



CITY OF
ROCHESTER
MINNESOTA

RECOMMENDED 2024-2025 BUDGET

August 28, 2023



PROPERTY TAX CAPACITY AND IMPACT TO THE AVERAGE VALUE HOME

Property Tax Formula

The county auditor determines the tax due for each property using this basic formula:

- Taxable Market Value X Class Rate = Tax Capacity
- Tax Capacity X Local Tax Rates = Base Tax
- Base Tax - Credits + Referendum Levy and State General Tax = Property Tax Due

The full calculation can be complex.

- YouTube Video: <https://www.youtube.com/watch?v=fWw-YN1mZ64>



PROPERTY TAX CAPACITY AND IMPACT TO THE AVERAGE VALUE HOME

City of Rochester Property Tax Estimates					
Parcel Market Value	Class Rate	2023 Est. Base	2024 Est. Base	Change	
		Property Taxes* (46.41% Tax Rate)	Property Taxes* (48.71% Tax Rate)	from 2023	
\$ 200,000.00	1.00%	\$ 928.20	\$ 974.14	\$ 45.94	
\$ 315,000.00	1.00%	\$ 1,461.92	\$ 1,534.28	\$ 72.36	
\$ 500,000.00	1.00%	\$ 2,320.50	\$ 2,435.36	\$ 114.86	
\$ 500,001.00	1.25%	\$ 2,900.63	\$ 3,044.21	\$ 143.58	

*Note: The property taxes estimated are reflected without any applicable credits, referendums or other taxes



PROPERTY VALUATION GROWTH – PAY 2024

Estimated Taxable Market Valuation Increase

New Construction + 1.32 %

Existing base appreciation + 5.45 %

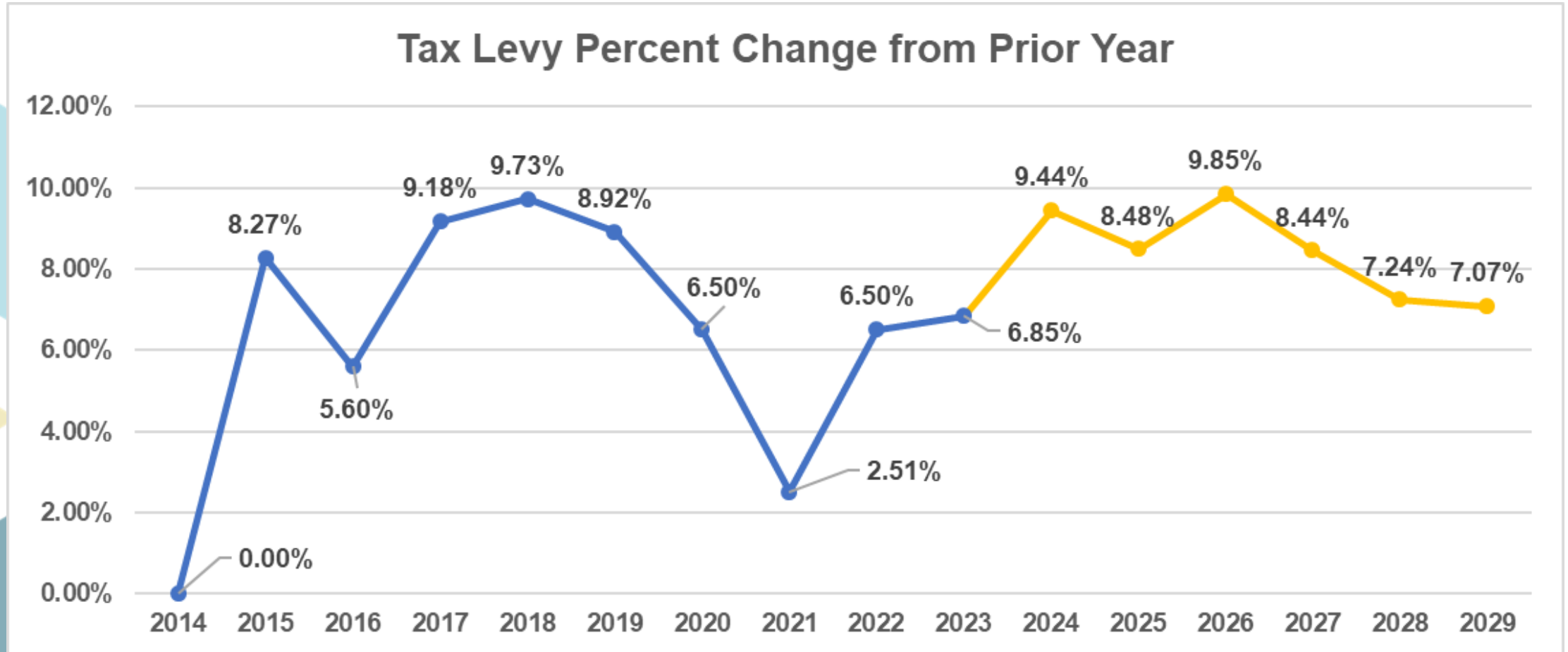
Estimate + 6.77 %*

*Updated estimate as of 08/28/2023 via Olmsted County





HISTORIC AND PROJECTED TAX LEVY CHANGES (2014-2029)



Note: chart depicts changes in budgeted amounts year over year; additionally, the 2021 change reflects the park referendum amount in an otherwise 0% tax levy change.





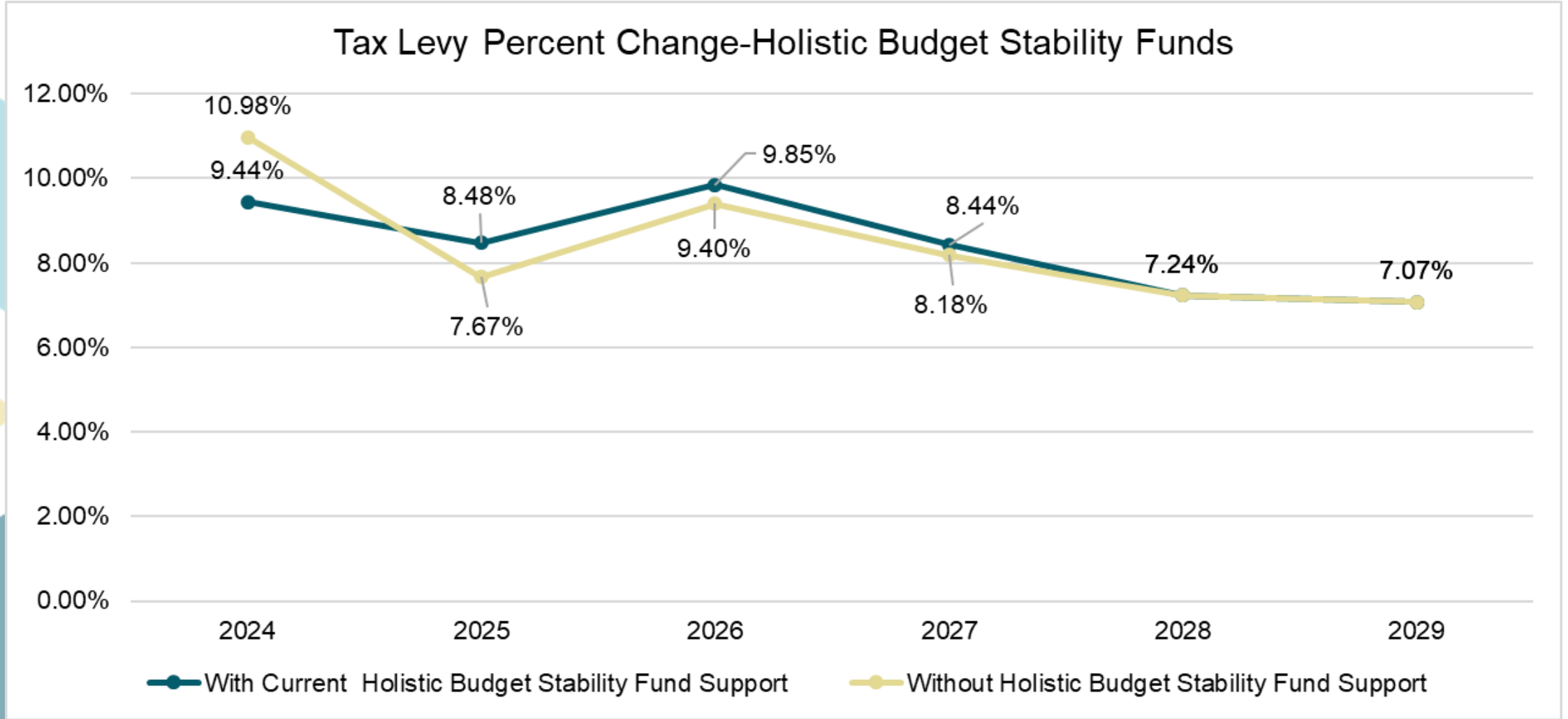
HISTORIC TAX LEVY CHANGES (2014-2023)

Actual	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
% Change	-0.25%	7.87%	5.85%	8.81%	10.23%	8.00%	5.37%	3.70%	7.38%	6.64%
\$\$ Tax Levy	\$ 50,127,504	\$ 54,073,755	\$ 57,237,654	\$ 62,280,659	\$ 68,652,842	\$ 74,143,514	\$ 78,128,309	\$ 81,018,197	\$ 86,994,320	\$ 92,772,574
Budgeted	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
% Change	0.00%	8.27%	5.60%	9.18%	9.73%	8.92%	6.50%	2.51%	6.50%	6.85%
\$\$ Tax Levy Budget	\$ 50,048,118	\$ 54,187,050	\$ 57,222,383	\$ 62,473,405	\$ 68,554,151	\$ 74,671,591	\$ 79,524,771	\$ 81,524,771	\$ 86,823,881	\$ 92,772,574





HOLISTIC BUDGET STABILITY





HOLISTIC BUDGET STABILITY

Tax Levy-Holistic Budget Stability Fund Impacts					
Year	With Current Holistic Budget Stability Fund Support	With Current Holistic Budget Stability Fund Support	Without Holistic Budget Stability Fund Support	Without Holistic Budget Stability Fund Support	Without Holistic Budget Stability Fund Support
2024	101,530,873	9.44%	102,958,373	10.98%	
2025	110,142,366	8.48%	110,856,116	7.67%	
2026	120,991,166	9.85%	121,276,666	9.40%	
2027	131,201,980	8.44%	131,201,980	8.18%	
2028	140,696,091	7.24%	140,696,091	7.24%	
2029	150,641,976	7.07%	150,641,976	7.07%	



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/ssrprrp.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 RECOMMENDED DECISION PACKAGES- LEVY IMPACTED

Process Improvement			
Decision Package	Net Levy Amount	Summary	Impact
City Internship Program	\$ 54,362	Internship program to give young professionals an opportunity to learn about local government and career paths while aiding in creating positive outputs for the City.	Positive work experience for young professionals and exposure to what the City can offer for careers.
IT & IT Security Training	\$ 5,000	The IT training/travel budget is traditionally consumed each year by VmWare, Laserfiche, and Accela conferences which support critical learning and networking, however, there is a critical need for other training, particularly regarding cybersecurity and the Microsoft Azure/cloud services.	This will provide opportunities on a prioritized and rotating basis to get IT staff up to speed on new technology and to help protect our infrastructure and the City team from cyber attacks.





2024 RECOMMENDED DECISION PACKAGES- LEVY IMPACTED

Process Improvement			
Decision Package	Net Levy Amount	Summary	Impact
Expanded Tech Support Coverage	\$ 143,713	Various departments have expressed frustration and the need for increased technical support access on weekends. Covering Saturday and Sunday from 8am to 5pm tech support will require additional staff and additional funding for the cost of Sunday support at time and a half.	Coverage on weekends would allow staff access to tech support and prevent lag time and provide additional security.
New Position-Software Manager (311 Public Information System)	\$ 211,883	This decision package supports one full time FTE manager position and software to create a 311 public information system, and contemplates reallocating three FTEs to support this program.	A ticketing mechanism will allow tracking of baseline metrics, map out issues, and look for trends and inequities, with the end goal of greater satisfaction and more informed customers. The system will be omni-channel, allowing phone, text, and web chat interaction.





2024 RECOMMENDED DECISION PACKAGES- LEVY IMPACTED

Process Improvement			
Decision Package	Net Levy Amount	Summary	Impact
New Position-Recreation Coordinator Position	\$ 39,574	Request to move from the outdated, inefficient golf pro model of managing Hadley Creek Golf Course to hiring a year-round recreation programmer to supervise golf course operations, provide leadership to the First Tee program and support recreation programs during the fall and winter months.	With minimal investment we gain much-needed program leadership in golf and support during the peak season of the National Volleyball Center and other high-demand programs and facilities.





2024 RECOMMENDED DECISION PACKAGES- LEVY IMPACTED

Maintaining Existing Facilities and Programs			
Decision Package	Net Levy Amount	Summary	Impact
New Position- Assistant Clerk II	\$ 73,291	This decision package requests approval for an additional Assistant Clerk II level position to support burgeoning records request numbers as well as severe disorder in archival records. During election years, the position's primary role will be to support Election Administration functions and tasks.	The position's primary responsibility would be shared between offering elections coordination and support beginning during the 2024 General Election, which encompasses 3 separate elections in March, August, and November, as well as learning about and supporting key functions of data practices and archival recordkeeping needs. Data practices requests have increased significantly even when compared to just last year. This also offers the opportunity to avoid spikes in the budget by creating an annual cost for elections instead of budgeting every other year.
Reclass- Accounting Tech to Senior Financial Analyst	\$ 38,868	Reclassifying an existing Accounting Tech to a Senior Financial Analyst to better address the needs of the organization as part of a larger reorganization effort in the Finance Department.	Finance has grown by 2.5 positions (now 14 total) in the last 25 years. Teammates cannot keep up with all the business units and activities that have been added in that time. The move to "budget kick-off/projections" at the same time of final close/audit kick off requires more high-level resources available at that important time of year. In addition, since 1984 the Government Accounting Standards Board has added 101 new rules (pronouncements). Over 65 of these have been added since 2000 increasing the amount of time and effort for our financial reporting efforts.





2024 RECOMMENDED DECISION PACKAGES- LEVY IMPACTED

Maintaining Existing Facilities and Programs			
Decision Package	Net Levy Amount	Summary	Impact
New Position- Assistant Street Maintenance Supervisor	\$ 134,321	The street maintenance department is comprised of 36 equipment operator positions with one manager and one supervisor to oversee and run a nearly \$8M operation including daily scheduling, project management, estimating, budgeting and performance management. During snow removal operations, this jumps to 47 equipment operators.	Adding an assistant supervisor will fill a critical gap with employee training, daily work planning/tracking and employee development/engagement. It will also allow for the current manager and supervisor to increase focus other areas of need including operational analysis. Over the past year supervisors are now performing over 50 plan reviews as part of the Community Development/Public Works plan review process - focusing on long term maintainability for these projects.
Equipment Operator to Traffic Operations	\$ 107,133	The signing and striping crew consists of three employees on the Traffic team, and a fourth that is borrowed from the Street Maintenance team. During the summer this team is responsible for installing signs on construction projects, annual sign replacement, installation of pavement markings and parking meter posts, and graffiti removal.	Using a street maintenance person as the fourth is becoming difficult because they are understaffed based on the industry standard of 1 person per 10 centerline miles of streets. They are currently at 36 staff of 46 staff needed using this metric. These added street miles have also increased the signing and striping work for the team.





2024 RECOMMENDED DECISION PACKAGES- LEVY IMPACTED

Maintaining Existing Facilities and Programs			
Decision Package	Net Levy Amount	Summary	Impact
New Portable Stage for Civic Music	\$ 306,667	The City currently owns a show-mobile brand portable stage, which is maintained and operated by Parks and Recreation. The show-mobile was purchased in 2002, and there is no replacement schedule in place. In addition, the existing stage does not meet requirements for many of the artists we try to retain for performances.	We investigated several possible solutions, and the most flexible appears to be purchasing an updated, safer, larger, and easier-to-use portable stage for use at DBTR. This new stage would then also be used for our forWARD and 4th of July events, and potentially community partnership events (e.g. Rochesterfest, Juneteenth.) We are currently spending an additional \$50,000 from our budget to rent a suitable portable stage for DBTR 2023, as the show-mobile will not suffice in this situation.
Joint Facilities Staffing	\$ 59,845	This decision package would eliminate 4 open part time positions and cancel contracted services at the Chateau Theatre skyway and utilize those savings to fund a new 1.0 FTE Custodian 1 position.	Currently the joint facilities department has several open part time custodial positions that we are unable to fill, additionally we are utilizing contracted cleaning services with poor results.





2024 RECOMMENDED DECISION PACKAGES- LEVY IMPACTED

Maintaining Existing Facilities and Programs			
Decision Package	Net Levy Amount	Summary	Impact
Joint Facilities Vehicle	\$ 58,076	The joint facilities department is requesting a new cargo van. Currently the facilities department utilizes an aging pickup, this vehicle does not have any secure area for storage of tools and parts needed for maintenance duties across the facilities we maintain, and in addition there is no space for secure/covered storage or transportation of vital equipment.	Options were explored for existing assets and the department was unable to find anything that was available and meets the needs of the department. This vehicle will allow our staff to maintain a mobile stock of common parts used across our facilities, tools, safety equipment, and ladders to ensure our staff can efficiently operate across all facilities rather than gathering tools and supplies for each building
Increased Funding for Digital E-Books	\$ 50,000	By adjusting this budget, customers will have more timely access to downloadable materials as the current set up does not meet the demands that are seen for these materials.	The overall Overdrive collection size has increased by 43.9% since 2019, while the total number of Overdrive/Libby users has increased 47% in that same time period. Additionally, the average checkouts per cardholder continues to rise. With higher demand on the collection, RPL cardholders are waiting much longer to access materials. This doesn't allow RPL the ability to maintain the same level of service for the community.





