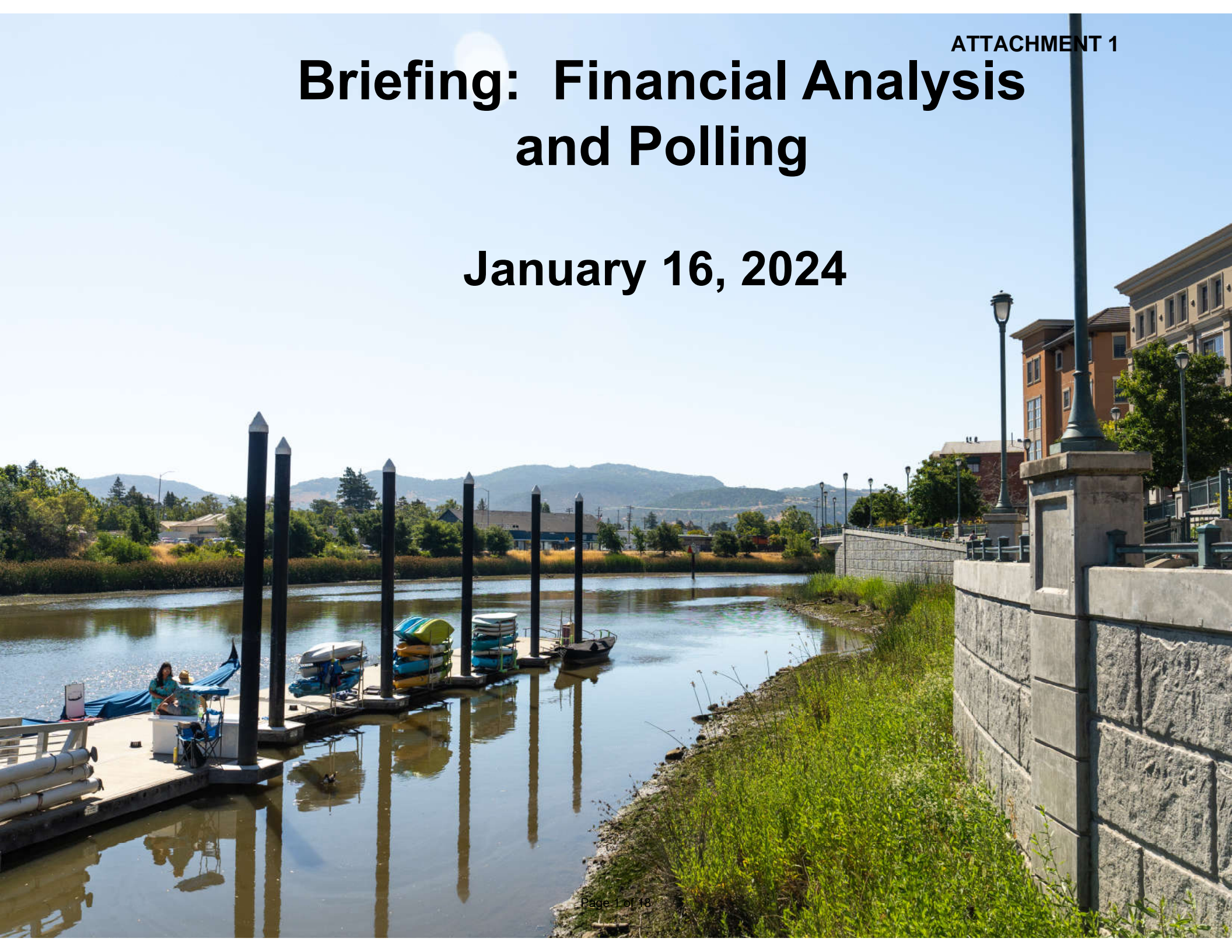


Briefing: Financial Analysis and Polling

January 16, 2024



Presentation Outline ^{ATTACHMENT 1}

Context:

- Projections for the City budget, services, and infrastructure projects
- Expenditures forecasted to outpace revenue

Briefing:

- Evaluation of revenue options and feasibility
- Data from research
- Measure of community support

Recommended Action:

- Direct staff to further explore tax measure through:
 - Communication & outreach
 - Tracking poll
- Returning to Council with additional information

