

ACFR FY 23-24 and Mid Year Financial Report FY 24-25

Marissa Duran, Finance Director

February 25, 2025

RECOMMENDED ACTIONS

- Accept by motion, the Annual Comprehensive Financial Report for FY 2023-24, and
- Accept by motion, the mid-year financial report for the 2024-25 Fiscal Year:
- Accept by motion, the Annual Measure Y Audit Report for FY 2023-24, and
- Approve a resolution appropriating \$6,398,664 including 3 additional positions

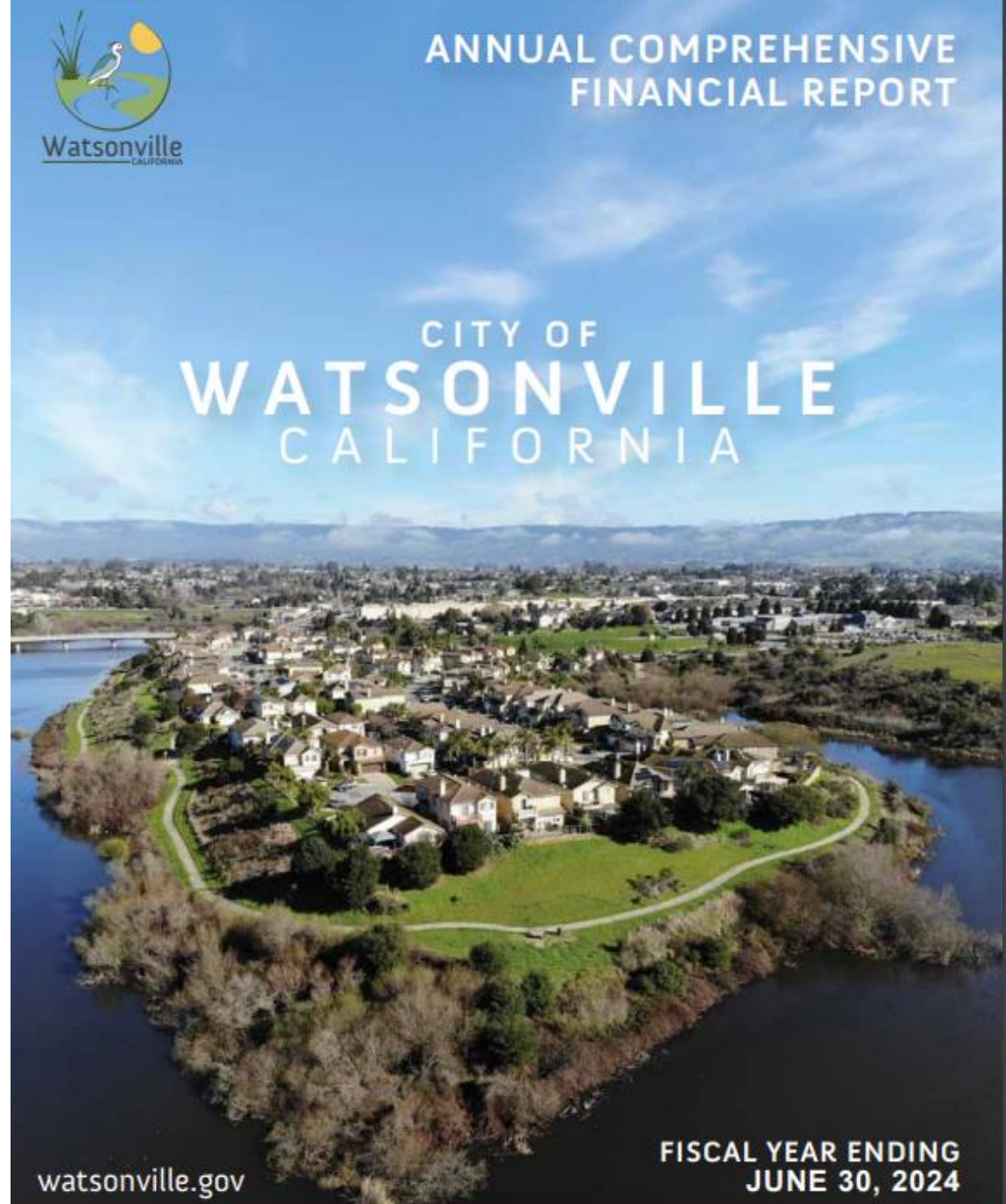




ANNUAL COMPREHENSIVE FINANCIAL REPORT

ACFR Online

- - [Watsonville ACFR FY24 \(06/30/2024 City of Watsonville FY24 AUD \[6/30/2024\]\)](#)



