



CITY OF FORT BRAGG

FY 2017/18 Mid-Year Performance Report
As of December 31, 2017

FY 2017/18 MID-YEAR BUDGET REVIEW

The City of Fort Bragg Mid-Year Performance Report addresses the financial activity during the first two quarters of FY 2017/18. The report focuses on the General Fund and the Water and Wastewater Enterprise Funds. Special Revenue and Capital Project Funds are not included in the City's base operating budget and, therefore, are not detailed in the Mid-Year Performance Report. The C.V. Starr Center Enterprise Fund is addressed in a separate report.

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

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

GENERAL FUND

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

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

FISCAL YEAR 2016/2017 RECAP

Fund Balance; FY2016/17	
Net Position at 07/01/2016	\$ 5,388,494
Revenue	8,210,732
Less Expenditures	(8,597,268)
Net Transfers	(1,895,024)
Fund Balance at 06/30/2017	\$ 3,106,934

Fiscal Year 2016/17 ended with an annual fund balance decrease of \$2.3M. The decrease was primarily due to the correction of prior year cost over allocations. The General Fund continues to maintain an operating reserve of \$1.4M, a litigation reserve of \$200k and \$447k reserved to cover the FY17-18 budget deficit. Unassigned fund balance increased \$180k.

Fund Balance Classification; FY2016/17	
Nonspendable	
Prepays and inventory	\$ 1,143
Advances to other funds	2,871
Committed	
Encumbrances	63,847
Reserves	
Operating reserve	1,423,853
Litigation reserve	200,000
Economic stabilization reserve	-
Emergency contingency reserve	-
Appropriated Fund Balance	447,000
Unassigned fund balance	968,220
Fund Balance at 06/30/2017	\$3,106,934



CITY OF FORT BRAGG

FY 2017/18 Mid-Year Performance Report
As of December 31, 2017

FISCAL YEAR 2017/2018 AS OF 12/31/2017

General Fund **revenues** (excluding transfers) for the first half of FY 2017/18 totaled \$4.4M, representing 48% of the amended annual budget. The projected year-end total is \$9M or approximately \$81k less than budget.

Revenue; FY2017/18 Budget vs. Actual								
Revenue Source:	FY2017 Audited Results	FY2018 Adopted Budget	Pro Rated Budget as of 12/31/2017	Actual Balance as of 12/31/2017	% Variance at mid-year	\$ Variance Actual balance vs Pro Rated Budget	FY2018 Projected Year End	Variance of Projected FYE vs. Adopted Budget
Transient Occupancy Tax	\$ 2,149,404	\$ 2,604,314	\$ 1,302,157	\$ 1,464,945	56%	\$ 162,788	\$ 2,579,074	\$ (25,240)
Sales and Use Tax	1,531,858	1,671,540	835,770	861,680	52%	25,910	1,641,440	(30,100)
Property Tax	1,031,345	1,018,521	509,260	507,765	50%	(1,496)	1,051,976	33,455
Other Taxes	673,736	679,900	339,950	237,896	35%	(102,054)	679,900	-
Sub Total Tax Revenue	5,386,343	5,974,275	2,987,137	3,072,286	51%	85,149	5,952,390	(21,884)
Licenses & Permits	91,339	99,629	49,814	30,397	31%	(19,417)	109,861	10,232
Fines and Forfeitures	30,723	23,500	11,750	17,526	75%	5,776	29,276	5,776
Intergovernmental	9,752	45,500	22,750	4,710	10%	(18,040)	46,500	1,000
Use of Money and Property	53,968	34,200	17,100	31,093	91%	13,993	48,193	13,993
Charges for Services	175,628	221,100	110,550	54,290	25%	(56,260)	161,399	(59,701)
Reimbursements	2,344,789	2,610,857	1,305,428	1,112,693	43%	(192,736)	2,597,676	(13,181)
Other Revenue	194,760	67,974	33,987	15,308	23%	(18,679)	51,051	(16,924)
Total	\$ 8,287,302	\$ 9,077,034	\$ 4,538,517	\$ 4,338,302	48%	\$(200,215)	\$8,996,345	\$ (80,689)

