

# City Council Budget Work Session

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OVERVIEW AND OUTLOOK

MAY 24, 2019

The only purpose of economic forecasts is to  
make astrology look respectable

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*JOHN KENNETH GALBRAITH*

# FY 2019-20 Proposed Budget

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1. Economic Outlook
  - National, State and Local Look
2. Budget Highlights
  - New Cost Allocation Plan
  - Sales Tax Update
  - TOT Tax Update
  - Reserves – Recession Reserves?
3. Tight Budget – especially the General Fund
  - No additional funds allocated for City Council Priorities

# National Outlook

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U.S. – China Trade Talks end without a deal

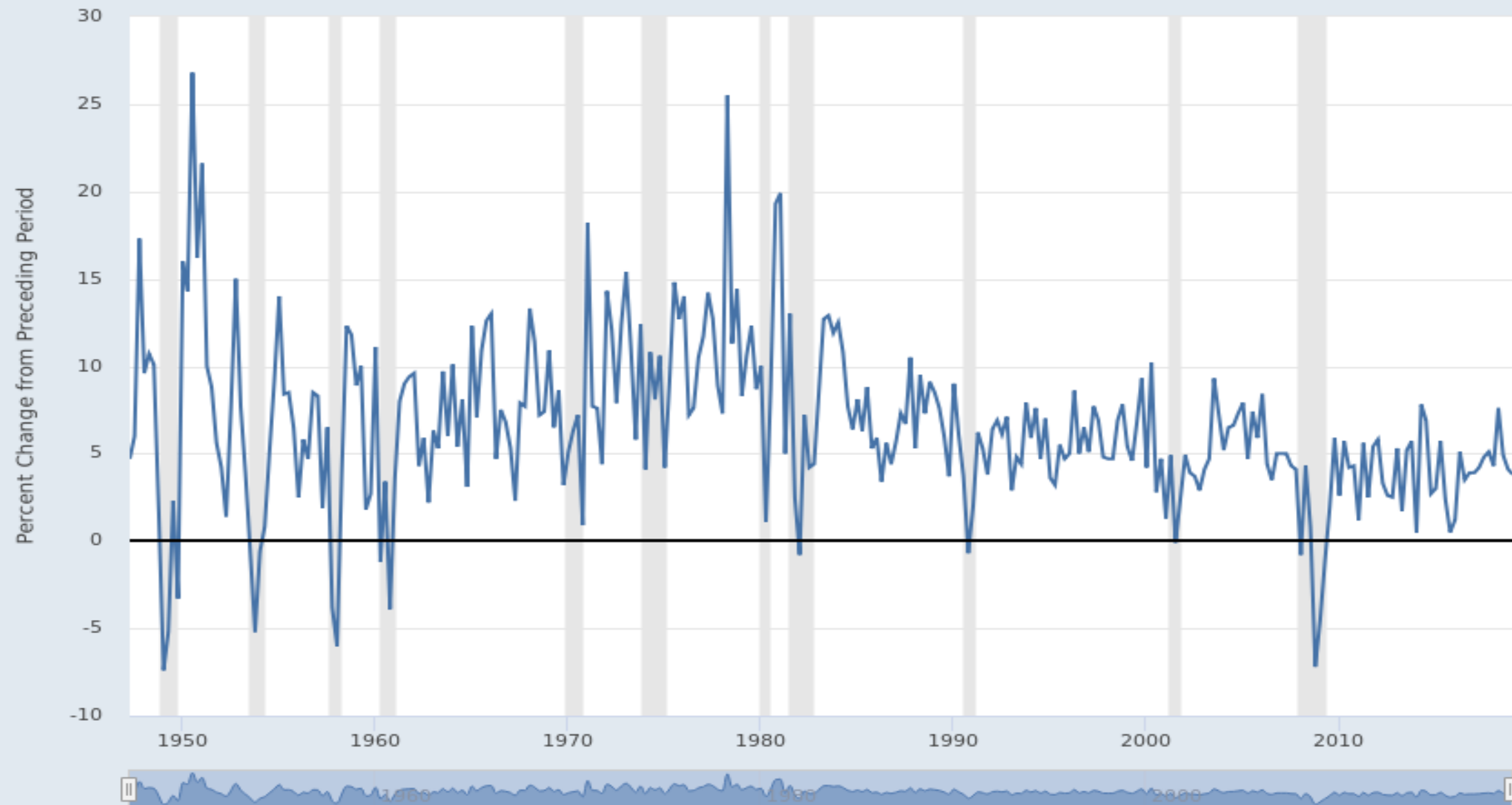
Unemployment – Record low 3.6%

- Projected wage growth in next year
- Unemployment expected to stay low for next year

U.S. Personal Income ↑ 4.5%

Inflation considered stable - US City Average CPI-U April 2019 = 1.9%

- Western Region = 2.9%
- San Francisco-Oakland-Hayward = 3.7%



Shaded areas indicate U.S. recessions

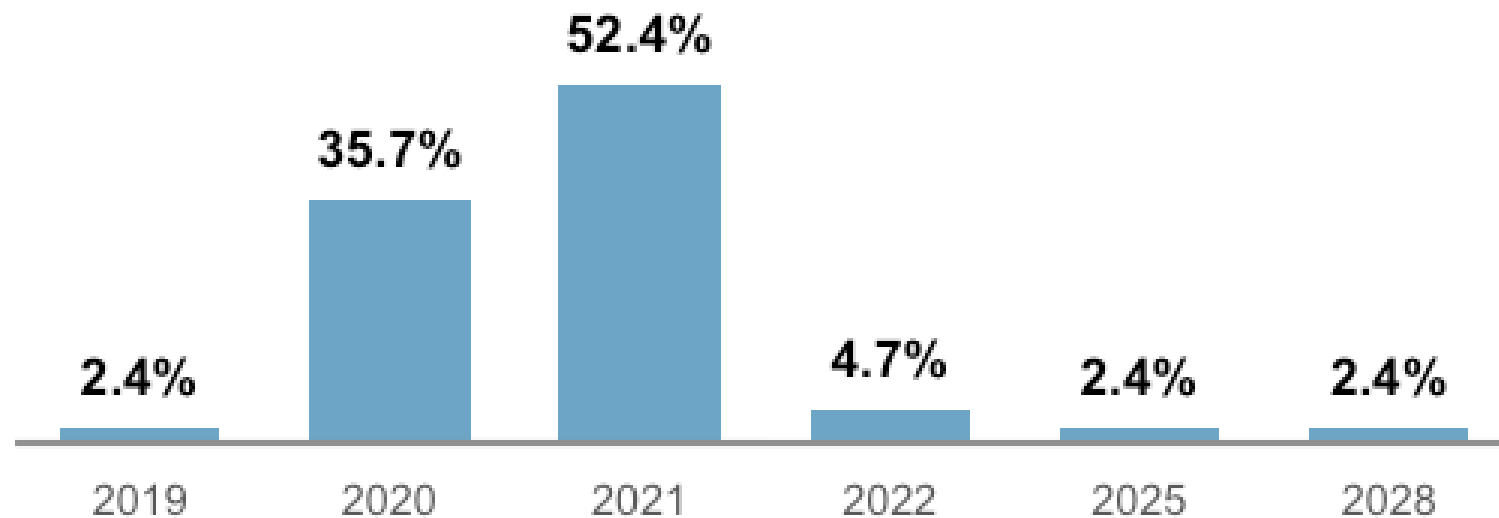
Source: U.S. Bureau of Economic Analysis

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# Survey of 60+ Leading Economists

## Q&A: Recession Timing

When do you expect the next recession to start?



