

City of Fort Bragg

21-091 - FY 20-21 Mid-Year Budget Report



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INTRODUCTION

The City of Fort Bragg Mid-Year Performance Report addresses the financial activity during the first two quarters of FY 2020/21. The report focuses on the General Fund, Internal Service Funds and the Water and Wastewater Enterprise Funds. Special Revenue and Capital Project Funds are not included in the City's base operating budget and, therefore, are not detailed in the Mid-Year Performance Report. The C.V. Starr Center Enterprise Fund is addressed in a separate report.

In reviewing this report, the following information should be taken into consideration:

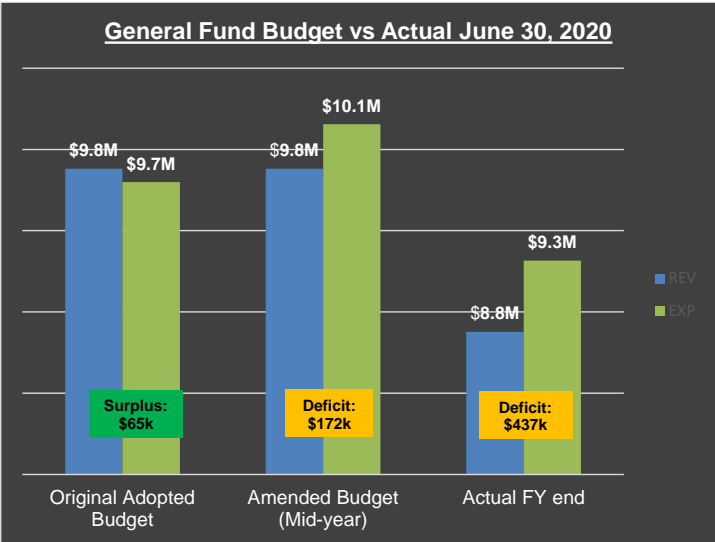
- Revenues and expenditures are recorded during the period received or paid. As of January 31, accrual entries were made to associate January receipts and expenditures to the second quarter as appropriate. Year-end accruals use a 60-day window and therefore are more exhaustive.
- The schedule of revenues received varies according to the source of funding. As an example, property tax payments are received as follows: 55% in December, 38% in April and 7% in August of the following fiscal year. The August payment is presented in the fiscal year to which it relates.
- Although most expenditures occur monthly, there are some quarterly, semi-annual, and even annual expenditures. Examples include debt service payments, liability insurance, and audit fees.
- This report is not meant to be inclusive of all finance and accounting transactions. It is intended only to provide the Council and the public with an overview of the state of the City's general fiscal condition. The report has been prepared by the City's finance department without audit and does not include many of the year-end adjustments required to bring the City's financial records into compliance with generally accepted accounting principles (i.e. accruals of sales and use tax revenues, payroll and other expenditures).

GENERAL FUND

The General Fund supports many of the City's day-to-day operations, including police and fire protection, street and park maintenance, community development, and general administrative functions. The General Fund receives the broadest variety of revenues, and many of its revenue sources are cyclical in nature. By contrast, the revenue sources for the Enterprise Funds are received on a monthly basis and, as a result, are more evenly distributed throughout the fiscal year.

The General Fund includes all services that are funded through general taxes. It is the funding source for all City programs except those that are paid for through dedicated taxes, user fees, impact fees, or grants.

FISCAL YEAR 2019/20 RECAP



Fund Balance		
	FY 18/19	FY 19/20
Beginning Fund Balance	\$ 2,959,474	\$ 3,141,626
Revenue	9,380,928	8,877,842
Less Expenditures	(9,184,487)	(9,315,549)
Net Transfers	(14,289)	(12,677)
Ending FUND BALANCE	\$ 3,141,626	\$ 2,691,242

For the fiscal year ended June 30, 2020, the General Fund ended the year with a Budget deficit of \$437k, resulting in a decrease in Fund balance by 14 percent to \$2.7 million from \$3.1 million. Like the rest of our nation, our local economy was hit hard by the COVID-19 pandemic. Fort Bragg is a tourist-based economy and depends heavily on tourism for its revenue. Transient Occupancy Tax (TOT), which accounts for 29 percent of the General Funds revenues, were 16.5% below the prior year revenues.

Expenditures also ended the year below budget by \$839k due to the COVID-19 Expenditure Budget reduction plan, which the City Council approved in April 2020 in response to the projected revenue shortfalls. The General Fund continued to maintain an operating reserve of \$1.4 million, a litigation reserve of \$200k, and a newly established recession reserve of \$489k.

ECONOMIC RECOVERY EFFORTS DURING THE FISCAL YEAR

One of the City's top priorities is the businesses that financially support the City by collecting sales and TOT Taxes on their revenues. A few of the ways that the City has supported local businesses impacted by COVID-19 during the fiscal year include:

- TOT fillings and payment forbearance from March through June 2020.
- Waive all Penalties and interest on unpaid water and wastewater bills from March through June 2020.
- Moratorium on utility shut-offs for non-payment.
- An eviction Moratorium for residential and commercial tenants.
- Three-month CDBG Business loan forbearances.
- CDGB COVID-19 allocation application for Utility Assistance program.
- CDBG COVID-19 applications filed for Business Assistance Loan Program and Microenterprise Assistance Program.

- Temporary Zoning waiver allowed businesses to adapt their businesses in ways that comply with the SIP order and enable them to operate.
- Created Smallbiz@fortbragg.com to keep businesses informed and to promote local businesses.
- Advocate for access to Paycheck Protection program and Economic Injury Disaster Loans for local businesses.

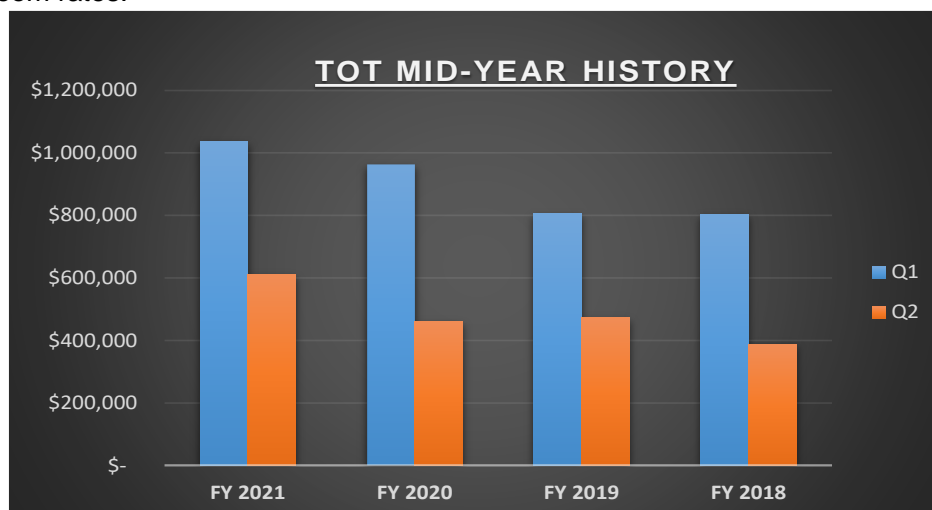
FISCAL YEAR 2020/21 AS OF 12/31/2020

General Fund revenues for the first half of FY 2020/21 totaled \$4.6 million, representing 51 percent of the amended annual budget. The projected year-end total is \$9.3 million, which is \$364k above budget estimates.

GENERAL FUND REVENUES											
REVENUE SOURCE	FY 2018/19 Actuals	FY 2019/20 Actuals	Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2020	YTD Actual 12/31/2020	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Transient Occupancy Tax	\$ 2,640,276	\$ 2,204,152	\$ 1,877,740	\$ 563,293	\$ 2,441,033	\$ 1,220,517	\$ 1,667,469	68%	\$ 446,952	\$ 2,648,000	\$ 206,967
Sales and Use Tax	1,728,222	1,797,520	1,414,861	179,500	1,594,361	797,180	842,457	53%	45,277	1,715,000	120,639
Property Tax	1,074,933	1,107,039	1,097,613	-	1,097,613	548,807	567,534	52%	18,728	1,121,852	24,239
Other Taxes	762,164	774,924	755,829	-	755,829	377,915	221,750	29%	(156,164)	768,549	12,720
Sub Total Tax Revenue	6,205,593	5,883,633	5,146,043	742,793	5,888,836	2,944,418	3,299,210	56%	354,793	6,253,401	364,565
Licenses & Permits	124,830	97,307	89,792	-	89,792	44,896	44,822	50%	(74)	87,956	(1,836)
Fines and Forfeitures	34,564	47,378	13,900	-	13,900	6,950	4,048	29%	(2,902)	8,532	(5,368)
Intergovernmental	31,628	28,000	24,799	-	24,799	12,400	14,768	60%	2,368	53,799	29,000
Use of Money and Property	(110,374)	268,101	39,454	-	39,454	19,727	(112)	0%	(19,839)	37,085	(2,369)
Charges for Services	63,295	43,040	54,464	-	54,464	27,232	21,987	40%	(5,245)	42,346	(12,118)
Operating Grant Revenue	120,796	139,610	229,518	115,226	344,744	172,372	45,855	13%	(126,517)	390,945	46,201
Reimbursements	2,694,334	2,353,861	2,300,281	35,000	2,335,281	1,167,641	1,045,025	45%	(122,615)	2,332,492	(2,789)
Other Revenue	43,405	16,911	35,095	91,702	126,797	63,399	103,462	82%	40,063	103,858	(22,939)
TOTAL GENERAL FUND REVENUES	\$ 9,208,071	\$ 8,877,841	\$ 7,933,346	\$ 984,721	\$ 8,918,067	\$ 4,459,033	\$ 4,579,065	51%	\$ 120,031	\$ 9,310,414	\$ 392,347

- **Transient Occupancy Tax (TOT)**, as mentioned previously, accounts for 29 percent of the General Fund's revenue. During the last quarter of FY 19/20, this revenue category was hit hard by COVID-19 restrictions and ended the year falling short of budget projections by \$660k. In the first quarter of FY 2020/21, TOT rebounded and was 43 percent or \$425k above budget estimates and set a record for the highest quarterly collections. Since then, Staff has adjusted the adopted budget from \$1.8 million to \$2.4 million. As of December 31, 2020, TOT has a favorable variance of \$447k and is forecasted to end the fiscal year at \$2.6 million, \$207k above budget estimates.

