

ACFR FY 22-23 and Mid Year Financial Report FY 23-24

Marissa Duran, Finance Director

February 27, 2024

RECOMMENDED ACTIONS

- Accept by motion, the Annual Comprehensive Financial Report for FY 2022-23, and
- Accept by motion, the mid-year financial report for the 2023-24 Fiscal Year:
- Accept by motion, the Annual Measure Y Audit Report for FY 2022-23, and
- Approve a resolution appropriating \$3,485,852 including three additional positions





ACFR Online

- [- Watsonville ACFR FY23
\(06/30/2023 City of
Watsonville FY23 AUD
\[6/30/2023\]](#)

Annual Comprehensive Financial Report

FISCAL YEAR ENDING
JUNE 30, 2023

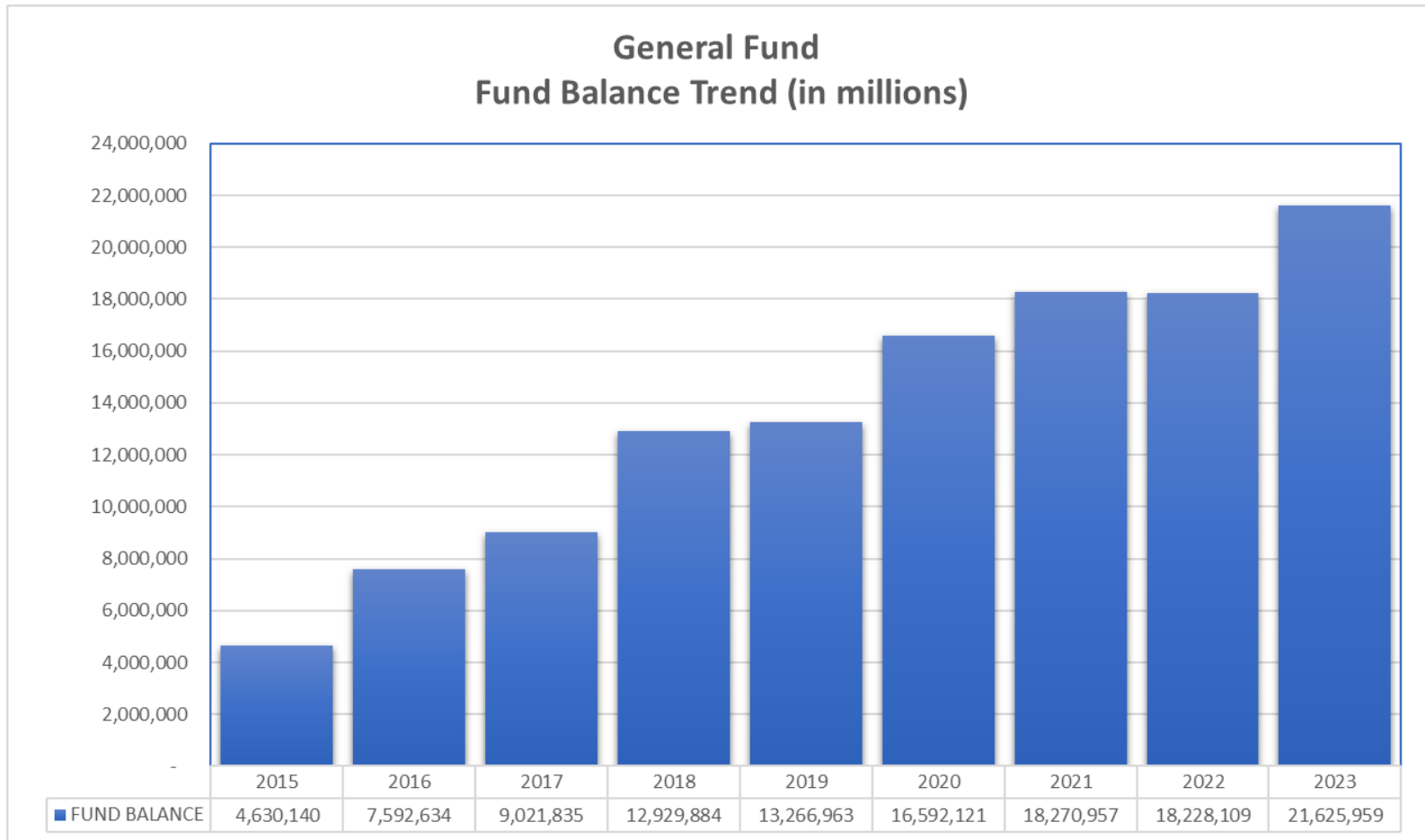
watsonville.gov

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

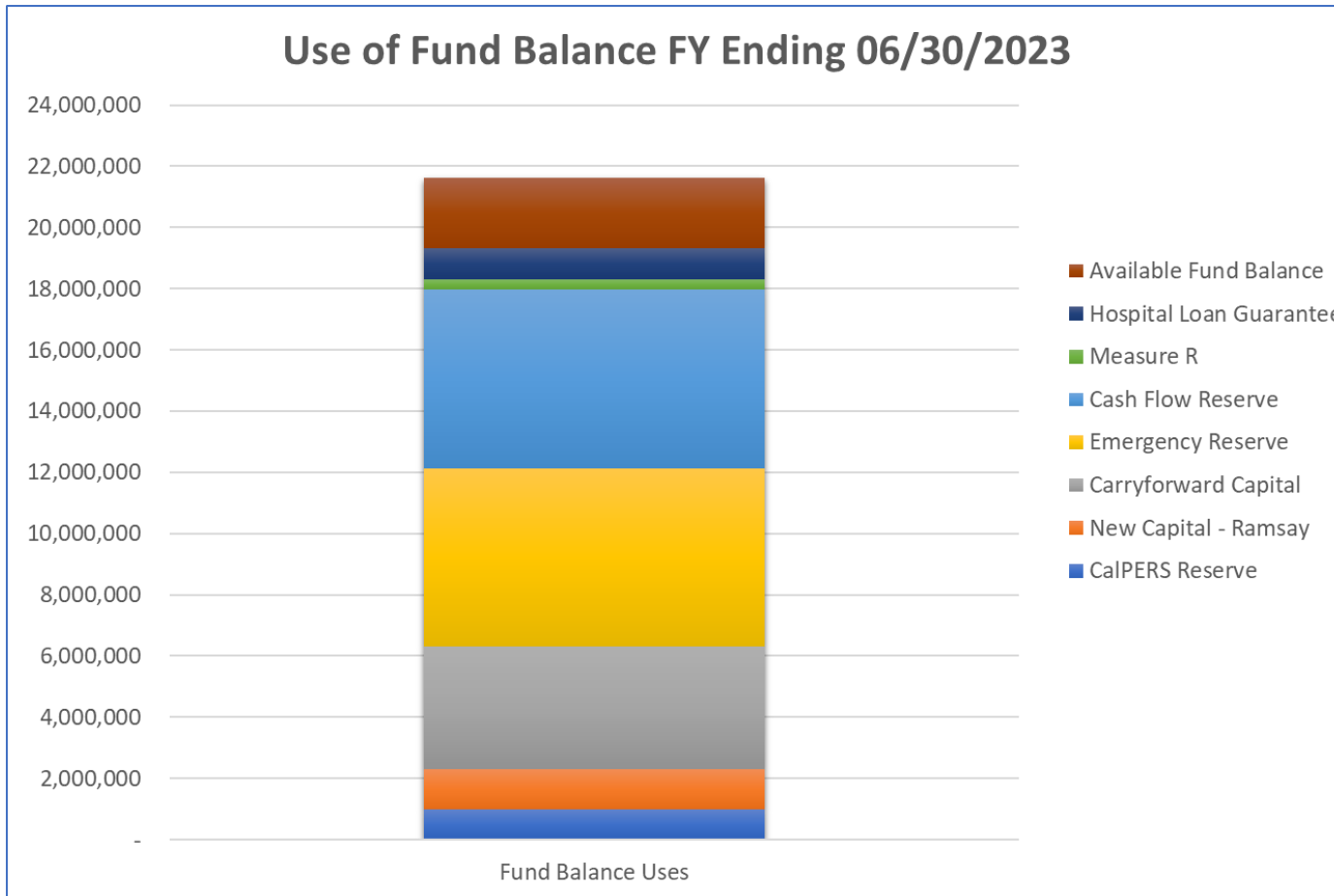
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
		\$		\$	\$	\$
Current and other assets	113,308	113,479	106,080	66,399	219,388	179,878
Capital assets	115,364	113,358	81,291	101,659	196,655	215,017
Total Assets	228,672	226,837	187,371	168,058	416,043	394,895
Deferred outflows of resources	34,527	15,666	9,072	3,546	43,599	19,212
Total Deferred Outflows of Resources	34,527	15,666	9,072	3,546	43,599	19,212
Long-term liabilities outstanding	85,911	49,209	44,144	26,228	130,055	75,437
Other Liabilities	29,473	32,620	3,892	4,175	33,365	36,795
Total Liabilities	115,384	81,829	48,036	30,403	163,420	112,232
Deferred inflows of resources	4,279	26,558	4,397	10,288	8,676	36,846
Total Deferred Outflows of Resources	4,279	26,558	4,397	10,288	8,676	36,846
Net Position:						
Net Investment in capital assets	113,121	111,205	100,264	96,016	213,385	207,221
Restricted	27,082	27,012			27,082	27,012
Unrestricted	3,333	(4,102)	43,746	34,895	47,079	30,793
Total Net Position	143,536	134,115	144,010	130,911	287,546	265,026

