



# City of Fort Bragg Mid-Year Budget Report

Fiscal Year 2023/24



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 ..... 19

Long-Term Financial Planning- General Fund ..... 19-21

Fiscal Year 2024/25 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 City of Fort Bragg's mid-year performance Report addresses the financial activity during the first two quarters of FY 2023/24 (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 report focuses on the General Fund, Internal Service Funds, C.V Starr, and 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.

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

## City of Fort Bragg Mid-Year Budget FY 2023/24

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 monthly 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 2022/23 RECAP

For the fiscal year concluding on June 30, 2023, the General Fund closed with a budget surplus of \$528,783, contributing to an increase in the Fund balance. However, this surplus was partially offset by the return of \$3.5 million in Lease Revenue Bonds, resulting in an overall decrease in the fund balance from \$8,592,235 to \$5,975,337. Expenditures for the year totaled \$10.6 million, marking a 27 percent increase compared to the previous year, as expenditures, especially personnel costs, returned to pre-pandemic levels.

Despite these changes, the General Fund maintained reserves, including an operating reserve of \$1.6 million, a litigation reserve of \$200k, and a recession reserve of \$489k.

### GENERAL FUND REVENUES OVERVIEW

General Fund revenue for the second quarter amounted to \$6.02 million, which represents 52% of the amended budget. This figure compares favorably to the \$5.4 million reported at the mid-year point of the prior fiscal year. Projections suggest that General Fund revenue will reach approximately \$11.7 million by the end of the fiscal year, slightly below the budgeted amount by approximately \$13k.

The table below provides a breakdown of actual FY 2023/24 General Fund revenue collections up to December, comparing them with budgeted revenue estimates and the actual figures from the last two fiscal years for historical context. Additionally, it outlines the recommended changes to each category as part of this report.

GENERAL FUND REVENUES											
REVENUE SOURCE	Audited FY 2021/22 Actuals	Audited FY 2022/23 Actuals	Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2023	YTD Actual 12/31/2023	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Transient Occupancy Tax	\$ 3,444,990	\$ 3,192,486	\$ 3,242,118	\$ -	\$ 3,242,118	\$ 1,621,059	\$ 1,765,102	54%	\$ 144,043	\$ 3,242,118	\$ -
Sales and Use Tax	2,215,161	2,146,974	1,959,500	-	1,959,500	979,750	1,105,665	56%	125,915	1,959,500	-
Property Tax	1,150,352	1,141,020	1,150,257	-	1,150,257	575,128	236,079	21%	(339,049)	1,150,257	-
Other Taxes	851,622	953,026	903,985	-	903,985	451,993	420,754	47%	(31,238)	903,985	-
<b>Sub Total Tax Revenue</b>	<b>7,662,122</b>	<b>7,433,505</b>	<b>7,255,860</b>	<b>-</b>	<b>7,255,860</b>	<b>3,627,930</b>	<b>3,527,600</b>	<b>49%</b>	<b>(100,330)</b>	<b>7,255,860</b>	<b>-</b>
Licenses & Permits	86,176	94,598	94,293	-	94,293	47,147	39,322	42%	(7,825)	95,493	1,200
Fines and Forfeitures	51,396	53,799	25,100	-	25,100	12,550	4,650	19%	(7,900)	20,050	(5,050)
Intergovernmental	30,089	15,538	30,000	-	30,000	15,000	-	0%	(15,000)	30,000	-
Use of Money/Property	(166,316)	(377,584)	90,000	-	90,000	45,000	387,448	430%	342,448	105,000	15,000
Charges for Services	62,387	91,600	81,343	-	81,343	40,672	53,481	66%	12,809	92,530	11,187
Operating Grant Revenue	133,985	571,569	647,262	81,900	729,162	364,581	394,060	54%	29,479	648,851	(80,311)
Reimbursements	3,333,187	3,764,941	3,380,722	-	3,380,722	1,690,361	1,602,363	47%	(87,998)	3,452,339	71,617
Other Revenue	22,576	143,257	20,200	-	20,200	10,100	20,889	103%	10,789	20,300	100
<b>TOTAL REVENUES</b>	<b>\$11,215,601</b>	<b>\$11,791,224</b>	<b>\$11,624,780</b>	<b>\$ 81,900</b>	<b>\$ 11,706,680</b>	<b>\$ 5,853,340</b>	<b>\$ 6,029,814</b>	<b>52%</b>	<b>\$ 176,474</b>	<b>\$11,720,423</b>	<b>\$ 13,743</b>

The Fiscal Year 2023/24 Budget was formulated with the anticipation of potential declines in General Fund and other economically sensitive City fund revenues. This cautious approach reflects an acknowledgment of prevailing economic conditions and aims to maintain conservative budgeting practices while harboring a sense of cautious optimism as economic conditions evolve in 2024.

Transient Occupancy Tax and Sales Tax were forecasted to decline by 6% from the "best year to date" achieved in FY 2021/22. A comprehensive review of all General Fund revenue accounts has been performed

based on activity through the year's first six months. Based on the available data through December, General Fund Tax revenues have continued the strong performance and are anticipated to end the year approximately \$7.3 million in line with budgeted levels due to solid growth in Transient Occupancy Tax (TOT), Franchise tax and Sales Tax categories.

Partially offsetting this 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, water meter replacement program, and general administration. Similar to the prior year, these unspent funds will be transferred to the next fiscal year. There are no revenue adjustments included in the Mid-Year Budget Review.

Notable variances in Revenues are listed below.

### ▪ Transient Occupancy Tax (TOT)

REVENUE SOURCE	Audited FY 2021/22 Actuals	Audited FY 2022/23 Actuals	Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2023	YTD Actual 12/31/2023	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Transient Occupancy Tax	\$ 3,444,990	\$ 3,192,486	\$ 3,242,118	\$ -	\$ 3,242,118	\$ 1,621,059	\$ 1,765,102	54%	\$ 144,043	\$ 3,242,118	\$ -

Fort Bragg relies heavily on tourism, which contributes significantly to its revenue, constituting 28% of the total General Fund revenue. In FY 22, Transient Occupancy Tax (TOT) experienced a rebound from COVID-19 impacts, achieving its highest performance to date with \$3.4 million in revenue by the end of the fiscal year.

FY 22/23 saw another strong showing for TOT, with an 18% growth of \$186k compared to pre-pandemic levels. However, despite this positive trend, receipts witnessed a 10% decline compared to the exceptional quarter recorded in FY 21/22, as outlined in the historical revenue figures provided. The Adopted Budget for FY 23/24 took a conservative approach, projecting just 1% growth. While July, September, and November revenues surpassed the prior year's figures, the other months experienced a 10% decline. Despite being down 2% compared to the same period last year, revenues have surged by 46% or \$575k compared to pre-pandemic levels. Fort Bragg's economy heavily relies on tourism, which contributes significantly to its revenue, accounting for 28% of the total General Fund revenue. In FY 22, the Transient Occupancy Tax (TOT) experienced a rebound from the impacts of COVID-19, reaching its highest performance to date with \$3.4 million in revenue by the end of the fiscal year.

Considering the 7% decline experienced in the first two quarters, the results of the third quarter will be crucial in determining whether revenue adjustments are needed, especially if TOT fails to meet budget expectations.

### ▪ Sales Tax:

REVENUE SOURCE	Audited FY 2021/22 Actuals	Audited FY 2022/23 Actuals	Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2023	YTD Actual 12/31/2023	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Sales and Use Tax	2,215,161	2,146,974	1,959,500	-	1,959,500	979,750	1,105,665	56%	125,915	1,959,500	-

The Sales Tax category includes General Sales Taxes, Local Sales Taxes, and Proposition 172 Sales Taxes.

Inflation accelerated last year as the U.S. economy recovered from the COVID-19 Pandemic. Prices rose as strong consumer demand—stoked by lower interest rates and government stimulus—collided with constrained supply chains and pandemic-related shortages. Russia's invasion of Ukraine in 2022 further spurred inflation worldwide, hitting food, energy, and other commodity prices.

The ongoing impact of the Federal Reserve's interest rate hikes on the economy remains a topic of concern among many analysts. This rate increases primarily aim to mitigate inflationary pressures by rendering borrowing



## City of Fort Bragg Mid-Year Budget FY 2023/24

more costly. The intended consequence is reduced spending by households and businesses, potentially resulting in slower wage growth as employers exercise caution in hiring. The Consumer Price Index, increased by 3.7% in September 2023 from the same month a year ago, pulled down by a drop in gasoline prices that was partially offset by higher food costs. The reading was down from 8.3% in August to 9.1% in June, the highest inflation rate in four decades. The CPI measures what consumers pay for goods and services a closely watched inflation gauge, rose 6% in February from a year earlier, down from a 6.4% gain the prior month, according to the Labor Department. It was the smallest increase since September 2021. Inflation has certainly eased from the 9.1% highs in June last year and is expected to fall to 3.1% by the end of 2023 and end in 2024 at 2.4%, which will impact consumer spending habits, particularly when making large purchases.

Locally, Quarter two results were \$1,105,665 (56% of the total budget) in line with Budget projections. Compared to the prior year, Sales Tax was only down 3% but still up 9% compared to Pre-Pandemic, which is optimistic news for the City as this revenue category continues to record gains. All sales tax categories have experienced year-over-year growth, the largest of which includes Food Products, Construction, and transportation. In addition, the County Pool, where most online transactions are captured, has continued to grow. This growth is attributable to the Pandemic's sustained impact of redirecting significant activity to online sales. The recent growth in County Pool receipts has been fueled by online purchases during the Pandemic and is facilitated by the South Dakota vs. Wayfair, Inc. Supreme Court decision in 2018, which provided states with the authority to require online retailers to collect sales tax even without a local presence in that State. The County Pool revenue is distributed to all cities within Mendocino County based on a distribution formula administered by the CDTFA.

### ▪ Reimbursements

REVENUE SOURCE	Audited FY 2021/22 Actuals	Audited FY 2022/23 Actuals	Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2023	YTD Actual 12/31/2023	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Reimbursements	3,333,187	3,764,941	3,380,722	-	3,380,722	1,690,361	1,602,363	47%	(87,998)	3,452,339	71,617

Reimbursements include the annual COPS grant reimbursements for the City's Community Service officers (CSO) costs (\$159k), developer deposit reimbursements (\$35k), 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 \$1.6 million or 47 percent of the budget and are expected to come in over budget by \$72k at the end of the fiscal year due to the timing of some of the reimbursements, the newly approved indirect cost reimbursement from eligible grants and the true-up of hours worked by Staff during the fiscal year per the City's Cost Allocation Plan.

