

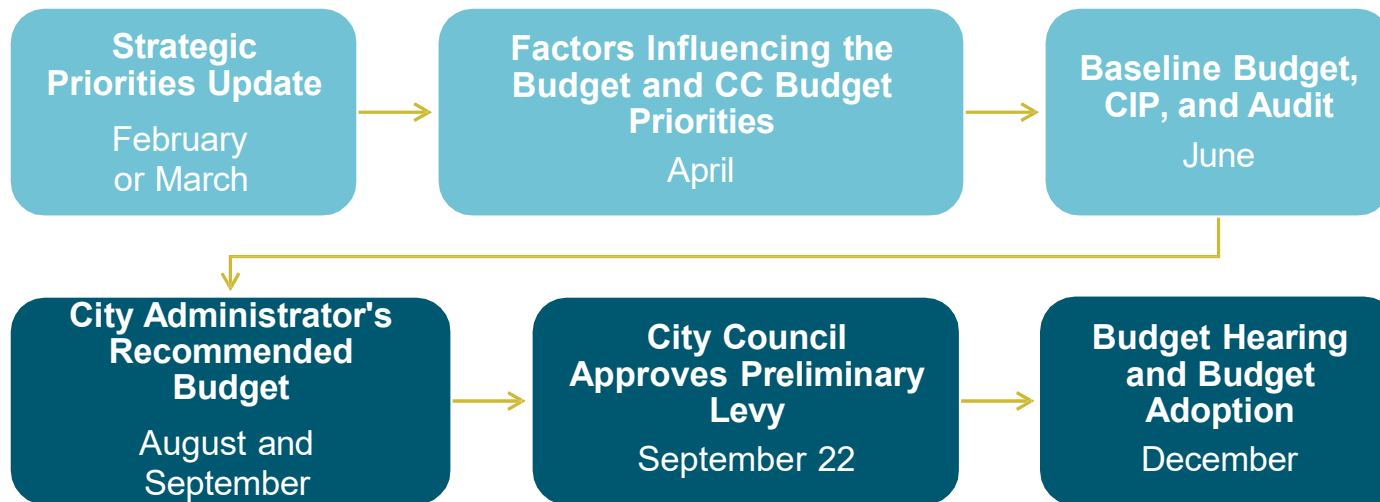


2026-2027 Budget Hearing

December 1, 2025



2026-2027 BUDGET: KEY CITY COUNCIL ENGAGEMENT POINTS



[Link to 2026-2027 Budget Documents](#)



Budget Hearing and Adoption

1. We are here tonight to receive public feedback on the budget and property tax levy and for City Council to consider those items for adoption.
2. Increase in taxes are often a reflection of increased property valuations. You can contact the Olmsted County Assessor's office if you have questions regarding individual property valuations via phone 507-328-7635 or email propertyweb@co.olmsted.mn.us

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, federal or judgement 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

Homestead Exclusions Programs

- You may safely and securely apply for homestead online: olmstedcounty.gov/post/homestead-applications



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/ssrptrp.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





2026-2027 Operating Budget

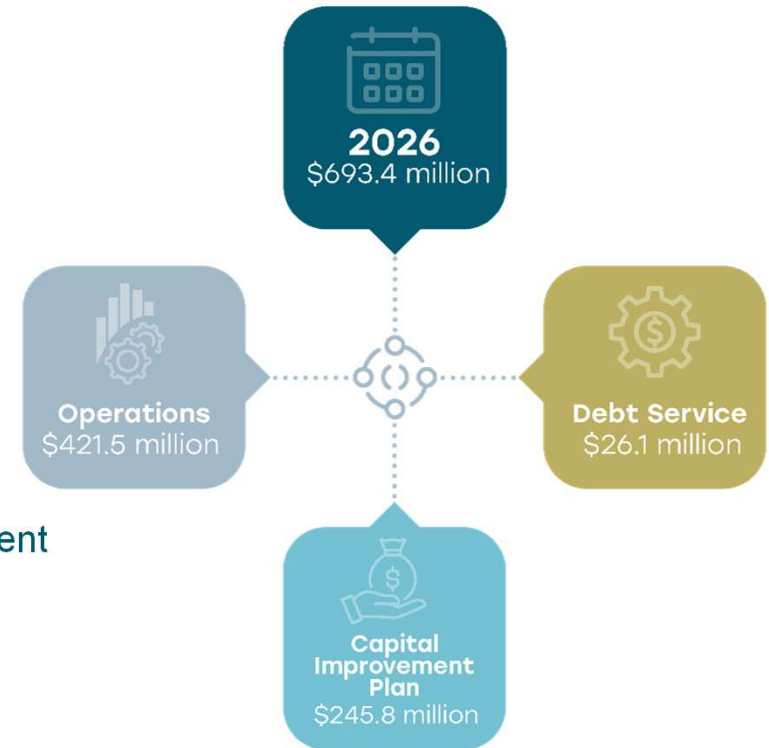
\$693.4 Million Budget

All Funds Combined

- **5.95%** tax levy increase (\$6.6 Million)
- **4%** general rate increase for Electric
- **9%** general rate increase for Water

*Note – RPU Budgeted CIP basis changed to show Total Investment rather than Net Investment

