

Factors Influencing the 2025 Supplemental Budget



April 15, 2024



Policy Considerations

- Is the 2025 Supplemental Budget and levy request in alignment with the City Council's priorities?
- Are there any specific issues the Council would like evaluated as part of the supplemental budget process?



Strategic Priorities

Strategic Priority:
Affordable Living

Strategic Priority:
Economic Vibrancy and
Growth Management

Strategic Priority:
Quality Services



1 Construct market rate and affordable owner occupied housing.

2 Invest in public realm to advance:

- Economic Vibrancy
- Resident Experience
- Visitor Experience
- Talent Attraction

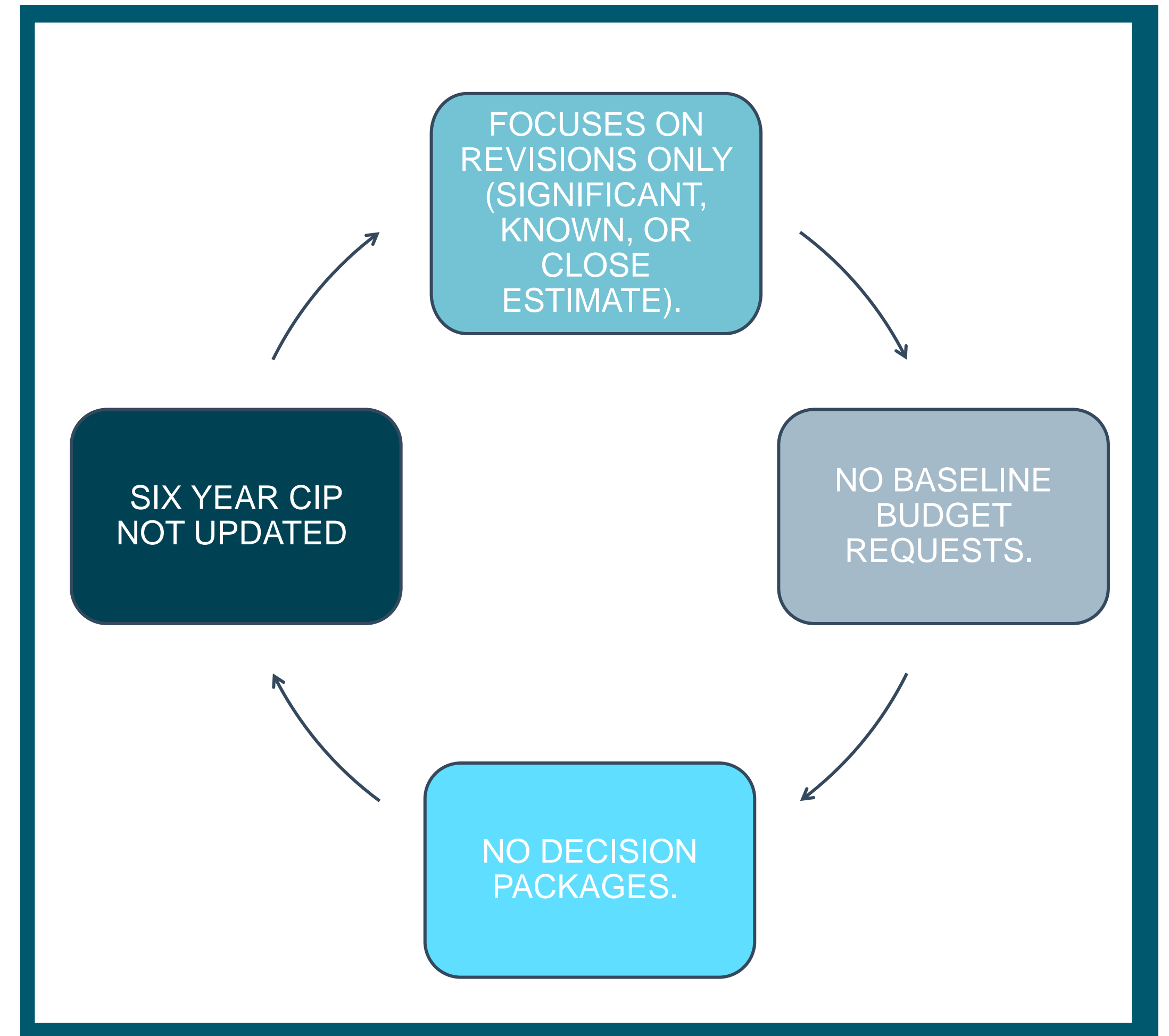
3 Develop a transition plan for post 2030 power supply needs.

Key Goals Based on Council Discussion

2025 Supplemental Budget Timeline



2023 Supplemental Budget Process



2025 Supplemental Budget Process



The 2025 Tax Levy is currently \$110,209,367 which represents an 8.5% increase from 2024.



The 2025 General Fund budget is currently \$121,755,287 which represents a 6.41% increase from 2024



