2027 Recommended Supplemental Budget

August 24, 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 OF ROCHESTER

2027 Supplemental Budget Process

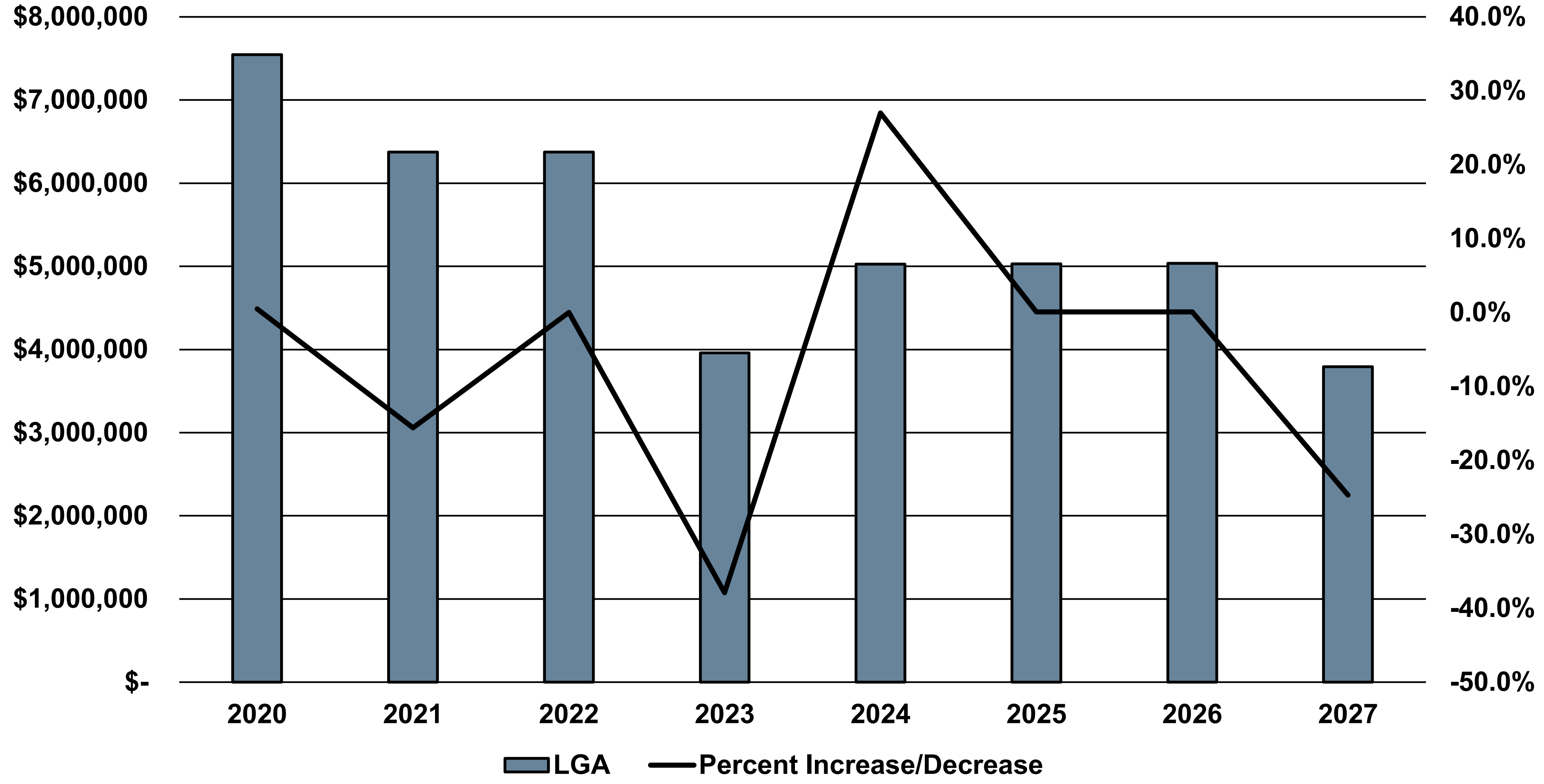
- Focuses on Revisions only for Significant, Known, or Close Estimates
- Supplemental Budget Requests are Reviewed
- No New 2027 Decision Packages
- Five-Year CIP not Updated for the City of Rochester
- RPU budget realigned to reflect more accurate 2030 implementation numbers

CITY OF ROCHESTER

Policy Considerations

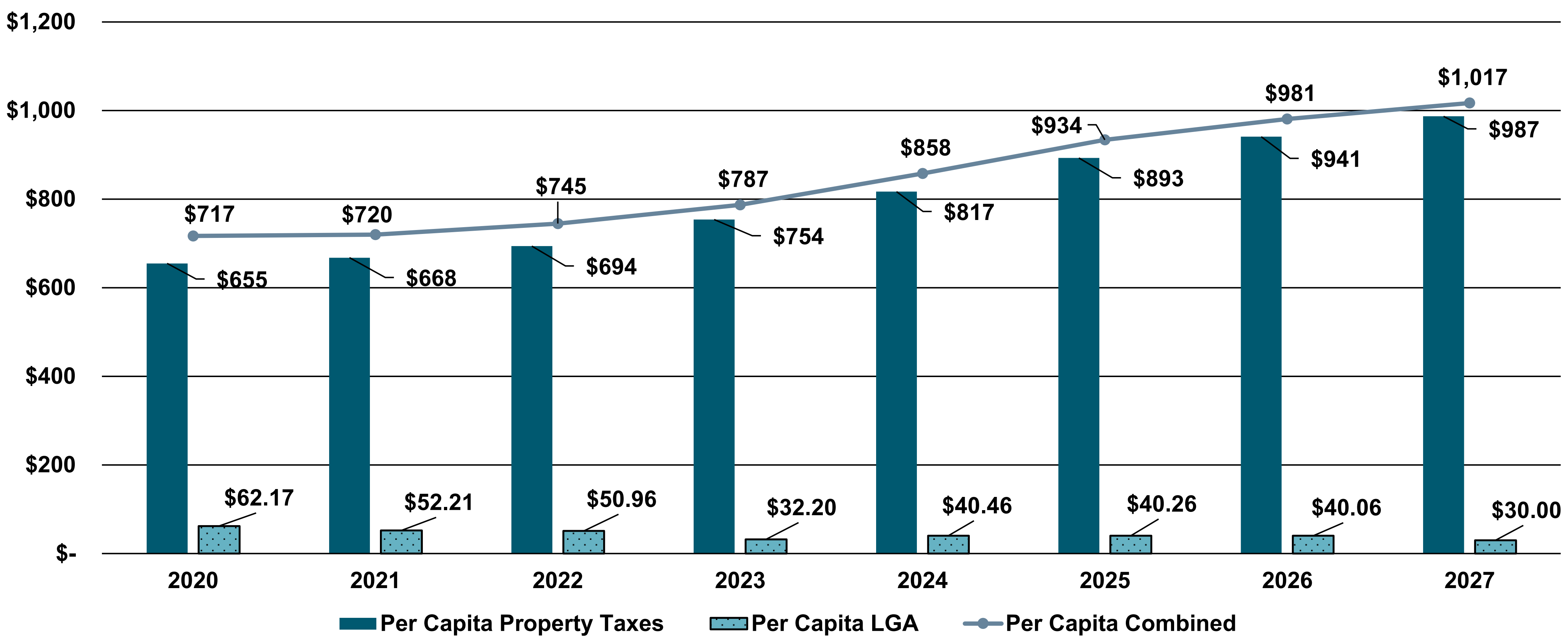
- Is there any additional feedback on the 2027 Recommended Supplemental Budget prior to setting the preliminary levy at the September 21st Council meeting?
- Does the proposed property tax levy percentage increase of 5.59% align with City Council direction?

Local Government Aid (LGA) Since 2020



LGA has not kept up with growth in the City of Rochester causing property taxes to make up for the difference for providing essential services for Rochester residents and businesses. 2027 LGA for Rochester is being reduced by $1,242,506, down 24.7% from 2026.

Property Taxes & Local Government Aid (LGA) Per Capita



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:

- Credit card fee considerations
- The loss of street reconstruction funding associated with Local Government Aid reductions will go through a deep dive conversation for the 2028 & 2029 budget

