



## Mid-Year Financial Report *As of January 31, 2025*

### **Introduction**

This Mid-Year Financial Report provides an analysis of the City's General Fund and Proprietary Fund revenues and expenditures for the first seven months of the 2024/25 fiscal year.

### **Management's Overview**

The City's budget for fiscal year 2024/25 was adopted by the City Council on June 20, 2023. The second year of the biennial budget was adopted with adjustments as a Mid-Cycle budget on June 4, 2024. The purpose of the mid-year financial report is to provide regular updates to the Council regarding revenue and expenditure trends to ensure the City Council has a strong understanding of the City's current financial condition. The numbers in this report are based on the FY 2024/25 revenues and expenditures through January 31, 2025. A discussion of the significant budget items is presented below.

This Mid-Year Report includes revenue adjustments to reflect current economic conditions, Staffing Plan updates, and Capital Improvement Plan updates. It additionally includes \$19.4 million of expenditure budget increases across all funds including transfers out. Recommended budget adjustments for Staffing Plan updates; Reallocation of 4 positions and deleting 1 Secretary for a net -1 FTE.

### **FY 2024/25 General Fund Budget Overview**

The FY 2024/25 budget as adopted at Mid-Cycle in June 2024 estimated revenues of \$129.6 million to fund expenditures of \$129.4 million. Budget adjustments and carryforwards in the first half of the fiscal year have updated operating revenues to \$130.6 million, and expenditures to \$132.1 million. Though the FY 2024/25 budget was balanced at adoption, the City Manager has authority to carry forward budget encumbrances (contracts & purchase orders) from one fiscal year to the next, so long as there is available fund balance from the prior fiscal year. \$1.7 million of budget encumbrances were carried forward from FY 2023/24 to FY 2024/25.

With consideration of actual receipts and the City's Sales Tax consultants, HdL Companies, provided projection, no adjustment for state sales tax is recommended. Transient Occupancy Tax grew strongly over calendar year 2022

and early 2023, declining significantly in FY 2023/24. Though less significant than that decline, actuals received for the first six months of FY 2024/25 are less than that period of FY 2023/24. It is projected that actuals for FY 2024/25 will come in under budget. Therefore, a minor budget decrease is recommended. In contrast, Property Tax revenue is performing strong and is still in line with projections provided by the City's Property Tax consultants, HdL Companies. Additionally, \$3.8 million of Excess ERAF was received in November 2024 of which \$3.0 million is budgeted within the General Government General budget in the General Fund. \$0.8 million remains in the Non-Recurring General Fund for one-time needs.

All revenue budgets were analyzed resulting in an overall increase. Increases are recommended for Business License Tax (\$1.4 million), Licenses and Permits (\$0.8 million), Charges for Services (\$0.8 million), and Investment Earnings (\$1.5 million). An adjustment decreasing Transient Occupancy Tax (\$0.6 million) is recommended. Overall, the recommended adjustments would result in an increase of \$4.0 million for General Fund revenues.

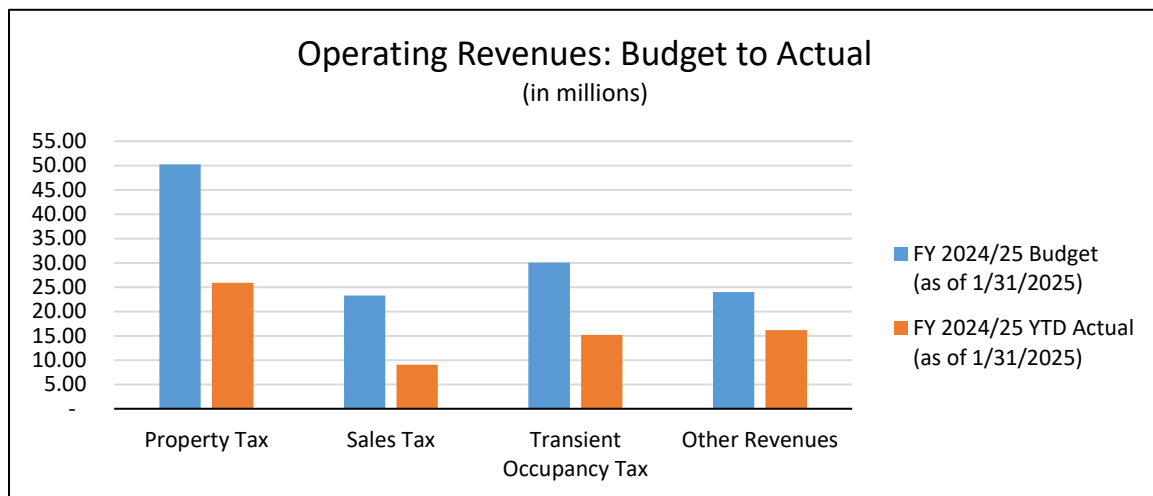
The recommended increases in General Fund expenditure budget are primarily to address a lower-than-expected vacancy rate, an additional contribution to the Section 115 Trust made possible by a projected operating surplus, required reserve contributions in accordance with fiscal policy, and the impacts of newly adopted labor MOUs and updated labor costing census data.

Additionally, usage of FY 2023/24's ending fund balance (\$5.3 million) was presented to City Council in February 2025. The related increases to FY 2024/25's expenditure budget are recommended to reverse the Section 115 Trust contribution used to balance the budget, city-wide utility increases, homeless services and vehicle code updates, playground equipment replacement, and labor MOUs implementation. These recommendations are detailed in a section below.

