

**CITY OF COTTAGE GROVE
BUDGET COMMITTEE MEETING MINUTES
May 16, 2023**

Mayor Solesbee called the meeting to order at 6:00 p.m. in the Council Chambers at City Hall.

ROLL CALL

Council Present: Mayor Candace Solesbee, City Councilors Alex Dreher, Greg Ervin, Mike Fleck, Dana Merryday, Jon Stinnett, and Chalice Savage

Members Present: Amanda Gilbert, Gary Manly, Charles McClean, Dennis Prociw, Charlene Sayles, Danny Solesbee and Linda Yellin

Council Absent: None

Members Absent: None

Staff Present: City Manager Richard Meyers, Finance Director Roberta Likens, Public Works & Development Director Faye Stewart, Interim Police Chief Jeff Groth and Captain Marsh

Media Present: KNND Radio

ELECTION OF BUDGET COMMITTEE OFFICERS

Mayor Solesbee stated that last year, Amanda Gilbert was Vice-Chair and Dana Merryday was Secretary.

IT WAS MOVED BY COUNCILOR FLECK TO APPOINT AMANDA GILBERT AS CHAIR AND DANA MERRYDAY VICE-CHAIR.

The motion was properly seconded and passed 14-0.

IT WAS MOVED BY COUNCILOR ERVIN TO APPOINT DENNIS PROCIW AS SECRETARY.

The motion was properly seconded and passed 14-0.

Mayor Solesbee turned the meeting over to Budget Committee Chair, Amanda Gilbert.

Councilor Merryday requested that objections or questions regarding the budget are discussed at the Budget Committee meetings and not wait until the Council meeting when it is being considered for adoption.

Mayor Solesbee encouraged committee members to say what they need to regarding the budget.

APPROVE MINUTES

IT WAS MOVED BY COUNCILOR FLECK TO APPROVE THE MINUTES OF THE MAY 10, 2022 BUDGET COMMITTEE MEETING AS PRESENTED.

The motion was properly seconded and passed 14-0.

BUDGET COMMITTEE MEMBER DECLARATIONS

Councilor Fleck declared a Potential Conflict of Interest. He said he works for the Community Sharing Program which is included in the Community Promotions section of the budget. He stated that he would recuse himself from voting or any discussion around that item.

Chair Amanda Gilbert declared a Potential Conflict of Interest. She said she works for the Coast Fork Willamette Watershed Council which is included in the Water and Wastewater section of the budget. She stated that she would recuse herself from those discussions.

Member Gary Manly declared a Potential Conflict of Interest. He said he works for South Lane Wheels which is included in the Community Promotions section of the budget. He stated that he would recuse himself from those discussions.

BUDGET MESSAGE AND BUDGET PRESENTATION

City Manager Richard Meyers read the Budget Message for the 2023-24 Fiscal Year. (*Attached as Exhibit A*)

Member Dennis Prociw inquired about using Lane County for chip seal projects instead of private companies.

Public Works and Development Director Faye Stewart shared that Lane County has been involved in the process. He said sometimes the County has not been in the area during the time of the projects and other times, they did not feel comfortable taking on a specific project.

**PUBLIC HEARING FOR PUBLIC INPUT ON POSSIBLE USES OF
STATE REVENUE SHARING MONIES**

Budget Committee Chair Amanda Gilbert opened the public hearing at 6:17 pm
City Manager Richard Meyers indicated that representatives from various community organizations are present at the meeting and he invited them to speak during this public hearing to share their funding requests.

(a) Public Input on Possible Uses of State Revenue Sharing Monies

Councilor Ervin asked if the Skate Park Fund could be funded with this revenue.

Finance Director Roberta Likens shared that page 40 of the budget shows \$155,000 of anticipated revenue from State Revenue Sharing and added that this section also lists revenue from the liquor, cigarette and marijuana taxes. She said all of these items are put into the General Fund and used to help balance the fund. She said if there are requests as to how the money is spent, now is the time to do so.

