



Watsonville
CALIFORNIA

Annual Comprehensive Financial Report

FISCAL YEAR ENDING
JUNE 30, 2023



watsonville.gov

City of Watsonville, California

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Prepared by the Finance Department

Marissa Duran, Administrative Services Director



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CITY OF WATSONVILLE, CALIFORNIA
Annual Comprehensive Financial Report
Fiscal Year Ending June 30, 2023

TABLE OF CONTENTS

I. INTRODUCTORY SECTION:

Transmittal Letter	1
GFOA Certificate of Achievement	7
Officers and Officials	8
Organizational Structure.....	9

II. FINANCIAL SECTION:

Independent Auditor's Report.....	11
Management's Discussion and Analysis.....	15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.	28
Statement of Activities.....	30
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	32
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	34
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	36
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	38
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	39
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Housing Fund	40
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Redevelopment and Housing Grants Fund.....	41
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – American Rescue Plan Act Fund.....	42
Statement of Net Position – Proprietary Funds	44
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	46
Statement of Cash Flows – Proprietary Funds	48
Statement of Fiduciary Net Position – Successor Agency Private Purpose Trust Fund.....	50
Statement of Changes in Fiduciary Net Position – Successor Agency Private Purpose Trust Fund.....	51
Notes to Financial Statements.....	53

CITY OF WATSONVILLE, CALIFORNIA
Annual Comprehensive Financial Report
Fiscal Year Ending June 30, 2023

TABLE OF CONTENTS (Continued)

Required Supplementary Information (Unaudited)

Schedule of Changes in the Net Pension Liability and Related Ratios – Miscellaneous Pension Plan.....	100
Schedule of Contributions – Miscellaneous Pension Plan	102
Schedule of Proportionate Share of Net Pension Liability – Safety Pension Plan.....	103
Schedule of Contributions – Safety Pension Plan	104

Supplementary Information:

Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	108
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	110
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual:	
Gas Tax and Narcotics Assets Seizure Funds	112
Business Development and Economic Development Funds.....	113
Library and Parks Development Funds	114
Retirement Tax and Parking Garage Funds.....	115
Measure G/Y and Abandoned Vehicle Funds.	116
Inclusionary Housing and SB 1 – Gas Tax Fund	117
Measure D Fund.....	118
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Debt Service Fund.....	119

III STATISTICAL SECTION (Unaudited):

Net Position By Component – Last Ten Fiscal Years	123
Changes In Net Position – Last Ten Fiscal Years	124
Fund Balances of Governmental Funds – Last Ten Fiscal Years	126
Net Change In Fund Balances of Governmental Funds – Last Ten Fiscal Years	127
General Governmental Tax Revenues By Source – Last Ten Fiscal Years.....	128
Assessed Value and Estimated Actual Value of Taxable Property.....	129
Property Tax Rates – Direct and Overlapping – Last Ten Years	130
Principal Property Taxpayers – Current Year and Nine Years Ago	131
Property Tax Collection – Last Ten Fiscal Years.....	132
Ratio of Outstanding Debt By Type – Last Ten Fiscal Years.....	133
Ratio of Net General Obligation Debt Outstanding – Last Ten Fiscal Years	134

CITY OF WATSONVILLE, CALIFORNIA
Annual Comprehensive Financial Report
Fiscal Year Ending June 30, 2023

TABLE OF CONTENTS (Continued)

III STATISTICAL SECTION (Unaudited) (Continued):

Legal Debt Margin Information – Last Ten Fiscal Years	135
Computation of Direct and Overlapping Bonded Debt.....	136
Demographic and Economic Statistics – Last Ten Fiscal Years.....	137
Principal Employers – Current Fiscal Year and Ten Years Ago	138
Full-time Equivalent City Government Employees by Function – Last Ten Fiscal Years	139
Operating Indicators by Function – Last Ten Fiscal Years	140
Capital Assets Statistics by Function – Last Ten Fiscal Years	141

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INTRODUCTORY SECTION

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Department of Finance

“Working with our community to create positive impact through service with heart.”

December 26, 2023

Honorable Mayor, City Council and Citizens of the City of Watsonville:

REPORT PURPOSE AND ORGANIZATION

We are pleased to present the City of Watsonville’s Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023. The ACFR is intended to present information above, what is required by generally accepted accounting principles and State law.

The Charter of the City of Watsonville and the State of California law require that all general-purpose local governments publish within six months of the close of the fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The report should also be audited by an independent firm of certified public accountants (CPA) in accordance with generally accepted government auditing standards (GAGAS). Pursuant to the requirements, we hereby issue the comprehensive annual financial report of the City of Watsonville for the fiscal year ended June 30, 2023.

The ACFR consists of management’s representation concerning the finances of the City of Watsonville (City). Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Watsonville’s financial statements in conformity to U.S. GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Watsonville’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.



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Audited Financial Statements

Certified Public Accountants have issued an unmodified ("clean") opinion on the City of Watsonville's financial statements for the fiscal year ending June 30, 2023. A copy of this report is included in page 11 in the Financial Section of this report.

The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2023, are fairly presented in conformity with U.S. GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Watsonville also incorporates a broader, federally mandated **Single Audit Uniform Guidance** designed to meet the special needs of federal grantor agencies. The standards governing the Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Watsonville's separately issued Single Audit Report.

GAPP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Watsonville's MD&A can be found immediately following the report of the independent auditors.

CITY OF WATSONVILLE PROFILE

The City of Watsonville was incorporated in 1868 and is located six miles inland from the Monterey Bay in the State of California. The government has a land area of 6.19 square miles and a population of 52,590 people based on the US Census 2020 Census.



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Watsonville became a charter City government in 1908. Policymaking and legislative authority are vested in the governing City Council, which consists of seven Council Members, one of whom serves as mayor. The mayor is appointed on a sequential basis from each of the numbered City Council districts and serves for a term of one year. The council is elected on a non-partisan basis from seven electoral districts. Council members are elected to four-year terms. Elections are staggered with four Council Members elected during one election and three Council Members elected in the following election two years later. The governing City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the government's City Manager, City Clerk, and Attorney. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the department heads.

City Services

The City of Watsonville provides a full range of services including police and fire protection; water treatment and distribution; solid waste collection and disposal; sanitary sewer collection and treatment; airport facilities; building inspection, planning, economic development, housing rehabilitation, and general government services; library; recreation; parks; street construction and maintenance; and general administration.

The financial reporting entity of the City includes all the funds of the City of Watsonville, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The Successor Agency of the City of Watsonville Redevelopment Agency's information in this year's financial report is presented separately as part of the fiduciary statements. Additional information can be found on this entity starting on page 95 within the notes to the financial statements.

Budgetary Process and Controls

The annual budget serves as the foundation for the City of Watsonville's financial planning and control. All departments of the City of Watsonville are required to submit requests for appropriations to the government's management on or before March 31 of each fiscal year. The Finance Department uses these requests as a starting point for developing a proposed budget. The Finance Department then presents this proposed budget to the Council for review prior to May 31. The Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the City of Watsonville's fiscal year. The appropriated budget is prepared by fund (i.e. General Fund, Water), department (i.e., police), and division (i.e., investigation).



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Department directors may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the City Manager. Budget to actual comparisons is provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. The general fund, housing fund, and redevelopment and housing grants fund comparisons are presented on pages 39 to 42 as part of the basic financial statements for the governmental funds. For governmental funds, other than major funds, with appropriated annual budgets, these comparisons can be found in the governmental fund subsection of this report, which starts on page 112.

FACTORS AFFECTING FINANCIAL CONDITON

The budget for Fiscal Year 2022-23 assumed a return to normalcy with a normal level of revenue growth after the unpredictability of the pandemic. As the economy remains uncertain in the fourth year after the COVID-19 pandemic, we are optimistic about the future but remain optimistic about the future. While the inflation rate peaked and declined, it remains at about 3.7% nationally. The General Fund budget assumed a normal level of growth. We have budgeted to spend some of our fund balance to fund Ramsay Park. We ended the year with an increase to the fund balance in the General Fund of \$3MM. Controlled spending and moderate increases in our revenues have contributed to this increase.

The CPI (Consumer Price Index) is used by the U.S. Bureau of Labor Statistics to measure inflation. The September 2023 CPI-U (Consumer Price index for all Urban Consumers) increased 3.7 percent over the last 12 months. Core CPI (CPI less food and energy) is 4.1 percent compared to 6.6 percent in September 2022. Core CPI represents a more accurate picture of underlying inflation trends since volatile food and energy products are excluded. While the global economic activity remains uncertain, the U.S. Bureau of Labor Statistics' Employment Projections for 2022-2032 shows a projected growth from 164.5 million to 169.1 million over the 2022-32 decade.

Local Economy

Despite the confusion brought by the pandemic, Watsonville was able to end the fiscal year on a positive note, driven by year-over-year tax increases and responsible spending and savings on the part of our departments.

Property taxes saw an increase of \$824k from FY 2021-2022. Property tax collections in FY 2022-23 were driven by assessments and increases in supplemental taxes that were set the prior year. We saw less transfer taxes than in the prior years, which are a direct result of higher interest rates. The doubling of the 30-year mortgage interest rates to over 6.5% during the latter of calendar year 2022 and still to this day appears to be reducing the demand to purchase homes.

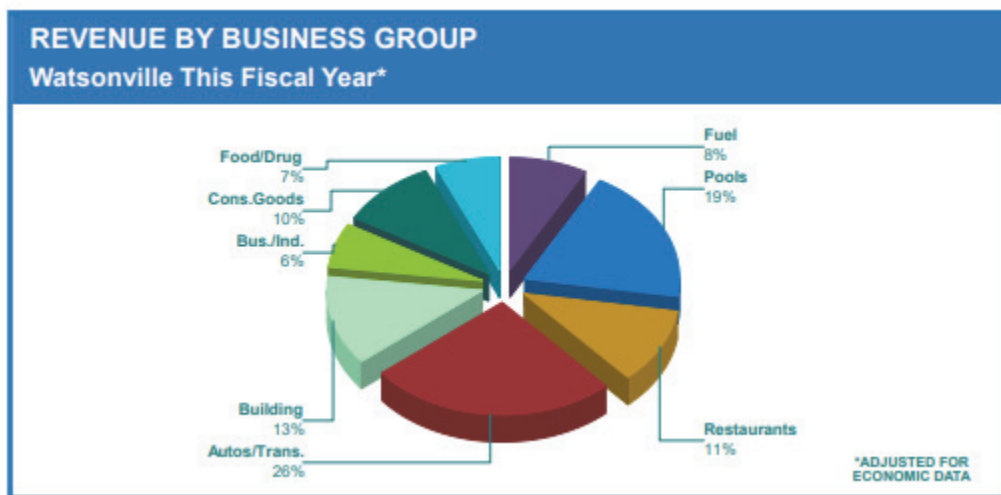


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In November 2022, voters approved Measure R, a half-cent sales tax on most goods sold within Watsonville. This tax became effective April 1, 2023. While this is a general-purpose tax, it will solely be used to primary support investment in street maintenance, pothole repairs, parks and recreation, library services, employment opportunities and services for seniors. There is an estimated \$5 million that will be generated annually from this tax.

The biggest increase continues to be Sales tax revenues, we saw an increase of \$930k from FY 2021-2022. We have recovered very well and are seeing the impact of inflation on our increased revenue. Auto sales were strong in this fiscal year and contributed to the increase in this revenue. The largest decreases came from fuel service stations as falling fuel prices at the pump reduced receipts from gas stations and petroleum providers. Consumption of goods is generally lower as general retail is softening in our state. Sales tax for the remainder of 23 appears likely to follow the recent trend of moderate declines before leveling off in 2024. Cooling consumer confidence and greater pressure on household budgets may lead to a lackluster upcoming holiday shopping period. Below is a graph that shows the percentage or receipts by category for the Sales tax receipts in FY 2023 (provided by HDL):



Watsonville is a strong and resilient community with a history of doing more with less. We are on a good path and with slow and steady steps we will stay there.



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Independent Audit

Each year the City requires an independent annual audit of the City's financial records, the results of its operations, and cash flows. This report includes the opinion of the City's independent auditors, Maze & Associates, for the basic financial statements of the City. In addition, the document also contains the auditors' report on Internal Control over Financial Reporting and on compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Watsonville, California for its annual comprehensive financial report (ACFR) for the fiscal year ending June 30, 2022. This was the twentieth consecutive year that the government has received this prestigious award. To be awarded a Certificate of Achievement, the government must publish an easy, readable, and efficiently organized ACFR. The report satisfies both U.S. GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR meets the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate. In addition, the City has received the GFOA's Award for Distinguished Budget Presentation for its biennial budget dated June 30, 2022. To qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including policy documentation, a financial plan, and a communication device.

The preparation of this report could not have been accomplished without the efficient and dedicated service of the Finance Department staff. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Brenda Castillo, Ilda Estrada, Jorge Ortiz, and Patricia Rodriguez deserve special recognition for their contribution to the report. The following remaining Finance Staff made this report possible through their dedicated service throughout the fiscal year: Elizabeth Quiroz, Christine McGrath, Diana Rivas, and Mary Stepovich. The mayor and the governing council should also be given due credit for their interest and support in managing the City of Watsonville in a responsible and progressive manner.

Respectfully submitted,

Marissa Duran

Administrative Services Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Watsonville
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

City of Watsonville, California

Officers and Officials

For the Fiscal Year End June 30, 2023

City Council:

Mayor – Eduardo Montesino

Mayor Pro Tempore –Vanessa Quiroz-Carter

Council Member – Maria Orosco

Council Member – Casey Clark

Council Member – Krystal Salcido

Council Member – Jimmy Dutra

Council Member – Ari Parker

City Officials:

City Manager – Rene Mendez

City Clerk – Irwin Ortiz

Fire Chief – Rudy Lopez

Administrative Services Director – Marissa Duran

Police Chief – Jorge Zamora

Public Works Director – Courtney Lindberg

Library Director – Alicia Martinez

Community Development Director – Suzi Merriam

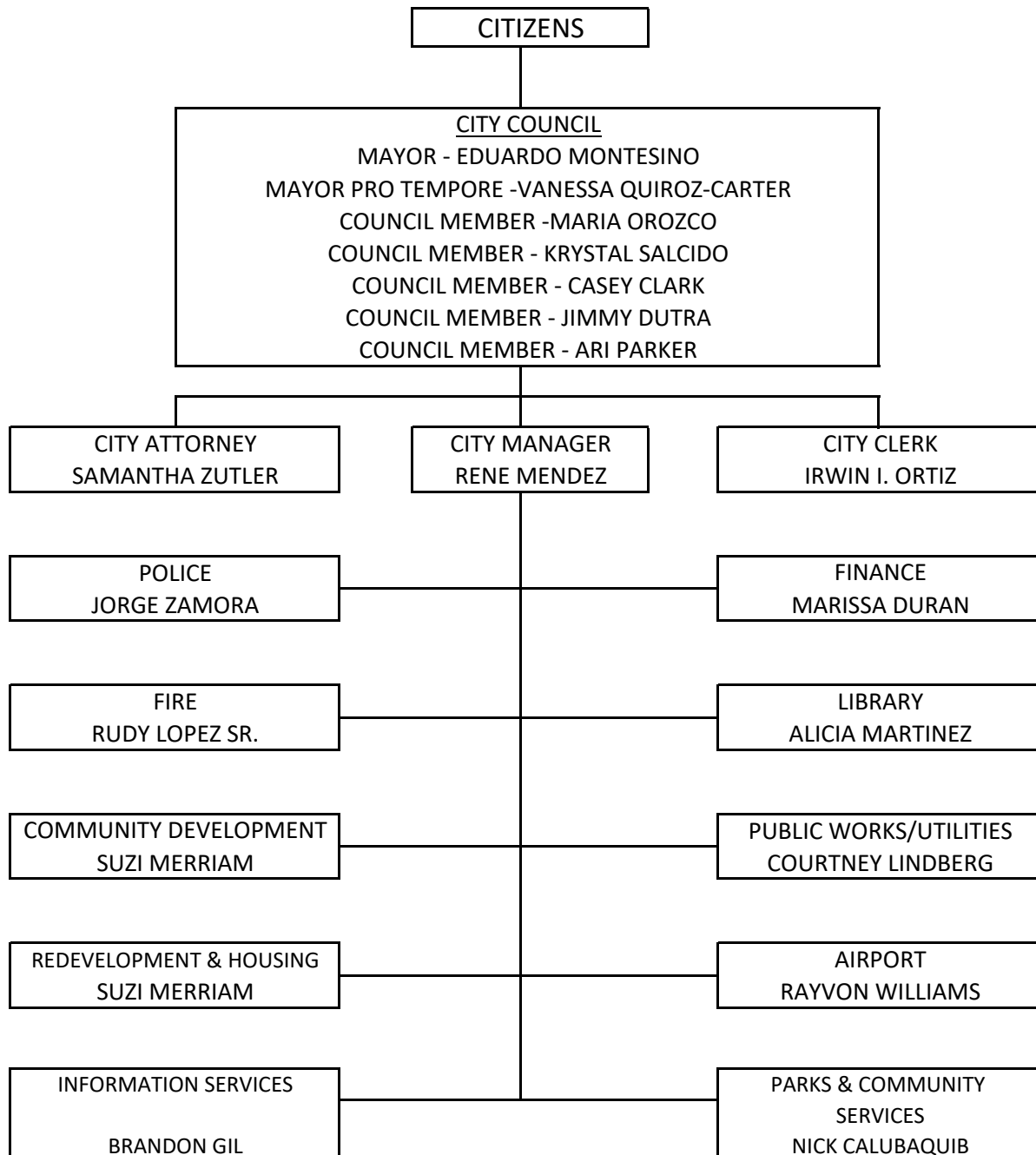
Parks and Community Services Director – Nick Calubaquib

Airport Director – Rayvon Williams

WATSONVILLE GOVERNING BODY

ORGANIZATIONAL STRUCTURE

FISCAL YEAR 2022 - 2023



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Watsonville, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Watsonville, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Change in Accounting Principles

Management adopted the provisions of the Governmental Accounting Standards Board Statement No. 96 – *Subscription-Based Information Technology Arrangements (SBITA's)*, which became effective during the year ended June 30, 2023 and required the restatement of net position and required the City to record certain subscription related balances and activity as discussed in Note III-F in the financial statements.

The emphasis of this matter does not constitute a modification to our opinions.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section listed in the Table of Contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pleasant Hill, California
December 26, 2023

CITY OF WATSONVILLE, CALIFORNIA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Watsonville, we offer readers of the City of Watsonville's financial statements this narrative overview and analysis of the financial activities of the City of Watsonville for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 6 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Fiscal Year 2023 Financial Highlights

- The assets and deferred outflows of the City of Watsonville exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$287,546.
- The City's deferred outflow of resources-Pension totaled \$43,598 and its deferred inflow of resources-Pensions totaled \$8,675.
- The City's liabilities totaled \$163,419.
- The City's total net position increased by \$22,519. Governmental activities net position increased by \$9,420 most of this increase is due to the passage of Measure R by our voters in November 2022. The city was able to collect one quarter of this new sales tax in the 2023 fiscal year. Absent this new tax, the City's sales tax revenues would have been relatively flat. As well as we saw increase in Property taxes due increases in supplemental tax receipts. Business type activities net position increased by \$13,098. Most of this increase was from Water, Sewer and Solid Waste funds ending with positive operating income.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$48,708, an increase of \$3,361 in comparison with the prior fiscal year's balances. The restricted portion was \$27,419 and the unassigned amount was \$21,288 which is an increase of \$3,442 from the prior fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Watsonville's basic financial statements. The City of Watsonville's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Watsonville's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City of Watsonville's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Watsonville is improving or deteriorating overtime.

The *Statement of Activities* presents information showing how the City of Watsonville's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing or related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods (e.g. uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City of Watsonville that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Watsonville include general government, public safety, housing, streets, and culture and recreation. The business-type activities of the City of Watsonville include water, sewer, solid waste, airport, and fiber optic activities.

The government-wide financial statements can be found on pages 28 to 30 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Watsonville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Watsonville can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluation of a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Watsonville maintains eighteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, impact fees fund, housing fund, redevelopment and housing grants fund, American rescue plan act fund and general debt service fund which are all major funds. Data for the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Watsonville adopts a biennial budget (one year adopted and one year proposed) for all its governmental funds.

The basic governmental fund financial statements can be found on pages 32 to 38 of this report.

Proprietary funds. The City of Watsonville maintains two types of proprietary funds; Enterprise and Internal Service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Watsonville uses enterprise funds to account for Water, Sewer, Solid Waste, Airport and Fiber Optic operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the water, sewer, solid waste, airport and fiber optic operations, all of which are considered to be major funds of the City of Watsonville.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Watsonville's various functions. The City of Watsonville uses an internal service fund to account for insurance activities of the City. The fund predominantly benefits governmental funds rather than business-type functions, and it has been included within governmental activities in the government-wide financial statements. Conversely, the internal service fund is presented in the proprietary funds' financial statements.

The basic proprietary funds financial statements can be found on pages 44 to 49 of this report.

Fiduciary fund. Fiduciary funds are used to account for resources held for the benefit of parties' outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Watsonville's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 50 to 51.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 53 to 97 of this report.

Other information. In addition to the basic financial statements and accompanying notes, required supplementary information, combining statements and schedules referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 108 to 111 of this report.

Government-wide Financial Analysis

Statement of Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Watsonville, assets and deferred outflows exceeded liabilities and deferred inflows by \$287,546 at the close of the most recent fiscal year.

By far the largest portion of the City of Watsonville's net position \$213,386 reflects its investment in capital assets (e.g., land, buildings and improvements, machinery, work in progress, and infrastructure) less any related outstanding debt used to acquire those assets. The City of Watsonville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Watsonville's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Watsonville's net position \$27,082 represent resources that are subject to external restrictions on how they may be used by creditors (such as through debt covenants), grantors, contributions or laws or regulations of other governments. The remaining balance of unrestricted net position \$47,079 is unrestricted and available for next year's operations at the direction of the City Council.

City of Watsonville's Net Position
June 30, 2023
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
		\$		\$	\$	\$
Current and other assets	113,308	113,479	106,080	66,399	219,388	179,878
Capital assets	115,364	113,358	81,291	101,659	196,655	215,017
Total Assets	228,672	226,837	187,371	168,058	416,043	394,895
Deferred outflows of resources	34,527	15,666	9,072	3,546	43,599	19,212
Total Deferred Outflows of Resources	34,527	15,666	9,072	3,546	43,599	19,212
Long-term liabilities outstanding	85,911	49,209	44,144	26,228	130,055	75,437
Other Liabilities	29,473	32,620	3,892	4,175	33,365	36,795
Total Liabilities	115,384	81,829	48,036	30,403	163,420	112,232
Deferred inflows of resources	4,279	26,558	4,397	10,288	8,676	36,846
Total Deferred Outflows of Resources	4,279	26,558	4,397	10,288	8,676	36,846
Net Position:						
Net Investment in capital assets	113,121	111,205	100,264	96,016	213,385	207,221
Restricted	27,082	27,012			27,082	27,012
Unrestricted	3,333	(4,102)	43,746	34,895	47,079	30,793
Total Net Position	143,536	134,115	144,010	130,911	287,546	265,026

At the end of the current fiscal year, the City of Watsonville is able to report positive balances in net investment in capital assets and restricted net position for the government as a whole.

