



***ANNUAL BUDGET***  
***FISCAL YEAR 2014-15***



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# **City of Cottage Grove, Oregon**

## **2014-15 Annual Budget**

### **BUDGET COMMITTEE MEMBERS**

#### **City Council**

Thomas Munroe, Mayor

Heather Murphy, Council President

Jake Boone

Garland Burback

Victoria Doyle

Jeff Gowing

Kate Price

#### **Citizen Members**

Eugene Brown, Jr.

Dale Johnson

Greg Ervin

Mike Fleck

#### **City Manager**

Richard Meyers

#### **Management Staff**

Pete Barrell, Community Services Director

Michael Grover, Police Chief

Roberta Olsen, Finance Director

Howard Schesser, Community Development Director

Jan Wellman, Public Works Director







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May 23, 2014

Dear Mayor, City Council and Budget Committee:

Attached is the 2014-15 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 address the challenges of the coming year. I welcome a much more detailed discussion of the budget as the Budget Committee reviews the document.

The 2014-15 Proposed Budget for the City of Cottage Grove is, as required by Oregon Law, a balanced budget. Expenditures for all funds total \$23,467,613, an increase of \$495,450 from the 2013-14 Budget. This Proposed Budget is \$2,378,468 less than the 2012-13 Budget.

This Proposed Budget reflects a tremendous change from previous years. If you look at page 41 you can see the change in the upper right hand corner. It may not seem like much but the change reflects a tremendous amount of effort and work. The change can be seen on just about any page in the budget document and you will likely not realize the significance. The change is the new chart of account numbers that are used in every fund, department and line item. Those numbers represent the change from our old accounting software to the new system. That is huge. The effort to move Fiscal Year 2013-14 to the new software, while completing a forensic audit and the embezzlement investigation and attempting to finish the annual audit was not only huge but it was, at times, overwhelming.

Sadly, I must report that we operated a major portion of the 2013-14 Fiscal Year financially blind. I like to have regular reports regarding current expenditures and revenues. We did not have that luxury in 2013-14 because of the software transition. We were also faced with some rather substantial expenditures that were not planned in the budget. Clean up of the Police Department shooting range; storm response and clean up and two unexpected retirements put required but unanticipated expenditures into the 2013-14 Budget.

Those unanticipated expenses meant that some budgeted expenditures were put off until we had more information. The preparation of this Proposed Budget for 2014-15 also reflects the lack of complete information. The 2012-13 Audit is not yet complete. It will be complete at the end of this month. The audit was delayed because of the embezzlement investigation, the forensic audit that was done and the software transition.

The annual audit provides valuable information used to prepare accurate budgets for the following year. We have used draft information from the audit to prepare this Proposed Budget. (I don't know how other cities can even think they can put together budgets without the audit information.) As soon as the 2012-13 Audit is complete, at the end of the month, preparations will be made to begin the 2013-14 Audit. The 2013-14 Audit will be completed on time prior to December 31, 2014.

So what does all this mean for this 2014-15 Proposed Budget? In a nutshell, it means this budget is basically a status quo budget from last year with only a few changes. I will highlight the few changes in this Budget message:

- 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 \$3,885,000 of collectable tax revenue, \$85,815 more than the budgeted property tax revenue in 2013-14.
- Personnel Changes include:
  - The Part-time Records Clerk in Police Department will become full-time to handle ever expanding recordkeeping and evidence management requirements.
  - The full-time Parks Maintenance position is vacant due to retirement and will be converted to at least 4 part-time positions. The change would save money and provide more hands to tackle park maintenance and provide more flexible hours.
  - An additional position in Finance to assist with finance and HR functions.
  - The Information Technology Director position created in the 2013-14 Budget is not funded in this budget. Currently estimated Proposed General Fund revenues are not capable of supporting the position. I would propose that when the cash carryover actual number is known in October the Council consider authorizing use of contingency funds to pay for the position if the General Fund carryover is over \$2,150,000. I am optimistic that the carryover figure will be higher, but currently there is just too much uncertainty to include the funding in the Proposed Budget.
  - Addition of a new Wastewater Treatment Plant operator in the Wastewater Fund. Operating the plant 7 days a week with of staff of 3 is no longer working due to reporting requirements to DEQ and operational needs of the plant.
  - The Proposed Budget includes wage adjustments for Bargaining Unit employees pursuant to the collective bargaining agreements. Police Guild members will receive a 1.4% increase, Public Works and General Unit employees will receive a 1.5% increase. Non-represented employees will receive a 1.5% cost of living increase to maintain parity with the employees they supervise.
- South Lane School District has re-established a contribution to the expense for the School Resource Officer. When the School District was having funding issues they stopped providing funds to assist with the officer in the schools. The City continued to assign an officer to the schools when staffing allowed.

