



## Mid-Year Financial Report *As of December 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 six months of the 2025/26 fiscal year.

### **Management's Overview**

The City's budget for Fiscal Year (FY) 2025/26 and 2026/27 was adopted by the City Council on June 17, 2025. 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 FY 2025/26 revenues and expenditures through December 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 operating expenditure updates. It additionally includes \$19.6 million of expenditure budget increases across all funds including transfers out; recommended budget adjustments for Staffing Plan updates; and reallocation of 4 positions and adding 1 Maintenance Laborer (Limited Term) for a net 1 FTE.

### **FY 2025/26 General Fund Budget Overview**

The FY 2025/26 budget as adopted in June 2025 estimated revenues of \$163.4 million to fund expenditures of \$163.2 million. This included Measure G Sales tax revenue estimated at \$22.4 million to fund \$22.3 million in Measure G expenditures. Council approved usage of General Fund fund balance, budget adjustments, and carryforwards in the first half of the fiscal year have updated operating revenues to \$164.2 million, and expenditures to \$172.7 million. Though the FY 2025/26 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. \$1.8 million of budget encumbrances were carried forward from FY 2024/25 to FY 2025/26. Additionally, \$5.0 million in Measure G Capital Project funding (Transfers Out) that had no expenditures at the end of FY 2024/25 as projects were in their early stages was also carried forward.

With consideration of actual receipts and the City's Sales Tax consultants, HdL Companies, provided projection, an adjustment for state sales tax is recommended. Estimated state sales tax revenue is projected \$0.6 million less than the adopted FY 2025/26 budget. Measure G sales tax revenue is still estimated at the FY 2025/26 amount so no adjustment to Measure G is recommended.

Transient Occupancy Tax grew strongly in the final quarter of FY 2024/25 after several months of actual receipts that produced totals flat to FY 2023/24. Total transient occupancy tax in FY 2024/25 resulted in 4% growth over the prior fiscal year which was projected to remain flat. The growth in the final quarter of FY 2024/25 was unknown when the FY 2025/26 and FY 2026/27 budgets were developed and adopted. Analysis of actuals received through October 2025 for the current fiscal year shows growth over FY 2024/25 amounts for the same months. An adjustment of \$1.8 million for the current fiscal year is recommended. This adjustment equates to a projected 2% growth over FY 2024/25 actuals received.

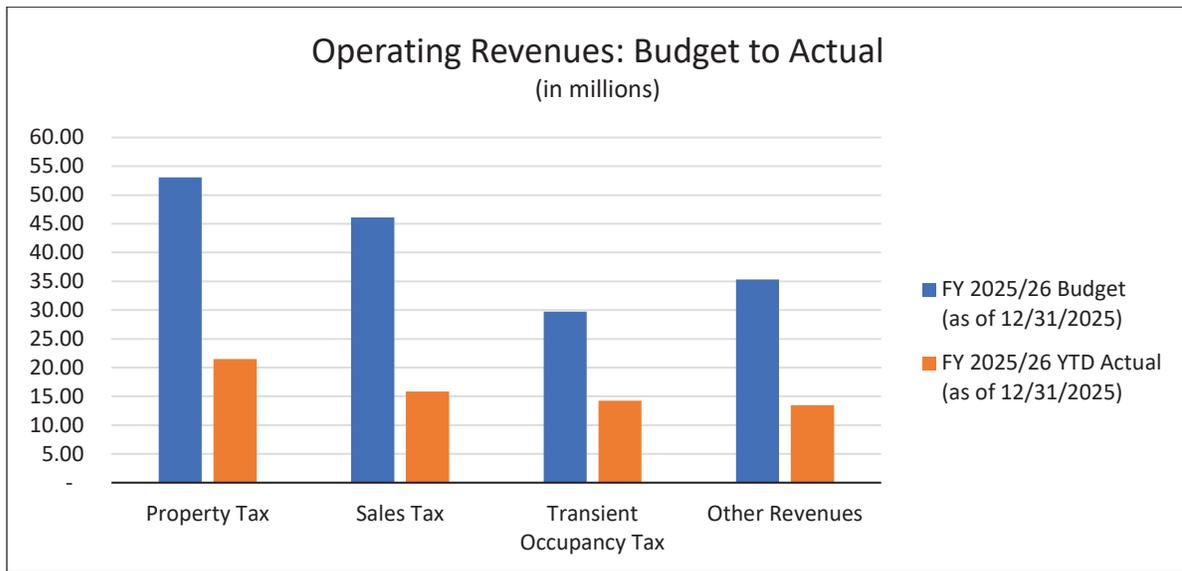
Property Tax revenue is performing strong and is still mostly in line with projections provided by the City's Property Tax consultants, HdL Companies. A minor adjustment of \$0.2 million is recommended to overall property tax revenue but is due mainly to increased estimates for Napa Paramedic Tax which falls within this category. Additionally, \$4.4 million of Excess ERAF was received in October 2025 of which \$4.3 million is budgeted within the General Government General budget in the General Fund. Any amount received in FY 2025/26 will remain in the Non-Recurring General Fund for one-time needs.

