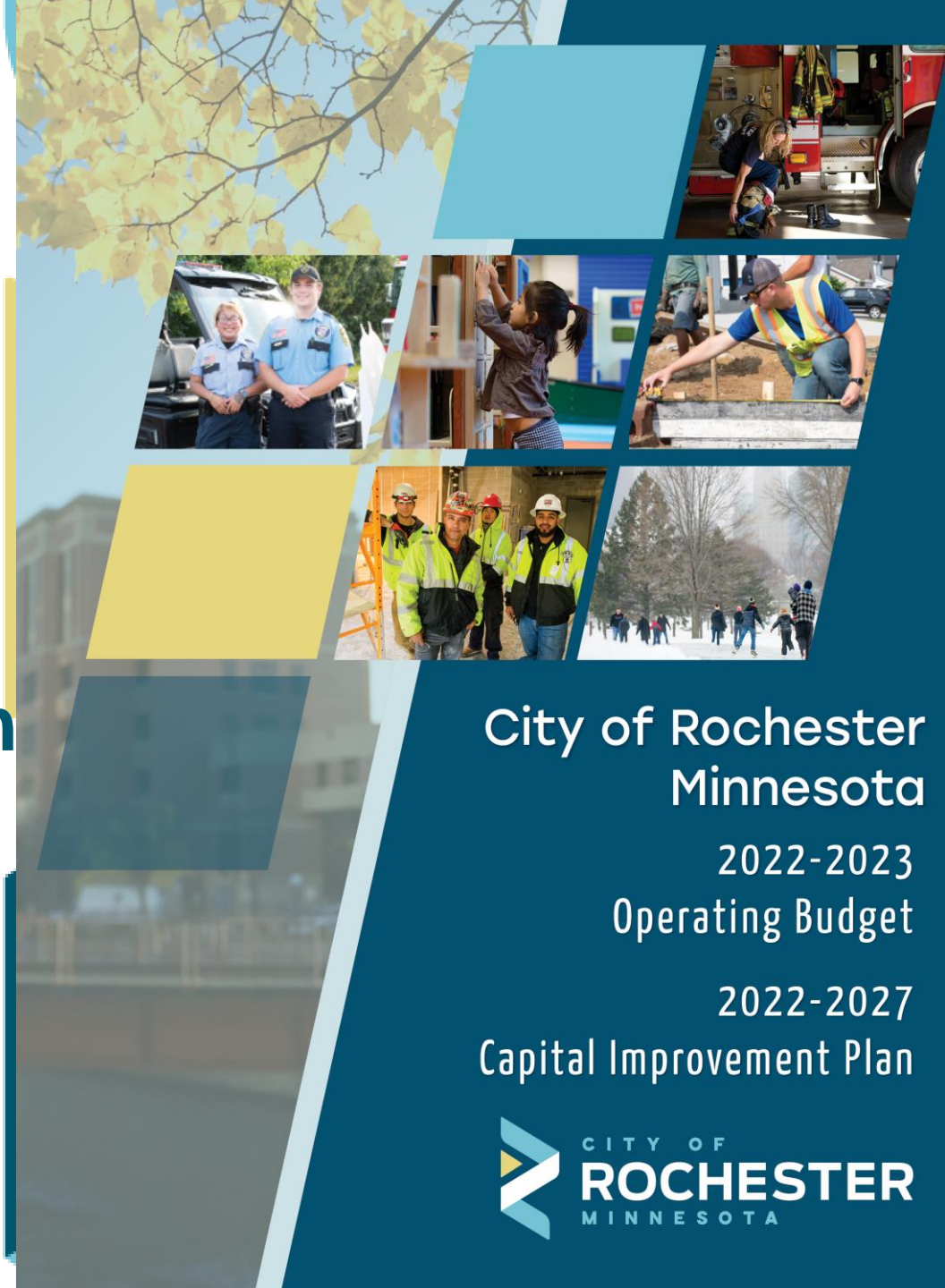




2022 Preliminary Tax Levy, 2022-2023 Operating Budget & 2022-2027 Capital Improvement Plan

September 13, 2021



City of Rochester
Minnesota

2022-2023
Operating Budget

2022-2027
Capital Improvement Plan



Budget Schedule



Scheduling

Budget Phase	Date	Link to Presentation	Focus
3: Development	06/28/2021 Study Session	06/28/2021 Presentation	Comprehensive Annual Financial Report and Audit Review/2022-2023 Baseline Budget Update (Complete)
4: Recommendation	07/19/2021 Study Session	7/19/2021 Presentation	Revenue Enhancement & Diversification (Complete)
4: Recommendation	08/23/2021 Study Session	08/23/2021 Presentation	Presentation of City Administrator's Recommended 2022-23 Operating Budget (Complete)
4: Recommendation	08/30/2021 Study Session	08/30/2021 Presentation	Discussion of City Administrator's Recommended 2022-23 Budget and Presentation of 2022-2027 Capital Improvement Plan (Complete)
4: Recommendation	09/13/2021 Study Session		Discussion of City Administrator's Recommended 2022-23 Budget and Discussion of 2022-2027 Capital Improvement Plan
4: Recommendation	09/20/2021		Approve Preliminary Budget and Set Preliminary Levy
