



CITY OF
ROCHESTER
MINNESOTA

REVIEW 2023 RECOMMENDED SUPPLEMENTAL BUDGET – OPERATING AND CAPITAL

September 7, 2022





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

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

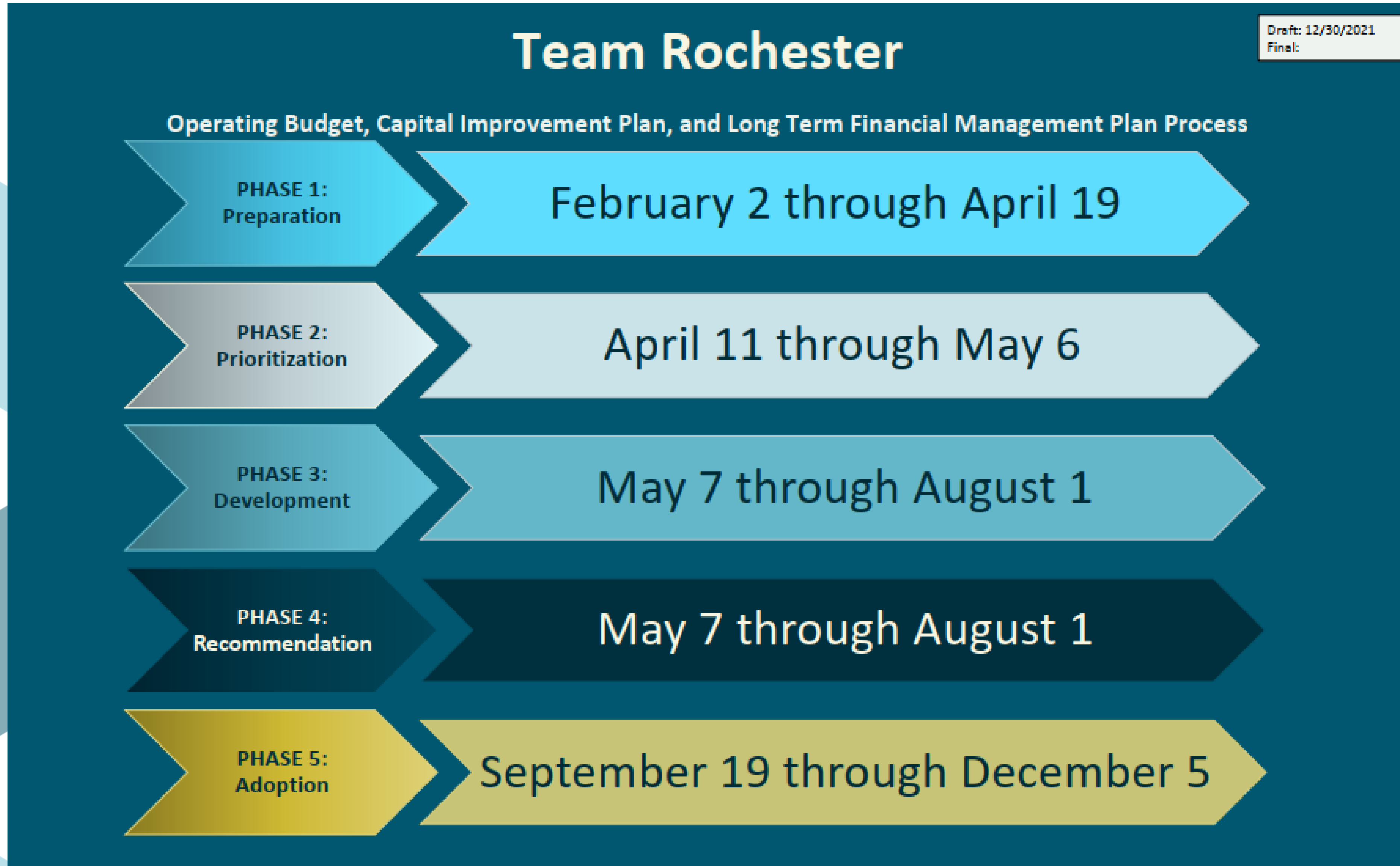
Strategic Priority: Quality Services for Quality Living

Areas of Focus

- Cultural and Recreational opportunities that provide access and equity
- The organization and Services reflect changing demographics and needs identified by community
- Operations are sustainable, integrated, and easy to navigate
- Service delivery is optimized, cost effective, and reflect our Foundational Principles



BUDGET SCHEDULE





SCHEDULING

Budget Phase	Date	Link to Presentation	Focus
1: Preparation	04/11/2022 Study Session	04/11/2022 Presentation	Factors Influencing the 2023 Supplemental Budget (Complete)
3: Development	06/27/2022 Study Session	Annual Financial Statement Presentation	2021 Year-end Audit Presentation (Complete)
3: Development	07/18/2022 Study Session	07/18/2022 Presentation	City Administrator's 2023 Recommended Supplemental Budget Preview (Complete)
4: Recommendation	08/22/2022 Study Session	Coming Soon	Review of City Administrator's Recommended 2023 Operating Budget and 2023-2027 Capital Improvement Plan Budget
4: Recommendation	9/7/2022 Study Session	We Are Here	2023 Recommended Supplemental Budget (Operating and Capital Improvement Plan)
4: Recommendation	09/19/2022		Approve Preliminary 2023 Recommended Supplemental Budget and Set Preliminary Levy
4: Recommendation	11/2/2022		2023 Recommended Supplemental Budget (Operating and Capital Improvement Plan)
4: Recommendation	TBD		Check-in on Action Plan
5: Adoption	12/5/2022		Review of final 2023 Recommended Supplemental Budget & CIP



POLICY CONSIDERATIONS

1. Are there any remaining questions or feedback on the recommended 2023 supplemental budget prior to setting the preliminary tax levy on September 19?

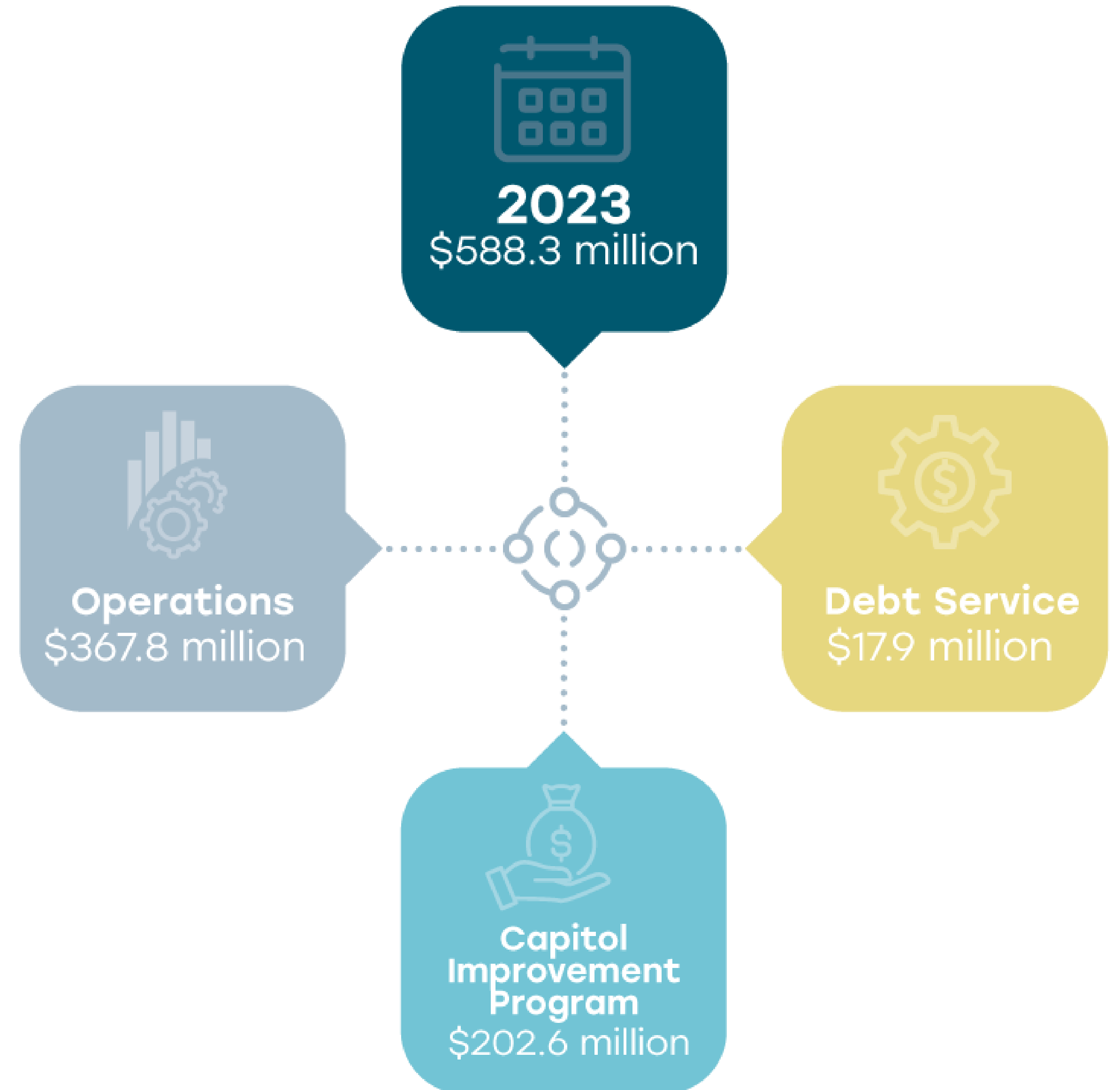


\$588.3 MILLION BUDGET

City of Rochester Budget 2023,
inclusive of RPU

All Funds Combined

- **6.85%** tax levy increase (before heating and cooling)
 - Good News! Preliminary RPU Budget PILOT is higher than projected in supplemental budget
 - Option to further buy down the additional Levy needed for Heating and Cooling
- **2.5%** general rate increase for electric and **5%** general rate increase for water
- **No** parking ramp or transit rate increases
- In year two, supplemental budget year, of our first two-year budget process





TAX LEVY IMPACT CONSIDERATIONS

Tax Levy Option A

Tax Levy Option B

	2023 ADJUSTED TAX LEVY	2023 TAX LEVY % INCREASE		2023 ADJUSTED TAX LEVY	2023 TAX LEVY % INCREASE
CURRENT 2023 BUDGETED TAX LEVY	\$92,772,574	6.85%	CURRENT 2023 BUDGETED TAX LEVY	\$92,772,574	6.85%
RPU INCREASED PILOT PROJECTION	- \$426,000	- 0.49%	RPU INCREASED PILOT PROJECTION	- \$426,000	- 0.49%
DOWNTOWN BUILDINGS ENERGY TRANSITION – FULL DEBT ISSUANCE	+ \$1,360,000	+ 1.57%	DOWNTOWN BUILDINGS ENERGY TRANSITION – PARTIAL HOLISTIC BUDGET FUNDING	+ \$750,000	+ 0.86%
ADJUSTED 2023 TAX LEVY	\$93,706,574	7.93%	ADJUSTED 2023 TAX LEVY	\$93,096,574	7.22%



UNALLOCATED CONTINGENCY FUNDS

Recommended Use of Unallocated Contingency:

(Unallocated Contingency is funding in excess of the \$1,000,000 that is budgeted annually and is available to address outstanding policy items within the current proposed levy)

Continued Operational Adjustments (Return from 2020)

- Community Reinvestment (Outside Agencies & Community Funding) - \$50,000
- HR Generalist – DEI Recruitment & Retention - \$75,000

Unallocated Remaining - \$279,243

- Council has raised questions regarding
 - ✓ Training and Travel still reduced from 2021
 - ✓ Pool scholarships/reduced entry fees
 - ✓ Trash pick-up in parks
 - ✓ OAOC allocation higher than current budget availability
 - ✓ Further reduce 2023 levy
- Other one-time investments could be identified, or the amount could be retained to address inflation or prepare for 2024 costs.



