



April 29, 2021

Dear Mayor, City Council and Budget Committee:

Attached is the 2021-22 Proposed Budget for your consideration.

As always, the purpose of this budget message is to introduce the Proposed Budget, provide some background information and supply a brief overview of the document and how it will help accomplish City goals in the coming year. I welcome a much more detailed discussion as the Budget Committee reviews the document.

The 2021-22 Proposed Budget continues the challenges of last year's budget preparation with the continuation of the pandemic much longer than anticipated but with the hope for recovery and the end of this crisis. There are still many unknowns. We don't know when the pandemic and its accompanying restrictions and limitations will end; we are not sure what the long term impact of the pandemic will be and we don't truly know all the details of all the federal aid packages that are being discussed.

Although the 2020-21 Budget was loaded with uncertainty, and essentially felt like budgeting blindfolded, the conservative approach we used was very effective in maintaining our services and speeding some recovery. The approach also allowed us to tackle a number of issues and take advantage of federal assistance to address and meet those challenges, rather than use the federal funds to fund the day to day operation of the City. We were able to open the Warming Shelters to replace Beds for Freezing Nights which could not operate because of the pandemic, we were able to disinfect playgrounds, buildings and equipment, we installed air purification equipment that was not only important for the pandemic but will be invaluable in the future, installed and enhanced our digital meeting capability and purchased a shower/restroom trailer to aid in addressing the needs of the unsheltered but also provide an asset for emergency response.

All this we did while still providing our vital public safety and health services.

We have been able to restart limited Library services and found new ways to provide those services. Our very popular Library in the Park will probably continue and become a regular feature even after we fully recover and open. Throughout the pandemic we continually saw needs in the community change and we did our best to adapt and respond. We continued to provide

notary services (at no charge) when all other providers stopped providing the service. We adjusted our Small Business Emergency Loan program to leverage State grant funds and then to provide utility assistance to businesses and residents. We partnered with the Chamber to promote local businesses and the messages from Jingle the Elf. We have even partnered with a local pharmacist to create simple, local Friday vaccination clinics (every Friday, 10:00 am to noon in Bohemia Park – call Teresa or Jessica to schedule). There is a lot more - from graduate banners to information cards - that could be mentioned, but we don't have room to list everything that the community accomplished during the last year. This is just another example of why living in Cottage Grove is so great.

It is not over yet. As we are preparing this budget we are expecting to fall back under mandated restrictions as we move to higher risk levels. We don't know when everything will be over and what the "new normal" will truly look like. Because of this continued uncertainty, we have again prepared a flexible budget that will allow some ability to adapt. I believe we have prepared a budget that can work whether things get better quickly or if they drag out for the greater portion of the year. We remain set on these basic guiding principles for the creation of this budget:

- Protect our ability to provide the essential services – police, water, sewer, street operations and the support functions that make sure those services can be provided.
- Participate in jumpstarting our local economy by assisting our local businesses in restarting, having projects that will bring jobs and activity to the community and supporting projects funded with grants and loans.
- Be conservative in our estimates - not too drastic – not too optimistic. Leave some room for potential adjustments during the year.

The 2021-22 Proposed Budget for the City of Cottage Grove is, as required by Oregon Law, a balanced budget. Expenditures for all funds total \$39,855,653, a decrease of \$371,467 from the 2020-21 Adopted Budget. (The 2020-21 Budget had a decrease of \$1,698,005 from the 2019-20 Adopted Budget.) It is important to note that this number does not include revenues from federal packages, because we don't know the regulations and the disbursement schedule of those funds yet.

The City's permanent rate continues to be \$7.2087/\$1,000 of assessed value. This Proposed Budget was prepared using the City's full permanent levy amount. The City may levy less than the full rate without jeopardizing future opportunities to levy the full rate. However, the revenue that could be generated cannot be recovered in a future year. The proposed full levy is estimated to generate \$5,049,000 of collectable tax revenue, \$261,010 more than the budgeted property tax revenue in 2020-21. Again this year we have budgeted only a 2% taxable value increase. We believe this is very conservative and will likely see the full 3% assessed value increase because the assessed value is well below the total Real Market value. Property values would have to drop really bad to impact the assessed value.

The remaining revenues remain relatively unchanged from the 2020-21 Budget. We hope to see the Transient Room tax recover later this year. (The 2020-21 year to date Transient Room Tax collections are \$65,464.04 compared to the same period in the previous year of \$100,377.20). We have kept the Marijuana Tax revenue at the same amount budgeted for last year. Last year's revenues and previous years were much higher, however upon the effective date of Ballot Measure

110 we have seen a 75% drop in the State tax revenue. The major increase in the revenues in the General Fund is \$525,000 for loan proceeds. The loans are for new patrol vehicles and a roof on the Community Center. We may not take out the loans if other funding opportunities open up for those two expenditures.

Last year we had a number of lay-offs to prepare for the crisis ahead. We are now preparing for the re-opening. This 2021-22 Proposed Budget restores nearly all the positions with some changes that are exciting to announce.

In January 2021, the Chamber of Commerce moved out of the Community Center to their new location on Main Street. Additionally, we were in discussions with Lane Council of Governments to move their Senior and Disability Services into space in the Community Center. We also began discussions with Cottage Grove Genealogical Society to move their location to the old pool location in the building. While all of this was going on, we also began visiting with South Valley Athletics about possible relocation in the old Chamber of Commerce office space. As a result of all these discussions we have been remodeling the Community Center side of the building. The pool has been filled and the space remodeled for a beautiful new location for the Genealogical Society. The back room remodeling will begin soon for Senior and Disability Services. When the work is done, they will have space for their programs and will be adding their Café 60 program to the space as well. The Senior Center work is partially finished - waiting for the completion of the work for Senior and Disability Services. South Valley Athletics has moved into their new office.

