

CITY OF FORT BRAGG

PROPOSED BUDGET

FISCAL YEAR 2017 – 2018



CITY COUNCIL

Lindy Peters, *Mayor*

Will Lee, *Vice Mayor*

Bernie Norvell, *Councilmember*

Dave Turner, *Councilmember*

Mike Cimolino, *Councilmember*

Linda Ruffing

City Manager

ABOUT THE COVER

Pudding Creek Trestle

Aerial View of South Coastal Trail

Fort Bragg Art Mural

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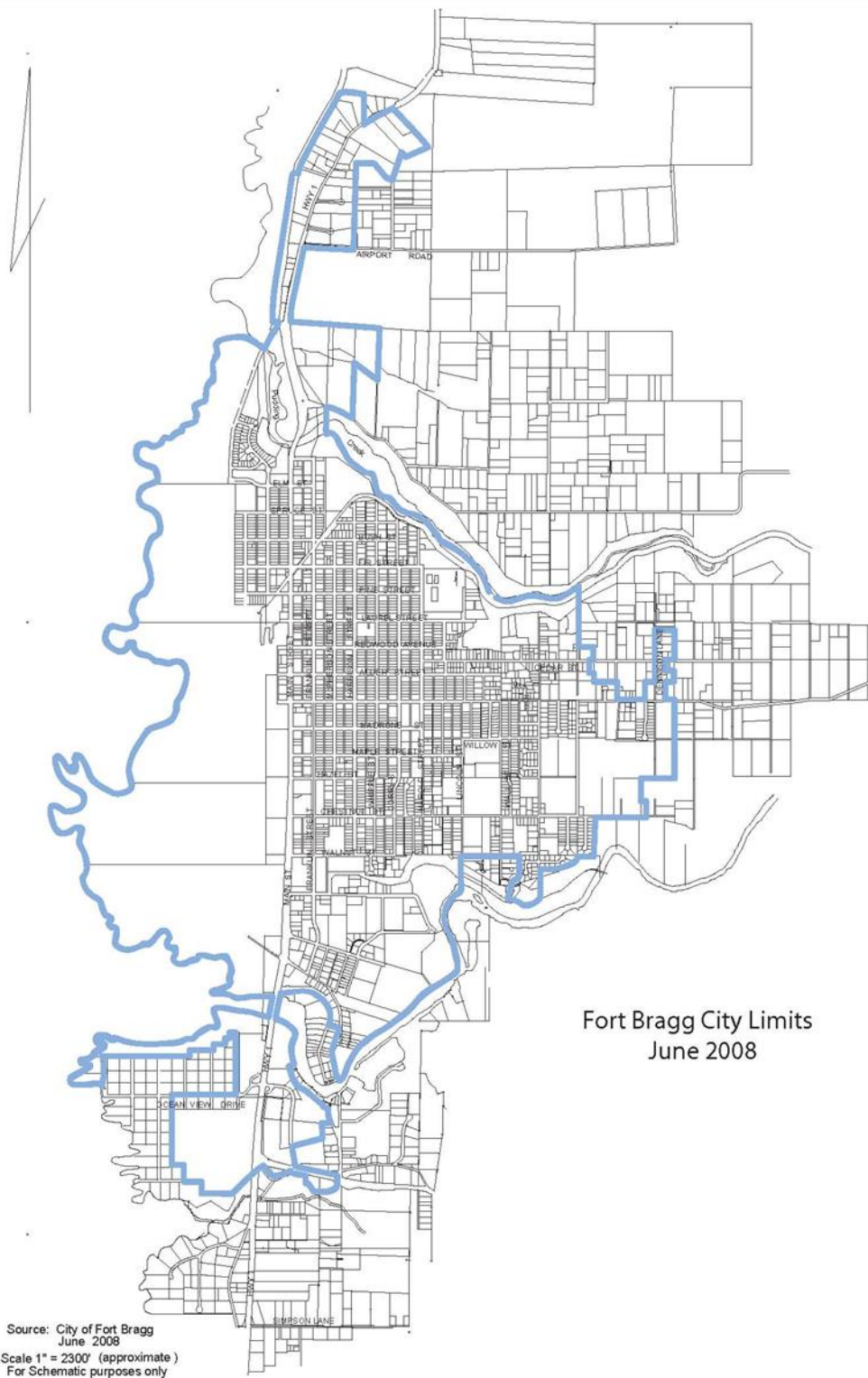
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USER'S GUIDE TO THE BUDGET

The functions of local government stem from three levels of policy direction: federal, state and local. Within this intergovernmental system, local government is responsible for providing basic public services such as maintaining streets and roadways, providing traffic management systems, maintaining parks, providing community services, and ensuring public safety. Local government must also fulfill certain state and national policy objectives such as transportation and environmental protection while addressing the expectations and values of its citizens. For local governments, the primary tool used to coordinate the provision of governmental services and to provide legal authorization for the expenditure of funds is the annual budget. A local government budget is a financial plan that matches existing resources with the needs of the community.

The City of Fort Bragg's budget is developed and adopted by the City Council and provides Fort Bragg residents and City staff with a plan for implementation of the services, goals and objectives specified by the City Council. The City's Wastewater Enterprise is operated by the Municipal Improvement District No. 1 (MID) Board. The City Council serves concurrently as the MID Board of Directors. The budget for the Wastewater Enterprise is included in this budget document.

The Operating Budget is a guide for the receipt and disbursement of funds used to provide daily, routine public services to the community. The Five-Year Capital Improvement Program (CIP) and Capital Projects Budget provide citizens and City officials with detailed information about capital projects that are planned for near- or mid-term implementation.

This budget outlines the many municipal services, programs and projects provided by the City of Fort Bragg over the course of the fiscal year. It identifies revenue projections and specific expenditures necessary to deliver services to the community. The budget is intended to provide transparency to City residents about programs and services as well as the policies underlying the City Council's spending decisions.

DISTINGUISHED BUDGET PRESENTATION AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Distinguished Budget Presentation Award to the City for its Fiscal Year 2016-2017 Budget. This was the first year that the government has achieved this prestigious award. Achievement of the award reflects the commitment of the governing body and staff to meeting the highest principles of governmental budgeting. In order to receive the budget award, the City had to satisfy nationally-recognized guidelines for effective budget presentation. These guidelines are designed to assess how well an entity's budget serves as:

- **A Policy Document** – to describe financial and operating policies, goals, and priorities for the organization.
- **A Financial Plan** – to provide revenue and expenditure information by fund, department, division, and category.
- **An Operations Guide** – to describe activities and objectives for the fiscal year.
- **A Communications Tool** – to provide information on budgetary trends, planning processes, and integration of the operating and capital budgets.

The Distinguished Budget Presentation Award is valid for one year. Our Fiscal Year 2017-2018 budget will again be submitted to the GFOA and we are confident that we will once again achieve the award.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Fort Bragg
California**

For the Fiscal Year Beginning

July 1, 2016

Jeffrey R. Egan

Executive Director

BUDGET ORGANIZATION

The FY 2017/18 Budget includes eight basic sections as follows:

1. **City Manager's Transmittal.** Provides an introduction to the budget including a summary of critical economic issues, Council-directed core services, and basic operational and strategic goals for FY 2017/18.
2. **Introduction.** Includes this Users' Guide, a directory of elected and appointed City officials, a Citywide organization chart, an overview of the City of Fort Bragg, a definition of the funds included in the financial reporting model of the City, and the City's budget guidelines and fiscal policies. This section provides the reader with the policies and documents that guide the City's financial practices.
3. **Summary.** Includes a comprehensive overview of fund balance projections and individual summaries of revenues and expenditures for all funds and the General Fund. Also included are interfund transfers, interfund cost reimbursements and the City's cost allocation plan. Summaries for the Water, Wastewater and C.V. Starr Enterprise Funds are included in the detail section for each fund.
4. **Fund Detail - Departmental Summaries.** Presents detailed information on the City's operating departments and Enterprise funds as follows:

City Council	Public Works
Administration	Internal Services
Finance	Debt Service
Non-Departmental	Water Enterprise
Public Safety	Wastewater Enterprise
Community Development	C.V. Starr Center Enterprise

Additional information about services provided by the City is included in each departmental section. Department summary information includes organizational charts, departmental services description, summaries of accomplishments and goals, a comparison of the total proposed budget to the prior fiscal year, and a summary of expenditures over the last three fiscal years. More specific information about the current year appropriations is provided in the budget detail section. The FY 2017/18 Budget presentation has been expanded to include a summary of revenue generated by each department.

5. **Grants and Special Revenue Funds.** Provides an overview of each of the City's Special Revenue Funds, including fund descriptions, revenues and expenditures. Special Revenue Funds are classified into one of four categories: Revenue, Grants, Internal Service Funds, and Trust and Agency.
6. **Capital Improvement Program (CIP) and Capital Projects Budget.** The Multi-Year CIP includes descriptions of individual projects and details the acquisition, construction or rehabilitation of major capital facilities and infrastructure. The Capital Projects Budget is used to account for the receipt and disbursement of funds for specific CIP projects. For many projects, revenue resources and expenditures may extend over several years.
7. **Statistical Data.** Presents historical information for the past 10 years regarding the City's finances, operations, constituents and the local economy.
8. **Glossary.** A list of specialized words and acronyms used in the budget document and their definitions.

BUDGET PROCESS & ADOPTION

The City develops an annual budget according to legal and policy direction which includes:

- Prepare a budget for all funds of the City.
- Strive to adopt a budget that is balanced as to resources and appropriations.
- Adopt a budget that does not exceed State constitutional limits.
- Adopt a budget prior to the beginning of the fiscal year in which it is to take effect.
- Allow for adjustments to the budget with proper approvals.
- Strive to maintain reserves in accordance with established Council policies.
- Utilize encumbrances of appropriations as a budgetary control technique.
- Adopt the budget through City Council and Municipal Improvement District Board resolutions.
- Exercise budgetary controls at the department level.

The City of Fort Bragg operates on a fiscal year basis, starting July 1 and ending June 30. The budget is prepared by the Finance Department under the supervision of the City Manager. The budget process typically begins in January once the audit reports for the prior fiscal year are complete. The Finance Department prepares a Mid-Year Performance Report and the City Council conducts a Mid-Year Budget Workshop (typically in March). At that workshop, revenue and expense projections are presented for the current fiscal year and the Council provides policy direction to staff regarding preparation of the budget for the coming fiscal year. Following the mid-year workshop, a proposed budget is assembled for the next fiscal year and it is reviewed by the Council and the public at a budget workshop (typically in May). Following the budget workshop, a revised budget is prepared and transmitted to the City Council in June for further review, public input, deliberation and adoption prior to the beginning of each new fiscal year (July 1).

Copies of the proposed budget are made available to the general public prior to the City Council's budget workshop. After providing opportunities for public review and discussion at the budget workshop(s), the budget is adopted by the City Council prior to June 30 at either a regular or special City Council meeting. After adoption, the budget may be amended by City Council resolution.

BASIS OF ACCOUNTING AND FUND DEFINITIONS

The modified accrual basis of accounting is used by all General, Special Revenue and Capital Projects Funds. This means that revenues are recognized when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when liabilities are incurred, except that principal and interest payments on long-term debt are recognized as expenditures when due. The accrual basis of accounting is utilized by all Enterprise and Internal Service Funds. This means that revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

To demonstrate fiscal accountability, various funds are established in accordance with objectives of special regulations, restrictions, and/or limitations. Each fund is considered a separate accounting entity with a self-balancing set of accounts. The funds that are used in the financial reporting model for the City of Fort Bragg as follows:

The **General Fund** is the City's primary operating fund. It is used to account for resources traditionally associated with general government activities which are not required (legally or by sound fiscal management) to be accounted for in another fund.

Special Revenue Funds are used to account for revenues that are legally restricted for a particular purpose. The City has several Special Revenue Funds including the Special Sales Tax for Street Repairs, Asset Forfeiture, General Plan Maintenance Fee, Gas Taxes and Fire Equipment Tax. Special Revenue Funds are also used to account for grants obtained to fund City projects and activities.

Capital Project Funds are used to account for financial resources to be used for construction or acquisition of fixed assets, such as buildings, equipment, or roads. A Capital Project Fund exists only until completion of the project. The City's Capital Project Funds are discussed in more detail in the Capital Improvement Plan included in this Budget document.

Internal Service Funds are used by the City to account for the financing of goods and services provided by one department to other departments within a government organization on a cost-reimbursement basis. They are set up to take advantage of economies of scale, to avoid duplication of effort, and to accurately identify costs of specific governmental services. The City utilizes three Internal Service Funds: Facilities Repair & Maintenance, Technology Replacement & Maintenance and Fleet & Equipment Services.

Enterprise Funds are used to account for operations that are supported by a fee charged to external users for services, similar to a private business. The City has three Enterprise Funds: Water, Wastewater, and C. V. Starr Center.

Fiduciary Funds are used to account for resources that a government holds as a trustee or agent on behalf of an outside party and therefore cannot be used to support the government's own programs. The City has one fiduciary fund: Successor Agency to Fort Bragg Redevelopment Agency.

COST ALLOCATION PLAN AND DIRECT CHARGES

The City employs a multi-step process for distributing the indirect costs of central service departments (City Council, Administration, Finance, Non-Departmental and Public Works personnel and non-personnel costs) and the City's Internal Service Funds to various departments and funds.

Costs of the City's central service departments are allocated through the City's Cost Allocation Plan (CAP). The CAP allocates costs that originate in one department but benefit one or more other departments. By way of example; the Administrative Services Department performs the function of "Records Management" which benefits multiple other departments within the City organization. The costs associated with "Records Management" are allocated from the Administrative Services Department to the multiple other departments that benefit from the service. Allocations are based primarily on the Personnel Staffing Allocations presented on pages 70 and 71. Personnel Staffing Allocation percentages are reviewed as part of the budget process to ensure they are consistent with each year's authorized staff positions, anticipated work load and capital project plans. Beginning with FY 2016/17, a year-end true-up will be performed so that allocations are based on actual results rather than budgeted forecasts. For example, if actual administrative costs end the year less than budgeted, then allocated costs will be revised down.

The City's Internal Service Funds are allocated as direct charges to the City's public service departments. For example, the budget for the Fleet & Equipment Services Fund is allocated to public service departments (such as the Police Department or Public Works Department) based on the number of vehicles in use by each department.

CONCLUSION

Financial forecasting is, at best, an inexact science. Many experts and studies offer varied opinions and forecasts, each completely logical and reasonable. Staff has developed revenue and expenditure estimates based on trends and forecasts available as of May 2017. These estimates take into account what has happened in the local economy, current revenue and expenditure experiences, and, to the extent possible, what is projected to happen over the next 13 months.

CITY OF FORT BRAGG OVERVIEW

HISTORY OF FORT BRAGG

The north coast of Mendocino County was inhabited by Native Americans of the Pomo tribe for approximately 10,000 years. The Pomo people were hunter-gatherers with a close relationship to the land and the sea. Seasonal Pomo villages were located along the coast with permanent villages located north of the Ten Mile River.

In 1855, an exploration party from the Bureau of Indian Affairs visited the area in search of a site on which to create a reservation and, the following year, the Mendocino Indian Reservation was established. It spanned an area from the south side of the Noyo River to north of the Ten Mile River and east to Little Valley and Glen Blair. In 1857, the Fort Bragg military post was installed on the Mendocino Indian Reservation approximately 1½ miles north of the Noyo River and its purpose was to maintain order on the reservation. During the same year, a lumber mill was established on the Noyo River starting what would become the major industry of the region. The military post was short-lived and records show that November 23, 1861 was the last date on which army units occupied the fort. In 1865, after 300 Native Americans were marched forcibly from the Mendocino Indian Reservation to a reservation in Round Valley, Fort Bragg as a military post was abandoned.

On August 5, 1889, Fort Bragg was incorporated as a City. C.R. Johnson, president of the Fort Bragg Redwood Company, was the first mayor and his company laid out the town much as it exists today— with a uniform street grid and mid-block alleys. In 1893, the Union Lumber Company was created when the Fort Bragg Redwood Company absorbed some of the smaller lumber companies in the area. In 1901, the Union Lumber Company incorporated the National Steamship Company to carry lumber, passengers and supplies. The steamships provided Fort Bragg's only link to manufactured comforts and staples like sugar and coffee. In 1905, the California Western Railroad was formed and a rail line was established from Fort Bragg to Willits where train connections could be made to San Francisco.

The 1906 Earthquake resulted in a fire at the lumber mill that threatened the entire City. Brick buildings throughout the City were damaged, if not destroyed completely, and many frame homes were knocked off their piers. The fire burned the downtown area bordered by Franklin Street, Redwood Avenue and McPherson Street. Within 12 months following the earthquake, all downtown reconstruction was completed. The earthquake brought prosperity to Fort Bragg as the mills furnished lumber for the rebuilding of San Francisco. By 1916, Fort Bragg had become a popular place to visit – and to settle.

Commercial fishing also played an important role in the formation of the economic base of Fort Bragg. Noyo Harbor was once a major commercial fishing port well-known for producing quality fish products that were distributed to major metropolitan markets. In recent years, the fishing industry has declined and Fort Bragg's economic base has transitioned from “resource extraction” (i.e., timber and fishing industries) to a more service-oriented economy serving a regional coastal population of approximately 20,000 residents as well as hundreds of thousands of visitors each year.



CITY GEOGRAPHY

The City of Fort Bragg is located approximately 165 miles north of San Francisco and 185 miles west of Sacramento on the scenic coast of Mendocino County. The City occupies 2.7 square miles. Census 2010 places the City's population at 7,273. Although it is quite small, Fort Bragg is the largest city on the coast between San Francisco and Eureka. The largest employment categories in the City include services, wholesale and retail trade, local government, public education, health care, tourism, and fishing. The mild climate and picturesque coastline make Fort Bragg a popular tourist and recreational area.

CITY AUTHORITY

Fort Bragg is a general law city under California state law and its rights, powers, privileges, authority, and functions are established through the State constitution. These statutory rights include the power to: sue and be sued; purchase, receive by gift or bequest and hold land, make contracts and purchases and hold personal property necessary to the exercise of its powers; manage, sell, lease, or otherwise dispose of its property as the interest of its inhabitants require; levy and collect taxes authorized by law and exercise such other and further powers as may be especially conferred by law or as may be necessarily implied from those expressed.

CITY COUNCIL

Members of the Fort Bragg City Council are elected by the voters to serve overlapping four-year terms. The Mayor is elected by, and from, the City Council for a two-year term. The Council sets policy and exercises the legislative authority of the City. The Council holds meetings on the second and fourth Mondays of each month and at such other times as necessary. Current City Council members and the dates upon which their respective terms expire are as follows:

Mayor Lindy Peters	December 2018
Vice Mayor Will Lee	December 2020
Councilmember Michael Cimolino	December 2018
Councilmember Dave Turner	December 2018
Councilmember Bernie Norvell	December 2020

ADMINISTRATION AND MANAGEMENT

Fort Bragg operates under the Council-Manager form of government. The City Council appoints the City Manager who appoints other City staff and is charged with overseeing the City's daily operations. Several boards, commissions, and committees assist the City Council and administration in carrying out various aspects and functions of city government.

CITY SERVICES

The City provides a wide range of services to its residents including public safety services, construction and maintenance of streets and infrastructure, water service, community development, financial management and administrative services. Special Districts and Joint Power Authorities (JPAs) under the jurisdiction of the City provide emergency services, fire protection and wastewater treatment services. Other entities, not under the City's jurisdiction, that provide services to the City's population include the school district, hospital district, recreation district, harbor district, and other special districts.

FORT BRAGG MUNICIPAL IMPROVEMENT DISTRICT NO. 1

The members of the City Council serve concurrently as the Fort Bragg Municipal Improvement District No. 1 (MID) Board of Directors. The MID was formed in 1969 for the purpose of acquiring and constructing wastewater system improvements including construction of a wastewater treatment plant. The wastewater system serves approximately 3,000 residential and commercial connections in an area that includes the City of Fort Bragg and small areas of unincorporated territory on the periphery of the City. The MID Board of Directors meets on the same schedule as the City Council and can schedule special meetings as necessary. The MID is referred to within the Budget as the "Wastewater Enterprise Fund."

SUCCESSOR AGENCY TO FORT BRAGG REDEVELOPMENT AGENCY

From 1986 to 2012, the Fort Bragg Redevelopment Agency carried out redevelopment projects and promoted and supported economic development and affordable housing development in the redevelopment project area, an area which generally included properties within the Central Business District, commercial and industrial lands along Main Street, and the former Georgia Pacific mill site. In early 2012, the Redevelopment Agency was dissolved (as required by AB 1X26) and the City Council opted to serve as the Successor Agency to the Fort Bragg Redevelopment Agency. The Successor Agency is the legal entity tasked with winding down the affairs of the former Redevelopment Agency under the supervision of an Oversight Board. The Successor Agency plays a key day-to-day role in assuring that the existing debt service and other enforceable obligations of the former Redevelopment Agency are properly paid based upon a Recognized Obligation Payment Schedule (ROPS) approved by the Oversight Board and the State Department of Finance.

C. V. STARR COMMUNITY CENTER

The C.V. Starr Community Center and Sigrid & Harry Spath Aquatic Facility (the "C.V. Starr Center") is a 43,000 square foot recreation and aquatic facility that was built by the Mendocino Coast Recreation and Parks District (MCRPD), a special district providing recreational services to residents of the Mendocino Coast. The facility includes an indoor water park with an eight-lane competition pool and diving board, a leisure pool with a water-slide and a 'lazy river', a cardio-fitness center and weight room, and facilities for other fitness classes and enrichment activities. In addition, the C.V. Starr Center has meeting rooms for parties and community events, and the grounds include a dog park, a skateboard park, petanque courts and picnic/BBQ facilities.

After opening the C.V. Starr Center in 2009, the MCRPD found itself challenged by insufficient operating revenues. In March 2012, the voters of Fort Bragg approved a special sales tax to provide funding for operation, maintenance and capital improvements at the C.V. Starr Center facility. The ballot measure required that ownership of the C.V. Starr Center be transferred to the City of Fort Bragg and that the MCRPD assign a portion of its property tax revenues to the City. The facility reopened under City ownership in July 2012. The MCRPD now operates the facility under a contract with the City and the City provides continued financial and operational oversight.

DIRECTORY OF ELECTED AND APPOINTED CITY OFFICIALS

As of June 30, 2017



Lindy Peters
Mayor



Will Lee
Vice Mayor



Mike Cimolino
Councilmember



Bernie Norvell
Councilmember



Dave Turner
Councilmember

Victor Damiani
Finance Director /City Treasurer

Marie Jones
Community Development Director

June Lemos
City Clerk

Linda Ruffing
City Manager

Samantha W. Zutler
City Attorney

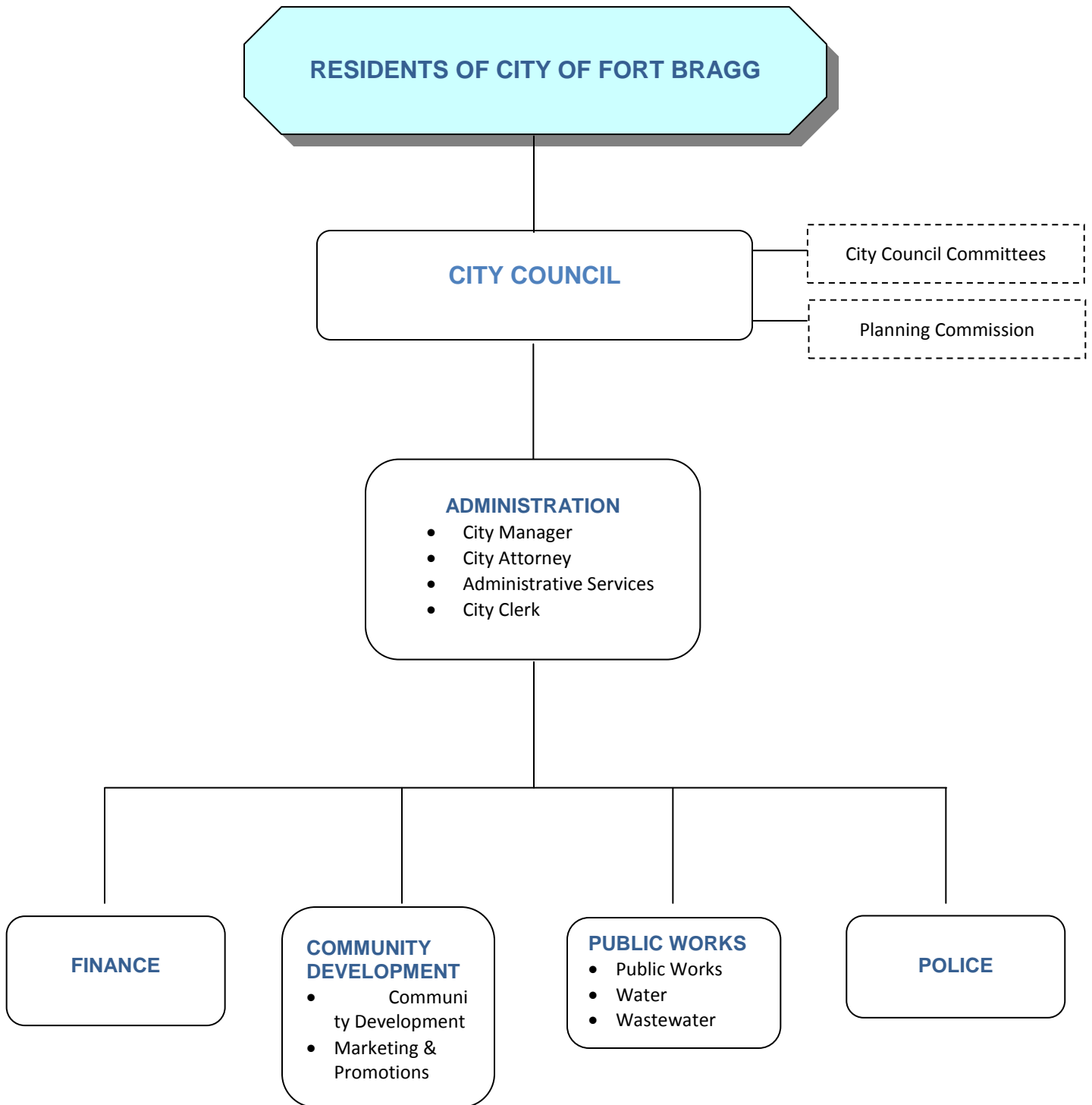
Scott Schneider
Administrative Services Director

Fabian Lizarraga
Chief of Police

Tom Varga
Director of Public Works

MASTER ORGANIZATIONAL CHART

As of June 30, 2017





BUDGET GUIDELINES

The annual operating budget is the primary short-term financial plan for the City and the Municipal Improvement District No. 1. The operating budget serves as the policy document to implement City Council goals and objectives. It sets forth estimates of resources available to fund services consistent with Council directives. Since no budget is an absolutely accurate predictor of future events, there must be some flexibility to make adjustments during the year, provided these adjustments do not materially alter the general intent of the City Council when adopting the budget. These guidelines are intended to provide that flexibility and to establish adequate controls through budget monitoring and periodic reporting to ensure that the overall distribution of resources achieves the results intended by the City Council.