OUTSIDE AGENCIES RECOMMENDATION

Outside Agencies Recommendations		2022 Adopted	2023 Requested	2023 Suggested Allocation Administration	Administration Amount Difference From 2022	2023 Suggested Allocation OAO	OAO Amount Difference From 2022	Notes
OAO reviewed applications*	RNeighbors	\$ 101,700	\$ 76,700	\$ 92,015	\$ (9,685)	\$ 101,700	\$ -	
	Rochester Downtown Alliance	\$ 125,000	\$ 125,000	\$ 125,000	\$ -	\$ 125,000	\$ -	
	125LIVE*	\$ 105,000	\$ 108,000	\$ 108,000	\$ 3,000	\$ 108,000	\$ 3,000	*Amount set in operating & lease agreement through 2026
	Rochester Art Center	\$ 170,000	\$ 170,000	\$ 170,000	\$ -	\$ 170,000	\$ -	
	Rochester Civic Theatre	\$ 15,000	\$ 75,000	\$ 75,000	\$ 60,000	\$ 125,000	\$ 110,000	
Administration reviewed applications	SE MN Initiative Fund	\$ 15,000	\$ 15,000	\$ 15,000	\$ -	\$ 15,000	\$ -	
	Diversity Council	\$ 67,500	\$ 75,000	\$ 70,200	\$ 2,700	\$ 70,200	\$ 2,700	
	History Center of Olmsted County	\$ 27,000	\$ 30,000	\$ 28,080	\$ 1,080	\$ 28,080	\$ 1,080	
	Youth Commission	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	\$ 10,000	\$ -	
	Human Rights Commission	\$ 5,400	\$ 5,400	\$ 5,400	\$ -	\$ 5,400	\$ -	
	Rochesterfest**	\$ 22,000	\$ 24,905	\$ 24,905	\$ 2,905	\$ 24,905	\$ 2,905	
	Totals	\$ 663,600	\$ 715,005	\$ 723,600	\$ 60,000	\$ 783,285	\$ 119,685	\$60,000 total available
Over budget		\$ 51,405		\$ 60,000		\$ 119,685	\$20,000 built into 2023 budget. \$10,000 set aside for adjustment to 125LIVE allocation, plus up to \$8,000 for event parking reimbursement (in new operating & lease agreement)	



FOLLOW-UP – LIBRARY CIRCULATION AND FTE'S

Historical Library Usage & Staffing

YEARS	2011	2016	2021	2022 YTD (through July 2022)
FTE	70.08	73.24	73.29	-
Library Visits	537,728	530,229	219,851	-
Circulation (physical & digital)	1,644,384	1,749,585	1,779,394	1,179,261 (YTD)
Total physical materials	459,502	453,816	455,269	-
Registered Borrowers	78,654	71,935	61,363	-
New Cardholders added	7,110	7,782	5,993	5,312 (YTD)
Number of Programs	537	3,951	204	306 (YTD)
Program Attendance	28,578	115,363	3,328	13,934 (YTD)

NOTE: The FTE shown above includes equivalency related to the temporary employee category. Actual FTEs authorized in the Budget (non-temp) are 2011 - 49.75 FTE, 2016 - 53.35 FTE and 2021 - 54.75 FTE





FOLLOW-UP – ELECTION EXPENDITURE BUDGET

2020	2021*	2022**	2023
\$469,594	\$138,345	\$374,172	\$444,297

A variety of factors can influence the budget for elections as well as the actual final financial results, some examples are:

- Federal assistance
- State assistance
- Special elections
- Level of need of Election Judges



*2021 was budgeted to be a non-election year

**In 2022, \$221,000 of contingency funds were approved as additional funding (in addition to the amount shown above) for a total of \$595,172 which will all be utilized this year.

The Finance and City Clerk teams will be working collaboratively during 2023 to develop the next two-year budget with the intent of limiting the fluctuation seen in non-election years, but including a planned budget for potential special elections.



FOLLOW-UP – PARKS GARBAGE COLLECTION

Current Services & Costs

- Approximately \$341,000 annually

Enhanced Services & Costs (City Teammates) - Every Park would have weekly service and the new style of container

- \$44,000 plus any additional incinerator fees
- To add this service, recommend \$50,000 budget increase

NOTE:

- *These amounts are budget estimates*
- *These amounts are only parks, they do not take into consideration cost to maintain flood control (litter etc.) or the Central Business District*



SPECIFIC POLICY QUESTIONS THAT REMAIN

DECISION ITEM	IMPACT TO TAX LEVY	% IMPACT TO TAX LEVY	TOTAL TAX LEVY
STARTING TAX LEVY ADJUSTMENT	\$5,948,693	+ 6.85%	6.85%
LEVY CHANGE DUE TO RPU PILOT INCREASE	-\$426,000	-0.49%	
NEW STARTING TAX LEVY ADJUSTMENT	\$5,522,693		6.36%
UNALLOCATED CONTINGENCY(ALREADY IN LEVY %)	\$404,243	.47%	6.36%
STAFF RECOMMENDATION - HR POSITION	-\$75,000	.09%	
STAFF RECOMMENDATION - COMMUNITY FUNDING	-\$50,000	.06%	
POOL - REDUCED ENTRY FEES	-\$50,000	.06%	
PARK GARBAGE SERVICE - ADD TO ALL PARKS	-\$50,000	.06%	
COMMUNITY FUNDING - FUND INCREASED OAOC RECOMMENDATION	-\$60,000	.07%	
TRAINING AND TRAVEL - INCREASE? (STILL \$200,000 LESS THAN 2020)	???		
AMOUNT REMAINING IN UNALLOCATED CONTINGENCY	\$115,243	0.13%	
FUNDING OPTIONS - ENERGY TRANSITION			
OPTION A –DOWNTON BUILDINGS ENERGY TRANSITION (ALL DEBT)	\$1,360,000	+ 1.57%	7.93%
OPTION B –DOWNTON BUILDINGS ENERGY TRANSITION (USES BUY DOWN)	\$750,000	+ 0.86%	7.22%



FOLLOW-UP – CIP PROJECTS

2021

- 179 Projects

2022

- 158 Projects

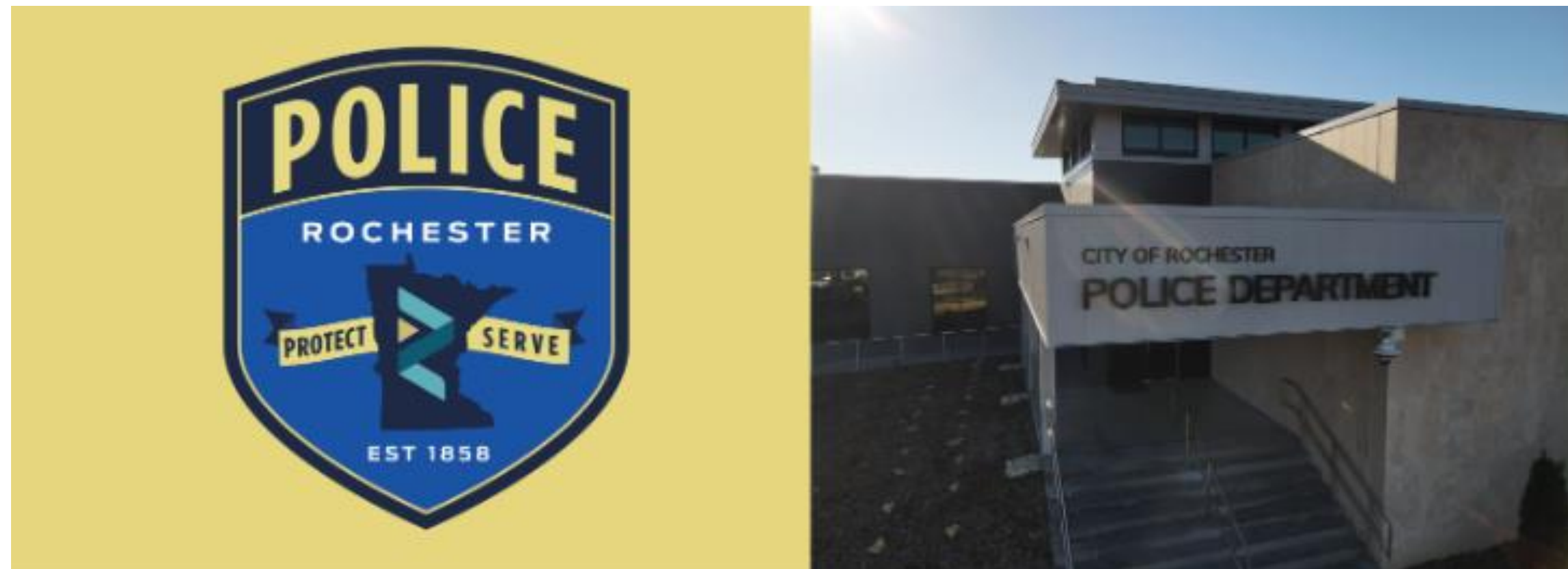
2023

- 186 Projects



AXON AGREEMENT – ITEMS TO COVER

- A review of the Axon technology and our progress towards enabling it, highlighting net new capabilities in the new contract and a timeline for full deployment based on our new contract.
- A review of the savings (both the dollar and process optimizations) anticipated to the City because of our ability to leverage that technology.
- An evaluation of how the new technology has and/or will impact our Police Department operations including, but not limited to, hiring, training, and retention.
- Any additional information that will help to assure that the City is getting the value from the contract that was realized, based on what was communicated to the Council when the item was brought forward for review.





Axon Project Update



WHY?

