



**CITY OF
FORT BRAGG**

Fiscal Year
2024
Adopted Budget



**BUDGET
SUMMARY**

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 adopted 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 Adopted Budget allocates funds to emergency reserves and operating reserves to combat some estimated declines in the General Fund’s top revenue categories.

Furthermore, the Adopted 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 (15%-20%)	✓
5	Provide funding for Recession/Emergency Reserves (10%)	✓
6	Provide Cost of Living Adjustment to Staff	✓

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

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

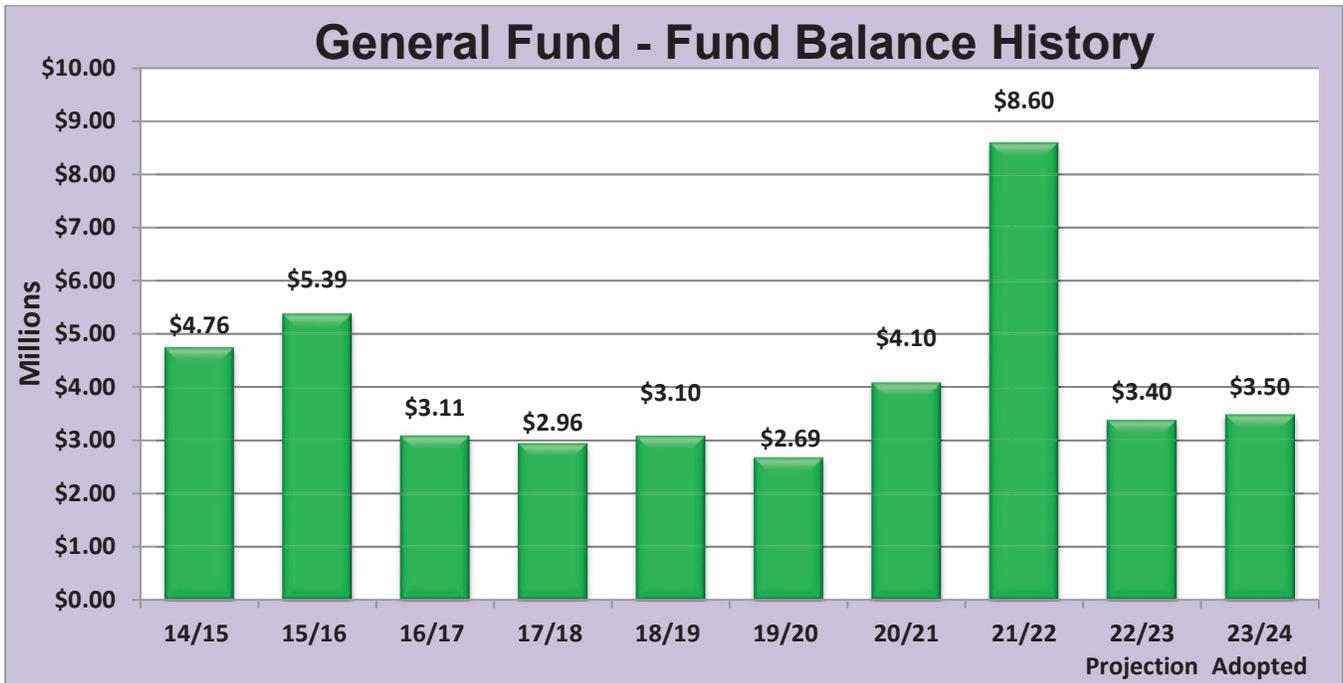
Although the General Fund will enjoy a balanced budget for FY 2024, the City remains focused on enhancing General Fund revenue streams and controlling costs in future years. The City has taken significant strides to address its CalPERS unfunded liability in FY 2022 by restructuring the debt and adopting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

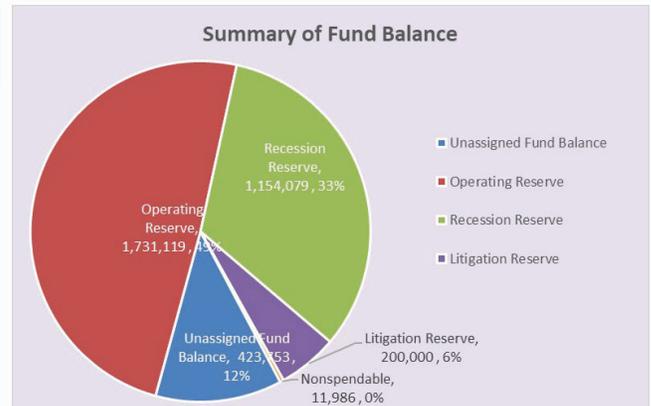
GENERAL FUND RESERVES

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**.