First-quarter TOT collections are approximately 35% of the annual budget. Receipts, however, are seasonal and tend to be the highest in the first and last quarter of each fiscal year, primarily due to higher occupancy levels and room rates.



- **Sales Tax:** The full brunt of the COVID-19 struck the service sector more than any other industry during this time. Many of these businesses were not considered essential under the early Shelter-in-Place orders, particularly in the early part of the pandemic, and therefore were subject to stricter regulations. The City's data also reflects the trend that small businesses were harder hit by the pandemic. According to the Economic Development Department (EDD), our local unemployment rate was 2.8 percent before the pandemic, 14.4 percent at the onset of the pandemic in March/April 2020, and has declined to 7.8 percent by the end of December as businesses started to reopen in the Summer of 2020.

Reviewing annual sales through the first quarter of 2020, in total, the top twenty-five sales tax generators were down 2.9 percent. The top twenty-five generators account for 68.4 percent of total revenue. The businesses that make up the top 26-50 sales tax generators were down 6.6 percent. The businesses that make up the top 51-75 sales tax generators were down 14.4%. Those that make up the top 76-100 were down 17 percent.

The City fared well in the first half of the fiscal year. Cash receipt results were \$45k over the quarterly budget or 53 percent of the total budget. Compared to the same period last year, Sales Tax recorded a 10 percent increase. Construction, which includes home improvements stores, was up 11 percent. Deliveries and internet sales recorded a 52 percent increase and are responsible for positive growth in sales tax. Conversely, food products, which include restaurants and grocery stores, were down 5 percent. Transportation was also down by 14 percent, including new and used automobile sales, auto parts, and gas stations.

Overall, sales tax has recorded a modest 2-3 percent growth trend over the last five years (pre-pandemic) and is forecasted to end the year favorable above budget estimates by \$121k. The mid-year forecast is based on a first-quarter report provided by the City's sales tax consultant, Muni Services.

- **Reimbursements** includes the annual COPS reimbursements for the City's CSO cost (\$141k), developer deposit reimbursements (\$29k), and cost allocations transfers (\$993k), which are considered a cost to the Enterprise funds but revenue to the General Fund. At mid-year, actuals totaled \$1 million or 45 percent and are expected to come in under budget by \$14k at the end of the fiscal year due to the timing of some of the reimbursements, which will be roll-forward to the next fiscal year.
- **Other taxes** include Franchise Fees and Business License Tax. Actuals totaled \$222k, \$156k short of mid-year Budget estimates. Actuals are at 29 percent of the overall budget as Franchise fees for PG&E are usually received in the second half of the year. Additionally, Business License Tax collected was also down by \$20k, which is consistent with the prior year as most Tax is collected during business license renewal season in February and March of each year. Revenues from Cable television franchise fees have been slowly declining for years as more customers move to satellite and internet-based services.

GENERAL FUND EXPENDITURES

General Fund expenditures totaled \$4 million for the first half of FY 2020/21, representing 46 percent of the amended annual budget. Appropriations of \$8.3 million were adopted for FY 2020/21. Throughout the year, budgeted appropriations have increased by \$543k resulting in an amended budget of \$8.9 million.

GENERAL FUND EXPENDITURES											
DEPARTMENT	FY 2018/19 Actuals	FY 2019/20 Actuals	Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2020	YTD Actual 12/31/2020	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
GENERAL GOVERNMENT											
City Council	\$ 140,693	\$ 120,522	\$ 150,247	\$ 4,893	\$ 155,140	\$ 77,570	\$ 74,656	48%	\$ (2,914)	\$ 147,061	8,079
Administrative Services	751,545	672,136	674,296	114,382	788,678	394,339	333,220	42%	(61,119)	727,432	61,246
Marketing & Promotions	335,093	185,617	-	63,700	63,700	31,850	18,170	29%	(13,680)	60,070	3,630
Finance	454,348	530,345	456,495	68,449	524,944	262,472	224,890	43%	(37,582)	418,133	106,811
Non-Departmental	594,023	682,561	780,433	(18,806)	761,627	380,814	548,096	72%	167,283	909,204	(147,577)
Community Organizations	160,835	38,162	10,500	40,000	50,500	25,250	12,500	25%	(12,750)	49,582	918
DEBT SERVICE	275,522	260,704	80,525	-	80,525	40,263	833	1%	(39,429)	80,833	(308)
COMMUNITY DEVELOPMENT	438,220	448,795	204,977	57,185	262,162	131,081	72,580	28%	(58,501)	317,106	(54,945)
PUBLIC SAFETY											
Police Department	3,538,689	3,962,129	3,597,662	46,570	3,644,232	1,822,116	1,582,423	43%	(239,693)	3,632,967	11,265
Fire Department	410,401	378,756	441,871	-	441,871	220,936	207,858	47%	(13,078)	440,086	1,785
PUBLIC WORKS											
Administration & Engineering	642,150	588,348	415,204	40,736	455,940	227,970	295,219	65%	67,249	586,529	(130,589)
Parks and Facilities	69,253	47,171	78,896	28,000	106,896	53,448	11,787	11%	(41,661)	84,496	22,400
Street Maintenance	126,787	120,707	132,970	-	132,970	66,485	44,280	33%	(22,205)	122,970	10,000
Storm Drains	17,891	24,922	18,130	-	18,130	9,065	9,471	52%	406	17,630	500
Corporation Yard	699,991	732,548	674,449	4,968	679,417	339,709	296,031	44%	(43,678)	662,409	17,008
Traffic and Safety	45,670	36,291	32,504	-	32,504	16,252	5,809	18%	(10,443)	26,404	6,100
COST ALLOCATION	717,808	485,832	533,310	181,612	714,922	357,461	349,278	49%	(8,183)	762,026	(47,104)
TOTAL GENERAL FUND EXPENDITURE	\$ 9,418,919	\$ 9,315,547	\$ 8,282,469	\$ 631,689	\$ 8,914,158	\$ 4,457,079	\$ 4,087,101	46%	\$ (369,977)	\$ 9,044,937	\$ (130,779)

Some of the notable variances in expenditures:

- The Administrative Services budget is expected to end the fiscal year with a \$61k positive variance. The variance is attributed to savings in personnel costs related to the postponement in the recruitment of an Administration/Finance Director. The City Manager and Senior Government Accountant have shared the work for budgetary and succession planning reasons.
- The Finance department is also projected to be \$107k under budget primarily due to salary savings from the vacant Finance Director position, which was budgeted for. As of mid-year, the department budget is \$215k, or 41 percent of the amended budget.
- The Non- Departmental category records expenditures not associated with a specific department of the City. These include Retiree Medical costs, OPEB funding, and REMIF liability payments, to name a few. Year-to-date actuals are at 72 percent of the annual budget and are expected to end the fiscal year with a negative variance of \$147k. The nature of REMIF liability and property premium payments, which are paid in the first quarter of each year, is the cause of the high variance at mid-year. Additionally, REMIF costs (\$44k), Retiree medical benefit costs (\$106k) have increased substantially year over year and will end the year over budget. The Council may decide to supplement the retiree medical costs by drawing from the OPEB trust, which was established and funded to reduce ongoing costs starting in FY 2020-21. Additionally, the City incurred \$14k of COVID-19 related expenditures, which the City will seek reimbursement from FEMA.
- The Community Development Department is projected to be \$55k over budget come year-end due to the increase in personnel costs from hiring two new Associate Planners. To offset these increases, the

department will seek reimbursement for some of the staff time costs associated with work on developer deposits accounts, grants, and general maintenance funds pertaining to long-range planning. In comparison, the department's budget has shrunk by \$186k or 45 percent in the last two years with the reorganization and understaffing in the department.

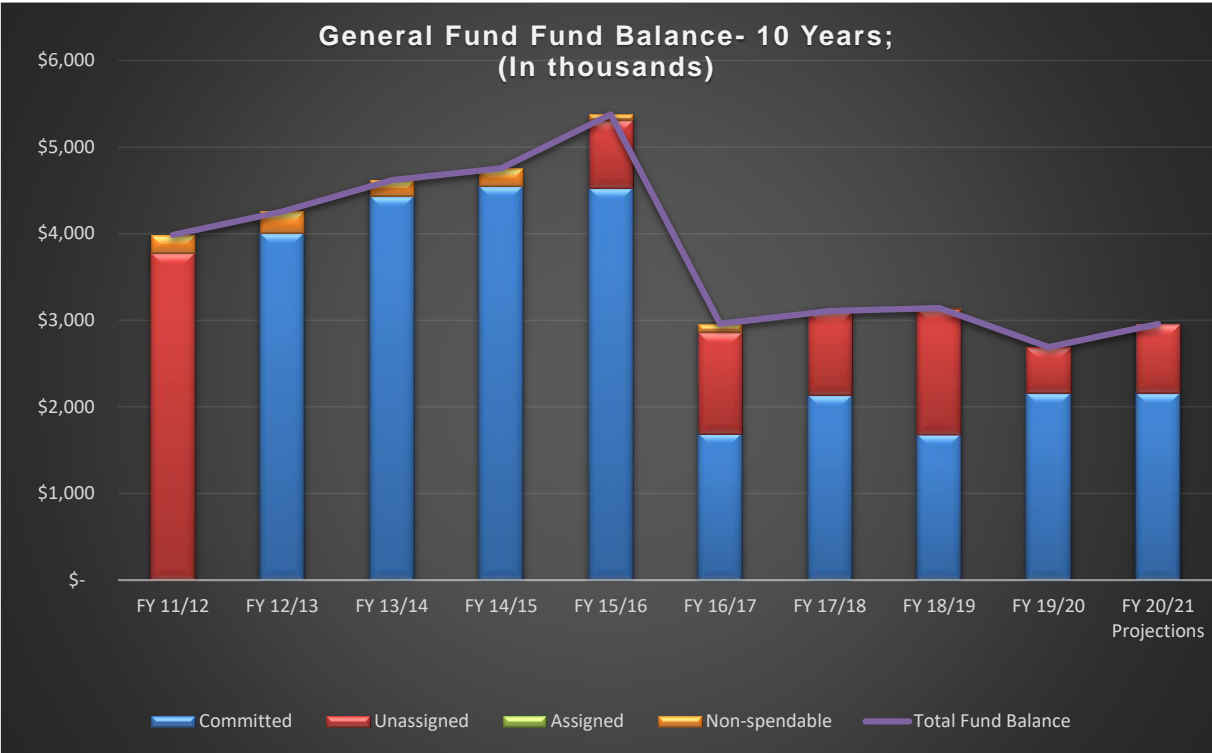
- In Public Works, the Administration and Engineering department is projected to be \$131k over budget primarily due to increases in personnel costs and retirement payout costs to the former Public works Director.

