

FY 2018-19

# First Quarter Financial Report



City of Fort Bragg

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## First Quarter 2018-2019

The City budget is a comprehensive policy document and spending plan outlining the priorities of the City Council. The original adopted budget for FY 2018-19 was adopted on June 11<sup>th</sup> 2018. It has since been amended to include adjustments brought to the City Council as well as encumbrances from the prior fiscal year.

Some of the highlights of the Budget were:

- Balanced General Fund Operating Budget.
- Funding for a General Fund operating and a litigation reserve was established.
- Focused on the improvements to the City's infrastructure with a \$22.2 million capital improvement program (CIP) budget.
- Internal Service Funds reserves maintained to smooth out annual expenditures.
- \$10.6M in Grant Revenues, including \$9.4M for the wastewater treatment plant upgrade.

The General Fund is the primary operating fund of the City and is used to account for most operating activities. The Enterprise Funds account for the activities of the City's Water, Wastewater and the C.V. Starr Community Center. Financial information for the C.V. Starr Community Center Fund was not available as of the writing of this report but will be presented at the mid-year budget workshop.

On September 30, 2018, the City completed the first quarter of the 2018-19 fiscal year (FY). This report summarizes the City's financial results for the period from July 1, 2018 through September 30, 2018 for the City's General Fund, Water Enterprise and Wastewater Enterprise. It is not meant to be inclusive of all finance and accounting transactions. It is intended only to provide the Council and the public with an overview of the state of the City's general fiscal condition. The report has been prepared by the City's finance department without audit and does not include many of the year-end adjustments required to bring the City's financial records into compliance with generally accepted accounting principles (i.e. accruals of sales and use tax revenues, payroll and other expenditures). Certain additional information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been omitted. It is suggested that this report be read in conjunction with the audited financial statements and notes included in the City's Comprehensive Annual Financial Report as well as the FY 2018-19 Budget.

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**GENERAL FUND**

**BUDGET REVIEW:**

The General Fund's adopted budget for FY 2018-19 is \$9.56M of revenues and expenditures of \$9.54M resulting in a \$19k surplus, while not large, it's the first time in ten years that the city was able to adopt a balanced general fund budget.

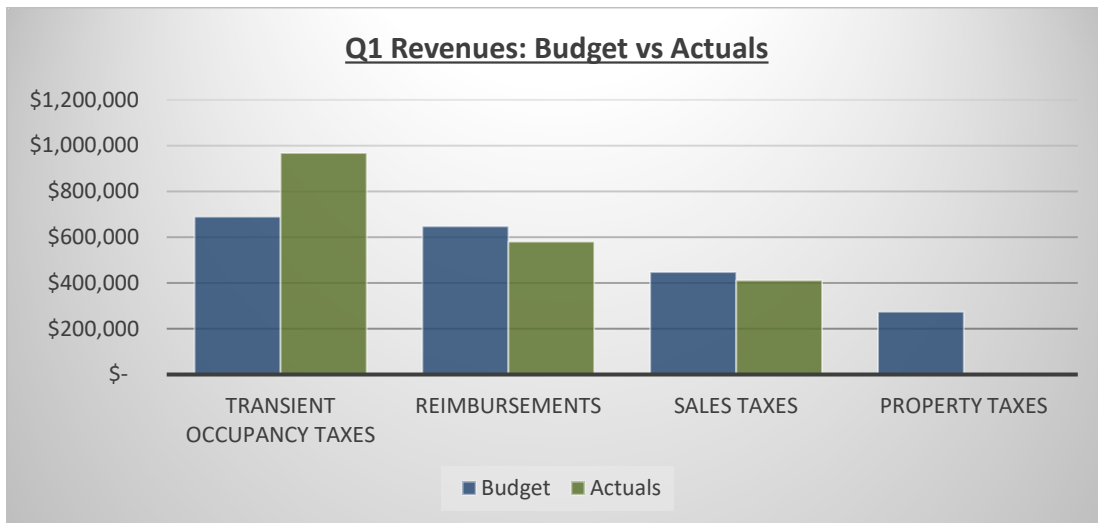
In the first quarter of FY 2018-19, there were no General Fund budget amendments other than Purchase order roll overs from FY 2017-18.

**GENERAL FUND REVENUES:**

First quarter General Fund operating revenues were \$2.2M which represents 24% of the FY 2018-19 General Fund budget. Tax revenues fell slightly short of budget projects at 1% of \$139k due to a large portion of these revenues are received on a monthly or quarterly basis; however, many revenue receipts are dictated by seasonal variations or third party payment schedules.

Additionally, some receipts are simply intermittent or unpredictable. With this variability in mind, it can be useful to look at prior year trends when analyzing first quarter revenues. For example: first quarter General Fund operating revenues were 21% of the FY 2017-18 General Fund budget at the same time last year yet finished the year approximately 1.3% above budget.