### ▪ Operating Grant Revenues

REVENUE SOURCE	Audited FY 2021/22 Actuals	Audited FY 2022/23 Actuals	Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2023	YTD Actual 12/31/2023	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Operating Grant Revenue	133,985	571,569	647,262	81,900	729,162	364,581	394,060	54%	29,479	648,851	(80,311)

Operating Grant revenues are currently at 54% of the budgeted amount at mid-year and are projected to end the year \$80,311 below budget. This revenue category primarily consists of staff time reimbursement for administering the City's various grant programs and conducting grant-related activities. A significant portion of the reimbursable time is attributed to the BHJIS Grant for Social Liaison Officers and Community Development Block Grant (CDBG), encompassing activities such as the Code Enforcement Program, Business Loans, Fire Station Rehabilitation design work, water meter replacement project, and general administration.

The variance in revenue can primarily be attributed to the timing of reimbursements for certain CDBG Grants and other grants. These unspent grant funds will be carried over and utilized in the next fiscal year. It is noteworthy that the code enforcement department was transferred to the Police Department in the previous

year. Currently, the program employs two code enforcement officers, with the program scheduled to conclude in March 2024.

#### ▪ Other taxes

REVENUE SOURCE	Audited FY 2021/22 Actuals	Audited FY 2022/23 Actuals	Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2023	YTD Actual 12/31/2023	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Other Taxes	851,622	953,026	903,985	-	903,985	451,993	420,754	47%	(31,238)	903,985	-

Franchise Fees are collected in the Cable Television, Solid Waste, and PG&E Electric. Through December, Franchise Fee receipts of \$420k, in line with the mid-term budget and consistent with the prior year's 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 2023. 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, the 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 \$6.7 million for the first half of FY 2023/24, representing 57 percent of the amended annual budget. Appropriations of \$11.5 million were adopted. Throughout the year, budgeted appropriations have increased by \$363k resulting in an amended budget of \$11.9 million. The following chart displays the year-to-date expenditures compared to the prior years.

GENERAL FUND EXPENDITURES											
DEPARTMENT	Audited FY 2021/22 Actuals	Audited FY 2022/23 Actuals	Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2023	YTD Actual 12/31/2023	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
<b>GENERAL</b>											
City Council	\$ 214,276	\$ 224,220	\$ 185,314	\$ -	\$ 185,314	\$ 92,657	\$ 125,222	68%	\$ 32,566	\$ 183,987	1,327
Administrative Services	1,225,232	1,066,104	1,037,505	49,654	1,087,159	543,580	516,580	48%	(27,000)	1,078,732	8,427
Marketing & Promotions	226,875	210,230	240,650	11,808	252,458	126,229	103,647	41%	(22,581)	252,458	-
Finance	536,978	551,250	635,770	2,000	637,770	318,885	335,076	53%	16,192	542,703	95,067
Non-Departmental	985,342	967,992	1,138,196	3,338	1,141,534	570,767	888,306	78%	317,539	1,136,513	5,020
Community Contribution	97,297	70,231	147,588	27,369	174,957	87,479	135,183	77%	47,704	174,957	-
<b>DEBT SERVICE</b>	547,580	3,793,587	556,303	-	556,303	278,151	124,770	22%	(153,382)	555,971	331
<b>COMMUNITY DEVELOP</b>	365,418	420,928	443,898	6,897	450,795	225,397	291,873	65%	66,476	429,844	20,950
<b>PUBLIC SAFETY</b>											
Police Department	3,891,473	3,485,290	4,169,509	3,377	4,172,886	2,086,443	1,964,812	47%	(121,631)	4,040,908	131,978
Social Services	-	134,556	313,862	78,000	391,862	195,931	195,818	50%	(113)	387,755	4,107
Fire Department	434,423	430,755	453,708	-	453,708	226,854	339,658	75%	112,804	449,099	4,609
<b>PUBLIC WORKS</b>											
Administration & Engineer	679,782	684,218	934,012	156,395	1,090,407	545,204	399,281	37%	(145,922)	962,676	127,732
Parks and Facilities	36,479	50,505	40,000	-	40,000	20,000	21,154	53%	1,154	40,000	-
Street Maintenance	124,497	119,863	142,000	23,878	165,878	82,939	51,113	31%	(31,826)	165,878	-
Storm Drains	12,681	13,415	25,500	-	25,500	12,750	7,539	30%	(5,211)	24,067	1,433
Corporation Yard	494,217	481,227	380,483	-	380,483	190,241	248,407	65%	58,166	449,345	(68,862)
Traffic and Safety	24,873	84,488	39,500	1,078	40,578	20,289	10,579	26%	(9,710)	40,578	-
<b>COST ALLOCATION</b>	789,396	1,222,680	656,999	-	656,999	328,499	985,498	150%	656,999	656,999	-
<b>TOTAL GENERAL FUND</b>	<b>\$10,686,818</b>	<b>\$14,011,539</b>	<b>\$11,540,795</b>	<b>\$ 363,793</b>	<b>\$ 11,904,589</b>	<b>\$ 5,952,294</b>	<b>\$ 6,744,518</b>	<b>57%</b>	<b>\$ 792,223</b>	<b>\$11,572,470</b>	<b>\$ 332,118</b>

Some of the notable variances in expenditures include:

**City of Fort Bragg**  
**Mid-Year Budget FY 2023/24**

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- The Finance department is projected to end the year at \$95,067 under budget primarily due to salary savings from the vacant Finance Director position vacated in January 2024, and the Accountant position vacant from December 2023. As of mid-year, the department budget is \$335k, or 53 percent of the amended budget.
- The Non-Departmental category records expenditures not associated with a specific department of the City. These include Retiree Medical costs, Insurance costs, Utilities, and OPEB funding, to name a few. Year-to-date actuals are at 78% of the annual budget and are projected to end the fiscal year with a positive variance of \$6,020. The costs of REMIF liability and property premium payments paid in the first quarter were much lower than anticipated. Conversely, utility costs increased by 10%, and retiree medical were up by 3% from the adopted budget.

Additionally, a budget of \$150k has been set aside to be contributed to Section 115 to accumulate and invest funds to smooth the impacts of future pension cost increases. A total of \$1.6 million has been invested into the trust.

- The second half of the fiscal year will see the payment of \$442,513 for the 2021 Lease Revenue Bond and \$113,790 for Caspar Landfill closure costs. It's worth noting that the return of the \$3.5 million Debt-2021 Lease revenue bonds in August 2022 significantly reduced the City's debt from \$11.4 million to \$7.9 million, thereby reducing future annual debt payments.
- The Police Department has been actively addressing vacancies in both sworn and community service officer positions. During Quarter Two, the department successfully filled a vacant sergeant position, two officer positions, and one community service officer position. Looking ahead, plans are in place to send another recruit to the academy in the fourth quarter of the fiscal year. Due to these vacancies, the Department is projected to finish the fiscal year under budget by \$151,978, offset by increases in the department's overtime and comp time budget. A budget amendment is requested to use the salary savings to offset the increases in overtime/comp costs.

Included in the police department is Project Right Now of \$345,000 grant from the Youth Opioid Resistance Fund, allocated for a full-time position and a success coach. This grant, received in the last quarter of the prior fiscal year, is set to expire in the upcoming quarter. Furthermore, the Care Response unit, which falls under the public safety department, is another grant-funded program. The program received funding through 2025 via an expansion of the California Department of Health Care Services (DHCS) grant acquired in 2022. Notably, the Care Response unit has proven successful in delivering services and resources to address homelessness and mental health issues in the community, directly assisting over 300 community members in 2023.

The Code Enforcement Program, bolstered by \$418,457 in Community Development Block Grants (CDBG), sustains two code enforcement grant officer positions. However, this funding is slated to conclude in the third quarter. The City is currently assessing if there is an alternative funding option for the program's continuity and will present a recommendation to the City Council accordingly. General fund salary savings will fund the program through the end of the fiscal year.

- At mid-year, the Community Development Department has utilized 65% of the amended budget due to professional services overages and anticipates ending the fiscal year under budget by \$21k. This is attributed to personnel cost savings resulting from the vacancy in the Director position. Plans are underway to commence recruitment for a full-time Community Development Director or a Senior Planner in the fourth quarter of the fiscal year. In the interim, the department has extended the contract of Marie Jones Consulting to fulfill planning obligations.



- The Public Works department made operational changes by replacing the Project Analyst position with an Administrative position. This adjustment resulted in annual savings of approximately \$30,000, which were reallocated to support the addition of a full-time Engineering Technician, increasing the department's full-time equivalents (FTEs) to eight. Furthermore, the special projects manager position was transferred to the public works department in the previous fiscal year. The projected budget surplus is \$117,732, primarily attributed to a budget amendment during the fiscal year of \$78k to add the two new positions- charging out employee salaries allocation to the enterprise department for the engineering technician. Despite this surplus, the department's workload has remained busy, particularly with the \$70 million water projects scheduled for the next three years.
- The Corporation yard department is made up of eight employees. A mid-year budget request for \$20,000 to accommodate the addition of a Full-time Equivalent (FTE) Maintenance Worker. With an annual cost of \$74,000, this position will be instrumental in addressing the City's many backlog maintenance tasks, including parks, street signs, curb painting (10ft to 20ft), guest house museum, and other storm drain activities. The estimated year-end variance is attributed to the allocation of Maintenance work time which should be charged to the enterprise. This will be addressed during the Q3.

## GENERAL FUND NET RESULT AND FUND BALANCE

With projected revenues totaling \$11.7 million and total expenditures at \$11.5 million, the General Fund is expected to conclude FY 2024 with a surplus of \$163,952. This surplus will bolster the General Fund's balance to \$2.8 million, representing a 1% increase compared to the previous year. It's worth noting that although the projected surplus is modest, expenditures, particularly personnel costs, have reverted to pre-COVID levels. Additionally, additional staff has been hired across all departments including filling Director positions except for the Community Development and Finance Department, which is slated to be filled soon.

Moving forward into the next fiscal year, there will be increased pressure on the top tax revenue categories, specifically Transient Occupancy Tax and Sales Tax, to accommodate General Fund costs, particularly personnel expenses.

In the prior fiscal year, an initial investment of \$1.6 million was deposited into the Section 115 trust with PARS. While this investment decreased the General Fund reserves, there is an additional budget allocated for the Section 115 Trust.