Source: [www.wsj.com/graphics/econsurvey/](http://www.wsj.com/graphics/econsurvey/)

# California Outlook

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Unemployment Rate 4.3%

California Personal Income ↑ 4.7% in 2018

State of California General Fund Revenue ↓ 2.4% from projections

Building Permits ↑ 2.4% for first two months of 2019

- Single-family ↓ 10% - Multifamily ↑ 14%

CA Assoc. of Realtors forecast slight ↓ (3.3%) in existing home sales

- Median Home Price \$593,450 in 2019 (3.1% ↑)

Inflation higher in the western region

- Western Region = 2.9%
- San Francisco-Oakland-Hayward = 3.7%

# Selected Unemployment Comparison

State	Unemployment Rate March 2019	Rank
United States	3.6%	
California	4.3%	40
North Dakota/Vermont	2.3%	1 - tied
Alaska	6.5%	51
Oregon	4.4	41 – tied
Washington	4.6	44
New York	4.0	34

Source: bls.gov



# Mendocino County – Fort Bragg

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County Unemployment Rate 4.1% (CA.gov EDD)

CA County–Level 2018-2050 Economic Forecast reported that only 500 jobs had been created in Mendocino County since 2012 – average expansion of 1.9% - compared to statewide expansion of 2.6% per year.\*

Estimated Personal Income ↑ 4.5% in 2018\*

Estimated Median Household income = \$50,453 (2017)

Nearly flat population growth projected

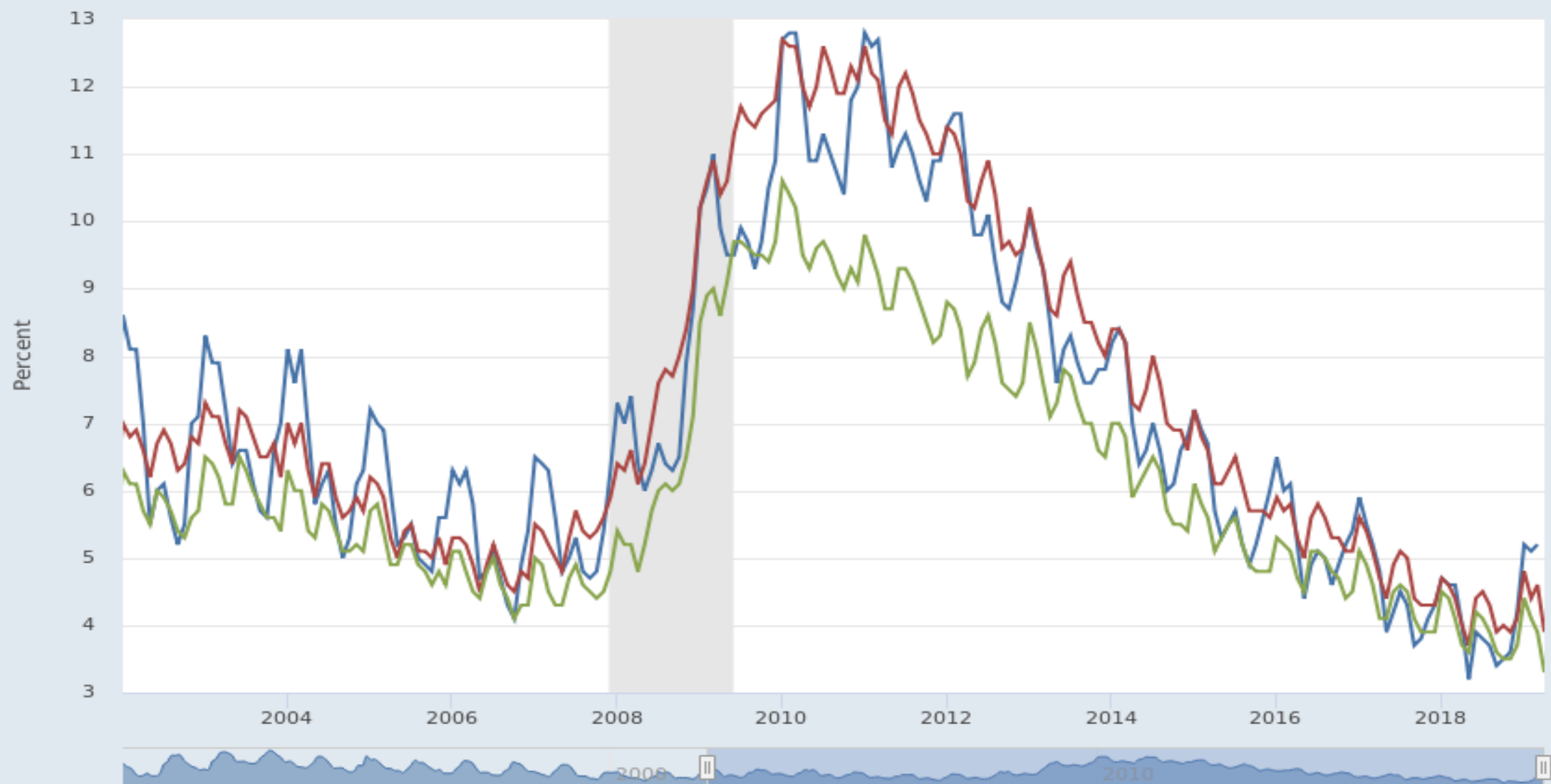
Median home value = \$368,300 Fort Bragg (Zillow.com)

Median home value = 362,200 Mendocino County (Zillow.com)

Average sale price in Mendocino County = \$469,000 (EDFC)

*\*Source: California County-Level Economic Forecast 2018-2050*

- Unemployment Rate in Mendocino County, CA
- Unemployment Rate in California
- Civilian Unemployment Rate