<b>Summary of Q1 FY 2018-19 General Fund Operating Results</b>					
<b><u>Revenue by Source</u></b>	<b>FY 18-19 Annual Budget (As amended)</b>	<b>Quarterly Budget</b>	<b>Actual Results</b>	<b>Variance vs. Quarterly Budget</b>	<b>% of Total Budget</b>
Transient Occupancy Taxes	\$ 2,759,609	\$ 689,902	\$ 968,247	\$ 278,345	35%
Reimbursements	2,588,571	647,143	580,569	(66,574)	22%
Sales Taxes	1,792,993	448,248	411,672	(36,576)	23%
Property Taxes	1,095,012	273,753	-	(273,753)	0%
Other Taxes	756,047	189,012	130,055	(58,957)	17%
Use of Money & Property	59,500	14,875	24,629	9,754	41%
Licenses & Permits	114,063	28,516	21,014	(7,502)	18%
Charges for Services	269,500	67,375	29,128	(38,247)	11%
Other Revenues	51,570	12,893	1,768	(11,124)	3%
Fines & Forfeitures	42,500	10,625	27,066	16,441	64%
Intergovernmental	31,000	7,750	56,255	48,505	181%
<b>Total Revenue</b>	<b>\$ 9,560,365</b>	<b>\$ 2,390,091</b>	<b>\$ 2,250,404</b>	<b>\$ (139,687)</b>	<b>24%</b>



Following is a discussion of variances in key revenues:

- Transient Occupancy Tax (TOT) commonly referred to as the “bed”, “hotel” or “room” tax has performed strongly over the last couple of years, up over 35 percent (35%) of total budget in the first quarter and appears to be on track for another strong year. Receipts tend to be the highest in the first and last quarter of each fiscal year primarily due to higher occupancy levels and room rates.

The TOT rate in Fort Bragg is at 12 percent and is considered general revenue. 2 percent of funds have been earmarked for Measure AA/AB activities which promotes Fort Bragg as a vacation destination. See page 7 for more information on Measure AA/AB.

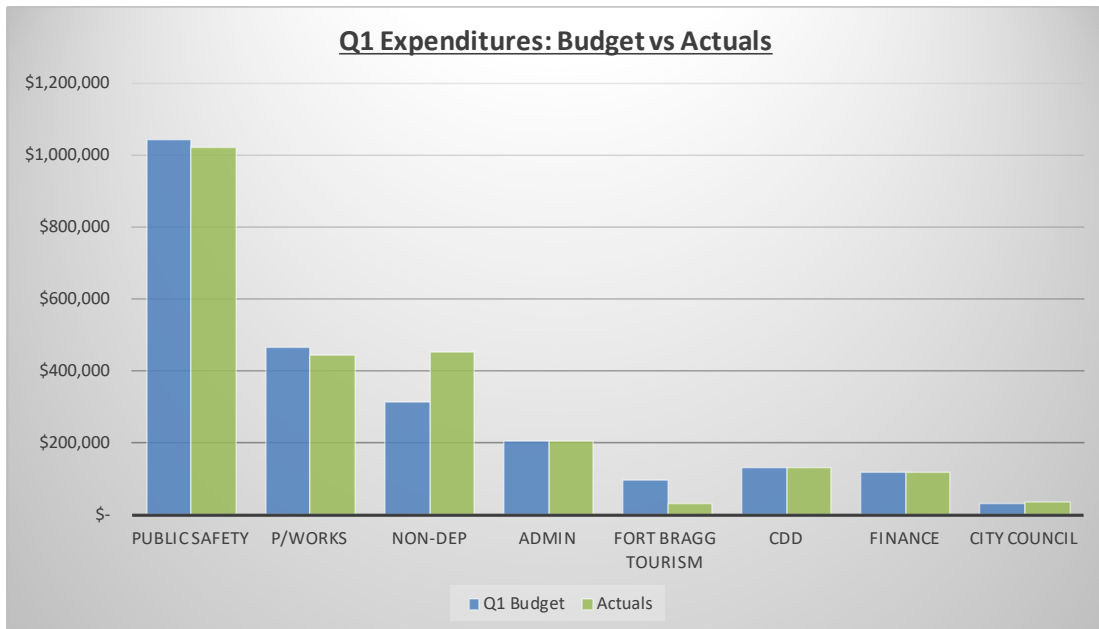
- Reimbursements are at 22% of total budget as of Q1 due to certain inter-fund cost reimbursements that have not been transacted, including general plan maintenance fees (\$12k) , Asset Forfeiture reimbursements (\$13k), and the Gas tax reimbursements (\$67k). Additionally, several budgeted training reimbursements have yet to occur.
- Sales taxes are trending consistent with budget assumptions at 23% of total budget based on preliminary information and receipts received in the first quarter. Sales and Use tax are expected to increase by about 3% in FY 2018-19 to \$1.09M following a 2-3% modest growth trend in the last five years. Continued growth of internet sales have tempered growth in sales and use taxes.
- Property tax receipts for Q1 FY 2018-19 are projected at \$273,753 with overall revenue expected to increase by 4.2% to \$1.09M. Due to the timing of Property tax receipts which are received in large parts during the months of December to April, actuals for the first quarter are at 0%.

