



## CITY COUNCIL STAFF REPORT

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**TO:** City Council

**DATE:** June 23, 2025

**DEPARTMENT:** Finance & Administration

**PREPARED BY:** Isaac Whippy, City Manager

**PRESENTER:** Isaac Whippy, City Manager

**AGENDA TITLE:** Receive Report and Consider Adoption of Resolutions Approving FY 2025/26 City of Fort Bragg and Fort Bragg Municipal Improvement District No.1 Budgets, Establishing FY 2025/26 Appropriations Limit, Approving FY 2025/26 Capital Projects Budget and the Broadband Enterprise & Digital Infrastructure Fiscal Policy

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### RECOMMENDATION

Adopt the following Resolutions:

1. Fort Bragg City Council Resolution approving and adopting the Annual Appropriations Limit for FY 2025/26;
2. Fort Bragg City Council Resolution approving the FY 2025/26 City of Fort Bragg Budget;
3. Fort Bragg Municipal Improvement District No. 1 Resolution approving the FY 2025/26 Municipal Improvement District No. 1 Budget;
4. Joint Fort Bragg City Council and Fort Bragg Municipal Improvement District No. 1 Resolution approving the Fiscal Year 2025/26 Capital Projects Budget;
5. Fort Bragg City Council Resolution approving the FY 2025/26 Broadband Enterprise Operating Budget ;
6. Fort Bragg City Council Resolution approving the Broadband Enterprise & Digital Infrastructure Fiscal Policy
7. Fort Bragg City Council Resolution approving the CV Starr Operating and Capital Budget FY 2025/26.

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### BACKGROUND

Each year, the governing bodies of the City of Fort Bragg and the Fort Bragg Municipal Improvement District No. 1 approve their annual budgets through a Resolution. This establishes a financial plan for government operations in the upcoming fiscal year, and these adopted budgets are mandatory for the financial operations of both the City and the Improvement District.

Furthermore, Article XIIIB of the State Constitution sets limits on the annual increase in local government budget expenditures. It requires cities to adopt annual appropriation limits by Resolution, which are based on statewide inflationary trends and population changes for

**AGENDA ITEM NO. 8B**

each locality. Four budget resolutions are attached for adoption by the City Council and District Board.

## **BALANCING THE BUDGET**

During the Mid-Year Budget Review in March 2025, the City Council reaffirmed its priorities and financial goals established in the FY 2024–25 Adopted Budget. These goals have been carried forward into the FY 2025–26 budget and are listed below in order of priority:

1. Adopt a balanced budget
2. Provide additional contributions to the Section 115 Pension Trust
3. Maintain current levels of service
4. Maintain operating and litigation reserves at 20%
5. Provide funding for emergency reserves at 10%
6. Provide cost-of-living adjustments for staff in future years

Included in this budget packet is a status update on the City's Strategic Plan 2024-2028. The City Manager's transmittal letter provides an executive summary outlining how the FY 2025–26 Proposed Budget aligns with the Strategic Plan's goals and priorities.

## **DISCUSSION & ANALYSIS**

On June 11th, 2025, the City of Fort Bragg City Council and City staff convened to review the proposed budget for FY 2026. These required adjustments have been made, and the updated budget is now presented for Council consideration and adoption.

1. The Citywide budget proposed for adoption includes \$51.9 million in revenues and \$57.7 million in appropriations. The total appropriations budget includes funding of capital projects and therefore does not represent an operating deficit. The General Fund budget includes \$14,379,189 million in revenues and \$14,327,137 million in appropriations, equating to a \$52,053 surplus.
2. The Fort Bragg Municipal Improvement District No. 1 budget includes \$3,709,850 million in revenues and \$5,716,151 million in appropriations. Per policy, any surplus above the District's operating reserve and the recession reserve is transferred into the District's capital reserve.
3. The City's FY 2024/25 Appropriation Limit is \$14,574,189. With appropriations subject to the limitation totaling approximately \$8,873,380, the City of Fort Bragg is not at risk of exceeding the Gann Limit.

4. The FY 2025–26 Capital Budget includes 38 projects totaling \$37.8 million, representing a significant investment in public infrastructure, facilities, and long-term service delivery.

Major projects include:

- Streets Rehabilitation 2023 – \$3.6 million
- Broadband Infrastructure – \$8.4 million
- Solar in Municipal Facilities – \$3.5 million
- Municipal Facility Improvements – \$1.1 million
- CV Starr Center Upgrades – \$1.9 million
- Water Enterprise Projects – \$13.9 million
- Wastewater Enterprise Projects – \$3.1 million

Of the total capital investment, \$19.9 million is funded through grants and dedicated streets tax revenues, reducing the burden on local reserves and supporting fiscally responsible infrastructure expansion. These investments reflect the City's commitment to modernizing critical systems, improving energy efficiency, and enhancing public amenities citywide. A detailed description of each CIP project is listed in the City's Capital Improvement Budget, included in the agenda packet and available on the City's website.

