# *AGENDA*
# *CITY OF WATSONVILLE*
# *CITY COUNCIL MEETING*

***Motto: "Opportunity Through Diversity; Unity Through Cooperation."***

Mission Statement: "The City of Watsonville is dedicated to improving the economic vitality, safety & living environment for the culturally rich Watsonville community, by providing leadership for the achievement of community goals & high quality, responsive public services."

***Mayor Lowell Hurst, District 3***
***Mayor Pro Tempore Karina Cervantez, District 2***

***Felipe Hernandez, Council Member, District 1***
***Eduardo Montesino, Council Member, District 4***
***Daniel Dodge, Council Member, District 5***
***Trina Coffman-Gomez, Council Member, District 6***
***Dr. Nancy A. Bilicich, Council Member, District 7***

***Carlos J. Palacios, City Manager***
***Alan J. Smith, City Attorney***
***Beatriz Vázquez Flores, City Clerk***

***CIVIC PLAZA COUNCIL CHAMBERS***
***275 MAIN STREET, 4th FLOOR, 6TH LEVEL PARKING***
***WATSONVILLE, CALIFORNIA***

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# AGENDA
# CITY OF WATSONVILLE
# REGULAR CITY COUNCIL MEETING

February 12, 2013

City Council Chambers
275 Main Street, 4th Floor

## 4:30 P.M.

## 1.0 ROLL CALL

## 4.0 CONSENT AGENDA

All items appearing on the Consent Agenda are recommended actions which are considered to be routine and will be acted upon as one consensus motion. Any items removed will be considered immediately after the consensus motion. The Mayor will allow public input prior to the approval of the Consent Agenda.

4.1 MOTION APPROVING REPORT OF DISBURSEMENTS

4.2 MOTION APPROVING MINUTES OF JANUARY 22, 2013

4.3 RESOLUTION REJECTING CLAIM OF MARTIN RENTERIA-PEREZ FOR DAMAGES (Date of Occurrence: 12/4/12)

4.4 RESOLUTION REJECTING APPLICATION FOR LEAVE TO SUBMIT LATE CLAIM OF DIOGENES MENDEZ-PEREZ FOR DAMAGES (Date of Occurrence: 1/27/12)

4.5 RESOLUTION ACCEPTING $63,674 GRANT FROM BOARD OF STATE & COMMUNITY CORRECTIONS (BSCC) FOR LAW ENFORCEMENT AS DIRECTED BY PUBLIC SAFETY REALIGNMENT ACT (ASSEMBLY BILL 109); APPROVING CITY OF WATSONVILLE AS THE FISCAL AGENT; & APPROPRIATING SUCH FUNDS TO GRANT BUDGET (Recommended by Police Chief Solano)
--Report
--Resolution

4.6 RESOLUTION AUTHORIZING SUBMITTAL OF GRANT APPLICATION FOR $18,947 TO CALRECYCLE (FORMERLY CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD) FOR THE TIRE RECYCLING PROGRAM GRANT & APPROPRIATING SUCH FUNDS TO THE SOLID WASTE ENTERPRISE FUND (Recommended by Interim Public Works & Utilities Director Palmisano)
--Report
--Resolution

## 5.0 ITEMS REMOVED FROM CONSENT AGENDA

## 6.0 NEW BUSINESS

6.1 2011-12 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) (Recommended by Administrative Services Director Vega)
(a) Staff Report
(b) City Council Questions
(c) Public Input
(d) City Council Discussion

(e) Motion Accepting & Receiving 2011-12 Comprehensive Annual Financial Report (CAFR) & Associated Staff Report

## 6:30 P.M.

**1.0 ROLL CALL**

**2.0 PLEDGE OF ALLEGIANCE**

**3.0 PRESENTATIONS & ORAL COMMUNICATIONS**

**3.1 ORAL COMMUNICATIONS FROM THE PUBLIC & CITY COUNCIL**

(This time is set aside for members of the general public to address the Council on any item not on the Council Agenda, which is within the subject matter jurisdiction of the City Council. No action or discussion shall be taken on any item presented except that any Council Member may respond to statements made or questions asked, or may ask questions for clarification. All matters of an administrative nature will be referred to staff. All matters relating to Council will be noted in the minutes and may be scheduled for discussion at a future meeting or referred to staff for clarification and report. Any Council Member may place matters brought up under Oral Communications on a future agenda. ALL SPEAKERS ARE ASKED TO FILL OUT A BLUE CARD & LEAVE IT AT THE TABLE DESIGNATED NEAR THE PODIUM, GO TO THE PODIUM AND ANNOUNCE THEIR NAME AND ADDRESS IN ORDER TO OBTAIN AN ACCURATE RECORD FOR THE MINUTES OF THE MEETING.)

**3.2 PRESENTATION OF PUBLIC COMMUNICATION EFFORTS: PUBLIC SERVICE ANNOUNCEMENT (PSA) REGARDING CARBON MONOXIDE POISONING PREVENTION (English & Spanish)**

**3.3 PRESENTATION ON THE CITY'S COMMUNITY OUTREACH & CELEBRATION OF NATIONAL ENGINEERS WEEK, WHICH TAKES PLACE FEBRUARY 17-23, 2013**

**6.0 NEW BUSINESS (Continued)**

6.2 CONSIDERATION OF SUBMITTING TO VOTERS PETITION TO AMEND BOUNDARY DEFINITIONS OF THE URBAN LIMIT LINE OF MEASURE U (Recommended by City Attorney Smith and City Clerk Flores)

(a) Staff Report
(b) City Council Questions
(c) Public Input
(d) City Council Discussion
(e) Appropriate Motion Directing City Attorney to Prepare Appropriate Resolution Calling an Election

6.3 CHANGE ORDER NO. 2 TO CONTRACT FOR 2012 WATSONVILLE ALLEY PAVEMENT MAINTENANCE PROJECT NO. ST-12-03 & APPROPRIATING FUNDING (Recommended by Interim Public Works & Utilities Director Palmisano)

(a) Staff Report
(b) City Council Questions
(c) Public Input
(d) City Council Discussion
(e) Resolution Approving Contract Change Order Number 2 with Valley Slurry Seal Company for 2012 Watsonville Alley Pavement Maintenance, Project No. ST-12-03, Increasing Scope of Work in an Amount not to Exceed

$311,357.39 & Authorizing $311,357.39 Budget Appropriation from Gas Tax Fund

6.4 REPORT ON GRANT FUNDING OPPORTUNITY & RESOLUTION APPROVING CONSULTANT AGREEMENT WITH RBF CONSULTING IN AN AMOUNT NOT TO EXCEED $75,000 FOR DESIGN & PREPARATION OF CONSTRUCTION DOCUMENTS FOR OPERATIONAL IMPROVEMENTS AT PENNSYLVANIA DRIVE & CLIFFORD AVENUE (Recommended by Interim Public Works & Utilities Director Palmisano)

(a) Staff Report
(b) City Council Questions
(c) Public Input
(d) City Council Discussion
(e) Resolution Approving Consultant Agreement with RBF Consulting for Design & Preparation of Construction Documents for Operational Improvements at Pennsylvania Drive & Clifford Avenue, in an Amount not to Exceed $75,000

## 7.0 PUBLIC HEARINGS, ORDINANCES, & APPEALS

7.1 APPEAL OF STAFF'S DETERMINATION FILED BY CHARLIE EADIE ON BEHALF OF LISA BURGSTROM, PROPERTY OWNER, THAT THE PROPERTY LOCATED AT 525 BLAKERIDGE LANE (APN: 109-291-09), IS INELIGIBLE FOR A WATER AVAILABILITY LETTER UNDER CURRENT CITY COUNCIL POLICY FOR A NEW RESIDENCE LOCATED OUTSIDE THE CITY LIMITS (Recommended by Community Development Director Tavantzis)

(a) Staff Report
(b) Applicant/Appellant Presentation
(c) Staff Rebuttal
(d) Appellant Reply
(e) Public Input
(f) City Council Questions & Discussion
(g) Resolution Upholding Staff's Determination that the Proposed Residence at 525 Blakeridge Lane (APN: 109-291-09) is ineligible for a Water Availability Letter ("Will Serve") for a Property Located Outside the City Limits as Requested by Lisa Burgstrom

## 10.1 INFORMATION ITEMS—Written Report(s) Only

## 11.0 ADJOURNMENT

***Pursuant to Section 54954.2(a)(1) of the Government Code of the State of California, this agenda was posted at least 72 hours in advance of the scheduled meeting at a public place freely accessible to the public 24 hours a day and on the City of Watsonville website at www.cityofwatsonville.org.***

***Materials related to an item on this Agenda submitted to the Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office (275 Main Street, 4th Floor) during normal business hours. Such documents are also available on the City of Watsonville website at www.cityofwatsonville.org subject to staff's ability to post the document before the meeting.***

# MINUTES
# REGULAR CITY COUNCIL MEETING

**January 22, 2013**

**City of Watsonville**
**Council Chambers**
**275 Main Street, 4th Floor**

## 4:03 P.M.

**1.0 ROLL CALL**

Mayor Hurst, Mayor Pro Tempore Cervantez, and Council Members Bilicich (arrived at 4:07 PM), Coffman-Gomez, Dodge (arrived at 4:09 PM), Hernandez, and Montesino (arrived at 4:17 PM) were present.

**8.0 NEW BUSINESS**

**8.1 GRAND JURY AUDIT REPORT**

**(a) Grand Jury Performance Audit Report by Harvey M. Rose Assoc.**

Lise Peterson, Santa Cruz County Grand Jury, thanked City staff for their cooperation and spoke about the functions of the Grand Jury.

Oral Report given by Fred Brousseau, Principal at Harvey M. Rose Associates.

**(b) Staff Report by Administrative Services Director Vega**

**(c) City Council Questions**

Lise Peterson clarified the functions of the Grand Jury for Member Dodge. She stated that finding illegal activity was not in the purview of the Grand Jury nor did they find any.

Lise Peterson said she would have to refer Mayor Hurst to Mary Jo Walker, Auditor-Controller, for answers regarding the process behind selecting Harvey M. Rose Associates for services.

Administrative Services Director Vega answered questions for Member Coffman-Gomez regarding financial policy and procedures. He stated the policy framework was done at the Council level and policies such as operations and procedures were done at the staff administrative level. Member Coffman-Gomez asked that Council be kept informed regarding City policies being developed as recommended by the Grand Jury Audit Report.

Administrative Services Director Vega answered questions for Member Hernandez regarding the selection of comparable cities for the Grand Jury Report and the impact that sales tax revenue had on cities.

In answering Member Bilicich, Administrative Services Director Vega stated that it is not uncommon for Impact Fee funds to be lent to other funds short term as long as the funds were available. He answered questions regarding Impact Fees, the Report of

Disbursements, and petty cash policy. Member Bilicich asked that a Finance Committee be established as recommended by the Grand Jury Audit Report.

Fire Chief Bisbee, in answering Member Dodge, explained the reasoning for staff overtime and stated that overtime costs had been reduced significantly over the past two years. He added that a report would be presented to Council in the near future.

Police Chief Solano explained overtime costs and its relation to budget and service. He added that Police services are comparably better than in neighboring cities.

**(d) Public Input**

Rhea DeHart, District 7, thanked the Grand Jury for their Audit Report and said all organizations can improve in delivery of services. She stated her support for a finance subcommittee.

Marc Los Huertos, Monterey Bay State University, said that he was concerned because the City had issued a check for $100,000 to them before any work was performed.

**(e) Motion Approving Response to Grand Jury Report**

City Manager Palacios said that staff would present possible implementation measures and a formation of a Finance Subcommittee to Council during the Strategic Plan.

In answering Member Dodge, City Manager Palacios stated that during the Strategic Plan, a study by LAFCO regarding South County Fire Services would be presented as well as information regarding Measure E.

Member Bilicich stated that the City of Watsonville had denied previous Grand Jury Reports and was concerned that many issues were being ignored. She added that funds were over spent and changes needed to be made citywide.

Mayor Pro Tempore Cervantez clarified that the City had been in compliance with local, County, and State requirements, and the Grand Jury Report did not indicate otherwise. She added that the report gave great recommendations. Additionally, she said that the City has been very proactive and had been working on improving policy and services prior to the report. She commended City staff for their work and thanked the Grand Jury for their report.

Mayor Hurst said that the Grand Jury Report could have focused more on the positive accomplishments of the City; nevertheless, it proved that the City was not conducting any illegal activity. He thanked the County of Santa Cruz and the Grand Jury for their work.

**MOTION:** It was moved by Member Dodge, seconded by Member Hernandez and carried by the following vote that the response to the Grand Jury Report be approved:

| | | |
|---|---|---|
| AYES: | MEMBERS: | Cervantez, Coffman-Gomez, Dodge, Hernandez, Montesino, Hurst |
| NOES: | MEMBERS: | Bilicich, |
| ABSENT: | MEMBERS: | None |

## 6:35 P.M.

**1.0 ROLL CALL**

Mayor Hurst, Mayor Pro Tempore Cervantez, and Council Members Bilicich, Coffman-Gomez, Dodge, Hernandez, and Montesino were present.

Staff members present were City Manager Palacios, City Attorney Smith, City Clerk Vázquez Flores, Assistant City Manager/Community Development Director Tavantzis, Deputy City Manager Maldonado, Interim Public Works & Utilities Director Palmisano, Police Chief Solano, Fire Chief Bisbee, Administrative Services Director Vega, Parks & Community Services Director Espinoza, Redevelopment and Housing Director Davison, Assistant Public Works & Utilities Director Rodriguez, Human Resources Manager Manning, Assistant Parks & Community Services Director Blachly, Administrative Services Manger Reta, Airport Manager Williams, Principal Planner Boyle, Senior Planner Aratin, Sr. Administrative Analyst Maldonado, Deputy City Clerk Ortiz, and Interpreter Vázquez-Quintero.

**2.0 PLEDGE OF ALLEGIANCE**

**3.0 PRESENTATIONS & ORAL COMMUNICATIONS**

**3.1 ORAL COMMUNICATIONS FROM THE PUBLIC & CITY COUNCIL**

Member Bilicich stated her concerns regarding crime in Watsonville and stressed the importance of residents working with Police to end crime. She thanked the Grand Jury for their report and their presentation.

Member Coffman-Gomez announced that World Wetlands Day would be held on February 2nd and encouraged the community to get involved. She informed the public that staff was working on issues pertaining to the website contact form and suggested the City create a suggestion postcard for the public to reach the Council.

Member Dodge stated he was appointed Chair of Santa Cruz Local Agency Formation Commission and was being considered for chair of the Santa Cruz Metropolitan Transit District. He gave a brief status report of upcoming projects of the Santa Cruz Metro.

Mayor Hurst congratulated Member Dodge on his appointment as Chair of LAFCO.

Mayor Pro Tempore Cervantez spoke about her participation in the new Mayors and Council Members academy. She also spoke about her participation in the City of Seaside Martin Luther King Jr. events. She stressed the importance of prioritizing public safety and focusing on community based intervention.

**3.2 PRESENTATION OF PUBLIC SERVICE ANNOUNCEMENT (PSA) OF CITY ACHIEVEMENT: CITY OF WATSONVILLE NATURE TRAILS & CUCKOO BIRD VISIT**

**3.3 PRESENTATION OF 2012 HOLIDAY DECORATING COMPETITION AWARDS (Mayor Hurst):**

**Best Outdoor Tree**
Ron Haedicke
87 Meadow Terrace
District 3

**Best Mobile Home 1st Place**
Joel Jaime Lopez
501 S. Green Valley Road #1
District 3

**Best House & Yard Contemporary Theme 1st Place**
Mike Carranco
1050 Madison St. (Crestview Apts)
District 6

**Best House & Yard Contemporary Theme 3rd Place**
Fernando Orozco
5 Monterey Vista Ct.
District 1

**Best Indoor Lighted Tree**
Janice Streig
24 Monte Vista Avenue
District 6

**Best House & Yard Religious Theme**
Lidia Camargo
310 Riverside Drive
District 2

**Best House & Yard Contemporary Theme 2nd Place**
Frances & Mark Farmer
20 Monte Vista Avenue
District 6

**4.0 CONSENT AGENDA**

Mayor Hurst said that Item 4.3 was removed from the agenda and would return for Council consideration at a later date.

In answering Member Hernandez, Sr. Administrative Analyst Maldonado, stated the grant funding under item 4.4 would be used to equip ten tactical response team officers.

Mayor Hurst removed item 4.7, at Member Coffman-Gomez' request, and item 4.6 at Member Bilicich's request, both to be considered under item 5.0.

City Attorney Smith and City Clerk Vázquez Flores clarified the voting process for Members Dodge and Bilicich.

Member Bilicich stated she would vote "no" on item 4.1.

**MOTION:** It was moved by Member Dodge, seconded by Member Montesino and carried by the following vote that Consent Agenda be approved:

| | | |
|---|---|---|
| AYES: | MEMBERS: | Bilicich, Cervantez, Coffman-Gomez, Dodge, Hernandez, Montesino, Hurst |
| NOES: | MEMBERS: | Bilicich (Item 4.1 only) |
| ABSENT: | MEMBERS: | None |

**4.1 MOTION APPROVING REPORT OF DISBURSEMENTS**

It was reported that City Manager Palacios had recommended favorably on claims for the warrants for various funds, which were referred to Council as follows:

**January 8, 2013**

| FUND NAME | AMOUNT |
|---|---|
| EMPLOYEE CASH DEDUCTIONS FUND | 757,781.53 |
| GENERAL FUND | 105,713.07 |
| REDEVELOPMENT OBLIG RETIREMENT | 11,656.50 |
| REDEVELOPMENT OBLIG RETIREMENT HOUSING | 2,678.00 |
| COMMUNITY DEVELOPMENT BLOCK GRANT | 25.00 |
| CAL HOME GRANT FUNDS | 52,600.00 |
| INCLUSIONARY HOUSING | 1,000.00 |
| SPECIAL GRANTS | 53,368.80 |
| PEG-CABLE TV FUND | 1,500.00 |
| PARKING GARAGE FUND | 3,048.36 |
| SEWER SERVICE FUND | 11,586.53 |
| WATER OPERATING FUND | 17,260.51 |
| AIRPORT ENTERPRISE FUND | 77,683.19 |
| WASTE DISPOSAL FUND | 22,367.34 |
| WORKERS COMP/LIABILITY FUND | 11,082.59 |
| NARCOTICS FORFEITURE PENDING | 693.00 |
| **TOTAL** | **$1,130,044.42** |

**January 22, 2013**

| FUND NAME | AMOUNT |
|---|---|
| EMPLOYEE CASH DEDUCTIONS FUND | $ 432,189.84 |
| GENERAL FUND | 295,256.05 |
| RETIREMENT FUND | 1,200.00 |
| REDEVELOPMENT OBLIG RETIREMENT | 6,070.01 |
| ENTERPRISE ZONE | 195.00 |
| LIBRARY FUND | 10,548.86 |
| SPECIAL GRANTS | 5,793.80 |

| | |
|---|---|
| PEG-CABLE TV FUND | 169.12 |
| PARKING GARAGE FUND | 2,523.54 |
| IMPERVIOUS AREA IMPACT FEE FUND | 6,708.34 |
| SPECIAL DISTRICT FUNDS | 337.56 |
| SEWER SERVICE FUND | 282,662.52 |
| WATER OPERATING FUND | 529,113.93 |
| AIRPORT ENTERPRISE FUND | 13,496.56 |
| WASTE DISPOSAL FUND | 247,737.90 |
| WORKERS COMP/LIABILITY FUND | 8,878.51 |
| HEALTH INSURANCE FUND | 71,704.24 |
| **TOTAL** | **$1,914,585.78** |

**4.2 MOTION APPROVING MINUTES OF DECEMBER 11, 17, & 19, 2012, AND JANUARY 8, 2013**

**4.3 ITEM REMOVED:**
**RESOLUTION APPROVING THREE-YEAR LICENSE & AGREEMENT WITH WATSONVILLE LITTLE LEAGUE BASEBALL, A CORPORATION, FOR USE OF PINTO LAKE PARK BASEBALL FIELD, COMMENCING FEBRUARY 1, 2013, ENDING DECEMBER 31, 2015**

**4.4 RESOLUTION NO. 7-13 (CM):**
**RESOLUTION ACCEPTING $60,000 GRANT FROM CITY & COUNTY OF SAN FRANCISCO, DESIGNATED AS THE FISCAL AGENT FOR THE FY 2011 URBAN AREAS SECURITY INITIATIVE BY THE DEPARTMENT OF HOMELAND SECURITY FOR THE WATSONVILLE POLICE DEPARTMENT TO PURCHASE TACTICAL SAFETY EQUIPMENT & APPROPRIATING FUNDS TO THE GRANT FUND**

**4.5 RESOLUTION NO. 8-13 (CM):**
**RESOLUTION AUTHORIZING SUBMITTAL OF APPLICATION TO BOARD OF STATE & COMMUNITY CORRECTIONS (BSCC) FOR A GRANT OF $250,000 FOR THE FEDERAL TITLE II FORMULA BLOCK GRANT PROGRAM FOR THE "CAMINOS HACIA EL ÉXITO – PATHWAY TO SUCCESS"-- PROGRAM & APPROPRIATING SUCH FUNDS TO THE GRANTS FUND**

**4.6 ITEM REMOVED, SEE 5.0.**

**4.7 ITEM REMOVED, SEE 5.0.**

**4.8 RESOLUTION NO. 9- 13 (CM):**
**RESOLUTION APPOINTING MEMBERS TO THE PLANNING COMMISSION [Districts 2 & 3]**

## 5.0 ITEMS REMOVED FROM CONSENT AGENDA

### 4.7 RESOLUTION NO. 10-13 (CM): RESOLUTION DECLARING ITS SUPPORT OF ASSEMBLY BILL 10 ENTITLED *MINIMUM WAGE: ANNUAL ADJUSTMENT* (ALEJO)

Member Montesino stated that increasing the minimum wage would help many Watsonville residents, particularly those who work in agriculture.

Member Coffman-Gomez stated that before approving such an item, Council should receive feedback from local businesses and residents. She said increasing the minimum wage could have adverse effects on small businesses.

Member Bilicich said she would also like more feedback from local businesses before approving the item. She stated that approving the item could result in employers not being able to afford employees.

Member Dodge stated his support for Assembly Bill 10 and clarified the item for Council.

Member Coffman-Gomez clarified she had no preference whether the item passed or failed, but she would like more feedback from the public.

Member Montesino stated his reasons for supporting the resolution.

Member Coffman-Gomez stated she would like to postpone a decision on the item.

Member Hernandez said that in the past, legislative items were approved through consent agenda.

Member Hurst stated that approving the item would not imply immediate raises to people working under the current minimum wage.

**MOTION:** It was moved by Member Montesino, seconded by Member Hernandez and carried by the following vote that the above resolution be approved:

| | | |
|---|---|---|
| AYES: | MEMBERS: | Cervantez, Dodge, Hernandez, Montesino, Hurst |
| NOES: | MEMBERS: | Bilicich, Coffman-Gomez |
| ABSENT: | MEMBERS: | None |

### 4.6 RESOLUTION NO. 11-13 (CM): RESOLUTION APPROVING CONFLICT OF INTEREST CODE FOR THE FAIR POLITICAL PRACTICES COMMISSION'S STANDARD MODEL CONFLICT OF INTEREST CODE & BY AMENDING THE APPENDIX IDENTIFYING DESIGNATED EMPLOYEES WHO SHALL BE SUBJECT TO CONFLICT OF INTEREST CODE FOR THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY FOR THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF WATSONVILLE

Redevelopment and Housing Director Davison clarified the Resolution for Council and explained the process of the dissolution of the Redevelopment Agency.

City Attorney Smith said the Conflict of Interest Code to be approved by Council for the Oversight Board was the same as the one the City used uniformly and the one the Fair Political Practices Commission recommended.

**MOTION:** It was moved by Member Montesino, seconded by Member Dodge and carried by the following vote that the above resolution be approved:

| | | |
|---|---|---|
| AYES: | MEMBERS: | Bilicich, Cervantez, Coffman-Gomez, Dodge, Hernandez, Montesino, Hurst |
| NOES: | MEMBERS: | None |
| ABSENT: | MEMBERS: | None |

## 6.0 PUBLIC HEARINGS, ORDINANCES, & APPEALS

### 6.1 CONSIDERATION OF CERTIFICATION OF GENERAL PLAN FINAL ENVIRONMENTAL IMPACT REPORT AND ADOPTION OF *WATSONVILLE VISTA 2030 GENERAL PLAN* WITH PROPOSED MODIFICATIONS

**(a) Staff Report**

Staff Report given by Principal Planner Boyle.

**(b) City Council Questions**

Principal Planner Boyle explained the General Plan build out for Member Bilicich and clarified the process for building units.

Member Dodge gave a brief presentation of the positive feedback received for the Watsonville Vista 2030 General Plan on the Website *Project of the California Planning Roundtable With support from the American Planning Association, California Chapter* (http://www.reinventingthegeneralplan.org/).

Airport Manager Williams spoke about the measures that the City Council had taken to help and support the Municipal Airport.

In answering Member Bilicich, Community Development Director Tavantzis stated that the General Plan was a great product and staff was confident that the Plan would comply with the court's request. She added that the new letter has no new information and those concerns were addressed by staff in previous meetings.

City Attorney Smith clarified the process for submitting the General Plan and EIR to the court. He stated that the letter from Wittwer & Parkin, LLP. had no new information.

**(c) Public Hearing**

Sarah Chauvet summarized the requirements and changes she believed the General Plan needed. She added that the General Plan should go to Caltrans Division of Aeronautics for review before it went to court.

John Randolf, Watsonville Pilot's Association, read a prepared statement regarding Section 13.I.5 of the Airport Handbook and said the City's General Plan did not comply with that Section on the handbook. He added that the City needed to have Caltrans review it before submitting the Plan to the court.

Dan Chauvet stated his concerns about building businesses near the airport for safety reasons.

Peter Plank asked questions regarding rescission of the *2030 Vista General Plan.* Community Development Director Tavantzis said when the *2030 Vista General Plan* was rescinded, the *2005 Watsonville General Plan* continued to be in effect.

**(d) City Council Discussion**

In answering Member Dodge, Airport Manager Williams stated that the FAA allows the City to buy property around the Airport. In case that funding is not available; the City may exchange properties of similar characteristics.

Principal Planner Boyle stated that Caltrans had cancelled meetings on several occasions. He answered questions/concerns of speakers and clarified language on the Airport Handbook.

Principal Planner Boyle answered questions for Mayor Hurst regarding private properties near Zones 3 and 5 near the airport and development in those zones.

In answering Member Coffman-Gomez, Principal Planner Boyle said that because Watsonville is within the "no procedure" criteria under the Airport Handbook, there were no precedents for Watsonville to use. He added that the City has examined the 2011 Handbook and not a lot of communities have examined the Handbook as much as Watsonville.

Member Bilicich thanked staff for their work and stated her concerns regarding not addressing issues residents had.

Mayor Hurst stated that it was very difficult to make everyone happy and believed compromise was key.

Member Montesino stated his support for the General Plan and said that pilots should consider purchasing land around the airport and giving it to the City instead of filing lawsuits.

Member Dodge stated that it was important to move forward and expressed his support for the General Plan.

Member Bilicich stated she would like more discussion before approving the item.

Mayor Hurst expressed his support for moving forward and his support of the General Plan.

Member Coffman-Gomez reminded the public that the General Plan was a generalization of what the City had planned for the future citywide, not just around the airport.

Mayor Hurst thanked staff for their work and all parties involved.

**(e) RESOLUTION NO. 12-13 (CM):**
**RESOLUTION RECERTIFYING FINAL ENVIRONMENTAL IMPACT REPORT & ADOPTING FACTS, FINDINGS, & STATEMENT OF OVERRIDING CONSIDERATIONS; & MITIGATION MONITORING & REPORTING PROGRAM FOR WATSONVILLE VISTA 2030 GENERAL PLAN UPDATE**

**MOTION:** It was moved by Member Dodge, seconded by Member Montesino and carried by the following vote that the above resolution (e) be approved:

| | | |
|---|---|---|
| AYES: | MEMBERS: | Cervantez, Coffman-Gomez, Dodge, Hernandez, Montesino, Hurst |
| NOES: | MEMBERS: | Bilicich |
| ABSENT: | MEMBERS: | None |

**(f) RESOLUTION NO. 13-13 (CM):**
**RESOLUTION ADOPTING *WATSONVILLE VISTA 2030 GENERAL PLAN*; & DIRECTING THAT THE DOCUMENT SUPERSEDE IN ITS ENTIRETY THE *WATSONVILLE 2005 GENERAL PLAN***

**MOTION:** It was moved by Member Dodge, seconded by Member Montesino and carried by the following vote that the above resolution (f) be approved:

| | | |
|---|---|---|
| AYES: | MEMBERS: | Cervantez, Coffman-Gomez, Dodge, Hernandez, Montesino, Hurst |
| NOES: | MEMBERS: | Bilicich |
| ABSENT: | MEMBERS: | None |

*Mayor Hurst recessed the meeting at 8:42 PM*

*The meeting reconvened at 8:52 PM*

**8.0 NEW BUSINESS (Continued)**

**8.2 CONSIDERATION OF DISCLOSURE OF POTENTIAL CONFLICT REQUIRED BY CALIFORNIA GOVERNMENT CODE 1090 & AUTHORIZING SUBMISSION OF A REQUEST TO CALIFORNIA DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT TO REQUEST QUALIFICATION FOR EXCEPTION FROM THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT UNDER THE HOME INVESTMENT PARTNERSHIPS ("HOME") PROGRAM CONFLICT OF INTEREST PROVISION 24 C.F.R. 92.356**

*Member Coffman-Gomez stepped down from the dais declaring her conflict and waited in the audience to answer questions if any from the Council.*

**(a) Staff Report (Written Report by Lynn Hutchins, Special Counsel) (Oral Report by City Attorney Smith)**

**(b) City Council Questions**

City Manager Palacios and Redevelopment and Housing Director Davison clarified the resolution for Council and the effects it would have on Member Coffman-Gomez.

City Manager Palacios, City Attorney Smith, and Redevelopment and Housing Director Davison answered questions from Member Bilicich regarding the benefit of the report, costs, and outcome if request were to be declined.

In answering Mayor Hurst, City Manager Palacios stated that the exemption would be coming from Housing Urban Development (HUD).

City Attorney Smith answered questions from Member Dodge regarding the process to approve the request for Member Coffman-Gomez and the probability that the request would be approved.

Member Dodge commended Member Coffman-Gomez for placing the item on the agenda.

Member Coffman-Gomez, as a member of the public, answered questions for Members Montesino and Bilicich regarding her situation and her work.

Mayor Pro Tempore Cervantez commended Member Coffman-Gomez for her transparency and her willingness to help the community.

**(c) Public Input**

Redevelopment and Housing Director Davison clarified the protocol for this particular item for Council.

Trina Coffman-Gomez gave a statement regarding her status as a broker and the possible conflict of interest violations it can involve. She clarified her stance and possible implications if not sent for approval to HUD. She answered questions for Council regarding her work and level of involvement with Council.

*Member Coffman-Gomez left the Council Chambers at 9:35 p.m.*

**(d) City Council Discussion**

City Manager Palacios explained to Member Bilicich the cost of the process and said it would be approximately $10,000.

**(e) RESOLUTION NO. 14-13 (CM):**
**RESOLUTION AUTHORIZING SUBMISSION OF REQUEST FOR QUALIFICATION UNDER THE EXCEPTION TO THE HOME INVESTMENT PARTNERSHIPS PROGRAM CONFLICT OF INTEREST PROVISION - 24 C.F.R. 92.356**

**MOTION:** It was moved by Member Dodge, seconded by Member Hernandez, and carried by the following vote that the above resolution be approved:

| | | |
|---|---|---|
| AYES: | MEMBERS: | Bilicich, Cervantez, Dodge, Hernandez, Montesino, Hurst |
| NOES: | MEMBERS: | None |
| ABSENT: | MEMBERS: | None |
| ABSTAIN: | MEMBERS: | Coffman-Gomez |

**10.1 INFORMATION ITEMS—Written Report(s) Only**

**11.0 ADJOURNMENT**

The meeting was adjourned at 9:40 PM.

_____

Lowell Hurst, Mayor

ATTEST:

_____

Beatriz Vázquez Flores, City Clerk

**RESOLUTION NO. _____ (CM)**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE REJECTING CLAIM OF MARTIN RENTERIA-PEREZ FOR DAMAGES**

(Date of Occurrence: December 4, 2012)

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WATSONVILLE, CALIFORNIA, AS FOLLOWS:**

That the claim of Martin Renteria-Perez for damages, which was filed with the City Clerk on January 9, 2013, be and the same is hereby rejected.

**********

The foregoing resolution was introduced at a regular meeting of the Council of the City of Watsonville, held on the _____ day of _____, 2013, by Council Member _____, who moved its adoption, which motion being duly seconded by Council Member _____, was upon roll call carried and the resolution adopted by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

_____
Lowell Hurst, Mayor

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:

_____
City Attorney

# CITY OF WATSONVILLE

**LIABILITY**
**CLAIM FOR DAMAGES**
**TO PERSON OR PROPERTY**

RECEIVED
CITY CLERK'S DATE STAMP:
CITY CLERK
WATSONVILLE
2013 JAN -9 AM 11:31

CLAIM NO. 13-05

RETURN TO:

CITY OF WATSONVILLE
OFFICE OF THE CITY CLERK
275 MAIN ST., SUITE 400 (4th Floor)
WATSONVILLE CA 95076
Fax: 831-761-0736

DISTRIBUTION:
- ☐ CITY MANAGER
- ☐ CITY ATTORNEY
- ☐ FINANCE DEPARTMENT (2)
- ☐ POLICE DEPARTMENT
- ☐ PUBLIC WORKS
- ☐ SAFETY & COMPLIANCE OFFICER
- ☐ DEPARTMENT: _____
- ☐ PARSAC

1. Claims for death, injury to person, or to personal property must be filed not later than six (6) months after the occurrence (Gov. Code Sec. 911.2).
2. Claims for damages to real property must be filed not later than one (1) year after the occurrence (Gov. Code Sec. 911.2).
3. READ ENTIRE CLAIM FORM BEFORE FILING.
4. ATTACH SEPARATE SHEETS, IF NECESSARY, TO GIVE FULL DETAILS.

Martin Renteria-Perez
NAME OF CLAIMANT

[redacted]
DATE OF BIRTH OF CLAIMANT

[redacted]
HOME ADDRESS OF CLAIMANT CITY/STATE/ZIP

(831) [redacted]
HOME TELEPHONE NO.

N/A
BUSINESS ADD OF CLAIMANT CITY/STATE/ZIP

( ) N/A
BUSINESS TEL.

ADDRESS TO WHICH CLAIMANT DESIRES NOTICES OR COMMUNICATIONS SENT REGARDING THIS CLAIM (If different from home address):
Same as above.

WHEN DID DAMAGE OR INJURY OCCUR?
DATE: 12/4/12 TIME: approx. 4:45 ☐ A.M. ☑ P.M.

PLACE OF ACCIDENT (OCCURRENCE) – **BE SPECIFIC** – Describe fully. Where appropriate, give street names and addresses for landmarks.
Backyard of 11 Airport Rd., directly behind the gate separating my driveway from my backyard.

HOW DID DAMAGE OR INJURY OCCUR?
When Officer Radich opened the gate to my backyard, my dog Cuate rushed to the source of the noise. K-9 Ellex, the dog accompanying Officer Radich, bit Cuate's right ear when Cuate arrived at the scene.

WERE POLICE AT SCENE? ☑ YES ☐ NO WERE PARAMEDICS AT SCENE? ☐ YES ☑ NO
Case # 12W-05998

WHAT PARTICULAR **ACT** OR **OMISSION** DO YOU CLAIM CAUSED THE INJURY OR DAMAGES?
(Give name of City employee causing the injury or damage, if known.)
The policemen's inability to realize that my dog was approaching; two officers were standing on a white picket fence on my driveway, giving them the perfect view into my backyard. They could have warned Officer Radich about the incoming dog. I also did not

hear the policeman announce themselves.

GIVE TOTAL AMOUNT OF CLAIM: (Include estimate of amount of any prospective injury or damage?$ 943.45

HOW WAS THE AMOUNT OF CLAIM COMPUTED? (Be specific, provide copies of doctor bills, repair estimates, etc.)
**PLEASE ATTACH TWO (2) ESTIMATES.**

DAMAGES INCURRED TO DATE:

ITEM/DATE PLEASE SEE ATTACHED AMOUNT: $_____
ITEM/DATE_____ AMOUNT: $_____
**TOTAL AMOUNT CLAIMED AS OF PRESENTATION OF THIS CLAIM:** $_____

ESTIMATED PROSPECTIVE DAMAGES AS FAR AS KNOWN:

ITEM/DATE_____ AMOUNT: $_____
ITEM/DATE_____ AMOUNT: $_____
**TOTAL ESTIMATED PROSPECTIVE DAMAGES:** $_____

WITNESSES TO DAMAGE OR INJURY: (List all persons known to have information. (Use attachment if necessary.)
NAME: Officer Rddich, Dep. Simpson NAME: Sgt. Magdayao, Sgt. Fish
ADDRESS:_____ ADDRESS:_____
TELEPHONE: (____)_____ TELEPHONE: (____)_____

IF INJURY, GIVE NAME, ADDRESS, TELEPHONE, DATE & TIME OF DOCTOR(S) OR HOSPITAL(S) VISITED:
DOCTOR: Dr. D. Carroll. TELEPHONE:_____
ADDRESS:_____ DATE/TIME: 12/5/12 & 12/10/12
HOSPITAL: East Lake Animal Clinic TELEPHONE: (831) 724-6391
ADDRESS: 750 East Lake Ave. DATE/TIME: 12/5/12 & 12/10/12

Other Information:

Attached are photos of Cuate's injury.

Martin Rentería MARTIN RENTERIA-PEREZ 01.08.2013
SIGNATURE OF CLAIMANT OR AGENT TYPE OR PRINT NAME DATE

ACTING ON BEHALF OF CLAIMANT

RELATIONSHIP TO CLAIMANT

**NOTE: PRESENTATION OF A FALSE CLAIM IS A FELONY (CALIFORNIA PENAL CODE 72)**

**RESOLUTION NO. _____ (CM)**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE DENYING APPLICATION FOR LEAVE TO PRESENT LATE CLAIM OF DIOGENES MENDEZ-PEREZ FOR DAMAGES**

(Date of Occurrence: January 27, 2012)

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WATSONVILLE, CALIFORNIA, AS FOLLOWS:**

That the Application for Leave to Present Late Claim of Diogenes Mendez-Perez for damages, which was filed with the City Clerk on January 7, 2013, be and the same is hereby rejected.

**********

The foregoing resolution was introduced at a regular meeting of the Council of the City of Watsonville, held on the _____ day of _____, 2013, by Council Member _____, who moved its adoption, which motion being duly seconded by Council Member _____, was upon roll call carried and the resolution adopted by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

_____
Lowell Hurst, Mayor

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:

_____
City Attorney

CLAIM NO. 13-01

RECEIVED
CITY CLERK
WATSONVILLE
2013 JAN -7 PM 12: 48

# APPLICATION FOR LEAVE TO SUBMIT LATE CLAIM

**City of Watsonville**
**275 Main Street, Suite 400, Watsonville, CA 95076**

RE: CLAIMANT: DIOGENES MENDEZ-PEREZ
DATE OF OCCURRENCE: 01/27/2012
DATE CLAIM POSTED: 09/27/2012

DIOGENES MENDEZ-PEREZ (hereinafter "Claimant") was detained by police officers (hereinafter "Officers") of the City of Watsonville on or about 01/27/2012. In the course of such detention, said Officers utilized excessive force against Claimant causing him to suffer significant injury and damages. At no time did Claimant resist arrest or otherwise refuse to cooperate with the Officers. Despite same, one officer grabbed Claimant by the neck from behind while another Officer kicked Claimant in the left knee and pushed him to the concrete very abruptly. Residual thereof, Claimant's knee cracked and he was transported, therefore, to the Watsonville Community Hospital for emergency medical attention. Claimant was further required to undergo two (2) separate surgeries. To this date, Claimant suffers extreme pain in his knee and leg, as well as his hand, back, head and neck, all of which were also injured during the subject incident. Claimant has further suffered emotional and psychological distress. Claimant's medical expenses currently total $120,000.00, as well as lost time and his wages of $16,200.00.

Claimant was injured and while it was difficult to do so, he contacted legal counsel to assist in this process, as well as the eventual personal injury action. After several months, Claimant was able to secure counsel whom purportedly agreed to represent him, however, requested a copy of the associated police report as soon as possible. He also represented that he would be filing the applicable statutory six (6) month claim pursuant to Government Code Section 910, et seq. Claimant attempted to expeditiously obtain a copy of the police report on or about 06/11/12, to no avail.

Thereafter, Claimant sought to obtain the police report from his criminal attorney in a further attempt to assure that the personal injury attorney would be able to timely file such Claim. Said counsel also represented that she would provide Claimant with the police report prior to her leaving for vacation, however, she never did so. Thereafter, after many attempts to obtain such report, Claimant's sister-in-law was ultimately able to obtain same in or about September of 2012. Accordingly, approximately one (1) week later, on 09/27/2012 Claimant filed the attached statutory claim.

Based on the untimely filing of said statutory claim, the City of Watsonville declined to accept it and directed Claimant to apply for leave to file a late claim pursuant to Government Code Sections 911.4 and 912.2. Immediately upon receipt of said letter, Claimant spoke with multiple attorneys seeking assistance in that regard, to no avail. Said attorneys declined to represent Claimant or otherwise assist him based on the tardy filing of his Claim. After several attempts, Claimant was ultimately able to assist services in this regard and is now seeking for such relief as is legally prescribed

As should be evident from the foregoing, it was not Claimant's intention to file his Claim beyond the prescribed deadline, but rather, he made every attempt to preserve such time

line. Such delay was beyond Claimant's control and his inability to obtain a copy of the associated police report which was necessary to secure representation and which should duly have been provided to him, was the basis for the late filing.

Claimant is re-attaching his underlying Claim and, pursuant to Government Code Section 911.4, and respectfully requests permission to present the attached Claim to the City of Watsonville late.

I declare under penalty of perjury that the foregoing is true and correct and if called as a witness, could competently testify thereto. This Application was executed this 19th day of December, 2012 at Gilroy, California.

Respectfully submitted

DIOGENES MENDEZ-PEREZ

# CITY OF WATSONVILLE

LIABILITY
CLAIM FOR DAMAGES
TO PERSON OR PROPERTY

CITY CLERK'S DATE STAMP:
RECEIVED
CITY CLERK
WATSONVILLE
2012 SEP 27 PM 1:14

CLAIM NO. 12-54

RETURN TO:

CITY OF WATSONVILLE
OFFICE OF THE CITY CLERK
275 MAIN ST., SUITE 400 (4th Floor)
WATSONVILLE CA 95076
Tel: (831) 768-3040

DISTRIBUTION:
- ☐ CITY MANAGER
- ☐ CITY ATTORNEY
- ☐ FINANCE DEPARTMENT (2)
- ☐ POLICE DEPARTMENT
- ☐ PUBLIC WORKS
- ☐ SAFETY & COMPLIANCE OFFICER
- ☐ DEPARTMENT: _____
- ☐ PARSAC

1. Claims for death, injury to person, or to personal property must be filed not later than six (6) months after the occurrence (Gov. Code Sec. 911.2).
2. Claims for damages to real property must be filed not later than one (1) year after the occurrence (Gov. Code Sec. 911.2).
3. READ ENTIRE CLAIM FORM BEFORE FILING.
4. ATTACH SEPARATE SHEETS, IF NECESSARY, TO GIVE FULL DETAILS.

---

Diogenes Mendez-Perez
NAME OF CLAIMANT

[redacted]
DATE OF BIRTH OF CLAIMANT

[redacted]
HOME ADDRESS OF CLAIMANT CITY/STATE/ZIP

(831 [redacted]
HOME TELEPHONE NO.

none
BUSINESS ADD OF CLAIMANT CITY/STATE/ZIP

(831 [redacted]
BUSINESS TEL.

none
ADDRESS TO WHICH CLAIMANT DESIRES NOTICES OR COMMUNICATIONS SENT REGARDING THIS CLAIM (If different from home address):
none

WHEN DID DAMAGE OR INJURY OCCUR?
DATE: 01/27/2012 TIME: 7:45 ☐ A.M. ☒ P.M.

PLACE OF ACCIDENT (OCCURRENCE) – **BE SPECIFIC** – Describe fully. Where appropriate, give street names and addresses for landmarks.
the occurence on 622 Orchard Street, Watsonville, CA cross street, Brewington St.
at the Drive way of occurence.

HOW DID DAMAGE OR INJURY OCCUR?
Watsonville Police officer used excessive force , misconduct. I never resited or refused to be searched or detained in their custody. One officer grabbed me at the neck from behind, another officer kicked my left knee, pushing me to the concret floor, at the time of impact to the floor I felt my knee cracked

WERE POLICE AT SCENE? ☒ YES ☐ NO WERE PARAMEDICS AT SCENE? ☐ YES ☐ NO

WHAT PARTICULAR **ACT** OR **OMISSION** DO YOU CLAIM CAUSED THE INJURY OR DAMAGES?
(Give name of City employee causing the injury or damage, if known.)
Police officers misconduct , excessive force, and false arrest. none of the officers identified themselfs to me....

Damages to person; Diogenes Mendez Perez

GIVE TOTAL AMOUNT OF CLAIM: (Include estimate of amount of any prospective injury or damage?$ 25,000.00

HOW WAS THE AMOUNT OF CLAIM COMPUTED? (Be specific, provide copies of doctor bills, repair estimates, etc.)
**PLEASE ATTACH TWO (2) ESTIMATES.**

DAMAGES INCURRED TO DATE:

ITEM/DATE Hospital and Doctors statements attached AMOUNT: $_____
ITEM/DATE_____ AMOUNT: $_____
**TOTAL AMOUNT CLAIMED AS OF PRESENTATION OF THIS CLAIM:** $ 120,050 -

ESTIMATED PROSPECTIVE DAMAGES AS FAR AS KNOWN:

ITEM/DATE ~~Unemployed~~ Lost Wages AMOUNT: $ 16,200
ITEM/DATE_____ AMOUNT: $_____
**TOTAL ESTIMATED PROSPECTIVE DAMAGES:** $_____

WITNESSES TO DAMAGE OR INJURY: (List all persons known to have information. (Use attachment if necessary.)

NAME: Martha Gonzalez
ADDRES [redacted] Watsonville, CA 95076
TELEPHONE: (831) [redacted]

NAME: Rafael Rocha
ADDRESS [redacted] Watsonville, CA 95076
TELEPHONE: (831) [redacted]

IF INJURY, GIVE NAME, ADDRESS, TELEPHONE, DATE & TIME OF DOCTOR(S) OR HOSPITAL(S) VISITED:

DOCTOR: Edward Bradbury M.D. TELEPHONE: 831-722-8123
ADDRESS: 150 Carnation Drive, suite 2, Watsonville DATE/TIME:
HOSPITAL: Watsonville Community Hospital TELEPHONE: 831-724-4741
ADDRESS: 75 Nielson Street, Watsonville, Ca 95076 DATE/TIME:

Other Information:
first surgery on 02/09-02/10/2012, Second surgery on 07/13/2012

Continue treatments with doctor Edward Bradbury.

SIGNATURE OF CLAIMANT OR AGENT | DIOGENES MENDEZ PEREZ TYPE OR PRINT NAME | 09/26/2012 DATE

ACTING ON BEHALF OF CLAIMANT

RELATIONSHIP TO CLAIMANT

**NOTE: PRESENTATION OF A FALSE CLAIM IS A FELONY (CALIFORNIA PENAL CODE 72)**

APPROVED
By Carlos J. Palacios at 5:59 pm, Jan 29, 2013

**City of Watsonville**
***Police Department***

**M E M O R A N D U M**

**DATE:** **January 29, 2013**

**TO:** **Carlos J. Palacios, City Manager**

**FROM:** **Manny Solano, Chief of Police**
**Lola Maldonado, Sr. Administrative Analyst**

**SUBJECT:** **Resolution accepting a Board of State and Community Corrections law enforcement grant in the amount of $63,674 as directed by the Public Safety Realignment Act (Assembly Bill 109)**

**AGENDA ITEM:** **February 12, 2013** **City Council**

---

**RECOMMENDATION:**
That the City Council approve a resolution accepting a Board of State and Community Corrections (BSCC) law enforcement grant in the amount of $63,674 as directed by the Public Safety Realignment Act (Assembly Bill 109) and approve the City of Watsonville as the fiscal agent.

**BACKGROUND:**
On April 4, 2011, Governor Edmund G. Brown Jr. signed Assembly Bill 109, the Public Safety Realignment Act. AB 109 and a companion bill AB 117 (collectively referred to as AB 109) transfer the responsibility of supervising certain low-risk offenders and parolees from the California Department of Corrections and Rehabilitation (CDRC) to counties. In addition, the legislation mandates a local Community Corrections Partnership to be established and to develop a plan for implementation. The realignment and change in laws was a response and partial solution to California's ongoing budget crisis and a recent U.S. Supreme Court order requiring the State to reduce prison overcrowding.

The realignment's most significant changes in the law include the following:

- Non-serious, non-violent and non-sex offenses (NNN) are no longer punishable by a state prison term. Instead, these felony charges are only eligible for county jail sentences.
- Certain offenders released from state prison are no longer released on state parole but instead are released on "Post Release Community Supervision" (PRCS). These offenders are supervised by the Probation Department.

- Most offenders on state parole and all offenders on PRCS will now serve time in county jail for violations instead of state prison.
- The Court and not the State Parole Board will hear violations of PRCS offenders. Starting July 1, 2013, the Court will also hear violations of offenders on State Parole.
- The law states that counties should focus on using alternative sanctions and evidence-based practices in order to more effectively reduce recidivism.