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**GENERAL FUND EXPENDITURES:**

As shown in the table below, expenditures were generally on target for the first quarter of the year at 25% of total budget. Compared to previous year, first quarter General Fund expenditures were also at 25% of total budget.

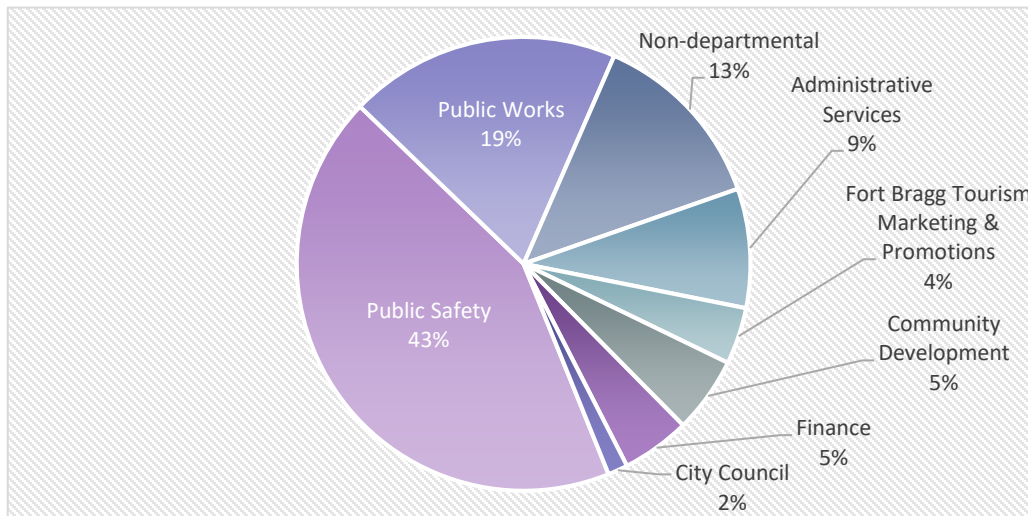
Summary of Q1 FY 2018-19 General Fund Operating Results					
<u>Expenditure by Department</u>	<b>FY 18-19 Annual Budget (As amended)</b>	<b>Quarterly Budget</b>	<b>Actual Results</b>	<b>Variance vs. Quarterly Budget</b>	<b>% of Total Budget</b>
Public Safety	\$ 4,179,098	\$ 1,044,774	\$ 1,023,161	\$ 21,613	24%
Public Works	1,868,296	467,074	443,684	23,390	24%
Non-departmental	1,264,170	316,042	454,467	(138,425)	36%
Administrative Services	819,906	204,977	206,027	(1,051)	25%
Fort Bragg Tourism Marketing & Promotion	390,527	97,632	32,907	64,725	8%
Community Development	522,231	130,558	132,766	(2,209)	25%
Finance	471,032	117,758	118,118	(359)	25%
City Council	136,534	34,134	36,709	(2,575)	27%
<b>Total Expenditure</b>	<b>\$ 9,651,795</b>	<b>\$ 2,412,949</b>	<b>\$ 2,447,840</b>	<b>\$ (34,891)</b>	<b>25%</b>
<b>Net Revenue /(Expenditure)</b>	<b>\$ (91,431)</b>	<b>\$ (22,858)</b>	<b>\$ (197,435)</b>	<b>\$ (104,796)</b>	<b>216%</b>



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Following is a discussion of variances in key expenditures for Q1 FY 2018-19:

- Public Safety is showing a positive variance of \$22k for the quarter. The variance is caused in part by savings from the unfilled positions in the department. While this may be a positive variance for the budget it does put strain on the current workforce to cover these unfilled positions.
- Public Works has a positive variance of \$23k caused in part by the nature of payments and repairs scheduling to be undertaken later in the year such as storm drain repairs, a storm drain rate study, general supplies and maintenance.
- Fort Bragg Tourism & Marketing also shows a positive variance of \$64k for the quarter related to timing of service contracts which were signed and invoiced in Q2. These service contracts include Cubic, 360viewPR and Playhouse creations.
- Non-Departmental has a negative variance of \$138k due to the nature of REMIF liability payments (\$103k) and LAFCO (\$15k) dues that are paid annually in Q1.



The graph illustrates the General Fund Budget appropriation by department.

