



# Overview & Economic Outlook

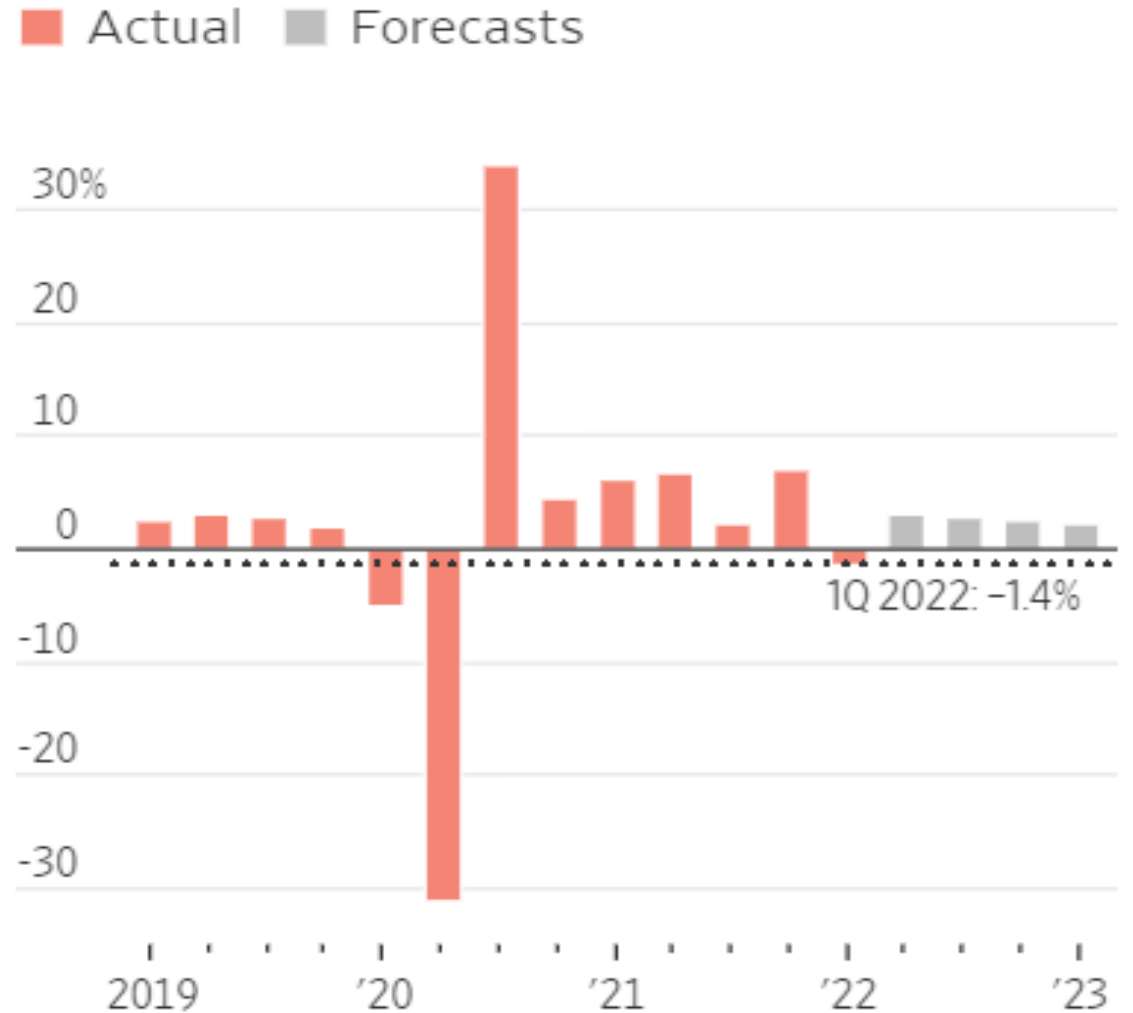
# Presentation Outline:

1. Economic Outlook
2. City Council Budget Goals FY 2022/23
3. All Funds Reserves
4. Financial Challenges & Five Year Forecast - GF
5. Opportunities & Options

# National Outlook

- US GDP: Falls 1.4% in Q1, 2022.  
Est a 3% Growth in Q2. 2022
- US Unemployment Rate: 3.5%
- California Unemployment Rate: 4.2%
- Fed's Interest Rate Increase: 0.50%