## General Fund Summary (in millions)

	FY 2024/25 Budget (as of 1/31/2025)	FY 2024/25 YTD Actual (as of 1/31/2025)	% to date (Budget to Actual)	Proposed Mid-Year Adjustments
<b>Operating Revenues</b>				
Property Tax	50.23	25.89	52%	-
Sales Tax	23.28	9.06	39%	-
Transient Occupancy Tax	30.06	15.19	51%	(0.61)
Business License Tax	4.55	3.76	83%	1.43
Other Taxes	2.69	0.45	17%	-
Licenses and Permits	3.02	2.32	77%	0.82
Charges for Services	6.81	2.93	43%	0.84
Intergovernmental	1.20	1.25	104%	-
Investment Earnings	1.30	1.80	139%	1.50
Miscellaneous / Other Revenues	0.30	0.13	43%	-
Transfers In	2.09	3.55	169%	-
<b>Total Operating Revenues</b>	<b>125.56</b>	<b>66.32</b>	<b>53%</b>	<b>3.98</b>
<b>Non-Operating Revenues</b>				
Excess ERAF Above Baseline	3.00	3.00	100%	-
Section 115 Trust Contribution	2.00	-	0%	(2.00)
<b>Total Non-Operating Revenues</b>	<b>5.00</b>	<b>3.00</b>	<b>60%</b>	<b>(2.00)</b>
<b>Total Revenues</b>	<b>130.56</b>	<b>69.32</b>	<b>53%</b>	<b>1.98</b>
<b>Operating Expenditures</b>				
City Council / City Clerk	1.79	0.99	56%	(0.03)
City Manager	5.92	3.23	55%	0.02
Finance	6.12	2.80	46%	(0.10)
City Attorney	2.01	0.80	40%	0.04
Human Resources	2.69	1.34	50%	(0.02)
Community Development	6.11	3.20	52%	0.15
General Government	13.10	8.10	62%	5.68
<i>Included in General Government:</i>				
Transfer to CIP Facilities Reserve	2.47	1.16	47%	0.12
Transfer to CIP General Reserve	1.24	0.58	47%	0.06
Transfer to General Fund Reserves	0.92	-	0%	1.21
Police Department	39.16	22.06	56%	0.20
Fire Department	27.70	15.29	55%	0.70
Public Works	16.84	8.57	51%	0.48
Parks & Recreation	10.61	5.65	53%	0.05
<b>Total Operating Expenditures</b>	<b>132.06</b>	<b>72.04</b>	<b>55%</b>	<b>7.18</b>
<b>Fund Balance - Carryforwards/Unassigned</b>	<b>1.73</b>			<b>5.49</b>
<b>Budgeted Net Position</b>	<b>0.23</b>			<b>0.30</b>

## Major Revenues



### Property Tax

FY 2024/25 Property Tax revenues are currently budgeted at \$50.2 million. The City's major source of property tax revenue to the General Fund is residential property (75%), followed by commercial property (17.9%) and industrial property (2%). Year-to-date property tax revenue appears on target. Despite the expectation that the real estate market would slow due to higher mortgage rates, the median sale price of Napa single family homes from January through July 2024 was \$916,000, an increase of \$67,000 (7.9%) from 2023's median sale price.

### Sales Tax

Sales Tax revenues for FY 2024/25 are currently budgeted at \$23.3 million. Sales tax is received in monthly advances from the California Department of Tax and Fee Administration (CDTFA) based on prior year actual revenues received, and lag two (2) months behind. Analyzing our year-to-date revenue and projections received from our sales tax consultants, HdL Companies, it is anticipated that the City's adopted budget is in line with projected actuals and no increase or decrease is recommended outside of the new Measure G revenue that is discussed in a subsequent section of this report.

For July-September 2024 (Q3) sales tax revenues were 3.2% lower than the same quarter in 2023. The three largest categories, making up 80.6% of total revenue, were Business and Industry, General Consumer Goods, and Restaurants and Hotels. The largest increases from Q3 2023 to Q3 2024 were in Transfers & Unidentified (14.9%), State and County Pools (3.5%), and Restaurants and Hotels (1.6%). The largest decreases from Q3 2023 to Q3 2024 were observed in Business and Industry (11.6%), Auto and Transportation (10%) and Fuel and Service Stations (9.8%).

### Transient Occupancy Tax

Transient Occupancy Tax (TOT) revenue was the hardest hit by the COVID-19 pandemic but rebounded in FY 2021/22 to higher than pre-pandemic levels. FY 2022/23 was another year for considerable growth ending the year at \$30.9 million. Actuals for FY 2023/24 were \$29.5 million, \$0.6 million short of the revised FY2023/24 budget of \$30.1 million. The revised FY 2024/25 budget for TOT is \$30.1 million – flat with the prior budget and 2% higher than actuals received in FY 2023/24.

Collections for TOT lags in a similar fashion to Sales Tax, and the \$15.2 million received as of February 2025 roughly corresponds to July-December receipts where 55% of the total TOT has been historically collected. Current projections estimate that actual TOT revenue for the current fiscal year will be approximately \$29.5 million, flat with FY 2023/24 actuals, and a revenue budget decrease of \$0.6 million is recommended.

There were 26 hotels, 1 timeshare, 23 bed and breakfast establishments, 45 non-hosted and 40 hosted vacation rentals generating transient occupancy tax revenue within the City as of December 31, 2024.

### Other Revenues

*Business License Tax* revenues are trending higher than the City's 5-year trends.

*Other Taxes* appear low, partially due to the timing of payment receipt but are on target with the City's 5-year trends.

*Licenses and Permits* revenues are trending higher than the City's 5-year trends.

*Charges for Services* appear low; the City has not yet booked the 9-1-1 Dispatch contract revenue that is a major component of this category. Revenues are expected to be higher than budgeted.

*Intergovernmental* revenues appear high; the timing of these revenues can vary from year-to-year based on when the other governments disburse funds to the City, and the amount of CalOES reimbursement revenue the Fire Department receives.

*Investment Earnings* have only been booked for the first six months of FY 2024/25. Investment earnings already received are higher than the annual budgeted amount. The markets remain volatile but given the receipts to date, staff is recommending a conservative increase to the budgeted revenue.

*Miscellaneous Revenues* include Rents and Royalties, as well as Contributions/Donations from Private Sources. This category appears low but

timing varies and significant revenue is received in the summer/beginning of the fiscal year.

*Non-Operating Revenues* for the current year is the \$3.0 million of additional Excess ERAF and a \$2.0 million transfer in from the Section 115 Trust budgeted to the General Fund to balance the budget.

