CITY OF ROCHESTER

2027 Recommended Supplemental Budget:

Follow-up from August 24, 2026

September 14, 2026

rochestermn.gov

Priorities & Principles

Strategic Priorities

We will focus our resources and initiatives to drive progress in these areas:

- Economic Resilience
- Housing Access
- Inclusive Growth Management
- Responsible Environmental Stewardship
- Transformational Capital Projects

Foundational Principles

We will approach every action and decision through a lens of:

- Compassion
- Fiscal Responsibility and Sustainability
- Inclusive Decision-Making
- Public Safety
- Quality Services
- Social Equity

2027 Supplemental Budget Timeline

City Team Completing Supplemental Budget Requests and Internal Review in March and May

→ Factors Influencing the Budget on April 13

→ Review of 2025 Audit & Budget Update on July 13

→ City Administrator's Recommended Supplemental Budget on August 24 & September 14

→ City Council Approves Preliminary Levy on September 21

→ Budget Hearing and Adoption on December 7

City Administrator 2027 Recommended Supplemental Operating Budget

2027: $799.3 Million Budget (Inclusive Of RPU)

- **All Funds Combined**
- **5.59% or $6.617 M** Total Levy Increase (not a tax rate)
- **Sewer:** 2027 – approximately 1%
  - Rate increases are informed by the 2022-2027 rate study adopted in 2021
  - Wastewater connection fees increase at approximately 2.7% annually and are related to project inflation and the increased cost of wastewater treatment plant infrastructure due to new construction
- **Electric:** Original **6.0%** Recommend **4.0%** - $5.17/Mo
- **Water:** Approved **9.0%** No change - $1.78/Mo

  - ***RPU Cost of Service Studies (COS)***
    - RPU Board accepted Water COS study August 26, 2025
    - RPU Board will conduct Electric COS during 2027
    - Study results inform individual rates for each rate class
    - Any adjustments from the recommended RPU budget will be included as final recommendations by the RPU Board for consideration by Council on December 7, 2026

City of Rochester Budget 2026 and 2027 Inclusive of RPU

Total
2027
$799.3 million
2026
$693.4 million

Operations
2027
$463.1 million
2026
$421.5 million

Debt Service
2027
$37.5 million
2026
$26.1 million

Capital Improvement Program
2027
$298.7 million
2026
$245.8 million

2027 Recommended Supplemental Tax Levy and Budget

- **Recommended Supplemental Tax Levy is $124,901,338**
  - 5.59% Increase Compared to 2026. The increase adopted in the two-year budget was 7.40%.
- **Recommended Supplemental Total Budget is $799.3 million (Inclusive of RPU)**

These numbers do not reflect the pending Council decision items, which include:

- Any Path Home Funding
- Levy reduction to match the preliminary estimated market value growth of 5.21%

