



**AGENCY:** City Council  
**MEETING DATE:** October 13, 2020  
**DEPARTMENT:** City Manager  
**PRESENTED BY:** Tabatha Miller  
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## AGENDA ITEM SUMMARY

**TITLE:**

**Receive Report and Consider Adoption of Joint City Council/Municipal Improvement District Resolution Approving Budget Amendment 2021-05 Adjusting Selected Expenditures and Revenue Budgets**

**ISSUE:**

The COVID-19 pandemic, along with staff reductions and layoffs interrupted the normal FY 2020-21 annual budget process. On June 29, 2020, the Fort Bragg City Council adopted a budget with the understanding that it would be updated and revised as the year progressed and as the longer term impacts from the pandemic were better understood.

The Council has already adopted four budget amendments for FY 2020-21 and staff is recommending adoption of a fifth budget amendment.

**ANALYSIS:**

On April 6, 2020, staff presented a COVID-19 emergency financial report. The report provided three big picture scenarios: best case, middle of the road, and worst case. The City Council provided feedback to staff to take a more conservative approach to the FY 19-20 financial projections and the FY 20-21 budget and to return with a plan to reduce the operating budget and staffing levels.

The budget adopted by City Council on June 29, 2020 included the requested reductions but lacked the details and effort of prior years. The diversion of resources to COVID-19, including interim reporting and projections, and staff reductions resulted in a condensed budget document with many unknowns as the country and the world continued into a unique economic scenario, with little or no guidance. Staff agreed to provide regular financial updates to City Council as more information about Transient Occupancy Tax (TOT) and Sales Tax developed. TOT and Sales Tax revenues account for approximately 48% of General Fund revenues and were projected to be most vulnerable to the pandemic and economic shutdown.

In March, the City agreed to allow hotels and lodging establishments to postpone payment and reporting of the TOT until July 1<sup>st</sup> without penalties or interest, in an effort to help support those businesses. The State of California extended similar accommodations to businesses paying sales and use taxes. As a result, information on the financial impacts of the pandemic was limited through the end of the fiscal year. Adding to the challenges of predicting revenue in Fort Bragg was the uncertainty surrounding when businesses such as the hotels would be allowed to accommodate tourists and not just essential workers, under the Shelter-in-Place Orders. As provided in the September 14, 2020 Financial Update, TOT for July was well above the projections but still 10% below the prior year. TOT revenue for August has

both exceeded projections and last year's revenue by 14%.

	Fiscal Year 19/20 Actuals	Fiscal Year 20/21 Actuals	Change in %
July	386,779	348,760	-10%
August	337,695	384,534	14%
	724,474	733,294	4%

As a result of the better than expected results for July and August, and the clear evidence that there are more people in town and hotels are busy this fall, revenue estimates have been revised upward. In total, TOT projections have been increased by \$133,293 since the September 14, 2020 projections and \$563,230 above the original adopted budget based on the April 20, 2020 worst case scenerios.

	4-20-20 Projections	10-5-20 Actual and Revised Projections	Change in \$	Change in %
January	\$ 119,630	\$ 119,630	\$ -	0%
February	107,000	161,216	54,216	51%
March	69,000	95,244	26,244	38%
April	14,000	19,551	5,551	40%
May	23,000	34,812	11,812	51%
June	115,000	182,941	67,941	59%
July	174,000	348,760	174,760	100%
August	152,000	384,116	232,116	153%
September	153,000	250,000	97,000	63%
October	126,000	185,000	59,000	47%
November	121,000	150,000	29,000	24%
December	103,000	103,000	-	0%

*Note: The chart reflects a calendar year, which includes the last six months of FY 19-20 and the first six months of FY 20-21.*

Less information is available for the City's Sales Tax Revenues. For the FY 20-21 year, the City has only received revenue payment for the month of July and no detail is available. The other challenge with the state payments is that they are preliminary and subject to adjustments. Cities receive monthly payments. However, the regular monthly payments are an estimated advance plus current distributions processed during that month, many times from prior months. At the end of each quarter, the third monthly payment is a "true up" payment for the quarter. This means that monthly data may show trends but only quarterly data will truly reflect changes from period to period.

This is why we receive quarterly and not monthly updates from MuniServices, the City's sales tax consultant. As such, without that detail it is hard to draw conclusions or even project final revenue figures. The good news is that at the statewide level, prepayments from larger

taxpayers due August 24<sup>th</sup> from July sales were actually up 2% compared to the prior year.

The City’s three separate sales tax payments are presented below. While staff is not proposing any changes to the current conservative projections, for the reasons stated above, these preliminary figures are encouraging and generally reflective of the positive statewide prepayment figures.

Sales Tax	FY 18-19 July	FY 19-20 July	FY 20-21 July	\$ Change	% Change
General Fund	\$ 170,395	\$ 150,263	\$ 144,623	\$ (5,640)	-4%
Street Fund	\$ 89,545	\$ 81,768	\$ 76,743	\$ (5,025)	-7%
CV Starr Fund	\$ 89,444	\$ 81,767	\$ 76,686	\$ (5,081)	-7%

### General Fund Expenditure Requests

Staff is requesting two increases to the General Fund Expenditure budget. The first is \$15,000 to complete a study establishing the estimated reasonable cost of maintaining and updating the City’s Planning Documents, including the Inland and Coastal General Plans. This request is tied to the resolution included on the consent calendar to temporarily waive the General Plan Maintenance Fee. This expenditure will be offset by a transfer from the General Plan Maintenance Fund.

