



City of Fort Bragg

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Meeting Minutes Special City Council

*THE FORT BRAGG CITY COUNCIL MEETS CONCURRENTLY
AS THE FORT BRAGG MUNICIPAL IMPROVEMENT DISTRICT
NO. 1 AND THE FORT BRAGG REDEVELOPMENT
SUCCESSOR AGENCY*

Wednesday, May 24, 2017

9:00 AM

Town Hall, 363 N Main Street

Budget Workshop

CALL TO ORDER

Mayor Peters called the meeting to order at 9:04 AM.

ROLL CALL

Present: 5 - Mayor Lindy Peters, Vice Mayor Will Lee, Councilmember Michael Cimolino, Councilmember Bernie Norvell and Councilmember Dave Turner

1. PUBLIC COMMENTS ON SPECIAL MEETING AGENDA

None.

2. CONDUCT OF BUSINESS

- 2A. [17-285](#)** Conduct City Council Workshop to Review Draft Fiscal Year 2017/18 Budget Including General Fund Operating Budget, Water Enterprise Budget, Wastewater Enterprise (Municipal Improvement District No. 1) Budget, and Capital Projects Budget and Provide Direction to Staff

1. Introduction.

City Manager Ruffing provided an introduction to this agenda item, noting that the purpose of this special meeting is to review the draft budget. She stated that bullet point items are matters where staff is seeking council direction. For other items, Council input, suggestions and comments are welcome. Staff will take direction today and prepare a final budget which will be presented to the Council in June. Ruffing thanked Finance Director Damiani and Government Accountant Whippy for all the work they put into the budget this year. New this year: Each department presents program revenues up front, to show revenues brought in to offset expenditures. Biggest issue is the CalPERS premium changes. City premiums are now \$868K. Next year will start a seven-year rollout of phasing in the discount rate change. Premiums will increase 144%. In 2024/25, estimated premiums will go up to \$2.12M; \$1.25M will be needed to offset those costs. Containing expenses and growing revenues is a high priority.

2. Budget Guidelines & Fiscal Policies.

Finance Director Damiani reviewed the budget guidelines, fiscal policies, and the City's investment portfolio.

3. Budget Summary.

Finance Director Damiani said pages 30-31 are the most important of the document, as they show the entire proposed budget. The combined annual budget is \$54.8M. Damiani explained the various components of the budget and talked about revenue trends. He reviewed all fund

revenues by category, noting that sales tax is staying relatively flat but transient occupancy tax (TOT) is expected to increase due to Measure AA which raised the TOT from 10% to 12%. Total projected TOT income is \$2.6M. Property tax is expected to increase 3% in FY 17/18. Service and Program Charges are expected to be the largest revenue source. Revenue is projected at \$9.05M. Director Damiani reviewed expenditures by category. The cost allocation plan and personnel staffing allocation percentages were discussed. Several Councilmembers suggested a meeting to review how the City assigns the percentages to be sure that the allocations accurately reflect the application of indirect personnel costs to each fund. **The Council directed that this matter be referred to the Finance and Administration Committee for review.**

Mayor Peters recessed the meeting at 10:37 AM; the meeting reconvened at 10:42 AM.

The following matters were reviewed under other discussion items: Measures AA & AB, maintenance workers' time allocations, general fund deficit and cost recovery, revenues from grants, establishment of a storm drain enterprise, and establishment of an excise tax rate for retail cannabis businesses. There is currently no revenue stream for storm drain; everything comes out of the general fund. In order to move forward with establishing a storm drain enterprise, a rate study needs to be performed and the public educated on this, a process that could be completed and in place for next year's budget. **The Council directed that a rate study be done.** City Manager Ruffing spoke about establishing an excise tax rate for cannabis businesses, noting that the League of California Cities suggests starting out small. If approved by Council, a range of rates would be set forth on a ballot initiative and voted on in November of 2018 and if passed, the actual rate would be set by resolution. **The Council directed staff to move forward with establishing an excise tax rate for cannabis businesses.**

4. **Operating Budget Detail.**

- a. City Council - *City Manager Ruffing*
- b. Administration - *Administrative Director Schneider*
- c. Finance - *Government Accountant Whippy*
- d. Non-Departmental - *Finance Director Damiani*
- e. Public Safety - *Police Chief Lizaraga*
- f. Community Development - *Associate Planner Perkins; Special Projects Manager Owen*
- g. Tourism/Marketing Promotion - *Special Projects Manager Owen*
- h. Public Works - *Public Works Director Varga*
- i. Internal Services - *Assistant Director of Public Works Smith (Facilities & Fleet); Administrative Services Director Schneider (IT)*
- j. Debt Service - *Government Accountant Whippy*

5. **Supplemental Appropriations.**

The six items on the supplemental appropriations chart were discussed. These items consisted of: (1) Increase part-time Grants Assistant to full-time; (2) Increase part-time AV Tech to full-time; (3) Add part-time Finance Technician I; (4) Outfall rehabilitation; (5) Dump site for vacuum truck; and (6) Skunk Train parking lot rehab. **The Council approved all items except #3, addition of a part-time Finance Technician I.** This item will return to City Council for consideration before the next mid-year budget review.

