



FY 2024 OPERATIONS & MAINTENANCE PROPOSED BUDGET

CITY COUNCIL

Mayor

Bernie Norvell

Vice Mayor

Jason Godeke

Councilmember

Tess Albin-Smith

Councilmember

Marcia Rafanan

Councilmember

Lindy Peters

City Manager

Peggy Ducey

ABOUT THE COVER

Tide Pools at MacKerricher State Park



Budget Document Producers

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Sarah McCormick	Grants & Special Projects
Moneque Wooden	C.V. Starr Community Center

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GUIDE TO THE DOCUMENT

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 2019/20 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 2022/23 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 01, 2022

A handwritten signature in black ink that reads "Christopher P. Morrill".

Executive Director

BUDGET ORGANIZATION

The FY 2022/23 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 2021/22.
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 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.

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, an Adopted 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 Adopted 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 66-73.

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 2023. 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

The voters elect members of the Fort Bragg City Council 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 Bernie Norvell	December 2024
Vice Mayor Jason Godeke	December 2026
Councilmember Tess Albin-Smith	December 2026
Councilmember Marcia Rafanan	December 2026
Councilmember Lindy Peters	December 2024

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."

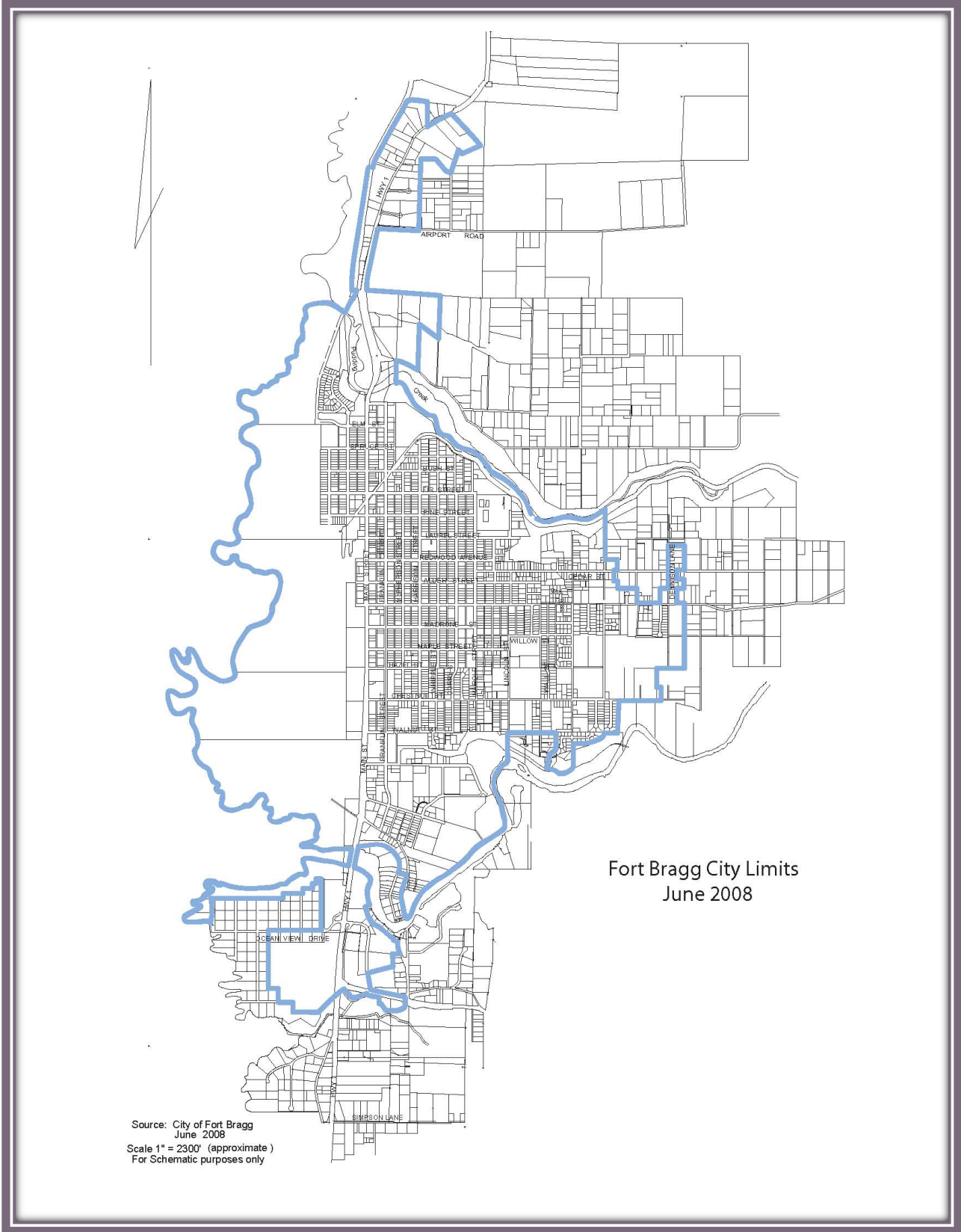
SUCCESSOR AGENCY TO FORT BRAGG REDEVELOPMENT AGENCY

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 A.B. 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.



Fort Bragg City Limits
June 2008

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

ELECTED AND APPOINTED CITY OFFICIALS

As of June 30, 2023



Bernie Norvell
Mayor



Jason Godeke
Vice Mayor



Tess Albin-Smith
Councilmember



Marcia Rafanan
Councilmember

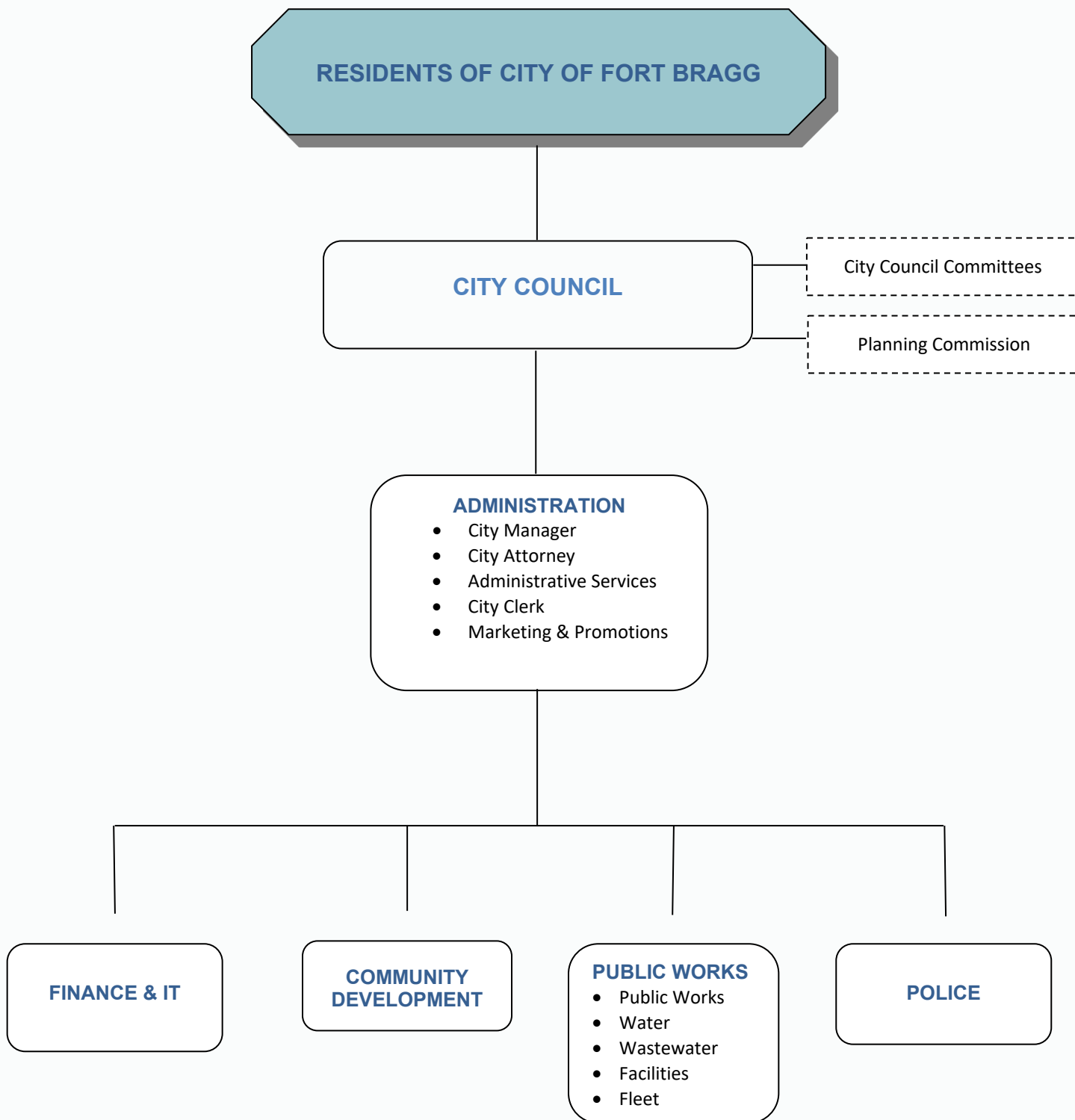


Lindy Peters
Councilmember

Peggy Ducey
City Manager

MASTER ORGANIZATIONAL CHART

As of June 30, 2023



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 Adopted budget to the City Council, which should be adopted no later than the end of June.
3. **Form and Content of the Adopted and Adopted Budget.** The Adopted 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 Adopted 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 Adopted 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 Adopted and adopted Budget is developed in accordance with the Council's established budget principles:
 - Conservative 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 30 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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**CITY OF
FORT BRAGG**

Fiscal Year
2024
Proposed Budget



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 30 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 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 31.

- f. Semi-annually, at a mid-year budget session, there will be a 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 on-going 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 Adopted 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 maybe tapped into, with Council authorization, for unforeseen operating or capital needs. In FY 2022/23 the reserve is funded at 20%.
- 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 FY2021/22 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 10% 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 10% 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 (I.T.) 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 I.T. 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.
 - Section 115 Trust. The City maintains a trust for future CalPERS liabilities. Assets in the Section 115 Pension Trust may be used only for pension-related costs and at the direction of the City Council. Once the targeted funding level is reached, the earnings on the assets in the Trust may be applied to offset a portion of the City's annual pension contributions to CalPERS or make additional discretionary payments to CalPERS

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*
 - Expenditures under \$5,000 may be decided by the Police Chief.

- 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.
 - Staff reports to the City Council will be provided on significant Asset Forfeiture expenditures identified by the City Manager.
- b. *Asset Forfeiture Education Funds*
- Expenditures must meet the mandated education and prevention guidelines.
- c. *Year-End Reporting*
- 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 agenized 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.

14. Pension Policy

- a. Actuarially Determined Contributions: Each fiscal year, the City will contribute to CalPERS the amount determined by CalPERS actuaries to be the minimum required employer contribution for that year. The minimum contribution consists of two components, normal cost and unfunded accrued liability (UAL). The normal cost is expressed as a rate that is applied to pensionable payroll costs and reflects the cost of pension benefits earned by employees in the current fiscal year. The UAL payment is a flat dollar amount that represents a portion of the cost of past benefits earned by employees, but for which, because of deviations in actual experience and changes in assumptions about investment performance, the normal cost rates established for those prior years has been determined to be insufficient to provide the promised retirement benefit. The CalPERS actuaries recalculate the total UAL each year and an updated multi-year amortization schedule is provided to show the projected annual minimum payments.
- b. Annual UAL Prepayment: CalPERS offers the option to make monthly payments on the UAL or prepay the entire annual amount at a discounted level by the end of July. The City will prepay its annual obligation each year to achieve budgetary savings.
- c. Section 115 Pension Trust: The City will establish and maintain a pension stabilization fund in the form of a Section 115 Pension Trust. The targeted funding level for this fund is the City Council policy that fifty percent (50%) of any surplus in the General Fund at year-end will be used to reduce the current UAL. Assets in the Section 115 Pension Trust may be used only for pension related costs and at the direction of the City Council. Once the targeted funding level is reached, the earnings on the assets in the Trust may be applied to offset a portion of the City's annual pension contributions to CalPERS or make additional discretionary payments to CalPERS.
- d. Targeted Funding Level: The City's goal is to achieve and maintain a funded status for each of its plans of between 90% and 100%. A funded status of 100% signifies that the City's pension assets with CalPERS match its accrued liabilities.
- e. Additional Discretionary Payments: CalPERS allows member agencies to make additional discretionary payments at any time and in any amount, which would serve to reduce the UAL and future required contributions. The City will consider this option in the context of its annual evaluation of reserve levels and budgetary requirements.
- f. Transparency and Reporting: Funding of the City's pension plans should be transparent to vested parties including plan participants, annuitants, the City Council and Fort Bragg residents. In order to achieve this transparency, the following information shall be available:
 - a. Copies of the annual actuarial valuations for the City's CalPERS plans.
 - b. The City's Comprehensive Annual Financial Report shall be published on the City's website. This report includes information on the City's annual contributions to the pension system and their funded status.
 - c. The City's annual operating budget shall include the City's contributions to CalPERS.
- l. Pension Obligation Bonds (POBs): POBs or a similar debt issuance such as Lease Revenue Bonds (LRBs) used to make payments towards the City's UAL are tools that can be used to provide an additional discretionary payment to CalPERS upon the determination that the cost to borrow the funds for the payment is less than continuing to make the projected prescribed UAL payments at the current discount rate. If the City issues POBs or LRBs, the following guidelines will apply:
 - a. Expert advice and analysis by actuaries and municipal advisors will be utilized to stress test the risk of a market crash and threshold at which the City would be worse off issuing POBs or LRBs versus not.
 - b. The interest rate on the POBs or LRBs shall be at least 2.5% less than the current

CalPERS discount rate.

c. The final maturity date on the POBs or LRBs will be no more than the current term of the UAL.

d. The POBs or LRBs structure will contain an early call provision.

- g. Review of Funding Policy: Funding a defined pension plan requires a long-term horizon. As such, the City will review this policy at least every five years to determine if changes to this policy are needed to ensure adequate resources are being funding the UAL.



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 A.A./Aa/A.A. 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 a statement of investment policy to the City Council and the Finance Committee, 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.







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**CITY OF
FORT BRAGG**

Fiscal Year
2024
Proposed Budget



**BUDGET
SUMMARY**



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CITY OF FORT BRAGG
FY 2023/24
PROPOSED BUDGET
SUMMARY SCHEDULES



City of Fort Bragg FY2023/24 Summary of Revenue, Expenditures & Fund Balance										
Fund No.	Fund Type/Name	FY 2022/23				FY 2023/24 BUDGET				
		Audited Fund Balance at 06/30/22	Projected Revenue	Estimated Expenditures	Net Transfers	Projected Fund Balance at 06/30/23	FY 2023/24 Budget Revenue	Appropriations	Net Transfers	Projected Fund Balance at 06/30/24
General Fund										
110	Unassigned	\$ 2,400,901	\$ 11,030,280	\$ 10,769,945	(551,224)	\$ 745,619	\$ 11,624,780	11,540,795	-\$ (405,850)	423,753
	Section 115 Contribution			\$ (1,364,392)						
	Nonspendable	11,986				11,986				11,986
	Committed- 2021 Lease Revenue Bonds	3,500,000		3,500,000					(258,300)	1,731,119
110	GF Operating Reserve- Committed	1,989,419				1,989,419				664,150
112	GF Recession Reserve	489,929				489,929				200,000
114	GF Litigation Reserve	200,000				200,000				200,000
	Total General Fund excluding Committed Funds	8,592,235	11,030,280	12,905,553	(551,224)	3,436,953	11,624,780	11,540,795	-	3,520,937
Special Revenue Funds, Restricted***										
116	General Plan Maint Fee Fund	139,061				139,061	250			139,311
117	Housing Trust Funds	75,644				75,644	250			75,894
118	FLHA						106,856	106,856		
120	Parking	34,791				34,791	100			34,891
122	Parkland Monitoring/Reporting	128,478	800			129,278	1,000			130,278
124	Tobacco License Fee	19,569	3,000			22,569	3,000			25,569
125	State Disability Access Fee	15,030	3,724			18,754	3,120			21,874
139	Cops AB19/13 Allocation		165,271				170,229	170,229		
167	Asset Forfeiture	411,937	12,000	110,867	442,994	756,064	23,000	146,000		633,064
176	RDA Housing Successor	184,418	2,000			186,418	2,000			188,418
190	Construction/Demolition Ord Fees	598				598				598
220	Waste Mgt Community Benefit Pynt	269				269				269
221	Highway User Tax (Gas Tax)		206,579	206,579			227,387	227,387		
222	RMRA - Gas Tax	21,320	157,761	79,081	(100,000)		1,328,844	176,824	(1,152,020)	
223	STP D1 MCOG Streets/Hwy **	1,266				1,266	439,356	3,800	(439,356)	1,266
230	Traffic & Safety		4,100	4,100			3,800	3,800		
250	Special Sales Tax-Street Repair	2,496,346	1,117,500	369,130	(296,339)	2,948,377	1,121,100	255,219	(2,526,604)	1,287,654
280	Fire Equipment Fund	212,855	57,875			270,730	58,446			329,176
285	OJ Park Maintenance Fund	2,110				2,110				2,110
	Total Special Rev Funds, Restricted	3,743,692	1,730,610	935,029	46,655	4,585,929	3,488,738	1,086,315	(4,117,980)	2,870,372
Special Revenue Funds, Grants***										
131	CDBG Unclassified Program Income	7,028				7,028				7,028
162	CDBG Program Income Account	6,088	254,000		(162,000)	98,088	244,398		(226,398)	116,088
314	MCOG OWP	1,613	15,000	15,000		1,613	204,062	42,062	(162,000)	1,613
315	2014 CDBG Grants	24,188				24,188				24,188
319	Department of Water Resources		300,000		(300,000)		10,331,000		(10,631,000)	(300,000)
326	HCD HOME Grant - 2013 (TBRA Program)									
329	State Grants		281,452		(281,452)		748,029	92,000	(656,029)	
330	Federal Grants		75,400		(75,400)		205,300		(205,300)	
331	CDBG 2016	10,308				10,308				10,308
333	2017 CDBG Grants	315,677	(33,871)	281,806		(19,566)				
334	2020 CDBG Grants	122,426	(15,924)	248,264	122,196		1,200,277	429,834	(750,877)	
335	CDBG COVID Grants		593,155	593,155						
336	ARPA Funds	872,081	872,081			1,744,162			(1,744,162)	
337	Noyo Harbor Blue Economy		35,000	35,000			500,000	500,000		
	Total Special Rev Funds, Grants	1,359,409	2,376,293	1,173,226	(696,656)	1,865,821	13,433,066	1,063,896	(14,375,766)	(140,775)

