CITY OF
ROCHESTER
MINNESOTA

2026 Legislative Priorities

City of Rochester

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CITY OF
ROCHESTER
MINNESOTA

VISION, PRINCIPLES, AND PRIORITIES

Adopted by City Council on 6/16/2025

Community Vision

Rochester is a City that cares. Where all people are treated with dignity and respect. Where residents, employees, and visitors enjoy a high quality of life. Where business and industry thrive, and where the land and environment are renewed and sustained for the benefit of all. It is a welcoming and diverse community.

- Renowned for its reputation as a center for growth and innovation.
- Characterized by its safe and friendly neighborhoods.
- Committed to health and wellness for its people.
- Connected both physically and socially.
- Dedicated to the sustainable and responsible use of public resources.

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

Organizational Vision

A vibrant, compassionate, innovative team.

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

Rochester at a Glance

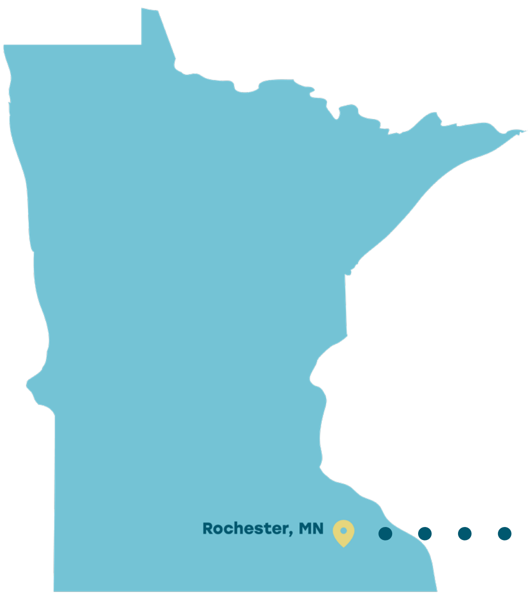
Incorporated in **1854**

55 Square miles

Population 125,000

*2022 estimate

The City of Rochester is the third largest city in the State of Minnesota, with a population of over 125,000*, which is anticipated to grow by 50% over the next 20 years. Rochester, an economic engine for the state of Minnesota, is home to major employers including Mayo Clinic and hosts a strong nonprofit and small business community. Factors such as civic engagement, affordable housing, a strong regional economy and great education options have helped the community stand out for years.



Community at a Glance

- Median Age: 37
- Total Households: 49,984
- Median Home Price: $273,000
- 23.7% of residents are BIPOC (approximately 45% of students at Rochester Public Schools are BIPOC)
- 14% of residents are foreign born
- 82% of residents speak English only, and 18% speak a language other than English
- 16% of residents are age 65 and older
- 10% of residents have a disability
- 6% of residents are veterans
- 9% of residents are below poverty income level

Regional Center:

30,000 commuters daily
3 million visitors annually

Awards & Accolades

- **Gold LEED City**
- **AAA Bonding Rating**
- **Certificate of Achievement for Excellence in Financial Reporting for almost 50 years**
- **Top 3 Best Places to Live in the U.S. - Livability**
- **Top 7 Most Beautiful Cities in MN - World Atlas**
- **Top 25 Best Place to Retire - Forbes**
- **Top 4 Best Cities to Buy a House in America - Niche Magazine**
- **Top 6 Best Small College Areas – University Business**
- **First American City to become an Intercultural City (ICC)**
- **Inclusive Workforce Employer (I-WE) Designation from Workforce Development Board of Southeast Minnesota**

U.S. GREEN BUILDING COUNCIL LEED GOLD USGBC

LIVABILITY 20 ROCHESTER 20 BEST PLACES TO LIVE

INCLUSIVE WORKFORCE EST 2020 EMPLOYER

East Zumbro Sewer and Water Infrastructure for Housing (Bonding)

Project Overview

In order to increase the available land for housing of all types, an increase of sewer and water pipe capacity is needed. If Rochester can increase land/lot availability for housing (and decrease lot cost with additional supply), it helps with housing supply and affordability. This project will promote infill development opportunities.

The East Zumbro Sewer Investment Project would be primarily focused near Silver Lake connection with impacts to the entire SE part of the city, directly creating approximately 1,000 developable acres of land. This could eventually include industrial users at the Rochester International Airport and other potential opportunities.

Project Funding Details

State request: $9.2M (50% of phase one project cost)

This project is phaseable and can be staged (design, construction).

Background

Our current water reclamation plant (wastewater processing facility) has capacity for additional users; our pipes in the city need to be upsized for additional housing and industrial users in the city. They were originally built for a community of 120,000 population—we now exceed this and are expected to greatly exceed this population in the coming years. This infrastructure is typically funded via rates from sewer users. State support for this project would allow it to happen much sooner than it would otherwise.

Currently, additional housing lots at scale are only available in the NW part of the city. This would allow for additional housing and industrial uses in the SE portion of the city.

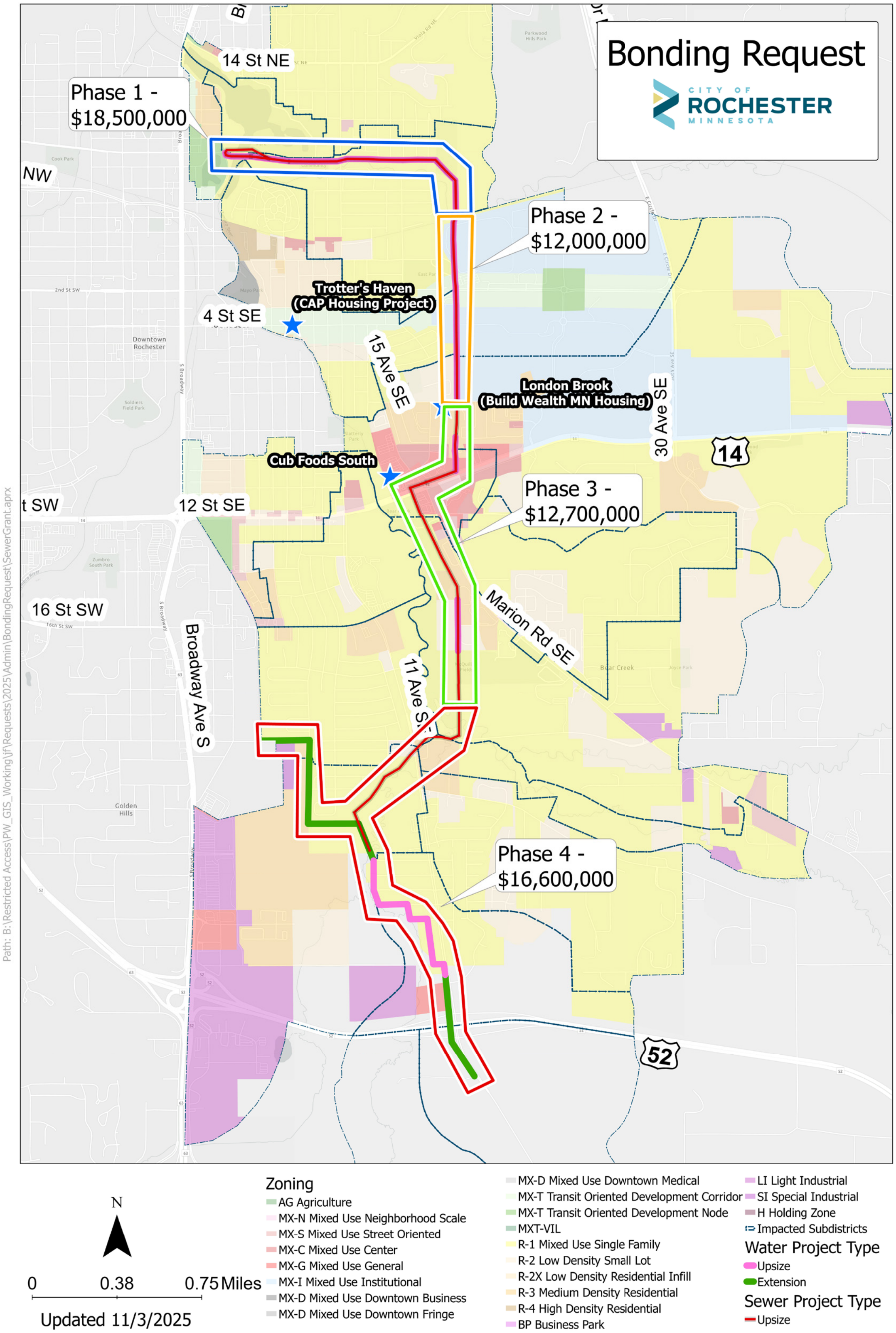
It would be very challenging for Rochester to compete successfully with the current public facilities authority (PFA) requests along with other communities in greater Minnesota. As the third largest city and economic engine for the state, it makes more sense to compare funding of this arena with requests and funding awarded to the metropolitan area.