**Expenditures**

As of January 31, 2025, all departments were operating within 62% of their approved budgets with 55% of the General Fund budget being expended.

The following table provides the expenditure budget and actual spent to date for each department through January 31, 2025.

<b>Expenditures by Department</b>	<b>Budget</b>	<b>Actual</b>	<b>% to date</b>
	<i>1/31/2025</i> \$ in millions	<i>1/31/2025</i> \$ in millions	<i>(Budget to Actual)</i>
City Council / City Clerk	1.79	0.99	56%
City Manager	5.92	3.23	55%
Finance	6.12	2.80	46%
City Attorney	2.01	0.80	40%
Human Resources	2.69	1.34	50%
Community Development	6.11	3.20	52%
General Government	13.10	8.10	62%
Police Department	39.16	22.06	56%
Fire Department	27.70	15.29	55%
Public Works	16.84	8.57	51%
Parks & Recreation	10.61	5.65	53%
<b>Total Expenditures</b>	<b>132.06</b>	<b>72.04</b>	<b>55%</b>

Departments request additional funding for this fiscal year to meet needs. Additionally, staff recommended usage of the FY 2023/24 ending unassigned fund balance presented to Council on February 15, 2025 are included. Requests included in this report for the General Fund total \$7,177,102:

- \$3,440,625 for General Government for transfers to the Section 115 Trust, Non-Recurring General Fund, and the Capital Improvement Program, a partial reversal of the labor budgets Vacancy Factor credit and a loan cleanup payment.
- \$850,000 for City Manager for Homeless Services & Vehicle Code Changes
- \$155,000 for Parks and Recreation for the July Fourth Event
- \$1,343,562 city-wide for MOU & Census Updates impacts, staffing plan adjustments, and increased Utilities costs.
- \$1,387,916 for transfer to reserves per fiscal policy

**Non-Recurring General Fund**

<b>Non-Recurring General Fund Summary (in millions)</b>				
	<b>FY 2024/25 Budget</b> <i>(as of 1/31/2025)</i>	<b>FY 2024/25 YTD Actual</b> <i>(as of 1/31/2025)</i>	<b>% to date</b> <i>(Budget to Actual)</i>	<b>Proposed Mid-Year Adjustments</b>
<b>Beginning Fund Balance</b>	<b>8.72</b>			
<b>Non-Recurring Revenues</b>				
Property Tax (Excess ERAF)	0.25	0.72	289%	0.50
Sales Tax	-	0.03	0%	-
Licenses and Permits	0.40	0.00	1%	-
Charges for Services	1.21	0.21	17%	-
Intergovernmental	4.28	0.39	9%	-
Investment Earnings	-	0.17	0%	-
Miscellaneous / Other Revenues	0.28	0.28	0%	
Transfers In	-	-	n/a	0.50
<b>Total Non-Recurring Revenues</b>	<b>6.42</b>	<b>1.81</b>	<b>28%</b>	<b>1.00</b>
<b>Non-Recurring Expenditures</b>				
Salaries, Wages & Benefits	0.23	0.21	93%	-
Services	8.83	1.77	20%	0.50
Materials and Supplies	1.02	0.02	2%	-
Capital Outlay	0.68	0.24	35%	-
Internal Services	0.00	0.00	50%	-
Transfers Out	0.05	-	0%	-
<b>Total Non-Recurring Expenditures</b>	<b>10.81</b>	<b>2.24</b>	<b>21%</b>	<b>0.50</b>
<b>Net Impact of Non Recurring</b>	<b>(4.38)</b>	<b>(0.43)</b>		
<b>Projected Ending Fund Balance</b>	<b>4.34</b>			<b>0.50</b>

Excess ERAF was budgeted in the General Fund (\$3 million) to balance the FY 2024/25 budget; at this time \$0.8 million of the \$3.8 million received will remain in the Non-Recurring General Fund for future appropriation. Recommended increases to the Non-Recurring General Fund are to align the budget with actuals received and for a one-time transfer in for Harvest Middle School Acquisition preliminary site analysis and project development services.

**Measure G – Transaction and Use Tax**

On November 5, 2024, the electorate of the City of Napa passed Measure G approving a new one cent (1 cent) local transactions and use tax (TUT) until such time as it is ended by voters. The approval of Measure G increases the total of the

state and local sales tax on purchases in the City from 7.75% to 8.75%. Measure G is anticipated to generate approximately \$21 million annually. Consistent with ballot themes, the appropriation of Measure G will support streets, parks, recreation, senior/youth programs, public safety, encampment cleanups, and City facilities. Measure G also protects and maintains funding that cannot be taken by the State of California.

Collection of Measure G revenue will begin on April 1, 2025. Our Sales Tax consultants, HdL Companies, provided projections for the final quarter of FY 2024/25 estimating revenues at \$5.1 million. Staff is recommending budgeting approximately \$5.0 million of this amount allowing for variances from the consultant’s projections with this new revenue source. City staff has worked to assess needs that align with ballot themes and has initial recommendations for this first allotment within FY 2024/25. Three capital improvement projects related to parks and streets are recommended – Park Shade Structures Project, Playground & Amenity Project, and Westwood Rehab Interior. Project details are discussed in the recommended actions section of this report.

**General Fund Reserves**

In accordance with the City’s Fiscal Policy, the City maintains an Operating Reserve of 5%, an Emergency Reserve of 14% and a Contingency Reserve of 1% of the annual General Fund Operating Budget. The CIP Facilities Reserve receives an annual transfer equal to 2% of the General Fund Operating Budget, and the CIP General Fund Reserve an annual transfer of 1% of the General Fund Operating Budget. The increases to the General Fund Operating Budget requested in this report will increase the required contributions for the year.