GENERAL FUND NET RESULT AND FUND BALANCE

With projected revenues of \$9.3 million, less total expenditures of \$9 million, Staff projects the general fund to end FY 2020/21 with a **Fund balance** of \$2.9 million, an increase of 10 percent compared to the prior year. The unassigned fund balance at year-end is expected to increase by \$265,477.

Projected Fund Balance; FY 2020/21	
Fund Balance at 07/01/2020	\$ 2,691,242
Revenue	9,310,414
Less Expenditures	(9,044,937)
GENERAL FUND Surplus	\$ 265,477
Net Transfers	-
Change in Fund Balance	265,477
PROJECTED FUND BALANCE	\$ 2,956,719

GENERAL FUND RESERVES	
COMMITTED RESERVES	
Operating Reserve	\$ 1,469,787
Recession Reserve	489,929
Litigation Reserve	200,000
UNASSIGNED RESERVES	797,003
PROJECTED FUND BALANCE	\$ 2,956,719



WATER ENTERPRISE

FISCAL YEAR 2019/20 RECAP

Water Enterprise Net Position	
Net Position at 07/01/2018	\$ 10,036,008
Total Revenue	3,325,694
Total Expense	(1,675,503)
Net Transfers	250
Change in net position	1,650,441
NET POSITION 06/30/20	\$ 11,686,449

Net Position Categories; FY 2019/20	
Net investment in capital assets	\$ 5,358,149
Restricted for debt service	108,064
Capital Reserve	5,730,712
Recession Reserve	89,168
Unrestricted operating Reserve	400,356
NET POSITION 06/30/20	\$ 11,686,449

The Water Enterprise rate structure is functioning as designed and continues to fund all operations, maintain the operating reserve, provide for debt and accumulate funds for infrastructure upgrades, replacements, and maintenance. The fiscal Year 2019/20 ended with an annual net position increase of \$1.6 million or 16 percent. Per policy, the operating reserve is set at 25 percent of the prior year's operating expense, and for the Fiscal Year, 2019/20 was set at \$400k. The Enterprise fund also established a recession reserve during the fiscal year of \$89k, which is sufficient to 5 percent of the fund's operating budget.

The capital reserve increased year over year by \$1.3 million to \$5.7 million. The CIP for the Water Enterprise stood at \$22.2 million in total identified capital projects. The fund is well-positioned to continue work on many of the projects listed on page 23 of the FY 20/21 budget. Staff recommends that the Enterprise conduct a full rate study in FY 2020/21 in order to set rates for FY 2021/22.

FISCAL YEAR 2020/21 AS OF 12/31/2020

WATER ENTERPRISE											
	FY 2018/19	FY 2019/20	Adopted	Approved	Amended	Pro Rated	YTD Actual	Mid-Year	Variance	Estimated	Forecast
	Actuals	Actuals	Budget	Net Budget	Budget	Budget as of	12/31/2020	Variance %	Budget vs.	Year End	Surplus/
				Amendments		12/31/2020			Actual		(Shortfall)
Operating Revenue	\$ 3,187,269	\$ 3,325,694	\$ 2,852,771	\$ -	\$ 2,852,771	\$ 1,426,386	\$ 2,226,361	78%	\$ 799,975	\$ 3,639,447	\$ 786,676
Total Revenue	3,187,267	3,325,692	2,852,771	-	2,852,771	1,426,386	2,226,361	78%	799,975	3,639,447	786,676
Personnel services	771,623	444,488	434,107	-	434,107	217,054	253,229	58%	36,176	434,107	-
Administration	273,767	433,923	445,763	-	445,763	222,882	254,665	57%	31,784	445,363	400
Repairs & maintenance	55,768	49,885	69,700	-	69,700	34,850	5,943	9%	(28,907)	58,700	11,000
Materials & supplies	176,337	140,121	165,836	-	165,836	82,918	70,108	42%	(12,810)	159,836	6,000
Utilities	116,867	134,585	130,000	-	130,000	65,000	42,572	33%	(22,428)	120,000	10,000
Contractual services	63,377	45,788	58,880	8,873	67,753	33,877	17,084	25%	(16,792)	62,323	5,430
Insurance	12,314	21,031	18,400	-	18,400	9,200	17,230	94%	8,030	18,400	-
Other operating	9,611	5,294	9,500	-	9,500	4,750	487	5%	(4,263)	4,500	5,000
Interest/Debt Service *	83,128	74,076	447,528	-	447,528	223,764	376,617	84%	152,853	447,528	-
Depreciation **	357,218	326,312	-	-	-	-	-	0%	-	332,000	(332,000)
Total Expenditures	1,920,011	1,675,503	1,779,714	8,873	1,788,587	894,294	1,037,937	58%	143,644	2,082,757	(294,170)
Net transfers ; in (out)	1,031,762	250	-	-	-	-	-	0%	-	-	-
Net Revenue/(Expense)	\$ 2,299,018	\$ 1,649,939	\$ 1,073,057	\$ (8,873)	\$ 1,064,184	\$ 532,092	\$ 1,188,423		\$ 656,331	\$ 1,556,690	492,506

* Audited results do not include payment of principal which is not an expense in full accrual accounting

** Depreciation Expense is not budgeted and therefore not included in calculation of budget variance

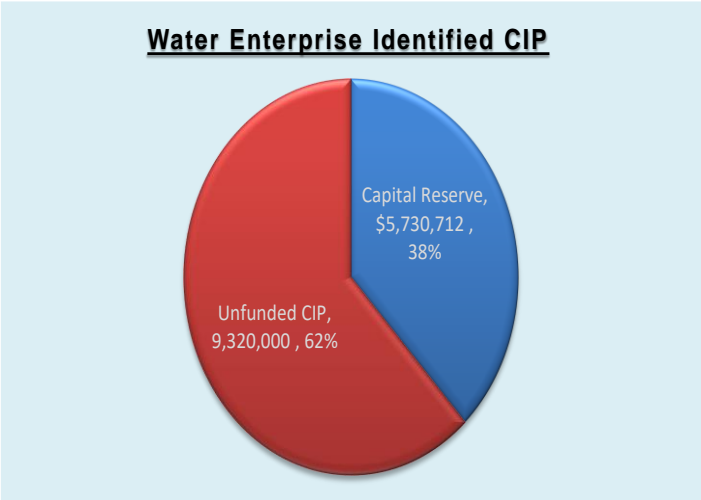
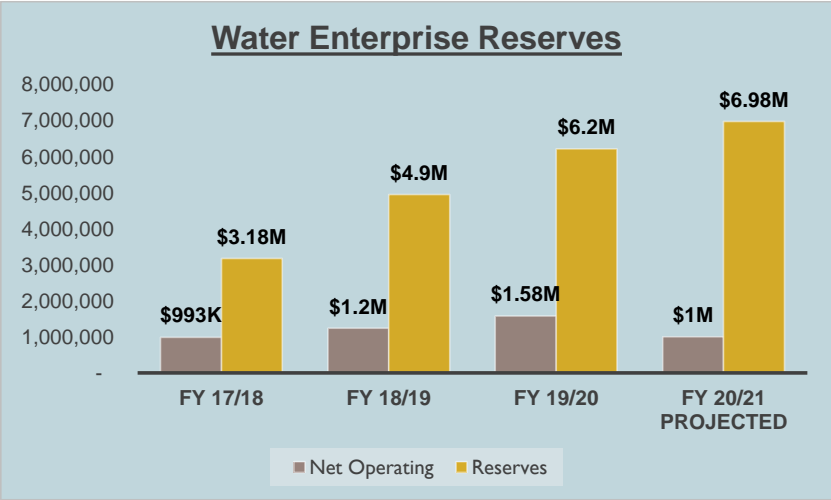
WATER ENTERPRISE REVENUES

- A reduction in water consumption for several commercial accounts resulting from COVID-19 restrictions impacted the Enterprise's revenue during the fourth quarter of the fiscal year 2019-20, resulting in a budget shortfall of \$103k (3%). Water revenues rebound to pre-COVID levels in the first half of the fiscal year 2020-21, recording a \$799k positive variance. It's important to note that Water revenues are higher during the first quarter of each year due to seasonality. Compared to the same period last year, service revenues are up 20 percent. The projected year-end total revenue is \$3.6 million or approximately \$786k more than budget.
- Water capacity fees also recorded a \$328k positive variance from Capacity fees charged to developers/new accounts.

WATER ENTERPRISE EXPENDITURES

Water Enterprise expenses for the first half of FY 2020/21 totaled \$1.03 million, representing 58% of the amended annual budget. The projected year-end total is \$2.08 million (including depreciation) or approximately \$38k less than budget (excluding depreciation).

