



# **2026-2027 Budget Update and Recommended Capital Improvement Plan & Outside Agency Funding Recommendations**

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June 23, 2025

## Community Vision

Rochester is a City that cares. Where all people are treated with dignity and respect. Where residents, employees, and visitors enjoy a high quality of life. Where business and industry thrive, and where the land and environment are renewed and sustained for the benefit of all. It is a welcoming and diverse community.

- Renowned for its reputation as a center for growth and innovation.
- Characterized by its safe and friendly neighborhoods.
- Committed to health and wellness for its people.
- Connected both physically and socially.
- Dedicated to the sustainable and responsible use of public resources.

## City of Rochester Organizational Vision

**A vibrant, compassionate, innovative team.**

## City of Rochester Foundational Principles

In everything that we do, we are committed to the application of these foundational principles. These are the lenses through which we approach our work on a daily basis

**Compassion; Fiscal Responsibility and Sustainability; Inclusive Decision-making; Public Safety; Quality Services; Social Equity**

## City of Rochester Strategic Priorities

- 1. Economic Resilience** - Rochester will foster a dynamic, inclusive, and resilient economy by supporting local businesses, attracting new investments, and preserving the City's core economic base.
- 2. Housing Access**- Rochester will expand access to a full spectrum of housing types to meet the diverse needs of all residents.
- 3. Inclusive Growth Management** - Rochester will guide growth responsibly by aligning economic development, infrastructure, and land use planning with community needs.
- 4. Responsible Environmental Stewardship**- Rochester will protect natural resources, integrate sustainability into City operations, and promote environmental responsibility throughout the community.
- 5. Transformational Capital Projects**- Rochester will deliver major public investments that improve daily life and strengthen the community for generations.



## **Focus for Today**

- 1. Schedule and Brief Update on the 2026-2027 Recommended Budget**
- 2. Review Recommended Capital Improvement Plan**
- 3. Review and Provide Feedback on Outside Agencies**

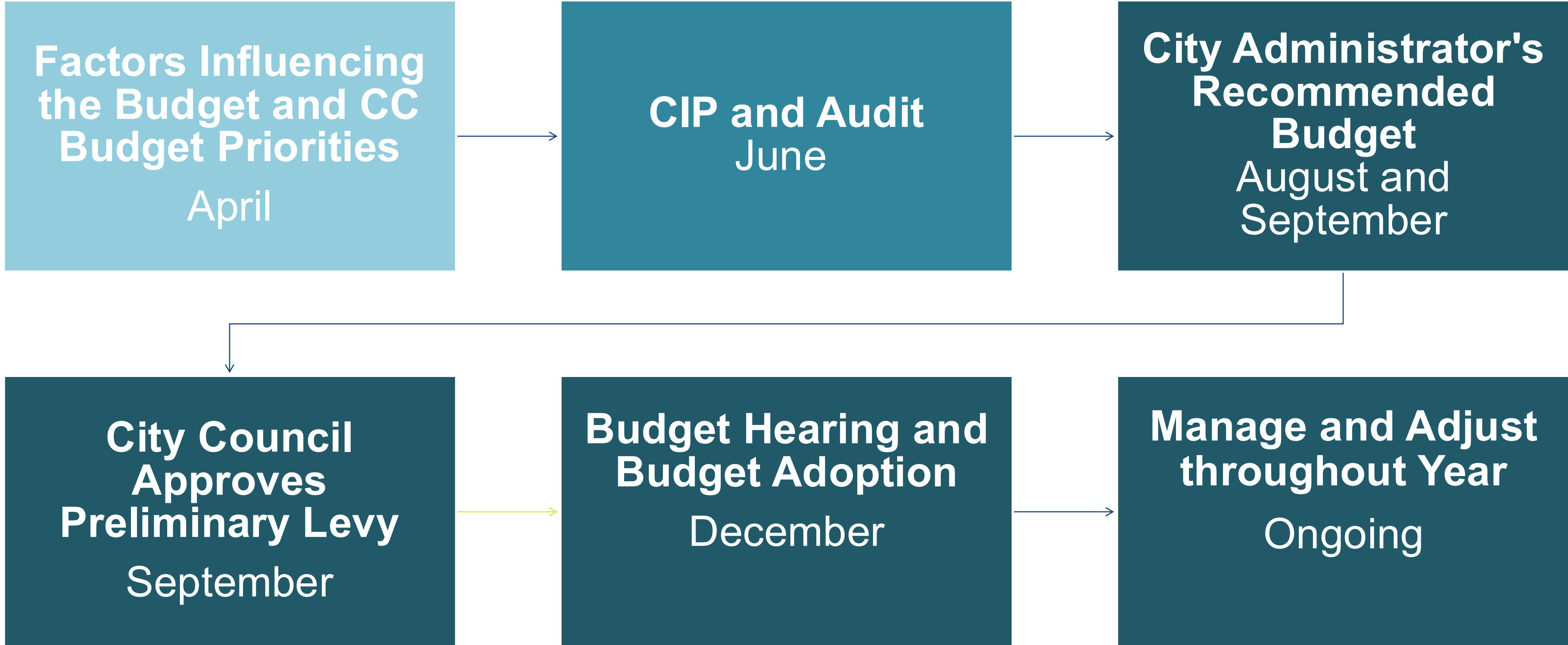


# POLICY CONSIDERATIONS

1. Are there questions or feedback on the 2026-2031 Recommended Capital Improvement Plan Budget
2. Is there preliminary feedback on the Outside Agency Recommendations that can be incorporated into the Recommended Budget?