2023 CAFR

General Fund Balance



Use of Fund Balance



Note: Hospital Loan Guarantee, we do not anticipate using but have identified for good practice.

General Fund Revenues

General Fund Estimate Expenditures and Revenues				
Fiscal Year Ending June 30, 2024				
Department	Actuals FY 2023	Revised Budget	Projection	Variance
Revenues:				
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	-
Total Revenues	38,709,527	43,607,155	43,550,151	(57,004)
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)
Total GF Revenue	57,693,557	58,321,639	57,536,309	(785,330)

General Fund Revenues - Overall



Property tax is projected to be just slightly overbudget



Sales tax is projected to be at budget, Statewide this revenue stream has seen decreases, but our auto sales are outpacing statewide sales and keeping us within budget projections



Utility tax is projected to be on budget



Hotel tax is projected on budget, 6 hotels remitting



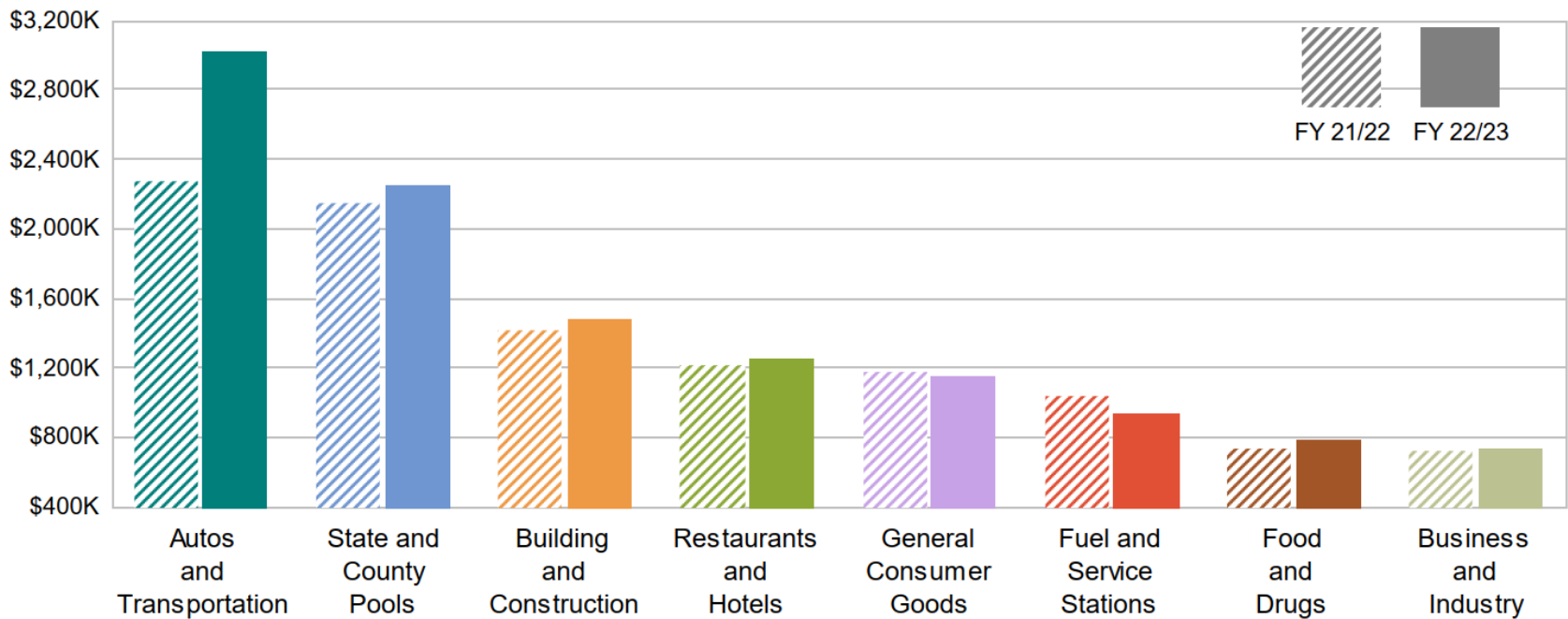
Measure R - \$5.2MM first full year



Department Revenues, CDD, Police and PCS lower than budgeted

Sales Tax

FY 21/22 Compared To FY 22/23



List of Hotels

Hotels in Watsonville



ROYAL INN	781 FREEDOM BLVD, WATSONVILLE, CA 95076	28
G6 HOSPITALITY PROPERTY LLC/ MOTEL 6 #0524	125 SILVER LEAF DR, WATSONVILLE, CA 95076	124
HOLIDAY INN EXPRESS	1855 MAIN ST, WATSONVILLE, CA 95076	65
BEST WESTERN ROSE GARDEN INN	740 FREEDOM BLVD, WATSONVILLE, CA 95076	46
MIA MANAGEMENT LLC DBA COMFORT INN	112 AIRPORT BLVD, FREEDOM, CA 95019	38
MANJU HOSPITALITY DBA VALLEY INN	970 MAIN ST, WATSONVILLE, CA 95076	23
HAMPTONN INN & SUITES WATSONVILLE/ ELITE HOSPITALIY GROUP LLC	75 LEE RD, WATSONVILLE, CA 95076	112
RODEWAY INN TOURISM	1620 W BEACH ST, WATSONVILLE, CA 95076	95
TOTALS		531

Revenues cont.



On the “Other Revenues” category



Reminder, these are Leases, Business License, Franchise Fees agreements, etc.



The City is currently focusing on the economic development side, as this is the key going forward to building more revenue capacity