City of Watsonville
Summary of Changes in Net Position
For the Fiscal Year Ending June 30, 2023
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
	\$	\$			\$	\$
Revenues:						
Program Revenues:						
Charges for services	15,414	12,170	60,152	56,280	75,566	68,450
Operating grants and contributions	3,621	3,541	464	26	4,085	3,567
Capital grants and contributions	-	-	49	489	49	489
General Revenues						
Property taxes	17,802	16,977			17,802	16,977
Other taxes	37,924	34,436			37,924	34,436
Others	4,480	2,857	3,582	1,535	8,062	4,392
Total Revenues and Transfers	79,241	69,981	64,247	58,330	143,488	128,311
Expenses:						
General government	17,339	12,246			17,339	12,246
Public safety	35,379	33,149			35,379	33,149
Housing	1,191	3,256			1,191	3,256
Streets	3,895	6,050			3,895	6,050
Culture and recreation	12,397	10,264			12,397	10,264
Interest on debt	35	42	207	64	242	106
Water	-	-	16,473	16,095	16,473	16,095
Sewer	-	-	14,509	13,633	14,509	13,633
Solid waste	-	-	15,640	14,355	15,640	14,355
Airport	-	-	3,974	4,470	3,974	4,470
Fiber optic	-	-	61	64	61	64
Total Expenses	70,236	65,007	50,864	48,681	121,100	113,688
Increase in net position before transfers	9,005	4,974	13,383	9,649	22,388	14,623
Internal balances	285	284	(285)	(284)	-	-
Change in net position	9,290	5,258	13,098	9,365	22,388	14,623
Net position - beginning	134,115	128,857	130,912	121,546	265,027	250,404
Prior year adjustments	131	-			131	-
Net position - beginning restated	134,246	128,857	130,912	121,546	265,158	250,404
Net position ending	143,536	134,115	144,010	130,912	287,546	265,027

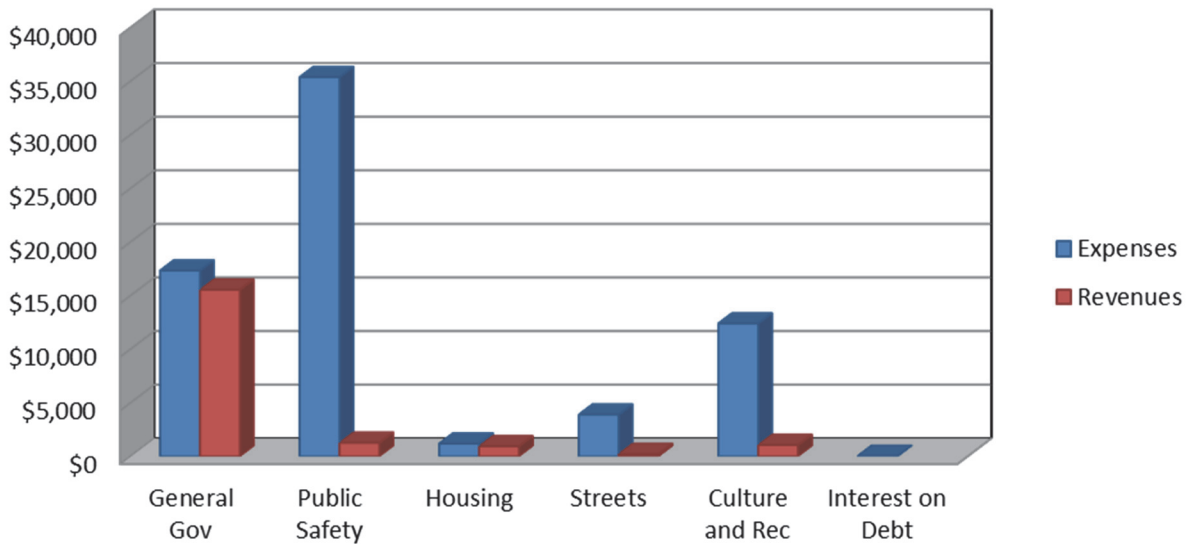
Governmental Activities. Governmental activities increased the City of Watsonville's Net Position by \$9,420. Key elements of this increase are as follows:

- Governmental revenues saw an increase in charges for service at about \$3,244 and a combined increase in Sales Tax and Property Taxes at about \$1,744. Investment Interest Revenue saw an increase of \$1,592, this is a result of a higher earnings rate than in the last year. There were other minimal increases in other tax categories and charges for services were relatively flat offset by increases in grants and contributions.
- Governmental spending increased by \$5,229 primarily in general government and streets and public safety. The increase in spending is primarily due to the city being able to complete street projects and increases in Public Safety costs.

For the fiscal year ending June 30, 2023

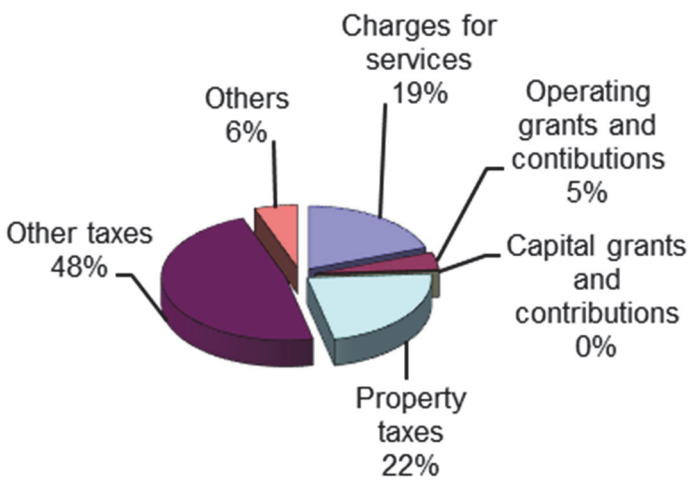
Expenses and Program Revenues

Governmental Activities



Revenues by Source

Governmental Activities

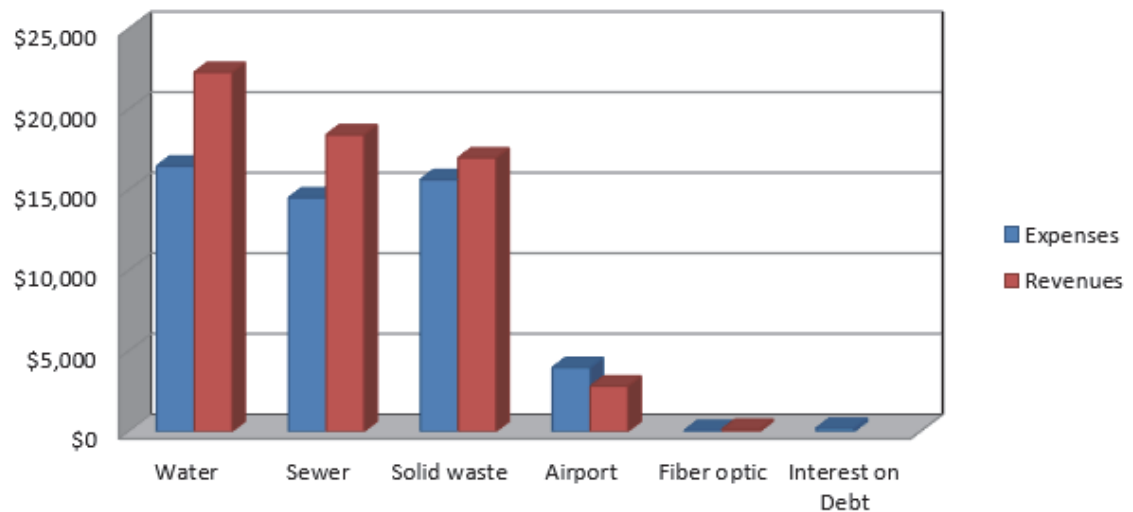


Business-type activities. Business-type activities increased the City of Watsonville's net position by \$13,099. Key elements of this increase are as follows:

For the fiscal year ending June 30, 2023

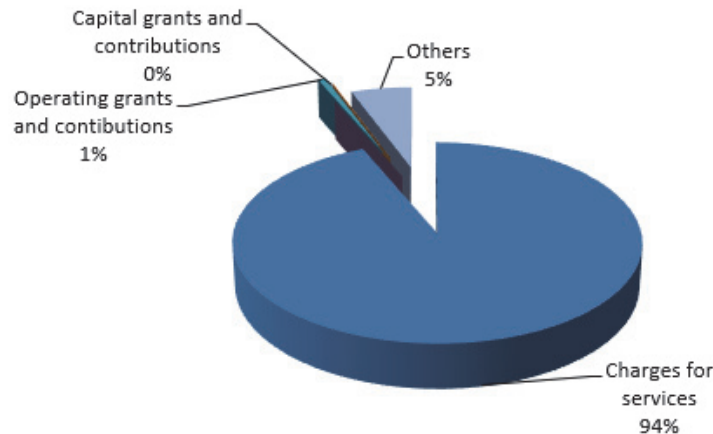
Expenses and Program Revenues

Business-type Activities



- Charges for services increased in comparison to last fiscal year by \$3,872, this was mainly due to a 7% rate increases for Sewer and Solid Waste Funds other revenues increased by \$2,047, this was mainly due to higher interest rates bringing in increases in investment interest.
- The Funds had an increase in spending, mostly due to more capital spending and an increase in pension obligation costs.

For the fiscal year ending June 30, 2023
Revenues by Source
Business-type Activities



Financial Analysis of the City of Watsonville's Funds

As noted earlier, the City of Watsonville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Watsonville's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Watsonville's financing requirements. In particular, restricted fund balances for specific purposes may serve as a useful measure of a government's net resources available for spending on various activities at the end of the fiscal year.

As of the end of the current fiscal year, the City of Watsonville's governmental funds reported combined ending fund balances of \$48,708, an increase of \$3,361 in comparison with the prior year. The largest portion of fund balances is restricted for specific purposes and the largest restricted portion is for impact fees in the amount of \$6,990 and the housing fund at \$3,420. This balance is for projects that have been budgeted, planned or will be completed within the next five years. The remainders of fund balances are either non-spendable or unassigned at year end. The non-spendable portion of fund balances represents the amounts of funds that cannot be spent because they are either not in spendable form or legally required to remain intact. Unassigned fund balances represent amounts which are unconstrained in that they may be spent for any purpose.

The *General Fund* is the chief operating fund of the City of Watsonville. At the end of the current fiscal year, the charter reserve of the General Fund was \$2,450. As a measure of the General Fund's liquidity, it may be useful to compare both the charter reserve and total fund balance to total fund expenditures. The City's General Fund Reserve met the Charter Reserve this fiscal year end. The required Charter Reserve fund balance would be 4.2 percent of total general fund expenditures; the total fund balance represented 37.1 percent of the same amount.

The fund balance of the City of Watsonville's General Fund increased by \$3,398 during the current year largely due to the City having passed Measure R sales tax measure and modest increases in property taxes.

The changes in Governmental Fund balance can be attributed to:

The General Fund increase in fund balance was from increases in various revenue types, such as, sales tax and property tax in lieu of vehicle license fees, decrease in operating costs from a controlled spending initiative.

The Impact Fees Fund had a fund balance of \$6,990, a decrease of \$1,266 over the prior year's fund balance. This decrease was due to spending on repairs and reconstruction of the Highway 1/Harkins Slough project remaining revenues are reserved for future projects in fund balance.

The Housing Fund had a fund balance of \$3,419, a decrease of \$56 over the prior year's fund balance. This decrease is due to a new loan issued during the fiscal year.

The Redevelopment and Housing Grants Fund has a fund balance of \$373, an increase of \$19 from the prior year's fund balance. This increase is the result of loan payments.

The government's Debt Service Fund had a fund balance of \$324, an increase decrease of \$78 during the fiscal year.

Proprietary funds. The City of Watsonville's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position and changes of net position for the five major enterprise funds are as follows:

Proprietary Funds Change of Net Position

Fund	FY 2023	FY 2022	FY 2021	Change	% Change
Water	73,881	66,873	61,793	7,008	11.34%
Sewer	51,546	47,378	44,420	4,168	9.38%
Solid Waste	8,794	7,085	5,326	1,709	32.09%
Airport	9,139	9,013	9,449	126	1.33%
Fiber Optic	650	562	558	88	15.77%
Totals	144,010	130,911	121,546	13,099	10.78%

Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Watsonville's business-type activities.

General Fund Budgetary Highlights

Watsonville's finances remain on a steady path. For the most part, our revenue increases are able to match our expenditure increases. The high levels of inflation seen in the economy at large are impacting limited areas of our budget, both revenue and expenses. We do continue to see large year-over-year increases in CalPERS retirement costs, although those expected to begin decreasing in coming years. We also continue to have a backlog of unfunded capital needs and the inability to expand service levels in some areas requested by the public and our departments. The steady approach we have taken to budgeting in recent years has paid off in that our funds have the reserves needed to manage future economic shocks should they occur. There is also room for optimism in future years as the peak in CalPERS' costs seems to be approaching.

Tax revenues were \$1,997 over budget. The majority was due to Sales Tax revenues coming in \$1,392 over budget. This increase was mainly due to impacts on inflation and some because of the passage of Measure R sales tax revenue measure. Other revenues were over budget by \$9,277. Most of this increase was due to reimbursements from the County of Santa Cruz payment of a short-term \$5,000 loan for the purchase of the Hospital.

Capital Asset and Debt Administration

Capital assets. The City of Watsonville's capital assets, for its governmental and business type activities as of June 30, 2023, was \$221,444 (net of depreciation). This represents a \$5,230 increase from the prior year or 2.42%.

Total City of Watsonville Capital Assets FY 2022-23

Capital Asset	FY 2023	FY 2022	Change	% Change
Land	31,865	31,239	626	2.00%
Building and Improvements	116,253	120,949	(4,696)	-3.88%
Machinery & Equipment	12,643	13,525	(882)	-6.52%
Infrastructure	39,540	34,983	4,557	13.03%
Construction in progress	20,162	14,321	5,841	40.79%
Right to Use Subscription Assets	981	1,197	(216)	-18.05%
Totals	221,444	216,214	5,230	2.42%

Governmental Type Activities increased by 2.63% due to the additional projects in progress and the addition of the right to use subscription assets category.

Governmental Activities Capital Assets FY 2022-23

Capital Asset	FY 2023	FY 2022	Change	% Change
Land	17,044	16,468	576	3.50%
Building and Improvements	67,079	69,678	(2,599)	-3.73%
Machinery & Equipment	4,406	4,862	(456)	-9.38%
Infrastructure	12,741	13,715	(974)	-7.10%
Construction in progress	13,113	8,635	4,478	51.86%
Right to Use Subscription Assets	981	1,197	(216)	-18.05%
Totals	115,364	114,555	3,010	2.63%

While Business Type Activities increased by 4.33% due to Infrastructure additions.

Business Type Activities Capital Assets FY 2022-23

Capital Asset	FY 2023	FY 2022	Change	% Change
Land	14,821	14,771	50	0.34%
Building and Improvements	49,174	51,271	(2,097)	-4.05%
Machinery & Equipment	8,237	8,663	(426)	-4.87%
Infrastructure	26,799	21,268	5,531	25.12%
Construction in progress	7,049	5,686	1,363	28.76%
Totals	106,080	101,659	4,421	4.33%

Additional information on the City of Watsonville's capital assets can be found in Note III-B on pages 66 to 67 of this report.

Long-Term Debt. At the end of the current fiscal year, the City of Watsonville had total net debt outstanding of \$131,824. The debt for governmental activities is made up of notes payable of \$1,372, net OPEB liability of \$1,178, compensated absences of \$2,381, subscription liabilities of \$870 and net pension liability of \$80,940. Business type activities have \$5,234 in notes payable, \$7,399 in a loan, net OPEB liability of \$1,405, compensated absences of \$1,006, net pension liability of \$26,358 and landfill closure/post closure liability of \$3,680.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limit for the City of Watsonville is \$199,073 which is significantly more than the City of Watsonville's outstanding debt subject to this limit.

Additional information on the City of Watsonville's long-term debt can be found on page 71 of this report.

Economic Factors and Next Year's Budget

- Budget will include using of the American Rescue Plan Act allocation.
- Full year of Measure R sales tax revenue and expenditures
- In non-General Fund departments, you will see the same cautious growth assumptions, consistent with the revenue activity we have experienced and assumed for the General Fund.
- Taking advantage of healthy fund balances to move much needed capital and infrastructure projects.
- Continued and accelerated increases in PERS contributions.

After several years of improving position Watsonville appears poised to weather the immediate impacts. Watsonville was fortunate to receive \$18.2 million in direct funding as part of the American Rescue Plan Act (ARPA). We will budget to use the remaining American Rescue Plan Act (ARPA) funds to support improvements in streets, investment in economic development to continue to grow and diversify our revenues, Ramsay Park, Nature Center, and opportunities for our citizens to obtain valuable work experience, just to name a few. The 2021-23 Biennial Budget utilized a limited amount of ARPA funding for restoring those departments hardest hit by the pandemic. The ARPA funding plan will include opportunities for community input and will prioritize areas of greatest community need. We still face ever increasing PERS contributions and have a large pent up demand for capital investments. Watsonville will have to act cautiously to balance increasing expenditure pressure with what is likely to be several years of flatter revenue growth than we have recently experienced.

The City was successful in passing a new transaction and use tax. This new tax measure will be used to meet community goals. The tax enables the City to invest in repair and expansion of aging parks, playgrounds and trails; creating safe place for kids, maintaining after-school and gang prevention programs, fixing potholes and maintaining streets; expanding library access and services for seniors; and creating employment opportunities. Watsonville has an opportunity to reset, restructure, and rebuild the budget in ways that we meet community goals, without recreating structural deficits.

All these factors will be taken into consideration during the preparation of the City of Watsonville's annual budget for the fiscal year 2023-24.

Request for Information

This financial report is designed to provide a general overview of the City of Watsonville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Marissa Duran, Administrative Services Director, City of Watsonville, and 250 Main Street, Watsonville, CA 95076.

BASIC FINANCIAL STATEMENTS

CITY OF WATSONVILLE, CALIFORNIA
STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
	\$	\$	\$
ASSETS			
Cash and investments	75,316,508	59,166,933	134,483,441
Restricted cash	-	776,340	776,340
Cash & investments with fiscal agent	-	6,041,426	6,041,426
Receivables:			
Interest	2,926,616	-	2,926,616
Taxes	5,648,195	-	5,648,195
Accounts	2,150,811	8,210,078	10,360,889
Intergovernmental	2,959,586	499,697	3,459,283
Internal balances	(1,188,075)	1,188,075	-
Loans receivable	24,981,201	291,926	25,273,127
Inventories	302,819	557,201	860,020
Deposits	60,000	-	60,000
Land held for resale	150,000	-	150,000
Leases receivable	-	4,560,341	4,560,341
Capital assets (net of depreciation and amortization, where applicable):			
Land	17,043,868	14,820,562	31,864,430
Construction in progress	13,113,415	7,049,342	20,162,757
Buildings and Improvements	67,079,997	49,173,521	116,253,518
Machinery and equipment	4,405,498	8,236,689	12,642,187
Infrastructure	12,740,976	26,799,460	39,540,436
Right to use subscription assets	980,222	-	980,222
Total Assets	228,671,637	187,371,591	416,043,228
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow of resources - Pensions	34,526,812	9,071,942	43,598,754
Total Deferred Outflow of Resources	34,526,812	9,071,942	43,598,754

Continued

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
	\$	\$	\$
LIABILITIES			
Accounts payable	3,952,556	2,341,065	6,293,621
Accrued personnel costs	986,931	428,140	1,415,071
Insurance claims payable	3,991,901	-	3,991,901
Interest payable	9,637	82,530	92,167
Retentions payable	187,812	-	187,812
Unearned revenue	17,616,153	67,430	17,683,583
Deposits payable	1,897,091	34,385	1,931,476
Noncurrent liabilities			
Due within one year	830,480	938,829	1,769,309
Due in more than one year	85,911,212	44,143,661	130,054,873
Total Liabilities	115,383,773	48,036,040	163,419,813
DEFERRED INFLOWS OF RESOURCES			
Leases related	-	4,397,311	4,397,311
Deferred inflows of resources - pensions	4,278,575	-	4,278,575
Total Deferred Inflows of Resources	4,278,575	4,397,311	8,675,886
NET POSITION			
Net investment in capital assets	113,121,379	100,264,142	213,385,521
Restricted for:			
Debt service	324,294	-	324,294
Impact fee	6,990,439	-	6,990,439
Housing	3,419,674	-	3,419,674
Grants, contributions & fees for specific purpose	16,347,223	-	16,347,223
Unrestricted	3,333,092	43,746,040	47,079,132
Total Net Position	143,536,101	144,010,182	287,546,283
			Concluded

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Functions/Programs	Program Revenues				Primary Government		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government:	\$	\$	\$	\$	\$	\$	\$
Governmental activities:							
General government	17,339,225	13,641,841	1,902,754	-	(1,794,630)	-	(1,794,630)
Public safety	35,379,428	914,219	353,943	-	(34,111,266)	-	(34,111,266)
Housing	1,190,957	134,198	807,744	-	(249,015)	-	(249,015)
Streets	3,894,564	244,356	(29,848)	-	(3,680,056)	-	(3,680,056)
Culture and recreation	12,397,560	479,062	586,071	-	(11,332,427)	-	(11,332,427)
Interest on long term debt	34,693	-	-	-	(34,693)	207,328	(242,021)
Total governmental activities	70,236,427	15,413,676	3,620,664	-	(51,202,087)	207,328	(51,409,415)
Business-type activities:							
Water	16,473,051	22,041,411	245,169	5,929	-	5,819,458	5,819,458
Sewer	14,509,445	18,226,301	150,123	43,147	-	3,910,126	3,910,126
Solid Waste	15,639,948	16,945,549	41,999	-	-	1,347,600	1,347,600
Airport	3,973,807	2,798,950	27,218	-	-	(1,147,639)	(1,147,639)
Fiber Optic	61,552	140,315	-	-	-	78,763	78,763
Total business-type activities	50,657,803	60,152,526	464,509	49,076	-	10,008,308	10,008,308
Total primary government	120,894,230	75,566,202	4,085,173	49,076	(51,202,087)	9,800,980	(41,401,107)
General revenues:							
Property taxes					17,801,659	-	17,801,659
Sales taxes					25,337,276	-	25,337,276
Utility users taxes					4,358,302	-	4,358,302
Franchise taxes					571,674	-	571,674
Other taxes					3,693,757	-	3,693,757
Intergovernmental revenues not restricted to specific program					3,963,288	-	3,963,288
Unrestricted investment earnings					4,448,848	2,431,265	6,880,113
Other revenue					31,465	1,151,341	1,182,806
Transfers					285,056	(285,056)	-
Total general revenues and transfers					60,491,325	3,297,550	63,788,875
Change in net position					9,289,238	13,098,530	22,387,768
Net position - beginning, as restated (Note III. F.)					134,246,863	130,911,652	265,158,515
Net position - ending					143,536,101	144,010,182	287,546,283

See accompanying notes to financial statements

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CITY OF WATSONVILLE, CALIFORNIA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2023

	SPECIAL REVENUE FUNDS				
	GENERAL	IMPACT FEES	HOUSING	REDEVELOPMENT AND HOUSING GRANTS	AMERICAN RESCUE PLAN ACT
	\$	\$	\$	\$	\$
ASSETS:					
Cash and investments	23,905,029	7,262,655	3,280,443	2,721,553	16,162,714
Receivables:					
Interest	409,636	-	978,396	1,301,320	-
Taxes	4,268,865	-	-	-	-
Accounts	1,594,197	-	2,000	-	-
Intergovernmental	2,506,116	-	2,205	101,949	-
Due from other funds	462,405	-	-	-	-
Advances receivable	-	46,864	-	-	-
Loans receivable	421,302	-	10,674,250	12,230,287	-
Land held for resale	-	-	150,000	-	-
Total Assets	33,567,550	7,309,519	15,087,294	16,355,109	16,162,714
LIABILITIES:					
Accounts payable	1,418,928	298,164	99	1,112	845,758
Accrued personnel costs	791,796	-	12,506	9,306	20,047
Retentions payable	111,293	-	-	10,526	-
Due to other funds	-	20,916	-	114,209	-
Advances payable	1,253,516	-	-	-	-
Unearned revenue	-	-	-	2,315,400	15,296,909
Deposits payable	1,896,620	-	471	-	-
Total Liabilities	5,472,153	319,080	13,076	2,450,553	16,162,714
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	6,469,438	-	11,654,544	13,531,607	-
Total Deferred Inflows of Resources	6,469,438	-	11,654,544	13,531,607	-
FUND BALANCES:					
Restricted for:					
Debt service	-	-	-	-	-
Streets - Impact fees	-	6,990,439	-	-	-
Housing	-	-	3,419,674	372,949	-
Public safety - Narcotics assets seizure	-	-	-	-	-
Housing - Business development	-	-	-	-	-
Housing - Economic development	-	-	-	-	-
Cultural and recreation - Library	-	-	-	-	-
Cultural and recreation - Parks development	-	-	-	-	-
General government - Retirement tax	-	-	-	-	-
Public safety - Measure G/Y	-	-	-	-	-
Public safety - Abandoned vehicle	-	-	-	-	-
Housing - Inclusionary housing	-	-	-	-	-
Streets - SB1 Gas tax	-	-	-	-	-
Streets - Measure D	-	-	-	-	-
Unassigned	21,625,959	-	-	-	-
Total Fund Balances	21,625,959	6,990,439	3,419,674	372,949	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	33,567,550	7,309,519	15,087,294	16,355,109	16,162,714

Continued

See accompanying notes to financial statements

DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$	\$	\$
324,294	15,664,934	69,321,622
-	237,264	2,926,616
-	1,379,330	5,648,195
-	369,645	1,965,842
-	320,984	2,931,254
-	-	462,405
-	18,577	65,441
-	1,655,362	24,981,201
-	-	150,000
324,294	19,646,096	108,452,576
-	993,324	3,557,385
-	67,730	901,385
-	59,158	180,977
-	327,280	462,405
-	-	1,253,516
-	3,844	17,616,153
-	-	1,897,091
-	1,451,336	25,868,912
-	2,220,486	33,876,075
-	2,220,486	33,876,075
324,294	-	324,294
-	-	6,990,439
-	-	3,792,623
-	201,108	201,108
-	286,453	286,453
-	30,801	30,801
-	2,341,800	2,341,800
-	1,331,349	1,331,349
-	692,272	692,272
-	3,277,733	3,277,733
-	49,892	49,892
-	-	-
-	3,762,494	3,762,494
-	4,338,191	4,338,191
-	(337,819)	21,288,140
324,294	15,974,274	48,707,589
324,294	19,646,096	108,452,576

