



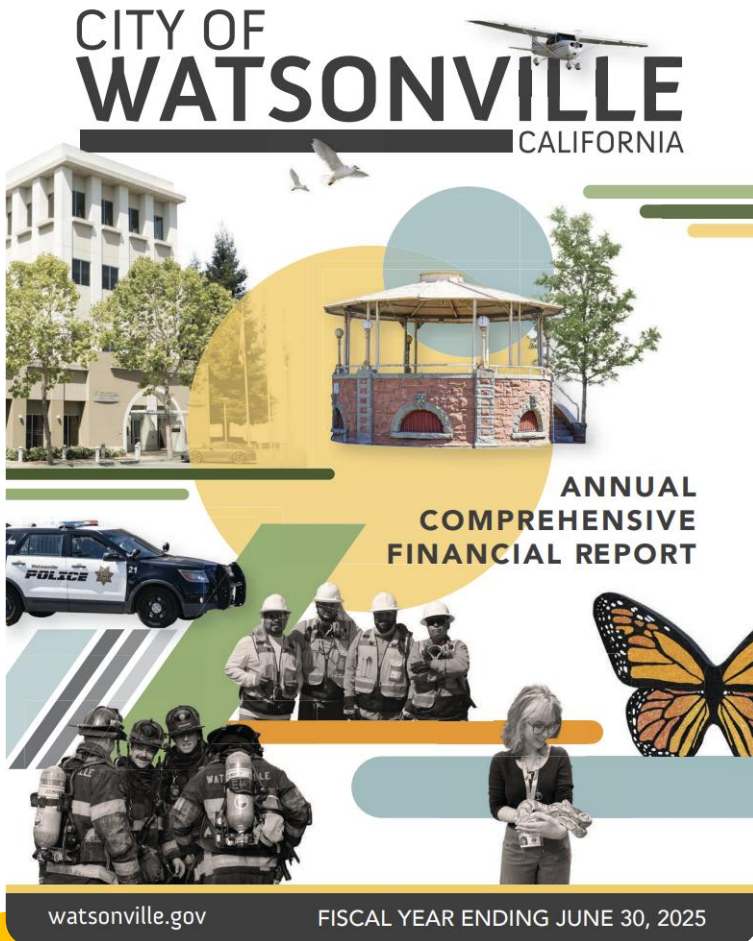
Finance Department  
February 24, 2026

ACFR FY 24-25 and Mid Year  
Financial Report FY 25-26

# RECOMMENDED ACTIONS

- Accept by motion, the Annual Comprehensive Financial Report for FY 2024-25, and
- Accept by motion, the mid-year financial report for the 2025-26 Fiscal Year:
- Accept by motion, the Annual Measure Y Audit Report for FY 2024-25, and
- Approve a resolution appropriating \$6,389,810 including 1 additional positions





## ACFR Online

- [Watsonville ACFR FY2025 Draft 1.13.2026 \(06/30/2025 City of Watsonville FY25 AUD \[6/30/2025\] \(In Process\)\)](#)

# Background

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- 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 28 years in a row