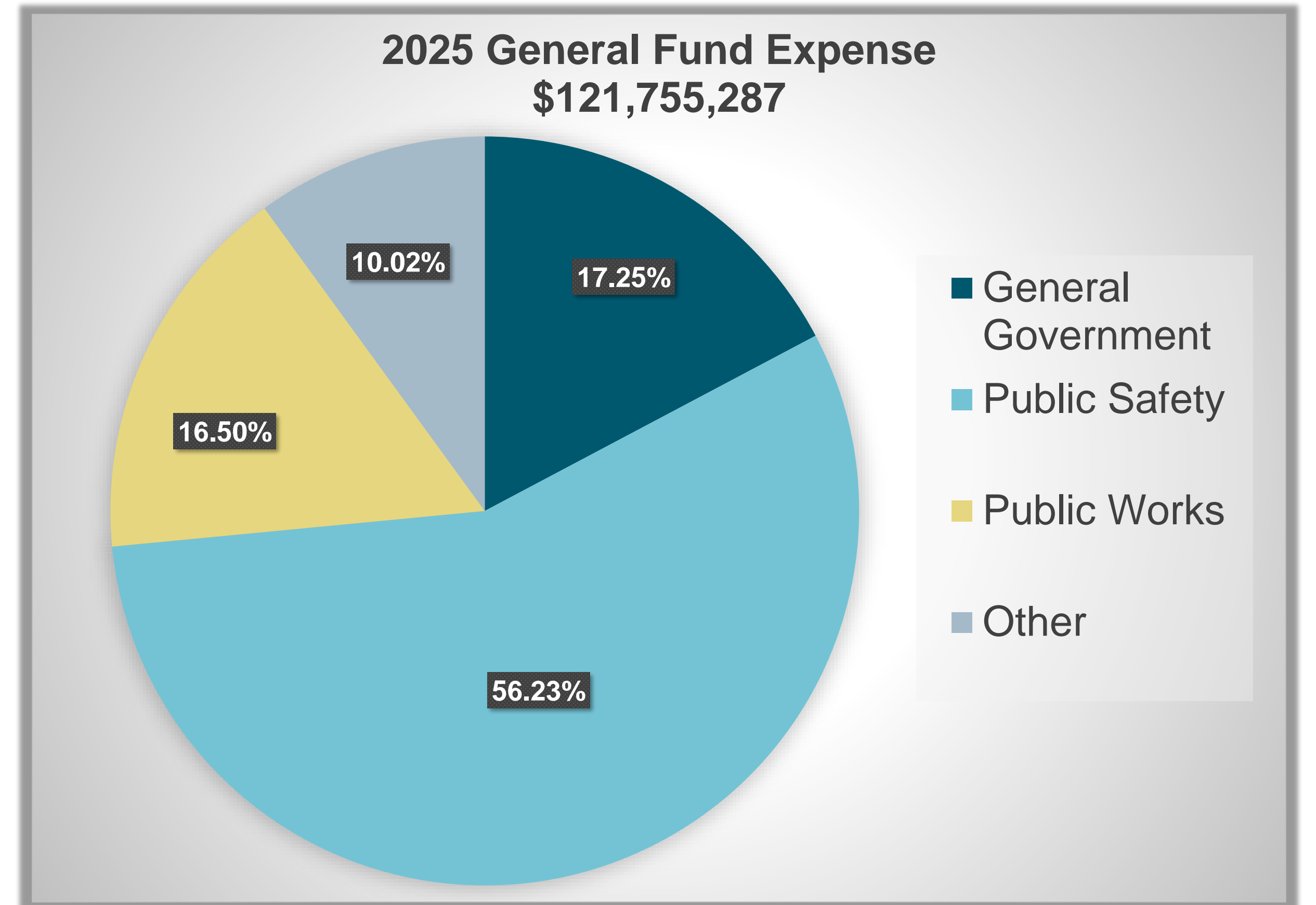
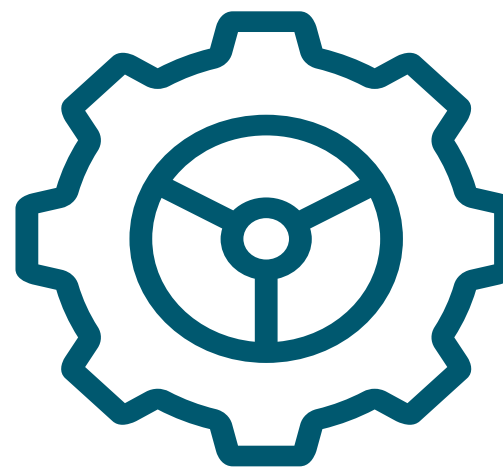
Q1 Action Plan data is being collected; update to City Council at the November 13th, 2024, Study Session