General Fund Expenditures

Expenditures	Actuals			Variance
	FY 2023	Budget	Projection	
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
Total Depts	53,983,219	58,481,000	52,346,259	1,569,690
Capital	1,887,164	6,805,425	2,796,577	4,008,849
Total Expenditures	55,870,384	65,286,425	55,142,836	5,578,539
YE Change to Fund Balance	1,823,173	(6,964,786)	2,393,473	
Capital Carry Forward				4,008,849

Measure R

	Measure R		
	Budget	Projected	Variance
Operations			
Parks	747,200	455,488	291,712
Library	290,000	96,662	193,338
Financing	750,000	0	750,000
			0
Capital			0
Parks	400,000	200,000	200,000
Library	100,000	0	100,000
Streets	3,180,000	150,000	3,030,000
TOTALS	5,467,200	902,150	4,565,050

Measure R projects

- Currently working with a financial advisor on leveraging these funds for our major projects, namely: Ramsay, City Plaza, Nature Center and Rolling Hills joint use agreement
- Streets- has the largest piece of the pie – they are currently design on Green Valley and Bridge Street and also starting work on Ohlone project
- Library – working on their Outdoor Cafe on the second floor of the library

General Fund				
			Revenue	Expense
OTHER	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
City Manager	Development Facilitator- Ombudsperson	Salary & Benefits		153,494
FIRE	Fire	Overtime		603,000
Parks	Science Workshop	Other Revenue	7,500	
		Wages		980
		Temporary Wages		4,420
		Other Supplies		2,100
Police	Support Services	Overtime		85,000
	Police - Operations	Overtime		85,200
	Eliminate 1 Police Officer Position	Salaries & Benefits		(62,279)
	Police Service Specialist	Salaries & Benefits		40,058
	Police Service Specialist - 1 year	Salaries & Benefits		40,058
TOTALS			7,500	2,895,935

New Staff Request

POLICE REQUESTS

Swapping Police Officer
position with Police
Service Specialist

One-year limited Police
Service Specialist

CITY MANAGER
REQUESTS

Development
Facilitator-
Ombudsperson

Sr. Administrative
Analyst through Co-Op
Agreement, this hire
will not be funded by
the City

