

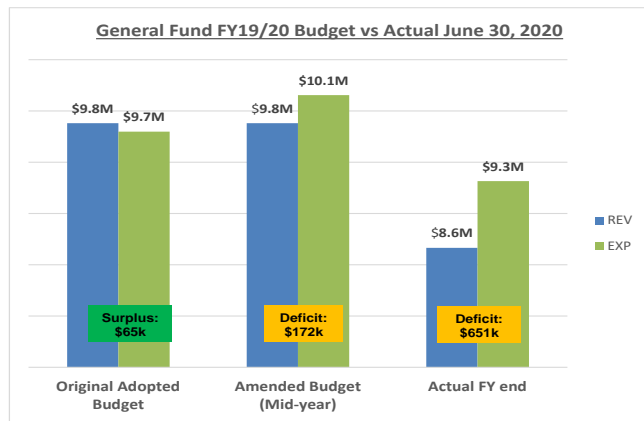


**REPORT OVERVIEW**

This report summarizes the City's financial performance for the twelve months ended June 30, 2020. Financial analysis for this report is provided for the General Fund and the three Enterprise Funds on a modified accrual basis. This report is not an audited financial statement, and 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 early January 2021.

**GENERAL FUND**

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



For the year ended June 30, 2020, General Fund operating revenues totaled \$8.6 million, falling short of budget projections by \$1.2 million due to the impacts of COVID-19 on our local economy. Actual General Fund operating expenditures were \$9.3 million, which is \$839k less than budget.

**GENERAL FUND REVENUES**

GENERAL FUND					
EXPENDITURES	Original	Final Budget	Actual	Variance w/Final Budget	%
<b>REVENUES:</b>					
Property Tax	\$ 1,125,271	\$ 1,125,271	\$ 1,107,039	\$ (18,232)	-2%
Sales and Use Tax	1,941,692	1,941,692	1,797,520	(144,172)	-7%
Transient Occupancy Tax	2,864,535	2,864,535	2,204,151	(660,384)	-23%
Other Taxes	803,340	803,340	774,924	(28,416)	-4%
Taxes and assessments	\$ 6,734,838	\$ 6,734,838	5,883,634	(851,204)	-13%
Reimbursements	2,554,276	2,554,276	2,363,365	(190,911)	-7%
Fines and Forfeitures	36,000	36,000	47,378	11,378	32%
Use of Money & Property	65,400	65,400	39,612	(25,788)	-39%
Charges for Services	62,800	62,800	43,039	(19,761)	-31%
Licenses and Permits	108,480	108,480	97,307	(11,173)	-10%
Other Revenue	33,470	50,683	22,466	(28,217)	-56%
Operating Grant Revenue	268,537	268,537	167,609	(100,928)	-38%
<b>Total revenues</b>	<b>9,863,801</b>	<b>9,881,014</b>	<b>8,664,410</b>	<b>(1,216,604)</b>	<b>-12%</b>

**Property Taxes:** \$18k or 2% ↓

Actual revenues came in only \$18k below original projections. The budget variance is related to deferrals and the timing of payments in response to COVID-19.

▪ **Sales and Use Tax:** \$144k or 7% ↓

The economic collapse in the last quarter of FY19/20 as a result of COVID-19 was unrivaled in its speed and breathtaking in its severity. Unlike prior calamities in our nation's history, the COVID-19 Pandemic was unique for many reasons, not the least of which was closing entire industries that generate sales and transaction taxes so vital for governments to deliver public services. The decline was more than twice as large as in the Great Recession a decade ago but occurred in a fraction of the time. The government's financial support efforts were largely successful: After plummeting in March and April, retail sales (nationally) rose in May and June as stimulus payments, and a \$600 weekly federal supplement to unemployment benefits began flowing into consumers' bank accounts. Loans made under the Paycheck Protection Program and The West Company Grants allowed some small local businesses to start bringing back furloughed workers.

The full brunt of COVID-19 struck the service sector more than any other industry during this time. According to the Employment Development Department (EDD), our local unemployment rate was around 12.4% at the end of June. These affected businesses include hotels, restaurants, gyms, salons, and bars, to name a few. Most restaurants remained open as an essential business during the shelter in place orders limited to Curbside Pickup and delivery only.