	11/08/2021		Check-in on Budget and Action Plan
5: Adoption	12/06/2021		Review of final budget, CIP, & decision packages

[Link to 2022-2023 Budget Documents](#)



Policy Considerations

1. Are there any remaining questions or feedback on the 2022-2023 recommended Operating Budget?
2. Is the recommended 2022 preliminary tax levy for consideration September 20, 2021 acceptable? Does City Council want to hold an optional public hearing on the 2022 preliminary tax levy and budget?
3. Are there any questions or feedback on the recommended 2022-2027 Capital Improvement Plan Budget?

Policy Considerations Continued

4. Does City Council want to proceed with the accelerated investment option for use of Park Levy funding?
5. Does City Council want to open Silver Lake Pool in 2022?
6. Which option does the City Council prefer for supporting Outside Agencies?
7. How does City Council want to invest the remaining additional contingency?



Recommended 2022-2023 Operating Budget

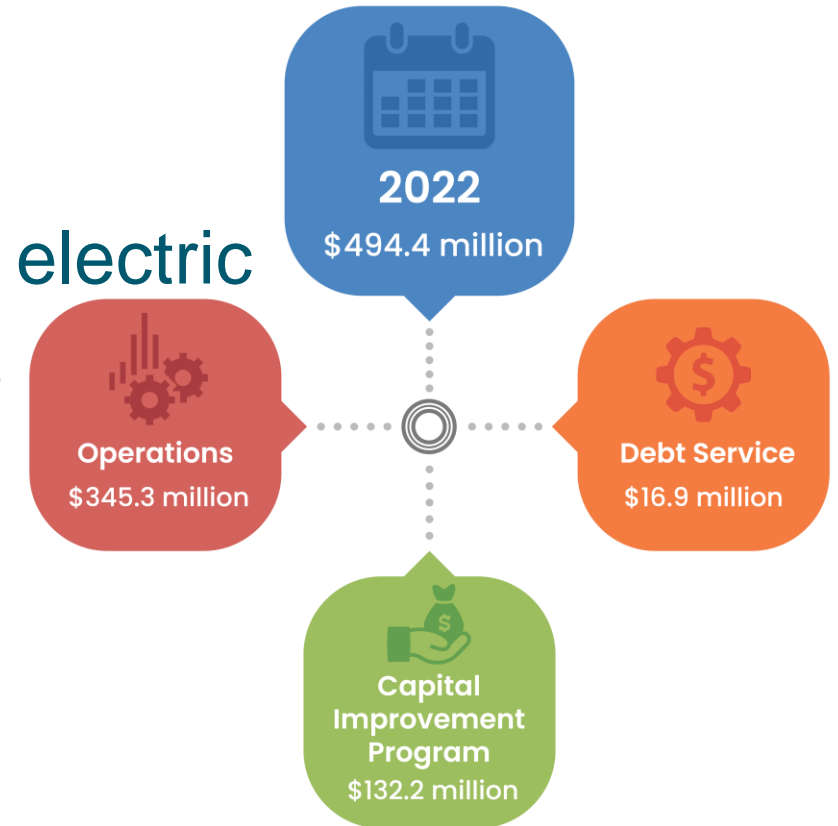
Policy Consideration #1: Are there any remaining questions or feedback on the 2022-2023 recommended Operating Budget?