The California Department of Finance (DOF) and the California Department of Corrections and Rehabilitation (CDCR) estimate that at full implementation, AB 109 will result in a total of 78 new inmates to be housed in the Santa Cruz County jail facilities on an average daily population basis. The Probation Department will supervise a standing caseload of 69 post-release community supervision cases and 79 locally sentenced offenders who would otherwise have been sent to state prison. These numbers are based on historic patterns and assumptions regarding the average length of stay. Local authorities believe the actual numbers will be higher.

**DISCUSSION:**
On October 1, 2011, the Public Safety Realignment Act became operational for all county criminal justice agencies. The legislation initially provided nine months of funding from the State to the counties to implement the Realignment Law, funded through two sources – a state special fund sales tax and vehicle license fees. The State Department of Finance and agreed to by the County Administrative Officers (CAO) and the California State Association of Counties (CSAC), established a formula for statewide funding allotments for the AB 109 Implementation. During Fiscal Year 2011-2012, Santa Cruz County received $1,989,656; this included the following allocation categories:

- AB 109 Public Safety Realignment Allocation: $1,662,684
- District Attorney/Public Defender Activities: $59,599
- AB 109 Start-Up Costs (one-time funding): $117,325
- CCP Planning Grant (one-time funding): $150,000

California's State Budget, passed by the Legislature and signed by the Governor for Fiscal Year 2012-13, provided a second state-wide yearly allocation for counties to continue implementation of the Realignment Act. The State Department of Corrections and Rehabilitation (CDCR) through the Board of State and Community Corrections (BSCC) will be providing $24 million in grant funds to front line law enforcement at the county police chief level to address public safety in their communities. The County of Santa Cruz will be receiving $63,674 and the County Chief's have identified the City of Watsonville as the recipient of the funding to serve as the fiscal agent.

The California Police Chief's Association stated that funds would be used:

- Regionally
- In collaboration with other police departments to address crime impacts in their communities
- In partnership or collaboration with county probation
- Employing best and promising practices
- Focusing on serious, violent crimes and habitually non-compliant offenders

- Supported by crime and data analysis for greatest impact and to provide evaluative information to support demonstration of outcomes

These grant funds are legislatively identified for a period of three (3) years, provided the availability of funding. There is no ability to determine at this time whether this funding will continue beyond that period, or at what level. It is the intent of the association to seek an increase in funding in the future years. The funds designated to the County of Santa Cruz will be used to augment and regionalize the efforts established by the California Police Chief's Association. The funds will be used but not limited to support law enforcement and probation with crime analysis to efficiently focus resources on the most serious, violent, habitually non-compliant offenders who pose the greatest risk to communities while providing the structure and administrative support to demonstrate outcomes in subsequent evaluation efforts.

Staff recommends that the City Council accept the grant in the amount of $63,674 and have the City of Watsonville serve as the fiscal agent in order to manage the realignment funds to address crime impacts in the Santa Cruz County communities.

**STRATEGIC PLAN:**
One of the City Council's goals is to have a safe and healthy community. The management of these funds will assist in achieving this goal by increasing the collaboration among city and county agencies in order to enhance intelligence sharing that will lead to ongoing public safety.

**FINANCIAL IMPACT:**
The approval of this grant will not impact the General Fund. If approved, the City will receive $63,674 to manage the realignment funds.

**ALTERNATIVES:**
The Council may choose to not accept the realignment grant funds.

**ATTACHMENTS:**
None.

cc: City Attorney

**RESOLUTION NO._____ (CM)**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE ACCEPTING THE $63,674 GRANT FROM THE BOARD OF STATE AND COMMUNITY CORRECTIONS (BSCC) FOR LAW ENFORCEMENT AS DIRECTED BY THE PUBLIC SAFETY REALIGNMENT ACT (ASSEMBLY BILL 109); APPROVING THE CITY OF WATSONVILLE SERVE AS THE FISCAL AGENT; AUTHORIZING THE CITY MANAGER OR HIS DESIGNEE TO EXECUTE A STANDARD AGREEMENT AND ANY AMENDMENTS THERETO; AND ANY NECESSARY DOCUMENTS; AND APPROPRIATING SUCH FUNDS TO THE GRANT BUDGET**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WATSONVILLE, CALIFORNIA, AS FOLLOWS:**

1. That the Council hereby accepts the $63,674 grant from the Board of State and Community Corrections (BSCC) for law enforcement as directed by the Public Safety Realignment Act (AB 109).

2. That the Council hereby approves the City of Watsonville serve as the fiscal agent in order to manage the realignment funds to address crime impacts in Santa Cruz County communities.

3. That the City Manager, or his designee, is hereby authorized and directed to execute in the name of the City of Watsonville, any agreements and all other documents and any amendments thereto, as well as any necessary documents.

4. That the $63,674 grant is hereby appropriated to the Grants Fund.

**********

APPROVED
By Carlos J. Palacios at 5:38 pm, Feb 04, 2013

**City of Watsonville**
***Public Works & Utilities Department***

**M E M O R A N D U M**

**DATE:** **January 30, 2013**

**TO:** **Carlos J. Palacios, City Manager**

**FROM:** **Steve Palmisano, Interim Public Works & Utilities Director**
**Nancy Lockwood, Environmental Projects Manager**
**Clara Cawaling, Administrative Analyst**

APPROVED
By Steve Palmisano at 3:55 pm, Jan 30, 2013

**SUBJECT:** **Resolution Approving Application to CalRecycle for Tire Recycling Program Grant Funding.**

**AGENDA ITEM:** **February 12, 2013** **City Council**

**RECOMMENDATION:**
It is recommended that the City Council adopt a resolution approving submittal of an $18,947 grant application to CalRecycle.

**DISCUSSION:**
Funding from CalRecycle (formerly California Integrated Waste Management Board) would enable the City to continue to offer free and reduced-cost tire recycling at the Waste and Recycling Drop-off Program, located at the Municipal Service Center on Harvest Drive. The grant funds would reimburse the City for staff time needed to accept and store tires, the cost of tire recycling and disposal paid to a licensed hauler, and the cost of advertising the program. By making tire recycling convenient and free of charge or low cost, fewer tires will be discarded illegally or improperly stored at homes. The program helps keep our alleyways, roadsides and wetlands clean and attractive. The City has participated in the CalRecycle Tire Recycling Program Grant since 2001.

The Waste and Recycling Drop-off accepts passenger tires without rims (up to 9 per year per household) from City residents at no charge. There are charges for tires over this limit, for larger tires and for tires with rims.

Used tires are removed from the Municipal Service Center by a licensed hauler, West Coast Rubber, located in Hollister. The tires are ground and made into products including playground and horse arena mats and parking lot car stops.

**STRATEGIC PLAN:**
This grant application would support a program that is consistent with the Strategic Plan goal of maintaining infrastructure.

**FINANCIAL IMPACT:**
If awarded, the grant would provide $18,947 to cover existing costs in the Solid Waste Enterprise Fund.

**ALTERNATIVES:**
The City Council could choose to not proceed with this project.

**ATTACHMENTS:**
None.

cc: City Attorney

**RESOLUTION NO. _____ (CM)**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE AUTHORIZING AND DIRECTING THE CITY MANAGER ON BEHALF OF THE CITY OF WATSONVILLE TO SUBMIT A GRANT APPLICATION FOR $18,947 TO CALRECYCLE (FORMERLY CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD) FOR THE TIRE RECYCLING PROGRAM GRANT; AND IF AWARDED, TO EXECUTE A STANDARD AGREEMENT AND ANY AMENDMENTS THERETO; AND ANY NECESSARY DOCUMENTS; AND APPROPRIATING SUCH FUNDS TO THE SOLID WASTE ENTERPRISE FUND**

**WHEREAS,** Public Resources Code sections 40000 et seq. authorizes the Department of Resources Recycling and Recovery (CalRecycle), previously known as the California Integrated Waste Management Board, to administer various grant programs in furtherance of the State of California's efforts to reduce, recycle and reuse solid waste generated in the State thereby preserving landfill capacity and protecting public health and safety and the environment; and

**WHEREAS,** in furtherance of this authority CalRecycle is required to establish procedures governing the application, awarding, and management of the grants; and

**WHEREAS,** grant application procedures require an applicant's governing board to authorize by resolution its approval for submittal of the grant application identified below, and the designation by job title of the individual authorized to execute all grant documents on behalf of the local agency; and

**WHEREAS,** if awarded, the City Manager, on behalf of the City of Watsonville will enter into a Grant Agreement with CalRecycle for implementation of said Grant.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WATSONVILLE, CALIFORNIA, AS FOLLOWS:**

1. That the City Council hereby authorizes the submittal of a $18,947 grant application to (CalRecycle) for all grants for which the City of Watsonville is eligible.

2. That the authorization is effective through the duration of said Grant.

3. That the City Manager, is hereby authorized and empowered to execute in the name of the City of Watsonville all grant documents, including but not limited to, applications, agreements, amendments and requests for payment, necessary to secure grant funds and implement the approved grant project.

4. That the City Manager of the City of Watsonville is authorized and directed, if said grant is awarded, to appropriate the $18,947 to the Solid Waste Enterprise Fund.

**********

APPROVED
By Carlos J. Palacios at 2:04 pm, Feb 05, 2013

**City of Watsonville**
***Finance Department***

**M E M O R A N D U M**

**DATE:** **February 5, 2013**

**TO:** **Carlos J. Palacios, City Manager**

APPROVED
By Ezequiel Vega at 11:41 am, Feb 05, 2013

**FROM:** **Ezequiel Vega, Administrative Services Director**

**SUBJECT:** **Accept and Receive the 2011-12 Comprehensive Annual Financial Report (CAFR) and Associated Staff Report**

**AGENDA ITEM:** **February 12, 2013** **City Council**

---

**RECOMMENDATION:**
That the City Council of the City of Watsonville accept and receive the 2011-12 Comprehensive Financial Report (CAFR) and associated staff report.

**DISCUSSION:**
The State of California law requires that all general-purpose local governments publish within six months of the close of the fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (U.S.GAAP). The report should also be audited by an independent firm of certified public accountants (CPA) in accordance with generally accepted government auditing standards (GAGAS). The audit firm who performed this independent audit for the City is Moss, Levy, and Hartzheim LLP. Their work resulted in an unqualified opinion of the City of Watsonville's financial statements. The information presented in this report is a result of a financial audit which gives reasonable assurance that the Financial Statements present fairly in all material respects.

This report before you, presents City of Watsonville's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. The CAFR is intended to present information above what is required by generally accepted accounting principles and State law. In the CAFR, the City presents the basic information required, but it also prepares additional schedules and information as part of its report. Inclusion of this additional information makes the reports easier to read and understand in addition to qualifying the City to receive recognition from the Government Finance Officers Association for outstanding financial reporting. In fact, the City has received this award for 12 consecutive years.

In summary, the audited financial statements as presented:

a. Resulted in an unqualified opinion for an independent auditor, and

b. Will be submitted to GFOA for an award in Financial Reporting. The City received this award for 12 consecutive years.

The report before you is organized in three major sections:

1. Introductory Section
2. Financial Section
3. Statistical Section

The Introductory section contains information such as the profile of the City, the local economy, and awards and acknowledgements. The financial section contains the independent auditor's report, management's discussion and analysis, basic financial statements, and required supplementary information. The statistical section contains information about trends, revenue capacity, and debt capacity, demographic and economic information.

In interest of time, this staff report will not review the CAFR in its entirety but will focus on some key elements of the report, focusing mainly in the Financial Section, combined with some elements of the statistical section. The financial section presents two main types of reports; Government Wide Financial Statements and Fund Financial Statements. Please refer attachment 1 for a full copy of the CAFR.

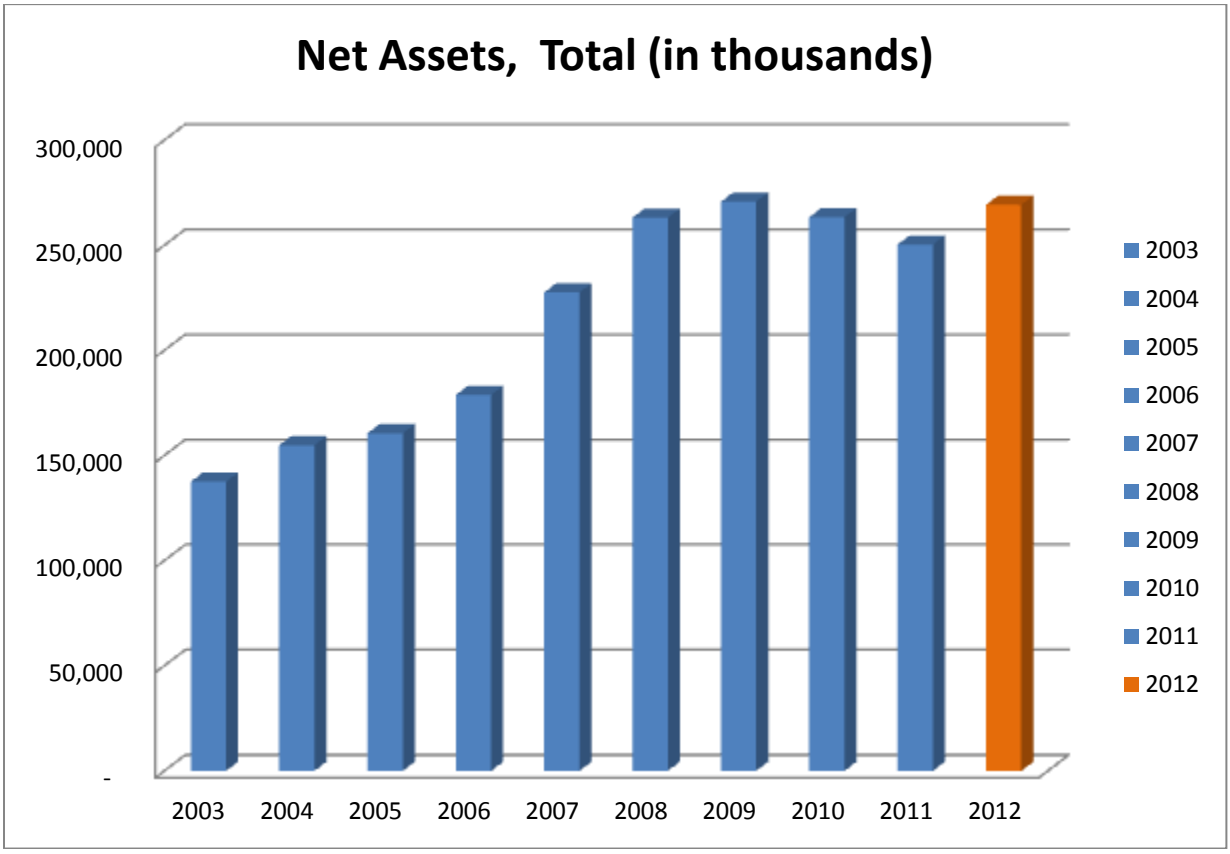
**Government Wide Reports.** The Government-wide statements present information for the entire City, combining governmental type activities (non business like activities) and business type activities such as water and sewer operations. This section presents two main statements:

a. The Statement of Net Assets, and
b. The Statement of Activities

**Exhibit 1**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | $ | $ | $ | $ | $ | $ |
| Current and other assets | 49,367 | 50,206 | 44,465 | 47,367 | 93,832 | 97,573 |
| Capital assets | 129,639 | 130,673 | 105,305 | 106,003 | 234,944 | 236,676 |
| Total Assets | 179,006 | 180,879 | 149,770 | 153,370 | 328,776 | 334,249 |
| Long-term liabilities outstanding | 11,077 | 28,636 | 38,833 | 40,553 | 49,910 | 69,189 |
| Other Liabilities | 7,220 | 11,255 | 2,399 | 3,457 | 9,619 | 14,712 |
| Total Liabilities | 18,297 | 39,891 | 41,232 | 44,010 | 59,529 | 83,901 |
| Net Assets: | | | | | | |
| Invested in capital assets, net of related debt | 131,751 | 112,462 | 72,861 | 74,569 | 204,612 | 187,031 |
| Restricted | 39,086 | 46,586 | - | 2,834 | 39,086 | 49,420 |
| Unresticted | (10,128) | (18,060) | 35,677 | 31,957 | 25,549 | 13,897 |
| Total Net Assets | 160,709 | 140,988 | 108,538 | 109,360 | 269,247 | 250,348 |

The first statement serves as a balance sheet, presenting all the assets of the government compared to its liabilities. If the comparison yields a positive balance, the organization has positive net assets or net worth. In the case of the City of Watsonville, Net Assets for FY 2011-12 are $269 million, a positive increase of approximately $19 million from the prior year. Exhibit 1 shows comparative analysis from FY 2011-12 and 2010-11. The second statement, Statement of Activities, presents information revenues and expenditures grouped by function and program and how their activities affected the City's net assets. As mentioned before, net assets for Watsonville increased by approximately $19 million, with the biggest increase coming from its governmental activities. These activities include the general fund activities plus other governmental functions such as grants, and roads. A ten year trend of the City's financial activities, shows net assets have gradually increased from a low of just over $145 million to the current high of approximately $260 million.

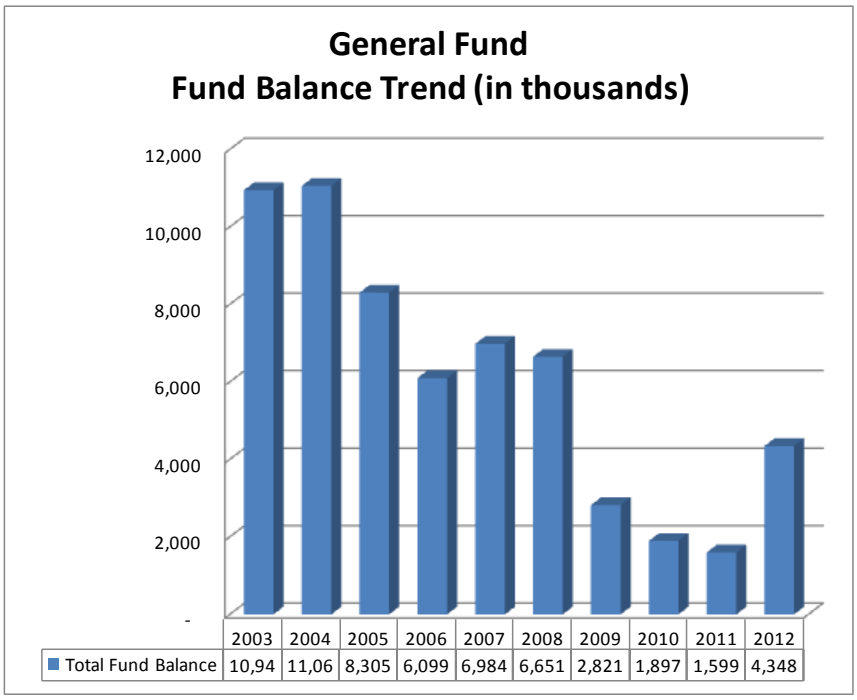



While net assets represent the City's financial health in the long run, cash balances present the City's ability to meet its short term obligations. Accordingly, a similar 10 year trend analysis of cash shows the City had higher cash balances in 2003 that it does today. Part of this higher cash balance is associated with cash being held for the issuance of bonds for the development of City projects. Although the end of the FY 2011-12 cash position of the City was stable at 2.4 months, it is always important to monitor cash balances. This information can also be obtained from the Statement of Net Assets.

**Fund Financial Reports.** The *General Fund's* fund balance increased from $1.5 million in FY 2010-11 to $4.3 million in FY 2011-12. This increase was due to:

a. Revenues and sources exceeding expenditures by approximately $850,000, plus
b. A change in accounting for compensated absences which reduced liabilities by approximately $1.9 million.

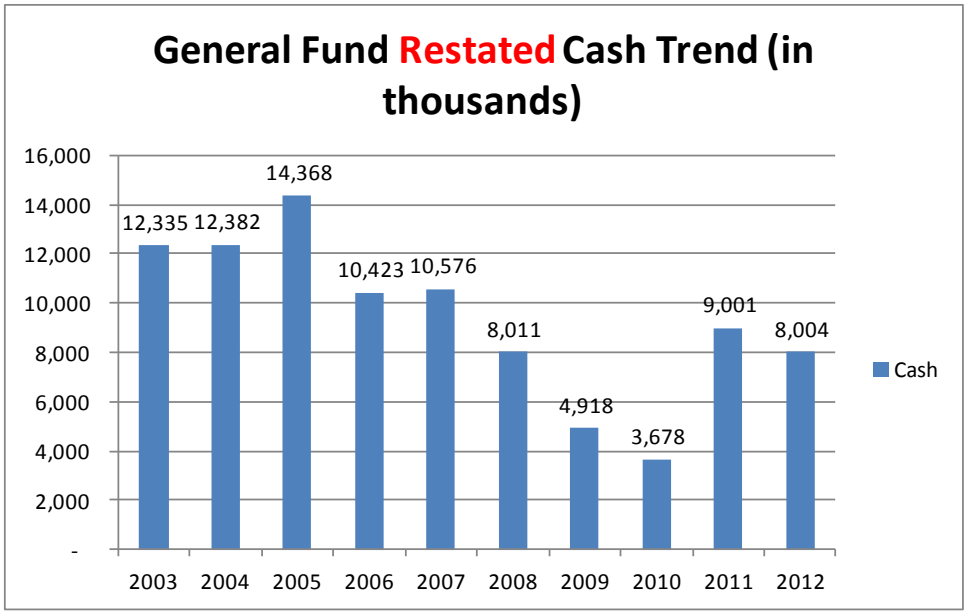
A ten year trend shows this fund balance level is the best since FY 2008-09 but not as good as in FY 2002-03 when the fund balance levels were above $10 million.



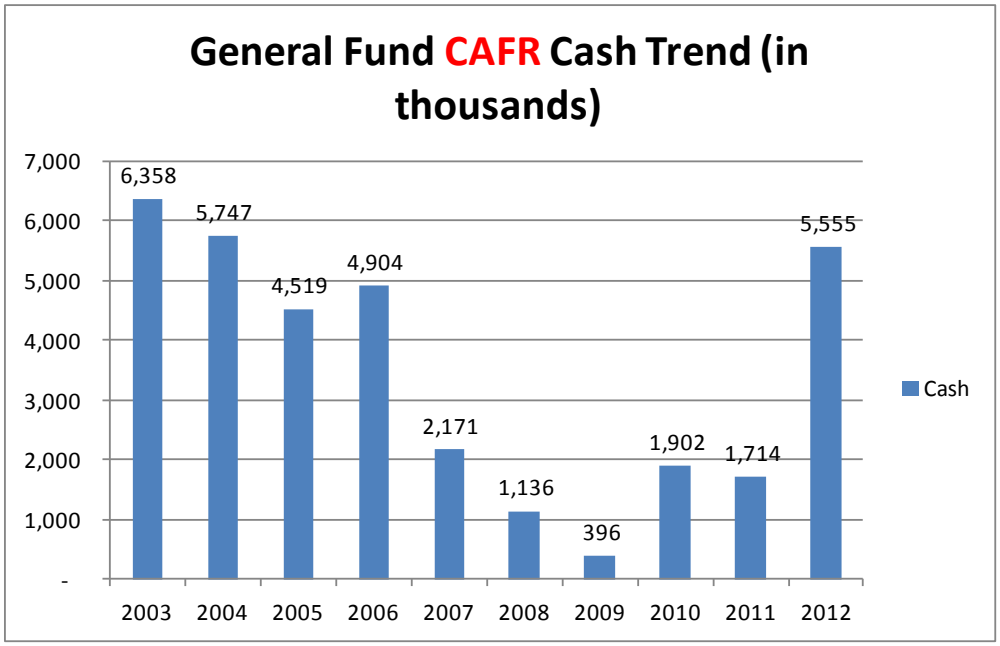

Although evaluating this information on its own is valuable; comparing some key indicators with other jurisdictions offers an additional layer of analysis of the City's financial condition. Some of this information is presented below for your reference. This comparison shows Watsonville has lower fund balance (12.14%) as a percentage of expenditures, when compared to the median of comparable cities (39.72%).

| Watsonville vs. Comparable Cities FY 2011-12 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Salinas | Scotts Valley | Santa Cruz | Gilroy | Monterey | Morgan Hill | Median | Watsonville | |
| Population [3] | 152,994 | 11,667 | 60,342 | 49,582 | 28,246 | 38,477 | 44,030 | 51,586 | |
| GF Revenues and | $80,459,293 | $7,703,123 | $77,912,927 | $36,063,731 | $61,050,436 | $23,493,281 | $48,557,084 | $36,658,992 | |
| GF Expenditures | 78,804,888 | 7,833,807 | 95,908,015 | 32,215,955 | 59,125,224 | 25,479,076 | 45,670,590 | 35,809,646 | (1) |
| GF Fund Balance | 11,059,380 | 6,749,955 | 25,531,855 | 25,220,668 | 33,831,499 | 7,282,162 | 18,140,024 | 4,348,537 | |
| | | | | | | | | | |
| Fund Balance, % | 14.03% | 86.16% | 26.62% | 78.29% | 57.22% | 28.58% | 39.72% | 12.14% | |
| General Fund Cas | 11,378,862 | 4,005,490 | 18,126,982 | 20,450,350 | 12,297,967 | 6,231,090 | 11,838,415 | 8,004,059 | (2) |
| Months Cash Ava | 1.73 | 6.14 | 2.27 | 7.62 | 2.50 | 2.93 | 3.11 | 2.68 | |
| | | | | | | | | | |
| GF Assets | 23,618,275 | 7,265,822 | 28,204,269 | 25,935,077 | 54,666,055 | 9,303,795 | 24,776,676 | 11,784,515 | |
| GF Liabilities | 12,558,895 | 515,867 | 2,672,414 | 714,409 | 20,834,556 | 2,216,838 | 2,444,626 | 3,025,777 | (4) |
| Liabilities/Assets | 53.2% | 7.1% | 9.5% | 2.8% | 38.1% | 23.8% | 9.9% | 25.7% | |
| | NP | NP | NP | NP | | | | | |
| Sources: FY 2011-12 Comprehensive Annual Financial Reports for each City, if not available, FY 2010-11 data used | | | | | | | | | |
| | | | | | | | | | |
| Notes | | | | | | | | | |
| (1) Includes $3.1 million shown in the CAFR for the solar panel installation for City Hall | | | | | | | | | |
| (2) It includes $2.4 million in one time loan in CAFR shown as due from other funds | | | | | | | | | |
| (3) 2011 Census Data | | | | | | | | | |
| (4) Excludes Long term portion of PERS Side Fund Loan | | | | | | | | | |

Restated General Fund Cash balances in the other hand, although below the median, are at a stable 2.68 months. This is a decrease of about half a month from prior year levels. Restated balances, for the purposes of this report, means cash balances after adjusting for one loans to bring certain funds to a zero cash balance. As indicated in other reports, certain funds have experienced negative cash balances and the general fund cash has been used to fund these one day loans.



A similar cash trend is also shown for comparison purposes. This cash trend includes numbers as shown in the CAFR without adjusting for the one day loans mentioned in the previous paragraph of this report.

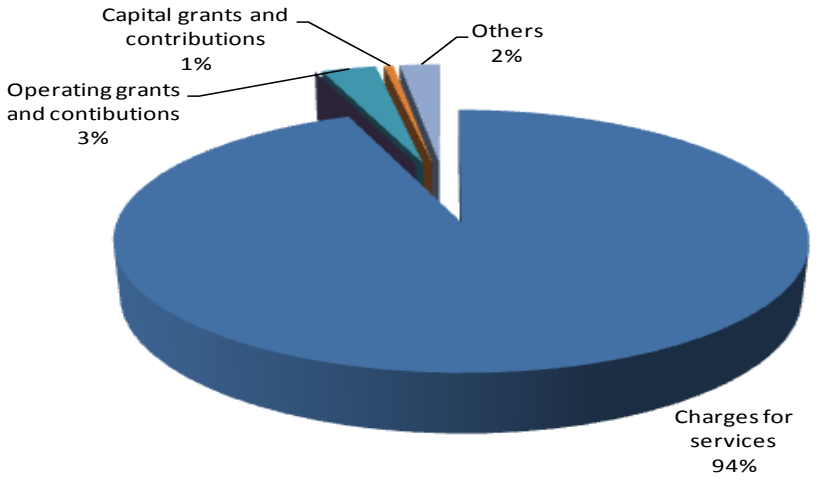



**Enterprise Funds.** Enterprise funds are those which focus in delivering services to the community or the City but are organized like a business. The City's enterprise funds are the Water Fund, Sewer Fund, Solid Waste Fund, and Self Insurance Fund. The first three funds provide services to the community while the last one provides services to the other City's funds.

The Water and Sewer Funds income statement activity shows expenditures exceeded revenues for the fiscal year while the Solid Waste and Airport Funds revenues were greater than expenditures. While the Water Fund total operating income was positive, net income was reduced by non operating activities exceeding operating income by $252,000. The main driver for this outcome can be attributed to non capital replacement costs in the amount of $1.5 million. This issue of revenues not meeting operations plus capital and non capital replacement costs was presented to Council and was addressed as part of the recent rate increase approved in June of 2012. It is anticipated the newly approved and implemented rates will help the fund have positive net income in the current fiscal year. A similar situation applies to the Sewer Fund.

Overall, these funds revenue is stable and as you can see in Exhibit 2, is primarily composed of charges for services to customers with some minor funding coming from grants and other funding.

**Exhibit 2: Enterprise Funds Revenue Sources**




The self insurance fund, which captures activity for general liability, worker's compensation and health insurance show an improvement in fund balance from ($6.1) million to ($4.6) million. In FY 2012-13, the City has changed the health insurance premiums the employees contribute and increased its own contribution. This change is projected to have a positive impact in the Fund Balance of this fund. Nevertheless, City staff will continue to look for more solutions to improve the overall financial health of the internal service fund.

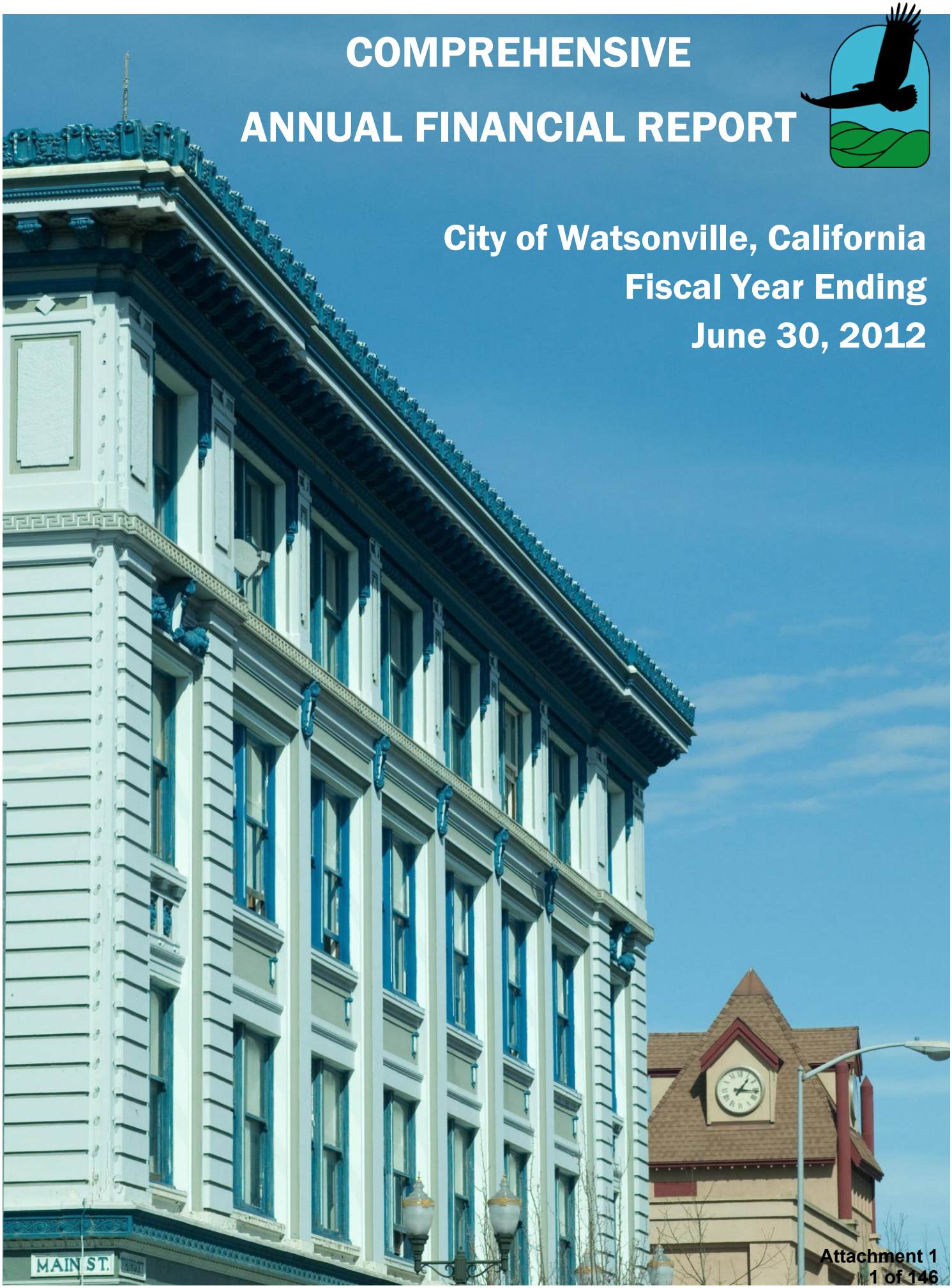
**FINANCIAL IMPACT:**
There is no financial impact from receiving this report.

**ATTACHMENTS:**
1) City of Watsonville Comprehensive Audited Financial Report FY 2011-12
2) FY 2011-12 CAFR Presentation (Power Point)

cc: City Attorney

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

## City of Watsonville, California
## Fiscal Year Ending
## June 30, 2012



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WATSONVILLE
CALIFORNIA

**City of Watsonville, California**

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

## FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Prepared by the Finance Department
Ezequiel Vega, Administrative Services Director

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**CITY OF WATSONVILLE, CALIFORNIA**
**Comprehensive Annual Financial Report**
**Fiscal Year Ending June 30, 2012**

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# INTRODUCTORY SECTION

# CITY OF WATSONVILLE

*"Opportunity through diversity; unity through cooperation"*

January 29, 2013

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

**REPORT PURPOSE AND ORGANIZATION**

We are pleased to present the City of Watsonville's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. The CAFR is intended to present information above and what is required by generally accepted accounting principles and State law.

The Charter of the City of Watsonville and the State of California law require that all general-purpose local governments publish within six months of the close of the fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (U.S.GAAP). The report should also be audited by an independent firm of certified public accountants (CPA) in accordance with generally accepted government auditing standards (GAGAS). Pursuant to the requirements, we hereby issue the comprehensive annual financial report of the City of Watsonville for the fiscal year ended June 30, 2012.

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

**Audited Financial Statements**

Moss, Levy and Hartzheim L.L.P., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Watsonville's financial statements for the fiscal year ending June 30, 2012. A copy of this report is included in page 17 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 unqualified opinion that the City's financial statements for the fiscal year ended June

30, 2012, 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 was part of a broader, federally mandated **Single Audit** (A-133) 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.

**Organization of Report**

The Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Watsonville's MD&A can be found immediately following the report of the independent auditors. Based on these requirements, the City presents this CAFR in three sections: introductory, financial and statistical.

1. The Introductory section includes this transmittal memorandum and other information to familiarize the reader with the City, including a directory of officials, the City's mission statement and organizational values, and the organization chart.

2. The Financial section consists of five parts: the independent auditors' report; Management's Discussion and Analysis; the basic financial statement including the Government-Wide Financial Statements, Fund Financial Statements, and Notes to the Financial Statements; Required Supplementary Information; and additional supplementary statements.

3. The Statistical section includes selected unaudited financial and demographic information, generally presented on a multi-year basis. This information includes Financial Trends, Revenue Capacity, Debt Capacity, Demographics and Economic Information, and Operating Information

## PROFILE OF THE CITY OF WATSONVILLE

The City of Watsonville was incorporated in 1868 and is located six miles inland from the Monterey Bay in the State of California. The government has a land area of 6.19 square miles and a population of 51,611 people as of January 1, 2012.

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 and is elected annually by the City Council. The council is elected on a non-partisan basis from seven electoral districts. Council members are elected to four-year terms. Selections are staggered with four Council Members elected during one election and three Council Members elected in the following election two years later. The governing City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing

committees, and hiring the government's City Manager, City Clerk, and attorney. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the department heads.

**City Services**

The City of Watsonville provides a full range of services including police and fire protection; water treatment and distribution; solid waste collection and landfill disposal; sanitary sewer collection and treatment services; airport facilities; building inspection, planning, economic development, housing rehabilitation, and general government services; library services; recreational services; 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. In the case of the City, the Redevelopment Agency (RDA) of the City of Watsonville is included in this report until its recent dissolution enacted by State law (AB1X26). Information after its dissolution is presented separately as part of the fiduciary statements of the Successor Agency which took over all the assets of the former RDA. Additional information can be found on this entity starting on page 86 within the notes to the financial statements.

**Budgetary Process and Controls**

The annual budget serves as the foundation for the City of Watsonville's financial planning and control. All departments of the City of Watsonville are required to submit requests for appropriations to the government's management on or before March 31 of each fiscal year.

The City Manager uses these requests as a starting point for developing a proposed budget. The City Manager 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, department (e.g., police), and division (e.g., investigation). Department heads 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 are 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 grant fund comparisons are presented on pages 40 to 43 as part of the basic financial statements for the governmental funds. For governmental funds, other than major funds, with appropriated annual budgets, these comparisons can be found in the governmental fund subsection of this report, which starts on page 100.

## FACTORS AFFECTING FINANCIAL CONDITON

Information presented in the financial statements is perhaps best understood when it is considered from a broader perspective of the specific environment within which the City of Watsonville operates.

**Local Economy**

The Pajaro Valley has a long tradition as an agricultural center. In the late 1800s, the area harvested staples such as wheat and sugar beets. In 1868, the same year Watsonville was incorporated; Martinelli's Sparkling Apple Cider was founded and led the change for Watsonville to become a major food processing center. Agriculture has remained the heart of the Pajaro Valley through today, with the base shifting towards the production of strawberries and flowers. At the same time, various light manufacturing firms have expanded Watsonville's economic base to include electronics, high-tech, marine supplies, and construction, such as Applied Motion Products, CSC Group, West Marine, Fox Racing Shox, Annieglass, Granite Construction, and Granite Rock, and a new biodiesel plant to open its doors in the Spring of 2013.

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.

The Great Recession's impact of higher unemployment rates and declining home values has hurt the Watsonville economy to a greater extent than the surrounding communities. Since its peak in 2006, the annual, median sale price for a single family home has dropped 44% (from a revised $649,500 to $366,000 in 2012). This rapid decline resulted from the extraordinary rise in Watsonville's foreclosure rates. According to data collected from RealtyTrac.com, the number of foreclosed properties at the beginning of fiscal year 2007/08 was 220 but reached a peak in August 2008 of 1,053 properties. More recent data collected from foreclosureradar.com indicates foreclosures have decreased over the 2012 calendar year from a high of 41 foreclosures per month to a low of approximately 16 foreclosures per month.

The trends of the City's single family and town homes/condos sales have followed a similar course. These categories combined home sales in 2004 peaked near a revised 426 followed by the run-up in applicable values during 2005 and 2006. Since then, values have been on the decline as the number of sales decreased, bottoming out in 2007 at a revised 136 homes. Generally it would have been an encouraging sign to see the significant increase in calendar 2008 and 2009 home sales to a total of 347 and 422 respectively. However, many of those sales can be attributed to short sales from foreclosures indicating that traditional home values are unsteady. Calendar 2010 home sales dropped to 287 units sold and 2012 sales are on pace for 240 units sold. Although there are some signs of recovery, the property assessed values are still projected to decrease by 1.67% in FY 2012-13 compared to assessed values in FY 2011-12.

Watsonville also has a higher unemployment rate in comparison to the rest of Santa Cruz County and the nation. According to the State Employment Development Department, the average estimated unemployment rate at the end of fiscal year 2011/12 was 20.2% for Watsonville and 9.5% for the County as a whole. Watsonville's rate has increased with the loss of several key employers over the course of this recession (Birds Eye Foods, Inc, Indalex and its downtown retail anchor Gottschalks).

In addition to the housing and unemployment trends, certain revenue streams provide a supporting indication of how the local economy is doing. Property tax provides a glance of how strong housing prices are increasing or decreasing. Sales tax specifically is a good barometer of residential and visitor's ability to have and willingness to spend their resources. Community development (planning and building) fees provide a glimpse of what the development sector expects for demand in the near future.

Total Property Tax collections (excluding Redevelopment Tax Increment) experienced abnormally high growth rates between 2001-02 and 2006-07 (12.3% annual average). The recession's impact was felt in 2008-09 when total receipts dropped 5.3% followed by a 14.0% drop in 2009-10. Collections for FY 2010-11 declined by 1.5% while FY 2011-12 shows a 7% increase.

Sales Tax revenue had been a relatively stable revenue source prior to the recession. Total sales tax collections (modified accrual) grew annually at a 6.0% average rate from 2001-02 through 2006-07. This was followed by three years of declines that averaged <7.5%> annually through 2009-10 (after adjusting out a 2007 ¼-cent sales tax increase from a local ballot measure revenue swap). However, 2010-11 collections reversed and grew 9.7% from the prior year and with 2012-13 collections projected to grow nearly 2%.

Community development fees may have reached the bottom for this decade following annual declines of 30%, 16.1%, 41.5% and 16.3% in each of the fiscal years from 2004-05 through 2007-08. For 2008-09, total fees increased slightly by 4.5% to just over $800,000 in total but experienced another big decline in 2009-10 of 24.9% to just over $600,000. Fiscal year 2010-11 fees rebounded to nearly $740,000 on the strength of code enforcement citations but could decline to below $650,000 for 2012-13.

During the coming 2012-13 fiscal year, the City's revenues are likely to stabilize, led by low growth in Property and Sales taxes and increases in various General Fund and Enterprise fees that are tied to the consumer price indexes annual 2.8% rate change.

**Long-term financial planning**

Although the City's long-term revenue projections may stabilize, there is still considerable risk for declines as the national economy emerges from the Great Recession. Property tax rates continue to decrease in small increments while sales tax projections indicate growth will continue with small increases in 2011-12 and 2012-13. However, the large quantity of home foreclosures and, in turn high unemployment rates (averaged 20 % during 2011-12), will continue to suppress revenue growth to lower than those of neighboring communities.

Property tax revenue trends may fluctuate in the upcoming years. The overall inventory of sales has diminished significantly, including the inventory of foreclosures. There are multiple offers being made for properties bidding the prices up. Nevertheless, this increase in pricing is not significant, as the assessed property values are projected to be lower by 1.67% in FY 2012-13. However, supplemental tax values may increase as the homes in inventory may sell for higher prices than the assessed value. According to census data, average home prices in Watsonville are at $366,000 in 2012, as compared to a lower $303,000 a year ago. If home values continue to increase, it will result in higher assessed valuation and higher property tax revenues for the City. If the balance is positive, the projected decrease in assessed valuation may be offset by increased

housing prices and its related supplemental tax.

Sales tax collections increased in FY 2011-12 by an estimated 2% in comparison to the same period in FY 2010-11. Although there remains vacant retail space within the City, it is anticipated that in FY 2012-13 there will be small increases in sales tax of almost 2% over the year. However, collections could drop as surrounding communities compete for sales tax consumers and if the City's unemployment rate worsens.

Changes in Vehicle license fees indicate consumer's willingness for larger capital purchases. Near-term vehicle sales grew significantly in prior periods and signs of stabilization point to stable sales in FY 2011-12 and possibly the next fiscal year. New auto sales were up 13.0% for the June 2012 quarter as compared to the same quarter for 2011. If these trends continue, it could lead to larger increases in vehicle license fees in the coming years. However, this trend will likely not materialize and sales will most likely be flat in the next fiscal year. Utility user taxes are driven by consumer utility prices and demand. As demand lessened during the recession, receipts declined as well. Increases in utility rates from higher energy prices and planned capital improvements to pipeline infrastructure may lead to increased tax collection in the coming years. This source of funding remained relatively stable in FY 2011-12. Public Safety funding finished the year slightly below the level from prior year. However, public safety funding will be at risk as the State of California presents options to offset its currently projected deficits. Even with the passage of Proposition 30, the future is not a positive one for the State and this may impact the City's public safety funding.

Budget deficits have been eliminated in the most recent results. The FY 2011-12 and 2012-13 were approved as balanced by the City Council but not without many painful reductions. Austerity and wise spending patterns will continue to remain a part of the City's operations. During the 2011-12 fiscal year, under the City Council's direction, management built a strategy to balance the City's 2012-13 Budget through the following major objectives:

1. Meet with and agree to continue employee compensation concessions
2. Develop line item reduction options, including contractual services
3. Develop service reduction alternatives starting with added value programming and services and ending with core and essential services
4. Consider and propose resource enhancement options
5. Evaluate new opportunities to change how services are delivered

In the end, the General Fund results show a positive change in fund balance which increased from $1.6 million in FY 2010-11 to $4.3 million in 2011-12. This improvement was achieved through major employee concessions, elimination of General Fund capital projects and using other measures as described above. More details about these reductions can be found in 2012-13 Budget Document available within the Finance Department's home page (http://cityofwatsonville.org/finance-2).

Nevertheless, the fund balance level still needs improvement and City staff, under the direction of City Council members, will collaborate with City employees and continue working to improve its fund balance.

As referenced already, California's projected multi-billion deficit through fiscal year 2012-13 could result in substantial takeaways from the City of Watsonville. City funding sources for public safety, economic development and library programs are likely to be cut as the State develops specific legislative proposals to balance its long term structural operating deficit. Additional cuts to public safety can occur depending on the size of the shortfall. In addition, Governor Jerry Brown may again consider proposals to move services from the State level to the local level.

Fortunately, the passage of proposition 1A in November 2004 and Proposition 22 (under review by State Supreme Court) in November 2010 added new constitutional protections to some of the City's key revenue streams.

However, as referenced in an earlier section of this report, ABx126 was upheld by a court decision eliminating redevelopment in California. Later in the year AB 1484 was passed to add and clarify requirements for RDA dissolution. These new requirements have placed many new responsibilities upon the City in its new role as the successor agency with diminished revenues to operate the new agency.

As part of economic development efforts, the City continues to actively seek out and plan for opportunities to spur local development and economic growth. The City produced last year a new business marketing strategy with new website and logo entitled "Growing Opportunities on California's Monterey Bay". The City will continue implementing the applicable elements of this strategy. It has also assisted with the relocation of several businesses with the City, worked on beautification projects such as the historical apple crate mural program, and is supporting efforts to fill vacant retail space and drastically increase the City and surrounding region's broad band capacity.

Other long-term projects have been completed to improve our region's Water resources. The City's Water Enterprise Fund partnered with the Pajaro Valley Water Management Agency (PVWMA) to construct a water recycling facility and operations center. These facilities are in operation and will ensure the viability of coastal farming by providing an alternate water source to reduce the rate of salt water intrusion in the area's coastal wells.

Future growth plans include the development of a formally annexed area known as the Manabe-Ow area. The City is in the process of evaluating ways to support the development of the major infrastructure improvement that will be required. Ultimately, this land will be used predominantly for light industrial purposes and is estimated to create an additional 2,000 jobs over the next 20 years. The project is also expected to spur reinvestment in the surrounding industrial areas, further aiding in revenue growth and job creation for the City.

Also, the City and County are in the process of updating plans for future development in what is known as the Atkinson Lane area. This project includes the long-term development of approximately 450 dwelling units, 50% of which will be affordable housing. The City will not consider this area for development until the start of the next housing element cycle beginning in 2014.

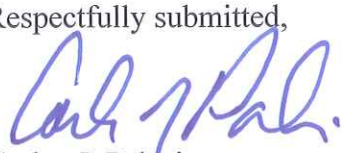
**Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Watsonville, California for its comprehensive annual financial report (CAFR) for the fiscal year ending June 30, 2011. This was the twelfth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easy, readable, and efficiently organized CAFR. 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 CAFR 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 government has received the GFOA's Award for Distinguished Budget Presentation for its biennial budget dated June 23, 2011. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including policy documentation, a financial plan and a communication device.

