



***ANNUAL BUDGET
FISCAL YEAR 2007-08***



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CITY OF COTTAGE GROVE
BUDGET COMMITTEE MEMBERS

Elected

Mayor Gary Williams

Councilors Diane Conrad
Wayne Clark
Robert Hunt
Lynn Miller
John R. "Pat" Patterson
Tom Munroe

Appointed

Members Lindsey Haskell
Michael LaBorde
Matt Parsons
Robert Taylor
Robert Ward
Clifton Wilson
Ralph Zeller

Budget Officer

City Manager Richard Meyers

Department Heads

Community Development Director	Howard Schesser
Finance Director	Roberta McClintock
Library Director	Dan Kaye
Police Chief	Mike Grover
Public Works Director	Jan Wellman



City Manager's Office
400 Main Street
Cottage Grove, OR 97424

(541) 942-5501
FAX 942-1267
www.cottagegrove.org
E-Mail: city_manager@cottagegrove.org



May 18, 2007

Dear Mayor, City Council and Budget Committee:

Attached is the 2007-08 Proposed Budget for your review and consideration. This budget has been difficult to prepare because of many changes during the last few months of the 2006-07 Budget Year. The purchase of Middlefield Golf Course, acquisition of the Chambers Railroad Bridge, efforts on the fiber optic/broadband project, impact of the elimination of Fire Marshal services by the Fire District, impact of Lane County cutbacks and the loss of City personnel have all influenced this budget.

The purpose of this budget message is to highlight a few of the major changes or issues contained within this Proposed 2007-08 Budget. The budget message does not report every change or issue but only some of the more significant items that can impact the provision of local services.

The 2007-08 Proposed Budget expenditures for all funds total \$30,310,700 up \$ 4,305,623 from the previous year's budgeted expenditures. The budget increase is a result of expenditures for Water System upgrades as well as the addition of the debt payments beginning for the Wastewater improvements that were completed, debt payoff of Industrial Park development loans, golf course operations and budgeting the possibility of grants for the Chambers Railroad Bridge restoration project. Capital improvement project costs for the Water System and Chambers Railroad Bridge have a major impact on the total budget expenditures. Those Capital improvement costs increase the budget by \$6,891,148. Additionally the debt payments for the Wastewater system improvements and the early payoff of the Industrial Park Development loans increase the budget by \$2,338,589. Without the capital projects and debt payments the total 2007-08 Budget for operations would be less than \$21,080,963. As required by Oregon Budget Law, this Proposed Budget balances resources with expenditures.

Personnel, Salaries and Benefits

The operation of City services continues to be a labor intensive operation demanding specialized skills, training and certifications. City staffing will be dramatically impacted this year as a result of retirements. We will be losing valuable experience, however we will hopefully gain new insights and perspectives that will be beneficial to the community. Filling positions on City staff continue to be a challenge. This is a national trend as a result of the changing workforce. The workforce continues to shrink. The City may need to be creative to address our staffing needs.

The retirement of the Library Director, Dan Kaye and a Library Aide open up some possibilities for restructuring within the Community Center/Library. The Proposed 2007-08 Budget reorganizes the supervision of the operations and staffing of the Community Center, Library and Middlefield Golf Course. The Budget as proposed would replace the Library Director with a Librarian that would only have responsibilities for the operation of library services. Administrative responsibilities would be shifted to the new department head, the Cultural and Recreation Director, who would also supervise the functions of the Community Center and the Golf Course. Without the administrative functions the Librarian could concentrate time and energies to enhancing services and functions, of the library. The new Cultural and Recreation Director could help strengthen coordination of Library and Community Center programs and activities with the school district, recreation providers and community organizations. The Proposed Budget maintains all other positions within the library as currently established. I would expect that the new Librarian would adjust or modify library staffing to enhance the services. The Proposed Budget increases the hours for the Finance Clerk position to full-time, adds a part-time Clerical Assistant and a full-time Planning Technician.

Two staffing issues remain to be addressed during the 2007-08 Budget. The recent decision by the Fire District to eliminate Fire Marshal services may require the City to secure the services through either contractual services or through the State Fire Marshal's office. Also the City's Building Official left Cottage Grove to be the Building Official in Baker City. We have done one round of recruitment and did not receive any qualified candidates. We have budgeted to fill the Building Official position; however, during the year we may have to resort to a combination of contracted services and personnel to meet the certification requirements.

The Proposed Budget complies with all existing bargaining agreements by providing Cost of Living Adjustments consistent with the appropriate bargaining agreements.

General Fund

The General Fund will be operating for a ninth year under the "rate" based system resulting from Ballot Measures 47 and 50. 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 Budget Committee or City Council may levy less than the full rate without jeopardizing future opportunities to levy the full rate. However, the revenue that could be generated is forever lost. The proposed full levy is estimated to generate \$3,090,000 of collectable tax revenue, \$75,000 more than last year's estimated revenue. The estimated revenue increase is the result of growth in assessed values and annexations since the previous year's levy.

Budgeted expenditures within the General Fund are \$5,955,938 up \$311,819 from the last year's budgeted amounts. The reason for the significant increase over last year's budget is the carryover of funds from the current budget that will not be spent until next year. Major projects such as the broadband project and vacant staff positions have increased the carryover. The General Fund also contains the funding for the 2037 Visioning Project.

Special Revenue

As a result of major costs associated with the rebuild of R and West Main Streets, the elimination of City/County Road Partnership money (\$128,000) and the reduction of motor vehicle fuel tax collections, the Street Fund is the lowest it has been since the 1993-94 Budget. The Proposed Budget has been prepared with a two cent fuel tax increase to be enacted during the 2007-08 Budget year. The increase would replace the funding lost from the County and try to make up for the declining collections. Each penny of the fuel tax is estimated to generate about \$110,000 of revenue during a full year. As fuel consumption declines because of higher prices and better vehicle mileage per gallon the revenue generated for each penny of the fuel tax also declines.

If the motor vehicle fuel tax is not increased, the motor fuel tax revenue should be reduced by at least \$160,000, the street improvement projects would be postponed, eliminating the \$256,410 expenditure for improvements, and Engineering Fees revenue of \$41,000 would have to be eliminated from the General Fund as a result of reduced engineering fees.

Also within the Street Fund there is funding to pay a portion of the replacement costs for the street sweeper, backhoe and other equipment. The street sweeper was originally purchased in 1994. Three years ago our maintenance staff completely rebuilt the hydraulic system, joints and coolant system. Breakdowns are beginning to occur regularly again that interrupt the sweeping schedule.

The 2007-08 Proposed Budget includes a large grant in the Bicycle and Footpath Fund for the restoration of the Chambers Railroad Bridge. The City has applied for a federal grant for the bridge restoration. The bridge restoration project is being funded out of the Bicycle and Footpath fund because the bridge will likely become a pedestrian/bicycle bridge once it is restored. Funds donated through the "Round-up for the Bridge" program are being collected in the Trust Fund and would be transferred to the Bicycle and Footpath Fund as a match for the grant.

Enterprise Funds

Enterprise Funds are those funds that are operated similar to a business where the operations of the fund are supported by the fees or charges for the services. The Water and Wastewater budgets were prepared with different rate increases this year reflecting different costs for the two services.

Water. Water consumption rates are proposed to increase by 3%. This would increase the base use charge for water from \$12.04 for the first 1,000 gallons to \$12.40. Each additional 1,000 gallons of water usage would increase from \$1.20 to \$1.24. Also included with the consumption rate increase is a significant increase in the water surcharge to pay the debt for the water system upgrades that are beginning. The water debt surcharge would increase from \$12.50 to \$18.45 a month (a \$5.95 increase).

Wastewater. Wastewater disposal rates would be increased by 4.5% to cover the costs of operating the wastewater collection and treatment system. This would increase the base use charge for wastewater from \$12.04 for the first 1,000 gallons to \$12.58. The disposal rate for each additional 1,000 gallons would increase from \$1.20 to \$1.25. The debt retirement for wastewater surcharge would be increased from \$11.50 to \$13.00 a month. This increase is necessary to meet the debt payment schedule for the treatment plant improvements.

The rate increase for wastewater services is directly the result of the operation of the new wastewater treatment plant. The new plant is larger than the old plant. There are many more pumps and machines that require much more electricity than in the past. Actual operating costs for the new treatment plant are significantly higher than our old plant. Electrical costs alone are estimated to increase by \$40,000. The 4.5% rate increase only increases the revenue to the Wastewater fund by \$46,615. Staffing levels at the new plant have remained the same (3 operators) even though DEQ recommends that the plant should have five operators.

