



CITY OF FORT BRAGG

FY 2016/17 Mid-Year Performance Report
As of December 31, 2016

The City's annual budget is a financial plan which is predicated on the best information available at the time it is prepared. As with any plan, however, changing conditions can result in a need to modify the original budget. The Mid-Year Budget Review process provides an opportunity for the City Council to consider the ramifications of the audited financials for the prior year along with updated current year revenue and expenditure projections based on departmental reviews of revenues and expenses as of December 31st, the mid-point of the fiscal year.

I. FY 2015/16 YEAR-END FUND BALANCES

FY 2015/16 results were presented in the City's Comprehensive Annual Financial Report which was published in January 2016. This section of the City of Fort Bragg's Mid-Year Performance Report recaps audited year-end balances and focuses on comparing those results to the FY 2015/16 budget as well as year-over-year changes. The General Fund, Water Enterprise and Wastewater Enterprise are presented and, where noted, significant variances are explained.

GENERAL FUND

At June 30, 2016, the audited **fund balance** in the General Fund was \$5.4M, a 13% increase over the audited fund balance at June 30, 2015. Actual fund balance was approximately \$1.3M (32%) above the budgeted year-end balance. The variances in revenues and expenditures which contributed to the overall fund balance variance are examined in subsequent sections of this report.

Fund Balance; FY2015/16	
Net Position at 07/01/2015	\$4,757,789
Revenue	9,113,664
Less Expense	(8,475,345)
Net Transfers	(7,614)
Net Position at 06/30/2016	5,388,494

At year end, fund balances were classified into three categories; nonspendable, committed and unassigned. As can be seen below, the economic stabilization reserve and the emergency contingency reserve were reduced to zero in an effort to refund the City's water and wastewater utilities for prior year cost over allocations. Additionally, \$556k was appropriated to cover the gap between budgeted revenue and budgeted expenditures in FY2016/17. Unassigned fund balance ended the year at \$790k.

Fund Balance Classification; FY2015/16	
Nonspendable	
Prepays and inventory	2,595
Advances to other funds	63,459
Committed	
Encumbrances	471,218
Reserves	
Operating reserve	1,304,690
Litigation reserve	200,000
Economic stabilization reserve	-
Emergency contingency reserve	-
Over allocation refund reserve	2,000,000
Appropriated Fund Balance	556,536
Unassigned fund balance	789,996
Net Position at 06/30/2016	\$5,388,494



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General Fund **revenue** (excluding transfers) for FY 2015/16 totaled \$9.1M, a net increase of 6% over the prior fiscal year total of \$8.6M. When compared to budget, the City saw a positive variance of \$303k or 3%.

Revenue; FY2015/16 Budget vs. Actual						
Revenue Source:	FY2015 Audited Results	FY2016 Final Budget	FY2016 Audited Results	\$ Variance Budget vs. Actual	% Variance Budget vs. Actual	% Variance Year over Year
Transient Occupancy Tax	\$ 1,857,831	\$ 1,790,060	\$ 1,947,702	\$ 157,643	9%	5%
Sales and Use Tax	1,666,675	1,744,980	1,600,866	(144,114)	-8%	-4%
Property Tax	884,602	878,780	972,948	94,168	11%	10%
Other Taxes	657,950	656,000	664,739	8,739	1%	1%
Sub Total Tax Revenue	5,067,058	5,069,820	5,186,255	116,436	2%	2%
Licenses & Permits	89,084	88,150	99,317	11,167	13%	11%
Fines and Forfeitures	21,550	12,700	18,139	5,439	43%	-16%
Intergovernmental	113,839	-	33,466	33,466	n/a	-71%
Use of Money and Property	33,101	31,000	44,014	13,014	42%	33%
Grant Administration	357,918	100,000	152,787	52,787	53%	-57%
Charges for Services	2,871,245	50,300	54,067	3,767	7%	-98%
Reimbursements	-	3,378,375	3,413,306	34,931	1%	n/a
Other Revenue	59,073	80,000	112,311	32,311	40%	90%
Total	\$8,612,868	\$8,810,345	\$9,113,663	\$ 303,319	3%	6%

