



AGENCY: City Council/MID
MEETING DATE: June 29, 2020
DEPARTMENT: Finance/City Manager
PRESENTED BY: T. Miller/V. Damiani
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AGENDA ITEM SUMMARY

TITLE:

Receive Report and Consider Adoption of Resolutions Approving FY 2020-21 City of Fort Bragg and Fort Bragg Municipal Improvement District No. 1 Budgets, Establishing FY 2020-21 Appropriations Limit, and Approving FY 2020-21 Capital Projects Budget

ISSUE:

Each year, the governing bodies of the City of Fort Bragg and the Fort Bragg Municipal Improvement District No. 1 approve their annual budgets, by resolution, establishing a financial plan for carrying out the operations of government in the following fiscal year.

In addition, Article XIII B of the State Constitution imposes limitations on the annual rates of increase in local government budget expenditures and requires cities to adopt annual appropriation limits, by resolution, each year. Annual appropriation limits are tied to statewide inflationary trends and population changes for each locality. Four budget resolutions are attached for adoption by the City Council and District Board.

ANALYSIS:

1. The City's FY 2020-21 Appropriation Limit is \$10,914,360. With appropriations subject to the limitation totaling approximately \$5,296,728, the City of Fort Bragg is not at risk of exceeding the Gann Limit.
2. The Citywide budget proposed for adoption includes \$30.65M in revenues and \$32.3M in appropriations. With the exception of the General Fund, total appropriations budget includes funding of capital projects and therefore does not represent an operating deficit. The General Fund budget includes \$7.9M in revenue and \$8.3M in appropriations which equates to a \$349k operating deficit.

A shortened version of the Budget Document is attached. The Transmittal Letter at the beginning of the document provides a narrative of the FY 2020-21 budget and the tables following provide more detail on the numbers that create the budget. The Budget Document is much shorter and contains less detail than past years. Due to the uncertainty in the economy, we anticipate reviewing and updating the budget throughout the year, so a detailed document is simply not nimble enough for our unprecedented times.

The Budget Document includes summary tables from the Cost Allocation Plan that was updated in FY 2018-19, adopted by Council and implemented this year. The plan is much more complex than the prior allocation plan and a great deal of time went into creating it and this year populating the data and making the calculations.

Within that complexity, are a few aspects of the allocation methodology that I recommend be reviewed and potentially revised:

1. *Treating the Corporation Yard as a Direct Cost Program.*

The Corporation Yard does not directly provide a service to the public. It functions as a support facility for Public Works Operations including: Parks, Storm Drains, Street Maintenance, Street Traffic & Safety, Water Enterprise and Wastewater Enterprise. As an indirect program, its costs should be allocated in the same manner as other indirect programs.

2. *Create a method to include an Overhead allocation to the Internal Service Funds prior to allocating costs.*

Only direct labor costs are included in the calculations for the Internal Service Funds, unlike direct labor charges to the Enterprise Funds, Special Revenue Funds, Grants and Capital projects.

3. *Review the allocation driver for the Fleet Internal Service Fund.*

A Vactor Truck at a cost of \$602,000 is allocated the same share of fleet expenses as a trailer at a replacement cost of \$3,030. Costs are allocated by dividing the cost of the internal service fund by the number of vehicles/equipment. A calculation that takes into account value, the ongoing maintenance requirements, and/or time spent to procure may more appropriately spread the Fleet costs to the appropriate funds.

RECOMMENDED ACTION:

Adopt the following Resolutions:

1. Fort Bragg City Council Resolution approving and adopting the Annual Appropriations Limit for FY 2020-21;
2. Fort Bragg City Council Resolution approving the FY 2020-21 City of Fort Bragg Budget;
3. Fort Bragg Municipal Improvement District No. 1 Resolution approving the FY 2019/20 Municipal Improvement District No. 1 Budget;
4. Joint Fort Bragg City Council and Fort Bragg Municipal Improvement District No. 1 Resolution approving the FY 2020-21 Capital Projects Budget.

ALTERNATIVE ACTION(S):

1. Modify the proposed Resolutions before adopting;
2. Reschedule approval of one or more Resolution(s) pending further input.

FISCAL IMPACT:

The FY 2020-21 budget provides funding for operations of the City as well as significant maintenance and capital expenditures.

GREENHOUSE GAS EMISSIONS IMPACT:

Adoption of the budget by itself does not increase greenhouse gas emissions. The operations of the City and construction of capital projects that are planned for in the budget will increase greenhouse gas emissions.

CONSISTENCY:

Adoption of the resolutions presented is consistent with Article XIII B of the California State Constitution as well as the City's fiscal policies regarding development and adoption of an annual budget.

IMPLEMENTATION/TIMEFRAMES:

Once adopted, the budget will be posted on the City's website. Paper copies will be posted for public review in the City Hall Lobby and the Fort Bragg public library. Printed copies also may be purchased from the City Finance Department. The budget will serve as the City's initial financial management guide for FY 2020-21. Staff anticipates updates and changes as we navigate the new "Normal."

ATTACHMENTS:

1. FY 2020-21 Budget Document
2. Fort Bragg City Council Resolution approving and adopting the Annual Appropriations Limit for Fiscal Year 2019/20
3. Fort Bragg City Council Resolution approving Fiscal Year 2019/20 City of Fort Bragg Budget
4. Fort Bragg Municipal Improvement District No. 1 Resolution approving the Fiscal Year 2019/20 Municipal Improvement District No. 1 Budget
5. Joint Fort Bragg City Council and Fort Bragg Municipal Improvement District No. 1 Resolution approving the Fiscal Year 2019/20 Capital Projects Budget.
6. PowerPoint presentation

NOTIFICATION:

1. Finance and Budget Notify Me subscriber list