



City of Fort Bragg Mid-Year Budget Report

Fiscal Year 2021/22



TABLE OF CONTENTS

Introduction.....	2
General Fund Financial Summary	3-8
Water Enterprise Fund.....	9-11
Wastewater Enterprise Fund	12-13
Internal Service Funds	14-17
Budget Adjustment Requests at Mid-Year	18
Long-Term Financial Planning- General Fund	19-21
Fiscal Year 2022/23 Budget Preparation Schedule	22
Prioritized List of Financial Goals	22

INTRODUCTION

The City operates on an annual budget cycle. Through the budget, the City Council approves revenue estimates and authorizes City staff to expend the City's limited financial resources. The City Council adopts an original budget prior to the start of each fiscal year, then makes adjustments to the budget throughout the year to reflect changes in expected revenues and to increase or decrease expenditures to address changes in policy or operational priorities.

As one of the many activities that the City undertakes to help ensure its financial soundness, staff provides quarterly financial reports on the City's budget condition. Following the conclusion of the second quarter of the fiscal year (October through December), staff conducts a second quarter/mid-year budget review.

The mid-year review provides an in-depth assessment of the City's revenues and expenditures during the first half of the fiscal year (July through December). It helps determine whether the City is on track to meet the budget for the fiscal year or if adjustments are warranted. It also includes a projection of the fiscal year end results, which serve as the starting point for the development of next year's budget and the long-term financial forecast.

The City of Fort Bragg's mid-year performance Report addresses the financial activity during the first two quarters of FY 2021/22. 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 2020/21 RECAP

For the fiscal year ended June 30, 2021, the General Fund ended the year with a Budget surplus of \$1.51 million, resulting in an increase in Fund balance by 16 percent from \$2.7 million to \$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, which accounts for 31 percent of the General Funds revenues, had the most considerable reduction due to COVID.

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.

STATUS OF GENERAL FUND REVENUES

Overview

General Fund revenue through the second quarter was \$5.3 million, or 51% of the amended budget, compared to \$4.5 million at FY 2020/21 mid-year. Staff projects that General Fund revenue will total \$10.4 million this fiscal year, approximately \$2k less than currently budgeted.

The following table details actual 2021-2022 General Fund revenue collections through December as compared with budgeted revenue estimates and the last two fiscal year audited actuals for historical trends before the pandemic. Also included are changes to each category that are recommended as part of this report.

GENERAL FUND REVENUES									
REVENUE SOURCE	FY 2019/20 Actuals	FY 2020/21 Actuals	Amended Budget	Pro Rated Budget as of 12/31/2021	YTD Actual 12/31/2021	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Transient Occupancy Tax	\$ 2,204,152	\$ 3,321,928	\$ 3,064,742	\$ 1,532,371	\$ 1,938,123	63%	\$ 405,752	\$ 3,264,742	\$ 200,000
Sales and Use Tax	1,797,520	2,028,010	1,966,846	983,423	888,439	45%	(94,984)	2,043,900	77,054
Property Tax	1,107,039	1,085,532	1,159,533	579,767	659,674	57%	79,907	1,152,076	(7,457)
Other Taxes	774,924	810,652	779,500	389,750	367,576	47%	(22,174)	812,830	33,330
Sub Total Tax Revenue	5,883,633	7,246,120	6,970,621	3,485,311	3,853,811	55%	368,501	7,273,549	302,928
Licenses & Permits	124,929	91,567	93,702	46,851	38,176	41%	(8,675)	88,157	(5,545)
Fines and Forfeitures	70,097	12,181	36,200	18,100	11,356	31%	(6,744)	22,539	(13,661)
Intergovernmental	14,231	3,000	-	-	-	0%	-	-	-
Use of Money and Property	261,029	(64,616)	27,020	13,510	(32,456)	-120%	(45,966)	38,782	11,762
Charges for Services	70,402	45,370	57,000	28,500	39,040	68%	10,540	65,492	8,492
Operating Grant Revenue	144,627	130,163	489,212	244,606	34,738	7%	(209,868)	178,304	(310,908)
Reimbursements	2,277,219	2,299,275	2,686,400	1,343,200	1,325,277	49%	(17,923)	2,656,403	(29,997)
Other Revenue	31,675	109,358	18,500	9,250	25,920	140%	16,670	28,298	9,798
TOTAL GENERAL FUND REVENUE	\$ 8,877,842	\$ 9,872,419	\$ 10,378,655	\$ 5,189,328	\$ 5,295,863	51%	\$ 106,535	\$ 10,351,523	\$ (27,132)

The 2021-2022 Adopted Budget was developed assuming that many of the General Fund and other economically sensitive City fund revenues would continue to recover with the rollout of vaccines and corresponding loosening of public health restrictions. A comprehensive review of all General Fund revenue accounts has been performed based on activity through the first six months of the year. Based on the available data through December, General Fund Tax revenues have outperformed expectations and are anticipated to end the year approximately \$7.4 million (positive variance of about \$328k or 5% when compared to the amended budget) above budgeted levels due to solid growth in Transient Occupancy Tax (TOT), Franchise tax and Sales Tax categories.

Partially offsetting these tax revenue growth is lower than anticipated Operating Grant Revenues to reimburse staff time administering these grants and carrying out Grant activities. Much of the reimbursable time is for Community Development Block Grant (CDBG), which includes: the Code Enforcement Program, Business Loans, Fire Station Rehabilitation design work, Parents and Friends, and general administration. The position of Grants Coordinator is currently vacant with the hope to fill the position in the fourth quarter. These unspent funds will be transferred to the next fiscal year.

Revenue adjustments are included in the Mid-Year Budget Review to align the budgeted estimate with anticipated receipts, which are further described on the following pages. Notable variance in Revenues are listed below.

▪ **Transient Occupancy Tax (TOT)**

REVENUE SOURCE	FY 2019/20 Actuals	FY 2020/21 Actuals	Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2021	YTD Actual 12/31/2021	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Transient Occupancy Tax	\$ 2,204,152	\$ 3,321,928	\$ 2,764,742	\$ 300,000	\$ 3,064,742	\$ 1,532,371	\$ 1,938,123	63%	\$ 405,752	\$ 3,264,742	\$ 200,000

Fort Bragg is a tourist-based economy and depends heavily on tourism for its revenue. Transient Occupancy Tax, which accounts for 32 percent of the General Funds revenues, had the most considerable reduction due to COVID in the last quarter of FY 2019/20. In FY 2020/21, TOT rebounded, recorded its best year to date 43 percent or \$425k above budget estimates, and set a record for the year to date at \$3.3 million.

Relative to this strong actual performance for FY 2020-21, the current budget estimate was relatively conservative, representing a decrease of 17% cognizant of the reopening of other tourist destinations, international travel, and the emergence of other variants could impact the TOT performance. Indicative of a sustained, though more gradual than initially forecasted, increased in local travel following the unprecedented impacts of COVID-19. However, year-to-date TOT receipts through December 2021 continued the strong performance, recording a 16% increase to \$1.9 million, beating the prior year collection level of \$1.6 million at the mid-year and recording a \$406k positive variance.

Based on the high collections that have been received for the first quarter, Staff has adjusted the adopted budget from \$2.7 million to \$3 million. As of December 31, 2020, TOT recorded another favorable variance of \$405k and is forecasted to end the fiscal year at \$3.3 million, \$200k above budget estimates. A recommendation is included in this report to increase the TOT revenue estimate by \$200k to align the budget with estimated receipts more closely.

▪ **Sales Tax:**

REVENUE SOURCE	FY 2019/20 Actuals	FY 2020/21 Actuals	Amended Budget	Pro Rated Budget as of 12/31/2021	YTD Actual 12/31/2021	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Sales and Use Tax	1,797,520	2,028,010	1,966,846	983,423	888,439	45%	(94,984)	2,014,972	48,126

The Sales Tax category includes General Sales Taxes, Local Sales Taxes, and Proposition 172 Sales Taxes. The FY 2021-22 General Sales Tax estimate was built on the assumption that FY 2020-21 receipts would total \$1.7 million and grow to \$1.8 million in FY 2021-22. This estimate assumed underlying growth of 4%. However, since the fourth quarter receipts were significantly stronger than anticipated, FY 2020-21 collections totaled \$2 million. These strong results continued into the first quarter of FY 2021-22, Staff has adjusted the adopted budget from \$1.8 million to \$1.9 million. Therefore, FY 2021-22 receipts may fall by almost 1% and still meet the budgeted estimate

Sales tax for the General Fund received through the second quarter equaled \$888k, or 45% of the amended budget. That did not include the City's payment for December due to timing. Revenue continues to rebound quicker than industry experts predicted. In a few major categories, sales tax revenues have returned to or exceeded pre-pandemic levels, notably building and construction and the food product categories.

