



CITY COUNCIL AGENDA REPORT

MEETING DATE: Tuesday, February 24, 2026
TO: CITY COUNCIL
RECOMMENDED BY: ADMINISTRATIVE SERVICES DIRECTOR DURAN
APPROVED BY: TAMARA VIDES, CITY MANAGER
SUBJECT: CONSIDERATION OF COMPREHENSIVE FINANCIAL REPORT FY 2024-25
AND MID YEAR REPORT FOR FY 2025-26

RECOMMENDATION:

Receive audited financial reports for Fiscal Year 2024-25 and a mid-year financial report for FY 2025-26.

That the City Council:

- I. Accept by motion, the Annual Comprehensive Financial Report for FY 2024-25, and
- II. Accept by motion, the mid-year financial report for the 2025-26 Fiscal Year:
- III. Accept by motion, the Annual Measure Y Audit Report for FY 2024-25, and

Approve a resolution appropriating \$6,398,810 into various funds and authorizing one new position.

DISCUSSION:

I. Review of Fiscal Year 2024-25

The City's Charter and State 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). Annually, the Finance Department prepares the Annual Comprehensive Financial Report (ACFR) following the completion of the independent financial audit. The ACFR was audited by Maze and Associates, a certified public accounting firm, which issued an unqualified opinion of the City's audit. This opinion indicates that the financial statements fairly represent, 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 22 consecutive years. City staff believe the June 30, 2025, 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 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, 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 \$337,559. See Table 1 below.
- The City's total net position increased by \$34,924 with a \$20,535 increase in the net position for governmental activities, mainly due to the receipts of \$12 MM in bond proceeds issued to fund Ramsay and the City Plaza, higher interest earnings and higher than budgeted sales tax proceeds, and a \$14,389 increase in the net position for business type activities, mostly due to the three enterprise funds, water, sewer and garbage 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 \$77,648, an \$11,983 increase from the prior fiscal year. This fund balance consists of \$35,466 in restricted funds and \$42,183 in unassigned funds. The unassigned balance was primarily driven by growth by the issuance of the \$12MM bond in the general fund, impact fees,

housing funds, and Measure D during fiscal year 2024-25, as well as overall budgetary expenditure savings.

General Fund Balance

- The General Fund balance for the fiscal year 2024-25 was \$42,440k, an increase of \$8,429k from the prior fiscal year. The General Fund has 18 subaccounts. The biggest reason for the fund balance increase is the issuance of a \$12 MM bond. These proceeds were recognized in the current year, resulting in a one-time increase in overall fund balance. Additionally, several Measure R capital projects were budgeted but these projects span over several years. 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, City Plaza Project, Nature Center, Library Rooftop Project, street projects, and other pressing capital needs.

Table 1:
City of Watsonville’s Net Position
June 30, 2025(in thousands)

	Governmental		Business-type		Total	
	Activities		Activities		2025	2024
	2025	2024	2025	2024	2025	2024
	\$	\$	\$		\$	
Revenues:						
Program Revenues:						
Charges for services	11,969	15,539	70,974	60,693	82,943	76,232
Operating grants and contributions	5,718	1,984	2,177	479	7,895	2,463
Capital grants and contributions	10,119	-	311	277	311	277
General Revenues						
Property taxes	20,255	18,991	-	-	20,255	18,991
Other taxes	49,014	46,619	-	-	49,014	46,619
Others	6,865	8,376	3,191	4,362	10,056	12,738
Total Revenues and Transfers	103,940	91,509	76,653	65,811	170,473	157,320
Expenses:						
General government	10,770	22,953			10,770	22,953
Public safety	42,061	39,040			42,061	39,040
Housing	2,447	1,777			2,447	1,777
Streets	14,047	7,791			14,047	7,791
Culture and recreation	14,228	12,902			14,228	12,902
Interest on debt	137	16	390	327	527	343
Water		-	19,063	17,184	19,063	17,184
Sewer		-	19,597	18,956	19,597	18,956
Solid waste		-	17,918	15,930	17,918	15,930
Airport		-	4,954	5,278	4,954	5,278
Fiber optic		-	57	77	57	77
Total Expenses	83,690	84,479	61,979	57,752	145,669	142,231
Increase in net position before transfers	20,250	7,030	14,674	8,059	34,924	15,089
Transfers	285	285	(285)	(285)	-	-
Change in net position	20,535	7,315	14,389	7,774	34,924	15,089
Net position - beginning	150,851	143,536	151,784	144,010	302,635	287,546
Net position - ending	171,386	150,851	166,173	151,784	337,559	302,635

I. Review of Fiscal Year 2025-26

REVENUES:

The Fiscal Year 2025-26 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. It identifies material variances from adopted budget and allows staff to

recommend budgetary adjustments necessary to align with the actual expense. Lastly, it allows staff to project year end fund balances.

