

CITY OF WATSONVILLE

CALIFORNIA



ANNUAL COMPREHENSIVE FINANCIAL REPORT



City of Watsonville, California

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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, 2025

TABLE OF CONTENTS

I. INTRODUCTORY SECTION:

Transmittal Letter	1
GFOA Certificate of Achievement	8
Officers and Officials	9
Organizational Structure.....	10

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.	30
Statement of Activities.....	32
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	34
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	36
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	38
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	40
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	41
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Impact Fees Fund.....	42
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Housing Fund.....	43
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Redevelopment and Housing Grants Fund.....	44
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – American Rescue Plan Act Fund.....	45
Statement of Net Position – Proprietary Funds	46
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	48
Statement of Cash Flows – Proprietary Funds	50
Statement of Fiduciary Net Position – Successor Agency Private Purpose Trust Fund.....	52
Statement of Changes in Fiduciary Net Position – Successor Agency Private Purpose Trust Fund.....	53
Notes to Financial Statements	55

CITY OF WATSONVILLE, CALIFORNIA
Annual Comprehensive Financial Report
Fiscal Year Ending June 30, 2025

TABLE OF CONTENTS (Continued)

Required Supplementary Information (Unaudited)

Schedule of Changes in the Net Pension Liability and Related Ratios –	
Miscellaneous Pension Plan.....	104
Schedule of Contributions – Miscellaneous Pension Plan	106
Schedule of Proportionate Share of Net Pension Liability –	
Safety Pension Plan.....	107
Schedule of Contributions – Safety Pension Plan	108

Supplementary Information:

Combining and Individual Fund Statements and Schedules:

Combining Balance Sheet – Nonmajor Governmental Funds	112
Combining Statement of Revenues, Expenditures, and Changes	
in Fund Balances – Nonmajor Governmental Funds.....	114
Schedule of Revenues, Expenditures, and Changes	
in Fund Balances – Budget to Actual:	
Gas Tax and Narcotics Assets Seizure Funds	116
Business Development and Economic Development Funds.....	117
Library and Parks Development Funds	118
Retirement Tax and Parking Garage Funds.....	119
Measure G/Y and Abandoned Vehicle Funds.	120
Inclusionary Housing and SB 1 – Gas Tax Fund	121
Measure D Fund.....	122
Schedule of Revenues, Expenditures, and Changes	
in Fund Balances – Budget and Actual:	
Debt Service Fund.....	123

III STATISTICAL SECTION (Unaudited):

Net Position By Component – Last Ten Fiscal Years	127
Changes In Net Position – Last Ten Fiscal Years	128
Fund Balances of Governmental Funds.....	130
Net Change In Fund Balances of Governmental Funds – Last	
Ten Fiscal Years	131
General Governmental Tax Revenues By Source – Last Ten Fiscal Years.....	132
Assessed Value and Estimated Actual Value of Taxable Property.....	133
Property Tax Rates – Direct and Overlapping – Last Ten Years	134
Principal Property Taxpayers – Current Year and Nine Years Ago	135
Property Tax Collection – Last Ten Fiscal Years.....	136
Ratio of Outstanding Debt By Type – Last Ten Fiscal Years	137
Ratio of Net General Obligation Debt Outstanding – Last Ten Fiscal Years	138

CITY OF WATSONVILLE, CALIFORNIA
Annual Comprehensive Financial Report
Fiscal Year Ending June 30, 2025

TABLE OF CONTENTS (Continued)

III STATISTICAL SECTION (Unaudited) (Continued):

Legal Debt Margin Information – Last Ten Fiscal Years	139
Computation of Direct and Overlapping Bonded Debt.....	140
Demographic and Economic Statistics – Last Ten Fiscal Years.....	141
Principal Employers – Current Fiscal Year and Ten Years Ago	142
Full-time Equivalent City Government Employees by Function – Last Ten Fiscal Years	143
Operating Indicators by Function – Last Ten Fiscal Years	144
Capital Assets Statistics by Function – Last Ten Fiscal Years	145

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INTRODUCTORY SECTION

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December 30, 2025

Honorable Mayor, Members of the City Council and Residents 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, 2025. 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 ACFR is intended to present information above, what is required by generally accepted accounting principles and State law.

It is the opinion of the Finance Department that the data is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial position and results of the operations of the City and contains all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs. 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, 2025.

The ACFR is presented in three major sections that provide introductory, financial, and statistical information about the City. The introductory section includes this transmittal letter, the City's organizational chart and a list of the City's principal officials. The financial section includes the independent auditors' report, management's discussion, and analysis (MD&A), basic financial statements, notes to basic financial statements, required supplementary information and supplementary information on non-major funds. The statistical section, which is unaudited, includes selected financial and demographic information. 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, 2025. 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, 2025, 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.

CITY OF WATSONVILLE PROFILE

The City of Watsonville was incorporated in 1868 so the growing agriculture town could formally govern itself, provide services and manage development. Watsonville 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.

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



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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 100 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. As stewards of your tax dollars, our primary goal is to maintain a fiscally-sound City. 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).

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, impact fee fund, housing fund, and redevelopment and housing grants fund comparisons are presented on pages 41 to 44 as part of the basic financial statements for the governmental funds. For governmental funds, other



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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 CONDITION

Economic conditions in Watsonville are heavily influenced by agriculture and the housing market. Although Watsonville is located in Santa Cruz County, it doesn't share the same characteristics as the rest of the County. Watsonville tends to have a median household income 25% less than the County average due to the high number of farm workers and service workers who live in the City. This puts limits on the consumer tax base not found in other areas. Also, home values are often 40% of those throughout other parts of the County, which in turn helps establish Watsonville as a bedroom community for those working in farming or service industries throughout our region. Single-family home sales are at the lowest level in 23 years. In the most recent calendar year of 2024, only 107 homes changed hands, compared to a peak sale of 267 sales in 2012.

With the passage of Measure R, which provided \$5.1 million in additional sales tax funding in this fiscal year along with an additional \$1 million in property tax revenues, Watsonville City budget gained valuable opportunities to enhance its streets, library, senior services and parks projects in the 2024-25 fiscal year. The United States reported an annual inflation rate of 2.7%, the increase primarily attributed to rising fuel and clothing process. We have budgeted to spend some of our fund balance to fund Ramsay Park and are beginning our planning for the Library Rooftop Project and the Plaza Revitalization project. We ended the year with an increase to the fund balance in the General Fund of \$7.8MM. The increase is entirely attributable to the issuance of a \$12 million lease revenue bond issued on June 28, 2025, to fund the funding gap for the Ramsay Park and the City Plaza projects. As a result, the General Fund spending exceeded revenues by \$4.2 million for the fiscal year. This fund balance was intentionally spent down for capital projects. The Ramsay project accounted for most of the expenditures.

The CPI (Consumer Price Index) is used by the U.S. Bureau of Labor Statistics to measure inflation. The September 2025 CPI-U (Consumer Price index for all Urban Consumers) increased 3.0 percent over the previous 12 months. Over the past several years, U.S. inflation has trended lower than the surge seen immediately after the pandemic. In 2022, inflation reached high levels not seen in decades, peaking above 9% due to supply-chain disruptions and fiscal stimulus. It eased in 2023 to mid-3% range and further slowed toward 2.9% by late 2024, this suggests inflation is stabilizing. It is still above the 2% Federal target.



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Local Economy

The City of Watsonville’s General Fund is heavily reliant on tax revenues, with the largest portions coming from sales, property and utility user’s tax, which together form the core of the city’s discretionary revenue base. In recent budgets, more than half of the city’s General Fund revenue has been generated from these taxes. Watsonville was able to end the fiscal year on a positive note, we experienced a modest increase of 1 percent in general fund tax revenues over prior fiscal year, supported by disciplined, responsible departmental spending and the implementation of a hiring pause for unfilled positions. We also experienced delays in the production of our budgeted capital projects.

CITY OF WATSONVILLE GENERAL FUND TAX REVENUES BY SOURCE					
Source	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Sales and use taxes	\$ 12,817,985	\$ 13,881,873	\$ 15,161,756	\$22,003,386	\$ 21,453,144
Property taxes	12,585,391	13,195,357	13,766,834	14,788,668	15,838,387
Utility users’ taxes	3,996,803	4,144,043	4,358,302	4,675,775	5,106,973
Other taxes ⁽¹⁾	1,530,145	1,390,070	1,487,003	1,677,784	1,766,157
Transient occupancy taxes	766,626	1,611,253	1,536,839	1,412,314	884,681
Total	\$ 31,696,950	\$ 34,222,596	\$ 36,310,734	\$ 44,557,927	\$ 45,049,342

(1) “Other taxes” consists of business licenses, franchise fees, cannabis tax and tourist assessment fees..

Source: City of Watsonville Finance Department.

Property taxes saw an increase of \$1.0 MM from FY 2023-2024. Property tax collections in FY 2024-25 were driven by assessments and increases in supplemental taxes that were set the prior year. Like other charter cities in California, the City has limited ability to set tax rates. The State Constitution (Proposition 13) establishes a maximum rate for property tax at 1% of assessed value and sets the limit for increases of the assessed value to 2% per year. However, upon sale, the sales price becomes the assessed value. The property tax collected is allocated among the jurisdictions in the City’s tax rate areas based on criteria established by the State Legislature.

Persistent economic headwinds continue to shape the short-term sales tax outlook. While consumer spending on taxable goods remains steady, recent declines in consumer confidence—driven by inflationary pressures, tariff concerns, and rising unemployment—pose risks to sustained revenue growth. The Federal Reserve’s recent interest rate reductions in September, October and December 2025 are the first since December 2024, signals a responsive monetary policy aimed at stabilizing economic conditions.



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The City's Bradley-Burns sales tax increased this year, with auto sales category continuing to outperform State and County average. However, the overall sales tax revenues declined due to Measure R receipts coming in below budget. In addition, fiscal year 2024 included a one-time increase in Measure R revenues resulting from the timing of the first-year receipts, which will not recur.

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 primarily support investment in street maintenance, pothole repairs, parks and recreation, library services, employment opportunities and services for seniors. Fiscal year 2024-25 was the second full year of collecting this tax. The City issued a lease revenue bond to help fund Ramsay Park and City Plaza projects.

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.

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, 2024. This was the twenty-first 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, 2025. To qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient



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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, especially Joey Nolasco, Ilda Estrada, Ben Getreu, Jillian Morales, Jorge Ortiz, and Ana 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, Laura Kowal 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



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www.watsonville.gov



Administration

275 Main Street, Suite 400

Watsonville, CA 95076



Government Finance Officers Association

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Presented to

**City of Watsonville
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

City of Watsonville, California

Officers and Officials

For the Fiscal Year End June 30, 2025

City Council:

Mayor – Maria Orozco

Mayor Pro Tempore – Kristal Salcido

Council Member – Eduardo Montesino

Council Member – Vanessa Quiroz-Carter

Council Member – Casey K. Clark

Council Member – Jimmy Dutra

Council Member – Ari Parker

City Officials:

City Manager - Tamara Vides

Deputy City Manager – Nathalie Manning

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 – David Brletic

Deputy City Manager/Parks and Community Services Director – Nick Calubaquib

Airport Director – Rayvon Williams

Innovation & Technology Director – Brandon Gill

Organizational Chart

Watsonville Residents

City Council



Tamara Vides
City Manager



Irwin I. Ortiz
City Clerk



Samantha Zutler
City Attorney

Deputy City Managers



Nathalie Manning
Human Resources



Nick Calubaquib
Parks & Community Services



Marissa Duran
Administrative Services



David Brletic
Community Development



Rudy Lopez Sr.
Fire Department



Brandon Gill
Innovation & Technology



Alicia Martinez
Library



Rayvon Williams
Municipal Airport



Jorge Zamora
Police Department



Courtney Lindberg
Public Works & Utilities

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, 2025, 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, 2025, 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.

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 30, 2025, 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.

Maze & Associates

Pleasant Hill, California
December 30, 2025

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, 2025. 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 - 7 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Fiscal Year 2025 Financial Highlights

- As of June 30, 2025, the City of Watsonville's assets and deferred outflows exceeded its liabilities and deferred inflows by \$337,559, representing total net position.
- The City's deferred outflow of resources related to pension totaled \$29,550 and its deferred inflow of resources related to pensions and leases totaled \$4,476.
- The City's liabilities totaled \$181,368, reflecting long-term obligations related primarily to pensions, other postemployment benefits, and debt.
- The City's total net position increased by \$34,924 during the fiscal year. The net position for governmental activities increased by \$20,536, driven primarily by an increase in intergovernmental revenues and higher property tax and utility tax receipts. Sales tax revenues decreased modestly compared to the prior year. The decrease reflects normalization following strong prior year collections, particularly in the automotive sector. Net position for business-type activities increased by \$14,388. Most of this increase reflects positive operating income in the Water, Sewer and Solid Waste enterprise funds.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$77,648, an increase of \$11,983 in comparison with the prior fiscal year's balances. The restricted portion was \$35,466 and the unassigned amount was \$42,183 which is an increase of \$8,468 from the prior fiscal year's unassigned amount.

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 over time.

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 30 to 32 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 nineteen 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 34 to 40 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 46-51 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 52 to 53.

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 55 to 102 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 112 to 123 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 \$337,559 at the close of the most recent fiscal year.

By far the largest portion of the City of Watsonville's net position \$244,619 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 \$59,447 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 of \$33,493 is unrestricted and available to support next year's ongoing operations and future priorities at the direction of the City Council.

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

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

At the end of the current fiscal year, the City of Watsonville can 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, 2025
(in thousands)

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

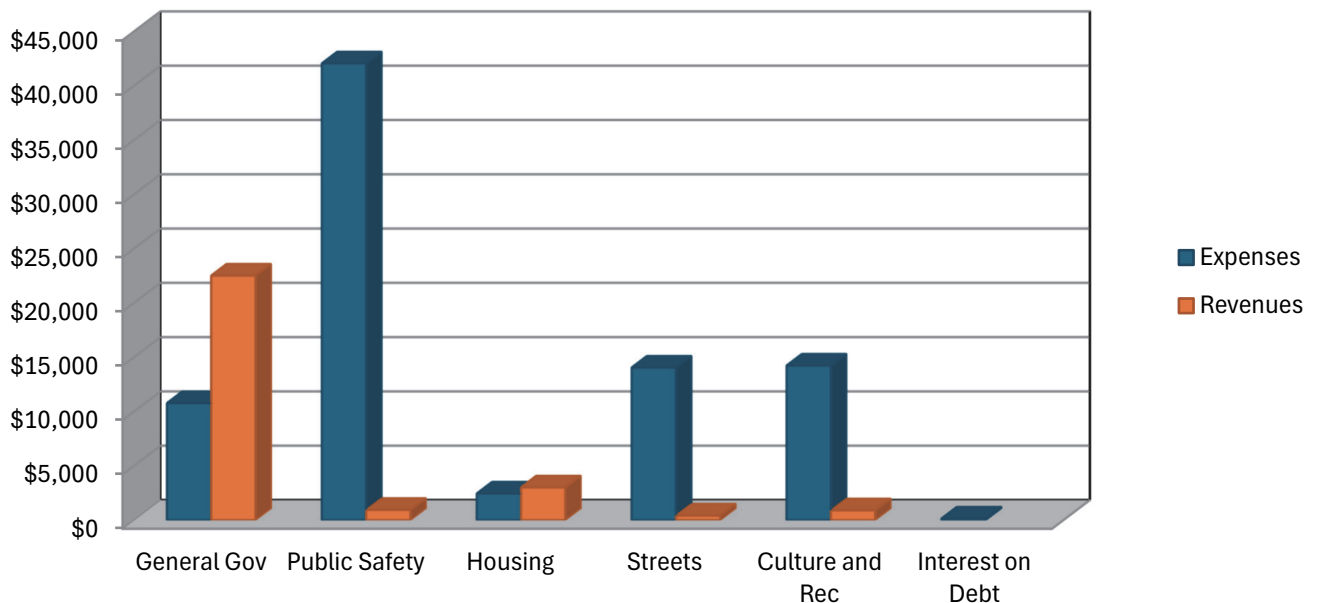
Governmental Activities. Governmental activities increased the City of Watsonville's Net Position by \$20,536. Key elements of this increase are as follows:

- Governmental revenues saw a significant increase in revenues from operating and capital grants and contributions of close to \$13,853. This increase was primarily attributable to the timing of grant-funded program activity and capital project expenditures that met eligibility requirements for revenue recognition during the fiscal year. During the year, the City was awarded several significant grants, including approximately \$1.8 million from the Santa Cruz County Regional Transportation Commission (SCCRTC) and \$3.2 million from the California Air Resources Board (CARB). An increase of \$1,266 in property tax receipts also contributed to the increase in net position. This increase of approximately 6% reflects the 2% annual inflationary adjustment to assessed values permitted under Proposition 13. The remaining increase can be attributable to supplemental assessments and changes in ownership, including new construction and reassessments. Increases in the areas above were partially offset by decreases in charges for service of about \$3,570 and investment earnings of \$1,512. Investment earnings decreased compared to the prior year as interest rates stabilized and short-term yields declined from prior-year peaks.
- Total governmental expenditures decreased slightly by \$789. Spending for streets increased by \$6,256 as the City worked on several capital improvement projects. Public Safety also had a notable increase in expenditures of \$3,021 due to higher salaries and benefits. These increases were offset by a decrease in general government spending of \$12,183.