	FY 2023-24 Budget	FY 2023-24 Projected
Beginning Reserves	\$ 2,695,591	\$ 2,695,591
Revenues	11,624,780	11,720,423
Expenditures	(11,540,795)	(11,572,470)
Net Transfers	-	-
Surplus/(Deficit)	\$ 83,985	\$ 147,952
Ending Committed Reserves	\$ 2,779,576	\$ 2,843,543
Committed Reserves as a % of Operating	24%	25%

### Committed Reserves

Operating Reserves	2,095,784
Recession Reserves	547,759
Litigation Reserves	200,000
	<b>\$2,843,543</b>

**WATER ENTERPRISE FUND**

The Water Enterprise rate structure is operating as intended, effectively supporting all operational needs, maintaining the operating reserve, servicing debt obligations, and accumulating funds for infrastructure upgrades, replacements, and maintenance. At the close of Fiscal Year 2023, there was an annual net position increase to \$16.7 million.

According to fiscal policy guidelines, the operating reserve is established at 25% of the prior year's operating expense, resulting in a set reserve of \$342k for Fiscal Year 2023. Additionally, the Enterprise fund has established a recession reserve of \$100k, equivalent to 5% of the Fund's operating budget.

The capital reserve recorded an increase of \$153k, reaching a total of \$4.7 million. The Capital Improvement Plan (CIP) for the Water Enterprise outlines a total of \$85.9 million for identified capital projects over the next five years, with funding sourced from Grants and Enterprise capital reserves. With these resources in place, the Fund is well-equipped to advance numerous projects outlined in the FY 24 budget, as detailed on page 203.

**REVENUES**

- User fees entirely support Water Enterprise Fund revenues. As of the end of the second quarter, revenues surpassed expectations by \$232k, reaching 58% of the budget. Previous water restrictions impacted revenue collection; however, with ample rainfall in the state, no restrictions are anticipated for the upcoming summer months. Projections indicate a year-end total revenue of \$3.1 million, reflecting a 2 percent increase from the prior fiscal year. This increase is attributed to higher consumption levels, aligning more closely with pre-COVID totals. In the fourth quarter, a Request for Proposal will be issued for water and wastewater rates.

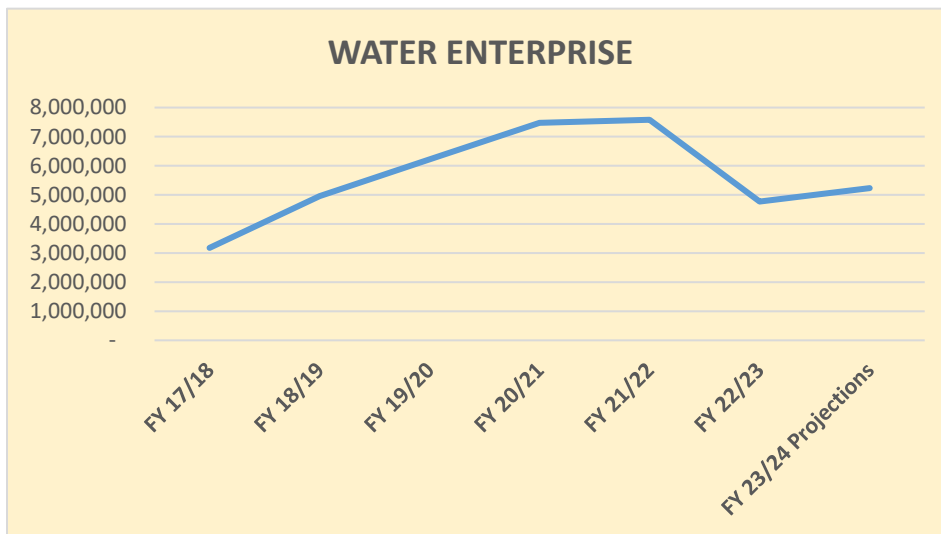
WATER ENTERPRISE											
	Audited FY 2021/22 Actuals	Audited FY 2022/23 Actuals	Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2023	YTD Actual 12/31/2023	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Operating Revenue	\$ 3,005,288	\$ 3,018,464	\$ 3,050,060	\$ -	\$ 3,050,060	\$ 1,525,030	\$ 1,758,027	58%	\$ 232,997	\$ 3,050,060	\$ -
Capacity Fees	44,837	91,608	50,000	-	50,000	25,000	5,425	11%	(19,575)	15,000	(35,000)
Grants Received	640,664	-	-	-	-	-	-	-	-	-	-
Miscellaneous	44,837	63,639	60,100	-	60,100	30,050	11,004	18%	(19,046)	41,000	(19,100)
<b>Total Revenue</b>	<b>3,735,626</b>	<b>3,173,710</b>	<b>3,160,160</b>	<b>-</b>	<b>3,160,160</b>	<b>1,580,080</b>	<b>1,774,456</b>	<b>56%</b>	<b>194,376</b>	<b>3,106,060</b>	<b>(54,100)</b>
Personnel services	1,039,332	1,175,299	1,192,854	-	1,192,854	596,427	584,941	49%	(11,486)	1,165,726	27,128
Administration	683,735	700,106	473,565	-	473,565	236,782	234,576	50%	(2,206)	473,565	-
Repairs & maintenance	52,440	36,575	44,500	1,378	45,878	22,939	27,326	60%	4,387	45,878	-
Materials & supplies	169,901	368,037	291,448	-	291,448	145,724	103,721	36%	(42,003)	262,948	28,500
Utilities	147,423	174,940	175,000	-	175,000	87,500	91,501	52%	4,001	175,000	-
Contractual services	93,135	90,394	93,000	29,258	122,258	61,129	18,560	15%	(42,569)	112,258	10,000
Insurance	31,351	50,151	62,689	-	62,689	31,344	53,392	85%	22,048	62,689	-
Other operating	35,035	6,415	10,500	-	10,500	5,250	677	6%	(4,573)	10,500	-
Interest/Debt Service	55,434	67,764	65,289	-	340,080	170,040	294,689	87%	124,649	340,080	-
Depreciation **	364,752	364,563	-	-	-	-	-	0%	-	-	-
<b>Total Expenditures</b>	<b>2,672,538</b>	<b>3,034,244</b>	<b>2,408,844</b>	<b>30,636</b>	<b>2,714,272</b>	<b>1,357,136</b>	<b>1,409,384</b>	<b>52%</b>	<b>52,248</b>	<b>2,648,644</b>	<b>65,628</b>
<b>Net Revenue/(Expense)</b>	<b>\$ 1,063,088</b>	<b>\$ 139,467</b>	<b>\$ 751,316</b>		<b>\$ 445,888</b>	<b>\$ 222,944</b>	<b>\$ 365,073</b>	<b>82%</b>	<b>\$ 142,128</b>	<b>\$ 457,416</b>	<b>11,528</b>
* 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											

## EXPENDITURES

Water Enterprise's expenses for the first half of FY 2024 totaled \$1.4 million, 58% of the amended annual budget. The projected year-end total is \$2.3 million, \$41k under budget.

- At mid-year, Debt Service is 87% of the total annual budget. Principal payments are paid in October and a second smaller interest payment is in April. The adopted budget includes the final loan payment of \$337k for the 2014 Revenue refunding bond which will be paid off this fiscal year.
- Repairs and Maintenance are 60% of the adopted and are forecasted to end the fiscal year at budget levels.  
Most of these repair costs were undertaken in the first half of the year.
- No other significant variances are expected in other enterprise expense category at year-end.

During the summer months of 2019-2022, the City faced significant water shortage challenges. To address these issues, City Staff proactively pursued alternative plans, such as implementing the Desalination Unit in 2021 and exploring alternative water sources and storage options, including the acquisition of the Highway 20 property. Furthermore, the installation of new water meters, funded by the Community Development Block Grant (CDBG), will enhance the City's ability to detect leaks and monitor water usage in real time.



Projected revenues of \$3.1 million and expenses of \$2.6 million are anticipated for the Water Enterprise in FY 2022/23. With staff projections factored in, the Enterprise is expected to conclude the fiscal year with a net position of \$13.2 million and reserves totaling \$5.2 million.

The Enterprise Capital Reserve allocates \$3.3 million for various Capital Improvement Projects (CIPs), including \$812k for the Pudding Creek water main, \$850k for the Distribution system, \$500k for the raw water reservoir, \$300k for the extended water system north, and \$750k for the reclamation design.

In the previous fiscal year, the Enterprise fund acquired over 582 acres of property from the Mendocino Coast Recreation Park District for \$2,420,579. This purchase will contribute to a reduction of reserves by \$5.2 million in total. Staff remains proactive in securing Grant funds to support identified CIP projects, utilizing capital reserves for matching funds as needed. For a comprehensive list of scheduled Capital Improvement Projects for the Water Enterprise, please refer to pages 205-213 of the Adopted Budget.

## WASTEWATER ENTERPRISE FUND

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 2023 ended with an annual net position decrease of \$1.2 million to \$22.8 million. Per policy, the operating reserve is set at 25% of the prior year's operating expense, and for the Fiscal year 2024 was set at \$625k.

WASTEWATER ENTERPRISE											
	Audited FY 2021/22 Actuals	Audited FY 2022/23 Actuals	Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2023	YTD Actual 12/31/2023	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Operating Revenue 407	\$ 3,477,367	\$ 3,390,904	\$3,391,756	\$ -	\$ 3,391,756	\$ 1,695,878	\$ 2,019,411	60%	\$ 323,533	\$ 3,395,756	\$ 4,000
Capacity Fees 415	112,468	44,221	120,000	-	120,000	60,000	68,374	57%	8,374	127,000	7,000
Miscellaneous Revenue 416	20,319	181,799	20,000	-	20,000	10,000	9,500	48%	(500)	20,000	-
<b>Total Revenue</b>	<b>3,610,153</b>	<b>3,616,924</b>	<b>3,531,756</b>	<b>-</b>	<b>3,531,756</b>	<b>1,765,878</b>	<b>2,097,285</b>	<b>59%</b>	<b>323,533</b>	<b>3,542,756</b>	<b>4,000</b>
Personnel services	693,885	971,400	759,353	-	759,353	379,676	412,158	54%	32,481	737,852	21,500
Administration	1,225,605	1,430,931	713,395	-	713,395	356,697	355,631	50%	(1,067)	709,395	4,000
Repairs & maintenance	175,875	95,853	142,750	25,696	168,446	84,223	89,021	53%	4,798	139,446	29,000
Materials & supplies	292,245	509,283	298,894	119,821	418,715	209,358	146,629	35%	(62,729)	417,815	900
Utilities	222,967	305,844	300,000	-	300,000	150,000	196,785	66%	46,785	300,000	-
Contractual services	360,280	446,764	411,701	303,775	715,476	357,738	167,345	23%	(190,393)	715,476	-
Insurance	49,798	56,506	70,633	-	70,633	35,316	112,645	159%	77,329	112,645	(42,012)
Interest/Debt Service * 506	95,650	93,850	92,010	-	92,010	46,005	-	0%	(46,005)	92,010	-
Depreciation **	829,815	816,894	-	-	-	-	-	0%	-	-	-
<b>Total Expenditures</b>	<b>3,946,121</b>	<b>4,727,326</b>	<b>2,788,736</b>	<b>449,293</b>	<b>3,238,028</b>	<b>1,619,014</b>	<b>1,480,213</b>	<b>46%</b>	<b>(138,801)</b>	<b>3,224,640</b>	<b>13,388</b>
<b>Net Revenue/(Expense)</b>	<b>\$ (335,967)</b>	<b>\$ (1,110,402)</b>	<b>\$ 743,021</b>	<b>\$ (449,293)</b>	<b>\$ 293,728</b>	<b>\$ 146,864</b>	<b>\$ 617,072</b>		<b>\$ 462,334</b>	<b>\$ 318,116</b>	<b>24,388</b>