Additionally, inflation will likely drive up Sales tax in the 2nd half of the fiscal year which will be offset by changes in consumer spending for larger purchases. Staff has taken a "most likely" approach, as there are still many unknowns, such as the Ukraine conflict, the emergence of another variant, and changes to consumer spending habits. The projections of a little over \$2 million to end the fiscal year are consistent with the recent projections by the City's sales tax consultant, Muni Services, in addition to the certain amount of conservatism that Muniservices builds in their forecasts.

▪ **Reimbursements**

REVENUE SOURCE	FY 2019/20 Actuals	FY 2020/21 Actuals	Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2021	YTD Actual 12/31/2021	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Reimbursements	2,277,219	2,299,275	2,685,200	11,200	2,686,400	1,343,200	1,325,277	49%	(17,923)	2,656,403	(29,997)

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 \$1.3 million or 49 percent and are expected to come in under budget by \$29k 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.

▪ **Operating Grant Revenues**

REVENUE SOURCE	FY 2019/20 Actuals	FY 2020/21 Actuals	Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2021	YTD Actual 12/31/2021	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Operating Grant Revenue	144,627	130,163	489,212	-	489,212	244,606	34,738	7%	(209,868)	187,304	(301,908)

Operating Grant revenues are only at 7 percent at mid-year and are expected to end the year at \$302k below budget. This revenue category accounts for staff time reimbursement administering the City's various grants programs and carrying out Grant activities. Much of the reimbursable time is for Community Development Block Grant (CDBG), which includes: the Code Enforcement Program, Business Loans, Fire Station Rehabilitation design work, Parents and Friends, and general

administration. The negative variance is attributed to the unsuccessful recruitment of a Grants Coordinator/Manager to carry out the City's Grant activities which left the position unfilled for much of the fiscal year. The Finance Department has been administering these Grants with the hope of filling the vacant position in the fourth quarter of this fiscal year.

These unspent grant funds will be transferred to the next fiscal year. The code enforcement activity has made significant progress by hiring a Code Enforcement Officer and has begun to implement the program guidelines of the grant.

▪ **Other taxes**

REVENUE SOURCE	FY 2019/20 Actuals	FY 2020/21 Actuals	Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2021	YTD Actual 12/31/2021	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Other Taxes	774,924	810,652	779,500	-	779,500	389,750	367,576	47%	(22,174)	812,830	33,330

Franchise Fees are collected in the Cable Television, Solid Waste, and PG&E Electric. Through December, Franchise Fee receipts of \$368k, \$22k short of mid-term budget estimates are consistent with the prior year collection level. As further discussed below, Electric and Gas Franchise Fees collected through December are formula driven advance amounts, with the true-up occurring in April 2022. Based on historical collection trends, it is currently anticipated that overall Franchise Fees will meet or exceed budgeted levels by year-end. Revenues from Cable television franchise fees have slowly declined as more customers move to satellite and internet-based services.

Additionally, Business License Tax collected was also down by \$18k, which is consistent with the prior year as most Tax is collected during business license renewal season in February and March of each year.

STATUS OF GENERAL FUND EXPENDITURES

General Fund expenditures totaled \$5.4 million for the first half of FY 2021/22, representing 52 percent of the amended annual budget. Appropriations of \$9.9 million were adopted for FY 2021/22. Throughout the year, budgeted appropriations have increased by \$505k resulting in an amended budget of \$10.4 million. The following chart displays the year to date expenditures compared to the prior years.

GENERAL FUND EXPENDITURES											
DEPARTMENT	FY 2019/20 Actuals	FY 2020/21 Actuals	Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2021	YTD Actual 12/31/2021	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
GENERAL GOVERNMENT											
City Council	\$ 120,522	\$ 131,496	\$ 176,632	\$ 111,175	\$ 287,807	\$ 143,903	\$ 114,190	40%	\$ (29,714)	\$ 276,409	11,398
Administrative Services	663,500	751,418	956,386	256,025	1,212,411	606,205	575,555	47%	(30,651)	1,218,324	(5,913)
Marketing & Promotions	185,617	93,060	230,000	-	230,000	115,000	84,549	37%	(30,451)	220,650	9,350
Finance	530,505	468,573	606,666	-	606,666	303,333	280,392	46%	(22,941)	554,458	52,207
Non-Departmental	682,127	801,470	1,176,338	7,300	1,183,638	591,819	590,386	50%	(1,433)	1,058,989	124,648
Community Organizations	38,162	69,869	132,500	-	132,500	66,250	29,900	23%	(36,350)	132,500	-
DEBT SERVICE	259,956	38,797	80,850	86,092	204,906	102,453	174,243	85%	71,790	197,207	7,699
COMMUNITY DEVELOPMENT	448,795	301,983	384,519	565	385,084	192,542	194,707	51%	2,165	396,168	(11,084)
PUBLIC SAFETY											
Police Department	3,854,833	3,467,709	3,797,188	3,000	3,800,188	1,900,094	2,050,841	54%	150,747	3,858,750	(58,563)
Fire Department	378,756	439,962	447,758	-	447,758	223,879	335,141	75%	111,262	434,423	13,335
PUBLIC WORKS											
Administration & Engineering	588,349	515,726	558,107	25,000	583,107	291,553	322,605	55%	31,052	620,786	(37,679)
Parks and Facilities	35,484	31,926	39,800	-	39,800	19,900	15,578	39%	(4,322)	40,600	(800)
Street Maintenance	111,424	107,607	117,000	16,200	133,200	66,600	41,086	31%	(25,514)	130,200	3,000
Storm Drains	22,546	10,847	16,000	-	16,000	8,000	11,145	70%	3,145	16,000	-
Corporation Yard	730,605	634,446	444,284	-	444,284	222,142	222,558	50%	416	436,762	7,522
Traffic and Safety	30,894	24,022	73,500	-	73,500	36,750	16,212	22%	(20,538)	32,738	40,762
COST ALLOCATION	633,474	478,497	686,131	-	686,131	343,066	343,066	50%	-	686,631	(500)
TOTAL GENERAL FUND EXPENDITURES	\$ 9,315,549	\$ 8,367,408	\$ 9,923,658	\$ 505,357	\$ 10,466,979	\$ 5,233,489	\$ 5,402,153	52%	\$ 168,664	\$ 10,311,597	\$ 155,382

Some of the notable variances in expenditures include:

- The Administrative Services budget is expected to end the fiscal year with a small negative variance \$6k. The variance is attributed to a requested adjustment of \$7k for the Chief of Police recruitment (total cost is \$27,500) and \$3k for legal ads for ordinances.
- The Finance department is projected to be \$52k under budget primarily due to salary savings from the vacant Grants coordinator position, which is hoped to be filled in the fourth quarter. As of mid-year, the department budget is \$280k, or 46 percent of the amended budget.
- The Police Department diligently works to fill vacancies in both sworn and community service officer positions, including a new Chief of Police, which recruitment has not yet begun.

Expenditures are slightly above estimated levels through December and are expected to end the year with a negative variance driven by the increase in recruitment, utility, and academy costs. The Department sent three police recruits to the academy in Jan 2022. While the goal is to fill vacancies and eliminate the need to backfill positions, the normal duration for the academy and field training is approximately 6 months, requiring overtime to backfill until the recruits are ready to serve as sworn officers. The Department's cost control measures will be instrumental in meeting this target while maintaining required service levels.

The budget adjustments recommended in this report are to allocate funds for the academy costs, which will be reimbursed from POST once the officers graduates. Additionally, the Department is resuming the School Resource Officer program with the Fort Bragg Unified School District in March 2022, which will also reimburse the Department for a sworn officers salary and benefits through the end of the fiscal year.

