



CITY COUNCIL AGENDA REPORT

MEETING DATE: Tuesday, February 25, 2025
TO: CITY COUNCIL
RECOMMENDED BY: ADMINISTRATIVE SERVICES DIRECTOR DURAN
APPROVED BY: TAMARA VIDES, CITY MANAGER
SUBJECT: CONSIDERATION OF COMPREHENSIVE FINANCIAL REPORT AND MID-YEAR REPORT FOR FY 2024-25

RECOMMENDATION:

That the City Council:

1. Receive audited financial reports for Fiscal Year 2023-24 and a mid-year financial report for FY 2024-25.
 2. Accept by motion, the Annual Comprehensive Financial Report for FY 2024-25, and
 3. Accept by motion, the mid-year financial report for the 2024-25 Fiscal Year, and
 4. Accept by motion, the Annual Measure Y Audit Report for FY 2023-24, and
 5. Approve a resolution appropriating \$6,398,664, including three new positions into various funds as described in Attachment 1.
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BACKGROUND:

I. Review of Fiscal Year 2023-24

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 21 consecutive years. City staff believes the June 30, 2024, 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, and subjective information that is 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 provide a context for assessing the City's economic condition. Such data includes information on financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information.

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

- The City of Watsonville's assets exceeded its liabilities by \$302,635. See Table 1 below.
- The City's total net position increased by \$15,089, with a \$7,315 increase in the net position for governmental activities, mainly due to the receipts of grant funds received, higher interest earnings, and higher than budgeted sales tax proceeds, and a \$7,774 increase in the net position for business-type activities, primarily 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 \$65,665, a \$16,957 increase from the prior fiscal year. The fund balance was comprised of \$31,654 restricted, and \$34,011 unassigned, with much of the unassigned balance created by increases in the general fund and in impact fees, housing funds and Measure D during the fiscal year 2023-24, as well as budgetary expenditure savings.

General Fund Balance

The General Fund balance for the fiscal year 2023-24 was \$34,011k, an increase of \$12,385k from the prior fiscal year. The General Fund, which encompasses 18 subaccounts, the most significant increase is due to this fiscal year being the first full year of receiving Measure R, and the spending plan got a late start, so this fund added \$4.8MM in fund balance, received an additional \$2MM in sales tax proceeds and lastly with the current high interest rates the general fund was able to earn \$3MM from investment earnings. Additionally, we had the Ramsay project budgeted in our Capital Improvement Budget that we will be carrying forward to next fiscal year's budget. It is expected that most of the fund balance above the reserve requirement will be spent in this next fiscal year to finish up the Ramsay Renaissance Park Project, Nature Center, Library Rooftop Project, streets projects, and other pressing capital needs.

Table 1:
City of Watsonville's Net Position
June 30, 2024(in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2024	2023	2024	2023	2024	2023
	\$	\$	\$		\$	
Revenues:						
Program Revenues:						
Charges for services	15,539	15,414	60,693	60,152	76,232	75,566
Operating grants and contributions	1,984	3,621	479	464	2,463	4,085
Capital grants and contributions	-	-	277	49	277	49
General Revenues						
Property taxes	18,990	17,801			18,990	17,801
Other taxes	46,619	37,956			46,619	37,956
Others	8,376	4,449	4,362	3,582	12,738	8,031
Total Revenues and Transfers	91,508	79,241	65,811	64,247	157,319	143,488
Expenses:						
General government	22,953	17,339			22,953	17,339
Public safety	39,040	35,379			39,040	35,379
Housing	1,777	1,191			1,777	1,191
Streets	7,791	3,895			7,791	3,895
Culture and recreation	12,902	12,397			12,902	12,397
Interest on debt	16	35	327	207	343	242
Water		-	17,184	16,473	17,184	16,473
Sewer		-	18,956	14,509	18,956	14,509
Solid waste		-	15,930	15,640	15,930	15,640
Airport		-	5,278	3,974	5,278	3,974
Fiber optic		-	77	61	77	61
Total Expenses	84,479	70,236	57,752	50,864	142,231	121,100
Increase in net position before transfers	7,029	9,005	8,059	13,383	15,088	22,388
Internal balances	285	285	(285)	(285)	-	-
Change in net position	7,314	9,290	7,774	13,098	15,088	22,388
Net position - beginning	143,536	134,115	144,010	130,912	287,546	265,027
Prior year adjustments		131	-	-	-	131
Net position - beginning restated	143,536	134,246	144,010	130,912	287,546	265,158
Net position ending	150,850	143,536	151,784	144,010	302,635	287,546