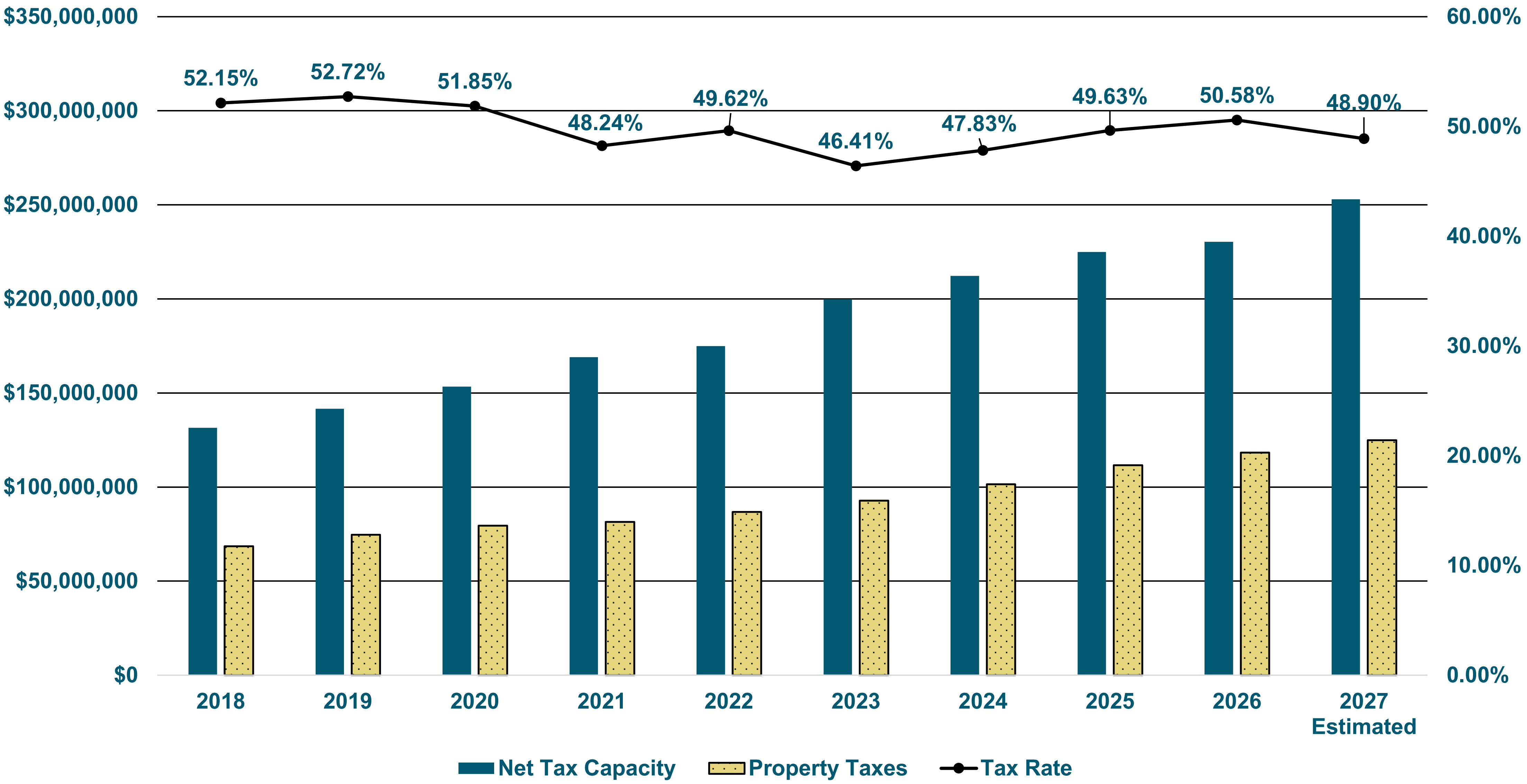
Preliminary Estimated Market Value

2026 Property Valuation Growth: Preliminary Assessment Payable 2027

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

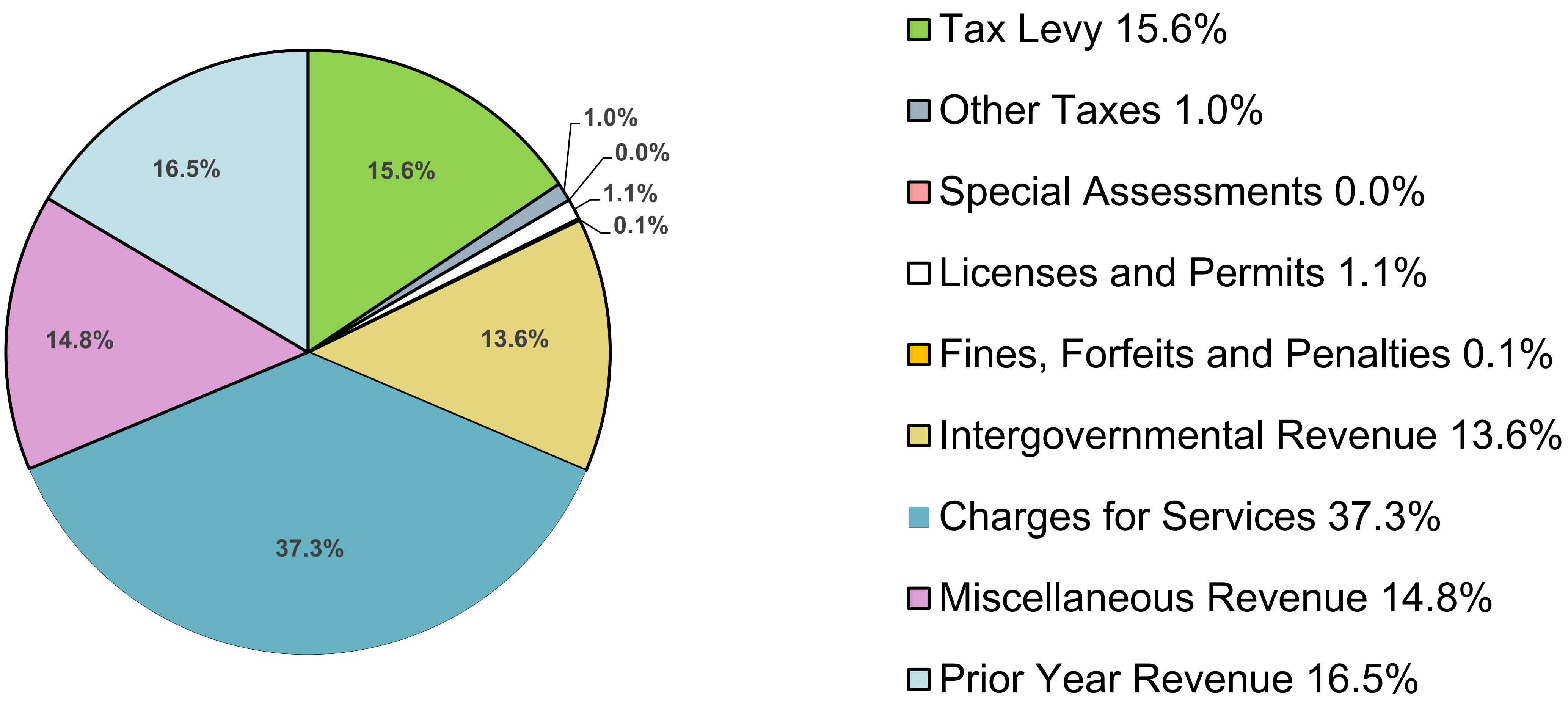
- Valuation drives how local levies are allocated and does not automatically translate into property tax increases.
- Local levy decisions determine each property’s final property tax amount.
- Taxes can shift among property classes, which will likely happen in the next few years.

Property Tax Rates Since 2018



Where Does the Money Come From?

2027 Total Operating Revenue, Inclusive of RPU



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

Where Does the Money Go?

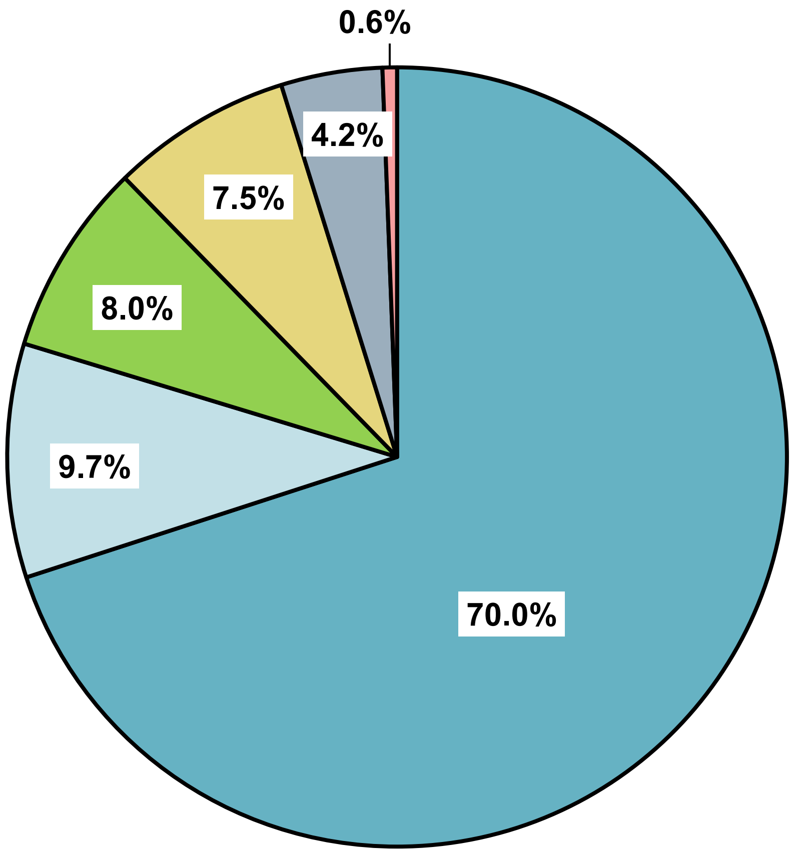
2027 General Fund expenses are $4.04 million more than 2026

Percentage of General Fund by Department:

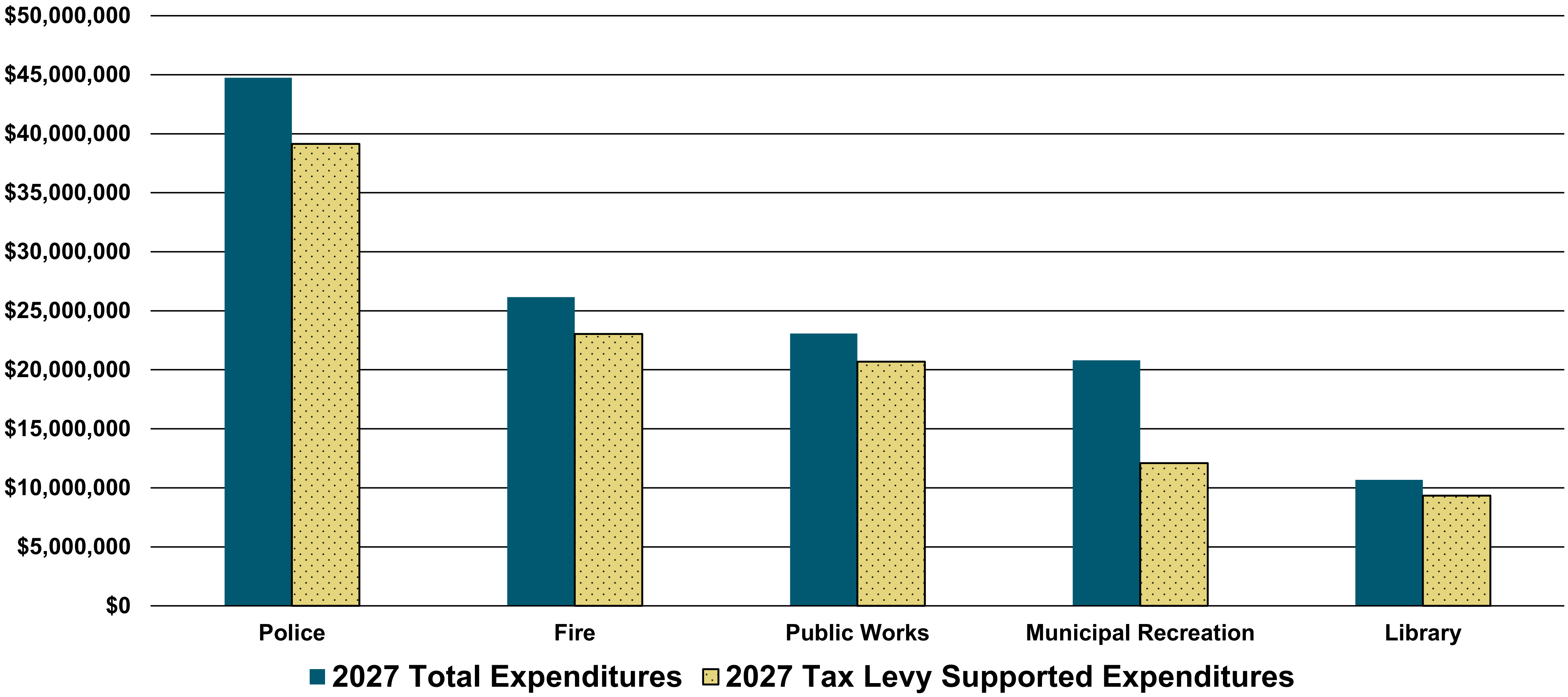
Public Safety 56.5%	General Gov. 17.2%	Public Works 16.3%	Other 10%

2027 Property Tax Distribution

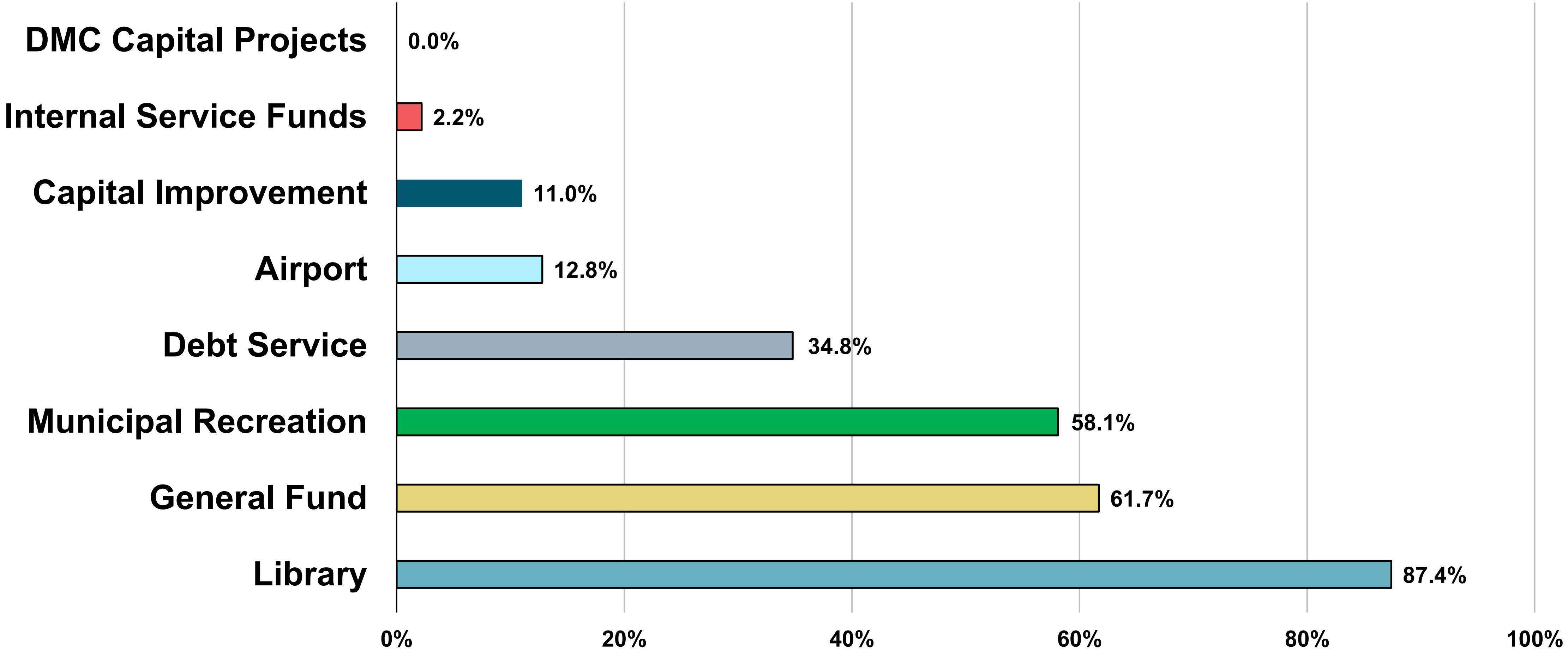
- General Fund 70.0%
- Municipal Recreation 9.7%
- CIP 8.0%
- Library 7.5%
- Debt/Internal Service 4.2%
- Airport 0.6%



