



2020 Baseline Budget and 2020-2025 CIP

City Council Study Session
August 26, 2019



City of Financial Distinction

The City of Rochester has a AAA Rating

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



Team Rochester

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

PHASE 1:
Preparation

February 19 through April 12

PHASE 2:
Prioritization

April 5 through May 27

PHASE 3:
Development

May 31 through July 15

PHASE 4:
Recommendation

July 22 through September 9

PHASE 5:
Adoption

September 16 through December 16





Overall Goals

Receive budget overview

Review recommended Decision Packages

Review Capital Improvement Program (CIP)

Discuss potential revenue opportunities

Adopt preliminary budget and set maximum levy

Receive Council direction on next steps



August 26 Agenda

Overview budget

Discuss recommended Decision Packages

Discuss potential fee supported positions

Receive Council direction on next steps



September 4 Agenda

Discuss community organization requests

Discuss Capital Improvement Program

Discuss potential revenue opportunities

Receive Council direction on next steps



September 9 Agenda

Continue or follow up items from previous meetings

Adopt preliminary 2020 operating and 2020-2025 CIP budget

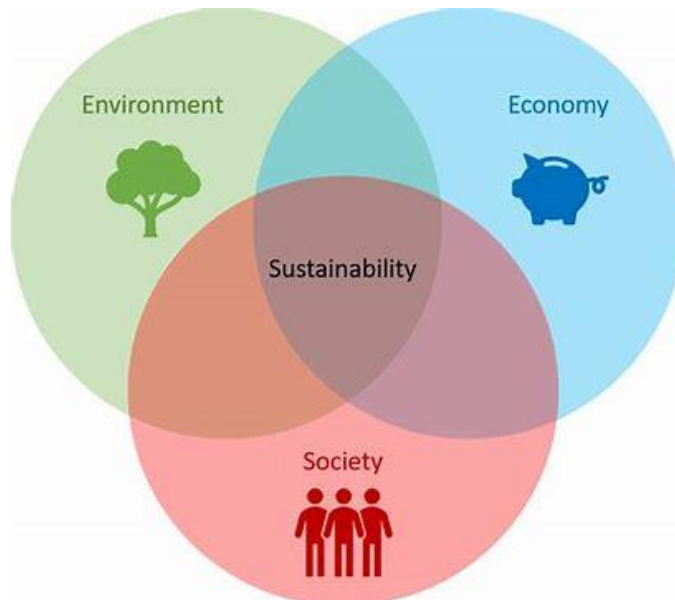
Set maximum 2020 tax levy

Receive Council direction on next steps



Organizational Vision

A vibrant, compassionate,
innovative team



Foundational Principles

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

ROCHESTER CITY COUNCIL'S 2020 BUDGET ADOPTED PRIORITIES

Organizational Vision: A vibrant, compassionate, innovative team

Foundational Principles:

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

Strategic Priorities:

- Enhance quality of life
- Foster a team-oriented culture
- Manage growth and development
- Balance public infrastructure investment

2020 Budget Process	Category	Responsible Party
<ul style="list-style-type: none"> • Assess DMC EDA obligations, partnerships and funding expectations 	Policy	Admin, Attorney, Fin
<ul style="list-style-type: none"> • Revise the Land Development Manual to better reflect Comprehensive Plan 	Policy	CD
<ul style="list-style-type: none"> • Review allocation options for Lodging Tax to better support organizations involved in visitor experience 	Policy	Admin
<ul style="list-style-type: none"> • Consider establishing “caps” on how much funding will be provided to outside agencies/organizations 	Policy	Admin
<ul style="list-style-type: none"> • Review Payment in Lieu of Taxes (Pilot) calculations 	Policy	Admin, Fin, RPU, PW
<ul style="list-style-type: none"> • Consider funding a legislative and government liaison position; evaluate current memberships as one funding source 	Policy	Admin
<ul style="list-style-type: none"> • Consider North Station and Service Center Construction with other requests 	Project	Admin, Police
<ul style="list-style-type: none"> • Consider funding all GARE team recommendations and increase ICI commitment as part of social equity principle 	Program	Clerk, HR, All
<ul style="list-style-type: none"> • Review Soldier’s Field Master Plan 	Operation/ Maintenance	Parks
<ul style="list-style-type: none"> • Improve parks and public spaces: 	Operations/	

