

FY 2019/20

Mid-Year Financial Report



City of Fort Bragg

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FY 2019/20 MID-YEAR BUDGET REVIEW

INTRODUCTION

The City of Fort Bragg Mid-Year Performance Report addresses the financial activity during the first two quarters of FY 2019/20. The report focuses on the General Fund 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 31st, 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 day-to-day operations of the City, 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 or impact fees, or grants.

FISCAL YEAR 2018/2019 RECAP

Fund Balance; FY2018/19		Fund Balance Classification; FY2018/19	
Fund Balance at 07/01/2018	\$ 2,959,474	Nonspendable	
Revenue	9,380,928	Prepays and inventory	\$ 3,547
Less Expenditures	(9,184,487)	Loans/Notes receivable	5,323
Net Transfers	(14,289)	Committed	
Fund Balance at 06/30/2019	<u>\$ 3,141,626</u>	Encumbrances	50,478
		Reserves	
		Operating reserve	1,431,305
		Litigation reserve	200,000
		Unassigned fund balance	<u>1,450,973</u>
		Fund Balance at 06/30/2019	<u>\$ 3,141,626</u>

Fiscal Year 2018/19 outpaced the budgeted \$22k surplus and instead ended with an \$182k surplus. Revenues came in under budget by \$179k (-2%), expenditures were below budget by \$466k (5%) and transfers were over budget by \$17k. The significant budget surplus was primarily due to salary savings caused by under staffing in the police department as well as a reorganization of the Administrative Services Department. The General Fund continued to maintain an operating reserve of \$1.4M, and a litigation reserve of \$200k.

FISCAL YEAR 2019/2020 AS OF 12/31/2019

General Fund revenues (excluding transfers) for the first half of FY 2019/20 totaled \$4.6M, representing 46% of the amended annual budget. The projected year-end total is \$9.6M or approximately \$285k less than budget.

Revenue; FY2019/20 Budget vs. Actual								
Revenue Source:	FY2019 Audited Results	FY2020 Adopted Budget	Pro Rated Budget as of 12/31/2019	Actual Balance as of 12/31/2019	% Variance at mid-year	\$ Variance		Variance of
						Actual balance vs Pro Rated Budget	FY2020 Projected Year End	Projected FYE vs. Adopted Budget
Transient Occupancy Tax	\$ 2,640,276	\$ 2,864,535	\$ 1,432,267	\$ 1,553,117	54%	\$ 120,849	\$ 2,712,274	\$ (152,261)
Sales and Use Tax	1,728,222	1,941,692	970,846	901,972	46%	(68,874)	1,851,245	(90,447)
Property Tax	1,074,933	1,125,271	562,635	220,183	20%	(342,452)	1,109,205	(16,066)
Other Taxes	762,164	803,340	401,670	292,195	36%	(109,475)	826,275	22,935
Sub Total Tax Revenue	6,205,593	6,734,838	3,367,419	2,967,467	44%	(399,952)	6,498,999	(235,838)
Licenses & Permits	124,929	108,480	54,240	28,002	26%	(26,238)	112,805	4,325
Fines and Forfeitures	70,097	36,000	18,000	31,981	89%	13,981	43,231	7,231
Intergovernmental	14,231	1,000	500	25,000	2500%	24,500	25,500	24,500
Use of Money and Property	261,030	65,400	32,700	107,583	164%	74,883	59,929	(5,471)
Charges for Services	70,403	62,800	31,400	29,136	46%	(2,264)	56,002	(6,798)
Operating Grant Revenue	144,628	267,537	133,769	97,819	37%	(35,949)	269,058	1,521
Reimbursements	2,452,787	2,554,276	1,277,138	1,278,469	50%	1,331	2,477,321	(76,955)
Other Revenue	37,230	33,470	16,735	2,567	8%	(14,168)	36,086	2,616
Total	\$ 9,380,928	\$ 9,863,801	\$ 4,931,900	\$ 4,568,023	46%	\$ (363,877)	\$ 9,578,932	\$ (284,869)

- ❖ Transient Occupancy tax continues to grow but is projected to end the year below budget by approximately \$152k. On a year over year basis the increase is likely to be about 3%. This is lower than the original growth projection of 6%. With over \$400k being invested annually in promotional activities and attractions (Noyo Center for Marine Science, Coastal Trail and Playing Fields) the City would like to see more robust returns in the years to come. Staff recommends that Council carefully consider the effectiveness of these efforts and whether those funds could be used more efficiently by being repurposed.
- ❖ Sales and Use Tax is projected to end the year under budget by \$91k. While Sales and Use Tax was essentially flat for many years, the last few years have shown a slow but steady growth trend. The mid-year forecast is based on a first quarter report provided by the City's sales tax consultant, Muni Services. On a year over year basis staff believes sales tax will increase approximately 1.5%.
- ❖ Reimbursements are expected to come in under budget by \$77k. Reimbursements related to the City's street maintenance and repair program are expected to come in under budget by approximately \$48k. Additionally reimbursements in the Community Development department related to general plan maintenance and developer deposits accounts are expected to come in under budget by approximately \$27k.

City of Fort Bragg
FY 2019/20 Mid-Year Performance Report
As of December 31, 2019

General Fund expenditures (excluding transfers) for the first half of FY 2019/20 totaled \$4.8M, representing 48% of the amended annual budget. Appropriations of \$9.8M were adopted for FY 2019/20. Throughout the course of the year, budgeted appropriations have been increased by \$255k resulting in an amended budget of \$10.1M. Police Department salaries were increased \$71k as a result of the annual Police Department salary survey. Pursuant to the Initiative Ordinance 672 as approved by the voters, the City of Fort Bragg conducts an annual review of the salaries for each classification in the Fort Bragg Police Department and makes salary adjustments, as required by the Ordinance, effective each January 1. The Ordinance requires that the salary for each classification at the Police Department shall not be less than the average of the salaries paid for comparable positions in the Ukiah and Willits police departments, and the Mendocino County Sheriff's Office (MCSO). Police Department salaries are expected to increase by \$1.6M over the next five years. Additionally, the Community Development department budget was increased by \$42k for a recycling education campaign (\$25k) and the purchase of 9 new trash receptacles (\$17k). Both additional appropriations will be funded by forfeited construction and demolition deposits so that there is an equal and offsetting revenue. The remaining budget amendments represent purchase order roll-overs from the previous fiscal year as well as a \$91k pre-payment to the CalPERS retirement system.

Expenditures; FY2019/20 Budget vs. Actual - By Category									
Expenditure By Category:	FY2019 Audited	FY2020		FY2020	YTD Balance as of 12/31/2019	% Variance Budget vs. Actual	FY2020	Variance of Projected Year End vs. Final Budget	
	Results	Adopted Budget	Budget Amendments	Final Budget			Projected Year End		
Salaries	\$ 3,615,603	\$ 3,809,107	\$ 70,932	\$ 3,880,039	\$ 1,853,718	48%	\$ 3,844,340	\$ 35,699	
Benefits	2,328,245	2,603,762	91,000	2,694,762	1,230,648	46%	2,581,588	113,174	
Materials & Services	2,146,849	2,124,559	50,415	2,174,973	1,204,661	55%	2,122,904	52,070	
Other Expenditures	190,448	185,900	42,213	228,113	39,798	17%	161,513	66,600	
Debt Service	185,533	185,533	-	185,533	73,785	40%	147,569	37,964	
Allocations	717,808	889,721	-	889,721	421,085	47%	889,721	-	
Total	\$ 9,184,487	\$ 9,798,581	\$ 254,560	\$ 10,053,141	\$ 4,823,695	48%	\$ 9,747,635	\$ 305,506	