For the fiscal year ending June 30, 2025

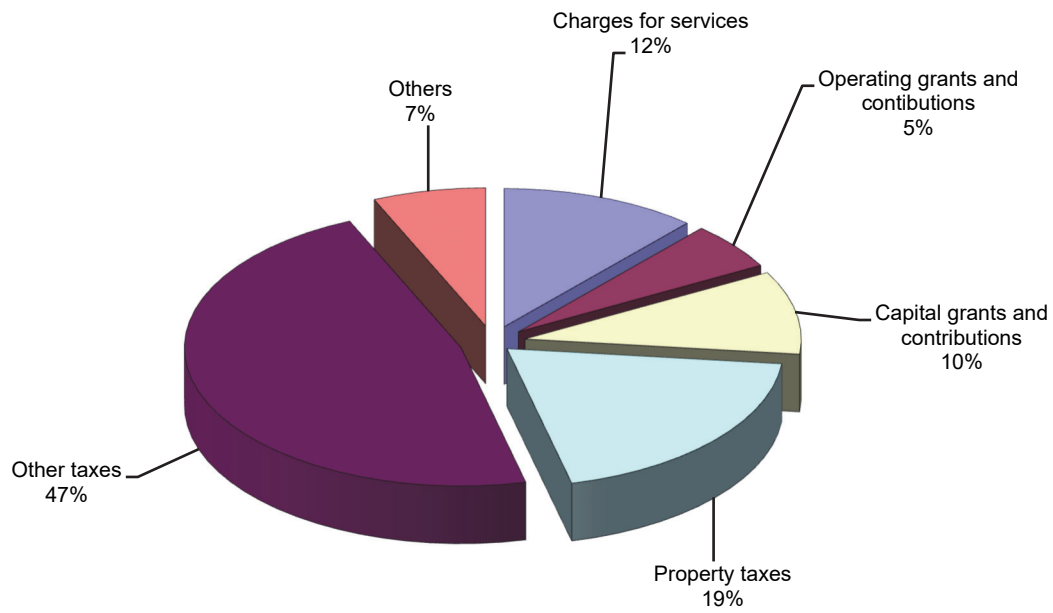
Expenses and Program Revenues

Governmental Activities



Revenues by Source

Governmental Activities



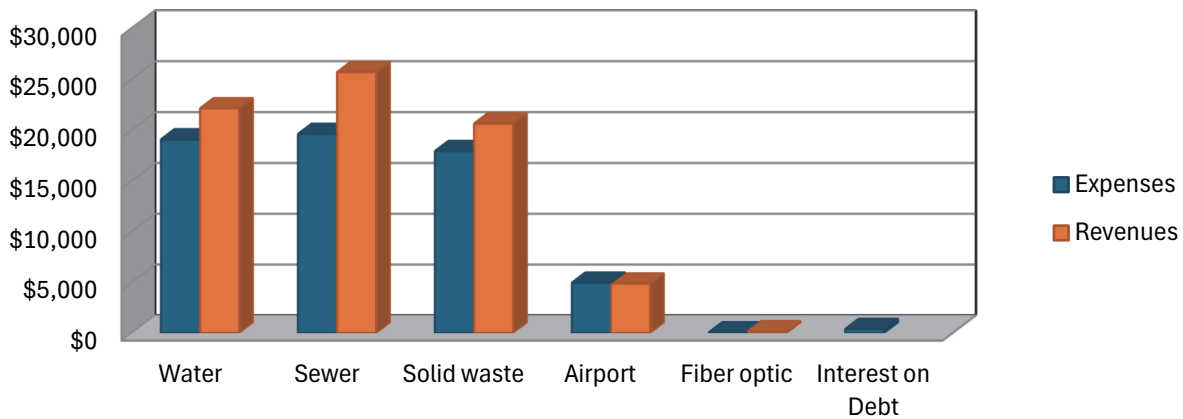
Business-type activities. Business-type activities increased the City of Watsonville’s net position by \$14,389. Key elements of this increase are as follows:

For the fiscal year ending June 30, 2025

Expenses and Program Revenues

Business-type Activities

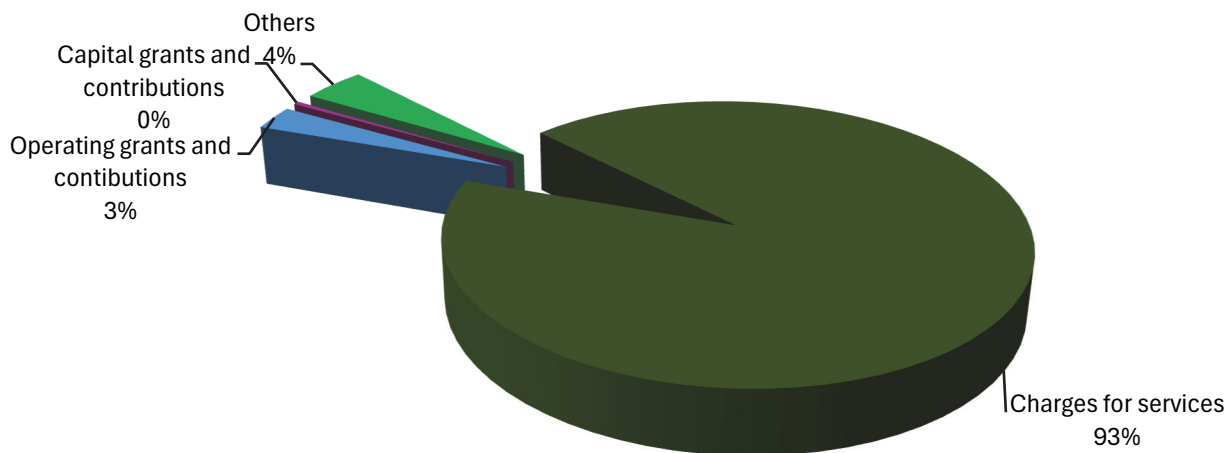
- Charges for services increased in comparison to last fiscal year by \$10,281 this was mainly due to a 7.5% rate increase for the Sewer Fund and 5% for the Solid Waste Fund. Operating and capital grant revenues also increased by \$1,732. This was mainly due to several new grants and reimbursements from FEMA for disaster related expenses.
- The Funds had an increase in spending of \$4,227, mostly due to more capital spending and an increase in pension obligation costs.



For the fiscal year ending June 30, 2025

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 \$77,648 an increase of \$11,983 from the prior year. Much of the fund balances are restricted for specific purposes. The largest restricted portion is for impact fees in the amount of \$9,918, followed by the gas tax and Measure D funds for \$6,325 and \$5,018, respectively. The restricted balances are 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 \$7,779. 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 58.4 percent of the same amount.

The fund balance of the City of Watsonville's General Fund increased by \$8,429 during the current year largely due to the City's issuance of debt of \$12,305 for the Ramsey Park Project. Despite the increase in fund balance, General Fund expenditures exceeded revenues. Compared to the prior year, revenues declined by approximately \$4,450, mainly due to reduced interest earnings and miscellaneous revenues. At the same time, total expenditures increased by about \$12,173 across all categories.

Special revenue fund balances increased by a combined \$3,554. The changes in these governmental fund balances can be attributed to:

The Impact Fees Fund had a fund balance of \$9,918, an increase of \$1,270 over the prior year's fund balance. This increase was due to new construction permits for a 49-unit townhome development project by 221 Airport Blvd LLC and a 144-unit housing project by LANDCO Hillcrest LLC. The revenues in the impact fee funds are reserved for future projects in fund balance.

The Housing Fund had a fund balance of \$4,268, a decrease of \$117 over the prior year's fund balance. Most of the decrease in this fund is attributed to higher salaries and benefits. Revenues were lower than the previous year by \$933 mostly due to a loan that was repaid in the previous year.

The Redevelopment and Housing Grants Fund had a fund balance of \$314, a decrease of \$330 from the prior year's fund balance as expenditures exceed revenues. The decrease in revenues is due to lower program income from federal grants.

The City's Debt Service Fund had a fund balance of \$322. This remained unchanged from the prior year's fund balance.

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 2025	FY 2024	Change	% Change
Water	83,587	79,054	4,533	5.73%
Sewer	57,117	50,634	6,483	12.80%
Solid Waste	15,802	12,628	3,174	25.13%
Airport	8,826	8,754	72	0.82%
Fiber Optic	841	714	127	17.79%
Totals	166,173	151,784	14,389	9.48%

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 remained financially stable during the fiscal year, with recurring revenues keeping pace with recurring expenditures. The high levels of inflation seen in the economy at large are impacting limited areas of our budget, both revenue and expenses. The City continues to benefit from disciplined financial management and conservative revenue assumptions, which have helped maintain adequate reserve levels despite ongoing cost pressures.

The City continues to see large year-over-year increases in CalPERS retirement costs, although they are 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.

Property tax revenues saw an increase of approximately \$1,266 from FY 2023-24. This was driven by the annual inflationary adjustment to assessed values and an increase in supplemental taxes. Sales tax revenues declined by approximately \$550 compared to the prior year, reflecting normalization following strong prior-year collections. Measure R continues to provide a stable revenue source that supports parks and public spaces, street maintenance, library services, youth and community safety programs, and other core services.

Interest earnings saw a decline of \$1,115 from the prior year as interest rates moderated from peak levels. While interest earnings remained above long-term historical averages, the City continues to treat these revenues as volatile and non-recurring and does not rely on them to support ongoing operating expenditures

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, 2025, was \$268,876 (net of depreciation). This represents a \$35,609 increase from the prior year or 15.27%. The increase is primarily due to additions to construction in progress, reflecting ongoing infrastructure and facility improvement projects that were underway but not yet placed into service at year-end.

Total City of Watsonville Capital Assets FY 2024-25

Capital Asset	FY 2025	FY 2024	Change	% Change
Land	38,453	31,865	6,588	20.67%
Building and Improvements	107,182	110,480	(3,298)	-2.99%
Machinery & Equipment	15,359	13,823	1,536	11.11%
Infrastructure	43,702	42,871	831	1.94%
Construction in Progress	63,215	33,464	29,751	88.90%
Right to Use Subscription Assets	965	764	201	26.31%
Totals	268,876	233,267	35,609	15.27%

Governmental Type Activities increased by 14.97% due to increases in construction in progress category.

Governmental Activities Capital Assets FY 2024-25

Capital Asset	FY 2025	FY 2024	Change	% Change
Land	17,194	17,044	150	0.88%
Building and Improvements	60,824	63,406	(2,582)	-4.07%
Machinery & Equipment	4,949	4,901	48	0.98%
Infrastructure	19,060	17,185	1,875	10.91%
Construction in Progress	32,009	14,120	17,889	126.69%
Right to Use Subscription Assets	965	764	201	26.31%
Totals	135,001	117,421	17,580	14.97%

While Business-Type Activities increased by 15.56% due to increases in construction in progress category.

Business Type Activities Capital Assets FY 2024-25

Capital Asset	FY 2025	FY 2024	Change	% Change
Land	21,259	14,821	6,438	43.44%
Building and Improvements	46,358	47,074	(716)	-1.52%
Machinery & Equipment	10,410	8,922	1,488	16.68%
Infrastructure	24,642	25,686	(1,044)	-4.06%
Construction in Progress	31,206	19,344	11,862	61.32%
Totals	133,875	115,847	18,028	15.56%

Additional information on the City of Watsonville's capital assets can be found in Note 5 on pages 59 to 60 of this report.

Long-Term Debt. At the end of the current fiscal year, the City of Watsonville had total long-term obligations outstanding of \$146,090. The debt for governmental activities is made up of \$12,305 in bonds payable, notes payable of \$427, net OPEB liability of \$3,236, compensated absences of \$3,957, subscription liabilities of \$839 and net pension liability of \$84,358. During the fiscal year, the City issued \$12,305 in new lease revenue bonds to finance the Ramsey Park project, which increased outstanding bonds payable compared to the prior year. Business-type activities reported long-term obligations consisting of \$6,166 in notes payable, \$4,701 in loans payable, \$1,941 in net OPEB liability, \$1,613 in compensated absences, net pension liability of \$26,513 and a \$35 landfill closure/post closure liability.

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 \$211,413 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 74 of this report.

Economic Factors and Next Year's Budget

The City of Watsonville's fiscal year 2025–26 budget reflects a cautious and balanced approach in response to moderating revenue growth and continued cost pressures. While the local economy remains stable, the City has adopted conservative revenue assumptions following several years of above-average performance in economically sensitive revenues.

- Property tax revenues are projected to increase modestly, consistent with statutory growth limits and continued ownership turnover. Sales tax revenues, including Measure R, remain the City's largest General Fund revenue source; however, the budget assumes only modest growth due to slowing automotive sales and broader economic uncertainty. Investment earnings are expected to decline from recent peak levels as interest rates moderate. The voter-approved transaction and use tax provides a stable revenue source that supports community priorities and long-term service sustainability. These revenues enable the City to invest in the repair and expansion of aging parks, playgrounds, and trails; maintain after-school and gang prevention programs; address street maintenance needs; expand library access and services for seniors; and support employment opportunities. Importantly, this funding allows the City to align service levels with community goals while avoiding the reemergence of structural deficits.
- On the expenditure side, personnel and retirement costs remain the primary drivers of General Fund growth. To maintain structural balance, the City implemented cost-containment measures during budget development, including the elimination of vacant positions and baseline operational reductions, while preserving Council-approved reserve levels. The budget also incorporates one-time resources, including remaining American Rescue Plan Act (ARPA) funds and planned debt issuance, to support capital projects such as the Ramsay Park Renaissance Project and the City Plaza renovation, both of which are aimed at revitalizing public spaces and enhancing community amenities. While these resources support near-term capital needs, they do not provide ongoing funding for operations.

Looking ahead, the City's multi-year financial outlook indicates that structural challenges may reemerge in fiscal year 2026–27 if cost pressures continue to outpace revenue growth. As a result, the City will continue to monitor economic conditions, manage expenditures, and evaluate long-term strategies to maintain fiscal sustainability.

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, 2025

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
	\$	\$	\$
ASSETS			
Cash and investments	84,231,236	60,196,464	144,427,700
Cash & investments with fiscal agent	12,116,000	181,150	12,297,150
Receivables:			
Interest	3,137,010	-	3,137,010
Taxes	7,852,170	-	7,852,170
Accounts	2,118,186	9,725,982	11,844,168
Intergovernmental	13,572,845	2,852,144	16,424,989
Internal balances	(329,780)	329,780	-
Loans receivable	24,276,658	66,563	24,343,221
Inventories	376,649	307,451	684,100
Deposits	60,000	-	60,000
Land held for resale	150,000	-	150,000
Leases receivable	-	3,755,892	3,755,892
Capital assets (net of depreciation and amortization, where applicable):			
Land	17,193,868	21,259,426	38,453,294
Construction in progress	32,009,335	31,205,529	63,214,864
Buildings and Improvements	60,824,343	46,357,509	107,181,852
Machinery and equipment	4,949,389	10,410,206	15,359,595
Infrastructure	19,060,037	24,642,088	43,702,125
Right to use subscription assets	964,510	-	964,510
Total Assets	282,562,456	211,290,184	493,852,640
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow of resources - Pensions	23,543,964	6,005,857	29,549,821
Total Deferred Outflow of Resources	23,543,964	6,005,857	29,549,821

Continued

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
	\$	\$	\$
LIABILITIES			
Accounts payable	4,635,895	5,615,788	10,251,683
Accrued personnel costs	1,331,389	533,951	1,865,340
Insurance claims payable	4,411,510	-	4,411,510
Interest payable	130,209	134,513	264,722
Retentions payable	733,502	342,166	1,075,668
Unearned revenue	14,418,047	118,660	14,536,707
Deposits payable	2,857,001	15,047	2,872,048
Noncurrent liabilities			
Due within one year	4,053,592	1,853,835	5,907,427
Due in more than one year	101,068,428	39,113,971	140,182,399
Total Liabilities	133,639,573	47,727,931	181,367,504
DEFERRED INFLOWS OF RESOURCES			
Leases related	-	3,395,470	3,395,470
Deferred inflows of resources - pensions	1,080,660	-	1,080,660
Total Deferred Inflows of Resources	1,080,660	3,395,470	4,476,130
NET POSITION			
Net investment in capital assets	121,429,794	123,189,374	244,619,168
Restricted for:			
Debt service	321,872	-	321,872
Impact fee	9,917,585	-	9,917,585
Housing	28,820,508	-	28,820,508
Grants, contributions & fees for parks and related capital projects	20,386,955	-	20,386,955
Unrestricted	(9,490,527)	42,983,266	33,492,739
Total Net Position	171,386,187	166,172,640	337,558,827
			Concluded

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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	10,770,037	10,187,038	2,217,873	10,110,769	11,745,643	-	11,745,643
Public safety	42,061,186	682,614	261,968	-	(41,116,604)	-	(41,116,604)
Housing	2,446,764	178,561	2,838,307	-	570,104	-	570,104
Streets	14,047,158	214,062	200,296	8,337	(13,624,463)	-	(13,624,463)
Culture and recreation	14,227,546	706,478	199,645	-	(13,321,423)	-	(13,321,423)
Interest on long term debt	137,386	-	-	-	(137,386)	390,194	(527,580)
Total governmental activities	83,690,077	11,968,753	5,718,089	10,119,106	(55,884,129)	390,194	(56,274,323)
Business-type activities:							
Water	19,062,539	21,065,182	960,334	93,842	-	3,056,819	3,056,819
Sewer	19,596,637	25,458,021	-	216,694	-	6,078,078	6,078,078
Solid Waste	17,918,329	20,015,644	606,878	-	-	2,704,193	2,704,193
Airport	4,954,121	4,269,644	609,720	-	-	(74,757)	(74,757)
Fiber Optic	57,789	165,620	-	-	-	107,831	107,831
Total business-type activities	61,589,415	70,974,111	2,176,932	310,536	-	11,872,164	11,872,164
Total primary government	145,279,492	82,942,864	7,895,021	10,429,642	(55,884,129)	11,481,970	(44,402,159)
General revenues:							
Property taxes					20,255,643	-	20,255,643
Sales taxes					31,956,626	-	31,956,626
Utility users taxes					5,106,973	-	5,106,973
Franchise taxes					655,405	-	655,405
Other taxes					3,403,685	-	3,403,685
Intergovernmental revenues not restricted to specific program					7,891,761	-	7,891,761
Unrestricted investment earnings					6,864,599	3,191,295	10,055,894
Transfers					285,056	(285,056)	-
Total general revenues and transfers					76,419,748	2,906,239	79,325,987
Change in net position					20,535,619	14,388,209	34,923,828
Net position - beginning					150,850,568	151,784,431	302,634,999
Net position - ending					171,386,187	166,172,640	337,558,827

See accompanying notes to financial statements

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CITY OF WATSONVILLE, CALIFORNIA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2025

