



AGENCY: City Council, MID
MEETING DATE: June 27, 2016
DEPARTMENT: Finance
PRESENTED BY: V. Damiani

AGENDA ITEM SUMMARY

TITLE:

RECEIVE REPORT AND CONSIDER ADOPTION OF RESOLUTIONS APPROVING FY 2016/17 CITY OF FORT BRAGG AND FORT BRAGG MUNICIPAL IMPROVEMENT DISTRICT NO. 1 BUDGETS, ESTABLISHING FY 2016/17 APPROPRIATIONS LIMIT, AND APPROVING FY 2016/17 CAPITAL PROJECTS BUDGET

ISSUE:

Each year, the governing bodies of the City of Fort Bragg and the Fort Bragg Municipal Improvement District No. 1 approve their annual budgets, by resolution, establishing a financial plan for carrying out the operations of government in the following fiscal year. Adopted budgets are mandatory for financial operations of the City/Improvement District.

In addition, Article XIII B of the State Constitution imposes limitations on the annual rates of increase in local government budget expenditures and requires cities to adopt annual appropriation limits, by resolution, each year. Annual appropriation limits are tied to statewide inflationary trends and population changes for each locality. For FY 2016/17, the City's Appropriation Limit is \$9,374,716, an increase of \$523k above last year's limit.

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

RECOMMENDED ACTION:

Adopt the following Resolutions:

1. Fort Bragg City Council Resolution approving the FY 2016/17 City of Fort Bragg Budget;
2. Fort Bragg City Council Resolution approving and adopting the Annual Appropriations Limit for FY 2016/17;
3. Fort Bragg Municipal Improvement District No. 1 Resolution approving the FY 2016/17 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 2016/17 Capital Projects Budget.

ALTERNATIVE ACTION(S):

1. Modify the proposed Resolutions before adopting;
2. Reschedule approval of one or more Resolution(s) pending further input from another City Council workshop, Finance & Administration Committee meeting, and/or staff information.
The item would be brought back to the July 11th Council meeting.

ANALYSIS:

The Budget provides a comprehensive statement of the City's organization, operations and resources. It is intended to communicate the City Council's priorities in all areas of the City's operations throughout the year. The Budget serves as a financial management tool and as an operational plan for the delivery of City services.

The FY 2016/17 Budget employs a new Cost Allocation Plan (CAP). The CAP defines the methodology for allocating indirect costs (i.e., expenses that are shared by the City's three major funds, internal service funds, etc.). Many indirect costs are accounted for as expenditures in the

General Fund and revenues are transferred in from other funds to cover their proportionate share of the costs. In the process of developing the new CAP, an accounting error was discovered that, in past years, resulted in the Water and Wastewater Enterprise funds contributing more towards non-personnel overhead costs than was appropriate. The FY 2016/17 Budget accounts for shared costs based on the new CAP and this results in a reduction in General Fund revenues with equal and offsetting reductions in expenses for the Water and Wastewater Enterprise funds. While the City's net position is unchanged, because of the new cost allocation methodology and other revenue reductions, the General Fund budget is in a deficit position (\$557k) in FY 2016/17. Additionally, \$2 million of General Fund fund balance has been transferred to the Water and Wastewater Funds to reimburse prior year over-allocations. In FY 2016/17, the precise amount of prior-year over-allocations will be determined and the General Fund will reimburse any remaining balance owed to the Enterprise funds through the use of interfund loans.

Over the last several months, the City Council/Improvement District has held several discussions and provided direction to staff on priorities for consideration in the FY 2016/17 Budget. The FY 2016/17 Budget workshop was conducted by the City Council/Improvement District on May 25, 2016. According to direction received at the budget workshop the following changes have been made to the budget:

- ✓ Revised Operating Transfers to include \$2 million transfers from General Fund fund balance to Enterprise Funds to reimburse for prior-year over allocations.
- ✓ Revised down both FY 2015/16 projections and FY 2016/17 forecast for Property Tax in the General Fund, CV Starr Enterprise Fund and Fire Equipment Fund: \$34k across all three funds.
- ✓ Added Labor Negotiations cost of \$20k (Non-Dept)
- ✓ Added Economic Development Financing Corporation (EDFC) contribution of \$5k (Non-Dept)
- ✓ Added prior year Animal Control cost of \$22k (PD)
- ✓ Added Market Research study cost of \$18k (Community Benefit Fund)
- ✓ Added Utility Rate Study cost of \$25k (50% Water Enterprise and 50% Wastewater Enterprise)
- ✓ Added Seasonal Maintenance Worker cost of \$15.5k (General Fund)
- ✓ Recalculated CAP and Internal Service Fund allocations after all changes made.
- ✓ Updated Water and Wastewater Enterprise Capital Reserve policy to allow interfund loans to General Fund emergency reserves with Council Approval (page A-16 and A-17)
- ✓ FY 2015-16 Slip Lining project re-budgeted in FY 2016-17. \$120k (Wastewater Enterprise).

In order for the City's General Fund to return to a balanced or surplus position, a combination of tightly controlled expenditures and increasing revenues is necessary. The FY 2016/17 Budget includes lean operational and capital expenditures, and funding for an operating reserve and litigation reserve, while maintaining City staffing at current levels. It is expected that it will take 2-3 years for the General Fund to recover from its current deficit status.

FISCAL IMPACT:

The City-wide fund balance is expected to remain essentially flat in FY 2016/17 with a minimal increase of approximately \$26k.

IMPLEMENTATION/TIMEFRAMES:

Once adopted, the budget will be posted on the City’s website. It will serve as the City’s financial management guide for FY 2016/17. Staff will closely monitor both revenues and expenditures throughout the year and a mid-year budget review will be conducted in early 2017, or sooner if necessary.

ATTACHMENTS:

1. Fort Bragg City Council Resolution approving Fiscal Year 2016/17 City of Fort Bragg Budget.
2. Fort Bragg City Council Resolution approving and adopting the Annual Appropriations Limit for Fiscal Year 2016/17.
3. Fort Bragg Municipal Improvement District No. 1 Resolution approving the Fiscal Year 2016/17 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 2016/17 Capital Projects Budget.
5. FY 2016/17 Budget – Section 1
6. FY 2016/17 Budget – Section 2
7. FY 2016/17 Budget – Section 3
8. FY 2016/17 Budget – Section 4

NOTIFICATION:

None.

City Clerk’s Office Use Only

Agency Action <input type="checkbox"/> Approved <input type="checkbox"/> Denied <input type="checkbox"/> Approved as Amended Resolution No.: _____ Ordinance No.: _____ Moved by: _____ Seconded by: _____ Vote: _____ <input type="checkbox"/> Deferred/Continued to meeting of: _____ <input type="checkbox"/> Referred to: _____
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