



# 20-583 - Q1 Financial Results FY 19-20

**City of Fort Bragg**



# TABLE OF CONTENTS

Introduction.....	2
General Fund Revenues Summary .....	3 - 7
Measure AA/AB .....	8
General Fund Expenditure Summary .....	9 - 10
Long Term Forecast .....	10 - 11
Water Enterprise Fund .....	12 - 14
Wastewater Enterprise Fund .....	15 - 17
Treasurer's Report .....	18 - 22

**INTRODUCTION**

This is the first quarterly report for Fiscal Year 2019/20, and comprises results for the three-month period ending September 30, 2019. This report summarizes and presents an overview of the City’s three major funds: The General Fund, the Water and the Wastewater Enterprise. Operating revenues and expenditures as compared to previous years are presented, and any notable changes or trends in these numbers are explained.

The purpose of this report is twofold. First, it ensures that the City is consistently monitoring its revenues and expenditures so that it can proactively respond to unanticipated changes or emerging trends. Second, and equally important, these reports increase the transparency of the City’s finances. Quarterly reporting provides the City Council, Finance & Admin Committee, and taxpayers with information that demonstrates the City is meeting this standard.

The information in this report is the most accurate and up-to-date information available at the time of publication. It 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. However, this report is not an audited financial statement, and the numbers provided herein are preliminary and subject to change as the year progresses. No data on revenues and expenditures are final until the City has completed its annual audit and finalized its Comprehensive Annual Financial Report (CAFR), released in the winter of each year for the prior fiscal year.

**NATIONAL & STATE ECONOMIC OUTLOOK**

Muni-Services expects the national economy to slow to 0.4% in the second half of 2020, before rebounding to 2.1% in 2021. Given the slow growth rate nationally and the weakness in the housing market, California’s unemployment rate is expected to rise and an average of 5.1% in Q1 2020.

- California’s GDP Q2: 1.9% (Q1 2019: 2.7%)
- Sales & Use Tax: July-Sept 2019, \$77M below forecast.
- Unemployment rate: 4% - New record low

Fed cut interest rates by a quarter percentage point late October in an effort to support an economy that continues to tap the brakes.

Source: Muni-Services

Early in 2019 many economists were predicting a recession in the national economy in the next few years. By the end of 2019 there no longer appears to be consensus on the matter. Still, several economists are predicting a recession in 2021. While predicting recessions may be a fool’s game, most observers agree that recessions are cyclical in nature. The current US economic expansion began in 2009 and is now the longest expansion in history.

**LOCAL ECONOMIC OUTLOOK**

As of this writing, the economic outlook for the City continues to be somewhat tentative. The following factors contribute to an overall outlook of financial uncertainty in the next few years for the City’s operations: The slowing of the City’s revenue growth, rising pension costs, rising police department salaries, and the tentative viability of the City’s largest employer (Mendocino Coast District Hospital).

The City’s General Fund reserves are established in accordance with the “Fund Balance & Reserve Policies” which are intended to ensure the continued financial well-being of the City by planning for unanticipated emergency and contingency needs. The City Council periodically reviews and updates the reserve policies and budgeted reserve funds to ensure that the City has sufficient resources to adequately address emergencies, economic uncertainties, unforeseen operating or capital needs, economic development opportunities, and cash flow requirements.

The FY 2019/20 budget commits fund balance as follows:

	FY 18/19 Audited	FY 19/20 Adopted Budget
<b>GENERAL FUND RESERVES</b>		
<b>Unassigned Fund balance</b>	\$ 1,450,973	\$ 1,065,789
<b>Committed Fund Balance (set by council resolution)</b>		
Operating Reserve	1,424,119	1,469,787
Recession Reserve	-	489,929
Litigation Reserve	214,121	200,000
Reserve for Encumbrances	50,415	50,478
<b>Non-Spendable Funds (Inventory,etc)</b>	1,998	5,640
<b>Total Fund Balance:</b>	<b>\$ 3,141,626</b>	<b>\$ 3,281,623</b>

*The City dedicated nearly 66% of Fund balance to “rainy day” Reserves.*

## GENERAL FUND

### BUDGET REVIEW:

The General Fund's adopted budget for FY 2019/20 is \$9.86M of projected revenues and \$9.79M of appropriations resulting in a \$65k surplus. While not large, it's only the second time in the last several years that the City was able to adopt a balanced General Fund budget.

In the first quarter of FY 2019/20, other than purchase order rollovers from FY 2018/19, there was only one budget adjustment of \$25k per Resolution: 4176-2019. The adjustment approved the use of forfeited construction & demolition funds to fund an educational campaign to encourage and raise awareness for future laws regulating the use of single-use plastics in City limits. The additional appropriation was fully funded and resulted in no net change to the budget surplus.

### GENERAL FUND REVENUES:

Taxes remain the largest resource supporting General Fund operations in the FY 2019/20 operating budget. Taxes represent 68% of all General Fund revenues with the primary taxes comprised of transient occupancy tax (TOT), sales and use tax, and property tax.

Summary of FY 2019/20 Q1 General Fund Operating Results					
	FY 19/20 Annual Budget (As amended)	Quarterly Budget	Q1 Actual Results	Variance vs. Quarterly Budget	% of Total Budget
Transient Occupancy Taxes	\$ 2,864,535	\$ 716,134	\$ 1,000,283	\$ 284,149	35%
Sales Taxes	1,941,692	485,423	482,058	(3,365)	25%
Property Taxes	1,125,271	281,318	-	(281,318)	0%
Other Taxes	803,340	200,835	148,820	(52,015)	19%
Reimbursements	2,554,276	638,569	647,301	8,732	25%
Charges for Services	331,337	82,834	34,281	(48,554)	10%
Licenses & Permits	108,480	27,120	22,596	(4,524)	21%
Use of Money & Property	65,400	16,350	101,900	85,550	156%
Fines & Forfeitures	36,000	9,000	21,605	12,605	60%
Other Revenues	33,470	8,368	288	(8,080)	1%
Intergovernmental	-	-	25,000	25,000	0%
<b>Revenue Sub-total</b>	<b>\$ 9,863,801</b>	<b>\$ 2,465,950</b>	<b>\$ 2,484,130</b>	<b>\$ 18,180</b>	<b>25%</b>
Expected Transfer in- Fund 190	25,000	-	-	-	0%
<b>Total Revenue</b>	<b>\$ 9,888,801</b>	<b>\$ 2,465,950</b>	<b>\$ 2,484,130</b>	<b>\$ 18,180</b>	<b>25%</b>

First-quarter General Fund operating revenues were \$2.48M, which represents 25% of the FY 2019/20 General Fund budget.

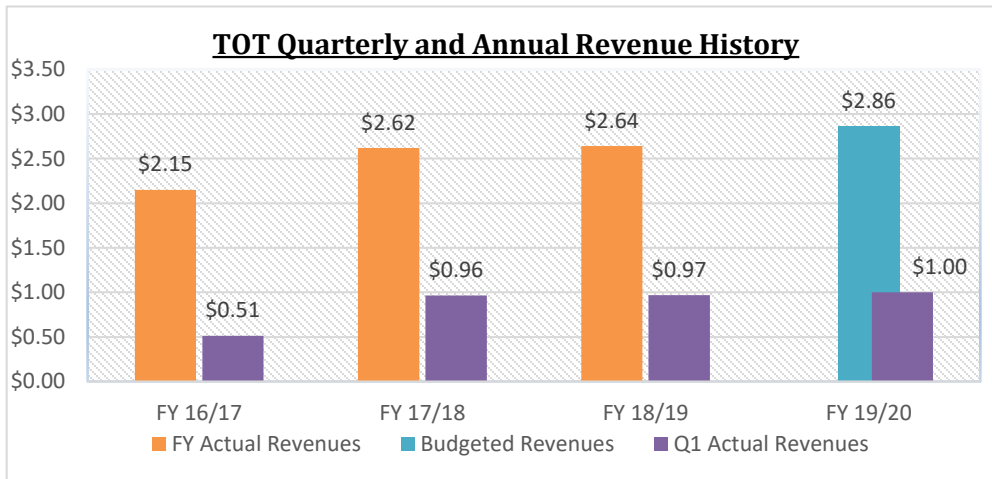
Some of the City's revenues are received on a monthly or quarterly basis; however, many others are dictated by seasonal variations or third party payment schedules. Additionally, some receipts are simply intermittent or unpredictable. With this variability in mind, it can be useful to look at prior year trends when analyzing first quarter revenues. For example: first quarter General Fund operating revenues were 24% of the FY 2018/19 General Fund budget at the same time last year yet finished the year approximately 1.8% below budget estimates. Staff believes there is a significant probability that revenues will fall short of budget in FY2019-20 particularly the transient occupancy tax.

