

# Agenda Report



**MEETING DATE:** Tuesday, February 27, 2024

**TO:** City Council

**FROM:** ADMINISTRATIVE SERVICES DIRECTOR DURAN

**THROUGH:** CITY MANAGER MENDEZ

**SUBJECT:** CONSIDERATION OF COMPREHENSIVE FINANCIAL REPORT  
FOR FY 2022-23 AND MID-YEAR REPORT FOR FY 2023-24

---

## **STATEMENT OF ISSUES:**

Receive audited financial reports for Fiscal Year 2022-23 and a mid-year financial report for FY 2023-24.

## **RECOMMENDED ACTION:**

That the City Council:

- I. Accept by motion, the Annual Comprehensive Financial Report for FY 2022-23, and
- II. Accept by motion, the mid-year financial report for the 2023-24 Fiscal Year:
- III. Accept by motion, the Annual Measure Y Audit Report for FY 2022-23, and
- IV. Approve a resolution appropriating \$3,735,852 including three and a quarter in new positions into various funds as described in Attachment A.

## **DISCUSSION:**

### ***I. Review of Fiscal Year 2022-23***

The City's Charter and the State of California law require that all general-purpose local governments publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (US GAAP). Upon its completion, the City prepared the Annual Comprehensive Financial Report (ACFR). The ACFR was audited by Maze and Associates, a certified public accountant firm, who issued an unqualified opinion of the City's audit. This opinion indicates that the financial statements represent fairly, in all material aspects, the financial position of the City in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

The Government Finance Officers Association of the United States and Canada (GFOA) sponsors an award program for excellence in financial reporting. The City has received this Award for excellence for 20 consecutive years. City staff believes the June 30, 2023, ACFR continues to maintain the high standards set by the GFOA and has submitted this year's ACFR for evaluation under this esteemed program.

### **ACFR Organization**

The City's ACFR is organized into three major sections: Introductory, Financial, and Statistical.

The following is a summary of the contents of each of these sections:

1. **Introductory Section:** The letter of transmittal and other information of general interest are presented in this section including the organizational chart, directory of officials as well as the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting. The letter of transmittal is an opportunity for management to provide an overview of the City's activities, prospective information as well as subjective information useful in assessing the City's economic condition.

2. **Financial Section:** The financial section includes the report of the independent auditor, management's discussion and analysis, basic financial statements (including notes), required supplementary information and related notes, combining statements (i.e., non-major funds), and individual fund financial statements and schedules.

3. **Statistical Section:** The statistical section offers operational, economic, and historical data that provides a context for assessing the City's economic condition. Such data includes information on financial trends, information on revenue capacity, information on debt capacity, demographic and economic information, and operating information.

Highlights from the audited statements include: (all figures are in thousands unless otherwise indicated):

- The City of Watsonville's assets exceeded its liabilities by \$128,497. See Table 1 below.
- The City's total net position increased by \$22,520, with a \$9,421 increase in the net position for governmental activities, mainly due to the receipts of grant funds received and higher interest earnings, sale of the Porter Building and a \$13,099 increase in the net position for business type activities, mostly due to Water ending with positive operating income.
- As of the end of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$48,707, a \$3,362 increase from the prior fiscal year. The fund balance was comprised of \$27,081 restricted, and \$21,626 unassigned, with much of the unassigned balance created by increases the general fund and in impact fees and Measure D during the fiscal year 2022-23, as well as budgetary expenditure savings.

### **General Fund Balance**

The General Fund balance for the fiscal year 2022-23 was \$21,626k, an increase of \$3,355k from the prior fiscal year. The General Fund, which encompasses 18 subaccounts,