### **Changes from the Budget workshop, June 11, 2025**

As discussed during the Budget Workshop held on June 11, 2025, two additional Capital Improvement Projects have been incorporated into the adopted budget: the installation of a surge protector (\$31,627) and the replacement of the leisure pool boiler (\$34,500). These projects are funded through the CV Starr Enterprise Fund reserves and are reflected in the final FY 2025–26 budget.

These improvements are necessary to ensure the safety, reliability, and continued operation of the CV Starr Community Center's aquatic facilities.

## **GENERAL FUND**

### **EXPENDITURES**

Department	Projected FY 24/25	Proposed FY 25/26	Inc/Dec	%
Police Department	\$ 5,581,770	\$ 6,338,036	\$ 756,266	14%
Economic Development	263,191	292,928	29,737	11%
Public Works Department	2,152,412	2,578,992	426,580	20%
City Council	91,749	133,595	41,846	46%
Administration	694,977	683,531	(11,446)	-2%
Finance	489,839	756,886	267,047	55%
Community Development	562,148	636,095	73,947	13%
Non-Departmental	553,223	687,748	134,525	24%
Marketing & Promotions	261,431	305,500	44,069	17%
Community Contributions	181,212	182,166	954	1%
Fire Department	463,870	531,526	67,656	15%
Debt	572,840	605,047	32,207	6%
Cost Allocation - ISF	585,337	715,766	130,429	22%
<b>Total Expenditures</b>	<b>\$ 12,027,896</b>	<b>\$ 14,327,136</b>	<b>\$ 2,299,241</b>	<b>19%</b>

#### Police Department:

The Adopted FY 2025–26 Budget for the Police Department totals approximately \$6.3 million, representing 44% of the overall General Fund Budget, an increase from the prior year of \$756,266 (14%). This includes continued funding for the Care Response Unit (CRU), which provides community-based public safety responses. The department is staffed by 23 full-time and four part-time positions, including four grant-funded roles under the CRU program, two of which are part-time.

The Budget includes a 3% Cost-of-Living Adjustment (COLA) consistent with the Fort Bragg Police Association's current labor agreement. As part of a strategic restructuring, the Budget adds a Police Commander position to oversee patrol operations while maintaining a freeze on the fourth Sergeant position, resulting in a net annual personnel cost increase of approximately \$40,000.

To improve operational efficiency and customer service, the Budget includes funding for a part-time Administrative Assistant to support fingerprinting and background check services—a critical need as Fort Bragg remains the only location on the Mendocino Coast offering these services. The estimated annual cost of the position is \$32,000, offset by \$46,000 in annual fingerprinting revenue.

The Budget also supports the continued participation in the Mendocino County Task Force through the addition of a dedicated Task Force Officer, and maintains the School Resource Officer (SRO) Program in partnership with the Fort Bragg Unified School District. The cost-sharing arrangement remains at 70% funded by FBUSD and 30% by the City.

The CRU program budget totals \$548,240, a notable increase from \$379,261 in the prior year, supporting expanded services and staffing to meet growing community demand.

### **Economic Development**

The proposed FY 2025–2026 budget for the Economic Development Department totals \$292,928, which includes funding for two full-time staff positions. This represents an increase of \$27,110 (10%) compared to the estimated YE for FY 2024–2025.

The primary driver of the increase is a \$30,000 allocation for enhanced Downtown Revitalization efforts, which include crosswalk improvements, bold-out painting, new benches, and urban greenery. These investments directly support the City’s Strategic Plan goals to promote community vitality, enhance public spaces, and strengthen the economic competitiveness of Fort Bragg’s commercial core.

### **Public Works Department**

The Adopted FY 2025–26 Budget for the Public Works Department is \$2,216,450, reflecting a 20% increase—or \$426,580—compared to the prior year. This increase is primarily driven by a one-time investment of \$319,000 for new street equipment to support the establishment of an in-house paving crew beginning in 2026.

The department encompasses engineering, the corporation yard, street maintenance, storm drains, and traffic safety. In response to the growing volume of Capital Improvement Projects (CIP) related to water, streets, and wastewater infrastructure, two engineering technicians were added during FY 2023–24. Additionally, the public works analyst position was reclassified as an administrative assistant to better align with operational support needs.

### **City Council**

The FY 2025–26 Budget for the City Council is \$133,595, representing a 46% increase from the prior fiscal year. This increase is primarily attributed to higher benefit costs and expanded funding for training, travel, and participation in professional development opportunities such as CalCities conferences.

The budget also includes a \$25,000 allocation to support the implementation of City Council goals. This increase is partially offset by a \$15,410 reduction in election-related expenses compared to the prior year.

### **Administration Department**

The FY 2025–26 Budget for the Administration Department is \$705,376, reflecting a 5% decrease from the prior fiscal year. This reduction is primarily due to a decline in professional services expenditures, as the previous year included one-time costs for the Strategic Plan, public opinion polling, and consultant-led initiatives.