	SPECIAL REVENUE FUNDS				
	GENERAL	IMPACT FEES	HOUSING	REDEVELOPMENT AND HOUSING GRANTS	AMERICAN RESCUE PLAN ACT
	\$	\$	\$	\$	\$
ASSETS:					
Cash and investments	31,754,931	10,022,380	4,131,013	3,206,788	7,285,591
Cash and investments with fiscal agent	12,116,000				
Receivables:					
Interest	217,078	-	1,154,268	1,456,360	-
Taxes	6,138,449	-	-	-	-
Accounts	1,518,145	-	-	-	-
Intergovernmental	13,166,173	-	-	406,672	-
Due from other funds	574,678	-	-	-	-
Loans receivable	-	-	9,532,017	12,096,756	-
Land held for resale	-	-	150,000	-	-
Total Assets	65,485,454	10,022,380	14,967,298	17,166,576	7,285,591
LIABILITIES:					
Accounts payable	2,541,022	4,907	774	73,466	637,356
Accrued personnel costs	1,121,178	-	12,293	6,683	-
Retentions payable	457,081	-	-	15,022	255,525
Due to other funds	-	2,803	-	317,066	-
Advances payable	329,780	-	-	-	-
Unearned revenue	4,206,806	97,085	-	2,887,591	6,392,710
Deposits payable	2,856,530	-	471	-	-
Total Liabilities	11,512,397	104,795	13,538	3,299,828	7,285,591
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	11,532,560	-	10,685,978	13,553,116	-
Total Deferred Inflows of Resources	11,532,560	-	10,685,978	13,553,116	-
FUND BALANCES:					
Restricted for:					
Debt service	-	-	-	-	-
Streets - Impact fees	-	9,917,585	-	-	-
Housing	-	-	4,267,782	313,632	-
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	42,440,497	-	-	-	-
Total Fund Balances	42,440,497	9,917,585	4,267,782	313,632	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	65,485,454	10,022,380	14,967,298	17,166,576	7,285,591

Continued

See accompanying notes to financial statements

DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$	\$	\$
321,872	20,292,990	77,015,565 12,116,000
-	309,304	3,137,010
-	1,713,721	7,852,170
-	395,077	1,913,222
-	-	13,572,845
-	-	574,678
-	2,647,885	24,276,658
-	-	150,000
<u>321,872</u>	<u>25,358,977</u>	<u>140,608,148</u>
-	815,466	4,072,991
-	86,256	1,226,410
-	5,874	733,502
-	254,809	574,678
-	-	329,780
-	833,855	14,418,047
-	-	2,857,001
<u>-</u>	<u>1,996,260</u>	<u>24,212,409</u>
<u>-</u>	<u>2,975,762</u>	<u>38,747,416</u>
<u>-</u>	<u>2,975,762</u>	<u>38,747,416</u>
321,872	-	321,872
-	-	9,917,585
-	-	4,581,414
-	203,178	203,178
-	467,229	467,229
-	36,379	36,379
-	2,452,447	2,452,447
-	1,883,027	1,883,027
-	1,358,369	1,358,369
-	2,525,831	2,525,831
-	77,976	77,976
-	297,438	297,438
-	6,325,029	6,325,029
-	5,017,780	5,017,780
-	(257,728)	42,182,769
<u>321,872</u>	<u>20,386,955</u>	<u>77,648,323</u>
<u>321,872</u>	<u>25,358,977</u>	<u>140,608,148</u>

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, 2025

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	77,648,323
Capital assets (gross) used in Governmental Activities are not financial resources and, therefore, are not reported in the governmental funds.	259,492,231
Accumulated depreciation has not been included in the governmental funds financial statements.	(125,003,448)
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.	(235,991)
Loans and intergovernmental receivables recorded as unavailable revenue in the governmental funds are recorded as revenue on the Statement of Activities.	38,747,416
Interest payable is not due and payable in the current period and therefore, not reported in governmental funds.	(130,209)
Long-term liabilities are not due and payable in the current period and therefore, not reported in governmental funds.	(100,634,502)
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	22,583,027
Deferred inflows of resources relating to pensions	(1,080,660)
Total Net Position - Governmental Activities	<u>171,386,187</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, 2025

	SPECIAL REVENUE FUNDS				
	GENERAL	IMPACT FEES	HOUSING	REDEVELOPMENT AND HOUSING GRANTS	AMERICAN RESCUE PLAN ACT
	\$	\$	\$	\$	\$
REVENUES:					
Taxes	45,049,342	-	-	-	-
Licenses, permits, and fees	3,270,156	1,147,448	-	-	-
Intergovernmental	4,229,952	-	2,134	695,796	5,886,557
Charges for services	4,093,712	-	-	-	-
Fines	383,871	-	-	-	-
Interest	4,975,903	427,106	178,561	132,803	-
Miscellaneous	2,513,328	-	140,390	-	-
Total revenues	64,516,264	1,574,554	321,085	828,599	5,886,557
EXPENDITURES:					
Current:					
General government	24,107,464	-	-	-	5,886,557
Public safety	34,029,876	-	-	-	-
Housing	-	-	437,811	871,637	-
Streets	6,760,609	299,413	-	-	-
Culture and recreation	7,464,631	-	-	-	-
Debt service:					
Principal	335,801	-	-	-	-
Interest and fiscal charges	377	-	-	-	-
Total expenditures	72,698,758	299,413	437,811	871,637	5,886,557
Excess (deficiency) of revenues over (under) expenditures	(8,182,494)	1,275,141	(116,726)	(43,038)	-
OTHER FINANCING SOURCES (USES)					
Issuance of debt	12,305,216	-	-	-	-
Transfers in	4,347,950	-	-	-	-
Transfers out	(41,638)	(5,000)	-	(286,487)	-
Total other financing sources (uses)	16,611,528	(5,000)	-	(286,487)	-
Net change in fund balances	8,429,034	1,270,141	(116,726)	(329,525)	-
Fund balances, July 1	34,011,463	8,647,444	4,384,508	643,157	-
Fund balances, June 30	42,440,497	9,917,585	4,267,782	313,632	-

Continued

See accompanying notes to financial statements

DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$	\$	\$
-	16,328,990	61,378,332
-	627,328	5,044,932
-	2,197,851	13,012,290
-	695,853	4,789,565
-	-	383,871
-	752,043	6,466,416
-	2,703	2,656,421
-	20,604,768	93,731,827
-	231,917	30,225,938
-	5,691,340	39,721,216
-	1,137,316	2,446,764
-	2,647,152	9,707,174
-	3,969,852	11,434,483
458,175	-	793,976
8,819	-	9,196
466,994	13,677,577	94,338,747
(466,994)	6,927,191	(606,920)
-	-	12,305,216
466,994	93,195	4,908,139
-	(4,289,958)	(4,623,083)
466,994	(4,196,763)	12,590,272
-	2,730,428	11,983,352
321,872	17,656,527	65,664,971
321,872	20,386,955	77,648,323

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, 2025

	<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	11,983,352
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	24,428,967
Net retirements of capital assets are deducted from the fund balance	(610,766)
Depreciation expense is deducted from the fund balance	(6,232,210)
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	288,529
Debt proceeds are deducted from fund balance	(12,305,216)
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):	
Interest payable	(128,190)
Compensated Absences	(1,464,741)
Net pension liabilities and pension-related deferred outflows/inflows of resources	(5,564,619)
Net OPEB liability	(68,300)
Unavailable revenue	9,603,244
Internal Service Funds Are Used By Management To Charge The Costs Of Insurance To Individual Funds.	<u>605,569</u>
Change In Net Position Of Governmental Funds	<u><u>20,535,619</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, 2025

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
	\$	\$	\$	\$
REVENUES:				
Taxes	43,027,113	43,027,113	45,049,342	2,022,229
Licenses, permits, and fees	2,975,501	2,975,501	3,270,156	294,655
Intergovernmental	14,325,480	28,752,257	4,229,952	(24,522,305)
Charges for services	4,255,251	4,255,251	4,093,712	(161,539)
Fines	647,860	647,860	383,871	(263,989)
Interest	3,817,222	3,817,222	4,975,903	1,158,681
Miscellaneous	1,464,936	1,949,936	2,513,328	563,392
Total revenues	70,513,363	85,425,140	64,516,264	(20,908,876)
EXPENDITURES:				
Current:				
General government	32,546,815	44,576,593	24,107,464	20,469,129
Public safety	33,765,110	34,649,345	34,029,876	619,469
Streets	13,194,512	17,791,071	6,760,609	11,030,462
Culture and recreation	7,102,200	7,131,355	7,464,631	(333,276)
Debt service:				
Principal	-	-	335,801	(335,801)
Interest	-	-	377	(377)
Total expenditures	86,608,637	104,148,364	72,698,758	31,449,606
Excess (deficiency) of revenues over (under) expenditures	(16,095,274)	(18,723,224)	(8,182,494)	10,540,730
OTHER FINANCING SOURCES (USES)				
Premium on refunding bonds	-	-	1,055,216	1,055,216
Issuance of debt	-	-	11,250,000	11,250,000
Transfers in	4,497,355	4,497,355	4,347,950	(149,405)
Transfers out	(135,139)	(135,139)	(41,638)	93,501
Total other financing sources (uses)	4,362,216	4,362,216	16,611,528	12,249,312
Net change in fund balance	(11,733,058)	(14,361,008)	8,429,034	22,790,042
Fund balance, July 1	34,011,463	34,011,463	34,011,463	-
Fund balance, June 30	22,278,405	19,650,455	42,440,497	22,790,042

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
IMPACT FEES FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
	\$	\$	\$	\$
REVENUES:				
Licenses, permits, and fees	255,500	255,500	\$1,147,448	891,948
Interest	-	-	427,106	427,106
Total revenues	255,500	255,500	1,574,554	1,319,054
EXPENDITURES:				
Current:				
Streets	484,021	805,021	299,413	505,608
Total expenditures	484,021	805,021	299,413	505,608
Excess (deficiency) of revenues over (under) expenditures	(228,521)	(549,521)	1,275,141	1,824,662
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,000)	(5,000)	(5,000)	-
Total other financing sources (uses)	(5,000)	(5,000)	(5,000)	-
Net change in fund balance	(233,521)	(554,521)	1,270,141	1,824,662
Fund balance, July 1	(1,410,668)	(1,410,668)	8,647,444	(10,058,112)
Fund balance, June 30	(1,644,189)	(1,965,189)	9,917,585	1,824,662

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, 2025

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
	\$	\$	\$	\$
REVENUES:				
Intergovernmental	-	-	2,134	2,134
Interest	15,000	15,000	178,561	163,561
Miscellaneous	250,000	250,000	140,390	(109,610)
Total revenues	265,000	265,000	321,085	53,951
EXPENDITURES:				
Current:				
Housing	847,722	847,722	437,811	409,911
Total expenditures	847,722	847,722	437,811	409,911
Excess (deficiency) of revenues over (under) expenditures	(582,722)	(582,722)	(116,726)	465,996
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(582,722)	(582,722)	(116,726)	465,996
Fund balance, July 1	4,384,508	4,384,508	4,384,508	-
Fund balance, June 30	3,801,786	3,801,786	4,267,782	465,996

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, 2025

	Budgeted Amounts			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
	\$	\$	\$	\$
REVENUES:				
Intergovernmental	2,233,307	2,233,307	695,796	(1,537,511)
Interest	24,760	24,760	132,803	108,043
Total revenues	<u>2,258,067</u>	<u>2,258,067</u>	<u>828,599</u>	<u>(1,429,468)</u>
EXPENDITURES:				
Housing	<u>2,667,419</u>	<u>2,186,556</u>	<u>871,637</u>	<u>1,314,919</u>
Total expenditures	<u>2,667,419</u>	<u>2,186,556</u>	<u>871,637</u>	<u>1,314,919</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(409,352)</u>	<u>71,511</u>	<u>(43,038)</u>	<u>(114,549)</u>
OTHER FINANCING SOURCES (USES):				
Transfers (out)	<u>(292,423)</u>	<u>(292,423)</u>	<u>(286,487)</u>	<u>(5,936)</u>
Total other financing sources (uses)	<u>(292,423)</u>	<u>(292,423)</u>	<u>(286,487)</u>	<u>(5,936)</u>
Net change in fund balance	<u>(701,775)</u>	<u>(220,912)</u>	<u>(329,525)</u>	<u>(120,485)</u>
Fund balance, July 1	<u>643,157</u>	<u>643,157</u>	<u>643,157</u>	<u>-</u>
Fund balance, June 30	<u><u>(58,618)</u></u>	<u><u>422,245</u></u>	<u><u>313,632</u></u>	<u><u>(120,485)</u></u>

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, 2025

	Budgeted Amounts			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
	\$	\$	\$	\$
REVENUES:				
Intergovernmental	8,988,031	8,988,031	5,886,557	(3,101,474)
Total revenues	8,988,031	8,988,031	5,886,557	(3,101,474)
EXPENDITURES:				
General Government	11,466,779	11,385,515	5,886,557	5,498,958
Total expenditures	11,466,779	11,385,515	5,886,557	5,498,958
Excess (deficiency) of revenues over (under) expenditures	(2,478,748)	(2,397,484)	-	(2,397,484)
Net change in fund balance	(2,478,748)	(2,397,484)	-	(2,397,484)
Fund balance, July 1	-	-	-	-
Fund balance, June 30	(2,478,748)	(2,397,484)	-	(2,397,484)

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2025

	Business-type Activities - Enterprise Funds				
	WATER	SEWER	SOLID WASTE	AIRPORT	FIBER OPTIC
	\$	\$	\$	\$	\$
ASSETS					
Current Assets:					
Cash and investments	31,659,898	14,991,556	11,961,624	1,127,962	455,424
Cash and investments with fiscal agent	-	-	181,150	-	-
Receivables:					
Accounts	2,189,739	5,944,510	1,522,227	69,506	-
Intergovernmental	698,321	1,422,655	585,213	145,955	-
Loans receivable	-	66,563	-	-	-
Deposits	-	-	-	-	-
Inventories	235,142	-	6,285	66,024	-
Total Current Assets	34,783,100	22,425,284	14,256,499	1,409,447	455,424
Noncurrent Assets:					
Advances receivable	329,780	-	-	-	-
Leases receivable	-	-	-	3,755,892	-
Capital assets:					
Land and improvements	289,333	8,375,598	8,208,265	4,386,230	-
Construction in progress	20,493,373	10,269,817	442,339	-	-
Buildings	50,921,467	30,918,503	2,367,259	9,160,742	-
Machinery and equipment	8,436,101	8,270,137	14,607,062	508,089	-
Vehicles	-	-	-	-	-
Infrastructure	16,845,116	51,843,079	76,916	7,966,694	706,929
Accumulated depreciation	(38,703,180)	(56,942,600)	(12,016,665)	(13,234,782)	(321,064)
Net Capital Assets	58,282,210	52,734,534	13,685,176	8,786,973	385,865
Total Noncurrent Assets	58,611,990	52,734,534	13,685,176	12,542,865	385,865
Total Assets	93,395,090	75,159,818	27,941,675	13,952,312	841,289
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources - pension	1,441,406	2,882,811	1,321,289	360,351	-
Total Deferred Outflows of Resources	1,441,406	2,882,811	1,321,289	360,351	-
LIABILITIES					
Current Liabilities:					
Accounts payable	3,447,269	1,713,277	387,163	68,079	-
Accrued personnel costs	125,308	254,762	115,182	38,699	-
Insurance claims payable	-	-	-	-	-
Retentions payable	323,736	-	-	18,430	-
Customer deposits	15,047	-	-	-	-
Unearned revenue	14,977	-	478	103,205	-
Interest payable	-	41,636	92,877	-	-
Current maturities of long term debt:					
Compensated absences	262,569	413,877	229,969	60,309	-
Notes payable	4,118	93,206	493,321	23,037	-
Loans payable	-	273,429	-	-	-
Total Current Liabilities	4,193,024	2,790,187	1,318,990	311,759	-
Noncurrent Liabilities:					
Compensated absences	178,297	282,430	147,326	38,010	-
Net OPEB liability	514,975	699,838	580,998	145,249	-
Liability for landfill closure	-	-	34,846	-	-
Net pension liability	6,363,019	12,726,038	5,832,767	1,590,755	-
Notes payable	-	-	5,546,323	5,759	-
Loans payable	-	4,427,341	-	-	-
Total Noncurrent Liabilities	7,056,291	18,135,647	12,142,260	1,779,773	-
Total Liabilities	11,249,315	20,925,834	13,461,250	2,091,532	-
DEFERRED INFLOWS OF RESOURCES					
Leases related	-	-	-	3,395,470	-
Total Deferred Inflows of Resources	-	-	-	3,395,470	-
NET POSITION					
Net investment in capital assets	58,278,092	47,940,558	7,826,682	8,758,177	385,865
Unrestricted	25,309,089	9,176,237	7,975,032	67,484	455,424
Total Net Position	83,587,181	57,116,795	15,801,714	8,825,661	841,289

Continued

See accompanying notes to financial statements

Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
TOTALS	
\$	\$
60,196,464	7,215,671
181,150	-
9,725,982	204,964
2,852,144	-
66,563	-
-	60,000
307,451	376,649
73,329,754	7,857,284
329,780	-
3,755,892	-
21,259,426	-
31,205,529	-
93,367,971	-
31,821,389	498,099
-	33,910
77,438,734	-
(121,218,291)	(19,310)
133,874,758	512,699
137,960,430	512,699
211,290,184	8,369,983
6,005,857	960,937
6,005,857	960,937
5,615,788	562,904
533,951	104,979
-	4,411,510
342,166	-
15,047	-
118,660	-
134,513	-
966,724	144,767
613,682	-
273,429	-
8,613,960	5,224,160
646,063	100,738
1,941,060	-
34,846	-
26,512,579	4,242,013
5,552,082	-
4,427,341	-
39,113,971	4,342,751
47,727,931	9,566,911
3,395,470	-
3,395,470	-
123,189,374	512,699
42,983,266	(748,690)
166,172,640	(235,991)