<b>Reserves</b> <i>(in millions)</i>	<b>FY 2024/25 Beginning Balance</b>	<b>Usage</b>	<b>Budgeted Transfers In</b>
Emergency Reserve	16.63	-	0.64
Operating Reserve	5.94	-	0.23
Contingency Reserve	1.19	-	0.05
CIP Facilities Reserve	8.17	(2.80)	2.47
CIP General Fund Projects Reserve	4.34	(1.13)	1.24
<b>Total Reserves</b>	<b>36.28</b>	<b>(3.93)</b>	<b>4.62</b>

**Proprietary Funds**

In addition to the General Fund, the Mid-Year Financial Report also provides a snapshot of the City’s Proprietary Funds. Proprietary funds are those funds in which the City charges a fee to customers to recover the cost of providing the service. These funds are made up of Enterprise Funds and Internal Service Funds.

Both types of funds are presented separately below, along with summary information for each of the individual funds within each category.

### Enterprise Funds

Enterprise Funds are those funds that provide goods or services to the public for a fee that makes the entity self-supporting. Napa's Enterprise Funds include: Solid Waste & Recycling and Water. A listing of these funds and summary of the activity from July 2024 through January 2025 follows below:

#### Solid Waste & Recycling Fund

The Solid Waste & Recycling (SWR) Fund is responsible for the collection, processing, public education and long-term planning related to solid waste materials generated in the City of Napa. Beyond the safe and cost-effective handling of solid waste materials, the fund's primary mission is to maximize the diversion of solid waste materials from landfill disposal in order to meet or exceed State mandates. A summary of the SWR Fund activity (shown in millions) through January 31, 2025 is provided below:

<b>Solid Waste &amp; Recycling Operating Fund</b>				
<b>(in millions)</b>				
	<b>FY 2024/25 Amended Budget</b> <i>(as of 1/31/2025)</i>	<b>FY 2024/25 YTD Actual</b> <i>(as of 1/31/2025)</i>	<b>% to date</b> <i>(Budget to Actual)</i>	<b>Proposed Mid-Year Adjustments</b>
<b>Revenues</b>				
Refuse Collection Charges	30.72	15.60	51%	-
MDF Gate Fees	5.43	2.93	54%	-
Material Sales	7.54	5.55	74%	3.66
Other Revenues	0.25	0.33	129%	-
<b>Total Revenues</b>	<b>43.95</b>	<b>24.40</b>	<b>56%</b>	<b>3.66</b>
<b>Expenditures</b>				
Salaries and Benefits	1.82	0.97	53%	-
Contractor Service	32.43	19.39	60%	-
Transfer Station Disposal Fees	3.77	1.70	45%	-
MDF Facility Materials	2.15	0.89	42%	-
Debt Service	0.87	0.73	84%	-
Other Materials, Supplies & Services	4.35	1.26	29%	-
Administrative Support	0.93	0.46	50%	-
Transfer Out to Street Resurfacing	1.25	0.60	48%	-
Transfer Out to SWR CIP Fund	1.50	0.75	50%	-
Transfer Out to SWR Non-Recurring Fund	0.50	-	0%	0.25
<b>Total Expenditures</b>	<b>49.57</b>	<b>26.76</b>	<b>54%</b>	<b>0.25</b>
<b>Surplus / (Deficit)</b>	<b>(5.62)</b>	<b>(2.36)</b>		<b>3.41</b>

<b>Solid Waste &amp; Recycling CIP Fund</b>				
<b>(in millions)</b>				
	<b>FY 2024/25 Amended Budget</b> <i>(as of 1/31/2025)</i>	<b>FY 2024/25 YTD Actual</b> <i>(as of 1/31/2025)</i>	<b>% to date</b> <i>(Budget to Actual)</i>	<b>Proposed Mid-Year Adjustments</b>
<b>Revenues</b>				
Transfer In from SWR Operating Fund	1.50	0.75	50%	-
<b>Total Revenues</b>	<b>1.50</b>	<b>0.75</b>	<b>50%</b>	<b>-</b>
<b>Expenditures</b>				
Capital Projects	1.53	0.61	40%	-
Administrative Support	0.00	0.00	50%	-
<b>Total Expenditures</b>	<b>1.53</b>	<b>0.61</b>	<b>40%</b>	<b>-</b>
<b>Surplus / (Deficit)</b>	<b>(0.03)</b>	<b>0.14</b>		<b>-</b>

<b>Solid Waste &amp; Recycling Non-Recurring Fund</b>				
<b>(in millions)</b>				
	<b>FY 2024/25 Amended Budget</b> <i>(as of 1/31/2025)</i>	<b>FY 2024/25 YTD Actual</b> <i>(as of 1/31/2025)</i>	<b>% to date</b> <i>(Budget to Actual)</i>	<b>Proposed Mid-Year Adjustments</b>
<b>Revenues</b>				
Organics Grant	-	-	0%	-
Transfer In from SWR Operating Fund	0.50	0.45	90%	0.25
<b>Total Revenues</b>	<b>0.50</b>	<b>0.45</b>	<b>90%</b>	<b>0.25</b>
<b>Expenditures</b>				
Organics Grant	-	-	0%	-
Other Expenditures	0.77	0.33	43%	0.25
<b>Total Expenditures</b>	<b>0.77</b>	<b>0.33</b>	<b>43%</b>	<b>0.25</b>
<b>Surplus / (Deficit)</b>	<b>(0.27)</b>	<b>0.12</b>		<b>-</b>

For the Solid Waste & Recycling (SWR) Operating Fund Table above, note that revenues are one month behind the expenditures. Thus, the table shows SWR revenue booked through December 31, 2024, while expenditures are shown through January 31, 2025. With this caveat, you can see that overall operating revenues are on track (or above) with the adopted SWR FY 2024/25 budget.

Refuse collection charges are slightly ahead of the adopted budget at 51% of budget. Revenue from Gate Fees is ahead of the projected budget at 54% and this is reflective of higher volumes and pricing for recyclable and/or compostable materials being delivered to the City's Materials Diversion Facility (MDF).