watsonville.gov

FISCAL YEAR ENDING
JUNE 30, 2024

Background



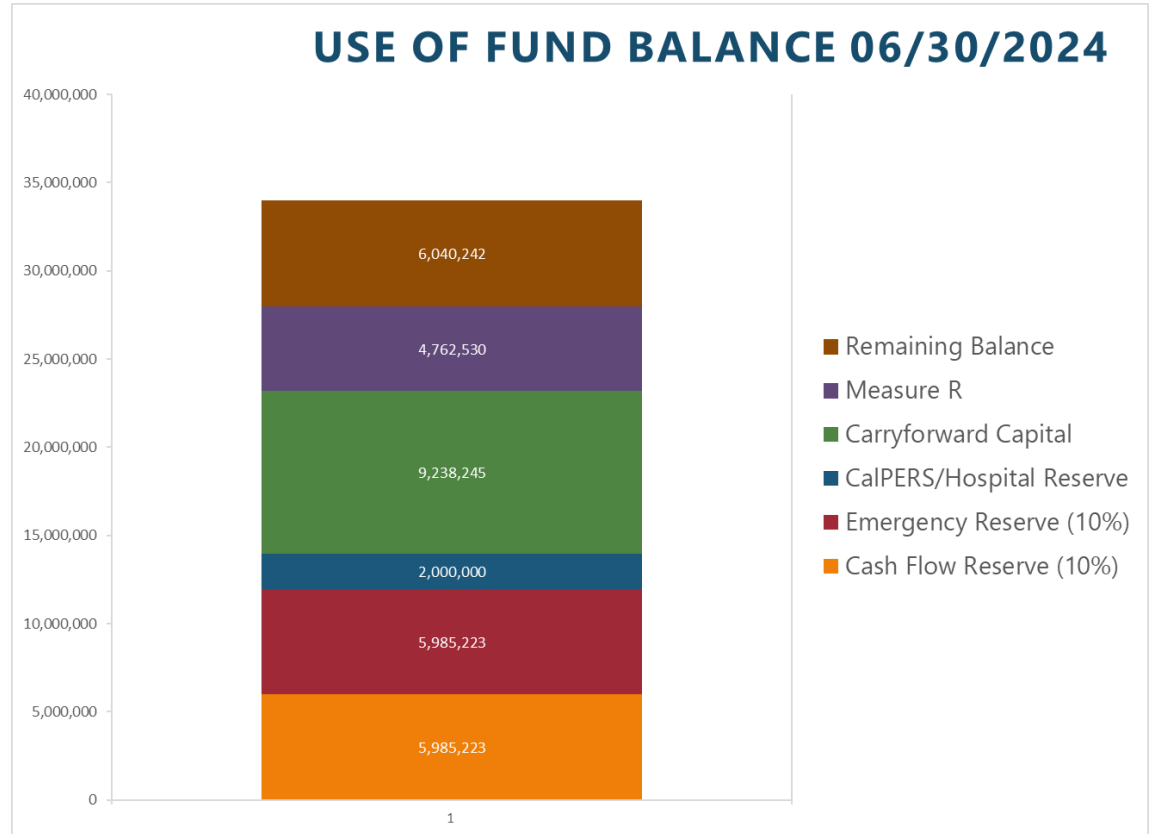
- Independent Audit by Maze & Associates
- The audit resulted in an UNQUALIFIED OPINION – which means we followed generally accepted accounting principles, our financials are free from material errors and our Financial Statements present fairly
- Additionally, we have received an Award for Excellence in Financial Reporting for 27 years in a row

City of Watsonville’s Net Position
June 30, 2024
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
		\$		\$	\$	\$
Current and other assets	125,725	113,308	82,563	106,080	208,288	219,388
Capital assets	117,421	115,364	115,847	81,291	233,268	196,655
Total Assets	243,147	228,672	198,410	187,371	441,556	416,043
Deferred outflows of resources	32,851	34,527	8,677	9,072	41,528	43,599
Total Deferred Outflows of Resources	32,851	34,527	8,677	9,072	41,528	43,599
Long-term liabilities outstanding	93,054	85,911	45,470	44,144	138,524	130,055
Other Liabilities	29,829	29,473	5,346	3,892	35,175	33,365
Total Liabilities	122,883	115,384	50,816	48,036	173,699	163,420
Deferred inflows of resources	2,263	4,279	4,486	4,397	6,749	8,676
Total Deferred Outflows of Resources	2,263	4,279	4,486	4,397	6,749	8,676
Net Position:						-
Net Investment in capital assets	115,866	113,121	110,886	100,264	226,752	213,385
Restricted	56,061	27,082	-	-	56,061	27,082
Unrestricted	(21,076)	3,333	40,898	43,746	19,822	47,079
Total Net Position	150,851	143,536	151,784	144,010	302,635	287,546

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

Use of Fund Balance



General Fund Revenues

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

Revenues cont.



