

City Manager Transmittal Letter

June 9th, 2025

Honorable Mayor, Vice Mayor, City Council members, and the Fort Bragg Community,

It is my privilege to present the City of Fort Bragg's Operating and Capital Budget for Fiscal Year 2025–2026. This document serves as a comprehensive financial and operational roadmap aligned with the City's 2024–2028 Strategic Plan. It reflects our shared commitment to deliver high-quality municipal services, invest in critical infrastructure, support economic and community development, and uphold long-term fiscal responsibility. At its core, this budget advances the City's vision of becoming a vibrant, inclusive, and future-ready community.

The budget process is an ongoing cycle. City Council meets at the beginning of March during the Mid-Year Budget workshop to set priorities for the upcoming fiscal year. Then, City staff work to create plans that align with those priorities, and hold a Budget Workshop for initial Council feedback. This is followed by public hearings in June to review and adopt the finalized budget. The new budget goes into effect on July 1, 2025.

This budget is guided by seven strategic goals adopted by the City Council:

1. Invigorate Economic Opportunity and Community Vibrancy
2. Implement Resilient Infrastructure and Encourage Environmental Stewardship
3. Strengthen Public Safety and Emergency Preparedness
4. Enhance Public Places, Promote Recreation, and Cultivate Civic Pride
5. Fund Our Future with Financial and Fiscal Responsibility
6. Champion a Sustainable Municipal Organization
7. Communicate with Active Community Engagement

ECONOMIC OUTLOOK

The broader economic landscape in 2025 continues to reflect a delicate balance between inflation control and the desire for sustained growth. In May 2025, the Federal Reserve maintained interest rates between 5.25% and 5.50% and began tapering its balance sheet reductions, signaling cautious optimism. Inflation has begun to ease, with the Consumer Price Index (CPI) rising by 3.4% year-over-year. However, consumer behavior is increasingly conservative, with flat April retail sales and declines in discretionary purchases indicating growing caution among households.

Despite these national headwinds, Fort Bragg remains fiscally stable. Voter approval of Measure T (local sales tax adjustment) and Measure U (Transient Occupancy Tax increase) in November 2024 has significantly strengthened the City's revenue base. These measures create a stable, recurring revenue stream that reduces reliance on one-time funding sources and supports long-term sustainability.

BALANCING THE BUDGET

During the Mid-year Budget Review in March 2025, the City Council and staff reviewed the City Council's priorities for the FY 2024/25 Adopted Budget and continued the same set of Financial Goals for the FY 2025/26 budget. Those goals are set forth below in order of priority:

1. Adopt a balanced budget
2. Provide additional contributions to Section 115 trust
3. Maintain current level of service
4. Maintain operating reserve and litigation reserve (20%)
5. Provide funding for emergency reserves (10%)
6. Provide cost of living adjustments for staff in years to come

Financial Summary

The FY 2025–2026 General Fund projects revenues of \$14,379,189 and expenditures of \$14,327,137, resulting in a projected operating surplus of \$52,053. Across all funds, the City's total budget is \$45.3 million, including \$37.8 million in capital investments. The budget supports 103 full-time equivalent (FTE) positions and continues to be primarily supported by sales tax, transient occupancy tax, property taxes, and franchise fees.

**GENERAL FUND
EXPENDITURES BY CATEGORY
FY 2022/23 THROUGH FY 2024/26**

	FY 2022/23	FY 2023/24	FY 2024/25	FY 2024/25	FY 2025/26	%
	FYE	FYE	AMENDED	FYE		INCR/
	AUDITED	AUDITED	BUDGET	PROJECTED	BUDGET	-DECR
Salaries & Wages	\$ 3,943,628	\$ 4,138,874	\$ 4,934,776	\$ 4,522,618	\$ 5,590,585	24%
Benefits	2,081,755	2,331,008	2,991,452	2,704,597	3,276,711	21%
Materials & Services	2,739,018	3,128,294	3,353,575	3,452,431	4,097,231	19%
Other Expenditures	168,330	308,403	311,840	327,526	268,818	-18%
Debt Service	3,863,815	441,957	435,348	435,348	467,555	7%
Subtotal	12,796,546	10,348,536	12,026,991	11,442,519	13,700,900	20%
Allocations	1,222,680	1,130,064	401,891	585,377	626,236	7%
Subtotal with Allocations	14,019,226	11,478,600	12,428,882	12,027,895	14,327,137	19%
Net Transfers	-	-	-	-	(53,274)	0%
TOTAL	\$ 14,019,226	\$ 11,478,600	\$ 12,428,882	\$ 12,027,895	\$ 14,380,411	20%

This budget remains structurally balanced and provides adequate reserve levels while advancing Council priorities through responsible planning and investment.