City Manager added that the marijuana tax listed is a combination of State Shared Revenue and local tax.

Discussion was held about the secrecy clause for the marijuana tax revenue received.

City Manager pointed out that there is a Skate Park donation line item and that a \$10,000 grant was received from the YARG Foundation.

Chair Gilbert called for any further input regarding the State Revenue Sharing Monies.

There were no additional comments.

PUBLIC HEARING FOR PUBLIC COMMENT/REQUESTS FOR APPROPRIATIONS

(b) Public Comment/Requests for Appropriations

City Manager Richard Meyers indicated that no one was present at the meeting from Singing Creek and he explained their funding request of \$1,600.

Karen Benson, South Valley Farmers Market updated the committee with information regarding current market offerings, the new Main Street banner, children's programs and the need to fill a vacant program manager position. She said South Valley Farmers Market is requesting City support in the amount of \$5,000.

Member Danny Solesbee inquired if South Valley Farmers Market envisioned the possibility of someday being self-sufficient.

Karen Benson responded that they are working to become more self-sufficient by participating in learning groups that help with market advancement projects, operations, specific business training and focusing on vendor success.

Member Charlene Sayles questioned the increase in administrative costs.

Karen Benson responded that past reporting did not reflect the number of volunteer hours expended and said the increase in administrative costs is recognizing the need to have a paid employee about 25 hours per week.

Scott Borgioli, Festival Coordinator for Bohemia Mining Days (BMD) presented the expense budget for the organization. He expressed concerns that the current BMD budget is at a bare minimum and any additional cuts in expenses would compromise the atmosphere of the festival.

He shared situations that have attributed to less income and higher expenses for the festival including:

- Last year commissions from the carnival were cut to \$4500 and the owner of the carnival company indicated that BMD is not large enough for them to continue coming back.
- Increase costs of \$3,000 for security.
- Costs associated with paying a Logistic Manager.
- Costs associated with Port-a-Pottys.
- Cost of utility carts for transporting bulky items.
- Costs associated with paying an Executive Director and Administrator.
- Lower donations due to a tough economy.

Scott Borgioli shared that BMD is requesting City financial support in the amount of half of BMD's operating budget. He said without the funding, it will be very hard for the festival to continue and asked that the budget committee consider the request seriously. He said every other City festival receives City funding or is put on by the Chamber of Commerce.

Councilor Fleck said he would like to see Profit and Loss statements for the last seven years. He said the information presented is not historical and is only a one year budget. He added that he would not be able to support the request with having additional information.

Scott Borgioli said the City should be embarrassed that they do not support the biggest festival of the year.

Member Danny Solesbee asked how much money BMD had in reserves.

Scott Borgioli responded there was approximately \$35,000 - \$36,000 in the accounts.

Member Danny Solesbee said BMD has taken place every year, operating on donations not City support. He said the amount of the request is large and he believes City funds should be spent on utilities and emergency services.

Scott Borgioli shared the BMD account balances of \$15,872.71 and \$19,998.87 and said more donations are expected.

Councilor Dreher acknowledged the growing pains of BMD and asked if being designated a 501(c) (4) limits the number of donations that could be garnered.

Scott Borgioli explained that many years ago the Bohemia Mining Days Heritage Association established itself as a 501(c) (3) and if the festival needs some of the donations received through that association, they apply for a grant and the money is transferred to the BMD account.

Councilor Dreher stated that it is not uncommon for an organization to have both a 501(c) (4) and 501 (c) (3).

Joel Reiten, BMD representative explained that BMD was advised to set it up that way approximately 9 years ago.

Chair Amanda Gilbert expressed concern that the information presented by BMD does not indicate any financial plan to alleviate having a shortfall every year.

Scott Borgioli said this is the plan and every other festival in the area gets City support.

Chair Amanda Gilbert asked if other festivals that he is referring to, receive half of their funding from the City.