All revenue budgets were analyzed resulting in an overall projected increase. Increases are recommended for Property Tax (\$0.2 million), Transient Occupancy Tax (\$1.8 million), Licenses and Permits (\$0.1 million), Charges for Services (\$0.2 million), Investment Earnings (\$0.2 million), and Miscellaneous Revenue (\$0.2 million). Adjustments decreasing Sales Tax (\$0.6 million) and Business License Tax (\$0.7 million) are recommended. The recommended adjustments would result in an increase of \$1.4 million for General Fund revenues.

The proposed expenditure budget increases are primarily to account for staffing plan adjustments and additional contributions to General Fund and Capital Improvement Program reserves. Additionally, usage of FY 2024/25's ending fund balance (\$8.9 million) was presented to City Council in January 2026. The related increases to FY 2025/26's expenditure budget are recommended for the Harvest Recreational Site demolition and project planning and for a contribution to the Section 115 Trust to mitigate future pension obligations. These recommendations are detailed in a section below.

<b>General Fund Summary w/ Measure G (in millions)</b>				
	<b>FY 2025/26 Budget</b> <i>(as of 12/31/2025)</i>	<b>FY 2025/26 YTD Actual</b> <i>(as of 12/31/2025)</i>	<b>% to date</b> <i>(Budget to Actual)</i>	<b>Proposed Mid-Year Adjustments</b>
<b>Operating Revenues</b>				
Property Tax	48.83	17.21	35%	0.18
Sales Tax	23.71	7.89	33%	(0.64)
Sales Tax - Measure G	22.37	7.95	36%	-
Transient Occupancy Tax	29.73	14.26	48%	1.79
Business License Tax	6.19	2.26	37%	(0.74)
Other Taxes	2.74	0.38	14%	0.11
Licenses and Permits	3.49	1.89	54%	-
Charges for Services	7.58	5.00	66%	0.24
Intergovernmental	1.00	1.09	109%	-
Investment Earnings	3.11	0.58	19%	0.20
Miscellaneous / Other Revenues	0.28	0.14	50%	0.22
Transfers In	10.90	2.13	20%	-
<b>Total Operating Revenues</b>	<b>159.94</b>	<b>60.78</b>	<b>38%</b>	<b>1.36</b>
<b>Non-Operating Revenues</b>				
Excess ERAF Above Baseline	4.25	4.25	100%	-
<b>Total Non-Operating Revenues</b>	<b>4.25</b>	<b>4.25</b>	<b>100%</b>	<b>-</b>
<b>Total Revenues</b>	<b>164.19</b>	<b>65.03</b>	<b>40%</b>	<b>1.36</b>
<b>Operating Expenditures</b>				
City Council / City Clerk	1.85	0.96	52%	-
City Manager	6.89	3.28	48%	-
Finance	6.03	2.90	48%	-
City Attorney	1.93	0.91	47%	-
Human Resources	2.65	1.28	48%	-
Community Development	6.77	2.83	42%	0.00
General Government	44.40	6.46	15%	9.64
<i>Included in General Government:</i>				-
<i>Transfer to CIP Facilities Reserve</i>	0.69	0.69	100%	0.01
<i>Transfer to CIP General Reserve</i>	0.69	0.69	100%	0.71
<i>Transfer to General Fund Reserves</i>	1.60	-	0%	0.42
Police Department	43.43	21.59	50%	0.15
Fire Department	29.35	15.42	53%	-
Public Works	18.06	7.19	40%	0.00
Parks & Recreation	11.35	5.31	47%	0.04
<b>Total Operating Expenditures</b>	<b>172.72</b>	<b>68.13</b>	<b>39%</b>	<b>9.84</b>
<b>Fund Balance - Carryforwards/Unassigned</b>	<b>8.77</b>			<b>17.71</b>
<b>Budgeted Net Position</b>	<b>0.25</b>			<b>0.71</b>

**Major Revenues**



**Property Tax**

FY 2025/26 Property Tax revenues are currently budgeted at \$53.1 million which includes \$4.3 million in Excess ERAF. The City’s major source of property tax revenue to the General Fund is residential property (74.6%), followed by commercial property (17.8%) and industrial property (2.9%). Year-to-date property tax revenue appears on target. Napa is beginning to see declines in median sale prices of detached single-family homes. The median prices, between January and August 2025, decreased from \$879,000 to \$860,000. This is a 2.1% drop from 2024’s median price. While this has an effect on future growth, the overall taxable assessed value is projected to grow at 4.8% in tax year 2025/26.

