



CITY NOTES

August 10, 2017

FORT BRAGG'S FISCAL YEAR 2017/18 ADOPTED BUDGET - GENERAL FUND DEFICIT

At the July 26th Finance & Administration Committee meeting, Mayor Peters and Vice Mayor Lee requested that we use this City Notes column to help the public gain a better understanding of the Fiscal Year (FY) 2017/18 Adopted Budget and the City's General Fund deficit.

The City's budget process starts in mid-March with a day-long City Council mid-year budget review work session. At that meeting, the prior year audited year-end results are presented, as well as a status update on the current year's budget through December 31st. Council goals are discussed, supplemental appropriations are proposed and upcoming financial challenges are presented. Based on that discussion and direction received from the Council, City staff prepares a draft budget for Council review at another full-day work session that is held in mid-May. Following that and again, based on direction provided by the Council, the final budget is prepared for adoption prior to the July 1 start of the next fiscal year.

The City's annual budget is developed based on detailed budget guidelines and fiscal policies adopted by the Council. The budget is built upon conservative revenue assumptions. Expenditures are contained to the maximum extent possible. Recurring annual expenditures are to be funded with on-going annual revenues. The use of unassigned fund balance is to be restricted to funding one-time expenditures, not on-going operations.

As an overview- the City's total budgeted expenditures for FY 2017/18 are \$34.7M. That amount includes \$16.8M for capital projects. Operation of the City's three enterprises (Water, Wastewater, C.V. Starr Center) accounts for \$6.4M in expenses. Special revenue funds, grants, and internal service funds account for \$2.1M in expenses. The remaining \$9.5M of expenses are accounted for in the General Fund. The General Fund includes expenses for general government, public safety, community development, parks, storm drains and some street repairs.

In FY 2017/18, the General Fund budget projects \$9.1M in revenues and \$9.5M in expenses. To the extent that this results in a deficit, unassigned fund balance will be utilized to balance the budget. However, as explained in the report to the Finance & Administration Committee, because of the City's conservative budgeting practices, year-end revenues are typically higher than projected and expenses are lower than projected. In nine of the past ten years, the Council has approved a General Fund budget with expenses exceeding revenues. Based on audited financial statements through FY 2015/16 expenses exceeded revenues in only two of the eight years. For FY 2017/18, we expect that the General Fund will end the year in the black (based on average variances from previous years).

The FY 2017/18 Adopted Budget includes the following positive features:

- Increases services by adding a Maintenance Worker position to enhance Coastal Trail maintenance and increasing two part-time positions to full-time in order to expand economic development activities and continue operation of the Public, Education, Government (PEG) television channels by bringing the service in-house.

- Includes a robust Capital Projects work plan with an emphasis on water, wastewater and streets infrastructure.
- Capital funding includes more than \$11M of grant funds.
- Implements long-term (10-year) plans for Fleet and Building Maintenance internal service funds - a goal which has been activity pursued by the City for several years and which has just now been accomplished.
- Funds a 15% General Fund Operating Reserve and a \$200k Litigation Reserve.
- Assumes a 3% cost of living adjustment for City employees - a rate which is higher than the national average and which allows the City to attract and maintain the best possible workforce for delivering services to the citizens of Fort Bragg.

All of the positive features listed above have been accomplished while delivering a budgeted deficit that has been shown historically to be manageable. Indeed, considering the loss of \$700k in annual General Fund operating revenue due to a new Cost Allocation Plan (implemented beginning in FY 2016/17) and the continued and significant increases for employee pension costs, the FY 2017/18 Adopted Budget is a remarkable achievement. The City received a Distinguished Budget Presentation award from the Government Finance Officers' Association for its FY 2016/17 Budget and we anticipate receiving the award again for the FY 2017/18 Budget.

The City Council will be receiving a recommendation from its Finance & Administration Committee regarding the FY 2017/18 Adopted Budget at the August 14, 2017 City Council meeting. The public is welcome to attend and learn more about the City's budget. The full budget can be reviewed in the Document Center on the City's website at:

<https://city.fortbragg.com/DocumentCenter/Home/View/6540>

City Notes is published on the second and fourth Thursday of each month. If you have questions or suggestions regarding this column or any matter of City business, feel free to contact City Manager Linda Ruffing at LRuffing@fortbragg.com or (707)961-2829.