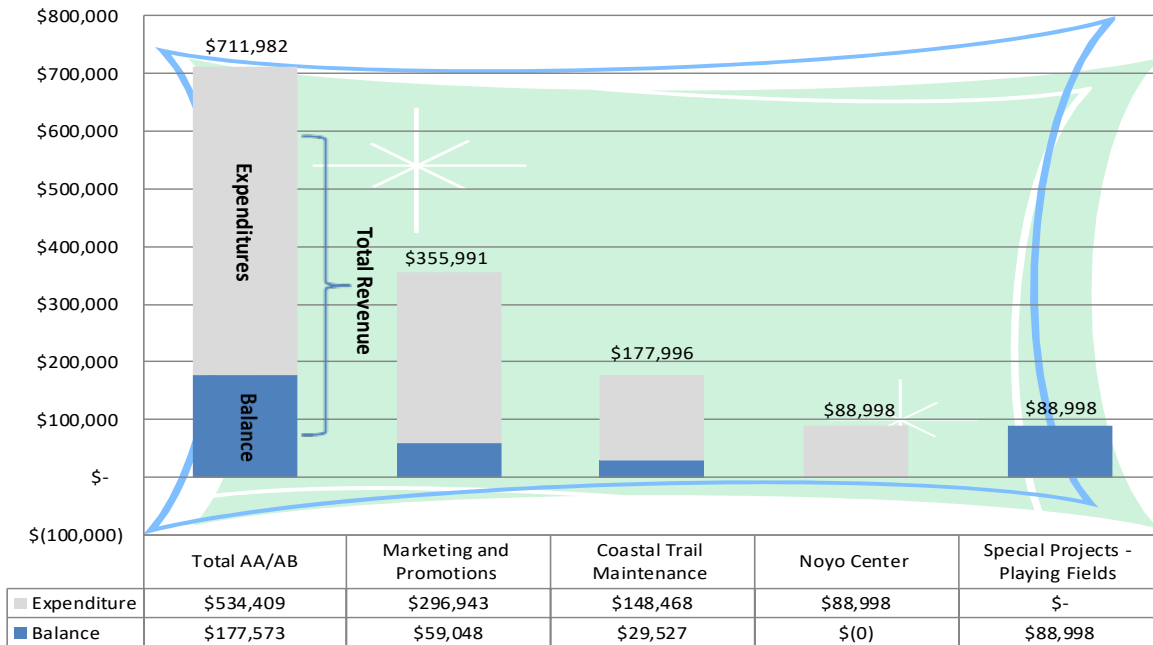
## GENERAL FUND NET RESULTS:

Overall, the first quarter showed expenditures of \$2.4M which is 25% of the annual budget outpacing revenues of \$2.25M by \$197k. As the year progresses it is likely that revenues will “catch up” to expenditures.

Most departments and activities are on pace or under budget estimates.

**MEASURE AA/AB:**

**Measure AA/AB Financial Results  
As of 09-30-2018**



In November 2016, the voters of Fort Bragg passed Measure AA which increased the City's TOT rate from 10% to 12%. The new rate became effective April 1, 2017. The chart above illustrates the amount of tax collected so far. The chart also illustrates amounts spent thus far and balances remaining both in total and for each of the four program areas earmarked for the revenue.

Total tax collected is \$853k. Expenditures including encumbrances equals \$534k leaving a balance of \$178k.

**Marketing and Promotions:** This program is earmarked for 50% of total Measure AA tax collected. Thus far, expenditures including encumbrances are \$296k leaving a balance of \$59k. Based on projected revenue for the year, the Marketing and Promotions division of the Administration Department received approval for \$275k of appropriations in the FY 2018-19 budget. As the program ramps up through the year, expenditures are expected to increase significantly.

**Coastal Trail Maintenance:** This program is earmarked for 25% of total Measure AA tax collected. In the first quarter of FY 2018-19, \$41k has been expended on maintenance costs of the trail. Based on projected revenue for the year, the Coastal Trail Maintenance program received approval for \$131k of appropriations.

**Noyo Center for Marine Science:** This program is earmarked for 12.5% of total Measure AA tax collected. In the first quarter of FY 2018-19, \$20,172 has been granted to the Noyo Center. Based on projected revenue for the year, the Noyo Center program area received approval for \$54k of appropriations. Collected taxes will continue to be granted to the Noyo Center on a quarterly basis.

**Special Projects – School Playing Fields:** The program is earmarked for 12.5% of total Measure AA tax collected. To date, no specific projects or funds request have been approved by the City council. Based on projected revenue for the year, the School Playing Fields program area received approval for \$54k of appropriations.



**WATER ENTERPRISE**

**BUDGET REVIEW:**

The Water Enterprise adopted a \$513k surplus budget for FY 2018-19. There were no budget amendments adopted in the first quarter of the year other than Purchase order roll overs from FY 2017-18.

