



FY 2022/23
Quarter 1 Financial Report



REPORT OVERVIEW

This report summarizes the City's financial performance for the first quarter of the Fiscal Year 2022/23 ending September 30, 2022. This report's financial analysis is provided for the General Fund and the Water and Wastewater Enterprise Fund on a modified accrual basis. This report is not an audited financial statement; no data on revenues and expenditures are final until the City has completed its annual audit and finalized its Annual Comprehensive Financial Report (ACFR).

GENERAL FUND

The General Fund is the general operating fund for the City and includes direct programs, activities, and services provided to the citizens of Fort Bragg.

GENERAL FUND REVENUES

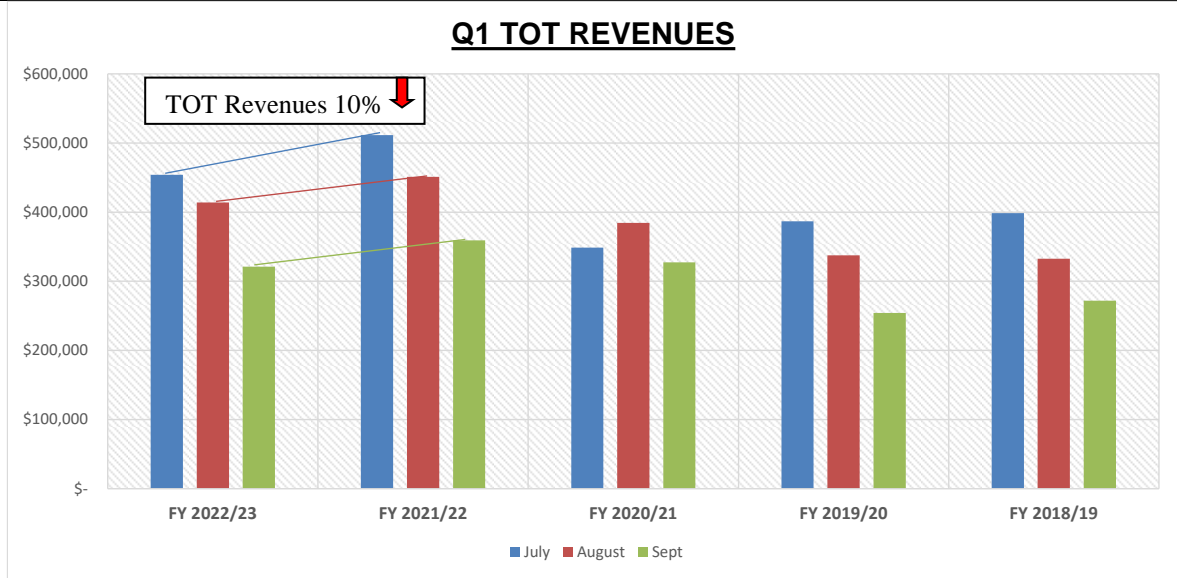
The original adopted revenue budget for the General Fund was \$11.1 million, an increase of 6 percent from the prior fiscal year.

Summary of FY 2022/23 Q1 General Fund Operating Results							
	Prior FY Q1 Actuals	Original Budget FY 22/23	Amended Budget FY 22/23	FY 22/23		Variance vs. Quarterly Budget	% of Total Budget
				Q1 Budget	Q1 Actual Results		
Transient Occupancy Taxes	\$1,257,884	\$ 3,371,081	\$ 3,371,081	\$ 1,091,083	\$ 1,188,729	\$ 97,646	35%
Sales Taxes	598,877	2,178,000	2,178,000	527,979	574,984	47,005	26%
Property Taxes	11,169	1,176,309	1,176,309	8,641	8,641	0	1%
Other Taxes	152,403	832,442	832,442	144,450	188,244	43,794	23%
Reimbursements	695,128	2,771,850	2,771,850	692,962	626,513	(66,449)	23%
Charges for Services	21,549	70,546	70,546	17,637	30,320	12,683	43%
Licenses & Permits	10,459	95,413	95,413	23,853	14,492	(9,361)	15%
Use of Money & Property	2,849	61,300	61,300	15,325	13,255	(2,070)	22%
Fines & Forfeitures	10,513	31,500	31,500	7,875	7,589	(286)	24%
Other Revenues	9,760	24,500	24,500	6,125	35,432	29,307	145%
Intergovernmental/Grant Reimb	-	517,555	517,555	129,389	118,410	(10,979)	23%
Total Revenue	\$2,770,591	\$ 11,130,495	\$ 11,130,495	\$ 2,665,319	\$ 2,806,610	\$ 141,291	25%

For the quarter that ended September 30, 2022, General Fund operating revenues totaled \$2.8 million, beating quarterly budget projections by \$141k or 25 percent of the amended budget.

