



**CITY OF  
FORT BRAGG**

# **Fiscal Year 2024 Adopted 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.







# CITY OF FORT BRAGG

FY 2023/24

## ADOPTED 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
<b>General Fund</b>										
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
110	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
	<b>Total General Fund excluding Committed Funds</b>	<b>8,592,235</b>	<b>11,030,280</b>	<b>12,905,553</b>	<b>(551,224)</b>	<b>3,436,953</b>	<b>11,624,780</b>	<b>11,540,795</b>	<b>-</b>	<b>3,520,937</b>
<b>Special Revenue Funds, Restricted***</b>										
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 AB1913 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 Pymt	269				269				269
221	Highway User Tax (Gas Tax)		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				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
	<b>Total Special Rev Funds, Restricted</b>	<b>3,743,692</b>	<b>1,730,610</b>	<b>935,029</b>	<b>46,655</b>	<b>4,585,929</b>	<b>3,488,738</b>	<b>1,086,315</b>	<b>(4,117,980)</b>	<b>2,870,372</b>
<b>Special Revenue Funds, Grants***</b>										
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)	1,200,277	429,834	(750,877)	
334	2020 CDBG Grants	122,426	(15,924)	248,264	122,196					
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		
	<b>Total Special Rev Funds, Grants</b>	<b>1,359,409</b>	<b>2,376,293</b>	<b>1,173,226</b>	<b>(696,656)</b>	<b>1,865,821</b>	<b>13,433,066</b>	<b>1,063,896</b>	<b>(14,375,766)</b>	<b>(140,775)</b>

City of Fort Bragg FY2023/24 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	FY 2023/24 Budget Revenue	Appropriations	
<b>Capital Project Funds:</b>								
407	Coastal Trail Construction	13,408	-	-	-	-	13,408	-
408	2025 Pavement Preservation Project	-	-	-	-	230,000	-	230,000
415	Central Coastal Trail Construction	(18,675)	-	-	-	-	(18,675)	-
419	Bainbridge Park Improvements (Wiggly Giggly)	-	-	341,779	377,952	-	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
422	Rt 1 Pedestrian Access Improvements	-	-	-	-	-	-	-
423	Town Hall Bathroom and Window s	-	-	40,000	40,000	-	-	140,000
424	Main Street Fire Station Rehab	-	-	39,804	39,804	-	-	150,572
426	Municipal Broadband	-	-	103,500	103,500	-	-	2,120,191
427	City Facility Roof & Repairs	-	-	105,000	105,000	-	-	370,000
428	EV Charging Stations	-	-	-	-	232,951	-	232,951
	<b>Total Capital Project Funds</b>	<b>(105,267)</b>	<b>-</b>	<b>926,422</b>	<b>1,062,595</b>	<b>-</b>	<b>30,906</b>	<b>7,421,743</b>
<b>Internal Service Funds*</b>								
520	Facilities Maint & Repair	680,261	216,030	120,225	(345,000)	210,500	431,066	128,498
521	Technology Maint & Repair	106,728	612,223	619,644	-	618,972	99,307	708,636
522	Fleet & Equipment Services	(16,842)	459,000	838,205	183,630	484,513	(212,417)	472,580
	<b>Total Internal Service Funds</b>	<b>770,147</b>	<b>1,287,253</b>	<b>1,578,074</b>	<b>(161,370)</b>	<b>1,313,985</b>	<b>317,956</b>	<b>1,309,715</b>
<b>Enterprise Funds*</b>								
610	Water Enterprise O&M	94,934	2,966,560	2,707,412	-	3,009,060	354,082	2,673,136
640	Water Enterprise Capacity Fees	595,911	55,500	-	-	51,000	651,411	-
614	Water Enterprise Non-Routine Maintenance	15,262	300	-	-	100	15,562	-
612	Water Enterprise Recession Reserve	89,780	-	-	-	-	89,780	-
615	Water Enterprise Capital Reserve	6,159,409	50,000	-	(3,800,000)	10,000	2,409,409	(1,724,194)
661	Water Capital Projects	625,450	-	4,309,354	4,100,000	-	416,096	12,569,703
	<b>Total Water Enterprise Unrestricted Net Position</b>	<b>7,580,746</b>	<b>3,072,360</b>	<b>7,016,765</b>	<b>300,000</b>	<b>3,070,160</b>	<b>3,936,340</b>	<b>11,277,203</b>
710	Wastewater Enterprise O&M	(1,048,066)	3,451,140	2,427,118	184,850	3,496,756	160,806	2,603,726
720	Clean Water Education Fund	2,795	-	-	-	-	2,795	-
740	Wastewater Enterprise Capacity Fees	711,379	54,000	-	-	28,000	765,379	-
712	Wastewater Enterprise Recession Reserve	95,931	-	-	-	-	95,931	-
714	Wastewater Enterprise Non-Routine Maintenance	236,674	-	-	-	-	236,674	-
715	Wastewater Enterprise Capital Reserve	3,093,909	10,000	-	780,000	7,000	3,883,909	(1,345,267)
716	Wastewater Capital Projects	33,309	-	780,000	780,000	-	33,309	1,330,000
717	USDA Debt Service Reserve	3,518	-	-	-	-	3,518	-
	<b>Total Wastewater Enterprise Unrestricted Net Position before Debt</b>	<b>3,129,449</b>	<b>3,515,140</b>	<b>3,207,118</b>	<b>1,744,850</b>	<b>3,531,756</b>	<b>5,182,321</b>	<b>3,986,726</b>
717	JFPA - Wastewater Treatment Plant	(4,740,000)	-	184,850	184,850	-	(4,555,150)	185,010
810	CV Starr Enterprise	974,706	2,102,899	2,082,575	-	2,129,144	20,323	2,120,714
	CV Starr Operating Reserve	1,300,000	-	-	-	-	974,706	-
	CV Starr Capital Reserve	-	-	-	-	-	1,300,000	-
	CV Starr Enterprise Recession Reserve	-	-	-	-	-	-	1,686,226
812	Starr Center Enterprise Unrestricted Net Position	2,274,706	2,102,899	2,082,575	-	2,129,144	2,295,029	216,071
	<b>Total Enterprise Funds</b>	<b>12,984,901</b>	<b>8,690,399</b>	<b>12,491,309</b>	<b>300,000</b>	<b>8,731,061</b>	<b>6,856,540</b>	<b>11,376,703</b>
	<b>Total - All Funds</b>	<b>\$ 27,345,117</b>	<b>\$ 25,114,834</b>	<b>\$ 30,009,612</b>	<b>\$ 0</b>	<b>\$ 38,591,630</b>	<b>\$ 17,096,105</b>	<b>\$ 45,643,978</b>
175	Successor Agency to RDA	(3,079,811)	\$ 382,100	384,627	-	\$ 390,340	\$ (2,922,338)	377,757
	<b>Total Fiduciary Funds</b>	<b>(3,079,811)</b>	<b>382,100</b>	<b>384,627</b>	<b>-</b>	<b>390,340</b>	<b>(2,922,338)</b>	<b>377,757</b>

