



# Agenda Report

**MEETING DATE:** Tuesday, February 22, 2022

**TO:** City Council

**FROM:** ADMINISTRATIVE SERVICES DIRECTOR CZERWIN

**SUBJECT: ACCEPTANCE OF AUDITED FINANCIAL REPORTS FOR FY 2020-2021 & MID-YEAR FY 2021-22 FINANCIAL REPORT & RELATED ACTIONS; APPROVAL OF A RESOLUTION AMENDING THE 2021-22 BUDGET TO AUTHORIZE \$2,508,632 BUDGET APPROPRIATIONS INTO VARIOUS FUNDS & TO AUTHORIZE FOUR ADDITIONAL POSITIONS**

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## **STATEMENT OF ISSUES:**

Receive audited financial reports for Fiscal Year 2020-21 and a mid-year financial report for FY 2021-22.

## **RECOMMENDED ACTION:**

It is recommended that the City Council:

- I. Accept by motion, the Annual Comprehensive Financial Report for FY 2020-21, and
- II. Accept by motion, the mid-year financial report for the 2021-22 Fiscal Year:
- III. Accept by motion, the Annual Measure G Audit Report for FY 2020-21, and
- IV. Approve a resolution amending the FY 2021-2022 budget and authorizing \$2,508,632 budget appropriations into various funds, offset by \$1,717,000 in revenues and authorizing four additional positions.

## **DISCUSSION:**

### ***I. Review of Fiscal Year 2020-21***

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) and submitted it to the Government of Finance Officers Association (GFOA) for consideration in receiving the "Certificate of Achievement for Excellence in Financial Reporting."

The report was audited by Maze and Associates, an independent firm of certified public accountants (CPA), who issued an unqualified opinion of the City's audit. Some of the

highlights presented in the audited statements include (all figures are in thousands unless otherwise indicated):

- The assets of the City of Watsonville exceeded its liabilities at the close of the most recent fiscal year by \$250,403. See Table 1 below.
- The City's total net position increased by \$8,211. Governmental activities net position increased by \$3,605 and most of this increase was due to an increase in cash mainly due to the receipt of American Rescue Plan Act (ARPA) monies. Business type activities net position increased by \$4,606. Most of this increase was from Water ending with positive operating income.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$42,891, an increase of \$4,071 in comparison with the prior fiscal year's balances. The non-spendable portion of the fund balance was \$308, the restricted portion was \$24,735 and the unassigned amount was \$17,848. A large portion of the unassigned fund balance was created by increases in taxes by the general fund during fiscal year 2020-21 and budgetary expenditure savings.