A mid-year budget adjustment is being recommended to increase FY2024/25 Materials sales revenue by \$3.7 million from \$7.5 million to \$11.2 million. Materials sales revenue is tracking much higher than adopted (74%) and this trend is expected to continue due to a combination of higher global commodity pricing for recyclable materials as well as the installation of improved "optical sorter" technology at the City's MDF. Operating expenditures are tracking higher than the

adopted FY 2024/25 budget, but this is presented artificially high (54%) as it reflects an extra month of expenditures as described above. The other major factor for expenditures is the contractual lump sum progress payments for “over-baseline” processing (approximately \$5.6 million) that has already been made to Napa Recycling & Waste Services (NRWS) for FY 2024/25.

Water Fund

The Water Fund is responsible for the operation, maintenance, and improvement of the municipal water system serving the City and adjacent areas. The Fund’s mission is to provide an uninterrupted supply of high-quality and low-cost water to the community for consumption, sanitary needs, irrigation, and fire protection. The Water Fund’s Administration, Engineering, Treatment, and Distribution sections accomplish this mission by delivering approximately 12,160 acre-feet (3.96 billion gallons) of water meeting State and Federal drinking water regulations, investing in capital improvements, planning for long-term water supply needs, responding to emergency repairs, and maintaining a proactive water conservation program. In concert with City Council focus areas, staff has prioritized monitoring and analyses of local source waters in the interest of maintaining the quality of our drinking water sourced from watersheds. A summary of the Water Fund activity through January 31, 2025 is provided below:

**Water Operating Fund**

(in millions)

	FY 2024/25			Proposed Mid-Year Adjustments
	Amended Budget <i>(as of 1/31/2025)</i>	FY 2024/25 YTD Actual <i>(as of 1/31/2025)</i>	% to date <i>(Budget to Actual)</i>	
<b>Revenues</b>				
Charges for Services	42.99	23.57	55%	-
Other Revenues	0.94	1.57	167%	-
<b>Total Revenues</b>	<b>43.92</b>	<b>25.13</b>	<b>57%</b>	<b>-</b>
<b>Expenditures</b>				
Salaries and Benefits	13.51	6.27	46%	0.02
Services, Materials and Supplies	10.76	5.31	49%	-
NBA Water Supply	9.20	1.85	20%	-
Administrative Support	3.24	1.62	50%	-
Water Bond Debt Service	3.33	0.47	14%	-
Transfer Out to Water CIP Fund	4.30	2.15	50%	-
Transfer Out to Water Non-Recurring Fund	-	-	n/a	-
Transfer Out to Fleet	-	-	n/a	-
<b>Total Expenditures</b>	<b>44.34</b>	<b>17.67</b>	<b>40%</b>	<b>0.02</b>
<b>Surplus / (Deficit)</b>	<b>(0.42)</b>	<b>7.46</b>		

Revenue in the Operating Fund is tracking at 57% of the budget at the end of Q3 as expected. Council-approved rate adjustments were effective at the start of

Q3. Summer irrigation demands were slightly above recent drought years and revenue is in line with original projections so there are no proposed adjustments to revenue this fiscal year. Operating expenditures are tracking at 40% of budget as staff vacancies continue to be filled. As is typical for Mid-Year, Services and Materials and Supplies are tracking similar to last year since expenditure patterns do not follow the calendar year. Annual Water Bond Debt Service payments will be made in full in Q4.

### Water Non-Recurring Fund

(in millions)

	FY 2024/25			Proposed Mid-Year Adjustments
	Amended Budget <i>(as of 1/31/2025)</i>	FY 2024/25 YTD Actual <i>(as of 1/31/2025)</i>	% to date <i>(Budget to Actual)</i>	
<b>Revenues</b>				
Other Revenues	-	0.05	<i>n/a</i>	-
2017 Fire Revenues (FEMA/CalOES)	0.63	-	<i>0%</i>	-
<b>Total Revenues</b>	<b>0.63</b>	<b>0.05</b>	<b>7%</b>	<b>-</b>
<b>Expenditures</b>				
2017 Fire Projects	1.64	-	<i>0%</i>	-
Administrative Support	0.03	0.01	<i>50%</i>	-
Other Expenditures	0.36	0.02	<i>6%</i>	-
Transfer Out to Water CIP	-	-		-
<b>Total Expenditures</b>	<b>2.02</b>	<b>0.04</b>	<b>2%</b>	<b>-</b>
<b>Fund Balance for Carryforwards</b>	<b>2.33</b>	<b>2.33</b>		
<b>Surplus / (Deficit)</b>	<b>0.94</b>	<b>2.34</b>		

The Non-Recurring Fund includes Disaster recovery projects that are anticipated to be reimbursed by FEMA/CalOES as they progress into the construction phase. The Redwood Road slip lining project, due to damage from the 2014 Earthquake has been constructed, and Milliken access road walkway repairs, due to damage by the 2017 Atlas Fire, were interrupted due to heavy rains and are now scheduled to resume construction in Q3, be completed in Q4 with final reimbursement and close out expected in early FY26. The Other Expenditures category in this non-recurring fund includes \$360k budgeted for the multi-year Water System 30-Year Master Plan and Corresponding Financial Plan which is scheduled to continue into FY26.

## Water CIP Fund

(in millions)

	FY 2024/25			
	Amended Budget	FY 2024/25 YTD Actual	% to date	Proposed Mid-Year Adjustments
	<i>(as of 1/31/2025)</i>	<i>(as of 1/31/2025)</i>	<i>(Budget to Actual)</i>	
<b>Revenues</b>				
Capital Projects Distribution	0.59	-	n/a	-
Capital Projects Supply	5.02	-	0%	-
Capital Projects Transmission	0.76	-	0%	-
Capital Projects Treatment	-	(0.02)	n/a	-
Capacity Fees	1.70	(2.87)	-169%	-
Transfer In from Water Operating Fund	4.30	2.15	50%	-
Transfer in from Water Non-Recurring Fund	-	-	n/a	-
Other Revenues	-	-	n/a	-
<b>Total Revenues</b>	<b>12.38</b>	<b>(0.74)</b>	<b>-6%</b>	<b>-</b>
<b>Expenditures</b>				
Capital Projects Administration	0.18	0.04	21%	-
Capital Projects Distribution	11.04	3.74	34%	-
Capital Projects Supply	12.80	2.18	17%	-
Capital Projects Transmission	17.04	0.19	1%	-
Capital Projects Treatment	5.58	0.09	2%	-
Other Expenses	-	-	0%	-
<b>Total Expenditures</b>	<b>46.64</b>	<b>6.24</b>	<b>13%</b>	<b>-</b>
<b>Fund Balance for Active Projects</b>	<b>34.26</b>	<b>34.26</b>		
<b>Surplus / (Deficit)</b>	<b>-</b>	<b>27.28</b>		