<b>Summary of FY 2018-19 Q1 Water Enterprise Operating Results</b>					
<b>Revenue by Source</b>	<b>FY 18-19 Annual Budget (As amended)</b>	<b>Quarterly Budget</b>	<b>Actual Results</b>	<b>Variance vs. Quarterly Budget</b>	<b>% of Total Budget</b>
Charges for Services	\$ 3,045,568	\$ 761,392	\$ 1,088,851	\$ 327,459	36%
Other Revenue	37,721	9,430	15,820	6,389	42%
<b>Total Revenue</b>	<b>\$ 3,083,289</b>	<b>\$ 770,822</b>	<b>\$ 1,104,671</b>	<b>\$ 333,848</b>	<b>36%</b>
<b>Expenditure by Category</b>					
Debt Service	\$ 451,796	\$ 112,949	\$ 318,590	\$ (205,641)	71%
Personnel services	813,356	203,339	203,339	(0)	25%
Administration	283,859	70,964.69	69,466	1,499	24%
Contractual services	130,860	32,715	19,802	12,913	15%
Materials & supplies	177,382	44,346	40,823	3,522	23%
Utilities	130,000	32,500	25,100	7,400	19%
Repairs & maintenance	183,748	45,937	7,370	38,567	4%
Insurance	16,000	4,000	7,323	(3,323)	46%
Other operating	14,500	3,625	858	2,767	6%
<b>Total Expenditure</b>	<b>\$ 2,201,501</b>	<b>\$ 550,375</b>	<b>\$ 692,671</b>	<b>\$ (142,296)</b>	<b>31%</b>
<b>Net Revenue /(Expenditure)</b>	<b>\$ 881,788</b>	<b>\$ 220,447</b>	<b>\$ 412,000</b>	<b>\$ 191,552</b>	<b>47%</b>

Following is a discussion of key variances:

**REVENUE:**

Revenues for the Water Enterprise Fund are primarily received in the form of rates charged to customers. Charges for services are trending positively due to the 5% rate increase that went into effect July 1, 2018. Water revenues are higher during Q1 of each year due to seasonality.

By comparison, first quarter operating revenues were 31% of the FY 2017-18 budget at the same time last year and total projected revenue is budgeted to increase by 5% in FY 2018-19 to \$3.08M from \$2.9M in FY 2017-18.

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## WATER EXPENDITURES:

The Water Enterprise FY 2018-19 first quarter expenditures total \$693K or 31% of the annual budget.

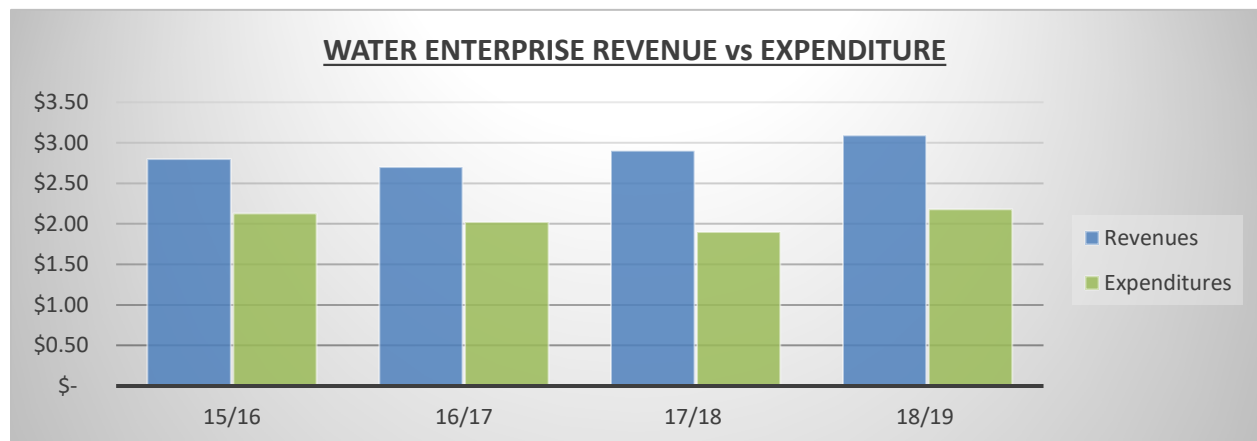
- Debt Service expenditures are at 71% of budget due to the semi-annual nature of debt payments.
- Repairs & Maintenance are at 4% below budget due to project scheduling. Projects budgeted but not yet begun for FY 2018-19 include equipment replacements, pumps and controls, water treatment unit and electrical parts.
- Contractual services are also under budget in Q1 by 15% due to the nature of invoices received.

## NET RESULTS:

Revenues exceed expenditures by almost \$412k and are up 28% from previous FY. This is due primarily to the four year schedule of rate increases approved by council in June 2014, projects scheduling and nature of invoices received have also contributed to the positive variance.

Through the collection of fees and charges, the fund should collect revenues sufficient to finance costs associated with administration, operations, capital improvements (CIP), and debt service.

Overall, the fund has performed well over the last couple of years (see graph below). Excess fund balance in the Water Enterprise are accumulated to fund an operating reserve and for capital infrastructure improvements and replacements.



**WASTEWATER ENTERPRISE**

**BUDGET REVIEW:**

The Wastewater Enterprise adopted a \$1.04M surplus budget for FY 2018-19. Prior year encumbrances were rolled forward in the amount of \$415k.

**REVENUES:**

The Wastewater Enterprise FY 2018-19 first quarter revenues total \$1.3M or 36% of the annual budget. The Wastewater Enterprise increased rates by 3% beginning July 1, 2018. By comparison, operating revenues were 28% of the FY 2017-18 budget at the same time last year.