- **Transient Occupancy Tax (TOT)** accounts for 31 percent of the total General Fund's revenue. During the last quarter of FY 19/20, this revenue category was hit hard by COVID restrictions and ended the fiscal year falling short of budget projections by \$660k, resulting in an overall budget deficit for the general fund. In FY 20/21, TOT rebounded and recorded its best year to date ending the fiscal year at \$3.3 million. In part, international and domestic travel restrictions due to the Pandemic contributed to the increase in local visitor numbers. Furthermore, Visit Fort Bragg has continued marketing campaign efforts to attract more visitors to Fort Bragg.

In Q1, FY 22/23, TOT again recorded a solid quarter-one result, 35 percent of the budget, 18% or \$186k growth compared to pre-pandemic numbers. Still, receipts declined by 10% compared to the best quarter the City has seen in FY 21/22—the historic revenues in the previous quarters are illustrated on the next page.



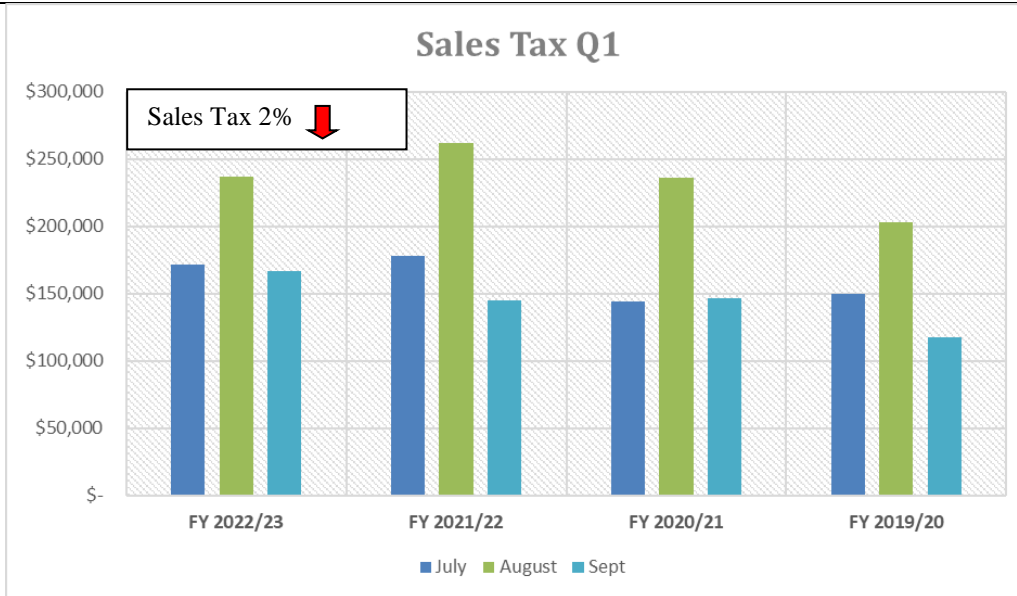
- **Sales Tax** The local sales tax rate is 8.875%, of which the State receives 6%, 0.25% to the County, 1.625% Special Tax and the City receives 1% (known as the Bradley Burns Local Sales and Use Tax).

Inflation accelerated last year as the U.S. economy recovered from the Covid-19 Pandemic. Prices rose as strong consumer demand—stoked by lower interest rates and government stimulus—collided with constrained supply chains and pandemic-related shortages. Russia’s invasion of Ukraine in 2022 further spurred inflation worldwide, hitting food, energy, and other commodity prices.

The overall Consumer Price Index (CPI) increased 8.2% in September 2022 from the same month a year ago, pulled down by a drop in gasoline prices that was partially offset by higher food costs. The reading was down from 8.3% in August and 9.1% in June, which was the highest inflation rate in four decades. The CPI measures what consumers pay for goods and services.

