



ANNUAL BUDGET
FISCAL YEAR 2013-14

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City of Cottage Grove, Oregon

2013-14 Annual Budget

BUDGET COMMITTEE MEMBERS

City Council

Thomas Munroe, Mayor

Heather Murphy, Council President

Jake Boone

Garland Burbach

Victoria Doyle

Jeff Gowing

Kate Coy

Citizen Members

Eugene Brown, Jr.

David Zunno

Alvin (Bob) Ehler

Lindsey Haskell

Dale Johnson

Greg Ervin

Mike Fleck

City Manager

Richard Meyers

Management Staff

Howard Schesser, Community Development Director

Jan Wellman, Public Works Director

Michael Grover, Police Chief

Pete Barrell, Community Services Director

Roberta Olsen, Finance Director





City Manager's Office

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May 28, 2013



Dear Mayor, City Council and Budget Committee:

Attached is the 2013-14 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 each fund.

The 2013-14 Proposed Budget for the City of Cottage Grove is, as required by Oregon Law, a balanced budget. Expenditures for all funds total \$22,972,163 a decrease of \$2,873,918 from the previous year's budget. The 2013-14 Proposed Budget is only about \$172,000 more than the actual expenditures in Fiscal Year 2009-10. The next fiscal year with lower expenditures was the 2003-04 Fiscal Year.

Personnel, Salaries and Benefits

As I have stated in previous years, the operation of the City is labor intensive. We have to use people to make the operations function. Additionally, many of the positions within the City are not your typical entry level positions and require specialized training, skills or specific certifications required by law. As such, personnel costs will continue to make up a major part of the budget for the City. However, we have been able to maintain our ratio of employees to population. This demonstrates we are providing more services with existing staff, just a small sample of the expanded services are listed below:

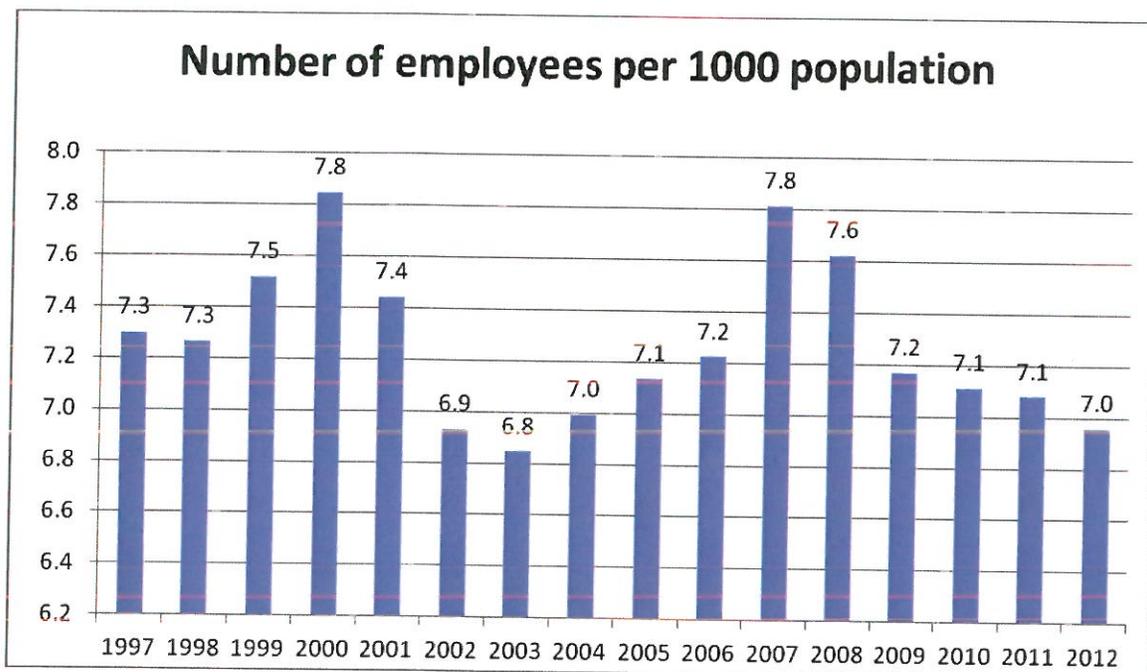
	10 Years Ago	Today
Number of Park Restrooms	1 set	3 sets
Web pages	2	5
Park Acreage	133 acres	243.58 acres
Water meters	3600	3983

Many more examples could be listed.