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, 2025

	Business-type Activities - Enterprise Funds				
	WATER	SEWER	SOLID WASTE	AIRPORT	FIBER OPTIC
	\$	\$	\$	\$	\$
OPERATING REVENUES:					
Charges for services	21,065,182	\$25,458,021	20,015,644	2,851,082	165,620
Total operating revenues	21,065,182	25,458,021	20,015,644	2,851,082	165,620
OPERATING EXPENSES:					
Costs of sales and services	17,363,043	18,046,349	17,320,423	4,544,027	22,443
Depreciation	1,699,496	1,550,288	597,906	410,094	35,346
Total operating expenses	19,062,539	19,596,637	17,918,329	4,954,121	57,789
Operating income (loss)	2,002,643	5,861,384	2,097,315	(2,103,039)	107,831
NONOPERATING REVENUES (EXPENSES)					
Lease revenues	-	-	-	1,418,562	-
Grant revenues	960,334	-	606,878	609,720	-
Interest revenues	1,525,934	690,381	804,344	151,260	19,376
Interest expenses	(18,277)	(82,710)	(289,207)	-	-
Total nonoperating revenues (expenses)	2,467,991	607,671	1,122,015	2,179,542	19,376
Income (loss) before contributions and transfers	4,470,634	6,469,055	3,219,330	76,503	127,207
Capital contributions - connection fees	93,842	216,694	-	-	-
Transfers (out)	(31,651)	(202,513)	(45,836)	(5,056)	-
Changes in net position	4,532,825	6,483,236	3,173,494	71,447	127,207
Total Net Position - Beginning	79,054,356	50,633,559	12,628,220	8,754,214	714,082
Total Net Position - Ending	83,587,181	57,116,795	15,801,714	8,825,661	841,289

Continued

See accompanying notes to financial statements

Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
TOTALS	
\$	\$
69,555,549	\$22,537,807
69,555,549	22,537,807
57,296,285	22,105,099
4,293,130	5,652
61,589,415	22,110,751
7,966,134	427,056
1,418,562	-
2,176,932	11,346
3,191,295	167,167
(390,194)	-
6,396,595	178,513
14,362,729	605,569
310,536	-
(285,056)	-
14,388,209	605,569
151,784,431	(841,560)
166,172,640	(235,991)

Concluded

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Business-type Activities - Enterprise Funds				
	WATER	SEWER	SOLID WASTE	AIRPORT	FIBER OPTIC
	\$	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	20,578,985	20,480,105	19,615,568	3,193,674	173,366
Receipts from interfund services provided	-	-	-	-	-
Payments to suppliers	(13,998,979)	(15,983,151)	(21,438,158)	(4,479,613)	(24,395)
Payments to employees	(137,974)	(509,228)	(154,019)	(31,720)	-
Receipt for interfund services provided	14,967	-	-	-	-
Net cash provided (used) by operating activities	6,456,999	3,987,726	(1,976,609)	(1,317,659)	148,971
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES					
Grant revenue	960,334	-	606,878	609,720	-
Transfers (to) other funds	(31,651)	(202,513)	(45,836)	(5,056)	-
Net cash provided (used) by noncapital financing activities	928,683	(202,513)	561,042	604,664	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(12,524,694)	(6,917,872)	(2,785,937)	-	-
Connection fees	93,842	216,694	-	-	-
Principal paid on long term debt	(5,492)	(369,240)	(484,650)	(23,037)	-
Interest paid on long term debt	(84,465)	(86,246)	(311,822)	-	-
Net cash provided (used) by capital and related financing activities	(12,520,809)	(7,156,664)	(3,582,409)	(23,037)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Lease revenue	-	-	-	1,418,562	-
Interest received	1,525,934	690,381	804,344	151,260	19,376
Net cash provided (used) by investment activities	1,525,934	690,381	804,344	1,569,822	19,376
Net cash flows	(3,609,193)	(2,681,070)	(4,193,632)	833,790	168,347
Cash and cash equivalents at beginning of period	35,269,091	17,672,626	16,336,406	294,172	287,077
Cash and cash equivalents at ending of period	31,659,898	14,991,556	12,142,774	1,127,962	455,424
Reconciliation of Statement of Net Position:					
Cash and investments	31,659,898	14,991,556	11,961,624	1,127,962	455,424
Restricted cash	-	-	-	-	-
Cash and investments with fiscal agents	-	-	181,150	-	-
	31,659,898	14,991,556	12,142,774	1,127,962	455,424
Reconciliation of operating income (loss) to cash flows from operating activities					
Operating Income (loss)	2,002,643	5,861,384	2,097,315	(2,103,039)	107,831
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,699,496	1,550,288	597,906	410,094	35,346
(Increase) decrease in receivables	201,039	(3,681,237)	202,269	3,473	12,166
(Increase) decrease in inventories	124,711	-	2,265	(3,930)	-
(Increase) decrease in loans receivable	-	116,612	-	-	-
(Increase) decrease in due from other governments	(687,236)	(1,413,291)	(583,181)	351,634	-
(Increase) decrease in advances receivable	14,967	-	-	-	-
(Increase) decrease in leases receivable	-	-	-	(85,531)	-
(Increase) decrease in deferred outflows	641,157	1,282,315	587,727	160,290	-
Increase (decrease) in accounts payable	2,265,985	780,883	(868,442)	(104,528)	(1,952)
Increase (decrease) in claims payable	-	-	-	-	-
Increase (decrease) in accrued personnel costs	222,376	220,349	173,372	57,924	-
Increase (decrease) in retentions payable	323,736	-	(193,694)	12,582	-
Increase (decrease) in unearned revenue	14,977	-	-	73,016	(4,420)
Increase (decrease) in customer deposits	(6,502)	-	(19,164)	-	-
Increase (decrease) in net pension liability	(374,199)	(748,398)	(343,016)	(93,549)	-
Increase (decrease) in net OPEB liabilities	13,849	18,821	15,625	3,905	-
Increase (decrease) in liability for landfill closure	-	-	(3,645,591)	-	-
Total adjustments	4,454,356	(1,873,658)	(4,073,924)	785,380	41,140
Net cash provided (used) by operating activities	6,456,999	3,987,726	(1,976,609)	(1,317,659)	148,971

Continued

See accompanying notes to financial statements

Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
TOTALS	
\$	\$
64,041,698	-
-	22,492,355
(55,924,296)	(21,869,596)
(832,941)	344,071
14,967	-
7,299,428	966,830
2,176,932	11,346
(285,056)	-
1,891,876	11,346
(22,228,503)	-
310,536	-
(882,419)	-
(482,533)	-
(23,282,919)	-
1,418,562	-
3,191,295	167,167
4,609,857	167,167
(9,481,758)	1,145,343
69,859,372	6,070,328
60,377,614	7,215,671
60,196,464	7,215,671
-	-
181,150	-
60,377,614	7,215,671
7,966,134	427,056
4,293,130	5,652
(3,262,290)	(45,452)
123,046	(47,395)
116,612	-
(2,332,074)	-
14,967	-
(85,531)	-
2,671,489	427,439
2,071,946	286,338
-	42,692
674,021	33,611
142,624	(3,440)
83,573	-
(25,666)	-
(1,559,162)	(249,465)
52,200	89,794
(3,645,591)	-
(666,706)	539,774
7,299,428	966,830

See accompanying notes to financial statements

Concluded

CITY OF WATSONVILLE, CALIFORNIA
SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2025

ASSETS	\$
Cash and investments	467,206
Cash and investments with fiscal agent	1,692,451
Notes receivable	<u>19,417</u>
Total Assets	<u>2,179,074</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred Loss on Refunding	<u>122,824</u>
Total Deferred Outflow of Resources	<u>122,824</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	91
Interest payable	44,245
Refunding bonds payable	<u>295,000</u>
Total Current Liabilities	<u>339,336</u>
Noncurrent liabilities:	
Refunding Bonds Payable	<u>3,567,516</u>
Total Non Current liabilities	<u>3,567,516</u>
Total Liabilities	<u>3,906,852</u>
Net Position	
Restricted	<u>(1,604,954)</u>
Total Net Position	<u><u>(1,604,954)</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, 2025

ADDITIONS:	\$
Taxes	329,440
Interest	80,944
Amortization	<u>72,744</u>
Total additions	<u>483,128</u>
DEDUCTIONS:	
Interest	<u>111,027</u>
Total deductions	<u>111,027</u>
Change in Net Position	372,101
Net Position (Deficit), July 1	<u>(1,977,055)</u>
Net Position (Deficit), June 30	<u><u>(1,604,954)</u></u>

See accompanying notes to financial statements

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CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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, 2025

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 the former 20% Redevelopment Agency's 20% 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 conditions.

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 City.

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, 2025

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 functions 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, 2025

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, 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
- Joint Powers Authority Pool
- California Asset Management Program (CAMP)

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, 2025

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 \$10,000 (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.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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 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, 2025

8. Long-term obligations

In the government-wide financial statements, proprietary, and fiduciary 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 and fiduciary 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

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, 2025

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

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, 2025

The Net Investment in Capital Assets are calculated as below:

	Governmental Activities	Business-type Activities	Total
	\$	\$	\$
Capital Assets, net of accumulated depreciation:	135,001,482	133,874,758	268,876,240
Less: Capital debt	(13,571,688)	(10,866,534)	(24,438,222)
Plus: Unspent bond proceeds	-	181,150	181,150
Net Investment in Capital Assets:	<u>121,429,794</u>	<u>123,189,374</u>	<u>244,619,168</u>

12. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

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 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.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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 excluded from the fiscal year 2025 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 \$2,627,950 during the fiscal year for public safety overtime and the City's wayfinding project aimed at improving navigation and visitor experience throughout the city.

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 - \$6,706,127, Housing Fund - \$229,095, and Other Governmental Funds - \$19,094,709.

B. Deficit fund balances

As of June 30, 2025, the Parking Garage Special Revenue Fund had a fund balance deficit of (\$257,728). The fund will make up the deficits with future licenses, permits and fees collected. The Internal Service Fund had a net position deficit of (\$235,991). The fund will make up the deficit 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, 2025 were as follows:

	Balance June 30, 2025	
<u>Cash:</u>	\$	\$
Demand Deposits	8,888,768	-
Outstanding Checks	(3,472,217)	-
Deposits in Transit	373,544	-
Net Demand Deposits	5,790,095	-
Petty Cash	13,036	-
Cash Subtotal	-	5,803,131
<u>Investments:</u>		
Guaranteed Investment Contracts	13,808,549	-
California Asset Management Program	119,778,489	-
Local Agency Investment Fund	19,313,188	-
Money Market Mutual Funds	181,150	-
Investment Subtotal		153,081,376
Total Cash and Investments		158,884,507

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

The cash and investments of Governmental Activities, Business-Type Activities, and the Private Purpose Trust Fund was as follows as of June 30, 2025:

	Balance June 30, 2025
Governmental Activities:	\$
General Fund	43,870,931
Impact Fees Special Revenue Fund	10,022,380
Housing Special Revenue Fund	4,131,013
Redevelopment and Housing Grants Special Revenue Fund	3,206,788
American Rescue Plan Act Special Revenue Fund	7,285,591
Debt Service Fund	321,872
Other Nonmajor Funds	20,292,990
Internal Service Fund	7,215,671
Total Governmental Activities:	<u>96,347,236</u>
Business-type Activities:	
Water Fund	31,659,898
Sewer Fund	14,991,556
Solid Waste Fund	12,142,774
Airport Fund	1,127,962
Fiber Optic Fund	455,424
Total Business-Type Activities	<u>60,377,614</u>
Private Purpose Trust Fiduciary Fund	<u>2,159,657</u>
Total City Cash and Investments	<u><u>158,884,507</u></u>

Disclosures Relating to Fair Value Measurements

The City 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 following is a summary of the fair value hierarchy of investments as of June 30, 2025:

	Level 2	Total
	\$	\$
<i>Investment by Fair Value Level:</i>	<u>-</u>	<u>-</u>
		-
<i>Investments measured at Amortized Cost:</i>		
Guaranteed Investments Contracts		13,808,549
California Asset Management Program		119,778,489
Money Market Mutual Funds		<u>181,150</u>
Total Investments		<u><u>133,768,188</u></u>

The Local Agency Investment Fund (LAIF) is exempt from the fair value hierarchy.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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, 2025, the City's carrying amount of deposits and cash on hand was \$5,790,095 and bank balances were \$8,888,768. 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	Minimum Credit Quality	Maximum Percentage of Portfolio *	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	None	None	None
U.S. Agency Securities	5 years	None	None	None
Banker's Acceptances	180 days	None	40%	30%
Commercial Paper	270 days	***	25%	10%**
Negotiable Certificates of Deposit	5 years	None	30%	None
Repurchase Agreements	1 year	None	20%	None
Passbook Savings Account Demand Deposit	N/A	None	None	None
Medium-Term Corporate Notes	5 years	A	30%	None**
Debt of City of Watsonville	N/A	None	None	None
Money Market Mutual Funds	N/A	AAAm	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	None	\$75 M per account
California Asset Management Program (CAMP)	N/A	None	None	None

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

** No more than 10% of the outstanding commercial paper and medium-term notes of any single issuer.

*** Highest letter and number rating by a NRSRO.

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, 2025

Disclosures Relating to Interest Rate Risk

Investment Type	Remaining Maturity (in Months)		Total
	12 Months or Less	97 Months	
	\$	\$	\$
Local Agency Investment Fund	19,313,188	-	19,313,188
California Asset Management Program	119,778,489	-	119,778,489
Guaranteed Investment Contracts	-	13,808,549	13,808,549
Money Market Mutual Funds	181,150	-	181,150
Total	<u>139,272,827</u>	<u>13,808,549</u>	<u>153,081,376</u>

Disclosures Relating to Credit Risk

Investment Type	Ratings as of Fiscal Year End			Total
	AAA/AAAm	AA	Not Rated	
	\$	\$	\$	\$
Local Agency Investment Fund (1)	-	-	19,313,188	19,313,188
California Asset Management Program (2)	119,778,489	-	-	119,778,489
Guaranteed Investment Contracts	-	13,808,549	-	13,808,549
Money Market Mutual Funds	181,150	-	-	181,150
Total	<u>119,959,639</u>	<u>13,808,549</u>	<u>19,313,188</u>	<u>153,081,376</u>

(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, 2025 the amortized cost value of the pool was \$178,938,897,012 and the estimated fair value of the pool was \$179,153,321,241. 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. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Each regular LAIF account is permitted to have up to 15 transactions per month, with a minimum transaction amount of \$5,000, a maximum transaction amount of \$75 million and at least 24 hours advance notice for withdrawals of \$10 million or more. Bond proceeds accounts are subject to a one-time deposit with no cap and are set up with a monthly draw down schedule. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2025, these investments had an average maturity of 248 days.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

(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. The City, as a CAMP shareholder, may withdraw all or any portion of the funds in each CAMP account at any time by redeeming shares. The CAMP Declaration of Trust permits the CAMP trustee to suspend the right of withdrawal from CAMP or to postpone the date of payment of redemption proceeds if the New York Stock Exchange is closed other than for customary weekend and holiday closings, if trading on the New York Stock Exchange is restricted, or if, in the opinion of the CAMP trustees, an emergency exists such that disposal of the CAMP pool securities or determination of its net asset value is not reasonably practicable. If the right of withdrawal is suspended, the City may either withdraw its request for that withdrawal or receive payment based on the net asset value of the CAMP pool next determined after termination of the suspension of the right of withdrawal. 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, 2025, fair value was approximate to the City's cost. At June 30, 2025, these investments had an average maturity of 41 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, 2025

B. Capital assets

Capital asset activity for the fiscal year ended June 30, 2025 was as follows:

Governmental activities:

	Balance at June 30, 2024	Additions	Deletions	Transfers	Balance at June 30, 2025
Capital Assets not being depreciated:	\$	\$	\$	\$	\$
Land and Improvements	17,043,868	150,000	-	-	17,193,868
Construction in Progress	14,120,305	20,214,474	-	(2,325,444)	32,009,335
Total Capital Assets not being depreciated	31,164,173	20,364,474	-	(2,325,444)	49,203,203
Capital Assets being depreciated and amortized:					
Buildings and Improvements	137,817,125	267,873	-	808,974	138,893,972
Machinery, Equipment and Vehicles	19,888,771	1,741,426	(734,663)	-	20,895,534
Infrastructure	46,468,312	1,549,747	-	1,516,470	49,534,529
Right to Use Subscription Assets	1,196,545	505,447	(204,990)	-	1,497,002
Total Capital Assets being depreciated and amortized	205,370,753	4,064,493	(939,653)	2,325,444	210,821,037
Less accumulated depreciation and amortization for:					
Buildings and Improvements	(74,411,373)	(3,658,256)	-	-	(78,069,629)
Machinery, Equipment and Vehicles	(14,987,291)	(1,049,451)	90,597	-	(15,946,145)
Infrastructure	(29,282,473)	(1,192,019)	-	-	(30,474,492)
Right to Use Subscription Assets	(432,646)	(338,136)	238,290	-	(532,492)
Total accumulated depreciation	(119,113,783)	(6,237,862)	328,887	-	(125,022,758)
Total Capital Assets being depreciated and amortized, net	86,256,970	(2,173,369)	(610,766)	2,325,444	85,798,279
Governmental activity Capital Assets, net	117,421,143	18,191,105	(610,766)	-	135,001,482

In accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, the subscription asset is offset with a subscription liability as discussed in Note III. F.