In FY 22/23, Quarter-one results were 26 percent of the total budget. Sales Tax was only down 2 percent compared to the same period last year but still up 22 percent compared to Pre-Pandemic, which is optimistic news for the City as this revenue category continues to record gains. All sales tax categories have experienced year-over-year growth, the largest of which includes Food Products, Construction, and transportation. In addition, the County Pool, which is where the majority of online transactions are captured, has continued to grow. This growth is attributable to the Pandemic’s sustained impact of redirecting significant activity to online sales. The recent growth in County Pool receipts has been fueled by online purchases during the Pandemic and is facilitated by the South Dakota vs. Wayfair, Inc. Supreme Court decision in 2018, which provided states with the authority to require online retailers to collect sales tax even without a local presence in that State. The County Pool revenue is distributed to all cities within Mendocino County based on a distribution formula administered by the CDTFA.

The City’s Sales Tax conservative projections are that revenues will end the fiscal year at \$2 million, down 2% from the FY 21/22 year-end result of \$2.2 million, as the Fed has aggressively raised interest rates to slow price increases despite a slightly more optimistic outlook for inflation. Inflation has eased from the 9.1% in June to 6.5% in December and is expected to fall to 3.1% by the end of 2023 and end in 2024 at 2.4%, which will impact consumer spending habits, particularly when making large purchases.



- **Property Taxes:** receipts are received in lump sums in December, April, and July rather than evenly throughout the year. Housing costs have risen by the most since the early 1980s as a strong labor market continues to push up rental rates. Median home prices in the 95437 zip code have continued to increase year-over-year. According to Zillow, as of September 2022, median home prices were \$565k, up from \$480k or 14.9 % over the past year, with 129 residential units sold in the last ten months of the fiscal year.
- **Other taxes** include Franchise Fees and Business License taxes. Actuals totaled \$188k, which is \$44k over the quarterly Budget estimates. The revenues from solid waste removal were up \$33k from quarterly budget projections due to the new solid waste franchise agreement with Redwood Waste Solutions. Conversely, revenues from Cable television franchise fees have slowly declined as more customers move to satellite and internet-based services. Business License Tax is collected during the business license renewal season in February to March of each year.
- **Reimbursements** include the annual Citizens' Option for Public Safety (COPS) reimbursements for the City's Community Service Officers (CSO), admin cost reimbursement from grants, Highway user tax, special sales tax allocation, developer deposit reimbursements, and cost allocations transfers, which are considered a cost to the Enterprise funds but revenue to the General Fund. This revenue ended the quarter at \$66k below the quarterly budget due to the timing of some of the reimbursements, which is expected to pick up in the remaining quarters.
- **Intergovernmental** are reimbursements for staff time work on grants, including the School Resource Officer reimbursement, Social Services Liason Grant, Economic Development Agency (EDA), Community Development Block Grants (CDBG) for code enforcement, business assistance loan, Utility Bill assistance, and general administration. The Quarter ended result was 23% of the total Budget.



GENERAL FUND EXPENDITURES

The General Fund’s adopted budget for FY 2022/23 was \$10.9 million. The amended budget is \$11.2 million, with Budget amendments of \$207,561, excluding Purchase order rollovers from the prior fiscal year.

EXPENDITURES	Prior FY Q1 Actuals	Original Budget FY 22/23	Amended Budget FY 22/23	FY 22/23		Variance vs. Quarterly Budget	% of Total Budget
				Q1 Budget	Q1 Actual Results		
General Government							
City Council	\$ 58,044	\$ 193,718	\$ 193,718	\$ 48,430	\$ 47,827	\$ 602	25%
Administrative Services	201,943	970,375	1,006,262	251,565	200,791	50,775	20%
City Attorney/Legal	73,862	300,000	300,000	75,000	110,807	(35,807)	37%
Finance	141,336	606,653	617,639	154,410	130,325	24,084	21%
Non-departmental (overhead)	258,698	1,158,450	1,160,286	290,072	439,162	(149,090)	38%
General Government Subtotal	733,883	3,229,196	3,277,905	819,476	928,912	(109,436)	28%
Public Safety							
Fire	136,577	439,962	439,962	109,990	118,281	(8,291)	27%
Police	90,485	3,805,179	3,855,620	963,905	960,764	3,141	25%
Public Safety Subtotal	227,062	4,245,141	4,295,582	1,073,895	1,079,045	(5,150)	25%
Community Services							
Public Works	285,357	1,297,221	1,383,186	345,796	373,348	(27,551)	27%
Fort Bragg Marketing	31,809	220,500	220,500	55,125	43,385	11,740	20%
Community Development	91,993	436,471	458,917	114,729	73,894	40,836	16%
Community Contributions	14,890	152,962	152,962	38,240	17,558	20,683	11%
Annual Debt Payments	-	687,563	687,563	239,375	239,375	-	35%
Community Services Subtotal	424,049	2,794,716	2,903,127	793,266	747,559	45,707	26%
Allocation to Internal Service	171,540	686,131	686,131	171,533	171,533	-	25%
Total Expenditure	\$1,556,534	\$ 10,955,184	\$ 11,162,745	\$ 2,858,170	\$ 2,927,048	\$ (68,878)	26%
Net Revenue /(Expenditure)	\$1,214,057	\$ 175,312	\$ (32,250)	\$ (192,851)	\$ (120,439)	\$ 72,412	