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 exceed the budget by about \$500k in property taxes, mainly due to in-lieu property tax revenues. Home prices in calendar year 2025 have remained relatively flat compared to 2024. The average price for a single-family home in calendar year 2024 was \$675,000 and in calendar year 2025, the median price remains the same.

Sales tax

Sales tax has seen a Statewide modest increase of 1.2% in FY 2025/26. 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 who remain in competition with the convenience of online shopping trend. Our consultants HDL Companies tell us that car sales continue to outpace statewide sales in our projection. Auto's statewide are seeing an increase of 0.4%. We are expecting to receive about \$1.2MM over budget in sales tax. Measure R is coming a bit under budget along with our other special sales taxes as we are seeing declines in sales. The sales tax measure is expected to bring in about \$5.2MM, about \$303k less than our budget estimate.

Hotel tax

Hotel tax is projected to come in about \$900k over budget projections due to a one-time back-pay payment. Hotel tax revenues have remained steady, reflecting stable occupancy levels. There are currently six hotels that are 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 to collect \$50k over our budget estimate for interest earnings and \$575k higher than budget in Utility User's Tax.

Departmental Revenues

The current departmental revenue figures reflect the ongoing impact of hiring difficulties across several departments. Additionally, rental and program revenues for the Parks and Community Services Department are lower than anticipated. This is largely due to the closure of Ramsay Park for construction and to reduced services provided to PVUSD's Expanded Learning program due to funding cuts. Most of these revenue sources have associated operating costs, which have decreased in line with the reduction in services.

The Community Development Department revenues are currently coming in as expected and are on track to match the budget. 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. Parking revenues are expected to come in about \$140k below the budget. The fire department's revenue will be coming under budget as they have not been able to bill for inspection fees in the amount of \$133k. However, they have billed and will collect mutual aid revenue, in the amount of \$62k more than budgeted reimbursements. 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 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. We do expect overtime costs to exceed about \$633k over budget. There is about \$220k in revenues expected that will be offset by mutual aid reimbursement. Fire department will need an additional appropriation of \$426K. The department is requesting authorization to overfill at the Battalion Chief level. This overfill will allow the department to provide training and succession development in fire inspection duties while maintaining operational coverage. The department has hired and integrated 2 EMT students that the city sponsored for paramedic training. They will continue to recruit and sponsor students in a similar fashion in the future. The fire department also just graduated 5 additional recruits. These combined 7 new firefighters brings the Department closer to full staffing and will help to reduce the overtime over the remaining fiscal year. \$81k was incurred in overtime for the academy training of these new recruits. No additional academy has been scheduled for the remainder of this fiscal year.

2- Police

The Police Department has about 10 vacancies in the police officer rank. We will be requesting appropriations to implement a modified hiring bonus and other incentives to attract laterals and new recruits in the amount of \$150k. The department has had several vacancies and injuries, which have also contributed to the increase in overtime; they are requesting \$692k to cover projected overtime costs. Additionally, the department is requesting \$38k in additional funds to cover background checks for potential hires and \$102k for a mental health liaison.

3- Community Development Department

The Community Development Department is coming in on a bit over budget. The department is requesting \$330k in funds to pay for contract services related to planning and engineering review of project submittals. These services are necessary to complete technical reviews, professional work

that cannot be performed in-house. The requested funds will ensure timely processing of projects and maintain service levels.

4- City Clerk

The City Clerk Department is currently trending close to budget. However, they are requesting a small appropriation of funds to cover the increases in hosted services costs in the amount of \$1.5k. The department has seen an increase in public records requests, and they have been busy coordinating those efforts. They have added hosting 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- Public Works

The General Fund divisions of public works cover building, street, and sidewalk maintenance are currently projected 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.