\* 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

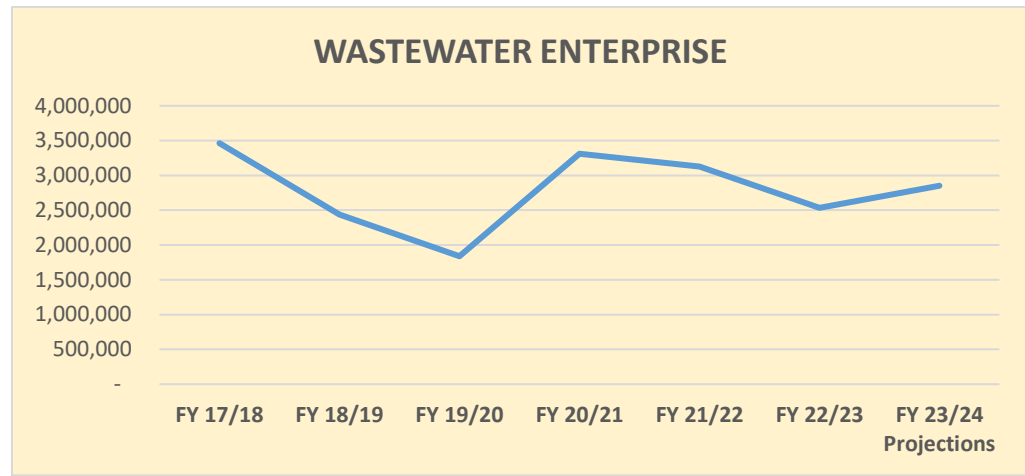
Like the Water Enterprise fund, the projected year-end revenue for the current fiscal year is estimated to be \$3.5 million or approximately \$4k more than the original adopted budget but down from the prior year by 2%. The septic dumping station recorded a \$7k increase in operating revenues for the Fund.

## EXPENDITURES

Wastewater Enterprise expenses totaled \$1.4 million, 46% percent of the amended annual budget. The projected year-end total is \$3.2 million, which is approximately \$13k less than the budget:

- At year-end personnel, services are expected to be approximately \$21k under budget, mainly due to savings in personnel costs from benefits in a couple of positions.
- At the close of the fiscal year, the Non-Routine Maintenance division anticipates being under budget by approximately \$29k for materials and supplies. However, CIRA insurance costs are projected to reach \$112k, exceeding the budget by \$42k. This increase is attributed to the actual costs incurred for the wastewater treatment plant, which was completed in 2021.

With projected revenues of \$3.5 million and expenses of \$3.2 million, Staff projects the Wastewater Enterprise to end FY 2024 with a net position of \$26.1 million and reserves of \$2.1 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- seen below.



During the budget development, Staff identified a list of Capital Improvements Program (CIP) of \$16.6 million needed to improve the Fund's infrastructure. A collection system rehab of \$12 million is planned for FY 2024/25, with \$1.5 million of Capital improvements budgeted for this fiscal year.



## CV STARR ENTERPRISE FUND

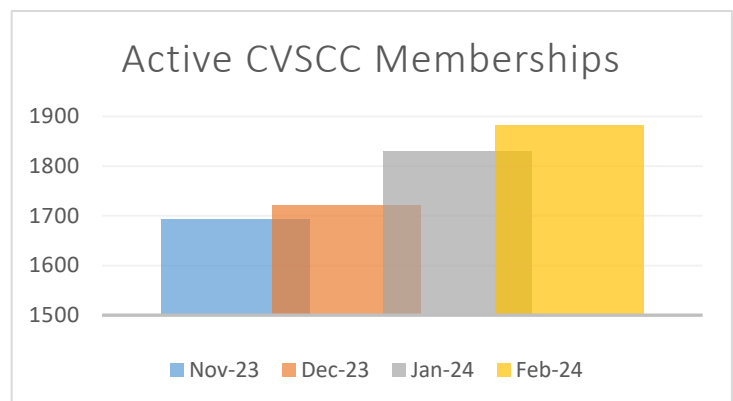
The C.V. Starr Community Center and Sigrid & Harry Spath Aquatic Facility (C.V. Starr Center) represent a comprehensive 43,000-square-foot establishment. This multifaceted facility features an indoor water park, fitness and exercise rooms, weight rooms, and meeting spaces available for community use. The surrounding grounds complement the Center's offerings with amenities such as a dog park, Skateboard Park, and petanque courts. Ownership of the C.V. Starr Center lies with the City, and its operational, maintenance, and capital improvement costs are partially mitigated through restricted sales tax and property tax revenues. These dedicated funds are specifically allocated to the C.V. Starr Enterprise Fund, ensuring a financial framework to support the ongoing success of the facility.

The city has engaged in a contractual arrangement with the Mendocino Coast Recreation and Parks District (MCRPD) for the day-to-day operation and maintenance of the C.V. Starr Center. However, a significant development occurred in August 2023 when the MCRPD Board issued notice to terminate the operating agreement. The MCRPD allowed for a 6-month transition to facilitate a smooth transition. In response to this change, the CV Starr Ad-Hoc Committee, in collaboration with City Staff, has diligently formulated a comprehensive plan. The C.V. Starr Center has transitioned into City operations in February 2024. This strategic plan ensures the continued provision of services and facilities to the community, aligning with the City's commitment to its residents' well-being and recreational needs.

CV STARR ENTERPRISE											
	Audited FY 2021/22 Actuals	Audited FY 2022/23 Actuals	Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2022	YTD Actual 12/31/2023	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Operating Revenue		\$ 599,048	\$ 596,248	\$ -	\$ 596,248	\$ 298,124	\$ 363,373	61%	\$ 65,249	\$ 626,746	30,497
Sales Tax	1,211,340	1,175,441	1,199,769	-	1,199,769	599,885	616,476	51%	16,591	1,199,769	-
Property Tax	268,596	305,258	283,127	-	283,127	141,563	167,899	59%	26,336	283,127	-
Other Income	982,537	111,910	40,000	-	40,000	20,000	2,457	6%	(17,543)	40,000	-
<b>Total Revenue</b>	<b>2,462,473</b>	<b>2,191,657</b>	<b>2,119,144</b>	<b>-</b>	<b>2,119,144</b>	<b>1,059,572</b>	<b>1,150,205</b>	<b>54%</b>	<b>90,633</b>	<b>2,149,642</b>	<b>30,497</b>
Personnel Costs	826,436	1,168,544	1,439,777	-	1,439,777	719,888	646,116	45%	(73,773)	1,312,850	126,927
Operations	267,253	358,038	172,411	-	172,411	86,206	60,616	35%	(25,590)	155,231	17,180
Repairs & maintenance	5,451	46,441	60,000	7,247	67,247	33,624	25,514	38%	(8,109)	55,000	12,247
Utilities	321,693	365,941	350,000	-	350,000	175,000	187,367	54%	12,367	350,000	-
Professional Services	19,900	56,986	35,419	15,000	50,419	25,210	29,825	59%	4,616	67,500	(17,081)
Insurance	-	60,229	30,208	-	30,208	15,104	13,895	46%	(1,209)	30,208	-
Depreciation **	-	650,590	-	-	-	-	-	0%	-	-	-
<b>Total Expenditures</b>	<b>1,440,733</b>	<b>2,706,769</b>	<b>2,087,814</b>	<b>22,247</b>	<b>2,110,061</b>	<b>1,055,031</b>	<b>963,333</b>	<b>46%</b>	<b>(91,698)</b>	<b>1,970,788</b>	<b>139,273</b>
<b>Net Revenue/(Expense)</b>	<b>\$ 1,021,740</b>	<b>\$ (515,112)</b>	<b>\$ 31,330</b>	<b>\$ (22,247)</b>	<b>\$ 9,083</b>	<b>\$ 4,542</b>	<b>\$ 186,872</b>	<b>2057%</b>	<b>\$ 182,331</b>	<b>\$ 178,854</b>	<b>169,770</b>
Capital Improvements	-	5,996	1,678,226	306,176	1,992,402	996,201	166,679	8%	(829,522)	405,982	1,586,420

Revenue from general admissions includes fees collected from drop-in visits, membership sales, and other admissions. The Center faced closures during the COVID-19 pandemic, affecting membership sign-ups and drop-in visits. Safety measures such as continued mask usage (except in the pool area), closure of showers to minimize unmasked time, and capacity restrictions during Open Swim and Swim Slide Splash sessions contributed to this revenue shortfall.

Despite these challenges, membership revenue and general admissions have rebounded, reaching 61% by the end of the second quarter since reopening. Additionally, rate increases approved by the City Council in the second quarter, effective January 2024, are expected to generate an estimated \$90k in additional revenue. It is gratifying to note that our sales tax figures are in line



with quarterly budget projections, indicating that we are on track to meet our overall budget expectations of \$1.2 million.

Property tax funds are typically received in the third quarter of the fiscal year, aligning with our budget planning and contributing to the overall financial well-being of the Center.

### **Cost cutting Measures**

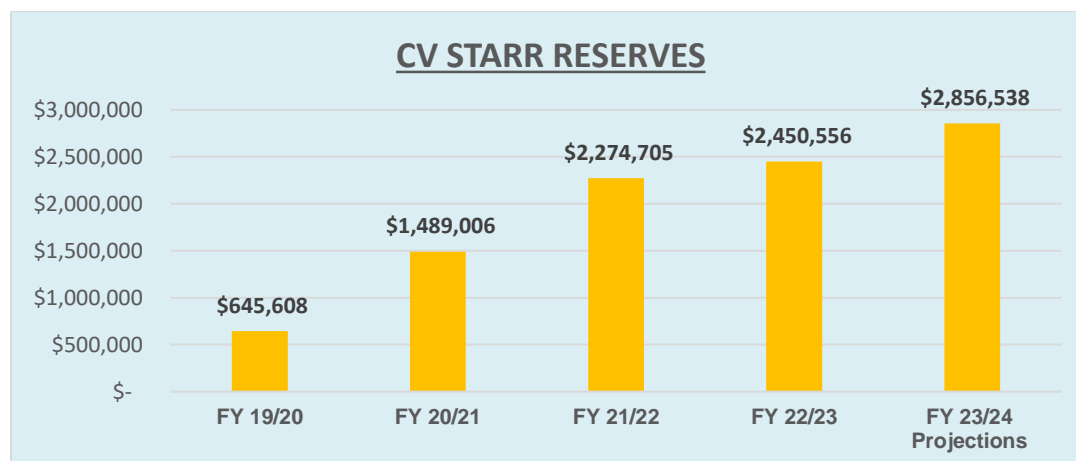
Since assuming management of the Center, the City of Fort Bragg has embarked on several cost-saving initiatives to enhance operational efficiency and drive membership growth. A significant step was the consolidation of fitness class offerings from 70 to 27, ensuring a more financially sustainable program.