ROCHESTER CITY COUNCIL'S 2020 BUDGET ADOPTED PRIORITIES

<ul style="list-style-type: none"> i. Park Safety – Community Service Officers or Seasonal Rangers ii. Trash management and recycling iii. Trail use, maintenance, year-round use, etc. iv. Park Programming 	Maintenance	Parks
<ul style="list-style-type: none"> • Enhance downtown policing 	Operations/ Maintenance	PD
<ul style="list-style-type: none"> • Mayor to prepare a funding request for specific 2020 initiatives for council consideration 	Operations/ Maintenance	Mayor
<ul style="list-style-type: none"> • First priority is to maintain existing assets 	Project	Admin, Parks, PW, Lib
<ul style="list-style-type: none"> • Fund fewer CIP projects with focus on completing projects annually 	Project	All
<ul style="list-style-type: none"> • Focus on continuing to fund parks based on prioritized list 	Project	Parks
<ul style="list-style-type: none"> • Increase street funding to reduce the unfunded liability 	Project	PW
<ul style="list-style-type: none"> • Complete trail connection gaps 	Project	Parks, PW
<ul style="list-style-type: none"> • Consider funding a new downtown library facility rather than spending funds to maintain/repair existing 	Project	Admin, Library
<ul style="list-style-type: none"> • Consider funding to update the Bicycle Master Plan 	Policy	PW, CD

2019	Category	Responsible Party
<ul style="list-style-type: none"> • Consider establishing Public Safety Master Plans 	Policy	FD
<ul style="list-style-type: none"> • Continue proactive policing efforts vs citizen complaint particularly for parking 	Operations/ Maintenance	PD, PW
<ul style="list-style-type: none"> • Assess the number of City golf courses 	Operations/ Maintenance	Parks
<ul style="list-style-type: none"> • Review fee schedule to cover a higher percent of costs 	Policy	Admin
<ul style="list-style-type: none"> • Review and assess current operating and funding practices for the Rec Center and 125Live 	Operations/ Maintenance	Parks
<ul style="list-style-type: none"> • Evaluate clean, green and safe for downtown with the RDA 	Program	Admin, PW, Parks, PD

ROCHESTER CITY COUNCIL'S 2020 BUDGET ADOPTED PRIORITIES

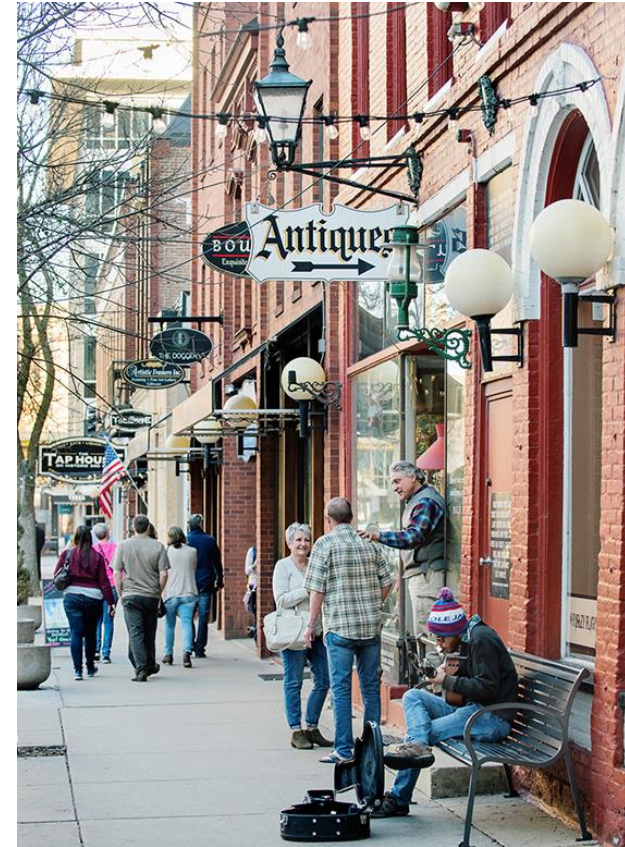
Ongoing	Category	Responsible Party
<ul style="list-style-type: none"> Improve elections outreach and equity 	Program	Clerk
<ul style="list-style-type: none"> Continuously improve community communication, education, and engagement 	Program	Clerk, All
<ul style="list-style-type: none"> Evaluate a Community Services Officer program in other areas, specifically the fire department 	Program	FD
<ul style="list-style-type: none"> Increase City's affordable housing opportunities, including work of the HRA, other partners, and potential reduction of development fees 	Policy	Admin, CD
<ul style="list-style-type: none"> Focus on homelessness and social equity 	Policy	All
<ul style="list-style-type: none"> Continue to enhance Transit and Para Transit services: <ul style="list-style-type: none"> Reliability Timeliness Communication Schedules Align routes with plowing 	Operations/ Maintenance	PW

2021 & Beyond	Category	Responsible Party
<ul style="list-style-type: none"> Consider establishing Public Safety Master Plans 	Policy	PD
<ul style="list-style-type: none"> Research an employee healthcare incentive program with wellness programs 	Program	HR