Each year, as the budget is prepared, the City Council identifies priorities to provide guidance to management in preparing the budget. Through its legislative authority, the Council approves and adopts the budget by resolution. The City Manager is responsible for proposing to the City Council an annual operating budget and a capital projects budget which are consistent with the Council's service level priorities and sound business practices. The City Manager is also responsible for establishing a system for the preparation, execution, and control of the budget which provides reasonable assurances that the intent of Council policies is met. The Finance Director is responsible for providing periodic budget status reports to the City Manager, the City Council and Department Heads to facilitate control and compliance with the budget. Department Heads are responsible for monitoring their respective budgets for compliance with the intent of Council priorities and for ensuring that appropriations for their departments are not exceeded.

1. **Basis of Budgeting.** The City's operating and capital projects budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that encumbrances are considered budgetary expenditures in the year of the commitment to purchase, and capital project expenditures are budgeted on a project length basis rather than a fiscal year. For all governmental funds, revenues and expenditures are budgeted on a modified accrual basis. For all proprietary funds, revenues and expenditures are budgeted on an accrual basis.
2. **Budget Calendar.** A budget preparation calendar is provided to Department Heads and to the City Council at the beginning of the budget process each year. The calendar sets forth dates for the review of service level priorities by the City Council at a mid-year budget workshop and a presentation of the City Manager's proposed budget to the City Council, which should be adopted no later than the end of June.
3. **Form and Content of the Proposed Budget.** The proposed Budget should be presented in a form which is sufficient to allow the City Council to determine and review:
 - Provision of City Council priorities;
 - Projected revenues by major category;
 - Operating expenditures by department or program, and by fund;
 - Staffing by department;
 - Service levels;
 - Statements of objectives and accomplishments;
 - Recommendations for policy changes;
 - Capital improvement appropriations by project.

The proposed Budget should provide a comparison with the preceding year's actual results and current year's projected results for each category of revenue and expenditure shown in the budget. Descriptions of service levels to be provided under the proposed Budget will be included along with statements of services reduced or eliminated and services improved or added, as compared to the current year.

4. **City Council's Budget Principles.** Each year, the proposed Budget is developed in accordance with the Council's established budget principles:

- The City strives to balance the operating budgets of each of the City's three major funds (General Fund, Water Enterprise, Wastewater Enterprise) such that anticipated revenues meet projected expenditure obligations.
 - Recurring annual expenditures (e.g., personnel costs, supplies, equipment, operating and maintenance costs, debt service, legal costs, audit costs, etc.) should be funded with on-going annual revenues and should not rely upon one-time revenues, reserves, or the use of undesignated fund balances.
 - If unassigned fund balances are expended, uses should be restricted to funding one-time expenditures, not on-going operations.
 - Conservative revenue projections should be incorporated into the budget.
 - Expenditures should be contained to the maximum extent possible. To the extent that line item cost increases occur, they should be limited to purchases necessary to support existing operations, essential capital improvement projects, mandated costs, and the City's contractual obligations.
 - Each year, the budget should be prepared in accordance with the City's Fund Balance & Reserve policies and the Council should allocate specific amounts to each of the City's established reserves.
5. **Adoption of the Budget.** The City Council should adopt the budget by resolution no later than June 30th of the previous fiscal year, setting forth the amount of appropriations and authority of the City Manager to administer the adopted budget. Unless otherwise directed, all funds that are presented in the operating budget document are subject to appropriation.
6. **Budget Amendments by the City Council.** The City Council may from time to time approve expenditures and identify funding sources not provided for in the adopted budget including those expenditures funded through unassigned fund balances.
7. **Automatic Adjustments and Re-appropriations.** Outstanding encumbrances at prior fiscal year-end will automatically be carried over to current year's budgets. Unspent appropriations that are authorized and funded by grant revenues from prior fiscal year will automatically be carried over to current year's budget. Incomplete multiple year project balances will be automatically carried over to the current year's budget.
8. **Budget Monitoring and Reporting.** The Finance Department will prepare a monthly budget report including actual expenditures and encumbrances for distribution to the City Manager and Department Heads to facilitate monitoring of the budget. The Finance Department will prepare a first-quarter and mid-year budget status report for presentation to the City Council. At a minimum, the report will include the status of General Fund revenues and expenditures, and Water, Wastewater, and C.V. Starr enterprise fund revenues and expenditures.
9. **Reserves.** Various unallocated reserves are established in the City's funds to protect the City in emergencies and times of economic uncertainty, and to finance unforeseen opportunities and/or requirements. Reserve policies for various funds are described in detail in the section entitled "Fiscal Policies."

FISCAL POLICIES

The City of Fort Bragg's fiscal policies are established to ensure that the finances of the City and the Municipal Improvement District No. 1 (collectively referred to as "the City") are managed in a manner that will:

- Maintain a financially viable local government that provides adequate levels of municipal services to its citizens.
- Provide for financial flexibility in order to adapt to local and regional economic changes.
- Preserve and enhance the sound fiscal condition of the City.

1. Operating Budget Policies

- a. The City Council/MID Board should adopt a balanced budget by June 30th of each year. The base operating budget will be developed by conservatively and realistically projecting revenues and expenditures for the current and forthcoming fiscal year. During the annual budget development process, the existing base budget will be thoroughly examined to assure cost effectiveness of the services or programs provided. The annual operating budget will include the cost of operations of new capital projects. The City's operating budget will be prepared on a basis consistent with generally accepted accounting principles (GAAP) except that encumbrances are considered budgetary expenditures in the year of the commitment to purchase and expenditures for multi-year capital projects are budgeted in their entirety in the year construction commences. Remaining expenditures are carried forward in subsequent years. .
- b. The City will avoid balancing the current budget at the expense of future budgets unless the use of unassigned fund balance and/or reserves is expressly authorized by the City Council.
- c. The City will develop and maintain financial management programs to assure its long-term ability to pay the costs necessary to provide the services required by its citizens.

2. Budgetary Controls

- a. Adopted budget appropriations should not be adjusted subsequently unless specifically authorized by a Council/District resolution identifying the fund from which the appropriation is to be made, the amount of the appropriation and an account number.
- b. The City Manager has the authority to approve transfers of budget appropriations within any departmental budget provided:
 - Both line items are budgeted; and
 - Transfers from salary accounts and benefit accounts to non-personnel accounts are not allowed.
- c. Interfund and inter-departmental transfers require Council/District approval.
- d. The City Manager may review and approve change orders in accordance with established purchasing procedures. The City Manager may approve purchase orders for budgeted expenditures and un-budgeted purchase orders in accordance with established purchasing procedures.
- e. Annually, a report estimating the year-end results will be presented to the Council following the close of the fiscal year being reported. The report will compare revenue estimates with actual collections, appropriations budgets with actual expenditures and revenues to expenditures in major budgetary funds. This report will be followed by a presentation of the Comprehensive Annual Financial Report to the Council before January 31st.
- f. Semi-annually, at a mid-year budget session, there will be comprehensive review of the operations to date in comparison to the existing budget. Projections of revenues and expenditures through the end of the fiscal year will be submitted to the City Council at the mid-year budget session.

3. Revenue Policies

- a. The City strives to maintain a diversified and stable revenue stream to avoid over-reliance on any one revenue source.
- b. The City estimates its annual revenues by an objective, analytical process utilizing trends, judgment, and statistical analysis as appropriate. Revenue estimates are to be conservative and realistic, sensitive to both local and regional economic conditions.

- c. The City maximizes the availability of revenue proceeds through responsible collection and auditing of amounts owed to the City.
- d. The City actively pursues federal, State, and other grant opportunities when deemed appropriate. Before accepting any grant, the City should consider the implications in terms of ongoing obligations that will be required in connection with acceptance of the grant.
- e. The City seeks reimbursements for mandated costs whenever possible.
- f. User fees are reviewed annually for potential adjustments to recover the full cost of services provided, except when the City Council determines that a subsidy is in the public interest. The City's user fee policy:
 - Imposes user fees when appropriate to capture the cost for the delivery of services and goods; and
 - Attempts to establish levels of cost recovery that support all costs including administrative overhead and depreciation; and
 - Determines the minimum frequency of user fee reviews.
- g. General Fund revenues are pooled and allocated according to Council goals and established policy.
- h. Grant revenue is recognized when eligible expenditures have been incurred against a fully executed grant agreement. Such accrued revenue is considered available even if it is not received within 60 days of year-end. This method provides improved reporting and control at the program level because it appropriately matches funding sources and uses.
- i. Enterprise funds and other legally-restricted sources are allocated according to their respective special purpose.
- j. One-time revenues should be used for one-time expenditures only, including capital outlay and reserves.

4. Expenditure Policies

- a. The City strives to maintain levels of service, as determined by the City Council, to provide for the public well-being and safety of the residents of the community.
- b. The City strives to maintain employee benefits and salaries at competitive levels with local labor markets.
- c. Fixed assets should be maintained and replaced as necessary and deferred maintenance should be minimized. A facilities maintenance reserve is maintained to provide for timely maintenance and replacement of fixed assets.
- d. The City should use technology and productivity enhancements that are cost effective and help to reduce or avoid increased personnel costs.
- e. Surplus fund balances (and working capital in enterprise funds) may be used to increase reserves, fund Capital Improvement Projects, fund capital outlay or be carried forward to fund one-time special project/program expenses.

5. Utility Rates and Fees

- a. Water and sewer utility customer rates and fees are reviewed and adjusted annually, if necessary.
- b. All utility enterprise funds are operated in a manner similar to private enterprise. As such, the City Council sets fees and user charges for each utility fund at a level that fully supports the total direct and indirect cost of the activity, including depreciation of assets, overhead charges, and reserves for unanticipated expenses and capital projects.

6. Capital Budget Policies

- a. The City has a Five-Year Capital Improvement Program (CIP) that is designed to construct and maintain infrastructure to support existing residences and businesses and future development. The CIP identifies the estimated cost of each project including administration, design, development and implementation, and operating costs once the projects are completed. The CIP identifies potential funding sources for each proposed capital project. When appropriate, the CIP identifies outside funding sources such as State and federal funds and leverages these funding sources with public money to help meet the highest priority community needs.

- b. The funding for the first year of each five-year CIP is appropriated as a component of the annual operating budget.
- c. Funding for future projects identified in the five-year CIP which has not been secured or legally authorized is subject to change.

7. Debt Management Policy

- a. The City Council has adopted guidelines and policies intended to guide decisions related to debt issued by the City. Debt issuance should be evaluated on a case-by-case basis and considered within the context of the City's overall capital structure and policy objectives. Adherence to the debt management policy is essential to ensure that the City maintains a sound debt position and to protect the credit quality of its debt obligations. The full text of the City's Debt Management Policy is presented in the Debt Service section of the budget. Key components of the City's Debt Management Policy are:
 - The City will limit long-term debt to only those capital improvements or long-term liabilities that cannot be financed from current revenue sources.
 - The City will utilize debt financing for projects which have a useful life that can reasonably be expected to exceed the period of debt service for the project.
 - The City will strive to maintain or improve the City's bond rating.
- b. The City may utilize interfund loans rather than outside debt to meet short-term cash flow needs. If interfund loans are undertaken, formal promissory notes are prepared and interest charged as required by the City's Interfund Loan Policy.

8. Interfund Loan Policy

- a. City Council approval by resolution is required for any interfund loan. All interfund loans must be documented by formal agreements that specify the terms and conditions.
- b. All interfund loans are interest bearing and the amount of interest to be paid on the loan must be at least equal to the investment earnings the fund making the loan would have received had the loan not occurred.
- c. The term of an interfund loan is established by the City Council and typically should not exceed five years.
- d. The interfund loan is callable by the lending fund if needed to ensure that the lending fund has sufficient operating funds.
- e. All interfund loan proposals require a feasibility analysis demonstrating that:
 - The borrowing fund has the capacity to repay the debt;
 - The lending fund has the capacity to lend the funds, beyond its own operating and capital needs; and
 - The loan does not violate any debt covenants or other provisions of the borrowing and lending funds.
- f. As part of the due diligence, each interfund loan proposal must demonstrate that the loan can be repaid. It is important to avoid masking an operating deficiency in one fund with an interfund loan from another fund. This is the centerpiece of the policy, which seeks to avoid loans that fail the fundamental test of performance (repayment) under the contract.
 - If a feasibility analysis does not show that the loan can be safely repaid, the appropriate recommendation may be a revenue enhancement or another correction of the underlying reason for the funding deficiency. An alternative financing recommendation may be a fund balance donation.
- f. There is no prepayment penalty on an interfund loan. Interest is to be paid quarterly, and principle payments are subject to the feasibility analysis cash projections.
- g. The interest expense paid on interfund loans is to be treated as user fund expense, while the interest income is to be treated as interest revenue to the loaning fund.

9. Fund Balance & Reserve Policies

- a. The City's Fund Balance & Reserve policies are intended to ensure the continued financial well-being of the City by planning for unanticipated emergency and contingency needs. The City Council periodically reviews and updates these guidelines to ensure that the City has sufficient resources to adequately provide for emergencies, economic uncertainties, unforeseen operating or capital needs, economic development opportunities, and cash flow requirements.

- b. The City Council may direct any portion of its General Fund, Water Enterprise Fund or Wastewater Enterprise Fund revenue that is not required to balance the annual operating budget to one or more of the following reserves, subject to consistency with the allowable uses of the enterprise funds.
- **General Fund Reserves.** The following General Fund reserves include both committed fund balance and unrestricted fund balance and in FY 2017/18 are projected to total \$1,607,270:
 - Emergency Contingency Reserve: The General Fund balance committed for emergency contingencies is established at an amount equivalent to 10% to 15% of the City's annual operating budget for the General Fund. Depending on the type and severity of the emergency, this range is intended to provide for an initial municipal response to events such as natural disasters, catastrophic accidents, or other declared emergency incidents sufficient to provide a bridge until access to county, State or federal support can be achieved. The Emergency Contingency Reserve is committed fund balance and may only be used when there is a declaration of a State or federal state of emergency or a local emergency as defined in Fort Bragg Municipal Code Section 2.24.020. In FY 2017/18, insufficient funds are available to maintain the Emergency Contingency Reserve.
 - Economic Stabilization Reserve: The General Fund balance committed for the purpose of stabilizing 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 is established at an amount equivalent to 5% to 10% of the City's annual operating budget for the General Fund. This range serves as a cushion to safeguard the City's fiscal health against fluctuations in revenues and costs due to economic volatility. City Council approval is required before expending any portion of this committed fund balance. Access to these funds is reserved for economic emergency situations such as unanticipated major declines in revenue, budgeted revenue taken over by another entity, or a catastrophe exceeding funds in Emergency Contingency Reserve. In FY 2017/18, insufficient funds are available to maintain the Economic Stabilization Reserve.
 - General Fund Operating Reserve: The City will maintain an unrestricted fund balance of at least 15% to 20% of the annual operating expenditures in the General Fund, as an "Operating Reserve" to ensure liquidity of the General Fund and to ensure adequate cash flow throughout the year. This reserve is necessary to accommodate fluctuations in the timing of expenditures and the receipt of revenues. The reserve is not committed fund balance and may be tapped into, with Council authorization, for unforeseen operating or capital needs. In FY 2017/18, 15% is projected to be \$1,407,270.
 - Litigation Reserve: The City will maintain a Litigation Reserve to cover unforeseen legal expenses, including unbudgeted legal, defense and settlement costs that are not covered by the City's insurance pool. The Litigation Reserve is replenished each year through the budget process. The City Manager shall approve all charges against this reserve and, on a quarterly basis, the Finance Director shall report to the City Council the amount and types of litigation that have been funded by the Litigation Reserve. In FY 2017/18, per Council direction, the Litigation Reserve is established at \$200,000.
 - **Water, Wastewater (Municipal Improvement District #1) and C.V. Starr Enterprise Capital Reserves.** The City maintains capital reserves in the Water, Wastewater and C.V. Starr Enterprise Funds to provide for future capital projects and unanticipated emergencies. Each year, all unrestricted net position in the Enterprise Funds in excess of 25% of the prior year's operating expenditures is transferred to these reserves. The 25% that is retained in the Enterprise Fund functions as an Operating Reserve.
 - **Internal Service Fund Reserves.** Each year, the unrestricted net position in each of the City's Internal Service Funds is transferred to a reserve within the Internal Service Fund. These reserves are intended to help pre-fund large purchases and repairs and avoid big annual swings in funding needs.

- Facility Repair & Maintenance Reserve. The FY 2017/18 projected year end reserve balance in the Facility Maintenance & Repair Internal Service Fund is \$203,388. The reserve is funded based on an analysis of expected repairs and useful lives of the buildings and equipment funded by the Facilities Repair & Maintenance Internal Service Fund. In FY 2015/16, the City established a ten-year Facilities Maintenance & Repair Plan which provides guidance for establishing required annual contributions to the Facility Maintenance & Repair reserve. The plan is adjusted annually as part of the budget preparation process.
- Fleet & Equipment Services Reserve. The City maintains a reserve in the Fleet & Equipment Services Internal Service Fund to enable the timely replacement of vehicles and depreciable equipment. With the FY 2017/18 budget, the City expanded its three-year Vehicle and Equipment Replacement Plan to a ten-year period to provide improved long-term financial planning. The FY 2017/18 projected year-end reserve balance in the Fleet & Equipment Services Internal Service Fund is \$59,063.
- Information Technology (IT) Reserve. With the FY 2017/18 budget, the City expanded the IT long term plan to five years. The projected unrestricted fund balance in the IT Internal Service Fund for FY 2017/18 is \$62,951.
- c. **Debt Service Reserves.** Reserve levels for Debt Service Funds are established and maintained as prescribed by the bond covenants authorized at the time of debt issuance.
- d. **OPEB Trust Fund.** The City maintains an irrevocable trust fund for retiree medical benefit obligations and annually funds the required contribution, as determined by a bi-annual actuarial report.

10. Investment Policy

- a. The Finance Director/City Treasurer annually renders an investment policy for City Council's review and modification as appropriate. The review must take place at a public meeting and the policy must be adopted by resolution of the City Council.
- b. City funds and the investment portfolio should be managed in a prudent and diligent manner with emphasis on safety, liquidity, and yield, in that order. Reports on the City's investment portfolio and cash position are developed by the Finance Director/City Treasurer and reviewed by the Finance & Administration Committee and the City Council at first quarter, mid-year and fiscal year end.
- c. Generally Accepted Accounting Principles require that differences between the costs of the investment portfolio and the fair value of the securities be recognized as income or losses in a government's annual financial report. These variances should not be considered as budgetary resources or uses of resources unless the securities are sold before maturity or the values of the investments are permanently impaired.

The complete investment policy is presented in the Policy Section of the City's Budget.

11. Accounting, Auditing, And Financial Reporting Policies

- a. The City's accounting and financial reporting systems are maintained in conformance with generally accepted accounting principles as they apply to governmental accounting.
- b. An annual audit will be performed by an independent public accounting firm with the subsequent issuance of a Comprehensive Annual Financial Report, within six months of the close of the previous fiscal year.
- c. Periodic financial and status reports will be submitted to the City Council and be made available to the public.

12. Asset Forfeiture Expenditure Policy

Asset Forfeiture Discretionary Funds

- a. Expenditures under \$5,000 may be decided by the Police Chief.
- b. Expenditures of between \$5,000 and \$10,000 require approval of the City Manager.
- c. Expenditures over \$10,000 require approval of the City Council and the Asset Forfeiture budget will be amended at the time of approval.
- d. Staff reports to the City Council will be provided on significant Asset Forfeiture expenditures identified by the City Manager.

Asset Forfeiture Education Funds

- a. Expenditures must meet the mandated education and prevention guidelines.

Year-End Reporting

- a. Prior to the close-out of each fiscal year, a report listing all Asset Forfeiture Discretionary and Education Fund expenditures will be brought forward to the Finance & Administration Committee for review. Line item budget appropriations, as necessary, will be agendized for City Council action.

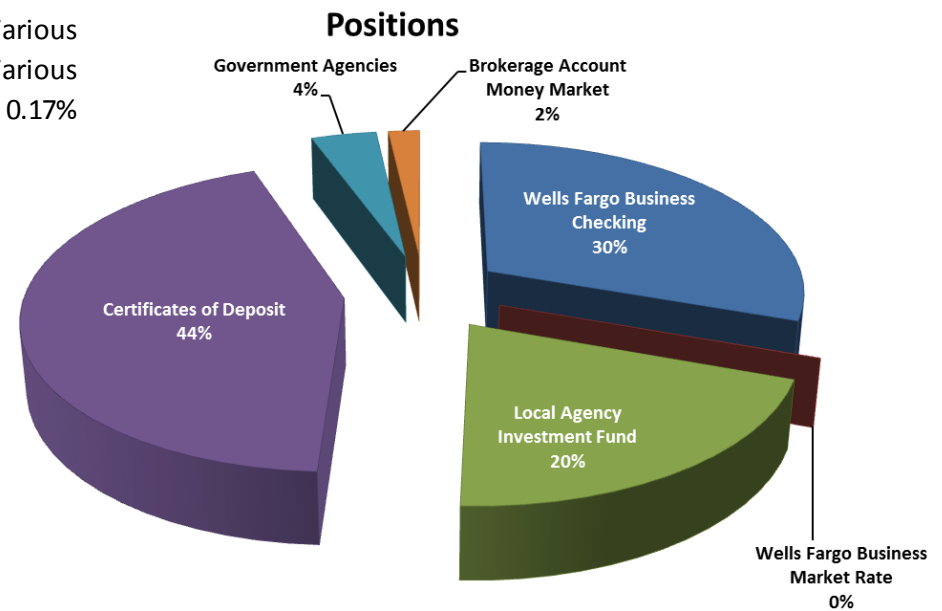
13. Payment of Employee Compensation Costs

- a. **City Employee Compensation.** The City strives to attract and retain the best talent to manage the City and serve Fort Bragg residents and businesses. The City accomplishes this by offering attractive and competitive salaries and benefits that reflect the value of the various jobs, the duties, level and responsibility of each position, and the fiscal condition of the City. Compensation information specific to each employee group is summarized below.
- b. **City Manager Duties and Compensation.** The City of Fort Bragg is a general law city with a Council-Manager form of government. Fort Bragg Municipal Code Section 2.16.050 establishes that the City Council is the appointing authority for the City Manager and City Attorney. All other positions are appointed by the City Manager. The City Manager's terms of employment, including compensation and benefits, are established by an employment agreement authorized by Resolution 2919-2006 as subsequently amended by Resolutions 3097-2007, 3182-2008, 3308-2009, 3345-2010, 3477-2011, 3630-2013, and 3829-2015.
- c. **City Attorney Services.** The City Attorney is not a City employee. City Attorney services are provided in accordance with a professional services agreement. Funds for City Attorney services are included in the Administration Department.
- d. **Executive Management (Department Head) and Mid-Management Compensation.** The terms of employment for Executive and Mid-Management classifications, including compensation and benefits, are established by resolution. Resolutions currently in effect are:
 - Executive Management: Resolution 3820-2015, effective through June 30, 2017.
 - Mid-Management: Resolution 3832-2015, effective through June 30, 2017.
- e. **Non-Management Employee Compensation.** The City of Fort Bragg has three non-management employee groups.
 - The Fort Bragg Employee Organization (FBEO) represents all City non-exempt employees other than Safety Employees and Confidential and Non-Bargaining employees. The FBEO is affiliated with the Service Employees International Union (SEIU). Compensation and benefits are negotiated and documented in a Memorandum of Understanding (MOU). The current MOU is effective through June 30, 2017.
 - The City's Safety Employees are represented by the Fort Bragg Police Association (FBPA), an unaffiliated employee organization. Compensation and benefits are negotiated and documented in a Memorandum of Understanding (MOU). The current MOU is effective through June 30, 2017.
 - Compensation and benefits of employees not represented by the FBEO and FBPA are established by Resolution. Resolution 3727-2014 covers Confidential and Non-bargaining positions and is effective through June 30, 2017.
- f. **Additional Sources of Information.** The employment agreements, resolutions and MOUs noted above can be found on the City's website.