The Water Capital Improvement Program (CIP) Fund is dedicated to investing in the critical infrastructure necessary to store, treat, and deliver drinking water to our customers. Annual investments total \$6 million funded by revenue from capacity fees and water rates. Capacity fees have been tracking at \$0.8 million annually over the last four years, however in FY 2023/24 \$3.76 million was collected from new connections for residential housing blocks in the Napa Pipe Redevelopment Area. Adjustments to the meter sizes at the interface of the public and private water systems resulted in a reimbursement of \$2.87 million to the project as shown in FY 2024/25. Net revenue over the two-year period including FY 2023/24 and FY 2024/25 tracks with historical annual capacity fees for new customers connecting to the water system.

Most large capital improvement projects are multi-year efforts for planning and design through construction. The planning and design phases generally average approximately 10%-20% of total project costs. Construction costs account for the remaining 80-90% of the project. The capital projects for Administration support the software and development of the asset management program. Projects allocated for Water Distribution replace and repair meters, fire hydrants, and pipelines up to twelve inches in diameter. Water Supply Projects are implemented to improve and maintain watersheds, dams, and reservoirs. Water Treatment Projects invest in our three water treatment plants, while Water Transmission Projects are implemented to improve and maintain tanks, pump

stations, and pipelines greater than twelve inches. Water Distribution Projects have replaced over two miles of pipe this fiscal year. The Emergency Repair of the 36-inch transmission main, estimated at \$17 million is scheduled to start construction in Q4.

## Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments of the city.

Internal Service Funds	FY 2024/25	FY 2024/25	% to date (as of 1/31/2025)	Proposed Mid-Year Adjustments
	Budget (as of 1/31/2025)	YTD Actual (as of 1/31/2025)		
<b>Fleet Management Fund</b>				
<b>Available Capital [1]</b>	<b>7.12</b>	<b>7.12</b>		
Revenues	4.89	2.73	56%	
Expenditures	10.76	3.24	30%	
Fund Balance Addition/(Reduction)	(5.87)	(0.51)		
<b>Projected Ending Available Balance</b>	<b>1.25</b>			
<b>Fleet - Fire Apparatus Replacement Fund</b>				
<b>Available Capital [1]</b>	<b>4.43</b>	<b>4.43</b>		
Revenues	0.89	0.50	57%	
Expenditures	2.74	2.34	86%	
Fund Balance Addition/(Reduction)	(1.85)	(1.84)		
<b>Projected Ending Available Balance</b>	<b>2.59</b>			
<b>IT Replacement</b>				
<b>Available Capital [1]</b>	<b>2.51</b>	<b>2.51</b>		
Revenues	0.81	0.28	34%	
Expenditures	0.52	0.31	61%	
Fund Balance Addition/(Reduction)	0.30	(0.04)		
<b>Projected Ending Available Balance</b>	<b>2.81</b>			
<b>Risk Management - General Liability</b>				
<b>Available Capital [1]</b>	<b>3.59</b>	<b>3.59</b>		
Revenues	9.28	4.62	50%	
Expenditures	10.09	7.06	70%	
Fund Balance Addition/(Reduction)	(0.81)	(2.44)		
<b>Projected Ending Available Balance</b>	<b>2.79</b>			
<b>Workers Compensation</b>				
<b>Available Capital [1]</b>	<b>5.45</b>	<b>5.45</b>		
Revenues	5.75	3.43	60%	
Expenditures	6.03	1.64	27%	
Fund Balance Addition/(Reduction)	(0.29)	1.78		
<b>Projected Ending Available Balance</b>	<b>5.17</b>			
<b>Unemployment Insurance</b>				
<b>Available Capital [1]</b>	<b>0.42</b>	<b>0.42</b>		
Revenues	0.10	0.03	34%	
Expenditures	0.10	0.01	9%	
Fund Balance Addition/(Reduction)	(0.00)	0.02		
<b>Projected Ending Available Balance</b>	<b>0.42</b>			
<b>Post Employment Benefits (PEB)</b>				
<b>Available Capital [1]</b>	<b>10.60</b>	<b>10.60</b>		
Revenues	1.70	0.97	57%	
Expenditures	3.10	1.72	56%	
Fund Balance Addition/(Reduction)	(1.39)	(0.75)		
<b>Projected Ending Available Balance</b>	<b>9.20</b>			
<b>Equipment Replacement</b>				
<b>Available Capital [1]</b>	<b>0.96</b>	<b>0.96</b>		
Revenues	0.16	0.09	58%	
Expenditures	0.08	0.00	0%	
Fund Balance Addition/(Reduction)	0.08	0.09		
<b>Projected Ending Available Balance</b>	<b>1.04</b>			

[1] Available Capital = Fund Balance available for Appropriation

## **What We Are Watching**

### **Nationally:**

Changes at the federal level and continued labor-market growth have changed the direction of inflation as we start 2025. Inflation has subsided in the American economy over the last 24 months, but its descent has slowed as 2024 came to a close. The Federal Reserve is poised to adjust its policy interest rate (the Federal Funds Rate target) by 0.25% or 0.5% in 2025, we should not expect more than that. With an unknown tariff and budget environment in terms of how consumers will react, bond markets are beginning to increase yields to offset rising risks.