On the “Other Revenues” category

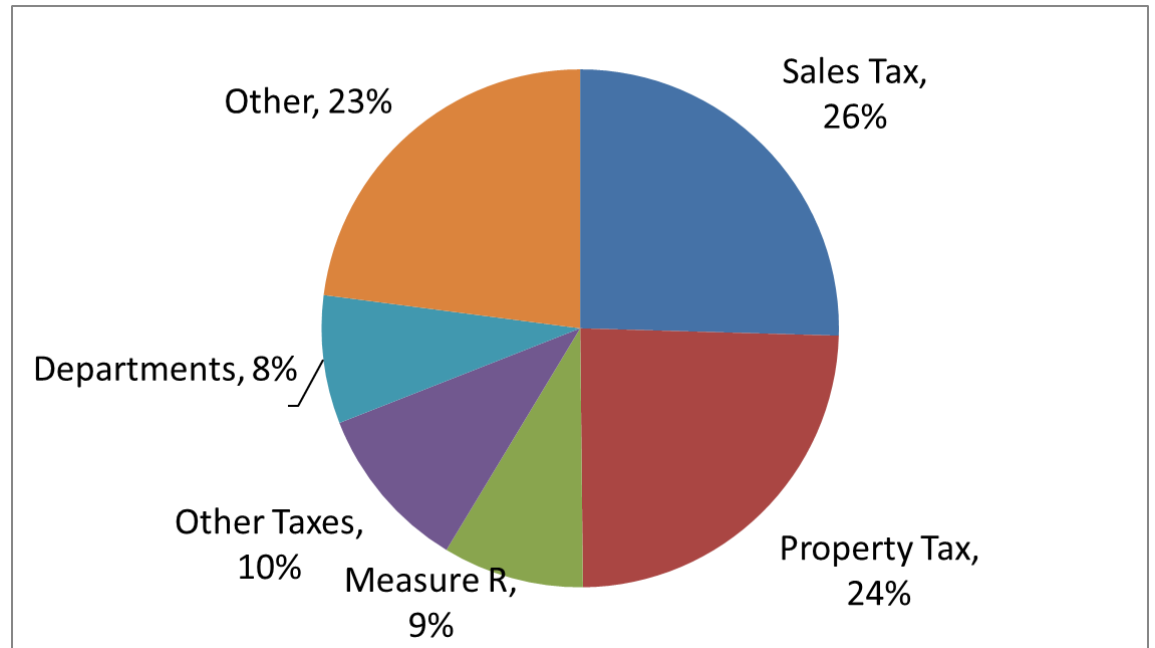


Reminder, these are Leases, Business License, Franchise Fees agreements, etc.



The City is currently focusing on the economic development side, we are currently recruiting this this position in our City Manager’s Office – this is the key going forward to building more revenue capacity

General Fund Revenues



General Fund Revenues - Overall



Property tax is projected to be just slightly overbudget



Sales tax is projected to be \$622k over 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 \$370k over budget



