

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

July 30, 2025

1. CALL TO ORDER

The City Council of the City of Cottage Grove, Washington County, Minnesota, held a Special Workshop Meeting on July 30, 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.

Equipment Replacement Fund and Staffing

The meeting addressed the proposed budget for the 2026 Equipment Replacement Fund, totaling \$1,434,000. This fund is earmarked for several critical purchases, including two police vehicles at \$55,000 each, a garbage truck for the Parks department at \$165,000, a sign truck for \$220,000, a forestry aerial service truck for \$210,000, and a single-axle dump truck for the Streets division at \$360,000. It was also mentioned that an additional request for six new police squads, priced at \$84,720 each, would add an extra \$508,320 to the budget, although this amount is not included in the primary Equipment Replacement Fund total.

The average yearly request for the equipment schedule has been \$1.9 million over a 10-year period and \$2.1 million over a 7-year period, which gives context to the current year's request. A take-home squad program was also initiated in late fall of 2024. The average maintenance cost for each squad was reported to be \$5,741 in 2023 and \$5,730 in 2024, with a projected trend of \$5,566 for 2025, indicating a slight decrease in maintenance costs.

Public Works Department Review

The Public Works Department, which is responsible for the operation and maintenance of the city's infrastructure, is composed of 15 different divisions. The total proposed budget for General Fund Public Works divisions for 2026 is \$6,277,620, which represents a 4.38% increase from the previous year.

Director Burfeind reviewed the Engineering & Public Works Administration division accomplishments from 2025, which included the development of a five-year trail maintenance and replacement plan and the initiation of the "Safe Streets and Roads for All" planning process. Looking ahead, the goals for 2026 are to successfully deliver the 80th Street & East Point Douglas Road Rehabilitation Project and complete the "Safe Streets & Roads for All" planning process. A question was also raised about whether the city is still televising pipes, to which the response was a simple "Yes."

The Streets Division also shared its 2025 accomplishments, such as implementing a 14th snowplow route and paving over 2,000 tons of asphalt. The city currently operates under the 2025-2037 Pavement Management Plan, which has a primary goal of maintaining a PASER rating above 7.0, with the current rating at 7.07. The plan calls for ramping up to 4 miles of mill and overlay per year, and 3.25 miles are planned for 2026. A new initiative for snowplowing was also discussed, which involves using treated salt for all 14 trucks to reduce overall salt usage by 20%. This is expected to result in savings of \$42,200 in 2026 and \$40,300 in 2027. Additionally, the city received a grant that will cover half of the cost for updating the salt control system. The trucks will receive the new equipment for this system in 2025 from savings in the snowplowing budget.

The Forestry division has enacted a six-year tree trimming plan to reduce annual expenses. The city is also currently treating 1,800 ash trees on a three-year cycle and continues to work on grinding trees from the 2024 storm and \$15,000 has been included in the 2026 budget for the grinding of these trees. This grinding effort is

expected to be completed in 2027. Additionally, staff members are applying for grants to replant 131 trees that were lost in the 2024 storm.

The City of Cottage Grove's Public Works Special Revenue Funds of Recycling and Roadway & Trailway Maintenance were reviewed by Director Burfeind. The proposed Recycling fund expenditures for 2026 are \$72,690 to fund recycling activities that are funded with a grant from Washington County. The proposed Roadway & Trailway Maintenance expenditures are \$1,979,000, which are funded through the franchise fee agreement with Xcel and CenterPoint Energy.

Utility Funds and Rate Changes

The workshop included a detailed review of the city's utility funds and proposed rate changes presented by Director Burfeind and Director Malinowski. A street light rate study was conducted by public works in conjunction with the finance department, which revealed that the city's streetlight rate is on the higher end compared to other cities. This is primarily because Cottage Grove has a full street light system while Xcel Energy provides streetlights systems to most communities. In addition, most communities fund their city's main road lighting and traffic signals through the general fund. Cottage Grove funds these costs with the Street Light Fund which drives up the costs. It was noted that while the rate is higher, the city's streetlights are still more cost-effective than Xcel streetlights, with city lights costing around \$19 compared to Xcel's \$22.

A question was raised about whether the city had broken down the budget to see if any other cities have their stop lights or traffic signals in a separate budget. The response indicated that they could get that information and noted that streetlights are the only category where the city's approach stands out. While some cities put some of that into their capital funds, Cottage Grove puts everything into one fund, making the rate seem higher. It was suggested that more research is needed to understand how other cities are using their funds and if the costs are being spread across a larger population.