City Council Priorities

ATTACHMENT 1



Fiscal Years
2023/2024
& 2024/2025

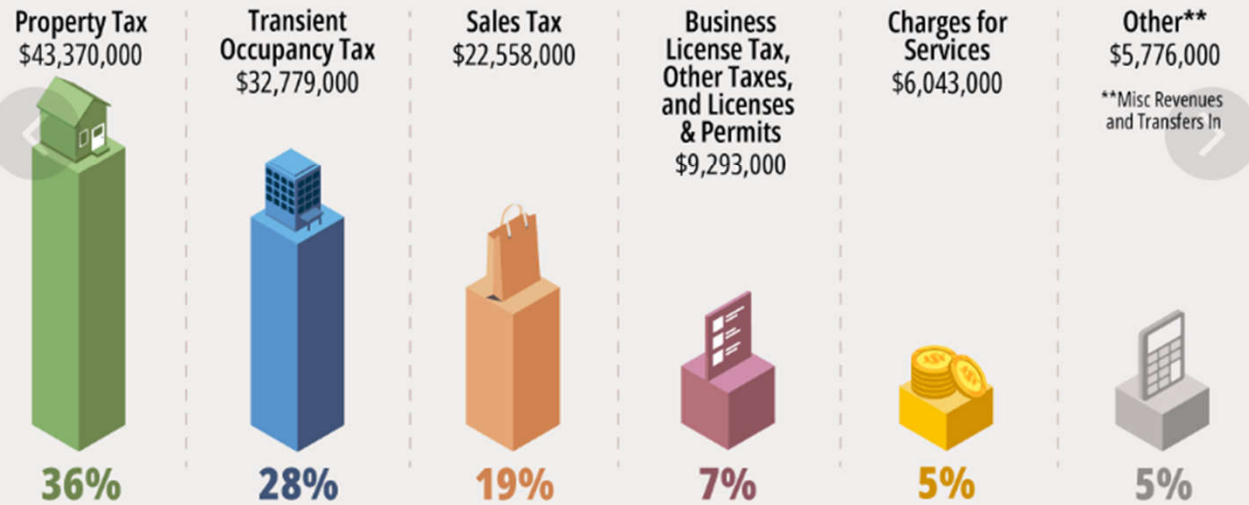
ATTACHMENT 1 City Budget Make-up (General Fund)

GENERAL FUND REVENUES (FY24)

Where does the city get its money?*

*Based on budgeted numbers, not actual

Updated October 2023



GENERAL FUND EXPENDITURES: \$122,130,840

How are the budget dollars distributed? (FY24)*

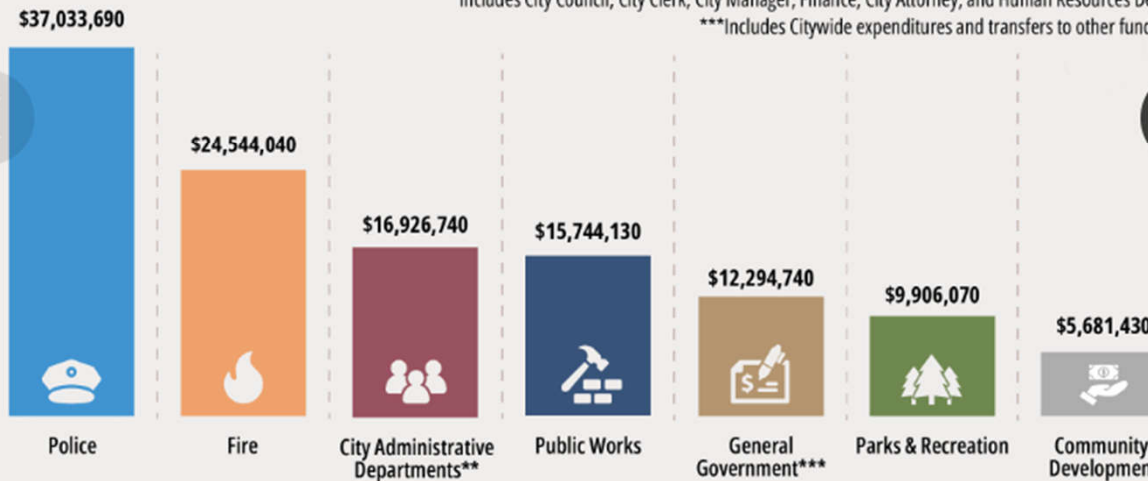
*Based on budgeted numbers, not actual

Updated October 2023



**Includes City Council, City Clerk, City Manager, Finance, City Attorney, and Human Resources Departments.

***Includes Citywide expenditures and transfers to other funds/reserves.

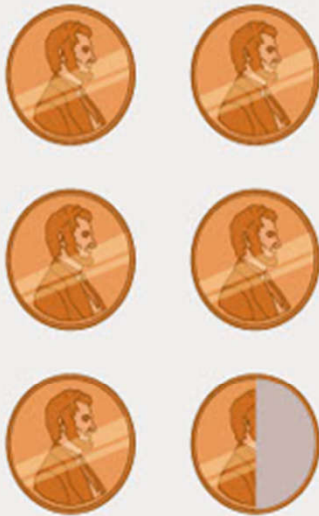


CITY OF NAPA SALES TAX

For every dollar you spend, you are taxed 7.75%



State
(5.5¢)



State Public
Safety
(0.50¢)



Distributed to the
Counties; Counties
distribute to Cities
for Public Safety.
Prop 172.