2024 RECOMMENDED DECISION PACKAGES- LEVY IMPACTED

Maintaining Existing Facilities and Programs			
Decision Package	Net Levy Amount	Summary	Impact
Space Needs Study for Public Library	\$ 120,000	A comprehensive feasibility study (similar to those used by similar-sized libraries) would provide insight into what community members want and need from the library, how those services should be delivered, and how to better utilize/layout space in the existing library footprint.	With an aim to reach community members who are often underrepresented, a comprehensive study can improve equity by exploring potential gaps in service, accessibility concerns, and review cultural considerations.
Tree Planting for R-Neighbors	\$ 11,550	Historically the City has dedicated \$35,000 for tree planting. Half of this is dedicated to Community tree plantings that R-Neighbors coordinates.	This budget item has remained the same for the last decade. Increasing tree prices has not allow us to provide the two community tree plantings we have historically completed. This funding would allow further use of resources to go toward tree planting.





2024 RECOMMENDED DECISION PACKAGES- LEVY IMPACTED

Public Safety			
Decision Package	Net Levy Amount	Summary	Impact
New Position-School Resource Officer (SRO)	\$ 70,067	SROs play an integral role in providing a safe learning environment which isn't easily maintained with the current number of SRO's. SRO's are focused on building relationships with students and staff and provide community engagement with Rochester youth and families	A 6th SRO is needed to continue to provide that same level of support as they did prior to the addition of two more schools. SRO's not only provide school support, but they are building relationships and bridging gaps among the marginalized communities of our city.
Public Records Request System	\$ 11,250	GovQA allows for a consistent, organized and searchable location for all requests reducing duplicate work and providing an internal redaction software highlighting statutes and reasons for redaction. Citizens can conveniently request information via an open public portal that includes audit logs and tracking of messages.	The Records Unit is currently receiving requests in person, via mail and via email with no system tracking. The records requests are being stored in multiple locations to include paper copies with no system in place to prioritize data subject requests





2024 RECOMMENDED DECISION PACKAGES- LEVY IMPACTED

Public Safety			
Decision Package	Net Levy Amount	Summary	Impact
Diversify Rochester Fire Department Step 1 of 8	\$ 302,479	The focus of these positions will be to build upon our 6 listening sessions with the BIPOC community to continue to foster trusting relationships that will aid in the recruitment of members from the local BIPOC community. Additionally, these leaders will plan for, recruit local citizens, and supervise the EMS Division as it is formed and as it begins serving the community. This is the first of the 8 steps necessary to create an apprenticeship program to diversify the department.	This request allows the RFD to implement the structure necessary to support the department through the necessary future expansions. The department is at a point where any additional capacity to the Operations Division requires the leadership to be expanded to support these teammates and continue to promote department and City priorities. This also begins to align our team and resources with the call volume that is growing.





2024 RECOMMENDED DECISION PACKAGES- LEVY IMPACTED

Supporting Private Construction & Equity in Built Environment			
Decision Package	Net Levy Amount	Summary	Impact
Increased Funding for Equity in Development Support	\$ 50,000	This decision package will add the capacity required to standardize processes City-wide and meet the compliance goals as well as build internal capacity.	Since 2020, the City has utilized consultants, a teammate (retired 2022) as well as current DMC project manager to handle the work associated with coordinating the DMC CIP programs. This will allow further development of the goals associated with the DMC CIP development.
Unfreeze Building Inspector Position	\$ 140,518	In 2017, a 4th building inspector position was created to keep up with construction. In 2019 that position was frozen while we analyzed the impacts of COVID-19. With construction levels returning to or in some cases surpassing the 2017 levels, we request that the 4th inspector position be unfrozen.	Since 2017, there has been a decline in new single-family homes but an increase in alterations, additions, decks and accessory structures. The increasing number of multi-family apartment buildings and commercial building projects have driven up the number of commercial inspections by approximately 25% from 2019 to 2022.





2024 RECOMMENDED DECISION PACKAGES- LEVY IMPACTED

Supporting Private Construction & Equity in Built Environment			
Decision Package	Net Levy Amount	Summary	Impact
New Position-Engineering Technician (Construction Inspector)	\$ 31,483	The Construction business unit requests an Engineering Technician-Inspector position to manage current workloads and support upcoming demand. An inspector is required to oversee all State Aid, Federal Aid, DMC, and locally-funded construction projects.	Due to a persistent increase in CIP projects in recent years, the Construction group is exceeding its 55% CIP allocation goal by 15-20%, indicating overutilization during the construction season. In addition, the recent Employee Engagement Survey and other feedback indicate the team is concerned about work/life balance during the construction season
EPR Licenses	\$ 36,000	EPR is the software currently used to review building permits. A major goal of DSI has always been to expand EPR to include planning applications and civil plan review, however, to do this the City will need to purchase additional licenses.	The implementation of EPR has allowed our building plan review services to take a significant step toward realizing the DSI goal of being America's most innovative development services team. Over the last 2 years, there have been requests from the review agencies to expand the number of licenses for their departments which has not been possible due to budget constraints.





2024 RECOMMENDED DECISION PACKAGES- LEVY IMPACTED

Quality of Life			
Decision Package	Net Levy Amount	Summary	Impact
Branded Apparel Program	\$ 19,000	In 2020, the City offered the first ever organizational-wide opportunity for City teammates to purchase branded apparel. The provider is a local small business in Rochester. Over 25% of all teammates placed an order during the first shop. Since that time, the program has been successful, with teammates placing orders and consistently wearing branded items.	The branded apparel serves as beneficial marketing for the City of Rochester, as an organization and employer.
Walk Behind Paint Machine	\$ 20,250	This walk behind paint machine is used by the Traffic team's striping crew for installing pavement marking symbols like turn arrows and stop bars, and also for painting crosswalks and parking lots.	The current machine is reaching the end of its useful life. This new purchase will be added to the equipment revolving fund for automatic future lifecycle replacements.





2024 RECOMMENDED DECISION PACKAGES- LEVY IMPACTED

Quality of Life			
Decision Package	Net Levy Amount	Summary	Impact
Organizational Health and Wellness	\$ 246,652	This request is to create and implement formal, proactive, wellness programming, including the addition of designated wellness staff; biometric screening for employees; programming for Police and Fire in relation to total employee wellbeing; and general Wellness programming and initiatives. This extends the existing pilot program we have with the chapliancy program with permanent funding.	The added positions and programming would have multiple benefits to the City of Rochester and our workforce. These benefits would include: 1. Reduced health costs, 2.Reduced workers compensation costs, 3. Decrease absenteeism, 4. Building a program that is specific to our needs 5. Compliance with 2024 Legislative requirements.





ANNUAL DEBT SERVICE SUMMARY

	2024	2025	2026	2027	2028	2029
GO Debt Supported by Tax Levy (Includes the PWTOC and DSIC/North Station, and Equipment Certificates; DBET and Park Maintenance fully added in 2026)	4,213,050	4,183,221	5,874,830	5,876,619	5,547,285	5,558,244
GO Debt Not Supported by Tax Levy (Includes Sales Tax, Tax Increment, Wastewater, and Lodging Tax Supported Debt; Planned WW debt issuance post-2026 not reflected)	16,230,080	26,259,189	14,390,764	6,624,930	6,648,289	6,640,245
RPU Revenue Supported New - 2030/Transmission	\$13,696,068	\$13,686,868	\$13,691,368 \$ 1,326,000	\$13,687,768 \$28,237,732	\$13,688,968 \$28,237,732	\$13,689,668 \$28,237,732
Total Annual Debt Service	\$34,139,198	\$44,129,278	\$35,282,980	\$54,427,049	\$54,122,274	\$54,125,889

ENTERPRISE FUND – RPU WATER UTILITY

	2023 Adopted	2024 Recommended	Difference
Revenue	\$ 15,364,000	\$ 19,496,000	\$ 4,132,000
Water Supply Cost	\$ 2,023,000	\$ 2,182,000	\$ 159,000
Gross Margin	\$ 13,342,000	\$ 17,314,000	\$ 3,973,000

- 5.5% general rate increase, plus \$1.32 added to customer charge (AMI)
 - Cost impact to the average residential customer is \$1.65 per month
- 0.8% Customer Growth
- 3.2% Consumption Increase
- 2024 Revenue includes \$3.0M Water Accessibility Funds
- 2024 Revenue includes \$740K Private contribution in aid of construction
- Advanced Metering Infrastructure - \$14.6M over 2024 – 2028
- 2024 Increase in PILOT (Assumes 6%CPI) \$49,000



ENTERPRISE FUND – RPU ELECTRIC UTILITY

	2023 Adopted	2024 Recommended	Difference
Revenue	\$ 191,390,000	\$ 195,446,000	\$ 4,056,000
Cost of Power	(\$ 95,963,000)	(\$ 106,861,000)	(\$ 10,898,000)
Gross Margin	\$ 95,427,000	\$ 88,585,000	(\$ 6,842,000)

- 3.2% general rate increase, plus \$1.94 per month customer charger (AMI)
 - Cost impact to the average customer is \$4.12 per month
- 2.2% Customer Growth
- 4.0% Consumption Growth
- 2023 and 2024 Revenue includes Private Funds of \$17.2M and \$4.8M, respectively
- 2024 Power purchases through SMMPA contract \$99.3M (98%)
- Advanced Metering Infrastructure - \$13.6M over 2024 – 2028
- 2024 Increase in PILOT (Assumes 6%CPI) \$1,152,000





CAPITAL IMPROVEMENT PLAN - BUDGET VS. EXPENDITURES

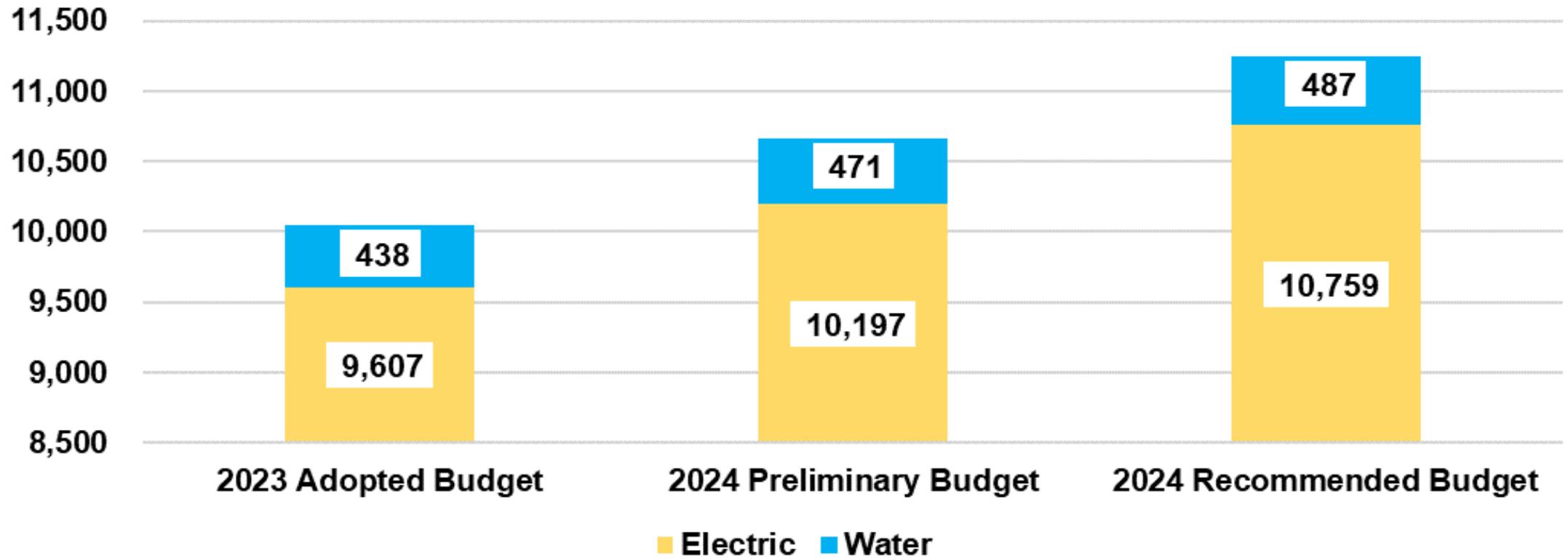
- Amounts expended rarely match amounts budgeted in the given year
 - Projects budgeted for one year may carry over into year two
 - Projects budgeted for in a year are delayed to a later year
- If additional funds are needed, the request goes before Council
- If a project is under budget, the unused funds go back to the original funding source for current or future use
 - Example 1: A project is 100% funded by tax levy and it is under budget. Those remaining tax levy funds are not expended and they remain or are returned to the General Fund for other potential uses.
 - Example 2: A project is funded by multiple sources, one source is an operating transfer from the Sewer Utility. If the project is under budget, remaining funds are proportionately left with or transferred back to the original source; in this case a portion of the funds would not be transferred from the Sewer Utility annual operations and those funds therefore remain with the utility and are available for other expenditures or end up in retained earnings of the utility at the end of the year.





PAYMENT IN LIEU OF TAXES (PILOT)

RPU PILOT Amounts



Note: Accrual Basis- in Thousands

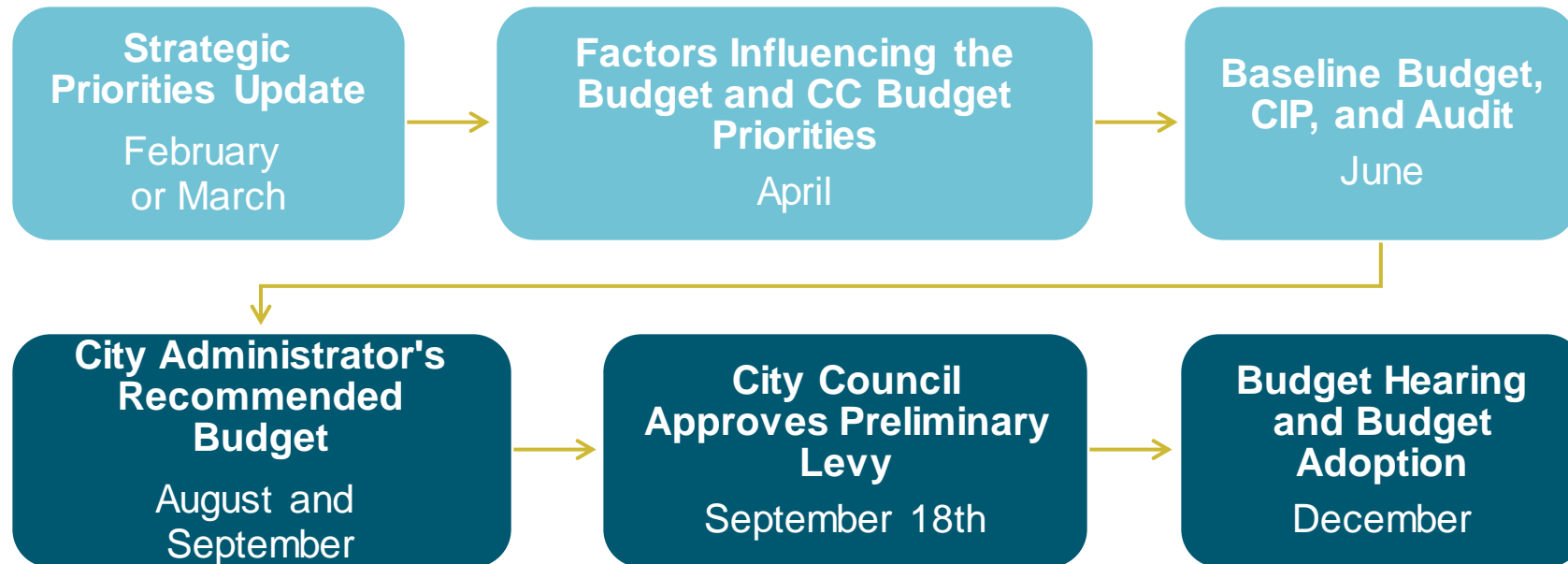


Items in Need of Resolution

- Final approach to Park Maintenance Facility Project
- Destination Medical Center CIP
- Vehicle Maintenance Fund Stabilization and Further Investment for Green Fleet efforts
- RPU PILOT Amounts
- Adjusting for Impacts of 2023 Legislative Session
- Earned Safe and Sick Time
- Public Safety Aid One-time Funding



2024-2025 BUDGET: KEY CITY COUNCIL ENGAGEMENT POINTS



Budget Documents:

<https://www.rochestermn.gov/government/departments/finance-information-technology/reports/current-budget-summary-cip/2024-2025-budget-summary>