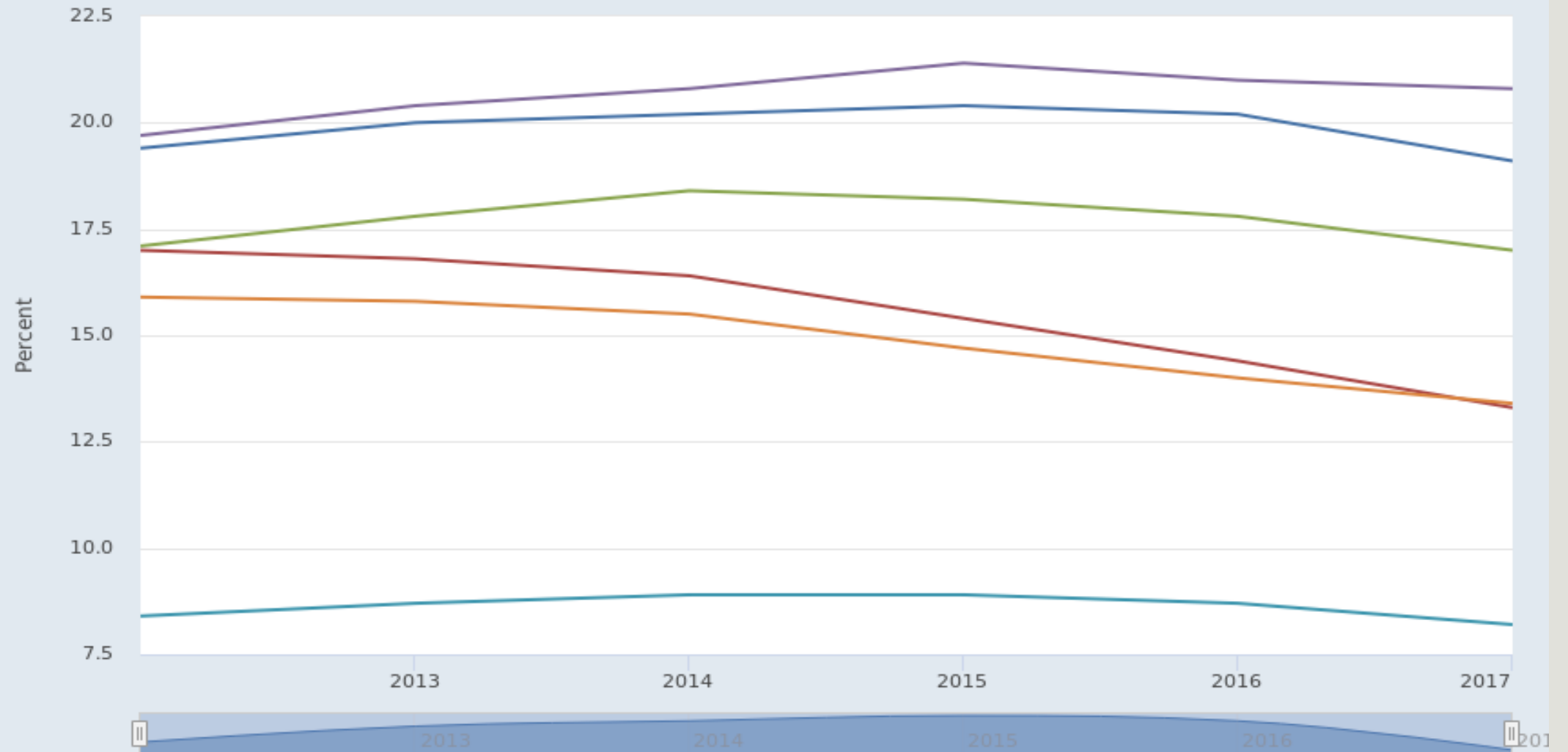


Shaded areas indicate U.S. recessions

Source: U.S. Bureau of Labor Statistics

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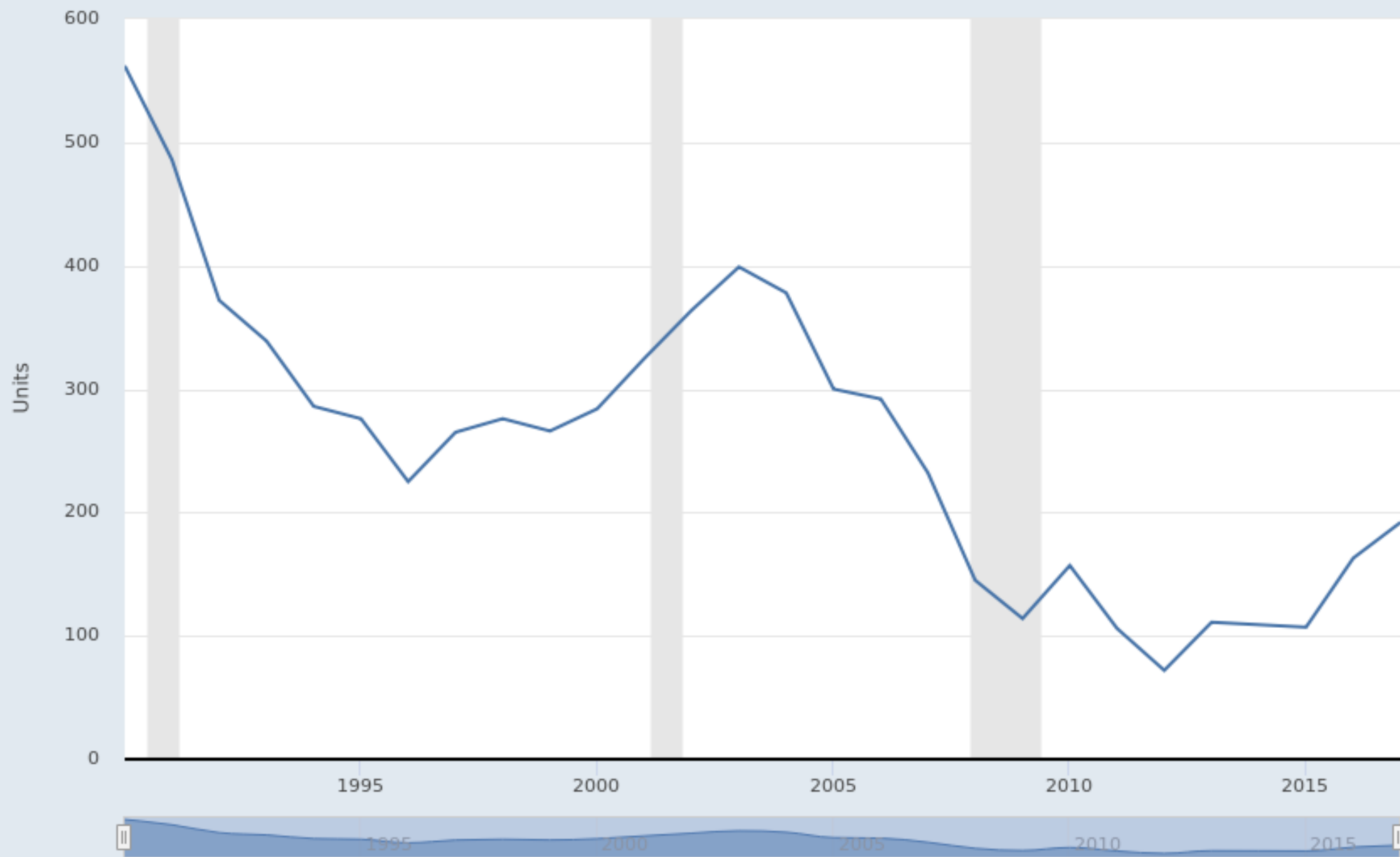
- Percent of Population Below the Poverty Level in Mendocino County, CA
- Estimated Percent of People of All Ages in Poverty for California
- Percent of Population Below the Poverty Level in Los Angeles County, CA
- Percent of Population Below the Poverty Level in Humboldt County, CA
- Percent of Population Below the Poverty Level in Placer County, CA
- Estimated Percent of People of All Ages in Poverty for United States