Business-type activities:

	Balance at June 30, 2024	Additions	Deletions	Transfers	Balance at June 30, 2025
Capital Assets, not being depreciated:	\$	\$	\$	\$	\$
Land and improvement	14,820,562	6,438,864	-	-	21,259,426
Construction in progress	19,344,425	18,214,454	(5,057,990)	(1,295,360)	31,205,529
Total Capital Assets not being depreciated	34,164,987	24,653,318	(5,057,990)	(1,295,360)	52,464,955
Capital Assets, being depreciated:					
Buildings and Improvements	91,995,002	440,717	-	932,252	93,367,971
Machinery, Equipment and Vehicles	29,265,823	2,284,795	(92,337)	363,108	31,821,389
Infrastructure	77,438,734	-	-	-	77,438,734
Total Capital Assets being depreciated	198,699,559	2,725,512	(92,337)	1,295,360	202,628,094
Less accumulated depreciation for:					
Buildings and Improvements	(44,921,107)	(2,089,355)	-	-	(47,010,462)
Machinery Equipment	(20,343,597)	(1,159,923)	92,337	-	(21,411,183)
Infrastructure	(51,752,794)	(1,043,852)	-	-	(52,796,646)
Total accumulated depreciation	(117,017,498)	(4,293,130)	92,337	-	(121,218,291)
Total Capital Assets being depreciated	81,682,061	(1,567,618)	-	1,295,360	81,409,803
Business-type activities Capital Assets, net	115,847,048	23,085,700	(5,057,990)	-	133,874,758

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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

Governmental activities:	\$
General government	1,012,273
Public safety	1,505,277
Streets	2,479,690
Culture and recreation	1,234,970
Internal Service Fund	5,652
	<hr/>
Total depreciation expense - governmental activities	<u><u>6,237,862</u></u>
Business-Type activities:	
Water Fund	1,699,496
Sewer Fund	1,550,288
Solid Waste Fund	597,906
Airport Fund	410,094
Fiber Optic Fund	35,346
	<hr/>
Total depreciation expense - business-type activities	<u><u>4,293,130</u></u>

C. Interfund receivables, payables, and transfers

The composition of interfund activities as of June 30, 2025, 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, 2025 were as follows:

	Due from other funds	Due to other funds
Governmental Funds:	\$	\$
General Fund	574,678	-
Impact Fees Special Revenue Fund	-	2,803
Redevelopment & Housing Grants Fund	-	317,066
Nonmajor Funds	-	254,809
Total Governmental Funds	<hr/> <u>574,678</u>	<hr/> <u>574,678</u>

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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, 2025 were as follows:

	Advances Receivable	Advances Payable
Governmental Funds:	\$	\$
General Fund	-	329,780
Total Governmental Funds	-	329,780
Enterprise Funds:		
Water Fund	329,780	-
Total Enterprise Funds	329,780	-
Total Advances	329,780	329,780

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	Debt Service Fund	Nonmajor Governmental Funds	Total Transfers Out
Transfers Out	\$	\$	\$	\$
General Fund	-	28,155	13,483	41,638
Impact Fees Special Revenue Fund	5,000	-	-	5,000
Redevelopment & Housing Grants Special Revenue Fund	114,064	172,423	-	286,487
Nonmajor Governmental Funds	4,228,886	1,584	59,488	4,289,958
Water Fund	-	26,595	5,056	31,651
Sewer Fund	-	197,457	5,056	202,513
Solid Waste Fund	-	40,780	5,056	45,836
Airport Fund	-	-	5,056	5,056
Total Transfers In	4,347,950	466,994	93,195	4,908,139

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, 2025

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 leases 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 the current 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 are 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, 2025

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, 2025 were:

Lessee	Property Address	Original Lease Date	Lease Ending Date	Term Duration (Years)	Remaining Lease Term (years)	Extension Years	Expiration Date Including Options
EKB Partners	45 Aviation Way	12/28/2016	12/31/2053	20	12	15	12/31/2053
Mid Valley Supply	220 Airport Blvd	10/1/2014	12/31/2026	12	1	5	12/31/2026
Pacific Golf Centers	101 Ranport Rd	7/2/2013	7/1/2038	25	13	20	7/1/2038
Watsonville Diesel	101 Aviation Way	8/1/2016	7/31/2056	40	31	10	7/31/2056
United Flight	120 Aviation Way	6/24/2009	11/14/2038	20	13	10	11/14/2038
Ellas	100 Aviation Way	4/1/2022	2/3/2025	5	-	6	2/3/2025
SC Animal Services	580 Airport Blvd	7/1/2022	7/1/2047	25	22	5	7/1/2047
Expoimaging	121 Aviation Way	10/1/2021	5/31/2025	4	-	-	5/31/2025
Calibro	50 Aviation Way	7/1/2023	6/30/2027	4	2	-	6/30/2027
GTE Mobilnet Verizon	Airport Communication Tower, and portion of 370						
	Airport Boulevard	7/1/2023	6/30/2033	10	8	-	6/30/2033

(Continued below)

Lessee	Interest Revenue	Lease Revenue	Monthly Revenue as of June 30, 2025	Lease Receivable Balance at June 30, 2025	Deferred Inflow of Resources at June 30, 2025
	\$	\$	\$	\$	\$
EKB Partners	16,072	20,653	1,719	614,335	550,832
Mid Valley Supply	5,809	103,705	8,633	160,733	152,957
Pacific Golf Centers	7,961	26,468	2,203	358,284	323,144
Watsonville Diesel	21,508	24,125	2,008	829,720	701,568
United Flight	6,747	21,849	1,819	303,942	274,287
Ellas	7,007	45,333	-	-	-
SC Animal Services	32,355	40,575	3,378	930,577	836,038
Expoimaging	440	61,860	-	-	-
Calibro	5,963	82,769	6,890	169,750	160,697
GTE Mobilnet Verizon	16,347	47,159	3,930	388,551	395,947
	<u>120,209</u>	<u>474,497</u>	<u>30,580</u>	<u>3,755,892</u>	<u>3,395,470</u>

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

The future principal and interest related to leases receivable as of June 30, were as follows:

For the Year Ended June 30	Principal	Interest	Total
	\$	\$	\$
2026	319,826	103,929	423,755
2027	275,944	95,079	371,023
2028	142,210	89,238	231,448
2029	149,133	84,908	234,041
2030	156,332	80,350	236,682
2031-2035	764,043	327,267	1,091,310
2036-2040	557,924	282,135	840,059
2041-2045	536,882	150,135	687,017
2046-2050	434,823	72,808	507,631
2051-2055	368,673	25,599	394,272
2056-2057	50,102	758	50,860
Totals	3,755,892	1,312,206	5,068,098

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.

Loan payable (Direct Borrowing) – Governmental Activities – Solar Panels

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.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

The annual requirement to amortize the lease outstanding for governmental activities as of June 30, 2025 is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	\$	\$	\$
2026	279,708	6,396	286,104
2027	140,922	3,571	144,493
Total	<u>420,630</u>	<u>9,967</u>	<u>430,597</u>

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%. As of June 30, 2025, the Section 108 loan has been fully paid off.

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%.

Watsonville Public Finance Authority Lease Revenue Bonds, Series 2025 (Direct Borrowing)

On June 1, 2025, The City of Watsonville Public Finance Authority issued \$11,250,000 in 2025 Lease Revenue Bonds, Series A. The Authority proceeds of these bonds were used to finance certain capital improvement projects and property acquisitions for the City, including the completion of the Ramsay Park Renaissance Project and City Plaza Project. The Authority has pledged facility lease between the City and the Authority. The Authority would lease the City's Police/Innovation Technology Building, Parks and Community Services Building, Youth Center, and City Hall. Annual principal payments on the 2025 Lease Revenue Bonds are due May 1, commencing on May 1, 2026. Semi-annual interest payments are due May 1 and November 1 through 2034, commencing on November, 2025.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

The bonds are special limited obligations of the Authority secured by and payable solely from Series 2025 Revenues pledged to the 2025 Bonds under the Indenture. The City has covenanted in the Lease to take such actions as may be necessary to include and maintain all Series 2025 Base Rental Payments in its budget and to make the necessary appropriations thereof, subject to such abatement. Should the City default under the facilities sublease, the Authority at its option may terminate the Lease and re-lease all or any portion of the Leased Property, provided that the Authority shall have no right to re-let the Ramsay park Renaissance Project or City Plaza Project portions of the Leased Property. Notwithstanding anything in the Indenture to the contrary, there shall be no right under the circumstances to accelerate the Base Rental Payments or otherwise declare any Base Rental Payments not then in default to be immediately due and payable.

The annual requirement to amortize the lease outstanding for the Lease Revenue Bond, Series 2025 as of June 30, 2025 is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	\$	\$	\$
2026	970,000	476,563	1,446,563
2027	930,000	514,000	1,444,000
2028	980,000	467,500	1,447,500
2029	1,030,000	418,500	1,448,500
2030	1,080,000	367,000	1,447,000
2031-2035	6,260,000	969,000	7,229,000
Total	<u>11,250,000</u>	<u>3,212,563</u>	<u>14,462,563</u>

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Governmental Type Activities

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

Youth Center - \$27,876, 6 year loan, maximum annual payment of \$4,993,
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, 2025 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
	\$
2026	3,709
2027	2,882
2028	243
Total	<u><u>6,834</u></u>

Business Type Activities

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

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, 2025 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
	\$
2026	4,118
Total	<u><u>4,118</u></u>

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

For the Waste Water Fund as follows:

Waste Water Treatment Plant - \$86,422, 5 year loan, maximum annual payment of \$19,205. As of June 30, 2025, the loan has been fully paid off.

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, 2025 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
	\$
2026	23,037
2027	5,759
Total	<u>28,796</u>

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, 2025 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
	\$
2026	972
Total	<u>972</u>

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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, 2025 is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	\$	\$	\$
2026	71,698	16,432	88,130
2027	72,845	15,285	88,130
2028	74,011	14,120	88,131
2029	75,195	12,935	88,130
2030	76,398	11,732	88,130
2031-2035	400,720	39,930	440,650
2036-2038	256,149	8,240	264,389
Total	<u>1,027,016</u>	<u>118,674</u>	<u>1,145,690</u>

On October 14, 2016, 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 \$3,673,754 remains unpaid as of June 30, 2025. 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, 2025.

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.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

The annual requirements to amortize the loan outstanding as of June 30, 2025 is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	\$	\$	\$
2026	201,731	62,454	264,185
2027	205,160	59,025	264,185
2028	208,648	55,537	264,185
2029	212,195	51,990	264,185
2030	215,802	48,382	264,184
2031-2035	1,135,304	185,619	1,320,923
2036-2040	1,235,142	85,780	1,320,922
2041	259,772	4,416	264,188
Total	<u>3,673,754</u>	<u>553,203</u>	<u>4,226,957</u>

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 \$145,435 to \$366,819 as of June 30, 2025.

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, 2025

The annual requirements for loan repayments on the loan outstanding as of June 30, 2025 is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	\$	\$	\$
2026	157,091	221,057	378,148
2027	163,265	214,762	378,027
2028	169,681	208,220	377,901
2029	176,350	201,421	377,771
2030	183,280	194,354	377,634
2031-2035	1,030,275	855,655	1,885,930
2036-2040	1,249,275	632,354	1,881,629
2041-2045	1,514,827	361,586	1,876,413
2046-2048	1,059,370	63,519	1,122,889
Total	<u>5,703,414</u>	<u>2,952,928</u>	<u>8,656,342</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 the City to set aside 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 expenses to complete the closure. The City opened a new cell (cell IV) in 2025, which is expected to provide landfill capacity for 20 years with an estimated post-closure costs of \$3,484,617 as of June 30, 2025.

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. The post-closure costs for both cells were \$3,680,437, which were fully recognized during the fiscal year and reduced the City's liability to zero.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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, 2025, the net OPEB liability was calculated to be immaterial for GASB#75 presentation purposes. However, the net OPEB liabilities of \$5,176,900 is still reflected as part of the long-term liabilities in the City's Statements of Net Position as follows: Governmental Activities - \$3,235,840, Business-type Activities - \$1,941,060.

Financed Purchases (Direct Borrowings):

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.

The annual requirement to amortize the lease outstanding in the Sewer Fund as of June 30, 2025 is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	\$	\$	\$
2026	93,206	676	93,882
Total	93,206	676	93,882

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.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

The annual requirement to amortize the lease outstanding in the Solid Waste Fund as of June 30, 2025 is as follows:

Fiscal Year	Principal	Interest	Debt Service
	\$	\$	\$
2026	335,258	2,433	337,691
Total	335,258	2,433	337,691

Changes in long-term liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2025 are as follows:

	Balance at June 30, 2024 \$	Additions \$	Reductions \$	Balance June 30, 2025 \$	Due Within One Year \$
Governmental activities:					
Direct Borrowings:					
Bond Payable	-	12,305,216	-	12,305,216	970,000
Notes payable	885,639	-	(458,175)	427,464	283,417
Subtotal	885,639	12,305,216	(458,175)	12,732,680	1,253,417
Other Liabilities:					
Compensated absences	2,402,340	3,759,182	(2,204,647)	3,956,875	2,526,319
Net OPEB liability	3,167,540	68,300	-	3,235,840	-
Net pension liability	86,738,841	-	(2,381,224)	84,357,617	-
Subscription liabilities	669,362	505,447	(335,801)	839,008	273,856
Total Governmental activities					
Long-term liabilities	93,863,722	16,638,145	(5,379,847)	105,122,020	4,053,592
	\$	\$	\$	\$	\$
Business-type activities:					
Loans payable (2015 SWRCB, 2016 SWRCB)	4,969,698	-	(268,928)	4,700,770	273,429
Notes payable (2019 PG&E various, Sewer Cleaning Truck, Solid Waste Collection Truck, IBank Loan)	6,779,255	-	(613,491)	6,165,764	613,682
Compensated absences	1,024,245	1,646,004	(1,057,462)	1,612,787	966,724
Net OPEB liability	1,888,860	52,200	-	1,941,060	-
Net pension liabilities	28,071,741	-	(1,559,162)	26,512,579	-
Landfill closure / post-closure liabilities	3,680,437	34,846	(3,680,437)	34,846	-
Total Business-type activities					
Long-Term liabilities	46,414,236	1,733,050	(7,179,480)	40,967,806	1,853,835

The 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, 2025

Loans and notes payable activity for the fiscal year ended June 30, 2025, are as follows:

	Balance June 30, 2024	Additions	Retirements	Balance June 30, 2025	Amount due within one year
	\$	\$	\$	\$	\$
Governmental activities:					
2004 HUD Section 108	170,000	-	(170,000)	-	-
PFA Lease Revenue Bond, Series 2025	-	11,250,000	-	11,250,000	970,000
Premium	-	1,055,216	-	1,055,216	-
Due to Pacific Gas & Electric					
Youth Center	5,820	-	(4,993)	827	827
Beach Street Parking Garage 2	1,833	-	(1,833)	-	-
Police Department	1,584	-	(1,584)	-	-
Senior Center	8,889	-	(2,882)	6,007	2,882
Solar Panels	697,513	-	(276,883)	420,630	279,708
Total governmental activities	885,639	12,305,216	(458,175)	12,732,680	1,253,417
Business-type activities:					
SWRCB 2015 Loan	1,097,585	-	(70,569)	1,027,016	71,698
SWRCB 2016 Loan	3,872,113	-	(198,359)	3,673,754	201,731
Due to Pacific Gas & Electric					
Airport	51,833	-	(23,037)	28,796	23,037
MSC	9,610	-	(5,492)	4,118	4,118
WWTP 2	8,002	-	(8,002)	-	-
City Landfill	2,430	-	(1,458)	972	972
Sewer System Cleaning Truck	185,516	-	(92,310)	93,206	93,206
Solid Waste Collection Vehicles	667,299	-	(332,041)	335,258	335,258
Landfill Obligation					
Phase I & II Post closure	239,650	-	(239,650)	-	-
Phase III Closure	1,876,793	-	(1,876,793)	-	-
Phase III Post closure	1,563,994	-	(1,563,994)	-	-
Phase IV Post closure	-	34,846	-	34,846	-
IBank Loan	5,854,565	-	(151,151)	5,703,414	157,091
Total business-type activities	15,429,390	34,846	(4,562,856)	10,901,380	887,111

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.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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.

A summary of the City's subscription liabilities for the fiscal year ended June 30, 2025, are as follows:

	Balance June 30, 2024	Additions	Retirements	Balance June 30, 2025	Due Within One Year
Governmental activities:	\$	\$	\$	\$	\$
OpenGov	68,330	-	(68,330)	-	-
Tyler Munis ERP	601,032	505,447	(267,471)	839,008	273,856
Total subscription liabilities	669,362	505,447	(335,801)	839,008	273,856

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

The future principal and interest subscription liability payments as of June 30, 2025 are as follows:

For the Year Ended June 30	Principal	Interest	Total
	\$	\$	\$
2026	273,856	6,989	280,845
2027	281,404	4,708	286,112
2028	283,748	2,364	286,112
Totals	839,008	14,061	853,069

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 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.

Liabilities in the self-insurance Internal Service Fund at June 30, 2025 totaled \$4,411,510 as follows: Health Benefits \$94,583 ; General Liability \$1,938,892 ; and Workers' Compensation \$2,378,035.

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

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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>2023-2024</u>	<u>2024-2025</u>
Claims incurred but not reported:	\$	\$
Beginning	1,345,320	1,440,231
Incurred claims	2,423,113	3,564,906
Claims paid	<u>(2,328,202)</u>	<u>(2,971,662)</u>
Ending	<u>1,440,231</u>	<u>2,033,475</u>
Claims payable		
Beginning	2,646,581	2,928,587
Incurred claims	3,325,648	1,690,635
Claims paid	<u>(3,043,642)</u>	<u>(2,241,187)</u>
Ending	<u>2,928,587</u>	<u>2,378,035</u>
Total claims payable	<u><u>4,368,818</u></u>	<u><u>4,411,510</u></u>

B. Public entity risk pool

The City is a member of the California Intergovernmental Risk Authority (CIRA), which is a governmental joint powers authority pursuant to the Government Code of the State of California, commencing with Section 6500. CIRA is a statewide agency providing California municipalities with risk management services including loss control, risk sharing and joint purchase coverage programs.

General liability

The City is self-insured for general liability claims up to \$500,000 (effective July 1, 2024) 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, 2025, total estimated claims payable for General Liability were \$1,938,992.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Workers compensation

The City is self-insured for workers compensation claims up to \$150,000 for each occurrence. Coverage for individual losses in excess of \$150,000, up to the \$500,000 is provided through the California Intergovernmental Risk Authority (CIRA). Under this program, members share in losses between the members' individual self-insured retention and \$500,000 under a risk sharing pool program; and from \$500,000 to the statutory limit, 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, 2025, total estimated claims payable for Workers Compensation were \$2,378,035.

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.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

Guaranty with Santa Cruz County Bank

On November 14, 2023, City Council approved a limited commercial guaranty with Santa Cruz County Bank in an amount up to \$1,000,000 to secure a commercial loan to the Pajaro Valley Health Care District, for the purpose of establishing a revolving line of credit. The guarantee expires on November 5, 2026. At June 30, 2025, the amount of guarantee extended that remains outstanding is \$1,000,000.