Expenditures; FY2019/20 Budget vs. Actual - By Department									
Expenditure By Department:	FY2019 Audited	FY2020		FY2020	YTD Balance as of 12/31/2019	% Variance Budget vs. Actual	FY2020	Variance of Projected Year End vs. Final Budget	
	Results	Adopted Budget	Budget Amendments	Final Budget			Projected Year End		
General Government:									
City Council	\$ 140,693	\$ 73,833	\$ -	\$ 73,833	\$ 11,676	16%	\$ 48,322	\$ 25,511	
Administrative Services	1,086,638	459,805	12,475	472,280	206,718	44%	466,183	6,097	
Litigation Reserve	69,314	-	-	-	-	n/a	-	n/a	
Finance	454,348	362,890	30,400	393,290	209,440	53%	360,061	33,230	
Non-Departmental	844,507	218,132	-	218,132	195,310	90%	206,263	11,869	
Community Organizations	160,835	177,175	-	177,175	27,063	15%	110,690	66,485	
Caspar Closure	89,991	74,433	-	74,433	74,423	100%	36,459	37,974	
Community Development:	438,220	627,692	42,213	669,905	384,058	57%	586,299	83,605	
Public Safety:									
Police Department	3,538,689	4,982,327	161,932	5,144,259	2,446,174	48%	5,216,506	(72,247)	
Fire Department	410,401	430,723	-	430,723	284,067	66%	422,857	7,866	
Public Works:									
Administration & Engineering	641,991	587,584	-	587,584	167,341	28%	548,245	39,339	
Parks and Facilities	232,989	532,421	-	532,421	260,949	49%	533,448	-	
Street Maintenance	126,787	374,184	-	374,184	143,734	38%	326,184	48,000	
Storm Drains	17,891	178,413	7,540	185,953	97,025	52%	185,945	-	
Corporation Yard	699,991	355,972	-	355,972	157,366	44%	337,839	18,133	
Traffic and Safety	45,670	177,464	-	177,464	84,565	48%	176,801	663	
Debt Service	185,533	185,533	-	185,533	73,785	40%	185,533	-	
Total	\$ 9,184,487	\$ 9,798,581	\$ 254,560	\$ 10,053,141	\$ 4,823,695	48%	\$ 9,747,635	\$ 305,506	

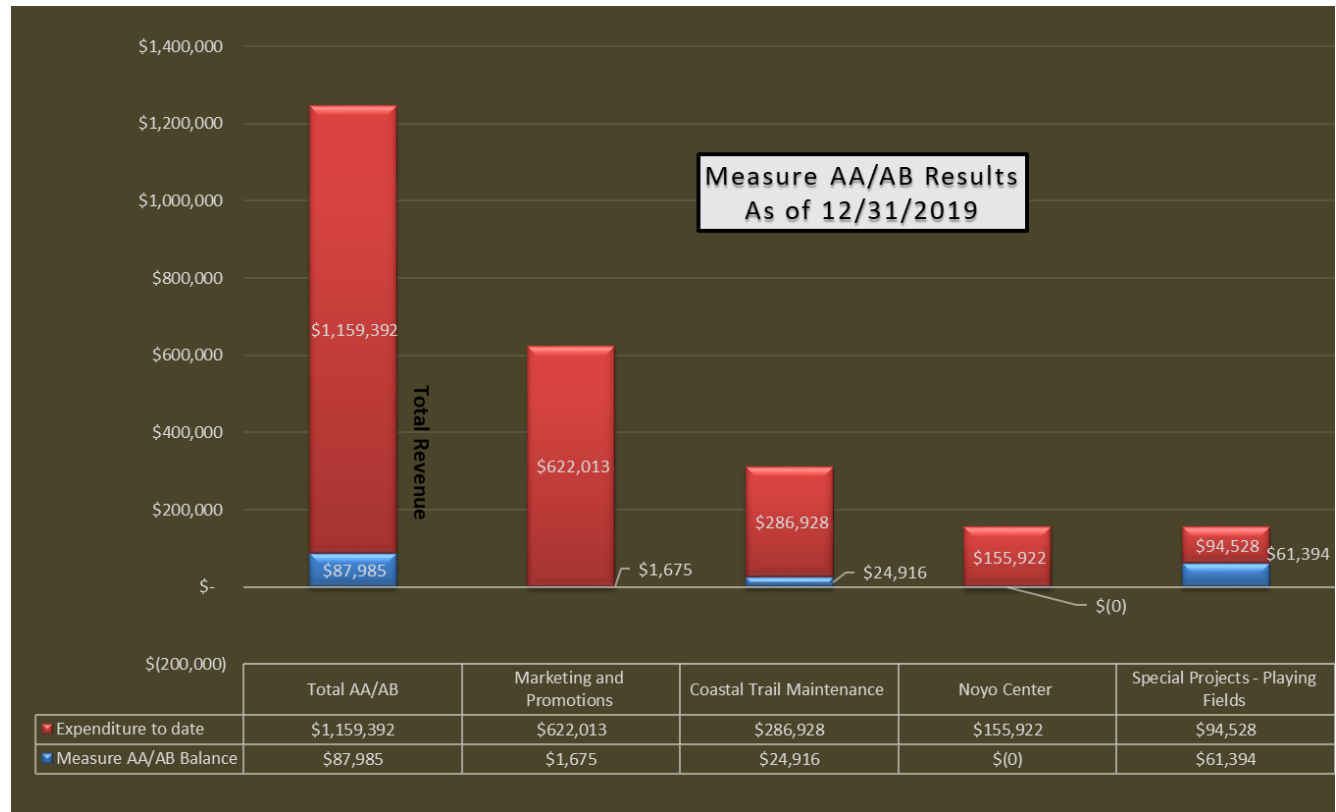
- ❖ Community Organizations is projected to be \$66k under budget primarily due to there being no payment for the Measure AB “Playing Fields” program.
- ❖ The Community Development Department is projected to be \$84k under budget primarily due to salary savings from a reorganization of the department.
- ❖ The Police Department is projected to end the year \$72k over budget. The budget overage is due to a two-month overlap in pay for the outgoing Police Chief and the Interim Police Chief. Additionally, with several new officers on board, the department has an increased need for training.
- ❖ In Public Works the Administration and Engineering department is projected to be \$39k under budget primarily due to salary savings from open staff positions early in the year.
- ❖ The Street Maintenance department is expected to be \$48k under budget due to the North Summer’s Lane overlay project not commencing (\$36k) as well a projected \$12k budget savings in street light utility savings.

Projected Fund Balance; FY2019/20	
Fund Balance at 07/01/2019	\$ 3,141,626
Revenue	9,578,932
Less Expenditures	(9,656,635)
Operating Surplus/(Deficit)	<u>(77,703)</u>
One-time Expenditures	(91,000)
Net Transfers	<u>(873)</u>
Change in Fund Balance	<u>(169,577)</u>
Fund Balance at 06/30/2020	<u><u>\$ 2,972,049</u></u>

Projected Fund Balance; FY2019/20	
Nonspendable	
Prepays and inventory	\$ 3,547
Advances to other funds	5,323
Committed	
Encumbrances	50,478
Measure AA/AB - Marketing	43,170
Measure AA/AB - Playing Fields	85,485
Reserves	
Operating reserve	1,469,787
Recession reserve	489,929
Litigation reserve	200,000
Appropriated Fund Balance	-
Unassigned fund balance	<u>624,330</u>
Fund Balance at 06/30/2020	<u><u>\$ 2,972,049</u></u>

With projected revenues of \$9.6M, total expenditures of \$9.8M and net transfers out of \$873, staff projects the general fund to end FY19/20 with a **fund balance** of \$3M. This represents a \$170k or 5% decrease over the final audited balance for FY18-19. Unassigned fund balance at year end is expected to decline to \$624k.

MEASURE AA/AB



In November 2016, the citizens of Fort Bragg passed Measure AA which increased the City’s TOT rate from 10% to 12%. The new rate became effective April 1, 2017. The chart above illustrates the amount of tax collected in Q4 FY16-17 through Q2 FY19-20 due to passage of the measure. The chart also illustrates amounts spent thus far and balances remaining both in total and for each of the four program areas earmarked for the revenue.

Total: tax collections through eleven quarters total \$1.3M. Expenditures thus far equal \$1.2M leaving an unspent balance of \$88k.

Marketing and Promotions: this program is earmarked for 50% AA taxes collected. Thus far expenditures are \$622k leaving a balance of \$1,600. Implementation and management of the City’s marketing plan was outsourced in September of 2017 to Playhouse Creative, Inc. DBA The Color Mill. In FY 2018-19 City Council approved a contract with Cubic, Inc. for a wide array of marketing services. In January of 2020 the City entered into a contract with The Idea Cooperative of Petaluma for marketing services. Management of the marketing plan and maintenance of the Visit Fort Bragg website is being handled by existing City staff instead of incurring the costs of an outside consultant.

Coastal Trail Maintenance: this program is earmarked for 25% measure AA taxes collected. Thus far expenditures are \$287k leaving a balance of \$25k. In FY 2019-20 through two quarters revenues in this category have outpaced costs. Staff anticipates that will change as maintenance costs pick up in the spring months.

Noyo Center for Marine Science: this program is earmarked for 12.5% of measure AA taxes collected. Through the second quarter of FY19-20 \$156k has been granted to the Noyo Center leaving no balance. Collected taxes will continue to be granted to the Noyo Center on a quarterly basis.