U.S. GDP, change from previous quarter\*



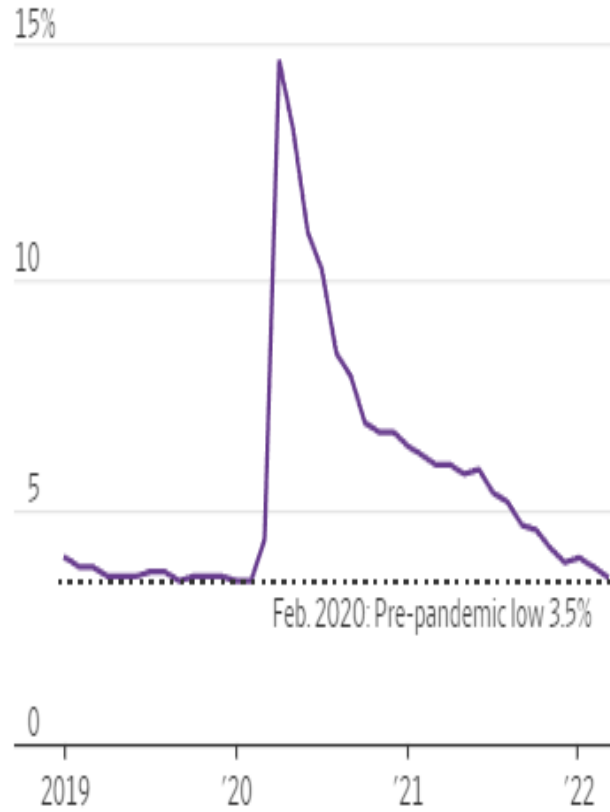
\*Seasonally adjusted at annual rates

Sources: Commerce Department (actual); Wall Street Journal Economic Forecasting Survey (forecasts)



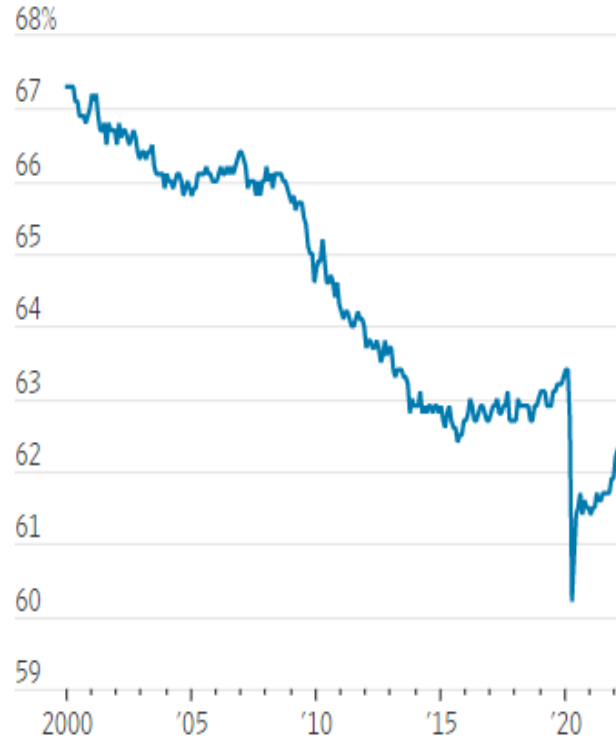
# Unemployment Rate:

Unemployment rate



Note: Seasonally adjusted  
Source: Labor Department

U.S. labor force participation rate



Note: Seasonally adjusted.  
Source: Labor Department via St. Louis Fed

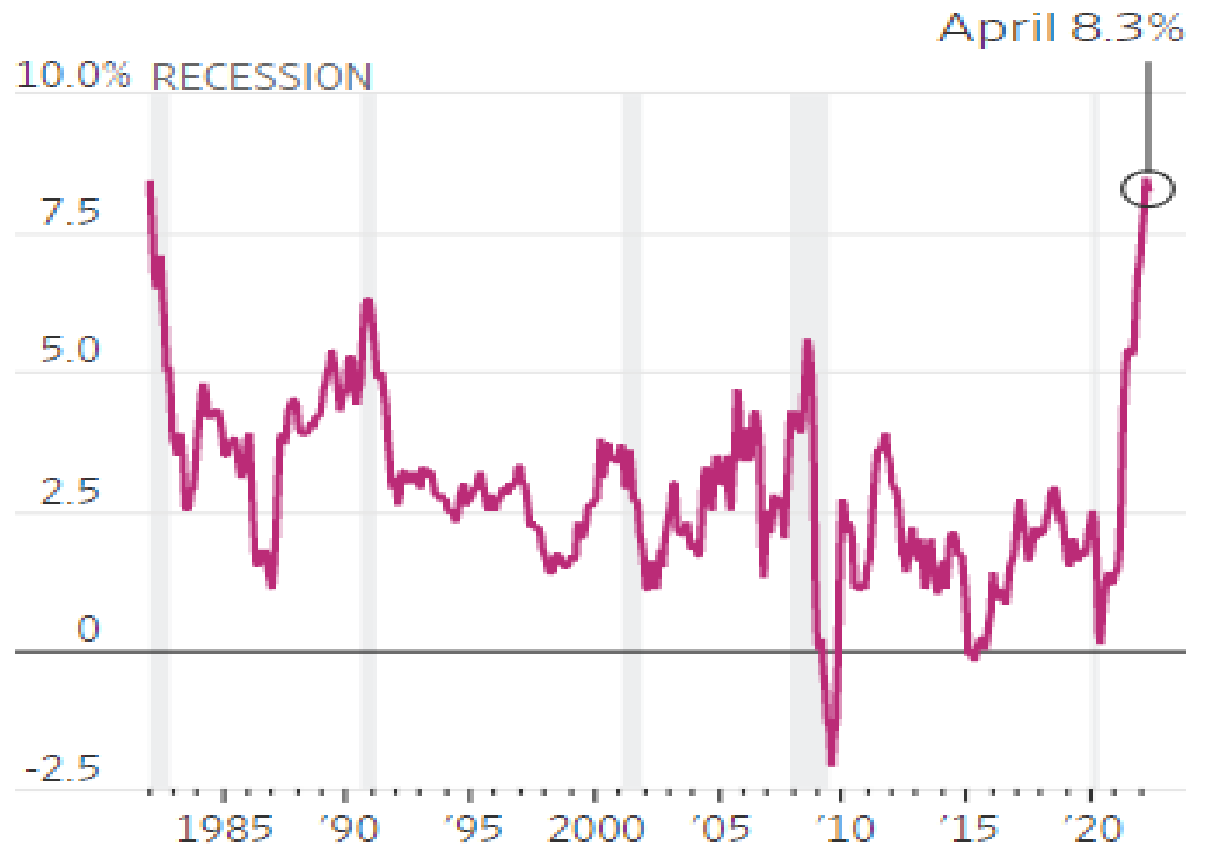
Monthly Labor Force Data for Cities and Census Designated Areas  
March 2022 - Preliminary  
Data Not Seasonally Adjusted

Area Name	Labor Force	Employment	Unemployment Number	Unemployment Rate
CA State	19,374,100	1,855,100	823,000	4.2
Mendocino County	37,600	36,150	1,460	3.9%
Covelo CDP	390	360	30	7.2%
Fort Bragg city	2,790	2,710	90	3.1%
Laytonville CDP	300	250	50	16.9%
Mendocino CDP	460	460	10	1.3%
Point Arena city	180	170	10	4.5%
Ukiah city	7,140	6,800	340	4.7%
Willits city	1,960	1,870	90	4.7%