Concluded

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Amounts reported for governmental activities in the Statement of Net Position are different from those reported in the governmental funds because:	\$
Fund balances of governmental funds	48,707,589
Capital assets (gross) used in Governmental Activities are not financial resources and, therefore, are not reported in the governmental funds.	228,412,753
Accumulated depreciation has not been included in the governmental funds financial statements.	(113,476,354)
The internal service fund is used by management to charge the costs of insurance to individual governmental funds. The net current assets and liabilities of the internal service fund are included in Governmental Activities on the Statement of Net Position.	(1,002,822)
Loans and intergovernmental receivables recorded as unavailable revenue in the governmental funds are recorded as revenue on the Statement of Activities.	33,876,075
Interest payable is not due and payable in the current period and therefore, not reported in governmental funds.	(9,637)
Long-term liabilities are not due and payable in the current period and therefore, not reported in governmental funds.	(81,466,409)
Deferred outflows and inflows of resources relating to pensions: in governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the Statement of Net Position, deferred outflows and inflows of resources relating to pensions are reported.	
Deferred outflows of resources relating to pensions	32,773,481
Deferred inflows of resources relating to pensions	(4,278,575)
Total Net Position - Governmental Activities	<u>143,536,101</u>

See accompanying notes to financial statements

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CITY OF WATSONVILLE, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	SPECIAL REVENUE FUNDS				
	GENERAL	IMPACT FEES	HOUSING	REDEVELOPMENT AND HOUSING GRANTS	AMERICAN RESCUE PLAN ACT
	\$	\$	\$	\$	\$
REVENUES:					
Taxes	36,408,419	-	-	-	-
Licenses, permits, and fees	2,436,035	161,616	-	-	-
Intergovernmental	3,485,959	44,000	-	605,902	2,394,311
Charges for services	3,910,505	-	-	-	-
Fines	530,360	-	-	-	-
Interest	3,365,394	261,504	24,000	36,967	-
Miscellaneous	7,732,476	-	124,654	272,331	-
Total revenues	57,869,148	467,120	148,654	915,200	2,394,311
EXPENDITURES:					
Current:					
General government	16,430,151	-	-	-	2,394,311
Public safety	29,585,373	-	-	-	-
Housing	-	-	406,397	607,491	-
Streets	5,395,431	1,653,167	-	-	-
Culture and recreation	6,619,164	74,143	-	-	-
Debt service:					
Principal	194,812	-	-	-	-
Interest and fiscal charges	4,259	-	-	-	-
Total expenditures	58,229,190	1,727,310	406,397	607,491	2,394,311
Excess (deficiency) of revenues over (under) expenditures	(360,042)	(1,260,190)	(257,743)	307,709	-
OTHER FINANCING SOURCES (USES)					
Transfers in	4,122,071	-	201,985	-	-
Transfers out	(364,179)	(5,000)	-	(288,376)	-
Total other financing sources (uses)	3,757,892	(5,000)	201,985	(288,376)	-
Net change in fund balances	3,397,850	(1,265,190)	(55,758)	19,333	-
Fund balances, July 1	18,228,109	8,255,629	3,475,432	353,616	-
Fund balances, June 30	21,625,959	6,990,439	3,419,674	372,949	-

Continued

See accompanying notes to financial statements

DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$	\$	\$
-	15,354,250	51,762,669
-	606,685	3,204,336
-	1,360,667	7,890,839
-	4,650	3,915,155
-	-	530,360
-	594,345	4,282,210
-	47,420	8,176,881
-	17,968,017	79,762,450
-	175,787	19,000,249
-	5,324,384	34,909,757
-	177,069	1,190,957
-	1,922,944	8,971,542
-	4,907,602	11,600,909
781,123	-	975,935
33,070	-	37,329
814,193	12,507,786	76,686,678
(814,193)	5,460,231	3,075,772
892,498	93,195	5,309,749
-	(4,367,138)	(5,024,693)
892,498	(4,273,943)	285,056
78,305	1,186,288	3,360,828
245,989	14,787,986	45,346,761
324,294	15,974,274	48,707,589

Concluded

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
GOVERNMENTAL FUNDS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>\$</u>
Amounts reported for governmental activities in the statement of activities are different because of the following:	
Net Change In Fund Balance - Total Governmental Funds	3,360,828
Capital Assets Transactions	
Governmental Funds report capital outlay as expenditures However, the cost of those assets is capitalized in the Statement of Activities and allocated over their estimated useful lives and reported as depreciation expense.	
The capital outlay expenditures are therefore added back to fund balance	6,372,295
Depreciation expense is deducted from the fund balance	(5,959,483)
Long-Term Debt Proceeds and Payments	
Debt and lease proceeds provide current financial resources to Governmental Funds but increases long-term liabilities in the Statement of Net Position. The repayment of the principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.	
Repayment of debt and subscription principal is added back to fund balance	975,935
Interest accrued to principal is deducted from fund balance	2,636
Accrual of Non-Current Items	
The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):	
Compensated Absences	(179,336)
Net pension liabilities and pension-related deferred outflows/inflows of resources	2,784,464
Net OPEB liability	2,453,740
Unavailable revenue	(129,561)
Internal Service Funds Are Used By Management To Charge The Costs Of Insurance To Individual Funds.	<u>(392,280)</u>
Change In Net Position Of Governmental Funds	<u><u>9,289,238</u></u>

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
	\$	\$	\$	\$
REVENUES:				
Taxes	34,411,245	36,408,419	36,408,419	-
Licenses, permits, and fees	2,941,957	2,436,035	2,436,035	-
Intergovernmental	2,915,633	3,485,959	3,485,959	-
Charges for services	3,792,770	3,910,505	3,910,505	-
Fines	647,560	530,360	530,360	-
Interest	2,742,507	3,365,394	3,365,394	-
Miscellaneous	1,144,112	7,732,476	7,732,476	-
Total revenues	<u>48,595,784</u>	<u>57,869,148</u>	<u>57,869,148</u>	<u>-</u>
EXPENDITURES:				
Current:				
General government	22,510,787	16,430,151	16,430,151	-
Public safety	29,255,956	29,961,379	29,585,373	376,006
Streets	5,578,996	5,395,431	5,395,431	-
Culture and recreation	6,816,480	6,619,164	6,619,164	-
Debt service:				
Principal	-	190,713	194,812	(4,099)
Interest	-	8,358	4,259	4,099
Total expenditures	<u>64,162,219</u>	<u>58,605,196</u>	<u>58,229,190</u>	<u>376,006</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,566,435)</u>	<u>(736,048)</u>	<u>(360,042)</u>	<u>376,006</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,871,244	4,211,803	4,122,071	(89,732)
Transfers out	<u>(180,956)</u>	<u>(453,911)</u>	<u>(364,179)</u>	<u>89,732</u>
Total other financing sources (uses)	<u>5,690,288</u>	<u>3,757,892</u>	<u>3,757,892</u>	<u>-</u>
Net change in fund balance	<u>(9,876,147)</u>	<u>3,021,844</u>	<u>3,397,850</u>	<u>376,006</u>
Fund balance, July 1	<u>18,228,109</u>	<u>18,228,109</u>	<u>18,228,109</u>	<u>-</u>
Fund balance, June 30	<u><u>8,351,962</u></u>	<u><u>21,249,953</u></u>	<u><u>21,625,959</u></u>	<u><u>376,006</u></u>

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
HOUSING FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
	\$	\$	\$	\$
REVENUES:				
Interest	15,000	24,000	24,000	-
Miscellaneous	250,000	124,654	124,654	-
Total revenues	265,000	148,654	148,654	-
EXPENDITURES:				
Current:				
Housing	638,273	406,397	406,397	-
Total expenditures	638,273	406,397	406,397	-
Excess (deficiency) of revenues over (under) expenditures	(373,273)	(257,743)	(257,743)	-
OTHER FINANCING SOURCES (USES)				
Transfers In	47,183	201,985	201,985	-
Total other financing sources (uses)	47,183	201,985	201,985	-
Net change in fund balance	(326,090)	(55,758)	(55,758)	-
Fund balance, July 1	3,475,432	3,475,432	3,475,432	-
Fund balance, June 30	3,149,342	3,419,674	3,419,674	-

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
REDEVELOPMENT AND HOUSING GRANTS FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
	\$	\$	\$	\$
REVENUES:				
Intergovernmental	250,000	878,233	878,233	-
Interest	15,000	36,967	36,967	-
Total revenues	265,000	915,200	915,200	-
EXPENDITURES:				
Housing	638,273	607,491	607,491	-
Total expenditures	638,273	607,491	607,491	-
Excess (deficiency) of revenues over (under) expenditures	(373,273)	307,709	307,709	-
OTHER FINANCING SOURCES (USES):				
Transfers in	47,183	-	-	-
Transfers (out)	-	(288,376)	(288,376)	-
Total other financing sources (uses)	47,183	(288,376)	(288,376)	-
Net change in fund balance	(326,090)	19,333	19,333	-
Fund balance, July 1	353,616	353,616	353,616	-
Fund balance, June 30	27,526	372,949	372,949	-

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
AMERICAN RESCUE PLAN ACT FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
	\$	\$	\$	\$
REVENUES:				
Intergovernmental	-	-	2,394,311	2,394,311
Total revenues	-	-	2,394,311	2,394,311
EXPENDITURES:				
General Government	2,186,137	4,521,137	2,394,311	2,126,826
Total expenditures	2,186,137	4,521,137	2,394,311	2,126,826
Excess (deficiency) of revenues over (under) expenditures	(2,186,137)	(4,521,137)	-	267,485
Net change in fund balance	(2,186,137)	(4,521,137)	-	267,485
Fund balance, July 1	-	-	-	-
Fund balance, June 30	(2,186,137)	(4,521,137)	-	267,485

See accompanying notes to financial statements

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CITY OF WATSONVILLE, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2023

	Business-type Activities - Enterprise Funds				
	WATER	SEWER	SOLID WASTE	AIRPORT	FIBER OPTIC
	\$	\$	\$	\$	\$
ASSETS					
Current Assets:					
Cash and investments	31,730,377	15,553,339	10,873,827	817,481	191,909
Restricted cash	-	775,197	1,143	-	-
Cash and investments with fiscal agent	-	-	6,041,426	-	-
Receivables:					
Accounts	3,628,179	2,607,302	1,972,754	1,843	-
Intergovernmental	245,169	150,123	25,746	78,659	-
Loans receivable	-	291,926	-	-	-
Deposits	-	-	-	-	-
Inventories	481,373	-	9,041	66,787	-
Total Current Assets	36,085,098	19,377,887	18,923,937	964,770	191,909
Noncurrent Assets:					
Advances receivable	1,022,141	97,665	68,269	-	-
Leases receivable	-	-	-	4,449,103	111,238
Capital assets:					
Land and improvements	289,333	8,375,598	1,769,401	4,386,230	-
Construction in progress	4,295,990	2,303,776	449,576	-	-
Buildings	49,626,108	30,918,503	2,289,649	9,160,742	-
Machinery and equipment	7,354,405	7,433,442	12,550,169	441,365	-
Vehicles	-	-	-	-	-
Infrastructure	16,845,116	51,843,079	76,916	7,966,694	706,929
Accumulated depreciation	(35,540,968)	(53,911,139)	(10,847,293)	(12,453,676)	(250,371)
Net Capital Assets	42,869,984	46,963,259	6,288,418	9,501,355	456,558
Total Noncurrent Assets	43,892,125	47,060,924	6,356,687	13,950,458	567,796
Total Assets	79,977,223	66,438,811	25,280,624	14,915,228	759,705
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources - pension	2,280,027	3,874,340	2,367,450	550,125	-
Total Deferred Outflows of Resources	2,280,027	3,874,340	2,367,450	550,125	-
LIABILITIES					
Current Liabilities:					
Accounts payable	974,506	786,041	458,946	121,572	-
Accrued personnel costs	102,093	201,906	95,699	28,442	-
Insurance claims payable	-	-	-	-	-
Retentions payable	-	-	-	-	-
Customer deposits	17,679	-	16,706	-	-
Unearned revenue	-	-	7,535	59,895	-
Interest payable	-	46,094	36,436	-	-
Current maturities of long term debt:					
Compensated absences	15,915	25,861	15,564	3,012	-
Liability for landfill closure	-	-	-	-	-
Notes payable	10,333	110,629	469,978	23,037	-
Loans payable	-	264,500	-	-	-
Total Current Liabilities	1,120,526	1,435,031	1,100,864	235,958	-
Noncurrent Liabilities:					
Compensated absences	249,339	405,162	243,840	47,186	-
Net OPEB liability	372,792	506,615	420,586	105,147	-
Liability for landfill closure	-	-	3,680,437	-	-
Net pension liability	6,624,443	11,256,602	6,878,444	1,598,347	-
Notes payable	9,610	193,518	6,530,063	51,833	-
Loans payable	-	4,969,697	-	-	-
Total Noncurrent Liabilities	7,256,184	17,331,594	17,753,370	1,802,513	-
Total Liabilities	8,376,710	18,766,625	18,854,234	2,038,471	-
DEFERRED INFLOWS OF RESOURCES					
Leases related	-	-	-	4,287,685	109,626
Deferred inflows of resources - pension	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	4,287,685	109,626
NET POSITION					
Net investment in capital assets	42,850,041	42,200,112	5,330,946	9,426,485	456,558
Unrestricted	31,030,499	9,346,414	3,462,894	(287,288)	193,521
Total Net Position	73,880,540	51,546,526	8,793,840	9,139,197	650,079

Continued

See accompanying notes to financial statements

Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
TOTALS	
\$	\$
59,166,933	5,994,886
776,340	-
6,041,426	-
8,210,078	184,969
499,697	28,332
291,926	-
-	60,000
557,201	302,819
75,543,601	6,571,006
1,188,075	-
4,560,341	-
14,820,562	-
7,049,342	314,170
91,995,002	-
27,779,381	87,503
-	33,910
77,438,734	-
(113,003,447)	(8,006)
106,079,574	427,577
111,827,990	427,577
187,371,591	6,998,583
9,071,942	1,753,331
9,071,942	1,753,331
2,341,065	395,171
428,140	85,546
-	3,991,901
-	6,835
34,385	-
67,430	-
82,530	-
60,352	10,867
-	-
613,977	-
264,500	-
3,892,379	4,490,320
945,527	170,246
1,405,140	-
3,680,437	-
26,357,836	5,094,170
6,785,024	-
4,969,697	-
44,143,661	5,264,416
48,036,040	9,754,736
4,397,311	-
-	-
4,397,311	-
100,264,142	427,577
43,746,040	(1,430,399)
144,010,182	(1,002,822)

Concluded

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Business-type Activities - Enterprise Funds				
	WATER	SEWER	SOLID WASTE	AIRPORT	FIBER OPTIC
	\$	\$	\$	\$	\$
OPERATING REVENUES:					
Charges for services	22,041,411	18,226,301	16,945,549	\$2,798,950	140,315
Total operating revenues	22,041,411	18,226,301	16,945,549	2,798,950	140,315
OPERATING EXPENSES:					
Costs of sales and services	14,883,030	12,961,127	14,886,626	3,577,482	26,206
Depreciation	1,590,021	1,548,318	753,322	396,325	35,346
Total operating expenses	16,473,051	14,509,445	15,639,948	3,973,807	61,552
Operating income (loss)	5,568,360	3,716,856	1,305,601	(1,174,857)	78,763
NONOPERATING REVENUES (EXPENSES)					
Lease revenues	-	-	-	1,151,341	-
Grant revenues	245,169	150,123	41,999	27,218	-
Interest revenues	1,236,534	602,787	455,799	127,114	9,031
Interest expenses	(17,300)	(141,598)	(48,430)	-	-
Total nonoperating revenues (expenses)	1,464,403	611,312	449,368	1,305,673	9,031
Income (loss) before contributions and transfers	7,032,763	4,328,168	1,754,969	130,816	87,794
Capital contributions - connection fees	5,929	43,147	-	-	-
Transfers (out)	(31,651)	(202,513)	(45,836)	(5,056)	-
Changes in net position	7,007,041	4,168,802	1,709,133	125,760	87,794
Total Net Position - Beginning	66,873,499	47,377,724	7,084,707	9,013,437	562,285
Total Net Position - Ending	73,880,540	51,546,526	8,793,840	9,139,197	650,079

Continued

See accompanying notes to financial statements

Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
TOTALS	
\$	\$
60,152,526	19,063,312
60,152,526	19,063,312
46,334,471	19,644,910
4,323,332	5,652
50,657,803	19,650,562
9,494,723	(587,250)
1,151,341	-
464,509	28,332
2,431,265	166,638
(207,328)	-
3,839,787	194,970
13,334,510	(392,280)
49,076	-
(285,056)	-
13,098,530	(392,280)
130,911,652	(610,542)
144,010,182	(1,002,822)

Concluded

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Business-type Activities - Enterprise Funds				
	WATER	SEWER	SOLID WASTE	AIRPORT	FIBER OPTIC
	\$	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	19,939,177	18,610,133	15,921,226	2,778,731	116,920
Receipts from interfund services provided	-	-	-	-	-
Payments to suppliers	(15,183,077)	(12,821,035)	(14,760,357)	(3,524,033)	(26,306)
Payments to employees	99,884	(269,398)	88,019	(54,056)	-
Receipt for interfund services provided	934,041	87,279	12,006	-	-
Net cash provided (used) by operating activities	5,790,025	5,606,979	1,260,894	(799,358)	90,614
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES					
Grant revenue	245,169	150,123	41,999	27,218	-
Transfers (to) other funds	(31,651)	(202,513)	(45,836)	(5,056)	-
Net cash provided (used) by noncapital financing activities	213,518	(52,390)	(3,837)	22,162	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(3,608,691)	(4,555,832)	(560,092)	(19,347)	-
Connection fees	5,929	43,147	-	-	-
Proceeds from issuance of notes and loans payable	-	-	6,000,000	-	-
Principal paid on long term debt	(10,773)	(376,935)	(327,156)	(23,037)	-
Interest paid on long term debt	(17,300)	(141,598)	(48,430)	-	-
Net cash provided (used) by capital and related financing activities	(3,630,835)	(5,031,218)	5,064,322	(42,384)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Lease revenue	-	-	-	1,151,341	-
Interest received	1,236,534	602,787	455,799	127,114	9,031
Net cash provided (used) by investment activities	1,236,534	602,787	455,799	1,278,455	9,031
Net cash flows	3,609,242	1,126,158	6,777,178	458,875	99,645
Cash and cash equivalents at beginning of period	28,121,135	15,202,378	10,139,218	358,606	92,264
Cash and cash equivalents at ending of period	31,730,377	16,328,536	16,916,396	817,481	191,909
Reconciliation of Statement of Net Position:					
Cash and investments	31,730,377	15,553,339	10,873,827	817,481	191,909
Restricted cash	-	775,197	1,143	-	-
Cash and investments with fiscal agents	-	-	6,041,426	-	-
	31,730,377	16,328,536	16,916,396	817,481	191,909
Reconciliation of operating income (loss) to cash flows from operating activities					
Operating Income (loss)	5,568,360	3,716,856	1,305,601	(1,174,857)	78,763
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,590,021	1,548,318	753,322	396,325	35,346
(Increase) decrease in receivables	(1,857,065)	432,562	(1,020,001)	66,322	4,421
(Increase) decrease in inventories	(265,499)	-	16,420	34,383	-
(Increase) decrease in loans receivable	-	101,393	-	-	-
(Increase) decrease in due from other governments	(245,169)	(150,123)	(23,165)	31,462	-
(Increase) decrease in advances receivable	934,041	87,279	12,006	-	-
(Increase) decrease in leases receivable	-	-	-	(97,974)	(27,816)
(Increase) decrease in deferred outflows	(1,405,503)	(2,330,020)	(1,478,527)	(312,178)	-
Increase (decrease) in accounts payable	20,799	151,071	109,849	19,066	(100)
Increase (decrease) in claims payable	-	-	-	-	-
Increase (decrease) in accrued personnel costs	(94,393)	(322,937)	(204,503)	(18,651)	-
Increase (decrease) in retentions payable	(7,950)	(10,979)	-	-	-
Increase (decrease) in liability for landfill closure	-	-	-	-	-
Increase (decrease) in unearned revenue	-	-	2,137	(20,029)	-
Increase (decrease) in customer deposits	(47,397)	-	16,706	-	-
Increase (decrease) in net pension liability	3,275,033	5,341,885	3,473,885	687,014	-
Increase (decrease) in net OPEB liabilities	-	-	-	-	-
Increase (decrease) in deferred inflows	(1,675,253)	(2,958,326)	(1,702,836)	(410,241)	-
Total adjustments	221,665	1,890,123	(44,707)	375,499	11,851
Net cash provided (used) by operating activities	5,790,025	5,606,979	1,260,894	(799,358)	90,614
NON CASH TRANSACTIONS					
Retirement of capital assets	(13,823)	-	(137,151)	-	-
Landfill post closure liability amortization	-	-	-	-	-
Landfill usage amortization	-	-	-	-	-

See accompanying notes to financial statements

Continued

Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
TOTALS	
\$	\$
57,366,187	-
-	19,323,677
(46,314,808)	(19,743,076)
(135,551)	524,819
1,033,326	-
11,949,154	105,420
464,509	28,332
(285,056)	-
179,453	28,332
(8,743,962)	(401,674)
49,076	-
6,000,000	-
(737,901)	-
(207,328)	-
(3,640,115)	(401,674)
1,151,341	-
2,431,265	166,639
3,582,606	166,639
12,071,098	(101,283)
53,913,601	6,096,169
65,984,699	5,994,886
59,166,933	5,994,886
776,340	-
6,041,426	-
65,984,699	5,994,886
9,494,723	(587,250)
4,323,332	5,652
(2,373,761)	288,697
(214,696)	(35,969)
101,393	-
(386,995)	(28,332)
1,033,326	-
(125,790)	-
(5,526,228)	(1,141,784)
300,685	(62,197)
-	199,372
(640,484)	(123,464)
(18,929)	-
-	-
(17,892)	-
(30,691)	-
12,777,817	2,751,960
-	10,223
(6,746,656)	(1,171,488)
2,454,431	692,670
11,949,154	105,420
(150,974)	-
-	-
-	-

Concluded

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023

ASSETS	\$
Cash and investments	2,019,527
Cash and investments with fiscal agent	1,692,472
Notes receivable	<u>122,100</u>
Total Assets	<u>3,834,099</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred Loss on Refunding	<u>150,118</u>
Total Deferred Outflow of Resources	<u>150,118</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	-
Salaries Payable	-
Interest Payable	94,096
Notes Payable	461,275
Refunding Bonds Payable	<u>1,465,000</u>
Total Current Liabilities	<u>2,020,371</u>
Noncurrent liabilities:	
Refunding Bonds Payable	<u>4,980,297</u>
Total Non Current liabilities	<u>4,980,297</u>
Total Liabilities	<u>7,000,668</u>
Net Position	
Held in trust for other purposes	<u>(3,016,451)</u>
Total Net Position	<u><u>(3,016,451)</u></u>

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

ADDITIONS:	\$
Taxes	3,227,982
Interest	4,168
Amortization	<u>72,747</u>
Total additions	<u>3,304,897</u>
DEDUCTIONS:	
Administration	727,974
Interest	<u>240,887</u>
Total deductions	<u>968,861</u>
Change in Net Position	2,336,036
Net Position (Deficit), July 1	<u>(5,352,487)</u>
Net Position (Deficit), June 30	<u><u>(3,016,451)</u></u>

See accompanying notes to financial statements

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CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting entity

The City of Watsonville, California was incorporated in 1868 as a charter city and operates under the Council-Manager form of government. The City provides the following services: public safety (police, fire and building inspections), highway and streets, water, sewer and solid waste services, airport, public improvements, planning and zoning, housing and general administration.

B. Government-wide and fund financial statements

The Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government except for the Fiduciary fund type – Private Purpose Trust Fund. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among programs revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.

The Impact Fees Special Revenue Fund is assessed at the time of development and is used to mitigate certain increased costs incurred by the government as development occurs. These funds are then used to increase the capacity of roads, build fire stations, public safety equipment, or other governmental facilities. The receipt and disbursement of these fees are recorded in this fund.

The Housing Special Revenue Fund is used for low and moderate-income housing projects. The fund is funded by old 20% Redevelopment Agency's housing loans monthly payments and with loan payoffs.

The Redevelopment and Housing Grants Special Revenue Fund provides assistance to low and moderate-income individuals via grants. These grants offer a number of housing programs to help low to moderate income Watsonville residents improve their housing condition.

The American Rescue Plan Act Special Revenue Fund accounts for funds received and spent for the American Rescue Plan Act.

