



CITY OF  
**ROCHESTER**  
MINNESOTA

# RECOMMENDED 2024-2025 BUDGET

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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

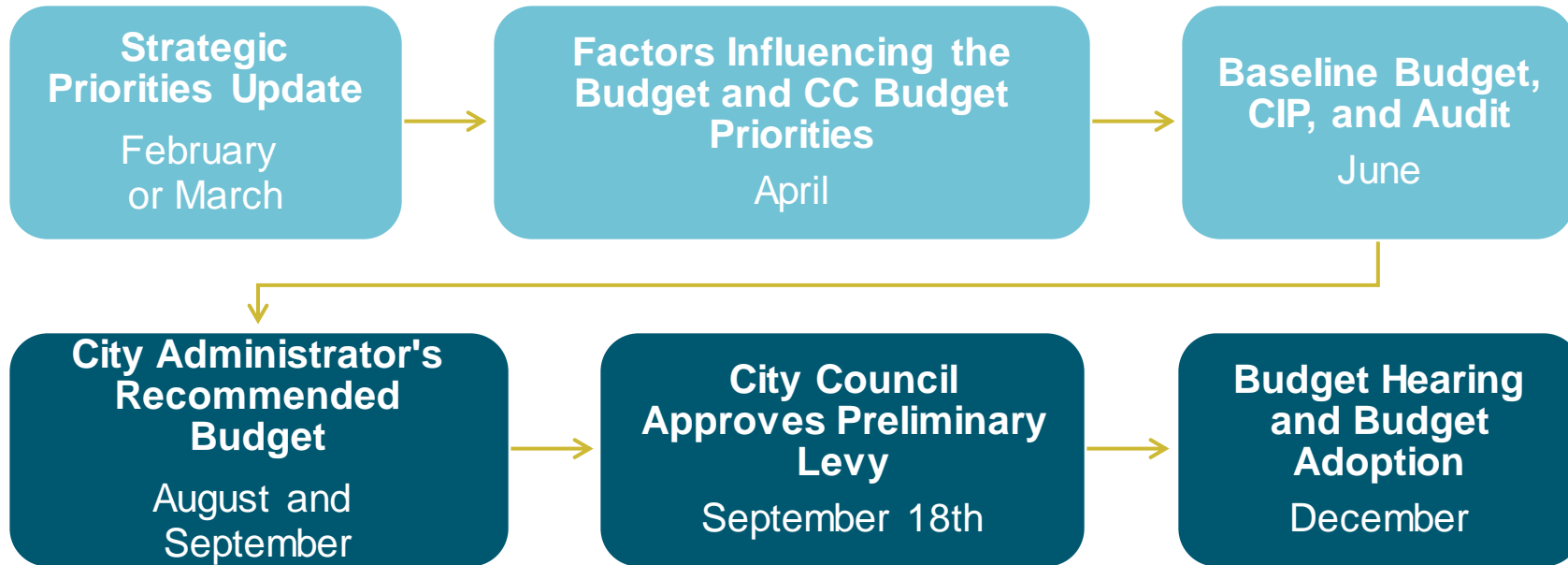
Strategic Priority:  
Economic Vibrancy and  
Growth Management

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.



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# 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.

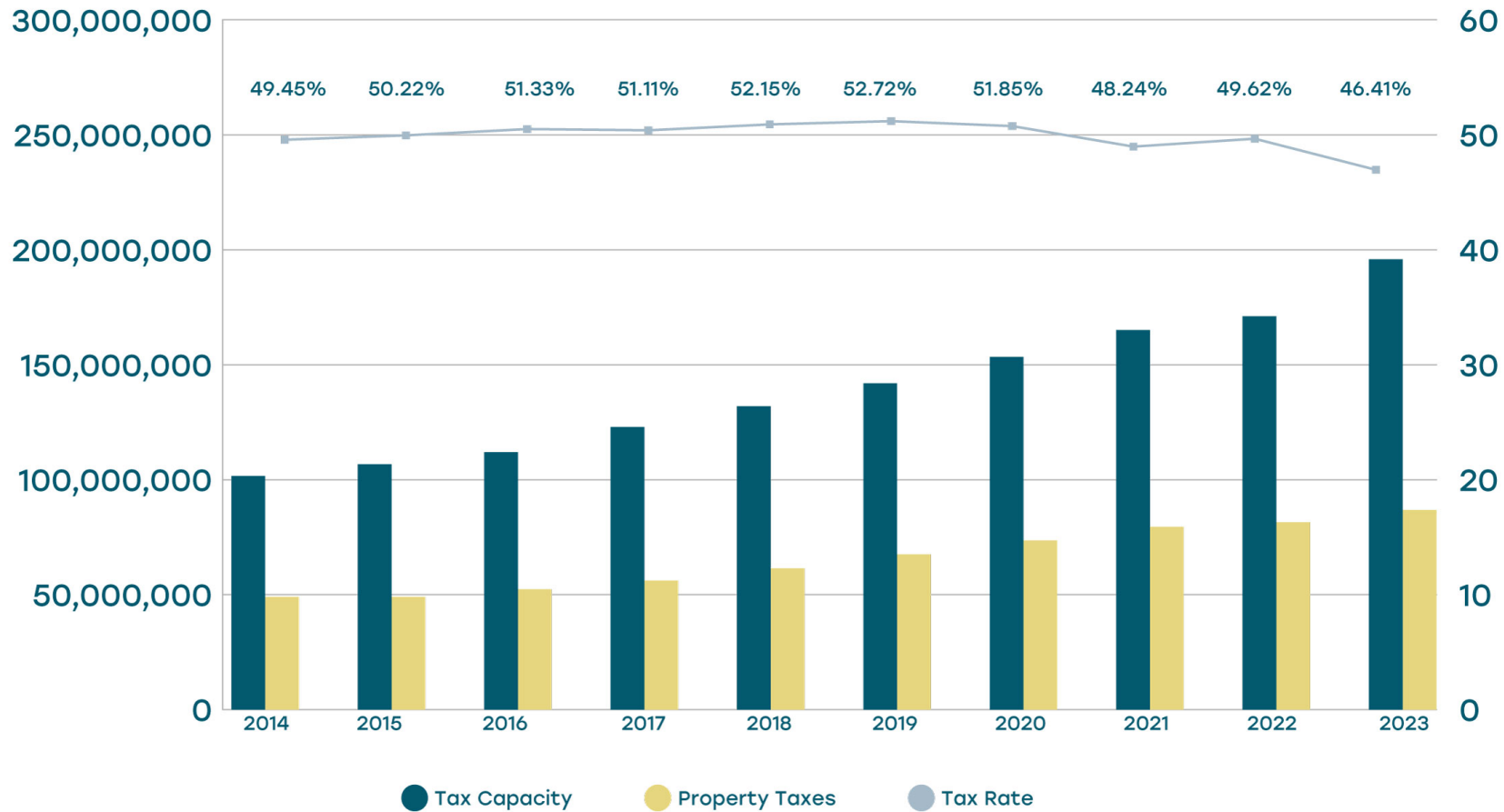


## ONGOING INNOVATION AND EVALUATION: DSI AND RPU (CONTINUED)

- 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 Automated 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 %

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**Estimate + 6.0 %\***

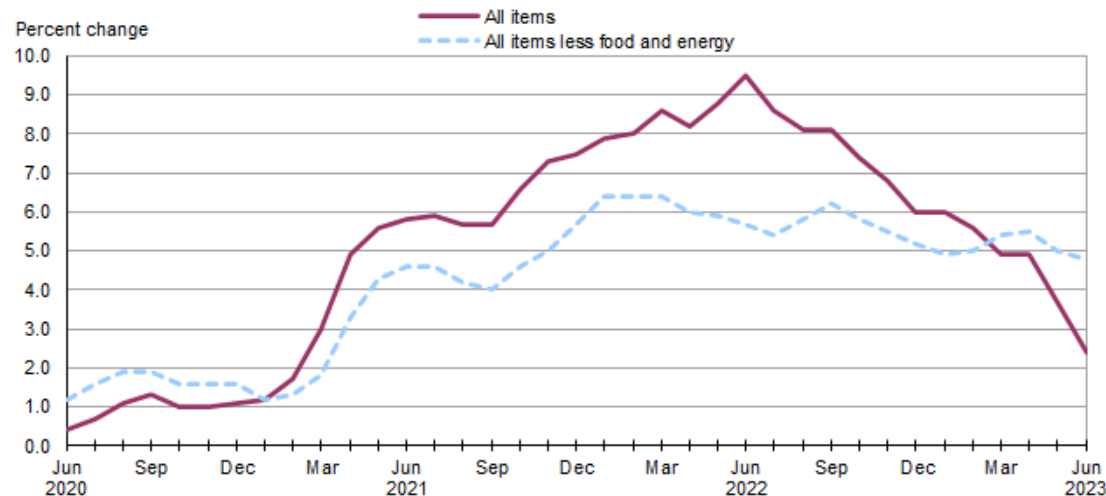
\*Updated numbers will be available after August 25, 2023