	ADOPTED FY 2023/24
Total General Fund Balance	\$ 3,520,937
Less Nonspendable (Inventory, etc.)	11,986
Less Committed Reserves (Set by Council Resoluti	
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.

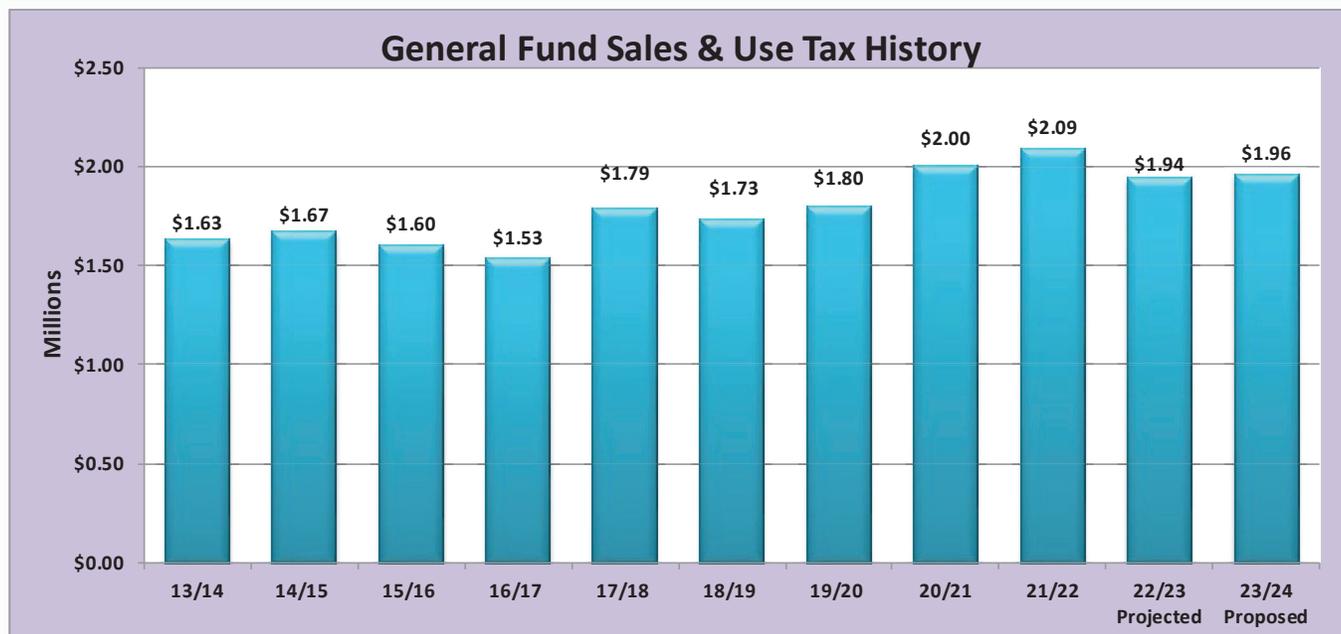
The FY 2022/23 Adopted Budget was based on a conservative outlook for the City’s significant tax revenue and limited information on how the economy would respond to the social and business restrictions due to the pandemic and the emergence of variants like the omicron variant in 2021. Consequently, some 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
SUMMARY OF REVENUES BY CATEGORY
FY 2020/21 THROUGH FY 2023/24**

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 ADOPTED 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

