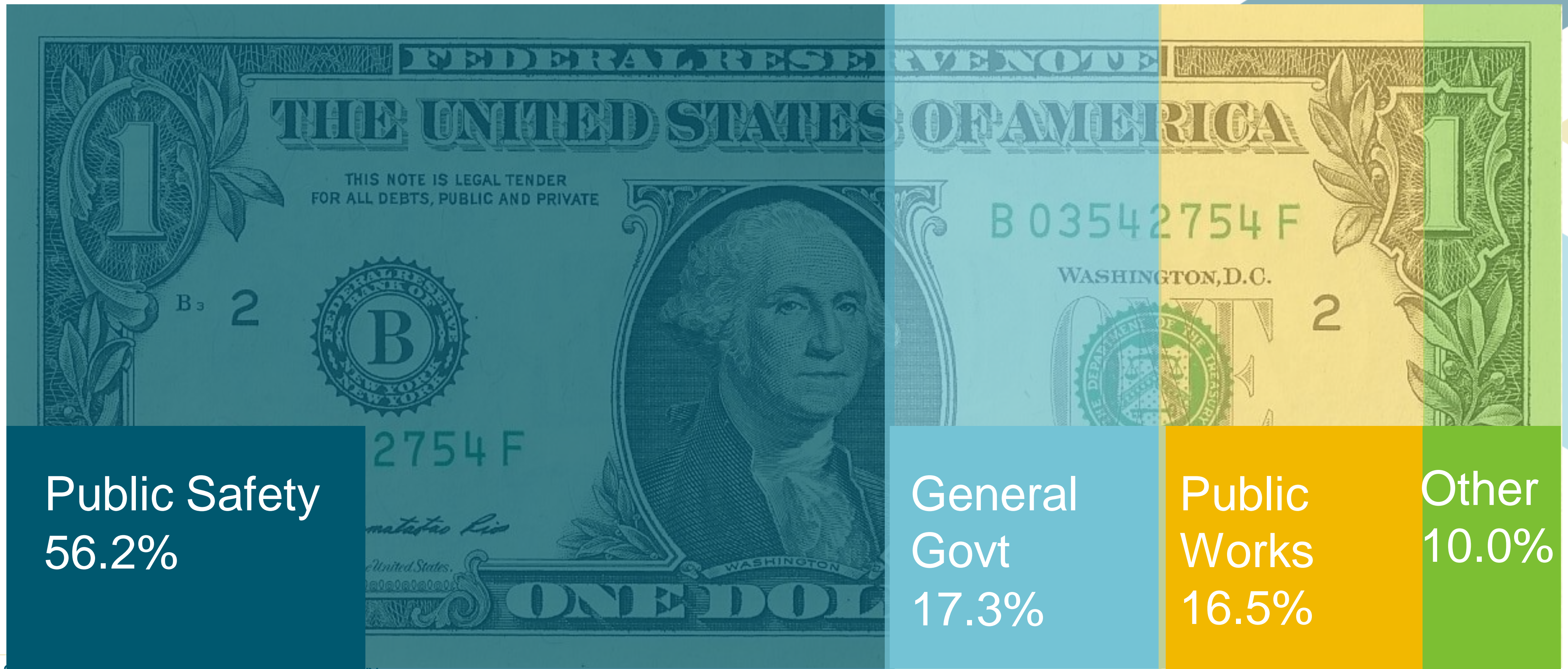
2024 Total Operating Revenue, inclusive of RPU