General Fund Appropriations Requests

- Other – Cloud \$137k will modernize our ERP as we move from on premise to cloud based, Settlement - \$900k Willowcreek Settlement-Legal Costs \$370k
- City Manager’s Office – Economic Development Position, 250K seed money, Homelessness efforts \$343 for warming shelter and other programs
- Fire – Overtime Costs - \$603k, we are seeing a very high spike as we struggle to hire
- Parks – Appropriating a Science Workshop Program, “El Nido”
- Police – Overtime Costs \$170k, swapping police officer position with Police Service Specialist adding an additional Police Service Specialist on a one-year limited basis

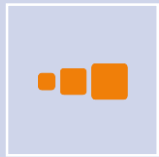
Enterprise Funds

		Starting Balance	Revenue	Expense	Capital	Ending Balance
Airport	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
Waste Water	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)
SW	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)
Water	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)

Other Funds

				Revenue	Expense
Airport	Cloud Upgrade	560-7361	Contract Services		3,381
Library	Increase Minimum Wage	620-7021	Temporary Wages		13,500
	Cloud Upgrade	620-7361	Contract Services		7,522
Carbon Fund	EV charging stations	325-7361	Contract Services		10,000
CDD-RAH	County Homelessness Share	221-347	Contract Services		81,614
Grants Fund (City Manager's Office)	Senior Administrative Analyst	339-7011	Salary & Benefits		128,000
	Second Harvest Agreement - costs	339-7361	other costs as identified		120,093
	Second Harvest Agreement	339-5890	reimbursement agreement	248,093	
PW	Increase of .75 position to full time	540-7011 to 7067	Salary & Benefits		36,000
		540-7361	Other Contract Services		(36,000)
	Environmental & Sustainability	543-7361	Contract Services		30,000
PW- Wastewater	Cloud Upgrade	530-7361	Contract Services		18,002
PW- Water	Cloud Upgrade	596-7361	Contract Services		12,508
PW- Solid Waste	Cloud Upgrade	570-7361	Contract Services		15,297
PCS	Public Arts	0274-928-7361	Contract Services		75,000
Workers Compensation	Reimbursement of Claim	291-5819	WC Stop Loss	284,327	
	Claim Payment	291-7712	Compensation Claim		325,000
TOTALS				532,420	839,917

Internal Service Funds



Information and Technology – The department is currently working on modernizing City IT by replacing a failing 18-year-old phone system throughout all departments. Working on migrating City’s ERP from on-premise to the Cloud.



MSC Vehicle Shop – This division is in its 3rd year and facing increased costs for fuel and vehicle parts but was able to build these into their budget and is expected to absorb the increases.

Internal Service Funds

Summary of Other Funds for FY 2023-24						
IT	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)
MSC Shop	Revised Budget	113,752	3,404,161	3,404,161		113,752
	Projection		3,404,161	3,404,161		113,752
	Variance		-	-		-

Other Funds

Summary of Other Funds for FY 2023-24						
		Starting Balance	Revenue	Expense	Capital	Ending Balance
Library	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)
Measure Y	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)
Gas Tax	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)
SB1	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)
Measure D	Revised Budget	4,307,183	1,010,000		5,386,833	(69,650)
	Projection		514,581		4,478,670	343,094

Measure Y

**CITY OF WATSONVILLE
MEASURE Y FUND
(FORMERLY KNOWN AS MEASURE G)
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE
For The Year Ended June 30, 2023**

REVENUES

Sales tax - Fire	\$ 1,957,390
Sales tax - Police	2,781,554
Sales tax - Parks and recreation	412,082
Interest - Fire	66,220
Interest - Police	46,600
Interest - Parks and recreation	9,810
Other revenue - police	36,734
Total Revenues	<u>5,310,390</u>

EXPENDITURES

Fire	1,547,624
Police	3,257,536
Park and Recreation	434,855
Total Expenditures	<u>5,240,015</u>

Excess (deficiency) of revenues over expenditures 70,375

OTHER FINANCING SOURCES (USES):

Transfers out for debt services payments	<u>(286,307)</u>
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NET CHANGE IN FUND BALANCE (215,932)

FUND BALANCE

Beginning Fund Balance	<u>3,493,665</u>
Ending Fund Balance	<u>\$ 3,277,733</u>

Outlook and Caution



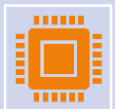
PERS Unfunded Liability



Capital needs – working on Ramsay, Nature Center, City Plaza and Rolling Hills Agreement – will be bringing Financing request soon