City of Fort Bragg FY 2023/24 Summary of Revenue, Expenditures & Fund Balance										
Fund No.	Fund Type/Name	FY 2022/23				FY 2023/24 BUDGET				Projected Fund Balance at 06/30/24
		Audited Fund Balance at 06/30/22	Projected Revenue	Estimated Expenditures	Net Transfers	Projected Fund Balance at 06/30/23	FY 2023/24 Budget Revenue	Appropriations	Net Transfers	
Capital Project Funds:										
407	Coastal Trail Construction	13,408	-	-	-	13,408	-	-	-	13,408
408	2025 Pavement Preservation Project	-	-	-	-	-	-	230,000	230,000	-
415	Central Coastal Trail Construction	(18,675)	-	-	-	(18,675)	-	-	-	(18,675)
419	Bainbridge Park Improvements (Wiggly Giggly)	-	-	341,779	377,952	36,173	-	-	-	36,173
420	Maple Street Storm Drain Rehabilitation	(100,000)	-	-	100,000	-	-	-	-	-
421	2022 Street Resurfacing & Structural Repair Pr	-	-	296,339	296,339	-	-	4,178,029	4,178,029	-
422	RT 1 Pedestrian Access Improvements	-	-	-	-	-	-	-	-	-
423	Town Hall Bathroom and Windows	-	-	40,000	40,000	-	-	140,000	140,000	-
424	Main Street Fire Station Rehab	-	-	39,804	39,804	-	-	150,572	150,572	-
426	Municipal Broadband	-	-	103,500	103,500	-	-	2,120,191	2,120,191	-
427	City Facility Roof & Repairs	-	-	105,000	105,000	-	-	370,000	370,000	-
428	EV Charging Stations	-	-	-	-	-	-	232,951	232,951	-
	Total Capital Project Funds	(105,267)	-	926,422	1,062,595	30,906	-	7,421,743	7,421,743	30,906
Internal Service Funds*										
520	Facilities Maint & Repair	680,261	216,030	120,225	(345,000)	431,066	210,500	128,498	(510,000)	3,068
521	Technology Maint & Repair	106,728	612,223	619,644	-	99,307	618,972	708,636	-	9,643
522	Fleet & Equipment Services	(16,842)	459,000	838,205	183,630	(212,417)	484,513	472,580	205,300	4,816
	Total Internal Service Funds	770,147	1,287,253	1,578,074	(161,370)	317,956	1,313,985	1,309,715	(304,700)	17,527
Enterprise Funds*										
610	Water Enterprise O&M	94,934	2,966,560	2,707,412	-	354,082	3,009,060	2,673,136	254,160	944,166
640	Water Enterprise Capacity Fees	595,911	55,500	-	-	651,411	51,000	-	-	702,411
614	Water Enterprise Non-Routine Maintenance	15,262	300	-	-	15,562	100	-	-	15,662
612	Water Enterprise Recession Reserve	89,780	-	-	-	89,780	-	-	177,534	267,314
615	Water Enterprise Capital Reserve	6,159,409	50,000	-	(3,800,000)	2,409,409	10,000	-	(1,724,194)	695,215
651	Water Capital Projects	625,450	-	4,309,354	4,100,000	416,096	-	12,569,703	12,569,703	416,096
	Total Water Enterprise Unrestricted Net Position	7,580,746	3,072,360	7,016,765	300,000	3,936,340	3,070,160	15,242,839	11,277,203	3,040,864
710	Wastewater Enterprise O&M	(1,048,066)	3,451,140	2,427,118	184,850	160,806	3,496,756	2,563,726	(230,685)	863,152
720	Clean Water Education Fund	2,795	-	-	-	2,795	-	-	-	2,795
740	Wastewater Enterprise Capacity Fees	711,379	54,000	-	-	765,379	28,000	-	-	793,379
712	Wastewater Enterprise Recession Reserve	95,931	-	-	-	95,931	-	-	160,442	256,373
714	Wastewater Enterprise Non-Routine Maintenance	236,674	-	-	-	236,674	-	53,000	-	183,674
715	Wastewater Enterprise Capital Reserve	3,093,909	10,000	-	780,000	3,883,909	7,000	-	(1,345,267)	2,545,642
716	Wastewater Capital Projects	33,309	-	780,000	780,000	33,309	-	1,330,000	1,330,000	33,309
717	USDA Debt Service Reserve	3,518	-	-	-	3,518	-	-	-	3,518
	Total Wastewater Enterprise Unrestricted Net Position before Debt	3,129,449	3,515,140	3,207,118	1,744,850	5,182,321	3,531,756	3,946,726	(85,510)	4,661,842
717	JFFA - Wastewater Treatment Plant	(4,740,000)	-	184,850	184,850	(4,555,150)	-	185,010	185,010	(4,370,140)
810	CV Starr Enterprise	974,706	2,102,899	2,082,575	-	20,323	2,129,144	2,120,714	(216,071)	(187,318)
	CV Starr Operating Reserve	1,300,000	-	-	-	974,706	-	-	-	974,706
	CV Starr Capital Reserve	-	-	-	-	1,300,000	-	1,300,000	-	-
	CV Starr Enterprise Recession Reserve	-	-	-	-	-	-	-	-	-
	Total Starr Enterprise Unrestricted Net Position	2,274,706	2,102,899	2,082,575	-	2,295,029	2,129,144	3,420,714	-	1,003,459
	Total Enterprise Funds	12,984,901	8,690,399	12,491,309	300,000	6,858,540	8,731,061	22,795,288	11,376,703	4,356,025
	Total - All Funds	\$ 27,346,117	\$ 25,114,834	\$ 30,009,612	\$ 0	\$ 17,096,105	\$ 38,591,630	\$ 45,217,752	\$ -	\$ 10,654,992
175	Successor Agency to RDA	(3,079,811)	382,100	384,627	-	(2,922,338)	390,340	377,757	-	(2,744,755)
	Total Fiduciary Funds	(3,079,811)	382,100	384,627	-	(2,922,338)	390,340	377,757	-	(2,744,755)

BUDGET OVERVIEW – ALL FUNDS

INTRODUCTION

The City of Fort Bragg's combined annual budgeted appropriations for FY 2024 is \$45.3 million. This amount includes appropriations from all funds (\$45.3M) and transfers (\$23.7M). Combined appropriations and transfers for FY 2024 are \$14.1 million more than projected for FY 2023.

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 \$45.3 million 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. The allocations are revenue to the General Fund that the General Fund departments then spend.

Also, included in the 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 cannot 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.

ALL FUNDS – FUND BALANCE

The FY 2024 projected all funds year-end fund balance is \$11.7 million, down from the FY 2023 balance of \$19.8 million. 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.

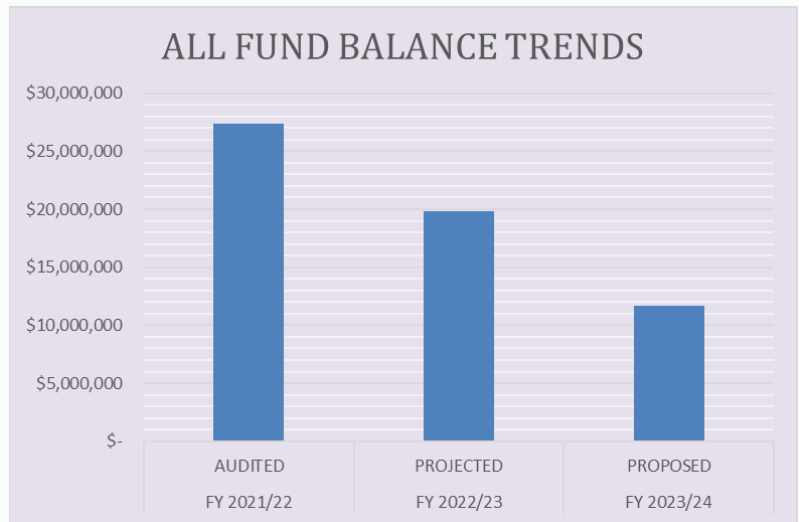
The City Council periodically reviews and updates these guidelines. As shown below, the "unrestricted or unassigned fund balance" in the FY 2024 Budget is approximately \$1.6 million.

	FY 2023/24 PROPOSED
Total All Funds Balance	\$ 10,852,067
Less Nonspendable (inventory, etc.)	11,986
Less Restricted Reserves (externally enforceable)	
Special Revenue Funds	2,870,372
Operating Grants	(140,775)
Debt Service Reserve	3,518
Less Committed Reserves (Set by Council resolution)	
General Fund Operating Reserve	1,731,119
Water Operating Reserve	944,166
CV Starr Operating Reserves	984,463
Wastewater Operating Reserve	863,152
General Fund Recession Reserve	1,154,079
Water Recession Reserve	267,314
CV Starr Recession Reserve	216,071
Wastewater Recession Reserve	256,373
Water Capital Reserve	710,877
Wastewater Capital Reserve	2,729,316
Capital Projects in Process	480,311
CV Starr Capital Reserves	-
Internal Service Fund Reserves	17,527
Litigation Reserve	200,000
WWTP Debt	(4,370,140)
Unassigned/Unrestricted Balance	\$ 1,922,338

	FY 2023/24 PROPOSED
Detail of Unassigned/Unrestricted Balance	
General Fund	\$ 423,753
Water Enterprise	702,411
Wastewater Enterprise	796,174
Total Unassigned/Unrestricted Balance	\$ 1,922,338

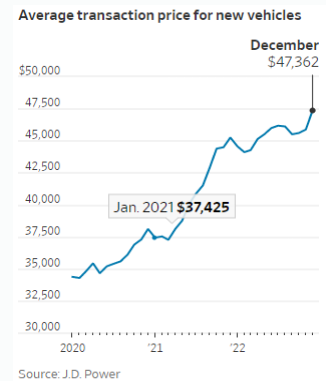
FUND BALANCE TRENDS

The City's all funds balance is likely to decrease in FY 2024 by approximately \$8.1 million. The proposed budget includes \$12.5 million for Water - Capital Improvements, \$1.3 million in CV Starr, and \$1.3 million for Wastewater Capital Improvements. The decrease is primarily a result of the Capital Improvement Program Planned for the Enterprise fund, which includes \$2.7 million for the Water Enterprise and \$955k for the Wastewater Enterprise, and \$378k for the CV Starr.



According to the long-term replacement program already set, internal Service fund balances will also decrease by \$300k to \$17k. These include Fleet, Facilities, and I.T. The IT Fund's annual operating budget has more than doubled in operating expenditures due to the needed network and firewall upgrades, as worldwide cyber-attacks target organizations small and large.

The Fleet Fund saw an increase in the cost of new vehicles experienced nationwide as supply chain disruptions (in global semi-conductors shortages, supply of chips, and other disruptions caused by the pandemic) have created a new-vehicle scarcity in recent years, resulting in a seller's market. According to research firm J.D Power, the average price paid for a new vehicle hit a record of \$47,362 in December 2022. The City purchased seven vehicles in FY 2023, which included vehicles slated to be bought in FY 2022.



The City will receive \$209k in reimbursements from the United States Department of Agriculture (USDA) for the vehicle purchased.

The Facilities Fund Budget includes deferred maintenance on the Police Department Roof, City Hall Roof, and the Town Hall bathrooms amounting to \$510k. The fund balance is estimated to end the fiscal year at just \$3,068. The City is seeking Grant opportunities to alleviate some of the funding pressure for these deferred maintenance projects.

The General Fund's fund balance is projected to increase by \$84k from the projected FY 2024 ending fund balance as Transient Occupancy Taxes and Sales Tax strong performance from the last two fiscal years has begun to cool off. Conversely, the Grant staff time reimbursement is expected to increase by 34 percent from the prior fiscal resulting in an estimated surplus balance for the General Fund. In FY 2023, savings in personnel costs from vacant positions caused a \$260k surplus projection, which will also increase the fund balance.

DISCUSSION OF REVENUE TRENDS - ALL MAJOR FUNDS

Overall, the City's revenues are estimated to increase by 62 percent (\$13 million), mainly due to Grant revenues.

- General Fund revenue is expected to increase modestly by just 5% due to Grant Staff time reimbursements of \$716k, which includes Community Development Block Grants (CDBG), Code Enforcement, Business Assistance Loan Program, the Water Meter Replacement Grant, Youth Opioid Resistance Fund Grant, Local Agency Technical Assistance (LATA) from the California Public Utilities Commission (CPUC) and the Coastal Commission Grant for the Noyo Harbor. These grants reimburse the General Fund for at least 90 percent of six full-time positions and other staff time for work related to carrying out the Grant deliverables.
- Water, Sewer, and CV, Starr's Charges for Services Revenues, are estimated to increase by just 1.7 percent. At this same time last year, the City was preparing to declare a water emergency in response to the lack of adequate rainfall during the previous winter and drought-like conditions with water levels at historic lows. Additionally, the two Enterprise Funds waived the last round of scheduled approved rate increases in FY 2020/21, which would have increased Water rates by 5% and Wastewater rates by 3%. The current budget includes a budget to conduct a rate study to evaluate the enterprise rates, ensuring the fund's user fees are sufficient to address ongoing operations, upgrade the Water/Sewer infrastructure, and build up the fund reserves to ensure financial stability.

Moreover, contributed capital of \$2.8 million is for the replacement of water meters which is funded by Community Development Block Grants (CDBG)

- The CV Starr Center was closed in the final quarter of FY 2020 and all of FY 2021 due to the SIP orders and County/State restrictions in response to COVID-19. This resulted in a loss of revenue from operations of \$285k in the final quarter of FY 2020 and \$700k of annual operating revenues in FY 2021. The center expects a reduction in general admission and registration revenues by about 37% in FY 2022. Still, admission revenues will likely return to pre-covid levels in FY 2024 as the center resumes operations full-time. The CV Starr Center was awarded a grant of \$612k in FY 2022, allocated to their reserves to replace some of the lost revenues.
- Special revenues and Capital Projects are projected to increase as well in the proposed budget. These projects include Raw Water Line \$4 million, Water Treatment Plant \$5.2 million, and Municipal Broadband, \$1.7 million: water Meter Replacement, \$826k, and the Oneka Desalination Project, \$800k. Grants with minimal contributions from the Enterprise Funds are funding these projects.
- Lastly, Internal Service Fund revenue is estimated to increase by 2 percent, or \$27k. Each year the Internal Service Fund's long-term plans are re-assessed. Funding plans are designed to fund maintenance and replacement across a 10-year horizon for Facilities Repair and Maintenance and Fleet and Equipment Services. Technology Maintenance and Replacement uses a 5-year horizon.