# WHERE DOES THE MONEY GO?

2024 General Fund expenses are \$9.2 million more than 2023

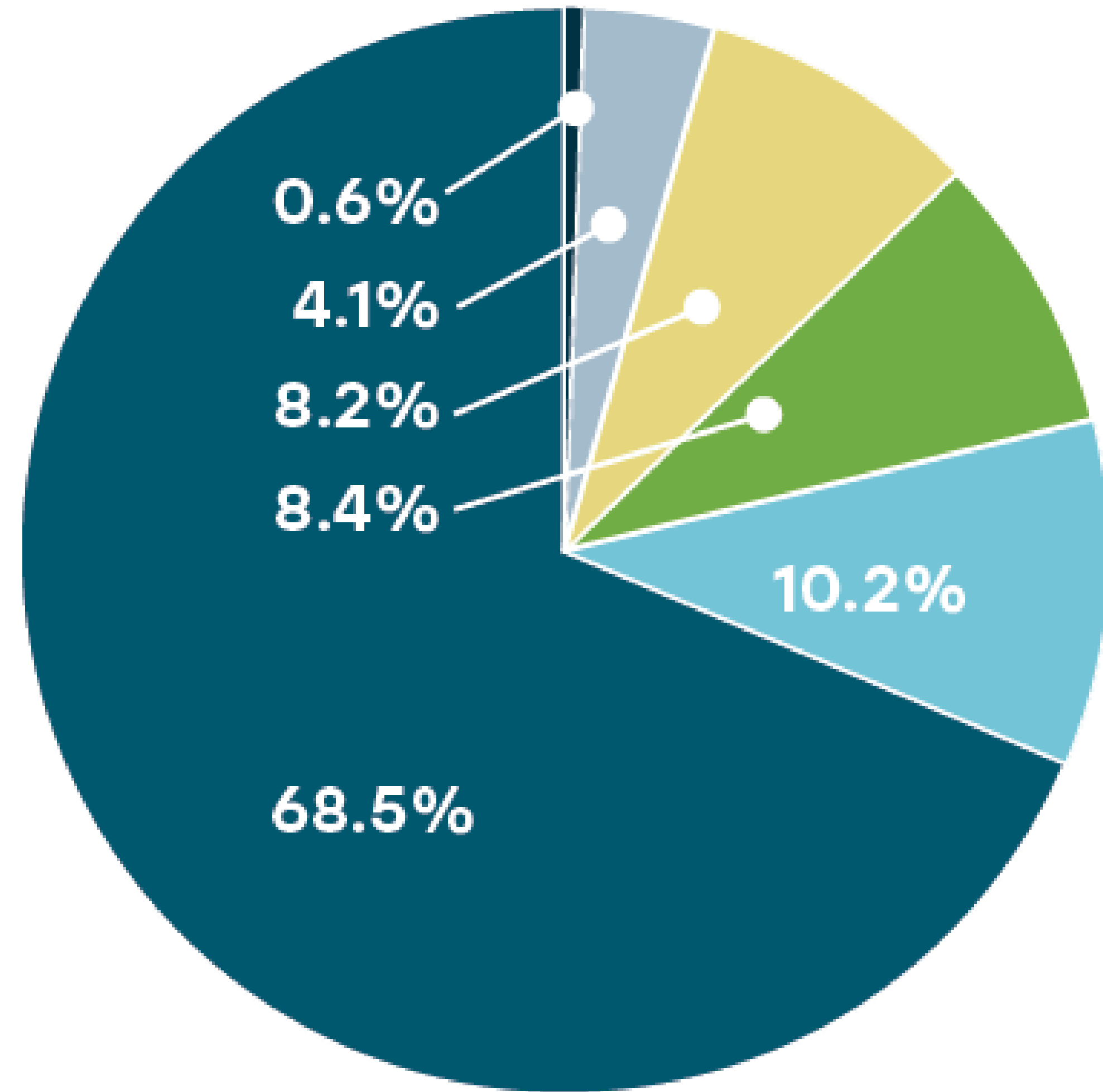




# 2024 PROPERTY TAX DISTRIBUTION

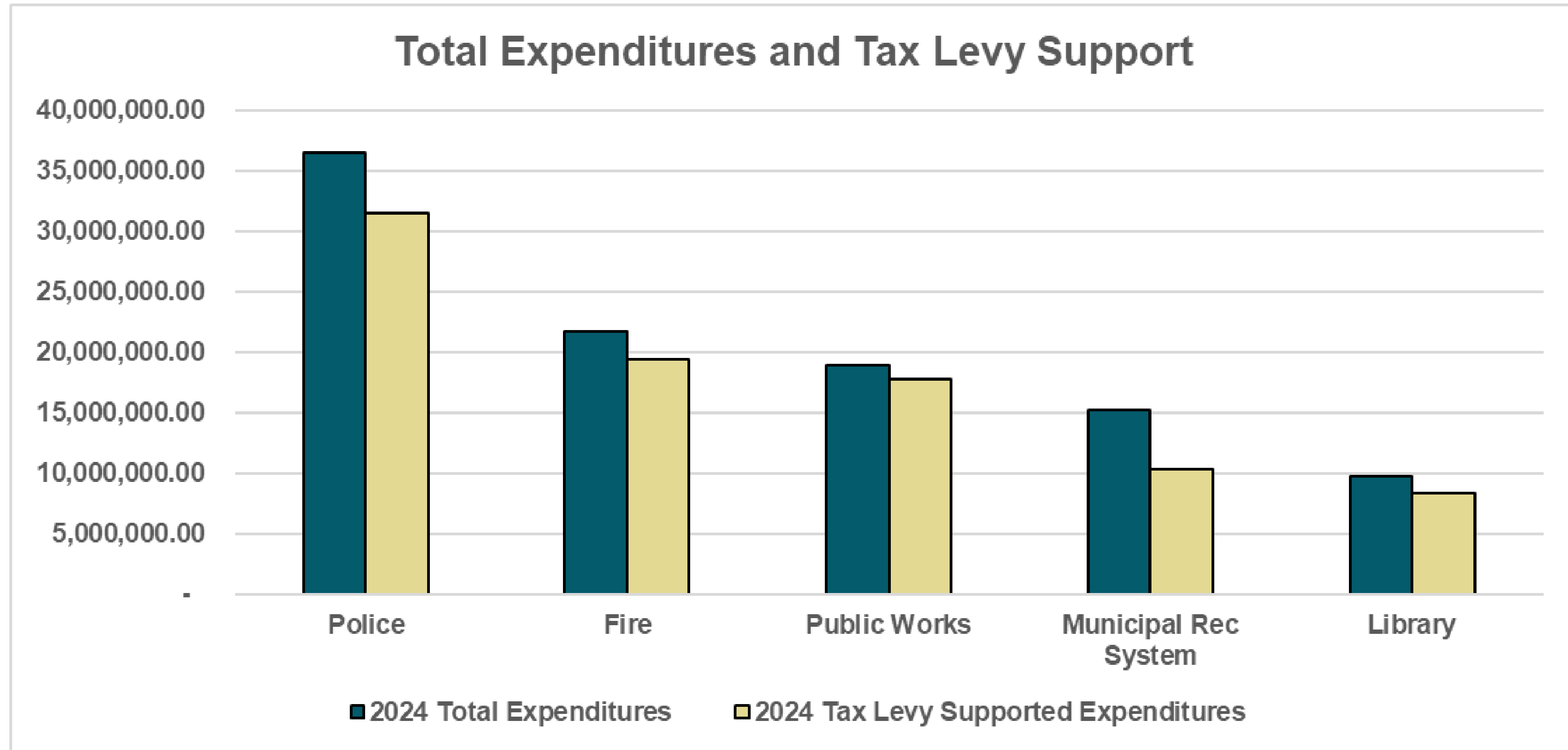
## 2024 Property Tax Distribution

- General Fund