Additionally, fitness instructors—excluding those certified in Silver Sneakers—have transitioned from employee status to independent contractors. This move aims to uphold instructional quality while enhancing cost-effectiveness. Plans are in progress to expand class offerings under this revised model.

To further streamline operations, staffing needs were meticulously evaluated across departments, resulting in certain positions transitioning to part-time roles or remaining vacant in Guest Services and Administration. Moreover, due to staffing shortages, the Center temporarily suspended operations on Sundays, yielding personnel cost savings equivalent to 45% of the personnel budget at mid-year.

Efforts are underway to recruit lifeguards to fill at least five vacant part-time positions, ensuring seamless operations seven days a week, including holidays, and upholding safety standards. In July 2024, eleven full-time employees will begin receiving City benefits (Dental, Medical, Vision, and CalPERS), with these costs factored into the Fiscal Year 2025 budget development.

A mid-year budget amendment of \$24,851 is proposed for IT network upgrades, focusing on monitoring and security, as well as a new Wi-Fi system at the Center. These expenses will be offset by savings in other expense categories such as Operations and Repairs and Maintenance, which are anticipated to end the fiscal year under budget due to cost-saving measures. As we progress through the fiscal year, we remain committed to prudent financial management, ensuring that our budget allocations align with our operational needs and strategic goals.



The CV Starr reserves are expected to reach \$2,856,538 by the end of the fiscal year, reflecting a notable increase of \$405,982. However, the Center has allocated \$2.6 million for Capital Improvement Program (CIP) projects over the next four years, which is anticipated to deplete the reserves. In response, the City is proactively pursuing grants to mitigate these expenses and alleviate the financial burden on the CV Starr reserves.

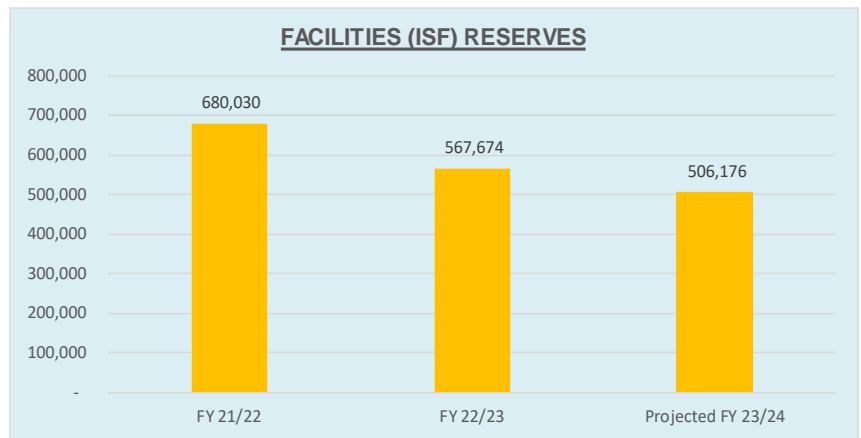
## INTERNAL SERVICE: FACILITIES REPAIR & MAINTENANCE

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

ISF-FACILITIES											
	Audited FY 2021/22 Actuals	Audited FY 2022/23 Actuals	FY 21/22 Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2023	YTD Actual 12/31/2023	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Operating Revenue	\$ 4,143	\$ 16,216	\$ 500	\$ -	\$ 500	\$ 250	\$ 250	50%	\$ -	\$ 500	\$ -
Interdepartmental Charges	200,959	288,548	210,000	-	210,000	105,000	105,000	50%	-	210,000	-
<b>TOTAL REVENUES</b>	<b>205,101</b>	<b>304,764</b>	<b>210,500</b>	<b>-</b>	<b>210,500</b>	<b>105,250</b>	<b>105,250</b>	<b>50%</b>	<b>-</b>	<b>210,500</b>	<b>-</b>
Personnel Services	105,998	186,907	105,998	-	105,998	52,999	52,999	50%	-	105,998	-
Repairs & Maintenance	15,601	22,469	22,500	-	22,500	11,250	4,549	20%	(6,701)	16,000	6,500
Depreciation	-	6,800	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>121,600</b>	<b>216,176</b>	<b>128,498</b>	<b>-</b>	<b>128,498</b>	<b>64,249</b>	<b>57,548</b>	<b>45%</b>	<b>(6,701)</b>	<b>121,998</b>	<b>6,500</b>
<b>Net Revenue/(Expense)</b>	<b>\$ 83,501</b>	<b>\$ 88,588</b>	<b>\$ 82,002</b>	<b>\$ -</b>	<b>\$ 82,002</b>	<b>\$ 41,001</b>	<b>\$ 47,702</b>	<b>58%</b>	<b>\$ 6,701</b>	<b>\$ 88,502</b>	<b>6,500</b>

- No significant revenue variances are expected.

- The repairs and maintenance schedule are listed below, with a \$22,500 maintenance budget. Due to staffing, only the park bathrooms, fencing for Noyo Headlands Park, and miscellaneous repairs and maintenance will be undertaken this year- most of the scheduled work will be moved to the next fiscal year, with the rest of the projects to be evaluated during the FY 2025 Budget process and moved to the next fiscal year.



### FACILITY ISF 10-YEAR MAINTENANCE PROGRAM

MAJOR PROJECTS/REPLACEMENT	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Annual Average	General Fund	Water Enterprise	Wastewater Enterprise
City Hall	5,000	5,000	-	-	-	-	-	-	1,250	625	313	313
City Hall East	4,000	3,500	-	-	-	-	-	-	938	938	-	-
Fort Building	-	-	-	-	-	-	-	-	-	-	-	-
Town Hall	-	-	-	3,000	-	-	-	-	429	214	107	107
Fire Station, Main St	-	-	-	-	-	-	-	-	-	-	-	-
Fire Station, Hwy 20	-	-	-	-	-	-	-	-	-	-	-	-
Guest House	-	-	-	-	-	-	110,000	-	500	500	-	-
Police Department	-	-	-	-	-	-	-	-	3,143	3,143	-	-
Noyo Headlands Park	4,500	-	30,000	5,000	-	-	-	-	8,214	8,214	-	-
Pomo Bluffs Park	9,000	-	-	-	-	40,000	-	-	1,125	1,125	-	-
Noyo Beach	-	-	-	-	-	-	-	-	-	-	-	-
Corp Yard	-	-	-	-	-	-	-	-	-	-	-	-
Harbor Lite Trail	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL major projects</b>	<b>22,500</b>	<b>8,500</b>	<b>30,000</b>	<b>8,000</b>	<b>-</b>	<b>40,000</b>	<b>110,000</b>	<b>-</b>	<b>15,598</b>	<b>14,759</b>	<b>420</b>	<b>420</b>
General Repairs Facilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>TOTAL preventative maintenance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL PROJECT FUNDING NEEDED</b>	<b>\$22,500</b>	<b>\$8,500</b>	<b>\$30,000</b>	<b>\$8,000</b>	<b>\$0</b>	<b>\$40,000</b>	<b>\$110,000</b>	<b>\$0</b>	<b>\$15,598</b>	<b>\$14,759</b>	<b>\$420</b>	<b>\$420</b>

Note: CIP projects that are designated in the "Beyond CIP" category have all been placed in 6th year of the ISF, FY 2023/24

## INTERNAL SERVICE: INFORMATION TECHNOLOGY

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											
	Audited FY 2021/22 Actuals	Audited FY 2022/23 Actuals	FY 21/22 Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2023	YTD Actual 12/31/2023	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Interdepartmental Charges	497,457	577,972	612,088	-	612,088	306,044	306,044	50%	-	612,088	-
<b>TOTAL REVENUES</b>	<b>497,457</b>	<b>577,972</b>	<b>612,088</b>	<b>-</b>	<b>612,088</b>	<b>306,044</b>	<b>306,044</b>	<b>50%</b>	<b>-</b>	<b>612,088</b>	<b>-</b>
Personnel Services	101,970	176,260	228,798	-	228,798	114,399	125,060	55%	10,661	228,692	106
Repairs & Maintenance	1,964	1,862	4,200	-	4,200	2,100	451	0%	(1,649)	4,200	-
Materials & Supplies	415,508	314,469	425,785	-	425,785	212,893	197,337	46%	(15,556)	461,361	(35,576)
Contractual Services	390	-	50,000	-	50,000	25,000	4,500	0%	(20,500)	21,200	28,800
Depreciation	15,450	16,081	-	-	-	-	-	0%	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>535,282</b>	<b>508,672</b>	<b>708,783</b>	<b>-</b>	<b>708,783</b>	<b>354,392</b>	<b>327,347</b>	<b>46%</b>	<b>(27,044)</b>	<b>715,453</b>	<b>(6,670)</b>
<b>Net Revenue/(Expense)</b>	<b>\$ (37,825)</b>	<b>\$ 69,299</b>	<b>\$ (96,695)</b>	<b>\$ -</b>	<b>\$ (96,695)</b>	<b>\$ (48,348)</b>	<b>\$ (21,303)</b>	<b>22%</b>	<b>\$ 27,044</b>	<b>\$ (103,365)</b>	<b>(6,670)</b>

- No significant variances are expected in the revenue category.
- The Materials and Supplies account covers all expenses related to IT software and hardware essential for maintaining the City's computer networks. Projections indicate that expenditures for this category will surpass the budget by \$35,576 by the end of the fiscal year. This increase reflects the doubling of the City's IT budget over the past two fiscal years, driven by the escalating number of cyber threats targeting organizations globally, irrespective of their size or type. As part of the mid-year Budget request, we are seeking approval to purchase hardware servers for \$29,965, a Cisco XDR system for \$4,462, and make the final payment of \$14,272 for our phone systems.
- Contractual services, are projected to end the year under budget, due to the postponing of work to the next fiscal year. These savings are recommended to offset some of the overages in materials and supplies.