- ❖ Transient Occupancy tax continues to perform well and is projected to end the year at or near budget. This revenue source has the potential to experience some headwind in Q4 with the closing of Abalone season on the North Coast. The magnitude of any effect is not known at this time and efforts by the newly created Promotions department have the potential to offset any negative effect.
- ❖ Although Sales and Use Tax is projected to end the year slightly under budget, year over year an increase of 7% is expected. The year over year increase is tempered somewhat however by a one-time downward adjustment late in fiscal year 2016/17. When the effect of the one-time adjustment is accounted for a year over year increase of 3.5% is expected. With many years of Sales and Use Tax remaining essentially flat, a 3.5% increase is a welcome sign.
- ❖ Charges for Services are expected to end the year under budget by approximately \$60k due to a lower amount of staff time spent on grant related projects. Staff changes in CDD resulted in a full time grant supported position being replaced by a position which is only 1/3 time grant supported and consequently work priorities have shifted to Visit Fort Bragg/Promotions and larger planning projects. Additionally, the City's new grant administrator is billed at a lower rate than the previous grant administrator. The Mill Site Reuse Project, which is grant funded, offsets some of these lost revenues.



CITY OF FORT BRAGG

FY 2017/18 Mid-Year Performance Report As of December 31, 2017

General Fund **expenditures** (excluding transfers) for the first half of FY 2017/18 totaled \$4.6M, representing 48% of the amended annual budget. Appropriations of \$9.49M were adopted for FY 2017/18. Throughout the course of the year, budgeted appropriations have been increased by \$54k resulting in an amended budget of \$9.55M. The projected year-end total is \$9.4M or approximately \$177k less than budget.

Expenditures; FY2017/18 Budget vs. Actual - By Category								
Expenditure By Category:	FY2017 Audited Results	FY2018 Adopted Budget	Budget Amendments	FY2018 Final Budget	YTD Balance as of 12/31/2017	% Variance Budget vs. Actual	FY2018 Projected Year End	Variance of Projected Year End vs. Final Budget
Salaries	\$ 3,545,002	\$ 3,754,348	\$ 9,144	\$ 3,763,492	\$ 1,851,866	49%	\$ 3,876,380	\$ (112,888)
Benefits	2,406,762	2,550,804	-	2,550,804	1,153,027	45%	2,531,299	19,504
Materials & Services	1,974,777	2,264,364	45,256	2,309,620	1,146,647	50%	2,092,981	216,639
Other Expenditures	53,108	135,973	-	135,973	46,115	34%	82,543	53,430
Debt Service	147,569	185,533	-	185,533	74,299	40%	185,533	-
Allocations to Internal Service	470,049	601,333	-	601,333	300,667	50%	601,334	-
Total	\$ 8,597,268	\$ 9,492,354	\$ 54,400	\$ 9,546,755	\$ 4,572,621	48%	\$ 9,370,070	\$ 176,685

Expenditures; FY2017/18 Budget vs. Actual - By Department								
Expenditure By Department:	FY2017 Audited Results	FY2018 Adopted Budget	Budget Amendments	FY2018 Final Budget	YTD Balance as of 12/31/2017	% Variance Budget vs. Actual	FY2018 Projected Year End	Variance of Projected Year End vs. Final Budget
General Government:								
City Council	\$ 141,235	\$ 135,067	\$ -	\$ 135,067	\$ 58,711	43%	\$ 125,854	\$ 9,214
Administrative Services	825,982	858,708	33,177	891,885	475,324	53%	1,027,390	(135,505)
Finance	434,482	499,617	517	500,134	237,818	48%	495,792	4,343
Non-Departmental	796,703	821,851	35,556	857,407	379,680	44%	855,017	2,390
Community Organizations	139,285	150,867	-	150,867	49,590	33%	97,406	53,461
Caspar Closure	171,098	255,743	-	255,743	74,517	29%	255,751	(8)
Community Development:	453,455	768,242	2,440	770,682	292,633	38%	580,434	190,248
Public Safety:								
Police Department	3,478,478	3,680,193	3,718	3,683,911	1,868,805	51%	3,664,844	19,067
Fire Department	387,918	414,890	-	414,890	274,257	66%	406,104	8,786
Public Works:								
Administrative Services	516,782	542,025	1,293	543,318	258,036	47%	531,969	11,348
Parks and Facilities	284,500	172,819	12,700	185,519	88,081	47%	185,519	-
Street Maintenance	132,845	167,721	-	167,721	62,842	37%	162,127	5,594
Storm Drains	26,612	84,148	(35,000)	49,148	16,448	33%	49,956	(808)
Corporation Yard	587,961	696,728	-	696,728	337,500	48%	694,652	2,076
Traffic and Safety	72,361	58,201	-	58,201	24,080	41%	51,722	6,479
Debt Service	147,569	185,533	-	185,533	74,299	40%	185,533	-
Total	\$ 8,597,268	\$ 9,492,354	\$ 54,400	\$ 9,546,755	\$ 4,572,621	48%	\$ 9,370,070	\$ 176,685