- At mid-year, Debt Service is 84 percent of the total annual budget. Each year the Enterprise makes a principal payment in October and a second smaller interest payment in April.
- No other significant variances are expected in any of the enterprise expense categories at year-end.



With projected revenues of \$3.6 million, expenses of \$2.08 million (including depreciation), Staff projects, the Water enterprise will end the FY 2020/21 with a net position of \$13.2 million and reserves of \$6.98 million. The Enterprise Capital Reserve is estimated to increase by \$1.2 million. Staff is actively seeking Grant funds to pay for some of the identified CIP projects. These include CDBG grants of \$3 million to fund the enterprise meter replacement project.

WASTEWATER ENTERPRISE

FISCAL YEAR 2019/20 RECAP

Net Position; FY 2019/20	
Net Position at 07/01/2019	\$ 14,993,115
Total Revenue	8,109,534
Total Expense	(2,333,320)
Net Transfers	1,573,033
Change in net position	7,349,247
Net Position at 06/30/2020	\$ 22,342,362

Net Position Categories; FY 2019/20	
Net investment in capital assets	20,535,019
Capital Reserve	1,046,244
Recession Reserve	95,931
Unrestricted operating Reserve	665,168
Net Position at 06/30/2020	\$ 22,342,362

The Wastewater Enterprise rate structure is functioning as designed and continues to fund all operations, maintain the operating reserve, provide for debt and accumulate funds for infrastructure upgrades, replacements, and maintenance. The fiscal Year 2019/20 ended with an annual **net position** increase of \$1.5 million. Net Income before transfers was \$5.8 million. Per policy, the operating reserve is set at 25% of the prior year's operating expense, and for the Fiscal Year, 2019/20 was set at \$665k. The capital reserve decreased year over year by \$766k due to capital assets' investment, which increased by \$7.9 million year over year due to the Wastewater Treatment Plant Upgrade project. At year-end, the Wastewater Enterprise's CIP stood at \$37 million in total identified capital projects. The majority of the CIP was comprised of the Wastewater Treatment Plant Upgrade project, which was successfully completed and came online in March 2020.

FISCAL YEAR 2020/21 AS OF 12/31/2020

WASTEWATER ENTERPRISE												
Sub 2	FY 2018/19		FY 2019/20		Approved		Pro Rated	YTD Actual	Mid-Year	Variance	Estimated	Forecast
	Actuals	Actuals	Adopted	Net Budget	Amended	Budget as	%		Budget vs.	Year End		
			Budget	Amendments	Budget	of	12/31/2020	12/31/2020	Actual	Actual	Year End	(Shortfall)
Operating Revenue	470	\$ 1,376,037	\$ 3,597,208	\$ 2,663,420	\$ -	\$ 2,663,420	\$ 1,331,710	\$ 2,422,291	91%	\$ 1,090,581	\$ 3,720,837	\$ 1,057,417
Capital Grants	417	2,339,229	4,512,326	-	-	-	-	-	0%	-	-	-
Total Revenue		3,715,267	8,109,534	2,663,420	-	2,663,420	1,331,710	2,422,291	91%	1,090,581	3,720,837	1,057,417
Personnel services	509	1,252,007	627,827	666,436	(3,980)	662,456	331,228	334,330	50%	3,102	705,660	(43,204)
Administration	511	267,304	726,515	533,824	-	533,824	266,912	261,177	49%	(5,735)	527,124	6,700
Repairs & maintenance	512	135,967	123,576	77,000	-	77,000	38,500	23,071	30%	(15,429)	55,500	21,500
Materials & supplies	513	333,550	155,786	189,926	5,514	195,440	97,720	43,333	22%	(54,387)	180,647	14,793
Utilities	514	148,648	172,435	225,000	-	225,000	112,500	82,641	37%	(29,859)	160,000	65,000
Contractual services	515	143,898	111,735	64,259	153,339	217,598	108,799	62,766	29%	(46,033)	193,452	24,146
Insurance	516	11,770	26,181	29,063	-	29,063	14,532	50,031	172%	35,500	56,988	(27,925)
Interest/Debt Service *	507 506	13,158	84,956	187,410	-	187,410	93,705	350	0%	(93,355)	187,760	(350)
Depreciation **	519	339,621	304,310	-	-	-	-	-	0%	-	360,000	(360,000)
Total Expenditures		2,645,923	2,333,320	1,972,918	154,873	2,127,791	1,063,895	857,699	40%	(206,196)	2,427,130	(299,339)
Net transfers ; in (out)		1,031,762	250	-	-	-	-	1,110,712	100%	-	-	-
Net Revenue/(Expense)		\$2,101,106	\$5,775,964	\$ 690,502	\$ (154,873)	\$ 535,629	\$ 267,815	\$ 2,675,303		\$1,296,777	\$1,293,707	758,078

* Audited results do not include payment of principal which is not an expense in full accrual accounting

** Depreciation Expense is not budgeted and therefore not included in calculation of budget variance

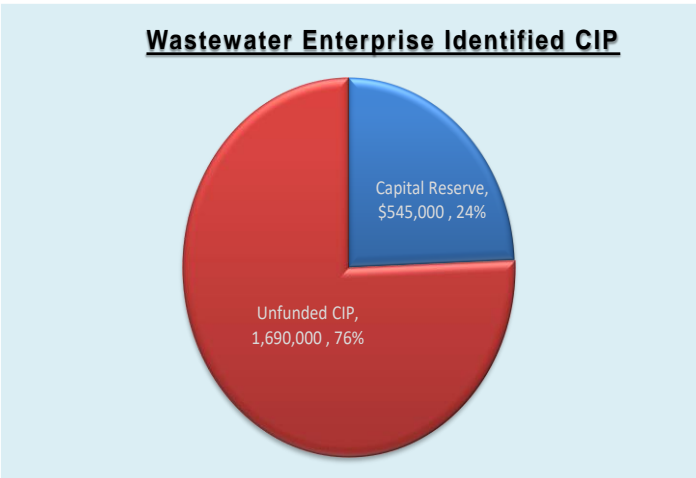
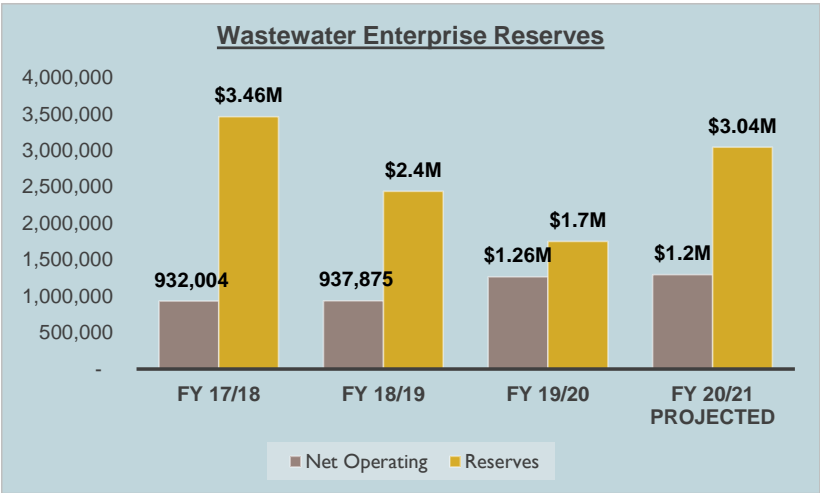
WASTEWATER ENTERPRISE REVENUES

- Like the water enterprise fund, wastewater revenues rebounded to pre-COVID levels for the first half of FY 2020/21 with \$2.4 million, representing 91 percent of the total budget. The revenues beat the prior year's quarter-one results by \$324k. The projected year-end revenue total is \$3.7 million or approximately \$1.06 million more than the original adopted budget. During the 2020-21 budget development, Staff had anticipated a significant reduction in water consumption due to the COVID-19 restrictions, higher bad debt write offs and the suspension of utility rate increases. The results for the first half have rebounded positively.
- Wastewater capacity fees also recorded a \$278k positive variance from Capacity fees charged to developers.

WASTEWATER ENTERPRISE EXPENDITURES

Wastewater Enterprise expenses for the first half of FY 2020/21 totaled \$858k, representing 40 percent of the amended annual budget. The projected year-end total is \$2 million (excluding depreciation), which is approximately \$61k less than budget:

- At year-end personnel, services are expected to be approximately \$43k over budget mainly due to anticipated comp time payout and stand-by pay variances.
- Materials and supplies in the Non-Routine Maintenance division at year-end are expected to be under budget by approximately \$15k. Less maintenance is required for the sewer lift stations since a complete overhaul was undertaken.
- REMIF Insurance costs have continued to increase year-over-year. As of December 31, Insurance costs are already over-budget due to the nature of the payments, which are paid in the first half of the fiscal year. Come year-end; Insurance costs will be over-budgeted by \$28k.



With projected revenues of \$3.7 million, expenses of \$2.4 million, and transfers of \$1.1 million, Staff projects the Wastewater enterprise to end FY 2020/21 with a net position of \$25.9 million and reserves of \$3.04 million. The Enterprise Capital Reserve is expected to increase \$1.2 million while the Net Investment in Capital Assets is expected to grow approximately \$12.3 million, mostly due to the completion of the Wastewater Treatment

Plant Upgrade and Lift Stations. At year-end, the Wastewater enterprise CIP is expected to drop to less than \$1 million in identified projects. During next year's budget development, Staff will reevaluate the CIP for wastewater enterprise for the next five years.