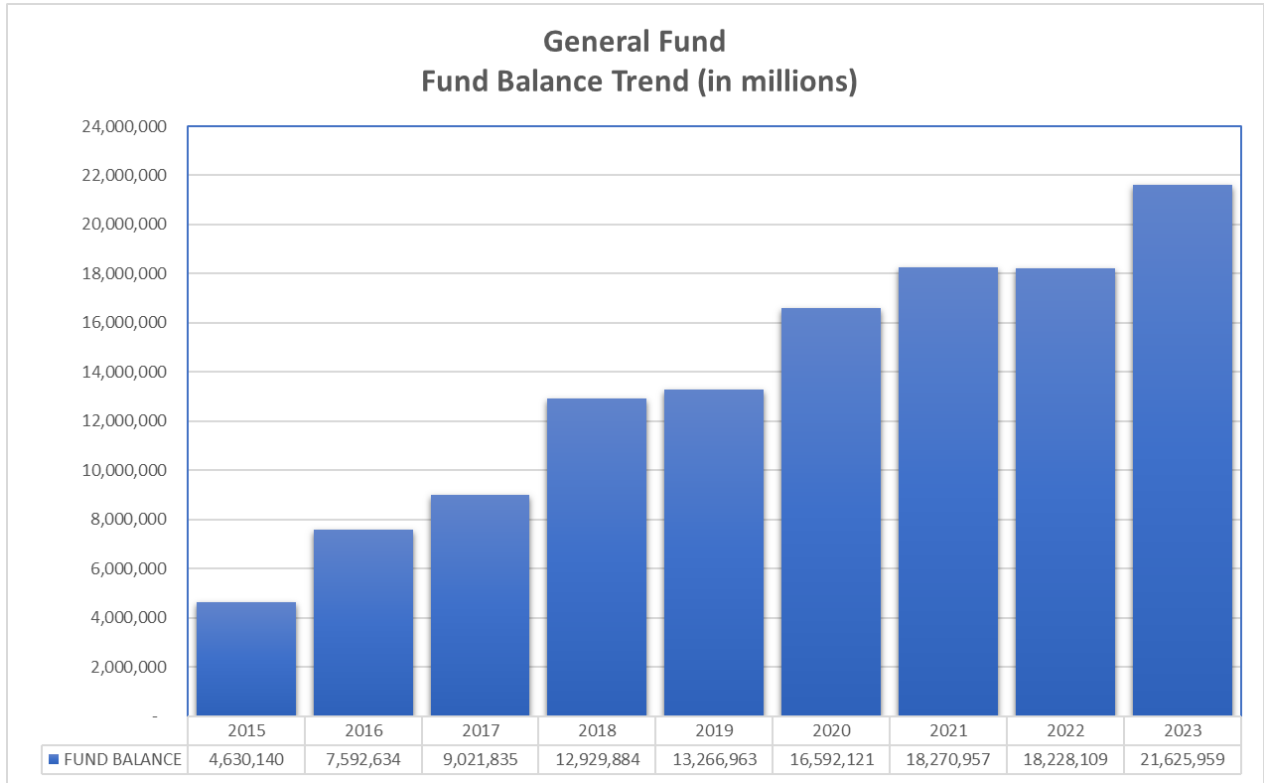
received grant reimbursements it was awaiting from the prior year in the amount of \$1MM, with the current high interest rates the general fund lastly earned \$600k from investment earnings and lastly we sold the Porter building in the amount of \$1.1 MM and are planning to use most of these funds for the general plan update, which is currently under way. Additionally, we had the Ramsay project budgeted in our Capital Improvement Budget that we will be carrying forward to next fiscal year's budget. Despite this, the General Fund balance stands at approximately 37% of operating expenses, exceeding the Council's approved policy goal of 20%. It is expected that most of the fund balance above the reserve requirement will be spent in future years.

**Table 1:**

City of Watsonville's Net Position  
June 30, 2023(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
	\$	\$			\$	\$
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	15,414	12,170	60,152	56,280	75,566	68,450
Operating grants and contributions	3,621	3,541	464	26	4,085	3,567
Capital grants and contributions	-	-	49	489	49	489
<b>General Revenues</b>						
Property taxes	17,802	16,977			17,802	16,977
Other taxes	37,924	34,436			37,924	34,436
Others	4,480	2,857	3,582	1,535	8,062	4,392
<b>Total Revenues and Transfers</b>	<b>79,241</b>	<b>69,981</b>	<b>64,247</b>	<b>58,330</b>	<b>143,488</b>	<b>128,311</b>
<b>Expenses:</b>						
General government	17,339	12,246			17,339	12,246
Public safety	35,379	33,149			35,379	33,149
Housing	1,191	3,256			1,191	3,256
Streets	3,895	6,050			3,895	6,050
Culture and recreation	12,397	10,264			12,397	10,264
Interest on debt	35	42	207	64	242	106
Water	-	-	16,473	16,095	16,473	16,095
Sewer	-	-	14,509	13,633	14,509	13,633
Solid waste	-	-	15,640	14,355	15,640	14,355
Airport	-	-	3,974	4,470	3,974	4,470
Fiber optic	-	-	61	64	61	64
<b>Total Expenses</b>	<b>70,236</b>	<b>65,007</b>	<b>50,864</b>	<b>48,681</b>	<b>121,100</b>	<b>113,688</b>
<b>Increase in net position</b>						
before transfers	9,005	4,974	13,383	9,649	22,388	14,623
Internal balances	285	284	(285)	(284)	-	-
<b>Change in net position</b>	<b>9,290</b>	<b>5,258</b>	<b>13,098</b>	<b>9,365</b>	<b>22,388</b>	<b>14,623</b>
Net position - beginning	134,115	128,857	130,912	121,546	265,027	250,404
Prior year adjustments	131	-			131	-
Net position - beginning restated	134,246	128,857	130,912	121,546	265,158	250,404
<b>Net position ending</b>	<b>143,536</b>	<b>134,115</b>	<b>144,010</b>	<b>130,912</b>	<b>287,546</b>	<b>265,027</b>