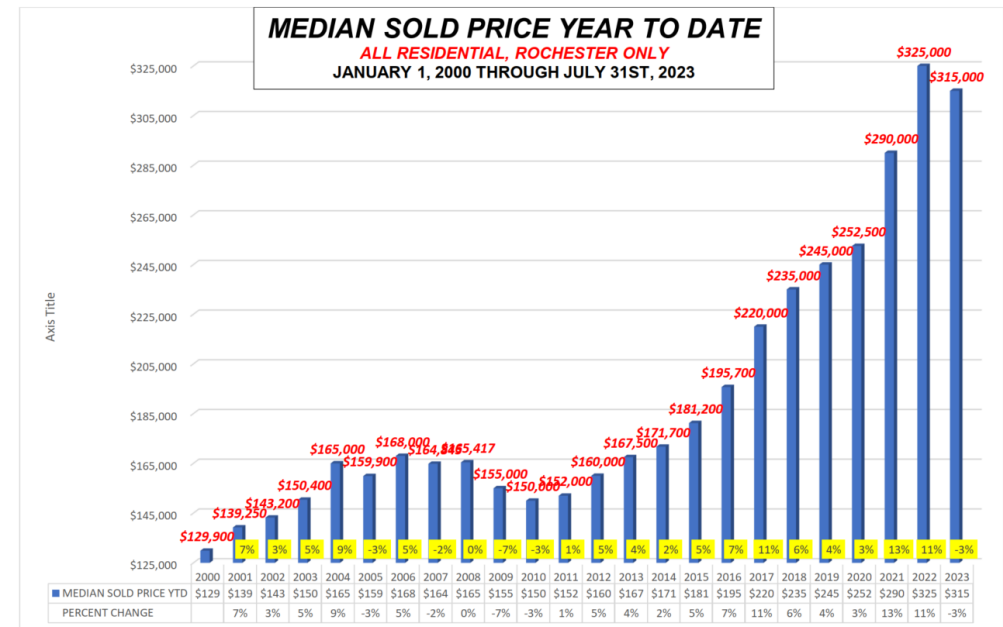
# ECONOMIC INDICATORS

- **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)