# **Schedule and Brief Update on the 2026-2027 Recommended Budget**



# Update on the 2026-2027 Recommended Budget

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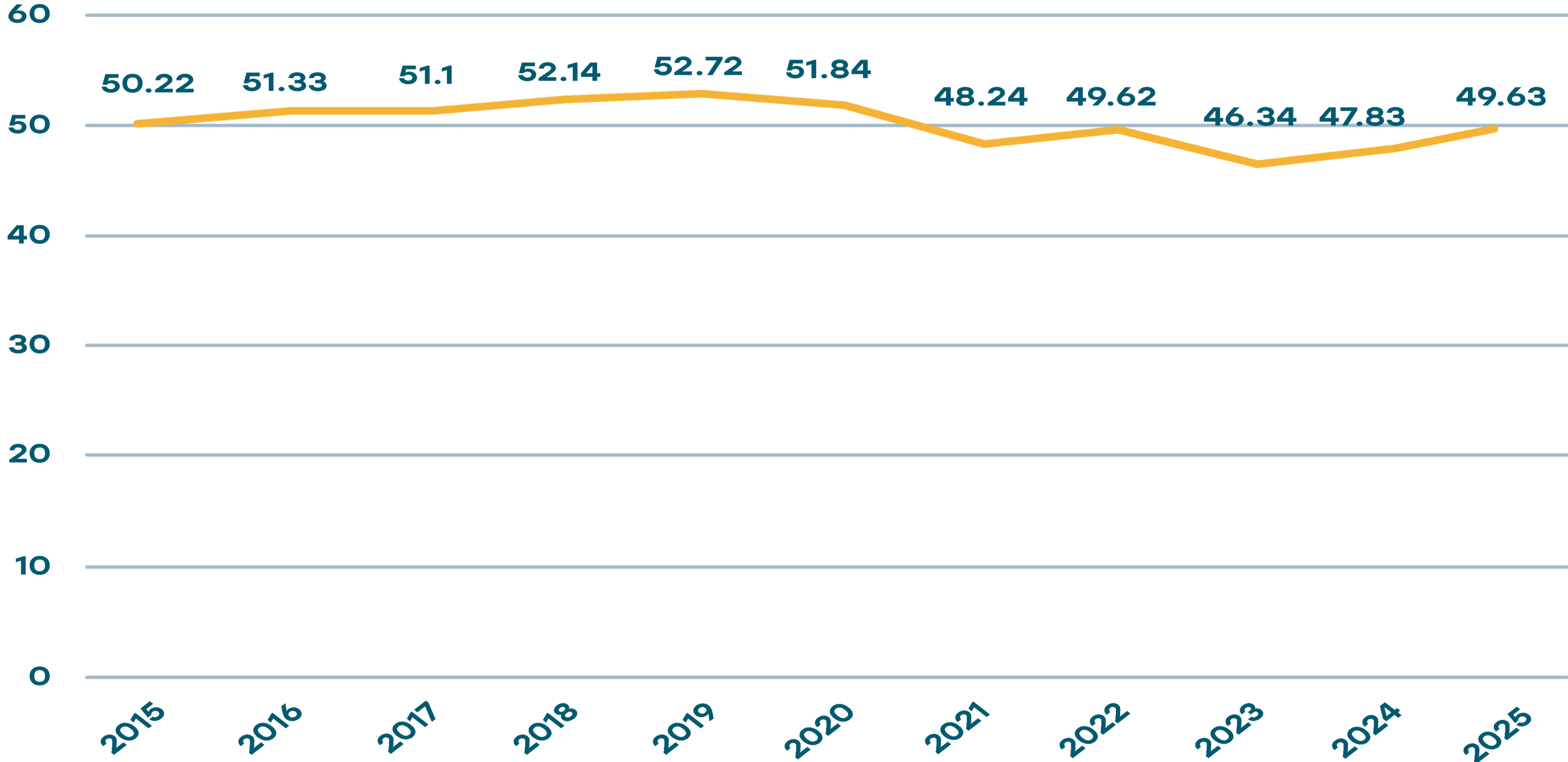
- **Decision Packages-** Decision Packages represent requests for new investments. We received a total of **\$4.2 million** in requests for **2026** reflecting a total levy investment of **\$4 million**. We also received **\$3.9 million** in requests for **2027**, reflecting a total levy investment of **\$3.7 million**.
- It is not uncommon to receive requests far in excess of what is ultimately recommended to the City Council in the near term.
- Applying the Strategic Priorities and Foundational Principles, as well as day-to-day needs and capacity challenges, results in prioritization of baseline and decision packages.

# Update on the 2026-2027 Recommended Budget

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- The property tax recommendation for 2026 is currently being finalized, but it is anticipated to be significantly less than the 11% increase reflected in the Five Year Financial Forecast. This does not include any of the Budget Optimization Discussion items on the next slide.
- Based on growth, the recommended levy increase aligns with our historical tax rates. While this is preliminary until September, we anticipate that commercial valuations will increase potentially mitigating the impact of residential property tax increases.