\$494.4 Million Budget

City of Rochester Budget 2022, inclusive of RPU

All Funds Combined

- **6.5%** tax levy increase
- **2.5%** general rate increase for water and electric
- **No** parking ramp or transit rate increases
- Transition to a two-year budget process



2022 Major Revenues

Table 1
2022 MAJOR REVENUES VERSUS 2020 & 2021 INCLUSIVE OF RPU

	2020 Adopted Budget	2021 Adopted Budget	2022 Recommended Budget	2021-2022 Increase/(Decrease)	2021-2022 Percent of Change
Tax Levy & Tax Abatements	79,524,771	81,524,771	86,823,881	5,299,110	6.50%
Local Government Aid	7,509,361	6,372,634	6,372,634	0	0.00%
Hotel/Motel Tax	6,275,000	4,580,000	4,946,480	366,480	8.00%
Cable TV Franchise Fee	1,440,000	1,350,000	1,300,000	(50,000)	-3.70%
Inspection Permits	3,795,000	3,477,633	3,410,426	(67,207)	-1.93%
In Lieu of Tax	12,884,858	12,884,858	12,726,858	(158,000)	-1.23%
Sewer Utility Charge	28,500,000	28,100,000	28,100,000	0	0.00%
Storm Water Utility Fee	8,572,000	8,572,000	8,734,260	162,260	1.89%
Library Fund					
City Share-Levy	7,158,871	7,127,713	7,390,959	263,246	3.69%
County Share	1,047,209	1,092,097	1,131,821	39,724	3.64%
Municipal Recreation Fund					
Fee Revenues	4,294,872	4,317,072	4,138,604	(178,468)	-4.13%
Non-Fee Revenues	8,341,017	8,285,916	9,242,481	956,565	11.54%
Parking Fund					
Parking Fines	370,000	370,000	466,676	96,676	26.13%
Parking Ramps	7,418,756	4,618,275	4,618,275	0	0.00%
Street Meters	1,075,000	1,175,000	1,325,000	150,000	12.77%
Parking Lots	574,000	401,800	413,565	11,765	2.93%
RPU					
Charges for Services	182,222,000	163,275,000	181,265,000	17,990,000	11.02%
Private Funds	6,376,000	10,023,000	5,523,000	(4,500,000)	-44.90%





Recommended 2022 Preliminary Tax Levy

- Policy Consideration #2:** - Is City Council comfortable with the recommended 2022 preliminary tax levy that will be considered on September 20, 2021?
- Does City Council want to hold an optional public hearing on the 2022 preliminary tax levy and budget?