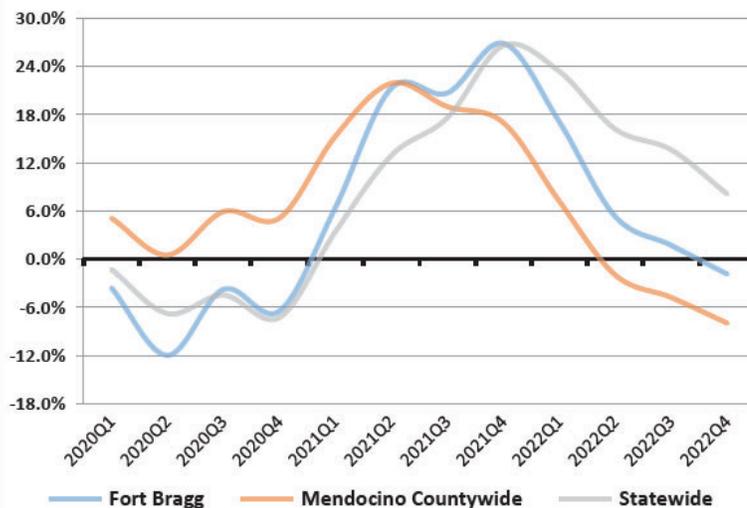
Sales tax revenue generally coincides with the overall strength of the local, regional, and the national economy. The City's Sales Tax projections in FY 2023 were that revenues would end the fiscal year at \$2.1 million, down 2% from the prior year's result, as the Federal Reserve has increased interest 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 Adopted 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.

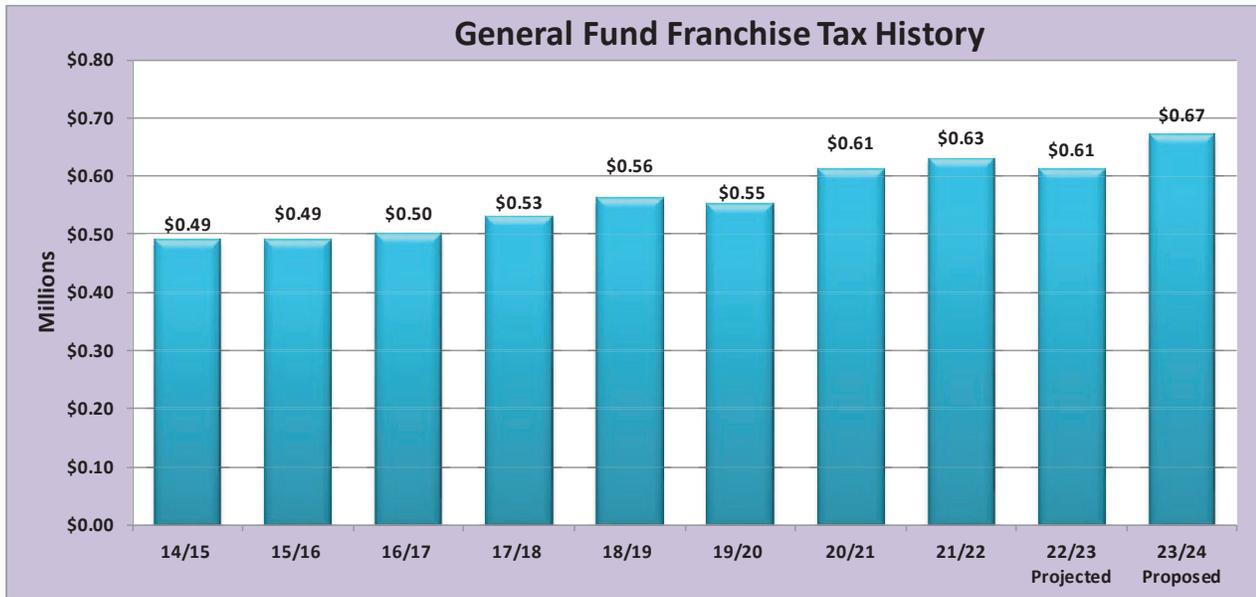
According to Zillow, as of April 2023, median home values were \$504k in the 95437 zip code, down 8.4% from the past year, with 82 residential home sales down from 129 units sold in the first three quarters of the fiscal year. The single family median home prices in the 95437 zip code have decreased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