This proposed budget maintains the current full-time employees and creates a new full-time position for an Information Technology Director. The need for a fulltime staff person dedicated to maintaining the City's broad array of computer systems and to maintain our digital content available on the City webpages, Facebook page and Twitter has become very obvious. Even our phone system, a VOIP

system, runs on the City's computer network. Having a fulltime staff person dedicated to maintaining our technology services will free up a Dispatcher in the Police Department, a Finance Department position and the City Manager from performing those tasks. There are many other advantages that can be discussed in more detail.

Other personnel changes reflected in this Proposed Budget include the reallocation of the part-time Permit Specialist as a Planning Tech with the Administrative Assistant absorbing the Permit Specialist functions. The elimination of the part-time Library Aide – Teen Librarian with duties reabsorbed into existing staff and the addition of a part-time employee in the Wastewater Fund to perform maintenance tasks at the Wastewater treatment plant to free the operators to perform other duties.



The City's personnel costs are impacted by bargaining agreements. The City has three separate bargaining units; Police Guild, Public Works -Laborers and the General Unit. All three bargaining units are currently under negotiation. The Proposed Budget complies with the existing collective bargaining agreements and awards cost of living increases pursuant to existing bargaining agreements. That can all change based on the outcome of the negotiations.

The remaining non-represented employees are budgeted to receive a 2% Cost of Living Adjustment (COLA).

The City continues to fully participate in the City/County Insurance program which results in savings over other health, workers compensation, liability and property insurance programs.

General Fund

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.

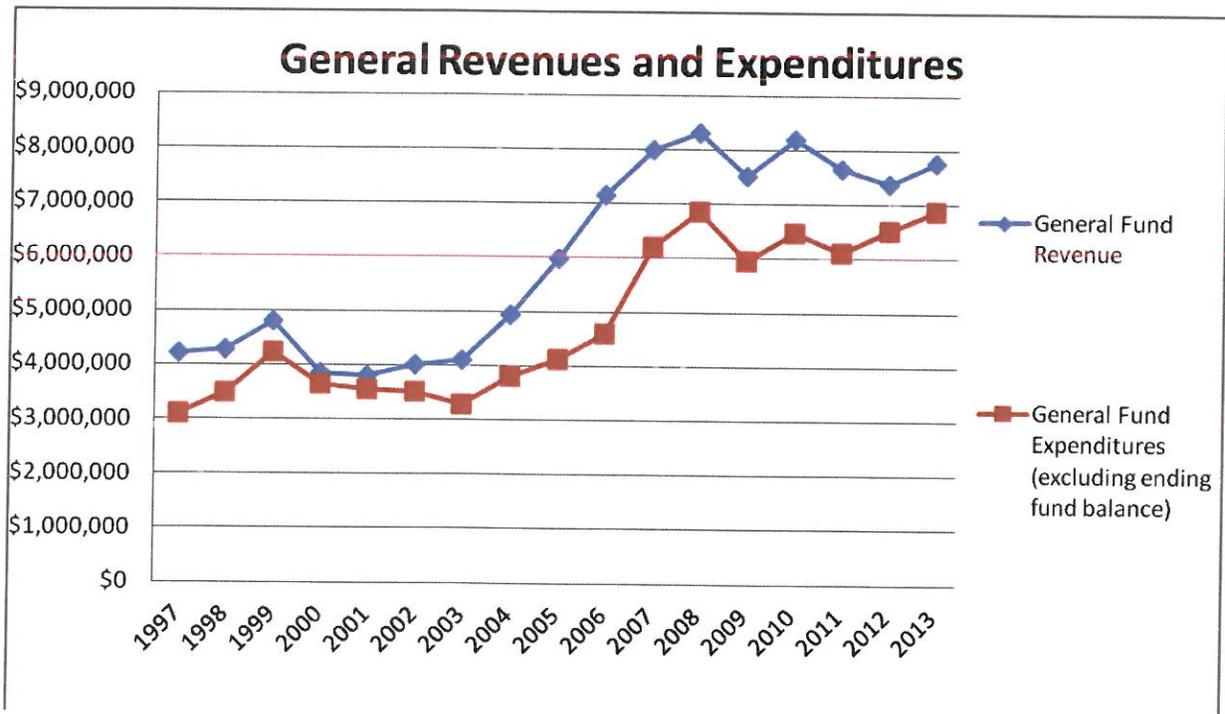
The City may levy less than the full rate without jeopardizing future opportunities to levy the full rate. However, the revenue that could be generated cannot be recovered in a future year. The proposed full levy is estimated to generate \$3,799,185 of collectable tax revenue.