Significant variances:

- ❖ Transient Occupancy Tax (TOT) surpassed the budgeted amount by 9% or \$158k. On a year over year basis this revenue source appears to have slowed somewhat. FY15/16 saw a year over year increase of 5% compared to the previous year trend of 11%. At approximately \$2M in total however, FY15/16 was another record breaking year.
- ❖ Sales and Use tax was below budget by 8% or \$144k. The revenue miss is predominantly due to the unanticipated extended period of low fuel prices. The continued trend towards online shopping however is also a likely contributor. Stagnant growth is anticipated into FY16/17 as well.
- ❖ Property taxes surpassed budget by 11% or \$94k. The increase is due to an increase in homes sales and median home prices. This is the first increase in property tax receipts since 2011 with a year over year increase of 10%.
- ❖ Grant administration revenue outpaced budget by 53% or \$53k. Significant drivers of the overage were reimbursements received for staff time spent on the Stage 3 Water Emergency and the Summers Lane Reservoir project. On a year over year basis this category is down 57% due to the completion of the Coastal Restoration and Trail Project in the prior year.



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General Fund **expenditures** (excluding transfers) for FY 2015/16 totaled \$8.5M, an increase of 1% from the prior fiscal year total of \$8.4M. Appropriations of \$8.9M were made in the FY 2015/16 Budget. Throughout the course of the year, budgeted appropriations were increased by \$519k (including roll over of prior year encumbrances) resulting in an amended FY 2015/16 Budget of \$9.4M. For a detailed list of budget amendments see Attachment B. When compared to the amended Budget, the City saw a positive variance (i.e., actual expenses lower than budget) of \$951k or 10%.

Expenditures; FY2015/16 Budget vs. Actual - By Category						
Expenditure By Category:	FY2015 Audited Results	FY2016 Final Budget	FY2016 Audited Results	\$ Variance Budget vs. Actual	% Variance Budget vs. Actual	% Variance Year over Year
Salaries	\$ 3,351,600	\$ 3,581,955	\$ 3,430,756	\$ 151,199	-4%	2%
Benefits	2,139,274	2,366,262	2,186,378	179,884	-8%	2%
Materials & Services	2,063,835	2,592,403	2,063,702	528,701	-20%	0%
Other Expenditures	45,588	33,960	34,215	(255)	1%	-25%
Capital Outlay	26,756	41,450	8,663	32,787	-79%	-68%
Debt Service	147,569	147,569	147,569	(0)	0%	0%
Allocations to Internal Service	587,170	662,678	604,060	58,618	-9%	3%
Total	\$8,361,792	\$9,426,277	\$8,475,345	\$ 950,932	-10%	1%

Expenditures; FY2015/16 Budget vs. Actual - By Department						
Expenditure By Department:	FY2015 Audited Results	FY2016 Final Budget	FY2016 Audited Results	\$ Variance Budget vs. Actual	% Variance Budget vs. Actual	% Variance Year over Year
General Government:						
City Council	\$ 144,253	\$ 141,451	\$ 125,006	\$ 16,445	-12%	-13%
Administrative Services	858,833	951,271	925,044	26,227	-3%	8%
Finance	427,103	454,664	414,849	39,815	-9%	-3%
Non-Departmental	986,456	1,009,034	872,806	136,228	-14%	-12%
Community Organizations	104,166	154,782	170,433	(15,652)	10%	64%
Caspar Closure	237,764	537,779	147,760	390,019	-73%	-38%
Community Development:	369,180	433,293	405,360	27,933	-6%	10%
Public Safety:						
Police Department	3,159,395	3,429,854	3,286,121	143,733	-4%	4%
Fire Department	364,687	389,250	384,062	5,188	-1%	5%
Public Works:						
Administrative Services	528,288	573,119	519,669	53,450	-9%	-2%
Parks and Facilities	204,297	242,467	194,348	48,119	-20%	-5%
Street Maintenance	144,579	192,886	166,344	26,542	-14%	15%
Storm Drains	70,401	69,533	27,024	42,509	-61%	-62%
Corporation Yard	560,974	587,097	618,316	(31,219)	5%	10%
Traffic and Safety	53,847	112,228	70,633	41,595	-37%	31%
Debt Service	116,542	121,418	121,418	0	0%	4%
Interest and Fiscal Charges	31,027	26,151	26,151	(0)	0%	-16%
Total	\$8,361,792	\$9,426,277	\$8,475,345	\$ 950,932	-10%	1%