These physical changes will have a major impact on the community. With this Proposed Budget the City will be entering into a partnership with South Valley Athletics to expand recreation programs throughout the community. SVA will take over the youth summer day camp activities from the Library. They will expand to include youth, adult and senior programs. In addition to providing the office and some storage space in the building, the City is including \$15,000 in the budget to move these programs forward. Two members of the City Council will be serving as liaisons to the SVA Board. We are excited to be starting this long desired partnership and see it as a start of expanded recreation opportunities throughout the community. These changes result in restructuring the Library organization. Library Staff will concentrate on Library functions and will partner and coordinate with SVA for programs and activities.

The remodel will also bring responsibility changes for the Community Center staff. Our staff will be taking a more active, supportive role in managing and operating the Senior Center. One of the challenges the Senior Center has had is maintaining programs, volunteers and participants over the years. The pandemic has made it even more difficult, actually impossible.

We are very excited to let the public back into the Community Center – hopefully in the Fall. The Community Center portion of the building has never really been remodeled since the City purchased the building in 1999. We see the building turning into a hub for seniors, adults and youth. We look forward to the opportunities it will bring.

We also have a number of staffing adjustments in other Public Works, Finance and Police Departments. Most of the changes are the result of retirements. We are adjusting office staff responsibilities in Public Works and Finance because of the retirement of our Administrative

Assistant. The duties are being distributed to other positions including Public Works HR duties to the HR Specialist in Finance. We are creating an Assistant Groundskeeper position at the Golf Course to prepare for the possible retirement of our current Superintendent. The Police Department includes four new Communications Specialists and the designation of a Communications Specialist Lead position. These changes are being placed in the Proposed Budget in hopes that discussions with the Fire District will be successful to return the 911 Service for fire and emergency medical calls to the Cottage Grove Public Safety Answering Point. Returning all 911 calls to the Cottage Grove center could have a dramatic impact on reducing response times and improving safety to members of the community.

The City Council adopted the Five-Year Financial Plan for City Utilities after substantial discussion and consideration. The plan continues the City’s commitment to address water, stormwater and wastewater infrastructure needs. Because of the City’s efforts over the last ten years, the Water and Stormwater utilities will see no increases over the next five years. With no increases, we will be able to fund \$6.3 million of water system improvements and only need to borrow \$1.3 million to accomplish those projects. Stormwater will be funding \$1.7 million in projects during the five-plan. The Wastewater Utility is facing some sizable projects and needs to raise rates to cover operating costs. The Five-Year Plan calls for a 12% increase on only the Wastewater portion of the Utilities for each of the next three years. This plan will fund \$7.5 million in projects over the next five years, with \$1.7 million in debt needed. The City Council examined the possibility of reducing the increase to 8% for two years and 5% in the third year. That proposal would complete \$7.4 million in projects while stretching the projects out over 10 years and require borrowing \$2.2 million to complete the work. With over \$13 million in projects that need to be completed, stretching out the projects just will not address the infrastructure needs.

The 2020-21 Budget had no rate increases. The proposed Financial Plan will make six years with no rate increases in Water and Stormwater. The table below compares the current rates with the proposed rates to begin July 1, 2021:

	Water Base	Water Consumption /1000 gals.	Water Improvement	Wastewater Base	Wastewater Consumption /1000 gals.	Wastewater Improvement	Storm Drain /ESU	Storm Drain Improvement /ESU
Current Rates	\$17.98	\$1.42	\$25.70	\$9.07	\$4.66	\$21.32	\$4.94	\$7.53
<b>Proposed Rates</b>	\$17.98	\$1.42	\$25.70	\$10.16	\$5.22	\$23.88	\$4.94	\$7.53

The proposed rates result in a \$6.45 monthly increase for residential users using 5,000 gallons of water, with a typically sized meter, a 5.5% increase for the total City Utility bill. The total increase will vary based on meter size, consumption and type of use. I must also state here that the Five-Year Plan can be dramatically impacted by a variety of outside sources. Unexpected changes to the energy availability or severely modified regulations can have an impact on the plan.

No other fee or rate increases are proposed in this Budget. During the year the City Council may review and adjust fees or charges, but this Budget is not prepared relying on any increased revenues from other fees.

The Building Inspection Fund continues to be a success, with the City providing Building Inspection services to Cottage Grove and the cities of Creswell, Coburg and Veneta. There are some adjustments to the Building Official position to separate the position from the other inspectors. Our current Permit Specialist has also become certified as a Residential Inspector.

I see this 2021-22 Proposed Budget as a reset. The 2021-22 Proposed Budget lets us hit the reset button and be ready to restart programs and activities. We don't quite know when that restart will be, but this Proposed Budget gets us ready to move forward quickly and recover from the pandemic even better prepared.

As we meet to review this Budget in a virtual environment, please do not feel intimidated by the technology or by physical distancing. There is nothing secret about the budget and we want to make this nearly \$40 million budget as easy to understand as possible. If you have any questions, please feel free to call me or the Finance Director. We will get you answers. Please also feel free to ask any questions or express concerns at the Budget Committee meeting.

Thank you to the City Council and members of the Budget Committee for taking your time to participate in the Budget process. We know we ask a lot of you to review this budget, which has taken us a couple of months to create.

Also, thank you to all of the staff who helped put this budget together under trying circumstances. Nerves are frazzled, but we got it done.

I look forward to discussing the Proposed Budget and answering questions regarding the Budget document.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Meyers", with a long, sweeping horizontal line extending to the right.

Richard Meyers  
City Manager