# City of Rochester Property Tax Rates since 2015



# Tax Impact – Median Value Home

City Levy	2025	Estimated 2026 Levy Increases Scenarios		
<b>City Levy Increase</b>	<b>Approved</b>	<b>6.00%</b>	<b>9.00%</b>	<b>12.00%</b>
Estimated Levy Increase		6,698,709	10,048,063	13,397,417
Current Levy	111,645,142	111,645,142	111,645,142	111,645,142
<b>Projected Levy</b>	111,645,142	<b>118,343,851</b>	<b>121,693,205</b>	<b>125,042,559</b>
<b>City Net Tax Capacity</b>	224,941,156	<b>237,449, 042</b>	<b>237,449, 042</b>	<b>237,449, 042</b>
<b>(Estimated - Actual NTC won't come out until Sep.)</b>				
<b>City Estimated Tax Rate</b>	49.63%	<b>49.84%</b>	<b>51.25%</b>	<b>52.66%</b>
<b>(Estimated - Actual NTC won't come out until Sep.)</b>				
Median Home Value	2025	Estimated 2026 City Tax Impact		
Median Home Value	\$ 288,200	<b>\$ 304,100</b>	<b>\$ 304,100</b>	<b>\$ 304,100</b>
Homestead MV Calc	\$ 20,612	\$ 19,181	\$ 19,181	\$ 19,181
Median Home Value	\$ 267,588	\$ 284,919	\$ 284,919	\$ 284,919
Median Home Value	1.00%	1.00%	1.00%	1.00%
Median Home Value	\$ 2,676	\$ 2,849	\$ 2,849	\$ 2,849
<b>City Net Tax Impact</b>	\$ 1,328	<b>\$ 1,420</b>	<b>\$ 1,460</b>	<b>\$ 1,500</b>

## Notes:

- This reflects new construction in the amount of 1.7% (final numbers won't come out until September).
- \$479.2M in new construction in Olmsted County occurred in 2024. \$331.1M of that occurred in Rochester.
- Existing commercial property valuations are projected to increase, which could result in a valuation shift, but it is too early to determine at this point. Of the 2,000 commercial properties reviewed by the Assessor for 2025, 2026 saw an increase in property values of around 20 percent.

## Budget Optimization Options ONLY if Council Authorizes the Reduction

Option	Est. Cost savings
<b>Community Development:</b> Discontinue short term licensing software and inspection	\$40,515
<b>Library:</b> Reduce hours for temporary salaries in the Library adjusting the number of holds, out of state interlibrary loan, and reducing Sunday hours by 4 hours (hours reduction could apply to any day of the week, but the savings would be less)	\$133,496
<b>Public Music:</b> Align 4th of July fireworks with another event or offer fireworks only	\$21,460 or \$19,040
<b>Parks:</b> Use less leased space for adaptive rec and less contracted services and use existing city staff and city facilities	\$7,000
<b>Parks:</b> Elimination of tall grass and diseased tree complaint response and no longer remove diseased trees on private property	\$97,630
<b>Parks:</b> Reduce hours for temporary salaries providing less park maintenance including mowing and trees	\$17,582
<b>Parks:</b> Reduce building maintenance and repair resulting in less contracted electrical and plumbing	\$19,460
<b>Total</b>	<b>\$334,723</b>



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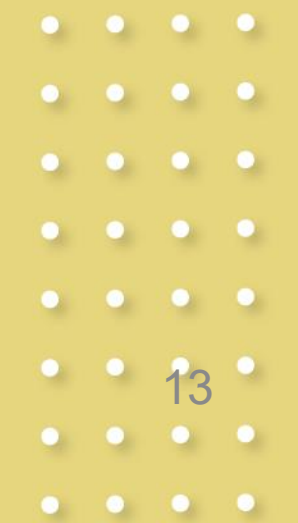
# **Review Recommended Capital Improvement Plan**