I. Review of Fiscal Year 2024-25

REVENUES:

The Fiscal Year 2025 Mid-Year Budget Monitoring Report (Mid-Year Report) provides the City Council and the public with a comprehensive forecast of year-end projections for 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 3.0% growth in property taxes, considering the lower increase in the Consumer Price Index (CPI) for existing assessments would be offset by increases in the assessed values of properties changing hands, as well as increases in supplemental and transfer taxes for property changing hands. The current projections indicate that the city will slightly exceed the budget by around \$146k in property taxes, mainly in property tax in-lieu revenues. In the 2024 calendar year, the median sales price for detached homes has decreased from 2023 by 5.38%. The average price for detached homes in calendar year 2023 was \$646,000 and in calendar year 2024, the median price dropped to \$611,250.

Sales tax

Sales tax has seen a statewide sluggish 2024 decline of 0.8% in FY 2024/25. The consumer is looking for values and deals with their purchasing dollars. Retail sales have very much changed in recent years from brick-and-mortar storefronts, which remain in competition with the convenience of online shopping trends. Our consultants, HDL Companies, tell us that car sales continue to outpace statewide sales in our projection. We are expecting to receive about \$622k over budget. Measure R is coming a bit under budget along with our other special sales taxes, as we are seeing the same declines as the Statewide sales taxes. The sales tax measure is expected to bring in about \$5.4MM, about \$100k less than our budget estimate.

Hotel tax

Hotel tax is performing close to budget projections. Six hotels are currently collecting and remitting this tax revenue to the City.

Other General Revenues

The city's other general revenues, including interest earnings, utility taxes, franchise fees, and business licenses, are performing a little better than expected. We are estimating collecting \$600k over our budget estimate for interest earnings and \$370k higher than budget in Utility User’s Tax.

Departmental Revenues

Rental and program revenues for the Parks and Community Services Department are lower than anticipated, mainly due to the closure of Ramsay Park due to construction and reduced services provided to PVUSD’s

Expanded Learning program due to reductions in their funding. Most of these revenue sources have associated operating costs that have been reduced as services have been reduced.

The Community Development Department revenues coming in are currently expected to be under the budget estimate by \$573k. This is less than last fiscal year when we experienced higher revenues. 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 in over budget as they have been able to bill and collect mutual aid revenue of \$463k more than budgeted reimbursements. The public works department is showing lower than budgeted revenue in reimbursable activities, but expenditure savings will offset this.

EXPENDITURES:

Most departments are within budget, and minor savings are expected. However, some departments are facing challenges and require additional funds.

1- Fire Department

The Fire Department has experienced high overtime costs overages in this fiscal year. The overtime costs are associated with regular staffing needs and mutual aid activities. We deployed a team to assist in the recent fires in Los Angeles, and this has resulted in higher than budgeted overtime costs. There is about \$463k more in revenues expected that will be offset with mutual aid reimbursement. The department will need an additional appropriations of \$650k. They have three recruits currently in training for the medical support program which aims to help recruit local EMTs to become accredited paramedic\firefighters with the city. The purpose of this program is to help recruit and retain local firefighters.

2- Police

The Police Department has about 10 vacancies in the police officer rank. We have implemented a hiring bonus and other incentives to attract laterals and recruits. The department has had several vacancies and injuries that have contributed to the increase in overtime. With fewer sworn personnel, available, the Department is proposing to replace one Administrative Police Sergeant position with a Police Civilian Manager and an Investigative Specialist. This will relieve some of the work that is currently being done by the sergeants. Both positions are expected to offer relief to the department's sworn personnel.