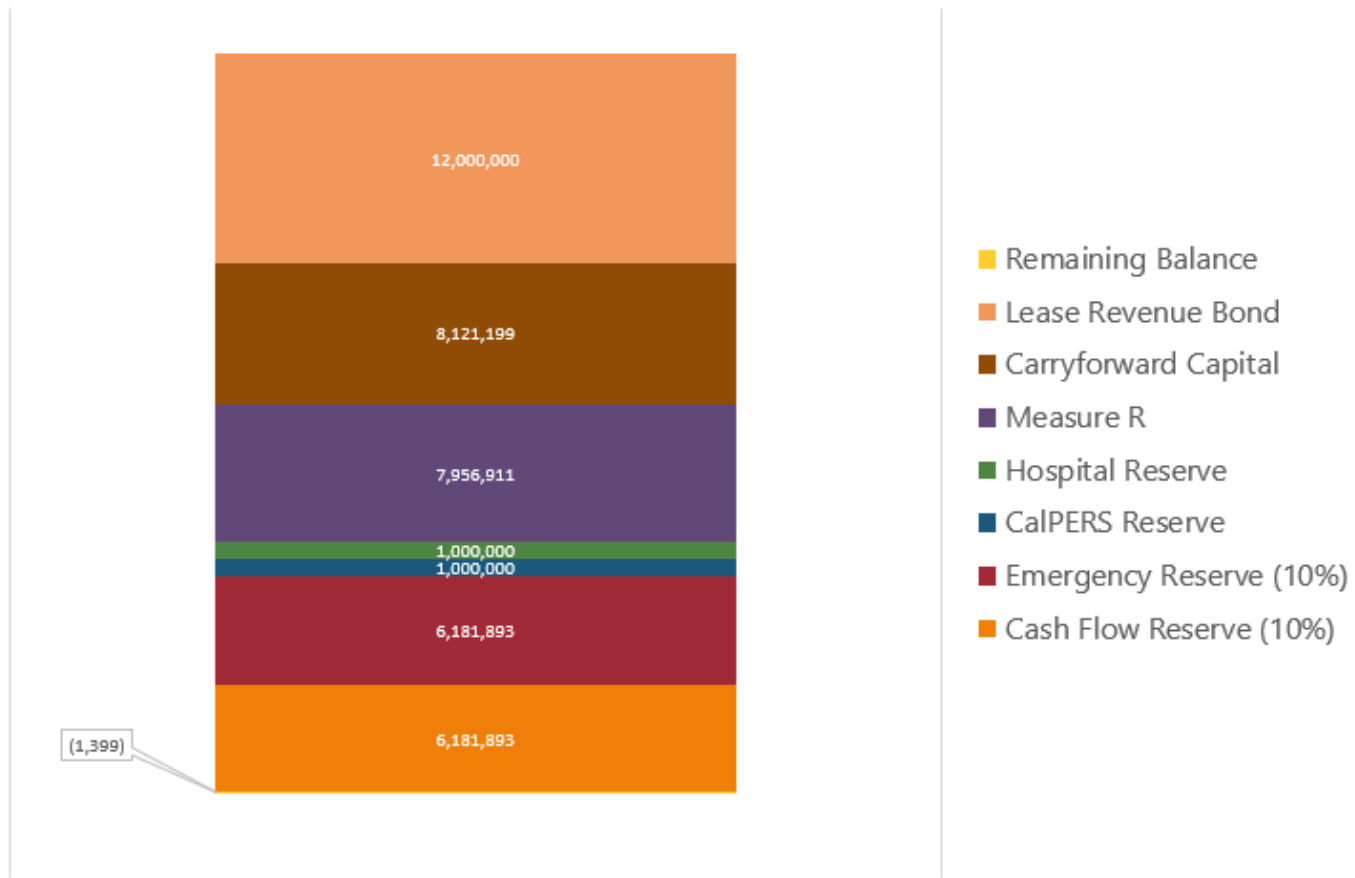
# 2025 ACFR

## City of Watsonville's Net Position June 30, 2025 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
		\$		\$	\$	\$
Current and other assets	147,561	125,725	77,415	82,563	224,976	208,288
Capital assets	135,001	117,421	133,875	115,847	268,876	233,268
<b>Total Assets</b>	<b>282,562</b>	<b>243,146</b>	<b>211,290</b>	<b>198,410</b>	<b>493,853</b>	<b>441,556</b>
Deferred outflows of resources	23,544	32,851	6,006	8,677	29,550	41,528
<b>Total Deferred Outflows of Resources</b>	<b>23,544</b>	<b>32,851</b>	<b>6,006</b>	<b>8,677</b>	<b>29,550</b>	<b>41,528</b>
Long-term liabilities outstanding	101,068	93,054	39,114	45,470	140,182	138,524
Other Liabilities	32,571	29,829	8,614	5,346	41,185	35,175
<b>Total Liabilities</b>	<b>133,640</b>	<b>122,883</b>	<b>47,728</b>	<b>50,816</b>	<b>181,368</b>	<b>173,699</b>
Deferred inflows of resources	1,081	2,263	3,395	4,486	4,476	6,749