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Significant variances:

- ❖ Salaries were less than budget by \$152k or 4% and benefits were less than budget by \$180k or 8% due to unfilled positions in Finance, Community Development, the Police Department and Public Works. The City conservatively budgets all approved positions with the assumption that open positions will be filled. On a year over year basis personnel costs increased 2%. It should be noted that all vacant positions are now filled.
- ❖ Materials & Services were \$529k under budget. Of this amount, \$444k was encumbered and rolled forward to FY 2016/17. Encumbrances included \$390k for Caspar Landfill post-closure costs and \$54k for consulting services related to the ongoing Mill Site remediation effort. Retiree medical benefits came in under budget by \$40k due to a reduction in the number of covered retirees. Additionally, IT costs ended the year lower than expected resulting in a lower IT charge to the General Fund in the amount of \$30k.

The final FY 2015/16 General Fund budget showed net **transfers** out of \$47k whereas the year ended with a net transfer out of \$8k. This represents a transfer out variance of \$39k. The variance was primarily due to lower than expected costs for the City's share of the school playing fields water bill as well as a lower than expected cost for the installation of the City's emergency fueling station.



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WATER ENTERPRISE FUND

At June 30, 2016, the total net position (including capital assets net of related debt and depreciation expense) of the Water Enterprise Fund was \$3.8M, an increase of 37% from the prior year balance of \$2.8M.

Fund Balance; FY2015/16	
Net Position at 07/01/2015	\$ 2,787,966
Net revenue over expense	826,216
Less depreciation expense	(298,264)
Add back payment of debt principal	490,454
Change in net position	1,018,407
Net Position at 06/30/2016	3,806,373

Fund Balance Categories; FY2015/16	
Net investment in capital assets	1,071,344
Restricted for debt service	108,064
Unrestricted	2,626,965
Net Position at 06/30/2016	\$ 3,806,373

The following chart shows variances in budgeted revenue, expense and transfers for the Water Enterprise operating accounts.

Revenue, Expense & Transfers FY2015/16 Budget vs. Actual				
	FY2016 Final Budget	FY2016 Audited Results	\$ Variance Budget vs. Actual	% Variance Budget vs. Actual
Water Enterprise				
Revenue	\$ 2,558,807	\$ 2,821,537	\$ 262,730	10%
Less expenses	2,468,838	2,456,187	12,651	1%
Net transfers ; in (out)	334,050	460,867	126,817	38%
Net Revenue/(Expense)	\$ 424,019	\$ 826,216	\$ 402,198	95%

Significant variances:

- ❖ Overall revenue was \$263k or 10% above budget. Sales of water in the City were \$73k above budget due to scheduled rate increases. Water capacity fees were above budget by \$116k due to new commercial and residential development. Additionally, miscellaneous revenues were above budget by \$51k largely due to reimbursement from the State Water Resources Control Board related to last year's Stage 3 water emergency. As mentioned earlier, a portion of the reimbursement revenue was offset by staff time expense paid to the City's General Fund.
- ❖ Net Transfers saw a variance of \$127k mostly due to an unexpected reimbursement of \$423k from the State Water Resources Control Board related to the Waterfall Gulch raw water line project. The transfer in was offset by lower than expected transfers out to the Summers Lane Reservoir capital project. The reservoir project was largely rolled forward to FY 2016/17.



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WASTEWATER ENTERPRISE FUND

At June 30, 2016, the total net position (including capital assets net of related debt and depreciation expense) of the Wastewater Enterprise Fund was \$8.2M, an increase of 7% from the prior year balance of \$7.7M.