➤ **Transient Occupancy Tax (TOT)**

Transient Occupancy Tax (TOT) is a local tax that is applied to the cost of a hotel or other lodging stays of less than 30 days. In 2016, with the passage of local Measures AA and AB, the City’s TOT rate increased from 10% to 12%. This tax is a revenue source solely for the General Fund. TOT is collected by lodging establishments and remitted to the City on a monthly basis. Factors influencing TOT revenues include vacancy rates, changes in business and leisure travel, new hotels, hotel expansion, and room rate increases. TOT is the largest General Fund revenue source.

**Analysis** - TOT has performed strongly over the last couple of years and again first quarter 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. First-quarter TOT revenues are trending slightly higher than the first quarter of FY 2018/19 by \$32k.

In FY 2018/19 TOT collections fell short of budget by approximately \$65k. Staff believes the short fall will be compounded in FY 2019/20 and will be about \$147k short of budget. For several years Finance staff has forecast TOT revenue based on an assumption that the City’s marketing and promotion efforts would drive collections significantly higher. The assumed increases have not materialized and forecasts moving forward will abandon the assumption in favor of a more realistic estimate.



	(in millions)			
	FY 16/17	FY 17/18	FY 18/19	FY 19/20
Fiscal Year Total Actual Revenues	\$2.15	\$2.62	\$2.64	
Q1 Actual Revenues	\$0.51	\$0.96	\$0.97	\$1.00
Fiscal Year Total Budgeted Revenues				\$2.86
Q1 Revenue Percent of Total	24%	37%	37%	35%

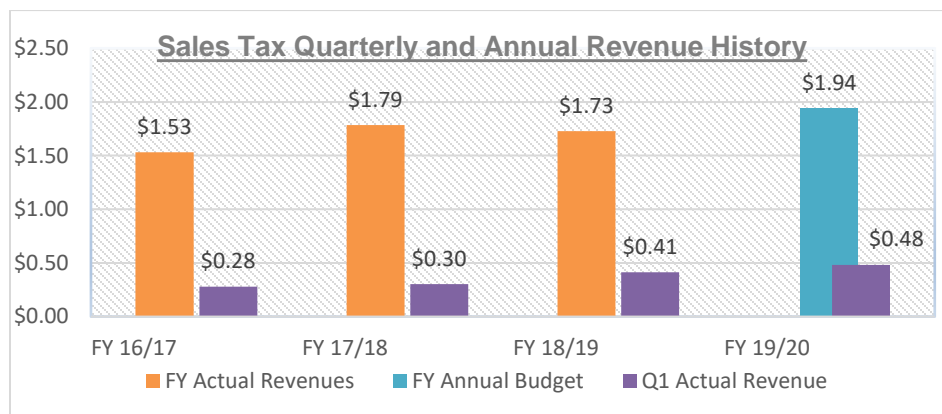
# CITY OF FORT BRAGG

## ➤ Sales tax

Sales tax includes general sales and use taxes and Proposition 172 sales taxes. Sales tax is an excise tax which applies to all retail sales of merchandise. Retailers are liable for reporting and payment of the tax. Use tax is an excise tax imposed on consumers of merchandise that is used, consumed or stored in California and which has been purchased from out-of-state vendors not collecting California sales tax. The statewide sales and use tax rate is 7.25% of which the State receives 6.25% and the City receives approximately 1% (known as the Bradley Burns Local Sales and Use Tax).

Based on an analysis of trends in year-to-date tax receipts, macroeconomic conditions and an examination of local business data, it is anticipated that the City will receive sales tax revenue of \$1.94M in FY 2019/20. Sales tax growth over the last five years is showing a modest 2-3% growth trend. Factors negatively affecting sales tax growth include continued growth in internet sales and fuel prices.

**Analysis -** Sales tax are trending consistent with budget assumptions at 25% or \$482k of total budget based on preliminary information and receipts received in the first quarter.



	(in millions)			
	FY 16/17	FY 17/18	FY 18/19	FY 19/20
Fiscal Year Total Actual Revenues	\$1.53	\$1.79	\$1.73	\$0.00
Q1 Actual Revenues	\$0.28	\$0.30	\$0.41	\$0.48
Fiscal Year Total Budgeted Revenues				\$1.94
Q1 Revenue Percent of Total	18%	17%	24%	25%

The table below highlights the Historical Sales tax amounts per sector by benchmark Year.

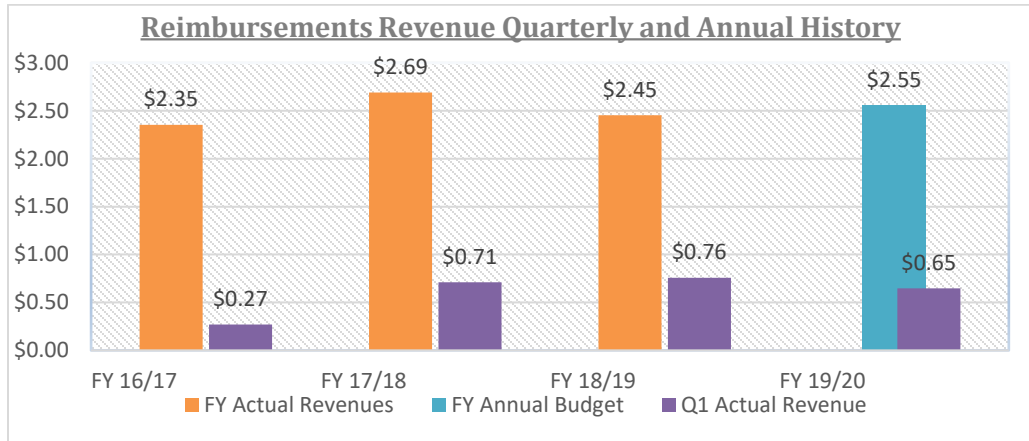
CATEGORY NAME	2019 Q1	2018 Q1	2017 Q1	2016 Q1	2015 Q1	2014Q1	2013 Q1	2012Q1	2011Q1
Accommodation and Food Services	259,945	277,599	252,927	226,310	203,407	196,677	199,572	191,030	185,309
Administrative and Support and Waste Management and Remediation Services	772	1,883	1,938	2,019	2,168	1,929	877	768	637
Agriculture, Forestry, Fishing and Hunting	456	0	334	0	1,430	1,903	1,975	2,129	1,992
Arts, Entertainment, and Recreation	229	270	357		109	250		81	1,777
Construction	25,359	16,848	16,135	16,763	15,393	15,545	14,419	12,722	10,369
Health Care and Social Assistance	3,140	9,154	8,666	8,992	8,604	8,927	4,282	2,823	2,324
Information	1,265	1,161	1,197	1,221	1,094	1,202	1,335	1,234	1,324
Manufacturing	41,956	31,268	27,828	24,279	7,461	7,676	8,457	11,295	9,401
Other Services (except Public Administration)	32,360	31,901	32,372	31,146	29,595	28,275	28,846	28,930	28,610
Professional, Scientific, and Technical Service	2,974	2,979	3,376	3,581	3,342	3,467	4,831	5,845	10,806
Real Estate and Rental and Leasing	8,341	8,080	9,150	8,757	8,970	9,268	10,743	10,468	7,491
Retail Trade	1,078,184	1,102,517	983,204	970,199	943,204	923,380	910,002	920,497	910,158
Wholesale Trade	75,225	57,138	82,519	91,530	113,557	134,042	162,177	163,331	107,318
All Other Sectors	14,083	1,854	5,268	8,344	20,230	5,032	4,731	1,059	1,084
<b>Grand Total</b>	<b>1,544,288</b>	<b>1,542,653</b>	<b>1,425,272</b>	<b>1,393,140</b>	<b>1,358,564</b>	<b>1,337,572</b>	<b>1,352,248</b>	<b>1,352,213</b>	<b>1,278,598</b>

Source: MuniServices, LLC

➤ **Reimbursements**

Reimbursements are the second-largest resource supporting General Fund operations in the FY 2019/20 Operating Budget. Reimbursements revenue is projected to be \$2.55M or 26% of total revenue, which includes payment of personnel costs and overhead from the City’s Enterprise Funds and Special Revenue Funds to the City’s General Fund.

**Analysis -** Reimbursements are \$647k or 25% of the total budget as of Q1. These inter-fund cost reimbursements include developer deposit account (DDA) reimbursements, personnel cost allocations and overhead/admin cost recovery.



