

COTTAGE GROVE CITY COUNCIL
12800 RAVINE PARKWAY SOUTH
COTTAGE GROVE, MN 55016
TRAINING ROOM - 5:30 P.M

July 23, 2025

1. CALL TO ORDER

The City Council of the City of Cottage Grove, Washington County, Minnesota, held a Special Workshop Meeting on July 23, 2025, at Cottage Grove City Hall, 12800 Ravine Parkway. Mayor Bailey called the meeting to order at 5:30 p.m.

2. WORKSHOP - OPEN TO PUBLIC

A. 2026 Budget Workshop

Staff Recommendation: Provide staff with feedback and directions regarding the 2026 Budget.

Administrator Levit began the Budget meeting by explaining to the Council the paperwork presented to them would aid in the presentation.

Director Malinowski began the meeting by acknowledging the city's consistent residential growth, indicating that Emily would soon provide more details on "lot inventory" and future projections. The city's path forward involves a strategy to "hold the line" on spending due to prevailing uncertainties. Key funding priorities include the ongoing commitment to the existing pavement management plan, without any postponement, and enhancing the city's overall organizational resilience. Additionally, the city aims to deliver innovative services, with directors and teams scheduled to elaborate on these initiatives in budget meetings over the coming weeks.

Providing a quick overview of the budget figures, Malinowski stated that the total operating budget stands at \$65 million, with \$30.8 million allocated to the general fund within that. Approximately \$1.9 million is designated for equipment replacement capital across all budgets in 2025, including enterprise funds, with \$1.4 million specifically in the equipment replacement fund; Staff will provide more detailed information over the upcoming weeks. Public safety funding remains an important discussion point tonight, as it impacts the squad car policy and a big portion of the overall budget. Regarding staffing levels, no new general full-time positions have been budgeted, though two full-time positions are included as budget-neutral and will be discussed in more detail as the meeting progresses to those specific departments. Three seasonal, part-time positions have been allocated to the Parks Department, intended for enhancing the park esthetics where needed. The EDA Director position and one police officer position is left vacant in 2026.

For 2025, expenditure remains consistent with previous discussions, with public safety still accounting for 49% and public works for 19% of the budget. On the revenue side, the 2025 figures are also consistent with prior projections, with property taxes making up 76.23% of the revenue. Other significant revenue sources include licensing and permit and charges for services.

An analysis of cash balances over the past four years across all funds was presented. The General Fund has slightly increased, while the Special Revenue Fund saw a decrease in 2024 due to the construction of the South District Streets from the ED Trust Fund. Debt service funds, reserved for debt service, have been strategically increased

over the years. While initially experiencing a downturn, enterprise funds are now showing signs of recovery. Utility rates for water, sewer, and streetlights are slated for discussion next week. Internal service funds, which had dipped below zero, are now on an upward trend. Finally, developer LOCs involve funds received from developers and held in escrow until engineering or other development-related bills are paid on their behalf.

As part of its financial management plan, the city is actively exploring opportunities to fund capital improvement projects while keeping the property tax levy as low as possible. In terms of debt paydown, approximately \$350,000 in cash will be used in 2026 from the Closed Debt Fund, with a projection of \$667,000 for debt paydown by the end of 2035. The strategy over the last couple of years has been to primarily use interest from the Closed Debt Fund to pay down the principal balance, and while slightly heavier utilization is anticipated for the next couple of years, the goal is to continue leveraging interest where feasible. For 2026, an anticipated \$6 million in debt issuance is planned for pavement management, equipment certificates, and the Oltman ballfield constructed this year. Looking ahead to 2027, the current financial management plan identifies \$10.7 million, though the Capital Improvement Plan (CIP) indicates \$14.2 million, a difference attributed to two recent projects not yet reflected in the financial management plan. The city's objective is to target approximately \$10 million per year in debt issuance to stay under the bank-qualified limit. It was clarified that the 2027 debt issuance will not impact the current year's budget but will affect the 2028 budget.