The other significant change to the Wastewater Fund is the addition of a new department to account for the operation and maintenance of the Middlefield Golf Course. It may seem strange for the golf course to be accounted for in the Wastewater Fund. Since the golf course was purchased to accept the effluent from the wastewater plant, it becomes a part of the wastewater treatment process. The budget for Middlefield is estimated based on history received from the previous owner and the last four months of operation. The golf course revenue should begin to pay for the costs of operation during the next year. Initial repairs and replacement to get the facilities to City standards have cost more than the revenue has produced.

Storm Drainage. The Storm Drainage Utility fee will increase by 3% from \$3.11 to \$3.20. The storm drainage improvement surcharge of \$3.00 is not budgeted to increase. It is very important to note that the storm water master plan will be complete in a couple of months and will likely identify a very significant number of improvements that will be needed to not only address storm water flows but also meet clean water requirements. The costs of system improvements will be very high.

With the above utility increases an average monthly bill, based on consumption of 6,000 gallons, including all surcharges, would increase from \$66.19 to \$75.08.

Industrial Park. The final change in the Enterprise funds that should be highlighted is in the Industrial Park Operations Fund. All the lots in the park have been sold! We are able to retire two of the larger loans and most of the third loan for the industrial park improvement debt. We will be re-amortizing the remaining balance of the third loan and will be able to pay it off with the payments we receive from installment payments on the properties the City has sold.

Reserve Funds

The Reserve Funds were established to accumulate funds for major improvements, equipment or construction and are being used for that purpose. The actual design, engineering or construction costs for the water and wastewater systems have been and will be funded from the reserve funds.

This Proposed Budget includes an active General Reserve Fund that will be continuing improvements at the Community Center, Parks and City Hall. Efforts continue to support the General Reserve fund with a transfer to the reserve fund. Continued efforts must be made to maintain General Fund transfers into the General Reserve at this level in future years to ensure the City's ability to make needed improvements to buildings and facilities.

In the 2004-05 Budget we created the USDA Loan Payment Reserve Fund to comply with provisions of the USDA loan agreement for industrial park development. With the early payoff of the USDA loan as a result of selling all the lots within the industrial park we are eliminating the fund.

System Development Charge Funds

Within the System Development Charge Funds is an increase in the contractual services expenditure to fund a complete methodology study. The System Development Charges have not been reviewed and evaluated since the SDCs were established in 1995. Changes within the community and projects warrant a complete evaluation of the SDCs.

Debt Service Fund

Expenditures have increased in the Debt Service Fund as the City will begin repayments on the State Revolving Loans for the wastewater treatment plant improvements and on the bank loan for Middlefield Golf Course.

Trust Funds

The Trust Funds have been increased to include donations for the Chambers Railroad Bridge. The "Round up for the Bridge" is generating about \$500 to \$700 a month and those funds are placed in the Trust Fund to be held specifically for the bridge project. The Trust Fund for the bridge was also budgeted to reflect other donations or funding that may be received for the project. These funds will be transferred to the Bicycle and Footpaths fund if we receive the Federal Grant for restoration of the bridge.

Urban Renewal

This Proposed Budget has been prepared with no tax revenue from the Row River Urban Renewal District tax levy. The urban renewal district will stay in place in order to complete the remaining projects, but no additional tax increment will be collected by the district. Once the projects are completed the remaining tax increment will go back to the various taxing jurisdictions. The tax increment that has been collected should be sufficient to satisfy the debt to complete the remaining projects.

Conclusion

It has been another busy year in Cottage Grove. What a year it has been. The wastewater treatment plant project has been completed, the City purchased and took over operations of the Middlefield Golf Course, restoration efforts are beginning for the Chambers Railroad Bridge that is now in City ownership, the development code has been reviewed with a draft code prepared and under review, improvements have been made to the Row River Trailhead park, water system improvements have begun, the 911 center has been refurbished with all new state-of-art radio and computer equipment, all the lots in the industrial park have been sold, efforts to secure broadband services in Cottage Grove have

begun and we are embarking on a major community-wide visioning project. The 2007-08 Budget year looks like it will be just as exciting as this year.

But with all these successes we must remember that our resources are not unlimited. We can take some comfort that at least our budget does not have the extent of challenges as many of the counties around the state. But we must be aware that the County budget issues will likely have an impact on the ability of Cottage Grove to meet the needs of our own citizens. How is Lane County funding issues going to affect us? The Street Fund is already feeling the impact with the elimination of the City/County Road Partnership funds. We will likely see increased costs in our Municipal Court, City Attorney and jail budgets as we begin to take over jurisdiction of crimes traditionally prosecuted by the District Attorney's office. It is also going to become more difficult to explain to members of the community that we will only provide services within our boundaries and for the citizens within the City limits. Our neighbors just outside the City limits will find it hard to believe that our police will not respond and that they have to pay to use the library. Cities around the country are finding it difficult to fund services as a result of the impact from the population that lives just outside of the city limits and pays no taxes for the provision of those services. I believe the County's budget difficulties will increase this impact on Cottage Grove.

Additionally the State continues to add programs, obligations or responsibilities to local jurisdictions with little regard for the associated costs. We also face challenges from the state to pre-empt our local authority to solve our own problems. The legislature again this year considered a preemption of local motor vehicle fuel taxes. They are currently discussing eliminating the authority of cities to levy certain kinds of other taxes. All this is just a reminder that we must keep an eye on how other outside forces will impact our budget.

We must carefully consider the sustainability of all future projects. It may also require tough decisions to either find, maintain or increase funding sources or to restrict or eliminate services.

On a daily basis I continue to be impressed with the dedication and efforts of City staff to provide the very best service to the community possible. Sure we have an occasional problem, but on the whole, staff is professional and committed to protecting the future of the community. So much of the work that is performed by City staff is to make sure that the future generations do not have to pay for mistakes from present actions or omissions.

Thank you to everyone that has had a part in the development of this Proposed Budget. This budget was different than previous budgets and truly a challenge. Many hours from a variety of staff have made this document possible. Thank you in advance to the Budget Committee for their careful consideration of this important document. Please do not feel hesitant to ask questions or seek clarifications about this document.

As always, if you have any questions regarding this budget message or the budget document, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Meyers", with a stylized flourish at the end.

Richard Meyers
City Manager

CITY OF COTTAGE GROVE BUDGET OVERVIEW

HOW TO READ THE BUDGET

The budget document serves two distinct purposes. The first is to present the City Council and the public with a clear picture of the services the City provides and the policy alternatives that are available. The second is to provide City management with a financial and operating plan that conforms to the City's accounting system.

The Introduction provides an overview of the key policy issues and programs in the budget and presents the major areas of emphasis for the City in 2007-2008.

The Budget Summaries section provides the big picture of the document as an operating and financial plan.

The details of the City's budget are presented by fund and department in the Fund Accounting section.

The Appendix includes a budget calendar, a glossary of terms to help translate some of the budget jargon into plain English and the budget resolution.

BUDGET PROCESS

Preparation of the budget begins in February. The Finance Director provides budget worksheets to each department and asks department heads to estimate their expenditures for the remainder of the current year and to submit their requests for the coming year. The department heads meet with the City Manager/Budget Officer to review, revise and balance the budgets.

The City has three represented groups of employees: Police Officers' Guild, Public Works' Laborers, and the General bargaining unit. The General unit is made up of full time clerical and technical/professional employees. Where unions exist, wages, benefits and some materials and services are determined by contract and can be budgeted exactly. Supervisory positions across all departments are not covered by union agreements. Wages for supervisory positions are budgeted with annual cost of living adjustments.

For a number of line items, the departments use historical data to estimate the next fiscal year's budget. These include utilities and telephone, temporary wages and overtime wages. Other line items are estimated based upon the next year's anticipated need. These include advertising, contractual services, medical supplies and equipment and capital outlay. Some line items are set by prior agreements and contracts for services and must be budgeted at the agreed-upon amounts. Most departments use a combination of these methods to estimate the budget for the coming year.

Revenue line items are estimated by using historical data, information from Lane County, the League of Oregon Cities and other outside agencies and by reviewing intergovernmental and other agency agreements. Staff also keeps informed throughout the year on projects that will affect revenue.

The Budget Committee is composed of the members of the City Council and an equal number of qualified citizens. The committee meets in a public meeting to review the budget document as proposed by the Budget Officer. Public hearings are conducted to receive taxpayer comment. Notices of the hearings are required in the newspaper, by direct mailing or by hand delivery. The Budget Committee reviews the proposed budget and either revises the proposed figures or approves them as presented.