Shaded areas indicate U.S. recessions

Source: U.S. Census Bureau

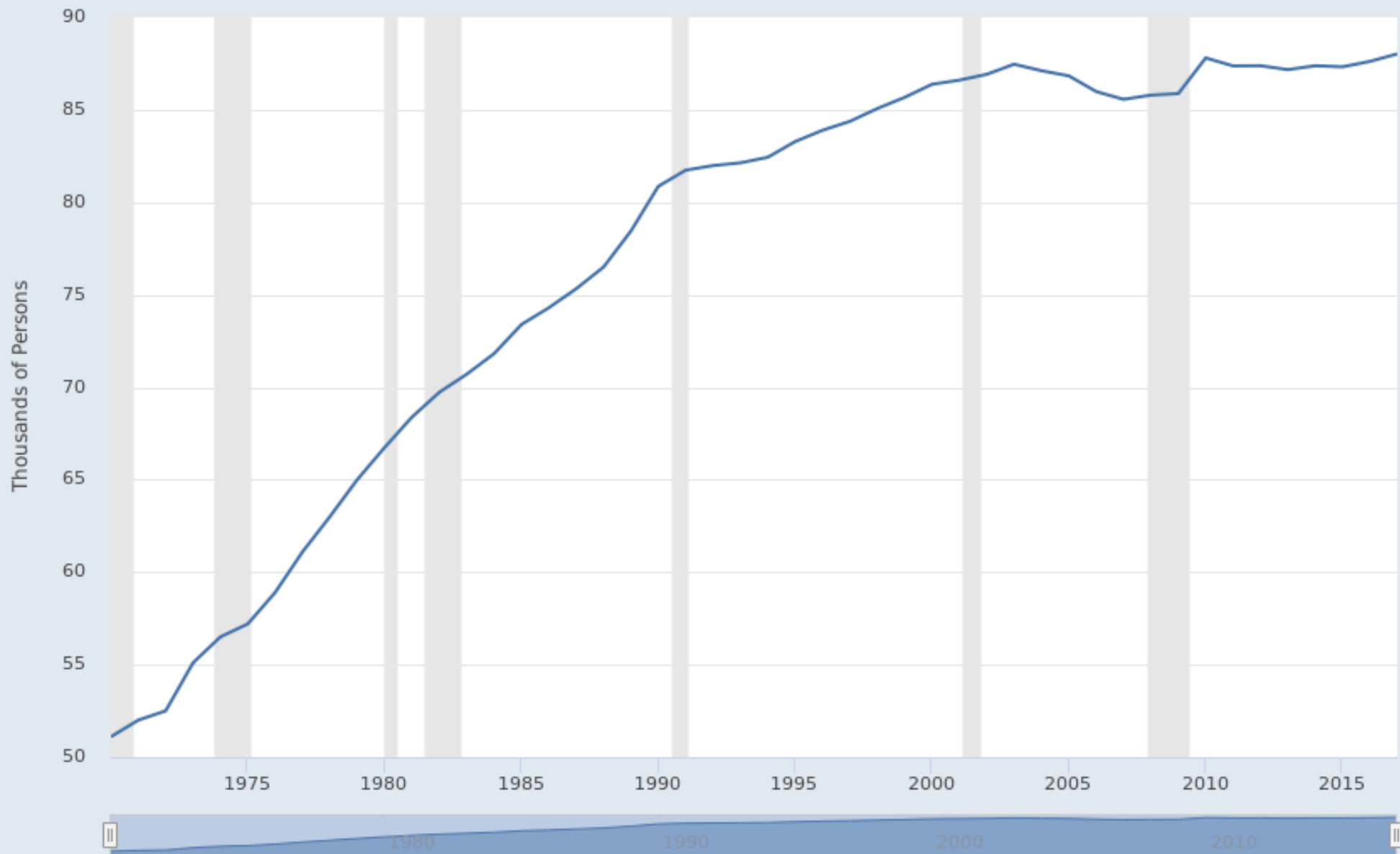
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Shaded areas indicate U.S. recessions

