

BUDGET IN BRIEF

2025



As a steward of taxpayer dollars, the City of Rochester, MN prides itself on providing transparency and accountability in its budget.

This document is intended to provide you with information about your City's budget process. Included in the Budget in Brief are totals for revenues and expenditures. Also included in the Budget in Brief are facts about the various departmental budgets.

It is important to note that the City of Rochester is able to maintain its positive financial condition and AAA credit rating due to the fiscally responsible actions taken in the prior years and by prudently investing in service

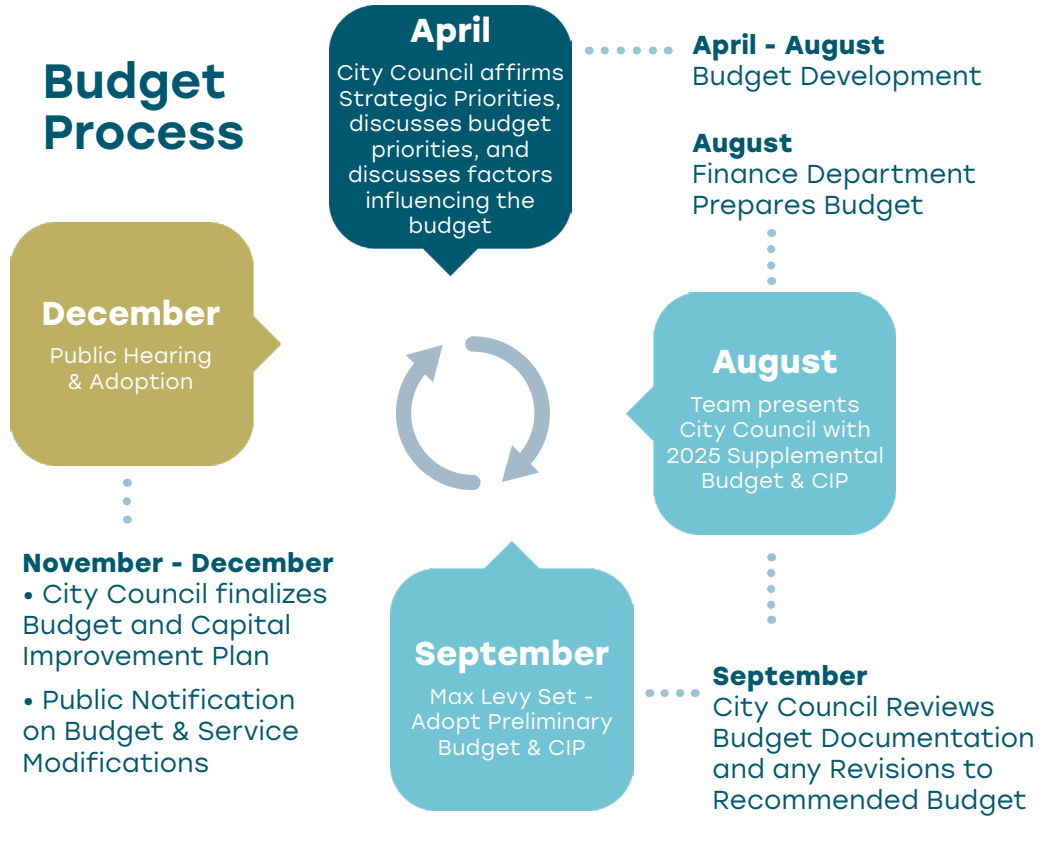
level enhancements as resources allow. The 2025 budget represents a financial commitment to the vital and necessary services that our residents and businesses depend on. It also continues some prior year cost reductions, while prioritizing necessary strategic investments for a growing city.

The 2025 Supplemental Budget modifies the previously approved 2024-2025 Operating Budget. It is where budget priorities and an initial budget for both years is set.