	FY 16/17	FY 17/18	FY 18/19	FY 19/20
Fiscal Year Total Actual Revenues	\$2.35	\$2.69	\$2.45	
Q1 Actual Revenues	\$0.27	\$0.71	\$0.76	\$0.65
Fiscal Year Total Budgeted Revenues				\$2.55
Q1 Revenue Percent of Total	11%	26%	31%	25%

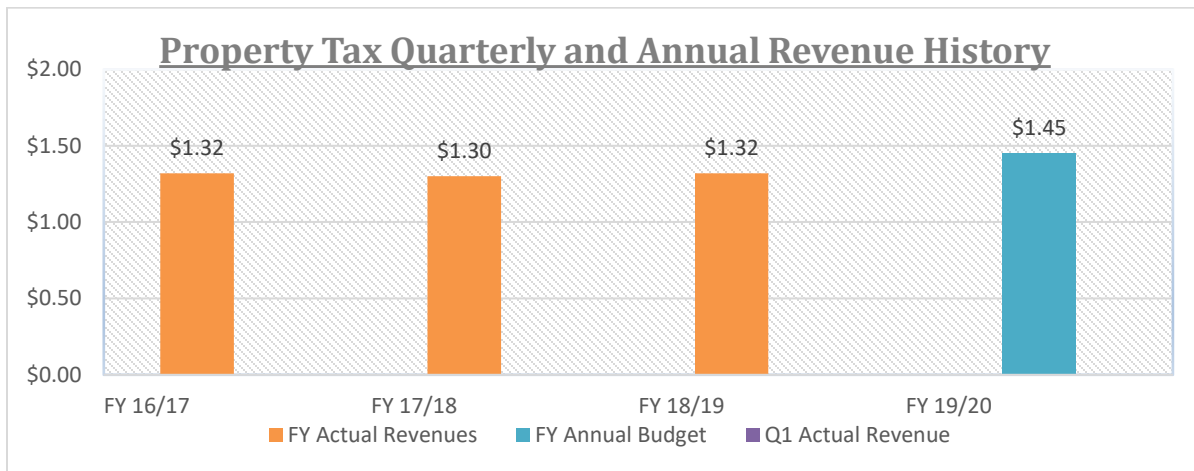
➤ **Property tax**

Property tax is an ad valorem (value-based) tax imposed on real property and tangible personal property within the City’s jurisdiction. It includes two major elements: secured or real property (e.g., house and land on which the house was built), and unsecured or personal property (e.g., machinery). Under Proposition 13, the general property tax rate cannot exceed 1% of a property’s assessed value plus other assessments as approved by the voters. The assessed value of real property that has not changed ownership increases by the change in the California Consumer Price index up to a maximum of 2% per year. Property is assessed at the full market value upon change of ownership. Newly constructed property is assessed at the full market value in the first year in which the construction is completed. Property tax revenue is collected by the county and allocated according to State law among cities, counties, school districts and special districts.

Throughout the City’s history, property tax revenue has grown significantly, reflecting both new development and increasing property values in Fort Bragg. As in most of the country, during the great recession, property tax revenues declined in Fort Bragg due to lower sales prices and adjustments in assessments. In recent years, sale prices have increased, and the number of reassessments has decreased.

Overall, property tax revenues are expected to increase by 3.4% in FY 2019/20. In 2019 the federal reserve reversed course with the federal funds interest rates. Rates were decreased several times in 2019 and from a high of 2.4% in March closed the year at 1.55%. It is likely that mortgage rates will decrease in tandem with the federal funds rate. With home prices continuing to increase affordable housing remains problematic in the community.

**Analysis-** Receipts for Q1 FY 2019/20 are projected at \$281,318, with overall revenue expected to increase by 4.2% to \$1.13M. Property tax receipts are received in lump sums in December, April and July rather than evenly throughout the year. Therefore actuals for the first quarter are at 0% due to timing.



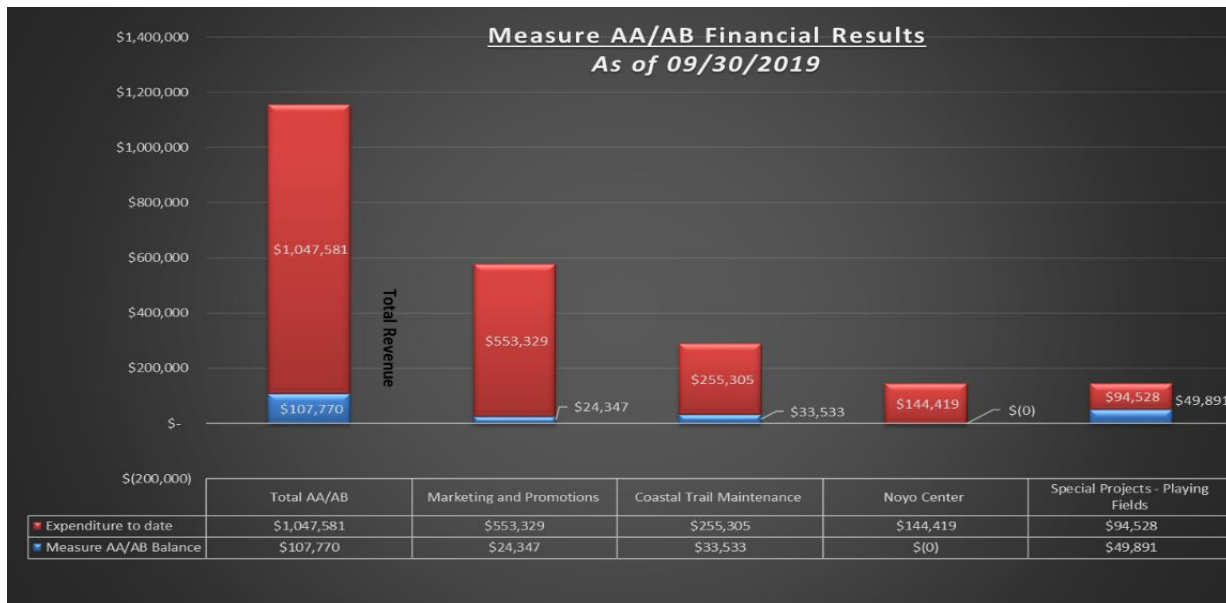
	FY 16/17	FY 17/18	FY 18/19	FY 19/20
Fiscal Year Total Actual Revenues	\$1.32	\$1.30	\$1.32	
Q1 Actual Revenues	\$0.00	\$0.00	\$0.00	\$0.00
Fiscal Year Total Budgeted Revenues				\$1.45
Q1 Revenue Percent of Total	0%	0%	0%	0%



## Measure AA/AB RESULTS

In November 2016, the voters of Fort Bragg passed Measure AA which increased the City's TOT rate from 10% to 12%. The new rate became effective April 1, 2017. The chart below illustrates the amount of tax collected so far. The chart also illustrates amounts spent thus far and balances remaining both in total and for each of the four program areas earmarked for the revenue.

Half of the Measure AA funds collected have been committed to marketing and promotion of Fort Bragg as a tourist destination. Unfortunately the City's marketing efforts have not resulted in the expected revenue increases. Overall the marketing program continues to show a negative return on investment (ROI). A detailed calculation of the marketing program ROI will be presented at the mid-year budget review.



## GENERAL FUND EXPENDITURES:

General fund expenditure totals for the first quarter are trending favorably, with total operational expenditures at the end of the first quarter at about 27% of the budget. Compared to previous year, first quarter General Fund expenditures were at 25% of total budget.

EXPENDITURES	FY 19/20 Annual Budget (As amended)	Quarterly Budget	Actual Results	Variance vs. Quarterly Budget	% of Total Budget
<b>General Government</b>					
City Council	174,188	43,547	40,090	3,457	23%
Administrative Services	655,704	163,926	163,972	(46)	25%
Finance	512,020	128,005	147,210	(19,205)	29%
Non-departmental (overhead)	609,981	152,495	379,366	(226,871)	62%
General Government Subtotal	1,951,893	487,973	730,637	(242,664)	37%
<b>Public Safety</b>					
Fire	430,723	107,681	94,689	12,992	22%
Police	3,731,793	932,948	917,828	15,121	25%
Public Safety Subtotal	4,162,516	1,040,629	1,012,517	28,112	24%
<b>Community Services</b>					
Public Works	1,807,085	451,771	362,177	89,595	20%
Fort Bragg Marketing & Promotions	216,500	54,125	49,123	5,002	23%
Community Development	406,275	101,569	127,493	(25,924)	31%
Community Contributions	129,625	32,406	26,756	5,650	21%
Caspar Closure & General Fund Debt	259,966	64,992	73,908	(8,916)	28%
Community Services Subtotal	2,819,452	704,863	639,457	65,406	23%
<b>Allocation to Internal Service Funds</b>	889,721	222,430	222,430	0	25%
<b>Total Expenditure</b>	<b>\$ 9,823,581</b>	<b>\$ 2,455,895</b>	<b>\$ 2,605,041</b>	<b>\$ (149,145)</b>	<b>27%</b>

#### General Government-Notable Variances

- The Finance department is at 29% of the total budget attributed to the Audit costs for the TOT Audit and Annual Audit that were paid in quarter one.
- Non-Departmental has a negative variance of \$211k. The difference is attributed to the nature of REMIF liability and property premium payments which are paid in quarter one of each year.

