



Trustee Memo

Meeting Date: March 2, 2026

Memo Date: February 26, 2026

To: Cottage Grove Village Board

From: Paula Severson

Subject: Proposed Ad Hoc Debt Reduction Taskforce

Purpose

The purpose of this memo is to propose the creation of an Ad Hoc Debt Reduction Taskforce to evaluate the Village's long term debt position and develop practical recommendations to reduce outstanding obligations and strengthen long term financial stability.

The Village currently carries approximately **\$48 million in total debt**. This level of debt affects future budgets, borrowing capacity, tax stability, and the flexibility of future Village Boards. A focused review is necessary to responsibly address these obligations over time.

Why a Task Force Is Needed

The Village currently has a Budget Review Committee. The Budget Review Committee advises the Village Board on financial matters and traditionally meets during the fall to review the upcoming annual budget. Its work is centered on the next year's operating plan.

Debt management is different from annual budgeting. Debt spans decades. It affects capital planning, borrowing practices, development policy, and long term tax burden. Addressing it requires a separate and sustained effort.

The proposed task force would focus specifically on long term liabilities rather than a single year operating budget.

Structure

The Ad Hoc Debt Reduction Task Force could mirror the structure used for the current Ad Hoc Housing Chapter Update Committee.

Membership:

- Two Village Trustees
- Three resident members appointed by the Village Board



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Resident members should ideally include individuals with experience in finance, banking, accounting, business operations, development, or municipal finance, although any interested resident may apply.

Village staff would provide technical support and data as needed.

Scope of Work

The taskforce would not replace the authority of the Village Board. Its role would be research, evaluation, and recommendations.

Recommended activities could include:

1. Debt Inventory and Analysis

- Review all outstanding Village debt obligations
- Identify interest rates, repayment schedules, and maturity dates
- Identify higher interest or higher cost debt
- Evaluate the ratio of debt to operating revenues

2. Refinancing Opportunities

- Examine whether existing bonds can be refinanced
- Evaluate opportunities for early payoff or restructuring
- Identify potential interest savings

3. Capital Planning Review

- Review current and planned capital projects
- Recommend prioritization of essential versus deferrable projects
- Evaluate whether some projects should be delayed, phased, or funded differently

4. Operational Efficiency and Expenditure Review

- Evaluate Village operations for potential efficiencies
- Review service delivery models and practices
- Identify cost containment opportunities
- Examine contracts, purchasing practices, and shared service opportunities
- Review staffing patterns and overtime trends
- Identify opportunities for pay as you go capital funding where appropriate

5. Revenue and Funding Strategies

- Evaluate impact fees and cost recovery mechanisms
- Review special assessments and user fees
- Identify grant opportunities
- Evaluate underutilized assets or property
- Explore partnerships and intergovernmental cooperation

6. Policy Recommendations

- Develop recommended debt management policies
- Recommend limits or targets for future borrowing
- Establish a long term debt reduction plan
- Create guidelines for when debt should or should not be issued

7. Financial Benchmarks and Transparency

- Recommend financial benchmarks and monitoring tools
- Establish debt to revenue targets
- Recommend reserve levels
- Provide clear public explanations of Village debt and financial obligations

Expected Outcome

The taskforce would prepare a written report to the Village Board with specific and actionable recommendations. The goal is not immediate elimination of debt, which is unrealistic for a growing community, but responsible long term reduction and improved financial sustainability.

The final product should include:

- a multi year debt reduction strategy
- recommended policies for future borrowing
- tools to prevent recurrence of current debt levels

Duration

This would be an ad hoc committee. It could sunset after delivering its final report, with an anticipated duration of approximately 6 to 9 months unless extended by the Village Board.

Recommendation

I recommend the creation of this taskforce and also express my desire to be a member of it.