**Chart 1:  
History of General Fund Balance**



***I. Review of Fiscal Year 2022-23***

**Revenues:**

The Fiscal Year 2024 Mid-Year Budget Monitoring Report (Mid-Year Report) provides the City Council and the public with a comprehensive forecast of year-end projections for both revenues and expenditures, in funds with budgeted personnel expenditures, and compares those projections to the current fiscal year’s budget.

**Property Taxes**

The budget assumed a 3.1% growth in property taxes, considering the lower increase in the Consumer Price Index (CPI) for existing assessments would be offset by increases in assessed values of properties changing hands, as well as increases in supplemental and transfer taxes for properties changing hands. The current projections indicate that the city will slightly exceed the budget by around \$66k in property taxes, mainly in property tax in-lieu revenues.

**Sales tax**

Sales tax has seen a Statewide decline in the last year in total property tax receipts. Our consultants HDL Companies tell us that Watsonville car sales surged far outpacing statewide sales in our projection. We do not expect this peak to continue but we’d expect it to stay elevated in their receipts. We are doing better than the State average in the category of car

sales. Measure R is expected to see a full year of remittance in this fiscal year. The sales tax measure is expected to bring in about \$5.2MM by the end of the fiscal year.

### Hotel tax

Hotel tax is performing close to budget projections. There are currently six hotels that are collecting and remitting this tax revenue to the City. Despite two hotels being taken offline for county-related housing, the opening of the Hampton Inn compensates for the loss of revenue from those two hotels.

### Other General Revenues

The city's other general revenues, including utility taxes, franchise fees, and business licenses, are performing as expected and with little variation from the budget.

### Departmental Revenues

The story of departmental revenues reflects the impacts of difficulty with hiring in some of our departments. In our Parks and Recreation Department, we have struggled to hire part-time staff that help us run our programs. Also, the Veteran's Hall has been used as a shelter for our unhoused population since Covid times by the County and we are working on an agreement to lease that building from the County. The addition of the Veteran's Hall will help us offer more programming for our youth in our community. The Community Development Department is currently on track to come in on budget, which is an improvement on last fiscal year, when we experienced a drop-in activity. The police department will have slightly less revenue than budgeted due to budgeting for two School Resource Officer contracts but only being able to provide one officer due to staffing shortages. The fire department's revenue will be coming lower due to less than budgeted reimbursements from mutual aid and less inspector revenues coming in under budget. The public works department is showing lower than budgeted revenue in reimbursable activities, but this will be offset by expenditure savings.

### **Expenditures:**

Most departments are staying within budget with minor savings expected. However, there are some areas where departments are facing challenges and require additional funds.

#### 1- Fire Department

The Fire Department has experienced high overtime costs overages in this fiscal year. Despite hiring efforts, they have several vacancies which have resulted in overtime. This time around there is not as much overtime that will be offset with mutual aid reimbursement. The department will need an additional appropriation of \$603K. They have three recruits currently in training for the medical support program which aims to help recruit local EMTs to become accredited firefighters with the city. The purpose of this program is to help recruit and retain local fire fighters.

2- Police

The Police Department is requesting an additional appropriation of \$170.2k to cover overtime costs. The department has had several vacancies and injuries in the department that have contributed to the increase in overtime. They are suggesting replacing one police officer position with a police service specialist to help with patrol enforcement efforts. The additional one-year, limited term police service specialist position they are requesting will focus on increasing enforcement of recreational vehicles, help with the homeless pilot program, and address other departmental enforcement needs. Both positions are expected to help manage and reduce overall departmental overtime costs.