As noted previously, water consumption is higher in Q1 of each year due to seasonality, consequentially, wastewater revenues are higher.

<b>Summary of FY 2018-19 Q1 Wastewater Enterprise Operating Results</b>					
<b>Revenue by Source</b>	<b>FY 18-19 Annual Budget (As amended)</b>	<b>Quarterly Budget</b>	<b>Actual Results</b>	<b>Variance vs. Quarterly Budget</b>	<b>% of Total Budget</b>
Charges for Services	\$ 3,521,411	\$ 880,352.76	\$ 1,296,081	\$ 415,728	37%
Other Revenue	63,319	15,830	6,654	(9,176)	11%
<b>Total Revenue</b>	<b>\$ 3,584,730</b>	<b>\$ 896,183</b>	<b>\$ 1,302,734</b>	<b>\$ 406,552</b>	<b>36%</b>
<b>Expenditure by Category</b>					
Debt Service	\$ 58,658	\$ 14,665	\$ 56,457	\$ (41,793)	96%
Personnel services	1,327,771	331,943	285,238	46,705	21%
Administration	286,207	71,552	68,469	3,083	24%
Contractual services	248,975	62,244	50,915	11,329	20%
Materials & supplies	241,329	60,332	52,716	7,617	22%
Utilities	130,000	32,500	28,324	4,176	22%
Repairs & maintenance	351,815	87,954	59,799	28,154	17%
Insurance	19,000	4,750	7,089	(2,339)	37%
Other operating	3,000	750	-	750	0%
<b>Total Expenditure</b>	<b>\$ 2,666,756</b>	<b>\$ 666,689</b>	<b>\$ 609,006</b>	<b>\$ 57,683</b>	<b>23%</b>
<b>Net Revenue /(Expenditure)</b>	<b>\$ 917,974</b>	<b>\$ 229,493</b>	<b>\$ 693,728</b>	<b>\$ 464,235</b>	<b>76%</b>

**EXPENDITURES:**

Expenditures are in line with the budget. The Wastewater Enterprise FY 2018-19 first quarter expenditures total \$609k or 23% of the annual budget.

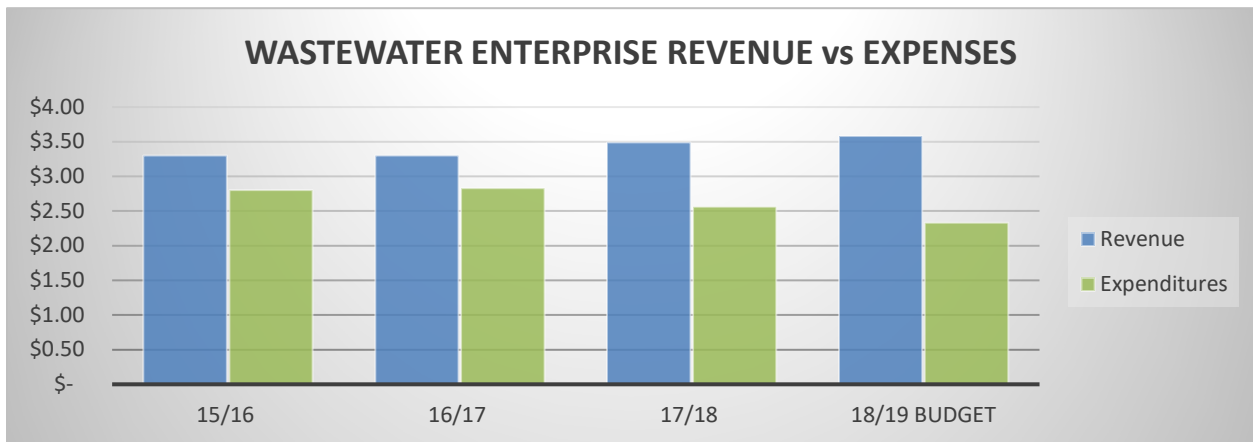
Some of the key variances in Q1 FY 2018-19:

- Debt Service expenditures are at 96% of budget due to the semi-annual nature of debt payments.
- Repairs & Maintenance are at 17% below budget due to project scheduling. Projects budgeted are in progress or not yet begun for FY 2018-19 include electrical maintenance, pump repairs, lift station replacement fittings, small projects and improvements.

**NET RESULTS:**

The first quarter showed net revenues of \$694k. Excess fund balance in the Wastewater Enterprise are accumulated to fund an operating reserve and for capital infrastructure improvements and replacements such as the WW Treatment facility upgrade.

