
***Rio Dell City Hall
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cityofriodell.ca.gov***



DATE: March 18, 2025

TO: Rio Dell City Council

FROM: Travis Sanborn, Finance Director

THROUGH: Kyle Knopp, City Manager

SUBJECT: Fiscal Year 2024-25 Mid-Year Financial Report

IT IS RECOMMENDED THAT THE CITY COUNCIL:

In furtherance of its commitment to diligent financial oversight and strategic planning, the Council will formally receive and file the Fiscal Year (FY) 2024-25 Mid-Year Financial Report. This action will document the Council's acknowledgment of the report's findings and facilitate informed deliberations regarding the City's financial trajectory.

BACKGROUND

This report presents the Fiscal Year (FY) 2024-25 Mid-Year Financial Report, a critical instrument for ensuring fiscal transparency and responsible governance. As of December 31, 2024, it provides a detailed analysis of budgeted versus actual expenditures and revenues, enabling the City Council to make informed decisions. This data-driven approach underscores our commitment to proactive financial management, allowing for timely adjustments and strategic resource allocation.

DISCUSSION

The attached report meticulously dissects the City's financial performance, highlighting key variances and their strategic implications. Beyond mere numerical representation, it contextualizes the data within the broader economic landscape and the City's objectives. Key focus areas include rigorous variance analysis, revenue optimization, expenditure control, and refined strategic financial forecasting. This mid-year review is a retrospective analysis and a crucial tool for forward-looking planning, ensuring Rio Dell's sustainable economic stability and growth. We are prepared to provide further insights and address questions, demonstrating our commitment to transparent and accountable governance.

ATTACHMENTS

Accompanying this report is the comprehensive Fiscal Year (FY) 2024-25 Mid-Year Financial Report, a detailed analytical document designed to provide the City Council with a clear and insightful understanding of the City's financial performance as of December 31, 2024. This report is a critical resource for strategic decision-making and proactive financial management.

MID-YEAR FINANCIAL REPORT

Mid-Year FY 2024-25

This Mid-Year Financial Report reviews the City's financial condition for fiscal year (FY) 2024-25 as of December 31, 2024. The report describes the revenues received and expenditures incurred and explains any significant budget variances at mid-year or projected to occur at the end of the fiscal year.

SUMMARY

The FY 2024-25 adopted budget for the City of Rio Dell was \$19.45 million, with estimated revenues of \$18.24 million. Total City revenues received at mid-year were \$3.80 million; expenditures totaled \$4.60 million. This difference is primarily due to expenses incurred on capital projects, grants, and Earthquake repairs yet to be reimbursed by the granting or State agency.

Revenues: As of mid-year, the city's major funds had received 47% of revenues, compared to 43% for the same period last year. There was a slight decrease in the percentage of General Fund revenues received at mid-year; 22% was collected compared to 29% in the previous mid-year report. Due to the current uncertainties in the economic climate at the local and State levels, the City budgeted revenues lower, most notably in Sales Tax and Cannabis revenue projections.

REVENUES BY MAJOR FUND			
	BUDGET	MID-YEAR ACTUAL	% RECEIVED
GENERAL FUND	1,717,725	376,748	22%
STREETS	340,718	138,442	41%
SLESF	160,000	139,984	87%
BUILDING FUND	67,350	50,399	75%
SEWER	1,628,934	1,021,897	63%
WATER	1,295,000	719,644	56%
TOTAL	5,209,727	2,447,114	47%

Expenditures: As of mid-year, City-wide expenditures were \$4.60 million or 24% of the \$19.45 million adjusted budget. Operating expenses were 29% of the budget, 23% less than last year. The decrease is directly attributed to the increased Capital Projects performed in the current fiscal year. Capital project expenditures are increased due to continued work on large grant-funded projects such as the state-funded water distribution system project, the Eel River Trail.

The following table shows budget versus actual amounts by the department and current and prior year variances by percentage at mid-year.

