



# 2021 Operating Budget 2021-2026 CIP

City Council Study Session  
Budget Meeting #1  
June 29, 2020



## Discussion Goals

Review 2021 revenue estimates by fund

Receive Council input on 2021 budget priorities

Discuss next steps



# Team Rochester

Original: 2/27/2020  
Revised: 3/3/2020

Budget, Capital Improvement, and Long Term Financial Management Plan Process

PHASE 1:  
Preparation

March 2 through April 17

PHASE 2:  
Prioritization

April 1 through May 8

PHASE 3:  
Development

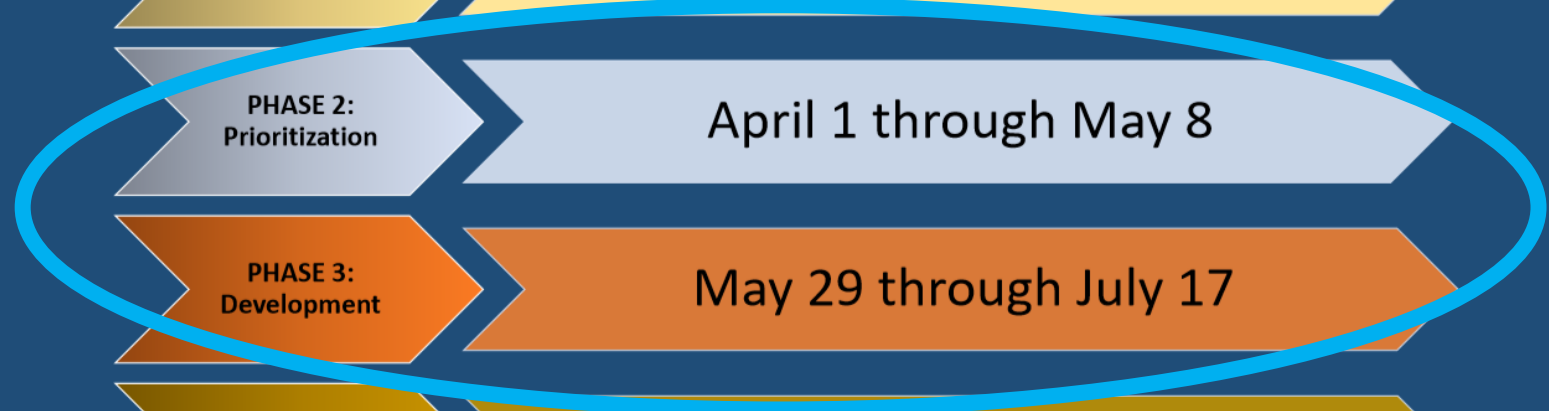
May 29 through July 17

PHASE 4:  
Recommendation

July 20 through September 21

PHASE 5:  
Adoption

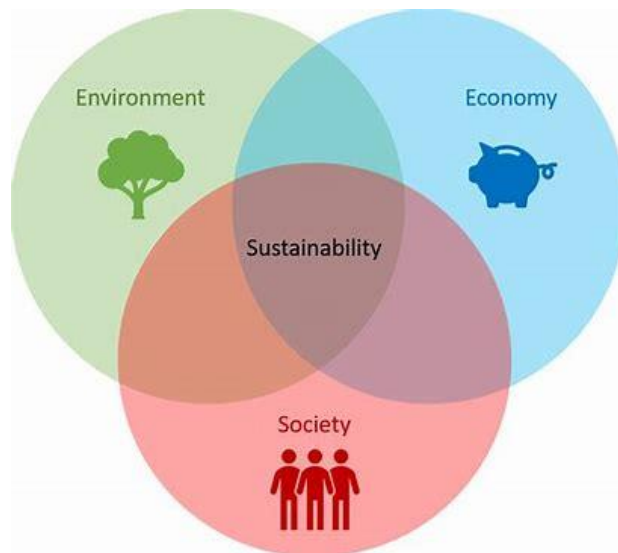
September 21 through December 14





## Organizational Vision

A vibrant, compassionate,  
innovative team



## Foundational Principles

- Compassion
- Environmental Stewardship
- Fiscal Responsibility & Sustainability
- Public Safety
- Social Equity



## **City of Financial Distinction**

### **The City of Rochester has a AAA Rating**

Rochester has received a Certificate of Achievement for Excellence in Financial Reporting for almost 50 years, the longest in the state of Minnesota.