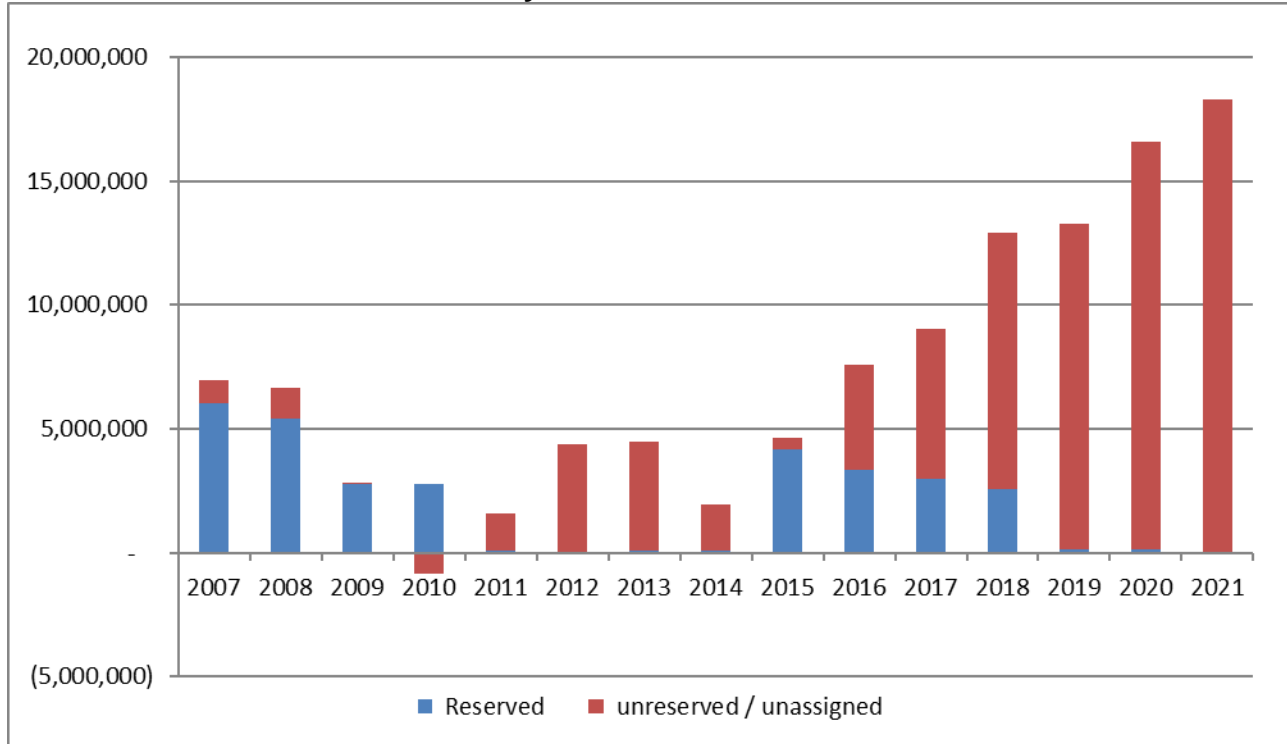
### **General Fund Balance**

In Fiscal Year 2020-21 the General Fund ended with a Fund Balance of \$18,271k, a \$1,678k increase from FY 2019-20. The General Fund as reported in the CAFR includes eighteen subaccounts that operationally we treat as distinct. One of which is the chief operating fund of the City known as the 0150 General Fund. The balance in this fund grew, as had been presented to the Council in prior FY 2020-21 updates, due to revenues not declining nearly as much as had been expected at the beginning of the pandemic. Other subaccounts that increased their balances this year were the civic center plaza and computer replacement. The grants subaccount in particular decreased its balance by over \$1million as City departments spent money on grant programs and are awaiting reimbursement. The General Fund's fund balance now is approximately 39% of operating expenses exceeding the Councils approved policy goal of 20%. See Chart 1. A fund balance of this size was anticipated during the budget process and most of the fund balance above our reserve requirement is expected to be spent in future years. See Chart 2.

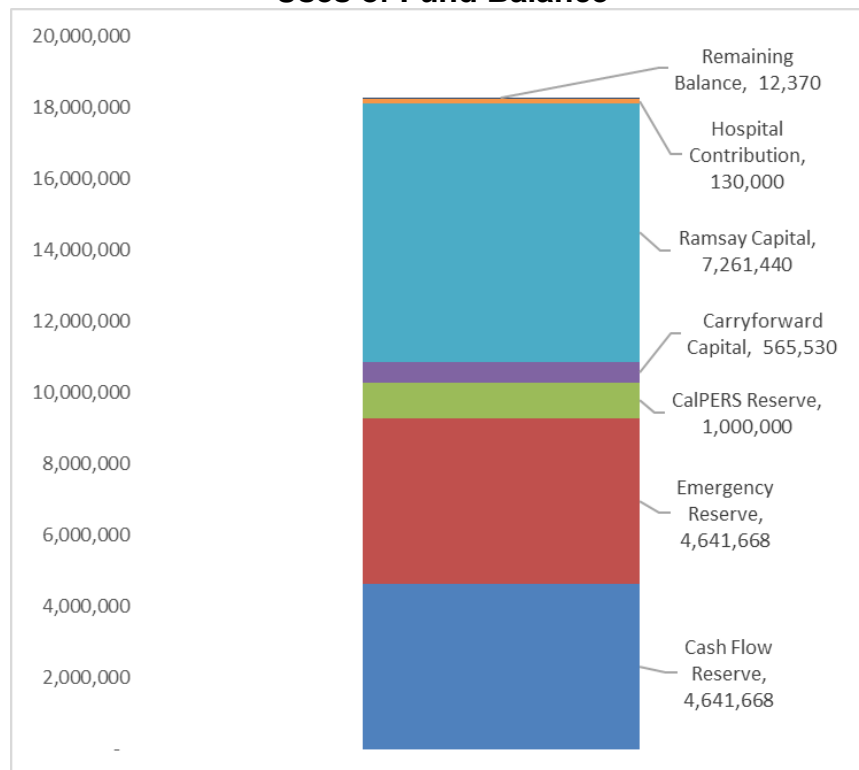
**Table 1:**  
City of Watsonville's Net Position  
June 30, 2021 (in thousands)