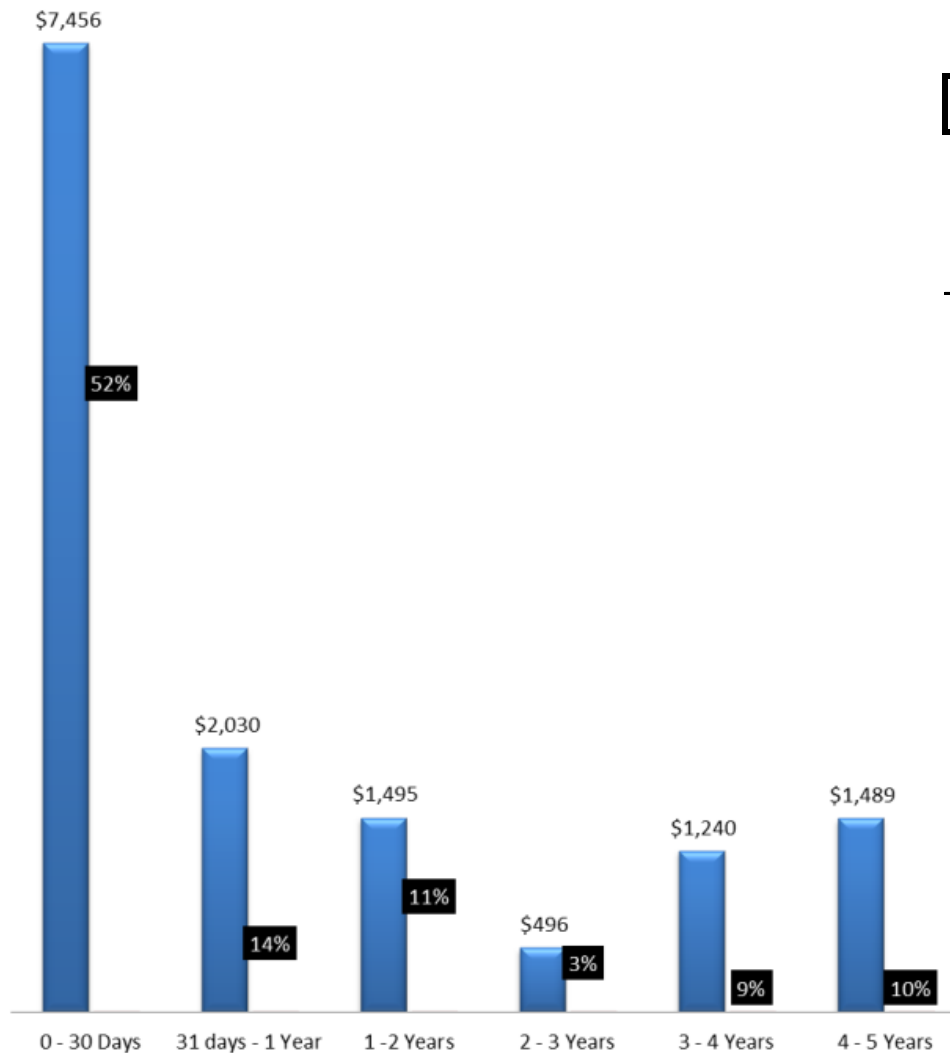
CITY OF FORT BRAGG
Treasurer's Pooled Investment Portfolio
March 31, 2017

PORTFOLIO POSITIONS

TYPE	MARKET VALUE	INTEREST RATE
Wells Fargo Business Checking	\$ 4,315,711	
Wells Fargo Business Market Rate	6,148	0.15%
Local Agency Investment Fund	2,876,719	0.60%
Certificates of Deposit	6,182,466	Various
Government Agencies	542,440	Various
Brokerage Account Money Market	257,665	0.17%
TOTALS	\$ 14,181,149	



Liquidity (in thousands)



PORTFOLIO LIQUIDITY

AGING INTERVAL	PAR VALUE
0 - 30 Days	\$ 7,456,243
31 days - 1 Year	2,030,000
1 - 2 Years	1,495,000
2 - 3 Years	496,000
3 - 4 Years	1,240,000
4 - 5 Years	1,489,000
	\$ 14,206,243

PORTFOLIO DETAIL

Cash	Balance	Market Value	Interest Rate
Wells Fargo Business Checking	\$ 4,315,711	\$ 4,315,711	
Wells Fargo Business Market Rate	6,148	6,148	0.15%
Local Agency Investment Fund	2,876,719	2,876,719	0.86%
Brokerage Account Money Market	257,665	257,665	0.17%
Total Cash	7,456,243	7,456,243	

Certificates of Deposit Holdings

Holding	Par Value	Market Value	Interest Rate	Maturity Date
Georgia Bank	250,000	250,141	1.00%	06/20/17
Firstbank	249,000	249,565	1.25%	11/21/17
State Bank India New York	248,000	248,483	1.20%	12/21/17
Webster Bank	250,000	250,122	1.00%	12/26/17
Privatebank & Trust Co.	248,000	248,845	1.15%	02/27/18
Bank Baroda	248,000	248,714	1.25%	03/08/18
Barclays Bank	247,000	248,511	1.00%	03/12/18
First Gen Bank	249,000	249,311	1.30%	07/03/18
GE Capital Bank	250,000	251,547	1.75%	07/12/18
Comenity Cap Bank	249,000	251,163	1.85%	08/16/18
Compass Bank	249,000	251,206	1.95%	09/04/18
Goldman Sachs Bank	248,000	250,014	2.00%	09/25/18
Ally Bank	248,000	245,788	1.25%	06/10/19
Capital One Bank	248,000	244,811	1.25%	08/19/19
American Express Centurion Bank	248,000	249,250	2.10%	06/03/20
Capital One NA	248,000	243,176	1.40%	09/21/20
Discover Bank	248,000	247,318	1.80%	11/30/20
Aneca FCU	248,000	246,755	1.75%	12/23/20
HSBC Bank	248,000	247,881	1.30%	03/10/21
Wells Fargo Bank	249,000	244,906	1.75%	06/17/21
Mercantil Commercebank	248,000	243,846	1.65%	06/24/21
Connex CU	248,000	241,574	1.60%	08/26/21
Ever Bank	248,000	242,331	1.55%	09/16/21
Synchrony Bank	248,000	240,872	1.75%	10/21/21
Peoples United Bank NA	248,000	246,336	2.05%	01/18/22
Total Certificates of Deposit	6,210,000	6,182,466		

Government Agencies	Balance	Market Value	Interest Rate	Maturity Date
Federal National Mortgage Association	290,000	290,080	1.00%	09/27/17
Federal Farm CR BKS	250,000	252,360	1.00%	07/02/18
Total Government Agencies	540,000	542,440		



CITY OF FORT BRAGG STATEMENT OF INVESTMENT POLICY

Introduction

The City Council of the City of Fort Bragg recognizes its responsibility to properly direct the investments of funds for the City and its component units. The purpose of this Investment Policy is to provide guidelines for the investment of funds based upon prudent cash management practices and in conformity with all applicable statutes. Related activities which comprise good cash management include accurate cash projections, the expeditious collection of revenue, cost-effective banking relations, and the control of disbursements.

Scope

This policy covers the investment activities of all contingency reserves and inactive cash under the direct authority of the City of Fort Bragg and Municipal Improvement District #1. Policy statements outlined in this document focus on the City of Fort Bragg's pooled funds but also apply to all other funds under the City Treasurer's span of control unless exempted by resolution or statute. Investments for the City and its component units will be made on a pooled basis including, but not limited to, the City of Fort Bragg, Municipal Improvement District #1 and Fort Bragg Redevelopment Successor Agency. The City's Comprehensive Annual Financial Report identifies the fund types involved as follows:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Project Funds
- Enterprise Funds
- Internal Service Funds
- Trust Funds
- Miscellaneous Special Funds
- Any new funds created by the City Council unless specifically exempted.

Investments of bond proceeds will be held separately when required by the bond indentures or when necessary to meet arbitrage regulations. If allowed by the bond indentures, or if the arbitrage regulations do not apply, investments of bond proceeds will be held as part of the pooled investments.

Prudence

Section 53600.3 of the California Government Code identifies as trustees those persons authorized to make investment decisions on behalf of a local agency. As a trustee, the standard of prudence to be used shall be the "prudent investor" standard and shall be applied in the context of managing the overall portfolio. The trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

It is the policy of the City Council that investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk changes or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

Investment Objectives

Section 53600.5 of the California Government Code outlines the primary objectives of a trustee investing public money. The primary objectives, in order of priority, of the City's investment activities shall be:

- **Statutory compliance.** To assure compliance with all federal, state, and local laws governing the investment of monies.

- **Safety.** Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio.
- **Liquidity.** The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.
- **Return on investment.** Investment return becomes a consideration only after the basic requirements of safety and liquidity have been met. The City Treasurer shall attempt to realize a yield on investments consistent with California statutes and the City's Investment Policy.

The City Treasurer shall strive to maintain the level of investment of all contingency reserves and inactive funds as close to one hundred percent (100%) as possible. While the objectives of safety and liquidity must first be met, it is recognized that portfolio assets represent a potential source of significant revenues. It is to the benefit of the City that these assets be managed to realize a yield on investments consistent with California statutes and the City's Investment Policy.

Duties and Responsibilities

The management of inactive cash and the investment of funds is the responsibility of the City Treasurer (or his/her designee) as directed by the City Council. Under the authority granted by the City Council, no person may engage in an investment transaction covered by the terms of this policy unless directed by the City Treasurer or designee.

In the execution of this delegated authority, the City Treasurer may establish accounts with qualified financial institutions and brokers/dealers for the purpose of effecting investment transactions in accordance with this policy. In selecting financial institutions, the creditworthiness of institutions shall be considered and the City Treasurer shall conduct a comprehensive review of prospective depository's credit characteristics and financial history.

A written copy of this Investment Policy shall be presented to any person offering to engage in an investment transaction with the City. Investments shall only be made with those business organizations (including money market mutual funds and local government investment pools), which have provided the City certification of having received and reviewed the City's Investment Policy.

The City Treasurer may designate in writing a Deputy City Treasurer who, in the absence of the City Treasurer, will assume the City Treasurer's duties and responsibilities. The City Treasurer shall retain full responsibility for all transactions undertaken under the terms of this policy.

Ethic and Conflicts of Interest

All participants in the City's investment process shall seek to act responsibly as custodians of the public trust. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment recommendations and decisions. Investment officials and employees shall make all disclosures appropriate under the Fair Political Practices Act and may seek the advice of the City Attorney and the Fair Political Practices Commission whenever there is a question of personal financial or investment positions that could represent potential conflicts of interest.

Collateralization

When required by California statute or this Investment Policy, any investment capable of being collateralized, shall be collateralized by the required amounts imposed by law. To give greater security to the City's investments, when an investment is collateralized and not perfected under existing law, an attempt to perfect the collateralization should be made.

Authorized Investments

The City Treasurer may invest City funds in the following instruments as specified in the California Government Code Section 53601 and as further limited in this policy.

Federally insured bank/ time Certificates of Deposit (CD's): Certificates of Deposit shall not exceed five years to maturity. Investments in Certificates of Deposit and Checking Accounts shall be fully insured up to the amount allowed per account by the Federal Deposit Insurance Corporation or the National Credit

Union Administration. Furthermore, the combined investments in Certificates of Deposit and Prime Commercial Paper, if a private sector entity is used, shall not exceed, in total, more than fifty percent (50%) of the portfolio.

U.S. Treasury Bills, Notes and Bonds: Obligations of the U.S. Government and its agencies or those for which the full faith and credit of the United States are pledged for payment of principal and interest. The maximum maturity length shall not exceed five years.

General Obligations of any State or local political subdivision: Must be rated AA/Aa/AA or higher by one of the following: Standard & Poor's, Moody's or Fitch.

Repurchase Agreements: Repurchase Agreements with a maximum maturity of one year. Repurchase Agreements may not exceed five percent 5% of the portfolio. The market value of securities that underlay a Repurchase Agreement shall be valued at one hundred two percent 102% or greater of the funds borrowed against those securities.

Money Market/Mutual Funds: Money Market or Mutual Fund investments holding only U.S. Treasury and Government Agency obligations and cash.

Local Agency Investment Fund (LAIF): Local Agency Investment Fund (LAIF) of the State of California. Investments will be made in accordance with the laws and regulations governing those Funds.

Investment Trust of California (CalTRUST): Investments in CalTRUST will be made in accordance with the laws and regulations governing those funds.

New Securities: New types of securities authorized by California law, but which are not currently allowed by this investment policy, must first be approved by the City Council.

Unauthorized Investments/Investment Activities

Instruments not expressly authorized are prohibited. In accordance with California Government Code Section 53601.6, investment in inverse floaters, range notes or mortgage derived interest-only strips is prohibited, as are derivatives. In addition, and more generally, investments are further restricted as follows:

- No investment will be made in any security that could result in zero interest accrual if held to maturity.
- No investment will be made that could cause the portfolio to be leveraged.
- Purchases of investments on margin will not be made.

Investment Strategy

Pooled Investments: A buy and hold strategy will generally be followed; that is, investments once made will usually be held until maturity. A buy and hold strategy will result in unrealized gains or losses as market interest rates fall or rise from the coupon rate of the investment. Unrealized gains or losses, however, will diminish as the maturity dates of the investments are approached or as market interest rates move closer to the coupon rate of the investment. A buy and hold strategy requires that the portfolio be kept sufficiently liquid to preclude the undesired sale of investments prior to maturity. Occasionally, the City Treasurer may find it advantageous to sell an investment prior to maturity, but this should only be on an exception basis and only when it is in the best interest of the City.

Investments Held Separately: Investments held separately for bond proceeds will follow the trust indenture for each issue.

Diversification

The portfolio will be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. In addition to the limitations on specific security types indicated in this Investment Policy, and with the exception of U.S. Treasury/Federal agency securities and authorized pools, no more than five percent 5% of the City's portfolio will be placed with any single issuer.

Internal Controls

The City Manager and the Finance Director are responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. Due to the need to preserve segregation of duties and check and balance, all outgoing wire transfers shall be confirmed by the bank with a second person prior to the completion of the transfer.

Reporting

Sections 53607 and 53646 of the California Government Code allow the City Council, at its discretion, to require reports meeting the standards set forth in these sections, as well as any additional information desired. A report for pooled investments will be made to the City Council at the mid-year budget review session and at a public meeting following the close of the fiscal year.

Investment Policy Review and Adoption

Section 53646(a) (2) of the California Government Code allows the City Treasurer to render to the City Council and the Finance Committee a statement of investment policy, and recommends that one be presented each year. Therefore, the City's investment policy and any modifications thereto shall be considered no less often than annually at a public meeting. Adoption of the investment policy and any changes must be made by resolution of the City Council.

CITY OF FORT BRAGG

FY 2017/18

PROPOSED BUDGET

SUMMARY SCHEDULES



City of Fort Bragg FY2017/18 Summary of Revenue, Expenditures & Fund Balance										
Fund No.	Fund Type/Name	FY 2016 - 2017				FY 2017-2018				
		Audited Fund Balance at 06/30/16	Projected Revenue	Estimated Expenditures	Net Transfers	Projected Fund Balance at 06/30/17	FY2017/18 Budget		Net Transfers	Projected Fund Balance at 06/30/18
							Revenue	Appropriations		
110	General Fund									
110	Unassigned	\$ 789,996	\$ 8,104,733	\$ 9,028,870	\$ 868,896	\$ 734,754	\$ 9,050,565	\$ 9,381,801	(102,837)	\$ 300,681
	Nonspendable	66,054	-	-	-	66,054	-	-	-	66,054
	Committed	2,982,444	-	-	(1,574,384)	1,408,060	-	-	79,210	\$ 1,487,270
112	Gen Fund Economic Stabilization Reserve	440,000	-	-	(440,000)	-	-	-	-	-
113	Gen Fund Emergency Contingency Reserve	880,000	-	-	(880,000)	-	-	-	-	-
114	Gen Fund Litigation Reserve	230,000	-	-	(30,000)	200,000	-	-	-	200,000
	Total General Fund	5,388,494	8,104,733	9,028,870	(2,055,488)	2,408,868	9,050,565	9,381,801	(23,627)	2,054,005
	Special Revenue Funds, Restricted***:									
116	General Plan Maint Fee Fund	183,612	22,380	30,000	-	175,992	32,800	40,000	-	168,792
117	Housing Trust Funds	84,871	768	8,800	-	76,839	790	-	-	77,629
120	Parking	40,583	4,014	-	(8,300)	36,297	4,050	-	(8,300)	32,047
121	Parking In Lieu Fees	36	-	8,000	8,300	336	-	8,000	8,300	636
122	Parkland Monitoring/Reporting	124,777	1,241	-	(93,794)	32,224	1,200	-	-	33,424
124	Tobacco License Fee	6,614	2,166	1,100	-	7,680	2,360	1,100	-	8,940
125	State Disability Access Fee	2,308	759	38	-	3,029	804	40	-	3,793
139	Cops Ab1913 Allocation	-	100,000	100,000	-	-	100,000	100,000	-	-
146	OJP Bulleiproof Vest Partnership	(8,159)	3,986	-	3,456	(717)	4,234	-	(3,517)	-
167	Asset Forfeiture	462,479	154,062	167,510	(49,045)	399,986	154,000	130,000	(20,000)	403,986
176	RDA Housing Successor	406,918	3,899	-	-	410,817	2,300	-	-	413,117
190	Construction/Demolition Ord Fees	46,724	453	2,000	-	45,177	699	5,000	-	40,876
220	Waste Mgt Community Benefit Pymt	27,108	-	-	-	27,108	-	-	-	27,108
221	Highway User Tax (Gas Tax)	60,025	159,476	94,502	(125,000)	-	229,483	221,089	-	8,394
223	STP D1 MCOG Streets/Hwy **	1,166	15,000	15,000	-	1,166	15,000	-	-	16,166
230	Traffic & Safety	2,482	5,926	1,912	(6,800)	(303)	5,100	4,797	-	-
250	Special Sales Tax-Street Repair	2,974,451	889,530	11,273	(2,286,521)	1,566,187	901,100	-	(347,179)	2,120,108
280	Fire Equipment Fund	128,729	46,129	-	-	174,858	46,400	-	-	221,258
285	OJ Park Maintenance Fund	9,814	-	2,640	-	7,174	-	-	(3,000)	4,174
	Total Special Rev Funds, Restricted	4,554,538	1,409,789	442,774	(2,557,703)	2,963,850	1,500,320	510,026	(373,696)	3,580,448
	Special Revenue Funds, Grants***:									
129	Safe Routes to School	679	-	-	(679)	-	-	-	-	-
131	CDBG Unclassified Program Income	19,805	-	-	-	19,805	-	-	-	19,805
162	CDBG Program Income Account	27,182	115,700	-	(141,990)	892	81,000	-	(33,290)	48,602
314	MCOG OWP	(20)	28,000	28,000	20	-	-	-	-	-
315	2014 CDBG Grants	(215,618)	462,684	314,056	141,990	75,000	282,586	282,586	(75,000)	-
319	Dept of Water Resources Prop 84 - Summers Lane	-	-	-	-	-	700,000	-	(700,000)	-
320	State Parks Prop 84	(20)	99,422	-	(99,402)	-	350,578	-	(350,578)	-
322	CalTrans State Funding	-	-	-	-	-	600,000	-	(600,000)	-
323	CalTrans Federal Funding	-	851,027	-	(851,027)	-	-	-	-	-
326	HCD HOME Grant	(20,592)	250,718	230,126	-	-	6,000,000	-	(6,000,000)	-
327	SWRCB Grants	64,388	26,150	-	(90,538)	-	205,000	-	(205,000)	-
329	State Grants	-	-	-	-	-	2,520,000	-	(2,520,000)	-
330	Federal Grants	-	-	-	-	-	1,711,640	-	(1,395,349)	-
331	2016 CDBG Grants	-	33,900	33,900	-	-	-	316,291	-	-
	Total Special Rev Funds, Grants	(124,195)	1,867,601	606,082	(1,041,626)	95,697	12,450,804	598,877	(11,879,217)	68,407

City of Fort Bragg FY2017/18 Summary of Revenue, Expenditures & Fund Balance									
FY 2016 - 2017									
Fund No.	Fund Type/Name	Audited Fund Balance at 06/30/16	Projected Revenue	Estimated Expenditures	Net Transfers	Projected Fund Balance at 06/30/17	FY 2017-2018		
							Revenue	Appropriations	Net Transfers
Capital Project Funds ***:									
401	Olis Johnson Park Renovation	(186)	2,249	2,064	-	-	-	-	-
405	Street Resurfacing & Structural Repair Projects	-	-	1,084,879	1,550,000	465,121	-	-	(465,121)
407	Coastal Trail Construction	(12,752)	7,225	32,807	187,769	149,435	162,000	-	101,013
409	Green Alleys	(90,538)	-	-	90,538	-	-	-	-
413	Chestnut St Multi-use trail	(5,670)	-	1,414,357	1,420,027	-	-	-	-
414	Annual Alley Rehab	-	-	300,000	300,000	-	750,000	-	750,000
415	Central Coastal Trail	(25,231)	-	74,170	99,402	-	950,578	-	950,578
416	Guest House Rehab	-	-	213,730	213,730	-	70,000	-	70,000
417	City Hall Rehabilitation	-	-	77,000	77,000	-	-	-	-
418	City Hall East Structural Rehabilitation	-	-	72,700	72,700	-	226,500	-	226,500
419	Bainbridge Park Improvements	-	-	75,000	-	(75,000)	33,290	-	108,290
420	Downtown Crosswalk Rehabilitation	-	-	-	-	-	62,300	-	62,300
421	Chalet Roof Replacement	-	-	12,970	12,970	-	-	-	-
422	Police Station Garage	-	-	-	-	-	20,000	-	20,000
651	Water Capital Projects	59,533	-	1,222,904	654,495	(508,876)	3,432,349	-	4,132,349
716	Wastewater Capital Projects	749,875	-	184,814	(565,061)	-	11,060,000	-	11,060,000
Total Capital Project Funds			9,474	4,767,396	4,113,570	30,680	16,767,017	17,015,909	279,572
Internal Service Funds:									
520	Facilities Maint & Repair	-	324,102	152,284	(171,818)	-	240,139	195,871	(44,268)
530	Facilities Maint & Repair Reserve	647,232	-	-	(191,612)	455,620	-	-	(252,232)
521	Technology Maint & Repair	-	274,619	353,661	79,043	-	352,320	370,249	17,930
531	Information Technology Reserve	153,713	-	-	(72,832)	80,881	-	-	(17,930)
522	Fleet & Equipment Services	-	210,143	650,222	440,080	-	428,429	433,088	4,659
532	Fleet & Equipment Services Reserve	454,820	-	-	(391,098)	63,722	-	-	(4,659)
Total Internal Service Funds			808,863	1,156,167	(308,237)	600,223	1,020,887	999,208	(296,500)
Enterprise Funds*									
610	Water Enterprise	133,589	2,546,610	1,980,352	(165,077)	534,770	2,654,448	1,996,701	(661,768)
640	Water Enterprise Capacity Fees	902,547	22,322	-	(758,371)	166,498	12,300	-	178,798
614	Water Enterprise Non-Routine Maintenance	-	-	142,645	141,067	(1,578)	-	109,000	110,578
615	Water Enterprise Capital Reserve	1,531,295	-	-	984,706	2,516,002	-	-	(1,280,810)
Total Water Enterprise Unrestricted Net Position			2,567,432	2,122,996	202,325	3,215,692	2,666,748	2,105,701	(1,832,000)
710	Wastewater Enterprise	281,777	3,243,676	2,114,403	(715,039)	696,011	3,343,690	2,218,611	(1,249,033)
720	Clean Water Education Fund	5,345	46	-	-	5,391	93	-	(1,500)
740	Wastewater Enterprise Capacity Fees	273,296	16,864	-	-	290,161	21,182	-	311,343
714	Wastewater Enterprise Non-Routine Maintenance	343,123	-	387,145	267,145	223,123	-	138,500	-
715	Wastewater Enterprise Capital Reserve	(734,719)	-	-	2,095,055	1,360,336	-	-	(1,360,336)
Total Wastewater Enterprise Unrestricted Net Position			168,822	3,260,586	1,647,161	2,575,022	3,364,964	2,357,111	(2,610,869)
810	CV Starr Enterprise	-	1,793,010	1,756,958	(36,052)	-	1,819,969	1,876,482	56,513
CV Starr Facilities Improvement & Expansion			30,000	-	-	30,000	-	-	(30,000)
CV Starr Operating Reserve			296,326	-	18,026	314,352	-	-	121,861
CV Starr Repair and Equip Reserve			296,326	-	18,026	314,352	-	-	(148,373)
Total Water Enterprise Unrestricted Net Position			622,651	1,793,010	-	658,704	1,819,969	1,876,482	602,192
Total Enterprise Funds			3,358,905	7,622,528	6,381,502	6,449,418	7,851,681	6,339,294	(4,442,869)
Total - All Funds			\$ 15,108,538	\$ 19,822,988	\$ 22,382,791	\$ 0	\$ 31,874,258	\$ 34,596,224	\$ -
Fiduciary Trust Funds									
175	Successor Agency to RDA	(3,994,424)	\$ 327,091	\$ 293,081	-	\$ (3,960,415)	\$ 385,066	\$ 400,709	\$ -
Total Fiduciary Funds			(3,994,424)	\$ 327,091	\$ 293,081	(3,960,415)	\$ 385,066	\$ 400,709	(3,976,058)
Total Enterprise and Internal Service Fund Balances			\$ (3,994,424)	\$ 327,091	\$ 293,081	\$ (3,960,415)	\$ 385,066	\$ 400,709	\$ -

* Enterprise and Internal Service fund balances do not include fixed assets or restricted for Debt Service

BUDGET SUMMARY – ALL FUNDS

OVERVIEW OF THE CITY'S BUDGET

The City of Fort Bragg's combined annual budget for FY 2017/18 is \$54.8M. This amount includes appropriations from all funds (\$34.6M) and transfers (\$20.2M). Combined appropriations and transfers for FY 2017/18 are \$20.8M more than projected for FY 2016/17.

The City's budget includes three major operating funds: the General Fund, Water Enterprise Fund and Wastewater Enterprise Fund, as well as Special Revenue Funds, Capital Project and Grant Funds, and the C.V. Starr Enterprise Fund. Core city services such as police, community development, parks, and street maintenance are budgeted in the General Fund and are supported primarily by sales tax, property tax, transient occupancy tax (TOT) and charges for services rendered. The City's Water and Wastewater Enterprise funds are supported by user fee revenues which are charged for services provided to the City's residents. Activities supported by funds received by the City which are restricted in their use are included in Special Revenue Funds and Grant Funds. Construction activities associated with capital projects are accounted for in Capital Project Funds.

Included in the \$54.8M total annual budget amount are the City's Internal Service Funds and allocations to the General Fund from the Water, Wastewater and C.V. Starr Enterprise Funds for services provided to these funds. These expenditures are found in the budget twice, because the revenue to the Internal Service Funds is a budgeted expenditure in the City's other funds and the allocations are revenue to the General Fund that is then spent by the General Fund departments. When these items and transfers between funds are excluded from the total, the adjusted total Annual Budget amounts to \$31.3M.

In FY 2016/17, the City prepared a new Cost Allocation Plan. In the process of creating this plan, a significant accounting error was discovered that, in past years, had resulted in the City's Water and Wastewater Enterprise funds contributing more towards shared costs than was appropriate. The FY 2017/18 budget accounts for shared costs based on the new Cost Allocation Plan developed in FY 2016/17. As expected, the FY 2017/18 plan results in a significant reduction in General Fund revenues with an equal and offsetting reduction in expenses for the Water and Wastewater Enterprise funds. Although Internal Charges for Services in the General Fund are expected to increase 5.4% to \$1.9M, the revenue is still \$700k lower than the amount collected in FY 2015/16.

Throughout the budget document, reference is made to interfund transfers. An interfund transfer is a transfer of funds from one City fund to another City fund. These transfers appear as a resource in the fund receiving the transfer and as a budget requirement in the fund that is sending the transfer. While this results in the revenue and expenditure being "double counted" in the annual budget, this presentation is necessary to provide a transparent picture of actual expenditures for both the funding and receiving funds.

CHANGES IN OBLIGATIONS & INTERFUND LOANS

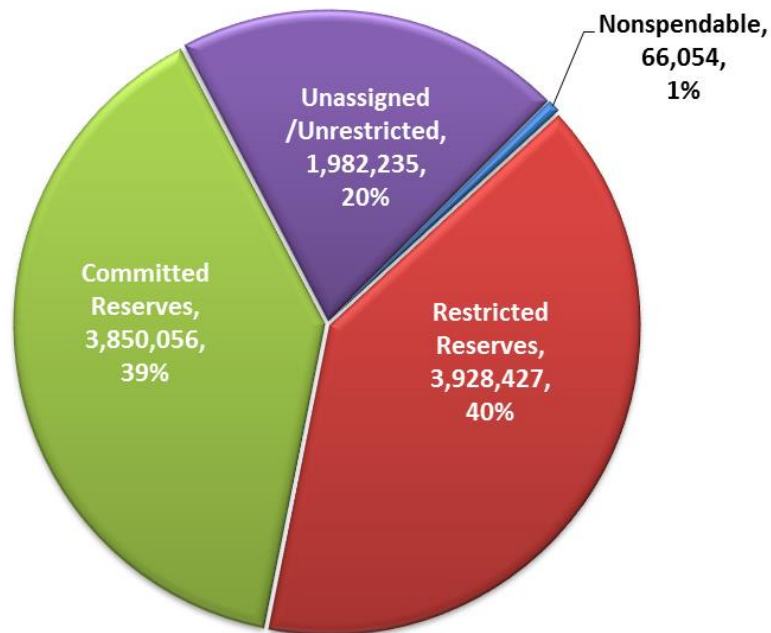
The FY 2017/18 Budget includes certain debt obligations for the City. The obligations included in the budget represent the annual installment payments of principal and interest to be paid on City promissory notes or bond obligations existing at July 1, 2017. Details regarding the City's debt payments are found on pages 165 through 172.

The Water Enterprise Equipment Loan, which was originated in FY 2007/08 in the amount of \$1,000,000 for the purchase and installation of automated water meters will mature on July 1, 2017.

In accordance with direction provided by the City Council and Municipal Improvement District Board, on July 1, 2017 the General Fund and the Wastewater Enterprise will enter into an interfund loan with a term of 5 years at the LAIF interest rate of 0.55% for the balance owed to the Wastewater Enterprise in connection with prior year non-personnel cost over allocations (\$187,105). The amount will be an obligation of the General Fund and receivable by the Wastewater Enterprise.