City of Rochester Budget 2026, Inclusive of RPU



2026 & 2027 Major Revenues

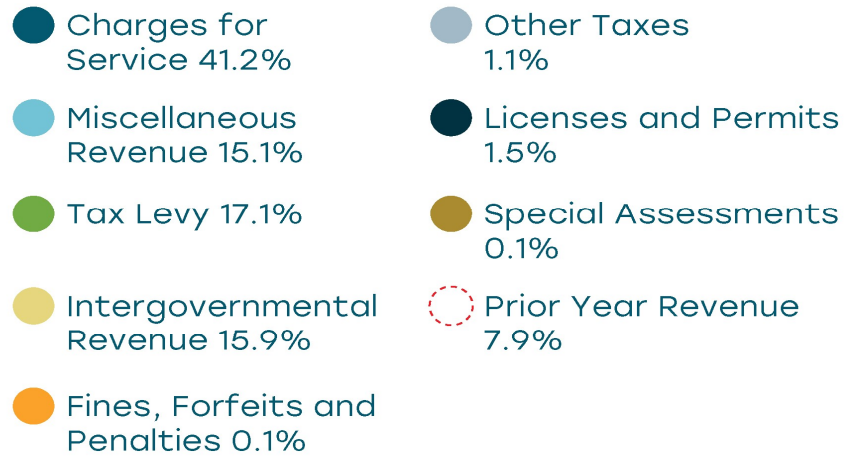
Table 1

2026 & 2027 Major Revenues Versus 2025 Inclusive of RPU (in \$\$)

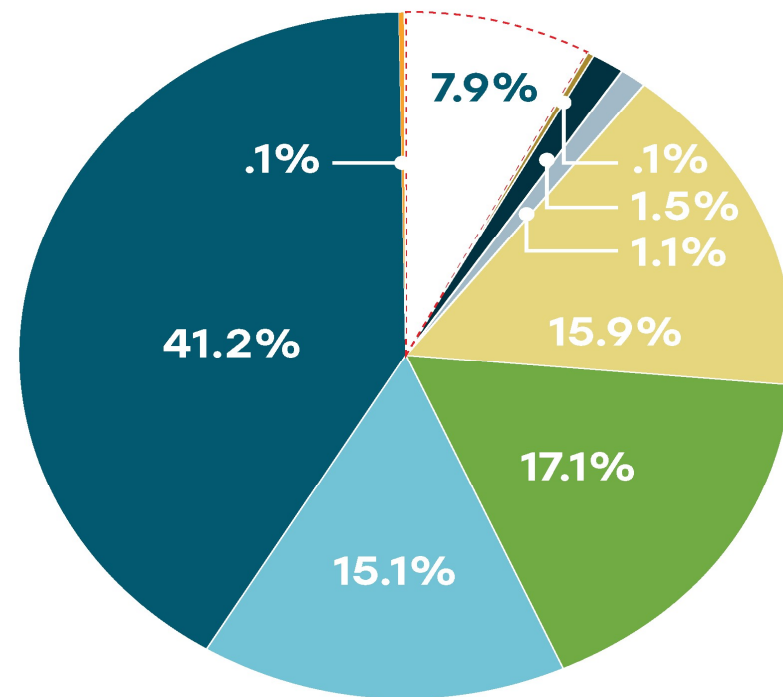
	2025 Adopted Budget	2026 Adopted Budget	2027 Recommended Budget	2025-2026 Increase (Decrease)	2025-2026 Percent of Change	2026-2027 Increase (Decrease)	2026-2027 Percent of Change
Tax Levy & Tax Abatements	111,646,142	118,284,623	127,035,711	6,639,481	5.95%	8,751,088	7.40%
Local Government Aid	3,958,994	3,958,994	3,958,994	0	0.00%	0	0.00%
Local Government Aid (CIP)	1,067,000	1,076,049	1,076,049	9,049	0.00%	0	0.00%
Hotel/Motel Tax	6,491,160	6,750,806	7,020,839	259,646	4.00%	270,033	4.00%
Cable TV Franchise Fee	1,165,296	974,505	929,370	(190,791)	-16.37%	(45,135)	-4.63%
Inspection Permits	3,943,146	5,726,727	5,726,727	1,783,581	45.23%	0	0.00%
Service Fees	1,297,432	1,301,926	1,301,926	4,494	0.35%	0	0.00%
Bold Forward Unbound	2,587,777	5,142,955	2,091,453	2,555,178	98.74%	(3,051,502)	-59.33%
In Lieu of Tax	15,372,858	15,765,732	16,191,467	392,874	2.56%	425,735	2.70%
Sewer Utility Charge	28,500,000	28,800,000	28,800,000	300,000	1.05%	0	0.00%
Storm Water Utility Fee	8,934,050	9,166,623	9,166,623	232,573	2.60%	0	0.00%
Library Fund							
City Share-Levy	8,644,679	9,095,025	9,468,609	450,346	5.21%	373,584	4.11%
County Share	1,183,842	1,259,191	1,259,191	75,349	6.36%	0	0.00%
Municipal Recreation Fund							
Fee Revenues	4,637,118	5,683,109	5,683,109	1,045,991	22.56%	0	0.00%
Non-Fee Revenues	11,506,055	11,908,575	12,712,895	402,520	3.50%	804,320	6.75%
Parking Fund							
Parking Fines	471,343	500,000	500,000	28,657	6.08%	0	0.00%
Parking Ramps	5,897,234	5,700,000	5,700,000	(197,234)	-3.34%	0	0.00%
Street Meters	1,338,250	1,338,250	1,338,250	0	0.00%	0	0.00%
Parking Lots	417,701	461,600	461,600	43,899	10.51%	0	0.00%
RPU							
Charges for Services	216,086,000	222,976,000	236,753,000	6,890,000	3.19%	13,777,000	6.18%
Private Funds	4,495,000	2,529,000	2,993,000	(1,966,000)	-43.74%	464,000	18.35%



Where does the Money Come From?