The budget, as approved by the Budget Committee, is published in the newspaper in summary form and the full document is made available for public inspection during regular business hours at City Hall. Prior to June 30, an advertised public hearing is held before the City Council to consider the approved budget. The City Council ultimately adopts the budget by resolution.

The resolution adopting the budget authorizes appropriations for each fund and sets the level of control by which expenditures cannot legally exceed appropriations. Total expenditures by department are the level of control for the General, Street, Water, Wastewater and Police Communications Funds. Expenditure categories of personal services, materials and services, capital outlay and other financing uses are the level of control for all other funds. The detail budget document is required to contain specific information for all of the expenditure categories.

There are two methods under Oregon State Budget Law for the City to revise an adopted budget. Unexpected additional resources may be added to the budget during the year by adopting a supplemental budget. This procedure requires notice published by newspaper, mail, or hand delivery, and a public hearing, if the amount exceeds any fund expenditure by 10% or more, prior to approval by the City Council. The second method is to transfer budgeted amounts within a fund from one category to another. Both changes are made by resolution.

BUDGET POLICIES

The City will seek to maintain its present service levels.

The City will annually adjust water and sewer rates to assure that revenues adequately support the operation and maintenance of the systems.

The City will continue to build reserves to provide for future capital improvements. It is the policy of the City of Cottage Grove to fund capital improvements through grants and reserves first using indebtedness only as necessary.

The City will set aside between 5-10% in the contingency and unappropriated balances in the General Fund each year to maintain a sound financial condition and avoid short-term financing.

REPORTING ENTITY

In evaluating how to define the "City" as an entity for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in generally accepted accounting

principles (GAAP). These criteria are 1) the scope of public service, 2) the governing body's ability to exercise oversight responsibility, and 3) special financing relationships.

Based upon the application of these criteria, the Urban Renewal Agency qualifies as component unit. The following is addressed in defining the reporting entity:

Cottage Grove Urban Renewal Agency - The agency was formed to plan, direct and manage certain projects within Cottage Grove. Pursuant to ORS 457.055 and under Lane County's order No. 86-8-27-1H, the City Council has been appointed governing body of the agency. The major revenue sources are property taxes and debt issues. The Urban Renewal Agency is a component unit of the City of Cottage Grove but its budget is prepared separately.

BASIS OF ACCOUNTING

The City of Cottage Grove budgets on the modified accrual basis of accounting. Under this accounting method, revenues are recognized in the accounting period in which they become available and measurable. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

Those revenues susceptible to accrual are taxes, inter-governmental revenues, interest earnings and charges for services. Licenses and permits, fines and forfeitures and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

FUND ACCOUNTING

The City uses funds to report its financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities. A fund is a separate accounting entity with a self-balancing set of accounts. The City's budget is broken down into the following categories and funds.

General Fund

This fund accounts for all general operating revenues and expenditures not properly accounted for in another fund. The major revenue sources are property taxes, franchise taxes and state-shared tax revenues. Expenditures in the General Fund are made for police protection, park and building maintenance, administration and council, finance, municipal court, attorney services, engineering, planning and development, as well as library services and community promotion.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are restricted by law, ordinance or resolution to expenditures for specific purposes.

- Street Fund - This fund was established as a requirement of ORS 366.815. Monies received from the State of Oregon (gasoline tax apportionment) and the local gas tax established in July 2003, are the major source of revenue. In accordance with the Oregon Constitution, Article IX, Section 3a, the gasoline tax apportionment received from the state is to " . . . be used exclusively for the construction, reconstruction, improvement, repair, maintenance, operation and use of public highways, roads, streets and roadside rest areas in this state."
- Bicycle and Footpath Fund – This fund receives one percent of the State gas tax that is earmarked for bicycle path and footpath maintenance and improvement.

- Building Inspection Program Fund – This fund accounts for building permit revenues and the activities of the City's Building Permit Program. It was established because of State legislation mandating that Building Permit revenue not be used for any purpose other than building permit programs.
- Police Communications Fund - This fund accounts for revenues received from the State of Oregon for the operation of the South Lane Public Safety emergency telephone system (911). All expenditures involved with emergency and routine communications and other support services for the Cottage Grove Police Department are accounted for in this fund, which is financed through a property tax revenue transfer from the General Fund as well as the 911 revenues.
- Narcotics Forfeiture Fund - This fund accounts for monies received by the City by forfeiture. The monies must be used for drug enforcement activities and other law enforcement programs.
- Assessment Fund - This fund accounts for the receipts and expenditures for all local improvement districts of the City. The major revenue sources are proceeds from assessment principal and interest payments and debt issues associated with Local Improvement Districts.
- Small Business Loan Fund - This fund accounts for monies originally received from a Community Development Block Grant. Repayment of the original grant to the City has made funds available for a revolving loan program. These monies are loaned to qualified small businesses.
- Rehabilitation Loan Fund - This fund accounts for monies originally received from a Community Development Block Grant (CDBG) in 1982, another received in 1995, and an additional CDBG received in 1996. The monies are to provide assistance to homeowners that are disadvantaged by age, disability or income to correct health, safety and/or structural hazards.

Enterprise Funds

These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The costs of providing the services are financed primarily through user charges.

- Water Fund - Financial activities of the City-owned water utility operations are recorded in this fund. Sales of water and connection fees are the major revenue sources.
- Wastewater Fund - Financial activities of the City-owned sewer service are accounted for in this fund. User charges are the main revenue source.
- Storm Drain Utility Fund – This fund accounts for revenues and expenditures involved in the operation of the storm drainage utility. Storm drainage fees are the main revenue source.
- Industrial Park Operations Fund - This fund accounts for all revenues and expenditures involved in the marketing, leasing and operation of the Highway 99S Industrial Park.

Capital Projects Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

- Water System Development Fund - This fund was established to accumulate monies derived from water system development charges for facility expansion or improvement. The use of these funds is restricted by City ordinance.
- Street System Development Fund - This fund was established to accumulate monies derived from street system development charges for facility expansion or improvement. The use of these funds is restricted by City ordinance.
- Wastewater System Development Fund - This fund was established to accumulate monies derived from wastewater system development charges for facility expansion or improvement. The use of these funds is restricted by City ordinance.
- Storm Drain System Development Fund - This fund was established to accumulate monies derived from storm drain system development charges for facility expansion or improvement. The use of these funds is restricted by City ordinance.
- Parks System Development Fund - This fund was established to accumulate monies derived from parks system development charges for facility expansion or improvement. The use of these funds is restricted by City ordinance.

Reserve Funds

These funds are set up to accumulate monies to make major capital purchases and improvements.

- General Reserve Fund - This fund was established for the purpose of accumulating monies to acquire equipment or vehicles, make major emergency repairs and/or to contract for services related to General Fund activities or programs. Transfers are the major source of revenue.
- Water Reserve Fund - This fund was established to accumulate monies for major emergency repairs, extensions, equipment, alterations or other capital improvements to the water system. Revenue is received from the assessment of a water surcharge.
- USDA Loan Payment Reserve Fund – This fund was established to accumulate monies in the event the City is unable to make payment on the loan with the United States Department of Agriculture, Rural Development Department, from the operations of the Industrial Park. As part of the loan conditions, the City is required to accumulate a minimum of \$41,496. This year the loan will be paid in full and the fund will be closed.
- Wastewater Reserve Fund - This fund was established to accumulate monies for major emergency repairs, extensions, equipment, alterations or other capital improvements to the sewer system. Revenue is received from the assessment of a wastewater surcharge.

- Storm Drain Reserve Fund – This fund was established to account for the accumulation of monies collected from the Storm Drain Improvement Surcharge assessed to utility customers. This revenue will be used for the infrastructure improvements needed for the City's storm drain system.

Debt Service/Fiduciary Funds

Debt Service Funds account for the payment of general obligation principal and interest not recorded in other funds. A Fiduciary Fund is used to account for assets held by the City in a trustee capacity. Nonexpendable Trust Funds are accounted for in essentially the same manner as Enterprise Funds since capital maintenance is an important factor.

- Debt Service Fund - This fund is used to accumulate funds for the repayment of debt issues. Currently, the fund accounts for the repayment of the loan to build the new City Shop, for the debt service on the PERS refinancing pension bonds, to repay loans for the improvements to the water and wastewater treatment plants, as well as loans associated with the purchase of Middlefield Golf Course.
- Special Trusts Fund - This trust fund was established to account for interest earnings on a fixed principal donation by the estate of Edd Jenks individual. The Ed Jenks trust is a nonexpendable trust. Disbursements are restricted to purchases of nonfiction books for the library. Additionally, the City has established the Memorial Trees Program Trust and this year the fund will hold monies for the future installation of a traffic signal per the Sunrise Ridge Planned Unit Development agreement.