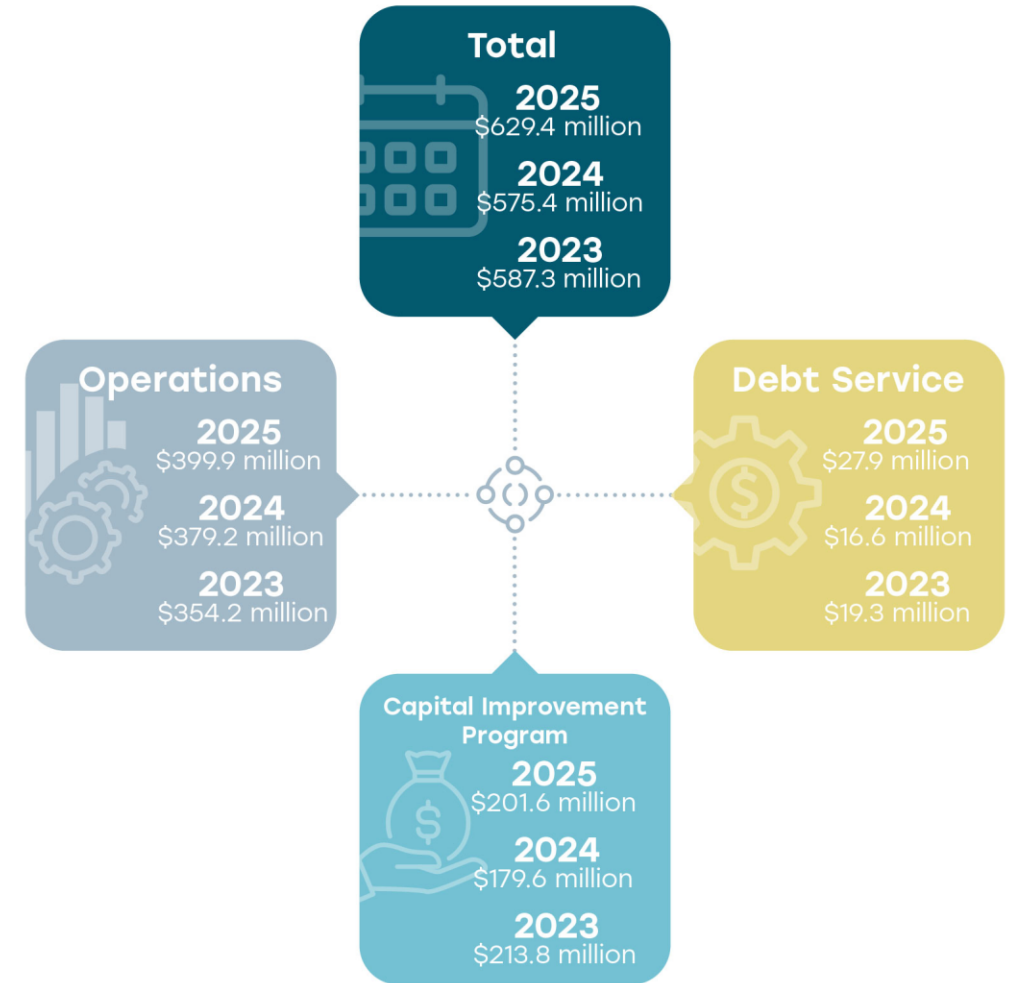
## All Funds Combined

- **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

2023 vs 2024 vs 2025 Operating Expense

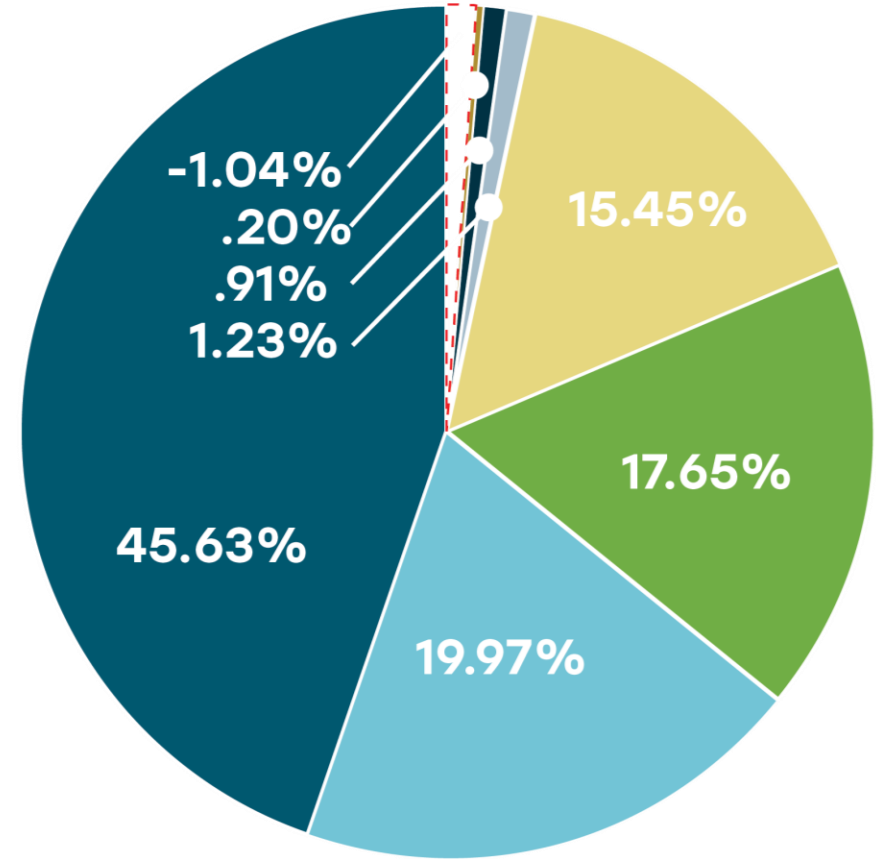




# WHERE DOES THE MONEY COME FROM?

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

2024 Total Operating Revenue, inclusive of RPU



# 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

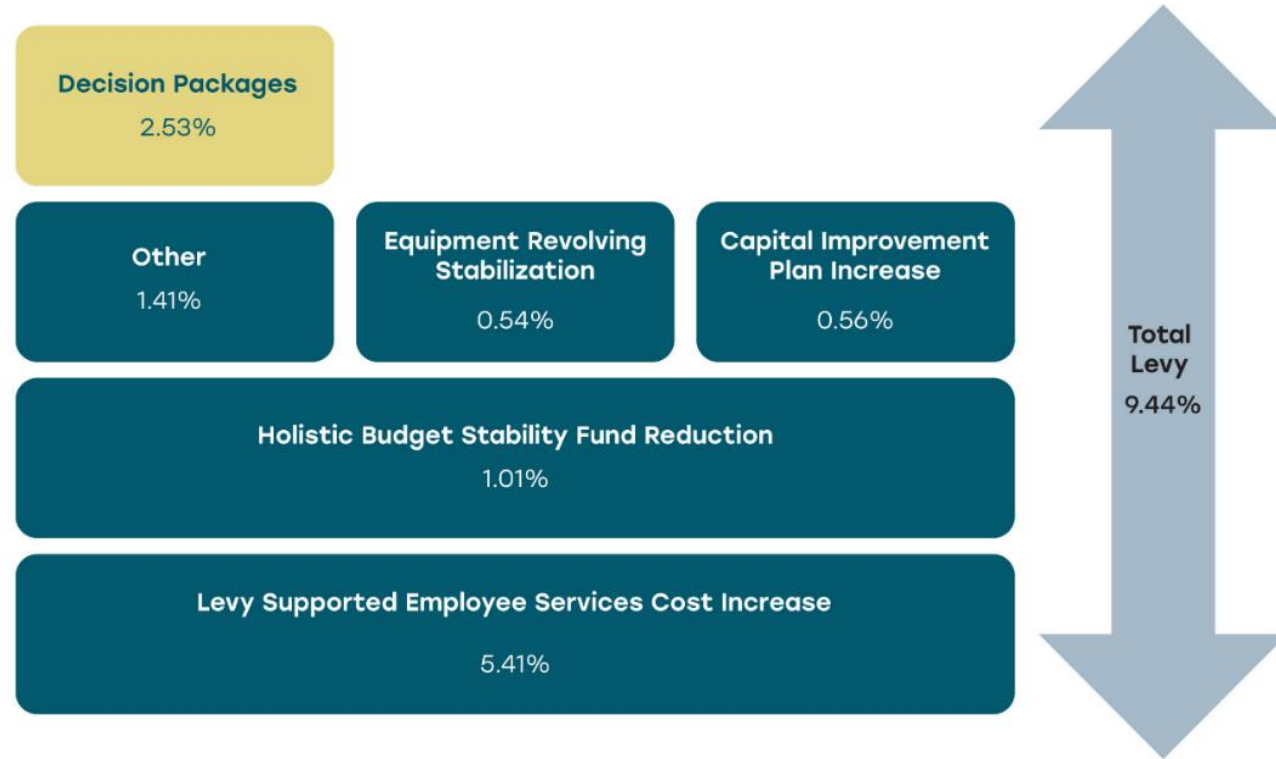
## Other Considerations

- Outside Agency Requests are 22% higher and being evaluated

**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)

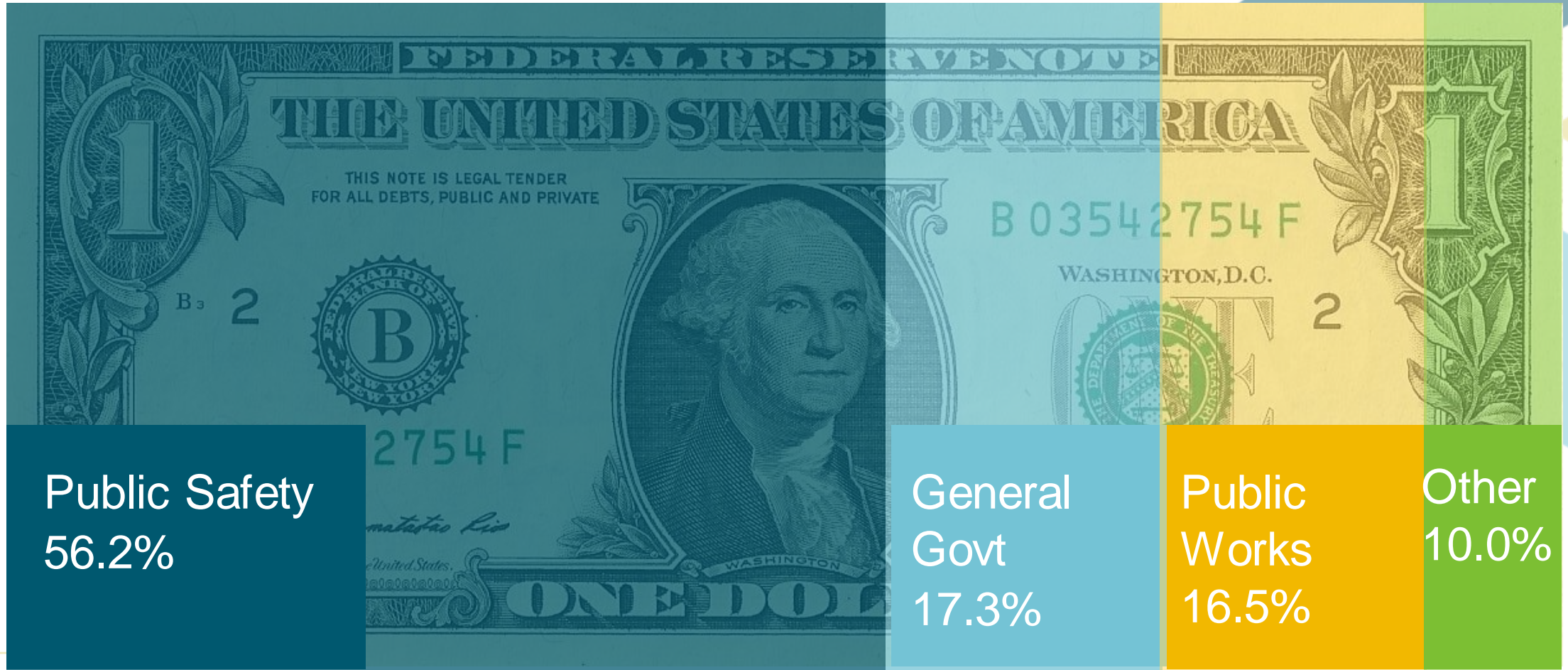
- 2022 - \$1,467,446
- 2023 - \$2,368,028
- 2024 - \$1,427,500
- 2025 - \$ 713,750
- 2026 - \$ 285,500
- 2027 - \$ 0