Fund Balance; FY2015/16	
Net Position at 07/01/2015	\$ 7,687,401
Net Revenue over expense FY15/16	262,035
Less depreciation expense FY15/16	(317,784)
Add back payment of debt principal	50,000
Add back CIP	521,633
Change in net position	515,884
Net Position at 06/30/2016	8,203,285

Fund Balance Categories; FY2015/16	
Net investment in capital assets	7,284,588
Unrestricted	918,697
Net Position at 06/30/2016	\$ 8,203,285

The following chart shows variances in budgeted revenue, expense and transfers for operating accounts.

Revenue, Expense & Transfers FY2015/16 Budget vs. Actual				
	FY2016 Adopted Budget	FY2016 Audited Results	\$ Variance Budget vs. Actual	% Variance Budget vs. Actual
Wastewater Enterprise				
Revenue	\$ 3,412,755	\$ 3,423,710	\$ 10,955	0%
Less expenses	3,816,744	3,151,328	665,416	-17%
Net transfers ; in (out)	(26,350)	(10,347)	16,003	-61%
Net Revenue over Expense	\$ (430,339)	\$ 262,035	\$ 692,374	-161%

Significant variances:

- ❖ Expenses were \$665k under budget or 17%. Engineering for the wastewater treatment plant project was less than budgeted by \$228k. Non-routine maintenance was under budget by \$120k due to slip lining work being rolled forward to FY16/17. Additionally, certain capital projects were moved from the expense category to the construction in progress account, \$117k.



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II. FY 2016/17 MID-YEAR BUDGET REVIEW

The City of Fort Bragg Mid-Year Performance Report addresses the financial activity during the first two quarters of FY 2016/17. The report focuses on the General Fund and the Water and Wastewater Enterprise Funds. Special Revenue and Capital Project Funds are not included in the City's base operating budget and, therefore, are not detailed in the Mid-Year Performance Report. The C.V. Starr Center Enterprise Fund is addressed in a separate report.

In reviewing this report, the following information should be taken into consideration:

- Revenues and expenditures are recorded during the period received or paid. As of January 31st, accrual entries were made to associate January receipts and expenditures to the second quarter as appropriate. Year-end accruals use a 60-day window and therefore are more exhaustive.
- The schedule of revenues received varies according to the source of funding. As an example, property tax payments are received as follows: 55% in December, 38% in April and 7% in August of the following fiscal year. The August payment is presented in the fiscal year to which it relates.
- Although most expenditures occur monthly, there are some quarterly, semi-annual, and even annual expenditures. Examples include debt service payments, liability insurance, and audit fees.

GENERAL FUND

The General Fund supports many of the day-to-day operations of the City, including police and fire protection, street and park maintenance, community development, and general administrative functions. The General Fund receives the broadest variety of revenues and many of its revenue sources are cyclical in nature. By contrast, the revenue sources for the Enterprise Funds are received on a monthly basis and, as a result, are more evenly distributed throughout the fiscal year.

The General Fund includes all services that are funded through general taxes. It is the funding source for all City programs except those that are paid for through dedicated taxes, user fees or impact fees, or grants.

Fund balance in the General Fund at June 30, 2016 was \$5.4M. This balance includes reserves as delineated by the City Council's adopted fiscal policies. The fiscal policies are intended to ensure the continued financial well-being of the City by planning for unanticipated emergency and contingency needs. The City Council has a Fund Balance and Reserve Policy that establishes committed reserves: the Emergency Contingency Reserve, the Economic Stabilization Reserve, the General Fund Operating Reserve and the Litigation Reserve. The current status of these reserves is as follows:

- ❖ The Emergency Contingency Reserve is established at an amount equivalent to 10-15% of the City's annual operating budget for the General Fund. For FY 2016/17, this reserve was reduced to zero as part of the effort to repay the Enterprise Funds for prior year non-personnel related over allocations.
- ❖ The Economic Stabilization Reserve is established to stabilize the delivery of City services during periods of severe operational budget deficits and to mitigate the effects of major unforeseen changes in revenues and or expenditures. It is set at an amount equivalent to 5-10% of the City's annual operating budget for the General Fund. For FY 2016/17, this reserve was reduced to zero as part of the effort to repay the Enterprise Funds for prior year over allocations.
- ❖ The General Fund Operating Reserve policy states that the City will maintain an unrestricted fund balance of at least 15-20% of the annual operating expenditures in the General Fund to ensure liquidity of the General Fund and to ensure adequate cash flow. For FY 2016/17 the Operating Reserve balance was set at \$1.3M.