The General Fund expenditures for FY 2025/26 reflect a 20% increase compared to the FY 2023/24 actuals, rising from \$11.48 million to \$14.38 million. This growth is primarily driven by strategic investments in personnel, program delivery, and operational capacity. Salaries and wages increased by 24%, reflecting the addition of new positions across multiple departments, including broadband utility staffing, support for the CV Starr Center, expanded administrative capacity, and the recruitment of department heads in key areas. Benefits rose by 21%, largely due to higher staffing levels, rising pension obligations, and medical cost increases.

Materials and services expenditures grew by 19%, indicating the City's commitment to enhancing service levels, investing in modernized systems like Acella, and outsourcing functions such as janitorial and landscaping services to improve efficiency and provide capacity for our Maintenance team. Other expenditures saw a modest decline of 18%, likely tied to the completion of one-time projects or the refinement of program costs. Debt service remains relatively flat, increasing by only 7%, which reflects the City's strong debt management and lack of major new borrowing. Internal allocations also saw adjustments, reflecting the realignment of cost centers and internal service charges.

This budget supports a growing organization with a sharpened focus on service delivery, workforce development, and innovation. While the expenditure increase is substantial, it aligns with City Council priorities and is supported by strong financial planning, the City's healthy reserves, and the structural changes underway to improve transparency, service quality, and operational sustainability.

Enterprise Fund Highlights

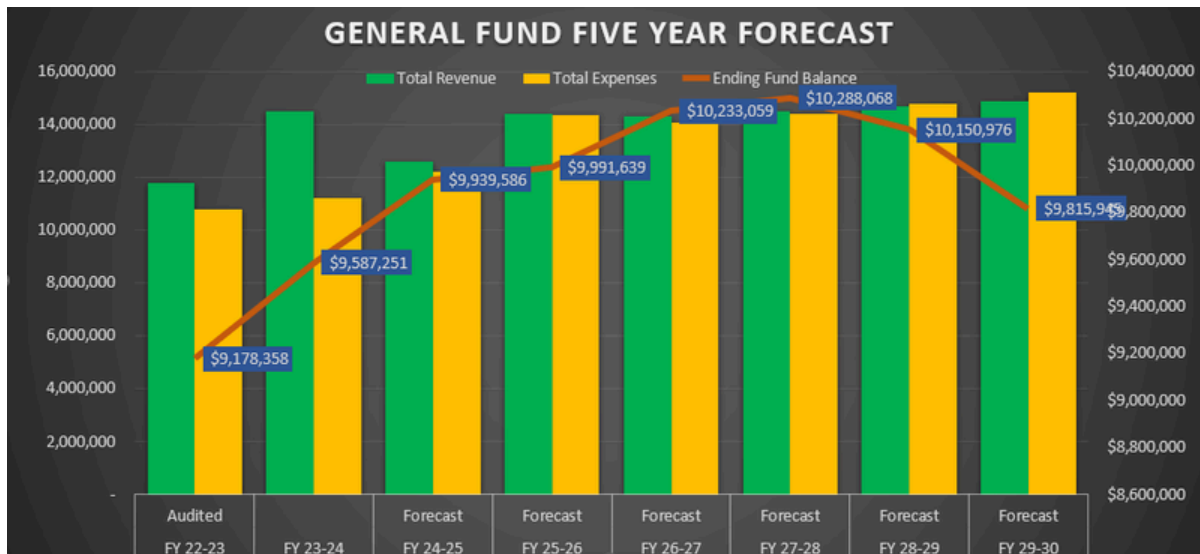
Broadband Utility (MCN): The new utility is budgeted at \$2.3 million and includes nine new positions. It aims to expand high-speed internet access, promote digital inclusion, and support innovation.

Water Enterprise Fund: With revenues of \$3.0 million and expenditures of \$2.8 million, the Water Fund is debt-free and supported by over \$22 million in secured grants. New smart meters will increase billing accuracy and conservation. A rate study is underway to ensure future rate sustainability.

Wastewater Enterprise Fund: The Wastewater Fund includes \$3.66 million in revenues and \$3.2 million in expenditures, along with \$97,000 in annual debt payments. A biosolids dryer feasibility study is in progress. Despite an 18% increase in insurance costs, the fund continues to absorb expenses without reducing service levels.