In Alignment with 21st CP philosophy

Pillar 3: Technology

- Gives RPD the opportunity to truly innovate how Police Officers report their actions
- Involves telling our story better
- Dictation module
- Partner with a company that will deliver on our vision for the future of RPD
- Leverage technology to make RPD more effective
- Catalyst for process analysis



Hardware Upgrades Officer Safety Plan 7+

Axon Body 3

- Cellular upload
- Axon Respond-live feed capabilities
- Enhances incident command and control capabilities
- 2 Upgrades life of contract

Taser 7

- Redesigned for effectiveness
- Enhanced capabilities
- Stow and go download capability – has eliminated hours of work for supervisors and the training dept.
- Increased training methods

VR

- Cutting edge training that incorporates critical incident decision making with de-escalation training

Fleet 3

- Has allowed us to upgrade outdated and lesser quality squad cameras
- Enhanced wireless upload capability

Signal Sidearm

- Bodycam activation, alert sent



Project Update: Progress Report

Axon Standards—replacing current blue team system

- Use of Force reporting replacement
- Go-Live 1st week of October
- Configuring since June
- Feature requests have slowed progress
- Field Training Use/Smartphone use

Axon Performance—new capability enhancing accountability/transparency

- Body Cam Audit/Metrics
- Enables Supervisors to give meaningful, consistent feedback
- Enhances line-level accountability
- Taser performance/metrics



Project Update: Progress Report

Axon Records

- Records Discovery was mid-July
- Axon is committed to delivering the RMS that RPD requires
- Opportunity for process review
- Collaborative reporting
- Integration of evidence – digital and physical
- Development partner
- Rapidly evolving / improving effectiveness
- Axon Citizen





POLICY CONSIDERATIONS

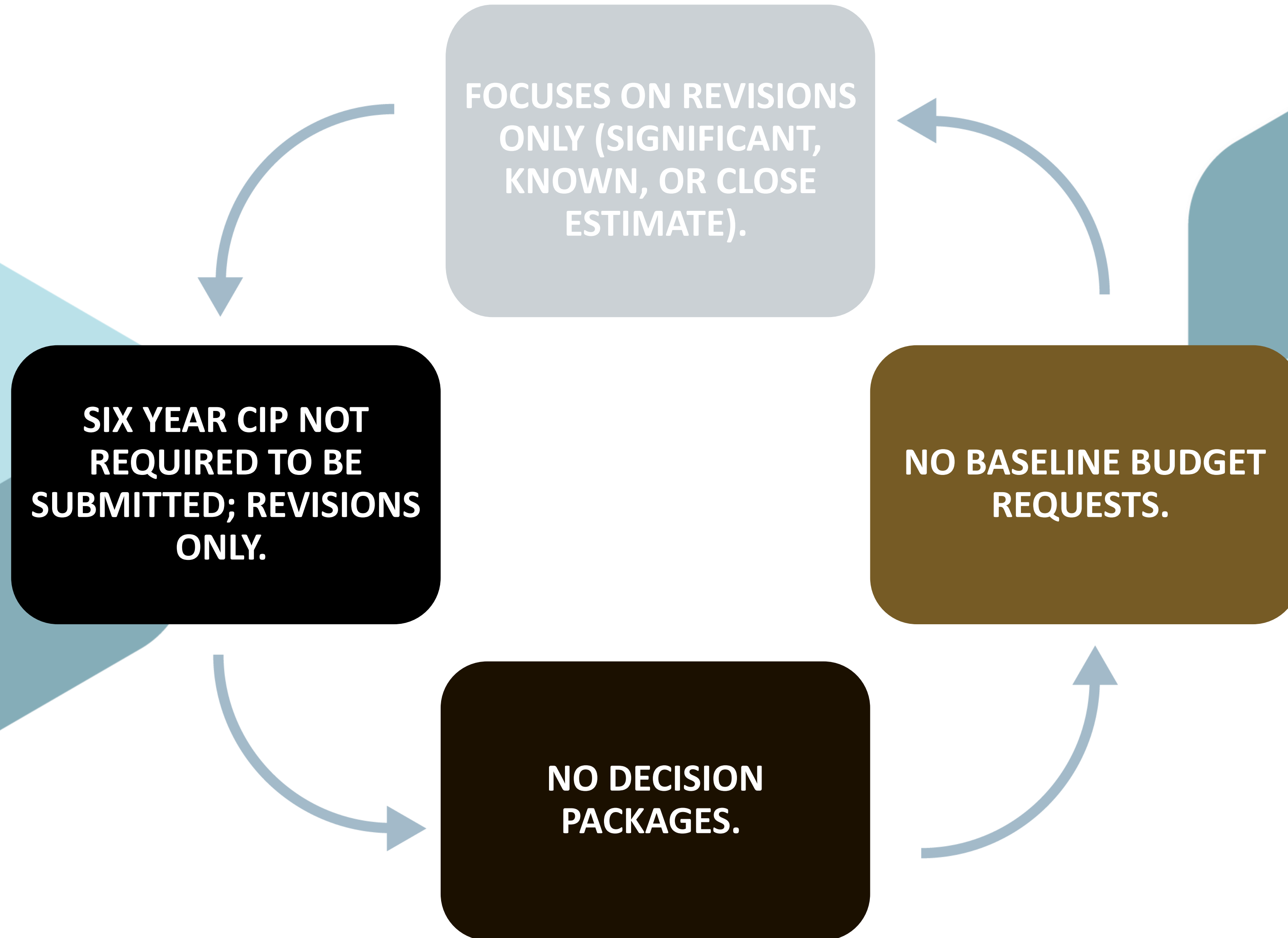
1. Are there any remaining questions or feedback on the recommended 2023 supplemental budget prior to setting the preliminary tax levy on September 19?

DISCUSSION

**SUPPLEMENTAL
INFORMATION
PREVIOUSLY COVERED
IN PRIOR MEETINGS
(Provided for context)**



2023 SUPPLEMENTAL BUDGET PROCESS





2023 SUPPLEMENTAL BUDGET



The 2023 taxy levy budget is currently \$92,772,574 which represents a 6.85% increase from 2022



The 2023 general fund budget is currently \$105,497,970 which represents 4.22% increase from 2022



Q2 action plan data is being collected; update to city council at a Q4 study session



2021 audit and annual comprehensive financial report presented to city council at 6/27 study session



2023 MAJOR REVENUES

2023 MAJOR REVENUES VERSUS 2021 & 2022 INCLUSIVE OF RPU

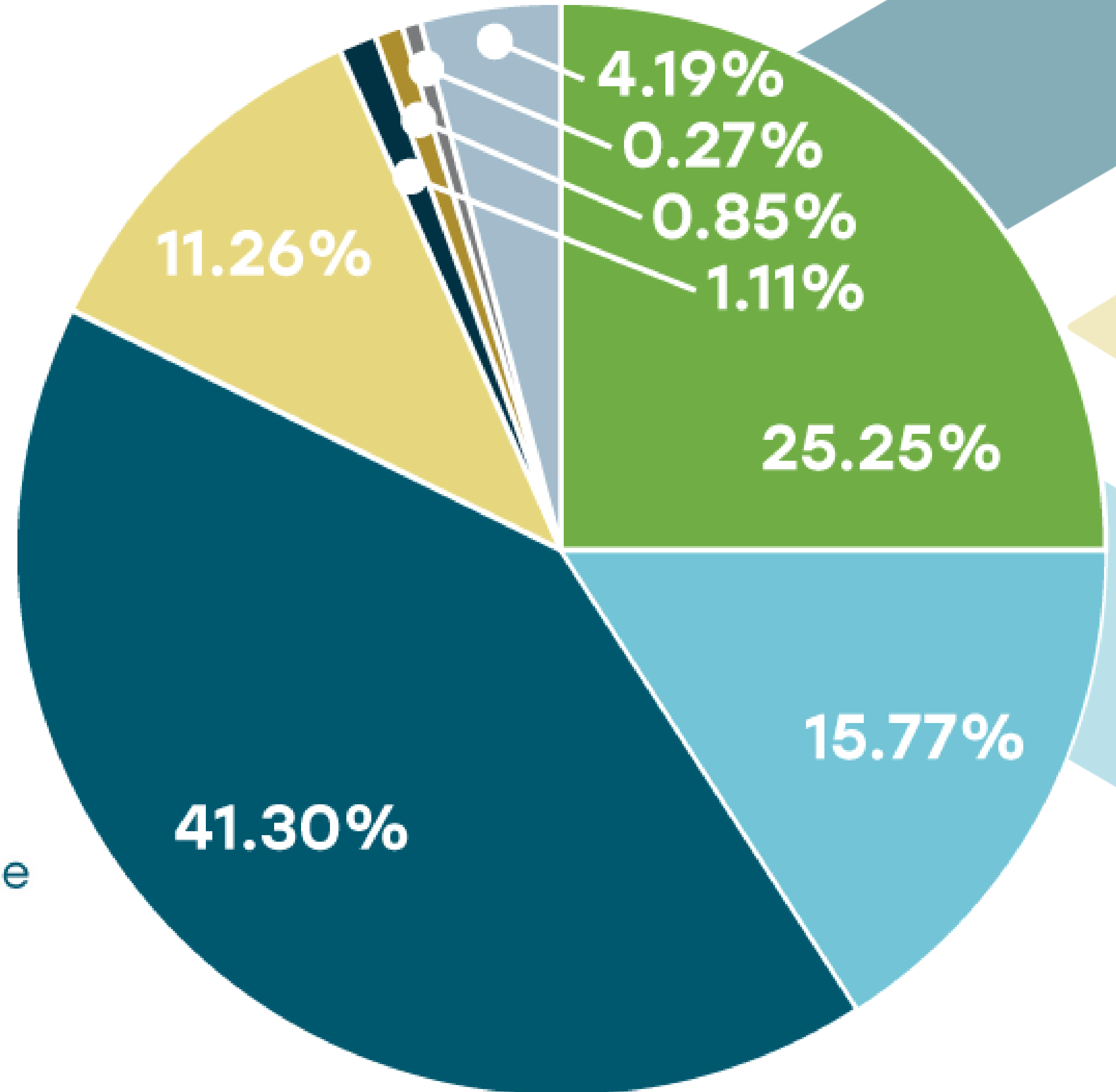
	2021 Adopted Budget	2022 Adopted Budget	2023 Recommended Budget	2022-2023 Increase/(Decrease)	2022-2023 Percent of Change
Tax Levy & Tax Abatements	81,524,771	86,823,881	92,772,574	5,948,693	6.85%
Local Government Aid	6,372,634	6,372,634	3,958,994	(2,413,640)	-37.88%
Hotel/Motel Tax	4,580,000	4,946,480	5,353,601	407,121	8.23%
Cable TV Franchise Fee	1,350,000	1,300,000	1,165,296	(134,704)	-10.36%
Inspection Permits	3,477,633	3,410,426	3,563,892	153,466	4.50%
In Lieu of Tax	12,884,858	12,726,858	13,141,858	415,000	3.26%
Sewer Utility Charge	28,100,000	28,100,000	28,381,000	281,000	1.00%
Storm Water Utility Fee	8,572,000	8,734,260	8,821,603	87,343	1.00%
Library Fund					
City Share-Levy	7,127,713	7,390,959	7,816,734	425,775	5.76%
County Share	1,092,097	1,131,821	1,151,638	19,817	1.75%
Municipal Recreation Fund					
Fee Revenues	4,317,072	4,138,604	4,184,120	45,516	1.10%
Non-Fee Revenues	8,285,916	9,302,012	9,906,186	604,174	6.50%
Parking Fund					
Parking Fines	370,000	466,676	471,343	4,667	1.00%
Parking Ramps	4,618,275	4,618,275	4,664,458	46,183	1.00%
Street Meters	1,175,000	1,325,000	1,338,250	13,250	1.00%
Parking Lots	401,800	413,565	417,701	4,136	1.00%
RPU					
Charges for Services	175,321,000	187,127,000	187,924,000	797,000	0.43%
Private Funds	10,023,000	15,304,000	18,300,000	2,996,000	19.58%



WHERE DOES THE MONEY COME FROM?