Nationwide, unemployment was 4.1% for December 2024, up slightly from December 2023 (3.7%). The number of people residing and working in the United States increased in 2024 by an estimated 557,000 workers; the increase in the US unemployment rate was due to continued increases in the national labor force. Over 2.01 million more people were hired by American employers in 2024. Unemployment rates increased in 2024 for Black workers (6.2% in December 2024 versus 4.8% in December 2023). Latino workers saw a slight increase in unemployment from December 2023 to December 2024 (5.0% to 5.1%) . Teenagers experienced an increase in unemployment in 2024 from 11.9% to 12.1% per the U.S. Bureau of Labor Statistics (BLS). These statistics only count those actively looking for work or on temporary layoff, and do not include people unable to work or who have dropped out of the workforce due to childcare issues or disability (such a choice means the worker is no longer counted, but may be generating self-employed income). Given higher interest rates persisting, labor-market growth confounds forecasters somewhat to the positive, as did the growth of gross domestic product (GDP) after inflation in 2023.

GDP after inflation (real GDP) had a good year in 2024, very close to forecasts. American consumers once again drove income growth. Growth for 2024 was 2.5 percent matching the 2.5 percent for 2023. A slower-moving economy has been predicted for 2025 and 2026, specifically after inflation has slightly increased again and interest rates are likely to take a slower pace of decrease the next two years than originally predicted. The probability of recession remains relatively low, though uncertain policy concerning tariffs and federal workers and deportations may confound financial markets and put downward pressure on economic growth. The current forecasts for the American economy are for between 2.2% and 2.5% growth of GDP after inflation through 2026, unemployment rates to be stable, and inflation to continue moving toward 2.0 percent by 2028.

### **State:**

California's economy continued to show signs of a slowdown in hiring throughout 2024 with respect to Californians with jobs. From June 2022 to Dec 2024, after

seasonal adjustments, there were 70,000 fewer Californians working in net. Outside of a declared, national recession, such jobs reductions are a rare occurrence in California's economic history. An increase in California's labor force of approximately 230,600 workers over the same 31 months means the state's unemployment rate increased from 3.9% to 5.1% as of December 2024. These data come from BLS and California Employment Development Department (EDD). From June 2022 to December 2024, employers in California hired over 460,800 more workers, or 2.5 percent growth. In 2024, California's employers hired another 154,000 workers, 0.8 percent growth. From December 2023 to December 2024, largest job gains were in Healthcare, Government (at all levels), Transportation/Warehousing and Professional Services. Construction and manufacturing both experienced job losses in 2024, suggesting a slower moving economy.

The state budget is projected to be "roughly balanced" in the 2025-26 fiscal year (the Legislative Analyst is projecting balance to perhaps \$2 billion as of January 13). This does not mean deficits are gone; both the California Department of Finance and the Legislative Analyst are predicting deficits in the next two fiscal years minimum (to 2027). California's tax code continues to depend primarily on personal income, capital gains income, and taxable sales.

Property taxes are likely to remain stable or rise per the Proposition 13 methodology but are predominately for education or parcel initiatives in local areas. Bay Area home prices ranged between \$1.1 and \$1.45 million at the median across major cities, slight price growth from 2023.

#### Local Economic Condition:

The City relies on the TOT and sales tax revenue generated by visitors to the area. TOT revenue slowed down in 2023, as occupancy rates fell slightly from 62.9 percent in 2022 to 61.7 percent in 2023. As of December 2024, occupancy rates increased to 64.1 percent, whereas the average daily rate (ADR) dropped by 1.4 percent. The City's hoteliers recovered more quickly than previously expected from the COVID pandemic but that growth has slowed or declined more recently; 2024 is likely to be a year of slower growth again of hotel revenues, but demonstrates continued strength for the city economy.

The City of Napa the median single-family home sold price was \$916,000 in July 2024, 7.9% higher than July 2023's median home price and 20.4% higher than in July 2020. All major California regions experienced a moderate increase in their median sale prices from a year ago in June.

Napa County's unemployment rate continues to be lower than California's overall rate and was 4.3% for December 2024 after seasonal adjustments. This was a slight increase from the 4.1% unemployment rate experienced in December 2023. This compares with an unemployment rate of 5.2 percent for California and 3.8 percent for the nation during the same period.

**Mid-Year Appropriation Adjustments**

In accordance with Fiscal Policy 5.b.iii, adopted by City Council on June 20, 2023, the City Manager is authorized to increase appropriations for specific purposes, as long as the expenditure appropriations do not exceed the amount of the donation, and the adjustment is reported to the City Council as part of the next regular financial report.

<b>Budget Adjustment Summary (Fund / Department / Purpose)</b>	<b>Revenues</b>	<b>Expenditures</b>
Fund 100 / Parks and Recreation / Higher Revenue than Expected	72,849.00	72,849.00
Fund 100 / Fire / Reimbursement	822,437.03	822,437.03
Fund 100 / Fire / Grant	8,318.19	8,318.19
Fund 100 / Parks and Recreation / Donations	9,108.57	9,108.57
<b>Total Operating General Fund</b>	<b>912,712.79</b>	<b>912,712.79</b>

<b>Budget Adjustment Summary (Fund / Department / Purpose)</b>	<b>Revenues</b>	<b>Expenditures</b>
Fund 101 / Parks and Recreation / Grants and Donations	282,500.00	282,500.00
Fund 101 / Police / Grants and Donations	322,303.10	322,303.10
Fund 101 / Fire / Grants and Donations	351,818.17	351,818.17
Fund 101 / Community Development / Higher Revenue than Expected	100,000.00	100,000.00
<b>Total Non-Recurring General Fund</b>	<b>1,056,621.27</b>	<b>1,056,621.27</b>

<b>Budget Adjustment Summary (Fund / Department / Purpose)</b>	<b>Revenues</b>	<b>Expenditures</b>
Fund 236 / Parking / Higher Revenue than Expected	34,000.00	34,000.00
Fund 292 / Police SR / Grants and Donations	315,301.89	315,301.89
Fund 293 / Fire SP / Grants and Donations	10,000.00	10,000.00
Fund 843 / Section 8 / Grants and Donations	420,000.00	420,000.00
<b>Total Other Funds</b>	<b>779,301.89</b>	<b>779,301.89</b>

## **Recommendation**

Receive and file the Mid-Year Financial Report and approve a resolution to update the City's Staffing Plan, CIP Projects, and approve Council Budget Amendment No. 130P9. This budget amendment will increase revenues based on current projections and increase expenditures based on staff recommendations and department requests.