The second increase is \$28,000 to hire a work crew in the late fall and in the spring to remove the invasive weeds and plants on the Coastal Trail property. In the past, this work was completed inexpensively by hiring Parlin Forks crews and utilizing City Hall and Public Works staff. However, for the past year and a half, those crews have been unavailable because of wild fires, forest fuel clean ups and COVID. This expense would be offset by a transfer from the Parkland Monitoring Fund, established with a payment from Georgia Pacific as part of the original purchase and transfer of the land for the Coastal Trail.

### Wastewater Budget Updates

Budget Amendment 2021-05 includes two additional budget items for the Wastewater Fund. An increase of \$120,000 for the additional costs of transporting and disposing of biosolids. At times over the last couple of months there has been a manure smell in town and more specifically around the City’s Wastewater Treatment Plant (WWTP) near the mid-section of the Coastal Trail. The smell comes from drying biosolids produced at the WWTP. Biosolids are a treated organic product, which meets established criteria for beneficial use (fertilizer). The new WWTP is more effective at pulling biosolids from the waste stream. This means the treated effluent water is cleaner when released into the ocean, a plus. It also means that more biosolids need to be disposed of, a negative. The biosolids contain about 80% water and therefore need to be dried before transporting for agricultural disposal. The originally adopted FY 20-21 grossly underestimated the volume that the new plant would produce. As mentioned before, a drying system that removed more water from the biosolids would reduce the transportation cost, since biosolids transportation is based on weight. Options for a

longer term solution will be presented to the Public Works Committee in November.

The second expenditure budget request is a carryforward for additional projects at the Wastewater Treatment Plant that will spend the remaining USDA funding. These were not completed in FY19-20 and will be offset by the remaining USDA grant funding.

### Council Requests

These amounts propose: 1) an increase in Visit Fort Bragg Campaign of \$50,000, 2) Contribution to the Noyo Center for Marine Science of \$25,000, and 3) Assistance of \$5,000 for the Community Garden. These adjustments were suggested by individual Councilmembers. The City Council may modify these requests or add to them as they deem appropriate.

### Future Considerations

Two positions that are not currently funded but staff recommends that the City Council consider for a future Budget Amendment is funding the position of Administrative Services/Finance Director and a Police Department Captain in place of one of the existing Sergeant positions. Both positions provide for a level of succession planning that does not exist with the current staffing. An Administrative Services/Finance Director would replace two director positions with one and provide a position that could serve as Acting City Manager and potentially with time, provide a succession plan for the City Manager position. The Captain position provides a higher level of support to the Interim Police Chief and, similar to the Administrative Services/Finance Director, could provide an in-house candidate when a recruitment is necessary to permanently fill the Chief position.

### **RECOMMENDED ACTION:**

Adopt Resolution approving Budget Amendment No. 2021-05.

### **ALTERNATIVE ACTION(S):**

1. Do not adopt Resolution.
2. Adopt Resolution with City Council directed modifications.
3. Provide staff further direction.

### **FISCAL IMPACT:**

The net effect from the budget amendment to the General Fund, including the "Council Requests" will be a net increase to fund balance of \$53,293. This will increase the prior projected surplus of \$307,540 on September 28, to a current projected surplus of \$360,833.

	Projected Fund Balance 06/30/2020	Revenue	Expenditures	Projected Fund Balance 06/30/21
General Fund Adopted 06/29/20	\$ 1,935,643	\$ 7,933,643	\$ 8,282,469	\$ 1,586,816
TOT Above Estimates	165,764	563,293		729,057
Sales Tax Above Estimates	283,661	179,500		463,161
CARES Act Allocation		91,702		91,702
Prior Net Expenditure			(68,416)	68,416
Leave Accrual Cashouts			57,612	(57,612)
Add. Grant Reim. Staff Time		115,226		115,226
Return Furloughed Staff 100%			67,642	(67,642)
Reinstate Police Premium Pays			66,750	(66,750)
Reinstate Frozen Planner		25,000	61,474	(36,474)
Park Monitoring Fees		28,000	28,000	
Contribution to Noyo Center			25,000	
Visit Fort Bragg Campaign			50,000	
General Plan Maintenance Fee Study		15,000	15,000	
Community Garden Contribution			5,000	
Updated Financial Projections	\$ 2,385,068	\$ 8,951,364	\$ 8,590,531	\$ 2,825,900
Fiscal Year 20-21 Projected Surplus/(Deficit)				\$ 360,833

The net impact to Waste Water Fund is an increase in expenditures of \$120,000 and a decrease in the same amount to fund balance.

**GREENHOUSE GAS EMISSIONS IMPACT:**

Adoption of the budget amendment by itself will not impact greenhouse gas emissions.

**CONSISTENCY:**

The proposed budget amendment is consistent with City Council direction to maintain an operating surplus in the General Fund, pursue grant funding when available and to focus on development policies that support economic development, diversification of the local economy, and recovery from the recession.

**IMPLEMENTATION/TIMEFRAMES:**

Budget amendments will be effective on adoption.

**ATTACHMENTS:**

1. Resolution
2. Exhibit A to Resolution

**NOTIFICATION:**

N/A