# COVID-19

# Estimated 2020 Revenue Impacts

(Presented April 20, 2020)

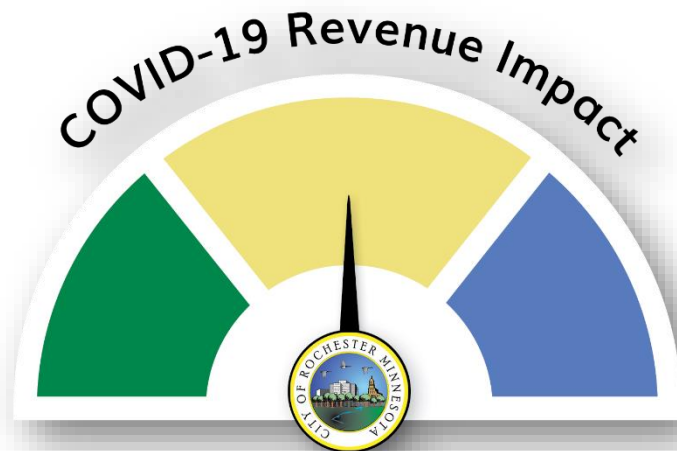


# Revenue Impact Categories



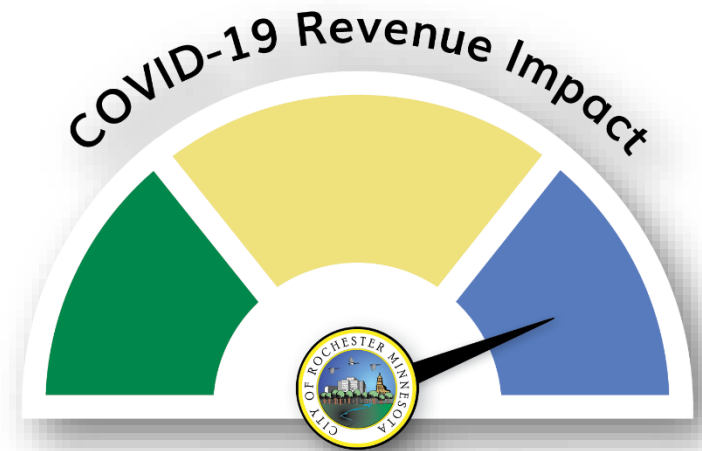
**NO / LOW IMPACT**

**<3% Reduction**



**MEDIUM IMPACT**

**3% - 10% Reduction**



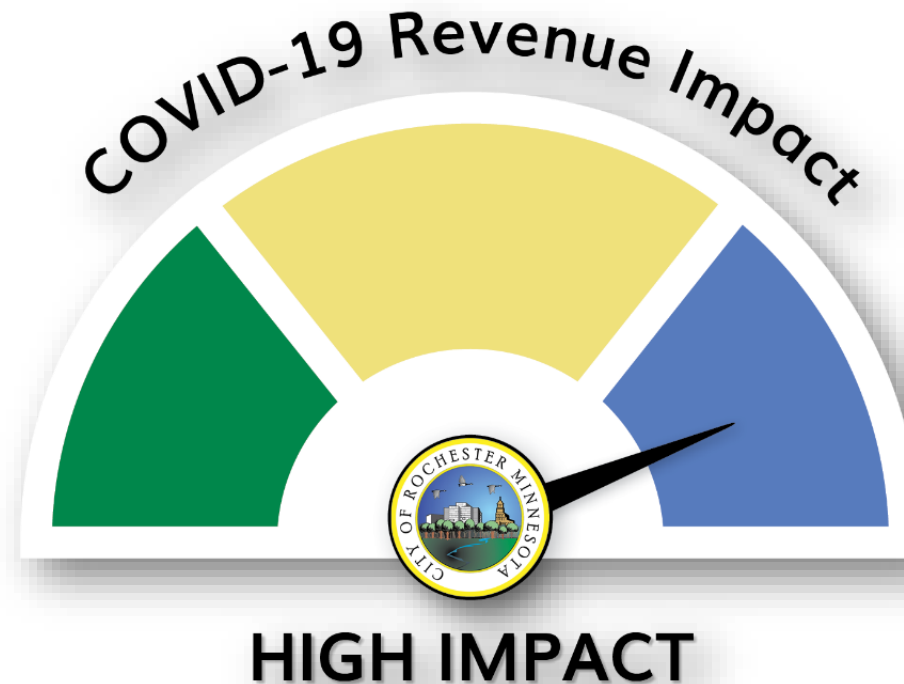
**HIGH IMPACT**

**>10% Reduction**



# All Funds Combined

\$17 million - \$28 million Revenue Reduction





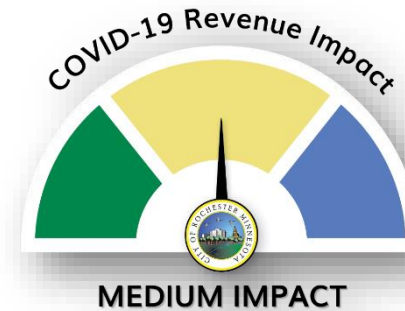
## General Fund

\$3.5 Million - \$7.5 Million Revenue Reduction



## RPU

\$3.6 Million - \$5.7 Million Revenue Reduction



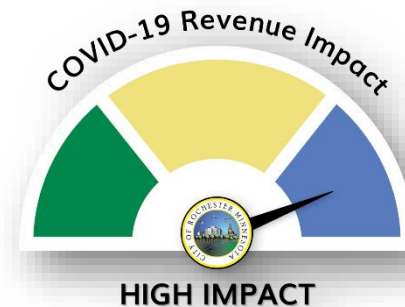
## Enterprise Funds

\$4.7 Million - \$6.0 Million Revenue Reduction



## Special Revenue Funds

\$5.2 million - \$9.2 Million Revenue Reduction





# General 2021 Assumptions



# Expenses

- Salaries 4.5% increase
- Health and Dental (0.6%) decrease
- No Decision Packages



# Revenues

- State and Federal revenue remain the same
- Property valuation stable
- Property tax delinquency rate unchanged
- Currently no new General Fund revenues



# Enterprise Funds



# Rochester Public Utilities - Electricity

Enterprise Fund

	2020 Adopted	2021 Estimated	Difference
Revenue	\$170.3 million	\$175.3 million	\$5.0 million

- 1.8% Customer Growth
- 2.5% General Rate Adjustment



# Rochester Public Utilities - Water

## Enterprise Fund

	2020 Adopted	2021 Estimated	Difference
Revenue	\$11.9 million	\$12.4 million	\$0.5 million

- 1.1% Customer Growth
- 3.5% General Rate Adjustment



# Parking

## Enterprise Fund

	2020 Adopted	2021 Estimated	Difference
Revenue	\$9.66 million	\$9.51 million	(\$0.15 million)

- Updated rate study to be presented July 13
- Closely monitor parking occupancy during recovery



# Wastewater

## Enterprise Fund

	2020 Adopted	2021 Estimated	Difference
Revenue	\$29.0 million	\$28.7 million	(\$0.3 million)

- Impacted by Seneca, AMPI, and Kemps South closures
- 5% rate adjustment in 2021



# Special Revenue Funds

(Non-tax revenue only)