2023 Total Operating Revenue, inclusive of RPU

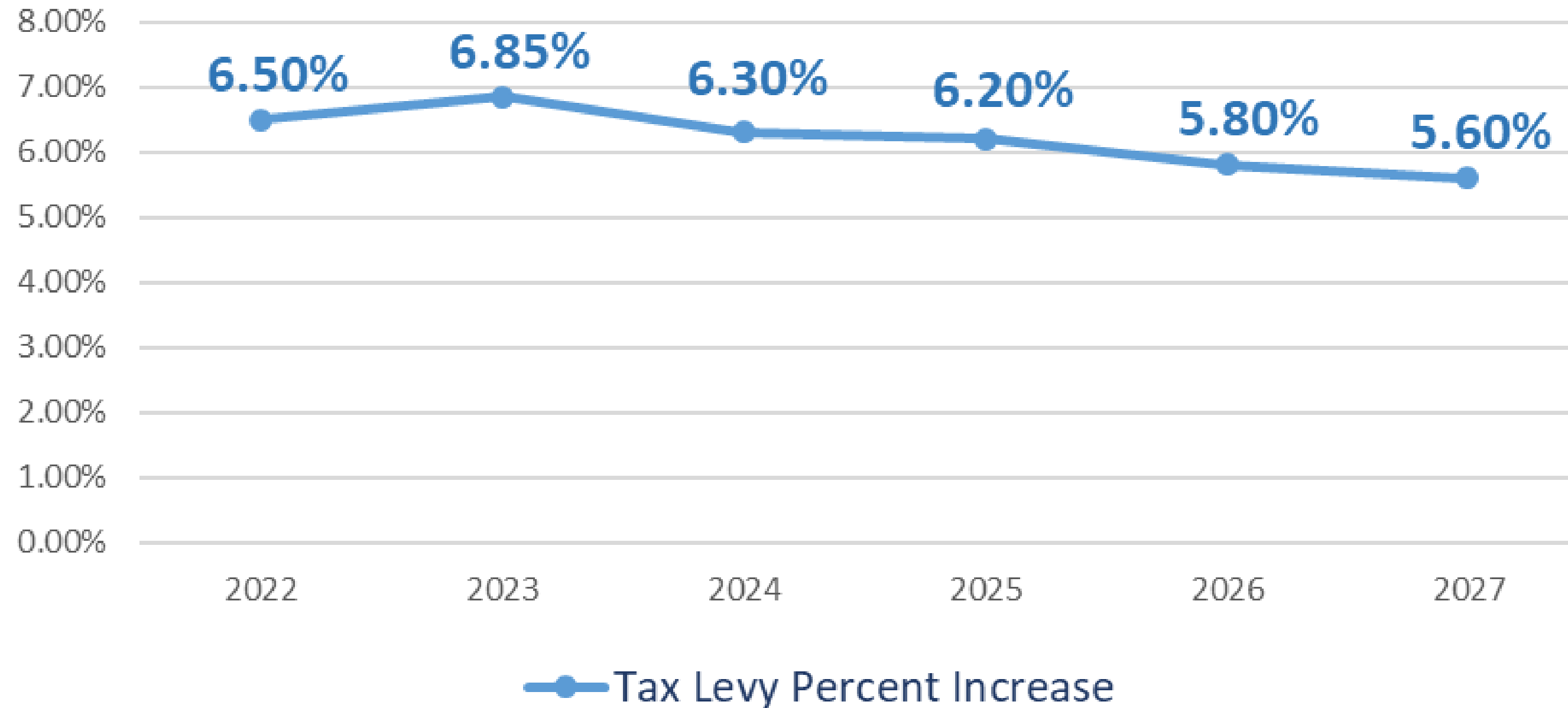
- Miscellaneous Revenue
- Charges for Service
- Other Taxes
- Special Assessments
- Taxes and Valorem
- Intergovernmental Revenue
- Licenses and Permits
- Prior Year Revenues/Fund Balance





LONG-RANGE FINANCIAL MANAGEMENT PLAN

Tax Levy Percent Increase



- All percent increases include the use of holistic budget stability funds and **would be higher if not for those funds.**
- 2024-2027 provides minimal capacity for new positions, programming or potential decision packages.
- Future tax levy will be impacted by the final decisions related to the downtown buildings energy transition project.
- General inflation is not included in the calculations (2024-2025).
- The 2023 anticipated Levy includes an inflationary adjustment to fuel, utilities, and is adjusted for finalized labor contracts.
- The **2023 Levy change is reduced from the April presentation (7%)** after accounting for all the supplemental adjustments.
- The 2022-2025 Levy relies on \$6.2 M of Rescue Plan dollars. 2023 reduces the Levy needed by \$2.37M.

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PRELIMINARY ESTIMATED MARKET VALUATION (EMV)

- **2022 Property Valuation Growth: Preliminary estimates:**

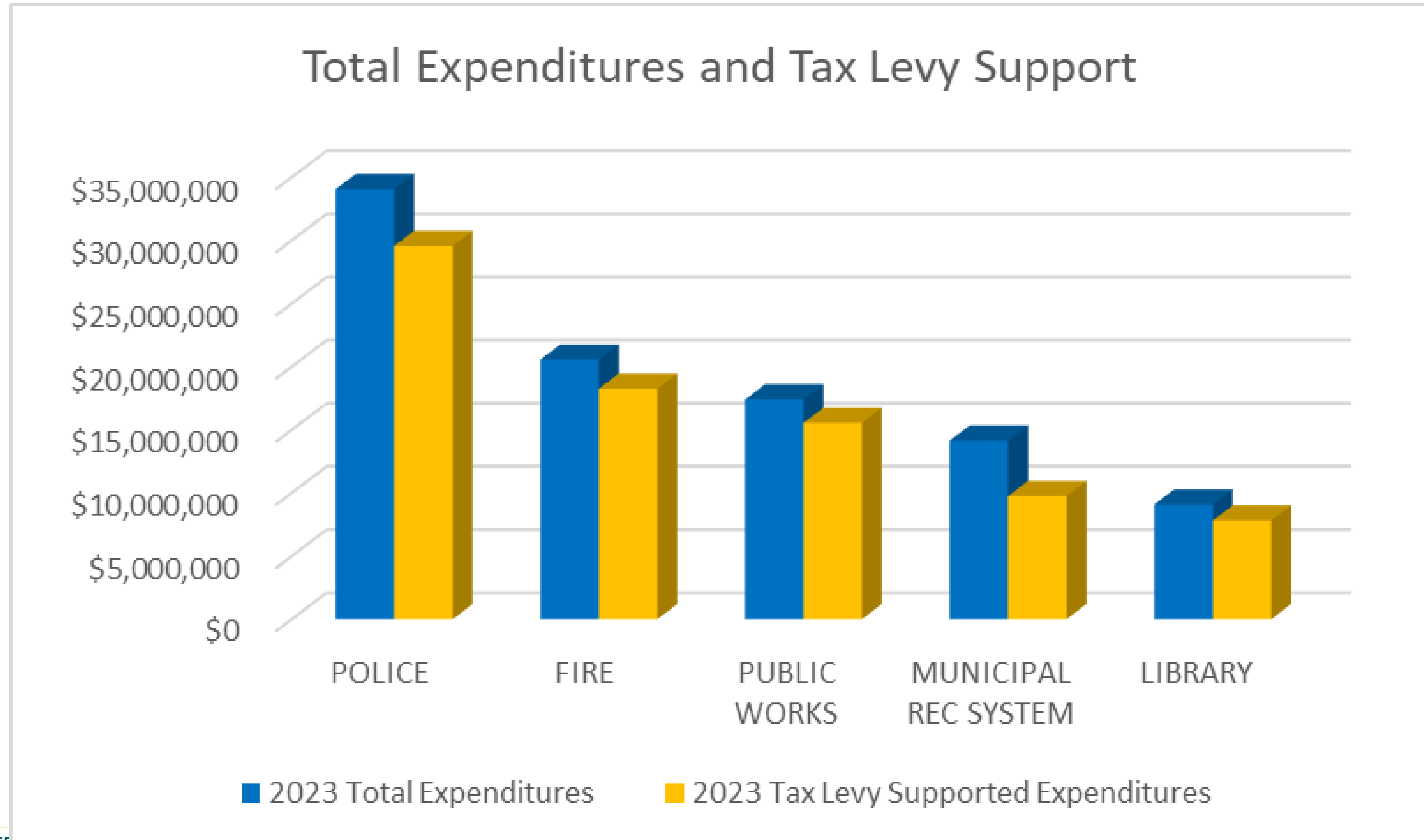
New Construction	2.2%
Valuation Adjustment	<u>13.5%</u>
Total Growth In EMV	15.7%

- Valuation drives how local levies are allocated and do not automatically translate into property tax increases.
- Local levy decisions determine each properties final property tax amount.
- Taxes can shift among property classes, which will likely happen in the next few years.





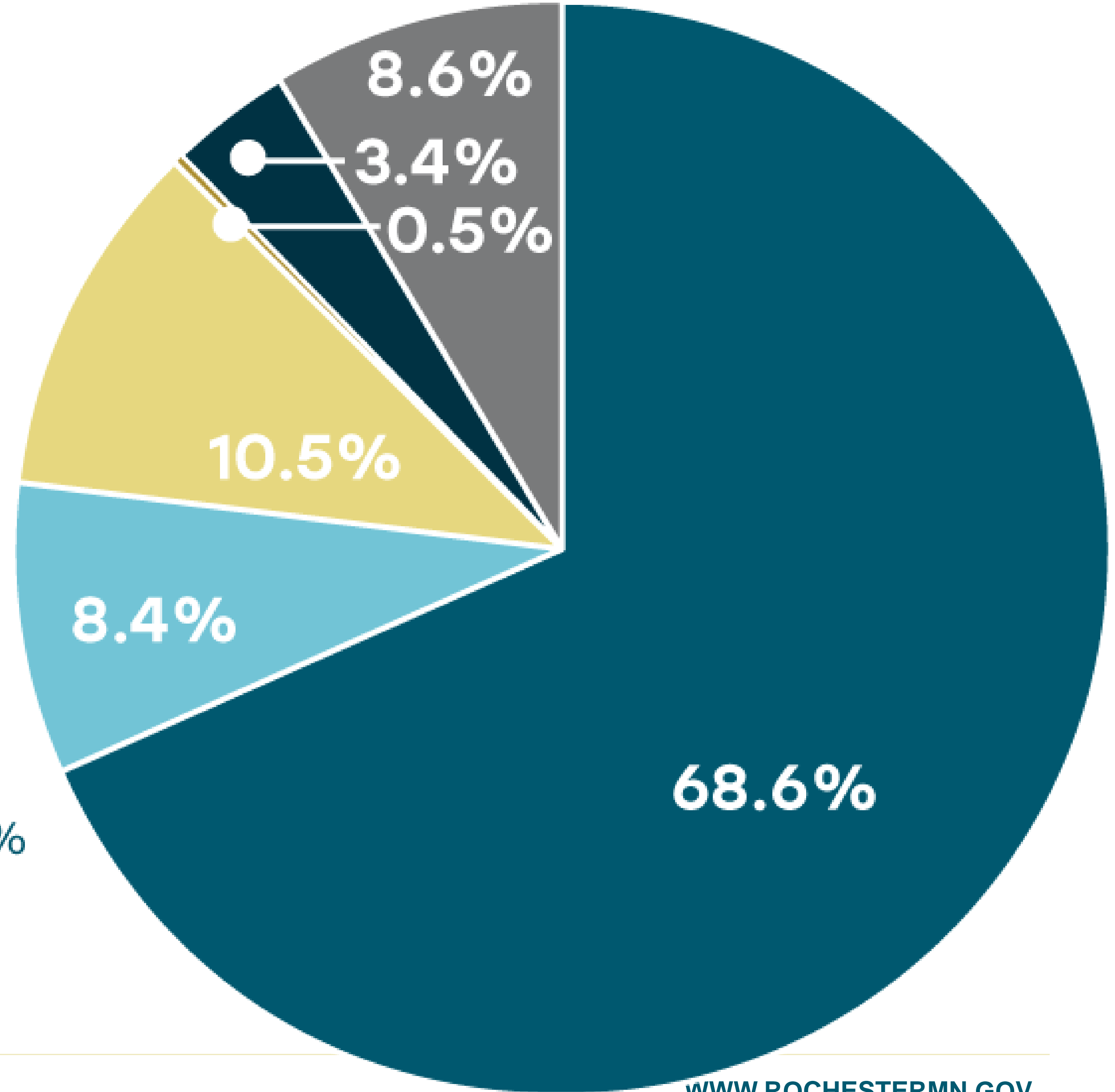
2023 TOTAL EXPENDITURES AND TAX LEVY SUPPORT