#### Public Safety-Notable Variances

- The Police Department budget is at \$917k for the quarter or 25% of the total budget. The department became fully staffed at the end of the first quarter. In January of 2020 the City will be required by Municipal Code (Ordinance 672) to conduct a salary compensation study. The results of the study are expected to yield at least a 5% increase in Police Department salaries and benefits. This will place further strain on the general fund budget and will most likely drive the budget from a surplus to a deficit. The Police Department budget savings that were realized in FY 2018/19 are unlikely to be realized in FY 2019/20.

#### Community Services – Notable Variances

- Public Works saw a favorable variance of \$89k or 20% of the total budget caused in part by savings in personnel costs due to unfilled positions in the engineering department and corp yard. Additionally, the variance is also due to the nature of repairs and project schedules, which will be undertaken later in the year. These expenditures include North Summer Lane overlay, street structural repairs, storm drain engineering, and outreach.
- Community Development budget is at 31% or \$127k of the total budget, primarily due to the Community development director severance payout paid in the first quarter of 2019. The department budget is expected to come in under budget at fiscal year-end due to the postponement of hiring a replacement director.

**GENERAL FUND NET RESULTS:**

Overall, the first quarter showed expenditures of \$2.61M (27% of the annual budget) outpacing revenues of \$2.48M or \$120k. As the year progresses, most revenues will likely “catch up” to expenditures.

Staff does project; however, that TOT revenues will fall short of the original budget, and Police Department personnel costs will outpace the original budget resulting in a year-end deficit of approximately \$153k.

<b>Summary of FY 2019/20 Q1 General Fund Operating Results</b>					
	<b>FY 19/20 Annual Budget (As amended)</b>	<b>Quarterly Budget</b>	<b>Q1 Actual Results</b>	<b>Variance vs. Quarterly Budget</b>	<b>% of Total Budget</b>
<b>Total Revenue</b>	<b>\$ 9,888,801</b>	<b>\$ 2,465,950</b>	<b>\$ 2,484,130</b>	<b>\$ 18,180</b>	<b>25%</b>
<b>Total Expenditure</b>	<b>\$ 9,823,581</b>	<b>\$ 2,455,895</b>	<b>\$ 2,605,041</b>	<b>\$ (149,145)</b>	<b>27%</b>
<b>Net Revenue /(Expenditure)</b>	<b>\$ 65,220</b>	<b>\$ 10,055</b>	<b>\$ (120,911)</b>	<b>\$ (130,965)</b>	<b>-185%</b>

**GENERAL FUND LONG TERM FORECAST:**

The chart on the following page represents the long term forecast for the City’s General Fund as of 09/30/2019. Council and other stakeholders should bear in mind that long-term forecasting is an inexact science. Actual results could end up better than projected or they could end up worse. The long term-term forecast was prepared using information available at the time it was produced.

The long term forecast shows a steady decrease to fund balance over the next five years. The projected deficits become significant in FY 2022 thru FY 2025. The main factors driving the projected deficits are significant increases in police department personnel costs, the failure of the City’s marketing and promotion efforts to produce budgeted levels of TOT revenue increases and the continued increase in CalPERS pension costs.

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

**Updated FY 2019/20 Projection**

Original budgeted surplus	\$ 65,000
Reduced TOT projection	(147,000)
Increased Police personnel costs	(71,000)
Projected year end deficit	<u>\$ (153,000)</u>

**CITY OF FORT BRAGG**

**City of Fort Bragg General Fund Five Year Forecast**

As of 09/30/2019

		FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	
		Audited	Audited	Audited	Audited	Audited	Projected	Forecast	Forecast	Forecast	Forecast	Forecast	
<b>General Fund</b>													
<b>Revenue:</b>													
	Sales Tax	\$ 1,666,675	\$ 1,600,866	\$ 1,531,857	\$ 1,785,264	\$ 1,728,222	\$ 1,948,440	\$ 1,875,358	\$ 1,931,242	\$ 1,987,126	\$ 2,043,010	\$ 2,098,894	
	Property Tax	865,161	972,948	1,031,345	1,034,552	1,074,931	1,116,693	1,160,077	1,205,147	1,251,968	1,300,608	1,351,137	
	Transient Occupancy Tax	1,857,831	1,947,702	2,149,404	2,619,227	2,640,275	2,717,114	2,796,190	2,877,567	2,961,313	3,047,495	3,136,186	
	Cost Allocations	2,537,699	2,794,310	1,824,826	2,078,877	1,863,711	1,910,304	1,967,613	2,026,641	2,087,441	2,150,064	2,214,566	
	All Other Revenue Sources	1,685,502	1,797,837	1,673,300	1,677,902	2,073,789	2,021,999	2,042,219	2,062,641	2,083,268	2,104,101	2,125,142	
	<b>Total Revenue</b>	<b>8,612,868</b>	<b>9,113,663</b>	<b>8,210,732</b>	<b>9,195,822</b>	<b>9,380,928</b>	<b>9,714,550</b>	<b>9,841,457</b>	<b>10,103,239</b>	<b>10,371,115</b>	<b>10,645,277</b>	<b>10,925,924</b>	
<b>Expenditures:</b>													
	Salaries & Wages	3,351,603	3,430,750	3,545,002	3,940,434	3,615,604	3,878,918	3,999,907	4,125,377	4,207,885	4,292,042	4,377,883	
	Pensions	525,726	613,438	677,159	745,604	792,101	924,883	1,087,254	1,278,349	1,486,465	1,728,461	2,009,855	
	Other Benefits	1,613,548	1,572,940	1,729,603	1,792,361	1,536,145	1,666,192	1,699,516	1,733,506	1,768,176	1,803,540	1,839,611	
	Materials & Services	2,100,172	1,938,381	1,974,777	2,080,027	2,301,401	2,238,487	2,274,051	2,310,355	2,347,416	2,385,254	2,423,888	
	Allocations to Internal Service Funds	587,171	604,060	470,049	601,371	717,808	889,721	829,947	829,947	829,947	829,947	829,947	
	Other Expenditures	9,250	165,013	53,104	107,966	35,895	36,972	38,081	39,223	40,400	41,612	42,861	
	Capital	26,753	3,194	-	-	-	35,000	35,000	35,000	35,000	35,000	35,000	
	Debt Service	147,569	147,569	147,569	185,535	185,533	185,535	37,966	37,966	-	-	-	
	<b>Total Expenses</b>	<b>8,361,792</b>	<b>8,475,345</b>	<b>8,597,268</b>	<b>9,453,298</b>	<b>9,184,487</b>	<b>9,855,708</b>	<b>10,001,721</b>	<b>10,389,723</b>	<b>10,715,288</b>	<b>11,115,856</b>	<b>11,559,044</b>	
<b>Net Transfers:</b>		(112,992)	(7,614)	(1,895,028)	110,014	(14,289)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	
Net Increase (Decrease) to Fund Balance		138,084	630,704	(2,281,564)	(147,462)	182,152	(153,158)	(172,264)	(298,485)	(356,174)	(482,579)	(645,120)	
Beginning Fund Balance		4,619,710	4,757,794	5,388,498	3,106,935	2,959,473	3,141,625	2,988,467	2,816,203	2,517,719	2,161,545	1,678,966	
Ending Fund Balance		\$ 4,757,794	\$ 5,388,498	\$ 3,106,934	\$ 2,959,473	\$ 3,141,625	\$ 2,988,467	\$ 2,816,203	\$ 2,517,719	\$ 2,161,545	\$ 1,678,966	\$ 1,033,846	
Storm Drain Enterprise		Revised change in fund balance assuming \$190k revenue annually							(124,764)	(108,485)	(166,174)	(292,579)	(455,120)
		Projected Fund Balance							2,863,703	2,755,219	2,589,045	2,296,466	1,841,346
Cannabis Tax		Revised change in fund balance assuming \$25k revenue annually							(166,014)	(273,485)	(331,174)	(457,579)	(620,120)
		Projected Fund Balance							2,822,453	2,548,969	2,217,795	1,760,216	1,140,096
Parcel Tax		Revised change in fund balance assuming \$430k revenue annually							(64,764)	131,515	73,826	(52,579)	(215,120)
		Projected Fund Balance							2,923,703	3,055,219	3,129,045	3,076,466	2,861,346
1/4 cent General Sales Tax		Revised change in fund balance assuming 25% of Sales Tax projection (Average \$500k/yr)							(55,054)	184,326	140,608	28,173	(120,396)
		Projected Fund Balance							2,933,413	3,117,739	3,258,347	3,286,520	3,166,124
3/8 cent General Sales Tax		Revised change in fund balance assuming 37.5% of Sales Tax projection (Average \$750k/yr)							3,551	425,731	388,999	283,550	141,966
		Projected Fund Balance							2,992,018	3,417,749	3,806,748	4,090,298	4,232,263
Measure AA 100% Repurposing		Revised change in fund balance assuming 100% of Measure AA Funds(Average \$370k/yr)							177,260	61,211	13,990	(101,642)	(253,096)
		Projected Fund Balance							3,165,727	3,226,938	3,240,929	3,139,287	2,886,190
Measure AA 50% Repurposing		Revised change in fund balance assuming 50% of Measure AA Funds(Average \$185k/yr)							2,498	(118,637)	(171,092)	(292,111)	(449,108)
		Projected Fund Balance							2,990,965	2,872,328	2,701,237	2,409,126	1,960,018
Measure AA phased repurposing		Revised change in fund balance assuming phased repurposing of Measure AA Funds(Average \$245k/yr)							(84,883)	(118,637)	(171,092)	(101,642)	(253,096)
		Projected Fund Balance							2,903,584	2,784,948	2,613,856	2,512,214	2,259,117