- Utility rates are proposed to increase pursuant to the 5-year financial plan adopted by the City Council. This increase is the final year of the 5-year plan. The Council will be reviewing with the consultant a new 5-year financial plan for the utility funds (Water, Wastewater and Storm Drain Utility). The proposed rates include the debt costs for projects completed this last summer and start making savings for projects coming up.

	Water Base	Water Consumption /1000 gals.	Water Improvement	Wastewater Base	Wastewater Consumption /1000 gals.	Wastewater Improvement	Storm Drain /ESU	Storm Drain Improvement /ESU
<b>Current Rates</b>	\$15.73	\$1.25	\$22.50	\$6.84	\$3.51	\$16.07	\$3.23	\$4.24
<b>Proposed Rates</b>	\$16.44	\$1.31	\$23.51	\$7.28	\$3.74	\$17.11	\$3.37	\$5.15

The proposed rates result in a \$6.30 monthly increase for residential users using 6,000 gallons of water and a typically sized meter. The total increase will vary based on meter size, consumption and type of use. The rate increases are estimated to generate a total of \$118,000 in the Water funds (Water and Water surcharges), \$126,000 in the Wastewater funds (Wastewater and Wastewater surcharges) and a total of \$82,000 in the Storm Drain funds. Because we operate the utility funds with no profit margin, when electricity, fuel, supplies or other costs increase our rates must increase to continue to operate the service.

- 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. There may be some new fees created for the use of the Bohemia Amphitheater. A task force of the organizations that funded the amphitheater cover will be meeting and discussing some options. Any charges created would have to be established by the City Council. At the same time the Council may consider fees for the use of the Armory as more events are beginning to occur.
- The Council will likely be asked to review the Building permit fees. Once again the General Fund is subsidizing the operation of the Building Inspection Fund by transferring \$15,630. In order to adjust any Building Inspection fees specific procedures must be followed with the State Building Codes Division.

Over all, this Proposed Budget continues the financial policies established by the City. Transfers to reserve funds continue, contingency funds and unappropriated ending fund balances continue to be maintained and are approaching the financial policy guidelines. Although it would be nice to have more revenue in all the funds to complete projects, make repairs or perform services the funds are generally healthy and are able to continue current levels of service.

Only two funds warrant special notes, one is the Building Inspection Fund that I have already mentioned. The other is the Industrial Park Operations Fund. We have sufficient funds in the fund to cover debt service costs this year. Next year we will be short if additional lots are not sold or new revenue is not generated in the fund. The SidePockets building has been sold in a Sheriff's auction and we hope that the building will be available to be marketed after October. The foreclosure and Sheriff's auction proceeds did not cover all the debt on the property. The City joined a number of other entities with outstanding debt on the property that will not be paid. The outstanding debt loss on the property to the City is \$447,847. The City has outstanding debt on the entire industrial park project of \$785,000. More than likely, the General Fund will have to cover some of the remaining debt costs on the industrial park improvements.

This Proposed Budget contains a wealth of information. Your careful review and consideration of the 2014-15 Proposed Budget is essential to make sure that this budget meets the needs and desires of this community. If there is any information that you need in order to review and consider this Budget Document, please ask questions or contact me and we will provide the information needed. I hope the information contained in this Budget Document is useful and helpful for you as you review and consider the 2014-15 Proposed Budget.