# Rochester International Airport

## Special Revenue Fund



	2020 Adopted	2021 Estimated	Difference
Revenue	\$5.32 million	\$4.03 million	(\$1.29 million)

- 2021 includes \$924,000 of CARES Act funds
- 75% load factor



# Transit

## Special Revenue Fund



	2020 Adopted	2021 Estimated	Difference
Revenue	\$15.81 million	\$15.78 million	(\$0.03 million)

- 2021 includes \$2 million of CARES Act funding
- Closely monitor ridership during recovery



# Recreation

## Special Revenue Fund

	2020 Adopted	2021 Estimated	Difference
Revenue	\$4.40 million	\$4.44 million	\$0.04 million

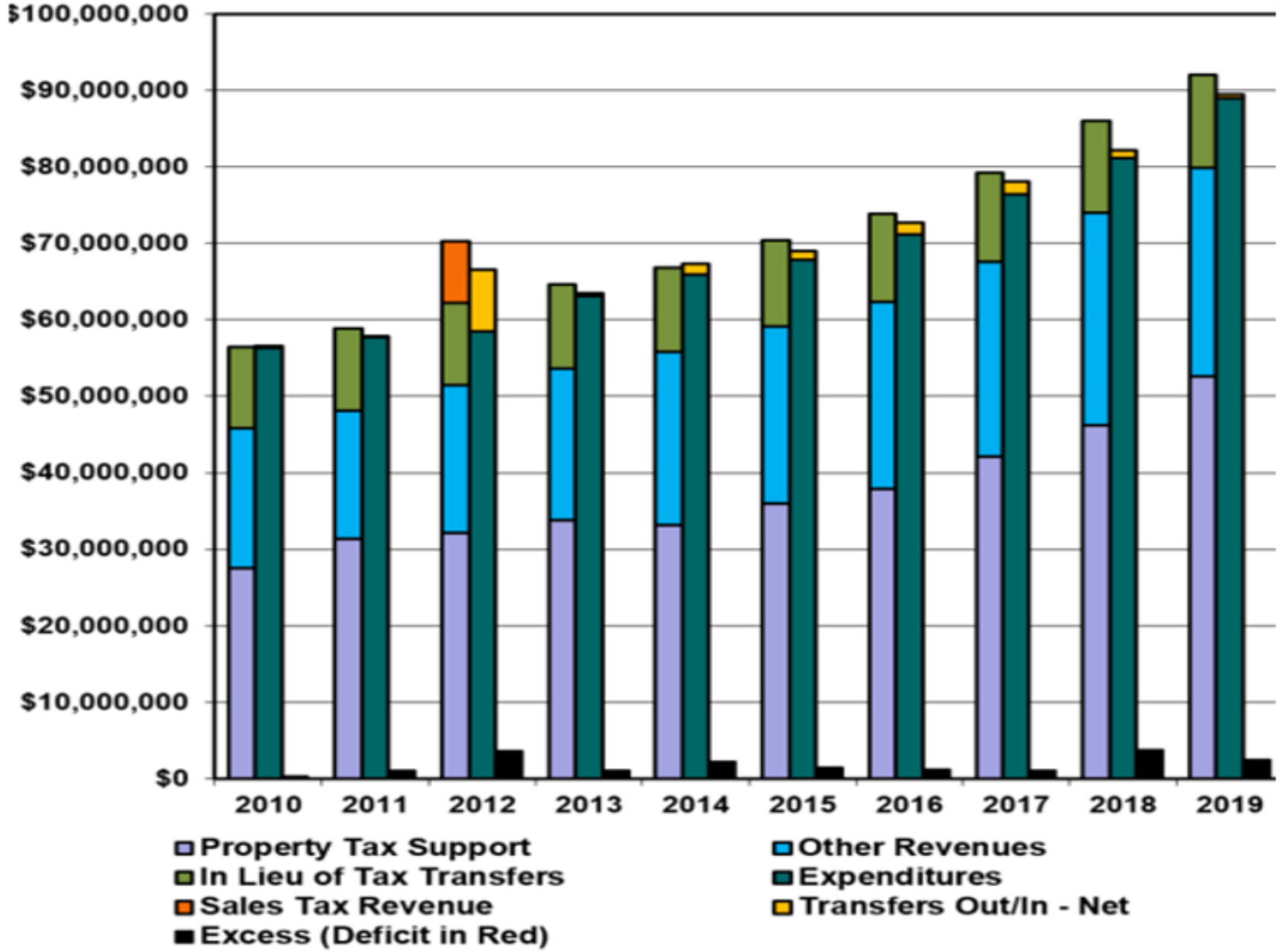
- Assumes all services resumed in 2021
- Closely monitor participation during recovery