The discussion then moved to the property tax levy details, starting with the 2026 budget levy. For the 2026 levy, part of the 2025/2026 two-year budget, the initial projection was a 12.93% increase. However, the current levy stands at a 9.18% increase. This reduction was achieved by revisiting and increasing revenue projections, reducing the squad car funding to zero, as squad cars are funded by the property tax levy. The EDA Levy remains unchanged, while the Park Improvement Levy has been reduced to \$65,000, and the HRA levy has seen a slight increase. For 2027, the levy is projected at 14.6%, based on the 9.18% levy.

Councilmember Olsen expressed particular interest in the levy fluctuation, questioning the shift from the previously guided 12.93% for 2026 to 9.18%. The council member recalled that the intent last year was to provide more funding to mitigate the impact this year and prevent "roller coaster" fluctuations in the levy. It was confirmed that adhering to a 12.93% levy should result in an approximate 10.8% levy in 2027, maintaining a more consistent trajectory. The discussion highlighted the importance of recognizing changing economic conditions and adapting the financial management plan, accordingly, suggesting a need to move beyond a rigid "this or nothing" approach.

Community Development Update

Director Schmitz reviewed the responsibilities of the Community Development Department, which include planning, building inspections, and code enforcement. The department also provides support to the planning commission and the committee on historic preservation. Its core mission is to deliver high-quality municipal planning, inspection, and property services to both residents and businesses.

Schmitz noted the department's significant accomplishments for 2025, such as the completion of a Housing Market Study, the platting of 328 single-family and 48 townhome lots, and the issuance of 2,099 building permits with 7,881 inspections conducted through June. Public/Institutional achievements include additions to several schools

and water treatment facilities, while commercial development saw the addition of Gerber Collision. Looking ahead to 2026, the department's goals are centered on long-range planning, including the Comprehensive Plan Update and Strategic Planning, alongside efforts to enhance customer service efficiency, promote development, and continue resident education on ordinances.

Schmitz analyzed the provided lot inventory data, which details available lots from 2018 to July 1, 2024.

Additionally, she reviewed the apartment data for 2026 and 2027, indicating a potential for 368 and 308 apartment units, respectively, which are currently in the approval process. Building permit projections offer historical and forecasted data for various permit types and their valuations.

Schmitz examined the budget impacts for Planning & Zoning, primarily focusing on the 'Imagine 2050' Comprehensive Plan Update. This multi-year initiative involves hiring a consultant in Q3 2025, forming a steering committee in 2026, community engagement and drafting the Plan in 2027, public hearings in 2028, and final adoption in early 2029. For Inspections, the budget impacts include reinstating a Building Inspector position, funded by 2025 permit fees, and the removal of credit card fees from the budget.

Parks & Recreation Update

Director Dockter explained the Parks & Recreation Department is a multifaceted entity responsible for providing leisure services and managing extensive facilities, including parks, open spaces, and specialized venues like the Ice Arena and River Oaks Golf Course. Its mission is centered on promoting active living to enhance community health, well-being, education, and vitality.

The department reported significant accomplishments in 2025, such as habitat restoration, new park construction, and successful management of record-setting facility usage. Looking ahead to 2026, key goals include further park development, expansion of popular programs like pickleball, and strategic financial objectives such as achieving 50% cost recovery for recreation services and increasing Ice Arena advertising revenue. Budgetary considerations highlight increased operational costs due to expanded use and inflation, adjustments for overtime, and the addition of seasonal positions, alongside projected revenue growth in recreation. The department is actively addressing challenges like increased overtime hours while pursuing opportunities for program expansion and financial sustainability.

Regarding the golf budget, Neitz started with speaking to the golf carts. These carts are currently in year seven of a lease-to-own agreement with a \$1 buyout, but due to single-rider usage during the COVID-19 pandemic, they are effectively eight years old and will require replacement next year. The patio upgrade, although budgeted for 2025, has not yet been spent, pending a review of how the year revenues progress. The goal is to have a fully upgraded patio by 2026 to provide a better "grill atmosphere" and an improved point-of-sale system. The department is also actively monitoring changing consumer trends, such as the tapering from alcohol sales and the rise of alternative beverages like mocktails, to adapt to its customers.