Source: U.S. Census Bureau

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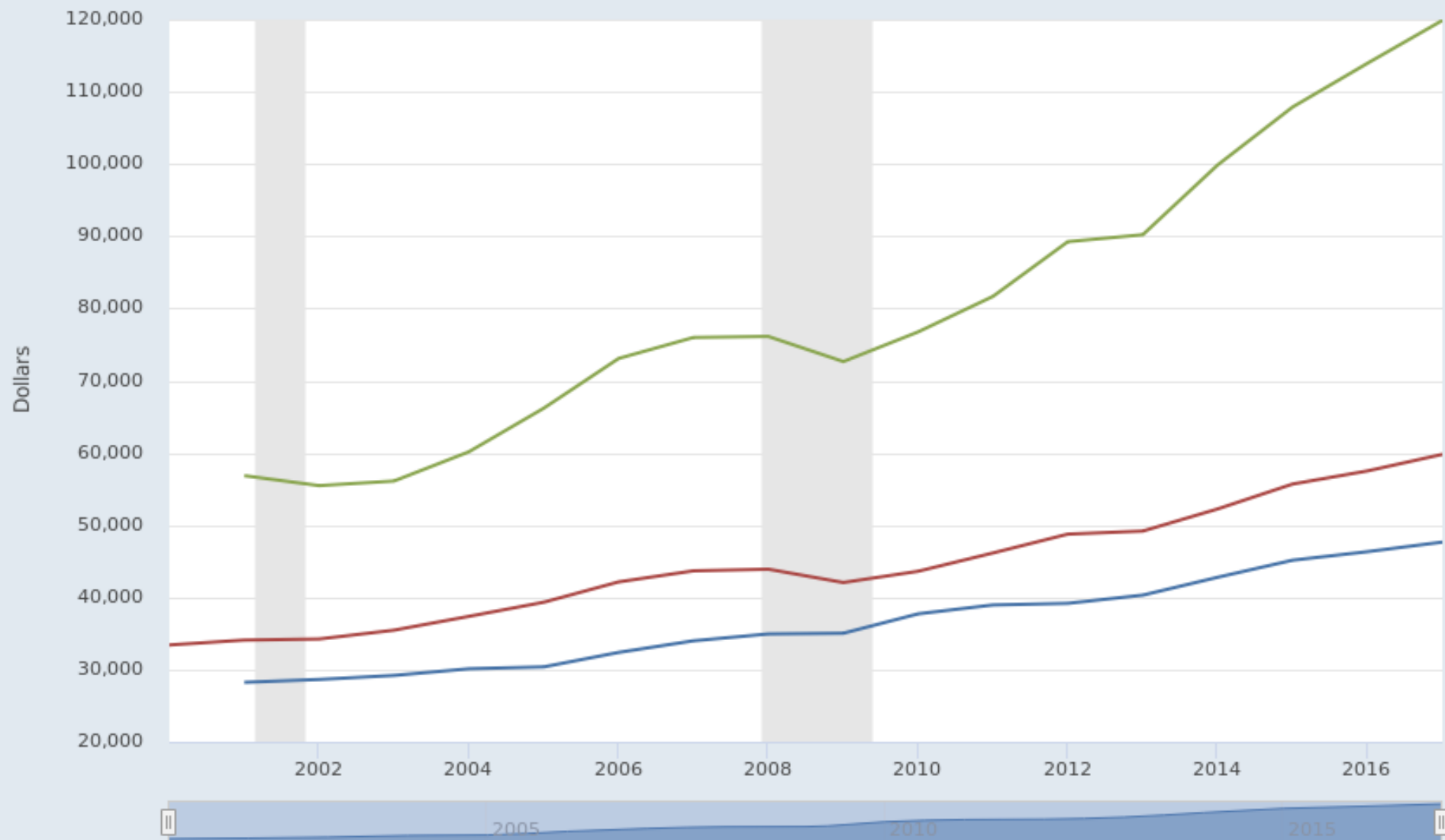


Shaded areas indicate U.S. recessions

Source: U.S. Census Bureau

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- Per Capita Personal Income in Mendocino County, CA
- Per Capita Personal Income in California
- Per Capita Personal Income in San Francisco County/city, CA

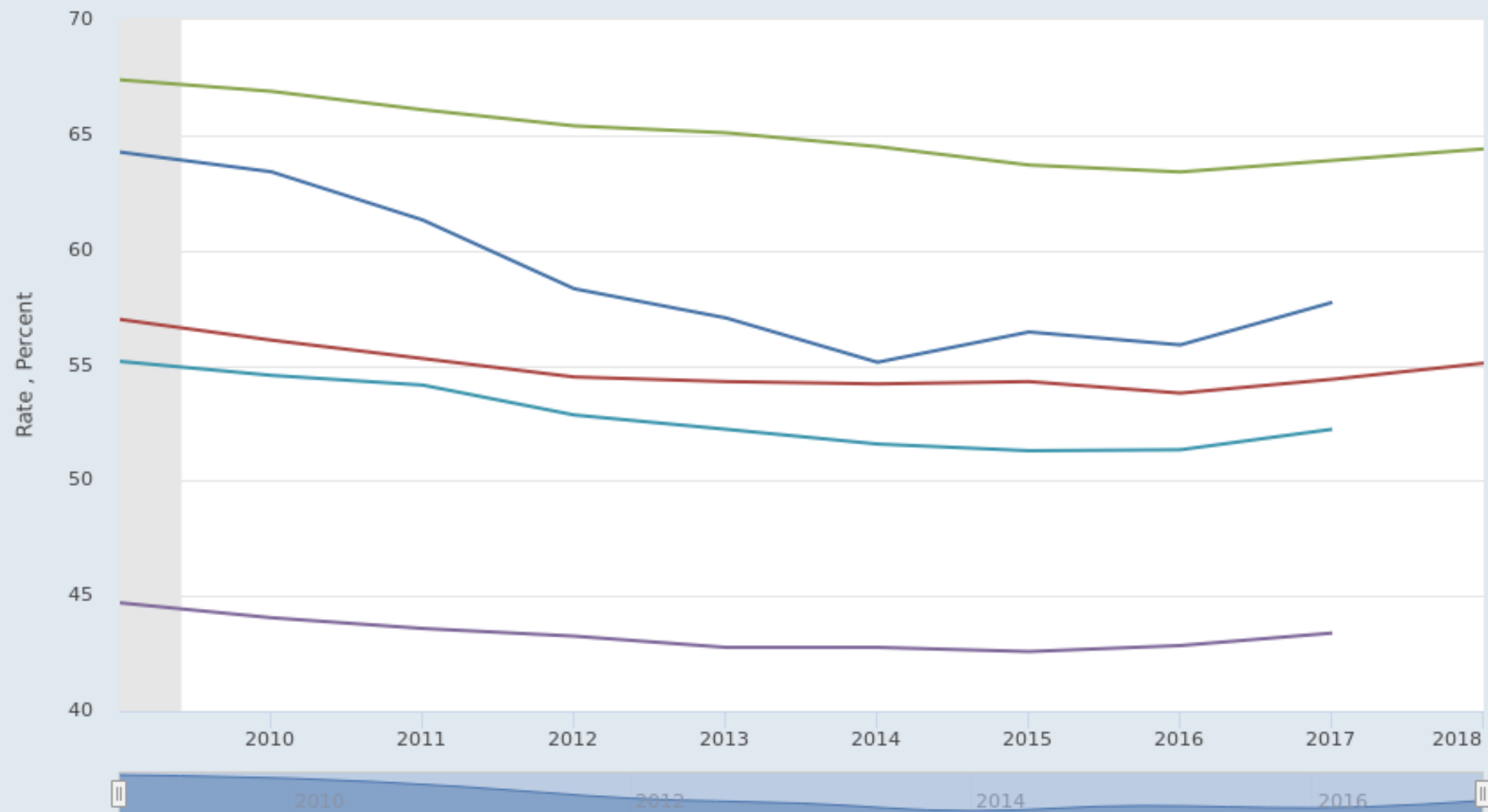


Shaded areas indicate U.S. recessions

Source: U.S. Bureau of Economic Analysis

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- Homeownership Rate for Mendocino County, CA
- Homeownership Rate for California
- Homeownership Rate for the United States
- Homeownership Rate for San Francisco County/city, CA
- Homeownership Rate for Fresno County, CA