\$940,528 Less than Prior Year



# WHERE DOES THE MONEY GO?

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

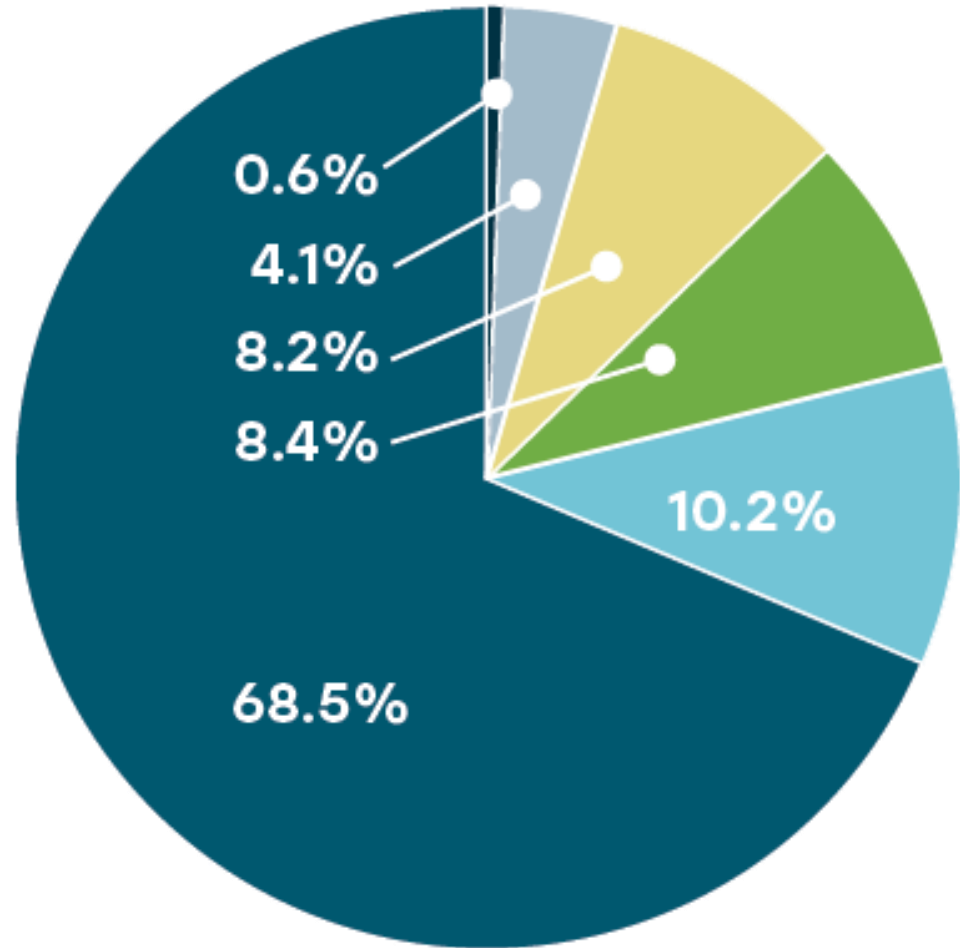




# 2024 PROPERTY TAX DISTRIBUTION

## 2024 Property Tax Distribution

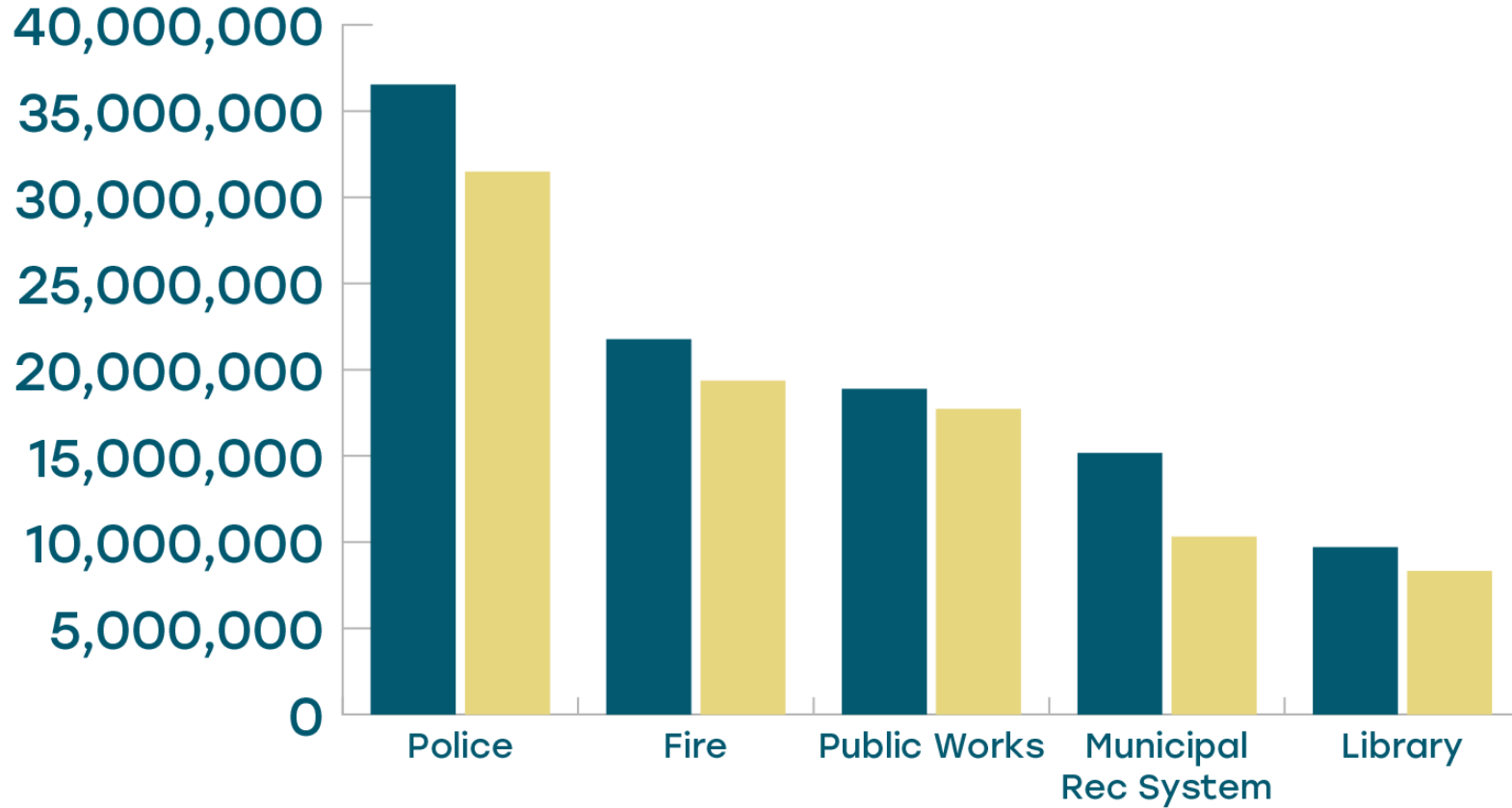
- General Fund
- Library
- Parks and Rec
- Dept/Internal Service
- CIP
- Airport