## WATER ENTERPRISE FUND

**BUDGET REVIEW:**

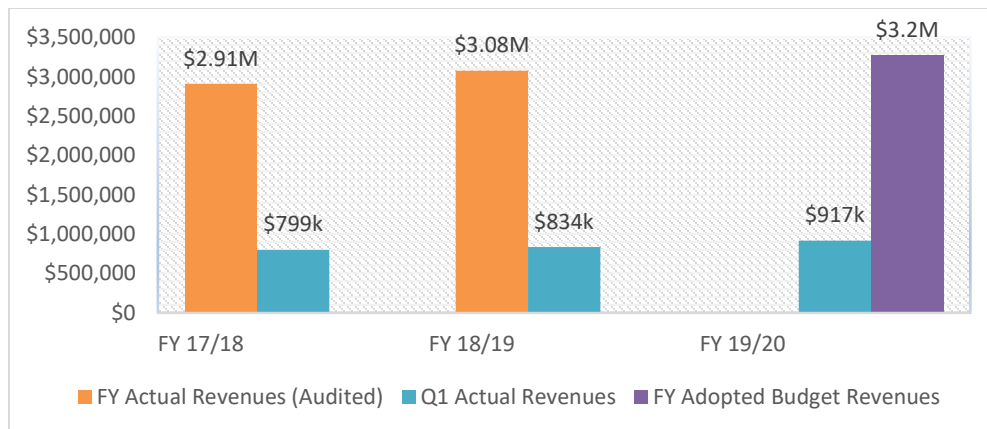
- Water Enterprise fund adopted a \$1.5M surplus budget for FY 2019/20.
- FY 2019/20 projected Revenues are \$3.3M, an increase of 5% from the previous year, and Expenditures at \$1.80M, a decrease of 2% of the prior year.
- For the first quarter, there were no approved budget amendments.

**REVENUES:**

Revenues for the Water Enterprise Fund are water rates charges charged to customers for service use. Charges for services are trending positively due to the 5% rate increase that went into effect July 1, 2019. Water revenues are higher during Q1 of each year due to seasonality.

Summary of FY 2019/20 Q1 Water Enterprise Operating Results					
	FY 19/20 Annual Budget (As amended)	Quarterly Budget	Q1 Actual Results	Variance vs. Quarterly Budget	% of Total Budget
Charges for Services	\$ 3,234,529	\$ 808,632	\$ 885,576	\$ 76,944	27%
Other Revenue	40,645	10,161	32,307	22,146	79%
<b>Total Revenue</b>	<b>\$ 3,275,174</b>	<b>\$ 818,793</b>	<b>\$ 917,883</b>	<b>\$ 99,090</b>	<b>28%</b>

By comparison, first quarter operating revenues were 27% of the FY 2018/19 budget at the same time last year and total projected revenue is budgeted to increase by 5% in FY 2019/20 to \$3.28M from \$3.08M in FY 2018/19.



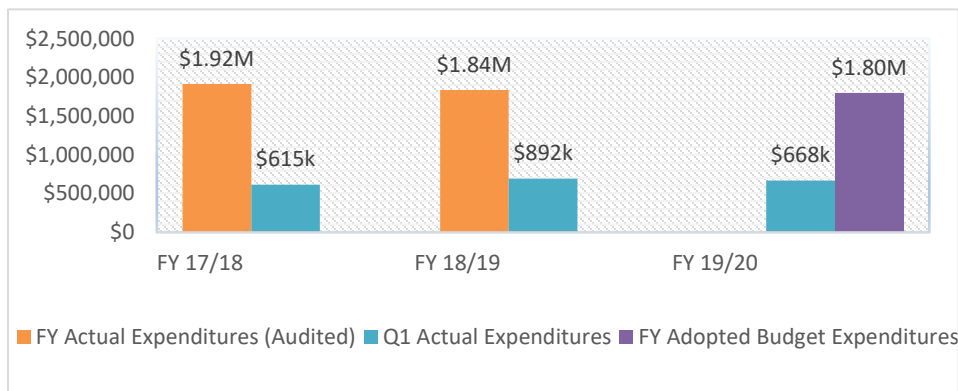
	FY 17/18	FY 18/19	FY 19/20
FY Actual Revenues	\$2,908,557	\$3,076,775	-
Q1 Actual Revenues	\$799,813	\$834,571	\$917,883
FY Total Budgeted Revenues			3,275,174
Q1 Revenue Percent of Total Revenue	27%	27%	28%

**EXPENDITURES:**

The Water Enterprise FY 2019/20 first quarter expenditures total \$667K or 37% of the annual budget.

Summary of FY 2019/20 Q1 Water Enterprise Operating Results					
	FY 19/20 Annual Budget (As amended)	Quarterly Budget	Q1 Actual Results	Variance vs. Quarterly Budget	% of Total Budget
<b>Expenditure by Category</b>					
Debt Service	\$ 452,769	\$ 113,192	\$ 324,153	\$ (210,961)	72%
Personnel services	440,502	110,126	109,667	458	25%
Administration	469,735	117,433.79	115,898	1,536	25%
Contractual services	58,880	14,720	13,204	1,516	22%
Materials & supplies	159,267	39,817	42,339	(2,522)	27%
Utilities	135,000	33,750	35,116	(1,366)	26%
Repairs & maintenance	53,950	13,488	5,064	8,424	9%
Insurance	16,000	4,000	21,031	(17,031)	131%
Other operating	9,500	2,375	1,100	1,275	12%
<b>Total Expenditure</b>	<b>\$ 1,795,603</b>	<b>\$ 448,901</b>	<b>\$ 667,572</b>	<b>\$ (218,671)</b>	<b>37%</b>

- Debt Service expenditures total \$324k or 72% of the budget due to the semi-annual nature of debt payments, paid in the first quarter. See page:163-164 on water enterprise debt details.
- Repairs & Maintenance are at 9% or \$5k of total budget due to project scheduling. Projects budgeted but not yet begun for FY 2019/20 include equipment replacements, pumps and controls, water treatment units, and electrical parts.
- Insurance expenditures are \$5,031 over the FY budget due to rising REMIF insurance costs, which includes Property & ADP Contributions and DIC Earthquake, flood deductible buy-down.