2023 Audit and Annual Comprehensive Financial Report will be presented to City Council at a June Study Session

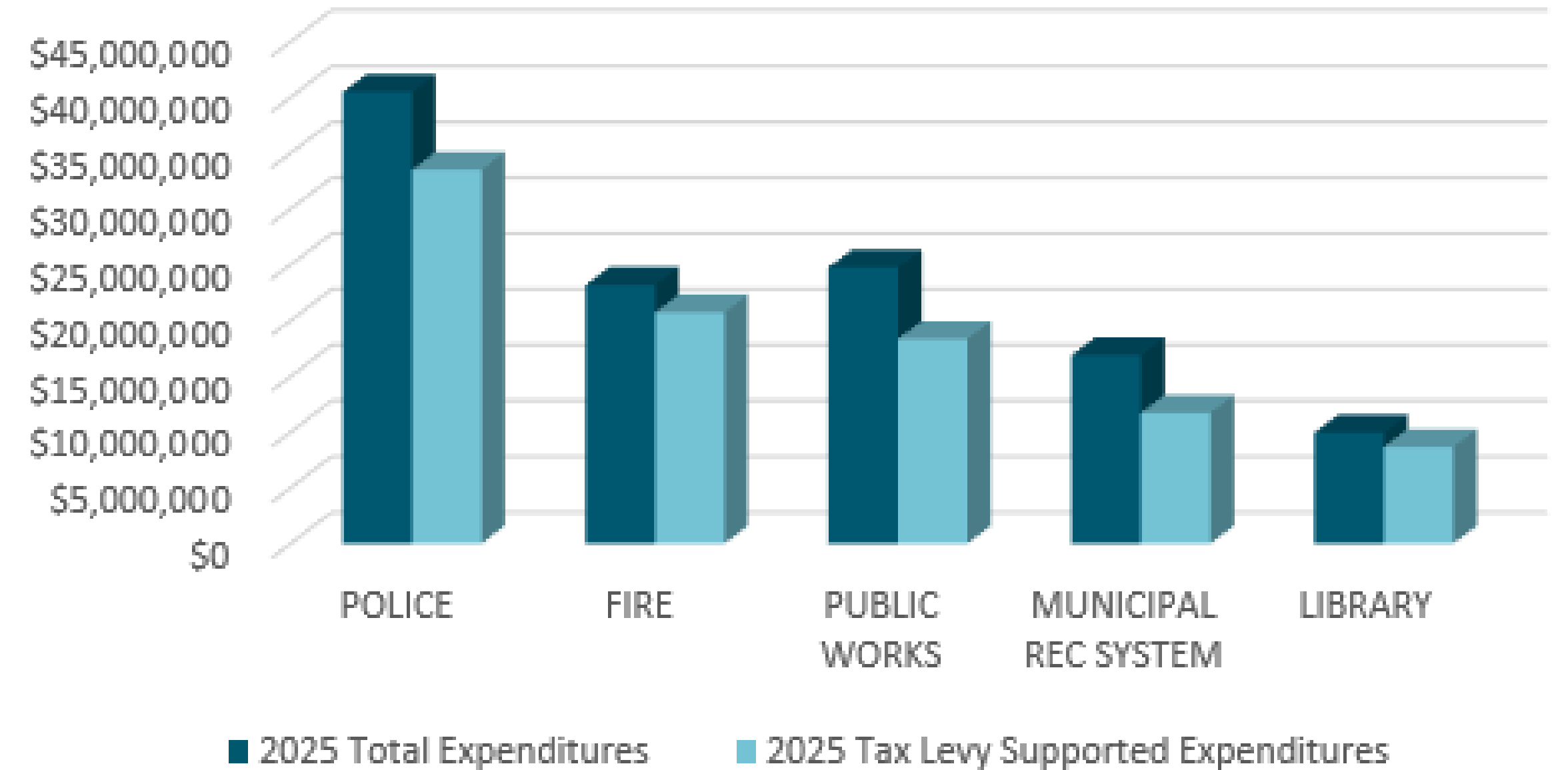


2025 Adopted Budget



2025 Total Expenditures and Tax Levy Support

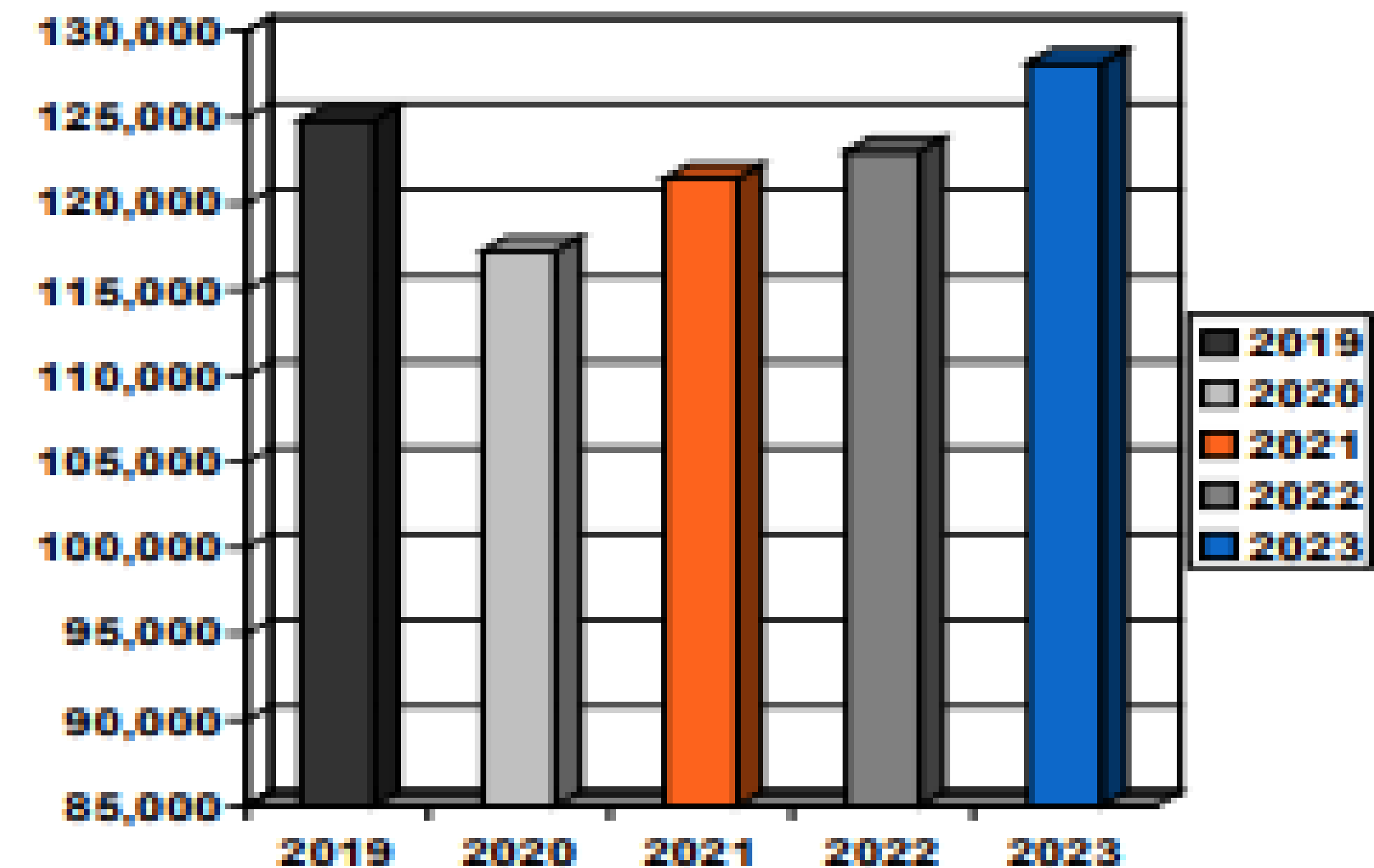
Total Expenditures and Tax Levy Support



Economic Indicator-Employment

- Total nonfarm employment was up at the end of 2023 vs. 2022 and is back to pre-pandemic levels of 2019
- Rochester's unemployment rate at the end of 2023 was 2.0% which is down .5% from the prior year and below state and U.S. averages

Source: Rochester Area Economic Development, Inc.,
Quarterly Economic Report, Fourth Quarter 2021



Economic Indicator-Building Permit Valuations

- 2023 permit valuation totals were **down 6%** from 2022
- 2024 year to date permit revenue is at **40%** of the revenue that was projected in the budget. This is significantly ahead of our projections.

