



# CITY of NAPA

## City Manager Introduction

*Fiscal Years*  
*2013-14 & 2014-15*



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July 1, 2013

**Honorable Mayor and Council Members:**

I am pleased to present the City of Napa Budget for Fiscal Years 2013-14 and 2014-15. This document provides a comprehensive overview of City activities and programs during the two year period beginning July 1, 2013. The budget identifies the City's organizational structure, includes program descriptions, provides an overview of the City's financial condition and summarizes budget priorities and issues. These elements combine to enhance the utilization of this document as a communication device, a financial plan, a policy tool and an operations guide for the City Council, employees and citizens of Napa.

The Adopted Budget for all City funds totals \$181.7 million in FY 2013-14 and \$172.8 million in FY 2014-15. In accordance with the direction of the City Council, this budget represents a spending plan that balances the need to be responsive in providing services to residents, businesses and visitors within the limits of available resources. The City Council priorities discussed in your January 2013 Workshop were a key consideration during development of this two year budget. The Adopted Budget reflects the following priorities established by the City Council:

- Financial Stability
- Streets, Sidewalk and Infrastructure; including parks and downtown improvements
- Enhance Vitality and Sustainability through Economic Development
- Efficient and Stable Organization
- Quality Service to the Community

**Key Points**

- The Adopted Budget contains no recommended tax increases, major fee adjustments or new assessments. The Master Fee Schedule will be presented to Council in Fall 2013.
- Revenue growth in the General Fund is projected to continue at 2.3% in FY 2013-14 rising to 4.5% in FY 2014-15 due mainly to increased Property Tax, (increased property values coupled with increased activity), Sales Tax (increased sales activity and new businesses), and Transient Occupancy Tax (increased off-season activity coupled with additional rooms in the second year).
- Operating expenditures will continue to keep pace with revenue levels to ensure the City's ability to respond to the current and future needs of the community.
- Staffing changes in the Adopted Budget include a new Parks Maintenance Laborer position in each of the two years, with primary focus on the downtown area. Additionally, plans include the increase of a Police Sergeant in the second year in support of the downtown area and implementation of the Neighborhood

based policing strategy. The two-year budget includes a net increase in General Fund FTE of 2.0 full-time positions and 8.74 part-time positions, and a net increase of 3.23 FTE in other funds (full-time and part-time).

### **General Fund**

The proposed General Fund operating budget is balanced in each of the next two fiscal years. Revenue assumptions are conservative but realistic. The largest source of revenue to the General Fund, Property Tax, is projected to increase by 3% in each of the next two fiscal years. The second largest source of General Fund revenue, Sales Tax, is projected to increase by 6% in FY 2013-14 and an additional 5% the following year. Transient Occupancy Tax (TOT) is the third largest source of General Fund revenue. TOT is projected to increase by 4% in FY 2013-14 and an additional 6% in FY 2014-15. Growth in these three major revenue sources is a positive indication of the City of Napa's economic recovery.

### **Fiscal Policies**

In an effort to present clear fiscal direction, the City Council has adopted a number of fiscal policies. One key group of fiscal policies includes the Reserve Policies. The Reserve Policies identify target levels of funding for the Emergency, Contingency and Operating Reserves. The General Fund Emergency Reserve is to be maintained at 12 % of budgeted operating expenditures. The Contingency Reserve, which provides funding for non-recurring unanticipated expenditures, is set at 1% of General Fund operating expenditures. The Contingency Reserve, in FY 2013-14, will be \$300,000 which is under the \$622,000 calculated target level, but is projected to increase over the next several years. The General Fund Operating Reserve has a target level of 3% of the operating budget. At the end of the fiscal year, if surplus funds remain in the General Fund (either through increased revenues, under-expenditures, or a combination of the two), the first 2% has been designated to the Capital Facilities Reserve (to provide for maintenance or replacement of City Facilities e.g. City Hall, Public Safety building, Community Services Building), and any remaining unallocated fund balance transferred to the CIP Reserve. This policy provides an overall General Fund reserve level of 16% of operating expenditures with any excess funds set aside for major capital projects.

### **Capital Improvement Plan**

The Proposed Budget includes a Capital Improvement Plan for the next five year period with capital projects totaling \$58.1 million. Of this amount, \$13.7 million is budgeted in FY 2013-14 and \$9.2 million in FY 2014-15. Projects funded from the General Fund will total \$6.4 million over the next two year period. Included among the major capital expenditures requested during this budget cycle from various funding sources is funding for street and sidewalk projects (\$7.3 million), water system improvements (\$6.6 million), initial costs associated with construction of Fire Station #5 (\$3.7 million), as well as various facility, park and storm drain projects.

### **State of the City**

Over the prior two budget cycles, the City implemented significant cost reductions including labor concessions, elimination of 29 full-time positions through departmental reorganizations, layoffs and elimination of vacant positions. In addition, City-wide departmental cost reductions and operating efficiencies allowed the City of Napa to "weather" the economic storm while minimizing the service level impacts to the residents and businesses of this city.