3- Community Development Department

The Community Development Department is coming in on budget. Statewide building/construction permits have dropped 0.8 percent in comparison to last year. The department is currently busy working on the general plan. They are not requesting any additional funds.

4- City Clerk

The City Clerk Department is coming in on budget. They have added hosting services and DocuSign services in recent years which has helped modernize the department and assist City departments become more efficient with staff reports to Council and contract management.

5- City Manager

The City Manager's office is requesting an additional staff member. The position requested is for a Development Coordinator (Development Ombudsperson position). This staff member will be the contact point and coordinator for all development projects and will also assist in implementing the Economic Development plan currently being identified by our consultant Kosmont Financial Services through collaborations with our City Manager's Office. To support the Economic Development plan, an additional \$250,000 will be set aside to support this very important effort.

The City Manager's Office is also seeking additional appropriations to cover our portion for the Warming Center's cost in the amount of \$66K. Our jurisdiction's share of the expenses related to the Annual Homelessness Action Partnership in the amount of \$81.6k and an additional \$200k is to support homelessness efforts. These funds would be utilized to fund a pilot program to more proactively address the homelessness challenge in our community by allowing more resources to be utilized for daily contact, transition services, clean up services, and as needed enforcement. Based on the results of the pilot program which will be tracked, will help inform a more permanent allocation in future budgets.

Additionally, the City Manager's Office entered into a reimbursable agreement with Second Harvest Food Bank in the amount of \$248k. This office is requesting appropriating some of the funds to hire a limited term Senior Administrative Analyst for a one-year term to support the efforts identified in the agreement. The remaining funds would be used for this purpose as well in the form of equipment or other identified uses.

#### 6- Public Works

The General Fund divisions of public works cover building, street, and sidewalk maintenance and are expecting to come in below budget. Reimbursable property repairs are coming in slower this fiscal year. This is also reflected on the revenue side as we are not anticipating either cost or the revenue.

#### 7- Parks and Community Services

The Parks and Community Services department is projected to have some savings due to programs that could potentially be offered at the Veteran's Hall have not been offered due to slow negotiations with the County of Santa Cruz. The savings are realized in the temporary salary savings. They are also seeing increased costs in the special events area. The costs to run the Strawberry Festival for example are projected to be higher than in recent years. They are asking for an appropriation of \$7.5k for their Science Program with an offset of revenue in the same amount.

#### 8- Measure R

Measure R spending plan was adopted in August of 2023, just a few months into the fiscal year. This new funding source significantly boosts the capacity of the Parks, Library and Streets departments enabling them to enhance and have additional funding for new programming, infrastructure, and street projects within the City. The Streets division has the biggest allocation of these funds in the current fiscal year at \$3.2MM. They are currently in the design phase for the Green Valley Road and Bridge Streets projects. They are expected to bid on both these projects later this calendar year. The remaining allocated funds of \$1.8MM are for the Ohlone project that will be worked on later this year. The Parks Division has been able to add programming for Older Adults, and Special Events. The Library Department is in the design phase for their outdoor café on the second floor of the library. We are currently working with a financial advisor to issue bonds that will cover the funding gap to be able to completely pay for the Ramsay Project, City Plaza, and the Rolling Hills agreement. We anticipate having this funding secured within the next six months.

#### 9- Other Departments

We will also be asking for more appropriations for legal services. In this fiscal year, we have had increased costs due to labor negotiations, investigations, personnel matters, and updates to the general plan. We will be requesting an additional \$370k in the general fund for this increase. We will also be asking for \$900k for a legal settlement for the Willowcreek case.<sup>1</sup>

Overall, all other departments are expected to end the year within their budgets, although some General Fund capital projects may not be completed as budgeted this fiscal year and will be rolled into the 2024-25 fiscal year. Tables 2 and 3 summarize all general fund appropriation requests and the overall projection for the general fund for FY 2023-24. Table 2 below shows a summary of all general fund appropriations requests. Table 3 summaries the overall projection for the general fund for FY 2023-24.

---

<sup>1</sup> Based on the expected fund balance and current fiscal position of the budget, the capacity exists to cover this legal settlement without having to utilize General Fund Reserves.