Special Projects – School Playing Fields: this program is earmarked for 12.5% of measure AA tax collected. In the third quarter of 2018-19 \$95k was granted to the Fort Bragg Unified School District for purchase of equipment necessary to maintain the playing fields. No other projects have been identified at this time and this program is expected to have a year-end balance of approximately \$85k.

City of Fort Bragg -Measure AA/AB

Overall Program - Profit/Loss & ROI

As of 12/31/2019

Incremental Increase in City TOT	\$ 479,405
Incremental Increase in Sales tax - due to volume increases	(287)
Expenditures since Inception	<u>(1,159,392)</u>
Profit/(Loss)	<u>\$ (680,274)</u>
Return on Investment:	<u><u>-59%</u></u>

WATER ENTERPRISE

FISCAL YEAR 2018/2019 RECAP

Net Position; FY2018/19	
Net Position at 07/01/2018	\$ 7,736,987
Total Revenue	3,187,269
Total Expense	(1,920,011)
Net Transfers	1,031,763
Change in net position	2,299,021
Net Position at 06/30/2019	\$ 10,036,008

Net Position Categories; FY2018/19	
Net investment in capital assets	\$ 4,974,409
Restricted for debt service	108,064
Capital Reserve	4,412,351
Operating Reserve	541,184
Net Position at 06/30/2019	\$ 10,036,008

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. Fiscal Year 2018/19 ended with an annual **net position** increase of \$2.3M. Net Income before transfers was \$1.3M. Per policy, the operating reserve is set at 25% of the prior year's operating expense and for Fiscal Year 2018/19 was set at \$541k. The capital reserve increased year over year by \$1.8M to \$4.4M. \$700k of the increase represented the long-awaited reimbursement from the CA State Water Resources Board for the Summer's Lane Reservoir project. Net investment in capital assets increased \$524k year over year. The CIP for the Water Enterprise stood at \$14.1M in total identified capital projects. The enterprise is well positioned to continue work on many of the projects listed on page 216 of the FY19-20 budget. Staff recommends that the enterprise conduct a full rate study in FY 2020/21 in order to accurately set rates for FY 2021/22.

FISCAL YEAR 2019/2020 AS OF 12/31/2019

Revenue, Expense & Transfers FY2019/20 Budget vs. Actual						
	FY2019 Audited Results	FY 2020 Final Budget	YTD Balance as of 12/31/2019	% Variance Budget vs. Actual	FY2020 Projected Year End	\$ Variance Budget vs. Projected Year End
Water Enterprise						
Revenue	\$ 3,187,269	\$ 3,382,054	\$ 1,776,222	53%	\$ 3,369,980	\$ (12,074)
Less expenses						
Personnel services	771,623	440,502	219,335	50%	440,502	-
Administration	273,767	469,735	231,954	49%	469,833	(98)
Repairs & maintenance	55,768	53,950	24,718	46%	48,193	5,757
Materials & supplies	176,337	159,267	80,948	51%	160,808	(1,540)
Utilities	116,867	135,000	64,701	48%	135,000	-
Contractual services	63,377	58,880	28,823	49%	67,101	(8,221)
Insurance	12,314	16,000	21,031	131%	21,031	(5,031)
Other operating	9,611	9,500	3,467	36%	9,500	-
Interest/Debt Service *	83,127	452,769	377,204	83%	452,769	-
Depreciation **	357,218	-	-		360,000	-
Sub Total Expense	1,920,010	1,795,603	1,052,181	59%	2,164,736	(9,133)
Net transfers ; in (out)	1,031,762	-	250		250	250
Net Revenue/(Expense)	\$2,299,021	\$ 1,586,450	\$ 724,291		\$ 1,205,493	\$ (30,090)

* 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

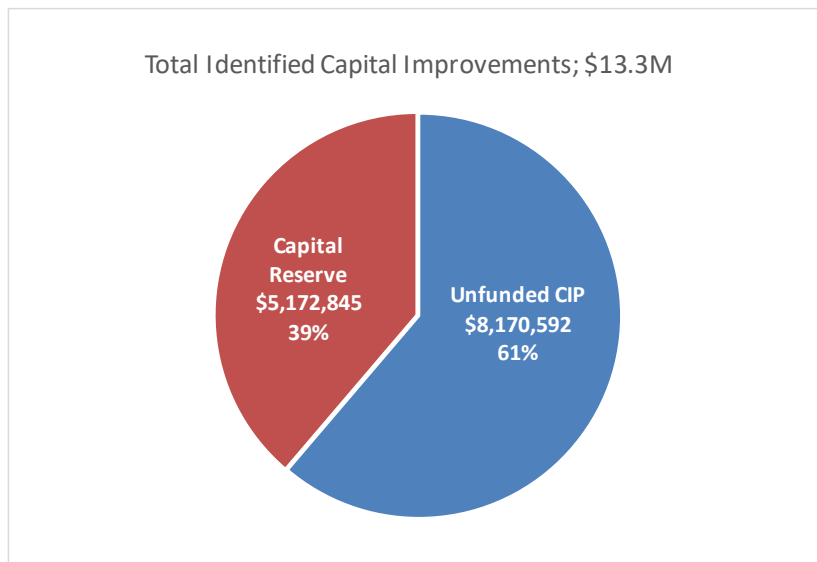
Water Enterprise revenues for the first half of FY 2019/20 totaled \$1.8M, representing 53% of the amended annual budget. Revenue from ratepayers is projected to increase 6% on a year-over-year basis. The Enterprise raised rates in FY19-20 by 5%. Also contributing to the revenue increases are investment returns projected to end the year at approximately \$45k. The projected year-end total revenue is \$3.4M or approximately \$12k less than budget.

Water Enterprise expenses for the first half of FY2019/20 totaled \$1.1M, representing 59% of the amended annual budget. The projected year-end total is \$1.8M (excluding depreciation) or approximately \$9k more than budget:

- ❖ At mid-year Debt Service is 83% 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.

Projected Net Position; FY2019/20		Projected Net Position Categories; FY2019/20	
Net Position at 07/01/2019	\$ 10,036,008	Net investment in capital assets	\$ 5,419,409
Total Revenue	3,369,980	Restricted for debt service	108,064
Total Expense	(2,164,736)	Capital Reserve	5,172,845
Net Transfers	250	Operating Reserve	541,184
Change in net position	1,205,493	Net Position at 06/30/2020	\$ 11,241,502
Net Position at 06/30/2020	\$ 11,241,502		

With projected revenues of \$3.4M, expenses of \$2.2M (including depreciation) and transfers in of \$250, staff projects the Water enterprise to end FY 2019/20 with a **net position** of \$11.2M. The Enterprise Capital Reserve is expected to increase by \$761k while the Net Investment in Capital Assets is expected to grow approximately \$760k.



WASTEWATER ENTERPRISE

FISCAL YEAR 2018/2019 RECAP

Net Position; FY2018/19	
Net Position at 07/01/2018	\$ 11,614,681
Total Revenue	6,054,499
Total Expense	(2,673,768)
Net Transfers	(2,298)
Change in net position	3,378,434
Net Position at 06/30/2019	\$ 14,993,115

Net Position Categories; FY2018/19	
Net investment in capital assets	12,555,096
Capital Reserve	1,812,380
Operating Reserve	625,639
Net Position at 06/30/2019	\$ 14,993,115

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. Fiscal Year 2018/19 ended with an annual **net position** increase of \$3.4M. Net Income before transfers was also \$3.4M. Per policy, the operating reserve is set at 25% of the prior year's operating expense and for Fiscal Year 2018/19 was set at \$626k. The capital reserve decreased year over year by \$1.1M due to the Wastewater Treatment Plan Upgrade project commencing. Net investment in capital assets increased \$4.4M year over year also due to the commencement of the Wastewater Treatment Plan Upgrade project. At year-end the CIP for the Wastewater Enterprise stood at \$21.1M total identified capital projects. The majority of the CIP was comprised of the Wastewater Treatment Plan Upgrade project which is under way and includes outside financing sources totaling over \$14M. The Enterprise fund will contribute \$3.2M to the project, which is expected to be completely by June, 2020. Staff recommends that the enterprise conduct a full rate study in FY 2020/21 in order to accurately set rates for FY 2021/22.