- Library
- Parks and Rec
- Dept/Internal Service
- CIP
- Airport





# 2024 TOTAL EXPENDITURES AND TAX LEVY SUPPORT





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MINNESOTA

**2024-2029**  
**RECOMMENDED CIP**  
***BUILDING TOWARD TOMORROW***

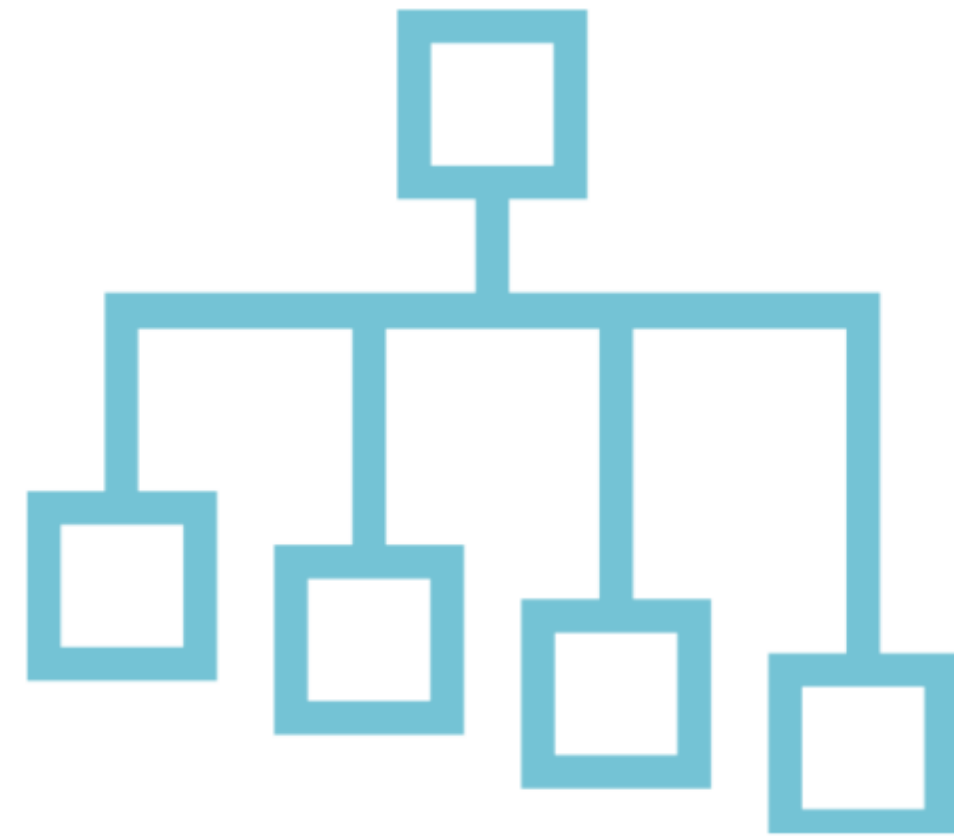




