

FY 2025/26

Mid-Year Financial Report



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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 2025/26 (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, Broadband Fund, 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).

ECONOMIC ANALYSIS

U.S. Economy Overview

As of early 2026, the U.S. economy continues to demonstrate moderate and resilient growth. Real GDP expanded at an annualized rate of approximately 2.0%–2.2% in Q4 2025, driven primarily by sustained consumer spending, stabilization in manufacturing activity, and modest gains in business investment.

Inflationary pressures have continued to ease, with the Consumer Price Index (CPI) trending around 2.5%–2.7% year-over-year, aligning more closely with the Federal Reserve’s long-term target. While inflation has cooled significantly from prior peaks, certain sectors—particularly housing, insurance, and energy—continue to experience persistent cost pressures.

California Economy

California’s economy in 2025–2026 continues to show resilience, particularly in sectors such as technology, health care, tourism, and clean energy. However, the state continues to face structural challenges, including high housing costs, affordability constraints, and ongoing migration shifts from higher-cost metropolitan areas to more affordable regions.

As of early 2026, California’s unemployment rate is approximately 4.8%, remaining above the national average but reflective of a large, diverse, and evolving labor market. Wage growth has moderated but remains steady in key sectors such as health care, government services, and logistics.

Inflationary pressures have re-emerged as a key concern entering 2026, driven in part by global economic uncertainty and rising energy costs. Ongoing geopolitical tensions—particularly the conflict involving Iran—have disrupted global oil supply chains, pushing oil prices above \$100 per barrel and increasing fuel costs across the United States.

These impacts have been especially pronounced in California, where gasoline prices have exceeded \$5.00 per gallon, placing additional pressure on households, businesses, and local government operations. Higher fuel and transportation costs are contributing to broader inflation, affecting goods, services, and construction costs statewide. As a result, inflation in the U.S. is now projected to rise to approximately 4.2% in 2026, reversing earlier expectations of stabilization and increasing the likelihood of sustained cost pressures.

The State’s fiscal outlook remains constrained, with continued pressure from lower-than-peak capital gains tax revenues and increased demand for public services. Despite these challenges, California continues to prioritize investments in climate resilience, infrastructure, and housing production—factors expected to support long-term economic stability and regional competitiveness.

Consumer spending has remained relatively stable, though rising fuel and living costs are beginning to impact household purchasing power. Tourism remains strong, particularly in coastal regions, supported by domestic travel. Water conditions have improved compared to prior drought years; however, long-term infrastructure and supply reliability remain key statewide concerns.

Local Economy – Fort Bragg & Mendocino County

Fort Bragg and the greater Mendocino County economy continue to stabilize and adapt following several years of disruption from the COVID-19 pandemic, labor shortages, and inflationary pressures. Entering 2026, rising

fuel costs and renewed inflation—driven in part by global energy market disruptions—are placing additional strain on local businesses, increasing transportation costs, and impacting overall cost of living for residents.

Despite these challenges, local economic conditions reflect cautious optimism, supported by steady tourism activity and targeted economic development efforts.

Key local indicators:

• **Tourism & Hospitality:**

Tourism remains a primary economic driver for the region. Transient Occupancy Tax (TOT) revenues have shown strong performance in early FY 2025–2026, increasing approximately **16% year-over-year**, supported by steady visitor demand and the voter-approved increase from 12% to 14% (Measure U). Seasonal declines during winter months remain typical, with strong recovery expected during peak seasons.

• **Housing & Real Estate:**

The local housing market has moderated from peak pricing, consistent with statewide trends. Affordability remains a significant challenge, particularly for workforce and middle-income households. The City continues to advance pro-housing initiatives, including waiving minimum parking requirements, implementing ministerial review processes, and pursuing policies that support infill and multi-family development. In 2025, the City approved an 83-unit workforce housing project.

• **Small Business & Economic Development:**

Local business sentiment continues to improve, supported by City-led initiatives such as the Fort Bragg Business Boost Fund, façade improvement grants, streamlined permitting through Accela, and the establishment of the Economic Development Department. While these efforts are helping reduce barriers and stimulate activity, challenges related to access to capital and workforce availability persist.

• **Labor Market:**

Workforce shortages remain a key constraint across multiple sectors, including health care, construction, hospitality, and public services. Recruitment and retention continue to be ongoing challenges for both public and private employers.

• **Cannabis Sector:**

The cannabis industry in Mendocino County continues to experience contraction due to sustained low wholesale prices, regulatory complexities, and market oversupply. This has had ripple effects on employment, supporting industries, and local tax revenues.

• **Fisheries & Natural Resources:**

Fishing remains an important cultural and economic contributor to the region. However, regulatory uncertainty, environmental variability, and changing ocean conditions continue to present long-term challenges to the industry.

Outlook & Considerations for Budget Planning

While economic indicators point to measured optimism, continued uncertainty—particularly related to inflation and rising operational costs—requires prudent fiscal planning. Strong performance in key revenues such as TOT provides positive momentum; however, cost pressures related to personnel, insurance, materials, fuel, and infrastructure remain elevated.

Key fiscal considerations for the upcoming budget cycle include:

- Sustaining investment in economic development, downtown revitalization, and business support programs;
- Advancing critical infrastructure projects, including streets, water, wastewater, and the municipal broadband utility;

- Monitoring key revenue sources, particularly property tax, sales tax, and TOT trends;
- Addressing long-term challenges in housing, workforce development, and service delivery;
- Preparing for potential impacts from state budget constraints and evolving legislative policies;
- Maintaining strong reserve levels to ensure long-term fiscal stability and resilience.

GENERAL FUND

The General Fund supports many of the City's core, day-to-day operations, including police and fire protection, street and park maintenance, community development, and general administrative functions. It serves as the primary funding source for all City programs not covered by dedicated taxes, user fees, impact fees, or grant funding.

Unlike the Enterprise Funds, which receive revenue on a consistent monthly basis, General Fund revenues come from a broader variety of sources—many of which are cyclical in nature. This variability can impact the timing of revenue collection and requires careful planning to ensure consistent service delivery throughout the fiscal year.

The General Fund remains vital to sustaining essential municipal services and plays a central role in advancing the City's strategic priorities.

FISCAL YEAR 2025 RECAP

For the fiscal year ending June 30, 2025, the General Fund closed with an operating surplus of \$580,499. After accounting for net transfers out of \$(928,080), the overall fund balance decreased from \$9.2 million to \$8.8 million.

Total expenditures reached \$13.1 million, representing a 27% increase over the prior year, largely driven by personnel costs returning to pre-pandemic levels.

Despite this increase in expenditures, the City maintained strong reserve levels, including \$1.6 million in operating reserves, \$200,000 in litigation reserves, \$1.2 million in recession reserves, and \$1.4 million in unassigned reserves.

GENERAL FUND REVENUES OVERVIEW

As of the second quarter, General Fund revenues total \$6. million, representing approximately 42% of the amended budget. While this reflects solid performance, it is slightly below the \$6.3 million reported at the same point in the prior fiscal year.

Current projections estimate year-end General Fund revenues at approximately \$14.3 million, coming in about \$56,980 under budget. This variance is primarily attributed to timing fluctuations in grant reimbursements, particularly related to Blue Economy and CDBG funding.

REVENUE SOURCE	FY 2023/24 Actuals	FY 2024/25 Actuals	Adopted Budget	Amended Budget	Pro Rated Budget as of 12/31/2025	YTD Actual 12/31/2025	Mid-Year Variance %	Estimated Year End	Forecast Surplus/ (Shortfall)
Transient Occupancy Tax	3,092,214	3,158,742	3,238,970	3,238,970	1,619,485	2,113,307	65%	3,232,304	(6,666)
Sales and Use Tax	2,152,834	2,465,543	3,272,000	3,272,000	1,636,000	1,503,689	46%	3,272,000	-
Property Tax	1,217,444	1,282,310	1,228,685	1,228,685	614,343	288,618	23%	1,254,718	26,032
Other Taxes	974,136	846,802	972,214	972,214	486,107	262,050	27%	972,214	-
Sub Total Tax Revenue									-
Intergovernmental	841,643	712,443	1,705,299	1,705,299	852,650	97,774	6%	1,555,890	(149,409)
Use of Money/Property	594,198	578,766	200,000	200,000	100,000	249,001	125%	220,000	20,000
Charges for Services/Permits	196,342	218,637	285,050	285,050	142,525	94,672	33%	290,900	5,850
Reimbursements/CAP	4,405,557	4,357,658	3,416,771	3,404,271	1,702,136	1,416,811	42%	3,413,271	9,000
Other Revenue	1,001,426	81,082	60,200	60,200	30,100	61,303	102%	98,413	38,213
TOTAL REVENUES	14,475,794	13,701,983	14,379,189	14,366,689	7,183,345	6,087,224	42%	14,309,710	(56,980)

The Fiscal Year 2025–2026 Budget was developed with the expectation of moderate growth in General Fund revenues, while maintaining conservative budgeting practices and a measured approach amid evolving economic conditions.

A comprehensive review of all General Fund revenue accounts has been completed based on the first six months of activity. Through December, General Fund tax revenues are performing strongly and are projected to meet budgeted expectations, reaching approximately \$8.7 million by year-end. This performance is further supported by Measures T and U, which are generating an estimated \$1.4 million annually for the General Fund.

Partially offsetting this strength is lower-than-anticipated Intergovernmental and Operating Grant revenue, primarily related to timing of reimbursements for staff time administering grant-funded programs. These include Community Development Block Grant (CDBG) activities such as business loans, the water meter replacement program, and general administration. Consistent with prior years, unspent grant funds will be carried forward into the next fiscal year.

Currently, no revenue adjustments are recommended as part of the Mid-Year Budget Review.

Notable variances in Revenues are listed below.

▪ **Transient Occupancy Tax (TOT)**

Tourism plays a vital role in Fort Bragg's economy, accounting for 23% of the General Fund revenue. In FY 2026, the Transient Occupancy Tax (TOT) experienced a 2% growth compared to the prior year. However, actual TOT revenues for FY 2023/24 showed a slight decline from FY 2022/23, primarily due to a significant drop during the winter months.