CITY OF  
**ROCHESTER**  
MINNESOTA

**2026-2031  
Recommended CIP  
Budget**

***BUILDING TOWARD  
TOMORROW***

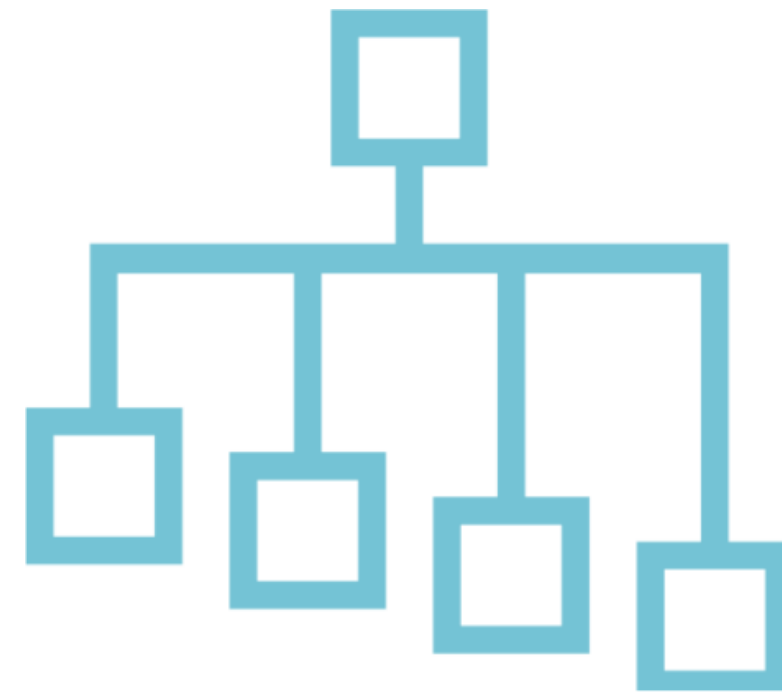




# 2026-2031 CIP PROJECTS (Not Including RPU or updated DMC)



**210 Projects**



**25 Categories**



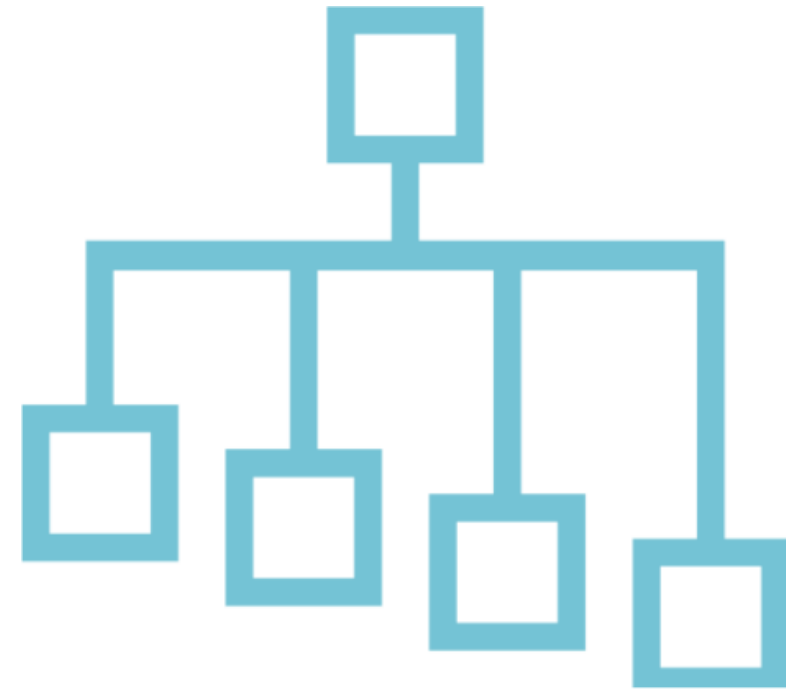
**\$560.4 Million  
Total Investment**  
(includes project reserves)



# 2026 CIP PROJECTS (NOT INCLUDING RPU or Updated DMC)



**127 Projects**



**24 Categories**



**\$144.9 Million  
Total Investment**  
(includes project reserves)



## 2026 CIP PROJECTS: Top Levy Supported Projects - \$9.3M (Not Including RPU or Updated DMC)

<b>2020 Parks Referendum</b>	<b>\$ 2,000,000</b>
<b>Annual Bituminous Street Rehabilitation, Resurfacing &amp; Prese</b>	<b>\$ 1,078,000</b>
<b>Facilities Reinvestment Fund</b>	<b>\$ 1,040,000</b>
<b>Willow Creek Regional Trail &amp; Safety Connection</b>	<b>\$ 750,000</b>
<b>Annual Bituminous Street Reconstruction</b>	<b>\$ 700,000</b>
<b>Annual ADA Transition plan</b>	<b>\$ 586,000</b>



## 2026 CIP PROJECTS: Top Five Overall Projects (Not Including RPU and Updated DMC)

<b>Runway 3/21 Reconstruction</b>	<b>\$ 32,442,589</b>
<b>Liquid &amp; Solids Upgrade</b>	<b>\$ 14,000,000</b>
<b>Rapid Transit Implentation</b>	<b>\$ 7,053,895</b>
<b>Center St. E from Zumbro Bridge to 11th Ave E (includes 11 Ave Intersection Improvements)</b>	<b>\$ 5,710,000</b>
<b>18th Ave SW (CR147) Reconstruction</b>	<b>\$ 4,950,000</b>





# 2026 CIP PROJECTS: WRP Liquid and Solids Upgrade

## Project Summary:

- Updating treatment process to meet new limits and reduce operational demands
- Reduce energy and chemical usage
- Replace 45+ year-old equipment at end of life

**Overall Construction Budget: \$91.3M**

## 2026 CIP Funding: \$14M

- \$78M previously awarded in 2024 and 2025.
- \$14M to cover 2026 costs plus contingency