# 2024 CIP PROJECTS (INCLUDING DMC WORKING DRAFT, NOT INCLUDING RPU)



**119 Projects**



**20 Categories**



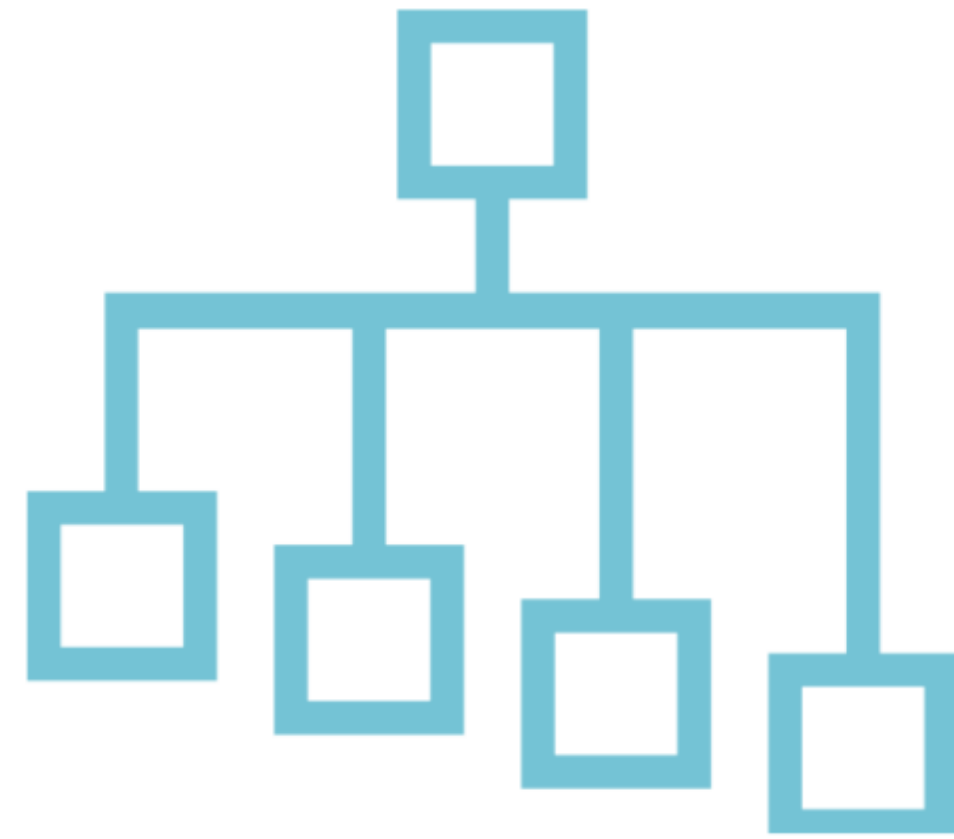
**\$153 Million Total Investment**  
(includes project reserves)