INTERNAL SERVICE: FACILITIES REPAIR & MAINTENANCE

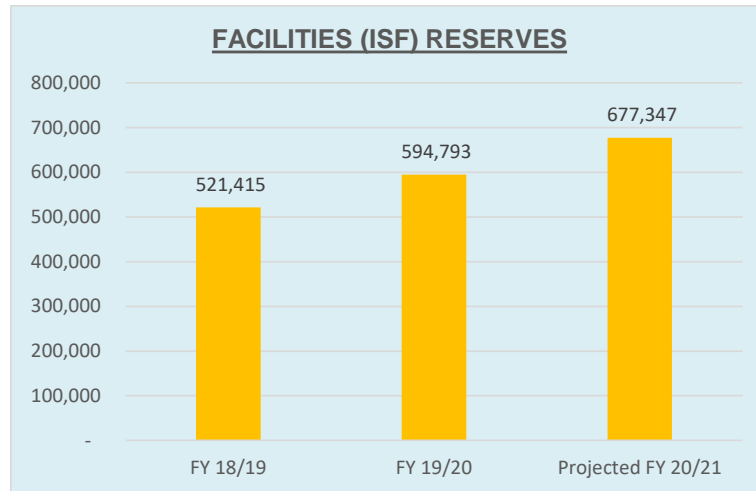
ISF-Facilities fund accounts for the maintenance of all City-owned buildings.

ISF-FACILITIES											
	FY 2018/19 Actuals	FY 2019/20 Actuals	Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2020	YTD Actual 12/31/2020	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Operating Revenue	\$ 9,563	\$ 11,225	\$ 2,059	\$ -	\$ 2,059	\$ 1,030	\$ 1,030	50%	\$ -	\$ 2,059	\$ -
Interdepartmental Charges	299,036	205,744	193,044	-	193,044	96,522	96,522	1	-	193,044	-
TOTAL REVENUES	308,599	216,969	195,103	-	195,103	97,552	97,552	50%	-	195,103	-
Personnel Services	117,585	127,949	107,322	-	107,322	53,661	53,661	50%	-	107,322	-
Repairs & Maintenance	31,547	6,666	265,125	(239,500)	25,625	12,813	6,387	25%	(6,426)	30,625	(5,000)
Allocated Overhead	13,522	-	-	-	-	-	-	0%	-	-	-
Depreciation	2,084	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	164,738	134,616	372,447	(239,500)	132,947	66,474	60,048	45%	(6,426)	137,947	(5,000)
Net Revenue/(Expense)	\$ 143,862	\$ 82,354	\$ (177,344)	\$ 239,500	\$ 62,156	\$ 31,078	\$ 37,504	60%	\$ 6,426	\$ 57,156	(5,000)

- No significant revenue variances are expected year-end. The repairs and maintenance schedule are listed below, including the stained glass rehab at the Guest House (\$12k).

FACILITY ISF 10-YEAR MAINTENANCE PROGRAM

PROJECTS/REPLACEMENTS FY:	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30
City Hall	\$7,442	\$0	\$91,500	\$10,000	\$7,000	\$0	\$0	\$65,000	\$0	\$0	\$0
City Hall East	\$2,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fort Building	\$0	\$0	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Town Hall	\$0	\$0	\$92,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Guest House	\$20	\$0	\$83,000	\$50,000	\$0	\$0	\$0	\$70,000	\$0	\$0	\$0
Police Department	\$0	\$0	\$0	\$15,000	\$0	\$70,000	\$0	\$0	\$0	\$0	\$0
Bainbridge Park	\$0	\$0	\$0	\$0	\$0	\$15,000	\$0	\$0	\$30,000	\$0	\$0
Noyo Headlands Park	\$0	\$0	\$35,000	\$0	\$0	\$0	\$20,000	\$0	\$0	\$0	\$0
Pomo Bluffs Park	\$0	\$0	\$0	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Corp Yard	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL projects	\$9,962	\$0	\$311,500	\$125,000	\$7,000	\$85,000	\$20,000	\$135,000	\$30,000	\$0	\$0
General Repairs Facilities	\$10,000	\$25,625	\$26,266	\$26,922	\$27,595	\$28,285	\$28,992	\$29,717	\$30,460	\$31,222	\$32,002
TOTAL preventative maintenance	\$10,000	\$25,625	\$26,266	\$26,922	\$27,595	\$28,285	\$28,992	\$29,717	\$30,460	\$31,222	\$32,002
TOTAL PROJECT FUNDING NEED:	\$19,962	\$25,625	\$337,766	\$151,922	\$34,595	\$113,285	\$48,992	\$164,717	\$60,460	\$31,222	\$32,002

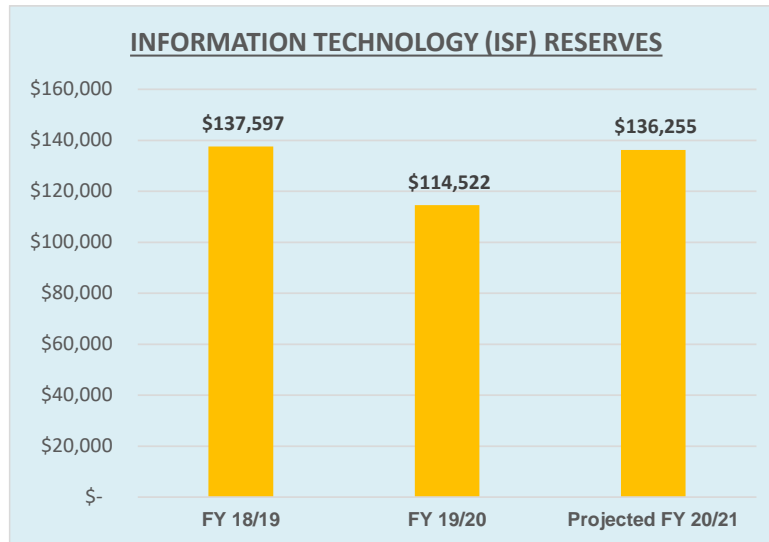


INTERNAL SERVICE: INFORMATION TECHNOLOGY (IT)

Information technology accounts for all activities of the City's computer networks, the costs of which are distributed among user departments using equitable formulas.

ISF-IT											
	FY 2018/19 Actuals	FY 2019/20 Actuals	FY 20/21 Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2020	YTD Actual 12/31/2020	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Interdepartmental Charge	460,112	303,965	282,596	(12,090)	294,686	147,343	147,343	50%	-	294,686	-
TOTAL REVENUES	460,112	303,965	282,596	(12,090)	294,686	147,343	147,343	50%	-	294,686	-
Personnel Services	207,706	156,313	69,605	(1,335)	68,270	34,135	36,908	54%	2,773	84,324	(16,054)
Repairs & Maintenance	2,124	67	-	-	-	-	-	0%	-	-	-
Materials & Supplies	163,865	169,832	204,454	12,090	216,544	108,272	115,028	53%	6,756	202,100	14,444
Contractual Services	1,005	828	-	-	-	-	-	0%	-	-	-
Allocated Overhead	24,156	-	-	-	-	-	-	0%	-	-	-
Depreciation	19,354	49,005	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	418,210	376,045	274,059	10,755	284,814	142,407	151,936	53%	9,529	286,424	(1,610)
Net Revenue/(Expense)	\$ 41,902	\$ (72,080)	\$ 8,537	\$ (22,845)	\$ 9,872	\$ 4,936	\$ (4,593)	-47%	\$ (9,529)	\$ 8,262	(1,610)

- No significant variances are expected in the revenue categories come year-end.
- Materials and supplies costs are forecasted to come in under budget by \$14k due to cost savings from the original budget projections. On the other hand, personnel costs are at \$37k or 54 percent of the budget at mid-year and are expected to be over-budgeted by \$16k at the end of the fiscal year due to promotions and working out of class pay.



INTERNAL SERVICE: FLEET

Fleet and Equipment services account for all activities of the City's central garage operations, the costs of which are distributed among designated user departments using equitable formulas.

ISF-FLEET											
	FY 2018/19 Actuals	FY 2019/20 Actuals	FY 20/21 Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2020	YTD Actual 12/31/2020	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Operating Revenue	5,440	16,744	10,291	-	10,291	\$ 5,146	5,146	50%	\$ -	10,291	\$ -
Interdepartmental Charges	502,973	259,066	407,478	-	407,478	203,739	203,739	50%	-	407,478	(0)
TOTAL REVENUES	508,413	275,810	417,769	-	417,769	208,885	208,885	50%	-	417,769	-
Personnel Services	127,314	121,030	135,032	(2,755)	132,277	66,139	68,274	52%	2,136	132,102	175
Repairs & Maintenance	55,171	35,745	39,000	-	39,000	19,500	28,862	74%	9,362	36,000	3,000
Materials & Supplies	66,683	62,528	67,800	-	67,800	33,900	87,053	128%	53,153	67,400	400
Vehicles	1,651	-	131,000	664,949	795,949	397,974	-	0%	(397,974)	670,949	125,000
Contractual Services	1,437	4,579	1,200	-	1,200	600	1,811	151%	1,211	1,200	-
Allocated Overhead	14,476	-	-	-	-	-	-	0%	-	-	-
Depreciation	125,859	117,694	-	-	-	-	-	0%	-	-	-
TOTAL EXPENDITURES	392,591	341,576	374,032	662,194	1,036,226	518,113	186,000	18%	(332,113)	907,651	128,575
Net transfers ; in (out)										331,500	
Net Revenue/(Expense)	\$ 115,822	\$ (65,766)	\$ 43,737	\$ (662,194)	\$ (618,456)	\$ (309,228)	\$ 22,885	-4%	\$ 332,113	\$ (158,382)	460,074

Funded by Grant. Savings for ISF

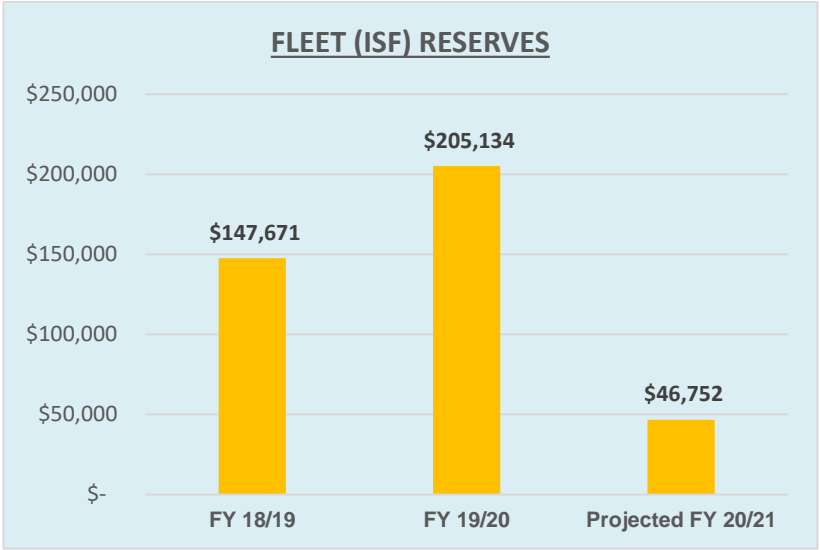
Carried forward from Prior year.