FISCAL YEAR 2019/2020 AS OF 12/31/2019

Revenue, Expense & Transfers FY2019/20 Budget vs. Actual						
	FY2019 Audited Results	FY 2020 Final Budget	YTD Balance as of 12/31/2019	% Variance Budget vs. Actual	FY2020 Projected Year End	\$ Variance Budget vs. Projected Year End
Wastewater Enterprise						
Revenue	\$ 6,054,500	\$ 10,797,470	\$ 4,896,201	45%	\$ 10,338,318	\$ (459,152)
Less expenses						
Personnel services	1,252,009	782,337	292,410	37%	810,267	(27,930)
Administration	269,509	595,265	435,291	73%	594,428	837
Repairs & maintenance	160,834	156,750	63,279	40%	110,241	46,509
Materials & supplies	334,381	203,736	90,997	45%	211,803	(8,067)
Utilities	148,648	140,000	70,567	50%	140,000	-
Contractual services	143,899	176,188	59,167	34%	120,904	55,284
Insurance	11,770	19,000	25,272	133%	26,772	(7,772)
Interest/Debt Service *	13,097	188,140	121,466	65%	188,140	-
Depreciation**	339,621	-	-	0%	665,000	-
Sub Total Expense	2,673,769	2,261,416	1,158,448	51%	2,867,555	58,861
Net transfers ; in (out)	(2,298)	3,538,000	128,441	4%	3,441,955	(96,045)
Net Revenue/(Expense)	\$3,378,434	\$ 12,074,054	\$ 3,866,194		\$10,912,718	\$ (437,475)

* 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

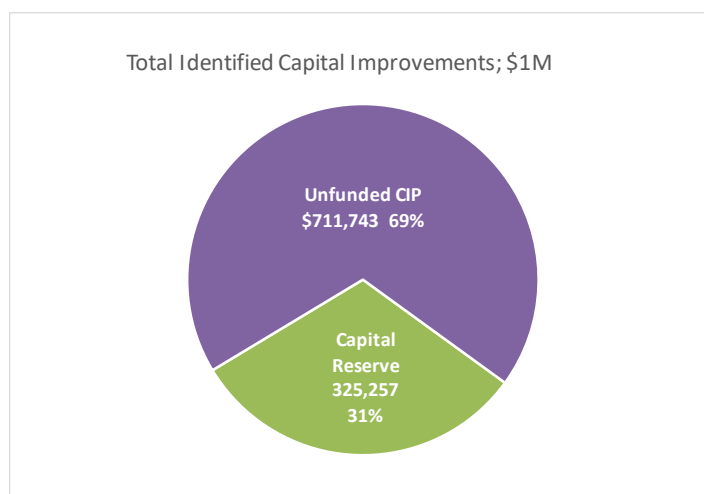
Wastewater Enterprise revenues for the first half of FY 2019/20 totaled \$4.9M, representing 45% of the amended annual budget. Revenue from ratepayers is projected to increase 3% on a year-over-year basis in line with a rate increase of 3%. The substantial year-over-year increase in revenue is due to grant funding provided for the Wastewater Treatment Plan Upgrade project with \$3.7M expected from the CA State Water Resources Board. The projected year-end revenue total is \$10.3M or approximately \$459k less than budget. The revenue miss represents the timing of grant revenue received for multi-year capital projects and is not a cause for concern.

Wastewater Enterprise expenses for the first half of FY 2019/20 totaled \$1.2M, representing 51% of the amended annual budget. The projected year-end total is \$2.2M (excluding depreciation) or approximately \$59k less than budget:

- ❖ At year-end personnel services are expected to be approximately \$28k over budget due largely to the newly instituted stand by pay.
- ❖ Materials and supplies in the Non-Routine Maintenance division at year-end are expected to be under budget by approximately \$46k. Less maintenance is required for the sewer lift stations since a complete overhaul was undertaken.
- ❖ Contractual services in the Treatment division at year-end are expected to be \$55k under budget. This is due to a budgeting error in which transport of bio-solids was inadvertently budgeted twice.

Projected Net Position; FY2019/20		Projected Net Position Categories; FY2019/20	
Net Position at 07/01/2019	\$ 14,993,115	Net investment in capital assets	24,863,687
Total Revenue	10,338,318	Capital Reserve	325,257
Total Expense	(2,867,555)	Operating Reserve	716,889
Net Transfers	3,441,955	Net Position at 06/30/2019	<u><u>\$ 25,905,833</u></u>
Change in net position	10,912,718		
Net Position at 06/30/2019	<u><u>\$ 25,905,833</u></u>		

With projected revenues of \$10.3M, expenses of \$2.9M and transfers in of \$3.4M, staff projects the Wastewater enterprise to end FY 2019/20 with a **net position** of \$25.9M. The Enterprise Capital Reserve is expected to decrease \$1.5M while the Net Investment in Capital Assets is expected to grow approximately \$12.3M due mostly to the expected completion of the Wastewater Treatment Plan Upgrade project. At year-end the Waster Enterprise CIP is expected to drop to \$1M.



TREASURER'S REPORT

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

- **Safety** – Safety of principal is the foremost objective of the investment program. Investments for the city will be made in a manner that seeks to ensure the preservation of capital in the overall portfolio.

- **Liquidity** – The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

- **Yield** – The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints, liquidity needs, and cash flow characteristics of the portfolio.

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

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

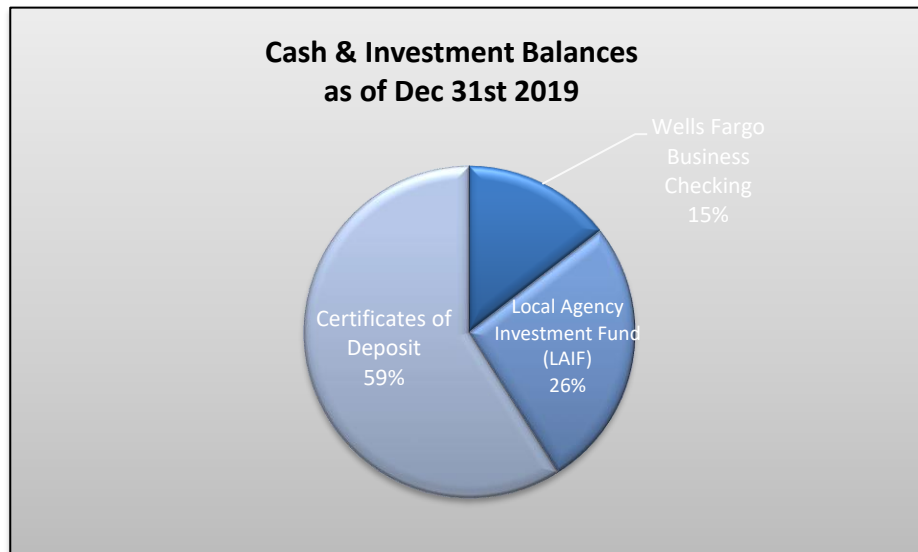
CASH AND INVESTMENT BALANCE

As of December 31st, 2019 the City’s cash and investment portfolio balances at market rate is \$12.77M. The portfolio yield is relatively low inverse to its degree of safety. The investment portfolio consists primarily of CDs purchased at a maximum of \$250k plus investments in the Local Agency Investment Fund.

The weighted average rate of return on CDs held is 2.3% and LAIF is at 2.29%. The weighted average rate of return on the entire portfolio is 2.06%.

TYPE	BALANCE	INTEREST RATE	
Wells Fargo Business Checking	\$ 1,854,785	0.6%	*
Local Agency Investment Fund (LAIF)	3,379,840	2.29%	
Certificates of Deposit	<u>7,538,518</u>	2.31%	**
Total	<u>\$ 12,773,143</u>		