# General Fund



# General Fund Revenue Sources





## PROPERTY TAX

Average Residential Home



34.2%	35.7%	28.9%	1.2%
Olmsted County	City of Rochester	School District (535)	Olmsted County HRA

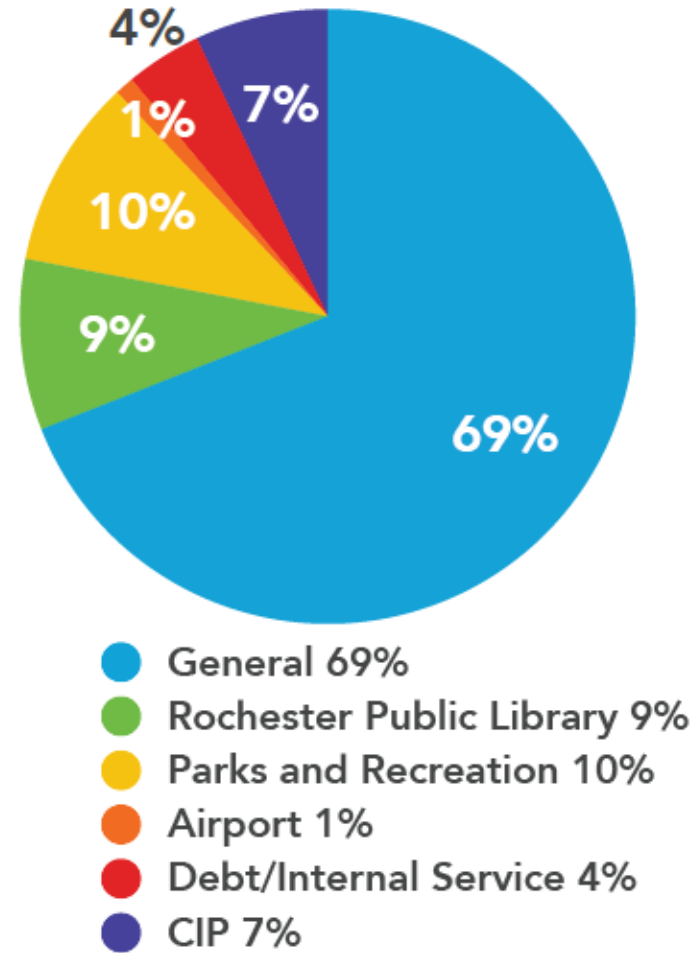
Commercial/Industrial Property



29.2%	30.5%	21.5%	17.9%	1.0%
Olmsted County	City of Rochester	State of MN	School District (535)	Olmsted County HRA



