



# City of Fort Bragg

## Adopted Budget

### Fiscal Year 2019/20





CITY OF FORT BRAGG  
ADOPTED BUDGET  
FISCAL YEAR 2019 – 2020



CITY COUNCIL

Will Lee, *Mayor*

Bernie Norvell, *Vice Mayor*

Tess Albin-Smith, *Councilmember*

Jessica Morsell-Haye, *Councilmember*

Lindy Peters, *Councilmember*

Tabatha Miller

*City Manager*

## ABOUT THE COVER

Aerial View of the Coastal Trail		
Lighted Truck Parade	Wastewater Treatment Upgrade Project	Fort Bragg Middle School Tree Planting at the Summers Lane Reservoir

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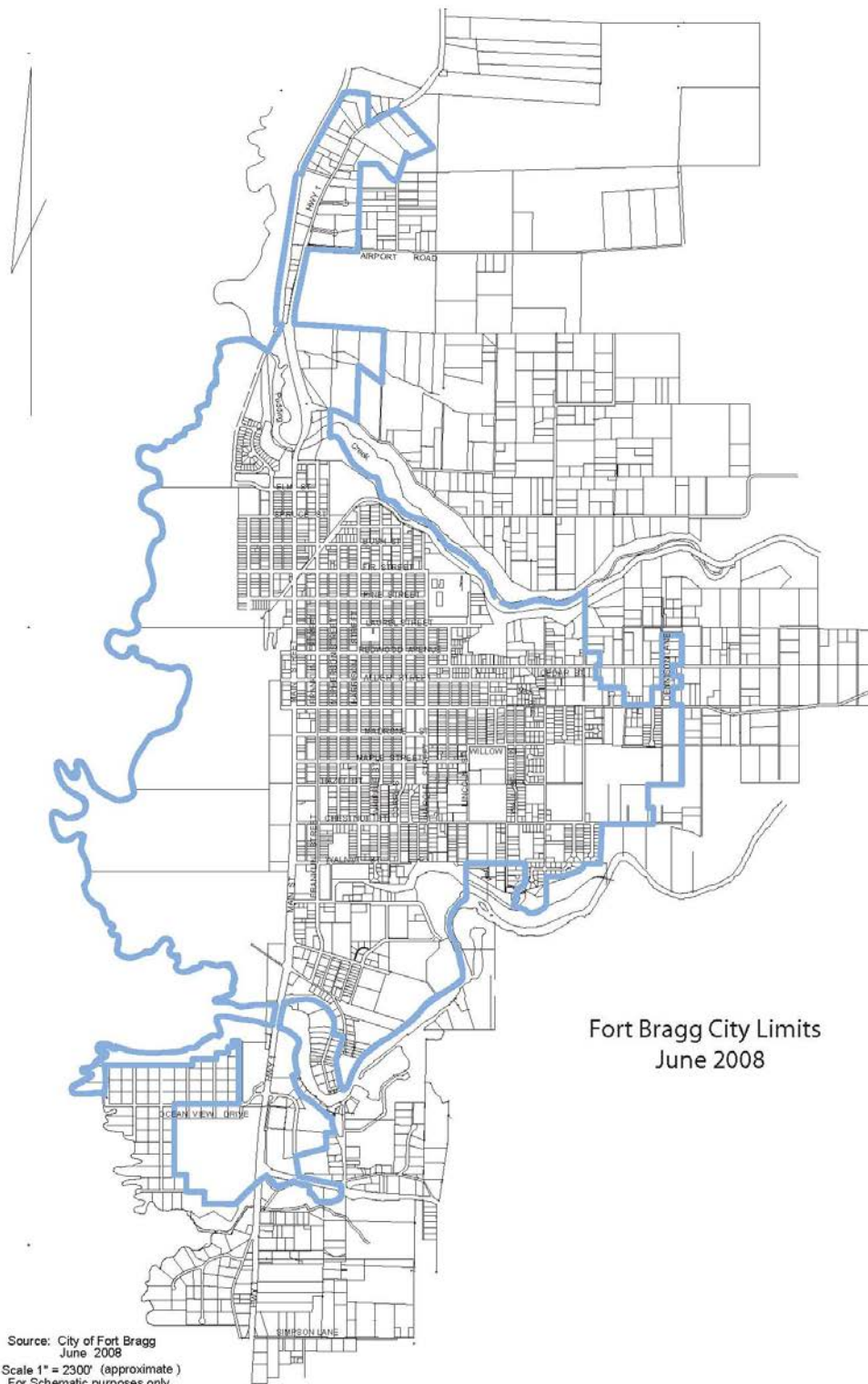
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Fort Bragg City Limits  
June 2008

Source: City of Fort Bragg  
June 2008  
Scale 1" = 2300' (approximate)  
For Schematic purposes only







# CITY OF FORT BRAGG

*Incorporated August 5, 1889*

416 N. Franklin Street  
Fort Bragg, CA 95437  
Phone: (707) 961-2823  
Fax: (707) 961-2802

June 10, 2019

Honorable Mayor and Members of the City Council, Residents and Business Owners:

I am pleased to present the Fiscal Year (FY) 2019-20 Budget for the City of Fort Bragg, the Fort Bragg Municipal Improvement District, No. 1, and the Fort Bragg Redevelopment Successor Agency. The annual budget provides a comprehensive statement of the City's organization, operations and resources. It expresses City Council and District Board policies and priorities in all areas of the City's operations and it links near-term priorities with the resources available to achieve them. Over the course of the year, the City's budget serves as a financial management tool and as a work plan for the delivery of City services and implementation of capital projects. Highlights of the FY 2019-20 Budget:

- Balanced General Fund Operating Budget
- Focus on improvements to the City's infrastructure with a \$12.9 million Capital Improvement Program (CIP) budget, including \$7.4 to complete the Wastewater Treatment Plant Upgrade and \$1.5 million to rebuild three failing sanitary sewer lift stations
- \$2.7 million for street rehabilitation and bike and pedestrian safety improvements
- Continued funding for a General Fund operating and a litigation reserves
- Utility rates set to provide \$1 million in each utility for capital reserves
- Internal Service Fund reserves maintained to smooth out annual expenditures
- Modest cost of living increases budgeted for City staff
- Revised and updated cost allocation plan based on tracking staff time and allocating costs using appropriate cost drivers

## Balancing the Budget

During the Mid-year Budget Review in early March, the City Council and staff reviewed the City Council's priorities for the FY 2019-20 budget. Those are set forth below in order of priority:

1. Adopt a balanced budget
2. Maintain operating reserve and litigation reserve
3. Maintain long-term funding plans in the City's three internal service funds
4. Provide for additional contributions to California Public Employees' Retirement System (CalPERS) in order to pay the unfunded liability off earlier than 30 years Continue budgeting conservatively but more realistic or "most likely"
5. Maintain current level of service (no staff layoffs, no program cuts)
6. Provide cost of living adjustments for staff in years to come
7. Provide funding for emergency reserves



#### 8. Continue to make additional contributions to the OPEB trust

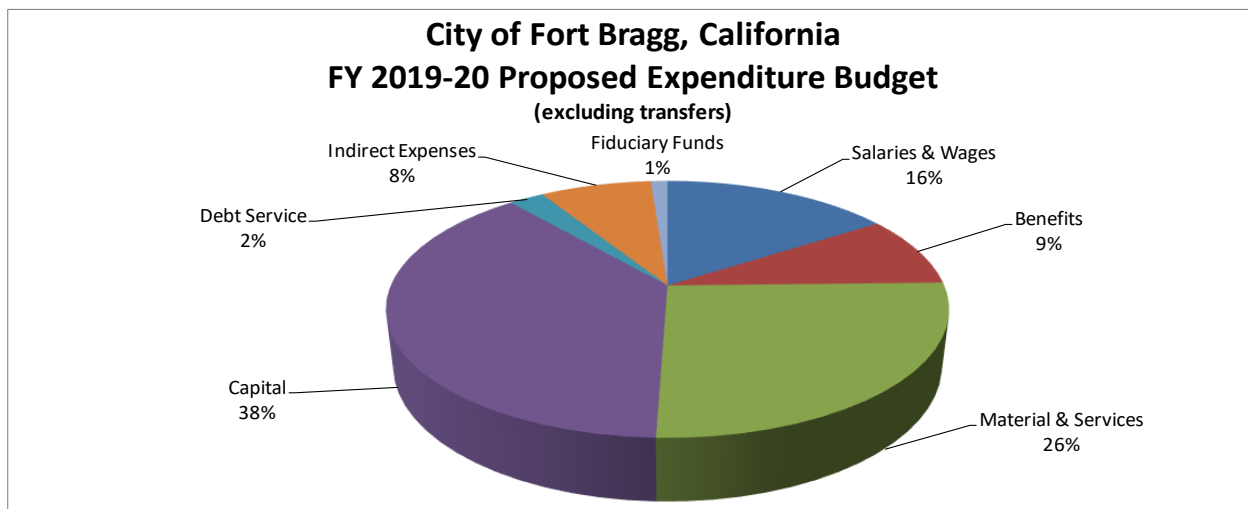
Recognizing the Financial Goal of adopting a balanced operating budget as the highest priority, staff is presenting a proposed General Fund budget with a projected surplus of \$65k. This surplus also makes it possible for the City to accomplish priority No. 4, which is to make additional contributions to CalPERS to pay off the unfunded liability earlier than the current 30-year amortization period. The City's policy is that fifty percent (50%) of any year's surplus in the General Fund will be used to make an additional payment towards the CalPERS unfunded liability. FY 2018-19 is projected to have a \$316k surplus. This results in an additional payment of \$158k towards the unfunded liability.

Council provided staff direction to establish a recession reserve for the General Fund and the Water and Waste Water Enterprise Funds. An 18-month recession starting in FY 2020-21 would have a two-year cumulative impact of \$421k for sales tax revenue in the General Fund. Although the Transient Occupancy Tax (TOT) has been a little more resilient, the estimated impact to that revenue source in an 18-month recession is over \$250k. The General Fund is projected to have an unassigned fund balance of \$1.5 million at the end of FY 2018-19. Setting aside \$500k into a recession reserve for the General Fund provides the City some breathing room in the event of a recession in the two years. According to the Wall Street Journal monthly survey of leading economists – 36% expect a recession to start next calendar year (2020) and 52% project a recession to start in 2021. If you combine these projections, there is an 88% estimated chance of a recession in the next two calendar years. We are currently in the second longest recovery and will pass into the longest recovery before the end of this year. A 5% recession reserve will be established for the Water and Wastewater Funds.

#### Budget Overview

The City's total proposed expenditure budget (excluding transfers) for FY 2019-20 is \$34.3 million. This is a decrease of 19.2% from the amended FY 2018-19 Budget of \$42.4 million. The \$8.1 million decrease is due to expected completion in December, 2019 of the \$18 million Waste Water Treatment Facility Upgrade. As reflected in the chart below, capital expenditures are budgeted \$10.1 million less than the prior year. An increase in materials & services of \$2.1 million, resulting from the Parents & Friends CDBG project offsets the decrease in capital expenditures. The reduction in Salaries & Wages is the result of eliminating a position in the Administrative Services Department and retirements. Typically, retirements create savings, in that replacements are hired in at the lower end of the salary structure and under new CalPERS pension programs that have a lower cost as the result of pension reform in 2014.

Budget Expenditure Category	Proposed FY 2019-20	Amended FY 2018-19	\$ Variance	% Variance
Salaries & Wages	\$ 5,408,012	\$ 5,596,263	\$ (188,251)	-3.4%
Benefits	3,018,676	2,944,195	74,481	2.5%
Material & Services	8,967,366	6,895,849	2,071,517	30.0%
Capital	13,051,747	23,127,984	(10,076,237)	-43.6%
Debt Service	826,442	775,098	51,344	6.6%
Indirect Expenses	2,612,420	2,695,991	(83,571)	-3.1%
Fiduciary Funds	380,975	375,278	5,697	1.5%
Total	\$ 34,265,638	\$ 42,410,658	\$ (8,145,020)	-19.2%



The City has three major operating funds: General Fund; Water Enterprise; and Wastewater Enterprise. In addition, the City's chart of accounts includes the C.V. Starr Center Enterprise, special revenue funds, grant funds, capital project funds and internal service funds. The General Fund is the principal operating fund of the City and is supported primarily by taxes and fees that generally do not have restrictions on their use. Because of the lack of restrictions on use of funds, the General Fund has the most demands on its limited dollars. The Enterprise funds – Water and Wastewater are fully supported by user fees. Special revenue funds and accounts are used to account for proceeds of a specific revenue source that has legal restrictions on how the funds may be spent.

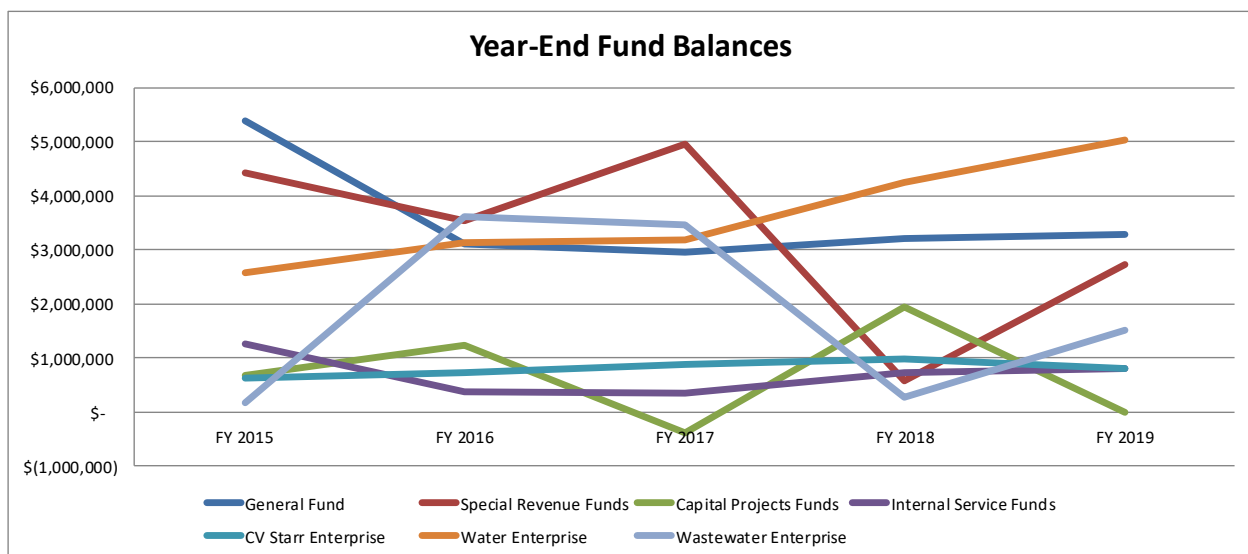
#### Projected Fund Balances

The year-end fund balances (or net position for enterprise funds) and the changes over time provide a narrative about the financial condition of each fund or fund group. Fund balance is the difference between assets and liabilities and reflects the cumulative annual financial surpluses and deficits. One-time declining balances are generally not bad and typically reflect one-time capital or other large expenditures. Often times these are planned for expenditures such as the upgrade to the City's Wastewater Treatment Plant last year and this next year. Often revenues have been accumulated to cover the cost or a portion of the cost of these capital projects. Fund balances that continue to decline each year from operating deficits or unplanned expenses may be a cause for concern or indicate a long-term structural deficit. Overall, the financial health of the City is improving and fund balances continue to grow. There is even a rebound in the Wastewater Fund expected next year, after the \$18 million Wastewater Treatment Plant Upgrade is complete and capital funds begin to accumulate again. The balance in the Water Fund will double from FY 2015-16 to FY 2019-20 as funds for capital infrastructure improvements continue to grow.

Some funds are in better financial condition than others. The decline in the General Fund fund balance in FY 2016-17 was the result of the new cost allocation plan and repayment of prior year over-allocations made by the Water and Wastewater Enterprise funds. Although there is not significant growth in the General Fund, the fund balance is stable and is showing small but positive increases. Changes in the Special Revenue, Capital and Internal Service funds are typically tied to capital projects and expenditures can fluctuate accordingly. The Capital Projects Fund Fund Balance dips into the negative in FY 2017-18 and again in FY 2019-20; both of these temporary drops is the result of planned revenue and expenses not matching in the same year.

The chart and graph on the following page provide a five-year "picture" of the City's fund balances.

Funds	06/30/2016 Audited Fund Balance	06/30/2017 Audited Fund Balance	06/30/2018 Audited Fund Balance	06/30/2019 Projected Fund Balance	06/30/2020 Projected Fund Balance
General Fund	\$ 5,388,494	\$ 3,106,934	\$ 2,959,473	\$ 3,216,404	\$ 3,281,623
Special Revenue Funds	4,430,343	3,528,495	4,955,492	584,178	2,716,312
Capital Projects Funds	675,031	1,227,204	(374,490)	1,935,050	(6,254)
Internal Service Funds	1,255,766	377,150	360,416	741,928	804,167
CV Starr Enterprise	622,651	735,611	874,690	993,658	800,713
Water Enterprise	2,567,432	3,120,650	3,178,033	4,251,845	5,028,295
Wastewater Enterprise	168,822	3,615,944	3,462,700	282,023	1,509,233
Total	\$ 15,108,539	\$ 15,711,988	\$ 15,416,314	\$ 12,005,086	\$ 14,134,089



*\*Enterprise and Internal Services funds do not include fixed assets, restricted for debt service or depreciation expense.*

### Operating Budget

If you remove the one-time CIP projects and capital expenditures, the City's operating budget (excluding transfers) is \$21.2 million, which is an increase of 10% or \$1.9 million over the Amended FY 2018-19 Operating Budget. The primary reason for the increase is the \$2 million net increase in Materials & Services. This is due to a \$2.9 million CDBG project for Parents & Friends Inc. which will provide funds for construction of three residential units consisting of 4-bedrooms and 3-bathrooms each. The project will provide support to 4 low-income, developmentally disabled adults living with age-related disabilities. Offsetting this amount is a decrease in Materials & Services in the General Fund of \$311k and a decrease in the Wastewater Fund of \$170k and \$69k in the Water Fund. If you remove the Parents & Friends Inc. project from the operating expenses, there would be a reduction in the Operating Budget of \$932k. See Operating Expenditure Chart on the next page.



Operating Budget Expenditure Category	Proposed FY 2019-20	Amended FY 2018-19	\$ Variance	% Variance
Salaries & Wages	\$ 5,408,012	\$ 5,596,263	\$ (188,251)	-3.4%
Benefits	3,018,676	2,944,195	74,481	2.5%
Material & Services	8,967,366	6,895,849	2,071,517	30.0%
Debt Service	826,442	775,098	51,344	6.6%
Indirect Expenses	2,612,420	2,695,991	(83,571)	-3.1%
Fiduciary Funds	380,975	375,278	5,697	1.5%
Total	\$ 21,213,891	\$ 19,282,674	\$ 1,931,217	10.0%

The largest portion of the City's operating expenditure budget in FY 2019-20 is Materials & Services which makes up 42% of the total. This is a change from FY 2018-19, when Salaries & Benefits were the largest portion of the budget at 44% of the total budget. In the Proposed FY 2019-20 budget, Salaries & Benefits moves to the second largest portion of the budget at 40%. The CalPERS pension costs and unfunded liability will continue to be a challenge, not only for the City of Fort Bragg but for most public agencies in California. Those costs are projected to increase an average of 14% per year and double within the next six years.

#### General Fund Budget

The General Fund is projected to have \$9,863,801 of revenue in FY 2019-20 and expenditures of \$9,798,582. As discussed earlier, the \$65k operating surplus, while not large, is noteworthy because it is the second time in ten years that the City will have adopted a balanced General Fund budget. The General Fund is predominately supported by taxes (sales tax, Transient Occupancy Tax, property tax, and franchise taxes). These tax revenues have been slow to recover since the great recession and as noted earlier, based on recent trends, staff is projecting those sources "more likely" rather than conservatively. Part of the reason for the change in approach, is the efforts of the Visit Fort Bragg Marketing and Promotions program and the investment-to-date of more than \$450K to promote the tourism economy with the stated goal of increasing Transient Occupancy and sales tax revenues for the City.

The Proposed FY 2019-20 expenditures of \$9,798,582 represent an increase of \$101k or 1.0% from the Amended FY 2018-19 expenditure budget. The General Fund expenditure budget is a lean budget. Because of the high portion of labor related costs in the General Fund, it is most impacted by the increased pension costs and other benefits. The increases in health insurance were limited to 1.15% in FY 2019-20 and dental insurance increased 4% for the first time in many years. The \$245k (10%) reduction in Materials & Services offsets the 24% increase in allocation to the Internal Service Funds and the 5% increased cost of benefits. The increased allocation to the Internal Service Funds is the result of the updated cost allocation plan. The General Fund is picking up a larger percentage of the Facilities, Information Technology and Fleet costs based on the change in plan methodology.

Without increased revenue growth in future years, from new or existing sources, a higher level of scrutiny will be needed to focus on which programs and services may need to be reduced or eliminated. The chart on the next page summarizes the General Fund Expenditures.

General Fund Expenditures by Category	FY 2018-19 Amended Budget	FY 2018-19 FYE Projected	FY 2019-20 Proposed Budget	FY 2018-19 Budget vs. FY 2019-20 Budget
Salaries & Wages	\$ 3,753,299	\$ 3,638,140	\$ 3,809,107	\$ 55,808
Benefits	2,488,175	2,332,174	2,603,762	115,587
Material & Services	2,369,939	2,311,361	2,124,559	(245,380)
Other Expenditures	182,588	162,340	185,900	3,312
Debt Service	185,533	185,533	185,533	-
Allocation to Internal Service Funds	717,667	717,666	889,721	172,054
Total General Fund Expenditures	\$ 9,697,201	\$ 9,347,214	\$ 9,798,582	\$ 101,381

### Conclusion and Acknowledgements

As public servants, it is important for us to remember who we work for and what we are here to do for our citizens and visitors. Fundamentally, our job is to make Fort Bragg a safe and healthy place to live and visit.

I would like to thank all of the public servants with whom I work. Without each and every one of them, the City of Fort Bragg would not be the unique and amazing place where we live and work. I must also acknowledge our elected officials, who are also public servants with very little pay for what essentially amounts to many many hours of volunteer work. It is their leadership that provides the structure for what we do each day. This budget is the product of much work by the management team and supporting staff. However, it is the Finance Department who produce this document, which creates our guide and work plan for the next year. I would like to thank Victor Damiani, the City's Finance Director, and Isaac Whippy, Government Accountant, for the extraordinary job they do in putting the budget together.

My first year in the City provided me with great experience, opportunities and challenges. As a community we continue to improve and look towards the future.