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- ❖ The Litigation Reserve policy sets the balance at \$300k to cover unforeseen legal costs. For FY 2016/17 this reserve was reduced to \$200k as part of the effort to repay the Enterprise Funds for prior year over allocations.

Fund balance is projected to decrease by \$2.9M at fiscal year-end 2016/17 to \$2.5M. The decrease is largely due to three items: \$2M was transferred to the Water and Wastewater Enterprise Funds in connection with prior year over-allocations, \$556k was budgeted in FY2016/17 as appropriated fund balance and \$400k was used to pay down prior year encumbrances.

Projected Fund Balance; FY2016/17	
Net Position at 07/01/2016	\$5,388,494
Revenue	8,176,456
Less Expense	(8,992,400)
Net Transfers	(2,097,412)
Net Position at 06/30/2017	2,475,139

At year end, fund balances are anticipated to be classified into three categories; nonspendable, committed and unassigned. Encumbrances from prior years are expected to decrease by \$368k to \$103k. Unassigned balance is likely to increase slightly on a year over year basis from \$789k to \$801k. The projected balance is \$156k greater than what was anticipated at the time the FY2016/17 budget was adopted.

Projected Fund Balance; FY2016/17	
Nonspendable	
Prepays and inventory	2,595
Advances to other funds	63,459
Committed	
Encumbrances	103,370
Reserves	
Operating reserve	1,304,690
Litigation reserve	200,000
Economic stabilization reserve	-
Emergency contingency reserve	-
Unassigned fund balance	801,025
Net Position at 06/30/2017	\$2,475,139



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At mid-year, General Fund **revenues** (excluding transfers) are at 48% of budget. This bodes well considering certain revenue sources tend to be received late in the fiscal year. Transient occupancy taxes and sales tax are projected to be the largest source of General Fund tax revenue come year-end. Overall, revenues are expected to end the year within 1% of budget.

Revenue; FY2016/17 Budget vs. Actual								
Revenue Source:	FY2016 Audited Results	FY2017 Adopted Budget	Pro Rated Budget as of 12/31/2016	Actual Balance as of 12/31/2016	% Variance at mid-year	\$ Variance Actual balance vs Pro Rated Budget	FY2017 Projected Year End	Variance of Projected FYE vs. Adopted Budget
Transient Occupancy Tax	\$ 1,947,702	\$ 2,123,931	\$ 1,061,966	\$ 1,130,231	53%	\$ 68,265	\$ 2,147,120	\$ 23,189
Sales and Use Tax	1,600,866	1,716,489	858,245	708,656	41%	(149,589)	1,648,399	(68,090)
Property Tax	972,948	964,067	482,034	494,970	51%	12,937	987,156	23,089
Other Taxes	664,739	656,000	328,000	229,370	35%	(98,630)	670,380	14,380
Sub Total Tax Revenue	5,186,256	5,460,487	2,730,244	2,563,227	47%	(167,017)	5,453,055	(7,432)
Licenses & Permits	99,317	95,340	47,670	16,297	17%	(31,373)	93,142	(2,198)
Fines and Forfeitures	18,139	20,457	10,228	16,951	83%	6,723	25,655	5,198
Intergovernmental	33,466	15,500	7,750	8,000	52%	250	29,500	14,000
Use of Money and Property	44,054	65,000	32,500	(39,814)	-61%	(72,314)	44,180	(20,820)
Grant Administration	152,787	110,678	55,339	45,308	41%	(10,031)	110,678	0
Charges for Services	54,027	51,300	25,650	33,704	66%	8,054	66,132	14,832
Reimbursements	3,413,306	2,248,663	1,124,331	1,119,426	50%	(4,905)	2,221,317	(27,345)
Other Revenue	112,311	73,974	36,987	112,810	152%	75,823	132,796	58,822
Total	\$ 9,113,663	\$ 8,141,399	\$ 4,070,700	\$ 3,875,911	48%	\$(194,789)	\$8,176,456	\$ 35,057