The preparation of this report could not have been accomplished without the efficient and dedicated service of the Finance Department staff. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. In particular Assistant Finance Officer, William P. Hays, CPA, who coordinated the audit. His leadership and dedication to the project is the major contributing factor to the City being rewarded the Certificate of Achievement for the last twelve years. Marissa Duran and Patricia Rodriguez, Financial Analysts, who maintain the City's general ledger, also 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: Marisa Bermudez, Letty Galvan, Christine McGrath, 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,



Carlos J. Palacios
City Manager

Ezequiel Vega
Administrative Services Director

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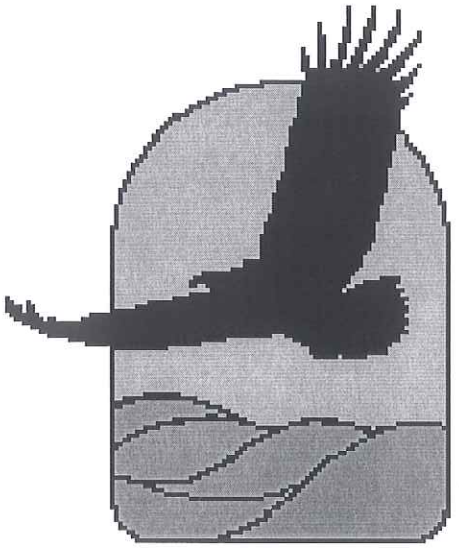


WATSONVILLE
CALIFORNIA

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## City of Watsonville California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

# City of Watsonville, California

# Officers and Officials

For the Fiscal Year Ending June 30, 2012

## City Council:

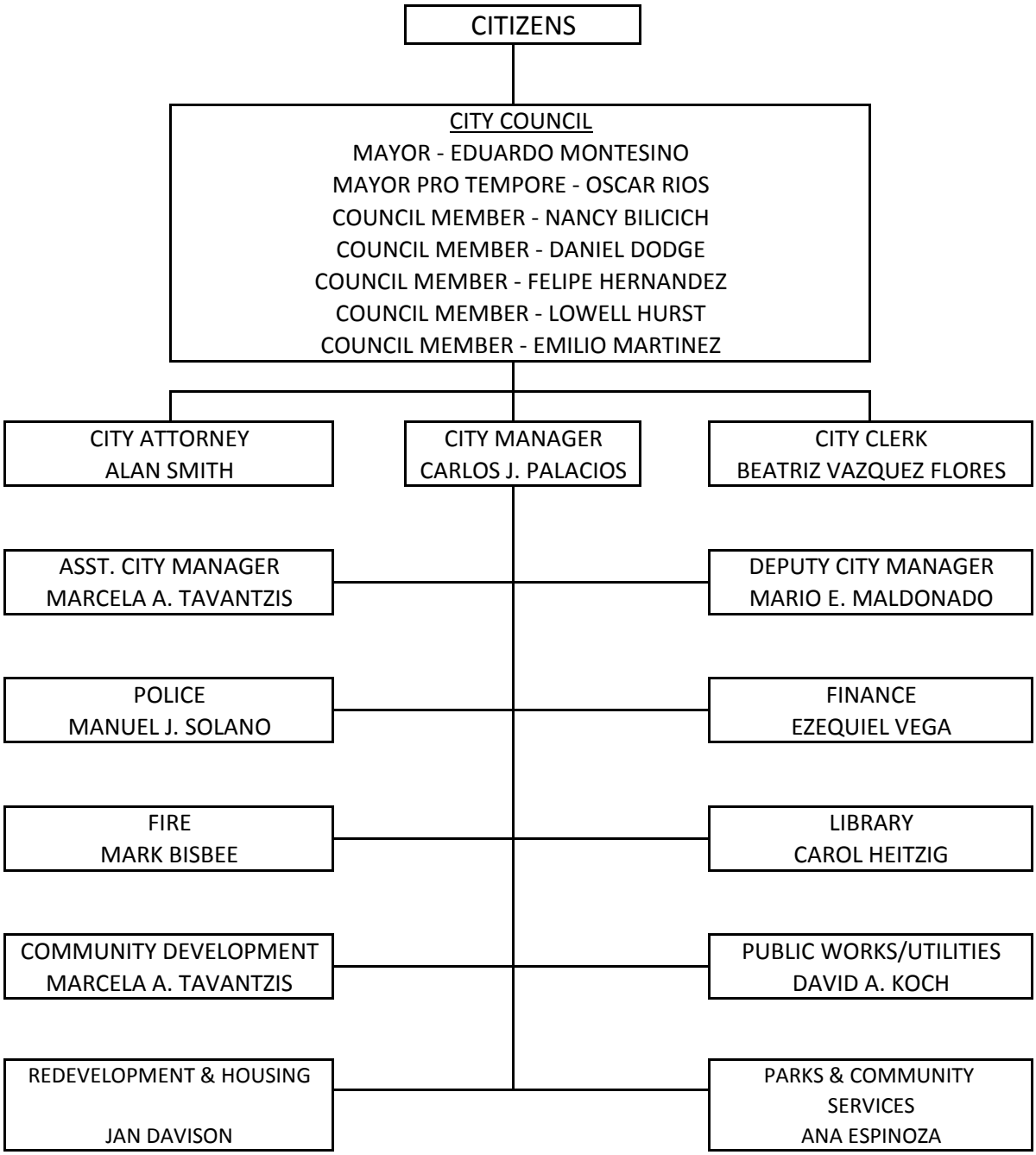
Mayor – Eduardo Montesino
Mayor Pro Tempore – Oscar Rios
Council Member – Nancy Bilicich
Council Member – Daniel Dodge
Council Member – Felipe Hernandez
Council Member – Lowell Hurst
Council Member – Emilio Martinez

## City Officials:

City Manager – Carlos J. Palacios
Assistant City Manager – Marcela A. Tavantzis
Deputy City Manager – Mario E. Maldonado
City Clerk – Beatriz Vazquez Flores
Fire Chief – Mark Bisbee
Police Chief – Manuel J. Solano
Public Works and Utilities Director – David A. Koch
Administrative Services Director – Ezequiel Vega
Library Director – Carol Heitzig
Community Development Director – Marcela A. Tavantzis
Parks and Community Development Services Director – Ana Espinoza
Redevelopment and Housing Director – Jan Davison

# WATSONVILLE GOVERNING BODY

## ORGANIZATIONAL STRUCTURE
## FISCAL YEAR 2011 - 2012



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WATSONVILLE
CALIFORNIA

# Financial Section

MOSS, LEVY & HARTZHEIM LLP
CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**
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**INDEPENDENT AUDITORS' REPORT**

City Council of the City of Watsonville
Watsonville, California

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 (City), as of and for the fiscal year ended June 30, 2012, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 of Watsonville as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the General Fund, Impact Fees Fund, Housing Fund, and the Redevelopment and Housing Grants Fund for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19 through 30, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Effective July 1, 2011, the City of Watsonville adopted Governmental Accounting Standards Board (GASB) Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions.* The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. Implementation of the GASB Statement No. 64 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2012.



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**MEMBER** AMERICAN INSTITUTE OF C.P.A.'S • CALIFORNIA SOCIETY OF MUNICIPAL FINANCE OFFICERS • CALIFORNIA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2013, 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, grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, combining nonmajor fund financial statements, nonmajor funds budgetary comparison schedules and the statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining nonmajor fund financial statements and nonmajor funds budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information included in the introductory section and statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Moss, Levy & Hartzheim, LLP
Culver City, California
January 28, 2013

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WATSONVILLE
CALIFORNIA

## CITY OF WATSONVILLE, CALIFORNIA
## MANAGEMENTS 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, 2012. 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 2 - 9 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### Financial Highlights

- The assets of the City of Watsonville exceeded its liabilities at the close of the most recent fiscal year by $269,247. Of this amount, $28,703 (unrestricted net assets) may be used to meet the government's obligations to citizens and creditors.

- The government's total restated net assets increased by $19,235. Investment in capital assets, net of related debt increased by $14,427, restricted funds decreased by $10,334 and unrestricted increased by $14,806. The major reason for the increase in net assets was the dissolution of all redevelopment agencies in the State of California, which removed three Agency funds from the City's financial statements.

- As of the close of the current fiscal year, the government's governmental funds reported combined ending fund balances of $15,471, an increase of $2,294 in comparison with the prior fiscal year's restated balances. The non-spendable portion of the fund balance was $44, the restricted portion was $13,089 and the unassigned amount was $2,338.

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

The *Statement of Activities* presents information showing how the City of Watsonville's net assets changed during the most recent fiscal year. All changes in net assets 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 only 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, and airport activities.

The government-wide financial statements can be found on pages 32 to 35 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 two categories: governmental funds and proprietary 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 twenty 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, low income housing set-aside fund, redevelopment and housing grant fund, general debt service fund and redevelopment agency debt service fund which are all major funds. Data for the other fourteen 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 36 to 43 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, and Airport 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, and airport operations, all of which are considered to be major funds of the City of Watsonville.

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

The basic proprietary funds financial statements can be found on pages 44 to 46 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 47-48.

**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 49 to 93 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, the 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 96 to 110 of this report.

**Government-wide Financial Analysis**

**Statement of Net Assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Watsonville, assets exceeded liabilities by $269,246 at the close of the most recent fiscal year.

By far the largest portion of the City of Watsonville's net assets (76%) 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 assets (15%) 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 assets $25,549 may be used to meet the government's ongoing obligations to citizens and creditors and include items such as reservations for insurance claims and those mandated by the City Charter.

**City of Watsonville's Net Assets**
**June 30, 2012**
(in thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | $ | $ | $ | $ | $ | $ |
| Current and other assets | 49,367 | 50,206 | 44,465 | 47,367 | 93,832 | 97,573 |
| Capital assets | 129,639 | 130,673 | 105,305 | 106,003 | 234,944 | 236,676 |
| Total Assets | 179,006 | 180,879 | 149,770 | 153,370 | 328,776 | 334,249 |
| Long-term liabilities outstanding | 11,077 | 28,636 | 38,833 | 40,553 | 49,910 | 69,189 |
| Other Liabilities | 7,220 | 11,255 | 2,399 | 3,457 | 9,619 | 14,712 |
| Total Liabilities | 18,297 | 39,891 | 41,232 | 44,010 | 59,529 | 83,901 |
| Net Assets: | | | | | | |
| Invested in capital assets, net of related debt | 128,634 | 112,462 | 72,824 | 74,569 | 201,458 | 187,031 |
| Restricted | 39,086 | 46,586 | - | 2,834 | 39,086 | 49,420 |
| Unresticted | (7,011) | (18,060) | 35,714 | 31,957 | 28,703 | 13,897 |
| Total Net Assets | 160,709 | 140,988 | 108,538 | 109,360 | 269,247 | 250,348 |

At the end of the current fiscal year, the City of Watsonville is able to report positive balances in all three categories of net assets for the government as a whole, as well as for its separate business-type activities. The City's governmental activities showed a negative unrestricted balance of $10,128.

The government's restated net assets increased by $18,786 during the current fiscal year. The government's governmental activities had an increase in restated net assets of $19,235. The government's governmental investment in capital assets net of related debt had an increase of $16,172. The major cause of the increase in investment in capital assets net of related debt assets was dissolution of the liability of the redevelopment tax increment debt from the calculation of the net assets with the dissolution of redevelopment agencies in the State of California.

The government's business-type activities restated net assets decreased by ($449) thousand. The decrease in business-type activities was from the Water and Sewer Funds. Most of the decrease in the water fund was from non capitalized maintenance projects to maintain the water funds infrastructure. The decrease in the sewer fund was from an increase in costs of sales and services of $895,000.

**City of Watsonville**
**Summary of Changes in Net Assets**
**For the Fiscal Year Ending June 30, 2012**
(in thousands)

| | Governmental Activities 2012 | 2011 | Business-type Activities 2012 | 2011 | Total 2012 | 2011 |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | 6,882 | 13,628 | 29,842 | 29,147 | 36,724 | 42,775 |
| Operating grants and contributions | 6,906 | 3,443 | 990 | 1,885 | 7,896 | 5,328 |
| Capital grants and contributions | 962 | 2,546 | 172 | 70 | 1,134 | 2,616 |
| General Revenues | | | | | | |
| Property taxes | 13,825 | 17,380 | - | - | 13,825 | 17,380 |
| Other taxes | 15,036 | 16,523 | - | - | 15,036 | 16,523 |
| Others | 2,190 | 873 | 724 | 1,116 | 2,914 | 1,989 |
| Total Revenues | 45,801 | 54,393 | 31,728 | 32,218 | 77,529 | 86,611 |
| Expenses: | | | | | | |
| General government | 7,729 | 8,010 | - | - | 7,729 | 8,010 |
| Public safety | 18,888 | 22,259 | - | - | 18,888 | 22,259 |
| Housing | 3,091 | 6,118 | - | - | 3,091 | 6,118 |
| Streets | 8,926 | 7,775 | - | - | 8,926 | 7,775 |
| Culture and recreation | 7,510 | 7,498 | - | - | 7,510 | 7,498 |
| Interest on debt | 1,153 | 3,089 | - | - | 1,153 | 3,089 |
| Water | - | - | 11,213 | 11,187 | 11,213 | 11,187 |
| Sewer | - | - | 9,842 | 9,342 | 9,842 | 9,342 |
| Solid waste | - | - | 8,583 | 8,165 | 8,583 | 8,165 |
| Airport | - | - | 2,539 | 2,520 | 2,539 | 2,520 |
| Total Expenses | 47,297 | 54,749 | 32,177 | 31,214 | 79,474 | 85,963 |
| Change in net assets before extraordinary item | (1,496) | (356) | (449) | 1,004 | (1,945) | 648 |
| Extraordinary items | 20,731 | - | - | - | 20,731 | - |
| Change in net assets | 19,235 | (356) | (449) | 1,004 | 18,786 | 648 |
| Net assets - beginning | 140,988 | 148,107 | 109,360 | 115,264 | 250,348 | 263,371 |
| Prior year adjustments | 486 | (6,763) | (373) | (6,908) | 113 | (13,671) |
| Net assets - beginning restated | 141,474 | 141,344 | 108,987 | 108,356 | 250,461 | 249,700 |
| Net assets ending | 160,709 | 140,988 | 108,538 | 109,360 | 269,247 | 250,348 |

**Governmental Activities.** Governmental activities increased the City of Watsonville's restated net assets by $19,513, thereby accounting for all the gain in the net assets of the City of Watsonville. Key elements of this increase are as follows:

- With the dissolution of the redevelopment agency and removal of its assets, liabilities and net assets from governmental funds, there was a reported extraordinary gain of $21,009. This change resulted in a decrease in both revenue and expense activity for the fiscal year.

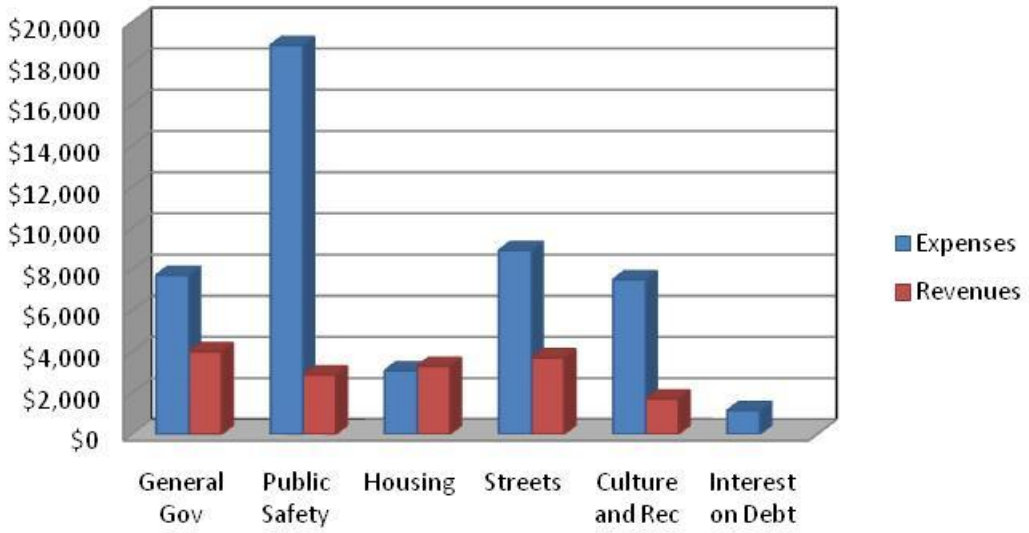
- Governmental revenues were lower by ($8,592), with the loss of redevelopment property tax a major reason for the decline.

- Governmental expenses declined by ($7,452), with public safety and housing activities having the largest declines. Housing expenses declined by ($3,027) from the prior year due

to the dissolution of redevelopment activates. Public safety expenses declined by ($3,371) from the prior year with the decline in grants activities being a major reason.

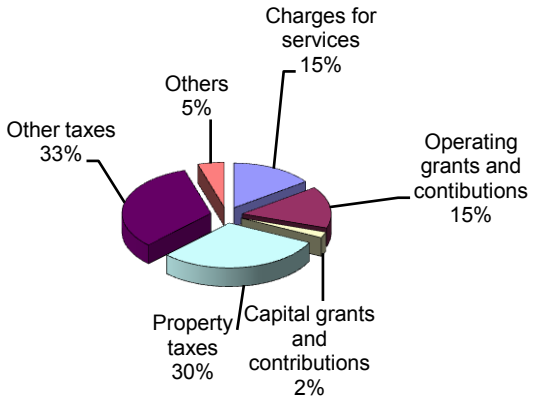
# Expenses and Program Revenues

Governmental Activities




# Revenues by Source

Governmental Activities



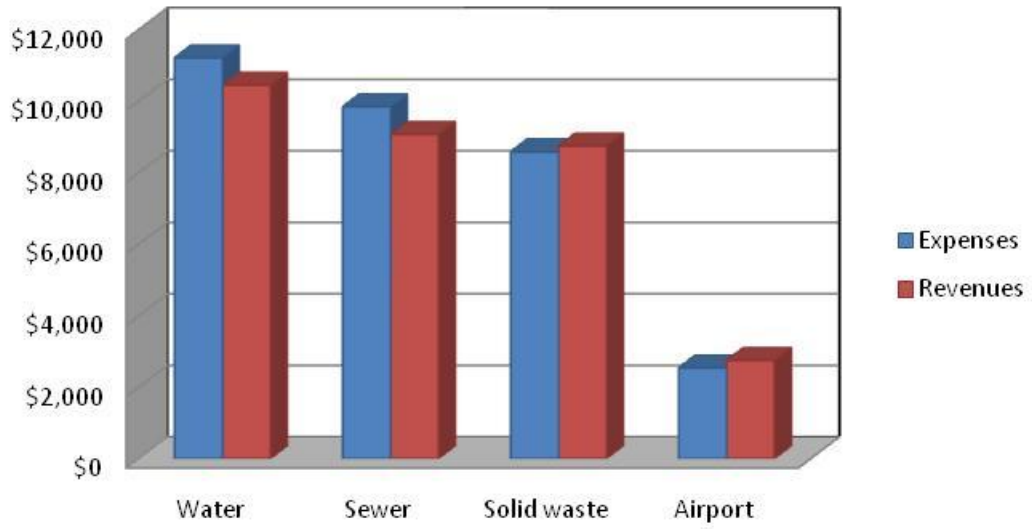

Expenses for general government, public safety, housing, and interest on debt decreased during the fiscal year. General government and public safety decreased due to decreased staffing costs related to salaries as a result of negotiations; while the reduction of housing costs is due to redevelopment agency elimination. Correspondingly, interest on debt decreased with the elimination of the City of Watsonville's Redevelopment Agency's debt.

Expenses for streets and culture and recreation increased during the fiscal year. Streets operations increased due to several major projects in the gas tax fund.

**Business-type activities.** Business-type activities decreased the City of Watsonville's restated net assets by ($449). Key elements of this decrease are as follows:

# Expenses and Program Revenues

Business-type Activities

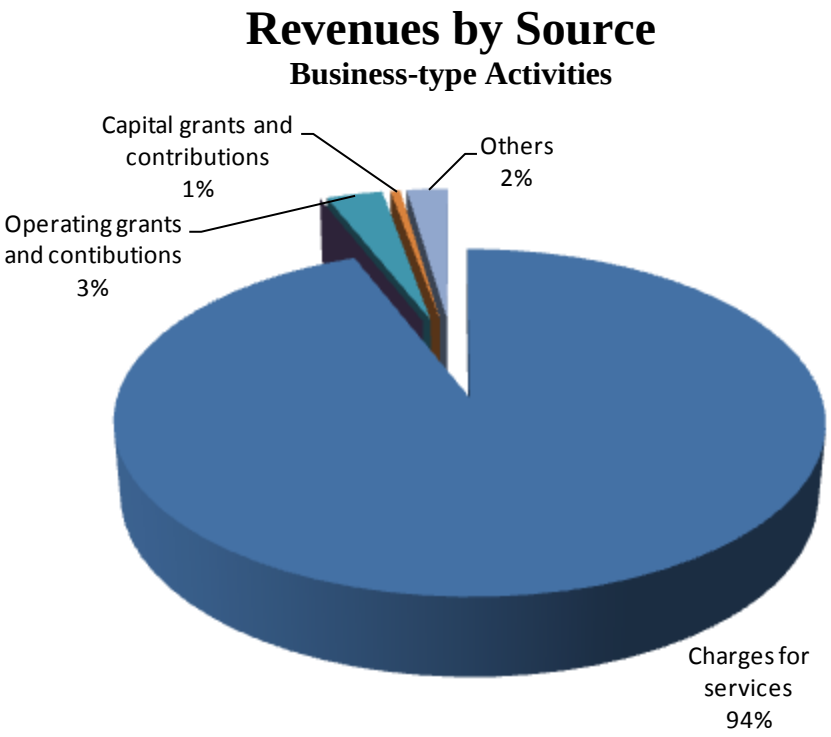



- Operating grants and contributions decreased by ($895) or 53%. The Sewer and Airport Funds had the most significant decreases in operating grants and contributions. The Sewer Fund decrease was due to the decline in several local grants for wetlands restoration. The Airport fund decrease was due to a decline in Federal Aviation grants.

- Other general revenues declined by ($392) due to the continuing decline in investments earnings.

- Sewer Fund charges for services increased due to the first full year of operating the new water recycling center operations for Pajaro Valley Waster Management Agency (PVWMA). These costs are reimbursed to the fund by PVWMA.

- Solid wastes charges for services increased by ($418), due mainly to the increasing cost of implementing various new recycling programs required by Federal and State laws.




**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 proposes 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 $15,471, an increase of $2,294 in comparison with the prior restated fund balances. The largest portion of fund balances is restricted for specific purposes and the largest restricted portion is for impact fees in the amount of $3,227. This balance is for projects that have been budgeted or planned and will be completed within the next five years. The remainder of fund balances is either non-spendable or unassigned at year end. The non-spendable portion of fund balances represents the amounts of funds that cannot be spent because they are either not in spendable form or legally required to remain intact. Unassigned fund balances represent amounts which are unconstrained in that they may be spent for any purpose.

The *General Fund* is the chief operating fund of the City of Watsonville. At the end of the current fiscal year, the charter reserve of the General Fund was $2,450. As a measure of the General Fund's liquidity, it may be useful to compare both the charter reserve and total fund balance to total fund expenditures. Charter reserve fund balance is 7.8 percent of total general fund expenditures, while total fund balance represents 13.8 percent of the same amount.

The restated fund balance of the City of Watsonville's General Fund increased by $849 during the current fiscal year due to the following key factors:

The General Fund total revenue collection was within .004 percent of projected revenues, with taxes; licenses, permits and fees; fines; interest and miscellaneous revenues all exceeding projected amounts.

The Impact Fees Fund had a fund balance of $3,227, an increase of $2,112 over the prior year's restated balance. This increase was mainly due to funds collection of deferred fees in regards to the struve slough bridge project.

The Housing Fund was established with the dissolution of the state's redevelopment agencies. The City elected to become the Successor Agency for the redevelopment agency and assumed the assets and liabilities for the housing set-aside fund.

The Redevelopment and Housing Grants Fund has a negative balance of ($683), an increase of $608 from the restated beginning fund balance. This increase is the result of timing differences from the time of expending grant funds and receiving reimbursement for those funds.

The government's Debt Service Fund had a fund balance of $932, an increase of $17 during the fiscal year. This increase was from interest revenue earned on bond reserves that will be used in the following year to pay debt services costs.

The redevelopment's Debt Service Fund was closed out on January 31, 2012 and all the assets and liabilities were transferred as extraordinary items to the new Successor Agency's Private Purpose Trust Fund.

**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 assets and changes of net assets for the four major enterprise funds are as follows:

### Proprietary Funds Change of Net Assets

| Fund | FY 2012 | FY 2011* | Change | % Change |
|---|---|---|---|---|
| Water | 54,320 | 54,572 | (252) | -0.462% |
| Sewer | 45,834 | 46,473 | (639) | -1.375% |
| Solid Waste | 3,071 | 2,835 | 236 | 8.325% |
| Airport | 5,313 | 5,107 | 206 | 4.034% |

* FY 2011 figures represent restated balances

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**

There were several midyear budget amendments this fiscal year. The City increased appropriations for the City Council travel allowance by $7.2, $30 for a new police vehicle, $134 for general insurance and compensation insurance and $29 for the reallocation of a staff person from grant funding to the City Manager division.

Taxes were $158 over budget. This increase in tax revenue was due to sales tax, and special sales tax being over budgeted amounts. Intergovernmental revenues were ($462) under budget with the loss of several operating grants within public safety and culture and recreation. Charges for services were over budget by ($174), with most of that being municipal services charges that were more than expected.

**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, 2012 was $234,941 (net of depreciation). This represents a $1,732 decrease from the prior year or 0.73%.

**Total City of Watsonville Capital Assets FY 2011-12**

| Capital Asset | FY 2012 | FY 2011 | Change | % Change |
|---|---|---|---|---|
| Land | 36,678 | 36,678 | - | 0.00% |
| Building and Improvements | 154,128 | 167,362 | (13,234) | -7.91% |
| Machinery | 14,272 | 13,556 | 716 | 5.28% |
| Infrastructure | 25,294 | 16,626 | 8,668 | 52.14% |
| Construction in progress | 4,569 | 2,451 | 2,118 | 86.41% |
| Totals | 234,941 | 236,673 | (1,732) | -0.73% |

The overall total decrease can be attributed to a decrease of 0.79% in Governmental Activities

**Governmental Activities Capital Assets FY 2011-12**

| Capital Asset | FY 2012 | FY 2011 | Change | % Change |
|---|---|---|---|---|
| Land | 14,015 | 14,015 | - | 0.00% |
| Building and Improvements | 96,764 | 108,530 | (11,766) | -10.84% |
| Machinery | 3,416 | 3,781 | (365) | -9.65% |
| Infrastructure | 13,343 | 3,968 | 9,375 | 236.27% |
| Construction in progress | 2,101 | 378 | 1,723 | 455.82% |
| Totals | 129,639 | 130,672 | (1,033) | -0.79% |

While Business Type Activities contributed to this decrease by a decrease of 0.66%

## Business Type Activities Capital Assets FY 2011-12

| Capital Asset | FY 2012 | FY 2011 | Change | % Change |
|---|---|---|---|---|
| Land | 22,664 | 22,664 | - | 0.00% |
| Building and Improvements | 59,433 | 58,833 | 600 | 1.02% |
| Machinery | 10,856 | 9,776 | 1,080 | 11.05% |
| Infrastructure | 9,884 | 12,658 | (2,774) | -21.91% |
| Construction in progress | 2,468 | 2,073 | 395 | 19.05% |
| Totals | 105,305 | 106,004 | (699) | -0.66% |

Additional information on the City of Watsonville's capital assets can be found in Note 4 on pages 64 to 65 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the City of Watsonville had total net debt outstanding of $50,996. Of this amount, $32,949 comprises debt that represents bonds secured solely by specific revenue sources (e.g. revenue bonds) less bond issuance costs of $712, and $575 in special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The other debt for governmental activities is made up of note payable of $1,714, debt payable of $3,014, postretirement liability of $2,723, compensated absences of $2,057, and $1,087 for capital leases. Business type activities have $2,606 in loans, postretirement liability of $1,040, compensated absences of $993 and landfill closure/postclosure liability of $2,949.

All of the outstanding debt of the Redevelopment Agency of the City of Watsonville was removed from the City's long term debt as of January 31, 2012 with the dissolution of redevelopment agencies as noted before. This debt was transferred to the Successor Agency and is being held in a private purpose trust fund.

The City of Watsonville issued Library Special Revenue Certificates of Participation during the 2003-04 fiscal year. At the time of issue, Moody's Investors Services rated the claims paying ability of the insurer as Aaa, on June 5, 2008 they downgrade the rating to Aa3 and Standard and Poor's Rating Service had rated the claims paying ability of the Insurer as AAA and also downgraded their rating to AA on June 19, 2008.

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 $91,968 which is significantly in excess of 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 in Note 4 on pages 68 to 79 of this report.

**Economic Factors and Next Year's Budget**

- Loss or reallocation of revenues to local governments due to the State of California fiscal crisis. Proposition 1A approved by the voters in November 2004 will require voter approval prior to the "taking" of local government revenues or declaration by the Governor and 2/3 approval by the legislature.

- Loss of Federal and State funding for Police Officers.

- Potential loss of sales tax revenues from the slowed economy.

- Loss of property revenues from the reassessment of properties within the City limits by the County of Santa Cruz.

- Possibility of more state revenue takeaways from the City due to the State's inability to correct the structural deficit in their budget.

With all the above factors considered, the City of Watsonville reduced service levels for the next fiscal year, with the decreases effecting all departments and funds. A City wide furlough was implemented for the 2009-10 fiscal year by reducing the work week from 40 hours to 36 hours and closing every Friday (4-day, 9 hour work week) and is still in effect for the 2012/13 fiscal year.

The City also closed down all City services (except of basic health and safety services) for three weeks during the 2012 holiday period to help close the budget gap due to continued declining revenues in the 2012-13 fiscal year.

All of these factors were taken into consideration during the preparation of the City of Watsonville's annual budget for the fiscal year 2012-13.

**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 Administrative Services Director, City of Watsonville, and 250 Main Street, Watsonville, CA 95076.

# Basic Financial Statements

**CITY OF WATSONVILLE, CALIFORNIA**
STATEMENT OF NET ASSETS
JUNE 30, 2012

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total |
| | $ | $ | $ |
| **ASSETS** | | | |
| Cash and investments | 14,412,244 | 3,288,862 | 17,701,106 |
| Cash and investments with fiscal agent | 774,791 | 2,469,637 | 3,244,428 |
| Receivables: | | | |
| Interest | 1,139,512 | 1,141,771 | 2,281,283 |
| Taxes | 2,559,514 | - | 2,559,514 |
| Assessments | 575,000 | - | 575,000 |
| Accounts | 564,075 | 4,715,195 | 5,279,270 |
| Intergovernmental | 2,331,327 | 184,367 | 2,515,694 |
| Internal balances | (2,984,714) | 2,984,714 | - |
| Loans receivable | 28,712,281 | 29,358,472 | 58,070,753 |
| Inventories | 43,728 | 321,789 | 365,517 |
| Deposits | 62,000 | - | 62,000 |
| Land held for resale | 1,177,012 | - | 1,177,012 |
| Capital assets (net of depreciation, where applicable) | | | |
| Land | 14,014,625 | 22,663,599 | 36,678,224 |
| Buildings and Improvements | 96,763,524 | 57,365,155 | 154,128,679 |
| Machinery | 3,416,472 | 10,856,386 | 14,272,858 |
| Infrastructure | 13,342,624 | 11,951,854 | 25,294,478 |
| Construction in progress | 2,101,462 | 2,468,404 | 4,569,866 |
| Total Assets | 179,005,477 | 149,770,205 | 328,775,682 |

See accompanying notes to financial statements

Continued

**CITY OF WATSONVILLE, CALIFORNIA**
STATEMENT OF NET ASSETS
JUNE 30, 2012

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total |
| | $ | $ | $ |
| **LIABILITIES** | | | |
| Accounts payable | 1,509,287 | 967,322 | 2,476,609 |
| Accrued personnel costs | 747,810 | 231,065 | 978,875 |
| Insurance claims payable | 3,545,653 | - | 3,545,653 |
| Interest payable | 48,361 | 194,140 | 242,501 |
| Retentions payable | 196,331 | - | 196,331 |
| Unearned revenue | 191,393 | 2,990 | 194,383 |
| Deposits | 980,904 | 11,106 | 992,010 |
| Noncurrent liabilities | | | |
| Due within one year | 1,500,367 | 2,220,929 | 3,721,296 |
| Due in more than one year (Net of capitalized discounts and issue costs) | 9,576,505 | 37,604,933 | 47,181,438 |
| Total Liabilities | 18,296,611 | 41,232,485 | 59,529,096 |
| **NET ASSETS** | | | |
| Investment in capital assets, net of related debt | 128,633,707 | 72,823,767 | 201,457,474 |
| Restricted for: | | | |
| Debt service | 891,650 | - | 891,650 |
| Impact fee | 3,394,070 | - | 3,394,070 |
| Housing | 14,163,122 | - | 14,163,122 |
| Redevelopment and housing grants | 13,285,677 | - | 13,285,677 |
| Grants, contributions & fees for specific purpose | 7,351,566 | - | 7,351,566 |
| Unrestricted | (7,010,926) | 35,713,953 | 28,703,027 |
| Total Net Assets | 160,708,866 | 108,537,720 | 269,246,586 |

See accompanying notes to financial statements

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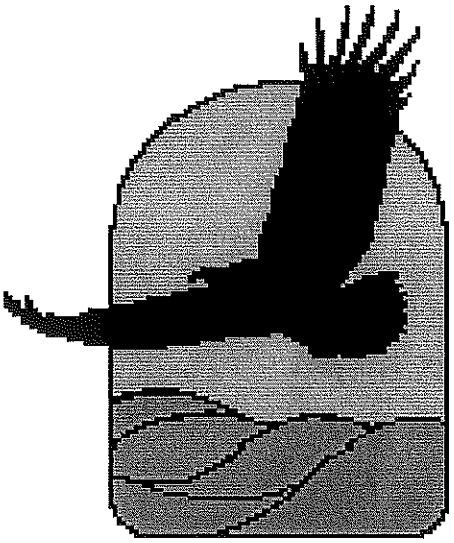

WATSONVILLE
CALIFORNIA

**CITY OF WATSONVILLE, CALIFORNIA**
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | | Program Revenues | | | Primary Government | | |
|---|---|---|---|---|---|---|---|
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Primary Government: | $ | $ | $ | $ | $ | $ | $ |
| Governmental activities: | | | | | | | |
| General government | 7,728,940 | 3,094,869 | 16,841 | - | (4,617,230) | - | (4,617,230) |
| Public safety | 18,887,814 | 1,702,939 | 1,187,706 | - | (15,997,169) | - | (15,997,169) |
| Housing | 3,090,722 | 903,080 | 2,396,046 | - | 208,404 | - | 208,404 |
| Streets | 8,925,837 | 15,979 | 2,739,568 | 962,344 | (5,207,946) | - | (5,207,946) |
| Culture and recreation | 7,510,504 | 1,165,195 | 565,424 | - | (5,779,885) | - | (5,779,885) |
| Interest on long term debt | 1,153,295 | - | - | - | (1,153,295) | - | (1,153,295) |
| Total government activities | 47,297,112 | 6,882,062 | 6,905,585 | 962,344 | (32,547,121) | - | (32,547,121) |
| Business-type activities | | | | | | | |
| Water | 11,212,983 | 10,119,068 | 154,395 | 171,783 | - | (767,737) | (767,737) |
| Sewer | 9,841,887 | 8,782,368 | 285,153 | - | - | (774,366) | (774,366) |
| Solid Waste | 8,583,383 | 8,711,686 | 34,500 | - | - | 162,803 | 162,803 |
| Airport | 2,539,033 | 2,228,985 | 515,670 | - | - | 205,622 | 205,622 |
| Total business-type activities | 32,177,286 | 29,842,107 | 989,718 | 171,783 | - | (1,173,678) | (1,173,678) |
| Total primary government | 79,474,398 | 36,724,169 | 7,895,303 | 1,134,127 | (32,547,121) | (1,173,678) | (33,720,799) |
| | General revenues: | | | | | | |
| | Property taxes | | | | 13,825,135 | - | 13,825,135 |
| | Sales taxes | | | | 9,774,217 | - | 9,774,217 |
| | Franchise taxes | | | | 708,368 | - | 708,368 |
| | Motor/vehicle taxes | | | | 1,521,473 | - | 1,521,473 |
| | Utility users taxes | | | | 2,933,759 | - | 2,933,759 |
| | Other taxes | | | | 97,940 | - | 97,940 |
| | Unrestricted investment earnings | | | | 2,189,925 | 724,635 | 2,914,560 |
| | Total general revenues | | | | 31,050,816 | 724,635 | 31,775,451 |
| | Change in net assets before extraordinary items | | | | (1,496,305) | (449,043) | (1,945,348) |
| | Extraordinary items | | | | 20,731,328 | - | 20,731,328 |
| | Change in net assets | | | | 19,235,023 | (449,043) | 18,785,980 |
| | Net assets - beginning | | | | 140,987,616 | 109,360,181 | 250,347,797 |
| | Prior period adjustments | | | | 486,227 | (373,418) | 112,809 |
| | Net assets - beginning, restated | | | | 141,473,843 | 108,986,763 | 250,460,606 |
| | Net assets - ending | | | | 160,708,866 | 108,537,720 | 269,246,586 |

See accompanying notes to financial statements

**CITY OF WATSONVILLE, CALIFORNIA**
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012

| | | SPECIAL REVENUE FUNDS | | | DEBT SERVICE FUNDS | | | |
|---|---|---|---|---|---|---|---|---|
| | GENERAL | IMPACT FEES | HOUSING | REDEVELOPMENT AND HOUSING GRANTS | GENERAL | REDEVELOPMENT | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| ASSETS: | | | | | | | | |
| Cash and investments | 5,555,008 | 2,939,208 | 433,050 | - | 151,428 | - | 5,333,550 | 14,412,244 |
| Cash and investments with fiscal agent | - | - | - | - | 774,791 | - | - | 774,791 |
| Receivables: | | | | | | | | |
| Interest | 37,930 | - | 662,207 | 377,641 | - | - | 61,734 | 1,139,512 |
| Taxes | 2,019,160 | - | - | - | 6,021 | | 534,333 | 2,559,514 |
| Deferred assessments | - | - | - | - | 575,000 | - | - | 575,000 |
| Accounts | 381,651 | 6,149 | 2,036 | - | - | - | 50,461 | 440,297 |
| Intergovernmental | 1,156,521 | 167,239 | - | 218,519 | - | - | 789,048 | 2,331,327 |
| Due from other funds | 2,449,051 | - | - | - | - | - | 785,451 | 3,234,502 |
| Advances receivable | - | 414,252 | - | - | - | - | 1,011,235 | 1,425,487 |
| Loans receivable | 141,466 | - | 11,889,370 | 14,979,171 | - | - | 1,702,274 | 28,712,281 |
| Inventories | 43,728 | - | - | - | - | - | - | 43,728 |
| Land held for resale | - | - | 1,177,012 | - | - | - | - | 1,177,012 |
| Total Assets | 11,784,515 | 3,526,848 | 14,163,675 | 15,575,331 | 1,507,240 | - | 10,268,086 | 56,825,695 |
| LIABILITIES AND FUND BALANCES: | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | 590,280 | 26,244 | - | 12,456 | - | - | 799,748 | 1,428,728 |
| Accrued personnel costs | 464,610 | 457 | 82 | 9,784 | - | - | 11,884 | 486,817 |
| Retentions payable | 103,900 | - | - | - | - | - | 92,431 | 196,331 |
| Due to other funds | - | 106,077 | - | 785,451 | - | - | 1,410,530 | 2,302,058 |
| Advances payable | 4,410,201 | - | - | - | - | - | - | 4,410,201 |
| Deferred revenue | 814,985 | 167,239 | 11,921,638 | 15,448,236 | 575,000 | - | 2,430,938 | 31,358,036 |
| Unearned revenue | 187,975 | - | - | 2,070 | - | - | 1,348 | 191,393 |
| Deposits | 864,027 | - | 471 | - | - | - | 116,406 | 980,904 |
| Total Liabilities | 7,435,978 | 300,017 | 11,922,191 | 16,257,997 | 575,000 | - | 4,863,285 | 41,354,468 |
| Fund Balances: | | | | | | | | |
| Nonspendable: | | | | | | | | |
| Inventories | 43,728 | - | - | - | - | - | - | 43,728 |
| Restricted for: | | | | | | | | |
| Debt service | - | - | - | - | 932,240 | - | - | 932,240 |
| Impact fees | - | 3,226,831 | | - | - | - | - | 3,226,831 |
| Housing | - | - | 2,241,484 | - | - | - | - | 2,241,484 |
| Gas tax | - | - | - | - | - | - | 1,481,967 | 1,481,967 |
| Narcotics assets seizure | - | - | - | - | - | - | 58,347 | 58,347 |
| Business development | - | - | - | - | - | - | 183,041 | 183,041 |
| Rental rehabilitation | - | - | - | - | - | - | 497,179 | 497,179 |
| Library | - | - | - | - | - | - | 1,400,820 | 1,400,820 |
| Parks development | - | - | - | - | - | - | 1,011,876 | 1,011,876 |
| Business booster loan program | - | - | - | - | - | - | 281,022 | 281,022 |
| Inclusionary housing | - | - | - | - | - | - | 1,775,051 | 1,775,051 |
| Unassigned | 4,304,809 | - | - | (682,666) | - | - | (1,284,502) | 2,337,641 |
| Total Fund Balances | 4,348,537 | 3,226,831 | 2,241,484 | (682,666) | 932,240 | - | 5,404,801 | 15,471,227 |
| Total Liabilities and Fund Balances | 11,784,515 | 3,526,848 | 14,163,675 | 15,575,331 | 1,507,240 | - | 10,268,086 | 56,825,695 |

See accompanying notes to financial statements

**CITY OF WATSONVILLE, CALIFORNIA**
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENTS OF NET ASSETS
JUNE 30,2012

| | $ |
|---|---|
| Amounts Reported For Governmental Activities To The Statement Of Net Assets Are Different Because: | |
| Fund Balances Of Governmental Funds. (Page 36) | 15,471,227 |
| Capital Assets Used In Governmental Activities Are Not Financial Resources And, Therefore, Are Not Reported In The Funds. | 186,931,414 |
| Accumulated Depreciation Has Not Been Included In The Funds Financial Statements. | (57,292,707) |
| Internal Service Fund Is Used By Management To Charge The Costs Of Insurances To Individual Funds. The Assets And Liabilities Of The Internal Service Fund Are Included In Governmental Activities In The Statement Of Net Assets. | (4,633,871) |
| Loans, Intergovernmental And Assessment Receivables Recorded As Deferred Revenue In The Governmental Funds Was Recorded As Revenue On The Statement Of Activities. | 31,358,036 |
| Long-term Debt Is Not Due And Payable In The Current Period And Therefore Not Reported In Governmental Funds. | (11,170,157) |
| Bond Issuance Costs are Expensed In Year Of Issuance Therefore Not Reported In Governmental Funds. | 93,285 |
| Interest Payable Is Not Due And Payable In The Current Period And Therefore Not Reported In Governmental Funds. | (48,361) |
| Net Assets Of Governmental Funds. (Page 33) | 160,708,866 |

See accompanying notes to financial statements

**CITY OF WATSONVILLE, CALIFORNIA**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | | SPECIAL REVENUE FUNDS | | | DEBT SERVICE FUNDS | | | |
|---|---|---|---|---|---|---|---|---|
| | GENERAL | IMPACT FEES | HOUSING | REDEVELOPMENT AND HOUSING GRANTS | GENERAL | REDEVELOPMENT | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| REVENUES: | | | | | | | | |
| Taxes | 19,417,951 | - | - | - | - | 2,755,784 | 6,687,156 | 28,860,891 |
| Licenses, permits, and fees | 2,425,225 | 287,798 | - | - | - | - | 559,004 | 3,272,027 |
| Intergovernmental | 1,450,733 | 2,656,823 | - | 2,066,246 | - | - | 1,494,697 | 7,668,499 |
| Charges for services | 4,773,202 | - | - | - | - | - | - | 4,773,202 |
| Fines | 804,056 | - | - | - | - | - | - | 804,056 |
| Interest | 2,189,924 | 82,745 | 2,304 | 186 | - | - | 69,260 | 2,344,419 |
| Special assessment | - | - | - | - | 171,703 | - | - | 171,703 |
| Miscellaneous | 358,432 | - | 223,408 | - | - | - | 373,920 | 955,760 |
| Total revenues | 31,419,523 | 3,027,366 | 225,712 | 2,066,432 | 171,703 | 2,755,784 | 9,184,037 | 48,850,557 |
| EXPENDITURES: | | | | | | | | |
| Current: | | | | | | | | |
| General government | 5,763,514 | - | - | - | - | - | 398,942 | 6,162,456 |
| Public safety | 20,336,001 | - | - | - | - | - | - | 20,336,001 |
| Housing | - | - | 5,009 | 1,122,574 | - | - | 2,063,385 | 3,190,968 |
| Streets | 5,443,228 | 922,198 | - | - | - | - | 3,105,975 | 9,471,401 |
| Culture and recreation | 4,266,903 | - | - | - | - | - | 2,509,740 | 6,776,643 |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | 1,189,088 | 949,579 | - | 2,138,667 |
| Interest and fiscal charges | - | - | - | - | 238,499 | 1,028,081 | - | 1,266,580 |
| Total expenditures | 35,809,646 | 922,198 | 5,009 | 1,122,574 | 1,427,587 | 1,977,660 | 8,078,042 | 49,342,716 |
| Excess (deficiency) of revenues over (under) expenditures | (4,390,123) | 2,105,168 | 220,703 | 943,858 | (1,255,884) | 778,124 | 1,105,995 | (492,159) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Loan Proceeds | 3,014,285 | - | - | - | - | - | - | 3,014,285 |
| Transfers in | 2,225,184 | 29,850 | - | - | 1,273,145 | 132,450 | 2,222,321 | 5,882,950 |
| Transfers out | - | (23,140) | - | (335,905) | - | (1,896,546) | (3,627,359) | (5,882,950) |
| Total other financing sources (uses) | 5,239,469 | 6,710 | - | (335,905) | 1,273,145 | (1,764,096) | (1,405,038) | 3,014,285 |
| Net change in fund balances before extraordinary items | 849,346 | 2,111,878 | 220,703 | 607,953 | 17,261 | (985,972) | (299,043) | 2,522,126 |
| SPECIAL ITEM | | | | | | | | |
| Gain/Loss on transfer of Redevelopment Agency Housing Assets | - | - | 2,020,781 | - | - | - | (2,020,781) | - |
| EXTRAORDINARY ITEM | | | | | | | | |
| Gain/Loss on transfer of assets and liabilities to RDA Successor Trust Fund | - | - | - | - | - | (1,134,040) | 906,040 | (228,000) |
| Net change in fund balances | 849,346 | 2,111,878 | 2,241,484 | 607,953 | 17,261 | (2,120,012) | (1,413,784) | 2,294,126 |
| Fund balances, July 1 | 1,598,588 | 1,114,953 | - | (1,290,619) | 914,979 | 2,149,052 | 6,548,610 | 11,035,563 |
| Prior period adjustments | 1,900,603 | - | - | - | - | (29,040) | 269,975 | 2,141,538 |
| Fund balances, July 1, as restated | 3,499,191 | 1,114,953 | - | (1,290,619) | 914,979 | 2,120,012 | 6,818,585 | 13,177,101 |
| Fund balances, June 30 | 4,348,537 | 3,226,831 | 2,241,484 | (682,666) | 932,240 | - | 5,404,801 | 15,471,227 |

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, 2012

| | $ |
|---|---|
| Amounts Reported For Governmental Activities In The Statement Of Activities Are Different Because: | |
| Net Change In Fund Balance - Total Governmental Funds (Page 38) | 2,522,126 |
| Governmental Funds Report Capital Outlay As Expenditures However, In The Statement Of Activities The Cost Of Those Assets Are Allocated Over Their Estimated Useful Lives And Reported As Depreciation Expense. This Is The Amount By Which Capital Outlays Exceeded Depreciation In The Current Period And Costs of Capital Assets Disposed In The Current Year. | (1,033,803) |
| Revenues On The Statement Of Activities That Does Not Provide Current Financial Resources Are Not Reported As Revenues In Governmental Funds. | (3,049,751) |
| The Issuance Of Long-term Debt (e.g., Bonds) Provides Current Financial Resources To Governmental Funds, While The Repayment Of The Principal Of Long-term Debt Consumes The Current Financial Resources Of Governmental Funds. Neither Transaction, However Has Any Effect On Net Assets. | |
| This Is The Amount Of Debt Proceeds | (3,014,285) |
| This Amount Is The Repayment Of Principal. | 2,138,667 |
| This Amount Is The Amortization Of Bonds Issuance Costs | 43,784 |
| This Amount Of Post Retirement Costs | (446,509) |
| This Amount Of Compensated Absences | (123,418) |
| Internal Service Funds Are Used By Management To Charge The Costs Of Insurance To Individual Funds. | 1,475,795 |
| Interest Expense Reported In The Statement Of Activities Does Not Require The Use Of Current Financial Resources And, Therefore Is Not Reported As An Expenditure In Governmental Funds. | (8,911) |
| Change In Net Assets Of Governmental Funds. (Page 35) | (1,496,305) |

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, 2012

| | Budgeted Amounts | | | Variance With Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| | $ | $ | $ | $ |
| REVENUES: | | | | |
| Taxes | 19,260,085 | 19,260,085 | 19,417,951 | 157,866 |
| Licenses, permits, and fees | 2,346,201 | 2,346,201 | 2,425,225 | 79,024 |
| Intergovernmental | 1,912,502 | 1,912,502 | 1,450,733 | (461,769) |
| Charges for services | 4,947,069 | 4,947,069 | 4,773,202 | (173,867) |
| Fines | 797,800 | 797,800 | 804,056 | 6,256 |
| Interest | 2,082,400 | 2,082,400 | 2,189,924 | 107,524 |
| Miscellaneous | 212,460 | 212,460 | 358,432 | 145,972 |
| Total revenues | 31,558,517 | 31,558,517 | 31,419,523 | (138,994) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 5,635,000 | 5,698,766 | 5,763,514 | (64,748) |
| Public safety | 21,119,916 | 21,212,411 | 20,336,001 | 876,410 |
| Streets | 6,517,057 | 6,532,275 | 5,443,228 | 1,089,047 |
| Culture and recreation | 4,202,002 | 4,210,923 | 4,266,903 | (55,980) |
| Total expenditures | 37,473,975 | 37,654,375 | 35,809,646 | 1,844,729 |
| Excess (deficiency) of revenues over (under) expenditures | (5,915,458) | (6,095,858) | (4,390,123) | 1,705,735 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Loan proceeds | 3,015,000 | 3,015,000 | 3,014,285 | (715) |
| Transfers in | 2,199,724 | 2,199,724 | 2,225,184 | 25,460 |
| Total other financing sources (uses) | 5,214,724 | 5,214,724 | 5,239,469 | 24,745 |
| Net change in fund balance | (700,734) | (881,134) | 849,346 | 1,730,480 |
| Fund balance, July 1 | 1,598,588 | 1,598,588 | 1,598,588 | - |
| Prior period adjustments | - | - | 1,900,603 | 1,900,603 |
| Fund balance July 1, as restated | 1,598,588 | 1,598,588 | 3,499,191 | 1,900,603 |
| Fund balance, June 30 | 897,854 | 717,454 | 4,348,537 | 3,631,083 |