Respectfully Submitted,

*Tabatha Miller*

Tabatha Miller  
City Manager

## 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 2018/19 Budget. This was the third 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 2019/20 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, 2018**

*Christopher P. Morrell*

Executive Director

## BUDGET ORGANIZATION

The FY 2019/20 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 2019/20.
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:

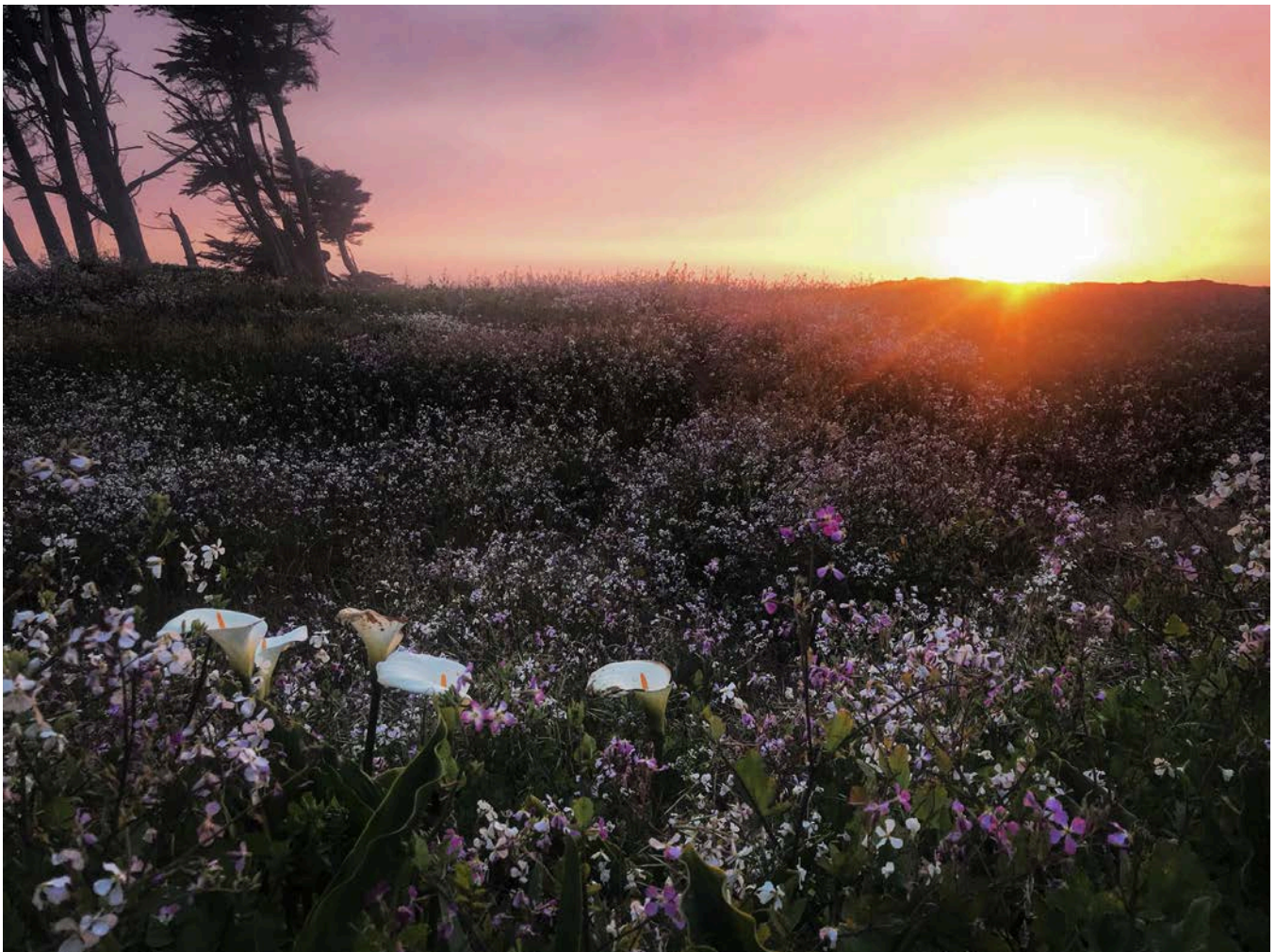
City Council	Public Works
Administration	Internal Services
Tourism Marketing & Promotions	Debt Service
Finance	Water Enterprise
Non-Departmental	Wastewater Enterprise
Public Safety	C.V. Starr Center Enterprise
Community Development	

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 adopted 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. With the FY 2017/18 Budget the presentation was 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.

The FY 2019/20 CIP budget has been upgraded to show the impact various Capital Projects will have on the City's operating budget.

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.

**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 Administration) 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 (City Clerk) 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. Each year a year-end true-up is 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 Cost Allocation Plan is presented in detail beginning on Pages 65-72.

## 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 2019. 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 14 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 known for its 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 Will Lee	December 2020
Vice Mayor Bernie Norvell	December 2020
Councilmember Tess Albin-Smith	December 2022
Councilmember Jessica Morsell-Haye	December 2022
Councilmember Lindy Peters	December 2022

## **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, 2019**



**Will Lee**  
*Mayor*



**Bernie Norvell**  
*Vice Mayor*



**Tess Albin-Smith**  
*Councilmember*



**Jessica Morsell-Haye**  
*Councilmember*



**Lindy Peters**  
*Councilmember*

**Tabatha Miller**  
*City Manager*

**Russell A. Hildebrand**  
*City Attorney*

**Victor Damiani**  
*Finance Director /City Treasurer*

**June Lemos**  
*City Clerk*

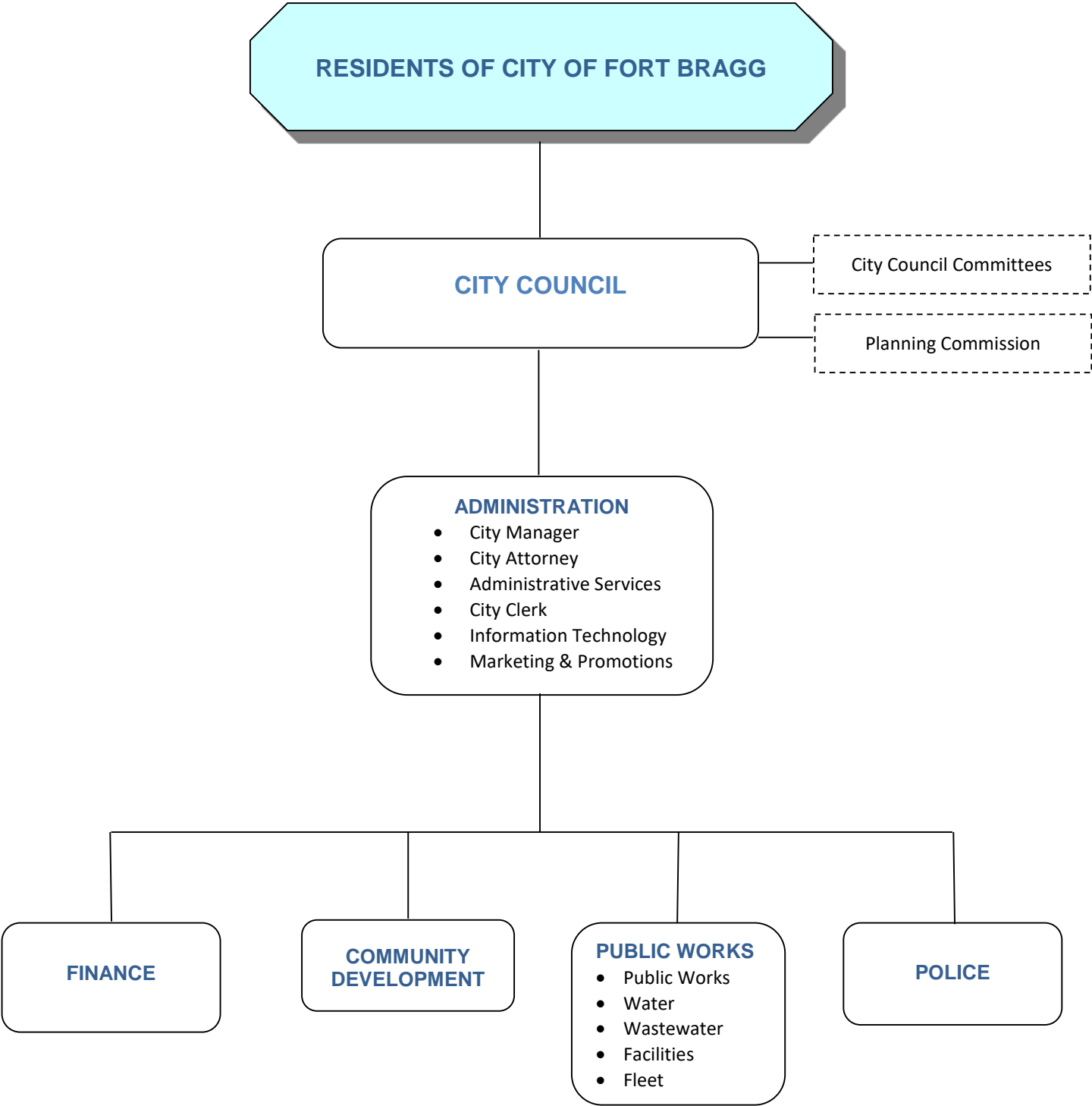
**Marie Jones**  
*Community Development Director*

**Tom Varga**  
*Director of Public Works*

**Fabian Lizarraga**  
*Chief of Police*

# MASTER ORGANIZATIONAL CHART

As of June 30, 2019





## 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 and Adopted Budget.** The proposed and adopted 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 and adopted 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 and adopted 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 and adopted Budget is developed in accordance with the Council's established budget principles:
  - Most likely revenue projections should be incorporated into the budget.
  - The City strives to balance the operating budgets of each of the City's three major funds (General Fund, Water Enterprise, and 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 unassigned fund balances.
  - If unassigned fund balances are expended, uses should be restricted to funding one-time expenditures, not on-going operations.
  - 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."



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## 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 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 fund 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 realistic and 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.
- c. **General Fund Reserves.**
  - 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 committed fund balance and may be tapped into, with Council authorization, for unforeseen operating or capital needs. In FY 2019/20 the reserve is funded at 15%.
  - 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 2019/20 the reserve is funded at \$200k.
  - Recession Reserve: The General Fund will maintain a Recession Reserve 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 as typically experienced during times of recession. The fund is established at an amount equivalent to 5% of the City's annual operating budget. City Council approval is required before expending any portion of this committed fund balance.
- d. **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.

- Recession Reserve: The Water Enterprise and the Wastewater Enterprise will each maintain a Recession Reserve 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 as typically experienced during times of recession. The fund is established at an amount equivalent to 5% of each Enterprise Fund's operating budget. City Council approval is required before expending any portion of this committed net position.
  - e. **Internal Service Fund Reserves.** Each year, the unrestricted net position in each of the City's Internal Service Funds is held in 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 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. A ten-year Facilities Maintenance & Repair Plan which provides guidance for establishing required annual contributions to the Facility Maintenance & Repair reserve has been established. 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. A ten-year Vehicle and Equipment Replacement Plan has been established.
    - Information Technology (IT) Reserve. The City maintains a reserve in the Technology Maintenance & Replacement Internal Service fund to enable the timely replacement of depreciable equipment. A five-year IT long term plan has been established
  - f. **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.
  - g. **Unfunded Liabilities.** Prepayments made against unfunded liabilities may lower the unfunded liability and result in significant savings in the long term. Each year 50% of any realized year end surplus shall be applied to the City's two unfunded liabilities. Priority shall be given to the CalPERS plan unfunded liability over the OPEB plan unfunded liability. Any payment of unfunded liabilities shall be considered a one-time payment and will not be included in the calculation of the City's operating deficit/surplus:
    - CalPERS. The City continues to accrue liabilities relating to the California Public Employees' Retirement System pension plan provided to its employees.
    - OPEB Trust Fund. The City maintains an irrevocable trust fund for retiree medical benefit obligations.
10. **Investment Policy.** The complete investment policy is presented at the end of the Policy Section of the City's Budget. Key components of the City's investment policy are:
- 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.

#### 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 seven 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

- a. *Asset Forfeiture Discretionary Funds*
  - o Expenditures under \$5,000 may be decided by the Police Chief.
  - o Expenditures of between \$5,000 and \$10,000 require approval of the City Manager. Expenditures over \$10,000 require approval of the City Council and the Asset Forfeiture budget will be amended at the time of approval.
  - o Staff reports to the City Council will be provided on significant Asset Forfeiture expenditures identified by the City Manager.
- b. *Asset Forfeiture Education Funds*
  - o Expenditures must meet the mandated education and prevention guidelines.
- c. *Year-End Reporting*
  - o 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 Council resolution.
- 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 Administrative Services 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 Council resolution.

- e. **Non-Management Employee Compensation.** The City of Fort Bragg has two 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 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).
- f. Compensation and benefits of employees not represented by the FBEO and FBPA are established by Council resolution.
- g. **Additional Sources of Information.** The current employment agreements, resolutions and MOUs noted above can be found on the City's website.



## **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 2019/20**

## **ADOPTED BUDGET**

### **SUMMARY SCHEDULES**



City of Fort Bragg FY2019/20 Summary of Revenue, Expenditures & Fund Balance										
Fund No.	Fund Type/Name	FY 2018 - 2019					FY 2019 - 2020			
		Audited Fund Balance at 06/30/18	Projected Revenue	Estimated Expenditures	Net Transfers	Projected Fund Balance at 06/30/19	FY 2019/20 Budget		Net Transfers	Projected Fund Balance at 06/30/20
							Revenue	Appropriations		
<b>110</b>	<b>General Fund</b>									
110	Unassigned	\$ 1,171,576	\$ 9,663,783	\$ 9,277,214	\$ (40,978)	\$ 1,517,167	\$ 9,863,801	\$ 9,798,581	\$ (516,597)	\$ 1,065,789
	Nonspendable	94,300	-	-	-	5,640	-	-	-	5,640
	Committed	1,493,597	-	-	-	1,493,597	-	-	26,668	1,520,265
112	Gen Fund Recession Reserve	-	-	-	-	-	-	-	489,929	489,929
114	Gen Fund Litigation Reserve	200,000	-	70,000	70,000	200,000	-	-	-	200,000
	<b>Total General Fund</b>	<b>2,959,473</b>	<b>9,663,783</b>	<b>9,347,214</b>	<b>29,022</b>	<b>3,216,404</b>	<b>9,863,801</b>	<b>9,798,581</b>	<b>0</b>	<b>3,281,623</b>
	<b>Special Revenue Funds, Restricted***:</b>									
116	General Plan Maint Fee Fund	229,173	81,944	20,000	-	291,117	58,308	60,000	-	289,425
117	Housing Trust Funds	78,595	1,578	-	-	80,173	1,578	12,000	-	69,751
120	Parking	32,338	688	-	(8,300)	24,726	688	-	(8,300)	17,114
121	Parking In Lieu Fees	431	80	8,300	8,300	511	80	8,300	8,300	591
122	Parkland Monitoring/Reporting	125,591	2,598	149	-	128,040	2,598	-	-	130,638
124	Tobacco License Fee	9,360	3,000	1,100	-	11,260	3,000	-	-	14,260
125	State Disability Access Fee	3,931	3,218	60	-	7,089	3,230	60	-	10,259
139	Cops Ab1913 Allocation	54,563	145,000	190,000	-	9,563	130,000	130,000	-	9,563
146	OJP Bulletproof Vest Partnership	(1,628)	1,105	-	(872)	(1,395)	2,100	705	-	-
167	Asset Forfeiture	288,454	31,080	22,567	-	296,967	31,080	5,460	-	322,587
176	RDA Housing Successor	417,448	8,876	250,000	-	176,324	8,876	-	-	185,200
190	Construction/Demolition Ord Fees	41,921	892	-	-	42,813	892	-	-	43,705
220	Waste Mgt Community Benefit Pymt	268	-	-	-	268	-	-	-	268
221	Highway User Tax (Gas Tax)	9,971	187,142	107,226	(80,268)	9,620	224,278	224,155	-	9,743
222	RMRA - Gas Tax	-	318,821	119,118	(200,000)	(297)	223,459	124,336	(100,000)	(1,174)
223	STP D1 MCOG Streets/Hwy **	1,266	54,655	-	(55,921)	-	-	-	-	-
230	Traffic & Safety	909	4,800	5,900	-	(191)	4,800	-	-	4,609
250	Special Sales Tax-Street Repair	1,890,040	1,016,672	-	(1,687,169)	1,219,543	988,995	179,155	(608,696)	1,420,687
280	Fire Equipment Fund	224,479	66,545	-	-	291,024	68,646	216,000	-	143,670
285	OJ Park Maintenance Fund	2,931	-	2,931	-	-	-	-	-	-
	<b>Total Special Rev Funds, Restricted</b>	<b>3,410,041</b>	<b>1,928,694</b>	<b>727,351</b>	<b>(2,024,229)</b>	<b>2,587,155</b>	<b>1,752,608</b>	<b>960,171</b>	<b>(708,696)</b>	<b>2,670,896</b>
	<b>Special Revenue Funds, Grants***</b>									
131	CDBG Unclassified Program Income	15,455	-	-	-	15,455	-	-	-	15,455
162	CDBG Program Income Account	5,721	113,367	-	(31,900)	87,188	112,922	-	(150,000)	50,110
314	MCOG OWP	26,520	21,541	103,982	55,921	-	41,361	41,361	-	-
315	2014 CDBG Grants	24,188	-	-	-	24,188	-	-	-	24,188
319	Dept of Water Resources Prop 84 - Summers Lane	700,000	-	-	(700,000)	-	-	-	-	-
320	State Parks Prop 84	294,505	(914)	-	(293,590)	-	-	-	-	-
322	CalTrans State Funding	128,357	-	1,217	(153,140)	(26,000)	-	-	-	(26,000)
323	CalTrans Federal Funding	-	-	-	-	-	45,000	-	(45,000)	-
326	HCD HOME Grant - 2013	13,082	-	-	-	13,082	500,000	500,000	-	13,082
327	SWRCB Grants	-	2,000,000	-	(4,058,721)	(2,058,721)	4,000,000	-	(1,941,279)	-
329	State Grants	16,744	50,606	50,606	-	16,744	20,000	20,000	-	16,744
330	Federal Grants	-	25,850	-	(25,850)	-	3,431,250	16,500	(3,388,000)	26,750
331	2016 CDBG Grants	320,879	-	112,518	(283,274)	(74,913)	83,035	83,035	-	(74,913)
332	Other Grants	-	-	-	-	-	12,686	12,686	-	-
333	2017 CDBG Grants	-	-	-	-	-	2,877,480	2,877,480	-	-
	<b>Total Special Rev Funds, Grants</b>	<b>1,545,451</b>	<b>2,210,450</b>	<b>268,323</b>	<b>(5,490,554)</b>	<b>(2,002,977)</b>	<b>11,123,734</b>	<b>3,551,062</b>	<b>(5,524,279)</b>	<b>45,416</b>

City of Fort Bragg FY2019/20 Summary of Revenue, Expenditures & Fund Balance										
Fund No.	Fund Type/Name	FY 2018 - 2019					FY 2019 - 2020			
		Audited Fund Balance at 06/30/18	Projected Revenue	Estimated Expenditures	Net Transfers	Projected Fund Balance	FY 2019/20 Budget		Net Transfers	Projected Fund Balance at 06/30/20
							Revenue	Expenditures		
Capital Project Funds***:										
405	Street Resurfacing & Structural Repair Projects	(26,132)	-	-	1,967,436	1,941,304	-	2,000,000	58,696	-
407	Coastal Trail Construction	17,008	100	3,700	-	13,408	-	-	-	13,408
415	Central Coastal Trail Construction	(463,508)	-	2,884	446,730	(19,662)	-	-	-	(19,662)
416	Municipal Facilities Projects	98,142	-	-	(98,142)	-	-	161,000	161,000	-
420	Maple Street Storm Drain rehabilitation	-	-	-	-	-	-	650,000	650,000	-
422	Rt 1 Pedestrian Access Improvements	-	-	-	-	-	-	45,000	45,000	-
	Total Capital Project Funds	(374,490)	100	6,584	2,316,024	1,935,050	-	2,856,000	914,696	(6,254)
Internal Service Funds*										
520	Facilities Maint & Repair	296,586	305,932	179,167	98,142	521,493	248,485	227,748	(161,000)	381,231
521	Technology Maint & Repair	89,752	460,111	411,442	-	138,421	450,553	402,519	-	186,455
522	Fleet & Equipment Services	(25,922)	482,564	374,628	-	82,014	425,160	270,693	-	236,481
	Total Internal Service Funds	360,416	1,248,607	965,237	98,142	741,928	1,124,198	900,960	(161,000)	804,167
Enterprise Funds*										
610	Water Enterprise O&M	341,522	3,122,195	1,979,093	(989,851)	494,773	3,275,174	1,783,353	(1,402,652)	583,941
640	Water Enterprise Capacity Fees	164,300	34,317	-	-	198,617	53,536	-	-	252,153
614	Water Enterprise Non-Routine Maintenance	90,107	1,924	139,648	24,498	(23,119)	1,924	12,250	33,445	-
615	Water Enterprise Capital Reserve	2,387,604	-	-	785,353	3,172,957	-	-	1,019,244	4,192,201
651	Water Capital Projects	194,500	46,420	1,027,477	1,195,174	408,617	46,420	805,000	349,963	-
	Total Water Enterprise Unrestricted Net Position	3,178,033	3,204,856	3,146,218	1,015,174	4,251,845	3,377,054	2,600,603	-	5,028,295
710	Wastewater Enterprise O&M	575,373	3,731,355	2,399,768	(1,307,018)	599,942	3,838,139	1,918,618	(1,823,590)	695,873
720	Clean Water Education Fund	5,095	-	-	(2,300)	2,795	-	-	-	2,795
740	Wastewater Enterprise Capacity Fees	319,573	36,209	-	-	355,782	35,058	-	-	390,840
714	Wastewater Enterprise Non-Routine Maintenance	201,759	3,936	193,820	-	11,875	3,936	90,750	74,939	-
715	Wastewater Enterprise Capital Reserve	1,694,987	28,524	-	(2,208,263)	(484,752)	28,524	-	773,440	317,212
716	Wastewater Capital Projects	665,913	13,318	10,502,247	9,044,513	(778,503)	13,318	8,849,030	9,614,216	-
717	JPFA - Wastewater Treatment Plant	-	2,124,506	79,111	(1,554,434)	490,961	2,875,494	188,140	(3,178,315)	-
	Debt Service Reserve	-	-	-	18,590	18,590	-	-	18,590	37,180
	Short Lived Asset Reserve	-	-	-	65,333	65,333	-	-	-	65,333
	Total Wastewater Enterprise Unrestricted Net Position	3,462,700	5,937,847	13,174,946	4,056,421	282,023	6,794,470	11,046,538	5,479,279	1,509,233
810	CV Starr Enterprise		1,906,337	1,787,369		-	1,977,802	2,170,747	-	-
	CV Starr Operating Reserve	397,347	-	-		434,212	-	-	-	434,212
	CV Starr Capital Reserve	477,343	-	-		559,446	-	-	-	366,501
	Total CV Starr Center Enterprise Unrestricted Net Position	874,690	1,906,337	1,787,369	-	993,658	1,977,802	2,170,747	-	800,713
	Total Enterprise Funds	7,515,423	11,049,040	18,108,533	5,071,595	5,527,526	12,149,325	15,817,889	5,479,279	7,338,241
	Total - All Funds	\$ 15,416,314	\$ 26,100,674	\$ 29,423,241	\$ (0)	\$ 12,005,086	\$ 36,013,666	\$ 33,884,663	\$ 0	\$ 14,134,089
Fiduciary Trust Funds										
175	Successor Agency to RDA	\$ (3,814,637)	\$ 375,278	\$ 375,509	\$ -	\$ (3,814,868)	\$ 380,975	\$ 380,975	\$ -	\$ (3,814,868)
	Total Fiduciary Funds	(3,814,637)	375,278	375,509	-	(3,814,868)	380,975	380,975	-	(3,814,868)

\* Enterprise and Internal Service funds do not include fixed assets, restricted for debt service or depreciation expense

## **BUDGET SUMMARY – ALL FUNDS**

### **OVERVIEW OF THE CITY'S BUDGET**

The City of Fort Bragg's combined annual budgeted appropriations for FY 2019/20 are \$48.9M. This amount includes appropriations from all funds (\$34.2M) and transfers (\$14.6M). Combined appropriations and transfers for FY 2019/20 are \$3.2M more than projected for FY 2018/19.

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 \$48.9M 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.

Included in the \$48.9M total annual budget amount are the City's Fiduciary Funds. 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.

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 an appropriation 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.

When Internal Service Funds, Fiduciary Funds, internal charges for service and transfers between funds are excluded from the total, the adjusted total Annual Budget amounts to \$31.3M.