**Sales Tax**

Sales Tax revenues for FY 2025/26 are currently budgeted at \$46.1 million. This includes \$22.4 million of estimated newly approved Measure G transaction and use tax. 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 slightly higher than current estimates. A reduction of \$0.6 million to our state sales tax budget is recommended. Measure G transaction and use tax estimates are in line with the adopted budget and no adjustment is recommended.

For July-September 2025 (Q3) sales tax revenues were 2.0% higher than the same quarter in 2024 but still performing behind budgeted revenues for FY 2025/26. The three largest categories, making up 58.1% of total revenue, were General Consumer Goods, Restaurants and Hotels, and State and County Pools.

The largest increases from Q3 2024 to Q3 2025 were in Transfers & Unidentified (45.3%), General Consumer Goods (27.3%), and Business and Industry (13.9%). The largest decreases from Q3 2024 to Q3 2025 were observed in Fuel and Service Stations (18.5%), Food and Drugs (9.7%), and Auto and Transportation (5.1%).

### 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. Though projected to remain flat to the FY 2023/24, FY 2024/25 had a strong final quarter with May 2025 seeing the highest amount of TOT by month to date. FY 2024/25 actuals were \$30.9 million - \$1.5 million over the revised budget. The FY 2025/26 budget was adopted prior to seeing these final receipts and was estimated at \$29.7 million which projected 1% growth over the prior year's revised budget.

Collections for TOT lags in a similar fashion to Sales Tax, and the \$14.3 million received as of December 31, 2025 roughly corresponds to July-October receipts where 48% of the total TOT has been historically collected. Current projections estimate that actual TOT revenue for the current fiscal year will be approximately \$31.5 million, 2% growth on the FY 2025/26 actuals, and a revenue budget increase of \$1.8 million is recommended.

There were 27 hotels, 21 bed and breakfast establishments, 43 non-hosted and 27 hosted vacation rentals generating transient occupancy tax revenue within the City as of December 31, 2025.

### Other Revenues

*Business License Tax* revenues are trending lower than the FY 2025/26 adopted budget illustrating that prior year discovery and collection efforts may have skewed projected growth rates. Staff is recommending a decrease to these budgeted revenues.

*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 on target; Revenues are expected to be higher than budgeted. An increase to the adopted budget is recommended.

*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 three months of FY 2025/26. The market remains volatile but given the receipts to date, staff is only recommending an adjustment related to investment earnings for Measure G revenues which has no established budget for this category.

*Miscellaneous Revenues* include Rents and Royalties, as well as Contributions/Donations from Private Sources. This category is tracking ahead of the adopted budget so minor adjustments are recommended. Additionally, an adjustment is proposed for the usage of Asset Forfeiture revenue by the Police Department for equipment purchases which shows in this category.

*Non-Operating Revenues* for the current year is \$4.3 million of Excess ERAF budgeted to the General Fund to balance the budget. This has been received.

**Expenditures**

As of December 31, 2025, all departments were operating within 53% of their approved budgets with 39% of the General Fund budget being expended.

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

<b>Expenditures by Department</b>	<b>Budget</b> 12/31/2025 \$ in millions	<b>Actual</b> 12/31/2025 \$ in millions	<b>% to date</b> (Budget to Actual)
City Council / City Clerk	1.85	0.96	52%
City Manager	6.89	3.28	48%
Finance	6.03	2.90	48%
City Attorney	1.93	0.91	47%
Human Resources	2.65	1.28	48%
Community Development	6.77	2.83	42%
General Government	44.40	6.46	15%
Police Department	43.43	21.59	50%
Fire Department	29.35	15.42	53%
Public Works	18.06	7.19	40%
Parks & Recreation	11.35	5.31	47%
<b>Total Expenditures</b>	<b>172.72</b>	<b>68.13</b>	<b>39%</b>

Departments request additional funding for this fiscal year to meet needs. Additionally, staff recommended usage of the FY 2024/25 ending unassigned fund balance presented to Council on January 20, 2026 are included. Requests included in this report for the General Fund total \$9,835,350:

- \$8,500,000 for General Government for transfers to the Section 115 Trust (\$3.5 million) and the Non-Recurring General Fund for the Harvest Recreational Site Demolition and Project Planning (\$5.0 million).
- \$1,138,800 for General Government for transfers to the General Fund (\$0.4 million) and Capital Improvement Programs reserves (\$0.7 million).

- \$150,000 for the Police Department for the usage of Asset Forfeiture revenue (\$0.2 million) offset by a budget correction (\$50,000).
- \$46,550 for recommended staffing plan adjustments for Public Works and Parks and Recreation for the four remaining months of the fiscal year, primarily to manage the City’s new Harvest Site responsibilities.