6- 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 Ramsay have not been offered due to ongoing construction. The savings are realized in the temporary salary savings. The department is asking for \$38k additional funds for additional restroom cleaning. Parks administers the City's Landscape and Lighting Maintenance Assessment Districts (LLMAD) and is requesting the appropriation of \$200k of available fund balance to complete necessary repairs. Perimeter fencing between the subdivision and the slough and around the LLMAD maintains detention basins that need replacement.

7- Measure R

Measure R is in its second 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 Library Outdoor Rooftop space is the top budgeted project in this fund, a \$2.9 million project that began construction in late October of last year. It is nearing completion and should be online at the end of March 2026. The project had been planned for 17 years, but had no funding available until Measure R.

The Streetlights projects is the second top funded project, coming in at \$1.9MM. The City of Watsonville has approximately 2,834 streetlights across the City on a combination of City, utility, or other agency-owned poles. The City will be replacing existing LED streetlight fixtures. When this project is complete, we will have replaced or updated 2,834 streetlight fixtures.

The Nature Center is the third-largest budgeted project this fiscal year at \$1.84MM. The Nature Center is currently planned at the existing Family Center building, which is located at the entrance of Ramsay Park, situated at 1301 Main Street in Watsonville. It was originally constructed in 1970, and the building

is approximately 7,000 square feet utilized by the Parks department for programming and open to the public for event rentals. Approximately half of the existing Family Center building has been dedicated to the development of the Nature Center as a tenant improvement project in the existing facility. The non-dedicated space will become a shared mixed-use space that will be jointly utilized by both Parks and Public Works for community recreation and educational programming. The design of the Nature Center is complete and is currently out to bid.

We also have allocations for streets, one of the most exciting being the Green Valley Road and Bridge Streets projects, trails and other smaller street work along with the purchase of a field services container truck. There is also an allocation of \$683k towards the Ramsay 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 have worked with a financial advisor and were able to issue bonds that will cover the funding gap to be able to completely pay for the Ramsay Project and help fund the City Plaza Project. The bond is in the amount of \$12MM and will be repaying over a period of 10 years with an annual debt service payment of \$1.5MM.

8-Other Departments

We will also be asking for more appropriations for legal services. In this fiscal year, we continue to have increased costs due to labor negotiations, investigations, and general plan. We will be requesting an additional \$212k in the general fund for this increase

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 2026-27 fiscal year. Tables 2 and 3 summarize all general fund appropriation requests and the overall projection for the general fund for FY 2025-26. Table 2 below shows a summary of all general fund appropriations requests. Table 3 summarizes the overall projection for the general fund for FY 2025-26.

Table 2: Summary of General Fund Appropriation Requests

<u>Department</u>	<u>Description</u>	<u>Expenses</u>	<u>Revenues</u>
Other	Legal	212,000	
City Clerk	Hosted Services	1,500	
Community Development	Reimbursement Consultant Services	88,925	88,925
	Planning Contract Services	330,000	
Police	Overtime	203,500	
	Expert And Consultation Services Police Hiring	38,223	
	Mental Health Liason	102,233	
	Hiring Bonuses	150,000	
	Overtime	265,666	
	ThinkStation Computer Grant	28,000	28,000
Fire	Battalion Fire Chief Position (4 months)	70,722	
	Overtime Striketeam Revenue		68,000
	Overtime	426,000	
Parks	Temporary Wages Restroom Cleaning	38,000	
Totals		1,954,769	184,925