EXPENDITURES BY DEPT.				
OPERATING	BUDGET	MID-YEAR ACTUAL	% EXPENDED	% PRIOR YEAR
Admin Car	1,600	105	7%	22%
Building	142,363	57,192	40%	48%
City Council	27,725	23,149	83%	41%
City Manager	361,576	192,821	53%	32%
Finance	516,693	245,551	48%	45%
Planning	61,493	24,850	40%	47%
Police	1,613,817	686,353	43%	52%
General Government	758,114	273,797	36%	35%
Recycling	15,830	5,250	33%	43%
Sewer	1,014,390	525,437	52%	62%
Water	629,076	266,258	42%	61%
Streets	279,885	162,038	58%	67%
Facilities & Grounds	126,416	56,500	45%	43%
Total Operating	5,548,978	2,519,301	45%	52%
Debt Service/Payments	494,863	275,396	56%	55%
Capital Projects	14,206,074	1,977,294	14%	15%
TOTAL	20,249,915	4,771,991	24%	37%

Expenditures in the city's major funds were 43% of the budget as of mid-year.

EXPENDITURES BY MAJOR FUND			
	BUDGET	ACTUAL	% EXPENDED
GENERAL FUND	1,999,670	834,701	42%
STREETS	447,245	180,172	40%
SLESF	155,666	93,513	60%
BUILDING FUND	142,363	60,222	42%
SEWER	1,970,085	868,793	44%
WATER	1,359,183	562,374	41%
TOTAL	6,074,212	2,599,775	43%

MID-YEAR FINANCIAL REPORT

Mid-Year FY 2024-25

GENERAL FUND

As of December 31, 2024, the General Fund's revenues were \$376,748, and expenditures were \$834,701.

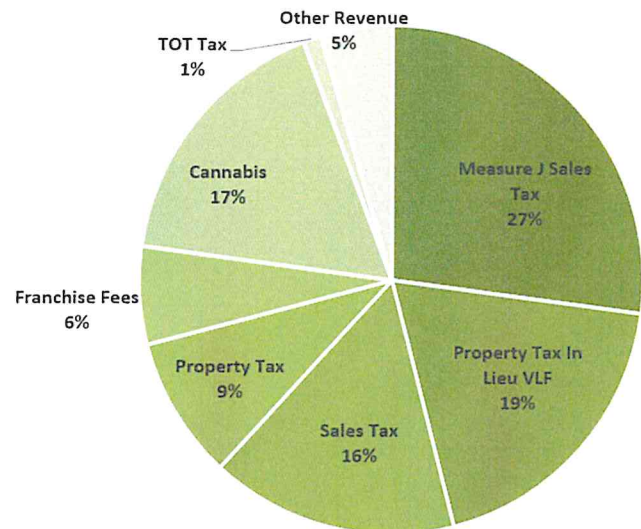
Revenues: At mid-year, 22% of budgeted revenues had been received, compared to 29% for the same period last year. Property tax and In Lieu VLF funds are typically received from the County in the second half of the fiscal year, which is the primary reason revenues are below estimates at mid-year.

28% of budgeted cannabis revenues were received at mid-year compared to 40% last year. This is due to Ordinance 397-2023, a local ordinance that allowed cultivators on the Dinsmore Plateau to make a one-time tax payment by March 15 as an alternative to quarterly payments during the fiscal year.

GENERAL FUND	BUDGET	MID-YEAR ACTUAL	%
Property Tax In Lieu VLF	465,375	-	0%
Local Sales Tax Measure J	325,000	116,532	36%
Sales Tax	272,000	69,798	26%
Property Tax	155,875	-	0%
Franchise Fees	107,000	20,296	19%
Cannabis	294,000	83,388	28%
Transient Occupancy Tax	20,000	6,631	33%
Other Revenues	78,475	80,103	102%
TOTAL	1,717,725	376,748	22%

The top three revenue sources in the General Fund are Property Tax In Lieu of Vehicle License Fees, Local Sales Tax Measure J, and Retail Sales Tax. Cannabis revenues exceeded property tax revenues despite the industrywide downturn and are anticipated to do so again in the current fiscal year. 'Other Revenues' include Police Services Fees, rental revenues for cell towers, gains on disposal of assets, and interest accrued from City reserves held in the Local Agency Investment Fund (LAIF).