Many of these businesses face dire situations; the unknown timing for indoor dining and the changing weather ahead presents restaurants' next obstacles. On the other hand, Lack of dining opportunities and Stay at Home mandates drove grocery store sales up by 4% in Q4 compared to the same period last year. Grocery stores recorded their best quarter to date as people had to adapt to eating at home more often and were stocking up, preparing, and fearing the worst of the Pandemic.

The chart below compares the last quarter of the FY 2019/20 sales tax revenue by major sectors to the same period last fiscal year. Revenue was down in all categories except Construction.

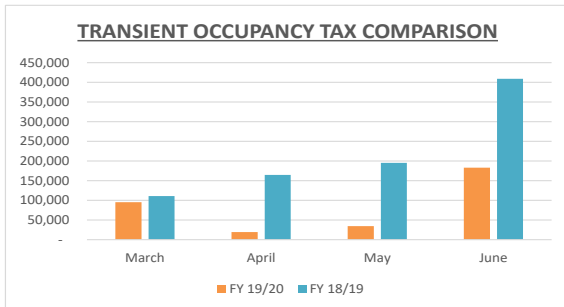
SALES TAX BY MAJOR INDUSTRY GROUP			
TYPE	2020 Q2	2019 Q2	QoQ %Δ
GENERAL RETAIL	\$ 277,326	\$ 300,563	-15.6%
RESTAURANTS & FOOD MARKETS	\$ 469,476	\$ 503,725	-24.0%
TRANSPORTATION	\$ 317,780	\$ 332,660	-25.6%
CONSTRUCTION	\$ 273,014	\$ 272,825	1.4%
BUSINESS TO BUSINESS	\$ 113,814	\$ 131,295	-30.2%

The original adopted budget projection for sales tax was \$1.9M. Final sales tax revenue ended the fiscal year at \$1.7 million, only \$144k below budget. It is important to note that the real sales tax variance would have been



\$273k or 14% below budget estimates if not for the \$129k (true-up payment) posted to FY 19/20 instead of the previous fiscal year.

- TRANSIENT OCCUPANCY TAX** : \$660k or 23% ↓  
 In March, shelter in place orders coupled with county-based health and safety decisions triggered immediate closure of businesses and restricted travel. Fort Bragg is a tourist-based economy and depends heavily on tourism for its revenue. TOT accounts for 29% of General Fund Revenues and had the largest reduction due to COVID-19.



As illustrated above, The TOT actuals for the last quarter were 75% below the same period last fiscal year. Overall, TOT revenue ended the fiscal year at \$2.2M, a shortfall of \$660k.

- OTHER TAXES**: \$28k or 4% ↓  
 Other taxes include Franchise Fees and Business License Tax. Actuals totaled \$775k, \$28k short of Budget Estimates. Revenues from Cable television franchise fees have been slowly declining as more customers move to satellite and internet-based services. Business License Tax collected was also down by \$16k.

- REIMBURSEMENTS**: \$190k or 7% ↓  
 These include the annual COPS reimbursements for the cost of the City's CSO, highway user tax, special sales tax allocation, developer deposit reimbursements, and cost allocations transfers, which are considered a cost to the Enterprise funds but revenue to the General Fund. The decrease of \$190k is attributed to actual expenditure true-up done at the end of the fiscal year, which were less than budgeted amounts. Additionally, since City staff were furloughed at the end of April, this caused a reduction in services provided, which decreased the reimbursements to the General Fund.

- OPERATING GRANT REVENUE**: \$100k or 38% ↓  
 The budget shortfall is partially due to the impacts of reduced staffing levels before and during COVID-19 (furloughs) that affected service levels and resulted in some of the grant work to be contracted out. The majority of the unspent grant funds will be carried forward to FY 20/21. The Operating Grant Revenue for FY20/21 is 254k.

**GENERAL FUND EXPENDITURES**

As previously stated, actual General Fund operating expenditures ended the fiscal year at \$839k less than budget.