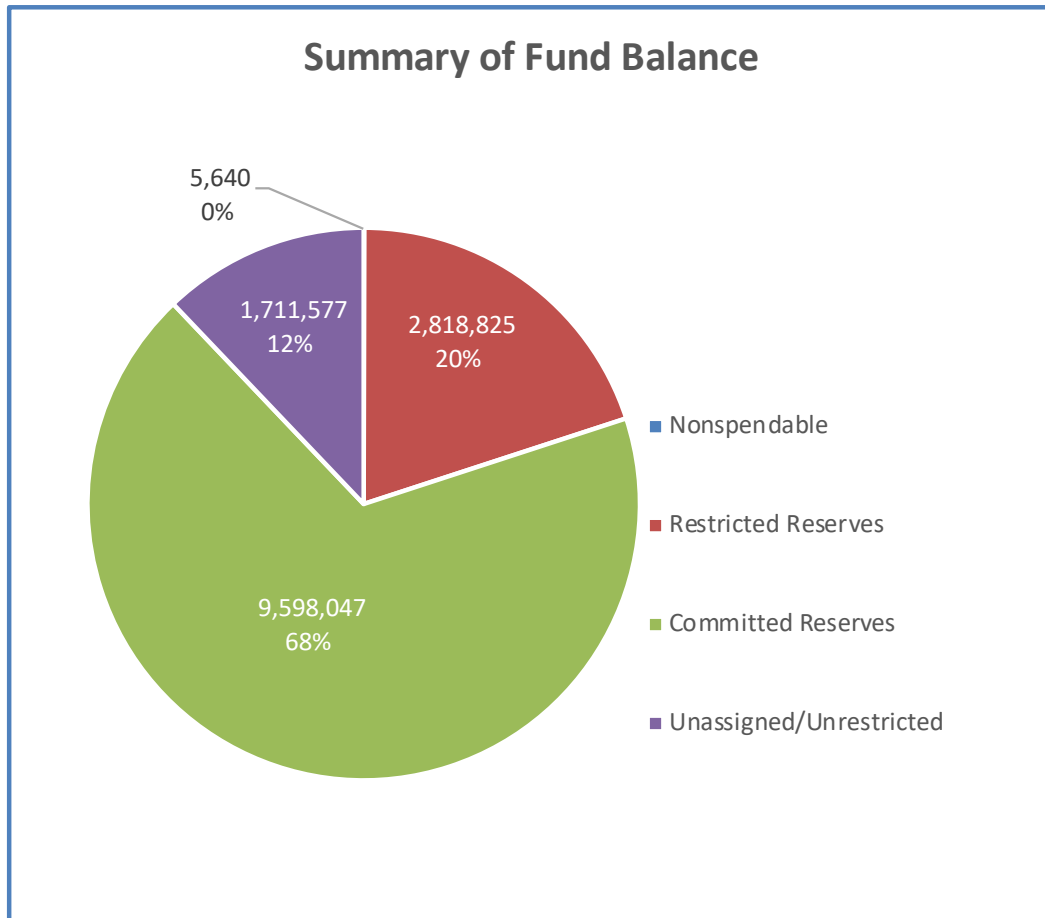
### **CHANGES IN OBLIGATIONS & INTERFUND LOANS**

The FY 2019/20 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, 2019. As of the writing of this budget the City's Wastewater Enterprise is in the process of issuing debt in the amount of \$5M to be used as one component of a total financing package to overhaul the City's aging wastewater treatment plant. Issuance of the debt is likely to occur partially in FY 2018/19 and partially in FY 2019/20. Details regarding the City's debt payments are found on pages 157 through 167.



### COST ALLOCATION PLAN

At the request of the City Council, staff has prepared a new cost allocation plan for implementation with the FY 2019/20 budget. The plan is a more traditional plan than has been used in the past and employs cost drivers and overhead rates to allocate costs. The plan generally results in decreased costs for the Water and Wastewater enterprises, increased costs for the Street Maintenance program and increased costs for the General Fund. Since the methodology is entirely different from what was employed previously it is only marginally useful to compare the new plan to the previous plan. With overall indirect expenses dropping 2.2%, staff continues to believe that the prior plan represented a different yet reasonable allocation of costs. The full cost allocation is presented in detail on pages 65-72 of the budget.



### ALL FUNDS - FUND BALANCE

The FY 2018/19 projected All Funds year-end fund balance is \$12M and the FY 2019/20 All Funds balance is projected at \$14.1M. 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 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 2019/20 is estimated at approximately \$1.7M.

	<b>FY 2019/20 ADOPTED</b>
Total All Funds Balance	\$ 14,134,089
Less Nonspendable (inventory, etc.)	5,640
Less Restricted Reserves (externally enforceable)	
Special Revenue Funds	2,670,896
Operating Grants	45,416
Debt Service Reserve	102,513
Less Committed Reserves (Set by Council resolution)	
General Fund Operating Reserve	1,469,787
Water Operating Reserve	494,773
Wastewater Operating Reserve	599,942
General Fund Recession Reserve	489,929
Water Recession Reserve	89,168
Wastewater Recession Reserve	95,931
Water Capital Reserve	4,192,201
Wastewater Capital Reserve	317,212
Capital Projects in Process	(6,254)
CV Starr Reserves	800,713
Internal Service Fund Reserves	804,167
Litigation Reserve	200,000
Reserve for Encumbrances	50,478
Unassigned/Unrestricted Balance	<u>\$ 1,711,577</u>

	<b>FY 2019/20 ADOPTED</b>
Detail of Unassigned/Unrestricted Balance:	
General Fund	\$ 1,065,789
Water Enterprise	252,153
Wastewater Enterprise	393,635
Total Unassigned/Unrestricted Balance	<u>\$ 1,711,577</u>

## FUND BALANCE TRENDS

Year over year, the City's All Funds balance is likely to increase in FY 2019/20 by approximately \$2.1M. The increase is the result of several factors including: a \$65k General Fund surplus; an increase in Special Revenue fund balances due to accumulation of Special Sales Tax for streets projects offset by a spend down of the Fire Equipment (\$84k), as well as positive net receipt of a SWRCB grant in connection with the Wastewater Treatment Plant project (\$2M); Capital Projects funds will decrease by \$1.9M with the completion of a Street Resurfacing project; Internal Service fund balances will increase \$62k due to capital and maintenance projects as well as adjustments to the fleet plan; Enterprise Fund balances are expected to increase \$1.8M, due primarily an accumulation of funds in the Water and Wastewater Enterprise capital reserves.

	<b>FY 2017/18 AUDITED</b>	<b>FY 2018/19 PROJECTED</b>	<b>FY 2019/20 ADOPTED</b>
Total All Funds Balance	\$ 15,416,314	\$ 12,005,086	\$ 14,134,089

**ALL FUNDS**  
**SUMMARY OF REVENUES BY CATEGORY**  
**FY 2016/17 THROUGH FY 2019/20**

	<b>FY 2016/17</b>	<b>FY 2017/18</b>	<b>FY 2018/19</b>	<b>FY 2018/19</b>	<b>FY 2019/20</b>	<b>%</b>
<b>ALL FUNDS</b>	<b>FYE</b>	<b>FYE</b>	<b>AMENDED</b>	<b>FYE</b>	<b>ADOPTED</b>	<b>INCR/</b>
	<b>AUDITED</b>	<b>AUDITED</b>	<b>BUDGET</b>	<b>PROJECTED</b>	<b>BUDGET</b>	<b>-DECR</b>
Sales & Use Taxes	\$ 3,294,513	\$ 3,620,508	\$ 3,649,233	\$ 3,793,336	\$ 3,850,190	1.5%
Transient Occupancy Taxes	2,149,404	2,619,227	2,759,609	2,698,395	2,864,535	6.2%
Property Taxes	1,318,302	1,323,560	1,398,070	1,403,215	1,450,924	3.4%
Other Taxes	673,736	718,762	756,047	750,860	803,340	7.0%
<b>Total Taxes</b>	<b>7,435,955</b>	<b>8,282,057</b>	<b>8,562,959</b>	<b>8,645,805</b>	<b>8,968,989</b>	<b>3.7%</b>
Reimbursements	2,354,541	2,694,333	2,588,571	2,646,751	2,554,276	-3.5%
Licenses & Permits	97,446	132,037	120,463	133,310	111,280	-16.5%
Fines & Forfeitures	210,602	84,487	125,400	80,093	65,800	-17.8%
Use of Money & Property	110,671	226,413	265,758	398,261	401,032	0.7%
Intergovernmental (includes grants)	2,110,087	4,587,981	11,173,124	3,072,944	11,862,286	286.0%
Charges for Services	7,562,220	8,281,890	8,620,758	8,840,330	8,994,994	1.7%
Other Revenues	1,466,213	399,580	160,661	158,674	179,515	13.1%
Other Financing Sources	-	-	5,000,000	2,124,506	2,875,494	n/a
Transfers	8,743,556	14,413,687	22,070,603	15,892,842	14,603,346	-8.1%
<b>Total</b>	<b>30,091,290</b>	<b>39,102,464</b>	<b>58,688,296</b>	<b>41,993,516</b>	<b>50,617,012</b>	<b>20.5%</b>
Less Transfers	(8,743,556)	(14,413,687)	(22,070,603)	(15,892,842)	(14,603,346)	-8.1%
<b>Total Without Transfers</b>	<b>21,347,734</b>	<b>24,688,777</b>	<b>36,617,693</b>	<b>26,100,674</b>	<b>36,013,666</b>	<b>38.0%</b>
Less Internal Service Funds	(808,862)	(1,041,793)	(1,236,271)	(1,236,271)	(1,124,198)	-9.1%
Less Internal Charges for Service	(1,824,826)	(2,078,877)	(1,979,063)	(1,979,063)	(1,665,904)	-15.8%
Less Interfund Cost Reimbursement	(224,539)	(493,406)	(507,958)	(517,007)	(755,347)	-46.1%
<b>Net Revenues</b>	<b>\$ 18,489,507</b>	<b>\$ 21,074,701</b>	<b>\$ 32,894,401</b>	<b>\$ 22,368,333</b>	<b>\$ 32,468,216</b>	<b>45.2%</b>

### DISCUSSION OF REVENUE TRENDS

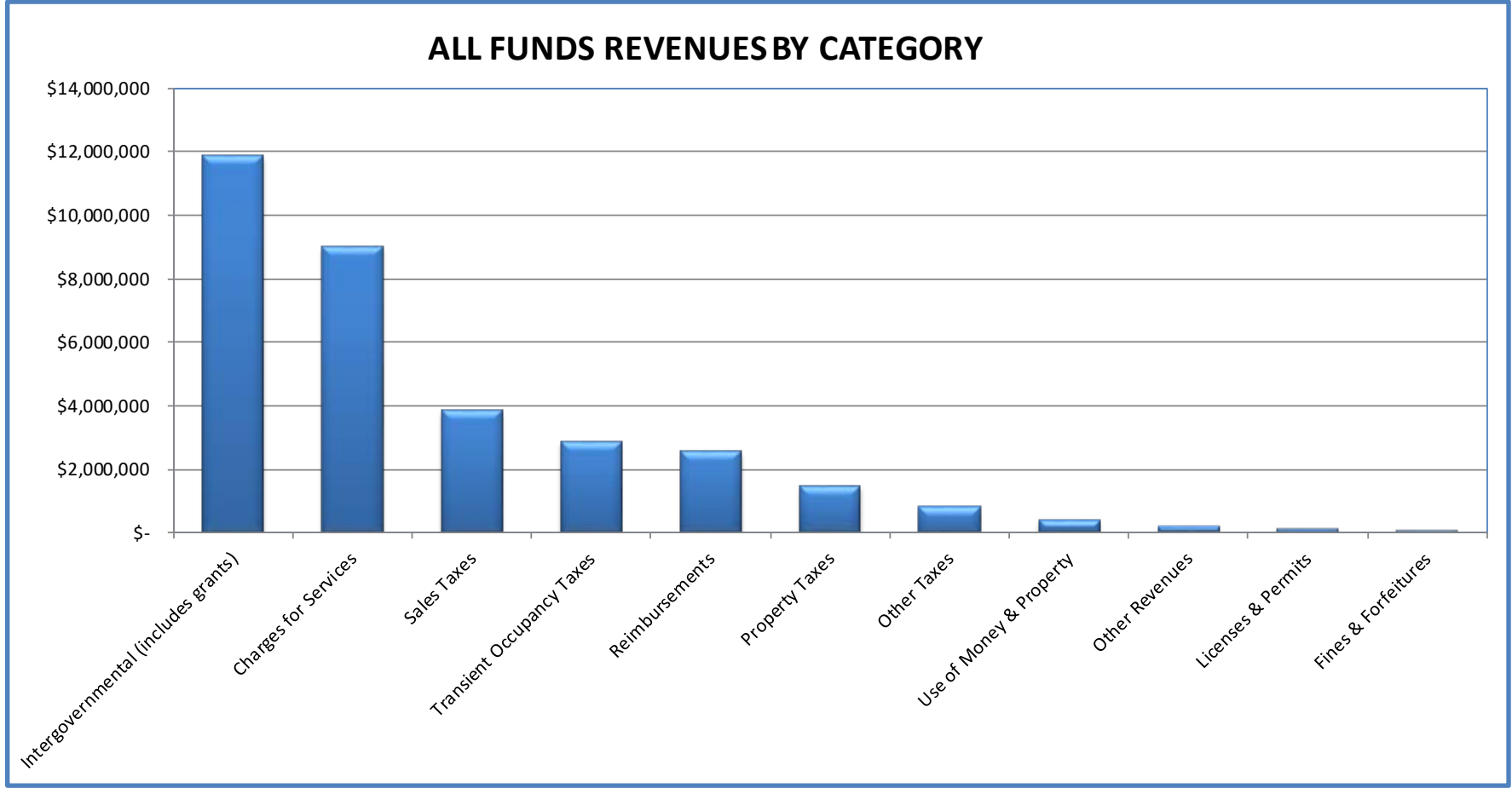
Overall, City revenues are projected to increase 45.2% or \$10M largely as a result of grant revenue and loan proceeds associated with the City's financing of a new wastewater treatment facility. General Fund revenue is expected to increase 2.1% as a result of continued growth of the Transient Occupancy Tax (TOT) and increases in Franchise taxes. The outsourced Marketing and Promotions department is expected to continue driving growth in this area as the City is marketed as a tourist destination. Growth is expected in Franchise taxes, Property taxes and Sales taxes as well. It should be noted that with the FY 2018/19 budget the City Council approved a change in revenue forecasting methodology from "conservative" to "most likely". The adopted budget reflects the change in methodology.

Water and Wastewater revenues are expected to increase 5.4% and 14.4%, respectively. Each of the two Enterprise Funds will see rate increases with Water rates increasing 5% and Wastewater rates increasing 3%. Rate increases will be implemented according to voter approved rate schedules. Additionally the Wastewater Enterprise will receive loan proceeds in connection with the Wastewater Treatment Plant upgrade (\$2.9M).

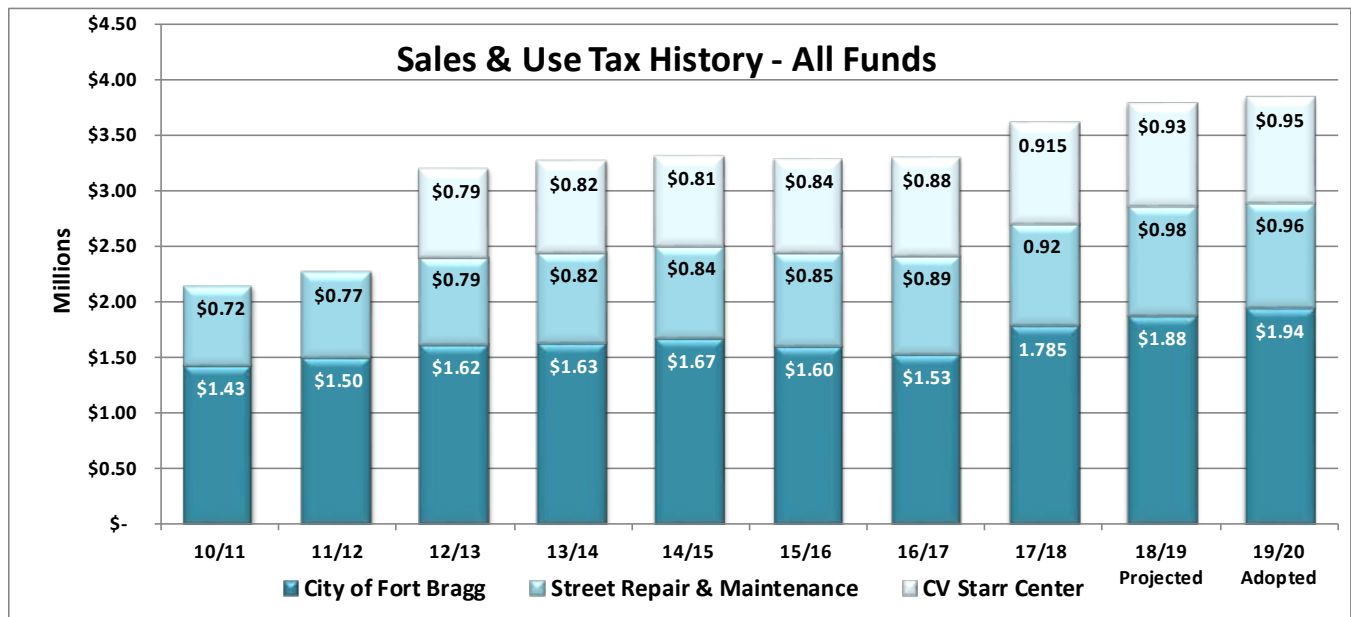
Notably, the City's grant revenues are projected to increase substantially from \$2.2M expected in FY 2018/19 to \$11.1M expected in FY 2019/20. Grant revenues are expected for the Wastewater Treatment Plant upgrade (\$7.4M) and Community Development Block Grant funding is expected in the amount of approximately \$2.9M.

Lastly, Internal Service Fund revenue is planned to decrease by 10% or \$125k. Each year the Internal Service Fund long term plans are re-assessed. In FY 2019/20 the long-term plans indicated a need for decreased funding. Funding plans are designed to fund maintenance and replacement across a 10 year horizon for Facilities Repair and Maintenance as well as for Fleet and Equipment Services. Technology Maintenance and Replacement uses a 5 year horizon.

ALL FUNDS DETAIL OF REVENUES BY FUND FY 2016/17 THROUGH FY 2019/20							
FUND	FY 2016/17 FYE AUDITED	FY 2017/18 FYE AUDITED	FY 2018/19 AMENDED BUDGET	FY 2018/19 FYE PROJECTED	FY 2019/20 ADOPTED BUDGET	% INCR/ -DECR	
<b>General Fund</b>							
Property Taxes	\$ 1,031,345	\$ 1,034,552	\$ 1,095,012	\$ 1,088,270	\$ 1,125,271	3.4%	
Sales Taxes	1,531,858	1,785,264	1,792,993	1,880,000	1,941,692	3.3%	
Transient Occupancy Taxes	2,149,404	2,619,227	2,759,609	2,698,395	2,864,535	6.2%	
Other Taxes	673,736	718,762	756,047	750,860	803,340	7.0%	
Reimbursements	2,354,541	2,694,333	2,588,571	2,646,751	2,554,276	-3.5%	
Charges for Services	68,256	63,296	68,200	70,211	62,800	-10.6%	
Intergovernmental	107,372	152,423	232,300	266,050	268,537	0.9%	
Licenses & Permits	91,339	124,830	114,063	130,510	108,480	-16.9%	
Other Revenues	194,761	78,946	51,570	27,156	33,470	23.3%	
Use of Money & Property	(22,603)	(110,374)	59,500	55,288	65,400	18.3%	
Fines & Forfeitures	30,723	34,563	42,500	50,293	36,000	-28.4%	
<b>Total General Fund</b>	<b>8,210,732</b>	<b>9,195,822</b>	<b>9,560,365</b>	<b>9,663,783</b>	<b>9,863,801</b>	<b>2.1%</b>	
<b>Water</b>							
Charges for Services	2,660,230	2,887,408	3,040,568	3,083,871	3,234,529	4.9%	
Use of Money and Property	31,885	38,576	37,036	64,480	64,480	0.0%	
Other	14,719	21,149	17,768	25,723	28,045	9.0%	
Contributed Capital	604,698	19,537	23,000	30,781	50,000	62.4%	
<b>Total Water</b>	<b>3,311,533</b>	<b>2,966,670</b>	<b>3,118,372</b>	<b>3,204,856</b>	<b>3,377,054</b>	<b>5.4%</b>	
<b>Wastewater</b>							
Charges for Services	3,301,575	3,495,429	3,518,411	3,662,502	3,769,609	2.9%	
Use of Money and Property	24,188	54,542	27,877	81,366	81,366	0.0%	
Other Financing Sources	-	-	5,000,000	2,124,506	2,875,494	n/a	
Contributed Capital	630,113	252,803	68,323	69,474	68,000	-2.1%	
<b>Total Wastewater</b>	<b>3,955,876</b>	<b>3,802,774</b>	<b>8,614,610</b>	<b>5,937,847</b>	<b>6,794,470</b>	<b>14.4%</b>	
<b>Total Revenue - Operating Funds</b>	<b>15,478,141</b>	<b>15,965,266</b>	<b>21,293,347</b>	<b>18,806,486</b>	<b>20,035,324</b>	<b>6.5%</b>	
<b>C.V. Starr Center</b>							
Sales and Use Taxes	880,985	915,239	928,120	932,336	955,175	2.4%	
Property Taxes	234,006	236,035	246,376	253,162	261,770	3.4%	
Charges for Services	695,552	718,663	689,800	710,839	750,857	5.6%	
Use of Money and Property	379	4,944	2,000	10,000	10,000	0.0%	
Other	6,716	24,145	-	-	-	0.0%	
<b>Total C.V. Starr Center</b>	<b>1,817,638</b>	<b>1,899,025</b>	<b>1,866,296</b>	<b>1,906,337</b>	<b>1,977,802</b>	<b>3.7%</b>	
<b>Special Revenue &amp; Capital Project Funds</b>							
Special Revenue, Restricted	1,792,642	1,519,464	1,648,275	1,928,694	1,752,608	-9.1%	
Special Revenue, Grants	1,443,041	4,258,848	10,573,504	2,210,450	11,123,734	403.2%	
Capital Projects	7,411	2,064	-	100	-	n/a	
<b>Total Special Revenue &amp; Capital</b>	<b>3,243,093</b>	<b>5,780,376</b>	<b>12,221,779</b>	<b>4,139,244</b>	<b>12,876,342</b>	<b>211.1%</b>	
<b>Subtotal</b>	<b>20,538,872</b>	<b>23,644,667</b>	<b>35,381,422</b>	<b>24,852,067</b>	<b>34,889,467</b>	<b>40.4%</b>	
<b>Internal Service Funds</b>							
Facilities Maintenance	324,101	217,506	299,036	305,932	248,485	-18.8%	
Information Technology	274,619	399,366	460,111	460,111	450,553	-2.1%	
Fleet & Equipment Services	210,142	427,238	477,124	482,564	425,160	-11.9%	
<b>Total Internal Service Funds</b>	<b>808,862</b>	<b>1,044,110</b>	<b>1,236,271</b>	<b>1,248,607</b>	<b>1,124,198</b>	<b>-10.0%</b>	
<b>Subtotal before Transfers</b>	<b>21,347,734</b>	<b>24,688,777</b>	<b>36,617,693</b>	<b>26,100,674</b>	<b>36,013,666</b>	<b>38.0%</b>	
Transfers	8,743,556	14,413,687	22,070,603	15,892,842	14,603,346	-8.1%	
<b>Total Revenue, All Funds</b>	<b>\$ 30,091,290</b>	<b>\$ 39,102,464</b>	<b>\$ 58,688,296</b>	<b>\$ 41,993,516</b>	<b>\$ 50,617,012</b>	<b>20.5%</b>	



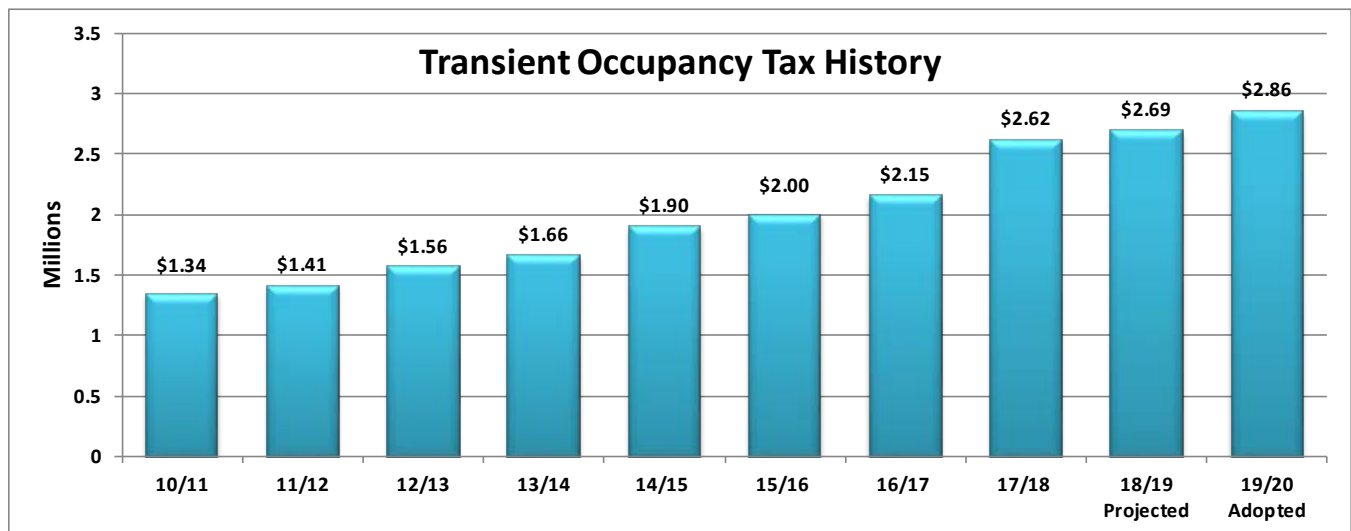
## Sales Tax



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 \$3.85M in FY 2018/19 and \$3.9M in FY 2019/20.