# Consumer Price Index

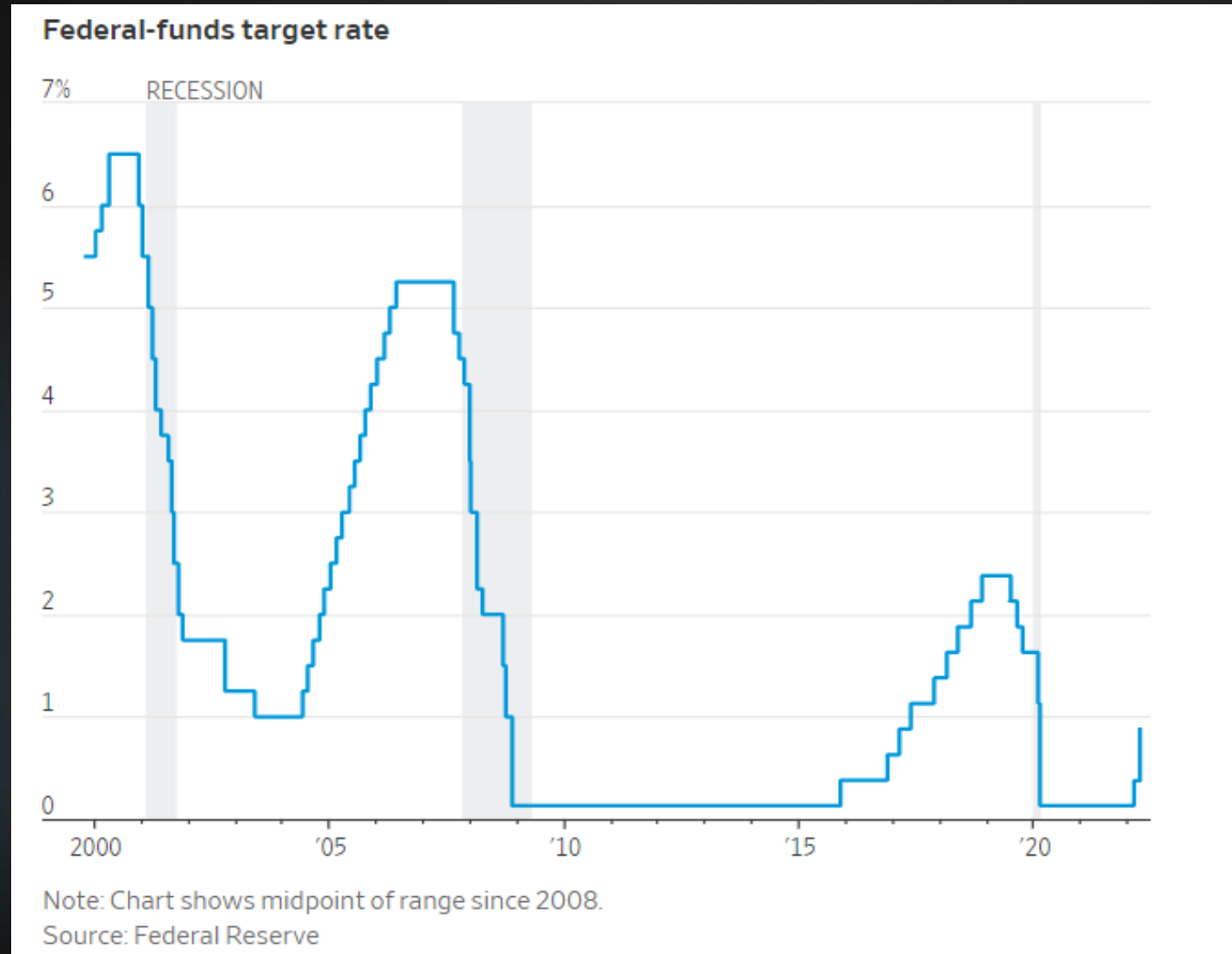
- CPI: 8.3% (1.2% increase from March)