General Fund Revenues by Type



Expenditures: The budgeted appropriations for the General Fund for FY 2024-25 total \$1.99 million. This includes \$62,290 for capital and special projects. Total appropriations spent at mid-year were \$834,701, or 42%.

STREETS FUNDS

Revenues: Projected street revenues decreased by less than 1% or \$329 for the current fiscal year. 41% of those revenues were received by mid-year compared to 59% last year. The most notable decreases were in the TDA and Gas Tax funds. Gas tax revenues were budgeted 2% lower year over year.

STREETS REVENUES	BUDGET	ACTUAL	% RECEIVED
020 GAS TAX	101,720	50,640	50%
021 SB1 RMRA	86,681	30,903	36%
024 TDA	125,317	56,899	45%
026 RSTP	27,000	-	0%
TOTAL	340,718	138,442	41%

MID-YEAR FINANCIAL REPORT

Mid-Year FY 2024-25

Expenditures: At mid-year, Actual Streets funds expenditures were 40% of adopted budgeted appropriations, compared to 67% last year. This decrease is primarily due to budgeted capital expenditures not completed.

STREETS EXPENDITURES	BUDGET	MID-YEAR ACTUAL	% EXPENDED
020 GAS TAX	96,215	51,744	54%
021 SB1 RMRA	201,937	20,228	10%
024 TDA	124,318	99,488	80%
026 RSTP	24,775	8,712	35%
TOTAL	447,245	180,172	40%

ENTERPRISE FUNDS

SEWER FUNDS

Revenues: The Sewer fund's total budgeted revenues for FY 2024-25 are estimated at \$1.63 million. This includes all fees, charges, penalties, and new connections for sewer service. Actual revenues received at mid-year were \$1,021,897, or 63% of the budget. Last year, at this time, revenues were \$749,436. The increase in the current year is primarily due to reimbursements from CalOES for sewer capital projects paid for in prior fiscal years and reimbursed in the current. Revenues are estimated to be on target at the end of the year.

SEWER REVENUES	BUDGET	MID-YEAR ACTUAL	% RECEIVED
050 SEWER OPERATIONS	1,221,000	554,301	45%
052 SEWER CAPITAL	105,000	258,406	246%
054 SEWER DEBT SVC.	302,934	209,190	69%
TOTAL	1,628,934	1,021,897	63%

Expenditures: Total sewer expenditures at mid-year were \$868,793, 44% of the budgeted amount. Expenditures in the Sewer Operating fund were at 53%. The treatment plant loan of \$6.6 million with the California State Waterboard will be paid off in 2043.

SEWER EXPENDITURES	BUDGET	MID-YEAR ACTUAL	% EXPENDED
050 SEWER OPERATIONS	1,287,151	686,184	53%
052 SEWER CAPITAL	380,000	31,142	8%
054 SEWER DEBT SVC.	302,934	151,467	50%
TOTAL	1,970,085	868,793	44%

WATER FUNDS

Revenues: The Water Fund's total budgeted FY 2024-25 revenues are estimated at \$1.29 million. This includes all fees, charges, and penalties. Actual revenues received at mid-year were \$719,644, or 56% of the budget. Water revenues are divided between Operations, Debt Service, Capital Projects, Metro Wells, and Dinsmore Zone.

WATER REVENUES	BUDGET	MID-YEAR ACTUAL	% RECEIVED
060 WATER OPERATION	827,125	443,035	54%
061 WATER DEBT SVC.	136,000	72,256	53%
062 WATER CAPITAL	290,000	180,933	62%
063 METRO WELLS	18,375	9,532	52%
064 DINSMORE ZONE	23,500	13,888	59%
TOTAL	1,295,000	719,644	56%

Expenditures: Total water expenditures at mid-year were \$562,374, or 41% of the budgeted amount. Expenditures in the Water Operating Fund were at 46%. The water plant loan of \$2.7 million with the California State Waterboard will be paid off in 2029.