ALL FUNDS - FUND BALANCE

The FY 2016/17 projected All Funds year-end fund balance is \$12.6M and the FY 2017/18 All Funds balance is projected at \$9.8M (net of \$331k appropriated fund balance in the General Fund). Of this balance, the City has several reserves as noted below. These reserves are committed in accordance with the City's Fund Balance & Reserve Policies which are intended to ensure the continued financial well-being of the City by planning for provide for emergencies, economic uncertainties, unforeseen operating or capital needs, economic development opportunities, and cash flow requirements. The City Council periodically reviews and updates these guidelines. As shown below, the "unrestricted or unassigned fund balance" in FY 2017/18 is estimated at approximately \$2M.

SUMMARY OF FUND BALANCE

	FY 2017/18 PROPOSED
Total All Funds Balance	\$ 10,158,008
Less Appropriated Fund Balance	331,236
Sub Total Fund Balance	9,826,772
Less Nonspendable (inventory, etc.)	66,054
Less Restricted Reserves (externally enforceable)	
Special Revenue Funds	3,580,448
Operating Grants	68,407
Grant Funded Capital Projects	279,572
Less Committed Reserves (Set by Council resolution)	
Emergency Contingency Reserve	-
Economic Stabilization Reserve	-
Water Capital Reserve	1,235,192
Wastewater Capital Reserve	-
CV Starr Reserves	602,192
Internal Service Fund Reserves	325,402
Litigation Reserve	200,000
General Fund Operating Reserve	1,407,270
Reserve for Encumbrances	80,000
Unassigned/Unrestricted Balance	<u>\$ 1,982,235</u>

	FY 2017/18 PROPOSED
Detail of Unassigned/Unrestricted Balance:	
General Fund	\$ 300,681
Water Enterprise	709,547
Wastewater Enterprise	972,007
Total Unassigned/Unrestricted Balance	<u>\$ 1,982,235</u>

FUND BALANCE TRENDS

Year over year, the City's All Funds balance is likely to decrease in FY 2017/18 by approximately \$2.7M. The decrease is the result of several factors including: a decrease in General Fund balance due to appropriation of fund balance (\$331k); an increase in Special Revenue fund balances primarily due to accumulation of Special Sales Tax for streets projects (\$554k); a decrease in Internal Service fund balances due to capital and maintenance projects (\$274k); and a decrease in Enterprise Fund balances due to an aggressive capital project work plan (\$4.4M), offset by expected net operating revenue of (\$1.7M).

	FY 2015/16 AUDITED	FY 2016/17 PROJECTED	FY 2017/18 PROPOSED
Total All Funds Balance	\$ 15,108,538	\$ 12,548,736	\$ 9,826,772

DISCUSSION OF REVENUE TRENDS

Overall, City revenues are projected to increase 51.9% or \$10.9M primarily as a result of grant revenues for one-time capital outlays. Operating revenues include the General Fund, Water Enterprise and Wastewater Enterprise which, when combined, are expected to remain flat. General Fund revenue is expected to increase 11.7% due as a result of continued growth of the Transient Occupancy Tax (TOT) in part due to an increase in the City's TOT rate from 10% to 12% (\$547k). Additionally, the recently adopted SB 1 ("State of California Road Repair and Accountability Act of 2017") will provide substantial new funding for street and road maintenance (\$173k). Other contributing factors include an increase in the administration fees received from the State of California in connection with the Fort Bragg Successor Agency's wind-down of activities of the former Fort Bragg Redevelopment Agency (\$57k) and an increase in allocated personnel and non-personnel costs (\$170k).

In total, Water and Wastewater revenues are expected to decrease 15.3% and 12.4%, respectively, and offset gains in the General Fund. The year over year decrease in the two Enterprise Funds relates to the one-time lump sum payments that were made in FY 2016/17 to correct a multiple year error in the cost allocation methodology. Charges for services are expected to increase slightly with the resumption of voter approved utility rate increases. The Council's Finance & Administration Committee has recommended that the remaining utility rate increases which were originally approved in 2012 should be implemented over a four-year period (\$200k). Year over year the contributed capital category is showing a decrease of \$1.2M. The decrease is owing to the one-time nature of the contributed capital in FY 2016/17 which was related to the correction of prior year over allocations. Year over year decreases in the Enterprise funds will effectively offset increases in the General Fund at the All Funds level.

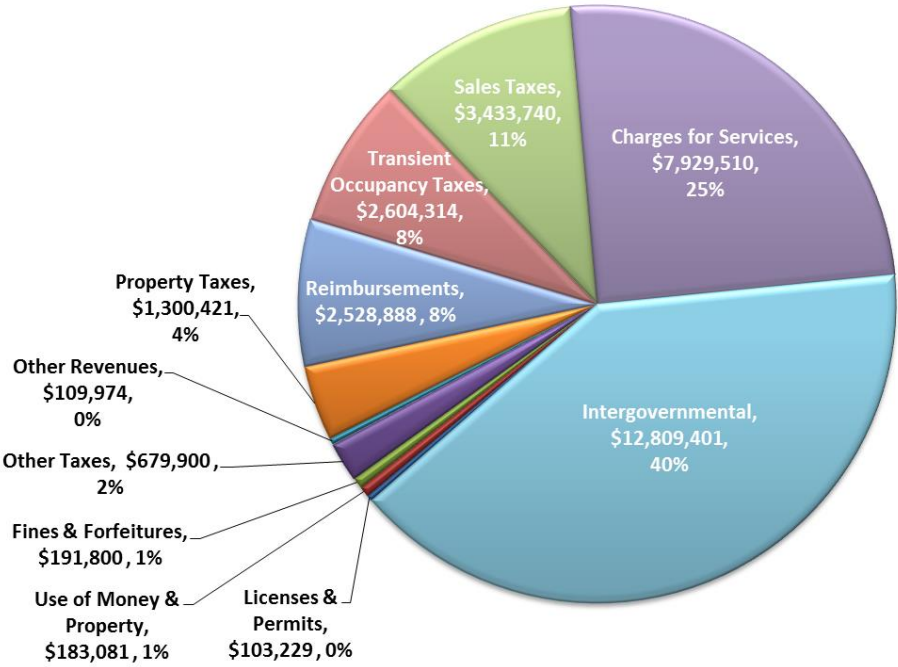
Notably, the City's Grants revenues are projected to increase substantially (\$10.6M). Grant revenues are expected related to the Summer's Lane Reservoir (\$700k), the central portion of the Noyo Headlands Park Coastal Trail (\$950k), the Wastewater Treatment Plant upgrade (\$8.5M) and the relocation of the Pudding Creek water main (\$205k). Lastly, Internal Service Fund revenue is planned to increase by 26.2% or \$212k. In FY 2017/18 the long-term plan for the Information Technology Internal Service Fund was increased from three years to five and the long-term plan for the Fleet Internal Service Fund was increased from three years to ten. The long-term plans indicated a need for increased funding.

ALL FUNDS DETAIL OF REVENUES BY FUND FY 2014/15 THROUGH FY 2017/18						
FUND	FY 2014/15 FYE AUDITED	FY 2015/16 FYE AUDITED	FY 2016/17 Amended BUDGET	FY 2016/17 FYE PROJECTED	FY 2017/18 PROPOSED BUDGET	% INCR/ -DECR
General Fund						
Property Taxes	\$ 884,602	\$ 972,948	\$ 964,067	\$ 988,855	\$ 1,018,521	3.0%
Sales Taxes	1,666,675	1,600,866	1,716,489	1,575,500	1,671,540	6.1%
Transient Occupancy Taxes	1,857,831	1,947,702	2,123,931	2,147,120	2,604,314	21.3%
Other Taxes	657,950	664,739	656,000	670,380	679,900	1.4%
Reimbursements	2,811,789	3,332,126	2,179,341	2,179,341	2,528,888	16.0%
Charges for Services	417,374	206,854	161,978	176,810	221,100	25.0%
Intergovernmental	113,839	113,936	77,800	64,904	87,800	35.3%
Licenses & Permits	89,084	99,317	95,340	93,642	99,629	6.4%
Other Revenues	59,073	112,311	73,974	132,796	67,974	-48.8%
Use of Money & Property	33,101	44,054	65,000	44,180	34,200	-22.6%
Fines & Forfeitures	21,550	18,849	27,479	31,205	36,700	17.6%
Total General Fund	8,612,867	9,113,702	8,141,399	8,104,733	9,050,565	11.7%
Water						
Charges for Services	2,528,450	2,749,943	2,528,355	2,539,872	2,639,448	3.9%
Use of Money and Property	27,169	14,847	8,530	24,060	22,300	-7.3%
Other	30,902	56,747	5,000	5,000	5,000	0.0%
Contributed Capital	-	-	-	579,331	-	-100.0%
Total Water	2,586,520	2,821,537	2,541,885	3,148,262	2,666,748	-15.3%
Wastewater						
Charges for Services	3,186,037	3,383,838	3,313,438	3,217,157	3,317,427	3.1%
Use of Money and Property	12,157	8,419	6,429	6,429	10,537	63.9%
Intergovernmental	3,000	-	-	-	-	-
Other	57,422	31,452	60,000	37,000	37,000	0.0%
Contributed Capital	-	-	-	579,331	-	-100.0%
Total Wastewater	3,258,617	3,423,710	3,379,867	3,839,917	3,364,964	-12.4%
Total Revenue - Operating Funds	14,458,004	15,358,949	14,063,151	15,092,912	15,082,278	-0.1%
C.V. Starr Center						
Sales and Use Taxes	813,674	845,787	890,713	860,600	881,100	2.4%
Property Taxes	233,861	220,208	238,000	230,000	236,900	3.0%
Charges for Services	750,470	724,748	672,200	700,089	699,648	-0.1%
Use of Money and Property	2,719	4,203	2,321	2,321	2,321	0.0%
Other	-	1,862	-	-	-	0.0%
Total C.V. Starr Center	1,800,724	1,796,807	1,803,234	1,793,010	1,819,969	1.5%
Special Revenue & Capital Project Funds						
Special Revenue, Restricted	1,485,316	1,485,167	1,423,622	1,409,789	1,500,320	6.4%
Special Revenue, Grants	6,311,198	4,063,757	1,774,771	1,867,601	12,450,804	566.7%
Capital Projects	1,440	15,127	2,249	9,474	-	0.0%
Total Special Revenue & Capital	7,797,955	5,564,051	3,200,642	3,286,864	13,951,124	324.5%
Subtotal	24,056,682	22,719,808	19,067,028	20,172,787	30,853,371	52.9%
Internal Service Funds						
Facilities Maintenance	269,341	183,627	324,102	324,102	240,139	-25.9%
Information Technology	331,525	390,604	274,619	274,619	352,320	28.3%
Fleet & Equipment Services	499,727	512,666	210,143	210,143	428,429	103.9%
Total Internal Service Funds	1,100,593	1,086,896	808,863	808,863	1,020,887	26.2%
Subtotal before Transfers	25,157,275	23,806,704	19,875,890	20,981,650	31,874,258	51.9%
Transfers	11,381,740	8,736,459	8,732,703	11,630,329	20,181,380	
Total Revenue, All Funds	\$ 36,539,015	\$ 32,543,164	\$ 28,608,594	\$ 32,611,978	\$ 52,055,638	59.6%

ALL FUNDS
SUMMARY OF REVENUES BY CATEGORY
FY 2014/15 THROUGH FY 2017/18

	FY 2014/15	FY 2015/16	FY 2016/17	FY 2016/17	FY 2017/18	%
ALL FUNDS	FYE	FYE	Amended	FYE	PROPOSED	INCR/
	AUDITED	AUDITED	BUDGET	PROJECTED	BUDGET	-DECR
Sales & Use Taxes	\$ 3,317,436	\$ 3,287,046	\$ 3,497,580	\$ 3,296,700	\$ 3,433,740	4.2%
Transient Occupancy Taxes	1,857,831	1,947,702	2,123,931	2,147,120	2,604,314	21.3%
Property Taxes	1,162,052	1,242,517	1,249,067	1,263,855	1,300,421	2.9%
Other Taxes	657,950	664,739	656,000	670,380	679,900	1.4%
Total Taxes	6,995,268	7,142,004	7,526,578	7,378,055	8,018,375	8.7%
Reimbursements	3,246,558	3,332,126	2,179,341	2,179,341	2,528,888	16.0%
Licenses & Permits	89,084	99,317	95,340	97,242	103,229	6.2%
Fines & Forfeitures	208,295	162,899	178,405	187,131	191,800	2.5%
Use of Money & Property	162,348	201,875	180,609	235,556	183,081	-22.3%
Intergovernmental	6,717,030	4,463,924	2,061,809	2,100,352	12,809,401	509.9%
Charges for Services	8,026,006	8,171,739	7,514,834	7,463,291	7,929,510	6.2%
Other Revenues	147,455	232,821	138,974	182,021	109,974	-39.6%
Contributed Capital	-	-	-	1,158,662	-	n/a
Transfers	11,381,740	8,736,459	8,732,703	11,630,329	20,181,380	73.5%
Total	36,973,784	32,543,164	28,608,594	32,611,978	52,055,638	59.6%
Less Transfers	(11,381,740)	(8,736,459)	(8,732,703)	(11,630,329)	(20,181,380)	73.5%
Total Without Transfers	25,592,044	23,806,704	19,875,890	20,981,650	31,874,258	51.9%
Less Internal Service Funds	(1,100,593)	(1,086,896)	(808,863)	(808,863)	(1,020,887)	26.2%
Less Internal Charges for Service	(2,784,699)	(2,794,310)	(1,846,341)	(1,846,341)	(1,998,299)	8.2%
Less Interfund Cost Reimbursement	(434,769)	(523,154)	(308,000)	(308,000)	(491,089)	-59.4%
Net Revenues	\$ 21,271,984	\$ 19,402,344	\$ 16,912,687	\$ 18,018,446	\$ 28,363,983	57.4%

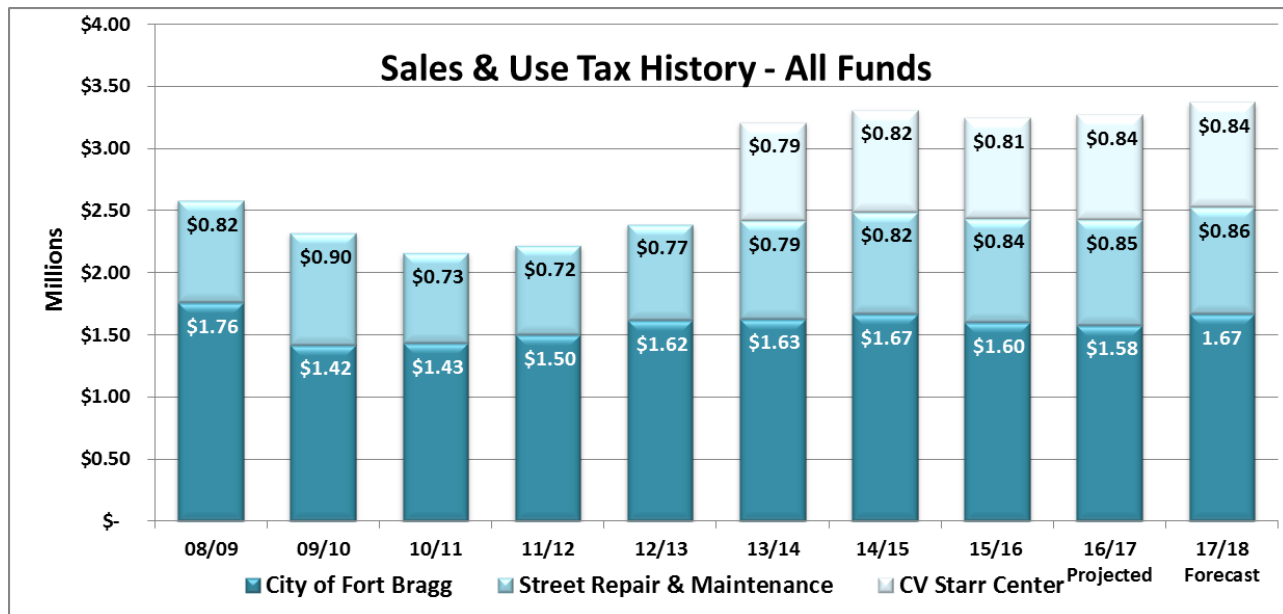
ALL FUNDS REVENUES BY CATEGORY



Sales Tax

Sales tax revenues include the City's general sales tax as well as a special half-cent sales tax for the C.V. Starr Center and a special half-cent sales tax for Street Repairs. Based on an analysis of trends in year-to-date tax receipts, macroeconomic conditions and an examination of local business data, it is anticipated that the City will receive sales tax revenue of \$3.3M in FY 2016/17 and \$3.4M in FY 2017/18. Prior year filing errors by one of the City's larger retailers will be corrected in FY 2016/17 resulting in a \$54k negative adjustment for the City. Consequently, FY 2016/17 is expected to come in 5% below the adopted budget.

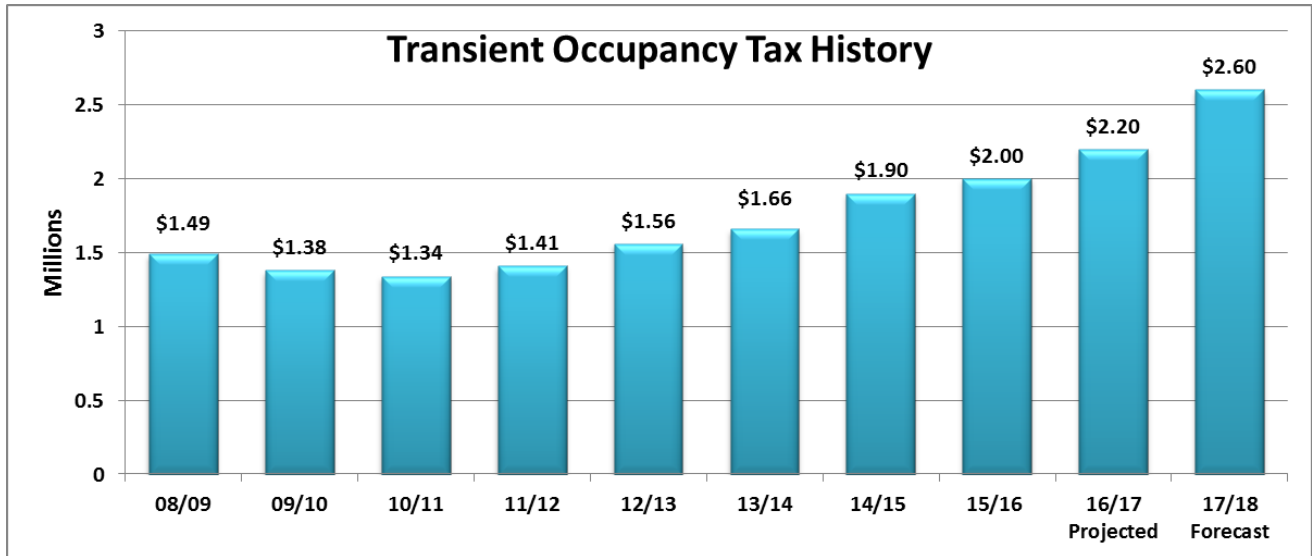
Sales tax growth over the last five years is showing a very modest 1% growth trend. Factors negatively affecting sales tax growth include Internet sales and fuel prices. Fuel prices dropped approximately 36% in late 2015 and have remained low. Fuel prices appear to have bottomed out in 2016 and early 2017 and have begun to increase slowly. It appears Internet sales will continue to exert downward pressure on sales tax growth, a key source (11%) of All Funds revenue. Barring a significant change in the City's retail environment, sales and use taxes are expected to remain essentially flat in the years to come.



Transient Occupancy Tax

Transient Occupancy Tax (TOT) is a local tax that is applied to the cost of hotel or other lodging stays of less than 30 days. In 2016, with passage of local Measures AA and AB, the City's TOT rate increased from 10% to 12%. This tax is a revenue source for the General Fund. TOT is collected by lodging establishments and remitted to the City on a monthly basis. Factors influencing TOT revenues include vacancy rates, changes in business and leisure travel, new hotels, hotel expansion, and room rate increases. TOT is the largest General Fund revenue source and is expected to account for 8.2% of revenue at the All Funds level.

Based on year-to-date receipts, FY 2016/17 year-end TOT revenues are projected to be approximately \$199k higher than FY 2015/16 totals. Approximately \$90k of this increase is attributable to the increase in the TOT rate which became effective April 1, 2017. The other \$109k of the increase is attributable to continued growth (5.5%) in this sector of the local economy. Half of the Measure AA funds collected have been committed to marketing and promotion of Fort Bragg as a tourist destination. With the increase in the marketing and promotion of Fort Bragg, the City believes a return to the 7.7% growth rate of recent years is possible. The FY 2017/18 Budget projects continued growth in TOT revenue at a rate of 5.5% or \$457k. The anticipated TOT revenue total for FY 2017/18 is \$2.6M which is an all-time high for Fort Bragg.

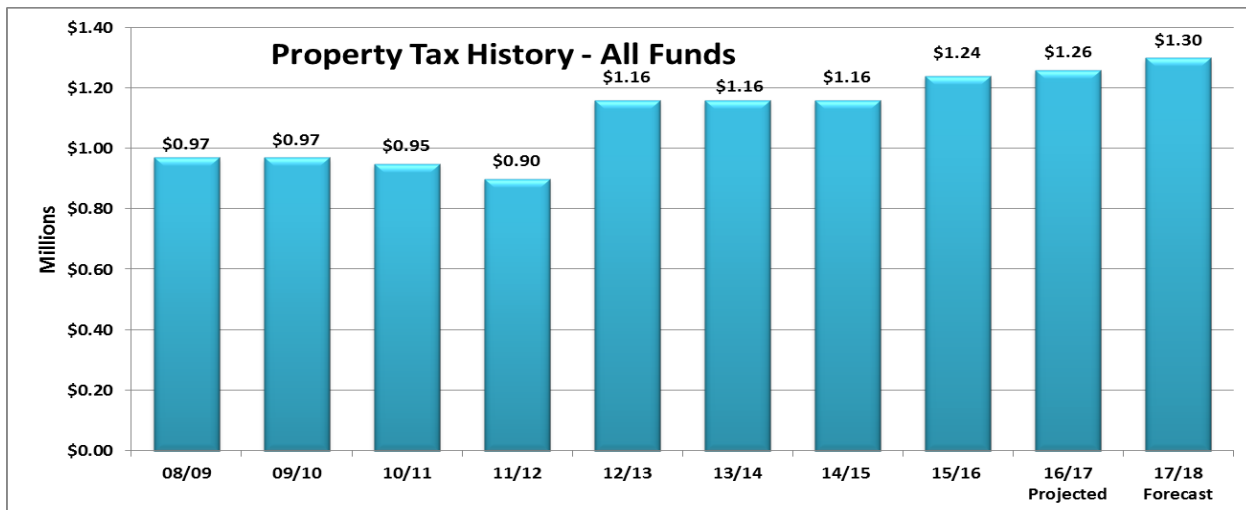


Property Tax

Throughout the City's history, property tax revenue has grown significantly, reflecting both new development and increasing property values in Fort Bragg. As in most of the country, during the recession, property tax revenues declined in Fort Bragg due to lower sales prices and adjustments in assessments. In recent years, sales prices have increased and the number of reassessments has decreased.

Overall, property tax revenues are expected to increase 3% in FY 2016. One threat to property tax revenue is the looming possibility of interest rate increases at the federal level. Rising interest rates have the potential to slow sales of homes. A lack of affordable homes also has the potential to slow sales.

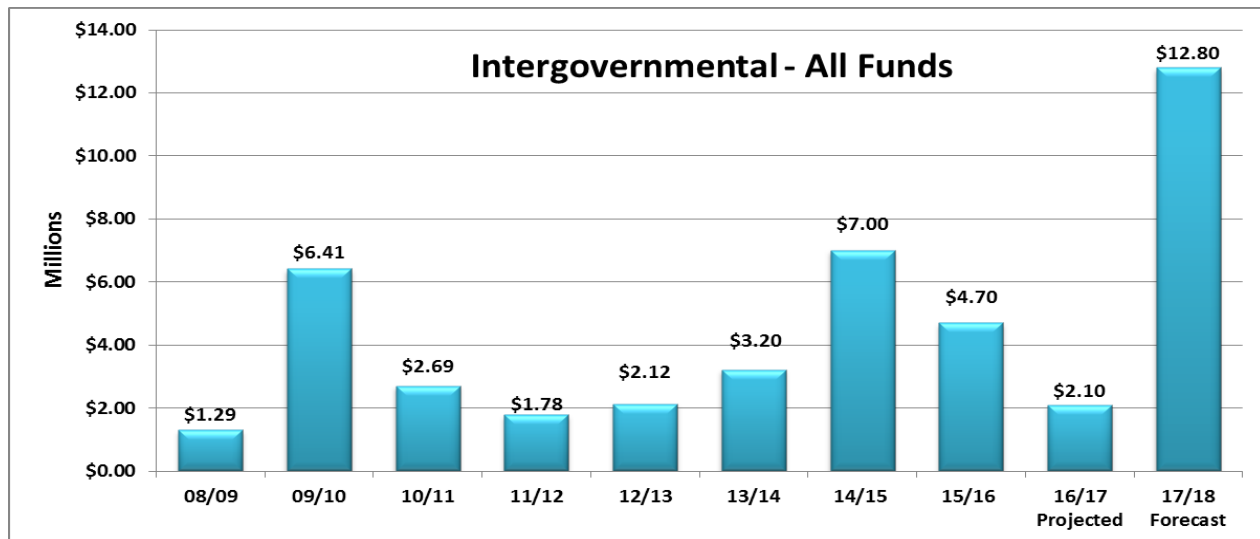
Property tax receipts for FY 2016/17 and FY 2017/18 are projected at \$1.26M and \$1.3M respectively following a three-year growth trend of 3%. This amount includes property taxes paid to the General Fund (\$1M), to the C.V. Starr Center Enterprise Fund (\$237k), and to the Fire Equipment Fund (\$45k). Without any clear indicators at the federal level, the City believes a 3% growth rate estimate is reasonable at this time.



Service and Program Charges

Service and Program Charges include the Intergovernmental, Charges for Services and Reimbursements categories. Intergovernmental revenue includes grant revenue as well as special and general revenues received from other governments such as the State of California or the federal government. Grant revenues are expected in FY 2017/18 related to the Summers Lane Reservoir (\$700k), the central portion of the Noyo Headlands Park Coastal Trail (\$950k), the Wastewater Treatment Plant upgrade (\$8.5M) and the relocation of the Pudding Creek water main (\$205k). Year over year, the Intergovernmental category is expected to increase by \$10.7M to \$12.9M and is anticipated to be the largest All Funds revenue source at 40%. Charges for Services includes the Water Enterprise user charges (\$2.6M), Wastewater Enterprise user charges (\$3.3M), the C.V Starr Enterprise user charges (\$700k) and the Internal Service Funds user charges (\$1M). Charges for Services in the General Fund include Fees for Service which are collected according to the City's fee schedule as well as reimbursement of staff time spent in the administration of grants (\$221k). Year over year, the Charges for Services category is expected to increase by \$466k to \$7.9M. This is in part due to the resumption of voter approved utility rate increases in the Enterprise funds. Charges for Services are forecast to make up 25% of the All Funds revenue. Reimbursements include revenues such as the annual COPS reimbursement for the cost of the City's Community Service Officers (\$100k), Highway User Tax Allocation used to reimburse the cost of the City's Street Maintenance Department (\$221k) and cost allocations which are considered a cost to the Enterprise Funds but a revenue to the General Fund (\$1.9M). Reimbursements are expected to increase year over year by \$350k to \$2.5M.