Hotel tax is projected on budget, 6 hotels remitting



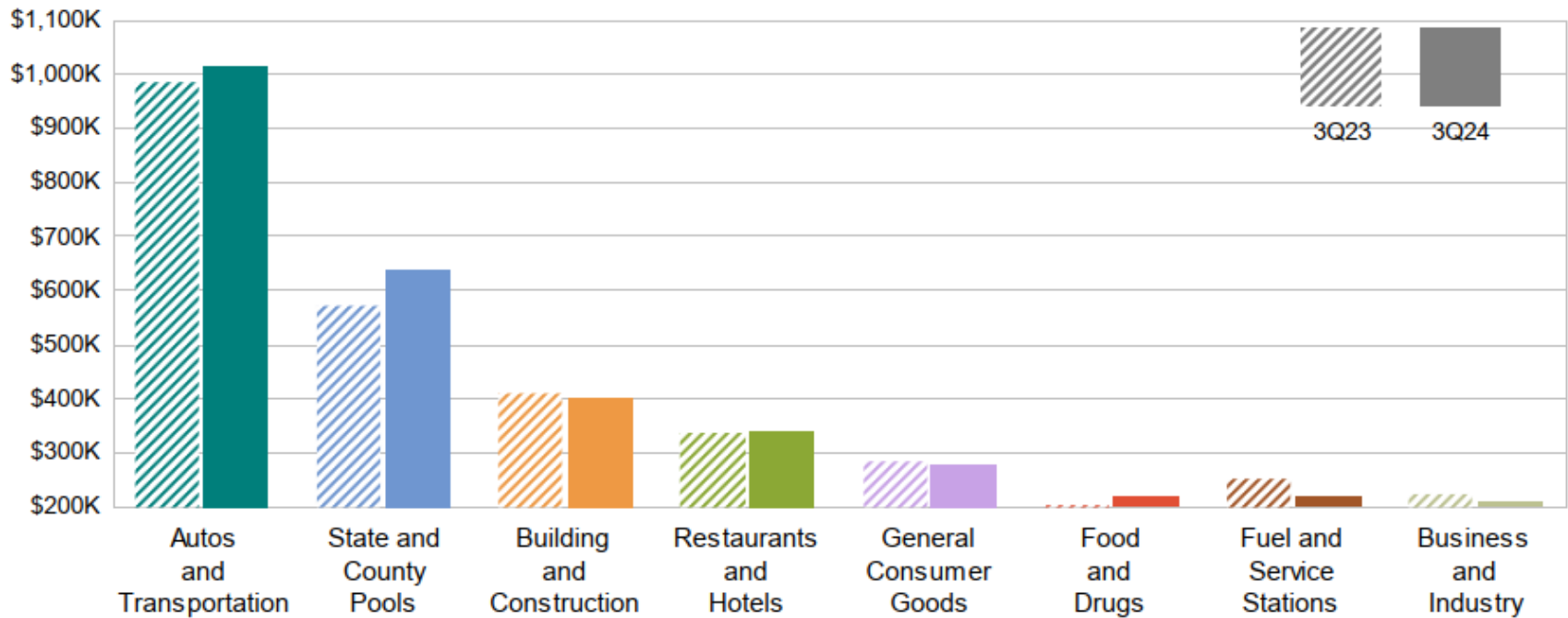
Measure R - \$5.4MM second full year



Department Revenues, CDD, Police and PCS lower than budgeted, Fire over \$463k mutual aid

Sales Tax

3Q23 Compared To 3Q24



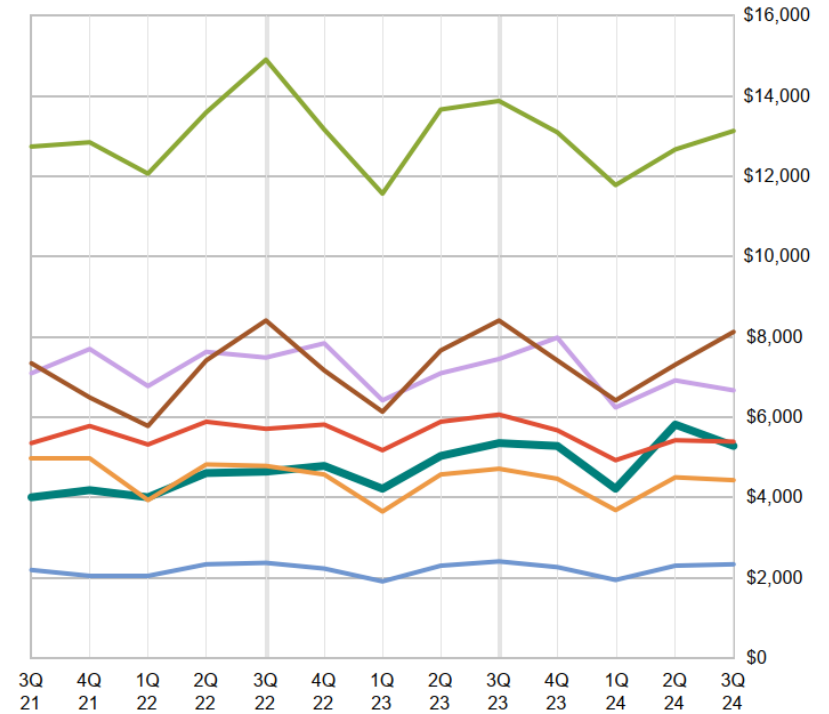
Per Capita Sales of Surrounding Cities



CITY OF WATSONVILLE AGENCY COMPARISONS

Per Capita Sales

Watsonville	Count: 1,492
Santa Cruz Co. Uninc	Count: 4,283
Santa Cruz	Count: 2,423
Capitola	Count: 708
Gilroy	Count: 1,870
Morgan Hill	Count: 1,531
Monterey	Count: 1,874