# 2024 TOTAL EXPENDITURES AND TAX LEVY SUPPORT

### Total Expenditures and Tax Levy Support

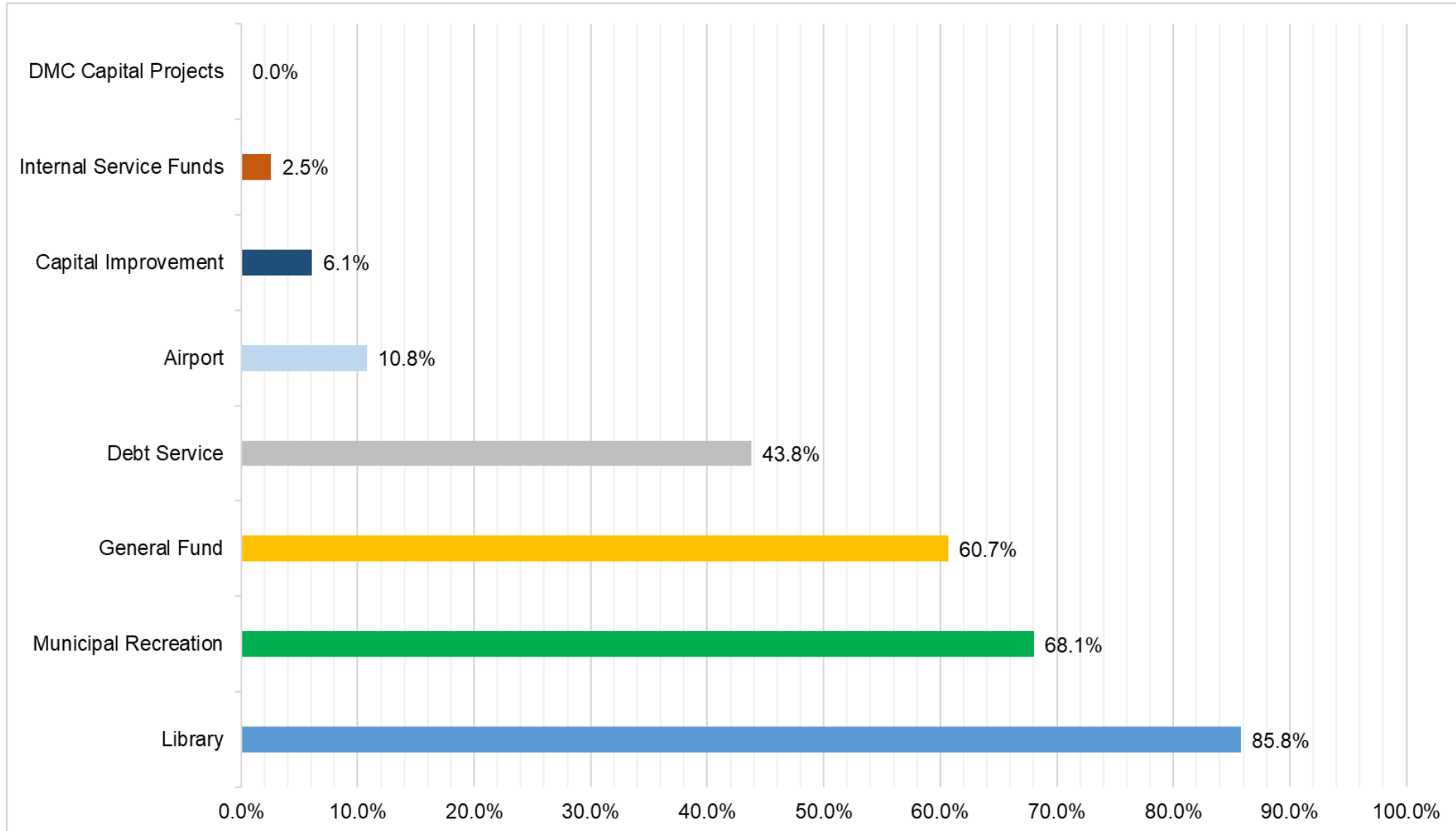


● 2024 Total Expenditures      ● 2024 Tax Levy Support Expenditures





# FUND RELIANCE ON TAX LEVY



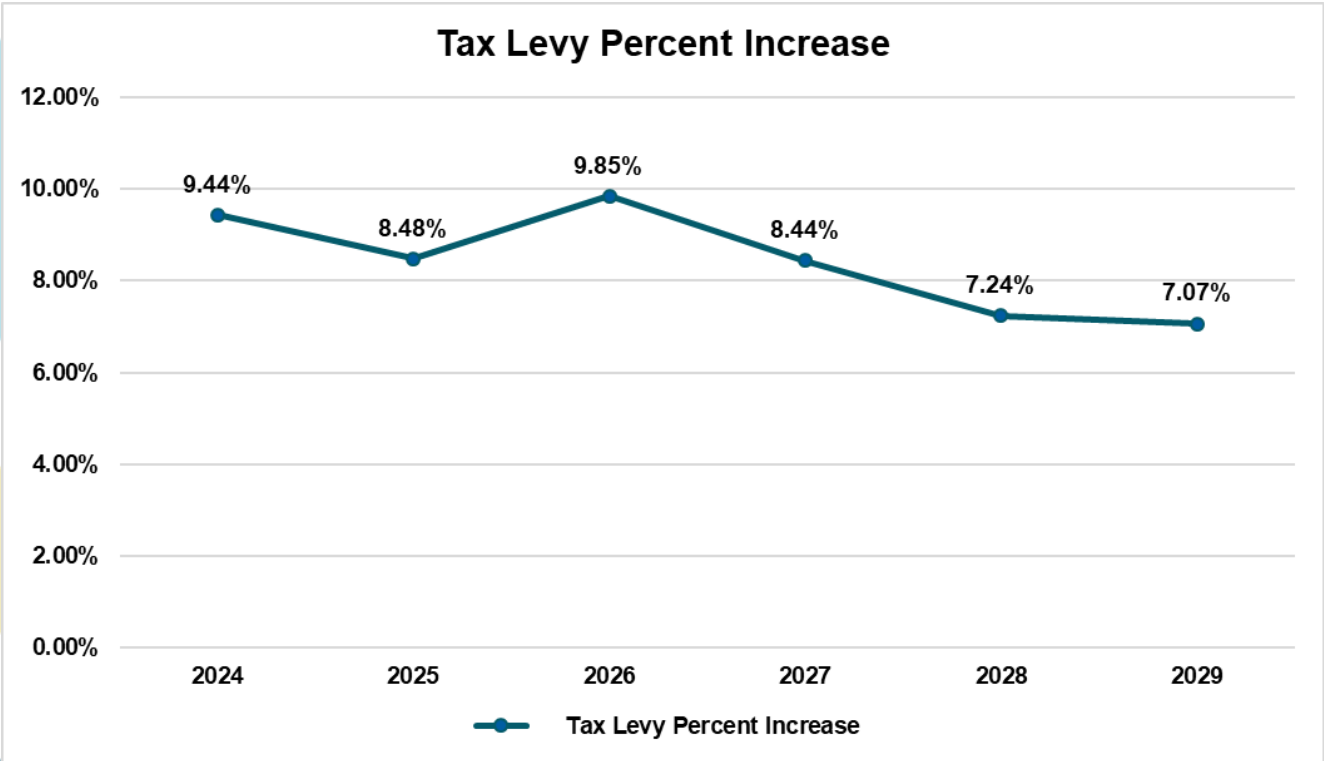
# LONG RANGE FINANCIAL MANAGEMENT PLAN-RECOMMENDED BUDGET

Taxes Levied on Tax Capacity	2024	2025	2026	2027	2028	2029
Projected Levy for General Fund	(89,548,584)	(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)	(11,558,681)	(12,347,278)	(13,179,239)	(13,943,998)	(14,698,434)
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 Fund	-	-	-	-	-	-
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	-	-	-	-	-	-
<b>Total Projected Taxes Levied on Tax Capacity</b>	<b>(101,530,873)</b>	<b>(110,142,366)</b>	<b>(120,991,166)</b>	<b>(131,201,980)</b>	<b>(140,696,091)</b>	<b>(150,641,976)</b>
% 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

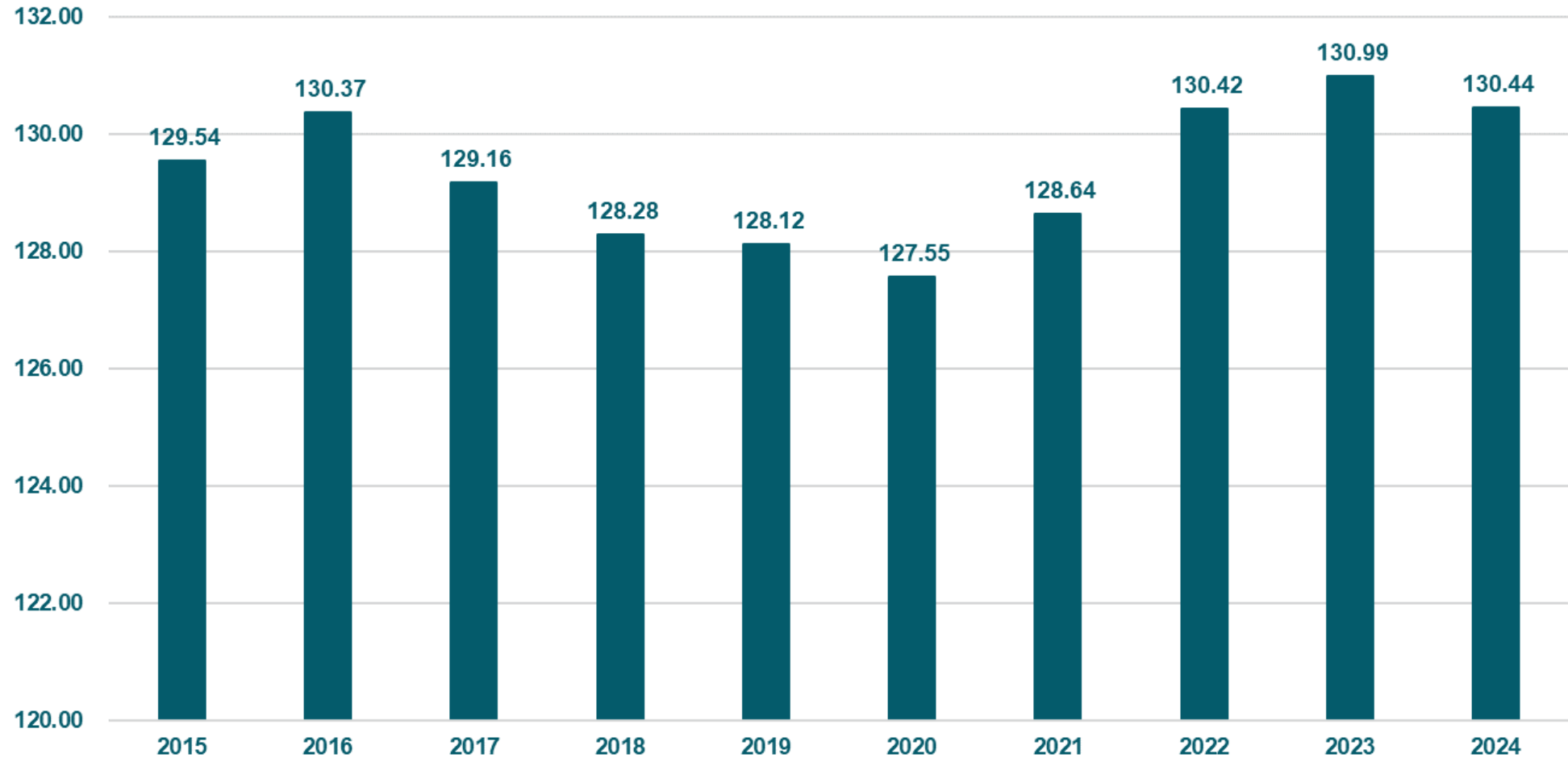
**Table 1  
2024 & 2025 Major Revenues Versus 2023 Inclusive of RPU**