Starting April 1, 2025, the TOT rate will increase to 14%, following the approval of Measure U by Fort Bragg voters in November 2024. This increase—from 12% to 14%—applies to short-term lodging accommodations, including hotels, motels, and vacation rentals within city limits. The General Fund anticipates an additional \$100,000 in revenue as a result of the new rate, contributing to a projected TOT revenue total of \$3.3 million by the end of FY 2024/25.

▪ **Sales Tax:**

The Sales Tax category includes General Sales Tax, Local Sales Tax, and Proposition 172 Public Safety Sales Tax. During the latter half of 2025, California experienced mixed sales tax performance driven by

economic uncertainty, inflationary pressures, and fluctuating consumer confidence. Despite these broader trends, Fort Bragg's sales tax revenues have shown consistent growth across all six months, with November reflecting the most significant increase at approximately 55%.

As of the second quarter, sales tax revenues total \$382,630, representing approximately 46% of the annual budget and tracking in line with budget projections.

Measure T, approved by Fort Bragg voters in November 2024, became effective April 1, 2025, increasing the local sales tax rate from 8.875% to 9.25%. This voter-approved measure is providing a meaningful and ongoing increase in General Fund revenues, supporting the City's ability to address financial challenges and invest in essential service

▪ Reimbursements

Reimbursements to the City include the annual COPS grant supporting Community Service Officer (CSO) positions totaling \$170,000, developer deposit reimbursements for staff time, General Plan-related reimbursements, and cost allocation transfers of approximately \$2.3 million. Cost allocation transfers are recorded as expenditures within Enterprise Funds and as revenues to the General Fund.

In Fiscal Year 2025–2026, the City expanded its enterprise structure to include the Broadband Enterprise and the CV Starr Enterprise, both of which are now incorporated into the Cost Allocation Plan. These allocations reflect the recovery of costs for support services provided by departments such as Human Resources, Information Technology, Facilities, Finance, and the City Manager's Office.

As of mid-year, total reimbursements are \$1.4 million, representing approximately 42% of the annual budget. Year-end projections indicate reimbursements will exceed budget by approximately \$9,000. This variance is primarily attributed to the timing of reimbursements, newly approved indirect cost recoveries from eligible grants, and updated staff time allocations in alignment with the City's Cost Allocation Plan prepared by Matrix Consulting.

▪ Intergovernmental & Operating Grant Revenues

Intergovernmental and Operating Grant revenues are currently at approximately 6% of the annual budget at mid-year and are projected to finish the fiscal year \$149,000 below budget.

This revenue category primarily reflects reimbursements for staff time associated with administering the City's grant programs and implementing grant-funded activities. A significant portion of these reimbursements is tied to the BHJIS Grant supporting Social Liaison Officers, as well as Community Development Block Grant (CDBG) programs, including business loans, the water meter replacement project, and general administration. The year-end shortfall is largely attributable to the timing of reimbursements and the pace of grant activity, with unspent or unreimbursed funds expected to carry forward into the next fiscal year.

▪ Other taxes

Other tax revenues primarily include Franchise Fees and Business License Taxes. Franchise Fees are collected from cable television, solid waste, and PG&E electric services. As of December 2025, Franchise Fee revenues total approximately \$262,000, tracking in line with the mid-year budget and consistent with prior year collections. Based on historical trends, Franchise Fee revenues are projected to meet or slightly exceed budgeted levels by year-end. Business License Tax revenues have shown positive growth, with collections through December 2025 increasing by approximately \$36,000 compared to the same period in the prior year.

This increase is notable, as the majority of Business License revenues are typically realized during the annual renewal cycle in February and March, indicating continued strength in local business activity.

Looking ahead, the City is advancing a targeted fee relief strategy aimed at supporting small businesses and activating vacant downtown spaces. This includes the potential waiver of business license fees and select permit fees to encourage entrepreneurship, reduce barriers to entry, and further stimulate local economic activity.

STATUS OF GENERAL FUND EXPENDITURES

General Fund expenditures totaled \$8.6 million during the first half of FY 2025/26, accounting for 59% of the amended annual budget. Initially, appropriations of \$14.3 million were adopted; however, budgeted appropriations have been adjusted upward by \$435k over the course of the year, resulting in an amended budget of \$14.7 million. The chart below illustrates year-to-date expenditures in comparison with prior years.

GENERAL FUND EXPENDITURES									
DEPARTMENT	FY 2023/24 Actuals	FY 2024/25 Actuals	Adopted Budget	Amended Budget	Pro Rated Budget as of 12/31/2025	YTD Actual 12/31/2025	Mid-Year Variance %	Estimated FY Year End	Forecast Surplus/ (Shortfall)
GENERAL GOVERNMENT									
City Council	\$217,203	\$258,054	\$145,438	\$206,884	\$103,442	\$138,245	67%	\$231,772	(\$24,888)
Administrative Services	775,271	918,846	441,374	451,254	\$225,627	\$269,506	60%	\$487,780	(\$36,526)
City Attorney/Legal Costs	285,903	448,332	264,000	296,380	\$148,190	\$277,662	94%	\$397,000	(\$100,620)
Economic Development	-	\$270,419	\$292,928	\$295,870	\$147,935	\$212,647	72%	\$293,933	\$1,936
Marketing & Promotions	237,476	\$236,514	\$305,500	\$350,500	\$175,250	\$162,978	46%	\$350,500	-
Finance	558,257	\$637,413	\$799,686	\$804,686	\$402,343	\$467,807	58%	\$746,149	\$58,537
Non-Departmental	1,077,930	\$1,152,910	\$713,273	\$829,982	\$414,991	\$562,664	68%	\$816,025	\$13,957
Community Organizations	204,598	\$108,431	\$182,166	\$182,166	\$91,083	\$44,417	24%	\$182,166	-
DEBT SERVICE	579,418	\$568,990	\$605,047	\$605,047	\$302,524	\$274,539	45%	\$605,047	-
COMMUNITY DEVELOPMENT	430,664	\$386,377	\$830,758	\$830,758	\$415,379	\$313,398	38%	\$695,874	\$134,884
PUBLIC SAFETY									
Police Department	3,950,427	\$4,815,202	\$5,880,201	\$5,965,662	\$2,982,831	\$3,556,355	60%	\$6,130,464	(\$164,801)
Social Services/CRU	338,077	\$555,034	\$548,240	\$548,240	\$274,120	\$375,653	69%	\$517,053	\$31,187
Fire Department	560,414	\$482,810	\$531,526	\$531,526	\$265,763	\$246,993	46%	\$477,708	\$53,818
PUBLIC WORKS									
Administration & Engineering	796,155	\$932,323	\$997,366	\$1,053,778	\$526,889	\$629,796	60%	\$1,010,921	\$42,857
Parks and Facilities	51,945	\$269,003	\$564,681	\$564,681	\$282,340	\$233,300	41%	\$523,781	\$40,900
Street Maintenance	172,808	\$360,903	\$809,053	\$817,553	\$408,777	\$179,574	22%	\$1,039,375	(\$221,822)
Storm Drains	14,063	\$92,981	\$209,790	\$216,407	\$108,203	\$58,788	27%	\$182,789	\$33,617
Corporation Yard	434,324	\$561,582	(75,291)	(75,291)	(37,646)	\$530,100	-704%	\$5,049	(\$80,340)
Traffic and Safety	33,804	\$65,360	\$281,402	\$285,953	\$142,976	\$102,393	36%	\$281,402	\$4,551
COST ALLOCATION	766,923								
TOTAL GENERAL FUND EXPEN	\$11,485,660	\$13,121,484	\$14,327,137	\$14,762,036	\$7,381,018	\$8,636,814	59%	\$14,974,788	(\$212,752)

Some of the notable variances in expenditures include:

Non-Departmental

- The Non-Departmental category captures expenditures not directly attributed to a specific City department. These include retiree medical costs, insurance premiums, utilities, and OPEB contributions, among others. As of mid-year, expenditures in this category are at approximately 68% of the annual budget and are projected to come in slightly under budget by fiscal year-end.

Liability and property insurance premiums paid in the first quarter were higher than anticipated, creating upward pressure in this category. However, these increases are being partially offset by savings in other areas, including professional services, unemployment insurance, and administrative costs, resulting in a modest net savings of approximately \$13,957.

Administrative Department

- The Administrative Department, which includes the City Manager's Office, City Clerk, and Human Resources, operates with a total budget of \$451,000. In FY 2025–2026, the Department expanded its service capacity with the addition of a Public Experience Liaison position, aimed at enhancing customer service at City Hall and fostering a more welcoming and accessible environment for residents and businesses.

During the first two quarters of the fiscal year, recruitment efforts for key leadership positions—including the Police Chief and Community Development Director—resulted in higher-than-anticipated costs. Engagement of Bob Hall and Associates for executive recruitment services, along with associated outreach and candidate processes, exceeded the adopted recruitment budget. As a result, a budget amendment of \$36,000 is requested to cover these additional expenses.

City Attorney/Legal Costs

The adopted budget for City Attorney and legal services in FY 2025–2026 is \$296,380, a reduction from FY 2024–2025 actual expenditures of approximately \$448,000, reflecting an initial expectation of lower legal activity.

However, during the first two quarters of the fiscal year, legal costs have exceeded projections due to a higher-than-anticipated volume and complexity of ongoing matters. Key cost drivers include litigation related to Mendocino Railway, increased activity in code enforcement cases, and legal support associated with housing and development projects.

Additionally, this line item includes costs associated with planning and economic analysis work conducted by EPS, including Phase 2 efforts and Memorandum of Understanding (MOU) development related to the Mill Site and broader economic development strategy.

As a result of these factors, legal expenditures are projected to exceed the adopted budget. A budget amendment of \$100,620 is requested to cover these overages and ensure adequate funding through the remainder of the fiscal year. Moving forward, legal costs will continue to be closely monitored, with an emphasis on managing litigation exposure and aligning legal resources with the City's strategic priorities.