General Fund Expenditures

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
Expenditures				
	Actuals 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	895,580	1,161,910	892,966	268,944
City Attorney	163,010	603,757	177,076	
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	1,228,270	1,985,171
Total Depts	52,417,480	58,472,621	54,502,072	3,543,868
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	54,610,278	70,247,270	59,038,476	10,782,114
YE Change to Fund Balance	13,176,421	(9,654,948)	2,104,793	
Capital Carry Forward				7,238,245

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

Measure R Projects

- Nature Center - has the largest piece of the pie – they are currently in design, you may recall we scratched our prior design as that came in \$7MM over budget- coming in 2nd is Street Work for Green Valley and Bridge Street and also were able to complete Ohlone project
- Library – working on their 2nd floor atrium – more outdoor sitting, outdoor programming venues, bistro café - we will see an appropriation to request in our next year budget for this
- Asking for a new appropriation for Streets in the amount of \$505k – funds will be used for maintenance projects throughout the City

General Fund			
<u>Department</u>	<u>Description</u>	<u>Expense</u>	<u>Revenues</u>
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	
Public Works	City Hall janitor	26,400	
	Telephone Service	3,000	
	Repair & Maintenance - Uniforms	1,500	
TOTALS		3,775,497	485,000

Staff Request

POLICE REQUESTS

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graph TD; A[POLICE REQUESTS] --> B[Swapping Police Sergeant position with Police Sergeant]; B --> C[Police Civilian Manager]; C --> D[Investigative Specialist]; D --> E[Continue with the Hiring Pause through end of fiscal year];
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Swapping Police Sergeant position with Police Sergeant

Police Civilian Manager

Investigative Specialist

Continue with the Hiring Pause through end of fiscal year

General Fund Appropriations Requests

- Other –Settlement - \$340k Settlement-Legal Costs \$400k
- City Manager’s Office – Wayfinding \$2MM, Homelessness efforts \$142k for warming shelter and other programs
- Fire – Overtime Costs - \$600k, we are seeing a very high spike due to mutual aid and other reasons, backed by \$463k worth of revenues
- Parks – Appropriating a Friends of Watsonville - \$22k
- Police –Swapping Police Sergeant position with Police Civilian Manager and Investigative Specialist

Enterprise Funds

		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)

Other Funds

<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	-

Internal Service Funds



Information and Technology – continuing modernization efforts through collaboration with various departments 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.



MSC Vehicle Shop – This division services our departments. The department has recently completed a fleet study, this will help facilitate our budget process for vehicle replacement.

Internal Service Funds

Summary of Other Funds for FY 2024-25

		Starting Balance	Revenue	Expense	Capital	Ending Balance
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)
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

Other Funds

Summary of Other Funds for FY 2024-25

		Starting Balance	Revenue	Expense	Capital	Ending Balance
Library	Revised Budget	2,241,212	4,636,759	4,631,772	300,000	1,946,199
	Projection		4,142,364	4,329,772	300,000	1,753,804
	Variance		(494,395)	(302,000)	-	(796,395)
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)

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, 2024**

REVENUES

Sales tax - Fire	\$ 1,994,790
Sales tax - Police	2,834,702
Sales tax - Parks and Recreation	419,956
Interest - Fire	38,990
Interest - Police	27,438
Interest - Parks and Recreation	5,776
Other revenue - Police	1,377
Total Revenues	<u>5,323,029</u>

EXPENDITURES

Fire	1,820,534
Police	3,652,421
Parks and Recreation	303,441
Total Expenditures	<u>5,776,396</u>

NET CHANGE IN FUND BALANCE

(453,367)

FUND BALANCE

Beginning Fund Balance	<u>3,277,733</u>
Ending Fund Balance	<u>\$ 2,824,366</u>

Outlook and Caution



PERS Unfunded Liability – liability over 20 years.