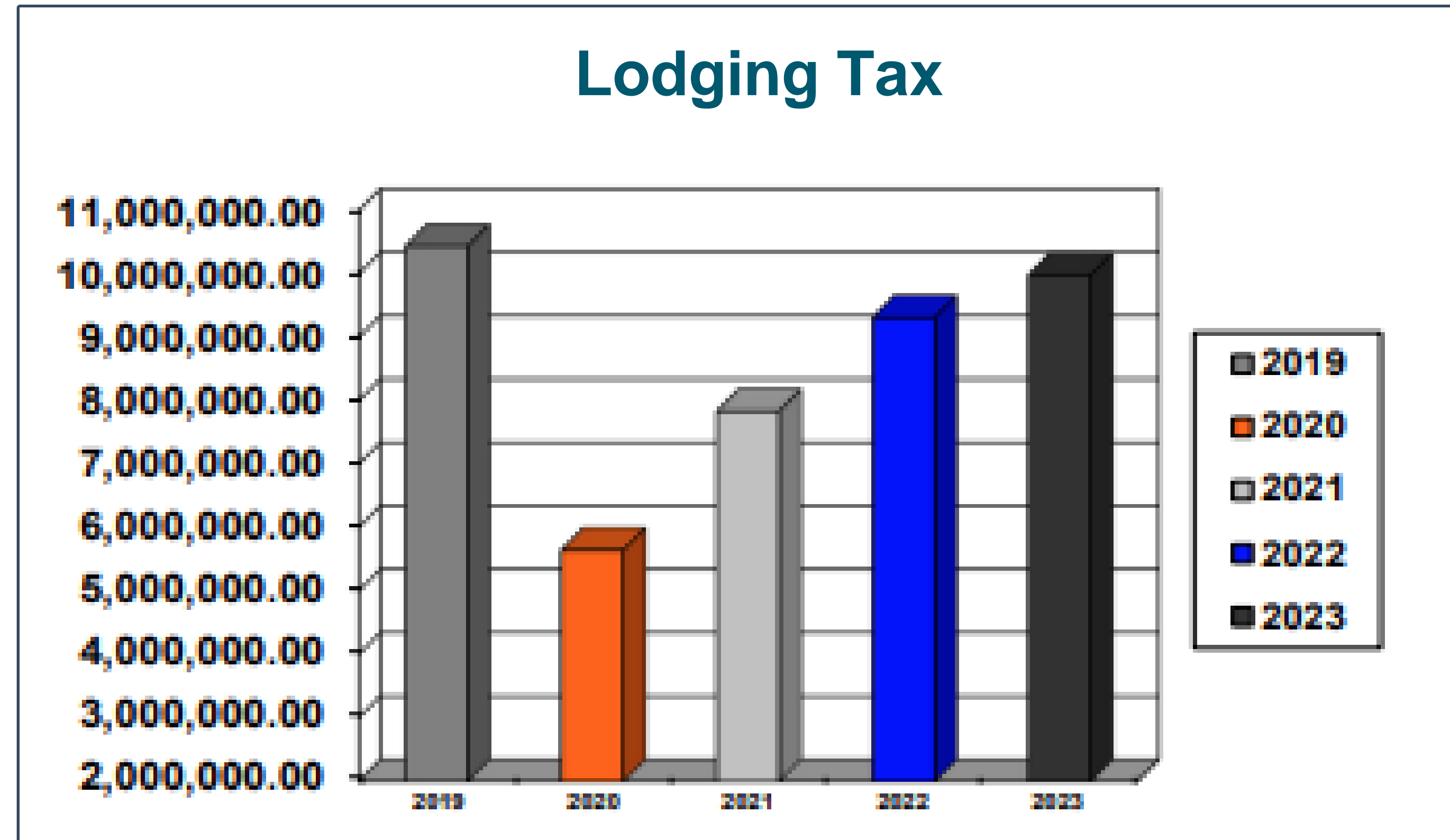


	Valuation	Total Permits
2023	528,634,529	2,362
2022	562,379,893	2,205
2021	525,666,413	2,257
2020	366,671,424	1,970
2019	483,468,201	2,270

Economic Indicator-Net Lodging Tax

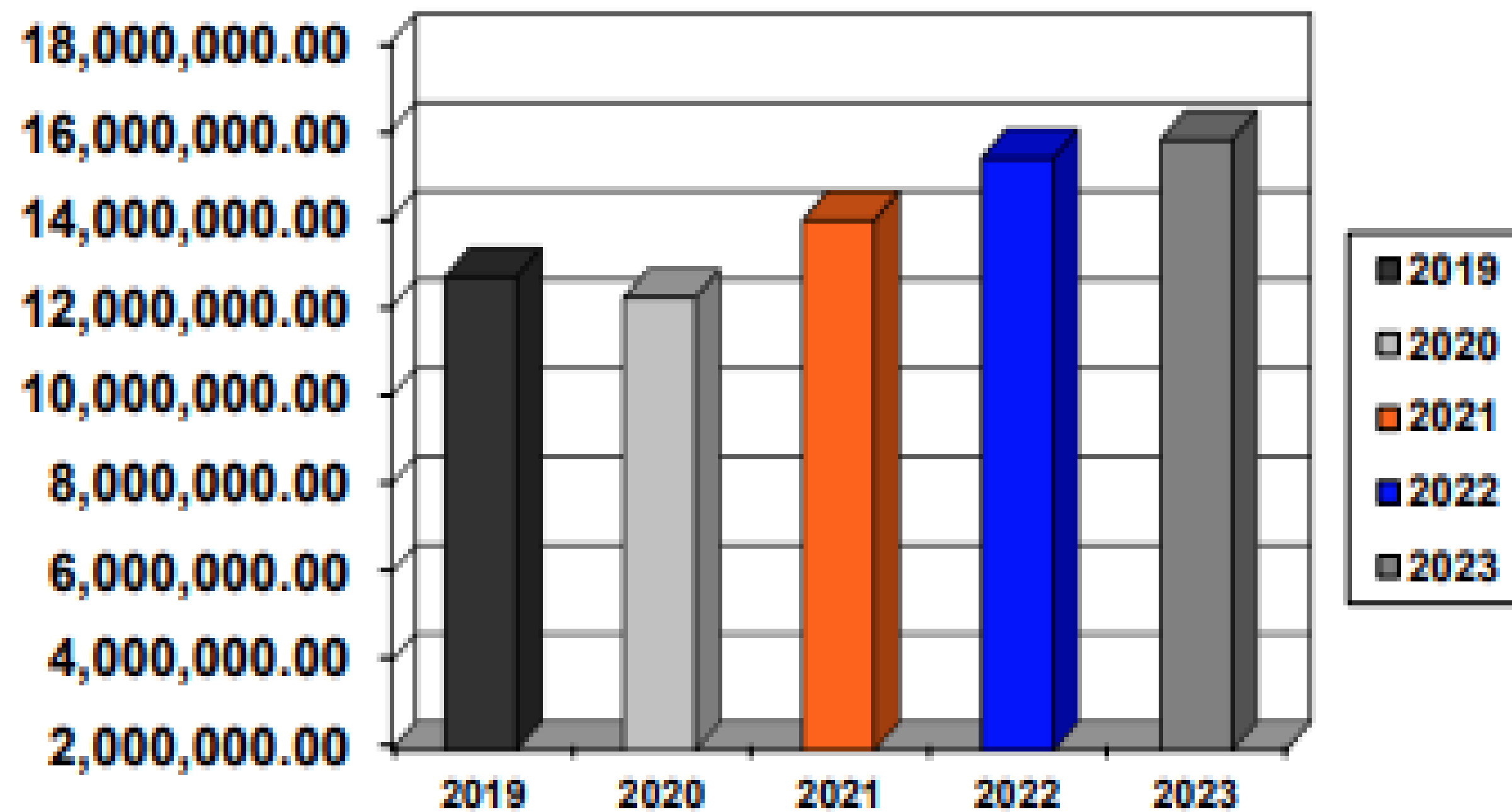
Lodging Tax 12 Months (December-November)	
2019	\$10,387,337.84
2020	\$ 5,989,675.05
2021	\$ 7,554,108.28
2022	\$ 9,290,704.15
2023	\$10,256,053.67