<b>Total Deferred Outflows of Resources</b>	<b>1,081</b>	<b>2,263</b>	<b>3,395</b>	<b>4,486</b>	<b>4,476</b>	<b>6,749</b>
<b>Net Position:</b>						
Net Investment in capital assets	121,430	115,866	123,189	110,886	244,619	226,752
Restricted	59,447	56,061	-	-	59,447	56,061
Unrestricted	(9,491)	(21,076)	42,983	40,898	33,493	19,822
<b>Total Net Position</b>	<b>171,386</b>	<b>150,851</b>	<b>166,173</b>	<b>151,784</b>	<b>337,559</b>	<b>302,635</b>

# Use of Fund Balance FY 2025

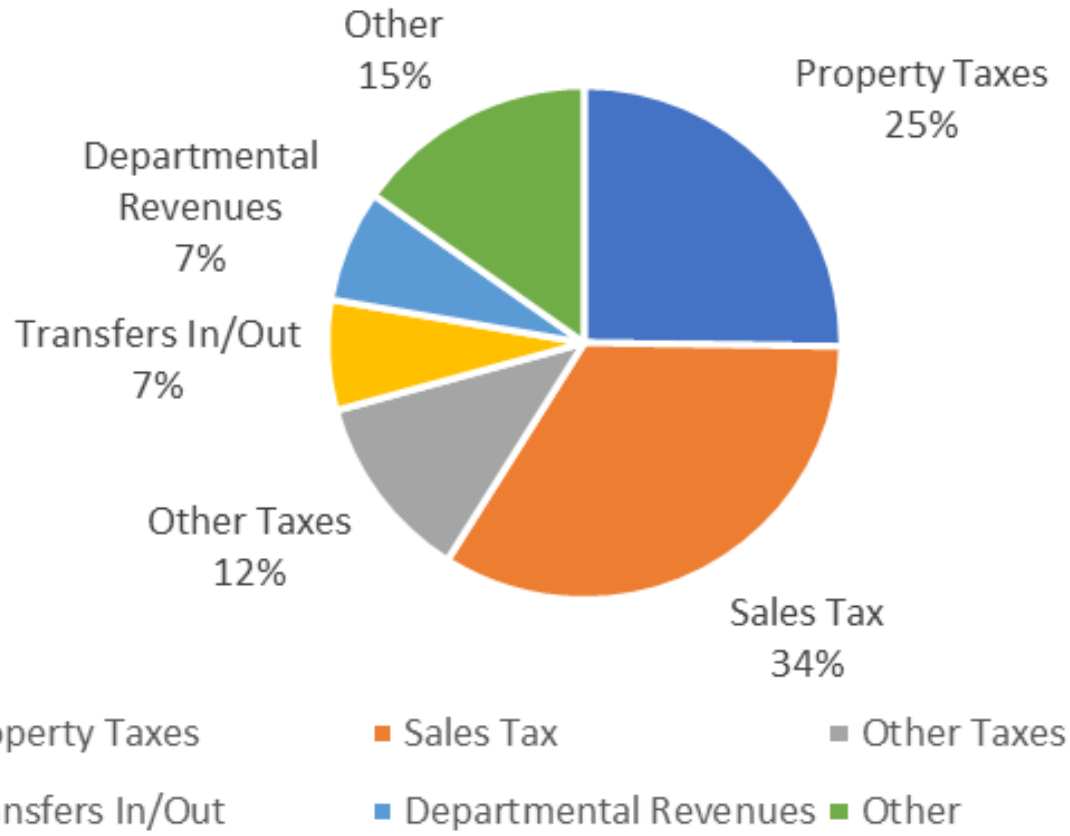
## USE OF FUND BALANCE



# General Fund Revenues

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
<b>Revenues:</b>					
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)
<b>Total Revenues</b>	<b>\$47,779,524</b>	<b>47,096,233</b>	<b>26,594,432</b>	<b>50,046,581</b>	<b>2,950,348</b>
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
<b>Total GF Revenue</b>	<b>\$76,680,329</b>	<b>73,728,134</b>	<b>33,207,599</b>	<b>64,406,304</b>	<b>(9,321,830)</b>