The Goals of the Process are:

- Ensure sufficient revenues exist to deliver existing and proposed services and projects
- Prioritize both operating and capital expenditure
- Advance the City's commitment to financial sustainability
- Align resources with City Council strategic priorities

Budget Process

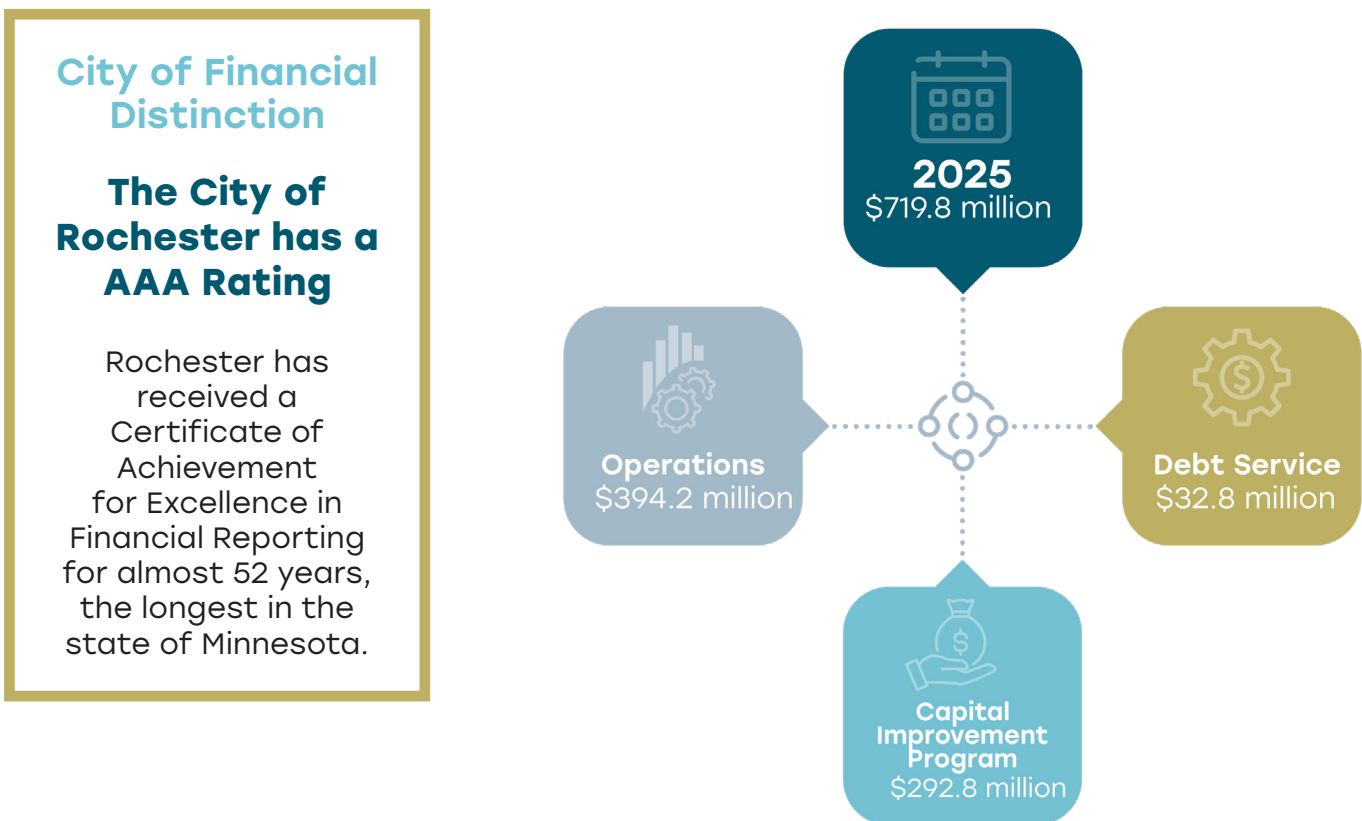


2025 Adopted Budget

The 2025 adopted budget is \$719,842,871 with the General Fund expenditures accounting for \$126,331,898. The Capital Improvement Plan (CIP) accounts for \$292,827,356 with the five-year supplemental CIP totaling \$1.2 billion. The City's other major funds including the Enterprise, Special Revenue, Debt, and Internal Service Funds and Airport total \$300,683,617.

The inclusion of Rochester Public Utilities' (RPU) budgets with all other City budgets is to ensure a comprehensive financial picture. It is included in the same document for the benefit of the Mayor, City Council, community, and Rochester team.

City of Rochester Budget 2025, Inclusive of RPU



Budget Formula



Where the Money Comes From

General Fund

\$126,331,898

Tax dollars are accounted for in the General Fund, along with license fees, permit fees, state shared revenues, interest income, miscellaneous revenues, and prior year revenue. This portion of the budget is comprised largely of discretionary funds, since the Mayor and City Council can allocate the funds to programs and services in any area. There are few restrictions on how these resources may be allocated. The City cannot use fees collected from services for discretionary use.

General fund dollars are used to support such City services as police and fire, as well as streets, community development and administrative support services.