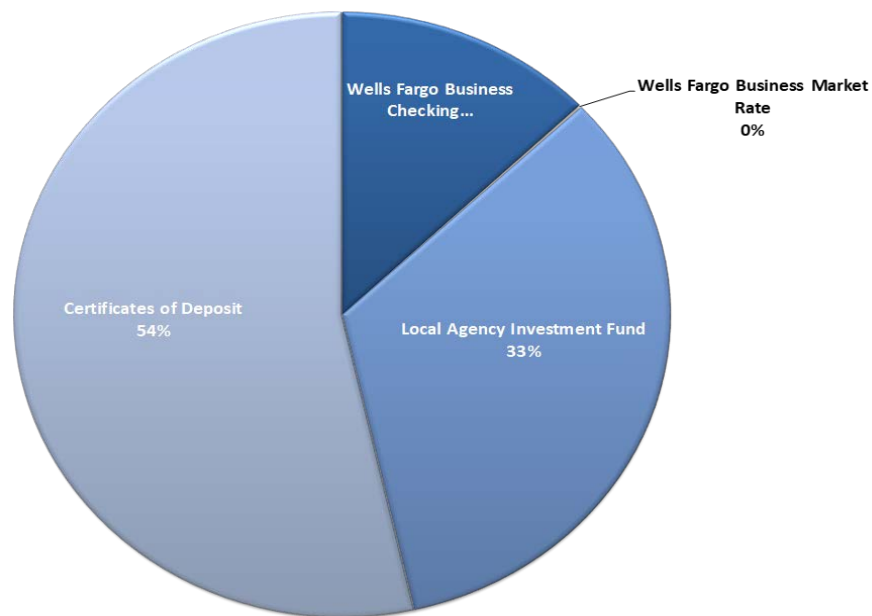
Overall, the fund has performed well over the last couple of years with revenues outpacing



**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 September 30, 2018 the City's cash and investment portfolio balances at market value are as follows:



City of Fort Bragg Cash and Investment Balances as of 9-30-2018

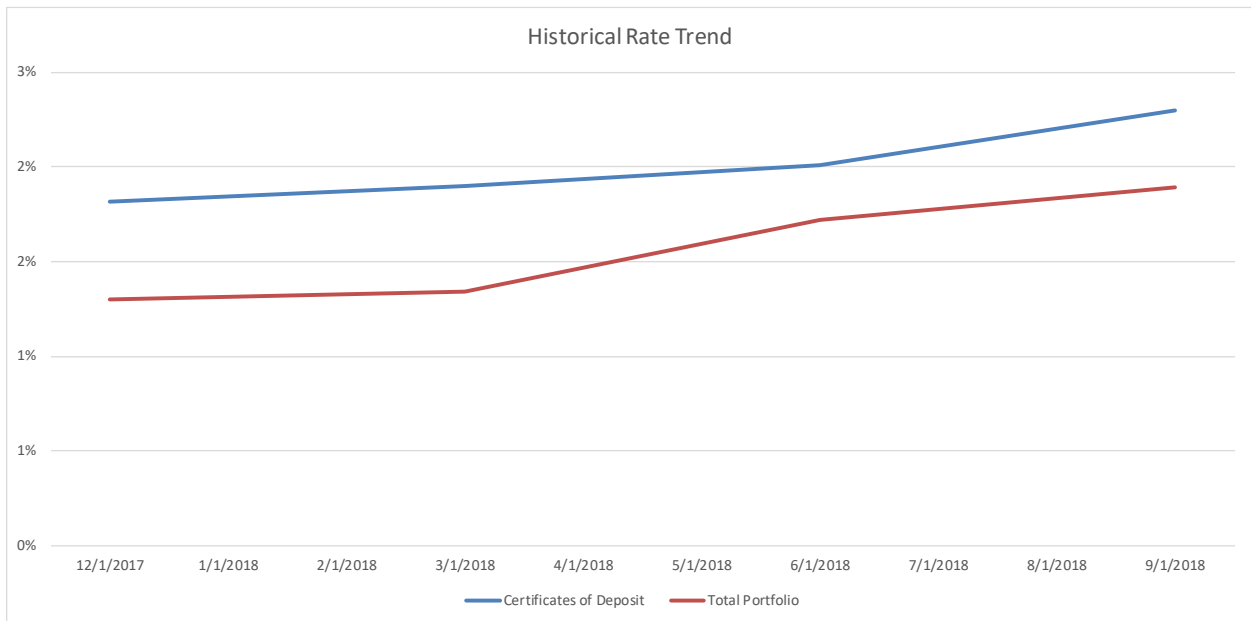
<u>TYPE</u>	<u>BALANCE</u>	<u>INTEREST RATE</u>
Wells Fargo Business Checking	\$ 1,812,928	0.6%*
Wells Fargo Business Market Rate	19,524	0.1%
Local Agency Investment Fund	4,733,306	1.75%
Certificates of Deposit	7,563,687	2.3%**
<b>Total</b>	<b>14,129,445</b>	