DEBT ADMINISTRATION

The City entered into a loan agreement with the Economic and Community Development Department of the State of Oregon (OECDD), Special Public Works Fund (SPWF) for water system improvements that were completed in 1993. The outstanding principal balance is \$918,239.

There are three loans outstanding for the Industrial Park Project. Two are with OECDD SPWF for a total loan amount of \$501,518. The outstanding balances are \$279,241 and \$232,255. Revenue bonds in the amount of \$700,000 were sold to USDA's Rural Development Department (RD). The principal balance of the RD bonds is \$660,587. All Industrial Park loans will be repaid from Industrial Park revenues.

The Public Works shop improvements were funded with a loan in March 1999 from Bank of America. The loan was refinanced with Bank of America in January 2004. The outstanding balance on that loan is \$758,116.

Debt was issued in July 1999 for the purchase of the building at 700 Gibbs Street to house the Library and Community Center. The loan is with Umpqua Bank. The original loan was for \$805,000. All but \$210,000 of the principal was paid through grants and donations. The loan was paid in full, June 2006, and is no longer reflected in the General Fund.

In March 2002, the City issued pension bonds to refinance its unfunded actuarial liability (UAL) which had been financed in the City's employer rate for payroll paid to the Public Employees Retirement System (PERS). PERS was charging the City 8% annual interest on its UAL. The City, along with ten other public entities, took advantage of the lower interest rates available on

the open market and participated in a bond sale. The City then paid a lump sum to PERS from the bond proceeds. The bond carries an interest rate of 7.02%. The bonds will be repaid over 25 years. The current principal balance of the pension bonds is \$1,815,993.

Wastewater Treatment Plant improvements were funded with a loan from the Oregon Department of Environmental Quality, State Revolving Fund Loan Program. The original loan amount was \$9,755,000, for a term of 20 years, at 3.10% interest. This budget reflects an additional \$600,000 to be paid towards principal, for a new loan balance of \$8,661,398. The funds for repayment are scheduled to be transferred from the Wastewater Reserve fund to the Debt Service Fund.

Under current state statutes, the City's general obligation bonded debt issuances are subject to legal limitation based upon three percent of the true cash value of all taxable property within its boundaries, except for bonds issued for water, sanitary or storm sewers, sewage disposal, bonds issued pursuant to applications to pay assessments for improvements in installments and other specific purposes as described in Oregon Revised Statutes 287.003. As of June 30, 2003, the City had no general obligation bonded debt subject to the limitation.

CONSTITUTIONAL PROPERTY TAX LIMITATION

Oregon's constitutional limit on property tax rates is effective for fiscal years beginning after June 30, 1991. Under the provisions of the limitation, property tax levies are separately aggregated for public education and local governments (i.e. counties, cities, special districts, etc.). The tax rate (tax levy divided by assessed property values) for local governments cannot exceed \$10 per \$1,000 of assessed value applied on a tax lot basis. If the computed tax rate for an individual tax lot is greater than \$10, the levy amounts are to be reduced on a pro-rata basis until the property tax rate limit is met. Each year the City must evaluate the impact of this limit on the services it provides.

Additionally, a second limitation to property tax collection was approved by Oregon voters in the November, 1996 and May, 1997 elections in the form of ballot measures 47 and 50. In its initial year, fiscal year 1997-98, the measures rolled back property tax collections to 90% of an individual property's tax for the 1995-96 tax year or to the tax on that property for the 1994-95 tax year, whichever was less. In subsequent years that tax collection cannot exceed an annual three percent increase.

Measure 50 established a partial rate-based system of property taxation in Oregon. Based on an entity's previous property tax levies, a permanent rate per thousand dollars of assessed property value was determined. The City's permanent rate is \$7.2087 per \$1,000 of assessed value. The City Council has authority to establish a rate up to the permanent rate of \$7.2087. The adopted rate is applied to the total assessed value at January first to calculate tax revenues for the coming fiscal year. The proposed budget for fiscal year 2007-2008 levies the full permanent rate.

**CITY OF COTTAGE GROVE
BUDGET SUMMARY
2007-08 FISCAL YEAR**

FUND	REQUIREMENTS	OTHER SOURCES	TAX LEVY	6.5% UNCOLLECTIBLE	REQUIRED TAX LEVY
General	5,974,938	2,884,938	3,090,000	200,850	3,290,850
Water	1,401,507	1,401,507			
Street	1,065,347	1,065,347			
Assessment	145,200	145,200			
Police Communications Fund	579,974	579,974			
Industrial Park Operations	1,095,431	1,095,431			
Storm Drainage Utility	169,950	169,950			
Bicycle & Footpath	1,459,633	1,459,633			
Building Insp. Program Fund	329,750	329,750			
Debt Service	1,979,592	1,979,592			
Wastewater	1,523,198	1,523,198			
Special Trusts Fund	230,402	230,402			
Small Business Loan	9,150	9,150			
Rehabilitation Loan	422,825	422,825			
General Reserve	309,600	309,600			
Water Reserve	9,078,734	9,078,734			
USDA Loan Payment Reserve	0	0			
Wastewater Reserve	1,520,379	1,520,379			
Storm Drainage Reserve	714,224	714,224			
Narcotics Forfeiture	269,000	269,000			
Water Systems Development	493,462	493,462			
Street Systems Development	237,059	237,059			
Wastewater Systems Development	749,881	749,881			
Storm Drain Systems Development	480,916	480,916			
Parks Systems Development	89,548	89,548			
TOTAL	30,329,700	27,239,700	3,090,000	200,850	3,290,850
ESTIMATED TAXABLE ASSESSED VALUATION			458,658,284		
PERMANENT TAX RATE/\$1000 ASSESSED VALUE:		7.2087			

**Summary of Revenues & Expenditures
(All Funds Combined)**

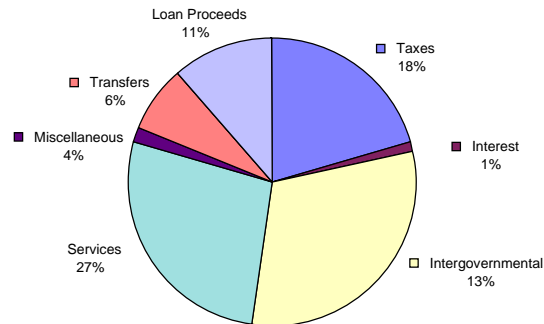
	Actual 2004-05	Actual 2005-06	Budget 2006-07	Budget 2007-08
Beginning Balance	7,084,430	7,646,166	7,194,083	6,573,319
Revenues/Sources				
Taxes	3,751,175	3,804,722	3,884,300	3,261,000
Interest	171,688	312,029	193,200	221,245
Intergovernmental	1,480,119	1,429,296	5,731,618	8,499,040
Services	4,632,133	4,843,616	5,121,399	5,812,098
Miscellaneous	369,474	340,805	330,925	1,043,940
Transfers	1,000,590	1,185,251	1,399,552	3,569,058
Assessments	16,938	32,834	0	0
Loan Proceeds	5,979,687	3,550,837	2,150,000	1,350,000
Total Revenues	17,401,804	15,499,390	18,810,994	23,756,381
Beg. Bal. + Revenues	24,486,234	23,145,556	26,005,077	30,329,700
Expenses				
Personal Services	4,141,448	4,749,541	5,574,979	5,985,916
Materials & Services	2,461,972	2,701,723	5,467,836	6,169,421
Capital Outlay	7,572,557	0	8,903,661	9,530,664
Debt Service	1,043,075	669,827	1,739,375	3,155,033
Transfers	1,025,590	1,295,251	2,020,844	3,546,312
Contingency	0	0	1,850,332	1,359,404
Total Expenses	16,244,642	9,416,342	25,557,027	29,746,750
Ending Balance	8,241,592	13,729,214	448,050	582,950
Expenses + End. Bal.	24,486,234	23,145,556	26,005,077	30,329,700

Notes:

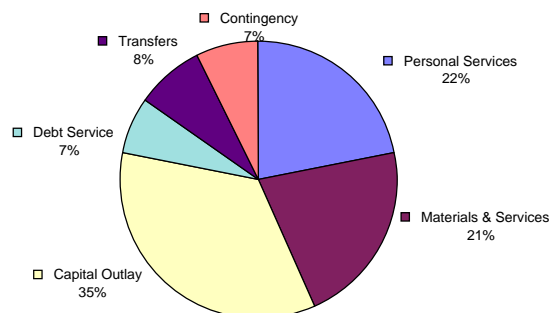
Miscellaneous revenues include fines, forfeitures, licenses, and permits.