Sales tax growth over the last five years is showing a modest 3% growth trend. Factors negatively affecting sales tax growth include internet sales and fuel prices. Fuel prices dropped approximately 36% in late 2015 and remained low for an extended period of time. Fuel prices appear to have bottomed out in 2016 and early 2017 and then began increasing slowly. Over the last year, gas prices increased and stabilized at around \$3/gallon and more recently increased to over \$4/gallon. These up trending prices likely account for some of the revenue growth. Moving forward, this revenue source has the potential to see greater increases driven by implementation of the City's Marketing & Promotions Plan. Internet sales however, will continue to exert downward pressure on sales tax growth, a key source (11%) of All Funds revenue.

## Transient Occupancy Tax

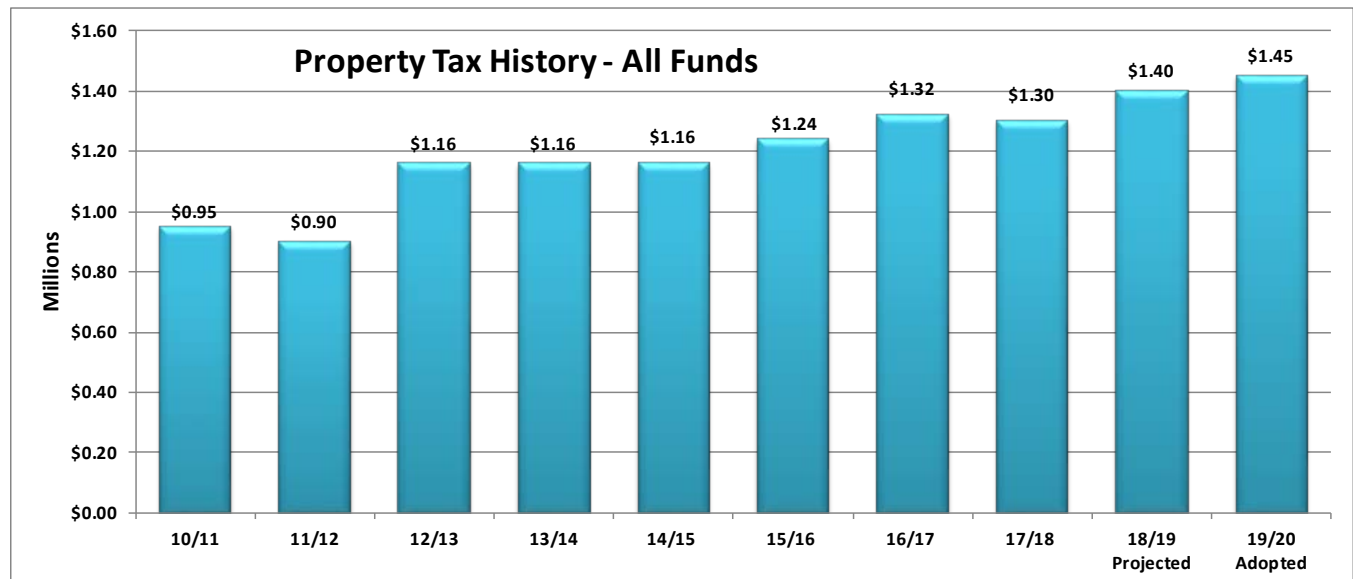




Transient Occupancy Tax (TOT) is a local tax that is applied to the cost of hotel or other lodging stays of less than 30 days. In 2016, with passage of local Measures AA and AB, the City's TOT rate increased from 10% to 12%. This tax is a revenue source solely for the General Fund. TOT is collected by 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% of revenue at the All Funds level net of internal charges.

Based on year-to-date receipts, FY 2018/19 year-end TOT revenues are projected to be approximately \$79k higher than FY 2017/18 totals. This represents an increase of 3% 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 2019/20 Budget projects continued growth in TOT revenue at a rate of 6.2% or \$166k.

### Property Tax



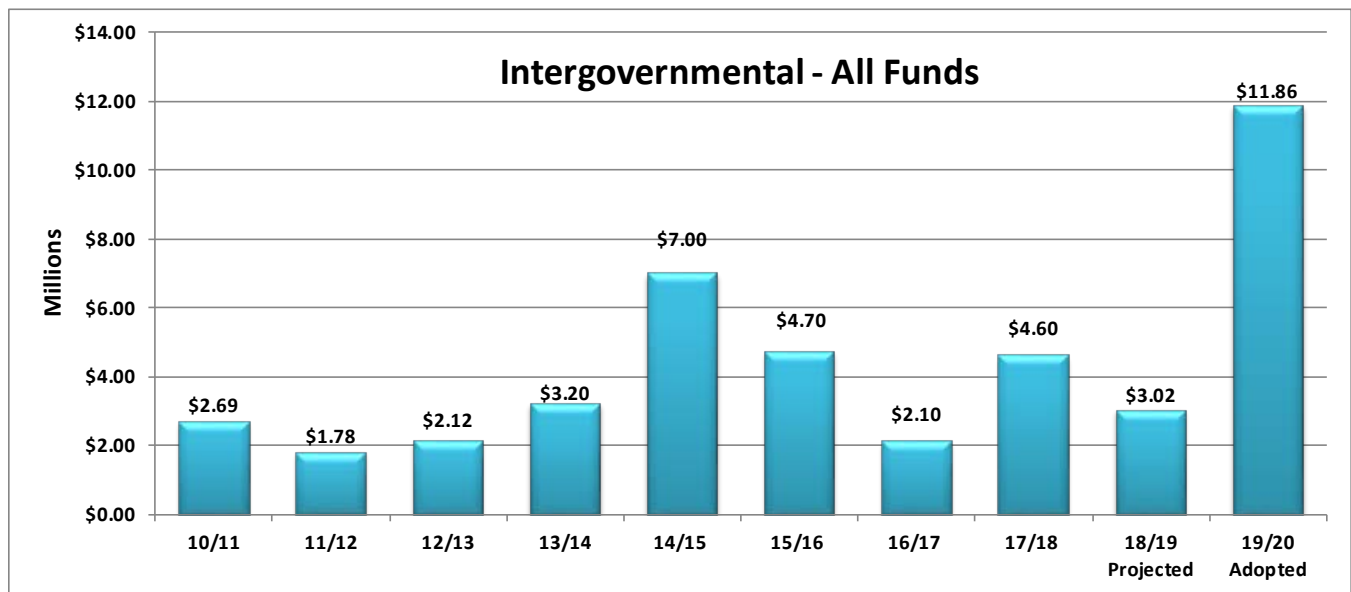
Throughout the City's history, property tax revenue has grown significantly, reflecting both new development and increasing property values in Fort Bragg. As in most of the country, during the recession, property tax revenues declined in Fort Bragg due to lower sales prices and adjustments in assessments.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

Overall, property tax revenues are expected to increase 3.4% in FY 2019/20. Thus far interest rate increases at the federal level have not slowed home sales or home price increases. For now interest rates appear to have leveled out and rate decreases seem as likely as rate increases in the short term. With home prices continuing to increase however, affordable housing remains problematic in the community.

Property tax receipts for FY 2018/19 and FY 2019/20 are projected at \$1.4M and \$1.45M respectively following a four-year growth trend of 3.4%. This amount includes property taxes paid to the General Fund (\$1.1M), to the C.V. Starr Center Enterprise Fund (\$262k), and to the Fire Equipment Fund (\$64k).

## Service and Program Charges

All Funds Detail of Revenue Services & Programs	FY 2017/18 FYE AUDITED	FY 2018/19 AMENDED BUDGET	FY 2018/19 FYE PROJECTED	FY 2019/20 ADOPTED
Intergovernmental	\$ 4,587,981	\$ 11,173,124	\$ 3,072,944	\$ 11,862,286
Charges for Services	8,281,890	8,620,758	8,840,330	8,994,994
Reimbursements	2,694,333	2,588,571	2,646,751	2,554,276
<b>Totals</b>	<b>\$ 15,564,204</b>	<b>\$ 22,382,453</b>	<b>\$ 14,560,025</b>	<b>\$ 23,411,556</b>



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 2019/20 related to the Wastewater Treatment Plant upgrade (\$5.3M) and Community Development Block Grant funding (\$3.1M). Year over year, the Intergovernmental category is expected to increase by \$8.8M to \$11.9M and is anticipated to be the largest All Funds revenue (net of internal charges) source at 33%. Charges for Services includes the Water Enterprise user charges (\$3.2M), Wastewater Enterprise user charges (\$3.8M), the C.V Starr Enterprise user charges (\$751k), Internal Service Funds user charges (\$1.1M) and General Fund fees (\$63k). Additionally the City expects to collect \$60k in General Plan Maintenance fees. Charges for Services in the General Fund include Fees for Service which are collected according to the City's fee schedule. Year over year, the Charges for Services category is expected to increase by \$132k to \$9M. This is in part due to voter approved utility rate increases in the Enterprise funds. Charges for Services are forecast to make up 25% of the All Funds revenue (net of internal charges). Reimbursements include revenues such as the annual COPS reimbursement for the cost of the City's Community Service Officers (\$130k), Highway User Tax and Special Sales Tax Allocations used to reimburse the cost of the City's Street Maintenance Department (\$532k) and cost allocations which are considered a cost to the Enterprise Funds but a revenue to the General Fund (\$1.7M). Reimbursements are expected to decrease year over year by \$92k to \$2.6M due in part to decreasing Asset Forfeiture reimbursements (\$43k) and decreased revenue due to the City's new cost allocation plan (\$49k).

## Other Revenues

All Funds Detail of Revenue Other Revenues	FY 2017/18 FYE AUDITED	FY 2018/19 AMENDED BUDGET	FY 2018/19 FYE PROJECTED	FY 2019/20 ADOPTED
Licenses & Permits	\$ 132,037	\$ 120,463	\$ 133,310	\$ 111,280
Fines & Forfeitures	84,487	125,400	80,093	65,800
Use of Money & Property	226,413	265,758	398,261	401,032
Other Revenues	399,580	160,661	158,674	179,515
<b>Totals</b>	<b>\$ 842,517</b>	<b>\$ 672,282</b>	<b>\$ 770,338</b>	<b>\$ 757,627</b>

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.

Licenses and Permits are likely to see a reduction in building permit revenues due to implementation of a new building permit surcharge. Fines and Forfeitures are likely to see a year over year decrease caused by a sizeable code enforcement fine in FY 2018/19.

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 are expected to remain flat as a consequence of the Federal Reserve's monetary and interest policies having leveled out. The City invests in the Local Agency Investment Fund (LAIF) which is an investment pool administered by the State of California. LAIF is currently paying an interest rate of approximately 2.55%. The City's overall portfolio rate of return is approximately 1.82%

## OPERATING TRANSFERS-IN

At the All Funds level, all transfers in have an equal and corresponding transfer out which is shown as an expenditure. Therefore, at the All Funds level, all transfers net to zero. A majority of the City's interfund transfers involve funding of capital projects, whether from grant funds, special revenue funds, capital reserves or operating funds. A detailed list of interfund transfers may be found on pages 62-63.

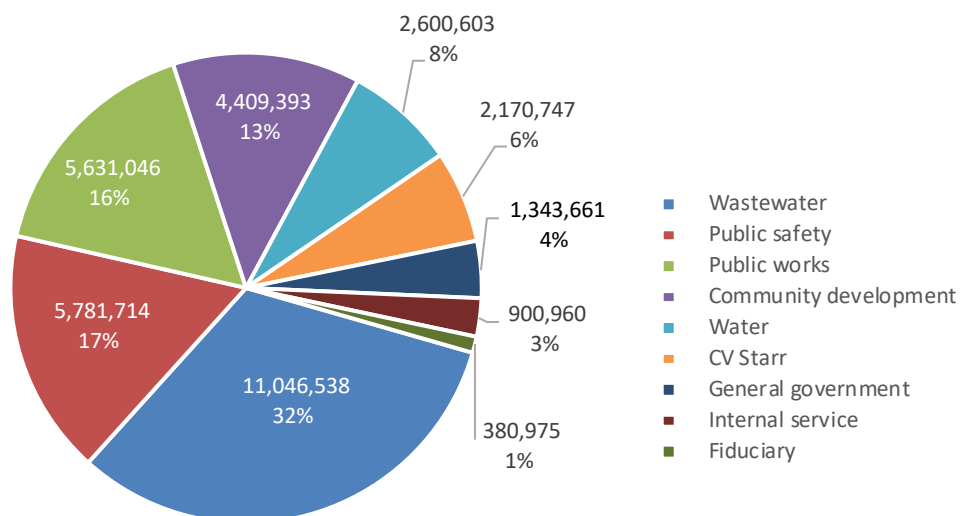
## DISCUSSION OF EXPENDITURE TRENDS

The FY 2019/20 Budget proposes expenditures totaling \$31.3M when Internal Service Funds, Fiduciary Funds, internal charges for service and transfers between funds are excluded from the total and \$48.9M when these items are included. The budget includes a robust capital budget (\$13.1M) with much of the financing coming from grants (\$7.4M) and special revenue funds (\$2.7M).

**ALL FUNDS**  
**EXPENDITURE SUMMARY BY FUNCTION/PROGRAM**  
**FY 2016/17 THROUGH FY 2019/20**

	FY 2016/17 FYE AUDITED	FY 2017/18 FYE AUDITED	FY 2018/19 AMENDED BUDGET	FY 2018/19 FYE PROJECTED	FY 2019/20 ADOPTED BUDGET	% INCR/ -DECR
<b>ALL FUNDS</b>						
Governmental Activities						
General government	\$ 2,664,477	\$ 3,033,355	\$ 2,762,490	\$ 2,714,775	\$ 1,343,661	-50.5%
Community development	1,052,305	1,201,297	2,328,853	1,192,579	4,409,393	269.7%
Public safety	4,233,100	4,389,197	4,351,215	4,209,266	5,781,714	37.4%
Public works	3,883,582	5,753,890	4,325,167	2,232,852	5,631,046	152.2%
Internal service	827,676	943,075	1,013,921	965,237	900,960	-6.7%
Business-type activities						
Water	2,147,986	2,033,988	3,813,387	3,146,218	2,600,603	-17.3%
Wastewater	2,842,251	2,568,894	21,483,114	13,174,946	11,046,538	-16.2%
CV Starr	2,320,455	2,385,927	1,957,233	1,787,369	2,170,747	21.4%
Fiduciary Activities						
Fiduciary	203,037	258,665	375,278	375,509	380,975	1.5%
<b>Subtotal</b>	<b>20,174,868</b>	<b>22,568,288</b>	<b>42,410,658</b>	<b>29,798,750</b>	<b>34,265,638</b>	<b>15.0%</b>
Transfers Out	8,743,556	14,413,687	22,070,603	15,892,842	14,603,346	-8.1%
<b>TOTAL ALL FUNDS</b>	<b>\$ 28,918,424</b>	<b>\$ 36,981,975</b>	<b>\$ 64,481,260</b>	<b>\$ 45,691,592</b>	<b>\$ 48,868,984</b>	<b>7.0%</b>

**FY 2019/20 Expenditures by Function/Program**



**Expenditures by Function/Program**

**General Government** is budgeted to decrease 50.5% or \$1.3M in FY 2019/20. The decrease is due mostly to the City's new cost allocation methodology. The General Government base budgets (prior to allocations) decreased by \$107k. With the new methodology however, Internal Service funds are allocated to all departments in the first iteration of the allocation. This offsets the base budget savings by \$204k so that costs show a year over year increase of approximately \$97k. The new plan then allocates \$1.2M in costs from indirect departments to direct departments. An examination of costs prior to allocations indicates that the base budget savings are due largely to staffing reductions in the Administrative Services department offset by increases in personnel cost driven by cost of living adjustments and pension cost increases as well as an addition of \$25k to the Council budget for use in connection with pursuit of Council goals.

**Community development** is expected to increase 269.7% or \$3.2M. Year over year increases are due to increased operating grant expenditures demonstrating the irregular nature of grant funding. The HCD Home grant is expected to expend \$500k and CDBG grant expenditures are likely to increase \$2.9M. Increases due to the new cost allocation plan come to \$242k. Salary savings of around \$115k are expected due to a reorganization of the department – with two staff members moving from Community Development to Public Works. Additionally a year over year decrease of \$250k is expected in the RDA Housing Successor with a one-time expenditure scheduled for FY 2018/19 in connection with the DANCO housing project. Housing fund expenditures in FY1920 are budgeted significantly lower at \$12k.

**Public Safety** is budgeted to increase 37.4 % or \$1.6M. The increase is due largely to the new cost allocation plan (\$1M). The City Police Department was significantly short-staffed in FY 2018/19 but is budgeted to be at full staff in FY 2019/20 causing a year over year budget variance of approximately \$375k. Lastly, the City will contribute \$216k to the Fort Bragg Volunteer Fire Department for the purchase of a new fire engine.

**Public Works** is budgeted to increase 152.2% or \$3.4M. Year over year increases are due to increased capital projects expenditures demonstrating the irregular nature of capital projects. In FY 2019/20 a Street Resurfacing and Structural Repair project is expected to expend \$2M, Municipal Facilities projects are expected to expend \$161k, the Maple Street Storm Drain Rehabilitation project is expected to expend \$650k and the Rt.1 Pedestrian Access Improvements project is expected to expend \$45k. The City's new cost allocation plan results in additional cost of \$166k for Public Works General Fund departments as well as increased costs to the HUTA and Special Sales Tax funds (\$300k). Lastly salary increases of around \$115k are expected due to a reorganization of the department – with two staff members moving from Community Development to Public Works.

**Water Enterprise** expenditures are budgeted to decrease by 17.3% or \$546k due to several factors. As mentioned, capital spending can be irregular and in the case of the Water Enterprise a year over year decrease in capital spending is expected in the amount of \$222k. It should be noted that staff is actively pursuing grant funding for the Pudding Creek Water Main Relocation project. In the event funding is secured in the course of FY 2019/20, staff will bring forward a budget amendment to Council. Non-routine maintenance costs are expected to decrease by \$127k as the Enterprise has completed much of its deferred maintenance backlog. Lastly, the City's new cost allocation plan will result in a cost decrease of \$210k for the enterprise.

**Wastewater Enterprise** expenditures are budgeted to decrease by \$2.1M or 16.2% in FY 2019/20. The decrease is due primarily to the fact that the Wastewater Treatment Plant Project has been partially completed. Capital expenditures alone are budgeted to decrease \$1.6M. As with the Water Enterprise, non-routine maintenance costs in the Wastewater Enterprise are expected to decrease (\$126k) as the Enterprise has completed much of its deferred maintenance backlog. Lastly, the City's new cost allocation plan will result in a cost reduction of \$98k.

The C.V. Starr Center Enterprise expenditures are budgeted to increase by 21.4% or \$383k due primarily to an increase in the Center's capital work plan from \$51k in FY 2018/19 to \$396k in FY 2019/20. The Pool Basin Resurfacing project which was budgeted in FY 2018/19 at \$180k has been rolled forward to FY 2019/20 and the estimated cost increased to \$350k. Additionally the Center has budgeted \$46k in non-routine maintenance projects.

**ALL FUNDS  
SUMMARY OF EXPENDITURES BY CATEGORY  
FY 2016/17 THROUGH FY 2019/20**

	FY 2016/17 FYE AUDITED	FY 2017/18 FYE AUDITED	FY 2018/19 AMENDED BUDGET	FY 2018/19 FYE PROJECTED	FY 2019/20 ADOPTED BUDGET	% INCR/ -DECR
<b>ALL FUNDS</b>						
Salaries & Wages	\$ 5,192,207	\$ 5,652,864	\$ 5,596,263	\$ 5,453,756	\$ 5,408,012	-0.8%
Benefits	2,776,866	2,979,788	2,944,195	2,778,896	3,018,676	8.6%
Materials & Services	5,053,217	5,411,052	6,895,849	5,633,874	8,967,366	59.2%
Capital	2,318,804	3,849,746	23,127,984	12,085,626	13,051,747	8.0%
Debt Service	281,295	309,710	775,098	775,098	826,442	6.6%
Depreciation	2,145,286	1,494,572	-	-	-	
<b>Subtotal</b>	<b>17,767,675</b>	<b>19,697,732</b>	<b>39,339,389</b>	<b>26,727,250</b>	<b>31,272,243</b>	<b>17.0%</b>
Indirect Expenses	2,204,156	2,611,891	2,695,991	2,695,991	2,612,420	-3.1%
Fiduciary Funds	203,037	258,665	375,278	375,509	380,975	1.5%
<b>Subtotal</b>	<b>20,174,868</b>	<b>22,568,288</b>	<b>42,410,658</b>	<b>29,798,750</b>	<b>34,265,638</b>	<b>15.0%</b>
Transfers Out	8,743,556	14,413,687	22,070,603	15,892,842	14,603,346	-8.1%
<b>TOTAL ALL FUNDS</b>	<b>\$ 28,918,424</b>	<b>\$ 36,981,975</b>	<b>\$ 64,481,260</b>	<b>\$ 45,691,592</b>	<b>\$ 48,868,984</b>	<b>7.0%</b>

\*Note; Principal payments are not considered an expense in full accrual accounting.  
Audited results reflect the Enterprise Funds full accrual treatment of principal payments.

### Expenditures by Category

Salaries, Wages and Benefits combined are budgeted to decrease by 2.4% or 194k. The savings is largely the result of staff reductions in the Administrative Services department offset by cost of living adjustments.

	FY18-19 Adopted Budget	FY19-20 Adopted Budget	\$ \$ +(-)	% +(-)
Wages	\$ 4,542,773	\$ 4,517,431	\$ (25,341)	-0.56%
Medical Benefits	967,514.57	941,051.55	(26,463.02)	-2.74%
Other Health Benefits	84,268.80	85,813.23	1,544.43	1.83%
PERS	989,052.52	1,049,314.87	60,262.35	6.09%
Taxes	328,234.15	333,291.10	5,056.94	1.54%
Other Benefits	49,434.61	46,509.35	(2,925.26)	-5.92%
Workers Comp	222,930.00	224,657.00	1,727.00	0.77%
	<b>\$ 7,184,207</b>	<b>\$ 7,198,068</b>	<b>\$ 13,861</b>	<b>0.19%</b>

\*Note; this table does not include CV Starr Center personnel costs or retiree healthcare cc

Medical benefits increased a modest 1.15% while dental benefits increased for the first time in several years by 4%. Additionally a higher number of employees opted out of health benefits as compared to the previous year. PERS pension costs increased as expected as a result of CalPERS lowering its actuarial discount rate. Increases however were offset by a decreased wage base due to the previously mentioned staff reductions. Continued turnover due to retirements has also resulted in more staff on the "PEPRA" pension plan which has a much lower cost than the "Classic" plan.



Materials & Services are expected to increase 59% or \$3.3M due to several factors: on a year over year basis the Marketing and Promotions will decrease \$109k, an expected loan from the City's Redevelopment Housing Successor which will be classified as an "other financing use" (\$250k), the City will contribute \$216k to the Fort Bragg Volunteer Fire Department for the purchase of a new fire engine and CDBG operating grant expenditures will increase by \$2.9M.

Capital expenditures are expected to increase 8% or \$1M. Notable project in FY 2019/20 include \$2M for a Street Resurfacing project and \$650k for the Maple Street Rehabilitation project as well as \$1.4M for the Wastewater Enterprise Lift Station Rehabilitation project. For detailed information on the City's capital improvement plan see pages 209 thru 249.

Debt service is expected to increase 6.6% or \$51k. This is the result of the regular debt service schedule of outstanding debt coupled with the new issuance of debt by the Wastewater Enterprise in connection with the treatment plant upgrade. For detailed information on the City's debt service requirement see pages 157 thru 167.

Indirect Expenses are expected to decrease 3.1% or \$84k. This is mostly results from implementation of the City's new cost allocation plan. Details on the City's cost allocation plan may be found on pages 65 thru 72.

## BUDGET SUMMARY – GENERAL FUND

### OVERVIEW

The City of Fort Bragg’s fiscal year (FY) 2019/20 General Fund operating appropriations budget is adopted at \$9.8M. Core city services such as police, community development, park maintenance, 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.