**Non-Recurring General Fund**

<b>Non-Recurring General Fund Summary (in millions)</b>					
	<b>FY 2025/26 Budget</b> <i>(as of 12/31/25)</i>	<b>FY 2025/26 YTD Actual</b> <i>(as of 12/31/25)</i>	<b>% to date</b> <i>(Budget to Actual)</i>	<b>Proposed Mid-Year Adjustments</b>	
<b>Beginning Fund Balance</b>	<b>10.33</b>	<b>10.33</b>			
<b>Non-Recurring Revenues</b>					
Property Tax (Excess ERAF)	0.25	0.14	55%	-	
Licenses and Permits	0.40	0.01	4%	-	
Charges for Services	1.49	0.12	8%	-	
Intergovernmental	2.43	0.15	6%	-	
Investment Earnings	-	0.11	0%	0.20	
Miscellaneous / Other Revenues	-	0.01	0%	-	
Transfers In*	24.18	0.11	0%	5.20	
<b>Total Non-Recurring Revenues</b>	<b>28.76</b>	<b>0.64</b>	<b>2%</b>	<b>5.40</b>	
<b>Non-Recurring Expenditures</b>					
Salaries, Wages & Benefits	1.18	0.39	34%	-	
Services*	8.41	1.16	14%	4.99	
Materials and Supplies	0.86	0.09	11%	0.20	
Capital Outlay	24.46	24.09	98%	-	
Transfers Out	0.42	0.13	30%	-	
<b>Total Non-Recurring Expenditures</b>	<b>35.32</b>	<b>25.86</b>	<b>73%</b>	<b>5.19</b>	
<b>Net Impact of Non Recurring</b>	<b>(6.57)</b>	<b>(25.22)</b>			
<b>Projected Ending Fund Balance</b>	<b>3.77</b>			<b>3.98</b>	
<i>* Proposed adjustments include \$5M Harvest Recreational Site Demolition &amp; Planning</i>					

Excess ERAF was budgeted in the General Fund (\$4.3 million) to balance the FY 2025/26 budget; at this time \$0.1 million of the \$4.4 million received will remain in the Non-Recurring General Fund for future appropriation. Recommended increases to the Non-Recurring General Fund are for budget corrections and alignment with actual trends. Transfers in and their related expenditure budgets are for the usage of Asset Forfeiture revenue for Police Department equipment purchases and the recommended usage of FY 2024/25 available unassigned fund balance for the Harvest Recreation Site Demolition and Planning.

**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 Capital Improvement Program

(CIP) Facilities and General Reserves both receives an annual transfer within the range of 0.5 to 3% of the General Fund Operating Budget. The FY 2025/26 and FY 2026/27 budgets were adopted with a 0.5% contribution to both CIP reserves. The increases to the General Fund Operating Budget expenditures requested in this report will increase the contributions required for the year for all reserves. Additionally, due to General Fund revenue capacity, staff recommends increasing the contribution percentage for the CIP General Reserve from 0.5% to 1.0% to better support the 5-Year Capital Improvement Program plan.

<b>Reserves</b> <i>(in millions)</i>	<b>FY 2025/26 Beginning Balance</b>	<b>Usage</b>	<b>Budgeted Transfers In</b>	<b>Mid-Year Additional Transfers In</b>	<b>FY 2025/26 Ending Balance</b>
Emergency Reserve	18.16	-	1.12	0.29	19.58
Operating Reserve	6.49	-	0.40	0.10	6.99
Contingency Reserve	1.30	-	0.08	0.02	1.40
CIP Facilities Reserve	8.09	-	0.69	0.01	8.79
CIP General Fund Projects Reserve	3.29	-	0.69	0.71	4.68
<b>Total Reserves</b>	<b>37.32</b>	<b>-</b>	<b>2.98</b>	<b>1.14</b>	<b>41.44</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 2025 through December 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 December 31, 2025 is provided below:

<b>Solid Waste &amp; Recycling Operating Fund</b>				
<b>(in millions)</b>				
	<b>FY 2025/26 Amended Budget</b> <i>(as of 12/31/2025)</i>	<b>FY 2025/26 YTD Actual</b> <i>(as of 12/31/2025)</i>	<b>% to date</b> <i>(Budget to Actual)</i>	<b>Proposed Mid-Year Adjustments</b>
<b>Revenues</b>				
Refuse Collection Charges	31.00	14.25	46%	5.46
MDF Gate Fees	5.30	1.86	35%	-
Material Sales	10.60	5.25	50%	1.40
Other Revenues	0.48	0.20	41%	-
<b>Total Revenues</b>	<b>47.38</b>	<b>21.56</b>	<b>46%</b>	<b>6.86</b>
<b>Expenditures</b>				
Salaries and Benefits	1.89	0.91	48%	-
Contractor Service	32.96	15.84	48%	(0.23)
Transfer Station Disposal Fees	4.17	1.85	44%	0.34
MDF Facility Materials	2.40	1.72	72%	-
Debt Service	0.87	0.74	85%	-
Other Materials, Supplies & Services	4.32	1.14	26%	0.89
Administrative Support	1.35	0.34	25%	-
Transfer Out to Street Resurfacing	1.32	0.33	25%	-
Transfer Out to SWR CIP Fund	3.00	3.00	100%	-
Transfer Out to SWR Non-Recurring Fund	0.50	0.50	100%	-
<b>Total Expenditures</b>	<b>52.77</b>	<b>26.37</b>	<b>50%</b>	<b>1.00</b>
<b>Surplus / (Deficit)</b>	<b>(5.40)</b>	<b>(4.82)</b>		<b>0.46</b>

<b>Solid Waste &amp; Recycling CIP Fund</b>				
<b>(in millions)</b>				
	<b>FY 2025/26 Amended Budget</b> <i>(as of 12/31/2025)</i>	<b>FY 2025/26 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	3.00	3.00	100%	-
<b>Total Revenues</b>	<b>3.00</b>	<b>3.00</b>	<b>100%</b>	<b>-</b>
<b>Expenditures</b>				
Capital Projects	3.36	1.40	42%	-
Administrative Support	0.00	0.00	25%	-
<b>Total Expenditures</b>	<b>3.36</b>	<b>1.40</b>	<b>42%</b>	<b>-</b>
<b>Surplus / (Deficit)</b>	<b>(0.36)</b>	<b>1.60</b>		<b>-</b>

<b>Solid Waste &amp; Recycling Non-Recurring Fund</b>				
<b>(in millions)</b>				
	<b>FY 2025/26 Amended Budget</b> <i>(as of 12/31/2025)</i>	<b>FY 2025/26 YTD Actual</b> <i>(as of 12/31/2025)</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	0.50	0.50	100%	
<b>Total Revenues</b>	<b>0.50</b>	<b>0.50</b>	<b>100%</b>	-
<b>Expenditures</b>				
Other Expenditures	0.67	0.24	35%	0.40
Administrative Support	0.01	0.00	25%	-
<b>Total Expenditures</b>	<b>0.68</b>	<b>0.24</b>	<b>35%</b>	0.40
<b>Surplus / (Deficit)</b>	<b>(0.18)</b>	<b>0.26</b>		<b>(0.40)</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 November 30, 2025, while expenditures are shown through December 31, 2025. With this caveat, you can see that overall operating revenues are on track (or above) with the adopted SWR FY 2025/26 budget.

Refuse collection charges are slightly ahead the adopted budget at 46% of budget. Revenue from Gate Fees is also behind the projected budget at 35% and this gap is expected to close as rate adjustments effective January 1, 2026 will reflect 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 FY2025/26 Materials sales revenue by \$1.4 million from \$10.6 million to \$12 million. Materials sales revenue is tracking at (50%) and this trend is expected to increase due to a combination of higher global commodity pricing for recyclable materials, installation of improved "optical sorter" technology at the City's MDF, and addition of two local municipal customers. Operating expenditures are tracking well with the adopted FY 2025/26 budget, and this is presented artificially high (50%) since 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 \$4.3 million) that has already been made to Napa Recycling & Waste Services (NRWS) for FY 2025/26.

### 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 December 31, 2025 is provided below:

### Water Operating Fund

(in millions)

	FY 2025/26 Amended Budget <i>(as of 12/31/2025)</i>	FY 2025/26 YTD Actual <i>(as of 12/31/2025)</i>	% to date <i>(Budget to Actual)</i>	Proposed Mid-Year Adjustments
<b>Revenues</b>				
Charges for Services	46.72	23.24	50%	-
Other Revenues	1.19	0.79	66%	-
<b>Total Revenues</b>	<b>47.91</b>	<b>24.03</b>	<b>50%</b>	<b>-</b>
<b>Expenditures</b>				
Salaries and Benefits	14.03	5.79	41%	-
Services, Materials and Supplies	11.59	4.28	37%	-
NBA Water Supply	9.46	1.19	13%	-
Administrative Support	3.86	0.96	25%	-
Water Bond Debt Service	3.16	0.42	13%	-
Transfer Out to Water CIP Fund	6.00	-	0%	-
<b>Total Expenditures</b>	<b>48.09</b>	<b>12.64</b>	<b>26%</b>	<b>-</b>
<b>Fund Balance for Carryforwards</b>	<b>-</b>	<b>-</b>		
<b>Surplus / (Deficit)</b>	<b>(0.18)</b>	<b>11.39</b>		

Revenue in the Operating Fund is tracking at 50% of the budget at the end of Q2 which is as expected. Due to the bimonthly billing cycle for water billing, revenues for consumption will lag until the full cycle is billed and received. Summer irrigation demands were in line with recent years and revenue is tracking with original projections so there are no proposed adjustments to revenue this fiscal year. Operating salaries and benefits expenditures are tracking at 41% 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. NBA Water Supply payments include two large capital payments of approximately \$2.0 million each in January and July, neither of which is reflected in the table above. Annual Water Bond Debt Service payments will be made in full in Q4.