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.

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	12,011,714	53,025,159	-	9,388,587
Safety - Cost-Sharing Multiple Employer	17,538,107	57,845,037	1,080,660	11,696,612
Totals	29,549,821	110,870,196	1,080,660	21,085,199

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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
	\$	\$	\$
2026	3,648,263	1,839,096	5,487,359
2027	6,685,035	4,207,746	10,892,781
2028	14,454	(419,185)	(404,731)
2029	(956,652)	(779,875)	(1,736,527)
Total	9,391,100	4,847,782	14,238,882

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, 2025

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, 2025, 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%	7.50%
Required employer contribution rates	8.89%	8.89%	14.88%

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, 2025 was \$4,748,925, 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, 2023 and measurement date as of June 30, 2024:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	354
Inactive employees entitled to but not yet receiving benefits	374
Active employees	310
Total	1,038

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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. Employer contributions rates may change if plan contracts are amended. Payments made by the City to satisfy contribution requirements that are identified by the Plan terms as Plan member contributions requirements are clarified as Plan member contributions.

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, 2024, using an annual actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 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, 2023 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
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 probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of scale MP 2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2023 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, 2025

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 the 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 payment to determine the total pension liability for the 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. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of returns was then adjusted for assumed administrative expenses of 10 basis points.

The expected real rates of return by asset class are as follows:

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	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-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, 2025

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, 2023	196,171,142	140,027,659	56,143,483
Changes in the year:			
Service cost	4,064,882	-	4,064,882
Interest on the total pension liability	13,438,621	-	13,438,621
Differences between actual and expected experience	1,139,085	-	1,139,085
Change of Benefit Terms	-	-	-
Contribution - employer	-	6,445,170	(6,445,170)
Contribution - employee	-	1,910,685	(1,910,685)
Net investment income	-	13,518,998	(13,518,998)
Benefit payments, including refunds of employee contributions	(9,160,081)	(9,160,081)	-
Changes of Assumptions	-	-	-
Administrative expense	-	(113,941)	113,941
Net changes	9,482,507	12,600,831	(3,118,324)
Balance at June 30, 2024	205,653,649	152,628,490	53,025,159

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	\$81,529,032
1% Decrease	6.90%
Net Pension Liability	\$53,025,159
1% Increase	7.90%
Net Pension Liability	\$29,580,723

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

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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

For the fiscal year ended June 30, 2025, the City recognized pension expense of \$9,388,587. At June 30, 2025, 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	7,163,932	-
Differences between actual and expected experience	1,784,600	-
Changes of assumptions	1,012,075	-
Net differences between projected and actual earnings on plan investments	2,051,107	-
Total	12,011,714	-

The amount of \$7,163,932 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, 2026. 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
	\$
2026	1,839,096
2027	4,207,746
2028	(419,185)
2029	(779,875)
Total	4,847,782

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.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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, 2025, 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%	13.75%
Required employer contribution rates	27.32%	23.00%	13.76%

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, 2025 was \$4,581,789, which were made under the lump sum payment option.

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 \$7,066,347 for the fiscal year ended June 30, 2025.

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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, 2025, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan was \$57,845,037.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2024, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for the Plan as of June 30, 2023, and 2024 was as follows:

	<u>Safety Plans</u>
Proportion - June 30, 2023	0.78485%
Proportion - June 30, 2024	0.79339%
Change - Increase (Decrease)	<u>0.00854%</u>

For the year ended June 30, 2025, the City recognized pension expense of \$11,696,612 for the Safety Plan. As of June 30, 2025, 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	7,066,347	-
Differences between actual and expected experience	4,720,669	(153,489)
Changes in assumptions	1,425,183	-
Net differences between projected and actual earnings on plan investments	2,795,966	-
Differences between actual contributions and proportional contributions	926,402	(583,952)
Adjustment due to differences in proportion	603,540	(343,219)
Total	<u>17,538,107</u>	<u>(1,080,660)</u>

CITY OF WATSONVILLE, CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

The amount of \$7,066,347 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, 2026. 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
	\$
2026	3,648,263
2027	6,685,035
2028	14,454
2029	<u>(956,652)</u>
Total	<u><u>9,391,100</u></u>

Actuarial Assumptions

For the measurement period ended June 30, 2024, the total pension liability was determined by rolling forward the June 30, 2023 total pension liability. The June 30, 2024 total pension liabilities were based on the following actuarial methods and assumptions for all benefit tiers:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
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 probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of scale MP 2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2023 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, 2025

Discount Rate – The discount rate used to measure the total pension liability for the plan was 6.90%. The projection of cash flows 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 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. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. 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 returns was then adjusted for assumed administrative expenses of 10 basis points.

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	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-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, 2025

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	\$85,952,595
Current Discount Rate	6.90%
Net Pension Liability	\$57,845,037
1% Increase	7.90%
Net Pension Liability	\$34,857,006

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.

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, 2025

The Bill directed 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, 2025:

	Balance June 30, 2024	Retirements	Balance June 30, 2025	Due Within One Year
	\$	\$	\$	\$
Refunding tax allocation bonds	4,030,000	(945,000)	3,085,000	295,000
Bond Premium	863,907	(86,391)	777,516	-
Total Bonds Payable	4,893,907	(1,031,391)	3,862,516	295,000
Notes Payable	8,887	(8,887)	-	-
Total	4,902,794	(1,040,278)	3,862,516	295,000

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, 2025

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 \$122,824 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, 2025 is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	\$	\$	\$
2026	295,000	106,950	401,950
2027	305,000	92,200	397,200
2028	325,000	76,950	401,950
2029	330,000	69,638	399,638
2030	340,000	61,800	401,800
2031-2034	1,490,000	117,200	1,607,200
Total	<u>3,085,000</u>	<u>524,738</u>	<u>3,609,738</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
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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. As of June 30, 2025, the loan has been fully paid off.

Required Supplementary Information

CITY OF WATSONVILLE, CALIFORNIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS
JUNE 30, 2025

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

MEASUREMENT DATE:	2015	2016	2017	2018
TOTAL PENSION LIABILITY	\$	\$	\$	\$
Service Cost	2,251,567	2,250,229	2,616,009	2,696,646
Interest	8,741,399	9,093,428	9,502,933	9,872,907
Differences between expected and actual experience	(1,088,430)	(1,307,204)	(160,738)	(622,350)
Changes in assumptions	(2,194,095)	-	8,126,558	(617,380)
Changes in benefits	-	-	-	-
Benefit payments, including refunds of employee contributions	(4,874,482)	(5,292,339)	(5,612,765)	(5,877,340)
Net change in total pension liability	2,835,959	4,744,114	14,471,997	5,452,483
Total pension liability - beginning	118,860,636	121,696,595	126,440,709	140,912,706
Total pension liability - ending (a)	121,696,595	126,440,709	140,912,706	146,365,189
PLAN FIDUCIARY NET POSITION				
Contributions - employer	1,881,144	2,288,840	2,856,260	3,443,447
Contributions - employee	1,064,147	1,145,223	1,265,745	1,301,275
Net investment income (1)	2,081,010	501,726	10,269,390	8,537,327
Administrative expense	(105,873)	(57,299)	(136,723)	(457,364)
Benefit payments, including refunds of employee contributions	(4,874,482)	(5,292,339)	(5,612,765)	(5,877,340)
Net Plan to Plan Resource Movement	-	-	(2,203)	(250)
Other Miscellaneous Income/(Expense)	-	-	-	-
Net change in plan fiduciary net position	45,946	(1,413,849)	8,639,704	6,947,095
Plan fiduciary net position - beginning	93,971,806	94,017,752	92,603,903	101,243,607
Plan fiduciary net position - ending (b)	94,017,752	92,603,903	101,243,607	108,190,702
Net pension liability - ending (a)-(b)	27,678,843	33,836,806	39,669,099	38,174,487
Plan fiduciary net position as a percentage of the total pension liability	77.26%	73.24%	71.85%	73.92%
Covered payroll	17,452,658	17,680,742	18,366,981	18,917,990
Net pension liability as percentage of covered-employee payroll	158.59%	191.38%	215.98%	201.79%

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, 2020, and 2021 there were no changes. In 2022, the accounting discount rate reduced from 7.15% to 6.90% and remained the same in 2023, 2024, and 2025. 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.

2019	2020	2021	2022	2023	2024
\$	\$	\$	\$	\$	\$
2,918,120	3,126,358	3,154,808	3,660,143	3,833,093	4,064,882
10,452,164	10,957,570	11,578,015	12,135,027	12,814,426	13,438,621
1,523,815	181,334	1,720,257	550,395	1,957,943	1,139,085
-	-	-	6,072,451	-	-
-	-	-	-	233,848	-
(6,327,905)	(6,846,317)	(7,435,396)	(7,901,930)	(8,552,266)	(9,160,081)
8,566,194	7,418,945	9,017,684	14,516,086	10,287,044	9,482,507
146,365,189	154,931,383	162,350,328	171,368,012	185,884,098	196,171,142
<u>154,931,383</u>	<u>162,350,328</u>	<u>171,368,012</u>	<u>185,884,098</u>	<u>196,171,142</u>	<u>205,653,649</u>
3,756,237	4,648,909	4,850,242	5,372,729	6,045,006	6,445,170
1,520,671	1,474,994	1,488,988	1,604,758	1,666,205	1,910,685
7,097,297	5,707,428	26,896,026	(10,938,130)	8,257,768	13,518,998
(76,957)	(160,932)	(118,854)	(90,115)	(97,588)	(113,941)
(6,327,905)	(6,846,317)	(7,435,396)	(7,901,930)	(8,552,266)	(9,160,081)
(3,911)	-	-	-	-	-
-	-	-	-	-	-
5,965,432	4,824,082	25,681,006	(11,952,688)	7,319,125	12,600,831
108,190,702	114,156,134	118,980,216	144,661,222	132,708,534	140,027,659
<u>114,156,134</u>	<u>118,980,216</u>	<u>144,661,222</u>	<u>132,708,534</u>	<u>140,027,659</u>	<u>152,628,490</u>
<u>40,775,249</u>	<u>43,370,112</u>	<u>26,706,790</u>	<u>53,175,564</u>	<u>56,143,483</u>	<u>53,025,159</u>
73.68%	73.29%	84.42%	71.39%	71.38%	74.22%
19,029,329	20,531,347	21,939,351	22,534,340	23,372,558	24,476,966
214.28%	211.24%	121.73%	235.98%	240.21%	216.63%

CITY OF WATSONVILLE, CALIFORNIA
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS
JUNE 30, 2025

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
	\$	\$	\$	\$	\$
Contractually required contribution	2,299,823	2,288,840	2,856,260	3,756,236	4,648,909
Contributions in relation to the actuarially determined contributions	(2,299,823)	(2,288,840)	(2,856,260)	(3,756,236)	(4,648,909)
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	17,680,742	18,366,981	18,917,990	19,029,329	20,531,347
Contributions as a percentage of covered payroll	13.01%	12.46%	15.10%	19.74%	22.64%
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
	\$	\$	\$	\$	\$
Contractually required contribution	4,850,246	5,372,729	6,043,172	6,445,170	7,163,932
Contributions in relation to the actuarially determined contributions	(4,850,246)	(5,372,729)	(6,043,172)	(6,445,170)	(7,163,932)
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	21,939,351	22,534,340	23,372,558	24,476,966	25,907,467
Contributions as a percentage of covered payroll	22.11%	23.84%	25.86%	26.33%	27.65%

Notes to Schedule

Valuation date: 6/30/2023

Methods and assumptions used to determine contribution rates:

Discount Rate
6.8% @ 6/30/2025
6.8% @ 6/30/2024
6.8% @ 6/30/2023
7.0% @ 6/30/2022
7.0% @ 6/30/2021
7.25% @ 6/30/2020
7.375% @ 6/30/2019
7.5% @ 6/30/2018
7.5% @ 6/30/2017
7.5% @ 6/30/2016

Inflation 2.75% for 2015 to 2019, 2.625% for 2020, and 2.50% for 2021 and 2022, and 2.30% for 2023, 2024, and 2025.

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 and 2022, 6.80% for 2023, 2024, and 2025, 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 AA published by the Society of Actuaries for 2015 to 2018. For 2019, 2020, 2021, and 2022, pre-retirement and postretirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For 2023, 2024, and 2025, pre-retirement and postretirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

CITY OF WATSONVILLE, CALIFORNIA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN FISCAL YEARS
JUNE 30, 2025

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

	2015	2016	2017	2018	2019
	\$	\$	\$	\$	\$
Proportion of the net pension liability	0.379737%	0.387650%	0.388914%	0.666691%	0.679156%
Proportionate share of the net pension liability	26,064,837	33,543,690	38,569,604	39,118,450	42,396,602
Covered payroll	9,190,095	9,792,080	11,557,360	11,496,504	11,783,799
Proportionate share of the net pension liability as percentage of covered payroll	283.62%	342.56%	333.72%	340.26%	359.79%
Plan's total pension liability	31,771,217,402	18,961,274,094	21,144,800,930	22,053,702,155	23,442,265,225
Plan fiduciary net position	24,907,305,871	13,782,056,004	15,169,595,595	16,186,149,467	17,199,726,799
Plan fiduciary net position as a percentage of the total pension liability	78.40%	74.06%	73.31%	75.26%	75.20%
	2020	2021	2022	2023	2024
	\$	\$	\$	\$	\$
Proportion of the net pension liability	0.697883%	0.826850%	0.787620%	0.784851%	0.793394%
Proportionate share of the net pension liability	46,495,443	29,018,195	54,122,250	58,667,099	57,845,037
Covered payroll	12,765,651	12,422,544	13,235,291	11,555,278	13,816,012
Proportionate share of the net pension liability as percentage of covered payroll	364.22%	233.59%	408.92%	507.71%	418.68%
Plan's total pension liability	24,782,493,361	172,165,293	186,461,648	197,563,906	205,766,875
Plan fiduciary net position	18,120,140,152	143,147,098	132,339,398	138,896,807	147,921,838
Plan fiduciary net position as a percentage of the total pension liability	75.10%	88.29%	76.68%	76.21%	78.08%

CITY OF WATSONVILLE, CALIFORNIA
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS
JUNE 30, 2025

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

	2016	2017	2018	2019	2020
	\$	\$	\$	\$	\$
Actuarially determined contribution	2,921,288	3,364,471	3,606,866	3,940,104	4,649,154
Contributions in relation to the actuarially determined contributions	(2,921,288)	(3,364,471)	(3,606,866)	(4,006,904)	(4,699,442)
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(66,800)</u>	<u>(50,288)</u>
Covered payroll	9,792,080	11,557,360	11,496,504	11,783,799	12,765,651
Contributions as a percentage of covered payroll	29.83%	29.11%	31.37%	34.00%	36.81%
	2021	2022	2023	2024	2025
	\$	\$	\$	\$	\$
Actuarially determined contribution	5,129,097	5,742,501	6,231,309	6,272,876	7,066,347
Contributions in relation to the actuarially determined contributions	(5,129,097)	(5,742,501)	(6,231,309)	(6,272,876)	(7,066,347)
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	12,422,544	13,235,291	11,555,278	13,816,012	13,970,129
Contributions as a percentage of covered payroll	41.29%	43.39%	53.93%	45.40%	50.58%

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.

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CITY OF WATSONVILLE, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2025

	Special Revenue Funds						
	GAS TAX	NARCOTICS ASSETS SEIZURE	BUSINESS DEVELOPMENT	ECONOMIC DEVELOPMENT	LIBRARY	PARKS DEVELOPMENT	RETIREMENT TAX
	\$	\$	\$	\$	\$	\$	\$
ASSETS:							
Cash and investments	1,225,354	203,178	482,214	36,379	2,113,492	1,892,484	1,087,176
Receivables:							
Interest	-	-	-	52,570	-	-	-
Taxes	122,245	-	-	-	-	-	271,193
Accounts	-	-	3,587	-	370,835	11,373	-
Intergovernmental	-	-	-	-	-	-	-
Loans receivable	-	-	-	45,847	-	-	-
Total Assets	1,347,599	203,178	485,801	134,796	2,484,327	1,903,857	1,358,369
LIABILITIES:							
Accounts payable	116,978	-	-	-	31,880	20,830	-
Accrued personnel costs	6,207	-	-	-	-	-	-
Retentions payable	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total Liabilities	123,185	-	-	-	31,880	20,830	-
DEFERRED INFLOWS OF RESOURCES:							
Unavailable revenue	-	-	18,572	98,417	-	-	-
Total Deferred Inflows of Resources	-	-	18,572	98,417	-	-	-
FUND BALANCES:							
Restricted for:							
Assets seizure	-	203,178	-	-	-	-	-
Business development	-	-	467,229	-	-	-	-
Economic development	-	-	-	36,379	-	-	-
Library	-	-	-	-	2,452,447	-	-
Parks development	-	-	-	-	-	1,883,027	-
Retirement tax	-	-	-	-	-	-	1,358,369
Measure G/Y	-	-	-	-	-	-	-
Inclusionary housing	-	-	-	-	-	-	-
SB1 gas tax	1,224,414	-	-	-	-	-	-
Measure D	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total Fund Balances	1,224,414	203,178	467,229	36,379	2,452,447	1,883,027	1,358,369
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	1,347,599	203,178	485,801	134,796	2,484,327	1,903,857	1,358,369