The General Debt Service Fund receives funds for the payment of governmental debt of the government.

The City reports all its enterprise funds as:

The Water Fund records the receipts of revenues for water services and records the associated expenses or capital investment. The water service provides water to Watsonville and the surrounding communities, which has a service population of approximately 50,000.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

The Sewer Fund records the activity of the City's wastewater treatment plant and collection system. The fund also provides waste treatment services to other local sanitary districts, namely Freedom, Salsipuedes, and Pajaro Utility Districts. Thus, the wastewater plant services some 55,000 residents.

The Solid Waste Fund records the activities of refuse collection, recycling, and landfill operations. The landfill is located near the County landfill and is used only by the citizens of the City of Watsonville.

The Airport Fund represents the activities at the airport and the receipts of Federal Aviation Agency (FAA) grants. The fund is to be supported by the fees the airport collects from fuel sales and facility use fees. The FAA provides substantial grant income for general airport improvements.

The Fiber Optic Fund records the activities of the City's fiber optic system. The fund receives payments for use of the system.

Additionally, the government reports the following fund types:

The Internal Service Fund is used to account for financing of insurance services (workers' compensation, general liability and health benefits) provided to other government funds and departments on a cost reimbursement basis. It also accounts for capital assets and pension related balances.

The Private Purpose Trust Fund is used to account for the transactions of the Successor Agency of the City of Watsonville Redevelopment Agency.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water, sewer, and solid waste functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various foundations concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds principal ongoing operations. The principal operating revenues of the government's enterprise funds and of the City's internal service fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, which require management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts for revenues and expenses or expenditures.

D. Assets, liabilities, and net position or fund balance

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in the following types of investments:

- Securities of the US Government, or its agencies
- Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan institutions like institutions such as credit unions
- Local Agency Investment Fund (State Pool)
- Repurchase agreements (repos) for a term of one year or less
- Passbook Savings Account Demand Deposits
- Debt of the City of Watsonville
- Negotiable Certificates of Deposits
- Bankers' Acceptances

Investments for the City are reported at fair value. The State Treasurers Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The City has funds held by trustees or fiscal agents pledged to the payment or security of certain bonds and certificates of participation. The California Government Code provides that these funds, in absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments the trustees or fiscal agent may make.

Cash and cash equivalents

The cash flow statements require presentation of "cash and cash equivalents". For the purposes of the statement of cash flows, the City considers all proprietary funds pooled cash and investments and cash and investments with fiscal agent as "cash and cash equivalents".

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Property taxes are levied and collected by the County of Santa Cruz and paid upon collection to the various taxing entities including the City. Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. Unsecured taxes are due on July 1 and become delinquent on August 31. The City recognizes property tax revenues when they become measurable and available for the payment of claims in the current period.

3. Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. Land held for resale

Land held for resale is carried at the lower of cost or estimated realizable value.

5. Capital assets

Capital assets, which include property, plant and equipment, and infrastructure, (e.g., bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems), and construction in progress are recorded in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession agreement are valued at their estimated acquisition value on the date donated.

The costs for normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Property, plant, and equipment of the primary government, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	20 to 50 years
Buildings	20 to 50 years
Improvements	20 to 50 years
Machinery, Equipment, and Vehicles	3 to 10 years

6. Compensated absences

It is the City's policy to allow most employee groups to accumulate sick leave to a maximum of 1,000 hours. Sick leave accumulated above this maximum is paid to employees at 50% of such excess in December. The balance of such unused sick leave is lost and the sick leave accrual is reduced to 1,000 hours at January 1 of each year. Earned vacation time is accumulated up to two times the employee's annual accrual rate and unused vacation is paid at the employee's hourly rate upon termination.

The maximum accumulation, for fire-fighters on shift duty, of unused sick leave is 62.5 days (1,500 hours). Sick leave accumulation in any calendar year in excess of 1,500 hours shall be paid at the rate of 50% of such excess. The balance of such unused sick leave is lost and the sick leave accrual is reduced to 1,500 hours at January 1 of each year.

The City accrues for compensated absences in the government-wide and proprietary fund financial statements for which they are liable to make payment directly. The General fund, Inclusionary Housing fund, and all four of the five Enterprise funds incurred costs associated with compensated absences during the last fiscal year.

7. Interfund transactions

A description of the basic two types of the City's interfund transactions during the fiscal year and the related accounting policies are set forth as follows:

1. Transactions related directly to services rendered, or facilities provided, are recorded as revenues in the fund providing the service or facility and expenditures (or expenses) in the fund receiving them.
2. Transactions to allocate resources from one fund to another, not contingent on the occurrence of specific expenditures in the receiving fund, are recorded appropriately as transfers in and transfers out in the respective funds.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

8. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,”* and GASB Statement No. 65, *“Items Previously Reported as Assets and Liabilities,”* the City recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net assets by the government that is applicable to a future reporting period. The City has one item which qualifies for reporting; see Note IV. E. for a detailed listing of the deferred outflows. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net assets by the City that is applicable to a future reporting period. The City has three items which qualify for reporting in this category – unavailable revenue, lease related and pension related deferred inflows of resources. Refer to Note III. D and Note IV. E. for a detailed listing of the lease related and pension related deferred inflows of resources the City has recognized.

10. Fund balances

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the City’s governing board (ordinance). Committed amounts cannot be used for any purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purpose with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent maybe stipulated by the government board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purpose in accordance with the nature of their type or the fund’s primary purpose. An assignment within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the City.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of commitments made, which include future funding sources for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balance are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

11. Net Position

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is *net investment in capital assets* consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

The Net Investment in Capital Assets are calculated as below:

	Governmental Activities	Business-type Activities	Total
	\$	\$	\$
Capital Assets, net of accumulated depreciation:	115,363,976	106,079,574	221,443,550
Less: Capital debt	(2,242,597)	(12,633,198)	(14,875,795)
Plus: Unspent bond proceeds	-	6,817,766	6,817,766
Net Investment in Capital Assets:	<u>113,121,379</u>	<u>100,264,142</u>	<u>213,385,521</u>

II. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at fiscal year-end.

On or before March 31 of each fiscal year, all departments of the City of Watsonville are required to submit requests for appropriations to the City's management so that a budget may be prepared. Before May 31 the proposed budget is presented to the City Council for review. City Council holds public hearings and a final budget must be prepared and adopted no later than June 30.

The appropriated budget is prepared by fund, department, and division, with the exception of the Impact Fees Special Revenue Fund. The City's budget policy requires that all funds be included in the annual appropriated budget, but the Impact Fee Special Revenue Fund was unintentionally excluded from the fiscal year 2023 budget. The City department heads may make transfers of appropriations within a department. Transfers of appropriations between funds require the approval of the City Manager. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. City Council made several supplemental budget appropriations during the fiscal year. The General Fund budget was increased by \$9,273,364 during the fiscal year for a short term loan to the County of Santa Cruz for the purchase of a hospital in the amount of \$5 million, also the City had increases in capital improvement costs for Ramsay Park, increased expenditures for public safety for increases in salary and overtime costs.

Encumbrance accounting is employed in governmental funds. The commitments will be re-appropriated and honored during the subsequent fiscal year. Encumbrances were as follows at fiscal year-end: General Fund - \$14,316,880, Housing Fund - \$467,025, and Other Governmental Funds - \$7,627,748.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

B. Deficit fund equity

As of June 30, 2023, the Parking Garage Special Revenue Fund had a fund balance deficit of (\$334,479). The fund will make up the deficits with future licenses, permits and fees collected. The Inclusionary Housing Fund had a fund balance deficit of (\$3,340). The fund will make up the deficits with future Inclusionary Housing fee collections. The Internal Services Fund had a fund balance deficit of (\$1,002,822). The fund will make up the deficits with future reimbursements from other funds.

III. Detailed notes on all funds

A. Cash and investments

Cash and investments (including monies held by trustees and fiscal agents) as of June 30, 2023 were as follows:

	Balance June 30, 2023	
<u>Cash:</u>	\$	\$
Demand Deposits	7,711,558	-
Outstanding Checks	(1,407,669)	-
Deposits in Transit	270,095	-
Net Demand Deposits	6,573,984	-
Petty Cash	12,686	-
Cash Subtotal	-	6,586,670
<u>Investments:</u>		
Guaranteed Investment Contracts	1,322,827	-
California Asset Management Program	80,599,438	-
Local Agency Investment Fund	50,462,845	-
Money Market Mutual Funds	6,041,426	-
Investment Subtotal		138,426,536
Total Cash and Investments		145,013,206

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

The cash and investments of Governmental Activities, Business-Type Activities, and the Private Purpose Trust Fund was as follows as of June 30, 2023:

	Balance June 30, 2023
Governmental Activities:	\$
General Fund	23,905,029
Impact Fees Special Revenue Fund	7,262,655
Housing Special Revenue Fund	3,280,443
Redevelopment and Housing Grants Special Revenue Fund	2,721,553
American Rescue Plan Act Special Revenue Fund	16,162,714
Debt Service Fund	324,294
Other Nonmajor Funds	15,664,934
Total Governmental Activities:	<u>69,321,622</u>
Business-type Activities:	
Water Fund	31,730,377
Sewer Fund	16,328,536
Solid Waste Fund	16,916,396
Airport Fund	817,481
Fiber Optic Fund	191,909
Total Business-Type Activities	<u>65,984,699</u>
Internal Service Fund	5,994,886
Private Purpose Trust Fiduciary Fund	<u>3,711,999</u>
Total City Cash and Investments	<u><u>145,013,206</u></u>

The City of Watsonville categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City of Watsonville has the following fair value hierarchy as of June 30, 2023:

	Total	Exempt
Investments measured at amortized cost:	\$	\$
Guaranteed Investments Contracts	1,322,827	1,322,827
Local Agency Investment Fund	50,462,845	50,462,845
California Asset Management Program	80,599,438	80,599,438
Money Market Mutual Funds	<u>6,041,426</u>	<u>6,041,426</u>
Total Investments	<u><u>138,426,536</u></u>	<u><u>138,426,536</u></u>

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

POOLED DEPOSITS/CREDIT RISK:

The California Government Code requires California banks and savings and loan associations to secure a government's deposits by pledging government securities as collateral. The fair value of pledged securities must equal at least 110% of a government's deposits. California law also allows financial institutions to secure the City's deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total deposit.

The City may waive collateral requirements for deposits, which are fully insured up to \$250,000 by federal depository insurance.

At June 30, 2023, the City's carrying amount of deposits and cash on hand was \$6,586,670 and bank balances were \$7,711,558. Bank balances in excess of the FDIC insurance limitations are fully collateralized by the Bank by pledging identified U.S. Government Securities.

Investments Authorized by the California Government Code and the City's Investment Policy

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio *	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	40%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Passbook Savings Account Demand Deposit	N/A	None	None
Medium-Term Corporate Notes	5 years	30%	None
Debt of City of Watsonville	N/A	None	None
Money Market Mutual Funds	N/A	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75,000,000
California Asset Management Program (CAMP)	N/A	None	None

* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions

Investments Authorized by Debt Agreements

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Guaranteed Investment Contracts	30 years	None	None

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Disclosures Relating to Interest Rate Risk

Investment Type	Remaining Maturity (in Months)		Total
	12 Months or Less	121 Months	
	\$	\$	\$
Local Agency Investment Fund	50,462,845	-	50,462,845
California Asset Management Program	80,599,438	-	80,599,438
Guaranteed Investment Contracts	-	1,322,827	1,322,827
Money Market Mutual Funds	6,041,426	-	6,041,426
Total	137,103,709	1,322,827	138,426,536

Disclosures Relating to Credit Risk

Investment Type	Ratings as of Fiscal Year End			Total
	AAA	AA	Not Rated	
		\$	\$	\$
Local Agency Investment Fund	-	-	50,462,845	50,462,845
California Asset Management Program	-	-	80,599,438	80,599,438
Guaranteed Investment Contracts	-	1,322,827	-	1,322,827
Money Market Mutual Funds	6,041,426	-	-	6,041,426
Total	6,041,426	1,322,827	131,062,283	138,426,536

- (1) The management of the State of California Pooled Money Investment Account (generally referred to as LAIF) has indicated to the City that as of June 30, 2023 the amortized cost value of the pool was \$179,160,181,981 and the estimated fair value of the pool was \$176,442,053,163. The reported value of the City's portion of LAIF is the same value as the fair value of LAIF shares. LAIF's (and the City's) exposure to risk (credit, market or legal) is not currently available. The State's Local Agency Investment Fund (LAIF) operates in accordance with appropriate state laws and regulations. At June 30, 2023, these investments had an average maturity of 260 days.
- (2) The City is a participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of CAMP participants to invest certain proceeds of debt issues and surplus funds. CAMP investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The City reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share in accordance with GASB 79 requirements. At June 30, 2023, fair value was approximate to the City's cost. At June 30, 2023, these investments had an average maturity of 26 days.

The City has funds held by trustees or fiscal agents pledged to the payment or security of certain bonds. The California Government Code provides that these funds, in absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments the trustees or fiscal agent may make.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

B. Capital assets

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

Governmental activities:

	Balance at June 30, 2022 (as restated)	Additions	Deletions	Transfers	Balance at June 30, 2023
Capital Assets not being depreciated:	\$	\$	\$	\$	\$
Land and Improvements	16,467,923	575,945	-	-	17,043,868
Construction in Progress	8,635,424	5,470,743	-	(992,752)	13,113,415
Total Capital Assets not being depreciated	25,103,347	6,046,688	-	(992,752)	30,157,283
Capital Assets being depreciated and amortized:					
Buildings and Improvements	136,836,525	87,848	(100,000)	992,752	137,817,125
Machinery and Equipment	17,925,098	624,242	(35,571)	-	18,513,769
Infrastructure	41,148,423	15,191	-	-	41,163,614
Right to Use Subscription Assets	1,196,545	-	-	-	1,196,545
Total Capital Assets being depreciated and amortized	197,106,591	727,281	(135,571)	992,752	198,691,053
Less accumulated depreciation and amortization for:					
Buildings and Improvements	(67,158,200)	(3,678,928)	100,000	-	(70,737,128)
Machinery and Equipment	(13,062,730)	(1,081,112)	35,571	-	(14,108,271)
Infrastructure	(27,433,866)	(988,772)	-	-	(28,422,638)
Right to Use Subscription Assets	-	(216,323)	-	-	(216,323)
Total accumulated depreciation	(107,654,796)	(5,965,135)	135,571	-	(113,484,360)
Total Capital Assets being depreciated and amortized, net	89,451,795	(5,237,854)	-	992,752	85,206,693
Governmental activity Capital Assets, net	114,555,142	808,834	-	-	115,363,976

In fiscal year 2023, the City implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which required the City to record an intangible right-to-use subscription asset. As a result, a right-to-use subscription asset was recorded in the amount of \$1,196,545 as part of the Governmental Activities capital assets at July 1, 2022. As of June 30, 2023, the City has recorded a net intangible right-to use subscription asset amounting to \$980,222, with accumulated amortization of \$216,323. The subscription asset is offset with a subscription liability as discussed in Note III. F.

Business-type activities:

	Balance at June 30, 2022	Additions	Deletions	Transfers	Balance at June 30, 2023
Capital Assets, not being depreciated:	\$	\$	\$	\$	\$
Land and improvement	14,771,215	49,347	-	-	14,820,562
Construction in progress	5,685,774	7,147,707	-	(5,784,139)	7,049,342
Total Capital Assets not being depreciated	20,456,989	7,197,054	-	(5,784,139)	21,869,904
Capital Assets, being depreciated:					
Buildings and Improvements	91,981,906	13,096	-	-	91,995,002
Machinery, Equipment and Vehicles	27,224,944	705,411	(150,974)	-	27,779,381
Infrastructure	70,826,194	828,401	-	5,784,139	77,438,734
Total Capital Assets being depreciated	190,033,044	1,546,908	(150,974)	5,784,139	197,213,117
Less accumulated depreciation for:					
Buildings and Improvements	(40,710,790)	(2,110,691)	-	-	(42,821,481)
Machinery Equipment	(18,561,689)	(1,131,977)	150,974	-	(19,542,692)
Infrastructure	(49,558,610)	(1,080,664)	-	-	(50,639,274)
Total accumulated depreciation	(108,831,089)	(4,323,332)	150,974	-	(113,003,447)
Total Capital Assets being depreciated	81,201,955	(2,776,424)	-	5,784,139	84,209,670
Business-type activities Capital Assets, net	101,658,944	4,420,630	-	-	106,079,574

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Depreciation expenses were charged to functions/programs of the primary government as follows:

Governmental activities:	\$
General government	816,491
Public safety	920,731
Streets	2,586,646
Culture and recreation	1,635,615
Internal Services Fund	5,652
	<hr/>
Total depreciation expense - governmental activities	<u>5,965,135</u>
Business-Type activities:	
Water Fund	1,590,021
Sewer Fund	1,548,318
Solid Waste Fund	753,322
Airport Fund	396,325
Fiber Optic Fund	35,346
	<hr/>
Total depreciation expense - business-type activities	<u>4,323,332</u>

C. Interfund receivables, payables, and transfers

The composition of interfund activities as of June 30, 2023, is as follows:

Due from/to other funds

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. Due from/to other funds balances at June 30, 2023 were as follows:

	Due from other funds	Due to other funds
Governmental Funds:	\$	\$
General Fund	462,405	-
Impact Fees Special Revenue Fund	-	20,916
Redevelopment & Housing Grants Fund	-	114,209
Nonmajor Funds	-	327,280
	<hr/>	<hr/>
Total Governmental Funds	<u>462,405</u>	<u>462,405</u>

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Advances receivable/payable

Long-term interfund balances arise in the normal course of business and are not expected to be repaid during the next fiscal year. Advances receivable/payable funds balances at June 30, 2023 were as follows:

	Advances Receivable	Advances Payable
	\$	\$
Governmental Funds:		
General Fund	-	1,253,516
Impact Fees Special Revenue Fund	46,864	-
Nonmajor Funds	18,577	-
Total Governmental Funds	65,441	1,253,516
Enterprise Funds:		
Water Fund	1,022,141	-
Sewer Fund	97,665	-
Solid Waste Fund	68,269	-
Total Enterprise Funds	1,188,075	-
Total Government	1,253,516	1,253,516

With Council approval, resources may be transferred from one City fund to another. The City made various interfund transfers as follows:

	Transfers In				
	General Fund	Housing Special Revenue Fund	Debt Service Fund	Nonmajor Funds	Total Transfers Out
Transfers Out	\$	\$	\$	\$	\$
General Fund	-	201,985	148,711	13,483	364,179
Impact Fee Special Revenue Fund	5,000	-	-	-	5,000
Redevelopment & Housing Special Revenue Fund	122,068	-	166,308	-	288,376
Nonmajor Governmental Funds	3,995,003	-	312,647	59,488	4,367,138
Water Fund	-	-	26,595	5,056	31,651
Sewer Fund	-	-	197,457	5,056	202,513
Airport Fund	-	-	40,780	5,056	45,836
Solid Waste Fund	-	-	-	5,056	5,056
Total Transfers In	4,122,071	201,985	892,498	93,195	5,309,749

The City approved various interfund transfers within its budget for various recommencements such as the transfer from the Retirement Fund to the General Fund for recommencements of General Fund employee's retirement costs, the transfer from the CDBG Fund to the General Fund for the recommencements of qualified recreations staff costs and recommencements of debt payments to the Debt Service Fund. The General Fund also transferred 20% of its reimbursement from the Successor Agency to the Successor Agency Housing Fund as required by State law.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

D. Leases

Policies

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. The City recognizes lease receivable or liabilities with an initial, individual value of \$200,000 or more, based on the future lease payments remaining at the start of the lease.

Lessor

The City is a lessor for noncancellable leases of buildings and facilities. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts as follows:

- The City uses bond interest rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Leases Receivable (City as Lessor)

The terms and balances related to leases receivable and deferred inflows of resources recorded in the Enterprise Funds as of June 30, 2023 were:

Lessee	Property Address	Original Lease Date	Lease Ending Date	Term Duration (Years)	Remaining Lease Term (years)	Extension Years	Expiration Date Including Options
	Running between Room MPOE of the City's Civic Center and Fire Station Two, 370 Airport Boulevard	6/30/2021	6/30/2024	3	1	-	6/30/2024
Zayo Group, LLC							
EKB Partners	45 Aviation Way	12/28/2016	12/31/2053	20	14	15	12/31/2053
Mid Valley Supply	220 Airport Blvd	10/1/2014	9/30/2024	5	0	5	9/30/2024
Pacific Golf Centers	101 Ranport Rd	7/2/2013	7/1/2038	5	0	20	7/1/2038
Specialized Helicopter	150 Aviation Way	3/1/2020	2/29/2024	4	1	0	2/29/2024
Watsonville Diesel	101 Aviation Way	8/1/2016	7/31/2056	30	24	10	7/31/2056
United Flight	120 Aviation Way	6/24/2009	11/14/2038	20	7	10	11/14/2038
Ellas	100 Aviation Way	4/1/2022	3/31/2027	5	3	6	3/31/2033
SC Animal Services	580 Airport	7/1/2022	7/1/2047	25	24	5	7/1/1947
Expomaging	121 Aviation Way	10/1/2021	9/30/2025	4	3	0	9/30/2025

(Continued below)

Lessee	Interest Revenue	Lease Revenue	Monthly Revenue as of June 30, 2023	Lease Receivable Balance at June 30, 2023	Deferred Inflow of Resources at June 30, 2023
	\$	\$	\$	\$	\$
Zayo Group, LLC	808	61,543	9,551	111,238	109,625
EKB Partners	16,797	20,653	1,719	642,778	610,278
Mid Valley Supply	5,062	91,364	8,633	365,261	358,443
Pacific Golf Centers	8,946	26,468	2,203	404,729	387,163
Specialized Helicopter	709	80,369	6,690	53,937	52,067
Watsonville Diesel	21,718	24,125	2,008	838,211	796,515
United Flight	7,559	21,849	1,819	342,219	327,386
Ellas	11,263	61,677	5,609	676,075	662,693
SC Animal Services	31,313	37,306	3,378	985,434	954,121
Expomaging	1,439	57,036	5,164	140,459	139,020
	<u>105,614</u>	<u>482,390</u>	<u>46,774</u>	<u>4,560,341</u>	<u>4,397,311</u>

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

The future principal and interest lease receivables as of June 30, were as follows:

For the Year Ended June 30	Principal	Interest	Total
	\$	\$	\$
2024	472,858	108,868	581,726
2025	318,958	101,235	420,193
2026	281,570	94,458	376,028
2027	218,781	88,183	306,964
2028	169,169	83,974	253,143
2029-2033	901,695	358,908	1,260,603
2034-2038	659,642	263,899	923,541
2039-2043	511,968	181,107	693,075
2044-2048	527,434	100,701	628,135
2049-2053	344,146	42,981	387,127
2054-2057	154,120	5,873	159,993
Totals	4,560,341	1,430,187	5,990,528

E. Long-term debt

The City's long-term debt obligations are repaid by the following funds: General Fund, Debt Service Fund, Water Enterprise Fund, Sewer Enterprise Fund, Solid Waste Enterprise Fund and the Airport Enterprise Fund.

Debt payable (Direct Borrowing) – Governmental Activities

On April 13, 2012, the City entered into a commercial term loan with Santa Cruz County Bank to finance the cost of installing solar panels through the City of Watsonville. The total amount for which the City was obligated under the loan was \$3,014,285. Installation of the solar panels was completed in the 2012/13 fiscal year.

Interest rate for the loan was 5.29% with principal payments ranging from \$206,431 to \$282,376 through fiscal year 2027.

Notes payable:

Governmental Activities -

Section 108 Loan Payable (Direct Borrowing)

The City entered into a contract with the Secretary of U.S. Department of Housing and Urban Development. The contract is for loan guarantee assistance under Section 108 of the Housing and Community Development Act of 1974, as amended, 42 U.S.C. #5308. The promissory note, in the amount of \$2,530,000, is for the Downtown Parking Garage Project. The loan is to be repaid with future Community Development Block Grant funds over a period of twenty years at an interest rate of 1.26%.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

The annual requirements to amortize the Section 108 loan outstanding as of June 30, 2023 is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	\$	\$	\$
2024	163,000	2,902	165,902
2025	170,000	2,423	172,423
Total	333,000	5,325	338,325

PG&E 2019 Notes (Direct Borrowing)

The City entered into several agreements with Pacific Gas & Electric Company (PG&E) to retrofit City lighting with qualified energy saving lights throughout the City. The notes are to be repaid with future energy savings over various periods at interest rates of 0%.