**Table 2: Summary of General Fund Appropriation Requests**

<b>General Fund</b>			
		<b>Revenue</b>	<b>Expense</b>
<b>OTHER</b>	Legal Costs		370,000
	Settlement		900,000
	Warming Centers		62,000
	County Homelessness Share		81,614
	Homeless Efforts		200,000
	Cloud Upgrade		80,290
	Economic Development		250,000
<b>City Manager</b>	Redevelopment Manager		153,494
<b>FIRE</b>	Fire		603,000
<b>Parks</b>	Science Workshop	7,500	
			980
			4,420
			2,100
<b>Police</b>	Support Services		85,000
	Police - Operations		85,200
	Eliminate 1 Police Officer Position		(62,279)
	Police Service Specialist		40,058
	Police Service Specialist - 1 year		40,058
<b>TOTALS</b>		<b>7,500</b>	<b>2,895,935</b>

**Table 3: General Fund Summary for Fiscal Year 2023-24**

General Fund Estimate Expenditures and Revenues				
Fiscal Year Ending June 30, 2024				
Department	Actuals FY 2023	Revised Budget	Projection	Variance
<b>Revenues:</b>				
Property Tax	13,530,558	14,188,665	14,255,398	66,733
Sales Tax-General	14,817,434	14,020,907	14,023,852	2,945
Hotel Room Tax	1,536,839	1,500,000	1,804,252	304,252
Utility User Tax	4,358,302	4,268,320	4,268,320	-
Transfers In	4,122,071	4,423,954	3,993,020	(430,934)
Measure R	344,323	5,205,309	5,205,309	-
<b>Total Revenues</b>	<b>38,709,527</b>	<b>43,607,155</b>	<b>43,550,151</b>	<b>(57,004)</b>
CDD	1,740,264	2,116,800	2,116,800	-
Police	1,271,080	1,597,100	1,437,921	(159,179)
Fire	793,626	509,592	450,157	(59,435)
PW	64,075	287,000	46,347	(240,653)
PCS	617,301	957,066	696,454	(260,612)
Other	14,497,683	9,246,926	9,238,478	(8,448)
<b>Total GF Revenue</b>	<b>57,693,557</b>	<b>58,321,639</b>	<b>57,536,309</b>	<b>(785,330)</b>
<b>Expenditures</b>	<b>Actuals FY 2023</b>	<b>Budget</b>	<b>Projection</b>	<b>Variance</b>
City Council	82,884	121,513	102,417	19,096
City Manager	1,862,370	1,975,335	1,884,045	91,290
City Clerk	883,076	797,948	703,087	94,861
Community Development	3,119,652	3,096,837	3,096,837	-
Finance	1,518,037	1,822,539	1,556,073	266,465
Human Resources	818,498	877,447	868,563	8,884
Social Services	237,398	279,415	267,334	12,081
Parks & Community Services	5,402,103	6,035,860	5,405,208	630,652
Fire	8,784,112	8,720,387	9,279,412	(559,025)
Library	541,684	578,164	578,164	-
Non-Department	8,470,645	3,831,117	3,129,474	701,643
Police	20,597,580	22,551,283	22,768,455	(217,172)
Public Works	1,665,179	2,325,954	1,805,039	520,915
Measure R	-	5,467,200	902,150	4,565,050
<b>Total Depts</b>	<b>53,983,219</b>	<b>58,481,000</b>	<b>52,346,259</b>	<b>1,569,690</b>
Capital	1,887,164	6,805,425	2,796,577	4,008,849
<b>Total Expenditures</b>	<b>55,870,384</b>	<b>65,286,425</b>	<b>55,142,836</b>	<b>5,578,539</b>
YE Change to Fund Balance	1,823,173	(6,964,786)	2,393,473	
<b>Capital Carry Forward</b>				<b>4,008,849</b>

## Other Funds

The **Airport** Fund ended the FY 2022-23 with \$817,181 in cash, despite facing challenges such as fuel costs. The department's conservative approach to revenue projections helped them to end the year on a strong note. They are expected to increase their cash balance by \$732,000 at the end of FY 2023-24.