Police Department

- The Police Department has undergone significant organizational transition over the past six months, including the appointment of a new Police Chief and a restructuring of command staff. A new Commander position was established to oversee patrol operations, while the Captain role has been refocused on emergency preparedness, the CARE Response Unit, and special projects. These changes were implemented alongside cost-control measures, including the freezing of a fourth Sergeant position and, previously, a Community Service Officer position in FY 2023–2024. The adopted budget also includes a Transport Officer, School Resource Officer (paid 70% by the School District) and a Task Force Officer and a new part-time front office position to support operations.

Despite these efforts, the Police Department continues to face greater cost pressures than any other City department, driven by staffing shortages, operational demands, and rising personnel-related costs. The Department is actively working to fill vacancies in sworn positions. As of Quarter Two, one authorized Sergeant position remains vacant, with recruitment underway and anticipated to be filled by March 2026. Additionally, the Department plans to send two recruits to the police academy in the coming months.

Due to ongoing vacancies, the Department has realized approximately \$121,000 in salary savings; however, these savings are more than offset by increased overtime and comp time costs required to maintain minimum staffing levels. As a result, the Department is projected to end the fiscal year over budget by approximately \$164,801. A budget amendment is requested to reallocate salary savings to offset these overtime and comp time expenditures. Overtime costs have significantly exceeded projections, with actuals reaching \$120,144 at mid-year—effectively exhausting the full annual budget of \$120,000 and exceeding projections by approximately 100%. An additional appropriation of \$65,000 is requested to address this shortfall.

Additional cost pressures include a one-time severance payout of approximately \$100,000 in Quarter One, which increased “Other Pay” expenditures, as well as rising utility costs—particularly propane and electricity—during the first half of the fiscal year. A budget amendment of \$12,500 is requested to address increased utility expenses. The Department outsourced Internal Affairs investigation in the last two quarters which also increased costs by \$20k.

Furthermore, ongoing operational costs for equipment and technology continue to rise. The Small Tools and Equipment budget, adopted at \$20,000, does not fully reflect recurring annual costs, including approximately \$50,000 for Axon body-worn cameras, \$25,000 for Tasers, and \$5,000 for Flock safety cameras. While some of these expenses were initially funded through asset forfeiture, they now represent ongoing operational costs that must be supported by the General Fund.

Looking ahead to the next fiscal year, the Police Chief is currently evaluating operational needs and has identified the potential need to fill a Community Service Officer position and unfreeze the fourth Sergeant position to strengthen leadership capacity and support ongoing service demands within the Department. These adjustments are intended to reduce reliance on overtime and provide additional resources to meet operational needs more effectively.

Moving forward, the Police Department budget will undergo further review to identify operational efficiencies, including an evaluation of Asset Forfeiture funding to support eligible expenditures and reduce pressure on the General Fund. Additionally, the budget will incorporate the terms of the approved Memorandum of Understanding, which includes a 3% cost-of-living adjustment (COLA) for sworn officers.

- The CARE Response Unit, operating within the Public Safety Department, is fully grant-funded. The program has secured funding through 2025 as part of an expansion of the California Department of Health Care Services (DHCS) grant originally awarded in 2022.

The CARE Response Unit continues to demonstrate strong outcomes, effectively delivering services and connecting individuals to resources to address homelessness and mental health needs within the community. The program currently supports five staff positions. In the current fiscal year, the program expanded to include an additional full-time position and a part-time Officer Assistant, funded through Measure B resources, further enhancing the City’s capacity to respond to community needs.

Community Development Department

At mid-year, the Community Development Department has expended approximately 38% of its amended budget and is projected to end the fiscal year under budget by approximately \$134,000, primarily due to personnel savings from the ongoing vacancy in the Community Development Director position and reduced reliance on professional services. The Department currently consists of an Assistant Planner, Associate Planner, Administrative Assistant, and a part-time Permit Technician, with plans to convert the Permit Technician position to full-time in the coming months to meet service demands.

While the Director role has remained largely vacant since 2019—with only a short-term placement in 2024—the Department has maintained operations and service delivery under the City Manager serving as Acting Director. Recruitment efforts for a Director or Senior Planner remain ongoing. Despite staffing constraints, the Department has undergone a significant operational transformation focused on efficiency, service delivery, and modernization. Key improvements include the implementation of Accela permitting software and strategic partnerships with 4LEAF and consulting support from Marie Jones Consulting to provide plan check, inspection, and planning services. These changes have streamlined processes, reduced turnaround times, and enhanced the customer experience.

The Department is also advancing modernization efforts through the implementation of a new Code Enforcement software system. Code enforcement remains primarily complaint-driven and is being supported by the Assistant Planner, with supplemental support from 4LEAF.

Looking ahead, the Department will play a key role in implementing the City's Vacant Registry program in coordination with the City Manager's Office, supporting downtown activation and economic revitalization.

Visit Fort Bragg (Tourism & Marketing Investment)

The City has made a strategic investment of \$350,500 in Visit Fort Bragg (VFB) for FY 2025–2026 to strengthen tourism, enhance destination marketing, and support local economic activity. Of this amount, \$180,000 is allocated to the City's Destination Marketing Organization (DMO), Idea Cooperative, to deliver targeted marketing campaigns, brand development, and visitor outreach. This increased investment reflects the City's commitment to reinvesting Measure U (TOT) revenues back into tourism promotion and economic development. Funding for marketing and promotions has increased from \$236,514 to \$350,500, allowing the City to expand its reach and elevate Fort Bragg as a premier coastal destination.

Signature events continue to play a critical role in driving visitation and economic activity. These include established events such as the Whale Festival, Blues Festival, and Magic Market, which attract both regional and out-of-area visitors. Looking ahead, the City is actively developing new, high-impact events, including a premier coastal trail music festival and a mountain bike tournament planned for Fall 2026, further diversifying tourism offerings and extending the visitor season.

As part of its ongoing efforts to maximize return on investment, the City will be evaluating opportunities to bring select DMO services in-house to improve efficiency, increase accountability, and better align marketing efforts with City priorities. Additionally, the City will explore opportunities to strategically allocate a portion of these funds toward enhancing the overall visitor experience—such as placemaking, wayfinding, and event activation—as well as potential partnerships with Visit Mendocino to further amplify regional marketing efforts and expand reach.

The City Manager will initiate discussions on these future strategies at the upcoming Visit Fort Bragg meeting scheduled for April/May.

Corporation Yard- Public Works

The Corporation Yard Division within Public Works is comprised of a team of 10 staff, including a Maintenance Division Supervisor, one Maintenance IV, four Maintenance II positions, and four Maintenance I positions. The Division is responsible for maintaining critical City infrastructure and supporting day-to-day operations across multiple service areas.

During the first two quarters of the fiscal year, the Division has remained highly active, supporting Broadband USA construction efforts through utility marking and coordination, responding to emergency maintenance needs, and continuing to perform routine and preventative maintenance throughout the City. These responsibilities include street maintenance, storm drain management, signage, and general infrastructure upkeep.

Looking ahead, the City is making strategic investments to strengthen in-house maintenance capacity and address deferred infrastructure needs. A budget adjustment includes the addition of one Maintenance II position to support the development of an in-house street maintenance crew. To support this effort, the City has already invested approximately \$351,000 in street maintenance equipment, with an additional \$212,000 requested to fully fund the necessary equipment purchases.

In parallel, the Department has transitioned landscaping services to external contractors and is in the process of outsourcing janitorial services. These changes are intended to free up internal staff capacity, allowing the Division to focus on higher-priority maintenance work and address deferred maintenance across City facilities and infrastructure.

To further improve operational efficiency, the City is implementing maintenance and task-tracking software to better organize work orders, track recurring maintenance needs, and identify opportunities for improved service delivery. A budget amendment of \$11,000 is requested to support this initiative. Collectively, these actions represent a strategic shift toward building internal operational capacity, prioritizing core infrastructure services, and modernizing maintenance practices to deliver more efficient, responsive, and sustainable public works operations

GENERAL FUND NET RESULT AND FUND BALANCE

With projected revenues totaling \$14.3 million and total expenditures of \$14.9 million, the General Fund is expected to conclude FY 2025–2026 with a deficit of approximately \$366,916. This planned drawdown will reduce the unassigned fund balance to approximately \$4.9 million.

While the deficit reflects increased expenditures—particularly in personnel costs that have returned to and exceeded pre-COVID levels—it also represents a deliberate investment in staffing and service delivery across City departments. Most key leadership positions have been filled to strengthen operations, with the exception of the Community Development and Finance Director roles. These vacancies have generated one-time salary savings in the current fiscal year, with responsibilities absorbed by the City Manager; however, once filled, these positions will add ongoing cost pressures to the General Fund.

GENERAL FUND RESERVES	
Reserves- July 2025 (Audited)	8,830,015
<u>FY 25/26</u>	
Projected Revenues	14,309,710
Projected Expenditures	(14,974,788)
Net Transfers	298,162
GF Surplus/Deficit	<u>(366,916)</u>
Reserves- July 2026 (Projected)	<u>\$8,463,099</u>
Operating Reserve	1,989,419
Recession Reserve	1,876,059
Litigation Reserve	200,000
Unassigned Reserves	836,823
Total Unassigned	<u>4,902,301</u> 33%
Section 115 Trust	3,560,798
Total Reserves	<u>\$8,463,099</u>

The City’s financial position has been significantly strengthened by the voter approval of Measures T and U, which increased local sales tax and Transient Occupancy Tax (TOT) revenues. These measures provide critical, ongoing funding to support core services and stabilize the City’s financial foundation. Despite the projected deficit, the City’s overall fiscal position remains strong. General Fund reserves are projected to remain at approximately 33% of annual expenditures, well above recommended best practices. In addition, the City has proactively set aside \$3.5 million in a Section 115 Trust to address long-term pension liabilities and help absorb volatility associated with CalPERS costs.

At the same time, the City is intentionally prioritizing investments that grow and diversify the local tax base to sustain increasing costs of government services. This includes reinvesting TOT revenues into tourism promotion, events, and destination enhancements to strengthen visitation year-round—particularly during shoulder seasons—as well as advancing economic development initiatives that support business growth, reduce vacancies, and attract new investment.

Looking ahead, maintaining long-term fiscal sustainability will depend on balancing disciplined cost management with continued efforts to expand revenue-generating activity. Key revenue sources—particularly Transient Occupancy Tax and Sales Tax—will play a critical role in keeping pace with rising personnel, infrastructure, and service delivery costs.