These reductions are partially offset by increases in personnel costs, driven by Cost-of-Living Adjustments (COLA), merit-based salary increases, and two promotions approved in the prior fiscal year. A new initiative included in the Budget is the introduction of an \$11,500 internship program in partnership with the local high school, designed to offer paid work experience and invest in Fort Bragg's next generation of professionals.

The budget also provides funding for a new Senior Administrative Analyst position to support the City Manager's Office. This position will focus on strategic plan implementation, downtown revitalization, special projects, and research initiatives.

### City Attorney

The City Attorney's Budget for FY 2025–26 is \$270,000, a 14% decrease compared to the prior year. This adjustment aligns the budget with projected FY 2024 year-end actuals. The department's objective for the coming fiscal year is to manage legal expenditures within an average of \$22,000 per month.

### Finance Department

The Finance Department is responsible for managing the City's accounting, budgeting, business licensing, payroll, utility billing, and financial reporting functions.

The FY 2025–26 Budget includes a \$12,000 increase in professional services to support outsourced accounting and audit preparation. This investment helps ensure timely and accurate financial reporting during periods of peak workload and supports the City's continued compliance with regulatory deadlines.

The budget also includes funding for the Finance & Administration Director position, which strengthens departmental capacity and leadership. This role provides oversight of financial operations, contributes to strategic planning, and enhances coordination across departments. The addition of this position ensures the City remains well-positioned to meet evolving compliance standards and upholds its commitment to fiscal transparency and excellence.

### Planning Department

The FY 2025–26 Budget for the Community Development Department is \$636,000, a \$73,000 increase from the prior year. This reflects restructuring efforts and investments to improve permitting efficiency and address a leadership vacancy.

Current staffing includes an Associate Planner, a part-time Planner, a Permit Technician, and a Code Enforcement Officer who also supports planning. Following an unsuccessful recruitment for a Planning and Housing Director, the City will continue recruitment in FY 2025–26. In the interim, the City Manager will provide departmental leadership, supported by contracted services from Marie Jones Consulting and 4Leaf, with \$130,000 allocated for professional services.

The City will launch the Acella permitting platform in July to streamline processing, improve transparency, and reduce staff workload. The online portal simplifies applications, enables real-time tracking, increases transparency, and enhances the user experience. Building inspections and plan checks will also be fully outsourced to reduce reliance on the County of Mendocino and improve service delivery.

These efforts are designed to transform the Planning Department into a streamlined, business-friendly, one-stop resource that supports sustainable development and delivers on the City Council's vision.

### **Non-Departmental**

The FY 2025–26 Non-Departmental budget is \$1,500,486, reflecting a \$200,313 increase over the prior year. This budget supports citywide obligations that are not tied to a specific department but are vital to the City's overall financial stability and operational continuity.

The increase is largely due to rising insurance premiums and long-term financial planning efforts. General liability insurance is projected to increase by 23% due to broader market trends in risk exposure and claims activity, while property insurance is expected to rise by 15%, consistent with statewide increases in municipal insurance costs.

To strengthen the City's pension funding strategy, the budget includes a \$150,000 contribution to the Section 115 Pension Trust. This proactive step reinforces the City's commitment to addressing long-term unfunded pension liabilities.

Additional allocations include \$388,752 for retiree medical costs to meet the City's post-employment benefit obligations, and \$6,000 for compliance with the Department of Toxic Substances Control (DTSC) related to environmental monitoring and reporting. The budget also includes \$180,000 in miscellaneous expenses, which encompasses the City's annual contribution to the Noyo Center for Marine Science, as outlined in Measures AA and AB, along with funding for special projects that support citywide initiatives and partnerships.

### **Tourism and Marketing**

The FY 2025–26 Tourism and Marketing budget is proposed at \$305,000, a 17% increase over the prior year, reflecting the City's continued investment in strengthening Fort Bragg's tourism economy and enhancing the visitor experience. This increase is largely driven by expanded funding for community events designed to boost visitation and support local businesses. A central focus in the coming fiscal year is deeper collaboration with the Visit Fort Bragg Committee to co-sponsor signature events that attract visitors year-round, especially during the shoulder seasons. The adopted budget dedicates \$90,000 to support key events, including Winter Wonderland, the new Mountain Bike Event pilot, the Fort Bragg Blues Festival, and other community-centered attractions that celebrate the city's character and vitality.

An additional \$180,000 is allocated for professional marketing services. To ensure high-quality promotion of Fort Bragg as a premier destination, the City issued a Request for Proposals (RFP) in June 2024, closing in September 2024, to secure a qualified marketing firm with the expertise to expand outreach and elevate Fort Bragg's brand.