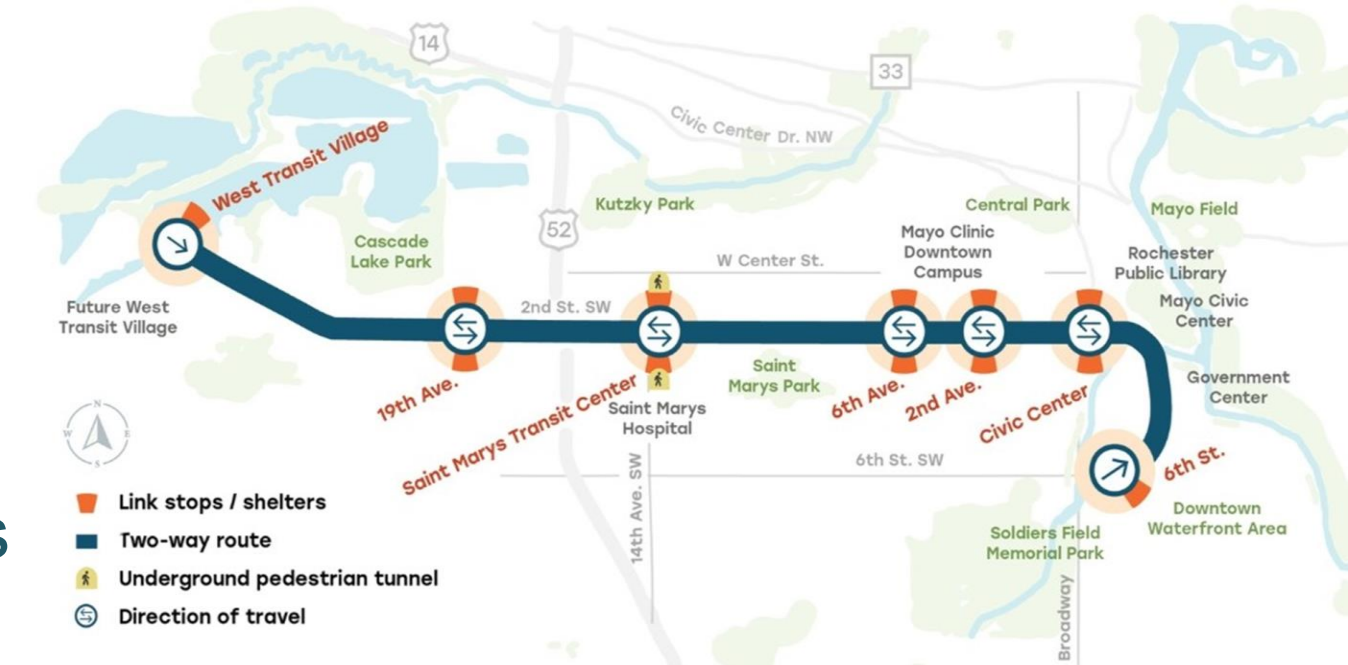
## Project Updates

- Construction August 2024 -January 2027.
- On schedule



# 2026 CIP PROJECTS: Bus Rapid Transit

**Project Summary:** The Link Bus Rapid Transit (BRT) system is a transformative transportation investment designed to enhance mobility, ease congestion, and support the continued growth of Rochester. By providing a fast, fare-free, and reliable transit option, with 12 stops located along the 2.8 mile long, 2nd St. corridor. Link will serve an estimated 11,000 commuters, residents, businesses, and visitors a day, strengthening downtown Rochester's accessibility and economic vitality



**Overall Project Budget: \$175,000,000**

**2026 CIP Funding: \$7.05M**

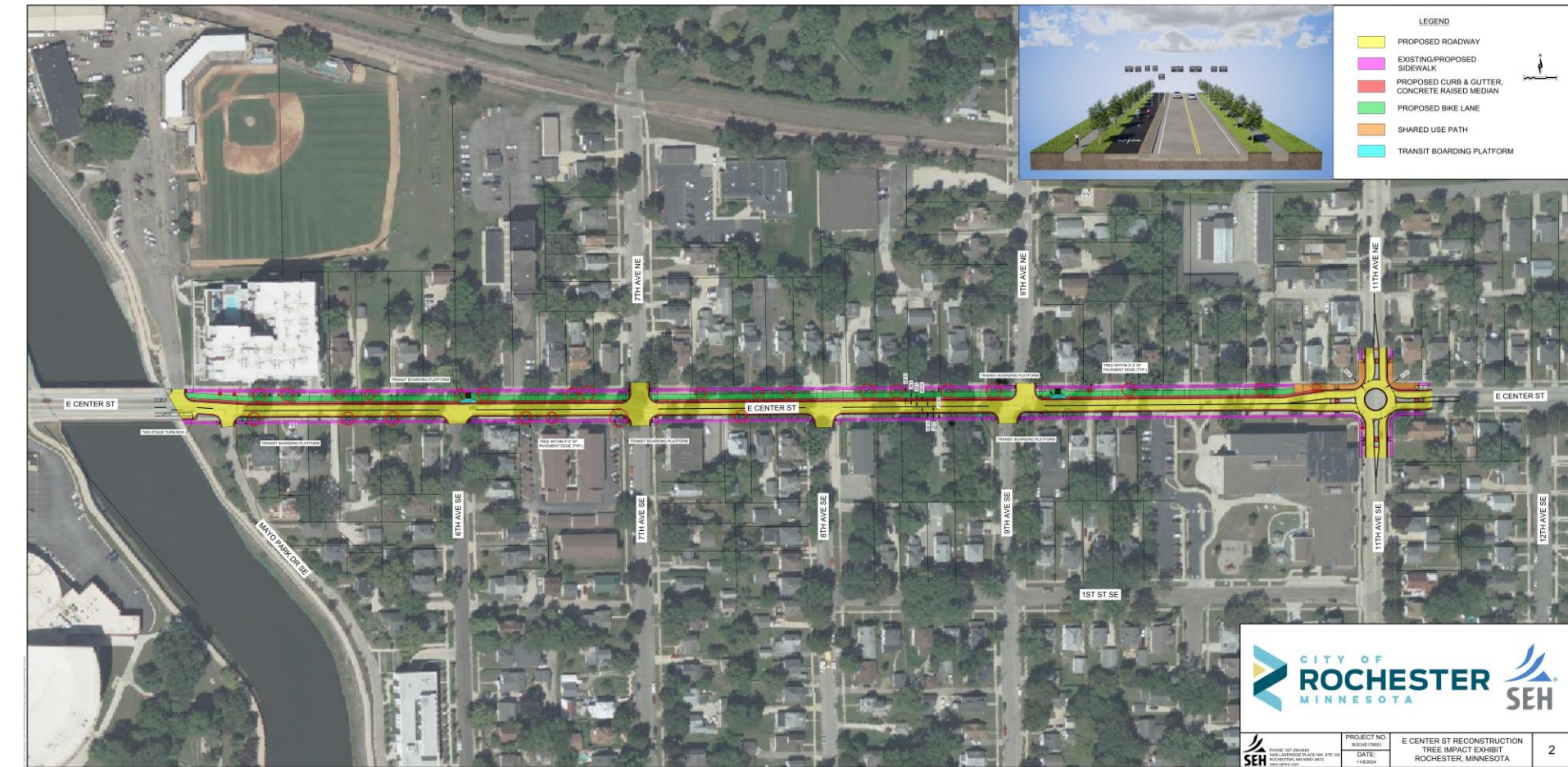
## Project Updates

- West Transit Village Contract Executed (\$7.25Million)
- Civil Underground and Infrastructure (\$21.3Million)
- Maintenance Bay Addition (\$4.5Million)
- Architectural Package bids to be received by June 17



# 2026 CIP PROJECTS: Center Street East Intersection Improvements

**Project Summary:** The reconstruction of East Center Street, from the Zumbro River to 11th Avenue NE/SE, will replace aging infrastructure, including utilities that date back to the early 1900s. The project also includes a range of improvements such as upgraded transit stops, enhanced pedestrian crossings, a protected cycle track, improved stormwater management systems, and a new mini roundabout at the 11th Avenue NE/SE intersection. Construction is scheduled for 2026.