## General Fund Revenues



# Projected General Fund Revenues FY 25/26

# General Fund Expenditures

Expenditures	Actuals		Actuals	Projection	Variance
	FY 2025	Budget	through 12/31/25		
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	-
<b>Total Depts</b>	<b>55,755,946</b>	<b>59,498,382</b>	<b>32,452,035</b>	<b>60,923,130</b>	<b>(1,424,748)</b>
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
<b>Total Expenditures</b>	<b>58,752,327</b>	<b>80,812,739</b>	<b>34,800,254</b>	<b>67,191,776</b>	<b>13,620,963</b>
YE Change to Fund Balanc	17,928,003	(7,084,605)	(1,592,655)	(2,785,472)	
<b>Capital Carry Forward</b>					<b>15,045,711</b>

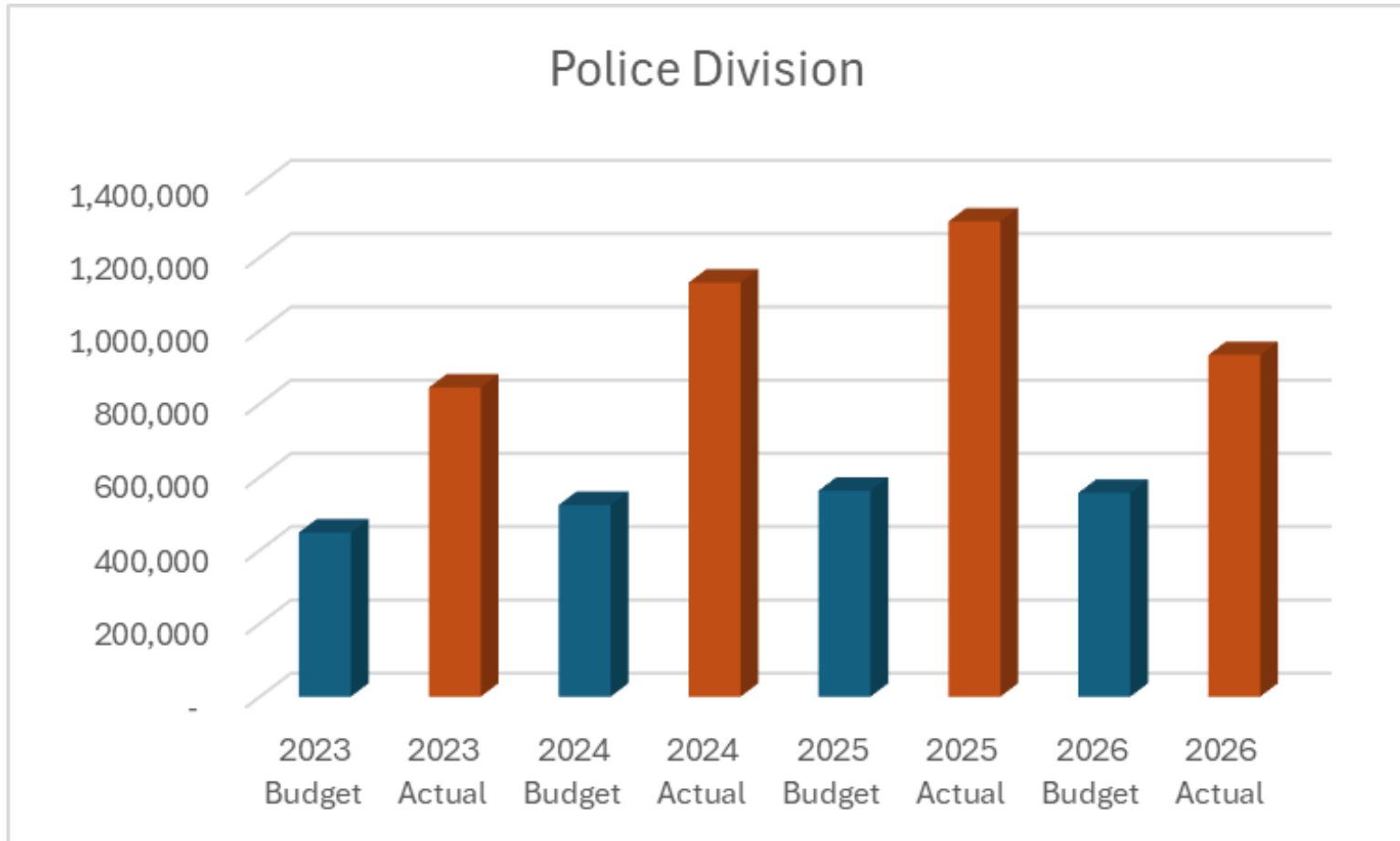
# Measure R – FY 25/26

<b>Table 2: Financials for Fiscal Year ending June 30, 2026</b>			
	<b>Budget FY 25/26</b>	<b>Acutal</b>	<b>Projection</b>
<b>Revenues</b>	5,573,439.00	1,352,515.04	5,271,146.00
<b>Expenditures</b>			
Parks	1,408,008	651,274	1,408,008
Financing	1,500,000	375,000	1,500,000
Library	350,000	123,971	350,000
Capital	9,917,816	285,661	5,183,000
<b>Total</b>	<b>13,175,824</b>	<b>2,210,034</b>	<b>8,441,008</b>
Carry forwards			4,734,816
<b>Change in Fund Balance</b>			
Beginning	06/30/2025		7,303,149
<i>Revenues</i>			5,271,146.00
<i>Expenses</i>			(13,175,824.00)
<b>Ending Fund Balance</b>	<b>06/30/2026</b>		<b>(601,529)</b>