|   | <b>Governmental<br/>Activities</b> |             | <b>Business-type<br/>Activities</b> |             | <b>Total</b> |             |
|---|------------------------------------|-------------|-------------------------------------|-------------|--------------|-------------|
|   | <b>2021</b>                        | <b>2020</b> | <b>2021</b>                         | <b>2020</b> | <b>2021</b>  | <b>2020</b> |
|   | \$                                 | \$          |                                     | \$          | \$           | \$          |
| Revenues:                                 |                                    |             |                                     |             |              |             |
| Program Revenues:                         |                                    |             |                                     |             |              |             |
| Charges for services                      | 11,338                             | 11,936      | 56,355                              | 53,011      | 67,693       | 64,947      |
| Operating grants and contributions        | 5,100                              | 5,988       | 732                                 | 787         | 5,832        | 6,775       |
| Capital grants and contributions          | -                                  | -           | 107                                 | 163         | 107          | 163         |
| General Revenues                          |                                    |             |                                     |             |              |             |
| Property taxes                            | 16,169                             | 16,243      |                                     | -           | 16,169       | 16,243      |
| Other taxes                               | 30,834                             | 26,704      |                                     | -           | 30,834       | 26,704      |
| Others                                    | 2,531                              | 4,555       | 1,344                               | 811         | 3,875        | 5,366       |
| Total Revenues and Transfers              | 65,972                             | 65,427      | 58,538                              | 54,772      | 124,510      | 120,199     |
| Expenses:                                 |                                    |             |                                     |             |              |             |
| General government                        | 8,599                              | 13,812      |                                     | -           | 8,599        | 13,812      |
| Public safety                             | 35,608                             | 35,811      |                                     | -           | 35,608       | 35,811      |
| Housing                                   | 429                                | 2,059       |                                     | -           | 429          | 2,059       |
| Streets                                   | 8,652                              | 6,931       |                                     | -           | 8,652        | 6,931       |
| Culture and recreation                    | 9,201                              | 9,850       |                                     | -           | 9,201        | 9,850       |
| Interest on debt                          | 123                                | 78          | 44                                  | 38          | 167          | 116         |
| Water                                     | -                                  | -           | 15,960                              | 19,369      | 15,960       | 19,369      |
| Sewer                                     | -                                  | -           | 14,190                              | 14,099      | 14,190       | 14,099      |
| Solid waste                               | -                                  | -           | 19,189                              | 12,567      | 19,189       | 12,567      |
| Airport                                   | -                                  | -           | 4,235                               | 3,803       | 4,235        | 3,803       |
| Fiber optic                               | -                                  | -           | 69                                  | 59          | 69           | 59          |
| Total Expenses                            | 62,612                             | 68,541      | 53,687                              | 49,935      | 116,299      | 118,476     |
| Increase in net position before transfers | 3,360                              | (3,114)     | 4,851                               | 4,838       | 8,211        | 1,723       |
| Internal balances                         | 245                                | 251         | (245)                               | (251)       | -            | -           |
| Change in net position                    | 3,605                              | (2,863)     | 4,606                               | 4,586       | 8,211        | 1,723       |
| Net position - beginning                  | 125,175                            | 128,039     | 116,940                             | 112,354     | 242,116      | 240,392     |
| Prior year adjustments                    | 77                                 | -           |                                     | -           | 77           | -           |
| Net position - beginning restated         | 125,252                            | 128,039     | 116,940                             | 112,354     | 242,192      | 240,392     |
| Net position ending                       | 128,857                            | 125,175     | 121,546                             | 116,940     | 250,403      | 242,116     |

**Chart 1:  
History of General Fund Balance**



**Chart 2:  
Uses of Fund Balance**



## ***II. Review of Fiscal Year 2021-22***

### **Revenues:**

The budget for Fiscal Year 2021-22 assumed a return to normalcy with a normal level of revenue growth after the unpredictability of the pandemic.