## Water Non-Recurring Fund

(in millions)

	FY 2025/26 Amended Budget <i>(as of 12/31/2025)</i>	FY 2025/26 YTD Actual <i>(as of 12/31/2025)</i>	% to date <i>(Budget to Actual)</i>	Proposed Mid-Year Adjustments
<b>Revenues</b>				
2017 Fire Revenues (FEMA/CalOES)	0.63	0.02	4%	-
<b>Total Revenues</b>	<b>0.63</b>	<b>0.02</b>	<b>4%</b>	-
<b>Expenditures</b>				
2017 Fire Projects	1.64	-	0%	-
Administrative Support	0.01	0.00	25%	-
Other Expenditures	1.36	0.03	2%	-
Transfer Out to Water CIP	-	-		-
<b>Total Expenditures</b>	<b>3.00</b>	<b>0.03</b>	<b>1%</b>	-
<b>Fund Balance for Carryforwards</b>	<b>1.15</b>	<b>1.15</b>		
<b>Surplus / (Deficit)</b>	<b>(1.23)</b>	<b>1.13</b>		

The Non-Recurring Fund includes Disaster recovery projects that are anticipated to be reimbursed by FEMA/CalOES as the completed projects are closed. The Other Expenditures category in this non-recurring fund includes \$1.4 million budgeted for the multi-year Water System 30-Year Master Plan, Environmental Impact Report (EIR) and Corresponding Financial Plan. The EIR is in progress and is scheduled for completion in FY27.

## Water CIP Fund

(in millions)

	FY 2025/26 Amended Budget <i>(as of 12/31/2025)</i>	FY 2025/26 YTD Actual <i>(as of 12/31/2025)</i>	% to date <i>(Budget to Actual)</i>	Proposed Mid-Year Adjustments
<b>Revenues</b>				
Capital Projects Distribution	0.82	0.02	<i>n/a</i>	-
Capital Projects Supply	5.02	-	0%	-
Capital Projects Transmission	0.63	-	0%	-
Capital Projects Treatment	2.73	-	<i>n/a</i>	-
Capacity Fees	1.50	-	0%	-
Transfer In from Water Operating Fund	6.00	-	0%	-
<b>Total Revenues</b>	<b>16.71</b>	<b>0.02</b>	<b>0%</b>	-
<b>Expenditures</b>				
Capital Projects Administration	0.33	0.04	12%	-
Capital Projects Distribution	7.20	0.60	8%	-
Capital Projects Supply	8.91	0.03	0%	-
Capital Projects Transmission	17.51	6.63	38%	-
Capital Projects Treatment	5.13	0.07	1%	-
<b>Total Expenditures</b>	<b>39.08</b>	<b>7.36</b>	<b>19%</b>	-
<b>Fund Balance for Active Projects</b>	<b>22.37</b>	<b>22.37</b>		
<b>Surplus / (Deficit)</b>	<b>-</b>	<b>15.03</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 \$6.0 million funded by revenue from capacity fees and water rates. Capacity fees have been consistently tracking at approximately \$1.0 million annually and \$1.5 million is expected in FY25/26.

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 ongoing development of the asset management program.

Water Supply Projects are implemented to improve and maintain watersheds, dams, and reservoirs. Water Treatment Projects invest in our three water treatment plants. Significant investments are being made in our Supervisory Controls and Data Acquisition (SCADA) system including replacing outdated motor control centers (MCCCs), control panels that are beyond their useful lives and no longer supported by manufacturers.

Pipeline investments are in both transmission and distribution categories. Projects allocated for Water Distribution replace and repair meters, fire hydrants, and pipelines up to twelve inches in diameter. 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 \$17.0 million started in fiscal year 2025 and will be closed out in Q4 of this fiscal year 2026.