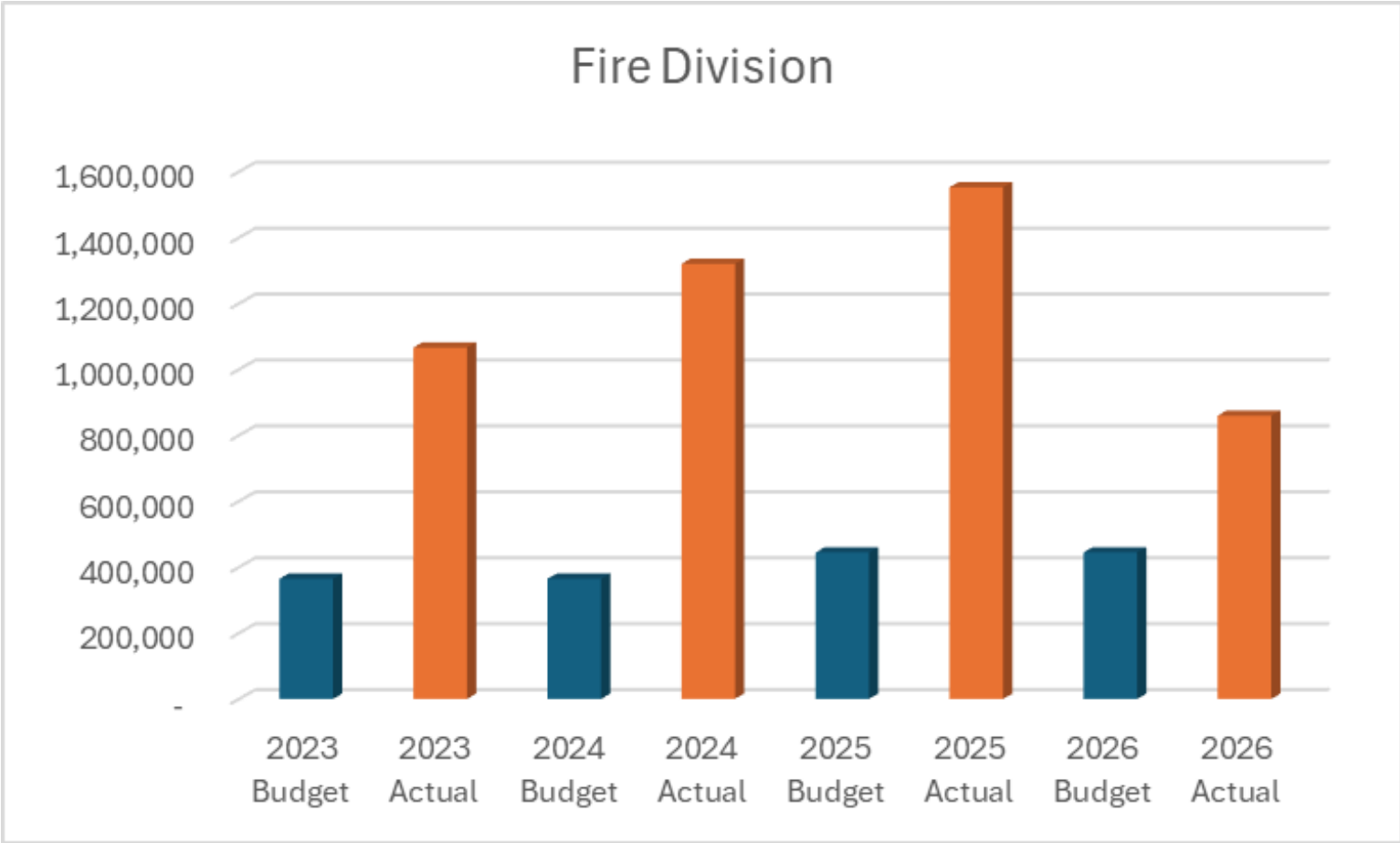
# Measure R Projects

<b>Description of Project</b>	<b>Amount</b>
PARKS - PINTO LAKE MASTER PLAN	200,000
PARKS - PARK ASSESSMENT CIPS	467,953
RAMSAY PARK - MASTER PLAN NATU	683,000
2ND FLOOR ATRIUM	2,600,000
AUTOMOTIVE EQUIPMENT	64,937
FIELD SERVICES CONTAINER TRUCK	66,106
BRIDGE STREET RECONSTRUCTION	930,000
STREET APPROPRIATION	505,000
STREETS - OTHER	23,571
STREETS/SIDEWALKS-TRAILS	318,467
GREEN VALLEY ROAD IMPROVEMENTS	320,182
STREET LIGHTS	1,900,000
NATURE CENTER BUILDING	1,838,600
<b>TOTAL</b>	<b>9,917,816</b>

# Police Overtime FY 2023-2026



# Fire Department Overtime FY 2023-2026



**Table 2: General Fund Appropriation Requests**

<u>Department</u>	<u>Description</u>	<u>Expenses</u>	<u>Revenues</u>
<b>Other</b>	Legal	212,000	
<b>City Clerk</b>	Hosted Services	1,500	
<b>Community Development</b>	Reimbursement Consultant Services	88,925	88,925
	Planning Contract Services	330,000	
<b>Police</b>	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
<b>Fire</b>	Battalion Fire Chief Position (4 months)	70,722	
	Overtime Striketeam Revenue		68,000
	Overtime	426,000	
<b>Parks</b>	Temporary Wages Restroom Cleaning	38,000	
<b>Totals</b>		<b>1,954,769</b>	<b>184,925</b>