General Fund operating expenditures ended the quarter at \$2.9 million, or 26 percent of the amended budget.

- **Administrative Services** were just 20% of the total budget, primarily due to personnel cost savings from the unfilled City Manager position. The position was backfilled by an interim City Manager position through September 2022, which excluded benefit costs.
- **City Attorney/Legal Costs** were 37% of the total budget and \$35k over the quarterly budget due to the increased legal costs incurred in the quarter. Still, legal costs are expected to be within budget towards the end of the fiscal year.
- **Non-departmental** is at 38% of the total budget attributed to the nature of California Intergovernmental Risk Authority (CIRA) liability and property premium payments, which are paid in the first quarter. Overall, property insurance has increased by 83%, and worker's compensation and general liability also recorded a cost increase of 19% year-over-year.

Additionally, \$150k was budgeted to contribute to Section 115 Trust to diversify the City’s Investments to address the likelihood of increases to the California Public Employees’ Retirement System (CALPERS) unfunded liability.



- **The Police Department** budget is at 25% of the total budget and on track with quarterly projections. In 2023, dispatch costs will increase by 5 percent per the operating agreement with the City of Ukiah. Additionally, the department currently has a few open positions, which are expected to be filled in quarter three of the fiscal year.
- **Community Contributions** include the budget for Noyo Center, Special projects from Measure AB, Sister City Program, and Economic Development & Financing Corporation (EDFC). Only one payment to Noyo Center has been made in the first quarter. The Special Projects have a remaining balance of \$36,606
- **Community Development** department is 41k under the quarter one Budget primarily due to the vacant Planner position, which is budgeted for in the adopted budget. Additionally, the Public Works Director and the Assistant Director of Engineering have filled the vacant Community Development Director position and contracted out some of the planning work. The adopted budget does not include a budget for a Community Development Director.
- **Fort Bragg's Marketing** budget includes expenditures such as professional marketing, events, and Public relations services. The quarterly budget is \$12k under budget due to the timing of payments to Consultants and partner agencies, including Creative Thinking- Marketing.
- **Debt Payments** A significant accomplishment for the City in FY 2020/21 was developing and adopting a Pension funding policy. These included issuing Lease Revenue Bonds to reduce the City's Unfunded pension Liability by \$7.5 million in November 2021 to achieve a 90-100 percent funding status with CALPERS. FY 2022/23 Budget includes the City's first annual debt payment for these bonds, in which interest is paid in quarter one, and the principal is to be paid in the fourth quarter.

Overall, most of the general fund expenditures are in line with or below quarterly budget projections.

GENERAL FUND NET RESULTS

The General Fund is the chief operating fund for the City and relies on TOT and Sales Tax revenues. Both revenue categories recorded the best years to date in FY 20/21 and continued the strong performance into FY 21/22 with a slight decline in the Q1 of FY 22/23.

The first-quarter revenues were \$2.8 million (25 percent of the annual budget), and expenditures were \$2.9 million (26 percent of the annual budget), outpacing revenues by \$120,439. As the fiscal year progresses, Staff will continue monitoring revenues to ensure they are keeping up with expenditure levels. The Mid-Term Budget workshop scheduled for March 2023 will be an excellent opportunity to gauge the impacts of the looming recession on the City's revenues and expenditures.