APPENDIX



CITY OF
ROCHESTER
MINNESOTA

RECOMMENDED 2024-2025 BUDGET

August 21, 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

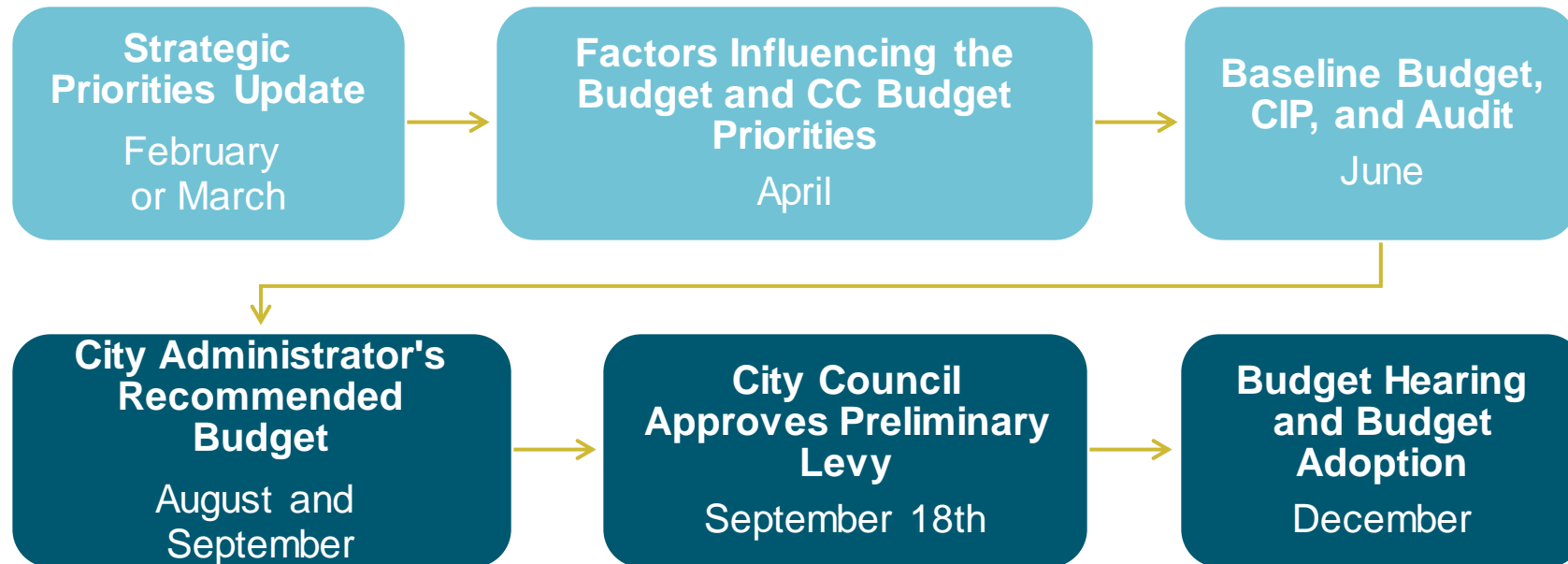
Strategic Priority:
Economic Vibrancy and
Growth Management

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/2024-2025-budget-summary>



POLICY CONSIDERATIONS

1. Are there any questions or feedback on the 2024 recommended Operating Budget?
2. Is there any feedback on the recommended budget meeting the goals for sustaining our Core Services as well as Investing in Strategic Growth?
3. Is the recommended 2024 preliminary tax levy for consideration September 18, 2023 acceptable?



**City Administrator
Recommended
2024-2025
Operating Budget**



PUBLIC SAFETY ONGOING INNOVATION AND EVALUATION: FIRE RESPONSE

Public Safety – operational shifts that otherwise would require ongoing increases in new staffing, facilities, equipment, and vehicle replacement:

- EMS Algorithm - Beginning in mid-2018, RFD began implementation of an EMS dispatch algorithm. Despite the program not being part of the automated dispatch process, a nearly 20% reduction in EMS responses was noted from mid-2018 to mid-2019 (6,954 responses vs. 5,634 responses).
- EMS Division - In 2022, RFD has begun the process of changing the way we respond to medical incidents. Utilizing smaller, lighter response vehicles for these responses will allow for a more efficient response while also allowing the ability to relocate existing resources to other areas within the City.



PUBLIC SAFETY ONGOING INNOVATION AND EVALUATION: FIRE RESPONSE (CONTINUED)

- In 2020, the light rescue vehicles were retired from the fleet. Equipment from these vehicles has been transferred to our other response units. This allows the same rescue services to be provided while reducing RFD's fleet vehicles and their associated maintenance and cost.
- Proximity dispatching - In 2020 proximity dispatching was implemented. This method sends the apparatus predicted to arrive the fastest to priority incidents instead of relying on a geographic district.



PUBLIC SAFETY ONGOING INNOVATION AND EVALUATION: FIRE

- Training props have been constructed by RFD personnel with the use of donated or low-cost materials in an effort to maximize training while reducing costs.
- Temporary promotions- Training and Emergency Management Division Captains have been established using overtime funds. This allows for these vital positions to be filled until we can establish FTEs for these roles.
- In house maintenance of equipment, apparatus, and stations using our on-shift personnel.
- Partnering with other local, regional fire departments in the submission of a federal grant to fund the replacement of our SCBA's. This is a lower cost method to replace critical equipment as well as increasing our interoperability with neighboring departments and agencies.



PUBLIC SAFETY ONGOING INNOVATION AND EVALUATION: FIRE (CONTINUED)

- In house maintenance of equipment, apparatus, and stations using our on-shift personnel.
- Partnering with other local, regional fire departments in the submission of a federal grant to fund the replacement of our SCBA's. This is a lower cost method to replace critical equipment as well as increasing our interoperability with neighboring departments and agencies.

PUBLIC SAFETY ONGOING INNOVATION AND EVALUATION: POLICE



Reallocating Resources

- Community outreach specialists handled 1,053 calls the first half of 2023. Of those calls, 65% directly alleviated officers, allowing them to focus on other calls for service.
- School resource officers were deployed June-August to the Downtown Summer Safe Zone Initiative, enhancing safety in the downtown corridor without adding cost.
- RPD implemented a staffing strategy that maximizes efficiencies. The strategy includes scheduling investigators to patrol shifts as needed, reducing the need to call officers in for overtime.

Reimbursements/ Donations

- Officer Vests
- K9 Vests
- Lidar
- MN POST Training

Notable Grants

Grant provider	Use
Edward Byrne Memorial Justice Assistance	Community engagement and crime prevention
High Intensity Drug Trafficking Area	Criminal Interdiction Unit
Governors Highway Safety Association	Cops & Kids Community Bike Program
Toward Zero Deaths	Saturation patrols and extra enforcement

School Resource Officers

- 75% school-funded

Hospital Resource Officers

- 100% Mayo-funded

Dedicated DUI Officer

- 80% grant-funded

Shared Resources

- Incident Command Vehicle
- Emergency Response Unit (SWAT)
- Forensic Mapping Unit
- Crisis Negotiating Unit





ONGOING INNOVATION AND EVALUATION: COMMUNITY ENRICHMENT

Community Enrichment - Improving existing service through informed planning and optimizing existing resources:

- A Library space study is identified to refocus from prior expansion discussions toward engaging with the community to identify overall community wide access to library services and the infrastructure needed to support current and future operation. The results of the space study will inform future programming, collection, services, and the resource and funding impacts of achieving the outcomes identified.



ONGOING INNOVATION AND EVALUATION: COMMUNITY ENRICHMENT (CONTINUED)

- Reorganized the Parks and Forestry Division to streamline response to high priority tree and park issues and provide more attention to long term planning and coordination of alternate funding. Reviving public initiatives and volunteer programs to increase community involvement in maintaining parks and provide more attention to boulevard trees. Adjust standards and timelines outlined in the Urban Forest Master Plan and other planning documents to align with council budget goals and expectations.
- Civic Music has maintained an annual program with four teammates for decades and is proposing a revised summer music schedule and new levels of programming to assure free or donation-based programming for all its offerings and improve accessibility through language and other services – absorbing many inflationary increases with budget impacts due to eliminating unrealized revenue from the budget to ensure financial integrity.



ONGOING INNOVATION AND EVALUATION: HIGH PERFORMANCE GOVERNMENT

High-Performance Government - Centralizing services and reorganizing existing personnel resources to better support our team, improve customer service, at lowest ongoing cost:

- 311 implementation consolidates resources, replaces some existing software (eliminate the cost and use to implement and support 311), provides better connection to the community, and takes phone answering off plates of teammates who deliver the resulting service.
- Expanded IT coverage through centralized service delivery results in a small increase to the budget and significantly higher service to departments through 24/7 on-call and seven days a week service, including police, fire, parks, library and emergency management.



ONGOING INNOVATION AND EVALUATION: HIGH PERFORMANCE GOVERNMENT (CONTINUED)

- Health and wellness programming is now being resourced centrally and brought in house to better serve Police and Fire to address physical fitness and better fund mental health and other prevention programs to reduce PTSD and Long-Term Disability and Health costs.
- Restructured Mayo Civic Center to a contractual service model in 2020. This constrains the annual City cost of operation to \$4.2 Million (\$4.0M in 2024 and \$4.2M in 2025, before contracted service model the budget was approximately \$6.5M annually). The 2024/2025 budget recommends that any new growth in the lodging tax be dedicated to a capital maintenance fund to support future reinvestment in the facility.



ONGOING INNOVATION AND EVALUATION: DSI AND RPU

Development Services and Infrastructure & Public Services – Shared resources, evaluating service delivery models, and investing in process improvements creates financial capacity that isn't fully absorbed by new rates:

- This budget funds an equipment operator position that enhances both the street maintenance team and signing and striping crew that have relied for years on sharing an FTE based on season. This new position will still share duties but double the value for winter plowing and still provide summer maintenance activities at a higher standard.
- Community Development moved to electronic plan review, which has improved the review process for development applications and improved response times to applicants. The response time for residential plan review previously took up to 6 weeks and now 98% of residential plan reviews are completed in 2 weeks or less. 100% of residential plan reviews are completed in 3 weeks or less.

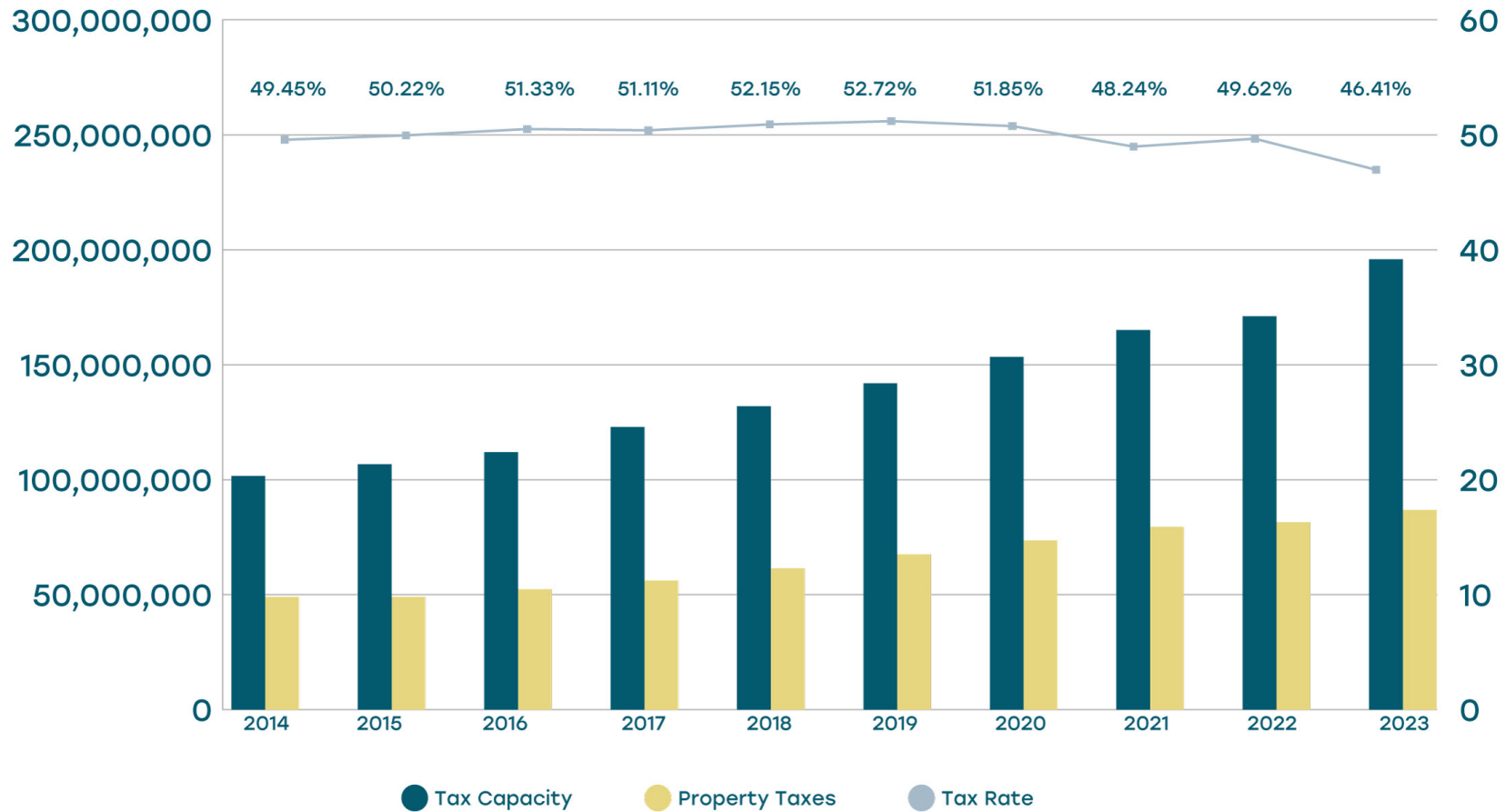


ONGOING INNOVATION AND EVALUATION: DSI AND RPU (CONTINUED)

- Prior to 2019, the City contracted for Destination Medical Center Program Management for our management of the DMC Initiative. We projected financial savings of \$750,000 per year and enhanced productivity given the higher level of cost for contracted hours. In addition to enhanced productivity, we have engaged more effectively in community co-design and business forward strategies as projects are delivered.
- This budget invests in RPU through Advanced Metering Infrastructure (AMI) that will increase efficiencies, better detect theft, improve revenue accuracy, and increase conservation. The estimated annual operational savings for Electric and Water utility combined is about \$1M.
- RPU regularly evaluates cost of necessary contract services and transition to FTE when there is neutral cost or savings with in-house management that is more flexible. This has resulted in 5 converted positions since 2019, in customer service, marketing, accounting and IT.

CITY OF ROCHESTER PROPERTY TAX RATES SINCE 2014

Levy Capacity and Tax Levy Over Time Graph



$$\text{Local Tax Rate} = \frac{\text{Property Tax Revenue Needed (Levy)}}{\text{Total Tax Capacity (For All Properties)}}$$



PROPERTY VALUATION GROWTH – PAY 2024

Estimated Market Valuation Increase

New Construction + 1.6 %

Existing base appreciation + 4.4 %

Estimate + 6.0 %*

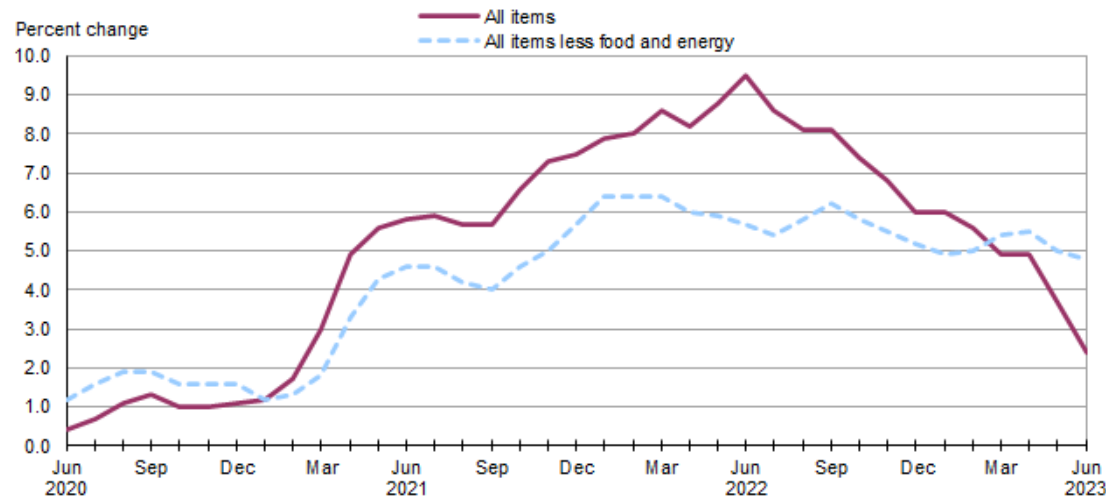
*Updated numbers will be available after August 25, 2023



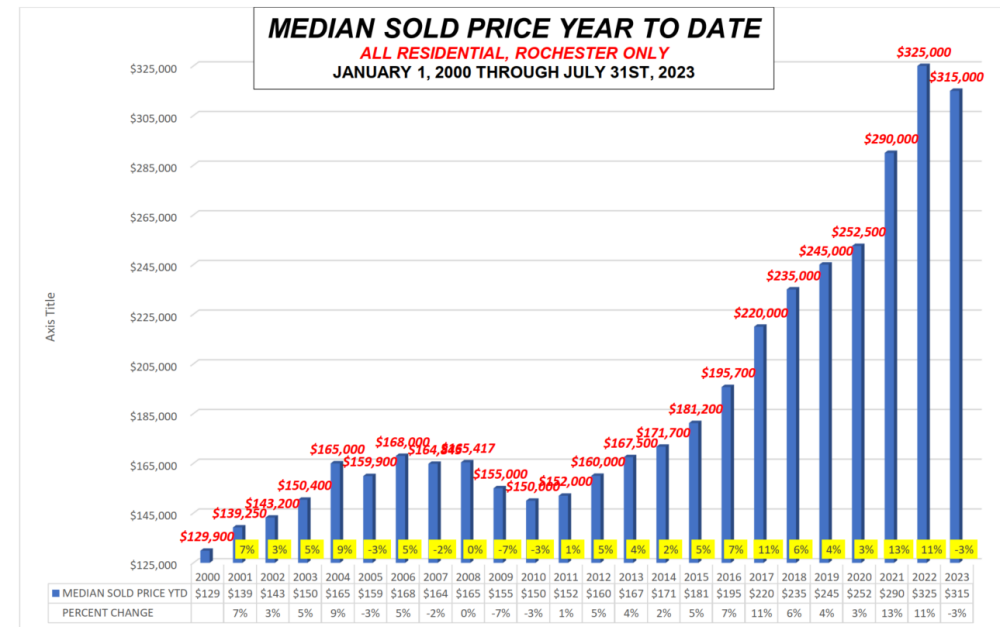
ECONOMIC INDICATORS

- **Unemployment** - The Rochester unemployment rate is 2.3% which is lower than the state and national averages.
- **Inflation** - While moderating, inflation continues to impact city costs.
- **Housing Prices** - Home prices are moderating year to date, but the impact of the 2022 increase have not been reflected in the current assessments.