### **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 2025/26 Budget <i>(as of 12/31/2025)</i>	FY 2025/26 YTD Actual <i>(as of 12/31/2025)</i>	% to date <i>(as of 12/31/2025)</i>	Proposed Mid-Year Adjustments
<b>Fleet Management Fund</b>				
<b>Available Capital [1]</b>	<b>8.17</b>	<b>8.17</b>		
Revenues	5.01	2.76	55%	
Expenditures	10.39	2.13	21%	
Fund Balance Addition/(Reduction)	(5.38)	0.62		
<b>Projected Ending Available Balance</b>	<b>2.79</b>			
<b>Fleet - Fire Apparatus Replacement Fund</b>				
<b>Available Capital [1]</b>	<b>3.15</b>	<b>3.15</b>		
Revenues	0.89	0.45	50%	
Expenditures	2.28	1.92	84%	
Fund Balance Addition/(Reduction)	(1.39)	(1.48)		
<b>Projected Ending Available Balance</b>	<b>1.76</b>			
<b>IT Replacement</b>				
<b>Available Capital [1]</b>	<b>2.48</b>	<b>2.48</b>		
Revenues	0.84	0.13	16%	
Expenditures	1.07	0.50	47%	
Fund Balance Addition/(Reduction)	(0.23)	(0.37)		
<b>Projected Ending Available Balance</b>	<b>2.25</b>			
<b>Risk Management - General Liability</b>				
<b>Available Capital [1]</b>	<b>4.50</b>	<b>4.50</b>		
Revenues	10.67	3.85	36%	
Expenditures	11.47	7.16	62%	
Fund Balance Addition/(Reduction)	(0.80)	(3.32)		
<b>Projected Ending Available Balance</b>	<b>3.70</b>			
<b>Workers Compensation</b>				
<b>Available Capital [1]</b>	<b>6.84</b>	<b>6.84</b>		
Revenues	6.17	3.63	59%	
Expenditures	6.64	2.93	44%	
Fund Balance Addition/(Reduction)	(0.47)	0.70		
<b>Projected Ending Available Balance</b>	<b>6.38</b>			
<b>Unemployment Insurance</b>				
<b>Available Capital [1]</b>	<b>0.43</b>	<b>0.43</b>		
Revenues	0.05	0.03	56%	
Expenditures	0.10	0.04	37%	
Fund Balance Addition/(Reduction)	(0.05)	(0.01)		
<b>Projected Ending Available Balance</b>	<b>0.39</b>			
<b>Post Employment Benefits (PEB)</b>				
<b>Available Capital [1]</b>	<b>13.13</b>	<b>13.13</b>		
Revenues	1.60	0.97	60%	3.50
Expenditures	1.15	0.49	43%	3.50
Fund Balance Addition/(Reduction)	0.45	0.47		
<b>Projected Ending Available Balance</b>	<b>13.58</b>			
<b>Equipment Replacement</b>				
<b>Available Capital [1]</b>	<b>1.10</b>	<b>1.10</b>		
Revenues	0.17	0.05	29%	
Expenditures	0.08	0.00	0%	
Fund Balance Addition/(Reduction)	0.09	0.05		
<b>Projected Ending Available Balance</b>	<b>1.19</b>			

[1] Available Capital = Fund Balance available for Appropriation

## **What We Are Watching**

### **Nationally:**

At the national level, the economy continued to show mixed signals through 2025. The U.S. labor market remained relatively tight but slowed compared with recent years. In November 2025, the national unemployment rate was 4.6%, slightly higher than earlier in the year and above the levels seen in 2023 and early 2024. Teen unemployment was significantly higher, at 16.3% in November 2025.

Inflation has generally eased compared with prior years. Recent data show that the Consumer Price Index rose by about 2.7% over the 12 months ending November 2025, indicating that overall price increases have moderated toward a more stable pace after years of elevated inflation.

The Federal Reserve has responded to these conditions by lowering its policy interest rate multiple times during 2025. After several reductions, the federal funds target rate is at its lowest level since the sharp rate increases of the early 2020s. Although additional rate changes remain uncertain, the expectation in financial markets is that the Federal Reserve may hold rates steady in the near term.

### **State:**

In California, the labor market remained weaker than the national average in late 2025. The statewide unemployment rate was 5.6% in September 2025, slightly higher than a year earlier. Napa County's unemployment rate was lower at 4.1% around this time, reflecting localized strength relative to statewide conditions.

Statewide, economic activity such as retail sales and employment has remained steady but modest. Job growth in sectors such as education, healthcare, and hospitality helped support overall employment, even as other industries saw slower job gains.

Housing market data in California in 2025 showed some shifts. In the Bay Area, median home prices remained well above \$1 million, though prices dipped slightly compared with the prior year in some areas. For example, a regional report indicated the Bay Area's median home price was approximately \$1.3 million in late 2025, down modestly from earlier peak levels.

### **Local Economic Condition:**

Locally, the Napa economy continued to show positive signs into late 2025. According to the latest federal labor data, labor force and employment in the Napa area remained relatively stable, with the local unemployment rate generally lower than the state average and hovering around 4.9% in September 2025.