2026 Total Operating Revenue, Inclusive of RPU



*Miscellaneous Revenues include:

- Non Property Tax Debt Payment Revenue
- Capital Improvement Program
- Revenues In Lieu of Tax Enterprise Funds
- Private funds
- Fines, forfeits, and penalties





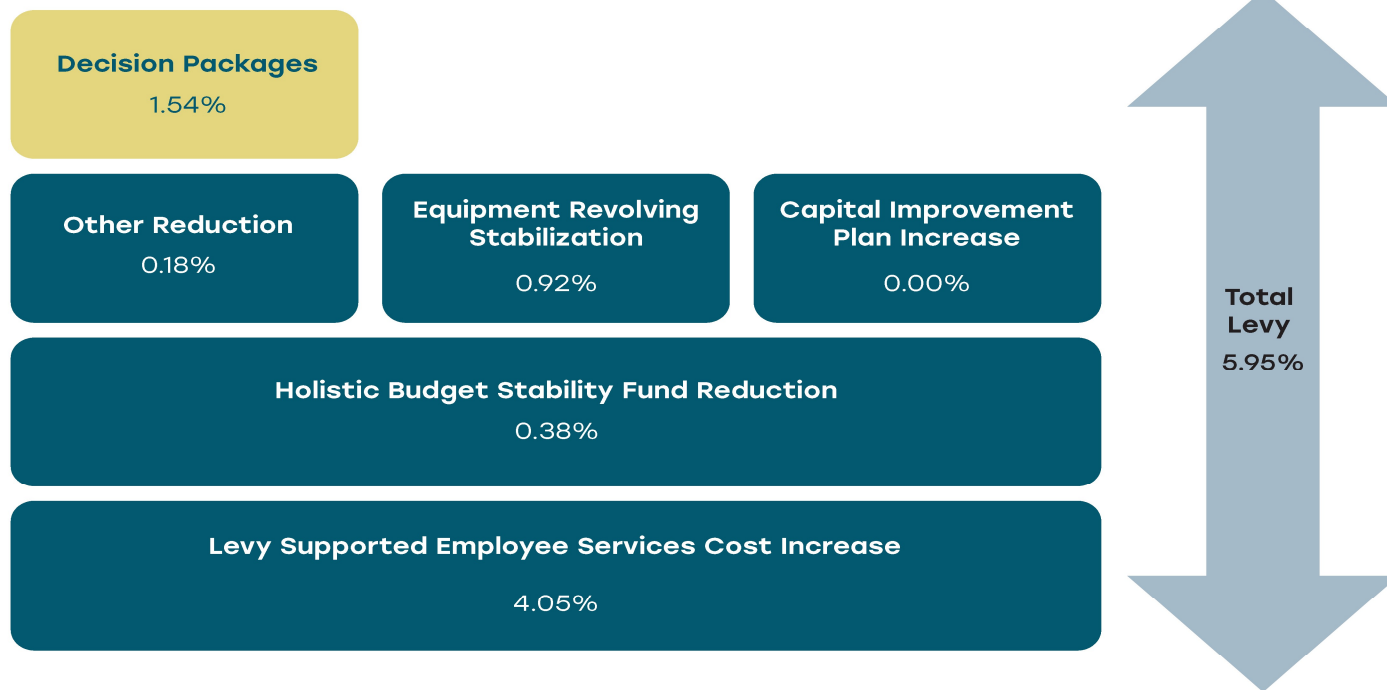
Tax Levy & Tax Capacity

2026 Preliminary Tax Levy & Budget

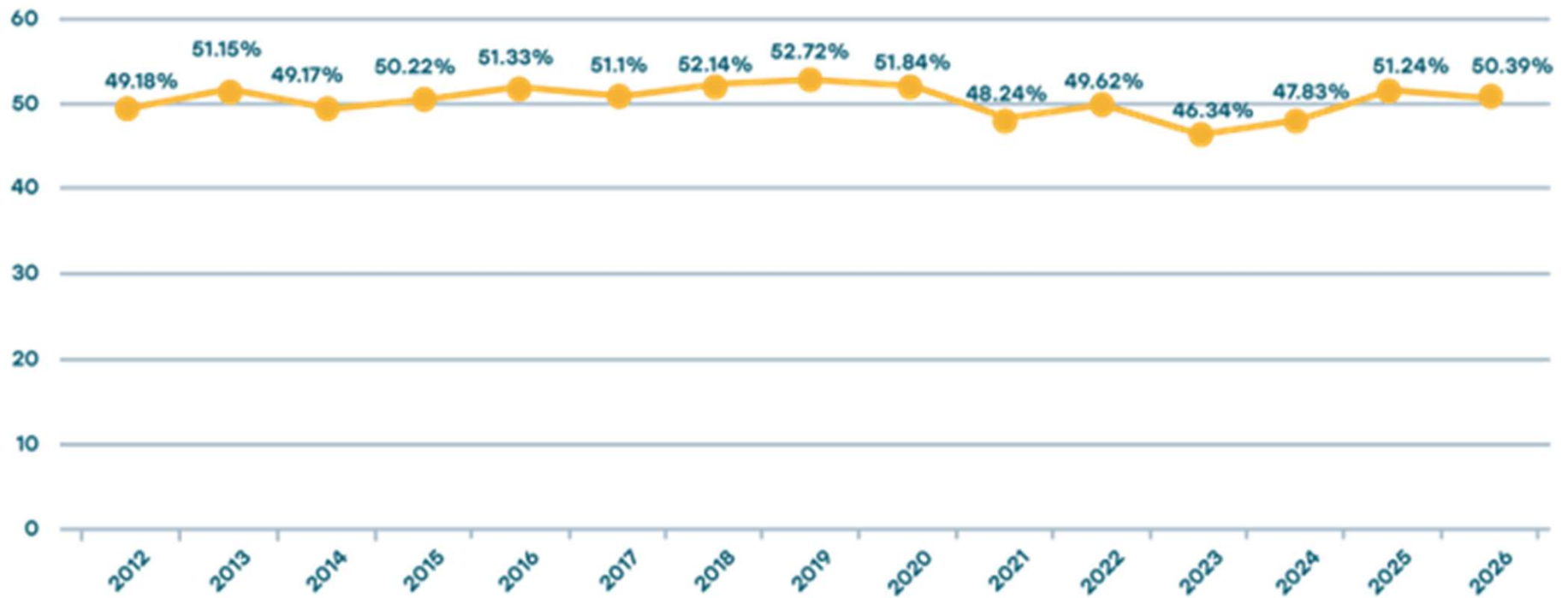
- Preliminary Tax Levy \$118,284,623 (5.95% increase)
- Preliminary Total Budget \$693.4 million