# 2020 Property Tax Distribution



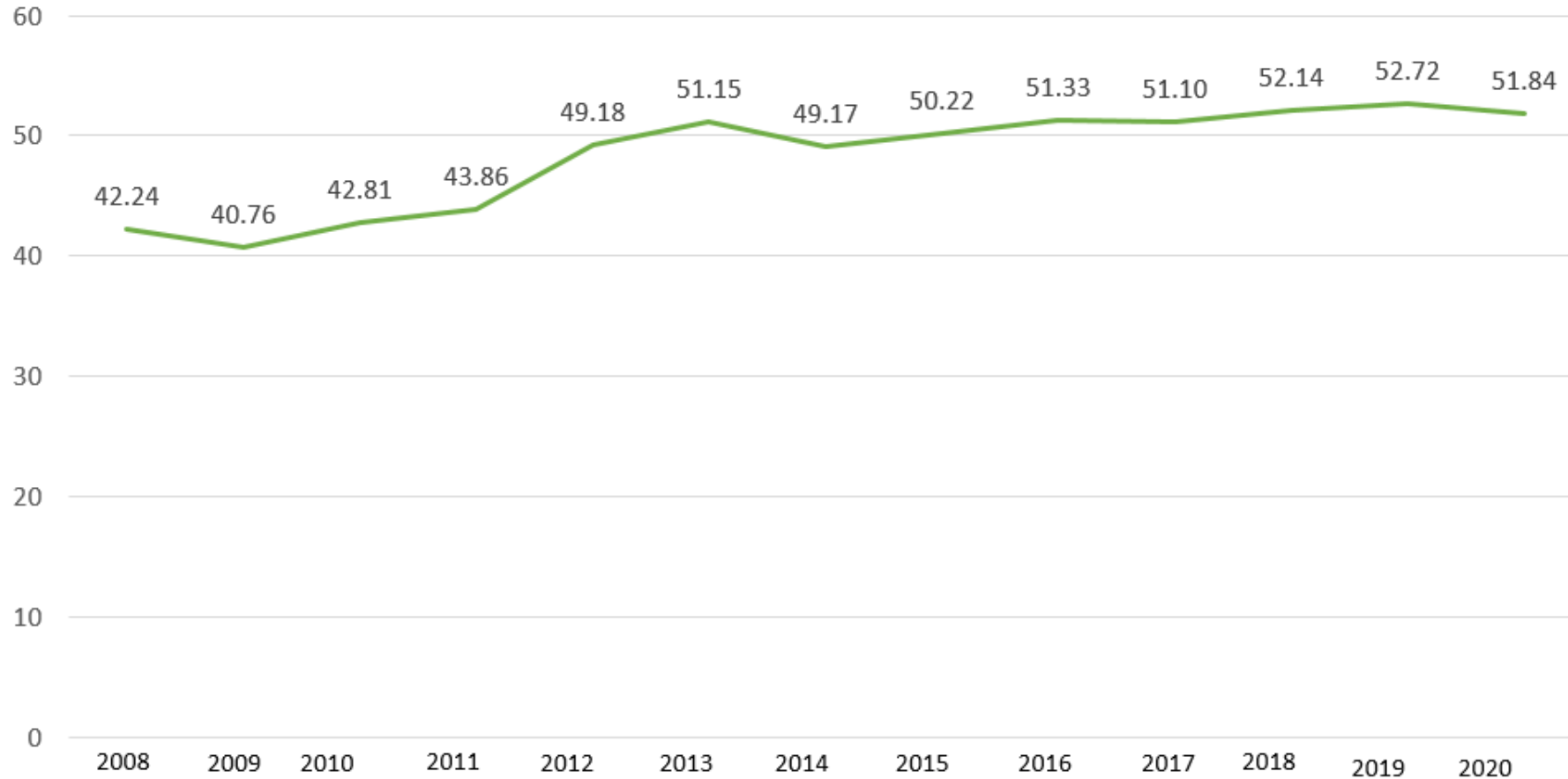


## 2021 Estimated Market Value

New construction	+2.4%
<u>Existing base appreciation</u>	<u>+4.9%</u>
<b>Estimate</b>	<b>+7.3%</b>