Taxes include property taxes, transient room taxes,
and franchise payments.

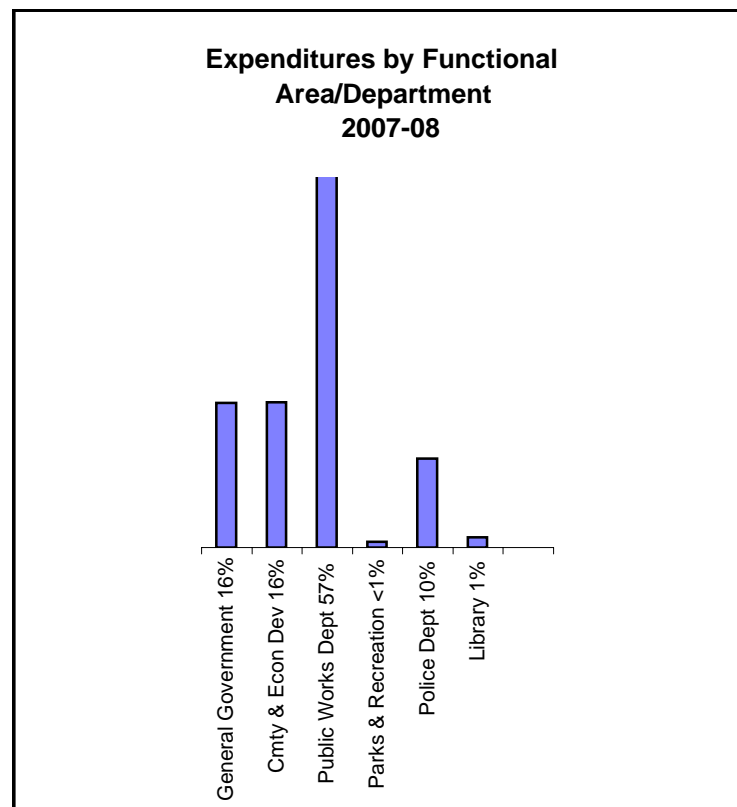
All Funds - Budgeted Sources of Revenue (2007-08)



All Funds - Budgeted Categories of Expenses (2007-08)



Summary of Expenditures by Functional Area/Department (All Funds Combined)	
	Budgeted 2007-08
General Government 16%	4,753,505
Cnty & Econ Dev 16%	4,768,164
Public Works Dept 57%	17,348,692
Parks & Recreation <1%	188,871
Police Dept 10%	2,924,093
Library 1%	346,375
TOTAL	30,329,700



Summary of Revenues & Expenditures (General Fund)

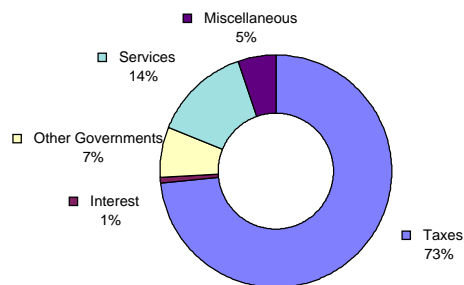
	Actual 04-05	Actual 05-06	Budget 06-07	Budget 07-08
Beginning Balance	830,682	1,134,946	850,826	1,050,855
Revenues				
Taxes	2,955,697	3,463,743	3,509,300	3,261,000
Interest	26,436	76,097	44,000	90,200
Other Governments	403,548	370,617	328,470	353,981
Services	653,378	728,698	660,548	682,427
Miscellaneous	42,157	197,469	250,975	536,475
Transfers	20,000	0	0	0
Loan Proceeds	0	0	0	0
Total Revenues	4,101,216	4,836,624	4,793,293	4,924,083
Beg. Bal. + Revenues	4,931,898	5,971,570	5,644,119	5,974,938
Expenses				
Personal Services	2,412,267	2,799,839	3,114,273	3,304,911
Materials & Services	822,035	752,158	1,280,858	1,412,545
Capital Outlay	22,819	12,256	75,400	70,752
Debt Service	40,000	48,593	66,451	79,111
Transfers	499,831	504,869	482,837	492,669
Contingency	0	0	209,300	220,000
Total Expenses	3,796,952	4,117,715	5,229,119	5,579,988
Ending Balance	1,134,946	1,853,855	415,000	394,950
Expenses + Ending Bal.	4,931,898	5,971,570	5,644,119	5,974,938

Notes:

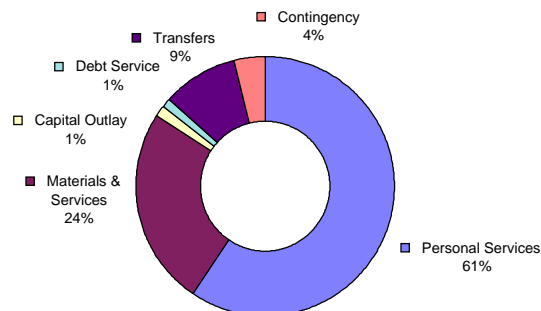
Miscellaneous revenues include fines, forfeitures, licenses, and permits.

*Taxes include property taxes, transient room taxes
and franchise payments.*

General Fund - Budgeted Sources of Revenue (2007-08)



General Fund - Budgeted Categories of Expense (2007-08)



**CITY OF COTTAGE GROVE
BUDGET SUMMARY
GENERAL FUND
2007-08 FISCAL YEAR**

DEPARTMENT	FUND/ DEPT #	PERSONAL SERVICES	MATERIALS & SERVICES	CAPITAL OUTLAY	TRANSFERS	DEBT SERVICE	CONTINGENCY	UNAPPRO- PRIATED BALANCE	TOTAL
City Manager	01/30	234,380	39,450	0					273,830
City Attorney	01/31		66,070						66,070
Community Development	01/32	263,740	163,900	0					427,640
City Council	01/33		32,620						32,620
Community Center	01/34	68,854	21,800						90,654
Municipal Court	01/36	94,095	23,530						117,625
Police Operations	01/37	1,689,750	293,737	69,752					2,053,239
Youth Peer Court	01/40	20,080	1,800						21,880
Parks	01/41	61,067	37,150						98,217
Building Maintenance	01/42	79,900	52,700						132,600
Community Promotions	01/43		56,900						56,900
Engineering	01/44	255,070	28,050						283,120
Finance	01/45	243,650	41,125	1,000					285,775
Library	01/47	294,325	52,050						346,375
Non Departmental	01/95		501,663		492,669	79,111	220,000	394,950	1,688,393
TOTAL		3,304,911	1,412,545	70,752	492,669	79,111	220,000	394,950	5,974,938

**CITY OF COTTAGE GROVE
BUDGET SUMMARY
POLICE
2007-08 FISCAL YEAR**

DEPARTMENT/FUND	FUND/ DEPT #	PERSONAL SERVICES	MATERIALS & SERVICES	CAPITAL OUTLAY	TRANSFERS	CONTINGENCY	TOTAL
Police Operations	01/37	1,689,750	293,737	69,752			2,053,239
Youth Peer Court	01/40	20,080	1,800				21,880
Police Communications	06	481,580	81,040	7,350	8,004	2,000	579,974
Narcotics Forfeiture Fund	38	15,350	48,382	37,500	1,055	166,713	269,000
TOTAL POLICE		2,206,760	424,959	114,602	9,059	168,713	2,924,093

**CITY OF COTTAGE GROVE
BUDGET SUMMARY
PUBLIC WORKS
2006-07 FISCAL YEAR**

DEPARTMENT/FUND	FUND/ DEPT #	PERSONAL SERVICES	MATERIALS & SERVICES	CAPITAL OUTLAY	TRANSFERS	DEBT SERVICE	CONTINGENCY	UNAPPROP- RIATED BALANCE	TOTAL
Parks	01/41	61,067	37,150						98,217
Building Maintenance	01/42	79,900	52,700						132,600
Engineering Services	01/44	255,070	28,050						283,120
Water Fund-Distribution	02/50	459,441	166,500						625,941
-Production	02/54	326,336	179,500						505,836
-Non-Dept.	02/95		148,677		66,231		54,822		269,730
Street Fund-Maintenance	03/01	251,957	211,600						463,557
-Sweeping	03/02	49,574	16,100						65,674
-Improvements	03/56		44,026	334,735					378,761
-Non-Dept.	03/95		118,889		32,430		6,036		157,355
Assessment Fund	04			145,200					145,200
Industrial Park Operations	09		22,267		0	1,073,164	0		1,095,431
Storm Drainage Utility	10	91,931	43,006		1,842		33,171		169,950
Bicycle & Footpath Fund	11		405,166	1,054,467			0		1,459,633
Building Permit Program	13	191,855	131,700	0	991	0	5,204		329,750
Debt Service	17					1,975,842	3,750	0	1,979,592
Wastewater-Collection	23/51	267,278	76,900						344,178
-Treatment Plant	23/52	266,787	167,900						434,687
-Middlefield Golf Course	23/53	278,916	173,100						452,016
-Non-Dept.	23/95		136,258		110,049		46,010		292,317
Water Reserve	32		2,174,838	6,005,405	400,333		313,158	185,000	9,078,734
USDA Loan Payment Reserve	34							0	0
Wastewater Reserve	35		87,249	137,925	1,265,425		29,780		1,520,379
Storm Drain Reserve	36		76,295	564,078	26,916		46,935		714,224
Water System Development	41		36,468	81,994	375,000				493,462
Street System Development	42		60,466	176,593	0				237,059
Wastewater System Development	43		26,685	123,196	600,000				749,881
Storm Drain System Development	44		80,268	400,648					480,916
Parks System Development	45		20,411	69,137					89,548
TOTAL		2,580,112	4,722,169	9,093,378	2,879,217	3,049,006	538,866	185,000	23,047,748