GENERAL FUND					
EXPENDITURES	Original	Final Budget	Actual	Variance w/Final Budget	%
<b>EXPENDITURES:</b>					
<b>General Government:</b>					
City Council	174,188	174,188	120,660	53,528	31%
Administrative services	655,704	683,204	663,500	19,704	3%
Litigation reserve	-	-	-	-	-
Finance	512,020	542,420	530,345	12,075	2%
Non Departmental	814,039	814,039	795,144	18,895	2%
<b>Community Development</b>	381,275	423,488	448,795	(25,307)	-6%
<b>Public Safety:</b>					
Police Department	3,731,793	3,963,725	3,854,993	108,732	3%
Fire Department	430,723	430,723	378,756	51,967	12%
<b>Marketing and promotions</b>	216,500	228,975	185,618	43,357	19%
<b>Public Works:</b>					
Administration & engineering	796,383	796,383	588,348	208,035	26%
Parks and facilities	37,400	41,400	34,912	6,488	16%
Street maintenance	178,000	178,000	111,423	66,577	37%
Storm drains	17,000	24,540	22,547	1,993	8%
Corporation yard	723,252	723,252	730,605	(7,353)	-1%
Traffic and safety	55,050	55,050	30,894	24,156	44%
<b>Caspar Closure &amp; GF Debt</b>	185,533	185,533	185,626	(93)	0%
<b>General Fund Exp Subtotal</b>	<b>8,908,860</b>	<b>9,264,920</b>	<b>8,682,166</b>	<b>582,754</b>	<b>6%</b>
<b>Cost Allocations between GF Departments</b>					
Allocation to ISF	889,721	889,721	633,474	256,247	29%
<b>Total Expenditures</b>	<b>9,798,581</b>	<b>10,154,641</b>	<b>9,315,640</b>	<b>839,001</b>	<b>8%</b>
<b>Transfers</b>					
Transfers In	490,302	490,302	490,302	-	0%
Transfers out	(490,302)	(490,302)	(490,302)	-	0%
<b>Net Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

On April 6, 2020, staff presented a COVID-19 emergency financial report to the City Council. The report provided three big picture scenarios: best case, middle of the road, and worst case. On April 20, 2020, at a Special City Council meeting, City Council approved the COVID-19 budget reduction plan, which included a decrease to General Fund expenditures of \$1.4 million to offset the projected revenue shortfalls. These included:

- Layoffs and furloughs were implemented at the end of April 2020 and accounted for the largest portion of the General Fund's expenditures reductions.
- Freezing open positions.
- Eliminating all seasonal staff.
- Placing a hold on AA/AB funding allocations.
- In addition to the staffing cuts, the Fort Bragg Police Association voluntarily gave up premium pays worth approximately \$88k for one year in exchange for a small increase in vacation accruals.

As discussed previously, these pro-active measures contributed to the General Fund, saving \$839k come fiscal year-end as TOT revenues were severely impacted.

The estimated General Fund Deficit for FY 19/20 is **651k**. It is important to note that before COVID-19, the General Fund projected a deficit of \$172k.



**GENERAL FUND RESERVES (Unaudited)**

GENERAL FUND				
	Original	Final Budget	Actual	Variance w/Final Budget
<b>FUND BALANCES</b>				
Unassigned (deficit)	1,065,789	760,207	325,041	-70%
Non-Spendable Funds	5,640	5,640	5,640	0%
Operating Reserve	1,520,265	1,469,787	1,469,787	-3%
Recession Reserve	489,929	489,929	489,929	0%
Litigation Reserve	200,000	200,000	200,000	0%
<b>Total Reserves</b>	<b>3,281,623</b>	<b>2,925,563</b>	<b>2,490,397</b>	<b>-24%</b>

	FY 18/19 Audited	Budget	Actual	Variance w/ prior FY
Beginning of year	2,959,474	3,216,403	3,141,627	
End of year	\$ 3,141,626	\$ 2,942,776	\$ 2,490,397	-21%

The General Fund was certainly the most impacted by the COVID-19 Pandemic and economic shutdown. This is because of its reliance on TOT and Sales Tax Revenues. The General Fund reflects an estimated fund balance decrease of \$651k to \$2.4M for the year ended June 30, 2020.