96% rate the quality of life in Rochester as excellent or good

84% consider the general value of city services as excellent or good





Recommended Budget

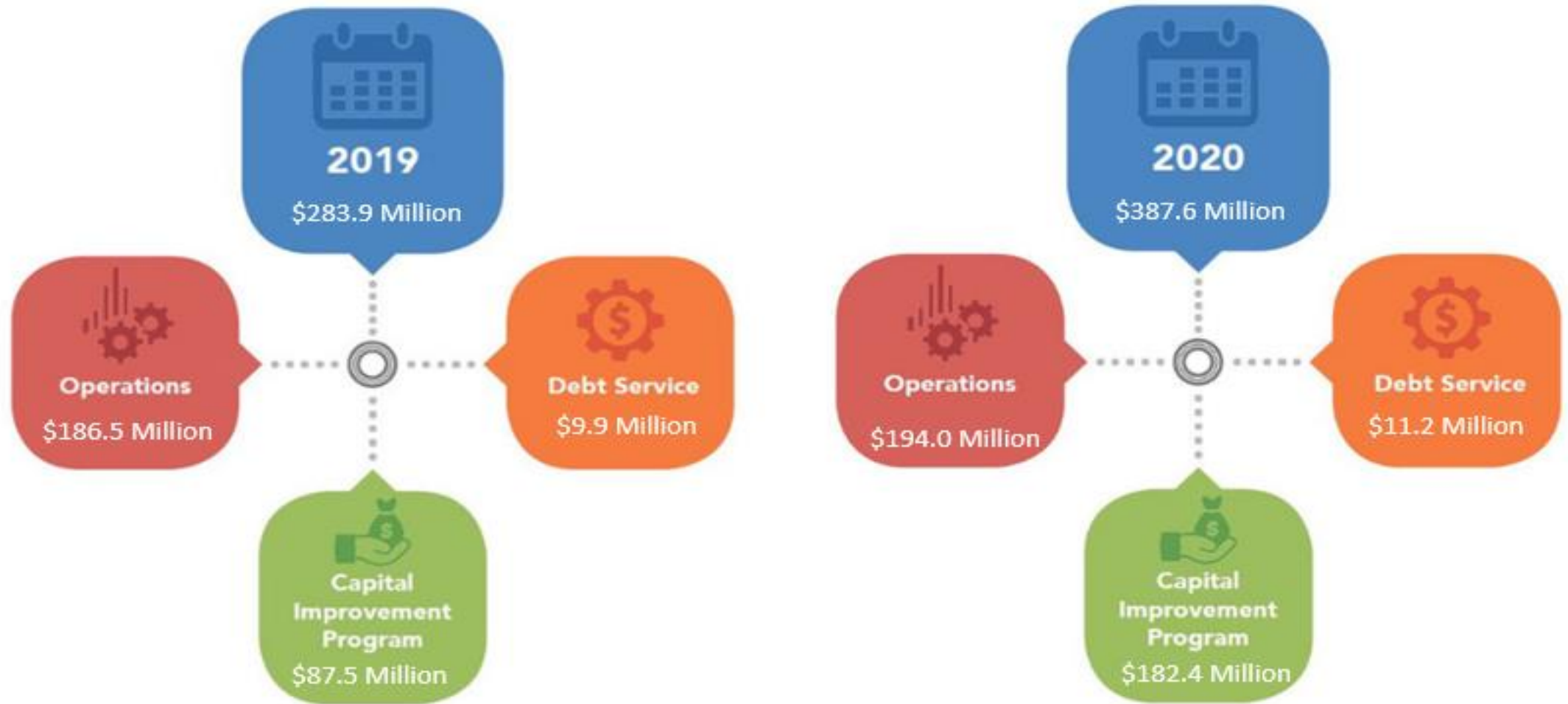
-All Funds Combined-



Budget Formula



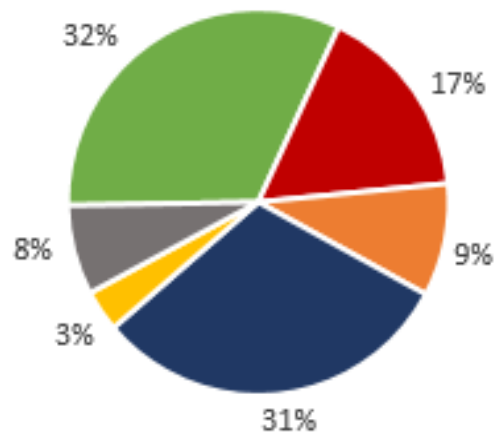
	Baseline Budget	Decision Packages/CIP	Recommended Budget
Tax Supported	\$76,687,278	\$2,290,493	\$78,977,771
Other	<u>\$302,368,936</u>	<u>\$6,229,418</u>	<u>\$308,598,354</u>
Total	\$379,056,214	\$8,519,911	\$387,576,125