Scott Borgioli stated that the City of Florence supports the Rhododendron Festival directly and indirectly and Junction City also supports the Scandinavian Festival. He said BMD cannot sustain itself on its own.

Councilor Dreher asked Scott Borgioli to clarify his statement regarding the festival potentially not happening this year.

Scott Borgioli clarified that he is referring to next year.

Discussion was held regarding different funding mechanisms including grant writing, GoFundMe, donation boxes and charging admission.

Scott Borgioli clarified that BMD is \$5,000 short of raising \$20,000, which if achieved would garner a \$15,000 donation.

Councilor Ervin asked if there is a way to quantify the financial impact and benefits to the community and local businesses.

Scott Borgioli expressed potential benefits to local businesses by having the festival downtown and shared opportunities to highlight businesses with banners and signage if they support the festival.

Scott Borgioli asked what the timeframe is for him to supply the committee with the requested financial documents.

Councilor Fleck proposed that support be contingent upon review from Council, in order to give BMD time to provide the requested information.

City Manager Richard Meyers shared that the next funding request is from Cottage Grove Carousel in the amount of \$5,000 for a feasibility study.

Budget Committee Chair Gilbert called for any additional public comments or request for appropriations.

City Manager Richard Meyers shared that Food Hub also provided a \$5,000 funding request. He said grant funds are remaining and the City is working to contact the grantors to see if they can be used.

Carly Boyer, Bohemia Food Hub shared her involvement with the Bohemia Food Hub, goals of the organization and how the funding would be used.

Budget Committee Chair Gilbert called for any additional public comment.

Shawn Goddard, BiPoc Artist Collective shared results of the first annual art show and said that he is working with the legislature to bring money to Cottage Grove for the arts so that Bohemia Mining Days can sustain themselves.

Budget Committee Chair Gilbert closed the public comment period and inquired if the committee would like to recess until Thursday or continue as time allows.

IT WAS MOVED BY COUNCILOR FLECK TO CONTINUE THE MEETING UNTIL 9:00 PM AND DETERMINE AT THAT POINT TO CONTINUE OR RECESS THE MEETING.

The motion was properly seconded and passed 14-0.

WORK SESSION

PROPOSED BUDGET DOCUMENT REVIEW AND DISCUSSION

City Manager Richard Meyers briefly recapped the Budget Summaries section and highlighted the Summary of Individual Funds and Where Every Penny of Your Tax Dollar Goes.

Councilor Ervin asked about unforeseen expenses and how street funding would be handled.

City Manager Richard Meyers said because there is no indication as to how the Ad-Hoc committee will approach street funding, it would be considered unforeseen, and any proposals would need to follow the Rules of Budgeting.

Finance Director Roberta Likens added that the City would follow State Budgeting Laws, which dictate how additional funds are implemented into the budget once it has been approved.

City Manager began the Work Session by reviewing the General Fund revenue and shared that the property tax revenue was calculated by assuming a 3% increase in property value.

He highlighted some of the significant changes in the General Fund revenue including:

- Increased Engineering Fees.
- Decreased Traffic Fines.
- Decreased OLCC Liquor Tax and State Marijuana Tax.
- Decreased MOD Transportation – LTD
- Continued Loan Proceeds to replace 2-3 Police Vehicles.

Staff explained how Engineering revenues and expenditures are portioned and allocated throughout the budget.

City Manager answered questions regarding the South Lane School District funding of \$50,000 and shared that the funding is for an anticipated School Resource Office.

Discussion was held amongst Staff regarding the BLM Row River Trail Maintenance Fund. Finance Director Roberta Likens indicated that the General Fund revenue is zero because a portion of the revenue was put in the Reserve Fund to purchase equipment and the remaining was put in the Bike/Foot Path Fund.

There were no additional comments or questions.

City Manager discussed the General Fund expenditures individually by Department.

City Manager briefly explained the City Council department expenditures.