The proposed rate increase for the Street Light Utility for 2026 is 8%, which amounts to an increase of \$0.51 per month. This increase is intended to cover operating expenses, more directional drilling for conduit, and wire replacement and to help with the dramatically increasing costs of signal components. It was also clarified that a proposed holiday decorations budget addition of \$33,025 is not currently funded or included in the budget. Other utility rate increases were also presented:

- Storm Water Utility: A 3% increase, or \$0.19 per month.
- Water Utility: A 10% increase, or \$1.04 per month, to fund current operations, a meter replacement program, and capital improvements including painting of water towers.
- Sanitary Sewer Utility: A 7% increase, due to an increase in the MCES wastewater charge of 6.27%. The largest expense in the Sanitary Sewer Budget is the MCES expense which is set by Met Council.

Fleet and Building Maintenance Update

The Fleet and Building Maintenance division shared its recent accomplishments, which include completing the shop remodel and hiring a fifth mechanic. A facility audit of City Hall, Public Safety, and the Central Fire Station was also completed in 2025. The goals for 2026 are to continue updating the facility capital improvement plan for the Public Works building, and add a barcode system to inventory parts in the shop to improve efficiency. The replacement of the scrubber is budgeted for \$85,000, and it was announced that the lead building maintenance employee will be retiring on January 2, 2026. A search for a replacement has already begun.

General Government

Administrator Levitt reviewed the General Government budgets, which provides support to all other city departments, composed of three departments: Mayor and Council, Administration, and Finance. The total proposed budget for General Government is \$3,772,250 in 2026, which is a 1.36% year-over-year growth.

Mayor & Council

- 2025 Accomplishments: Maintained a AAA bond rating and pursued funding for park development at Mississippi Dunes Park.

- 2026 Goals: Develop the Shoppes at Cottage View, maintain a AAA bond rating, and secure funding for the 100th Street project.

Administration

- 2025 Accomplishments: Completed new hire and retention interviews and implemented the JumpStart program for onboarding.
- 2026 Goals: Partner with Washington County on the 2026 general election and complete a compensation study.

Finance

- 2025 Accomplishments: Transitioned all utility billing customer service to city staff and completed a conversion to new utility billing software.
- 2026 Goals: Assist in a credit card processing conversion and explore the justification for an additional accountant.

Information Technology

- 2025 Accomplishments: Updated policies to include AI initiatives and created a 10-year capital plan for IT Infrastructure.
- 2026 Goals: Strengthen cybersecurity, improve customer experience, and modernize outdated network connections.

Property Tax Levy Direction

Mayor Bailey complemented staff for balancing the property tax levy per the Council direction in April which sets the property tax levy at 9.18%. However, the Mayor pointed out that there are some items missing when looking at the property tax levy at 9.18% including tuition for fire and police, and there is risk if leaving the EDA position vacant for the next year. Finally, the Mayor pointed at the equipment that was not funded at the 9.18% and wanted feedback on setting the property tax levy at 14.92% to add items that had been removed in order to set the levy at 9.18%. Council Member Garza requested clarification on whether equipment would be funded with the levy at 14.92%. Director Malinowski responded that the equipment would be funded with the increased levy. Council Member Olsen added that the items included in the 14.92% were needed to continue with the same level of service. Council Member Thiede had a preference to keep the 2026 levy lower and a higher levy in 2027. Council Member Garza had a preference to set the levy percent increase at the same as 2025. Council Member Olsen asked for clarification as to whether the property tax levy could be increased or if it could only be decreased from the preliminary levy to the final levy. Director Malinowski stated that the final levy could be decreased from the preliminary levy, but it could not be increased. Council Member Clausen referenced the importance of funding equipment and that equipment had been pushed out in past. He felt it was important to fund this equipment instead of pushing it out. There was further discussion on the property tax levy increase, and Council consensus was to set the property tax levy at 14.92% to fund the current service levels. In addition, this will lessen the property tax impact in 2027.

Communications Plan and Budget Discussion

The council reviewed a communications plan with three options. One of the options was more extensive and aimed at providing the public with more detailed information about how their money is being spent. The discussion highlighted that the items on the "add list," such as parks and public safety, are what the public tends to focus on, and a survey showed high favorability for both. The survey also revealed that 34% of residents are satisfied with their taxes, 32% are not, and 15% would accept service reductions for lower taxes.

A question was posed about calculating the tax rate to demonstrate that development is not causing the tax increase, as many people believe. The response was that this is a key message to communicate to the public, as the opposite is true. In a related question, it was asked if the key messages should be tied back to the realities of the budget and what the residents feel based on the survey. The response confirmed that the communication plan would, of course, be tied back to the realities of the budget and resident feedback from the survey.

Concerns were raised about the property tax increase for the year, and it was noted that even with an increase, Cottage Grove will likely still be the second least taxed community in Washington County. The plan is to

review the CIP and debt service at the Council workshop on August 8th. Another workshop will be held after the Council meeting on August 20th to review the property tax levy and budget. The need for flexibility to look at other items on the add list was also mentioned as the city refines the budget.

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.