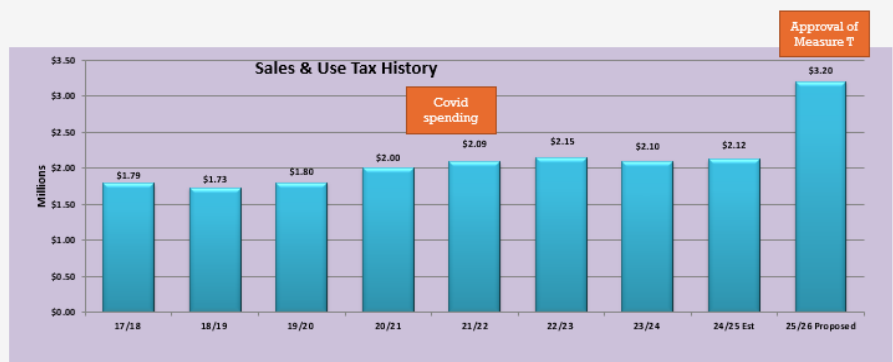
## **GENERAL FUND REVENUES**

	FY 2024/25	FY 2025/26	%
	FYE	-	INCR/
GENERAL FUND	PROJECTED	BUDGET	-DECR
Property Taxes	\$ 1,209,783	\$ 1,221,471	1%
Sales Taxes	2,190,200	3,272,000	49%
Transient Occupancy Taxes	3,026,970	3,238,970	7%
Other Taxes	1,009,687	1,022,214	1%
<b>Total Taxes</b>	<b>7,436,640</b>	<b>8,754,655</b>	<b>18%</b>
Reimbursements	3,632,163	4,298,481	18%
Charges for Services	2,330	8,200	252%
Intergovernmental	851,180	857,740	1%
Licenses & Permits	180,618	212,000	17%
Other Revenues	11,010	13,000	18%
Use of Money & Property	192,169	225,113	17%
Fines & Forfeitures	33,690	10,000	-70%
<b>TOTAL GENERAL FUND</b>	<b>\$ 12,339,800</b>	<b>\$ 14,379,189</b>	<b>17%</b>

The City of Fort Bragg's FY 2025–26 General Fund revenues are projected at \$14.4 million, a 17% increase from the prior year, driven by local economic recovery and voter-approved tax measures. The City continues to apply a conservative “most likely” forecasting model to maintain fiscal discipline amid broader economic uncertainties.

- Sales Tax revenue is expected to reach \$3.2 million, up significantly due to the implementation of Measure T in 2025. This voter-approved 0.0375% increase in the local transaction and use tax strengthens the City's financial foundation and offsets slowing growth in retail and construction-related spending.

### **SALES TAX HISTORY**



- Transient Occupancy Tax (TOT) is projected to grow modestly following the passage of Measure U, which raised the TOT rate from 12% to 14% in April 2025. While overall tourism revenue remains below its FY 2022 peak, the rate increase is expected to generate an additional \$200,000 to \$300,000 annually, supporting core services and destination marketing.



- Property Tax remains a stable and predictable revenue source, with FY 2025–26 collections anticipated at \$1.2 million—reflecting modest 1–2% growth. Despite softening home values and sales volume, new development and property transfers continue to drive incremental gains. The City is actively advancing affordable housing initiatives, including the launch of a Community Land Trust and pursuit of a Pro-Housing designation.
- Reimbursements and Intergovernmental Revenues are projected at \$4.2 million, making up approximately 30% of General Fund revenues. This includes cost recovery from enterprise and internal service funds, as well as grant reimbursements for major projects such as the CDBG Water Meter Project, the City’s broadband utility, and community-based initiatives like the CRU Program and YOR Grant. These reimbursements help offset personnel and administrative costs while reducing reliance on discretionary revenues.