Enterprise, Special Revenue, Capital Improvement Plan, Airport, Debt, and Internal Service Fund

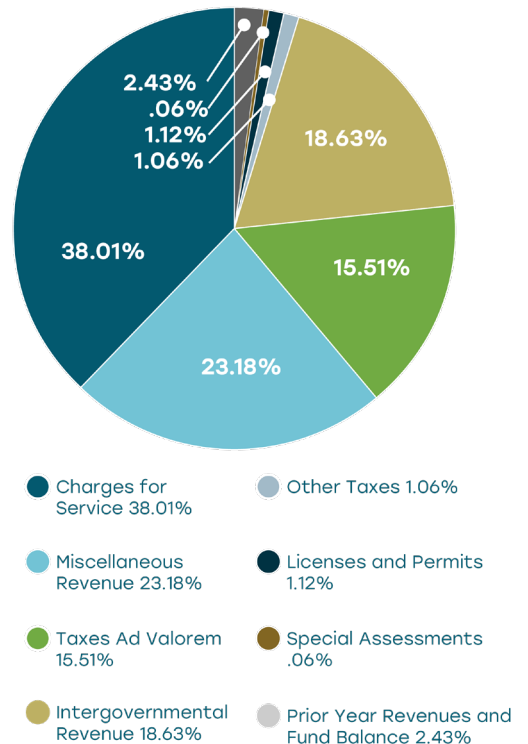
\$593,510,973

The City of Rochester has a few different enterprise and special revenue funds. Enterprise funds are entirely funded through customer charges and do not require tax support. These include electric utility, water utility, sewer utility, storm water utility, and the parking fund. Special revenue funds are a combination of customer charges and taxes. These include: municipal recreation, library, and transit.

2025 Total Operating Revenue Inclusive of RPU

As shown in the chart, the majority of funding for the City of Rochester budget comes from sources other than property taxes. Those taxes fund 15.51% of the total revenues. Items like charges for services, which are items like electricity, water, parking, and sewer fund the total budget by 38.01%.

2025 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

Property Tax

Average Residential Home



| | | | |
|----------------|-------------------|-----------------------|--------------------|
| 38.57% | 47.40% | 12.47% | 1.56% |
| Olmsted County | City of Rochester | School District (535) | Olmsted County HRA |

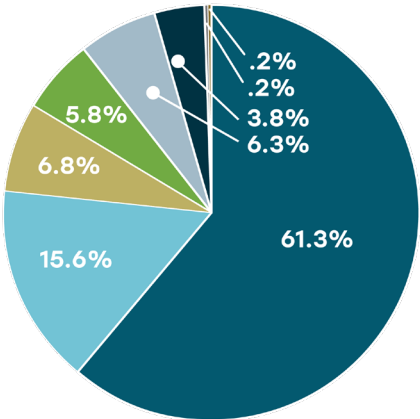
Commercial/Industrial Property



| | | | | |
|----------------|-------------------|-------------|-----------------------|--------------------|
| 32.3% | 39.25% | 20.22% | 6.92% | 1.3% |
| Olmsted County | City of Rochester | State of MN | School District (535) | Olmsted County HRA |

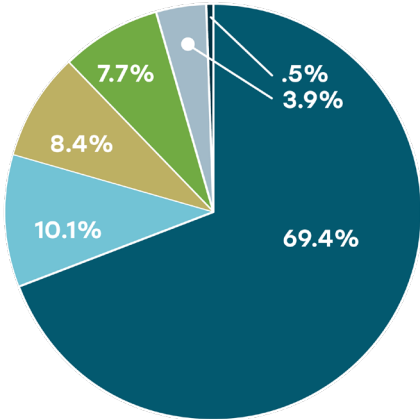
In total, the City of Rochester receives \$111.6 million from residential and commercial property tax. Residential property owners pay 55.1% of the levy, commercial property owners pay 33.2%, apartment complexes pay for 10.5% of the levy and other sources account for 1.2% of the total levy. Of the \$111.6 million, 69.4% supports the General Fund, while 10.1% supports the Parks & Recreation department and 7.7% supports the Rochester Public Library.