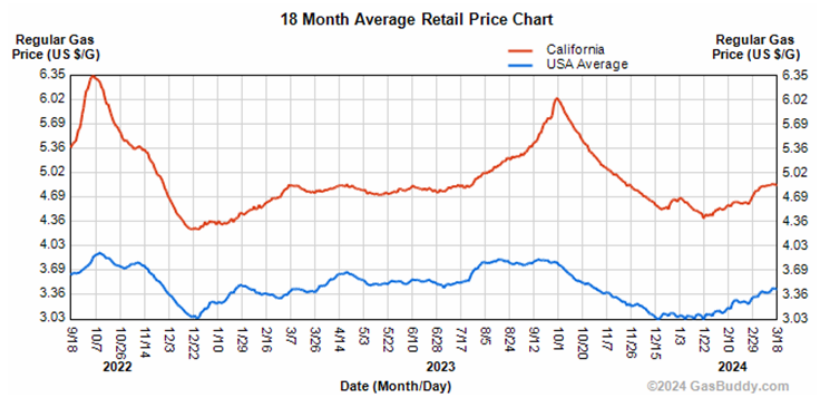
## INTERNAL SERVICE: FLEET

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											
	Audited FY 2021/22 Actuals	Audited FY 2022/23 Actuals	FY 23/24 Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2023	YTD Actual 12/31/2023	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Interdepartmental Charges	342,308	962,994	479,513	-	479,513	239,757	239,757	50%	-	479,513	-
Reimbursements	-	198	5,000	-	5,000	2,500	2,500	0%	-	106,316	101,316
<b>TOTAL REVENUES</b>	<b>342,308</b>	<b>963,192</b>	<b>479,513</b>	<b>-</b>	<b>484,513</b>	<b>242,257</b>	<b>242,257</b>	<b>50%</b>	<b>-</b>	<b>585,829</b>	<b>(101,316)</b>
Personnel Services	150,409	139,004	132,280	-	132,280	66,140	78,605	59%	12,465	132,280	0
Repairs & Maintenance	51,986	72,845	52,000	-	52,000	26,000	38,630	74%	12,630	87,000	(35,000)
Materials, Fuel & Supplies	99,586	83,155	92,300	-	92,300	46,150	55,328	60%	9,178	102,300	(10,000)
Vehicles	221,526	-	195,000	68,086	263,086	131,543	134,931	51%	3,388	263,086	-
Contractual Services	439	1,797	1,000	-	1,000	500	-	0%	(500)	800	200
Depreciation	69,881	110,391	-	-	-	-	-	0%	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>593,826</b>	<b>407,193</b>	<b>472,580</b>	<b>68,086</b>	<b>540,667</b>	<b>270,333</b>	<b>307,494</b>	<b>57%</b>	<b>37,161</b>	<b>585,467</b>	<b>(44,800)</b>
<b>Net Revenue/(Expense)</b>	<b>\$ (251,518)</b>	<b>\$ 556,000</b>	<b>\$ 6,933</b>	<b>\$ (68,086)</b>	<b>\$ (56,154)</b>	<b>\$ (28,077)</b>	<b>\$ (65,238)</b>	<b>116%</b>	<b>\$ (37,161)</b>	<b>\$ 362</b>	<b>56,516</b>

- USDA Grant Reimburses the City for 50 percent of the vehicle cost. Staff will be applying for the reimbursement of PD vehicles purchased, amounting to \$29,954, and asset forfeiture reimbursements for upfit costs. Total projections for reimbursements from the two funding sources will be \$106,316.

- Fuel prices have once again risen in January and February 2024. With the City's average fuel cost standing at approximately \$8,630 per month, fuel expenses are expected to exceed the budget by \$10,000. A budget request has been submitted to cover these overages.



- Vehicle repairs and maintenance average monthly cost is about \$5,150 annually. During the first two quarters, the mechanic repaired the Vactor Truck which incurred unanticipated costs for truck rental and repairs. This expense category is at 74% of the Budget. A budget amendment request of \$35,000 is requested to ensure there are enough funds to cover ongoing repairs and maintenance.

## RESERVES

Projected revenues for the Fleet Internal Service Fund are estimated at \$586,000, with expenses totaling \$585,000. This will result in the fund ending the fiscal year with a reserve balance of \$177,313. During the budget development for the next fiscal year, staff will conduct a thorough review of the replacement plan schedule to ensure there are adequate operating revenues to fund the replacement of city vehicles. Additionally, aside from USDA reimbursements, Asset Forfeiture funds can be utilized as an eligible source to cover upfit costs for Police Department vehicles.



## BUDGET ADJUSTMENT REQUESTS AT MID-YEAR

Staff is requesting the following budget adjustments at mid-year. Today, the Council will not be asked to take official action on these requests. However, if the Council agrees, Staff will bring the adjustments back at a future Council meeting, where they will be included on the consent calendar for approval.

FY 2023/24 Requested Mid-Term Budget Adjustments							
Account Number	Account Description	Department	Current Budget	Budget Amendment Request	Adjusted Budget	Justification	Funding Source
<b>GENERAL FUND</b>							
<b>EXPENDITURES</b>							
110-4190-0356	Charge Point	Non-Departmental	\$ 3,000	\$ 4,300	7,300	ChargePoint Expenses - damaged equipment	
110-4190-0360	Property Premium	Non-Departmental	87,331	(4,300)	83,031	Reduce Budget, Cost Savings based on actuals	
		Net	90,331	-	90,331		
<b>Public Works</b>							
110-4330-0310	Engineering	Public Works	\$ 27,041	\$ 9,000	\$ 36,041	Fire Station Contract for surveying, Amount exceeds CDBG funding available	
110-4330-0211	Medical Premium	Public Works	149,536	(9,000)	140,536	Reduce Budget- Salary/Cost savings	
110-4570-0101	Salaries & Wages -Corp yard	Public Works	207,325	20,000	227,325	Add a FTE-Maintenance Worker 1 position (Q4), Eliminate Seasonal Position	
110-4330-0101	Salaries & Wages -Engineerin	Public Works	\$ 703,384	\$ (20,000)	683,384	Reduce Budget- Salary savings	
		Net	1,087,286	-	1,087,286		
<b>Police Department</b>							
110-4200-0101	Salaries & Wages	Police Department	\$ 1,976,398	\$ (122,680)	1,853,718	Salary Savings	
110-4200-0102	Overtime	Police Department	84,837	81,151	165,988	Increase to Overtime Budget, due to unfilled positions	
110-4200-0103	Comp Time	Police Department	34,043	41,529	75,572	Increase to Comp Time Budget, due to unfilled positions	
110-4200-0366	Training/Travel Reimb	Police Department	35,000	20,000	55,000	Increase to Training & Travel Budget	
110-4200-0367	PD Recruit Training	Police Department	40,000	(20,000)	20,000	Reduce Budget, Cost Savings, sending recruit to Academy in fourth quarter.	
		Net		\$ -			
<b>Community Development</b>							
110-4320-0101	Salaries & Wages	CDD	\$ 310,933	\$ (30,000)	\$ 280,933	Reduce Budget Salary Savings	
110-4320-0319	Professional Services	CDD	18,897	30,000	48,897	Planning Consultant - Increase contract	
			329,830	-	329,830		
<b>Finance/Administration</b>							
110-4130-0319	Professional Services	Administration	60,462	40,000	\$ 100,462	City of Fort Bragg Strategic Plan/Goal Setting 2024-2029	
110-4150-0101	Salaries & Wages	Finance	366,345	(40,000)	\$ 326,345	Reduce Budget- Salary/Cost savings unfilled position	
		Net	\$ 329,830	\$ -	\$ 329,830		
<b>WASTEWATER ENTERPRISE</b>							
710-4712-0360	Insurance	Wastewater	\$ 70,632	\$ 42,012	\$ 112,644	Property Insurance * Pay with Budget savings	
710-4712-0231	Workers compensation	Wastewater	43,888	(19,375)	24,513	Cost savings in workers compensation (actuals)	
710-4712-0376	Medical Safety Supplies	Wastewater	7,000	(4,000)	3,000	Cost savings based on YTD and projections for the remaining quarter	
710-4712-0366	Training and Travel	Wastewater	6,000	(5,000)	1,000	Cost savings based on YTD and projections for the remaining quarter	
710-4712-0220	Pers	Wastewater	\$ 93,978	\$ (25,592)	\$ 68,386	Cost savings in PERS (actuals)	
		Net	\$ 70,632	\$ (11,955)	\$ 112,644		
<b>CV STARR ENTERPRISE (810)</b>							
810-4812-4111	IT Costs		25,496	24,581	50,077	IT Costs to improve Network and CV Starr	
810-4812-0365	Printing & Copying		8,000	(4,000)	4,000	Reduce Budget amount, based on Actuals Q1 & Q2	
810-4812-0343	Chemicals		25,000	5,000	30,000	Increase in chemical costs	
810-4815-0377	Pool Side Supplies		9,300	(4,000)	5,300	Reduce Budget amount, based on Actuals Q1 & Q2	
810-4815-0375	General Supplies		4,000	(3,000)	1,000	Reduce Budget amount, based on Actuals Q1 & Q2	
810-4812-0311	Legal Costs		2,000	5,000	7,000	Reduce Budget amount, based on Actuals Q1 & Q2	
810-4812-0366	Training and Travel		9,000	(6,000)	3,000	Reduce Budget amount, based on Actuals Q1 & Q2	
810-4812-0351	Equipment Repair and Maint		5,000	(5,000)	-	Reduce Budget amount, based on Actuals Q1 & Q2	
810-4815-0373	License and permits		8,000	(5,000)	3,000	Reduce Budget amount, based on Actuals Q1 & Q2	
810-4815-0751	CV Starr CIP		1,992,402	(1,586,420)	405,982	HVAC System engineering only this fiscal year.	
		Net	\$ 2,088,198	\$ (1,578,839)	\$ 509,359		
<b>INFORMATION TECHNOLOGY - ISF (521)</b>							
521-4394-0384	Licensing, Software & Maint	IT	\$ 313,673	\$ 18,734	\$ 332,407	Cisco XDR \$4,462.50, Phone \$14,272	Operating Appropriation
521-4394-0319	Professional Services	IT	50,000	(28,800)	21,200	Reduce Budget, postpone project to next fiscal year.	
521-4394-0382	Hardware Expenses	IT	55,392	29,965	85,357	Hardware Server \$29,965.42	
			\$ 419,065	\$ 19,899	\$ 438,964		
<b>FLEET- ISF (522)</b>							
522-4550-0352	Vehicle Repairs	Fleet -ISF	\$ 40,000	\$ 35,000	\$ 75,000	Unanticipated Vac truck repairs and rental. Monthly parts and repair avg. \$5,150.	
522-4550-0382	Fuel & Lubricants	Fleet -ISF	\$ 90,000	\$ 10,000	\$ 100,000	Increases in fuel costs	
			\$ 130,000	\$ 45,000	\$ 175,000		
<b>CAPITAL IMPROVEMENT PROGRAM (CIP)/SPECIAL REVENUES</b>							
651-6007-0310	Raw Water Line Replacement Design		871,558	81,429	952,987		

## 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. The General Fund Financial forecast is intended to be a tool that provides a rational forecast of where the City's financial position will be in five years. Staff annually updates a five-year General Fund financial forecast to evaluate the City's financial condition and help develop the City's Budget.