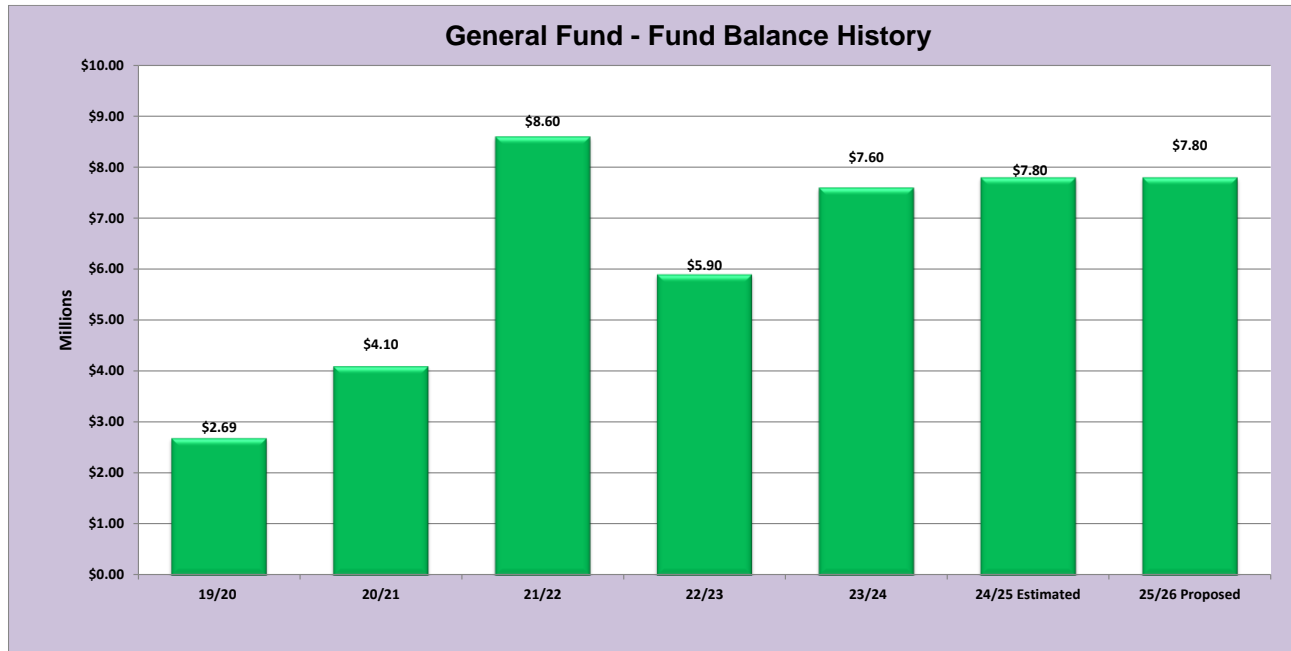
## GENERAL FUND REVENUES

	ESTIMATED FY 2024/25	PROPOSED FY 2025/26
Operating Revenue	\$ 12,339,801	\$ 14,379,189
Operating Expenditures	(12,027,895)	(14,327,137)
<b>Operating Surplus</b>	<b>\$ 311,905</b>	<b>\$ 52,053</b>

The City’s General Fund balance has shown strong growth and stability since FY 2019–20, reflecting conservative fiscal management and several one-time financial events. The fund balance peaked at \$8.6 million in FY 2021–22, due in large part to the temporary receipt of \$3.5 million in lease revenue bond proceeds. These funds were returned in FY 2022–23,

contributing to a reduction in the fund balance to \$5.9 million, even as the City maintained an operating surplus.

In FY 2023–24, the City recorded a robust operating surplus of \$2.9 million, increasing reserves to \$7.6 million. For FY 2024–25, the General Fund is projected to close with a surplus of \$311,000, bringing the estimated year-end balance to \$7.8 million. The FY 2025–26 Proposed Budget maintains this reserve level, reflecting continued fiscal discipline and a structurally balanced budget.



It is important to note that these reserves do not include the \$2.9 million currently invested in the City's Section 115 Pension Trust (PARS), which is dedicated to addressing long-term pension liabilities. Together, these funds further enhance the City's financial resilience and its ability to respond to future obligations and economic fluctuations.

## **ENTERPRISE FUNDS**

### **WATER ENTERPRISE**

#### **Expenses**

The FY 2025 Water Enterprise Budget is \$2.8 million, reflecting a slight decrease of 0.6% from the prior year. This reduction is primarily due to the full payoff of outstanding debt, which previously accounted for \$337,080 in annual expenses. The elimination of this obligation provides the fund with greater flexibility to direct resources toward future capital improvements.

This decrease is partially offset by rising costs, including a 6% increase in property insurance premiums to \$72,834, higher personnel costs due to COLA and internal cost allocation adjustments, and a \$57,000 increase in chemical purchases. Additionally, utility costs—particularly electricity—have risen by 35% monthly compared to the prior year, and parts and materials have contributed to a \$15,000 increase in the equipment repair and general supplies budget. .

## Revenues

On the revenue side, collections remain flat at \$3.1 million, consistent with FY 2024–25 year-end estimates. An ongoing rate study will guide the development of future rate structures to ensure the fund remains financially sustainable. With debt now retired, the study will focus on supporting operational needs, infrastructure reinvestment, and high service standards—without introducing new long-term liabilities.

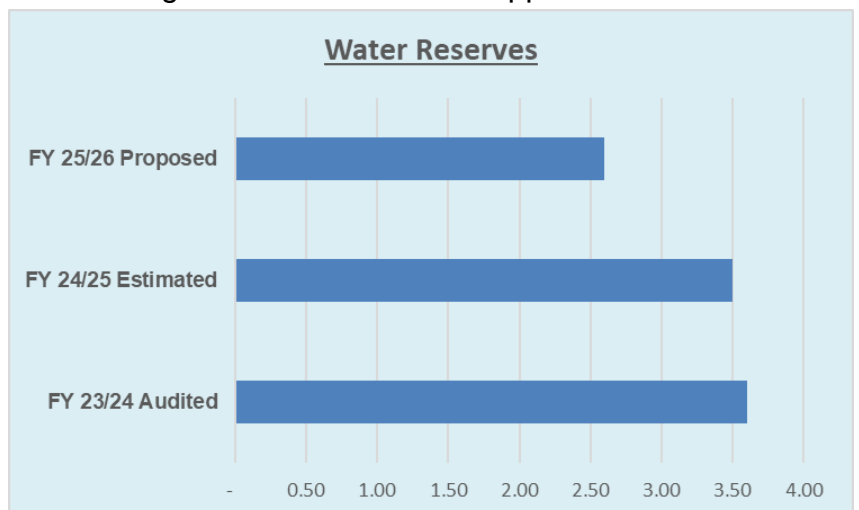
## Water Reserves

The Water Enterprise reserves have declined from \$3.6 million in FY 2023–24 (audited) to an estimated \$3.2 million in FY 2024–25, with a further decrease to \$2.6 million projected in FY 2025–26. This reduction reflects the strategic use of reserves to support essential infrastructure improvements.