Budgeted expenditures within the General Fund are \$7,756,208 an increase of \$371,803 from last year's budgeted amounts. There is new revenue in the Proposed General Fund Budget. The City's franchise fees for Pacific Power and EPUD are proposed to increase from 3.5% to 5%. The franchise fee for Northwest Natural Gas is proposed to increase from 3% to 5%. These increases will bring in an additional \$111,200 that is needed to balance the General Fund. The other significant change is an increase in the Administration Fee charged to other funds for General Fund services. The Administration Fee percentage was changed from 8% to 9% to represent the additional services provided by the IT Director to the other funds, an increase of about \$42,415.

The General Fund is again making a significant transfer to the General Reserve Fund. The General Fund is also making a \$20,825 transfer to the Building Inspection Program Fund to make up for revenue shortfall in that fund.

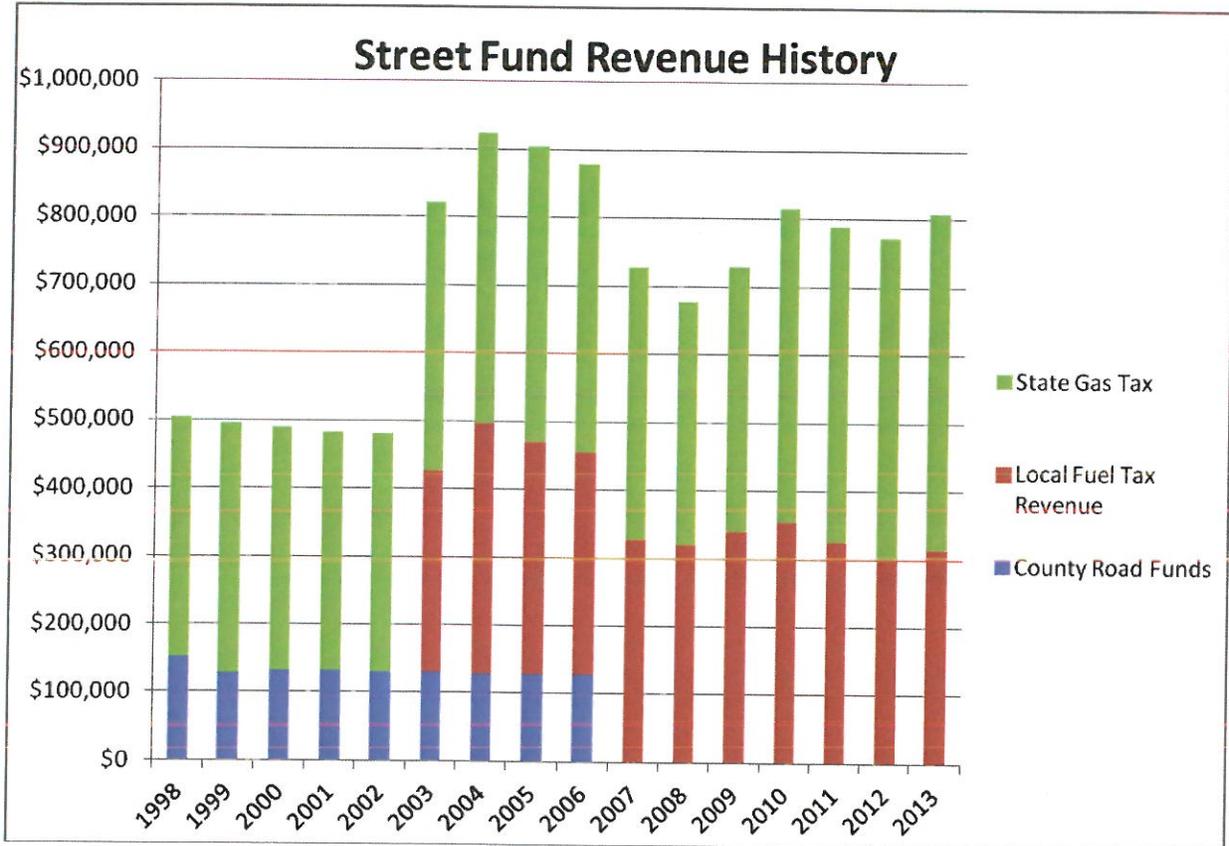
The contingency and unappropriated ending fund balance have also been increased from previous years which brings the budget even closer to complying with the guidelines adopted in the City's fiscal policies.