	Prior FY Q1 Actuals	Original Budget FY 22/23	Amended Budget FY 22/23	FY 22/23		Variance vs. Quarterly Budget	% of Total Budget
				Q1 Budget	Q1 Actual Results		
Total Revenue	\$2,770,591	\$ 11,130,495	\$ 11,130,495	\$ 2,665,319	\$ 2,806,610	\$ 141,291	25%
Total Expenditure	\$1,556,534	\$ 10,955,184	\$ 11,162,745	\$ 2,858,170	\$ 2,927,048	\$ (68,878)	26%
Net Revenue /(Expenditure)	\$1,214,057	\$ 175,312	\$ (32,250)	\$ (192,851)	\$ (120,439)	\$ 72,412	



MEASUE AA/AB UPDATE

1. Special Projects Allocation – 0.25%

	C/F Balance 6/30/21:	\$	67,000
FY 21/22			
FY 21/22 Allocation			60,000
Dana Grey Water System Upgrade			(28,097)
Bainbridge Park Soccer			(51,228)
Purchase Groomer/Renovator			(9,300)
	Balance 6/30/22	\$	38,375
FY 22/23			
Allocation FY 22/23		\$	70,231
Repair & Resurface of 4 Tennis & Pickle Ball Courts			(72,000)
	Est. Balance 6/30/23	\$	36,606

2. Noyo Center Allocation – 0.25%

	C/F Balance 6/30/21:	\$	-
FY 21/22			
FY 21/22 Allocation			60,000
Quarter 1			(15,000)
Quarter 2			(15,000)
Quarter 3			(15,000)
Quarter 4			(15,000)
	Balance 6/30/22	\$	-
FY 22/23			
Allocation FY 22/23		\$	70,231
Noyo Center Q1 Allocation			(17,558)
	Est. Balance 6/30/23	\$	52,673.25



WATER ENTERPRISE FUND

Water Enterprise's revenue ended the quarter at \$791k or 26 percent of the total budget, and expenditures ended the quarter at \$853k or 30 percent of the total budget.

Summary of FY 2022/23 Q1 Water Enterprise Operating Results							
	Prior FY Q1 Actuals	Original Budget FY 22/23	Amended Budget FY 22/23	FY 22/23		variance vs. Quarterly Budget	% of Total Budget
				Q1 Budget	Q1 Actual Results		
Charges for Services	\$ 788,734	\$ 2,970,342	\$ 2,970,342	\$ 843,232	\$ 773,645	\$ (69,587)	26%
Other Revenue	1,874	28,500	\$ 28,500	7,125	17,828	10,703	63%
Total Revenue	\$ 790,608	\$ 2,998,842	\$ 2,998,842	\$ 850,357	\$ 791,472	\$ (58,885)	26%
Expenditure by Category							
Debt Service	\$ 326,749	782,993	\$ 782,993	\$ 326,749	\$ 329,976	\$ (3,227)	42%
Personnel services	154,203	919,986	931,137	232,784	198,426	34,359	21%
Administration	111,906	515,531	515,531	128,883	127,438	1,445	25%
Contractual services	16,668	127,500	173,533	43,383	34,579	8,804	20%
Materials & supplies	26,096	157,000	157,000	39,250	41,244	(1,994)	26%
Utilities	36,902	144,000	144,000	36,000	49,568	(13,568)	34%
Repairs & maintenance	3,540	102,200	102,200	25,550	4,687	20,863	5%
Insurance	-	40,442	40,442	10,110	63,962	(53,852)	158%
Other operating	3,167	3,000	3,000	750	3,806	(3,056)	127%
Total Expenditure	\$ 679,230	\$ 2,792,652	\$ 2,849,836	\$ 843,460	\$ 853,685	\$ (10,226)	30%
Net Revenue /(Expenditure)	\$ 111,377	\$ 206,190	\$ 149,006	\$ 6,897	\$ (62,213)	\$ (69,110)	

- **Charges for Services** fully support the revenues for the Water Enterprise Fund. Quarter-one revenues performed consistently to the prior fiscal year and are typically higher in the first quarter due to seasonality.

The City of Fort Bragg declared a Stage 2 water warning and implemented mandatory stage two water conservation measures to reduce water consumption by 10-20% in quarter one. In the prior fiscal year, ratepayers took proactive steps in the Summer to conserve water as the City of Fort Bragg has experienced significantly less rainfall over the past several years, causing the City's three raw water sources to continue a downward trend. Due to these, water consumption has decreased compared to the last prior fiscal years as customers have adapted to conserving water during the summer months.

Additionally, the City undertook steps to detect leaks and notify customers accordingly. New Water Meters funded by CDBG Grant are being installed in Quarters two and three, which will better detect leaks in real-time, and the improvements to the customer portal through Water Smart will provide customers with analytics on their usage and other helpful information to address leaks and high water usage.