- ❖ The recent retirement of the City Manager is expected to cause a year-end budget variance in both the Salaries category and the Administrative Services department. A budget adjustment request will be presented to the Council to address this need.
- ❖ The Materials and Services category is expected to end the year under budget primarily due to the ramp up of the Fort Bragg Tourism Marketing and Promotions department. The ramp up has been slower than expected due to: 1) start up time required to bring consultant Aspen Logan on board and up to speed; 2) time to complete the consultant RFP and selection process for the branding consultant and 3) changes in the scope of work for the branding effort and the need to involve both the Visit Fort



CITY OF FORT BRAGG

FY 2017/18 Mid-Year Performance Report
As of December 31, 2017

Bragg and CDC at each phase of the branding process. Staff is currently engaged in preparing an RFP for a public relations firm to undertake many of the remaining activities in the Action Plan, which will hopefully streamline the process moving forward.

- ❖ Additionally Materials and Services are expected to end the year under budget as the City continues to attempt to resolve prior year invoicing from Mendocino County for animal care service.
- ❖ The Community Organizations Department is expected to end the year under budget due to the Measure AB program for School Playing Fields. To date no specific projects or funds request have been presented to the City by the Fort Bragg Unified School District for use of these appropriated funds.
- ❖ The Community Development department is expected to end the year under budget due to the previously mentioned ramp up of the Fort Bragg Tourism Marketing and Promotions department. Additionally personnel savings are expected due to the recent departmental reorganization.

Projected Fund Balance; FY2017/18	
Net Position at 07/01/2017	\$3,106,934
Revenue	8,996,345
Less Expenditures	(9,370,070)
Net Transfers	(70,515)
Fund Balance at 06/30/2018	\$2,662,694

With projected revenues of \$9M, expenditures of \$9.4M and net transfers out of \$70k, staff projects the general fund to end FY17/18 with a **fund balance** of \$2.7M. This represents a \$444k or 14% decrease over the final audited balance for FY16-17. As can be seen to the right unassigned fund balance at year end is expected to grow to \$971k.

Projected Fund Balance; FY2017/18	
Nonspendable	
Prepays and inventory	\$ 1,143
Advances to other funds	2,871
Committed	
Encumbrances	63,847
Reserves	
Operating reserve	1,423,853
Litigation reserve	200,000
Economic stabilization reserve	-
Emergency contingency reserve	-
Appropriated Fund Balance	-
Unassigned fund balance	970,980
Fund Balance at 06/30/2018	\$2,662,694



CITY OF FORT BRAGG

FY 2017/18 Mid-Year Performance Report
As of December 31, 2017

WATER ENTERPRISE

FISCAL YEAR 2016/2017 RECAP

Fiscal Year 2016/17 ended with an annual **net position** increase of \$2M. The increase was primarily due to the correction of prior year cost over allocations. The Water Enterprise continues to fund all operations, maintain an operating reserve, provide for debt and accumulate funds for infrastructure upgrades, replacements and maintenance. The five year CIP for the Water Enterprise stands at \$8.1M. The Enterprise is well positioned to begin work on many of the projects listed (see page 224 of the FY17-18 budget).

Net Position; FY2016/17		Net Position Categories; FY2016/17	
Net Position at 07/01/2016	\$ 3,806,373	Net investment in capital assets	\$ 2,590,770
Total Revenue	3,319,215	Restricted for debt service	108,064
Total Expense	(2,157,742)	Capital Reserve	2,572,830
Net Transfers	851,638	Emergency reserves	-
Change in net position	2,013,111	Unrestricted	547,820
Net Position at 06/30/2017	\$ 5,819,484	Net Position at 06/30/2017	\$ 5,819,484