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, 2012

| | Budgeted Amounts | | | Variance With Final Budget - Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual | |
| | $ | $ | $ | $ |
| REVENUES: | | | | |
| Licenses, permits, and fees | 275,000 | 275,000 | 287,798 | 12,798 |
| Intergovernmental | 132,000 | 132,000 | 2,656,823 | 2,524,823 |
| Interest | 106,500 | 106,500 | 82,745 | (23,755) |
| Total revenues | 513,500 | 513,500 | 3,027,366 | 2,513,866 |
| EXPENDITURES: | | | | |
| | 2,769,647 | 2,769,647 | 922,198 | 1,847,449 |
| Total expenditures | 2,769,647 | 2,769,647 | 922,198 | 1,847,449 |
| Excess (deficiency) of revenues over (under) expenditures | (2,256,147) | (2,256,147) | 2,105,168 | 4,361,315 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfer In | 22,961 | 22,961 | 29,850 | 6,889 |
| Transfers out | (23,140) | (23,140) | (23,140) | - |
| Total other financing sources (uses) | (179) | (179) | 6,710 | 6,889 |
| Net change in fund balance | (2,256,326) | (2,256,326) | 2,111,878 | 4,368,204 |
| Fund balance, July 1 | 1,114,953 | 1,114,953 | 1,114,953 | - |
| Fund balance, June 30 | (1,141,373) | (1,141,373) | 3,226,831 | 4,368,204 |

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, 2012

| | Budgeted Amounts | | | Variance With Final Budget - Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual | |
| | $ | $ | $ | $ |
| REVENUES: | | | | |
| Interest | - | - | 2,304 | 2,304 |
| Miscellaneous | - | - | 223,408 | 223,408 |
| Total revenues | - | - | 225,712 | 225,712 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Housing | - | - | 5,009 | (5,009) |
| Total expenditures | - | - | 5,009 | (5,009) |
| Net change in fund balances before special items | - | - | 220,703 | 220,703 |
| SPECIAL ITEM | | | | |
| Gain/Loss on transfer of Redevelopment Agency Housing Assets | - | - | 2,020,781 | 2,020,781 |
| Net change in fund balances | - | - | 2,241,484 | 2,241,484 |
| Fund balances, July 1 | - | - | - | - |
| Fund balances, June 30 | - | - | 2,241,484 | 2,241,484 |

See accompanying notes to financial statements

**CITY OF WATSONVILLE, CALIFORNIA**
REDEVELOPMENT AND HOUSING GRANTS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | Budgeted Amounts | | | Variance With Final Budget - Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual | |
| REVENUES: | $ | $ | $ | $ |
| Intergovernmental | 1,965,941 | 1,965,941 | 2,066,246 | 100,305 |
| Interest | - | - | 186 | 186 |
| Total revenues | 1,965,941 | 1,965,941 | 2,066,432 | 100,491 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Housing | 2,668,260 | 2,685,260 | 1,122,574 | 1,562,686 |
| Total expenditures | 2,668,260 | 2,685,260 | 1,122,574 | 1,562,686 |
| Excess (deficiency) of revenues over (under) expenditures | (702,319) | (719,319) | 943,858 | 1,663,177 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers out | (353,167) | (353,167) | (335,905) | 17,262 |
| Total other financing sources (uses) | (353,167) | (353,167) | (335,905) | 17,262 |
| Net change in fund balances | (1,055,486) | (1,072,486) | 607,953 | 1,680,439 |
| Fund balance, July 1 | (1,290,619) | (1,290,619) | (1,290,619) | - |
| Fund balance, June 30 | (2,346,105) | (2,363,105) | (682,666) | 1,680,439 |

See accompanying notes to financial statements

**CITY OF WATSONVILLE, CALIFORNIA**
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities - Internal Service Fund |
|---|---|---|---|---|---|---|
| | WATER | SEWER | SOLID WASTE | AIRPORT | TOTALS | |
| | $ | $ | $ | $ | $ | $ |
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Cash and investments | 427,159 | 2,184,961 | 675,592 | 1,150 | 3,288,862 | |
| Cash and investments with fiscal agent | 2,350,726 | 49,250 | 69,661 | - | 2,469,637 | - |
| Receivables: | | | | | | |
| Interest | 1,141,771 | - | - | - | 1,141,771 | - |
| Accounts | 1,572,717 | 2,287,773 | 733,073 | 121,632 | 4,715,195 | 123,778 |
| Loans | - | 50,466 | - | - | 50,466 | - |
| Intergovernmental | 175,967 | - | 8,400 | - | 184,367 | - |
| Due from other funds | - | - | 3,852,136 | - | 3,852,136 | - |
| Deposits | - | - | - | - | - | 62,000 |
| Inventories | 250,039 | - | 467 | 71,283 | 321,789 | - |
| Total Current Assets | 5,918,379 | 4,572,450 | 5,339,329 | 194,065 | 16,024,223 | 185,778 |
| Noncurrent Assets | | | | | | |
| Advances receivable | 933,166 | 701,400 | 1,350,148 | - | 2,984,714 | - |
| Loan receivable | 28,260,294 | 1,047,712 | - | - | 29,308,006 | - |
| Capital assets: | | | | | | |
| Land and improvements | 5,698,697 | 8,943,006 | 438,000 | 7,583,896 | 22,663,599 | - |
| Buildings | 37,915,627 | 29,417,748 | 4,107,495 | 8,791,900 | 80,232,770 | - |
| Machinery and equipment | 8,474,136 | 3,605,196 | 6,205,142 | 287,199 | 18,571,673 | - |
| Infrastructure | 12,867,724 | 38,357,590 | 1,019,969 | 1,941,125 | 54,186,408 | - |
| Construction in progress | 2,209,612 | - | - | 258,792 | 2,468,404 | - |
| Accumulated depreciation | (18,061,482) | (37,578,521) | (8,074,030) | (9,103,423) | (72,817,456) | - |
| Total Capital Assets (Net of accumulated depreciation) | 49,104,314 | 42,745,019 | 3,696,576 | 9,759,489 | 105,305,398 | - |
| Total Noncurrent Assets | 78,297,774 | 44,494,131 | 5,046,724 | 9,759,489 | 137,598,118 | - |
| Total Assets | 84,216,153 | 49,066,581 | 10,386,053 | 9,953,554 | 153,622,341 | 185,778 |
| LIABILITIES | | | | | | |
| Current Liabilities: | | | | | | |
| Accounts payable | 508,393 | 273,642 | 150,412 | 34,875 | 967,322 | 80,559 |
| Accrued personnel costs | 51,837 | 111,408 | 52,601 | 15,219 | 231,065 | 260,993 |
| Insurance claims payable | - | - | - | - | - | 3,545,653 |
| Interest payable | 166,307 | 10,147 | 17,686 | - | 194,140 | - |
| Unearned revenue | - | - | - | 2,990 | 2,990 | - |
| Due to other funds | - | - | - | 3,852,136 | 3,852,136 | 932,444 |
| Due to other governments | - | - | - | - | - | - |
| Customer deposits | 11,106 | - | - | - | 11,106 | - |
| Current maturities of long term debt: | | | | | | |
| Compensated Absences | 13,745 | 24,846 | 18,064 | 2,906 | 59,561 | - |
| Liability for landfill closure | - | - | 59,500 | - | 59,500 | - |
| Revenue Bonds | - | 489,974 | 667,272 | - | 1,157,246 | - |
| City of Watsonville Loan | 558,220 | - | - | 386,402 | 944,622 | - |
| Total Current Liabilities | 1,309,608 | 910,017 | 965,535 | 4,294,528 | 7,479,688 | 4,819,649 |
| Noncurrent Liabilities: | | | | | | |
| Compensated Absences | 215,333 | 389,247 | 282,998 | 45,534 | 933,112 | - |
| Post retirement | 261,043 | 368,853 | 341,254 | 68,745 | 1,039,895 | - |
| Liability for landfill closure | - | - | 2,890,015 | - | 2,890,015 | - |
| City of Watsonville Loan | 1,429,676 | - | - | 232,192 | 1,661,868 | - |
| Revenue bonds payable (Net of capitalized discounts and issue costs) | 26,680,462 | 1,564,383 | 2,835,198 | - | 31,080,043 | - |
| Total Noncurrent Liabilities | 28,586,514 | 2,322,483 | 6,349,465 | 346,471 | 37,604,933 | - |
| Total Liabilities | 29,896,122 | 3,232,500 | 7,315,000 | 4,640,999 | 45,084,621 | 4,819,649 |
| Net Assets | | | | | | |
| Investment in capital assets (Net of related debt) | 22,292,791 | 40,739,912 | 263,767 | 9,527,297 | 72,823,767 | - |
| Unrestricted | 32,027,240 | 5,094,169 | 2,807,286 | (4,214,742) | 35,713,953 | (4,633,871) |
| Total Net Assets | 54,320,031 | 45,834,081 | 3,071,053 | 5,312,555 | 108,537,720 | (4,633,871) |

See accompanying notes to financial statements

**CITY OF WATSONVILLE, CALIFORNIA**
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities - Internal Service Fund |
|---|---|---|---|---|---|---|
| | WATER | SEWER | SOLID WASTE | AIRPORT | TOTALS | |
| | $ | $ | $ | $ | $ | $ |
| OPERATING REVENUES: | | | | | | |
| Charges for services | 10,119,068 | 8,782,368 | 8,711,686 | 2,228,985 | 29,842,107 | 7,651,582 |
| Total Operating Revenue | 10,119,068 | 8,782,368 | 8,711,686 | 2,228,985 | 29,842,107 | 7,651,582 |
| OPERATING EXPENSES: | | | | | | |
| Costs of sales and services | 6,628,551 | 8,371,992 | 7,376,439 | 2,262,894 | 24,639,876 | 6,175,787 |
| Depreciation | 1,545,646 | 1,365,505 | 654,343 | 209,830 | 3,775,324 | - |
| Total Operating Expenses | 8,174,197 | 9,737,497 | 8,030,782 | 2,472,724 | 28,415,200 | 6,175,787 |
| Operating Income (Loss) | 1,944,871 | (955,129) | 680,904 | (243,739) | 1,426,907 | 1,475,795 |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Lease revenue | - | - | - | 467,422 | 467,422 | - |
| Grant revenue | - | 224,768 | 34,500 | 48,248 | 307,516 | - |
| Interest revenue | 515,547 | 135,846 | 73,242 | - | 724,635 | - |
| Interest expense | (1,449,929) | (100,004) | (233,219) | (66,309) | (1,849,461) | - |
| Miscellaneous expenses | (1,588,857) | - | - | - | (1,588,857) | - |
| Landfill usage | - | - | (313,171) | - | (313,171) | - |
| Amortization | - | (4,386) | (6,211) | - | (10,597) | - |
| Total Nonoperating Revenues (expenses) | (2,523,239) | 256,224 | (444,859) | 449,361 | (2,262,513) | - |
| Income Before Contributions | | | | | | |
| Capital contributions - | | | | | | |
| Grants | 171,783 | - | - | - | 171,783 | - |
| Connection fees | 154,395 | 60,385 | - | - | 214,780 | - |
| Changes in Net Assets | (252,190) | (638,520) | 236,045 | 205,622 | (449,043) | 1,475,795 |
| Total Net Assets - Beginning | 53,129,325 | 47,635,589 | 2,882,591 | 5,712,676 | 109,360,181 | (6,109,666) |
| Prior period adjustments | 1,442,896 | (1,162,988) | (47,583) | (605,743) | (373,418) | - |
| Total Net Assets - Beginning, as restated | 54,572,221 | 46,472,601 | 2,835,008 | 5,106,933 | 108,986,763 | (6,109,666) |
| Total Net Assets - Ending | 54,320,031 | 45,834,081 | 3,071,053 | 5,312,555 | 108,537,720 | (4,633,871) |

See accompanying notes to financial statements

**CITY OF WATSONVILLE, CALIFORNIA**
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities - Internal Service Fund |
|---|---|---|---|---|---|---|
| | WATER | SEWER | SOLID WASTE | AIRPORT | TOTALS | |
| | $ | $ | $ | $ | $ | $ |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | |
| Receipts from customers and users | 10,432,388 | 7,550,055 | 8,711,686 | 2,135,101 | 28,829,230 | - |
| Receipts from interfund services provided | - | - | - | - | - | 7,651,582 |
| Payments to suppliers | (4,231,523) | (4,190,099) | (4,066,185) | (2,269,772) | (14,757,579) | (7,680,612) |
| Payments to employees | (2,875,881) | (4,275,286) | (2,617,855) | (626,292) | (10,395,314) | - |
| Payment for interfund services used | (103,476) | (28,985) | (565,796) | (18,535) | (716,792) | - |
| Net cash provided by operating activities | 3,221,508 | (944,315) | 1,461,850 | (779,498) | 2,959,545 | (29,030) |
| CASH FLOW FRON NONCAPITALFINANCING ACTIVITIES | | | | | | |
| Non operating expenses | (1,588,857) | - | (222,331) | - | (1,811,188) | - |
| Transfers to other funds | - | - | (3,852,136) | - | (3,852,136) | - |
| Transfers from other funds | - | - | - | 970,113 | 970,113 | (220,970) |
| Net cash provided (used) by noncapital financing activities | (1,588,857) | - | (4,074,467) | 970,113 | (4,693,211) | (220,970) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Acquisition of capital assets | (1,933,179) | (236,762) | (648,824) | (258,793) | (3,077,558) | - |
| Connection fees | 154,395 | 60,385 | - | - | 214,780 | - |
| Grant revenue | 171,783 | 224,768 | 34,500 | 48,248 | 479,299 | - |
| Principal paid on long term debt | (460,577) | (523,566) | (582,831) | (381,183) | (1,948,157) | - |
| Interest paid on long term debt | (1,449,929) | (102,460) | (236,607) | (66,309) | (1,855,305) | - |
| Net cash provided (used) by capital and related financing activities | (3,517,507) | (577,635) | (1,433,762) | (658,037) | (6,186,941) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | |
| Lease revenue | - | - | - | 467,422 | 467,422 | - |
| Interest received | 138,214 | 135,846 | 73,242 | - | 347,302 | - |
| Net cash provided (used) by investment activities | 138,214 | 135,846 | 73,242 | 467,422 | 814,724 | - |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (1,746,642) | (1,386,104) | (3,973,137) | - | (7,105,883) | (250,000) |
| CASH AND CASH EQUIVALENTS, JULY 1 | 4,524,527 | 3,620,315 | 4,718,390 | 1,150 | 12,864,382 | 250,000 |
| CASH AND CASH EQUIVALENTS, JUNE 30 | 2,777,885 | 2,234,211 | 745,253 | 1,150 | 5,758,499 | - |
| Reconciliation of Statement of Net Assets: | | | | | | |
| Cash and investments | 2,350,726 | 2,184,961 | 675,592 | 1,150 | 5,212,429 | - |
| Cash and investments with fiscal agent | 427,159 | 49,250 | 69,661 | - | 546,070 | - |
| | 2,777,885 | 2,234,211 | 745,253 | 1,150 | 5,758,499 | - |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | | |
| Operating Income | 1,944,871 | (955,129) | 680,904 | (243,739) | 1,426,907 | 1,475,795 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | |
| Depreciation | 1,545,646 | 1,365,505 | 654,343 | 209,830 | 3,775,324 | - |
| (Increase) decrease in receivables | 597,227 | (1,429,112) | (35,324) | (17,151) | (884,360) | 33,914 |
| (Increase) decrease in inventories | 42,953 | - | 2,330 | 32,262 | 77,545 | - |
| (Increase) decrease in loans receivable | - | 196,799 | - | - | 196,799 | - |
| (Increase) decrease in due from other governments | (283,907) | - | 2,300 | 42,751 | (238,856) | - |
| (Increase) decrease in advance receivable | (503,692) | 209,556 | - | - | (294,136) | (250,000) |
| Increase (decrease) in accounts payable | (54,018) | (206,790) | 207,615 | (688,665) | (741,858) | (36,797) |
| Increase (decrease) in claims payable | - | - | - | - | - | (1,413,989) |
| Increase (decrease) in deferred revenue | - | - | - | (111,035) | (111,035) | - |
| Increase (decrease) in accrued personnel costs | (114,288) | (188,943) | (103,485) | (15,903) | (422,619) | 162,047 |
| Increase (decrease) in customer deposits | 1,145 | - | - | - | 1,145 | - |
| Increase (decrease) in post retirement | 45,571 | 63,799 | 53,167 | 12,152 | 174,689 | - |
| Total adjustments | 1,276,637 | 10,814 | 780,946 | (535,759) | 1,532,638 | (1,504,825) |
| Net cash provided (used) by operating activities | 3,221,508 | (944,315) | 1,461,850 | (779,498) | 2,959,545 | (29,030) |
| NONCASH INVESTING ACTIVITIES: | | | | | | |
| Landfill postclosure liability amortization | - | - | $128,809 | - | $128,809 | - |
| Landfill usage | - | - | 59,920 | - | 59,920 | - |
| Capitalized discounts and issue costs | - | $4,386 | 6,211 | - | 10,597 | - |

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
PRIVATE PURPOSE TRUST FUND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012

| ASSETS | $ |
|---|---|
| Cash and Investments with Fiscal Agent | 1,894,711 |
| Restricted Cash | 1,279,204 |
| Receivables | |
| Interest | 21,929 |
| Notes | 410,000 |
| Total Assets | 3,605,844 |
| | |
| LIABILITIES | |
| Current Liabilities | |
| Accounts Payable | 20,714 |
| Salaries Payable | 3,116 |
| Interest Payable | 342,923 |
| Loan to City of Watsonville | 137,716 |
| Debt Payable | 70,951 |
| Bonds Payable | 910,000 |
| Total Current Liabilities | 1,485,420 |
| Noncurrent liabilities | |
| Notes Payable | 1,823,475 |
| Post Retirement | 64,461 |
| Debt Payable | 337,747 |
| Bonds Payable | 19,511,487 |
| Total Non Current liabilities | 21,737,170 |
| Total Liabilities | 23,222,590 |
| | |
| Net Assets | |
| Unrestricted | (19,481,096) |
| Total Net Assets | (19,481,096) |

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA
PRIVATE TRUST FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDING JUNE 30, 2012

| | $ |
|---|---|
| ADDITIONS: | |
| Interest Income | 201 |
| Intergovernment | 1,279,204 |
| Other Revenue | 141 |
| Total Additions | 1,279,546 |
| DEDUCTIONS: | |
| Net Assets Received upon Dissolution of Redevelopment Agency | 20,731,328 |
| Administration | |
| Pass Through Taxes | 29,314 |
| Total Deductions | 20,760,642 |
| Change in Net Assets | (19,481,096) |
| Net Assets, July 1, 2011 | - |
| Net Assets June 30, 2012 | (19,481,096) |

See accompanying notes to financial statements

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### A. Reporting entity

The City of Watsonville (government) is a municipal corporation governed by a seven-member council. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

Blended Component Unit The Redevelopment Agency of the City of Watsonville is responsible for the revitalization and removal of blight from the project area, which encompasses most of the government and is governed by a board comprised of the government's elected council. Property tax increment is used to fund the Agency's activities, derived from the increased property tax assessments since the Agency's creation. The activity of the Agency is presented in two Special Revenue Funds (Redevelopment and Housing Set-Aside) and a Debt Service Fund (Redevelopment Debt Service). The activities of the Agency were transferred to the Redevelopment Agency's Successor Agency on February 1, 2012. See page 86 of the notes for more information.

### B. Government-wide and fund financial statements

The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government and its component unit. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 special purpose trust 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.

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 government 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 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 Fund is used for low and moderate-income housing projects.

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

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

The Redevelopment Debt Service Fund receives funds from the Agency's funds for the payment of debt.

The government reports the following major proprietary funds:

The Water Fund records the receipt 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.

The Sewer Fund records the activity of the government'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 receipt 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.

Additionally, the government reports the following fund type:

The Internal Service Fund is used to account for financing of insurance services provided to other government funds and departments on a cost reimbursement basis.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary funds financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject

to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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 government's water, sewer, and solid waste functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various foundations concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds principal ongoing operations. The principal operating revenues of the governments enterprise funds and of the government's internal service fund are charges to customers for sales and services. The government 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.

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

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, 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/expenditures during the reporting period. Actual results could differ from those estimates.

**D. Assets, liabilities, and net assets or equity**

**1. Deposits and investments**

The government'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 government to invest in the following types of investments:

- Securities of the US Government, or its agencies

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

Investments for the government as well as for its component unit, 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 government 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 government considers all proprietary funds pooled cash and investments and cash and investments with fiscal agent as "cash and cash equivalents".

**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 and Redevelopment Agency. 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. Fund balances are reserved in amounts equal to the carrying value of land held for resale because such assets are not available to finance current operations.

**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 government defines capital assets as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair value on the date donated.

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

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

Property, plant, and equipment of the primary government, as well as the component unit, is depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|---|---|
| Infrastructure | 20 to 50 years |
| Buildings | 20 to 50 years |
| Improvements | 20 to 50 years |
| Machinery and Equipment | 3 to 10 years |

**6. Compensated absences**

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

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

The City accrues for compensated absences in the government-wide and proprietary fund financial statements for which they are liable to make payment directly. The General fund, Inclusionary Housing fund, and all 4 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.

**8. Long-term obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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. 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.

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. 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 may be 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.

**II. Reconciliation of government-wide and fund financial statements**
**A. Explanation of certain difference between the governmental funds balance sheet and the government-wide statement of net assets.**

The governmental funds balance sheet includes a reconciliation between fund balances - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. Two elements of that reconciliation explains that 1) capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds and 2) long-term debt, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

The details of 1) $186,931,414 differences are as follows:

Capital Assets:

| | |
|---|---|
| Land | $14,014,625 |
| Buildings and improvements | 144,762,017 |

| | |
|---|---|
| Machinery and equipment | 11,511,463 |
| Infrastructure | 14,541,847 |
| Construction in progress | 2,101,462 |
| Total | $186,931,414 |

The details of 2) ($11,170,157) differences are as follows:

| | |
|---|---|
| Long-term Debt: | |
| Compensated Absences | ($2,056,970) |
| Santa Cruz County Bank Loan | (3,014,285) |
| Capital leases | (1,086,960) |
| Sec 108 loan | (1,714,000) |
| Postretirement | (2,722,942) |
| Special assessment bonds | (575,000) |
| Total | ($11,170,157) |

**B. Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total government funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense."
The details of this ($1,033,803) difference are as follows:

| | |
|---|---|
| Capital outlay | $3,929,256 |
| Capital outlay deletion | (10,205) |
| Depreciation expense | (4,952,854) |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities | ($1,033,803) |

**III. Stewardship, compliance, and accountability**

**A. Budgetary information**

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

On or before March 31 of each fiscal year, all departments of the City of Watsonville are required to submit requests for appropriations to the government's management so that a budget may be prepared. Before May 31 the proposed budget is presented to the government's council

for review. The council holds public hearings and a final budget must be prepared and adopted no later than June 30.

The appropriated budget is prepared by fund, department, and division. The government department heads may make transfers of appropriations within a department. Transfers of appropriations between departments 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. The council made several supplemental budget appropriations during the fiscal year. The general fund budget was increased by a midyear adjustment of $180,400. The City also increased special revenue funds appropriations by $103,000 in the midyear budget.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at fiscal year end are reported as reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

**B. Excess of expenditures over appropriations**

For the fiscal year ended June 30, 2012, expenditures exceeded appropriations in the new housing fund by $5,009, the City's debt service fund by $5,370, the parking garage fund by $39,378, the inclusionary housing fund by $37,770, business development fund by $30, and the retirement fund by $4,785. The housing, debt service, business development, and inclusionary housing funds had excess fund balance to cover these costs. The retirement fund will be reimbursed by future retirement tax collections. The parking garage fund will be reimbursed by future parking fees.

**C. Deficit fund equity**

The special revenue funds had the following deficit fund balances: redevelopment and housing grant fund $682,666 retirement fund $392,048, parking garage fund of $884,308, and abandoned vehicle fund of $8,146. The internal service fund had a deficit net asset of $4,633,871 as of June 30, 2012. The special revenue funds will make these deficits up with future special revenue funds and the internal service fund will increase its charges to City users in the future.

**IV. Detailed notes on all funds**

**A. Cash and investments**

Cash and investments at June 30, 2012, consisted of the following:

| | |
|---|---|
| Total Pooled Deposits and Investments | $19,595,817 |
| Cash and Investments with Fiscal Agent | 4,523,632 |
| Total Cash and Investments | $24,119,449 |

The City of Watsonville follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures and

restricted cash.

Interest income earned on pooled cash and investments is allocated periodically to the various funds based on average cash balances. Interest income from cash and investments with fiscal agents and restricted cash is credited directly to the related fund.

Cash and investments (including monies held by trustees and fiscal agents) as of June 30, 2012 were as follows:

| | | |
|---|---|---|
| Cash | | |
| Demand Deposits | $ 3,974,197 | |
| Outstanding Checks | (1,197,787) | |
| Deposits in Transit | 339,795 | |
| Net Demand Deposits | 3,116,205 | |
| Petty Cash | 9,919 | |
| Cash Subtotal | | 3,126,124 |
| Investments | | |
| Assessment Bonds | 575,022 | |
| Mutual Funds: | | |
| Money Market | 106,345 | |
| Guaranteed Investment Contracts | 5,139,139 | |
| City Enterprise Loans | 2,597,759 | |
| Local Agency Investment Fund | 12,575,060 | |
| Investment Subtotal | | 20,993,325 |
| Total Cash and Investments | | $24,119,449 |

The disposition of these monies by major governmental funds business type activities and private purpose trust fund was as follows:

| | |
|---|---|
| Governmental Funds: | |
| General | $5,555,008 |
| Impact Fees | 2,939,208 |
| Low Income Housing Set-Aside | 433,050 |
| General Debt Service | 926,219 |
| Other Non-major Funds | 5,333,550 |
| Total Governmental Funds | 15,187,035 |
| Business-type Activities: | |
| Water | 2,777,885 |
| Sewer | 2,234,211 |
| Solid waste | 745,253 |
| Airport | 1,150 |
| Total Business-type Activities | 5,758,499 |
| Private Purpose Trust Fund | 3,173,915 |
| Total Private Purpose Trust Fund | 3,173,915 |
| Total Government Cash | $24,119,449 |

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 government deposits by pledging first trust deed mortgage notes having a value of 150% of the government's total deposit.

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

At June 30, 2012, the government carrying amount of deposits and cash on hand was $3,126,124 and bank balances was $3,974,197. Our bank balances were covered by Federal Depository Insurance in the government's name.

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

| Authorized Investment Type | Maximum Maturity | Maximum Percentage Of * Portfolio | Maximum Investment In One Issuer |
|---|---|---|---|
| Local Agency Bonds | 5 years | None | None |
| U.S. Treasury Obligations | 5 years | None | None |
| U.S. Agency Securities | 5 years | None | None |
| Banker's Acceptances | 180 days | 40% | 30% |
| Commercial Paper | 270 days | 25% | 10% |
| Negotiable Certificates of Deposit | 5 years | 30% | None |
| Repurchase Agreements | 1 year | None | None |
| Passbook Savings Acct Demand Deposit | N/A | None | None |
| Medium-Term Notes | 5 years | 30% | None |
| Debt of City of Watsonville | N/A | None | None |
| Money Market Mutual Funds | N/A | 20% | 10% |
| Local Agency Investment Fund (LAIF) | N/A | None | None |

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

**Investments Authorized by Debt Agreements**

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

## Disclosures Relating to Interest Rate Risk

| | | Remaining Maturity (in Months) | | | |
|---|---|---|---|---|---|
| Investment Type | | 12 Months Or Less | 13 to 24 Months | 25-60 Months | More Than 60 Months |
| State Investment Pool | $12,575,060 | $12,575,060 | $ - | $ - | $ - |
| Debt of City of Watsonville | 3,172,781 | - | - | 2,597,759 | 575,022 |
| Money Market | 106,345 | 106,345 | - | - | - |
| Guaranteed Inv. Contracts | 5,139,139 | - | - | - | 5,139,139 |
| Total | $20,993,325 | $12,681,405 | $ - | $2,597759 | $5,714,161 |

## Disclosures Relating to Credit Risk

| | | Minimum Legal Rating | Exempt From Disclosure | Rating as of Fiscal Year End | |
|---|---|---|---|---|---|
| Investment Type | | | | AAA | Not Rated |
| State Investment Pool | $ 12,575,060 | N/A | $ - | $ - | $ 12,575,060 |
| Debt of City of Watsonville | 3,172,781 | N/A | - | - | 3,172,781 |
| Money Market | 106,345 | N/A | - | - | 106,345 |
| Guaranteed Inv. Contracts | 5,139,139 | N/A | - | 5,139,139 | - |
| Total | $20,993,325 | | $ - | $5,139,139 | $15,854,186 |

(1) The management of the State of California Pooled Money Investment Account (generally referred to as LAIF) has indicated to the government that as of June 30, 2012 the amortized cost value of the pool was $60,514,457,551 and the estimated fair value of the pool was $60,588,263,603. The reported value of the government's portion of LAIF is the same value as the fair value of LAIF shares. LAIF's (and the government'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 government 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.

## B. Receivables

Receivables as of the fiscal year end for major governmental funds and proprietary funds in the aggregate are as follows:

| | General | Impact Fees | Housing | Redevelopment and Housing Grants | General Debt Service | Nonmajor Funds |
|---|---|---|---|---|---|---|
| Governmental Funds: | $ | $ | $ | $ | $ | $ |
| Receivables: | | | | | | |
| Interest | 37,930 | - | 662,207 | 377,641 | - | 61,734 |
| Taxes | 2,019,160 | - | - | - | 6,021 | 534,333 |
| Deferred Assessments | - | - | - | - | 575,000 | - |
| Accounts | 381,651 | 6,149 | 2,036 | - | - | 50,461 |
| Intergovernmental | 1,156,521 | 167,239 | - | 218,519 | - | 789,048 |
| Total governmental activities receivables | 3,595,262 | 173,388 | 664,243 | 596,160 | 581,021 | 1,435,576 |

| Proprietary Funds: | Water | Sewer | Solid Waste | Airport | Internal Service |
|---|---|---|---|---|---|
| Receivables: | $ | $ | $ | $ | $ |
| Interest | 1,141,771 | - | - | - | - |
| Accounts | 1,572,717 | 2,287,773 | 733,073 | 121,632 | 123,778 |
| Loans | | 50,466 | | | |
| Intergovernmental | 175,967 | - | 8,400 | - | - |
| Total business-type activities receivables | 2,890,455 | 2,338,239 | 741,473 | 121,632 | 123,778 |

Note - the government does not use the allowance for uncollectible method, as the loss of revenues from receivables has been immaterial to revenues. Any loss from uncollectible accounts is directly written off at the time of the loss.

## Deferred revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

| | Unavailable | Unearned |
|---|---|---|
| | $ | $ |
| Special assessments not yet due (debt service) | 575,000 | - |
| Grant funds received but not earned | - | 191,393 |
| Grants draw downs prior to meeting all eligibility requirements: | | |
| general fund | 811,235 | - |
| special revenue funds | 973,923 | - |
| Loans/interest receivables prior to meeting all eligibility requirements: | | |
| general fund | 3,750 | - |
| special revenue funds | 28,994,128 | - |
| Total deferred revenue | 31,358,036 | 191,393 |

**Loans Receivable**

Loans receivable at June 30, 2012 are summarized as follows:

| | | |
|---|---|---|
| General Fund: | | |
| Barbara Schutter | $3,750 | |
| Private Trust Fund | 137,716 | $141,466 |
| Housing Fund: | | |
| Pajaro Valley Affordable Housing Corporation | 250,000 | |
| Pajaro Valley Housing Corporation | 512,000 | |
| Barry Swenson | 473,778 | |
| Pacific Terrace Assoc. | 225,000 | |
| MP Transit City Associates | 1,199,342 | |
| South County Land Corporation | 584,946 | |
| Evergreen Apartments | 1,000,000 | |
| Down Payment Assistant Loans | 2,550,389 | |
| First Time Home Buyers | 110,000 | |
| Sunny Meadows | 2,125,000 | |
| Watsonville Pacific Associates | 1,200,000 | |
| Successor Agency | 629,940 | |
| Rental Rehab Loans | 1,028,975 | 11,889,370 |
| Redevelopment and Housing Funds: | | |
| Rental Rehab Loans | 3,988,063 | |
| Monarch Disabled Housing | 100,279 | |
| South County Land Corporation | 2,573,000 | |
| First Time Home Buyers | 8,267,829 | |
| Down Payment Assistant Loans | 30,000 | 14,959,171 |
| Other Governmental Funds | 1,702,274 | 1,702,274 |
| Total | | $28,712,281 |

**C. Capital assets**

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land and improvements | 14,014,625 | - | - | 14,014,625 |
| Construction in progress | 378,976 | 1,722,486 | - | 2,101,462 |
| Total capital assets, not being depreciated | 14,393,601 | 1,722,486 | - | 16,116,087 |
| Capital assets, being depreciated: | | | | |
| Building and improvements | 132,194,205 | 1,463,841 | - | 133,658,046 |
| Machinery and equipment | 10,803,899 | 742,929 | (35,365) | 11,511,463 |
| Infrastructure | 25,645,818 | - | - | 25,645,818 |
| Total capital assets being depreciated | 168,643,922 | 2,206,770 | (35,365) | 170,815,327 |
| Less accumulated depreciation for: | | | | |
| Building and improvements | (34,385,300) | (2,509,222) | - | (36,894,522) |
| Machinery and equipment | (7,406,091) | (714,060) | 25,160 | (8,092,991) |
| Infrastructure | (10,573,622) | (1,729,572) | - | (12,303,194) |
| Total accumulated depreciation | (52,365,013) | (4,952,854) | 25,160 | (57,292,707) |
| Total capital assets, being depreciated, net | 116,278,909 | (2,746,084) | (10,205) | 113,522,620 |
| Governmental activities capital assets, net | 130,672,510 | (1,023,598) | (10,205) | 129,638,707 |

| Business-type activities: | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Capital assets, not being depreciated: | | | | |
| Land | 22,663,599 | - | - | 22,663,599 |
| Construction in progress | 2,072,883 | 535,033 | (139,512) | 2,468,404 |
| Total capital assets, not being depreciated | 24,736,482 | 535,033 | (139,512) | 25,132,003 |

| | | | | |
|---|---|---|---|---|
| Capital assets, being depreciated: | | | | |
| Building and improvements | 79,690,901 | 541,869 | - | 80,232,770 |
| Machinery and equipment | 16,809,512 | 1,827,082 | (64,921) | 18,571,673 |
| Infrastructure | 53,861,205 | 325,203 | - | 54,186,408 |
| Total capital assets being depreciated | 150,361,618 | 2,694,154 | (64,921) | 152,990,851 |
| Less accumulated depreciation for: | | | | |
| Building and improvements | (19,805,638) | (994,008) | - | (20,799,646) |
| Machinery and equipment | (6,043,499) | (1,733,592) | 52,804 | (7,715,287) |
| Infrastructure | (43,254,799) | (1,047,724) | - | (44,302,523) |
| Total accumulated depreciation | (69, 094,936) | (3,775,324) | 52,804 | (72,817,456) |
| Total capital assets, being depreciated, net | 81,266,682 | (1,081,170) | (12,117) | 80,173,395 |
| Business-type activities capital assets, net | 106,003,164 | (546,137) | (151,629) | 105,305,398 |

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

| | |
|---|---|
| Government activities: | |
| General government | $1,739,107 |
| Public safety | 1,021,167 |
| Highways and streets | 630,142 |
| Culture and recreation | 1,562,438 |
| Total depreciation expense - governmental activities | $4,952,854 |
| Business-type activities: | |
| Water | $1,545,646 |
| Sewer | 1,365,505 |
| Solid waste | 654,343 |
| Airport | 209,830 |
| Total depreciation expense - business-type activities | $3,775,324 |

**D. Interfund receivables, payables, and transfers**
**The composition of interfund activities as of June 30, 2012, 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, 2012 were as follows:

| | Due from other funds | Due to other funds |
|---|---|---|
| **Governmental Funds**: | $ | $ |
| General | 2,449,051 | - |
| Redevelopment & Housing | - | 785,451 |
| Nonmajor Funds | 785,451 | 1,516,607 |
| Total Governmental Funds | 3,234,502 | 2,302,058 |
| **Internal Service Fund:** | | |
| Internal Service Fund | - | 932,444 |
| **Enterprise Funds:** | | |
| Solid Waste | 3,852,136 | - |
| Airport | - | 3,852,136 |
| Total Enterprise Funds | 3,852,136 | 3,852,136 |
| Total Government | 7,086,638 | 7,086,638 |

The General fund covered the current cash shortfall for non housing funds which will be paid back in the next fiscal year. The Inclusionary Housing fund covered the cash shortfall of other non major special revenue housing funds. The Solid Waste fund covered the cash shortfall for the Airport fund and will be paid back next fiscal year.

**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, 2012 were as follows:

| | Advances receivable | Advances payable |
|---|---|---|
| **Governmental Funds**: | $ | $ |
| General | - | 4,410,201 |
| Impact Fees | 414,252 | - |
| Nonmajor Funds | 1,011,235 | - |
| Total Governmental Funds | 1,425,487 | 4,410,201 |
| **Enterprise Funds:** | | |
| Water | 933,166 | - |
| Sewer | 701,400 | - |
| Solid Waste | 1,350,148 | - |
| Total Enterprise Funds | 2,984,714 | - |
| Total Government | 4,410,201 | 4,410,201 |

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made an expenditure on behalf of another fund. The government made various interfund transfers as follows:

| | Transfers In | | | | | |
|---|---|---|---|---|---|---|
| | General Fund | Impact Fee Fund | General Debt Service Fund | RDA Debt Service Fund | Non-major Funds | Total |
| Transfers out: | $ | $ | $ | $ | $ | $ |
| Impact Fee | - | - | 23,140 | - | - | 23,140 |
| Redevelopment-Housing | 129,700 | - | 206,205 | - | - | 335,905 |
| Redevelopment Debt Service | - | - | - | - | 1,896,546 | 1,896,546 |
| Non-major Funds | 2,095,484 | 29,850 | 1,043,800 | 132,450 | 325,775 | 3,627,359 |
| Total Transfers Out | 2,225,184 | 29,850 | 1,273,145 | 132,450 | 2,222,321 | 5,882,950 |

**E. Lease**s

**Operating lease**

The government has entered into a non-cancellable operating lease for 911 and public safety dispatching services with Santa Cruz Consolidated Emergency Communications Center. Total cost for the lease was $55,268 for the fiscal year ended June 30, 2012. The future minimum lease payments as of June 30, 2012 are as follows:

| Fiscal Year Ending June 30, | Amount |
|---|---|
| | $ |
| 2013 | 50,715 |
| 2014 | 50,617 |
| 2015 | 50,158 |
| 2016 | 50,553 |
| 2017 | 50,840 |
| 2018 | 50,160 |
| 2019 | 50,301 |
| 2020 | 50,384 |
| 2021 | 50,406 |
| 2022 | 50,331 |
| 2023 | 50,155 |
| 2024 | 50,755 |
| 2025 | 50,363 |
| 2026 | 50,778 |
| 2027 | 50,193 |
| 2028 | 50,410 |
| 2029 | 50,546 |
| 2030 | 50,556 |
| 2031 | 50,435 |
| 2032 | 50,126 |
| 2033 | 50,611 |
| 2034 | 50,964 |
| | 1,110,357 |

## F. Long-term debt

The government's long-term debt obligations are repaid by the following funds: Revenue Bonds from the Sewer, Solid Waste, and Water Enterprise Funds; Capital Leases; Tax Allocation Bonds from the Redevelopment Debt Service Fund; notes payable from the Redevelopment Debt Service Fund and the Airport Enterprise Fund; and Certificates of Participations from the City's Debt Service Fund.

### City Loans

**Airport Hanger Leases** - On January 26, 2011, the government issued a $1,141,750 City Loan with an interest rate of 3.76% to call the purchase options for the 2001 refinanced lease which was for forty-seven T hangars, four small end hangars, and six executive hangars for $373,414 at an interest rate of 4.65% and the 1999 lease which was for sixty-nine T hangars, three mid hangars, and six corporate hangars for $768,336 at an interest rate of 5.25%. The purchase was undertaken to reduce the total future debt service payments by $309,152.

2011 City Airport Loan:

| Fiscal Year | Principal | Interest | Debt Service |
|---|---|---|---|
| | $ | $ | $ |
| 2013 | 386,402 | 16,645 | 403,047 |
| 2014 | 232,192 | 2,919 | 235,111 |
| Total | 618,594 | 19,564 | 638,158 |

**Water Revenue Refunding Bonds Series 1998** - On November 15, 2010, the government issued a $3,084,944 City Loan with an interest rate of 3.39% to refund $3,715,000 of outstanding 1998 Series A Water Revenue Bonds with interest rates ranging from 4.74% to 6.75%. The refunding was undertaken to reduce the total future debt service payments and resulted in an economic gain of $153,697 and a reduction of $721,053 in future debt service payments.

2010 City Water Loan:

| Fiscal Year | Principal | Interest | Debt Service |
|---|---|---|---|
| | $ | $ | $ |
| 2013 | 558,220 | 58,769 | 616,989 |
| 2014 | 577,440 | 39,549 | 616,989 |
| 2015 | 546,769 | 19,667 | 566,436 |
| 2016 | 305,467 | 2,164 | 307,631 |
| Total | 1,987,896 | 120,149 | 2,108,045 |

**Capital lease**

On June 1, 2004, the government entered into a lease agreement as lessee with the Watsonville Joint Powers Financing Authority to finance a portion of the costs of constructing, furnishing, and equipping a new library. The total amount for which the government was obligated under the lease was $7,685,000. Construction of the new library was completed during the 2007/08 fiscal year.

Interest rates for the Certificates range from 2% to 4% with principal payments ranging from $965,000 to $1,005,000 through fiscal year 2013.

Minimum future installment payments for the capitalized lease consist of the following:

| Maturity Date March 1, | Principal | Interest | Debt Service |
|---|---|---|---|
| | $ | $ | $ |
| 2013 | 1,005,000 | 40,200 | 1,045,200 |
| Total | 1,005,000 | 40,200 | 1,045,200 |

**Revenue bonds**

Revenue bonds constitute special obligations of the government solely secured by a lien on and pledge of the net revenues of the water, sewer, and solid waste systems. The revenue bonds are collateralized by the revenue of the water, sewer, and solid waste systems and the various special funds established by the bond ordinances. There is no defeased debt outstanding at June 30, 2012.

**Water Revenue Bonds Series 2007** - On November 14, 2007, the government issued $27,345,000 in Water Revenue Bonds with interest rates ranging from 4.00% to 5.00% for the construction of a recycled water facility.

**Sewer Revenue Refunding Bonds Series 2009** - On September 25, 2009, the government issued $3,491,786 in Sewer Refunding Bonds with interest rate of 4.10% to refund $4,425,000 of outstanding 1998 Sewer Revenue Bonds with interest rates ranging from 4.625% to 5.0%.

**Solid Waste Revenue Refunding Bonds Series 2009** - On September 25, 2009, the government issued $5,444,243 in Solid Waste Refunding Bonds with interest rates ranging from 4.1% to 4.3%. to refund $2,345,000 of outstanding 1998 Solid Waste Revenue Bonds with interest rates ranging from 4.625% to 5.05%, $2,075,000 of outstanding 1996 Solid Waste Revenue Bonds with interest rates ranging from 5.3% to 5.5% and to purchase land for $1,988,518.

Revenue bonds payable at June 30, 2012 consist of the following individual issues:

| | Amount<br>$ |
|---|---|
| $27,345,000, 2007 water revenue bonds due in annual principal installments ranging from 800,000 to 7,415,000 through May 15, 2037, interest rate ranges from 4.00% to 5.00% | 27,345,000 |
| $3,491,786, 2009 sewer revenue refunding bonds due in annual principal installments ranging from $451,774 to $553,416 through May 2016, interest rate of 4.10% | 2,085,062 |
| $5,444,243, 2009 solid waste revenue refunding bonds due in annual principal installments ranging from $216,188 to $754,883 through May 2019, interest rate ranges from 4.1% to 4.3% | 3,519,068 |
| Total Revenue Bonds | 32,949,130 |

The respective amount due from each of the revenue bonds, with the applied interest is as follows:

2007 Water Revenue Bonds

| Maturity Date May 15, | Principal<br>$ | Interest<br>$ | Debt Service<br>$ |
|---|---|---|---|
| 2013 | | 1,294,059 | 1,294,059 |
| 2014 | | 1,294,059 | 1,294,059 |
| 2015 | | 1,294,059 | 1,294,059 |
| 2016 | | 1,294,059 | 1,294,059 |
| 2017 | 800,000 | 1,294,059 | 2,094,059 |
| 2018 | 840,000 | 1,253,259 | 2,093,259 |
| 2019 | 880,000 | 1,210,419 | 2,090,419 |
| 2020 | 915,000 | 1,175,219 | 2,090,219 |
| 2021 | 955,000 | 1,137,704 | 2,092,704 |
| 2022 | 995,000 | 1,097,116 | 2,092,116 |
| 2023 | 1,040,000 | 1,053,585 | 2,093,585 |
| 2024 | 1,090,000 | 1,001,585 | 2,091,585 |
| 2025 | 1,145,000 | 947,085 | 2,092,085 |
| 2026 | 1,195,000 | 895,560 | 2,090,560 |
| 2027 | 1,250,000 | 841,785 | 2,091,785 |
| 2028 | 1,305,000 | 785,535 | 2,090,535 |
| 2029* | 1,370,000 | 724,200 | 2,094,200 |

| | | | |
|---|---|---|---|
| 2030* | 1,435,000 | 659,125 | 2,094,125 |
| 2031 | 1,500,000 | 590,963 | 2,090,963 |
| 2032* | 1,570,000 | 523,463 | 2,093,463 |
| 2033 | 1,645,000 | 448,888 | 2,093,888 |
| 2034* | 1,720,000 | 370,750 | 2,090,750 |
| 2035* | 1,805,000 | 284,750 | 2,089,750 |
| 2036* | 1,900,000 | 194,500 | 2,094,500 |
| 2037 | 1,990,000 | 99,500 | 2,089,500 |
| | 27,345,000 | 21,765,286 | 49,110,286 |

*** Principal applied to a sinking fund in years 2015 and 2016**

2009 Sewer Revenue Refunding Bonds

| Fiscal Year | Principal | Interest | Debt Service |
|---|---|---|---|
| | $ | $ | $ |
| 2013 | 489,974 | 80,516 | 570,490 |
| 2014 | 510,269 | 60,221 | 570,490 |
| 2015 | 531,404 | 39,086 | 570,490 |
| 2016 | 553,415 | 17,075 | 570,490 |
| Total | 2,085,062 | 196,898 | 2,281,960 |

2009 Solid Waste Revenue Refunding Bonds

| Fiscal Year | Principal | Interest | Debt Service |
|---|---|---|---|
| | $ | $ | $ |
| 2013 | 667,272 | 140,333 | 807,605 |
| 2014 | 695,283 | 112,322 | 807,605 |
| 2015 | 724,470 | 83,135 | 807,605 |
| 2016 | 754,883 | 52,722 | 807,605 |
| 2017 | 216,188 | 26,819 | 243,007 |
| 2018 | 225,584 | 17,423 | 243,007 |
| 2019 | 235,388 | 7,618 | 243,006 |
| Total | 3,519,068 | 440,372 | 3,959,440 |

**Limited obligation bonds**

Limited obligation bonds consist of bonds issued for improvements in special assessment districts and are secured by liens against the assessed property. The government has agreed to establish certain reserve funds and to act as agent for property owners with respect to payment of debt service. In the event of delinquency, however, the government is not obligated to retire bonds from available funds or to bring legal action against property holders.

Due to Governmental Accounting Standards Board Statement No. 6, the City must include its assessment bonds payable within the Government-wide Statements. However, the City of Watsonville has incurred no financial liability due to Assessment District Bonds. In the case of default, the government has authority to foreclose on the delinquent account.

Limited obligation bonds payable at June 30, 2012 consist of the following:

| | Amount |
|---|---|
| | $ |
| $30,138 Second Street Court Improvement assessment district bonds due in annual principal installments ranging from $2,000 to $2,138 through September 2017, interest rate is 6.50%. | 12,000 |
| $97,527 Hyde Street assessment district bonds due in annual principal installments ranging from $527 to $10,000 through September 2012, interest rate is 6.75%. | 10,000 |
| $105,381 Second Street assessment district bonds due in annual principal installments ranging from $381 to $11,000 through September 2012, interest rate is 6.75%. | 11,000 |
| $144,956 Beck Street assessment district bonds due in annual principal installments ranging from $956 to $14,000 through September 2014, interest rate is 6.00%. | 41,000 |
| $104,456 Progress Drive assessment district bonds due in annual principal installments ranging from $456 to $11,000 through September 2015, interest rate is 6.25%. | 39,000 |

| | |
|---|---|
| $55,944 Watson Drive assessment district bonds due in annual principal installments ranging from $944 to $4,000 through September 2017, interest rate is 6.00%. | 20,000 |
| $738,448 Atkins Lane assessment district bonds due in annual principal installments ranging from $944 to $4,000 through September 2020, interest rate is 6.0%. | 392,000 |
| $100,022 7th, 8th & 9th Street assessment district bonds due in annual principal installments ranging from $5,000 to $10,000 through September 2017, interest rate is 6.0%. | 50,000 |
| Total limited obligation bonds payable at June 30, 2012 | 575,000 |

The annual requirements to amortize all limited obligation bonds outstanding as of June 30, 2012 are as follows:

| Fiscal Year | Principal | Interest | Debt Service |
|---|---|---|---|
| | $ | $ | $ |
| 2013 | 108,000 | 35,395 | 143,395 |
| 2014 | 88,000 | 29,159 | 117,159 |
| 2015 | 89,000 | 23,570 | 112,570 |
| 2016 | 76,000 | 18,339 | 94,339 |
| 2017 | 65,000 | 13,840 | 78,840 |
| 2018 | 51,000 | 9,685 | 60,685 |
| 2019 | 49,000 | 6,370 | 55,370 |
| 2020 | 49,000 | 3,185 | 52,185 |
| Total | 575,000 | 139,543 | 714,543 |

**Debt payable**

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

Interest rate for the loan is 5.29% with principal payments ranging from $135,947 to $282,376 through fiscal year 2027.