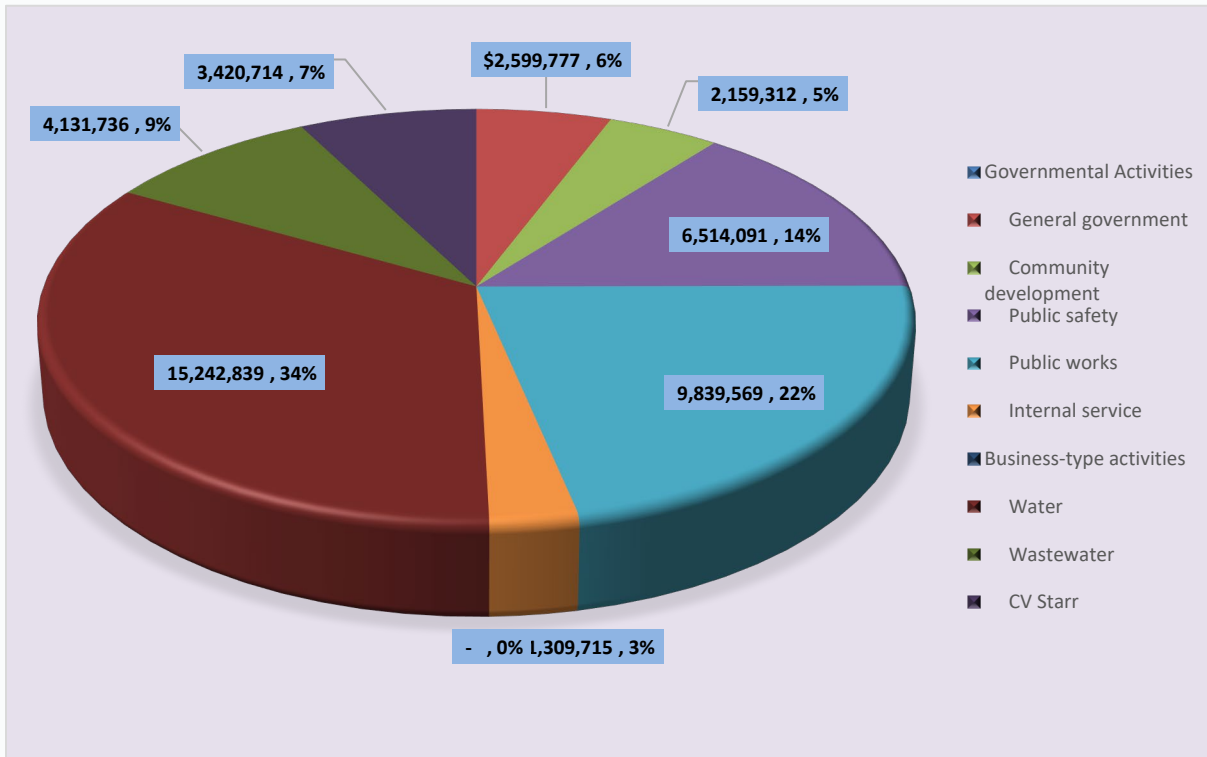
**ALL FUNDS
DETAIL OF REVENUES BY FUND
FY 2020/21 THROUGH FY 2023/24**

FUND	FY 2020/21 FYE AUDITED	FY 2021/22 FYE AUDITED	FY 2022/23 AMENDED BUDGET	FY 2022/23 FYE PROJECTED	FY 2023/24 PROPOSED BUDGET	% INCR/ -DECR
General Fund						
Property Taxes	\$ 1,085,532	\$ 1,150,352	\$ 1,176,309	\$ 1,138,562	\$ 1,150,257	1.0%
Sales Taxes	2,028,010	2,215,161	2,178,000	1,939,200	1,959,500	1.0%
Transient Occupancy Taxes	3,321,928	3,444,990	3,371,081	3,213,808	3,242,118	0.9%
Other Taxes	810,652	851,622	832,442	884,801	903,985	2.2%
Reimbursements	2,307,897	3,334,556	2,831,850	2,960,696	3,341,622	12.9%
Charges for Services	45,369	62,387	70,546	82,664	81,343	-1.6%
Intergovernmental	133,162	164,075	651,532	534,269	716,362	34.1%
Licenses & Permits	91,567	86,176	95,413	90,490	94,293	4.2%
Other Revenues	109,358	22,574	38,500	81,779	20,200	-75.3%
Use of Money & Property	(64,617)	(166,317)	61,300	74,000	90,000	21.6%
Fines & Forfeitures	12,181	51,396	31,500	30,010	25,100	-16.4%
Total General Fund	9,881,040	11,216,969	11,338,472	11,030,280	11,624,780	5.4%
Water						
Charges for Services	3,288,053	3,005,288	2,970,342	2,915,560	2,960,060	1.5%
Use of Money and Property	66,700	56,689	69,800	66,800	19,100	-71.4%
Other	25,653	13,463	12,500	38,000	41,000	7.9%
Contributed Capital	346,561	44,837	20,000	52,000	50,000	-3.8%
Total Water	3,726,967	3,120,277	3,072,642	3,072,360	3,070,160	-0.1%
Wastewater						
Charges for Services	3,707,788	3,570,257	3,212,050	3,432,640	3,486,756	1.6%
Use of Money and Property	36,823	32,544	34,000	32,500	20,000	-38.5%
Other Financing Sources	(0)	-	-	-	-	n/a
Contributed Capital	309,446	7,353	15,000	50,000	25,000	-50.0%
Total Wastewater	4,054,057	3,610,153	3,261,050	3,515,140	3,531,756	0.5%
Total Revenue - Operating Funds	17,662,064	17,947,400	17,672,164	17,617,780	18,226,696	3.5%
C.V. Starr Center						
Sales and Use Taxes	1,099,510	1,211,340	1,257,000	1,193,693	1,199,769	0.5%
Property Taxes	262,787	268,596	272,625	280,324	283,127	1.0%
Charges for Services	(0)	982,540	578,882	578,882	596,248	3.0%
Use of Money and Property	11,918	15,009	10,000	10,000	10,000	0.0%
Other	-	-	10,000	40,000	40,000	0.0%
Total C.V. Starr Center	1,374,215	2,477,486	2,128,507	2,102,899	2,129,144	1.2%
Special Revenue & Capital Project Funds						
Special Revenue, Restricted	1,787,903	2,767,771	3,635,196	2,524,264	3,293,463	30.5%
Special Revenue, Grants	5,266,209	3,636,259	10,831,473	1,582,639	13,628,341	761.1%
Capital Projects	-	-	-	-	-	n/a
Total Special Revenue & Capital	7,054,112	6,404,029	14,466,669	4,106,903	16,921,804	312.0%
Subtotal	26,090,391	26,828,914	34,267,340	23,827,582	37,277,645	56.4%
Internal Service Funds						
Facilities Maintenance	102,973	213,501	201,098	216,030	210,500	-2.6%
Information Technology	272,450	497,457	471,859	612,223	618,972	1.1%
Fleet & Equipment Services	255,422	342,307	409,513	459,000	484,513	5.6%
Total Internal Service Funds	630,845	1,053,265	1,082,470	1,287,253	1,313,985	2.1%
Subtotal before Transfers	26,721,237	27,882,179	35,349,811	25,114,834	38,591,630	53.7%
Transfers	9,944,137	11,408,039	13,994,508	6,920,799	23,703,262	242.5%
Total Revenue, All Funds	\$ 36,665,374	\$ 39,290,218	\$ 49,344,318	\$ 32,035,634	\$ 62,294,891	94.5%

EXPENDITURES BY FUNCTION / PROGRAM

ALL FUNDS
EXPENDITURE SUMMARY BY FUNCTION/PROGRAM
FY 2020/21 THROUGH FY 2023/24

ALL FUNDS	FY 2020/21 FYE AUDITED	FY 2021/22 FYE AUDITED	FY 2022/23 AMENDED BUDGET	FY 2022/23 FYE PROJECTED	FY 2023/24 PROPOSED BUDGET	% INCR/ -DECR
Governmental Activities						
General government	\$ 1,190,039	\$ 2,062,314	\$ 2,734,398	\$ 2,539,012	\$ 2,599,777	2.4%
Community development	4,796,212	1,759,338	9,414,654	2,044,847	2,159,312	5.6%
Public safety	5,114,834	5,962,762	6,277,383	5,986,361	6,514,091	8.8%
Public works	2,350,692	3,677,477	6,245,762	3,234,401	9,839,569	204.2%
Internal service	754,826	1,250,708	1,496,066	1,578,074	1,309,715	-17.0%
Business-type activities						
Water	1,687,319	2,676,419	14,229,448	7,018,765	15,242,839	117.2%
Wastewater	3,036,895	3,942,009	3,697,753	3,389,968	4,131,736	21.9%
CV Starr	1,228,893	2,145,403	2,567,760	2,082,575	3,420,714	64.3%
Fiduciary Activities						
Fiduciary	228,240	225,062	386,475	384,627	377,757	-1.8%
Subtotal	20,387,951	23,701,492	47,049,700	28,258,631	45,595,509	61.4%
Transfers Out	9,944,137	11,408,039	13,994,508	6,920,799	23,702,812	242.5%
TOTAL ALL FUNDS	\$ 30,332,088	\$ 35,109,531	\$ 61,044,207	\$ 35,179,431	\$ 69,298,321	97.0%



DISCUSSION OF EXPENDITURE TRENDS – ALL MAJOR FUNDS

The FY 2024 Budget expenditures total \$45 million with Internal Service Funds, Fiduciary Funds, internal charges for service, and transfers between funds excluded from the total, with \$69 million including transfers.

General Government is budgeted to increase by 2.4% or \$61k in FY 2024 due Insurance costs are set to increase by 3% for retiree medical, property and general liability increases of 15%. Cost of Living Adjustments for employees and promotions within the department. Furthermore, the City returned the \$3.5 million (from the 2021 Revenue Lease Bonds issuance in November 2021 restructuring the City's Unfunded Liability Debt with CalPERS) decreasing the total debt, and eliminated the principal payment of \$85k in fiscal year 2023. In the proposed Budget, the debt payment of \$440k will be realized in the fiscal year.

Community Development is expected to increase by \$2.1 million or 5%. Most of the increase in this function is due to additional grant activity in FY 2024 for Community Development Block Grants (CDBG), the Department of Water Resources- Raw Water Line construction and Oneka Buoy of \$4.5 million, State Revolving Fund \$5.2 million and Coastal Commission Grant of \$500k for the Noyo Harbor Blue Economy initiative. A detailed list of City grants can be found in the Grants & Special Revenue Section.

Public Safety is budgeted to increase by 8.8% or \$528k. The projected year end balance in Fiscal year 2023 of \$5.9 million is significantly lower than Budget from personnel costs savings due to vacant positions within the department. A shortage of police officers locally and nationally has driven wages up every year for the last several years. The Fort Bragg City Code Chapter 2.68 provides for an annual salary survey of Mendocino County law enforcement positions. It establishes that Fort Bragg's salaries will, at a minimum, be set at the average of the other local entities. As of the latest survey held in January 1, 2023, there were no increases, confirming that the City's salaries and benefits were competitive when compared to other local law enforcement entities, however, a 3% Cost of Living Adjustment is being included in the fiscal year 2024 Budget per the Fort Bragg Police Association MOU.

Furthermore, the Budget includes, a 5% increases to dispatch service costs provided by the City of Ukiah and academy costs of \$40k to send four recruits to the academy. Once these recruits graduate the department should be fully staffed in the fiscal year with the hiring of a permanent Police Chief in July 2022.

Public Works is budgeted to increase by \$8.2 million. Year-over-year increases are due to increased capital project expenditures, demonstrating capital projects' irregular nature. The Street Rehabilitation 2023 project is estimated to expend \$3.6 million; Municipal Facilities \$510k, and the Pavement Preservation design costs of \$230k with construction in fiscal year 2025.

Water Enterprise expenditures are budgeted to increase by 21% or \$8.2 million due to the significant Water capital improvements \$13.6 million projects proposed in the fiscal 2024 Budget with a \$1.3 million funded by the Enterprise and the rest funded by Grants. These include: Raw Water Line engineering and construction, Water Treatment Plant overhaul, Oneka Buoy Project and Water Meter Replacement funded by Community Development Block Grants. Insurance, utility costs and general supplies are also projected to increase by 10% due to increase in costs in the current fiscal year.

Staff is actively pursuing grant funding for these projects and future water enterprise projects. Additionally, the Water Enterprise Budget includes the last debt payment of \$337k for the 2014 Revenue Bonds maturing in June, 2024. The Enterprise will have no long-term debt come fiscal year end.

Wastewater Enterprise expenditures are budgeted to increase by 21% in FY 2024. Utility costs increases for electric has caused 174% increase year-over-year together with bio-solids removal costs of \$325k annually. Property insurance rates will also increase by 25%.

The C.V. Starr Center Enterprise expenditures are budgeted to increase by 87% due primarily to the Center reopening and incurring the operating costs, which declined significantly last fiscal year as the center was closed due to COVID restrictions. Additionally, the Center’s capital work plan is estimated to expend \$1.3 million in improvements to the Air intake system. Utility and personnel costs continue to increase yearly due to rising energy costs experienced nationwide. The Center is currently evaluating existing fees to ensure they are keeping up with the rising costs.

**ALL FUNDS
SUMMARY OF EXPENDITURES BY CATEGORY
FY 2020/21 THROUGH FY 2023/24**

ALL FUNDS	FY 2020/21	FY 2021/22	FY 2022/23	FY 2022/23	FY 2023/24	%
	FYE	FYE	AMENDED	FYE	PROPOSED	INCR/ -DECR
	AUDITED	AUDITED	BUDGET	PROJECTED	BUDGET	
Salaries & Wages	\$ 4,127,459	\$ 5,408,108	\$ 6,504,015	\$ 6,037,963	\$ 6,844,377	13.4%
Benefits	3,086,657	3,296,614	3,382,178	3,150,420	3,637,901	15.5%
Materials & Services	9,637,732	8,937,663	16,429,892	9,020,096	8,273,691	-8.3%
Capital	319,301	1,505,223	17,025,550	6,327,776	23,121,446	265.4%
Debt Service	286,121	380,966	1,420,083	1,445,764	1,081,393	-25.2%
Depreciation	780,562	790,001	-	-	-	0.0%
Subtotal	18,237,831	20,318,575	44,761,718	25,982,018	42,958,807	65.3%
Indirect Expenses	1,921,879	\$ 3,157,855	1,901,507	1,891,986	2,258,945	19.4%
Fiduciary Funds	228,240	\$ 225,062	386,475	384,627	377,757	-1.8%
Subtotal	20,387,951	23,701,492	47,049,700	28,258,631	45,595,509	61.4%
Transfers Out	9,944,137	11,408,039	13,994,508	6,920,799	23,702,812	242.5%
TOTAL ALL FUNDS	\$ 30,332,088	\$ 35,109,531	\$ 61,044,207	\$ 35,179,431	\$ 69,298,321	97.0%

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

BUDGET SUMMARY – GENERAL FUND

OVERVIEW

The City of Fort Bragg’s fiscal year (FY) 2024 General Fund operating appropriations include 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.

In March 2020, the onset of the COVID-19 pandemic came with strict health orders for the safety of all and resulted in a drastic drop in revenues, specifically in two of the top three taxes that make up more than 50 percent of the City’s General Fund. The City of Fort Bragg took swift, decisive, and difficult actions to respond to the decline in revenues for FY 2020/21.

General Fund tax revenues rebounded in FY 2021 and continued the strong performance into FY 2022, recording record highs. In FY 2023, the estimated tax revenue is expected to decline by 7% compared to the prior year as the tax revenues stabilize from the record highs recorded earlier.

The FY 2024 budget is estimated to collect \$11.6 million in revenues with appropriations of \$11.5 million, a balanced budget achieving the number one priority of the City Council Financial Goals as listed below.

Furthermore, the Budget establishes the recession reserve funds at 10% from 5% of operating expenditures to weather economic uncertainties in the fiscal year.

The City established the Section 115 trust to alleviate future pension increases in FY 2023 by contributing \$1.6 million from the unassigned fund balance, with an additional \$150k proposed in the FY 24 operating budget.

The current General Fund budget reflects a continuance of conservative budgeting from FY 2023 while remaining cautiously optimistic. Featured in the five-year forecast is a likely recession in FY 2024. The Proposed Budget allocates funds to emergency reserves and operating reserves to combat some estimated declines in the General Fund’s top revenue categories.

Furthermore, the Proposed Budget includes Cost of Living Adjustments of 2% for SEIU and 3% for FBPA.

PRIORITIZED LIST OF FINANCIAL GOALS

At the mid-year budget review meeting in March 2023, the City Council produced the following prioritized list of financial goals. Staff has used the prioritized list as guidance in preparing the FY 2024 budget:

PRIORITY	GOAL	ACHIEVED
1	Adopt a balanced budget	✓
2	Provide additional contributions to Section 115	✓
3	Maintain current level of service (no staff layoffs, no program cuts)	✓
4	Maintain Operating Reserves and Litigation Reserves (20%)	✓
5	Provide funding for Recession/Emergency Reserves (5% to 10%)	✓
6	Provide Cost of Living Adjustment to Staff	✓

The Proposed Fiscal Year 2024 budget Surplus is **\$84k**.