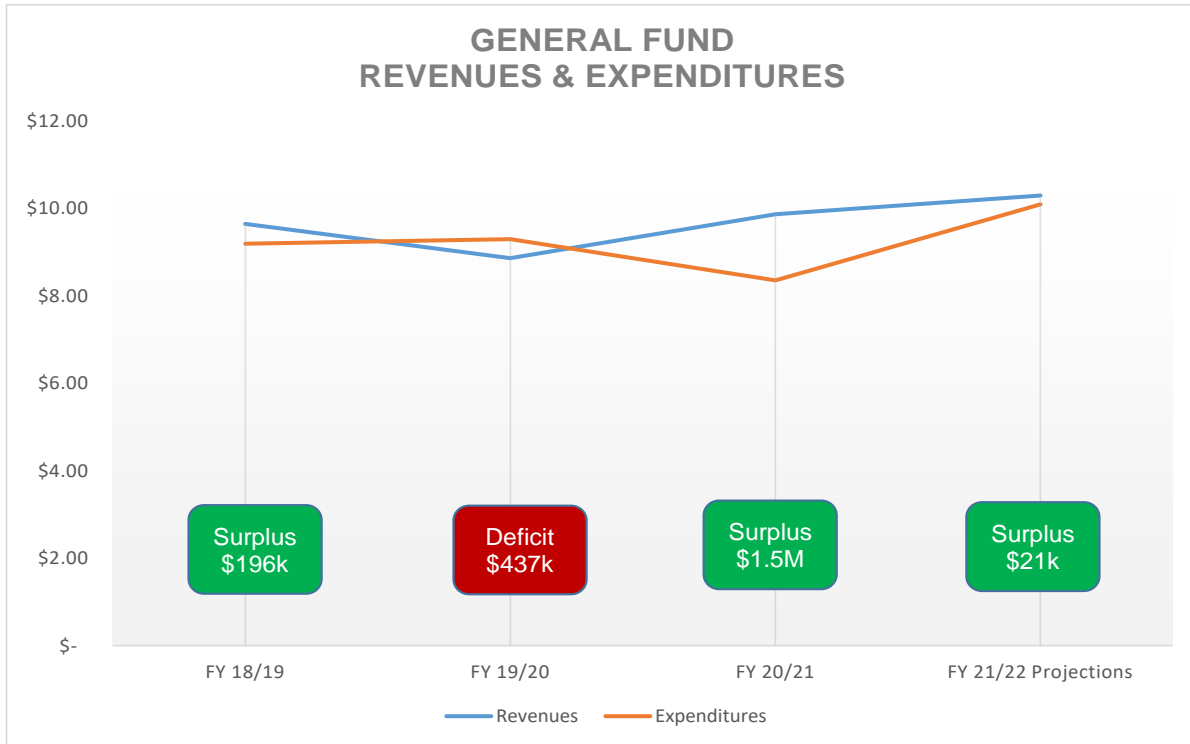
- The Non- Departmental category records expenditures not associated with a specific department of the City. These include Retiree Medical costs, Insurance costs, Utilities, and OPEB funding, to name a few. Year-to-date actuals are at 50 percent of the annual budget and are expected to end the fiscal year with a positive variance of \$124k. The costs of REMIF liability and property premium payments paid in the first quarter were much lower than anticipated.

Additionally, a budget of \$150k has been set aside to pay down the City's increasing pension obligation costs in addition to the \$750k realized surplus from the previous fiscal year. Staff will be recommending establishing a Section 115 Pension trust in the fourth quarter to accumulate and invest funds to smooth the impacts of future pension cost increases.

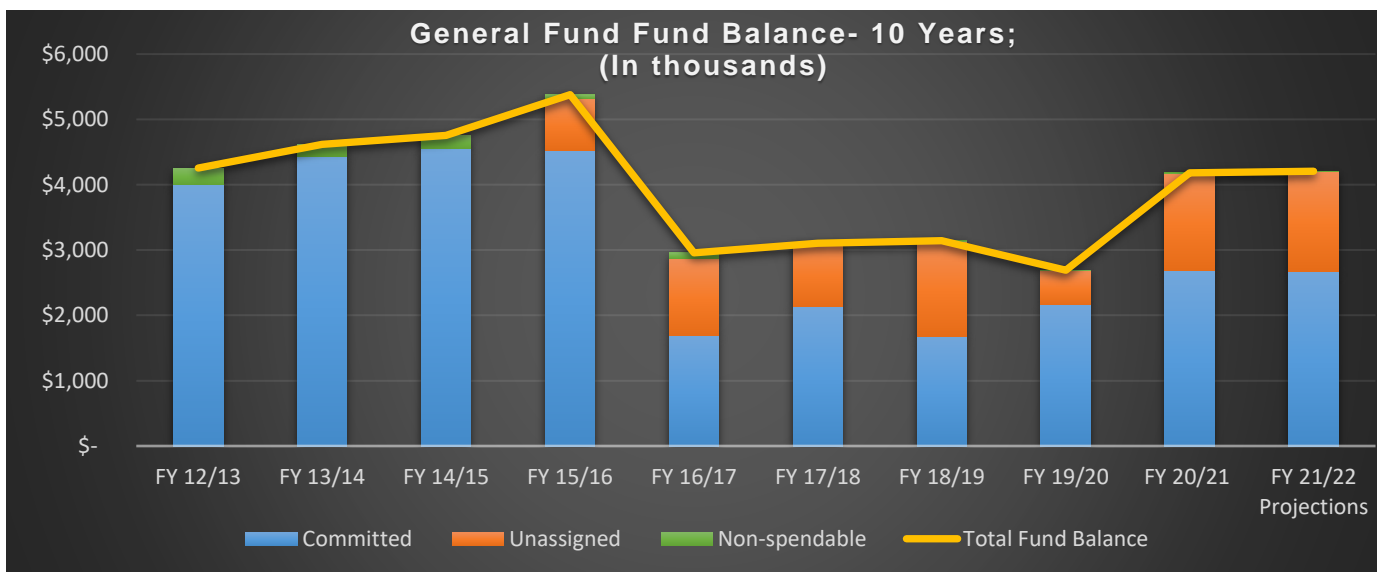
- The Community Development Department expenditures are projected to be \$11k over budget come year-end due to increases in professional services. The budget adjustment requested in this report includes funding for additional CEQA training for staff and hiring a consultant to assist the department with planning services.
- The Public Works Administration and Engineering department is projected to be \$38k over budget primarily due to increases in personnel costs from the hiring of an Assistant City Engineer and increases in vacation/accrual payouts. A budget adjustment of \$35k is being requested to align the budget with the year-end expenditure projections.

GENERAL FUND NET RESULT AND FUND BALANCE

With projected revenues of \$10.3 million, less total expenditures of \$10.31 million, Staff projects that the general fund to end FY 2021/22 with a small surplus of \$21k, increasing the General Fund's Fund balance to \$4.2 million, an increase of 1 percent compared to the prior year. It is important to note that while the projected surplus is not a large one, expenditures, particularly personnel costs, have returned to pre-covid levels, which has been offset by a strong performance from the City's top tax revenue category in Transient Occupancy Tax and Sales Tax.



The City's unassigned balance is projected to end the fiscal year at \$1.5 million with Committed Reserves of \$2.7 million, including Operating Reserves of \$1.9M, a Recession Reserve of \$489k, and a Litigation Reserve of \$200k.



WATER ENTERPRISE

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 2020/21 ended with an annual net position increase of \$13.5 million. Per policy, the operating reserve is set at 25 percent of the prior year's operating expense, and for the Fiscal Year, 2020/21 was set at \$342k. The Enterprise fund also established a recession reserve of \$100k, which is sufficient to 5 percent of the fund's operating budget.

The capital reserve increased year over year by \$1.3 million to \$4.7 million. The CIP for the Water Enterprise stood at \$39.8 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 is currently working on a full rate study in the current fiscal year.

FISCAL YEAR 2021/22 AS OF 12/31/2021

WATER ENTERPRISE									
	FY 2019/20	FY 2020/21	Amended	Pro Rated	YTD Actual	Mid-Year	Variance	Estimated	Forecast
	Actuals	Actuals	Budget	Budget as of	12/31/2021	Variance %	Budget vs. Actual	Year End	Surplus/ (Shortfall)
Operating Revenue	\$ 3,325,694	\$ 3,726,967	\$ 3,203,119	\$ 1,601,560	\$ 1,799,535	56%	\$ 197,975	\$ 3,207,817	\$ 4,697
Total Revenue	3,325,692	3,726,965	3,203,119	1,601,560	1,799,535	56%	197,975	3,207,817	4,697
Personnel services	444,488	452,486	941,515	470,757	342,088	36%	(128,669)	890,770	50,745
Administration	439,217	473,261	465,083	232,542	229,524	49%	(3,018)	461,383	3,700
Repairs & maintenance	49,885	36,419	40,000	20,000	14,741	37%	(5,259)	30,811	9,189
Materials & supplies	140,121	149,867	180,548	90,274	103,639	57%	13,365	142,848	37,700
Utilities	134,585	117,070	120,000	60,000	74,194	62%	14,194	120,000	-
Contractual services	45,788	56,769	120,400	60,200	28,165	23%	(32,035)	103,400	17,000
Insurance	21,031	17,230	24,122	12,061	-	0%	(12,061)	22,349	1,773
Interest/Debt Service *	74,076	64,949	446,103	223,052	379,801	85%	156,749	446,103	-
Depreciation **	326,312	319,552	-	-	-	0%	-	-	-
Total Expenditures	1,675,503	1,687,603	2,337,771	1,168,885	1,172,151	50%	3,266	2,217,664	120,107
Net Revenue/(Expense)	\$ 1,650,189	\$ 2,039,362	\$ 865,349	\$ 432,674	\$ 627,384		\$ 194,709	\$ 990,153	124,804