The graph below shows the history of General Fund revenue and expenditures over the last 16 years. While many other local governments are proposing huge new fees or major cuts that are eliminating services, this 2013-14 Proposed Budget only reflects modest increases and cuts and does not eliminate any program or service within the community. Our history demonstrates the City's prudent budgeting and dedication to living within our budget.



Special Revenue

The Street Fund will see a slight increase in the State Highway funding in the current year as a result of new population numbers. It is likely we will see the revenue drop as fuel prices continue to climb and as more fuel efficient vehicles get on the road. The chart below shows the history of the Street Fund Revenues. Funding for street improvements is a challenge that the City must continue to examine. Continued reliance on motor fuel taxes alone will not generate the revenue needed to make necessary repairs to our transportation infrastructure.



The major project for the Street Fund during the upcoming fiscal year will be funding the City's portion of the improvements to the Highway 99 and Main Street intersection. The project will result in significant accessibility, safety and visibility improvements to the intersection and railroad crossing. In addition to the above ground intersection improvements, a number of major utility improvements are also being made in coordination with the project to avoid tearing up the new road surface for utility work.

The Street Fund will also be borrowing \$250,000 in the 2013-14 Budget to assist with funding some major patching and repair projects within the street system. We would like to consider a larger borrow to do more work, we are concerned that the gas tax revenue would not be sufficient to repay the loans.

The Street Fund will be transferring \$19,300 from gas tax funds for use by the Bicycle and Footpath Fund to repay the inter-fund loan from the Storm Drain SDC Fund for the emergency removal of the Chambers Railroad Bridge.

The Building Inspection Program Fund is not able to generate the revenue to meet expenditures. The Building Inspection Program Fund is closely regulated by the State. Although there have been some major building projects during the current year, the Fund has not generated enough revenue to cover costs associated with providing inspection services. To cover the costs of the operation of the Building Inspection Program the General Fund will be transferring \$20,825 to the fund.

The other Special Revenue Funds remain status quo.

Enterprise Funds

Enterprise Funds are those funds that are operated similar to a business. The operations of the fund are supported by the fees or charges for the services.

Utilities (Water, Wastewater & Storm Drain)

This Proposed Budget continues the implementation of the five-year rate and operation plan adopted by the City Council.

In the coming fiscal year, the five-year plan has scheduled a 4.5% increase in Water base and consumption rates. The water improvement rates would increase 9.2% to match the adopted plan. The water improvement rates were not increased last year to lessen the impact of the wastewater rate increases. In order to cover debt requirements for infrastructure improvements the water improvement rate must be increased according the adopted plan. No increases would be made in wastewater rates, since those were made last year instead of in the 2013-14 Budget. The Storm Drain rates would be adjusted to meet the planned rates.

	Water Base	Water Consumption /1000 gals	Water Improvement	Wastewater Base	Wastewater Consumption /1000 gals	Wastewater Improvement	Storm Drain /ESU	Storm Drain Improvement /ESU
Current Rates	\$15.05	\$1.20	\$20.60	\$6.84	\$3.51	\$16.07	\$3.11	\$3.45
Adopted Plan	\$15.73	\$1.25	\$22.50	\$6.84	\$3.51	\$16.07	\$3.23	\$4.24
Proposed Rates	\$15.73	\$1.25	\$22.50	\$6.84	\$3.51	\$16.07	\$3.23	\$4.24

The Storm Drain increases were scheduled and essential to be able to handle the additional operational requirements when the City hits the magic 10,000 population.

The proposed rates result in a \$3.78 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 \$212,900 in the Water funds (Water and Water surcharges) and a total of \$81,700 in the Storm Drain funds.

This Proposed Budget creates a part-time position at the Wastewater Treatment Plant to handle some of the tasks that do not require a certified treatment plant operator. This action should help keep rates down and control costs by not having to have a certified plant operator loading bio-solids, washing down equipment or performing other general care of the plant.

Industrial Park. The Industrial Park continues to operate without any support from other funds. The

money held within the fund from the property sales covers all debt payments and operation costs. The City continues to have properties in the park for sale. Proceeds from those sales go into the Industrial Park Fund. Most of the lots in City possession had been previously sold and generated some revenue into the fund before coming back into the City's possession. If we make no sales and receive no revenue into the Industrial Park Fund, we will have enough in the fund to cover the 2014-15 debt payments. The inability to collect payments for outstanding debt owed by SidePockets to the City can jeopardize the City's ability to pay off the remaining balance of the loans for the creation of the park from the Industrial Park Fund.