Property Taxes: Property taxes were budgeted to assume about 5% growth. This assumed the lower increase in CPI for existing assessments which would be offset by increases in assessed value of properties changing hands. It also assumed increases in supplemental and transfer taxes for properties changing hands but before they hit the normal property tax roll. Current projections are that we will slightly exceed budget by about \$145k in property taxes mainly in property tax in-lieu revenues.

Sales tax continues to perform better than expected according to available data through the end of September 30. Sales tax FY 20-21 ended at 19% above the prior year. This year we are expecting it to increase by another 3% or \$1.3 million above budget. Toward the end of last fiscal year, we continued to see increases in revenue for the county pools and auto sales. That, as predicted is leveling off somewhat in the first quarter of this fiscal year. Our share of the county pools has decreased as in person shopping and tourism returned to our county neighbors. Also, vehicle sales are down somewhat and more in line with historical averages. It is unclear if this is due to supply issues and will rebound once again or if the high sales during the last year were an anomaly. These decreases are being offset by rebounds and increases in restaurants and hotels, building and construction, and fuel and service stations. It is important to note that in nearly all categories sales tax is now exceeding pre-pandemic levels.

Hotel tax also is performing close to projections and about equal to pre-pandemic levels. This is despite two hotels having been taken offline for county related housing. Both the Rodeway and the Comfort Inns are no longer serving as hotels and are not remitting any taxes. However, the opening of the Hampton Inn is making up for the combined loss of revenues from those two hotels.

Our other general revenues including Utility taxes, franchise fees, and business licenses are performing as expected and with little variation from budget. We are seeing some decreases in interest revenue. Interest rates are at historic lows and our investments are simply not earning as much interest as in prior years. And, during the budget process, before the rules of ARPA were fully understood, we had assumed we would be able to use ARPA money to offset decreases in some departmental revenue. We now know that is not how that program is working and we will not be able to recognize that revenue in the way we had budgeted it.

Departmental revenues are generally positive. The Community Development Department is seeing a surge in activity particularly in building permits. They are currently on track to bring in over \$2 million in revenue, or \$180k above budget. Our Police Department however will have slightly less revenue than budgeted due to it no longer allowing outside agencies to use the range and due to vacancies in parking enforcement officers and therefore less parking fine revenue. The Fire Department will be bringing in reimbursements from deploying its' strike teams which will partially offset cost overruns in that department. The Parks and Community

Services Department will have slightly less revenues than budgeted due to some programs still being limited due to the pandemic, the use of their buildings for COVID-19 testing in lieu of programming, and slow hiring and turnover which limited the programmatic offerings during the summer and fall. Finally, the Public Works Department is showing lower than budgeted revenue in reimbursable activities which will be offset by expenditure savings.

### **Expenditures:**

For the most part, departments are spending within their budget with minimal savings projected. There are a few areas where departments are feeling strain and therefore we are requesting additional appropriations in a few areas.