For 2026, significant equipment needs include a critical, large piece of maintenance equipment: the reel grinder, estimated at around \$40,000. This machine is vital for grinding reels to ensure good turf quality and reduce the need for chemicals. More importantly, the current reel grinder is very old, parts are no longer available, and it presents a safety concern, necessitating its replacement. Additionally, \$59,000 has been budgeted for the irrigation system bond payment in 2026, with full irrigation bond payments commencing in 2027. Regarding the irrigation system's performance, which has been fully operational for about a year, it was noted that the system

has delivered excellent results with good coverage. Crucially, staff can now dedicate their time to course maintenance rather than pipe repairs. The system has exceeded expectations, providing increased efficiency in water usage through the deployment of soil moisture meters, allowing for more targeted watering.

The department projects continued profitability for the next few years (up to five) for its restaurant and overall business operations. Although the start was slow this season, business is now catching up. Staffing-wise, the department is down one full-time employee, which has impacted on the net profit. The focus is now on efficiently managing events that yield decent profits and charging competitive rates compared to other venues. A question was raised about the \$3 discount for residents playing 18 holes and \$2 for 9 holes. It was noted that this \$3 discount has likely remained unchanged for 20 years. Comparisons to other community courses, such as Eagle Valley, which charges a flat fee for a larger discount, will be investigated and the information shared later with Council. Approximately 10% of golfers utilize the resident discount, which is applied to their profile electronically after their initial request.

The discussion delved into the park department staffing needs, particularly regarding the desire for additional personnel versus managing existing overtime costs. It was emphasized that unless it's contract-specific, the city isn't compelled to hire additional staff. A question was raised about whether a full-time person or two part-time individuals could manage weekend duties. Dockter said that while the possibility of adding another person is an option, it isn't always the most cost-effective solution when considering all associated costs, including overtime. Dockter personally hadn't heard of a strong, expressed need for another full-time person.

The conversation highlighted that sometimes it's more beneficial in the long run to manage overtime, rather than immediately hiring another person, as there are many considerations beyond just the Full-Time Equivalent (FTE) count. Flexibility in staffing is crucial because a reduction in personnel is difficult to achieve once hired, and the city does not want to get rid of people. Therefore, the opinion was that it's crucial to thoroughly evaluate all alternatives for acquiring labor, agreeing that a deeper discussion was warranted.

Councilmember Garza posed a question regarding whether the city considers different level-based hiring for positions, such as bringing in part-time staff at a lower hourly rate (e.g., \$20 an hour for afternoon cleanup in parks) rather than only hiring at the full-time, higher-salary level of existing long-term staff. It was acknowledged that there are indeed different pay levels, suggesting potential cost savings by entering new hires at a lower level. The rationale for considering weekend workers, particularly for the Parks Department, stems from the anticipation of two more rentable facilities in a couple of years. This raises the question of whether existing parks staff can cover these needs or if additional weekend workers will be required. It was suggested that this would need to be part of contract negotiations, allowing time to address the necessary adjustments.

The conversation then shifted to the potential of utilizing contracted services, especially if it results in cost savings. It was suggested that if more external services are utilized, the city might have an alternative to adding full-time staff. There was a notion of using an existing contractor to achieve reductions, rather than the city directly taking on the work. However, the reason for waiting to pursue some of these alternatives is to ensure service quality; if residents call Public Works because buildings are not in great shape, it will reflect badly on the city. If the city is already satisfied with its current services, then there might be an advantage in not leveraging those contracts and maintaining the same arrangement.

Equipment Replacement and Financial Management Plan

Administrator Levitt stated that equipment replacement is not currently in the budget in terms of direct levy impact. Instead, it involves adding money to the budget in other ways. The 2026 equipment replacement will be funded with equipment certificates, meaning there is no direct levy impact in 2026 for equipment replacement. The city had initially planned for \$900,000 in the financial management plan for 2026, but this has been reduced to zero to achieve the 9.18% property tax levy increase.