All Funds Detail of Revenue Services & Programs	FY 2015/16 FYE AUDITED	FY 2016/17 Amended BUDGET	FY 2016/17 FYE PROJECTED	FY 2017/18 FORECAST
Intergovernmental	\$ 4,463,924	\$ 2,061,809	\$ 2,100,352	\$ 12,809,401
Charges for Services	8,171,739	7,514,834	7,463,291	7,929,510
Reimbursements	3,332,126	2,179,341	2,179,341	2,528,888
Totals	\$ 15,967,788	\$ 11,755,984	\$ 11,742,984	\$ 23,267,799



Other Revenues

Other revenues include licenses and permits, fines and forfeitures, use of money and property, and miscellaneous, one-time revenues. Revenues in this category can vary greatly due to the nature of the one-time revenues that are included.

The City invests a portion of available funds in order to earn interest. The total income varies with the market rates of interest and the funds available to invest. Interest earnings continue to be depressed as a consequence of the Federal Reserve's monetary and interest policies.

Use of Money and Property is anticipated to decrease in FY 2017/18 primarily due to a lower volume of sales of surplus property compared to the previous year (\$40k).

Other revenues are likely to decrease year over year due to the receipt of a "dredge sands tipping fee" from the Noyo Harbor District (\$93k) in FY 2016/17. No similar receipt is expected in FY 2017/18.

All Funds Detail of Revenue Other Revenues	FY 2015/16 FYE AUDITED	FY 2016/17 Amended BUDGET	FY 2016/17 FYE PROJECTED	FY 2017/18 FORECAST
Licenses & Permits	\$ 99,317	\$ 95,340	\$ 97,242	\$ 103,229
Fines & Forfeitures	162,899	178,405	187,131	191,800
Use of Money & Property	201,875	180,609	235,556	183,081
Other Revenues	232,821	138,974	182,021	109,974
Totals	\$ 696,911	\$ 593,328	\$ 701,949	\$ 588,084

OPERATING TRANSFERS-IN

At the All Funds level, all transfers in have an equal and corresponding transfer out which is shown as an expenditure. At the All Funds level, all transfers net to zero. One budgeted transfer of note is the transfer of Storm Drainage fees. In 2008, the Storm Drain department was moved from the Wastewater Enterprise to the General Fund. It has been discovered that, although the expenditures were moved to the General Fund, the revenues remained in the Wastewater Enterprise. Staff proposes to transfer \$70k from Wastewater to the General Fund to appropriately match the revenue with the fund to which expenditures are charged.

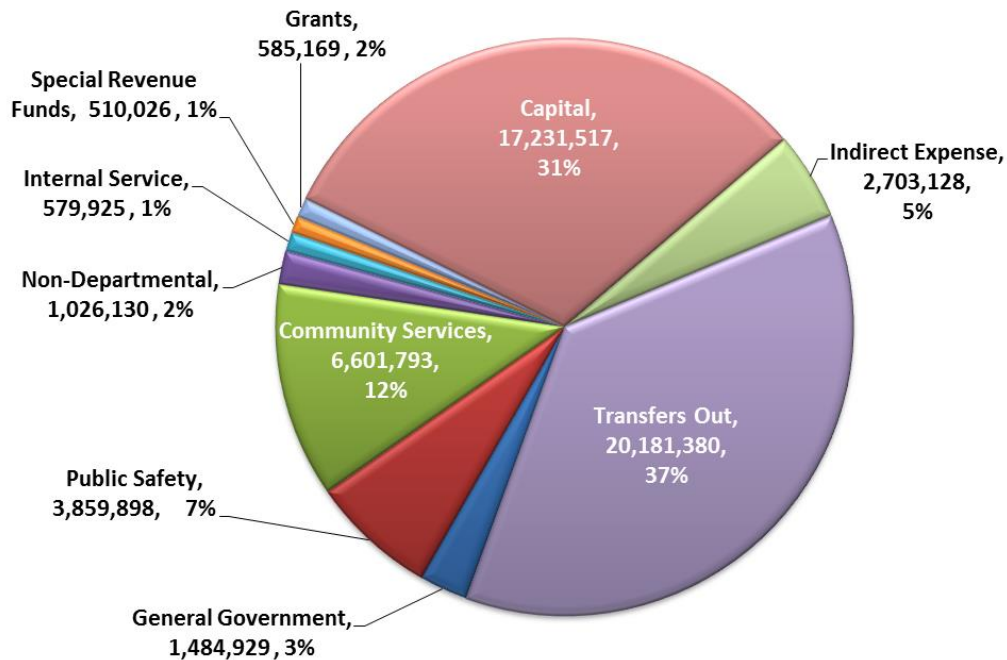
DISCUSSION OF EXPENDITURE TRENDS

The FY 2017/18 Budget proposes expenditures totaling \$16.8M when grant activity, capital expenditures and transfers are excluded and \$54.8M when these items are included. The proposed budget includes a robust capital budget (\$17.2M) with much of the financing coming from grants (\$11.1M) and special revenue funds (\$926k).

ALL FUNDS
EXPENDITURE SUMMARY BY FUNCTION/PROGRAM
FY 2014/15 THROUGH FY 2017/18

	FY 2014/15 FYE AUDITED	FY 2015/16 FYE AUDITED	FY 2016/17 Amended BUDGET	FY 2016/17 FYE PROJECTED	FY 2017/18 PROPOSED BUDGET	% INCR/ -DECR
ALL FUNDS						
General Government	\$ 1,580,726	\$ 1,464,900	\$ 1,411,559	\$ 1,391,294	\$ 1,484,929	6.7%
Public Safety	3,343,959	3,472,372	3,834,760	3,824,906	3,859,898	0.9%
Community Services	6,225,437	5,350,898	6,372,462	6,122,904	6,601,793	7.8%
Non-Departmental	1,058,470	979,845	1,438,889	1,350,330	1,026,130	-24.0%
Internal Service	508,675	457,065	546,693	524,059	579,925	10.7%
Special Revenue Funds	637,073	1,169,712	339,734	442,774	510,026	15.2%
Grants	1,906,170	856,920	1,093,077	606,082	598,877	-1.2%
Capital	5,202,037	1,790,027	7,004,847	5,733,485	17,231,517	200.5%
Subtotal	20,462,546	15,541,737	22,042,021	19,995,833	31,893,096	59.5%
Indirect Expense	3,617,729	3,612,513	2,408,009	2,386,958	2,703,128	13.2%
Subtotal	24,080,274	19,154,250	24,450,030	22,382,791	34,596,224	54.6%
Transfers Out	4,187,115	8,736,459	8,732,703	11,630,329	20,181,380	73.5%
TOTAL ALL FUNDS	\$ 28,267,389	\$ 27,890,710	\$ 33,182,734	\$ 34,013,119	\$ 54,777,604	61.0%

FY 2017/18 Expenditures by Function



Expenditures by Function/Program

General Government is budgeted to increase 6.7% in FY 2017/18 due to salary and benefits, merit or step increases and projected retirement payout costs.

Community Services is expected to increase 7.8% or \$478k due largely to the increased cost for Marketing and Promotions (\$258k), increased costs for Coastal Trail maintenance (\$131k) and increased community contributions to the Noyo Center for Marine Science and the School Playing Fields Rehabilitation Project (\$54k each).

Non-Departmental will decrease 24% or \$324k. This is due primarily to prior year budget encumbrances in the amount of approximately \$390k, which were paid in FY 2016/17. The encumbrances were related to the Caspar Landfill closure costs with the County falling four years behind in invoicing. With no payments in arrears, the FY 2017/18 costs are expected to drop considerably.

Public Safety shows a year-over-year increase of 1% which is essentially flat. With the department now fully staffed, cost savings are not likely to be realized due to unfilled positions as has been the case in previous years.

Internal Service operating expenditures are budgeted to increase 10.7% in FY 2017/18. Increases are attributable to higher facilities maintenance costs (\$37k) and higher IT costs (\$17k).

As mentioned previously, the Capital Function/Program will increase substantially to \$17.2M or 200% year over year. The Capital Function/Program includes Capital Projects found in the CIP as well as smaller capital expenditures not found in the CIP (below the CIP threshold of \$50k) and capital equipment purchases. The operating grants will decrease in FY 2017/18 by 1.2%. This is due to the cyclical nature of CDBG grants.

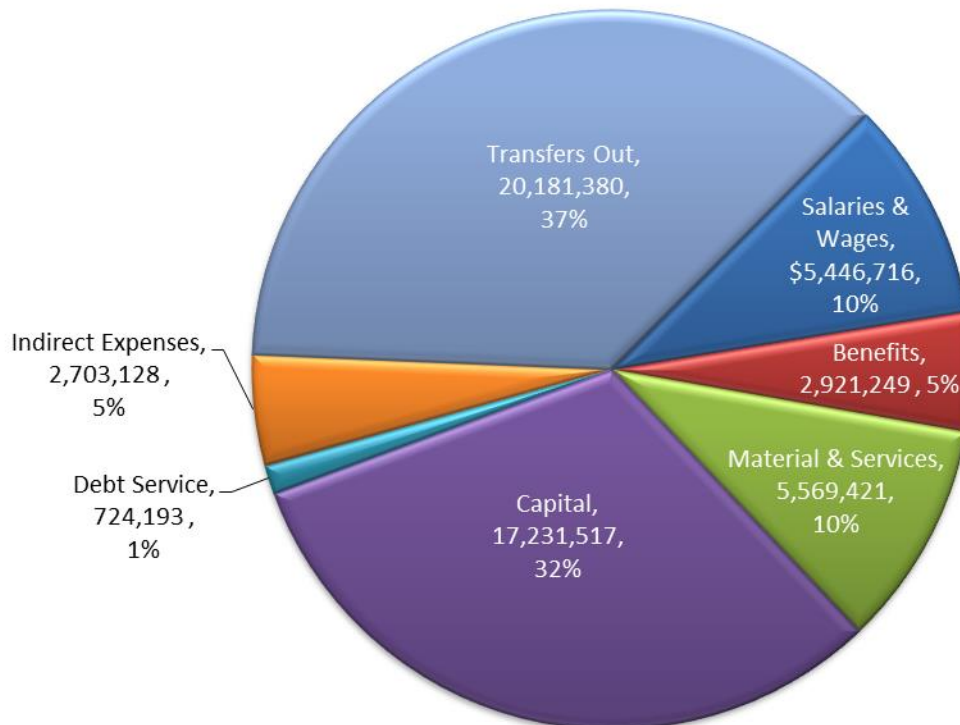
ALL FUNDS
EXPENDITURE DETAIL BY FUNCTION/PROGRAM
FY 2014/15 THROUGH FY 2017/18

	FY 2014/15	FY 2015/16	FY 2016/17	FY 2016/17	FY 2017/18	%
	FYE	FYE	Amended	FYE	PROPOSED	INCR/
ALL FUNDS	AUDITED	AUDITED	BUDGET	PROJECTED	BUDGET	-DECR
General Government						
City Council	\$ 147,221	\$ 125,006	\$ 149,420	\$ 148,729	\$ 139,662	-6.1%
Administration	892,834	828,878	818,432	812,863	851,099	4.7%
Litigation Reserve	113,569	96,166	-	-	-	n/a
Finance	427,103	414,849	443,707	429,701	494,168	15.0%
General Government Subtotal	1,580,726	1,464,900	1,411,559	1,391,294	1,484,929	6.7%
Public Safety						
Police Department	2,979,272	3,088,310	3,429,280	3,421,906	3,445,008	0.7%
Fire Department	364,687	384,062	405,480	403,000	414,890	3.0%
Public Safety Subtotal	3,343,959	3,472,372	3,834,760	3,824,906	3,859,898	0.9%
Community Services						
Community Development	369,180	405,360	471,899	461,648	735,924	59.4%
Community Contributions	104,166	170,433	146,853	145,691	185,252	27.2%
Public Works - Non-Enterprise	1,291,369	1,375,174	1,430,754	1,349,952	1,472,731	9.1%
Public Works - Enterprise	1,712,091	1,843,131	2,519,913	2,418,654	2,341,405	-3.2%
C.V. Starr - Enterprise	2,748,630	1,556,799	1,803,042	1,746,958	1,866,482	6.8%
Community Services Subtotal	6,225,437	5,350,898	6,372,462	6,122,904	6,601,793	7.8%
Non-Departmental						
Caspar Closure & Landfill	237,764	147,760	538,100	538,097	255,743	-52.5%
Other Non-Departmental	820,706	832,085	900,789	812,232	770,387	-5.2%
Non-Departmental Subtotal	1,058,470	979,845	1,438,889	1,350,330	1,026,130	-24.0%
Subtotal	12,208,591	11,268,014	13,057,670	12,689,433	12,972,750	2.2%
Internal Service Funds	508,675	457,065	546,693	524,059	579,925	10.7%
Indirect Expenses	3,617,729	3,612,513	2,408,009	2,386,958	2,703,128	13.2%
Operating Subtotal	16,334,995	15,337,592	16,012,373	15,600,450	16,255,804	4.2%
Special Revenue	637,073	1,169,712	339,734	442,774	510,026	15.2%
Grants	1,906,170	856,920	1,093,077	606,082	598,877	-1.2%
Capital	5,202,037	1,790,027	7,004,847	5,733,485	17,231,517	200.5%
Subtotal	24,080,274	19,154,250	24,450,030	22,382,791	34,596,224	54.6%
Fund Transfers	4,187,115	8,736,459	8,732,703	11,630,329	20,181,380	73.5%
TOTAL ALL FUNDS	\$28,267,389	\$27,890,710	\$33,182,734	\$ 34,013,119	\$54,777,604	61.0%

ALL FUNDS
SUMMARY OF EXPENDITURES BY CATEGORY
FY 2014/15 THROUGH FY 2017/18

	FY 2014/15 FYE AUDITED	FY 2015/16 FYE AUDITED	FY 2016/17 Amended BUDGET	FY 2016/17 FYE PROJECTED	FY 2017/18 PROPOSED BUDGET	% INCR/ -DECR
ALL FUNDS						
Salaries & Wages	\$ 5,010,743	\$ 4,988,481	\$ 5,238,673	\$ 5,149,643	\$ 5,446,716	5.8%
Benefits	2,556,617	2,624,091	2,904,277	2,876,518	2,921,249	1.6%
Material & Services	7,877,461	6,031,431	6,430,410	5,667,507	5,569,421	-1.7%
Capital	4,709,077	1,613,219	6,597,044	5,432,041	17,231,517	217.2%
Debt Service	308,648	284,516	871,617	870,123	724,193	-16.8%
Subtotal	20,462,546	15,541,737	22,042,021	19,995,833	31,893,096	59.5%
Indirect Expenses	3,617,729	3,612,513	2,408,009	2,386,958	2,703,128	13.2%
Subtotal	24,080,274	19,154,250	24,450,030	22,382,791	34,596,224	54.6%
Transfers Out	4,187,115	8,736,459	8,732,703	11,630,329	20,181,380	73.5%
TOTAL ALL FUNDS	\$ 28,267,389	\$ 27,890,710	\$ 33,182,734	\$ 34,013,119	\$ 54,777,604	61.0%

FY 2017/18 Expenditures by Category



Personnel Services

With the City fully staffed, newer employees earning merit increases, and an assumed modest cost of living adjustment, Salaries and Wages are expected to increase 5.8% or \$297k. (Note: the City is in negotiations with all of its employee groups and no agreement has been reached on a cost-of-living adjustment.) Also contributing to the increase are budgeted payout costs for upcoming retirement(s). The cost of total benefits, however, is anticipated to increase only 1.6% or \$44k. Compared to prior year increases which have averaged 7%, this is a welcome slowing of the rate of benefits cost increases.

Health benefit premiums are expected to increase only 0.2% in the coming year, while dental and vision coverage will see no increase. Under current labor agreements, premium costs are shared 80% by the City and 20% by the employee. In addition, the City has 26 covered retirees, 22 of whom receive full health insurance coverage from the City. The remaining retirees pay a portion of the retiree and spousal coverage depending on their date of hire. On average, the City pays 80% of the total retiree medical and dental costs. This expense will diminish over time, as the City has phased out retiree health benefits through its collective bargaining agreements. Year over year retiree benefits costs are expected to decrease approximately \$33k.

The aggregate CalPERS increase (across all plans) in FY 2017/18 is expected to be 10% or \$77k. The City's contribution to each employee's pension benefits (i.e., the "employer's share" of CalPERS premiums, including unfunded actuarial liability) is calculated at the following rates: Miscellaneous PEPRA- 6.9%; Miscellaneous Classic- 18.5%; Safety PEPRA- 12%; Safety Classic- 42.8%.

ALL FUNDS DETAIL OF MATERIALS & SERVICES FY 2014/15 THROUGH FY 2017/18

	FY 2014/15 FYE AUDITED	FY 2015/16 FYE AUDITED	FY 2016/17 Amended BUDGET	FY 2016/17 FYE PROJECTED	FY 2017/18 PROPOSED BUDGET	% INCR/ -DECR
ALL FUNDS						
Material & Services						
Legal	261,678	247,269	175,000	183,382	190,000	3.6%
Auditing & Accounting	47,959	41,668	40,803	42,746	43,064	0.7%
Professional Services	1,747,178	1,293,333	2,177,763	1,936,426	1,516,950	-21.7%
Repair & Maintenance	99,665	84,600	144,090	143,290	123,000	-14.2%
Insurance	172,637	189,173	199,589	189,349	190,884	0.8%
Training/Travel Reimbursement	65,433	87,623	92,885	105,675	105,442	-0.2%
Supplies	124,700	175,602	143,717	145,474	139,900	-3.8%
Utilities	40,508	39,823	46,250	46,884	43,150	-8.0%
Community Contributions	104,166	170,433	145,691	145,691	185,252	27.2%
Other Materials & Services	3,466,178	3,053,719	2,489,847	1,989,181	2,251,627	13.2%
C.V. Starr Community Center	1,747,358	648,187	774,776	739,411	780,152	5.5%
TOTAL ALL FUNDS	7,877,461	6,031,431	6,430,410	5,667,507	5,569,421	-1.7%

Non-personnel Services

Overall materials and services are expected to decrease 1.7% or \$98k in FY 2017/18. Items of note contributing to the decrease are as follows:

On a year over year basis, professional services will decrease 21.7% or \$420k primarily due to the payment of prior year encumbrances related to Caspar Landfill closure costs in FY 2016/17. With no payments in arrears, FY 2017/18 costs are expected to drop considerably.

Community Contributions will increase 27.2% or \$39.5k. This is primarily due to new contributions to the Noyo Center for Marine Science and the School Playing Fields rehabilitation project (both funded by Measure AA revenues).

Other Materials & Services will increase 13.2% or \$262k. Increases are due to expected facilities maintenance costs (\$37k) and higher IT costs (\$17k). The City's Highway User Tax Allocation special revenue fund will reimburse the City Street Maintenance division with a year over year increase of \$127k. Lastly, while the Police Department did not use its "recruit training" budget in FY 2016/17, the amount is again budgeted for FY 2017/18 (\$20k) and is expected to be used. Remaining increases are small amounts across multiple accounts.

C.V. Starr Center expenditures are expected to increase 5.5% or \$40k due primarily to increased capital costs.

Repairs & Maintenance expenditures are expected to decrease 14.2% or \$20k due to lower maintenance costs in the Water and Wastewater Enterprises. Maintenance needs are reassessed annually and the budget developed accordingly.

Other Non-personnel Services

The proposed budget includes a robust capital improvement plan (\$17.2M) with much of the financing coming from grants (\$11.1M) and special revenue funds (\$926k).

Debt Service will decrease 16.8% or \$146k due to the maturing of the Water Enterprise Equipment Loan, which was originated in FY 2007/08 in the amount of \$1M for the installation of electronic water meters.

In FY 2017/18, Indirect costs will increase 13.2% or \$316k. Indirect costs are comprised of Salary and Benefits allocations (\$110k increase), non-personnel overhead allocations (\$23k decrease) as well as Internal Service Fund allocations (\$233k increase). In FY 2017/18 the long-term plan for the Information Technology Internal Service fund was increased from three years to five and the long-term plan for the Fleet Internal Service fund was increased from three years to ten years. The long-term plans indicated a need for increased funding.

BUDGET SUMMARY – GENERAL FUND

OVERVIEW

The City of Fort Bragg's fiscal year (FY) 2017/18 General Fund operating budget is \$9.38M. Core city services such as police, community development, parks, and street maintenance are budgeted in the General Fund. General Fund resources are closely linked to economic and development activity in the City and expenditures fund essential front line and "quality of life" services that our citizens expect.

Fort Bragg's General Fund is reliant on sales tax, Transient Occupancy Tax (TOT), property tax, and fees charged for services rendered to fund operations. As discussed in detail below, General Fund revenues (excluding transfers) are expected to increase in FY 2018/17 with the total annual revenue projected at \$9.05M, a 12% year over year increase.

As part of the FY 2016/17 budget process, the City prepared and implemented a new Cost Allocation Plan. In the process, a detailed examination of the past Cost Allocation Plan was performed and the following determinations were made:

- Allocations of Salary and Benefits costs, as calculated in prior years, are appropriate. Allocations of these costs from indirect departments to direct departments are made according to Personnel Staffing Allocation tables presented in each annual budget. The tables represent a fair estimate of the amount of time each City employee spends servicing departments outside of their own.
- Allocations of non-personnel overhead costs, as previously calculated, are made according to the Personnel Staffing Allocation tables presented in each annual budget. While this allocation method is appropriate, as a result of an accounting error, the calculation had not included an allocation to the General Fund and thus a disproportionate share of non-personnel overhead costs were allocated to the Water and Wastewater Enterprise funds. This accounting error is corrected in the new Cost Allocation Plan.
- Fleet & Equipment Services are allocated according to the number of vehicles in each department. Facilities Repair & Maintenance, as well as Technology Maintenance & Replacement are allocated 50% to the General Fund, 25% to the Water Enterprise and 25% to the Wastewater Enterprise according to prior direction from Council. Purchases of vehicles and facilities project costs are specifically charged to the benefitting funds.

The FY 2016/17 result of using the new Cost Allocation Plan for non-personnel overhead costs was a loss of revenue to the General Fund of about \$788k year-over-year. Additionally, in FY 2017/18 the new cost allocation plan will generate \$692k less than in FY 2015/16. Growth in other revenue categories, as well as a concerted effort to maintain or reduce costs, has limited the overall effect to a \$331k net General Fund deficit.

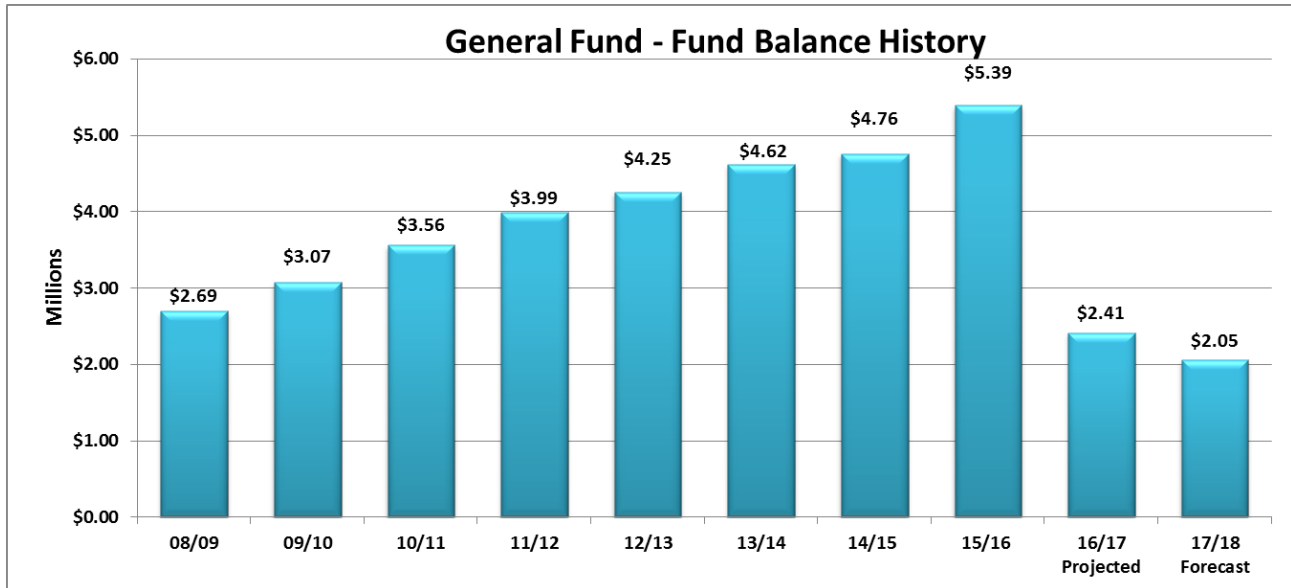
Although the General Fund has sufficient undesignated fund balance to withstand the deficits in FY 2016/17 and FY 2017/18, this is a structural deficit that is whittling down the undesignated fund balance. Adopting deficit budgets year after year is not sustainable. It is imperative that the City remain focused on enhancing General Fund revenue streams and containing costs in the years to come. This imperative takes on additional urgency in light of the substantial pension cost increases that are expected in FY 2018/19 and beyond as a result of CalPERS lowering of the actuarial discount rate for their investment portfolio.

GENERAL FUND - FUND BALANCE

The year-end General Fund balance for FY 2015/16 through FY 2017/18 is shown below.

	FY 2015/16 AUDITED	FY 2016/17 PROJECTED	FY 2017/18 PROPOSED
Total General Fund Balance	\$ 5,388,494	\$ 2,408,868	\$ 2,054,005

General Fund balance has been steadily increasing over the last ten years as shown in the graph below. Fund balance will decrease in FY 2016/17 and FY 2017/18 however, due chiefly to the City's new Cost Allocation Plan and repayment of prior year cost over allocations to the Enterprise Funds. It should be expected that this trend will continue over the next few years. Conversely, the City's Enterprise Funds will see increases in fund balance.



GENERAL FUND RESERVES

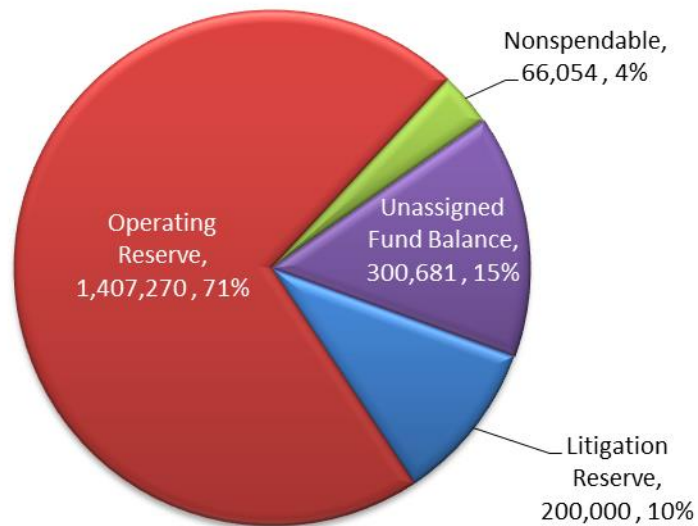
The City's General Fund reserves are established in accordance with the "Fund Balance & Reserve Policies" which are intended to ensure the continued financial well-being of the City by planning for unanticipated emergency and contingency needs. The City Council periodically reviews and updates the reserve policies and budgeted reserve funds to ensure that the City has sufficient resources to adequately address emergencies, economic uncertainties, unforeseen operating or capital needs, economic development opportunities, and cash flow requirements. The FY 2017/18 Budget commits fund balance in the General Fund to the following reserves:

- \$0 to the Emergency Contingency Reserve
- \$0 to the Economic Stabilization Reserve
- \$1,407,270 to the General Fund Operating Reserve
- \$200,000 to the Litigation Reserve

As shown below, the General Fund's "unassigned fund balance" in FY 2017/18 is estimated at about \$301k.