**GENERAL FUND BUDGET AMENDMENTS FY19/20**

Account Number		Adopted Budget	Budget Amendment	Amended Budget
110-4130-0319	Professional Services	\$ 5,000	\$ 27,500	\$ 32,500
110-4150-0312	Auditing & Accounting	33,950	30,400	64,350
110-4200-0101	Salaries & Wages, Regular	1,582,241	122,932	1,705,173
110-4200-0220	Pers	641,096	91,000	732,096
110-4200-0366	Training/Travel Reimburseme	35,000	3,000	38,000
110-4200-0367	PD Recruit Training	-	15,000	15,000
110-4320-0607	Misc Assistance Program	-	42,213	42,213
110-4320-3998	Miscellaneous - Revenue	-	(17,213)	17,213
110-4321-0319	Professional Services	165,000	12,475	177,475
110-4392-0353	Park Maintenance	4,000	4,000	8,000
110-4522-0751	Infrastructure	-	7,540	7,540
			<b>\$ 338,847</b>	

- Roll over from Prior FY
- Mid-Year Budget Amendments
- Regular Budget Amendments

**MEASURE AA/AB UPDATE**

The table below illustrates amounts spent from its inception in April 2017 through June 2020 for each of the four programs. As mentioned previously, the City Council placed a hold on AA/AB funding allocations back in April 2020 due to the anticipated reduced revenue projections due to the Pandemic.

	Total AA/AB	Marketing and Promotions	Coastal Trail Maintenance	Noyo Center	Special Projects - Playing
Expenditure to date	\$ 1,183,483	\$ 635,179	\$ 292,517	\$ 161,259	\$ 94,528

**ECONOMIC RECOVERY EFFORTS**

One of the City's top priorities is the community's 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 020. Moratorium on utility shut-offs for non-payment.
  - 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 to allow businesses the flexibility to adapt their businesses in ways that comply with the SIP order and will enable them to operate.
- Advocate for access to Paycheck Protection program and Economic Injury Disaster Loans for local businesses.

**WATER ENTERPRISE FUND**

Water Enterprise Revenue ended the fiscal year at \$3.1M, \$102k short of Budget projections. Expenditures also came in under Budget at 5% or \$81k less. The estimated Surplus for FY19/20 is \$1.4M.

FY 2019/20 Water Enterprise Operating Results				
	Original Budget	Amended Budget	Actual	Variance w/Final Budget
Charges for Water Services	\$ 3,244,529	\$ 3,244,529	\$ 3,141,763	\$ (102,766) -3%
<b>Total Revenue</b>	<b>\$ 3,244,529</b>	<b>\$ 3,244,529</b>	<b>\$ 3,141,763</b>	<b>\$ (102,766) -3%</b>
<b>Expenditure by Category</b>				
Debt Service	452,769	452,769	450,294	\$ 2,475 1%
Personnel services	440,502	440,502	444,488	(3,986) -1%
Administration	469,735	469,735	433,922	35,813 8%
Contractual services	58,880	58,880	45,787	13,093 22%
Materials & supplies	159,267	171,267	140,120	31,147 20%
Utilities	135,000	135,000	134,585	415 0%
Repairs & maintenance	41,700	41,700	38,391	3,309 8%
Insurance	16,000	16,000	21,031	(5,031) -31%
Other operating	9,500	9,500	5,294	4,206 44%
<b>Total Expenditure</b>	<b>\$ 1,783,353</b>	<b>\$ 1,795,353</b>	<b>\$ 1,713,912</b>	<b>\$ 81,441 5%</b>
<b>Net Revenue /(Expenditur</b>	<b>\$ 1,461,175</b>	<b>\$ 1,449,175</b>	<b>\$ 1,427,851</b>	<b>\$ (21,324) -1%</b>

- Charges for Water Services was 3% below budget due to the reduction in water consumption for many of our commercial accounts since Non-Essential businesses were ordered to close or limit their services, resulting in a decrease in sales. These include hotels, restaurants, the CV Starr Center, and the North Coast Brewery.
- Administration expenditures ended the year on a \$36k positive variance due to the Cost Allocation Plan's true-up based on actuals at fiscal year-end.
- Materials & Supplies were also \$31k or 20% under budget primarily due to the decrease in Fleet Allocation/Contribution by the Water Enterprise Fund to the ISF as mentioned above in admin expenditures.