2027 Total Expenditures and Tax Levy Support



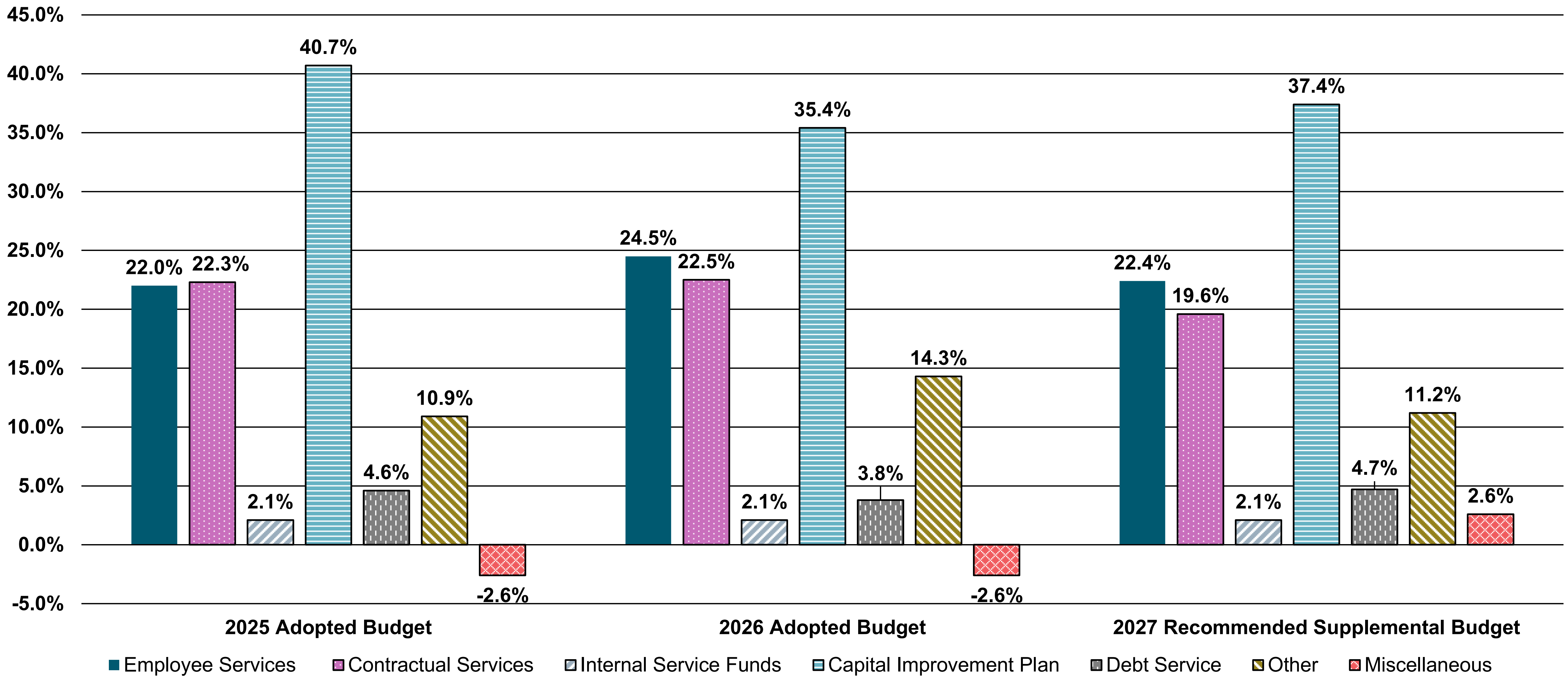
2027 Fund Reliance on Tax Levy



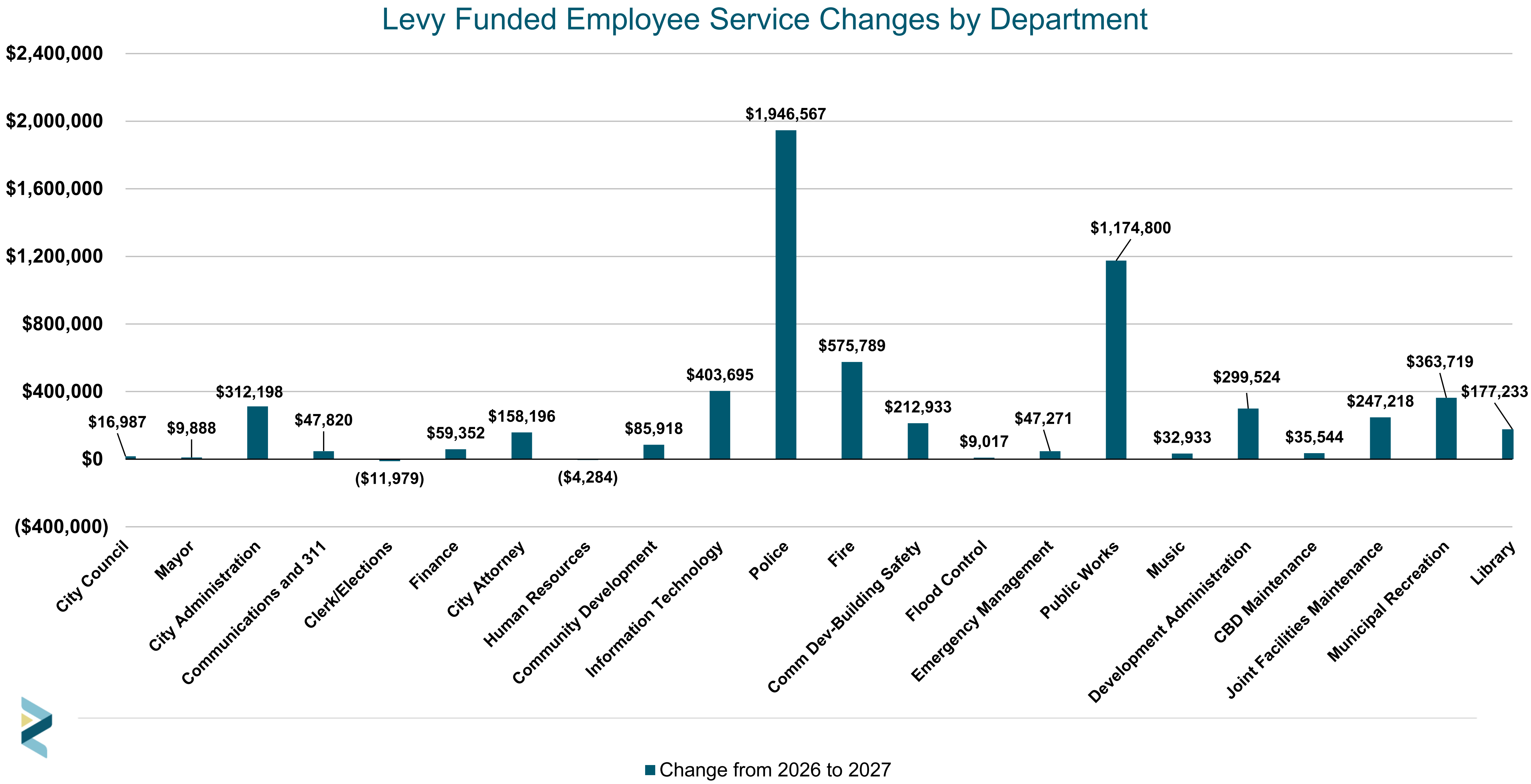
2027 Decision Packages – Tax Levy vs Non-Tax Levy

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**

Expenditure Categories (Inclusive Of RPU)



Employee Service Costs



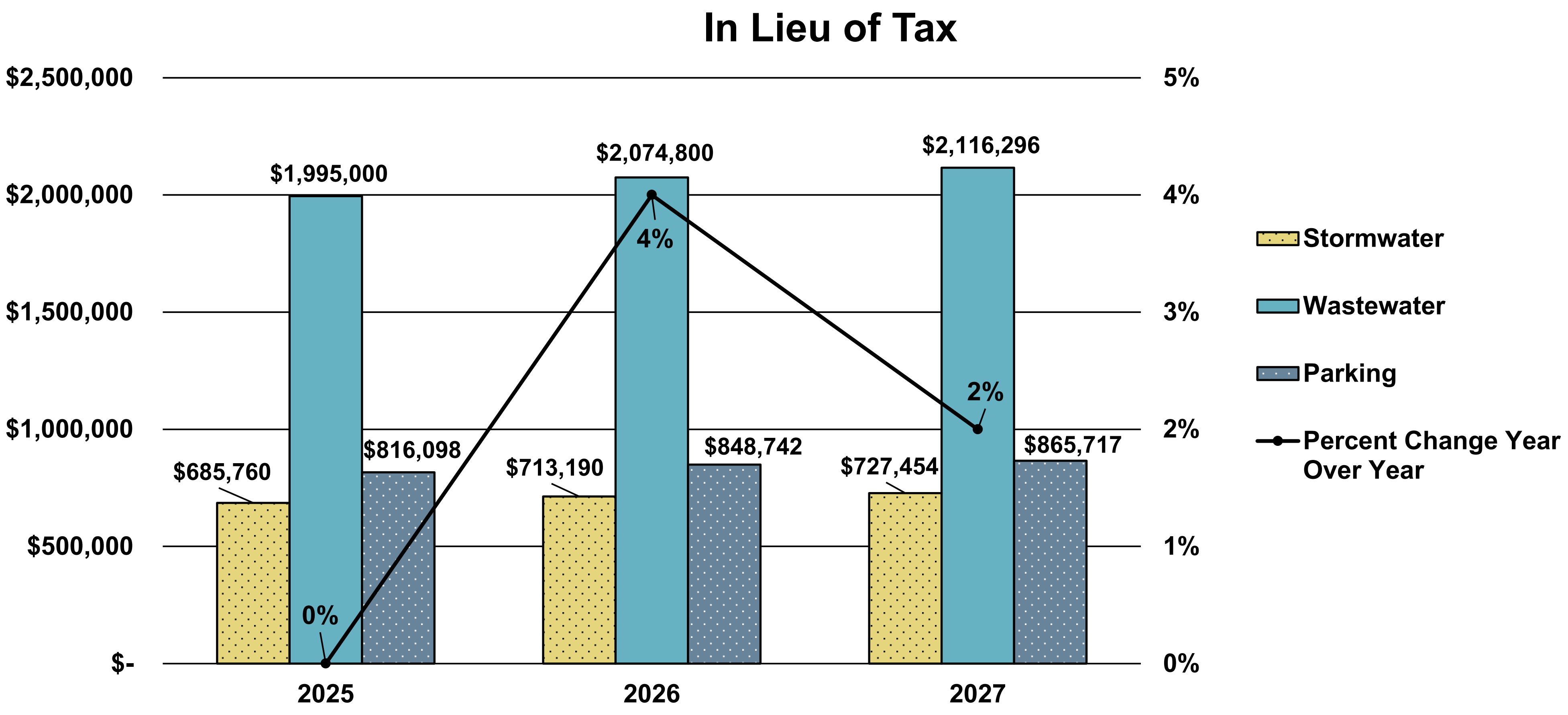
Personnel Expenses

- **$9.0 million increase for all funds (includes RPU)**
  - General Fund: $5.7 million
    Police: $1.9 million
    Fire: $0.6 million
  - Library: $0.15 million
  - Municipal Recreation: $0.35 million
  - RPU $2.5 million
  - Other funds: $0.3 million