The FY 2019/20 budget is showing a \$65k surplus:

	<b>ADOPTED</b>
	<b>FY 2019/20</b>
Operating Revenue	\$ 9,863,801
Operating Expenditures	(9,798,581)
Operating Surplus(Deficit)	<u>\$ 65,220</u>

A few of the many actions taken by staff to balance this year’s budget include; The Marketing & Promotions department was budgeted \$63k less than the previous year. Reduction in staff in the Administrative Services department contributed \$164k and renegotiation of the Police Department contract for dispatch services resulted in \$12k savings. The City also received good news on a couple of items outside of staff’s control; Medical premiums only increased 1.15%. This represents a \$36k savings compared to the 5% increases of recent years. Additionally, usage of medical benefits by employees decreased \$30k. Liability premiums also were down \$17k.

Although the General Fund will enjoy a balanced budget for FY 2019/20 it is still important that the City remain focused on enhancing General Fund revenue streams and containing costs in the years to come. Pressure will continue on the City’s General Fund due to substantial pension cost increases which are expected to continue beyond FY 2019/20 as a result of CalPERS lowering the actuarial discount rate for their investment portfolio and changing actuarial assumptions regarding mortality.

### BUDGET BACKGROUND

On March 7, 2019, The City held its annual mid-year budget review meeting. At the meeting the following long term forecast was reviewed. It should be noted that the forecast was developed at a high level (low level of detail) and therefore does not match the detailed budget presented today Staff is committed to continue refining the long term forecast in order to make it as useful as possible in the years to come. The five year projection is reproduced here for reference:

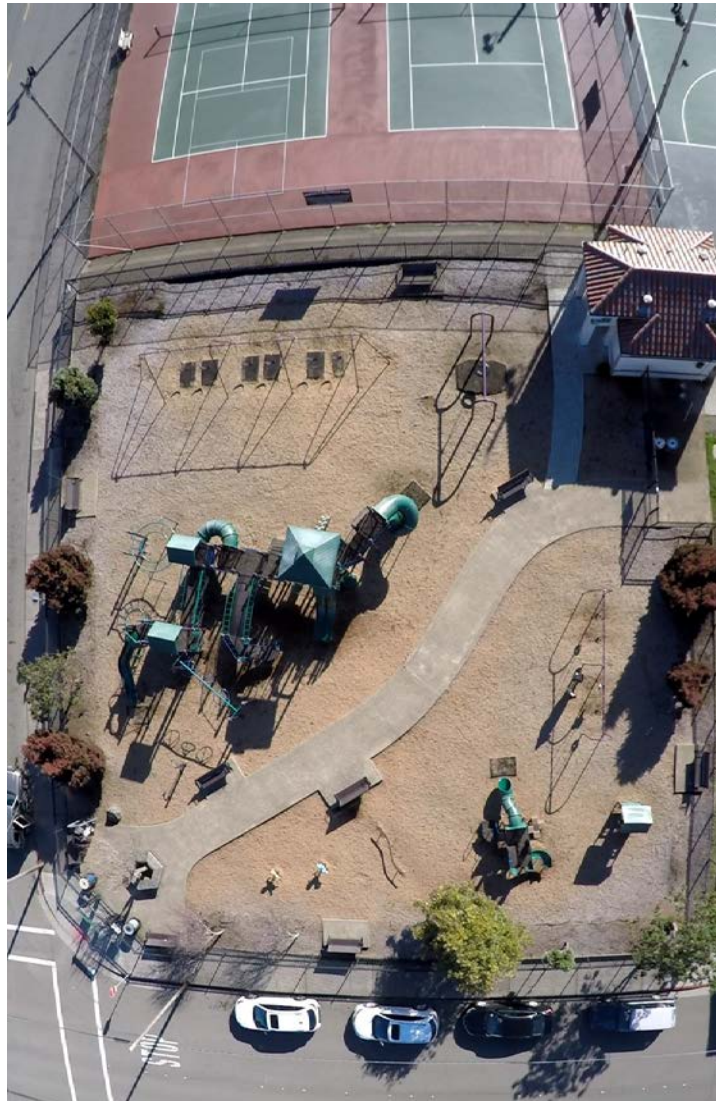
### LONG TERM FINANCIAL PLANNING

Long term financial planning is an important tool used to help maintain ongoing financial sustainability and helps governments provide a consistent level of services to their citizens. It is important to keep in mind that no one has a crystal ball and can predict the future with complete accuracy. However the exercise of projecting revenues and costs into the future, while not likely to be 100% correct, still gives the government an opportunity to develop a general sense of its financial health in the years to come.

The long term forecast provided in this report was developed at a high level (low level of detail). The City’s major sources of revenue were projected individually with all other revenue sources aggregated together. Likewise the City’s major expenditure categories were projected individually with many costs aggregated together. The majority of the assumptions used in the report were based on a five year historical trend. Year’s that were clear outliers were removed prior to averaging so as not to affect the overall trend. Some projections however are

based on known payment or increase percentages. Pension costs for example are expected to increase 14% each year for the next five years. This is due to the decreased discount rate adopted by CalPers. Likewise, the City's internal service funds have developed detailed long-term expenditure plans that form the basis of the projection provided here. Additionally, the City's debt service schedule is known and provided in the forecast.

The table on the following page includes five years of audited results for context as well as projected results for five additional years into the future. Four "what-if" scenarios are provided as well showing possible long-term results if certain revenue enhancements were to be enacted.



City of Fort Bragg General Fund Five Year Forecast  
With Revenue Enhancement Forecasts  
As of 12/31/2018

		FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
		Audited	Audited	Audited	Audited	Audited	Projected	Projected	Projected	Projected	Projected	Projected
General Fund												
Revenue:	Sales Tax	\$ 1,625,916	\$ 1,666,675	\$ 1,600,866	\$ 1,531,857	\$ 1,785,264	\$ 1,851,800	\$ 1,893,306	\$ 1,935,743	\$ 1,979,131	\$ 2,023,491	\$ 2,068,845
	Property Tax	894,217	865,161	972,948	1,031,345	1,034,552	1,088,270	1,125,333	1,163,658	1,203,289	1,244,269	1,286,645
	Transient Occupancy Tax	1,667,580	1,857,831	1,947,702	2,149,404	2,619,227	2,698,395	2,864,534	3,040,903	3,228,130	3,426,885	3,637,877
	Cost Allocations	2,512,935	2,537,699	2,794,310	1,824,826	2,078,877	2,184,900	2,250,447	2,317,960	2,387,499	2,459,124	2,532,898
	All Other Revenue Sources	1,410,219	1,685,502	1,797,837	1,673,300	1,677,902	1,759,938	1,777,538	1,795,313	1,813,266	1,831,399	1,849,713
	Total Revenue	8,110,867	8,612,868	9,113,663	8,210,732	9,195,822	9,583,303	9,911,158	10,253,577	10,611,314	10,985,167	11,375,978
Expenditures:	Salaries & Wages	3,347,532	3,351,603	3,430,750	3,545,002	3,940,434	3,638,007	3,873,520	4,028,461	4,189,599	4,357,183	4,531,471
	Pensions	557,009	525,726	613,438	677,159	745,604	707,131	931,068	1,061,417	1,210,016	1,379,418	1,572,536
	Other Benefits	1,609,741	1,613,548	1,572,940	1,729,603	1,792,361	1,625,043	1,870,840	1,964,382	2,062,601	2,165,732	2,274,018
	Materials & Services	2,019,812	2,100,172	1,938,381	1,974,777	2,080,027	2,301,255	2,351,957	2,404,872	2,460,125	2,517,852	2,578,196
	Allocations to Internal Service Funds	541,958	587,171	604,060	470,049	601,371	717,666	691,817	691,817	691,817	691,817	691,817
	Other Expenditures	5,156	9,250	165,013	53,104	107,966	125,953	129,732	133,624	137,632	141,761	146,014
	Capital	77,074	26,753	3,194	-	-	-	35,000	-	-	-	-
	Debt Service	147,569	147,569	147,569	147,569	185,535	185,533	185,535	37,966	37,966	-	-
	Total Expenses	8,305,851	8,361,792	8,475,345	8,597,268	9,453,298	9,300,588	10,069,469	10,322,539	10,789,757	11,253,763	11,794,052
Net Transfers		526,843	(112,992)	(7,614)	(1,895,028)	110,014	16,666	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
Net Increase (Decrease) to Fund Balance		331,859	138,084	630,704	(2,281,564)	(147,462)	299,381	(170,311)	(80,962)	(190,442)	(280,595)	(430,074)
Beginning Fund Balance		4,287,851	4,619,710	4,757,794	5,388,498	3,106,935	2,959,473	3,258,854	3,088,543	3,007,581	2,817,139	2,536,544
Ending Fund Balance		\$ 4,619,710	\$ 4,757,794	\$ 5,388,498	\$ 3,106,934	\$ 2,959,473	\$ 3,258,854	\$ 3,088,543	\$ 3,007,581	\$ 2,817,139	\$ 2,536,544	\$ 2,106,470

Storm Drain Enterprise	Revised change in fund balance assuming \$190k revenue annually	19,689	109,038	(442)	(90,595)	(240,074)
	Projected Fund Balance	3,278,543	3,387,581	3,387,139	3,296,544	3,056,470
Cannabis Tax	Revised change in fund balance assuming \$25k revenue annually	(145,311)	(55,962)	(165,442)	(255,595)	(405,074)
	Projected Fund Balance	3,113,543	3,057,581	2,892,139	2,636,544	2,231,470
Parcel Tax	Revised change in fund balance assuming \$420k revenue annually	249,689	339,038	229,558	139,405	(10,074)
	Projected Fund Balance	3,508,543	3,847,581	4,077,139	4,216,544	4,206,470
1/4 cent General Sales Tax	Revised change in fund balance assuming \$460k revenue annually	289,689	379,038	269,558	179,405	29,926
	Projected Fund Balance	3,548,543	3,927,581	4,197,139	4,376,544	4,406,470

## PRIORITIZED LIST OF FINANCIAL GOALS

Additionally the mid-year budget review meeting produced the following prioritized list of financial goals. Staff has used the prioritized list as guidance in preparing the FY 2019/20 budget:

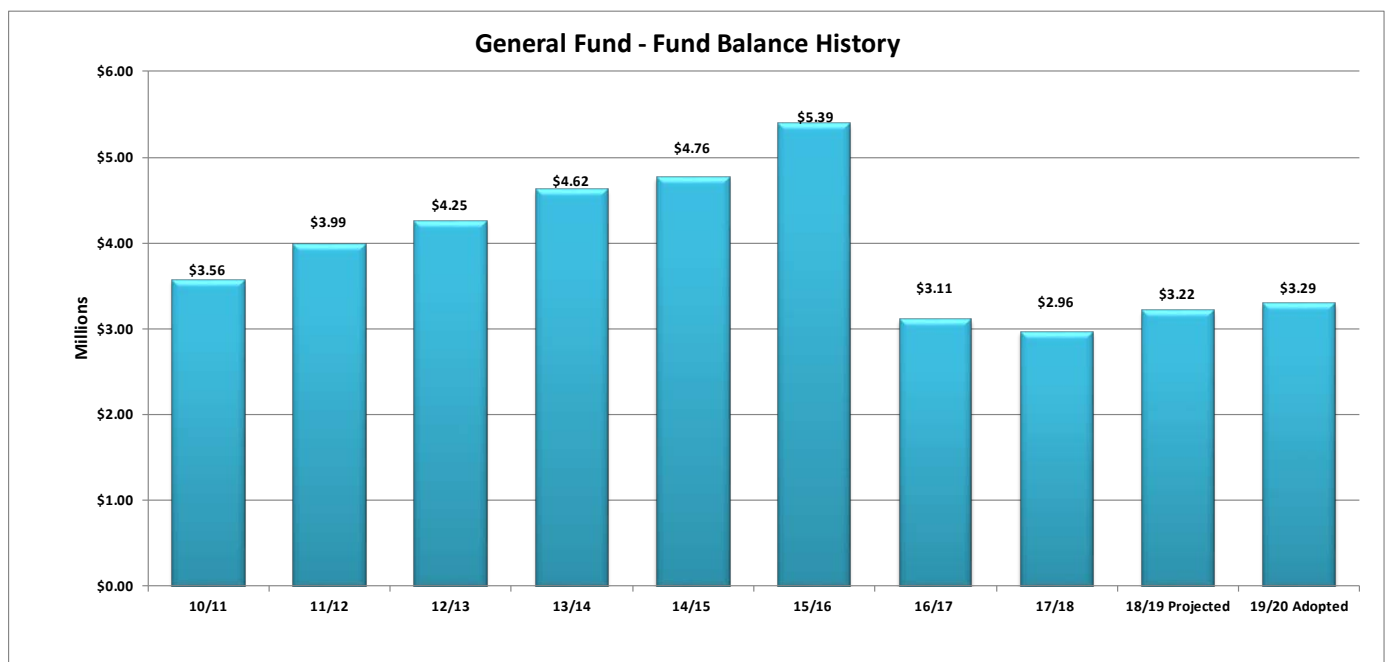
- 1) Adopt a balanced budget
- 2) Maintain operating reserve and litigation reserved
- 3) Maintain long term funding plans in the City's three internal service funds
- 4) Provide for additional contributions to CalPERS in order to pay the unfunded liability off earlier than 30 years
- 5) Maintain current level of service (no staff layoffs, no program cuts)
- 6) Provide cost of living adjustments for staff in years to come
- 7) Provide funding for emergency reserves
- 8) Continue to make additional contributions to the OPEB pension trust

## GENERAL FUND - FUND BALANCE

The year-end General Fund balance for FY 2017/18 through FY 2019/20 is shown below.

	<b>FY 2017/18</b>	<b>FY 2018/19</b>	<b>FY 2019/20</b>
	<b>AUDITED</b>	<b>PROJECTED</b>	<b>ADOPTED</b>
Total General Fund Balance	\$ 2,959,473	\$ 3,216,404	\$ 3,281,623

General Fund balance had been steadily increasing as shown in the graph below, however the balance decreased significantly in FY2016/17 due chiefly to the correction of errors discovered in the then current Cost Allocation Plan and repayment of prior year cost over allocations to the Enterprise Funds. The balance has stabilized with the FY 2019/20 budget.



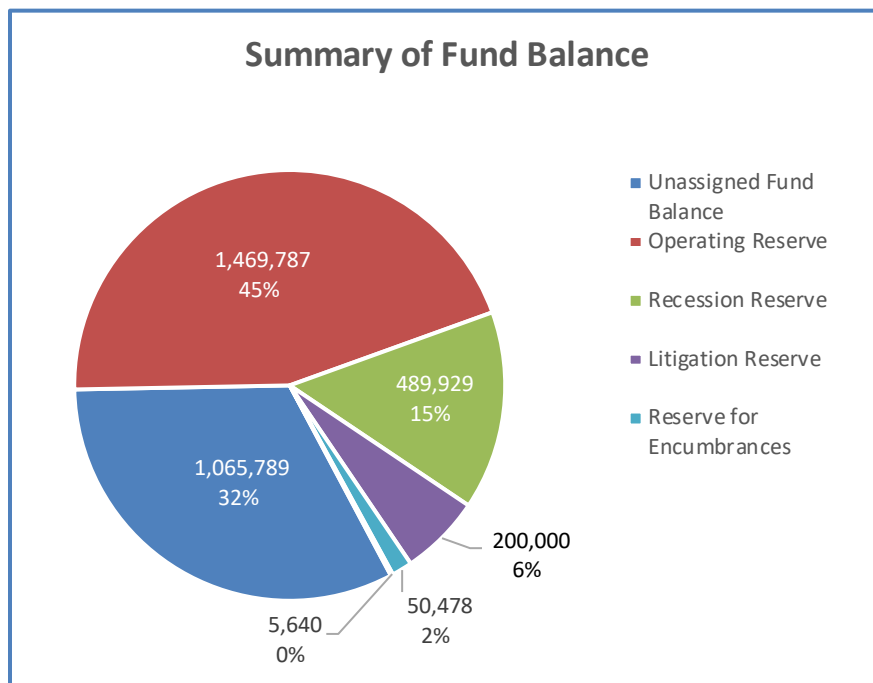
## GENERAL FUND RESERVES

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 2019/20 budget commits fund balance in the General Fund to the following reserves:

- \$1,469,787 to the General Fund Operating Reserve
- \$489,929 Recession Reserve
- \$200,000 to the Litigation Reserve

As shown below, the General Fund's "unassigned fund balance" in FY 2019/20 is estimated at about \$1M.

	<b>ADOPTED FY 2019/20</b>
Total General Fund Balance	\$ 3,281,623
Less Nonspendable (Inventory, etc.)	5,640
Less Committed Reserves (Set by Council Resolution)	
Operating Reserve	1,469,787
Recession Reserve	489,929
Litigation Reserve	200,000
Reserve for Encumbrances	50,478
Unassigned Balance	<u>\$ 1,065,789</u>





## GENERAL FUND REVENUE

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 2019/20 with the total annual revenue projected at \$9.86M, a 2.1% year over year increase. It should be noted that with the FY 2018/19 budget, Staff implemented a change in revenue forecasting methodology from "conservative" to "most likely". The FY 2019/20 budget again reflects the change in methodology.

Taxes remain the largest resource supporting General Fund operations in the FY 2019/20 Operating Budget. Taxes represent 68% of all General Fund revenues with the primary taxes comprised of TOT, sales taxes, and property taxes.

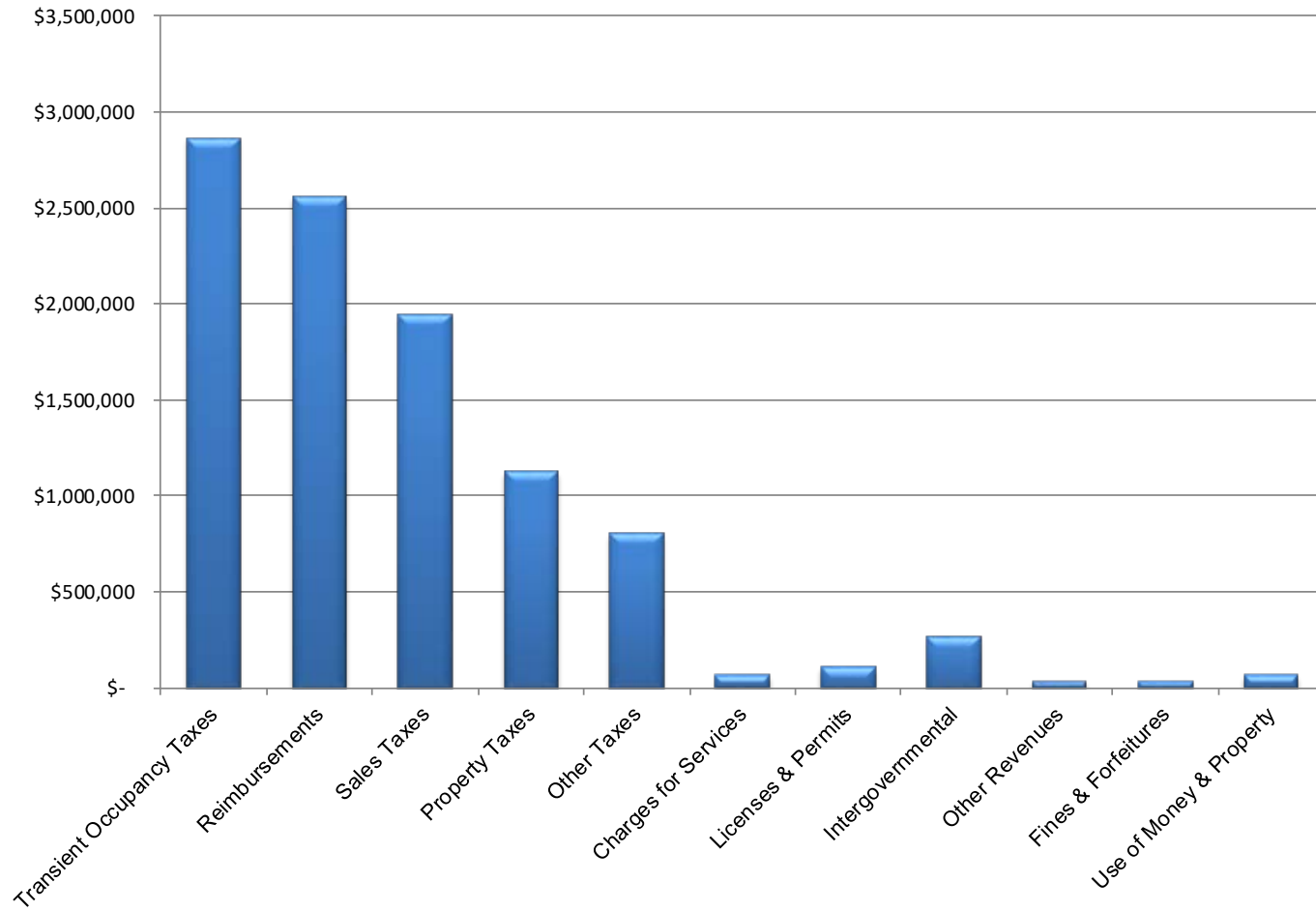
Reimbursements are the second largest resource supporting General Fund operations in the FY 2019/20 Operating Budget. Reimbursements represent 26% and include reimbursement of personnel costs and overhead from the City's Enterprise Funds and Special Revenue Funds to the City's General Fund.