The challenges for FY 2013-14 and FY 2014-15 center around finding the balance between returning services to pre-recession levels, ensuring adequate funding for various capital and infrastructure projects and addressing employee compensation to ensure the City is able to retain and attract high quality employees. Some of the items included or restored in the Budget consistent with Council priorities include:

- Administration – Revision to the allocation methodology of General Liability costs. This re-allocation increased the General Fund contribution to the General Liability budget by \$0.5 million, related to claims from General Fund activities (e.g. Police, Fire, streets, sidewalks, trees, etc.)
- Public Works – The re-institution of a Survey team in the Public Works Engineering Division, to provide consistent and reliable survey data in support of Capital Projects.
- Community Development – Planned activities include the preparation of a reuse plan for the former Cinedome site, and address portable sign enforcement issues around key streets and corridors.
- Police Department – Continued support to the County and AMR for Dispatch services, and movement toward implementation of the Neighborhood Based Policing Model and the Police Reserve program to ensure a high level of safety for the citizens of Napa.
- Fire Department – Continued support to American Canyon for Prevention, Suppression and Administrative services is anticipated. Additionally the Fire Department is beginning the planning and design process for construction and staffing of the new Fire Station #5 to be located at the corner of Browns Valley Road and Laurel Avenue. Funding of the project will begin in FY 2013-14 and FY 2014-15 to ensure adequate capacity is available for the construction and staffing of the Station.
- Parks and Recreation – Service levels were impacted during the recent economic downturn due to a reduction in staffing and a reduced capacity for maintenance of City buildings, parks and parking structures. The Parks and Recreation Department will be maximizing the use of part-time and seasonal employees to assist in the backlog of maintenance activities in the downtown area (including parking garages) until such time as the General Fund regains sufficient operating capacity to provide for additional full time staffing. Managing maintenance pressures continues to be challenging as the City's inventory of developed park land continues to grow.
- Since the dissolution of the Napa Redevelopment Agency in early 2012, the City has continued to follow-through on projects originally identified as redevelopment projects. These projects include: Riverfront Green, China Point Overlook, and Soscol Drainage Improvements. Funding for continued redevelopment projects will not be confirmed until the City has received approval from the State (Finding of Completion) and the Successor Agency Oversight Board has approved the projects.

The City of Napa has begun to see some economic recovery which has resulted in an increase in the City's revenue base, while also experiencing an increase in the demand for public services. Due to long range fiscal planning, ongoing financial controls over spending and an advantageous position in a strong economic niche market, the City remains in a stronger position than many other local agencies. It is important that as the City continues to re-gain fiscal stability we remain cautious to not over-obligate our elastic revenue base. One fiscal challenge facing the City of Napa is a projected

significant increase in the employer pension contribution rate – expected to take effect within the next several years.

Economic development continues to be an important area of focus. Projects on the horizon include:

- The Shops at Napa Center - The property owner has submitted plans for the Phase I renovations to include a “face lift” of the common area pathways, landscaping, furnishings, architectural improvements, painting, etc. Construction is likely to begin this summer, which will set the stage for new tenants in early 2014. The owner is also in the process of negotiating an agreement with an experienced 4-star level hotel developer, which will kick start the planning and design process later this year.
- CineDome Theater site and Nearby Parking - Staff is working with the owner of the now-closed CineDome theater on initiating a process for a reuse plan of the property and discussing strategies for constructing public parking in the area to replace parking eliminated with the future bypass channel. This will spark other development in the north part of the downtown such as on the Wiseman property located on the northeast corner of Main and Clinton Streets which has been receiving increased interest.
- Oxbow Neighborhood/Core Downtown - Discussions have begun about a possible reuse plan of the former Copia property, the former JV Wine & Spirits property has now sold, and the Ritz property is under contract to be acquired. These represent significant new opportunities east of the downtown consistent with the recently-adopted Downtown Specific Plan. Significant improvements are also being discussed on the corners of Main and First Street and Main and Second Street and on the former Riverside Garage site, and development is underway in a formerly derelict building on Brown Street.
- Gasser Development/Soscol Corridor - With the construction of the new Century Theater, planning for the other retail pads will ramp up in the next 18 to 24 months. Plans are already underway for a new hotel and fitness studio in the area, and Gasser has begun designing the first phase residential development with approximately 450 units. Napa Crossing South, a commercial shopping center similar to the one completed on California and Trancas streets last year, will also spark additional interest along the Soscol corridor.

### **Summary**

In spite of the stronger economic outlook, developing a viable spending plan for the next two year period requires careful planning, long range vision and aggressive management of limited resources. This Budget was developed utilizing these guidelines and is consistent with the assumptions included in the adopted Long Term Financial Plan.

As City Manager, I am committed to continuing the management of the economic resources of this City in a conservative and responsive manner. The City Council will be appraised on an ongoing basis of the status of these efforts. I welcome your input, your advice and your guidance.

## **Acknowledgements**

In closing, I would like to express my appreciation to the City Council for providing positive leadership and direction during the preparation of this budget. I also want to thank the dedicated City Department Managers and their key staff members who have worked countless hours to prepare this budget. Lastly, I wish to acknowledge the incredible dedication and hard work of the City's budget team. Their collective contributions are appreciated and I extend my sincere thanks for a job well done.



Mike Parness  
City Manager

*The hard work and dedication to excellence by the City's budget team is hereby acknowledged.*

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