- **Salaries and benefits net increase: 5.3%**
  - Reflects a general wage adjustment of 3%, step and merit increases
  - 19 bargaining units
  - Two labor contracts to remain open for 2026 and 2027

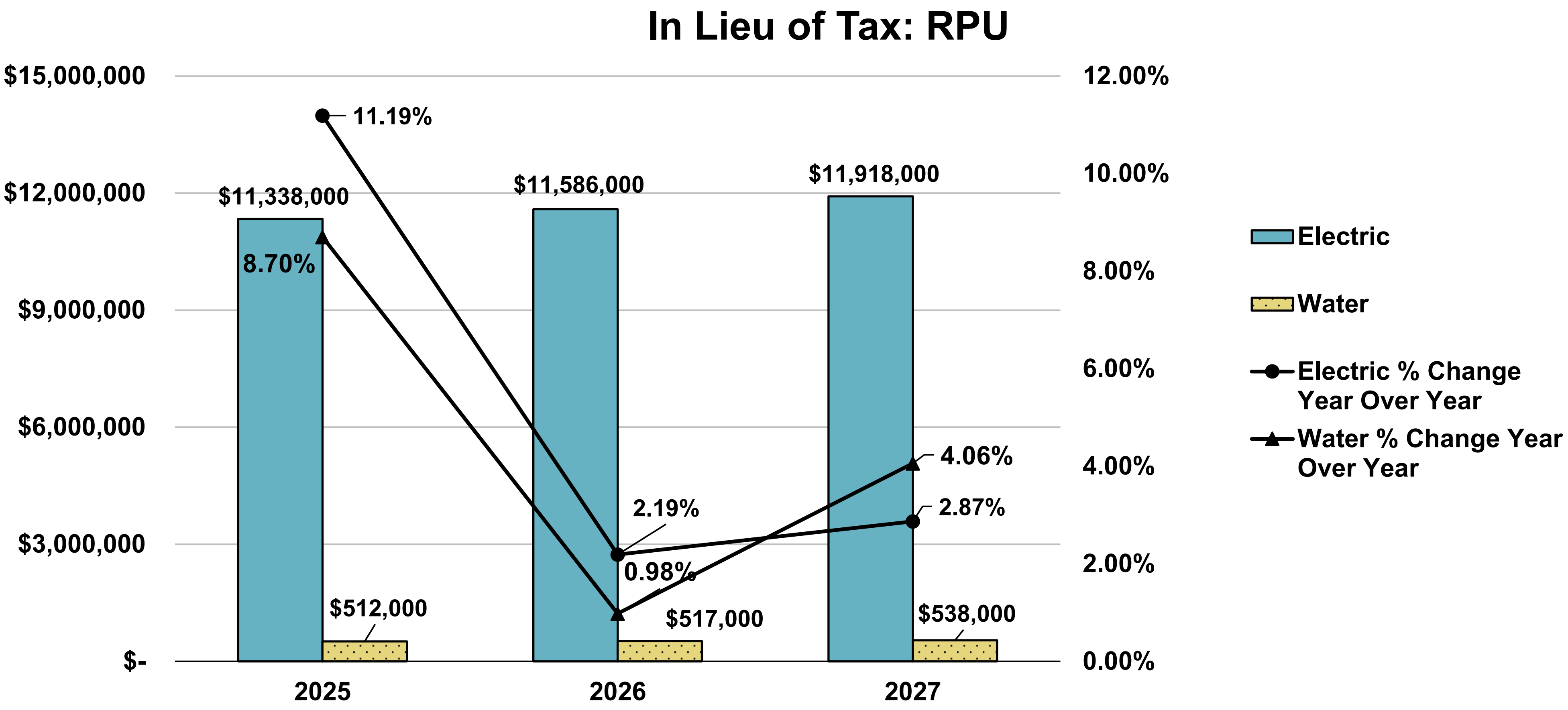
- **Health & dental: 4% and 1.5% for 2027**

In-Lieu: Parking, Wastewater and Stormwater



Payment in Lieu of Taxes (PILOT) transfers from enterprise funds to the General Fund will continue under existing formulas. New formulas adopted in the Financial Policies will begin in 2028

In-Lieu: RPU Electric & Water

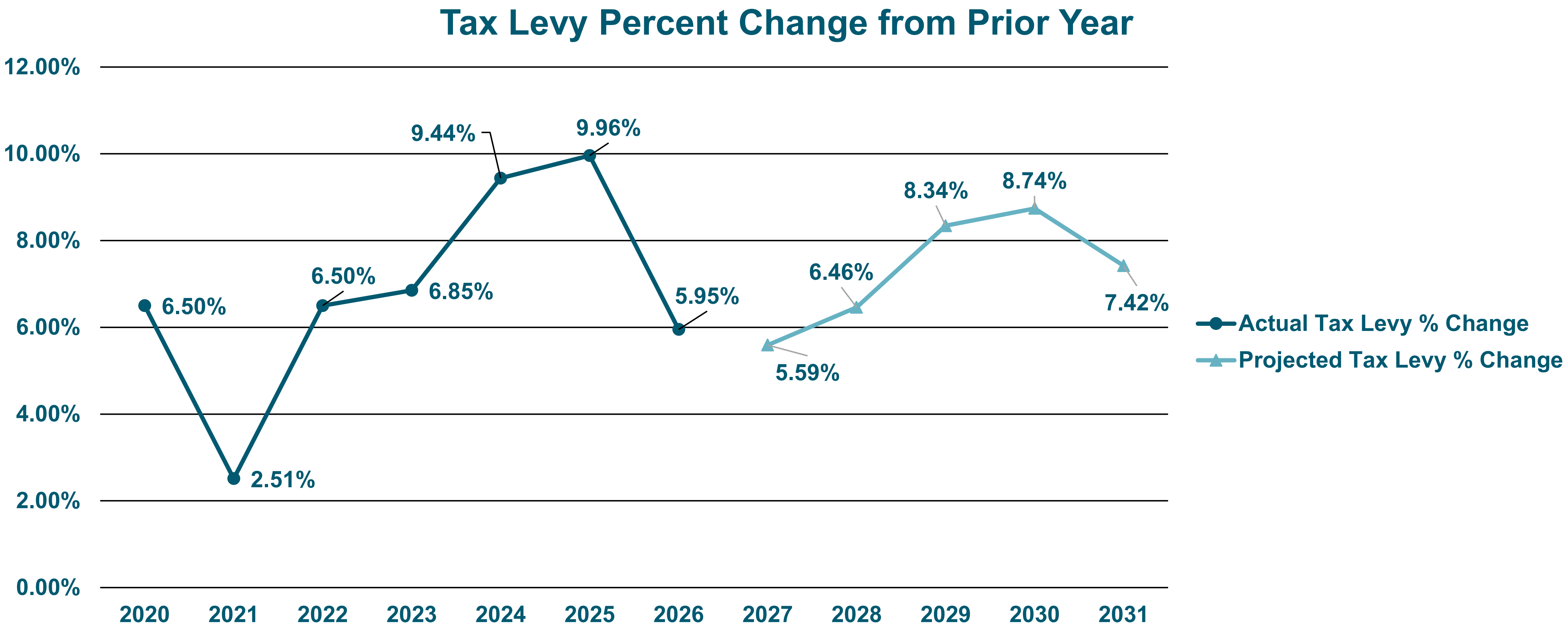


Community Reinvestment Funding and Economic Development Recommendations

Agency Name	2020 Funded	2021 Funded	2025 Funded	2026 Adopted	2027 Recommended	2026-2027 Funding Requested
125 Live	$120,000	$108,000	$112,363	$114,610	$116,902	$114,610
Community Building Fund	$0	$0	$77,500	$100,000	$100,000	$50,000
History Center	$30,000	$27,000	$37,500	$47,500	$47,500	$47,500
Human Rights Commission	$6,000	$5,400	$5,400	$0	$0	$12,500
RAEDI	$75,000	$67,500	$75,000	$75,000	$75,000	$97,000
RNeighbors	$113,000	$101,700	$92,015	$110,000	$120,000	$120,000
Rochester Art Center	$192,400	$173,160	$178,500	$185,000	$187,000	$192,780
Rochester Civic Theatre	$138,179.04	$57,242.27	$100,000	$115,000	$125,000	$125,000
Rochester Downtown Alliance	$100,000	$90,000	$125,000	$125,000	$125,000	$250,000
Celebration of a City	$24,905	$22,500	$24,905	$30,000	$31,500	$35,000
SBDC	$0	$0	$15,000	$15,000	$15,000	$50,000
SMIF	$20,000	$18,000	$15,000	$0	$0	$15,000
Youth Commission	$29,000	$21,500	$10,000	$15,400	$15,400	$10,000
Total:	**$848,484.04**	**$692,002.27**	**$868,183**	**$932,510**	**$958,302**	**$1,119,390**

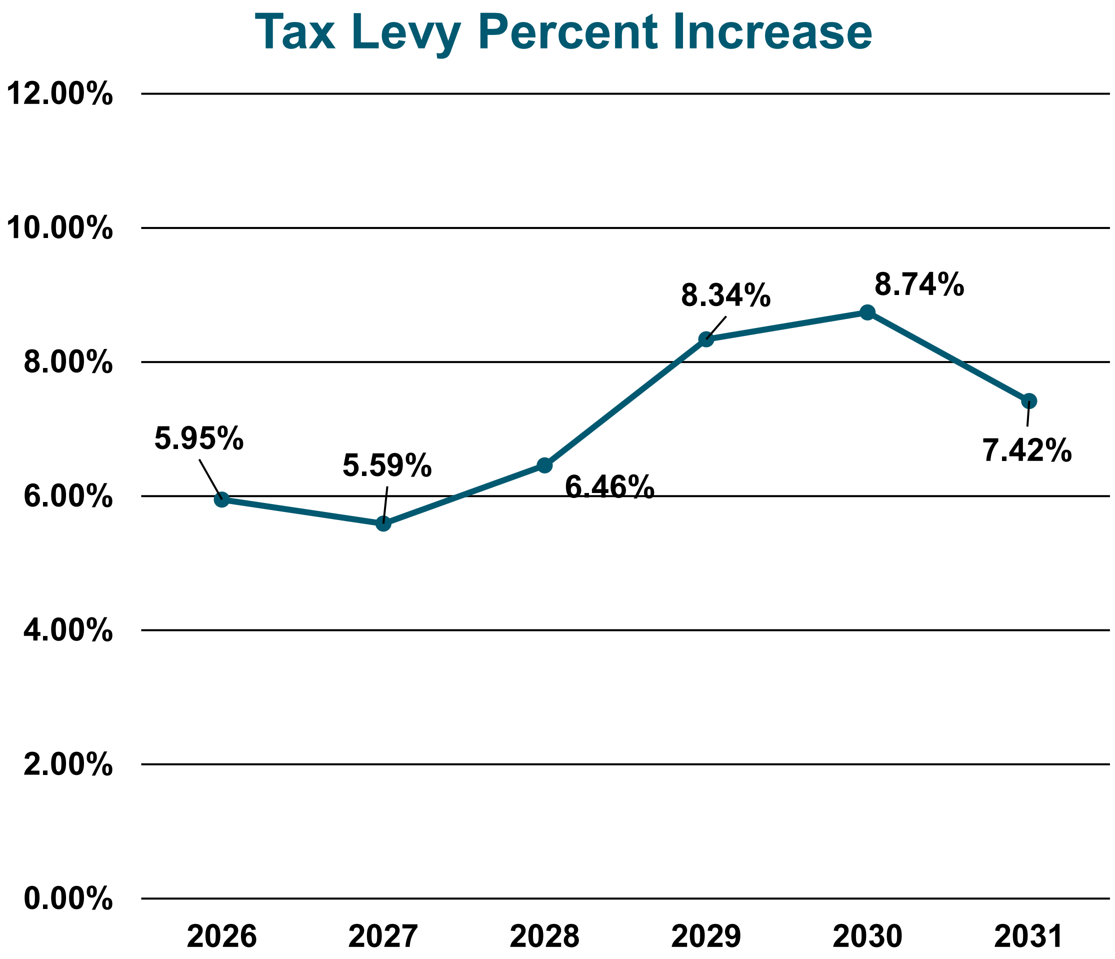
Long Range Financial Management Plan

Historic and Projected Tax Levy Changes (2020-2031)



Note: The chart depicts changes in budgeted amounts year over year; additionally, **the 2021 change reflects the park referendum amount in an otherwise 0% tax levy change.**

Long-Range Financial Management Plan



- The projected levy amounts do reflect annual contingency for items that are difficult to anticipate in the forecast.
- Assumes Regular Personnel Costs (total compensation) require approximately 5.50% levy adjustment from 2028-2031
- 2030 reflects the addition of debt service for **Fire Station Six** which has not been approved but has been discussed.
- Last's years long range plan contemplated a 2027 levy increase of 7.4%.