**WATER BUDGET AMENDMENT FY19/20**

Account Number		Adopted Budget	Budget Amendment	Amended Budget
610-4611-0375	General Supplies	29,250	12,000	41,250
651-6007-0310	Engineering-Raw Water Line Rep	705,000	611,248	1,316,248
	Roll over from Prior FY			
	Mid-Year Budget Amendments			

**WATER RESERVES (Unaudited)**

FUND BALANCES	FY 18/19 Audited	Budget	Actual	Variance w/ prior FY
Capacity Fees Fund	\$ 198,617	\$ 252,153	\$ 232,585	17%
Capital Reserve	3,172,957	4,192,201	4,613,474	45%
Recession Reserve	-	89,168	89,780	100%
Unrestricted Operating Reserve	1,581,961	494,773	1,356,809	-14%
<b>Total Reserves</b>	<b>\$ 4,953,535</b>	<b>\$ 5,028,295</b>	<b>\$ 6,292,648</b>	<b>27%</b>

- The City collects water capacity charges for new water connections. The balance of the Fund is \$232k.
- The Recession Reserve of \$89k was established per the Adopted Budget FY 19/20 Reserve Policy.
- Each year, all unrestricted fund balances in the Water Fund in excess of 25% of the prior year's operating expenditures are transferred to the Capital Reserve. In FY 2019/20, the threshold was \$512k. The estimated Capital Reserve at fiscal year-end is \$4.6M.

Water Capital Improvements Projects scheduled for FY 20/21 include:

- Water Treatment Plant Overhaul \$1.9M.
- Raw Water Line Engineering \$680k.
- Water Meter Replacement Project (CDBG funded) \$3M.
- Pudding Creek Water Main (Design costs) \$210k.

**WASTEWATER ENTERPRISE FUND**

Wastewater Enterprise Revenue ended the FY at \$3.4M, and Expenditures also came in under budget at 4% or \$76k less. The estimated surplus is \$1.5M.

FY 2019/20 Wastewater Operating Results				
	Original Budget	Amended Budget	Actual	Variance w/Final Budget
<b>REVENUES</b>				
Charges for Sewer Services	\$ 3,775,609	\$ 3,775,609	\$ 3,484,109	\$ (291,500) -8%
<b>Total Revenue</b>	<b>\$ 3,775,609</b>	<b>\$ 3,775,609</b>	<b>\$ 3,484,109</b>	<b>\$ (291,500) -8%</b>
<b>EXPENDITURES</b>				
Personnel services	782,337	782,337	651,537	130,800 17%
Administration	595,265	595,265	726,515	(131,250) -22%
Contractual services	112,280	176,188	111,735	64,453 57%
Materials & supplies	203,736	209,986	168,007	41,979 21%
Utilities	140,000	140,000	172,435	(32,435) -23%
Repairs & maintenance	66,000	66,000	55,465	10,535 16%
Insurance	19,000	19,000	26,181	(7,181) -38%
<b>Total Expenditure</b>	<b>\$ 1,918,618</b>	<b>\$ 1,988,776</b>	<b>\$ 1,911,875</b>	<b>\$ 76,901 4%</b>
<b>Net Revenue /(Expenditure)</b>	<b>\$ 1,856,991</b>	<b>\$ 1,786,833</b>	<b>\$ 1,572,234</b>	<b>\$ (214,599) -12%</b>

- Like the Water Enterprise Fund, charges for services were \$291k or 8% below Budget due to reduced water consumption by many of the City's commercial

accounts due to SIP orders. Commercial Accounts account for 48% of the Wastewater revenue.

- Administration Expenditures ended the year on a \$131k positive variance due to the Cost Allocation Plan's true-up at the end of the FY based on Actuals.
- Utility costs were \$32k over budget due to the timing of a PG&E invoice that was paid in FY 19/20 instead of FY 20/21.

**WASTEWATER BUDGET AMENDMENTS FY19/20**

Account Number		Adopted Budget	Budget Amendment	Amended Budget
710-4711-0375	General Supplies	\$ 6,250	\$ 6,250	\$ 12,500
710-4712-0319	Professional Services	55,500	63,908	119,408
716-7001-0310	Engineering-Treatment Facility	100,599	86,873	187,472
716-7001-0319	Professional Services	2,950	5,200	8,150
716-7001-0731	CIP-Treatment Facility	7,284,451	8,640,145	15,924,596
716-7002-0731	CIP-Sewer Main Rehabilitation	-	247,075	247,075
716-7003-0731	CIP - Lift Stations	1,461,030	1,438,848	2,899,878
	Roll over from Prior FY			
	Mid-Year Budget Amendments			