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

## BUDGET COMMITTEE CHANGES

### FROM PROPOSED TO APPROVED BUDGET

After the presentation of the Budget Message the Budget Committee made two changes to the annual budget for Fiscal Year 2014-15. They are as follows:

In the General Fund, Community Promotions Department, the Budget Committee increased the Family Relief Nursery by \$x,xxx for a total contribution of \$xx,xxx and decreased the contribution to the Cottage Grove Community Foundation \$x,xxx for a total contribution of \$x,xxx. The net difference is \$x, adjusted through the reduction of the general fund contingency in the amount of \$xxx.

		Proposed		Approved		Difference	
General Fund							
Community Promotions Department							
Materials and Services							
Family Relief Nursery	\$	-	\$	-	\$	-	
CG Community Foundation	\$	-	\$	-	\$	-	
Non-Departmental							
Contingency	\$	-	\$	-	\$	-	
Total Fund		\$	-	\$	-	\$	-

The budget document reflects these changes in the approved column

## CITY COUNCIL CHANGES

### FROM APPROVED TO ADOPTED BUDGET

The Fiscal Year 2014-15 Annual Budget approved by the Budget Committee was adopted by the City Council with the following changes:

The City anticipates entering an Intergovernmental Agreement with Lane Transit District for transportation needs, passing resources on to South Lane Wheels. The \$xx,xxx is from the States' Special Transportation Fund and can be used as local match; \$xx,xxx is the first year allocation of a two-year grant for a total of \$xx,xxx from Federal 5310 – Elderly and Disabled Transportation funds. Staff proposed the changes after learning of these funds prior to the adoption of the budget by the City Council.

		Approved	Adopted	Difference
General Fund				
Community Development				
Materials and Services:				
Special Transportation Fund - SLW	\$ -	\$ -	\$ -	
5310 Elderly & Disabled Transportation - SLW	\$ -	\$ -	\$ -	
Total Fund	\$ -	\$ -	\$ -	

The budget document reflects these changes in the adopted column.

## **ORGANIZATION OF THE BUDGET DOCUMENT**

Local Governments have the option of budgeting on a 24-month biennial budget period, or by a fiscal year. The City of Cottage Grove operates on a fiscal year beginning July 1 and ending the following June 30. Priorities must be established based on the financial resources available to meet the needs of the community.

The budget document describes how the City plans to meet the priorities established and serves as a resource for citizens, city officials, and staff. The budget is divided into five major sections as described below:

### **General Information**

This section contains an overview of the City, “City at a Glance” as well as the City’s budget process and calendar, and budget financial policies used to develop the Fiscal Year 2014-15 Budget. Budget amendment procedures are also discussed. Additionally, background information is provided such as economic information and demographics.

### **Budget Summaries**

The City’s budget is organized on the basis of funds, and each is considered a separate accounting entity. This section includes a summary of resources and requirements of all city funds combined, and summaries of all individual funds.

### **Fund / Department Budgets**

Fund and Department revenues and expenditures, as well as operational objectives, accomplishments, and performance measures are provided in this section. Historical financial information required by Oregon Budget Law for the two prior year’s actual, current year adopted, and next year’s proposed expenditures for each department is provided. This portion essentially provides actual adopted budget numbers. The City’s budget contains the following fund and fund types:

General Fund	Reserve Funds
Enterprise Funds	Debt Service Fund
Capital Projects	Trust Fund

### **Appendix**

The appendix contains a variety of other budget-related information to assist with understanding the budget document. It includes listings of the various board members, and a glossary of terms and acronyms used in the budget document.

## City at a Glance

Cottage Grove, the “Covered Bridge Capital of Oregon”, is located in the middle of western Oregon and in the southern part of Lane County, on Interstate 5 (I-5). Cottage Grove is approximately 20 miles from the major population center of the area (Eugene-Springfield) and serves an immediate labor market of approximately 35,000 people. Cottage Grove was selected as an All-America City in 1968 and 2004, one of only two cities in the State to have received the award twice.

Cottage Grove has the council-manager form of government. There is a seven-member Council including the Mayor. The City provides twenty-four hour police coverage and operates the water and wastewater systems serving the City. The City also operates a public library which is open six days a week and provides planning and development, park maintenance, and operates an 18-hole golf course. The City completed an \$11 million upgrade to the wastewater treatment system, and a \$9 Million upgrade to the water treatment plant in 2009. These facility upgrades reflect the community’s commitment to protecting and improving the environment.