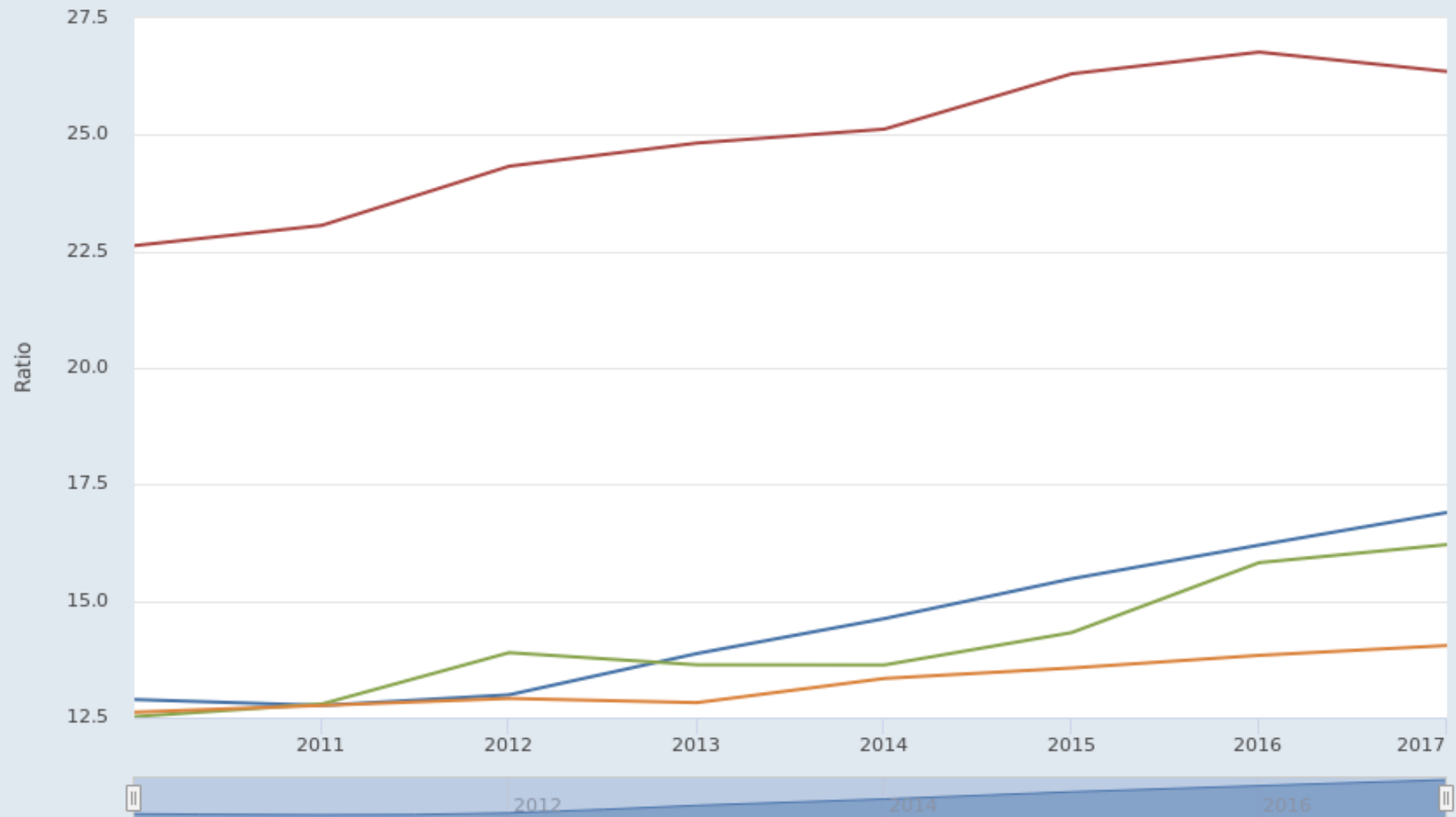


Shaded areas indicate U.S. recessions

Source: U.S. Census Bureau

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- Income Inequality in Mendocino County, CA
- Income Inequality in San Francisco County, CA
- Income Inequality in Lake County, CA
- Income Inequality in Sonoma County, CA