* 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

REVENUES

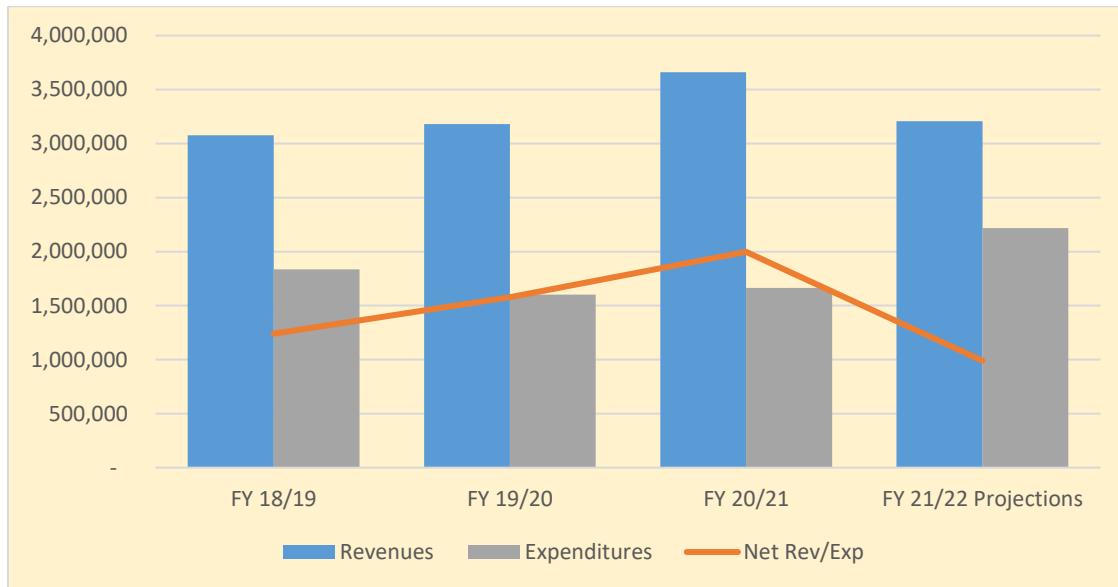
- User fees fully support the revenues for the Water Enterprise Fund. COVID had impacted the enterprise funds revenues during the fourth quarter of the fiscal year 2019-20, resulting in a budget shortfall of 3 percent. Water revenues rebounded to pre-COVID levels fiscal year 2020-21. In quarter one of the current fiscal year, revenues were \$789k, down 10 percent compared to the prior year and 16 percent compared to FY 2018-19 due to the water restrictions implemented in response to the reduced flows in the Noyo River, increased high tide events, and the lower than normal precipitation which affected the City's water supply. The City Council approved the Stage 2 water conservation in July and has since upgraded to a Stage 4 water crisis on September 13, 2021, which targeted a reduction in water consumption by 30-40%.

The projected year-end total revenue is \$3.2 million or approximately \$5k more than budget, but down 12 percent from the prior fiscal year.

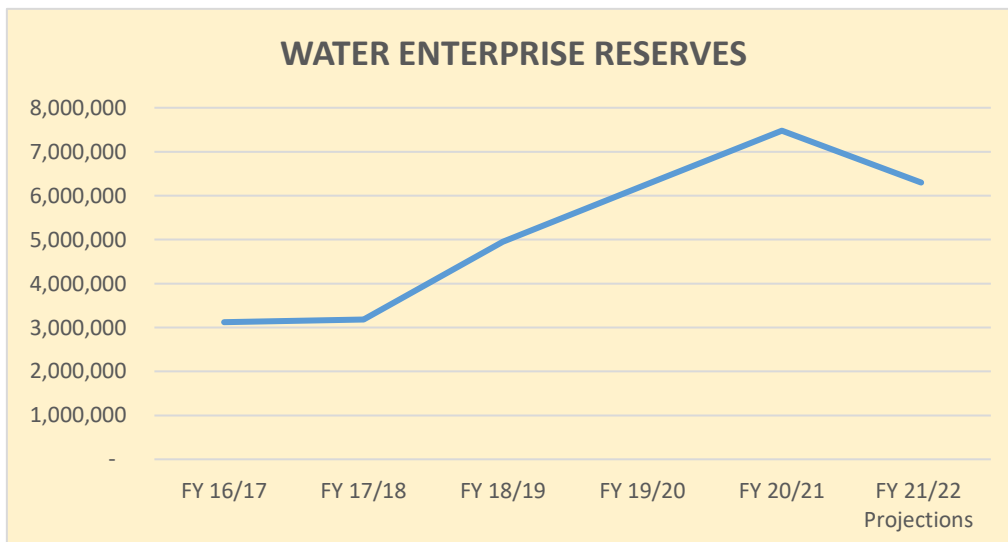
EXPENDITURES

Water Enterprise expenses for the first half of FY 2021/22 totaled \$1.2 million, representing 50% of the amended annual budget. The projected year-end total is \$2.2 million or approximately \$120k greater than budget.

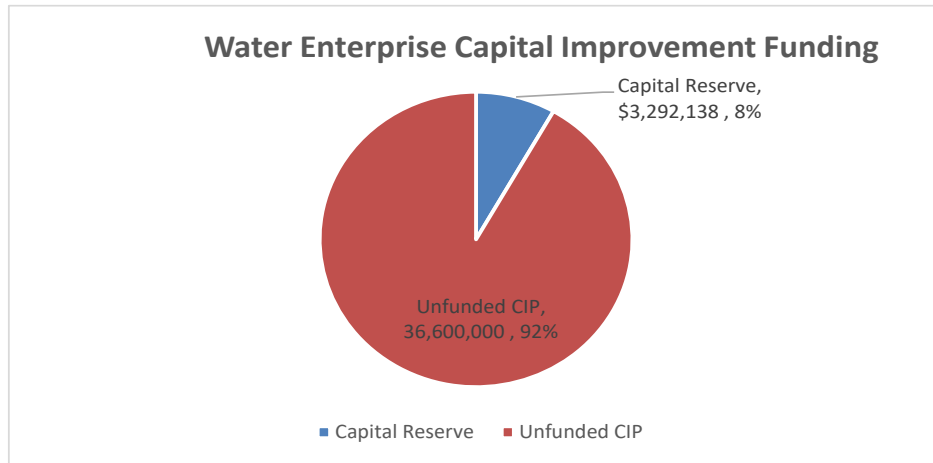
- At mid-year, Debt Service is 85 percent of the total annual budget. Each year the Enterprise makes a principal payment in October and a second smaller interest payment in April.
- No other significant variances are expected in any of the enterprise expense categories at year-end.



The summer months presents water shortage challenges for the City if there isn't sufficient rainfall. City Staff is actively preparing alternative plans to address the looming emergency, including the Desalination Unit implemented in 2021 and looking at alternative water sources and storage. Additionally, the new water meter installation funded by the Community Development Block Grant (CDBG) will assist the City in better detecting leaks and water usage in real-time.



With projected revenues of \$3.6 million, expenses of \$2.2 million, staff projects, the Water enterprise will end the FY 2021/22 with a net position of \$13.2 million and reserves of \$6.3 million. The Enterprise Capital Reserve has budgeted \$2.1 million to be transferred for Capital improvement projects which includes the Pudding Creek water main \$812k, Distribution system \$850k, Raw Water Reservoir \$350k and Raw water line engineering \$159k. Staff is actively seeking Grant funds to pay for some of the identified CIP projects and use capital reserves for matching funds. For a more detailed list of Capital improvement project scheduled for the Water Enterprise, refer to page 183-184 of the Adopted Budget.



WASTEWATER ENTERPRISE

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 2020/21 ended with an annual net position increase of \$2.04 million to \$24.4 million. Per policy, the operating reserve is set at 25% of the prior year's operating expense, and for the Fiscal Year, 2020/21 was set at \$625k.

FISCAL YEAR 2020/21 AS OF 12/31/2021

WASTEWATER ENTERPRISE												
	FY 2019/20 Actuals	FY 2020/21 Actuals	Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2021	YTD Actual 12/31/2021	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)	
Operating Revenue	\$ 3,589,864	\$ 4,054,058	\$ 3,261,722	\$ (130)	\$ 3,253,131	\$ 1,626,566	\$ 1,852,628	57%	\$ 226,062	\$ 3,337,323	\$ 84,192	
Capital Grants	4,512,326	-	-	-	-	-	-	0%	-	-	-	
Total Revenue	8,102,190	4,054,058	3,261,722	(130)	3,253,131	1,626,566	1,852,628	57%	226,062	3,337,323	84,192	
Personnel services	651,540	686,110	631,549	49,500	681,049	340,524	304,498	45%	(36,026)	630,408	50,641	
Administration	726,514	693,735	696,714	-	696,714	348,357	361,118	52%	12,761	695,714	1,000	
Repairs & maintenance	81,148	60,669	145,250	50,000	195,250	97,625	53,209	27%	(44,416)	199,250	(4,000)	
Materials & supplies	168,008	272,530	230,237	18,953	249,190	124,595	134,266	54%	9,671	228,996	20,194	
Utilities	172,435	198,320	210,000	-	210,000	105,000	114,349	54%	9,349	210,000	-	
Contractual services	111,735	164,551	312,300	52,506	364,806	182,403	161,679	44%	(20,724)	419,806	(55,000)	
Insurance	26,181	53,032	60,305	-	60,305	30,153	-	0%	(30,153)	59,225	1,080	
Interest/Debt Service *	84,606	97,760	187,650	2,500	190,150	95,075	-	0%	(95,075)	190,150	-	
Depreciation **	304,310	816,300	-	-	-	-	-	0%	-	-	-	
Total Expenditures	2,326,476	3,043,007	2,474,005	173,459	2,647,464	1,323,732	1,129,120	43%	(194,612)	2,633,548	13,915	
Net Revenue/(Expense)	\$5,775,714	\$ 1,011,051	\$ 787,717	\$ (173,589)	\$ 605,667	\$ 302,834	\$ 723,508	43%	\$ 420,674	\$ 703,775	98,108	