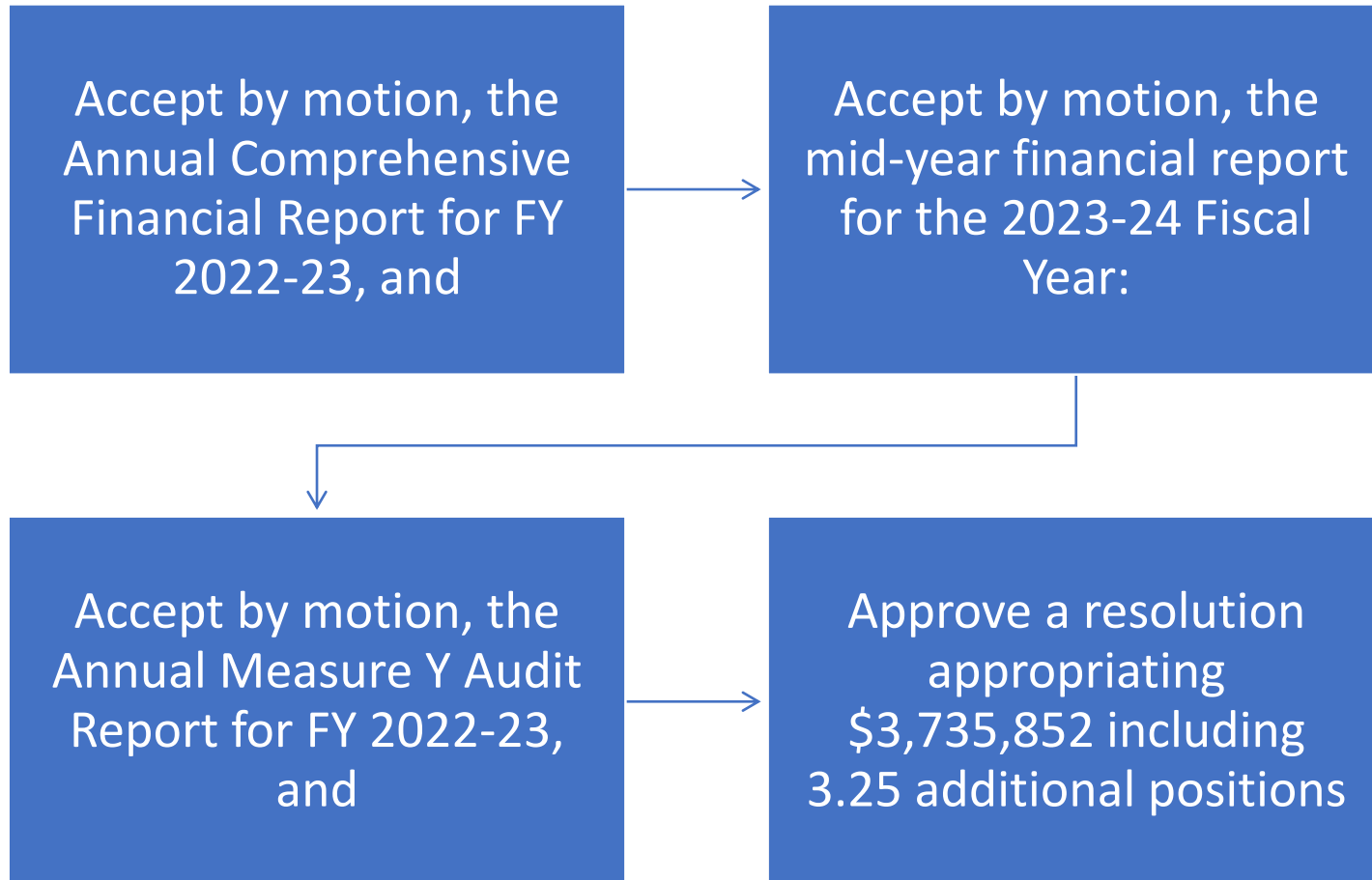


Labor Negotiations – City is embarking in unprecedented Compensation and Classification Study, building capacity to be able to address issues identified



Unknown Costs- NextGen, RFP currently being issued, and entire system has to be upgraded

Today's Actions



Any
Questions