Overall, the City remains in a stable and resilient financial position, with a clear strategy focused on strengthening its tax base, maintaining strong reserves, and aligning investments with long-term economic growth and service sustainability.

WATER ENTERPRISE FUND

The Water Enterprise is responsible for providing safe, clean, and reliable water at adequate pressures and volumes to serve residents, businesses, and public facilities throughout the City of Fort Bragg. The Water Department's core services include raw water collection, water treatment, and the distribution of treated water for domestic and commercial use.

The current Water Enterprise rate structure continues to function as intended, fully supporting operational needs, maintaining the required operating reserve, and generating modest funding for infrastructure upgrades, replacements, and ongoing maintenance. To ensure long-term financial sustainability and to provide more than modest funding for future operational and capital needs, a new rate structure is scheduled to take effect on July 1, 2026.

Fund reserves remain strong, totaling \$3.82 million at the beginning of fiscal year 2026. These reserves provide stability for operations, support planned capital improvements, and help safeguard the system against unforeseen events.

While the Water Enterprise rate structure is operating as intended, supporting all operational needs, maintaining the operating reserve, and accumulating modest funds for infrastructure upgrades, replacements, and maintenance, a new rate structure will be implemented effective July 1, 2026 to ensure that adequate and not just modest funds are available for operations and infrastructure. Fund reserves remain strong at \$3.82 million at the beginning of fiscal year 2026.

WATER ENTERPRISE											
	FY 2023/24 Actuals	FY 2024/25 Actuals	Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2025	YTD Actual 12/31/2025	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Charges for services	\$ 2,950,767	\$ 2,953,561	\$ 2,959,574		\$ 2,959,574	\$ 1,479,787	\$ 1,773,551	60%	\$ 293,763	\$ 2,975,074	\$ 15,500
Capacity Fees	20,600	28,261	20,000		20,000	10,000	11,101	56%	1,101	20,000	-
Investment Interest	235,410	140,057	111,891		111,891	55,946	-	0%	(55,946)	111,891	-
Other revenue	85,096	68,610	41,000		41,000	20,500	18,318	45%	(2,182)	41,000	-
Total Revenue	3,291,872	3,190,488	3,132,465	-	3,132,465	1,566,233	1,802,970	58%	236,737	3,147,965	15,500
Personnel services	\$ 633,921	747,905	774,484		774,484	387,242	409,175	53%	21,933	776,628	(2,144)
Operations	1,873,531	1,209,141	1,447,341	209,469	1,656,809	828,405	239,128	14%	(589,277)	1,707,321	(50,512)
Utilities	192,471	199,288	200,000		200,000	100,000	105,862	53%	5,862	192,000	8,000
Capital outlay	45,978	5,531	250,000	8,225	258,225	129,113	-	0%	(129,113)	258,225	-
Repairs & maintenance	45,584	74,557	67,000	-	67,000	33,500	23,007	34%	(10,493)	57,000	10,000
Insurance	53,392	68,287	72,384		72,384	36,192	74,193	102%	38,001	72,384	-
Interest/Debt service *	25,370	-	-		-	-	-	-	-	-	-
Depreciation **	353,968	338,922	-		-	-	-	-	-	-	-
Total Expenditures	3,224,216	2,643,630	2,811,209	217,694	3,028,903	1,514,452	851,366	28%	(663,086)	3,063,559	(34,656)
Net Revenue/(Expense)	\$ 67,656	\$ 546,858	\$ 321,256	\$ (217,694)	\$ 103,562	\$ 51,781	\$ 951,604		\$ 899,823	\$ 84,406	(19,156)
* Audited results do not include payment of principal which is not an expense in full accrual accounting						\$ 2,304,708	\$ 576,177.03				
** Depreciation Expense is not budgeted and therefore not included in calculation of budget variance											

At mid-year, the Water Enterprise Fund is performing in line with expectations and is projected to finish the fiscal year with a slight surplus. The fund is fully supported by user fees, with total revenues through December reaching \$1.80 million, or 58% of the prorated budget. Revenues are generally tracking as anticipated, and total year-end revenues are estimated at \$3,147,965.

Expenditures remain well below prorated levels at mid-year, with year-to-date spending of \$851,366, or 28% of the prorated budget. Personnel services and utilities are tracking close to expectations, while underspending in operations, capital outlay, and repairs & maintenance reflects project timing and delayed procurement. Total expenditures are projected to end the year at \$3,063,559.

Overall, the Water Enterprise Fund is expected to close the fiscal year with a modest surplus of approximately \$84,406, effectively maintaining a near break-even position. While this surplus supports ongoing operational needs, it is not sufficient to materially increase reserves, which remain stable but unchanged.

WASTEWATER ENTERPRISE FUND

The Wastewater Enterprise, operated by Municipal Improvement District No. 1, is responsible for providing a safe and reliable sanitary sewer system to serve residents, businesses, and public facilities throughout the City of Fort Bragg. The Enterprise also operates the City's wastewater treatment facility in full compliance with state and federal regulatory requirements. Core services include coordinating operations, monitoring, maintenance, and related activities for the wastewater treatment plant and sanitary pumping stations. The Enterprise provides both primary and secondary treatment of wastewater, as well as treatment and conditioning of solids, resulting in a high-quality effluent suitable for ocean discharge.

The current Wastewater Enterprise rate structure continues to function as intended, fully funding core operations, maintaining required reserves, supporting debt obligations, and building resources for future

infrastructure upgrades, replacements, and maintenance. To ensure long-term financial sustainability and to provide more than modest funding for future operational and capital needs, a new rate structure will take effect on July 1, 2026.

Fund reserves remain strong, totaling \$1.72 million at the beginning of fiscal year 2026. These reserves provide stability for operations, support planned capital improvements, and help safeguard the system against unforeseen events.

WASTEWATER ENTERPRISE											
	FY 2023/24 Actuals	FY 2024/25 Actuals	Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2025	YTD Actual 12/31/2025	Variance Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
Charges for services	\$ 3,416,929	\$ 3,391,326	\$ 3,411,845		\$ 3,411,845	\$ 1,705,922	\$ 1,948,219	57%	\$ 242,297	\$ 3,464,528	\$ 52,683
Capacity Fees	18,928	21,487	53,395		53,395	26,698	4,837	0	(21,860)	10,000	(43,395)
Investment Interest	164,443	95,696	51,000		51,000	25,500	-	-	(25,500)	60,000	9,000
Other revenue	190,782	146,336	193,610		193,610	96,805	78,109	40%	(18,696)	218,610	25,000
Total Revenue	3,791,082	3,654,846	3,709,850	-	3,709,850	1,854,925	2,031,165	55%	176,240	3,753,138	43,288
Personnel services	\$ 821,413	1,470,930	1,044,127		1,044,127	522,064	614,784	59%	92,721	1,073,032	(28,904)
Operations	2,049,989	1,682,155	1,123,553	143,750	1,267,302	633,651	333,827	26%	(299,825)	1,192,363	74,940
Utilities	351,532	355,612	325,000		325,000	162,500	170,385	52%	7,885	315,000	10,000
Capital outlay	215,871	198,544	215,871	-	215,871	107,936	-	0%	(107,936)	116,994	98,877
Repairs & maintenance	89,434	118,284	159,000	6,857	165,857	82,928	79,385	48%	(3,543)	159,000	6,857
Insurance	113,349	150,154	152,814		152,814	76,407	156,529	102%	80,123	157,100	(4,286)
Interest/Debt service *	92,010	90,130	185,675		185,675	92,838	-	-	(92,838)	312,996	(127,321)
Depreciation **	816,971	814,971	-		-	-	-	-	-	-	-
Total Expenditures	4,550,568	4,880,781	3,206,040	150,606	3,356,646	1,678,323	1,354,910	40%	(323,413)	3,326,484	30,162
Net Revenue/(Expense)	\$ (759,486)	\$ (1,225,935)	\$ 503,810	\$ (150,606)	\$ 353,204	\$ 176,602	\$ 676,255		\$ 499,653	\$ 426,654	73,450

* 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

At mid-year, the Wastewater Enterprise Fund is performing steadily, with both revenues and expenditures trending toward a stable year-end position. Total revenues through December reached \$2.03 million, or 55% of the prorated budget, driven primarily by consistent Charges for Services. Year-end revenues are projected at \$3,753,138, slightly above the adopted budget.

Expenditures total \$1,354,910 at mid-year, or 40% of the prorated budget. Personnel costs are running higher than planned, while operations, capital outlay, and repairs & maintenance are underspent due to project timing and delayed procurement. Utilities are tracking close to budget, and Insurance is slightly above the prorated amount but expected to remain within the annual allocation. Total expenditures are projected to end the year at \$3,326,484.

Overall, the fund is expected to close the fiscal year with a surplus of approximately \$426,654, supported by strong charges for services revenue.

CV STARR & PARKS & RECREATION DEPARTMENT

The C.V. Starr Community Center and Sigrid & Harry Spath Aquatic Facility (C.V. Starr Center) is a 43,000-square-foot, multi-use facility that serves as a vital recreational and wellness hub for the community. The Center offers an array of amenities, including an indoor water park, fitness and exercise rooms, weight rooms, and community meeting spaces. The surrounding grounds further enhance the facility’s offerings with a dog park, skateboard park, and petanque courts.

The City of Fort Bragg owns the C.V. Starr Center. Operational, maintenance, and capital improvement costs are partially offset by restricted sales and property tax revenues, which are

specifically allocated to the C.V. Starr Enterprise Fund. This dedicated funding structure supports the long-term sustainability of the facility.

Historically, the City contracted with the Mendocino Coast Recreation and Parks District (MCRPD) for day-to-day operations and maintenance. However, in August 2023, the MCRPD Board issued formal notice to terminate the operating agreement, initiating a six-month transition period to allow for an orderly change in operations.

In response, the C.V. Starr Ad-Hoc Committee, in close coordination with City staff, developed a comprehensive transition plan to ensure continuity of services. As of February 2024, the C.V. Starr Center has officially transitioned to City operation. This strategic move ensures the uninterrupted delivery of high-quality recreational services and facilities, reinforcing the City’s commitment to promoting community well-being and quality of life.