Move to next Fiscal year

Vehicle Replacement Plan															
Unit No.	Make	Yr.	Model	Hours/Mile s	FY 19/20	FY 20/21 Projected	FY 21/22 Projected	FY 22/23 Projected	FY 23/24 Projected	FY 24/25 Projected	FY 25/26 Projected	FY 26/27 Projected	FY 27/28 Projected	FY 28/29 Projected	FY 29/30 Projected
PUBLIC WORKS VEHICLES															
1	Jetter/Vactor Tra	HONDA		JETTER TRAILER		\$6,000									
2	PW48	FORD	2008	RANGER	70,033		\$37,000								
3	WWT31	NISSAN	2007	FRONTIER	64,414					\$38,000					
4	WWT15	TMC	1986	LIFT TRUCK	737hrs	\$35,000									
5	WT1	Dodge	2005	1500 Q. CAB	46,383			\$30,000							
6	PW8	JOHNDE	85	BACKHOE	5,516		\$65,000								
7	PW16	FORD	2006	F-150 X-TRA	59,826				\$38,000						
8	PW46	STERLING	2001	CAMEL	14,215	\$602,749									
9	PW1	CHEV.	2000	3500 Flatbed	46,383				\$56,000						
10	CHE121	FORD	2006	ESCAPE	52,091						\$36,000				
11	PW5	FORD	2006	F-250 SERV.	59,713					\$45,000					
POLICE DEPARTMENT VEHICLES															
1	PD745	FORD	2008	E150 Van	85,000	\$62,200									
2	PD735	FORD	2005	CROWN VIC	89,424	\$55,000									
3	PD747	FORD	2009	ESCAPE	101,872										\$48,000
4	PD744	FORD	2008	RANGER	45,682	\$35,000									
5	PD1302	FORD	2011	CROWN VIC	62,090		\$56,000								
6	PD1301-K9	FORD	2011	CROWN VIC	62,005			\$56,000							
7	PD1403	FORD	2014	INTERCEPTOR	48,856				\$57,000						
8	PD501	FORD	2015	INTERCEPTOR	32,134				\$57,000						
9	PD500	FORD	2015	INTERCEPTOR	34,682					\$60,000					
10	PD509	FORD	2015	TAURUS	25,811					\$30,000					
11	PD503	FORD	2015	INTERCEPTOR	16,626						\$60,000				
12	PD510	FORD	2015	TAURUS	26,398					\$30,000					
13	PD502	FORD	2015	INTERCEPTOR	17,545							\$62,000			
14	PD507	FORD	2016	INTERCEPTOR	15,970							\$48,000			
15	PD508	FORD	2016	INTERCEPTOR	9,023								\$62,000		
16	PD513	FORD	2018	INTERCEPTOR	100										\$65,000
Subtotal PD					-	\$152,200	\$56,000	\$56,000	\$114,000	\$90,000	\$90,000	\$110,000	\$62,000	\$65,000	\$48,000
Subtotal Non-PD					-	\$643,749	\$102,000	\$30,000	\$94,000	\$83,000	\$36,000	\$0	\$0	\$0	\$0
Total Replacement Costs					-	\$795,949	\$158,000	\$86,000	\$208,000	\$173,000	\$126,000	\$110,000	\$62,000	\$65,000	\$48,000
Projected at Year- End					-	\$ 670,949									
Budget Variance						\$ 125,000									

RESERVES

Maintenance & Purchases	FY 19/20	FY 20/21 Projected	FY 21/22 Projected	FY 22/23 Projected	FY 23/24 Projected	FY 24/25 Projected	FY 25/26 Projected	FY 26/27 Projected	FY 27/28 Projected	FY 28/29 Projected	FY 29/30 Projected
Sal/Benefits	121,030	132,102	145,312	159,843	175,828	184,619	193,850	203,543	213,720	224,406	235,626
Non-Personnel Costs	102,851	104,600	107,215	109,895	112,643	115,459	118,345	121,304	124,337	127,445	130,631
Vehicle Purchases	-	670,949	158,000	86,000	208,000	173,000	126,000	110,000	62,000	65,000	48,000
Projected Total Cost	223,881	907,651	410,527	355,739	496,471	473,078	438,195	434,847	400,056	416,851	414,257
Required Funds contribution	275,809	417,769	417,769	417,769	417,769	417,769	417,769	417,769	417,769	417,769	417,769
Beginning Reserve Balance	153,206	205,134	46,752	53,993	116,023	37,321	(17,988)	(38,415)	(55,493)	(37,781)	(36,863)
External Funding		331,500	-	-	-	-	-	-	-	-	-
Reserve - increase (decrease)	51,928	(489,882)	7,241	62,030	(78,702)	(55,309)	(20,427)	(17,078)	17,712	918	3,512
Ending Reserve Balance	205,134	46,752	53,993	116,023	37,321	(17,988)	(38,415)	(55,493)	(37,781)	(36,863)	(33,351)



BUDGET ADJUSTMENT REQUESTS AT MID-YEAR

- Staff requests the following budget adjustments at mid-year. Council will not be asked to take official action on these requests today, but if Council is amenable, Staff will bring the adjustments back at a future Council meeting on the consent calendar:

EXPENDITURE MID-YEAR REQUESTS

FY 2020/21 Requested Mid-Year Budget EXPENDITURE Adjustments							
Account Number	Account Description	Department	Current Budget	Budget Amendment Requests	Adjusted Budget	Description	Funding Source
GENERAL FUND							
110-4150-0XXX	Salaries & Benefits	Finance Dept.	\$ 421,186	\$ 22,137	\$ 443,323	Annual Cost \$88,546 Finance Technian I	Operating appropriation/50% CDBG Admin Fees
110-4130-0319	Professional Services	Adminstration Dept.	18,000	28,000	46,000	Broad Band Utility Financial and Infrastructure Feasibility Plan	Operating appropriation
110-4130-0311	City Attorney	Adminstration Dept.	90,000	35,000	125,000	Increase in City Attorney Fees Per Council	Operating appropriation
110-4190-0224	Retiree Medical Benefits	Nondepartmental	256,615	146,000	402,615	<i>Increase in Retiree Health Insurance*</i>	Operating appropriation
110-4190-0233	Workers Comp Assessment	Nondepartmental	-	36,015	36,015	<i>REMIF Assessment*</i>	Operating appropriation
110-4190-0358	Liability Premium	Nondepartmental	98,724	21,776	120,500	<i>REMIF Assessment*</i>	Operating appropriation
110-4320-0XXX	Salaries & Benefits	Community Development	215,937	55,645	271,582	<i>Assistant Planners*</i>	Operating appropriation/Code Enforcement CDBG /Grant
110-4330-0XXX	Salaries & Benefits	Public Works	448,190	1,854	450,044	Request per MOU Article 10. 8.7% salary increase to set pay equal to Associate Planner. Annual cost \$7,415.	Operating appropriation
110-4570-0375	General Supplies	Corporation Yard	5,500	1,000	6,500	Additional Supplies	Operating appropriation
General Fund; Total Requested Budget Amendments			\$ 1,554,152	\$ 347,426	\$ 1,901,578	<i>*Budget request included in Year-end Projections</i>	
SPECIAL REVENUE/GRANT FUNDS							
520-4393-0353	Facilities Maint & Repair	ISF- Facilities	\$ 25,625	\$ 5,000	\$ 30,625	Funds to complete stained glass rehab at the Guest House	GF/Water/Wastewater
522-4550-0352	Vehicle Maint & Repair	ISF- Fleet	33,000	12,000	45,000	Increase needed due to transmission replacement.	GF/Water/Wastewater
522-4550-0352	Vehicles	ISF- Fleet	795,649	7,000	802,649	Cost of Van and Vacuum Truck	GF/Water/Wastewater
521-4394-0384	Software/Hardware Support	ISF- IT	185,092	6,000	191,092	Gov-Invest Software for UAL analysis & planning	GF/Water/Wastewater
521-4394-0384	Software/Hardware Support	ISF- IT	191,092	15,300	206,392	Granicus Website Update and Revamp	GF/Water/Wastewater
250-4950-0309	Interfund Cost Reimburse	Street Sales Tax	-	3,000	3,000	MCOG Grant Matching Funds	Street Sales Tax
329-5059-0630	Grant Activity- MCOG	Grants- Federal	-	30,000	30,000	CalTrans/MCOG Grant	Grant
333-3250-XXXX	CDBG Grant Expenses	Grants- Federal	-	250,000	250,000	\$500k Business Assistance Loan Program	Grant
333-3250-XXXX	CDBG Grant Expenses	Grants- Federal	250,000	55,000	305,000	\$117k Microenterprise Financial Assistance	Grant
333-3250-XXXX	CDBG Grant Expenses	Grants- Federal	305,000	100,000	405,000	\$100k Mill- Site Planning	Grant
333-3250-XXXX	CDBG Grant Expenses	Grants- Federal	405,000	25,000	430,000	\$204k Fire Station Planning	Grant
333-3250-XXXX	CDBG Grant Expenses	Grants- Federal	430,000	40,000	470,000	\$217 Code Enforcement	Grant
333-5041-XXXX	Federal Grant Expenses	Grants- Federal	-	137,000	137,000	\$137k EDA Mill Site Feasibility	Grant
Internal Service Special Revenue; Total Requested Budget Amendment			\$ 2,620,458	\$ 685,300	\$ 3,305,758		
Total Requested Budget Amendments			\$ 4,174,610	\$ 1,032,726	\$ 5,207,336		

