



CITY NOTES

June 5, 2014

FORT BRAGG CITY COUNCIL TO REVIEW DRAFT FY 2014/15 CITY BUDGET

On Thursday, June 5th, the Fort Bragg City Council will hold a workshop to review the draft Fiscal Year (FY) 2014/15 Budget for the City of Fort Bragg. The workshop begins at 3 PM and will be held in the conference room at the Fort Bragg Police Department. The public is welcome to attend. Copies of the draft Budget are available for review or purchase at Fort Bragg City Hall and will be posted on the City's website.

The annual budget provides a comprehensive statement of the City's organization, operations and resources and it expresses City Council policies and priorities in all areas of the City's operations. Over the course of the year, the City's budget serves as a financial management tool and as an operational plan for the delivery of City services and capital improvement projects. It also presents a summary of accomplishments realized in each area of the City's operations over the past year.

While the FY 2014/15 Budget addresses the City Council's priorities, it is tempered by the recognition that there are limits to how much our small workforce can tackle, particularly given the continued revenue challenges we face. I would note, however, that even with these challenges, the City of Fort Bragg continues to provide a very high level of public services to its citizens. Each departmental budget identifies top accomplishments of FY 2013/14 and top priorities for FY 2014/15. These lists reveal a hard-working and motivated workforce that sets and achieves high performance goals.

While the City Council's conservative and prudent fiscal decisions over the past several years have helped the City maintain a solid financial footing, City staff also deserve credit for their diligent to contain costs while bringing in "outside" revenues to help fund priority projects. The City's success in obtaining outside revenues is particularly apparent this year. In FY 2014/15, more than a dozen activities are funded by grants from State and federal programs which total \$10.4 million-- an all-time high for the City of Fort Bragg. Included in this grant amount are funds for a very ambitious capital improvement program: \$5.4 million for the Coastal Restoration and Trail Project, \$2.6 million for the Main Street Merge Project, \$750k for the Chestnut Street Multi-Use Trail Project; and \$593k for the Green Alleys Project. Other capital projects programmed for FY 2014/15 include pre-construction activities for the Summers Lane Reservoir Project and the Wastewater Treatment Plant Upgrade Project, both of which will be constructed in future years.

While the City's FY 2014/15 Budget, as a whole, demonstrates the City's relatively stable financial condition, there are a number of vulnerabilities that warrant consideration:

- The General Fund operating budget is not structurally balanced this year. Total expenditures are estimated at \$8.9 million and revenues are projected at \$8.5 million. While the difference includes some one-time expenses (capital projects, temporary activities, litigation) that can be funded from unassigned fund balance, the General Fund has a \$65.9k structural deficit in the draft FY 2014/15 Budget.
- General Fund revenues remain relatively stagnant overall. In FY 2014/15, sales tax is projected to increase 1.0% and transient occupancy tax (TOT) is projected to increase 3.0%. These are offset by a 4.6% decline in property tax and declines in charges for services and other revenues. Overall, the FY 2014/15 Budget projects a 0.8% decline in General Fund revenues.

- A fundamental concern is that General Fund fixed costs, salaries, and benefits are increasing at a rate that is faster than growth in recurring revenue.
- The Water Enterprise suffered an unexpected revenue shortfall in FY 2013/14 as a result of an error in the utility rate model upon which the water rates that took effect on July 1, 2013 were based. As a result, water revenues were more than \$100k less than budgeted projections. The City has determined the root cause of the problem and defined a new rate structure to correct it, but the new rates must go through the Prop 218 hearing process before being implemented.
- While the Wastewater Enterprise brought in lower than projected revenues in FY 2013/14, its revenues met the net revenue requirements of the operation. Nevertheless, the Wastewater Enterprise has experienced a declining fund balance over the past few years as a result of extraordinary capital needs due to aging infrastructure.
- Personnel costs are the largest part of the City's operating budget, totaling \$7.7 million in FY 2014/15. This includes a 1.6% increase in salaries and wages as a result of scheduled merit increases and negotiated wage increases, and a 2.1% increase in the cost of employee benefits. Although demands for City services continue to increase, no new staff positions are proposed in FY 2014/15.
- Health care costs for employees and retirees continue to increase. In FY 2014/15, the City's medical premiums will increase by 8.63% and the City will bear 80% of that cost increase.
- Retirement costs are increasing and there is considerable uncertainty regarding what the future will bring. The City's required contribution (i.e., "employer's share") to CalPERS premiums in FY 2014/15 is 29.388% of each employee's salary in the Safety Plan and 12.166% of each employee's salary in the Miscellaneous Plan. In addition, the City contributes a portion of the "employee's share" of CalPERS premiums for some employee groups in the Miscellaneous Plan.
- The FY 2014/15 Budget assumes that the City, in its role as the Successor Agency to the Fort Bragg Redevelopment Agency, will continue to receive \$250k from the Redevelopment Property Tax Trust Fund to offset administrative costs associated with the dissolution of the former Fort Bragg Redevelopment Agency. With each biannual Recognized Obligation Payment Schedule (ROPS) submitted to the State Department of Finance, the Successor Agency's funding for enforceable obligations has been reduced and the administrative payment is likely to shrink in future years as well. When this occurs, staff costs that are currently allocated to the Successor Agency must be borne by the General Fund.

The City's proposed FY 2014/15 Budget includes lean operating budgets for the General Fund, Water Enterprise and Wastewater Enterprise and a Capital Project budget that addresses critical infrastructure repair and maintenance needs. It is a responsible budget that sustains existing services, programs and staffing levels while providing effective fiscal management throughout the City's operations.

City Notes is published on the first and third Thursday of each month. If you have questions or suggestions regarding the column, feel free to contact City Manager Linda Ruffing at (707) 961-2823, ext. 118 or LRuffing@fortbragg.com.