BREAKING DOWN THE LEVY INCREASE



City of Rochester Property Tax Rates since 2012

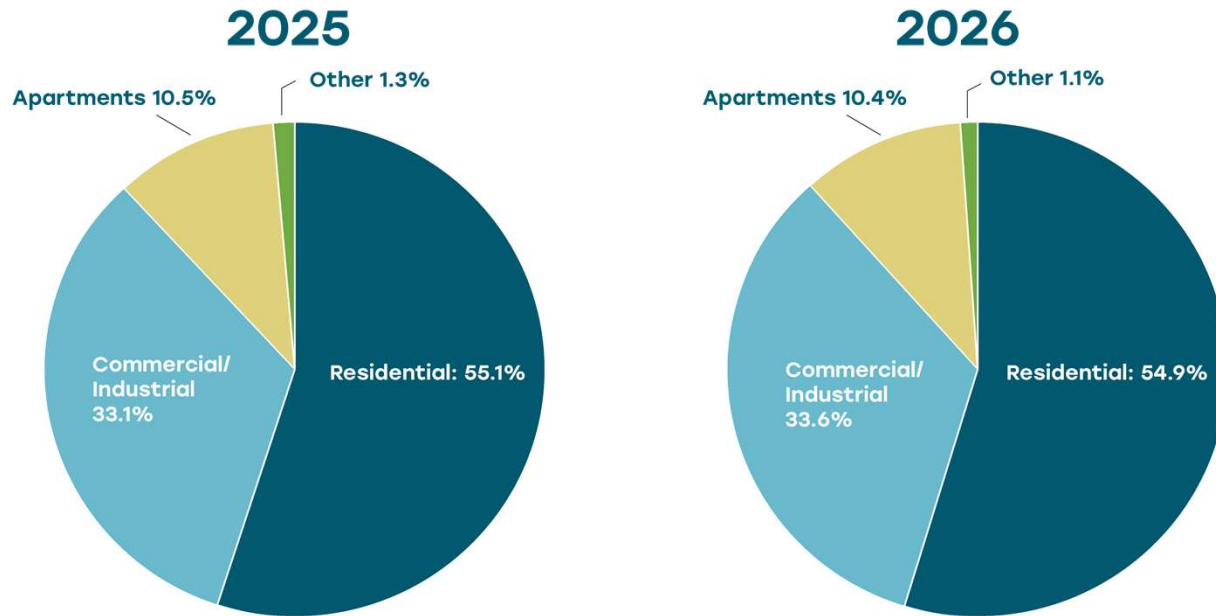


Tax Impact – Median Value Home

		No Valuation Change			Valuation Increase		
	Pay 2025	Pay 2026			Pay 2026		
	Median Value Home	No Value Change	Amount Change	Percent Change	Median Value Home	Amount Change	Percent Change
Valuation							
Median Home Value	\$288,200	\$288,200	\$-	0%	\$304,100	\$15,900	5.52%
Property taxes							
Rochester City	\$1,371	\$1,348	\$(23)	-1.66%	\$1,436	\$64	4.70%
Olmsted County	\$1,189	\$1,167	\$(22)	-1.86%	\$1,242	\$53	4.49%
Rochester School Dst	\$495	\$496	\$2	0.35%	\$528	\$34	6.83%
Olmsted County HRA	\$46	\$46	\$(0)	-0.86%	\$49	\$3	5.55%
Est. Total Combined Tax	\$3,101	\$3,057	\$(44)		\$3,255	\$154	