- 1- Fire Department: The Fire Department had strike teams deployed around the state assisting with massive fires for most of August and September and incurred related overtime costs. Despite hiring efforts, it is also working with several vacancies which are requiring backfill with overtime. Some of that excess overtime is being reimbursed as described above, some is also being offset by salary savings from vacancies. Nevertheless, the department is requesting \$580k in overtime. The Fire Department, like many departments, are also facing increased fuel and vehicle maintenance costs. This is due to inflation, difficulty in obtaining parts, and increased shop costs. Therefore, we are also asking for \$24k in fuel and \$56k in shop appropriations for a total of \$660k in requests for the Fire Department. A reminder that \$484k of this is offset by unplanned strike team revenues as described above.
- 2- Police: The Police Department similar to the Fire Department is dealing with increased fuel and vehicle maintenance costs. The department is able to absorb some of those increases within their department from savings due to vacant positions and turnover and other savings. However, there remains approximately \$100k of increased fuel costs that they will not be able to absorb and they are requesting this amount to cover their costs for the remainder of the fiscal year.
- 3- Community Development Department: As mentioned above the Community Development Department has been extremely busy processing planning and building requests. We are requesting moving salaries for a planner back into the General Fund from a housing fund to better reflect where the majority of the work is being done, a total of \$46,989. CDD is also requesting to use some balance of their cannabis funds to purchase equipment and furniture for the department, and requesting reappropriation of CDBG funds for the parklet program that was not carried forward to this fiscal year.
- 4- Finance: The Finance department has embarked on a number of projects requiring the help of outside consultants. We have engaged with professionals to assist us in revising our cost allocation plan, and analyzing strategies for managing our CalPERs unfunded actuarial liability. Both projects are likely to result in substantial savings to the General Fund in future years and therefore we are requesting a one-time increase to our budget of \$66k to fund these projects.
- 5- Public Works: The General Fund divisions of public works cover building, streets, and sidewalk maintenance. We are requesting to increase this budget by \$245,000. \$97,000 is

for a cost sharing agreement with CalTrans to pay for past electricity at shared intersections. \$74,000 is to increase custodial and building maintenance activities in and around city buildings. Custodial needs have increased due to Covid-19 and regular building maintenance of our aging buildings can help reduce major capital projects in the future. Finally, this division is also requesting \$74,000 for contracts related to slough and trail maintenance.

- 6- Parks and Community Services: The Parks and Community Services Department is currently projected to have some savings due to turnover and slower than hoped for hiring. These savings also represent one position being hired and paid for out of the ARPA partially offsetting the revenue loss described above. The department is continuing to hire and hopes to be at full staff before spring and summer programming begins.

All other departments are expected to end the year on budget. Some General Fund capital projects will not be completed as budgeted this fiscal year but we do anticipate to roll those projects into Fiscal Year 2022-23. Table 2 below shows a summary of all General Fund appropriations requests. Table 3 summarizes the overall projection for the General Fund for FY 2021-22.

**Table 2: Summary of General Fund Appropriation Requests**

|                       | Ongoing | One-Time | Total            |
|-----------------------|---------|----------|------------------|
| <b>Revenues</b>       |         |          |                  |
| Fire                  |         | 484,000  | 484,000          |
|                       |         |          |                  |
| <b>Expenses</b>       |         |          |                  |
| Fire                  | 80,000  | 580,000  | 660,000          |
| Public Works          | 148,000 | 97,000   | 245,000          |
| Police                | 100,000 |          | 100,000          |
| Finance               |         | 66,000   | 66,000           |
| CDD                   | 46,989  |          | 46,989           |
| City Council          | 10,500  |          | 10,500           |
| <b>Expenses Total</b> |         |          | <b>1,128,489</b> |