WATER EXPENDITURES	BUDGET	MID-YEAR ACTUAL	% EXPENDED
060 WATER OPERATION	907,298	419,251	46%
061 WATER DEBT SVC.	136,000	68,000	50%
062 WATER CAPITAL	178,000	52,537	30%
063 METRO WELLS	27,785	18,516	67%
064 DINSMORE ZONE	110,100	4,070	4%
TOTAL	1,359,183	562,374	41%

MID-YEAR FINANCIAL REPORT

Mid-Year FY 2024-25

BUDGET OUTLOOK

The mid-year review indicates that revenues are largely tracked at budgeted levels, and expenditures are generally on course to remain within budget. However, several factors are anticipated to impact the budget outlook, as outlined below.

Earthquake

The December 20, 2022, and January 1st seismic events presented significant infrastructure challenges to the City of Rio Dell. They resulted in prolonged utility disruptions and widespread structural damage, rendering numerous residences uninhabitable. The financial implications of this disaster are substantial, extending beyond immediate response efforts and impacting long-term fiscal planning. Furthermore, inflationary pressures and rising service costs create financial uncertainties for essential infrastructure projects necessitated by the earthquake.

While adherence to CalOES guidelines allows for potential reimbursement of up to 75% of approved project costs, the remaining 25% represents a considerable financial burden for the City. Recognizing this fiscal challenge, Rio Dell has actively engaged with CalOES to explore strategies for securing funding to cover this remaining portion, understanding that eligibility for complete coverage will require detailed, case-by-case assessments. A critical component of this collaboration involves strategizing how to secure funds to finance these large, expensive, and lengthy recovery projects.

Rio Dell's experience underscores the complex financial interplay between natural disasters and municipal budgets. The city's proactive engagement with CalOES and its diligent pursuit of funding solutions are essential for a sustainable recovery. Securing adequate financial resources to support the comprehensive reconstruction of vital infrastructure is paramount to ensuring the city's long-term resilience and stability.

Cannabis

The City of Rio Dell has observed a recent decline in cannabis market activity and pricing, which has correspondingly impacted municipal revenue streams. This volatility, previously communicated to the Council, represents a potential challenge to long-term fiscal stability. While the City recognizes the potential of the cannabis sector, its long-term reliability as a consistent revenue source remains undetermined, given the current market fluctuations in Humboldt County.

Despite these challenges, the City maintains a strategic approach to cannabis industry development, leveraging several key advantages: a comprehensive and stable regulatory framework, the absence of legacy cultivation issues, robust municipal infrastructure, and a demonstrated attractiveness to professional, legal cannabis operators. These factors foster a predictable and sustainable environment for compliant cannabis businesses. However, the City acknowledges the inherent market volatility within the cannabis industry and is actively monitoring economic trends to inform future fiscal planning.

Streets Funds

The City of Rio Dell's Street Fund is experiencing increasing fiscal strain due to evolving transportation trends and existing state funding models. Current state-based formulas are insufficient to fully cover street maintenance costs, compounded by pandemic-related economic impacts. The accelerating adoption of electric vehicles (EVs) and the corresponding decline in gasoline tax revenue present a significant long-term challenge.

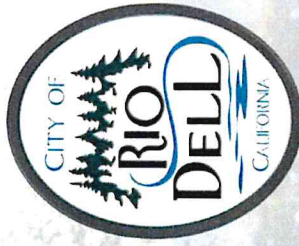
California's commitment to greenhouse gas reduction through EV mandates is directly impacting gasoline and diesel consumption, resulting in a measurable decrease in gas tax revenue. Gas tax revenue is a critical funding source for state, county, and municipal street maintenance. The Legislative Analyst's Office projects a \$6 billion reduction in gas tax revenue over the next decade, highlighting the severity of this trend.

The city has utilized substantial general fund investments to mitigate immediate funding shortfalls. However, the long-term viability of this approach is uncertain and unsustainable.

The State of California faces a critical imperative to reform street funding mechanisms to address declining gas tax revenue and the increasing prevalence of EVs. Identifying and implementing sustainable funding solutions is essential to maintaining and improving vital infrastructure within Rio Dell and across the state.