Source: City of Rochester Finance Department



Economic Indicator-Net Sales Tax

Net Sales Tax Past 5 Years



Net Sales Tax-City of Rochester 12 Months (December-November)	
2019	\$12,694,975.23
2020	\$12,227,728.16
2021	\$13,974,345.11
2022	\$15,380,386.44
2023	\$15,793,052.00

Source: City of Rochester Finance Department



2024 Property Valuation Growth: Preliminary estimates payable 2025

New Construction 1.91%

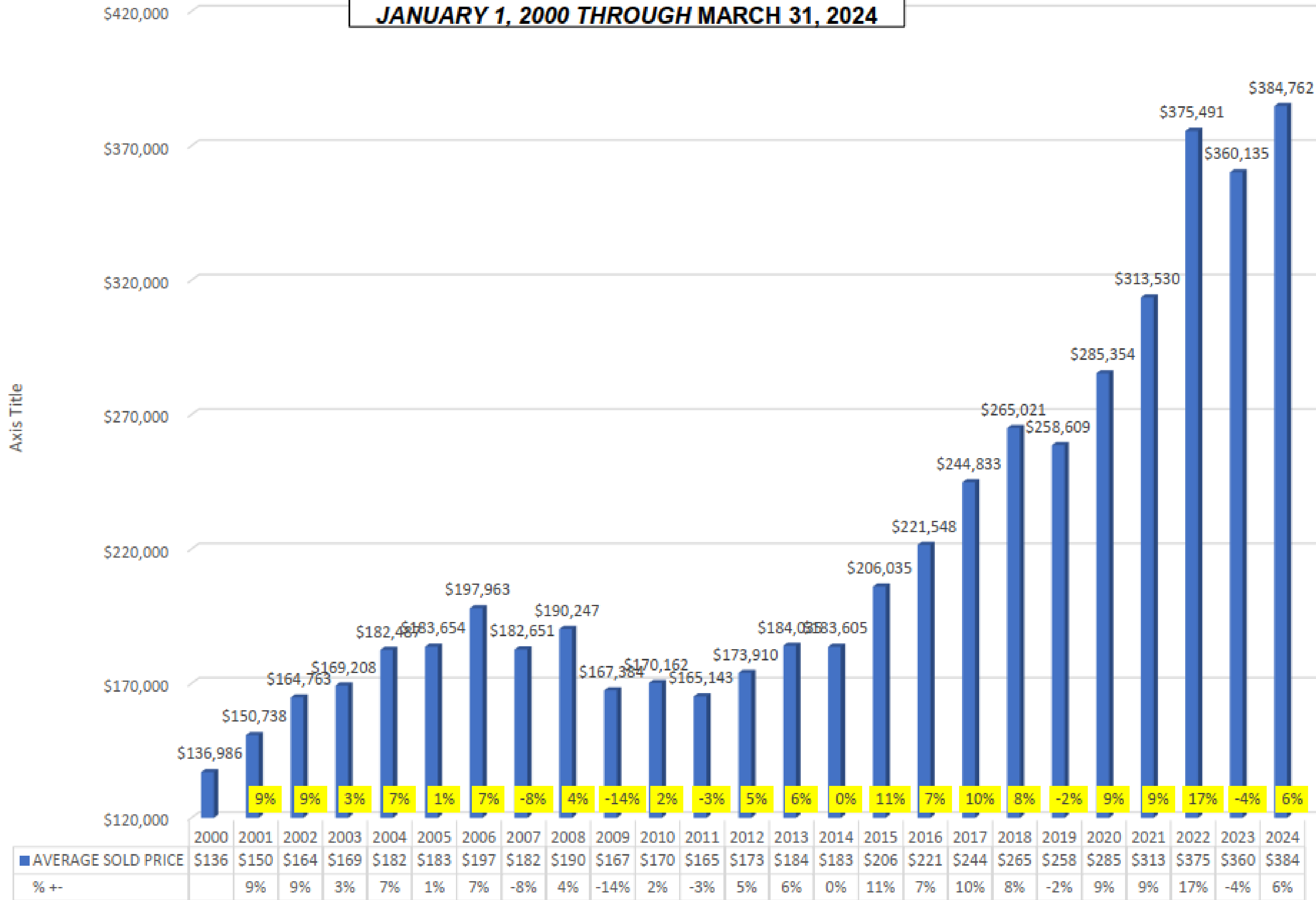
Valuation Adjustment 2.42%

Total Growth in EMV 4.33%

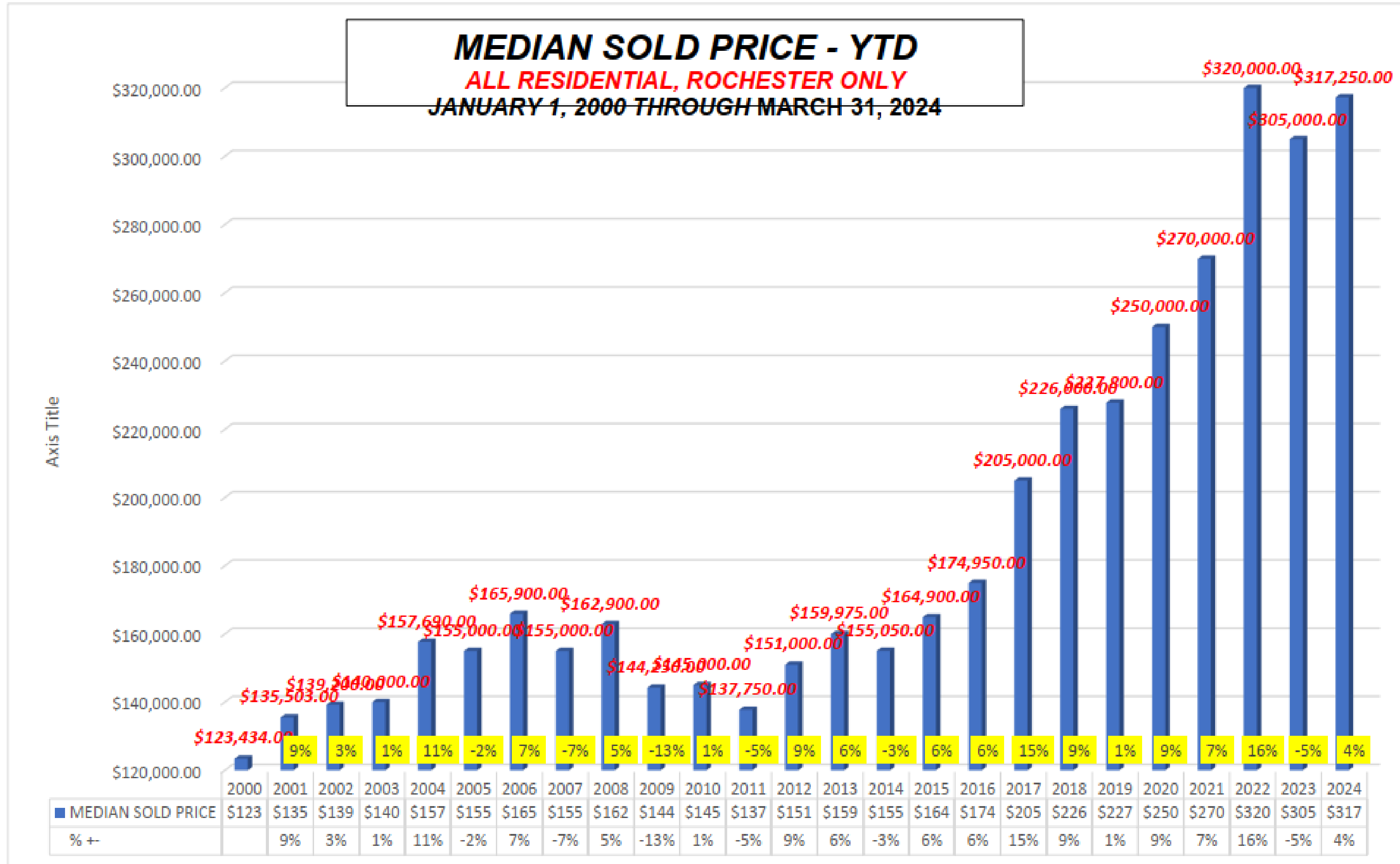
- Valuation drives how local levies are allocated and does not automatically translate into property tax increases.
- Local levy decisions determine each property's final property tax amount.