	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%



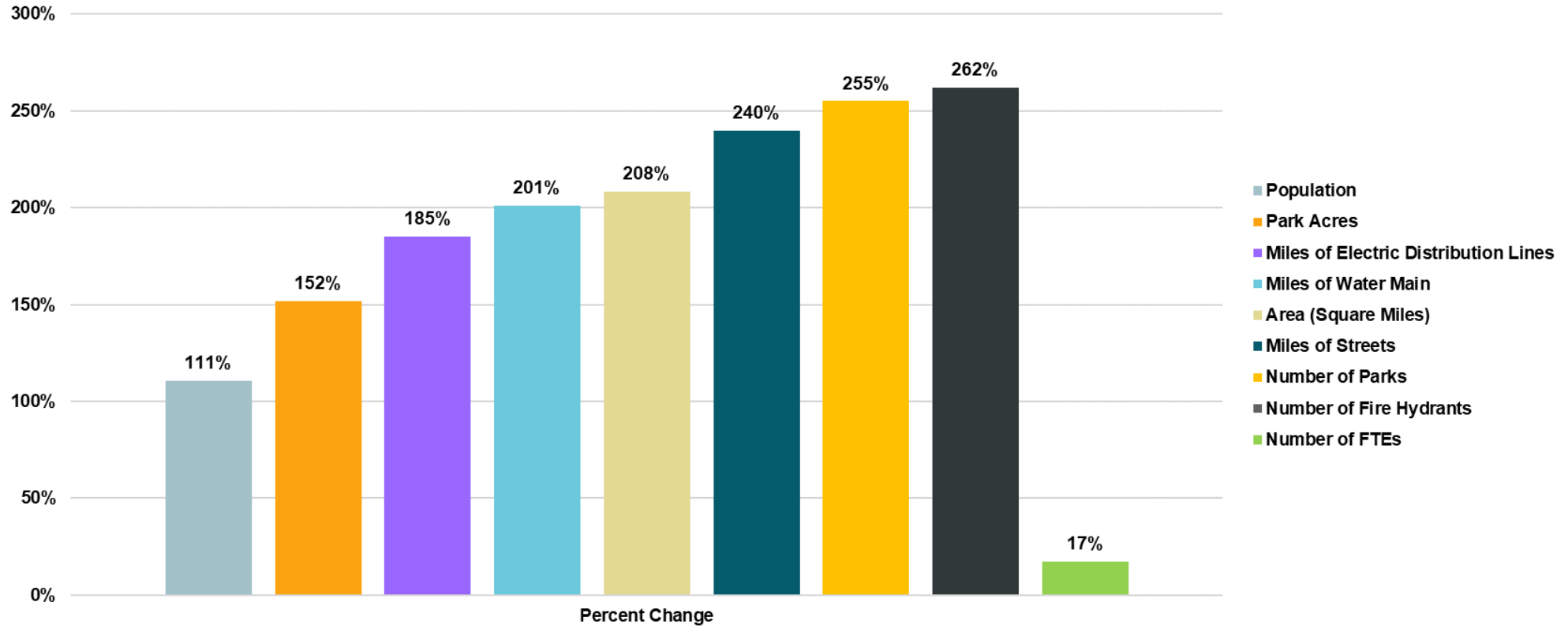
# POPULATION CHANGE & FULL TIME EQUIVALENT (FTE) CHANGES

Capita per FTE





# PERCENT CHANGE OF OPERATING INDICATORS: 1980 - 2022



## 2024 Recommended Decision Packages

### Process Improvement

- 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

### Maintaining Existing Facilities and Programs

- 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)

### Public Safety

- 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

### Supporting Private Construction & Equity in Built Environment

- 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

### Structural Integrity of Budget

- New Position-Transit Grants Manager
- Baseline Budget Increases for Vehicle Shop Supplies and Maintenance and Buildings and Grounds Maintenance

### Quality of Life

- 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"> <li>• New Position-Streets Equipment Operator</li> <li>• GIS Professional Services</li> <li>• IT and IT Security Training</li> </ul>	<ul style="list-style-type: none"> <li>• New Mastic Trailer</li> <li>• Mowing Equipment</li> <li>• Big Truck Diagnostics Tool</li> <li>• City Website-Developer Toolkit</li> <li>• Continue Incident Response Retainer and Vendor Security Monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• New Position-Library Security &amp; Safety Specialist</li> <li>• Fire Marshal and Fire Inspector Vehicles</li> <li>• Diversify Rochester Fire Department Step 2 of 8</li> </ul>	<ul style="list-style-type: none"> <li>• CDD Professional Services</li> <li>• New Position-Community Development Specialist</li> </ul>	<ul style="list-style-type: none"> <li>• New Position-Internal Auditor</li> </ul>	<ul style="list-style-type: none"> <li>• Snow Grooming Equipment</li> <li>• Vehicle AC Recycling Machine</li> <li>• New Aquatics at Silver Lake</li> </ul>