Table 3: General Fund Summary for Fiscal Year 2025-26

General Fund Estimate Expenditures and Revenues					
Fiscal Year Ending June 30, 2026					
Department	Actuals FY 2025	Revised Budget	Actuals through 12/31/25	Projection	Variance
Revenues:					
Property Tax	\$15,838,386	15,661,030	8,557,385	16,244,519	583,489
Sales Tax-General	16,301,105	15,231,874	8,744,732	16,441,020	1,209,146
Hotel Room Tax	884,681	1,610,000	1,662,773	2,510,000	900,000
Utility User Tax	5,106,973	4,532,000	2,704,864	5,106,973	574,973
Transfers In	4,243,964	4,487,890	2,236,461	4,472,922	(14,968)
Measure R	5,404,415	5,573,439	2,688,217	5,271,146	(302,293)
Total Revenues	\$47,779,524	47,096,233	26,594,432	50,046,581	2,950,348
CDD	3,051,952	1,706,400	946,533	1,701,569	(4,831)
Police	1,148,301	1,707,297	491,050	1,350,388	(356,909)
Fire	1,393,835	509,592	161,515	483,668	(25,924)
PW	69,336	262,000	56,092	112,183	(149,817)
PCS	866,144	916,613	450,451	900,902	(15,711)
Bond	12,000,000	12,000,000	-	-	(12,000,000)
Other	10,371,238	9,529,999	4,507,526	9,811,013	281,014
Total GF Revenue	\$76,680,329	73,728,134	33,207,599	64,406,304	(9,321,830)
Expenditures:					
Expenditures	Actuals FY 2025	Budget	Actuals through 12/31/25	Projection	Variance
City Council	134,171	222,385	90,616	181,232	41,153
City Manager	1,673,407	1,849,053	1,001,046	1,878,480	(29,427)
City Clerk	860,599	845,368	457,388	849,623	(4,255)
City Attorney	299,099	703,262	116,002	1,000,877	(297,615)
Community Development	3,313,872	2,821,973	1,680,829	3,214,288	(392,315)
Finance	1,839,637	2,003,388	887,088	1,922,240	81,148
Human Resources	1,093,459	1,099,108	641,036	1,179,510	(80,402)
Social Services	218,343	279,415	120,917	241,833	37,582
Parks & Community Servi	5,934,394	6,386,128	3,362,798	6,291,589	94,539
Fire	9,913,458	9,434,479	6,264,364	10,145,688	(711,209)
Library	870,286	541,384	50,799	548,643	(7,259)
Non-Department	2,692,042	2,854,728	1,419,970	2,779,386	75,342
Police	23,609,589	24,974,867	15,307,865	25,371,233	(396,366)
Public Works	2,034,471	2,228,431	1,051,318	2,064,095	164,336
Measure R	1,269,120	3,254,413	1,367,592	3,254,413	-
Total Depts	55,755,946	59,498,382	32,452,035	60,923,130	(1,424,748)
Capital	2,055,468	11,328,869	985,464	2,000,000	9,328,869
Capital-Measure R	940,913	9,985,488	1,362,756	4,268,646	5,716,842
Total Expenditures	58,752,327	80,812,739	34,800,254	67,191,776	13,620,963
YE Change to Fund Balanc	17,928,003	(7,084,605)	(1,592,655)	(2,785,472)	
Capital Carry Forward					15,045,711

Other Funds

The **Airport** Fund ended FY 2024-25 with \$1,127,962 in cash, despite challenges such as rising fuel costs. The department's prudent revenue projections contributed to a positive financial finish for the year. The Airport is requesting about \$166k in appropriations to be able to repair equipment and fund higher than budgeted utility costs. They are expected to increase their cash balance by approximately \$77k at the end of FY 2025-26.

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. Our Water and Sewer Funds have accumulated significant deferred capital needs over the years, particularly in aging infrastructure that now requires major reinvestment. Addressing these improvements will necessitate rate adjustments in the coming FY 26/27. There are several capital projects that have either not yet begun or are currently in the design phase. Solid Waste has opened Cell IV; this new landfill is expected to provide cost savings and serve as a long-term waste disposal solution for the City for up to thirty years. The utility enterprise funds are not requesting additional funds.

Revenues from sales tax are the primary source for the **Library**, **Measure D**, and **Measure Y** funds. Several of our sales tax revenue streams are trending below adopted budget projections due to lower consumer spending. Staff will continue to closely monitor collections and adjust forecasts as needed. The Library fund anticipates spending some of its accumulated fund balance to cover the overrun costs for the Library Rooftop Project. It is expected that Measure D and Measure Y funds are planning to spend down some of their accumulated fund balance on planned capital spending. As a result, it is expected to see a decrease in their cash balances.

Gas Tax and **SB1** revenues are primary influenced by the number of miles driven, population and in some cases by vehicle registration data rather than by the price of gasoline. Cities receive a share that reflects both how many residents they serve and the size of their local roadway network. While significant fluctuations in revenues are not expected, it is projected that they will be completing planned capital projects.

