

COUNCIL MEMO

MEETING DATE: March 11, 2025

STAFF: Adam Hanks, City Administrator



Council Revenue Sub-Committee Phase II Recommendation – General Fund Fees

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 Engbretson 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 to develop recommendations to Council for the phase I utility revenue options and with the sub-committee meeting of March 6, 2025, the phase II revenue options review and recommendation is complete.

ANALYSIS & RECOMMENDATIONS

Before developing formal recommendations for revenue enhancements for the general fund, the sub-committee requested a staff assessment on the current revenue needs assessment within the fund. The City Administrator provided an informal analysis and explanation of the need for additional revenues, which will be presented to the full Council at a future meeting.

Key considerations that determined the sub-committee's agreement of additional revenue needed for the general fund included:

- Four year trend of declining ending fund balance
- Continued rise of expenses exceeding the lesser rise of revenues
- 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%)

Following the sub-committee meeting of February 20, 2025 that contained a staff presentation on revenue options and their advantages/disadvantages, along with a discussion of the debt service credit rating reduction, the Revenue Sub-Committee has the following phase II recommendation for Council to consider:

- Establishment of a Parks and Open Space Fee of five dollars (\$5) per month on all customer utility bills to provide for continued operations and maintenance of the parks system at its current service level.

Estimated annual revenue of \$50,000

Suggested effective date: July 1, 2025

- Increase from two dollars (\$2) to four dollars (\$4) for the existing Tree Fee on all customer utility bills to adequately fund the maintenance (pruning, removal, planting) of street trees (trees located in rights of ways) throughout Coburg

Estimated annual revenue of \$20,000

Suggested effective date: July 1, 2025

- Inclusion of consumer price index (CPI) on both fees to ensure annual adjustments maintain overall revenue goals over time.