# Historic Property Tax Rate





# Local Government Aid (LGA)

## General Fund

	2020 Adopted	2021 Estimated	Difference
Revenue	\$7.51 million	\$6.37 million	(\$1.14 million)

- Informed by State prior to COVID-19



# Licenses, Permits, & Charges for Services

General Fund

	2020 Adopted	2021 Estimated	Difference
Revenue	\$5.0 million	\$4.98 million	(\$0.02 million)



# Payment In Lieu of Taxes (PILOT)

## General Fund

	2020 Adopted	2021 Estimated	Difference
Revenue	\$12.89 million	\$12.86 million	(\$0.03 million)

- Paid by enterprise funds based on formula



# Hotel/Motel Taxes

General Fund

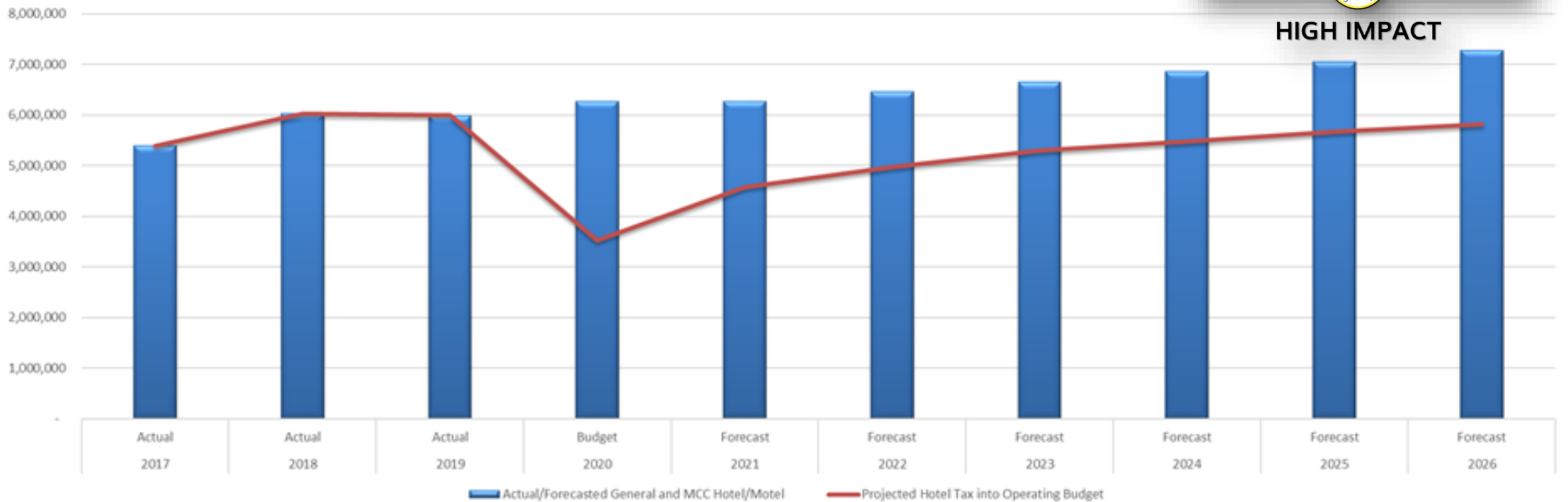


	2020 Adopted	2021 Estimated	Difference
Revenue	\$ 6.275 million	\$4.58 million	(\$1.695 million)

- Result of lower rates, lower occupancy, and reduced room inventory
- Debt service covered



**Operating Hotel/Motel Tax: Forecast vs. Projection**





## Potential Actions to Address General Fund Revenue Shortfall

- Apply current tax rate of 51.84% to property valuations
- Decrease tax levy allocated to CIP
- Implement short term cost containment efforts
- Reduce tax levy support of General Fund, Library Fund, and Recreation Fund services according to Council priorities



# 2021 Budget Priorities Discussion



# Potential new revenue sources included in 2020 City Council priorities

- **Street Lighting Utility**
  - Evaluate rate structures and approve rates
- **Natural Gas Franchise Fee**
  - Finalize rate structure and amend ordinance
- **Sidewalk Improvement District**
  - Initiate ordinance drafting for Council consideration