CV STARR ENTERPRISE											
	FY 2023/24	FY 2024/25	Approved Net Budget		Amended Budget	Pro Rated Budget as of 12/31/2025	YTD Actual 12/31/2025	Mid-Year Variance %	Variance Budget vs. Actual	Estimated Year End	Forecast Surplus/ (Shortfall)
	Actuals	Actuals	Adopted Budget	Amendments							
Charges for services	\$ 680,071	\$ 911,110	\$ 873,021		\$ 873,021	\$ 436,510	\$ 442,353	51%	\$ 5,842	\$ 743,500	\$ (129,521)
Sales tax	1,169,582	1,350,872	1,230,000		1,230,000	615,000	415,052	34%	(199,948)	1,230,000	-
Property tax	309,827	326,804	311,647		311,647	155,823	186,552	60%	30,729	311,647	-
Investment Interest	95,242	113,035	30,000		30,000	15,000	-	0%	(15,000)	42,000	12,000
Other revenue	(114,738)	13,592	20,771		20,771	10,386	32,501	156%	22,115	35,295	14,524
Total Revenue	2,139,985	2,715,413	2,465,439	-	2,465,439	1,232,719	1,076,457	44%	(156,262)	2,362,442	(102,997)
Personnel services	\$ 1,091,157	1,305,340	1,079,985		1,079,985	539,993	702,734	65%	162,741	1,120,975	(40,990)
Operations	266,512	969,354	492,094	41,970	534,064	267,032	259,391	49%	(7,641)	530,100	3,964
Utilities	354,859	410,100	420,000		420,000	210,000	205,155	49%	(4,845)	385,000	35,000
Capital outlay	24,547	93,099	-	9,725	9,725	4,862	2,835	29%	(2,027)	-	9,725
Repairs & maintenance	56,270	94,114	40,000	26,795	66,795	33,398	5,666	8%	(27,731)	66,795	-
Insurance	211,248	-	-		-	-	-		-	15,000	(15,000)
Interest/Debt service *	-	-	-		-	-	-		-	144,842	(144,842)
Depreciation **	675,919	700,585	-		-	-	-		-	-	-
Total Expenditures	2,680,511	3,572,592	2,032,080	78,490	2,110,570	1,055,285	1,175,782	56%	120,497	2,262,713	(152,143)
Net Revenue/(Expense)	\$ (540,527)	\$ (857,179)	\$ 433,359	\$ (78,490)	\$ 354,869	\$ 177,434	\$ (99,324)		\$ (276,759)	\$ 99,729	(255,140)

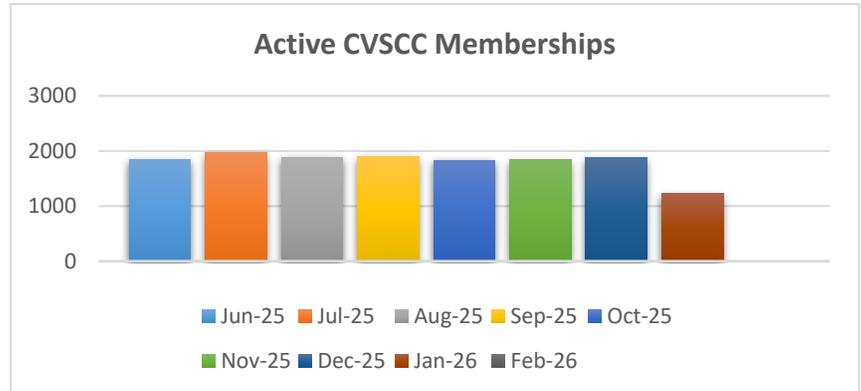
* Audited results do not include payment of principal which is not an expense in full accrual accounting
** Depreciation Expense is not budgeted and therefore not included in calculation of budget variance

The C.V. Starr Center and Parks and Recreation programs continue to demonstrate steady recovery and growth, despite operational challenges experienced during the fiscal year.

In FY 2024–2025 and continuing into the first half of FY 2025–2026, the City made significant investments to address deferred maintenance at the C.V. Starr Center. These improvements included critical upgrades to the HVAC system, skylight repairs, water slide repairs, leisure pool boiler, Ultra violet disinfection system and other facility maintenance projects necessary to ensure long-term functionality and user experience. As part of this work, the pool was closed for more than two months during January and February, which had a direct impact on revenue performance during that period.

Despite these temporary disruptions, the Center has reported strong gains in membership growth. While revenues were partially offset by facility closures, the underlying trend reflects increased community engagement and demand for services. The Center is projected to end the year at \$2.3 million, \$102k under budget.

The City Manager and C.V. Starr Center staff have made a concerted effort to increase memberships through enhanced marketing initiatives, community outreach, and improved programming. As a result, both membership revenues and general admissions have shown a strong recovery, reaching approximately 61% of budgeted revenue by the end of the second quarter.



Additionally, rate adjustments approved by the City Council in the second quarter—effective January 2025—are projected to generate approximately \$90,000 in additional revenue for the remainder of the fiscal year, further strengthening the Center’s financial position.

Moving forward, with major maintenance projects largely completed and full facility access restored, the Center is well-positioned to continue rebuilding its membership base, increase program participation, and improve overall cost recovery. Parks and Recreation programming will also play a key role in expanding community engagement and maximizing use of City facilities.

Sales tax revenues allocated to the C.V. Starr Center are performing in line with quarterly budget projections, indicating the Center remains on track to achieve its overall FY 2025–2026 revenue target of approximately \$1.2 million.

In addition, property tax allocations are projected to increase by approximately 6% and will be realized in the third quarter, consistent with typical timing. These revenues will provide an important boost to the Center’s financial position and support overall budget stability. Together, these revenue streams reinforce the Center’s improving financial outlook and align with the City’s broader strategy to ensure long-term operational sustainability.

EXPENDITURES

The City has implemented a series of strategic initiatives to enhance operational efficiency and drive membership growth at the C.V. Starr Center. A key step included consolidating fitness class offerings from 70 to 27 classes and temporarily closing the Center on Sundays to improve cost recovery and align programming with demand. Additionally, fitness instructors (excluding those participating in the Silver Sneakers program) have transitioned from employee status to independent contractors, maintaining service quality while improving cost-effectiveness. The City plans to expand class offerings under this revised model in the coming months.

Despite these efforts, the Center continues to face operational challenges, particularly in recruiting qualified lifeguards, with at least four part-time and two full-time positions remaining vacant. These positions are critical to maintaining full operational hours, including weekends and holidays, and ensuring safety standards are met.

Looking ahead, the City is building on its Strategic Plan by formally establishing a dedicated Parks and Recreation Department in July 2025. This effort is intended to bolster and complement the programs offered by the Mendocino Coast Recreation and Park District (MCRPD), while expanding City-led recreation opportunities across Fort Bragg. Key focus areas include activating the new Bainbridge Park, maximizing utilization of the C.V. Starr Center, and expanding youth programs and community events in partnership with the Police Department. As part of this expansion, expenditure increases include the addition of a full-time Parks and

Recreation Coordinator position to support programming, event activation, and ongoing operations—particularly at Bainbridge Park. A budget amendment of \$144,842 is being requested to account for 2025 solar equipment interest that wasn't included in the current budget.

The C.V. Starr Center delivered a strong financial performance in FY 2024–2025, generating a surplus of approximately \$1.2 million and increasing reserves to nearly \$2.9 million.

For FY 2025–2026, the Center is projected to end the year with a more modest surplus of approximately \$99,000, reflecting ongoing investments in facility improvements, programming, and operations.

The Center has identified approximately \$1.6 million in Capital Improvement Program (CIP) needs over the next four years, which is expected to draw down these reserves. In response, the City is actively pursuing grant funding opportunities to offset capital costs and reduce reliance on reserve funds.

Collectively, these efforts reflect a strategic shift toward expanding recreation services, improving cost efficiency, and maximizing the use of City facilities to enhance community quality of life while maintaining long-term financial sustainability.

BROADBAND ENTERPRISE FUND

BROADBAND ENTERPRISE											
	FY 2023/24	FY 2024/25	Adopted	Approved Net	Amended	Pro Rated	YTD Actual	Mid-Year	Variance	Estimated	Forecast
	Actuals	Actuals	Budget	Budget	Budget	Budget as of	12/31/2025	Variance %	Budget vs.	Year End	Surplus/
				Amendments		12/31/2025	12/31/2025		Actual		(Shortfall)
Charges for services	\$ -	\$ -	\$ 2,317,605		\$ 2,317,605	\$ 1,158,803	\$ 1,333,394	58%	\$ 174,591	\$ 2,256,567	\$ (61,038)
Other revenue	-	-	-		-	-	12		12	-	-
Total Revenue	-	-	2,317,605	-	2,317,605	1,158,803	1,333,405	58%	174,603	2,256,567	(61,038)
Personnel services	-	-	988,663		988,663	494,332	475,300	48%	(19,032)	872,857	115,806
Operations	-	-	1,212,402		1,212,402	606,201	565,409	47%	(40,792)	1,506,343	(293,941)
Utilities	-	-	116,540		116,540	58,270	6,148	5%	(52,122)	12,000	104,540
Repairs & maintenance	-	-	-		-	-	6,398		6,398	6,400	(6,400)
Insurance	-	-	-		-	-	-		-	-	-
Other operating	-	-	-		-	-	17,838		17,838	30,046	(30,046)
Interest/debt Service *	-	-	-		-	-	-		-	-	-
Depreciation **	-	-	-		-	-	-		-	-	-
Total Expenditures	-	-	2,317,605	-	2,317,605	1,158,803	1,071,092	46%	(87,711)	2,427,646	(110,041)
Net Revenue/(Expense)	\$ -	\$ -	\$ -		\$ -	\$ -	\$ 262,313		\$ 262,313	\$ (171,079)	(171,079)

* 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

The City’s Broadband Enterprise represents a major strategic investment aligned with the City Council’s long-term vision to enhance economic development, improve service delivery, and build critical infrastructure for the future. The City is currently constructing a municipally owned fiber-optic network with a total investment of approximately \$17.6 million. This initiative supports the City’s Strategic Plan by expanding access to high-speed, reliable internet, fostering business growth, enabling remote work opportunities, and strengthening overall economic competitiveness.