3- Community Development Department

The Community Development Department is coming in a bit under budget. Statewide building/construction permits have dropped 0.7 percent compared to last year. The Department is not requesting any additional funds.

4- City Clerk

The City Clerk Department is coming in on budget. The department has seen an increase in public records requests, and they have been busy coordinating those efforts. In recent years, they have added hosting services, which has helped modernize the department and assist City departments in becoming more efficient with staff reports to Council and contract management. The department is requesting additional funds for a software upgrade for Next Request.

5- City Manager

The City Manager's office is seeking additional funds to help pay for our portion of the Warming Center's cost, our jurisdiction's share of the expenses related to the Annual Homelessness Action Partnership. The additional appropriation request for this is \$142k. Additionally, we are requesting \$2MM to complete the Wayfinding Project. Initially, this project was funded through ARPA, but since it wasn't ready before the grant deadline, we reallocated the funds to the Ramsay project. Now, we need to secure funding to move forward with the Wayfinding project. Additionally, the department is currently hiring a Senior Administrative Analyst who will work on Economic Development projects that are currently being identified by our consultants Kosmont Financial Services through collaborations with our City Manager's Office.

6- Public Works

The General Fund divisions of public works oversee building, street, and sidewalk maintenance and are expecting to come 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 revenue. The department is asking for \$31k to offset a contract for janitorial services and other cost increases.

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 both the Ramsay and the Veteran's Hall, which have not been offered due to construction and County of Santa Cruz usage. The savings are realized in the temporary salary savings. The department is asking for additional funds for Bay Breeze, Vista Montana and asking to appropriate funds received from the Friends of Watsonville.

8- Measure R

Measure R is in its first full year of budget in this 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 Nature Center is the top budgeted project in this fiscal year at \$1.84MM. As you may recall, last year after bidding the construction of the Nature Center, we determined that this project exceeded the budget and our financial capacity. The project was budgeted to be a \$3.5 million project (construction and design), and the construction bids came in at \$8.6 million. Considering the desires to still construct a state-of-the-art Nature Center and to care for existing City assets, Public Works and Parks staff is working on a design to renovate the Ramsay Park Family Center to house the new Nature Center. This strategy of prioritizing the renovation of existing assets over a new building is consistent with the City's desire to not add maintenance dollars but rather invest in and maintain our currently owned assets.

Coming in at a close second is the appropriation in the Streets division, with an allocation of 1.83MM in the current fiscal year. They are working on Green Valley Road and Bridge Streets projects, trails, and other smaller street work, along with the purchase of a field services container truck. We are also requesting an appropriation in the amount of \$505k to support further street improvement projects. Additionally, there is also an allocation of \$683k towards the Ramsay Park Renaissance project. The Parks Division has been able to add programming for Older Adults and Special Events.

The Library Department has completed 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 pay for the Ramsay Project completely. Staff will be recommending to bond for \$12MM for a period of 10 years with an annual debt service payment of \$1.5MM. We anticipate seeking approval and securing this funding within the next six months. Below is a summary of the current fiscal year. In the next fiscal year, FY 25/26, Measure R will budget to pay for the Rooftop Library Project in the amount of \$2.5MM.

Table 2: Measure R

SALES TAX - MEASURE R			
BEGINNING FUND BALANCE	4,762,529.65		
FY 2025 PROJECTED REVENUES		5,403,984.42	
OPERATIONS			
DEBT SERVICE			1,500,000.00
LIBRARY			350,000.00
PARKS			1,363,411.00
TOTALS			3,213,411.00
Budgeted Projects			
PARKS - PINTO LAKE MASTER PLAN			200,000.00
PARKS - PARK ASSESSMENT CIPS			500,000.00
PARKS - CALLAGHAN COURT CONVER			100,000.00
LIBRARY DESIGN DOCUMENTS ARCH			214,000.00
OTHER CONTRACT SERVICES			26,971.00
OHLONE PRK ST IMPROVEMENTS			10,285.00
FIELD SERVICES CONTAINER TRUCK			66,106.00
AUTOMOTIVE EQUIPMENT			160,000.00
GREEN VALLEY ROAD IMPROVEMENTS			517,432.00
BRIDGE STREET RECONSTRUCTION			930,000.00
RAMSAY PARK - MASTER PLAN NATU			683,000.00
STREETS - OTHER			83,998.00
STREETS/SIDEWALKS-TRAILS			34,162.00
NATURE CENTER BUILDING			1,838,600.00
NEW STREETS APPROPRIATION REQUEST			505,000.00
TOTALS			5,869,554.00
BUDGET RESERVES			1,080,796.88
UNRESERVED FUND BALANCE			2,752.19

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, and general plan. We will be requesting an additional \$400k in the general fund for this increase. We will also be asking for \$340k for legal settlements.