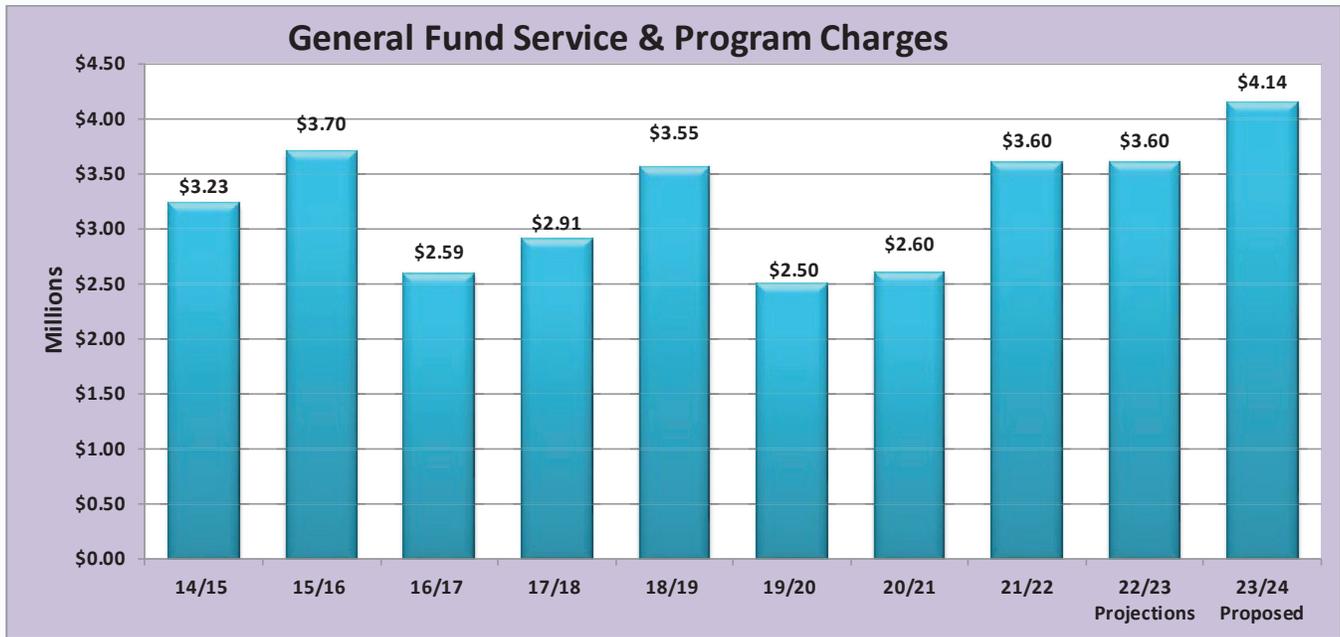
Franchise tax revenue consists of taxes on three franchise operations in Fort Bragg: electric, cable television, and solid waste disposal. The State sets electric utility tax rates that equal 0.5% of gross annual revenues and 5% of gross cable television revenues from within the City. The City established 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 ADOPTED
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 adopted 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.

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

	FY 2020/21	FY 2021/22	FY 2022/23	FY 2022/23	FY 2023/24	%
	FYE	FYE	AMENDED	FYE	ADOPTED	%
	AUDITED	AUDITED	BUDGET	PROJECTED	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) adopted 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 adopted 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 adopted 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 adopted 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