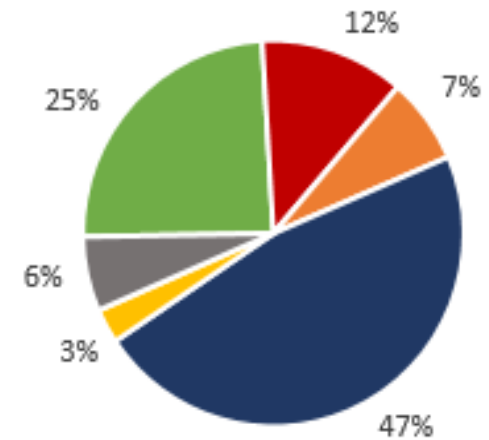
Expenditure Categories

2019 Adopted Budget



■ Employee Services ■ Contractual Services ■ Other Charges
■ CIP ■ Debt Service ■ Miscellaneous

2020 Recommended Budget

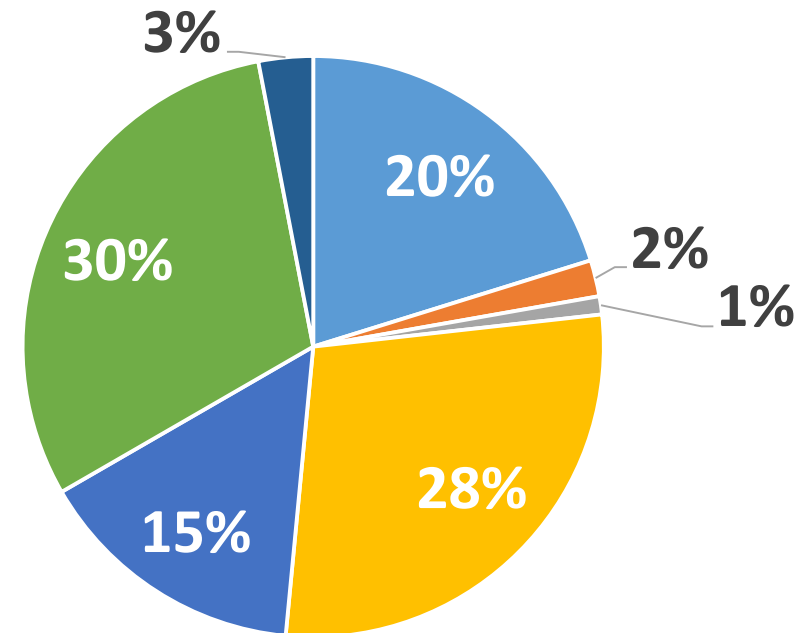


■ Employee Services ■ Contractual Services ■ Other Charges
■ CIP ■ Debt Service ■ Miscellaneous



Where Does the Money Come From?

2020 Total Operating Revenue



- Taxes Ad Valorem
- Other Taxes
- Licenses & Permits
- Intergovernmental Revenues
- Charges for Services
- Misc. Revenue
- Prior Year Revenues



Recommended Budget -General Fund Only-



Property Tax Levy Increase

	Baseline Budget	Decision Packages/ CIP	North Service Center Debt Payment	Recommended Budget
Property Tax Levy Increase	2.7%	1.06%	2.01%	5.77%