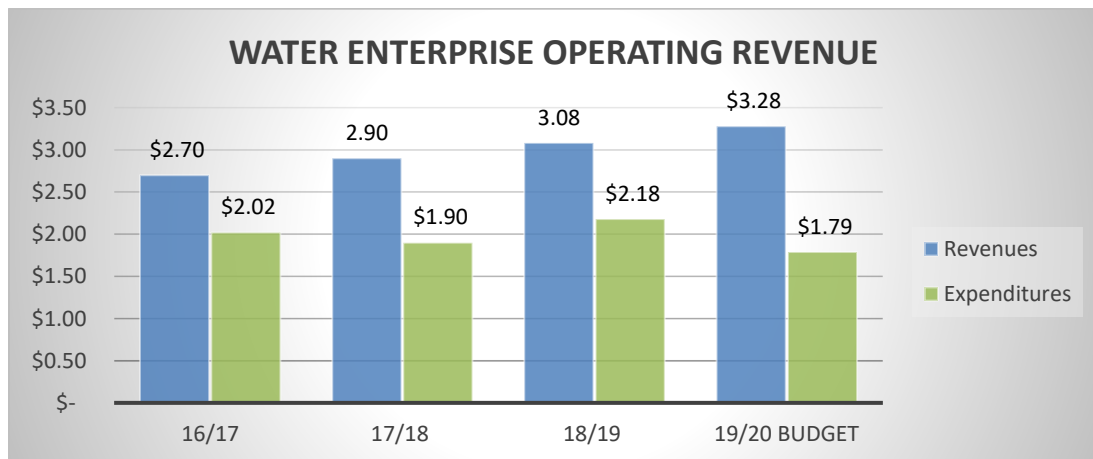


	FY 17/18	FY 18/19	FY 19/20
FY Actuals Expenditures	\$1,915,451	\$1,836,882	-
Q1 Actual Expenditures	\$614,582	\$692,671	\$667,572
FY Total Budgeted Expenditures			1,795,603
Q1 Exp % of Total Expenditures	32%	38%	37%

**NET RESULTS:**

Summary of FY 2019/20 Q1 Water Enterprise Operating Results					
	FY 19/20 Annual Budget (As amended)	Quarterly Budget	Q1 Actual Results	Variance vs. Quarterly Budget	% of Total Budget
<b>Total Revenue</b>	<b>\$ 3,275,174</b>	<b>\$ 818,793</b>	<b>\$ 917,883</b>	<b>\$ 99,090</b>	<b>28%</b>
<b>Total Expenditure</b>	<b>\$ 1,795,603</b>	<b>\$ 448,901</b>	<b>\$ 667,572</b>	<b>\$ (218,671)</b>	<b>37%</b>
<b>Net Revenue /(Expenditure)</b>	<b>\$ 1,479,570</b>	<b>\$ 369,893</b>	<b>\$ 250,311</b>	<b>\$ (119,582)</b>	<b>17%</b>

- Water operating revenues exceed operating expenditures by \$250k and are up 28% from the previous FY. The surplus is due primarily to the four-year schedule of rate increases approved by council in June 2014, projects expenditure scheduling and nature of invoices received have also contributed to the positive variance.
- Through the collection of charges for water services, the fund should collect revenues sufficient to finance costs associated with administration, operations, capital improvements (CIP), and debt service.
- Overall, the fund has performed well over the last couple of years (see graph below). Excess fund balance in the Water Enterprise is accumulated to fund an operating reserve and for capital infrastructure improvements and replacements. The rate plan currently in effect is designed to accumulate \$1M per year in a capital projects reserve. Some of the scheduled infrastructure improvements include Water tank replacement, Raw water line replacements, Water treatment plant overhaul, and water meter replacements.
- Projected fund balance for the Water Enterprise fund is \$5.03M.



## WASTEWATER ENTERPRISE FUND

**BUDGET REVIEW:**

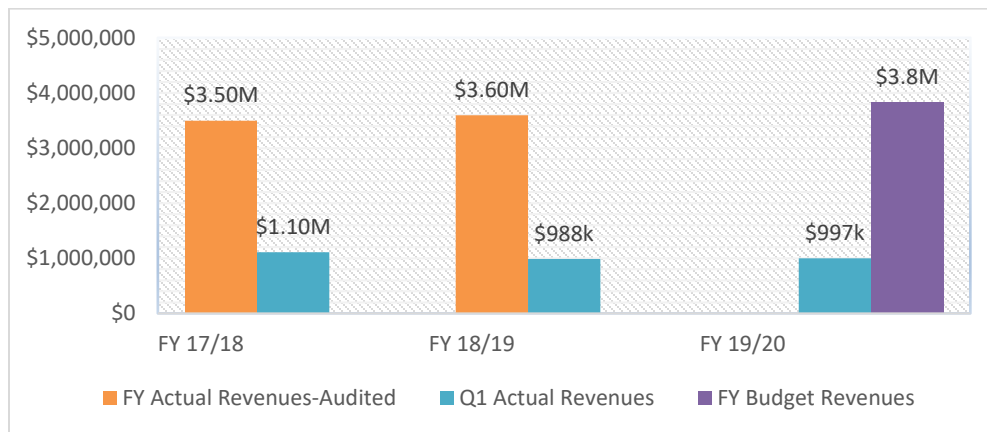
- The Wastewater Enterprise adopted a \$1.72M surplus budget for FY 2019/20.
- The FY 2019/20 appropriations budget is \$2.2M, a decrease of 18% or \$475k over the previous year, and Revenues are expected to increase by 3% or \$107k.
- For the first quarter, Prior year encumbrances were rolled forward in the amount of \$64k.

**REVENUES:**

The Wastewater Enterprise FY 2019/20 first-quarter revenues total \$997k or 26% of the annual budget. Beginning July 1, 2019, rates were increased by 3% based on the Utility Rates study completed in 2014 and approved by the City Council.

Summary of FY 2019/20 Q1 Wastewater Enterprise Operating Results					
	FY 19/20 Annual Budget (As amended)	Quarterly Budget	Q1 Actual Results	Variance vs. Quarterly Budget	% of Total Budget
Charges for Services	\$ 3,772,609	\$ 943,152.34	\$ 985,732	\$ 42,579	26%
Other Revenue	65,530	16,382	11,439	(4,943)	17%
<b>Total Revenue</b>	<b>\$ 3,838,139</b>	<b>\$ 959,535</b>	<b>\$ 997,171</b>	<b>\$ 37,636</b>	<b>26%</b>

By comparison, operating revenues were 27% of the FY 2018/19 budget at the same time last year.



	FY 17/18	FY 18/19	FY 19/20
FY Actual Revenues	\$3,495,429	\$3,598,546	-
Q1 Actual Revenues	\$1,112,488	\$987,828	\$997,171
FY Total Budgeted Revenues			3,838,139
Q1 Revenue Percent of Total Revenue	32%	27%	26%



# CITY OF FORT BRAGG

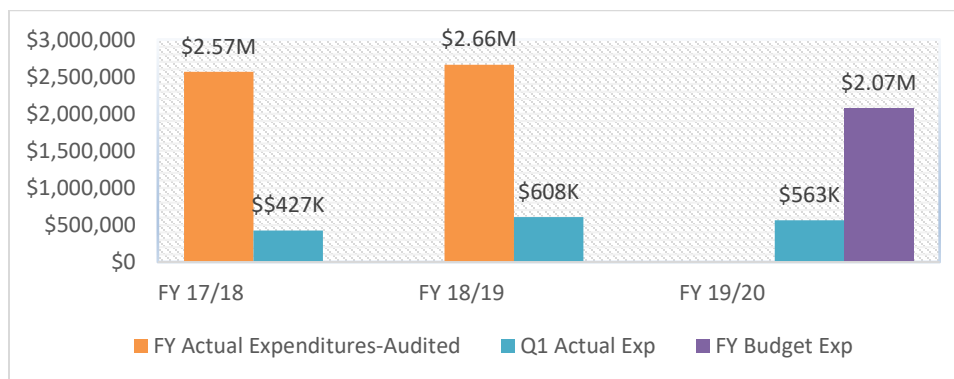
## EXPENDITURES:

Expenditures are in line with the quarterly budget. The Wastewater Enterprise FY 2019/20 first quarter expenditures total \$562k or 27% of the annual budget.

Summary of FY 2019/20 Q1 Wastewater Enterprise Operating Results					
	FY 19/20 Annual Budget (As amended)	Quarterly Budget	Q1 Actual Results	Variance vs. Quarterly Budget	% of Total Budget
<b>Expenditure by Category</b>					
Debt Service	\$ -	\$ -	\$ -	\$ -	
Personnel services	782,337	195,584	213,043	(17,458)	27%
Administration	595,265	148,816	149,147	(330)	25%
Contractual services	176,188	44,047	34,157	9,890	19%
Materials & supplies	203,736	50,934	50,446	488	25%
Utilities	140,000	35,000	31,062	3,938	22%
Repairs & maintenance	156,750	39,188	59,692	(20,504)	38%
Insurance	19,000	4,750	25,272	(20,522)	133%
<b>Total Expenditure</b>	<b>\$ 2,073,276</b>	<b>\$ 518,319</b>	<b>\$ 562,817</b>	<b>\$ (44,498)</b>	<b>27%</b>

Some of the key variances in Q1 FY 2019/20:

- Repairs & Maintenance are at 38% of the total budget due to project scheduling. The replacement of the Bypass pump for sewer lift stations of \$45k was undertaken in the first quarter — other budgeted maintenance projects such as pump repairs, electrical hardware, and new plant startups.
- Insurance expenditures are \$6,272 over budget due to rising REMIF insurance costs, which includes Property & ADP Contributions and DIC Earthquake, flood deductible buy-down.