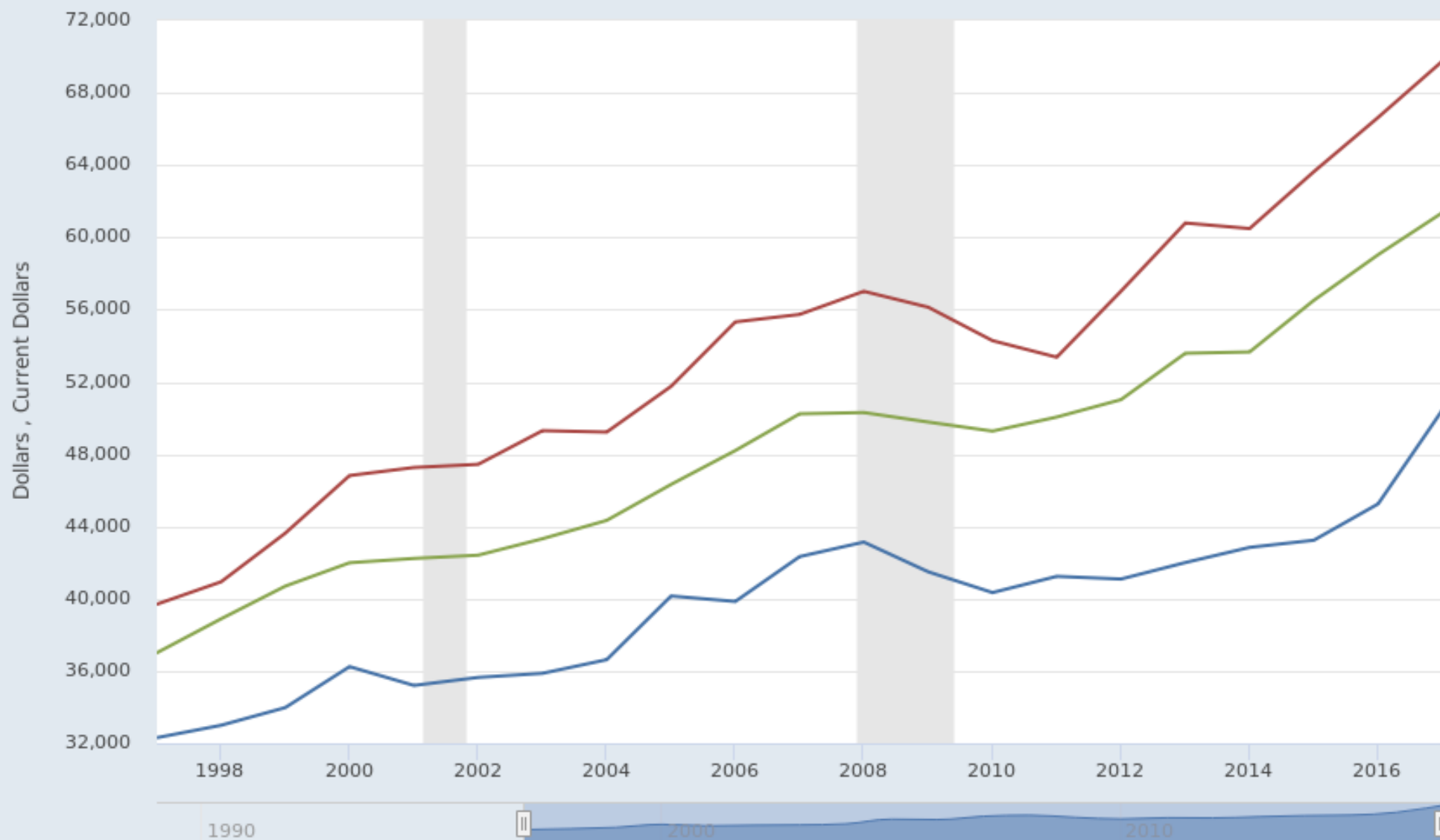
Shaded areas indicate U.S. recessions

Source: U.S. Census Bureau

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- Estimate of Median Household Income for Mendocino County, CA
- Median Household Income in California
- Median Household Income in the United States

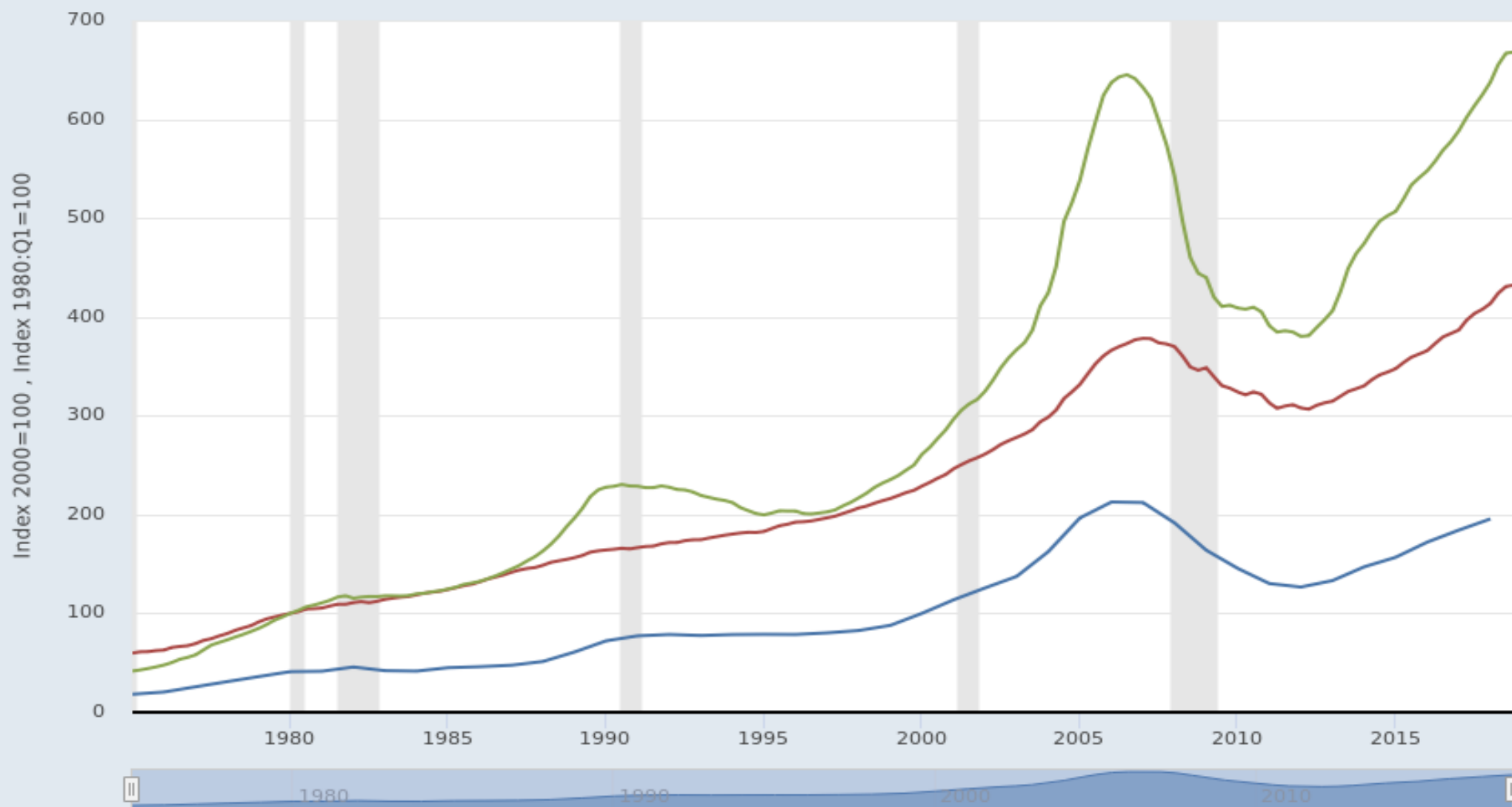


Shaded areas indicate U.S. recessions

Source: U.S. Census Bureau

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- All-Transactions House Price Index for Mendocino County, CA
- All-Transactions House Price Index for the United States
- All-Transactions House Price Price Index for California



Shaded areas indicate U.S. recessions

Source: U.S. Federal Housing Finance Agency

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# Sales Tax Update – 2<sup>nd</sup> Quarter over Quarter (Oct-Dec 2018)

Business Activity	Fort Bragg	Ukiah	Willits	California
General Retail	-3.7%	37.0%	-6.3%	0.0%
Food Product	-1.4%	-9.2%	-1.3%	-3.7%
Transportation	-16.0%	-13.4%	-14.4%	3.5%
Construction	14.5%	1.2%	1.2%	-1.1%
Business to Business	-9.7%	-1.5%	-7.3%	-2.3%
Total Activity	-4.4%	9.0%	-7.5%	-0.4%