On the other hand, the Utility Enterprise Funds for **Water**, **Sewer**, and **Solid Waste** are witnessing normal revenues and were able to secure state grants to pay aging account balances for customers during the pandemic. These funds expect to fully expend their operating budgets, but not their capital budgets, which will result in an increase in their cash balances by the end of the fiscal year. Additionally, the utilities are requesting to increase a 75% Nature Center Coordinator to a full-time position, however they will be reducing other contract services in the same amount needed to make this change. They are also proposing an increase to other contract costs for their environmental & sustainability division in the amount of \$30,000.

Revenues from sales tax are the primary source for the **Library**, **Measure D**, and **Measure Y** funds, and as a result, these funds are projected to have better revenues in FY 2023-24 than originally projected. Each of these funds also plans to fully expend their operating budgets and have some savings in capital, leading to an increase in their cash balances and the availability of one-time funds for future projects.

**Gas Tax** and **SB1** revenues are driven more by the number of miles driven than by the cost of gasoline. They are not projected to have major fluctuations in their revenue projections though likely will have savings from capital projects that will not be completed this year. They will likely roll those projects forward and complete them in future years.

In **Information and Technology** internal service fund accumulated a balance of approximately \$1.9 million in the prior year. The budget anticipated spending much of that down on citywide infrastructure projects such as the upgrade of the council chamber and replacing servers, switches, and other major hardware. The department is going through some growth and transition to provide the needed level of service to other departments. The department is currently working on modernizing City IT by replacing a failing 18-year-old phone system throughout all departments. IT is also working to continually increase cybersecurity awareness and enhancements through all upgrades and new systems purchased. IT introduced new, updated service desk software that follows current Information Technology Service Management (ITSM) and incorporates a service desk for Facilities. The IT Department will initiate a new project to modernize the City's ERP System, transitioning from on-premises to cloud-based infrastructure. This migration will ensure that we always have the latest applications and technology, guaranteed service levels, and faster support for our issues. This initiative also covers expenses for upgrading to the newest software version of Munis. The extra expenses for this migration amount to \$137k and will be distributed among all our funds.

We will also be requesting an appropriation for our Library Department (0250) to be able to bring up minimum wages to \$20 per hour in response to the fast-food state increase in hourly wages.

We want to be able to maintain our employees and stay competitive in our wages for our temporary staff. The request is for an additional appropriation of \$13,500. Additionally, our Housing Division (0221) will be requesting appropriation of \$81,614 to pay for an outstanding County of Santa Cruz Housing Invoice. We are also requesting a \$75,000 new appropriation in our Public Arts Fee Fund (0274) to be able to pay for contract services for this program. The Carbon Fund (0311) will be requesting \$10,000 for EV electrical stations work. Lastly, we will be requesting an additional appropriation in the Worker's Compensation Fund (0780) for a \$325,000 claim, we will also receive an additional \$284,327 from our Insurance Provider as we have met our stop loss point of attachment for this claim.

The **Municipal Service Center Vehicle Shop**, a new internal service fund in its third year, manages the maintenance of all city vehicles. The fleet manager is making changes to the operation to yield a more efficient and data-driven fleet management. This division is facing increased costs for fuel and vehicle parts but was able to build these into their budget and is expected to absorb the increases.

For a summary of all non-General fund appropriation requests and major other funds, see tables 4 and 5.

**Table 4: Summary of Non-General Fund Appropriation Requests**

<b>Other Funds</b>				
			<b>Revenue</b>	<b>Expense</b>
<b>Airport</b>	Cloud Upgrade	Contract Services		3,381
<b>Library</b>	Increase Minimum Wage	Temporary Wages		13,500
	Cloud Upgrade	Contract Services		7,522
<b>Carbon Fund</b>	EV charging stations	Contract Services		10,000
<b>CDD-RAH</b>	County Homelessness Share	Contract Services		81,614
<b>Grants Fund</b>	Senior Administrative Analyst	Salary & Benefits		128,000
(City Manager's Office)	Second Harvest Agreement - costs	other costs as identified		120,093
	Second Harvest Agreement	reimbursement agreement	248,093	
<b>PW</b>	Increase of .75 position to full time	Salary & Benefits		36,000
		Other Contract Services		(36,000)
	Environmental & Sustainability	Contract Services		30,000
<b>PW- Wastewater</b>	Cloud Upgrade	Contract Services		18,002
<b>PW- Water</b>	Cloud Upgrade	Contract Services		12,508
<b>PW- Solid Waste</b>	Cloud Upgrade	Contract Services		15,297
<b>PCS</b>	Public Arts	Contract Services		75,000
<b>Workers Compensation</b>	Reimbursement of Claim	WC Stop Loss	284,327	
	Claim Payment	Compensation Claim		325,000
<b>TOTALS</b>			<b>532,420</b>	<b>839,917</b>