Long Range Financial Management Plan – Recommended Budget

Taxes Levied on Tax Capacity	2026	2027	2028	2029	2030	2031
Projected Levy for General Fund	($82,237,827)	($87,436,517)	($94,718,076)	($103,855,720)	($113,431,288)	($123,516,488)
Projected Levy for Library Fund	(9,095,025)	(9,339,686)	(9,910,539)	(10,493,114)	(11,109,503)	(11,762,827)
Projected Levy for Muni Rec System Fund	(11,648,339)	(12,084,021)	(12,942,124)	(13,952,628)	(15,001,265)	(16,103,443)
Projected Levy for Mayo Civic Center Fund	0	0	0	0	0	0
Projected Levy for F.E. Williams	0	0	0	0	0	0
Projected Levy for Airport Operations Fund	(765,122)	(779,272)	(802,650)	(826,730)	(851,532)	(877,078)
Projected Levy for Transit Fund	0	0	0	0	0	0
Projected Levy for EDA Administration	0	0	0	0	0	0
Projected Levy for Equipment Revolving Fund	0	0	0	0	0	0
Projected Levy for Info Technology Fund	0	0	0	0	0	0
Projected Levy for City Facilities Internal Service Fund	0	0	0	0	0	0
Projected Levy for Self Insurance Fund	0	0	0	0	0	0
Projected Levy for Construction Improvement Fund	(9,313,100)	(10,025,138)	(9,702,454)	(10,021,397)	(10,167,324)	(9,921,841)
Projected Levy for Debt Service*	(5,225,210)	(5,236,704)	(4,899,998)	(4,917,848)	(6,094,117)	(6,097,898)
Projected Levy - Other	0	0	0	0	0	0
Total Projected Taxes Levied on Tax Capacity	**(118,284,623)**	**(124,901,338)**	**(132,975,841)**	**(144,067,437)**	**(156,655,029)**	**(168,279,575)**
% Change from Prior Year	5.95%	5.59%	6.46%	8.34%	8.74%	7.42%

*Includes the amount allocated to Internal Services

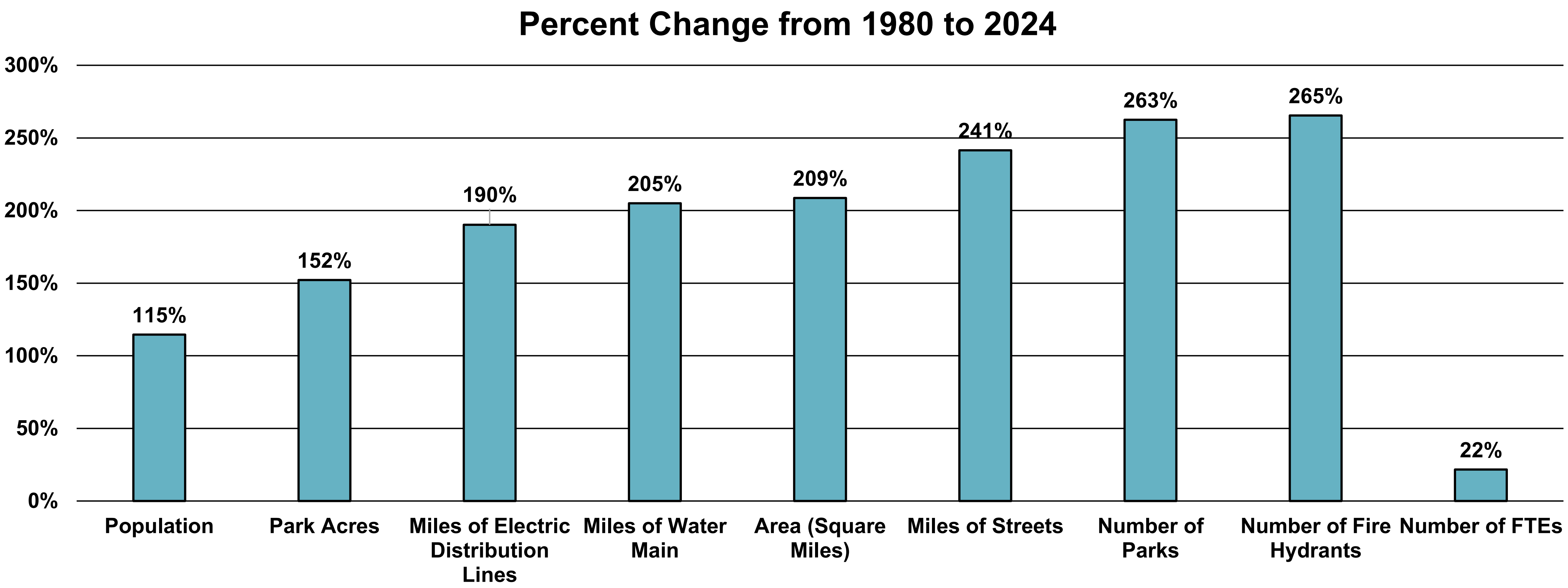
2027 Major Revenues
Compared to 2026 & 2025: Inclusive of RPU

Source of Revenue	2025 Adopted Budget	2026 Adopted Budget	2027 Supplemental Recommended Budget	2026-2027 Budget Change Increase/(Decrease)	2026-2027 Percent of Change Increase/(Decrease)
Tax Levy & Tax Abatements	$111,645,142	$118,284,623	$124,901,338	$6,616,715	5.59%
Local Government Aid	$3,958,994	$3,958,994	$3,792,537	($166,457)	(4.20%)
Local Government Aid (CIP)	$1,067,000	$1,076,049	$0	($1,076,049)	(100.00%)
Hotel/Motel Tax	$6,491,160	$6,750,806	$7,020,839	$270,033	4.00%
Cable TV Franchise Fee	$1,165,296	$974,505	$829,370	($145,135)	(14.89%)
Inspection Permits	$3,943,146	$5,726,727	$5,726,727	$0	0.00%
Service Fees	$1,297,432	$1,301,926	$1,301,926	$0	0.00%
Bold Forward Unbound	$2,587,777	$5,142,955	$2,091,453	($3,051,502)	(59.33%)
In Lieu of Tax	$15,372,858	$15,765,732	$16,191,467	$425,735	2.70%
Sewer Utility Charge	$28,500,000	$28,800,000	$28,800,000	$0	0.00%
Storm Water Utility Fee	$8,934,050	$9,166,623	$9,166,623	$0	0.00%
Library Fund: City Share-Levy	$8,644,679	$9,095,025	$9,339,686	$244,661	2.69%
Library Fund: County Share	$1,183,842	$1,259,191	$1,232,604	($26,587)	(2.11%)
Municipal Recreation Fund: Fee Revenues	$4,637,118	$5,683,109	$8,741,030	$3,057,921	53.81%
Municipal Recreation Fund: Non-Fee Revenues	$11,506,055	$11,908,575	$12,392,095	$483,520	4.06%
Parking Fund: Parking Fines	$471,343	$500,000	$500,000	$0	0.00%
Parking Fund: Parking Ramps	$5,897,234	$5,700,000	$5,700,000	$0	0.00%
Parking Fund: Street Meters	$1,338,250	$1,338,250	$1,338,250	$0	0.00%
Parking Fund: Parking Lots	$417,701	$461,600	$461,600	$0	0.00%
RPU: Charges for Services	$216,086,000	$222,976,000	$232,231,000	$9,255,000	4.15%
RPU: Private Funds	$4,495,000	$2,529,000	$11,684,000	$9,155,000	362.00%

ANNUAL DEBT SERVICE SUMMARY

Annual Debt Service	2026	2027	2028	2029	2030	2031
GO Debt Supported by Tax Levy (Includes the PWTOC, Firestation, DSIC/North Station, and Equipment Certificates; DBET and Park Maintenance fully added in 2026)	$5,225,210	$5,236,704	$4,899,998	$4,917,848	$6,094,117	$6,097,898
GO Debt Not Supported by Tax Levy (Includes Sales Tax, Tax Increment, Wastewater, and Lodging Tax Supported Debt; Planned WW debt issuance post-2026 not reflected)	$18,643,080	$14,880,760	$15,778,979	$15,772,256	$15,760,097	$15,754,107
RPU Electric Fund: Existing Debt	$13,691,368	$13,687,768	$13,688,968	$13,689,668	$13,700,218	$7,686,018
RPU Electric Fund: Power Resource & Transmission	$0	$9,715,321	$9,715,321	$9,715,321	$9,715,321	$9,715,321
RPU Water Fund: Short Term to LT 2030	$33,836	$160,919	$266,769	$345,939	$796,007	$796,007
Total Annual Debt Service	**$37,593,494**	**$43,681,472**	**$44,350,035**	**$44,441,032**	**$46,065,760**	**$40,049,351**

Percent Change Of Operating Indicators: 1980 - 2024



General Fund

The primary fund used by a government entity. This fund is used to record all resource inflows and outflows that are not associated with special-purpose funds.

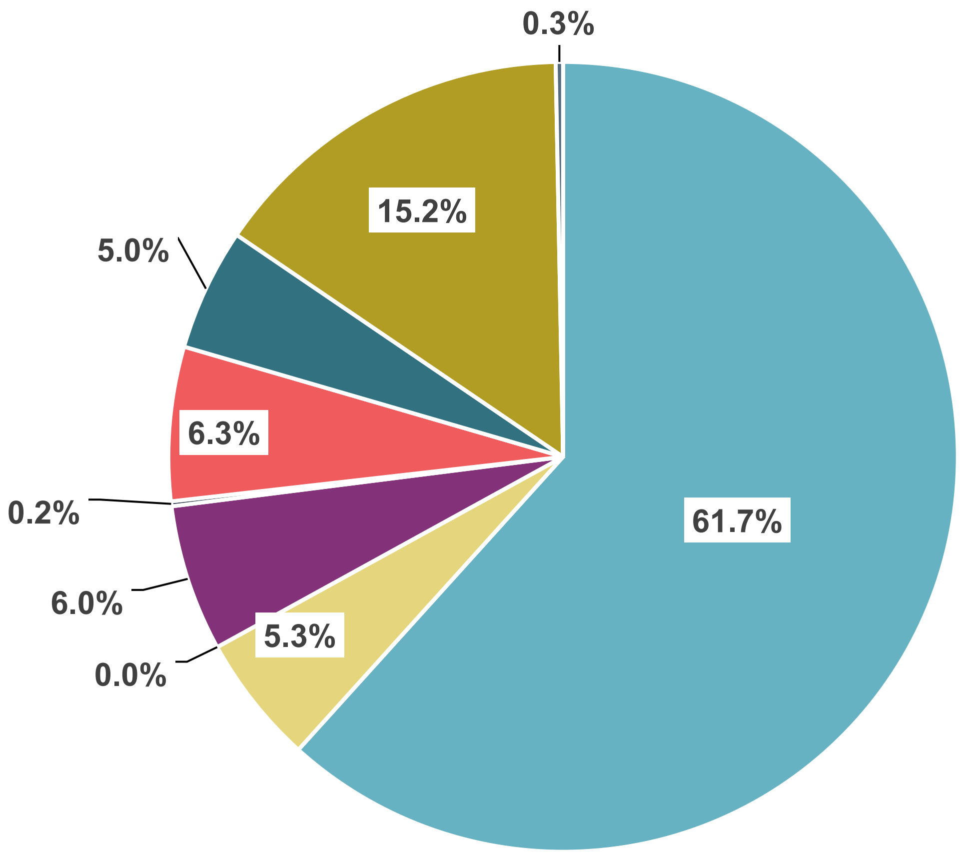
General Fund Summary

General Fund	2026 Adopted	2027 Recommended	Difference
Revenue/Expense	$137,571,464	$141,609,881	$4,038,417

- Covers core government services primarily funded with property taxes and fees for service. Core services include snow removal, street maintenance, fire suppression, medical assists, police patrol, police investigations, 911, elections, planning, building inspection, and many other forward facing community services.
- Key operational and financial factors for the General Fund were covered in previous slides.
- In June of 2026 Council approved the updated financial and accounting policies. These policies establish the framework for the fiscal management, internal controls and financial decision-making process for the City of Rochester. Many of the policies represent long standing principles and practices which have helped to maintain financial stability over the years and hold our AAA Bond Rating.