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 2016/17 THROUGH FY 2019/20**

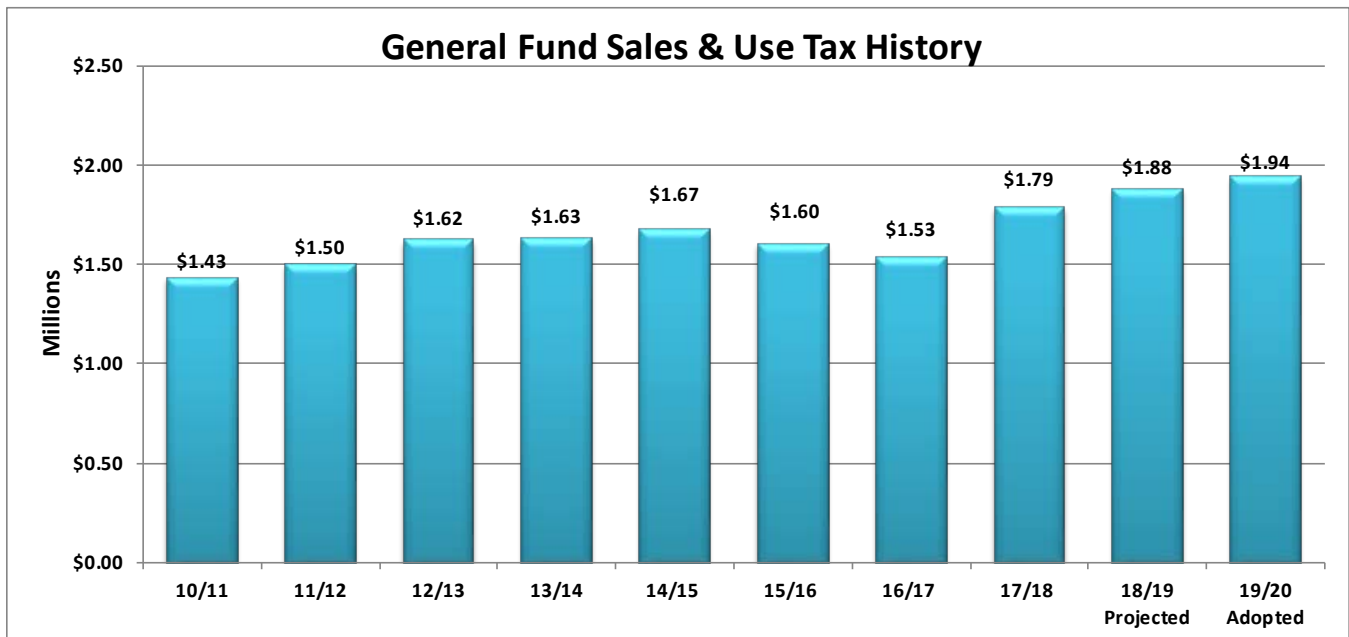
GENERAL FUND	FY 2016/17 FYE AUDITED	FY 2017/18 FYE AUDITED	FY 2018/19 AMENDED BUDGET	FY 2018/19 FYE PROJECTED	FY 2019/20 ADOPTED BUDGET	% INCR/ -DECR
Property Taxes	\$ 1,031,345	\$ 1,034,552	\$ 1,095,012	\$ 1,088,270	\$ 1,125,271	3.4%
Sales Taxes	1,531,858	1,785,264	1,792,993	1,880,000	1,941,692	3.3%
Transient Occupancy Taxes	2,149,404	2,619,227	2,759,609	2,698,395	2,864,535	6.2%
Other Taxes	673,736	718,762	756,047	750,860	803,340	7.0%
<b>Total Taxes</b>	<b>5,386,343</b>	<b>6,157,805</b>	<b>6,403,661</b>	<b>6,417,524</b>	<b>6,734,838</b>	<b>4.9%</b>
Reimbursements	2,354,541	2,694,333	2,588,571	2,646,751	2,554,276	-3.5%
Charges for Services	68,256	63,296	68,200	70,211	62,800	-10.6%
Intergovernmental	107,372	152,423	232,300	266,050	268,537	0.9%
Licenses & Permits	91,339	124,830	114,063	130,510	108,480	-16.9%
Other Revenues	194,761	78,946	51,570	27,156	33,470	23.3%
Use of Money & Property	(22,603)	(110,374)	59,500	55,288	65,400	18.3%
Fines & Forfeitures	30,723	34,563	42,500	50,293	36,000	-28.4%
<b>TOTAL GENERAL FUND</b>	<b>\$ 8,210,732</b>	<b>\$ 9,195,822</b>	<b>\$ 9,560,365</b>	<b>\$ 9,663,783</b>	<b>\$ 9,863,801</b>	<b>2.1%</b>

## REVENUES BY CATEGORY 2019/20



## DISCUSSION OF GENERAL FUND REVENUE TRENDS

## Sales Tax

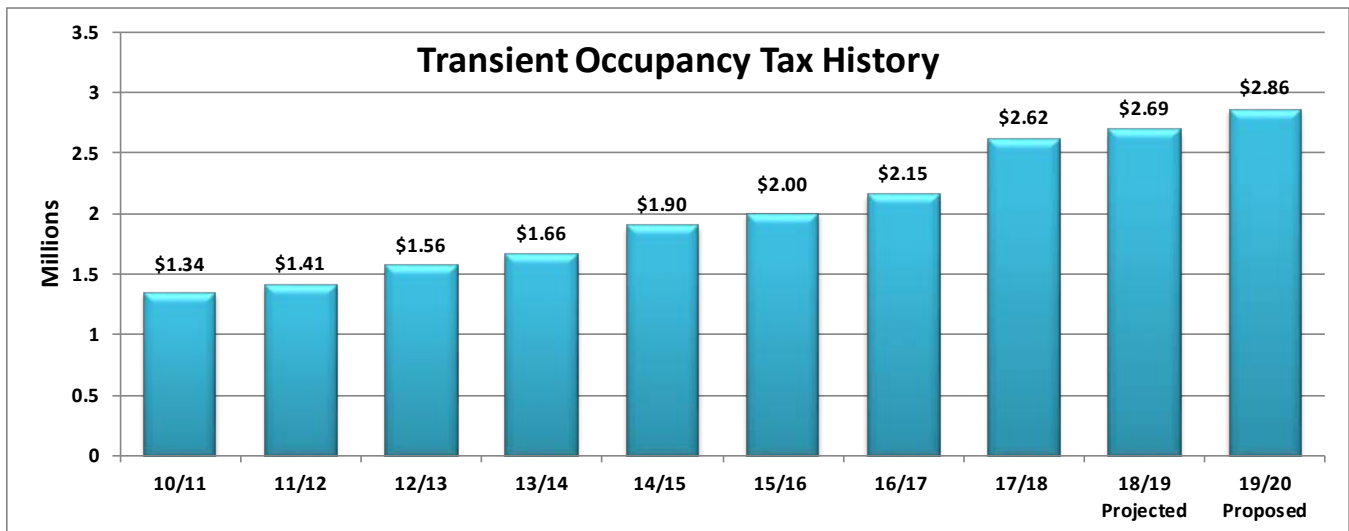


The Sales Tax category includes general sales and use taxes and Proposition 172 sales taxes. Sales tax is an excise tax which applies to all retail sales of merchandise. Retailers are liable for reporting and payment of the tax. Use tax is an excise tax imposed on consumers of merchandise that is used, 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 2019/20 are expected to increase compared to FY 2018/19 receipts by approximately 3.3%. 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 and provides detailed forecasts to staff.

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. Additionally, fuel prices dropped approximately 36% in late 2015 and remained low for an extended period of time. Over the last year, gas prices increased and stabilized at around \$3/gallon and more recently increased to over \$4/gallon. These up trending prices likely account for some of the revenue growth. Moving forward, this revenue source has the potential to see greater increases driven by implementation of the City's Marketing & Promotions Plan. Sales tax revenue is a key revenue source that constitutes approximately 20% of General Fund revenue.

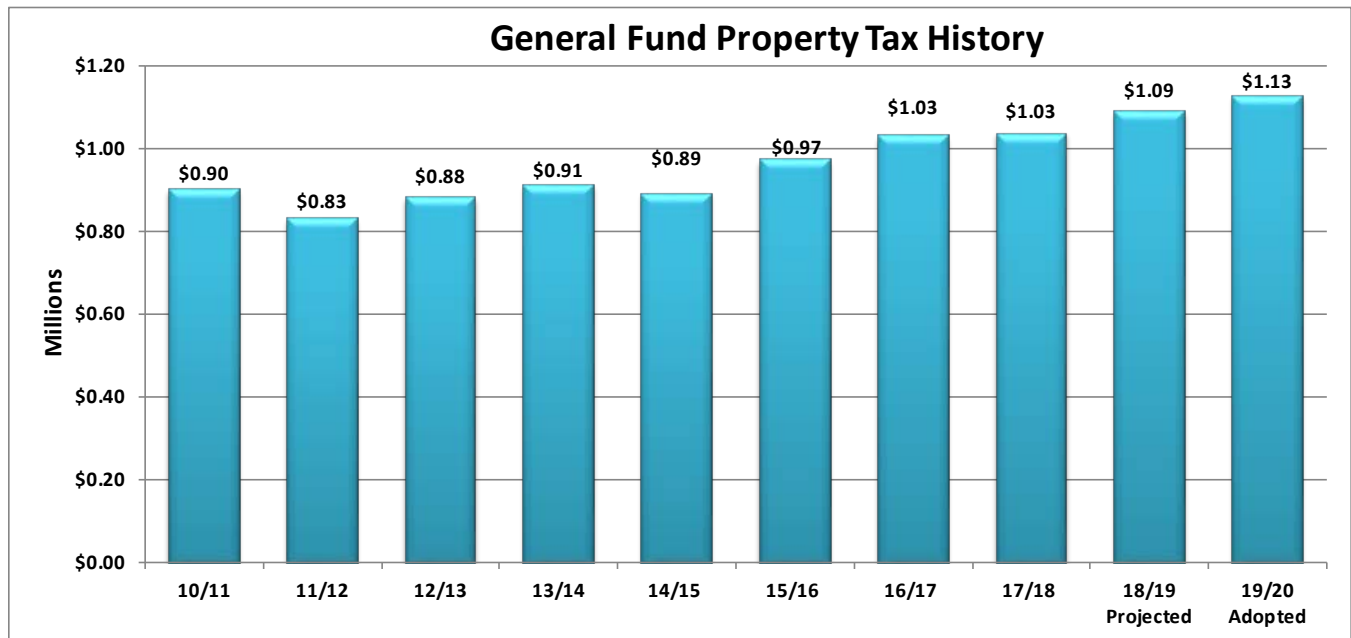
### Transient Occupancy Tax



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. 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 solely 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 29% of revenue.

Based on year-to-date receipts, FY 2018/19 year-end TOT revenues are projected to be approximately \$79k higher than FY 2017/18 totals. This represents an increase of 3% 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 2019/20 Budget projects continued growth in TOT revenue at a rate of 6.2% or \$166k.

## Property Tax



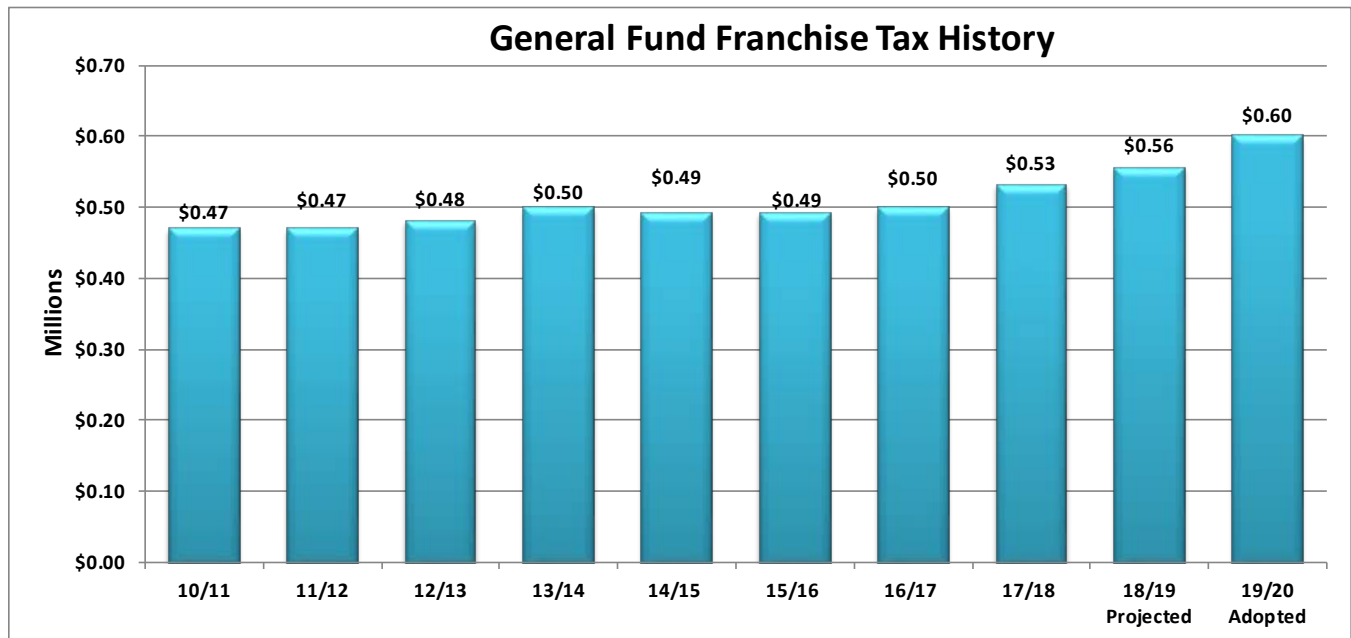
Property tax is an ad valorem (value-based) tax imposed on real property and tangible personal property within the City's jurisdiction. It includes two major elements: secured or real property (e.g., house and land on which the house was built), and unsecured or personal property (e.g., machinery). Under 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.

Overall, property tax revenues are expected to increase 3.4% in FY 2019/20. Thus far interest rate increases at the federal level have not slowed home sales or home price increases. For now interest rates appear to have leveled out and rate decreases seem as likely as rate increases in the short term. With home prices continuing to increase however, affordable housing remains problematic in the community.

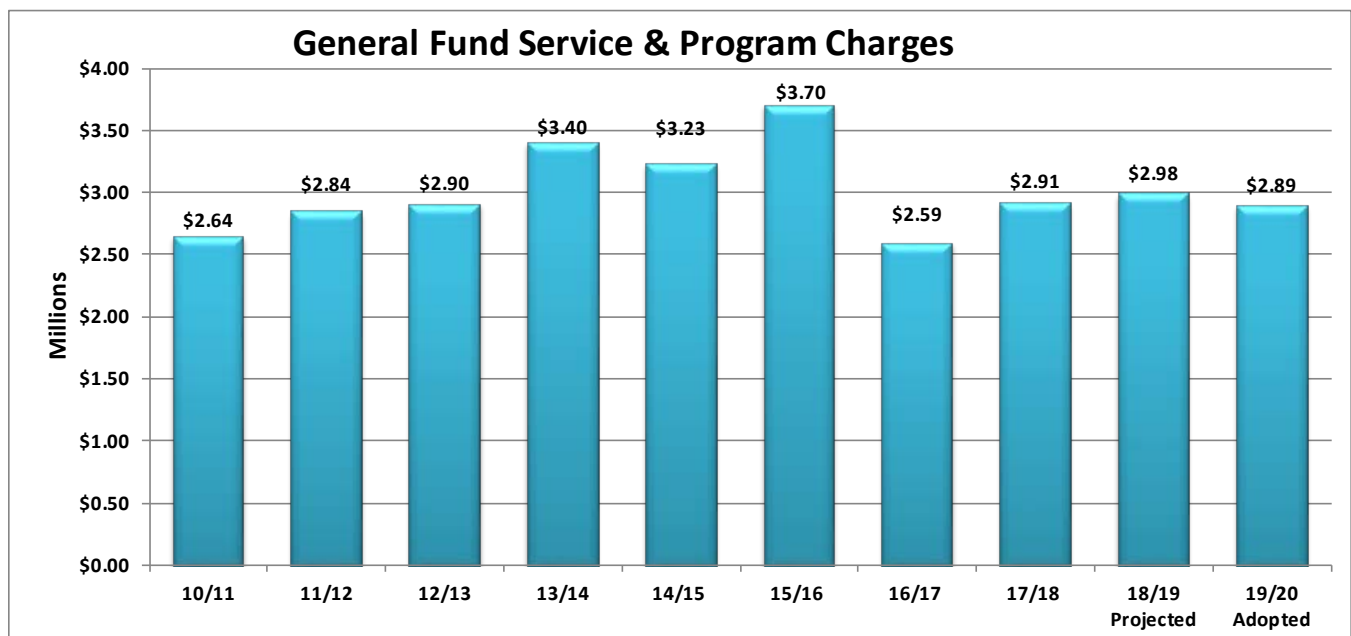
Property tax receipts for FY 2018/19 and FY 2019/20 are projected at \$1.08M and \$1.13M respectively following a four-year growth trend of 3.4%.

## 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 since begun climbing again. Overall, FY 2019/20 franchise tax revenue is estimated to increase \$45k due to rising customer rates for solid waste services.

## Service and Program Charges



<b>General Fund Detail of Revenue Services &amp; Programs</b>	<b>FY 2017/18 FYE AUDITED</b>	<b>FY 2018/19 AMENDED BUDGET</b>	<b>FY 2018/19 FYE PROJECTED</b>	<b>FY 2019/20 ADOPTED</b>
Intergovernmental	\$ 152,423	\$ 232,300	\$ 266,050	\$ 268,537
Charges for Services	63,296	68,200	70,211	62,800
Reimbursements	2,694,333	2,588,571	2,646,751	2,554,276
<b>Totals</b>	<b>\$ 2,910,052</b>	<b>\$ 2,889,071</b>	<b>\$ 2,983,011</b>	<b>\$ 2,885,613</b>

Service and Program Charges include the Intergovernmental, Charges for Services and Reimbursements categories. Revenue for Service and Program Charges represents about 29% of total estimated General Fund revenues in FY 2019/20. The \$2.9M budgeted in FY 2019/20 represents a decrease of approximately \$98k or 3% from the prior year. Intergovernmental is comprised of reimbursement of employee staff time spent administering grants and is expected to be relatively flat. Charges for service are expected to decrease approximately \$7k due to an anticipated drop in planning fees. Reimbursements are expected to decrease as Asset Forfeiture funds are no longer available to reimburse the City for participation on the Mendocino County Major Crimes Task Force (\$43K). Additionally, the City's new cost allocation plan will reduce reimbursement revenue by about \$49k.

#### Other Revenues

<b>General Fund Detail of Revenue Other Revenues</b>	<b>FY 2017/18 FYE AUDITED</b>	<b>FY 2018/19 AMENDED BUDGET</b>	<b>FY 2018/19 FYE PROJECTED</b>	<b>FY 2019/20 ADOPTED</b>
Licenses & Permits	\$ 124,830	\$ 114,063	\$ 130,510	\$ 108,480
Fines & Forfeitures	34,563	42,500	50,293	36,000
Use of Money & Property	(110,374)	59,500	55,288	65,400
Other Revenues	78,946	51,570	27,156	33,470
<b>Totals</b>	<b>\$ 127,965</b>	<b>\$ 267,633</b>	<b>\$ 263,247</b>	<b>\$ 243,350</b>

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

Licenses and Permits are likely to see a reduction in building permit revenues due to implementation of a new building permit surcharge. Fines and Forfeitures are likely to see a year over year decrease caused by a sizeable code enforcement fine in FY 2018/19.

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 are expected to remain flat as a consequence of the Federal Reserve's monetary and interest policies having leveled out. The City invest in the Local Agency Investment Fund (LAIF) which is an investment pool administered by the State of California. LAIF is currently paying an interest rate of approximately 2.55%. The City's overall portfolio rate of return is approximately 1.82%



GENERAL FUND  
DETAIL OF REVENUES BY CATEGORY  
FY 2016/17 THROUGH FY 2019/20

	FY 2016/17 FYE AUDITED	FY 2017/18 FYE AUDITED	FY 2018/19 AMENDED BUDGET	FY 2018/19 FYE PROJECTED	FY 2019/20 ADOPTED BUDGET	% INCR/ -DECR
<b>Taxes</b>						
Property Taxes	\$ 413,837	\$ 411,164	\$ 447,889	\$ 436,301	\$ 451,135	3.4%
VLF Swap	571,293	594,259	612,088	619,662	640,731	3.4%
Supplement SB 813	4,376	5,445	4,369	9,472	9,794	3.4%
Homeowners Property Tax Relief	3,595	177	3,642	3,642	3,766	3.4%
Transfer Taxes	34,808	19,416	23,811	19,193	19,845	3.4%
Motor Vehicle In-Lieu Tax	3,437	4,091	3,214	-	-	n/a
Sales and Use Taxes	1,513,116	1,743,880	1,775,993	1,861,000	1,921,792	3.3%
Proposition 172 Sales Taxes	18,742	41,384	17,000	19,000	19,900	4.7%
Transient Occupancy Taxes	2,149,404	2,619,227	2,759,609	2,698,395	2,864,535	6.2%
Franchise Taxes	496,543	531,421	556,652	556,652	601,752	8.1%
Business License Taxes	177,194	187,341	199,395	194,208	201,588	3.8%
<b>Total Taxes</b>	<b>5,386,343</b>	<b>6,157,805</b>	<b>6,403,661</b>	<b>6,417,524</b>	<b>6,734,838</b>	<b>4.9%</b>
<b>Licenses &amp; Permits</b>						
Business License Fees	61,003	65,491	71,933	72,676	76,100	4.7%
Construction/Building Permits	21,072	51,119	35,000	50,903	25,000	-50.9%
Encroachment Permits	8,270	6,075	4,000	5,282	5,700	7.9%
Other Licenses & Permits	994	2,145	3,130	1,650	1,680	1.8%
<b>Total Licenses &amp; Permits</b>	<b>91,339</b>	<b>124,830</b>	<b>114,063</b>	<b>130,510</b>	<b>108,480</b>	<b>-16.9%</b>
<b>Fines &amp; Forfeitures</b>						
Parking Fines	26,019	20,574	33,500	26,749	27,000	0.9%
Miscellaneous Fines	4,704	13,989	9,000	23,544	9,000	-61.8%
<b>Total Fines &amp; Forfeitures</b>	<b>30,723</b>	<b>34,563</b>	<b>42,500</b>	<b>50,293</b>	<b>36,000</b>	<b>-28.4%</b>
<b>Use of Money and Property</b>						
Investment Interest	4,818	26,542	38,900	44,622	45,000	0.8%
Rents and Concessions	(64,857)	(153,312)	10,600	2,641	13,400	407.4%
Sales of Surplus Assets	37,436	16,396	10,000	8,025	7,000	n/a
<b>Total Use of Money and Property</b>	<b>(22,603)</b>	<b>(110,374)</b>	<b>59,500</b>	<b>55,288</b>	<b>65,400</b>	<b>18.3%</b>
<b>Intergovernmental</b>						
Grant Administration	107,372	152,423	232,300	266,050	268,537	0.9%
<b>Total Intergovernmental</b>	<b>107,372</b>	<b>152,423</b>	<b>232,300</b>	<b>266,050</b>	<b>268,537</b>	<b>0.9%</b>
<b>Charges for Services</b>						
Community Development Fees	20,430	22,879	18,000	11,853	5,000	-57.8%
Police Fingerprint Fees	36,783	33,191	40,000	50,000	50,000	0.0%
Other Charges for Services	11,043	7,226	10,200	8,358	7,800	-6.7%
<b>Total Charges for Services</b>	<b>68,256</b>	<b>63,296</b>	<b>68,200</b>	<b>70,211</b>	<b>62,800</b>	<b>-10.6%</b>
<b>Reimbursements</b>						
City Exp Reimbursement - Developers	24,023	36,738	28,000	53,061	51,200	-3.5%
SB 90 Reimbursement	(1)	12,033	12,750	12,750	12,750	0.0%
Booking Fee Reimbursement	13,800	9,600	17,000	19,600	17,500	-10.7%
Internal Charges for Services	1,824,826	2,078,877	1,979,063	1,979,063	1,665,904	-15.8%
Interfund Cost Reimbursement	460,898	493,406	507,958	517,007	755,347	46.1%
Training Reimbursement	13,555	41,199	34,500	15,275	24,275	58.9%
Other Reimbursements	17,439	22,480	9,300	49,995	27,300	-45.4%
<b>Total Reimbursements</b>	<b>2,354,541</b>	<b>2,694,333</b>	<b>2,588,571</b>	<b>2,646,751</b>	<b>2,554,276</b>	<b>-3.5%</b>
<b>Other Revenues</b>						
Miscellaneous	194,761	78,946	51,570	27,156	33,470	23.3%
<b>Total Other Revenues</b>	<b>194,761</b>	<b>78,946</b>	<b>51,570</b>	<b>27,156</b>	<b>33,470</b>	<b>23.3%</b>
<b>Total General Fund Revenue</b>	<b>\$ 8,210,732</b>	<b>\$ 9,195,822</b>	<b>\$ 9,560,365</b>	<b>\$ 9,663,783</b>	<b>\$ 9,863,801</b>	<b>2.1%</b>

**DISCUSSION OF GENERAL FUND EXPENDITURE TRENDS**

General Fund expenditures (including transfers-out) in FY 2018/19 are projected at \$9.4M. Expenditures are projected to increase to \$9.8M in FY 2019/20. Overall, the General Fund budget will increase \$451k or 4.8% over the previous fiscal year (before transfers). Specific details of expenditures are presented in the Department Details sections of the Budget.

Notable departmental variances are as follows:

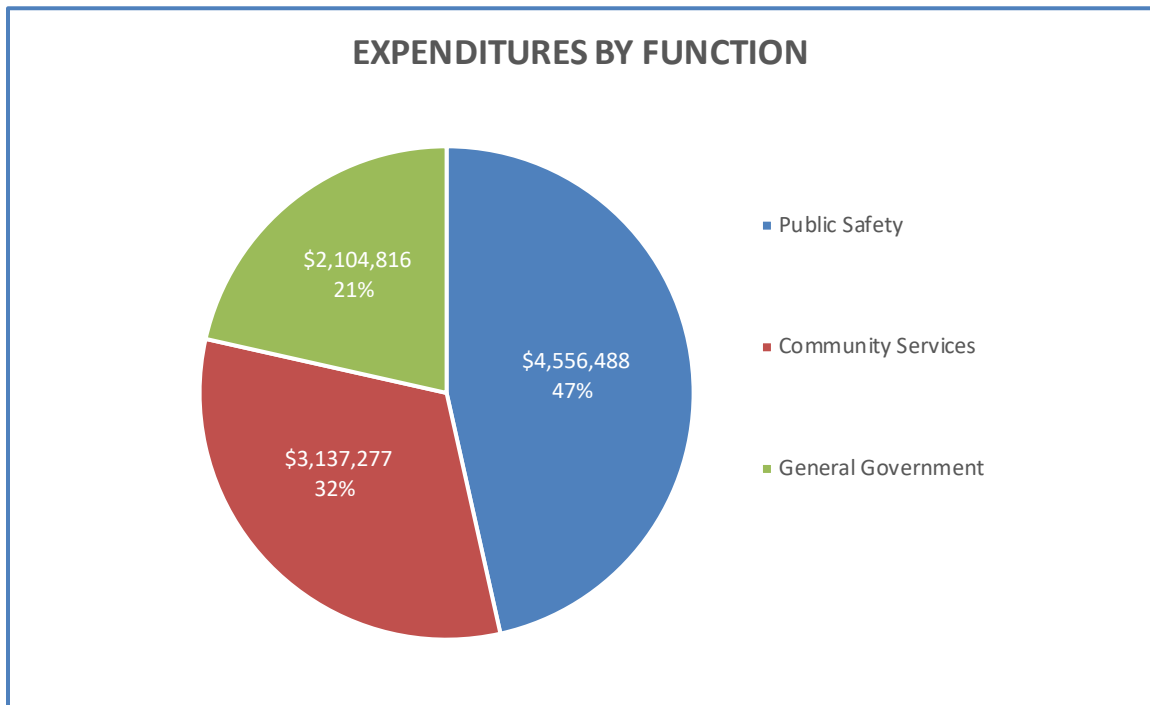
- Administration will decrease by \$58K primarily due to a reduction in staffing levels offset by personnel cost increases from cost of living adjustments and benefits cost increases.
- The Finance department is budgeted to increase \$24k due mostly to personnel cost increases from cost of living adjustments, step increases and benefits cost increases.
- The Police department is slated to increase \$374k. The increase is somewhat misleading as it compares to the previous fiscal year in which the department was substantially understaffed. The department is budgeted to return to full staffing in FY 2019/20 which accounts for \$374k of the noted variance. With several new officers on the force the department has increased its training budget by \$20k in the upcoming year.
- Community Development is slated to decrease by \$44k on a year over year basis. The variance is primarily due to a reduction in staffing levels offset by personnel cost increases from cost of living adjustments, step increases and benefits cost increases.
- The Marketing and Promotions department will decrease \$109k on a year over year basis. This variance is somewhat misleading however since the FY 2018/19 budget included budget dollars that were rolled forward from FY 2017/18. When the FY 2019/20 budget is compared to the original adopted FY 2018/19 budget the variance is \$63k. The decrease in budget is due to many of the initial startup costs for the program having been expended in FY 2018/19.
- Public Works is budgeted to increase \$133k due to increases in personnel costs \$(141k). The personnel cost variance is due to an increase in staffing levels as well as cost increases from cost of living adjustments, step increases retirement payouts.