**PERSONAL SERVICES SUMMARY
GENERAL/PUBLIC SAFETY
FY2007-08**

POSITION DESCRIPTION	SALARY	CITY MANAGER	MUNI. COURT	FINANCE	POLICE OPS	YOUTH PEER COURT	POLICE COMM.	LIBRARY	COMM. CENTER	TOTALS
CITY MANAGER	97,685	97,685								97,685
ADMINISTRATIVE ASSISTANT	51,845	51,845								51,845
CLERICAL ASSISTANT .50 FTE	14,890	14,890								14,890
COMMUNITY COORDINATOR	35,479								35,479	35,479
FINANCE DIRECTOR	74,390			74,390						74,390
SENIOR ACCOUNTING TECH.	47,175			47,175						47,175
FINANCE CLERK	29,770			29,770						29,770
COURT/FINANCE CLERK	41,735		31,300	10,435						41,735
MUNICIPAL JUDGE -.25 FTE	23,620		23,620							23,620
POLICE CHIEF	82,875				66,295		16,580			82,875
ADMINISTRATIVE AIDE (POLICE)	34,560				25,920		8,640			34,560
POLICE COMMANDER	71,845				61,040		10,805			71,845
POLICE CORPORALS-4 FTE	221,090				198,960		22,130			221,090
POLICE OFFICERS-10 FTE	534,500				534,500					534,500
PARKING OFFICER-.5 FTE	6,615				6,615					6,615
RECORDS COORDINATOR	40,235				40,235					40,235
CLERK-.5 FTE	6,615				6,615					6,615
COMMUNICATIONS SPEC.- 5 FTE	200,625						200,625			200,625
PEER COURT COORD - .66 FTE	16,250					16,250				16,250
CULTURAL & RECREATION DIR..33 FTE	19,040							9,520	9,520	19,040
LIBRARIAN	50,750							50,750		50,750
SENIOR LIBRARY ASSISTANT	41,735							41,735		41,735
LIBRARY ASSISTANT	30,745							30,745		30,745
LIBRARY AIDE	65,595							65,595		65,595
TOTAL	1,839,664	164,420	54,920	161,770	940,180	16,250	258,780	198,345	44,999	
TOTAL FTE	38.34	2.50	1.00	3.25	18.00	0.66	6.00	5.765	1.165	