Discussion was held regarding City Council Professional Association Dues, how many associations are included in the expenditure, a recent decrease in the Lane Regional Air Protection Agency (LRAPA) dues and benefits associated with being a member of LRAPA.

There were no additional comments or questions.

City Manager briefly explained City Manager Department expenditures and indicated that there were no significant changes. He added that a change was made to the job title of Assistant City Manager.

There were no comments or questions.

City Manager recapped the Finance department expenditures and highlighted the general responsibilities of the department. He pointed out an increase in the Audit Expense due to the need of a Single Audit and an increase in Computer Hardware & Supplies to acquire software that will manage grants.

Finance Director Roberta Likens added that the software will also help the City manage debt and leases.

Budget Committee and Staff questions and discussion was held regarding how long the software would be used, if it is subscription based, if it integrates or replaces what the City currently uses and if the costs includes a setup fee.

There were no additional comments or questions.

City Manager recapped the Community Services expenditures and provided a brief explanation of Contractual Services for the operation of the Hwy 99 site and South Valley Athletics.

Councilor Ervin asked if the use of the office is included in the Contractual Services for South Valley Athletics (SVA).

City Manager responded that use of the office is included in the SVA agreement and is not included in Contractual Services.

There were no additional comments or questions.

City Manager explained the Community Promotions expenditures. He said this area of the budget is where most of the requests for City support would be taken out of. He said the Chamber of Commerce expenditure of \$45,000 is one percent of the four percent received for Transient Room Tax.

Discussion was held regarding the process of collecting and distributing the Transient Room Tax and what the tax can be used for.

Chair Amanda Gilbert asked if South Valley Farmers Market request of \$5,000 is in addition to the \$3,000 already provided.

City Manager responded that it would increase the support to \$5,000.

City Manager shared information regarding the amount of in-kind support that is given to BMD in the form of generators, fuel, golf carts, park use, stage use, barricade use and staff time for delivery and set up of City equipment.

Discussion was held regarding the value of in-kind donations for BMD.

Councilor Savage questioned if Looking Glass received City financial support last year.

City Manager responded that the motion of support failed and Finance Director indicated that it was not included in the Supplemental Budget.

Discussion was held regarding the Eugene Symphony and if it is funded by donations.

City Manager explained that the Eugene Symphony is funded in Trust Funds and also in the General Fund under Community Promotions expenditures in case the donations received do not meet the expectations.

IT WAS MOVED BY COUNCILOR DREHER TO SUPPORT THE COTTAGE GROVE CAROUSEL REQUEST FOR THE FEASIBILITY STUDY IN THE AMOUNT OF \$5,000.

Motion died for lack of a second.

Councilor Ervin expressed desire to minimize what is expended in Community Promotions until there is a better understanding of core services needed.

Budget Committee questioned what would be gained from a feasibility study, expressed concern that the carousel committee has not received quotes and is not prepared.

Public Works and Development Director shared that he received verbal estimates from Marketech that the cost of a feasibility study would range of \$7,500 to \$10,000.

Budget Committee discussion included the possibility of placing support in Contingency until the carousel committee can provide more information, that Council should make the deciding factor and questioned if the City provided past support.

City Manager responded that many years ago the City paid for an architect to design a building to house the carousel and added that funding would not need to be set aside in Contingency in order to offer future support.

MEMBER DANNY SOLESBEE MOVED TO HAVE ALL REQUESTS MADE FOR SUPPORT BE TAKEN TO CITY COUNCIL FOR CONSIDERATION.

The motion was properly seconded and passed 14-0.

City Manager asked what information Council would like to receive in order to consider the requests for support.

Council members indicated they would like the following information:

- BMD financial statements for the 501(c)(3) and 501(c)(4); including several years of profit and loss statements, balance sheets, attendance numbers, in-kind donations, fund raising plan, list of donations received over a period of time and vendor sales data.
- The value of a feasibility study for the Cottage Grove Carousel, what the study will look at and what it can leverage.
- Crowd counts and vendor sales data for South Valley Farmers Market.