Current Sewer Pipe

Future Sewer Pipe

Phase	Amount	Details	Potential Timing
Phase 1	$18,500,000 (State bonding request: $9.2M)	Begins at the north end of project at Silver Lake, includes upsizing sewer and water systems.	Design & approvals: 2026 Construction: 2027-2028
Phase 2	$12,000,000 (State bonding request $6M)	Extends southward from Phase 1 with continued enlargement upgrades to water and sewer pipes.	Design & approvals: 2027 Construction: 2028–2029
Phase 3	$12,700,000 (State bonding request: $6.3M)	Continues south, combining joint and separate water and sewer improvements.	Design & approvals: 2028 Construction: 2029-2030
Phase 4	$16,600,000 (State bonding request: $8.3M)	Final stretch, focused on upsizing sewer and water and extending water systems.	Design & approvals: 2030 Construction: 2030-2031

East Zumbro Sewer and Water Infrastructure for Housing (Bonding)



Chateau Theater-Liquor License Streamlining

Issue

To sell liquor on-site, establishments must obtain a license from the local government. This can often be prohibitively expensive for non-traditional business models that are not restaurants or bars if the non-traditional entity is eligible for licensure at all under State Statute. The state grants full liquor licenses to certain types of businesses, such as theaters, convention centers, and town ballparks.

Alternatively, venues can apply for a temporary on-sale license; however, this option can also be costly and limits the sale of liquor to just 12 special events per year.

Rochester's historic Chateau Theater serves as a theater, an event space, and a community asset in the heart of downtown. The venue hosts various events, including weddings, graduations, ceremonies, cultural celebrations, art exhibitions, limited theater performances, craft fairs, and more.

In other cities, similar establishments, such as museums, cultural entertainment venues, and concessionaires within art museums and sports venues, have recently received special legislation (see Minn. Stat. 340A.404, subd. 2) to provide additional support.

Problem

Chateau Theater does not meet the common definition of a theater per Minn. Stat. 340A.404 (Subd 1, 8b).

Solution

State special legislation that would grant a full liquor license to the building of Chateau Theater (located at 15 1st Street SW Rochester, MN 55902).

Impact

A liquor license would allow it to fully utilize the space and maximize its potential uses for the community, visitors, community events, cultural groups, celebrations, and other uses. It's ability to produce revenue will be improved with an additional amenity to offer its events and those of age that are interested in participating.

Operations Funding for Bus Rapid Transit in Greater MN

Issue

The City of Rochester will be the first bus rapid transit system outside the metro area when the Link opens in 2027 providing a 2.1 mile corridor in the community that has over 3 million visitors annually, 20,000 commuters daily, and the 125,000 residents. Reliable and suitable funding of a variety of state, federal and other resources is vital to a vibrant transportation and transit system for Rochester.

In 2023, there was a 1.7% increase in funding from the Moter Vehicle Sales Tax that went to greater MN transit that is currently being distributed to the same network of greater MN transit providers as prior to the additional funding. MNDOT is currently convening transit operations stakeholders to begin examining a potential formula update that is expected to be implemented after 2026.

Current greater MN public transit systems (including Rochester Public Transit fixed routes) are supported by a mix of approximately 80% state (via the Motor Vehicle Sales Tax) and 20% local resources (via fares, advertising, or other entities' support). Given this precedent, it is reasonable expectation for this proportion of funding to extend to the new service line of bus rapid transit systems in greater MN.

Problem

In addition to the upcoming bus rapid transit Link route, the City of Rochester also will continue to operate a fixed-route system of Rochester Public Transit buses that rely on the limited state and federal funding for operations. The Link bus rapid transit system will begin service in 2027 and operations will be partially funded via partnership agreement with a major local employer which allows for partial coverage of the fare-free model (covers the 20% local part of transit funding model). City's public transit system that serves the region's workforce and economy, additional state funding will be needed for bus rapid transit systems.

Other sources of potential funding are already allocated toward transportation projects in the area or can only be used for capital/one-time expenses not ongoing operations of a system.

Solution

Dedicated, reliable, and predictable funding for bus rapid transit system operations from the state for Link Bus Rapid Transit. This funding should be in addition to the existing state support for Rochester Public Transit system of 32 fixed route buses and paratransit system that provided over 750,000 rides in 2022. Projected ridership for new bus rapid transit is 2.8 million.

Bus rapid transit systems in greater MN, including Rochester's Link system, should receive some of the additional MVST formula funding for greater MN transit, due to alignment with state goals around transit are being achieved from Rochester's BRT system.

Impact

Continued partnership of state funding for public transit in greater MN allow for additional service to residents who rely on and can use public transit.

Public transit is an efficient way to transport workers to employment, customers to businesses, patients to health care, families to entertainment and public amenities, and provides residents a great option that reduces carbon emissions, parking costs, and other goals.

The Link bus rapid transit system will reduce greenhouse gas emissions, provides an accessible option for getting to work, home, school, and leisure activities along the route which will go through the downtown corridor. It also helps Rochester meet its goal to reduce single-occupancy vehicle trips into downtown by nearly 30% in the next 20 years.