Long-Term Financial Forecast

Long-term financial planning remains essential to ensuring Fort Bragg's continued sustainability. The City's Five-Year General Fund Forecast shows that while current operations remain balanced through FY 2026-27, the City could face moderate structural deficits beginning in FY 2027-28 if revenues do not keep pace with expenditure growth. Key pressures include rising labor and benefit costs, inflationary impacts on contracted services, and the need for capital reinvestment. Proactive measures, including cost containment, targeted economic development, and maintaining reserves, will be necessary to navigate these challenges while maintaining service levels.



Strategic Plan Alignment: FY 2025–26 Initiatives



1. Economic Opportunity and Community Vibrancy

A strong economy is the foundation of a resilient community. This year's budget supports small business development, entrepreneurship, tourism, and downtown revitalization. The City is investing \$650,000 in the Fort Bragg Business Boost Fund and façade improvements, \$90,000 in standalone façade grants, and \$270,000 for destination marketing and community events. An additional \$30,000 will be used for downtown enhancements such as benches, murals, and flower baskets. The Economic Development Department will continue to support businesses through technical assistance, permitting support, and the launch of a new One-Stop Shop for planning and building services, including expedited plan reviews through 4Leaf.

The City is also establishing a municipal broadband utility following the acquisition of Mendocino Community Network (MCN). This new enterprise includes nine new positions and provides a foundation for digital equity and innovation.



2. Housing Initiatives

Affordable housing remains a top priority. The City is continuing recruitment for a Planning and Housing Director included in the proposed budget and establishing a Community Land Trust (CLT) to secure long-term affordability. An \$800,000 investment of ARPA funds will support public-private housing development on vacant City-owned land. The City approved 87 new market-rate housing units and a 45-unit senior housing project in FY 2024–25, and is now pursuing the State’s Pro-Housing Designation in July 2025.

3. Infrastructure and Environmental Stewardship

The City continues to make historic capital investments in water, broadband, transportation, and energy systems. The FY 2025–26 budget includes:

- \$12.9 million for modernization of the water treatment plant
- \$9.3 million for the raw water line replacement
- \$10.5 million for broadband fiber installation
- \$1.4 million for the Oneka wave-powered desalination pilot
- \$2.7 million for the 2025 Pavement Preservation Project, improving 7.2 miles of roadway, ADA upgrades, and striping
- \$25,000 for a microgrid feasibility study supporting clean energy infrastructure

These projects build resilience, support climate action goals, and position the City for long-term sustainability.

4. Public Safety and Emergency Preparedness

Public safety remains one of the City’s highest priorities, with this year’s budget reflecting targeted investments to enhance both the day-to-day effectiveness of law enforcement and the City’s readiness for emergency situations. The FY 2025/26 budget supports the creation of a Patrol Commander position—establishing a critical layer of command-level oversight between line officers and administrative leadership. This role will provide stronger supervision of sergeants and patrol staff, improve shift coordination, and strengthen response accountability across all operations.

In conjunction with this, the City has made a strategic decision to freeze the fourth sergeant position, allowing for the reallocation of resources toward emerging needs without compromising public safety coverage. This approach reflects a broader organizational commitment to performance-based staffing, ensuring that limited resources are deployed where they yield the greatest impact.

Recognizing the importance of regional coordination, the budget funds a Task Force Officer who will work in collaboration with neighboring jurisdictions and federal partners to address regional crime trends and high-risk cases. The City also continues to fund a dedicated School Resource Officer (SRO), reaffirming its

commitment to student safety and positive youth engagement at local schools.

Operational support is further strengthened by the addition of a part-time Transport Officer, enhancing the department's capacity to manage custody transfers and reduce the strain on patrol officers. Additionally, the budget allocates \$20,000 to update the City's Emergency Operations Plan, ensuring that protocols remain current, compliant, and responsive to modern risks, including wildfires, earthquakes, and climate-related threats.

The budget includes funding for a 4% cost-of-living adjustment (COLA) according to the MOU, and continues to uphold Fort Bragg Municipal Code Chapter 2.68, which mandates annual salary benchmarking to ensure law enforcement compensation remains competitive with neighboring agencies. This is a vital component of the City's recruitment and retention strategy in an increasingly competitive public safety labor market.