1% Increase in Tax Levy = \$747,000



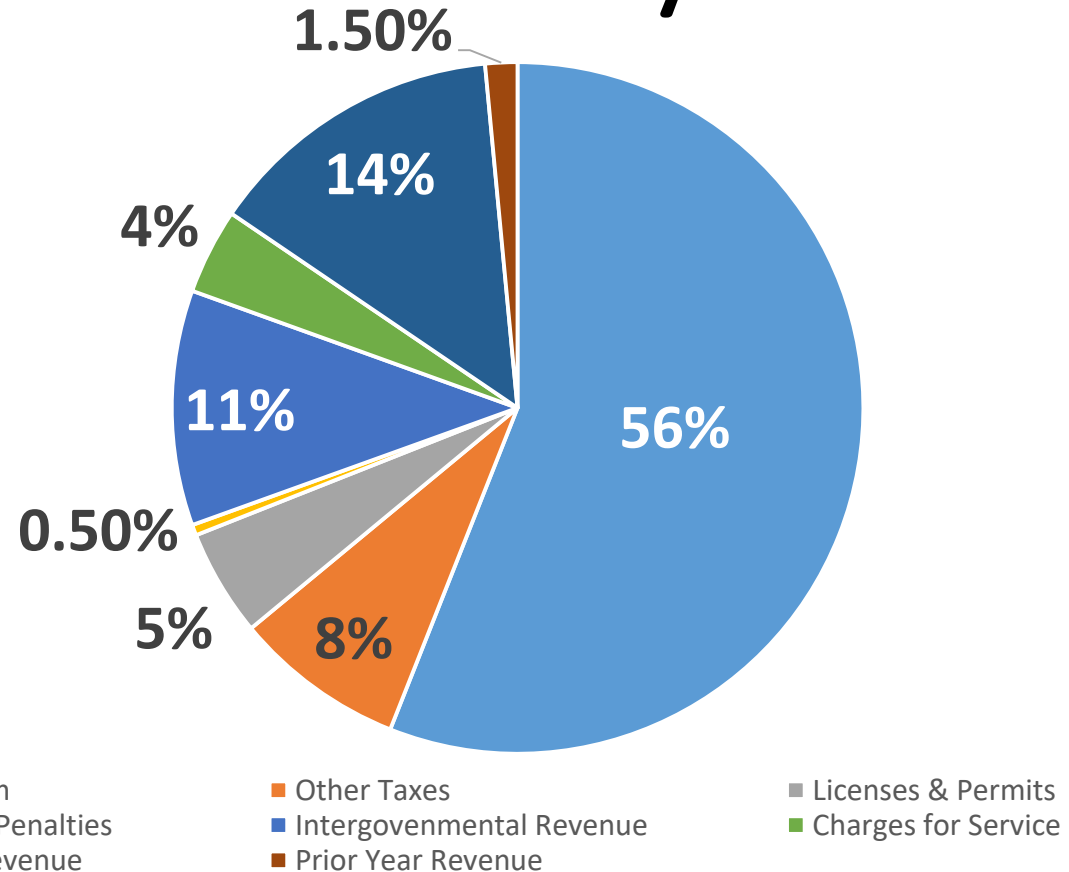
General Fund Investment





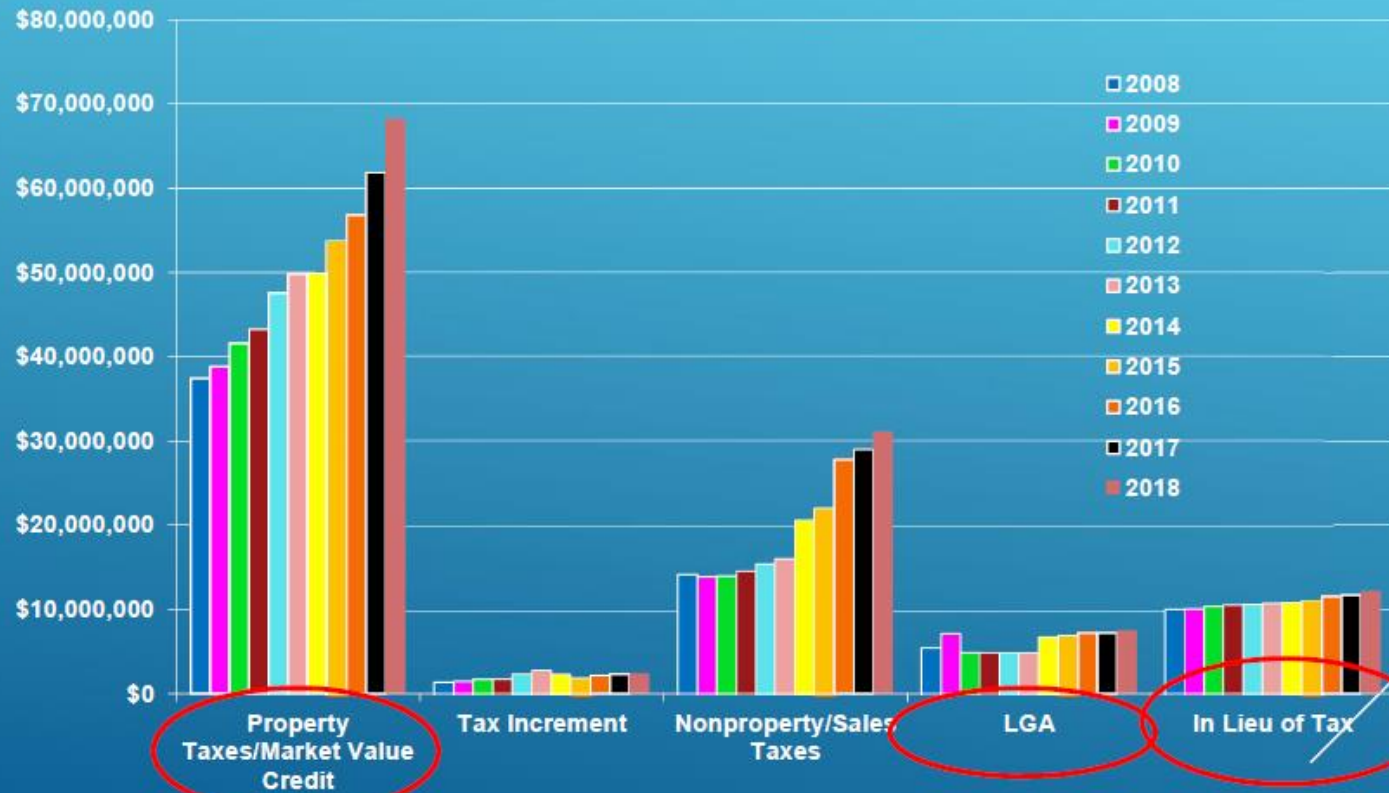
Where Does the Money Come From?