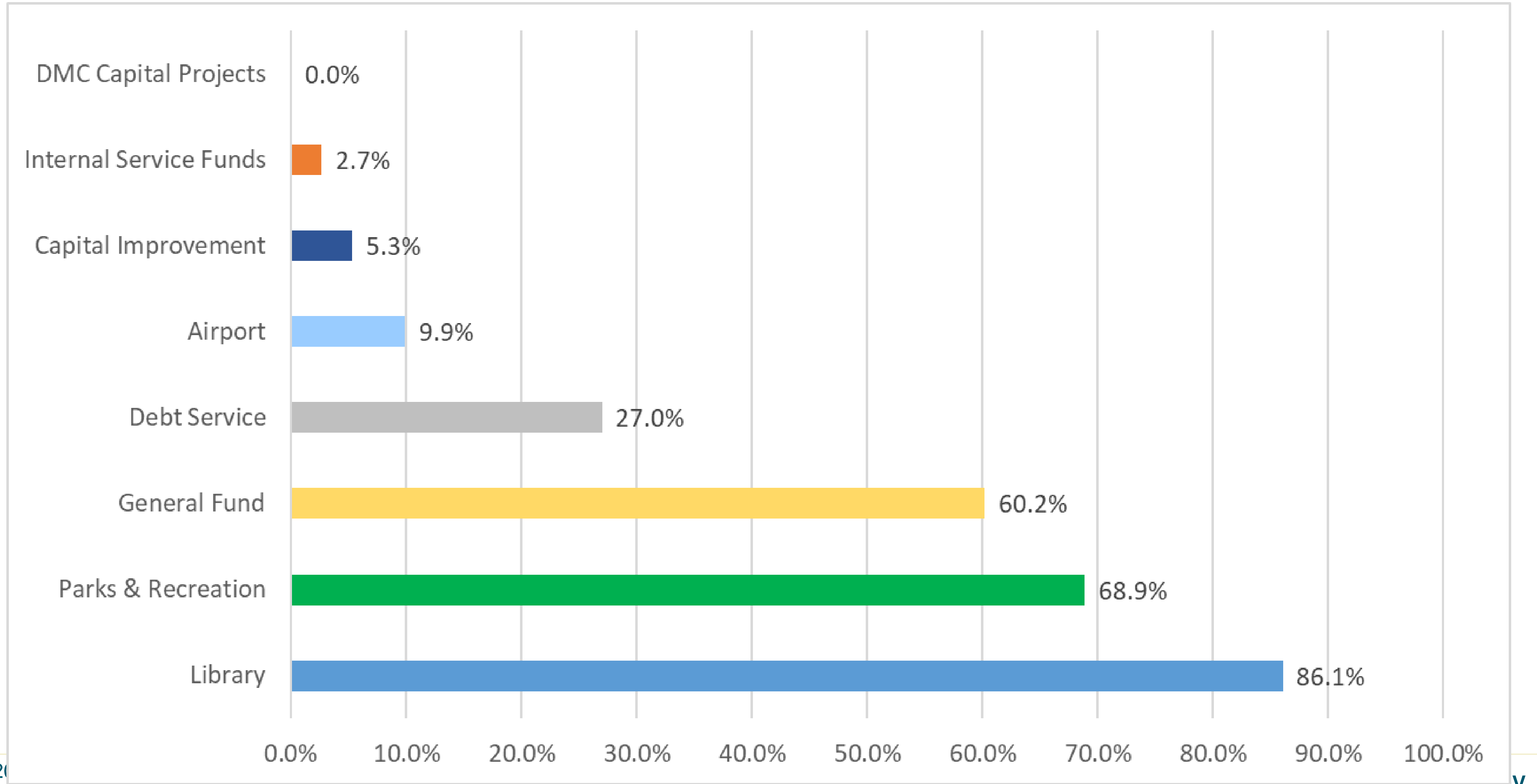
2023 PROPERTY TAX DISTRIBUTION

- General Fund - 68.6%
- Library - 8.4%
- Parks and Rec - 10.5%
- Airport - 0.5%
- Dept/Internal Service - 3.4%
- CIP - 8.6%





FUND RELIANCE ON TAX LEVY





WHERE DOES THE MONEY GO?

2023 General Fund expenses are \$4.3 million more than 2022



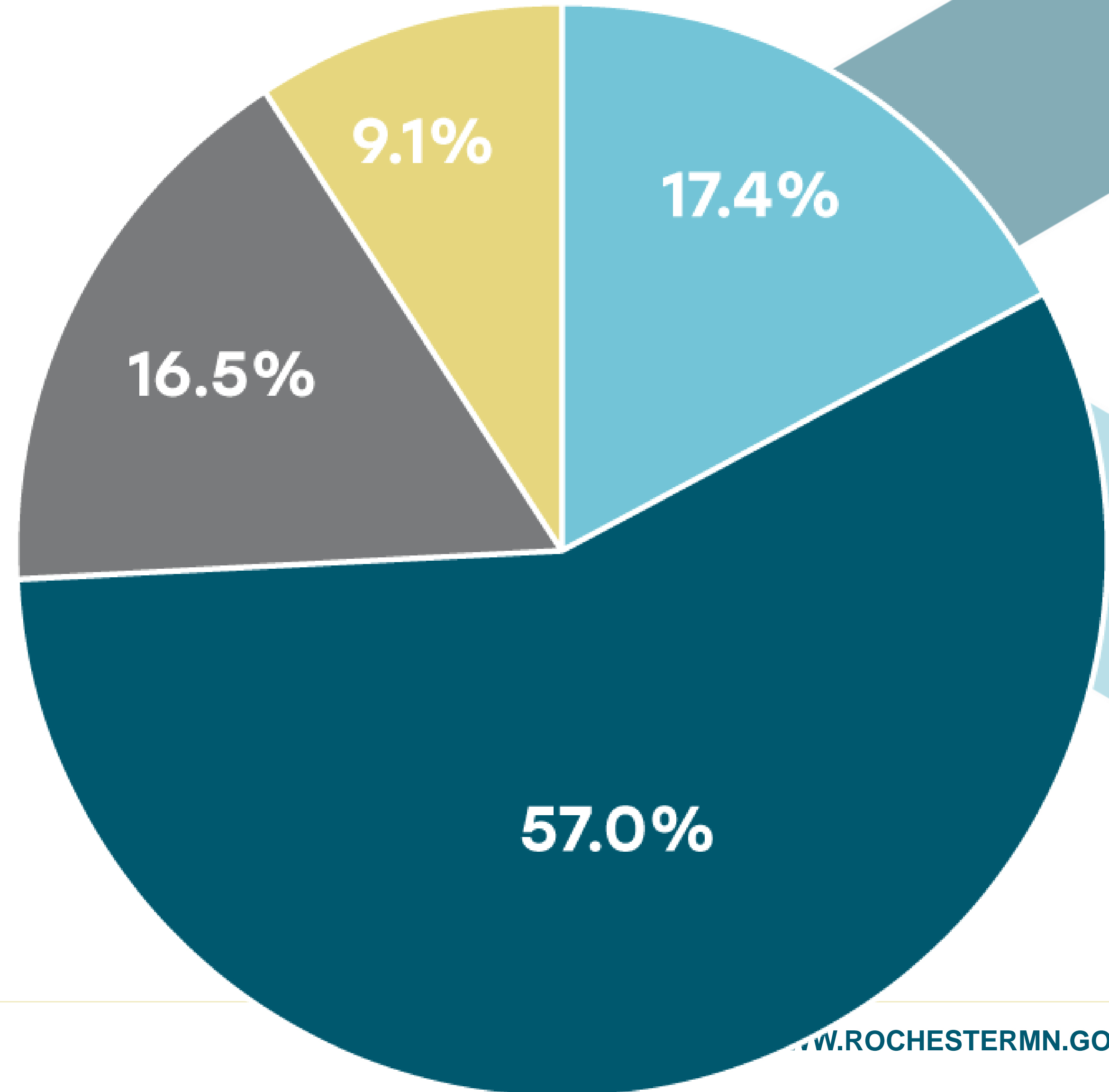


2023 PRELIMINARY SUPPLEMENTAL BUDGET

2023 General Fund Expense \$105,497,970



- General Government
- Public Safety
- Public Works
- Other





SIGNIFICANT 2023 SUPPLEMENTAL BUDGET IMPACTS

Local Government Aid (LGA) decreased due to proposed formula adjustments & funding increases that were NOT approved by state legislature.

No state bonding bill.

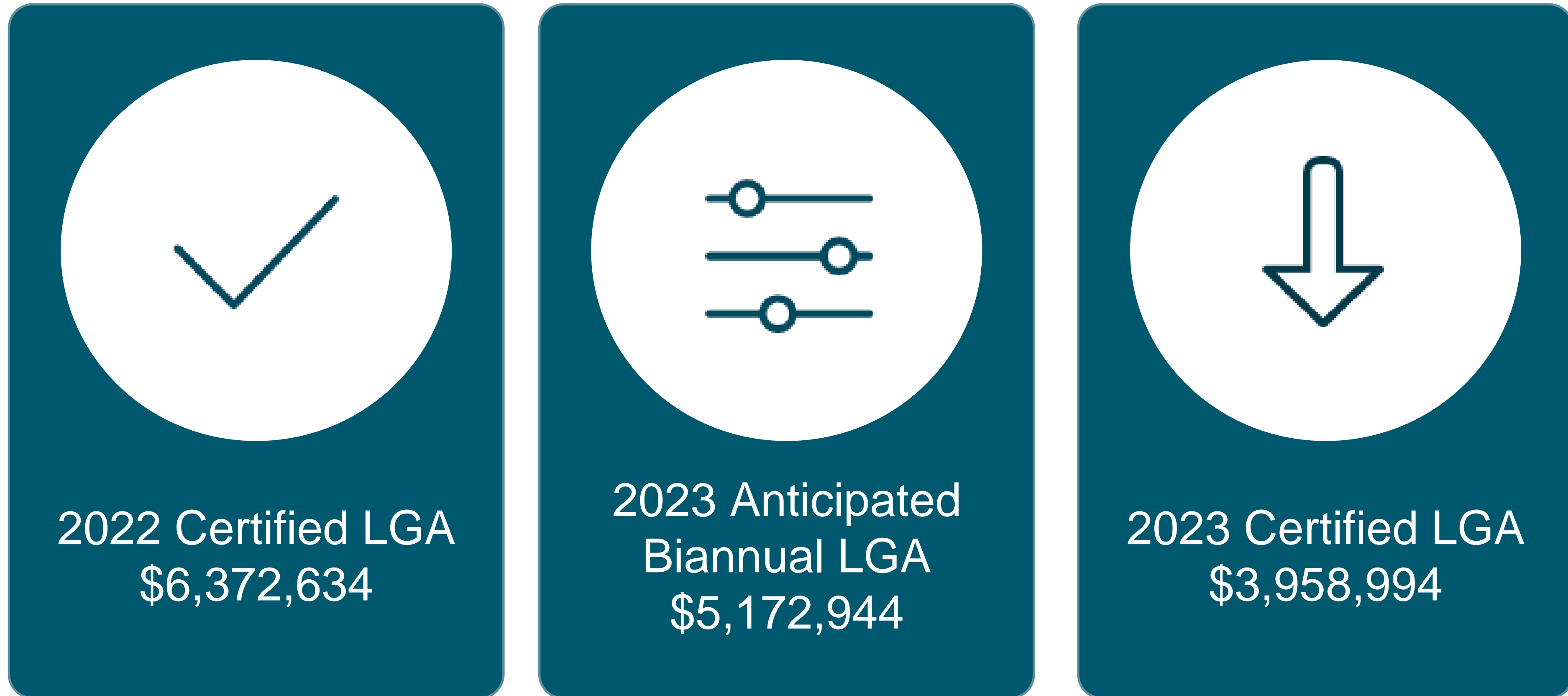
Inflation increases.