* 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

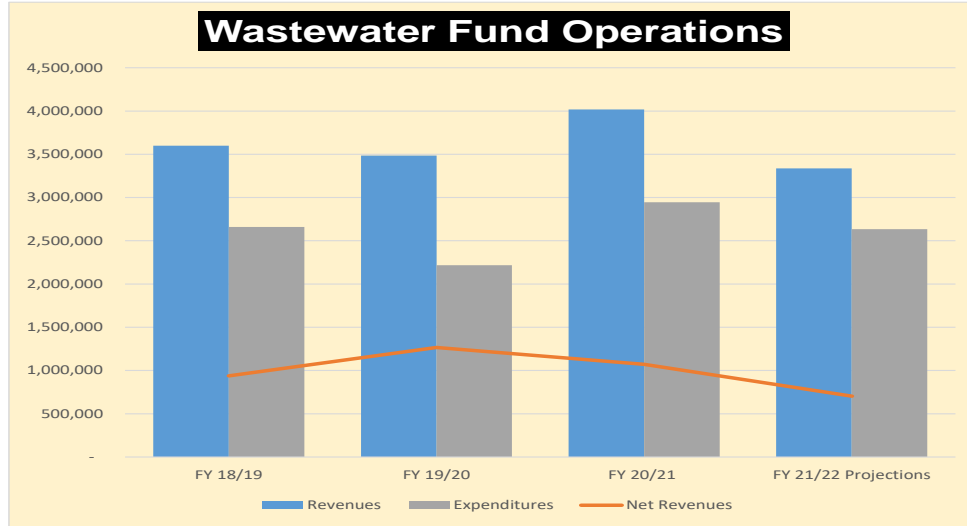
REVENUES

Like the water enterprise fund, wastewater revenues rebounded to pre-COVID levels in FY 2020/21, totaling \$3.4 million. The projected year-end revenue for the current fiscal year is estimated to be \$3.3 million or approximately \$84k more than the original adopted budget but down from the prior year by 17 percent or \$679k. The new septic dumping station recorded a \$30k increase in operating revenues for the fund.

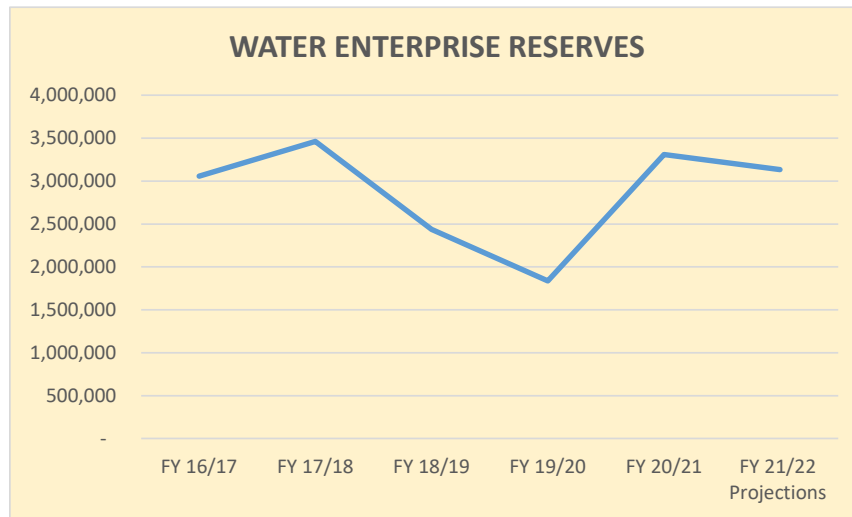
EXPENDITURES

Wastewater Enterprise expenses for the first half of FY 2021/22 totaled \$1.1 million, representing 43 percent of the amended annual budget. The projected year-end total is \$2.6 million, which is approximately \$13k less than budget:

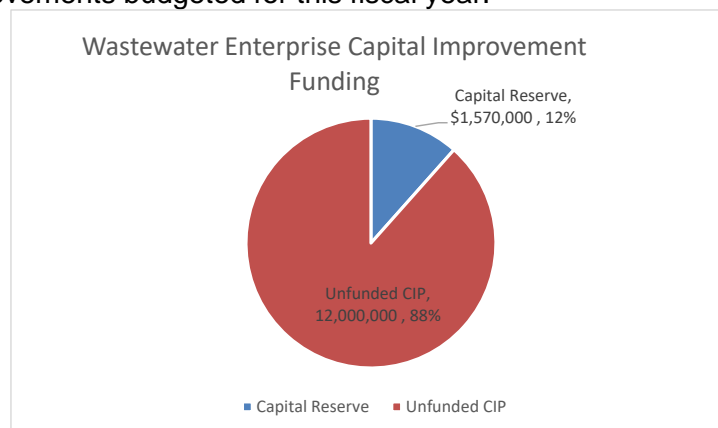
- At year-end personnel, services are expected to be approximately \$50k under budget, mainly due to savings in personnel costs.
- Contractual services are forecasted to be \$55k above budget estimates, a budget amendment request is requested for the increase in costs of Bio solids removal.
- At year-end, materials and supplies in the Non-Routine Maintenance division are expected to be under budget by approximately \$4k. Less maintenance is required for the sewer lift stations since a complete overhaul was undertaken.



With projected revenues of \$3.3 million, expenses of \$2.6 million, and transfers of \$880k, Staff projects the Wastewater enterprise to end FY 2021/22 with a net position of \$26.1 million and reserves of \$3.1 million. The decline in reserves in fiscal year FY 17/18 is a result of the Wastewater treatment plant construction in addition to grant funds.



During the budget development, Staff identified a list of Capital Improvements Program (CIP) of \$14.1 million needed to improve the fund's infrastructure. A collection system rehab of \$12 million is planned for FY 2024/25 with \$880k of Capital improvements budgeted for this fiscal year.



INTERNAL SERVICE: FACILITIES REPAIR & MAINTENANCE

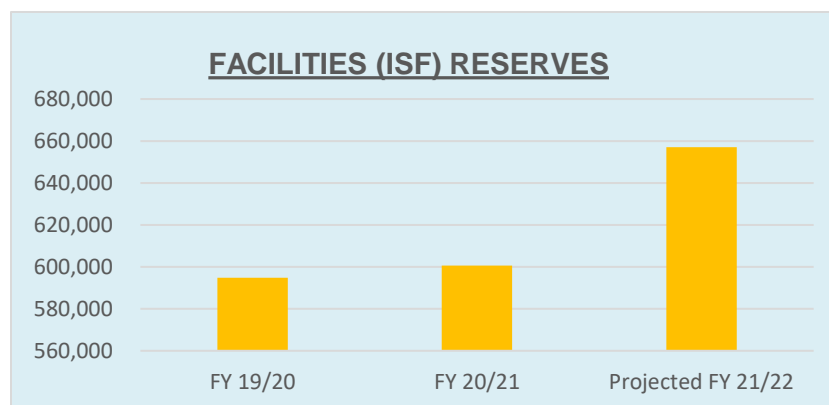
Internal Service Funds-Facilities fund accounts for the maintenance of all City-owned buildings.

ISF-FACILITIES											
	FY 2019/20 Actuals	FY 2020/21 Actuals	FY 21/22 Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2021	YTD Actual 12/31/2021	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Operating Revenue	\$ 11,225	\$ 5,826	\$ 7,495	\$ -	\$ 7,495	\$ 3,748	\$ 2,000	27%	\$ (1,748)	\$ 5,000	\$ (2,495)
Interdepartmental Charges	205,744	97,147	195,068	-	195,068	97,534	97,534	50%	-	195,068	-
TOTAL REVENUES	216,969	102,973	202,563	-	202,563	101,282	99,534	49%	(1,748)	200,068	(2,495)
Personnel Services	127,949	78,810	93,568	-	93,568	46,784	46,784	50%	-	93,568	-
Repairs & Maintenance	6,666	19,738	101,500	-	101,500	50,750	13,764	14%	(36,986)	50,000	51,500
TOTAL EXPENDITURES	134,616	98,548	195,068	-	195,068	97,534	60,548	31%	(36,986)	143,568	51,500
Net Revenue/(Expense)	\$ 82,354	\$ 4,425	\$ 7,495	\$ -	\$ 7,495	\$ 3,748	\$ 38,986	520%	\$ 35,239	\$ 56,500	49,005

- No significant revenue variances are expected year-end.
- The repairs and maintenance schedule are listed below, with \$102k of maintenance budgeted. Due to staffing, only the town hall rehab design and Guest House Stain Glass window will be completed this fiscal year, with the rest of the projects to be evaluated during the FY 2022/23 Budget process and moved to the next fiscal year.