- Taxes can shift among property classes, which will likely happen in the next few years.

Preliminary Estimated Market Valuation

AVERAGE SOLD PRICE - YTD
ALL RESIDENTIAL, ROCHESTER ONLY
JANUARY 1, 2000 THROUGH MARCH 31, 2024



Homes Average Sold Price - 2023



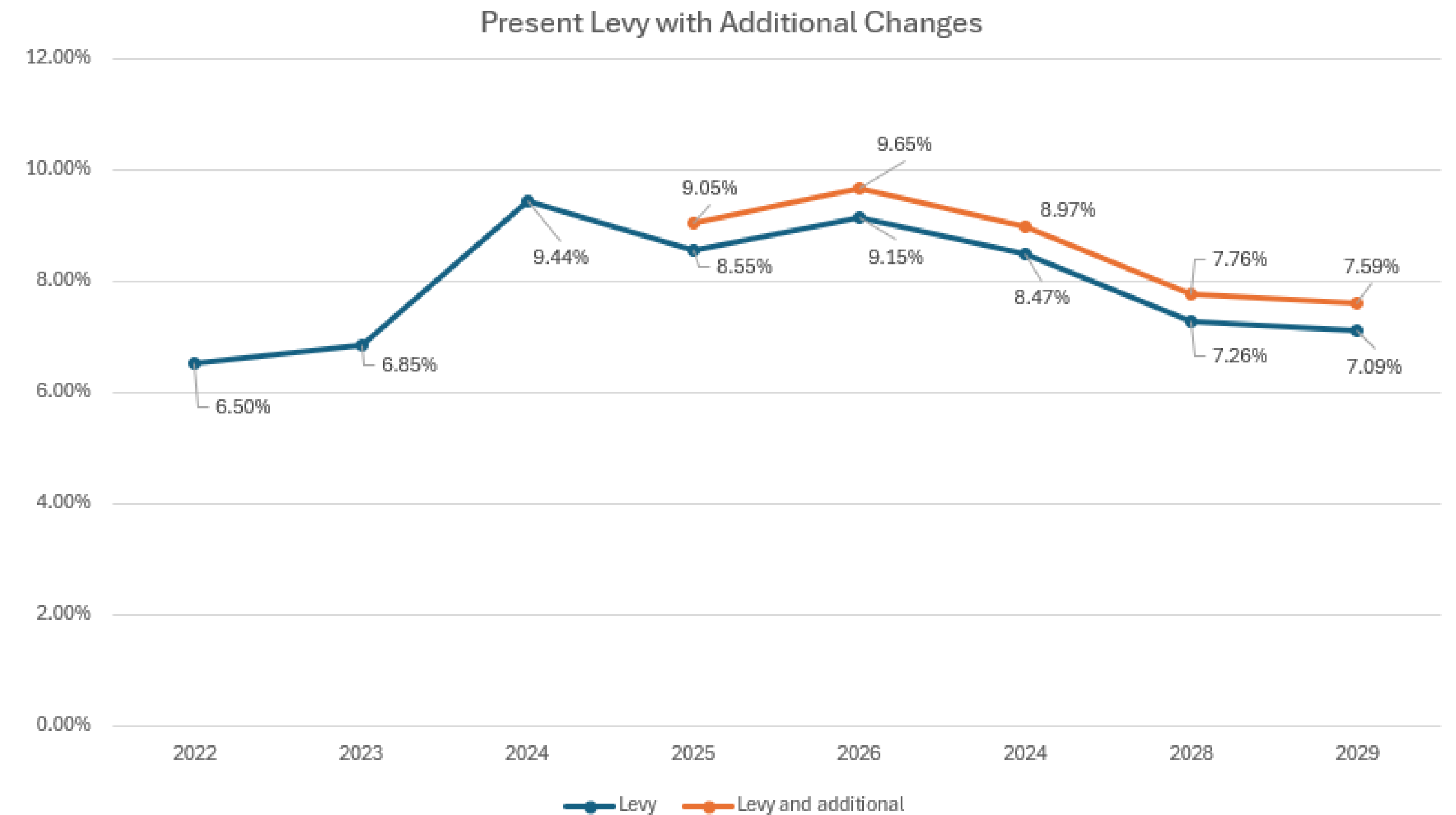
Homes Median Sold Price - 2023

DATA OBTAIN FROM SEMR FLEXMLS INFORMATION AND NORTHSTARMLS – MATRIX. DATA COMPILED BY JIM MINER, BROKER/REALTOR®, MN LICENSE 711263. ALL DATA IS FOR PERSONAL USE ONLY AND IS NOT FOR PUBLICATION. FOR CURRENT DATA, CONTACT THE NORTHSTAR MLS OFFICE. DRAW YOUR OWN CONCLUSIONS WITH THE DATA PRESENTED FOR ROCHESTER ADDRESSES ONLY. INFORMATION DEEMED ACCURATE BUT NOT GUARANTEED.