**Table 3: General Fund Summary for Fiscal Year 2021-22**

|                                  | FY 2020-21        | FY 2021-22            |                                 |                    |                                      |
|----------------------------------|-------------------|-----------------------|---------------------------------|--------------------|--------------------------------------|
| Revenues                         | Actuals           | Revised Budget        | Actuals through 2/1/2022        | Projection         | variance positive /(negative)        |
| <b>Property Tax</b>              | 12,585,390        | 13,287,104            | 6,556,539                       | 13,433,085         | 145,981                              |
| <b>Sales Tax</b>                 | 12,817,984        | 12,080,264            | 6,891,560                       | 13,432,874         | 1,352,610                            |
| <b>Utility</b>                   | 3,993,803         | 4,132,451             | 2,107,784                       | 4,132,451          | -                                    |
| <b>Hotel</b>                     | 766,626           | 1,173,440             | 911,910                         | 1,173,440          | -                                    |
| <b>Transfer In</b>               | 4,711,893         | 4,126,938             | 1,891,643                       | 4,126,938          | -                                    |
| <b>Other Revenues</b>            | 6,300,269         | 4,947,811             | 2,410,424                       | 4,171,123          | (776,688)                            |
|                                  | <b>41,175,965</b> | <b>39,748,008</b>     | <b>20,769,860</b>               | <b>40,469,911</b>  | <b>721,904</b>                       |
| <b>CDD</b>                       | 1,628,324         | 1,864,000             | 1,439,536                       | 2,044,748          | 180,748                              |
| <b>Police</b>                    | 915,331           | 1,302,000             | 856,107                         | 1,278,695          | (23,305)                             |
| <b>Fire</b>                      | 1,017,949         | 469,200               | 823,622                         | 953,906            | 484,706                              |
| <b>PCS</b>                       | 355,906           | 941,250               | 382,994                         | 847,836            | (93,414)                             |
| <b>PW</b>                        | 149,947           | 299,179               | 103,522                         | 274,493            | (24,686)                             |
| <b>Other</b>                     | 2,710,018         | 2,903,034             | 1,429,797                       | 2,859,595          | (43,439)                             |
| <b>Total GF Revenue</b>          | <b>47,953,440</b> | <b>47,526,671</b>     | <b>25,805,438</b>               | <b>48,729,184</b>  | <b>1,202,514</b>                     |
| <b>Expenditures</b>              | <b>Actual</b>     | <b>Revised Budget</b> | <b>Actuals through 2/1/2022</b> | <b>Projection</b>  | <b>variance positive /(negative)</b> |
| <b>Police</b>                    | 18,570,928        | 20,195,912            | 13,456,884                      | 20,296,744         | (100,832)                            |
| <b>Fire</b>                      | 8,060,767         | 7,956,138             | 5,766,619                       | 8,618,409          | (662,271)                            |
| <b>PCS</b>                       | 3,426,769         | 5,366,337             | 2,600,700                       | 5,207,370          | 158,967                              |
| <b>General Gov't</b>             | 3,293,660         | 3,723,235             | 2,029,913                       | 3,723,235          | -                                    |
| <b>Non Dept</b>                  | 5,801,274         | 2,930,698             | 1,280,542                       | 2,930,698          | -                                    |
| <b>CDD</b>                       | 2,302,633         | 2,916,910             | 1,586,406                       | 2,963,899          | (46,989)                             |
| <b>Finance</b>                   | 1,570,314         | 1,711,099             | 1,056,719                       | 1,777,099          | (66,000)                             |
| <b>PW</b>                        | 1,299,439         | 1,625,627             | 958,412                         | 1,870,627          | (245,000)                            |
| <b>Library</b>                   | 542,428           | 585,686               | 502,475                         | 585,686            | -                                    |
| <b>IT</b>                        | (7,702)           | -                     | -                               | -                  | -                                    |
| <b>Total Depts</b>               | <b>44,860,510</b> | <b>47,011,642</b>     | <b>29,238,670</b>               | <b>47,973,767</b>  | <b>(962,125)</b>                     |
| <b>Capital</b>                   | <b>569,803</b>    | 4,299,662             | 612,271                         | 2,281,964          | 2,017,698                            |
| <b>Total Expenditures</b>        | <b>45,430,313</b> | <b>51,311,304</b>     | <b>29,850,941</b>               | <b>50,255,731</b>  | <b>1,055,573</b>                     |
| <b>YE change to Fund Balance</b> | <b>2,523,127</b>  | <b>(3,784,633)</b>    | <b>(4,045,503)</b>              | <b>(1,526,546)</b> | <b>2,258,087</b>                     |
| <b>Capital Carryforward</b>      | <b>(565,530)</b>  |                       |                                 |                    | <b>(2,017,698)</b>                   |



## Other Funds

The **Airport** did a fantastic job of controlling costs and obtaining reimbursements during FY 2020-21 and ended the year with \$766k in cash. In FY 2021-22 their biggest challenges are fuel and legal costs. However, the department was conservative on their revenue projections and will make more revenue in fuel sales and hangars, and is able to control operating costs to such an extent that we project they will be able to fund their projected increases in expenditures. They are asking to appropriate revenue to cover requested costs for fuel and legal services. They are on track to maintain their cash balance by the end of the fiscal year.