Local Government Aid & Providing Regional Public Services

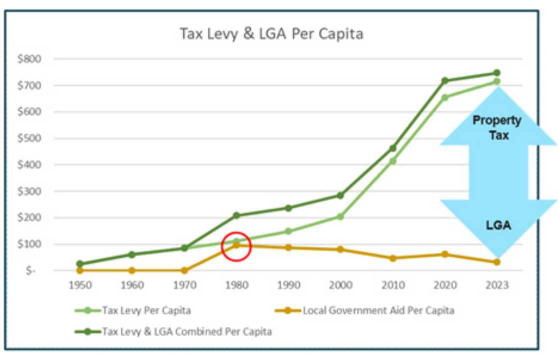
Background

Rochester is the third largest city (pop. 125,000), is over 80% of the population for Olmsted County, and is the only city over 100,000 in greater Minnesota. All of its neighboring cities are under 10,000 population. Rochester does not have a regional metropolitan government unit that provides consolidated services like the metropolitan area. Rather, Rochester provides many of those services ‘in house’ (on the levy, or via city of Rochester budget) such as library, wastewater, transit, airport, parks system, and public safety. Most of these services are utilized by the region, visitors, and residents.

There have been recent efforts at the legislature to make improvements and account for the unique nature of services and formula impacts to Rochester, including:

- 2021: Hold harmless provision for projected LGA cuts post-pandemic (signed into law)
- 2023: Formula update & increase in LGA funding overall at $564M (signed into law)
- 2024: $150 per capita floor for cities of the first class (bill introduced)

Tax Levy and LGA Per Capita Decade Trends



Some previous one-time funding for services have been shown successful to help support regional centers in greater MN. Such as:

- Public Safety Aid (Chapter 64, 2023 Regular Session)
    - One-Time funding; Population-based aid
    - 2023 appropriated $5.34M to City of Rochester
    - This funded 11 programs that would have either otherwise not been funded or been funded from different sources. Programs funded included: victim services support, training for police and fire, vehicle replacement, firefighter turnout gear in compliance with OSHA standards, emergency management facilities, matching federal grant for police department, technology support for public safety, and community services outreach efforts.
- Statewide Affordable Housing Aid (Minn. Stat. 477A.36)
    - Ongoing; aid is calculated based on % of cost burdened households paying more than 30% of income on rent/housing via American Community Survey
    - 2025 amount for Rochester projected at $250,117
    - Funding from 2023 and 2024 funded fee permit waivers for tax credit project and tax abatement program (one-time aid increase in 2023 and 2024 resulted in $545,926 to Rochester).
- Accessible facilities/ADA public infrastructure funding (2023 Regular Session: Chapter 68, Article 1, sec. 17, subd 14)
    - One-time appropriation
    - $5M appropriate split among the four cities of the first class with Rochester receiving approximately $900,000.
    - This funded 23 deficient pedestrian ramps throughout the city in alignment with city’s ADA transition plan (total need for ADA transition plan estimated at $4M).

Local Government Aid- State/Local Partnership (Continued)

Issue

Rochester and other regional centers in greater MN are unique. Rochester provides services for the region that other communities, especially in the metro area, have other ways to help fund. For example, library, comprehensive parks and trails systems, airport, transit system, wastewater treatment, and more. The current LGA formula does not account for regional centers that provide services used by residents, neighboring communities, and visitors.

Rochester receives $42 per capita of local government aid (LGA) funding, while other cities of the first class receive much more. There are 13 cities smaller than Rochester which receive more LGA.

City of the First Class	2024 Amount	Per Capita
St. Paul	$82M	$265
Minneapolis	$82M	$191
Duluth	$35M	$406
Rochester	$5M	$42

There are 102 cities over 10,000 population. All of their LGA is determined by the same four formula factors:

1. Percent of housing built before 1940
2. Share of the city's population age 65 and over
3. Share of the city's tax base classified as commercial, industrial, or utility property
4. Population decline from the city's peak population in the last 40 years

Solution

- Protecting local government aid (LGA) funding and updating formula
- Increase state appropriation to local government aid (LGA) overall to allow for upward projection, including inflationary increase–governments encounter the same inflationary pressures of anyone buying materials and supplies to serve the public
- Modernize and reform the local government aid formula to better account for regional centers in greater MN such as Rochester. This could include separate tier of formula factors for these cities.
- Modernize and reform LGA formula factors or other funding from the state for cities that are implementing desired zoning for increased housing (e.g. allowing multifamily in more zones; allowing ADU's city wide, lower parking minimums, removing aesthetic or design standards for single family homes, encouraging housing density near transit corridors) while also allowing for local context in consideration of zoning.
- Preserve and increase state funding to Rochester for accessibility ADA infrastructure, public safety aid, microtransit funding, housing and homelessness, and other similar funding.

Impact

Targeted aid at communities that provide regional and state assets on a local level that requires local resources not only for the service, but ancillary impacts of providing those services (additional calls for service, homelessness/housing supports).

Housing Access

Issue

The 2025 Maxfield Housing Study of the City of Rochester and Olmsted County demonstrated a need for approximately 18,000 housing units through 2035. This includes over 4,100 senior housing units, over 4,700 rental units (including market rate, income-restricted/workforce, and subsidized), and over 5,000 new for-sale homes. In 2024, approximately 200 single family and 700 multifamily permits were issued. The City of Rochester has a racial homeownership gap, similar to the state as a whole: 23% of BIPOC (Black, Indigenous, People of Color) households are homeowners, compared to 70% homeownership rate for overall Olmsted County population. A local community engagement co-design effort related to BIPOC homeownership was conducted. It was made up of key stakeholders from financial/lending institutions, realtors, community housing support stakeholders, developers/builders, and BIPOC community. The report highlighted themes of education, navigation, belonging, safety and security, structural racial barriers, mentorship, and representation. These facets were identified as barriers and opportunities to address the racial homeownership gap. Born out of that co-design effort was collaboration with Three Rivers Community Action to build upon their existing Achieve Homeownership program to create a BIPOC Homeowner Mentorship Pilot program.

Cities play a critical role in local housing and zoning by shaping district designations, land use policies, development standards, and administrative processes. Rochester recently undertook a comprehensive overhaul of its zoning code, now called the “Unified Development Code” (UDC).

Recognizing that complex regulations can sometimes act as barriers to housing production, the UDC introduces significant reforms to streamline the development process. Key changes include reducing the number of residential districts, eliminating purely commercial districts, and shifting neighborhood engagement to earlier stages of the process.

The UDC is a modern zoning code that creates more predictability in the process, allows for more areas and flexibility of where housing can be built (particularly for multifamily

housing), reduces minimum lot sizes, removes artificial density limits, and creates additional flexibility around parking requirements for multifamily housing.

The UDC includes built in flexibility, predictability in development process and outcomes (for both developer, city, and neighborhood), many approvals by right/at city administrative level, and faster process (typical approval for projects are 30-60 days). The base zoning code:

- Allows multifamily projects in all ‘commercial’ type areas (zoning code uses mixed use zoning rather than purely commercial zones)
- Does not have aesthetic requirements for single family homes (e.g. no brick fascade requirement, no garage requirement, no deck requirement)
- Reduced parking requirements to .5 spaces per unit or lower if closer to transit corridor. No additional parking requirement for adaptive reuse of existing buildings.
- Allows ADUs in all zoning districts (requirement for owner to occupy at least primary residence or ADU)
- Maintains important urban design for mixed use and multi-family projects with over 5 units. Standards are for improved livability rather than aesthetics, to support access to transportation alternatives and sustainable lifestyle. A menu of options for developers focus on building interface with public sidewalk and resident connection to community.
- Does not include Floor-to-Area ratios

Housing Access (Continued)

Problem

Approximately one-third of Rochester's households have a need for affordable housing. While different measures might be used to define affordability, the general definition most often used is that housing costs of more than 30% of a household's income is not affordable. The greatest need is for housing options at 30-55% Area Median Income (AMI). Housing options at 70-90% AMI level are also needed to address new job growth in construction, education and health care sectors.