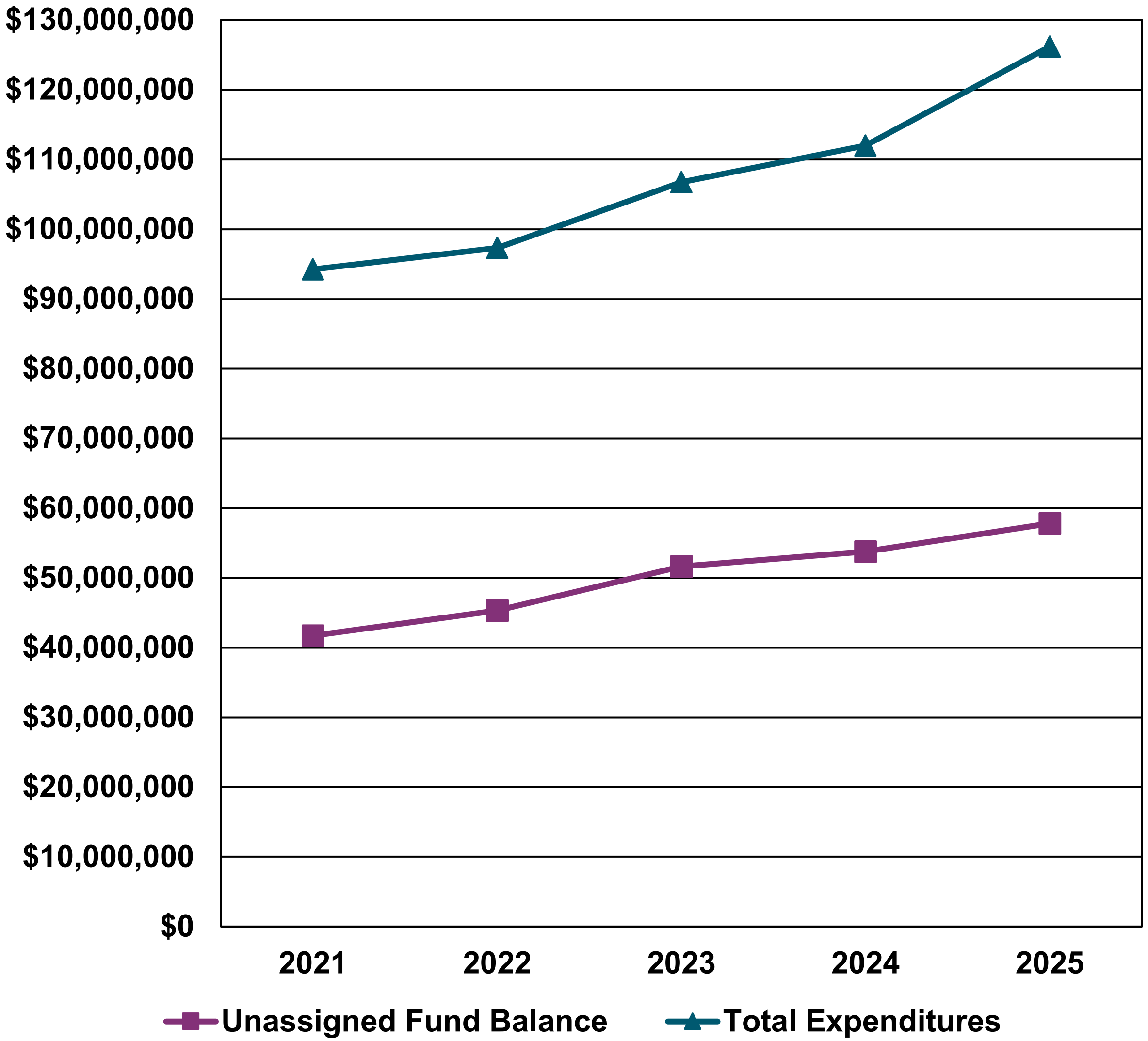
Where Does the Money Come From? General Fund

2027 General Fund Revenue: $141.6 million



- Tax Levy 61.7%
- Other Taxes 5.3%
- Special Assessments 0.0%
- Licenses and Permits 6.0%
- Fines, Forfeits and Penalties 0.2%
- Intergovernmental Revenue 6.3%
- Charges for Govt Services 5.0%
- Miscellaneous Revenue 15.2%
- Prior Year Revenue 0.3%

General Fund Balance



Year	Unassigned Fund Balance	Total Expenditures	Percentage of Unassigned Fund Balance to Total Expenditures
2025	$57,802,425	$126,178,915	46%
2024	53,787,788	111,980,584	48%
2023	51,639,946	106,750,245	48%
2022	45,334,500	97,341,052	47%
2021	41,717,814	94,250,741	44%

- General fund unassigned fund balance was $57,802,425 at 12/31/25 – expenditures totaled $126,178,915 in 2025
- State Auditor recommendation and adopted city policy is no less than 5 months of expenditures (42%)
- Unassigned fund balance at 12/31/25 is 42% of 2026 budgeted general fund expenditures of $137.6 million

Special Revenue Funds

A government account that collects money to be used for a specific purpose. It's a type of governmental fund used in accounting to record revenue sources that are restricted or committed for a specific purpose.

- Demonstrate accountability - Show transparency when tracking cash inflows and outflows for special purposes
- Ensure taxpayer accountability - Give taxpayers confidence that their tax dollars are being used for their intended purpose

The numbers reflected generally do not reflect capital improvement projects or debt service. Context is provided for ongoing CIP projects for reference.

Special Revenue Fund - Municipal Recreation

Municipal Recreation	2026 Adopted	2027 Recommended	Difference
Revenue/Expense	$17,338,051	$20,801,457	$3,463,406

- The new Regional Sports Complex accounts for $2.7M in the total difference
- Continuation of the Park Levy supported Accelerated Investment and Annual Funding. This includes capital investments and operational adjustments
- Additional Arborist position will support Parks and Forestry efforts to manage urban canopy
- In cooperation with RPD, there will be increased monitoring and maintenance of picnic shelters and restroom facilities
- Staffing adjustments will be needed to operate the City’s Aquatic locations: Silver Lake (New 2026), McQuillan (New 2026), MLK (New 2027), Soldiers Field and Lincolnshire
- Increased seasonal staff hours to support requests for city-supported events and activities
- Increased municipal golf support to address inflationary costs and weather-related revenue fluctuations
- Increased user fees in 2026 or 2027 for nearly all parks' facilities and programs due to increased fixed expenses

Special Revenue Fund - Library

Library	2026 Adopted	2027 Recommended	Difference
Revenue/Expense	$10,462,553	$10,680,627	$218,074

- Year-over year increases for employee services
- Contractual costs for technology, software and vehicle maintenance
- Utility Costs

Special Revenue Fund - Airport

Airport	2026 Adopted	2027 Recommended	Difference
Revenue/Expense	$6,062,707	$6,103,163	$40,456

- Modest baseline increases due to operational service capacity needs (utilities, contractual services, etc.)
- Anticipated increases in fee schedules including parking, lease rates and other fees

Special Revenue Fund - Transit

Transit	2026 Adopted	2027 Recommended	Difference
Revenue/Expense	$15,090,317	$18,875,580	$3,785,263

- New mode with Link BRT, operations impact 2027 budget
- Capital Projects: Procure Buses and Paratransit vehicles
- New Operations Contract with Via

Enterprise Funds

A self-supporting government fund that sells goods and services to the public for a fee. These funds are a good way to assure the long-term sustainability of a variety of government-owned infrastructure systems, since they do not require allocations of tax proceeds from the general fund.

The numbers reflected generally do not reflect capital improvement projects or debt service. Context is provided for ongoing CIP projects for reference.

Enterprise Fund - Parking

Parking	2026 Adopted	2027 Recommended	Difference
Revenue/Expense	$7,437,500	$8,008,272	$570,772

- Regularly scheduled ramp condition assessments (three in 2027)
- Continue implementation of Rate Study recommendations
- Surface parking lot maintenance
- Ramp Six Debt Service (if not covered by TIF)

Enterprise Fund – Sewer Utility

Sewer Utility	2026 Adopted	2027 Recommended	Difference
Revenue/Expense	$25,278,803	$26,117,766	$838,963

- **Water Reclamation Plant Upgrade (2024–2027):** Project replaces aging infrastructure, meets stricter phosphorus limits, and reduces energy and chemical use.
- **Debt Transition:** Previous debt retired in 2026; new debt payments are approximately 50% lower through low-interest financing and state/federal grants.
- **Sewer System Investment:** Continued expansion and upsizing to support downtown redevelopment and future growth. Notable projects in 2026 are the Kings Run sewer extension, continued downstream upsizing for West Zumbro sewershed associated with initial extension, and coordination of sewer replacement with downtown construction.
- **2027 Sewer Priorities:** Complete the West Zumbro Sewer upsizing work, begin the West Zumbro Sewer extension along Highway 14 West, and design the East Zumbro Sewer and Water project.

Enterprise Fund - Stormwater

Stormwater	2026 Adopted	2027 Recommended	Difference
Revenue/Expense	$8,577,129	$8,921,250	$344,121

- Comprehensive Surface Water Management Plan completed in 2026.
- Hydrologic and Hydraulic (H&H) modeling for the remaining drainage districts being prioritized and completed. H&H models are/will be used for prioritizing City capital projects and for development impact reviews.
- Stormwater Utility Rate Study planned for 2027 to incorporate recommendations from CSWMP and stormwater asset management plan strategies.
- No change to Stormwater Rates proposed for 2027.