# 2024-2029 CIP PROJECTS (INCLUDING DMC WORKING DRAFT, NOT INCLUDING RPU)



**189 Projects**



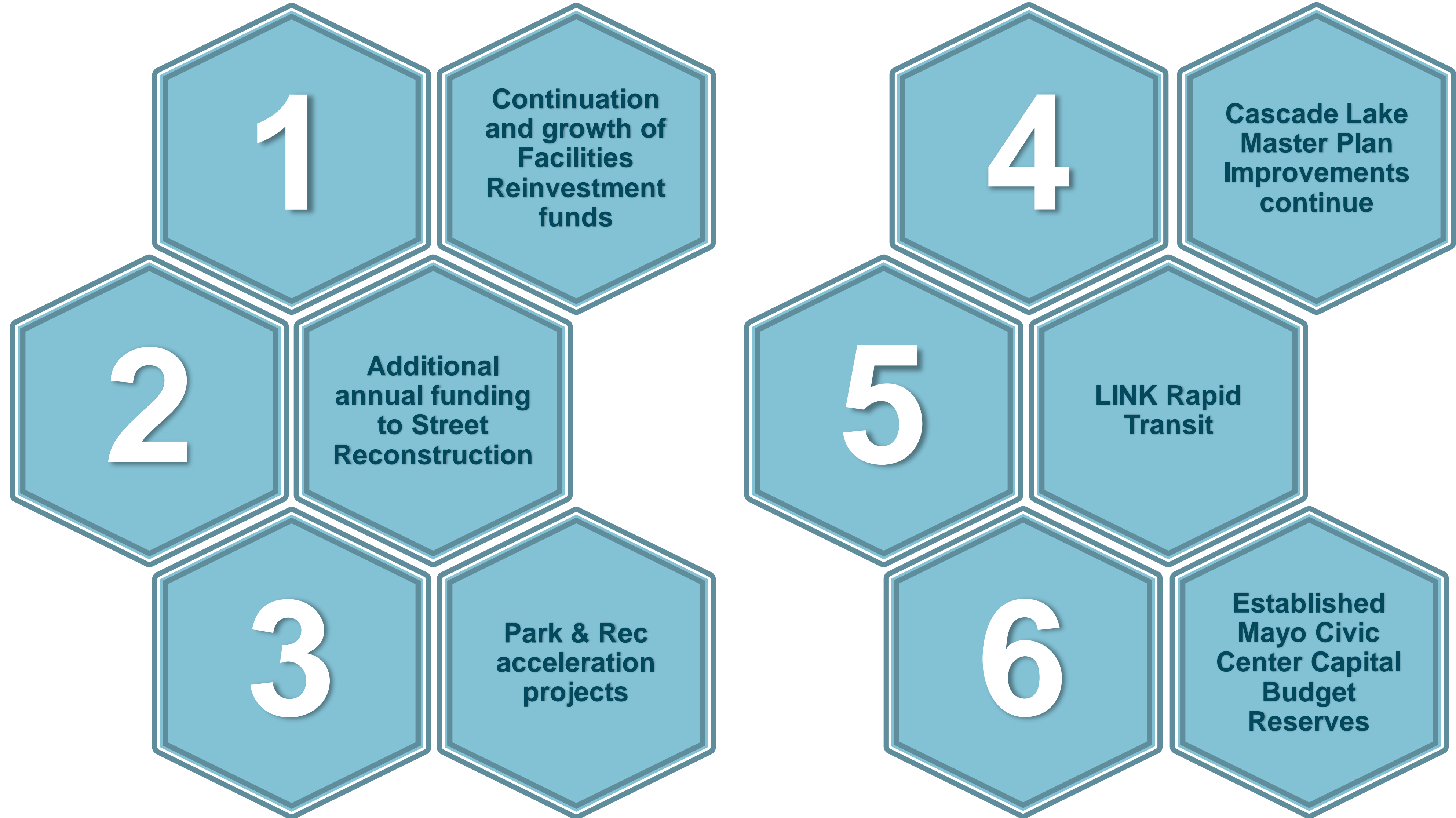
**20 Categories**



**\$645 Million Total Investment**  
(includes project reserves)

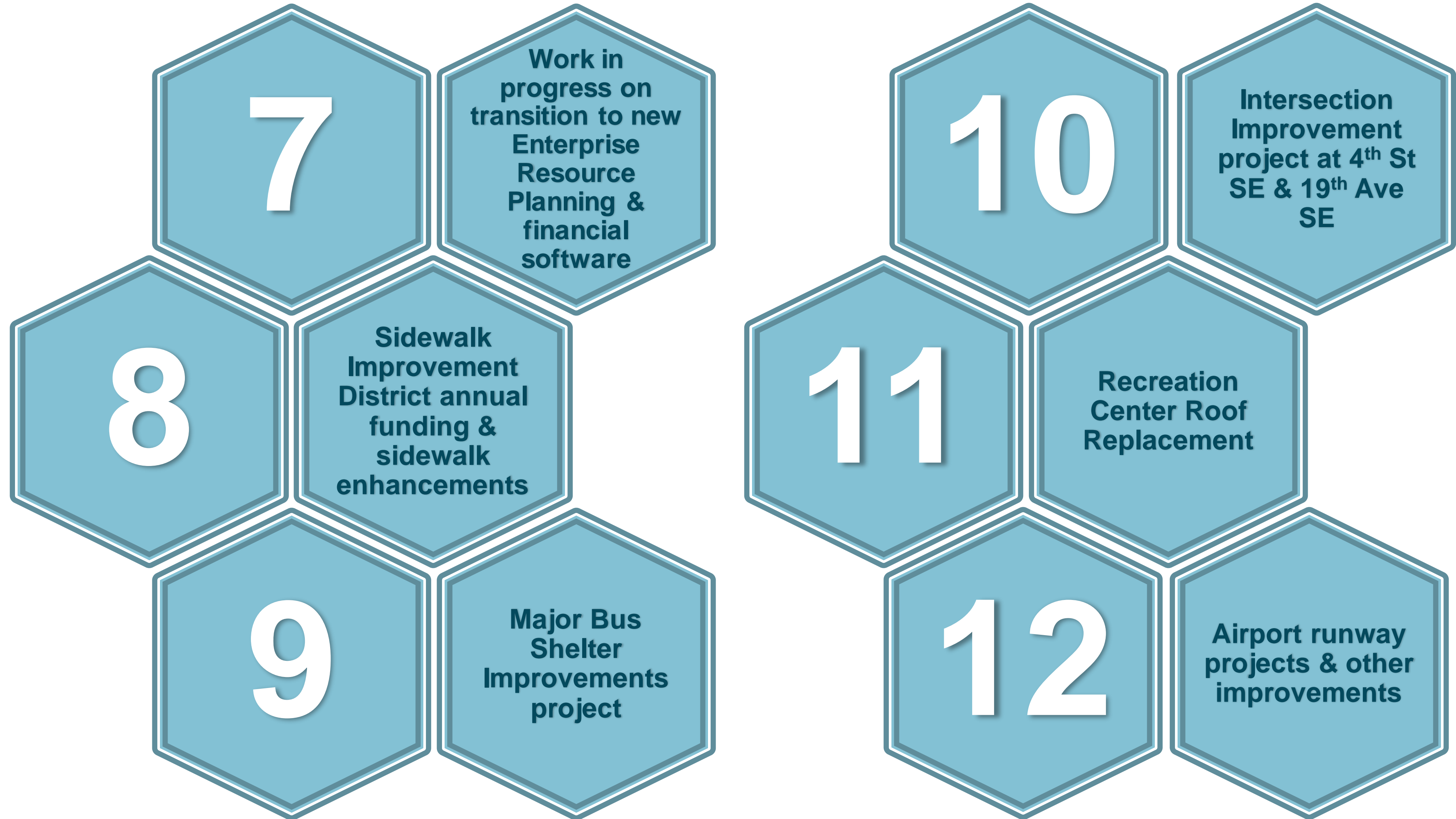


# CIP HIGHLIGHTS & PROJECTS





# CIP HIGHLIGHTS & PROJECTS





# SIX YEAR CIP SUMMARY – SOURCES OF FUNDS (NOT INCLUDING RPU)

<u>Sources of Funds</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Tax Levy	8,539,692	8,804,100	9,059,100	9,322,000	9,627,700	9,871,500
Local Government Aid	800,000	1,067,000	1,067,000	1,067,000	1,067,000	1,067,000
Operating Transfer - fr General Fund	551,952	914,931	940,348	966,527	993,492	1,021,266
Operating Transfer - fr Other Funds	633,719	330,209	316,911	68,260	94,433	99,374
Operating Transfer - fr Sewer Utility	4,326,000	3,151,000	2,891,000	2,801,000	2,301,000	3,601,000