City of Rio Dell Fiscal Year 2024-25 Mid-Year Financial Report



Fiscal Year 2024-25

Revenues and Expenditures by

Major Fund

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Fiscal Year 2024-25 Expenditures

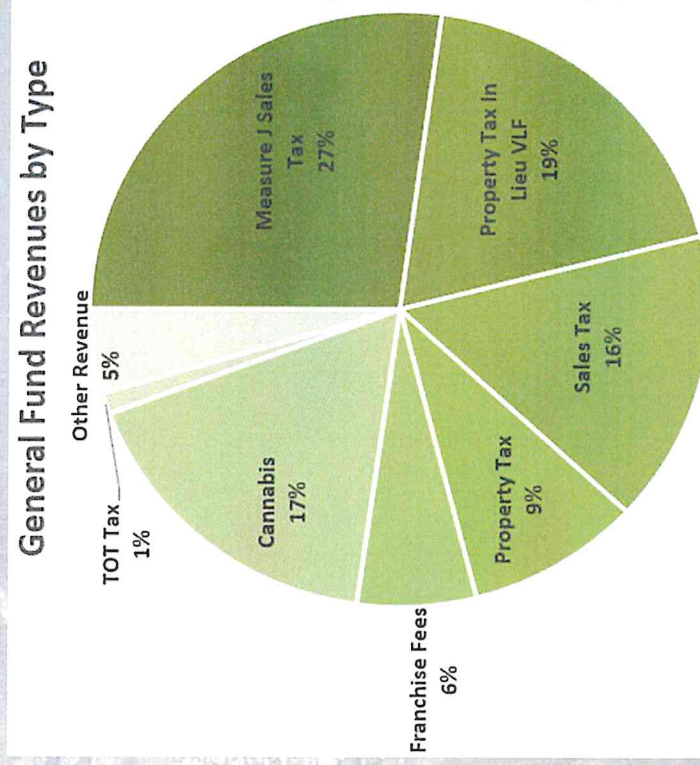
By Department

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General Fund - Revenues

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Streets Funds

020 Gas Tax, 021 SB1, 024 TDA, 026 RSTP

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Enterprise Funds - Sewer

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Enterprise Funds- Water

WATER REVENUES

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EXPENDITURES

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Budget Outlook

- Earthquake
- Cannabis
- Streets Funds

EARTHQUAKE LIST OF PROJECTS

PROJECT	COST ESTIMATE	25% CITY COST SHARE	FUND
DEBRIS REMOVAL	75,000	18,750	GENERAL
DISTRIBUTE AID / LAC	10,000	2,500	GENERAL
BUILDING INSPECTION	2,500	625	GENERAL
EMERGENCY SANITATION	130,000	32,500	WATER
EMERGENCY SEWER	10,000	2,500	SEWER
DONATED MATERIALS	25,000	6,250	GENERAL
METRO WELLS #1	1,000,000	250,000	WATER
EMERGENCY WATER REPAIR	300,000	75,000	WATER
PAINTER STREET TANK	1,600,000	400,000	WATER
PAINTER STREET SIDEWALK	50,000	12,500	GENERAL
HYPOCHLORITE GENERATOR	250,000	62,500	SEWER
CONTACT BASIN	6,000,000	1,500,000	SEWER
HWY101 SEWER PIPES	10,202,272	2,550,568	SEWER
FERN LIFT STATION	50,000	12,500	SEWER
HWY 101 WATER PIPES	5,835,364	1,458,841	WATER
DAMAGED COLLECTION SYSTEM	5,000,000	1,250,000	SEWER
DAMAGED DISTRIBUTION SYSTEM	5,000,000	1,250,000	WATER
DAMAGED ROAD REPAIR- PAINTER LIFT	15,750	3,938	GENERAL
DAMAGED ROAD REPAIR 1285 EELOA	6,000	1,500	GENERAL
DAMAGED ROAD REPAIR 1267 EELOA	13,500	3,375	GENERAL
DAMAGED ROAD REPAIR 1111 EELOA	9,750	2,438	GENERAL
INFILTRATION GALLERY	400,000	100,000	WATER
TOTAL	35,985,136	8,996,284	



Questions?