The July 1, 2013 certified population estimate from Portland State University for Cottage Grove was 9,785. Between 2000 and 2010, the population of Cottage Grove grew by 12.3% which is somewhat faster (0.60 faster) than the population increase in Oregon.

The average high temperature in July and August is 82 degrees with the average low on summer nights in the upper 40’s. The coldest month is December, with an average low of 33 degrees and highs in the upper 40’s.

### General Information

Date of Incorporation	February 11, 1887
Area in Square Miles	3.98
Elevation in Feet	641’
Annual Precipitation	45.93”

### Police

Stations	1
Patrol Units	8
Sworn Officers	16
Physical Arrests, Juvenile and Adult (non-traffic)	527
Traffic Violations	369
Parking Citations	296

### Streets

Miles of Paved Streets	45.66
Miles of Gravel Streets	1.5
Miles of Storm Sewers	30.85



**Water**

Miles of Water Mains	49.05
Hydrants	401
Active Service Connections	3616
Daily Average Consumption in Millions of Gallons	
July - September	1.84
December – February	.871
Maximum Daily Capacity of Plant in Million Gallons	4.0

**Wastewater**

Miles of Sanitary Sewers	45.72
Treatment Plant	1
Service Connections	3499
Daily Average Treatment in Million Gallons	
May – October	1.2
Nov. – April	3.3
Maximum Daily Capacity in Million Gallons	13.0

**Broadband**

Miles of Fiber (Figure includes fiber in Creswell)	7.54
Wi-Fi Radios Installed	96

**Community Services**

Community Centers	1
Parks	22
Park Acreage	243.58
Golf Courses	1
Skateboard Parks	1
Tennis Courts	1
Trails (miles)	10.3

**Health Care**

Hospitals	1
Hospital Beds	14

**Education**

Elementary Schools	2
Elementary School Instructors	56
Secondary Schools	3
Secondary School Instructors	74

## Top Ten Taxpayers in the City of Cottage Grove

<u>Taxpayer</u>	<u>Taxable Assessed Value</u>
Wal-Mart Real Estate Business Trust	\$ 8,434,643
Village Green Resort, LLC	\$ 5,680,006
Spring Investments, LLC	\$ 5,481,837
Safeway, Inc. Store #1458	\$ 4,863,073
Sunrise Ridge, LLC	\$ 4,454,123
Gregory A. Falk, LLC	\$ 4,115,491
Magnolia Gardens Assisted Living	\$ 3,752,608
Whittaker-Northwest Partners	\$ 3,372,001
Charter Communications	\$ 3,242,793
Gann Family Ventures, LLC	\$ 3,140,555

## Ten Year Statistics

<u>Year</u>	<u>Assessed Value</u>	<u>Population</u>	<u>School Enrollment</u>
2003-04	\$338,331,809	8910	2803
2004-05	\$349,406,767	9010	2827
2005-06	\$400,236,137	9110	2714
2006-07	\$426,789,165	9275	2724
2007-08	\$444,250,454	9345	2716
2008-09	\$483,168,933	9445	2835
2009-10	\$525,779,935	9705	2635
2010-11	\$537,670,091	9745	2761
2011-12	\$551,007,682	9745	2718
2012-13	\$546,268,728	9745	2612
2013-14	\$559,169,501	9785	2732

## Petty Cash

Oregon Revised Statute 294.465 requires that each petty cash account and the amount thereof be listed in the budget document. The City of Cottage Grove has the following cash accounts:

Finance	\$750
Finance Petty Cash	\$200
Library	\$ 40
Police Department Petty Cash	\$100
Public Works Petty Cash	\$200
Golf Course	\$700

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## BUDGET PROCESS AND CALENDAR

The process followed in the preparation of this budget complies with the Local Budget Law established by the State of Oregon (ORS Chapter 294). This process also applies to the Urban Renewal Agency's budget. The process and calendar are as follows:

### Phase I – Budget Request

In this phase the Department Heads submit their needs for staffing, materials, and supplies. They also provide the text portion for their operations. The finance department computes the wages and benefits for all departments, except public works.