Chart 1. Over-the-year percent change in CPI-U, Midwest region, June 2020–June 2023



Source: U.S. Bureau of Labor Statistics.



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SIGNIFICANT 2024 (AND BEYOND) 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.**
- **Personnel costs**
- **Vehicle and Equipment Revolving Fund**
- **Facility Maintenance and Investment (deferred maintenance)**
- **Street deferred maintenance (CIP investment)**
- **These items require a shift in budget amounts and use of funding sources (tax levy, budget stability funds, contingency, etc.).**

2024 RECOMMENDED TAX LEVY AND BUDGET

- **Recommended Tax Levy \$101.5 million**
- **Recommended Total Budget \$575.4 million**





2024: \$575.4 MILLION BUDGET (INCLUSIVE OF RPU)

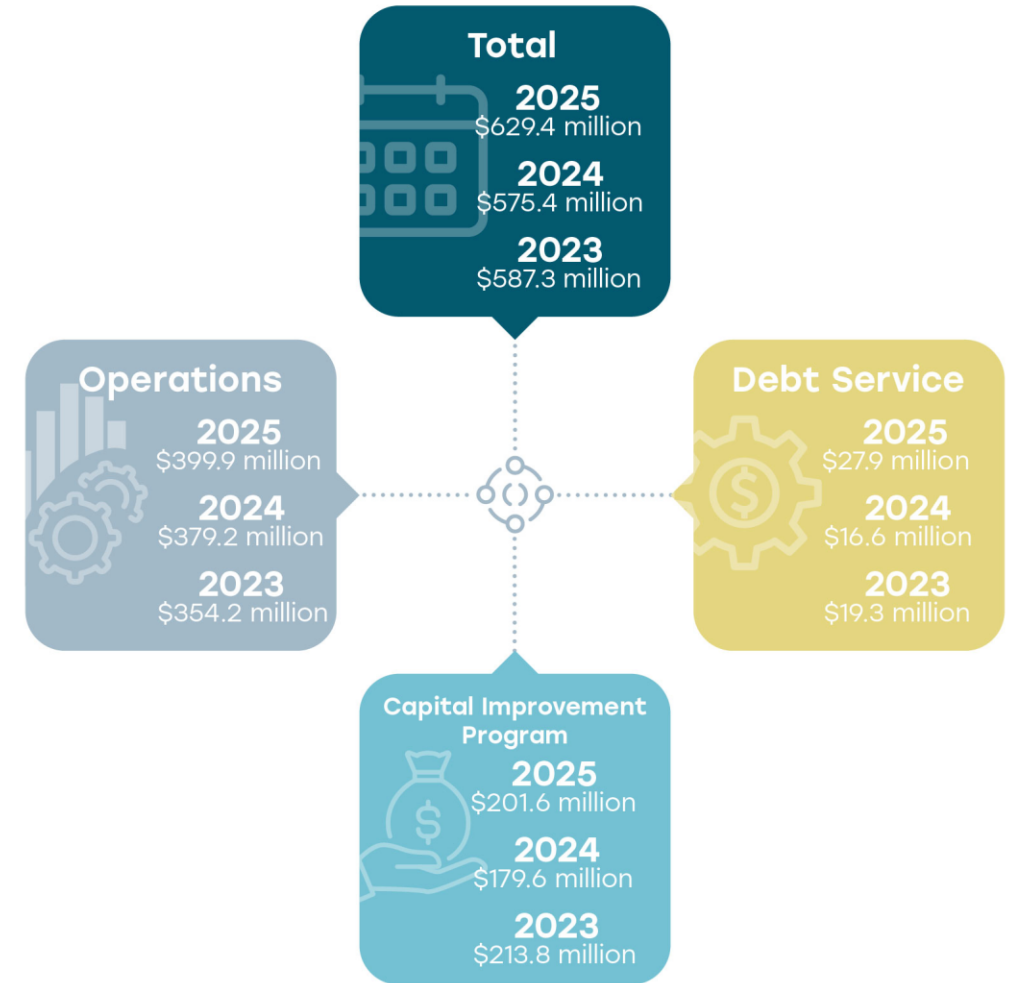
2023 vs 2024 vs 2025 Operating Expense

All Funds Combined

- **9.44% or \$8.758 M** Total Levy Increase (not a tax rate)
- **Sewer:** 2024 and 2025 – approximately 1%
 - Rate increases are informed by the 2022-2027 rate study adopted in 2021
 - Wastewater connection fees increase at approximately 3.5% annually and are related to project inflation and the increased cost of wastewater treatment plant infrastructure due to new construction
- **Electric:** 2024 - \$4.12/Mo 2025 - \$4.30/Mo
- **Water:** 2024 - \$1.65/Mo and 2025 - \$1.67/Mo

RPU Cost of Service Study in Progress

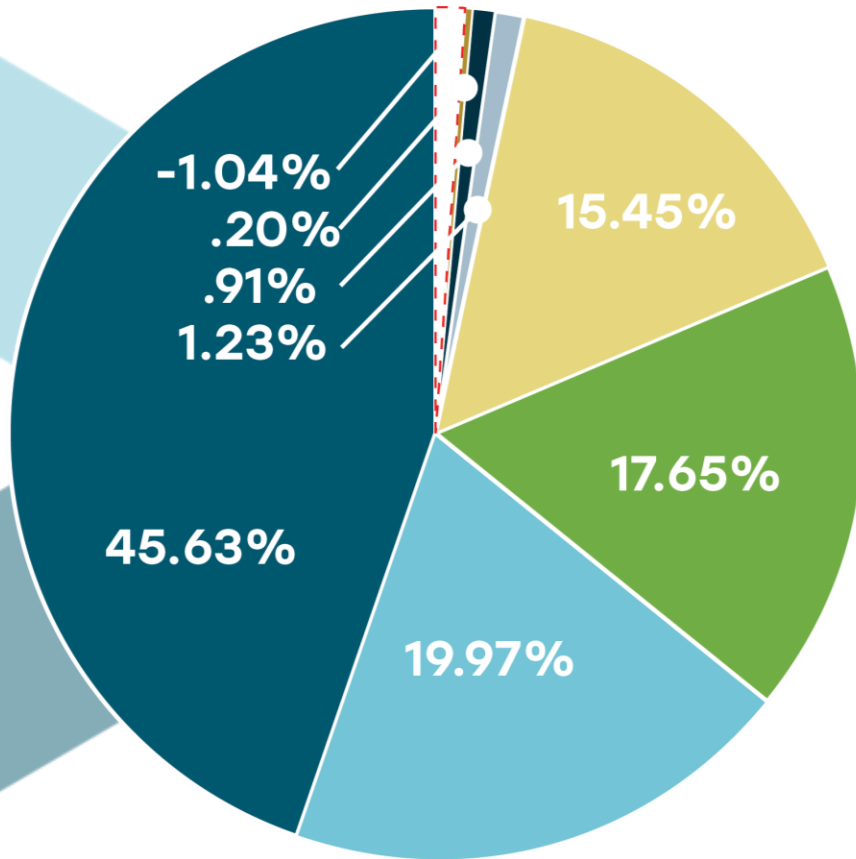
- Current plans indicate review of the study on September 26 by the RPU Board
- Study results will inform individual rates for each rate class and inform final adjustments to the budget
- Any final adjustments from the preliminary RPU budget will be included as final recommendations by the RPU Board in the final December budget considered by Council





WHERE DOES THE MONEY COME FROM?

2024 Total Operating Revenue, inclusive of RPU



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

2024 BUDGET OVERVIEW AND CONTEXT

Baseline Budget

- 6.91% 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

- 2.53% 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

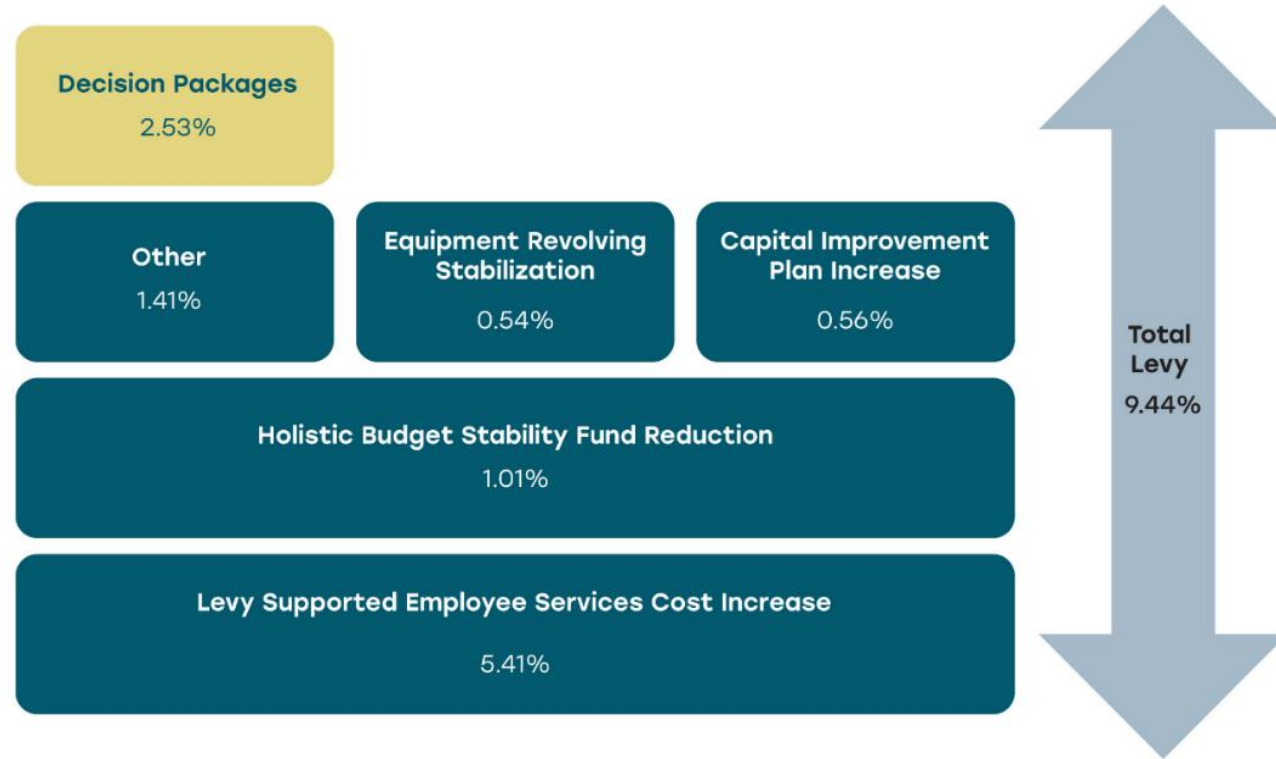
Other Considerations

- **Outside Agency Requests are 22% higher.**

BUILDING THE BUDGET – INVESTING IN PRIORITIES



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.





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 2021 reserve utilization

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



Budget Stability Funding (\$6.2M)

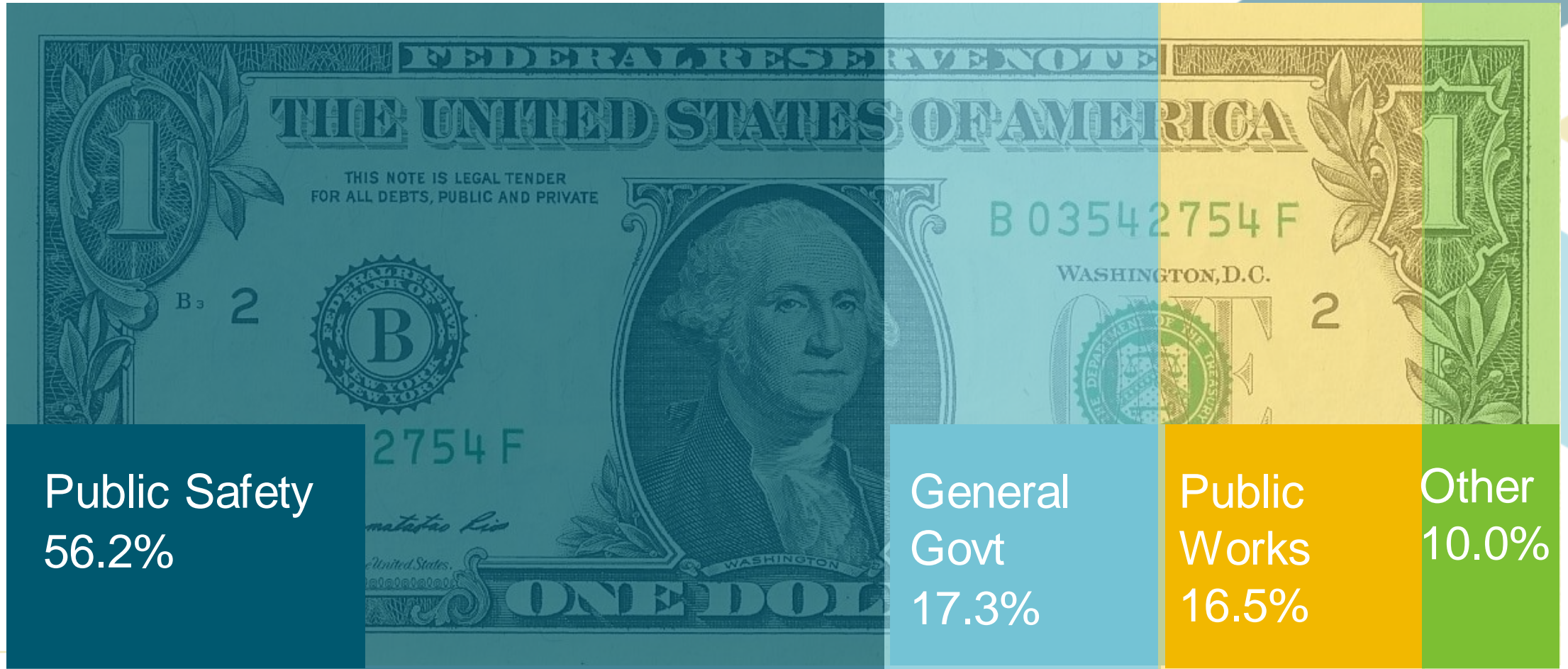
- 2022 - \$1,467,446
- 2023 - \$2,368,028
- 2024 - \$1,427,500
- 2025 - \$ 713,750
- 2026 - \$ 285,500
- 2027 - \$ 0

\$940,528 Less than Prior Year



WHERE DOES THE MONEY GO?