As in prior years, tourism remains an important economic driver for the City. During FY 2024/2025, Transient Occupancy Tax (TOT) receipts were flat to the same periods in the previous fiscal year for most months with the exception of the fourth quarter where receipts surpassed the prior year by \$1.5 million. This may suggest that large-scale events are a big driver of new visitors. It appears that overall occupancy and average daily rates are showing upward trends. Staff will continue to monitor TOT receipts as a key revenue indicator.

Housing market trends in Napa County also continued to show relatively high prices compared with historical averages, even as broader Bay Area markets saw modest price declines in some jurisdictions.

**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 / Fire / Grant and Donations	235,206	235,206
Fund 100 / Fire / CalOES Reimbursement	520,779	520,779
<b>Total Operating General Fund</b>	<b>755,985</b>	<b>755,985</b>

<b>Budget Adjustment Summary (Fund / Department / Purpose)</b>	<b>Revenues</b>	<b>Expenditures</b>
Fund 285 / Perm Local Housing / Grants and Donations	1,363,320	1,363,320
Fund 294 / Parks and Recreation SR / Grants and Donations	345,500	345,500
<b>Total Other Funds</b>	<b>1,708,820</b>	<b>1,708,820</b>

**Recommendation**

Receive and file the Mid-Year Financial Report and adopt a resolution amending the City's Staffing Plan, and approving revenue and expenditure budget updates to the FY 2025/26 Adopted Budget, as documented in Council Budget Amendment No. 5P9 as part of the FY 2025/26 Mid-Year Report. This budget amendment will increase revenues based on current projections and increase expenditures based on staff recommendations and department requests.

**Staffing Plan Changes:**

- Community Development: Delete 1 Secretary, Add 1 Administrative Secretary (0 FTE)
- Public Works: Delete 1 Senior Engineering Aide, Add 1 Administrative Assistant (0 FTE)
- Utilities: Delete 1 Management Analyst I/II, Add 1 Materials Diversion Analyst (0 FTE)
- Parks & Recreation: Delete 1 Park Maintenance Worker I/II, Add 1 Park Maintenance Worker III, Add 1 Maintenance Laborer (Limited-Term) (1 FTE)

Budget Amendments: (next page)

Fund	Fund Name	Revenue Budget Increase / (Decrease)	Expenditure Budget Increase / (Decrease)
100	General	1,156,600	9,835,350
	Mid-Year Revenue Adjustments	1,122,000	
	Cost Allocation Plan Correction	(165,400)	
	Asset Forfeiture Revenue Appropriation	200,000	
	Dispatch Cost Allocation		(50,000)
	Transfers Out-Asset Forfeiture Revenue		200,000
	Transfers Out-Contribution to 115 Trust		3,500,000
	Transfers Out - Harvest Recreational Site Demolition & Planning		5,000,000
	Transfers Out-General Fund Reserves		416,200
	Transfers Out-CIP General Reserves		710,900
	Transfers Out-CIP Facilities Reserves		11,700
	Mid-Year Staffing Plan Adjustments		46,550
101	General Non-Recurring	5,400,000	5,185,000
	Transfers In- Forfeiture Revenue Equipment	200,000	
	Transfers In-Harvest Recreational Site Demolition & Planning	5,000,000	
	Mid-Year Revenue Adjustment	200,000	
	Budget Correction-40PARKNAPA - City Match		(65,000)
	Budget Correction-Dispatch Cost Allocation		50,000
	Asset Forfeiture Revenue-Equipment		200,000
	Harvest Recreational Site Demolition & Planning		5,000,000
102	Measure G	200,000	
	Mid-Year Revenue Adjustment	200,000	
203	Traffic Fines	90,000	
	Mid-Year Revenue Adjustment	90,000	
204	Red Light Camera	(1,500,000)	(385,200)
	Mid-Year Revenue Adjustment	(1,500,000)	
	Budget Reduction Contract Services Only		(385,200)
255	Measure F	148,000	
	Mid-Year Revenue Adjustment - TOT	148,000	
300	City Capital	722,600	
	Transfers-In from CIP General Reserves	710,900	
	Transfers-In from CIP Facilities Reserves	11,700	
510	Solid Waste & Recycling-Operating	6,856,200	1,000,000
	Refuse Collection Charge	5,456,200	
	Material Sales	1,400,000	
	Contractor Services		(231,000)
	Transfer Station Disposal Fees		341,000
	Contractual Payment of CRV Containers		1,200,000
	Organics Cost		(310,000)
519	Solid Waste & Recycling-Non-Recurring		400,000
	Excess Sales Tax for Anaerobic Digestion Equipment		200,000
	Permit and CEQA EIR Preparation		200,000
650	Postemployment Benefits	3,500,000	3,500,000
	Transfers In-Contribution to 115 Trust	3,500,000	
	Contribution to 115 Trust		3,500,000
	<b>Total</b>	16,573,400	19,535,150