	FY 17/18	FY 18/19	FY 19/20
FY Actuals Expenditures	\$2,563,425	\$2,660,671	-
Q1 Actual Expenditures	\$427,132	\$608,006	\$562,817
FY Total Budgeted Expenditures			2,073,276
Q1 Exp % of Total Expenditures	17%	23%	27%

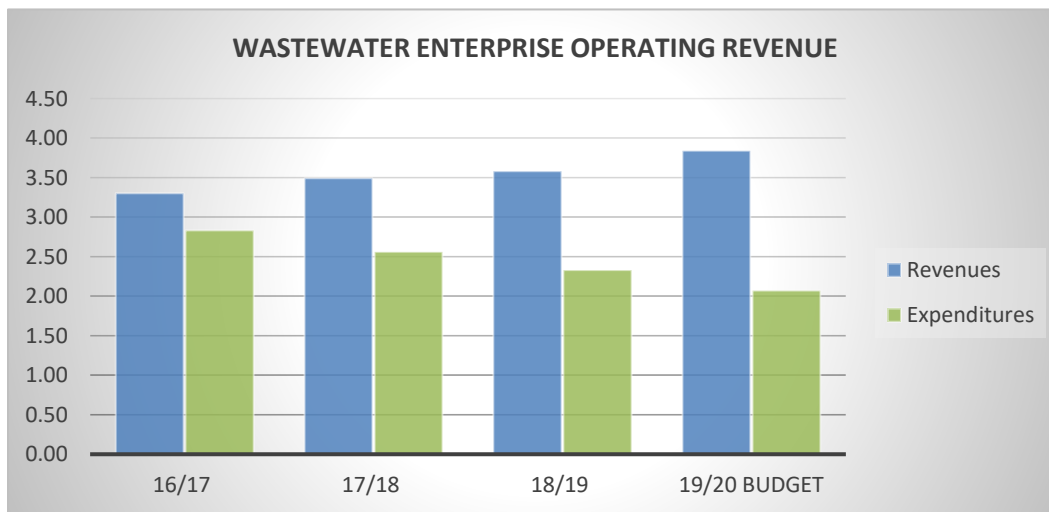
**NET RESULTS:**

The first quarter showed net revenues of \$434k or 25% of total budget.

Summary of FY 2019/20 Q1 Wastewater Enterprise Operating Results					
	FY 19/20 Annual Budget (As amended)	Quarterly Budget	Q1 Actual Results	Variance vs. Quarterly Budget	% of Total Budget
<b>Total Revenue</b>	<b>\$ 3,838,139</b>	<b>\$ 959,535</b>	<b>\$ 997,171</b>	<b>\$ 37,636</b>	<b>26%</b>
<b>Total Expenditure</b>	<b>\$ 2,073,276</b>	<b>\$ 518,319</b>	<b>\$ 562,817</b>	<b>\$ (44,498)</b>	<b>27%</b>
<b>Net Revenue /(Expenditure)</b>	<b>\$ 1,764,863</b>	<b>\$ 441,216</b>	<b>\$ 434,354</b>	<b>\$ (6,862)</b>	<b>25%</b>

Wastewater operating revenues exceed operating expenses by \$434k in quarter one. The utility’s user fees are generating sufficient revenue to cover operating expenses as well as maintaining an operating reserve and funding a capital reserve. The rate plan currently in effect is designed to accumulate \$1M per year in a capital projects reserve and the plan is working as designed. Some of these capital and infrastructure improvements include WW Treatment facility upgrade currently underway, Lift station rehab, and Sewer main replacements.

Overall, the fund has performed well over the last couple of years, with revenues outpacing expenditures. Projected fund balance for the Wastewater enterprise fund is \$1.51M.



## TREASURER'S REPORT

In accordance with the City of Fort Bragg's Investment and Fiscal Policies, the City's funds and the investment portfolio should be managed with emphasis in order of the following:

- **Safety** – Safety of principal is the foremost objective of the investment program. Investments for the city will be made in a manner that seeks to ensure the preservation of capital in the overall portfolio.
- **Liquidity** – The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.
- **Yield** – The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints, liquidity needs, and cash flow characteristics of the portfolio.

To view the City's Investment and Fiscal policy, refer to the City's Annual Budget.

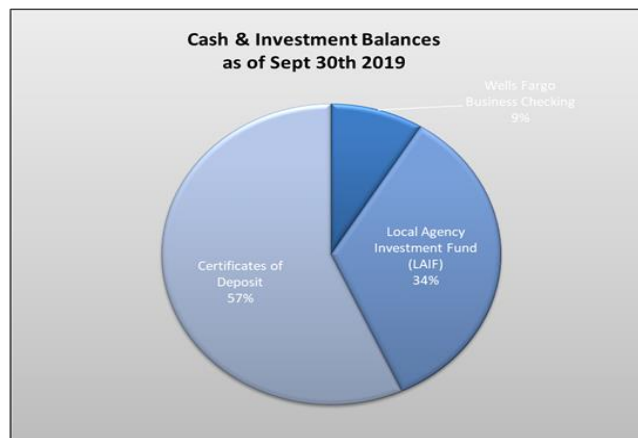
Reports on the City's investment portfolio and cash position are developed by the Finance Director/City Treasurer and reviewed by the Finance & Administration Committee quarterly.

**CASH AND INVESTMENT BALANCE**

As of September 30<sup>th</sup>, 2019 the City’s cash and investment portfolio balances at market rate is \$14.14M. The portfolio yield is relatively low inverse to its degree of safety. The investment portfolio consists primarily of CDs purchased at a maximum of \$250k plus investments in the Local Agency Investment Fund. The weighted average rate of return on CDs held is 2.3% and LAIF is at 2.45%. The weighted average rate of return on the entire portfolio is 2.1%.

<b>TYPE</b>	<b>BALANCE</b>	<b>INTEREST RATE</b>	
Wells Fargo Business Checking	\$ 1,251,328	0.6%	*
Local Agency Investment Fund (LAIF)	4,851,165	2.45%	
Certificates of Deposit	<u>8,036,735</u>	2.31%	**
<b>Total</b>	<u><u>\$ 14,139,228</u></u>		

\*Earnings Allowance    \*\* Weighted Average



**Investment in LAIF**

The City is a voluntary participant in California Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section under the oversight of the Local Investment Advisory Board (Board). The Board consists of five members as designated by state statute, and is chaired by the State Treasurer who is responsible for day to day administration of LAIF.

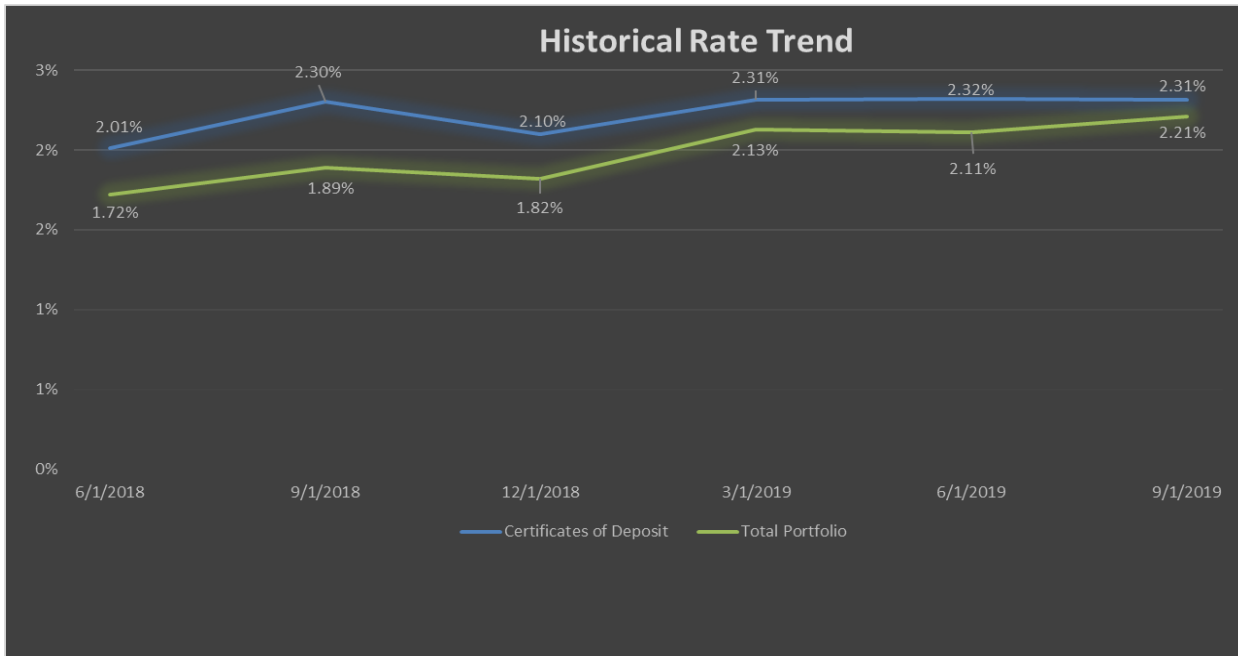
The total amount invested by all public agencies as of June 30, 2019 was \$24,546,138,359 of which the City had a balance of \$4,851,164. The fair value of the City’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Investment in Certificates of Deposits