The table on the following page shows General Fund Expenditures by Function or Program. The chart has been expanded this year to show the effect of the City's new cost allocation plan. Each program's base budget is shown in the column for adopted FY 2019/20 budget. Additional columns have been added to show the cost to each program for Internal Service Fund charges as well as allocations between General Fund departments. Another column has been added to show the amount allocated outside of the general fund to the enterprise funds and special revenue funds. Lastly, a column has been added to account for other program revenues. It should be noted that the General Government program represents indirect costs and once all allocations and revenue are accounted for the program nets to zero. Some users may find it more useful to examine each program's base budget as compared to the previous years rather than the full cost after allocations.

GENERAL FUND  
EXPENDITURES BY FUNCTION/PROGRAM  
FY 2016/17 THROUGH FY 2019/20

	FY 2016/17 FYE AUDITED	FY 2017/18 FYE AUDITED	FY 2018/19 AMENDED BUDGET	FY 2018/19 FYE PROJECTED	FY 2019/20 ADOPTED BUDGET	% INCR/ -DECR	Allocated from/to ISF Allocations	GF	Allocated Enterprise & SR	Other Program Revenue	Full Cost
<b>General Government</b>											
City Council	\$ 141,235	\$ 123,845	\$ 136,534	\$ 151,383	\$ 174,188	15.1%	\$ 56,061	\$ (156,417)	\$ (73,833)	\$ 0	
Administration	792,793	1,034,486	819,906	713,977	655,704	-8.2%	64,048	(476,446)	(208,830)	(34,475)	0
Litigation Reserve	33,189	21,420	-	70,000	-	n/a	-	-	-	-	-
Finance	434,482	498,008	501,432	488,340	512,020	4.8%	32,814	(181,943)	(282,291)	(80,600)	(0)
Other Non-Departmental (overhead)	806,959	820,777	615,360	575,823	609,981	5.9%	-	(391,849)	(217,232)	(900)	-
<b>General Government Subtotal</b>	<b>2,208,658</b>	<b>2,498,536</b>	<b>2,073,233</b>	<b>1,999,523</b>	<b>1,951,893</b>	<b>-2.4%</b>	<b>152,923</b>	<b>(1,206,655)</b>	<b>(782,186)</b>	<b>(115,975)</b>	<b>(0)</b>
<b>Public Safety</b>											
Police Department	3,397,152	3,526,242	3,544,733	3,357,431	3,731,793	11.2%	393,972	856,562	-	(283,260)	4,699,067
Fire Department	387,918	400,421	413,843	411,629	430,723	4.6%	-	-	-	-	430,723
<b>Public Safety Subtotal</b>	<b>3,785,070</b>	<b>3,926,663</b>	<b>3,958,576</b>	<b>3,769,060</b>	<b>4,162,516</b>	<b>10.4%</b>	<b>393,972</b>	<b>856,562</b>	<b>-</b>	<b>(283,260)</b>	<b>5,129,789</b>
<b>Community Services</b>											
Community Development	452,905	509,807	522,231	425,646	381,275	-10.4%	32,814	213,602	(3,979)	(298,828)	324,884
Public Works	1,369,652	1,491,491	1,641,234	1,674,555	1,807,085	7.9%	262,461	136,492	(1,273,101)	(96,759)	836,179
Marketing & Promotions	550	132,741	366,246	325,203	216,500	-33.4%	-	-	-	-	216,500
Community Contributions	139,285	106,936	162,256	160,038	129,625	-19.0%	47,550	-	-	(12,000)	165,175
Caspar Closure & General Fund Debt	171,098	185,753	255,758	275,523	259,966	-5.6%	-	-	-	-	259,966
<b>Community Services Subtotal</b>	<b>2,133,490</b>	<b>2,426,728</b>	<b>2,947,726</b>	<b>2,860,965</b>	<b>2,794,452</b>	<b>-2.3%</b>	<b>342,825</b>	<b>350,094</b>	<b>(1,277,080)</b>	<b>(395,587)</b>	<b>1,377,563</b>
Cost Allocations between General Fund departments					-		-	-	-	-	-
<b>General Fund Subtotal</b>	<b>8,127,219</b>	<b>8,851,927</b>	<b>8,979,535</b>	<b>8,629,548</b>	<b>8,908,860</b>	<b>3.2%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,507,353</b>
Allocation to Internal Service Funds	470,049	601,371	717,667	717,666	889,721	24.0%					889,721
<b>Subtotal with Allocations</b>	<b>8,597,268</b>	<b>9,453,298</b>	<b>9,697,201</b>	<b>9,347,214</b>	<b>9,798,581</b>	<b>4.8%</b>					<b>7,397,073</b>
Net Transfers; In(out)	(1,895,024)	110,014	3,172	-	0	n/a					
<b>TOTAL GENERAL FUND</b>	<b>\$ 10,492,292</b>	<b>\$ 9,343,284</b>	<b>\$ 9,694,029</b>	<b>\$ 9,347,214</b>	<b>\$ 9,798,581</b>	<b>4.8%</b>	<b>\$ (889,721)</b>	<b>\$ (0)</b>	<b>\$ (2,059,266)</b>	<b>\$ (794,822)</b>	<b>\$ 7,397,073</b>

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

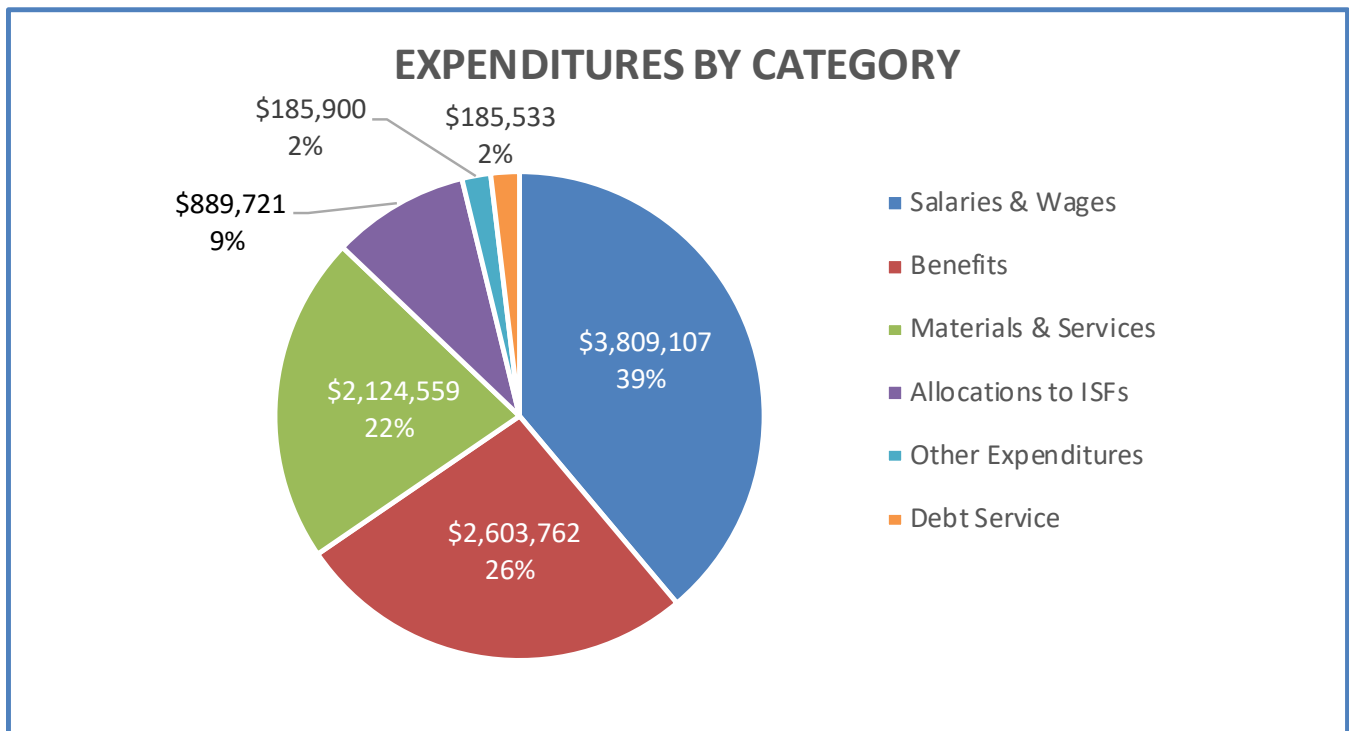


\*Note: Costs shown in the table include base budget and Internal Service Fund Allocations.

Public Safety represents the largest General Fund expenditure function/program at 47% of total General Fund expenditures, followed by Community Services (including Public Works) at 32% and General Government at 21%.

**GENERAL FUND  
EXPENDITURES BY CATEGORY  
FY 2016/17 THROUGH FY 2019/20**

	FY 2016/17 FYE AUDITED	FY 2017/18 FYE AUDITED	FY 2018/19 AMENDED BUDGET	FY 2018/19 FYE PROJECTED	FY 2019/20 ADOPTED BUDGET	% INCR/ -DECR
Salaries & Wages	\$ 3,545,006	\$ 3,940,434	\$ 3,753,299	\$ 3,638,140	\$ 3,809,107	4.7%
Benefits	2,406,762	2,537,965	2,488,175	2,332,174	2,603,762	11.6%
Materials & Services	1,974,777	2,080,027	2,369,939	2,311,361	2,124,559	-8.1%
Other Expenditures	53,104	107,966	182,588	162,340	185,900	14.5%
Debt Service	147,569	185,535	185,533	185,533	185,533	0.0%
<b>Subtotal</b>	<b>8,127,219</b>	<b>8,851,927</b>	<b>8,979,535</b>	<b>8,629,548</b>	<b>8,908,860</b>	<b>3.2%</b>
Allocations	470,049	601,371	717,667	717,666	889,721	24.0%
<b>Subtotal with Allocations</b>	<b>8,597,268</b>	<b>9,453,298</b>	<b>9,697,201</b>	<b>9,347,214</b>	<b>9,798,581</b>	<b>4.8%</b>
Net Transfers	(1,895,024)	110,014	3,172	-	0	n/a
<b>TOTAL</b>	<b>\$ 10,492,292</b>	<b>\$ 9,343,284</b>	<b>\$ 9,694,029</b>	<b>\$ 9,347,214</b>	<b>\$ 9,798,581</b>	<b>4.8%</b>



#### Personnel Services

Personnel costs are the largest class of expenditures in the General Fund, representing nearly 65% of the expenses in FY 2019/20. Overall, personnel costs will increase \$443k on a year over year basis. This number is somewhat misleading in that a significant portion of the year over year variance is caused by the understaffing in the Police Department in FY 2018/19 while FY 2019/20 is budgeted at full staff (\$374k). The remaining variance is due to cost of living adjustments, step increases benefits cost increases and retirement payouts.

FY 2019/20, medical rates are expected to increase 1.15% whereas dental rates will increase 4%. Under current labor agreements, premium costs are shared 80% by the City and 20% by the employee. In addition, the City has 29 covered retirees, 23 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. 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) in FY 2019/20 is expected to be 6% or \$60k. 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 PEPRAs-7.07%; Miscellaneous Classic-27.09%; Safety PEPRAs-13.03%; Safety Classic-64.2%. Starting with FY 2018/19, per negotiated agreements, employees in classic plans began paying 1% of the employer share of pension costs.

In December 2016, 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 began 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	357,100	439,131	527,483	628,715	697,523	756,976	873,311	1,041,649	5,321,889
Safety Classic (Police)	426,739	500,940	580,548	681,825	747,534	806,268	902,539	1,041,542	5,687,935
Miscellaneous PEPRAs	58,342	59,614	60,692	61,792	62,865	63,902	65,347	67,068	499,622
Safety PEPRAs	52,187	53,486	54,508	55,555	56,561	57,518	58,956	60,710	449,481
<b>City Wide Total</b>	<b>894,368</b>	<b>1,053,171</b>	<b>1,223,231</b>	<b>1,427,888</b>	<b>1,564,483</b>	<b>1,684,664</b>	<b>1,900,153</b>	<b>2,210,968</b>	<b>11,958,926</b>

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

The Fiscal Year 2019/20 total budgeted PERS cost however is \$1.04M. This is well below the original projection of \$1.2M and has been accomplished with staff reductions which lowers the covered payroll. Additionally, classic member retirees have been replaced with PEPRAs members which leads to a lower cost.

#### Non-Personnel Services

Professional Services will decrease by \$150k in FY 2019/20 year over year decrease in spending in the Marketing and Promotions department (\$109k). Additionally the Police department contract for dispatch services will save \$12k. Lastly, the City spent \$70k from the litigation reserve in FY 2018/19 but expenditures from the reserve are not budgeted – therefore causing a year over year variance. Also of note is a decrease in general supplies. Staff at all levels made a concerted effort to reduce supplies and the effort has paid off with a reduction of \$42k over the previous year.

	FY 2018/19	FY 2019/20	
General Fund Materials & Services	PROJECTED	ADOPTED	Change
Professional Services	\$ 1,656,354	\$ 1,507,155	\$ (149,199)
Utilities	159,904	171,400	11,496
Insurance	170,822	159,592	(11,230)
Supplies	144,699	102,650	(42,049)
Training/Travel	74,509	73,625	(884)
Equipment Repair and Maintenance	8,000	8,000	-
Equipment Leases and Rental	37,582	38,227	645
Dues and Memberships	21,096	18,260	(2,836)
Small Tools and Equipment	29,595	36,350	6,755
Postage	8,800	9,300	500
<b>Total General Fund Materials &amp; Services</b>	<b>\$ 2,311,361</b>	<b>\$ 2,124,559</b>	<b>\$ (186,802)</b>

## CITY OF FORT BRAGG - FY 2019/20

## Operating Transfers - All Funds

Fund Type/Name	Transfers In	Transfers Out	Net Transfers
<b>110 General Fund</b>			
To 112 - Recession Reserve	-	(489,929)	(489,929)
<b>Total</b>	-	(489,929)	(489,929)
<b>112 Recession Reserve</b>			
From 110 - General Fund	\$ 489,929	-	489,929
<b>Total</b>	489,929	-	489,929
<b>120 Parking Permits</b>			
To 121 Parking-in-Lieu - Skunk Depot Parking Lot Lease	-	(8,300)	(8,300)
<b>Total</b>	-	(8,300)	(8,300)
<b>121 Parking-in-Lieu</b>			
From 120 Parking Permits - Skunk Depot Parking Lot Lease	8,300	-	8,300
<b>Total</b>	8,300	-	8,300
<b>162 CDBG Program Income</b>			
To 715- Wastewater Capital Reserve (Slip line project)	-	(150,000)	(150,000)
<b>Total</b>	-	(150,000)	(150,000)
<b>222 RMRA - Gas Tax</b>			
To 405- Street Resurfacing & Structural Repair Projects	-	(58,696)	(58,696)
To 420- Maple Street Storm Drain rehabilitation	-	(41,304)	(41,304)
<b>Total</b>	-	(100,000)	(100,000)
<b>250 Special Sales Tax - Street Repair</b>			
To 405- Streets Project	-	(608,696)	(608,696)
<b>Total</b>	-	(608,696)	(608,696)
<b>323 CalTrans ATP</b>			
To 422- Rt 1 Pedestrian Access Improvements	-	(45,000)	(45,000)
<b>Total</b>	-	(45,000)	(45,000)
<b>327 State Water Resources Control Board</b>			
To 716- Wastewater Capital Projects	-	(1,941,279)	(1,941,279)
<b>Total</b>	-	(1,941,279)	(1,941,279)
<b>330 Federal Grants</b>			
To 522 - USDA PD Vehicles	-	(3,388,000)	(3,388,000)
To 716- Wastewater Capital Projects	-	(3,388,000)	(3,388,000)
<b>Total</b>	-	(3,388,000)	(3,388,000)
<b>520 Facilities Maint &amp; Repair</b>			
To 416 Municipal Facilities Projects	-	(161,000)	(161,000)
<b>Total</b>	-	(161,000)	(161,000)
<b>405 Street Resurfacing/ Crosswalk Rehab Projects</b>			
From 222- RMRA - Gas Tax	58,696	-	58,696
From 250- Special Sales Tax - Street Repair	608,696	-	608,696
<b>Total</b>	667,392	-	667,392
<b>416 Municipal Facilities Projects</b>			
From 520 Facilities Maint & Repair	161,000	-	161,000
<b>Total</b>	161,000	-	161,000
<b>420 Maple Street Storm Drain rehabilitation</b>			
From 222- RMRA - Gas Tax	41,304	-	41,304
<b>Total</b>	41,304	-	41,304
<b>422 Rt 1 Pedestrian Access Improvements</b>			
From 323- CalTrans Federal Funding	45,000	-	45,000
<b>Total</b>	45,000	-	45,000
<b>610 Water O&amp;M</b>			
To 651 Water Enterprise Capital Projects	-	(33,445)	(33,445)
To 614- Non-Routine Maintenance	-	(1,369,207)	(1,369,207)
To 615 - True up Operating Reserve	-	(1,402,652)	(1,402,652)
<b>Total</b>	-	(1,402,652)	(1,402,652)

(continued next page)

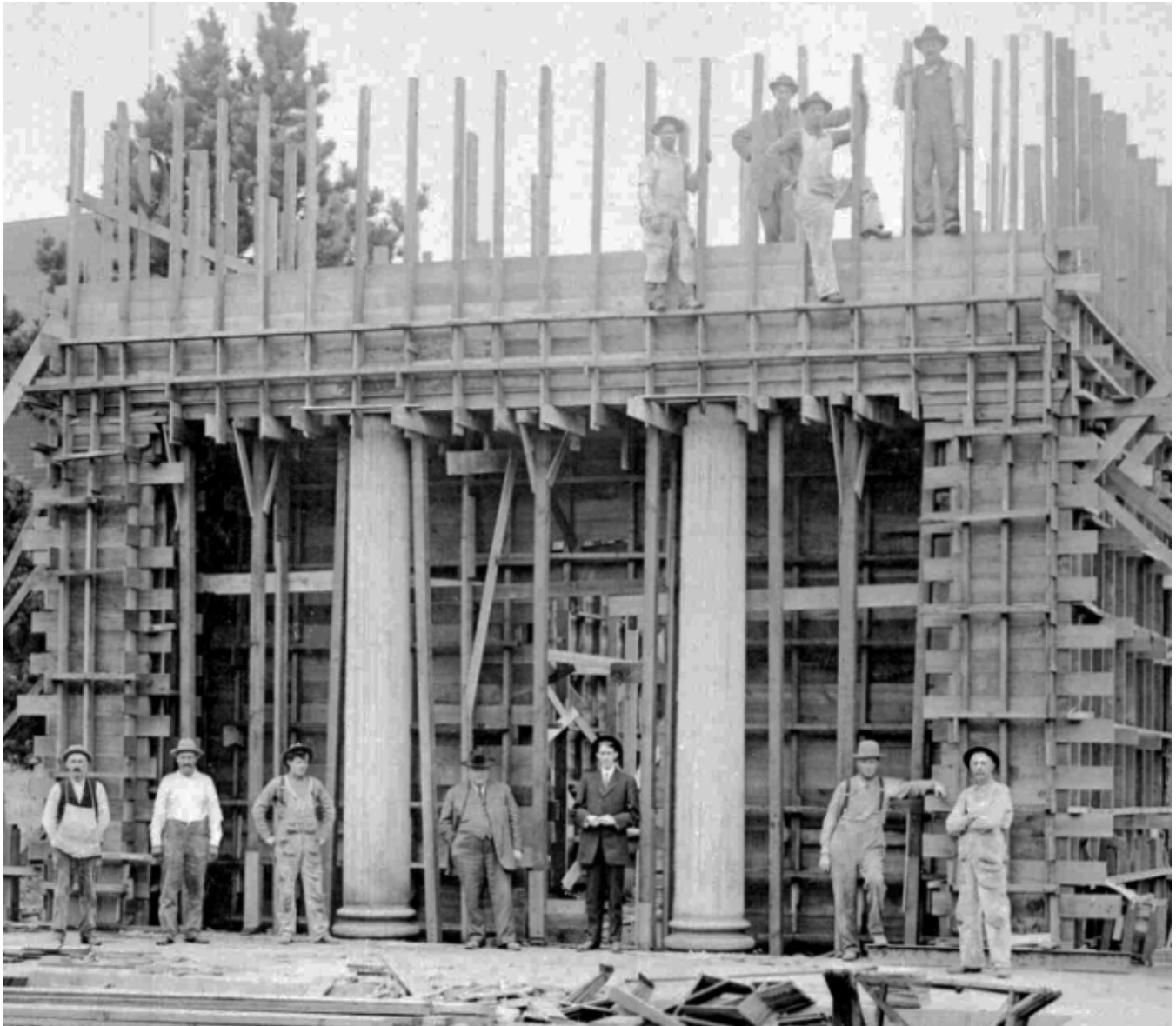


## CITY OF FORT BRAGG - FY 2019/20

## Operating Transfers - All Funds

Fund Type/Name	Transfers In	Transfers Out	Net Transfers
<b>614 Water Enterprise Non Routine Maintenance</b>			
From 610 Water O&M	33,445	-	33,445
<b>Total</b>	<b>33,445</b>	<b>-</b>	<b>33,445</b>
<b>615 Water Enterprise Capital Reserve</b>			
From 610 - True up Operating Reserve	1,369,207	-	1,369,207
To 651 - Water Enterprise Capital Projects		(349,963)	(349,963)
<b>Total</b>	<b>1,369,207</b>	<b>(349,963)</b>	<b>1,019,244</b>
<b>651 Water Enterprise Capital Projects</b>			
From 615 Water Enterprise Capital Reserve	349,963	-	349,963
<b>Total</b>	<b>349,963</b>	<b>-</b>	<b>349,963</b>
<b>710 Wastewater O&amp;M</b>			
To 714 - Non-Routine Maintenance		(74,939)	(74,939)
To 717 - Debt Service Reserve		(18,590)	(18,590)
To 717- Debt Service		(188,140)	(188,140)
To 715 - Sweep Excess Fund Balance to Capital Reserve		(1,541,921)	(1,541,921)
<b>Total</b>	<b>-</b>	<b>(1,823,590)</b>	<b>(1,823,590)</b>
<b>714 WW Enterprise Non-Routine Maintenance</b>			
From 710- Wastewater O&M	74,939		74,939
<b>Total</b>	<b>74,939</b>	<b>-</b>	<b>74,939</b>
<b>715 WW Enterprise Capital Reserve</b>			
From 710 - Sweep Excess Fund Balance to Capital Reserve	1,541,921		1,541,921
To 716 - WW Capital Projects		(768,481)	(768,481)
<b>Total</b>	<b>1,541,921</b>	<b>(768,481)</b>	<b>773,440</b>
<b>716 WW Capital Projects</b>			
From 717- Funding for WWTP	3,366,455		3,366,455
From 715- Funding for WWTP & Lift Stations	768,481		768,481
From 327 State Water Resources Control Board - Treatment Plant	1,941,279		1,941,279
From 330 Federal Grants - Treatment Plant	3,388,000		3,388,000
<b>Total</b>	<b>9,464,215</b>	<b>-</b>	<b>9,464,215</b>
<b>717 JPFA WWTP Financing</b>			
From 162 - program income for slip line project	150,000		150,000
To 716- Proceeds of Loan		(3,366,455)	(3,366,455)
From 710 - Debt Service	188,140		188,140
From 710 - Debt Service Reserve	18,590		18,590
<b>Total</b>	<b>356,730</b>	<b>(3,366,455)</b>	<b>(3,009,725)</b>
<b>Total Transfers</b>	<b>\$ 14,603,346</b>	<b>\$ (14,603,346)</b>	<b>\$ 0</b>

(Concluded)



## COST ALLOCATION PLAN

### Fiscal Year 2019/20

#### INTRODUCTION

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 Programs and or Funds that benefit from the identified services. Why is a separate cost accounting analysis required to do this? Because the cost of 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 versus Indirect Costs:**

"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 for reasonably allocating indirect costs to direct cost programs.