The annual requirements to amortize the loan outstanding as of June 30, 2012 is as follows:

| Fiscal Year | Principal | Interest | Debt Service |
|---|---|---|---|
| | $ | $ | $ |
| 2013 | 135,947 | 157,681 | 293,628 |
| 2014 | 143,234 | 150,394 | 293,628 |
| 2015 | 150,911 | 142,717 | 293,628 |
| 2016 | 159,000 | 134,628 | 293,628 |
| 2017 | 167,522 | 126,106 | 293,628 |
| 2018 | 176,501 | 117,127 | 293,628 |
| 2019 | 185,962 | 107,666 | 293,628 |
| 2020 | 195,929 | 97,699 | 293,628 |
| 2021 | 206,431 | 87,197 | 293,628 |
| 2022 | 217,495 | 76,133 | 293,628 |
| 2023 | 229,153 | 64,475 | 293,628 |
| 2024 | 241,436 | 52,192 | 293,628 |
| 2025 | 254,377 | 39,251 | 293,628 |
| 2026 | 268,011 | 25,617 | 293,628 |
| 2027 | 282,376 | 11,252 | 293,628 |
| Total | 3,014,285 | 1,390,135 | 4,404,420 |

**Note payable**

The government entered into 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 note is to be repaid with future Community Development Block Grant funds over a period of twenty years at an interest rate of 5.18%.

The annual requirements to amortize the Section 108 note outstanding as of June 30, 2012 is as follows:

| Maturity Date August 1 | Principal | Interest | Debt Service |
|---|---|---|---|
| | $ | $ | $ |
| 2012 | 109,000 | 93,939 | 202,939 |
| 2013 | 110,000 | 88,442 | 198,442 |
| 2014 | 109,000 | 82,819 | 191,819 |
| 2015 | 114,000 | 76,935 | 190,935 |
| 2016 | 117,000 | 70,674 | 187,674 |

| | | | |
|---|---|---|---|
| 2017 | 121,000 | 64,087 | 185,087 |
| 2018 | 126,000 | 57,126 | 183,126 |
| 2019 | 133,000 | 49,717 | 182,717 |
| 2020 | 140,000 | 41,820 | 181,820 |
| 2021 | 147,000 | 33,439 | 180,439 |
| 2022 | 155,000 | 24,536 | 179,536 |
| 2023 | 163,000 | 15,083 | 178,083 |
| 2024 | 170,000 | 5,109 | 175,109 |
| Total | 1,714,000 | 703,726 | 2,417,726 |

**Municipal landfill closure and post-closure liability and requirements**

The government operates a landfill solely for the disposal of Watsonville resident's solid waste. The landfill is regulated by the California Integrated Waste Management Board, which requires that the government set aside certain funds for the landfill's eventual closure. As of June 30, 1998, the government's Solid Waste Division had completed the closure of the old landfill cell and recognized $403,773 of expenditures to complete the closure. The government is now operating a new cell, which is expected to provide landfill capacity for 23 years with an estimated post-closure cost of $778,930.

The government recognizes a portion of the closure and postclosure care costs in each operating period. The amount recognized each year to date for the new landfill is based on the landfill capacity used as of the balance sheet date. As of June 30, 2012, the new landfill cell had used 79.6% of its projected space. The estimated closure and post-closure costs were $1,482,506 and $1,245,305. The estimated remaining closure and postclosue costs are $302,841 and $254,386, which will be recognized as the remaining capacity is used (estimated to be 6.4 years). To date, the fund has $778,930 for post closure costs for the closed phase I and II cells and has set aside closure costs of $1,179,666 and post-closure costs of $990,919 for the open phase III cell for a total of $2,949,515. The estimated costs of closure and postclosure care are subject to changes such as the effects of inflation, revision of laws and other variables.

**POSTEMPLOYMENT LIABILITY**

Plan Description

Employees who have retired from service at eligible retirement age may continue health care benefits at their own cost until age sixty-five. At June 30, 2012, twenty one retired employees participated in this program.

Funding Policy

For the retiree to be fully eligible to participate in the plan offered by the City of Watsonville, a single-employer postemployment defined benefit plan, the employee must be at least 50 years of age and have at least 5 years of service. Retirees self pay for their benefits at 105% of the active per-capita health costs, as reset by the administrator every July 1st. During fiscal year 2011-2012, expenditures of $206,305 were recognized for post-retirement health insurance contributions on a pay as you go basis.

The City is required to contribute the net annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of the GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 5.5 percent of annual covered payroll.

Annual OPEB Cost

For fiscal year 2011-2012, the City's annual OPEB cost (expense) of $814,200 was equal to the ARC plus NOO interest less an NOO amortization as follows:

| | |
|---|---|
| Annual Required Contribution = ARC | $876,200 |
| Interest on Beginning of the Year (NOO) | 104,200 |
| Amortization | (166,200) |
| Annual OPEB Cost (expense) | 814,200 |
| Benefit Payments | (193,000) |
| Increase in OPEB | 621,200 |
| Beginning Net OPEB Obligation | 3,206,100 |
| Ending Net OPEB Obligation | $3,827,300 |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation of 2011-2012, was as follows:

| Fiscal Year Ended | Annual OPEB Cost | % of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| June 30, 2010 | $1,438,000 | 9.6% | $2,584,600 |
| June 30, 2011 | $849,100 | 26.8% | $3,206,100 |
| June 30, 2012 | $876,200 | 29.1% | $3,827,300 |

Funded Status and Funding Progress

The funded status of the plan is as follows:

| | 6/30/11 Actuarial | 6/30/09 Actuarial |
|---|---|---|
| Actuarial accrued liability (AAL) | $8,049,300 | $13,266,100 |
| Actuarial value of plan assets | - | - |
| Unfunded actuarial accrued liability (UAAL) | $8,049,300 | $13,266,100 |
| Funded ratio (actuarial value of plan assets/AAL) | 0% | 0% |
| Covered payroll (active plan members) | $26,344,600 | 26,551,600 |
| UAAL as a percentage of covered payroll | 31% | 50% |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with the past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011, actuarial valuation, the projected unit cost actuarial cost method was used. The actuarial assumptions included a 3.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 4.5%. Inflation rate is the discount rate of 3.25% which is the combined expected long-term rate of return on the City's assets not invested in an irrevocable trust and inflation. Projected benefit increases used are as follows: initial medical, drug and vision benefit costs increase rates but are expected to reach an ultimate 4.5% trend by the plan year 2030/31. Dental benefit costs are projected to increase at 3.0% each year.

For the amortizations of the Unfunded AAL and Net OPEB Obligations, the "level dollar" method was used over a rolling 30 years. The amortization periods are considered opened. The plan used a 3.25% per annum inflation rate. The duration of coverage for retirees and their eligible dependents is until the earlier of the retiree's age 65 or the retiree's Medicare eligibility. Retiree self-pays are defined as 105% of the active per-capita health cost, as reset by the administrator every July first.

Current costs are beginning funded out of the General Fund, Redevelopment Fund and all 4 of the Enterprise funds.

The City did not pre-fund retiree healthcare costs nor did the City establish an irrevocable trust for retiree healthcare costs. The decision not to use an irrevocable trust was made because of the current national and state economic issues and the possibility that the funds may be required to provide current services.

**Changes in long-term debt**

Long-term debt activity for the fiscal year ended June 30, 2012, was as follows:

| | Beginning Balance | Additions | Reductions | Transfer to Successor Agency | Prior Period Adjustment | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|---|---|
| Governmental type activities: | $ | $ | $ | $ | $ | $ | $ |
| Bonds payable: | | | | | | | |
| Tax allocation bonds | 21,685,000 | - | (880,000) | (20,805,000) | - | - | - |
| Special assessment debt with government commitment | 674,000 | - | (99,000) | - | - | 575,000 | 108,000 |
| Total bonds payable | 22,359,000 | - | (979,000) | (20,805,000) | - | 575,000 | 108,000 |
| Compensated absences | - | 124,055 | - | - | 1,932,915 | 2,056,970 | 123,418 |
| Capital lease | 1,970,000 | - | (965,000) | - | - | 1,005,000 | 1,005,000 |
| City loan | 100,048 | - | (18,088) | - | - | 81,960 | 19,002 |
| Debt payable | 478,277 | 3,014,285 | (69,579) | (408,697) | - | 3,014,285 | 135,947 |
| Postretirement liability | 2,340,894 | 585,207 | (138,698) | (64,461) | - | 2,722,942 | - |
| Note payable | 1,821,000 | - | (107,000) | - | - | 1,714,000 | 109,000 |
| Governmental activity Long-term Liabilities | 29,069,219 | 3,723,547 | (2,277,365) | (21,278,158) | 1,932,915 | 11,170,157 | 1,500,367 |

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Business-type activities: | $ | $ | $ | $ | $ |
| Bonds payable: | | | | | |
| Revenue bonds | 34,060,006 | - | (1,110,876) | 32,949,130 | 1,157,246 |
| Less deferred amounts: | | | | | |
| For issuance discounts | (749,320) | - | 37,479 | (711,841) | - |
| Total bonds payable | 33,310,686 | - | (1,073,397) | 32,237,289 | 1,157,246 |
| Compensated absences | 945,032 | 47,641 | - | 992,673 | 59,561 |
| City loans | 3,518,294 | - | (911,804) | 2,606,490 | 944,622 |
| Postretirement liability | 865,206 | 228,993 | (54,302) | 1,039,897 | - |
| Landfill closure/ postclosure | 2,858,675 | 150,340 | (59,500) | 2,949,515 | 59,500 |
| Business-type activity Long-term liabilities | 41,497,893 | 426,974 | (2,099,003) | 39,825,864 | 2,183,767 |

**G. Nonspendable fund balances**

In the fund financial statements, nonspendable segregate portions of fund balance that are not available. The various nonspendable fund balances established as of June 30, 2012 were as follows:

| | General Fund |
|---|---|
| Inventories | $43,728 |

## V. Other information

### A. Risk management

The government 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 government 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 government has established a risk management fund to account for and finance its uninsured risks of loss.

The government's risk management programs provide coverage for up to a maximum of $150,000 for each Workers' Compensation claim; $500,000 for each General Liability claim; and $110,000 for each employee Health Insurance claim. Settled claims exceeded self-insurance levels in the amount of $98,063 in the current fiscal year and $520,053 in the prior fiscal year. The government 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 government 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 fund at June 30, 2012 totaled $3,545,653 as follows: Health Benefits $951,056; General Liability $266,700; and Workers' Compensation $2,327,897.

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

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

| | 2010-11 | 2011-12 |
|---|---|---|
| Claims incurred but not reported: | $ | $ |
| Beginning | 1,056,877 | 1,635,158 |
| Incurred claims | 5,601,943 | 5,228,761 |
| Claims paid | (5,023,662) | (5,646,163) |
| Ending | 1,635,158 | 1,217,756 |
| | | |
| Claims payable: | | |
| Beginning | 3,811,293 | 3,324,484 |
| Incurred claims | 6,859,613 | 6,240,027 |
| Claims paid | (7,346,422) | (7,236,614) |
| Ending | 3,324,484 | 2,327,897 |

**B. Public entity risk pool**

In November 1994, the government became a member of the Public Agency Risk Sharing Authority of California (PARSAC), formerly known as California Municipal Insurance Authority (CMIA). PARSAC, a consortium of 36 California cities, which was established in May 1986 to pool resources, share risks, purchase excess insurance, and to share costs for professional risk management and claims administration. The Authority's governing board consists of one appointed official and an alternate from participating cities.

**General liability**

The City is self-insured for general liability claims up to $500,000 (effective November 11, 1994) for each occurrence. Coverage for individual losses in excess of $500,000, up to $10,000,000 is provided through the Public Risk Sharing Authority of California (PARSAC). 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 $10,000,000, coverage is provided by another risk pool, CARMA.

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, 2012, total estimated claims payable for General Liability were $266,700.

## C. Commitments and Contingencies

### Litigation

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

### Grant audits

The government 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 government'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 government′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 government's ability to maintain or increase the revenue it receives from taxes, assessments and fees, or its effect on interfund payments in lieu of taxes and transfers of surplus funds from enterprise funds to the general fund. Also unclear is the extent to which a 1995 California Supreme Court ruling (the *Guardino* case) upholding the voter approval requirements of a previously enacted state initiative (Proposition 62) is applicable to prior periods. However, because the City of Watsonville is a Charter City, management believes that the *Guardino* ruling does not apply to its general law application in the cited case.

## D. Post-employment health care benefits

### Retiree benefits - COBRA benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government 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, three former employees participated in the program.

**E. Defined benefit pension plans**

**CALPERS safety (police & fire) and miscellaneous employees plans**

**Plans descriptions**

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple-employer public employee defined benefit pension plan for the miscellaneous employees and a cost-sharing employer defined benefit pension plan for the safety employees, which acts as a common investment and administrative agent for its participating member employers for both police and fire.

CALPERS provides retirement and disability benefits, annual costs of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in separate safety (police and fire) and miscellaneous (all others) employee plans. Benefit provisions and all other requirements are established by state statute and city ordinance. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The plans' provisions and benefits in effect at June 30, 2012, are summarized as follows:

| | Safety | Miscellaneous |
|---|---|---|
| Benefits vesting schedule | 5 years service | 5 years service |
| Benefit payment | monthly for life | monthly for life |
| Retirement age | 50 | 55 |
| Benefits per year of service, | | |
| as a percent of salary | 3.00% | 2.00% |
| Required employee contribution rates | 9% | 7% |
| Required employer contribution rates (FY 2012) | | |
| Police | 32.900% | |
| Fire | 31.994% | |
| Miscellaneous | | 11.255% |

CALPERS audited annual financial statements are available at P.O. Box 942709, Sacramento, CA 94229-2709.

**Funding policy**

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level amount the City must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution do not have a pension obligation since it pays these actuarially required contributions monthly.

**Annual pension cost:**

For 2012, the city's annual pension cost for Miscellaneous employees was $1,777,538, Police employees was $1,708,074 and Fire employees was $912,992.

The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year cost-of-living adjustment. Both (a) and (b) included an inflation component of 3.0%. No other post-retirement assumptions are included.

In order to dampen the effect of short-term market value fluctuations on employer contribution rates, a three-year smoothed market asset valuation method is used. The average remaining period for amortization is 31 years for all plans. The effect of changes in liability due to plan amendments or changes in actuarial valuations will be amortized separately using a level percentage of pay over a closed 20-year period.

**THREE-YEAR TREND INFORMATION FOR PERS:**

| Miscellaneous Employee Plan | | | |
|---|---|---|---|
| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
| | $ | % | $ |
| 6/30/10 | 1,503,591 | 100 | 0 |
| 6/30/11 | 1,467,925 | 100 | 0 |
| 6/30/12 | 1,777,538 | 100 | 0 |
| Police Safety Plan | | | |
| 6/30/10 | 1,779,754 | 100 | 0 |
| 6/30/11 | 1,820,417 | 100 | 0 |
| 6/30/12 | 1,708,074 | 100 | 0 |
| Fire Safety Plan | | | |
| 6/30/10 | 970,173 | 100 | 0 |
| 6/30/11 | 949,516 | 100 | 0 |
| 6/30/12 | 912,992 | 100 | 0 |

**Required Supplementary Information:**
Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS).

The Miscellaneous Employee Plan is an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers.

The plans' actuarial values (which differ from market value) and funding progress over the most recently available three years are set forth below at their actuarial valuation date of June 30, 2010.

**Public Miscellaneous Employer Retirement System**
**Schedule of Funding Progress**

| Actuarial Valuation Date | Actuarial Accrued Liability/ (AAL) Ent Age (A) $ | Actuarial Value of Assets (B) $ | Unfunded AAL (UAAL) (A-B) $ | Funded Ratio (B/A) | Covered Payroll (C) $ | UAAL As a % of Payroll ((A-B)/C) |
|---|---|---|---|---|---|---|
| Miscellaneous | | | | | | |
| 6/30/08 | 77,335 | 70,124 | 7,210 | 90.7% | 18,224 | 39.6% |
| 6/30/09 | 85,966 | 74,446 | 11,520 | 86.6% | 17,674 | 65.2% |
| 6/30/10 | 90,116 | 78,514 | 11,603 | 87.1% | 18,161 | 63.9% |

The Safety Employee Plans (police & fire) are cost-sharing employer defined benefit plans which acts as a common investment and administrative agent for its participating member employers. Effective fiscal year 2005-06, the city participates in the CALPERS Safety Risk Pools, as required for cities with less than 100 active members in the plans.

**F. Prior period adjustments**
In the preparation of the financial statements, several entries were necessary to adjust fund equity to begin the fiscal year ending June 30, 2012 for government wide governmental activities, governmental activities and business-type activities. The adjustments were as follows:

| | **Beginning Balance** $ | **Additions** $ | **Decreases** $ | **Beginning Balance Restated** $ |
|---|---|---|---|---|
| **Government Wide:** | | | | |
| Governmental | 140,987,616 | 1,059,153 | (572,926) | 141,473,843 |
| Business-type | 109,360,181 | 1,448,679 | (1,822,097) | 108,986,763 |

| | | | | |
|---|---|---|---|---|
| **Governmental Funds:** | | | | |
| General Fund | 1,598,588 | 1,900,603 | - | 3,499,567 |
| Redevelopment Debt Service | 2,149,052 | 673 | (29,713) | 2,120,012 |
| Other Governmental Funds | 6,548,610 | 813,188 | (543,213) | 6,818,585 |
| **Business-type Activities:** | | | | |
| Water | 53,129,325 | 1,444,946 | (2,050) | 54,572,221 |
| Sewer | 47,635,589 | 3,733 | (1,166,721) | 46,472,601 |
| Solid Waste | 2,882,591 | - | (47,583) | 2,835,006 |
| Airport | 5,712,676 | - | (605,743) | 5,106,933 |

**Following are detailed explanations of prior period adjustments:**
**Government Wide –**

Governmental Activities:

1. Adjustment was made to correct prior year's accounts receivables $6,980.
2. Adjustment was made to correct cash with fiscal agent ($29,713).
3. Adjustments were made to correct prior accounts payable accrual $673.
4. Adjustment was made to correct prior year's grant receivable $600,789.
5. Adjustment was made to correct prior year's loans payable $172,470.
6. Adjustment was made to correct prior year's loans receivable ($543,213).
7. Adjustment was made to correct prior year's notes payable $278,241.

Business-type Activities:

1. Adjustment was made to increase interest accrual ($2,050).
2. Adjustment was made to correct prior year's payables $283,907.
3. Adjustment was made to correct over accrual of revenue $1,161,039.
4. Adjustment was made to correct under accrual of revenue ($1,161,039).
5. Adjustments were made to correct prior year expenditures ($28,102).
6. Adjustments were made to correct under accrual of revenue ($20,701).
7. Adjustment was made to correct prior year's grant receivable ($600,789).
8. Adjustment was made to correct prior year's receivables ($5,683).

**Governmental Funds:**

General Fund:

1 Adjustment was made to correct prior year's accounts receivables $6,980.
2 Adjustment was made to correct prior year's compensated absences $1,893,623.

Redevelopment Debt Service Fund:

1. Adjustment was made to correct cash with fiscal agent ($29,713).
2. Adjustments were made to correct prior accounts payable accrual $673.

Other Governmental Funds:

1. Adjustment was made to correct prior year's grant receivable $600,789.
2. Adjustment was made to correct prior year's compensated absences $39,929.
3. Adjustment was made to correct prior year's loans payable $172,470.
4. Adjustment was made to correct prior year's loans receivable ($543,213).

**Business-type Activities:**
Water Fund:
1. Adjustment was made to increase interest accrual ($2,050).
2. Adjustment was made to correct prior year's payables $283,907.
3. Adjustment was made to correct over accrual of revenue $1,161,039.

Sewer Fund:
1. Adjustment was made to correct prior year expenditures $3,734.
2. Adjustment was made to correct under accrual of revenue ($1,161,039).
3. Adjustment was made to correct prior year's receivables ($5,683).

Solid Waste Fund:
1. Adjustment was made to correct prior year expenditures ($26,882).
2. Adjustments were made to correct under accrual of revenue ($20,701).

Airport Fund:
1. Adjustment was made to correct prior year's grant receivable ($600,789).
2. Adjustment was made to correct prior year expenditures ($4,954).

## G. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 64

For the fiscal year ending June 30, 2012, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 64, ("*Derivative Instruments: Application of Hedge Accounting Termination Provisions.")* This statement is effective for periods beginning after June 15, 2011. The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counter party's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. Implementation of the GASB Statement No. 64, did not have an impact on the City's financial statements for the fiscal year ended June 30, 2012.

## H. Subsequent Events

Management of the City of Watsonville has evaluated subsequent events through January 28, 2013, the date these financial statements were available to be issued, and has determined there were no material events requiring disclosure.

## I. Successor Agency Trust 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, they City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City Resolution number 4-12.

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

In future fiscal years, successor agencies will only be 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.

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

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

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of activity of the redevelopment agency continued to be reported in the government funds of the City. 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 transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary gain recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

| | |
|---|---|
| Total extraordinary (gain)/loss reported in governmental funds – (decrease)/increase to net assets of the Successor Agency Trust Fund | $228,000 |
| Long-term debt reported in the governmental-wide financial statements – decrease to net assets of the Successor Agency | (20,999,918) |
| Bond issuance costs reported in the governmental-wide financial statements – increase to net assets of the Successor Agency | 383,513 |
| Interest payable costs reported in the governmental-wide financial statements – decrease to net assets of the Successor Agency | (342,923) |
| Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the governmental-wide financial statement of the City) | $20,731,328 |

The following is a schedule of long-term liabilities for the fiscal year ended June 30, 2012:

| | Beginning Balance | Transfer from RDA | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Tax allocation bonds | - | 20,805,000 | - | - | 20,805,000 | 910,000 |
| Less deferred amounts | | | | | | |
| Issuance discount | - | (383,513) | - | - | (383,513) | - |
| Net tax allocation bonds | - | 20,421,487 | - | - | 20,421,487 | 910,000 |
| Debt payable | - | 408,698 | - | - | 408,698 | 70,951 |
| Postretirement liability | - | 64,461 | - | - | 64,461 | - |
| *Notes payable | - | 1,823,475 | - | - | 1,823,475 | - |
| Total | - | 22,718,121 | - | - | 22,718,121 | 980,951 |

*Note: Notes payable to the City of Watsonville were shown as advances between governmental funds in prior financial statements.

**Tax allocation bonds**

In June of 2004 the Redevelopment Agency of the City of Watsonville (blended component unit) 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

2004 Tax Allocation Bonds, Series A

A portion of the proceeds from the issue is to be used to finance a portion of the costs of design and construction of the Civic Center Plaza and Parking Structure project in downtown Watsonville. Interest rates for the Series A bonds range from 4% to 5% with principal payments ranging from $400,000 to $1,050,000 through fiscal year 2034.

The 2004 Tax Allocation Bonds, Series A have the following redemption schedule:

| Maturity Date September 1 | Principal | Interest | Debt Service |
|---|---|---|---|
| | $ | $ | $ |
| 2012 | 620,000 | 717,298 | 1,337,298 |
| 2013 | 645,000 | 691,998 | 1,336,998 |
| 2014 | 675,000 | 665,598 | 1,340,598 |
| 2015 | 700,000 | 637,398 | 1,337,398 |
| 2016 | 730,000 | 606,820 | 1,336,820 |
| 2017 | 760,000 | 573,843 | 1,333,843 |
| 2018 | 795,000 | 538,458 | 1,333,458 |
| 2019 | 830,000 | 500,668 | 1,330,668 |
| 2020 | 870,000 | 460,500 | 1,330,500 |
| 2021 | 910,000 | 418,225 | 1,328,225 |
| 2022 | 955,000 | 373,931 | 1,328,931 |
| 2023 | 1,000,000 | 326,875 | 1,326,875 |
| 2024 | 1,050,000 | 276,250 | 1,326,250 |
| 2025 | 400,000 | 240,000 | 640,000 |
| 2026 | 415,000 | 219,625 | 634,625 |
| 2027 | 440,000 | 198,250 | 638,250 |
| 2028 | 460,000 | 175,750 | 635,750 |
| 2029 | 485,000 | 152,125 | 637,125 |
| 2030 | 505,000 | 127,375 | 632,375 |
| 2031 * | 535,000 | 101,375 | 636,375 |
| 2032 * | 560,000 | 74,000 | 634,000 |
| 2033 * | 585,000 | 45,375 | 630,375 |
| 2034 * | 615,000 | 15,375 | 630,375 |
| Total | 15,540,000 | 8,137,112 | 23,677,112 |

* Principal applied to a sinking fund in years 2031 to 2034.

2004 Tax Allocation Bonds, Series B-1

A portion of the proceeds from this issue is to be used to finance certain low and moderate income housing capital improvements within the Redevelopment Project Area. Interest rates for the Series B-1 bonds range from 4% to 5% with principal payments ranging from $95,000 to $170,000 through fiscal year 2025.

The 2004 Tax Allocation Bonds, Series B-1 have the following redemption schedule:

| Maturity Date September 1 | Principal | Interest | Debt Service |
|---|---|---|---|
| | $ | $ | $ |
| 2012 | 100,000 | 76,871 | 176,871 |
| 2013 | 105,000 | 72,771 | 177,771 |
| 2014 | 110,000 | 68,416 | 178,416 |
| 2015 | 115,000 | 63,718 | 178,718 |
| 2016 | 120,000 | 58,634 | 178,634 |
| 2017 | 125,000 | 53,181 | 178,181 |
| 2018 | 130,000 | 47,444 | 177,444 |
| 2019 | 135,000 | 41,397 | 176,397 |
| 2020 | 140,000 | 34,950 | 174,950 |
| 2021 | 150,000 | 28,063 | 178,063 |
| 2022 | 155,000 | 20,625 | 175,625 |
| 2023 | 165,000 | 12,625 | 177,625 |
| 2024 | 170,000 | 4,250 | 174,250 |
| Total | 1,720,000 | 582,945 | 2,302,945 |

2004 Tax Allocation Bonds, Series B-2

A portion of the proceeds from this issue is to be used to finance certain low and moderate income housing capital improvements within the Redevelopment Project Area. Interest rates for the Series B-1 bonds range from 3% to 6.25% with principal payments ranging from $175,000 to $380,000 through fiscal year 2025.

The 2004 Tax Allocation Bonds, Series B-2 have the following redemption schedule:

| Maturity Date September 1 | Principal | Interest | Debt Service |
|---|---|---|---|
| | $ | $ | $ |
| 2012 | 190,000 | 207,390 | 397,390 |
| 2013 | 200,000 | 197,200 | 397,200 |
| 2014 | 210,000 | 186,438 | 396,438 |
| 2015* | 225,000 | 174,175 | 399,175 |

| | | | |
|---|---|---|---|
| 2016* | 235,000 | 160,375 | 395,375 |
| 2017* | 250,000 | 145,825 | 395,825 |
| 2018* | 265,000 | 130,375 | 395,375 |
| 2019* | 280,000 | 114,025 | 394,025 |
| 2020** | 300,000 | 96,250 | 396,250 |
| 2021** | 315,000 | 77,031 | 392,031 |
| 2022** | 335,000 | 56,719 | 391,719 |
| 2023** | 360,000 | 35,000 | 395,000 |
| 2024** | 380,000 | 11,875 | 391,875 |
| Total | 3,545,000 | 1,592,678 | 5,137,678 |

* Principal applied to a sinking fund in years 2015 to 2019.
** Principal applied to a sinking fund in years 2020 to 2024.

**Debt payable**

The former Redevelopment Agency of the City of Watsonville discovered a tax increment allocation error made by the County of Santa Cruz, in fiscal year 2003/04, which resulted in the Agency receiving $1,438,864 in excess revenues in prior fiscal years. During the current year, the Successor Agency repaid $23,836 of the debt and the note has a balance of $47,677 at June 30, 2012. The loan has a 0% imputed interest rate.

| Fiscal Year | Principal |
|---|---|
| | $ |
| 2013 | 23,836 |
| 2014 | 23,841 |
| Total | 47,677 |

The County of Santa Cruz discovered overpayment of tax increment allocations error in fiscal year 2008/09, which resulted in the Agency receiving $494,292 in excess revenues in prior fiscal years. The Agency has agreed to repay the County of Santa Cruz over a ten year period. The loan has a 0% imputed interest rate.

| Fiscal Year | Principal |
|---|---|
| | $ |
| 2013 | 47,115 |
| 2014 | 48,529 |
| 2015 | 49,985 |
| 2016 | 51,484 |
| 2017 | 53,029 |
| 2018 | 54,619 |
| 2019 | 56,260 |
| Total | 361,021 |

**Postretirement liability**

As of the transfer of the Agency assets to the Successor Agency, the Postretirement liability was $64,461. This amount will be reduced by an allocation of future costs incurred by the City from former staff members of the Agency.

**Notes Payable**

On May 25, 2004, the City's Water Utility Fund loaned the Redevelopment Agency $1,243,601 to fund the Agency's payment to the County of Santa Cruz for excess tax increment errors which resulted in excess tax increment payments to the Agency. The loan has an interest rate of 2.5% with repayment to be over 20 years.

As of the transfer of the Agency assets to the Successor Agency, the note balance was $720,253. The State of California has deemed this note as not a enforceable obligation, and the city cannot be paid back until a finding of completion is received from the State's Department of Finance and the Successor Agency's oversight board makes a finding that the note was for legitimate redevelopment purpose.

On June 22, 2010, the City and Agency agreed to a note payable from the Agency to the City for impact fees imposed on the Civic Plaza Project in the amount of $708,495. As of the transfer of the Agency assets to the Successor Agency, the note balance was $473,282. The State of California has deemed this note as not a enforceable obligation, and the city cannot be paid back until a finding of completion is received from the State's Department of Finance and the Successor Agency's oversight board makes a finding that the note was for legitimate redevelopment purpose.

On March 8, 2011, the Agency authorized a loan from the Agency's 20% Housing Set Aside Fund to make the State mandated payment to the County Supplemental Education Revenue Augmentation Fund for the fiscal years 2010-2011 in the amount of $629,940. The State of California has deemed this note as not a enforceable obligation, and the City cannot be paid back until a finding of completion is received from the State's Department of Finance and the Successor Agency's oversight board makes a finding that the note was for legitimate redevelopment purpose.

**Notes Payable recap:**

| | |
|---|---|
| Water Utility fund | $720,253 |
| Impact fees fund | 473,282 |
| Housing fund | 629,940 |
| Total Notes Payable | $1,823,475 |

## J. Special Item

On February 1, 2012, all the assets from the Redevelopment Agency Low and Moderate Income Housing Fund were transferred to the City Housing Fund. The transfer in amount of $2,020,781 was reported as special item in the accompanying statement of revenues, expenditures and changes in fund balance.

# 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.

## Rental Rehabilitation
These grants provide low cost loans for the rehabilitation of low cost rental housing.

## 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.

## Low Income Housing Set Aside
The Low Income Housing Set Aside Fund is used to hold twenty percent of the Redevelopment Agency's tax increment for low and moderate income housing projects.

## 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.

**(Continued)**

# City of Watsonville, California
# Nonmajor Governmental Funds
# Special Revenue Funds

## 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.

## Redevelopment

This fund accounts for the expenditures of funds in the Redevelopment District. This fund is primarily supported by property tax increment, generated by increased economic activity in the downtown redevelopment district.

## Parking Garage

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

## Business Booster Loan Program

This fund was created to hold funds allocated by Council for loans to be used to support businesses within the City limits.

## 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.

**(Concluded)**

**CITY OF WATSONVILLE, CALIFORNIA**
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012

| | Special Revenue Funds | | | | | | |
|---|---|---|---|---|---|---|---|
| | GAS TAX | NARCOTICS ASSETS SEIZURE | BUSINESS DEVELOPMENT | RENTAL REHABILI-TATION | LIBRARY | LOW INCOME HOUSING SETASIDE | PARKS DEVELOPMENT |
| | $ | $ | $ | $ | $ | $ | $ |
| ASSETS: | | | | | | | |
| Cash and investments | 2,020,822 | 174,753 | 183,268 | 497,179 | 725,094 | - | 811,413 |
| Receivables: | | | | | | | |
| Interest | - | - | - | 21,370 | - | - | - |
| Taxes | 148,531 | - | - | - | 276,121 | - | 7,947 |
| Accounts | 6,602 | - | 1,121 | - | - | - | - |
| Intergovernmental | 789,048 | - | - | - | - | - | - |
| Due from other funds | - | - | - | - | - | - | - |
| Advances receivable | - | - | - | - | 420,989 | - | 195,328 |
| Loans receivable | - | - | - | 66,219 | 40,293 | - | - |
| Total Assets | 2,965,003 | 174,753 | 184,389 | 584,768 | 1,462,497 | - | 1,014,688 |
| LIABILITIES AND FUND BALANCES: | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | 765,162 | - | - | - | 21,384 | - | 861 |
| Accrued personnel costs | 3,473 | - | - | - | - | - | 1,951 |
| Retentions payable | 92,431 | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | - | - |
| Deferred revenue | 621,970 | - | - | 87,589 | 40,293 | - | - |
| Unearned revenue | - | - | 1,348 | - | - | - | - |
| Deposits | - | 116,406 | - | - | - | - | - |
| Total Liabilities | 1,483,036 | 116,406 | 1,348 | 87,589 | 61,677 | - | 2,812 |
| Fund Balances: | | | | | | | |
| Restricted for: | | | | | | | |
| Gas tax | 1,481,967 | - | - | - | - | - | - |
| Assets seizure | - | 58,347 | - | - | - | - | - |
| Business development | - | - | 183,041 | - | - | - | - |
| Rental rehabilitation | - | - | - | 497,179 | - | - | - |
| Library | - | - | - | - | 1,400,820 | - | - |
| Parks development | - | - | - | - | - | - | 1,011,876 |
| Business booster loan program | - | - | - | - | - | - | - |
| Inclusionary housing | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - |
| Total Fund Balances | 1,481,967 | 58,347 | 183,041 | 497,179 | 1,400,820 | - | 1,011,876 |
| Total Liabilities and Fund Balances | 2,965,003 | 174,753 | 184,389 | 584,768 | 1,462,497 | - | 1,014,688 |

Continued

**CITY OF WATSONVILLE, CALIFORNIA**
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012

| | Special Revenue Funds | | | | | | |
|---|---|---|---|---|---|---|---|
| | RETIREMENT TAX | REDEVELOPMENT | PARKING GARAGE | BUSINESS BOOSTER LOAN PROGRAM | ABANDONED VEHICLE | INCLUSIONARY HOUSING | TOTAL |
| | $ | $ | $ | $ | $ | $ | $ |
| ASSETS: | | | | | | | |
| Cash and investments | - | - | - | 281,022 | - | 639,999 | 5,333,550 |
| Receivables: | | | | | | | |
| Interest | - | - | - | - | - | 40,364 | 61,734 |
| Taxes | 88,169 | - | - | - | 13,565 | - | 534,333 |
| Accounts | - | - | 26,574 | - | 7,164 | 9,000 | 50,461 |
| Intergovernmental | - | - | - | - | - | - | 789,048 |
| Due from other funds | - | - | - | - | - | 785,451 | 785,451 |
| Advances receivable | - | - | - | - | - | 394,918 | 1,011,235 |
| Loans receivable | - | - | - | - | - | 1,595,762 | 1,702,274 |
| Total Assets | 88,169 | - | 26,574 | 281,022 | 20,729 | 3,465,494 | 10,268,086 |
| LIABILITIES AND FUND BALANCES: | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | - | - | 9,444 | - | - | 2,897 | 799,748 |
| Accrued personnel costs | - | - | - | - | - | 6,460 | 11,884 |
| Retentions payable | - | - | - | - | - | - | 92,431 |
| Due to other funds | 480,217 | - | 901,438 | - | 28,875 | - | 1,410,530 |
| Deferred revenue | - | - | - | - | - | 1,681,086 | 2,430,938 |
| Unearned revenue | - | - | - | - | - | - | 1,348 |
| Deposits | - | - | - | - | - | - | 116,406 |
| Total Liabilities | 480,217 | - | 910,882 | - | 28,875 | 1,690,443 | 4,863,285 |
| Fund Balances: | | | | | | | |
| Restricted for: | | | | | | | |
| Gas tax | - | - | - | - | - | - | 1,481,967 |
| Assets seizure | - | - | - | - | - | - | 58,347 |
| Business development | - | - | - | - | - | - | 183,041 |
| Rental rehabilitation | - | - | - | - | - | - | 497,179 |
| Library | - | - | - | - | - | - | 1,400,820 |
| Parks development | - | - | - | - | - | - | 1,011,876 |
| Business booster loan program | - | - | - | 281,022 | - | - | 281,022 |
| Inclusionary housing | - | - | - | - | - | 1,775,051 | 1,775,051 |
| Unassigned | (392,048) | - | (884,308) | - | (8,146) | - | (1,284,502) |
| Total Fund Balances | (392,048) | - | (884,308) | 281,022 | (8,146) | 1,775,051 | 5,404,801 |
| Total Liabilities and Fund Balances | 88,169 | - | 26,574 | 281,022 | 20,729 | 3,465,494 | 10,268,086 |

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, 2012

| | Special Revenue Funds | | | | | | |
|---|---|---|---|---|---|---|---|
| | GAS TAX | NARCOTICS ASSETS SEIZURE | BUSINESS DEVELOPMENT | RENTAL REHABILI-TATION | LIBRARY | LOW INCOME HOUSING SETASIDE | PARKS DEVELOPMENT |
| | $ | $ | $ | $ | $ | $ | $ |
| REVENUES: | | | | | | | |
| Taxes | 1,460,851 | - | - | - | 2,175,499 | 1,080,498 | - |
| Licenses, permits and fees | - | - | 64,577 | 2,789 | 54,574 | - | 209,396 |
| Intergovernmental | 962,344 | - | - | - | 532,353 | - | - |
| Interest | 20,295 | - | - | - | 22,779 | 13,831 | 10,597 |
| Miscellaneous | - | 398 | - | - | - | 73,669 | - |
| Total revenues | 2,443,490 | 398 | 64,577 | 2,789 | 2,785,205 | 1,167,998 | 219,993 |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| General government | - | - | 62,045 | 2,000 | - | - | 168,490 |
| Housing | - | - | - | - | - | 1,321,329 | - |
| Streets | 3,076,022 | 29,953 | - | - | - | - | - |
| Culture and recreation | - | - | - | - | 2,509,740 | - | - |
| Total expenditures | 3,076,022 | 29,953 | 62,045 | 2,000 | 2,509,740 | 1,321,329 | 168,490 |
| Excess (deficiency) of revenues over (under) expenditures | (632,532) | (29,555) | 2,532 | 789 | 275,465 | (153,331) | 51,503 |
| OTHER FINANCING SOURCES (USES): | | | | | | | |
| Transfers in | - | - | - | - | - | - | 22,960 |
| Transfers out | (340,000) | - | - | - | (1,043,800) | (435,265) | - |
| Total other financing sources (uses) | (340,000) | - | - | - | (1,043,800) | (435,265) | 22,960 |
| Net change in fund balances before special & extraordinary items | (972,532) | (29,555) | 2,532 | 789 | (768,335) | (588,596) | 74,463 |
| | | | | | | - | |
| SPECIAL ITEM | | | | | | | |
| Gain/Loss on transfer of Redevelopment Agency Housing Assets | - | - | - | - | - | (2,020,781) | - |
| EXTRAORDINARY ITEM | | | | | | | |
| Gain/Loss on transfer of assets and liabilities to RDA Successor Trust Fund | - | - | - | - | - | (43,818) | - |
| Net change in fund balances | (972,532) | (29,555) | 2,532 | 789 | (768,335) | (2,653,195) | 74,463 |
| Fund balances, July 1 | 1,853,710 | 87,902 | 180,509 | 496,390 | 2,169,155 | 3,196,408 | 937,413 |
| Prior period adjustments | 600,789 | - | - | - | - | (543,213) | - |
| Fund balances, July 1, as restated | 2,454,499 | 87,902 | 180,509 | 496,390 | 2,169,155 | 2,653,195 | 937,413 |
| Fund balances, June 30 | 1,481,967 | 58,347 | 183,041 | 497,179 | 1,400,820 | - | 1,011,876 |

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, 2012

| | Special Revenue Funds | | | | | | |
|---|---|---|---|---|---|---|---|
| | RETIREMENT TAX | REDEVELOPMENT | PARKING GARAGE | BUSINESS BOOSTER LOAN PROGRAM | ABANDONED VEHICLE | INCLUSIONARY HOUSING | TOTALS |
| | $ | $ | $ | $ | $ | $ | $ |
| REVENUES: | | | | | | | |
| Taxes | 1,970,308 | - | - | - | - | - | 6,687,156 |
| Licenses, permits and fees | - | - | 140,011 | - | 43,979 | 43,678 | 559,004 |
| Intergovernmental | - | - | - | - | - | - | 1,494,697 |
| Interest | - | - | - | - | - | 1,758 | 69,260 |
| Miscellaneous | - | 15,675 | - | - | - | 284,178 | 373,920 |
| Total revenues | 1,970,308 | 15,675 | 140,011 | - | 43,979 | 329,614 | 9,184,037 |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| General government | 4,786 | - | 161,621 | - | - | - | 398,942 |
| Housing | - | 523,190 | - | - | - | 218,866 | 2,063,385 |
| Streets | - | - | - | - | - | - | 3,105,975 |
| Culture and recreation | - | - | - | - | - | - | 2,509,740 |
| Total expenditures | 4,786 | 523,190 | 161,621 | - | - | 218,866 | 8,078,042 |
| Excess (deficiency) of revenues over (under) expenditures | 1,965,522 | (507,515) | (21,610) | - | 43,979 | 110,748 | 1,105,995 |
| Transfers in | - | 2,199,361 | - | - | - | - | 2,222,321 |
| Transfers out | (1,659,557) | (78,270) | - | - | - | (70,467) | (3,627,359) |
| Total other financing sources (uses) | (1,659,557) | 2,121,091 | - | - | - | (70,467) | (1,405,038) |
| Net change in fund balances before special & extraordinary items | 305,965 | 1,613,576 | (21,610) | - | 43,979 | 40,281 | (299,043) |
| SPECIAL ITEM | | | | | | | |
| Gain/Loss on transfer of Redevelopment Agency Housing Assets | - | - | - | - | - | - | (2,020,781) |
| EXTRAORDINARY ITEM | | | | | | | |
| Gain/Loss on transfer of assets and liabilities to RDA Successor Trust Fund | - | 949,858 | - | - | - | - | 906,040 |
| Net change in fund balances | 305,965 | 2,563,434 | (21,610) | - | 43,979 | 40,281 | (1,413,784) |
| Fund balances, July 1 | (698,013) | (2,735,904) | (862,698) | 281,022 | (52,125) | 1,694,841 | 6,548,610 |
| Prior period adjustments | - | 172,470 | - | - | - | 39,929 | 269,975 |
| Fund balances, July 1, as restated | (698,013) | (2,563,434) | (862,698) | 281,022 | (52,125) | 1,734,770 | 6,818,585 |
| Fund balances, June 30 | (392,048) | - | (884,308) | 281,022 | (8,146) | 1,775,051 | 5,404,801 |

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, 2012

| | GAS TAX | | | | NARCOTICS ASSETS SEIZURE | | | |
|---|---|---|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance With Final Budget - Positive | Budgeted Amounts | | | Variance With Final Budget - Positive |
| | Original | Final | Actual | (Negative) | Original | Final | Actual | (Negative) |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| REVENUES: | | | | | | | | |
| Taxes | 967,500 | 967,500 | 1,460,851 | 493,351 | - | - | - | - |
| Intergovernmental | 1,311,400 | 1,311,400 | 962,344 | (349,056) | - | - | - | - |
| Interest | 20,000 | 20,000 | 20,295 | 295 | 2,500 | 2,500 | - | (2,500) |
| Miscellaneous | - | - | - | - | 10,000 | 10,000 | 398 | (9,602) |
| Total revenues | 2,298,900 | 2,298,900 | 2,443,490 | 144,590 | 12,500 | 12,500 | 398 | (12,102) |
| EXPENDITURES: | | | | | | | | |
| Public Safety | - | - | - | - | 155,000 | 155,000 | 29,953 | 125,047 |
| Streets | 6,533,562 | 6,533,562 | 3,076,022 | 3,457,540 | - | - | - | - |
| Total expenditures | 6,533,562 | 6,533,562 | 3,076,022 | 3,457,540 | 155,000 | 155,000 | 29,953 | 125,047 |
| Excess (deficiency) of revenues over (under) expenditures | (4,234,662) | (4,234,662) | (632,532) | 3,602,130 | (142,500) | (142,500) | (29,555) | 112,945 |
| OTHER FINANCING SOURCES (USES): | | | | | | | | |
| Transfers out | (340,000) | (340,000) | (340,000) | - | - | - | - | - |
| Total other financing sources (uses) | (340,000) | (340,000) | (340,000) | - | - | - | - | - |
| Net change in fund balances | (4,574,662) | (4,574,662) | (972,532) | 3,602,130 | (142,500) | (142,500) | (29,555) | 112,945 |
| Fund balances, July 1 | 1,853,710 | 1,853,710 | 1,853,710 | - | 87,902 | 87,902 | 87,902 | - |
| Prior period adjustments | - | - | 600,789 | 600,789 | - | - | - | - |
| Fund balances, July 1, as restated | 1,853,710 | 1,853,710 | 2,454,499 | 600,789 | 87,902 | 87,902 | 87,902 | - |
| Fund balances, June 30 | (2,720,952) | (2,720,952) | 1,481,967 | 4,202,919 | (54,598) | (54,598) | 58,347 | 112,945 |

**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, 2012

| | BUSINESS DEVELOPMENT | | | | RENTAL REHABILITATION | | | |
|---|---|---|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance With Final Budget - Positive | Budgeted Amounts | | | Variance With Final Budget - Positive |
| | Original | Final | Actual | (Negative) | Original | Final | Actual | (Negative) |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| REVENUES: | | | | | | | | |
| Licenses, permits and fees | 60,000 | 60,000 | 64,577 | 4,577 | 13,000 | 13,000 | 2,789 | (10,211) |
| Interest | - | - | - | - | 12,000 | 12,000 | - | (12,000) |
| Total revenues | 60,000 | 60,000 | 64,577 | 4,577 | 25,000 | 25,000 | 2,789 | (22,211) |
| EXPENDITURES: | | | | | | | | |
| Current: | | | | | | | | |
| General government | 62,015 | 62,015 | 62,045 | (30) | 25,000 | 25,000 | 2,000 | 23,000 |
| Total expenditures | 62,015 | 62,015 | 62,045 | (30) | 25,000 | 25,000 | 2,000 | 23,000 |
| Excess (deficiency) of revenues over (under) expenditures | (2,015) | (2,015) | 2,532 | 4,547 | - | - | 789 | 789 |
| Net change in fund balances | (2,015) | (2,015) | 2,532 | 4,547 | - | - | 789 | 789 |
| Fund balances, July 1 | 180,509 | 180,509 | 180,509 | - | 496,390 | 496,390 | 496,390 | - |
| Fund balances, June 30 | 178,494 | 178,494 | 183,041 | 4,547 | 496,390 | 496,390 | 497,179 | 789 |

**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, 2012

| | LIBRARY | | | | LOW INCOME HOUSING SET ASIDE | | | |
|---|---|---|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance With Final Budget - Positive | Budgeted Amounts | | | Variance With Final Budget - Positive |
| | Original | Final | Actual | (Negative) | Original | Final | Actual | (Negative) |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| REVENUES: | | | | | | | | |
| Taxes | 2,438,093 | 2,438,093 | 2,175,499 | (262,594) | 1,722,318 | 1,722,318 | 1,080,498 | (641,820) |
| Licenses, permits and fees | 77,800 | 77,800 | 54,574 | (23,226) | - | - | - | - |
| Intergovernmental | 115,000 | 115,000 | 532,353 | 417,353 | - | - | - | - |
| Interest | 45,000 | 45,000 | 22,779 | (22,221) | 20,000 | 20,000 | 13,831 | (6,169) |
| Miscellaneous | 100,000 | 100,000 | - | (100,000) | 50,000 | 50,000 | 73,669 | 23,669 |
| Total revenues | 2,775,893 | 2,775,893 | 2,785,205 | 9,312 | 1,792,318 | 1,792,318 | 1,167,998 | (624,320) |
| EXPENDITURES: | | | | | | | | |
| Current: | | | | | | | | |
| Housing | - | - | - | - | 2,966,836 | 2,966,836 | 1,321,329 | 1,645,507 |
| Culture and recreation | 2,910,357 | 2,993,357 | 2,509,740 | 483,617 | - | - | - | - |
| Total expenditures | 2,910,357 | 2,993,357 | 2,509,740 | 483,617 | 2,966,836 | 2,966,836 | 1,321,329 | 1,645,507 |
| Excess (deficiency) of revenues over (under) expenditures | (134,464) | (217,464) | 275,465 | 492,929 | (1,174,518) | (1,174,518) | (153,331) | 1,021,187 |
| OTHER FINANCING SOURCES (USES): | | | | | | | | |
| Transfers out | (1,043,800) | (1,043,800) | (1,043,800) | - | (607,926) | (607,926) | (435,265) | 172,661 |
| Total other financing sources (uses) | (1,043,800) | (1,043,800) | (1,043,800) | - | (607,926) | (607,926) | (435,265) | 172,661 |
| Net change in fund balances before special & extraordinary items | (1,178,264) | (1,261,264) | (768,335) | 492,929 | (1,782,444) | (1,782,444) | (588,596) | 1,193,848 |
| SPECIAL ITEM | | | | | | | | |
| Gain/Loss on transfer of Redevelopment Agency Housing Assets | - | - | - | - | - | - | (2,020,781) | (2,020,781) |
| EXTRAORDINARY ITEM | | | | | | | | |
| Gain/Loss on transfer of assets and liabilities to RDA Successor Trust Fund | - | - | - | - | - | - | (43,818) | (43,818) |
| Net change in fund balances | (1,178,264) | (1,261,264) | (768,335) | 492,929 | (1,782,444) | (1,782,444) | (2,653,195) | (870,751) |
| Fund balances, July 1 | 2,169,155 | 2,169,155 | 2,169,155 | - | 3,196,408 | 3,196,408 | 3,196,408 | - |
| Prior period adjustments | - | - | - | - | - | - | (543,213) | (543,213) |
| Fund balances, July 1, as restated | 2,169,155 | 2,169,155 | 2,169,155 | 492,929 | 3,196,408 | 3,196,408 | 2,653,195 | (543,213) |
| Fund balances, June 30 | 990,891 | 907,891 | 1,400,820 | 492,929 | 1,413,964 | 1,413,964 | - | (1,413,964) |