Governmental Type Activities

The terms and maximum payments required on the 2019 notes are as follows:

Old City Hall - \$47,181, 5 year loan, maximum annual payment of \$11,323,
Civic Center - \$60,070, 4 year loan, maximum annual payment of \$16,518,
Marinovich - \$33,071, 4 year loan, maximum annual payment of \$9,229,
Youth Center - \$27,876, 6 year loan, maximum annual payment of \$4,993,
Ramsay Park - \$29,807, 5 year loan, maximum annual payment of \$7,013,
Beach St Parking - \$35,429, 6 year loan, maximum annual payment of \$7,330,
Police Station - \$85,545, 5 year loan, maximum annual payment of \$19,010,
Senior Center - \$20,657, 8 year loan, maximum annual payment of \$2,882.

The annual requirements to repay the PG&E 2019 governmental activities notes outstanding as of June 30, 2023 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
	\$
2024	49,374
2025	11,292
2026	3,709
2027	2,882
2028	243
Total	67,500

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Business Type Activities

The original note amounts, terms and maximum annual payments required on the 2019 notes are as follows:

Corralitos - \$23,326, 5 year loan, maximum annual payment of \$5,281,
MSC - \$34,323, 7 year loan, maximum annual payment of \$5,492.

For the Water Fund as follows:

The annual requirements to repay the PG&E 2019 Water Fund notes outstanding as of June 30, 2023 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
	\$
2024	10,333
2025	5,489
2026	4,121
Total	<u>19,943</u>

For the Waste Water Fund as follows:

Waste Water Treatment Plant - \$86,422, 5 year loan, maximum annual payment of \$19,205.

The annual requirements to repay the PG&E 2019 Waste Water Fund note outstanding as of June 30, 2023 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
	\$
2024	19,205
2025	8,002
Total	<u>27,207</u>

For the Airport Fund as follows:

Airport - \$153,579, 7 year loan, maximum annual payment of \$23,037.

The annual requirements to repay the PG&E 2019 Airport Fund note outstanding as of June 30, 2023 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
	\$
2024	23,037
2025	23,037
2026	23,037
2027	5,759
Total	<u>74,870</u>

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

For the Solid Waste Fund as follows:

Landfill - \$9,110, 7 year loan, maximum annual payment of \$1,458.

The annual requirements to repay the PG&E 2019 Solid Waste Fund note outstanding as of June 30, 2023 are as follows:

Fiscal Year	Principal
	\$
2024	1,458
2025	1,458
2026	970
Total	3,886

State Water Resources Control Board Loans (Direct Borrowing)

On December 18, 2015, the City entered into an agreement with the California State Water Resources Control Board for a Clean Water State Revolving Fund Loan to finance the Manana Lane Sewer Replacement Project. The amount of the loan is \$1,486,310. The interest rate for the 20 year loan is 1.6% with principal payments ranging from \$66,227 to \$86,741.

The City's outstanding loan under the California State Water Resources Control Board is secured by a pledge of revenues from the Sewer Enterprise Fund. Events of default include non-payment of interest or principal when due. The City shall have 10 days to clear any default. A penalty of highest legal rate of interest from date of default will be added for each charge, fees, taxes, assessments tools or other charges or imposed by the Recipient of non-payment. There have been no events of default since the loan was issued.

The annual debt services requirements for the loan outstanding as of June 30, 2023 is as follows:

Fiscal Year	Principal	Interest	Debt Service
	\$	\$	\$
2024	69,457	18,673	88,130
2025	70,569	17,561	88,130
2026	71,698	16,432	88,130
2027	72,845	15,285	88,130
2028	74,011	14,120	88,131
2029-2033	388,199	52,451	440,650
2034-2038	420,263	20,386	440,649
Total	1,167,042	154,908	1,321,950

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

On April 15, 2019, the City entered into an agreement with the California State Water Resources Control Board for a Clean Water State Revolving Fund Loan to finance the Freedom Sanitation Trunk Sewer Line Project. The total amount of the loan is \$4,600,840, however, the City has only drawn down \$4,490,677, of which only \$4,067,155 remains unpaid as of June 30, 2023. The interest rate for the 20 year loan is 1.7% with principal payments ranging from \$191,784 to \$259,771 as of June 30, 2023.

The City's outstanding loan under the California State Water Resources Control Board is secured by a pledge of revenues from the Sewer Enterprise Fund. Events of default include non-payment of interest or principal when due. The City shall have 10 days to clear any default. A penalty of highest legal rate of interest from date of default will be added for each charge, fees, taxes, assessments tools or other charges or imposed by the Recipient of non-payment. There have been no events of default since the loan was issued.

The annual requirements to amortize the loan outstanding as of June 30, 2023 is as follows:

Fiscal Year	Principal	Interest	Debt Service
	\$	\$	\$
2024	195,043	69,142	264,185
2025	198,359	65,826	264,185
2026	201,731	62,454	264,185
2027	205,160	59,025	264,185
2028	208,648	55,537	264,185
2029-2033	1,097,666	223,257	1,320,923
2034-2038	1,194,194	126,728	1,320,922
2039-2041	766,354	26,202	792,556
Total	4,067,155	688,171	4,755,326

iBank Loan (Direct Borrowing)

On March 20, 2023, the City received a loan in the amount of \$6,000,000, plus accrued interest, from the California Infrastructure and Economic Development Bank. Proceeds from the loan are to be used for construction of a 7.1 acre landfill site. Principal is due annually on August 1st and interest is due semi-annually on August 1st and February 1st, commencing August 1, 2023. The interest rate for the 20 year loan is 3.93% with principal payments ranging from \$139,665 to \$377,497 as of June 30, 2023.

The loan is secured by a pledge of revenues from the Solid Waste Enterprise Fund. Events of default include non-payment of interest or principal when due. The City shall have 10 days to clear any default. A penalty of highest legal rate of interest from date of default will be added for each charge, fees, taxes, assessments tools or other charges or imposed by the Recipient of non-payment. There have been no events of default since the loan was issued.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

The annual requirements for loan repayments on the loan outstanding as of June 30, 2023 is as follows:

Fiscal Year	Principal	Interest	Debt Service
	\$	\$	\$
2024	139,665	216,301	355,966
2025	145,573	244,813	390,386
2026	151,731	238,525	390,256
2027	158,149	231,971	390,120
2028	164,839	225,140	389,979
2029-2033	934,872	1,012,681	1,947,553
2034-2038	1,150,047	792,955	1,943,002
2039-2043	1,414,749	522,654	1,937,403
2044-2048	1,740,375	190,141	1,930,516
Total	<u>6,000,000</u>	<u>3,675,181</u>	<u>9,675,181</u>

Business-type Activities - Municipal landfill closure and post-closure liability and requirements

The City operates a landfill solely for the disposal of Watsonville residents' solid waste. The landfill is regulated by the California Integrated Waste Management Board, which requires that the City set aside certain funds for the landfill's eventual closure. As of June 30, 1998, the City's Solid Waste Division had completed the closure of the old landfill cell and recognized \$403,773 of expenditures to complete the closure. The City is now operating a new cell, which was expected to provide landfill capacity for 23 years with an estimated post-closure costs of \$1,591,230 as of June 30, 2023.

The City recognizes a portion of the closure and post closure care costs in each operating period. The amount recognized each year to date for the new landfill is based on the landfill capacity used as of the balance sheet date. As of June 30, 2023, the new landfill cell had used 96.7% of its projected space. The estimated closure and post-closure costs were \$1,876,793 and \$1,803,644, respectively, which will be recognized as the remaining capacity is used (estimated to be 0.6 years). To date, the fund has \$239,650 for post closure costs for the closed phase I and II cells and has set aside closure costs of \$1,876,793 and post-closure costs of \$1,563,994 for the open phase III cell for a total of \$3,680,437. The estimated costs of closure and post closure care are subject to changes such as the effects of inflation, revision of laws and other variables.

NET OPEB LIABILITY

Starting July 1, 2015, the City ceased to pay cash subsidies for retirees. The retirees pay the full amount of their CSAC IEA premiums. The medical/drug implicit subsidy was the only source of liability related for OPEB. Since there is no cash subsidy, as of June 30, 2023, the net OPEB liability was calculated to be immaterial for GASB#75 presentation purposes. However, the net OPEB liabilities of \$2,582,860 is still reflected as part of the long-term liabilities in the City's Statements of Net Position as follows: Governmental Activities - \$1,177,720, Business-type Activities - \$1,405,140.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Financed Purchases (Direct Borrowings):

Governmental Activities -

On March 12, 2018, the City entered into an Equipment Lease Purchase agreement with Community First National Bank for the purchase of a Rosenbauer EXT Aerial Tiller Fire Truck. The amount of the lease pertaining to governmental activities was \$1,291,081. The interest rate for the 5 year lease is 3.544% with principal lease payments ranging from \$249,076 to \$276,507. The lease is fully paid off as of June 30, 2023.

On March 9, 2021, the City entered into a Master Equipment Lease Purchase Agreement with Bank of America for the refinancing of the Solar Project Equipment by prepayment of the 2012 Solar Lease with Santa Cruz County and acquiring four solid waste collection vehicles and one sewer cleaning vehicle. See Financed Purchase (Direct Borrowing) – Business-Type Activities for further information. The amount of the lease pertaining to governmental activities was \$1,649,451. Interest rate for the 7 year lease is 1.25% with principal lease payments ranging from \$137,956 to \$279,708.

If the City should default under any of the provisions hereof, the lessor may (1) declare defaulted and all other amounts payable to be immediately due, (2) retake possession or require the City to promptly return such equipment, (3) terminate the lease or (4) take legal action necessary and desirable to enforce its rights. There have been no events of default since the lease was entered into.

The annual requirement to amortize the lease outstanding for governmental activities as of June 30, 2023 is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	\$	\$	\$
2024	274,086	11,961	286,047
2025	276,883	9,192	286,075
2026	279,708	6,396	286,104
2027	140,922	3,571	144,493
Total	<u>971,599</u>	<u>31,120</u>	<u>1,002,719</u>

Business-Type Activities -

On March 9, 2021, the City entered into a Master Equipment Lease Purchase agreement with Bank of America for the purchase of a Sewer Cleaning Vehicle Truck. The amount of the lease pertaining to the Sewer Fund was \$503,037. Interest rate for the 6 year lease is 1.25% with principal lease payments ranging from \$45,873 to \$93,206.

If the City should default under any of the provisions hereof, the lessor may (1) declare defaulted and all other amounts payable to be immediately due, (2) retake possession or require the City to promptly return such equipment, (3) terminate the lease or (4) take legal action necessary and desirable to enforce its rights. There have been no events of default since the lease was entered into.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

The annual requirement to amortize the lease outstanding in the Sewer Fund as of June 30, 2023 is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	\$	\$	\$
2024	91,424	2,457	93,881
2025	92,310	1,571	93,881
2026	93,206	676	93,882
Total	276,940	4,704	281,644

On March 9, 2021, the City entered into a Master Equipment Lease Purchase agreement with Bank of America for the purchase of four solid waste collection vehicle trucks. The amount of the lease pertaining to the Solid Waste Fund was \$1,809,432. The interest rate for the 6 year lease is 1.25% with principal lease payments ranging from \$165,008 to \$335,528.

If the City should default under any of the provisions hereof, the lessor may (1) declare defaulted and all other amounts payable to be immediately due, (2) retake possession or require the City to promptly return such equipment, (3) terminate the lease or (4) take legal action necessary and desirable to enforce its rights. There have been no events of default since the lease was entered into.

The annual requirement to amortize the lease outstanding in the Solid Waste Fund as of June 30, 2023 is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	\$	\$	\$
2024	328,855	8,838	337,693
2025	332,041	5,651	337,692
2026	335,259	2,433	337,692
Total	996,155	16,922	1,013,077

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Changes in long-term liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2023, are as follows:

	Balance at June 30, 2022 (as restated)	Additions	Reductions	Balance June 30, 2023	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Direct Borrowings:					
Notes payable	2,153,222	-	(781,123)	1,372,099	486,460
Subtotal	2,153,222	-	(781,123)	1,372,099	486,460
Other Liabilities:					
Compensated absences	2,191,838	1,534,106	(1,344,547)	2,381,397	142,884
Net OPEB liability	3,631,460	-	(2,453,740)	1,177,720	-
Net pension liability	42,144,966	38,795,012	-	80,939,978	-
Subscription liabilities	1,065,310	-	(194,812)	870,498	201,136
Total Governmental activities					
Long-term liabilities	51,186,796	40,329,118	(4,774,222)	86,741,692	830,480
	\$	\$	\$	\$	\$
Business-type activities:					
Loans payable (2015 SWRCB, 2019 SWRCB)	5,494,345	-	(260,148)	5,234,197	264,500
Notes payable (2019 PG&E various, Sewer Cleaning Truck, Solid Waste Collection Truck, IBank Loan)	1,876,754	6,000,000	(477,753)	7,399,001	613,977
Compensated absences	1,030,766	756,536	(781,423)	1,005,879	60,352
Net OPEB liability	1,405,140	-	-	1,405,140	-
Net pension liabilities	13,580,019	12,777,817	-	26,357,836	-
Landfill closure / post-closure liabilities	3,680,437	-	-	3,680,437	-
Total Business-type activities					
Long-Term liabilities	27,067,461	19,534,353	(1,519,324)	45,082,490	938,829

In fiscal year 2023, the City implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which required the City to record a subscription liability. As a result, a subscription liability was recorded in the amount of \$1,065,310 as part of the Governmental Activities long-term liabilities at July 1, 2022. See Note III. F for additional information.

General Fund, Library Fund, Sewer Fund, Water Fund, Airport Fund and Solid Waste Fund all were required to pay their portion of costs related to other Net OPEB Liabilities and Net Pension Liabilities.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Loans and notes payable activity for the fiscal year ended June 30, 2023, are as follows:

	Balance June 30, 2022 \$	Additions \$	Retirements \$	Balance June 30, 2023 \$	Amount due within one year \$
Governmental activities:					
2004 HUD Section 108	488,000	-	(155,000)	333,000	163,000
Due to Pacific Gas & Electric					
Old City Hall	17,929	-	(11,323)	6,606	6,606
Civic Center	16,518	-	(16,518)	-	-
Marrinovich	10,767	-	(9,229)	1,538	1,538
Youth Center	15,806	-	(4,993)	10,813	4,993
Ramsay Park	14,028	-	(7,013)	7,015	7,015
Beach Street Parking Garage 2	16,493	-	(7,330)	9,163	7,330
Police Department	39,604	-	(19,010)	20,594	19,010
Senior Center	14,653	-	(2,882)	11,771	2,882
Tiller Ladder Truck	276,507	-	(276,507)	-	-
Solar Panels	1,242,917	-	(271,318)	971,599	274,086
Total governmental activities	<u>2,153,222</u>	<u>-</u>	<u>(781,123)</u>	<u>1,372,099</u>	<u>486,460</u>
	Balance June 30, 2022 \$	Additions \$	Retirements \$	Balance June 30, 2023 \$	Amount due within one year \$
Business-type activities:					
SWRCB 2015 Loan	1,235,406	-	(68,364)	1,167,042	69,457
SWRCB 2016 Loan	4,258,939	-	(191,784)	4,067,155	195,043
Due to Pacific Gas & Electric					
WWTP 1	7,036	-	(7,036)	-	-
Airport	97,907	-	(23,037)	74,870	23,037
Corralitos Filter Plant	10,122	-	(5,281)	4,841	4,841
MSC	20,594	-	(5,492)	15,102	5,492
WWTP 2	46,412	-	(19,205)	27,207	19,205
City Landfill	5,344	-	(1,458)	3,886	1,458
Sewer System Cleaning Truck	367,486	-	(90,546)	276,940	91,424
Solid Waste Collection Vehicles	1,321,853	-	(325,698)	996,155	328,855
Landfill Obligation					
Phase I & II Postclosure	239,650	-	-	239,650	-
Phase III Closure	1,876,793	-	-	1,876,793	-
Phase III Postclosure	1,563,994	-	-	1,563,994	-
IBank Loan	-	6,000,000	-	6,000,000	139,665
Total business-type activities	<u>11,051,536</u>	<u>6,000,000</u>	<u>(737,901)</u>	<u>16,313,635</u>	<u>878,477</u>

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

F. Subscription-Based Information Technology Arrangements (SBITAs)

A SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

At the commencement of a SBITA, the City initially measures the subscription liability at the present value of payments expected to be made during the contract term. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over shorter of the subscription term or the useful life of the underlying IT assets.

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments as follows:

- The City uses the interest rate charged by the IT vendor as the discount rate. When the interest rate charged by the IT vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for subscription liabilities.
- The subscription term includes the noncancellable period of the subscription.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported as long-term debt on the statement of net position.

In fiscal year 2023, the City implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which required the City to record an intangible right-to-use subscription asset and subscription liability. As a result, the City recorded initial right-to-use subscription assets in the amount of \$1,196,545 and subscription liabilities in the amount of \$1,065,310. The difference of \$131,235 represents capitalizable implementation costs and prepayments made on the subscription that were not included in the measurement of the liability. Governmental activities beginning net position at July 1, 2022, was restated and increased by \$131,235.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

A summary of the City's subscription liabilities for the fiscal year ended June 30, 2023, are as follows:

	Balance June 30, 2022 (as restated)	Retirements	Balance June 30, 2023	Due Within One Year
Governmental activities:	\$	\$	\$	\$
OpenGov	204,990	(68,330)	136,660	68,330
Tyler Munis ERP	860,320	(126,482)	733,838	132,806
Total subscription liabilities	1,065,310	(194,812)	870,498	201,136

The future principal and interest subscription liability payments as of June 30, 2023 are as follows:

For the Year Ended June 30	Principal	Interest	Total
	\$	\$	\$
2024	201,136	7,060	208,196
2025	207,776	5,577	213,353
2026	146,419	4,060	150,479
2027	153,740	2,875	156,615
2028	161,427	1,618	163,045
Totals	870,498	21,190	891,688

IV. Other information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City also provides health insurance coverage to employees. There have been no significant reductions in insurance coverage for any risk of loss in the past fiscal year, and settled claims have not exceeded the commercial coverage in any of the past three fiscal years. The City has established a risk management fund to account for and finance its uninsured risks of loss.

The City's risk management programs provide coverage for up to a maximum of \$150,000 for each Workers' Compensation claim; \$500,000 for each General Liability claim. The City purchases commercial insurance for claims in excess of coverage provided by the self-insurance programs. There have been no significant changes in insurance coverage as compared to last fiscal year.

All funds of the City participate in the self-insurance programs. The employee health insurance program is funded by contributions of a flat rate per employee to the self-insurance fund. Other self-insurance programs are funded by budgeted appropriations. Funding is estimated to provide amounts needed to pay prior and current fiscal year claims and to establish reserves for catastrophic losses.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Liabilities in the self-insurance Internal services fund at June 30, 2023 totaled \$3,991,901 as follows: Health Benefits \$99,768; General Liability \$1,245,553; and Workers' Compensation \$2,646,580.

The basis for estimating incurred but not reported claims is based on the statute of limitation on accepting claims as follows:

Health Benefits are estimated at 2 times the current fiscal year's average monthly cost, General Liability is estimated at 6 months of current fiscal year's average monthly claim cost, and Workers' Compensation is estimated by using the last two weeks of current fiscal year's average monthly claim cost.

	<u>2021-2022</u>	<u>2022-2023</u>
Claims incurred but not reported:	\$	\$
Beginning	1,022,049	1,346,476
Incurred claims	2,040,881	2,011,595
Claims paid	<u>(1,716,454)</u>	<u>(2,012,751)</u>
Ending	<u>1,346,476</u>	<u>1,345,320</u>
Claims payable		
Beginning	2,628,520	2,446,053
Incurred claims	(2,589,343)	3,048,035
Claims paid	<u>2,406,876</u>	<u>(2,847,507)</u>
Ending	<u>2,446,053</u>	<u>2,646,581</u>
Total claims payable	<u><u>3,792,529</u></u>	<u><u>3,991,901</u></u>

B. Public entity risk pool

In November 1994, the City became a member of the Public Agency Risk Sharing Authority of California (PARSAC), formerly known as California Municipal Insurance Authority (CMIA). PARSAC, a consortium of 34 municipalities and one fire district, which was established in May 1986 to pool resources, share risks, purchase excess insurance, and to share costs for professional risk management and claims administration. The Authority's governing board consists of one appointed official and an alternate from participating cities.

General liability

The City is self-insured for general liability claims up to \$500,000 (effective July 1, 2023) for each occurrence. Coverage for individual losses in excess of \$500,000, up to \$10,000,000 is provided through the California Intergovernmental Risk Authority (CIRA). Under this program, members share in losses between the members' individual self-insured retention and \$1,000,000 under a risk sharing pool program; and from \$1,000,000 to \$40,000,000, coverage is provided by another risk pool, CSAC-EIA.

Estimates for all liabilities have been accrued in the Self-Insurance Internal Service Fund, which included an estimate for incurred but not reported claims. At June 30, 2023, total estimated claims payable for General Liability were \$1,245,553.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

C. Commitments and Contingencies

Litigation

Various claims and lawsuits are pending against the City. In the opinion of City management, the potential claims loss will not be significant to the City's financial statements.

Grant audits

The City receives grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in a request for reimbursement by the grantor for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of City management, such disallowance, if any, will not be significant.

Contingency

Proposition 218, which was approved by the voters in November 1996, regulates the City's ability to impose, increase and extend taxes, assessments and fees. Any new, increased or extended taxes, assessments, and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future by the voters. Therefore, the City's ability to finance the services for which the taxes, assessments and fees were imposed may be significantly impaired. Certain language in the initiative is unclear as to the scope and impact of the proposition. Future court rulings or state legislation may clarify these issues. At this time it is uncertain as to the effect that Proposition 218 will have on the City's ability to maintain or increase the revenue it receives from taxes, assessments and fees, or its effect on interfund payments in lieu of taxes and transfers of surplus funds from enterprise funds to the general fund. Also unclear is the extent to which a 1995 California Supreme Court ruling (the *Guardino* case) upholding the voter approval requirements of a previously enacted state initiative (Proposition 62) is applicable to prior periods. However, because the City of Watsonville is a Charter City, management believes that the *Guardino* ruling does not apply to its general law application in the cited case.

D. Post-employment health care benefits

Retiree benefits – COBRA benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides health care benefits to eligible former employees and their eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium plus a 2% administration fee is paid in full by the insured on or before the tenth day of the month for the actual month covered. This program is offered for a duration between 18 and 36 months, after the termination date, depending on circumstances related to eligibility to Medicare, death or divorce. During the last fiscal year two former employees participated in the program.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

E. Defined Benefit Pension Plans

The City has two defined benefit pension plans, a Miscellaneous Plan and a Safety Plan. The Miscellaneous Plan is an Agent-Multiple Employer Plan and the Safety Plan is a Cost-Sharing Employer Plan administered by the California Public Employees' Retirement System (CalPERS).

Below is a summary of the deferred outflows, net pension liabilities and deferred inflows of resources by Plan:

CalPERS Plan	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources	Pension Expense
	\$	\$	\$	\$
Miscellaneous - Agent Multiple Employer	18,302,174	53,175,564	-	7,825,099
Safety - Cost-Sharing Multiple Employer	25,296,580	54,122,250	(4,278,575)	2,608,539
Totals	43,598,754	107,297,814	(4,278,575)	10,433,638

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Fiscal Year Ended June 30	Safety Plan Annual Amortization	Miscellaneous Plan Annual Amortization	Total Annual Amortization
	\$	\$	\$
2023	4,282,531	3,446,921	7,729,452
2024	3,398,049	3,050,200	6,448,249
2025	1,892,544	1,587,841	3,480,385
2026	5,213,572	4,174,040	9,387,612
Total	14,786,696	12,259,002	27,045,698

See Notes below for further information about the Plans.

CALPERS miscellaneous employees plan

A. General Information about the Miscellaneous Pension Plan

Plan Description

All qualified permanent and probationary miscellaneous employees are eligible to participate in the City's Miscellaneous Employee Pension Plan, agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employees. Benefit provisions under the Plan is established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 55 with statutorily reduced benefits. All members are eligible for nonduty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous		
	Prior to July 1, 2011	On or after July 1, 2011	On or after January 1, 2013
Hire date			
Benefit formula	2.0% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-63	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.092% to 2.418%	1% to 2.5%
Required employee contribution rates	7.00%	7.00%	6.25%
Required employer contribution rates	7.85%	7.85%	12.555%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above as a dollar amount for contributions toward the unfunded actuarial liability (UAL). The dollar amounts are billed on a monthly basis or the City can elect a lump sum payment option. The City's required contribution for the unfunded liability in the Miscellaneous plan for the year ended June 30, 2023 was \$4,050,278, which were made under the lump sum payment option.

Employees Covered

The following employees were covered by the benefit terms for the Miscellaneous Plan as of the most recent actuarial valuation date of June 30, 2021 and measurement date as of June 30, 2022:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	336
Inactive employees entitled to but not yet receiving benefits	343
Active employees	299
Total	978

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B. Net Pension Liability

The City's net pension liability for the Miscellaneous Plan is measured as the total pension liability less the pension plan's fiduciary net pension. The net pension liability of the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions - The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	
Valuation Date		June 30, 2021
Measurement Date		June 30, 2022
Actuarial Cost Method		Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate		6.90%
Inflation		2.30%
Payroll Growth		2.80%
Projected Salary Increase		(1)
Investment Rate of Return		6.90% (2)
Mortality	Derived using CalPERS Membership Data for all Funds	(3)

(1) Depending on age, service and type of employment.