	PROPOSED FY 2017/18
Total General Fund Balance	<u>\$ 2,385,241</u>
Less Appropriated Fund Balance	<u>331,236</u>
Sub Total Fund Balance	2,054,005
Less Nonspendable (Inventory, etc.)	66,054
Less Committed Reserves (Set by Council Resolution)	
Emergency Contingency Reserve	-
Economic Stabilization Reserve	-
Litigation Reserve	200,000
Operating Reserve	1,407,270
Reserve for Encumbrances	<u>80,000</u>
Unassigned Balance	<u><u>\$ 300,681</u></u>

SUMMARY OF FUND BALANCE



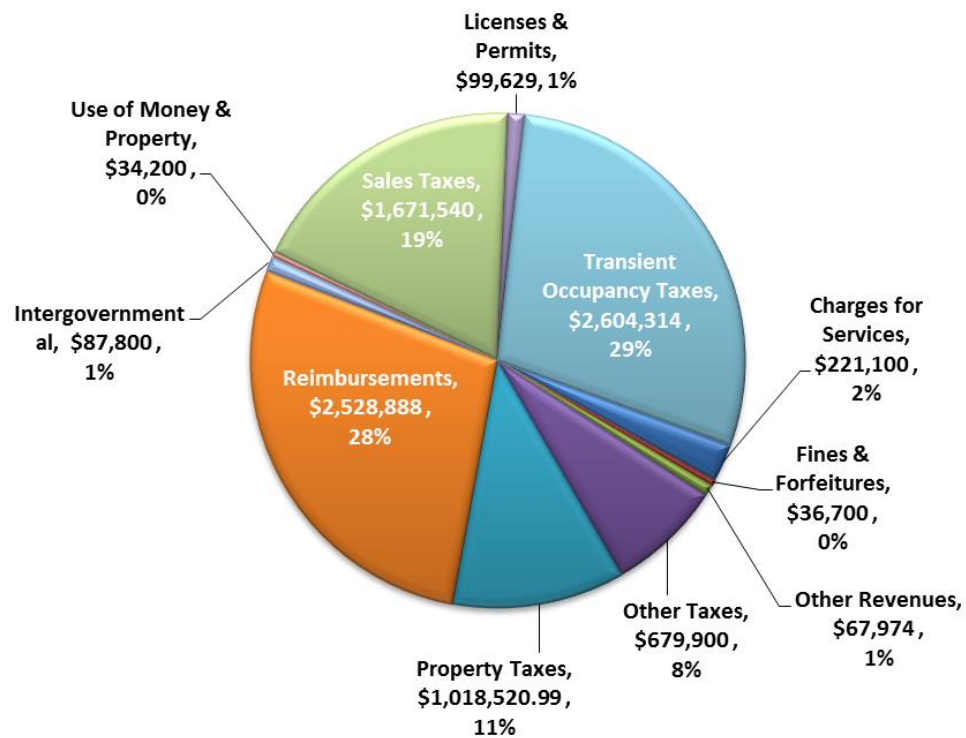
GENERAL FUND REVENUE

FY 2017/18 General Fund revenues are projected to total \$9.05M, an increase of 11.7% over projected results for FY 2016/17.

The General Fund is supported by a diverse set of revenue sources including tax revenues, fees charged for services, licenses and permits, and other more minor sources. In the pages that follow, each of the major General Fund revenue sources is described with information about historical trends and current budgeted revenues

GENERAL FUND SUMMARY OF REVENUES BY CATEGORY FY 2014/15 THROUGH FY 2017/18						
GENERAL FUND	FY 2014/15 FYE AUDITED	FY 2015/16 FYE AUDITED	FY 2016/17 Amended BUDGET	FY 2016/17 FYE PROJECTED	FY 2017/18 PROPOSED BUDGET	% INCR/ -DECR
Property Taxes	\$ 884,602	\$ 972,948	\$ 964,067	\$ 988,855	\$ 1,018,521	3.0%
Sales Taxes	1,666,675	1,600,866	1,716,489	1,575,500	1,671,540	6.1%
Transient Occupancy Taxes	1,857,831	1,947,702	2,123,931	2,147,120	2,604,314	21.3%
Other Taxes	657,950	664,739	656,000	670,380	679,900	1.4%
Total Taxes	5,067,057	5,186,255	5,460,487	5,381,855	5,974,275	11.0%
Reimbursements	2,811,789	3,332,126	2,179,341	2,179,341	2,528,888	16.0%
Charges for Services	417,374	206,854	161,978	176,810	221,100	25.0%
Intergovernmental	113,839	113,936	77,800	64,904	87,800	35.3%
Licenses & Permits	89,084	99,317	95,340	93,642	99,629	6.4%
Other Revenues	59,073	112,311	73,974	132,796	67,974	-48.8%
Use of Money & Property	33,101	44,054	65,000	44,180	34,200	-22.6%
Fines & Forfeitures	21,550	18,849	27,479	31,205	36,700	17.6%
TOTAL GENERAL FUND	8,612,867	9,113,702	8,141,399	8,104,733	9,050,565	11.7%

REVENUES BY CATEGORY 2017/18



DISCUSSION OF GENERAL FUND REVENUE TRENDS

The General Fund supports many of the City's core services and administrative functions. The major revenue sources for the General Fund are sales tax, Transient Occupancy Tax (TOT), and Reimbursements.

In FY 2017/18, General Fund operating revenues are expected to increase when compared to FY 2016/17 projections. Taxes remain the largest resource supporting General Fund operations in the FY 2017/18 Operating Budget. Taxes represent 66% of all General Fund revenues with the primary taxes comprised of TOT, sales taxes, and property taxes.

FY 2017/18, General Fund revenues include an allocation of \$40k from the General Plan Maintenance Fee fund to offset costs associated with the Community Development Department's work to keep the City's General Plans and Land Use & Development Codes up to date. Also included is an allocation of \$130k from the Asset Forfeiture Fund to offset costs associated with the police officer assigned to the Major Crimes Task Force as well as the costs associated with the Police Department's two K-9 units. FY 2017/18, General Fund revenues include an allocation of \$221k from Fund 221 (Highway User Tax) to cover the cost of the City's Street Maintenance and Street Traffic & Safety departments. In addition, in FY 2017/18, a portion of the City's Community Service Officers' personnel costs are offset by an annual \$100k COPS grant.

Fund 250 (Special Sales Tax – Street Repair) will contribute to two streets capital projects in the amount of \$812,300; and an alley rehabilitation project (\$750k) and a downtown crosswalk rehabilitation project (\$62.3k).

For several years, the City has worked to augment its General Fund revenues by focusing significant staff efforts on obtaining grants for capital projects, planning, economic development, and public safety activities, and by retaining as much grant funding as possible in-house to offset staff costs associated with grant administration and activity delivery. It is anticipated that in FY 2017/18, \$160k in grant revenues will be transmitted to the General Fund to offset personnel costs related to grant administration.

TOT revenues are expected to increase by 21% in FY 2017/18. General Fund sales taxes in FY 2016/17 are projected to increase a modest 2.5%. Sales taxes include the 7.25% statewide sales and use tax, and the Proposition 172 taxes.

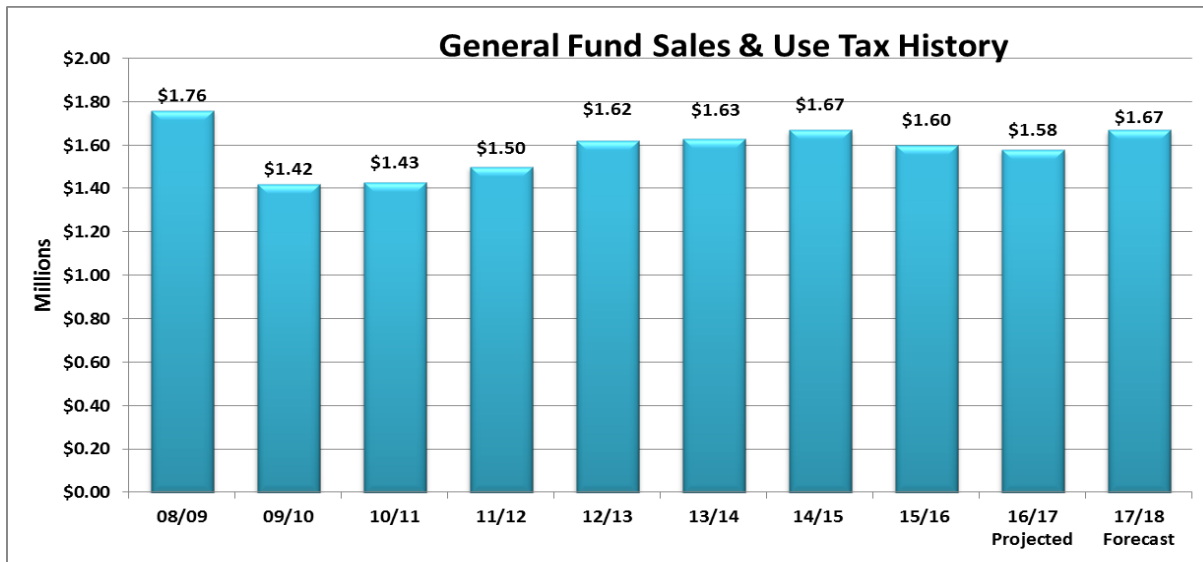
The major General Fund revenue sources are discussed in further detail on the following pages.

Sales Tax

The Sales Tax category includes general sales and use taxes and Proposition 172 sales taxes. Sales tax is an excise tax which applies to all retail sales of merchandise. Retailers are liable for reporting and payment of the tax. Use tax is an excise tax imposed on consumers of merchandise that is used, consumed or stored in California and which has been purchased from out-of-state vendors not collecting California sales tax. The statewide sales and use tax rate is 7.25% of which the State receives 6.25% and the City receives approximately 1% (known as the Bradley Burns Local Sales and Use Tax).

Sales tax revenues in FY 2017/18 are expected to increase compared to FY 2016/17 receipts by approximately 6.1%. The City's sales tax analysis consultant, MuniServices, analyzes trends in year-to-date tax receipts, macroeconomic conditions and local business data when forecasting sales tax revenue. Prior year filing errors by one of the City's larger retailers will be corrected in FY 2016/17 resulting in a \$54k negative adjustment for the City. Consequently, FY 2016/17 is expected to come in 8% below the adopted budget. If not for the effect of the FY 2016/17 adjustment, the growth rate would be approximately 2.5%. A five-year trend, however, shows sales tax only growing by about 1% per year.

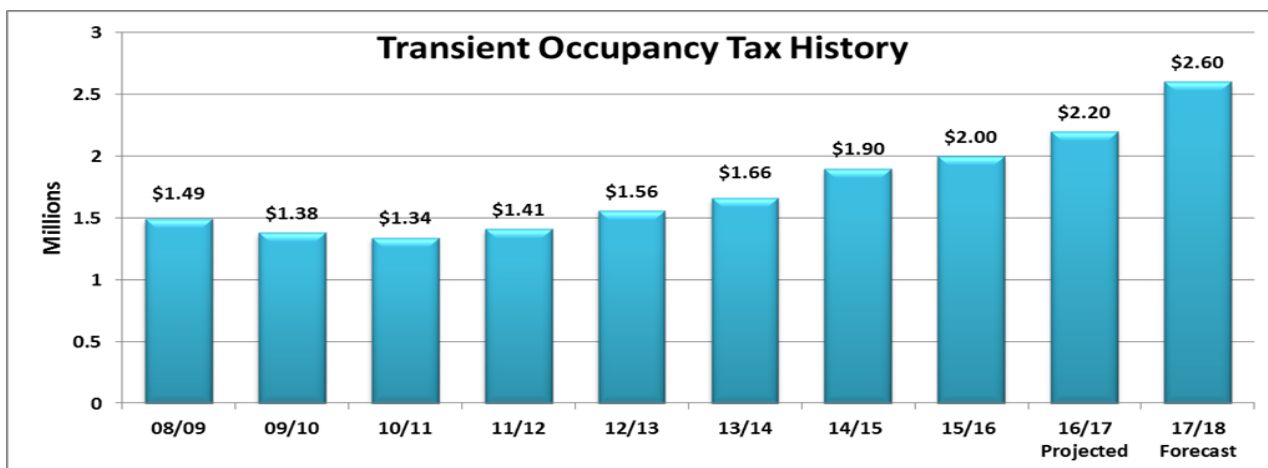
Over the long term, there are a number of factors resulting in the slow growth of the City's sales tax. Most notably, Internet retailing is drawing an ever-increasing share of local sales with little resulting tax revenue. Also, fuel and gasoline sales taxes have fallen considerably due to lower prices in recent year. These trends are likely to continue to exert downward pressure on sales tax growth, a key revenue source that constitutes approximately 19% of General Fund revenue.



Transient Occupancy Tax

Transient Occupancy Tax (TOT) is a local tax that is applied to the cost of hotel or other lodging stays of less than 30 days. TOT is collected by lodging establishments and remitted to the City on a monthly basis. Factors influencing TOT revenues include vacancy rates, changes in business and leisure travel, new hotels, hotel expansion, and room rate increases. TOT is the largest General Fund revenue source and is expected to account for 29% of all projected General Fund resources next year. In FY 2016/17, with the passage of Measures AA and AB, the City's TOT rate increased from 10% to 12%.

Based on year-to-date receipts, FY 2016/17 year-end TOT revenues are projected to be approximately \$199k higher than FY 2015/16 totals. Approximately \$90k of this increase is attributable to the increase in the TOT rate which became effective April 1, 2017. The other \$109k of the increase is attributable to continued growth (5.5%) in this sector of the local economy. The FY 2017/18 Budget projects continued growth in TOT revenue at a rate of 5.5% or \$457k. One-half the Measure AA funds collected have been committed to marketing and promotion of Fort Bragg as a tourist destination. In future years, with the increase in marketing and promotion of Fort Bragg, a return to the 7.7% growth rate of recent years may be possible. The anticipated TOT revenue total for FY 2017/18 is \$2.6M which is an all-time high for Fort Bragg.



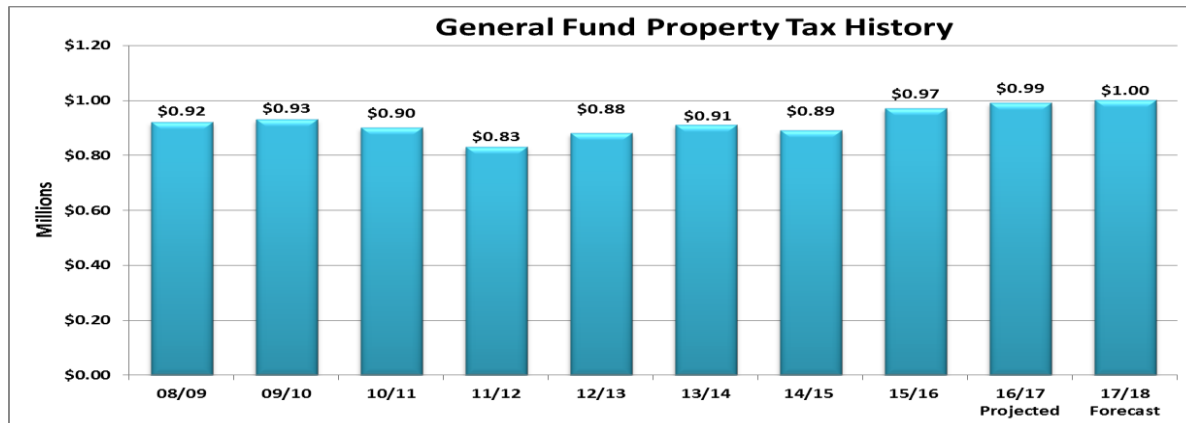
Property Tax

Property tax is an ad valorem (value-based) tax imposed on real property and tangible personal property within the City's jurisdiction. It includes two major elements: secured or real property (e.g., house and land on which the house was built), and unsecured or personal property (e.g., machinery). Under Proposition 13, the general property tax rate cannot exceed 1% of a property's assessed value plus other assessments as approved by the voters. The assessed value of real property that has not changed ownership increases by the change in the California Consumer Price index up to a maximum of 2% per year. Property is assessed at the full market value upon change of ownership. Newly constructed property is assessed at the full market value in the first year in which the construction is completed. Property tax revenue is collected by the county and allocated according to State law among cities, counties, school districts and special districts.

Throughout the City's history, property tax revenue has grown significantly, reflecting both new development and increasing property values in Fort Bragg. As in most of the country, during the recent recession, property tax revenues declined in Fort Bragg due to lower sales prices and adjustments in assessments. In recent years, sales prices have increased and the number of reassessments has decreased.

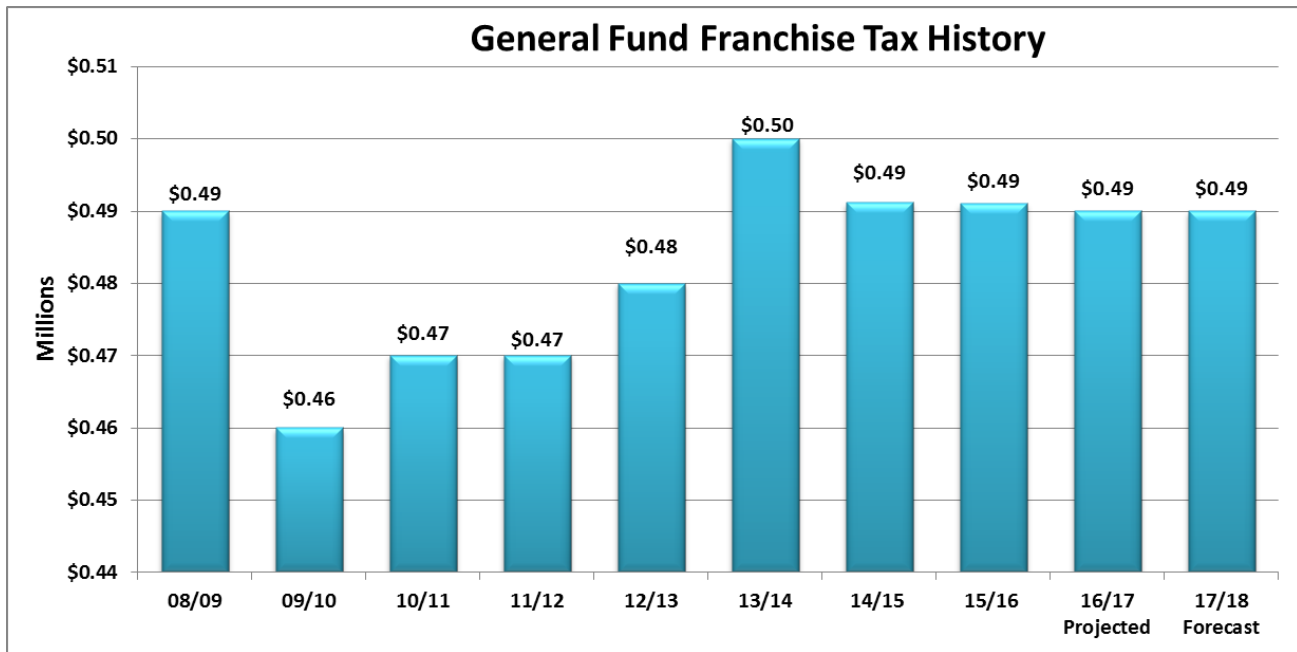
Property tax is conservatively budgeted to increase 3% in FY 2017/18. Although the 10-year trend shows a growth rate of 2%, more recent history (3-year trend) shows that an assumption of a 3% increase is reasonable. The County of Mendocino provides an annual property tax forecast which is typically received in late May after the City budget has been developed.

Potential risks affecting property tax are the looming possibility of increasing interest rates which would make mortgage payments more expensive and further contribute to the lack of affordable housing opportunities for first-time home buyers.



Franchise Taxes

Franchise tax revenue consists of taxes on three franchise operations in Fort Bragg: electric, cable television and solid waste disposal. The State sets electric utility tax rates that equal 0.5% of gross annual revenues and 5% of gross cable television revenues from within the City. The franchise fee for solid waste collection was established by the City many years ago when the City and County closed the jointly-owned Caspar Landfill. Franchise taxes have remained fairly stable in recent years. Revenue from cable television franchise fees has been slowly declining as more customers move to satellite and internet-based services. Revenue from Pacific Gas & Electric rose steadily until 2009, when it declined slightly and has remained at approximately \$38k per year since then. For FY 2017/18, franchise tax revenue is estimated to remain flat at \$490k.

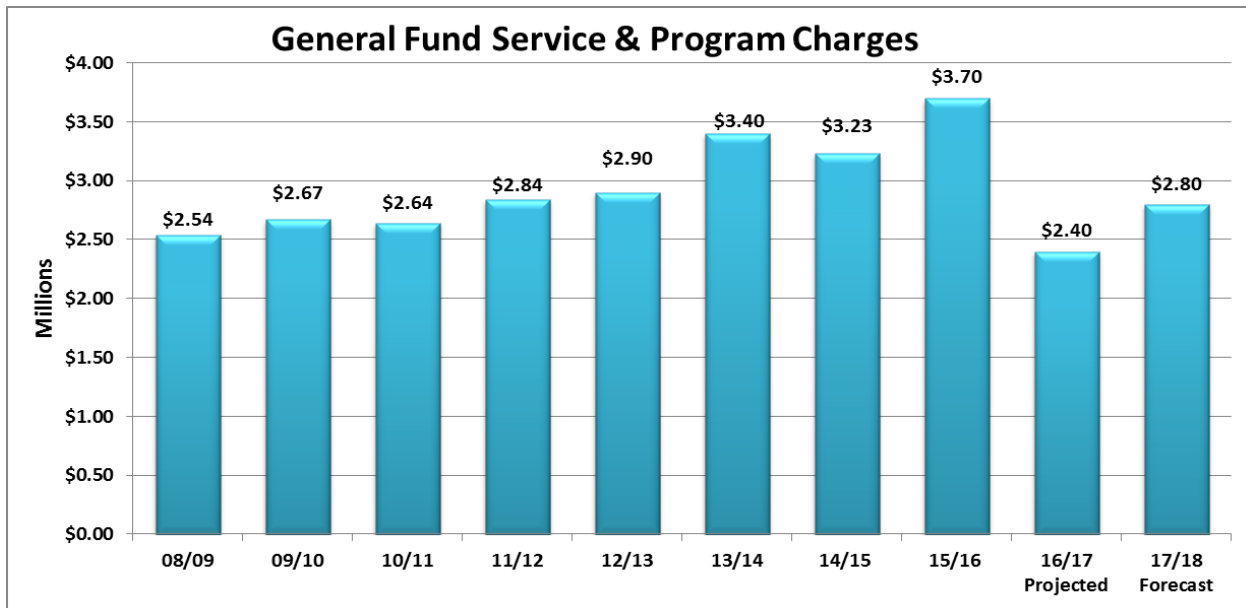


Service and Program Charges

Service and Program Charges include the Intergovernmental, Charges for Services and Reimbursements categories. Revenue for Service and Program Charges represents about 31% of total estimated General Fund revenues in FY 2017/18. The \$2.8M budgeted in FY 2017/18 represents an increase of approximately \$417k or 17% from the prior year. Notable increases include an increase in the amount of Highway User Tax reimbursement for the Street Maintenance division (\$173k), an increase in the administration fees received from the State of California in connection with the Fort Bragg Successor Agency's wind-down of activities of the former Fort Bragg Redevelopment Agency (\$57k), an increase in the amount of allocated costs due primarily to personnel cost increases (\$95k), an increase in the expected amount of grant administration fees (\$49k) and, lastly, an expected SB 90 payment (\$16k). SB 90 is a State of California program which reimburses the City on a very intermittent basis for meeting activities mandated by the State.

General Fund	FY 2015/16	FY 2016/17	FY 2016/17	FY 2017/18
Detail of Revenue	FYE	Amended	FYE	FORECAST
Services & Programs	AUDITED	BUDGET	PROJECTED	-
Intergovernmental	\$ 113,936	\$ 77,800	\$ 64,904	\$ 87,800
Charges for Services	206,854	161,978	176,810	221,100
Reimbursements	3,332,126	2,179,341	2,179,341	2,528,888
Totals	\$ 3,652,916	\$ 2,419,119	\$ 2,421,055	\$ 2,837,788

Details of Service and Program Charges line items are found on page 59.



Other Revenues

Other revenues include licenses and permits, fines and forfeitures, use of money and property including interest earned, and miscellaneous, one-time revenues and intergovernmental revenues such as reimbursements for required public safety training. Revenues in this category can vary greatly due to the nature of the one-time revenues that are included.

Use of Money and Property is expected to decrease due to less sales of surplus property (\$15k). Other revenues are likely to decrease year over year due to a one-time receipt of dredge sands tipping fees from the Noyo Harbor District (\$93k) in FY 2016/17.

General Fund Detail of Revenue Other Revenues	FY 2015/16 FYE AUDITED	FY 2016/17 Amended BUDGET	FY 2016/17 FYE PROJECTED	FY 2017/18 FORECAST -
Licenses & Permits	\$ 99,317	\$ 95,340	\$ 93,642	\$ 99,629
Fines & Forfeitures	18,849	27,479	31,205	36,700
Use of Money & Property	44,054	65,000	44,180	34,200
Other Revenues	112,311	73,974	132,796	67,974
Totals	\$ 274,531	\$ 261,793	\$ 301,822	\$ 238,503

Details of Other Revenues line items are found on page 59.