Enterprise Fund – RPU (Water & Electric)

RPU Water & Electric	2026 Adopted	2027 Recommended	Difference
Revenue (Excludes Fund Transfer)	$233,465,000	$245,164,000	$11,699,000

RPU Financial Strategy

Rates

- Based on cost of providing service per Board policy (Home Rule Charter)
- Reasonable, Compensatory and Uniform within same Class (Home Rule Charter)
- Reduce cross subsidies with rate classes (Match fixed charge with fixed costs and commodity charge with variable costs)
- No cross subsidies between rate classes (Home Rule Charter)
- Regionally and nationally competitive without compromising safety or reliability
- Maintain service levels, reliability, resilience, responsibility, relationships and reputation

Bond Rating

- Target Change in Net Assets (Net Income)
- Debt Coverage Ratio
- Minimum Cash Reserves & Capital Replacement Funds
- Equity Percentage

Enterprise Fund – RPU Water Utility

RPU Water Utility	2026 Adopted	2027 Recommended	Difference
Revenue	$26,857,000	$20,903,000	($5,954,000)
Water Supply Cost	$ 2,347,000	$ 2,470,000	$ 123,000
Gross Margin	$24,510,000	$18,433,000	($6,077,000)

- 9.0% general rate increase
  - Cost impact to the average residential customer is $1.78 per month
- 0.9% Customer growth
- 0.5% Consumption decrease
- 2027 Revenue includes $6.5M reduction in lead service line replacement grant funds from 2026

Enterprise Fund – RPU Water Utility
Continued

RPU Water Utility	2026 Adopted	2027 Recommended	Difference
Change in Net Position	($ 573,000)	$ 3,556,000	$ 4,129,000
Depreciation & Amortization	$ 4,346,000	$ 4,259,000	($ 87,000)
Capital Additions	($ 12,819,000)	($ 11,765,000)	$ 1,054,000
Debt Proceeds	$ 4,206,000	$ 2,000,000	($ 2,206,000)
Non-Cash Accruals	$ 460,000	($ 342,000)	($ 802,000)
Net Change in Cash	($ 4,380,000)	($ 2,292,000)	$ 2,088,000
Fund Balance, Beginning	$ 16,782,000	$ 12,402,000	($ 4,380,000)
Fund Balance, Ending	$ 12,402,000	$ 10,110,000	$ 2,292,000

- Change in Net Position improves due to the reduction of lead service line replacement costs and grant funds
- Debt Proceeds – Increase in growth related capital expenditure requires short-term debt issuance in 2026 – 2028. $6M – 10M
- Capital Additions – Advanced metering project (2023-2029 $17,935K);
  Kalmar Booster (2026-2027 $2.2M); Meadow Lakes sewer extension (2026-2027 $1.2M)

Enterprise Fund – RPU Electric Utility

RPU Electric Utility	2026 Adopted	2027 Recommended	Difference
Revenue	$ 206,608,000	$ 224,261,000	$ 17,653,000
Cost of Power	$ 98,510,000	$ 90,356,000	($ 8,154,000)
Gross Margin	$ 108,098,000	$ 133,905,000	$ 25,807,000

- 4.0% Effective General rate increase (reduced from 6.0% through power cost adjustment)
  Cost impact to the average residential customer is $5.17 per month
- 1.3% Customer growth
- (0.3%) Consumption reduction
- Private funds(Contributions)- 2026 / 2027 revenue includes $1.4M and $10.6M, respectively
- Power cost reduction due to anticipated reduction in SMMPA wholesale power costs, partially retained through the PCA to offset new RPU debt service

Enterprise Fund – RPU Electric Utility: Baseline Expenses

RPU Electric Utility	2026 Adopted	2027 Recommended	Difference
Baseline Expenses	$ 79,964,000	$ 88,650,000	$ 8,686,000

- Two Incremental FTE’s: Graphic Design & Digital Communications; Commercial Energy Advisor
- Limited-term FTE’s: 1 Project Engineer; 1 Engineering Intern; 1 Billing Specialist (ERP)
- Increased labor and benefits for $ 2.1 million
- Increase capitalized labor (reduces expense) for $ 2.3 million (ERP and AMI)
- Increase in depreciation for $1.3 million
- Increase in interest expense for $7.7 million

Enterprise Fund – RPU Electric Utility

Continued

RPU Electric Utility	2026 Adopted	2027 Recommended	Difference
Change in Net Position	$ 28,134,000	$ 45,255,000	$ 17,121,000
Depreciation & Amortization	$ 18,251,000	$ 19,531,000	$ 1,280,000
Capital Additions	($ 68,337,000)	($ 135,548,000)	($ 67,211,000)
Debt Proceeds	$0	$ 141,200,000	$ 141,200,000
Debt Principal Payments	($ 8,305,000)	($ 10,574,000)	($ 2,269,000)
Non-Cash Accruals	$ 1,249,000	($ 41,965,000)	($ 43,214,000)
Net Change in Cash	($ 29,008,000)	$ 17,899,000	$ 46,907,000
Fund Balance, Beginning	$ 134,028,000	$ 105,020,000	($ 29,008,000)
Fund Balance, Ending	$ 105,020,000	$ 122,919,000	$ 17,899,000

- 2027 Capital - power supply resource plan implementation $55.3 million (2026-2029 $226.5M / $136.5M)

  Gas Turbine 1 repair Vs replace after fire reduction ($55M) and Grid Interconnection ($20M)
- 2027 Reduction in debt issuance from $241M to 141M
- 2027 Capital - enterprise resource planning software $5.8 million (2026-2027 $7.0M / $10.6M)
- 2027 Capital – advanced metering project $1.9 million (2025-2027 $18.5M)

Key Outcomes | 2027 Electric Utility Budget Update

Continued investment to:

- Maintain reliability, improve service and safety, serve City expansion and customer growth.

Staffing: 2 Incremental Positions in 2027

- Graphic Design & Digital Communications
- Commercial Energy Advisor

Staffing Limited Term in 2027

- Project Engineer – 2 years
- (Electric approved 2025)
- Engineering Intern – 9 months
- (Electric approved 2025)
- Billing Specialist – 1 year
- (ERP - Electric approved 2025)
- Master Plumber – 3 years
- (AMI – Water approved 2025)

Major Capital Projects (Bonded)	2027 Original	2027 Updated
Power Supply Resource Plan	$76.3M	$55.3M (2026-2029 $226.5M / $136.6M)
Grid North Partners	$1.7M	$19.6M (2026-2028 $31.2M / $32.5M)

Major Maintenance	2027 Original	2027 Updated
Tree Trimming	$1,958K	$1,958K
Grid North Partners	$490K	$583K
Power Resources	$695K	$695K
Technology Allocation	$159K	$159K
Operating Contingency Reserve	$380K	$380K

Capital & Major Maintenance | 2027 Water Utility Budget

Continued investment in system to maintain reliability, improve service and safety, and serve City expansion

Capital Expenditures	2027 Original	2027 Updated
Advanced Metering Project	$3,867K	$3,903K (2023-2029: $17,935K)
Kalmar Booster Station	$ -	$1,000K (2026-2027: $0 / $2,150K)
Tower Tank Coating/Rehab	$715K	$715K
2nd Ave NW Relief Line	$500K	$500K
Developer projects (oversize)	$100K	$450K
Center Street to 11th Ave NE	$450K	$450K
Meadow Lakes Sewer Extension	$ -	$300K (2026-2027: $0 / $1,200K)
Capital Contingency	$190K	$190K

Major Maintenance	2027 Original	2027 Updated
Lead Service Line Replacement	$6,948K	$1,450K (2025-2031: $22,907K/$9,417K)
Grid North Partners	$281K	$281K
Operating Contingency	$93K	$96K
Master Plan Update	$ -	$90K (2025-2027: $1,080K)

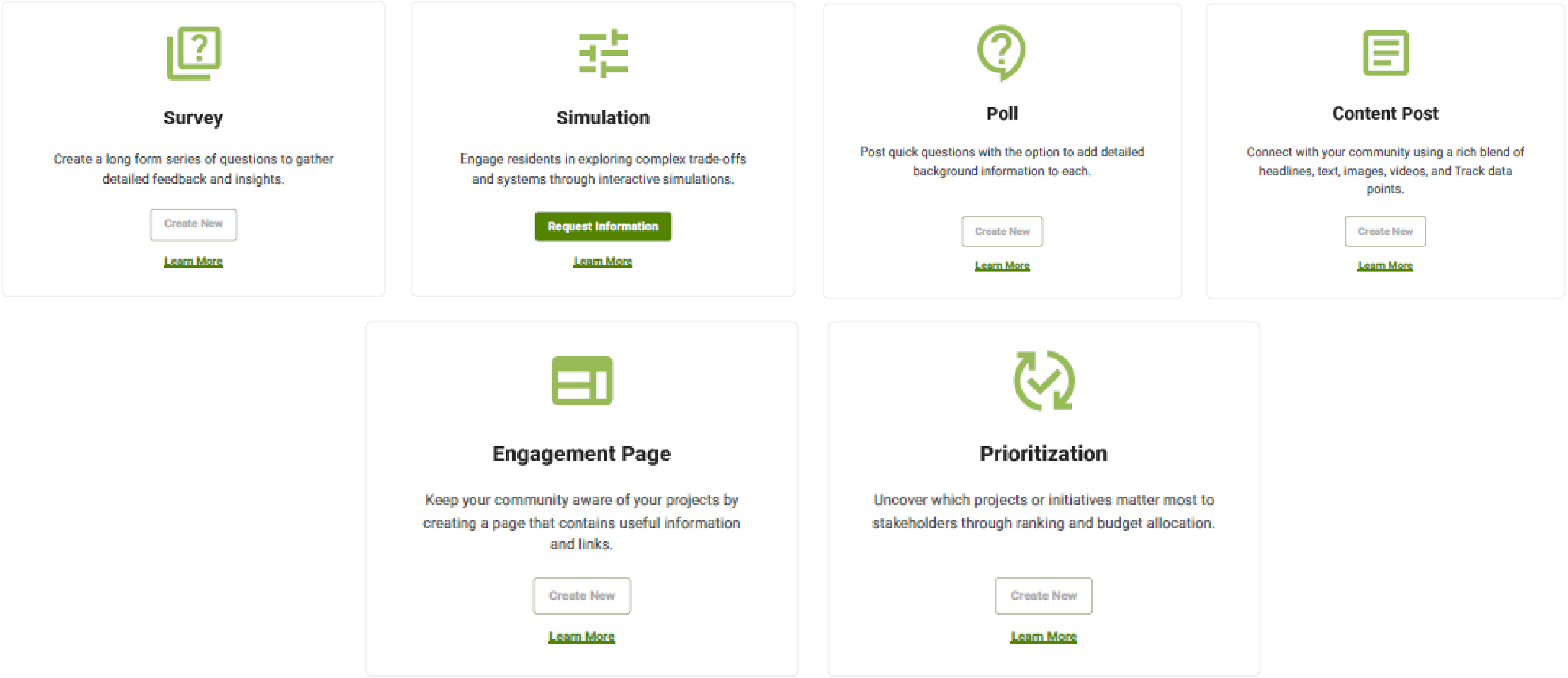
Focused Conversations

Better Public Meetings Implementation E-mail Platform

Provider	Implementation Fee	Annual Cost	Annual % Increase
Granicus – GovDelivery *(Current Tool)*	Already paid	$15,126 *(Approximate Budgeted Amount)*	3%
Granicus - IndiGov	$8,000	$21,808	7%
MailChimp	$0	$9,348	5%
Emma	$1,000	$12,000	9%
Constant Contact	$0	$12,828	0%

- All new software must complete the City's Technology Approval process, which reviews cybersecurity, data sensitivity and whether existing City systems could meet the need.
- Each tool offers email capabilities for external and internal needs. IndiGov provides access to resident email addresses.
- An opt-in approach is generally preferred for building an engaged and sustainable subscriber list. Marketing investments and social media channels could encourage residents to sign up and grow the City's opt-in subscriber base over time within the current budget. *(i.e., $9k cost for tool, leaving approximately $6k in marketing)*
- We are evaluating the use of Granicus tools and sunsetting the use of many of them, including its agenda portal, due to issues with digital accessibility, high costs, and other contractual concerns.

Better Public Meetings Implementation Engagement Platform - Polco



- $7,800 annual investment
- 3-year agreement (2026, 2027, 2028) – inclusive of National Community Survey expense
- Opportunity to explore other providers if desired

2027 Elected Official Budget Funding

2027 Budget	Mayor	City Council
Travel and Training	$16,539	$30,069 or $4,295.57 per person
Business Meals	$1,530	$3,060
Staff Development Meetings	$160	$560
Mayor’s Initiatives	$36,000	N/A
Office Support (Mayor's Executive Assistant)	$137,376	N/A
Temp Salaries (Intern)	$6,233	$0

- Travel and Training: Resumed to normal levels in 2026
- 3% GWI applied to both Mayor & City Council Salaries for 2027

2027 Strategic Priorities and Budget Process

- We are currently working on receiving proposals for 2027 Strategic Planning. We have typically updated the existing Strategic Priorities every two years.