**WASTEWATER RESERVES (Unaudited)**

FUND BALANCES	FY 18/19 Audited	Budget	Actual	Variance w/ prior FY
Capacity Fees Fund	\$ 355,782	\$ 390,840	\$ 383,088	8%
Capital Reserve	1,482,295	317,212	1,569,471	6%
Recession Reserve	-	95,931	95,931	100%
Unrestricted Balance	599,942	661,537	489,891	-18%
<b>Total Reserves (Un-Audited)</b>	<b>\$ 2,438,019</b>	<b>\$ 1,465,520</b>	<b>\$ 2,538,381</b>	<b>4%</b>

- The City collects capacity charges for new wastewater connections. The Fund's balance has grown steadily over the years, recording an 8% increase from the last fiscal year.
- The Recession Reserve of \$96k was established per the Adopted Budget Reserve Policy FY 19/20.
- Each year, all unrestricted Fund Balance in the Wastewater Enterprise Fund above 25% of the prior year's operating expenditures is transferred to the Capital Reserve. In FY 19/20, \$773k was transferred for Capital Improvement Projects.

Wastewater Capital Improvements Projects completed in FY19/20 & include:

- Sewer Lift Station Rehab \$1.4M
- Sewer Main Rehab \$247k
- Wastewater Treatment Plant \$18.1M (Completion date Dec 2020)

Capital Improvements Projects Scheduled in FY 20/21 include:

- Collection System Condition Assessment \$300k



**CV STARR ENTERPRISE FUND**

FY 2019/20 CV STARR Operating Results					
	Original Budget	Amended Budget	YTD Actual	Variance w/Budget	%
<b>REVENUES</b>					
Revenue from Operations	\$ 750,857	\$ 750,857	\$ 465,718	\$ (285,139)	-38%
Sales Tax	955,175	955,175	944,770	(10,405)	-1%
Property Tax	261,770	261,770	236,185	(25,585)	-10%
Other Revenue	10,000	10,000	15,227	5,227	52%
<b>Total Revenue</b>	<b>\$1,977,802</b>	<b>\$1,977,802</b>	<b>\$1,661,900</b>	<b>\$ (315,902)</b>	<b>-16%</b>
<b>EXPENDITURES</b>					
Personnel services	1,047,362	1,047,362	861,966	185,396	18%
Administration	-	-	24,856	(24,856)	100%
Capital	396,117	396,117	254,759	141,358	36%
Utilities	287,455	287,455	186,906	100,549	35%
Repairs & Maintenance	162,981	162,981	74,276	88,705	54%
Contractual Services	-	-	23,215	(23,215)	100%
Insurance	-	-	43,296	(43,296)	100%
Other Operating Expendit	276,832	276,832	134,970	141,862	51%
<b>Total Expenditure (Excl</b>	<b>\$2,170,747</b>	<b>\$2,170,747</b>	<b>\$1,604,244</b>	<b>\$ 566,503</b>	<b>26%</b>
<b>Net Revenue /(Expendit</b>	<b>\$ (192,945)</b>	<b>\$ (192,945)</b>	<b>\$ 57,656</b>	<b>\$ 250,601</b>	<b>-130%</b>

- The C.V. Starr Center was closed in mid-March and remains closed in compliance with the Shelter-In-Place orders. This resulted in a \$285k loss of revenue from Operations for the Center.
- In early May, all but core essential C.V Starr center Staff were transitioned from furlough to layoff status. As a result, personnel services ended the fiscal year \$185k favorable.
- Capital Improvements include the Pool Basin Rehab of \$244k, which was completed in January 2020.
- Other Operating expenditures account for Office Supplies, Postage, Printing, Laundry Services, and Auditors Fees, to name a few that recorded savings due to the Center closing.

**CV STARR RESERVES (Unaudited)**

FUND BALANCES	FY 18/19 Audited	Budget	Actual	Variance w/ prior FY
CV Starr Capital Reserve	\$ 391,193	\$ 366,501	\$ 325,834	-17%
CV Starr Operating Resen	311,197	434,212	434,212	40%
Total Reserves	<u>\$ 702,390</u>	<u>\$ 800,713</u>	<u>\$ 760,046</u>	8%

The estimated CV Starr Reserves at fiscal year-end is \$760k, an 8% increase from FY 18/19.

**FOR MORE INFORMATION:** This summary report is derived from detailed financial information generated by the City's Finance Department. If you have questions or would like additional information on this report, please contact the Finance Department via e-mail at [iwhippy@fortbragg.com](mailto:iwhippy@fortbragg.com) or by phone at (707) 961-2825.