Long-Range Financial Management Plan

Forecasted Levy Increases- Sustains Current Service Levels Only

*Adds funding for Silver Lake Pool and Bath house



Holistic Budget Stability Fund Support

This is a one-time funding moderating levy increase allowing us to catch up from a 0% levy in 2021 and \$721,000 in reserve utilization.

Budget Stability Funding

2022 - \$1,467,446

2023 - \$2,368,028

2024 - \$1,427,500

2025 - \$ 713,750

2026 - \$ 285,500

2027 - \$ 0

Additional Impacts to be Considered

- **Debt Service-** We are finalizing our debt service timing in the current rate environment. This may change previous assumptions for the Downtown Building Transition and Parks Maintenance Facility Project.
- **Outside Agencies-** We are not anticipating a request process this year and the approved 2025 Budget has existing allocations at the same level as 2024.
- **Bold Forward Unbound-** The 2025 positions outlined in the staffing plan funded through construction revenue will be added.

Additional Impacts to be Considered

- **Bargaining-** We have 11 bargaining agreements expiring at the end of this year that we are starting to work on. We will be facilitating a closed session of the City Council on May 9th to finalize negotiation parameters. This will likely require a budget adjustment.
- **Silver Lake Pool and Bath House Replacement-** The Council authorized moving forward with replacing these assets. The financing strategy adopted requires a .5% increase from the original projection for 2025.

Additional Impacts to be Considered

- **Air Service Needs-** We continue to evaluate options to enhance commercial passenger service and to create a positive user experience at the Airport.
- **2025 Decision Packages-** A number of 2025 Decision Packages were built into the 2025 Budget. Several requests were not funded.

2025 Decision Packages- Funded in 2025

Decisions Package Funded in 2025	Net Amount
City Website Tool Subscription-Developer Toolkit	\$ 10,000
Internal Auditor Position	\$ 158,443
CDD Professional Services	\$ 20,000
IT And IT Security Training	\$ 5,000
Continue Incident Response Retainer and Vendor Security Monitoring	\$ 100,000
Diversity the Rochester Fire Department Steps 1 and 2 of 8	\$ 278,207
Fire Marshal and Fire Inspector Vehicles	\$ 119,166
New Equipment-Mastic Trailer	\$ 87,467
New Position-Equipment Operator Streets	\$ 109,922
Vehicle AC Recycling Machine	\$ 21,625
Big Truck Diagnostics Tool	\$ 7,500
CD Specialist	\$ -
GIS Professional Services	\$ 10,000
Library Security & Safety Specialist	\$ 113,814
New Aquatics at Silver Lake in 2025	\$ 63,100
Snow Grooming Equipment	\$ 213,333
Mowing Equipment	\$ 177,778
Total	\$ 1,495,355

2025 Decision Packages- Not Funded in 2025

Decision Package Not Funded in 2025	Net Amount
2 Police Officers for Downtown Beat	\$ 250,966
Public Safety Comm Dispatcher /2	\$ 102,778
Police Records Technician	\$ 59,388
Diversify the Rochester Fire Department Step 3 of 8	\$ 360,230
Housing Inspector	\$ 121,870
Development Admin-Travel & Training	\$ 3,953
Landscape Technician	\$ 78,459
Joint Facilities Custodial Staffing	\$ 63,237
Joint Facilities City-Wide Snow Removal and Operations Vehicle	\$ 109,643
Total	\$ 1,150,524

Six-Year Forecast – Property Taxes

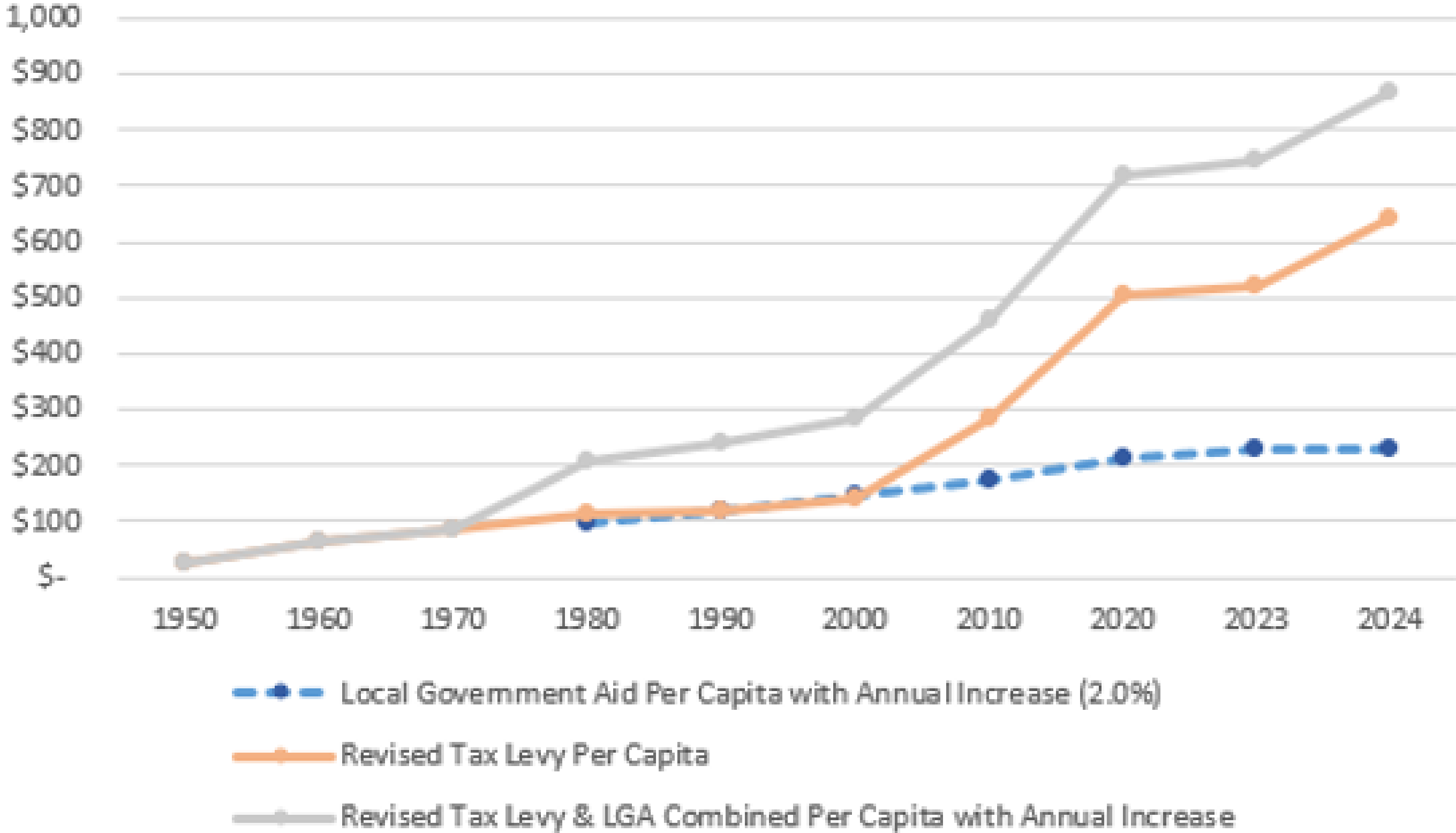
Total Tax Amount Levied	
Year	Amount
2023	\$ 92,772,574
2024	\$ 101,530,873
2025	\$ 110,209,367
2026	\$ 120,289,458
2027	\$ 130,472,963
2028	\$ 139,939,733
2029	\$ 149,857,371