REVENUE MID-YEAR REQUESTS

FY 2020/21 Requested Mid-Year Revenue Budget Adjustments						
Account Number	Account Description	Department	Current Budget	Budget Amendment Request	Adjusted Budget	Justification
GENERAL FUND REVENUES						
110-0000-3131	Sales Tax		\$ 1,575,888	\$ 121,112	\$ 1,697,000	Adjusted to reflect year to date revenue*
110-0000-3136	TOT Penalties/Interest		\$ 4,740	\$ 25,260	\$ 30,000	Adjusted to reflect year to date revenue*
110-0000-3137	Transient Occupancy Tax		\$ 2,436,293	\$ 181,707	\$ 2,618,000	Adjusted to reflect year to date revenue*
110-4130-3318	Grant Staff Time Reimburse	Administration	\$ 3,799	\$ 31,201	\$ 35,000	Adjusted to reflect year to date revenue*
110-4130-3415	City Reimburse - DDA	Administration	\$ -	\$ 18,000	\$ 18,000	Adjusted to reflect year to date revenue*
110-4150-3318	Grant Staff Time Reimburse	Finance	\$ 52,000	\$ 15,000	\$ 67,000	Adjusted to reflect year to date revenue*
110-4190-3205	Intergovernmental	Nondepartmental	\$ -	\$ 29,000	\$ 29,000	Adjusted to reflect year to date revenue*
110-0000-3703	Business License Tax		\$ 136,080	\$ 18,920	\$ 155,000	Adjusted to reflect year to date revenue*
110-0000-3998	Miscellaneous Revenue		\$ (76,947)	\$ 168,668	\$ 91,721	Adjusted to reflect year to date revenue*
110-7999-7999	Transfer from Other Funds		\$ 43,000	\$ 182,790	\$ 225,790	Adjusted to reflect year to date revenue*
				<i>*Budget request included in Year-end Projections</i>		
General Fund; Total Requested Budget Amendments			\$ 4,174,853	\$ 791,658	\$ 4,966,511	
SPECIAL REVENUE/GRANT FUNDS						
333-3250-3636	CDBG Grant Revenue	Grants - Federal	-	250,000	250,000	\$500k Business Assistance Loan Program
333-3250-3636	CDBG Grant Revenue	Grants - Federal	250,000	55,000	305,000	\$117k Microenterprise Financial Assistance
333-3250-3636	CDBG Grant Revenue	Grants - Federal	305,000	100,000	405,000	\$100k Mill- Site Planning
333-3250-3636	CDBG Grant Revenue	Grants - Federal	405,000	25,000	430,000	\$204k Fire Station Planning
333-3250-3636	CDBG Grant Revenue	Grants - Federal	430,000	40,000	470,000	\$217 Code Enforcement
333-5041-3250	Federal Grant Revenue	Grants - Federal	-	137,000	137,000	\$137k EDA Mill Site Feasibility
329-5050-3336	Grant Revenue - State	Grants- State	-	27,000	27,000	CalTrans/MCOG Grant Matching Funds
250-0000-3132	Special Sales Tax		\$ 664,999	\$ 239,101	\$ 904,100	Adjusted to reflect year to date revenue*
Streets Sales Tax; Total Requested Budget Amendments			\$ 2,054,999	\$ 873,101	\$ 2,928,100	
WATER ENTERPRISE REVENUES						
610-0000-6101	Water Sales - In City		\$ 2,635,184	\$ 414,816	\$ 3,050,000	Adjusted to reflect year to date revenue*
610-0000-6104	Misc Water Sales		\$ 42,424	\$ 57,576	\$ 100,000	Adjusted to reflect year to date revenue*
640-0000-6302	Water Capacity Fees-Resident.		\$ 22,000	318000	\$ 340,000	Adjusted to reflect year to date revenue*
Water Enterprise; Total Requested Budget Amendments			\$ 2,699,608	\$ 790,392	\$ 3,490,000	
WASTEWATER ENTERPRISE REVENUES						
710-0000-3998	Miscellaneous Revenue		\$ 20,000	\$ 65,000	\$ 85,000	Adjusted to reflect year to date revenue*
710-0000-6110	Sewer Service		\$ 2,565,817	\$ 684,183	\$ 3,250,000	Adjusted to reflect year to date revenue*
710-0000-6305	Drainage Fees		\$ 3,645	\$ 24,355	\$ 28,000	Adjusted to reflect year to date revenue*
Wastewater Enterprise; Total Requested Budget Amendments			\$ 2,589,462	\$ 773,538	\$ 3,363,000	
CV STARR REVENUES						
810-0000-3110	Sec Property Tax, Current Year		\$ 261,185	\$ 38,815	\$ 300,000	Adjusted to reflect year to date revenue*
810-0000-3132	CV Starr Sales Tax		\$ 636,903	\$ 267,197	\$ 904,100	Adjusted to reflect year to date revenue*
CV Starr; Total Requested Budget Amendments			\$ 898,088	\$ 306,012	\$ 1,204,100	
Total Requested Revenue Budget Amendments			\$ 12,417,010	\$ 3,534,701	\$ 15,951,711	

LONG-TERM FINANCIAL PLANNING

Long term financial planning is an important tool used to help maintain ongoing financial sustainability and provide a consistent level of services to citizens. It is important to keep in mind that no one has a crystal ball and can predict the future with complete accuracy. However, the exercise of projecting revenues and costs into the future, while highly unlikely to be 100% correct, still gives the government an opportunity to develop a general sense of its financial health in the years to come.

The long-term forecast provided in this report was developed at a high level (low level of detail). The City's major sources of revenue were projected individually with all other revenue sources aggregated together. Likewise, the City's major expenditure categories were projected individually with many costs aggregated together. The majority of the assumptions used in the report were based on a five-year historical trend. Year's that were clear outliers were removed prior to averaging so as not to affect the overall trend. Some projections however are based on known payment or increase percentages. Pension costs have been projected to increase 15% each year for the next five years.

This is an estimated 1% higher than prior CalPERS estimates to factor in the yet unknown impact of CalPERS not reaching the target earnings rate for the last two years. The target earnings rate is 7.0% but the investment return for FY 2018-19 was 6.7% and for FY 2019-20, just 4.7%. Over a 20-year period, the overall CalPERS fund performance has averaged just 5.5%. The unfunded pension liability for the fiscal year ended June 30, 2020, is \$9.94 million. This is an increase of 8% over the prior year, despite annual amortized payments to reduce the unfunded liability.

The table on the following page includes three years of audited results for context as well as projected results for six additional years into the future. Four "what-if" scenarios are provided as well showing possible long-term results if certain revenue enhancements were to be enacted.

FIVE-YEAR PROJECTION

The long-term forecast shows a steady decrease to fund balance over the next five years. The projected deficits become significant in FY 2023 thru FY 2026. The major factors driving the projected deficits are significant increases in police department personnel costs and the continued increase in CalPERS pension costs. In FY 2020/21, the Police Department personnel costs is projected to account for 51% of the general fund salary and benefit budget. Over the next five years pension costs are expected to add \$826k.

In FY 2018/19 the citizens of Fort Bragg voted on a ballot initiative entitled Measure H. Measure H was a proposed general sales tax aimed at closing the budget gap caused by skyrocketing pension costs. With additional revenue, the City planned to enter into a shorter amortization schedule with CalPERS for payment of unfunded liabilities. Although this would have resulted in a higher annual payment, it would have saved the City nearly \$4M of interest cost over 15 years. Measure H was not successful.

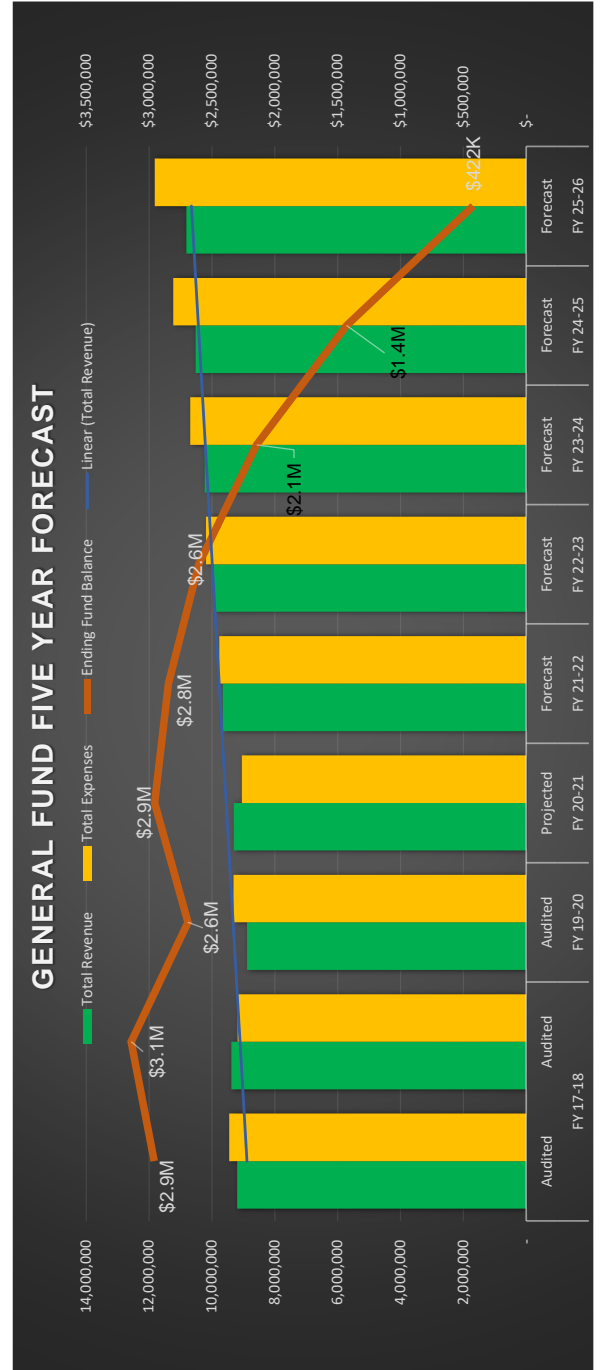
With the defeat of Measure H, the City did take some steps aimed at closing the budget gap on the expenditure side. During FY 2018/19, the position of Administrative Services Director and the Police Lieutenant, were eliminated. Additionally, in FY 2019/20 the Community Development Director terminated employment with the City, this position was replaced with a lower cost Planner position. At the onset of the pandemic, the City made additional reductions to staff by laying off three full-time employees, freezing two positions in the Police Department, and furloughing twelve employees to 50 to 75% of their regular hours. The furloughed staff all returned to full-time status in September 2020. Additional salary savings were realized when the City did not replace two positions, Finance Director and Assistant City Engineer, that became open in July 2020.