	PROPOSED FY 2023/24
Operating Revenue	\$ 11,624,780
Operating Expenditures	(11,540,795)
Operating Surplus(Deficit)	\$ 83,985

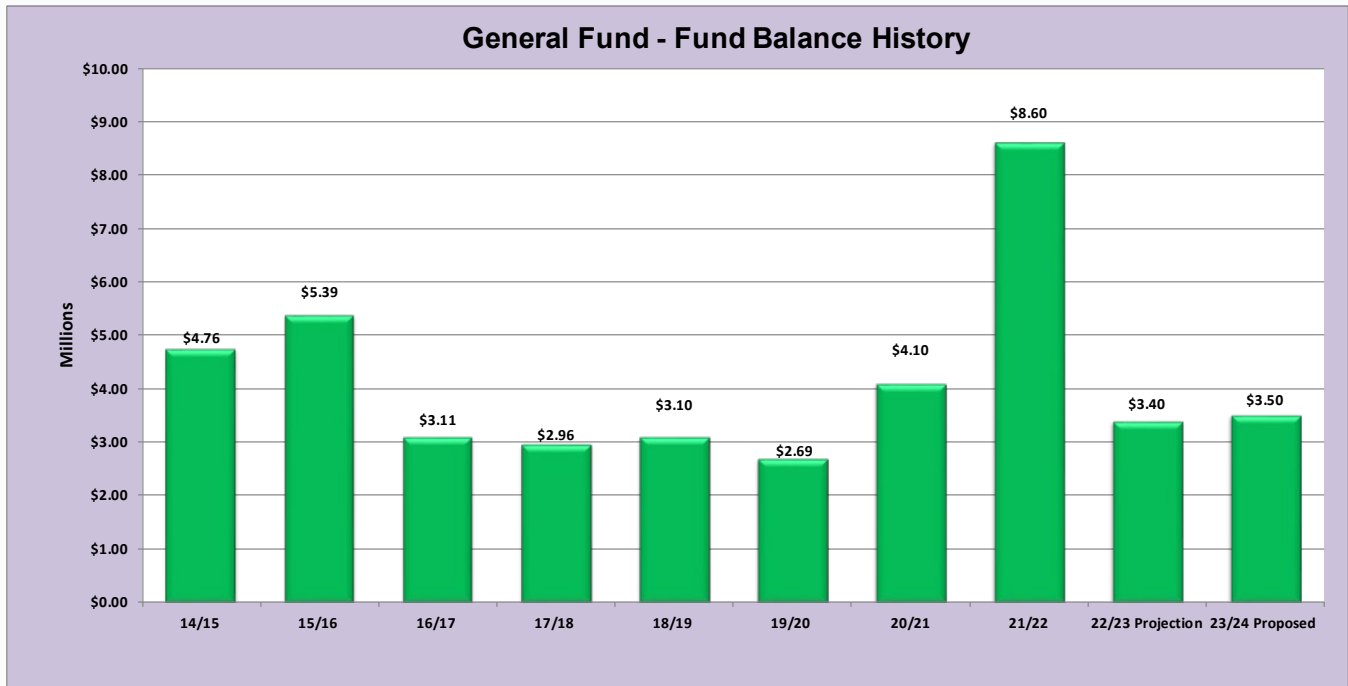
Although the General Fund will enjoy a balanced budget for FY 2024, the City remains focused on enhancing General Fund revenue streams and controlling costs in future years. The City has taken significant strides to address its CalPERS unfunded liability in FY 2022 by restructuring the debt and adopting the City’s Pension Policy.

However, increases in personnel costs expected to continue beyond FY 2024, particularly benefit and insurance costs, will continue to put pressure on the City’s General Fund revenues, and the possibility of a recession in 2024 would cause declines of about 5-10% in General Fund tax revenues.

GENERAL FUND – FUND BALANCE

The General Fund balance for FY 2022 through FY 2024.

	FY 2021/22 AUDITED	FY 2022/23 PROJECTED	FY 2023/24 PROPOSED
General Fund Balance	\$ 8,592,235	\$ 3,436,953	\$ 3,520,937



Before the Fiscal year 2017, the General Fund balance was steadily increasing, as shown in the graph above; however, the balance decreased significantly in FY 2017 due to the correction of errors discovered in the then Cost Allocation Plan, resulting in the General Fund repaying the prior year cost over allocations back to the Enterprise Funds. The balance stabilized with the FY 2018/19 small budget surplus.

In FY 2020, the General Fund was the most impacted by the onset of the Pandemic because it relies on TOT, and Sales Tax revenues (which account for about 50% of the General Fund's revenues) were impacted by the economic shutdown, recording a decrease of \$651k in Transient Occupancy Tax. This caused a Budget deficit of \$437k, reducing the fund balance to \$2.6 million.

In FY 2021, as mentioned previously, the General Fund tax revenues rebounded, together with Staff cuts and Service level reductions, resulting in a \$1.5 million Budget surplus. The strong Tax Revenue gains continued into FY 2022, with a Budget surplus of \$528k resulting from several rounds of government relief from earlier in the pandemic, allowing Americans to build up their finances and record strong consumer spending. The Pandemic also created more “local travel” from neighboring counties and cities as international travel was restricted, boosting the City’s revenues.

FY 2023, price pressures initially grew because of supply-chain bottlenecks and high commodity prices, causing a high inflation rate- 9% CPI in June 2022 coupled with the Federal Reserve raising interest rates from record lows during the height of the pandemic. Consumer spending, the primary driver of economic growth, has stagnated recently after jumping at the start of the year. A slowdown in business investment and a weak housing market influenced by interest rates have contributed to a broader economic cooling. General Fund Tax revenues recorded a 3% decline in the first two quarters and are forecasted not to meet Budget estimates at fiscal year-end.

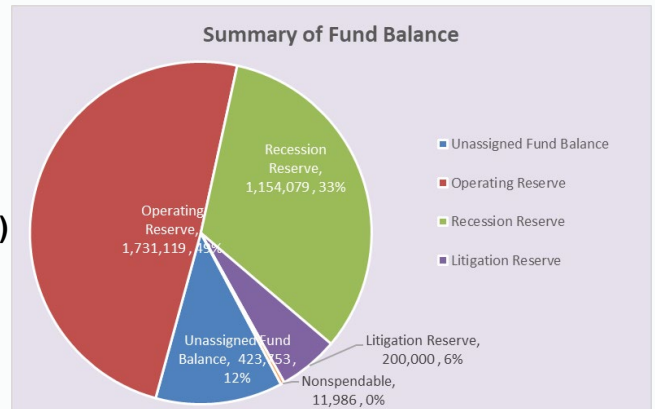
GENERAL FUND RESERVES

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 2024 Budget commits the fund balance in the General Fund to the following reserves:

- **\$1,731,119 to the General Fund Operating Reserve** (15% of operating expenditures)
- **\$1,154,079 to the Recession Reserve** (10% of operating expenditures)
- **\$200k to the Litigation Reserve**

The General Fund’s “unassigned fund balance” in FY 2024 is estimated at **\$423,753**.

	PROPOSED FY 2023/24
Total General Fund Balance	\$ 3,520,937
Less Nonspendable (Inventory, etc.)	11,986
Less Committed Reserves (Set by Council Resolution)	
Operating Reserve	1,731,119
Recession Reserve	1,154,079
Litigation Reserve	200,000
Unassigned Balance	\$ 423,753



GENERAL FUND REVENUES

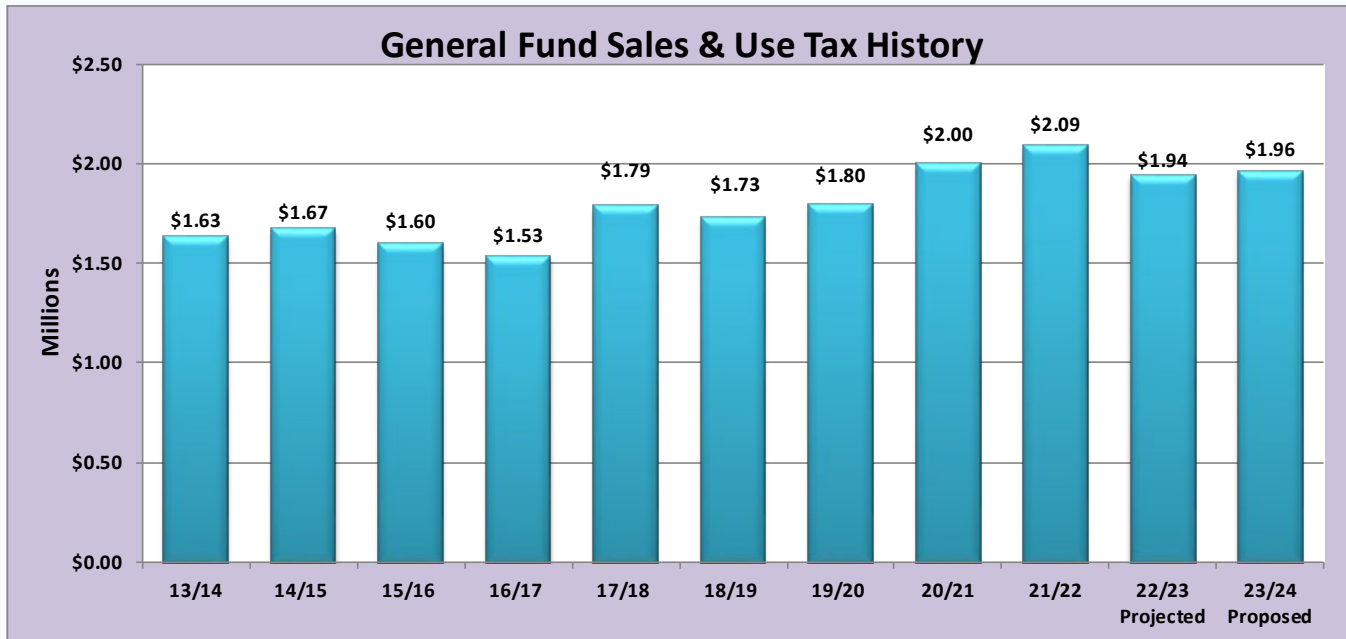
Fort Bragg’s General Fund relies on sales tax, Transient Occupancy Tax (TOT), Property tax, and fees charged for services rendered to fund operations. As discussed in detail below, General Fund revenues (excluding transfers) are expected to increase in FY 2024 by 5%, with the total annual revenue projections at \$11.6 million. In the FY 2019 budget, staff changed the revenue forecasting methodology from “conservative” to “most likely”. Based on macroeconomic factors causing some uncertainty in the outlook for FY 2024 driven by the collapse of regional banks, inflation, energy prices remaining stubbornly high, and interest rate hikes which have curbed business investment and caused some change in consumer spending habits, the FY 2024 current General Fund budget is based on conservative budgeting from FY 2022 while remaining cautiously optimistic about the current and future economic conditions.

The FY 2022/23 Adopted Budget was based on a conservative outlook for the City’s significant tax revenue and limited information on how the economy would respond to the social and business restrictions due to the pandemic and the emergence of variants like the omicron variant in 2021. Consequently, some of the variances between the FY 2023 Adopted Budget and prior year audited actuals would be significant, resulting from financial trend data becoming available as we move through the projected economic slowdown in 2024.

Taxes remain the largest resource (68% of revenue) supporting General Fund operations in the FY 2024 Operating Budget, with the primary taxes comprising TOT, Sales, and Property taxes. Reimbursements are the second-largest resource supporting General Fund operations representing 25% of the total revenue Budget. These include reimbursement of personnel costs and overhead from the City’s Enterprise Funds and Special Revenue Funds to the City’s General Fund. Intergovernmental is projected to increase by 89% due to the many grants the City has been awarded to improve the City’s infrastructure, Economic opportunities and to address some of the city's challenges, such as housing and jobs. Each of the major General Fund revenue sources is described with information about historical trends and current budgeted revenues in the pages that follow.

GENERAL FUND	FY 2020/21 FYE AUDITED	FY 2021/22 FYE AUDITED	FY 2022/23 AMENDED BUDGET	FY 2022/23 FYE PROJECTED	FY 2023/24 PROPOSED BUDGET	% INCR/ -DECR
Property Taxes	\$ 1,085,532	\$ 1,150,352	\$ 1,176,309	\$ 1,138,562	\$ 1,150,257	1%
Sales Taxes	2,028,010	2,215,161	2,178,000	1,939,200	1,959,500	1%
Transient Occupancy Taxes	3,321,928	3,444,990	3,371,081	3,213,808	3,242,118	1%
Other Taxes	810,652	851,622	832,442	884,801	903,985	2%
Total Taxes	7,246,122	7,662,124	7,557,831	7,176,372	7,255,860	1%
Reimbursements	2,307,897	3,334,556	2,831,850	2,960,696	3,341,622	13%
Charges for Services	45,369	62,387	70,546	82,664	81,343	-2%
Intergovernmental	133,162	164,075	651,532	534,269	716,362	34%
Licenses & Permits	91,567	86,176	95,413	90,490	94,293	4%
Other Revenues	109,358	22,574	38,500	81,779	20,200	-75%
Use of Money & Property	(64,617)	(166,317)	61,300	74,000	90,000	22%
Fines & Forfeitures	12,181	51,396	31,500	30,010	25,100	-16%
TOTAL GENERAL FUND	\$ 9,881,040	\$ 11,216,969	\$ 11,338,472	\$ 11,030,280	\$ 11,624,780	5%

Sales Tax



Background

The Sales Tax category includes general sales and use taxes and Proposition 172 sales taxes. Sales tax is an excise tax that 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 used, consumed, or stored in California and 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 1% (known as the Bradley Burns Local Sales and Use Tax).

Analysis

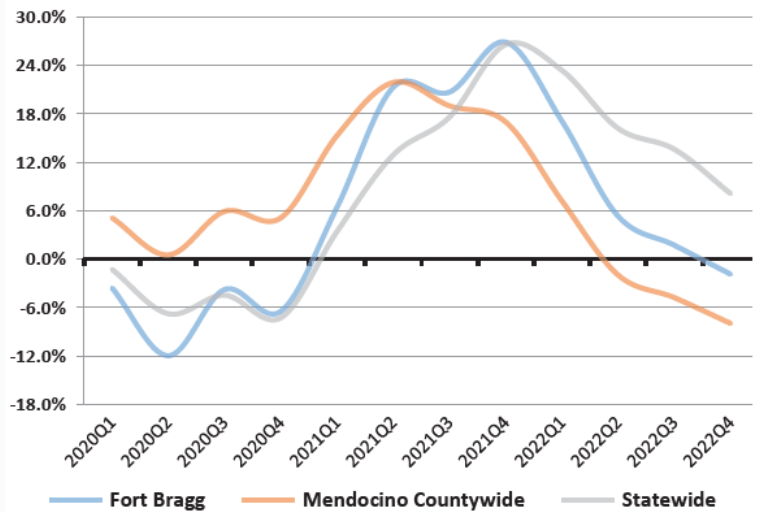
Sales tax revenue generally coincides with the overall strength of the local, regional, and the national economy. The City's Sales Tax projections in FY 2023 were that revenues would end the fiscal year at \$2.1 million, down 2% from the prior year's result, as the Federal Reserve has increased interest rates to fight inflation by slowing the economy. The Federal Reserve approved another quarter percentage point interest rate increase in May 2023, marking the Fed's 10th consecutive rate increase that will bring its benchmark federal funds rate to a range of 5% to 5.25%, a 16-year high.

Consumer spending, the primary driver of economic growth, has stagnated recently after jumping at the start of the year, declining in February and March and then rising by 0.4% in April 2023. According to the Labor Department, the Consumer Price Index (CPI), a closely watched inflation gauge, was 4.9% in April 2023, down from March 5% increase. The inflation reading has declined from a recent peak of 9.1% in June 2022 but remains historically high.

The outlook of Sales Tax revenue remains cautious as inflation remains in the economy with a shift in consumer spending seeing a more cautious customer. April's modest increase in retail spending may reflect consumers' continued shift from buying large amounts of goods during the pandemic to paying more on airfares, hair salons, travel, and other services. The construction category, which recorded historical highs in the last two fiscal years, is expected to decline as households spend less on home improvements that can easily be deferred in favor of services.

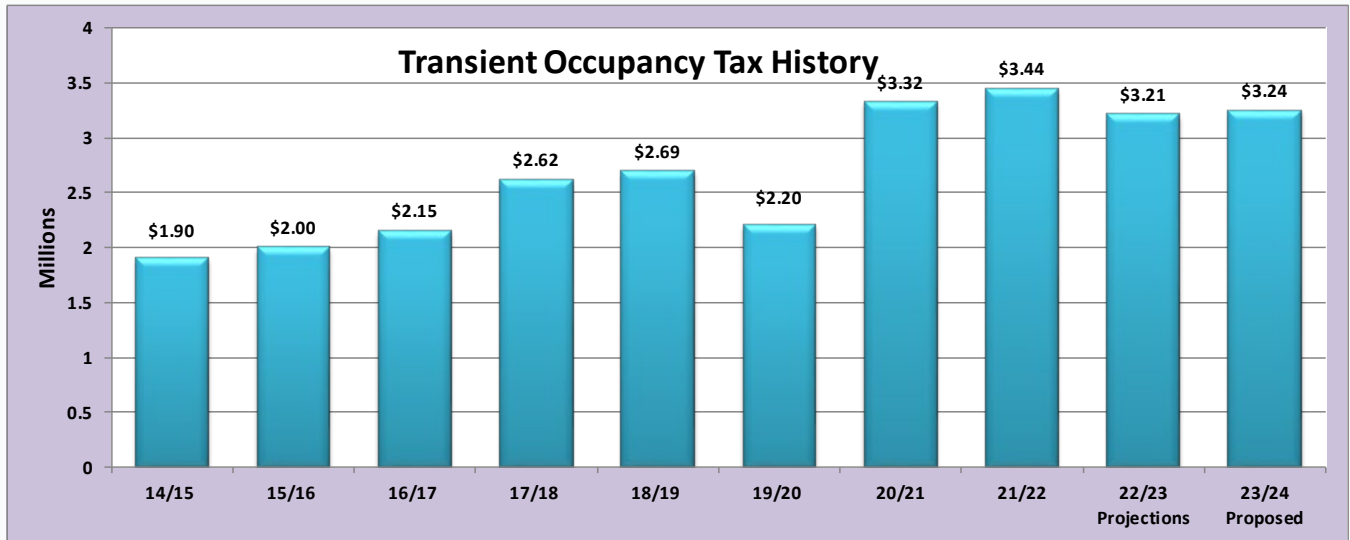
The County Pool, where most online transactions are captured, has continued to grow. This growth is attributable to the pandemic's sustained impact of redirecting significant activity to online sales. The recent growth in County Pool receipts has been fueled by online purchases during the pandemic and is facilitated by the South Dakota vs. Wayfair, Inc. Supreme Court decision in 2018, which provided states with authority to require online retailers to collect sales tax even without a local presence in that State. The County Pool revenue is distributed to all cities within Mendocino County based on a distribution formula administered by the CDTFA.