FISCAL YEAR 2017/2018 AS OF 12/31/2017

Revenue, Expense & Transfers FY2017/18 Budget vs. Actual						
	FY2017 Audited Results	FY 2018 Final Budget	YTD Balance as of 12/31/2017	% Variance Budget vs. Actual	FY2018 Projected Year End	\$ Variance Budget vs. Projected Year End
Water Enterprise						
Revenue	\$3,319,214	\$ 2,666,748	\$ 1,526,662	57%	\$ 2,968,563	\$ 301,815
Less expenses						
Personnel services	774,709	857,265	428,632	50%	857,265	-
Administration	141,048	158,603	78,733	50%	155,390	3,214
Repairs & maintenance	71,617	153,000	33,193	22%	153,862	(862)
Materials & supplies	145,312	171,922	86,513	50%	169,020	2,902
Utilities	95,988	120,000	65,254	54%	120,000	-
Contractual services	124,976	166,320	89,567	54%	230,154	(63,834)
Insurance	15,948	17,200	7,461	43%	14,470	2,730
Other operating	16,218	14,000	3,683	26%	9,000	5,000
Interest/Debt Service *	123,029	454,378	369,937	81%	454,378	-
Depreciation **	648,897	-	-	0%	322,905	-
Net transfers ; in (out)	851,637	1,954,969	(742,255)	-38%	2,005,711	50,742
Net Revenue/(Expense)	\$2,013,111	\$ 2,509,029	\$ (378,565)		\$ 2,487,831	\$ 301,707

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

** Depreciation Expense is not budgeted and therefore not included in calculation of budget variance

Water Enterprise **revenues** for the first half of FY 2017/18 totaled \$1.5M, representing 57% of the amended annual budget. Revenue from ratepayers is projected to increase 8% on a year-over-year basis. The Enterprise raised rates in FY17-18 by 5%. Additionally a year-over-year comparison of water consumption indicates a 6%



CITY OF FORT BRAGG

FY 2017/18 Mid-Year Performance Report As of December 31, 2017

increase in usage in the first half of the year. The projected year-end total is \$3M or approximately \$302k more than budget.

Water Enterprise **expenses** for the first half of FY2017/18 totaled \$1.2M, representing 55% of the amended annual budget. The projected year-end total is \$2.5M or approximately \$51k more than budget:

- ❖ Contractual Services: Legal Expense related to the dispute with the California Department of Fish and Wildlife regarding the Summer's Lane reservoir are projected to exceed budget by \$60k. A budget adjustment request will be presented to the Council to address this need.

Projected Net Position; FY2017/18	
Net Position at 07/01/2017	\$ 5,819,484
Total Revenue	2,968,563
Total Expense	2,486,443
Net Transfers	2,005,711
Change in net position	2,487,831
Net Position at 06/30/2018	\$ 8,307,315

Projected Net Position Categories; FY2017/18	
Net investment in capital assets	\$ 4,590,770
Restricted for debt service	108,064
Capital Reserve	2,898,934
Emergency reserves	-
Unrestricted	709,547
Net Position at 06/30/2018	\$ 8,307,315

With projected revenues of \$3M, expenditures of \$2.5M and transfers in of \$2M, staff projects the Water enterprise to end FY17/18 with a **net position** of \$8.3M. The Enterprise Capital Reserve is expected to increase \$326k and the unrestricted balance is expected to grow \$162k. Staff will present a FY2018-19 budget with emergency reserves funded for Council consideration.



CITY OF FORT BRAGG

FY 2017/18 Mid-Year Performance Report
As of December 31, 2017

WASTEWATER ENTERPRISE

FISCAL YEAR 2016/2017 RECAP

Fiscal Year 2016/17 ended with an annual **net position** increase of \$2.3M. The increase was primarily due to the correction of prior year cost over allocations. The Wastewater Enterprise continues to fund all operations, maintain an operating reserve, provide for debt and accumulate funds for infrastructure upgrades, replacements and maintenance. The five year CIP for the Wastewater Enterprise stands at \$12.2M. The Enterprise is well positioned to begin work on many of the projects listed (see page 224 of the FY17-18 budget) including the Wastewater Treatment Plant upgrade with a cost of over \$15M.

Net Position; FY2016/17	
Net Position at 07/01/2016	\$ 8,203,285
Total Revenue	3,959,592
Total Expense	(2,847,226)
Net Transfers	1,151,469
Change in net position	2,263,835
Net Position at 06/30/2017	\$ 10,467,120

Net Position Categories; FY2016/17	
Net investment in capital assets	7,410,937
Capital Reserve	2,347,122
Emergency reserves	
Unrestricted	709,061
Net Position at 06/30/2017	\$ 10,467,120