The Utility Enterprise funds of **Water**, **Sewer**, and **Solid Waste** are seeing relatively normal revenues. They anticipate receiving grants from the state to help pay aging account balances for customers who were not able to pay their bills during the pandemic. On the expenditure side, all three utilities expect to fully expend their operating budgets but will not fully expend their capital budgets. Much of that will likely be requested to be carried forward but will result in increases to the cash balances at the end of the fiscal year.

The utility funds are requesting some budget updates, specifically they are requesting two new positions. One, a Senior Environmental Project Analyst to continue efforts to ensure the City's compliance with our climate action plan and other environmental sustainability projects. They are also requesting a new Utility Worker position to enhance our graffiti abatement efforts. They are also requesting moving some salary dollars from the water division to the utilities administrative division to better reflect the actual usage of an electrical technician position that supports all utilities.

Revenues from sales tax are the primary revenue source for the **Library**, **Measure D**, and **Measure Y funds**. Therefore, as discussed above, each of these funds are projected to have better FY 2021-22 revenues than originally projected. Each of these funds also plans to fully expend their operating budgets but have some savings in capital. Therefore, each will increase their cash balances by year end and have one-time monies available for future projects.

**Gas Tax** and **SB1** are revenues driven more by the number of miles driven than by the cost of gasoline. They are not projected to have major fluctuations in their revenue projections though likely will have savings from capital projects that will not be completed this year. They will likely roll those projects forward and complete them in future years.

The **Information and Technology** internal service fund accumulated a balance of approximately \$1.3 million in the prior year. The budget anticipated spending much of that down on citywide infrastructure projects such as upgrading the council chamber and replacing servers, switches, and other major hardware. The IT Department is going through some growth and transition in order to provide the needed level of service to other departments. The department is requesting two additional IT analyst positions, one which will be funded by the Public Works department, the other funded by the Library. This is in part to reflect centralizing IT positions previously budgeted in other departments to the IT Department. The fund will have some expenditure savings as some positions have been vacant for much of the year and projects that will be continued into future years.

Finally, this year a new internal service fund was created to manage costs related to the **Municipal Service Center Vehicle Shop**. This division manages the maintenance of all the City's vehicles. A new fleet manager is making many changes to this operation in hopes of yielding a more efficient shop that manages the city's fleet in a data driven way. As described above this division is dealing with increased fuel and vehicle part costs in a very significant way. They are requesting additional appropriations of \$280k for vehicle parts and \$290k in fuel. These costs will be recovered by departments, most of which are able to absorb the increases within their operating budget aside from the Police and Fire Departments as noted above.

See Table 4 for a summary of all non-general fund appropriation requests and Table 5 for a summary of the other major funds discussed above.

**Table 4: Summary of Non-General Fund Appropriation Requests**

|              | Revenue          | Expense          |
|--------------|------------------|------------------|
| Airport      | 565,000          | 565,000          |
| IT           | 98,000           | 98,000           |
| MSC-Shop     | 570,000          | 570,000          |
| Housing      |                  | (46,989)         |
| Cannabis     |                  | 42,752           |
| CDBG         |                  | 65,000           |
| Wastewater   |                  | 67,065           |
| Solid Waste  |                  | 19,315           |
| <b>Total</b> | <b>1,233,000</b> | <b>1,380,143</b> |

### **Next Steps**

The mid-year report officially kicks off the budget season for Fiscal Year 2022-23. The actions and projections used in this report will inform an updated five-year projection and budget outlook. Budget instructions will be given to departments at the end of February for them to use in making budget proposals to the City Manager by March 31. We will continue to monitor both revenues and expenditures for the remainder of the fiscal year and make any necessary updated projections around the end of the third quarter in late April or early May. A proposed FY 2022-23 budget will be submitted to the Council on June 1.