Annualized Percent Change in Sales Tax Cash Receipts



Overall, the City's Sales Tax projection is conservative expecting to decline by 10% from FY 2022 but increase by a modest 1% from FY 2023.

Transient Occupancy Tax (TOT)



Background

Transient Occupancy Tax (TOT) is a local tax that is applied to the cost of a hotel or other lodging stays of less than 30 days. In 2016, with the 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 monthly. Factors influencing TOT revenues include vacancy rates, business and leisure travel changes, new hotels, hotel expansion, and room rate increases. TOT is the largest General Fund revenue source accounting 28% of total revenue.

Analysis

Fort Bragg is a tourist-based economy and depends heavily on tourism for its revenue. TOT had the most significant reduction due to COVID in FY 2020, recording a budget shortfall of \$660k. TOT revenues rebounded in FY 2021 and recorded the best year to date at \$3.4 million in FY 2022. In FY 2023, the first two quarters recorded declines of 2% when compared to the prior fiscal year.

The average Occupancy rates between November to March were also down by 15% from December to March 2023, caused by the winter storms and wet weather experienced by the City and most of California. The Average Daily Rate (ADR) cooled in March, down 10% from the prior year, as the local lodging industry faced competition from the Lake Tahoe market, recording its 3rd largest snowfall seen in 22 years, flocking tourists to the mountain.

The Visit Fort Bragg Campaign continues to market Fort Bragg as a visitor destination funded by Measure AB. Although this revenue sector has recorded strong results in the past two fiscal years, the FY 2024 Budget projections are rather conservative, projecting a modest 1% growth compared to the estimated FY 2023 year-end total, but down 6% compared to FY 2022 – its best year. Staff will closely monitor the revenues during the fiscal year and will have a better model to determine whether this trend will continue.

Property Tax



Background

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 California Consumer Price index change 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, property tax revenues declined in Fort Bragg during the Great Recession due to lower sales prices and adjustments in assessments. In recent years, sales prices have increased, and reassessments have decreased.

Analysis

The FY 2024 Proposed Budget expects a modest 1% growth in Property Tax revenues to \$1.15 million. Unlike other tax revenue, property taxes were not impacted by COVID-19. The US economic growth slowed in the first quarter, and home prices fell in more parts of the country than in over a decade, fueled by the Fed’s aggressive interest rate hikes to slow the economy down.

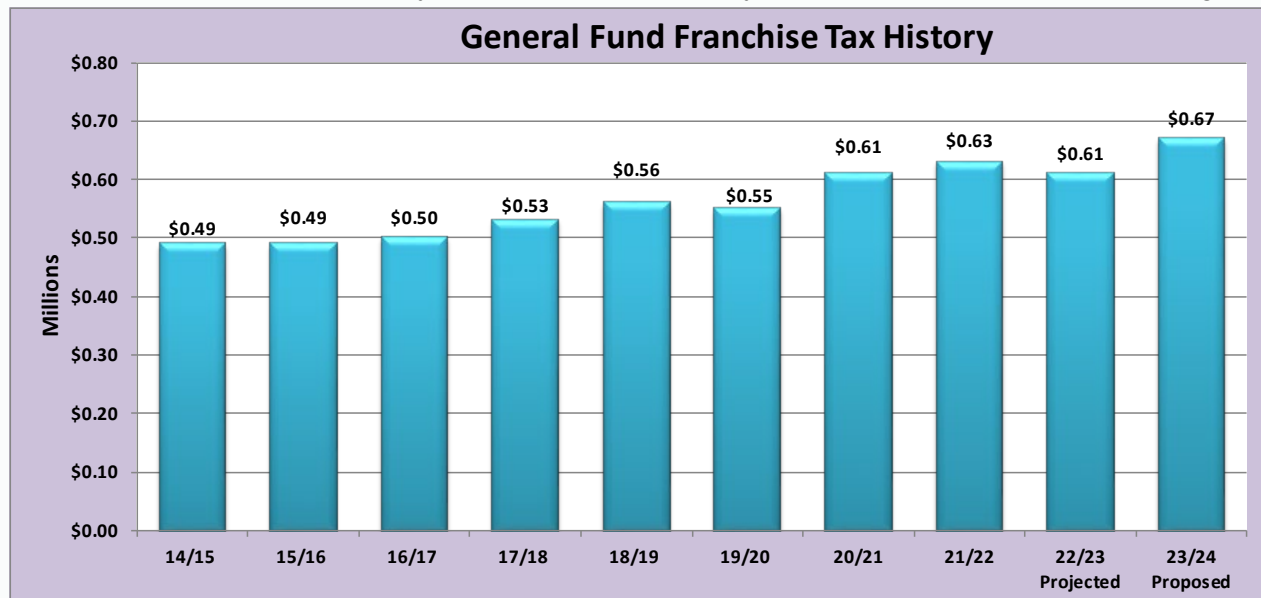
According to Zillow, as of April 2023, median home values were \$504k in the 95437 zip code, down 8.4% from the past year, with 82 residential home sales down from 129 units sold in the first three quarters of the fiscal year. The single family median home prices in the 95437 zip code have decreased to \$581k from \$700k a year ago.

ever, with home prices slowly declining, affordable housing remains an issue in the community. The City has incubated and is staffing a Community Land Trust (CLT) to increase workforce housing in our community. A CLT is a system in which the underlying land is owned by a mission-driven entity, usually a nonprofit, where the buildings on the land are owned or leased by residents. CLTs have the explicit goal of promoting affordable housing and contain legal provisions governing ownership and transfer to keep units affordable. Homeownership provides working families and individuals the opportunity to build wealth and create housing security.



Franchise Taxes

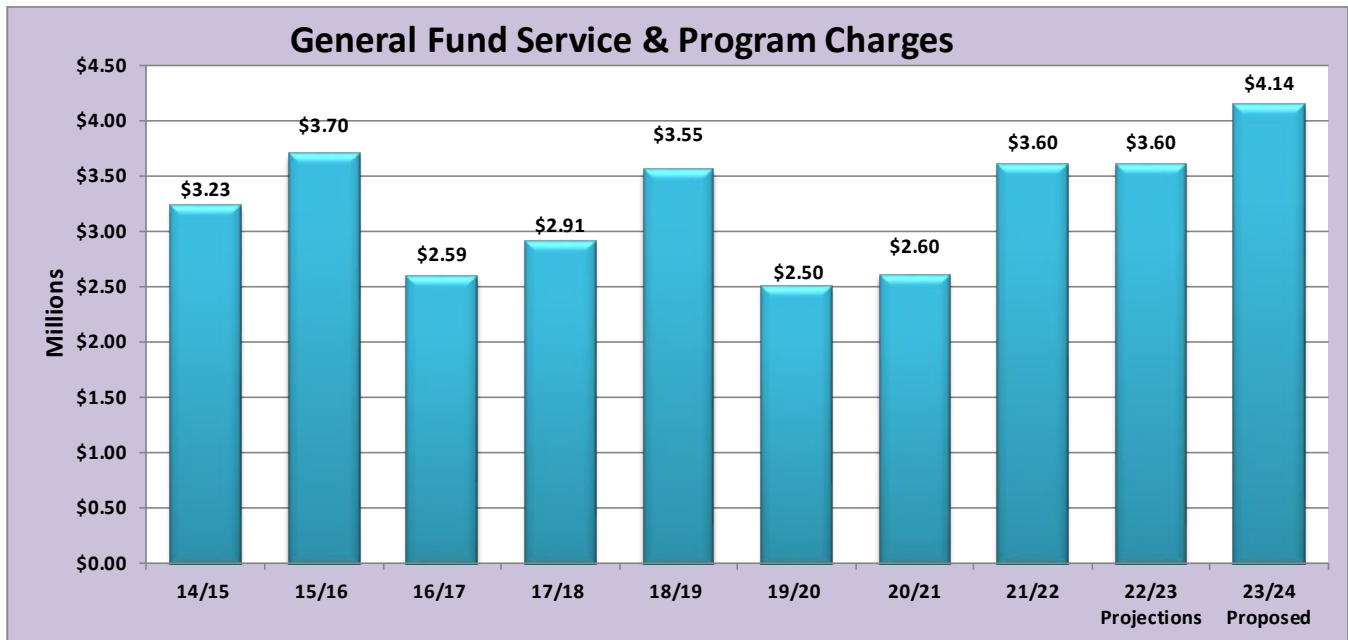
Franchise tax revenue consists of taxes on three franchise operations in Fort Bragg: electric, cable television, and solid waste disposal. The State sets electric utility tax rates that equal 0.5% of gross annual revenues and 5% of gross cable television revenues from within the City. The City established the franchise fee for the solid waste collection many years ago when the City and County closed the jointly-owned Caspar Landfill. Franchise taxes have remained relatively stable in recent years. As more customers move to satellite and internet-based services, revenue from cable television franchise fees has slowly declined. Revenue from Pacific Gas & Electric rose steadily until 2009, when it fell slightly and has since begun climbing again. Overall, FY 2024 franchise tax revenue is estimated to increase by 2 % as Solid Waste of Willits recently increased their prices by 3% to offset increases in operating costs.



Service and Program Charges

General Fund Detail of Revenue Services & Programs	FY 2021/22 FYE AUDITED	FY 2022/23 AMENDED BUDGET	FY 2022/23 FYE PROJECTED	FY 2023/24 PROPOSED
Intergovernmental	\$ 164,075	\$ 651,532	\$ 534,269	\$ 716,362
Charges for Services	62,702	65,546	82,714	81,343
Reimbursements	3,334,240	2,831,850	2,960,646	3,341,622
Totals	\$ 3,561,017	\$ 3,548,928	\$ 3,577,628	\$ 4,139,327

Service and program charges include the Intergovernmental, Charges for Services, and Reimbursements categories. Revenue for Service and Program Charges represents about 36% of total estimated General Fund revenues in FY 2023. The \$4.3 million proposed budget for FY 2024 is an increase of 16% approximately \$561k from the prior year.



Intergovernmental is consists of reimbursement for employee staff time spent administering grants and is expected to double in the fiscal year as many Grant programs, including CDBG 2020 Code Enforcement Grant, the Youth Opioid Resistance Grant, Local Agency Technical Assistance (LATA) for Municipal Broadband from the California Public Utilities Commission (CPUC) and the Coastal Commission Grant for the Noyo Harbor Blue Economy initiative. These grants will reimburse the General Fund for at least 90 percent of six full-time positions and other staff time for work related to carrying out the Grant deliverables.

Charges for service are expected to decline by 2% related to a decline in building permits, PC hearings, sign applications and limited term permits in the fiscal year. Fingerprinting fees will likely record similar results to fiscal year 2023.

The reimbursements category consists of internal support departments such as Administrative Services, Finance, Human Resources, City Clerk, and City Council, who provide services to Enterprise and Internal Service Funds. The costs for these services are recovered through the cost allocation plan charges. The FY 2023 estimate for Reimbursements is \$2.9 million, with a growth of 13% percent in FY 2024, related to increase in developer deposit reimbursements, interfund reimbursements for Streets costs funded from the Special Sales tax and RMRA Funding.

Cost Allocation reimbursements, for Internal service funds have recorded year over year increases and attributed to the direct allocation of Corporation Yard costs to non-General Fund activities.

BUDGET SUMMARY

**GENERAL FUND
DETAIL OF REVENUES BY CATEGORY
FY 2020/21 THROUGH FY 2023/24**

	FY 2020/21 FYE AUDITED	FY 2021/22 FYE AUDITED	FY 2022/23 AMENDED BUDGET	FY 2022/23 FYE PROJECTED	FY 2023/24 PROPOSED BUDGET	% INCR/ -DECR
Taxes						
Property Taxes	\$ 402,971	\$ 385,671	\$ 455,741	\$ 365,084	\$ 368,766	1.0%
VLF Swap	660,739	673,287	694,173	709,863	716,962	1.0%
Supplement SB 813	3,603	34,097	3,800	3,800	4,141	9.0%
Homeowners Property Tax Relief	-	-	2,967	2,967	2,967	100.0%
Transfer Taxes	18,219	57,297	19,628	49,517	50,090	1.2%
Motor Vehicle In-Lieu Tax	-	-	-	7,332	7,332	n/a
Sales and Use Taxes	1,995,831	2,100,885	2,150,000	1,912,500	1,932,700	1.1%
Proposition 172 Sales Taxes	32,179	114,276	28,000	26,700	26,800	0.4%
Transient Occupancy Taxes	3,321,928	3,444,990	3,371,081	3,213,808	3,242,118	0.9%
Franchise Taxes	625,996	653,579	642,442	679,259	692,277	1.9%
Business License Taxes	184,655	198,043	190,000	205,542	211,708	3.0%
Total Taxes	7,246,122	7,662,124	7,557,831	7,176,372	7,255,860	1.1%
Licenses & Permits						
Business License Fees	62,873	63,224	68,713	63,100	64,993	3.0%
Construction/Building Permits	14,734	12,455	15,000	14,000	15,000	7.1%
Encroachment Permits	13,361	9,147	10,000	12,000	13,000	8.3%
Other Licenses & Permits	598	1,350	1,700	1,390	1,300	-6.5%
Total Licenses & Permits	91,567	86,176	95,413	90,490	94,293	4.2%
Fines & Forfeitures						
Parking Fines	9,390	37,518	20,000	10,000	10,000	0.0%
Miscellaneous Fines	2,791	13,878	11,500	20,010	15,100	-24.5%
Total Fines & Forfeitures	12,181	51,396	31,500	30,010	25,100	-16.4%
Use of Money and Property						
Investment Interest	46,644	15,143	47,000	60,000	75,000	25.0%
Rents and Concessions	(119,885)	(197,160)	14,300	14,000	14,000	0.0%
Sales of Surplus Assets	8,624	15,700	5,000	-	1,000	n/a
Total Use of Money and Property	(64,617)	(166,317)	66,300	74,000	90,000	21.6%
Intergovernmental						
Grant Administration	133,162	164,075	651,532	534,269	716,362	34.1%
Total Intergovernmental	133,162	164,075	651,532	534,269	716,362	34.1%
Charges for Services						
Community Development Fees	14,265	13,606	14,000	29,500	20,000	-32.2%
Police Fingerprint Fees	22,031	33,578	42,000	42,448	42,872	1.0%
Document Copies	5,153	6,336	6,800	6,700	7,000	4.5%
Construction & Demolition Fees	135	1,000	700	2,100	2,121	1.0%
Returned Check Fees	1,008	1,953	1,546	1,386	1,500	8.2%
Police Witness Fees	518	134	500	300	350	16.7%
Other Charges for Services	9,134	15,518	9,546	10,766	7,500	-30.3%
Total Charges for Services	45,429	62,702	65,546	82,714	81,343	-1.7%
Reimbursements						
City Exp Reimbursement - Developers	49,550	49,356	28,500	32,000	53,000	65.6%
SB 90 Reimbursement	6,344	14,960	10,215	8,800	10,000	13.6%
Booking Fee Reimbursement	9,700	17,025	14,000	29,000	25,000	-13.8%
Internal Charges for Services	1,531,608	2,385,365	1,948,669	2,062,590	2,379,770	15.4%
Interfund Cost Reimbursement	671,601	798,856	768,266	758,055	818,651	8.0%
Training Reimbursement	9,935	15,257	16,000	38,000	22,000	-42.1%
Other Reimbursements	29,102	53,421	46,200	32,200	33,200	3.1%
Total Reimbursements	2,307,840	3,334,240	2,831,850	2,960,646	3,341,622	12.9%
Other Revenues						
Miscellaneous	109,358	22,574	38,500	81,779	20,200	-75.3%
Total Other Revenues	109,358	22,574	38,500	81,779	20,200	-75.3%
Total General Fund Revenue	\$ 9,881,043	\$ 11,216,969	\$ 11,338,472	\$ 11,030,280	\$ 11,624,780	5.4%

DISCUSSION OF GENERAL FUND EXPENDITURE TRENDS

General Fund expenditures (including transfers-out) proposed in FY 2024 are \$11.5 million an increase of \$771k or 7%. Overall, the increases are primarily the result of increases in personnel costs, Cost of Living Adjustments, annual debt payments, retiree medical costs, and insurance costs. Specific details of expenditures are presented in the following Department Details sections of the Budget.