**GENERAL FUND
DETAIL OF REVENUES BY CATEGORY
FY 2014/15 THROUGH FY 2017/18**

	FY 2014/15 FYE AUDITED	FY 2015/16 FYE AUDITED	FY 2016/17 Amended BUDGET	FY 2016/17 FYE PROJECTED	FY 2017/18 PROPOSED BUDGET	% INCR/ -DECR
Taxes						
Property Taxes	\$ 308,597	\$ 385,294	\$ 374,867	\$ 376,651	\$ 387,951	3.0%
VLF Swap	545,257	559,543	565,000	571,294	588,433	3.0%
Supplement SB 813	4,463	4,191	2,800	4,078	4,201	3.0%
Homeowners Property Tax Relief	3,831	3,773	3,400	3,400	3,502	3.0%
Transfer Taxes	19,441	17,184	15,000	30,432	31,345	3.0%
Motor Vehicle In-Lieu Tax	3,012	2,963	3,000	3,000	3,090	3.0%
Sales and Use Taxes	1,248,571	1,279,650	1,699,739	1,559,500	1,655,300	6.1%
In-Lieu Sales Taxes - Triple Flip	401,261	306,168	-	-	-	n/a
Proposition 172 Sales Taxes	16,843	15,049	16,750	16,000	16,240	1.5%
Transient Occupancy Taxes	1,857,831	1,947,702	2,123,931	2,147,120	2,604,314	21.3%
Franchise Taxes	493,063	491,132	491,000	490,380	490,000	-0.1%
Business License Taxes	164,886	173,607	165,000	180,000	189,900	5.5%
Total Taxes	5,067,057	5,186,255	5,460,487	5,381,855	5,974,275	11.0%
Licenses & Permits						
Business License Fees	53,335	66,222	60,000	62,382	62,382	0.0%
Construction/Building Permits	26,644	21,827	25,690	21,610	21,610	0.0%
Other Licenses & Permits	9,105	11,268	9,650	9,650	15,637	62.0%
Total Licenses & Permits	89,084	99,317	95,340	93,642	99,629	6.4%
Fines & Forfeitures						
Parking Fines	12,644	17,531	18,000	21,457	20,000	-6.8%
Miscellaneous Fines	8,907	1,319	9,479	9,748	16,700	71.3%
Total Fines & Forfeitures	21,550	18,849	27,479	31,205	36,700	17.6%
Use of Money and Property						
Investment Interest	23,975	34,622	37,900	10,000	15,000	50.0%
Rents and Concessions	9,126	9,392	7,100	9,180	9,200	0.2%
Sales of Surplus Assets	-	40	20,000	25,000	10,000	-60.0%
Total Use of Money and Property	33,101	44,054	65,000	44,180	34,200	-22.6%
Intergovernmental						
DNA Reimbursement	7,273	2,734	6,000	6,000	5,300	-11.7%
PD Post Training Reimbursement	8,874	35,767	20,500	16,704	17,000	1.8%
SB 90 Reimbursement	83,892	26,969	24,000	-	16,000	n/a
Booking Fee Reimbursement	13,800	15,000	11,800	12,700	13,000	2.4%
Event Donations	-	33,466	15,500	29,500	36,500	23.7%
Total Intergovernmental	113,839	113,936	77,800	64,904	87,800	35.3%
Charges for Services						
Grant Administration	357,918	152,787	110,678	110,678	160,000	44.6%
Police Fingerprints	23,697	24,410	22,000	34,502	30,000	-13.0%
Community Development Fees	29,115	20,245	20,300	21,486	22,300	3.8%
Other Current Services	6,644	9,413	9,000	10,144	8,800	-13.2%
Total Charges for Services	417,374	206,854	161,978	176,810	221,100	25.0%
Reimbursements						
City Exp Reimbursement - Developer	27,090	14,662	25,000	25,000	22,000	-12.0%
Successor Agency Admin	247,000	250,000	89,607	89,607	146,609	63.6%
Internal Charges for Services	2,537,699	2,544,310	1,756,734	1,756,734	1,851,690	5.4%
Interfund Cost Reimbursement	-	523,154	308,000	308,000	491,089	59.4%
Training Reimbursement	-	-	-	-	17,500	n/a
Total Reimbursements	2,811,789	3,332,126	2,179,341	2,179,341	2,528,888	16.0%
Other Revenues						
Miscellaneous	59,073	112,311	73,974	132,796	67,974	-48.8%
Total Other Revenues	59,073	112,311	73,974	132,796	67,974	-48.8%
Total General Fund Revenue	\$ 8,612,867	\$ 9,113,702	\$ 8,141,399	\$ 8,104,733	\$ 9,050,565	11.7%

DISCUSSION OF GENERAL FUND EXPENDITURE TRENDS

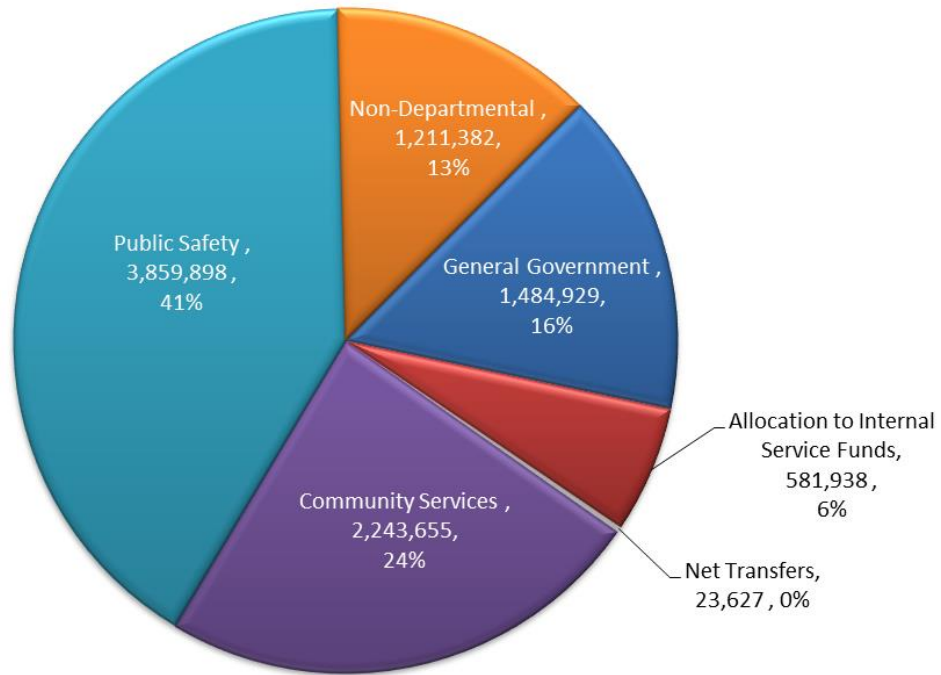
As shown on the table below, General Fund expenditures (including transfers-out) in FY 2016/17 are projected at \$9.7M. Expenditures are projected to decrease to \$9.4M in FY 2017/18. The FY 2017/18 General Fund budget includes \$498k of Measure AA expenditures. These expenditures cause negative year over year variances in Community Development (\$274k) and Community Contributions (\$39k). Additionally debt service increased \$38k as the first scheduled payment on an interfund loan between the General Fund and the Wastewater Enterprise has been budgeted. Other departmental variances are found in Finance (\$65k), Police Department (\$23k) and Public Works (\$122k). Lastly, allocations to Internal Service funds increased \$111k as indicated by long-term plans developed in those funds. These increased budget amounts are offset by a decrease in expenditures caused the liquidation of encumbrances related to the Caspar Landfill closure costs. The liquidation occurred in FY 2016/17 causing a year over year variance (\$320k). Overall, the proposed General Fund budget will increase \$329k over the previous fiscal year before transfers.

Specific details of expenditures are presented in the Department Details sections of the Budget.

GENERAL FUND						
EXPENDITURES BY FUNCTION/PROGRAM						
FY 2014/15 THROUGH FY 2017/18						
	FY 2014/15 FYE AUDITED	FY 2015/16 FYE AUDITED	FY 2016/17 Amended BUDGET	FY 2016/17 FYE PROJECTED	FY 2017/18 PROPOSED BUDGET	% INCR/ -DECR
GENERAL FUND						
General Government						
City Council	147,221	125,006	149,420	148,729	139,662	-6.1%
Administration	892,834	828,878	818,432	812,863	851,099	4.7%
Litigation Reserve	113,569	96,166	-	-	-	n/a
Finance	427,103	414,849	443,707	429,701	494,168	15.0%
General Government Subtotal	1,580,726	1,464,900	1,411,559	1,391,294	1,484,929	6.7%
Public Safety						
Police Department	2,979,272	3,088,310	3,429,280	3,421,906	3,445,008	0.7%
Fire Department	364,687	384,062	405,480	403,000	414,890	3.0%
Public Safety Subtotal	3,343,959	3,472,372	3,834,760	3,824,906	3,859,898	0.9%
Community Services						
Community Development	369,180	405,360	471,899	461,648	735,924	59.4%
Public Works	1,318,122	1,378,369	1,465,754	1,384,952	1,507,731	8.9%
Community Services Subtotal	1,687,303	1,783,728	1,937,653	1,846,600	2,243,655	21.5%
Non-Departmental						
Community Contributions	104,166	170,433	145,691	145,691	185,252	27.2%
Caspar Closure & Landfill	237,764	147,760	538,100	538,097	255,743	-52.5%
Other Non-Departmental	820,706	832,085	900,789	812,232	770,387	-5.2%
Non-Departmental Subtotal	1,162,636	1,150,279	1,584,580	1,496,021	1,211,382	-19.0%
General Fund Subtotal	7,774,623	7,871,278	8,768,553	8,558,821	8,799,864	2.8%
Allocation to Internal Service Funds	587,171	604,060	470,048	470,049	581,938	23.8%
General Fund Subtotal with Allocations	8,361,794	8,475,339	9,238,601	9,028,870	9,381,801	3.9%
Net Transfers; In(out)	(1,093,677)	(52,655)	(664,456)	(705,489)	(23,627)	-96.7%
TOTAL GENERAL FUND	\$ 9,455,472	\$ 8,527,993	\$ 9,903,057	\$ 9,734,359	\$ 9,405,428	-3.4%

Note: Administration, as presented above, includes Administrative Services, City Manager and City Attorney.

EXPENDITURES BY FUNCTION



Public Safety represents the largest General Fund expenditure function/program at 41% of total General Fund expenditures, followed by Community Services (including Public Works) at 24% and General Government at 16%.

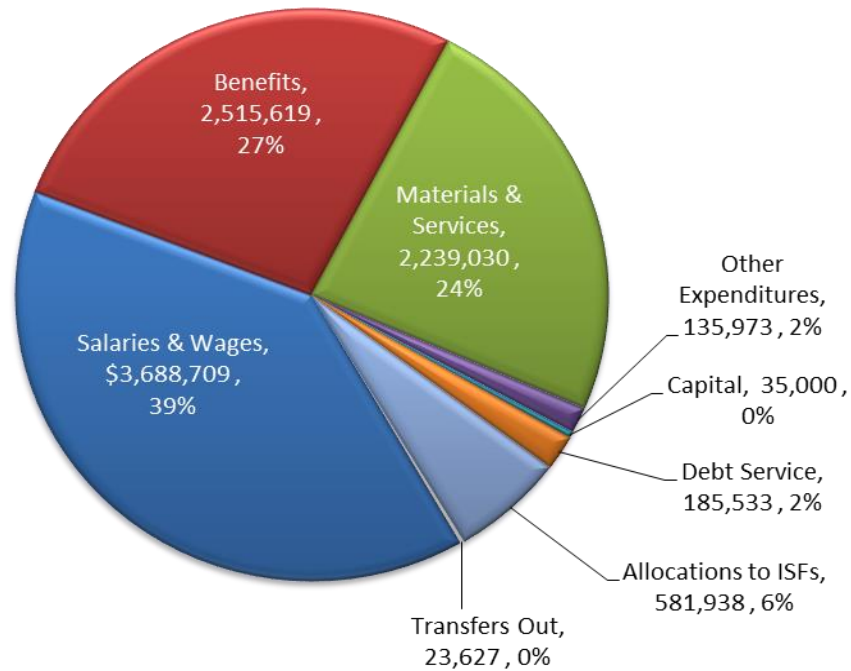
GENERAL FUND

EXPENDITURES BY CATEGORY

FY 2014/15 THROUGH FY 2017/18

	FY 2014/15 FYE AUDITED	FY 2015/16 FYE AUDITED	FY 2016/17 Amended BUDGET	FY 2016/17 FYE PROJECTED	FY 2017/18 PROPOSED BUDGET	% INCR/ -DECR
GENERAL FUND						
Salaries & Wages	3,351,603	3,430,750	3,597,732	3,543,503	3,688,709	4.1%
Benefits	2,139,274	2,186,378	2,511,826	2,475,570	2,515,619	1.6%
Materials & Services	1,986,606	1,938,374	2,453,965	2,334,166	2,239,030	-4.1%
Other Expenditures	122,818	165,013	22,460	23,013	135,973	490.8%
Capital	26,753	3,194	35,000	35,000	35,000	0.0%
Debt Service	147,569	147,569	147,569	147,569	185,533	25.7%
General Fund Subtotal	7,774,623	7,871,278	8,768,553	8,558,821	8,799,864	2.8%
Allocations to Internal Service Funds	587,171	604,060	470,048	470,049	581,938	23.8%
General Fund Subtotal with Allocations	8,361,794	8,475,339	9,238,601	9,028,870	9,381,801	3.9%
Net Transfers	(1,093,677)	(52,655)	(664,456)	(705,489)	(23,627)	-96.7%
TOTAL GENERAL FUND	\$ 9,455,472	\$ 8,527,993	\$ 9,903,057	\$ 9,734,359	\$ 9,405,428	-3.4%

EXPENDITURES BY CATEGORY



Personnel Services

Personnel costs are the largest class of expenditures in the General Fund, representing nearly 66% of the expenses in FY 2017/18. Overall, personnel costs will increase 3% or \$185k. The City is currently in negotiations with its two collective bargaining units which it expects to conclude prior to final adoption of the FY 2017/18 budget.

FY 2017/18, medical and dental rates will remain essentially unchanged compared to the prior year. Under current labor agreements, premium costs are shared 80% by the City and 20% by the employee. In addition, the City has 26 covered retirees, 22 of whom receive full health insurance coverage from the City. The remaining retirees pay a portion of the retiree and spousal coverage depending on the date of hire. On average, the City pays 80% of the total retiree medical and dental costs. Retiree health benefits have been phased out through collective bargaining agreements. There are a number of current employees who are eligible for such benefits based on their date of hire.

The aggregate CalPERS increase (across all plans) is expected to be 10% or \$77k. The General Fund's share of the total variance is approximately \$68k. The City's contribution to each employee's pension benefits (i.e., the "employer's share" of CalPERS premiums plus unfunded actuarial liability costs) is calculated at the following rates: Miscellaneous PEPRA-6.9%; Miscellaneous Classic-18.5%; Safety PEPRA-12.0%; Safety Classic-42.8%.

At the December 21, 2016, meeting, the CalPERS Board of Administration approved lowering the CalPERS discount rate assumption (the long-term rate of return) from 7.50 percent to 7.00 percent over the next three years. The full impact of discount rate change will be phased in completely over a seven-year period. Lowering the discount rate means plans will see increases in both the normal costs (the cost of pension benefits accruing in one year for active members) and the accrued liabilities. These increases will result in higher required employer contributions. Increased public agency employer contribution costs as a result of the lowering of the discount rate will begin in FY 2018/19.

The increased pension costs for the City will be substantial and will put significant pressure on the General Fund's financial performance for several years to come. The following chart is an estimate of the City's share of PERS

costs over the next seven years. The chart was prepared using the methodology provided by CalPERS in Circular Letter 200-004-17 dated January 19, 2017:

Fiscal Year	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Total 7 yr Cost
Miscellaneous Classic	354,512	436,272	524,361	625,097	693,851	753,248	869,528	1,037,809	5,294,678
Safety Classic (Police)	424,561	498,534	577,918	678,773	744,436	803,124	899,347	1,038,303	5,664,995
Miscellaneous PEPRA	51,778	52,927	53,904	54,903	55,872	56,805	58,143	59,756	444,089
Safety PEPRA	51,431	52,713	53,724	54,760	55,754	56,698	58,124	59,866	443,071
City Wide Total	882,283	1,040,446	1,209,907	1,413,534	1,549,913	1,669,875	1,885,143	2,195,732	11,846,833

As can be seen in the chart, pension costs are expected to more than double between FY 2018/19 and FY 2024/25.

Non-Personnel Services

Other Expenditures will increase by \$113k in FY 2017/18 due to contributions made to the Noyo Center and the School Playing Fields project in connection with Measure AA/AB. Debt Service will increase \$38k due to the first scheduled payment on the interfund loan between the General Fund and the Wastewater Enterprise in connection with prior year non-personnel cost over-allocations.

General Fund Materials and Services are budgeted to decrease \$95k in FY 2017/18 (4.1%) and are comprised of the following categories:

	FY 2016/17 PROJECTED	FY 2017/18 PROPOSED	Change
General Fund Materials & Services			
Professional Services	\$ 1,630,071	\$ 1,503,383	\$ (126,688)
Utilities	203,927	210,700	6,773
Insurance	156,424	157,284	860
Supplies	92,562	94,100	1,538
Training/Travel	82,525	102,640	20,115
Equipment Repair and Maintenance	26,875	26,875	-
Equipment Leases and Rental	35,233	36,830	1,597
Dues and Memberships	12,430	18,868	6,438
Small Tools and Equipment	52,322	33,000	(19,322)
Postage	7,161	8,400	1,239
Other	34,636	46,950	12,314
Total General Fund Materials & Services	\$ 2,334,166	\$ 2,239,030	\$ (95,136)

Professional fees (including legal and audit expenses) make up approximately 47% of General Fund non-personnel expenditures totaling \$1.5M in FY 2017/18. The most notable change is the planned expenditure in the Community Development Department for professional services relating to Marketing and Promotions (\$240k). Additionally, Caspar Landfill closure monitoring costs will decrease year over year with the liquidation of encumbrances which occurred in FY2016/17 (\$320k). Finally, small tools & equipment will see a year over year decrease related to the FY 2016/17 one-time purchase of equipment for body worn cameras (\$25k). Body Worn Camera costs are expected to be reimbursed with grant funding in FY 2017/18.

CITY OF FORT BRAGG - FY 2017/18
Operating Transfers - All Funds

Fund Type/Name	Transfers In	Transfers Out	Net Transfers
110 General Fund			
Increase Operating Reserve	79,210	(79,210)	
To 407 Glass Beach Stairway/Coastal Trail		\$ (101,013)	
From 710 Wastewater - Transfer prior year storm drain fees	69,369		
From 146 - OJP Bulletproof Vest Partnership	3,517	-	
From 720 - Clean Water Education Fund	1,500		
From 285 - OJ Park Maintenance Fund	3,000		
Total	156,596	(180,223)	(23,627)
120 Parking Permits			
To 121 Parking-in-Lieu - Skunk Depot Parking Lot Lease	-	(8,300)	
Total	-	(8,300)	(8,300)
121 Parking-in-Lieu			
From 120 Parking Permits - Skunk Depot Parking Lot Lease	8,300	-	
Total	8,300	-	8,300
146 - OJP Bulletproof Vest Partnership			
To 110 - General Fund	-	(3,517)	
Total	-	(3,517)	(3,517)
162 CDBG Program Income			
To 315- CDBG 2012 Super NOFA		(33,290)	
Total	-	(33,290)	(33,290)
167 Asset Forfeiture			
To 422 - Police Department Garage		(20,000)	
Total	-	(20,000)	(20,000)
250 Special Sales Tax - Street Repair			
To 405- Crosswalk Rehab		(62,300)	
To 414 - Alley Rehab Project		(750,000)	
From 405 - 2017 project under budget	465,121		
Total	465,121	(812,300)	(347,179)
285 OJ Park Maintenance Fund			
To 110- General Fund		(3,000)	
Total	-	(3,000)	(3,000)
315 CDBG 2014 Super NOFA			
From 162 CDBG Program Income	33,290	-	
To 419 - Bainbridge Park Improvements		(108,290)	
Total	33,290	(108,290)	(75,000)
319 Dept. Water Resources - Summer's Lane			
To 651- Water Enterprise Capital Projects	-	(700,000)	
Total	-	(700,000)	(700,000)
320 State Parks Prop 84			
To 415- Central Coastal Trail & Restoration Project	-	(350,578)	
Total	-	(350,578)	(350,578)
322 CalTrans State Funding			
To 415- Central Coastal Trail & Restoration Project	-	(600,000)	
Total	-	(600,000)	(600,000)
327 State Water Resources Control Board			
To 716- Wastewater Capital Projects	-	(6,000,000)	
Total	-	(6,000,000)	(6,000,000)
329 State Grants			
To 651- Water Capital Projects	-	(205,000)	
Total	-	(205,000)	(205,000)
330 Federal Grants			
To 716- Wastewater Capital Projects	-	(2,520,000)	
Total	-	(2,520,000)	(2,520,000)

CITY OF FORT BRAGG - FY 2016/17
Operating Transfers - All Funds

Fund Type/Name	Transfers In	Transfers Out	Net Transfers
331 CDBG 2016 Super NOFA			
To 651- Water Capital Projects	-	(1,395,349)	
Total	-	(1,395,349)	(1,395,349)
405 Street Resurfacing/ Crosswalk Rehab Projects			
To 250 - Special Sales tax - 2017 project under budget		(465,121)	
From 250 Crosswalk Rehab	62,300		
Total	62,300	(465,121)	(402,821)
407 Glass Beach Stairway/Coastal Trail			
From 110 General Fund	101,013		
Total	101,013	-	101,013
414 Alley Rehab Project			
From 250 Special Sales Tax - Street Repair	750,000		
Total	750,000	-	750,000
415 Central Coastal Trail & Restoration Project			
From 320 State Parks Prop 84	350,578		
From 322 CalTrans State Funding	600,000		
Total	950,578	-	950,578
416 Guest House Rehab Capital Project			
From 520 - Facilities	70,000		
Total	70,000	-	70,000
418 City Hall East Rehabilitation Project			
From 520- Facilities	226,500		
Total	226,500	-	226,500
419 Bainbridge Park Improvments			
From 315 CDBG 2014 Super NOFA	108,290		
Total	108,290	-	108,290
422 Police Department Garage			
From 315 CDBG 2014 Super NOFA	20,000		
Total	20,000	-	20,000
520 Facilities Internal Service Fund			
To 416 - Guest House Rehab Capital Project		(70,000)	
To 418 - City Hall East Rehabilitation Project		(226,500)	
From 530 - Facilities Maintenance Reserve	252,232		
Total	252,232	(296,500)	(44,268)
521 Technology Internal Service Fund			
From 531 - Technology ISF Reserve	17,930		
Total	17,930	-	17,930
522 Fleet Internal Service Fund			
From 532 - Fleet ISF Reserve	4,659		
Total	4,659	-	4,659
530 Facilities Maintenance Reserve Fund			
To 520 - Facilities ISF - spend down reserve		(252,232)	
Total	-	(252,232)	(252,232)
531 Technology ISF Reserve Fund			
To 521 Technology Internal Service Fund - spend down reserve	-	(17,930)	
Total	-	(17,930)	(17,930)
532 Fleet ISF Reserve Fund			
To 522 Fleet Internal Service Fund - spend down reserve		(4,659)	
Total	-	(4,659)	(4,659)

(continued next page)

CITY OF FORT BRAGG - FY 2016/17
Operating Transfers - All Funds

Fund Type/Name	Transfers In	Transfers Out	Net Transfers
610 Water O&M			
To 614- Non-Routine Maintenance		(110,578)	
To 615 - Sweep Excess Fund Balance to Capital Reserve		(551,190)	
Total	-	(661,768)	(661,768)
614 Water Enterprise Non Routine Maintenance			
From 610 Water O&M	110,578		
Total	110,578	-	110,578
615 Water Enterprise Capital Reserve			
To 651 - Water Capital Projects		(1,832,000)	
From 610 - Sweep Excess Fund Balance to Capital Reserve	551,190		
Total	551,190	(1,832,000)	(1,280,810)
651 Water Enterprise Capital Projects			
From 329 State Grants - Pudding Creek Water Main Relocation	205,000		
From 319 Dept. Water Resources - Summer's Lane	700,000		
From 331 CDBG - Water Tank	1,395,349		
From 615 - Summers Lane Reservoir Cover	700,000		
From 615 - Water Treatment Plant Overhaul - Engineering	50,000		
From 615 - Raw Water Line Replacement Engineering - all phases	400,000		
From 615 - Raw Water Line Replacement - Phase II	682,000		
Total	4,132,349	-	4,132,349
710 Wastewater O&M			
To 110 General Fund - Transfer prior years Storm Drain fees		(69,369)	
To 715 - Sweep Excess Fund Balance to Capital Reserve	-	(1,179,664)	
Total	-	(1,249,033)	(1,249,033)
715 WW Enterprise Capital Reserve			
To 716 Wastewater Capital Projects		(2,540,000)	
From 710 - Sweep Excess Fund Balance to Capital Reserve	1,179,664		
Total	1,179,664	(2,540,000)	(1,360,336)
716 WW Capital Projects			
From 327 State Water Resources Control Board - Treatment Plant	6,000,000		
From 330 Federal Grants - Treatment Plant	2,520,000		
From 715 Wastewater Enterprise Capital Reserve - Treatment Plant	2,480,000		
From 715 Wastewater Enterprise Capital Reserve - Sewer Main Rehabilitation	60,000		
Total	11,060,000	-	11,060,000
720 Clean Water Education Fund			
To 110 - Storm Drains Outreach and Education	-	(1,500)	
Total	-	(1,500)	(1,500)
Total Transfers	\$ 20,260,590	\$ (20,260,590)	\$ -

(Concluded)

GENERAL FUND INTERFUND COST REIMBURSEMENT

General Plan Maintenance Fees	\$ 40,000
COPS AB 1913 Allocation	100,000
Asset Forfeiture (Task Force Officer and K-9 costs)	130,000
Highway User's Tax (Gas Tax) - Seasonal street maint. workers	221,089
Construction/Demolition Ordinance Fees (new trash/recycle cans)	5,000
To General Fund	\$ 496,089

COST ALLOCATION PLAN

Fiscal Year 2017/18

INTRODUCTION

Purpose of the Plan

The purpose of the City's Cost Allocation Plan is to identify the total costs of providing specific City services and appropriately allocate these costs to the Departments and or Funds who benefit from the identified services. Why is a separate cost accounting analysis required to do this? Because in almost all organizations—whether in the private or the public sector—the cost of producing goods or delivering services can be classified into two basic categories: direct and indirect costs. Programs that incur only direct costs benefit from the City's administrative structure and therefore should be charged for that support.

"Direct costs" by their nature are usually easy to identify and relate to a specific service. However, this is not the case for "indirect costs." As such, if we want to know the "total cost" of providing a specific service, then we need to develop an approach—a plan—for reasonably allocating indirect costs to direct cost programs.

What Are Direct and Indirect Costs? Direct costs are those that can be specifically identified with a particular cost objective, such as street maintenance, police protection and water service. Indirect costs are not readily identifiable with a direct operating program, but rather, are incurred for a joint purpose that benefits more than one cost objective. Although indirect costs are generally not readily identifiable with direct cost programs, their cost should be included if we want to know the total cost of delivering specific services.

Common examples of indirect costs provided by City departments include: the Finance Department provides accounting and utility billing services, the Administrative Services Department provides legal services and personnel administration and the City's Public Works department provides engineering and building and street maintenance.

Budgeting and Accounting for Indirect Costs. Theoretically, all indirect costs could be directly charged to specific cost objectives; however, practical difficulties generally preclude such an approach for organizational and accounting reasons. As such, almost all organizations separately budget and account for direct and indirect costs depending on their financial reporting needs and the complexity of their operations.

Distributing Indirect Costs. In order to determine the total cost of delivering specific services, some methodology for determining and distributing indirect costs must be developed, and that is the purpose of cost allocation plans: to identify indirect costs and to allocate them to benefiting direct cost programs in a logical, consistent and reasonable manner.