- **Debt Service** adopted a budget of \$783k. Currently, the Water Enterprise Fund has two Debts: The state of California Department of Water Resources Loan of \$476k (budgeted to be paid off this fiscal year) and the 2014 Water Revenue Refunding Bond of \$672,135 which matures in the next fiscal year. Debt services are at 42% of the Budget due to the timing of the payments, which are paid in Quarter one per the Debt Schedule.



- **Contractual Services** budget covers Utility Billing costs for printing, mailing, and compliance with Senate Bill 998. Additionally, \$25k is budgeted for water conservation costs. These costs have come in below budget in the first quarter.
- **Utilities** are up \$13k or 34% of the total Budget. Energy costs for Electric have risen by 35% per month compared to last year due to rate increases with a slight increase in consumption.
- **Insurance costs**, including Property & ADP Contributions, DIC Earthquake, and flood deductible buy-down, are paid in the first quarter annually. As mentioned earlier, CIRA insurance costs have recorded year-over-year increases. Property Insurance increased by 83% and DIC by 43% overall. Currently, the Insurance costs are over budget by \$53k. Staff is working with CIRA to confirm the allocation of property insurance before the mid-term budget.

Overall, most expenditures are in line with quarterly budget projections, and staff anticipates that revenues will outpace expenditure estimates come year-end.

WASTEWATER ENTERPRISE FUND

Wastewater Enterprise's revenue ended the quarter at \$925k, which is 28 percent of the total budget, and expenditures ended the first quarter at \$622k, in line with overall quarter one budget projections.

Summary of FY 2022/23 Q1 Wastewater Enterprise Operating Results							
	Prior FY Q1 Actuals	Original Budget FY 22/23	Amended Budget FY 22/23	FY 22/23		Variance vs. Quarterly Budget	% of Total Budget
				Q1 Budget	Q1 Actual Results		
Charges for Services	\$ 898,407	\$ 3,122,050	\$ 3,122,050	\$ 780,513	\$ 873,566	\$ 93,053	28%
Other Revenue	-	139,000	139,000	34,750	52,218	17,468	38%
Total Revenue	\$ 898,407	\$ 3,261,050	\$ 3,261,050	\$ 815,263	\$ 925,784	\$ 110,521	28%
Expenditure by Category							
Debt Service	\$ -	\$ 93,850	\$ 93,850	\$ -	\$ -	\$ -	0%
Personnel services	148,826	576,890	589,541	147,385	148,287	(902)	25%
Administration	169,755	702,284	702,284	175,571	171,905	3,666	24%
Contractual services	96,364	235,000	440,495	110,124	27,122	83,002	6%
Materials & supplies	33,274	256,244	333,453	83,363	77,648	5,716	23%
Utilities	52,863	220,000	220,000	55,000	96,367	(41,367)	44%
Repairs & maintenance	27,827	88,700	88,700	22,175	19,583	2,592	22%
Insurance	-	64,240	64,240	16,060	81,174	(65,115)	126%
Total Expenditure	\$ 528,909	\$ 2,237,208	\$ 2,532,562	\$ 609,678	\$ 622,087	\$ (12,409)	25%
Net Revenue /(Expenditure)	\$ 369,498	\$ 1,023,842	\$ 728,488	\$ 205,584	\$ 303,697	\$ 98,113	

- Like the Water Enterprise Fund, revenues did rebound to pre-COVID levels in FY 20/21, recording \$898k or 28 percent of the total budget. In FY 22/23, revenues are trending well, up 28% of the total budget.
- **Utilities** are up \$13k or 44% of the total Budget. Energy costs for Electric have risen by 60% or \$12k/month compared to the last year due to rate increases.



- **Insurance costs**, including Property & ADP Contributions, DIC Earthquake, and flood deductible buy-down, are paid in the first quarter annually. As mentioned earlier, CIRA insurance costs have recorded year-over-year increases. The new Wastewater Treatment Plant has certainly increased the Property

Insurance for the fund in the last couple of years. Property Insurance increased by 83% and DIC by 43% overall. Currently, the Insurance costs are over budget by \$53k. Staff is working with CIRA to confirm the allocation of property insurance before the mid-term budget to determine if a Budget Amendment is needed.

Overall, most expenditures are in line with quarterly budget projections, and staff anticipates that revenues will outpace expenditure estimates come year-end.