Notable departmental variances are as follows:

- The Administration budget will decrease by 9%, primarily due to personnel cost savings and the restructure of the Assistant City Manger and Grant's Co-ordinator positions to Community Development and Public works which was budgeted for in the FY 2023 Budget. Moreover, the City Manager compensation was much lower than originally Budgeted by \$25k. The completion of the Compensation Study and the General Plan Maintenance Fee Study in FY 2023, will decrease the professional services budget in FY 2024.
- Non-Departmental Budget will see increases in FY 2024 of 4%, due to increases in Retiree medical costs of 3%, General Liability and Property Insurance of 25%. Professional services include a Cost Allocation Study to be undertaken in the fiscal year. Additional funding of \$150k have been included to be contributed into the Section: 115 Trust with Public Agency Retirement Services (PARS).
- The Finance Department budget is proposed to increase by 12.9% from the estimated year end in FY 2023, primarily due to Cost of Living Adjustments, and the full annual cost of the recently hired Government Accountant in the fourth quarter in FY 2023. Armored car service cost have increased by 5% in last fiscal year.
- The Police Department budget is proposed to increase by 11.9% to \$4.9 million as a result of increases in salary and benefit costs. A shortage of police officers locally and nationally has driven wages up every year for the last several years. The Fort Bragg City Code Chapter 2.68 provides for an annual salary survey of Mendocino County law enforcement positions. It establishes that Fort Bragg's salaries will, at a minimum, be set at the average of the other local entities. As of the latest survey held in January 1, 2023, there were no increases, confirming that the City's salaries and benefits were competitive when compared to other local law enforcement entities, however, a 3% Cost of Living Adjustment is being included in the Fiscal year 2024 Budget per the Fort Bragg Police Association MOU and the realized annual costs of the four vacation positions (three officers and one community service position) resulted in budget savings in last fiscal year. The department transitioned from an interim chief in FY 2022 to hiring a new full-time Police Chief in FY 2023 and will be fully staffed once the three recruits graduates from the Academy towards the end of Q2. A budget of \$40k has been included for Police Academy costs for the three recruits.

Moreover, the Code Enforcement (CE) department was moved to the Police Department from Community Development in Q2 of FY 2023, increasing the overall personnel budget of the department by \$224,000 annually. The CE two positions are funded by the Community Development Block Grants (CDBG) with the Grant expiring in April 2024. Depending on the Notice of Funding expected in June 2023 from Housing and Community Development (HCD), the City may request for an extension of the Grant through the end of the fiscal year or apply for new round of funding if permissible.

The Care Response Unit comprised of two Social Services Liaisons provide services including providing information and resources supporting homelessness, mental health problems and maintained the Emergency Winter Shelter where they provided vouchers and record keeping for reimbursement of funds. On April 1, 2023, department received a \$345,000 grant from the Youth Opioid Resistance fund to pay for one of the SSL's and another Success Coach through April 2024. The second SSL's position, which was funded by the Social Services Grant from FY 2022

was extended to December 2023. The proposed Budget includes funding for the second SSL position for the rest of the fiscal year once the Grant period ends.

Dispatch services are set to increase by 5% year-over-year provided by the City of Ukiah.

- Community Development Budget is estimated to increase by 4% to \$443,898 due to the cost of living adjustments 2% and budgeting for a full-time Community Development Director which will be hired in June 2023. The Department will be fully staffed at the start of the fiscal year after being without a Director for the last few years.
- The Marketing and Promotions department budget is \$241k, an increase of 9%, with a budget of \$30k for the 4th of July Fireworks. Funding for this department is from Measure AB, with an allocation of 1% of the Transient Occupancy Tax dedicated to marketing Fort Bragg as a tourist destination.
- Debt – 2021 Lease Revenue Bonds payments increased by \$78k according to the Debt Schedule. The City returned the \$3.5 million Debt proceeds in August 2022, resulting in interest and principal savings in the long term. The Caspar Landfill costs, which the City and the County of Mendocino share, are expected to increase by \$26k compared to FY 2022.
- Overall the Public Works Department budget is estimated to increase by 12% from increases to personnel costs from Cost of Living Adjustments of 2% and the reorganization of the Special Projects Manager moving from Community Development to Public Works. Streets and Maintenance costs, particularly utilities and general supplies, are expected to increase by \$16k. These increases were offset by decreases in Traffic and Safety and Corporation Yard.

The table below shows General Fund Expenditures by Function or Program

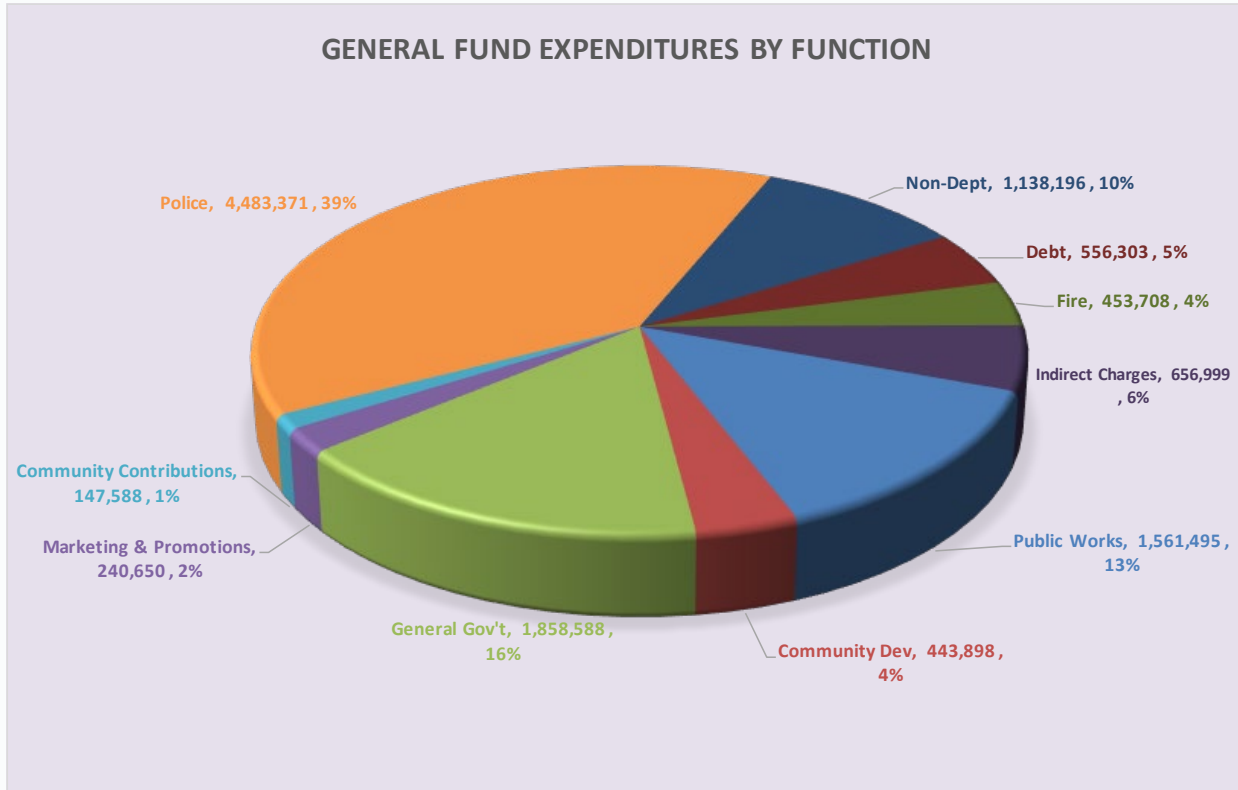
**GENERAL FUND
EXPENDITURES BY FUNCTION/PROGRAM
FY 2020/21 THROUGH FY 2023/24**

	FY 2020/21 FYE AUDITED	FY 2021/22 FYE AUDITED	FY 2022/23 AMENDED BUDGET	FY 2022/23 FYE PROJECTED	FY 2023/24 PROPOSED BUDGET	% INCR/ -DECR
GENERAL GOVERNMENT						
City Council	\$ 131,495	\$ 214,277	222,318	212,484	185,314	-12.8%
Administration	751,316	1,225,661	1,241,606	1,140,580	1,037,505	-9.0%
Finance	468,474	536,977	617,639	563,019	635,770	12.9%
Other Non-Departmental (overhead)	872,371	1,174,586	1,160,286	1,093,427	1,138,196	4.1%
General Government Subtotal	2,223,656	3,151,501	3,241,850	3,009,510	2,996,784	-0.4%
PUBLIC SAFETY						
Police Department	3,467,709	3,891,041	4,316,057	4,007,292	4,483,371	11.9%
Fire Department	439,962	434,423	439,962	440,493	453,708	3.0%
Public Safety Subtotal	3,907,671	4,325,464	4,756,019	4,447,785	4,937,079	11.0%
Community Services						
Community Development	232,115	365,417	483,117	426,932	443,898	4.0%
Marketing & Promotions	93,060	226,874	220,500	220,400	240,650	9.2%
Community Contributions	69,869	97,297	152,962	152,962	147,588	-3.5%
General Fund Debt	37,964	358,337	452,241	477,921	556,303	16.4%
Community Services Subtotal	433,008	1,047,925	1,308,819	1,278,215	1,388,438	8.6%
PUBLIC WORKS						
Administration & Engineering	515,727	679,782	710,145	725,217	934,012	28.8%
Parks and Facilities	31,927	36,479	41,100	39,892	40,000	0.3%
Street Maintenance	107,606	124,497	122,000	116,000	142,000	22.4%
Storm Drains	10,847	12,680	19,500	18,600	25,500	37.1%
Corporation Yard	634,446	494,218	420,524	399,478	380,483	-4.8%
Traffic and Safety	24,023	24,873	86,952	85,952	39,500	-54.0%
Public Works Subtotal	1,324,576	1,372,529	1,400,221	1,385,140	1,561,495	12.7%
General Fund Subtotal	7,888,911	9,897,419	10,706,909	10,120,650	10,883,797	7.5%
Cost Allocation	478,497	789,399	686,131	649,295	656,999	1.2%
TOTAL GENERAL FUND	\$ 8,367,408	\$ 10,686,818	\$ 11,393,040	\$ 10,769,945	\$ 11,540,795	7.2%

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 39% of total General Fund expenditures, followed by General Government (Admin/Finance/City Attorney/City Clerk) at 16%, Public works 13%, Indirect Charges 6%, and Non-Department at 10%.



**GENERAL FUND
EXPENDITURES BY CATEGORY
FY 2020/21 THROUGH FY 2023/24**

	FY 2020/21 FYE AUDITED	FY 2021/22 FYE AUDITED	FY 2022/23 AMENDED BUDGET	FY 2022/23 FYE PROJECTED	FY 2023/24 PROPOSED BUDGET	% INCR/ -DECR
Salaries & Wages	\$ 3,271,863	\$ 3,831,953	\$ 4,443,546	\$ 4,114,364	\$ 4,550,423	11%
Benefits	2,489,172	2,736,229	2,679,079	2,508,092	2,843,131	13%
Materials & Services	1,980,189	2,761,920	3,013,072	2,903,529	2,816,759	-3%
Other Expenditures	109,919	208,604	206,832	230,533	230,971	0%
Debt Service	37,964	-	364,381	364,131	442,513	22%
Subtotal	7,889,107	9,538,707	10,706,909	10,120,650	10,883,797	8%
Allocations	478,497	789,396	686,131	649,295	657,000	1%
Subtotal with Allocations	8,367,604	10,328,103	11,393,040	10,769,945	11,540,797	7%
Net Transfers	-	-	-	-	-	0%
TOTAL	\$ 8,367,604	\$ 10,328,103	\$ 11,393,040	\$ 10,769,945	\$ 11,540,797	7%

Personnel Services

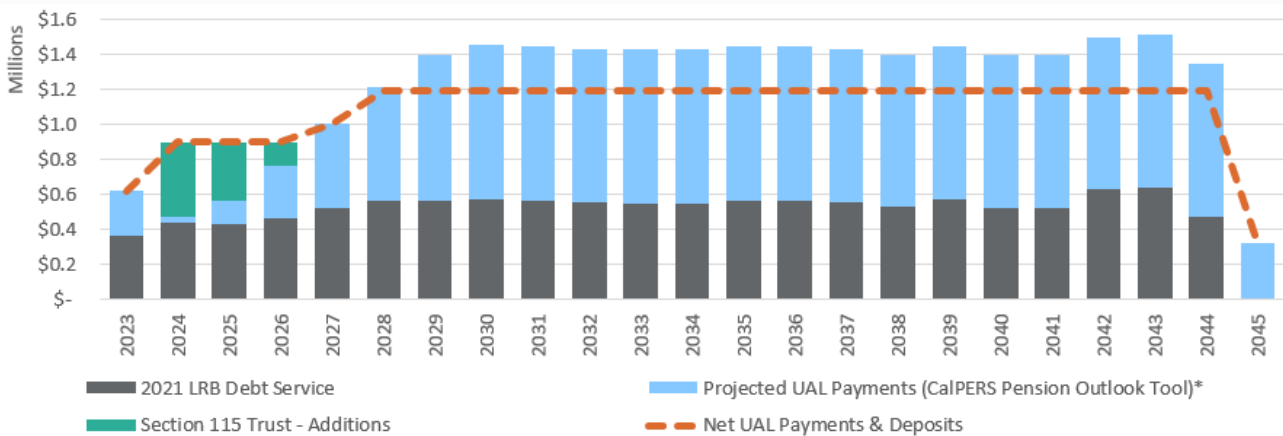
Personnel costs are the largest class of expenditures in the General Fund, representing nearly 64% of the FY 2024 Budget. Personnel Service cuts were implemented in FY 2019/20 as part of the City's COVID-19 Budget reduction plan. Since then, the General Fund has filled the vacant positions, and personnel costs are projected to be higher than pre-pandemic numbers as cost of living adjustments and the emphasis on attracting and retaining employees will continue to increase the personnel costs in future

years. The Proposed Budget includes a 3% cost of living adjustment for the Fort Bragg Police Association employees and 2% for other City Staff including Executive's and Mid-Managers. The compensation study undertaken by Regional Government Services (RGS) in FY 2022, found that the City Clerk and Operations Manager positions were under compensated compared to comparable agencies. Other positions were found to be competitive or at market with a couple of positions lacking sufficient comparative data to determine analysis. The Operations Manager position is being proposed to increase by 5% in addition to the COLA increase.

Additionally, the Proposed Budget includes funding for a Community Development Director position which will be filled in June 2023. The City Manager and Chief of Police positions were filled in Q1 of FY 2022 and full cost of these positions will be realized in the new fiscal year. Vacant positions in the Police Department and in Community Development in FY 2022 resulted in a Budget surplus. These positions are expected to be filled in the new fiscal year. All departments should be fully staffed in the new fiscal year once Police recruits graduate from the academy in Q2 2024.

Benefits are expected to increase by 3% in medical and dental premiums. The Issuance of the 2021 Lease revenue Bonds of \$11.5 million, restructured the \$7.5 million of CalPERS unfunded liability resulting in long-term savings for the City. In FY 2022, the City Council approved to return the \$3.5 million which was set aside for costs associated with the acquisition of the southern portion of the former Timber Mill property reducing the Fund's debt from \$11.5 million to \$7.5 million.

The California Public Employees' Retirement System (CalPERS) recognized a record 21.3% investment return for the fiscal year ending June 30, 2021. The record CalPERS investment return and the \$7.5 million liability payment place the City better positioned to manage pension obligations going forward. The reduction in unfunded liability reduced the annual UAL Payments budget by \$389k annually, which was offset by increased benefit costs. Unfortunately, CalPERS returned -7.5% in investment earnings for FY 2021/22, dropping its funding levels from 82% to 71%. This came on the heels of a 21.3% earnings year in FY 2020/21, effectively giving back the progress made by CalPERS in FY 2020/21. While the benefit (UAL reduction) of the 21.3% return year slightly outweighs the impact (UAL increase) of the negative 7.5% returns, the recent discount rate reduction from 7.0% to 6.8% largely offsets any remaining benefit from FY 2020/21. 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 2019.



FY 2022/23, medical, dental, and vision rates did not change for active employees, but retiree medical costs are estimated to increase by 3%. 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 2024 is expected to be 25% or \$262k. This is a combination of additional staffing and increases in the unfunded portion of the pension liability. 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 PEPRA-8.4%; Miscellaneous Classic-28.4%; Safety PEPRA-13.83%; Safety Classic-37.64%. Starting with FY 2019, employees in classic plans began paying 1% of the employer’s share of pension costs per negotiated agreements.

The increased pension costs and personnel costs for the City will put significant pressure on the General Fund’s financial performance in future years. The reduction in the CalPERS rate from 7% to 6.8 percent is not expected to be the last one. Over 20 years, the overall fund performance has averaged just 5.5%. As part of the Pension policy, the City set up a Section 115 Trust that will absorb some of the future fluctuations in the CalPERS discount rate, adding to the Unfunded Liability. The City Council had adopted a \$1.6 million contribution into the trust in FY 2022 with additional contributions of \$150k proposed in the FY 24 Budget.

Non-Personnel Services

Professional Services will decrease by \$146,854 in FY 2024 due to one-time expenditures incurred in FY 2023, such as the Compensation Study \$35k, recruitment costs \$30k, General Plan Maintenance Study costs.

Insurance costs increased by \$37k for property Insurance, cyber security, and general liability.