Overall, all other departments are expected to end the year within their budgets. However, some General Fund capital projects may not be completed as budgeted this fiscal year and will be rolled into the 2025-26 fiscal year. Tables 3 and 4 summarize all general fund appropriation requests and the overall projection for

the general fund for FY 2024-25. Table 3 below shows a summary of all general fund appropriations requests. Table 4 summarizes the overall projection for the general fund for FY 2024-25.

Table 3: Summary of General Fund Appropriation Requests

Recommended Midyear Appropriations FY 2024-25			
General Fund			
Department	Description	Expense	Revenues
Other	Legal	400,000	
	Claim	340,000	
	Homelessness	81,614	
	Warm Shelter to County	60,000	
CM	Wayfinding	2,000,000	
HR	Neogov	3,000	
Fire	Overtime strike-team	600,000	463,000
Police	Patrol Vehicle Replacement - ongoing	200,000	
	Graykey Purchase	20,000	
	Eliminate Police Sergeant	(219,484)	
	Police Civilian Manager	139,984	
	Investigative Specialist	95,251	
	Reduce Police - Other Contract Services	(32,599)	
	Sr. Admin Analyst to Crime Analyst	2,483	
	Media & Comm Asst to Media and Comm Specialist	8,762	
	Youth Specialist to a Program Coordinator	8,086	
City Clerk	Software upgrade for Next Request	3,000	
Library	Erate allocations	15,000	
Parks	Friends of Watsonville PCS donation		22,000
	Acrylic basketball rims Callaghan	4,000	
	Main St. light repairs	13,000	
	Volunteer Program	2,500	
Measure R	Streets Appropriation Request	505,000	
Public Works	City Hall janitor	26,400	
	Telephone Service	3,000	
	Repair & Maintenance - Uniforms	1,500	
TOTALS		4,280,497	485,000

Table 4: General Fund Summary for Fiscal Year 2024-25

General Fund Estimate Expenditures and Revenues				
Fiscal Year Ending June 30, 2025				
Department	Actuals FY 2024	Revised Budget	Projection	Variance
Revenues:				
Property Tax	14,788,668	14,797,577	14,943,741	146,164
Sales Tax-General	15,936,386	14,974,566	15,596,717	622,151
Hotel Room Tax	1,412,314	1,600,000	1,600,000	-
Utility User Tax	4,675,775	4,400,000	4,769,979	369,979
Transfers In	3,993,020	4,264,868	4,249,900	(14,968)
Measure R	6,190,360	5,518,000	5,403,984	(114,016)
Total Revenues	46,996,523	45,555,011	46,564,321	1,009,310
CDD	2,433,199	2,355,600	1,781,992	(573,608)
Police	1,608,643	1,707,297	1,441,599	(265,698)
Fire	465,725	509,592	972,679	463,087
PW	44,078	522,742	82,122	(440,620)
PCS	804,092	960,363	627,513	(332,850)
Other	15,434,439	8,981,717	9,673,042	691,325
Total GF Revenue	67,786,699	60,592,322	61,143,269	550,947
Actuals				
Expenditures	FY 2024	Budget	Projection	Variance
City Council	125,142	296,825	126,876	169,949
City Manager	1,831,926	1,896,960	1,896,960	-
City Clerk/Attorney	895,580	1,765,667	1,070,042	695,625
Community Development	3,086,169	3,355,522	2,800,956	554,566
Finance	1,564,016	1,898,810	1,870,914	27,896
Human Resources	894,256	913,185	913,185	-
Social Services	239,436	279,415	222,160	57,255
Parks & Community Services	5,085,654	6,009,647	5,638,562	371,085
Fire	9,344,775	9,239,593	9,731,385	(491,792)
Library	541,684	593,584	593,584	-
Non-Department	3,498,748	2,854,728	2,839,876	14,852
Police	22,539,380	24,034,535	23,475,641	558,894
Public Works	1,754,656	2,120,709	2,093,661	27,048
Measure R	853,048	3,213,441	945,270	2,268,171
Total Depts	52,254,470	58,472,621	54,219,071	1,985,379
Capital	2,192,797	6,410,095	4,000,000	2,410,095
Capital-Measure R	919,105	5,364,554	536,404	4,828,150
Total Expenditures	54,447,268	70,247,270	58,755,475	9,223,624
YE Change to Fund Balance	13,339,431	(9,654,948)	2,387,794	
Capital Carry Forward				7,238,245