Operating Transfer - fr Storm Wtr Utility	600,250	1,600,250	825,250	650,250	2,560,250	1,800,250
Flood Control Reserves	2,905,000	1,510,000	510,000	460,000	460,000	460,000
Electric Utility	4,500	4,500	4,500	4,500	4,500	4,500
Water Utility	637,500	1,000,500	680,500	850,500	1,630,500	1,700,500
Retained Earnings	8,276,980	10,850,400	11,717,600	5,895,648	9,056,074	9,185,559
Olmsted County	446,498	650,323	2,301,189	1,052,099	52,099	302,099
State	67,500	1,001,500	2,767,500	700,000	838,500	1,628,000
Municipal State Aid for Streets	2,567,000	7,272,000	2,400,000	15,200,000	13,788,000	6,950,000
Federal	54,889,920	79,090,200	5,694,400	5,336,592	2,189,295	3,314,295
Sales Tax DMC	5,307,400	4,206,085	4,307,237	4,410,918	60,000	60,000
State DMC Funds	18,350,000	10,350,000	22,900,000	3,100,000	1,200,000	-
Transit Aid County DMC	3,718,569	4,948,292	3,221,558	3,000,000	-	-
Transit Aid State DMC	5,577,854	7,422,437	4,832,337	4,500,000	-	-
Private Funds	3,140,000	3,640,000	5,340,000	3,140,000	3,140,000	3,140,000
Sewer Availability Charges	1,176,000	-	-	-	-	-
Storm Water Area Mgmt Charge	575,000	150,000	425,000	425,000	-	-
Traffic Improvement District Fees	-	-	100,000	-	-	-
Special Assessment Bonds	1,170,000	838,000	545,000	1,245,000	45,000	1,745,000
General Obligation Bonds	-	6,500,000	14,250,000	14,250,000	-	-
General Obligation Revenue Bonds	17,000,000	15,000,000	15,000,000	-	-	-
Project reserves	11,814,639	14,724,359	11,696,418	3,071,653	1,887,570	4,858,671
<b>Totals</b>	<b>153,075,973</b>	<b>185,026,086</b>	<b>123,792,848</b>	<b>81,516,947</b>	<b>50,995,413</b>	<b>50,809,014</b>



# SIX YEAR CIP SUMMARY – EXPENDITURE CATEGORIES

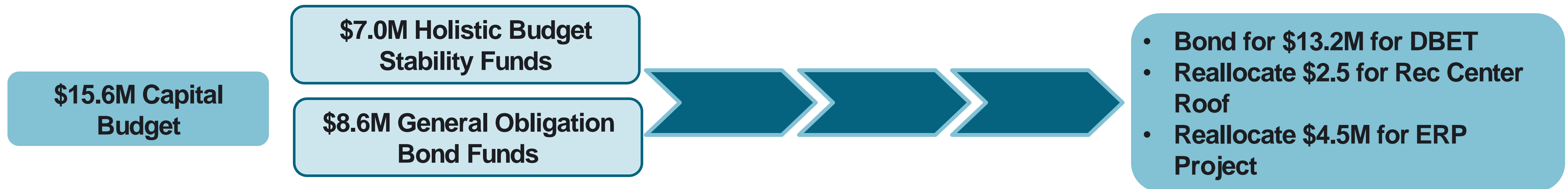
## (NOT INCLUDING DMC OR RPU)