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

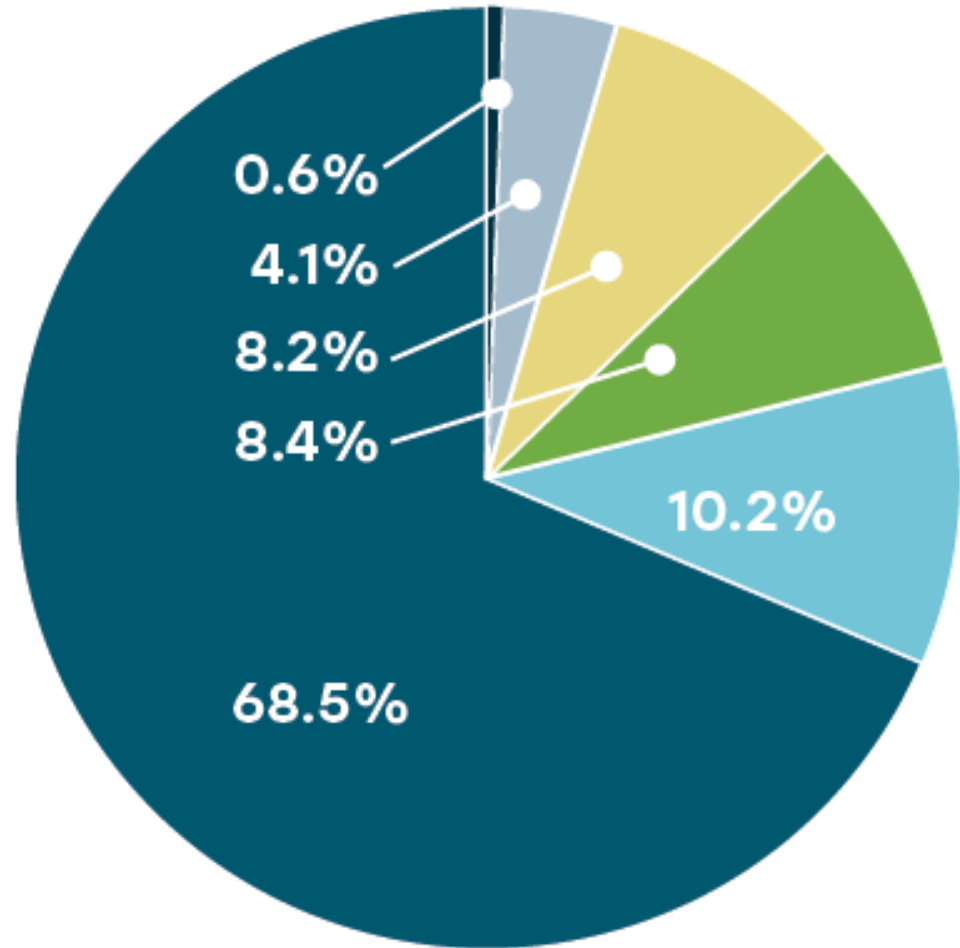




2024 PROPERTY TAX DISTRIBUTION

2024 Property Tax Distribution

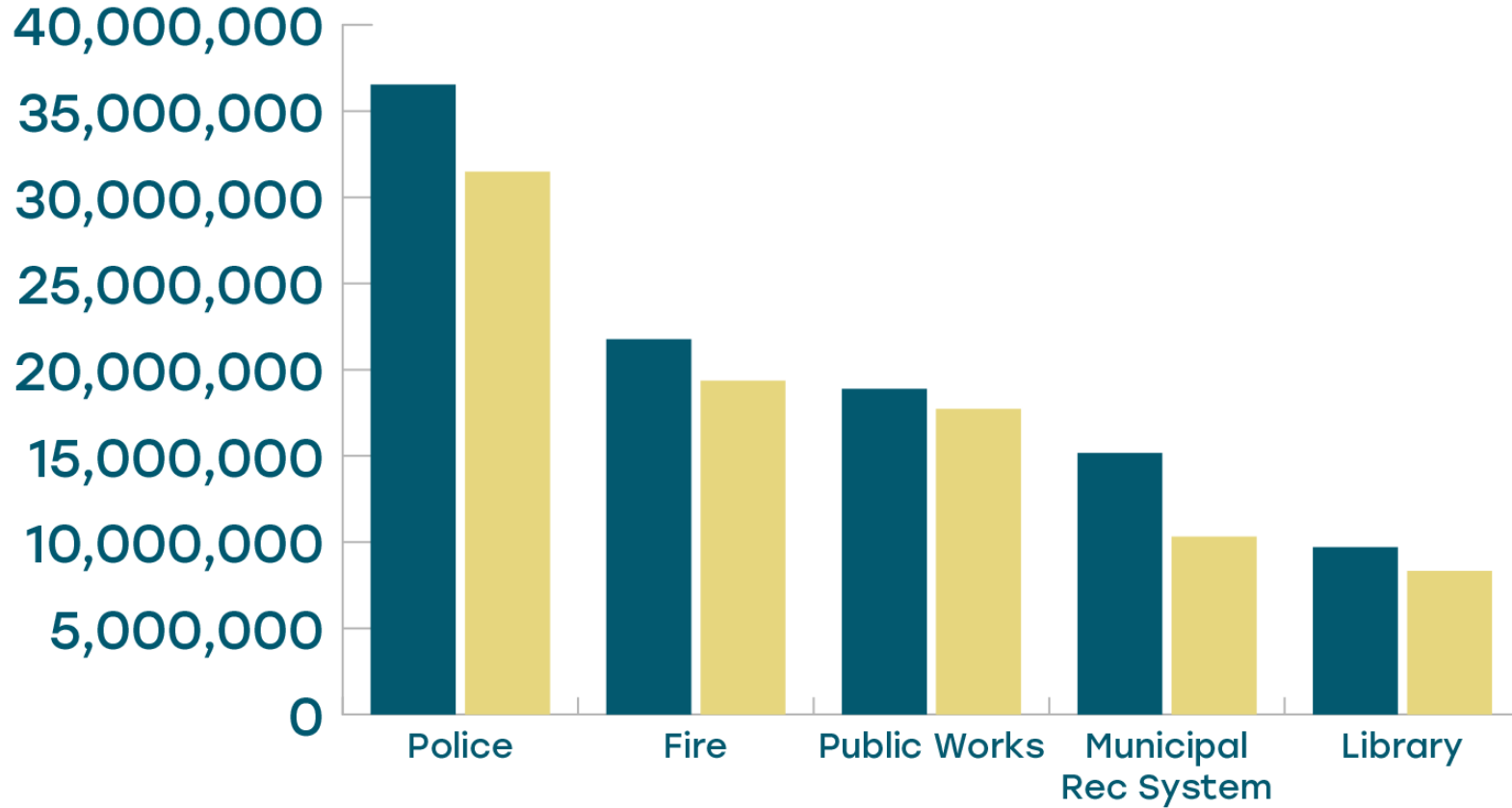
- General Fund
- Municipal Recreation
- CIP
- Library
- Debt/Internal Service
- Airport





2024 TOTAL EXPENDITURES AND TAX LEVY SUPPORT

Total Expenditures and Tax Levy Support

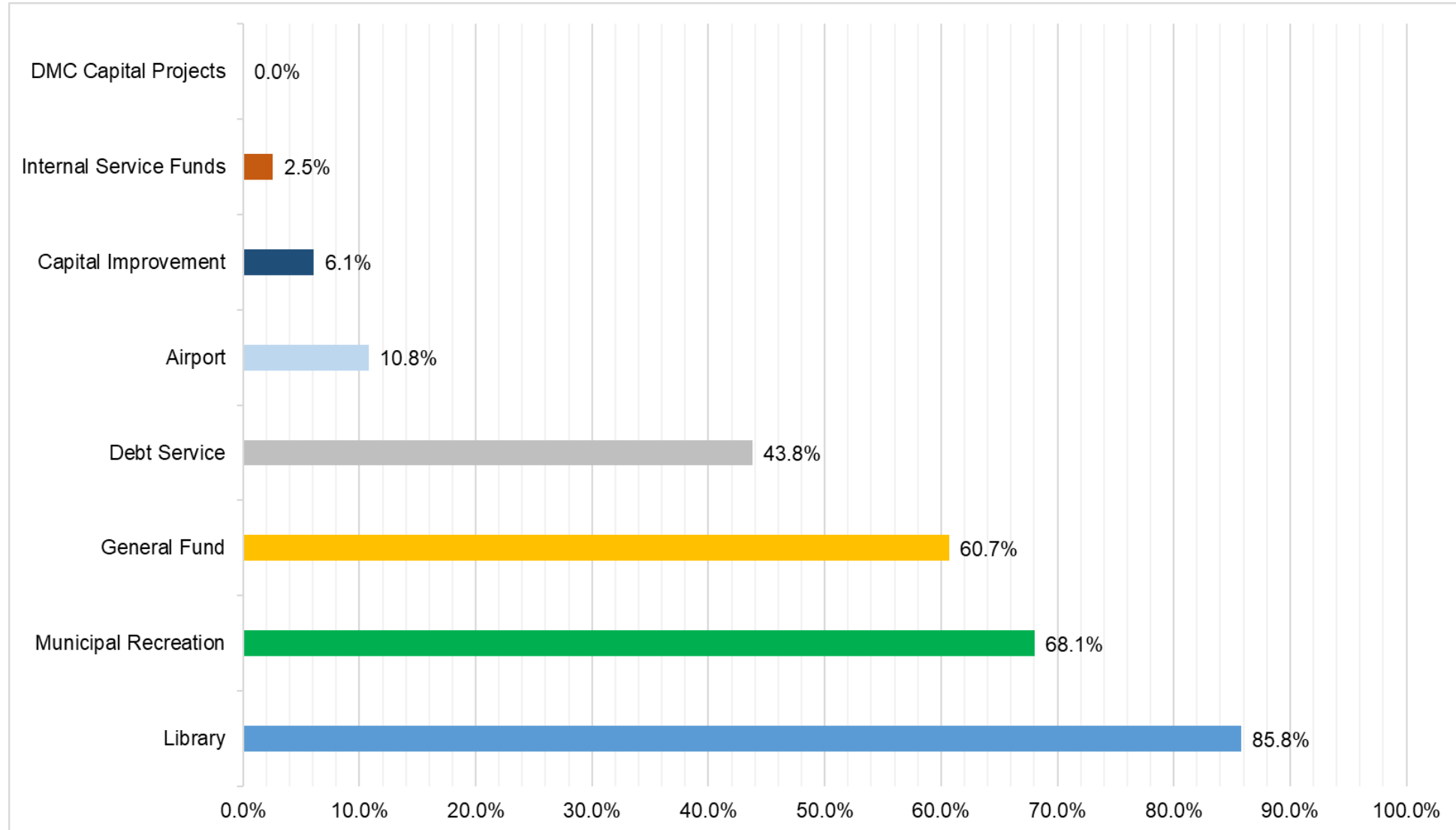


● 2024 Total Expenditures ● 2024 Tax Levy Support Expenditures





FUND RELIANCE ON TAX LEVY



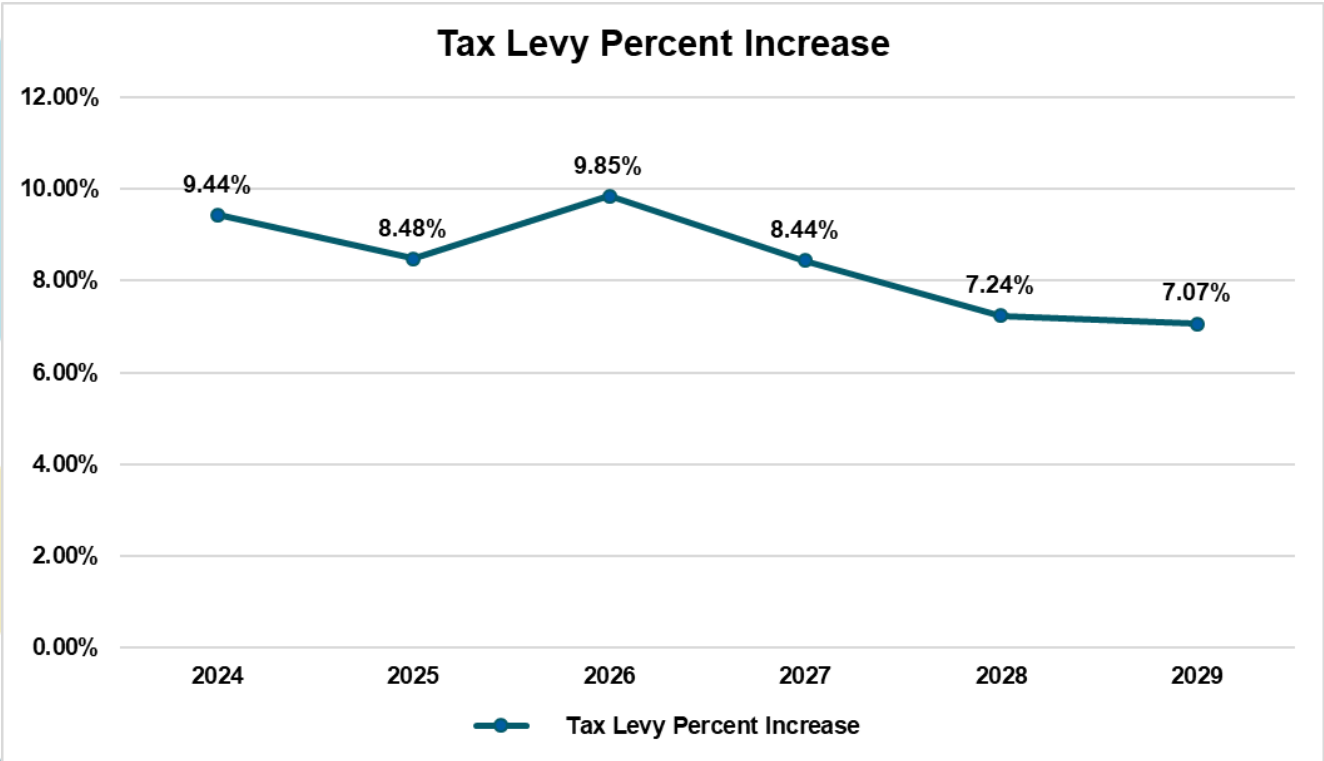
LONG RANGE FINANCIAL MANAGEMENT PLAN-RECOMMENDED BUDGET

Taxes Levied on Tax Capacity	2024	2025	2026	2027	2028	2029
Projected Levy for General Fund	(69,546,584)	(76,243,743)	(83,823,298)	(92,380,994)	(100,576,471)	(108,937,535)
Projected Levy for Library Fund	(8,326,352)	(8,730,923)	(9,244,251)	(9,781,447)	(10,319,108)	(10,876,285)
Projected Levy for Muni Rec System Fund	(10,318,843)	(11,556,681)	(12,347,278)	(13,179,239)	(13,943,996)	(14,696,434)
Projected Levy for Mayo Civic Center Fund	-	-	-	-	-	-
Projected Levy for F.E. Williams	-	-	-	-	-	-
Projected Levy for Airport Operations Fund	(586,352)	(623,698)	(642,409)	(661,681)	(681,532)	(701,978)
Projected Levy for Transit Fund	-	-	-	-	-	-
Projected Levy for EDA Administration	-	-	-	-	-	-
Projected Levy for Equipment Revolving Fund	-	-	-	-	-	-
Projected Levy for Info Technology Fund	-	-	-	-	-	-
Projected Levy for City Facilities Internal Service Fun	-	-	-	-	-	-
Projected Levy for Self Insurance Fund	-	-	-	-	-	-
Projected Levy for Construction Improvement Fund	(8,539,692)	(8,804,100)	(9,059,100)	(9,322,000)	(9,627,700)	(9,871,500)
Projected Levy for Debt Service*	(4,213,050)	(4,183,221)	(5,874,830)	(5,876,619)	(5,547,285)	(5,558,244)
Projected Levy - Other	-	-	-	-	-	-
Total Projected Taxes Levied on Tax Capacity	(101,530,873)	(110,142,366)	(120,991,166)	(131,201,980)	(140,696,091)	(150,641,976)
% Change from Prior year	9.44%	8.48%	9.85%	8.44%	7.24%	7.07%





LONG-RANGE FINANCIAL MANAGEMENT PLAN



- Percent increases through 2026 include the use of holistic budget stability funds and **would be higher if not for those funds.**
- The projected levy amounts do reflect annual contingency for items that are difficult to anticipate in the forecast.
- Assumes Regular Personnel Costs (total compensation) require approximately 5.50% levy adjustment from 2026-2029
- The reduction in 2028 and 2029 partially reflects a reduction in debt service costs.
- 2026 also reflects the addition of debt service for the Parks Maintenance Facility.