2020 General Fund Revenue
\$96.8 million





GOVERNMENTAL FUNDS – ALL REVENUES





Capital Improvement Program 2020-2025



Capital Improvement Program - CIP

What is a Capital Improvement Program (CIP)?

The City of Rochester's Capital Improvement Program is a mid-range plan, which spans 6 years. The CIP identifies capital projects, provides a planning schedule and identifies funding sources.



2020-2025 CIP Projects



223 Projects



9 Departments



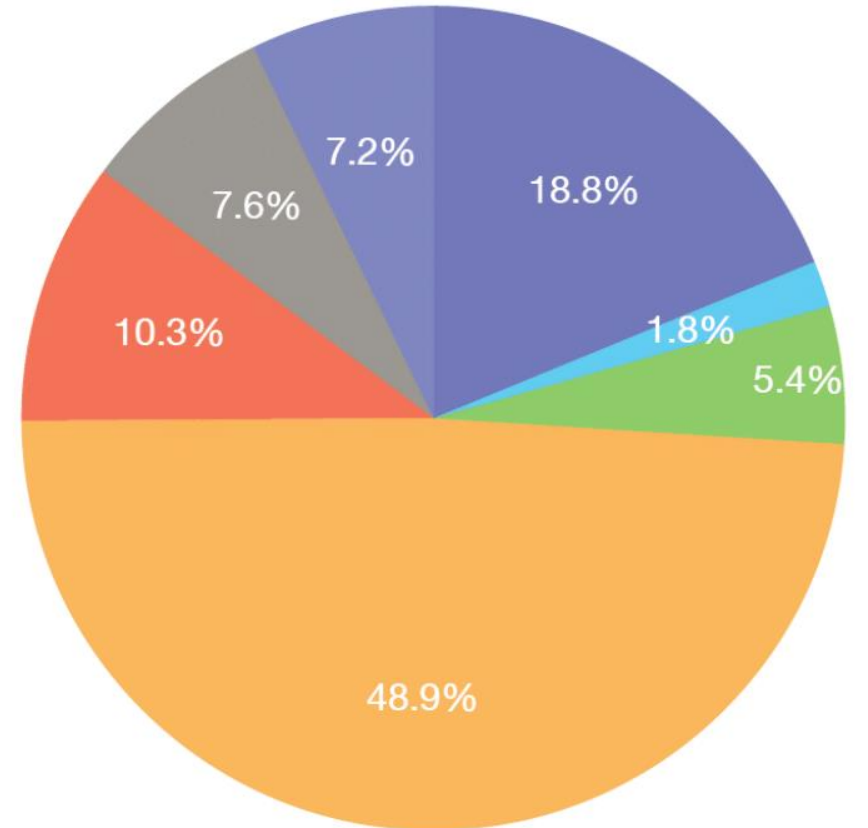
\$592,275,213 Million
Total Investment



2020-2025 CIP Projects

- Community & Economic Development
- Community Facilities
- Parks & Recreation
- Public Infrastructure & Utilities
- Transportation
- Public Safety
- General Government

Percentage of Total Projects





2020-2025 CIP Projects

Top 5 Funding Sources

There are 32 types of funding sources that can be used to fund a CIP project.