Continued

CITY OF WATSONVILLE, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2025

	Special Revenue Funds						TOTAL
	PARKING GARAGE	MEASURE G/Y	ABANDONED VEHICLE	INCLUSIONARY HOUSING	SB 1 GAS TAX	MEASURE D	
	\$	\$	\$	\$	\$	\$	\$
ASSETS:							
Cash and investments	541	2,088,142	58,884	1,144,351	4,982,122	4,978,673	20,292,990
Receivables:							
Interest	-	-	-	256,734	-	-	309,304
Taxes	-	873,799	19,092	-	118,493	308,899	1,713,721
Accounts	9,282	-	-	-	-	-	395,077
Loans receivable	-	-	-	2,602,038	-	-	2,647,885
Total Assets	9,823	2,961,941	77,976	4,003,123	5,100,615	5,287,572	25,358,977
LIABILITIES:							
Accounts payable	12,742	356,522	-	12,596	-	263,918	815,466
Accrued personnel costs	-	79,588	-	461	-	-	86,256
Retentions payable	-	-	-	-	-	5,874	5,874
Unearned revenue	-	-	-	833,855	-	-	833,855
Due to other funds	254,809	-	-	-	-	-	254,809
Total Liabilities	267,551	436,110	-	846,912	-	269,792	1,996,260
DEFERRED INFLOWS OF RESOURCES:							
Unavailable revenue	-	-	-	2,858,773	-	-	2,975,762
Total Deferred Inflows of Resources	-	-	-	2,858,773	-	-	2,975,762
FUND BALANCES:							
Restricted for:							
Assets seizure	-	-	-	-	-	-	203,178
Business development	-	-	-	-	-	-	467,229
Economic development	-	-	-	-	-	-	36,379
Library	-	-	-	-	-	-	2,452,447
Parks development	-	-	-	-	-	-	1,883,027
Retirement tax	-	-	-	-	-	-	1,358,369
Measure G/Y	-	2,525,831	-	-	-	-	2,525,831
Abandoned vehicle	-	-	77,976	-	-	-	77,976
Inclusionary housing	-	-	-	297,438	-	-	297,438
SB1 gas tax	-	-	-	-	5,100,615	-	6,325,029
Measure D	-	-	-	-	-	5,017,780	5,017,780
Unassigned	(257,728)	-	-	-	-	-	(257,728)
Total Fund Balances	(257,728)	2,525,831	77,976	297,438	5,100,615	5,017,780	20,386,955
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	9,823	2,961,941	77,976	4,003,123	5,100,615	5,287,572	25,358,977
							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, 2025

	Special Revenue Funds						
	GAS TAX	NARCOTICS ASSETS SEIZURE	BUSINESS DEVELOPMENT	ECONOMIC DEVELOPMENT	LIBRARY	PARKS DEVELOPMENT	RETIREMENT TAX
	\$	\$	\$	\$	\$	\$	\$
REVENUES:							
Taxes	-	-	-	-	4,012,307	-	4,417,256
Licenses, permits and fees	-	-	115,222	-	14,161	257,983	-
Intergovernmental	1,439,146	-	-	-	64,093	-	-
Charges for services	-	-	-	-	-	-	-
Interest	59,844	7,269	20,621	-	85,991	78,018	-
Miscellaneous	-	-	-	2,987	562	-	-
Total revenues	1,498,990	7,269	135,843	2,987	4,177,114	336,001	4,417,256
EXPENDITURES:							
Current:							
General government	-	-	15,915	-	-	40,336	927
Public safety	-	33,787	-	-	-	-	-
Housing	-	-	-	-	-	-	-
Streets	1,272,319	-	-	-	-	-	-
Culture and recreation	-	-	-	-	3,802,405	167,447	-
Total expenditures	1,272,319	33,787	15,915	-	3,802,405	207,783	927
Excess (deficiency) of revenues over (under) expenditures	226,671	(26,518)	119,928	2,987	374,709	128,218	4,416,329
OTHER FINANCING SOURCES (USES):							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	(24,900)	-	(163,474)	-	(4,100,000)
Total other financing sources (uses)	-	-	(24,900)	-	(163,474)	-	(4,100,000)
Net change in fund balances	226,671	(26,518)	95,028	2,987	211,235	128,218	316,329
Fund balances, July 1	997,743	229,696	372,201	33,392	2,241,212	1,754,809	1,042,040
Fund balances, June 30	1,224,414	203,178	467,229	36,379	2,452,447	1,883,027	1,358,369
							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, 2025

	Special Revenue Funds						
	PARKING GARAGE	MEASURE G/Y	ABANDONED VEHICLE	INCLUSIONARY HOUSING	SB 1 GAS TAX	MEASURE D	TOTAL
	\$	\$	\$	\$	\$	\$	\$
REVENUES:							
Taxes	-	5,193,731	-	-	1,408,252	1,297,444	16,328,990
Licenses, permits and fees	121,710	2,430	86,792	29,030	-	-	627,328
Intergovernmental	-	3,934	-	690,678	-	-	2,197,851
Charges for services	-	-	-	695,853	-	-	695,853
Interest	-	95,269	-	4,176	184,047	214,462	749,697
Miscellaneous	-	-	-	1,500	-	-	5,049
Total revenues	121,710	5,295,364	86,792	1,421,237	1,592,299	1,511,906	20,604,768
EXPENDITURES:							
Current:							
General government	174,739	-	-	-	-	-	231,917
Public safety	-	5,593,899	63,654	-	-	-	5,691,340
Housing	-	-	-	1,137,316	-	-	1,137,316
Streets	-	-	-	-	108,628	1,266,205	2,647,152
Culture and recreation	-	-	-	-	-	-	3,969,852
Total expenditures	174,739	5,593,899	63,654	1,137,316	108,628	1,266,205	13,677,577
Excess (deficiency) of revenues over (under) expenditures	(53,029)	(298,535)	23,138	283,921	1,483,671	245,701	6,927,191
OTHER FINANCING SOURCES (USES):							
Transfers in	93,195	-	-	-	-	-	93,195
Transfers (out)	(1,584)	-	-	-	-	-	(4,289,958)
Total other financing sources (uses)	91,611	-	-	-	-	-	(4,196,763)
Net changes in fund balances	38,582	(298,535)	23,138	283,921	1,483,671	245,701	2,730,428
Fund balances, July 1	(296,310)	2,824,366	54,838	13,517	3,616,944	4,772,079	17,656,527
Fund balances, June 30	(257,728)	2,525,831	77,976	297,438	5,100,615	5,017,780	20,386,955
							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, 2025

	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:								
Intergovernmental	-	1,409,346	1,439,146	29,800	-	-	-	-
Interest	-	4,200	59,844	55,644	-	1,500	9,615	8,115
Miscellaneous	-	-	-	-	-	10,000	(2,346)	(12,346)
Total revenues	-	1,413,546	1,498,990	85,444	-	11,500	7,269	(4,231)
EXPENDITURES:								
Public safety	-	-	-	-	-	11,500	33,787	(22,287)
Streets	-	2,039,212	1,272,319	766,893	-	-	-	-
Total expenditures	-	2,039,212	1,272,319	766,893	-	11,500	33,787	(22,287)
Net changes in fund balances	-	(625,666)	226,671	852,337	-	-	(26,518)	(26,518)
Fund balances, July 1	997,743	997,743	997,743	-	229,696	229,696	229,696	-
Fund balances, June 30	997,743	372,077	1,224,414	852,337	229,696	229,696	203,178	(26,518)

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, 2025

	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	115,222	30,222	-	-	-	-
Interest	-	1,425	20,621	19,196	-	-	-	-
Miscellaneous	-	6,000	-	(6,000)	-	-	2,987	2,987
Total revenues	-	92,425	135,843	43,418	-	-	2,987	2,987
EXPENDITURES:								
Current:								
General government	-	73,914	15,915	57,999	-	-	-	-
Total expenditures	-	73,914	15,915	57,999	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	18,511	119,928	101,417	-	-	2,987	2,987
OTHER FINANCING SOURCES (USES):								
Transfers (out)	-	(24,900)	(24,900)	-	-	-	-	-
Total other financing sources (uses)	-	(24,900)	(24,900)	-	-	-	-	-
Net changes in fund balances	-	(6,389)	95,028	101,417	-	-	2,987	2,987
Fund balances, July 1	372,201	372,201	372,201	-	33,392	33,392	33,392	-
Fund balances, June 30	372,201	365,812	467,229	101,417	33,392	33,392	36,379	2,987

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, 2025

	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	-	4,507,516	4,012,307	(495,209)	-	-	-	-
Licenses, permits and fees	-	13,000	14,161	1,161	-	314,768	257,983	(56,785)
Intergovernmental	-	61,243	64,093	2,850	-	-	-	-
Interest	-	20,000	85,991	65,991	-	4,000	78,018	74,018
Miscellaneous	-	35,000	562	(34,438)	-	-	-	-
Total revenues	-	4,636,759	4,177,114	(459,645)	-	318,768	336,001	17,233
EXPENDITURES:								
Current:								
General government	-	-	-	-	-	58,940	40,336	18,604
Culture and recreation	-	4,768,298	3,802,405	965,893	-	303,637	167,447	136,190
Total expenditures	-	4,768,298	3,802,405	965,893	-	303,637	207,783	136,190
Excess (deficiency) of revenues over (under) expenditures	-	(131,539)	374,709	506,248	-	15,131	128,218	153,423
OTHER FINANCING SOURCES (USES):								
Transfers (out)	-	(163,474)	(163,474)	-	-	-	-	-
Total other financing sources (uses)	-	(163,474)	(163,474)	-	-	-	-	-
Net change in fund balances	-	(295,013)	211,235	506,248	-	15,131	128,218	153,423
Fund balances, July 1	2,241,212	2,241,212	2,241,212	-	1,754,809	1,754,809	1,754,809	-
Fund balances, June 30	2,241,212	1,946,199	2,452,447	506,248	1,754,809	1,769,940	1,883,027	153,423

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, 2025

	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	-	4,100,000	4,417,256	317,256	-	-	-	-
Licenses, permits, and fees	-	-	-	-	-	162,000	\$121,710	(40,290)
Total revenues	-	4,100,000	4,417,256	317,256	-	162,000	121,710	(40,290)
EXPENDITURES:								
Current:								
General government	-	3,000	927	2,073	-	178,948	174,739	4,209
Total expenditures	-	3,000	927	2,073	-	178,948	174,739	4,209
Excess (deficiency) of revenues over (under) expenditures	-	4,097,000	4,416,329	319,329	-	(16,948)	(53,029)	(36,081)
OTHER FINANCING SOURCES (USES):								
Transfers in	-	-	-	-	-	93,195	93,195	-
Transfers (out)	-	(4,100,000)	(4,100,000)	-	-	(1,584)	(1,584)	-
Total other financing sources (uses)	-	(4,100,000)	(4,100,000)	-	-	91,611	91,611	-
Net change in fund balances	-	(3,000)	316,329	319,329	-	74,663	38,582	(36,081)
Fund balances, July 1	1,042,040	1,042,040	1,042,040	-	(296,310)	(296,310)	(296,310)	-
Fund balances, June 30	1,042,040	1,039,040	1,358,369	319,329	(296,310)	(221,647)	(257,728)	(36,081)

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, 2025

	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	-	5,518,000	5,193,731	(324,269)	-	-	-	-
Licenses, permits and fees	-	100	2,430	2,330	-	60,000	86,792	26,792
Intergovernmental	-	-	3,934	-	-	-	-	-
Interest	-	21,000	95,269	74,269	-	-	-	-
Total revenues	-	5,539,100	5,295,364	(247,670)	-	60,000	86,792	26,792
EXPENDITURES:								
Current:								
Public safety	-	7,602,115	5,593,899	2,008,216	-	63,654	63,654	-
Total expenditures	-	7,602,115	5,593,899	2,008,216	-	63,654	63,654	-
Excess (deficiency) of revenues over (under) expenditures	-	(2,063,015)	(298,535)	1,760,546	-	(3,654)	23,138	26,792
Net change in fund balances	-	(2,063,015)	(298,535)	1,760,546	-	(3,654)	23,138	26,792
Fund balances, July 1	2,824,366	2,824,366	2,824,366	-	54,838	54,838	54,838	-
Fund balances, June 30	2,824,366	761,351	2,525,831	1,760,546	54,838	51,184	77,976	26,792

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, 2025

	INCLUSIONARY HOUSING				SB 1 - GAS TAX			
	Budgeted Amounts		Variance With Final Budget - Positive (Negative)		Budgeted Amounts		Variance With Final Budget - Positive (Negative)	
	Original	Final			Original	Final		
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES:								
Taxes	-	-	-	-		1,100,000	1,408,252	308,252
Licenses, permits and fees	-	25,000	29,030	4,030	-	-	-	-
Intergovernmental	-	1,000,000	690,678	(309,322)	-	-	-	-
Charges for services	-	100,000	695,853	595,853	-	-	-	-
Interest	-	-	4,176	4,176	-	-	184,047	184,047
Miscellaneous	-	5,000	1,500	(3,500)	-	-	-	-
Total revenues	-	1,130,000	1,421,237	291,237	-	1,100,000	1,592,299	492,299
EXPENDITURES:								
Current:								
Housing	-	1,079,330	1,137,316	(57,986)	-	-	-	-
Streets	-	-	-	-	-	3,243,417	108,628	3,134,789
Total expenditures	-	1,079,330	1,137,316	(57,986)	-	3,243,417	108,628	3,134,789
Excess (deficiency) of revenues over (under) expenditures	-	50,670	283,921	233,251	-	(2,143,417)	1,483,671	3,627,088
Net changes in fund balances	-	50,670	283,921	233,251	-	(2,143,417)	1,483,671	3,627,088
Fund balances, July 1	13,517	13,517	13,517	-	3,616,944	3,616,944	3,616,944	-
Fund balances, June 30	13,517	64,187	297,438	233,251	3,616,944	1,473,527	5,100,615	3,627,088

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, 2025**

	MEASURE D		
	Budgeted Amounts		Variance With
	Original	Final	Final Budget -
	\$	\$	Positive (Negative) \$
REVENUES:			
Taxes	-	1,178,000	1,297,444
Interest	-	-	214,462
Total revenues	-	1,178,000	1,511,906
EXPENDITURES:			
Current:			
Streets	-	5,309,473	1,266,205
Total expenditures	-	5,309,473	1,266,205
Excess (deficiency) of revenues over (under) expenditures	-	(4,131,473)	245,701
Net change in fund balance	-	(4,131,473)	245,701
Fund balance, July 1	4,772,079	4,772,079	4,772,079
Fund balance, June 30	4,772,079	640,606	5,017,780

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, 2025

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
	\$	\$	\$	\$
EXPENDITURES:				
Debt service:				
Principal	-	458,175	458,175	-
Interest and fiscal charges	-	8,819	8,819	-
Total expenditures	-	466,994	466,994	-
Excess (deficiency) of revenues over (under) expenditures	-	(466,994)	(466,994)	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	466,994	466,994	-
Total other financing sources (uses)	-	466,994	466,994	-
Net change in fund balance	-	-	-	-
Fund balance, July 1	321,872	321,872	321,872	-
Fund balance, June 30	321,872	321,872	321,872	-

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STATISTICAL SECTION

This part of the City of Watsonville’s annual comprehensive 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.

Content	Page
Financial Trends	127
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	132
These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	
Debt Capacity	137
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	141
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	144
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 annual comprehensive 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									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Governmental activities										
Net investment in capital assets	110,806	111,256	108,892	110,033	109,660	108,607	111,205	113,121	115,866	121,430
Restricted	16,754	16,496	19,849	19,803	8,803	24,412	27,012	27,082	56,061	59,447
Unrestricted	(7,184)	(3,294)	475	(1,797)	6,712	(4,162)	(4,102)	3,333	(21,076)	(9,491)
Total governmental activities net position	<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>	<u>150,851</u>	<u>171,386</u>
Business-type activities										
Net investment in capital assets	94,655	96,034	95,782	92,296	97,119	93,904	96,016	100,264	110,886	123,189
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	2,587	5,524	9,085	20,058	19,821	27,642	34,895	43,746	40,898	42,983
Total business-type activities net position	<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>	<u>151,784</u>	<u>166,172</u>
Primary government										
Net investment in capital assets	205,461	207,290	204,674	202,329	206,779	202,511	207,222	213,386	226,752	244,619
Restricted	16,754	16,496	19,849	19,803	22,228	24,412	27,012	27,082	56,061	59,447
Unrestricted	(4,597)	2,230	9,560	18,261	13,109	23,480	30,793	47,079	19,822	33,492
Total primary government net position	<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>	<u>302,635</u>	<u>337,558</u>

CITY OF WATSONVILLE, CALIFORNIA

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

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Expenses:										
Governmental activities:										
General government	7,151	8,257	7,032	15,143	13,812	8,599	12,246	17,339	23,175	10,770
Public safety	27,751	27,382	30,972	31,221	35,811	35,608	33,149	35,379	39,040	42,061
Housing	1,389	2,318	1,158	2,289	2,059	24,412	3,255	1,191	1,777	2,447
Highways and streets	3,043	6,348	5,974	8,561	6,931	8,652	6,050	3,894	7,569	14,047
Culture and recreation	8,613	7,817	8,591	9,152	9,850	(4,162)	10,264	12,398	12,902	14,228
Interest on long term debt	112	146	158	491	78	123	42	35	16	137
Total government activities	48,059	52,268	53,885	66,857	68,541	73,232	65,006	70,236	84,479	83,690
Business-type activities:										
Water	15,537	13,851	12,038	13,996	19,378	15,960	16,095	16,473	17,184	19,063
Sewer	10,731	10,272	13,175	14,195	14,099	14,190	13,633	14,509	18,956	19,597
Solid Waste	9,181	10,976	12,758	11,925	12,567	19,189	14,355	15,640	15,930	17,918
Airport	2,225	2,684	3,382	5,118	3,803	4,235	4,470	3,974	5,278	4,954
Fiber Optic	8	41	46	68	59	69	64	62	77	57
Total business-type activities	37,682	37,824	41,399	45,302	49,906	53,643	48,617	50,658	57,425	61,589
Total primary government	85,741	90,092	95,284	112,159	118,447	126,875	113,623	120,894	141,904	145,279
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	5,524	8,426	8,285	12,233	8,649	9,181	9,420	13,642	13,344	10,187
Public safety	1,853	1,780	1,875	822	874	821	777	914	791	683
Housing	-	675	289	866	782	667	1,269	134	168	179
Highways and streets	1,858	2,284	2,663	1,057	799	64	34	244	145	214
Culture and recreation	833	952	1,189	1,244	832	606	669	479	1,090	706
Operating grants and contributions	3,590	3,310	2,772	2,501	5,988	5,100	3,541	3,621	1,984	5,718
Capital grants and contributions	-	-	-	-	-	-	-	-	-	10,119
Total governmental activities program revenues	13,658	17,427	17,073	18,723	17,924	16,439	15,710	19,034	17,522	27,806
Business-type activities:										
Charges for services:										
Water	12,756	14,617	15,243	17,358	20,484	19,885	21,045	22,041	21,109	21,065
Sewer	14,307	12,069	12,475	13,444	14,153	15,119	16,366	18,226	17,603	25,458
Solid Waste	10,746	11,225	12,549	13,493	14,587	18,310	16,116	16,946	18,989	20,016
Airport	2,159	1,937	2,576	5,595	3,713	2,432	2,706	2,799	2,971	4,270
Fiber Optic	23	44	43	45	74	609	94	140	131	166
Operating grants and contributions	759	1,373	1,430	2,016	796	732	(20)	465	369	2,177
Capital grants and contributions	659	1,104	311	94	163	107	489	49	277	311
Total business-type activities program revenues	41,409	42,369	44,627	52,045	53,970	57,194	56,796	60,666	61,449	73,463