In **Information and Technology**, the internal service fund is expected to end the year with a \$689k fund balance. Innovation and Technology is continuing to keep Cybersecurity a top priority and is working to create a cybersecurity incident response plan, conduct tabletop exercises, and establish a cybersecurity work plan. The goal of the department is to reflect commitment to innovation, efficiency, and security, ensuring that we remain at the forefront of technological advancements.

The **Municipal Service Center Vehicle Shop**, this internal service department, manages the maintenance of all city vehicles. Currently the city has undergone an internal fleet utilization and replacement study to better evaluate vehicle conditions, usage patterns and maintenance costs. The results of this study will guide strategic vehicle replacement decisions in the upcoming budget cycle to ensure efficient fleet management moving forward.

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

Table 4: Summary of Other Funds for FY 2025-26

		Starting Balance	Revenue	Expense	Capital	Ending Balance
Airport	Revised Budget	1,127,962	4,636,463	4,340,354	219,016	1,205,055
	Projection		4,349,472	4,016,496	264,887	1,196,051
	Variance		(286,991)	(323,858)	45,871	(564,978)
Waste Water	Revised Budget	14,991,556	36,232,690	19,695,108	20,295,022	11,234,116
	Projection		31,232,690	19,865,108	15,304,022	11,055,116
	Variance		(5,000,000)	170,000	(4,991,000)	(9,821,000)
SW	Revised Budget	12,142,774	20,231,889	17,477,787	3,571,303	11,325,573
	Projection		20,231,889	17,432,787	2,826,841	12,115,035
	Variance		-	(45,000)	(744,462)	(789,462)
Water	Revised Budget	31,659,898	27,174,548	19,783,133	27,083,335	11,967,978
	Projection		27,174,548	19,395,663	21,670,251	17,768,532
	Variance		-	(387,470)	(5,413,084)	(5,800,554)
Library	Revised Budget	2,452,447	4,699,264	4,724,591	465,383	1,961,737
	Projection		4,117,361	4,710,568	365,061	1,494,178
	Variance		(581,903)	(14,023)	(100,322)	(696,247)
IT	Revised Budget	2,559,194	2,989,000	3,656,208	1,203,477	688,509
	Projection		3,031,934	3,340,645	172,071	2,078,412
	Variance		42,934	(315,563)	(1,031,406)	(1,304,035)
Measure Y	Revised Budget	2,525,831	5,212,100	5,747,684	1,329,499	660,748
	Projection		6,051,001	5,220,447	1,264,748	2,091,637
	Variance		838,901	(527,237)	(64,751)	246,913
Gas Tax	Revised Budget	1,224,414	1,455,601	1,084,038	1,106,185	489,792
	Projection		1,455,601	1,084,038	1,106,185	489,792
	Variance		-	-	-	-
SB1	Revised Budget	5,100,615	1,100,000	-	4,446,374	1,754,241
	Projection		1,100,000	-	3,446,374	2,754,241
	Variance		-	-	(1,000,000)	(1,000,000)
Measure D	Revised Budget	5,017,780	1,178,000	-	5,305,936	889,844
	Projection		1,178,000	-	3,350,772	2,845,008
	Variance		-	-	(1,955,164)	(1,955,164)
MSC Shop	Revised Budget	642,645	3,309,096	3,210,988	-	740,753
	Projection		3,309,096	3,210,988	-	740,753
	Variance		-	-	-	-

Next Steps

The mid-year report officially marks the beginning of the budget season for Fiscal Year 2026-27. 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 2026-27 budget will be submitted to the Council for review. This budget will be presented during both meetings in June, first as a study session and subsequently for Council approval.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) DETERMINATION:

The proposed project is not a “project” as defined by CEQA guidelines, as it involves fiscal planning that does not have the potential to result in a reasonably foreseeable change in the environment.

STRATEGIC PLAN:

Fiscal Health: The report above meets strategic plan goal number 2 by keeping the Council and the public informed as to the status of the City’s finances.

FINANCIAL IMPACT:

The proposed appropriations listed in Exhibit A, attached to the resolution amount to \$6,389,810 and various adjustments to revenue in the amount of (8,028,718) with most 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 one additional position.

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: Annual Comprehensive Financial Report for FY 2024-25

<https://www.watsonville.gov/DocumentCenter/View/27548/Annual-Comprehensive-Financial-Report-for-FY-24-25>

B: Annual Measure Y Audit Report for FY 2024-25