**Table 5: Summary of Other Funds for FY 2021-22**

|                    |                | Starting Balance | Revenue    | Expense    | Ending Balance |
|--------------------|----------------|------------------|------------|------------|----------------|
| <b>Airport</b>     | Revised Budget | 766,582          | 4,033,476  | 3,874,126  | 925,932        |
|                    | Projection     | 766,582          | 4,669,627  | 4,439,491  | 996,718        |
|                    | Variance       |                  | 636,151    | (565,365)  | 70,786         |
| <b>Water</b>       | Revised Budget | 23,823,748       | 21,569,685 | 29,110,106 | 16,283,327     |
|                    | Projection     | 23,823,748       | 21,569,685 | 21,311,410 | 24,082,023     |
|                    | Variance       |                  | -          | 7,798,696  | 7,798,696      |
| <b>Sewer</b>       | Revised Budget | 11,975,864       | 16,530,385 | 24,134,580 | 4,371,669      |
|                    | Projection     | 11,975,864       | 16,530,385 | 19,549,953 | 8,956,296      |
|                    | Variance       |                  | -          | 4,584,627  | 4,584,627      |
| <b>Solid Waste</b> | Revised Budget | 8,566,494        | 16,181,765 | 17,925,661 | 6,822,598      |
|                    | Projection     | 8,566,494        | 16,181,765 | 17,320,674 | 7,427,585      |
|                    | Variance       |                  | -          | 604,987    | 604,987        |
| <b>Library</b>     | Revised Budget | 835,095          | 3,705,459  | 3,968,429  | 572,125        |
|                    | Projection     | 835,095          | 4,182,051  | 3,718,429  | 1,298,717      |
|                    | Variance       |                  | 476,592    | 250,000    | 726,592        |
| <b>Measure D</b>   | Revised Budget | 2,469,383        | 942,424    | 2,960,976  | 450,831        |
|                    | Projection     | 2,469,383        | 1,209,204  | 1,343,370  | 2,335,217      |
|                    | Variance       |                  | 266,780    | 1,617,606  | 1,884,386      |
| <b>Measure Y</b>   | Revised Budget | 3,725,098        | 4,440,557  | 5,845,354  | 2,320,301      |
|                    | Projection     | 3,725,098        | 5,126,623  | 5,818,972  | 3,032,749      |
|                    | Variance       |                  | 686,066    | 26,382     | 712,448        |
| <b>Gas Tax</b>     | Revised Budget | 807,964          | 1,276,440  | 1,865,094  | 219,310        |
|                    | Projection     | 807,964          | 1,276,440  | 1,865,094  | 219,310        |
|                    | Variance       |                  | -          | -          | -              |
| <b>SB1</b>         | Revised Budget | 1,697,637        | 1,046,279  | 2,381,440  | 362,476        |
|                    | Projection     | 1,697,637        | 1,046,279  | 1,600,127  | 1,143,789      |
|                    | Variance       |                  | -          | 781,313    | 781,313        |
| <b>IT Fund</b>     | Revised Budget | 1,394,605        | 3,497,761  | 4,439,047  | 453,319        |
|                    | Projection     | 1,394,605        | 3,497,761  | 3,755,580  | 1,136,786      |
|                    | Variance       |                  | -          | 683,467    | 683,467        |
| <b>MSC -Shop</b>   | Revised Budget | -                | 2,246,989  | 2,795,543  | (548,554)      |
|                    | Projection     | -                | 2,223,339  | 2,795,543  | (572,204)      |
|                    | Variance       |                  | (23,650)   | -          | (23,650)       |

**STRATEGIC PLAN:**

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

**FINANCIAL IMPACT:**

The recommended appropriations detailed in Attachment 1 total \$2,508,632. Those appropriations are funded by \$1,717,00 in revenue. The remaining requests are being funded with anticipated tax revenues for the General Fund or available balances in the respective fund.

**ALTERNATIVE ACTION:**

Council may choose to accept some, all, or none of the recommendations before them.

**ATTACHMENTS AND/OR REFERENCES (If any):**

Attachment A: Recommended Appropriation Detail

Attachment B: Annual Comprehensive Financial Report for FY 2020-21

Attachment C: Annual Measure Y Audit Report for FY 2020-21