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 programs include: the Finance Department provides financial management and utility billing services, the Administrative Services Department provides legal services and personnel administration and the City's Public Works Administration department provides engineering, work load planning and personnel oversight.

It is common to use "Cost Drivers" when allocating costs from Indirect Programs/Functions to Direct Programs. A cost driver is the unit of an activity that causes the change in activity's cost. Examples of cost drivers are; operating budget, agenda items and full time equivalent staffing (FTEs).

**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 STRATEGY:**

##### **Personnel Costs:**

The adopted allocation plan begins with an allocation of personnel time and cost to each of the City's three Internal Services Funds, each of the City's Direct Programs and each of the City's Indirect Programs. This is accomplished through the City's time keeping software. The allocation is based entirely on the detailed timekeeping of each employee within the City. Once time and associated costs have been allocated, a count of full time equivalent staffing (FTEs) is developed (see table 2, page 68)

##### **Internal Service Funds:**

After personnel costs have been allocated, the City's three Internal Service fund costs are allocated to both the Direct Cost Programs as well as the Indirect Cost Programs (see tables 3 & 4, page 69). The City has three Internal Service Funds; Facilities Repair & Maintenance, Technology Maintenance & Replacement and Fleet & Equipment Services:

- Facilities Repair & Maintenance uses a cost driver of "square footage". In other words, each program is charged a Facilities charge based on an approximation of the facility square footage used by that program.
- Technology Maintenance & Replacement (IT) uses a cost driver of "workstations" (including devices such as iPad). Each program is charged an IT charge based on the number of workstations utilized by that program.
- Fleet & Equipment Services (Fleet) uses a cost driver of "fleet vehicles". Each program is charged a Fleet charge based on the number of vehicles utilized by that program.

**Indirect Cost Allocations:**

The next step in preparing the City's Cost Allocation Plan is determining direct and indirect costs (see tables 5&6). 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.

The City's direct costs programs have been identified as follows: Public Safety (Including Police & Fire), Community Development, Parks, Storm Drains, Corporation Yard, Street Maintenance, Street Traffic & Safety, Water Utility and Wastewater Utility.

The City's indirect costs programs have been identified as follows: City Council, City Attorney, City Administration, Human Resources, City Clerk, Financial Management, Utility Billing and Public Works Administration.

- City Council uses a cost driver of "agenda items". Each direct cost program is charged a City Council charge based on the number of City Council Agenda items related to that program.
- City Attorney uses a cost driver of "agenda items". Each direct cost program is charged an Attorney charge based on the number of City Council Agenda items related to that program.
- City Clerk uses a cost driver of "agenda items". Each direct cost program is charged a City Clerk charge based on the number of City Council Agenda items related to that program.
- Human Resources uses a cost driver of "full time equivalent (FTE) staffing". Each direct cost program is charged a Human Resources charge based on the number of FTEs attributed to that program.
- City Administration uses a cost driver of "operating budget". Each direct cost program is charged a City Administration charge based on the relative amount of the program's operating budget.
- Non-departmental uses a cost driver of "operating budget". Each direct cost program is charged a Non-departmental charge based on the relative amount of the program's operating budget.
- Financial Management uses a cost driver of "operating budget". Each direct cost program is charged a Financial Management charge based on the relative amount of the program's operating budget.
- Utility Billing uses a cost driver of "bills processed". Each direct cost program is charged a Utility Billing charge based on the number of bills processed on behalf of that program.
- Public Works Administration uses a cost driver of "public works operating budget". Each direct cost program is charged a Public Works Administration charge based on the relative amount of the program's public works operating budget.

**PLAN PREPARATION**

The adopted plan has been prepared using staff hours and budget cost estimates from the fiscal year 2018-19 budget. It is proposed that each year, in preparing the annual budget, the plan will be updated. For instance, for fiscal year 2019-20 the budgeted cost allocation plan will be based on fiscal year 2018-19 staffing hours applied to fiscal year 2019-20 budget estimates. Additionally at each fiscal year end, the cost allocation plan will be updated to reflect actual staff hours spent, actual program expenditures and actual cost driver rates.

**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. The details of the adopted allocation of costs are summarized in the tables presented on the following pages:



## TABLES:

Table 1: Program Classifications:

<b>Internal Service Funds</b>	<b>Direct Programs</b>	<b>Indirect Programs</b>
Facilities	Police/Fire Department	City Council
IT	Community Development	City Attorney
Fleet	Parks	City Administration
	Storm Drains	Human Resources
	Corporation Yard	City Clerk
	Street Maintenance	Financial Management
	Street Traffic & Safety	Utility Billing
	Water Enterprise	PW Administration
	Wastewater Enterprise	

Table 2: Personnel Cost Allocation and FTE count:

		Personnel Costs	FTEs
<b>Internal Service Funds:</b>	<b>Facilities</b>	134,748	1.5
	<b>Information Technology</b>	172,228	2.0
	<b>Fleet</b>	109,266	1.1
<b>Indirect Cost Programs:</b>	<b>City Council</b>	313,172	1.3
	<b>City Clerk</b>	135,630	1.3
	<b>Administration</b>	284,196	2.4
	<b>City Attorney</b>	1,856	-
	<b>Human Resources</b>	123,798	1.4
	<b>Financial Management</b>	348,350	3.0
	<b>Utility Billing</b>	143,404	1.8
	<b>PW Administration</b>	269,128	2.3
	<b>Public Safety</b>	3,174,668	20.9
	<b>Community Development</b>	354,618	2.9
	<b>Parks</b>	239,978	2.8
	<b>Storm Drains</b>	85,279	1.0
<b>Direct Cost Programs:</b>	<b>Corporation Yard</b>	8,838	0.1
	<b>Street Maintenance</b>	63,524	0.7
	<b>Traffic&amp;Safety</b>	56,023	0.8
	<b>Water Utility</b>	440,502	4.2
	<b>Wastewater Utility</b>	725,697	7.7
		<b>7,184,906</b>	<b>59.11</b>

Table 3: Internal Service Funds Cost Driver Rate Table:

Rate Table				
ISFs	Cost	Driver	Total Driver	Rate
<b>Facilities</b>				
Personnel Cost	\$ 134,748			
Non-Personnel Cost	254,000			
Long Term Funding Plan	(140,262)	\$ 248,485 Square footage	68,926	\$ 3.61
<b>Information Tech</b>				
Personnel Cost	\$ 172,228			
Non-Personnel Cost	216,343			
Long Term Funding Plan	484	\$ 389,055 Workstations	93	\$ 4,183
<b>Fleet</b>				
Personnel Cost	\$ 109,266			
Non-Personnel Cost	152,600			
Long Term Funding Plan	154,467	\$ 416,333 Fleet Vehicles	60	\$ 6,939
<b>Total Indirect Costs</b>		<b>\$ 1,053,874</b>		

Note: Each rate is derived by dividing Cost by Total Driver

Table 4: Internal Service Funds Allocation to Programs:

	Summary of ISF Allocation						
	Facilities		Info Tech		Fleet		Total Allocation
	Sq Ft	Allocation	Work-stations	Allocation	Fleet Vehicles	Allocation	
Direct Programs							
Police/Fire Department	24,319	87,672	32	133,868	25	172,431	393,972
Community Development	2,140	7,714	6	25,100	0	-	32,814
Parks	21,003	75,718	1	4,183	5	37,990	117,892
Storm Drains	-	-	-	-	1	3,816	3,816
Corporation Yard	7,980	28,769	3	12,550	0.5	3,123	44,441
Street Maintenance	-	-	-	-	2	14,919	14,919
Street Traffic & Safety	-	-	-	-	1	8,674	8,674
Water Enterprise	-	-	3	12,550	7	46,317	58,867
Wastewater Enterprise	-	-	9	37,651	17	115,186	152,836
Indirect Programs							
City Council	2,786	10,044	11	46,017	-	-	56,061
City Attorney	-	-	-	-	-	-	-
City Administration	5,884	21,213	3	12,550	2	13,878	47,641
Human Resources	535	1,928	1	4,183	-	-	6,112
City Clerk	535	1,928	2	8,367	-	-	10,295
Financial Management	1,070	3,857	4	16,734	-	-	20,590
Utility Billing	1,070	3,857	2	8,367	-	-	12,224
PW Administration	1,605	5,785	16	66,934	-	-	72,720
Totals	68,926	\$ 248,485	93	\$ 389,055	60	\$ 416,333	\$ 1,053,874



Table 5: Indirect Programs Cost Driver Rate Table:

Rate Table					
Indirect Programs	Cost	Total Cost	Driver	Total Driver	Rate
City Council					
Personnel Cost	\$ 313,172				
Non-Personnel Cost	37,000				
Facilities	10,044				
IT	46,017				
Fleet	-	\$ 406,233	Agenda Items	302	\$ 1,345
City Attorney					
Personnel Cost	1,856				
Non-Personnel Cost	115,000				
Fleet	-	\$ 116,856	Agenda Items	302	\$ 387
City Clerk					
Personnel Cost	135,630				
Non-Personnel Cost					
Facilities	1,928				
IT	8,367				
Fleet	-	\$ 145,926	Agenda Items	302	\$ 483
Human Resources					
Personnel Cost	123,798				
Facilities	1,928				
IT	4,183				
Fleet	-	\$ 129,910	Full Time Equivalent staffing	41.13	\$ 3,158
City Administration					
Personnel Cost	284,196				
Non-Personnel Cost	45,285				
Facilities	21,213				
IT	12,550				
Fleet	13,878				
Program Income	(34,475)	\$ 342,647	Operating Budget	8,456,380	4%
Non-departmental					
Personnel Cost	265,572				
Non-Personnel Cost	344,409				
Program Income	(900)	\$ 609,081	Operating Budget	8,456,380	7%
Financial Management					
Personnel Cost	348,350				
Non-Personnel Cost	66,800				
Facilities	3,857				
IT	16,734				
Program Income	(80,600)	\$ 355,140	Operating Budget	8,456,380	4%
Utility Billing					
Personnel Cost	143,404				
Facilities	3,857				
IT	8,367				
Fleet	-	\$ 155,628	Bills Processed	73,140	\$ 2.13
PW Administration					
Personnel Cost	269,128				
Non-Personnel Cost	10,600				
Facilities	5,785				
IT	66,934				
Program Income	(96,759)	\$ 255,689	PW Operating Budget	3,931,396	7%
<b>Total Indirect Costs</b>		<b>\$2,517,110</b>			

Note: Each rate is derived by dividing Total Cost by Total Driver

Table 6: Indirect Programs Cost Allocation to Direct Programs:

	Summary of Indirect Cost Allocation									
Direct Programs	City Council		City Attorney		City Clerk		Human Resources		City Administration	
	Agenda Items	Allocation	Agenda Items	Allocation	Agenda Items	Allocation	Full Time Equivalent staffing	Allocation	Operating Budget	Allocation
<b>Police/Fire Department</b>										
Indirect Cost Allocation	69	92,452	69	26,595	69	33,210	20.9	66,022	4,126,352	167,197
<b>Department</b>										
Indirect Cost Allocation	73	97,833	73	28,142	73	35,143	2.9	9,130	398,632	16,152
<b>Parks</b>										
Indirect Cost Allocation	19	25,195	19	7,247	19	9,050	2.8	8,865	395,270	16,016
<b>Storm Drains</b>										
Indirect Cost Allocation	21	27,885	21	8,021	21	10,017	1.0	3,097	106,096	4,299
<b>Corporation Yard</b>										
Indirect Cost Allocation	19	25,195	19	7,247	19	9,050	0.1	337	68,479	2,775
<b>Street Maintenance</b>										
Indirect Cost Allocation	27	35,956	27	10,343	27	12,916	0.7	2,217	256,442	10,391
<b>Street Traffic &amp; Safety</b>										
Indirect Cost Allocation	21	27,885	21	8,021	21	10,017	0.8	2,619	89,097	3,610
<b>Water Enterprise</b>										
Indirect Cost Allocation	28	38,262	28	11,006	28	13,744	4.2	13,175	1,350,718	54,730
<b>Wastewater Enterprise</b>										
Indirect Cost Allocation	26	35,571	26	10,232	26	12,778	7.7	24,448	1,665,293	67,477
<b>Total</b>	<b>302</b>	<b>\$ 406,233</b>	<b>302</b>	<b>\$ 116,856</b>	<b>302</b>	<b>\$ 145,926</b>	<b>41.13</b>	<b>\$ 129,910</b>	<b>\$ 8,456,380</b>	<b>\$ 342,647</b>

Table 6: Indirect Programs Cost Allocation to Direct Programs (continued) :

	Summary of Indirect Cost Allocation									
Direct Programs	Non-departmental		Financial Management		Utility Billing		PW Administration			
	Operating Budget	Allocation	Operating Budget	Allocation	Bills Processed	Allocation	PW Operating Budget	Allocation	Total Indirect Cost	Full Cost
<b>Police/Fire Department</b>										
Indirect Cost Allocation	4,126,352	297,205	4,126,352	173,293	-	-	-	-	855,975	4,982,327
<b>Department</b>										
Indirect Cost Allocation	398,632	28,712	398,632	16,741	-	-	-	-	231,854	630,486
<b>Parks</b>										
Indirect Cost Allocation	395,270	28,470	395,270	16,600	-	-	395,270	25,707	137,151	532,421
<b>Storm Drains</b>										
Indirect Cost Allocation	106,096	7,642	106,096	4,456	-	-	106,096	6,900	72,317	178,413
<b>Corporation Yard</b>										
Indirect Cost Allocation	68,479	4,932	68,479	2,876	-	-	68,479	4,454	56,866	125,345
<b>Street Maintenance</b>										
Indirect Cost Allocation	256,442	18,471	256,442	10,770	-	-	256,442	16,678	117,742	374,184
<b>Street Traffic &amp; Safety</b>										
Indirect Cost Allocation	89,097	6,417	89,097	3,742	-	-	89,097	5,795	68,106	157,203
<b>Water Enterprise</b>										
Indirect Cost Allocation	1,350,718	97,287	1,350,718	56,726	33,888	72,107	1,350,718	87,848	444,885	1,795,603
<b>Wastewater Enterprise</b>										
Indirect Cost Allocation	1,665,293	119,945	1,665,293	69,937	39,252	83,521	1,665,293	108,307	532,215	2,197,508
<b>Total</b>	<b>\$ 8,456,380</b>	<b>\$ 609,081</b>	<b>\$ 8,456,380</b>	<b>\$ 355,140</b>	<b>73,140</b>	<b>\$ 155,628</b>	<b>\$ 3,931,396</b>	<b>\$ 255,689</b>	<b>\$ 2,517,110</b>	<b>\$ 10,973,490</b>

BUDGET SUMMARY



**TEN-YEAR AUTHORIZED STAFF POSITION COMPARISON**

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
<b>General Government</b>										
Administrative Services	4.80	4.80	6.00	6.00	6.00	6.50	6.50	7.00	7.00	6.00
Finance Department	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
<b>Sub-Total</b>	<b>8.80</b>	<b>8.80</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.50</b>	<b>10.50</b>	<b>11.00</b>	<b>11.00</b>	<b>10.00</b>
<b>Public Safety</b>										
Police Department	21.00	21.00	21.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00
<b>Sub-Total</b>	<b>21.00</b>	<b>21.00</b>	<b>21.00</b>	<b>22.00</b>	<b>22.00</b>	<b>22.00</b>	<b>22.00</b>	<b>22.00</b>	<b>22.00</b>	<b>22.00</b>
<b>Community Services</b>										
Community Development	3.80	3.80	3.80	4.30	4.00	4.30	4.50	4.80	4.80	3.00
Public Works	12.60	12.60	12.60	13.60	12.60	12.80	12.80	14.00	14.00	15.80
Enterprise Funds	7.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
<b>Sub-Total</b>	<b>23.40</b>	<b>24.40</b>	<b>24.40</b>	<b>25.90</b>	<b>24.60</b>	<b>25.10</b>	<b>25.30</b>	<b>26.80</b>	<b>26.80</b>	<b>26.80</b>
<b>Total Authorized Positions</b>	<b>53.20</b>	<b>54.20</b>	<b>55.40</b>	<b>57.90</b>	<b>56.60</b>	<b>57.60</b>	<b>57.80</b>	<b>59.80</b>	<b>59.80</b>	<b>58.80</b>

**Note 1:** Staffing comparison excludes Seasonal and Temporary positions.

**Note 2:** In FY2012/13 an Information Technology Technician position was added to Administrative Services.

**Note 3:** 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

**Note 4:** FY 2014/15 reflects reclassification of the Housing & Economic Development Coordinator to full time, and

**Note 5:** FY 2015/16 reflects the authorization of a part-time Grants Assistant in Community Development, a part-time Audio-Visual Technician, and the increase to 80% of the Water Project Coordinator in Public Works. The Associate Planner in Community Development was reduced to 80%.

**Note 6:** FY 2016/17 reflect reclassification of the Operations Manager to the Assistant Public Works Director

**Note 7:** FY 2017/18 reflects reclassification of the part time (80%) Water Project Coordinator to a full time Engineering Technician

**Note 8:** FY 2017/18 reflects the addition of a Public Works Maintenance I position for Noyo I

**Note 9:** FY 2017/18 reflects the increase of the Grants Assistant position from part-time to full time

**Note 10:** FY 2017/18 reflects the increase of the AV Technician position from part-time to full time

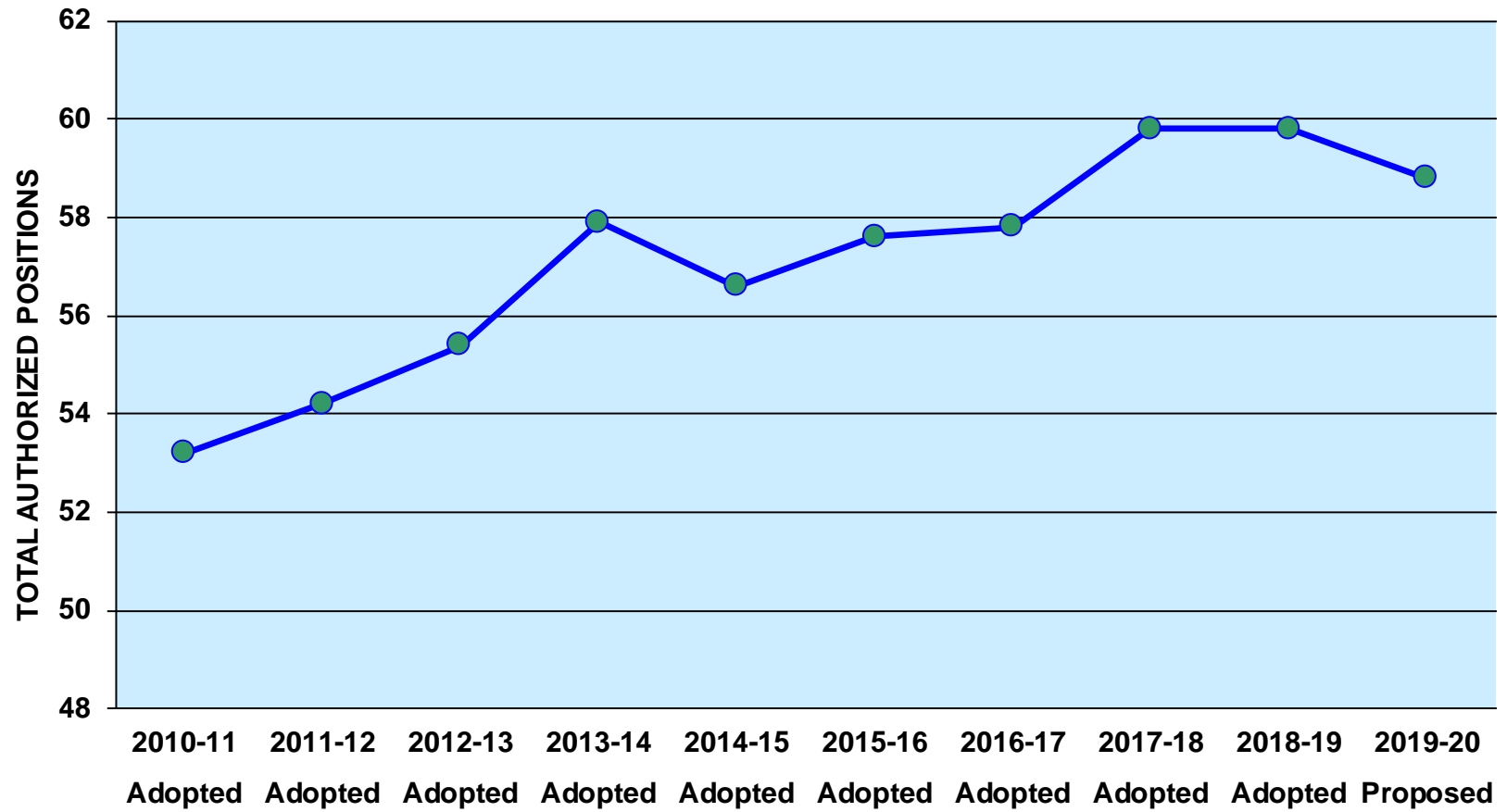
**Note 11:** In FY 2018/19 the Administrative Services Director position was eliminated from Administrative Services

**Note 12:** In FY 2018/19 the Police Lieutenant position was eliminated from the Police Department

**Note 13:** In FY 2018/19 an additional CSO position was added to the Police Department

**Note 14:** In FY 2018/19 the Special Project Manager and the Special Projects Assistant moved from the Community Development Department to the Public Works Department

## TEN YEAR AUTHORIZED STAFFING COMPARISON



## FY 2019/20 ARTICLE XIII B 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 2019, the California State Department of Finance notified cities of the population change and the per capita 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 FY2019/20 is:

- The population change at January 1 of the previous year for the County is <.14%> and for the City is <.55%>. 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 3.85%.

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

$$\frac{3.85 + 100.00}{100.00} \times \frac{<.55\%> + 100.00}{100.00} = 1.03278$$

Applying this year’s factor to last year’s limit of \$10,248,398, the appropriations limit for FY 2019/20 is \$10,584,341. With appropriations subject to the limitation totaling approximately \$6,765,704 the City of Fort Bragg is not at risk of exceeding the Gann Limit.



**City of Fort Bragg Appropriation Limit  
Applied to FY 2019/20 Budget**

**Proceeds of Taxes****Property & Other Taxes**

Property Taxes	\$ 1,105,426
Sales & Use Taxes, Prop 172 Taxes	1,941,692
Transient Occupancy Taxes	2,864,535
Franchise Taxes	601,752
Transfer Taxes	19,845
Business License Taxes	201,588
<b>Subtotal - Taxes</b>	<b>6,734,838</b>

**Proceeds of Non Taxes**

Licenses & Permits	108,480
Fines & Forfeitures	36,000
Use of Money & Property (less interest earned)	20,400
Intergovernmental	268,537
Charges for Services	2,617,076
Other Revenues	33,470
<b>Subtotal - Non Taxes</b>	<b>3,083,963</b>

**Total Non Taxes & Taxes** **9,818,801**

## Allocate Interest Based on Ratios

Non Taxes (33%)	14,134
Taxes (67%)	30,866
<b>Total Interest</b>	<b>45,000</b>

**Total Revenue** **\$ 9,863,801**

FY 2019/20 Appropriations Limit	10,584,341
Less Proceeds of Taxes	6,765,704
<b>Under Maximum Appropriation Limit</b>	<b>\$ 3,818,637</b>