The combination of higher borrowing and construction costs, infrastructure challenges, and rising operational costs presents a perfect storm for residential development. For cities like Rochester, addressing these issues requires innovative solutions such as public-private partnerships, streamlined permitting processes, and investments in infrastructure to alleviate the financial burden on developers and homeowners alike. Without these solutions, the cost of housing will continue to rise, placing additional strain on residents and limiting access to affordable homes.

Infrastructure limitations, as seen in Rochester and other growing communities, further complicate development. As more homes are built, the demand for public services like water, sewer, and transportation infrastructure increases. For example, the estimated $4.2 million to provide infrastructure for 500 single-family dwellings is a significant cost that developers must incorporate into the overall price of the homes. This, in turn, leads to higher housing costs for future residents, making it even more difficult to provide affordable housing options.

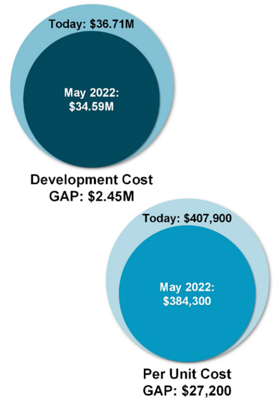
In places with constrained infrastructure, developers may choose to create private infrastructure (such as private roads) to reduce the burden on local governments. However, this often means additional costs for homeowners, who are then required to pay for the upkeep of these private roads through Homeowners Associations (HOAs). These additional expenses can add to the financial strain on households, perpetuating the cycle of high housing costs.

In Rochester, there are commercial developments (10+ stories) that are located right next to some of Rochester's most established single family home neighborhoods.

Sample Multi-family Construction Costs

	Total	Per Unit
Construction Start: **MAY 2022**		
Development Cost	$34.59M	$384,300
Subsidy	$12.33M	$137,000
Construction Start: **TODAY**		
Development Cost	$36.71M	$407,900
Subsidy	$14.78M	$164,200
Increase in GAP	**$2.45M**	**$27,200**

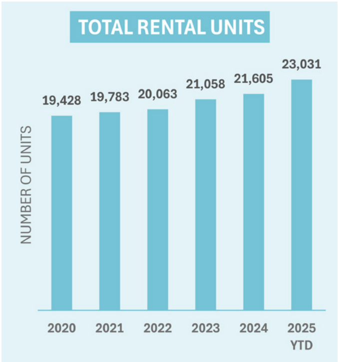
Location: Minnesota

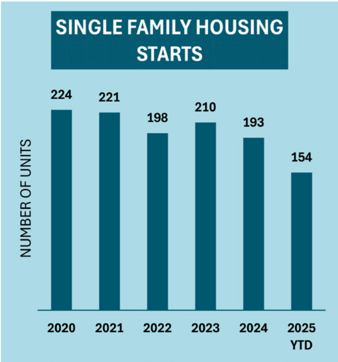


Having standards that allow for predictability in these translation areas, for both developers and neighborhoods is key, along with allowing for neighborhood and developer communication early in the process (as soon as any application is received by the city).

Solutions

- Maintain local control for cities in terms of urban design standards (e.g. pedestrian frontage, building and entrance orientation, service locations, and facade variety) for commercial/mixed use/downtown and for neighborhood transition areas.
- Examine tools and changes to assist with lot availability and first time homebuyers.
- Consider increased efficiency and predictability with final plat including public hearing requirements for more than four lots (single family subdivisions) and tax considerations.
- Support increased state funding for housing infrastructure bonds (HIBs) and general obligation bonds, as well as sources for public housing rehabilitation, to help address the immediate and growing need for affordable housing.





Housing Access (Continued)

- Support policies that will prevent and reduce evictions and increase notices of, and protections for, those being displaced especially during the winter. This could include funding for Family Homeless Prevention and Assistance Program (FHPAP) and other similarly aimed programs.
- Support energy efficient new affordable housing, as it will benefit lower-income residents by lowering monthly costs and the possibility that costs of poorly constructed buildings are shifted onto its residents, in addition to aiding in the city's climate action plan.
- Support programs and funding for the preservation of current housing stock, and tenant protections.
- Support programs and funding for accessible housing opportunities, including the Emergency and Accessibility Loan Program.
- State funding to assist local efforts around increased access to home ownership including BIPOC home ownership.
- Funding the Greater Minnesota Housing Naturally Occurring Affordable Housing (NOAH) Fund.
- Consider tools and incentives, including tax credits, for conversion of vacant commercial/office property into housing.
- Changes to MN Housing Finance Agency scoring criteria to reward projects that utilize existing transportation and other service infrastructure.
- Targeted funding for temporary homeless sheltering, warming houses and other support, including increased mental health and chemical dependency treatment programs to reduce future growth in homelessness and to protect our residents struggling with these issues. This includes support for programs to support capital investment in local facilities, the Emergency Services Grant Program (ESP), aid dedicated to providing homeless services.

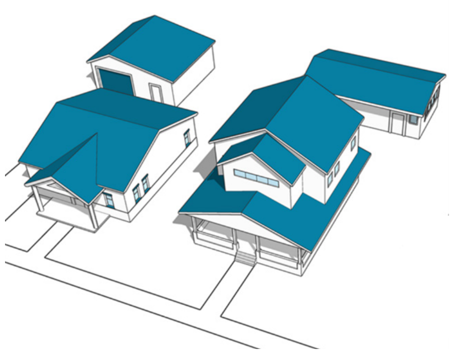
Impact

These solutions will help implement the near-term and long-term Affordable Housing Policy Recommendations from the 2020 Affordable Housing Study to support the creation and retention of affordable housing in Rochester. These solutions would also help implement the BIPOC homeownership report recommendations. To reduce barriers to housing development, regulatory tools are essential. Rochester's Comprehensive Plan, Unified Development Code, Sanitary Sewer Master Plan, Growth Management Map, and Land Use Map provide a framework for managing growth. Via the updated zoning code, Rochester has approved 1,266 multi-family units since 2023 through the more streamlined process. By being able to update the city's zoning code based on our unique character and factors, it demonstrates importance of local control and that one-size-fits-all, state-mandated housing and zoning policies will likely not address the unique needs of all communities.

The ability for Rochester to update its zoning code based on local needs allowed for progress on affordable housing, sustainability, and equity goals. Namely with reduced minimum lot size, removed artificial density limits, allowing diverse housing city-wide, parking reduction, affordable housing incentives considered at staff level, and process predictability.

The City also plays a key role in addressing housing needs through targeted programs and resources. For example, the Economic Vitality project, supported by a local sales tax, will generate up to $50 million over 16 years to fund the newly established Homeownership Creation Program, which provides fee reimbursements for new for-sale homes. A recent $4 million award to Prairie Ridge will support 201 new homes by 2027.