General Fund Materials & Services	FY 2022/23	FY 2023/24	
	PROJECTED	PROPOSED	Change
Professional Services	2,199,914	2,053,060	(146,854)
Utilities	182,931	195,390	12,459
Insurance	348,188	385,884	37,696
Training/Travel	71,277	112,500	41,223
Equipment Repair and Maintenance	1,000	1,000	-
Equipment Leases and Rental	40,721	39,500	(1,221)
Dues and Memberships	21,445	22,075	630
Small Tools and Equipment	35,254	5,550	(29,704)
Postage	2,800	1,800	(1,000)
Total General Fund Materials & Services	\$ 2,903,529	\$ 2,816,759	\$ (86,770)



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**CITY OF
FORT BRAGG**

Fiscal Year
2024
Proposed Budget



**LONG-TERM
FINANCIAL PLAN**



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LONG-TERM FINANCIAL PLANNING

BUDGET BACKGROUND

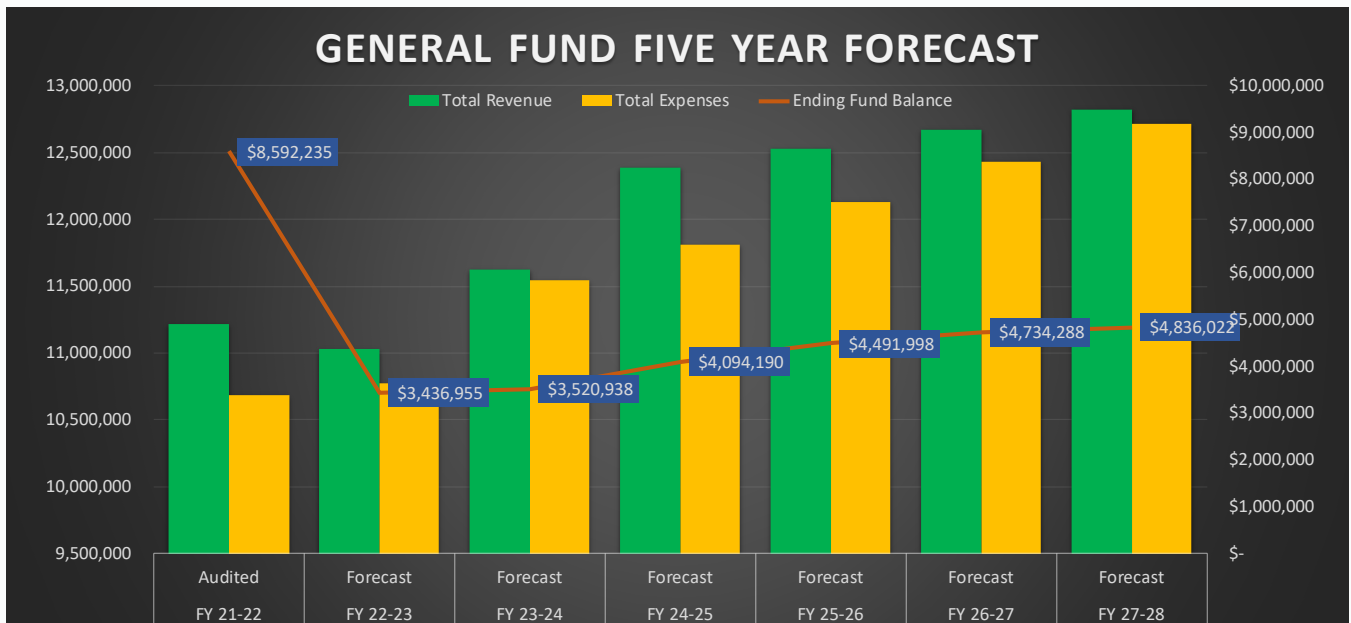
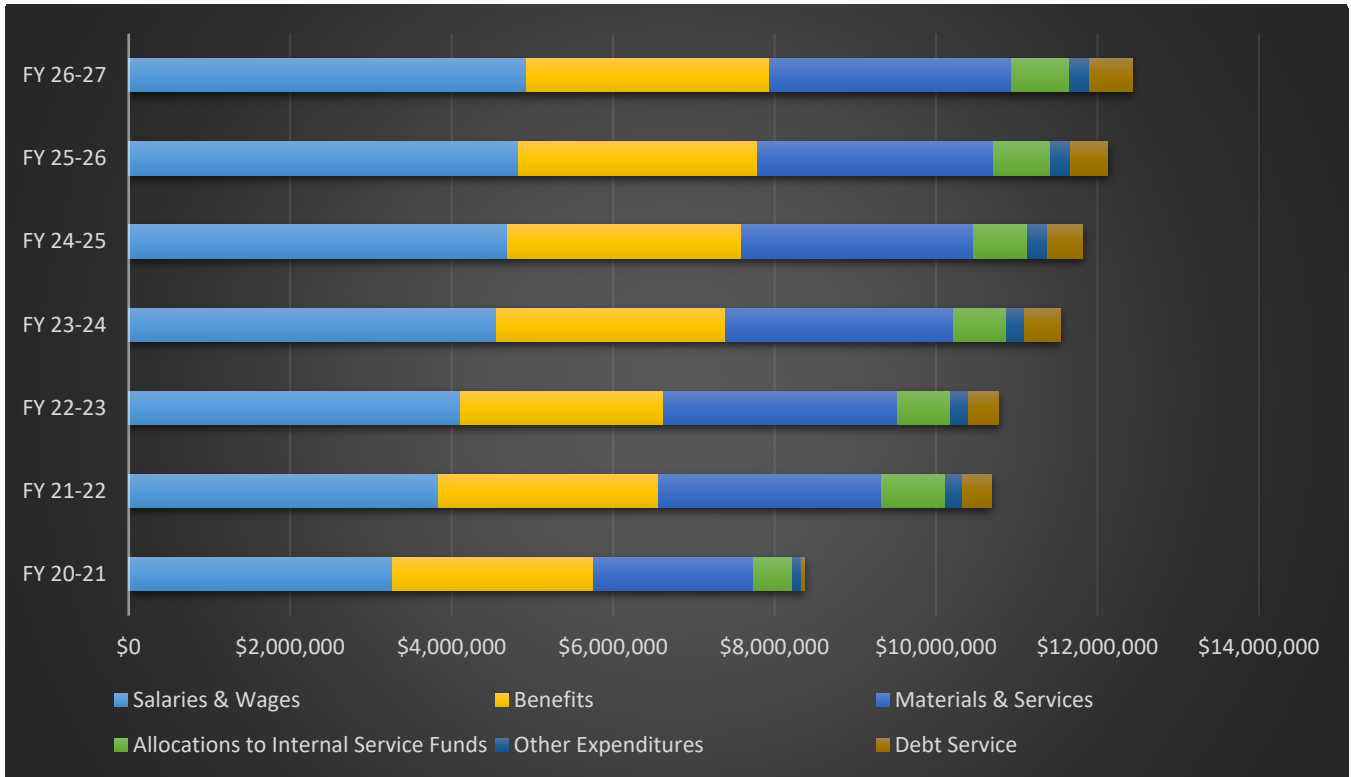
On March 22, 2023, The City held its annual mid-year budget review meeting. At the meeting, the following long-term forecast was reviewed. It should be noted that the forecast was developed at a high level (low level of detail) and therefore does not match the detailed budget presented today. Staff is committed to refining the long-term forecast to make it as useful as possible in the years to come. The five-year projection is included in this section for reference.

Long-term financial planning is an important tool used to help maintain ongoing financial sustainability and helps governments provide consistent 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 increased percentages. 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, showing possible long-term results if certain revenue enhancements were to be enacted.

City of Fort Bragg General Fund Five Year Forecast										
	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28		
	Audited	Audited	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast		
Revenue:										
Sales Tax	\$ 2,028,010	\$ 2,215,161	\$ 1,939,200	1,959,500	1,998,690	2,068,644	2,141,047	2,215,983		
Property Tax	1,085,532	1,150,352	1,138,562	1,150,257	1,150,257	1,161,760	1,173,377	1,185,111		
Transient Occupancy Tax	3,321,928	3,444,990	3,213,808	3,242,118	3,274,539	3,307,285	3,340,357	3,373,761		
Reimbursements	2,299,275	3,333,187	2,960,696	3,341,622	3,341,622	3,341,622	3,341,622	3,341,622		
All Other Revenue Sources	1,137,672	1,071,911	1,778,014	2,620,745	2,620,745	2,646,952	2,673,422	2,700,156		
Total Revenue	9,872,418	11,215,601	11,030,280	11,624,780	12,385,853	12,526,263	12,669,825	12,816,633		
Expenditures:										
Salaries & Wages	3,271,863	3,831,953	4,114,364	4,550,423	4,686,936	4,827,544	4,924,095	5,022,577		
Benefits	2,489,172	2,728,147	2,508,092	2,843,131	2,899,994	2,957,993	3,017,153	3,077,496		
Materials & Services	1,979,993	2,762,347	2,903,529	2,816,759	2,873,094	2,930,556	2,989,167	3,048,951		
Allocations to Internal Service Funds	478,497	789,396	649,295	657,000	676,710	697,011	717,922	739,459		
Other Expenditures	109,919	216,637	230,533	230,971	242,520	249,795	257,289	265,008		
Debt Service	37,964	358,337	364,131	442,513	433,348	465,555	521,910	561,409		
Total Expenditures	8,367,408	10,686,817	10,769,944	11,540,797	11,812,601	12,128,455	12,427,536	12,714,899		
Net Transfers:										
Net Increase (Decrease) to Fund Balance	1,505,010	528,784	260,336	83,983	573,252	397,808	242,289	101,734		
Other restricted funds	3,879,236	(5,415,616)								
Beginning Fund Balance	2,679,205	4,184,215	8,592,235	3,436,955	3,520,938	4,094,190	4,491,998	4,734,288		
Ending Fund Balance	\$ 4,184,215	\$ 8,592,235	\$ 3,436,955	\$ 3,520,938	\$ 4,094,190	\$ 4,491,998	\$ 4,734,288	\$ 4,836,022		
Storm Drain Enterprise \$190k annually										
Parcel Tax	\$ 4,184,215	\$ 4,902,999	\$ 5,353,335	\$ 5,627,318	\$ 6,390,571	\$ 6,978,379	\$ 6,822,860	\$ 7,270,113		
1/4 cent General Sales Tax \$500k/yr.	\$ 4,184,215	\$ 5,142,999	\$ 5,833,335	\$ 6,347,318	\$ 7,350,571	\$ 8,178,379	\$ 8,022,860	\$ 8,710,113		
3/8 cent General Sales Tax \$750k/yr.	\$ 4,184,215	\$ 4,851,447	\$ 5,596,583	\$ 6,170,441	\$ 7,243,366	\$ 8,158,335	\$ 8,002,816	\$ 8,795,330		
Net Increase (Decrease) to Fund Balance	1,505,010	528,784	260,336	83,983	573,252	397,808	242,289	101,734		
Other restricted funds	3,879,236	(5,415,616)								
Beginning Fund Balance	2,679,205	4,184,215	8,592,235	3,436,955	3,520,938	4,094,190	4,491,998	4,734,288		
Ending Fund Balance	\$ 4,184,215	\$ 8,592,235	\$ 3,436,955	\$ 3,520,938	\$ 4,094,190	\$ 4,491,998	\$ 4,734,288	\$ 4,836,022		



CITY OF FORT BRAGG - FY 2023/24
Operating Transfers - All Funds

Fund Type/Name	Transfers In	Transfers Out	Net Transfers
110 General Fund			
To 112 - Recession Reserve		(664,150)	(664,150)
Total	-	(664,150)	(664,150)
112 Recession Reserve			
From 110 - General Fund (Operating Reserve)	664,150		664,150
Total	664,150	-	664,150
162 CDBG Program Income			
To 334- Code Enforcement Program	-	(226,398)	(226,398)
Total	-	(226,398)	(226,398)
162 RMRA (LPP) - Gas Tax			
To 334- CDBG Code Enforcement			-
Total	-	-	-
222 RMRA (LPP) - Gas Tax			
To 421- 2022/23 Streets Project - HSIP		(248,130)	(248,130)
To 421- Systematic Improvements - HSIP		(73,890)	(73,890)
To 421- 2022/23 Streets Project - LPP	-	(600,000)	(600,000)
To 408- 2025 Pavement Preservation		(230,000)	(230,000)
Total	-	(1,152,020)	(1,152,020)
223 STP D1 MCOG			
To 428- EV Charging Station		(232,951)	(232,951)
To 421- Streets Project-2021	-	(206,405)	(206,405)
Total	-	(439,356)	(439,356)
250 Special Sales Tax - Street Repair			
To 421- Systematic Imp at Unsignalized Intersections		(17,710)	(17,710)
To 421- Streets Project		(2,508,894)	(2,508,894)
Total	-	(2,526,604)	(2,526,604)
314 MCOG			
To 421 Streets Project		(162,000)	(162,000)
Total	-	(162,000)	(162,000)
319 Water Grants			
To 651- Oneka Desalination		(800,000)	(800,000)
To 651- Recycled Water Design		(500,000)	(500,000)
To 651- Water Treatment Plant		(5,276,000)	(5,276,000)
To 651- Raw Water Line		(4,055,000)	(4,055,000)
Total	-	(10,631,000)	(10,631,000)
322 CALTRANS			
To 716 Trash Can Replacement		(280,000)	(280,000)
Total	-	(280,000)	(280,000)
330 Federal Grants - USDA			
To 522- Fleet Reimb		(205,300)	(205,300)
Total	-	(205,300)	(205,300)
329 State Grants			
To 426 Broadband		(376,029)	(376,029)
To 110 Planning Grants			-
To 110 Planning Grants			-
To 110 Planning Grants			-
Total	-	(376,029)	(376,029)
334 CDBG 2020			
To 651 Water Meter Replacement		(826,703)	(826,703)
To 424 Fire Station Rehab- Design		(150,572)	(150,572)
From 162 Program Income- Code Enforcement	226,398		226,398
Total	226,398	(977,275)	(750,877)
336 ARPA			
To 426 Municipal Broadband		(1,744,162)	(1,744,162)
Total	-	(1,744,162)	(1,744,162)
408 2025 Pavement Preservation Project			
From 222 LPP	230,000		230,000
Total	230,000	-	230,000

Fund Type/Name	Transfers In	Transfers Out	Net Transfers
421 2022 Street Resurfacing & Structural Repair Projects			
From 520 Facilities Maint & Repair		-	-
From 222 LPP Grant	600,000		600,000
From 222 HSIP	248,130		248,130
From 615 Water Capital	180,500		180,500
From 314 CRSAA	162,000		162,000
From 715 Wastewater Capital	180,500		180,500
From 223- STP D1 MCOG	206,405		206,405
From 250- Special Sales Tax-Street Repair	2,508,894	-	2,508,894
From 222 - HSIP Systematic Improvements	73,890		73,890
From 250 - Systematic Improvements	17,710		17,710
Total	4,178,029	-	4,178,029
424 Fire Station Rehab			
From 334- CDBG	150,572	-	150,572
Total	150,572	-	150,572
423 Town Hall Bathroom			
From 520- Facilities ISF	140,000	-	140,000
Total	140,000	-	140,000
426 Broadband			
From 336 ARPA Funds	1,744,162		1,744,162
From 329 LATA	376,029	-	376,029
Total	2,120,191	-	2,120,191
427 Corporation Yard & PD Roof Replacement			
From 520- Facilities ISF	150,000	-	150,000
From 520- Facilities ISF	220,000	-	220,000
Total	370,000	-	370,000
428 EV Charging Stations			
From 223- MCOG D1	232,951		232,951
Total	232,951	-	232,951
520 Facilities			
To 427 PD Roof Replacement		(80,000)	(80,000)
To 427 PD Paint & Repairs		(70,000)	(70,000)
To 427 CH Roof, Solar and Repairs		(220,000)	(220,000)
To 423 TH Bathrooms		(140,000)	(140,000)
Total	-	(510,000)	(510,000)
522 Fleet			
From 330 USDA Vehicle Replacement	205,300		205,300
Total	205,300	-	205,300
610 Water O&M			
To 612- Recession Reserve		(177,534)	(177,534)
To 615 - True up Operating Reserve	431,694		431,694
Total	431,694	(177,534)	254,160
612 Water Recession Reserve			
To 610 - True up Recession Reserve	177,534		177,534
Total	177,534	-	177,534
615 Water Enterprise Capital Reserve			
To 610 - True up Operating Reserve		(431,694)	(431,694)
To 651 - Pudding Creek Water Main		(812,000)	(812,000)
To 651 - Extend Water System- Pudding Creek		(300,000)	(300,000)
To 421 - 2022 Streets Project		(180,500)	(180,500)
Total	-	(1,724,194)	(1,724,194)

BUDGET SUMMARY

Fund Type/Name	Transfers In	Transfers Out	Net Transfers
651 Water Enterprise Capital Projects			
From 615 Pudding Creek Water Main	812,000		812,000
From 319 Recyled Water Design	500,000		500,000
From 334 Water Meter Replacement	826,703		826,703
From 615 Extend Water System - Pudding Creek	300,000		300,000
From 319- DWR Raw Water Engineering	4,055,000		4,055,000
From 319- DWR Oneka Buoy	800,000		800,000
From 319- SRF Water Treatment Plant	5,276,000		5,276,000
Total	12,569,703	-	12,569,703
710 Wastewater O&M			
From 712 - True up Recession Reserve	-	(160,442)	(160,442)
To 717 - Debt Service Payment		(185,010)	(185,010)
To 715 - Sweep Excess Fund Balance to Capital Rese	114,767		114,767
Total	114,767	(345,452)	(230,685)
712 WW Enterprise Recession Reserve			
From 710- Wastew ater O&M-True up Recession	160,442	-	160,442
Total	160,442	-	160,442
714 WW Enterprise Non-Routine Maintenance			
From 710- Wastew ater O&M			-
Total	-	-	-
715 WW Enterprise Capital Reserve			
From 710 - Sweep Excess Fund Balance to Capital Reserve		(114,767)	(114,767)
To 716 - WW Capital Projects		(750,000)	(750,000)
To 716 - WW Capital Projects		(170,000)	(170,000)
To 421 - 2022 Streets Project		(180,500)	(180,500)
To 716 - WW Capital Projects		(130,000)	(130,000)
Total	-	(1,345,267)	(1,345,267)
716 WW Capital Projects			
From 717-Collection System Rehab	750,000		750,000
From 715- Dryer Building Construction	170,000		170,000
From 329 Trash Capture	280,000		280,000
From 715- Biosolids Storage Structure	130,000		130,000
Total	1,330,000	-	1,330,000
717 JPFA WWTP Financing			
From 710 - Debt Service	185,010		185,010
From 710 - Short Lived Asset Reserve			-
Total	185,010	-	185,010
810 CV Starr			
To 812- CV Starr Recession Reserves		(216,071)	(216,071)
Total	-	(216,071)	(216,071)
812 CV STARR Recession Reserve			
To 810- CV STARR	216,071		216,071
Total	216,071	-	216,071
Total Transfers	\$ 23,702,812	\$ (23,702,812)	\$ -

(Concluded)

COST ALLOCATION PLAN

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).