In FY 2024–25, \$650,000 in water capacity fees were expended for upgrades at the City’s Water Treatment Plant, contributing to the drawdown in reserves. These targeted investments are part of a larger \$13.9 million Capital Improvement Program (CIP) for the Water Enterprise.

Of the total CIP, \$3.2 million is funded directly by the enterprise, while the remaining balance is supported through state and federal grants. Major enterprise-funded projects include \$1 million for the Pudding Creek Water Main replacement and \$1.4 million for the Noyo River Crossing project—both critical to ensuring long-term reliability and system resilience.

Although reserve levels are projected to decline, the reductions are aligned with planned infrastructure investments that will reduce future liabilities and enhance system performance. The City continues to maintain a fiscally responsible approach by leveraging grant funding where possible and aligning rate structures through an ongoing rate study to maintain long-term sustainability.



## WASTEWATER ENTERPRISE

Wastewater Enterprise revenues are projected to end FY 2024–25 at \$3.39 million, with the FY 2025–26 budget remaining flat at \$3.4 million. While revenues have stabilized, the City is undertaking a comprehensive rate study to ensure the long-term financial sustainability of the fund. The study will evaluate current and projected operational costs, debt service obligations, and capital needs to inform future rate structures.

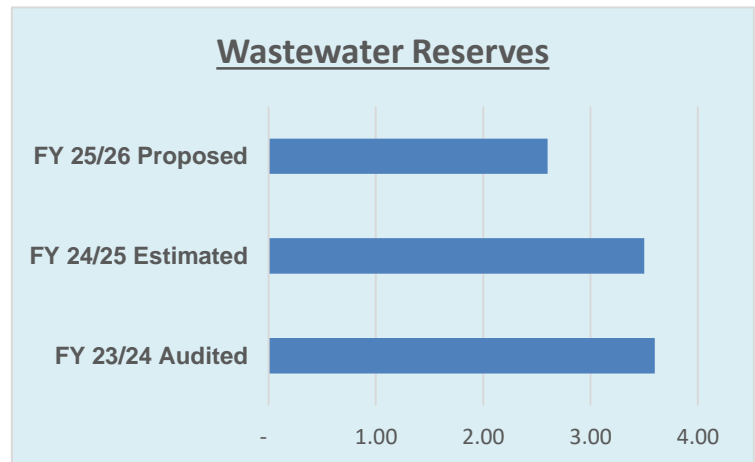
On the expense side, total expenditures for FY 2025–26 are proposed at \$3.2 million, a 6.4% decrease from the prior year. This reduction is primarily due to lower contractual service costs following the completion of feasibility studies related to biosolids treatment and disposal, including services from USA Sludge.

Key ongoing expenses include the annual debt payment of \$120,000 for the Wastewater Treatment Plant and a 6% increase in property insurance premiums. Despite cost pressures, the reduction in one-time study costs allows the enterprise to maintain core operations and regulatory compliance within a balanced budget framework.

### RESERVES

Wastewater reserves have declined modestly over the past two fiscal years, decreasing from \$3.6 million in FY 2023–24 (audited) to an estimated \$3.2 million in FY 2024–25. A further reduction to \$2.6 million is projected in FY 2025–26. This trend reflects the planned use of reserves to support critical infrastructure investments.

Capital Improvement Projects (CIP) for the Wastewater Enterprise total \$3.1 million in FY 2025–26. Major projects include the construction of a new Biosolids Storage Building (\$1.02 million) and the Cured-In-Place Pipe (CIPP) Force Main replacement (\$1.4 million). These investments are essential to ensuring long-term system reliability, regulatory compliance, and operational efficiency.



Of the total CIP costs, \$2.8 million is expected to be funded through a combination of enterprise reserves and wastewater capacity fees. This strategic use of internal funding sources minimizes reliance on new debt and reflects the City's commitment to maintaining a self-sustaining utility. Despite the projected decline, reserve levels remain within prudent thresholds and are aligned with the City's planned infrastructure schedule and financial policies. The ongoing rate study will help inform future funding strategies to replenish reserves and support continued capital reinvestment.

## **PARKS & RECREATION: CV STARR ENTERPRISE**

### **CV Starr Enterprise – Revenue and Expense Analysis**

Included in the FY 2025–26 Budget is the creation of a new Parks and Recreation Department, which consolidates the operations of the CV Starr Community Center with all City-managed parks and facility maintenance into a single, integrated department. This reorganization is designed to streamline operations, improve coordination, and enhance service delivery across all recreation and public space assets.