Costs for resources required to provide services such as gasoline, diesel fuel and natural gas have increased significantly during 2022 & could carry over into 2023.

These items require a shift in budget amounts and use of funding sources (tax levy, budget stability funds, contingency, etc.).



LOCAL GOVERNMENT AID UNCERTAINTY



*2022 Certified LGA includes supplemental city aid

**2023 LGA has officially been certified by the Minnesota Department of Revenue



CAPITAL IMPROVEMENT PLAN SUMMARY

(INCLUDES RPU CONTRIBUTION TO OTHER PROJECTS, NOT RPU INITIATED PROJECTS)

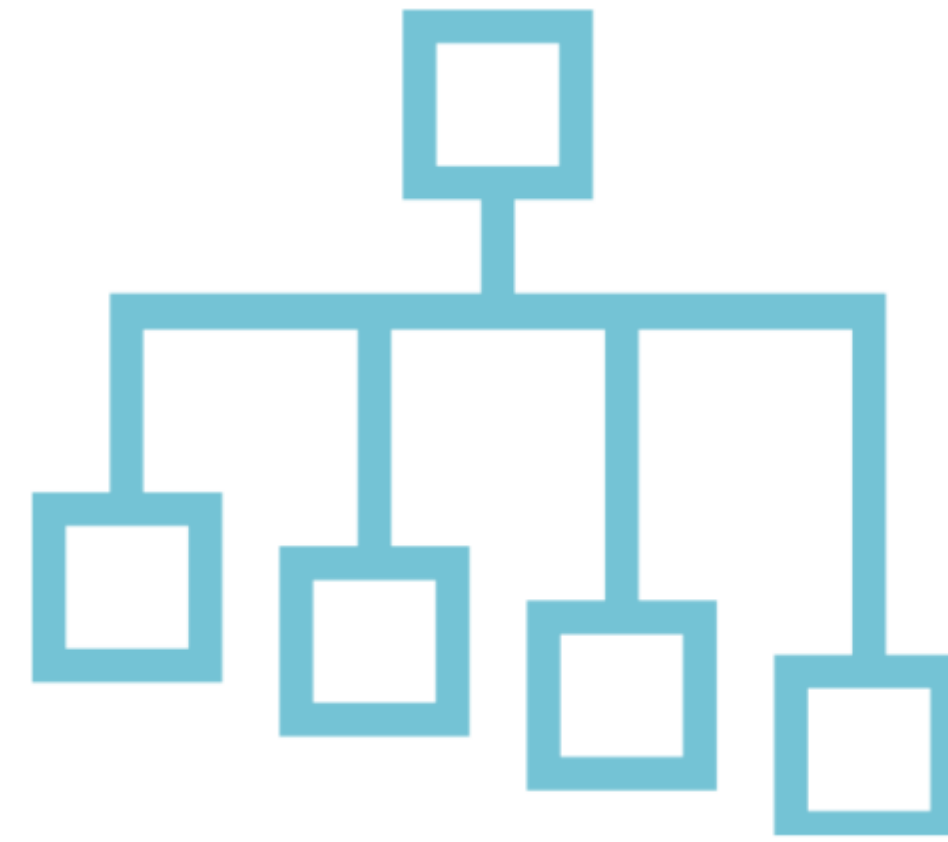
<u>Sources of Funds</u>	2023	2024	2025	2026	2027
Tax Levy	8,015,600	8,255,100	8,502,100	8,757,100	9,020,100
Operating Transfer - fr Other Funds	66,786	402,052	87,876	112,411	335,348
Operating Transfer - fr Sewer Utility	1,601,000	3,876,000	2,451,000	2,101,000	1,951,000
Operating Transfer - fr Storm Wtr Utility	317,250	600,250	600,250	250	250
Flood Control Reserves	7,000,000	1,085,000	1,635,000	785,000	735,000
Electric Utility	4,500	4,500	4,500	4,500	4,500
Water Utility	124,580	635,500	750,500	500,500	400,500
Retained Earnings	13,418,523	5,142,048	4,838,736	8,231,400	4,333,200
Olmsted County	1,096,513	510,298	150,223	300,189	50,599
State	21,752,750	817,500	3,640,400	650,000	-
Municipal State Aid for Streets	5,011,186	2,765,000	3,891,000	8,150,000	8,800,000
Federal	17,208,590	33,353,359	52,982,545	1,129,600	476,800
Sales Tax DMC	6,603,027	4,815,878	3,698,799	3,784,644	3,872,456
State DMC Funds	25,166,940	20,731,255	33,680,729	29,954,000	3,850,000
Transit Aid County DMC	-	-	-	400,000	3,000,000
Transit Aid State DMC	-	-	-	600,000	4,500,000
Private Funds	577,874	2,340,000	140,000	140,000	245,000
Sewer Availability Charges	-	1,129,430	-	-	-
Storm Water Area Mgmt Charge	300,000	660,000	150,000	465,000	595,000
Traffic Improvement District Fees	-	100,000	-	-	-
Special Assessment Bonds	1,595,000	3,145,000	2,363,000	2,345,000	2,395,000
General Obligation Bonds	20,600,000	-	-	-	-
General Obligation Revenue Bonds	22,000,000	17,000,000	-	15,000,000	-
Project reserves	3,745,000	10,282,500	7,355,000	5,345,000	345,000
Totals	156,205,119	117,650,670	126,921,658	88,755,594	44,909,753



2023 CIP PROJECTS AS REVISED (INCLUDING RPU)



186 Projects



23 Categories



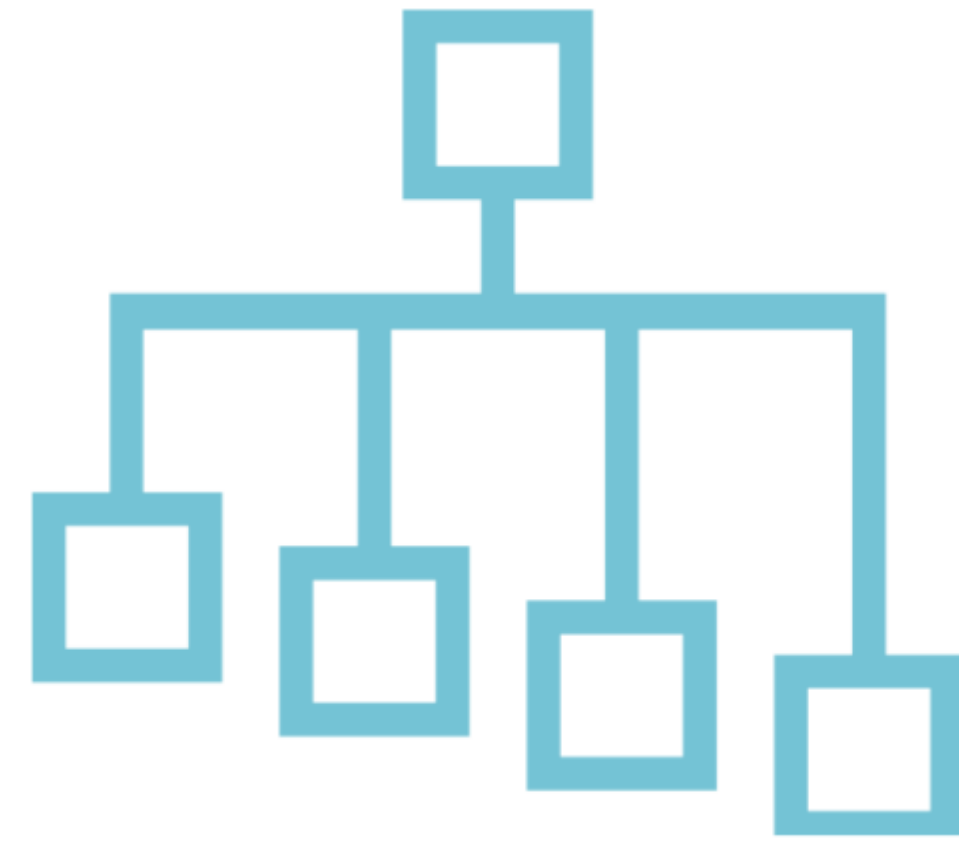
**\$202.6 Million
Total Investment**



2023-2027 CIP PROJECTS (INCLUDING RPU)



261 Projects



23 Categories



**\$682.9 Million
Total Investment**



2023 SUPPLEMENTAL CIP HIGHLIGHTS



ROCHESTER
**PARKS &
RECREATION**
GO. PLAY. EXPLORE.

- No changes to total tax levy ask in any year.
- There is a known \$50,000 decrease in state funding to a parks project that will be reflected at the time the CIP budget is presented for adoption.
- There is a known \$150,000 decrease in the use of project reserves that will not be necessary for an IT project in the Administrative CIP category that will be reflected at the time the CIP budget is presented for adoption.
- Revisions to Parks CIP to reflect changes per the Resolution "Authorizing a Budget Amendment to Parks and Recreation Capital Improvement Plan" adopted by City Council on February 23, 2022.





2023 SUPPLEMENTAL CIP HIGHLIGHTS



ROCHESTER
**PARKS &
RECREATION**
GO. PLAY. EXPLORE.

- New projects added based on funding sources becoming available (federal funds and grants).
- Downtown Buildings Energy Transition (formally District Energy) has been modified in scope and cost to reflect City Council's decision at the June 20, 2022 meeting. Final funding decision will increase 2024 and beyond tax levy.
- Adjusted for known or expected cost revisions.
- We are currently working with the DMC team to review and revise the DMC CIP.