*Earnings Allowance ** Weighted Average



Investment in LAIF

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

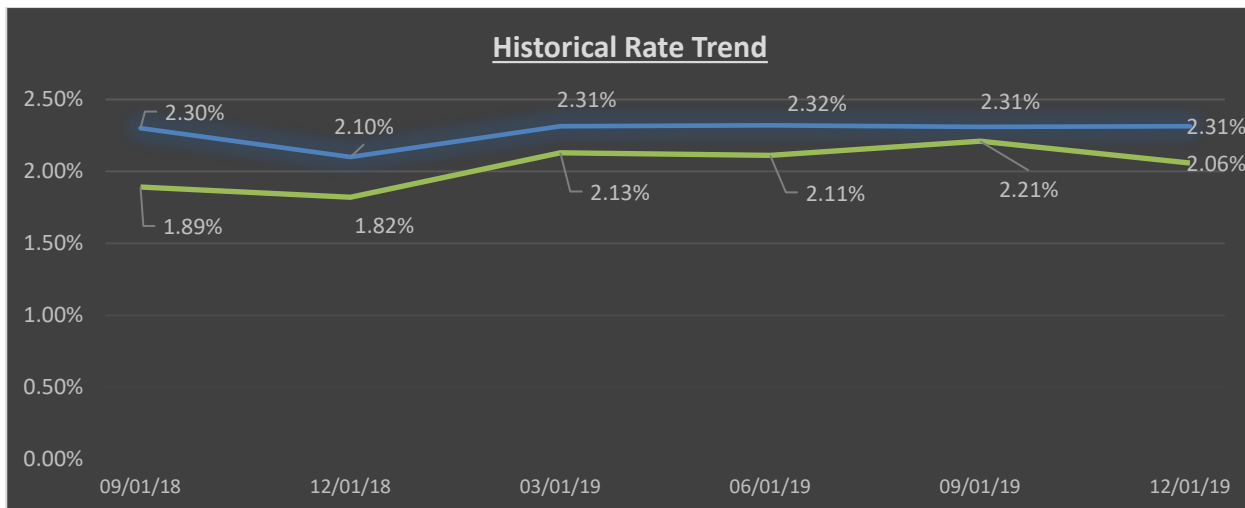
The total amount invested by all public agencies as of December 31st, 2019, was \$24,948,387,014, of which the City has a balance of \$3,379,8400. The fair value of the City’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that

portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

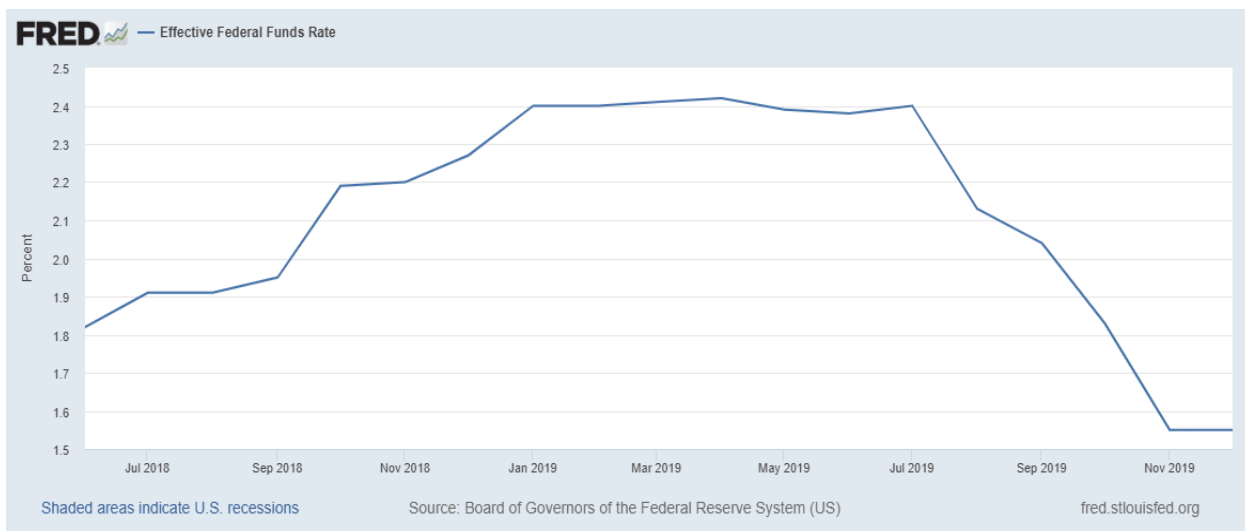
Investment in Certificates of Deposits

Holding	Par Value	Market Value	Interest Rate	Maturity Date
Ameican Express Centurion Bank	248,000	248,305	2.10%	06/03/20
Family Financial Credit Union	248,000	250,036	2.87%	08/28/20
Capital One NA	248,000	247,308	1.41%	09/21/20
Discover Bank	248,000	248,322	1.80%	11/30/20
Aneca FCU	248,000	248,218	1.75%	12/23/20
Sallie Mae Bank	247,000	248,633	2.29%	01/19/21
HSBC Bank	248,000	251,298	2.71%	03/10/21
East Boston Savings	249,000	249,697	1.90%	03/29/21
Wells Fargo Bank	249,000	248,699	1.76%	06/17/21
Mercantil Commercebank	248,000	247,690	1.66%	06/24/21
Ally Bank	246,000	251,149	2.94%	08/16/21
General Electric	249,000	254,625	3.03%	08/16/21
Connex CU	248,000	247,015	1.61%	08/26/21
Ever Bank	248,000	247,385	1.56%	09/16/21
Stearns Bank NA	249,000	250,078	1.94%	09/29/21
Synchrony Bank	248,000	246,894	1.71%	10/21/21
Peoples United Bank NA	248,000	249,657	2.05%	01/18/22
Third Fed Savings	247,000	249,766	2.23%	03/21/22
BMW Bank	246,000	251,801	2.73%	04/13/22
Commenity Capital	249,000	257,722	3.04%	08/15/22
Farmers State Bank Ind	247,000	250,641	2.31%	09/19/22
Mountain America Fed Credit Union	249,000	253,121	2.36%	11/30/22
American Express BK	247,000	250,725	2.46%	12/05/22
Knoxville TVA	249,000	253,253	2.36%	01/26/23
Belmont Savings Bank	248,000	254,629	2.62%	02/28/23
Citibank	246,000	254,344	2.80%	04/11/23
First Tech Federal Credit Union	249,000	260,810	3.09%	06/14/23
Goldman Sachs	245,000	257,970	3.17%	08/15/23
Jefferson Financial Credit Union	246,000	259,619	3.17%	10/19/23
Silvergate Bank	249,000	249,107	2.00%	10/08/24
Total Certificates of Deposit	<u>7,434,000</u>	<u>7,538,518</u>		

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



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



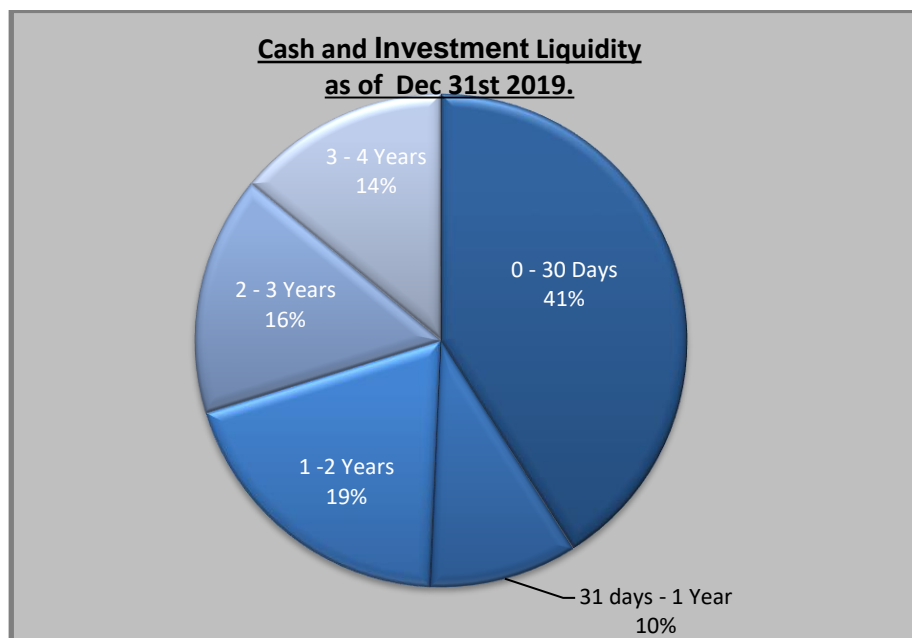
PORTFOLIO LIQUIDITY

As of December 31st 2019, the City’s cash and investment liquidity at market value are as follows:

PORTFOLIO LIQUIDITY AS OF DEC, 31st 2019

AGING INTERVAL		MARKET VALUE	PERCENT OF PORTFOLIO
0 - 30 Days	\$	5,234,625	41%
31 days - 1 Year		1,242,190	10%
1 - 2 Years		2,496,269	20%
2 - 3 Years		2,010,327	16%
3 - 4 Years		1,789,732	14%
	\$	12,773,143	100%

The portfolio is highly liquid with 41% available within 30 days and an additional 10% available within one year.



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. Police Department salaries and associated benefits are expected to increase 4.75% each year for the next two years. Pension costs have been projected by CalPERS to increase 14% each year for the next five years. Likewise, the City's internal service funds have developed detailed long-term expenditure plans that form the basis of the projection provided here. Additionally, the City's debt service schedule is known and provided in the forecast.