**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, 2012

| | PARKS DEVELOPMENT | | | | RETIREMENT TAX | | | |
|---|---|---|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance With Final Budget - Positive | Budgeted Amounts | | | Variance With Final Budget - Positive |
| | Original | Final | Actual | (Negative) | Original | Final | Actual | (Negative) |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| REVENUES: | | | | | | | | |
| Taxes | - | - | - | - | 2,042,000 | 2,042,000 | 1,970,308 | (71,692) |
| Licenses, permits, and fees | 288,934 | 288,934 | 209,396 | (79,538) | - | - | - | - |
| Interest | 32,500 | 32,500 | 10,597 | (21,903) | - | - | - | - |
| Total revenues | 321,434 | 321,434 | 219,993 | (101,441) | 2,042,000 | 2,042,000 | 1,970,308 | (71,692) |
| EXPENDITURES: | | | | | | | | |
| Current: | | | | | | | | |
| General government | 633,159 | 634,159 | 168,490 | 465,669 | - | - | 4,786 | (4,786) |
| Total expenditures | 633,159 | 634,159 | 168,490 | 465,669 | - | - | 4,786 | (4,786) |
| Excess (deficiency) of revenues over (under) expenditures | (311,725) | (312,725) | 51,503 | 364,228 | 2,042,000 | 2,042,000 | 1,965,522 | (76,478) |
| OTHER FINANCING SOURCES (USES): | | | | | | | | |
| Transfers in | 45,921 | 45,921 | 22,960 | (22,961) | - | - | - | - |
| Transfers out | - | - | - | - | (1,659,557) | (1,659,557) | (1,659,557) | - |
| Total other financing sources (uses) | 45,921 | 45,921 | 22,960 | (22,961) | (1,659,557) | (1,659,557) | (1,659,557) | - |
| Net change in fund balances | (265,804) | (266,804) | 74,463 | 341,267 | 382,443 | 382,443 | 305,965 | (76,478) |
| Fund balances, July 1 | 937,413 | 937,413 | 937,413 | - | (698,013) | (698,013) | (698,013) | - |
| Fund balances, June 30 | 671,609 | 670,609 | 1,011,876 | 341,267 | (315,570) | (315,570) | (392,048) | (76,478) |

**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, 2012

| | REDEVELOPMENT | | | | PARKING GARAGE | | | |
|---|---|---|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance With Final Budget - Positive | Budgeted Amounts | | | Variance With Final Budget - Positive |
| | Original | Final | Actual | (Negative) | Original | Final | Actual | (Negative) |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| REVENUES: | | | | | | | | |
| Licenses, permits, and fees | - | - | - | - | 145,000 | 145,000 | 140,011 | (4,989) |
| Miscellaneous | 24,000 | 24,000 | 15,675 | (8,325) | - | - | - | - |
| Total revenues | 24,000 | 24,000 | 15,675 | (8,325) | 145,000 | 145,000 | 140,011 | (4,989) |
| EXPENDITURES: | | | | | | | | |
| Current: | | | | | | | | |
| General government | - | - | - | - | 120,243 | 122,243 | 161,621 | (39,378) |
| Housing | 3,619,095 | 3,619,095 | 523,190 | 3,095,905 | - | - | - | - |
| Total expenditures | 3,619,095 | 3,619,095 | 523,190 | 3,095,905 | 120,243 | 122,243 | 161,621 | (39,378) |
| Excess (deficiency) of revenues over (under) expenditures | (3,595,095) | (3,595,095) | (507,515) | 3,087,580 | 24,757 | 22,757 | (21,610) | (44,367) |
| OTHER FINANCING SOURCES (USES): | | | | | | | | |
| Transfers in | 2,000,000 | 2,000,000 | 2,199,361 | 199,361 | - | - | - | - |
| Transfers out | (105,619) | (105,619) | (78,270) | 27,349 | - | - | - | - |
| Total other financing sources (uses) | 1,894,381 | 1,894,381 | 2,121,091 | 226,710 | - | - | - | - |
| Net change in fund balances before extraordinary items | (1,700,714) | (1,700,714) | 1,613,576 | 3,314,290 | 24,757 | 22,757 | (21,610) | (44,367) |
| EXTRAORDINARY ITEM | | | | | | | | |
| Gain/Loss on transfer of assets and liabilities to RDA Successor Trust Fund | - | - | 949,858 | 949,858 | - | - | - | - |
| Net change in fund balances | (1,700,714) | (1,700,714) | 2,563,434 | 4,264,148 | 24,757 | 22,757 | (21,610) | (44,367) |
| Fund balances, July 1 | (2,735,904) | (2,735,904) | (2,735,904) | - | (862,698) | (862,698) | (862,698) | - |
| Prior period adjustments | - | - | 172,470 | 172,470 | - | - | - | - |
| Fund balances, July 1, as restated | (2,735,904) | (2,735,904) | (2,563,434) | 172,470 | (862,698) | (862,698) | (862,698) | - |
| Fund balances, June 30 | (4,436,618) | (4,436,618) | - | 4,436,618 | (837,941) | (839,941) | (884,308) | (44,367) |

**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, 2012

| | BUSINESS BOOSTER LOAN PROGRAM | | | | ABANDONED VEHICLE | | | |
|---|---|---|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance With Final Budget - Positive | Budgeted Amounts | | | Variance With Final Budget - Positive |
| | Original | Final | Actual | (Negative) | Original | Final | Actual | (Negative) |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| REVENUES: | | | | | | | | |
| Licenses, permits and fees | - | - | - | - | 91,000 | 91,000 | 43,979 | (47,021) |
| Interest | 3,000 | 3,000 | - | (3,000) | - | - | - | - |
| Total revenues | 3,000 | 3,000 | - | (3,000) | 91,000 | 91,000 | 43,979 | (47,021) |
| EXPENDITURES: | | | | | | | | |
| Current: | | | | | | | | |
| General government | 100,000 | 100,000 | - | 100,000 | - | - | - | - |
| Public Safety | - | - | - | - | 90,562 | 90,562 | - | 90,562 |
| Total expenditures | 100,000 | 100,000 | - | 100,000 | 90,562 | 90,562 | - | 90,562 |
| Net change in fund balances | (97,000) | (97,000) | - | 97,000 | 438 | 438 | 43,979 | 43,541 |
| Fund balances, July 1 | 281,022 | 281,022 | 281,022 | - | (52,125) | (52,125) | (52,125) | - |
| Fund balances, June 30 | 184,022 | 184,022 | 281,022 | 97,000 | (51,687) | (51,687) | (8,146) | 43,541 |

**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, 2012

| | INCLUSIONARY HOUSING | | | |
|---|---|---|---|---|
| | Budgeted Amounts | | | Variance With Final Budget - Positive (Negative) |
| | Original | Final | Actual | |
| | $ | $ | $ | $ |
| REVENUES: | | | | |
| Licenses, permits and fees | 50,000 | 50,000 | 43,678 | (6,322) |
| Interest | 5,000 | 5,000 | 1,758 | (3,242) |
| Miscellaneous | - | - | 284,178 | 284,178 |
| Total revenues | 55,000 | 55,000 | 329,614 | 274,614 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Housing | 181,096 | 181,096 | 218,866 | (37,770) |
| Total expenditures | 181,096 | 181,096 | 218,866 | (37,770) |
| Excess (deficiency) of revenues over (under) expenditures | (126,096) | (126,096) | 110,748 | 236,844 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers out | (70,467) | (70,467) | (70,467) | - |
| Total other financing sources (uses) | (70,467) | (70,467) | (70,467) | - |
| Net change in fund balances | (196,563) | (196,563) | 40,281 | 236,844 |
| Fund balances, July 1 | 1,694,841 | 1,694,841 | 1,694,841 | - |
| Prior period adjustments | - | - | 39,929 | 39,929 |
| Fund balances, July 1, as restated | 1,694,841 | 1,694,841 | 1,734,770 | 39,929 |
| Fund balances, June 30 | 1,498,278 | 1,498,278 | 1,775,051 | 276,773 |

**CITY OF WATSONVILLE, CALIFORNIA**
CITY OF WATSONVILLE - DEBT SERVICE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | GENERAL | | | | REDEVELOPMENT | | | |
|---|---|---|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance With Final Budget - Positive | Budgeted Amounts | | | Variance With Final Budget - Positive |
| | Original | Final | Actual | (Negative) | Original | Final | Actual | (Negative) |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| REVENUES: | | | | | | | | |
| Taxes | - | - | - | - | 7,779,544 | 7,779,544 | 2,755,784 | (5,023,760) |
| Special assessment | 149,072 | 149,072 | 171,703 | 22,631 | - | - | - | - |
| Total revenues | 149,072 | 149,072 | 171,703 | 22,631 | 7,779,544 | 7,779,544 | 2,755,784 | (5,023,760) |
| EXPENDITURES: | | | | | | | | |
| Debt service: | | | | | | | | |
| Principal | 1,189,089 | 1,189,089 | 1,189,088 | - | 1,075,579 | 1,075,579 | 949,579 | 126,000 |
| Interest and fiscal charges | 233,128 | 233,128 | 238,499 | (5,371) | 2,962,271 | 2,962,271 | 1,028,081 | 1,934,190 |
| Total expenditures | 1,422,217 | 1,422,217 | 1,427,587 | (5,371) | 4,037,850 | 4,037,850 | 1,977,660 | 2,060,190 |
| Excess (deficiency) of revenues over (under) expenditures | (1,273,145) | (1,273,145) | (1,255,884) | 17,260 | 3,741,694 | 3,741,694 | 778,124 | (2,963,570) |
| OTHER FINANCING SOURCES (USES): | | | | | | | | |
| Transfers in | 1,273,145 | 1,273,145 | 1,273,145 | - | 607,926 | 607,926 | 132,450 | (475,476) |
| Transfers out | - | - | - | - | (3,722,318) | (3,722,318) | (1,896,546) | 1,825,772 |
| Total other financing sources (uses) | 1,273,145 | 1,273,145 | 1,273,145 | - | (3,114,392) | (3,114,392) | (1,764,096) | 1,350,296 |
| Net change in fund balances before extraordinary items | - | - | 17,261 | 17,260 | 627,302 | 627,302 | (985,972) | (1,613,274) |
| EXTRAORDINARY ITEM | | | | | | | | |
| Gain/Loss on transfer of assets and liabilities to RDA Successor Trust Fund | - | - | - | - | - | - | (1,134,040) | (1,134,040) |
| Net change in fund balances | - | - | 17,261 | 17,260 | - | - | (2,120,012) | (2,747,314) |
| Fund balance, July 1 | 914,979 | 914,979 | 914,979 | - | 2,149,052 | 2,149,052 | 2,149,052 | - |
| Prior period adjustments | - | - | - | - | - | - | (29,040) | (29,040) |
| Fund balances, July 1, as restated | 914,979 | 914,979 | 914,979 | - | 2,149,052 | 2,149,052 | 2,120,012 | (29,040) |
| Fund balance, June 30 | 914,979 | 914,979 | 932,240 | 17,260 | 2,776,354 | 2,776,354 | - | (2,776,354) |

**CITY OF WATSONVILLE, CALIFORNIA**
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE
JUNE 30, 2012

| | 2012 | 2011 |
|---|---|---|
| | $ | $ |
| GOVERNMENTAL FUNDS CAPITAL ASSETS: | | |
| Land | 14,014,625 | 14,014,625 |
| Buildings and improvements | 133,658,046 | 132,194,205 |
| Machinery and equipment | 11,511,463 | 10,803,899 |
| Infrastructure | 25,645,818 | 25,645,818 |
| Construction in progress | 2,101,462 | 378,976 |
| Total Governmental Funds Capital Assets | 186,931,414 | 183,037,523 |
| | | |
| INVESTMENT IN GOVERNMENTAL CAPITAL ASSETS BY SOURCE | | |
| General fund | 143,831,127 | 139,937,236 |
| Other special revenue funds | 38,989,559 | 38,989,559 |
| Capital leases | 4,110,728 | 4,110,728 |
| Total Governmental Funds Capital Assets | 186,931,414 | 183,037,523 |

**CITY OF WATSONVILLE, CALIFORNIA**
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2012

| Function and Activity | Land | Buildings | Improvements | Machinery and Equipment | Infrastructure | Construction in Progress | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| City Manager | - | - | - | 28,605 | - | - | 28,605 |
| City Clerk | - | - | - | 59,083 | - | - | 59,083 |
| Community Develop. | - | - | - | 99,770 | - | - | 99,770 |
| Finance | - | - | - | 570,513 | - | - | 570,513 |
| Fire | - | 778,870 | 226,800 | 1,840,273 | - | - | 2,845,943 |
| Library | - | 964,278 | 77,700 | 3,331,203 | - | - | 4,373,181 |
| Nondepartmental | 14,014,625 | 82,005,293 | 4,746,202 | 909,578 | 20,740,863 | 2,101,462 | 124,518,023 |
| Parks and Recreation | - | 3,070,166 | 4,969,743 | 945,659 | - | - | 8,985,568 |
| Police | - | 2,625,196 | 581,373 | 2,143,450 | - | - | 5,350,019 |
| Public Works | - | 21,342,531 | 12,269,894 | 1,583,329 | 4,904,955 | - | 40,100,709 |
| Total Governmental Funds Capital Assets | 14,014,625 | 110,786,334 | 22,871,712 | 11,511,463 | 25,645,818 | 2,101,462 | 186,931,414 |

**CITY OF WATSONVILLE, CALIFORNIA**
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENT FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| Function and Activity | Capital Assets Assets June 30, 2011 | Additions | Deletions | Capital Assets Assets June 30, 2012 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| City Manager | 28,605 | - | - | 28,605 |
| City Clerk | 59,083 | - | - | 59,083 |
| Community Develop. | 99,770 | - | - | 99,770 |
| Finance | 570,513 | - | - | 570,513 |
| Fire | 2,810,343 | 35,600 | - | 2,845,943 |
| Library | 4,359,065 | 14,116 | - | 4,373,181 |
| Nondepartmental | 120,697,383 | 3,820,640 | - | 124,518,023 |
| Parks and Recreation | 8,979,398 | 6,170 | - | 8,985,568 |
| Police | 5,297,289 | 52,730 | - | 5,350,019 |
| Public Works | 40,136,074 | - | (35,365) | 40,100,709 |
| Total Government Funds Capital Assets | 183,037,523 | 3,929,256 | (35,365) | 186,931,414 |

# STATISTICAL SECTION

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

**Contents** **Page**


Financial Trends 112

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 119

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity 123

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 134

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 136

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 other wise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF WATSONVILLE, CALIFORNIA**

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

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Governmental activities** | | | | | | | | | | |
| Investment in capital assets, net of related debt | 43,902 | 48,309 | 47,962 | 59,561 | 90,258 | 109,668 | 116,232 | 114,050 | 112,462 | 128,634 |
| Restricted | 11,427 | 19,282 | 19,237 | 26,448 | 28,461 | 31,184 | 23,467 | 31,320 | 46,586 | 39,086 |
| Unrestricted | 12,862 | 13,016 | 17,581 | 12,472 | 12,221 | 5,924 | 14,074 | 2,737 | (18,060) | (7,011) |
| Total governmental activities net assets | 68,191 | 80,607 | 84,780 | 98,481 | 130,940 | 146,776 | 153,773 | 148,107 | 140,988 | 160,709 |
| **Business-type activities** | | | | | | | | | | |
| Investment in capital assets, net of related debt | 36,224 | 38,332 | 41,633 | 44,913 | 55,569 | 56,600 | 67,784 | 71,443 | 74,569 | 72,861 |
| Restricted | - | - | - | - | - | - | - | - | 2,834 | - |
| Unrestricted | 33,118 | 35,905 | 34,171 | 35,416 | 41,067 | 59,748 | 49,182 | 43,821 | 31,957 | 35,677 |
| Total business-type activities net assets | 69,342 | 74,237 | 75,804 | 80,329 | 96,636 | 116,348 | 116,966 | 115,264 | 109,360 | 108,538 |
| **Primary government** | | | | | | | | | | |
| Investment in capital assets, net of related debt | 80,126 | 86,641 | 89,595 | 104,474 | 145,827 | 166,268 | 184,016 | 185,493 | 187,031 | 201,495 |
| Restricted | 11,427 | 19,282 | 19,237 | 26,448 | 28,461 | 31,184 | 23,467 | 31,320 | 49,420 | 39,086 |
| Unrestricted | 45,980 | 48,921 | 51,752 | 47,888 | 53,288 | 65,672 | 63,256 | 46,558 | 13,897 | 28,666 |
| Total primary government net assets | 137,533 | 154,844 | 160,584 | 178,810 | 227,576 | 263,124 | 270,739 | 263,371 | 250,348 | 269,247 |

**CITY OF WATSONVILLE, CALIFORNIA**

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

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Expenses:** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | 12,290 | 11,142 | 13,851 | 10,825 | 11,031 | 13,913 | 10,777 | 9,100 | 8,010 | 7,729 |
| Public safety | 14,053 | 15,884 | 18,242 | 17,767 | 19,704 | 24,624 | 24,161 | 22,752 | 22,258 | 18,888 |
| Housing | 3,854 | 6,976 | 12,106 | 8,791 | 4,321 | 2,879 | 1,413 | 8,734 | 6,118 | 3,091 |
| Highways and streets | 4,094 | 6,126 | 3,844 | 4,144 | 4,142 | 5,643 | 4,686 | 6,656 | 7,775 | 8,926 |
| Culture and recreation | 4,802 | 4,908 | 5,491 | 4,920 | 4,475 | 5,319 | 5,509 | 7,393 | 7,498 | 7,510 |
| Interest on long term debt | 1,083 | 1,937 | 1,593 | 3,924 | 3,505 | 3,602 | 3,384 | 3,269 | 3,089 | 1,153 |
| Total government activities | 40,176 | 46,973 | 55,127 | 50,371 | 47,178 | 55,980 | 49,930 | 57,904 | 54,748 | 47,297 |
| Business-type activities: | | | | | | | | | | |
| Water | 6,110 | 6,524 | 7,262 | 7,824 | 8,871 | 10,295 | 13,871 | 11,483 | 11,187 | 11,213 |
| Sewer | 6,342 | 7,149 | 7,398 | 7,857 | 8,440 | 8,517 | 8,886 | 9,335 | 9,342 | 9,842 |
| Solid Waste | 5,338 | 5,524 | 6,512 | 7,157 | 8,259 | 8,373 | 8,873 | 8,460 | 8,165 | 8,583 |
| Airport | 1,877 | 2,076 | 2,537 | 2,491 | 3,671 | 2,642 | 2,863 | 2,364 | 2,520 | 2,539 |
| Total business-type activities | 19,667 | 21,273 | 23,709 | 25,329 | 29,241 | 29,827 | 34,493 | 31,642 | 31,214 | 32,177 |
| Total primary government | 59,843 | 68,246 | 78,836 | 75,700 | 76,419 | 85,807 | 84,423 | 89,546 | 85,962 | 79,474 |
| **Program Revenues:** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | 4,125 | 11,756 | 6,950 | 7,404 | 5,687 | 3,985 | 3,894 | 4,768 | 4,177 | 3,095 |
| Public safety | 1,195 | 1,496 | 1,165 | 1,797 | 1,769 | 1,550 | 2,068 | 1,793 | 1,556 | 1,703 |
| Housing | 1,101 | 2,358 | 2,128 | 1,192 | 2,234 | 3,960 | 477 | 512 | 3,612 | 903 |
| Highways and streets | 2,701 | 2,257 | 1,774 | 2,612 | 3,006 | 3,583 | 2,779 | 2,757 | 3,586 | 16 |
| Culture and recreation | 1,207 | 600 | 608 | 756 | 858 | 613 | 3,632 | 1,029 | 697 | 1,165 |
| Operating grants and contributions | 1,349 | 2,260 | 5,348 | 5,746 | 18,079 | 12,850 | 5,220 | 5,311 | 3,443 | 6,906 |
| Capital grants and contributions | 4,360 | 6,802 | 9,792 | 7,767 | 10,012 | 3,436 | 1,737 | 2,732 | 2,546 | 962 |
| Total governmental activates program revenues | 16,038 | 27,529 | 27,765 | 27,274 | 41,645 | 29,977 | 19,807 | 18,902 | 19,617 | 14,750 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water | 7,490 | 7,897 | 8,104 | 8,757 | 13,875 | 25,460 | 12,884 | 9,089 | 8,513 | 10,119 |
| Sewer | 6,241 | 6,748 | 7,325 | 7,638 | 6,624 | 6,348 | 6,449 | 7,557 | 10,140 | 8,782 |
| Solid Waste | 5,842 | 6,240 | 7,548 | 8,373 | 8,229 | 8,689 | 7,798 | 7,890 | 8,521 | 8,712 |
| Airport | 1,613 | 1,629 | 1,874 | 2,032 | 2,380 | 2,558 | 2,239 | 2,057 | 1,973 | 2,229 |
| Operating grants and contributions | 467 | 435 | 252 | 243 | 950 | 811 | 669 | 1,046 | 1,828 | 990 |
| Capital grants and contributions | 592 | 1,504 | 611 | 1,358 | 5,407 | 6,309 | 1,393 | 2,018 | 128 | 172 |
| Total business-type activities program revenues | 22,245 | 24,453 | 25,714 | 28,401 | 37,465 | 50,175 | 31,432 | 29,657 | 31,103 | 31,004 |

Continued

**CITY OF WATSONVILLE, CALIFORNIA**

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

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Net (expense) / revenue | | | | | | | | | | |
| Governmental activities | (24,138) | (19,444) | (27,362) | (23,097) | (5,533) | (26,003) | (30,318) | (39,001) | (35,132) | (32,547) |
| Business-type activities | 2,578 | 3,180 | 2,005 | 3,072 | 8,224 | 20,348 | (3,061) | (1,985) | (111) | (1,174) |
| Total primary government net expense | (21,560) | (16,264) | (25,357) | (20,025) | 2,691 | (5,655) | (33,379) | (40,986) | (35,243) | (33,721) |
| **General Revenues and Other Changes in Net Assets** | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | 11,066 | 11,722 | 16,715 | 20,459 | 21,140 | 21,352 | 20,759 | 18,082 | 17,380 | 13,825 |
| Sales taxes | 8,087 | 8,298 | 8,446 | 9,786 | 10,202 | 11,165 | 9,969 | 9,207 | 10,101 | 9,774 |
| Franchise taxes | 1,101 | 1,064 | 1,115 | 428 | 183 | 157 | 159 | 401 | 606 | 708 |
| Motor/vehicle taxes | 3,806 | 2,262 | 1,142 | 1,268 | 1,251 | 1,195 | 1,051 | 1,299 | 1,803 | 1,522 |
| Utility users taxes | 2,775 | 2,678 | 2,733 | 2,840 | 2,966 | 2,955 | 2,775 | 2,711 | 2,938 | 2,934 |
| Other taxes | 734 | 1,937 | 1,192 | 927 | 1,006 | 1,188 | 977 | 961 | 1,075 | 98 |
| Unrestricted investment earnings | 1,020 | 926 | 1,257 | 1,206 | 1,635 | 1,441 | 1,126 | 1,245 | 873 | 2,190 |
| Sale of capital assets | 5 | 440 | - | - | - | - | - | - | - | - |
| Total governmental activities | 28,594 | 29,327 | 32,600 | 36,914 | 38,383 | 39,453 | 36,816 | 33,906 | 34,776 | 31,051 |
| Business-type activities: | | | | | | | | | | |
| Unrestricted investment earnings | 1,049 | 724 | 1,097 | 1,346 | 2,165 | 2,142 | 3,780 | 455 | 1,116 | 724 |
| Sale of capital assets | 1 | 1 | - | - | - | - | - | - | - | - |
| Total business-type activities | 1,050 | 725 | 1,097 | 1,346 | 2,165 | 2,142 | 3,780 | 455 | 1,116 | 724 |
| Total primary government | 29,644 | 30,052 | 33,697 | 38,260 | 40,548 | 41,595 | 40,596 | 34,361 | 35,892 | 31,775 |
| **Change in net assets before extraordinary item** | | | | | | | | | | |
| Governmental activities | 4,456 | 9,883 | 5,238 | 13,817 | 32,850 | 13,450 | 6,498 | (5,095) | (356) | (1,496) |
| Business-type activities | 3,628 | 3,905 | 3,102 | 4,418 | 10,389 | 22,490 | 719 | (1,530) | 1,005 | (450) |
| Total primary government | 8,084 | 13,788 | 8,340 | 18,235 | 43,239 | 35,940 | 7,217 | (6,625) | 649 | (1,946) |
| **Extraordinary items** | | | | | | | | | | |
| Governmental activities | - | - | - | - | - | - | - | - | - | 21,010 |
| Business-type activities | - | - | - | - | - | - | - | - | - | - |
| Total primary government | - | - | - | - | - | - | - | - | - | 21,010 |
| **Change in net assets** | | | | | | | | | | |
| Governmental activities | 4,456 | 9,883 | 5,238 | 13,817 | 32,850 | 13,450 | 6,498 | (5,095) | (356) | 19,514 |
| Business-type activities | 3,628 | 3,905 | 3,102 | 4,418 | 10,389 | 22,490 | 719 | (1,530) | 1,005 | (450) |
| Total primary government | 8,084 | 13,788 | 8,340 | 18,235 | 43,239 | 35,940 | 7,217 | (6,625) | 649 | 19,064 |

Concluded

**CITY OF WATSONVILLE, CALIFORNIA**

**Governmental Activities Tax Revenues By Source**
**Last Ten Fiscal Years**
(accrual basis of accounting)
(amounts expressed in thousands)

| Fiscal Year | Property Tax | Sales Tax | Franchise Tax | Motor/Vehicle Tax | Utility User Tax | Other Tax | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| 2003 | 11,066 | 8,087 | 1,101 | 3,806 | 2,775 | 734 | 27,569 |
| 2004 | 11,722 | 8,298 | 1,064 | 2,262 | 2,678 | 1,937 | 27,961 |
| 2005 | 16,715 | 8,446 | 1,115 | 1,142 | 2,733 | 1,192 | 31,343 |
| 2006 | 20,458 | 9,785 | 428 | 1,267 | 2,840 | 927 | 35,705 |
| 2007 | 21,140 | 10,202 | 183 | 1,251 | 2,966 | 1,006 | 36,748 |
| 2008 | 21,352 | 11,165 | 157 | 1,195 | 2,955 | 1,188 | 38,012 |
| 2009 | 20,850 | 9,969 | 159 | 1,051 | 2,775 | 977 | 35,781 |
| 2010 | 18,082 | 9,207 | 401 | 1,299 | 2,711 | 961 | 32,661 |
| 2011 | 17,380 | 10,101 | 606 | 1,803 | 2,938 | 1,075 | 33,903 |
| 2012 | 13,825 | 9,774 | 708 | 1,521 | 2,934 | 98 | 28,860 |

**CITY OF WATSONVILLE, CALIFORNIA**

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

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Revenues** | | | | | | | | | | |
| Taxes | 27,508 | 27,961 | 31,343 | 34,572 | 36,748 | 38,012 | 35,781 | 32,660 | 33,903 | 28,860 |
| Licenses, permits, and fees | 4,545 | 10,880 | 5,911 | 7,678 | 6,649 | 4,716 | 4,221 | 2,970 | 3,506 | 3,272 |
| Intergovernmental | 6,111 | 8,051 | 11,799 | 14,937 | 13,171 | 15,995 | 8,889 | 5,608 | 4,461 | 7,670 |
| Charges for services | 2,715 | 2,953 | 2,807 | 3,144 | 2,083 | 3,949 | 3,581 | 4,326 | 5,243 | 4,773 |
| Fines | 206 | 547 | 478 | 564 | 466 | 608 | 666 | 984 | 757 | 804 |
| Interest | 1,333 | 1,318 | 2,529 | 2,821 | 3,534 | 2,463 | 1,783 | 1,650 | 1,127 | 2,344 |
| Special assessment | 91 | 83 | 83 | 419 | 153 | 156 | 144 | 147 | 112 | 172 |
| Miscellaneous | 1,190 | 1,466 | 2,160 | 1,044 | 2,219 | 4,203 | 3,519 | 1,929 | 449 | 956 |
| Total revenues | 43,699 | 53,259 | 57,110 | 65,179 | 65,023 | 70,102 | 58,584 | 50,274 | 49,558 | 48,851 |
| **Expenditures** | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 10,273 | 9,993 | 11,483 | 10,636 | 10,298 | 8,937 | 10,924 | 7,567 | 6,314 | 6,162 |
| Public safety | 13,206 | 14,728 | 17,024 | 17,987 | 18,759 | 16,415 | 20,807 | 21,738 | 21,199 | 20,336 |
| Housing | 2,042 | 2,704 | 6,901 | 4,575 | 4,285 | 1,933 | 1,244 | 8,720 | 5,919 | 3,191 |
| Streets | 2,492 | 2,776 | 2,964 | 3,666 | 3,875 | 3,647 | 3,913 | 6,084 | 7,225 | 9,471 |
| Culture and recreation | 3,886 | 4,112 | 4,402 | 4,449 | 3,955 | 3,156 | 4,162 | 6,039 | 5,999 | 6,777 |
| Capital outlay | 7,911 | 11,317 | 17,591 | 29,609 | 33,143 | 37,607 | 8,997 | 417 | - | |
| Debt service: | | | | | | | | | | |
| Principal | 602 | 629 | 2,025 | 1,514 | 1,715 | 1,828 | 1,877 | 1,993 | 8,549 | 2,139 |
| Interest and fiscal charges | 1,079 | 1,681 | 1,344 | 3,902 | 3,543 | 3,602 | 3,436 | 3,259 | 3,086 | 1,267 |
| Bond issuance costs | - | 692 | - | - | - | - | - | - | - | - |
| Total expenditures | 41,491 | 48,632 | 63,734 | 76,338 | 79,573 | 77,125 | 55,360 | 55,817 | 58,291 | 49,343 |
| Excess (deficiency) of revenues over (under) expenditures | 2,208 | 4,627 | (6,624) | (11,159) | (14,550) | (7,023) | 3,224 | (5,543) | (8,733) | (492) |
| **Other financing sources (uses)** | | | | | | | | | | |
| Sale of fixed assets | 5 | 440 | - | - | - | - | - | - | - | - |
| Bond/loan proceeds | 30 | 33,698 | 738 | - | 179 | - | - | - | - | 3,014 |
| Payment to defease bonds | - | (1,819) | - | - | - | - | - | - | - | - |
| Operating transfers in | 5,621 | 5,217 | 7,536 | 7,827 | 10,550 | 7,916 | 7,169 | 9,460 | 18,321 | 5,883 |
| Operating transfers out | (5,621) | (5,217) | (7,536) | (7,827) | (10,550) | (7,916) | (7,169) | (9,460) | (18,321) | (5,883) |
| Total other financing sources (uses) | 35 | 32,319 | 738 | - | 179 | - | - | - | - | 3,014 |
| Net change in fund balances before extraordinary items | 2,243 | 36,946 | (5,886) | (11,159) | (14,371) | (7,023) | 3,224 | (5,543) | (8,733) | 2,522 |
| | - | - | - | - | - | - | - | - | - | (228) |
| Net change in fund balances | 2,243 | 36,946 | (5,886) | (11,159) | (14,371) | (7,023) | 3,224 | (5,543) | (8,733) | 2,294 |
| Debt service as a percentage of noncapital expenditures | 5.3% | 6.7% | 7.9% | 13.1% | 12.8% | 15.9% | 12.9% | 10.5% | 24.9% | ** 7.4% |

* Net asset additions was used to get current capital outlay as the CIP account was transferred to appropriate divisions..

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

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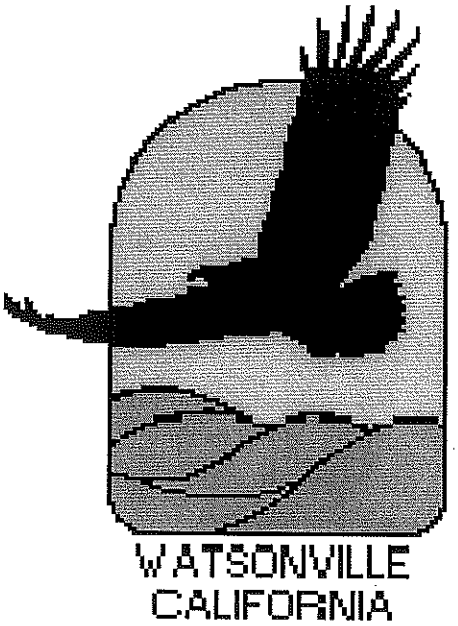


**CITY OF WATSONVILLE, CALIFORNIA**

**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 | Motor/Vehicle Tax | Utility User Tax | Other Tax | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| 2003 | 11,066 | 8,087 | 1,101 | 3,806 | 2,775 | 673 | 27,508 |
| 2004 | 11,722 | 8,298 | 1,064 | 2,262 | 2,678 | 1,937 | 27,961 |
| 2005 | 16,715 | 8,446 | 1,115 | 1,142 | 2,733 | 1,192 | 31,343 |
| 2006 | 19,323 | 9,785 | 428 | 1,267 | 2,840 | 929 | 34,572 |
| 2007 | 21,140 | 10,202 | 183 | 1,251 | 2,966 | 1,006 | 36,748 |
| 2008 | 21,352 | 11,165 | 157 | 1,195 | 2,955 | 1,188 | 38,012 |
| 2009 | 20,850 | 9,969 | 159 | 1,051 | 2,775 | 977 | 35,781 |
| 2010 | 18,082 | 9,207 | 401 | 1,299 | 2,711 | 961 | 32,661 |
| 2011 | 17,380 | 10,101 | 606 | 1,803 | 2,938 | 1,075 | 33,903 |
| 2012 | 13,825 | 8,462 | 2,934 | 2,773 | 769 | 97 | 28,860 |

**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 |
|---|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | % | $ | % |
| 2003 | 1,484,687 | 580,389 | N/A | 191,900 | N/A | 121,887 | 2,135,089 | 1.00 | 2,135,089 | 1.00 |
| 2004 | 1,648,865 | 664,307 | N/A | 188,113 | N/A | 124,721 | 2,376,564 | 1.00 | 2,376,564 | 1.00 |
| 2005 | 1,927,448 | 779,823 | N/A | 208,514 | N/A | 125,971 | 2,789,814 | 1.00 | 2,789,814 | 1.00 |
| 2006 | 2,276,093 | 811,406 | N/A | 217,827 | N/A | 146,664 | 3,158,662 | 1.00 | 3,158,662 | 1.00 |
| 2007 | 2,345,741 | 518,890 | 93,057 | 323,246 | 173,577 | 147,425 | 3,307,086 | 1.00 | 3,307,086 | 1.00 |
| 2008 | 2,625,675 | 531,301 | 104,505 | 322,921 | 228,186 | 150,749 | 3,661,839 | 1.00 | 3,661,839 | 1.00 |
| 2009 | 2,526,547 | 555,128 | 106,765 | 335,411 | 243,733 | 156,713 | 3,610,871 | 1.00 | 3,610,871 | 1.00 |
| 2010 | 2,105,051 | 572,622 | 111,366 | 333,863 | 233,020 | 146,407 | 3,209,515 | 1.00 | 3,209,515 | 1.00 |
| 2011 | 2,060,427 | 570,451 | 109,662 | 330,169 | 220,499 | 162,368 | 3,128,840 | 1.00 | 3,128,840 | 1.00 |
| 2012 | 2,072,140 | 566,131 | 104,236 | 332,645 | 211,702 | 169,521 | 3,117,333 | 1.00 | 3,117,333 | 1.00 |

Notes: Source: County Assessor Data, MuniServices LLC
Santa Cruz County Auditor/Controller Data, MuniServices LLC
Source: 2005-06 and Prior, Previously published CAFR Reports
Source: ( N/A ) Data Unavailable
(1.) Total Direct Tax Rate is represented by TRA 02-021
Based on these calculations a multiplier value was extrapolated and applied to current assessed values.

## 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 |
|---|---|---|---|---|
| 2003 | 1.00000 | 0.051 | 0.134 | 1.18500 |
| 2004 | 1.00000 | 0.068 | 0.134 | 1.20200 |
| 2005 | 1.00000 | 0.066 | 0.134 | 1.20000 |
| 2006 | 1.00000 | 0.052 | 0.110 | 1.16200 |
| 2007 | 1.00000 | 0.052 | 0.110 | 1.16200 |
| 2008 | 1.00000 | 0.055 | 0.077 | 1.13200 |
| 2009 | 1.00000 | 0.060 | 0.077 | 1.13700 |
| 2010 | 1.00000 | 0.066 | 0.077 | 1.14300 |
| 2011 | 1.00000 | 0.066 | 0.077 | 1.14300 |
| 2012 | 1.00000 | 0.071 | 0.077 | 1.14800 |

Source: City of Watsonville - Accounts Payable Department/MuniServices, LLC

**CITY OF WATSONVILLE, CALIFORNIA**
**Principal Property Taxpayers**
**June 30, 2012**
(amounts expressed in thousands)

| | 2012 | | | 2003 | | |
|---|---|---|---|---|---|---|
| | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| | $ | | % | $ | | % |
| Watsonville Hospital Corp. | 57,906 | 1 | 1.86 | 51,963 | 1 | 3.52 |
| S. Martinelli Co. | 35,702 | 2 | 1.15 | 19,407 | 2 | 1.32 |
| Freedom Assoc LLC | 19,836 | 3 | 0.64 | | | |
| Hd Development of Maryland Inc | 18,282 | 4 | 0.59 | | | |
| OW George Jr. Trustee, etal | 17,638 | 5 | 0.57 | | | |
| Granite Construction Co. | 17,454 | 6 | 0.56 | 19,300 | 3 | 1.31 |
| Target Stores | 15,523 | 7 | 0.50 | | | |
| Watsonville Square Llc | 14,911 | 8 | 0.47 | 12,932 | 7 | 0.88 |
| BG Terminal | 14,452 | 9 | 0.46 | | | |
| Meadows Mobile Manor Llc | 13,517 | 10 | 0.43 | | | |
| Agrilink Foods Inc. | | | | 17,876 | 4 | 1.16 |
| NC Foods Inc. | | | | 14,876 | 5 | 1.01 |
| Albertsons Inc. | | | | 13,840 | 6 | 0.94 |
| Indalex West Inc. | | | | 12,406 | 8 | 0.84 |
| Sanmina SCI Corp. | | | | 11,359 | 9 | 0.77 |
| WRI Freedom Center LP | | | | 11,284 | 10 | 0.77 |
| Totals | 225,221 | | 7.23 | 185,243 | | 12.52 |

Source: MBIA Muni Services Company

Note: Will update until ten years of comparative data reached.

# 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 |
|---|---|---|---|---|---|---|
| | $ | $ | | $ | $ | $ |
| 2003 | 5,081,243 | 5,081,243 | 100% | 118,095 | - | 5,199,338 |
| 2004 | 5,884,791 | 5,884,791 | 100% | 95,823 | - | 5,980,614 |
| 2005 | 6,690,397 | 6,690,397 | 100% | 284,052 | - | 6,974,449 |
| 2006 | 7,432,188 | 7,432,188 | 100% | 322,301 | - | 7,754,489 |
| 2007 | 8,062,419 | 8,062,419 | 100% | 587,280 | - | 8,649,699 |
| 2008 | 7,911,034 | 7,911,034 | 100% | 248,176 | - | 8,159,210 |
| 2009 | 7,431,394 | 7,431,394 | 100% | 100,385 | - | 7,531,779 |
| 2010 | 6,621,626 | 6,621,626 | 100% | 32,949 | - | 6,654,575 |
| 2011 | 6,314,307 | 6,314,307 | 100% | 37,941 | - | 6,352,248 |
| 2012 | 6,445,789 | 6,445,789 | 100% | 59,830 | - | 6,505,619 |

General Real Estate Property Taxes excludes Redevelopment Tax Increment which is included was included within the Agency's Annual Financial Report.
Source: City of Watsonville

**CITY OF WATSONVILLE, CALIFORNIA**

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

| | Governmental Activities | | | Business-Type Activities | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | General Obligation Debt | Special Assessment Debt | Capital Leases | Revenue Bonds | General Obligation Debt | Capital Leases | Total Primary Government | Percentage of Personal Income | Per Capita |
| | $ | $ | $ | $ | $ | $ | $ | | |
| 2003 | 4,007 | 630 | 80 | 19,800 | 2,153 | 3,373 | 30,043 | 4.27% | 0.627 |
| 2004 | 30,077 | 584 | 7,725 | 20,115 | 2,345 | 3,131 | 63,977 | 8.67% | 1.325 |
| 2005 | 28,690 | 1,259 | 7,150 | 18,830 | 2,647 | 2,878 | 61,454 | N/A | 1.239 |
| 2006 | 28,097 | 1,143 | 6,345 | 17,485 | 2,600 | 2,611 | 58,281 | N/A | 1.161 |
| 2007 | 27,290 | 1,057 | 5,684 | 16,085 | 2,677 | 2,330 | 55,123 | N/A | 1.075 |
| 2008 | 26,399 | 962 | 4,824 | 41,970 | 2,749 | 2,036 | 78,940 | N/A | 1.527 |
| 2009 | 26,422 | 868 | 3,934 | 40,430 | 3,148 | 1,726 | 76,528 | 8.63% | 1.484 |
| 2010 | 26,895 | 773 | 3,017 | 38,841 | 3,447 | 1,400 | 74,373 | 8.36% | 1.443 |
| 2011 | 26,325 | 674 | 2,070 | 34,060 | 7,242 | - | 70,371 | 8.01% | 1.373 |
| 2012* | 9,508 | 575 | 1,087 | 32,949 | 7,589 | - | 51,708 | 5.95% | 1.002 |

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 on page 133 for the personal income and population data.
* Redevelopment Bonds were removed on 1/31/2012.

**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 $ |
|---|---|---|---|---|---|
| 2003 | 29,413 | 37 | 29,376 | 0.86% | 163 |
| 2004 | 63,393 | 864 | 62,529 | 1.65% | 77 |
| 2005 | 60,195 | 801 | 59,394 | 1.33% | 84 |
| 2006 | 57,138 | 796 | 56,342 | 1.12% | 89 |
| 2007 | 54,066 | 825 | 53,241 | 1.14% | 94 |
| 2008 | 77,978 | 858 | 77,120 | 1.69% | 67 |
| 2009 | 75,660 | 887 | 74,773 | 2.25% | 69 |
| 2010 | 73,600 | 894 | 72,706 | 2.24% | 71 |
| 2011 | 69,697 | 915 | 68,782 | 2.24% | 75 |
| 2012 | 51,133 | 932 | 50,201 | 1.62% | 102 |

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 on page 111 for estimated actual property value data.

Population data can be found in the Schedule of Demographic and Economic Statistics on page 132.

**CITY OF WATSONVILLE, CALIFORNIA**

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

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Debt limit | 87,262 | 96,175 | 112,437 | 118,450 | 118,487 | 142,972 | 135,408 | 120,357 | 117,333 | 122,989 |
| Total net debt applicable to limit | 2,003 | 2,004 | 1,205 | 27,301 | 26,494 | 2,008 | 25,535 | 26,001 | 26,728 | 5,853 |
| Legal debt margin | 85,259 | 94,171 | 111,232 | 91,149 | 91,993 | 140,964 | 109,873 | 94,356 | 90,605 | 117,136 |
| Total net debt applicable to the limit as a percentage of debt limit | 2.295% | 2.084% | 1.072% | 23.049% | 22.360% | 1.404% | 18.858% | 21.603% | 22.780% | 4.759% |

Legal Debt Margin Calculation for Fiscal Year 2012

| | |
|---|---|
| Assessed value | 3,117,333 |
| Add back: exempt real property | 162,368 |
| Total assessed value | 3,279,701 |
| Debt Limit = 3.75% of assessed valuation | 122,989 |
| Debt applicable to limit | 6,785 |
| Less: Amount set aside for repayment of general obligation debt | 932 |
| Total net debt applicable to limit | 5,853 |
| Legal debt margin | $ 117,136 |

## CITY OF WATSONVILLE, CALIFORNIA

### Computation of Direct and Overlapping Bonded Debt
### June 30, 2012

(amounts expressed in thousands, except per capita amount)

| Jurisdiction | Total Debt Outstanding | Percentage Applicable | Estimated Share of Overlapping Debt |
|---|---|---|---|
| | $ | | $ |
| **Direct Debt:** | | | |
| City of Watsonville | 8,447 | 100% | 8,447 |
| **Total of Direct Debt** | | | **8,447** |
| | | | |
| **Overlapping Debt:** | | | |
| City of Watsonville 1915 Act Bonds | 575 | 100% | 575 |
| Cabrillo Joint Community College District | 156,042 | 9.03% | 14,095 |
| Pajaro Valley Unified School District | 51,660 | 23.16% | 11,964 |
| Pajaro Valley Unified School District Certificates of Participation | 2,655 | 23.16% | 615 |
| Cabrillo Joint Community College District Certificates of Participation | 1,735 | 9.03% | 157 |
| Santa Cruz County Certificates of Participations | 70,818 | 9.15% | 6,483 |
| Santa Cruz County Office of Education | 10,930 | 9.15% | 1,000 |
| Monterey Bay Unified Air Pollution Control Authority | 1,755 | 3.23% | 57 |
| **Total Overlapping Debt** | 296,170 | | **34,946** |
| **Total Direct and Overlapping Bonded Debt** | | | **43,393** |

Percentage of overlapping agency's assessed valuation located within boundaries of the city.
Share of Santa Cruz County Emergency Communications Center obligations.
Excludes certificates of participation supported by sales tax revenue.
Excludes postretirement liability.
Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

**CITY OF WATSONVILLE, CALIFORNIA**

## Historical and Projected Library Special Sales Tax Revenue

| Fiscal Year | Gross Revenues |
|---|---|
| | $ |
| *2001-02 | 2,089,576 |
| 2002-03 | 2,166,443 |
| 2003-04 | 2,113,456 |
| 2004-05 | 2,286,127 |
| 2005-06 | 2,698,198 |
| 2006-07 | 2,758,601 |
| 2007-08 | 2,922,527 |
| 2008-09 | 2,754,482 |
| 2009-10 | 2,299,206 |
| 2010-11 | 2,692,677 |
| 2011-12 | 2,431,380 |
| **2012-13 | 2,233,900 |

Library Certificates of Participation outstanding as of 6-30-12 $1,005,000.

Total Library revenues received from Measure B Taxes as of 6/30/12 $32,540,494

* Fiscal year 2002, this number was increased by $322,345 for funds incorrectly allocated to the City of Santa Cruz that will be repaid to the City over the next eight fiscal years.

** Projected within City of Watsonville budget.

Source: City of Watsonville

## CITY OF WATSONVILLE, CALIFORNIA

### Library Special Revenues
### Certificates of Participation
### Debt Service Coverage

| Fiscal Year | Gross Revenues | Debt ** Service | Coverage |
|---|---|---|---|
| | $ | $ | |
| 2004-05 | 2,286,127 | 1,046,000 | 218.56% |
| 2005-06 | 2,698,198 | 1,046,000 | 257.95% |
| 2006-07 | 2,758,601 | 1,046,000 | 263.73% |
| 2007-08 | 2,922,527 | 1,046,000 | 279.40% |
| 2008-09 | 2,754,482 | 1,046,000 | 263.33% |
| 2009-10 | 2,299,206 | 1,046,000 | 219.81% |
| 2010-11 | 2,692,677 | 1,046,000 | 257.43% |
| 2011-12 | 2,431,380 | 1,046,000 | 232.45% |
| 2012-13* | 2,233,900 | 1,046,000 | 213.57% |

* This amount is the estimated revenue by the City of Watsonville.

** Maximum annual debt service.

Years will be added until ten years of data is reached.

Source: City of Watsonville

## CITY OF WATSONVILLE, CALIFORNIA

### Water Revenue Bond Coverage
### Last Ten Fiscal Years

| Fiscal Year | Gross Revenues | Direct Operating Expenses | Net Revenues available for Debt Service | Debt Service | Coverage |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | |
| **2002-03** | 8,025,689 | 5,214,380 | 2,811,309 | 730,671 | 384.76% |
| **2003-04** | 8,651,909 | 5,623,077 | 3,028,832 | 732,256 | 413.63% |
| **2004-05** | 8,823,153 | 6,230,007 | 2,593,146 | 732,396 | 354.06% |
| **2005-06** | 9,444,900 | 6,838,936 | 2,605,964 | 723,476 | 360.20% |
| **2006-07** | 19,240,472 | 6,438,844 | 12,801,628 | 723,676 | 1768.97% |
| **2007-08** | 32,555,179 | 6,433,291 | 26,121,888 | 734,001 | 3558.84% |
| **2008-09** | 17,406,267 | 7,456,703 | 9,949,564 | *2,025,335 | 491.26% |
| **2009-10** | 11,032,952 | 6,976,170 | 4,056,782 | 2,026,054 | 200.23% |
| **2010-11** | 9,571,054 | 7,740,204 | 1,830,850 | 1,294,059 | 141.48% |
| **2011-12** | 10,960,793 | 8,217,408 | 2,743,385 | 1,294,059 | 212.00% |

Direct operating expenses exclude depreciation expense and includes net operating transfers.

Debt service is for the next fiscal year.

* Debt service for new 2007 Water Revenue Bonds added.