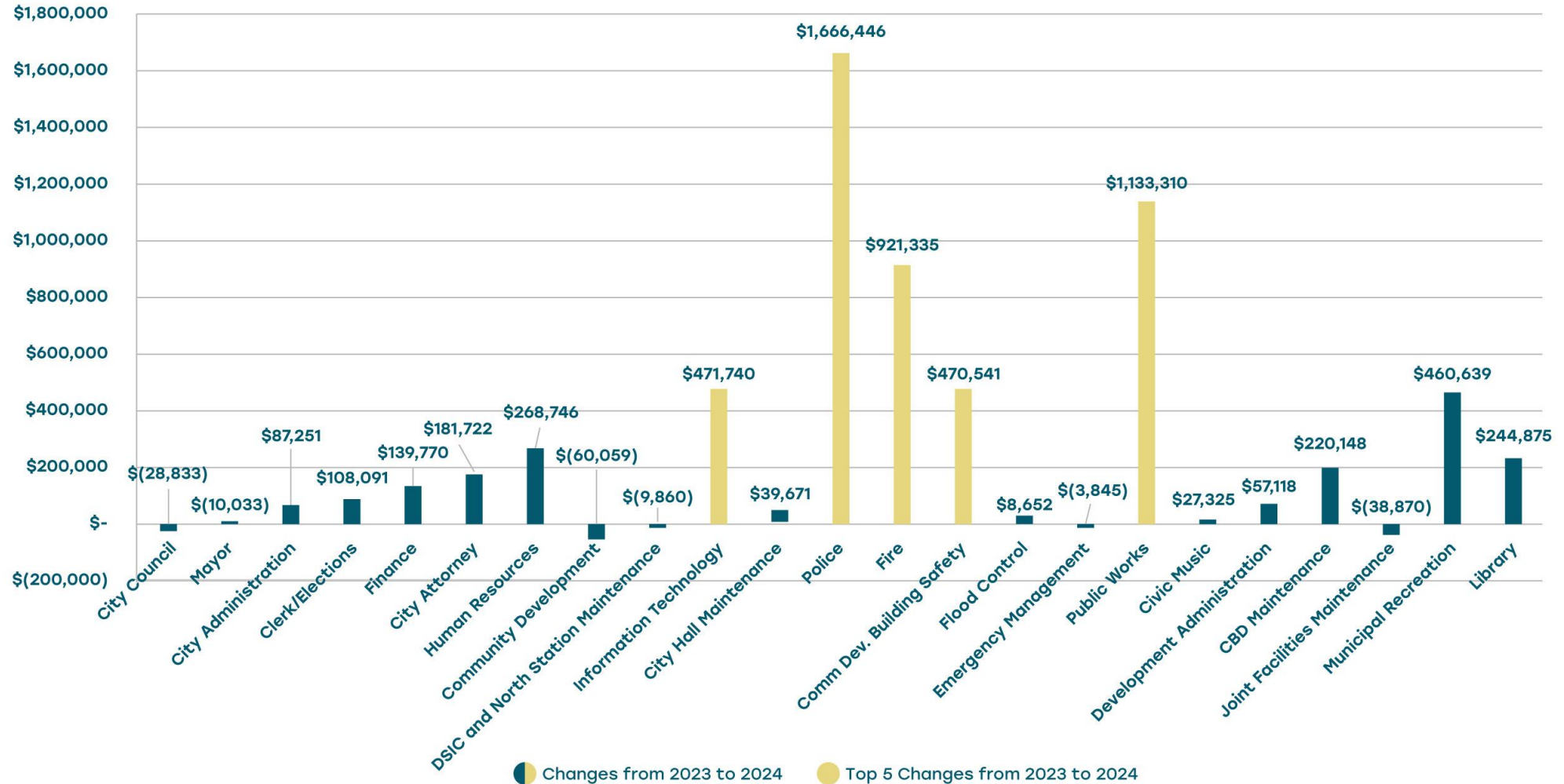
\*Some added capacity built into 2025 to accommodate unanticipated costs or unauthorized 2024 or 2025 Decision Packages if they become critical and need to be adjusted in Supplemental 2025 process





# 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

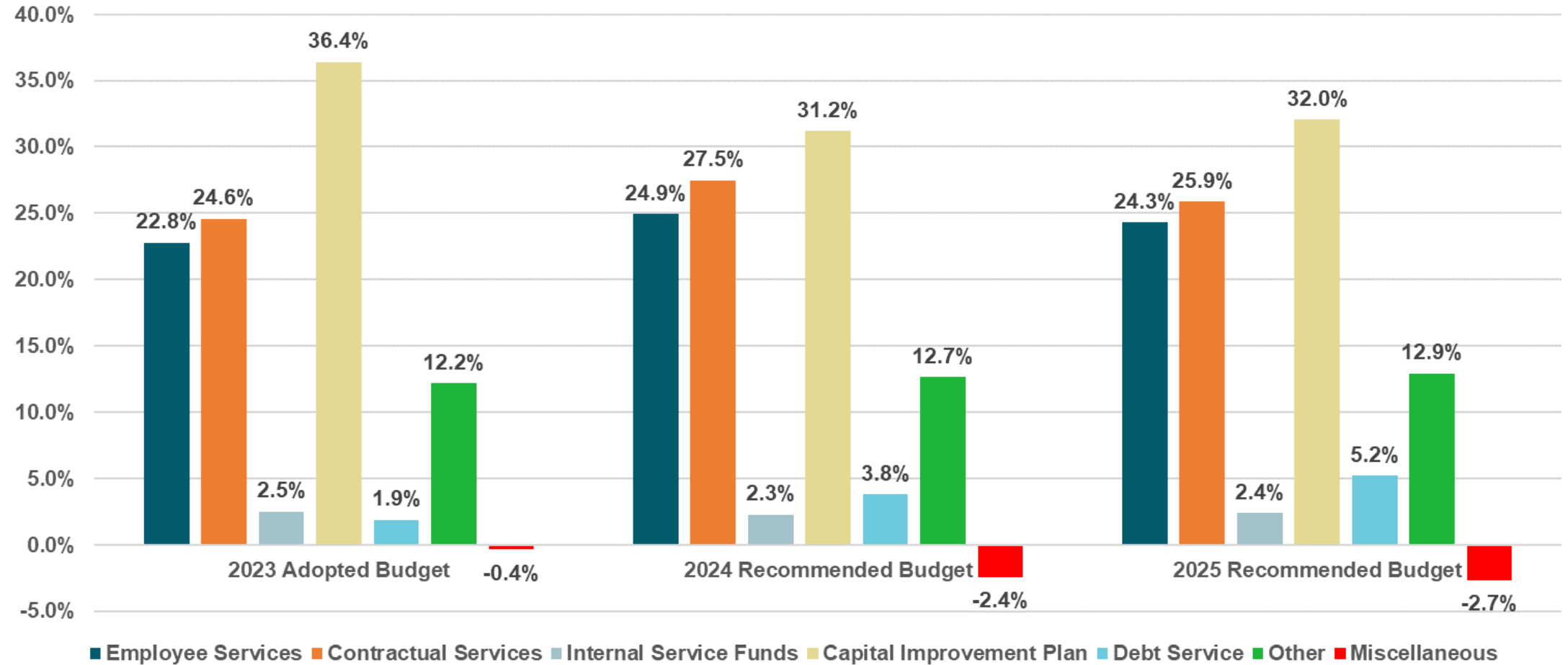
	2023 Adopted	2024 Request per Outside Agency	Over / Under Dollar Difference from 2023 Allocated / 2024 Requested	Percent Difference from 2023 Allocated / 2024 Requested	2024 Suggested Allocation Administration	2024 Administration Amount Difference from 2023
<b>Economic Initiatives</b>						
RAEDI	\$ 67,500	\$ 258,000	\$ 190,500	282%	\$ 75,000	\$ 7,500
SBDC****		\$ 50,000	\$ 50,000		\$ 15,000	\$ 15,000
<b>Total</b>	<b>\$ 67,500</b>	<b>\$ 308,000</b>	<b>\$ 240,500</b>	<b>356%</b>	<b>\$ 90,000</b>	<b>\$ 22,500</b>
<b>Community Reinvestment</b>						
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	\$ -
<b>Total</b>	<b>\$ 345,695</b>	<b>\$ 392,615</b>	<b>\$ 46,920</b>	<b>14%</b>	<b>\$ 334,915</b>	<b>\$ (10,780)</b>
<b>125LIVE/Art Center/Civic Theatre</b>						
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
<b>Total</b>	<b>\$ 363,500</b>	<b>\$ 454,260</b>	<b>\$ 90,760</b>	<b>25%</b>	<b>\$ 399,160</b>	<b>\$ 35,660</b>
<b>Grand Total</b>	<b>\$ 776,695</b>	<b>\$ 1,154,875</b>	<b>\$ 378,180</b>	<b>49%</b>	<b>\$ 824,075</b>	<b>\$ 47,380</b>