City of
Napa
(1¢)



County
Transportation
(0.25¢)



County
Measure T
(0.50¢)



City of Napa
receives 40.35%
of this.

Summary of General Fund Budget Projections

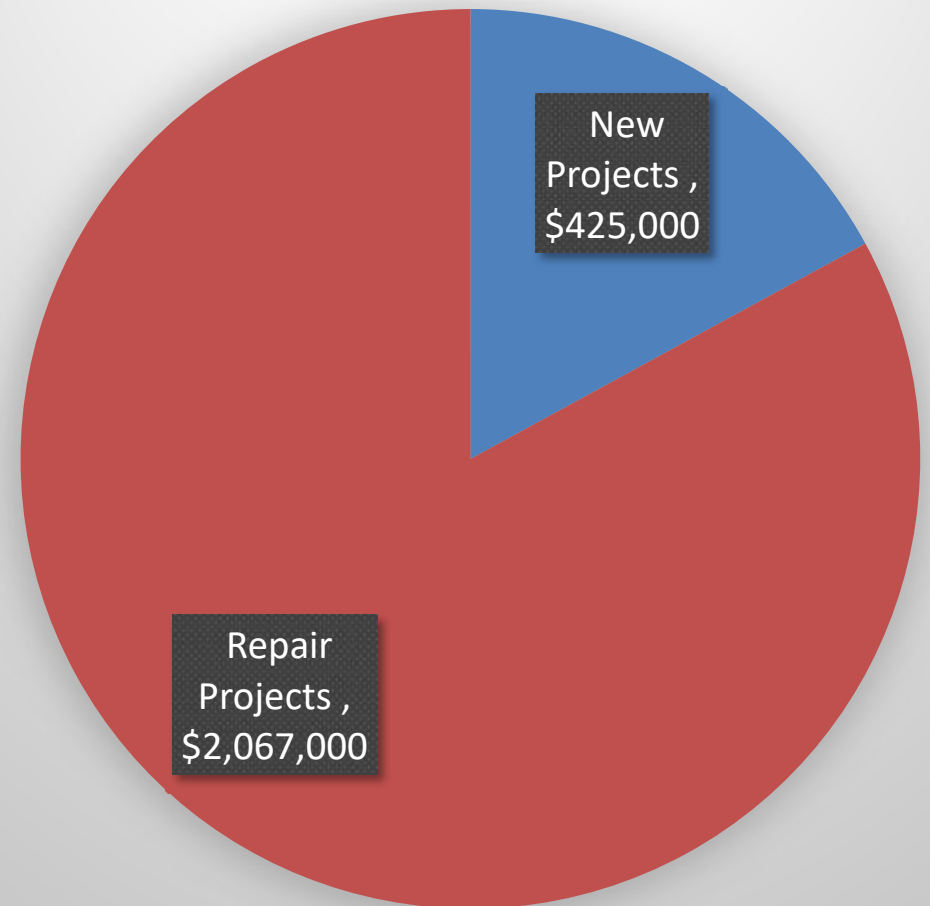
ATTACHMENT 1

- Modest growth in revenue projected
- Expenditures are increasing faster than revenues
- Result is a projected structural deficit would not allow for the City to maintain current service levels
- **Current** staffing levels and **current** service levels are anticipated to cost more than future projected revenues



Capital Improvement Program 2-Year Budget (General Fund)

- The general fund has very limited capacity for CIP projects
- Approximately 1% of the general fund is programmed for general City projects
- \$2.49M total programmed over 2-years
- Over 80% of funding devoted to repairs (bridges, storm drains, parks)
- Less than 20% for new or community enhancement projects (Alston Park restroom and study for Oxbow pedestrian bridge)



Financial Analysis



In addition to continuing current service levels, there is community desire to increase programs, improve services, bolster staffing and to fund infrastructure projects—current revenue levels are projected to fall short of even the status quo level into the future



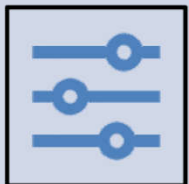
Evaluated potential options for increased revenue