Plan Goal: Reasonable Allocation of Costs. The goal of most Cost Allocation Plans is to provide a clear, consistent and reasonable basis for allocating indirect costs. It is important to stress that the goal of the Cost Allocation Plan is a reasonable allocation of indirect costs, not a "perfect" one. By their very nature, indirect costs are difficult to link with direct costs. As such, in developing an allocation approach, it is important to keep this goal in mind: balancing the cost and effort of complicated allocation methods with the likely benefits from the end results.

INDIRECT COST ALLOCATION STRATEGIES

There are several ways of allocating indirect costs, including:

Internal Service Funds. Many cities allocate costs through formal internal service funds for services like facility maintenance, information technology and fleet maintenance. Typically with this approach, the internal service fund provides services to the organization and charges back departments based on their actual usage of the service at standard per unit billing rates, like a private company would (except the goal is to break even rather than earn a profit). In this case, for the operating programs, indirect costs become direct costs, like they would if they contracted-out for the service.

While this approach can result in added accounting costs to develop internal billing rates and track actual usage, it has the advantage of encouraging more efficient use of internal services by allocating costs based on actual usage, setting aside funds for long-term capital replacement needs and helping measure performance.

As shown in the side bar, the City uses three internal service funds to allocate organization-wide support costs.

Payroll Allocations. Some organizations allocate percentages of key support staff to selected funds through direct payroll allocations, such as 15% of the City Manager to the Water Fund or 20% of the Public Works Director to the Wastewater Fund, with direct cost distributions of non-staffing costs via accounts payable where possible.

While this practice is not uncommon, it has some drawbacks, such as the basis for the percentage allocations. Using this method requires a tracking of staff time by task, which requires a detailed method or program, which can be costly or time consuming.

Direct Cost Allocations. Even where internal service funds are used, cost allocation plans are still often needed in allocating indirect costs to the internal service funds (so their costs reflect the full cost of providing services to the organization) and in allocating other indirect costs not typically recovered through internal service funds, such as city manager, city attorney, city clerk, human resources and accounting. In this case, direct cost are sometimes allocated to indirect cost departments based on a percentage of indirect costs or payroll costs and direct costs.

Combination of the Three. Some agencies use a combination of these three approaches as is the case with the City of Fort Bragg.

City Internal Service Funds

- Facilities Repair and Maintenance
- Technology Maintenance and Replacement
- Fleet and Equipment Services

DETERMINING DIRECT AND INDIRECT COSTS

The first step in preparing the City's Cost Allocation Plan is determining direct and indirect costs. Program costs that primarily provide service to the public are identified as direct costs, whereas the cost of programs that primarily provide services to the organization are identified as indirect costs.

In accordance with generally accepted accounting principles, only operating costs are considered in the determination of indirect costs. As such, capital outlay, debt service, interfund transfers and "pass-through" costs are excluded from the calculations.

The City's indirect costs departments are: City Council, Administrative Services, Finance, Public Works - Administration, Public Works – Corporation Yard and Non-Departmental.

BASES OF ALLOCATION

The City's method of cost allocation is based primarily on the Personnel Staffing Allocation and therefore assumes that all indirect costs are incurred proportionately to the amount of time each staff member spends on direct cost program. However, this may not be a reasonable assumption in all cases, as the benefit received from certain types of support service programs may be more closely related to another indicator of activity than cost.

For example, if a program service is primarily delivered through contract and does not have any City staffing directly associated with it, distributing human resources costs to it may result in an inequitable allocation of costs. Because of this, the City's Cost Allocation Plan firsts allocates indirect personnel costs and then bases the allocation of non-personnel costs on the relationship of total personnel costs (both direct and allocated) so that total personnel effort is reflected in the indirect costs allocations.

Some of these costs lend themselves to an easily justified allocation method, other costs may not be as intuitive; however, the allocation of costs are consistent with generally accepted accounting principles and recognize the concept that the cost of developing the information necessary to perform the cost allocations should not exceed the benefits likely to be gained.

INDIRECT COST ALLOCATIONS

Historically, the City has estimated the percentage of time each staff member spends in each of the direct costs areas and presented this estimate in the City's budget. Personnel costs are allocated based on these allocations. The personnel staffing allocations reflect the City's estimate of the percentage of time each staff member spends working in areas that benefit each of the City's costs centers that receive an allocation from indirect cost departments. These estimates have been determined by the department director based on staffing, anticipated work load and departmental project plans. In future years, the City's project management system in conjunction with the payroll system will provide actual time spent on various activities and projects and may form the basis for determining estimates of time spent in direct cost areas.

Non-personnel costs, such as professional fees, supplies and repairs and maintenance are allocated based on the department's personnel cost percentage applied to the total non-personnel costs to be allocated.

A summary of the indirect cost allocations is presented on the last page of this Plan.

SIMPLE METHOD OF ALLOCATING COSTS

With a sophisticated cost allocation system, the cost of one indirect program would be allocated to the other indirect costs programs and iterative allocations then made to direct cost programs until all indirect costs are distributed. However, this process is extremely time consuming and places a higher level of reliance on the underlying significance of the allocation bases than may be appropriate.

The City has opted to use a "simple method" of cost allocation. In performing the cost allocations, all indirect personnel costs have been allocated first to direct cost programs including the City's internal service funds. Then a secondary allocation is performed to allocate non-personnel costs to direct cost programs. This method is simpler than the multiple iterations employed in a complex system. For example, Administrative Services personnel costs are allocated solely to direct cost programs based on the Personnel Staffing Allocations presented in the budget. However, as Administrative Services also benefits other indirect cost programs such as Finance and Public Works Administration, the cost allocations could appear to be distorted since no allocations are made to them.

Although there are some conceptual difficulties with the simple approach, it has been determined that the cost of preparation, review and audit for a more complex allocation plan is significantly higher than the City's approach and outweighs the corresponding increase in benefit. Again, as noted above, the plan's goal is a reasonable allocation of indirect costs, not a "perfect" one.

USES OF THE COST ALLOCATION PLAN

By identifying total program costs, the Cost Allocation Plan can be used as an analytical tool in many financial decision-making situations, including:

- **Reimbursement of Cost Transfers.** The Cost Allocation Plan identifies the costs incurred by the General Fund in providing administrative support services to the City's other funds such as enterprise operations and special revenue funds. For example, although the City's administrative, legal services, human resources and accounting funds are budgeted and accounted for in the General Fund, these programs provide support services to other City funds. The Cost Allocation Plan provides a clear methodology for determining this level of support and a basis for reimbursing these costs.
- **General Fund User Charges.** Similar to ensuring that enterprise fund revenues fully recover their costs, the Cost Allocation Plan can also be used in determining appropriate user fees for General Fund services, such as planning applications, building permits and recreation activities, to ensure that the full cost of services are considered in setting fees.

PLAN PREPARATION

In a true cost accounting system, indirect costs are computed and allocated on an ongoing basis throughout the fiscal year based on actual costs. However, in municipal finance this would not serve any specific purpose—such as unit price control in a manufacturing company—while consuming significant accounting resources. Accordingly, the City’s Cost Allocation Plan is modified annually based on the current year’s budgeted costs.

This approach works well when significant variances are not expected between the budget and actual costs. However, where large variances are possible, at end of the fiscal year, a “true-up” should be calculated based on actual costs. Any variances (either over or under the Cost Allocation Plan amounts) can then be recorded in the current operating costs.

At the end of each year, the City will assess whether there were any significant variances between budget and actual, and prepare a “true-up” adjustment to reflect such variances. This practice will be initiated with the financial close of FY 2016/17.

SUMMARY

The Cost Allocation Plan helps make a determination of total program costs possible by establishing a reasonable methodology for identifying and allocating indirect costs to direct cost programs. Because of this, the Cost Allocation Plan is a valuable analytical tool for a number of situations, including establishing fees designed for full cost recovery and reimbursing support service costs provided by the General Fund to other funds. The allocation of costs is summarized on the following pages.

FY 2017/18 PERSONNEL STAFFING ALLOCATIONS

Description	Number of Employees	--- Percent of Time Allocated By Fund ---									TOTAL
		General Fund	Fleet Services	IT ISF	Facilities ISF	Streets	Storm Drains	Water Enterprise	Sewer Enterprise		
<u>CITY COUNCIL</u>											
Councilmembers (5)		50.0%				5.0%	0.0%	20.0%	25.0%		100%
<u>ADMINISTRATION</u>											
City Manager	1	60.0%						20.0%	20.0%		100%
Administrative Services Director	1	65.0%		15.0%				10.0%	10.0%		100%
Human Resources Technician	1	70.0%						15.0%	15.0%		100%
City Clerk	1	70.0%						15.0%	15.0%		100%
Administrative Assistant	1	80.0%						10.0%	10.0%		100%
IT Technician	1	0.0%		100.0%							100%
Audi-Visual Tech	0.5			100.0%							100%
<u>TOTAL</u>	<u>6.5</u>										
<u>FINANCE</u>											
Finance Director/City Treasurer	1	36.0%	3.0%	3.0%	3.0%	3.0%	2.0%	25.0%	25.0%		100%
Government Accountant II	1	36.0%	3.0%	3.0%	3.0%	3.0%	2.0%	25.0%	25.0%		100%
Government Accountant I	1	36.0%	3.0%	3.0%	3.0%	3.0%	2.0%	25.0%	25.0%		100%
Finance Technician II	1	15.0%	1.0%	1.0%	1.0%	1.0%	1.0%	40.0%	40.0%		100%
<u>TOTAL</u>	<u>4</u>										
<u>POLICE</u>											
Police Chief	1	100.0%									100%
Lieutenant	1	100.0%									100%
Administrative Coordinator	1	100.0%									100%
Police Sergeant	4	100.0%									100%
Police Officer	10	100.0%									100%
Community Service Officers	3	100.0%									100%
Police Service Technician	2	100.0%									100%
Parking Enforcement Seasonal (1)	Hourly	100.0%									100%
<u>TOTAL</u>	<u>22</u>										
<u>COMMUNITY DEVELOPMENT</u>											
Community Development Director	1	90.0%						5.0%	5.0%		100%
Associate Planner	1	90.0%						5.0%	5.0%		100%
Special Projects Manager	1	100.0%									100%
Grants Assistant	0.5	100.0%									100%
Planning Technician	1	100.0%									100%
<u>TOTAL</u>	<u>4.5</u>										

FY 2017/18 PERSONNEL STAFFING ALLOCATIONS

Description	Number of Employees	--- Percent of Time Allocated By Fund ---								
		General Fund	Fleet Services	IT ISF	Facilities ISF	Streets	Storm Drains	Water Enterprise	Sewer Enterprise	TOTAL
<u>PUBLIC WORKS</u>										
Public Works Director	1	10.0%	5.0%		15.0%	20.0%	5.0%	20.0%	25.0%	100%
Assistant Director of Public Works	1	15.0%	5.0%		10.0%	15.0%	5.0%	20.0%	30.0%	100%
Public Works Project Analyst	1	40.0%				20.0%		20.0%	20.0%	100%
Engineering Technician	1	25.0%				10.0%	10.0%	35.0%	20.0%	100%
Engineering Technician	1	25.0%				20.0%		35.0%	20.0%	100%
Lead Maintenance Worker	1	30.0%			10.0%	15.0%	5.0%	20.0%	20.0%	100%
Maintenance Worker III	1	30.0%				10.0%	5.0%	25.0%	30.0%	100%
Maintenance Worker II	1	30.0%				10.0%	5.0%	25.0%	30.0%	100%
Maintenance Worker II	1	40.0%			15.0%			20.0%	25.0%	100%
Maintenance Worker II	1	25.0%			25.0%			25.0%	25.0%	100%
Maintenance Worker I	1	50.0%						25.0%	25.0%	100%
Maintenance Worker I	1	25.0%			25.0%			25.0%	25.0%	100%
Maintenance Worker I	1	20.0%						40.0%	40.0%	100%
Seasonal Worker Streets (2)	Hourly					100.0%		0.0%		100%
Mechanic	1		100.0%							100%
<u>TOTAL</u>	<u>14</u>									
<u>WATER & WASTEWATER TREATMENT</u>										
Lead Treatment Operator-WCD	1							85.0%	15.0%	100%
Lead Treatment Operator-WW	1							5.0%	95.0%	100%
Treatment Plant Operator II	1							5.0%	95.0%	100%
Treatment Plant Operator II	1							25.0%	75.0%	100%
Treatment Plant Operator II	1							25.0%	75.0%	100%
Treatment Plant Operator II /Electricia	1							25.0%	75.0%	100%
Env. Compliance Coordinator	1							5.0%	95.0%	100%
OIT	1							5.0%	95.0%	100%
Seasonal Worker (1)	Hourly							10.0%	90.0%	100%
<u>TOTAL</u>	<u>8</u>									
TOTAL APPROVED POSITIONS	59.00									

Fund or Department	Fund Personnel Expenditures	Personnel Costs Allocated	Total Personnel Costs Including Salary and Benefit Allocations	% of Personnel Costs	Non-Personnel Costs Allocated	Total Allocations
General Fund	\$ 5,755,035	\$ (1,451,133)	\$ 4,303,901	63%	\$ (400,556)	\$ (1,851,690)
Sub Total General Fund	5,755,035	(1,451,133)	4,303,901	63%	(400,556)	(1,851,690)
Streets		\$ 146,488	146,488	2%	22,961	169,449
Facilities Repair & Maint ISF		112,781	112,781	2%	17,678	130,459
Technology Maint & Replacement ISF	139,219	34,907	174,125	3%	27,293	62,200
Fleet & Equipment Services ISF	90,464	26,319	116,783	2%	18,305	44,624
Water Enterprise		735,097	735,097	11%	115,223	850,320
Wastewater Enterprise	810,854	395,542	1,206,396	18%	189,096	584,638
C. V Starr Center					10,000	10,000
Subtotal Indirect Cost Participants	1,040,536	1,451,133	2,491,670	37%	400,556	1,851,690
Total	\$ 6,795,571	\$ -	\$ 6,795,571	100%	\$ -	\$ -

Indirect Non Personnel General Fund Cost to be Allocated	
City Council	\$ 15,000
Administration	49,158
City Attorney	150,000
Finance	40,564
Public Works Administration	10,200
Public Works Corp Yard	16,650
Non-Departmental *	788,792
	<u>1,070,364</u>
Less Allocation to C.V. Starr Enterprise	10,000
	<u>\$ 1,060,364</u>

* Excludes Transfers, Allocations, Caspar and Community Support

Allocated To	Fleet and Equipment Services	Facilities Repair and Maintenance	Technology Maintenance And Replacement	Total
Police Department	\$ 181,397			
Non-Departmental	18,321			
Public Works: Parks	18,572			
Public Works: Streets	22,622			
Public Works: Storm Drains	15,736			
Public Works: Traffic Safety	<u>6,321</u>			
General Fund	262,969	142,809	176,160	581,938
Water	61,539	48,665	88,080	198,283
Wastewater	103,921	48,665	88,080	240,666
Total	<u>\$ 428,429</u>	<u>\$ 240,139</u>	<u>\$ 352,320</u>	<u>\$ 1,020,887</u>

CITY OF FORT BRAGG - FY 2017/18
Salary/Benefit & Overhead Allocations

Fund Type/Name	Transfers In	Transfers Out
110 General Fund		
From Facilities Maintenance, Salary/Benefit	\$ 112,781	
From Facilities Maintenance, Overhead	17,678	
From Information Technology, Salary/Benefit	34,907	
From Information Technology, Overhead	27,293	
From Fleet Internal Service Fund, Salary/Benefit	26,319	
From Fleet Internal Service Fund, Overhead	18,305	
From Street Repair Capital Project, Salary/Benefit	146,488	
From Street Repair Capital Project, Overhead	22,961	
From Water Enterprise, Salary/Benefit	555,624	
From Water Enterprise, Overhead	115,223	
From Wastewater Enterprise, Salary/Benefit	395,542	
From Wastewater Enterprise, Overhead	189,096	
From Successor Agency, Overhead	146,609	
From C.V. Starr, Overhead	10,000	
Total - General Fund	<u>1,818,826</u>	<u>-</u>
175 Successor Agency		
To General Fund, Overhead		(146,609)
Total - Successor Agency	<u>-</u>	<u>(146,609)</u>
420 Downtown Crosswalk Rehabilitation		
To General Fund, Salary/Benefit		(11,235)
To General Fund, Overhead		(1,761)
Total - Successor Agency	<u>-</u>	<u>(12,996)</u>
414 Alley Rehabilitation		
To General Fund, Salary/Benefit		(135,253)
To General Fund, Overhead		(21,200)
Total - Successor Agency	<u>-</u>	<u>(156,453)</u>
520 Facilities Maintenance		
To General Fund, Salary/Benefit		(112,781)
To General Fund, Overhead		(17,678)
Total - Facilities Maintenance	<u>-</u>	<u>(130,459)</u>
521 Information Technology		
To General Fund, Salary/Benefit		(34,907)
To General Fund, Overhead		(27,293)
Total - Information Technology	<u>-</u>	<u>(62,200)</u>
522 Fleet Internal Service Fund		
To General Fund, Salary/Benefit		(26,319)
To General Fund, Overhead		(18,305)
Total - Fleet Internal Service Fund	<u>-</u>	<u>(44,624)</u>
610 Water Enterprise		
To General Fund, Salary/Benefit		(555,624)
To Wastewater, Salary/Benefit		(179,473)
To General Fund, Overhead		(115,223)
Total - Water Enterprise	<u>-</u>	<u>(850,320)</u>
710 Wastewater Enterprise		
To General Fund, Salary/Benefit		(395,542)
To General Fund, Overhead		(189,096)
From Water, Salary/Benefit	179,473	
Total - Wastewater Enterprise	<u>179,473</u>	<u>(584,638)</u>
810 C.V. Starr Center		
To General Fund, Overhead		(10,000)
Total - C.V. Starr Center	<u>-</u>	<u>(10,000)</u>
Total Allocations	<u>\$ 1,998,299</u>	<u>\$ (1,998,299)</u>

TEN-YEAR AUTHORIZED STAFF POSITION COMPARISON

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
General Government										
Administrative Services	5.00	5.00	4.80	4.80	6.00	6.00	6.00	6.50	6.50	6.50
Finance Department	5.00	5.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Sub-Total	10.00	10.00	8.80	8.80	10.00	10.00	10.00	10.50	10.50	10.50
Public Safety										
Police Department	23.00	23.00	21.00	21.00	21.00	22.00	22.00	22.00	22.00	22.00
Sub-Total	23.00	23.00	21.00	21.00	21.00	22.00	22.00	22.00	22.00	22.00
Community Services										
Community Development	5.75	4.75	3.80	3.80	3.80	4.30	4.00	4.30	4.50	4.50
Public Works	13.00	14.50	12.60	12.60	12.60	13.60	12.60	12.80	12.80	14.00
Enterprise Funds	9.00	8.00	7.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Sub-Total	27.75	27.25	23.40	24.40	24.40	25.90	24.60	25.10	25.30	26.50
Total Authorized Positions	60.75	60.25	53.20	54.20	55.40	57.90	56.60	57.60	57.80	59.00

Note 1: Staffing comparison excludes Seasonal and Temporary positions.

Note 2: FY 2007/08 and FY 2008/09 include an unfilled, but funded, grants-related position in the Community Development Department. The position was moved to Public Works in FY 2009/10.

Note 3: In FY2012/13 an Information Technology Technician position was added to Administrative Services.

Note 4: In FY2013/14, a Community Service Officer position was added to the Police Department; an Operator in Training was added to the Wastewater Enterprise; and a part-time grant-funded Grants Assistant was added to Community Development.

Note 5: FY 2014/15 reflects reclassification of the Housing & Economic Development Coordinator to full time, and deauthorization of a part-time Grants Assistant in Community Development. The Public Works Manager position was eliminated in Public Works.

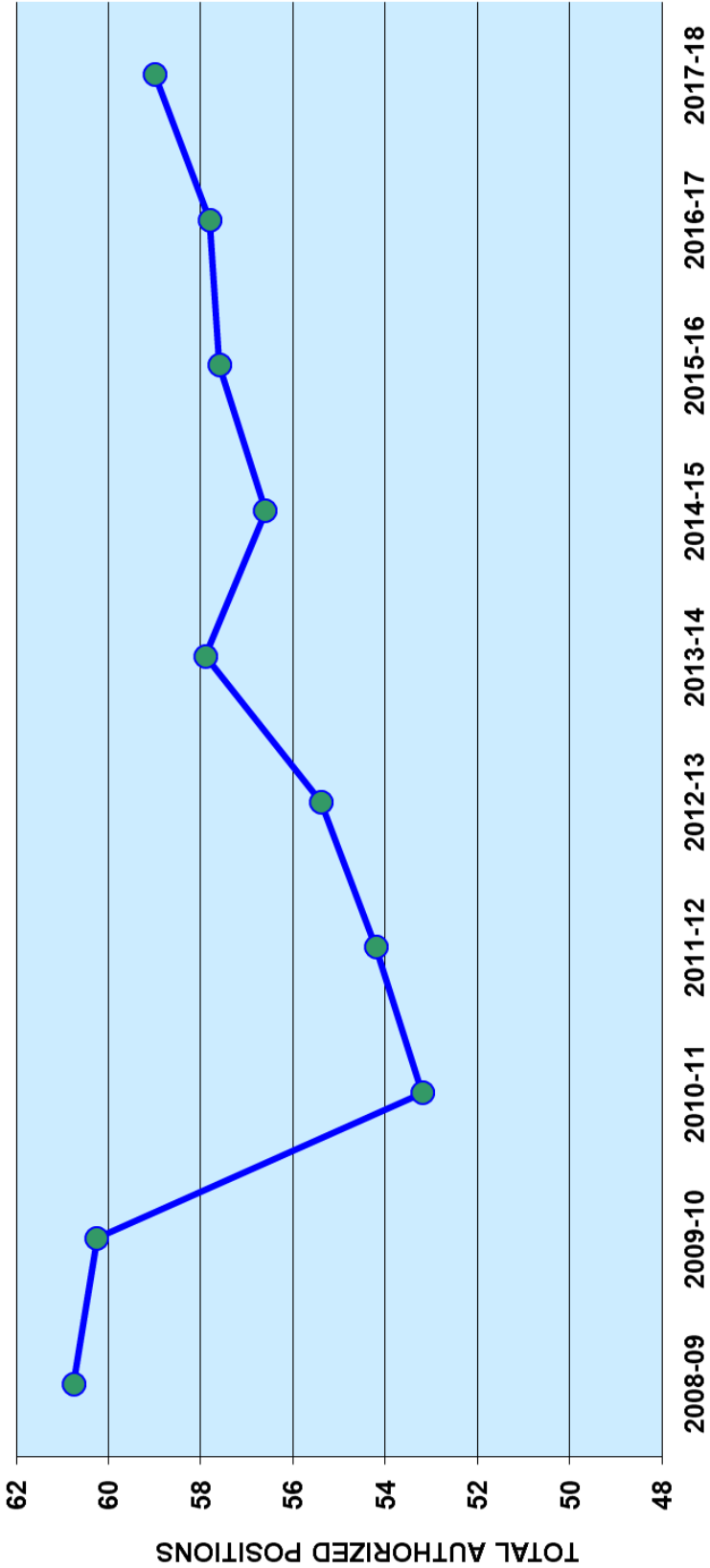
Note 6: FY 2015/16 reflects the authorization of a part-time Grants Assistant in Community Development, a part-time Audio-Visual Tech in Administration and the increase to 80% of the Water Project Coordinator in Public Works. The Associate Planner in Community Development was reduced to 80%.

Note 7: FY 2016/17 reflect reclassification of the Operations Manager to the Assistant Public Works Director

Note 8: FY 2017/18 reflects reclassification of the part time (80%) Water Project Coordinator to a full time Engineering Technician

Note 9: FY 2017/18 reflects the addition of a Public Works Maintenance I position for Noyo Headlands Park maintenance

TEN YEAR AUTHORIZED STAFFING COMPARISON



FY 2016/17 ARTICLE XIIIB APPROPRIATIONS LIMIT

The Appropriations Limit imposed by Proposition 4 and modified by Propositions 98 and 111 creates a restriction on the amount of revenue that can be appropriated in any fiscal year. The Appropriations Limit is based on actual appropriations during FY 1978/79 and is increased each year using the growth of population and inflation. The only revenues that are restricted by the Appropriations Limit are those referred to as "proceeds of taxes." Some examples of taxes are sales tax, property tax, transient occupancy tax and State motor vehicles in lieu tax.

During any fiscal year, a city may not appropriate any proceeds of taxes it receives in excess of its Appropriations Limit. If the city receives excess funds in any one year, it can carry them into the subsequent year to be used if the city falls below its Appropriations Limit in that year. Any excess funds remaining after the second year must be returned to the taxpayers by reducing tax rates or fees. As an alternative, a majority of the voters may approve an "override" to increase the Appropriations Limit. The City of Fort Bragg's budgeted expenditures have always been well below its annual Appropriations Limit.

The factors used are:

- **Population Factor** – At the City's choice, either the annual change in City or County population.
- **Price Factor** – At the City's choice, either the change in California per capita income or increase in non-residential assessed valuation due to new construction.

The formula to be used in calculating the growth rate is:

$$\frac{\% \text{ change in population} + 100.00}{100.00}$$

Multiplied by either

$$\frac{\$ \text{ change in per capita income} + 100.00}{100.00}$$

or

$$\frac{\text{Change in non-residential assessments} + 100.00}{100.00}$$

The resultant rate multiplied by the previous appropriation limit equals the new appropriation limit. In May 2015, the California State Department of Finance notified cities of the population change and the per capital personal income factor to be used to determine the appropriation limit. Using the change in per capita income method, the calculation as applied to the City of Fort Bragg for FY 2016/17 is:

- The population at January 1 of the previous year for the County is .41% and for the City is .84%. The City population change is the greater of the two therefore it is the percentage that will be used.
- The per capita income percentage change is 3.69%.

The factor for determining the year-to-year increase is computed as:

$$\frac{3.69 + 100.00}{100.00} \times \frac{0.84 + 100.00}{100.00} = 1.04561$$

Applying this year's factor to last year's limit of \$9,374,716, the appropriations limit for FY 2017/18 is \$9,374,716. With appropriations subject to the limitation totaling approximately \$5,984,193, the City of Fort Bragg is not at risk of exceeding the Gann Limit.

**City of Fort Bragg Appropriation Limit
Applied to FY 2017/18 Budget**

**City of Fort Bragg Appropriation Limit
Applied to FY 2017/18 Budget**

Proceeds of Taxes**Property & Other Taxes**

Property Taxes	\$	987,176
Sales & Use Taxes, Prop 172 Taxes		1,671,540
Transient Occupancy Taxes		2,604,314
Franchise Taxes		490,000
Transfer Taxes		31,345
Business License Taxes		189,900
Subtotal - Taxes		5,974,275

Proceeds of Non Taxes

Licenses & Permits	99,629
Fines & Forfeitures	36,700
Use of Money & Property (less interest earned)	19,200
Intergovernmental	87,800
Charges for Services	2,749,988
Other Revenues	67,974
Subtotal - Non Taxes	3,061,290

Total Non Taxes & Taxes 9,035,565

Allocate Interest Based on Ratios

Non Taxes (36%)	5,082
Taxes (64%)	9,918
Total Interest	15,000

Total Revenue 9,050,565

FY 2017/18 Appropriations Limit	9,802,296
Less Proceeds of Taxes	5,984,193
Under Maximum Appropriation Limit	\$ 3,818,104