Federal

\$104,015,000



State DMC

\$56,612,000



GO Bonds &
Revenue Bonds

\$160,800,000



Sales Tax DMC

\$44,544,000



Retained Earnings

\$39,166,000



2020 CIP Projects



136 Projects



9 Departments

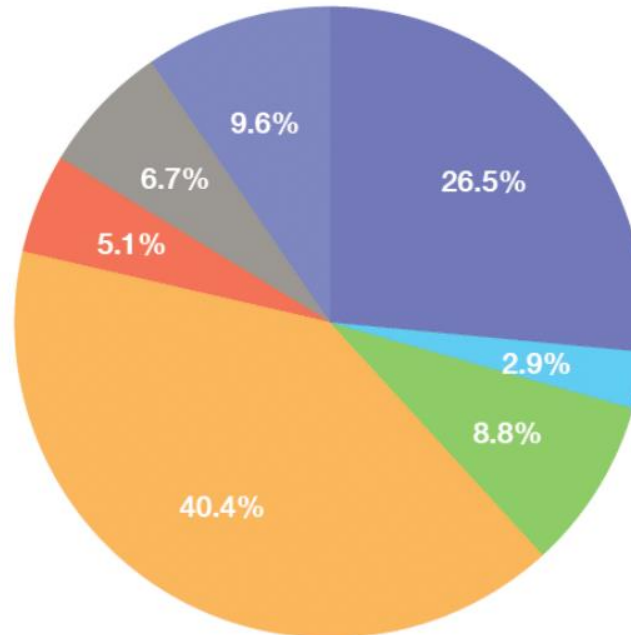


\$188,052,404 Million
Total Investment

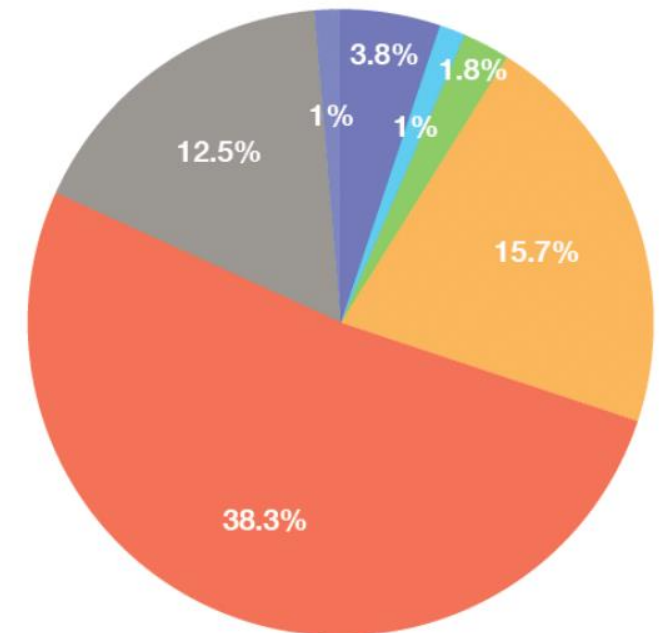


2020 CIP Projects

Percentage of Total Projects



Percentage of Total Investment



- Community & Economic Development
- Community Facilities
- Parks & Recreation
- Public Infrastructure & Utilities
- Transportation
- Public Safety
- General Government



2020 CIP Projects

Top 5 Projects



Airport Runway
Reconstruction



North Station and
Service Center



Heart of the City



Water Reclamation Plant
Upgrades Phase 1



Stormwater
Improvements



2020 CIP Projects

Top 5 Funding Sources

There are 32 types of funding sources that can be used to fund a CIP project.



Federal
Government
\$66,186,000



State Destination Medical
Center Funding
\$24,942,000



General Obligation
Revenue Bonds
\$22,000,000



Retained
Earnings
\$17,022,000



State
Government
\$10,810,000



6 Year Forecast



Projected Tax Levy

Projected Tax Levy Forecast

Taxes Levied on Tax Capacity	2020	2021	2022	2023	2024	2025
Projected Levy for General Fund	(54,214,466)	(58,279,763)	(63,271,012)	(68,157,524)	(73,800,525)	(79,245,639)
Projected Levy for Library Fund	(7,158,871)	(7,630,267)	(8,063,126)	(8,586,579)	(9,069,911)	(9,655,764)
Projected Levy for Muni Rec System Fund	(8,230,477)	(8,735,907)	(9,290,114)	(9,910,612)	(10,574,035)	(11,314,340)
Projected Levy for Mayo Civic Center Fund	-	-	-	-	-	-
Projected Levy for F.E. Williams	-	-	-	-	-	-
Projected Levy for Airport Operations Fund	(557,907)	(615,748)	(697,830)	(760,975)	(871,681)	(962,692)
Projected Levy for Transit Fund	-	-	-	-	-	-
Projected Levy for EDA Administration	-	-	-	-	-	-
Projected Levy for Equipment Revolving Fund	(385,597)	(397,165)	(409,080)	(421,352)	(433,993)	(447,013)
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	(5,297,244)	(5,510,652)	(5,515,480)	(5,970,674)	(6,169,771)	(6,182,182)
Projected Levy for Debt Service	(3,133,209)	(3,486,521)	(3,478,875)	(3,483,454)	(3,486,609)	(3,487,434)
Projected Levy - Other	-	-	-	-	-	-
Projected Taxes Levied on Tax Capacity	(78,977,771)	(84,656,022)	(90,725,516)	(97,291,170)	(104,406,524)	(111,295,063)
% Change from Prior year	5.77%	7.19%	7.17%	7.24%	7.31%	6.60%