Consumer-price index, change from a year earlier



Source: Labor Department

# FEDERAL FUNDS TARGET RATE



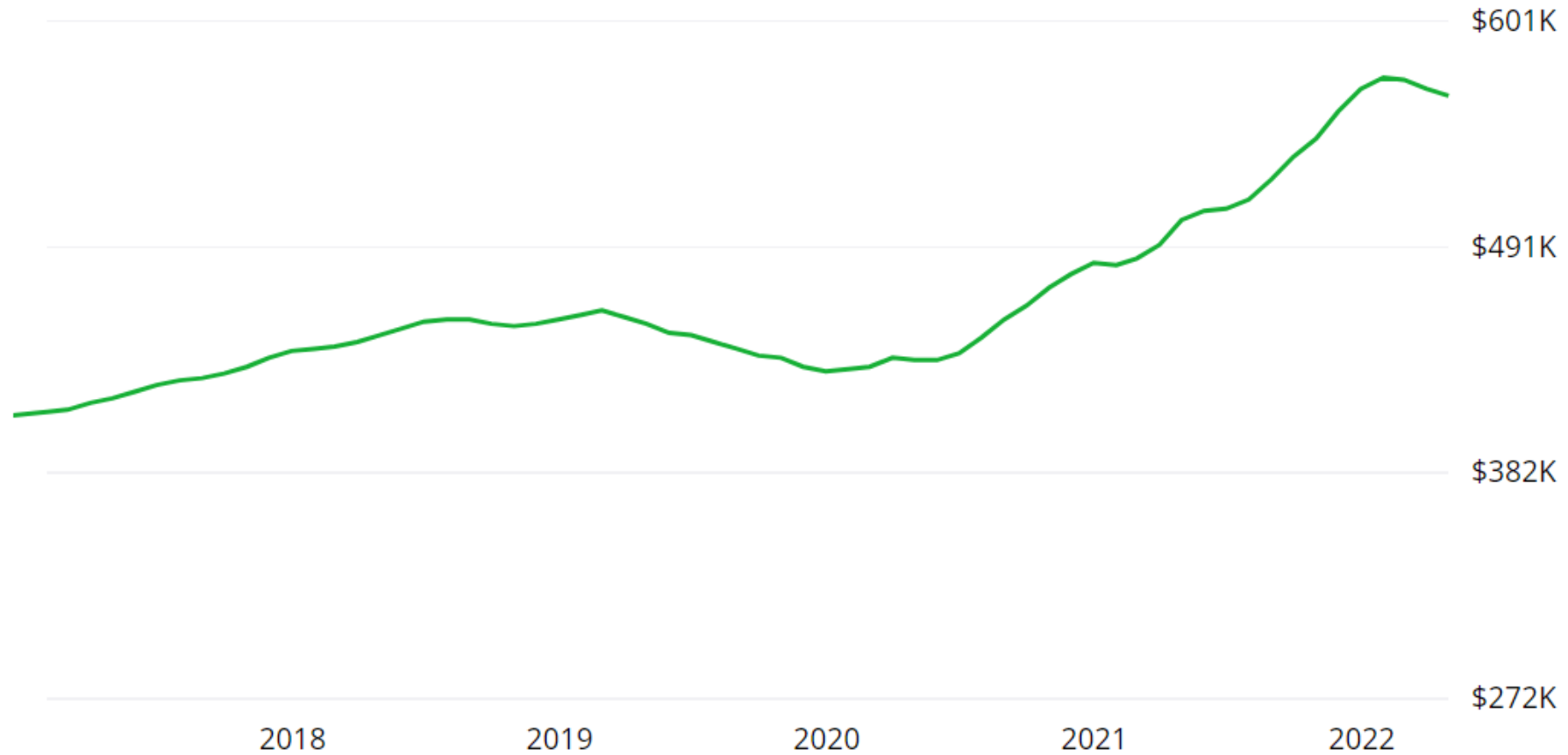
# Local Outlook

- ▶ Inflation & Supply Chain Disruptions
- ▶ Rising Fuel Prices (County average: \$5.77/gallon)
- ▶ Increase in Tourism & Sales Tax
- ▶ Housing Inventory Low and Increase in Housing Prices









# Home Value – 95437 Fort Bragg

Apr 2022 95437 \$565K





# COUNCIL BUDGET GOALS FY 2022/23

PRIORITY	GOAL	STATUS
1	Adopt a balanced budget	
2	Maintain current level of service (no staff layoffs, no program cuts)	
3	Maintain Operating Reserves and Litigation Reserves	
4	Provide funding for Emergency Reserves	
5	Provide Cost of Living Adjustment to Staff	
6	Provide additional contributions to CALPERS to pay down UAL	

# RESERVES – All Funds

## ▶ General Fund

- Operating Reserve: \$2.2M
- Recession Reserve: \$541k
- Litigation Reserve: \$200k

## ▶ Water Enterprise

- Operating Reserve: \$750k
- Recession Reserve: \$139k
- Capital Reserve: \$2.8M