**Overall Project Budget:\$6.7M**

**2026 CIP Funding:\$5.7M**

## Project Updates

- Currently in Final Project Design
- Bidding Planned for Early 2026



# 2026 CIP PROJECTS: 18th Avenue Reconstruction

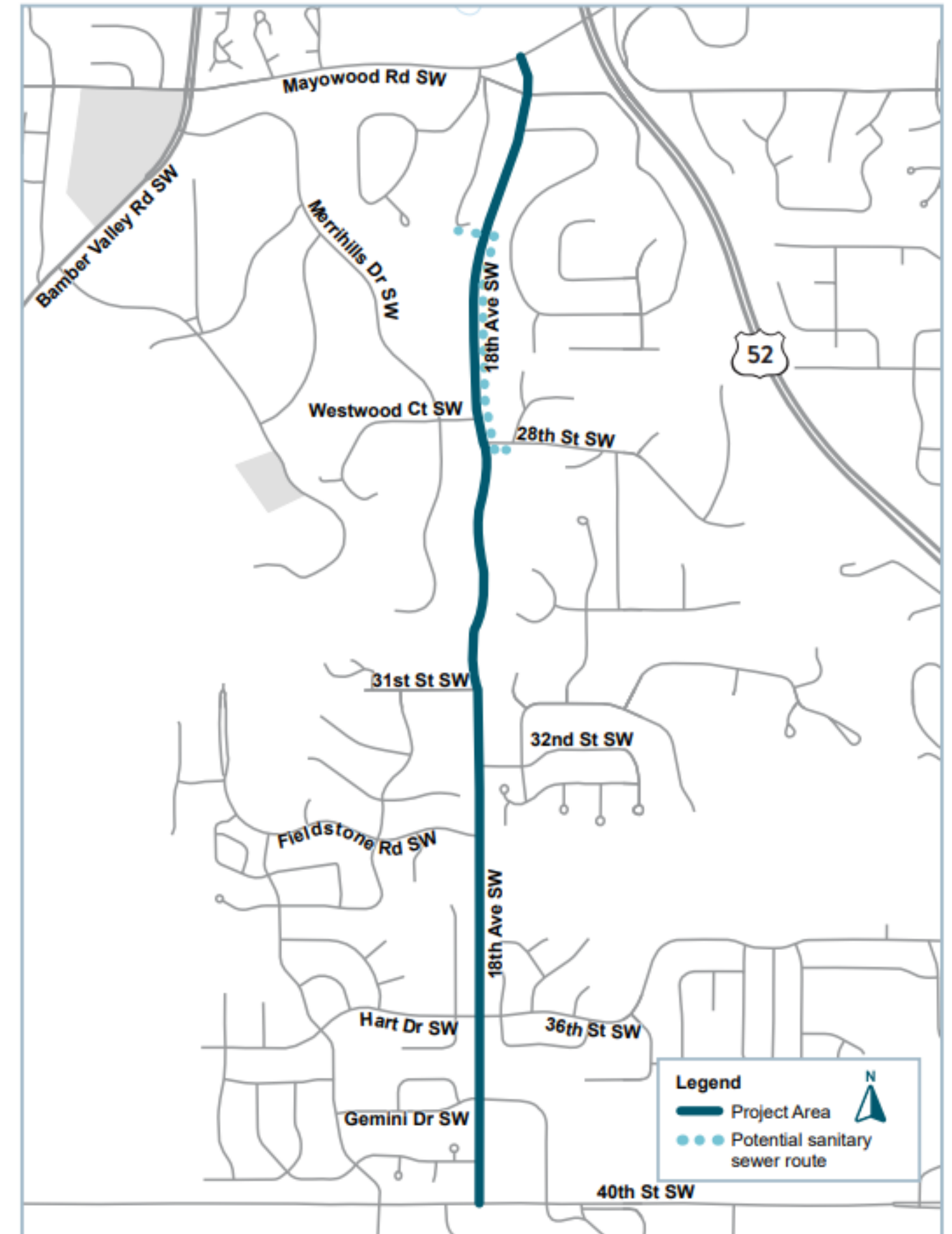
**Project Summary:** The 18th Avenue SW Reconstruction project is planned for reconstruction in 2026 and 2027 to address aging pavement and support the area's significant residential growth. The street is currently a County road and upon completion of the project will become a City street. The design will considered improvements to better serve the community for the next 20 years, including adding curb and gutters, trails, stormwater management, extended sanitary sewer, and enhanced safety features like improved crossings and reduced speed limits.

