



REQUEST FOR ACTION

2025 Preliminary Tax Levy and Supplemental Recommended Budget

MEETING DATE:
September 9, 2024

ORIGINATING DEPT:
City Administration

AGENDA SECTION:
Reports and Recommendations

PRESENTER:
Alison Zelms

Action Requested:

Adopting a Resolution certifying the 2025 preliminary tax levy of \$112,041,952 which includes:

1. Establishing the preliminary 2025 Operating and Capital Budget amount of \$689,419,593.
2. Establishing Monday, December 2, 2024, for the public hearing and final adoption of the recommended 2025 Tax Levy and Budget (operating and capital.)

Report Narrative:

Minnesota law requires that local governments execute the following budget-related actions: adopt a 2025 preliminary property tax levy by September 30, 2024; adopt a preliminary 2025 budget amount; and establish a date for a public hearing regarding the proposed 2025 budget (Operating Budget and Capital Improvement Plan). The recommended public hearing date is December 2, 2024.

The 2025 recommended preliminary property tax levy amount increase over prior year is 10.35%. This is just the increase in total amount of levy collected from 2024 to 2025. Based on additional information from the Olmsted County Assessor received on September 3, 2024, the anticipated net tax capacity rate is increasing by 1.98%. Some key driving factors influencing the total levy are:

- Increasing personnel costs related to labor contracts for existing personnel;
- Increasing personnel costs related to Police and Fire for additional labor contract negotiations;
- Silver Lake Pool Expansion; and
- Accomplishing the second step of the evolving Fire Response model.

Notably, 0.7% of the tax levy increase is directly related to the declining availability of one-time holistic budget stability funds. Other investments are also recommended in funds that do not rely on tax levy.

Link: [The 2025 Supplemental Recommended Operating Budget and Capital Improvement Plan](#)

State law requires that a total budget figure be listed at this time, although the final adopted figure is not restricted by the amount listed above. However, the preliminary levy creates a ceiling and can only be maintained or decreased (not increased) after the adoption of the preliminary levy.

The \$10,511,000 levy change represents the year-over-year change in total levy certified for collection to the County in order to provide revenue to support the recommended 2025 budget. The levy (dollar amount) is certified with Olmsted County and then applied across all properties based on tax classification. Then, the assessed valuation of each property serves as the basis for tax notices sent to each individual property owner. The forthcoming tax notices help to inform more specific public comments on the tax levy during the established public hearing.

The City of Rochester's average estimated market value for a home, with the average increase in assessed value from 2024 to 2025 is \$288,200 with a local tax rate of 49.81%. The net tax impact in this scenario for 2025 is \$1,332.84, or \$57.44 more than 2024.

The tax classification system is established by the authority of the State of Minnesota, not the City of Rochester. The total budget, level of service, services provided, and the tax levy needed in order to support those services is within the purview of the City Council. Additionally, there are limitations on the other fees, types of taxes, and use of other types of taxes that are levied. For example, the local sales tax is subject to state statute and only for restricted purposes (not operations).

Olmsted County, the agency that values and classifies property and collects the property tax, provides valuable information to help understand the property tax system, as well as connect taxpayers to tax deferral and relief programs for which they may be eligible, some of which are also administered in part by the County in accordance with state law. Broad information about property taxes can be found here:

Link: [Olmsted County - Property Taxes](#)

More detailed information about County administered exemption and relief programs (Blind Disabled Homestead, Disabled Veterans Exclusion, Homestead Exclusion, Nursing Homes, and Boarding Care) can be found here:

Link: [Property Tax Discounts and Exemptions](#)

Additionally, the tax relief programs that are provided for in state law can be viewed in their entirety at the MN Department of Revenue website at this link:

Link: [Minnesota Department of Revenue - Property Tax Programs](#)

Review the Study Session Budget Presentation videos by going to the [City Council Meetings page](#) and clicking on the "Video" archive next to the respective meeting date in the "Past Meetings & Video Archives" section. Review the slide presentations at the below links:

Link: [Budget Presentation, August 19th, 2024.](#)

Priorities & Foundational Principles:

Fiscal Responsibility & Sustainability
Quality Services

Policy Considerations & DEI Impact:

The budget is the City's most important policy setting exercise and is a reflection of the Council's Strategic Priorities. The 2025 budget information has been shared with the City Council that includes changes to the overall budget and to the tax levy. The use of Holistic Budget Stability Funds has been included in the budget to help reduce the need for additional tax levy funding as part of the operating budget. Other City Council priorities and preferences have been considered and prioritized appropriately.

The preliminary tax levy must be adopted prior to September 30, 2024, in accordance with state statute. After the adoption of the preliminary tax levy, the levy may decrease but cannot increase through the time of final adoption.

Prior Legislative Actions & Community Engagement:

April 15, 2024: Study Session - Presentation 2025 Recommended Supplemental Budget

August 19, 2024: Study Session - Presentation 2025 Recommended Supplemental Budget

2024-2025 [Budget Study Session Presentations](#)

Fiscal & Resource Impact:

The City Council's action of adopting the 2025 Preliminary Tax Levy and Supplemental Recommended Budget establishes the maximum 2025 tax levy for the City of Rochester.

Alternative Action(s):

Each of the presentations brought before the Council leading up to this preliminary adoption have outlined the various trade-offs in the City's ability to deliver services. Alternative actions could include:

1. Adopt a lower preliminary levy to be reflected in budget notices and direct staff to have a Study Session to discuss recommendations for budget reductions.
2. Adopt the recommended preliminary levy and direct staff to have a Study Session to discuss potential reductions for the final levy certification planned for December 2, 2024.

Prepared By:

Josh Duerr

Attachments:

[Resolution - Establishing the 2025 Preliminary Property Tax Levy and 2025 Budget Public Hearing](#)

[Presentation - 2025 Recommended Supplemental Budget](#)