## ▶ Internal Service Funds

- Reserves: \$173k

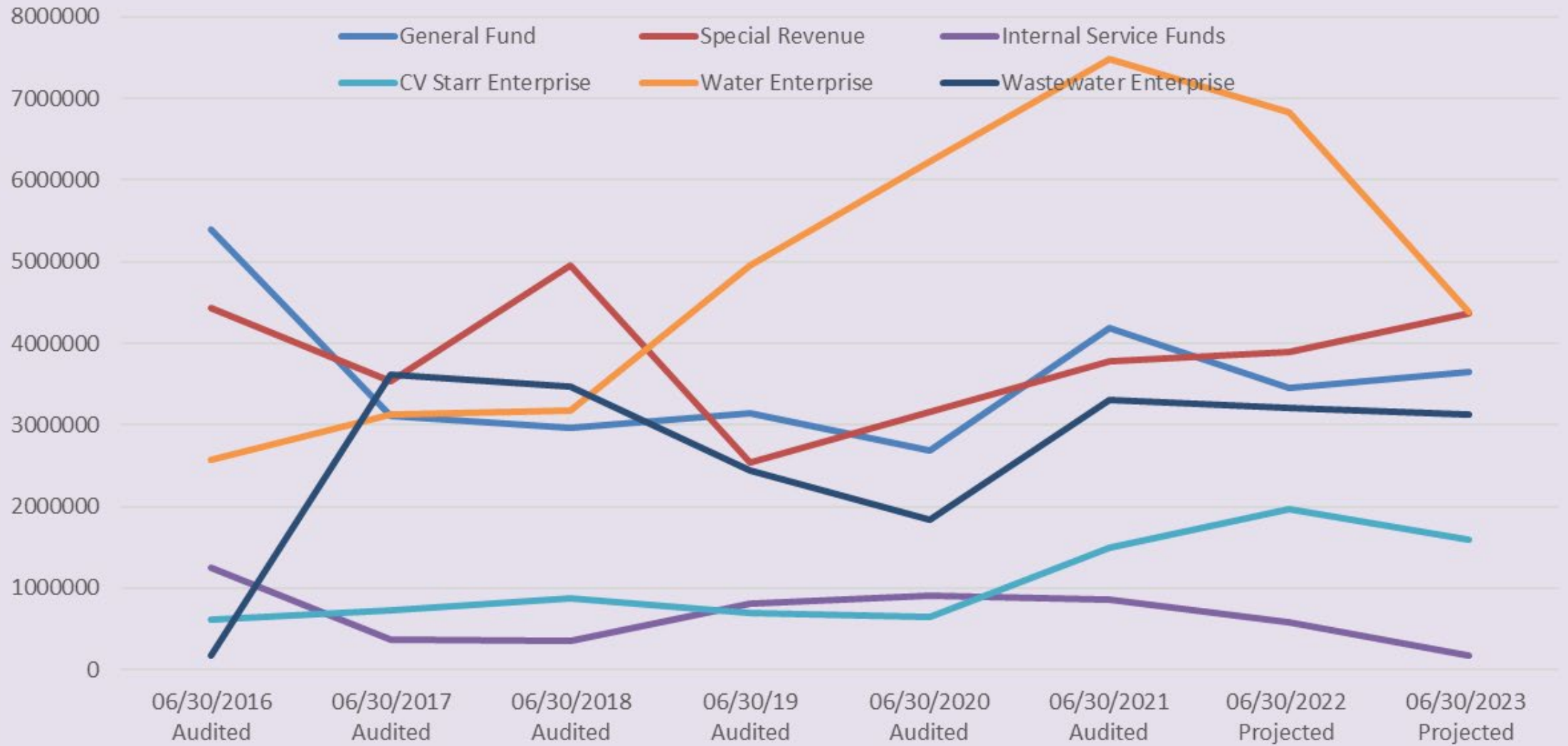
## ▶ Wastewater Enterprise

- Operating Reserve: \$702k
- Recession Reserve: \$108k
- Capital Reserve: \$1.5M