Mayor Peters recessed the meeting at 12:48 PM; the meeting reconvened at 1:00 PM.

6. **Enterprise Funds.**

- a. Wastewater - *Finance Director Damiani; Assistant Director of Public Works Smith*
- b. Water - *Finance Director Damiani; Assistant Director of Public Works Smith*

Discussion items included:

- Phasing in utility rate increases (to be discussed at a future Council meeting);
- Eliminating CV Starr Community Center gym reserve (to be considered at the May 30, 2017 joint meeting of City Council and Mendocino Coast Recreation & Park District)

Board);

- USDA loan for the Wastewater Treatment Facility (to be considered by Council when funding is assembled); and
- Transferring storm drain revenue from Wastewater to General Fund.

7. **Grants & Special Revenues.**

City Manager Ruffing noted that \$12.5M in grants will be coming into the City next year.

- a. Grants - *Finance Director Damiani*
- b. Special Revenues - *Finance Director Damiani*
- c. Fort Bragg Redevelopment Successor Agency - *Finance Director Damiani*

Discussion items included:

- Glass Beach Staircase. City Manager Ruffing said that some Measure AA funds can be used toward the new staircase, but there is still a gap in funding. The Parkland Monitoring Fund has a balance of \$125K, and the City is seeking direction from Council regarding using \$94K from this fund to supplement the Measure AA funds to pay for the new Glass Beach Stairs. **Council directed that the funds be transferred from the Parkland Monitoring Fund to the Capital Improvement Program (CIP) to be used for the stairs.**

8. **Capital Improvement Program.**

Progress is being made to improve the city's infrastructure with a large CIP. Public Works Director Varga, Assistant Director of Public Works Smith and Project Analyst Prairie summarized the projects included in the CIP. Varga set forth options for demolition or repair of the pool area of the City Hall East building. **Council directed that this item be brought to the full Council to get public input and more definite costs on demolition vs. rehabilitation.**

Public Works Director Varga recommended that expenditures for street and alley rehab be alternated yearly, with alley repair scheduled for one year and street repair the next year. He noted that the Alley Master Plan is about seven years old and should be reviewed and brought current. **Council referred the Alley Master Plan to the Public Works and Facilities Committee for review.**

9. **Wrap-Up.**

City Manager Ruffing summarized the direction received from Council during today's budget workshop:

- a. Add a chart on page 60 of the budget explaining revenue-expense deficit.
- b. Have the Finance & Administration Committee look at cost allocations and particularly the personnel allocations.
- c. Modify the marketing and promotion budget so it does not have a deficit.
- d. Prepare time tracking for the new maintenance worker position funded by the TOT in addition to all maintenance costs out on the Coastal Trail, and provide that information to Council at the mid-year budget review.
- e. Move forward with the steps necessary to put in place a cannabis excise tax.
- f. Move forward with the steps necessary to establish a storm drain enterprise. If funds are needed for a storm drain study, that item may come back to the Council for approval.
- g. Non-departmental, some items may need to be adjusted because of the decision to bring PEG in-house.
- h. Police Department, move body camera project forward to FY 17/18.
- i. Fire Department, modify budget to include the City's contribution to the roof replacement costs.
- j. Staff positions, increase the grants assistant position to full time and the PEG position to full time. Return to Council at mid-year regarding the finance tech, with the possibility of a request for a temporary position to provide extra staffing in the department prior to

the retirement of a key staff member.

- k. Reimburse the fleet for the expenditure on the new street sweeper from D-1 funds.
- l. Council approved phasing in utility rate increases, with one of the approved scheduled rate increases being smoothed over two years, so there will be four more years of rate increases that have been approved through the last rate study. This will be brought back to the Council in the form of a resolution.
- m. Council approved transferring the storm drain revenues that have been put into wastewater to the general fund so they match the expenditures.
- n. Council agreed to fund the gap in funding for the Glass Beach staircase with funds from the Parkland Monitoring special revenue fund.
- o. City Hall East demolition or renovation project will be brought back for a full-fledged discussion at a Council meeting when more information is obtained.
- p. Alternate streets and alleys from one year to the next starting with alleys next year.
- q. Bring forward a list and ordering of alleys based on the Alley Master Plan to the Public Works & Facilities Committee before presenting to the Council.

This Staff Report was referred to staff.

ADJOURNMENT

Mayor Peters adjourned the meeting at 2:29 PM.

LINDY PETERS, MAYOR

June Lemos, CMC, City Clerk

IMAGED (_____)