Pay 2025-2026 Tax Capacity by Property Class – City of Rochester

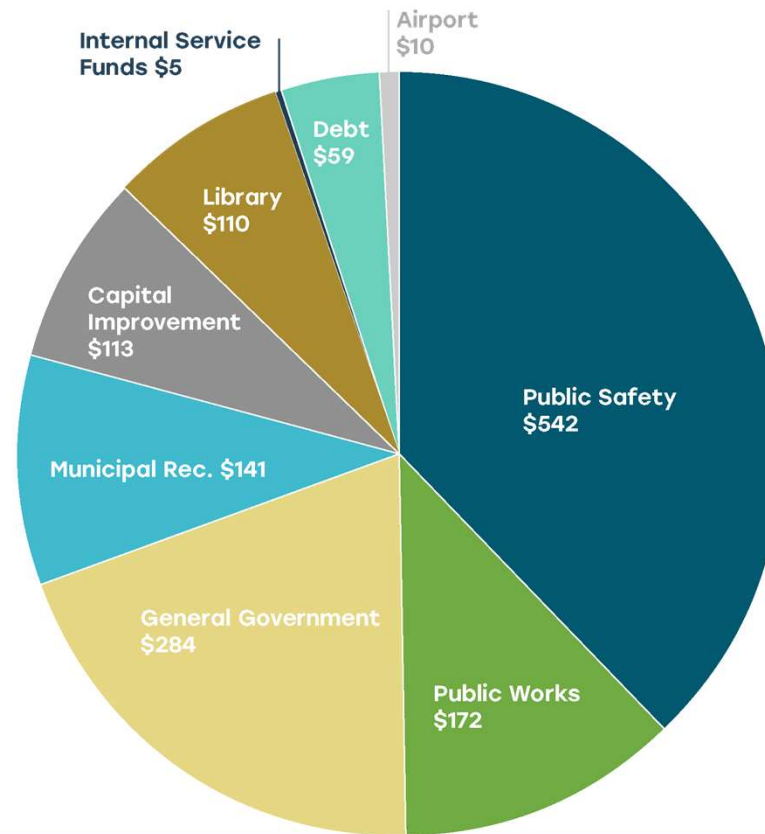


	Pay 2025	Pay 2026	Increase	Percent Change
Taxable Market Value	\$18.3 Billion	\$19.5 Billion	\$1.2 Billion	6.6%
Taxable Tax Capacity	\$214 Million	\$230 Million	\$16 Million	7.5%



2026 Property Tax Allocation for Median Value Home of \$304,100, est. Levy of \$1,436

- Public Safety \$542
- Public Works \$172
- General Government \$284
- Municipal Recreation \$141
- Capital Improvement \$113
- Library \$110
- Internal Service Funds \$5
- Debt \$59
- Airport \$10



