



Agenda Report

MEETING DATE: Wednesday, February 10, 2021

TO: Oversight Committee Measure Y

FROM: Cynthia Czerwin, Administrative Services Director

SUBJECT: FINANCIAL STATUS REPORT FOR FISCAL YEAR 2019-20 AND A MID-YEAR FINANCIAL STATUS REPORT FOR FISCAL YEAR 2020-21

STATEMENT OF ISSUES:

Presentation of the Measure G / Measure Y Fund for Fiscal Year 2019-20 and Fiscal Year 2020-21

RECOMMENDED ACTION:

Approve a motion accepting financial reports and the Fiscal Year 2019-20 Audit Report prepared by Maze and Associates & Finding that all Expenditures were Made as Promised to Watsonville Residents, Pursuant to Watsonville Municipal Code Subsection 3-6.110 (b), and to accept a mid-year financial status report for Fiscal Year 2020-21.

DISCUSSION:

Fiscal Year 2019-20 was completed and audited per the terms of the original Measure G requirements with 60% of tax revenues being allocated to the Police Department and 40% allocated to the Fire Department. Attached to this report are detailed monthly reports for the months of January through June 30 2020, and the Measure G Annual Financial Statements for the Fiscal Year Ending June 30, 2020. Our auditors, Maze and Associates, preformed the required independent review of the financial transactions of the Measure G funds for the Fiscal Year 2019-20 to verify that the funds were spent as required by Measure G. They have issued an Unqualified Opinion for both the financial data and the special compliances testing required by the measure. An Unqualified Opinion means that the funds were spent in compliance and there were no findings.

On March 3, 2020, Watsonville voters renewed the existing half cent sales tax formerly known as Measure G. The renewal ordinance, Measure Y directs the funds 54% to Police; 38% to Fire and 8% to Parks and Community Services to fund police, fire and youth violence prevention services. We began operating under the requirements of the new Measure Y in Fiscal Year 2020-21. The renewed Measure also requires that an annual maintenance of effort (MOE) is met. The MOE for Police and Fire services is defined as the Fiscal Year 2013-14 adopted General Fund operating budget for each department inflated by change in the April to April San Francisco Bay Area Consumer Price Index (CPI). The April to April CPI has increased by 1.1% and therefore the MOE requirements are \$12,497,149 and \$5,735,275 for the Police and Fire departments respectively. Both of these amounts are projected to be met

and exceeded during the upcoming fiscal year. The contingency reserve requirement of 10% is also projected to be met by the end of the year by all three departments.

The FY 2020-21 budget process was wrought with uncertainty due to the Covid-19 Pandemic. At that time we were anticipating a dramatic 25% drop in sales tax revenues. Both the Police and Fire departments each eliminated one position, a fire firefighter and a police service specialist position. We anticipated relying on their strong fund balances to see them through the downturn. That revenue decline never materialized. FY 2020-21 ended the fiscal year with tax revenue only 1% below the prior and data for the first quarter of FY 2020-21 shows tax revenue up 4%. We now anticipate that tax revenues will be at or slightly above the FY 2019-20 levels. Departments are expected to spend or have some small savings in their expenditure budget. Therefore with the greater than budget revenues all three departments will have much larger reserves than anticipated. They will be adding to, rather than using their fund balances. Detailed monthly reports for FY 2020-21 are attached to this report.

Table 1: Fiscal Year 2020-21 Mid-Year Status and Projections

		BUDGET	ACTUALS	Projected	Variance Positive / (Negative)
Police	Tax Revenue	1,566,000	1,234,635	2,214,215	648,215
	Interest	20,000		20,000	-
	Other Revenue	100	26,231	26,231	26,131
Fire	Tax Revenue	1,102,000	868,817	1,558,152	456,152
	Interest	15,000		15,000	-
PCS	Tax Revenue	232,000	182,909	328,032	96,032
	Interest	-		-	
	Total Revenues	2,935,100	2,312,591	4,161,630	1,226,530
Police	Operations	1,914,596	817,753	1,656,019	258,577
	Equipment / Facilities (police)	254,235	2,820	204,235	50,000
Fire	Operations	1,417,446	690,461	1,415,922	1,524
	Equipment / Facilities	75,000	-	75,000	-
PCS	Operations	208,800	10,558	208,800	-
	Equipment / Facilities				
	Totals Expenses	3,870,077	1,521,591	3,351,176	518,901
Change in Fund Balance		(934,977)	791,000	810,453	1,745,430
Reserve Police as of July 1		1,576,040		1,576,040	
Reserve Fire as of July 1		1,236,290		1,236,290	
Reserve PCS as of July 1		-			
Reserve Police as of June 30		993,309		1,976,232	982,923
Reserve Fire as of June 30		860,844		1,318,519	457,676
Reserve PCS as of June 30		23,200		119,232	96,032

STRATEGIC PLAN:

02-Fiscal Health: The Measure G / Measure Y funds are healthy and are in accordance with the will of the voters.

FINANCIAL IMPACT:

No direct financial impact

ALTERNATIVE ACTION:

No alternatives at this time

ATTACHMENTS AND/OR REFERENCES (If any):

- 1) Measure G Annual Financial Statements for the Fiscal Year Ending June 30, 2020
- 2) Fiscal Year 2019-20 January to June 2020 Financial Reports
- 3) Fiscal Year 2020-21 July to December 2020 Financial Report