### Staffing Plan Changes:

- Police: Delete 1 Secretary (-1 FTE). Deletion is for a vacant position that was not included with adoption of Mid-Cycle Budget as intended.
- Utilities: Delete 1 Water Distribution Operator Lead, Add 1 Water Distribution Supervisor (0 FTE)
- Public Works: Delete 1 Electrician I/II, Add 1 Engineering Assistant (Traffic), Reallocate 1 Engineering Aide Flex from Development Engineering to Construction (0 FTE)
- City Clerk: Delete 1 Imaging Clerk, Add 1 Office Assistant I/II (0 FTE)

### CIP Project Updates:

- Playground Equipment Replacement (33PK18PR07) – \$1.0 million - This funding allocation will ensure project delivery for the Fuller Park Playable Art Project. The preliminary project budget was developed to cover limited site preparation, the playable art structures, and any minor small-scale equipment. However, as per the Administrative Staff Report (ASR) on February 18, 2025, the full project costs will exceed the preliminary budget given several factors including site preparations necessary to conform to the Geotechnical Report, and to incorporate several project enhancements including multiple shade covers, additional play features, and inclusive/universal play opportunities requested by the community during project outreach.
- Park Shade Structures Project (33PK25PR01) - \$0.5 million - This project will install overhead shade canopies and improve associated improvements in various community gathering spaces. This will address a major community request from the 2024 Community Survey while addressing poor or failing amenities identified in the 2023 Parks Conditions Assessment such as picnic areas.
- Playground & Amenity Project (33PK25PR02) - \$1.2 million - This project will renovate multiple park sites that were categorized in poor or failing condition during the 2023 park conditions assessment including Esther Deaver Park, Solomon Park, and Monarch Park. The scope will include demolition, and clearing of existing playground equipment and park features, and the design, layout and installation of new playground equipment and park features, safety surfacing and associated concrete work related to ADA improvements.

## ATTACHMENT 2

- Westwood Rehab Interior (33ST22PW05) - \$3.3 million - This project includes the design and construction of curb, gutter, and full street reconstruction in the Westwood Neighborhood. It will also include new sidewalks on one side of each street. The design for this project is nearing completion and will be ready to put out to bid to hire a contractor to begin construction this year. This is a complex and expansive project, and additional funding will be necessary to be able to complete as a single construction contract. This is the first recommended funding to close a portion of the funding gap and allow the work to move forward more efficiently. If additional funding is not available, this project will be phased to complete the work as funding does becomes available.

### Budget Amendments:

Fund	Fund Name	Revenue Budget Increase / (Decrease)	Expenditure Budget Increase / (Decrease)
100	General	1,984,000	7,177,102
	Mid-Year Revenue Adjustment	3,984,000	
	Reverse Section 115 Trust Contribution	(2,000,000)	
	33PK18PR07 Playground Equipment Replacement		1,000,000
	Citywide Utilities Costs Increases		250,000
	Homeless Services & Vehicle Code Changes		850,000
	July Fourth Event		155,000
	MOU & Census Update Impacts		1,216,299
	Section 115 Trust Contribution		1,000,000
	Vacancy Factor Adjustment		850,000
	Water/RDA Loan Cleanup		90,625
	Harvest Middle School Acquisition Services		500,000
	Mid-Year - Staffing Plan Adjustments		(122,738)

**ATTACHMENT 2**

	GF Mid-Year Reserve Adjustment		1,387,916
101	General Non-Recurring	1,000,000.00	500,000.00
	Increased Revenue - Excess ERAF	500,000.00	
	Transfer In from General Fund - Harvest	500,000.00	-
	Harvest Middle School Acquisition Services		500,000.00
102	Measure G	5,140,000.00	5,000,000.00
	Mid-Year Revenue Adjustment	5,140,000.00	
	33PK25PR01 - Park Shade Structures Project		500,000.00
	33PK25PR02 - Playground & Amenity Project		1,200,000.00
	33ST22PW05 - Westwood Rehab Interior		3,300,000.00
203	Traffic Fines	-	167,000.00
	Traffic Fine Related Equipment		152,420.00
	Travel & Training		14,580.00
204	Red Light Camera	-	39,603.23
	MOU & Census Update Impacts		39,603.23
300	City Capital Projects	7,178,006.63	7,000,000.00
	Transfers In for Projects	7,000,000.00	
	Transfers In for Reserves	178,006.63	
	Transfer Out for Projects		1,000,000.00
	33PK18PR07 - Playground Equipment Replacement		1,000,000.00
	33PK25PR01 - Park Shade Structures Project		500,000.00
	33PK25PR02 - Playground & Amenity Project		1,200,000.00
	33ST22PW05 - Westwood Rehab Interior		3,300,000.00
510	Solid Waste & Recycling-Operating	3,655,400.00	250,000.00
	Mid-Year Revenue Adjustment	3,655,400.00	

**ATTACHMENT 2**

	Transfer Out to NR - SW Hauling & Rate Study		250,000.00
519	Solid Waste & Recycling-Non-Recurring	250,000.00	250,000.00
	Transfer In fr Ops - SW Hauling & Rate Study	250,000.00	
	Temporary hauling of stormwater & SWR Rate Study		250,000.00
530	Water Utility-Operating	90,624.99	20,896.34
	Water/RDA Loan Cleanup	90,624.99	
	Mid-Year - Staffing Plan Adjustments		20,896.34
630	IT Replacement	(236,870.00)	-
	Budget Correction	(236,870.00)	
650	Postemployment Benefits	1,000,000.00	(1,000,000.00)
	Transfer In from General Fund	1,000,000.00	
	Reverse Transfer Out to General Fund		(2,000,000.00)
	Section 115 Trust Contribution		1,000,000.00
	<b>Total</b>	<b>20,061,161.62</b>	<b>19,404,601.81</b>