2026 Property Tax Distribution

● General Fund
69.6%

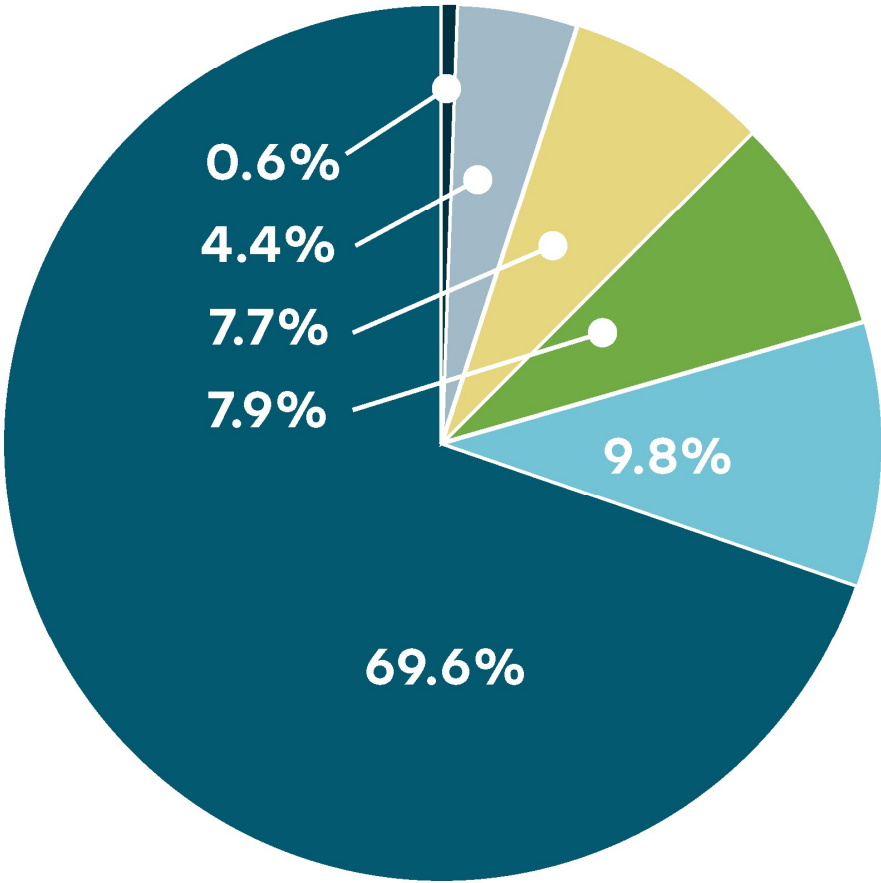
● Parks and Rec
9.8%

● CIP
7.9%

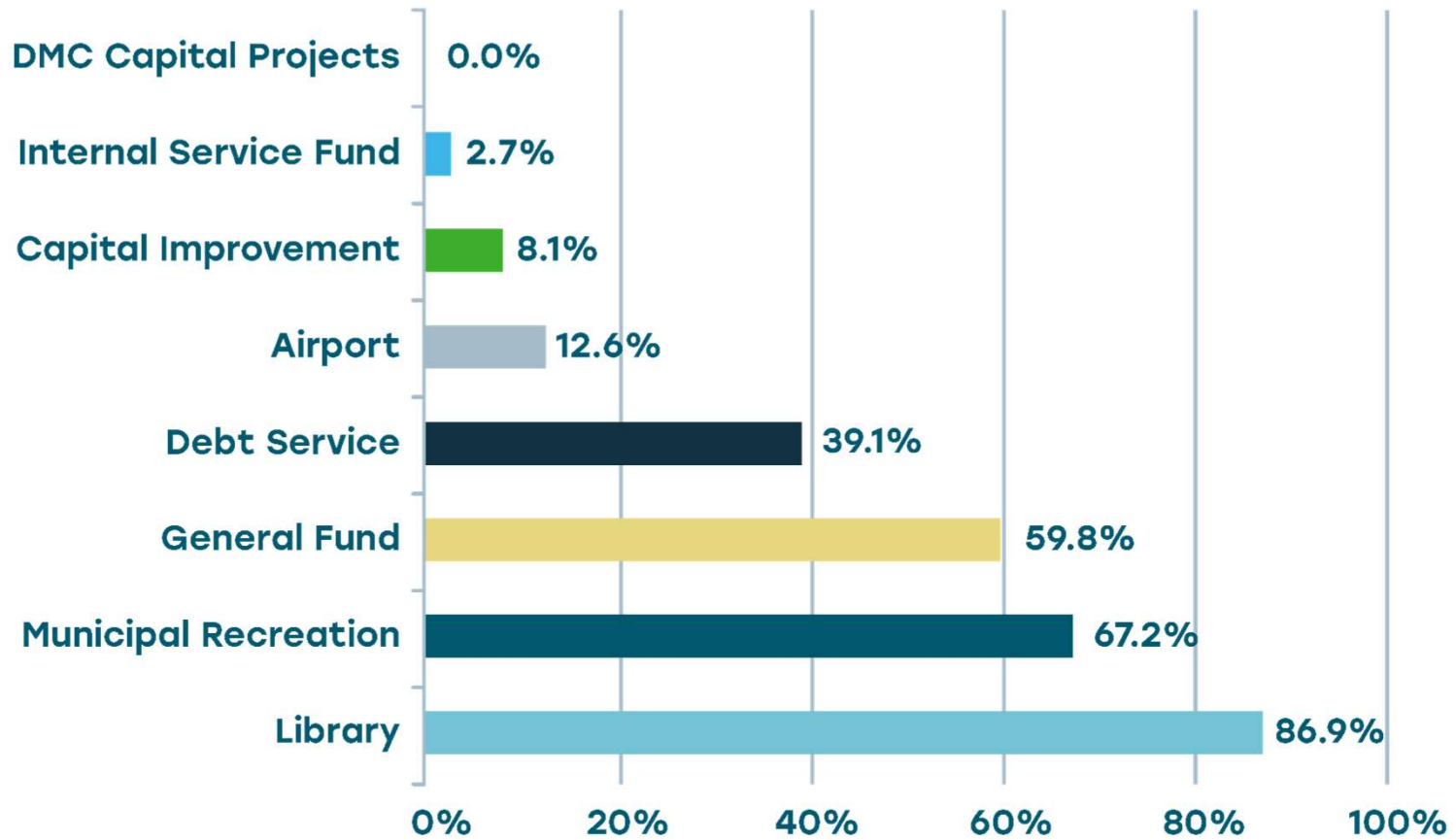
● Library
7.7%

● Debt/Internal
Service 4.4%

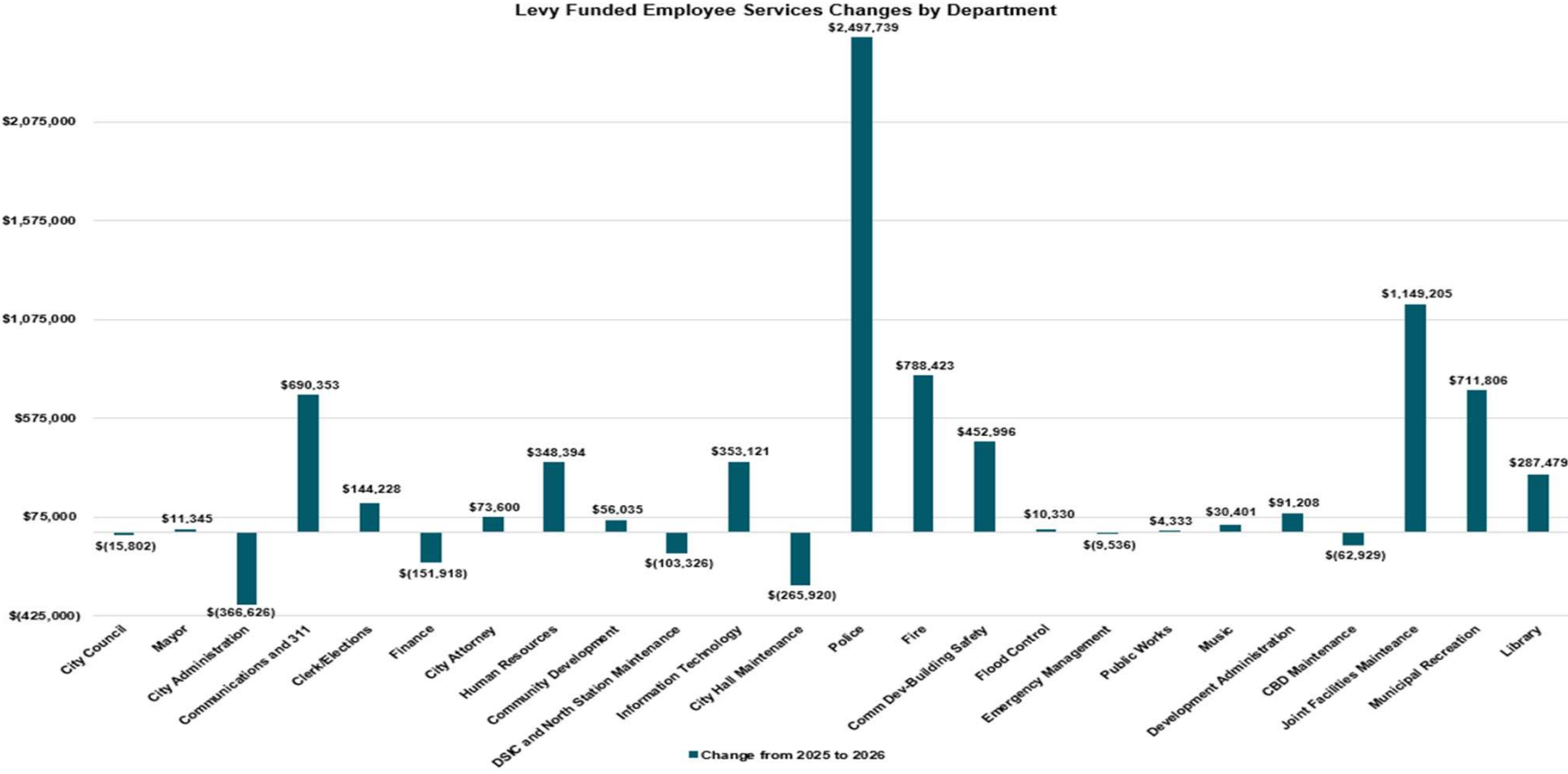
● Airport
0.6%



Fund Reliance on Tax Levy



EMPLOYEE SERVICES COSTS



Comparison Community Benchmarking

City	2024 Population	2024 LGA	2025 LGA	2026 LGA	2026 LGA per Capita	2026 % Change in Tax Levy*
Rochester	124,220	\$5,026,033	\$5,030,878	\$5,034,737	\$40.53	5.95%