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). 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, 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, Corporation Yard 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 and the Corporation Yard 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 from the first seven months of FY 22/23, cost drivers from FY 2019/20, and budget cost estimates from the Adopted fiscal year 2022/23 budget. Additionally, the cost allocation plan will be updated at each fiscal year-end 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

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

Table 2: Personnel Cost Allocation and FTE count

		Personnel Costs	FTEs
Internal Service Funds:	Facilities	93,568	0.6
	Information Technology	92,792	1.4
	Fleet	131,076	1.1
Indirect Cost Programs:	City Council	220,352	0.9
	City Clerk	128,911	1.0
	Administration	162,257	1.2
	City Attorney	660	-
	Human Resources	125,790	1.1
	Financial Management	476,026	4.2
	Utility Billing	197,383	2.0
	PW Administration	176,388	1.4
	Corporation Yard	26,160	0.2
	Public Safety	3,215,944	24.3
	Community Development	572,488	5.1
Direct Cost Programs:	Parks	242,287	1.8
	Storm Drains	86,902	0.6
	Street Maintenance	52,835	0.4
	Traffic&Safety	31,895	0.2
	Water Utility	644,183	5.2
	Wastewater Utility	965,852	7.7
		7,643,751	60.26

Table 3: Internal Service Funds Cost Driver Rate Table

Rate Table				
ISFs	Cost	Driver	Total Driver	Rate
Facilities				
Personnel Cost	\$ 93,568			
Non-Personnel Cost	101,500			
Long Term Funding Plan	-	\$ 195,068	Square footage	68,926 \$ 2.83
Information Tech				
Personnel Cost	\$ 92,792			
Non-Personnel Cost	348,198			
Long Term Funding Plan	-	\$ 440,990	Workstations	169 \$ 2,609
Fleet				
Personnel Cost	\$ 131,076			
Non-Personnel Cost	253,600			
Long Term Funding Plan	-	\$ 384,676	Fleet Vehicles	60 \$ 6,411
Total Indirect Costs		\$ 1,020,734		

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

Table 4: Internal Service Funds Allocation to Programs

	Summary of ISF Allocation							Total Allocation
	Facilities		Info Tech		Fleet			
	Sq Ft	Allocation	Work-stations	Allocation	Fleet Value %	Allocation		
Direct Programs								
Police/Fire Department	24,319	68,826	68.4	178,416	34%	129,924	377,166	
Community Development	2,140	6,056	12.9	33,663	0%	-	39,719	
Parks	21,003	59,441	5.0	13,047	3%	12,902	85,389	
Storm Drains	-	-	2.0	5,219	2%	6,435	11,653	
Street Maintenance	-	-	2.0	5,219	11%	42,547	47,766	
Street Traffic & Safety	-	-	-	-	2%	6,180	6,180	
Water Enterprise	-	-	5.2	13,465	15%	58,348	71,814	
Wastewater Enterprise	-	-	14.2	37,030	30%	116,994	154,024	
Indirect Programs								
City Council	2,786	7,885	18.1	47,129	0%	-	55,013	
City Attorney	-	-	-	-	0%	-	-	
City Administration	5,884	16,653	2.6	6,733	3%	11,346	34,732	
Corporation Yard	7,980	22,584	10.4	27,010	0%	-	49,595	
Human Resources	535	1,514	2.6	6,733	0%	-	8,247	
City Clerk	535	1,514	5.2	13,465	0%	-	14,979	
Financial Management	1,070	3,028	11.6	30,297	0%	-	33,325	
Utility Billing	1,070	3,028	1.3	3,366	0%	-	6,394	
PW Administration	1,605	4,542	7.7	20,198	0%	-	24,740	
Totals	68,926	\$ 195,068	169	\$ 440,990	100%	\$ 384,676	\$ 1,020,734	

Table 5: Rate Table

Rate Table						
Indirect Programs	Cost	Total Cost	Driver	Total Driver	Rate	
City Council						
Personnel Cost	\$ 220,352					
Non-Personnel Cost	56,800					
Facilities	7,885					
IT	47,129					
Fleet	-	\$ 332,166	Agenda Items	393	\$	845
City Attorney						
Personnel Cost	660					
Non-Personnel Cost	150,000					
Fleet	-	\$ 150,660	Agenda Items	393	\$	383
City Clerk						
Personnel Cost	128,911					
Non-Personnel Cost	11,500					
Facilities	1,514					
IT	13,465					
Fleet	-	\$ 155,390	Agenda Items	393	\$	395
Human Resources						
Personnel Cost	125,790					
Non-Personnel Cost	41,750					
Facilities	1,514					
IT	6,733					
Fleet	-	\$ 175,786	Full Time Equivalent staffing	45.39	\$	3,873
City Administration						
Personnel Cost	162,257					
Non-Personnel Cost	26,700					
Facilities	16,653					
IT	6,733					
Fleet	11,346					
Program Income	(88,916)	\$ 134,773	Operating Budget	9,002,919		1%
Non-departmental						
Personnel Cost	407,270					
Non-Personnel Cost	619,067					
Program Income	-	\$ 1,026,337	Operating Budget	9,002,919		11%
Financial Management						
Personnel Cost	476,026					
Non-Personnel Cost	55,193					
Facilities	3,028					
IT	30,297					
Program Income	(203,581)	\$ 360,963	Operating Budget	9,002,919		4%
Utility Billing						
Personnel Cost	197,383					
Facilities	-					
IT	3,366					
Fleet	-	\$ 200,750	Bills Processed	73,140	\$	2.74
PW Administration						
Personnel Cost	176,388					
Non-Personnel Cost	9,400					
Facilities	4,542					
IT	20,198					
Program Income	(85,000)	\$ 125,528	PW Operating Budget	4,223,558		3%
Corp Yard						
Personnel Cost	26,160					
Non-Personnel Cost	11,675					
Facilities	22,584					
IT	27,010					
Fleet	-	\$ 87,430	PW Operating Budget	4,223,558		2%
Total Indirect Costs		\$ 2,749,783				

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		Non-departmental	
	Agenda Items	Allocation	Agenda Items	Allocation	Agenda Items	Allocation	Full time Equivalent staffing	Allocation	Operating Budget	Allocation	Operating Budget	Allocation
Police/Fire Department												
Indirect Cost Allocation	53	44,541	53	20,202	53	20,837	24.3	94,282	4,158,404	62,251	4,158,404	474,060
Community Development Department												
Indirect Cost Allocation	82	69,052	82	31,320	82	32,303	5.1	19,585	620,957	9,296	620,957	70,789
Parks												
Indirect Cost Allocation	36	30,173	36	13,685	36	14,115	1.8	7,161	367,477	5,501	367,477	41,892
Storm Drains												
Indirect Cost Allocation	34	28,482	34	12,919	34	13,324	0.6	2,390	114,556	1,715	114,556	13,059
Street Maintenance												
Indirect Cost Allocation	40	33,553	40	15,219	40	15,697	0.4	1,407	217,601	3,257	217,601	24,807
Street Traffic & Safety												
Indirect Cost Allocation	39	32,708	39	14,835	39	15,301	0.2	866	111,575	1,670	111,575	12,720
Water Enterprise												
Indirect Cost Allocation	44	36,813	44	16,697	44	17,222	5.2	20,106	1,240,797	18,575	1,240,797	141,451
Wastewater Enterprise												
Indirect Cost Allocation	42	35,123	42	15,931	42	16,431	7.7	29,988	2,171,554	32,508	2,171,554	247,558
Total	367	\$ 310,445	367	\$ 140,809	367	\$ 145,229	45.39	\$ 175,786	\$ 9,002,919	\$ 134,773	\$ 9,002,919	\$ 1,026,337

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

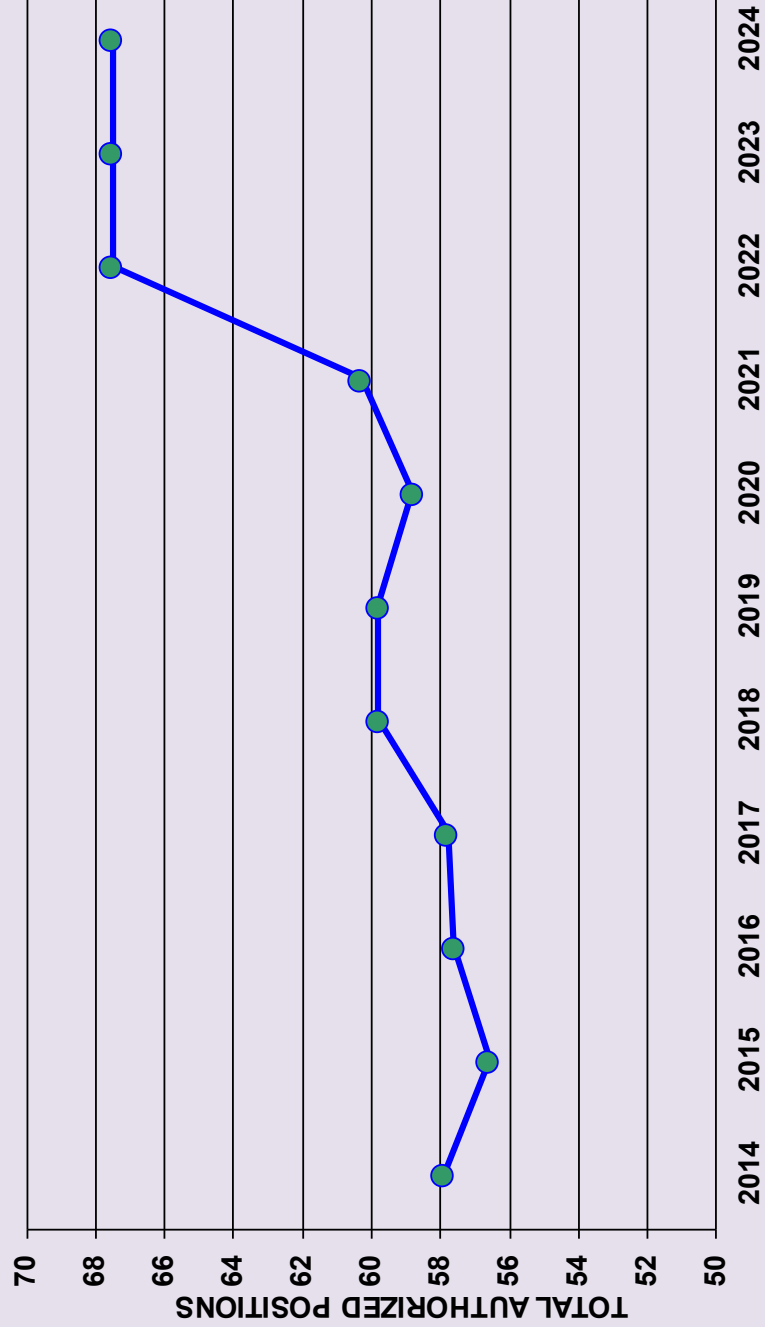
Summary of Indirect Cost Allocation											
Direct Programs	Financial Management		Utility Billing		Corp Yard		PW Administration		Total Indirect Cost	Full Cost	
	Operating Budget	Allocation	Bills Processed	Allocation	PW Operating Budget	Allocation	PW Operating Budget	Allocation			
Police/Fire Department											
Indirect Cost Allocation	4,158,404	166,727	-	-	-	-	-	-	882,901	5,041,305	
Community Development Department											
Indirect Cost Allocation	620,957	24,897	-	-	-	-	-	-	257,242	878,198	
Parks											
Indirect Cost Allocation	367,477	14,734	-	-	367,477	7,607	367,477	10,922	138,183	505,659	
Storm Drains											
Indirect Cost Allocation	114,556	4,593	-	-	114,556	2,371	114,556	3,405	79,887	194,442	
Street Maintenance											
Indirect Cost Allocation	217,601	8,725	-	-	217,601	4,504	217,601	6,467	109,132	326,733	
Street Traffic & Safety											
Indirect Cost Allocation	111,575	4,473	-	-	111,575	2,310	111,575	3,316	85,890	197,465	
Water Enterprise											
Indirect Cost Allocation	1,240,797	49,749	33,888	93,013	1,240,797	25,685	1,240,797	36,878	430,504	1,671,301	
Wastewater Enterprise											
Indirect Cost Allocation	2,171,554	87,066	39,252	107,736	2,171,554	44,952	2,171,554	64,541	636,882	2,808,436	
Total	\$ 9,002,919	\$ 360,963	\$ 73,140	\$ 200,750	\$ 4,223,558	\$ 87,430	\$ 4,223,558	\$ 125,528	\$ 2,620,620	\$ 11,623,539	

TEN-YEAR AUTHORIZED PERSONNEL COMPARISON

	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	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
General Government													
Administrative Services	4.80	4.00	4.00	4.00	4.50	4.50	5.00	5.00	5.00	5	7	7	5
IT	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00	1	1	2	2
Finance Department	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.5	5	5	5
Sub-Total	8.80	10.00	10.00	10.00	10.50	10.50	11.00	11.00	10.00	10.50	13.00	14.00	12.00
Public Safety													
Police Department	21.00	21.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22	26	25	25
Sub-Total	21.00	21.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	26.00	25.00	25.00
Community Services													
Community Development	3.80	3.80	4.30	4.00	4.30	4.50	4.80	4.80	3.00	4	4	4	4
Public Works	12.60	12.60	13.60	12.60	12.80	12.80	14.00	14.00	15.80	15.8	15.5	15.5	17
Enterprise Funds	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8	9	9	9
Sub-Total	24.40	24.40	25.90	24.60	25.10	25.30	26.80	26.80	26.80	27.80	28.50	28.50	30.00
Total Authorized Positions	54.20	55.40	57.90	56.60	57.60	57.80	59.80	59.80	58.80	60.30	67.50	67.50	67.00

- 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
- Note 4: FY 2014/15 reflects reclassification of the Housing & Economic Development Coordinator to full
- Note 5: FY 2015/16 reflects the authorization of a part-time Grants Assistant in Community Development, a part-time AI 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 posi
- Note 9: FY 2017/18 reflects the increase of the Grants Assistant position from
- Note 10: FY 2017/18 reflects the increase of the AV Technician position from 1
- 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 2023/24 ARTICLE XIIB 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 2023, 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 FY 2023/24 is:

- The population change at January 1 of the previous year for the County is <-0.53> and for the City is <0.93%>. 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 4.44%.

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

$$\frac{4.44 + 100.00}{100.00} \times \frac{\text{<0.93%>} + 100.00}{100.00} = 1.03429$$

Applying this year’s factor to last year’s limit of \$11,130,495 the appropriations limit for FY 2023/24 is \$11,512,169. With appropriations subject to the limitation totaling approximately \$7,302,673 the City of Fort Bragg is not at risk of exceeding the Gann Limit.

**City of Fort Bragg Appropriation Limit
Applied to FY 23/24 Budget**

Proceeds of Taxes

Property & Other Taxes

Property Taxes	\$	1,100,167
Sales & Use Taxes, Prop 172 Taxes		1,959,500
Transient Occupancy Taxes		3,242,118
Franchise Taxes		692,277
Transfer Taxes		50,090
Business License Taxes		211,708
		211,708
Subtotal - Taxes		7,255,860

Proceeds of Non Taxes

Licenses & Permits		94,293
Fines & Forfeitures		25,100
Use of Money & Property (less interest earned)		90,000
Intergovernmental		716,362
Charges for Services		3,422,965
Other Revenues		20,200
		20,200
Subtotal - Non Taxes		4,368,920

Total Non-Taxes & Taxes **11,624,780**

Allocate Interest Based on Ratios

Non Taxes (33%)		28,187
Taxes (67%)		46,813
		46,813
Total Interest		75,000

Total Revenue **\$ 11,699,780**

FY 2023/24 Appropriations Limit		11,512,169
Less Proceeds of Taxes		7,302,673
		7,302,673
Under Maximum Appropriation Limit		\$ 4,209,496