Revenues for the CV Starr Enterprise are projected at \$2.5 million, holding steady compared to the prior year. Over the past year, the Center focused on boosting community engagement, achieving a 29% increase in active memberships—now totaling 3,290. The Center also took over the 2nd Grade Swim Program from MCRPD and continued to grow youth program offerings.

The expense budget includes 11 full-time and 15 part-time employees. A transition to an independent contractor model for fitness classes resulted in a refined program of 28 weekly offerings. Additionally, the Center expanded its summer operations to seven days a week. Lifeguard recruitment remains a challenge, prompting the City to propose a \$320,000 pool depth reduction project to improve lifeguard certification pass rates and strengthen hiring outcomes. Capital Improvement Projects for FY 2025–26 total \$1.3 million and include a \$957,000 HVAC system replacement, \$301,000 skylight project, and \$110,000 sauna installation—each intended to enhance the member experience and support continued membership growth.

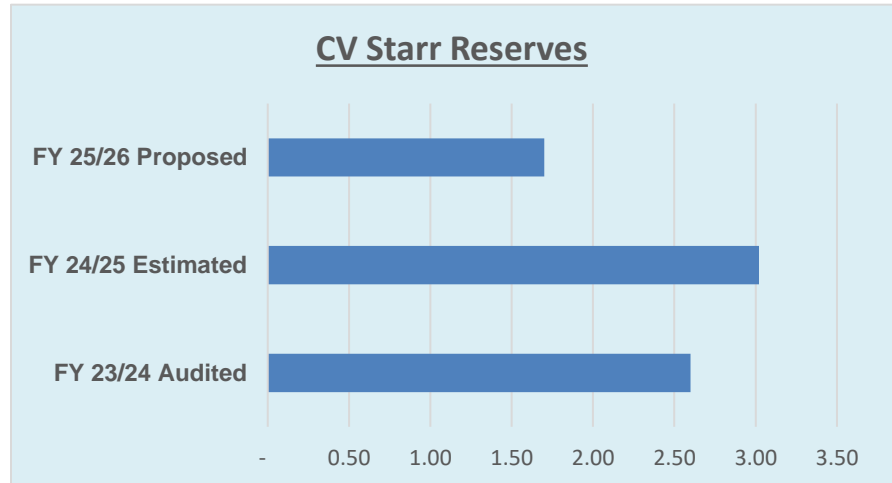
Also included in this budget is a Parks and Facilities budget of \$162,000, which supports the outsourcing of public bathroom cleaning and landscaping services across the City's park system. This approach provides more reliable maintenance and allows City staff to focus on higher-priority operational needs.

Together, these investments reflect a renewed commitment to improving recreation, maintaining vital public spaces, and ensuring long-term sustainability through efficient, community-focused service delivery.

CV Starr reserves have declined over the past two fiscal years as the City invests in critical facility upgrades and service enhancements. From \$2.6 million in FY 2023–24 (audited), reserves rose slightly to an estimated \$2.9 million in FY 2024–25 due to operational savings and increased membership revenues. However, reserves are projected to decrease to \$1.9 million in FY 2025–26 following planned capital expenditures.

This reduction is primarily driven by \$1.3 million in Capital Improvement Projects, which include the replacement of the HVAC system (\$957,000), skylight repairs (\$301,000), and the installation of a new sauna (\$110,000). These projects are intended to improve the facility’s comfort, energy efficiency, and overall appeal, helping to retain and attract new members.

While reserves are decreasing, the investment supports long-term operational sustainability and enhances the Center’s value to the community. The City continues to closely monitor reserve levels to ensure the enterprise remains financially stable while delivering high-quality recreational services.



## BROADBAND ENTERPRISE

### Revenues

Total Enterprise Fund revenues for FY 2025–26 are projected at \$2.3 million, including the introduction of new broadband service fees. The largest revenue generator is the fiber internet service, which is driving strong customer migration from legacy offerings as deployment within city limits expands.

Legacy fusion services, currently the highest individual revenue stream at an estimated \$1.4 million, are projected to decline as the product is phased out by its provider and customers shift to fiber or Open Air solutions. Open Air internet, also estimated to generate continues to grow in popularity as a reliable wireless alternative, especially among former Fusion users.

	FY 25/26
Fiber Fees	\$ 684,053
MCN Legacy Services	\$ 1,357,899
Email and Webhosting	\$ 273,653
Other Income	\$ 2,000
<b>Total Revenues</b>	<b>\$ 2,317,605</b>
Personnel Costs	\$ 672,290
Benefits	\$ 316,373
Utilities	\$ 116,540
Acquisition Costs	\$ 100,000
Resale Utilities	\$ 714,000
Open Air	\$ 67,250
Other Operating Costs	\$ 277,152
Building Lease	\$ 54,000
<b>Total Expenses</b>	<b>\$ 2,317,605</b>
<b>Net</b>	<b>\$ -</b>

Hosted services—including web hosting, email, domains, and Digital Voice—remain stable, with modest growth in Digital Voice as part of bundled service offerings.