General Fund Revenue \$126,331,898



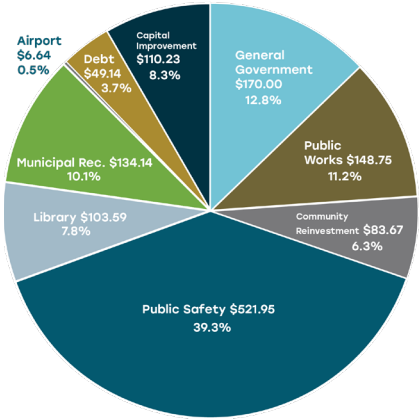
- Taxes Ad Valorem 61.3%
- Misc Revenue 15.6%
- Intergovernmental 6.8%
- Other Taxes (such as Hotel/Motel tax, Cable Franchise Fee, and People Coop Franchise 5.8%
- License & Permits 6.3%
- Charges for Govt Services 3.8%
- Prior Year Revenue .2%
- Fines, Forfeits, and Penalties .2%

2025 Property Tax \$111,645,142



- General 69.4%
- Parks and Recreation 10.1%
- CIP 8.4%
- Rochester Public Library 7.7%
- Debt. Internal Services 3.9%
- Airport .5%

Property Tax Allocation for Median Home Value of \$288,200

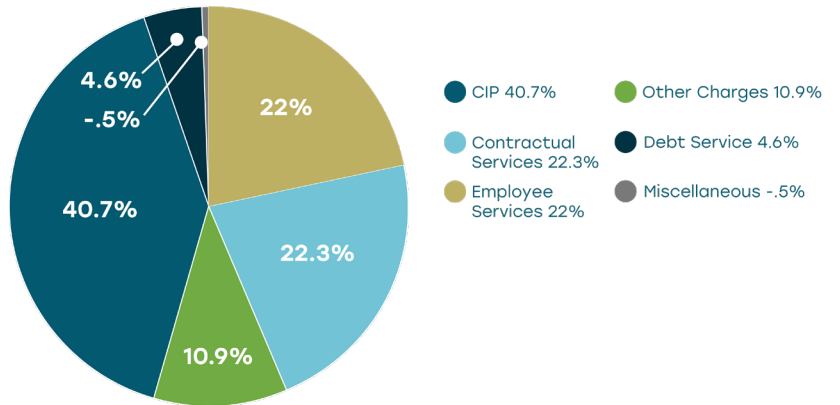


- Public Safety 39.3%
- General Government 12.8%
- Public Works 11.2%
- Municipal Recreation 10.1%
- Library 7.8%
- Capital Improvement 8.3%
- Debt 3.7%
- Community Reinvestment 6.3%
- Airport 0.5%

Where Does the Money Go?

Overall, the adopted 2025 budget includes expenditures in six major categories for all funds. The largest being the CIP at \$292.8 million dollars. Approximately 22% of the City's total budget is invested in Employee Services, with a total of \$158.3 million dollars. This expense is for the City's full-time and part-time employees, which allows the City of Rochester to deliver high quality services. Approximately 71% is related to salaries, while 29% is related to benefits.

2025 Adopted Budget of \$719,842,871



General Fund Expense \$126,331,898

- Public Safety (56.6%)**
 - Police
 - Animal Control
 - Dispatch
 - Fire
 - Building Safety
 - Flood Control and Emergency Management
- General Gov. (18.3%)**
 - Mayor and City Council
 - City Administration
 - City Clerk
 - Elections
 - Administration Fines
 - Finance
 - City Attorney
 - Human Resources
 - Planning and Zoning
 - Information Technology
 - City Hall Maintenance
- Public Works (16.2%)**
 - Engineering
 - Street Infrastructure
 - Fleet Maintenance
 - Traffic and City Lighting
- Other (8.9%)**
 - Music Art City/ Civic Theatre/ 125 Live
 - Community Reinvestment
 - Development Administration
 - Economic Development
 - Central Business District
 - Unallocated Contingency

Top 5 CIP Projects

- Rapid Transit Implementation** (Total Project Cost \$157.1 million) - \$86.2M
- Parks Maintenance Facility** (Total Project Cost \$43 million) - \$43M
- Liquid and Solids Upgrade** (Total Project Cost \$84 million) - \$30M
- Firm Dispatchable Generation** (Total Project Cost \$120 million) - \$12M
- Economic Vitality** (Total Project Cost \$6.5 million) - \$6.5M

Vision, Principles, Priorities



2024 Community Survey Results

A representative sample of 635 Rochester residents were collected between July 19 to August 25, 2024. The margin of error around any reported percentage is 4% for all respondents and the response rate of the 2024 Community Survey was 15%. Survey results were weighted so that the demographics profile of respondents was representative of the demographic profile of adults in Rochester.