- Outcome: Helps the City Council establish a limited number of meaningful, community-focused strategic priorities; creates alignment around the collective "we" of the City Council and organization; and provides clear direction for development of an organizational action plan with measurable outcomes.

- Anticipated Strategic Planning process milestones:
  - Organizational and Employee input
  - Community and Partner engagement
  - City Council individual interviews
  - City Council and City Administration Planning Retreat

Anticipated 2027 Strategic Priorities and Budget Process

- **November 2026:** Council Study Session and Town Hall to review Community Survey Results
- **December 2026:** Organizational and Employee input
- **December 2026 and January 2027:** Mayor and City Council individual interviews. Staff development of 2028-2033 Capital Improvement Plan
- **February 2027:** City Council Strategic Planning Session #1 focused on reviewing current state, initial visioning, and planned community engagement
- **February and March 2027:** Town Hall Meeting (s) to provide input into strategic priorities and the 2028-2029 Budget; Survey; Partner Engagement; and Board and Commission Session
- **March 2027:** Staff begins internal process for the 2028-2029 Operating Budget
- **April 2027:** City Council Strategic Planning Session #2 to review and refine draft Strategic Priorities. A third session to be held if needed. Staff to begin work on the Action Plan.
- **April 2027:** Council Study Session focused on Factors Influencing the Budget and City Council Priorities
- **June or July 2027:** Council Study Session Baseline Budget, Fee Schedule, and Capital Improvement Plan / 2026 Audit Presentation
- **August and September 2027:** Updated Action Plan presented to City Council; City Council Study Session to review 2028-2029 City Administrator's recommended Operating Budget
- **September 2027:** Town Hall focused on the budget; Council approval of the Preliminary Levy
- **December 2027:** Budget Hearing & Adoption

Summer Festivals

Celebrations	2024 Budget	2025 Budget	2026 Budget	2027 Budget
4th of July	$36,000	$36,000	$36,000	$36,000
Celebration of a City	$24,905	$24,905	$30,000	$31,500
Combined Total	**$60,905**	**$60,905**	**$66,000**	**$67,500**

Concerts	2024 Actual Expense	2025 Actual Expense	2026 Actual Exp. thru 6-30-26	2027 Estimated Exp. Budget
Riverside Music Series	$333,154	$310,093	$133,791	TBD*
FORWARD Park Concerts	$104,110	$124,605	$94,098	TBD*
Combined Total	**$437,264**	**$434,698**	**$227,889**	**$391,397**

*TBD – To Be Determined

Riverside Music Series:
- Sponsored by Think Bank
- 5 concerts scheduled per summer (2026 has had only 3 performances occur as of 7-28-26)

FORWARD Park Concerts:
- Sponsored by Mayo Clinic
- 6 concerts scheduled per summer (2026 has had only 3 performances occur as of 7-28-26)

Summer Festival Highlights

Rochester summer festivals are free family-friendly celebrations and concerts, which could include live music, local food vendors, fireworks, and many other activities. The City's festivals include Celebration of a City, the 4th of July, Riverside concerts and FORWARD concerts.

2024 Key Events

Riverside Music:
$13k Think Bank donation per show

- Max Weinberg's Jukebox ~$101k
- Vanessa Carlton ~$65k
- Everclear ~$61k
- Elvie Shane ~$34k

FORWARD Concerts:
$31k Mayo donation split and applied per show

- The People Brothers Band ~$13k
- Loreweavers ~$10k
- Avey Grouws Band ~$10k
- Haihli ~$9k

2025 Key Events

Riverside Music:
$13k Think Bank donation per show

- Hoobastank ~$73k
- Blind Melon ~$59k
- Tone Loc ~$47k
- Wailan Jennys ~$43k

FORWARD Concerts:
$31k Mayo donation offsetting overall expense

- Avey Grouws Band ~$13k
- Nathan Graham ~$12k
- Beth Bombara ~$11k
- Clay Fulton ~$11k

2026 Key Events

Riverside Music:
$13k Think Bank donation per show

- Tank and The Bangas ~$41k
- Vertical Horizon ~$26k
- Mackenzie Carpenter ~$11k
- 2 concerts coming in August

FORWARD Concerts:
$31k Mayo donation offsetting overall expense

- Cori Kennedy ~$17k
- Davina & the Vagabonds ~$16k
- Sleeping Jesus ~$11k
- 3 concerts coming in August

Destination Marketing Investment

Reinvesting hotel sales tax in experiences that bring visitors to Rochester and support our downtown.

Chateau Events Manager

Dedicated capacity to develop, book, and coordinate year-round programming and community events at the Chateau Theatre.

BENEFIT:

More events and performances that activate downtown and drive visitation.

Downtown Welcome Center

A centralized visitor resource providing information on events, dining, attractions, and more—and a home base for Tourism Ambassadors.

BENEFIT:

Better visitor experience that connects guests to local businesses and encourages exploration.

Festival Coordinator

Dedicated capacity to plan, promote, and execute destination-driving festivals and signature community events.

BENEFIT:

- Supports partnerships with community organizations and event producers
- Leads signature events including 4th Fest, New Years, and other celebrations
- Seeks grants and external funding to help support events and festivals in collaboration with community partners

Hotel sales tax reinvested in activities that support the visitor economy leads to

MORE EVENTS > STRONGER VISITOR EXPERIENCE > INCREASED DOWNTOWN ACTIVITY > GREATER ECONOMIC IMPACT

EXPERIENCE ROCHESTER, MINNESOTA

MAYO CIVIC CENTER conventions & events ROCHESTER, MINNESOTA

Destination Marketing Investment

New Destination Development Initiative

Requested Annual City Investment: $300,000*

A strategic investment in the organizational capacity to create more experiences, strengthen community partnerships, support visitors, and enhance Rochester for residents and visitors alike.

The investment establishes:
- Festivals & Events Department
- Visitor Information Center
- Certified Tourism Ambassador Headquarters
- Supports Workforce Development
- Community Partnerships

**This proposed investment is separate from the Chateau Theatre operating budget.*

EXPERIENCE ROCHESTER, MINNESOTA | MAYO CIVIC CENTER

Lodging Tax Projection

Year	Estimated Lodging Tax Collected	Debt Service	Estimated Remaining for Capital Investment
2025	$11,666,948	$3,195,200	$847,231
2026	$13,051,586	$3,123,387	$921,137
2027	$13,625,856	$3,131,913	$1,008,273
2028	$14,255,393	$3,139,038	$975,792
2029	$14,851,311	$3,134,000	$1,003,566
2030	$15,504,768	$3,130,900	$1,030,164

Ongoing Optimization

- We continually evaluate services to ensure the investment of public dollars is maximized. 2027 will focus on public safety services and community experience (Arts and Culture, Public Music, Rochester Sports, Parks Master Planning, Tourism, downtown activation and related items).

- The ERP project continues to create a framework for streamlining organizational processes and enhancing collaboration

- We continue to have opportunity in the Shared Services space. The slide below contains the update outlined in the recently approved Financial Policies.

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 + 5 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.

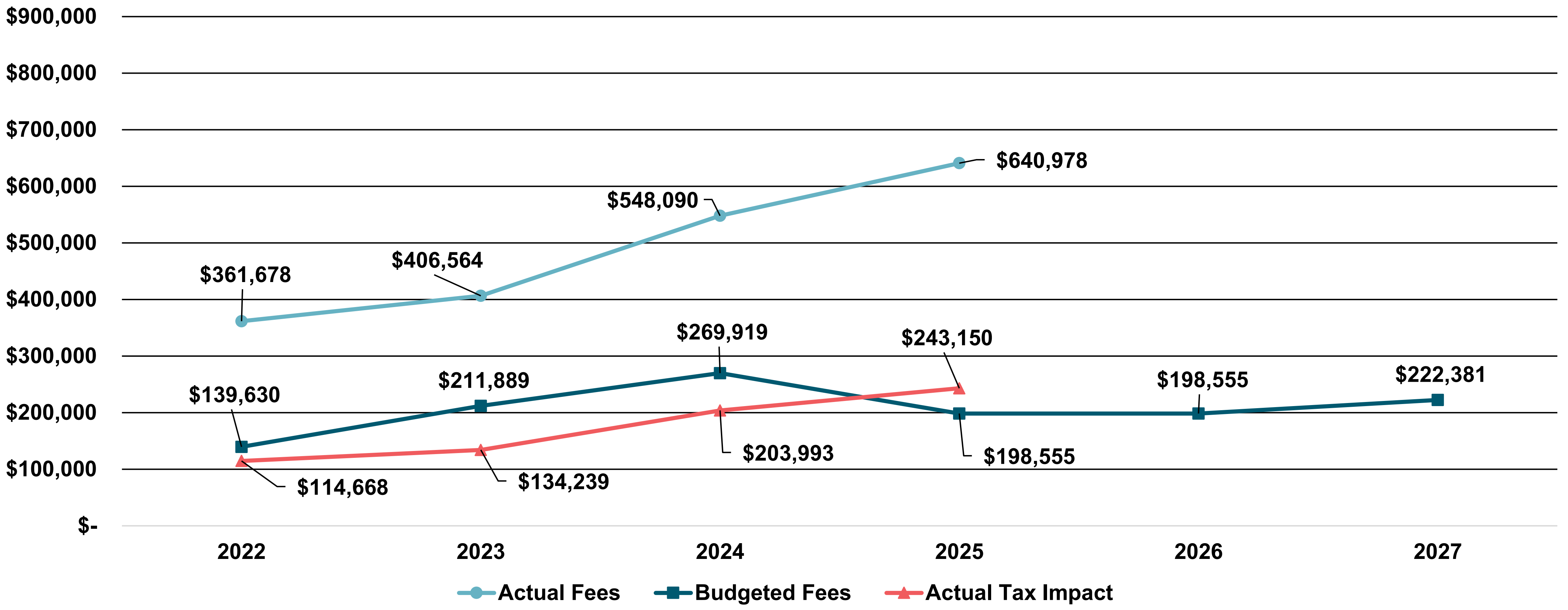
Additional Impacts to be Considered: Credit Card Expense- Assumes We Implement Fees

Department	2025 Actuals	2025 Budget	Over/(Under) Budget	% of 2025 Actuals	2026 Actuals 6-30-26	2026 Budget	2027 Budget
Parking	$279,246	$93,600	($185,646)	43.5%	$131,065	$93,600	$104,832
Building Inspection Services	$133,161	$17,998	($115,163)	20.8%	$90,389	$17,998	$20,158
Municipal Recreation	$127,395	$41,661	($85,734)	19.9%	$81,138	$41,661	$46,660
City Clerk	$37,612	$21,700	($15,912)	5.9%	$19,213	$21,700	$24,304
Parking Ticket Collections	$28,155	$4,447	($23,708)	4.4%	$15,502	$4,447	$4,981
Miscellaneous	$35,409	$19,149	($16,260)	5.5%	$18,317	$19,149	$21,446
Grand Total	**$640,978**	**$198,555**	**($442,423)**	**100.0%**	**$355,624**	**$198,555**	**$222,381**

Funding	2025 Actuals	2025 Budget	Over/(Under) Budget	% of 2025 Actuals	2026 Actuals 6-30-26	2026 Budget	2027 Budget
Tax Levy	$243,150	$72,770	($170,380)	37.9%	$150,584	$72,770	$81,501
Non-Tax Levy	$397,828	$125,785	($272,043)	62.1%	$205,040	$125,785	$140,880
Grand Total	**$640,978**	**$198,555**	**($442,423)**	**100.0%**	**$355,624**	**$198,555**	**$222,381**

- The City is in a 5-year contract with IPS for Parking Services effective 2-1-2023.

Credit Card Actual and Budgeted Fees



CITY OF ROCHESTER

Closing Discussion

- Is there any additional feedback on the 2027 Recommended Supplemental Budget prior to setting the preliminary levy at the September 21st Council meeting?
- Does the estimated property tax levy percentage increase of 5.59% align with City Council direction?

DISCUSSIONS, QUESTIONS & FEEBACK