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

# 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.

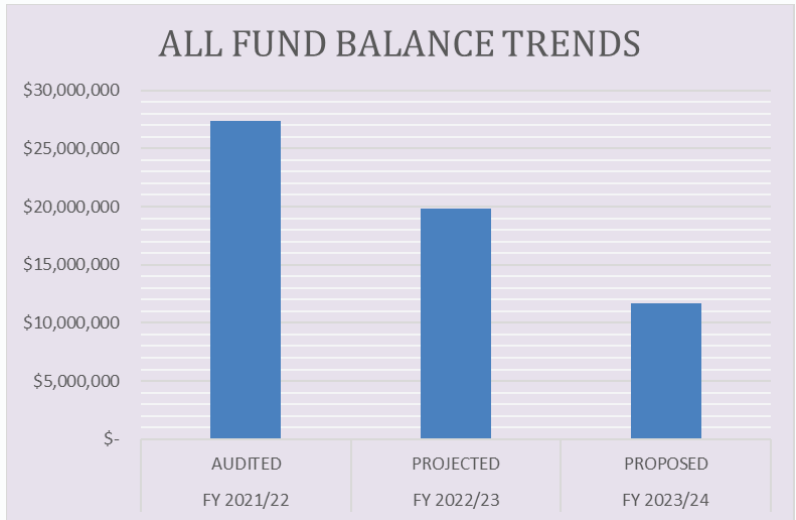
Throughout the budget document, reference is made to interfund transfers. An interfund transfer is a transfer of funds from one City fund to another City fund. These transfers appear as a resource in the fund receiving the transfer and as an appropriation in the fund that is sending the transfer. While 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

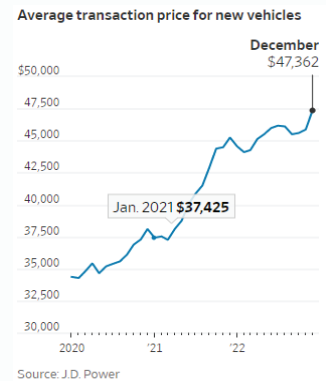
The FY 2024 projected all funds year-end fund balance is \$11.7 million, down from the FY 2023 balance of \$19.8 million. Of this balance, the City has several reserves, as noted below. These reserves are committed in accordance with the City's Fund Balance & Reserve Policies which are intended to ensure 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 ADOPTED
Total All Funds Balance	\$ 10,654,992
<b>Less Nonspendable (inventory, etc.)</b>	11,986
<b>Less Restricted Reserves (externally enforceable)</b>	
Special Revenue Funds	2,870,372
Operating Grants	(140,775)
Debt Service Reserve	3,518
<b>Less Committed Reserves (Set by Council resolution)</b>	
General Fund Operating Reserve	1,731,119
Water Operating Reserve	944,166
CV Starr Operating Reserves	787,388
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)
<b>Unassigned/Unrestricted Balance</b>	<b>\$ 1,922,338</b>