These combined investments reflect a holistic approach to public safety—one that emphasizes leadership development, interagency collaboration, operational efficiency, and long-term preparedness. As Fort Bragg continues to grow and evolve, the City remains committed to fostering a safe, secure, and well-coordinated community.

5. Parks, Recreation, and Civic Pride

The creation of the City's new Parks and Recreation Department marks a transformative step toward enhancing quality of life, community connection, and civic pride for Fort Bragg residents. This structural realignment consolidates key functions—previously housed under Public Works and CV Starr Center operations—into a single, dedicated department that now oversees facility rentals, public space maintenance, youth and adult programming, and recreation planning. By centralizing leadership, the City can more effectively align its recreational offerings with long-term community needs and goals. This shift also supports several strategic priorities outlined in the City's 2024–2028 Strategic Plan, particularly the goals to “Promote Civic Pride and Community Wellness,” “Maintain and Enhance Infrastructure,” and “Strengthen Community Partnerships.” These values are reflected in both operational planning and capital investment.

Significant capital improvements are underway to reinvigorate public amenities and expand recreational access:

- Bainbridge Park Enhancements (\$2.3 million) – This project includes updated playground facilities, improved landscaping, accessible walking paths, and upgraded restrooms. These enhancements will make Bainbridge Park a vibrant and inclusive gathering place for residents of all ages and abilities, directly supporting the Department's goal to provide equitable access to safe and engaging outdoor spaces.
- CV Starr Community Center Upgrades (\$1.6 million) – Major renovations include HVAC system improvements for energy efficiency and comfort, pool depth modifications to better support swim instruction and recreation programs, and the installation of a new sauna, designed to enhance member amenities and attract additional memberships. These investments position the Center as a cornerstone of community health and wellness.
- New Recreational Site (6–7 acres along Highway 20) – Planning is underway to develop this site into a multi-use recreational space that can support future sports fields, event space, or outdoor education programs. This long-term vision represents the Department's goal to expand capacity and access to recreational facilities, particularly in underserved areas.
- Facility Rental Coordination – By integrating all facility rental services under one department, the City is simplifying access to public spaces for community events, private functions, and cultural programming—enhancing transparency and user experience while maximizing revenue potential.

In addition to these physical improvements, the Parks and Recreation Department is advancing key partnerships to amplify its impact. Collaborations with the Fort Bragg Unified School District are strengthening afterschool and summer enrichment opportunities, and the Department is engaging with local nonprofits and youth organizations to expand recreational offerings, volunteer engagement, and community-building initiatives.

These combined efforts promote the Department's broader mission: to foster inclusive, well-maintained, and creatively programmed spaces that nurture community health, environmental stewardship, and lifelong participation in civic life. As the department takes shape, it will be guided by strategic goals that prioritize equity, accessibility, sustainability, and innovation, ensuring that Fort Bragg's parks and public spaces reflect the values and needs of its residents.

6. Financial and Fiscal Responsibility

Maintaining long-term fiscal sustainability continues to be a cornerstone of the City's operations and governance. The FY 2025–26 Proposed Budget reflects this commitment through prudent reserve management, responsible investments, and improved transparency across all financial activities. The City has sustained a General Fund reserve level of 30%, consistent with the Government Finance Officers Association (GFOA) best practices, ensuring sufficient liquidity to weather economic uncertainty, unforeseen emergencies, and natural disasters. This strong reserve position also supports the City's creditworthiness and its ability to pursue long-term infrastructure financing when needed.

As part of a multi-year strategy to manage rising pension costs, the City is contributing an additional \$200,000 to its Section 115 Pension Trust, bringing the cumulative total to \$2.8 million. This trust allows the City to pre-fund pension liabilities and buffer against CalPERS rate volatility, which is expected to increase as legacy obligations mature and actuarial assumptions shift. By continuing to build this fund, the City is taking proactive steps to reduce future General Fund exposure and maintain flexibility in future budgets.

Another key step in reinforcing financial clarity and accountability has been the separation of broadband utility and solar infrastructure costs into enterprise funds. This structural shift ensures that the revenues and expenditures associated with these capital-intensive services are isolated from the General Fund, providing greater transparency and enabling each enterprise to operate in a financially self-sustaining manner. The broadband fund, in particular, will be supported by long-term debt service planning, customer revenues, and usage-based rate modeling that reflects the infrastructure's operational lifecycle.