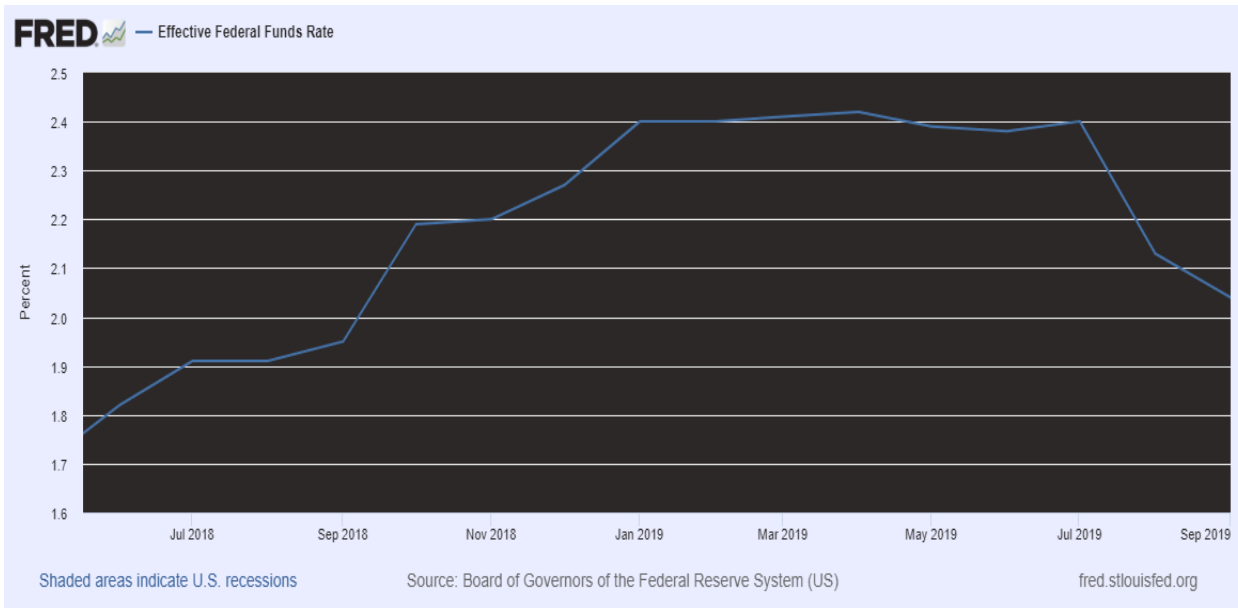
Holding	Par Value	Market Value	Interest Rate	Maturity Date
Fortune Bank	249,000	249,030	2.45%	10/08/19
Morgan Stanley Bank	248,000	248,114	2.10%	12/23/19
Ameican Express Centurion Bank	248,000	248,226	2.10%	06/03/20
Family Financial Credit Union	248,000	250,463	2.87%	08/28/20
Capital One NA	248,000	246,705	1.41%	09/21/20
Discover Bank	248,000	247,998	1.80%	11/30/20
Aneca FCU	248,000	247,846	1.75%	12/23/20
Sallie Mae Bank	247,000	248,586	2.29%	01/19/21
HSBC Bank	248,000	251,534	2.71%	03/10/21
East Boston Savings	249,000	249,369	1.90%	03/29/21
Wells Fargo Bank	249,000	248,161	1.76%	06/17/21
Mercantil Commercebank	248,000	247,154	1.66%	06/24/21
Ally Bank	246,000	251,446	2.94%	08/16/21
General Electric	249,000	254,974	3.03%	08/16/21
Connex CU	248,000	246,376	1.61%	08/26/21
Ever Bank	248,000	246,802	1.56%	09/16/21
Stearns Bank NA	249,000	249,732	1.94%	09/29/21
Synchrony Bank	248,000	246,254	1.71%	10/21/21
Peoples United Bank NA	248,000	249,371	2.05%	01/18/22
Third Fed Savings	247,000	249,648	2.23%	03/21/22
BMW Bank	246,000	252,032	2.73%	04/13/22
Commenity Capital	249,000	258,338	3.04%	08/15/22
Farmers State Bank Ind	247,000	250,841	2.31%	09/19/22
Mountain America Fed Credit Union	249,000	253,455	2.36%	11/30/22
American Express BK	247,000	250,888	2.46%	12/05/22
Knoxville TVA	249,000	253,619	2.36%	01/26/23
Belmont Savings Bank	248,000	255,147	2.62%	02/28/23
Citibank	246,000	254,942	2.80%	04/11/23
First Tech Federal Credit Union	249,000	261,579	3.09%	06/14/23
Goldman Sachs	245,000	258,752	3.17%	08/15/23
Jefferson Financial Credit Union	246,000	260,290	3.17%	10/19/23
Silvergate Bank	249,000	249,065	2.00%	10/08/24
<b>Total Certificates of Deposit</b>	<u>7,931,000</u>	<u>8,036,735</u>		

## CITY OF FORT BRAGG

The graph below depicts the historical interest rate trend for the entire portfolio and certificates of deposits.



This graph depicts the FED interest rate for the last three quarters.



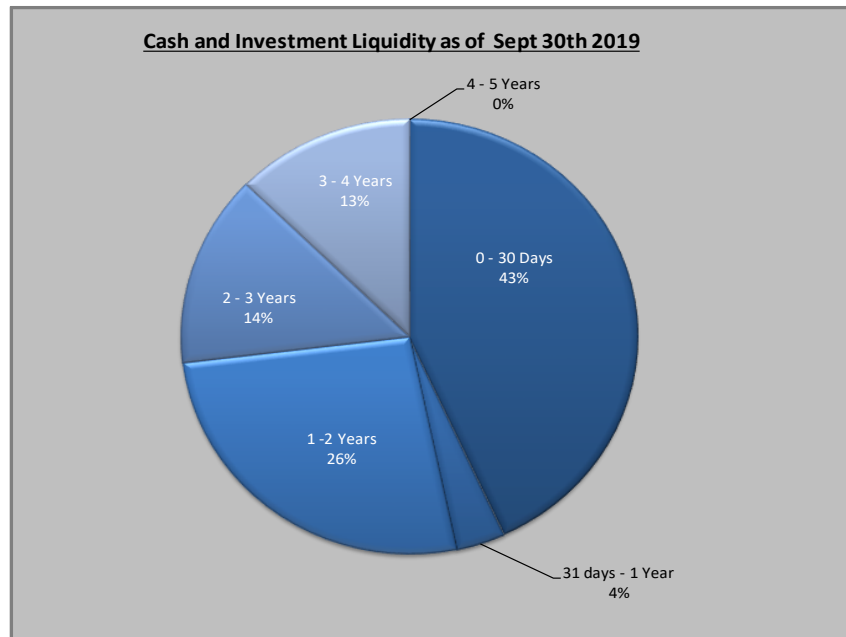
**PORTFOLIO LIQUIDITY**

As of September 30<sup>th</sup>, 2019 the City’s cash and investment liquidity at market value are as follows:

**PORTFOLIO LIQUIDITY AS OF SEPT 30th , 2019**

<b>AGING INTERVAL</b>	<b>MARKET VALUE</b>	<b>PERCENT OF PORTFOLIO</b>
0 - 30 Days	\$ 6,102,492	43.16%
31 days - 1 Year	497,144	3.52%
1 -2 Years	3,735,371	26.42%
2 - 3 Years	2,010,826	14.22%
3 - 4 Years	1,793,395	12.68%
4 - 5 Years	-	0.00%
	<b>\$ 14,139,228</b>	<b>100.00%</b>

The portfolio is highly liquid with 43% available within 30 days and an additional 4% available within one year.



**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, creditors and government regulators with a general overview of the City’s finances and to demonstrate the City’s accountability for the money it receives. Additional information may be found on our website at [www.fortbragg.com](http://www.fortbragg.com). Below is the contact address for questions about the report or requests for additional financial information.

City of Fort Bragg, Finance Department, 416 N. Franklin Street, Fort Bragg, CA. Email: [finance@fortbragg.com](mailto:finance@fortbragg.com)