Minneapolis	435,233	\$81,469,158	\$81,599,544	\$81,754,808	\$187.84	8.15%
St. Cloud	72,614	\$15,855,712	\$15,876,805	\$15,912,415	\$219.14	31.19%
St. Paul	313,375	\$81,648,670	\$81,779,353	\$82,013,265	\$261.71	5.30%
Duluth	87,483	\$35,175,072	\$35,231,196	\$35,332,327	\$403.88	4.84%
Woodbury	81,347	\$-	\$-	\$-	\$-	10.77%
Bloomington	91,975	\$-	\$-	\$-	\$-	9.44%

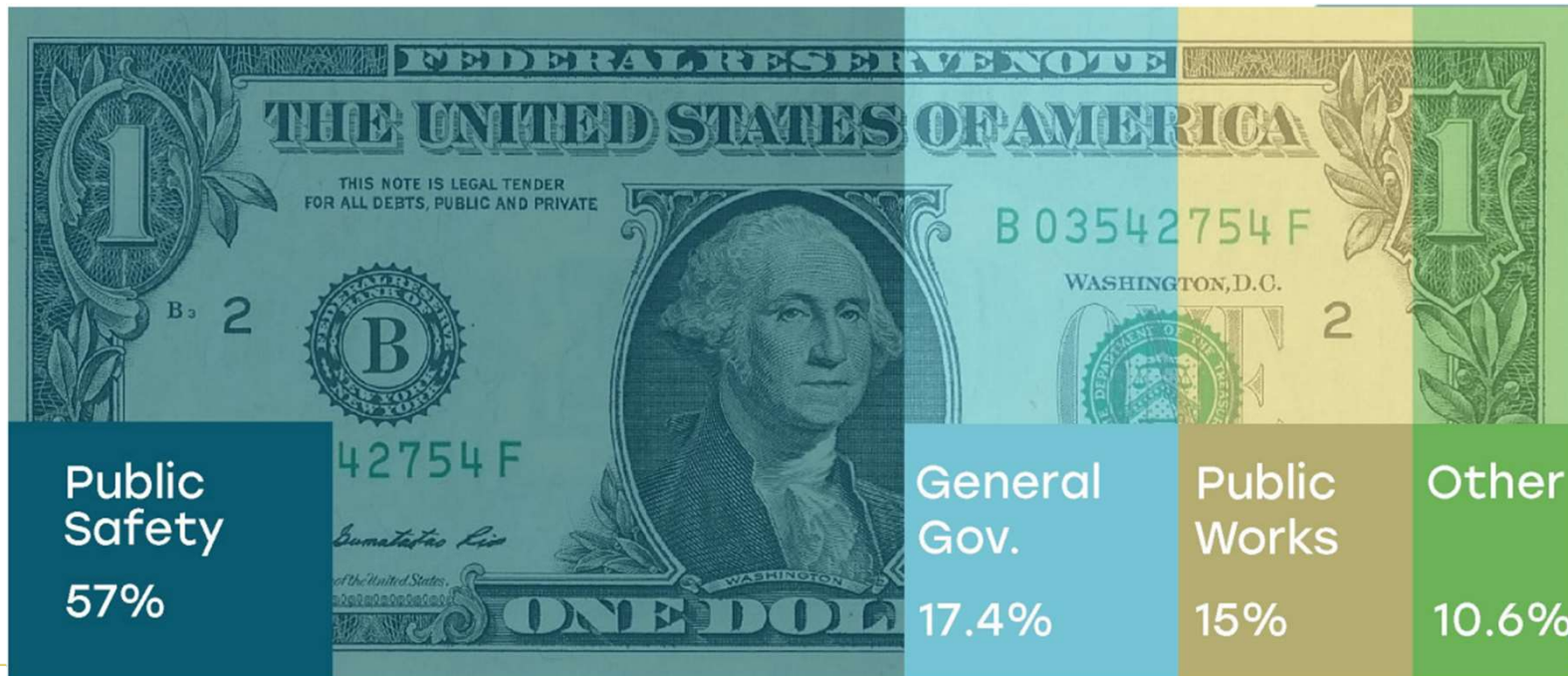
*2026 % change in tax levy is the preliminary change in total tax levy collected relative to 2025