Source: City of Watsonville

**CITY OF WATSONVILLE, CALIFORNIA**

**Estimated Water Revenue Bond Coverage**
**Next Five Fiscal Years**

| Fiscal Year | (1) Gross Revenues | (2) Direct Operating Expenses | Net Revenues available for Debt Service | (3) Debt Service | Coverage |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | |
| **2012-13** | 11,289,617 | 7,115,693 | 4,173,923 | 1,294,059 | 322.55% |
| **2013-14** | 11,628,305 | 7,258,007 | 4,370,298 | 1,294,059 | 337.72% |
| **2014-15** | 11,977,154 | 7,403,167 | 4,573,987 | 1,294,059 | 353.46% |
| **2015-16** | 12,336,469 | 7,551,231 | 4,785,238 | 1,294,059 | 369.79% |
| **2016-17** | 12,706,563 | 7,702,255 | 5,004,308 | 2,094,059 | 238.98% |

(1) Revenues are assumed to inflate by 3 percent annually. Includes payment to City from PVWMA under the Recycled Water Agreement.

(2) Operating expenses are assumed to inflate by two percent annually. Does note include additional expenses to operate the Recycled Water Facility.

(3) Assumes that no additional Bonds will be issued.

Note: Continuing disclosure agreement requires only five years of projected data.

Source: City of Watsonville

## CITY OF WATSONVILLE, CALIFORNIA

### Ten Largest Customers and Percentage of Total Water Revenues Fiscal Year 2011-12

| | User | Revenues | Percentage of Total |
|---|---|---|---|
| | | $ | % |
| 1 | Martinelli & Company | 159,434 | 1.58 |
| 2 | Pajaro Valley Unified School District | 130,823 | 1.29 |
| 3 | Blue Ribbon Frozen Foods | 85,714 | 0.85 |
| 4 | Sunny Meadow Apartments | 55,739 | 0.55 |
| 5 | Meadows Manor Apartments | 53,182 | 0.53 |
| 6 | Pinto Lake Mobile Estates | 46,959 | 0.46 |
| 7 | Bac Field Services | 41,038 | 0.41 |
| 8 | H A Rider & Son | 24,898 | 0.25 |
| 9 | Green Valley Village | 23,486 | 0.23 |
| 10 | Watsonville Community Hospital | 23,486 | 0.23 |
| | Total Top Ten | 644,759 | 6.37 |
| | Total Revenues | 10,119,068 | 100.00 |

Source: City of Watsonville, Water Department

## CITY OF WATSONVILLE, CALIFORNIA

### Water Service Accounts
### Last Ten Calendar Years

| Year | Single/Multiple Family Residential | Commercial | Industrial | Other | Totals |
|---|---|---|---|---|---|
| **2003** | 11,474 | 1,293 | 32 | 743 | 13,542 |
| **2004** | 11,920 | 1,445 | 31 | 599 | 13,995 |
| **2005** | 13,602 | 1,285 | 21 | 498 | 15,406 |
| **2006** | 13,749 | 1,432 | 24 | 633 | 15,838 |
| **2007** | 13,768 | 1,357 | 13 | 350 | 15,488 |
| **2008** | 14,018 | 1,405 | 20 | 353 | 15,796 |
| **2009** | 12,675 | 1,526 | 19 | 353 | 14,573 |
| **2010** | 12,759 | 1,508 | 20 | 353 | 14,640 |
| **2011** | 12,759 | 1,508 | 20 | 353 | 14,640 |
| **2012** | 12,730 | 1,568 | 17 | 369 | 14,684 |

Source: City of Watsonville

## CITY OF WATSONVILLE, CALIFORNIA

### Service Area Water Deliveries
### Last Ten Calendar Years

| Calendar Year | Gallons Delivered (1) |
|---|---|
| **2002** | 2,373.1 |
| **2003** | 2,306.1 |
| **2004** | 2,377.1 |
| **2005** | 2,288.3 |
| **2006** | 2,287.2 |
| **2007** | 2,387.4 |
| **2008** | 2,387.0 |
| **2009** | 2,263.2 |
| **2010** | 2,097.7 |
| **2011** | 2,204.4 |

(1) Millions

Source: City of Watsonville, Water Department

**CITY OF WATSONVILLE, CALIFORNIA**

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

| Fiscal Year | Population (1) | Personal (2) Income (amounts expressed in thousands) $ | Per Capita Personal Income $ | Median Age (3) | School (4) Enrollment | Unemployment Rate (5) |
|---|---|---|---|---|---|---|
| 2003 | 47,950 | 703,105 | 14.663 | N/A | 21,790 | 16.40% |
| 2004 | 48,300 | 737,865 | 15.277 | N/A | 21,612 | 15.50% |
| 2005 | 49,601 | N/A | N/A | 28.7 | 21,473 | 12.90% |
| 2006 | 50,211 | N/A | N/A | 30.3 | 21,295 | 15.30% |
| 2007 | 51,258 | N/A | N/A | 33.3 | 21,101 | 10.70% |
| 2008 | 51,703 | N/A | N/A | 28.1 | 21,619 | 14.00% |
| 2009 | 51,555 | 886,385 | 17.193 | 28.9 | 21,024 | 21.60% |
| 2010 | 51,916 | 889,425 | 17.132 | 27.3 | 19,381 | 23.40% |
| 2011 | 51,243 | 887,062 | 17.311 | 27.3 | 19,542 | 22.40% |
| 2012 | 51,586 | 704,593 | 13.659 | 29.2 | 19,914 | 20.50% |

1. California State Department of Finance.
2. State of California Personal Income Tax Statistics.
3. United State of America Statistics.
4. Santa Cruz County Education Demographics.
5. State of California Employment Development Department.

N/A - Information was not available for this item.

**CITY OF WATSONVILLE, CALIFORNIA**

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

| | 2012 | | | 2002 | | |
|---|---|---|---|---|---|---|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| Pajaro Valley Unified School District | 2,066 | 1 | 11.95% | 2,100 | 1 | 13.39% |
| Watsonville Community Hospital | 662 | 2 | 3.83% | 688 | 3 | 4.30% |
| Fox Factory | 400 | 3 | 2.31% | | | |
| West Marine Products | 407 | 4 | 2.35% | 542 | 4 | 2.87% |
| City of Watsonville * | 362 | 5 | 2.09% | 476 | 7 | 3.34% |
| Target | 237 | 6 | 1.37% | | | |
| Del Mar Food Products, Inc | 200 | 7 | 1.16% | 500 | 5 | 3.19% |
| S Martinelli & Co. | 180 | 8 | 1.04% | | | |
| Mi Pueblo Food Center | 172 | 9 | 1.00% | | | |
| Couch Distributing | 165 | 10 | 0.95% | | | |
| Agrilink Foods, Inc. | | | | 750 | 2 | 5.06% |
| Granite Construction Company | | | | 480 | 6 | 3.06% |
| Graniterock Company | | | | 460 | 8 | 2.93% |
| Indalex West | | | | 216 | 9 | 2.39% |
| San Mina - SCI | | | | 200 | 10 | 1.50% |
| Total | 4,851 | | 28.05% | 6,412 | | 42.03% |

* Full time equivalent employees

Source: U.S. Census Bureau & City of Watsonville Business License data

**CITY OF WATSONVILLE, CALIFORNIA**

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

| Function | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| General Government | * 19 | 19 | 19 | 19 | */*** 8 | 7 | 7 | 6 | 6 | 7 |
| City Clerk | N/A | N/A | N/A | N/A | *** 4 | 4 | 4 | 4 | 4 | 4 |
| Community Development | 18 | 18 | 18 | 19 | 17 | 19 | 16 | 16 | 15 | 16 |
| Finance | 17 | 17 | 17 | 17 | * 24 | 25 | 25 | 24 | 22 | 22 |
| Fire | 36 | 35 | 35 | 35 | 36 | 40 | 40 | 36 | 36 | 36 |
| Police | | | | | | | | | | |
| Officers | 67 | 64 | 64 | 64 | 72 | 73 | 75 | 74 | 70 | 70 |
| Civilians | 21 | 25 | 25 | 25 | 20 | 21 | 21 | 19 | 16 | 18 |
| Library | 26 | 26 | 26 | 26 | 26 | 26 | 25 | 25 | 24 | 24 |
| Parks & Community Services | ** 36 | 36 | 36 | 36 | 37 | 38 | 37 | 33 | 28 | 30 |
| Public Works | 26 | 26 | 26 | 26 | 26 | 26 | 24 | 22 | 17 | 17 |
| Airport | 5 | 5 | 5 | 5 | 7 | 7 | 7 | 8 | 8 | 8 |
| LLMAD | - | - | - | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Parking Garage | - | - | - | 2 | 2 | 2 | 3 | 3 | 2 | - |
| Redevelopment and Housing | 10 | 10 | 10 | 10 | 7 | 8 | 8 | 8 | 7 | 10 |
| Solid Waste | 31 | 31 | 31 | 33 | 36 | 37 | 36 | 35 | 34 | 34 |
| Wastewater | 33 | 33 | 36 | 36 | 35 | 38 | 38 | 41 | 42 | 41 |
| Water | 24 | 24 | 24 | 26 | 25 | 27 | 27 | 28 | 30 | 30 |
| | 369 | 369 | 372 | 380 | 383 | 399 | 394 | 383 | 362 | 368 |

* Information Services and Geological Information Services Divisions were transferred out of the Finance Department into the General Government Department and then moved back to Finance Department..

** Enterprise Community Grant and Neighborhood Service staff were transferred into Parks and Community Services as grant funding when these activates ended.

***City Clerk Department was created by City Council and staff 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 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| **General Government:** | | | | | | | | | | |
| City Council meetings | 25 | 25 | 24 | 27 | 24 | 21 | 27 | 23 | 24 | 25 |
| Resolutions processed | 384 | 385 | 320 | 249 | 311 | 243 | 232 | 186 | 209 | 158 |
| Recruitments | 27 | 31 | 43 | 25 | 42 | 29 | 25 | 12 | 21 | 36 |
| **Community Development:** | | | | | | | | | | |
| Planning application reviews | 400 | 500 | 520 | 425 | 486 | 543 | 451 | 373 | 341 | 289 |
| Construction inspections | 4,548 | 13,225 | 9,006 | 7,000 | 6,208 | 4,361 | 3,344 | 2,470 | 1,508 | 1,459 |
| Building Permits | 1,184 | 1,239 | 918 | 1,160 | 978 | 727 | 1,032 | 1,757 | 1,175 | 766 |
| **Finance:** | | | | | | | | | | |
| Payroll checks issued | 12,917 | 13,733 | 13,548 | 12,980 | 12,188 | 13,477 | 13,446 | 13,344 | 13,575 | 12,784 |
| Utility accounts | 13,091 | 13,274 | 14,035 | 14,433 | 14,466 | 15,541 | 14,546 | 15,980 | 14,833 | 14,684 |
| A/P checks issued | 9,336 | 9,063 | 9,155 | 9,198 | 9,560 | 9,054 | 8,697 | 8,859 | 7,879 | 7,634 |
| **Fire:** | | | | | | | | | | |
| Field incidents dispatched | 3,312 | 3,354 | 3,065 | 3,367 | 3,459 | 3,889 | 3,552 | 3,896 | 4,590 | 4,734 |
| **Library:** | | | | | | | | | | |
| Items used/checked out | 342,476 | 379,332 | 385,010 | 390,000 | 337,018 | 395,000 | 397,428 | 257,195 | 327,961 | 231,384 |
| **Parks & Community Services:** | | | | | | | | | | |
| Facility Drop In Totals | 1,768 | 1,364 | 1,494 | 1,187 | 1,524 | 1,824 | 2,671 | 1,386 | 1,315 | 919 |
| **Police:** | | | | | | | | | | |
| Moving and Parking Citations | 12,366 | 13,248 | 14,387 | 16,567 | 15,926 | 14,854 | 15,807 | 16,709 | 10,599 | 12,161 |
| Service Calls Dispatch | 62,000 | 57,667 | 54,819 | 58,559 | 61,745 | 81,281 | 81,303 | 61,643 | 57,651 | 62,047 |
| URC Crime Rate (# crimes/1,000 population, calendar years) | 48 | 50 | 43 | 46 | 46 | 52 | 43 | 42 | 32 | 32 |
| **Wastewater:** | | | | | | | | | | |
| Annual volume of septage treated (in million gallons) | 7.62 | 7.62 | 9.62 | 9.62 | 4.90 | 7.11 | 7.17 | 7.45 | 7.12 | 6.65 |
| **Water:** | | | | | | | | | | |
| Water production (acre feet) | 7,588 | 7,804 | 7,574 | 7,915 | 8,481 | 8,634 | 8,806 | 8,834 | 7,300 | 7,758 |
| **Solid Waste:** | | | | | | | | | | |
| Refuse handled (tons) | 30,029 | 35,133 | 37,935 | 42,789 | 39,334 | 36,539 | 31,484 | 35,179 | 32,936 | 32,812 |
| Recycled material (tons) | 4,632 | 5,305 | 5,540 | 5,554 | 5,560 | 5,913 | 6,016 | 6,023 | 4,006 | 6,258 |

Source: City of Watsonville departments

**CITY OF WATSONVILLE, CALIFORNIA**

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

| Function | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Fire:** | | | | | | | | | | |
| Stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| **Police:** | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 18 | 18 | 18 | 18 | 18 | 19 | 19 | 18 | 18 | 18 |
| Patrol motorcycles | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 6 | 6 | 6 |
| **Library:** | | | | | | | | | | |
| Buildings | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| **Parks & Community Services:** | | | | | | | | | | |
| Parks | 17 | 21 | 21 | 21 | 24 | 21 | 21 | 21 | 21 | 21 |
| Acreage of parks | 62.5 | 65.0 | 65.0 | 65.0 | 85.0 | 65.0 | 85.0 | 85.0 | 85.0 | 85.0 |
| Community Centers | 5 | 5 | 5 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| **Public Works:** | | | | | | | | | | |
| Miles of streets | 85 | 85 | 96 | 96 | 96 | 96 | 96 | 96 | 96 | 96 |
| **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* | 16.5 | 16.5 | 16.5 | 16.5 | 16.5 | 16.5 | 16.5 | 16.5 | 16.5 | 12.1 |
| *(gallons per day in millions) | | | | | | | | | | |
| **Water:** | | | | | | | | | | |
| Maximum pumping capacity* | 19.6 | 19.6 | 19.6 | 19.6 | 19.6 | 18.7 | 18.7 | 18.7 | 18.7 | 18.7 |
| Average consumption* | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 |
| *(gallons per day in millions) | | | | | | | | | | |
| **Solid Waste:** | | | | | | | | | | |
| Collection trucks | 13 | 13 | 13 | 13 | 20 | 20 | 20 | 20 | 20 | 19 |

Source: City of Watsonville departments

# City of Watsonville

## Comprehensive Annual Financial Report 2011-12

*Ezequiel Vega, Administrative Services Director*

**February 12, 2013**

# STAFF'S RECOMMENDATION

Accept and Receive the FY 2011-12 Comprehensive Annual Financial Report (CAFR) for FY 2011-12 and Associated Staff Report

# Introduction

# BACKGROUND

- Independent Audit was performed by Moss, Levy, & Hartzheim LLP

* The Audit Resulted in an UNQUALIFIED OPINION

# Financial Audit?

| AUDIT TYPE | OBJECTIVE |
|---|---|
| **Financial** | Do Financial Statements Present Fairly? |
| Performance | Provide assurance or conclusions based on evaluation of evidence against measures, specific requirements, or standards |
| Attestation Engagements | Examination, Review, or Agreed Upon Procedures |

# Awards for Outstanding Financial Reporting

- Government Finance Officers Association (GFOA) for 12 years in a row
- Certificate for Achievement of Excellence in Financial Reporting

# Major Elements of Financial Report (2)

*1. Introductory section*

- *Letter of transmittal*
  - *Profile of the government*
  - *Local economy*
  - *Long-range planning*
  - *Cash management*
  - *Risk financing*
- *Independent audit was conducted*
- *Awards and acknowledgements*

# Major Elements of Financial Report (3)

*2. Financial Section*

- *Auditor's report*
- *Management discussion and analysis*
- *Basic Financial Statements*
- *Required supplementary information*
- *Combining statements and individual fund statements*

# Major Elements of Financial Report (4)

- *3. Statistical (GASB 2800)*
  - *Financial trend information*
  - *Revenue capacity information : tax base ,etc*
  - *Debt capacity information*
  - *Demographic and economic information*
  - *Operating information*
  - *Narrative explanations*

# Basic Financial Statements (1)

- Government Wide Financial Statements
  - Statement of Net Assets (Similar to Balance Sheet)
  - Statement of Activities (Similar to Income Statement)
- Fund Financial Statements
  - Balance Sheet (current assets + liabilities)
  - *Statement of revenues, expenses, and changes in fund assets (I/S)*
  - *Statement of Cash Flows (Proprietary Funds, i.e. Water, Sewer, etc)*

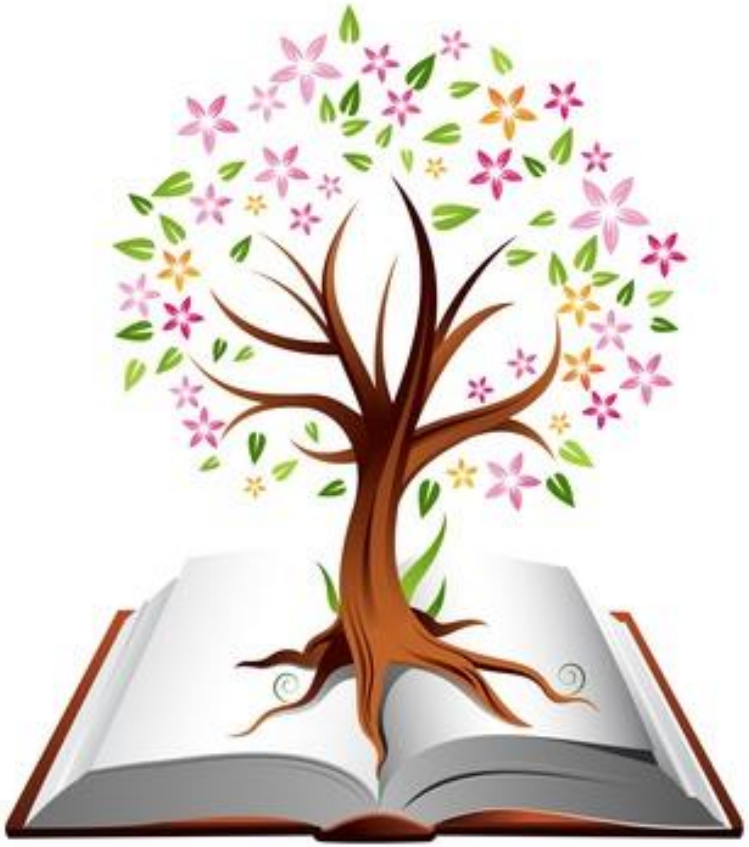
# Basic Financial Statements (2)

| Fund Category | Fund type | Financial Statements |
|---|---|---|
| **Governmental Funds** | 1. General fund<br>2. Special revenue funds<br>3. Capital project funds<br>4. Debt service funds<br>5. Permanent funds | a. Balance Sheet<br>b. Statement of Activities |
| **Proprietary Funds** | 1. Enterprise fund<br>2. Internal service fund | a. Statement of net assets<br>b. Statement of revenues, expenses, and changes in fund assets<br>c. Statement of cash flows |
| **Fiduciary Funds** | 1. Pension funds<br>2. Investment trust funds<br>3. Private-purpose funds<br>4. Agency funds | a. Statement of fiduciary net assets<br>b. Statement of changes in fiduciary net assets |

# Government Wide Statements

# Government Wide Statements – Statement of Net Assets

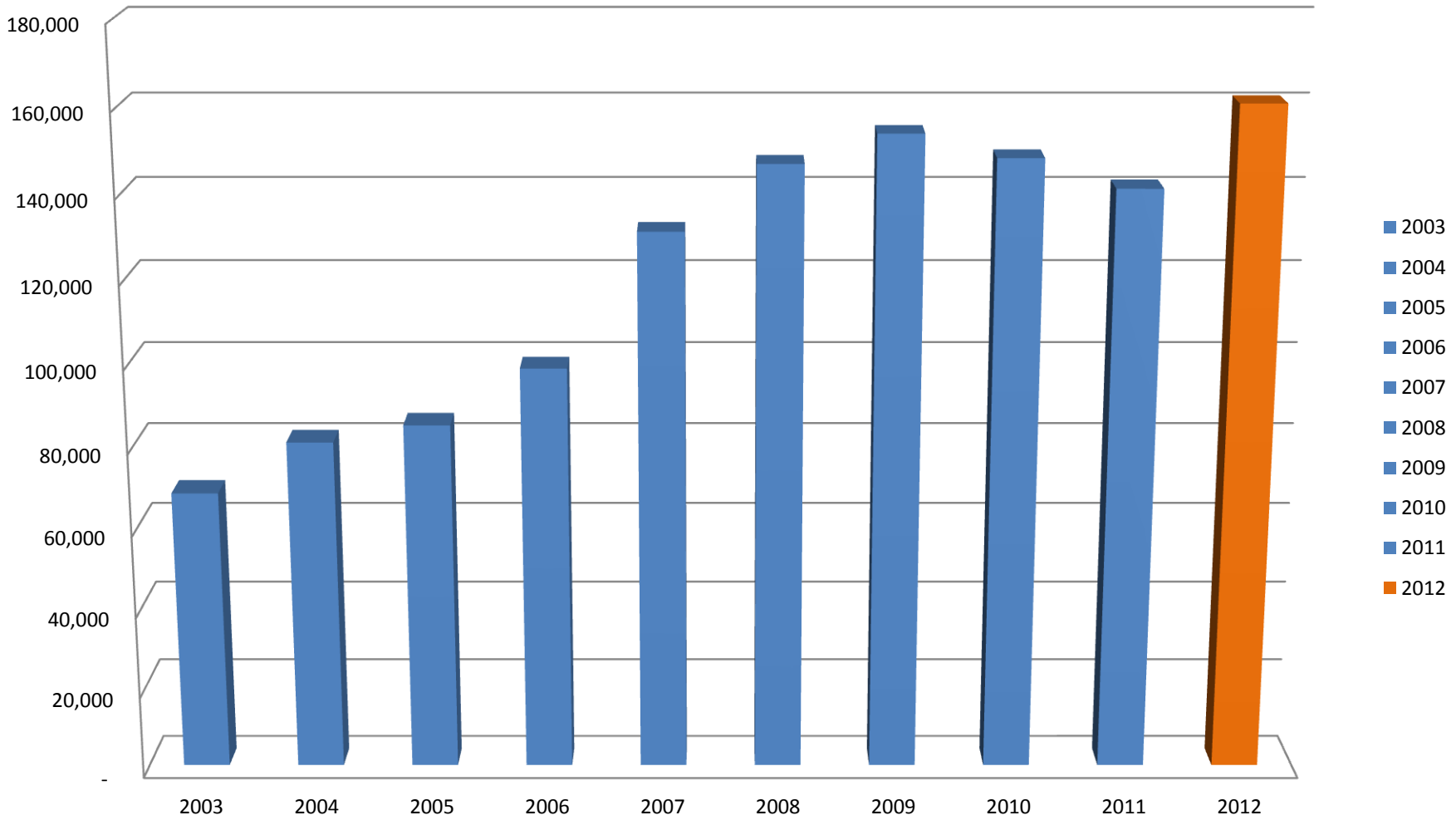
- Net Assets = Assets – Liabilities
- 269 million FY 2011-12
- 260 Million FY 2010-11



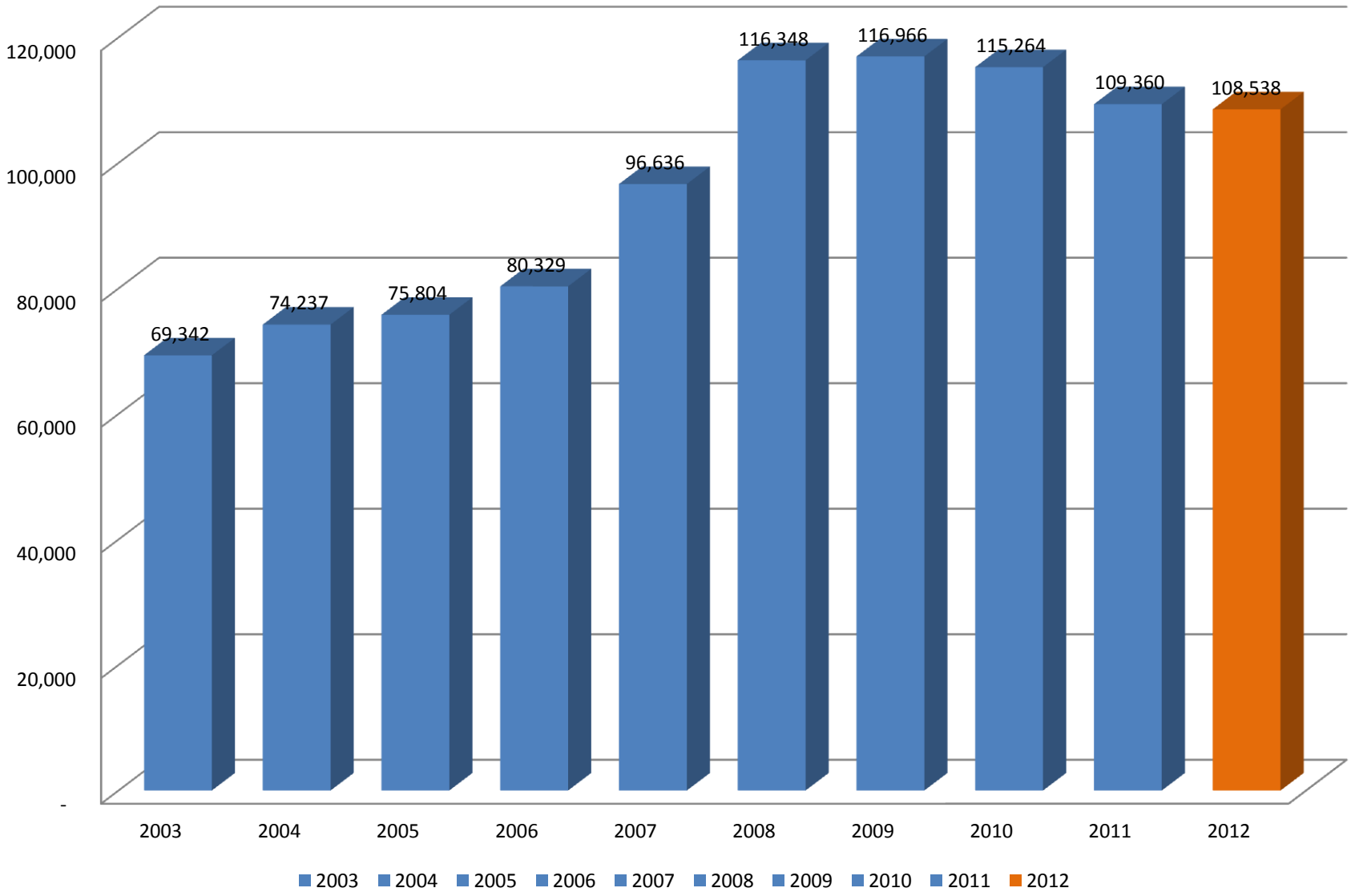
# Two Year Comparative Analysis – Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | $ | $ | $ | $ | $ | $ |
| Current and other assets | 49,367 | 50,206 | 44,465 | 47,367 | 93,832 | 97,573 |
| Capital assets | 129,639 | 130,673 | 105,305 | 106,003 | 234,944 | 236,676 |
| Total Assets | 179,006 | 180,879 | 149,770 | 153,370 | 328,776 | 334,249 |
| Long-term liabilities outstanding | 11,077 | 28,636 | 38,833 | 40,553 | 49,910 | 69,189 |
| Other Liabilities | 7,220 | 11,255 | 2,399 | 3,457 | 9,619 | 14,712 |
| Total Liabilities | 18,297 | 39,891 | 41,232 | 44,010 | 59,529 | 83,901 |
| Net Assets: | | | | | | |
| Invested in capital assets, net of related debt | 131,751 | 112,462 | 72,861 | 74,569 | 204,612 | 187,031 |
| Restricted | 39,086 | 46,586 | - | 2,834 | 39,086 | 49,420 |
| Unresticted | (10,128) | (18,060) | 35,677 | 31,957 | 25,549 | 13,897 |
| Total Net Assets | 160,709 | 140,988 | 108,538 | 109,360 | 269,247 | 250,348 |

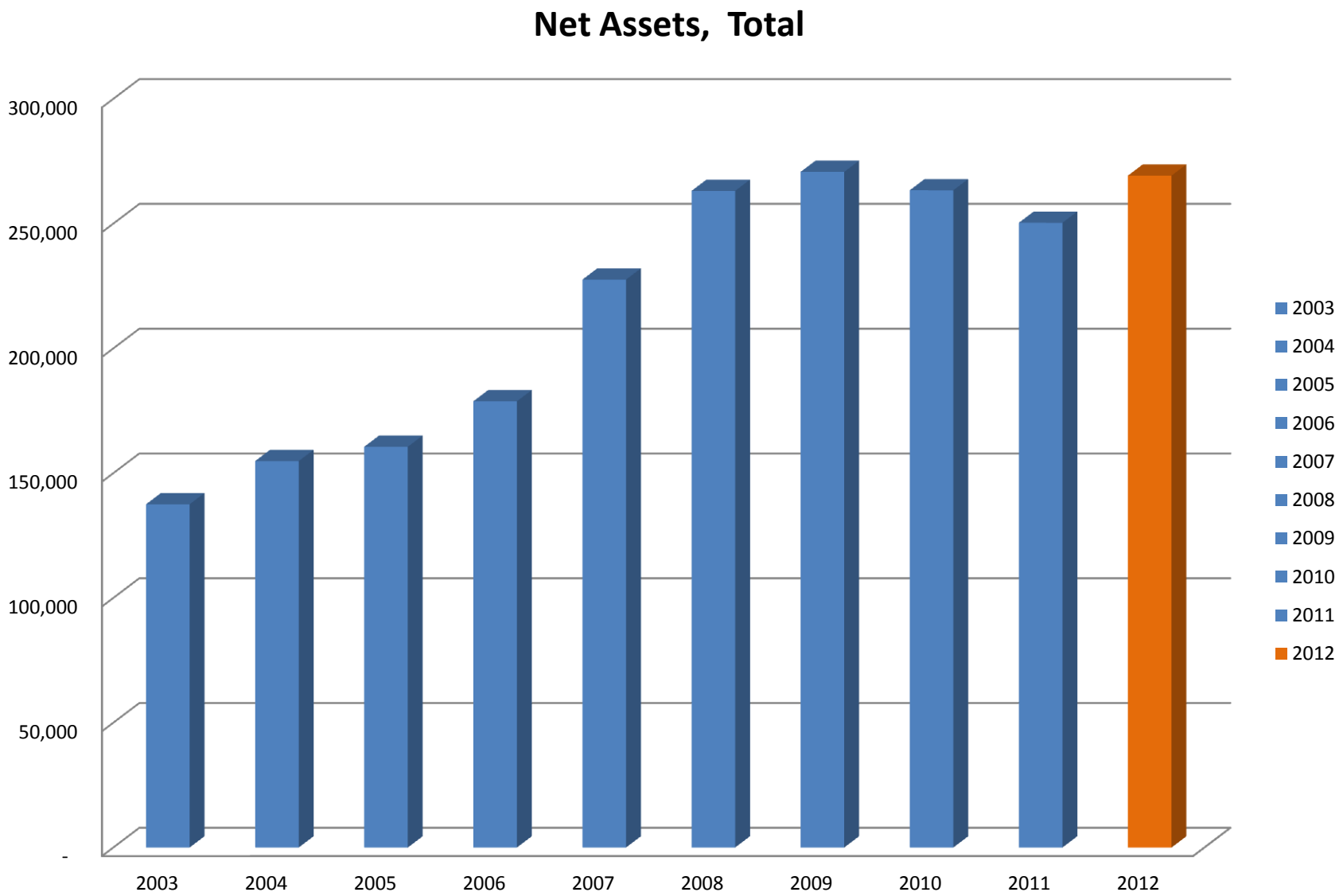
# Net Assets, Governmental Activities (in thousands)



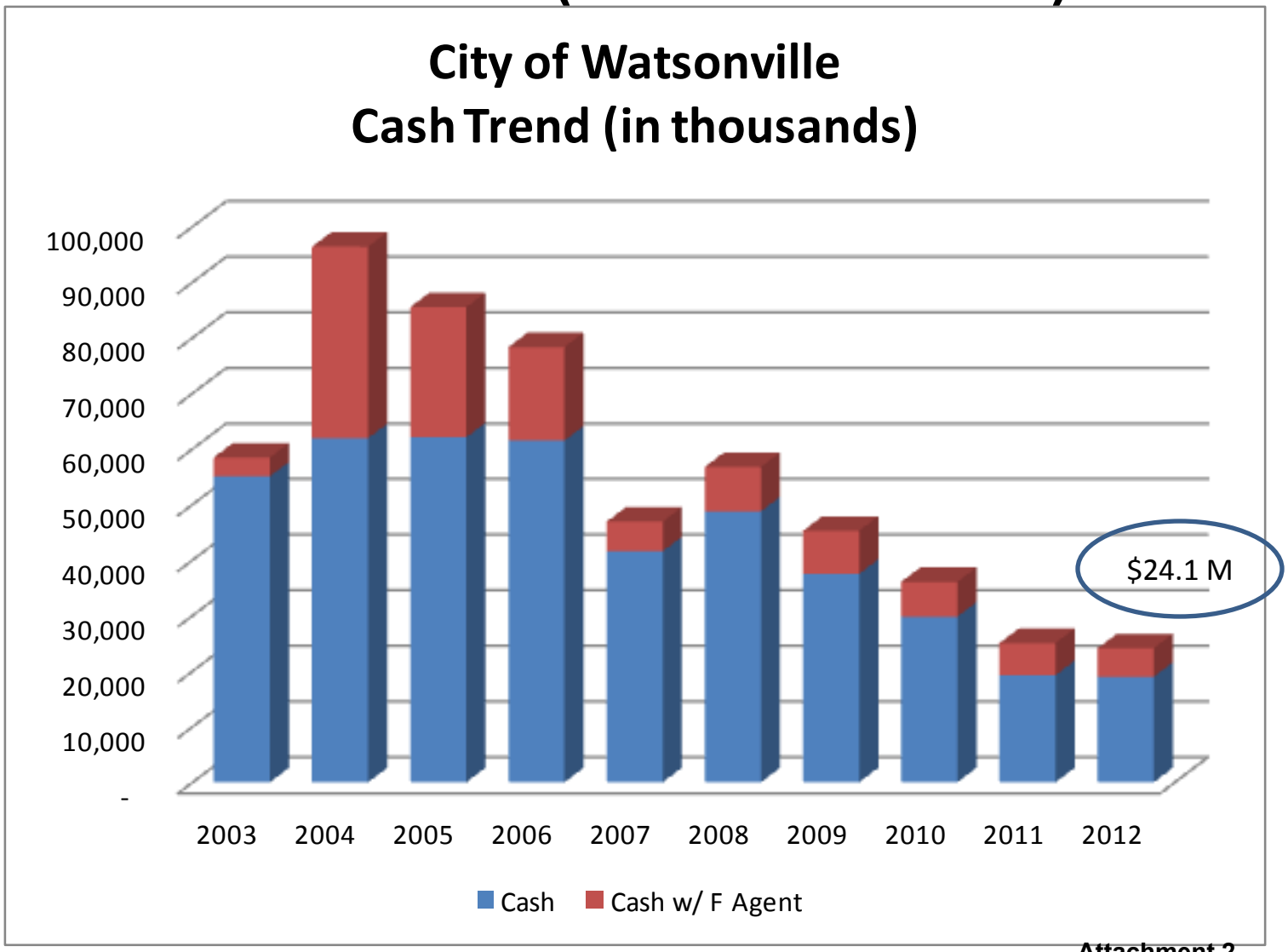
# Business Type Activities Net Assets (thousands)



# Total Government Net Assets (thousands)



# City of Watsonville Cash Balances Trend (in thousands)



# Comparison with Other Cities

## Watsonville vs. Comparable Cities FY 2011-12

| | Salinas | Scotts Valley | Santa Cruz | Gilroy | Monterey | Morgan Hill | Median | Watsonville | |
|---|---|---|---|---|---|---|---|---|---|
| Population [3] | 152,994 | 11,667 | 60,342 | 49,582 | 28,246 | 38,477 | 44,030 | 51,586 | |
| GF Revenues and Other Sources | $ 80,459,293 | $ 7,703,123 | $ 77,912,927 | $ 36,063,731 | $ 61,050,436 | $ 23,493,281 | $ 48,557,084 | $ 36,658,992 | |
| GF Expenditures | 78,804,888 | 7,833,807 | 95,908,015 | 32,215,955 | 59,125,224 | 25,479,076 | 45,670,590 | 35,809,646 | (1) |
| GF Fund Balance | 11,059,380 | 6,749,955 | 25,531,855 | 25,220,668 | 33,831,499 | 7,282,162 | 18,140,024 | 4,348,537 | |
| | | | | | | | | | |
| Fund Balance, % GF Exp | 14.03% | 86.16% | 26.62% | 78.29% | 57.22% | 28.58% | 39.72% | 12.14% | |
| General Fund Cash | 11,378,862 | 4,005,490 | 18,126,982 | 20,450,350 | 12,297,967 | 6,231,090 | 11,838,415 | 8,004,059 | (2) |
| Months Cash Available | 1.73 | 6.14 | 2.27 | 7.62 | 2.50 | 2.93 | 3.11 | 2.68 | |
| | | | | | | | | | |
| GF Assets | 23,618,275 | 7,265,822 | 28,204,269 | 25,935,077 | 54,666,055 | 9,303,795 | 24,776,676 | 11,784,515 | |
| GF Liabilities | 12,558,895 | 515,867 | 2,672,414 | 714,409 | 20,834,556 | 2,216,838 | 2,444,626 | 3,025,777 | (4) |
| Liabilities/Assets | 53.2% | 7.1% | 9.5% | 2.8% | 38.1% | 23.8% | 9.9% | 25.7% | |
| | NP | NP | NP | NP | | | | | |

Sources: FY 2011-12 Comprehensive Annual Financial Reports for each City, if not available, FY 2010-11 data used

Notes

(1) Includes $3.1 million shown in the CAFR for the solar panel installation for City Hall

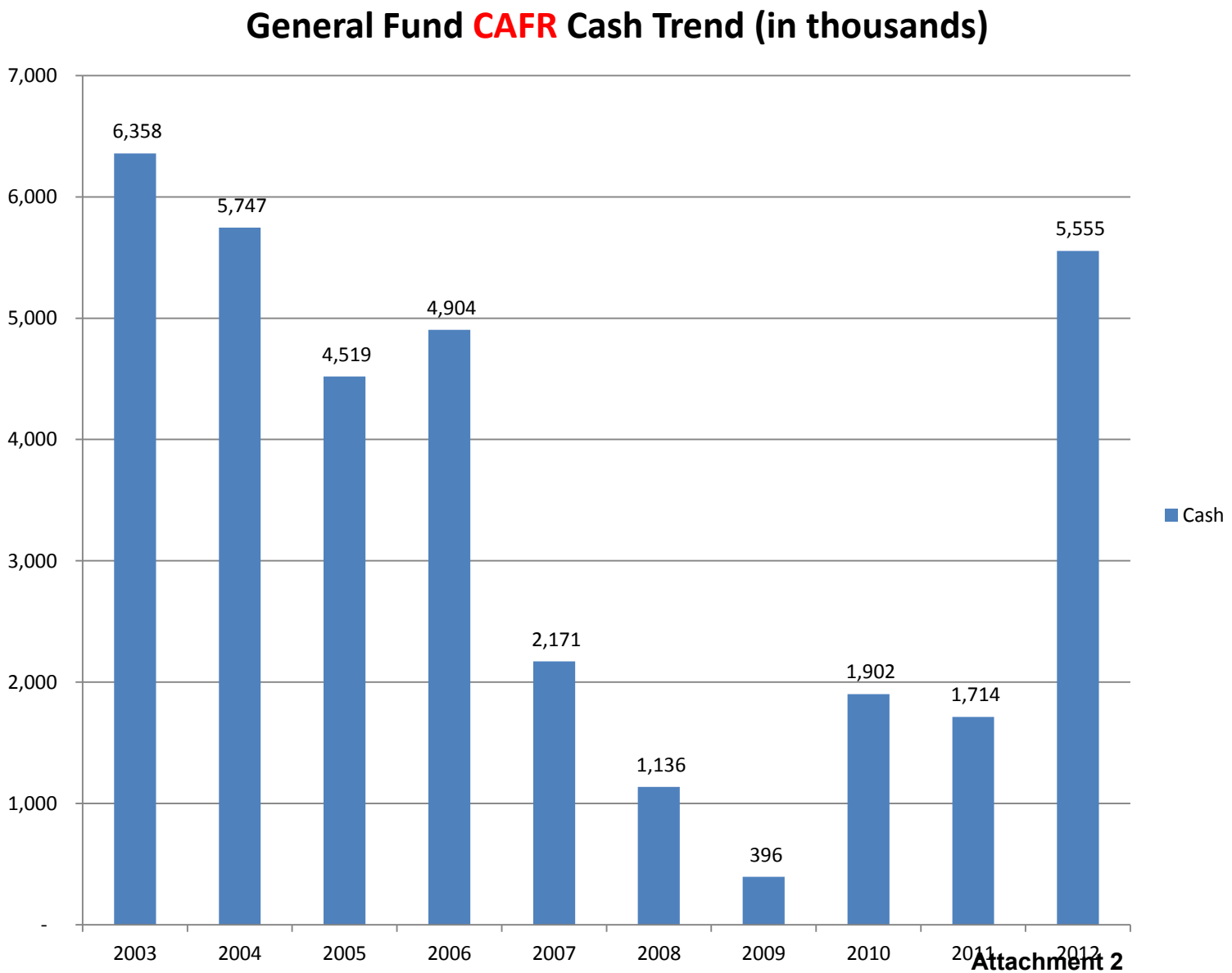
(2) It includes $2.4 million in one time loan in CAFR shown as due from other funds

(3) 2011 Census Data

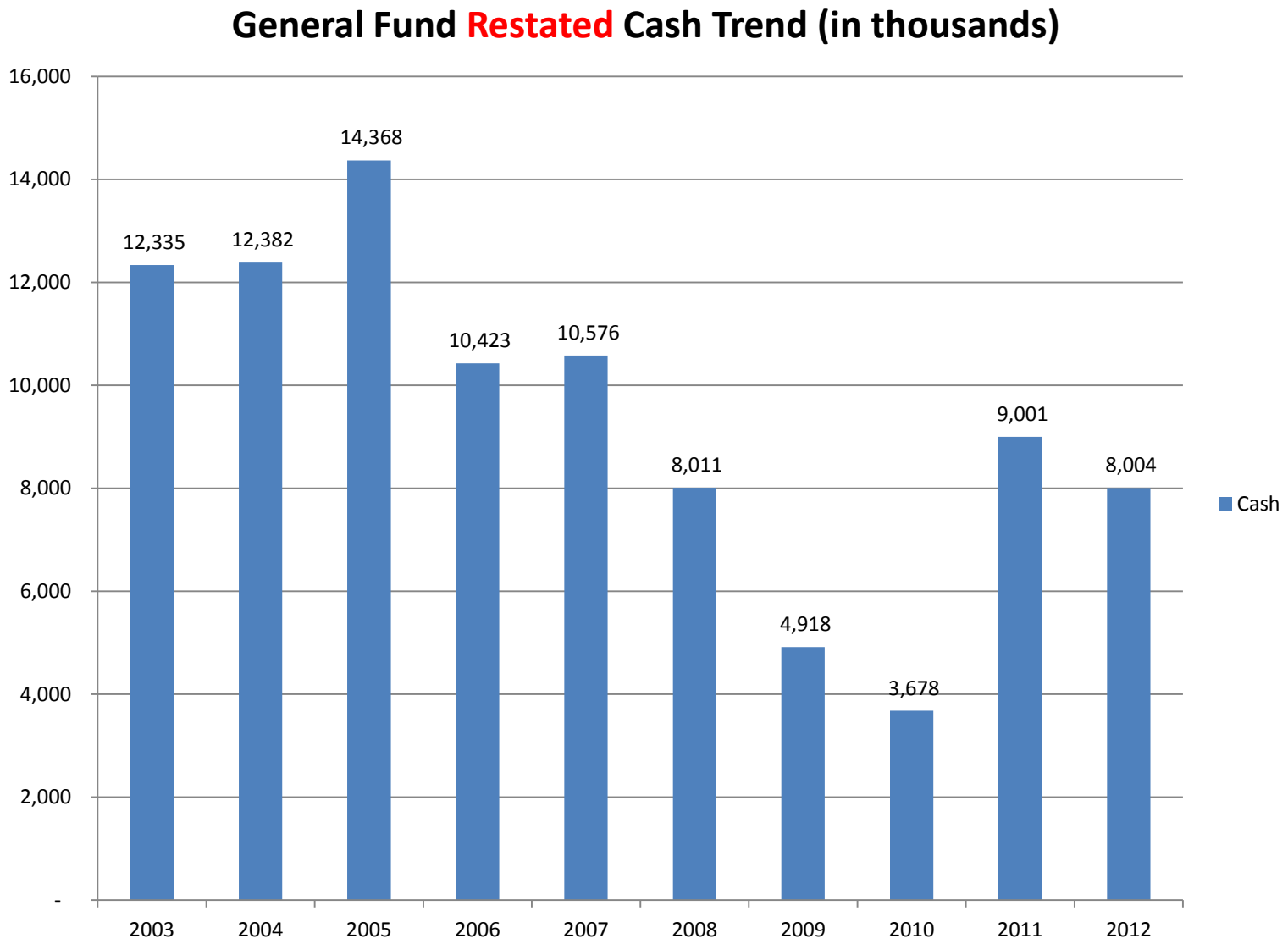
(4) Excludes Long term portion of PERS Side Fund Loan