Councilor Merryday asked if some of the funds for Rural Tourism could meet some of these funding requests.

City Manager responded that he did not believe they could be used because there are requirements for the Rural Tourism Grant Projects monies specific to generating overnight stays.

There were no additional comments or questions.

City Manager explained the Police Department expenditures and shared that this part of the budget funds basic Police Operations. He shared that the Police Department is working hard to get fully staffed and all positions are fully funded in the budget. He answered questions and explained where the salary for the the Police Chief and Captains are appropriated.

City Manager answered questions and explained an increase in Contractual Services due to the contract with the City of Springfield for jail services.

Committee and Staff discussion was held regarding the required level of care and associated costs for having a jail at the City compared to contracting jail services.

City Manager explained the Motor Vehicle expenditure of \$125,000 is from Loan Proceeds from the General Fund revenue for two new motor vehicles which includes installation of necessary equipment.

City Manager shared that the Police Department Office Supplies expenditure is zero due to a large number of supplies that had been purchased in the past.

There were no additional comments or questions.

City Manager Richard Meyers explained the Municipal Court expenditures and shared that this part of the budget funds basic Municipal Court operations.

City Manager answered questions and explained why total court fines assessed is high in relation to total fines collected and shared challenges that limit the City's ability to collect.

Councilor Ervin expressed interest in funding a mental health assessment position and asked if the Municipal Court Judge would be the one to make that decision.

Budget Committee and Staff discussed opportunities to have inter-governmental agreements to share mental health providers, expressed challenges associated with a lack of providers and the potential of funding the position as part of Municipal Court costs.

There were no additional comments or questions.

City Manager explained the Municipal Court Support Services expenditures and shared that this section of the budget is for costs associated with the defense portion of the court system. He added that the Youth Peer Court program has been closed and would not be funded in this budget. He shared that it was a hard decision and hopes there will be other opportunities and alternatives to get youth the support and direction they need.

There were no comments or questions.

City Manager explained that the Maintenance Department expenditures section of the budget is for maintaining buildings, parks, and open spaces within the City. He highlighted the opening of a new dog park across from Cottage Grove High School.

Public Works and Development Director shared increases in Contractual Services due to HVAC and generator maintenance, an increase in Building Maintenance due to greater use of the Armory and the addition of Portable Toilet Services.

Public Works and Development Director answered questions related to the increased number of portable toilets, vandalism of bathrooms at City parks, the need for portable toilets at the Hwy 99 Shelter site and if they are paid for with AARP funds.

City Manager explained that AARP funds only fund operations of the facility and that the maintenance and portable toilet costs come from the Maintenance Department expenditures. He added that the AARP funds will be depleted at the end of this proposed budget. Mayor Solesbee asked for the total price to create the Hwy 99 shelter site.

City Manager replied that the purchase was \$210,000 and that we spent approximately \$600,000 out of AARP funds to create the facility.

There were no additional comments or questions.

Discussion was held and a consensus reached to continue the meeting in order to finish reviewing the General Fund.

City Manager explained the Engineering Department expenditures. He said Engineering services are being contracted and there are some Contractual Services and a Project Coordinator funded out of this section.

There were no comments or questions.

City Manager explained that the Broadband Services expenditures are for expenses associated with operating the fiber and the Contractual Services with Lane Council of Government (LCOG) for the IT department.

Discussion was held regarding the steps being taken to protect the City from cyber-attacks.

City Manager explained the Development expenditures section of the budget. He said this is the area of the budget for expenses related to land use, planning, and economic development. He highlighted that the City was offering oversight for South Lane Wheels for a number of grants and that is now being turned over to Lane Transit District (LTD).

Public Works and Development Director shared an increase in Contractual Services to facilitate LCOG assisting the City with setting up GIS mapping.