In FY 2024–2025, the City acquired Mendocino Community Network (MCN), with full integration into City operations effective July 1, 2025. To lead this effort, the City Manager appointed a Broadband Director in September 2025, establishing dedicated leadership to guide the transition and long-term success of the utility.

Due to construction delays, the initial rollout of fiber service within City limits is now anticipated in Summer 2026. In the interim, the Broadband Enterprise has focused on maintaining and stabilizing existing MCN services while developing a comprehensive transition plan for future fiber customers. The City has also taken key steps to position the Enterprise for long-term success, including securing a lease on Elm Street for a new broadband office, advancing rebranding efforts, and developing a marketing strategy to support customer acquisition upon service launch.

FIBER PLANS			
PLAN NAME	MONTHLY RATES	SPEED	IDEAL FOR
Fiber Breeze (Low-income qualify)	\$40	500 Mbps	Everyday browsing, Zoom calls, HD Streaming
FiberCore	\$50	1 Gig	Multi-device homes, 4K streaming, remote work
FiberBlaze	\$70	2 Gig	Multi-device homes, 4K streaming, remote work Power users, online gaming, smart homes
FiberEdge	\$90	5 Gig	Creators, professionals, heavy upload/download households. Advance tech use. Constant, high-volume data flow
FiberUltra	\$110	10 Gig	Maximum performance for businesses & future-ready homes



During the first two quarters of the fiscal year, the Enterprise has delivered steady and reliable revenue performance while identifying cost-saving opportunities across operations. The largest operational expense remains the resale utility agreement with Sonic. A budget amendment of \$362,552 is requested to account for higher-than-anticipated costs associated with maintaining existing service levels. The original budget of \$714,000 assumed a phased transition of customers to the City’s fiber network; however, due to construction delays, this transition has not yet occurred, requiring continued reliance on resale services and adjustments to both expenditure and revenue

projections.

Personnel costs, including salaries and benefits, are currently projected to come in under budget. To support ongoing operations and prepare for future service expansion, the Enterprise is proposing to convert an existing part-time position to full-time.

Looking ahead, Broadband Enterprise is focused on completing construction, launching fiber service, and executing a successful customer transition strategy. This initiative represents a transformative investment in the City's infrastructure, with long-term benefits including increased local control, improved service reliability, competitive pricing, and enhanced economic development opportunities.

INTERNAL SERVICE: FACILITIES REPAIR & MAINTENANCE

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

ISF-FACILITIES									
	FY 2023/24 Actuals	FY 2024/25 Actuals	FY 25/26 Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2025	YTD Actual 12/31/2025	Estimated Year End	Forecast Surplus/ (Shortfall)
Operating Revenue	\$ 26,498	\$ 10,199	\$ 500	\$ -	\$ 500	\$ 250	\$ -	\$ 5,000	\$ 4,500
Interdepartmental Charges	281,958	149,998	350,156	-	350,156	175,078	-	350,156	-
TOTAL REVENUES	308,456	160,197	350,656	-	350,656	175,328	-	355,156	4,500
Personnel Services	199,590	13,146	105,998	-	105,998	52,999	-	105,998	-
Repairs & Maintenance	20,342	18,408	12,000	-	12,000	6,000	2,051	22,500	(10,500)
Contractual Services	8,050	18,988	32,000	-	32,000	16,000	-	8,000	24,000
Depreciation	7,084	7,481	-	-	-	-	-	-	-
TOTAL EXPENDITURES	235,066	50,541	-	-	149,998	74,999	2,051	136,498	13,500
Net Revenue/(Expense)	\$ 73,390	\$ 109,656	\$ 350,656	\$ -	\$ 200,658	\$ 100,329	\$ (2,051)	\$ 218,658	18,000

The Facilities Internal Service Fund (ISF) is performing in line with budget projections, with both revenues and expenditures tracking as expected through the fiscal year.

Over the past year, the Fund has supported several key facility improvement projects, including the City Hall flooring project, the Town Hall remodel, and improvements to the Police Department lobby, which were co-funded with asset forfeiture funds. These investments have enhanced the functionality, safety, and overall customer experience of key City facilities.

The Facilities ISF continues to play a critical role in maintaining and upgrading City-owned assets by providing a stable and centralized funding mechanism for ongoing maintenance and capital improvements.

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									
	FY 2023/24 Actuals	FY 2024/25 Actuals	FY 25/26 Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2025	YTD Actual 12/31/2025	Estimated Year End	Forecast Surplus/ (Shortfall)
Operating Revenue	\$ 225	\$ 113	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interdepartmental Charges	645,745	530,997	924,371	-	924,371	462,186	-	831,371	(93,000)
TOTAL REVENUES	645,970	531,109	924,371	-	924,371	462,186	-	831,371	-
Personnel Services	225,196	360,893	328,082	-	328,082	164,041	174,634	406,995	(78,914)
Repairs & Maintenance	1,834	5,357	4,450	-	4,450	2,225	491	4,450	-
Materials & Supplies	340,534	415,582	586,119	-	755,866	377,933	357,953	818,136	(62,270)
Contractual Services	54,526	17,577	55,000	-	55,000	27,500	-	55,000	-
Allocated Overhead	-	11,217	-	-	-	-	-	-	-
Depreciation	36,015	41,844	-	-	-	-	-	-	-
TOTAL EXPENDITURES	658,105	852,471	973,651	-	1,143,397	571,699	533,078	1,284,581	(141,184)
Net Revenue/(Expense)	\$ (12,135)	\$ (321,361)	\$ (49,280)	\$ -	\$ (219,026)	\$ (109,513)	\$ (533,078)	\$ (453,210)	(234,184)

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.

The FY 2025 budget includes \$133,000 for Police vehicle replacements and \$285,000 for Public Works vehicles, consistent with the City’s long-term Vehicle Replacement Plan. Fuel and lubricant costs are projected at \$141,000, remaining consistent with the prior year, while a new allocation of \$6,000 has been included to support electric vehicle charging infrastructure as part of the City’s gradual transition toward fleet electrification. Looking ahead, the addition of new street maintenance equipment in FY 2026 may result in increased maintenance and repair costs, and a future budget adjustment may be necessary to account for these operational impacts.

ISF-FLEET									
	FY 2023/24 Actuals	FY 2024/25 Actuals	FY 25/26 Adopted Budget	Approved Net Budget Amendments	Amended Budget	Pro Rated Budget as of 12/31/2025	YTD Actual 12/31/2025	Estimated Year End	Forecast Surplus/ (Shortfall)
Interdepartmental Charges	\$ 642,265	\$ 729,116	\$ 773,541	\$ -	\$ 773,541	\$ 386,771	\$ -	\$ 773,541	\$ -
Grant Reimbursements	-	-	500	-	500	-	-	500	-
TOTAL REVENUES	642,265	729,116	773,541	-	773,541	386,771	-	774,041	(500)
Personnel Services	126,097	398,910	126,716	-	126,716	63,358	69,768	133,750	(7,034)
Repairs & Maintenance	86,716	58,979	59,000	-	59,000	29,500	43,835	77,000	(18,000)
Materials & Supplies	116,854	95,951	124,000	-	124,000	62,000	35,169	118,000	6,000
Vehicles	8,457	2,873	418,000	-	348,423	174,211	73,002	358,000	(9,577)
Contractual Services	428	1,451	1,400	-	1,400	700	140	500	900
Allocated Overhead	-	-	-	-	-	-	-	-	-
Depreciation	164,086	197,633	-	-	-	-	-	-	-
TOTAL EXPENDITURES	502,640	755,796	729,116	-	659,538	329,769	221,915	687,250	(27,711)
Net Revenue/(Expense)	\$ 139,625	\$ (26,681)	\$ 44,425	\$ -	\$ 114,003	\$ 57,001	\$ (221,915)	\$ 86,791	(27,211)

In the third quarter, the City completed the purchase of a dump truck at a total cost of approximately \$225,000 and acquired two Ford Mavericks to replace an existing F-150, improving fuel efficiency and operational flexibility.

Vehicle Replacement Plan													
Unit No.	Make	Yr.	Model	Hours/Miles	FY 24/25 Proposed	FY 25/26 Projected	FY 26/27 Projected	FY 27/28 Projected	FY 28/29 Projected	FY 29/30 Projected	FY 30/31 Projected	FY 31/32 Projected	FY 31/32 Projected
WWT31	NISSAN	2007	FRONTIER	64,414									
PW5	FORD	2006	F-250 SERV	88,706									
PW12	PETE	1997	DUMP TRUCK	429,174		\$225,000							
WT1	Dodge	2005	1500 Q. CAB	80,375	\$60,000								
PW16	FORD	2006	F-150 X-TRA	84,419		\$60,000							
PW56	GLOBAL	2016	SWEEPER					\$300,000					
PW17	CAT	2005	FORKLIFT				\$57,000						
			Sewer Jetter		75000								
Public Works Sub-Total:					\$135,000	\$285,000	\$57,000	\$300,000	\$0				
PD500	FORD	2015	INTERCEPTOR	90,995	\$83,000								
PD501	FORD	2015	INTERCEPTOR	82,985									
PD502	FORD	2015	INTERCEPTOR	65,707			\$84,000						
PD503	FORD	2015	INTERCEPTOR	76,000		\$83,000							
PD507	FORD	2016	INTERCEPTOR	58,400				\$85,000					
PD508	FORD	2016	INTERCEPTOR	58,916					\$86,000				
PD509	FORD	2023	MACH E ELECTRIC	2,494									
PD510	FORD	2015	TAURUS	88,008		\$50,000							
PD513	FORD	2018	INTERCEPTOR	47,964					\$86,000				
PD517H	FORD	2023	F150 HYBRID	18,307									
PD518E	FORD	2023	F150 ELECTRIC	32,581							\$40,000		
PD519E	FORD	2023	F150 ELECTRIC	23,372							\$40,000		
PD520E	FORD	2023	F150 ELECTRIC	24,207							\$40,000		
PD521E	FORD	2023	F150 ELECTRIC	15,905								\$40,000	
PD522E	FORD	2023	F150 ELECTRIC	6,980								\$40,000	
Police Sub-Total:					\$83,000	\$133,000	\$84,000	\$85,000	\$172,000	\$0	\$0	\$120,000	\$80,000
Total Replacement Costs:					\$218,000	\$418,000	\$141,000	\$385,000	\$172,000	\$0	\$0	\$120,000	\$80,000

For Police Department fleet replacements, the City is deferring the purchase of two vehicles originally budgeted in FY 2025. The City is currently evaluating participation in the Enterprise Fleet Management Program, which would transition the City from a traditional purchase model to a leasing-based approach. This strategy is intended to provide greater financial flexibility, stabilize replacement cycles, and reduce large upfront capital expenditures.