Other Funds

The **Airport** Fund ended the FY 2023-24 with \$294,172 in cash, despite facing challenges such as fuel costs. The department's prudent revenue projections contributed to a positive financial finish for the year. They are expected to increase their cash balance by approximately \$285,000 at the end of FY 2024-25.

On the other hand, the Utility Enterprise Funds for **Water**, **Sewer**, and **Solid Waste** are witnessing normal revenues. Sewer and Water funds expect to fully expend their operating budgets, but not their capital budgets. There are several capital projects that have either not yet begun or are currently in the design phase. These projects are expected to be carried over and completed in the following fiscal year. This will result in an increase in their ending cash balances for the fiscal year. The Sewer Fund is requesting to add an additional position of Wastewater Operator 1 to have some overlap and training before an upcoming retirement. This additional position will be eliminated once the retirement takes place. The department will offset the additional costs with savings from their operations budget. The Solid Waste fund does expect to fully expend both its operating and capital budget. It is anticipated that the Cell IV will open soon, this new landfill will save money and give the City a place to haul its waste for as long as three decades. They are also proposing an increase in the enterprise funds budget in the amount of \$1.6MM, mostly due to the timing of the new landfill opening and the need to continue to haul the City's waste to Marina.

Revenues from sales tax are the primary source for the **Library**, **Measure D**, and **Measure Y** funds. The Library Fund has received notification from the County of Santa Cruz that the revenue estimate has decreased by 3.8%. The revision has been done after the first two quarters of sales tax receipts were below budget. As a result, we have revised the sales tax estimate a bit. Each of these funds plans to expend most of their operating budgets. It is expected that Measure D and Measure Y funds will also have some savings in capital expenditure because of lower than budgeted expenditures for completed projects and projects that will be carried over to the next fiscal year. As a result of these savings, it is expected to see an increase in their cash balances and the availability of one-time funds for future projects.

Gas Tax and **SB1** revenues are primary influenced by the number of miles driven rather than by the price of gasoline. While significant fluctuations in revenues are not expected, it is projected that there will be savings from capital projects that are not expected to be completed this fiscal year. These projects are expected to be carried over and completed in future years.

In **Information and Technology**, the internal service fund is expected to end the year with a 1.6MM fund balance. They are requesting an appropriation of \$120k to continue with the Citywide computer replacement program. Innovation and Technology is continuing modernization efforts through collaboration with Finance, Human Resources, Utility Billing, City Clerk, Permitting, and the Building Official to transition the on-premises ERP system to a Software as a Service (SaaS) solution. This migration aligns with the city's cybersecurity initiatives, enhances software availability, and provides the opportunity to implement new modules that streamline processes, reduce paperwork, and increase operational efficiencies through automated workflows.

The **Municipal Service Center Vehicle Shop**, the internal service fund in its fourth 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 vehicle parts and supplies and is requesting additional budget appropriation of \$100k.

For a summary of all non-General fund appropriation requests and major other funds, see tables 5 and 6.