It was proposed that for the next discussion, all equipment requests, including those affecting the property tax levy in the financial management plan, should be presented to show the overall numbers. This was brought up because there's a recognized need for administrative vehicles in public safety (two vehicles, one in 2026 and one in 2027), which should be part of a larger conversation about equipment replacement. Councilmember Olsen expressed the sentiment that "zero" for equipment replacement isn't feasible, and while the fund itself might appear to have a zero-levy impact, the equipment is still being acquired, just paid for in different ways, such as through the \$1.4 million in equipment replacement certificates.

Public Safety Emergency Management Update

Director Koerner stated in 2025, the Emergency Management division achieved several key milestones, including the successful planning and hosting of a multi-disciplinary train derailment tabletop exercise. They also conducted a joint training search and rescue exercise in collaboration with the Civil Air Patrol. Infrastructure improvements saw the installation of a new outdoor warning siren, and the department actively participated in the REP Drill while completing the revision of the City All-Hazards Plan. Looking ahead to 2026, the goals for Emergency Management include organizing a Community Emergency Response Team (CERT), planning for additional outdoor warning sirens, providing ICS-300 training for city supervisory personnel, and validating existing policies, plans, and procedures through various exercises and real-life events. Budgetary impacts for Emergency Management involve ongoing research into grant funding for Emergency Operations Center (EOC) technology and ensuring the continuous maintenance of critical systems and equipment.

Police Department

Koerner added the Police Department had a productive 2025, marked by the adoption of a new five-year strategic plan and the initiation of quarterly reporting to track progress. A significant structural reorganization led to the creation of the Community Impact Team (CIT), which now includes an embedded social worker and a Therapy K9, enhancing community engagement and support. A Traffic Safety Officer position was also added to improve road safety. The department successfully began the implementation of an assigned squad program, deploying new Tasers, and advanced its technological capabilities. Furthermore, the establishment of the Positive Impact Team and Peer Support Team significantly bolstered officer wellness, safety, and recruitment/retention efforts. For 2026, the Police Department aims to refine its five-year strategic plan and continue achieving its strategic goals. A key focus remains on recruiting and retaining police officers through a comprehensive wellness program, a CSO Cadet program, and the growth of both the assigned squad and K9 programs. The department also plans to utilize grant funding and maintain or expand service levels while fostering high community engagement.

Regarding Police Budget Impacts, the department will maintain the 49th police officer position and the grant-funded Traffic Safety Officer. A second Case Management Detective is planned, contingent on securing a COPS CHP grant in 2027. Operational budgets are set to increase for event overtime, ammunition, and professional services.

The department is also requesting tuition reimbursement for the CSO Cadet program and is implementing Flock cameras to enhance public safety. For police vehicles, requests for new squads are noted for both 2026 and 2027, with specific concerns highlighted regarding frame rusting in one investigative squad and catastrophic engine failure in another. The take-home squad program is anticipated to reach full deployment by 2027.

Animal Control

In 2025, Animal Control maintained its contractual services with the Animal Humane Society and effectively utilized a microchip scanner and social media to decrease animal impounds. The 2026 goals for Animal Control include updating kennels in the police garage, potentially with a donation from the Public Safety Board. The department also aims to continue improving communications to reunite lost pets and to utilize administrative hearings for dangerous dog appeals. Budgetary impacts for Animal Control primarily involve contractual services with the Animal Humane Society and cost-of-living increases for Community Service Officers (CSOs).