"What if" the Levy was raised 3% in 2021 and No General Fund Reserves Used

2021 Levy would have been \$82,632,326

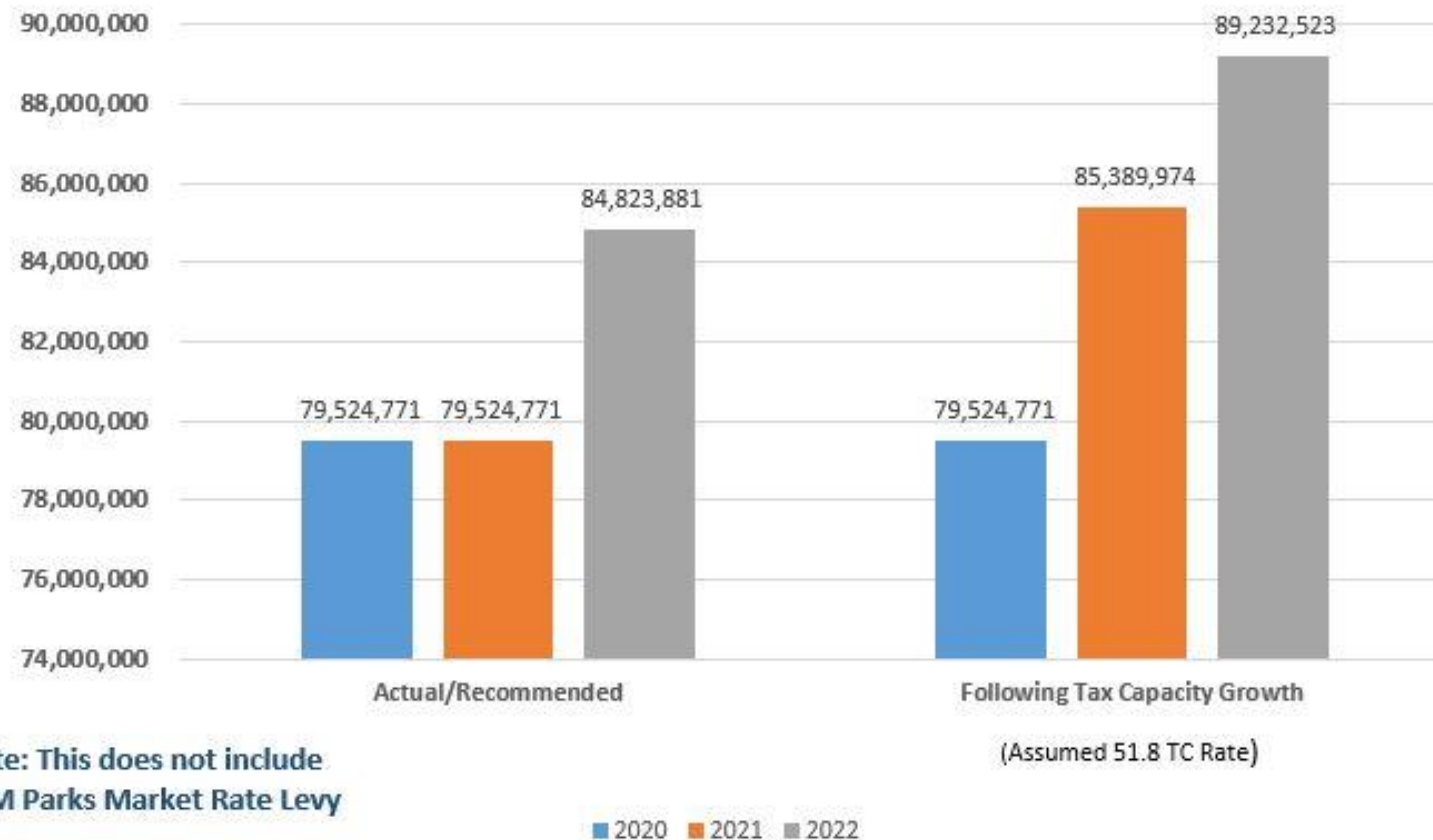
\$3.1M in additional revenue available for the 2022 Budget

The recommended 2022 levy change would be 3.8% less



"What If" - Flat Tax Rate instead of \$0 increase on 2021 due to pandemic?

Comparison of 2022 Recommended City Tax Levy vs. Fixed Tax Capacity Rate of 51.8%



Note: This does not include \$2M Parks Market Rate Levy



2022 Preliminary Tax Levy & Budget

- Preliminary Tax Levy \$86,823,881
- Preliminary Total Budget \$494.4 million





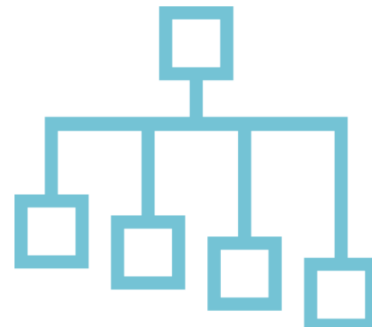
Recommended 2022-2027 Capital Improvement Plan

Policy Consideration #3: Are there any questions or feedback on the recommended 2022-2027 Capital Improvement Plan Budget?

2022-2027 CIP Projects & 2022-2026 RPU CIP Projects



255 Projects



23 Categories



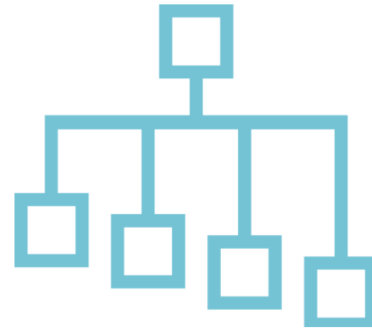
**\$628 Million
Total Investment**



2022 CIP Projects



158 Projects



23 Categories



**\$132 Million
Total Investment**





Park Referendum Accelerated Investment

Policy Consideration #4: Does City Council want to proceed with the accelerated investment option for use of Park Levy funding?