Significant variances:

- ❖ As of mid-year, TOT collections equal 53% of budget. This is normal considering the cyclical nature of the tax, with the strongest months being July through August. Year-end projections have been made based on a five-year trend comparing the mid-year balance to final year-end results. The result is an estimate of approximately \$60k or 3% below budget. An additional \$90k has been projected, however, to account for passage of Measure AA.
- ❖ Local sales tax received during the first half of FY 2016/17 totaled \$709k which is 41% of budget. Sales tax payments are received a full two months after the reporting period and collections to date are through November. The City's sales tax analyst, Muni Services, has been steadily reducing the forecast due to the ongoing low price of gasoline and heating fuels. We have conservatively projected the lower end of the forecast which shows a year-end balance \$68k or 4% below budget.
- ❖ Because business license renewals are mailed in January and are not due until the last day of February, it is not unusual to be at 17% of budget as of mid-year. Results at year are expected to be at or near budget.
- ❖ Other Revenue is on track to end the year \$58k or 80% above budget. This category is already above the annual budget due to an unanticipated receipt of dredge sands tipping fees from the Noyo Harbor District of approximately \$90K. The Council has committed these funds for ongoing Noyo Headlands Park restoration, mitigation and monitoring costs.



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General Fund **expenditures** (excluding transfers) for the first half of FY 2016/17 totaled \$4.4M, representing 48% of the amended annual budget. Appropriations of \$8.7M were adopted for FY 2016/17. Throughout the course of the year, budgeted appropriations have been increased by \$551k resulting in an amended budget of \$9.2M. For a detailed list of budget amendments, see Attachment B. Year-end expenditures are projected to come in \$246k under budget.

Expenditures; FY2016/17 Budget vs. Actual - By Category						
Expenditure By Category:	FY2016 Audited Results	FY2017 Final Budget	YTD Balance as of 12/31/2016	% Variance Budget vs. Actual	FY2017 Projected Year End	Variance of Projected Year End vs. Final Budget
Salaries	\$ 3,430,756	\$ 3,597,732	\$ 1,724,554	48%	\$ 3,543,503	\$ 54,229
Benefits	2,186,378	2,511,826	1,075,396	43%	2,481,690	30,136
Materials & Services	2,063,702	2,475,144	1,309,773	53%	2,313,075	162,070
Other Expenditures	34,215	960	1,516	158%	1,513	(553)
Capital Outlay	8,663	35,000	5,090	15%	35,000	-
Debt Service	147,569	147,569	73,785	50%	147,569	-
Allocations to Internal Service	604,060	470,048	218,807	47%	470,049	(1)
Total	\$ 8,475,345	\$ 9,238,280	\$4,408,921	48%	\$8,992,400	\$ 245,881

Expenditures; FY2015/16 Budget vs. Actual - By Department						
Expenditure By Department:	FY2016 Audited Results	FY2017 Final Budget	YTD Balance as of 12/31/2016	% Variance Budget vs. Actual	FY2017 Projected Year End	Variance of Projected Year End vs. Final Budget
General Government:						
City Council	\$ 125,006	\$ 149,420	\$ 65,628	44%	\$ 148,729	\$ 690
Administrative Services	925,044	818,432	403,673	49%	811,963	6,469
Finance	414,849	443,707	223,687	50%	429,701	14,006
Non-Departmental	872,806	890,529	335,391	38%	808,093	82,436
Community Organizations	170,433	145,691	104,051	71%	145,691	-
Caspar Closure	147,760	537,779	322,622	60%	470,406	67,373
Community Development:	405,360	471,899	221,767	47%	461,648	10,251
Public Safety:						
Police Department	3,286,121	3,510,607	1,685,189	48%	3,503,232	7,374
Fire Department	384,062	405,480	178,410	44%	403,000	2,480
Public Works:						
Administrative Services	519,669	556,834	247,374	44%	522,122	34,712
Parks and Facilities	194,348	265,603	123,568	47%	265,628	(26)
Street Maintenance	166,344	150,507	65,800	44%	150,507	-
Storm Drains	27,024	57,862	16,413	28%	57,862	-
Corporation Yard	618,316	621,666	291,174	47%	605,698	15,968
Traffic and Safety	70,633	64,695	50,389	78%	60,549	4,147
Debt Service	121,418	126,509	60,086	47%	126,509	-
Interest and Fiscal Charges	26,151	21,060	13,699	65%	21,060	-
Total	\$ 8,475,345	\$ 9,238,280	\$4,408,921	48%	\$8,992,400	\$ 245,881