# Enterprise Funds

		Starting Balance	Revenue	Expense	Capital	Ending Balance
<b>Airport</b>	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)
<b>Waste Water</b>	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)
<b>SW</b>	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)
<b>Water</b>	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)

# Other Funds

## Summary of Non-General Fund Appropriation Requests

<b>Department</b>	<b>Description</b>	<b>Expenses</b>	<b>Revenues</b>
<b>Other</b>	Insurance Payment	3,575,808	3,575,808
	Carbon Fund	50,000	50,000
<b>Community Development</b>	Loans and Grants	65,000	
	Expert And Consultation Services	35,000	
	Legal Services	30,000	
	Other Contract Services	60,000	
	Legal Services	65,000	
<b>Public Safety</b>	Police Patrol Rifles Spec Equip	91,000	91,000
	Fire Turnout Gear Cira Flex Special Eq	69,549	69,549
	Capital Police Radio Upgrade	38,000	
<b>Airport</b>	Repair and Maintenance of Building	36,000	
	Specialized Department Materials	46,667	
	Repair and Maintenance of Building Backhoe	20,000	
	Infrastructure Striping	20,000	
	Radio Equipment Materials	5,000	
	Specialized Department Materials	3,333	
	Other Supplies and Materials	3,684	
	Water Services	7,000	
	Solid Waste	3,000	
	Electricity & Gas	5,000	
Legal Services	6,000		
<b>Parks</b>	Repair Detention Basin Bay Breeze	200,000	
<b>Totals</b>		<b>4,435,041</b>	<b>3,786,357</b>

# Internal Service Funds

<b>IT</b>	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)
<b>MSC Fleet Shop</b>	Revised Budget	642,645	3,309,096	3,210,988	-	740,753
	Projection		3,309,096	3,210,988	-	740,753
	Variance		-	-	-	-

# Other Funds

<b>Library</b>	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)
<b>Measure Y</b>	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
<b>Gas Tax</b>	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		-	-	-	-
<b>SB1</b>	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)
<b>Measure D</b>	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)

# 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, 2025**

**REVENUES**

Sales tax - Fire	\$	1,973,618
Sales tax - Police		2,804,615
Sales tax - Parks and Recreation		415,498
Interest - Fire		51,445
Interest - Police		36,202
Interest - Parks and Recreation		7,622
Other revenue - Police		2,430
Intergovernmental		3,934
<b>Total Revenues</b>		<u>5,295,364</u>

**EXPENDITURES**

Fire	2,238,318
Police	2,767,966
Parks and Recreation	587,615
<b>Total Expenditures</b>	<u>5,593,899</u>

**NET CHANGE IN FUND BALANCE**

(298,535)

**FUND BALANCE**

Beginning Fund Balance	<u>2,824,366</u>
Ending Fund Balance	<u>\$ 2,525,831</u>

# Measure Y (audited) Fund Balance – FYE 6/30/25

<b>Fund Balance at FYE 06/30/2025</b>			
<b>Restricted For</b>	<b>Fund Balance</b>	<b>Reserve Requirement</b>	<b>Spendable Fund Balance</b>
Fire Services	1,410,800	197,362	1,213,438
Police services	687,140	280,461	406,679
Parks and Recreation	427,891	41,550	386,341
<b>Total</b>	<b>2,525,831</b>	<b>519,373</b>	<b>2,006,458</b>

# Outlook and Caution



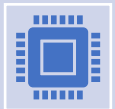
PERS Unfunded Liability – liability over 20 years.