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



## FUND BALANCE TRENDS

The City's all funds balance is likely to decrease in FY 2024 by approximately \$8.1 million. The adopted 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 adopted 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.



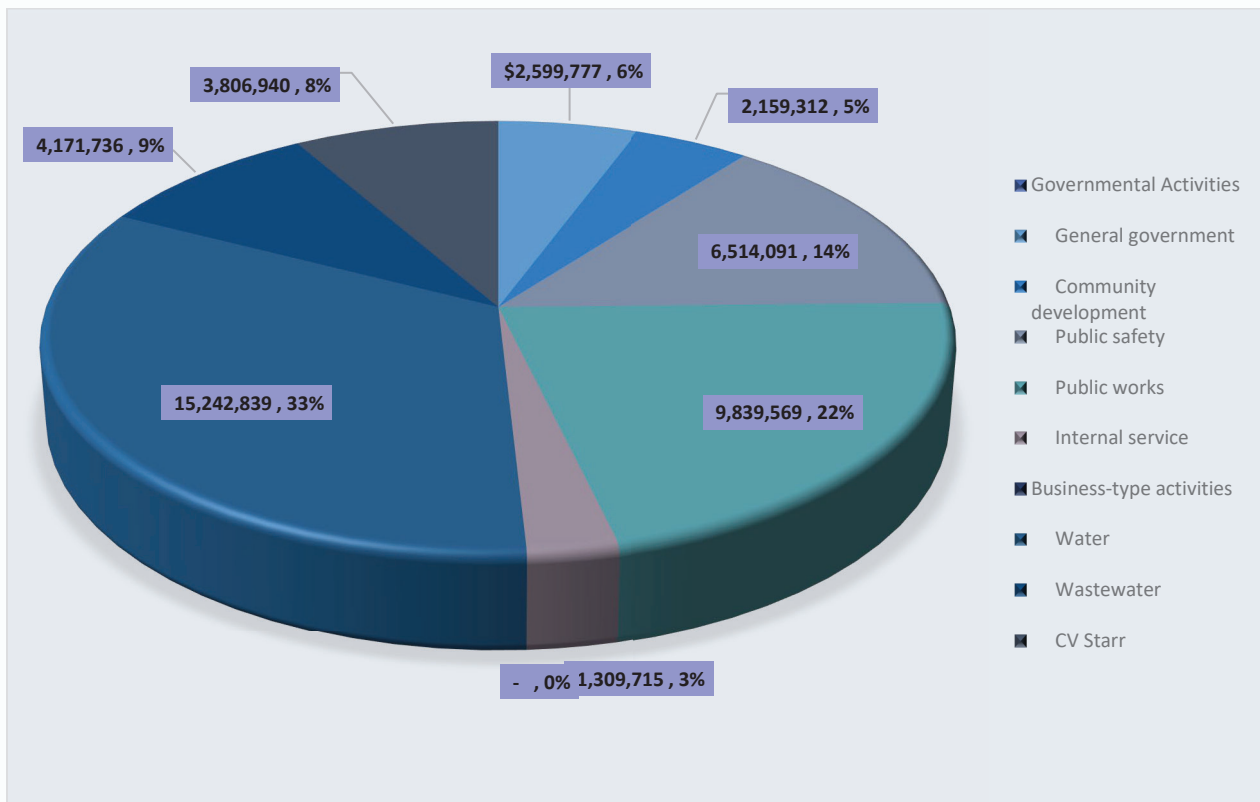
**ALL FUNDS**  
**DETAIL OF REVENUES BY FUND**  
**FY 2020/21 THROUGH FY 2023/24**