Nationwide, vehicle costs have increased significantly since the COVID-19 pandemic due to ongoing supply chain disruptions, including semiconductor shortages. As a result, vehicle pricing remains elevated, with the average cost of a new vehicle reaching approximately \$47,000. These conditions continue to impact fleet replacement planning and procurement strategies.

In alignment with the City's Fund Balance and Reserve Policy, unrestricted fund balances are utilized to pre-fund major fleet purchases and repairs. This approach helps smooth capital expenditures over time, reduce volatility in annual budgets, and ensure the City maintains a sustainable and proactive fleet replacement program

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.

City of Fort Bragg
Mid-Year Budget FY 2026

FY 2025/26 Requested Mid-Year Budget Adjustments							
Account Number	Account Description	Department	Current Budget	Budget Amendment Request	Adjusted Budget	Justification	Funding Source
GENERAL FUND							
EXPENDITURES							
City Council							
110-4130-0311	Legal Costs/City Attorney	Administration	\$ 296,380	\$ 100,620	\$ 397,000	Legal costs	GF
110-4130-0317	Recruitment Costs	Administration	\$ 10,000	\$ 38,800	\$ 48,800	Chief of Police Recruitment, CDD Director	GF
Finance							
110-4150-0101	Salaries & Wages, Benefits	Finance	\$ 412,642	\$ (40,101)	\$ 372,541	Finance Director Vacancy- Professional Services Co	GF
Community Development							
110-4320-0101	Salaries & Wages, Benefits	CDD	\$ 405,754	\$ (122,553)	\$ 283,201	CDD Director Vacancy Cost savings, offset by Planning Tech transistioning to full-time	GF
110-4320-0319	Professional Services	CDD	\$ 130,000	\$ (40,000)	\$ 90,000	4Leaf & Marie Jones Consulting cost savings.	GF
City Council							
110-4110-0315	Election Costs	City Council	\$ 5,000	\$ 30,000	\$ 35,000	Ballot Measure consideration/polling	GF
Police Department							
110-4200-0101	Salaries & Wages	PD	\$ 2,071,753	\$ (121,642)	\$ 1,950,111	Budget Savings from Unfilled Positions	GF
110-4200-0102	Overtime	PD	120,000	65,000	\$ 185,000	Increase in Overtime Costs, staffing shortages	GF
110-4200-0109	Other Pay	PD	159,367	99,712	\$ 259,079	Severance Payout	GF
110-4200-0381	Small Tools & Equipment	PD	20,000	80,000	\$ 100,000	Annual cost of: 50,000 for Axon (BWC, Taser) 25,000 for Axon ALPR 5,000 for Flock	GF
110-4200-0319	Professional Services	PD	87,000	20,000	\$ 107,000	Outside Investigator (IA) costs	GF
110-4200-0383	Utilities	PD	7,500	12,500	\$ 20,000	Increase in Electric & Propane costs	GF
Corporation Yard							
110-4570-0101	Salaries & Wages, Benefits	Corp Yard	396,918	68,213	\$ 465,131	New FT Position: Maintenance II, overages from fiscal year.	GF
110-4570-0220	Pers	Corp Yard	50,739	25,923	\$ 76,662	New FT Position: Maintenance II, overages from fiscal year.	GF
521-4394-0384	Software Costs	Corp Yard/IT	527,052	11,000	\$ 538,052	Maintenance Software tracking/tasks recurring for	GF
Streets Maintenance							
110-4520-0381	Streets Equipment	Streets	354,023	217,822	\$ 571,845	Road Crew Equipment Purchase (Track Loader, Insulated Asphalt Truck, Equipment Trailer, and Skid Steer Attachments)	GF
110-4522-0319	Professional Services		86,617	(33,617)	\$ 53,000	Budget Reduction: Reduction in Professional service	GF
429-7999-0799	Transfer - from Stop Gap Streets	CIP-Streets	800,000	(298,162)	\$ 501,838	Transfer remaining funds from stop gap project back	GF
110-7999-7999	Transfer- to the General Fund	GF	-	298,162	\$ 298,162	Transfer remaining funds from stop gap project back	GF
Non-Department							
110-4190-0358	Liability Insurance	Non-Dept	455,017	14,983	\$ 470,000	Increase in Liability Premiums	GF
110-4916-0912	Interest	Non-Dept	240,555	91,500	\$ 332,055	Share of interest - 2025 Solar Equipment Lease / De	GF
Public Works Engineering							
110-4330-0310	Engineering	PW	96,612	(54,500)	\$ 42,112	Budget Reduction: Savings in Engineering costs	GF
Total General Fund Expenditures			\$ 6,732,929	\$ 463,660	\$ 7,196,589		
				GF Net:	\$ (463,660)		

FY 2025/26 Requested Mid-Year Budget Adjustments							
Account Number	Account Description	Department	Current Budget	Budget Amendment Request	Adjusted Budget	Justification	Funding Source
WATER ENTERPRISE							
610-4612-0751	Infrastructure	Water Enterprise	\$ 60,000	\$ 35,000	\$ 95,000	Raw Water Line piping from pond to wetwell.	Operating
610-4612-0752	Infrastructure	Water Enterprise	\$ 60,000	\$ 30,000	\$ 90,000	Rust Repair for Filter Treatment unit #2	Operating
651-6006-0731	Water Treatment Plant	Water- CIP	\$ 5,290,344	\$ 200,000	\$ 5,490,344	Replacing the damaged asphalt around the water plant	Capital
610-4612-0381	Equipment	Water Enterprise	7,000	175,000	182,000	Sodium hypochlorite generator that has close to 37,000 hours of use	Operating
			\$ 5,417,344	\$ 440,000	\$ 5,857,344		
WASTEWATER ENTERPRISE							
710-4712-0912	Interest	Waste Water	\$ 185,675	\$ 127,321	\$ 312,996	Share of interest - 2025 Solar Equipment Lease/ Debt	
			\$ 185,675	\$ 127,321	\$ 312,996		
BROADBAND ENTERPRISE							
510-5001-0385	Resale Services - Utilities	Broadband	\$ 714,000	333,663	\$ 1,047,663	Original budget had fusion declining due to new fiber customers. Since fiber is not yet being installed cost of existing service to fiber is still high. As fiber rolls out this number will drop. Sonic bills are roughly 70K/Month.	
510-5001-0357	Lease	Broadband	54,000	34,661	\$ 88,661	Lease for new Elm Street Office + Rent MUSD	
510-5001-6136	Legacy Fusion (Blended View)	Broadband	\$ 851,844	333,663	\$ 1,185,507	Increase in Budget Revenue, Broadband is not going to be Live till the summer	
510-5001-6131	BB Internet Serv Rev 1-10 Gbps	Broadband	635,340	(635,340)	\$ -	Fiber project delayed- live in summer 2026	
510-5001-6132	BB Voice Services (w/911)	Broadband	10,397	(10,397)	\$ -	Fiber project delayed- live in summer 2027	
510-5001-6133	BB Low Inc Serv Offer 500 Mbps	Broadband	38,316	(38,316)	\$ -	Fiber project delayed- live in summer 2028	
510-5001-6138	Legacy Open Air	Broadband	287,532	104,304	\$ 391,836	Fiber project delayed- live in summer 2029	
510-5001-6139	Legacy Digital Voice	Broadband	194,827	110,671	\$ 305,498	Fiber project delayed- live in summer 2030	
			\$ 2,786,256	\$ 232,909	\$ 3,019,165		
REVENUES							
810-0000-6125	Facility Passes	CV Starr Center	\$ 747,521	\$ (117,521)	\$ 630,000	Pool facility shutdown for two (2) months	
Total CV Starr Revenues			\$ 747,521	\$ (117,521)	\$ 630,000		
EXPENDITURES							
810-4812-0912	Interest	CV Starr Center	\$ -	\$ 144,842	\$ 144,842	Share of interest - 2025 Solar Equipment Lease / Debt	
Total CV Starr Expenditures			\$ -	\$ 144,842	\$ 144,842		
AMERICA RESCUE ACT FUNDS (336)							
336-5507-0731	ARPA Housing Initiatives		\$ -	\$ 786,043	\$ 786,043	Roll-forward balance to current fiscal year. Encumbered in 24-25	
336-5508-0731	ARPA Business Assistance			\$ 525,480	\$ 525,480	Roll-forward balance to current fiscal year. Encumbered in 24-25	
336-5509-0731	Technology Upgrades			\$ 42,098	\$ 42,098	Roll-forward balance to current fiscal year. Encumbered in 24-25	
336-5510-0731	Public Safety			\$ 40,000	\$ 40,000	Roll-forward balance to current fiscal year. Encumbered in 24-25	
				\$ 1,393,621	\$ 1,393,621		
INFORMATION TECHNOLOGY - ISF (521)							
521-4394-0384	Licensing, Software & Maint	ISF-IT	\$ 527,052	\$ 57,270	\$ 584,322	Accela software & consultant cost , Springbrook AI, Server Maint Subscr	Operating
			\$ 527,052	\$ 57,270	\$ 584,322		

NEW REVENUES

1. FIRE SERVICES FUNDING – PARCEL TAX

Issue

The City currently lacks a dedicated, sustainable funding source for long-term fire apparatus and equipment replacement, creating future risk to service reliability and emergency response capacity.