To incrementally increase density, Rochester is exploring options like an Accessory Dwelling Unit (ADU) pilot program and various home rehabilitation initiatives to preserve the existing housing stock. Additionally, Tax Increment Financing (TIF) continues to be used to support both multifamily and for-sale housing development.



Resources for Continued Water Quality and Responsible Environmental Stewardship

Issue

The State of Minnesota's new regulations for lake and river eutrophication standards require the City of Rochester to have a more stringent phosphorus limitation on wastewater treatment plant discharge (less than 1 mg/l). This will require different treatment technology than is currently at the Water Reclamation plant. The Point Source Implementation Grant (PSIG) is a program that provides local governments 80% grant funding up to $7 million (current cap per project) to help fund some of the costs to meet these new requirements.

Amounts of per- and polyfluoroalkyl substances (PFAS), often called 'forever chemicals' in ground water and water sources is of heightened interest at the state and federal level. Rochester is participating in a recent measuring effort in partnership with the MN Pollution Control Agency (MPCA) for measuring PFAS being discharged to the Water Reclamation Plant (WRP).

The City is developing strategies to help human and natural systems become more resilient to changes in precipitation levels and weather patterns. A large part of that planning involves assessing vulnerabilities and developing plans to improve stormwater infrastructure resilience and reduce localize flood risk, improve the resilience of wastewater systems, and adapt community services to meet the needs of residents and businesses prior to, during, and after an extreme event.

In 2023 the Minnesota Legislature created the Lead Service Line Replacement Program and appropriated $240 million to accelerate replacement, coordinated by MN Department of Health and the Public Facilities Authority (PFA) with State Revolving Fund (SRF) dollars. State law sets a goal to remove all lead service lines in public systems by 2033.

Problem

To ensure that the City of Rochester is able to access these PSIG funds in the future, it is important to include the Public Funding Authority (PFA) bonding request and final legislative appropriation at a funding level that will support the requests coming from local government for this grant money.

PFAS chemicals take many years to degrade and are very prevalent in commonly used products. Residents and commercial and industrial businesses discharge PFAS laden wastewater which flows to WRP and is not treated by conventional treatment technologies. PFAS treatment at the WRP is not economically feasible, so source identification and reduction is the primary solution. Sampling for PFAS, identifying sources, and finding alternative products is time-consuming and expensive. It is also a global problem that cannot be solved one City at a time. Funding is needed to cover the cost of sampling and much more research is needed on sources and alternative products. Currently there are funds available to assist with climate related assessments and planning however implementation funding is not available. The current funding mechanisms are set up to address water quality impairments and not proactive planning associated with climate adaptation. Without funding support for implementation projects, there will be delays in implementation or the need to scale back needed projects.

Resources for Continued Water Quality and Responsible Environmental Stewardship (Continued)

In 2023, the legislature funded a state grant program administered through the Public Facilities Authority that also included federal funding via the Infrastructure Investment and Jobs Act (IIJA). Minnesota Department of Health estimates a $1.5 billion cost for replacement and removal of all lead service lines. Need exceeds available dollars for lead service line replacement.

Solutions

- Support the inclusion of Public Facilities Authority (PFA) request's for Point Source Implementation Grant (PSIG) in state legislation (i.e. state bonding bill) at an amount that would fully fund projects awaiting funding from previous years and current underway project at Rochester's Water Reclamation Plant (WRP) that could use PSIG funding.
- Assistance with managing additional PFAS requirements in wastewater with funding for sampling, assistance with research and consumer education, and/or banning PFAS materials at the source, along with a narrowly focused protection for municipalities to provide time to develop holistic reduction strategies that protect human health.
- Support continued funding for climate resiliency efforts.
- Encourage innovative projects that provide multiple benefits such as climate resiliency, water quality, and recreational opportunities.
- Support sales tax exemption on construction materials for current Rochester Water Reclamation Plant (WRP) update project. (~$3M savings to $92M overall project).
- Additional and consistent funding for Minnesota's Lead Service Line Replacement Program.

Impact

The MPCA recently changed the regulation on phosphorous limits for surface water. Increasing Rochester's chance to receive PSIG funding will support construction and work on current wastewater and storm water treatment facilities to meet these standards and improvement the water quality in Rochester.

By partnering on monitoring and potential funding for managing, cleaning up and measuring PFAS, the issues associated with these chemicals may be more likely to be addressed in a productive manner. Banning PFAS materials at the source would reduce additional and future needs for remediation and other costly impacts on local communities.

By providing implementation funding, Rochester could move forward with valuable climate adaptation projects like our Section 7 pond that will reduce the rate of flood water entering the city and further consideration of building the resiliency hubs that will be identified through our climate resiliency hub assessment and planning project.

Sales tax exemption for the current upgrade project at the WRP would result in not needing to use rate increases at projected levels to support the current project. Expected savings on project is on project is $3M.

Continued and additional funding of this lead service line grant program is key to achieve the health and safety goals related to removing lead service lines for drinking water in Minnesota. Many lines are on private property. Dedicated state support avoids rate volatility and ensures low-income neighborhoods, with older housing stock and higher likelihood of lead service lines, are able to be served. PFA data already show significant private-side cost shares in current projects. Contractors invest in people and equipment when funding is stable. Stop-and-start appropriations inflate unit costs and slow delivery.

Transportation

Issue

Similar to other cities in Minnesota, Rochester is beginning to face major financial constraints due to the cost of maintaining and repairing the city's network of streets, in addition to a commitment to complete streets, active transportation, bridge replacement, and street reconstruction. Currently, there are over 100 miles of streets that are at least 51 years or older in the city. Reliable and suitable funding of a variety of state, federal and other resources is vital to a vibrant transportation and transit system for Rochester and the region, such as:

- The Local Bridge Replacement Program (LBRP; Minn. Stat. 174.50) and Local Road Improvement Program (Minn. Stat. 174.52) provides local agencies transportation funding for the reconstruction, rehabilitation or removal of bridges or structures in their local road system through general obligation state bond funds via the state bonding/ capital investment bill.
- The Transportation Advancement Account (TAA) which provides funding to local agencies for transportation purposes (Minn Stat. 174.49; Minn. Stat. 168E.09, subd 2, and Minn Stat 297A.94).
- MNDOT programs such as Safe Routes to School and Transportation Alternatives that align with the city's active transportation plan, complete streets policy, and comprehensive plan.

City streets, including those designated by cities as Municipal State Aid (MSA) routes, are currently bound to follow the MnDOT state aid design standards. The state aid design standards for bicycle facilities were written into the Minnesota administrative code in 2017. MnDOT published a new bicycle facility design manual in October 2024 that applies to MNDOT state road projects; however the older standards apply to MSA streets instead of MnDOT's current manual for state roads which promotes national best practices.

Problem

Bridge maintenance and replacement costs are heavily outpacing the bonding dollars that have been passed by the legislature. In addition, the funds available for the program vary with each legislative appropriation. Due to the similar age of bridges in the community, an increased and continued need for bridge repairs and replacements is anticipated in the future. In order to address the necessary work and plan for these important infrastructure projects, there needs to be consistent and adequate funding into the Local Bridge Replacement Program via the state bonding bill. The City of Rochester has an upcoming bridge preservation project for the key corridor of 37th Street NW (Bridge #55519) that could benefit from this program's funding. The project cost is estimated to be $2.2M.