FISCAL YEAR 2017/2018 AS OF 12/31/2017

Revenue, Expense & Transfers FY2017/18 Budget vs. Actual						
	FY2017 Audited Results	FY2018 Final Budget	YTD Balance as of 12/31/2017	% Variance Budget vs. Actual	FY2018 Projected Year End	\$ Variance Budget vs. Projected Year End
Wastewater Enterprise						
Revenue	\$ 3,959,590	\$ 3,364,964	\$ 1,842,213	55%	\$ 3,520,743	\$ 155,779
Less expenses						
Personnel services	1,195,029	1,278,841	636,547	50%	1,268,559	10,282
Administration	277,141	304,873	257,065	84%	304,866	7
Repairs & maintenance	336,602	399,105	114,091	29%	399,176	(71)
Materials & supplies	126,544	206,031	85,309	41%	205,229	803
Utilities	133,565	120,000	72,361	60%	120,000	-
Contractual services	102,528	145,206	89,759	62%	143,528	1,678
Insurance	16,962	17,400	7,433	43%	16,133	1,267
Other operating	3,959	3,000	1,059	35%	-	3,000
Interest/Debt Service *	9,067	61,573	57,915	94%	61,973	(400)
Depreciation**	645,828	-	-	0%	320,000	-
Net transfers ; in (out)	1,151,470	(103,084)	(86,318)	84%	(87,818)	15,266
Net Revenue/(Expense)	\$ 2,263,835	\$ 725,851	\$ 434,357		\$ 593,462	\$ 187,612

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

** Depreciation Expense is not budgeted and therefore not included in calculation of budget variance



CITY OF FORT BRAGG

FY 2017/18 Mid-Year Performance Report
As of December 31, 2017

Wastewater Enterprise **revenues** for the first half of FY 2017/18 totaled \$1.8M, representing 55% of the amended annual budget. Revenue from ratepayers is projected to increase 4% on a year-over-year basis. The Enterprise raised rates in FY17-18 by 3%. Additionally, as discussed with the Water Enterprise, water usage is seen to be increasing year over year. Increased water consumption affects wastewater revenue since wastewater rates are based on average water usage during the winter months. Consumption increased 3% during the winter months of 2016/2017 as compared to the winter months of 2015/2016. The projected year-end total is \$3.5M or approximately \$156k more than budget.

Wastewater Enterprise **expenses** for the first half of FY 2017/18 totaled \$1.3M, representing 52% of the amended annual budget. The projected year-end total is \$2.9M or approximately \$16k less than budget:

Projected Net Position; FY2017/18		Projected Net Position Categories; FY2017/18	
Net Position at 07/01/2017	\$ 10,467,120	Net investment in capital assets	7,410,937
Total Revenue	3,520,743	Capital Reserve	2,676,929
Total Expense	2,839,463	Emergency reserves	-
Net Transfers	(87,818)	Unrestricted	972,716
Change in net position	593,462	Net Position at 06/30/2018	\$ 11,060,582
Net Position at 06/30/2018	\$ 11,060,582		

With projected revenues of \$3.5M, expenditures of \$2.9M and transfers out of \$87k, staff projects the Wastewater enterprise to end FY17/18 with a **net position** of \$11M. The Enterprise Capital Reserve is expected to increase \$329k and the unrestricted balance is expected to grow \$264k.