FUND	FY 2020/21 FYE AUDITED	FY 2021/22 FYE AUDITED	FY 2022/23 AMENDED BUDGET	FY 2022/23 FYE PROJECTED	FY 2023/24 ADOPTED BUDGET	% INCR/ -DECR
<b>General Fund</b>						
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%
<b>Total General Fund</b>	<b>9,881,040</b>	<b>11,216,969</b>	<b>11,338,472</b>	<b>11,030,280</b>	<b>11,624,780</b>	<b>5.4%</b>
<b>Water</b>						
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%
<b>Total Water</b>	<b>3,726,967</b>	<b>3,120,277</b>	<b>3,072,642</b>	<b>3,072,360</b>	<b>3,070,160</b>	<b>-0.1%</b>
<b>Wastewater</b>						
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%
<b>Total Wastewater</b>	<b>4,054,057</b>	<b>3,610,153</b>	<b>3,261,050</b>	<b>3,515,140</b>	<b>3,531,756</b>	<b>0.5%</b>
<b>Total Revenue - Operating Funds</b>	<b>17,662,064</b>	<b>17,947,400</b>	<b>17,672,164</b>	<b>17,617,780</b>	<b>18,226,696</b>	<b>3.5%</b>
<b>C.V. Starr Center</b>						
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%
<b>Total C.V. Starr Center</b>	<b>1,374,215</b>	<b>2,477,486</b>	<b>2,128,507</b>	<b>2,102,899</b>	<b>2,129,144</b>	<b>1.2%</b>
<b>Special Revenue &amp; Capital Project Funds</b>						
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
<b>Total Special Revenue &amp; Capital</b>	<b>7,054,112</b>	<b>6,404,029</b>	<b>14,466,669</b>	<b>4,106,903</b>	<b>16,921,804</b>	<b>312.0%</b>
<b>Subtotal</b>	<b>26,090,391</b>	<b>26,828,914</b>	<b>34,267,340</b>	<b>23,827,582</b>	<b>37,277,645</b>	<b>56.4%</b>
<b>Internal Service Funds</b>						
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%
<b>Total Internal Service Funds</b>	<b>630,845</b>	<b>1,053,265</b>	<b>1,082,470</b>	<b>1,287,253</b>	<b>1,313,985</b>	<b>2.1%</b>
<b>Subtotal before Transfers</b>	<b>26,721,237</b>	<b>27,882,179</b>	<b>35,349,811</b>	<b>25,114,834</b>	<b>38,591,630</b>	<b>53.7%</b>
Transfers	9,944,137	11,408,039	13,994,508	6,920,799	23,703,262	242.5%
<b>Total Revenue, All Funds</b>	<b>\$ 36,665,374</b>	<b>\$ 39,290,218</b>	<b>\$ 49,344,318</b>	<b>\$ 32,035,634</b>	<b>\$ 62,294,891</b>	<b>94.5%</b>

# 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 ADOPTED BUDGET	% INCR/ -DECR
<b>Governmental Activities</b>						
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%
<b>Business-type activities</b>						
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	4,171,736	23.1%
CV Starr	1,228,893	2,145,403	2,567,760	2,082,575	3,806,940	82.8%
<b>Fiduciary Activities</b>						
Fiduciary	228,240	225,062	386,475	384,627	377,757	-1.8%
<b>Subtotal</b>	<b>20,387,951</b>	<b>23,701,492</b>	<b>47,049,700</b>	<b>28,258,631</b>	<b>46,021,735</b>	<b>62.9%</b>
<b>Transfers Out</b>	9,944,137	11,408,039	13,994,508	6,920,799	23,702,812	242.5%
<b>TOTAL ALL FUNDS</b>	<b>\$ 30,332,088</b>	<b>\$ 35,109,531</b>	<b>\$ 61,044,207</b>	<b>\$ 35,179,431</b>	<b>\$ 69,724,547</b>	<b>98.2%</b>



## 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 adopted 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 adopted 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**

	FY 2020/21	FY 2021/22	FY 2022/23	FY 2022/23	FY 2023/24	%
	FYE	FYE	AMENDED	FYE	ADOPTED	INCR/ -DECR
ALL FUNDS	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	8,313,691	-7.8%
Capital	319,301	1,505,223	17,025,550	6,327,776	23,507,672	271.5%
Debt Service	286,121	380,966	1,420,083	1,445,764	1,081,393	-25.2%
Depreciation	780,562	790,001	-	-	-	0.0%
<b>Subtotal</b>	<b>18,237,831</b>	<b>20,318,575</b>	<b>44,761,718</b>	<b>25,982,018</b>	<b>43,385,033</b>	<b>67.0%</b>
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%
<b>Subtotal</b>	<b>20,387,951</b>	<b>23,701,492</b>	<b>47,049,700</b>	<b>28,258,631</b>	<b>46,021,735</b>	<b>62.9%</b>
Transfers Out	9,944,137	11,408,039	13,994,508	6,920,799	23,702,812	242.5%
<b>TOTAL ALL FUNDS</b>	<b>\$ 30,332,088</b>	<b>\$ 35,109,531</b>	<b>\$ 61,044,207</b>	<b>\$ 35,179,431</b>	<b>\$ 69,724,547</b>	<b>98.2%</b>

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