(2) Net of pension plan investment expenses, includes inflation.

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of Mortality improvements using the Society of Actuaries Scale 80% of scale MP 2020. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 2001 to 2019) that can be found on the CalPERS website.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2021 valuation were based on the results of a November 2021 actuarial experience study for the period 2001 to 2019. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate for each Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contributions rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, each Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments of current plan members for all plans in the PERF.

Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability for each Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

The table below reflects the long-term expected real rates of return by asset class:

Asset Class (1)	Assumed Asset Allocation	Real Return (1,2)
Global Equity-Cap Weighted	30.0%	4.54%
Global Equity-Non-Cap Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.0%	

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021 Asset Liability Management study.

C. Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Miscellaneous Plan were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	\$	\$	\$
Balance at June 30, 2021	171,368,012	144,661,222	26,706,790
Changes in the year:			
Service cost	3,660,143	-	3,660,143
Interest on the total pension liability	12,135,027	-	12,135,027
Differences between actual and expected experience	550,395	-	550,395
Contribution - employer	-	5,372,729	(5,372,729)
Contribution - employee	-	1,604,758	(1,604,758)
Net investment income	-	(10,938,130)	10,938,130
Benefit payments, including refunds of employee contributions	(7,901,930)	(7,901,930)	-
Changes of Assumptions	6,072,451	-	6,072,451
Administrative expense	-	(90,115)	90,115
Net changes	14,516,086	(11,952,688)	26,468,774
Balance at June 30, 2022	185,884,098	132,708,534	53,175,564

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for the Plan, calculated using the discount rate for the Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percent point lower or 1-percent point higher than the current rate:

1% Decrease	5.90%
Net Pension Liability	\$79,126,783
1% Decrease	6.90%
Net Pension Liability	\$53,175,564
1% Increase	7.90%
Net Pension Liability	\$31,820,650

Pension Plan Fiduciary Net Pension – Detailed information about the pension plan’s fiduciary net position is available in the separate issued CalPERS financial report.

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension

For the fiscal year ended June 30, 2023, the City recognized pension expense of \$7,825,099. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	\$	\$
Pension contributions subsequent to measurement date	6,043,172	-
Differences between actual and expected experience	1,169,067	-
Changes in assumptions	4,385,659	-
Net differences between projected and actual earnings on plan investments	6,704,276	-
Total	<u>18,302,174</u>	<u>-</u>

The amount of \$6,043,172 was reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Annual Amortization
	\$
2024	3,446,921
2025	3,050,200
2026	1,587,841
2027	4,174,040
Total	<u>12,259,002</u>

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

CALPERS Safety (Police & Fire) Employees Plan

A. General Information about the Safety Pension Plan

Plan Descriptions

All qualified public safety permanent and probationary employees are eligible to participate in the City's Safety Employee Pension Plan, cost-sharing multiple employer defined benefit plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for nonduty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Safety		
	Prior to July 1, 2011	After July 1, 2011	After July 1, 2013
Hire date			
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50-55	50-57
Monthly benefits, as a % of eligible compensation	3.0%	2.4% - 3.0%	2.0% - 2.7%
Required employee contribution rates	9.0%	9.0%	13.0%
Required employer contribution rates	23.75%	20.64%	12.78%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above as a dollar amount for contributions toward the unfunded actuarial liability (UAL). The dollar amounts are billed on a monthly basis or the City can elect a lump sum payment option. The City's required contribution for the unfunded liability in the Safety plan for the year ended June 30, 2023 was \$3,914,245, which were made under the lump sum payment option.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the fiscal year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the City were \$6,231,309 for the fiscal year ended June 30, 2023.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For purposes of measuring the net pension liability and deferred outflow/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the CalPERS financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2023, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Safety Plans</u>
Proportion - June 30, 2021	0.82685%
Proportion - June 30, 2022	0.78762%
Change - Increase (Decrease)	<u><u>-0.03923%</u></u>

For the year ended June 30, 2023, the City recognized pension expense of \$2,608,539 for the Safety Plan. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
	\$	\$
Pension contributions subsequent to measurement date	6,231,309	-
Differences between actual and expected experience	2,239,923	(587,725)
Changes in assumptions	5,457,161	-
Net differences between projected and actual earnings on plan investments	8,546,660	-
Differences between actual contributions and proportional contributions	-	(3,690,850)
Adjustment due to differences in proportion	<u>2,821,527</u>	<u>-</u>
Total	<u><u>25,296,580</u></u>	<u><u>(4,278,575)</u></u>

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

The amount of \$6,231,309 was reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
	\$
2024	4,282,531
2025	3,398,049
2026	1,892,544
2027	5,213,572
Total	<u>14,786,696</u>

Actuarial Assumptions

For the measurement period ended June 30, 2022, the total pension liability was determined by rolling forward the June 30, 2021 total pension liability. The June 30, 2022 total pension liabilities were based on the following actuarial methods and assumptions for all benefit tiers:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	(1)
Investment Rate of Return	6.90% (2)
Mortality	Derived using CalPERS Membership Data for all Funds (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, includes inflation
- (3) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of Mortality improvements using the Society of Actuaries Scale 80% of scale MP 2020. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 2001 to 2019) that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2021 valuation were based on the results of a November 2021 actuarial experience study for the period 2001 to 2019. Further details of the Experience Study can be found on the CalPERS website.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Discount Rate – The discount rate used to measure the total pension liability for the plan was 6.90%. The projection used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the expected real rates of return by asset class.

Asset Class (1)	Assumed Asset Allocation	Real Return (1,2)
Global Equity-Cap Weighted	30.0%	4.54%
Global Equity-Non-Cap Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.0%	

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021 Asset Liability Management study.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.90 percent) or 1- percentage point higher (7.90 percent) than the current rate:

	<u>Safety</u>
1% Decrease	5.90%
Net Pension Liability	\$79,872,313
Current Discount Rate	6.90%
Net Pension Liability	\$54,122,250
1% Increase	7.90%
Net Pension Liability	\$33,077,392

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

F. Successor Agency Private-Purpose Trust Fund for Assets of former Redevelopment Agency of the City of Watsonville.

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Watsonville that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or other unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local governments. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City.

Resolution Number 4-12

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence as the date of the dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies are allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the state Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The following is a schedule of long-term liabilities for the fiscal year ended June 30, 2023:

	Balance June 30, 2022	Retirements	Balance June 30, 2023	Due Within One Year
	\$	\$	\$	\$
Refunding tax allocation bonds	6,885,000	(1,390,000)	5,495,000	1,465,000
Bond Premium	1,036,688	(86,391)	950,297	-
Total Bonds Payable	7,921,688	(1,476,391)	6,445,297	1,465,000
Notes Payable	1,463,752	(1,002,477)	461,275	461,275
Total	9,385,440	(2,478,868)	6,906,572	1,926,275

Tax allocation refunding bonds

In June of 2004 the former Redevelopment Agency of the City of Watsonville issued tax allocation bonds in three series as follows:

1. Series A - \$19,000,000
2. Series B-1 - \$2,310,000
3. Series B-2 - \$4,635,000

In April of 2016, the Successor Agency issued \$11,790,000 of 2016 Tax Allocation Refunding Bonds, Series A and \$2,420,000 of 2016 Tax Allocation Refunding Bonds, Taxable Series B for a current refunding of the \$14,190,000 2004 Tax Allocation Bonds Series A and B-1 and \$2,720,000 Tax Allocation Taxable Series B-2 Bonds. The Series A refunding bonds had \$2,965,772 of additional funding and Series B had \$410,577 of additional funding. The refunding was done to reduce future debt service payments.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

The transaction resulted in an economic gain of \$3,269,616 and a reduction of \$3,856,103 in future debt service payments and accounting loss of \$163,765 which is shown as a deferred outflow of resources to be amortized over the life of the bonds.

The annual debt services requirements for the loan outstanding as of June 30, 2023 is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	\$	\$	\$
2024	1,465,000	227,450	1,692,450
2025	945,000	154,200	1,099,200
2026	295,000	106,950	401,950
2027	305,000	92,200	397,200
2028	325,000	76,950	401,950
2029-2033	1,770,000	236,938	2,006,938
2034	390,000	11,700	401,700
Total	<u>5,495,000</u>	<u>906,388</u>	<u>6,401,388</u>

Notes Payable

The City and former Agency had several notes payable from the former Agency to the City for various costs and fees associated with the construction of the Civic Plaza as follows:

Parking Garage Loan for Construction Costs \$1,855,275

The State of California deemed these notes as a non-enforceable obligation, and the City could not be paid back until a finding of completion was received from the State's Department of Finance, which the City received on February 21, 2014 and the Successor Agency's oversight board made a finding that the notes were for a legitimate redevelopment purpose. The Oversight Board also made the finding for all the above notes. The notes are allowed to add interest based on the State of California Local Agency Investment Fund's (LAIF) monthly interest rate. Interest has been projected for the debt service at the most recent rate available.

Debt Payable Recap:

Parking Garage Loan

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$	\$	\$
2024	461,275	-	461,275
Total	<u>461,275</u>	<u>-</u>	<u>461,275</u>

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Required Supplementary Information

CITY OF WATSONVILLE, CALIFORNIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST NINE FISCAL YEARS
JUNE 30, 2023

The following table provides required supplementary information regarding the City's Miscellaneous Pension Plan:

MEASUREMENT DATE:	2014	2015	2016	2017
TOTAL PENSION LIABILITY	\$	\$	\$	\$
Service Cost	2,348,593	2,251,567	2,250,229	2,616,009
Interest	8,369,558	8,741,399	9,093,428	9,502,933
Differences between expected and actual experience	-	(1,088,430)	(1,307,204)	(160,738)
Changes in assumptions	-	(2,194,095)	-	8,126,558
Changes in benefits	-	-	-	-
Benefit payments, including refunds of employee contributions	(4,554,651)	(4,874,482)	(5,292,339)	(5,612,765)
Net change in total pension liability	6,163,500	2,835,959	4,744,114	14,471,997
Total pension liability - beginning	112,697,136	118,860,636	121,696,595	126,440,709
Total pension liability - ending (a)	118,860,636	121,696,595	126,440,709	140,912,706
PLAN FIDUCIARY NET POSITION				
Contributions - employer	1,750,491	1,881,144	2,288,840	2,856,260
Contributions - employee	1,087,253	1,064,147	1,145,223	1,265,745
Net investment income (1)	14,090,974	2,081,010	501,726	10,269,390
Administrative expense	-	(105,873)	(57,299)	(136,723)
Benefit payments, including refunds of employee contributions	(4,554,651)	(4,874,482)	(5,292,339)	(5,612,765)
Net Plan to Plan Resource Movement	-	-	-	(2,203)
Other Miscellaneous Income/(Expense)	-	-	-	-
Net change in plan fiduciary net position	12,374,067	45,946	(1,413,849)	8,639,704
Plan fiduciary net position - beginning	81,597,739	93,971,806	94,017,752	92,603,903
Plan fiduciary net position - ending (b)	93,971,806	94,017,752	92,603,903	101,243,607
Net pension liability - ending (a)-(b)	24,888,830	27,678,843	33,836,806	39,669,099
Plan fiduciary net position as a percentage of the total pension liability	79.06%	77.26%	73.24%	71.85%
Covered payroll	17,390,545	17,452,658	17,680,742	18,366,981
Net pension liability as percentage of covered-employee payroll	143.12%	158.59%	191.38%	215.98%

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions: In 2017, the accounting discount rate reduced from 7.65% to 7.15%. In 2016, 2018, 2019, and 2020, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts were based on the 7.5% discount rate.

* Fiscal year 2015 was the 1st year of implementation.

2018	2019	2020	2021	2022
\$	\$	\$	\$	\$
2,696,646	2,918,120	3,126,358	3,154,808	3,660,143
9,872,907	10,452,164	10,957,570	11,578,015	12,135,027
(622,350)	1,523,815	181,334	1,720,257	550,395
(617,380)	-	-	-	6,072,451
-	-	-	-	-
(5,877,340)	(6,327,905)	(6,846,317)	(7,435,396)	(7,901,930)
5,452,483	8,566,194	7,418,945	9,017,684	14,516,086
140,912,706	146,365,189	154,931,383	162,350,328	171,368,012
146,365,189	154,931,383	162,350,328	171,368,012	185,884,098
3,443,447	3,756,237	4,648,909	4,850,242	5,372,729
1,301,275	1,520,671	1,474,994	1,488,988	1,604,758
8,537,327	7,097,297	5,707,428	26,896,026	(10,938,130)
(457,364)	(76,957)	(160,932)	(118,854)	(90,115)
(5,877,340)	(6,327,905)	(6,846,317)	(7,435,396)	(7,901,930)
(250)	(3,911)	-	-	-
-	-	-	-	-
6,947,095	5,965,432	4,824,082	25,681,006	(11,952,688)
101,243,607	108,190,702	114,156,134	118,980,216	144,661,222
108,190,702	114,156,134	118,980,216	144,661,222	132,708,534
38,174,487	40,775,249	43,370,112	26,706,790	53,175,564
73.92%	73.68%	73.29%	84.42%	71.39%
19,029,329	20,531,347	21,939,351	22,534,340	23,372,558
200.61%	198.60%	197.68%	118.52%	227.51%

CITY OF WATSONVILLE, CALIFORNIA
SCHEDULE OF CONTRIBUTIONS
LAST NINE FISCAL YEARS*
JUNE 30, 2023

The following table provides required supplementary information regarding the City's Miscellaneous Pension Plan:

	2015	2016	2017	2018	2019
	\$	\$	\$	\$	\$
Contractually required contribution	1,769,613	2,299,823	2,288,840	2,856,260	3,756,236
Contributions in relation to the actuarially determined contributions	(1,769,613)	(2,299,823)	(2,288,840)	(2,856,260)	(3,756,236)
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	17,452,658	17,680,742	18,366,981	18,917,990	19,029,329
Contributions as a percentage of covered payroll	10.14%	13.01%	12.46%	15.10%	19.74%
	2020	2021	2022	2023	
	\$	\$	\$	\$	
Contractually required contribution	4,648,909	4,850,246	5,372,729	6,043,172	
Contributions in relation to the actuarially determined contributions	(4,648,909)	(4,850,246)	(5,372,729)	(6,043,172)	
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Covered payroll	20,531,347	21,939,351	22,534,340	23,372,558	
Contributions as a percentage of covered payroll	22.64%	22.11%	23.84%	25.86%	

Notes to Schedule

Valuation date: 6/30/21

Methods and assumptions used to determine contribution rates:

Discount Rate 6.90% @ 6/30/2022
7.15% @ 6/30/2021
7.15% @ 6/30/2020
7.15% @ 6/30/2019
7.15% @ 6/30/2018
7.15% @ 6/30/2017
7.65% @ 6/30/2016
7.65% @ 6/30/2015
7.50% @ 6/30/2014

Inflation 2.75% for 2015 to 2019, 2.625% for 2020, and 2.50% for 2021 to 2023

Salary increases Varies by Entry Age and Service

Investment rate of return 7.50% for 2015 to 2018, 7.375% for 2019, 7.25% for 2020, and 7.00% for 2021 to 2023, net of pension plan investment expenses, including inflation.

Mortality Rate Table (1) Derived using CalPERS' Membership Data for all Funds

Post Retirement Benefit Increase Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

(1) The probabilities of mortality are based on the CalPERS Experience Study. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries for 2015 to 2018. For 2019 to 2023, pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

* Fiscal year 2015 was the 1st year of implementation.

CITY OF WATSONVILLE, CALIFORNIA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST NINE FISCAL YEARS*
JUNE 30, 2023

The following table provides required supplementary information regarding the City's Safety Pension Plan:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
	\$	\$	\$	\$	\$
Proportion of the net pension liability	0.358953%	0.379737%	0.387650%	0.388914%	0.666691%
Proportionate share of the net pension liability	22,335,737	26,064,837	33,543,690	38,569,604	39,118,450
Covered payroll	10,541,326	9,190,095	9,792,080	11,557,360	11,496,504
Proportionate share of the net pension liability as percentage of covered payroll	211.89%	283.62%	342.56%	333.72%	340.26%
Plan's total pension liability	30,829,966,631	31,771,217,402	18,961,274,094	21,144,800,930	22,053,702,155
Plan fiduciary net position	24,607,502,515	24,907,305,871	13,782,056,004	15,169,595,595	16,186,149,467
Plan fiduciary net position as a percentage of the total pension liability	79.82%	78.40%	72.69%	71.74%	73.39%

The following table provides required supplementary information regarding the City's Safety Pension Plan:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	\$	\$	\$	
Proportion of the net pension liability	0.679156%	0.697883%	0.826850%	0.787620%
Proportionate share of the net pension liability	42,396,602	46,495,443	29,018,195	54,122,250
Covered payroll	11,783,799	12,765,651	12,422,544	13,235,291
Proportionate share of the net pension liability as percentage of covered payroll	359.79%	364.22%	233.59%	408.92%
Plan's total pension liability	23,442,265,225	24,782,493,361	172,165,293	186,461,648
Plan fiduciary net position	17,199,726,799	18,120,140,152	143,147,098	132,339,398
Plan fiduciary net position as a percentage of the total pension liability	73.37%	73.12%	83.15%	70.97%

Notes to Schedule:

* Fiscal year 2015 was the 1st year of implementation. Years will be added until 10 years of data is reached.

CITY OF WATSONVILLE, CALIFORNIA
SCHEDULE OF CONTRIBUTIONS
LAST NINE FISCAL YEARS*
JUNE 30, 2023

The following table provides required supplementary information regarding the City's Safety Pension Plan:

	2015	2016	2017	2018	2019
	\$	\$	\$	\$	\$
Actuarially determined contribution	2,648,853	2,921,288	3,364,471	3,606,866	3,940,104
Contributions in relation to the actuarially determined contributions	(2,648,853)	(2,921,288)	(3,364,471)	(3,606,866)	(4,006,904)
Contribution deficiency (excess)	-	-	-	-	(66,800)
Covered payroll	9,190,095	9,792,080	11,557,360	11,496,504	11,783,799
Contributions as a percentage of covered payroll	28.82%	29.83%	29.11%	31.37%	34.00%
	2020	2021	2022	2023	
	\$	\$	\$	\$	
Actuarially determined contribution	4,649,154	5,129,097	5,742,501	6,231,309	
Contributions in relation to the actuarially determined contributions	(4,699,442)	(5,129,097)	(5,742,501)	(6,231,309)	
Contribution deficiency (excess)	(50,288)	-	-	-	
Covered payroll	12,765,651	12,422,544	13,235,291	11,555,278	
Contributions as a percentage of covered payroll	36.81%	41.29%	43.39%	53.93%	

Notes to Schedule

Valuation date:	6/30/21
Methods and assumptions used to determine contribution rates:	
Discount Rate	6.90% @ 6/30/2022 7.15% @ 6/30/2021 7.15% @ 6/30/2020 7.15% @ 6/30/2019 7.15% @ 6/30/2018 7.15% @ 6/30/2017 7.65% @ 6/30/2016 7.65% @ 6/30/2015 7.50% @ 6/30/2014
Inflation	2.75% for 2015 to 2019, 2.625% for 2020, 2.50% for 2021 & 2022, and 2.30% for 2023
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50% for 2015 to 2018, 7.375% for 2019, 7.25% for 2020, and 7.00% for 2021 to 2023, net of pension plan investment expenses, including
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

(1) The probabilities of mortality are based on the CalPERS Experience Study. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries for 2015 to 2018. For 2019 to 2022, pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

* Fiscal year 2015 was the 1st year of implementation. Years will be added until 10 years of data is reached.

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City of Watsonville, California

Nonmajor Governmental Funds

Special Revenue Funds

Gas Tax

The City of Watsonville receives various revenues from taxes imposed on the sale of gasoline. These funds are to be used for maintaining and improving Watsonville's roads and transportation system.

Narcotics Assets Seizure

Federal and State law authorize the seizure of assets used in the sale of illegal drugs. The proceeds from these seizures are to be used to further Police enforcement. These monies are accounted for in this fund.

Business Development

This fund collects a business license surcharge and downtown property tax assessment which is then remitted to the Chamber of Commerce and Economic Development for their respective purposes.

Economic Development

Funds held for economic development. The fund receives interest income and loan payoffs that are used to support economic development.

Library

The Library Fund receives sales tax, grants, donations and state subventions for the advancement of the Library in Watsonville. This fund receives such revenues and records their expenditures.

Parks Development

This fund's revenues are grants, park development impact fees and 1972 Landscape and Lighting Assessment fees. These funds are used to acquire, improve and maintain the government's parks.

Retirement Tax

The City of Watsonville participates in the California Public Employees Retirement System. The government's contribution for General Fund employees is funded by a voter approved property tax override. The tax is collected in this fund and then used to pay for appropriate retirement expenses.

(Continued)

City of Watsonville, California

Nonmajor Governmental Funds

Special Revenue Funds

Parking Garage

This fund is used to record operating costs used to maintain the government's parking garage downtown.

Measure G /Y

This fund was established in 2014, the Citizens of Watsonville approved an additional sales tax of .5% for seven years to increase funding for public safety.

Abandoned Vehicle

The government has assigned a Watsonville Police Department Service Specialist to aggressively enforce all State laws and City of Watsonville Ordinances pertaining to the abatement of all abandoned, wrecked, dismantled, inoperative vehicles or parts from any and all private or public properties. This fund collects State and County funds used to pay for these services.

Inclusionary Housing

The government levies an impact fee on all market rate housing development, which either requires a specified number of below market housing units be created or the payment of a fee. This fund collects those fees and uses them to create low-income housing.

SB 1 Gas Tax

This fund was established in 2017, which increased the gas tax by \$0.12 per gallon, increased the diesel fuel tax by \$0.20 per gallon, increased the sales tax on diesel fuels by an additional 4 percentage points, created an annual transportation improvement fee, and created an annual zero-emission vehicles fee.

Measure D

This fund was established in 2017, Measure D is a comprehensive and inclusive package of transportation improvements passed in November 2016 by over 2/3 of Santa Cruz County voters. This ½-cent sales tax guarantees every city and the county a steady, direct source of local funding for local streets and road maintenance, bicycle and pedestrian projects (especially near schools), safety projects, and transit and paratransit service, as well as numerous essential transportation projects and programs throughout the county.