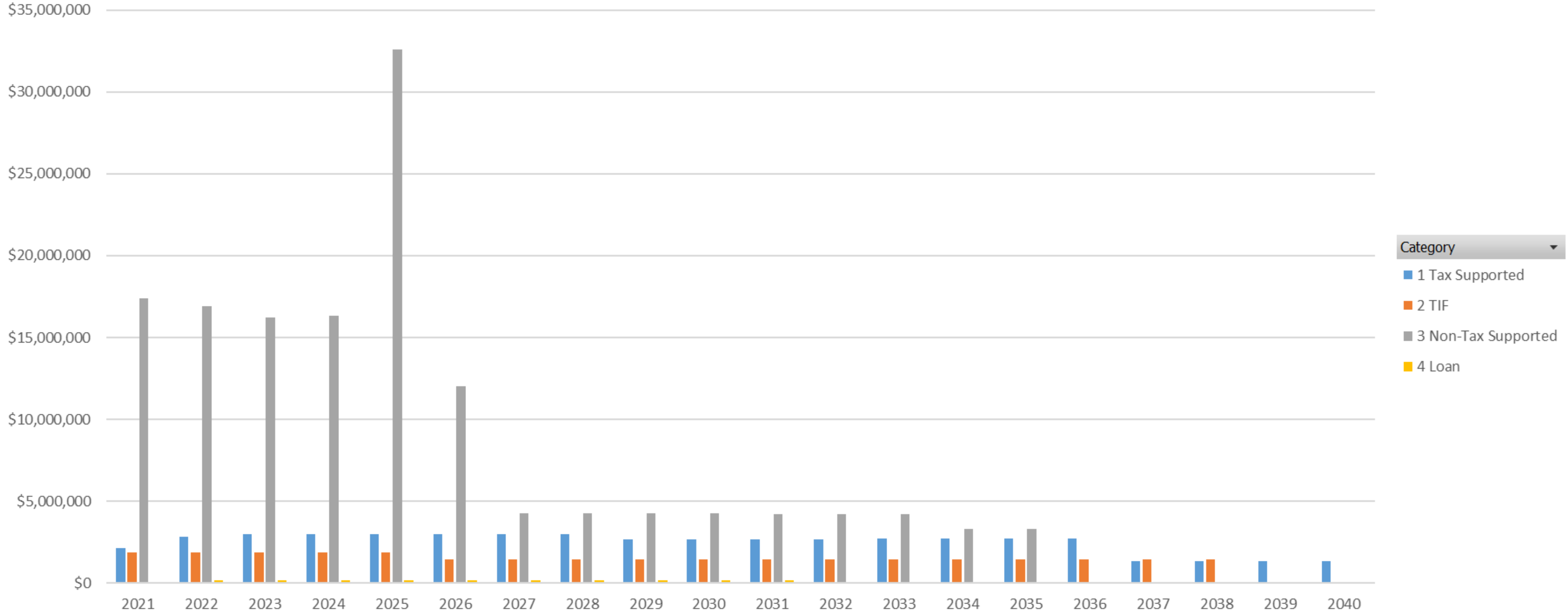


DEBT SERVICE SUMMARY

Issue-ID	Category	Name of Issue	Adjusted Issue Amount	Final Maturity	2023 Debt Service Payment(s)	NOTES
2020C	1 Tax Supported	General Obligation Refunding Bonds, Current Ref 2010A (BABs Direct Pay)	16,460,000.00	02/01/36	1,329,381.26	Funded the Public Works and Transit Operations Center
2018A	1 Tax Supported	General Obligation Equipment Certificates of Indebtedness	2,225,000.00	02/01/28	310,909.46	Used for purchase of 2 fire trucks.
2020A	1 Tax Supported	Rochester Economic Development Authority, Lease Revenue Bonds (DSIC)	20,300,000.00	02/01/40	1,325,775.00	Development Services & Infrastructure Center remodel and North Station new building construction.
2009A	2 TIF	Taxable General Obligation Tax Increment Revenue Bonds	4,030,000.00	02/01/25	395,027.50	Bio Science Buidling Partial Funding
2017B	2 TIF	General Obligation Tax Increment Revenue Bonds (Parking Ramp Project)	21,265,000.00	02/01/38	1,453,131.26	Parking Ramp #6
2015A	3 Non-Tax Supported	General Obligation Lodging Tax Revenue Bonds	42,795,000.00	02/01/35	3,044,012.50	Mayo Civic Center Expansion
2015C	3 Non-Tax Supported	General Obligation Sales Tax Revenue Bonds (Variable Rate)	40,880,000.00	02/01/25	2,984,568.00	Cash Flow funding of 2013 Sales Tax Projects
2012A	3 Non-Tax Supported	General Obligation Waste Water Revenue Refunding Bonds, Crossover Refunding of 2004A	36,205,000.00	02/01/26	-	Waste Water Treatment Plant facility funding
2015B	3 Non-Tax Supported	General Obligation Waste Water Revenue Refunding Bonds, Crossover Refunding of 2007A	19,805,000.00	12/01/26	2,536,750.00	Sewer Mains to Facility
2020B	3 Non-Tax Supported	Taxable GO Waste Water Revenue Refunding Bonds, Crossover Refunding 2012A Bonds	23,380,000.00	02/01/26	6,746,600.00	Sewer Laterals to subdivision developments
2007	3 Non-Tax Supported	Rochester Economic Development Authority, Lease Revenue Bonds	8,424,000.00	02/01/33	549,192.00	Bio Science Buidling Partial Funding - Mayo Portion
2008	3 Non-Tax Supported	Rochester Economic Development Authority, Lease Revenue Bonds	5,700,000.00	02/01/33	372,785.40	Bio Science Building Partial Funding - Mayo Portion II
8172021	4 Loan	Park Lease 2021 Amortization	1,447,686.00	01/15/31	177,310.00	Ball Field Lighting - McQuillan et. al.

DEBT SERVICE SUMMARY CONTINUED

Future Annual Debt Service





DOWNTOWN BUILDINGS ENERGY TRANSITION – FUNDING OPTIONS

Financing Option	Opportunities	Limitations
<p>Debt Issuance</p> <ul style="list-style-type: none"> • \$15.6 million debt issuance required • \$1.36 million annual debt service • Finance over 20 years • 1.47% tax levy IMPACT • \$15.6 million project cost is approximate with bidding to be finalized in November. 	<ol style="list-style-type: none"> 1. Preserves cash & allows Holistic Budget Stability Funds to be invested in one-time capital needs, partnership development, or addressing other pressing needs such as the increasing liabilities in our insurance funds (health & worker’s compensation) 2. Easier to finance a larger capital project consistent with its useful life than to finance the other needs in item 1 above. 	<ol style="list-style-type: none"> 1. Increases the projected 2023 tax levy % Change to over 8%. 2. The future % change would remain similar to current projections with new base, however the average 6% levy change trend provides little capacity for significant new spending initiatives
<p>Debt Issuance & Holistic Budget Stability Funding</p> <ul style="list-style-type: none"> • \$8.6 million debt issuance required & \$7 million Holistic Budget Stability Funds investment • Annual debt service of approximately \$750,000 • 0.81% tax levy IMPACT • \$15.6 million project cost is approximate with bidding to be finalized in November 	<ol style="list-style-type: none"> 1. Reduces the amount of additional levy. 2. Invests one-time Holistic Budget Stability Funding in a one-TIME. purpose. 	<ol style="list-style-type: none"> 1. Limits flexibility for more targeted & strategic investments that may not be able to be financed.

ROCHESTER PUBLIC UTILITY BUDGET

Policy Consideration #4:

Does City Council have any questions or feedback on preliminary Rochester Public Utilities budget information?



ENTERPRISE FUND – RPU WATER UTILITY

(IN THOUSANDS \$)	2022 ADOPTED	2023 RECOMMENDED	DIFFERENCE
REVENUE	\$14,002	\$15,364	\$1,362
WATER SUPPLY COST	\$ 1,847	\$ 2,023	\$ 176
GROSS MARGIN	\$12,155	\$13,342	\$ 1,186

- 5.0% general rate increase (reduced from 6.5% Preliminary Budget)
Cost impact to the average customer is \$0.72 per month
- 1.0% Customer Growth
- 3.0% Consumption (CCF) Increase
- 2023 Capital Investment \$ 6,548,000
- 2023 – 2027 Capital – Water Meter Replacement \$6,000,000
- 2023 In Lieu of Tax Increase \$69,000 (Increased CCF and CPI Adjustment)



ENTERPRISE FUND – RPU ELECTRIC UTILITY

(IN THOUSANDS \$)	2022 ADOPTED	2023 RECOMMENDED	DIFFERENCE
REVENUE	\$ 188,519	\$ 191,390	\$ 2,871
COST OF POWER	(\$ 95,001)	(\$ 95,963)	(\$ 962)
GROSS MARGIN	\$ 93,518	\$ 95,427	\$ 1,909

- 2.5% general rate increase
 - Cost impact to the average customer is \$ 2.27 per month
 - Customers may be impacted by Wholesale price changes through the Power Cost Adjustment
- 1.3% Customer Growth
- 1.0% Consumption Growth
- 2022 and 2023 Revenue includes Private Funds of \$14,204K and \$17,200K respectively
- 2023 Capital Investments of \$ 43,547,000
- 2023 Borrowing \$13,600,000 – Automated Metering Infrastructure Project
- 2023 In Lieu of Tax Increase \$ 597,000 (Increase KWH & CPI adjustment)



SIX YEAR FORECAST – HOLISTIC BUDGET STABILITY FUND SUPPORT

This is one-time funding moderating levy increases allowing us to catch up from a 0% levy in 2021, \$721,000 in reserve utilization, and reestablishing essential expenditures that were part of \$3.5 Million of unsustainable expenditure reductions.



Budget Stability Funding (\$6.2M)

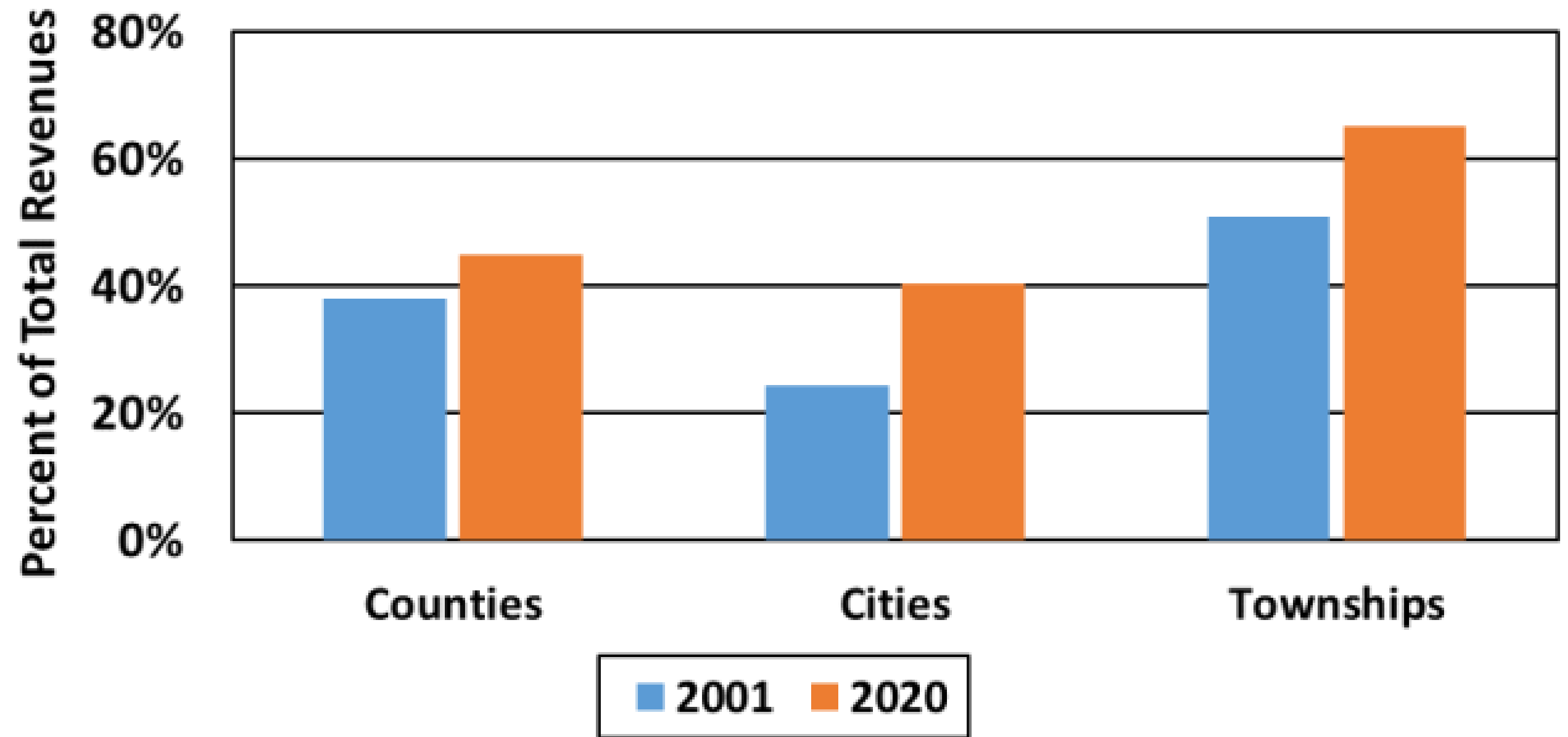
- 2022 - \$1,467,446
- 2023 - \$2,368,028
- 2024 - \$1,427,500
- 2025 - \$ 713,750
- 2026 - \$ 285,500
- 2027 - \$ 0



PERCENTAGE OF TOTAL REVENUES DERIVED FROM PROPERTY TAXES (HISTORIC INFORMATION FOR MN)

- The share of city, county and township revenue from property taxes increased as the share of revenue from state and other sources decreased over the past 20 years.