Table 5: Summary of Non-General Fund Appropriation Requests

<u>Department</u>	<u>Description</u>	<u>Expense</u>	<u>Revenues</u>
Police	RFID Readers at both parking gates	25,000.00	
	Pistol Replacement	68,000.00	
Parks	Bay Breeze	30,000.00	
	Vista Montana	43,000.00	
IT	Computer Replacement	120,000.00	
Public Works	Parts & supplies	100,000	
	Increase disposal costs	1,093,500	
	Temporary wages	45,000	
	Repair & Maintenance - Uniforms	3,000	
	ES Engineering	90,000	
	Fuels & Lubricants	30,000	
	Landfill Cell IV Opening	218,396	
	Landfill Closure	82,271	
	<i>Wastewater Operator 1- temporary overhire</i>		
Airport	Fuel Farm	170,000	
		2,118,167.00	-

Next Steps

The mid-year report officially marks the beginning of the budget season for Fiscal Year 2025-26. 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 May 31st or before, a proposed FY 2025-26 budget will be submitted to the Council for review and presented in June twice, once as a study session and the second meeting will be for Council approval.

Table 6: Summary of Other Funds for FY 2024-25

Summary of Other Funds for FY 2024-25						
		Starting				
		Balance	Revenue	Expense	Capital	Ending Balance
Airport	Revised Budget	294,172	4,790,378	4,310,334	1,027,600	(253,384)
	Projection		5,362,387	4,133,025	944,003	579,530
	Variance		572,009	(177,308)	(83,597)	311,104
Waste Water	Revised Budget	17,672,626	36,009,971	19,690,122	22,208,202	11,784,273
	Projection		26,400,219	20,375,122	12,883,273	10,814,450
	Variance		(9,609,752)	685,000	(9,324,929)	(18,249,681)
SW	Revised Budget	16,336,406	22,403,880	17,584,096	9,087,535	12,068,655
	Projection		22,403,880	18,345,596	9,388,202	11,006,488
	Variance		-	761,500	300,667	1,062,167
Water	Revised Budget	35,269,091	26,473,508	18,281,651	33,718,197	9,742,751
	Projection		26,473,508	18,447,105	17,869,407	25,426,087
	Variance		-	165,454	(15,848,790)	(15,683,336)
Library	Revised Budget	2,241,212	4,636,759	4,631,772	300,000	1,946,199
	Projection		4,460,562	4,329,772	300,000	2,072,002
	Variance		(176,197)	(302,000)	-	(478,197)
IT	Revised Budget	1,970,344	3,611,995	3,640,128	823,105	1,119,106
	Projection		3,611,005	3,313,478	636,101	1,631,770
	Variance		(990)	(326,650)	(187,004)	(514,644)
Measure Y	Revised Budget	2,824,366	5,539,100	5,723,530	1,878,585	761,351
	Projection		5,452,651	4,903,534	1,297,610	2,075,873
	Variance		(86,449)	(819,996)	(580,975)	(1,487,420)
Gas Tax	Revised Budget	997,743	1,413,546	1,050,395	988,817	372,077
	Projection		1,413,546	1,050,395	650,367	710,527
	Variance		-	-	(338,450)	(338,450)
SB1	Revised Budget	3,616,944	1,100,000	-	3,243,417	1,473,527
	Projection		1,100,000	-	1,318,674	3,398,270
	Variance		-	-	(1,924,743)	(1,924,743)
Measure D	Revised Budget	4,772,079	1,178,000		5,309,473	640,606
	Projection		1,178,000		2,317,392	3,632,687
	Variance		-		(2,992,081)	(2,992,081)
MSC Shop	Revised Budget	359,964	3,121,234	3,121,234		359,964
	Projection		3,221,234	3,221,234		359,964
	Variance		100,000	100,000		200,000

STRATEGIC PLAN:

02-Fiscal Health: the report above meets strategic plan goal number 2 by keeping the Council and the public informed about the status of the City's finances.

FINANCIAL IMPACT:

The proposed appropriations listed in Attachment 1 amount to \$5,893,664 and are funded by \$485,000 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. We are also proposing to add three additional positions.

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):

- 1: Recommended Appropriation Detail
- 2: Annual Comprehensive Financial Report for FY 2023-24
- 3: Annual Measure Y Audit Report for FY 2023-24