2024 AND 2025 MAJOR REVENUES

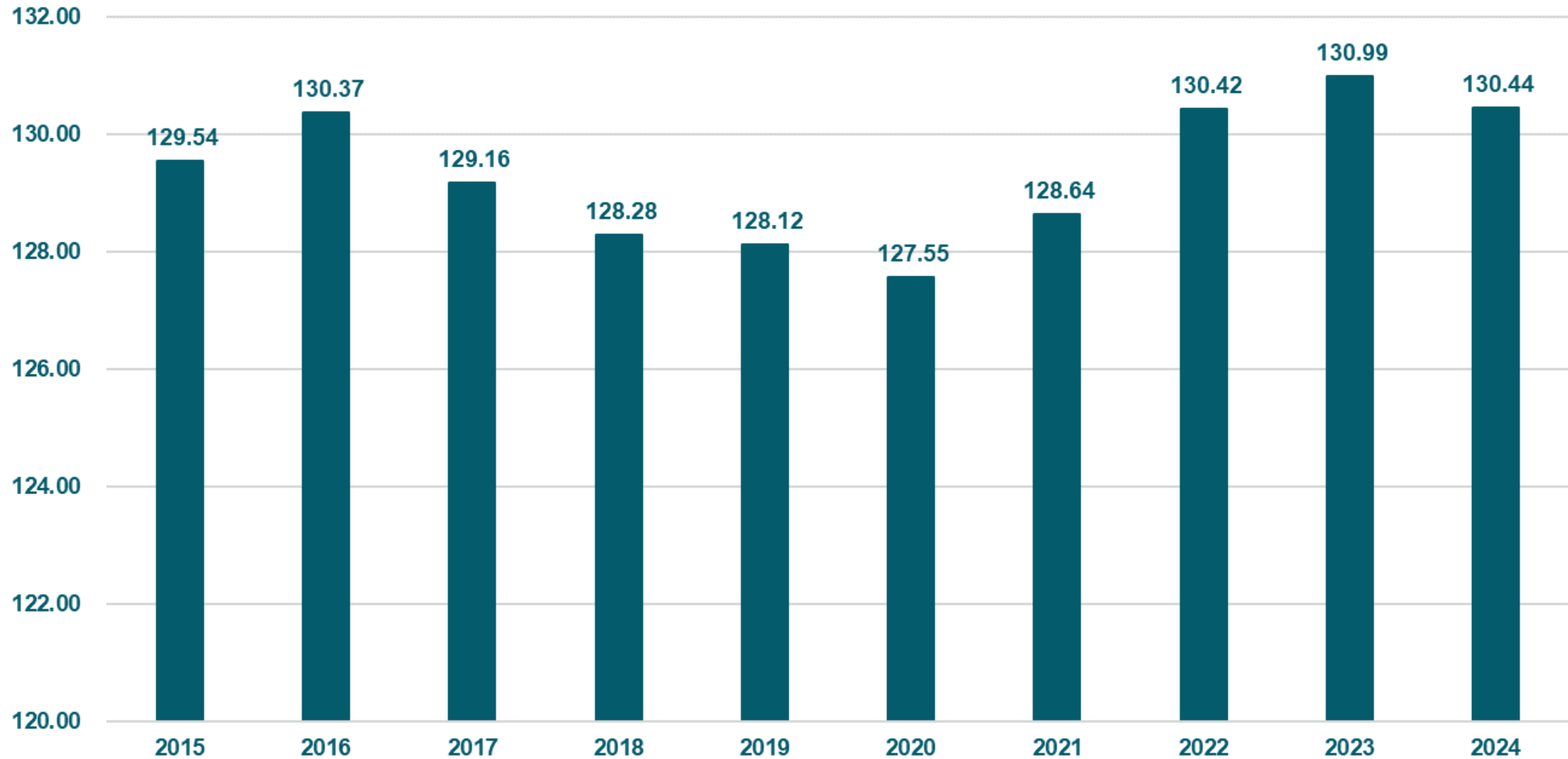
Table 1
2024 & 2025 Major Revenues Versus 2023 Inclusive of RPU

	2023 Adopted Budget	2024 Recommended 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	92,772,574	101,530,873	110,142,367	8,758,299	9.44%	8,611,494	8.48%
Local Government Aid	3,958,994	3,958,994	3,958,994	0	0.00%	0	0.00%
Local Government Aid (CIP)	0	800,000	1,067,000	800,000	0.00%	267,000	33.38%
Hotel/Motel Tax	5,353,601	5,915,155	6,491,160	561,554	10.49%	576,005	9.74%
Cable TV Franchise Fee	1,165,296	1,165,296	1,165,296	0	0.00%	0	0.00%
Inspection Permits	3,563,892	3,930,322	3,930,322	366,430	10.28%	0	0.00%
In Lieu of Tax	13,567,858	14,190,858	14,639,858	623,000	4.59%	449,000	3.16%
Sewer Utility Charge	28,381,000	28,500,000	28,500,000	119,000	0.42%	0	0.00%
Storm Water Utility Fee	8,821,603	8,934,050	8,934,050	112,447	1.27%	0	0.00%
Library Fund							
City Share-Levy	7,816,734	8,326,352	8,730,923	509,618	6.52%	404,571	4.86%
County Share	1,151,638	1,183,842	1,183,842	32,204	2.80%	0	0.00%
Municipal Recreation Fund							
Fee Revenues	4,184,120	4,637,118	4,637,118	452,998	10.83%	0	0.00%
Non-Fee Revenues	9,881,044	10,496,589	11,777,457	615,545	6.23%	1,280,868	12.20%
Parking Fund							
Parking Fines	471,343	471,343	471,343	0	0.00%	0	0.00%
Parking Ramps	4,664,458	5,897,234	5,897,234	1,232,776	26.43%	0	0.00%
Street Meters	1,338,250	1,338,250	1,338,250	0	0.00%	0	0.00%
Parking Lots	417,701	417,701	417,701	0	0.00%	0	0.00%
RPU							
Charges for Services	187,924,000	205,271,000	215,314,000	17,347,000	9.23%	10,043,000	4.89%
Private Funds	18,300,000	6,672,000	3,952,000	(11,628,000)	-63.54%	(2,720,000)	-40.77%



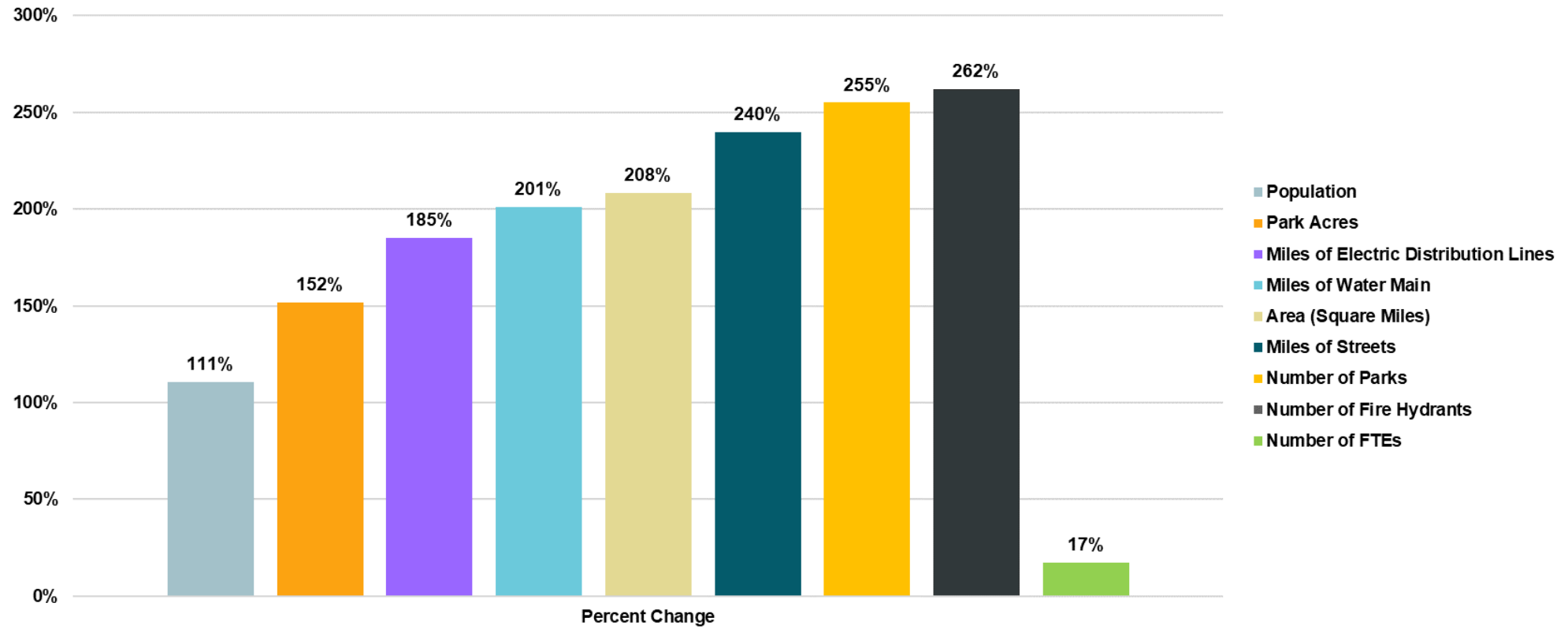
POPULATION CHANGE & FULL TIME EQUIVALENT (FTE) CHANGES

Capita per FTE





PERCENT CHANGE OF OPERATING INDICATORS: 1980 - 2022



2024 Recommended Decision Packages

Process Improvement	Maintaining Existing Facilities and Programs	Public Safety	Supporting Private Construction & Equity in Built Environment	Structural Integrity of Budget	Quality of Life
<ul style="list-style-type: none"> • New Position-Software Manager (311 Public Information System) • Expanded Tech Support Coverage • City Internship Program • New Position-Recreation Coordinator Position • ERP Licenses • Creation of a Transit & Parking Department • IT & IT Security Training 	<ul style="list-style-type: none"> • EPR Licenses • New Position-Landscape Technician (X2) • Tree Planting for R-Neighbors • Equipment Operator to Traffic Operations • New Portable Stage for Civic Music • New Position-Assistant Clerk II • Reclass-Accounting Tech to Senior Financial Analyst • New Position-Assistant Street Maintenance Supervisor • Space Study for the Public Library • Increased Funding for Digital E-Books • New Joint Facilities Vehicles (X2) 	<ul style="list-style-type: none"> • New Position-School Resource Officer • Public Records Request System • New Position-Assistant Fire Chief-BIPOC Engagement • CRAH Staff Funding • New Position-Transit Mobility and Outreach Coordinator 	<ul style="list-style-type: none"> • Unfreeze Building Inspector Position • New Truck for CBD Maintenance • New Position-Transit Attendant • New Position-Engineering Technician (Construction Inspector) • Increased Funding for Equity in Development Support 	<ul style="list-style-type: none"> • New Position-Transit Grants Manager • Baseline Budget Increases for Vehicle Shop Supplies and Maintenance and Buildings and Grounds Maintenance 	<ul style="list-style-type: none"> • Branded Apparel Program • Walk Behind Paint Machine • Organizational Health and Wellness • LINK Rapid Transit Staffing



2025 Recommended Decision Packages

Process Improvement	Maintaining Existing Facilities and Programs	Public Safety	Supporting Private Construction & Equity in Built Environment	Structural Integrity of Budget	Quality of Life
<ul style="list-style-type: none"> • New Position-Streets Equipment Operator • GIS Professional Services • IT and IT Security Training 	<ul style="list-style-type: none"> • New Mastic Trailer • Mowing Equipment • Big Truck Diagnostics Tool • City Website-Developer Toolkit • Continue Incident Response Retainer and Vendor Security Monitoring 	<ul style="list-style-type: none"> • New Position-Library Security & Safety Specialist • Fire Marshal and Fire Inspector Vehicles • Diversify Rochester Fire Department Step 2 of 8 	<ul style="list-style-type: none"> • CDD Professional Services • New Position-Community Development Specialist 	<ul style="list-style-type: none"> • New Position-Internal Auditor 	<ul style="list-style-type: none"> • Snow Grooming Equipment • Vehicle AC Recycling Machine • New Aquatics at Silver Lake

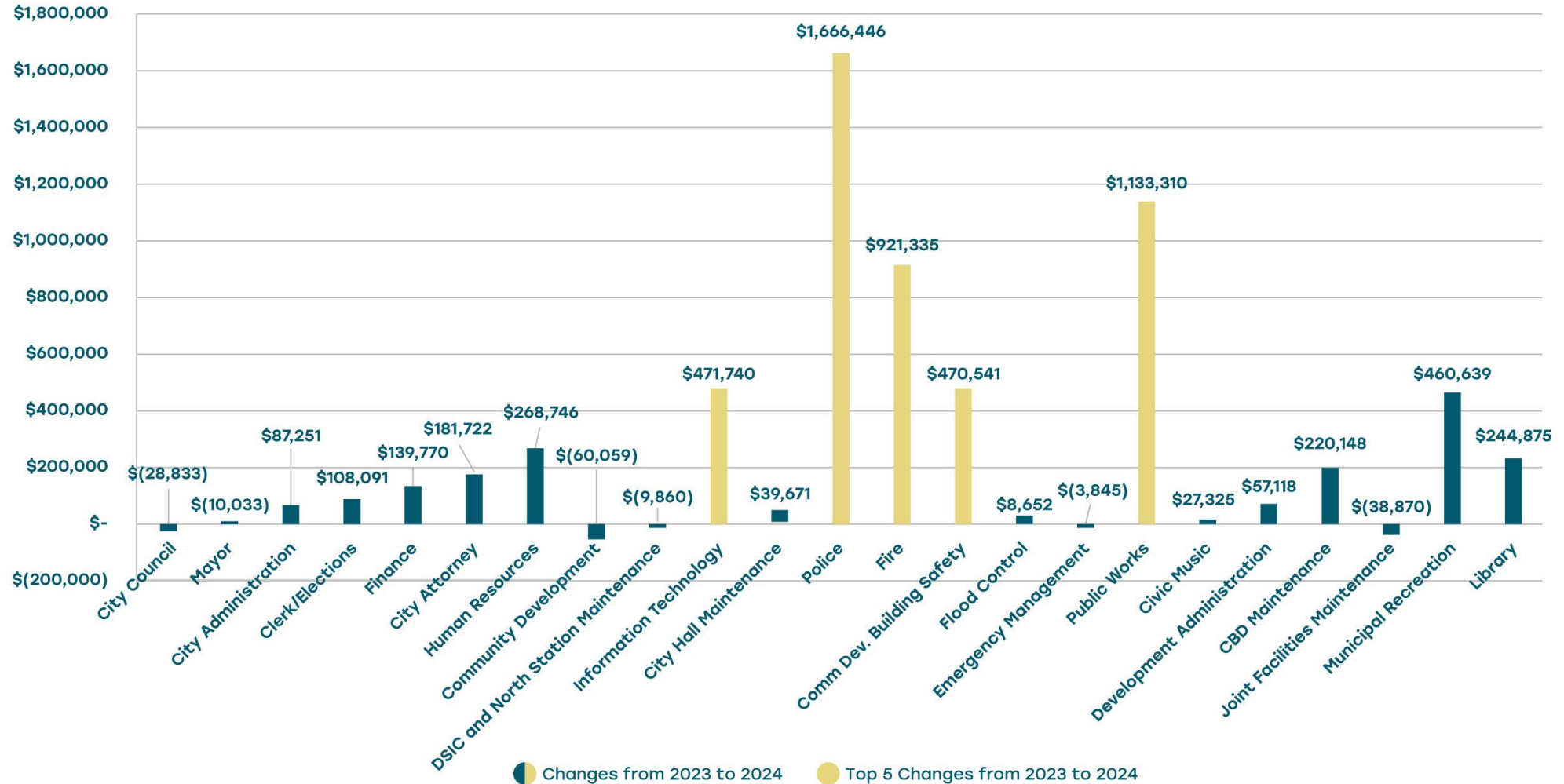
*Some added capacity built into 2025 to accommodate unanticipated costs or unauthorized 2024 or 2025 Decision Packages if they become critical and need to be adjusted in Supplemental 2025 process





EMPLOYEE SERVICES COSTS

Levy Funded Employee Services Changed by Department



TEAMMATE EXPENSES

- \$9.6 million increase for all funds (includes RPU)
 - General Fund: \$5.8 million
 - Library: \$0.2 million
 - Municipal Recreation: \$0.4 million
 - Other funds: \$3.2 million
- Salaries net increase: 7.3%
 - 19 bargaining units
 - Most labor contracts settled for 2024 and 2025
- Health & dental: 6% and 4% for 2024