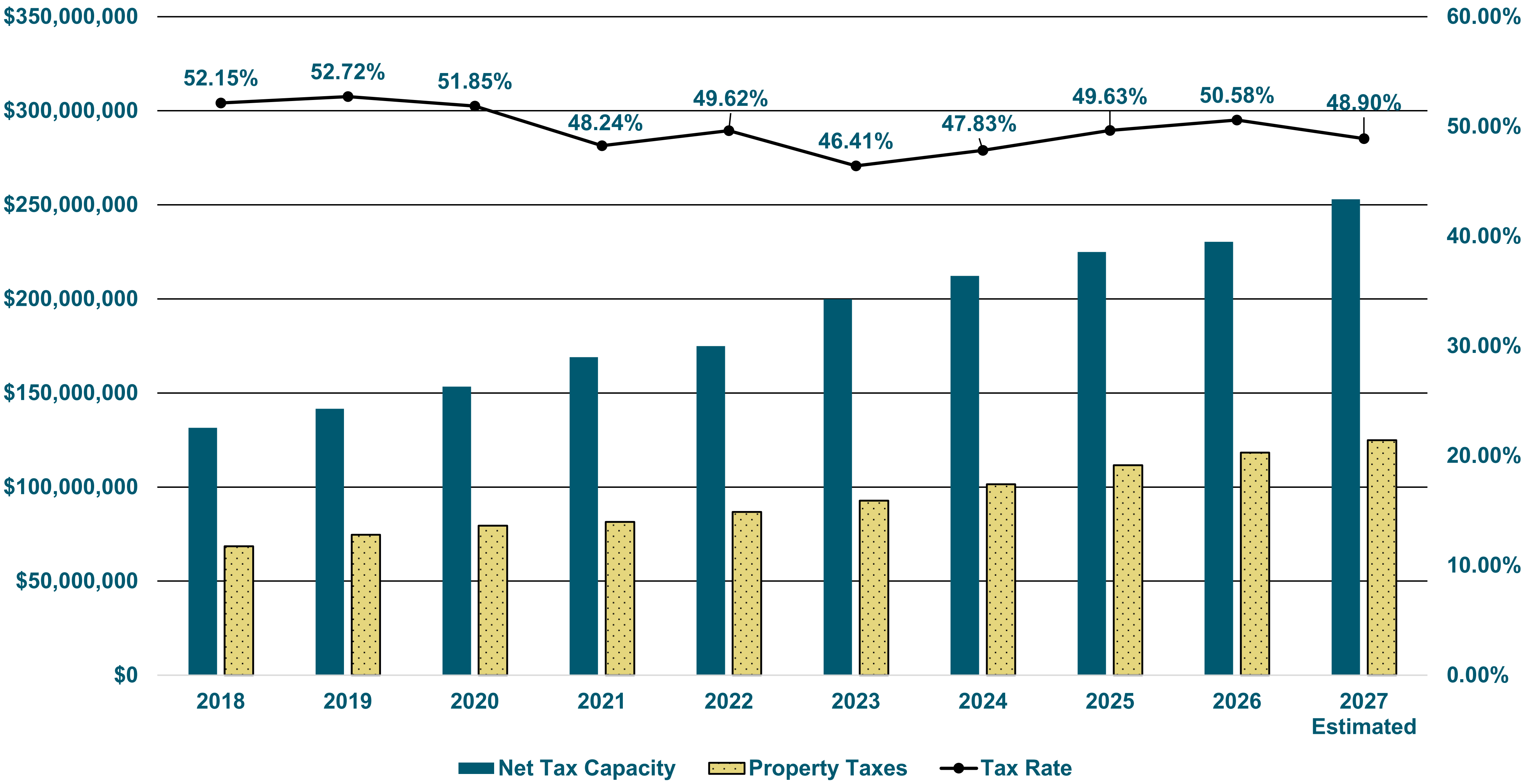
Preliminary Estimated Market Value

2026 Property Valuation Growth: Preliminary Assessment Payable 2027

- New Construction: 1.26%
- Valuation Adjustment: 3.95%
- Total Growth in EMV: 5.21%

- 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.

Property Tax Rates Since 2018



Breaking Down the Levy Increase

Decision Packages
1.15%

Other Reduction
0.64%

Equipment Revolving Stabilization
1.45%

Capital Improvement Plan Increase
0.60%

Holistic Budget Stability Fund Reduction
0.24%

Levy Supported Employee Services Cost Increase
3.27%

Total Levy
5.59%
Increase

2027 Decision Packages – Tax Levy vs Non-Tax Levy

Decision Package	Levy	Non-Tax Levy
SmartSheet Digital Asset Management Tool - Quality Services	$7,500	$0
2 IT System Support Specialists - Quality Services and Public Safety	$311,522	$0
2027 ERP Project Costs	$702,130	$0
Police Squad Car and Equipment - Public Safety	$169,667	$0
1 Community Services Police Officer & 1 Community Outreach Specialist	$303,566	$0
GIS Technician - Fire, Police, EM, and Parks	$149,375	$0
Custodial Position for Parks and Forestry Facility	$121,690	$0
Reclass Manager of Facilities & Property to Director of Facilities & Property	$34,778	$0
Facilities Vehicle Request	$65,800	$0
Arborist Position	$128,398	$0
Assistant City Attorney II	$169,606	$0
Building Automation Specialist & Facilities Supervisor - Energy Savings	$131,445	$0
2 Transit Attendants	$0	$223,960
2 Equipment Operators - Sewer Utility	$0	$258,900
Pick-up Truck for Sewer Utility	$0	$82,877
Total:	**$2,295,477**	**$565,737**

Focused Conversations

Shared Services

Service Area	Existing Shared Services	Non-Shared	Note
311	• One manager + 3 Customer Support Specialists	• Public Safety Dispatch and RPU Customer Care maintain separate systems	N/A
Communications	• 1 director + 4 other reports	• **Library:** 1 coordinator currently in recruitment and a Visual Communications & Marketing Specialist • **Police:** 1 coordinator • **RPU:** 1 coordinator	• New graphics focused position requested in RPU for 2027 • 1 limited term FTE
Facilities	• 1 manager + 1 supervisor + 10 other reports	• **Parks:** 1 supervisor + 1 manager + 4 technicians with facility programmatic responsibilities • **RPU:** 1 manager (also fleet manager) + 4 technicians	• RPU Facilities Manager replaced in 2026
Finance	• 1 director + 2 managers + 10 other reports	• **RPU:** 1 director + 3 supervisors + 23 other reports	• RPU Finance Director hired in 2026 and Controller currently in recruitment • 1 limited term FTE
Fleet	• 1 manager + 9 mechanics + 1 parts clerk	• **Fire:** 1 mechanic • **RPU:** 1 manager (also facilities manager) + 4 mechanics	• Police mechanics integrated in 2026 • RPU Fleet and Facilities Manager replaced in 2026
GIS	• 1 supervisor + 3 technicians	• **RPU:** 1 manager + 4 technicians	• RPU GIS Manager retiring and being replaced in 2026 • 1 limited term FTE, requested new FTE in 2027
Human Resources	• Fully Shared Services (1 director + 3 managers + 13 other reports	N/A	• 2 limited term FTEs
Information Technology	• 1 director + 2 supervisors + 24 other reports	• **RPU:** 1 director and 2 supervisors + 19 direct reports	• Evaluation conducted in 2026, however discontinued due to lack of alignment
Safety	• 1 manager + 1 coordinator	• **RPU:** 1 manager + 1 coordinator	• The RPU Manager retired in 2026. RPU will continue to have two safety employees but will be refocused on electrical issues and report within the RPU structure. The Safety and Risk Manager in HR will continue to provide support to RPU similar to what has been done in the past.