**Overall Project Budget: \$14.41M**

**2026 CIP Funding: \$4.95M**

## Project Updates

- Currently in Final Project Design
- Bidding Planned for Early 2026





# SIX YEAR CIP SUMMARY – SOURCES OF FUNDS

## (NOT INCLUDING RPU)

	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
<b><i>Sources of Funds</i></b>						
Tax Levy	9,313,100	9,323,008	9,702,454	10,021,397	10,167,324	9,921,841
Local Government Aid	1,076,049	1,076,049	1,076,049	1,076,049	1,076,049	1,076,049
Operating Transfer - fr General Fund	993,837	1,089,150	1,048,492	1,076,266	1,102,864	1,154,462
Operating Transfer - fr Other Funds	286,559	55,781	38,501	119,451	35,000	88,726
Operating Transfer - fr Sewer Utility	3,001,000	2,251,000	2,691,000	3,251,000	2,100,000	4,865,000
Operating Transfer - fr Storm Wtr Utility	875,250	1,150,250	3,235,250	2,000,250	1,000,000	2,950,000
Flood Control Reserves	710,000	960,000	-	-	-	-
Electric Utility	412,833	79,500	104,500	4,500	-	-
Water Utility	1,060,500	750,500	2,460,500	1,150,500	100,000	2,200,000
Retained Earnings	29,569,000	12,694,794	18,158,730	18,300,000	12,732,240	13,553,777
Olmsted County	781,522	923,599	54,099	304,099	304,099	304,099
State	11,234,600	3,805,000	837,000	2,551,500	537,500	975,000
Municipal State Aid for Streets	4,250,000	12,350,000	14,338,000	200,000	2,950,000	11,750,000
Federal	40,500,989	30,262,356	10,255,190	850,000	7,053,960	10,465,108
Sales Tax (2013 and 2024)	5,972,000	6,730,000	8,635,000	8,707,922	7,885,000	12,460,000
Sales Tax DMC	4,904,443	5,144,666	5,396,899	5,661,744	-	-
State DMC Funds	10,872,000	8,100,000	3,500,000	3,800,000	-	-
Transit Aid County DMC	3,221,558	3,000,000	-	-	-	-
Transit Aid State DMC	4,832,337	4,500,000	-	-	-	-
Private Funds	3,790,000	7,440,000	9,740,000	3,140,000	3,065,000	3,065,000
Storm Water Area Mgmt Charge	500,000	500,000	-	-	425,000	425,000
Traffic Improvement District Fees	-	-	100,000	-	-	-
Special Assessment Bonds	495,000	295,000	1,495,000	1,495,000	45,000	1,795,000
General Obligation Bonds	333,333	-	-	-	-	-
Project reserves	5,880,574	3,348,327	2,929,292	7,797,066	3,542,664	1,271,762
<b>Totals</b>	<b>144,866,484</b>	<b>115,828,980</b>	<b>95,795,956</b>	<b>71,506,744</b>	<b>54,121,700</b>	<b>78,320,824</b>



# SIX YEAR CIP SUMMARY – EXPENDITURE CATEGORIES (NOT INCLUDING DMC OR RPU)

<u>Major Expenditure Categories</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
Airport	45,712,589	25,360,000	1,430,000	5,220,000	1,350,000	900,000
Parks	2,765,000	4,765,000	2,865,000	2,790,000	2,915,000	2,865,000
Golf	200,000	200,000	200,000	200,000	200,000	200,000
Mayo Civic Center	2,271,085	2,417,577	2,403,884	2,459,432	2,512,628	2,615,824
Major Streets	18,903,549	22,806,949	40,042,649	17,996,449	15,126,049	31,691,049
Traffic	400,000	6,850,000	2,300,000	900,000	3,800,000	500,000
Pedestrian Facilities	6,521,000	6,316,000	3,941,000	4,391,000	3,941,000	3,941,000
Mass Transit	5,201,000	3,286,150	7,457,420	-	3,661,200	12,068,885
Parking	1,245,000	315,000	1,555,000	1,130,000	1,180,000	1,070,000
Sewer and Water	8,300,000	11,150,000	9,800,000	10,600,000	9,950,000	9,500,000
Storm Water	7,555,000	4,115,000	3,145,000	3,570,000	3,295,000	2,995,000
Water Reclamation	14,000,000	1,000,000	5,000,000	5,000,000	-	-
Flood Control	710,000	960,000	460,000	960,000	535,000	4,035,000
Destination Medical Center	23,830,338	20,744,666	8,896,899	9,461,744	-	-
Downtown Dvlpmnt/Tax Abatemnt District	100,000	100,000	100,000	100,000	100,000	100,000
Fire	265,000	310,000	275,000	310,000	275,000	310,000
Police	150,000	50,000	50,000	60,000	60,000	60,000
Library	338,498	108,630	91,350	172,300	89,099	142,825
Administration	6,398,425	4,974,008	5,782,754	6,185,819	5,131,724	5,326,241
<b>Totals</b>	<b>144,866,484</b>	<b>115,828,980</b>	<b>95,795,956</b>	<b>71,506,744</b>	<b>54,121,700</b>	<b>78,320,824</b>



# **Review and Provide Feedback on Outside Agencies**



# Outside Agencies: Summary of Services Provided

- **125 Live** offers health, social, educational, & recreational programs to enrich lives of older adults. Our investment supports active and social programming for seniors.
- **History Center of Olmsted County** preserves and shares local history through exhibits, educational programs, and archival resources. Our investment focuses on archival services and community programming.
- **Human Rights Commission** provides a phone line through Olmsted County to address human rights concerns.
- **Rochester Area Economic Development, Inc. (RAEDI)** supports business growth with planning, financing, and site selection assistance. RAEDI also administers a revolving loan program on behalf of the City.
- **RNeighbors** empowers neighborhoods through community engagement, environmental initiatives, and collaborative projects. Our service agreement supports neighborhood association capacity building, neighborhood tree planting, and related initiatives.
- **Rochester Art Center** fosters appreciation of contemporary art through exhibitions, education, and community events. Our investment supports operations and programming for the community and visitors.
- **Rochester Civic Theatre** produces live performances, educational programs, and outreach initiatives to enrich the arts. Our investment supports operations and programming for the community and visitors.
- **Rochester Downtown Alliance** enhances downtown vitality with events, promotions, and business support. Our investments support clean, green, and safe; downtown activation, and Peace Plaza stewardship.
- **Small Business Development Center (SBDC)** provides confidential consulting for small businesses, including business plans and financial projections. Our investment supports small business consultation.
- **Southeastern Minnesota Initiative Foundation (SMIF)** supports regional economic growth through grants, loans, and programming for early childhood and entrepreneurship.
- **Youth Council** engages young people in local governance, advising city and county leaders on community issues. Our investment supports programming focused on youth leadership development.