City Manager highlighted the expenditure to continue support for RAIN.

There were no questions or discussions.

City Manager shared that the Library expenditures is to fund continued operations of the Library and he highlighted the success of some of the children's programs and the ability to check out books electronically.

Discussion was held regarding the number of participants at the library and that summer programs are now being administered by South Valley Athletics.

City Manager explained the Internal Support Department expenditures. He said this department was titled Non Departmental Department and it is now called Internal Support Department. He said this department is for the expenditures that cross many departments in the General Fund such as Advertising, Labor Negotiations and Contractual Services. He said funds are no longer being transferred into the Housing Assistance Trust Fund and added that Council will need to evaluate the program. He highlighted various Transfers that take place in this section of the budget.

City Manager responded to questions about how the Contingency line works.

Member Danny Solesbee questioned the increased Head Librarian salary from \$69,000 to \$94,000 over the last 3 years.

City Manager responded that in 2020-21 the library employees were laid off and the salary is not reflective of a full year.

There were no additional comments or questions.

City Manager announced the next meeting would be Thursday, May 18th at 6:00 pm.

Chair Amanda Gilbert adjourned the meeting at 9:14 pm

Chair

City Recorder

DRAFT



400 Main Street
Cottage Grove, Oregon 97424
(541)942-5501
Fax (541)942-5125
www.cottagegroveor.gov
E-mail:citymanager@cottagegrove.org

May 8, 2023

Dear Mayor, City Council and Budget Committee:

Attached is the 2023-24 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. I welcome a much more detailed discussion as the Budget Committee reviews the document.

Although we have seen some slight relief from the issues, we continue to be plagued by the nationwide issues of high inflation, employee shortages, supply chain challenges, product and material shortages. Because of failures by the state and federal governments to address the complex issues of substance abuse, housing and mental illness, local communities are being forced to face those issues too. All of these issues have a profound impact on the quality of life of all the members of our community. This Proposed 2023-24 Budget attempts to address the issues on a local level to relieve some of the impact. We continue to push for assistance from the State and Federal government to take steps to resolve the issues and provide resources for us to meet the needs of all our citizens.

The 2023-24 Proposed Budget for the City of Cottage Grove is, as required by Oregon Law, a balanced budget. Expenditures for all funds total \$51,351,401, an increase of \$5,212,922 from the 2022-23 Adopted Budget. After removing the major grant projects and the financing for Wastewater Treatment Plant upgrades the total Proposed Budget would be \$41,502,234. We will be quite busy with the grant projects and the Wastewater upgrades for the next two years.

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 \$5,660,000 of collectible tax revenue, \$360,000 more than the budgeted property tax revenue in 2022-23.

The Proposed Budget includes a new Special Revenue Fund to account for the funding for the Economic Development Administration (EDA) grants for Main Street and Bohemia Park. With the grants crossing over multiple budget years and the extra reporting requirements we felt it would be beneficial to account for the revenues and expenditures in a dedicated fund.

Street Fund Status

Staff has been discussing the condition of the Street Fund with Council for years. Last year staff reviewed the condition of our roads and the ability of the current revenue sources to keep up. At a recent conference the Deputy Director of the Oregon Department of Transportation stated that, "the gas tax is dead". Because of increased fuel economy and the greater number of electric vehicles, the gas tax

cannot be a dependable funding source for street improvements. Gas tax revenue has continued to decline and has not kept up with the increasing costs for street maintenance and construction.

After designating the funds for the EDA Main Street Grant match there are insufficient funds to do any substantial improvement projects on streets. We may be able to do some chip sealing work. In July the City received an updated Pavement Condition Index (PCI) for all City streets. In 3 years the PCI had declined 3.3% from 58 to 54.7 dropping the overall PCI from the low fair category into the poor category. The report also provided data that in order to maintain the current PCI the City would need spend at least \$1.5 million a year into street capital, preservation and maintenance projects. To move to PCI of 70 (good category) a yearly investment of \$2.5 to \$3 million would be required.