2024 COMMUNITY REINVESTMENT FUNDING AND ECONOMIC DEVELOPMENT RECOMMENDATIONS

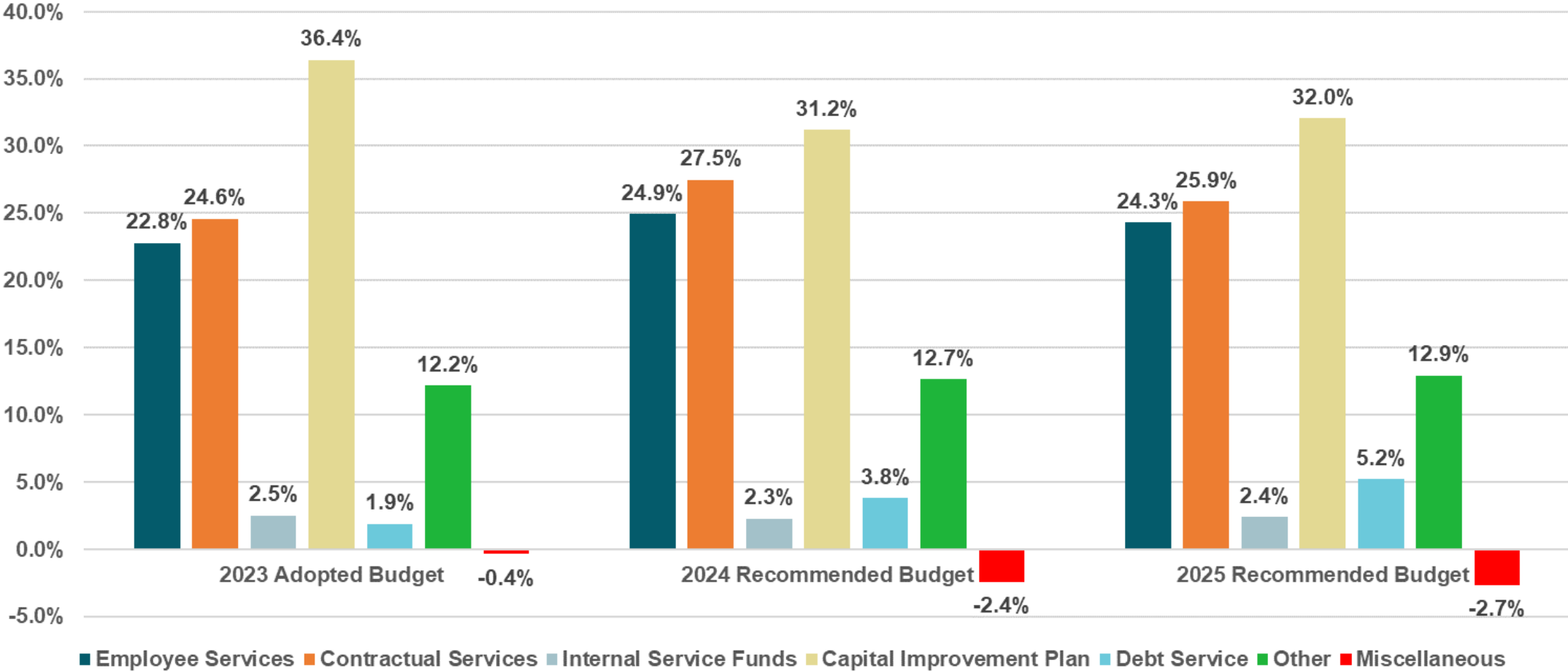
	2023 Adopted	2024 Request per Outside Agency	Over / Under Dollar Difference from 2023 Allocated / 2024 Requested	Percent Difference from 2023 Allocated / 2024 Requested	2024 Suggested Allocation Administration	2024 Administration Amount Difference from 2023
Economic Initiatives						
RAEDI	\$ 67,500	\$ 258,000	\$ 190,500	282%	\$ 75,000	\$ 7,500
SBDC****		\$ 50,000	\$ 50,000		\$ 15,000	\$ 15,000
Total	\$ 67,500	\$ 308,000	\$ 240,500	356%	\$ 90,000	\$ 22,500
Community Reinvestment						
Diversity Council**	\$ 70,200	\$ -	\$ (70,200)	0%		\$ (70,200)
Community Building funds		\$ 70,200	\$ 70,200	0%	\$ 50,000	\$ 50,000
History Center of Olmsted County	\$ 28,080	\$ 75,000	\$ 46,920	167%	\$ 37,500	\$ 9,420
Human Rights Commission	\$ 5,400	\$ 5,400	\$ -	0%	\$ 5,400	\$ -
RNeighbors	\$ 92,015	\$ 92,015	\$ -	0%	\$ 92,015	\$ -
Rochester Downtown Alliance	\$ 125,000	\$ 125,000	\$ -	0%	\$ 125,000	\$ -
SE MN Initiative Fund	\$ 15,000	\$ 15,000	\$ -	0%	\$ 15,000	\$ -
Youth Commission	\$ 10,000	\$ 10,000	\$ -	0%	\$ 10,000	\$ -
Total	\$ 345,695	\$ 392,615	\$ 46,920	14%	\$ 334,915	\$ (10,780)
125LIVE/Art Center/Civic Theatre						
125Live*	\$ 108,000	\$ 110,160	\$ 2,160	2%	\$ 110,160	\$ 2,160
125 Live Event Parking	\$ 10,500	\$ 10,500	\$ -	0%	\$ 10,500	\$ -
Rochester Art Center	\$ 170,000	\$ 183,600	\$ 13,600	8%	\$ 178,500	\$ 8,500
Rochester Civic Theatre	\$ 75,000	\$ 150,000	\$ 75,000	100%	\$ 100,000	\$ 25,000
Total	\$ 363,500	\$ 454,260	\$ 90,760	25%	\$ 399,160	\$ 35,660
Grand Total	\$ 776,695	\$ 1,154,875	\$ 378,180	49%	\$ 824,075	\$ 47,380

*INCREASE IN OPERATING AGREEMENT
 **2023 FUNDING ONLY
 ****FUNDED FROM CONTINGENCY IN 2023

NOTE: LIKELY INCREASES IN 2025 AS WELL



Expenditure Categories (inclusive of RPU)



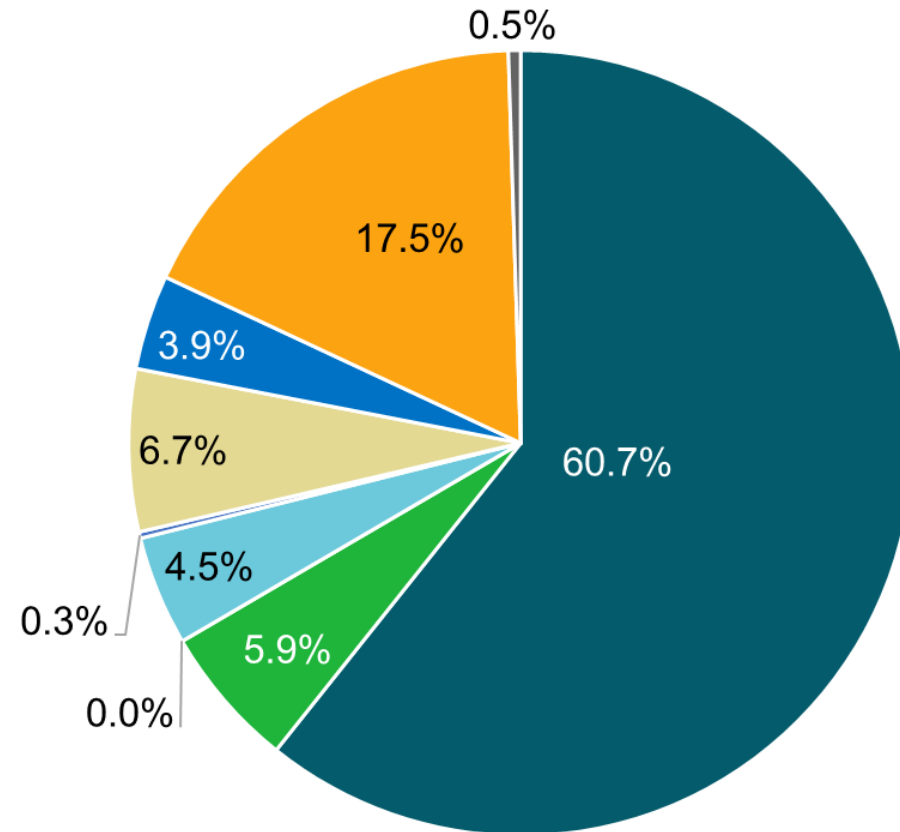


General Fund

WHERE DOES THE MONEY COME FROM?

• 2024 General Fund Revenue: \$114.5 million

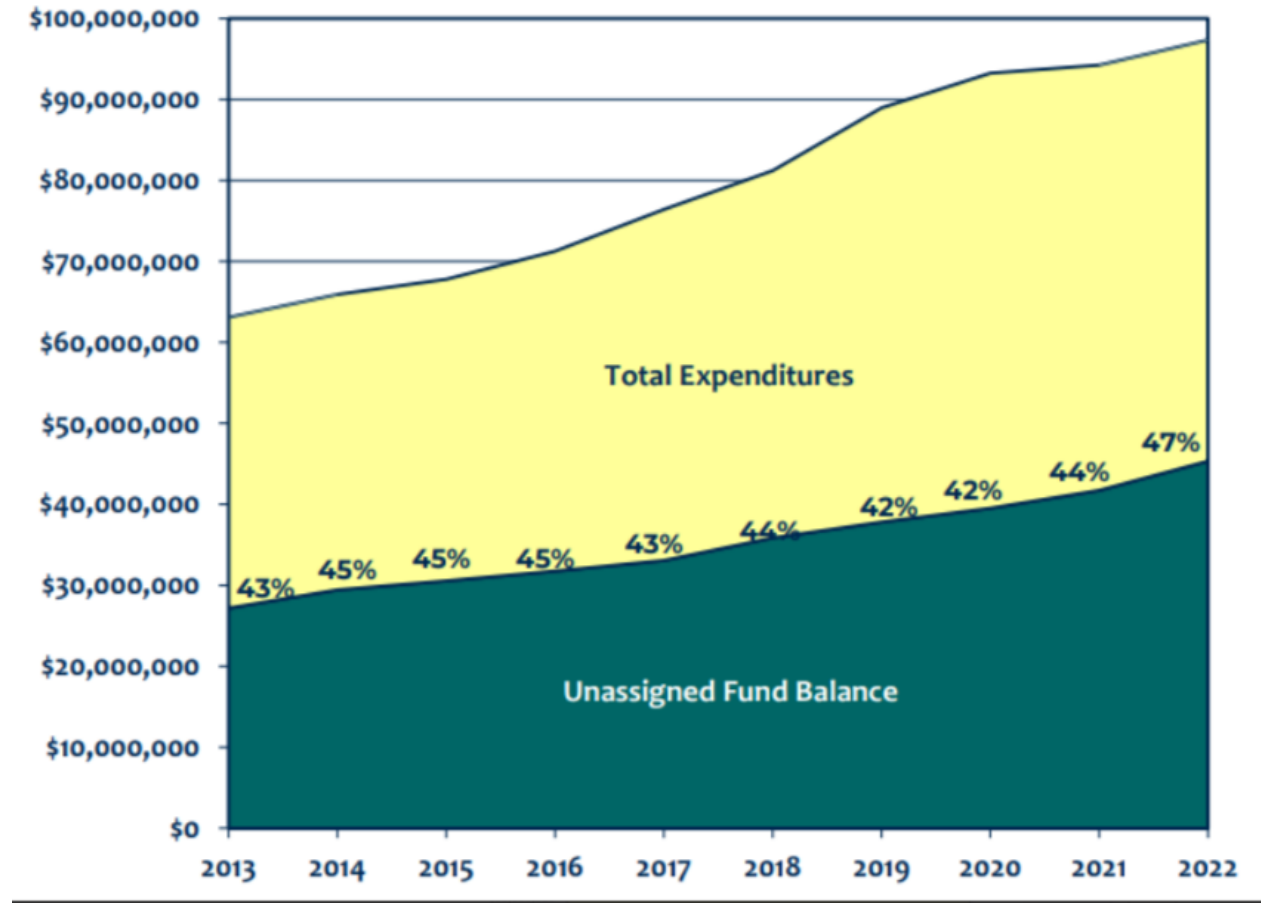
- Tax Levy
- Other Taxes
- Special Assessments
- Licenses and Permits
- Fines, Forfeits and Penalties
- Intergovernmental Revenue
- Charges for Service
- Misc Revenue
- Prior Year Revenue



GENERAL FUND BALANCE

General fund was unassigned fund balance was \$45,334,500 at 12/31/2022

State Auditor recommendation and adopted city policy is no less than 5 months of expenditures (42%)



JLL LODGING TAX PROJECTION

City of Rochester Hotel Tax Six-Year Projection – REVISED Q1 2023

Year	Market Occupancy	Annual ADR	Rooms in Market	Hotel Rooms Revenue	Hotel Tax Rate	Hotel Tax Collected	Hotel Tax into Operating Budget	% Δ from YE 2021 Update
Original 2020	49%	\$94	5,250	\$88,262,475	7%	\$6,178,373	\$3,530,499	
Revised Q4 2020	38%	\$107	5,250	\$80,882,905	7%	\$5,661,803	\$3,235,316	
2021	45%	\$107	5,500	\$96,661,125	7%	\$6,766,279	\$4,501,201	
2022	53%	\$109	6,405	\$134,193,119	7%	\$9,393,518	\$5,346,287	9%
2023	54%	\$115	6,296	\$141,651,186	7%	\$9,915,583	\$5,353,601	15%
2024	55%	\$117	6,296	\$147,878,874	7%	\$10,351,521	\$5,915,155	20%
2025	57%	\$120	6,500	\$162,279,000	7%	\$11,359,530	\$6,491,160	31%
2026	57%	\$122	6,650	\$168,790,965	7%	\$11,815,368	\$6,751,639	36%
<i>Year-end 2020</i>	<i>39%</i>	<i>104.51</i>	<i>5,400</i>	<i>\$80,953,760</i>	<i>7%</i>	<i>\$5,666,763</i>	<i>\$3,356,592</i>	

2022 Funding Commitment from Operating Budget: \$4.1M (\$3.6M)

2023 Funding Commitment from Operating Budget: \$4.4M (\$3.8 M)

2024 Recommended Commitment from Operating Budget: \$4.6 M (\$4 M)

2025 Recommended Commitment from Operating Budget: \$4.8M (\$4.2M)

STRATEGIC USE OF LODGING TAX

	2024	2025
Projected Hotel/Motel Tax Revenue	(5,915,155)	(6,491,160)
One Roof Tax Levy Support	(354,600)	(354,600)
MCC Expense	4,000,000	4,200,000
One Roof	410,000	\$422,300
General Fund Contribution	400,000	400,000
Annual Insurance Deductible, Loan and ITRF (46253)	363,203	376,229
Rochester Sports Commission	600,000	600,000
Additional City Contribution to MCC Building Capital	496,552	847,231

NOTES:
Additional City Contribution to MCC Capital actual amount is YET TO BE DETERMINED. Amounts above are for demonstration and examples.
Additional City Contribution to MCC Capital is being derived from Hotel/Motel Tax and is separate from the Capital Reserve amount being contributed by Experience Rochester to MCC Capital.
2026-2029 have a 3% annual increase in the MCC project "One Roof Capital Reserve"
Operating Transfers from General fund needs to be revised annually



Special Revenue Funds

SPECIAL REVENUE FUND-MUNICIPAL RECREATION

	2023 Adopted	2024 Recommended	Difference
Revenue	\$14,125,461	\$15,163,115	\$1,037,654

- Soldiers Field Aquatics is planned to open June of 2024 with the Silver Lake Pool not opening in 2024 as it transitions to construction.
- Implementation of the Park Levy supported Accelerated Investment and Annual Funding continues. This includes capital investments and operational adjustments
- Higher PT staffing costs, due to move to City Wide Wage grid for part-time employees and additional seasonal funding.
- Includes funding for 2 FTE for downtown maintenance funded by CBD Fund -the best approach to downtown operations is being evaluated (contract operations versus in house services)



SPECIAL REVENUE FUND-LIBRARY

	2023 Adopted	2024 Recommended	Difference
Revenue	\$9,083,273	\$9,707,018	\$623,745

- Higher PT staffing costs, due to move to City Wide Wage grid for part-time employees
- Contractual costs for technology and software continue to rise
- Costs for materials are increasing while collection use is higher than ever before
- Includes added amount due to DP for Space Needs Study



SPECIAL REVENUE FUND – AIRPORT

	2023 Adopted	2024 Recommended	Difference
Revenue	\$5,118,218	\$5,418,563	\$300,345

- Modest baseline increases due to operational service capacity needs (utilities, contractual services, etc.)
- Anticipated increase in airport parking revenue through fee schedule change
- Capital Projects: Parking Lot Reconstruction/Upgrades (Design), Apron Improvements, Terminal Sustainability Improvements



SPECIAL REVENUE FUND – TRANSIT

	2023 Adopted	2024 Recommended	Difference
Revenue	\$12,634,799	\$14,468,623	\$1,833,824

- LINK Rapid Transit implementation continues with the first phase of staffing beginning within the 2024-2025 Budget
- Evaluation of our paratransit program is ongoing
- Capital Projects: Pilot Micro transit, Procure Buses, Ongoing Bus Stop Improvements, North Broadway Park and Ride





Enterprise Funds

ENTERPRISE FUND - PARKING

	2023 Adopted	2024 Recommended	Difference
Revenue	\$6,132,793	\$6,381,244	\$248,451

- Parking Rate Study in Progress
- Second Street Ramp on-going evaluation and eventual demolition
- Ramp Six Debt Service
- Ramp Equipment & Technology Update



ENTERPRISE FUND - WASTEWATER

	2023 Adopted	2024 Recommended	Difference
Revenue	\$20,590,370	\$23,275,740	\$2,685,370

- Significant upgrade to the Water Reclamation Plant currently in planning phase with proposed construction in 2024 and 2025.
- Current debt scheduled to be paid off in 2026 to align with start of new payment in 2026. New debt payment will be approximately ½ of current payment.
- Utility has saved over \$500,000 annually through energy and chemical reductions, while also experiencing unprecedented price increases ranging from 20% to 242%.



ENTERPRISE FUND - STORMWATER

	2023 Adopted	2024 Recommended	Difference
Revenue	\$6,874,401	\$7,697,987	\$823,586

- Completion of Phase 2 of the Comprehensive Surface Water Management Plan (CSWMP) planned for 2023 with implementation in 2024.
- Anticipating increased operating costs associated with maintaining existing infrastructure and implementing CWSMP.
- Stormwater Utility Rate Study planned for 2024 to help establish rates for 2025-2031. Intentionally waiting to complete rate study until the results of the local option sales tax for flood control is known.