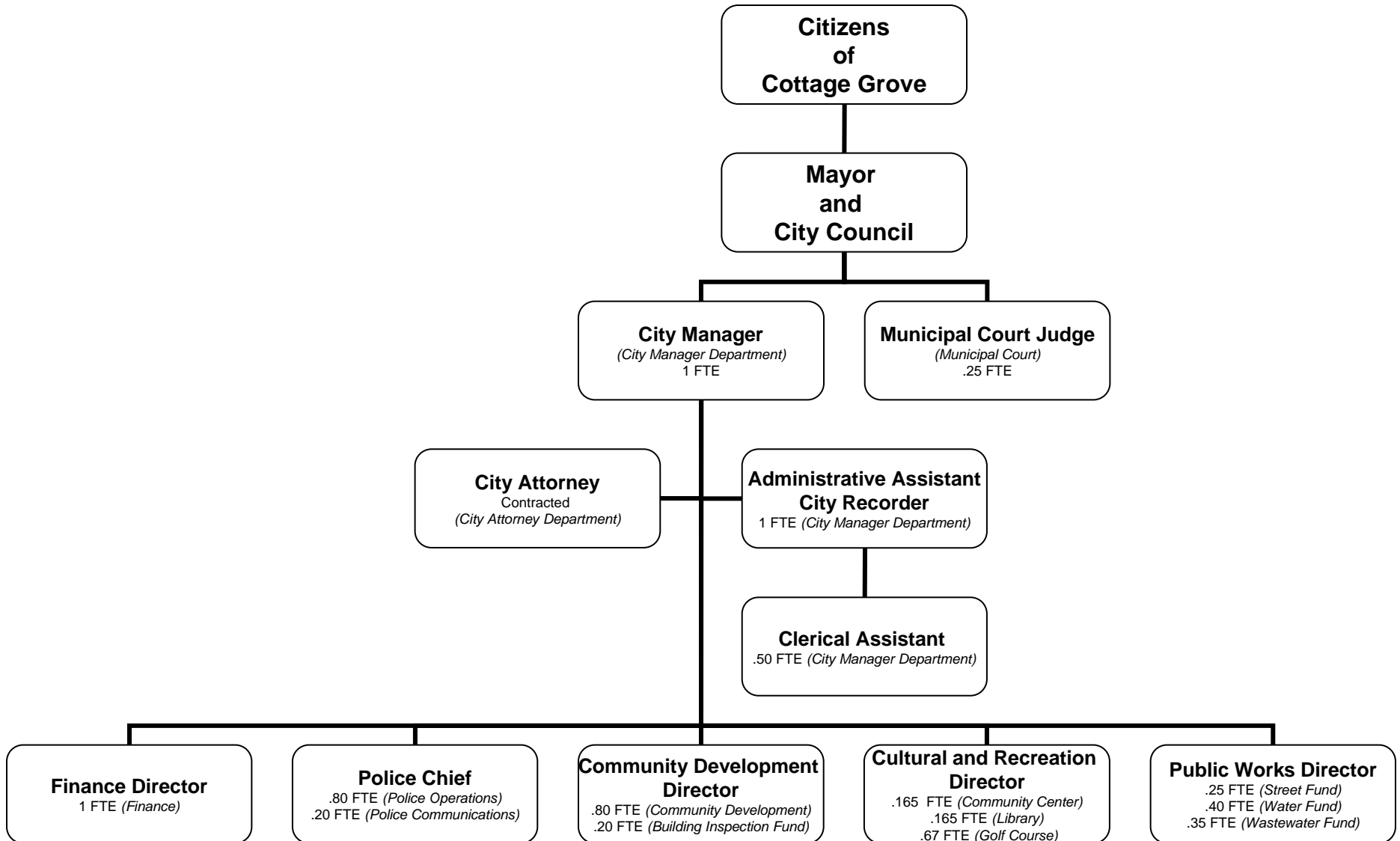
*FTE = Full Time Equivalents

**CITY OF COTTAGE GROVE
PERSONAL SERVICES SUMMARY
PUBLIC WORKS/COMMUNITY DEVELOPMENT
FY2007-08**

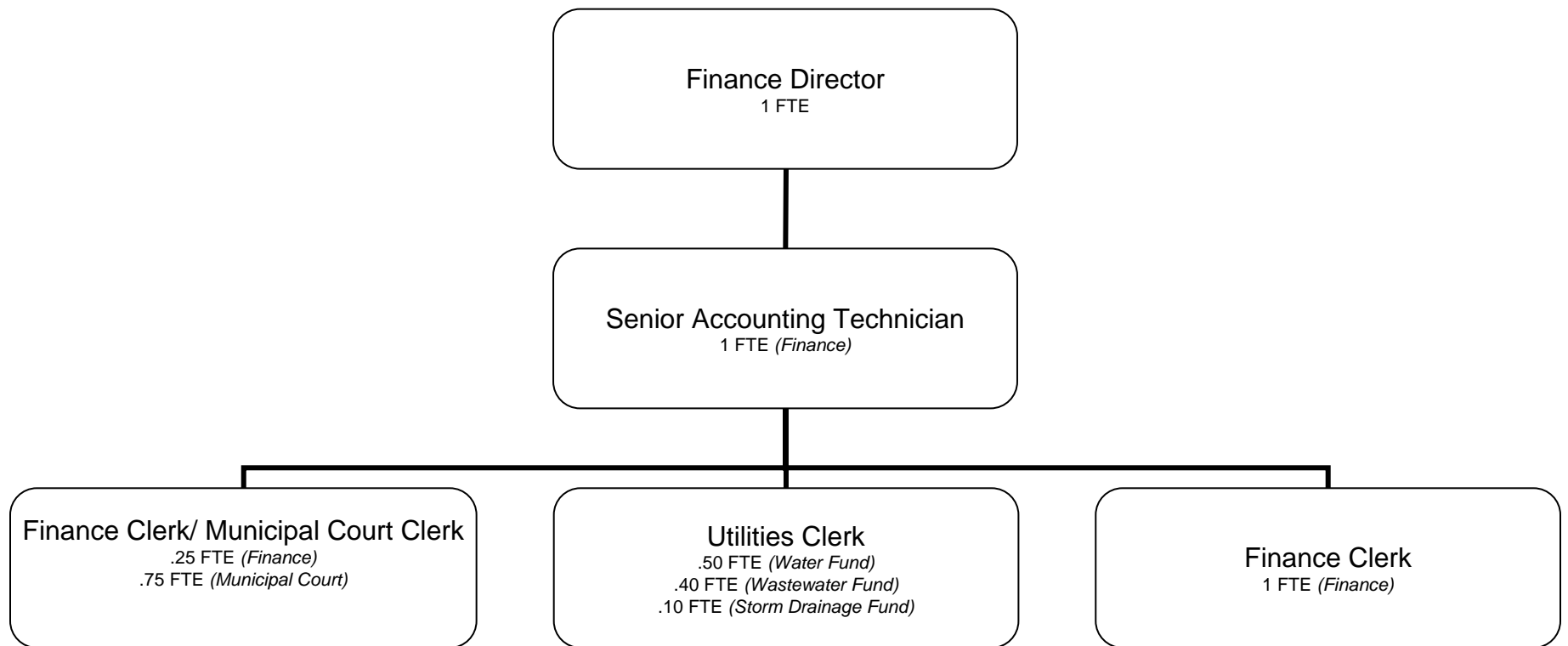
POSITION DESCRIPTION	SALARY	COMM. DEV.	PARKS	BLDG. MAINT.	WATER DIST.	WATER PROD.	ST. MAINT.	ST. SWPG.	ENG.	WW COL.	WWTP	GOLF	STORM DRAIN	BLDG. INSPECT.	TOTALS
PUBLIC WORKS DIRECTOR	73,375				18,344	11,006	18,344			18,344	7,337				73,375
FLEET & FACILITIES MANAGER	64,583				22,604	3,229	12,917	3,229		16,146	3,229		3,229		64,583
UTILITY MAINTENANCE SUPVR.	63,749				31,874		12,750			12,750			6,375		63,749
UTILITY MAINTENANCE-16 FTE	651,792		30,205	20,565	166,821	120,081	70,174	25,502		82,352	100,186		35,906		651,792
ADMIN. AIDE-PUB. WORKS-2 FTE	83,485	16,365			12,502	2,082	10,416	2,082		8,334	2,082		4,165	25,457	83,485
CUSTODIAN	29,765			29,765											29,765
CLERICAL ASSISTANT-SHOP	33,913				11,869	3,391	6,783			6,783	1,696		3,391		33,913
CLERICAL ASSISTANT - CITY HALL	32,022				1,601		1,601			1,601			1,601	25,618	32,022
WWTP SUPERINTENDENT	60,703										60,703				60,703
UTILITIES CLERK	37,080				18,540					16,686			1,854		37,080
WATER PROD. SUPERINTENDENT	62,887					62,887									62,887
CULTURAL & RECREATION DIR.-.67 FTE	38,645											38,645			38,645
GOLF SHOP MANAGER	31,246											31,246			31,246
GOLF SHOP ASSISTANTS	11,050											11,050			11,050
GOLF COURSE SUPERINDENTENT	42,874											42,874			42,874
CITY ENGINEER	71,387				10,708	3,569	10,708		32,125	10,708	3,569				71,387
ENGINEERING SUPERVISOR	54,325								54,325						54,325
ENGINEERING TECHNICIAN	51,930								51,930						51,930
ENGINEERING ASSISTANT	33,510								33,510						33,510
COMMUNITY DEVEL. DIRECTOR	79,805	64,600												15,205	79,805
BUILDING OFFICIAL	62,890													62,890	62,890
CITY PLANNER	51,935	51,935													51,935
PLANNING TECH	33,510	33,510													33,510
TEMPORARY WORKER - GOLF	67,000											67,000			67,000
TEMPORARY WORKER - NON GOLF	82,000	20,000	9,660			2,940	26,880						2,520	20,000	82,000
TOTAL	1,905,461	186,410	39,865	50,330	294,863	209,185	170,573	30,813	171,890	173,704	178,802	190,815	59,041	149,170	
TOTAL FTE	43.93	2.39	1.42	1.50	6.60	4.61	4.49	0.75	3.45	3.80	4.35	7.67	1.49	1.41	
FY2007-08 ALL FUNDS FTE TOTAL	82.27														
FY2006-07 ALL FUNDS FTE TOTAL	70.41														
FY2005-06 ALL FUNDS FTE TOTAL	68.41														
FY2004-05 ALL FUNDS FTE TOTAL	67.41														
FY2003-04 ALL FUNDS FTE TOTAL	63.41														
FY2002-03 ALL FUNDS FTE TOTAL	85.50														