Street improvement costs continue to increase at rates higher than inflation. We have six major projects that we have on the shelf ready to proceed if funding is available. The costs for the projects have increased an average of 65% in the last year. The cost of concrete and asphalt has nearly doubled. Additionally, the state and federal standards for improvements have tightened and become more expensive to comply with. Court cases against ODOT and the City of Bend have dictated that expensive sidewalk improvements have to be made when street work is done.

The City Council at their last meeting created a Street Improvement Funding Ad Hoc Committee to help them walk through this complex issue. The committee will begin meeting later this month to discuss and explore options and create a plan to fund street improvements. They are charged with providing a recommendation to the City Council by August 14, 2023. Following the recommendation, the Council will pursue the implementation of the plan. Whatever the recommendations, the Council will be faced with significant budget modifications during the 2023-24 Budget year.

Personnel

We will be operating under the second year of Collective Bargaining Agreements with all three of the bargaining units. Employee of all three bargaining units will receive a 5% cost of living allowance pursuant to their respective CBA. The 2023-24 Proposed Budget includes a 5% cost of living allowance for non-represented employees to maintain parity. Currently the City is conducting a compensation study for non-represented employees to evaluate the compensation package and make sure that it remains comparable to other communities. After the analysis is complete, adjustments to non-representative employee compensation may be necessary. Bargaining unit employee compensation was evaluated last year as a part of the collective bargaining process.

Unavoidable costs continue to have a major impact on the increases in personnel expenditures. The Public Employee Retirement System significantly increased rates, on average just over 5%. Training costs also are putting a major burden on operations. The new Commercial Driver License (CDL) requirements are requiring additional training and certification costing at least \$7,500 for every new license. This is a huge expense for operating our Public Works equipment.

Utilities

In accordance with the Utility Five-year Financial Plan, last year the City Water and Storm Drain utilities had no increase and the Wastewater rates had a 12% increase. The economic conditions of the past year have escalated costs associated with operations in the utility funds. During the 2022-23 Fiscal Year, FCS Group, our consultant that prepares the Five-year Financial Plan, evaluated the plan and recommended modifications to the plan. We will be bringing the modified Financial Plan to the City Council for approval. The review indicated that the rates as proposed in the plan for Wastewater and

Storm Drain should remain as prepared (Wastewater 2023-24 – 12%; 2024-25 – 3%; 2025-26 – 0% and Storm Drain 0% for the next three years). The rates for the Water utility were originally proposed to have no increase for the remaining three years. The analysis indicates the Water utility rates will need to increase 6% in 2023-24 and 2024-25 fiscal years with no increase in the final year of the plan.

The proposed revised Five-Year Financial Plan was used to prepare the rates for this Proposed Budget.

The table below compares the current rates with the proposed rates to begin July 1, 2023:

	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	\$11.38	\$5.85	\$26.75	\$4.94	\$7.53
Proposed Rates	\$19.06	\$1.51	\$27.24	\$12.75	\$6.55	\$29.96	\$4.94	\$7.53

The proposed rates result in a \$13.65 monthly increase for residential users using 5,000 gallons of water, with a typically sized meter, a 10.65% increase for the total City Utility bill. The total increase will vary based on meter size, consumption and type of use.

We have compared golf course rates. The 2023-24 Proposed Budget includes a 20% rate increase at Middlefield Golf Course. The proposed rates still keep the course competitive with other courses. We will also be considering rate increases for the use of the Cottage Grove Armory to address the costs with increased use and services.

We will be reviewing all the fees in the Comprehensive Fee schedule to make sure they are relevant and cover costs but they are not reflected in the Proposed Budget. During the year the City Council may review and adjust fees or charges. This Proposed Budget is not prepared relying on any other increased revenues from other fees.

There is nothing secret about the budget and we want to make this \$51 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.

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

Sincerely,



Richard Meyers
City Manager