Accelerated Investment Model (Recommended)

This model involves financing up to \$15 million in project costs to complete significant and top priority projects. Each year going forward it will utilize approximately \$1.0 million of the annual referendum for finance costs, leaving \$1.0 million remaining dollars to be used on additional annual projects.



Opportunities

- Large, city-wide impactful projects can be completed first
- Broader and higher number of user experiences will be enhanced and residents will be able to see the benefits of the levy earlier
- A variety of projects can still be completed in various areas annually
- Likely allows for more projects to be completed given financing costs will be lower than project cost escalation (inflation)



Challenges

- Approximately half of the referendum dollars are automatically spoken for annually for up to 20 years
- Depending on final projects selected we may need to contract for additional project management

Park Levy Accelerated Investment Next Steps





Silver Lake Pool

Policy Consideration #5: Does City Council want to open Silver Lake Pool in 2022?

Option to Open Silver Lake Pool in 2022

- **Projected Cost to Open in 2022 (admission collected) is \$95,000**
 - Attendance in 2021 with free admission was 6,990 (as of Aug 3)
 - Attendance in 2019 with admission was 3,601 (pre-COVID)
 - Improvements to Soldiers Field Pool may be implemented as soon as 2022-2023 depending on final council recommendation for referendum funding model (acceleration proposal).
 - Operating Silver Lake Pool in 2022-23 would provide the community with an outdoor aquatic option in the event Soldiers Field Pool is under construction.
 - Community survey results will inform outdoor aquatics investments.
 - Silver Lake and Soldiers Field Parks slated for master planning in 2021-2022 which will provide additional opportunity for community engagement.



Park Board Updates - Silver Lake Pool 2022

- September 7, 2021 Park Board Updates
 - A longer term vision for aquatics for the Community is needed, which is likely different than the modest aquatics in the current Park System Plan.
 - Keeping Silver Lake open on a temporary basis makes sense to accommodate Soldiers Field Construction (in the accelerated investment model for park referendum funds)
 - If the accelerated model is selected no additional funds are needed for Silver Lake during construction of Soldiers Field (because Soldiers Field operating expenses can be used for Silver Lake)
 - Keeping Silver Lake open, outside of the accelerated model, should be funded (\$95K for 2022) from other sources rather than CIP or Operations currently allocated to Parks and Recreation.





Outside Agencies

Policy Consideration #6: Which option does the City Council prefer for supporting Outside Agencies?

Outside Agencies – Initial Recommendation

	2021 Adopted	2022 Requested	2022 For Consideration	Difference from 2021
RNeighbors	101,700	101,700	101,700	0
125Live	108,000	120,000	105,000	-3,000
Art Center	173,160	173,160	170,000	-3,160
Southern Minnesota Initiative Foundation (SMIF)	18,000	18,000	15,000	-3,000
Rochester-Olmsted Youth Commission***	26,100	10,000	10,000	-16,100
History Center of Olmsted County	27,000	30,000	27,000	0
Human Rights Commission	5,400	6,000	5,400	0
Diversity Council	67,500	75,000	67,500	0
Civic Theater	0	75,000	15,000	15,000
Greater Rochester Advocates for Universities & Colleges (GRAUC)	10,000	20,000	0	-10,000
Rochester Downtown Alliance	90,000	125,000	125,000	35,000
Jeremiah Program	0	10,000	10,000	10,000
First Homes	0	20,000	10,000	10,000
Intercultural Cities Initiative	2,000	n/a	2,000	*Moving to Administration DEI budget
Totals	628,860	783,860	663,600	34,740
Over Budget		-157,000	-34,740	Additional Contingency- \$Some or all of this funding could be allocated to provide for requests that exceed 2022 baseline budget or to otherwise adjust the final 2022 allocations. See later slide on additional contingency



Outside Agencies - Option 1 (20,000 Discretionary Funds)