The City's Five-Year Financial Forecast remains a critical tool in guiding long-term decision-making. Updated annually, the forecast projects a balanced outlook through FY 2026–27, after which structural deficits are anticipated to emerge due to flattening revenues and escalating pension, personnel, and operating costs. In anticipation, the City is already taking steps to mitigate these challenges through strategic cost containment, employee vacancy management, and ongoing evaluation of revenue enhancement opportunities, including implementation of Measures T and U and continued economic development.

Additionally, the City continues to modernize its budgeting practices and has once again submitted its budget for review under the GFOA Distinguished Budget Presentation Award program. The City previously received this award for the FY 2024–25 Budget, demonstrating a commitment to excellence in financial reporting, transparency, and alignment with strategic goals.

Through strong reserves, responsible pension planning, clear enterprise fund structures, and disciplined forecasting, Fort Bragg is positioning itself not only to meet current service demands but to maintain long-term resiliency in the face of economic fluctuations and evolving community needs.

7. Sustainable Municipal Organization

Our employees are the heart of City government, and investing in their success is central to sustaining a high-performing organization. The FY 2025–2026 budget deepens our commitment to building a resilient, capable, and motivated workforce through expanded leadership development, internal capacity building, and career advancement opportunities.

This year, the City is actively recruiting new department heads for Planning and Housing, Parks and Recreation, and Finance and Administration—ensuring strong, visionary leadership across key service areas. Additional administrative support has been added to the Community Development and Administration departments to streamline internal operations and support frontline teams.

We have significantly expanded our internship and training programs, including a new partnership with the Fort Bragg Unified School District to expose high school students to careers in local government. These efforts are designed to foster the next generation of public service professionals while cultivating a diverse and talented local pipeline.

The City is also rolling out wellness and team-building initiatives designed to strengthen collaboration, reduce burnout, and enhance workplace culture. Cross-departmental training, onboarding improvements, and structured mentoring are helping employees build the skills and support systems they need to thrive. This includes launching targeted leadership development pathways and flexible learning opportunities for both new and seasoned staff.

Technological innovation is also part of our internal transformation. The City will launch the **Acella permitting platform** in July 2025 to streamline permit processing, enhance service delivery, and increase transparency for both staff and the public.

In support of our new municipal broadband utility, the budget adds nine new full-time positions to oversee infrastructure deployment, service activation, and customer support. These roles will not only ensure a successful enterprise launch but will also offer meaningful new employment opportunities in one of Fort Bragg's most exciting and forward-thinking public initiatives.

Through these investments, the City is building a stronger foundation to support its employees, develop future leaders, and ensure that Fort Bragg continues to deliver exceptional service well into the future.



8. Community Engagement and Transparency

Transparency and responsiveness are essential to community trust. This year's budget funds the establishment of:

- Launch of Public Experience Liaison at City Hall
- Development of a new City website (\$44K) and business license system (\$30K)
- Volunteer Central program launching July 2025
- Expanded use of the Acella platform for real-time permitting updates
- Continued support for Noyo Center special projects through Measure AA/AB

GFOA Budget Award Recognition

We are proud to share that the City of Fort Bragg received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for FY 2025. This award affirms our commitment to financial transparency, alignment with best practices, and excellence in budget preparation. The FY 2025–2026 Proposed Budget builds on this achievement by enhancing clarity, strategic alignment, and long-term planning.

Conclusion

The FY 2025–2026 Proposed Budget represents more than just numbers—it embodies our collective vision for Fort Bragg as a resilient, inclusive, and forward-thinking community. It reflects a commitment to investing in what matters most: safe neighborhoods, reliable infrastructure, housing that meets the needs of our residents, thriving local businesses, and accessible public spaces that bring us together. This budget ensures we continue to move forward with purpose while maintaining the structural balance and fiscal responsibility that safeguard our future.

The work ahead will require collaboration, adaptability, and a continued focus on our shared values:

Innovation, Service-Oriented Leadership, Collaboration, Honesty & Integrity, and Fair & Ethical Practices.

These principles are not only written into our strategic plan—they are lived out every day by our staff, our Council, and our community members who care deeply about the future of Fort Bragg.

To the City Council, thank you for your vision and unwavering leadership. To our dedicated City staff, thank you for the passion and professionalism you bring to your work. And to the residents and business owners of Fort Bragg—thank you for your partnership, your trust, and your belief in what we can achieve together.

It is an honor to serve as your City Manager. I look forward to continuing this important work—side by side with all of you—as we build a stronger, more vibrant, and more resilient Fort Bragg.

Respectfully Submitted,



Isaac Whippy
City Manager