**Next Steps**

The mid-year report officially marks the beginning of the budget season for Fiscal Year 2024-25. Based on the report's findings and projections, an updated five-year projection and budget outlook will be developed. In early March, budget instructions will be provided to departments to use in preparing their budget proposals to the City Manager by March 31st. Throughout the rest of the fiscal year, both revenues and expenditures will be closely monitored and any necessary updates to the projections will be made at the end of the third quarter in April or May. On June 11th, a proposed FY 2024-25 budget will be submitted to the Council for review and approval.

**Table 5: Summary of Other Funds for FY 2023-24**

		Starting Balance	Revenue	Expense	Capital	Ending Balance
<b>Airport</b>	Revised Budget	817,481	5,100,768	4,458,499	115,000	1,344,750
	Projection		5,290,892	4,495,365	63,075	1,549,933
	Variance		190,124	36,866	(51,925)	175,065
<b>Waste Water</b>	Revised Budget	16,328,536	22,552,802	17,415,161	14,814,670	6,651,507
	Projection		18,964,576	17,400,162	6,577,811	11,315,139
	Variance		(3,588,226)	(14,999)	(8,236,859)	(11,840,084)
<b>SW</b>	Revised Budget	16,916,396	24,413,887	17,697,413	11,982,752	11,650,118
	Projection		18,840,387	17,697,413	9,243,120	8,816,250
	Variance		(5,573,500)	-	(2,739,632)	(8,313,132)
<b>Water</b>	Revised Budget	31,730,377	26,558,244	16,823,856	19,264,177	22,200,588
	Projection		22,658,244	16,823,856	9,078,488	28,486,277
	Variance		(3,900,000)	-	(10,185,689)	(14,085,689)
<b>Library</b>	Revised Budget	2,025,581	4,352,691	4,809,902	270,000	1,298,370
	Projection		4,307,109	4,572,601	-	1,760,089
	Variance		(45,582)	(237,301)	(270,000)	(552,883)
<b>IT</b>	Revised Budget	1,927,275	3,569,762	3,704,406	1,064,179	728,452
	Projection		3,569,922	3,301,864	462,168	1,733,165
	Variance		160	(402,542)	(602,011)	(1,004,393)
<b>Measure Y</b>	Revised Budget	2,769,007	5,225,409	4,879,225	3,098,872	16,319
	Projection		5,225,308	4,804,785	682,235	2,507,294
	Variance		(101)	(74,440)	(2,416,637)	(2,491,177)
<b>Gas Tax</b>	Revised Budget	1,000,568	1,314,339	980,323	1,145,196	189,388
	Projection		1,314,339	980,323	903,644	430,940
	Variance		-	-	(241,552)	(241,552)
<b>SB1</b>	Revised Budget	2,733,195	1,055,000	-	2,632,855	1,155,340
	Projection		633,888	-	1,869,682	1,497,401
	Variance		(421,112)	-	(763,173)	(1,184,285)
<b>Measure D</b>	Revised Budget	4,307,183	1,010,000		5,386,833	(69,650)
	Projection		514,581		4,478,670	343,094
	Variance		(495,419)		(908,163)	(1,403,582)
<b>MSC Shop</b>	Revised Budget	113,752	3,404,161	3,404,161		113,752
	Projection		3,404,161	3,404,161		113,752
	Variance		-	-		-

**STRATEGIC PLAN:**

04-Fiscal Health: the report above specifically meets strategic plan goal number 4 by keeping the Council and the public informed as to the status of the City's finances. In addition, it is critical to supporting all the other goals.

**FINANCIAL IMPACT:**

The proposed appropriations listed in Attachment 1 amount to \$3,735,852 and are funded by \$539,920 in revenue, with the remainder of the requests being covered using fund balance and budget savings from various funds that have the capacity to absorb these additional expenditures within their operating budgets.

**ALTERNATIVE ACTION:**

The Council has the discretion to accept some, all, or none of the recommendations presented to them.

**ATTACHMENTS AND/OR REFERENCES (If any):**

A: Recommended Appropriation Detail

B: Annual Comprehensive Financial Report for FY 2022-23

C: Annual Measure Y Audit Report for FY 2022-23