Revenue amount generated

Allowable uses, restrictions

Voter approval requirements

Potential for community support



Options evaluated

Transient Occupancy Tax

Parcel Tax

Community Facilities

District (CFD)

Sales Tax

Summary of Findings

Transient Occupancy Tax (TOT)—each 1% increase yields approx. \$2.5M, paid by visitors, existing rate is high compared to other communities (15%)

Finding: would not generate sufficient funding, would be impactful for local business & not likely to gain support (requires 1/2+ voter approval)

Parcel Tax—paid on property tax bills, analysis reviewed uniform rate per parcel and uniform rate per square foot

Finding: the tax increase to reach even the minimum revenue targets is too high to be practical (requires 2/3+ voter approval)

Community Facilities District (CFD)—paid on property tax bills, reviewed rates for single and multi-family residential and commercial/industrial

Finding: the tax increase to reach even the minimum revenue targets is too high to be practical (requires 2/3+ voter approval)

General Sales Tax—1% increase yields approx. \$21M, existing rate of 7.75% among lowest in region, visitors contribute

Finding: funding level would support community and safety services, infrastructure and building projects (requires 1/2+ voter approval)

Local Sales Tax Measures—General & Special

General Sales Tax

- Cities may place on ballot
- Requires 50%+1 voter approval
- Statewide over 75% of measures passed since 2001
- Must be placed on ballot for general election (Nov.)
- Available for all governmental purposes at discretion of City Council
- Recommended option

Special Sales Tax

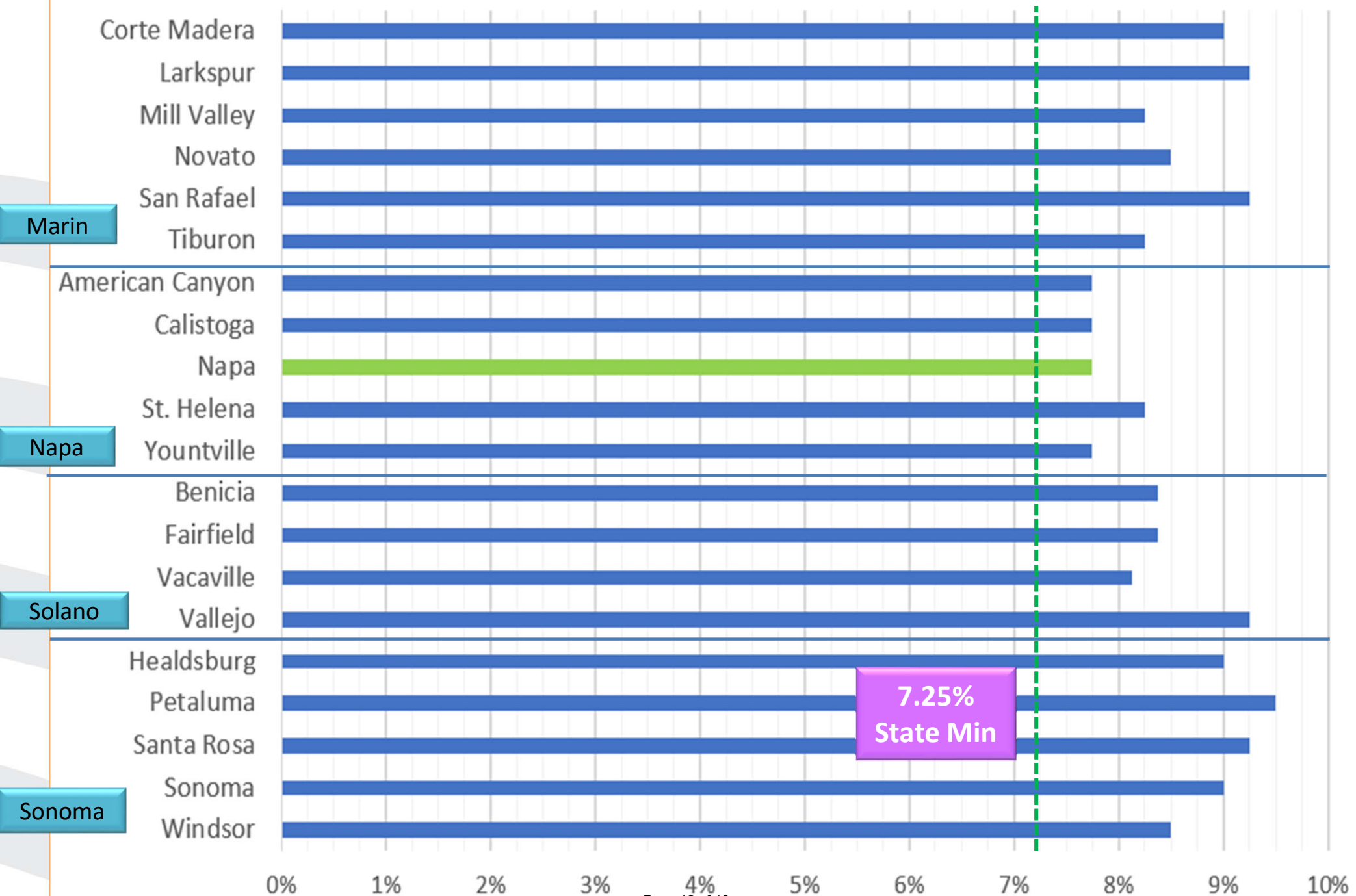
- Cities and special districts may place on ballot
- Requires 66.7% voter approval
- Statewide less than 50% of measures passed since 2001
- May be placed on any ballot (Special/ Primary/General)
- Must be spent on purposes in specifically defined expenditure plan on ballot