	2021 Adopted	2022 Requested	2022 For Consideration	Difference from 2021
RNeighbors	101,700	101,700	101,700	0
125Live	108,000	120,000	105,000	-3,000
Art Center	173,160	173,160	170,000	-3,160
Southern Minnesota Initiative Foundation (SMIF)	18,000	18,000	15,000	-3,000
Rochester-Olmsted Youth Commission***	26,100	10,000	10,000	-16,100
History Center of Olmsted County	27,000	30,000	27,000	0
Human Rights Commission	5,400	6,000	5,400	0
Diversity Council	67,500	75,000	67,500	0
Civic Theater	0	75,000	15,000	15,000
Greater Rochester Advocates for Universities & Colleges (GRAUC)	10,000	20,000	0	-10,000
Rochester Downtown Alliance	90,000	125,000	125,000	35,000
Jeremiah Program	0	10,000	-	Recommend these organizations to
First Homes	0	20,000	-	apply for CDBG funding
Intercultural Cities Initiative	2,000	n/a	2,000	*Moving to Administration DEI Budget
Totals	626,860	783,860	643,600+20,000 Discretionary = 663,600	14,740 + 20,000 Discretionary = 34,740
Over Budget		-157,000	-34,740	

- Utilize additional contingency of \$34,740 funds to provide for requests that exceed 2022 baseline budget, to otherwise adjust the final 2022 allocations, or for unanticipated needs.
- Future budget baseline for OAOC would be \$661,600.



Outside Agencies - Option 2 (No Additional Discretionary Funds)

	2021 Adopted	2022 Requested	2022 For Consideration	Difference from 2021
RNeighbors	101,700	101,700	101,700	0
125Live	108,000	120,000	105,000	-3,000
Art Center	173,160	173,160	170,000	-3,160
Southern Minnesota Initiative Foundation (SMIF)	18,000	18,000	15,000	-3,000
Rochester-Olmsted Youth Commission***	26,100	10,000	10,000	-16,100
History Center of Olmsted County	27,000	30,000	27,000	0
Human Rights Commission	5,400	6,000	5,400	0
Diversity Council	67,500	75,000	67,500	0
Civic Theater	0	75,000	15,000	15,000
Greater Rochester Advocates for Universities & Colleges (GRAUC)	10,000	20,000	0	-10,000
Rochester Downtown Alliance	90,000	125,000	125,000	35,000
Jeremiah Program	0	10,000	-	Recommend these organizations to
First Homes	0	20,000	-	apply for CDBG funding
Intercultural Cities Initiative	2,000	n/a	2,000	*Moving to Administration DEI budget
Totals	628,860	783,860	643,600	14,740
Over Budget		-157,000	-14,740	

- Utilize additional contingency of \$14,740 funds to provide for requests that exceed 2022 baseline budget or to otherwise adjust the final 2022 allocations.
- Future baseline budget for OAOC would be \$641,600.



Lessons Learned from Community Funding Program Application Process

- The outside agencies Rochester has historically provided funding to either operate in a City owned space or provide a service that the City would otherwise be providing.
- The application process inviting other agencies to apply illuminated this distinction and we would not recommend continuing the application process for Community Funding.
- If there is a specific need identified, we could explore creating a program to utilize ARPA funds and partner/collaborate with organizations on the city-specified needs.





Additional Contingency

Policy Consideration #7: How does City Council want to invest the additional contingency? (beyond typical annual budgeted contingency)

Additional Contingency Working Recommendation

Investment	Amount \$275,271
Sports Commission-Accelerate Lead Generation	\$25,000
One Time Outside Agency Investment (Pending CC Discussion)	\$34,740
City Facility AED Replacement Fund-Use 2021 Contingency with current balance of \$839,669.78	\$156,000
Unallocated	\$59,531
TOTAL ADDITIONAL CONTINGENCY	\$275,271
Silver Lake Pool- if needed funded out of 2021 contingency with a current balance of \$839,669.78	\$95,000



Next Steps

1. Adopt 2022 preliminary tax levy and 2022-2023 preliminary budget – September 20, 2021
2. Check-in on Budget and Action Plan – November 8, 2021
3. Budget hearing, budget adoption, and final levy – December 6, 2021
4. Ordinance adopting items necessary to implement the budget including fee schedule and elected official compensation – December 6, 2021