78%
rate Rochester as an excellent or good place to raise children



72%
rate the quality of life in Rochester as excellent or good



77%
rate the overall feeling of safety in Rochester as excellent or good



79%
plan to remain in Rochester for the next 5 years



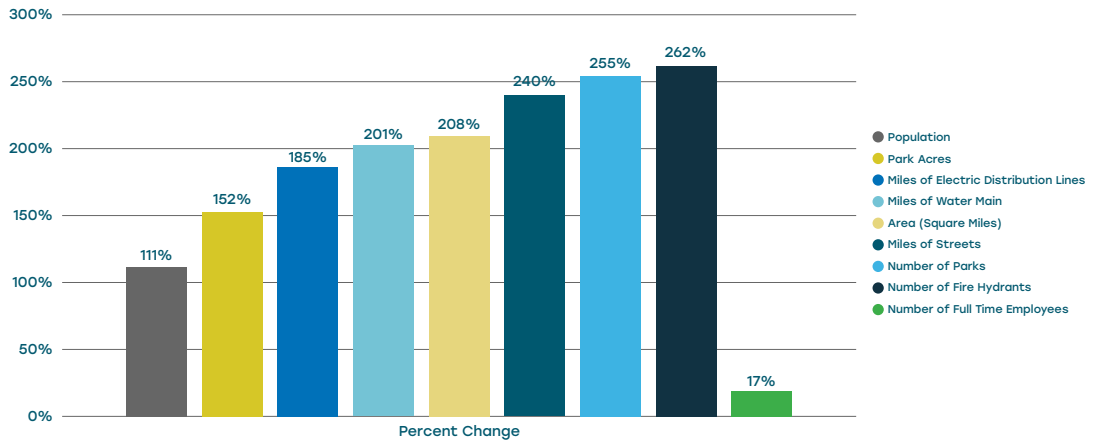
74%
would recommend living in Rochester to others

Incorporated
1854

55
Square miles

Population
125,000*

Percent Change of Operating Indicators 1980 - 2022



Rochester Fire Department

- Projected over 12,000 calls for service
- 250 fire responses
- Over 6,000 medical responses
- Over 500 commercial inspections completed
- 68 fire investigations conducted

Rochester Police Department

- Sworn strength of 155 officers
- Approx. 60,000 incidents
- Approx. 400 DUI arrests

Parks & Recreation is responsible for

- 2,989 acres of parkland
- 2,011 acres of additional public lands
- 100 playground areas
- 145 individual park areas to visit
- over 50 miles of trails and sidewalks

Community Development Department

- 32,000+ Construction Inspections
- 225+ Planning Applications Reviewed
- 880+ New Housing Units
- 12,500+ Construction Permits Issued
- 22,000+ Housing Units Inspected
- \$830M+ in Construction

Wastewater Utility collects and treats **4.57 billion** gallons annually and beneficially reuse **10.8 million** gallons of biosolids as a natural soil amendment in 2024

*Based on most recent demographers estimate



Awards and Accolades

- Gold LEED City
- AAA Bonding Rating
- Certificate of Achievement for Excellence in Financial Reporting for almost 50 years
- One of the Best Places to Live in the U.S. - Livability
- Inclusive Workforce Employer (I-WE) Designation from Workforce Development Board of Southeast Minnesota
- 2nd Best Place for Veterans to Live by Veterans United

Budget in Brief



City Attorney (2022)

Opened:
552 gross misdemeanor cases
2026 misdemeanors
176 petty misdemeanors
Assisted 549 crime victims

City Clerk (2022)

Issued 1281 licenses in 2024
Processed 1008 requests for public data/records
Executed 538 contracts of behalf of the City
Hired, trained, and coordinated over 800 election judges for the 2024 General Election

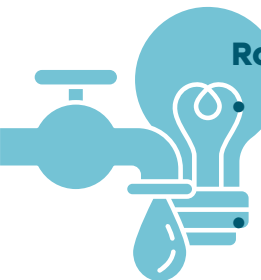
Library

375,000 visits (4% increase from 2024) and 2.2 million collection use (5% increase from 2024)



Rochester Public Utility

- 857 miles of distribution lines and 42.4 miles of transmission lines maintained and serviced
- 620.3 miles water distribution pipe maintained and serviced
- 66,380 customer calls (est.)
- 15,100 walk ins (est.)
- 6,200+ safety training assignments completed
- Projected to meet annual energy savings goal of 1.5% of average retail sales (17,621,930 kWh)



Rochester Public Music
produced 32
community events,
reaching 20,633
residents and visitors
in 2024!