ENTERPRISE FUND– RPU (WATER & ELECTRIC)

	2023 Adopted	2024 Recommended	Difference
Revenue (excludes Fund Transfer)	\$ 206,754,000	\$ 214,942,000	\$ 8,188,000

RPU Financial Strategy

Rates

- Based on cost of providing service per Board policy (Home Rule Charter)
- Reasonable, Compensatory and Uniform within same Class (Home Rule Charter)
- Reduce cross subsidies with rate classes (Match fixed charge with fixed costs and commodity charge with variable costs)
- No cross subsidies between rate classes (Home Rule Charter)
- Regionally and nationally competitive without compromising safety or reliability

Bond Rating

- Target Change in Net Assets (Net Income)
- Debt Coverage Ratio
- Minimum Cash Reserves & Capital Replacement Funds
- Equity Percentage



ENTERPRISE FUND – RPU WATER UTILITY

	2023 Adopted	2024 Recommended	Difference
Revenue	\$ 15,364,000	\$ 19,496,000	\$ 4,132,000
Water Supply Cost	\$ 2,023,000	\$ 2,182,000	\$ 159,000
Gross Margin	\$ 13,342,000	\$ 17,314,000	\$ 3,973,000

- 5.5% general rate increase, plus \$1.32 added to customer charge (AMI)
 - Cost impact to the average residential customer is \$1.65 per month
- 0.8% Customer Growth
- 3.2% Consumption Increase
- 2024 Revenue includes \$3.0M Water Accessibility Funds
- 2024 Revenue includes \$740K Private contribution in aid of construction
- 2024 Increase in PILOT (Assumes 6%CPI) \$49,000



ENTERPRISE FUND – RPU WATER UTILITY

	2023 Adopted	2024 Recommended	Difference
Change in Net Position	\$ 2,866,000	\$ 6,961,000	\$ 4,095,000
Depr & Amortization	\$ 3,121,000	\$ 3,233,000	\$ 112,000
Capital Additions	(\$ 6,548,000)	(\$ 10,800,000)	(\$ 4,252,000)
Debt Principal Payments	\$ -	\$ -	\$ -
Non-Cash Accruals	\$ -	(\$ 430)	(\$ 430)
Net Change in Cash	(\$ 561,000)	(\$ 1,036,000)	(\$ 475,000)
Fund Balance, Beginning	\$ 11,825,000	\$ 13,194,000	\$ 1,369,000
Fund Balance, Ending	\$ 11,264,000	\$ 12,158,000	\$ 893,000



ENTERPRISE FUND – RPU ELECTRIC UTILITY

	2023 Adopted	2024 Recommended	Difference
Revenue	\$ 191,390,000	\$ 195,446,000	\$ 4,056,000
Cost of Power	(\$ 95,963,000)	(\$ 106,861,000)	(\$ 10,898,000)
Gross Margin	\$ 95,427,000	\$ 88,585,000	(\$ 6,842,000)

- 3.2% general rate increase, plus \$1.94 per month customer charger (AMI)
 - Cost impact to the average customer is \$4.12 per month
- 2.2% Customer Growth
- 4.0% Consumption Growth
- 2023 and 2024 Revenue includes Private Funds of \$17.2M and \$4.8M, respectively



ENTERPRISE FUND – RPU ELECTRIC UTILITY

	2023 Adopted	2024 Recommended	Difference
Baseline Expenses	\$ 66,219,000	\$ 66,128,000	(\$ 91,000)

- 2 Incremental FTE's, 2 Conversions, 4 FTE's for AMI system
- Advanced Metering Infrastructure - \$13.6M over 2024 – 2028
- 2024 Increase in PILOT (Assumes 6%CPI) \$1,152,000
- Investment Earnings Increase (\$1,733,000)
- Increased Capitalized Labor (reduces Expense) (\$ 3,384,000)
- Increased Labor and Benefits \$1,980,000



ENTERPRISE FUND – RPU ELECTRIC UTILITY

	2023 Adopted	2024 Recommended	Difference
Change in Net Position	\$ 29,208,000	\$ 22,457,000	(\$ 6,751,000)
Depr & Amortization	\$ 15,657,000	\$ 16,707,000	\$ 1,051,000)
Capital Additions	(\$ 43,547,000)	(\$ 28,299,000)	\$ 15,248,000
Debt Principal Payments	(\$ 13,600,000)	\$ -	(\$ 13,600,000)
Non-Cash Accruals	(\$ 14,511,000)	(\$ 806,000)	\$ 13,705,000
Net Changes in Cash	(\$ 6,989,000)	\$ 2,329,000	\$ 9,318,000
Fund Balance, Beginning	\$ 94,334,000	\$ 90,699,000	(\$ 3,635,000)
Fund Balance, Ending	\$ 87,345,000	\$ 93,028,000	\$ 5,682,000

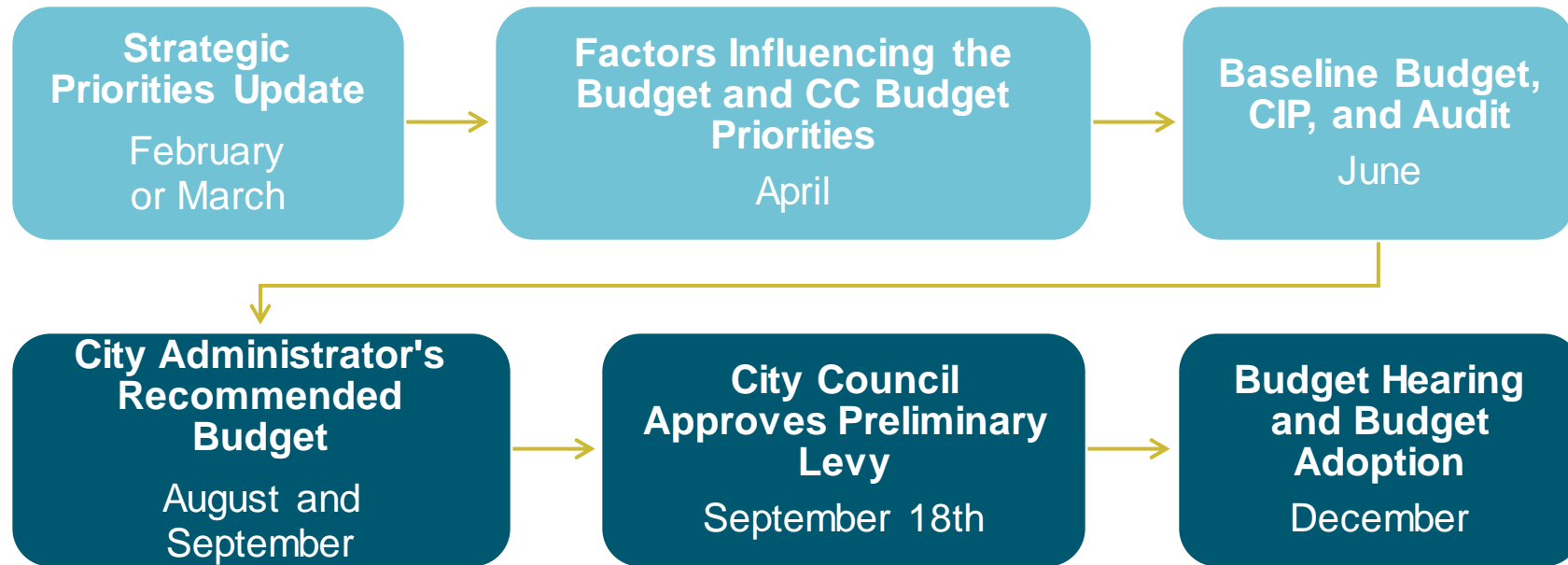




PUBLIC SAFETY AID RECOMMENDATION

- One time Public Safety Aid was authorized in the 2023-2024 State Budget. Rochester will be provided **\$5,026,033** in 2024.
- A recommendation is being developed by the City Administrator, Police Chief, and Fire Chief for City Council review and consideration.
- It is anticipated that Phase 1 Recommendation that includes an evaluation of public safety services consistent with the approved Action Plan. Given that it is one time funding, one time uses are most strongly being considered.
- Phase 2 Recommendations would align with the recommendations of the evaluation.

2024-2025 BUDGET: KEY CITY COUNCIL ENGAGEMENT POINTS



Budget Documents:

<https://www.rochestermn.gov/government/departments/finance-information-technology/reports/current-budget-summary-cip/2024-2025-budget-summary>



POLICY CONSIDERATIONS

1. Are there any questions or feedback on the 2024 recommended Operating Budget?
2. Is there any feedback on the recommended budget meeting the goals for sustaining our Core Services as well as Investing in Strategic Growth?
3. Is the recommended 2024 preliminary tax levy for consideration September 18, 2023 acceptable?

THANK YOU



CITY OF
ROCHESTER
MINNESOTA

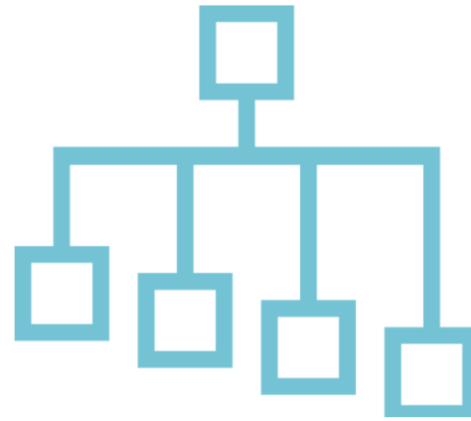
2024-2029
Recommended CIP
Building Toward Tomorrow



2024 CIP Projects (including DMC Working Draft and RPU)



199 Projects



22 Categories



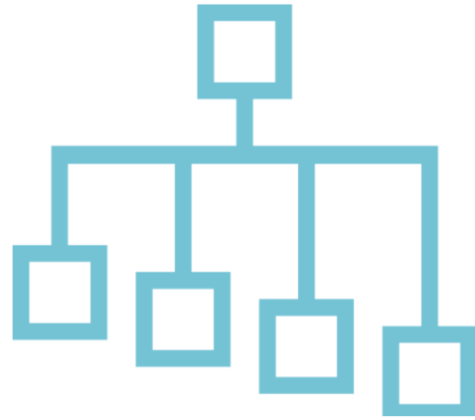
\$192 Million Total Investment
(includes project reserves)



2024-2029 CIP Projects (including DMC Working Draft and Five Year RPU CIP)



314 Projects



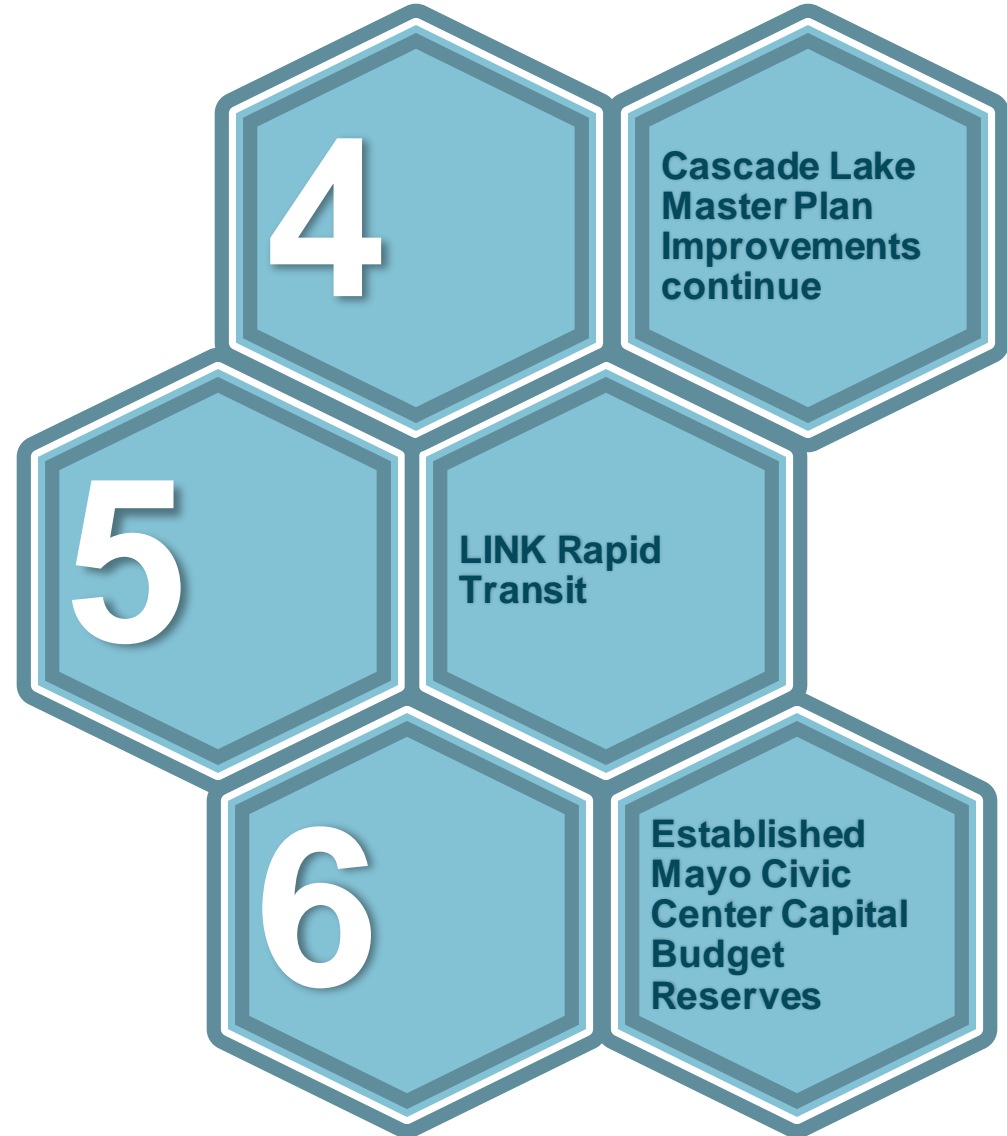
24 Categories



\$1 Billion Total Investment
(includes project reserves)

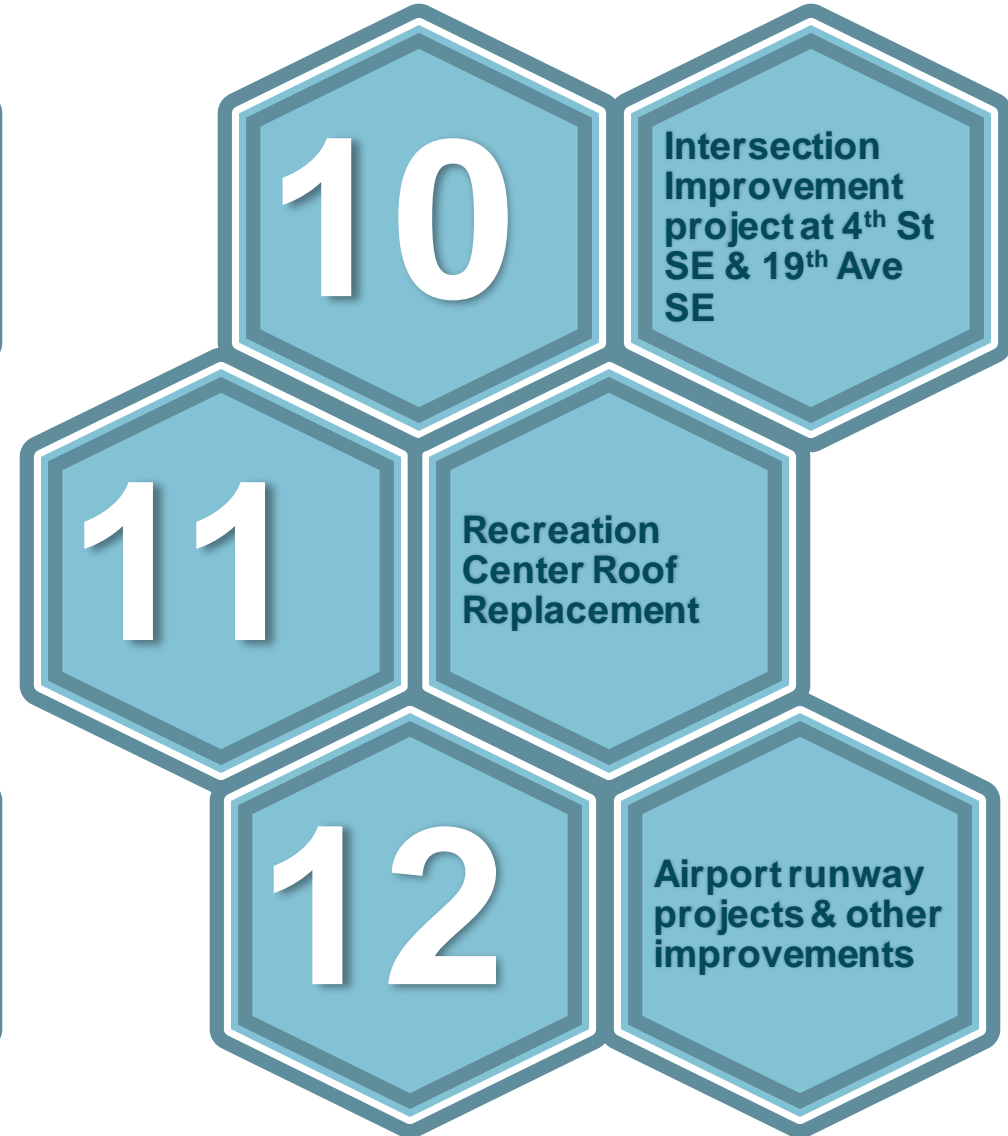


CIP Highlights & projects





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
Totals	153,075,973	185,026,086	123,792,848	81,516,947	50,995,413	50,809,014