



ROCHESTER

— *Minnesota* —



November 22, 2013

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 City Council:

Submitted herein for your consideration is the recommended budget for 2014. The total expenditures in the recommended budget are \$252,696,763 and are funded in part by a recommended property tax of \$50,048,118. The 2014 recommended property tax remains the same as the 2013 property tax.

The formulation of the recommended budget without any increase in the property tax levy does present some considerable challenges; however, the increase in the 2014 local government aid (LGA) to be received from the State in the amount of \$1,828,805 does considerably assist in funding the 2014 budget needs.

The average annual increase in property taxes for the past nine years was \$2,539,667. Those increases were caused in large part by declining LGA revenues during those years.

The departments requested 31 additional positions, most of which would be new positions, although several of the requested positions would fill previously authorized but unfunded positions.

The recommended budget contains four new positions as listed below:

- Two additional IT support positions funded by a transfer from the 2013 Contingency Account.
- One Flood Control Specialist position funded 50% from the Flood Control Account and 50% from the Storm Water Utility Fund.
- One Transit Planner and Outreach Coordinator position funded by State of Minnesota transit revenues.

The recommended budget contains a 2% wage increase for employees as negotiated during the collective bargaining process.

The Mayo Civic Center budget has now been removed from the Parks and Recreation Fund, but is still listed as part of the total government operating budget.

The budget expenditures for the Minnesota Bio-Business Center, \$2,280,521 in expenditures for 2014, are included in the recommended budget for the first time. These expenditures were not previously included in the operating budget, but were accounted for in the financial report. These expenditures are offset by revenues generated by the building.

The increased expenditures in the Sewer Utility Fund are due to a 2014 interest payment on the 2012 Crossover Refunding 04A Bonds, which were issued in order to bond at a lower interest rate than what the City was paying on the 2004 series. The City is paying interest on both the 2004 and 2012 series for the next two years. The interest for the 2004 series will be eliminated for the 2016 budget year.

The proposed expenditures for the recommended 2014 capital improvement projects increase significantly over 2013. Some of the major 2014 CIP expenditures are:

- \$20 million in sales tax expenditures for the expansion of the Recreation Center and the construction of a new Senior Center.
- \$12 million in anticipated State bonding revenues and \$17 million in lodging tax revenues for the Mayo Civic Center improvements and expansion.
- Increase of \$1.4 million in Transit revenues for the purchase of new transit buses.
- \$14 million in Parking Fund revenues for the anticipated construction of a new downtown parking ramp associated with a proposed downtown development project.
- Increase of \$3 million for various sewer and water projects.
- \$6 million in sales tax revenues associated with the construction of a new Fire Station #2

2014 MAJOR REVENUES vs 2013

	2013 Adopted Budget	2014 Proposed Budget	Increase/(Decrease)
Tax Levy & Tax Abatements	50,048,118	50,048,118	-0-
Local Government Aid	5,101,571	6,930,376	1,828,805
Hotel/Motel Tax	3,575,000	4,150,000	575,000
Cable TV Franchise Fee	1,337,000	1,400,000	63,000
Inspection Permits	2,293,400	2,427,550	134,150
In Lieu of Tax	11,019,075	11,082,289	63,214
Sewer Utility Charge	18,400,624	19,500,000	1,099,376
Storm Water Utility Fee	5,068,886	5,075,000	6,114
Library Fund			
-City Share-Levy	5,374,326	5,545,547	171,221
-County Share	809,694	830,719	21,025
Municipal Recreation Fund			
-Fee Revenues	4,174,766	4,221,887	47,121
-Non-Fee Revenues	5,677,350	5,865,435	188,085
Mayo Civic Center			
-Fee Revenues	2,893,982	2,808,244	(85,738)
-Non-Fee Revenues	826,562	956,081	129,519
Parking Fund			
-Parking Fines	297,700	360,300	62,600
-Parking Ramps	3,707,621	4,001,191	293,570
-Street Meters	909,357	954,000	44,643
-Parking Lots	394,354	353,579	(40,775)

The 2014 property tax levy remains the same amount for the 2013 property tax levy.

The anticipated local government aid to be received from the State of Minnesota in 2014 increases by \$1,828,805.

The revenues from the current hotel/motel tax are estimated to increase by \$575,000. This tax increases by an additional 3%, effective 1/1/14, however, the revenues from the additional 3% tax are dedicated totally to Mayo Civic Center capital improvements.

Revenues from the Sewer Utility increase by \$1,099,376, reflecting a 7% increase in sewer usage charges, effective 1/1/14.

A 5% increase in storm water utility charge is proposed for 2014. The 2013 revenue figures anticipated a 5% increase in rates, but this rate increase was not implemented.

The Mayo Civic Center fees and revenues are now listed separately from the Park and Recreation Fund. The MCC's 2014 estimated revenues are anticipated to decline from 2013 due to the Watchtower Society's decision not to hold their 2014 meeting in Rochester. They will return in 2015.

I wish to express my appreciation to all the individuals who have participated in the preparation of the 2014 budget. I again wish to especially thank Cary McNallan and Rachel Houdek from the Finance Department whose assistance in the preparation of the recommended budget has been invaluable.

Respectfully submitted,

A handwritten signature in cursive script that reads "Stevan E. Kvenvold". The signature is written in black ink and is positioned below the text "Respectfully submitted,".

Stevan E. Kvenvold
City Administrator