Public Works (2024)

- Maintain over 500 miles of street
- Chip sealed 27.4 centerline miles
- Annual mill & overlay project 18 miles
- Blacktop patched 8,706 tons
- Poured 579 yards of concrete
- Street sweeping: 16,000 miles



CITY OF
ROCHESTER
MINNESOTA



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High Performance Organization

City of Rochester High Performance Organization (HPO) Philosophy
Organize as a City to create an extraordinary public service organization by supporting the purpose of each department's services with the belief:

- The City can achieve anything through teamwork, innovation and collective strategy that supports the overall mission of the organization
- HPO seeks to build and support an organizational culture where achievements are celebrated, teamwork is elevated, passionate people thrive and we are purpose driven

This approach helps achieve the Organizational Vision and ensure we are “a vibrant, compassionate, innovative team.”

High Performance will only be achieved through constant focus on building and nurturing an organizational culture that will support the HPO Philosophy.

Creating an organizational environment that prioritizes people, problem-solving, service optimization and customer relationships is critical. It involves a holistic approach encompassing culture, organizational structure and team development.

1. CULTURE OF EMPOWERMENT & COLLABORATION

- Foster a culture that values and prioritizes people. Ensure employees feel heard, valued and empowered.
- Encourage open communication and feedback at all levels.
- Recognize and reward achievements to boost morale.
- Participate in learning opportunities and training to increase knowledge around diversity, equity and inclusion (DEI), have a growth mindset and embed new learnings and skills into daily business practices.

2. PROBLEM-SOLVING FRAMEWORK

- Implement a systematic problem-solving framework to address challenges efficiently.
- Encourage a culture that views problems as opportunities for improvement.
- Establish cross-functional problem-solving teams to tackle complex issues. Forward Team, Leadership Forum and Impact Team Model.

3. SERVICE OPTIMIZATION

- Regularly assess and optimize service processes to enhance efficiency and quality.
- Implement technology solutions to streamline workflows and improve service delivery.
- Solicit customer feedback regularly to identify areas for improvement.

4. CUSTOMER-CENTRIC RELATIONSHIPS

- Develop strong relationships with customers by prioritizing their needs and expectations.
- Build capacity for employees in customer service skills and empathy.
- Utilize customer feedback to iterate and improve products/services.

5. ORGANIZATIONAL STRUCTURE & CAREER GROWTH

- Periodically review and adapt the organizational structure to align with business goals.
- Implement a clear career growth path for teammates, emphasizing skill development and promotions from within.
- Provide ongoing development and mentorship programs

6. LEADERSHIP DEVELOPMENT

- Identify and nurture leadership qualities within the organization.
- Establish a leadership development program with mentoring, coaching and skill-building components (HPO Academy).
- Encourage leaders to lead by example, promoting organizational values.

7. INTERDEPARTMENTAL RELATIONSHIPS

- Foster collaboration between departments through regular cross-functional meetings.
- Implement shared goals that require collaboration between different teams.
- Encourage social interactions through team-building activities.

8. EFFECTIVE COMMUNICATION

- Establish a robust communication strategy, utilizing both formal and informal channels.
- Implement tools for transparent and accessible communication.
- Conduct regular virtual Teammate Town Hall meetings to inform teammates about organizational changes and updates.

9. CONTINUOUS IMPROVEMENT

- Embrace a culture of continuous improvement where every process, policy and structure is subject to regular review.
- Encourage employees to propose improvements and provide constructive feedback.

10. FLEXIBILITY & ADAPTABILITY

- Build an organization that is agile and can adapt to changing conditions.
- Promote a flexible work environment that accommodates diverse needs and preferences.

11. WELL-BEING & WORK-LIFE BALANCE

- Prioritize employee well-being by offering wellness programs and mental health support.
- Promote a healthy work-life balance to prevent burnout and enhance productivity.

12. MEASUREMENT & ACCOUNTABILITY

- Establish key performance indicators (KPIs) to measure success in each area.
- Hold leaders and teams accountable for meeting performance and improvement targets.

Forward Together

By implementing these strategies, our organization can create an environment that values its people, solves problems effectively, optimizes services and builds strong customer relationships, all while fostering growth and adaptability. The tactics to achieve the cultural outcome will continue to adjust and evolve as we see success and build toward the next level.