(Concluded)

CITY OF WATSONVILLE, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2023

	Special Revenue Funds						
	GAS TAX	NARCOTICS ASSETS SEIZURE	BUSINESS DEVELOPMENT	ECONOMIC DEVELOPMENT	LIBRARY	PARKS DEVELOPMENT	RETIREMENT TAX
	\$	\$	\$	\$	\$	\$	\$
ASSETS:							
Cash and investments	1,000,568	202,898	294,726	30,801	2,025,581	1,762,731	487,169
Receivables:							
Interest	-	-	-	47,770	-	-	-
Taxes	113,192	-	-	-	-	-	205,103
Accounts	400	-	2,447	-	348,640	10,540	-
Intergovernmental	303,231	-	-	-	-	-	-
Advances receivable	-	-	-	-	12,719	5,858	-
Loans receivable	-	-	-	50,324	-	-	-
Total Assets	1,417,391	202,898	297,173	128,895	2,386,940	1,779,129	692,272
LIABILITIES:							
Accounts payable	142,254	1,790	-	-	45,140	402,247	-
Accrued personnel costs	8,478	-	-	-	-	1,792	-
Retentions payable	-	-	-	-	-	43,741	-
Unearned revenue	-	-	-	-	-	-	-
Deposits payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total Liabilities	150,732	1,790	-	-	45,140	447,780	-
Deferred Inflows of Resources							
Unavailable revenue	303,231	-	10,720	98,094	-	-	-
Total Deferred Inflows of Resources	303,231	-	10,720	98,094	-	-	-
Fund Balances:							
Restricted for:							
Assets seizure	-	201,108	-	-	-	-	-
Business development	-	-	286,453	-	-	-	-
Economic development	-	-	-	30,801	-	-	-
Library	-	-	-	-	2,341,800	-	-
Parks development	-	-	-	-	-	1,331,349	-
Retirement tax	-	-	-	-	-	-	692,272
Measure G/Y	-	-	-	-	-	-	-
Inclusionary housing	-	-	-	-	-	-	-
SB1 gas tax	963,428	-	-	-	-	-	-
Measure D	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total Fund Balances	963,428	201,108	286,453	30,801	2,341,800	1,331,349	692,272
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	1,417,391	202,898	297,173	128,895	2,386,940	1,779,129	692,272

Continued

CITY OF WATSONVILLE, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2023

	Special Revenue Funds						TOTAL
	PARKING GARAGE	MEASURE G/Y	ABANDONED VEHICLE	INCLUSIONARY HOUSING	SB 1 GAS TAX	MEASURE D	
	\$	\$	\$	\$	\$		\$
ASSETS:							
Cash and investments	541	2,769,007	49,892	642	2,733,195	4,307,183	15,664,934
Receivables:							
Interest	-	-	-	189,494	-	-	237,264
Taxes	-	870,209	-	-	103,702	87,124	1,379,330
Accounts	7,618	-	-	-	-	-	369,645
Intergovernmental	-	13,909	-	3,844	-	-	320,984
Advances receivable	-	-	-	-	-	-	18,577
Loans receivable	-	-	-	1,605,038	-	-	1,655,362
Total Assets	8,159	3,653,125	49,892	1,799,018	2,836,897	4,394,307	19,646,096
LIABILITIES:							
Accounts payable	15,358	298,648	-	3,982	27,789	56,116	993,324
Accrued personnel costs	-	57,460	-	-	-	-	67,730
Retentions payable	-	5,375	-	-	10,042	-	59,158
Unearned revenue	-	-	-	3,844	-	-	3,844
Deposits payable	-	-	-	-	-	-	-
Due to other funds	327,280	-	-	-	-	-	327,280
Total Liabilities	342,638	361,483	-	7,826	37,831	56,116	1,451,336
Deferred Inflows of Resources							
Unavailable revenue	-	13,909	-	1,794,532	-	-	2,220,486
Total Deferred Inflows of Resources	-	13,909	-	1,794,532	-	-	2,220,486
Fund Balances:							
Restricted for:							
Assets seizure	-	-	-	-	-	-	201,108
Business development	-	-	-	-	-	-	286,453
Economic development	-	-	-	-	-	-	30,801
Library	-	-	-	-	-	-	2,341,800
Parks development	-	-	-	-	-	-	1,331,349
Retirement tax	-	-	-	-	-	-	692,272
Measure G/Y	-	3,277,733	-	-	-	-	3,277,733
Abandoned vehicle	-	-	49,892	-	-	-	49,892
Inclusionary housing	-	-	-	-	-	-	-
SB1 gas tax	-	-	-	-	2,799,066	-	3,762,494
Measure D	-	-	-	-	-	4,338,191	4,338,191
Unassigned	(334,479)	-	-	(3,340)	-	-	(337,819)
Total Fund Balances	(334,479)	3,277,733	49,892	(3,340)	2,799,066	4,338,191	15,974,274
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	8,159	3,653,125	49,892	1,799,018	2,836,897	4,394,307	19,646,096
							Concluded

CITY OF WATSONVILLE, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Special Revenue Funds						
	GAS TAX	NARCOTICS ASSETS SEIZURE	BUSINESS DEVELOPMENT	ECONOMIC DEVELOPMENT	LIBRARY	PARKS DEVELOPMENT	RETIREMENT TAX
	\$	\$	\$	\$	\$	\$	\$
REVENUES:							
Taxes	-	-	-	-	4,047,668	-	4,034,825
Licenses, permits and fees	-	-	108,679	-	10,182	223,855	-
Intergovernmental	1,294,508	-	-	-	66,159	-	-
Charges for services	-	-	-	-	-	-	-
Interest	34,686	8,216	12,180	-	85,766	81,878	-
Miscellaneous	-	30,559	-	2,391	12,803	-	-
Total revenues	1,329,194	38,775	120,859	2,391	4,222,578	305,733	4,034,825
EXPENDITURES:							
Current:							
General government	-	-	16,777	-	-	-	-
Public safety	-	24,369	-	-	-	-	-
Housing	-	-	-	-	-	-	-
Streets	1,171,933	-	-	-	-	-	-
Culture and recreation	-	-	-	-	3,698,632	1,208,970	-
Total expenditures	1,171,933	24,369	16,777	-	3,698,632	1,208,970	-
Excess (deficiency) of revenues over (under) expenditures	157,261	14,406	104,082	2,391	523,946	(903,237)	4,034,825
OTHER FINANCING SOURCES (USES):							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	(24,900)	-	(159,283)	-	(3,870,308)
Total other financing sources (uses)	-	-	(24,900)	-	(159,283)	-	(3,870,308)
Net change in fund balances	157,261	14,406	79,182	2,391	364,663	(903,237)	164,517
Fund balances, July 1	806,167	186,702	207,271	28,410	1,977,137	2,234,586	527,755
Fund balances, June 30	963,428	201,108	286,453	30,801	2,341,800	1,331,349	692,272

Continued

CITY OF WATSONVILLE, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Special Revenue Funds						
	PARKING GARAGE	MEASURE G/Y	ABANDONED VEHICLE	INCLUSIONARY HOUSING	SB 1 GAS TAX	MEASURE D	TOTAL
	\$	\$	\$	\$	\$	\$	\$
REVENUES:							
Taxes	-	5,151,026	-	-	1,143,906	976,825	15,354,250
Licenses, permits and fees	139,425	36,734	87,810	-	-	-	606,685
Intergovernmental	-	-	-	-	-	-	1,360,667
Charges for services	-	-	-	4,650	-	-	4,650
Interest	-	122,630	-	1,499	90,843	156,647	594,345
Miscellaneous	167	-	-	1,500	-	-	47,420
Total revenues	139,592	5,310,390	87,810	7,649	1,234,749	1,133,472	17,968,017
EXPENDITURES:							
Current:							
General government	159,010	-	-	-	-	-	175,787
Public safety	-	5,240,015	60,000	-	-	-	5,324,384
Housing	-	-	-	177,069	-	-	177,069
Streets	-	-	-	-	390,061	360,950	1,922,944
Culture and recreation	-	-	-	-	-	-	4,907,602
Total expenditures	159,010	5,240,015	60,000	177,069	390,061	360,950	12,507,786
Excess (deficiency) of revenues over (under) expenditures	(19,418)	70,375	27,810	(169,420)	844,688	772,522	5,460,231
OTHER FINANCING SOURCES (USES):							
Transfers in	93,195	-	-	-	-	-	93,195
Transfers (out)	(26,340)	(286,307)	-	-	-	-	(4,367,138)
Total other financing sources (uses)	66,855	(286,307)	-	-	-	-	(4,273,943)
Net changes in fund balances	47,437	(215,932)	27,810	(169,420)	844,688	772,522	1,186,288
Fund balances, July 1	(381,916)	3,493,665	22,082	166,080	1,954,378	3,565,669	14,787,986
Fund balances, June 30	(334,479)	3,277,733	49,892	(3,340)	2,799,066	4,338,191	15,974,274
							Concluded

CITY OF WATSONVILLE, CALIFORNIA
NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	GAS TAX				NARCOTICS ASSETS SEIZURE			
	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final			Original	Final		
	\$	\$			\$	\$		
REVENUES:								
Taxes	-	-	-	-	-	-	-	-
Intergovernmental	1,310,139	1,294,508	1,294,508	-	-	-	-	-
Interest	4,200	34,686	34,686	-	1,500	8,216	8,216	-
Miscellaneous	-	-	-	-	10,000	30,559	30,559	-
Total revenues	1,314,339	1,329,194	1,329,194	-	11,500	38,775	38,775	-
EXPENDITURES:								
Public safety	-	-	-	-	11,500	24,369	24,369	-
Streets	1,599,477	1,171,933	1,171,933	-	-	-	-	-
Total expenditures	1,599,477	1,171,933	1,171,933	-	11,500	24,369	24,369	-
Net changes in fund balances	(285,138)	157,261	157,261	-	-	14,406	14,406	-
Fund balances, July 1 (as restated)	806,167	806,167	806,167	-	186,702	186,702	186,702	-
Fund balances, June 30	521,029	963,428	963,428	-	186,702	201,108	201,108	-

CITY OF WATSONVILLE, CALIFORNIA

NONMAJOR SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	BUSINESS DEVELOPMENT				ECONOMIC DEVELOPMENT			
	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final			Original	Final		
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES:								
Licenses, permits and fees	85,000	108,679	108,679	-	-	-	-	-
Interest	1,425	12,180	12,180	-	-	-	-	-
Miscellaneous	6,000	-	-	-	-	-	2,391	2,391
Total revenues	92,425	120,859	120,859	-	-	-	2,391	2,391
EXPENDITURES:								
Current:								
General government	73,000	16,777	16,777	-	-	-	-	-
Total expenditures	73,000	16,777	16,777	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	19,425	104,082	104,082	-	-	-	2,391	2,391
OTHER FINANCING SOURCES (USES):								
Transfers (out)	(24,900)	(24,900)	(24,900)	-	-	-	-	-
Total other financing sources (uses)	(24,900)	(24,900)	(24,900)	-	-	-	-	-
Net changes in fund balances	(5,475)	79,182	79,182	-	-	-	2,391	2,391
Fund balances, July 1	207,271	207,271	207,271	-	28,410	28,410	28,410	-
Fund balances, June 30	201,796	286,453	286,453	-	28,410	28,410	30,801	2,391

CITY OF WATSONVILLE, CALIFORNIA
NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	LIBRARY				PARKS DEVELOPMENT			
	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final			Original	Final		
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES:								
Taxes	3,675,752	3,699,028	4,047,668	348,640	-	-	-	-
Licenses, permits and fees	32,000	10,182	10,182	-	-	-	223,855	223,855
Intergovernmental	43,000	66,159	66,159	-	-	-	-	-
Interest	20,000	85,766	85,766	-	-	-	81,878	81,878
Miscellaneous	12,000	12,803	12,803	-	-	-	-	-
Total revenues	3,782,752	3,873,938	4,222,578	348,640	-	-	305,733	305,733
EXPENDITURES:								
Current:								
Culture and recreation	3,730,061	3,698,632	3,698,632	-	1,229,443	1,208,970	1,208,970	-
Total expenditures	3,730,061	3,698,632	3,698,632	-	1,229,443	1,208,970	1,208,970	-
Excess (deficiency) of revenues over (under) expenditures	52,691	175,306	523,946	348,640	(1,229,443)	(1,208,970)	(903,237)	305,733
OTHER FINANCING SOURCES (USES):								
Transfers (out)	(159,283)	(159,283)	(159,283)	-	-	-	-	-
Total other financing sources (uses)	(159,283)	(159,283)	(159,283)	-	-	-	-	-
Net change in fund balances	(106,592)	16,023	364,663	348,640	(1,229,443)	(1,208,970)	(903,237)	305,733
Fund balances, July 1	1,977,137	1,977,137	1,977,137	-	2,234,586	2,234,586	2,234,586	-
Fund balances, June 30	1,870,545	1,993,160	2,341,800	348,640	1,005,143	1,025,616	1,331,349	305,733

CITY OF WATSONVILLE, CALIFORNIA
NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	RETIREMENT TAX				PARKING GARAGE			
	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final			Original	Final		
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES:								
Taxes	3,873,308	4,034,825	4,034,825	-	-	-	-	-
Licenses, permits, and fees	-	-	-	-	162,000	139,425	139,425	-
Miscellaneous	-	-	-	-	-	167	167	-
Total revenues	3,873,308	4,034,825	4,034,825	-	162,000	139,592	139,592	-
EXPENDITURES:								
Current:								
General government	-	-	-	-	183,994	159,010	159,010	-
Total expenditures	-	-	-	-	183,994	159,010	159,010	-
Excess (deficiency) of revenues over (under) expenditures	3,873,308	4,034,825	4,034,825	-	(21,994)	(19,418)	(19,418)	-
OTHER FINANCING SOURCES (USES):								
Transfers in	-	-	-	-	93,195	93,195	93,195	-
Transfers (out)	(3,873,308)	(3,870,308)	(3,870,308)	-	(19,010)	(26,340)	(26,340)	-
Total other financing sources (uses)	(3,873,308)	(3,870,308)	(3,870,308)	-	74,185	66,855	66,855	-
Net change in fund balances	-	164,517	164,517	-	52,191	47,437	47,437	-
Fund balances, July 1	527,755	527,755	527,755	-	(381,916)	(381,916)	(381,916)	-
Fund balances, June 30	527,755	692,272	692,272	-	(329,725)	(334,479)	(334,479)	-

CITY OF WATSONVILLE, CALIFORNIA
NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	MEASURES G/Y				ABANDONED VEHICLE			
	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final			Original	Final		
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES:								
Taxes	2,772,496	5,151,026	5,151,026	-	-	-	-	-
Licenses, permits and fees	100	36,734	36,734	-	60,000	87,810	87,810	-
Interest	35,000	122,630	122,630	-	-	-	-	-
Total revenues	2,807,596	5,310,390	5,310,390	-	60,000	87,810	87,810	-
EXPENDITURES:								
Current:								
Public safety	2,788,767	5,240,015	5,240,015	-	61,800	60,000	60,000	-
Total expenditures	2,788,767	5,240,015	5,240,015	-	61,800	60,000	60,000	-
Excess (deficiency) of revenues over (under) expenditures	18,829	70,375	70,375	-	(1,800)	27,810	27,810	-
OTHER FINANCING SOURCES (USES):								
Transfers (out)	(286,307)	(286,307)	(286,307)	-	-	-	-	-
Total other financing sources (uses)	(286,307)	(286,307)	(286,307)	-	-	-	-	-
Net change in fund balances	(267,478)	(215,932)	(215,932)	-	(1,800)	27,810	27,810	-
Fund balances, July 1	3,493,665	3,493,665	3,493,665	-	22,082	22,082	22,082	-
Fund balances, June 30	3,226,187	3,277,733	3,277,733	-	20,282	49,892	49,892	-

CITY OF WATSONVILLE, CALIFORNIA
NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	INCLUSIONARY HOUSING				SB 1 - GAS TAX			
	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final			Original	Final		
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES:								
Taxes	-	-	-	-	1,143,906	1,143,906	1,143,906	-
Licenses, permits and fees	-	-	-	-	-	-	-	-
Charges for services	127,000	4,650	4,650	-	-	-	-	-
Interest	-	1,499	1,499	-	90,843	90,843	90,843	-
Miscellaneous	-	1,500	1,500	-	-	-	-	-
Total revenues	127,000	7,649	7,649	-	1,234,749	1,234,749	1,234,749	-
EXPENDITURES:								
Current:								
Housing	648,681	177,069	177,069	-	-	-	-	-
Streets	-	-	-	-	390,061	390,061	390,061	-
Total expenditures	648,681	177,069	177,069	-	390,061	390,061	390,061	-
Excess (deficiency) of revenues over (under) expenditures	(521,681)	(169,420)	(169,420)	-	844,688	844,688	844,688	-
OTHER FINANCING SOURCES (USES):								
Transfers (out)	(50,000)	-	-	-	-	-	-	-
Total other financing sources (uses)	(50,000)	-	-	-	-	-	-	-
Net changes in fund balances	(571,681)	(169,420)	(169,420)	-	844,688	844,688	844,688	-
Fund balances, July 1	166,080	166,080	166,080	-	1,954,378	1,954,378	1,954,378	-
Fund balances, June 30	(405,601)	(3,340)	(3,340)	-	2,799,066	2,799,066	2,799,066	-

CITY OF WATSONVILLE, CALIFORNIA

NONMAJOR SPECIAL REVENUE FUNDS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	MEASURE D		
	Budgeted Amounts		Variance With
	Original	Final	Final Budget - Positive (Negative)
	\$	\$	\$
REVENUES:			
Taxes	889,701	889,701	976,825
Interest	156,647	156,647	156,647
Total revenues	1,046,348	1,046,348	1,133,472
EXPENDITURES:			
Current:			
Streets	360,950	360,950	360,950
Total expenditures	360,950	360,950	360,950
Excess (deficiency) of revenues over (under) expenditures	685,398	685,398	772,522
Net change in fund balance	685,398	685,398	772,522
Fund balance, July 1	3,565,669	3,565,669	3,565,669
Fund balance, June 30	4,251,067	4,251,067	4,338,191

CITY OF WATSONVILLE, CALIFORNIA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
	\$	\$	\$	\$
REVENUES:				
Intergovernmental	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES:				
Debt service:				
Principal	781,123	781,123	781,123	-
Interest and fiscal charges	32,308	33,070	33,070	-
Total expenditures	813,431	814,193	814,193	-
Excess (deficiency) of revenues over (under) expenditures	(813,431)	(814,193)	(814,193)	-
OTHER FINANCING SOURCES (USES):				
Transfers in	832,765	832,765	892,498	59,733
Total other financing sources (uses)	832,765	832,765	892,498	59,733
Net change in fund balance	19,334	18,572	78,305	59,733
Fund balance, July 1	245,989	245,989	245,989	-
Fund balance, June 30	265,323	264,561	324,294	59,733

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STATISTICAL SECTION

This part of the City of Watsonville’s comprehensive annual financial report presents detailed information as a context for the understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

Contents	Page
Financial Trends	123
These schedules contain trend information to help the reader understand how the city’s financial performance and well-being have changed over time.	
Revenue Capacity	128
These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	
Debt Capacity	133
These schedules present information to help the reader assess the affordability of the city’s current levels of outstanding debt and the city’s ability to issue additional debt in the future.	
Demographic and Economic Information	137
These schedules offer the demographic and economic indicators to help the reader understand the environment within which the city’s financial activities take place.	
Operating Information	140
These schedules contain service and infrastructure data to help the reader understand how the information in the city’s financial report relates to the services the city provides and the activities it performs.	

SOURCE: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF WATSONVILLE, CALIFORNIA

**Net Position By Component
Last Ten Fiscal Years**
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Governmental activities										
Net investment in capital assets	118,302	114,148	110,806	111,256	108,892	110,033	109,660	108,607	111,205	113,121
Restricted	42,945	44,188	16,754	16,496	19,849	19,803	8,803	24,412	27,012	27,082
Unrestricted	(2,634)	(39,888)	(7,184)	(3,294)	475	(1,797)	6,712	(4,162)	(4,102)	3,333
Total governmental activities net position	<u>158,613</u>	<u>118,448</u>	<u>120,376</u>	<u>124,458</u>	<u>129,216</u>	<u>128,039</u>	<u>125,175</u>	<u>128,857</u>	<u>134,115</u>	<u>143,536</u>
Business-type activities										
Net investment in capital assets	99,277	98,484	94,655	96,034	95,782	92,296	97,119	93,904	96,016	100,264
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	10,865	(2,581)	2,587	5,524	9,085	20,058	19,821	27,642	34,895	43,746
Total business-type activities net position	<u>110,142</u>	<u>95,903</u>	<u>97,242</u>	<u>101,558</u>	<u>104,867</u>	<u>112,354</u>	<u>116,940</u>	<u>121,546</u>	<u>130,911</u>	<u>144,010</u>
Primary government										
Net investment in capital assets	217,579	212,632	205,461	207,290	204,674	202,329	206,779	202,511	207,222	213,386
Restricted	42,945	44,188	16,754	16,496	19,849	19,803	22,228	24,412	27,012	27,082
Unrestricted	8,231	(42,469)	(4,597)	2,230	9,560	18,261	13,109	23,480	30,793	47,079
Total primary government net position	<u>268,755</u>	<u>214,351</u>	<u>217,618</u>	<u>226,016</u>	<u>234,083</u>	<u>240,393</u>	<u>242,116</u>	<u>250,403</u>	<u>265,027</u>	<u>287,547</u>

CITY OF WATSONVILLE, CALIFORNIA

Changes In Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Expenses:										
Governmental activities:										
General government	11,773	5,494	7,151	8,257	7,032	15,143	13,812	8,599	12,246	17,339
Public safety	23,020	25,716	27,751	27,382	30,972	31,221	35,811	35,608	33,149	35,379
Housing	820	1,298	1,389	2,318	1,158	2,289	2,059	24,412	3,255	1,191
Highways and streets	6,708	4,697	3,043	6,348	5,974	8,561	6,931	8,652	6,050	3,894
Culture and recreation	7,334	7,916	8,613	7,817	8,591	9,152	9,850	(4,162)	10,264	12,398
Interest on long term debt	189	132	112	146	158	491	78	123	42	35
Total government activities	49,844	45,253	48,059	52,268	53,885	66,857	68,541	73,232	65,006	70,236
Business-type activities:										
Water	11,001	11,583	15,537	13,851	12,038	13,996	19,378	15,960	16,095	16,473
Sewer	9,298	10,741	10,731	10,272	13,175	14,195	14,099	14,190	13,633	14,509
Solid Waste	8,699	10,136	9,181	10,976	12,758	11,925	12,567	19,189	14,355	15,640
Airport	2,888	2,580	2,225	2,684	3,382	5,118	3,803	4,235	4,470	3,974
Fiber Optic	-	-	8	41	46	68	59	69	64	62
Total business-type activities	31,886	35,040	37,682	37,824	41,399	45,302	49,906	53,643	48,617	50,658
Total primary government	81,730	80,293	85,741	90,092	95,284	112,159	118,447	126,875	113,623	120,894
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	9,249	5,488	5,524	8,426	8,285	12,233	8,649	9,181	9,420	13,642
Public safety	1,549	1,396	1,853	1,780	1,875	822	874	821	777	914
Housing	1,619	391	-	675	289	866	782	667	1,269	134
Highways and streets	2,501	1,585	1,858	2,284	2,663	1,057	799	64	34	244
Culture and recreation	827	1,330	833	952	1,189	1,244	832	606	669	479
Operating grants and contributions	2,657	2,393	3,590	3,310	2,772	2,501	5,988	5,100	3,541	3,621
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	18,402	12,583	13,658	17,427	17,073	18,723	17,924	16,439	15,710	19,034
Business-type activities:										
Charges for services:										
Water	12,363	12,075	12,756	14,617	15,243	17,358	20,484	19,885	21,045	22,041
Sewer	10,864	10,046	14,307	12,069	12,475	13,444	14,153	15,119	16,366	18,226
Solid Waste	9,580	10,471	10,746	11,225	12,549	13,493	14,587	18,310	16,116	16,946
Airport	1,844	1,956	2,159	1,937	2,576	5,595	3,713	2,432	2,706	2,799
Fiber Optic	-	-	23	44	43	45	74	609	94	140
Operating grants and contributions	603	901	759	1,373	1,430	2,016	796	732	(20)	465
Capital grants and contributions	1,156	590	659	1,104	311	94	163	107	489	49
Total business-type activities program revenues	36,410	36,039	41,409	42,369	44,627	52,045	53,970	57,194	56,796	60,666

Continued

CITY OF WATSONVILLE, CALIFORNIA

Changes In Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Net (expense) / revenue										
Governmental activities	(31,442)	(32,670)	(34,401)	(34,840)	(37,564)	(48,134)	(50,655)	(46,217)	(49,359)	(51,409)
Business-type activities	4,525	999	3,727	4,544	3,227	6,744	4,065	3,551	8,179	10,008
Total primary government net expense	<u>(26,917)</u>	<u>(31,671)</u>	<u>(30,674)</u>	<u>(30,296)</u>	<u>(34,337)</u>	<u>(41,390)</u>	<u>(46,590)</u>	<u>(42,666)</u>	<u>(41,180)</u>	<u>(41,401)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	12,090	11,868	12,846	13,300	13,436	15,669	16,243	16,169	16,977	17,802
Sales taxes	11,436	13,988	16,693	16,083	18,393	19,369	19,075	22,232	24,408	25,337
Utility users taxes	3,029	3,437	3,183	3,679	4,019	4,011	4,265	3,994	4,144	4,358
Franchise taxes	365	404	456	471	436	460	458	563	538	572
Other taxes	1,120	1,295	1,457	1,792	2,060	3,125	2,906	2,610	3,618	3,694
Intergovernmental revenue not restricted	1,686	1,475	1,120	1,009	1,048	1,021	1,139	1,434	1,727	3,963
Transfers	211	226	232	308	270	272	251	246	284	285
Unrestricted investment earnings	1,890	1,916	2,098	2,218	2,660	3,030	3,416	2,531	2,857	4,449
Other revenue	-	-	-	-	-	-	-	-	-	31
Total governmental activities	<u>31,827</u>	<u>34,609</u>	<u>38,085</u>	<u>38,860</u>	<u>42,322</u>	<u>46,957</u>	<u>47,753</u>	<u>49,779</u>	<u>54,553</u>	<u>60,491</u>
Business-type activities:										
Transfers	(211)	(226)	(231)	(308)	(270)	(272)	(251)	(246)	(284)	(285)
Other Revenue	-	-	-	-	-	-	-	1,274	1,296	1,151
Unrestricted investment earnings	263	269	201	206	352	1,014	811	70	239	2,431
Total business-type activities	<u>52</u>	<u>43</u>	<u>-30</u>	<u>(102)</u>	<u>82</u>	<u>742</u>	<u>560</u>	<u>1,098</u>	<u>1,251</u>	<u>3,297</u>
Total primary government	<u>31,879</u>	<u>34,652</u>	<u>38,055</u>	<u>38,758</u>	<u>42,404</u>	<u>47,699</u>	<u>48,313</u>	<u>50,877</u>	<u>55,804</u>	<u>63,788</u>
Change in net position before extraordinary item										
Governmental activities	385	1,939	3,683	4,020	4,758	(1,177)	(2,863)	3,605	5,258	9,289
Business-type activities	4,577	1,043	3,696	4,442	3,309	7,486	4,586	4,606	9,366	13,099
Total primary government	<u>4,962</u>	<u>2,982</u>	<u>7,379</u>	<u>8,462</u>	<u>8,067</u>	<u>6,309</u>	<u>1,723</u>	<u>8,211</u>	<u>14,624</u>	<u>22,388</u>
Extraordinary items										
Governmental activities	-	-	-	-	-	-	-	-	-	-
Total primary government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position										
Governmental activities	385	1,939	3,683	4,020	4,758	(1,177)	(2,863)	3,605	5,258	9,289
Business-type activities	4,577	1,043	3,696	4,442	3,309	7,486	4,586	4,606	9,366	13,099
Total primary government	<u>4,962</u>	<u>2,982</u>	<u>7,379</u>	<u>8,462</u>	<u>8,067</u>	<u>6,309</u>	<u>1,723</u>	<u>8,211</u>	<u>14,624</u>	<u>22,388</u>