\*Earnings Allowance, \*\* Weighted Average

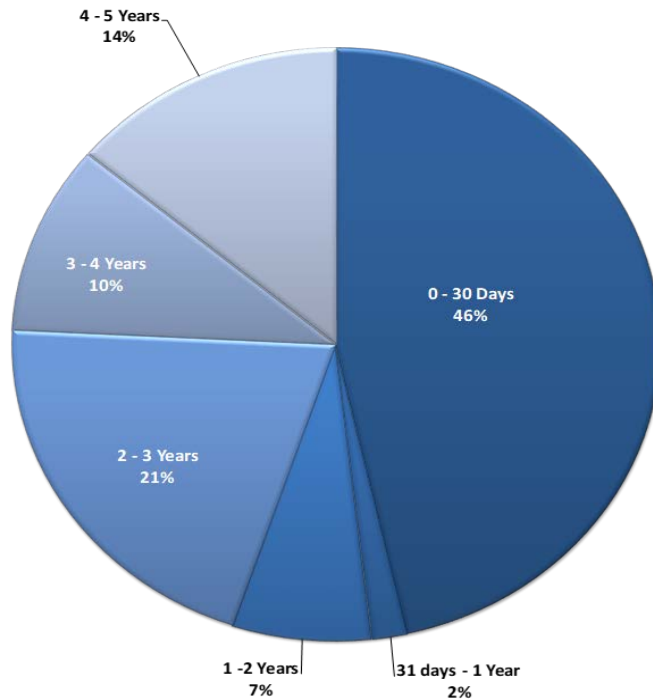
The portfolio is highly safe, consisting primarily of CDs purchased at a maximum of \$250k plus investments in the Local Agency Investment Fund. The weighted average rate of return on CDs held is 2.3%. The weighted average rate of return on the entire portfolio is 1.89%.

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Investment interest earned for the first quarter of FY 2018-19 was approximately \$18k. On an annualized basis the earnings rate is approximately 0.7%. Although interest rates have started to climb slightly, the City has yet to see any significant effect.



The City's cash and investment portfolio liquidity at market value is as follows:



City of Fort Bragg Cash and Investment Liquidity as of 9-30-2018

**PORTFOLIO LIQUIDITY AS OF SEPT 30, 2018**

<b><u>AGING INTERVAL</u></b>	<b><u>MARKET VALUE</u></b>	<b><u>PERCENT OF PORTFOLIO</u></b>
0 - 30 Days	\$ 6,565,758	46.47%
31 days - 1 Year	246,536	1.74%
1 - 2 Years	978,772	6.93%
2 - 3 Years	2,916,194	20.64%
3 - 4 Years	1,459,661	10.33%
4 - 5 Years	1,962,524	13.89%
	<u>\$ 14,129,445</u>	100.00%

The portfolio is highly liquid with 46% available within 30 days, 9% available within 2 years and 45% between 3-5 years.

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<b>Holding</b>	<b>Par Value</b>	<b>Market Value</b>	<b>Interest Rate</b>	<b>Maturity Date</b>
Signal Financial Credit Union	248,000	246,536	2.00%	02/12/19
Morgan Stanley Bank	248,000	246,661	2.10%	12/23/19
Ameican Express Centurion Bank	248,000	244,025	2.10%	06/03/20
Family Financial Credit Union	248,000	248,000	2.90%	08/28/20
Capital One NA	248,000	240,086	1.40%	09/21/20
Discover Bank	248,000	242,807	1.80%	11/30/20
Aneca FCU	248,000	242,311	1.75%	12/23/20
Sallie Mae Bank	247,000	244,794	2.30%	01/19/21
HSBC Bank	248,000	247,449	1.30%	03/10/21
East Boston Savings	249,000	243,602	1.90%	03/29/21
Wells Fargo Bank	249,000	240,815	1.75%	06/17/21
Mercantil Commercebank	248,000	239,811	1.65%	06/24/21
GMATBK	246,000	246,000	3.00%	08/16/21
GELCRD	249,000	249,000	3.10%	08/16/21
Connex CU	248,000	238,097	1.60%	08/26/21
Ever Bank	248,000	238,670	1.55%	09/16/21
Stearns Bank NA	249,000	242,837	1.95%	09/29/21
Synchrony Bank	248,000	237,616	1.75%	10/21/21
Peoples United Bank NA	248,000	242,068	2.05%	01/18/22
Third Fed Savings	247,000	242,569	2.25%	03/21/22
BMW Bank	246,000	246,000	2.80%	04/13/22
ADS	249,000	249,000	3.15%	08/15/22
Farmers State Bank Ind	247,000	242,408	2.35%	09/19/22
Mountain America Fed Credit Union	249,000	244,446	2.40%	11/30/22
American Express BK	247,000	242,712	2.50%	12/05/22
Knoxville TVA	249,000	244,077	2.40%	01/26/23
Belmont Savings Bank	248,000	246,289	2.70%	02/28/23
Citibank	246,000	246,000	2.90%	04/11/23
First Tech Federal Credit Union	248,000	248,000	3.25%	06/14/23
GS	245,000	245,000	3.35%	08/15/23
Jefferson Financial Credit Union	246,000	246,000	3.35%	10/19/23
<b>Total Certificates of Deposit</b>	<b>7,680,000</b>	<b>7,563,687</b>		

**FOR MORE INFORMATION**

This report is prepared by the City's Finance Department and is a financial summary based on detailed information produced by its financial system. If you would like additional information or have any questions about this report, please call the Finance Department at (707) 961-2825.