<u>Calendar</u>	<u>Process</u>
February 2014 Appoint Budget Officer ORS 294.331	The City Charter establishes the City Manager as the Budget Officer. The City Manager establishes the priorities for FY 2014-15 as well as identifies issues to be addressed by this year's budget.

### Phase II – Budget Proposal Phase

The proposal phase entails reviews by the City Manager and Finance Director with each Department manager. Financial requests are reviewed for changes and inconsistencies from prior years. Increases/decreases are explained. The City Manager decides which additions/deletions are approved and provides guidance on the narrative and financial portions of each fund. During this phase the capital projects are also reviewed and all funds are balanced. At the conclusion of this phase the proposed budget document is prepared for printing and compilation.

<u>Calendar</u>	<u>Process</u>
Mar.-May 2014 Proposed Budget ORS 294.331	The Finance Director and City Manager meet with each department manager to review budget requests and ask questions about changes, enhancements, budget variances, and performance measures.
May 2014 Notices of Budget Committee Meeting ORS 294.401	Required public notices are published in the local newspaper no more than 30 days before the first meeting and city website. The City Manager's proposed budget is finalized and submitted to the Budget Committee Members for review and consideration. At least five days after the first public notice, but no less than five days before the first meeting, a second notice is published.

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### **Phase III – Budget Approval Phase**

During the Approval phase, the budget committee meets and is presented with the Budget Message from the City Manager. The Committee has the responsibility to evaluate the proposed budget and may make changes as they deem necessary. At the completion of their review, they are required to take formal action to approve the budget and refer it to the City Council for adoption.

<u>Calendar</u>	<u>Process</u>
May 2014 Budget Committee Meets ORS 294.401 ORS 294.406	Budget Committee meets to receive the FY 2014-15 Budget Message, to discuss funding issues, and to take public input. When the Committee is satisfied with the budget, including any deletions or additions, the proposed budget is approved.

### **Phase IV – Budget Adoption**

The fourth and final phase of the process is adoption. The City Council may make additional changes if desired, within limitations set by statute, and then adopts a resolution to appropriate expenditures by fund, and set a tax levy.

<u>Calendar</u>	<u>Process</u>
June 2014 Publish Budget Summary & Notice of Budget Hearing ORS 294.421	After the Budget Committee has approved the proposed budget, a summary of the budget and a notice of the Budget Hearing to be held before the City Council is published in the local newspaper, five to thirty days before a public hearing for adoption.
Last Council Meeting In June 2014	A public hearing before the City Council is held to allow citizens to comment on the approved budget. After the hearing, the City Council may adopt the budget with no changes or they may make additions and reductions within certain limitations. A resolution is adopted making the appropriations and levying taxes.
July 15, 2014	The adopted budget for fiscal year 2014-15 becomes effective July 1, 2014. Certain reports, forms, and documentation are provided to the County Assessor's office by July 15.

## **BUDGET/FINANCIAL POLICIES**

The development and eventual implementation of this budget are guided by the following policies:

### *OPERATING BUDGET POLICY*

#### Personal Services –

Comply with existing union/association agreements, making sure the total compensation package is comparable to similar positions and communities.

#### Materials and Services –

Adopted increases for materials and services are targeted to remain level or increased only after substantiation and demonstration of need by the department manager.

#### Capital Outlay –

Capital outlay is reviewed on a case-by-case basis. Equipment requests are discussed with the City Manager.

#### Current Operating Revenues -

Current operating revenues will be sufficient to support current operating expenditures. Fund balance appropriated shall not exceed an amount that management can reasonable expect to save during the year.

#### Debt or Bond Financing-

Debt or Bond financing will not be used to finance current non-capital expenditures. Transfers to debt service for scheduled principal and interest payments, as well as estimates for new issues are estimated and included in the appropriate fund.

#### Performance Measures –

The City will continue to develop and integrate performance measures and productivity indicators with the annual budget.

#### Risk Management –

The City will continue to develop the risk management program to provide for protection against loss and a reduction in exposure to liability. The comprehensive safety program will also be enhanced to minimize the City's exposure to liability and thereby reduce the number of claims filed.