Concluded

CITY OF WATSONVILLE, CALIFORNIA

**Fund Balances of Governmental Funds
Last Ten Fiscal Years**
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General fund										
Nonspendable	56	35	3,365	2,965	2,588	123	114	308	147	-
Restricted	-	-	-	-	-	-	-	-	-	-
Unassigned	1,881	4,595	4,228	6,057	10,342	13,144	16,478	18,253	18,228	21,626
Total general fund	<u>1,937</u>	<u>4,630</u>	<u>7,593</u>	<u>9,022</u>	<u>12,930</u>	<u>13,267</u>	<u>16,592</u>	<u>18,561</u>	<u>18,375</u>	<u>21,626</u>
All other governmental funds										
Restricted, reported in										
Special revenue funds	12,021	14,566	18,216	17,880	20,926	20,607	22,465	24,778	27,107	27,096
Debt service funds	79	72	125	131	123	129	238	247	246	324
Unassigned	(910)	(1,069)	(770)	(740)	(728)	(615)	(475)	(404)	(381)	(338)
Total all other governmental funds	<u>11,190</u>	<u>13,569</u>	<u>17,571</u>	<u>17,271</u>	<u>20,321</u>	<u>20,121</u>	<u>22,228</u>	<u>24,621</u>	<u>26,972</u>	<u>27,082</u>

CITY OF WATSONVILLE, CALIFORNIA

Net Change in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues										
Taxes	29,725	32,466	35,754	36,198	39,392	43,655	42,029	45,583	49,693	51,763
Licenses, permits, and fees	4,855	5,248	5,795	5,885	6,642	5,971	5,315	3,378	5,848	3,204
Intergovernmental	3,032	2,458	3,336	3,410	3,455	3,417	9,167	5,734	5,735	7,891
Charges for services	2,447	2,458	2,945	2,770	3,224	3,072	3,534	3,396	3,523	3,915
Fines	622	552	690	737	723	708	24,412	462	593	530
Interest	2,084	2,076	2,168	2,435	2,869	3,405	3,280	2,529	2,844	4,282
Special assessment	92	91	77	60	58	50	(4,162)	-	-	-
Miscellaneous	825	1,995	2,810	1,871	2,491	3,007	3,826	3,940	3,785	8,177
Total revenues	<u>43,682</u>	<u>47,344</u>	<u>53,575</u>	<u>53,366</u>	<u>58,854</u>	<u>63,285</u>	<u>87,401</u>	<u>65,022</u>	<u>72,021</u>	<u>79,762</u>
Expenditures										
Current:										
General government	10,447	5,574	6,989	7,556	7,978	13,062	11,330	10,089	14,262	19,000
Public safety	20,406	22,707	24,860	24,271	26,744	30,459	30,543	30,012	33,544	34,910
Housing	820	1,298	1,389	2,318	1,158	2,289	2,059	4,159	3,057	1,191
Streets	5,972	4,252	1,672	5,772	5,385	8,759	8,911	7,827	8,770	8,972
Culture and recreation	6,505	7,172	7,090	7,079	7,837	9,406	9,076	8,297	9,383	11,601
Debt service:										
Principal	439	495	429	478	463	730	797	2,391	785	976
Interest and fiscal charges	195	159	183	173	161	220	82	147	49	37
Total expenditures	<u>46,365</u>	<u>42,474</u>	<u>45,898</u>	<u>52,480</u>	<u>49,726</u>	<u>64,925</u>	<u>62,798</u>	<u>62,922</u>	<u>69,850</u>	<u>76,687</u>
Excess (deficiency) of revenues over (under) expenditures	(2,683)	4,870	7,677	886	9,128	(1,640)	24,603	2,100	2,171	3,075
Other financing sources (uses)										
Bond/note proceeds	191	-	-	-	-	1,541	144	1,649	-	-
Transfers in	3,238	3,340	3,692	3,562	4,464	5,457	4,750	6,171	4,795	5,310
Transfers out	(3,309)	(3,150)	(3,496)	(3,290)	(4,230)	(5,222)	(4,535)	(5,926)	(4,510)	(5,025)
Total other financing sources (uses)	<u>120</u>	<u>190</u>	<u>196</u>	<u>272</u>	<u>234</u>	<u>1,776</u>	<u>359</u>	<u>1,894</u>	<u>285</u>	<u>285</u>
Net change in fund balances before extraordinary items	(2,563)	5,060	7,873	1,158	9,362	136	24,962	3,995	2,456	3,360
Extraordinary items	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	<u>(2,563)</u>	<u>5,060</u>	<u>7,873</u>	<u>1,158</u>	<u>9,362</u>	<u>136</u>	<u>24,962</u>	<u>3,995</u>	<u>2,456</u>	<u>3,360</u>
Debt service as a percentage of noncapital expenditures	**	**								
	4.1%	1.4%	1.6%	1.5%	1.4%	1.5%	1.4%	4.3%	1.2%	1.3%

** Capital Outlay reconciliation amount was used for the percentage calculation. It reduced noncapital expenditures.

CITY OF WATSONVILLE, CALIFORNIA

General Governmental Tax Revenues By Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Utility User Tax	Other Tax	Total
	\$	\$	\$	\$	\$	\$
2014	12,090	11,436	365	3,029	1,120	28,040
2015	11,868	13,988	404	3,437	1,295	30,992
2016	12,846	16,693	455	3,183	1,457	34,634
2017	13,300	16,083	471	3,679	1,793	35,326
2018	13,436	18,393	436	4,019	3,108	39,392
2019	15,669	19,369	460	4,011	3,125	42,634
2020	16,243	19,075	458	4,265	2,906	42,947
2021	16,169	22,232	563	3,994	2,610	45,568
2022	16,977	24,408	538	4,144	3,618	49,685
2023	17,802	25,337	572	4,358	3,694	51,763

Source: City of Watsonville Finance Department

CITY OF WATSONVILLE, CALIFORNIA

**Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years**
(amounts expressed in thousands)

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Other Property	Unsecured Property	Less: Tax Exempt Property	Taxable Assessed Value	Total Direct Tax Rate (1)	Estimated Actual Taxable Value	Assessed Value as a % of Actual Taxable Value
	\$	\$	\$	\$	\$	\$	\$	%	\$	%
2014	2,091,245	544,645	103,080	329,813	212,372	171,985	3,109,170	1.18	3,109,170	1.00
2015	2,316,558	548,165	106,401	350,110	231,586	185,687	3,367,133	1.18	3,367,133	1.00
2016	2,456,187	563,026	115,344	361,791	235,517	200,675	3,531,190	1.18	3,531,190	1.00
2017	2,606,044	626,252	135,130	394,814	229,211	229,936	3,761,515	1.16	3,761,515	1.00
2018	2,757,691	609,505	168,676	435,526	259,425	252,874	3,977,950	1.17	3,977,950	1.00
2019	2,727,533	583,841	442,945	421,714	262,350	222,957	4,215,426	1.16	4,215,426	1.00
2020	2,858,513	618,090	470,547	459,879	277,705	246,737	4,437,997	1.09	4,437,997	1.00
2021	3,002,026	640,089	485,947	410,766	276,813	205,383	4,610,258	1.16	4,610,258	1.00
2022	3,150,126	671,837	505,514	456,649	275,930	249,202	4,810,854	1.09	4,810,854	1.00
2023	3,288,822	757,157	515,612	507,728	290,464	307,240	5,052,543	1.16	5,052,543	1.00

Notes: Source: HDL, Coren & Cone
Source: Previously published ACFR Reports
(1.) Total Direct Tax Rate is represented by TRA 02-021

CITY OF WATSONVILLE, CALIFORNIA

**Property Tax Rates - Direct
and Overlapping
(Per \$100 of Assessed Value)
Last Ten Years**

Year	Basic Countywide Levy	School Districts	Retirement	Total
2014	1.000	0.109	0.077	1.186
2015	1.000	0.098	0.077	1.175
2016	1.000	0.101	0.077	1.178
2017	1.000	0.086	0.077	1.163
2018	1.000	0.094	0.077	1.171
2019	1.000	0.081	0.077	1.158
2020	1.000	0.087	0.077	1.164
2021	1.000	0.084	0.077	1.161
2022	1.000	0.090	0.077	1.167
2023	1.000	0.085	0.077	1.162

Source: HDL, Coren & Cone

CITY OF WATSONVILLE, CALIFORNIA
Principal Property Taxpayers
June 30, 2023
(amounts expressed in thousands)

	2023			2014		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
	\$		%	\$		%
S Martinelli And Company	56,747	1	1.19%	33,881	2	1.15%
MPT of Watsonville	50,798	2	1.07%			
OW Family-Lee Road LLC	37,270	3	0.78%			
Freedom Associates LLC	28,143	4	0.59%	22,415	3	0.76%
Blackbird Homes LLC	27,724	5	0.58%			
Save Mart Portfolio Owner Fund V Ca	25,000	6	0.54%			
Bridge Paloma Associates LLC	24,653	7	0.52%			
111 Jennings Drive LLC	23,688	8	0.50%			
Home Depot USA	22,072	9	0.46%			
William J and Neva J Hansen Co Trustees	22,141	10	0.46%			
Watsonville Hospital Corp				58,781	1	1.99%
Harvest Drive Properties LLC				20,173	4	0.68%
George Ow Jr Trustee ET AL				19,858	5	0.67%
Terminal Freezers LLC				19,784	6	0.67%
Home Depot Dev of Maryland INC				16,700	7	0.56%
WRI Freedom Center LP				18,069	8	0.61%
Dayton Hudson Corporation				15,998	9	0.54%
Carl E Best 1999 Trust				15,513	10	0.52%
Totals	<u>318,236</u>		<u>6.69%</u>	<u>241,172</u>		<u>8.15%</u>

Source: HDL, Coren & Cone

CITY OF WATSONVILLE, CALIFORNIA

**Property Tax Collection
Last Ten Fiscal Years**

Fiscal Year	Total * Tax Levy	Current Tax * Collections	Percent Of Levy Collected	Supplemental Tax Collections	Delinquent Tax * Collections	Total Tax Collections
	\$	\$	\$	\$	\$	\$
2014	8,242,044	8,242,044	100%	69,092	-	8,311,136
2015	7,837,187	7,837,187	100%	112,079	-	7,949,266
2016	7,801,004	7,801,004	100%	117,264	-	7,918,268
2017	8,615,411	8,615,411	100%	200,484	-	8,815,895
2018	8,605,570	8,605,570	100%	225,296	-	8,830,866
2019	10,536,951	10,536,951	100%	238,730	-	10,775,681
2020	10,859,042	10,859,042	100%	212,455	-	11,071,497
2021	10,732,446	10,732,446	100%	127,234	-	10,859,680
2022	11,026,084	11,026,084	100%	352,022	-	11,378,106
2023	11,707,891	11,707,891	100%	296,479	-	12,004,370

Source: City of Watsonville

*Property Tax collection equals property Tax collected due to agreement with the County of Santa Cruz.
With this agreement the City does not receive any Delinquent tax collection.

CITY OF WATSONVILLE, CALIFORNIA

**Ratio of Outstanding Debt By Type
Last Ten Fiscal Years**

(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Debt	Special Assessment Debt	Capital Leases	Revenue Bonds	Loans & Notes	Capital Leases			
	\$	\$	\$	\$	\$	\$	\$		
2014	5,082	379	-	30,313	8,181	-	43,955	4.90%	0.852
2015	4,676	290	-	29,057	11,124	-	45,147	5.22%	0.875
2016	4,254	214	-	677	347	-	5,492	0.59%	0.104
2017	3,818	149	-	461	582	-	5,010	0.50%	0.092
2018	3,406	98	-	235	922	-	4,661	0.47%	0.090
2019	4,283	49	-	-	1,639	-	5,971	0.59%	0.113
2020	3,679	-	-	-	1,693	-	5,372	0.50%	0.104
2021	2,938	-	-	-	8,150	-	11,088	1.24%	0.216
2022	2,153	-	-	-	7,371	-	9,524	0.94%	0.219
2023	2,243	-	-	-	12,633	-	14,876	1.17%	0.298

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

1 See the Schedule of Demographic and Economic Statistics for the personal income and population data.

CITY OF WATSONVILLE, CALIFORNIA

**Ratio of Net General Obligation Debt Outstanding
Last Ten Fiscal Years**
(amounts expressed in thousands, except per capita amount)

Fiscal Year	General Obligation Debt	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
	\$	\$	\$		\$
2014	4,676	79	4,597	0.15%	1,123
2015	4,676	72	4,604	0.15%	1,121
2016	4,254	125	4,129	0.13%	1,250
2017	3,818	131	3,687	0.12%	1,438
2018	3,406	123	3,283	0.09%	1,615
2019	4,283	129	4,154	0.10%	1,276
2020	3,679	238	3,441	0.08%	1,497
2021	2,938	247	2,691	0.06%	1,909
2022	2,153	246	1,907	0.04%	2,657
2023	2,243	324	1,919	0.04%	2,599

Note: Detail of the City's outstanding debt can be found in the notes to the financial statements.

See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for estimated actual property value data.

Population data can be found in the Schedule of Demographic and Economic Statistics

CITY OF WATSONVILLE, CALIFORNIA

**Legal Debt Margin Information
Last Ten Fiscal Years**
(amounts expressed in thousands)

	Fiscal Year									
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Debt limit	123,043	133,232	139,945	149,679	158,656	166,439	175,678	181,450	189,752	200,992
Total net debt applicable to limit	5,082	4,676	4,129	3,687	3,283	4,154	3,441	2,691	1,907	1,919
Legal debt margin	<u>118,367</u>	<u>128,556</u>	<u>135,816</u>	<u>145,992</u>	<u>155,373</u>	<u>162,285</u>	<u>172,237</u>	<u>178,759</u>	<u>187,845</u>	<u>199,073</u>
Total net debt applicable to the limit as a percentage of debt limit	4.130%	3.510%	2.950%	2.463%	2.069%	2.496%	1.959%	1.483%	1.005%	0.955%

Legal Debt Margin Calculation for Fiscal Year 2023

Assessed value	\$ 5,052,543
Add back: exempt real property	<u>307,240</u>
Total assessed value	5,359,783
 Debt Limit = 3.75% of assessed valuation	 200,992
Debt applicable to limit	2,243
Less: Amount set aside for repayment of general obligation debt	<u>324</u>
Total net debt applicable to limit	<u>1,919</u>
Legal debt margin	<u><u>\$ 199,073</u></u>

Source: City of Watsonville

CITY OF WATSONVILLE, CALIFORNIA

Computation of Direct and Overlapping Bonded Debt

June 30, 2023

(amounts expressed in thousands, except per capita amount)

Jurisdiction	Total Debt Outstanding	(1) Percentage Applicable	Estimated Share of Overlapping Debt
	\$		\$
Direct Debt:			
City of Watsonville	2,243	100%	2,243
Total of Direct Debt			2,243
Overlapping Tax Debt:			
Cabrillo Joint Community College District	98,100	9.03%	8,855
Pajaro Valley Unified School District	158,914	26.37%	41,902
Santa Cruz County General Fund Obligations	99,249	9.10%	9,034
Santa Cruz County Office of Education General Fund Obligations	7,017	9.10%	639
Pajaro Valley Joint Unified School District Certificates of Participation	11,835	26.37%	3,121
City of Watsonville General Fund Obligations (2)	2,668	100.00%	2,668
Successor Agency	5,495	100.00%	5,495
Total Overlapping Debt	<u>383,278</u>		<u>(3) 71,713</u>
Total Direct and Overlapping Bonded Debt	385,521		<u><u>71,715</u></u>

Source: Wildan Financial Services

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Includes share of Santa Cruz County Emergency Communications Center obligations (\$423,600).

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

CITY OF WATSONVILLE, CALIFORNIA

**Demographic and Economic Statistics
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal (2) Income (amounts expressed in thousands) \$</u>	<u>Per Capita Personal Income \$</u>	<u>Median Age (3)</u>	<u>Education Level in Years of Formal Schooling</u>	<u>School (4) Enrollment</u>	<u>Unemployment Rate (5)</u>
2014	52,508	896,824	17.080	29.7	N/A	20,362	19.3%
2015	52,087	864,719	16.601	29	N/A	20,438	19.2%
2016	52,891	934,271	17.664	29.9	N/A	20,354	19.2%
2017	53,015	981,527	18.514	30.1	N/A	20,400	19.2%
2018	53,434	1,052,216	19.692	29.7	N/A	20,279	19.3%
2019	53,021	1,014,448	19.133	29.7	N/A	20,106	10.4%
2020	51,515	1,068,567	20.742	30.3	N/A	18,616	10.1%
2021	51,366	1,122,733	21.857	30.3	N/A	19,772	14.8%
2022	50,669	1,183,950	23.366	30.9	N/A	18,675	13.6%
2023	49,876	1,270,289	25.468	31.1	N/A	18,094	10.3%

Source: MuniServices, LLC & Data Reporting Office Ca. Dept of Ed.

1.) Population Projections are provided by the California Department of Finance Projections.

2.) Income Data is derived from previous income adjusted for inflation.

3.) Unemployment Data is provided by the EDD's Bureau of Labor Statistics Department.

4.) Student Enrollment reflects the total number of students enrolled in the Pajaro Valley Unified School District. Other School Districts w/in the City are not accounted for in this statistics.

CITY OF WATSONVILLE, CALIFORNIA

**Principal Employers
Current Fiscal Year and Ten Years Ago**

	2023			2014		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Pajaro Valley Unified School District	2,139	1	9.22%	2,008	1	9.13%
Watsonville Community Hospital	620	2	2.67%	653	2	2.97%
Granite Construction	521	3	2.25%			
Del Mar Food Products, Inc	471	4	2.03%			
City of Watsonville *	397	5	1.71%	361	4	1.64%
S Martinelli & Co.	340	6	1.47%	280	7	1.27%
Lakeside Organic Gardens LLC	244	7	1.05%			
Nordic Naturals, Inc	264	8	1.14%			
FedEx Ground Package Systems, INC	240	9	1.03%			
Community Tree Service, Inc	210	10	0.91%			
West Marine Products				417	3	1.90%
Fox Factory				300	5	1.36%
Manning Montessori Children's House				280	6	1.27%
Community Bridges				219	8	1.00%
Clinica Del Valle Del P				186	9	0.85%
Green Valley Clinic				186	10	0.85%
Total	<u>5,446</u>		<u>23.47%</u>	<u>4,890</u>		<u>22.23%</u>

Source: BL Data, MuniServices, LLC & Called Employers

Source: 2013-2014 previously published CAFR

* Includes Certificated, classified & Admin.

**Includes contractors.

(1) Total City Labor Force provided by EDD Labor Force Data

<https://www.labormarketinfo.edd.ca.gov/data/labor-force-and-unemployment-for-cities-and-census-areas.html>

City Total (1)	<u>23,200</u>	<u>21,996</u>
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CITY OF WATSONVILLE, CALIFORNIA

**Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years**

Function	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General Government	6	7	7	9	9	9	9	10	11	11
Community Development	14	13	11.5	14	15	16	16	12	15	15
Finance	17	16	16	10	10	11	11	10	10	10
Fire	35	41	41	40	42	43	43	31	31	32
Informaion Services *	n/a	n/a	n/a	8	8	8	9	11	16	16
Police:										
Officers	68	64	67.2	66	75	75	75	71	75	78
Civilians	17	22	26	27	22	24	23	21	19	19
Library	29	29	27.4	25	25	26	27	23	22	22
Parks & Community Services	27	27	25.9	26	29	29	26	22	24	28
Public Works	16	16	14	14	13	15	15	15	12	13
Airport	9	9	9	9	10	13	13	10	11	10
LLMAD	1	1	1	1	1	1	1	1	1	1
Gas Tax	n/a	n/a	n/a	0	2	4	4	3	3	3
Parking Garage	0	0	0	0	0	0	0	0	0	0
Redevelopment and Housing	4	4	5.2	3	4	4	4	5	4	4
Solid Waste	38	36	44	46	49	43	43	43	44	45
Wastewater	46	47	49	53	55	59	59	52	53	53
Water	31	34	35	38	41	44	44	44	39	37
	358	366	379	389	410	424	422	384	390	397

* Information Services was created and moved out of General Government.

Source: City of Watsonville's Biennial Budget documents.

CITY OF WATSONVILLE, CALIFORNIA

**Operating Indicators by Function
Last Ten Fiscal Years**

Function	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General Government:										
City Council meetings	22	27	19	21	25	25	23	22	34	31
Resolutions processed	153	181	199	187	192	180	229	282	285	261
Community Development:										
Planning application reviews	259	393	361	369	423	442	396	230	501	472
Construction inspections	1,851	1,725	1,165	2,933	3,828	3,624	2,904	1,029	3,557	3,537
Building Permits	625	768	817	862	1,034	810	758	1,493	927	1,104
Finance:										
Payroll checks issued	12,203	12,327	12,511	12,547	13,323	13,028	13,045	11,200	12,973	12,973
Utility accounts	14,685	15,023	15,024	14,985	15,043	15,070	14,556	14,474	14,104	14,610
A/P checks issued	7,460	7,313	7,517	7,644	7,588	8,062	7,695	6,890	6,904	6,919
Fire:										
Field incidents dispatched	4,123	4,282	4,282	4,997	5,070	5,286	5,427	6,539	6,271	5,658
Information Services:										
Client Computers	542	542	531	531	646	646	682	698	609	646
Library:										
Items used/checked out	262,929	411,234	411,234	439,234	272,468	326,888	303,137	34,242	53,238	134,413
Parks & Community Services:										
Registered Participants	506	549	475	479	413	297	335	48	1,972	2,296
Police:										
Moving and Parking Citations	9,876	10,524	11,105	12,747	9,600	15,659	9,738	8,721	15,466	7,867
Service Calls Dispatch	61,239	65,288	69,668	67,632	65,635	44,386	56,901	53,730	54,239	52,215
URC Crime Rate	25	39	40	43	38	34	34	30	28	31
(# crimes/1,000 population, calendar years)										
Wastewater:										
Avg. Annual volume per day septage treated (in million gallons)	8	8	3	3	4	5	5	6	8	9
Water:										
Water production (acre feet)		7,163	6,597	6,648	7,102	6,906	7,882	7,100	6,950	6,348
Solid Waste:										
Refuse handled (tons)	32,607	40,204	41,389	36,028	34,286	35,109	35,202	39,898	33,373	32,699
Recycled material (tons)	6,041	4,946	7,466	7,081	8,188	7,070	6,050	5,808	7,869	11,221

Source: City of Watsonville departments

CITY OF WATSONVILLE, CALIFORNIA

**Capital Assets Statistics by Function
Last Ten Fiscal Years**

Function	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Fire:										
Stations	2	2	2	2	2	2	2	2	2	2
Police:										
Patrol units	18	17	17	17	22	22	22	22	26	25
Patrol motorcycles	6	4	5	5	5	5	6	6	5	7
Library:										
Buildings	2	2	2	2	2	2	2	2	2	2
Parks & Community Services:										
Parks	21	26	26	26	26	26	26	26	26	26
Acreage of parks	85.0	143.0	143.0	143.0	143.0	143.0	143	143	143.0	143.0
Community Centers	6	5	5	5	5	6	8	8	7	7
Public Works:										
Miles of streets	96	89	89	89	89	89	89	89	84	84
Airport:										
Runways	2	2	2	2	2	2	2	2	2	2
Wastewater:										
Treatment plants	1	1	1	1	1	1	1	1	1	1
Capacity of treatment plant*	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1
*(gallons per day in millions)										
Water:										
Maximum pumping capacity*	18.7	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1
Average consumption*	6.3	6.1	5.9	5.9	5.9	6.2	7	7	6	6
*(gallons per day in millions)										
Solid Waste:										
Collection trucks	16	16	19	19	20	20	25	25	25	25

Source: City of Watsonville departments

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