*The statewide average on preliminary levies for all cities was an increase of 8.6% compared to 2025. The average for Olmsted County cities is 13.8%



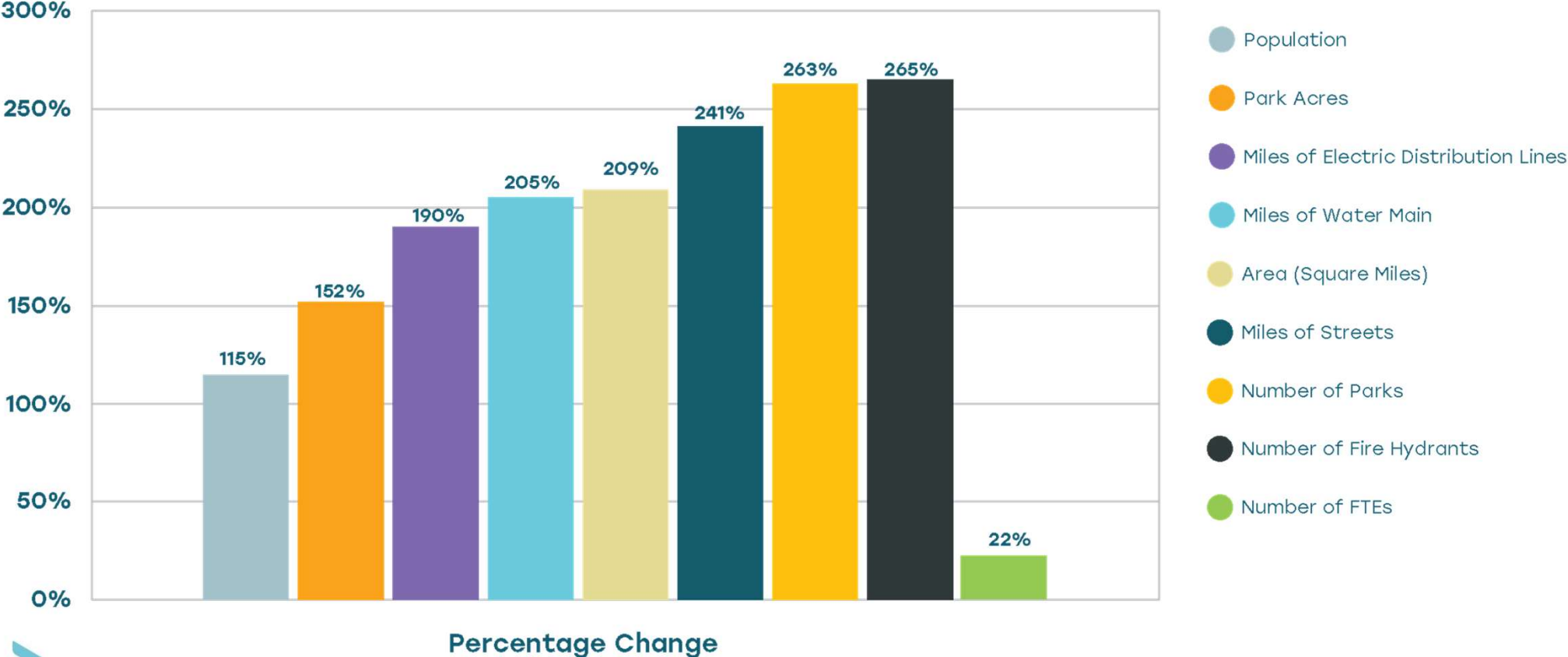
Where Does the Money Go?

2026 General Fund expenses are \$11.2 million more than 2025



Percent Change of Operating Indicators: 1980 - 2024

Operating Indicators



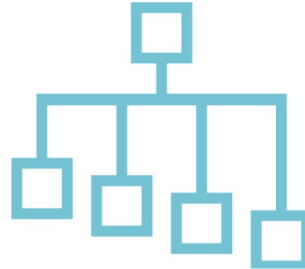


2026-2031 Capital Improvement Plan

2026 CIP Projects as Revised



224 Projects



21 Categories



**\$245.8 Million
Total Investment***

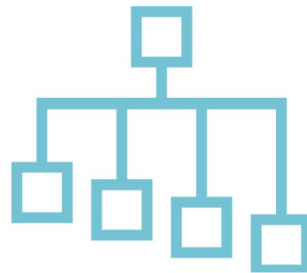
*CIP Total Investment is now inclusive of RPU total project costs including other funding sources such as private investment, bonds, grants, internal labor, etc.)



2026-2031 CIP Projects & 2026-2030 RPU CIP Projects as Revised



378 Projects



21 Categories



**\$1.1 Billion Total
Investment***

*CIP Total Investment is now inclusive of RPU total project costs including other funding sources such as private investment, bonds, grants, internal labor, etc.)



Public Hearing and Feedback on the Budget