

COUNCIL MEMO



Council Revenue Sub-Committee

Phase III Recommendation – Long Range Revenue Options

December 9, 2025

BACKGROUND

At the July 9, 2024 Council meeting, Council confirmed the Mayors intention to create a City Council Revenue Options Sub-Committee to review all current and potential revenues associated with the City's Utility Funds, the general fund and other miscellaneous revenues available for consideration. Councilors Engebretson and Smith were appointed to serve on the sub-committee, along with Mayor Bell.

The sub-committee is reviewing revenues in three phases:

- 1) Utility Rates for Water, Sewer and Transportation/Streets (TUF) – *October through December*
- 2) General Fund related revenue options to support funding of Parks, Police, Planning, general government – *January through March*
- 3) Longer range revenue options – Local lodging tax, local diesel tax, local option levy, etc – *July through September*

The sub-committee held two meetings in October to review the overall committee scope and process and developed recommendations to Council for the phase I utility revenue options. March 6, 2025, the phase II revenue options review and recommendation were completed at the sub-committee's March 6, 2025 meeting with Council ultimately deciding to implement the Park and Open Space fee of \$5 as recommended but defer the recommended \$2 Tree Fee increase to instead continue revenue efforts focused on the immediate concerns of the General Fund. (Tree Fee is a Street Fund revenue).

The sub-committee embarked on the Phase III work of long-range revenue options with two meetings in October of 2025, and a final meeting on November 20, 2025 with an objective of developing a final recommendation to present to Council at its December 9, 2025 Council meeting.

ANALYSIS & RECOMMENDATIONS

While the \$5 Parks and Open Space fee provides a degree of stabilization for basic park system operations and maintenance, the City Administrator explained and provided a breakdown of the long-term financial challenges in the General Fund.

Key considerations guiding the sub-committee analysis and pursuit of additional revenue for the general fund include:

- Four-year trend of declining ending fund balance
- Continued escalation of expenses exceeding revenues (approx. 10% difference annually)
- Future estimates of personnel cost escalation to provide the same levels of service with the

general fund operating departments/programs (Municipal Court, Planning, Police, Parks, General Government)

- Debt Service credit rating reduction from A+ to A- (two level drop) due to low overall fund balance compared to operating revenues (7%)

Structural Deficit – Revenue growth occurs at a 3-5% rate annually, while expenditures grow approximately 12-15% annually. Recently utilized short term solutions include increased use of fund balance (operating reserves) and staffing reductions in both Administration and Police and most recently the aforementioned implementation of a \$5 per month Parks and Open Space Fee starting in July of 2025.

REVENUES			EXPENDITURES	
	Approx Annual	% of Total		Approx Annual
Property Taxes	1,100,000	56%	Staff/People Costs	
Franchise Fees	280,000	14%	Administration	320,000
Muni Court Fines/Fees	120,000	6%	Police	650,000
Development Fees	100,000	5%	Muni Court	130,000
Charges For Services	120,000	6%	Planning	80,000
Transfer Funds	150,000	8%	Parks	50,000
Harrisburg PD IGA	65,000	3%		1,230,000
Misc	35,000	2%	Materials/Services	
TOTAL 1,970,000			Administration	225,000
			Facilities	100,000
			Parks	35,000
			Planning	110,000
			Police	150,000
			Muni Court	30,000
			Econ Dev	35,000
				685,000
			Capital/Debt	
			City Hall	30,000

Parks	10,000
Administration	15,000
	55,000

TOTAL 1,970,000

The chart above indicates a balanced (legally required) General Fund budget for FY26. This was accomplished via staff reductions primarily within the Police Department and with utilization of fund balance (operating reserve).

The City's General Fund budget does not contain the following expected, and in most cases, necessary expenditures over the next five fiscal years.