# Outside Agencies Budget Recommendation

Agency name	2026-2027 Funding Requested	2025 Funding	Increase from 2025 Funding to 2026 Rec	2026 Rec (5%)	Increase from 2026 Rec to 2027 Rec	2027 Rec (3%)	High End (2026 or 2027)	Notes for "high end"
125 Live	\$114,610	\$110,160	+\$4,450	\$114,610	+\$2,292	\$116,902	\$114,610	Funding is set by the operating agreement, with an additional \$10,500 allocated Annually for event parking
Community Building Fund	\$50,000	\$50,000		\$50,000		\$50,000	\$100,000	Could increase funding to enhance the small grant program
History Center	\$47,500	\$37,500	+\$10,000	\$47,500		\$47,500	\$47,500	
Human Rights Commission	\$12,500	\$5,400		\$5,400		\$5,400	\$6,000	Could fund at 2019 level
RAEDI	\$97,000	\$75,000		\$75,000		\$75,000	\$97,000	Would provide more operating dollars
RNeighbors	\$120,000	\$92,015	+\$17,985	\$110,000	+\$10,000	\$120,000	\$120,000	2027 funding increase requires stability In budget and budget planning
Rochester Art Center	\$192,780	\$178,500	+\$6,500	\$185,000	+\$2,000	\$187,000	\$192,780	Would provide more operating dollars
Rochester Civic Theatre	\$125,000	\$100,000	+\$15,000	\$115,000	+\$10,000	\$125,000	\$125,000	Increase would support their programming and work in hosting 25+ nonprofits & community organizations
Rochester Downtown Alliance	\$250,000	\$125,000		\$125,000		\$125,000	\$155,000	Could fund a pilot marketing program For an additional \$30,000
RochesterFest	\$35,000	\$24,905	+5,095	\$30,000	+1,500	\$31,500	\$35,000	Could fund entire requested increase
SBDC	\$50,000	\$15,000		\$15,000		\$15,000	\$15,000	
SMIF	\$15,000	\$15,000	-\$15,000	\$0		\$0	\$0	
Youth Council	\$10,000	\$10,000		\$10,000		\$10,000	\$10,000	
<b>Total:</b>	<b>\$1,119,390</b>	<b>\$838,480</b>	<b>+\$44,030</b>	<b>\$882,510</b>	<b>+\$25,792</b>	<b>\$908,302</b>	<b>\$1,017,890</b>	<b>High End Adds \$179,410 (21% increase)</b>



# Outside Agencies Budget Recommendation Detail

Agency name	2026-2027 Funding Requested	2025 Funding	Increase from 2025 Funding to 2026 Rec	2026 Rec	Increase from 2026 Rec to 2027 Rec	2027 Rec	Notes
125 Live	\$114,610	\$110,160	+\$4,450	\$114,610	+\$2,292	\$116,902	Funding is set by the operating agreement, with an additional \$10,500 allocated annually for event parking if achieved
Community Building Fund	\$50,000	\$50,000		\$50,000		\$50,000	Static Funding focused on small grants up to \$5,000 each
History Center	\$47,500	\$37,500	+\$10,000	\$47,500		\$47,500	Historical funding was \$27,000. 2026 increase to support a free field trip to an entire grade (3rd or 6th) to experience history
Human Rights Commission	\$12,500	\$5,400		\$5,400		\$5,400	City has historically paid for a portion of the phone line
RAEDI	\$97,000	\$75,000		\$75,000		\$75,000	Continuation funding
RNeighbors	\$120,000	\$92,015	+\$17,985	\$110,000	+\$10,000	\$120,000	2026 funding addresses adjusts closer to 2020 funding level 2027 funding increase contingent upon Rneighbors budget stability and planning
Rochester Art Center	\$192,780	\$178,500	+\$6,500	\$185,000	+\$2,000	\$187,000	Increase would support operations and increased programming
Rochester Civic Theatre	\$125,000	\$100,000	+\$15,000	\$115,000	+\$10,000	\$125,000	Increase would support programming and work in hosting 25+ nonprofits & community organizations
Rochester Downtown Alliance	\$250,000	\$125,000		\$125,000		\$125,000	Continuation funding, \$35,000 increase in 2022
RochesterFest	\$35,000	\$24,905	+5,095	\$30,000	+1,500	\$31,500	Adjustment to funding to recognize increasing costs
SBDC	\$50,000	\$15,000		\$15,000		\$15,000	Continuation – funding included in base budget in 2024
SMIF	\$15,000	\$15,000	-\$15,000	\$0		\$0	SMIF has annual revenue of \$5.6M - focus \$ locally
Youth Council	\$10,000	\$10,000		\$10,000		\$10,000	Continuation funding
<b>Total:</b>	<b>\$1,119,390</b>	<b>\$838,480</b>	<b>+\$44,030</b>	<b>\$882,510</b>	<b>+\$25,792</b>	<b>\$908,302</b>	



# POLICY CONSIDERATIONS

1. Are there questions or feedback on the 2026-2031 Recommended Capital Improvement Plan Budget
2. Is there preliminary feedback on the Outside Agency Recommendations that can be incorporated into the Recommended Budget?