The table on the following page includes five years of audited results for context as well as projected results for five additional years into the future. Eight "what-if" scenarios are provided as well showing possible long-term results if certain revenue enhancements were to be enacted.

FIVE-YEAR PROJECTION

The long term forecast shows a steady decrease to fund balance over the next five years. The projected deficits become significant in FY 2022 thru FY 2025. The main factors driving the projected deficits are significant increases in police department personnel costs, the failure of the City's marketing and promotion efforts to produce budgeted levels of TOT revenue increases and the continued increase in CalPERS pension costs. Police Department personnel costs are expected to add \$1.6M to the general fund budget over the next five years while pension costs are expected to add \$826k.

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 the duties of the position transitioning to the City Manager. Additionally, in FY2019-20 the Community Development Director terminated employment with the City. Moving forward the position will be frozen and instead an additional Planner will be hired.

The City's general fund has very little debt and in fact will no longer have any debt service payments by fiscal year 2022-23. This will free up \$185k of funds to help further close the budget gap. This will certainly help but will not be enough to fill the expected budget gaps.

The long-term forecast indicates that in the next year or two the City will likely be able to fill budgeted or realized deficits with appropriated fund balance. Within two to three years, it is likely that revenue enhancements and/or additional cost-cutting measures will be necessary. The long-term forecast includes six "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.

City of Fort Bragg General Fund Five Year Forecast
As of 12/31/2019

		FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
		Audited	Audited	Audited	Audited	Audited	Projected	Forecast	Forecast	Forecast	Forecast	Forecast
General Fund												
Revenue:	Sales Tax	\$ 1,666,675	\$ 1,600,866	\$ 1,531,857	\$ 1,785,264	\$ 1,728,222	\$ 1,851,245	\$ 1,897,894	\$ 1,951,406	\$ 2,003,504	\$ 2,055,602	\$ 2,107,700
	Property Tax	865,161	972,948	1,031,345	1,034,552	1,074,931	1,109,205	1,152,298	1,197,066	1,243,573	1,291,886	1,342,077
	Transient Occupancy Tax	1,857,831	1,947,702	2,149,404	2,619,227	2,640,275	2,712,274	2,791,209	2,872,441	2,956,037	3,042,066	3,130,599
	Cost Allocations	2,537,699	2,794,310	1,824,826	2,078,877	1,863,711	1,910,304	1,967,613	2,026,641	2,087,441	2,150,064	2,214,566
	All Other Revenue Sources	1,685,502	1,797,837	1,673,300	1,677,902	2,073,789	1,995,904	2,015,863	2,036,022	2,056,382	2,076,946	2,097,715
	Total Revenue	8,612,868	9,113,663	8,210,732	9,195,822	9,380,928	9,578,932	9,824,877	10,083,576	10,346,936	10,616,564	10,892,657
Expenditures:	Salaries & Wages	3,351,603	3,430,750	3,545,002	3,940,434	3,615,604	3,844,340	3,964,637	4,089,402	4,171,190	4,254,614	4,339,706
	Pensions	525,726	613,438	677,159	745,604	792,101	974,640	1,038,872	1,221,583	1,420,457	1,651,708	1,920,605
	Other Benefits	1,613,548	1,572,940	1,729,603	1,792,361	1,536,145	1,606,948	1,639,087	1,671,869	1,705,306	1,739,412	1,774,200
	Materials & Services	2,100,172	1,938,381	1,974,777	2,080,027	2,301,401	2,122,904	2,206,789	2,242,395	2,278,752	2,315,878	2,353,792
	Allocations to Internal Service Funds	587,171	604,060	470,049	601,371	717,808	889,721	829,947	829,947	829,947	829,947	829,947
	Other Expenditures	9,250	165,013	53,104	107,966	35,895	126,513	130,308	134,217	138,244	142,391	146,663
	Capital	26,753	3,194	-	-	-	35,000	35,000	35,000	35,000	35,000	35,000
	Debt Service	147,569	147,569	147,569	185,535	185,533	147,569	37,966	37,966	-	-	-
	Total Expenses	8,361,792	8,475,345	8,597,268	9,453,298	9,184,487	9,747,635	9,882,606	10,262,380	10,578,896	10,968,950	11,399,914
Net Transfers:		(112,992)	(7,614)	(1,895,028)	110,014	(14,289)	(873)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
Net Increase (Decrease) to Fund Balance		138,084	630,704	(2,281,564)	(147,462)	182,152	(169,576)	(69,729)	(190,804)	(243,960)	(364,386)	(519,257)
Beginning Fund Balance		4,619,710	4,757,794	5,388,498	3,106,935	2,959,473	3,141,625	2,972,050	2,902,321	2,711,517	2,467,557	2,103,171
Ending Fund Balance		\$ 4,757,794	\$ 5,388,498	\$ 3,106,934	\$ 2,959,473	\$ 3,141,625	\$ 2,972,050	\$ 2,902,321	\$ 2,711,517	\$ 2,467,557	\$ 2,103,171	\$ 1,583,913

Parcel Tax	Revised change in fund balance assuming \$430k revenue annually		37,771	239,196	186,040	65,614	(89,257)
	Projected Fund Balance		3,009,821	3,249,017	3,435,057	3,500,671	3,411,413
1/4 cent General Sales Tax	Revised change in fund balance assuming 25% of Sales Tax projection (Average \$500k/yr)		48,890	297,047	256,916	149,515	7,668
	Projected Fund Balance		3,020,939	3,317,987	3,574,902	3,724,417	3,732,085
3/8 cent General Sales Tax	Revised change in fund balance assuming 37.5% of Sales Tax projection (Average \$750k/yr)		108,199	540,973	507,354	406,465	271,130
	Projected Fund Balance		3,080,249	3,621,222	4,128,575	4,535,040	4,806,170
Measure AA 50% Repurposing	Revised change in fund balance assuming 50% of Measure AA Funds(Average \$185k/yr)		104,722	(11,277)	(59,208)	(174,257)	(323,595)
	Projected Fund Balance		3,076,771	3,065,495	3,006,287	2,832,030	2,508,435
Measure AA phased Repurposing	Revised change in fund balance assuming phased repurposing of Measure AA Funds(Average \$245k/yr)		17,497	(11,277)	(59,208)	15,872	(127,933)
	Projected Fund Balance		2,989,546	2,978,270	2,919,062	2,934,934	2,807,002
Reduction in Force/Service	Revised change in fund balance assuming service cuts- 1 police officer, 1 Administrative Assistant and 1 Maintenance Worker		202,271	215,460	176,015	69,763	(55,308)
	Projected Fund Balance		3,174,321	3,389,781	3,565,796	3,635,559	3,580,250

FISCAL YEAR 2020-21 BUDGET PREPARATION

A more extensive list of potential cost reductions follows for Council discussion:

Potential Reductions or Reallocations of General Fund Budget

	50%	100%
Reallocate AA/AB Funds - Noyo Center	\$ 25,000	50,000
Reallocate AA/AB Funds - Promotions/Marketing	\$ 106,500	\$ 213,000
Reallocate AA/AB Funds - Special Projects	\$ 25,000	\$ 50,000
Reallocate AA/AB Funds - Promotions/Marketing - Staff Time	\$ 20,500	\$ 41,000
Subtotal Reallocation AA/AB Funds	\$ 177,000	\$ 354,000
Staff Reduction Administrative Assistant Position	\$ 38,500	\$ 77,000
Staff Reduction Community Services Officer	\$ 35,500	\$ 71,000
Staff Reduction Police Officer	\$ 60,500	\$ 121,000
Staff Reduction Department Head	\$ 87,000	\$ 174,000
Staff Reduction City Manager	\$ 103,500	\$ 207,000
Staff Reduction Police Services Technician	\$ 34,000	\$ 68,000
Staff Reduction Mid-Management	\$ 63,500	\$ 127,000
Staff Reduction Maintenance Worker II	\$ 37,000	\$ 74,000
Subtotal Staff Reductions	\$ 459,500	\$ 919,000
Community Organizations - Chamber of Commerce	\$ 5,000	\$ 10,000
Community Organizations - EDFC	\$ 2,500	\$ 5,000
Community Organizations - Sister City Program	\$ 2,500	\$ 5,000
Community Organizations - Leadership Mendocino Scholarship	\$ 250	\$ 500
Subtotal Community Organizations	\$ 10,250	\$ 20,500
Subtotal	\$1,283,000	\$2,566,000

PRIORITIZED LIST OF FINANCIAL GOALS

The FY 2018/19 mid-year budget review meeting produced the following prioritized list of financial goals. Staff used the prioritized list as guidance in preparing the FY2019/20 budget. Staff will again use the list in preparing the FY 2020/2021 budget unless Council directs otherwise:

- 1) Adopt a balanced budget
- 2) Maintain operating reserve and litigation reserve
- 3) Maintain long term funding plans in the City's three internal service funds
- 4) Provide for additional contributions to CalPERS in order to pay the unfunded liability off earlier than 30 years
- 5) Maintain current level of service (no staff layoffs, no program cuts)
- 6) Provide cost of living adjustments for staff in years to come
- 7) Provide funding for emergency reserves
- 8) Continue to make additional contributions to the OPEB pension trust

BUDGET ADJUSMENT 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 2019/20 Requested Mid-Year Budget Adjustments						
Account Number	Account Description	Department	Current Budget	Increase/ (decrease)	Adjusted Budget	Funding Source
110-4200-0101	Salaries & Wages	Police Department	\$ 1,653,173	\$ 52,000	\$ 1,705,173	To account for overlap of outgoing Chief and interim Chief Operating appropriation
110-4200-0366	Training/Travel Reimbursement	Police Department	35,000	3,000	38,000	Mandated training for new employees Operating appropriation
110-4200-0367	Recruitment	Police Department	-	15,000	15,000	Send CSO to Academy Operating appropriation
110-4392-0353	Park Maintenance	Public Works - Parks	4,000	4,000	8,000	Trail maintenance exceeding budget Operating appropriation
110-4130-0319	Professional Services	Administration Department	5,000	40,000	45,000	Sales Tax ballot measure consultant Operating appropriation
General Fund; Total Requested Budget Amendments				\$ 114,000		
610-4611-0375	General Supplies	Water	29,250	12,000	41,250	Customer meter installations with revenue offset Customer fees
Water Enterprise; Total Requested Budget Amendments				\$ 12,000		
710-4711-0375	General Supplies	Wastewater	6,250	6,250	12,500	Customer system connections with revenue offset Customer fees
Wastewater Enterprise; Total Requested Budget Amendments				\$ 6,250		
Total Requested Budget Amendments				\$ 132,250		

COUNCIL'S PRIORITY AREAS AND GOALS

“The City Council, City Manager and Facilitators with Heather Paulsen Consulting, spent most of the day on March 27, 2019 in a Goal Setting Meeting. From the City Council’s 2050 Vision brainstorm exercise, Councilmembers discovered a shared intention for all of their priority areas: enhancing local self-sufficiency and supporting healthy ecosystems. These concepts underpin all of the goals listed below under each of the four top priority areas: Jobs/Industry, Quality of Life, Housing and Infrastructure. Within each priority area, the City Council prioritized three goals. The next step in the process is for City staff to create an action plan to develop, implement and achieve these goals.”

Staff’s first step in creating an action plan was to itemize each of the ideas presented by the council and provide a rough cost estimate for each. The City Manager will walk the Council through the list in greater detail with the goal of prioritizing the list.

It is important to keep in mind that the cost estimates included in this list are just rough estimates. In many cases the cost estimate only represents staff effort for initial or preliminary studies. Actual capital projects will require significantly more funding and likely require outside funding sources such as grants and/or bonds. Significant capital improvements also come with ongoing annual maintenance costs which have not yet been analyzed. Once the list has been prioritized, staff will set out to incorporate the goals into the FY 2020/21 proposed budget.

City of Fort Bragg
FY 2019/20 Mid-Year Performance Report
As of December 31, 2019