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Significant variances:

- ❖ Salaries are projected to end the year under budget by \$54k or 1.5% and benefits are likewise projected to be under budget by \$30k or 1.2%. The City conservatively budgets all approved positions with the assumption that open positions will be filled. On a percentage of budget basis, these numbers are low and indicate the City is close to full staff in FY2016/17.
- ❖ Materials & Services are projected to end the year \$166k or 6.6% under budget. Three items largely comprise the variance: encumbered costs for Caspar Landfill post-closure invoices are expected to remain un-billed at \$67k, encumbered Mill Site remediation consulting costs are expected to remain un-billed at \$49k and amounts encumbered for prior year costs related to County animal care and control services are expected to remain unbilled at \$28k.
- ❖ Non-departmental is expected to end the year under budget by \$82k. Retiree medical benefits will likely contribute \$22k to the variance. This is due to the changing pool of retirees eligible for benefits. As mentioned previously, Mill Site remediation consulting costs are expected to remain un-billed at \$49k and will also contribute to the variance.
- ❖ The Caspar Landfill post-closure department is expected to end the year \$67k under budget. This is due to encumbered costs which are expected to remain un-billed at \$67k (as mentioned previously).



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WATER ENTERPRISE

The FY 2016/17 Water Enterprise amended budget shows revenues outpacing expenditures by \$1.3M. Revenues are projected to end the year at \$3.2M, an increase of 15% over the prior fiscal year. Expenses are expected to end the year at \$2.8M, an increase of 25% over the previous year. Significant variances to budget have emerged as a result of action taken by Council in connection with prior year over allocations from the Water Enterprise to the General Fund.

Revenue, Expense & Transfers FY2016/17 Budget vs. Actual						
	FY2016 Audited Results	FY2017 Final Budget	YTD Balance as of 12/31/2016	% Variance Budget vs. Actual	FY2017 Projected Year End	\$ Variance Budget vs. Projected Year End
Water Enterprise						
Revenue	\$ 2,821,537	\$ 2,541,885	\$ 1,978,091	78%	\$ 3,230,977	\$ 689,092
Less expenses						
Personnel services	673,226	684,929	346,515	51%	684,929	-
Administration	640,843	270,219	138,790	51%	270,852	(634)
Repairs & maintenance	61,953	186,645	25,575	14%	186,645	-
Materials & supplies	227,645	153,796	67,132	44%	152,496	1,300
Utilities	105,090	110,000	47,757	43%	110,000	-
Contractual services	90,479	150,836	104,782	69%	148,110	2,726
Insurance	16,755	17,000	15,948	94%	16,848	152
Other operating	18,098	9,000	1,560	17%	9,000	-
Interest/Debt Service *	131,645	587,012	429,629	73%	587,012	-
Depreciation	298,264	-	-	0%	655,991	(655,991)
Net transfers ; in (out)	460,867	881,944	845,820	96%	845,820	(36,124)
Net Revenue/(Expense)	\$1,018,407	\$ 1,254,392	\$ 1,646,223		\$1,254,914	\$ 521

* Audited results do not include payment of principal which is not an expense in full accrual accounting

Revenue variances:

Contributed Capital – In November of 2016, Council directed staff to proportionately transfer fixed assets from the General Fund to the Water Enterprise as part of a broader plan to recompense the enterprise for prior year over allocations. The transaction resulted in \$580k of unbudgeted revenue for the Water Enterprise.