FACILITY ISF 10 YEAR MAINTENANCE PROGRAM

MAJOR PROJECTS/REPLACEMENT	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30
City Hall	-	20,000	-	75,000	-	-	25,000	-	-	-
City Hall East	-	3,500	-	-	3,500	-	-	-	-	-
Fort Building	-	-	-	-	-	-	-	-	10,000	-
Town Hall	-	50,000	-	60,000	-	-	3,000	-	-	-
Fire Station, Main St	-	-	-	-	-	-	-	-	-	-
Fire Station, Hwy 20	-	-	-	-	-	-	-	-	-	-
Guest House	-	8,000	-	80,000	-	-	-	-	-	110,000
Police Department	-	-	-	15,000	70,000	-	-	-	-	-
Noyo Headlands Park	-	18,000	-	4,500	-	30,000	5,000	-	-	-
Pomo Bluffs Park	-	2,000	-	5,000	-	-	-	-	40,000	-
Noyo Beach	-	-	-	-	-	-	-	-	-	-
Corp Yard	-	-	-	-	-	-	-	-	-	-
Harbor Lite Trail	-	-	-	-	-	-	-	-	-	-
TOTAL major projects	-	101,500	-	239,500	73,500	30,000	33,000	-	50,000	110,000
General Repairs Facilities		\$0	\$0	\$0	\$0	\$0	\$0	\$0		
TOTAL preventative maintenance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
TOTAL PROJECT FUNDING NEEDED	\$0	\$101,500	\$0	\$239,500	\$73,500	\$30,000	\$33,000	\$0	\$50,000	\$110,000



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 2019/20 Actuals	FY 2020/21 Actuals	FY 21/22 Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2021	YTD Actual 12/31/2021	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Interdepartmental Charges	303,965	272,450	440,990	-	440,990	220,495	220,495	50%	-	440,990	-
TOTAL REVENUES	303,965	272,450	440,990	-	440,990	220,495	220,495	50%	-	440,990	-
Personnel Services	-	88,483	94,535	10,000	104,535	52,267	51,351	49%	(916)	95,680	8,854
Repairs & Maintenance	67	-	4,700	-	4,700	2,350	415	0%	(1,935)	4,700	-
Materials & Supplies	169,832	194,562	343,498	196,561	540,060	270,030	252,380	47%	(17,650)	523,212	16,848
Contractual Services	828	24	-	-	-	-	106	0%	106	106	(106)
Depreciation	49,005	(11,734)	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	219,732	271,336	442,733	206,561	649,294	324,647	304,253	47%	(20,394)	623,699	25,595
Net Revenue/(Expense)	\$ 84,233	\$ 1,114	\$ (1,743)	\$ (206,561)	\$ (208,304)	\$ (104,152)	\$ (83,758)	40%	\$ 20,394	\$ (182,709)	25,595

- No significant variances are expected in the revenue categories come year-end.
- Materials and Supplies account for all IT Software/Hardware related costs in maintaining the City's computer networks. Expenditures are estimated to end the fiscal year under budget by \$17k. With the transition to Springbrook cloud, savings in purchasing a Finance Server and not implementing the HR Software-NeoGovt contributed to the positive variance. Conversely, due to the increasing number of worldwide cyber threats against organizations of all sizes and types, the City amended the previously adopted budget by \$196k to upgrade and add to the City's network and firewall system, which caused an increase of 178% or \$345k from the prior year's total budget. Staff expects the requested Budget for FY 2022/23 to be more consistent with prior year numbers as most of these work will be completed by December 2022.
- Also included in the budget is a penetration test to audit the City's IT network to look at potential vulnerabilities within the system.



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 2019/20 Actuals	FY 2020/21 Actuals	FY 21/22 Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2021	YTD Actual 12/31/2021	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Interdepartmental Charges	275,810	255,422	384,676	-	384,676	192,338	192,338	50%	-	384,676	-
Grant Reimbursements	16,744	636,938	130,000	-	130,000	65,000	-	0%	(65,000)	204,600	74,600
TOTAL REVENUES	292,554	892,360	384,676	-	384,676	192,338	192,338	50%	-	589,276	(204,600)
Personnel Services	126,631	144,542	137,689	-	137,689	68,845	81,401	59%	12,556	107,559	30,130
Repairs & Maintenance	35,743	43,647	41,000	-	41,000	20,500	17,746	43%	(2,754)	41,000	-
Materials & Supplies	62,273	96,891	70,300	-	70,300	35,150	41,645	59%	6,495	85,200	(14,900)
Vehicles	490	-	372,000	16,000	388,000	194,000	84,347	22%	(109,653)	388,000	-
Contractual Services	4,579	2,619	2,000	-	2,000	1,000	-	0%	(1,000)	2,000	-
Depreciation	117,694	94,221	-	-	-	-	-	0%	-	-	-
TOTAL EXPENDITURES	347,410	381,920	622,989	16,000	638,989	319,495	225,139	35%	(94,356)	623,759	15,230
Net Revenue/(Expense)	\$ (54,856)	\$ 510,440	\$ (238,313)	\$ (16,000)	\$ (254,313)	\$ (127,157)	\$ (32,801)	13%	\$ 94,356	\$ (34,483)	219,830

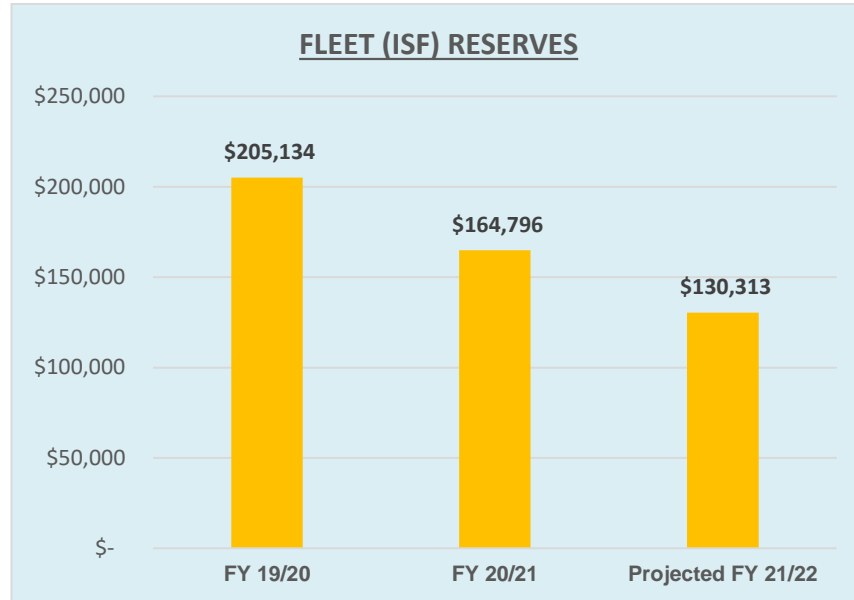
- USDA Grant Reimburses the City for 55 percent of the vehicle cost. Staff will be applying for the reimbursement of all vehicle purchased amounting to \$204k
- Materials and Supplies is projected to be over-budget by \$15k, due to increase in fuel costs. A budget adjustment of \$15k is being requested to align the budget with the year-end expenditure projections.

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/Miles	FY 20/21 Adopted	FY 21/22 Adopted	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	FY 30/31 Projected
New	New	2021	Generator			\$85,000									
New	New	2021	Car Trailer		\$6,000										
WWT15	TMC	1986	LIFT TRUCK	Gone	\$55,000										
WT1	Dodge	2005	1500 Q. CAB	60,618						\$30,000					
PW8	JOHNDE	1985	BACKHOE	5,949		\$140,000									
PW16	FORD	2006	F-150 X-TRA	73,402					\$30,000						
PW46	STERLING	2020	Vactor	2,576	\$602,000										
PW1	CHEV.	2000	3500 Flatbed	44,143				\$70,000							
CHE121	FORD	2006	ESCAPE	59,407							\$38,000				
PW5	FORD	2006	F-250 SERV.	77,493					\$37,000						
Public Works Sub-Total					\$657,000	\$225,000	\$0	\$70,000	\$67,000	\$30,000	\$38,000				
PD745	FORD	2020	Ford Van	1,135	\$62,500									\$70,000	
PD735	FORD	2005	CROWN VIC	89,424		\$56,000									\$62,000
PD747	FORD	2009	ESCAPE	127,041		\$36,000									\$42,000
PD744	FORD	2008	RANGER	55,563			\$37,000								\$42,000
PD1302	FORD	2011	CROWN VIC	93,103			\$56,000								
PD1301-K9	FORD	2011	CROWN VIC	74,021			\$56,000								
PD1403	FORD	2014	INTERCEPTOR	81,966				\$58,000							
PD501	FORD	2015	INTERCEPTOR	60,435				\$58,000							
PD500	FORD	2015	INTERCEPTOR	65,201					\$58,000						
PD509	FORD	2015	TAURUS	109,956		\$55,000			\$35,000						
PD503	FORD	2015	INTERCEPTOR	49,377						\$58,000					
PD510	FORD	2015	TAURUS	26,398						\$37,000					
PD502	FORD	2015	INTERCEPTOR	35,072							\$60,000				
PD507	FORD	2016	INTERCEPTOR	36,271							\$60,000				
PD508	FORD	2016	INTERCEPTOR	27,193								\$60,000			
PD513	FORD	2018	INTERCEPTOR	13,826									\$62,000		
Police Sub-Total					\$62,500	\$147,000	\$149,000	\$116,000	\$93,000	\$95,000	\$120,000	\$60,000	\$62,000	\$70,000	\$146,000
Total Replacement Costs					\$719,500	\$372,000	\$149,000	\$186,000	\$160,000	\$125,000	\$158,000	\$60,000	\$62,000	\$70,000	\$146,000