Reserve Funds

The Reserve Funds were re-established in June, 2008 to accumulate funds for major improvements, equipment, vehicles, property, buildings or construction. Pursuant to State Law the Reserve Funds must be reviewed and re-authorized every ten years.

The Reserve Funds are in satisfactory condition. Pursuant to the adopted utility financing plan, the Water, Wastewater and Storm Drain reserve funds issued debt and are undergoing some major infrastructure projects. The debt payments will be covered by the improvement rates (surcharges).

System Development Charge Funds

The SDC Fund expenditures are limited to specific expenditures that relate directly to public facilities with increased capacity and that are listed within the adopted Capital Improvement Plans. Typically, eligible projects are tied to development projects. The City plans to use some SDC funds for eligible improvements associated with the Main Street and Highway 99 project. Since the SDC Funds are driven by new development the funds will only be active when development occurs.

Debt Service Fund

The Debt Service Fund is being closed out. Based on advice from the auditors and to comply with Generally Accepted Accounting Procedures this Proposed Budget begins accounting for debt payments in the specific fund that incurs the debt. It is believed that this will make the tracking of the debt more transparent with the operation or function that is incurring the debt. You should notice the debt amounts are identified in each of the funds. The specific debt will also be listed separately and broken out by principle and interest.

It is important to note that during the current fiscal year the City issued bonds that provided the financing for a number of infrastructure projects as well as refinanced a number of outstanding obligations. The refinancing will save the City over \$500,000 in debt costs.

Trust Funds

The Trust Funds continue to receive donations or other money for specific purposes.

Urban Renewal

The Row River Urban Renewal District is complete. The projects are complete and all increment has been used to pay debt to complete those projects. The fund is being closed out.

Conclusion

The 2013-14 Proposed Budget, although it is a tighter budget because of lower than expected revenues in the current year, still accomplishes our goals. We are still able to address some major needs and

make some adjustments in how services are performed. Again this year it is exciting to present a Proposed Budget that has a positive message, when so many communities are facing major cuts just to balance the budget. I believe this is a direct result of cautious fiscal policies and careful management of the public's money as well as careful planning and preparation for future obligations or requirements. We have not addressed all the needs and fixed everything, but we have taken the steps to address some of the challenges. We have made some investments into the future of this community rather than push all the costs to some future generation to pay.

This Proposed Budget reflects what staff feels is the most efficient and effective way to fund the daily operations to carry out the bigger goals and objectives of the City Council and community. The budget could have been prepared a myriad of other ways. In no way does this Proposed Budget reflect the only way to allocate the City's limited resources. But I do believe it is a balanced approach that truly demonstrates efficient and effective use of public resources.

The current fiscal year has been a very difficult one, not necessarily from a budget standpoint but from just general operations. We have had a number of difficult issues that have tested the mettle of our employees. The most significant issue is the embezzlement. I want to provide a brief update and also dispel some rumors. First, we will be pressing charges, we will be making an arrest and we will be pursuing convictions. I wish the process could be over quicker. In the world of television crime dramas it would be over, but in real life it takes more than 48 minutes to solve, investigate and prosecute a crime.

The Independent Forensic Audit is complete and has been presented to the police investigators. Police and finance staff have met with representatives of the District Attorney's office and discussed the case and existing evidence and materials. The police department continues to contact and attempt to interview about 400 witnesses and gather evidence that will provide additional documentation to be used in the prosecution. We could currently go forward with the prosecution at this time, however we might not get a conviction on all the counts. It is important to remember that in real life you only get one shot to prosecute. We want to insure that we can get as many felony convictions as possible.

Second, when the arrest is made we will disclose the name of the suspect and the extent of the theft.

And third, we have implemented additional measures as recommended through the Independent Forensic Audit to protect the public's resources. It is important to note that our annual audits have provided a clean opinion of the City's financial condition. Internal controls were in place and were being followed. In fact, those very internal controls were instrumental in discovering the embezzlement. The City's auditors have also recommended that the outdated city financial software be replaced. The solicitation for new software was underway when the theft was discovered. The embezzlement and the way it was conducted added valuable insight into the evaluation process of the responding software providers. New software has been selected and the implementation of the new software has begun. The 2013-14 Fiscal Year will prove very busy for staff as they transition to the new software.