Expense variances:

Interest - At midyear, interest expense is 73% of budget. The variance is due to the debt service payment schedule. Year end is expected to be at or near budget.

Repairs & maintenance – At midyear, repairs and maintenance are only 14% of budget. Project work is expected to pick up this spring once the rainy season ends. Year end is expected to be at or near budget.

Depreciation expense – Although the City does not budget the non-cash item depreciation, year-end depreciation expense is expected to increase to \$656k as the Water Enterprise begins depreciating the Summers Lane Reservoir. Additionally, depreciation expense related to the proportional transfer of fixed assets from the General Fund will be \$326k in FY2016/17.



CITY OF FORT BRAGG

FY 2016/17 Mid-Year Performance Report
As of December 31, 2016

WASTEWATER ENTERPRISE

The FY 2016/17 Wastewater Enterprise amended budget shows revenues outpacing expenditures by \$2M. Revenues are projected to end the year at \$4M, an increase of 16% over the prior fiscal year. Expenses are expected to end the year at \$3.1M, an increase of 7% over the previous year. Significant variances to budget have emerged as a result of action taken by Council in connection with prior year over allocations from the Wastewater Enterprise to the General Fund.

Revenue, Expense & Transfers FY2016/17 Budget vs. Actual						
	FY2016 Audited Results	FY2017 Final Budget	YTD Balance as of 12/31/2016	% Variance Budget vs. Actual	FY2017 Projected Year End	\$ Variance Budget vs. Projected Year End
Water Enterprise						
Revenue	\$ 3,423,710	\$ 3,379,867	\$ 2,287,855	68%	\$3,981,240	\$ 601,372
Less expenses						
Personnel services	1,150,738	1,206,454	601,954	50%	1,202,411	4,043
Administration	849,141	297,759	149,315	50%	295,759	2,000
Repairs & maintenance	131,828	295,556	132,919	45%	274,503	21,052
Materials & supplies	196,506	139,766	60,608	43%	139,650	116
Utilities	119,393	120,000	62,349	52%	120,000	-
Contractual services	102,494	343,664	123,261	36%	333,907	9,757
Insurance	17,967	20,000	15,489	77%	16,577	3,423
Interest/Debt Service *	11,627	62,355	54,240	87%	62,355	-
Depreciation	317,785	-	-	0%	643,776	(643,776)
Net transfers ; in (out)	(10,347)	1,129,056	1,151,470	102%	1,151,470	22,414
Net Revenue/(Expense)	\$ 515,884	\$ 2,023,370	\$ 2,239,187		\$2,043,771	\$ 20,401

* Audited results do not include payment of principal which is not an expense in full accrual accounting

Revenue variances:

Contributed Capital – In November of 2016, Council directed staff to proportionately transfer fixed assets from the General Fund to the Wastewater Enterprise as part of a broader plan to recompense the enterprise for prior year over allocations. The transaction resulted in \$580k of unbudgeted revenue for the Wastewater Enterprise.

Expense variances:

Interest - At midyear, interest expense is 87% of budget. The variance is due to the debt service payment schedule. Year end is expected to be at or near budget.

Contractual Services – At midyear, repairs and maintenance are only 36% of budget. Prior to year-end payments are expected for engineering services connected with the Wastewater Treatment Plant in the amount of \$149k. Additionally, \$32k is expected to be spent for receiving water monitoring and \$15k in additional lab disinfection chemicals.

Depreciation expense – Although the City does not budget the non-cash item depreciation, year-end depreciation expense is expected to increase to \$644k. The increase is related to the proportional transfer of fixed assets from the General Fund in FY2016/17 (\$326k).

FOR MORE INFORMATION

This Mid-Year Performance Report is derived from detailed financial information generated by the City's Finance Department. For additional information or if you have any questions about this report please contact the Finance Department by phone at (707) 961-2825 or Finance Director Victor Damiani at vdamiani@fortbragg.com.