Background

Fire protection services within Fort Bragg are provided through the Fort Bragg Fire Protection Authority (FBFPA), a Joint Powers Authority between the City of Fort Bragg and the Fort Bragg Rural Fire Protection District, established in FY 1989/90. The FBFPA operates as a separate public entity responsible for fire suppression, prevention, and emergency response services. Funding for FBFPA operations is shared between the City and the Rural Fire District based on a three-year average call ratio, with the City typically bearing a larger share of costs due to higher service demand. The FBFPA is staffed by a Fire Chief, Fire Prevention Officer, Maintenance Engineer, Office Manager, and approximately 29 volunteer firefighters.

A prior \$35 per parcel tax, which generated approximately \$53,000 annually, expired on December 31, 2024. These funds were historically used to support fire engine and equipment replacement, a critical component of maintaining operational readiness

Option: Reinstatement of Fire Parcel Tax

The City, in coordination with the Rural Fire District, may consider placing a fire parcel tax measure on the November 2026 ballot to reestablish a dedicated funding source.

Key Features:

- Flat parcel tax (e.g., ~\$35/parcel or adjusted based on updated needs)
- Requires 2/3 voter approval
- Revenues dedicated to:
 - Fire engine and apparatus replacement
 - Equipment upgrades
 - Long-term capital replacement planning

The Fire Chief and City Manager are currently working on an updated 10-year fire apparatus and equipment replacement plan to better define funding needs and inform a potential ballot measure.

Council Direction Requested

Staff is seeking direction on whether to:

1. Proceed with developing a fire parcel tax measure for the November 2026 ballot;
2. Refine funding scenarios based on updated replacement costs; or
3. Explore alternative funding strategies for fire capital needs.

If directed, staff will return with:

- Updated revenue projections and parcel tax options
- Draft expenditure plan tied to apparatus replacement
- Outreach and ballot measure timeline

Reestablishing a fire parcel tax would provide a stable and dedicated funding source to maintain critical emergency response infrastructure.

2. STORM DRAIN FUNDING CONSIDERATION

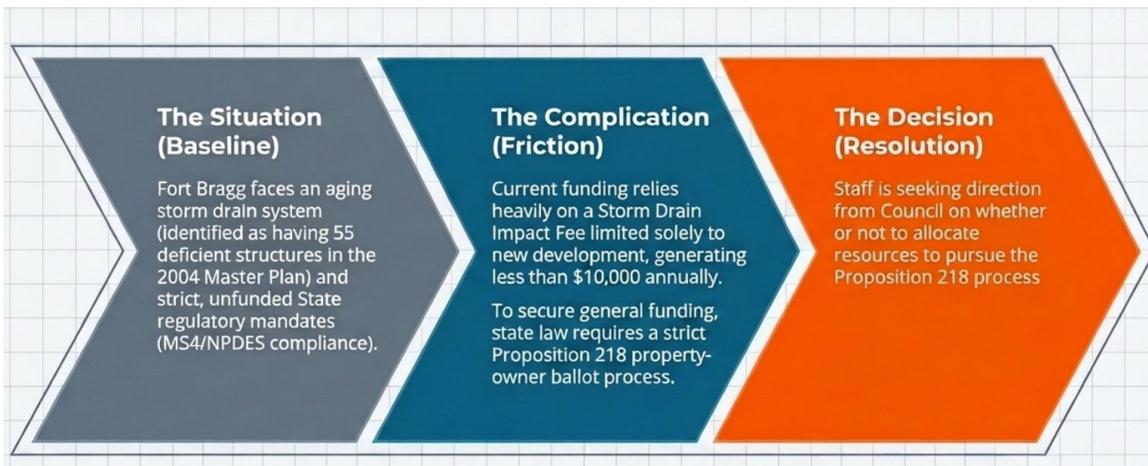
Issue

The City lacks a dedicated, sustainable funding source to address aging storm drain infrastructure, ongoing maintenance needs, and state and federal regulatory requirements.

Background

Fort Bragg's stormwater system has documented deficiencies dating back to the 2004 Master Plan, which identified 55 undersized drainage structures that remain unresolved. These deficiencies, combined with coastal conditions and multiple discharge points, increase the risk of localized flooding, infrastructure failure, and costly emergency repairs.

In addition to infrastructure needs, the City must comply with unfunded MS4/NPDES mandates, which require ongoing activities such as water quality monitoring, system maintenance, and public outreach. These represent recurring operational costs without a dedicated funding source.



Current Funding Limitations

The City currently relies on a Storm Drain Impact Fee adopted in 2024, which generated approximately \$8,276 in FY 2025. These funds are restricted to new development impacts and cannot be used for system-wide maintenance or compliance, creating a structural funding gap.

What Other California Cities Have Done

Cities across California have addressed similar challenges by implementing stormwater utility fees or “clean water” fees:

- **City of Palo Alto** established a storm drainage enterprise fund and voter-approved monthly fee (approximately \$13/month per household) to fund ongoing maintenance, compliance, and capital improvements.
- **City of San Leandro** updated its stormwater fee to generate approximately **\$2 million annually** for infrastructure upgrades and regulatory compliance, with relatively modest monthly increases to residents.
- **City of Berkeley** implemented a “Clean Stormwater Fee” through a Proposition 218 process with annual CPI adjustments to ensure long-term sustainability.

- **City of Davis** utilizes a stormwater utility model based on parcel characteristics and impervious surface area to equitably distribute costs.

These examples demonstrate that stormwater utility funding is a widely adopted and legally established model in California to address aging infrastructure and regulatory obligations.

Work Underway

The City is currently developing a Stormwater Asset Management Plan (AMP) to inventory infrastructure, prioritize repairs, and forecast long-term costs. The project is underway, with an estimated cost of \$82,566 and anticipated completion in Winter 2026.

Proposed Funding Strategy

Staff is evaluating the creation of a Stormwater Enterprise Utility Fund to provide a dedicated funding source for:

- Regulatory compliance (MS4/NPDES)
- Ongoing operations and maintenance
- Capital improvements and system upgrades

Implementation would require compliance with Proposition 218, including a property owner ballot process and fee structure based on runoff impact. The estimated timeline for development and implementation is 12–18 months.

Council Direction Requested

Staff is seeking City Council direction on whether to:

1. Proceed with development of a Stormwater Utility Funding Strategy (Prop 218 process);
2. Explore a storm drain parcel tax measure (2/3 approval) for a future ballot (e.g., November 2026);
3. Accelerate efforts to advance a funding measure; or
4. Explore alternative funding mechanisms (e.g., bonds).

If directed, staff will return with:

- Detailed infrastructure and cost analysis
- Proposed rate structure options
- Public outreach strategy
- Implementation timeline

Conclusion

A dedicated storm drain funding source is essential to address long-standing infrastructure deficiencies, meet regulatory obligations, and protect public safety. Delaying action will continue to increase financial risk, while peer cities across California have demonstrated that proactive, voter-approved stormwater utilities provide a sustainable path forward.

The FISCAL YEAR 2026/27 BUDGET PREPARATION

A. BUDGET PREPARATION SCHEDULE

Initial activities related to preparing the Fiscal Year 2026/27 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 June. 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 2026/27 BUDGET	
ACTIVITY	DEADLINE
FINANCE PROVIDES BUDGET SPREADSHEETS TO DEPARTMENTS AS WELL AS INSTRUCTIONS RE: NARRATIVES & CAPITAL PROJECTS (INCLUDING INTERNAL SERVICE FUNDS, GRANTS, DDAs)	3/1/2026
MID-YEAR PERFORMANCE BUDGET REVIEW WITH COUNCIL (5:30PM)(COMMUNITY INPUT)	3/30/2026
FINANCE PROVIDES INITIAL REVENUE FORECASTS TO CM (ALL REVENUE SOURCES, AND FUNDS)	4/15/2026
DEPTS SUBMIT PROPOSED DEPARTMENTAL EXPENSE BUDGETS AND NARRATIVES TO FINANCE	4/15/2026
PW & CDD SUBMIT COMPLETED BUDGET SECTIONS FOR GRANTS AND CAPITAL PROJECTS	4/20/2026
HR PROVIDES PAYROLL PROJECTIONS INCLUDING BENEFITS	4/20/2026
CM & FINANCE MEET WITH ALL DEPTS; REVIEW APPROPRIATIONS REQUESTS	4/15/2026 thru 5/1/2026
CM & FINANCE FOLLOW UP MEETING CIP	5/6/2026
FINANCE POSTS REVISED BUDGET WORKSHEETS IN BUDGET FOLDER;	5/8/2026
DEPARTMENTS REVIEW REVISED EXP WORKSHEETS; REPORT ANY DISCREPANCIES TO FINANCE THIS INCLUDES PROJECTED YEAR END FOR FY26, GRANTS; CAPITAL PROJECTS, ETC	4/30/2026
FINANCE REVIEWS TOTAL REVENUES vs EXPENDITURES WITH CM - ADJUST AS NECESSARY;	5/8/2026
INTERNAL REVIEW/QUALITY CONTROL (FINANCE, CM, DEPTS) - DRAFT BUDGET DOCUMENT	5/10/2026 thru 5/15/2026
FINALIZE DRAFT BUDGET DOCUMENT	5/30/2026
CM COMPLETES BUDGET TRANSMITTAL LETTER	5/28/2026
FINANCE DISTRIBUTES PROPOSED FY 2026/27 Draft BUDGET	5/30/2026
CITY COUNCIL CONDUCTS FY 2026/27 BUDGET HEARING WORKSHOP (COMMUNITY INPUT)	6/3/2026
FINANCE DISTRIBUTES FY 2026/27 BUDGET INCLUDING COUNCIL AND PUBLIC UPDATES (FOR COUNCIL ADOPTION)	6/20/2025
CITY COUNCIL ADOPTS FY 2026/27 BUDGET	6/22/2026

B. PRIORITIZED LIST OF FINANCIAL GOALS FOR FY 2026/27 BUDGET DEVELOPMENT

Staff used the prioritized list as guidance in preparing the FY2026 budget and will again use the list in preparing the FY 2027 budget unless the Council directs otherwise:

- 1) Adopt a balanced budget (ongoing revenues should support expenditures. 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
- 7) Infrastructure Improvements: Streets & Alleys
- 8) Code Enforcement Policy
- 9) Department Staffing Needs