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

NOTE: LIKELY INCREASES IN 2025 AS WELL



# Expenditure Categories (inclusive of RPU)



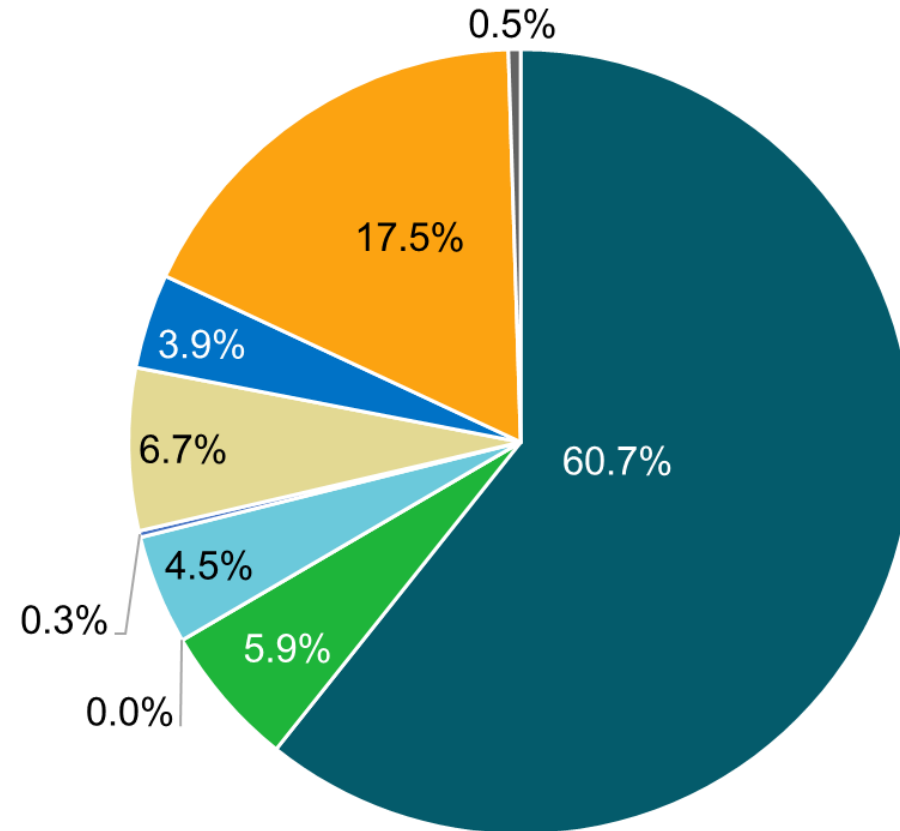


# General Fund

# WHERE DOES THE MONEY COME FROM?

• 2024 General Fund Revenue: \$114.5 million

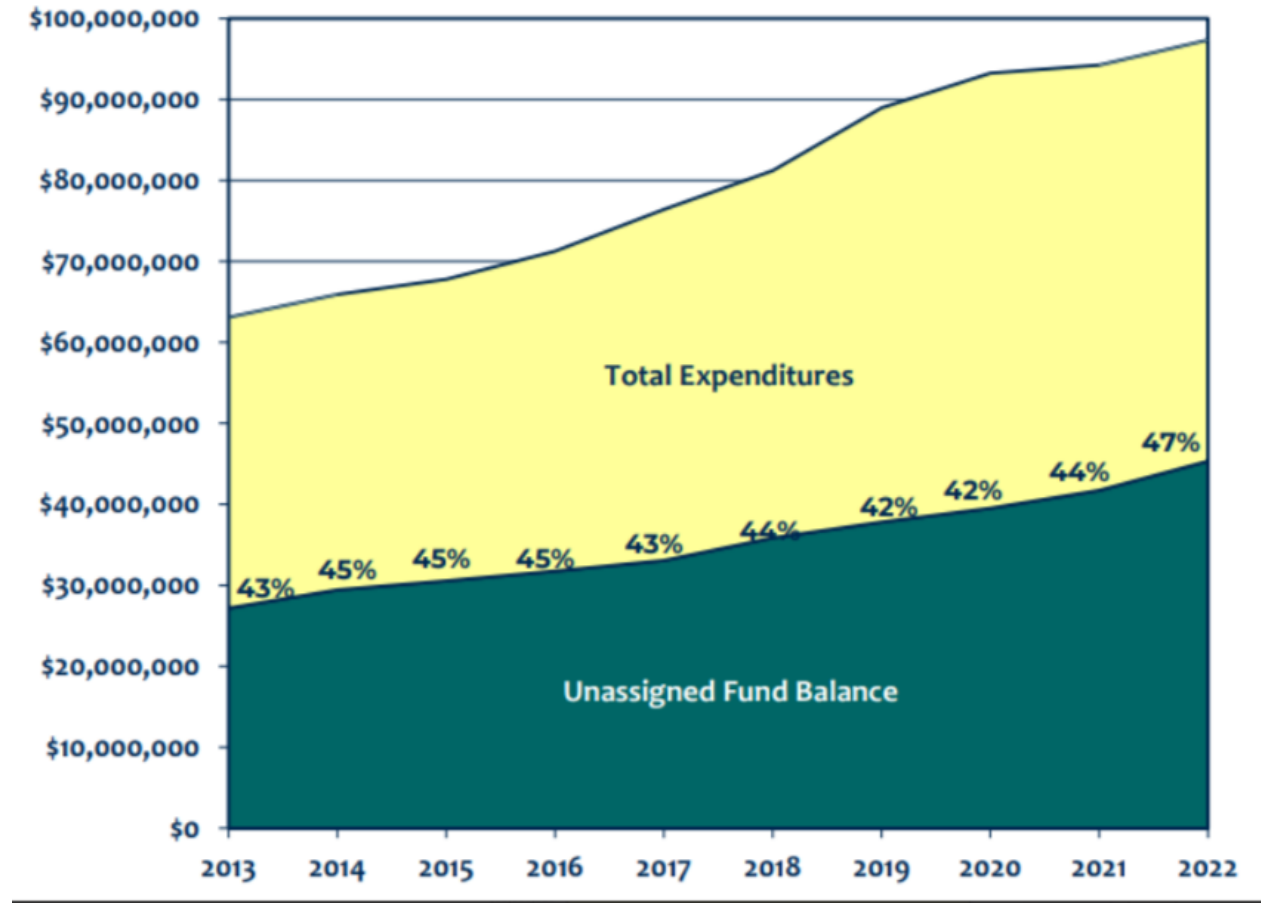
- Tax Levy
- Other Taxes
- Special Assessments
- Licenses and Permits
- Fines, Forfeits and Penalties
- Intergovernmental Revenue
- Charges for Service
- Misc Revenue
- Prior Year Revenue



# 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

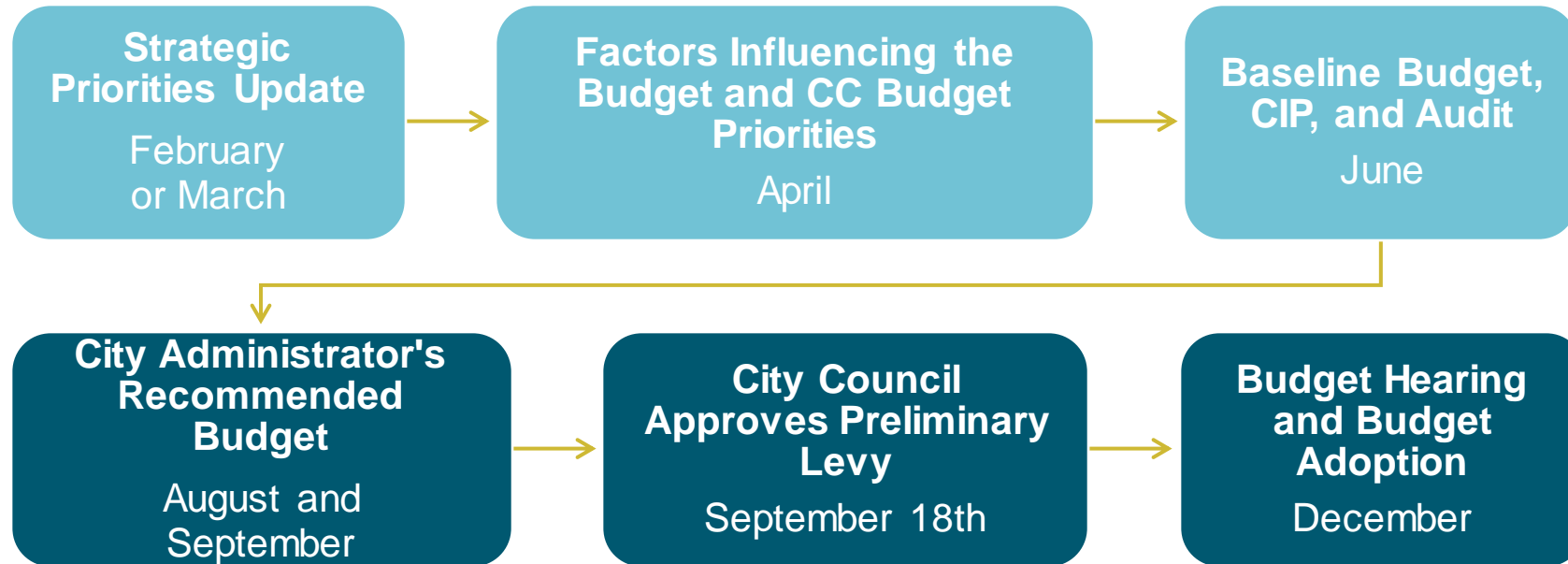




# PUBLIC SAFETY AID RECOMMENDATION

- 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**