<u>Major Expenditure Categories</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Airport	11,135,000	12,485,000	3,485,000	1,600,000	1,735,000	3,475,000
Parks	3,050,000	3,015,000	2,940,000	2,640,000	2,440,000	2,740,000
Golf	200,000	200,000	200,000	200,000	200,000	200,000
Recreation Center	2,769,000	-	-	-	-	-
Mayo Civic Center	1,556,552	1,649,031	1,994,948	1,871,127	1,898,092	1,925,866
Major Streets	9,818,779	24,805,000	19,359,500	25,137,900	20,408,600	21,977,400
Traffic	3,390,000	1,050,000	900,000	2,400,000	2,300,000	400,000
Pedestrian Facilities	4,237,667	5,455,600	6,521,000	4,571,000	3,946,000	3,951,000
Mass Transit	2,424,900	9,985,000	1,817,000	2,907,240	1,330,369	1,544,854
Parking	1,225,813	575,000	950,000	705,000	360,000	375,000
Sewer and Water	6,335,000	7,445,000	9,700,000	3,150,000	4,850,000	3,650,000
Storm Water	3,050,000	3,075,000	3,140,000	2,865,000	1,380,000	1,680,000
Water Reclamation	17,000,000	15,000,000	15,000,000	1,000,000	5,000,000	5,000,000
Flood Control	3,105,000	1,510,000	510,000	460,000	460,000	460,000
Destination Medical Center	78,178,823	87,036,814	40,261,132	15,010,918	1,260,000	60,000
Downtown Dvlpmnt/Tax Abatemnt District	525,472	532,359	539,418	546,653	554,070	561,671
Fire	260,000	295,000	265,000	310,000	275,000	310,000
Police	300,000	375,000	150,000	50,000	85,000	50,000
Library	179,300	135,949	366,850	119,109	145,282	150,223
Administration	4,334,667	10,401,333	15,693,000	15,973,000	2,368,000	2,298,000
<b>Totals</b>	<b>153,075,973</b>	<b>185,026,086</b>	<b>123,792,848</b>	<b>81,516,947</b>	<b>50,995,413</b>	<b>50,809,014</b>



# 2024-2029 Capital Improvement Plan

**Revise the downtown building energy transition recommendation.**



# 2024-2029 Capital Improvement Plan

## **Enterprise Resource Planning and Financial Software Transition**

One-time total project cost: **\$5,550,000**

On-going annual cost: **\$336,081**

1. Action Plan indicates transition away from current software (JDE) which has a declining support model.
2. Transition to new software, enhancing:
  - Data & Evidence Based Decisions
  - Efficiency
  - Data Security
  - Customer Service
  - Asset Management
3. Integral to our strategic goal of Fiscal Responsibility and Sustainability.

## **Recreation Center Roof Replacement**

Estimated total project cost: **\$2,500,000**

- Multiple roof sections are beyond useful life. Need replacement to protect against water intrusion that damages asset and decreases it's useful life.





# Parks Maintenance Facility Financing Options

OPTION 1: Bond Issuance and Additional Local Funding		OPTION 2: State Bonding and Local Debt Issuance	
Source		Source	
2013 Sales Tax: DMC Funding	\$ 10,243,100.00	Proceeds from Debt Issuance	\$ 22,000,000.00
Future Acquisition Account	\$ 1,470,736.00	State Bonding	\$ 14,000,000.00
State Bonding	\$ 14,000,000.00		
Proceeds from Debt Issuance	\$ 10,286,164.00		
<b>Total</b>	<b>\$ 36,000,000.00</b>	<b>Total</b>	<b>\$ 36,000,000.00</b>
Use		Use	
Project Costs	\$ 34,000,000.00	Project Costs	\$ 34,000,000.00
Land Acquisition	\$ 2,000,000.00	Land Acquisition	\$ 2,000,000.00
<b>Total</b>	<b>\$ 36,000,000.00</b>	<b>Total</b>	<b>\$ 36,000,000.00</b>

# DISCUSSION



# **SIGNIFICANT 2024 BUDGET IMPACTS**

**Local Government Aid (LGA) increased** due to proposed formula adjustments & funding increases that were approved by state legislature. The increase is considered one-time funding and has been included in the CIP budget as a funding source.

**Successful State bonding bill.**

**Inflation and labor cost adjustments.**

**These items require a shift in budget amounts and use of funding sources (tax levy, budget stability funds, contingency, etc.).**