2027 Recommended Supplemental Tax Levy Considerations

Considerations	2027 Adjustment Needed	2027 Tax Levy	Percent Change from 2026
Recommended Tax Levy	**$0**	**$124,901,338**	**5.59%**
Match 5.21% Preliminary Estimated Market Value	($454,086)	$124,447,252	5.21%
Any Path Home Funding	$100,000	$125,001,338	5.68%
Combined	($354,086)	$124,547,252	5.29%

Any Path Home Funding

Consideration for a $100,000 contribution to Any Path Home:

- Proposal is currently being refined and no specific ask has been made of Olmsted County
- Olmsted County is evaluating their existing investments and strategies to support housing and persons experiencing homelessness.
- Block by Block offers a position template that communities can adopt.

Any Path Home Funding Option if Requested

The Statewide Affordable Housing Aid Fund. (SAHA) **MN Housing confirmed that #2 below qualifies this funding for a homeless response agency,** including staffing.

SAHA funding can be used for:

1. Emergency rental assistance
2. Financial Support for nonprofit affordable housing providers
3. Construction, acquisition, rehabilitation, demolition or removal of structures, construction financing, permanent financing, interest rate reduction, refinancing, and gap financing of housing to provide affordable housing. There are caveats to use for market rate housing as well.

SAHA Funding has been received since 2023:

- 2023 – Received $545,926 and spent $272,967 as contribution to Trailside apartments. Allocated $272,967 to tax abatement program (not yet mobilized) which must be spent by end of 2027.
- 2024 – Received $545,926 and spent $545,926 as contribution to Trotter Haven.
- 2025 – Received $250,117 which must be spent by end of 2029.
- 2026 – Anticipating $252,990
- 2027 – Anticipating $249,037

Council Engagement Options and Policy – Why a Policy?

- Support elected officials in communicating with the community in a clear, effective and strategic way
- Create shared expectations for how Customer Relations Management (CRM) capabilities can support elected official communication and community engagement
- Expand opportunities for the Mayor and City Council to connect with residents while maintaining consistency, transparency and clarity about official City information
- Use budget resources and staff capacity thoughtfully to support elected official communication while creating a consistent and user-friendly community experience
- Provide a flexible framework that can evolve as communication tools, audiences and community expectations change
- Ensure new communication tools strengthen, rather than compete with or dilute, existing City communication strategies and channels

Council Engagement Options and Policy

- Purpose and appropriate uses of the City's CRM and mass communication tools
- Audience and contact management, including opt-in contacts and consideration of other potential data sources
- Use of voter-file information, including parameters, limitations and community considerations
- Elected official communications, including distinction between individual communications and official City communications
- Use of City resources and distribution lists, including appropriate administrative and campaign-related boundaries
- Privacy, data practices and records retention requirements
- Equity, accessibility and community reach, including how the City connects with residents not represented in traditional contact lists
- Roles, responsibilities and approval processes for creating and sending communications
- Measurement, list management and ongoing evaluation of the tool and policy

Email Tool – Recommendation & Options

- Staff recommendation is to select MailChimp for the email tool
- Expense is approximately $9,300 (no setup fees)
- Use up to $5,700 to support the promotion of opt-in messaging (current tool is approximately $15k per year)
- Could use a portion of these funds to promote Council and Community Forums or other engagement initiatives
- Could use MailChimp for 1-2 years and have a glidepath and community conversations regarding use of voter role
- Would help broaden engagement beyond the voter file, including reaching eligible but unregistered residents and historically underrepresented populations

Outstanding Questions

- Any Changes to Mayor or Council Budget? Discussion Included:
  - Training & Travel
  - Mayor's Initiatives
  - Re-combining the two business units
  - Staffing (we feel confident this can be addressed through existing staffing and communications best practices/rules and code of conduct)
- Fourth of July
  - Fireworks are funded
  - $20,000 remains for limited programming and lead for program (contract or internal) can be determined in the community experience review through a budget amendment either before end of year or in 2027, utilizing existing funding

CITY OF ROCHESTER

Closing Discussion

- Does the 2027 recommended property tax levy percentage increase of 5.59% and supplemental budget align with City Council direction?

DISCUSSIONS, QUESTIONS & FEEBACK