

City of Cottage Grove, Oregon

2025-26 Annual Budget

Budget Committee Members

City Council

Candace Solesbee, Mayor

Greg Ervin, Council President

Christine Hyink

Randell Lammerman

Dana Merryday

Jim Settlemeyer

Darrel Wilson

Citizen Members

Amber Bahler

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Alex Dreher

Greg Ingold

Charlene Sayles

Danny Solesbee

Johanna Zee

City Manager

Mike Sauerwein

Management Staff

Eric Kytola, Interim Finance Director

Faye Stewart, Public Works Director

Cory Chase, Chief of Police

Mandy Biehler, Human Resources Director



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May 13, 2025

TO: Mayor Solesbee, City Council, and Budget Committee Members

FR: City Manager and Budget Officer Mike Sauerwein

Attached is the 2025-2026 Proposed Budget for your consideration.

The purpose of this Budget Message is to review the City's Budget and Financial Policies, provide some background information for the General Fund, and introduce the Proposed Budget.

Budget and Financial Policies

Our Budget and Financial Policies guide the development and implementation of the City's Budget. Our Policies include:

- Operating Budget Policies
- Revenue Policy
- Reserve Policy
- Accounting Policy
- Budget Amendment Policy

Our Interim Finance Director Eric Kytola, and I will review these policies with the Budget Committee at your May 13, 2025, Meeting.

General Fund Background Information

As required by Oregon Law, the 2025–2026 proposed Budget for the City of Cottage Grove is balanced. Expenditures for all funds total \$46,973,783. After removing the Main Street Revitalization Project, the total Proposed Budget would be \$44,473,783.

The City's permanent property tax rate continues to be \$7.2087/\$1,000 of assessed value. This Proposed Budget uses the City's full permanent levy amount. The proposed full levy is estimated to generate \$6,100,000 of collectible tax revenue. \$250,000 more than the budgeted property tax revenue in 2024-2025.

Highlights of the Proposed Budget.

- Main Street Revitalization Project

Economic Development Administration (EDA) Grant Funds for this project are accounted for in the Special Revenue Fund. The grant will cross over multiple budget years and require additional reporting requirements.

- City Staff Reorganization

The City Management Team has reorganized the City Manager's Department, the Finance Department, Community Services (Community Center), the Police Department, and the Community Development Department. Details are included in your Budget Notebook.

- City Employees

The City is a service-based organization. People providing services to our residents.

Our General Employees, Public Works, and Police Guild Labor Contracts all expire June 30, 2025. All three contracts are currently under negotiation.

The Proposed Budget includes a 3.0% cost of living allowance for full-time and part-time non-represented employees.

- Water, Wastewater, and Storm Drain Utilities

In accordance with our Utility Financial Plan, the attached table compares the current utility rates with the proposed rates. Effective July 1, 2025.

Conclusion

Thank you for serving on the Cottage Grove Budget Committee. If you have questions or comments, please reach out to me.

Thanks again



Mike Sauerwein
City Manager
Budget Officer

	Water	Water	Water	Wastewater	Wastewater	Wastewater	Storm	Storm
	Base	Consumption /1000 gals	Improvement	Base	Consumption /1000 gals	Improvement	Drain ESU	Drain Improvement ESU
Current Rate	\$ 20.20	\$ 1.60	\$ 28.87	\$ 13.13	\$ 6.75	\$ 30.86	\$ 4.94	\$ 7.53
Proposed Rate	\$ 23.03	\$ 1.82	\$ 28.87	\$ 13.79	\$ 7.09	\$ 30.86	\$ 5.29	\$ 7.53

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 are to 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:

INTRODUCTION

This section contains a list of the Budget Committee Members, the City Manager's Budget Message, an overview of the City's budget process and calendar, and budget financial policies used to develop the Fiscal Year 2025-26 Budget. The budget amendment procedures are also discussed.

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:

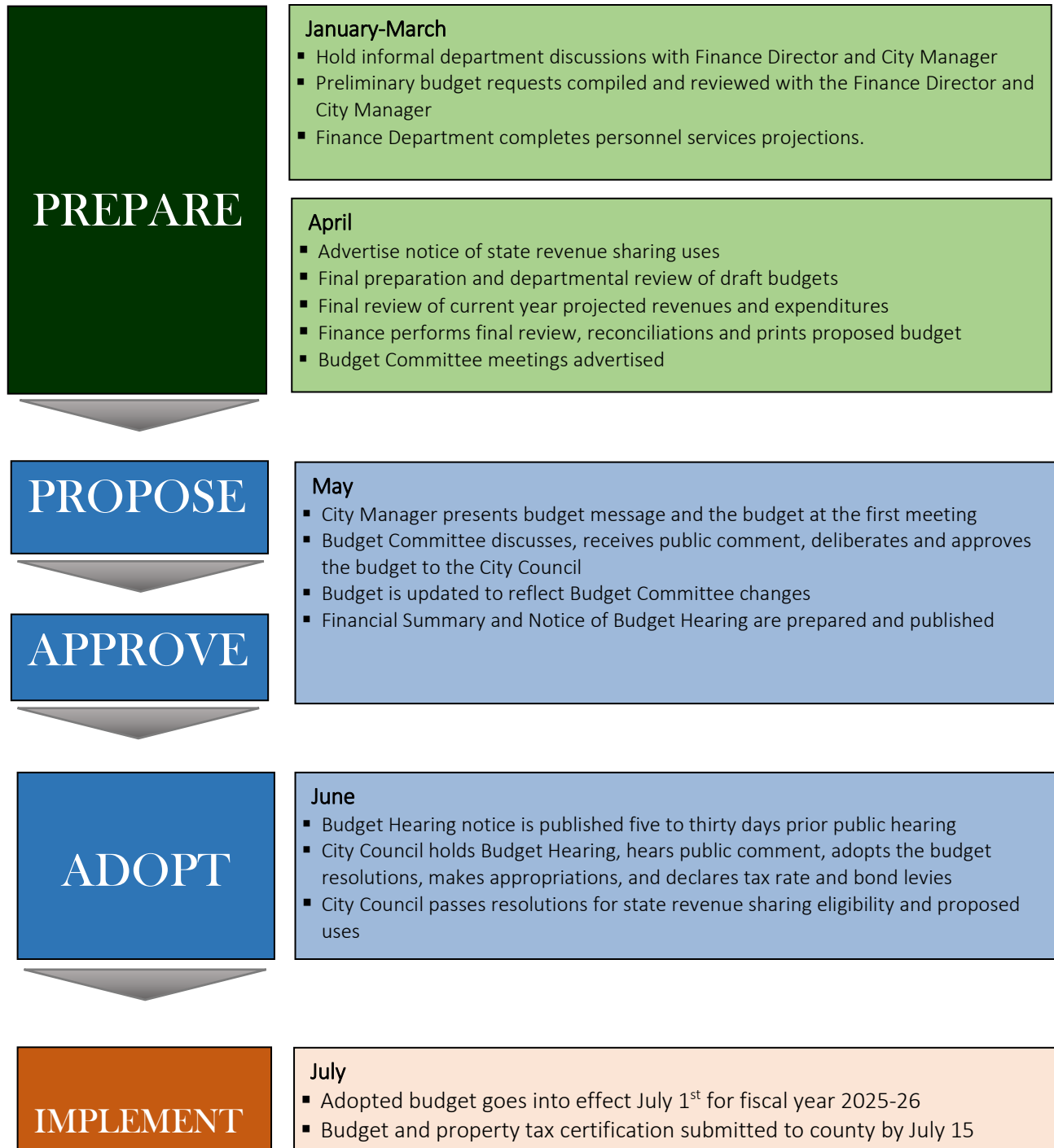
- General Fund
- Special Revenue Funds
- Enterprise Funds
- Capital Projects
- Reserve Funds
- Debt Service Funds
- Trust Funds

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.

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:



BUDGET/FINANCIAL POLICIES

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

OPERATING BUDGET POLICIES

- Personnel 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 reasonably 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 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:
 - ❖ To the extent possible, user charges for water, sewer, and storm drain will be sufficient to finance all operating, capital and debt service costs for said services.
 - ❖ To the extent possible, the Community Center will operate in a manner such that 5% of budgeted operating costs will be financed through user charges.
 - ❖ Golf Course operations and maintenance will be funded from user charges for all programs for which it is practical to charge. The goal is to have the fees represent at least 80% of the operating and debt service costs.
 - ❖ 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.
 - ❖ 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.
 - ❖ 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 287A.050.
- 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 strive to maintain its financial condition to 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 5% of fund operating budgets (excluding grant funding, capital outlay, and transfers to other funds). 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 3% or more of the fund revenues estimated for that fiscal year (excluding grant funding, capital outlay expenditures, and transfers to other funds). 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.

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 a supplemental budget will adjust fund expenditures by ten percent or less the supplemental budget may be adopted by the City Council at a regularly scheduled meeting. The budget committee is not required to be involved. If the proposed supplemental budget includes any changes by more than ten percent or will create a new fund or a new appropriation category, then a public hearing must be held and public comment taken before adoption of the supplemental budget. The City Council holds the hearing and the budget committee is not required to be involved. Notice requirements must also be met, depending on the process being utilized.