Total Tax Amount Levied

Tax Levy and LGA Per Capita Decade Trends

"What if" Tax Levy & LGA Per Capita

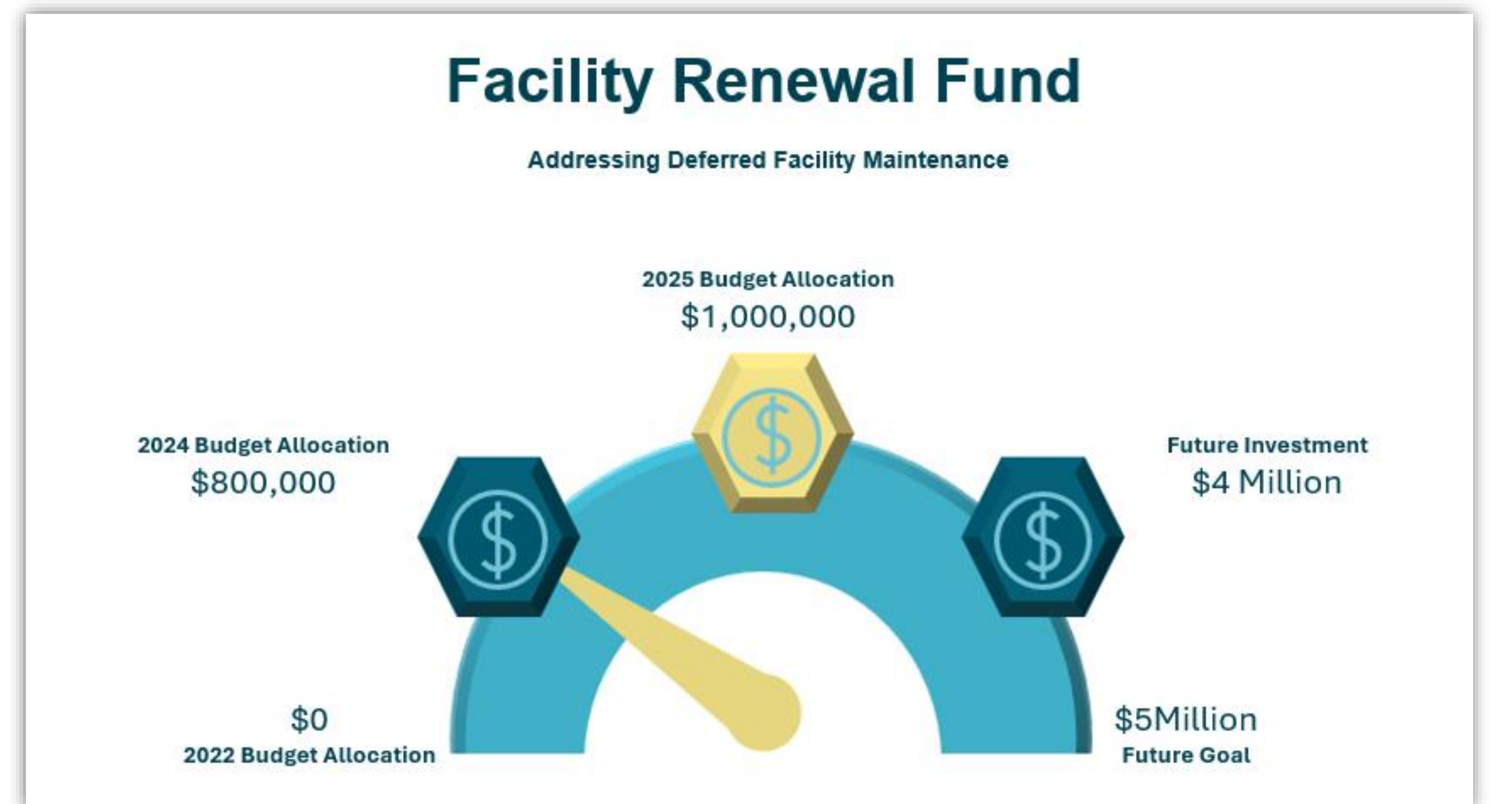


Other Funds

- **Equipment Revolving** – Limited replacements to save \$'s now create backlogs for the future. However, we did leverage some Public Safety Funds to address vehicles eligible for replacement. We need to evaluate our overall fleet to ensure that vehicles being surplus are contributing to the fund.
- **Workers Compensation Fund** - Trend challenges driving the need to increase contribution rates.

Other Funds

Facility Renewal Fund – Projected annual need of \$5 million with phased funding starting in 2023. The highest annual amount in the current CIP is \$1.8M in 2029. Lodging tax exceeding annual commitments is also being reinvested toward Civic Center capital, which will help reduce the need for property tax investment



Policy Considerations

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Discussion