## ▶ CV Starr Enterprise

- Operating Reserve: \$745k
- Capital Reserve: \$745k

## Actual and Estimated Major Funds- Balance

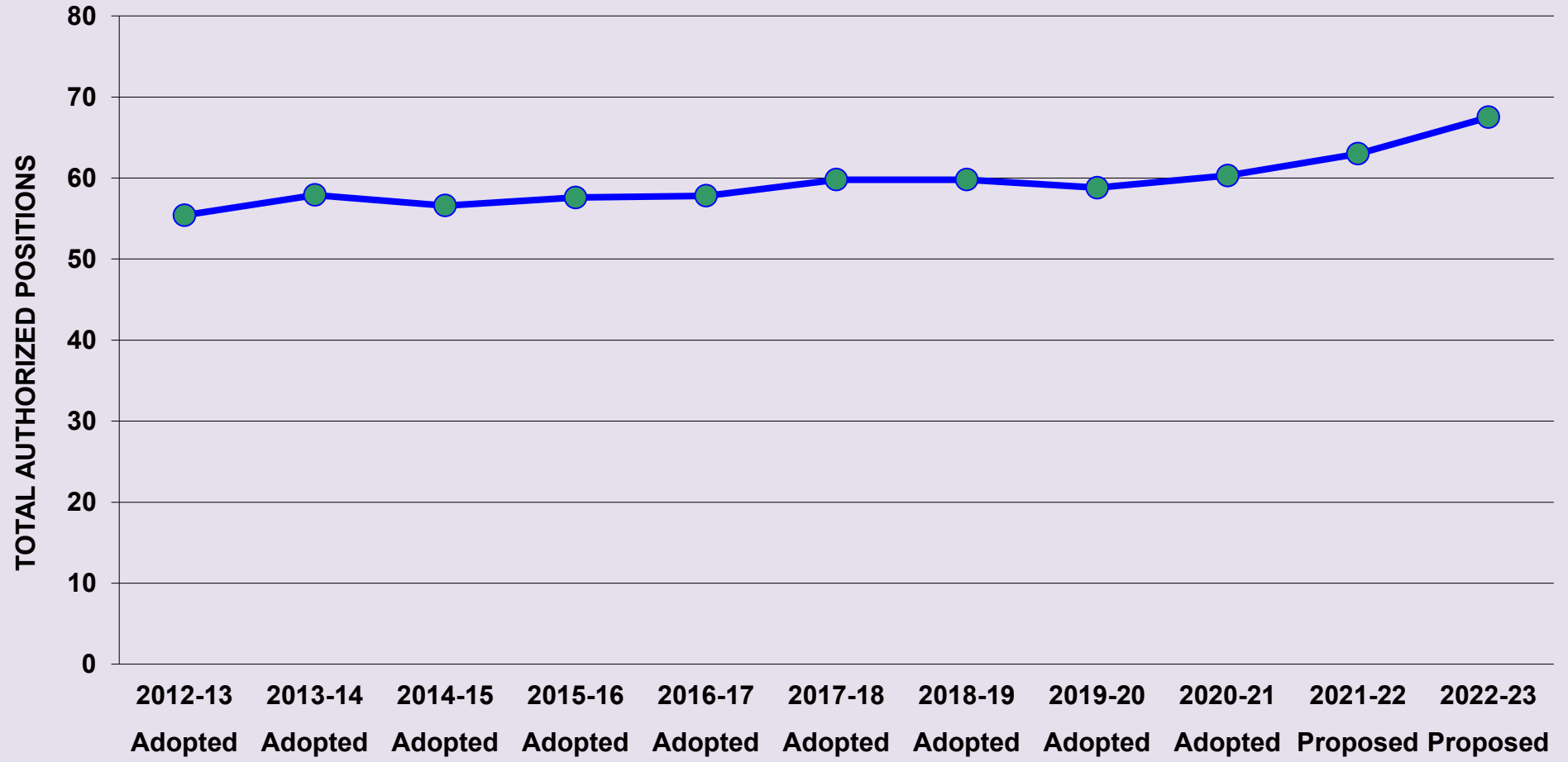


# GENERAL FUND EXPENDITURES

	FY 2019/20 FYE AUDITED	FY 2020/21 FYE AUDITED	FY 2021/22 AMENDED BUDGET	FY 2021/22 FYE PROJECTED	FY 2022/23 PROPOSED BUDGET	% INCR/ -DECR
Salaries & Wages	\$ 3,762,405	\$ 3,271,863	\$ 3,738,211	\$ 3,773,057	\$ 4,192,886	11%
Benefits	2,622,230	2,489,172	2,911,246	2,772,027	2,616,939	-6%
Materials & Services	2,028,570	1,979,891	3,075,215	2,895,723	2,630,193	-9%
Other Expenditures	83,337	110,022	278,712	230,061	206,832	-10%
Debt Service	185,533	37,964	37,964	37,964	599,703	1480%
<b>Subtotal</b>	<b>8,682,075</b>	<b>7,888,911</b>	<b>10,041,349</b>	<b>9,708,831</b>	<b>10,246,553</b>	6%
Allocations	633,474	478,497	686,131	681,042	686,132	1%
<b>Subtotal with Allocations</b>	<b>9,315,549</b>	<b>8,367,408</b>	<b>10,727,480</b>	<b>10,389,873</b>	<b>10,932,685</b>	5%
Net Transfers	-	-	-	-	-	0%
<b>TOTAL</b>	<b>\$ 9,315,549</b>	<b>\$ 8,367,408</b>	<b>\$ 10,727,480</b>	<b>\$ 10,389,873</b>	<b>\$ 10,932,685</b>	5%