### Economic Trends

It caps off a year in which the economy defied expectations that it would plunge into recession. The economic outlook for the United States through 2024 suggests that the actions of the Federal Reserve will play a crucial role in shaping the pace of economic growth. The substantial growth in real GDP during the last quarter of 2023, which increased by 4.9%, highlights a robust period of economic expansion, significantly outpacing the annual growth rate of 2.9%. This surge is attributed mainly to an uptick in consumer spending, asset investments, and government expenditures, indicating a strong demand-side boost to the economy.

Despite this optimistic growth, the economic landscape is clouded by persistent uncertainties around inflation, which, although reduced from 6.5% in the previous year to 3.3% year-over-year by the end of December 2023, remains a concern for policymakers and economists. The reduction in inflation suggests that previous measures might be starting to bear fruit, yet the current rate still exceeds the Federal Reserve's long-term target of 2%, keeping the debate around further monetary tightening or policy adjustments alive.

Interest rates, which are a primary tool for the Federal Reserve in managing economic stability and inflation, are said to be moderating. However, the lack of clarity regarding potential major revisions to these rates adds another layer of uncertainty. The Federal Reserve's future decisions will likely hinge on balancing the need to control inflation without stifling economic growth, especially in a context where consumer spending and investment are driving expansion.

On the employment front, the increase in the state unemployment rate to 5.1% in December 2023 from 4.1% in the previous year indicates a slight softening in the labor market. This change might reflect various factors, including adjustments in the economy post-pandemic, shifts in workforce participation, or sectors' differing paces of recovery. While higher than in 2022, the unemployment rate is notably lower than the 7.7% seen in December 2021, suggesting a significant recovery from the pandemic's peak impacts.

In summary, the U.S. economy is at a critical juncture as it enters 2024. The Federal Reserve's policy decisions will be instrumental in steering the economy toward sustained growth while managing inflationary pressures. The interplay between continued consumer spending, investment, government expenditures, and the evolving monetary policy landscape will define the economic trajectory in the coming months. The ultimate challenge for policymakers will be to navigate these dynamics effectively, ensuring that growth is not only preserved but also inclusive, laying a solid foundation for long-term economic stability.

Based on the latest sales tax forecast ending September 30, 2023, statewide taxable sales down by 3.2% overall compared with the previous year and the County-wide recording declines of 6.4%, with the City gaining 0.7%. Revenue of Autos & Transportation sales tax revenue is up 2.7% year-over-year, and nearly 10% in the last quarter alone. Fuel & Service Stations are up 1.9% from prior year though overall fuel prices have been steadily coming down. Therefore, the conservative approach taken in this forecast has limited growth in the near term to 2% with steady incremental increases over the five-year forecast horizon.

## Long-term forecast

Sales tax revenues have decreased slightly in recent months, but this is inevitable in the face of declining inflation. Ultimately, such declines are often mitigated by the increases in other revenue sources. For instance, property taxes are counter-cyclical to a high inflation environment, so when high inflation abates, interest rates will also fall creating higher value to homeowners and greater tax revenues to the City as well as relieving pressure on those unwilling to refinance in a high-rate environment. This means more revenue through property development and existing home sales.

Although the City still faces significant needs for services and capital improvements, it remains in a strong financial position with reserves over the Council's 25% goal to meet unforeseen needs. Also, it is important to note that the pension cost calculated in this forecast uses the latest actuarial report issued in June 2023 and through June 30, 2022, which reflects -6.1% investment loss that was reported by CalPERS for the fiscal year ending June 20, 2022. Such losses are driving significant increases to the City's unfunded accrued liability (UAL) determined by CalPERS. Pension costs have been projected to increase in 24/25 and thereafter as a result of new Unfunded liability (UAL) added by the -7.5% return recorded by CALPERS and almost 0% return projected for 2023.

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 6.8% 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 that ended June 30, 2023, is \$6.4 million.

Like most cities in California, Fort Bragg will see increases in its unfunded liability in 2024/25 payments with little or no reduction in the overall unfunded liability helped by the City adopting a Pension Policy and issued \$11.4 million in taxable Lease Revenue Bonds in 2021 to restructure the UAL Debt with CALPERS. Proceeds 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 which were later returned to reduce the City's debt. The record positive CalPERS investment return mentioned above, the \$7.5 million liability payment, and the setting up of a Section 115 Trust with PARS placed the City in a better position to manage pension obligations. However, recent negative returns by CALPERS in June 2022 have caused UAL to increase.

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, showing possible long-term results if certain revenue enhancements were enacted.

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 \$4 million of interest cost over 15 years. Measure H was not successful.

With the defeat of Measure H, the City took steps to close the budget gap on the expenditure side. The Administrative Services department eliminated the position of Administrative Services Director 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 the 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 continue 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 2022 and projected a small surplus of \$47k and \$175k in FY 22/23. While the Surplus was small, the budget included \$150k to pay down pension obligations, a budget for the Police Chief position, and a new City Manager position with 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. Revenue enhancements and/or additional cost-cutting measures will likely be necessary within two years. 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 pursue a general sales tax measure again at the next opportunity or identify new sources of revenues.

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.

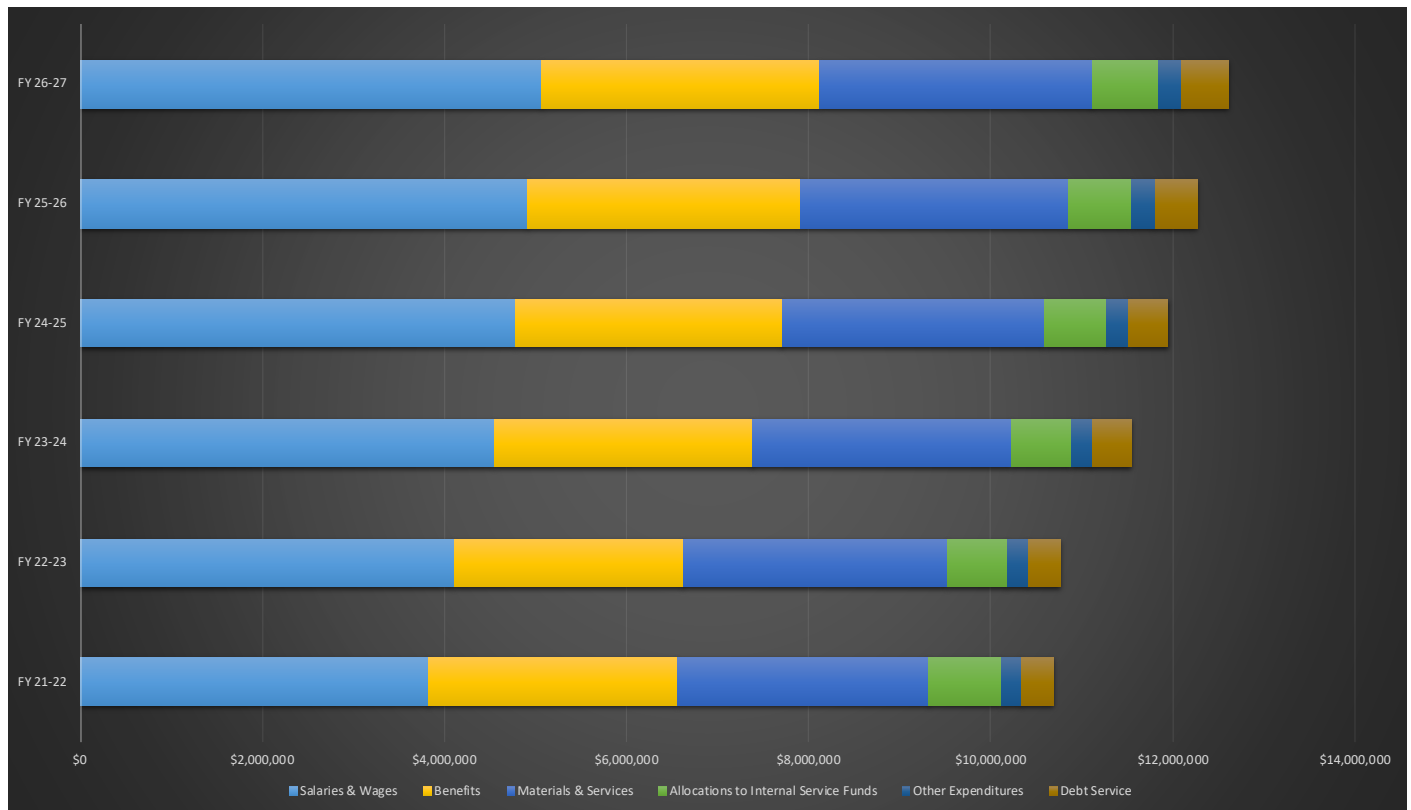
The General Fund's main revenue source of transient occupancy taxes and sales tax are exceeding initial expectations, however recently there has been a slowdown in property sales and higher property valuations. Sales taxes increase but at a lower level than in previous years. Uncertainties that may impact future operating positions are listed in the following table with actions to manage these uncertainties.

Uncertainty	Actions to Manage/Mitigate this Uncertainty
Inflation	Seek other revenue sources or adjust service fees to offset increases in costs
Economic Downturn/Recession	Maintain a General Fund Emergency & Operating Reserves at 25%
Future Police Association Contract Costs 2024	Maintain a positive operating position to absorb larger cost increases in the future
Future SEIU Contract Costs 2025	Maintain a positive operating position to absorb larger cost increases in the future
Service Changes/Council Priorities: -Housing -Infrastructure -Broadband -Pension Unfunded Liability	Seek other revenue sources or adjust service fees or levels to offset increases

These uncertainties could create annual impacts on the General Fund and its operating position. The Long Term Financial Plan is to be informational and act as a guide to Council, management, and citizens as decisions are made.