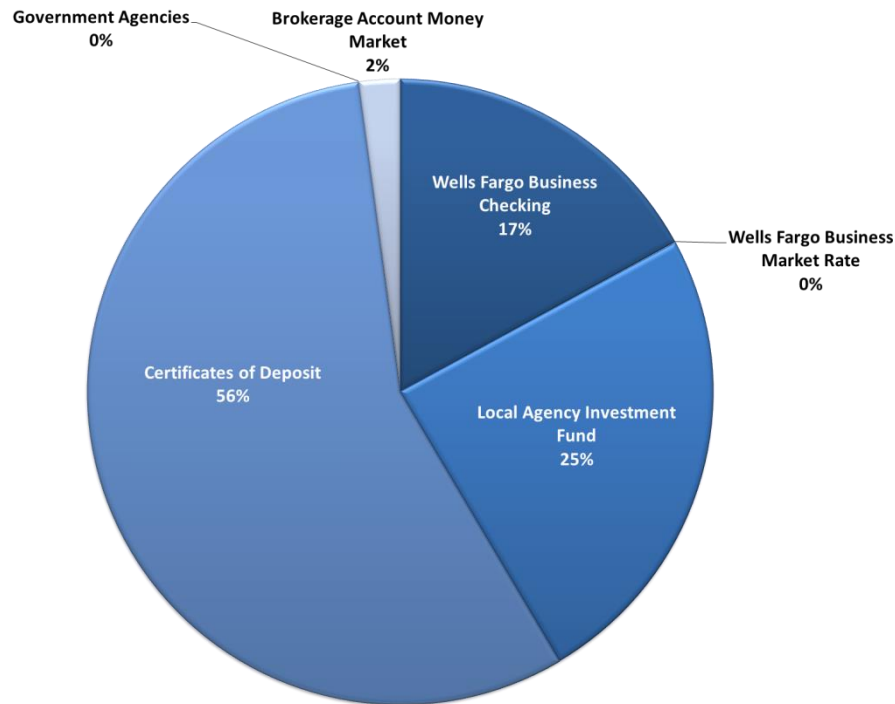
CITY OF FORT BRAGG

FY 2017/18 Mid-Year Performance Report
As of December 31, 2017

TREASURER'S REPORT

The City of Fort Bragg's Fiscal Policies state the following: 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.

As of December 31, 2017 the City's cash and investment portfolio balances at market value are as follows:



City of Fort Bragg Cash and Investment Balances as of 12-31-2017

<u>TYPE</u>	<u>BALANCE</u>
Wells Fargo Business Checking	\$ 2,016,258
Wells Fargo Business Market Rate	6,154
Local Agency Investment Fund	2,888,384
Certificates of Deposit	6,670,474
Government Agencies	-
Brokerage Account Money Market	251,435
Total	<u>\$ 11,832,705</u>

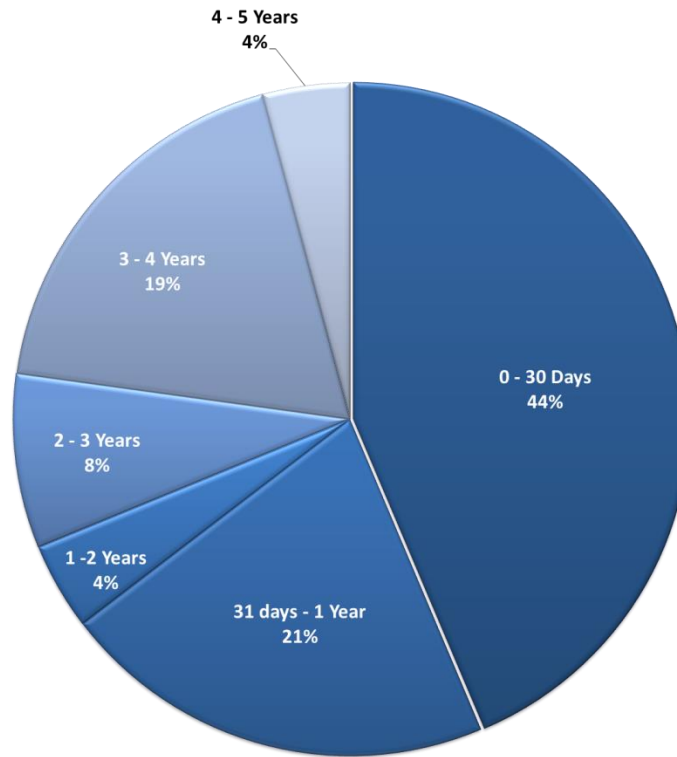
The portfolio is highly safe, consisting primarily of CDs purchased at a maximum of \$250k plus investments in the Local Agency Investment Fund. Cash balances declined in the second quarter by \$2.4M primarily due to two capital projects. The Streets & Alley project paid out \$1.7M in the second quarter, while the Coastal Trail Phase II paid out \$725k. The Coastal Trail project is reimbursable and has been invoiced to the granting agencies with payment expected prior to the end of the fiscal year.



CITY OF FORT BRAGG

FY 2017/18 Mid-Year Performance Report
As of December 31, 2017

As of December 31, 2017 the City's cash and investment portfolio liquidity at market value is as follows:



City of Fort Bragg Cash and Investment Liquidity as of 12-31-2017

AGING INTERVAL	MARKET VALUE	PERCENT OF PORTFOLIO
0 - 30 Days	\$ 5,162,231	43.63%
31 days - 1 Year	2,482,655	20.98%
1 - 2 Years	496,318	4.19%
2 - 3 Years	990,636	8.37%
3 - 4 Years	2,204,865	18.63%
4 - 5 Years	496,000	4.19%
	\$ 11,832,705	100.00%

The portfolio is highly liquid with 44% available within 30 days and 65% available within a year.

FOR MORE INFORMATION

This summary is based on detailed information produced by the City's Finance Department. If you would like additional information or have any questions about this report, please call **707-961-2825**.