Capital needs – working on Ramsay, Nature Center, City Plaza and Street Projects– will be bringing Financing request soon

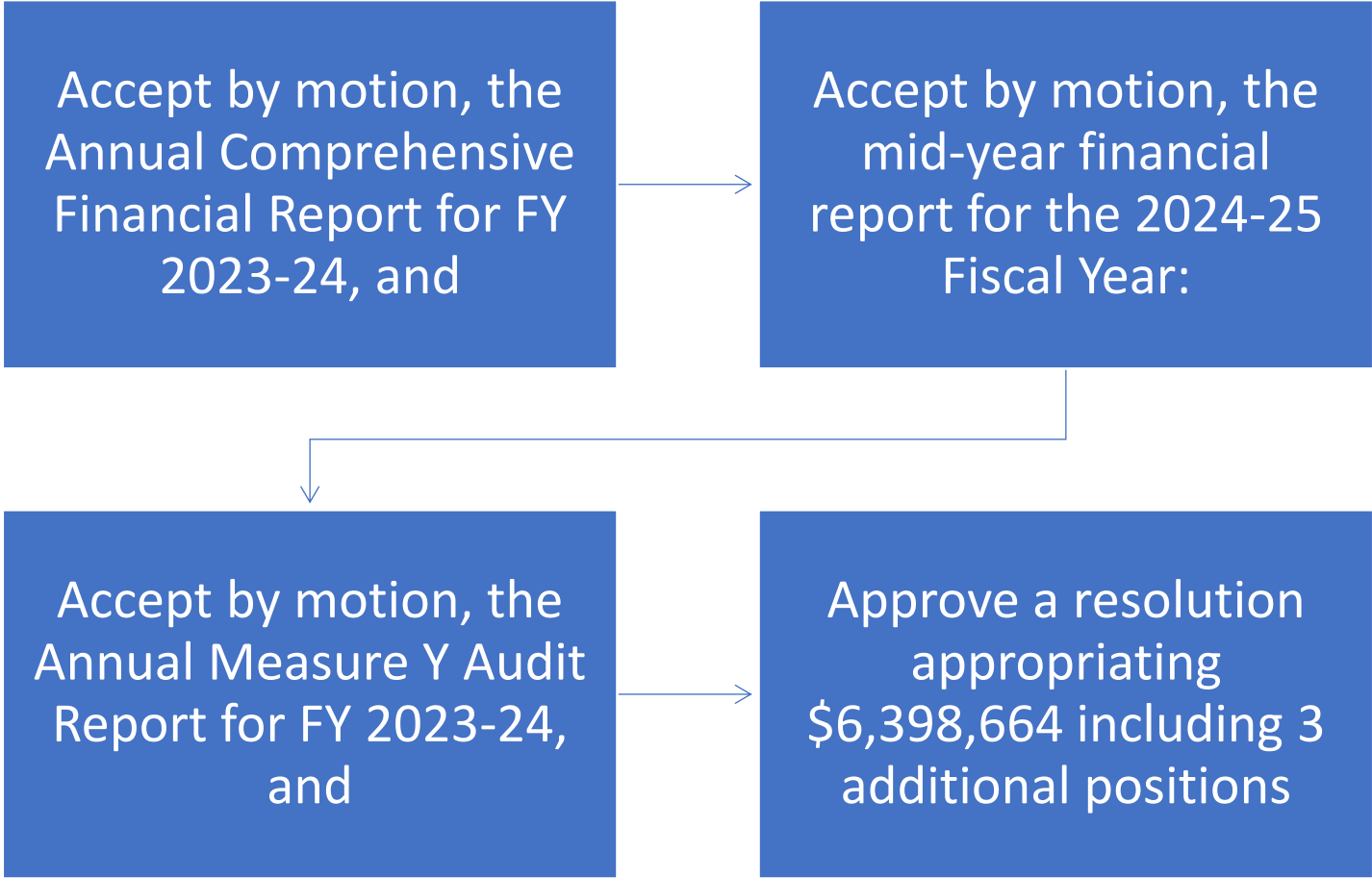


Labor Negotiations – City has results of Compensation and Classification Study, building capacity to be able to address issues identified



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

Action Items for Today



A black chalkboard with the text "Any Questions?" written in white chalk. The text is written in a cursive, handwritten style. The word "Any" is on the top line, and "Questions?" is on the bottom line. The chalkboard has some faint, illegible markings in the background.

Any
Questions?