Additional tools and revenue for communities, especially regional centers, for transportation is key for continued investment in safety and economic development. Current local funding tools are appreciated but only provide limited resources to fill the funding gap for transportation. For example, Rochester experiences approximately a $16M need each year for transportation projects (with an increase of $1M each year). Additional revenue sources and policy tools are needed for street infrastructure both new and reconstruction to defray the impact on the property tax levy for street improvements.

The City adopted an Active Transportation Plan in 2022 which includes various opportunities for multi-modal infrastructure that would transform active transportation into a primary mode of daily transportation for residents and

Transportation (Continued)

visitors. Consistent funding is not identified for completing the active transportation network developed in the plan, which would make the envisioned multi-modal system a safe and convenient reality.

In order for the city to potentially be allowed to use proven best practices on city streets adopted by MNDOT for state roads projects, the city must apply for a potential design exception to be considered by MNDOT. This adds additional time, costs, and uncertainty to projects that could benefit from implementing proven safety features such as raised crosswalks and traffic calming.

Solution

The City supports additional and consistent funding into the Local Bridge Replacement Program, Local Road Improvement Program, and Transportation Advancement Account. Support for an increase in funding for the Local Bridge Replacement Program and the Local Road Improvement Program are critical for necessary regional infrastructure improvements of bridges and roads, in particular for projects like the 37th Street NW bridge preservation and safety improvements of intersections along 65th street.

Residents would benefit from additional funding for multi-modal projects, as guided by the active transportation plans and policies adopted by city council. Additional funding of state programs such as Safe Routes to School and Transportation Alternatives would allow for additional investment in the active transportation infrastructure used by Rochester residents and visitors regularly.

City supports legislation that could provide positive opportunities for upcoming projects, such as 6th Street Bridge, Roadway Safety, and Riverfront Improvement Project to implement goals related to pedestrian safety, safe routes to school, and alternative transportation identified in the city's Active Transportation Plan and strategic priorities.

Impact

Bridges and roads connect workers to jobs, people to necessary services, and provide critical access between different cities and regions. Allowing bridges to continue in states of disrepair will result in complications for safety, mobility, and economic activity in the City of Rochester and the State of Minnesota. Safety is a top priority and funding for preservation of bridges like the 37th Street NW Bridge can safely support travel lanes and better serve those utilizing and relying on the bridge.

Funding for safe, viable, and convenient transportation options, including active transportation options, and networks could offer more appealing alternatives to single-occupancy vehicle use and help meet citywide greenhouse gas reduction and vehicle miles traveled reduction targets, in addition to reducing housing and transportation cost burdens.

Energy, Sustainability & Responsible Environmental Stewardship

Issue

The City of Rochester has an opportunity to lead in greenhouse gas emission reductions, sustainability, and environmental stewardship. According to the Minnesota Department of Commerce, the building sector accounts for 40.6% of the state's total energy consumption, with 19.5% coming from the commercial buildings sector. In Rochester, over 70% of citywide greenhouse gas (GHG) emissions are attributed to building energy use. To address this, the City is enhancing the energy efficiency of public spaces, including the Rochester International Airport, and is integrating geothermal systems to heat and cool City Hall, the Rochester Public Library, the Mayo Civic Center, the Rochester Art Center, and the Rochester Civic Theater. Additionally, the City is considering a thermal energy network to distribute renewable geothermal energy to downtown buildings, including private properties slated for redevelopment, further reducing GHG emissions.

Furthermore, the City's efforts to reduce emissions include the Link Bus Rapid Transit project that will include 12 electric buses, the Wastewater Treatment Plant upgrades saving $400,000 in energy and chemical costs annually, and Rochester Public Utilities' goal of 100% net renewable electricity by 2030. In 2022, the Rochester City Council adopted updated GHG reduction targets in alignment with the Intergovernmental Panel on Climate Change (IPCC). These new goals include a 50% reduction in GHG emissions by 2030 and carbon neutrality by 2050. Commercial buildings are required to comply with 2024 State Commercial Energy Code which adopts the 2019 ASHRAE 90.1 standard.

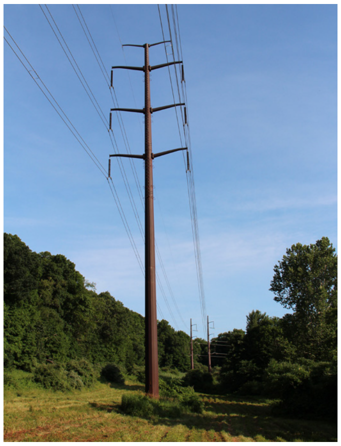
Minnesota's current Right of First Refusal (ROFR) statute (Minnesota Statute § 216B.246) grants incumbent transmission owners the exclusive rights to construct new transmission lines that interconnect with their existing facilities. While originally intended to ensure reliable expansion of the transmission grid, the policy has had the unintended effect of concentrating transmission ownership in the hands of a few large utilities, excluding municipal and joint-action utilities like Rochester Public Utilities (RPU) and Southern Minnesota Municipal Power Agency (SMMPA).

Minn. Stat. § 216B.2421 currently defines any electric generating facility of 50 megawatts (MW) or greater as a Large Energy Facility. This designation requires the developer to obtain a Certificate of Need (CON) from the Public Utilities Commission (PUC) before construction can begin. The threshold was originally designed to prevent overbuilding and protect ratepayers, but it no longer reflects the realities of today's energy system.

Minnesota adopted its net metering statute (Minn. Stat. § 216B.164) in 1983 to encourage small-scale renewable generation. The law requires all utilities to credit customer-owned systems at the retail rate for installations up to 40 kilowatts (kW), and, in for investor-owned utilities, up to 1 MW. This structure was effective in jump-starting adoption of solar and small wind at a time when those technologies were prohibitively expensive. However, the state's net metering framework no longer fits with the state's energy landscape.

Currently, the Energy Conservation and Optimization (ECO) Act (Minnesota Statutes § 216B.241) requires utilities to achieve 1.5% annual energy savings through conservation programs measured in kWh reductions.

ENERGY STAR provides an independent, nationally recognized standard that utilities and consumers' trust. Federal support avoids the need for duplicative local testing or certification efforts, lowering program administration costs for utilities and customers. Expanding ENERGY STAR to cover new technologies will help utilities meet carbon reduction goals, support electrification, and maintain consumer confidence in emerging clean energy markets.



Energy, Sustainability & Responsible Environmental Stewardship (Continued)

Problem

Funding for renewable energy and energy efficiency projects is both complex and dynamic, driven by advancing technologies and evolving opportunities in redevelopment and facility management.

The original purpose of Minnesota's ROFR statute was to prevent duplicative construction and maintain reliability by assigning new projects to existing transmission owners. However, with regional planning and coordination now managed through MISO, this protection has become unnecessary and counterproductive, limiting competition and excluding municipal utilities from ownership opportunities.