#### Balanced Budget –

The requirement of local budget law is such that the sum of each fund's resources equal its appropriations and unappropriated ending fund balance.

Accounting Standards –

It is the City's policy that the operating budget be prepared in accordance with Generally Accepted Accounting Principles.

*REVENUE POLICY*

Assessed Valuation –

Shall be estimated based on historical trends and growth patterns in a conservative manner.

Fees –

The City sets fees that will maximize user charges in lieu of Ad Valorem Taxes for services that can be individually identified and where the costs are directly related to the level of service:

- a. To the extent possible, user charges for water, sewer, and storm drainage will be sufficient to finance all operating, capital and debt service costs for said services.
- b. The Community Center will operate in a manner such that 10% of budgeted operating costs will be financed through user charges.
- c. Golf Course operations and maintenance will be funded from user charges for all programs for which it is practical to charge. Fees will represent at least 100% of the operating and debt service costs.
- d. Building and code enforcement activities will be funded through user charges in the form of building permits, inspections, and plan review fees. These fees should represent 100% of operating costs.
- e. To the extent practical, any general city service, which is of a higher level or benefits specific recipients, shall be supported by user fees designed to recover costs from such recipients.
- f. Where user fees are based on cost recovery, said costs shall be reviewed annually and fees adjusted as practicable.

## *DEBT POLICY*

### Capital Projects –

Financing for capital projects through the issuance of bonds shall be financed for a period not to exceed the expected useful life of the project.

### General Obligation Bonds –

The general obligation debt of the City will not exceed 3% of the real market value of all taxable property within City boundaries as provided in ORS 287.004.

### Debt Service –

Total debt service on tax-supported debt of the City will not exceed 15% of total general government operating revenue.

### Bond Rating –

The City will maintain its financial condition so as to maintain a minimum AA bond rating.

### Avoidance of Unfunded Liabilities –

The City's debt policy will be comprehensive and the City will not knowingly enter into any contracts creating significant unfunded liabilities.

## *RESERVE POLICY*

### Unappropriated Fund Balance –

The City will maintain an unappropriated fund balance of 8% of fund operating budgets (excluding capital outlay). These funds will be used to avoid cash-flow interruptions, generate investment interest income, eliminate need for short-term borrowing, and assist in maintaining an investment-grade bond rating.

### Contingency –

The City will establish a contingency in each operating fund to provide for unanticipated expenditures of nonrecurring nature or to meet unexpected increases in service delivery costs. The contingency amount will be budgeted at 5% of the fund revenues estimated for that fiscal year. The contingency funds cannot be spent without an action by the City Council.

## *ACCOUNTING POLICY*

### Accounting System –

The City will establish and maintain the accounting system in accordance with Local Budget Law and Generally Accepted Accounting Principles. Financial systems will be maintained to monitor expenditures and revenues on a monthly basis.

### Audit –

An annual audit will be performed by an independent public accounting firm which will issue an official opinion on the annual financial statements, with a management letter detailing areas that need improvement if required. Full disclosure will be provided in the financial statements and bond representations.

The City's Comprehensive Annual Financial Report (CAFR) will be prepared according to the standards necessary to obtain the Certificate of Achievement of Excellence in Financial Reporting from GFOA.

## **BUDGET AMENDMENT PROCESS**

Procedures to be followed to amend the budget as events occur after budget adoption is set forth in Oregon Local Budget Law. The type of event determines the procedure to be followed.

The adopted budget appropriates certain amounts for contingencies in each fund to be used at the discretion of the governing body. Contingencies in each fund can only be appropriated for specific unforeseen events by approval of a resolution by the City Council. Specific appropriations of contingencies may include funding for service level changes, unforeseen catastrophic events, or redirection of resources.

State law allows the adoption of a supplemental budget. When the supplemental budget will adjust a current fund's budget by ten percent or less of that fund's expenditures, the supplemental budget can be acted on by the City Council at a regularly scheduled meeting. If the supplemental budget includes any changes greater than ten percent in any fund, a public hearing must be held to adopt the supplemental budget.