# TEN YEAR AUTHORIZED STAFFING COMPARISON



# ON THE HORIZON- FINANCIAL CHALLENGES

- ▶ Current National Economic Outlook - Recession FY 23/24
- ▶ Increase in General Liability and Insurance Costs
- ▶ Rising Labor Costs
- ▶ Annual Pension Costs (Normal Costs & Unfunded Liability)

# GENERAL FUND FIVE YEAR FORECAST

							Likely Recession				
		FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	
		Audited	Audited	Audited	Projected	Forecast	Forecast	Forecast	Forecast	Forecast	
<b>Revenue:</b>	Sales Tax	\$ 1,728,222	\$ 1,797,520	\$ 2,028,010	\$ 2,090,000	\$ 2,178,000	2,025,540	2,025,540	2,096,434	2,169,809	
	Property Tax	1,074,931	1,107,039	1,085,532	1,152,076	1,176,309	1,205,716	1,235,859	1,248,218	1,279,423	
	Transient Occupancy Tax	2,640,275	2,204,152	3,321,928	3,324,158	3,371,081	3,135,105	3,229,158	3,293,742	3,392,554	
	Cost Allocations	1,863,711	2,238,252	2,299,275	2,578,777	2,781,850	2,907,033	3,037,850	3,174,553	3,317,408	
	All Other Revenue Sources	2,073,789	1,536,429	1,146,294	1,335,051	1,623,256	1,542,093	1,572,935	1,588,664	1,604,551	
	<b>Total Revenue</b>	<b>9,380,928</b>	<b>8,883,392</b>	<b>9,881,040</b>	<b>10,480,063</b>	<b>11,130,495</b>	<b>10,815,488</b>	<b>11,101,342</b>	<b>11,401,610</b>	<b>11,763,745</b>	
<b>Expenditures:</b>	Salaries & Wages	3,615,604	3,762,405	3,271,863	3,773,057	4,192,886	4,318,672	4,405,046	4,493,147	4,627,941	
	Pensions	792,101	1,016,499	915,481	984,436	614,288	632,717	658,025	664,605	671,252	
	Other Benefits	1,536,145	1,605,731	1,573,690	1,848,497	2,002,651	2,082,757	2,145,240	2,231,050	2,320,292	
	Benefits	2,328,246	2,622,230	2,489,172	2,832,933	2,616,939	2,747,786	2,830,220	2,095,655	2,191,543	
	Materials & Services	2,301,401	2,111,910	1,971,858	2,869,167	2,630,193	2,761,703	2,844,554	2,929,890	2,988,488	
	Allocations to Internal Service Funds	717,808	633,474	478,497	686,631	686,132	720,439	756,461	779,155	802,529	
	Other Expenditures	35,895	-	130,091	264,850	206,832	-	-	-	-	
	Debt Service	185,533	185,533	37,964	37,964	599,703	543,322	611,197	677,197	756,774	
	<b>Total Expenses</b>	<b>9,184,487</b>	<b>9,315,552</b>	<b>8,379,445</b>	<b>10,464,601</b>	<b>10,932,685</b>	<b>11,091,922</b>	<b>11,447,477</b>	<b>10,975,044</b>	<b>11,367,276</b>	
<b>Net Transfers:</b>		(14,289)	(18,229)	(8,621)		-	-	-	-	-	
	Net Increase (Decrease) to Fund Balance	182,152	(450,389)	1,492,974	15,461	197,810	(276,434)	(346,135)	426,567	396,469	
	Beginning Fund Balance	2,959,478	3,141,630	2,691,242	4,184,215	3,449,677	3,647,487	3,371,053	3,024,918	3,451,485	
	Ending Fund Balance	\$ 3,141,630	\$ 2,691,242	\$ 4,184,215	\$ 3,449,677	\$ 3,647,487	\$ 3,371,053	\$ 3,024,918	\$ 3,451,485	\$ 3,847,954	

# GENERAL FUND FIVE YEAR FORECAST





# General Fund Options & Opportunities

- ▶ \$3.5M Pension Obligated Bonds Proceeds
- ▶ ARP- American Rescue Plan Act \$1.7M  
(Reserved for Broadband)
- Sales Tax Measure 3/8 cent – Nov 2022 Ballot  
(Workforce Housing)
- ▶ Infrastructure Bill \$550 billion.