These trends reflect a transformative year for the city's broadband utility, with significant growth in modern services and a phased transition away from aging technologies. The

projections account for new customers signed up for Broadband services in Q2 of the Fiscal year.

## **Expenses**

The FY 2025–26 budget for the Broadband and Digital Infrastructure Division of \$2.3 million includes several key investments to support the successful launch and operation of the City's new municipal broadband utility.

The department is staffed by seven full-time positions, one part-time position, and a Director, reflecting the operational needs of a fully functioning Internet Service Provider (ISP). To accommodate this staffing and operational footprint, the City is pursuing a commercial rental space within City limits. A \$54,000 budget allocation has been included for this facility.

A significant expense is the \$714,000 allocated for the resale of legacy services purchased from Sonic Telecom. This covers DSL and telephone service delivery for existing MCN customers. However, this cost is expected to decline over time as customers transition to the City's high-speed broadband network, reducing reliance on external vendors.

Currently, the City serves 1,510 broadband customers, including 831 within city limits, 211 with county addresses in Fort Bragg, and 468 outside of Fort Bragg. The City will take a strategic approach to increase the number of in-city customers, with a targeted take-rate goal of over 2,000 subscribers. A dedicated marketing budget of \$15,000 has been included to support outreach, promotions, and customer acquisition campaigns aimed at increasing fiber adoption within City boundaries.

To further support the launch and growth of the broadband utility, the City will hire a Broadband and Digital Infrastructure Director. This position will work closely with the City Manager to oversee operations, ensure quality service delivery, and manage the transition from legacy systems.

The budget also includes \$54,000 for rental space to house the division's operations. In addition, the budget includes a one-time \$100,000 acquisition expense related to the transition of assets per the executed Memorandum of Understanding (MOU) with the Mendocino Unified School District for the acquisition of MCN (Mendocino Community Network).

These investments position the utility for long-term success, helping to expand access to high-speed internet, increase financial sustainability, and improve digital equity across the Fort Bragg community.

## **FISCAL IMPACT**

The FY 2025–26 Adopted Budget reflects a balanced General Fund budget and maintains the City's commitment to fiscal discipline. Key highlights of the fiscal impact include:

- The General Fund is projected to close FY 2025–26 with a reserve of \$7.8 million, maintaining the Council's reserve target levels.
- A \$150,000 contribution to the Section 115 Pension Trust is included to address long-term pension obligations.
- The Water, Wastewater, Broadband, and CV Starr Enterprise Funds remain structurally balanced, with capital projects funded through a combination of reserves, capacity fees, and external grants.
- CV Starr reserves are projected to decline to \$1.9 million in FY 2025–26, primarily due to \$1.3 million in planned capital improvements, including the HVAC system, skylight, sauna installation, and two additions from the June 11 workshop—\$31,627 for a surge protector and \$34,500 for the leisure pool boiler.
- Enterprise rate studies for Water and Wastewater are underway to ensure long-term financial sustainability without new debt obligations.

Overall, the budget aligns with the City Council's financial goals/Strategic Plan and provides a stable foundation to maintain service levels, advance capital priorities, and invest in long-term infrastructure and organizational resilience.

## **CONSISTENCY**

Adoption of the resolutions presented is consistent with Article XIII B of the California State Constitution and the City's fiscal policies regarding the development and adoption of an annual budget.

## **IMPLEMENTATION/TIMEFRAMES:**

Once adopted, the budget will be posted on the City's website. Paper copies will be posted for public review in the City Hall Lobby and the Fort Bragg Public Library. Printed copies may also be purchased from the City Finance Department. The budget will serve as the City's financial management guide for FY 2025/26. Staff will closely monitor revenues and expenditures throughout the year, and a mid-year budget review will be conducted in early 2026, or sooner if necessary.

## **ATTACHMENTS**

1. Transmittal Letter
2. FY 2025/26 Operating Budget
3. Capital Improvement Budget
4. Fort Bragg City Council Resolution approving the Fiscal Year 2025/26 City of Fort Bragg Budget.
5. Strategic Plan Progress Update 2024-28+
6. Fort Bragg City Council Resolution approving the Fiscal Year 2025/26 City of Fort Bragg Capital Projects.
7. Fort Bragg City Council Resolution approving and adopting the Annual Appropriations Limit for Fiscal Year 2025/26.

8. Joint Fort Bragg City Council and Fort Bragg Municipal Improvement District No. 1 Resolution approving the Fiscal Year 2025/26 Capital Projects Budget.
9. Fort Bragg City Council Resolution approving the Fiscal Year 2025/26 for CV Starr Budget
10. Fort Bragg City Council Resolution approving the Fiscal Year 2025/26 Broadband Enterprise
11. Fort Bragg City Council Resolution approving the Fiscal Policy for Broadband Infrastructure
12. June 11 Budget Discussion Outline
13. GFOA Budget Award FY 24/25
14. Price and Population – Department of Finance