RESERVES

With projected revenues of \$589k, expenses of \$623k, Staff projects the Fleet Internal Service Fund will end the FY 2021/22 with a reserve balance of \$130k. A decrease of 21 percent or \$34k.



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:

FY 2021/22 Requested Mid-Year Revenue Budget Adjustments							
Account Number	Account Description	Department	Current Budget	Budget Amendment Request	Adjusted Budget	Justification	Funding Source
GENERAL FUND							
REVENUES							
110-0000-3137	Transient Occupancy Tax	General	\$ 3,064,742	\$ 200,000	\$ 3,264,742	Adjusted to reflect year to date revenue	n/a
Total General Fund Revenues			\$ 3,064,742	\$ 200,000	\$ 3,264,742		
EXPENDITURES							
110-4200-0319	Professional Services	Police Department	\$ 200,000	\$ 15,000	\$ 215,000	Background, Medical, Pshcyological and hiring fees for influx of new employees.	Operating Appropriation
110-4200-0367	PD Recruit Training	Police Department	-	22,000	22,000	Redwoods Police Academy for the three recruits	Operating Appropriation, Reimb by POST after Graduation
110-4200-0383	Utilities	Police Department	3,000	3,500	6,500	Increase in Propane costs	Operating Appropriation
110-4320-0319	Professional Services	Community Development	565	4,400	4,965	Additional CEQA assistance	Operating Appropriation
110-4320-0319	Professional Services	Community Development	565	20,000	20,565	Consultant for Planning services	Operating Appropriation
110-4330-0101	Salaries & Benefits	Public Works	341,922	36,000	377,922	New hire- Assistant City Engineer	Operating Appropriation
110-4130-0364	Legal Notices	Admin	3,000	3,000	6,000	Legal ads for Ordinances	Operating Appropriation
110-4130-0317	Recruitment Costs	Admin	28,750	7,000	35,750	Recruitment costs for Chief of Police	Operating Appropriation
110-4110-0315	Election Costs	City Council	2,964	5,000	7,964	Election costs November election.	Operating Appropriation
Total General Fund Expenditures			\$ 580,766	\$ 115,900	\$ 696,666		
Wastewater Enterprise							
710-4712-0319	Professional Services	Wastewater Enterprise	\$ 287,006	\$ 70,000	\$ 357,006	Additional funds for Biosolids removal	Operating Appropriation
Fleet- Internal Services							
522-4550-0382	Fuel and Lubricants	Fleet -ISF	\$ 68,000	\$ 15,000	\$ 83,000	Cover increases in Fuel costs	Operating Appropriation

LONG-TERM FINANCIAL PLANNING

Long term financial planning is an important tool used to help maintain ongoing financial sustainability and helps governments provide a consistent level of services to their 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% FY 2019-20, just 4.7% and a very strong performance of 21.3% for FY 2020-21. 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, 2021, is \$10.7 million.

Like most cities in California, Fort Bragg continues to experience double digit increases in its unfunded liability payments with little or no reduction in the overall unfunded liability. In November 2021, the City adopted a Pension Policy and issued \$11.4 million in taxable Lease Revenue Bonds. Proceeds in the amount of \$7.5 million were used to reduce the City's unfunded pension liability with an additional \$3.5 million set aside for City projects. The record CalPERS investment return mentioned above and the \$7.5 million liability payment places the City in a better position to manage pension obligations going forward.

Furthermore, the City will be setting up a Section: 115 trust in the next quarter to provide more Capacity to absorb any potential future UAL that may be added once CALPERS has a bad year.

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

In Fiscal Year 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. The Administrative Services department eliminated the position of Administrative Services Director with and the Police Lieutenant. Additionally, in FY 2019-20 the Community Development Director terminated employment with the City, this position was replaced with a lower cost Planner position.

The City's General Fund operated at a record surplus for FY 2020/21 and fund balance improved by nearly \$1.5 million. The surplus was the result of deep budget cuts early in the pandemic which reduced staff and services and the previously discussed increases in TOT and sales tax revenue as tourism rebounded. In May, 2020, the City laid off four full-time employees, froze two positions in the Police Department and furloughed another twelve employees 50% to 75% of their regular hours. The furloughed staff was returned to full-time status in August,

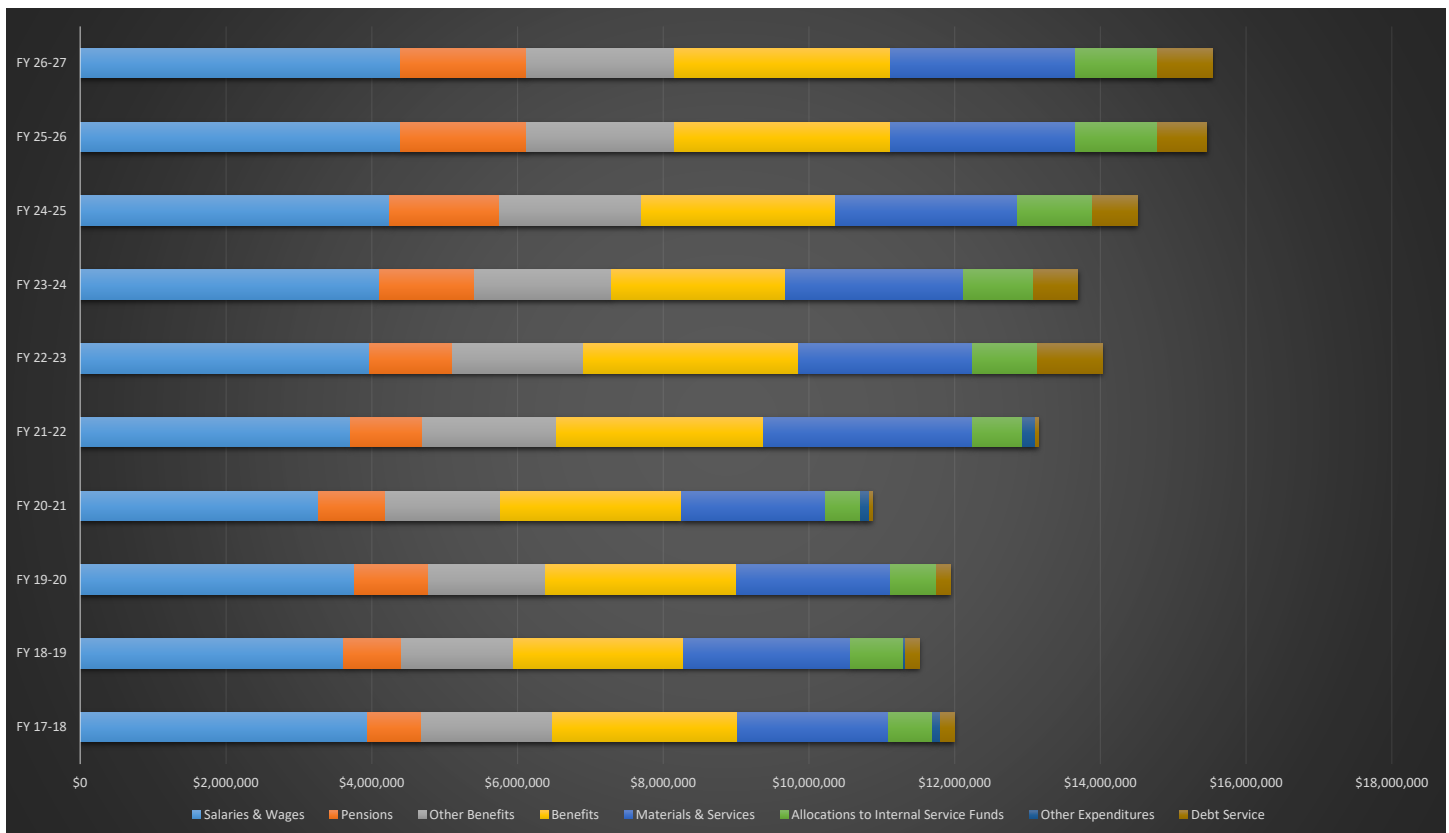
2020 but several of the laid off positions remain vacant. In addition, the City did not replace two positions (Finance Director and Assistant City Engineer) that became open in late June. As the reliance and demand for City services continues to grow, one of the challenges the City faces is the same as many other employers – recruiting and retaining qualified staff.