Economic uncertainty impacting economically sensitive revenues

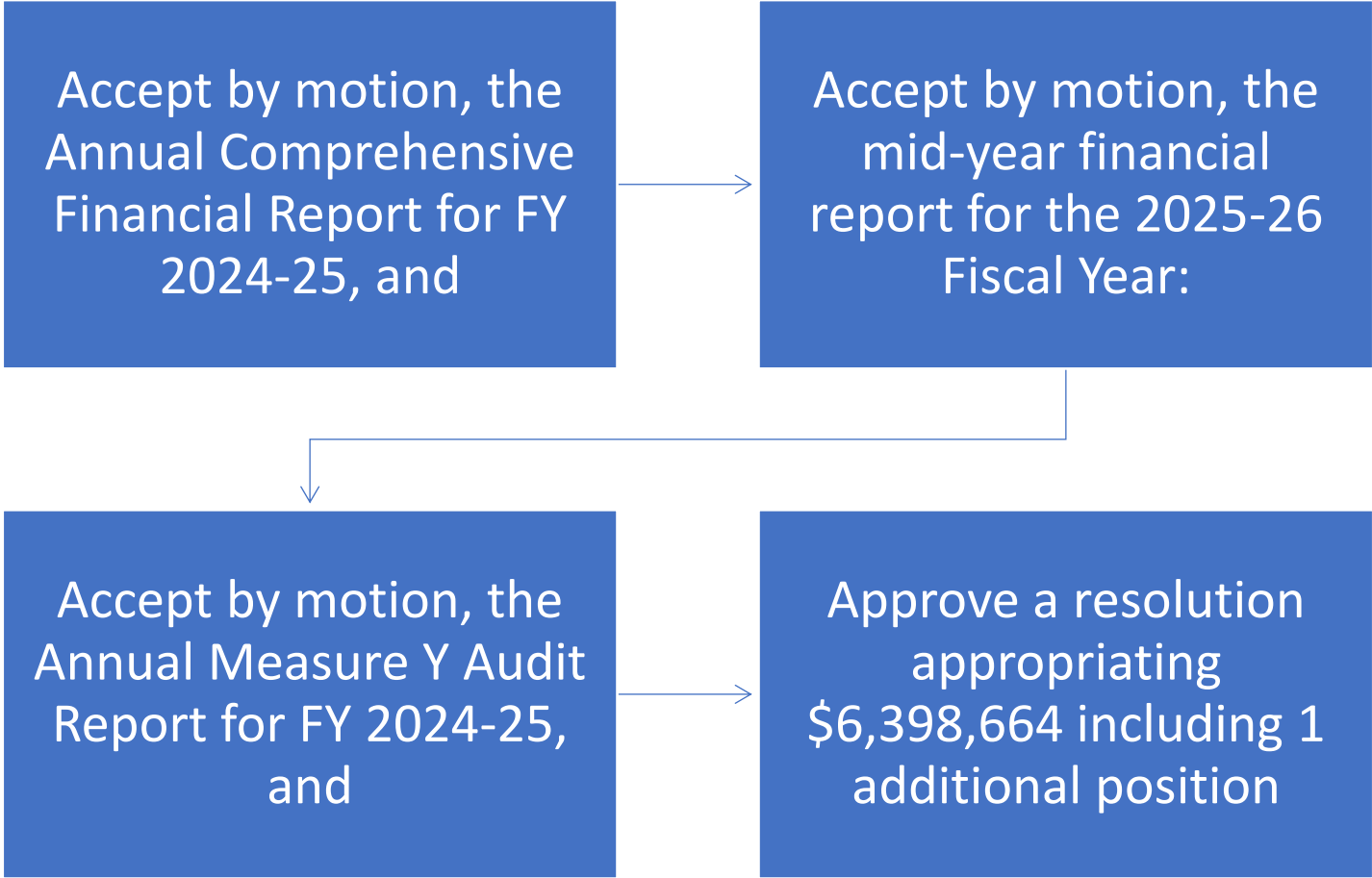


Labor/Contract Negotiations – Inflation and labor contract pressures, Health Insurance, JPA Agreements such as Animal Shelter



NextGen Funding for county wide radio system - entire system needs to be upgraded, City's participation will add \$82,873 to \$527,246 in costs over 13 years

# Action Items for Today



Any  
Questions