Statewide Results: Local General Sales Tax

ATTACHMENT 1

General Municipal Election	# of General Sales Tax Measures	Total # Passed by Voters	% of Measures Passed	Some of the Communities Voting for Approval
Nov 2022	47	34	72%	Sausalito, San Anselmo, Chico, Ontario, Pacifica, Tehachapi, Vallejo
Nov 2020	71	60	85%	Sonoma, Petaluma, Healdsburg, San Rafael, San Pablo, South Lake Tahoe, Concord, Orinda
Nov 2018	58	52	90%	Sebastopol, Santa Rosa, Alameda, Sacramento, Pasadena, Redwood City
Nov 2016	59	51	86%	St. Helena, Fairfield, Vacaville, Suisun City, Fairfax, Capitola

Sales Tax Rates (Marin, Napa, Solano & Sonoma Cities)



Polling

Purpose:

- Determine level of support for a local sales tax on the November 2024 ballot for investments in public safety, community infrastructure, and community services.

Process:

- Research firm prepared questionnaires and contacted a sample of likely registered voters by text, email, and phone.
- 25 minutes duration, conducted to measure level of support for a tax initiative and programs of most support.
- The methodology resulted in statistically valid response data.



Language from Polling



To protect and maintain funding for City of Napa services that the State cannot take such as:

- Repair potholes, streets/sidewalks;
- Water quality;
- Fire protection;
- Parks/recreation;
- Cleaning up encampments/abandoned vehicles;
- Connecting homeless residents to mental health services;
- 911 emergency response times;
- Senior and youth programs;
- Constructing essential public safety/city facilities; and
- General government use.

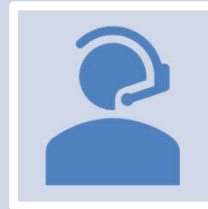
Shall the City of Napa measure be adopted levying a 1¢ sales tax, raising \$21 million dollars annually, until ended by voters, including yearly audits?



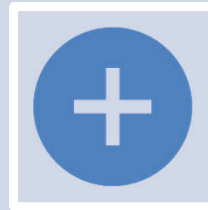
Polling Questionnaire

- Asked respondent how they would vote on the tax measure
- Listed various city services/programs, asked respondent if they would be more or less likely to support measure with specific service/program
- Statements of factual informational were provided and respondent asked a second time how they would vote on the tax measure
- Messages intended to provide critical views were provided and respondent asked a third time how they would vote on the tax measure

Polling Data



All 3 times the measure was read, more than 50% of respondents said they would definitely or probably vote yes



Positive starting point for potential future ballot measure



Most support garnered for services and operations related to a safe, clean, and healthy community

Expenditures: Critical Community Services and Infrastructure

ATTACHMENT 1



- At 1¢, approximately \$21M annually will be generated
- The general tax can support investments like:
 - Community infrastructure including streets, sidewalks, clean waterways, and parks
 - Public safety, emergency operations, and community center services and facilities
 - Youth and senior programs
- Expenditures can be phased to make significant community investments right away, and address long term needs

Steps to Date

- Financial analysis of options
- Voter polling
- Discussions with leadership of each employee bargaining group
- Provided employee briefing
- Initial discussions with several City partners
- Developed a draft communication plan

Recommended Action:

- Direct staff to:
 - Hold discussions with broad range of City stakeholders
 - Solicit feedback from community groups and partners
 - Conduct tracking poll to update measurement of community support
 - Prepare legal documents for proposed ballot measure
 - Return to Council in June 2024 with information for Council to consider placing the measure on the November 2024 ballot