Fort Bragg City Council Priority Areas and Goals				
Updated 3-5-2020				
Priority Area 1: Jobs/Industry	Council Ideas	Responsible Department	Estimated Cost	Notes on Estimated Project Cost and Possible Opportunity Costs
Goal 1 - Become more business and customer service friendly	1. Ombudsman support for developers and new businesses	CDD/CM	\$ 31,200	Estimated cost is based on 8 hours a week devoted to this role. .20 FTE reallocated from other tasks or projects.
	2. Provide for more decisions to be reviewed by the Planning Commission	CDD/CM/Council		Difficult to estimate impact and cost. More of a staff directive than a discrete project. Some decisions by Planning Commission will save presentation to Council and others may require both bodies to review the decision to be made, increasing staff costs.
	3. Look at fee collection structure; ensure fees are fair and reasonable	Finance/CM	\$ 3,750	Estimate based on 50 hours of staff time for ongoing review of fees. This project was completed in 2019 but is an ongoing annual process of review.
	4. Prioritize restorative businesses	CDD/CM		Project needs further defining to provide a cost estimate, will likely require staff or a consultant dedicated to economic development to work on a work plan.
	5. Market Fort Bragg as a place to locate your business	CDD/CM	\$ 31,200	Housing/Economic Development Coordinator 8 hours a week. .20 FTE allocation dependent on grant funding for Econ Development.
Goal 2 - Partner with educational institutions	1. Education and developing a qualified workforce.	CDD/CM	\$ 7,500	Estimate based on 100 hours of preliminary staff time to evaluate opportunities and projects. Actual project(s) will need further defining to provide a cost estimate, will likely require staff or a consultant dedicated to economic development to work on a work plan.
Goal 3 - Foster and help sustain Local businesses	1. Public/private partnerships;	CDD/CM	\$ 7,500	Estimate based on 100 hours of preliminary staff time. Actual project(s) will need further defining to provide a cost estimate, will likely require staff or a consultant dedicated to economic development to work on a work plan.
	2. Overcome barriers to industry such as broadband	CDD/CM/PW	\$ 11,250	Estimate based on 150 hours of staff time for preliminary study. Actual project(s) will need further defining to provide a cost estimate, will likely require staff or a consultant dedicated to economic development to work on a work plan. Final solution/project could cost in the millions of dollars if fiber optics or other infrastructure solution is funded at a local level.
	3. Overcome barriers to industry such as housing	CDD/CM/PW	\$ 11,250	Estimate based on 150 hours of staff time. Actual project(s) will need further defining to provide a cost estimate, will likely require staff or a consultant dedicated to economic development to work on a work plan. Final solution/project could cost \$200-\$300k per residential unit.
	4. Overcome barriers to industry such as transportation;	CDD/CM/PW	\$ 7,500	Estimate based on 100 hours of staff time. Actual project(s) will need further defining to provide a cost estimate, will likely require staff or a consultant dedicated to economic development to work on a work plan. Final solution/project could cost many millions of dollars, if it involves widening state highways or expanding Noyo Harbor infrastructure.
	5. Work with West Company and Economic Development Financing Corp. (EDFC)	CDD/CM	\$ 6,000	Estimate based on 80 hours of staff time. Actual project(s) will need further defining to provide a cost estimate, will likely require staff or a consultant dedicated to economic development to work on a work plan.
	6. Support businesses that "keep money here".	CDD/CM	\$ 49,000	Estimate based on 120 hours of staff time plus \$35k from VFB Special Events and an estimate of \$5,000 for attorney's fees associated with formula business ordinance review and development.
Priority Area 2: Quality of Life	Council Ideas	Responsible Department	Estimated Cost	Notes on Estimated Project Cost and Possible Opportunity Costs
Goal 1 - Beautification of streets/sidewalks	1. Adopt a street program	PW	\$ 15,000	Between \$10-20k per year based on project(s) selected.
	2. Sponsor volunteer clean-up days	PW	\$ 10,000	Estimated cost of similar assignments/events.
	3. Explore in-house maintenance options	PW/CDD	\$ 41,600	Assumes a .50 FTE at a full cost hourly rate of \$40.
Goal 2 - Assist with façade improvements for businesses	1. Matching funds/grants	CDD/CM/Finance	\$ 6,875	Estimate based on \$5,000 in grants plus 25 hours of staff time.
	2. Main St. Program	CDD/CM	\$ 83,000	Part-time Main St. Director plus office/operating expenses.
	3. EDFC	CDD/CM	\$ 5,000	Annual Contribution to EDFC.
	4. Mills Act - property tax.	CDD/CM	\$ 7,500	Staff time (100 hours) to create and implement program.
Goal 3 - Pursue partnerships to maintain open space	1. Pudding Creek 80 acres	PW/CM	\$ 9,500	Estimate based on 60 hours of staff time, plus attorney's fees. Covers preliminary review/study or acquisition by gift or other party. Acquisition cost @\$35k per acre = \$2.8 Million plus annual operation and maintenance cost of \$41,600 per year = .50 FTE.
	2. Mill Site Open Space	CDD/CM	\$ 1,000,000	City Council and staff are actively pursuing preservation of property for public facilities on the Mill Site. \$1 million purchase of Mill Site property.
	3. Bainbridge Park	CDD/PW	\$ 7,500	Staff with Council approval submitted a \$1.6M grant application for Prop 68 funds to complete phase two of the Bainbridge Park and improve the functionality of the park for the community. The grant was not awarded to the City. \$7,500 covered staff time submitting grant. Operation and maintenance of new park amenities = .20 FTE or \$16,640.
Goal 4 - Maintain a fully-staffed police force	1. A more community-involved police force	PD	\$ 10,000	\$10,000 Estimated cost of community events and staff training.
Priority Area 3: Housing	Council Ideas	Responsible Department	Estimated Cost	Notes on Estimated Project Cost and Possible Opportunity Costs
Goal 1 - 200 Units of housing in the next 5 years	1. Pursue public/private partnerships	CDD/CM/PW	\$ 10,000	Estimated Cost is based on 100 hours of staff time plus \$2500 in outreach/travel expenses for preliminary work. Active project costs could be several millions of dollars depending on project.
	2. Funding for developers	CDD/CM/Council	\$ 6,000	Estimated cost is based on 80 hours of staff time on project.
	3. Updating local plan to make more attractive	CDD/CM/Council	\$ 78,000	City received grant funding of \$160,000 in order to pursue and implement programs set forth in the 2019 Housing Element, so this will be a grant funded project.
	4. Pursue tax credits and grants	CDD/CM/PW	\$ 3,000	Estimate based on 40 hours of staff time.
	5. Look at density	CDD	\$ 3,000	Estimate based on 40 hours of staff time. Staff recommendation is to add an additional 60 hours of staff time to the project to do a full update of the ILUDC. This would add \$4,500 to the cost of staff time on the project.
Goal 2 - Pursue Community Land Trust/JPA/Housing Authority	1. Joint Power Authority (JPA) with other cities or county	CDD/CM	\$ 25,000	Estimate based on 200 hours of staff time plus \$10,000 in legal fees and document drafting. The staff and outside costs will be covered by the SB 2 grant funding. It is unlikely the City would pursue both a JPA and a nonprofit land trust (see CG-3202 below).
	2. Incubator program for nonprofit land trust	CDD/CM	\$ 25,000	Estimate based on 200 hours of staff time plus \$10,000 in legal fees and document drafting. The staff and outside costs will be covered by the SB 2 grant funding. It is unlikely the City would pursue both a JPA and a nonprofit land trust (see CG-3201 above).
	3. Research funding mechanisms.	CDD/CM/Finance	\$ 2,250	Estimate based on 30 hours of staff time and SB 2 grant is already secured.
Goal 3 - Streamline permitting process and pursue creative approaches to fees	1. Pay fees over time or delay collection until permit final	CDD/CM/Finance	\$ 3,000	Estimate based on 40 hours of staff time. This item has been implemented.
	2. Review barriers to building.	CDD/PW	\$ 3,000	Estimate based on 40 hours of staff time on review of barriers. Implementation of solution/projects will be dependent on project and community sentiment (i.e. AutoZone project). State and Federal requirements (ADA, etc.) are not likely to be overcome. Portions of a solution may involve updates to the ILUDC see CG-03105 above.
Priority Area 4: Infrastructure	Council Ideas	Responsible Department	Estimated Cost	Notes on Estimated Project Cost and Possible Opportunity Costs
Goal 1 - Develop Water Security	1. Modular de-salinization	PW	\$ 5,000,000	Estimate based on preliminary feasibility study results. Annual operation and maintenance = \$120k.
	2. Construction of additional water tanks	PW	\$ 1,500,000	Estimate based on cost of newest water tank at PW Corp Yard. Alternative for water storage is construction of a reservoir at a cost of \$3million plus \$7k per year in maintenance and operations. Much of this work at a preliminary level is complete. Acquisition of new sources will likely be more expensive and the cost of staff time and attorney's fees to negotiate the two remaining Lake and Streambed Alteration (LSA) agreements with CA Fish and Wildlife must be added to these costs.
	3. Seek out other water sources.	PW/CM	\$ 3,750	Estimate based on 100 hours of staff time for preliminary study. Implementation of pilot project likely to be \$1.5 million, including the costs associated with design, environmental review, permitting and construction. Annual operations and maintenance estimated at \$100k. If the City becomes a public utility the costs will increase.
Goal 2 - Renewable Energy	1. Develop and encourage solar & wind power; Focus on City facilities first as a demonstration of possibilities.	PW/CM	\$ 7,500	Estimate based on 100 hours of staff time for preliminary study. Implementation of pilot project likely to be \$1.5 million, including the costs associated with design, environmental review, permitting and construction. Annual operations and maintenance
	2. Develop and encourage micro-grids	PW/CM	\$ 7,500	Estimate based on 100 hours of staff time for preliminary study. Implementation of pilot project likely to be \$1.5 million, including the costs associated with design, environmental review, permitting and construction. Annual operations and maintenance
Goal 3 - Emphasize Grants for City	1. Focus Community Development Block Grants (CDBG) funds on City infrastructure projects.	CDD/PW	\$ 3,000	Estimate based on 40 hours of staff time to develop list of projects. Grant application would be separate. Much of the staff time on CDBG projects is reimbursement.
	2. Actively pursue all grant and other funding options and possibilities.	CDD/PW/CM/Finance/PEPD	\$ 15,000	Staff cost to research, write, coordinate and submit grant applications (200 hours).

BUDGET PREPARATION SCHEDULE

Initial activities related to the preparation of the Fiscal Year 2020-21 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 the 14th. Further direction provided at the workshop will be incorporated into a “Final” budget that will be presented to Council for consideration of adoption on June the 8th.

The complete budget calendar is provided below:

SCHEDULE FOR DEVELOPMENT OF FY 2020/21 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	2/28/2020
MID-YEAR PERFORMANCE BUDGET REVIEW WITH COUNCIL (9 am - 2:30pm) (COMMUNITY INPUT)	Thursday	3/5/2020
FINANCE PROVIDES INITIAL REVENUE FORECASTS TO CM (ALL REVENUE SOURCES, AND FUNDS)	Friday	3/13/2020
DEPTS SUBMIT PROPOSED DEPARTMENTAL EXPENSE BUDGETS AND NARRATIVES TO FINANCE	Wednesday	3/18/2020
PW & CDD SUBMIT COMPLETED BUDGET SECTIONS FOR GRANTS AND CAPITAL PROJECTS	Wednesday	3/18/2020
FINANCE/HR PROVIDES PAYROLL PROJECTIONS INCLUDING BENEFITS	Friday	3/20/2020
CM & FINANCE MEET WITH ALL DEPTS; REVIEW APPROPRIATIONS REQUESTS	Tues-Tues	3/24/2020 thru 3/31/2020
CM & FINANCE FOLLOW UP MEETING CIP	Thursday	4/2/2020
FINANCE POSTS REVISED BUDGET WORKSHEETS IN BUDGET FOLDER;	Friday	4/3/2020
DEPARTMENTS REVIEW REVISED EXP WORKSHEETS; REPORT ANY DISCREPANCIES TO FINANCE THIS INCLUDES PROJECTED YEAR END FOR FY20, GRANTS; CAPITAL PROJECTS, ETC	Tuesday	4/7/2020
FINANCE REVIEWS TOTAL REVENUES vs EXPENDITURES WITH CM - ADJUST AS NECESSARY; <u>draft CV Starr Budget due</u>	Wed	4/15/2020
INTERNAL REVIEW/QUALITY CONTROL (FINANCE, CM, DEPTS) - DRAFT BUDGET DOCUMENT	Wed - Wed (3 wks)	4/15/2020 thru 5/6/2020
FINALIZE DRAFT BUDGET DOCUMENT	Wed	5/6/2020
CM COMPLETES BUDGET TRANSMITTAL LETTER	Thurs	5/7/2020
FINANCE DISTRIBUTES PROPOSED FY 2020/21 BUDGET	Friday	5/8/2020
CITY COUNCIL CONDUCTS FY 2020/21 BUDGET WORKSHOP (9 am - 2:30pm) (COMMUNITY INPUT)	Thursday	5/14/2020
FINANCE DISTRIBUTES FY 2020/21 BUDGET INCLUDING COUCIL AND PUBLIC UPDATES (FOR COUNCIL ADOPTION)	Mon	6/1/2020
CITY COUNCIL ADOPTS FY 2020/21 BUDGET	Mon	6/8/2020

FOR MORE INFORMATION

This summary is based on detailed information produced by the City’s Finance Department. If you would like additional information or have any questions about this report, please call **707-961-2825**.