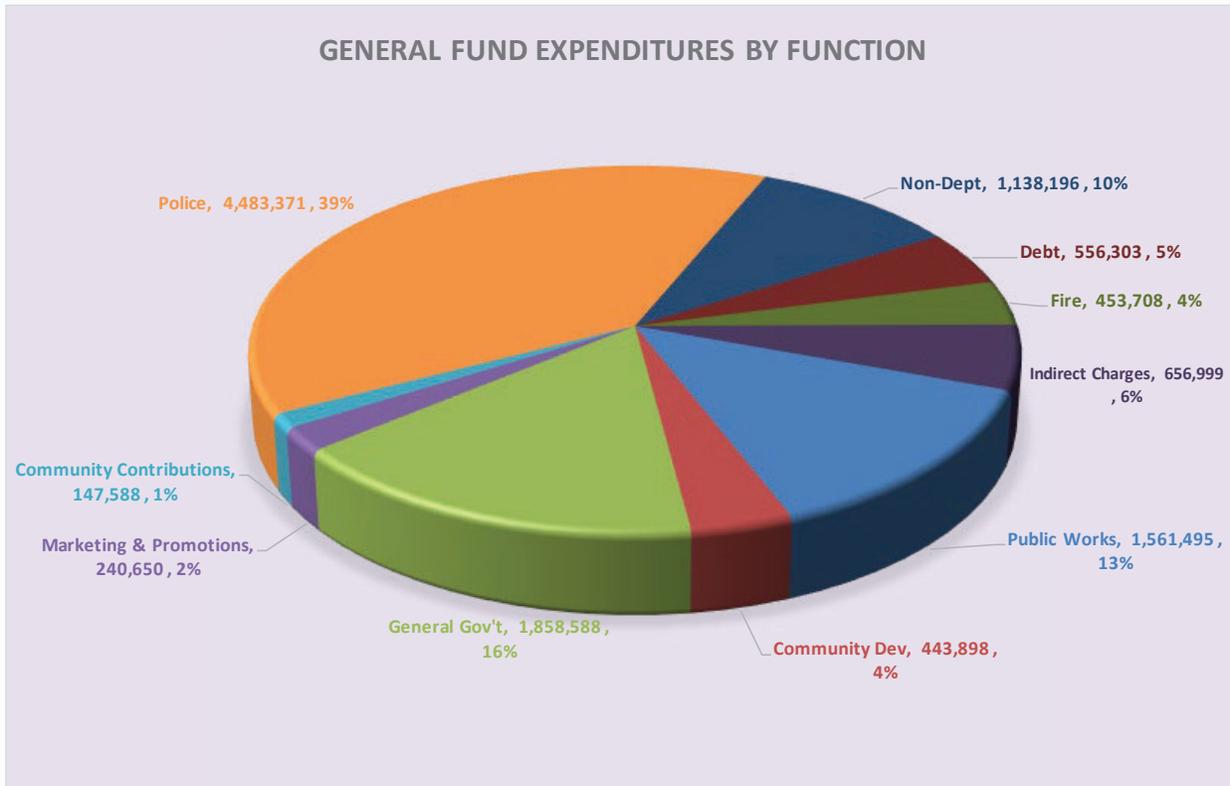
**GENERAL FUND
EXPENDITURES BY FUNCTION/PROGRAM
FY 2020/21 THROUGH FY 2023/24**

	FY 2020/21 FYE AUDITED	FY 2021/22 FYE AUDITED	FY 2022/23 AMENDED BUDGET	FY 2022/23 FYE PROJECTED	FY 2023/24 ADOPTED 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 ADOPTED 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

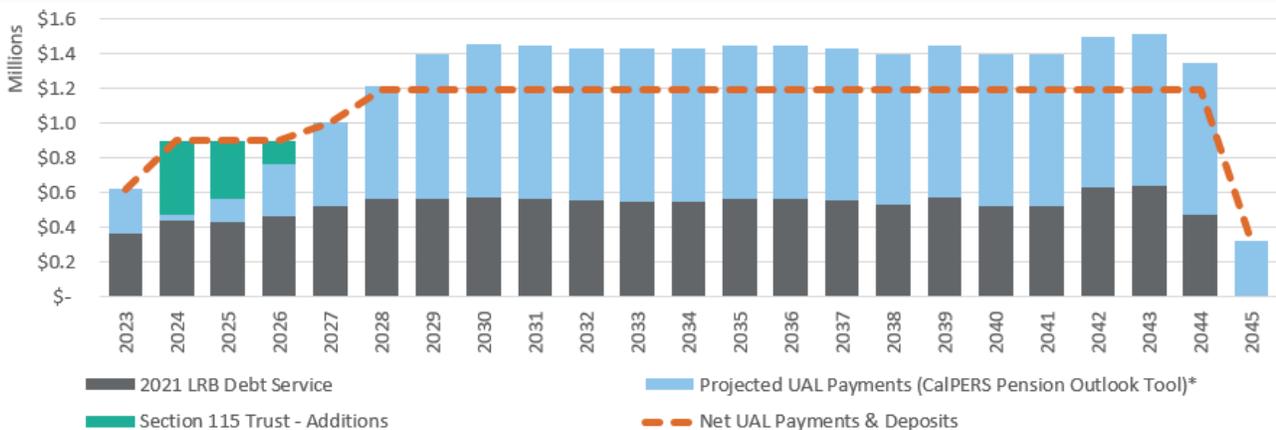
years. The Adopted Budget includes a 3% cost of living adjustment for the Fort Bragg Police Association employees and 2% for other City Staff including Executive's and Mid-Managers. The compensation study undertaken by Regional Government Services (RGS) in FY 2022, found that the City Clerk and Operations 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 adopted to increase by 5% in addition to the COLA increase.