I want to take this opportunity to thank the citizens of Cottage Grove for their patience as the City progresses through the resolution of the embezzlement. The continued support and understanding from organizations and individuals has meant a lot to staff. We have received cards or notes of support, one business brought in chocolate chip cookies because they thought we needed the chocolate and we even have had supportive comments on facebook. Thank you. We all wish it was over, and I hope it will be

completed soon.

I also want to express my appreciation for City staff, from those in City Hall to those cleaning the bathrooms in parks. I am not sure that everyone can understand the difficulty of preparing this budget during the embezzlement investigation. With our small staff, reviewing every transaction, matching those transactions with computer data and paper records from the last three years was a huge task. Add to that the responsibility to meet the requirements of daily operations. All this happened just as the budget preparations were to begin. The impact was not just in the Finance Department. All employees within the City recognized and stepped up to assist in ways that were truly amazing. I am not one that often gets emotional, but I cannot seem to help it when I think of the dedication that has been demonstrated across all departments. Do we have our problems, yes we are human. But I cannot think of a better group of employees that are proud of the work they do and are dedicated to making Cottage Grove a better place for everyone. We are so blessed to have such an amazing group of employees that are committed to making Cottage Grove the best city in the state. Thank you to staff for their dedication and commitment.

Now to the work at hand, this Proposed Budget contains a wealth of information. Your careful review and consideration of the 2013-14 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 2013-14 Proposed Budget.

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

Sincerely,



Richard Meyers
City Manager

BUDGET COMMITTEE CHANGES
FROM PROPOSED TO APPROVED BUDGET

After the presentation of the Budget Message and discussion of the various funds, the Budget Committee did not make any changes to the proposed budget for Fiscal Year 2013-14.

The budget document reflects the amounts approved by the Budget Committee in the approved column.

CITY COUNCIL CHANGES
FROM APPROVED TO ADOPTED BUDGET

The Fiscal Year 2013-14 Annual Budget approved by the Budget Committee was adopted by the City Council with the following changes:

The General Fund, Non-Departmental Contingency line item was reduced by \$2,000 and the General Fund Community Promotions Department, Cottage Grove Community Foundation line item, was increased to \$2,000, making the net difference zero. The changes are outlined in the table below.

	Approved	Adopted	Difference
General Fund			
Community Promotions			
Materials and Services:			
CG Community Foundation	\$ -	\$ 2,000	\$ 2,000
Non-Departmental	\$ -	\$ -	\$ -
Materials and Services:			
Contingency	\$ 346,415	\$ 344,415	\$ (2,000)
Total Fund	\$ -	\$ -	\$ -

The budget document reflects the amounts adopted by the City Council 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 2013-14 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

Urban Renewal Agency

Revenue and expenditures related to the City's urban renewal district is included in this section. The Urban Renewal Agency is a component unit of the City of Cottage Grove. It is a requirement to submit its own budget.

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, 2012 certified population estimate from Portland State University for Cottage Grove was 9,770. 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
Service Connections		3983
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		3644
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		58
Secondary Schools		3
Secondary School Instructors		77

Top Ten Taxpayers in the City of Cottage Grove

<u>Taxpayer</u>	<u>Taxable Assessed Value</u>
Wal-Mart Stores, Inc.	\$ 6,155,684
Village Green Resort, LLC	\$ 5,376,008
Spring Investments, LLC	\$ 5,234,808
Safeway Stores, Inc.	\$ 4,753,468
Sunrise Ridge, LLC	\$ 4,514,943
Northwest Natural Gas	\$ 4,041,000
Gregory Falk, LLC	\$ 3,879,245
Magnolia Gardens Assisted Living	\$ 3,537,193
Charter Communications	\$ 3,340,800
Engineered Solutions LP	\$ 2,241,914

Ten Year Statistics

<u>Year</u>	<u>Assessed Value</u>	<u>Population</u>	<u>School Enrollment</u>
2002-03	\$360,319,572	8730	2768
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

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



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 2013 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 2013-14 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 2013 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 2013 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.

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 2013 Budget Committee Meets ORS 294.401 ORS 294.406	Budget Committee meets to receive the FY 2013-14 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 2013 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 2013	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, 2013	The adopted budget for fiscal year 2013-14 becomes effective July 1, 2013. 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.