- Parks Capital – Construction of new neighborhood park at Coburg Creek (\$200k)
- City Hall Improvements – ADA, HVAC and other deferred maintenance needs (\$200K)
- Police Fleet Replacements – (\$75k)
- Fund Balance Restoration to Target - (\$200k)
- Technology Replacements (\$50k)
- Structural Imbalance Solution - 10% of fund balance per year (\$1m) – (\$200k per year)

TOTAL = \$1.75m over five years **PER YEAR = \$350,000**

Final Recommendations

The following recommendations were considered and unanimously approved by the Revenue Option Council Sub-Committee at its November 20, 2025 meeting.

1) Public Safety Support Fee

A monthly fee charged and collected via the City's monthly utility billing process. The fee would be charged to all residents and businesses on a "per unit" basis. Other methodologies for application of this fee were discussed but require a legal nexus between the fee and the services supported by the fee with equity between potential customer classifications (residential, commercial, industrial, etc). The per unit fee is same methodology utilized for both the Park & Open Space Fee and the Tree Fee.

This fee is included in the low income assistance program so eligible households would receive a 25%, 35% or 45% discount on this fee based on qualifying income levels.

The fee would be dedicated to the following public safety programs, all of which reside within the General Fund:

- Police Department
- Municipal Court
- Code Enforcement

Option #1 - A \$20 per month fee that would generate approximately \$200,000 per year.

OR

Option #2 – A \$15 per month fee that would generate approximately \$150,000 per year.

Note: A Public Safety Operating Levy, an annual property tax assessment on all non-exempt properties in Coburg, was also considered but ultimately not selected.

This revenue option would need to be placed on the ballot for voter approval and revenue would not be received until the following tax year resulting in an expected one to two year delay in revenue generation if approved by voters.

2) Audit of Existing Revenue Streams – While likely to generate far less revenue, conducting operational audits of the City's existing general fund revenues would assure Council and the community that the already enacted revenue streams are being administered as adopted and intended. Revenue audits would include franchise agreements, business licenses, Park and Open Space Fee and other smaller fees, taxes and assessments that contribute to the overall general fund revenues.

3) Property Tax Revenue Analysis from termination of the Coburg Urban Renewal Agency in 2029 – When the URA reaches its \$9 million total contribution to the wastewater debt service, the properties and related property tax revenues within the URA assessment boundary will return to the overall City assessment valuation resulting in an increase in property tax revenue to the General Fund.

This recommendation endorses the action identified in the FY26 Budget process to obtain Urban Renewal consultant services to develop post-URA property tax revenue estimates in addition to providing recommendations and direction on the termination of the URA. Funds within the URA budget have already been appropriated to carry out this recommendation.

4) Building Permit Fee Increase – Staff has already begun the background analysis to update Building Permit Fees (Structural, Electrical, Plumbing, Mechanical) that have not been reviewed or updated in over four years. The objective is to review and update building permit fees to ensure that permit fees cover the cost of providing the Building Review and Inspection program.

5) Land Use/Zoning Permit Fee Increase – Staff has presented an overview of this update process to Council and is reviewing the ordinances and resolutions that enacted the fees to ensure updates align with the methodology of the existing fee structure. The objective is to review and update land use development fees to ensure that fees cover the cost of providing the direct services to what is typically described as “current planning” (partitions, subdivisions, commercial development, etc).

6) Information Outreach – The sub-committee understands the impact of the creation and collection of new fees on both residents and businesses in Coburg, but also understands the responsibility of Council

in ensuring financial stability of the municipal government and the services provided that the community relies on. Staff has developed a timeline between December of 2025 and March of 2026 for Council review and direction on the sub-committee's recommendations as well as for providing information to the community of the final recommendations Council chooses to pursue and move forward. This Information Outreach recommendation is to ensure that the community is informed of Council's intentions and has an opportunity to comment.

7) Disband the Revenue Options Sub-Committee – With the completion of phase III recommendations, the sub-committee recommends that Mayor Bell disband the subcommittee with an understanding that a similar committee/task force could be re-established by Mayor Bell at a future date with a new set of Council appointments and an updated charge/scope and timeline.