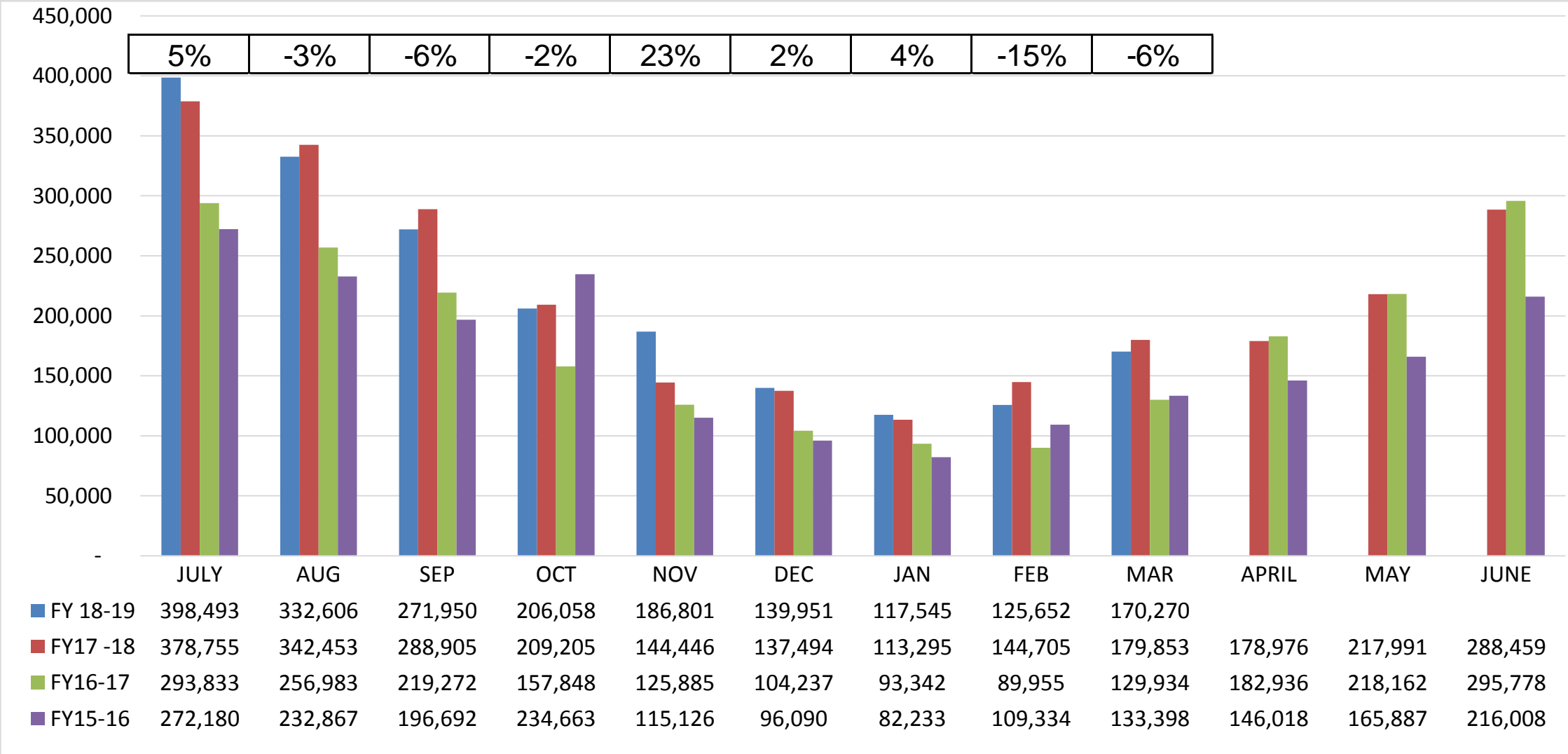
*Source: MuniServices*

# Sales Tax Update – Year over Year (2018)

<b>Business Activity</b>	<b>Fort Bragg</b>	<b>California</b>
General Retail	-6.1%	2.0%
Food Product	0.3%	2.4%
Transportation	8.4%	5.1%
Construction	11.1%	10.3%
Business to Business	7.4%	3.0%
Total Activity	2.5%	3.9%

*Source: MuniServices*

# City of Fort Bragg Transient Occupancy Tax (TOT)



# Total Operating Budget Excluding CDBG

Operating Budget Expenditure Category	Proposed FY 2019-20 less CDBG*	Amended FY 2018-19 Less CDBG*	\$ Variance	% Variance
Salaries & Wages	\$ 5,397,917	\$ 5,554,751	\$ (156,834)	-2.8%
Benefits	3,049,342	2,944,195	105,147	3.6%
Material & Services	6,061,826	6,745,849	(684,023)	-10.1%
Debt Service	826,442	775,098	51,344	6.6%
Indirect Expenses	2,624,736	2,695,991	(71,255)	-2.6%
Fiduciary Funds	390,775	375,278	15,497	4.1%
Total	\$ 18,351,038	\$ 19,091,162	\$ (740,124)	-3.9%
* Less \$2,826,880 in Proposed FY 2019-20 and \$191,512 in Amended FY 2018-19				

# General Fund Comparison

Expenditure	2015-16 Amended Budget	2016-17 Amended Budget	2017-18 Amended Budget*	FY 2018-19 Amended Budget	FY 2019-20 Proposed Budget
General Government	\$ 1,515,286	\$ 1,411,559	\$ 1,676,659	\$ 1,457,873	\$ 1,316,911
Public Safety	3,790,404	3,834,760	3,917,202	3,958,576	4,181,121
Community Services	1,956,734	1,937,653	2,211,555	2,581,480	2,566,586
Non-departmental	1,630,181	1,584,580	1,212,553	500,534	476,857
AA/AB	-	-	86,525	481,072	320,624
Internal Service Funds	464,872	470,048	601,333	717,667	901,781
Total	\$ 9,357,477	\$ 9,238,600	\$ 9,705,827	\$ 9,697,202	\$ 9,763,880
% Increase	3.4%	-1.3%	5.1%	-0.1%	0.7%
Less AA/AB	-	-	(86,525)	(481,072)	(320,624)
Total Less AA/AB	\$ 9,357,477	\$ 9,238,600	\$ 9,619,302	\$ 9,216,130	\$ 9,443,256
% Increase	3.4%	-1.3%	4.1%	-4.2%	2.5%
*General Government includes \$201,000 City Manager Payout and Recruitment					

# Fort Bragg Challenges

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CalPERS cost pressures

Labor Negotiations underway

Funding for City Council Priorities

Future of Visit Fort Bragg efforts