When the definition of large energy facility statute was written in the 1970s, 50 MW represented a substantial investment that could significantly affect ratepayers if unneeded. The low threshold ensured careful regulatory review at a time when even relatively modest facilities could have major system impacts. However, in today's market, a 50 MW facility is considered relatively small. Renewable and firming resources frequently exceed this size due to economies of scale. Also, with coal retirements accelerating and electricity demand increasing, Minnesota must bring new resources online quickly. Requiring smaller projects to undergo a lengthy CON process delays construction and risks shortfalls in capacity. In other states, regulatory thresholds for what constitutes large generation are often higher than Minnesota's 50 MW, reflecting today's industry standards.

When the net metering law was originally enacted, solar and wind technologies were far more expensive than they are today. The rapid growth of distributed generation has shifted fixed system costs onto customers who do not participate in small-scale renewable generation, while also complicating long-term resource planning. A simple retail-rate credit made customer adoption financially viable. Since then, costs have fallen dramatically, and larger systems and aggregations have become more common. As a result, net metering has shifted from being a tool to promote early adoption to one that now raises questions of cost allocation and equity.

The Minnesota Energy Conservation and Optimization (ECO) Act sets ambitious energy savings targets for utilities. While effective in promoting energy efficiency, modernization and flexibility to the current framework would allow for better capacity and operational benefits of modern technologies and reduce administrative burdens on Rochester Public Utilities.

ENERGY STAR's modest budget (~ $40 million annually across EPA and DOE) is disproportionately small compared to the program's economic and environmental benefits, yet it is frequently targeted for cuts.

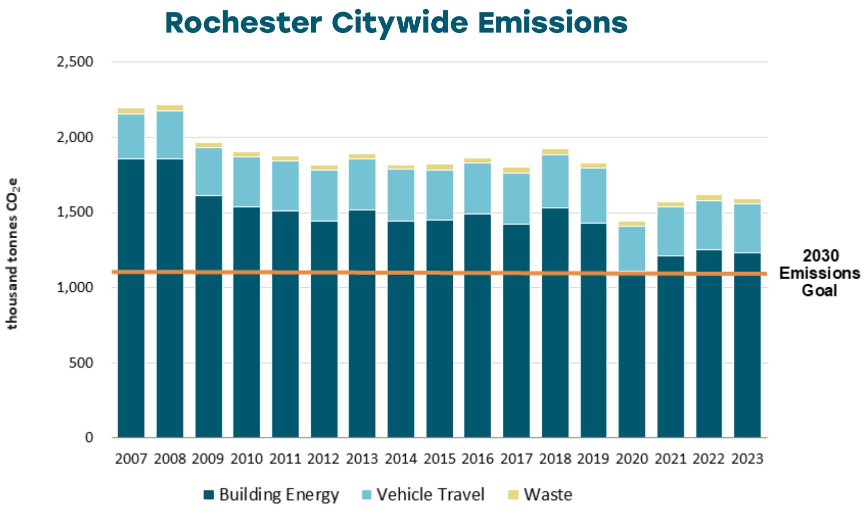
Instability in federal support threatens program continuity, undermines consumer trust, and complicates utility program planning. Without consistent ENERGY STAR certification, utilities like RPU would need to create duplicative testing and verification processes to ensure rebate programs are credible and effective.

Solution

- Federal funding allocated to the State for renewable energy, energy efficiency, or other green building projects should be easily accessible to cities, including municipal utilities and airports, with priority given to projects that align with greenhouse gas emission reduction goals or other State and City objectives.

Energy, Sustainability & Responsible Environmental Stewardship (Continued)

- State resources, including funding, technical assistance, incentives and tools, to assist with energy-related efforts such as:
    - Converting fleets to electric vehicles (EV)
    - Installing EV chargers for public use,
    - Upgrading electric infrastructure needed to support EV chargers
    - Renewable energy, such as geothermal or solar, on public buildings
    - Decarbonization for commercial buildings
    - Building performance standards
- Sales Tax Exemptions for on not-for-profit utility projects (i.e. meter installations)
- Support legislation introduced to remove the moratorium or further study advanced reactor designs; if new nuclear facilities are built or existing plants are relicensed with major reinvestment, municipal utilities should be offered ownership opportunities based on their statewide load ratio share.
- Explore model legislation from other states to allow access to nuclear generation to non-for-profit utilities on a pro-rata share
- Reforming Minnesota's Right of First Refusal for Transmission Development
    - A reform that allocates ROFR investment opportunities based on load ratio share, ensuring that all utilities who pay for and rely on the grid also have the opportunity to invest in and benefit from it would benefit RPU customers.
    - If such reform proves unattainable, RPU would support rescinding ROFR entirely in favor of competitive transmission development.
- Modernizing the definition of large energy facilities (update the 50 Mw threshold)
- Updating the state's net metering framework to maintain fairness, allow distributed energy to continue growing, and ensure that utilities can recover the costs of essential grid services, in particular:
    - Credits RECs and EACs to load-serving entities without creating unnecessary administrative burdens.
    - Compensates excess generation at avoided cost rather than retail.
    - Allows customers to install larger systems; while ensuring excess output is compensated fairly and utilities can apply a grid access fee.
    - Avoids unnecessary sizing caps.
    - Moves away from permanent grandfathering arrangements.
    - Treats batteries and storage in a way that is consistent with cost-of-service principles.



16% reduction in GHG emissions since 2007

Energy, Sustainability & Responsible Environmental Stewardship (Continued)

  - Reforming to the Minnesota Energy Conservation and Optimization (ECO) Act, such as:
  - Amend Minnesota Statutes § 216B.241 to allow verified kW reductions from demand response and load-shifting technologies to count toward energy savings targets, using a standardized kW-to-kWh conversion factor set by the Department of Commerce
  - Standardize statewide reporting and assessment tools
- Stabilize, maintain, and/or expand the current federal funding for the ENERGY STAR program.

Impact

Achieving the State's GHG emission reduction goals will require significant improvements in building efficiency and the expansion of renewable energy sources. With the challenge of the State meeting its statutory targets, State support for emission reduction initiatives is critical to accelerating progress, enabling cities and businesses to implement the necessary changes to meet these critical goals.

In 2023, the legislature passed the benchmarking requirement and provided funding to support local entities to help implement the program's requirements (Minn. State. 216C.331). A similar approach of pairing funding with any additional requirements would be helpful to help support commercial buildings in reducing energy use.

Geothermal well installation at Rochester city hall

Modernizing ROFR will ensure that utilities of all sizes, including RPU, share fairly in both the responsibilities and opportunities of building the next generation of the transmission grid to serve our customers.

Updating the definition for large energy facilities would allow for faster deployment of small to medium-scale generation facilities that are critical to meeting Minnesota's growing capacity needs, ensuring that the PUC's CON process remains focused on the large, systemwide projects.

Modernizing net metering framework enables continued growth of distributed energy resources while ensuring fairness and long-term sustainability for all customers. The state can support continued adoption of distributed resources while protecting non-participating customers and giving utilities the tools needed for effective long-term planning.

Minnesota can lead by modernizing ECO to recognize demand response, storage, and managed charging as eligible measures ensuring conservation goals align with evolving grid needs and technologies.