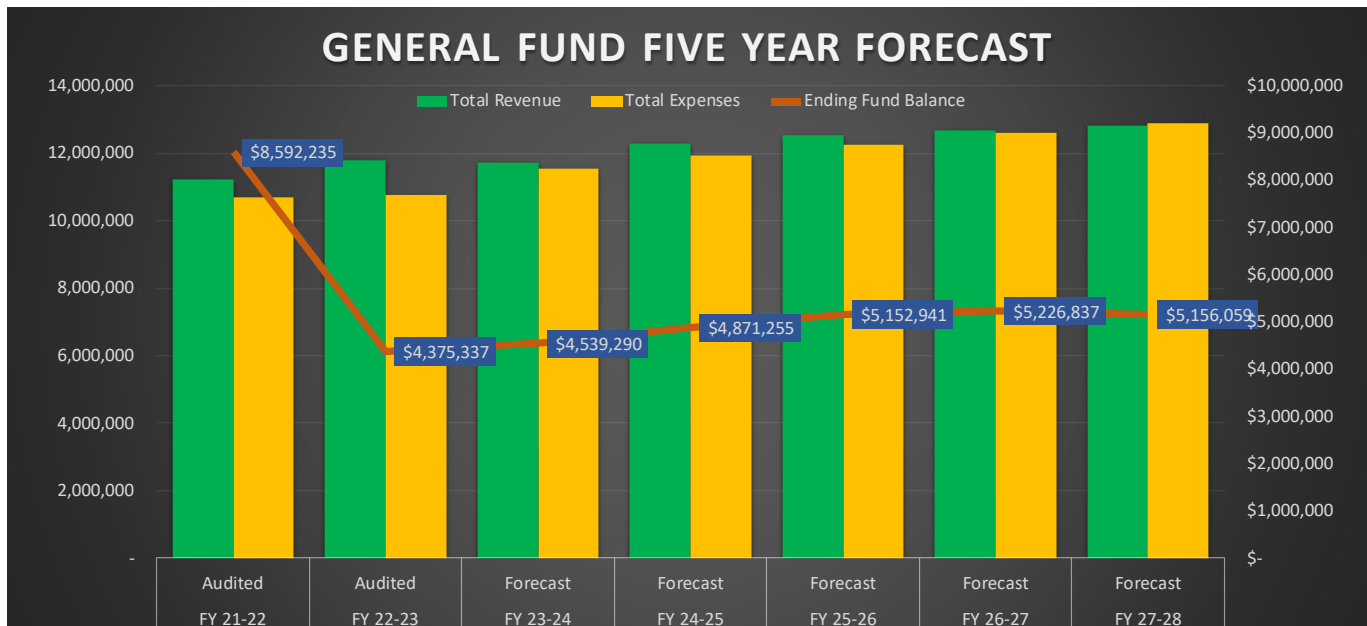
The Long Range Financial Forecast sets the stage for the upcoming budget process, facilitating the City Council to consider strategic priorities and allocate resources appropriately. This Long Range Financial Forecast is not intended as a budget nor as a proposed plan. The forecast is based on current service levels, doesn't factor in future development, and uses general assumptions that may be different than actual amounts.

The following charts depict the General Fund expenditure categories.





City of Fort Bragg General Fund Five Year Forecast								
		FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28
		Audited	Audited	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Revenue:</b>	Sales Tax	\$ 2,215,161	\$ 2,146,975	1,959,500	1,979,095	2,048,363	2,120,056	2,194,258
	Property Tax	1,150,352	1,136,219	1,150,257	1,150,257	1,161,760	1,173,377	1,185,111
	Transient Occupancy Tax	3,444,990	3,192,486	3,242,118	3,258,329	3,421,245	3,455,457	3,490,012
	Reimbursements	3,333,187	3,278,393	3,341,622	3,341,622	3,341,622	3,341,622	3,341,622
	All Other Revenue Sources	1,071,911	2,037,151	2,550,689	2,550,689	2,576,196	2,601,958	2,627,977
	<b>Total Revenue</b>	<b>11,215,601</b>	<b>11,791,224</b>	<b>11,720,423</b>	<b>12,279,992</b>	<b>12,549,186</b>	<b>12,692,471</b>	<b>12,838,980</b>
<b>Expenditures:</b>	Salaries & Wages	3,831,953	4,114,364	4,550,423	4,777,944	4,921,282	5,068,921	5,170,299
	Benefits	2,728,147	2,508,092	2,843,131	2,928,425	2,986,993	3,046,733	3,107,668
	Materials & Services	2,762,347	2,903,529	2,832,433	2,889,082	2,946,863	3,005,801	3,065,917
	Allocations to Internal Service Funds	789,396	649,295	656,999	676,709	697,010	717,921	739,458
	Other Expenditures	216,637	230,533	230,971	242,520	249,795	257,289	265,008
	Debt Service	358,337	364,131	442,513	433,348	465,555	521,910	561,409
	<b>Total Expenses</b>	<b>10,686,817</b>	<b>10,769,944</b>	<b>11,556,470</b>	<b>11,948,027</b>	<b>12,267,500</b>	<b>12,618,574</b>	<b>12,909,759</b>
<b>Net Transfers:</b>			-	-	-		-	
Net Increase (Decrease) to Fund Balance		528,784	1,021,280	163,953	331,964	281,686	73,896	(70,778)
Other restricted funds		3,879,236	(3,638,178)	-	-	-	-	-
Beginning Fund Balance		4,184,215	8,592,235	5,975,337	6,139,290	6,471,255	6,752,941	6,826,837
Ending Fund Balance		\$ 8,592,235	\$ 5,975,337	\$ 6,139,290	\$ 6,471,255	\$ 6,752,941	\$ 6,826,837	\$ 6,756,059
<b>Storm Drain Enterprise \$190k annually</b>		718,784	1,211,280	353,953	521,964	471,686	263,896	119,222
		\$ 4,902,999	\$ 6,114,279	\$ 6,468,232	\$ 6,990,197	\$ 7,461,883	\$ 7,254,093	\$ 7,581,105
<b>Parcel Tax \$430k/yr.</b>		958,784	1,451,280	593,953	761,964	711,686	503,896	359,222
		\$ 5,142,999	\$ 6,594,279	\$ 7,188,232	\$ 7,950,197	\$ 8,661,883	\$ 8,454,093	\$ 9,021,105
<b>1% TOT Tax \$310k/yr.</b>		667,232	1,340,529	653,828	826,738	793,777	585,987	459,236
		\$ 4,851,447	\$ 6,191,976	\$ 6,845,804	\$ 7,672,542	\$ 8,466,319	\$ 8,258,529	\$ 8,925,554
<b>3/8 cent General Sales Tax \$800k/yr.</b>		736,455	1,826,396	898,766	1,074,125	1,049,822	868,917	752,068
		\$ 4,920,671	\$ 6,747,066	\$ 7,645,832	\$ 8,719,957	\$ 9,769,779	\$ 10,638,696	\$ 11,390,765



## The FISCAL YEAR 2025 BUDGET PREPARATION

### A. BUDGET PREPARATION SCHEDULE

Initial activities related to preparing the Fiscal Year 2024/25 budget are underway. The direction provided today by the Council will be incorporated into the budget draft. Staff will present a draft budget to the Council and the public at a budget workshop in May. The further direction provided at the workshop will be incorporated into a "Final" budget that will be presented to the Council for consideration of adoption in June. The complete budget calendar is provided below:

### SCHEDULE FOR DEVELOPMENT OF FY 2024/25 BUDGET

ACTIVITY	DEADLINE
FINANCE PROVIDES BUDGET SPREADSHEETS TO DEPARTMENTS AS WELL AS INSTRUCTIONS RE: NARRATIVES & CAPITAL PROJECTS (INCLUDING INTERNAL SERVICE FUNDS, GRANTS, DDAs)	2/25/2024
MID-YEAR PERFORMANCE BUDGET REVIEW WITH COUNCIL ( 2PM-5pm) <b>[COMMUNITY INPUT]</b>	3/20/2024
FINANCE PROVIDES INITIAL REVENUE FORECASTS TO CM (ALL REVENUE SOURCES, AND FUNDS)	3/31/2024
DEPTS SUBMIT PROPOSED DEPARTMENTAL EXPENSE BUDGETS AND NARRATIVES TO FINANCE	4/12/2024
PW & CDD SUBMIT COMPLETED BUDGET SECTIONS FOR GRANTS AND CAPITAL PROJECTS	4/12/2024
HR PROVIDES PAYROLL PROJECTIONS INCLUDING BENEFITS	4/19/2024
CM & FINANCE MEET WITH ALL DEPTS; REVIEW APPROPRIATIONS REQUESTS	4/15/2024 thru 4/19/2024
CM & FINANCE FOLLOW UP MEETING CIP	4/21/2023
FINANCE POSTS REVISED BUDGET WORKSHEETS IN BUDGET FOLDER;	4/22/2024
DEPARTMENTS REVIEW REVISED EXP WORKSHEETS; REPORT ANY DISCREPANCIES TO FINANCE THIS INCLUDES PROJECTED YEAR END FOR FY23, GRANTS; CAPITAL PROJECTS, ETC	4/22/2023
FINANCE REVIEWS TOTAL REVENUES vs EXPENDITURES WITH CM - ADJUST AS NECESSARY;	4/26/2024
INTERNAL REVIEW/QUALITY CONTROL (FINANCE, CM, DEPTS) - DRAFT BUDGET DOCUMENT	4/15/2024 thru 5/10/2024
FINALIZE DRAFT BUDGET DOCUMENT	5/17/2024
CM COMPLETES BUDGET TRANSMITTAL LETTER	5/17/2024
FINANCE DISTRIBUTES PROPOSED FY 2023/24 Draft BUDGET	5/22/2024
CITY COUNCIL CONDUCTS FY 2024/25 BUDGET HEARING WORKSHOP <b>[COMMUNITY INPUT]</b>	5/29/2024
FINANCE DISTRIBUTES FY 2024/25 BUDGET INCLUDING COUCIL AND PUBLIC UPDATES (FOR COUNCIL ADOPTION)	6/6/2024
CITY COUNCIL ADOPTS FY 2024/25 BUDGET	6/10/2024

### B. PRIORITIZED LIST OF FINANCIAL GOALS

Staff used the prioritized list as guidance in preparing the FY2024 budget and will again use the list in preparing the FY 2024/25 budget unless the Council directs otherwise:

- 1) Adopt a balanced budget (ongoing expenditures should be supported by ongoing revenues. Accordingly, one-time revenues/grants should not be used for ongoing expenditures continuously)
- 2) Provide additional contributions to the Section 115 Trust to help pay the unfunded liability
- 3) Maintain operating reserve (20% of operating Exp) and litigation reserve (\$200k)
- 4) Provide additional funding for emergency reserves (10% of Operating Expenditures)
- 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