Additionally, the Adopted 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 adopted 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)



**CITY OF
FORT BRAGG**

Fiscal Year
2024
Adopted Budget



**LONG-TERM
FINANCIAL PLAN**

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.

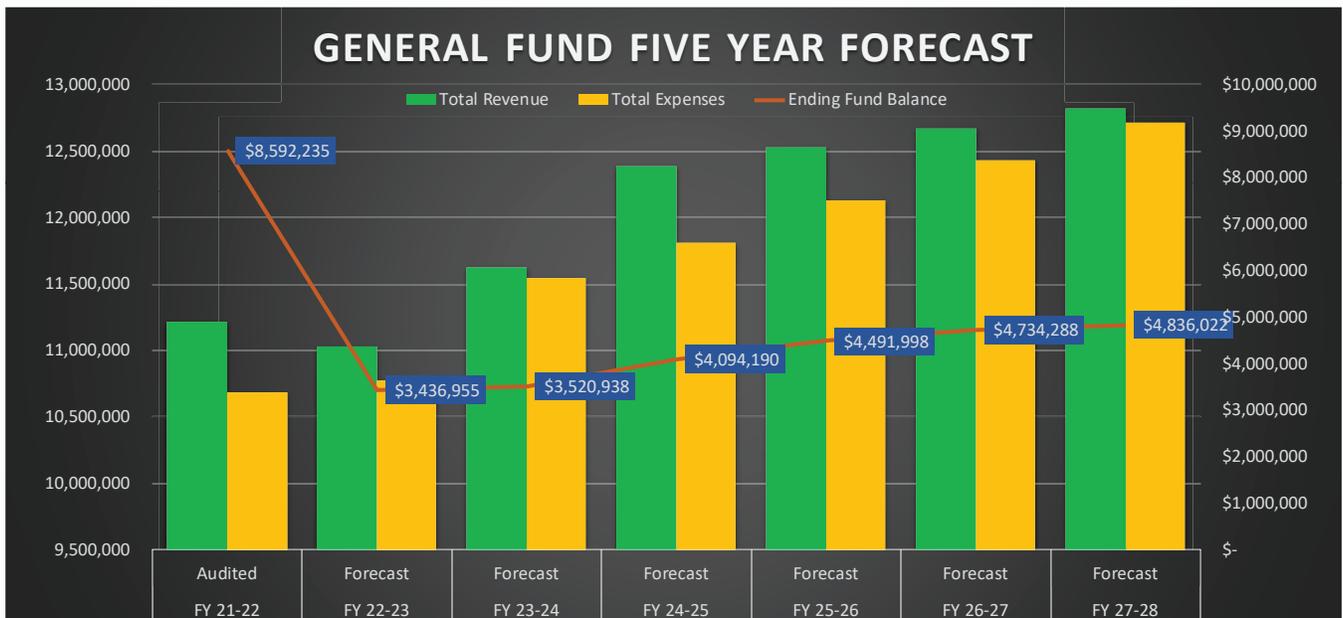
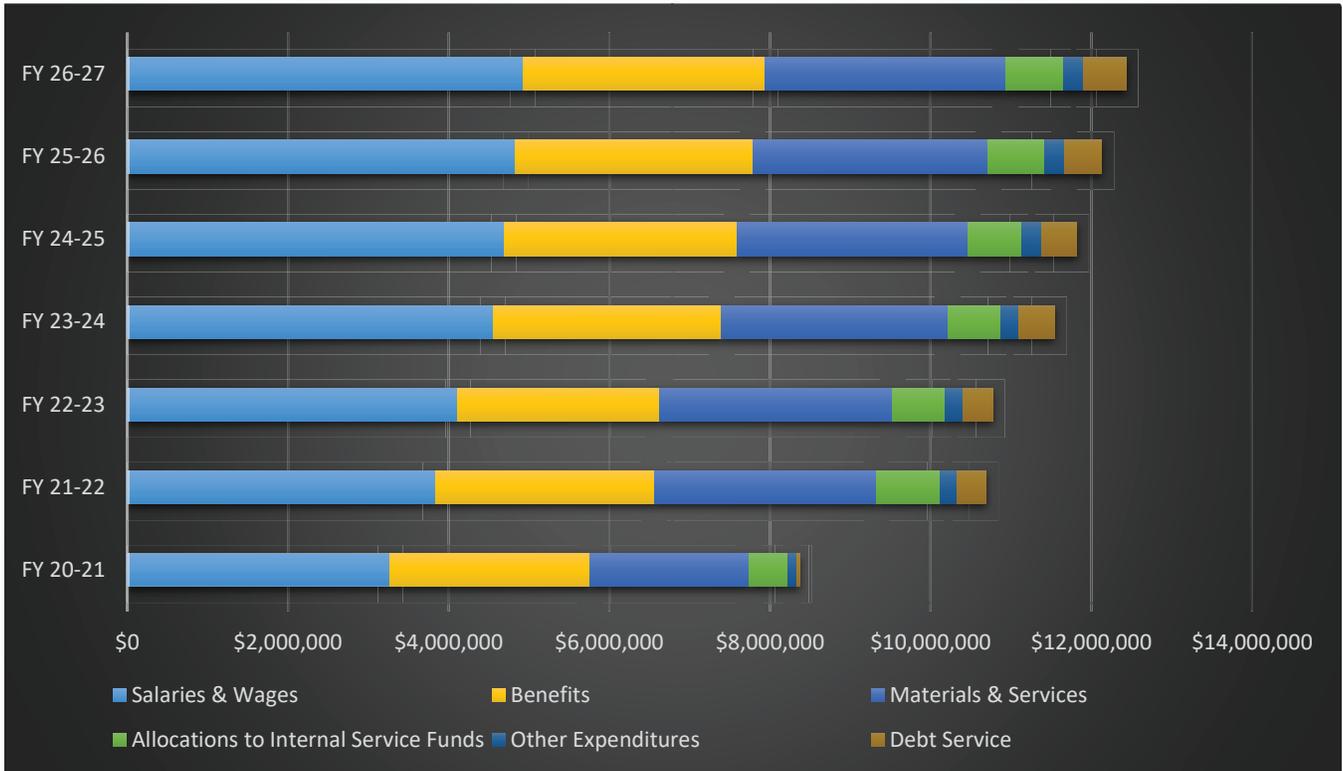
Long-term financial planning is an important tool used to help maintain ongoing financial sustainability and helps governments provide consistent services to their citizens. It is important to keep in mind that no one has a crystal ball and can predict the future with complete accuracy. However, the 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	\$ 8,822,860	\$ 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
3/8 cent General Sales Tax \$750k/yr.	\$ 4,184,215	\$ 4,920,671	\$ 5,908,207	\$ 6,727,002	\$ 8,049,763	\$ 9,223,313	\$ 10,268,495	\$ 11,201,222



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		Net
	In	Out	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)

Fund Type/Name	Transfers		Net
	In	Out	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
	Parks	242,287	1.8
Direct Cost Programs:	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	Allocation	Bills Processed	Allocation	PW Operating Budget	Allocation	PW Operating Budget		
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
Storm Drains										
Indirect Cost Allocation	114,556	4,593	-	-	-	114,556	2,371	114,556	3,405	79,887
Street Maintenance										
Indirect Cost Allocation	217,601	8,725	-	-	-	217,601	4,504	217,601	6,467	109,132
Street Traffic & Safety										
Indirect Cost Allocation	111,575	4,473	-	-	-	111,575	2,310	111,575	3,316	85,890
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

TEN-YEAR AUTHORIZED STAFF POSITION 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	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:

$$\frac{4.44 + 100.00}{100.00} \times \frac{\langle 0.93\% \rangle + 100.00}{100.00} = 1.03429$$

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
Subtotal - Taxes		<u>7,255,860</u>

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
Subtotal - Non Taxes	<u>4,368,920</u>

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

Allocate Interest Based on Ratios

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

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

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