Fire Department

Koerner introduced the Fire Department's 2025 accomplishments including the adoption of a new five-year strategic plan and the addition of a Deputy Fire Chief to the Command Staff. The Standards of Cover Study was initiated, and the Case Management Unit Team was expanded to include a Fire Captain/Paramedic. The department prioritized firefighter wellness by conducting wellness checks and establishing a Peer Support Group. Significant community outreach was achieved through a home fire safety program, which completed over 180 visits, and the department successfully received a FEMA Grant for this Home Safety Program. For 2026, the Fire Department's goals are centered on recruiting and retaining firefighter/paramedics, including an accelerated recruitment program designed to send firefighter/EMTs to paramedic school. They also aim to begin implementing recommendations from the Standards of Cover Study, utilize grant funding, establish a fleet replacement schedule, and plan for SCBA replacement with the exploration of grant opportunities. Fire Budget Impacts involve increasing operating expenses for personal protective equipment, and focus on recruitment and retention of firefighters, with a particular emphasis on accelerated paramedic training.

Emergency Medical Services (EMS)

In 2025, EMS successfully transitioned to a new EMS billing company and received Minnesota Office of EMS Clinical Excellence Recognition. Clinical capabilities were enhanced through the implementation of advanced respiratory treatment (BiPAP) and upgrades to cardiac monitor/defibrillators and point-of-care ultrasound machines. The 2026 goals for EMS include developing accelerated recruitment pathways for Firefighter/EMTs to become Firefighter/Paramedics, continuing the Fire/EMS Cadet program, updating the fleet replacement plan for ambulances, and expanding the Community Paramedic Program. EMS Budget Impacts involve ambulance replacement, training firefighter/EMTs to Firefighter/Paramedics, increasing the budget to cover price increases for EMS supplies, and maintaining staffing levels for a dedicated Advanced Life Support (ALS) fire engine and two ALS ambulances.

Special Revenue Funds

Under Special Revenue Funds, Forfeiture & Seizure is budgeted at \$22,780 for 2026, and the Opioid Settlement is budgeted at \$70,760 for 2026, with Cottage Grove responsible for 50% of the social worker wage cost. In 2025, accomplishments included partnering with Washington County to hire an embedded social worker, expanding Naloxone training, and funding the equipment and start-up of the Crime Scene Team. The 2026 goals are to continue the partnership with Washington County, provide community classes for Naloxone administration, expand the Community Paramedic Program, and update computer/cell phone forensic technology. Impacts in the

Forfeiture Budget include an increased need for forensic tools/software, prosecuting attorney fees for forfeiture, forensic detective training, and enhancements in squad and body camera systems.

Regarding Opioid settlement funds, \$355,507 was received through December 31, 2024, with an estimated \$52,000 per year for the next 13 years, though there is no guarantee of this continued funding.

Challenges and Opportunities

Director Koerner described that the Public Safety Department faces ongoing challenges, particularly in staffing and retention, with a persistent need for police officers and firefighter/paramedics, compounded by a significant increase in police overtime hours. Vehicle maintenance also presents a concern, highlighted by issues like frame rusting and engine failure in police squads. Budgetary pressures are evident across departments due to rising operating expenses for items such as ammunition, personal protective equipment, and EMS supplies, alongside a reliance on grant funding for new positions and technology. Furthermore, the potential volatility of Opioid settlement funds, which are not guaranteed for future years, poses a funding challenge for related programs. Despite these challenges, numerous opportunities exist. The adoption and refinement of five-year strategic plans across Police and Fire provide clear roadmaps for future development. The expansion of community-focused programs like the Community Impact Team, Community Emergency Response Team, and Community Paramedic Program strengthens public safety and community partnerships.

Councilmember Olsen asked staff about the DWI officer and an additional CMU officer paid for by grant funding and asked if we could request another officer and what the associated with that would be. Koerner responded that with this particular DWI enforcement, there wouldn't be a direct effect on the budget because it's partially covered by a grant, though it's a percentage. There were directions to identify costs for these two positions. The overall sense was that while the budget might seem "a little less encouraging" in some areas, it is indeed encouraging overall. The meeting concluded with thanks to all attendees.

3. ADJOURNMENT

A motion to adjourn the meeting by Councilmember Olsen and seconded by Councilmember Garza. The meeting ended at 8:42 p.m.

Minutes prepared by Tamara Anderson, City Clerk and reviewed by Brenda Malinowski, Finance Director.