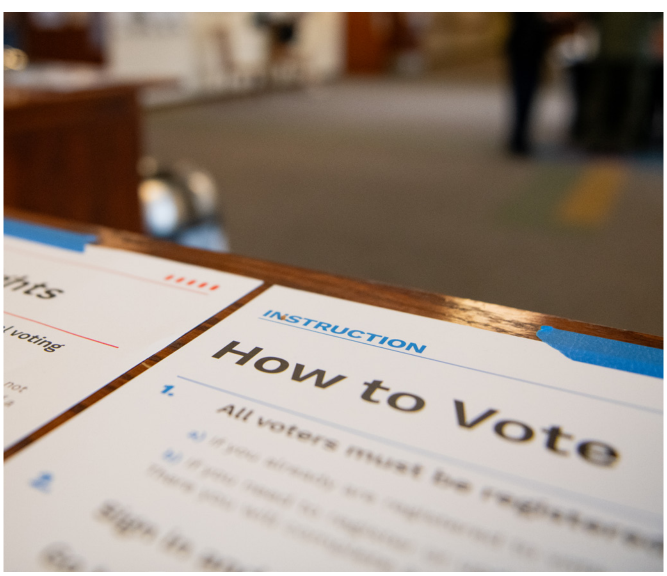
ENERGY STAR is one of the most effective public-private partnerships in the history of U.S. energy policy. For a modest federal investment, it delivers sizable consumer savings, carbon reductions, and efficiency. Sustained funding from DOE and EPA is essential to preserve this program, support utility demand-side programs, and help customers manage energy costs.

Other Areas of Support

The City of Rochester supports:

The legislative platforms adopted by the **League of Minnesota Cities**, to the extent they do not conflict with the City's Legislative Priorities, or related Council action, including:

- Protecting local government aid (LGA) funding and inflationary increase
- Ongoing funding for mental health injury prevention and treatment related to Post Traumatic Stress Disorder (PTSD) to address ongoing duty disability expenses
- Alternatives to print newspaper publication requirements
- Protecting local authority related to development fees, zoning, and planning
- Efforts around housing and race equity that align with the city's goals, including reducing racial disparities in home ownership and cost burdens for renters
- Transportation infrastructure funding tools such as impact fee and public infrastructure utility
- Efforts around racial equity in Minnesota
- Veterans preference promotional probationary period
- Updates to the arbitration process
- Updates to open meeting law requirements for interviews



- Allow virtual meetings attendance for boards and commissions
- State involvement in massage therapy regulation, including consideration of a centralized database
- State funding to local governments in implementing the Data Practices Act (in 2025, Rochester experienced over a 70% increase since 2020)
- Liquor license updates such as allowing cities to issue full intoxicated liquor licensure for businesses such as food halls, health/wellness service providers, group art classes, bridal boutiques, museums, and art exhibits in the City of Rochester; also consideration of social district concept authorization at state level for liquor licensing for downtown area
- Granting cities the statutory authorization and flexibility related to establishing new special service districts (Minn. Stat. 428A.01-.101 currently sunsets authority to create new SSDs in 2028) and opposes efforts to restrict general authority of the tool
- Parkland dedication authority for redevelopment (parity with current authority for new platted sites)
- Exempt election judges from the 31-day payment requirements in Minn. Stat. 181.101 (b) due to the training timing and duties of election judges that extend beyond 31 days

Other Areas of Support (Continued)

- **Preserve and increase state funding to Rochester** for accessibility infrastructure, public safety, microtransit, housing and homelessness, and other similar funding.
- State & Local **Cybersecurity, High-Speed Internet, and Broadband Grant Award** to be based with consideration of city size and needs including opportunities for broadband to Rochester International Airport for emergency preparedness and services.
- Legislative authority for Rochester to use **design-build** for public infrastructure projects (similar to current authority for some counties in Minn. Stat. 16C.33) and to advance public private partnership authority.
- Incentives to **encourage reinvestment in historic properties** through tools such as the Mills Act in California where local governments can create programs that limit property tax increases when qualified investments are made and also State's Historic Tax Credit program and tools such as tax credits for potential conversion of underutiltized buildings into housing or other uses.
- Evaluation of Minnesota Rules to allow **flexibility for School Districts** to design schools on **smaller sites in urban areas.**
- **Updating Minnesota Statute** to align with federal interpretation by **Federal Transit Administration (FTA)** to allow for **small commercial/retail at transit stops**.
- **Additional funding and economic flexibility for coordination with state and federal partners around federal funding opportunities.**
- Funding for **retrofitting sprinklers in privately owned multi-family properties.**
- Local fee options and continued, permanent **state funding to support emerald ash borer and urban forestry.**
- **Funding for the state arts board**, including regional grants that can help provide additional opportunities for Rochester Public Music, Rochester residents, and visitors.
- **Funding for the Greater MN Parks and Trails priorities**, to the extent they do not conflict with the City's Legislative Priorities, or related Council action.
- **Partnerships and funding around workforce development and readiness** through Department of Employment and Economic Development and others.
- Removing regulatory barriers and giving all local jurisdictions in Minnesota the option to use **Ranked Choice Voting.**
- **Support intellectual freedom and access to information** in alignment with the Library Board's Freedom to Read Resolution adopted on October 19, 2022.
- Support MN Library Association efforts to provide **more stability and funding for library services and Library Construction Grants**, with the understanding it would not diminish local government aid or other city funding. This includes ensuring equitable terms and fair pricing for e-books (RPL has one of the highest digital circulations per capita).
- **Reduce or eliminate the State surcharge** on parking tickets (currently $12 per ticket).
- City of Rochester supports authorization to **install signage, warnings, and allow for enforcement of automated speed cameras** similar to Minn. Stat 169.147.

2026 Federal Priorities*

The City of Rochester works with Sustainable Strategies DC to continuously evaluate federal opportunities that are in alignment with city priorities. Some examples of 2026 federal priorities could include:

- Environmental Protection Agency (EPA) Brownfields Program for assessment and redevelopment of vacant parcels
- USDOT programs such as Bus & Bus Facilities Program, BUILD, Electric Vehicle charging, and other sources that would continue to advance transportation priorities around mode shift and reduction of greenhouse gas emissions and community infrastructure investments.

Figure 49: Rendering of the Zumbro Riverfront Enhancements

- National Parks Service (NPS) programs for parks, historic preservation, trails, park development, and/or riverfront development
- National Endowment for the Arts (NEA) funding for public music, alley activation, and community programming and needs related to department mission and council priorities
- Department of Energy and other energy/sustainability related programs that could include affordable housing components, airport energy efficiency, public private partnership opportunities, advanced metering infrastructure, smart thermostats, stormwater management, and other similar aims.
- Federal Emergency Management Agency (FEMA) programs such for individual and public assistance after emergency impacts.
- Congressionally directed spending requests that align with council adopted capital improvement plan, council priorities and council action.

As a member-city, Rochester also joins with priorities from the National League of Cities to the extent they do not conflict with the City’s Legislative Priorities, or related Council action.

*List subject to updates as opportunities become available that align with city priorities.

2026 Mayor and City Council Members

Mayor Kim Norton

Randy Schubring
City Council President

Patrick Keane
City Council Member
1st Ward

Nick Miller
City Council Member
2nd Ward

Norman W. Wahl
City Council Member
3rd Ward

Andy Friederichs
City Council Member
4th Ward

Shaun C. Palmer
City Council Member
5th Ward

Dan Doering
City Council Member
6th Ward

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CITY OF ROCHESTER MINNESOTA

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