City of Cottage Grove, Oregon

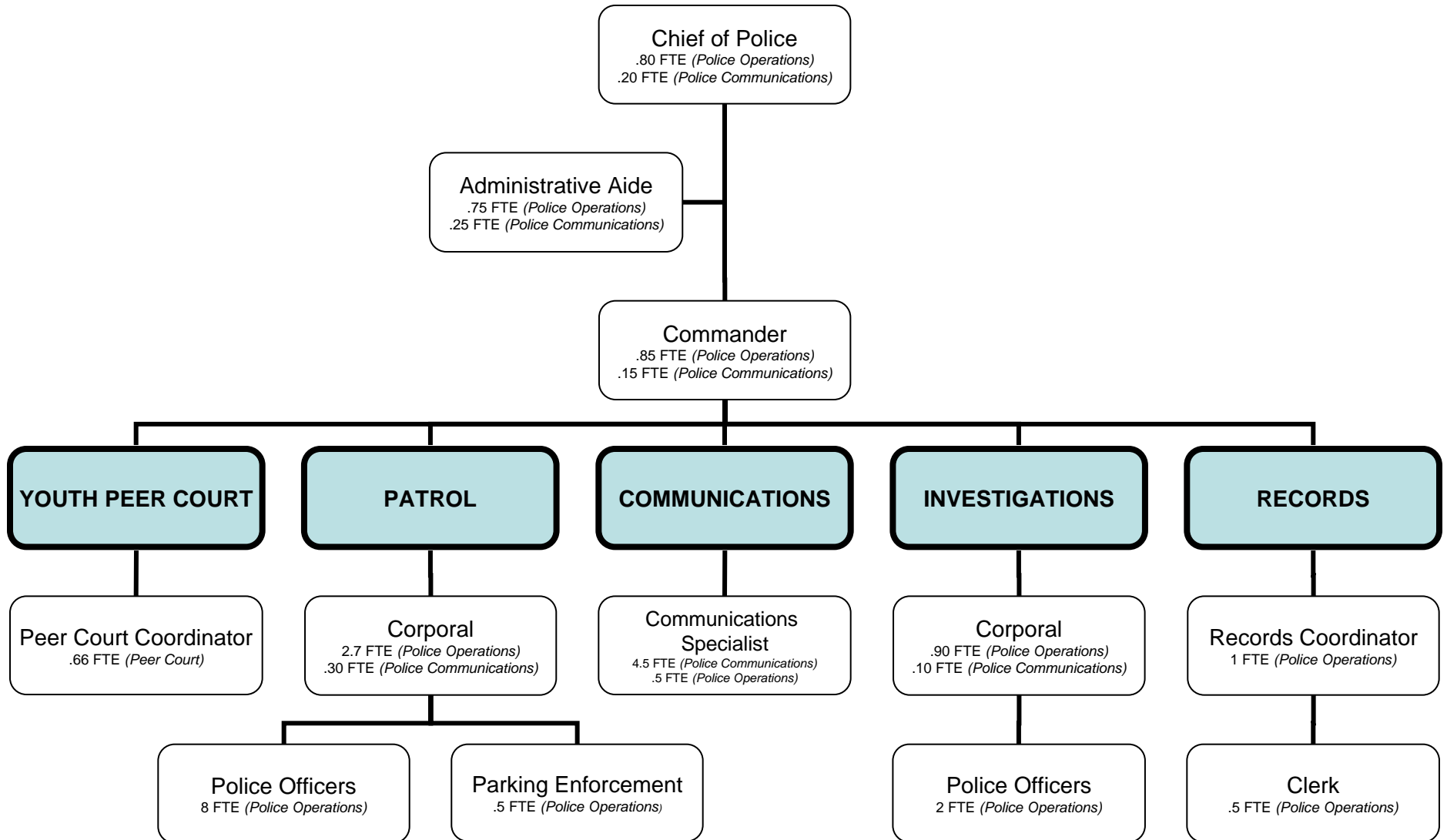
Organizational Chart



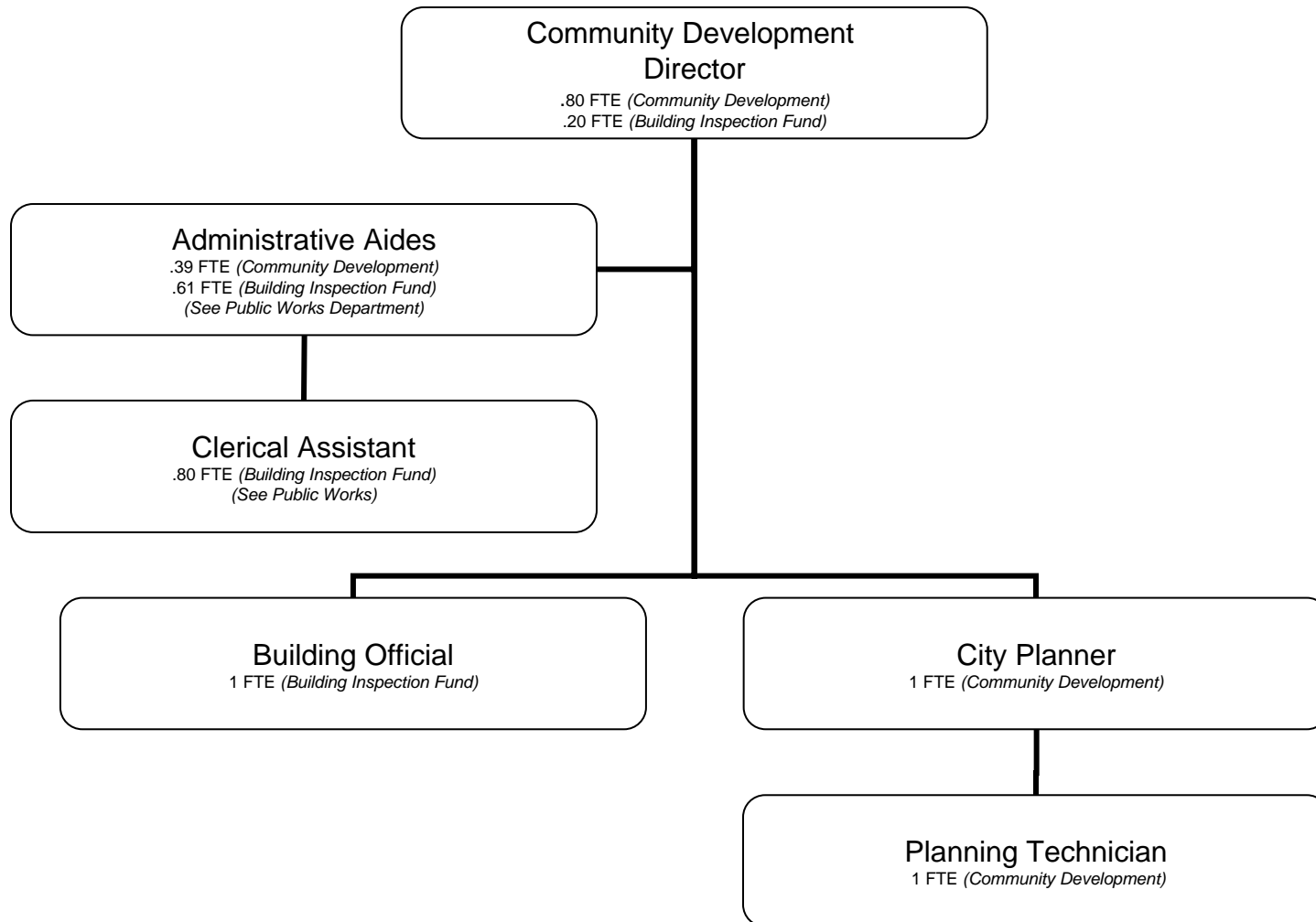
Finance Department



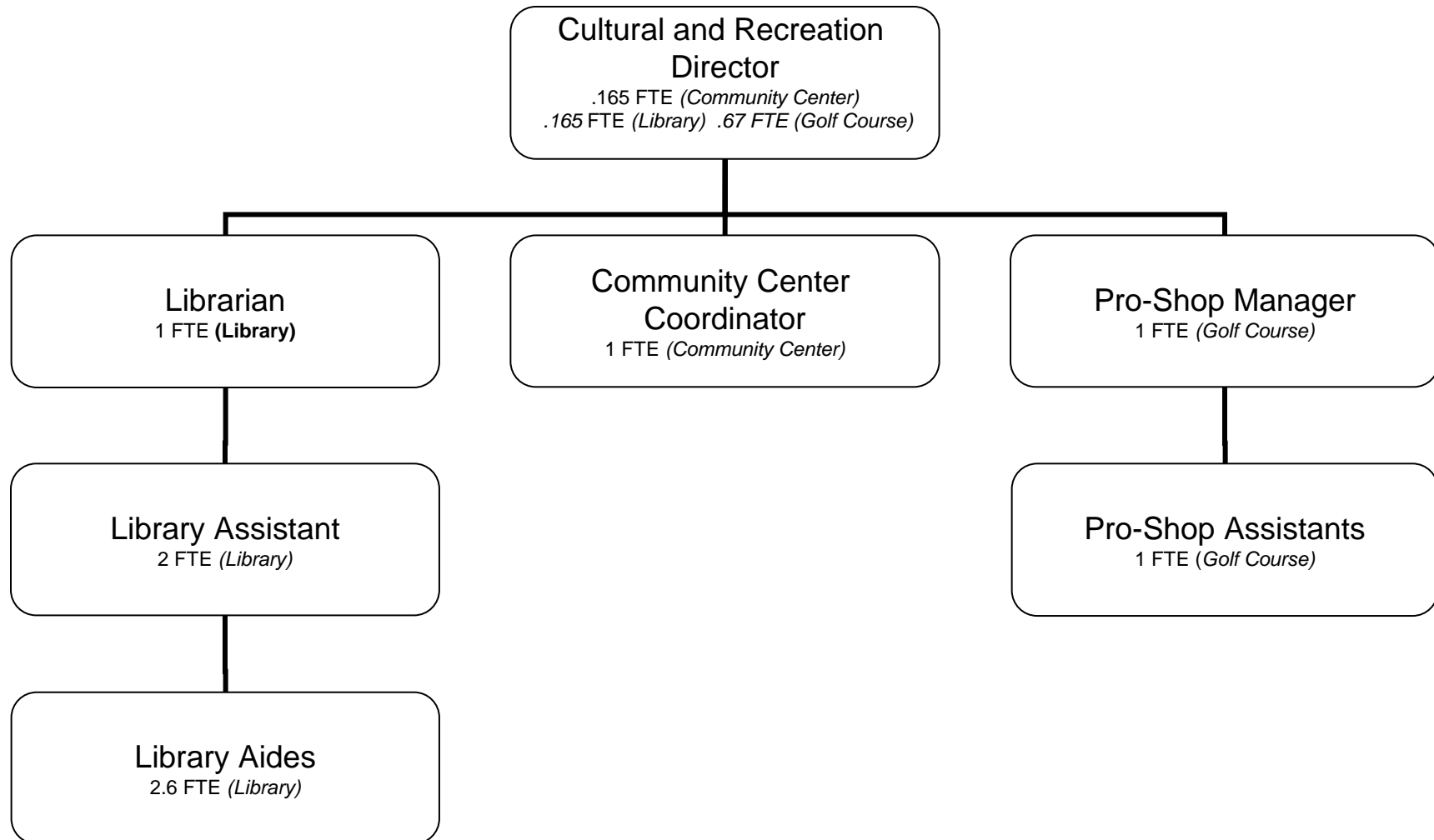
Police Department



Community Development



Cultural and Recreation Department



Public Works Department