The City adopted a balanced General Fund budget for FY 2021/22 and projected a small surplus of \$47k. While the surplus was small, the budget included \$150k to pay down pension obligations and relatively modest revenue projections.

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 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, the City could leverage accumulated funds from the internal service funds, enterprise funds, debt borrowings and other expense reductions or revenue generating opportunities.

The following charts depict the General Fund expenditure categories.



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	FY 26-27
	Audited	Audited	Audited	Audited	Projected	Forecast	Forecast	Forecast	Forecast	Forecast
Revenue:										
Sales Tax	\$ 1,785,264	\$ 1,728,222	\$ 1,797,520	\$ 2,028,010	\$ 2,014,972	\$ 2,193,915	\$ 2,277,033	\$ 2,351,465	\$ 2,417,417	\$ 2,474,606
Property Tax	1,034,552	1,074,931	1,107,039	1,085,532	1,152,076	1,180,878	1,210,400	1,240,660	1,271,677	1,303,468
Transient Occupancy Tax	2,619,227	2,640,275	2,204,152	3,321,928	3,264,742	3,362,685	3,446,752	3,532,920	3,621,243	3,621,243
Cost Allocations	2,078,877	1,863,711	2,238,252	2,299,275	2,656,403	2,775,941	2,900,858	3,031,397	3,167,810	3,310,361
All Other Revenue Sources	1,677,902	2,073,789	1,536,429	1,137,673	1,244,902	1,257,351	1,194,925	1,282,624	1,295,450	1,308,405
Total Revenue	9,195,822	9,380,928	8,893,392	9,872,419	10,333,395	10,770,770	11,104,968	11,439,066	11,773,597	12,018,084
Expenditures:										
Salaries & Wages	3,940,434	3,615,604	3,762,405	3,271,863	3,707,175	4,016,313	4,104,039	4,247,680	4,396,349	4,496,349
Pensions	745,604	792,101	1,016,499	915,481	984,436	790,000	708,657	680,631	690,631	690,631
Other Benefits	1,792,361	1,536,145	1,605,731	1,573,690	1,848,497	1,804,399	1,876,574	1,951,637	2,029,703	2,029,703
Materials & Services	2,080,027	2,328,246	2,622,230	2,489,172	2,832,933	2,594,399	2,785,231	2,832,268	2,920,334	2,920,334
Allocations to Internal Service Funds	601,371	717,808	633,474	478,497	2,869,167	2,394,174	2,442,058	2,490,899	2,540,717	2,540,717
Other Expenditures	107,966	35,895	-	130,091	177,727	-	-	1,036,727	1,119,666	1,119,666
Debt Service	185,535	185,533	185,533	-	37,964	599,703	543,322	611,197	677,197	756,774
Total Expenditures	9,453,298	9,184,487	9,315,552	8,379,445	10,311,597	10,493,415	9,834,582	10,218,771	10,654,262	10,833,839
Net Transfers:										
Net Increase (Decrease) to Fund Balance	110,014	(14,289)	(18,229)	1,492,974	21,499	277,355	1,270,385	1,220,295	1,119,335	1,184,245
Beginning Fund Balance	3,106,940	2,959,478	3,141,630	2,691,242	4,184,215	3,455,714	3,733,069	5,003,454	6,223,749	7,343,084
Ending Fund Balance	\$ 2,959,478	\$ 3,141,630	\$ 2,691,242	\$ 4,184,215	\$ 3,455,714	\$ 3,733,069	\$ 5,003,454	\$ 6,223,749	\$ 7,343,084	\$ 8,527,329
Revised change in f/balance assuming \$190k revenue annually					21,499	467,355	1,460,385	1,410,295	1,309,335	1,374,245
Storm Drain Enterprise \$190k annually										
Revised change in fund balance assuming \$430k revenue annually					451,499	707,355	1,700,385	1,650,295	1,549,335	1,614,245
Parcel Tax \$430k/yr.										
Revised change in fund balance - 25% Sales Tax first year (\$500k/yr.)					147,435	825,833	1,839,644	1,808,161	1,723,689	1,788,599
1/4 cent General Sales Tax \$500k/yr.										
Revised change in fund balance - 25% Sales Tax first year (\$750k/yr.)					210,402	1,100,073	2,124,273	2,102,094	2,025,866	2,112,222
3/8 cent General Sales Tax \$750k/yr.										
Revised change in fund balance					4,394,618	5,494,690	7,618,963	9,721,057	11,746,924	13,859,146

GENERAL FUND FIVE YEAR FORECAST



The FISCAL YEAR 2022/23 BUDGET PREPARATION

A. BUDGET PREPARATION SCHEDULE

Initial activities related to the preparation of the Fiscal Year 2022/23 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 18. 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 2022/23 BUDGET		
ACTIVITY	DAY	DEADLINE
FINANCE PROVIDES BUDGET SPREADSHEETS TO DEPARTMENTS AS WELL AS INSTRUCTIONS RE: NARRATIVES & CAPITAL PROJECTS (INCLUDING INTERNAL SERVICE FUNDS, GRANTS, DDAs)	Friday	2/25/2022
MID-YEAR PERFORMANCE BUDGET REVIEW WITH COUNCIL (9 am - 2:30pm)(COMMUNITY INPUT)	Thursday	3/9/2022
FINANCE PROVIDES INITIAL REVENUE FORECASTS TO CM (ALL REVENUE SOURCES, AND FUNDS)	Friday	3/11/2022
DEPTS SUBMIT PROPOSED DEPARTMENTAL EXPENSE BUDGETS AND NARRATIVES TO FINANCE	Friday	3/23/2022
PW & CDD SUBMIT COMPLETED BUDGET SECTIONS FOR GRANTS AND CAPITAL PROJECTS	Wednesday	3/23/2022
HR PROVIDES PAYROLL PROJECTIONS INCLUDING BENEFITS	Tuesday	3/28/2022
CM & FINANCE MEET WITH ALL DEPTS; REVIEW APPROPRIATIONS REQUESTS	Tues-Tues	3/22/2022 thru 3/31/2022
CM & FINANCE FOLLOW UP MEETING CIP	Friday	4/1/2022
FINANCE POSTS REVISED BUDGET WORKSHEETS IN BUDGET FOLDER;	Tuesday	4/5/2022
DEPARTMENTS REVIEW REVISED EXP WORKSHEETS; REPORT ANY DISCREPANCIES TO FINANCE THIS INCLUDES PROJECTED YEAR END FOR FY20, GRANTS; CAPITAL PROJECTS, ETC	Friday	4/8/2022
FINANCE REVIEWS TOTAL REVENUES vs EXPENDITURES WITH CM - ADJUST AS NECESSARY; draft CV Starr Budget due	Tuesday	4/12/2022
INTERNAL REVIEW/QUALITY CONTROL (FINANCE, CM, DEPTS) - DRAFT BUDGET DOCUMENT	Wed - Wed (3 wks)	4/15/2020 thru 5/6/2022
FINALIZE DRAFT BUDGET DOCUMENT	Wed	5/6/2022
CM COMPLETES BUDGET TRANSMITTAL LETTER	Thurs	5/4/2022
FINANCE DISTRIBUTES PROPOSED FY 2022/23 Draft BUDGET	Friday	5/8/2022
CITY COUNCIL CONDUCTS FY 2022/23 BUDGET WORKSHOP (9 am - 2:30pm)(COMMUNITY INPUT)	Thursday	5/12/2022
FINANCE DISTRIBUTES FY 2022/23 BUDGET INCLUDING COUCL AND PUBLIC UPDATES (FOR COUNCIL ADOPTION)	Mon	6/1/2022
CITY COUNCIL ADOPTS FY 2022/23 BUDGET	Mon	6/6/2022

B. PRIORITIZED LIST OF FINANCIAL GOALS

Staff used the prioritized list as guidance in preparing the FY2021/22 budget and will again use the list in preparing the FY 2022/23 budget unless Council directs otherwise:

- 1) Adopt a balanced budget
- 2) Provide for additional contributions to CALPERS in order to pay the unfunded liability off earlier than 30 years.
- 3) Maintain operating reserve and litigation reserve
- 4) Provide funding for emergency reserves
- 5) Maintain current level of service (no staff layoffs, no program cuts)
- 6) Provide cost of living adjustments for Staff in years to come

C. CITY COUNCIL DISCUSSION