The City's General Fund has very little debt and in fact will no longer have any debt service payments by FY 2022/23.

The long-term forecast indicates that in the couple of years, the City will likely be able to fill budgeted or realized deficits with appropriated fund balance. Within two years, it is likely that revenue enhancements and/or additional cost-cutting measures will be necessary. The long-term forecast includes four "what-if" scenarios showing the effect of a variety of different **hypothetical** revenue generators and cost reductions. Staff recommends that the City Council once again pursue a general sales tax measure at the next opportunity.

In addition to pursuing a general sales tax measure, staff recommends that the City Council provide staff with direction and resources to develop and implement a Pension Funding Policy. In addition to the potential sales tax generated from a new general sales tax measure, the City could leverage accumulated funds from the internal service funds, enterprise funds, debt borrowings and other expense reductions or revenue generating opportunities to help reduce the pension liability.

City of Fort Bragg General Fund Five Year Forecast											
	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26		
	Audited	Audited	Audited	Projected	Forecast	Forecast	Forecast	Forecast	Forecast		
Revenue:											
Sales Tax	\$ 1,785,264	\$ 1,728,222	\$ 1,797,520	\$ 1,715,000	\$ 1,800,000	\$ 1,859,000	\$ 1,911,000	\$ 1,960,000	\$ 2,006,000		
Property Tax	1,034,552	1,074,931	1,107,039	1,121,852	1,155,508	1,184,395	1,214,005	1,244,355	1,275,464		
Transient Occupancy Tax	2,619,227	2,640,275	2,204,152	2,648,000	2,753,920	2,836,538	2,907,451	2,980,137	3,054,641		
Cost Allocations	2,078,877	1,863,711	2,338,252	2,332,492	2,437,454	2,547,140	2,661,761	2,781,540	2,906,709		
All Other Revenue Sources	1,677,902	2,073,789	1,536,429	1,493,070	1,508,001	1,523,081	1,538,312	1,553,695	1,569,232		
Total Revenue	9,195,822	9,380,928	8,883,392	9,310,414	9,654,882	9,950,153	10,232,529	10,519,727	10,812,046		
Expenditures:											
Salaries & Wages	3,940,434	3,615,604	3,762,405	3,413,820	3,831,164	3,965,255	4,104,039	4,247,680	4,396,349		
Pensions	745,604	792,101	1,016,499	861,652	990,900	1,139,535	1,310,466	1,507,035	1,733,091		
Other Benefits	1,792,361	1,536,145	1,605,731	1,668,268	1,734,999	1,804,399	1,876,574	1,951,637	2,029,703		
Materials & Services	2,080,027	2,301,401	2,111,910	2,301,205	2,347,229	2,394,174	2,442,058	2,490,899	2,540,717		
Allocations to Internal Service Funds	601,371	717,808	633,474	762,026	822,988	888,827	959,933	1,036,727	1,119,666		
Other Expenditures	107,966	35,895	-	-	-	-	-	-	-		
Other Expenditures	107,966	35,895	-	-	-	-	-	-	-		
Debt Service	185,535	185,533	185,533	37,966	37,966	-	-	-	-		
Total Expenditures	9,453,298	9,184,487	9,315,552	9,044,937	9,765,246	10,192,189	10,693,069	11,233,979	11,819,524		
Net Transfers:											
Net Increase (Decrease) to Fund Balance	(147,462)	182,152	(450,389)	265,477	(110,363)	(242,036)	(460,540)	(714,251)	(1,007,479)		
Beginning Fund Balance	3,106,940	2,959,478	3,141,630	2,691,242	2,956,719	2,846,355	2,604,319	2,143,779	1,429,528		
Ending Fund Balance	\$ 2,959,478	\$ 3,141,630	\$ 2,691,242	\$ 2,956,719	\$ 2,846,355	\$ 2,604,319	\$ 2,143,779	\$ 1,429,528	\$ 422,049		
Storm Drain Enterprise \$190k annually											
Projected Fund Balance											
Revised change in f/balance assuming \$190k revenue annually											
Parcel Tax \$430k/yr.											
Projected Fund Balance											
Revised change in fund balance assuming \$430k revenue annually											
Projected Fund Balance											
1/4 cent General Sales Tax \$500k/yr.											
Projected Fund Balance											
Revised change in fund balance - 25% Sales Tax first year (\$500k/yr.)											
Projected Fund Balance											
3/8 cent General Sales Tax \$750k/yr.											
Projected Fund Balance											
Revised change in fund balance - 25% Sales Tax first year (\$750k/yr.)											
Projected Fund Balance											



The FISCAL YEAR 2021/22 BUDGET PREPARATION

A. BUDGET PREPARATION SCHEDULE

Initial activities related to the preparation of the Fiscal Year 2021/22 budget are already under way. Direction provided today by Council will be incorporated into the budget draft. Staff will present a draft budget to the Council and public at a budget workshop on May 20. Further direction provided at the workshop will be incorporated into a "Final" budget that will be presented to the Council for consideration of adoption on June 14.

The complete budget calendar is provided below:

SCHEDULE FOR DEVELOPMENT OF FY 2021/22 BUDGET		
ACTIVITY	DAY	DEADLINE
FINANCE PROVIDES BUDGET SPREADSHEETS TO DEPARTMENTS AS WELL AS INSTRUCTIONS RE: NARRATIVES & CAPITAL PROJECTS (INCLUDING INTERNAL SERVICE FUNDS, GRANTS, DDAs)	Wednesday	3/17/2021
MID-YEAR PERFORMANCE BUDGET REVIEW WITH COUNCIL (9 am - 2:30pm)(COMMUNITY INPUT)	Thursday	3/4/2021
FINANCE PROVIDES INITIAL REVENUE FORECASTS TO CM (ALL REVENUE SOURCES, AND FUNDS)	Friday	3/12/2021
DEPTS SUBMIT PROPOSED DEPARTMENTAL EXPENSE BUDGETS AND NARRATIVES TO FINANCE	Wednesday	3/24/2021
PW & CDD SUBMIT COMPLETED BUDGET SECTIONS FOR GRANTS AND CAPITAL PROJECTS	Wednesday	3/21/2021
FINANCE/HR PROVIDES PAYROLL PROJECTIONS INCLUDING BENEFITS	Friday	3/20/2021
CM & FINANCE MEET WITH ALL DEPTS; REVIEW APPROPRIATIONS REQUESTS	Tues-Tues	3/29/2021 thru 04/09/21
CM & FINANCE FOLLOW UP MEETING CIP	Thursday	4/12/2021
FINANCE POSTS REVISED BUDGET WORKSHEETS IN BUDGET FOLDER; DEPARTMENTS REVIEW REVISED EXP WORKSHEETS; REPORT ANY DISCREPANCIES TO FINANCE	Friday	4/16/2021
THIS INCLUDES PROJECTED YEAR END FOR FY21, GRANTS; CAPITAL PROJECTS, ETC	Tuesday	4/18/2021
FINANCE REVIEWS TOTAL REVENUES vs EXPENDITURES WITH CM - ADJUST AS NECESSARY; <u>draft CV Starr Budget due</u>	Thursday	4/22/2021
INTERNAL REVIEW/QUALITY CONTROL (FINANCE, CM, DEPTS) - DRAFT BUDGET DOCUMENT	Wed - Wed (3 wks.)	4/15/2021 thru 5/13/2021
FINALIZE DRAFT BUDGET DOCUMENT	Wed	5/10/2021
CM COMPLETES BUDGET TRANSMITTAL LETTER	Thurs	5/10/2021
FINANCE DISTRIBUTES PROPOSED FY 2020/21 BUDGET	Friday	5/14/2021
CITY COUNCIL CONDUCTS FY 2021/22 BUDGET WORKSHOP (9 am - 2:30pm)(COMMUNITY INPUT)	Thursday	5/20/2021
FINANCE DISTRIBUTES FY 2021/22 BUDGET INCLUDING COUCL AND PUBLIC UPDATES (FOR COUNCIL ADOPTION)	Mon	6/14/2021
CITY COUNCIL ADOPTS FY 2021/22 BUDGET	Mon	6/8/2020

B. PRIORITIZED LIST OF FINANCIAL GOALS

Staff used the prioritized list as guidance in preparing the FY 2020/21 budget and will again use the list in preparing the FY 2021/22 budget unless Council directs otherwise:

- 1) Adopt a balanced budget
- 2) Maintain operating reserve and litigation reserve
- 3) Maintain long term funding plans in the City's three internal service funds
- 4) Provide for additional contributions to CalPERS in order to pay the unfunded liability off earlier than 30 years
- 5) Maintain current level of service (no staff layoffs, no program cuts)
- 6) Provide cost of living adjustments for Staff in years to come
- 7) Provide funding for emergency reserves
- 8) Continue to make additional contributions to the OPEB pension trust

C. CITY COUNCIL DISCUSSION