Continued

CITY OF WATSONVILLE, CALIFORNIA

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

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Net (expense) / revenue										
Governmental activities	(34,401)	(34,840)	(37,564)	(48,134)	(50,655)	(46,217)	(49,359)	(51,409)	(66,956)	(56,274)
Business-type activities	3,727	4,544	3,227	6,744	4,065	3,551	8,179	10,008	3,697	11,872
Total primary government net expense	<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>	<u>(63,259)</u>	<u>(44,402)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	12,846	13,300	13,436	15,669	16,243	16,169	16,977	17,802	18,990	20,256
Sales taxes	16,693	16,083	18,393	19,369	19,075	22,232	24,408	25,337	32,590	31,957
Utility users taxes	3,183	3,679	4,019	4,011	4,265	3,994	4,144	4,358	4,676	5,107
Franchise taxes	456	471	436	460	458	563	538	572	669	655
Other taxes	1,457	1,792	2,060	3,125	2,906	2,610	3,618	3,694	3,789	3,404
Intergovernmental revenue not restricted	1,120	1,009	1,048	1,021	1,139	1,434	1,727	3,963	4,895	7,892
Transfers	232	308	270	272	251	246	284	285	285	285
Unrestricted investment earnings	2,098	2,218	2,660	3,030	3,416	2,531	2,857	4,449	8,376	6,864
Other revenue	-	-	-	-	-	-	-	31	-	-
Total governmental activities	<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>	<u>74,270</u>	<u>76,420</u>
Business-type activities:										
Transfers	(231)	(308)	(270)	(272)	(251)	(246)	(284)	(285)	(285)	(285)
Other Revenue	-	-	-	-	-	1,274	1,296	1,151	1,335	-
Unrestricted investment earnings	201	206	352	1,014	811	70	239	2,431	3,027	3,191
Total business-type activities	<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>	<u>4,077</u>	<u>2,906</u>
Total primary government	<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>	<u>78,347</u>	<u>79,326</u>
Change in net position before extraordinary item										
Governmental activities	3,683	4,020	4,758	(1,177)	(2,863)	3,605	5,258	9,289	7,314	20,536
Business-type activities	3,696	4,442	3,309	7,486	4,586	4,606	9,366	13,099	7,774	14,388
Total primary government	<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>	<u>15,088</u>	<u>34,924</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	3,683	4,020	4,758	(1,177)	(2,863)	3,605	5,258	9,289	7,314	20,536
Business-type activities	3,696	4,442	3,309	7,486	4,586	4,606	9,366	13,099	7,774	14,388
Total primary government	<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>	<u>15,088</u>	<u>34,924</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									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
General fund										
Nonspendable	3,365	2,965	2,588	123	114	308	147	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Unassigned	4,228	6,057	10,342	13,144	16,478	18,253	18,228	21,626	34,011	42,440
Total general fund	<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>	<u>34,011</u>	<u>42,440</u>
 All other governmental funds										
Restricted, reported in										
Special revenue funds	18,216	17,880	20,926	20,607	22,465	24,778	27,107	27,096	31,628	35,144
Debt service funds	125	131	123	129	238	247	246	324	322	322
Unassigned	(770)	(740)	(728)	(615)	(475)	(404)	(381)	(338)	(296)	\$ (258)
Total all other governmental funds	<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>	<u>31,654</u>	<u>35,208</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									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues										
Taxes	35,754	36,198	39,392	43,655	42,029	45,583	49,693	51,763	60,714	61,378
Licenses, permits, and fees	5,795	5,885	6,642	5,971	5,315	3,378	5,848	3,204	5,770	5,045
Intergovernmental	3,336	3,410	3,455	3,417	9,167	5,734	5,735	7,891	11,229	13,012
Charges for services	2,945	2,770	3,224	3,072	3,534	3,396	3,523	3,915	4,700	4,790
Fines	690	737	723	708	24,412	462	593	530	455	384
Interest	2,168	2,435	2,869	3,405	3,280	2,529	2,844	4,282	8,202	6,466
Special assessment	77	60	58	50	(4,162)	-	-	-	-	-
Miscellaneous	2,810	1,871	2,491	3,007	3,826	3,940	3,785	8,177	5,008	2,656
Total revenues	53,575	53,366	58,854	63,285	87,401	65,022	72,021	79,762	96,078	93,731
Expenditures										
Current:										
General government	6,989	7,556	7,978	13,062	11,330	10,089	14,262	19,000	19,394	30,226
Public safety	24,860	24,271	26,744	30,459	30,543	30,012	33,544	34,910	37,597	39,721
Housing	1,389	2,318	1,158	2,289	2,059	4,159	3,057	1,191	1,777	2,447
Streets	1,672	5,772	5,385	8,759	8,911	7,827	8,770	8,972	8,625	9,707
Culture and recreation	7,090	7,079	7,837	9,406	9,076	8,297	9,383	11,601	11,302	11,434
Debt service:										
Principal	429	478	463	730	797	2,391	785	976	688	794
Interest and fiscal charges	183	173	161	220	82	147	49	37	23	9
Total expenditures	45,898	52,480	49,726	64,925	62,798	62,922	69,850	76,687	79,406	94,338
Excess (deficiency) of revenues over (under) expenditures	7,677	886	9,128	(1,640)	24,603	2,100	2,171	3,075	16,672	(607)
Other financing sources (uses)										
Bond/note proceeds	-	-	-	1,541	144	1,649	-	-	-	-
Transfers in	3,692	3,562	4,464	5,457	4,750	6,171	4,795	5,310	4,772	4,908
Transfers out	(3,496)	(3,290)	(4,230)	(5,222)	(4,535)	(5,926)	(4,510)	(5,025)	(4,487)	(4,623)
Total other financing sources (uses)	196	272	234	1,776	359	1,894	285	285	285	285
Net change in fund balances before extraordinary items	7,873	1,158	9,362	136	24,962	3,995	2,456	3,360	16,957	11,983
Extraordinary items	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	7,873	1,158	9,362	136	24,962	3,995	2,456	3,360	16,957	11,983
Debt service as a percentage of noncapital expenditures	1.6%	1.5%	1.4%	1.5%	1.4%	4.3%	1.2%	1.4%	1.0%	0.9%

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
	\$	\$	\$	\$	\$	\$
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
2024	18,990	32,590	670	4,676	3,789	60,715
2025	20,256	31,957	655	5,107	3,404	61,379

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
	\$	\$	\$	\$	\$	\$	\$	%	\$	%
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
2024	3,445,220	808,533	538,541	530,585	315,084	337,827	5,300,136	1.16	5,300,136	1.00
2025	3,606,546	810,694	567,374	649,527	356,876	412,182	5,578,835	1.09	5,578,835	1.00

Notes: Source: HDL, Coren & Cone
Source: Previously published CAFR 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
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
2024	1.000	0.082	0.077	1.159
2025	1.000	0.077	0.077	1.154

Source: HDL, Coren & Cone

CITY OF WATSONVILLE, CALIFORNIA
Principal Property Taxpayers
June 30, 2025
(amounts expressed in thousands)

	2025			2016		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
	\$		%	\$		%
S Martinelli And Company	70,989	1	1.36%	40,015	2	1.18%
Pajaro Valley Health Care District Corp	45,950	2	0.88%			
Eden Freedom Investors LP	36,974	3	0.71%			
OW Family - Lee Road LLC	32,876	4	0.63%			
Freedom Associates LLC	31,819	5	0.61%	23,006	3	0.68%
William J and Neva Hansen Co Trustees	30,294	6	0.58%			
Blackbird Homes LLC	28,844	7	0.55%			
WRI Freedom Center LP	28,029	8	0.54%	18,227	6	0.54%
Save Mart Portfolio Owner Fund V CA LLC	26,530	9	0.51%			
111 Jennings Drive LLC	24,645	10	0.47%			
Watsonville Hospital Corp				60,672	1	1.79%
Harvest Drive Properties LLC				20,112	4	0.59%
George Ow Jr Trustee ET AL				18,601	5	0.55%
Terminal Freezers LLC				18,006	7	0.53%
Home Depot Dev of Maryland INC				17,825	8	0.52%
Driscoll Strawberry Associates Inc				16,752	9	0.46%
Richard H Allen Successor Trustee				16,205	10	0.48%
Totals	356,950		6.84%	249,421		7.32%

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
	\$	\$	\$	\$	\$	\$
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
2024	12,654,817	12,654,817	100%	270,050	-	12,924,867
2025	13,511,294	13,511,294	100%	306,256	-	13,817,550

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 (1)	Per Capita
	General Obligation Debt	Subscription Debt	Special Assessment Debt	Capital Leases	Revenue Bonds	Loans & Notes	Capital Leases			
	\$		\$	\$	\$	\$	\$	\$		
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	1,372	870	-	-	-	12,633	-	14,875	1.17%	0.298
2024	886	669	-	-	-	11,749	-	13,304	0.94%	0.261
2025	12,733	839				10,867		24,438	0.94%	0.478

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.

** Water Revenue Bonds were removed on 6/30/2016

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
	\$	\$	\$		\$
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
2024	1,555	322	1,233	0.02%	4,139
2025	13,572	322	13,250	0.24%	386

*General Obligation Debt includes bonds payable, notes payable, and subscription liabilities that will be paid with general government resources

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)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Fiscal Year</u> <u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Debt limit	139,945	149,679	158,656	166,439	175,678	181,450	189,752	200,992	211,424	224,663
Total net debt applicable to limit	4,129	3,687	3,283	4,154	3,441	2,691	1,907	1,919	1,233	13,250
Legal debt margin	<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>	<u>210,191</u>	<u>211,413</u>
Total net debt applicable to the limit as a percentage of debt limit	2.950%	2.463%	2.069%	2.496%	1.959%	1.483%	1.005%	0.955%	0.583%	5.898%

Legal Debt Margin Calculation for Fiscal Year 2025

Assessed value	5,578,835
Add back: exempt real property	<u>412,182</u>
Total assessed value	5,991,017
 Debt Limit = 3.75% of assessed valuation	 224,663
Debt applicable to limit	13,572
Less: Amount set aside for repayment of general obligation debt	<u>322</u>
Total net debt applicable to limit	<u>13,250</u>
Legal debt margin	<u>211,413</u>

Source: City of Watsonville

CITY OF WATSONVILLE, CALIFORNIA

Computation of Direct and Overlapping Bonded Debt

June 30, 2025

(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	13,572	100%	13,572
Total of Direct Debt			13,572
Overlapping Tax Debt:			
Cabrillo Joint Community College District	84,706	9.05%	7,669
Pajaro Valley Unified School District	152,068	26.60%	40,450
Santa Cruz County General Fund Obligations	161,987	9.13%	14,791
Santa Cruz County Office of Education General Fund Obligations	6,193	9.13%	565
Pajaro Valley Joint Unified School District Certificates of Participation	10,455	26.60%	2,781
City of Watsonville General Fund Obligations (2)	12,460	100.00%	12,460
Successor Agency	3,085	100.00%	3,085
			(3)
Total Overlapping Debt	430,954		81,802
Total Direct and Overlapping Bonded Debt	444,526		81,815

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 (\$392,713).

(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>
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%
2024	51,032	1,415,139	27.730	33	N/A	17,452	11.0%
2025	51,101	1,418,512	27.758	32.7	N/A	17,520	11.2%

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.) Median Age is derived from the World Population Review - Census Data

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.

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

CITY OF WATSONVILLE, CALIFORNIA

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

	2025			2016		
	<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	2,462	1	9.94%	2,008	1	7.56%
Watsonville Community Hospital	622	2	2.51%	653	2	2.46%
Granite Construction	521	3	2.10%			
Del Mar Food Products, Inc	450	4	1.82%			
City of Watsonville *	402	5	1.62%	361	4	1.36%
Lakeside Organic Gardens LLC	276	7	1.11%			
Nordic Naturals, Inc	263	8	1.06%			
S Martinelli & Co.	323	6	1.30%	280	6	1.05%
FedEx Ground Package Systems, INC	240	9	0.97%			
A & I Transport INC	181	10	0.73%			
West Marine Products				417	3	1.57%
Fox Factory				300	5	1.13%
Manning Montessori Children's House				280	7	1.05%
Green Valley Clinic				186	9	0.70%
Clinica Del Valle Del P				186	10	0.70%
Community Bridges				219	8	0.82%
Total	<u>5,740</u>		<u>23.18%</u>	<u>4,890</u>		<u>18.41%</u>

Source: BL Data, MuniServices, LLC & Called Employers

Source: 2015-2016 previously published CAFR

* Includes Certificated, classified & Admin.

CITY OF WATSONVILLE, CALIFORNIA

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

Function	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
General Government	7	9	9	9	9	10	11	11	11	11
Community Development	12	14	15	16	16	12	15	15	15	15
Finance	16	10	10	11	11	10	10	10	10	10
Fire	41	40	42	43	43	31	31	32	32	32
Informaion Services *	n/a	8	8	8	9	11	16	16	13	14
Police:										
Officers	67	66	75	75	75	71	75	78	77	78
Civilians	26	27	22	24	23	21	19	19	20	20
Library	27	25	25	26	27	23	22	22	24	25
Parks & Community Services	26	26	29	29	26	22	24	28	27	28
Public Works	14	14	13	15	15	15	12	13	14	14
Airport	9	9	10	13	13	10	11	10	11	11
LLMAD	1	1	1	1	1	1	1	1	1	1
Gas Tax	n/a	0	2	4	4	3	3	3	3	3
Parking Garage	0	0	0	0	0	0	0	0	0	0
Redevelopment and Housing	5	3	4	4	4	5	4	4	4	4
Solid Waste	44	46	49	43	43	43	44	45	38	38
Wastewater	49	53	55	59	59	52	53	53	67	65
Water	35	38	41	44	44	44	39	37	39	42
	<u>379.2</u>	<u>389</u>	<u>410</u>	<u>424</u>	<u>422</u>	<u>384</u>	<u>390</u>	<u>397</u>	<u>406</u>	<u>411</u>

* 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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
General Government:										
City Council meetings	19	21	25	25	23	22	34	31	24	29
Resolutions processed	199	187	192	180	229	282	285	261	256	304
Community Development:										
Planning application reviews	361	369	423	442	396	230	501	472	405	329
Construction inspections	1,165	2,933	3,828	3,624	2,904	1,029	3,557	3,537	5,090	5,600
Building Permits	817	862	1,034	810	758	1,493	927	1,104	944	993
Finance:										
Payroll checks issued	12,511	12,547	13,323	13,028	13,045	11,200	12,973	12,973	13,344	12,956
Utility accounts	15,024	14,985	15,043	15,070	14,556	14,474	14,104	14,610	15,017	
A/P checks issued	7,517	7,644	7,588	8,062	7,695	6,890	6,904	6,919	6,874	6,822
Fire:										
Field incidents dispatched	4,282	4,997	5,070	5,286	5,427	6,539	6,271	5,658	6,136	5,876
Information Services:										
Client Computers	531	531	646	646	682	698	609	646	553	483
Library:										
Items used/checked out	411,234	439,234	272,468	326,888	303,137	34,242	53,238	134,413	133,671	432,152
Parks & Community Services:										
Registered Participants	475	479	413	297	335	48	1,972	2,296	4,127	2,230
Police:										
Moving and Parking Citations	11,105	12,747	9,600	15,659	9,738	8,721	15,466	7,867	10,486	7,630
Service Calls Dispatch	69,668	67,632	65,635	44,386	56,901	53,730	54,239	52,215	47,210	51,097
URC Crime Rate	40	43	38	34	34	30	28	31	31	27
(# crimes/1,000 population, calendar years)										
Wastewater:										
Avg. Annual volume per day septage treated (in million gallons)	3	3	4	5	5	6	8	9	8	5
Water:										
Water production (acre feet)	6,597	6,648	7,102	6,906	7,882	7,100	6,950	6,348	6,603	6,573
Solid Waste:										
Refuse handled (tons)	41,389	36,028	34,286	35,109	35,202	39,898	33,373	32,699	31,927	30,286
Recycled material (tons)	7,466	7,081	8,188	7,070	6,050	5,808	7,869	11,221	11,014	11,945

Source: City of Watsonville departments

CITY OF WATSONVILLE, CALIFORNIA

Capital Assets Statistics by Function Last Ten Fiscal Years

Function	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Fire:										
Stations	2	2	2	2	2	2	2	2	2	2
Police:										
Patrol units	17	17	22	22	22	22	26	25	24	23
Patrol motorcycles	5	5	5	5	6	6	5	7	7	5
Library:										
Buildings	2	2	2	2	2	2	2	2	2	2
Parks & Community Services:										
Parks	26	26	26	26	26	26	26	26	26	26
Acreage of parks	143.0	143.0	143.0	143.0	143	143	143.0	143.0	143.0	143.0
Community Centers	5	5	5	6	8	8	7	7	5	5
Public Works:										
Miles of streets	89	89	89	89	89	89	84	84	84	86
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*	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1
Average consumption*	5.9	5.9	5.9	6.2	7	7	6	6	6	6
*(gallons per day in millions)										
Solid Waste:										
Collection trucks	19	19	20	20	25	25	25	25	25	25

Source: City of Watsonville departments

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