Decision Packages



Diversity, Equity, and Inclusion

- All teammate training - \$150,000 (50% tax levy supported)
- Continued Government Alliance for Racial Equity participation - \$23,000
- Emergency Management foreign language intern - \$17,100
- Mayor's initiatives - \$30,000



High Performing Team

- Information Technology Analyst - \$126,000
- Human Resources learning management system support- \$54,000
- Grant writing and financial resource development - \$50,000
- Legislative services - \$133,000 (reallocation of existing resources)
- Mayor's intern - \$4,900



Downtown Safety

- Downtown Police Officers (2) - \$254,000

Communications and Engagement

- Organization branding initiative - \$60,000



Master Plan Updates

- Land Development Manual - \$300,000 (50% tax levy)
- Bicycle Master Plan - \$100,000 (50% tax levy...in CIP)

Infrastructure Maintenance and Operations

- Landscape Technician (with trail maintenance equipment) - \$243,000
- Facility Supervisor - \$126,000



Transit Service

- Increased park & ride service to Fairgrounds and RCTC - \$700,000
(80% state funded, 20% fares)
- Bus shelter enhanced snow removal - \$57,000 (80% state funded)



Airport (no tax levy support)

- Terminal carpet - \$200,000
- Economic impact study - \$44,000
- Fuel farm pump - \$40,000
- Terminal front doors - \$36,000
- Sand storage cover - \$30,000



Water Reclamation Plant (no tax levy support)

- Lead operator position - \$105,000
- Roll off dumpster - \$69,500
- Skid steer trailer - \$10,500



Potential Revenue Supported Positions

(funds not included in recommended budget)



Fire Marshal Services

- Highest Fire Department priority to mitigate community risk
- Team same size since 1866
- Currently have 3 positions
- Need for 5 positions due to growth and demand





Fire Marshal Services

- \$280,000 expense
- Funding Strategy
 - Increase of existing fees: \$175,000
 - New fire protection equipment fee: \$50,000
 - Anticipated inspection volume increase: \$30,000
 - Taxy levy: \$25,000





Downtown Vibrancy and Safety

- Increased Police Officer presence
 - Special events
 - Evening and weekends
- New License examiner
- \$335,000 expense





License Classification	Number of Current Licenses	Total Current Fees	Total Proposed Fees	Fee Difference
ON-SALE INTOXICATING				
Hotels	7	\$34,000	\$61,500	\$27,500
Restaurants	72	\$252,400	\$409,450	\$157,050
Bowling Centers	2	\$8,400	\$14,800	\$6,400
Clubs	4	\$4,450	\$11,850	\$7,400
Exclusive Liquor Stores	17	\$59,500	\$132,600	\$73,100
Cooking School	1	\$200	\$200	\$0
TOTAL ON-SALE INTOXICATING LICENSES	102	\$358,950	\$630,400	\$271,450
ON-SALE WINE (WITH BEER)				
Restaurants	31	\$21,000	\$42,000	\$21,000
Non-Profit Theaters	1	\$700	\$700	\$0
TOTAL ON-SALE WINE LICENSES	32	\$21,700	\$42,700	\$21,000
ON-SALE 3.2 BEER ONLY	5	\$1,350	\$1,800	\$450
TAPROOMS AND SMALL BREWERS				
Taproom On-Sale w/ Off Sale	4	\$1,344	\$3,800	\$2,456
Small Brewer Off-Sale Only	2	\$72	\$400	\$328
TOTAL TAPROOM/BREWER	6	\$1,416	\$4,200	\$2,784
OFF-SALE LICENSES				
Off-Sale Intoxicating	26	\$10,400	\$36,400	\$26,000
Off-Sale 3.2	13	\$468	\$2,600	\$2,132
TOTAL OFF-SALE LICENSES	39	\$10,868	\$39,000	\$28,132
TOTAL LICENSE CHANGES	184	\$394,284	\$718,100	\$323,816



Licensing Support

- Licensing program spans 8 major areas:
 - Trades/contractors, alcohol & gambling, transportation, businesses, animals, peddlers, and special events
 - Purpose is to ensure public safety and welfare
- Core administrative team of 4 same size since 2002
- Myriad of other responsibilities including covering City Hall's front desk and phone lines



Licensing Support

- \$78,000 expenditure
- Funding strategy
 - Fee adjustments in categories other than liquor
 - Fees for these licenses have not been adjusted since initial adoption



Next Steps

- Engage stakeholders
- Return to Council with formal fee recommendations to be considered as part of adopted budget