Percent of Total Revenues Derived From Property Taxes, 2001 - 2020



Source: Office of the State Auditor, State of Main Street 2022, Local Response to Global Crisis




2023 SUPPLEMENTAL BUDGET – NOTABLE EXPENDITURE REVISIONS

- **Fuel - Gas & Diesel:** Total budget increase \$382,859;
Tax Levy Supported
- **Utilities – Natural Gas:** Total budget increase \$121,413;
Tax Levy Supported
- **Salaries & Benefits:** Overall budget decrease due to
most current benefit elections and employee
demographics



2023 SUPPLEMENTAL BUDGET – NET ZERO CHANGES REFINEMENTS TO UNFROZEN POSITIONS AND SEASONAL STAFFING

- **Principal Planner** – Budgeted to return in 2023, recommend filling in November 2022 (other salary savings will cover)
 - **Communication and Engagement Coordinator** – Included in 5 year Trend to return in 2024. Recommend eliminating position and replacing with a GIS Supervisor to start in 2023. Gap year is funded with salary and other savings encumbered from 2022. Visual/Spatial data is paramount to maximize existing tools and communication.
 - **Library Associate I and Library Assistant II** – Recommend that both be classed as Librarian I's to provide the most flexibility in workload. 7-day staffing, collection maintenance, long-term planning, and programming. Cost shift absorbed with other changes in Library salary expenses.
 - **Adaptive Recreation Staffing** – Reclassifying two seasonal positions to part time to assure consistent quality staffing. Possible within proposed 6.85% Levy and slight adjustment to program fee revenue.
- 



REMAINING UNRECOVERED ITEMS FROM 2021

0% TAX LEVY

- General fund travel and training, approximately \$200,000
 - One Frozen position
-
- Recovery of base tax levy after use of budget stabilization (2025)
 - Parking Fund
 - Airport Activity



BENCHMARK CITIES – SERVICE PROFILES

SERVICE	ROCHESTER	MINNEAPOLIS	ST. PAUL	DULUTH	ST. CLOUD	BLOOMINGTON	WOODBURY
AIRPORT	YES	NO	NO	YES	YES	NO	NO
LIBRARY	YES	NO	YES	YES	YES	NO	NO
WASTEWATER	COLLECTION AND TREATMENT	COLLECTION	COLLECTION	COLLECTION AND TREATMENT	COLLECTION AND TREATMENT	COLLECTION	COLLECTION
TRANSIT	FULL SERVICE	N/A	N/A	FULL SERVICE	FULL SERVICE	N/A	N/A
ELECTRIC	YES	NO	NO	NO	NO	NO	NO
REGIONAL PARKS	YES	NO	NO	YES	YES	NO	NO

Where the service indicator is "no" it is important to note that residents in these cities still pay for these services, just not as part of the city budget. Instead, they are provided by a separate taxing entity or a private company who bills the residents for the services provided.



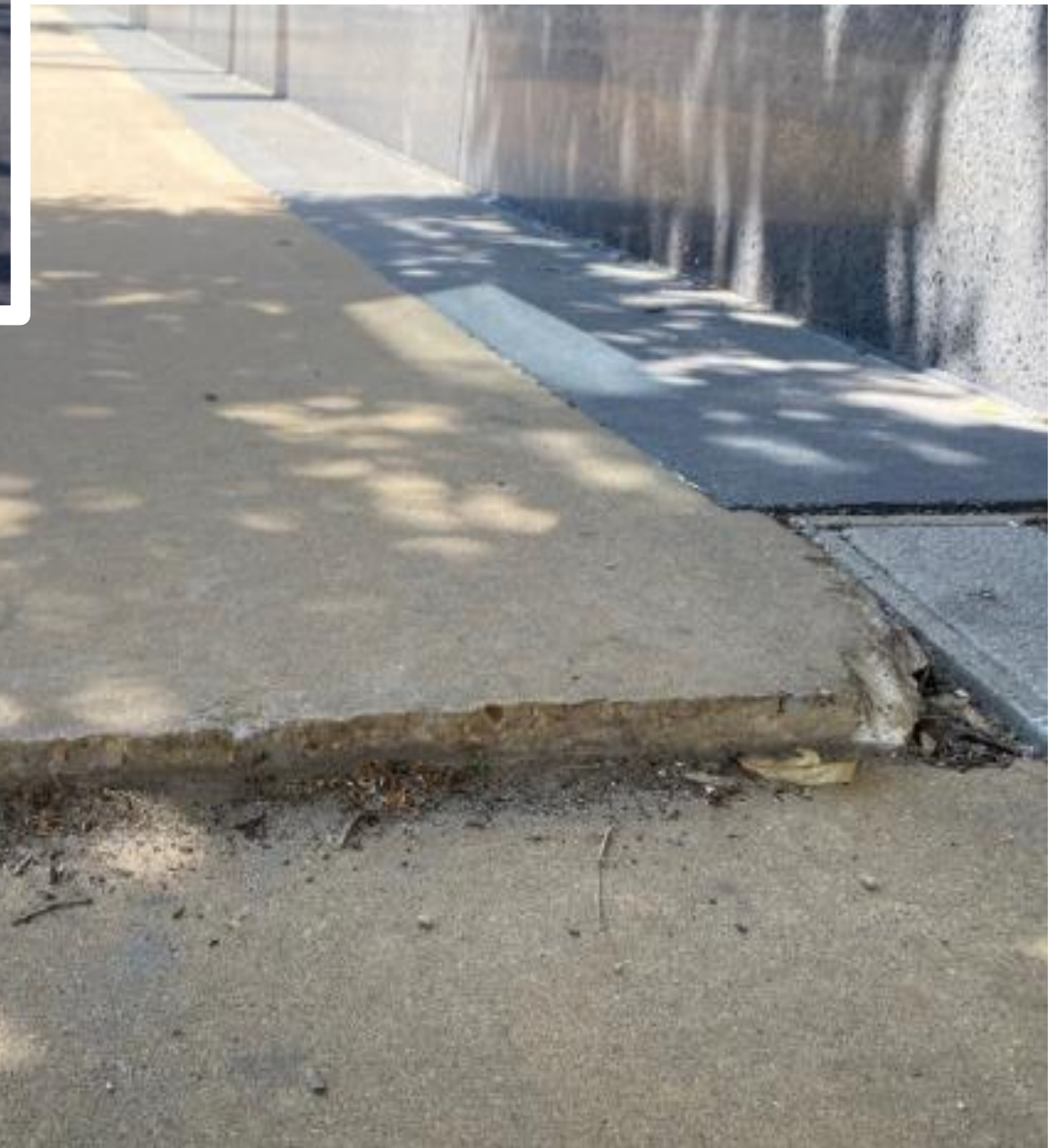
INFRASTRUCTURE LIABILITIES

FLOOD CONTROL SYSTEM

INFRASTRUCTURE LIABILITIES

STREETS

SIDEWALKS



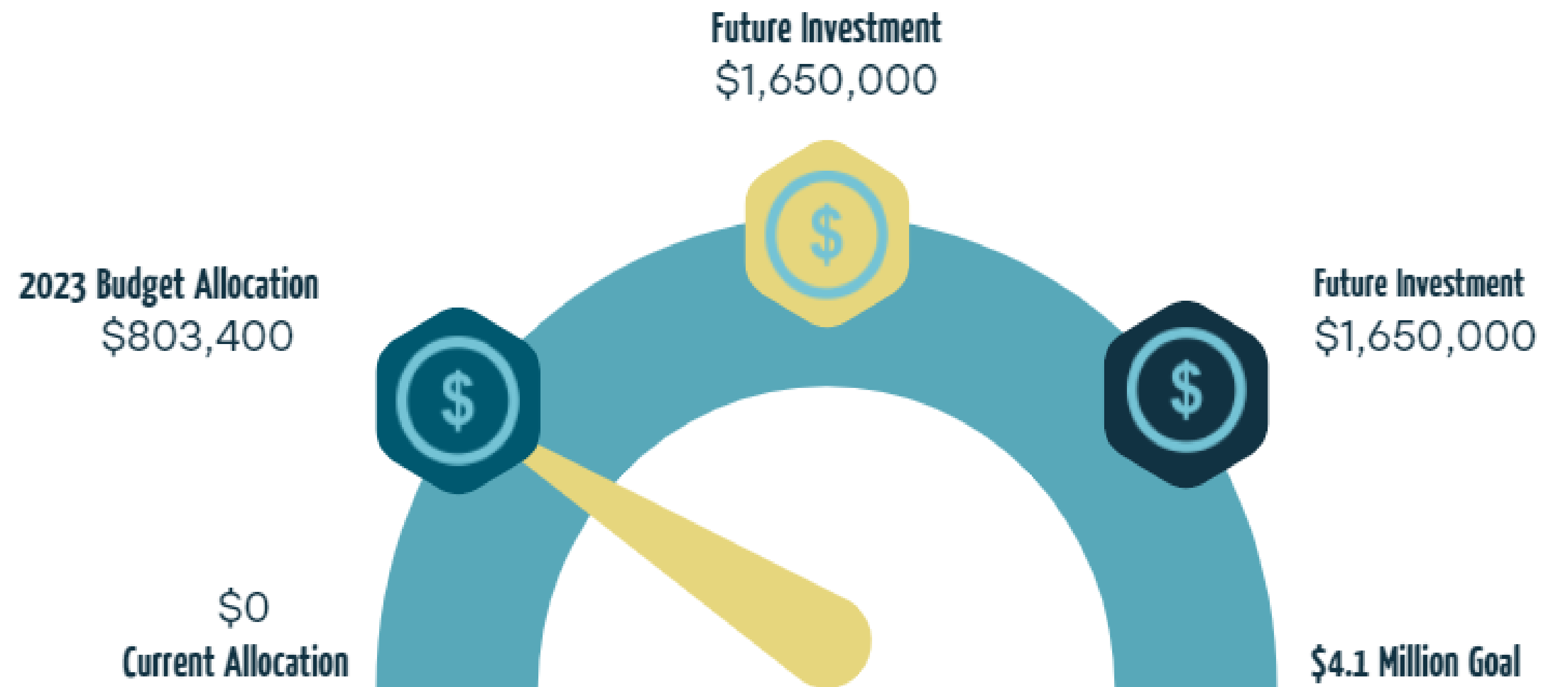


OTHER FUNDS

- **Equipment Revolving** – Limited replacements to save \$’s now create backlogs for future.
- **Workers Compensation Fund** - Trend challenges driving need to increase contribution rates.
- **Facility Renewal Fund** – Projected annual need of \$4.1 million with phased funding starting in 2023.

Facility Renewal Fund

Addressing Deferred Facility Maintenance





HOLISTIC BUDGET STABILITY FUND

Total available funds	\$22,435,537	Total available funds received through one-time federal funding acts in light of the pandemic.
Funds previously approved by City Council for programming	\$7,225,337	Funds approved by City Council for programming on items related to support for people, support for innovation, reopening and resiliency, facility investment for fiscal sustainability, and others.
Revenue impact mitigation funds available	\$7,423,000	\$6,200,000 is currently programmed into the budget years 2022 through 2026 to help minimize the impact to tax levy increases.
Funds remaining for allocation	\$7,787,200	Could be used toward items such as the downtown buildings energy transition, facilities reinvestment fund, insurance funds (health & workers compensation), others.