# General Fund Trends and Drill Down

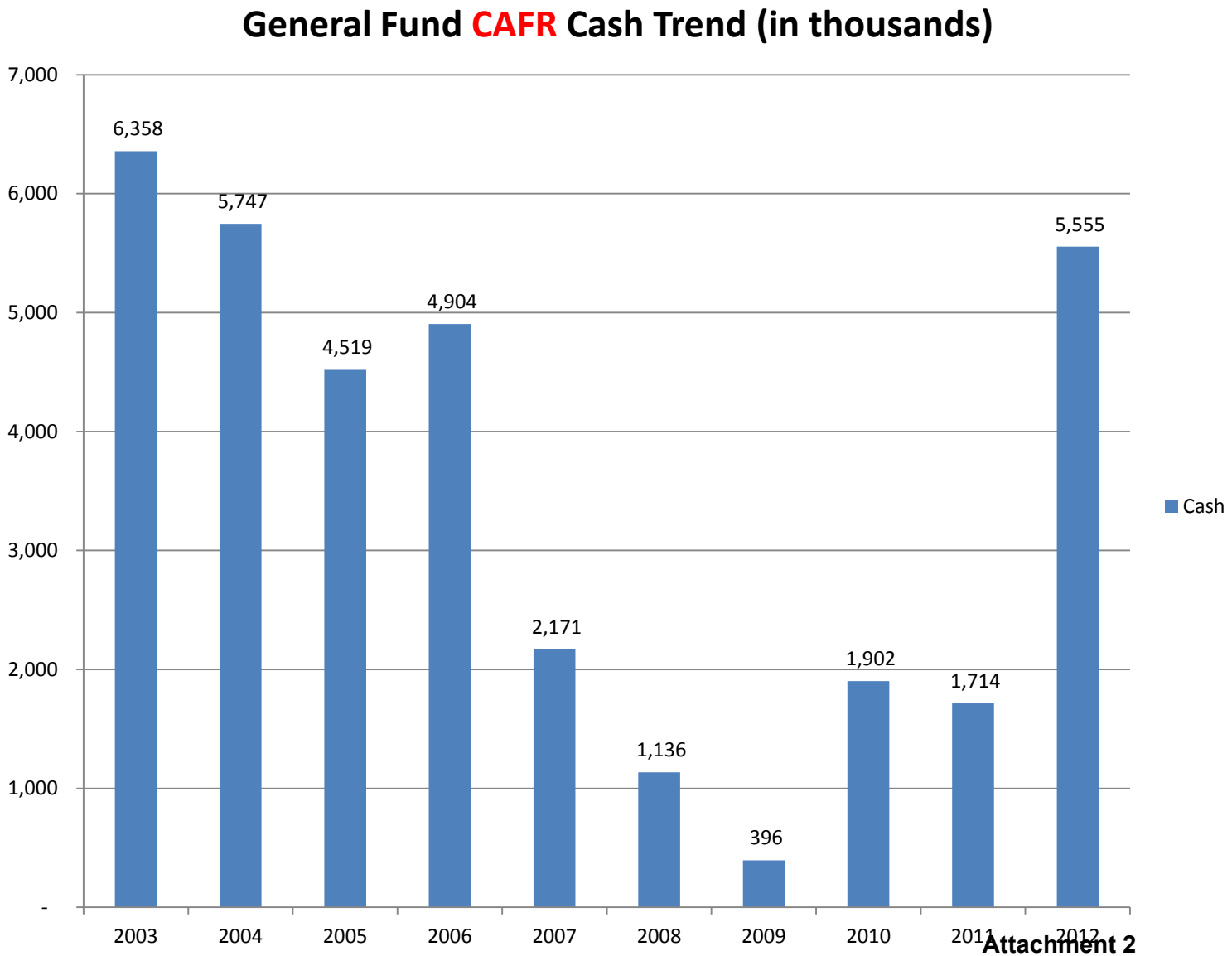
# General Fund – Fund Balance Trend



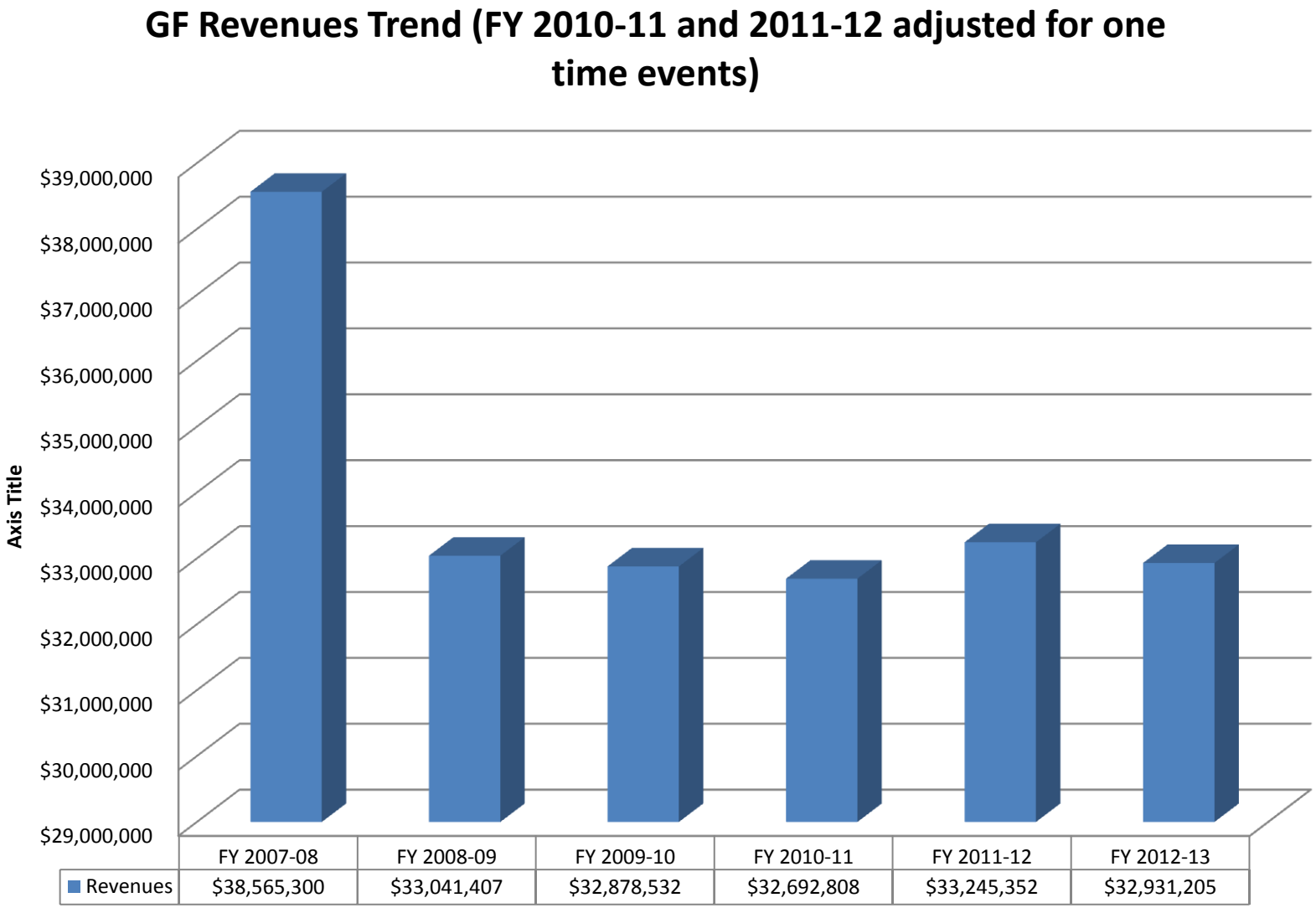
# General Fund Cash Balance Trend



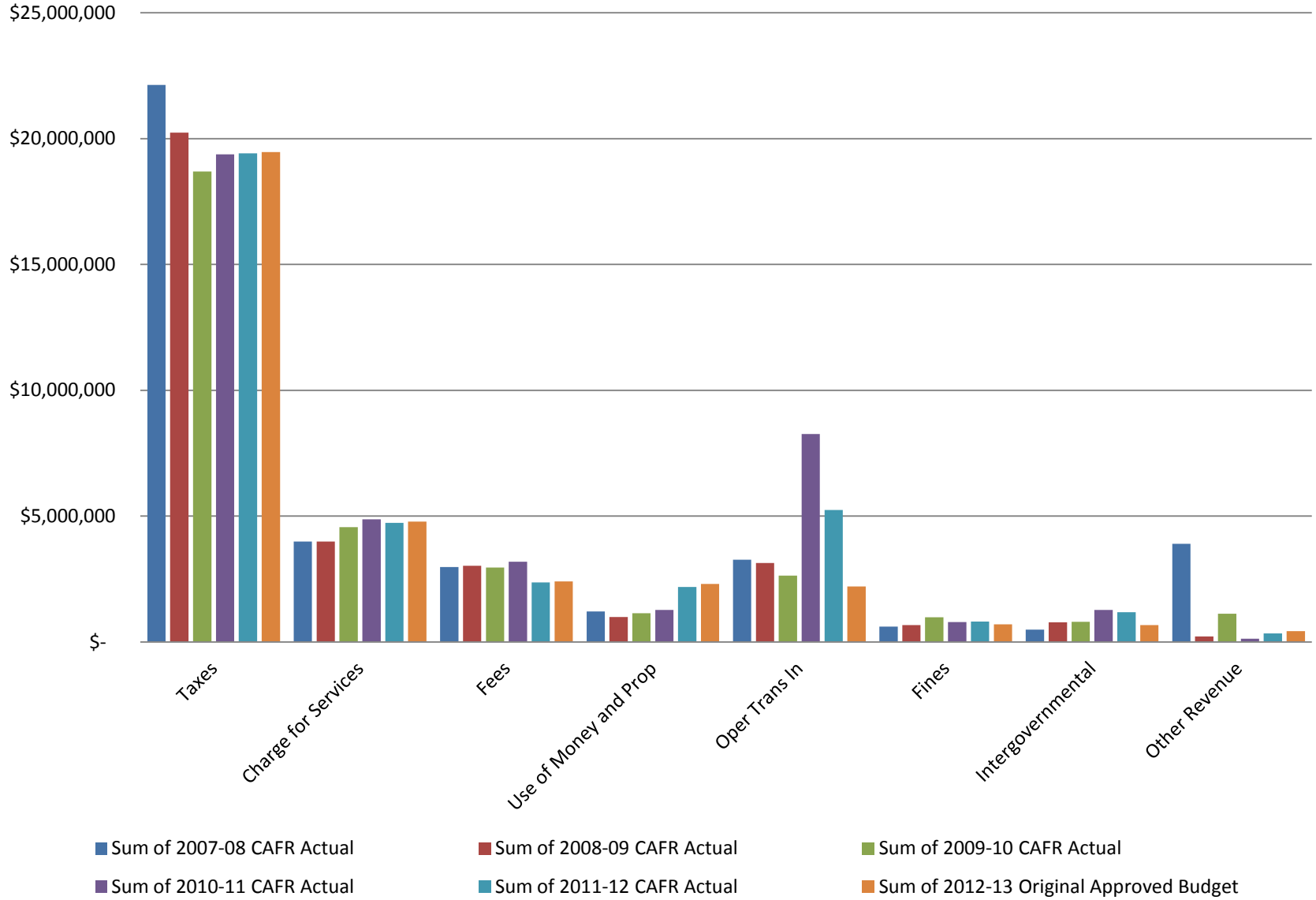
# General Fund Cash Balance Trend



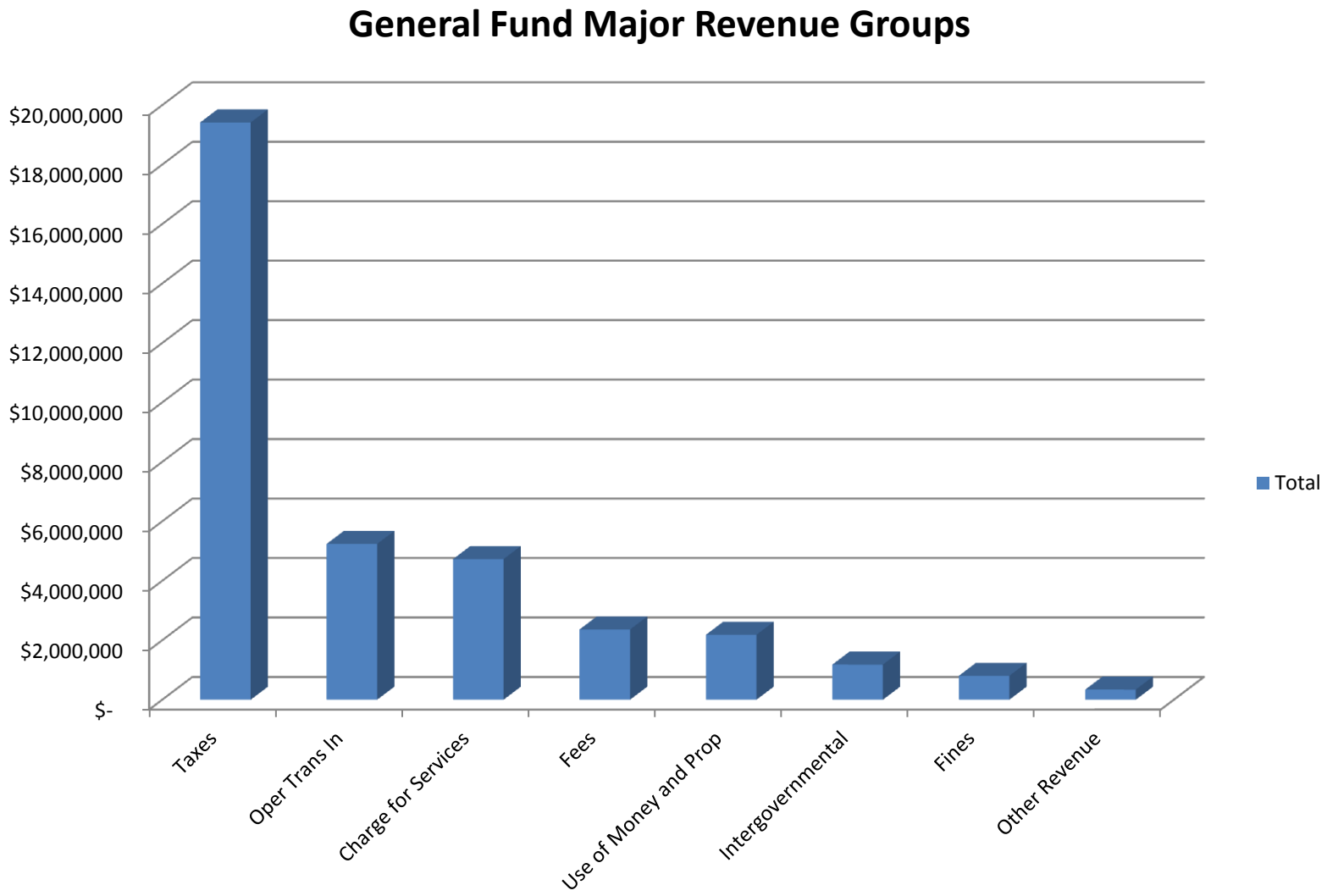
# General Fund Revenues



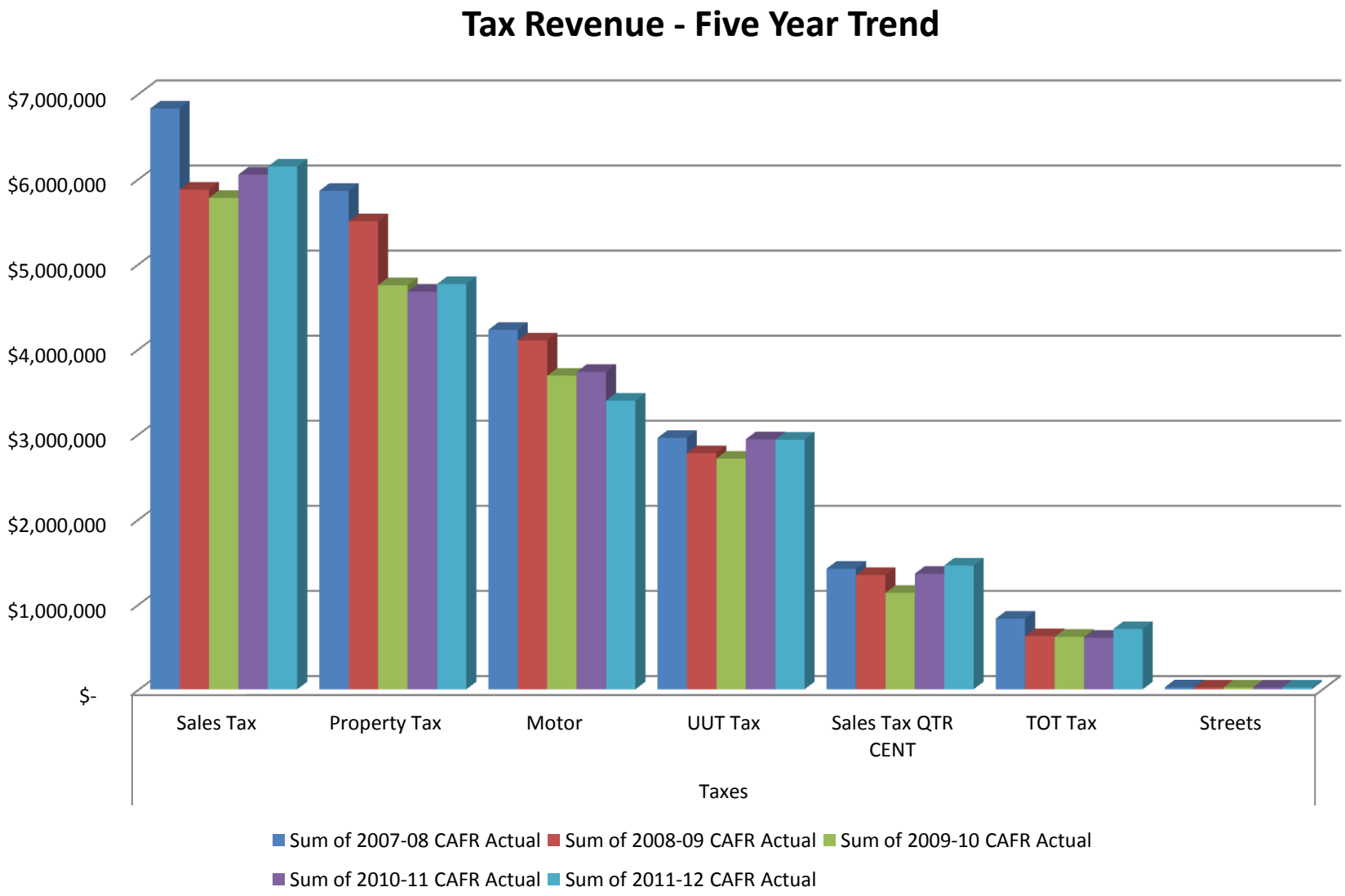
# General Fund Major Revenue Sources Trend



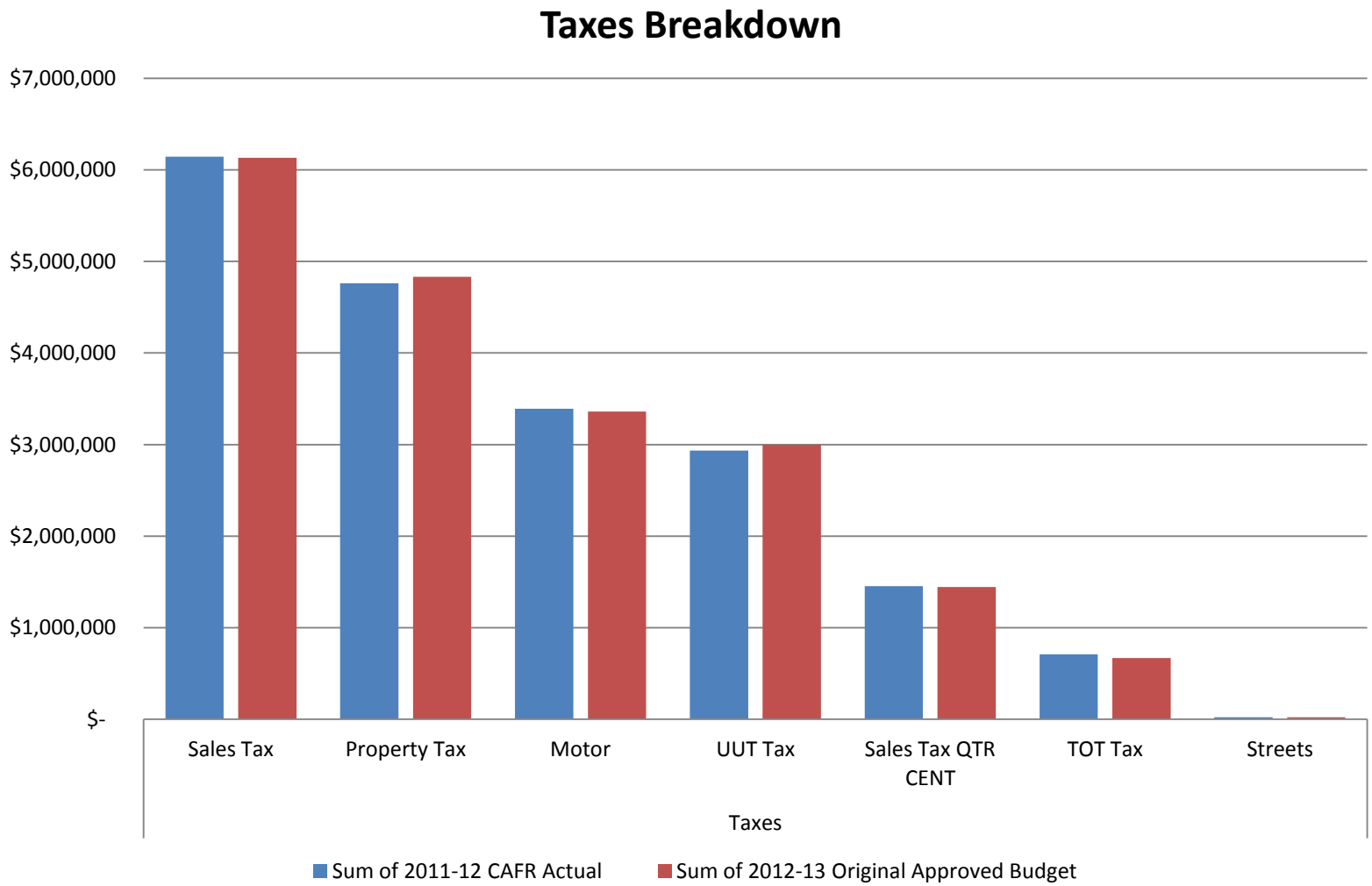
# General Fund FY 2011-12 Revenues



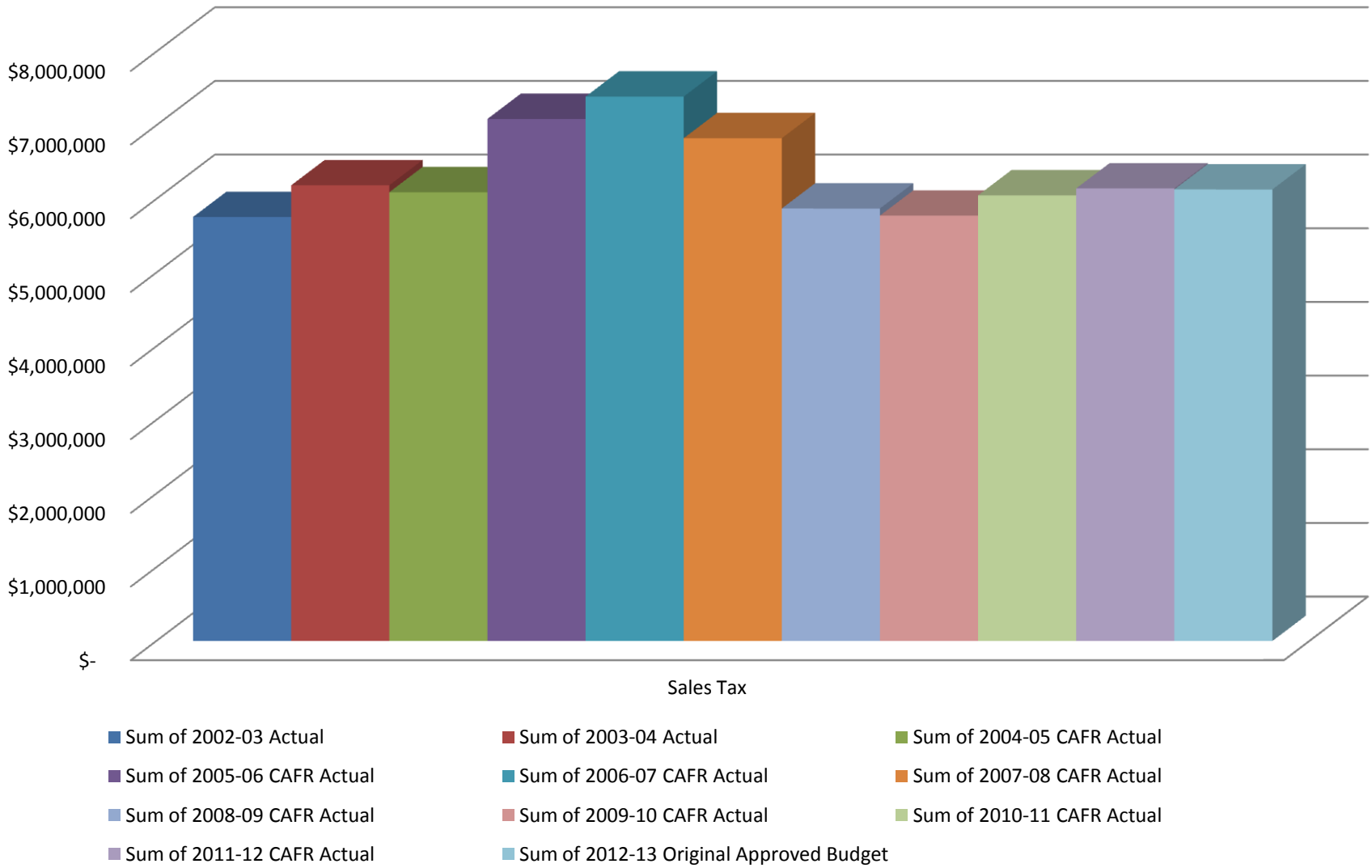
# GF Taxes Multi Year Comparison



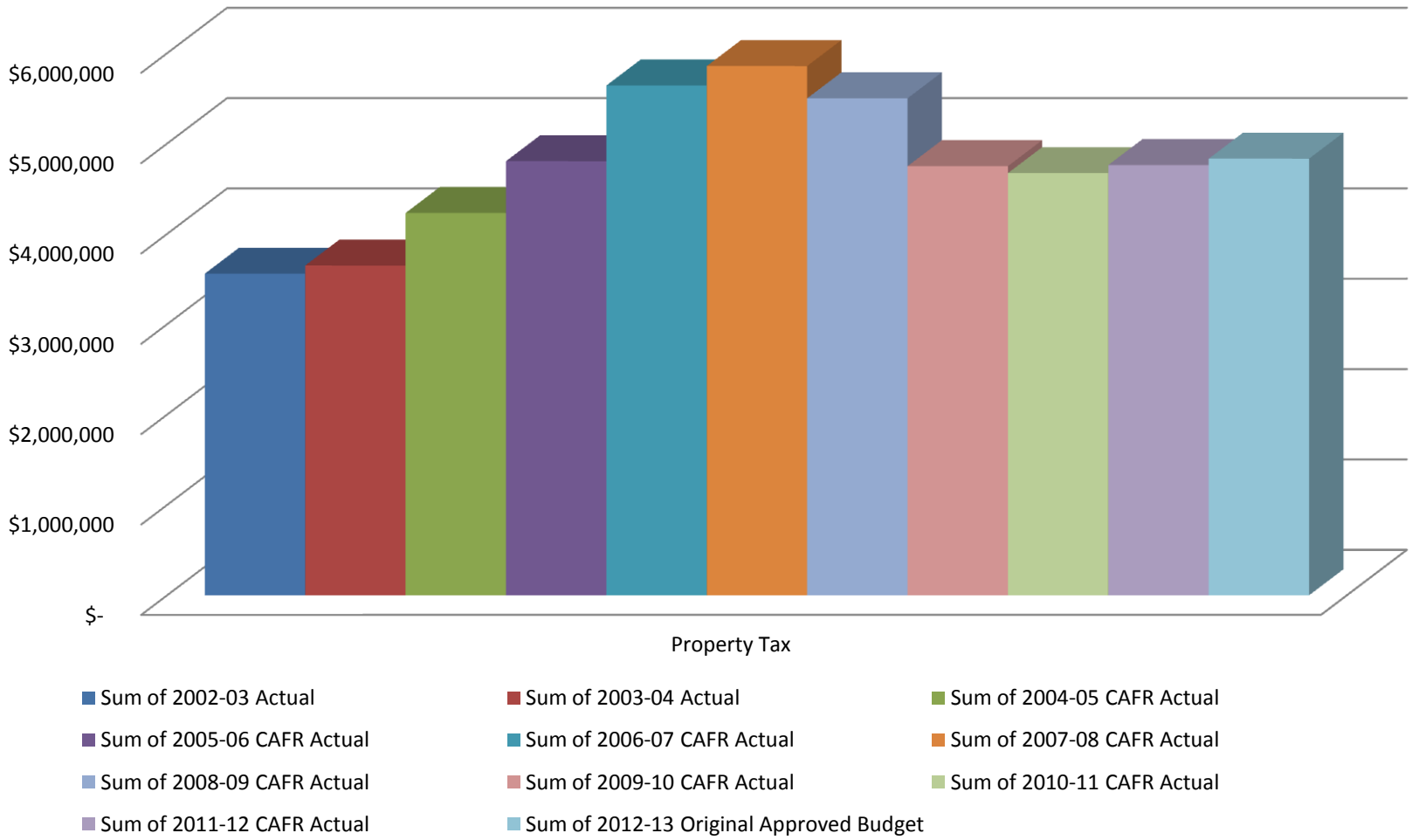
# General Fund FY 2011-12 & 2012-13Taxes Revenue



# Sales Tax 10 Year Trend



# Property Tax 10 Year Trend



# Expenditures vs. Budget by Department

| Row Labels | Sum of Final Budget | Sum of Actual | Variance |
|---|---|---|---|
| Capital Imp Program | $ 208,000.00 | $ 169,732.66 | $ 38,267.34 |
| Community Development | $ 1,284,995.00 | $ 1,278,318.66 | $ 6,676.34 |
| Finance | $ 2,174,146.00 | $ 2,114,906.14 | $ 59,239.86 |
| Fire | $ 5,421,614.00 | $ 6,323,618.26 | $ (902,004.26) |
| General Government | $ 1,684,865.00 | $ 1,585,489.57 | $ 99,375.43 |
| Library | $ 543,859.00 | $ 543,958.89 | $ (99.89) |
| Non Departmental | $ 452,365.00 | $ 631,444.19 | $ (179,079.19) |
| Parks & Community Services | $ 3,533,007.85 | $ 3,303,483.65 | $ 229,524.20 |
| Police | $ 15,790,797.03 | $ 14,451,658.85 | $ 1,339,138.18 |
| Public Works | $ 6,647,745.00 | $ 5,846,312.22 | $ 801,432.78 |
| **Grand Total** | **$ 37,741,393.88** | **$ 36,248,923.09** | **$ 1,492,470.79** |

# Fire Department

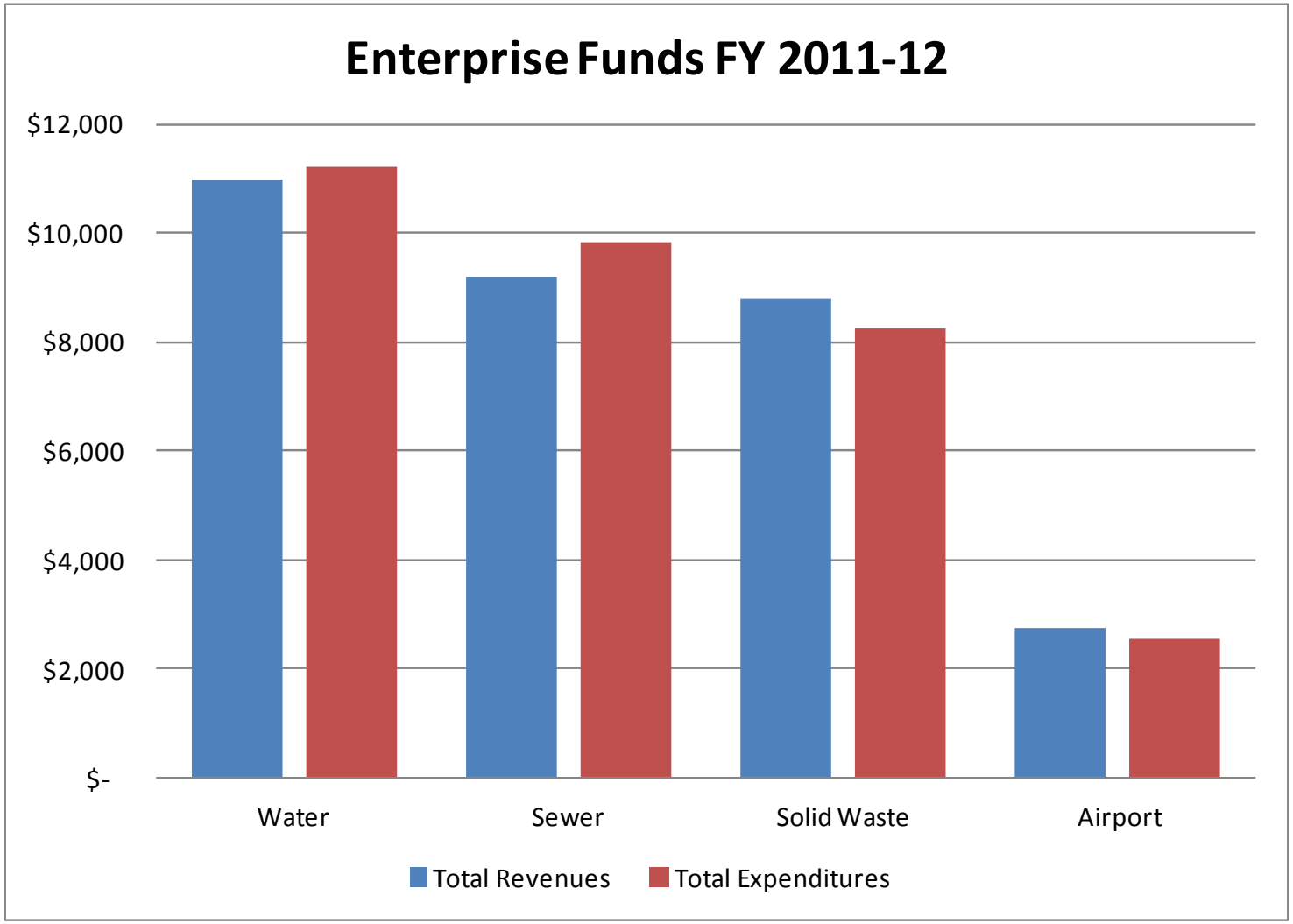
| Fire Department Accounts Over Budget | |
|---|---|
| Overtime | $379,970.00 |
| PERS Side Fund Loan | $267,378.00 |
| Other Contract Services | $126,828.00 |
| Miscellaneous Charges | $ 52,854.00 |
| Electricity & Gas | $ 36,224.00 |
| Retirement Charges | $ 18,958.00 |
| Others | $ 19,792.00 |
| Total | $902,004.00 |

# Non Department

| Non Department Accounts Over Budget | |
|---|---|
| Tourism Assesment Fee | $128,130.00 |
| Unemployment Insurance | $ 50,949.00 |
| Total | $179,079.00 |

# Enterprise Funds

# FY 2011-12 Expenses & Revenues – Enterprise Funds (in thousands)



# Water Fund- Comparative Income Statement

| | 2012 | 2011 |
|---|---|---|
| OPERATING REVENUES: | | |
| Charges for service | $ 10,119,068 | $ 8,513,064 |
| Recycled Water Revenue | | |
| | | |
| OPERATING EXPENSES: | | |
| Costs of sales and service | 6,628,551 | 7,740,205 |
| Depreciation | 1,545,646 | 1,520,269 |
| Total operating expenses | 8,174,197 | 9,260,474 |
| | | |
| Operating income | 1,944,871 | (747,410) |
| | | |
| NONOPERATING REVENUES (EXPENSES): | | |
| Sale of fixed assets | - | - |
| grants | 171,783 | 70,184 |
| Interest revenue | 515,547 | 902,094 |
| Interest expense | (1,449,929) | (1,333,290) |
| Connection fees | 154,395 | 85,712 |
| Arbitrage | | - |
| Bond issuance costs | | (144,439) |
| Non Capital Replacement Costs | (1,588,857) | (449,127) |
| Total nonoperating revenues (expenses) | (2,197,061) | (868,866) |
| | | |
| **Net income before operating transfers** | (252,190) | (1,616,276) |

# Sewer Fund- Comparative Income Statement

| | 2012 | 2011 |
|---|---|---|
| OPERATING REVENUES: | | |
| Charges for service | 8,782,368 | 10,140,116 |
| OPERATING EXPENSES: | | |
| Costs of sales and service | 8,371,992 | 7,836,734 |
| Depreciation | 1,365,505 | 1,375,029 |
| Total operating expenses | 9,737,497 | 9,211,763 |
| Operating income | (955,129) | 928,353 |
| NONOPERATING REVENUES (EXPENSES): | | |
| Miscellaneous Expenses | | |
| Grant revenue | 224,768 | 761,455 |
| Interest revenue | 135,846 | 148,726 |
| Interest expense | (100,004) | (125,873) |
| Connections fees | 60,385 | 42,333 |
| Arbitrage | | |
| Bond issuance costs | (4,386) | (4,386) |
| Total nonoperating revenues (expenses) | 316,609 | 822,255 |
| Net income before operating transfers | (638,520) | 1,750,608 |

# Solid Waste Fund- Comparative Income Statement

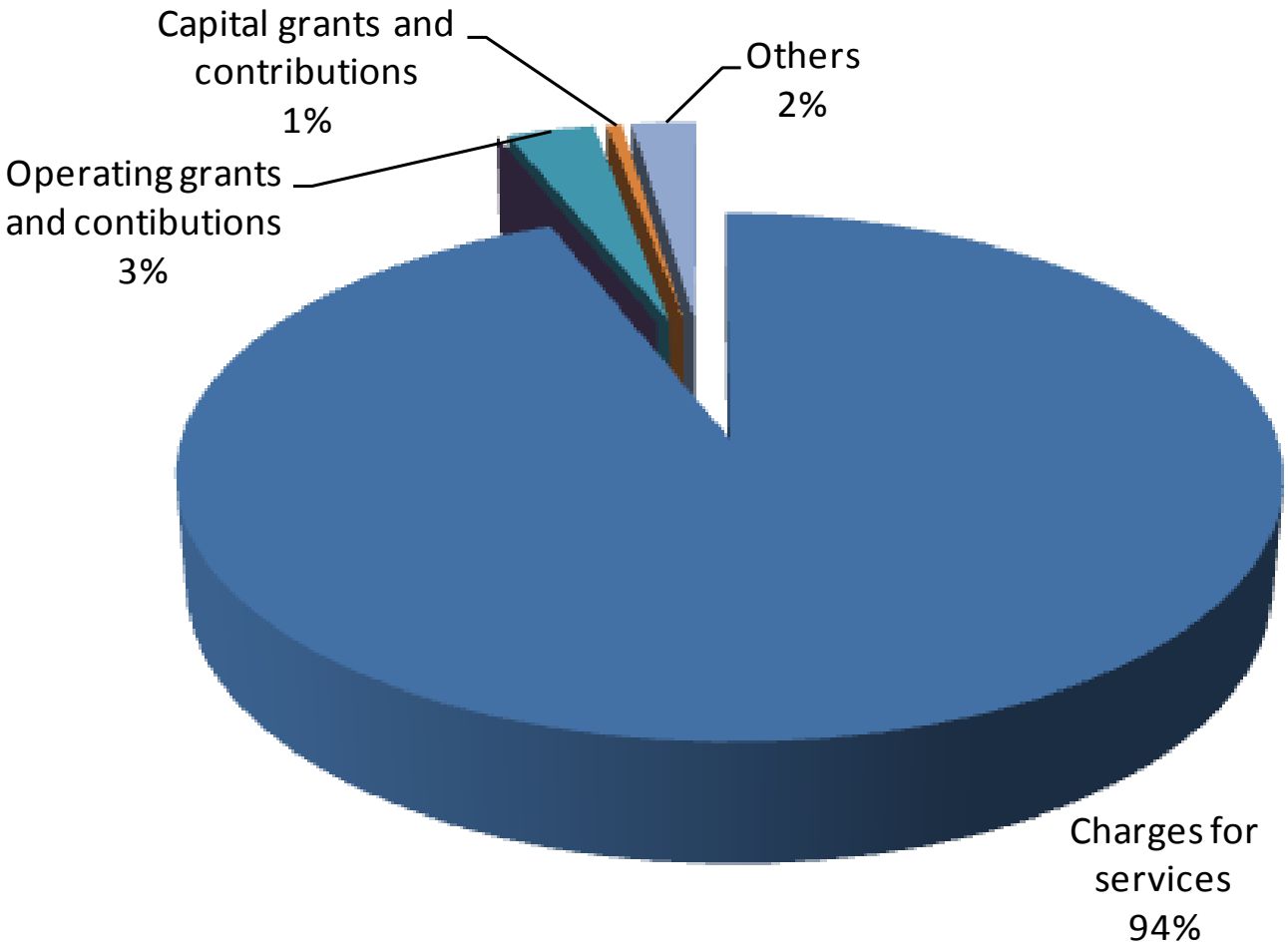
| | 2012 | 2011 |
|---|---|---|
| OPERATING REVENUES: | | |
| Charges for service | 8,711,686 | 8,520,621 |
| OPERATING EXPENSES: | | |
| Costs of sales and service | 7,376,439 | 7,095,028 |
| Depreciation | 654,343 | 669,745 |
| Total operating expenses | 8,030,782 | 7,764,773 |
| Operating income | 680,904 | 755,848 |
| NONOPERATING REVENUES (EXPENSES): | | |
| Interest revenue | 73,242 | 65,167 |
| Interest expense | (233,219) | (204,803) |
| Nonoperating expenses | | |
| Gain on sale of fixed asset | | |
| Grants | 34,500 | 57,176 |
| Landfill usage | (313,171) | (188,729) |
| Arbitrage | | |
| Bond issuance costs | (6,211) | (6,211) |
| Total nonoperating revenues (expenses) | (444,859) | (277,400) |
| Net income before operating transfers | 236,045 | 478,448 |

# Airport- Comparative Income Statement

| | 2012 | 2011 |
|---|---|---|
| OPERATING REVENUES: | | |
| Charges for service | 2,228,985 | 1,973,098 |
| OPERATING EXPENSES: | | |
| Costs of sales and service | 2,262,894 | 2,193,445 |
| Depreciation | 209,830 | 217,516 |
| Total operating expenses | 2,472,724 | 2,410,961 |
| Operating income | (243,739) | (437,863) |
| NONOPERATING REVENUES (EXPENSES): | | |
| Gain on sale of fixed asset | | |
| Lease revenue from capital assets | 467,422 | 423,527 |
| Nonoperating EXPENSES | | |
| Grant revenue | 48,248 | 515,174 |
| Interest revenue | | |
| Interest expense | (66,309) | (108,712) |
| Bond issuance costs | | |
| Total nonoperating revenues (expenses) | 449,361 | 829,989 |
| Net income before operating transfers | 205,622 | 392,126 |

**Attachment 2**
**40 of 46**

# Enterprise Funds -Revenue Sources

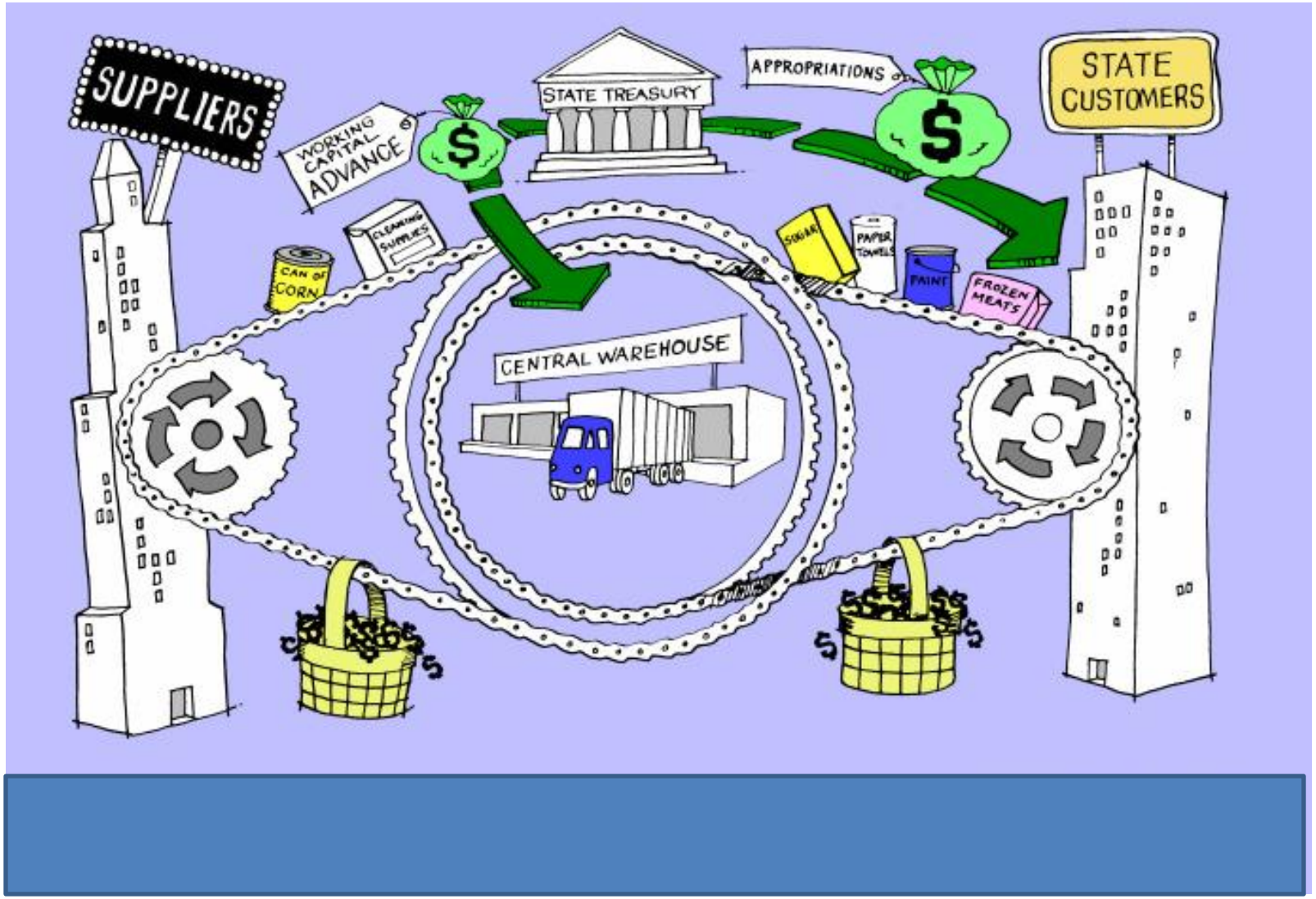


## Proprietary Funds Change of Net Assets (in thousands)

| Fund | FY 2012 | FY 2011* | Change | % Change |
|---|---|---|---|---|
| Water | 54,320 | 54,572 | (252) | -0.462% |
| Sewer | 45,834 | 46,473 | (639) | -1.375% |
| Solid Waste | 3,071 | 2,835 | 236 | 8.325% |
| Airport | 5,313 | 5,107 | 206 | 4.034% |

* FY 2011 figures represent restated balances

# Internal Service Funds



# Self Insurance Fund

| CITY OF WATSONVILLE, CALIFORNIA | | | |
|---|---|---|---|
| SELF - INSURANCE FUND | | | |
| STATEMENT OF NET ASSETS | | | |
| 30-Jun-12 | | | |
| | | | |
| ASSETS | | 2012 | 2011 |
| | | | |
| Current Assets: | | | |
| | Cash and investments | - | 250,000 |
| | Accounts Receivable | 123,778 | 157,692 |
| | Deposits | 62,000 | 62,000 |
| | | | |
| | Total Assets | 185,778 | 469,692 |
| | | | |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| | Accounts payable | 80,559 | 117,356 |
| | Accrued personnel costs | 260,993 | 98,946 |
| | Due to other funds | 932,444 | 1,153,414 |
| | Claims payable | 2,327,897 | 3,324,484 |
| | Incurred but not reported liability | 1,217,756 | 1,635,158 |
| | | 4,819,649 | 6,329,358 |
| | Total Current Liabilities | | |
| | | | |
| Noncurrent liabilities | | | |
| | Advance Payable | | 250,000 |
| | Total Non Current liabilities | - | 250,000 |
| | Total Liabilities | 4,819,649 | 6,579,358 |
| | | | |
| Net Assets | | | |
| | | (4,633,871) | (6,109,666) |
| | Unrestricted | | |
| | Total Net Assets | (4,633,871) | (6,109,666) |

# STAFF'S RECOMMENDATION

Accept and Receive the FY 2011-12 Comprehensive Annual Financial Report (CAFR) for FY 2011-12 and Associated Staff Report

# QUESTIONS?

**City of Watsonville**
***City Clerk's Office***

**M E M O R A N D U M**

**DATE:** **February 7, 2013**

**TO:** **Honorable Mayor and City Council Members**

**FROM:** **Beatriz Vázquez Flores, City Clerk**
**Alan J. Smith, City Attorney**

APPROVED
By Beatriz Vázquez Flores at 2:23 pm, Feb 07, 2013

**SUBJECT:** **Selection of Election Date and Appropriation for Petition to Amend the Boundary Definitions of the Urban Limit Line of Measure U**

**MEETING:** **February 12, 2013** **City Council**

---

**RECOMMENDATION:**
That the Council direct the City Attorney to return with one of the following resolutions ordering an election and appropriations as necessary:

1. On February 26, 2013, ordering a Special Election to be held June 4, 2013, and authorizing a budget appropriation in an amount not to exceed $80,265;
2. On July 2, 2013, ordering a Special Election to be held November 5, 2013, and authorizing a budget appropriation in an amount not to exceed $80,265; or
3. In July of 2014, ordering a General Municipal on November 4, 2014.

**DISCUSSION:**
Petitioner Daniel Dodge filed a *Notice of Intent to Circulate* (Petition) on April 30, 2012, seeking to amend boundary definitions of Policy 3.C (Urban Limit Line) and 3.C.1 (Urban Limit Line and Twenty Year ULL) set forth in Measure U adopted by City voters in November 2000.

City Attorney Smith prepared a *Ballot Title and Summary* on May 3, 2012, as required by the California Elections Code § 9203. The Notice of Intention, Title and Summary were published May 10, 2012, and a Certificate of Publication was filed with the City Clerk's Office on May 16, 2012.

Mr. Dodge returned the petition with signatures on October 30, 2012. After determining that the number of "prima facie" or gross signatures were 2,206 which was more than the required minimum number of 1,504, the petition was accepted for filing. Elections

Code § 9215 requires no less than ten (10) percent of the registered voters of the City sign the petition, based on the last report by the County Elections Official to the Secretary of State. As of April 16, 2012, there were 15,040 such reported, registered voters in the City.

Mr. Dodge was issued a Clerk's Certificate of Examination of the City Initiative Petition on December 3, 2012, certifying the petition's sufficiency. Elections Code § 9114 requires the City Clerk to certify the results of the examination to the Council at its next regular meeting after certification.

On December 11, 2012, the City Clerk presented the Certification of Sufficiency of Petition to Amend the Boundary Definitions of the Urban Limit Line of Measure U (Attachment 1). The Council accepted the report and directed the City Clerk and City Attorney to return with information on next steps on February 12, 2013.

Elections Code § 9215 controls and provides the following three alternatives for the Council to consider:

> **9215**. If the initiative petition is signed by **<u>not less than 10 percent</u>** of the voters of the city, the legislative body shall do one of the following:
>
> (a) Adopt the ordinance, without alteration, at the regular meeting at which the certification of the petition is presented, or within 10 days after it is presented.
>
> (b) Submit the ordinance, without alteration, to the voters pursuant to subdivision (b) of Section 1405, unless the ordinance petitioned for is required to be, or for *some reason* is, submitted to the voters at a special election pursuant to subdivision (a) of Section 1405.
>
> (c) Order a report pursuant to Section 9212 at the regular meeting at which the certification of the petition is presented. When the report is presented to the legislative body, the legislative body shall either adopt the ordinance within 10 days or order an election pursuant to subdivision (b).

Subdivisions (a) and (c) have expired leaving only subdivision (b). Therefore, the Council has only one option: to order an election. The remaining question is when.

Subdivision (a) of § 1405 provides that the election shall be held not less than 88 nor more than 103 days after the date of the order of the election. Therefore only Option 1 in the recommendation above requires the Council to direct the City Attorney to return on February 26 with a proposed resolution ordering an election. If the Council selects either Option 2 or 3, the order would be brought back in either July 2013 or July 2014, respectively

The Council should state "some reason" if it decides to order the Option 1, special election on June 4, 2013.

**ALTERNATIVES:**
None.

**FINANCIAL IMPACT:**
The cost of a special election is $4 to $5 per registered voter (Attachment 2). The City currently has approximately 16,053 registered voters (Attachment 3); therefore, the cost of a special election would be from $64,202 to $80,265.

If the Council calls a Special Election, it must amend the 2012-2013 budget to appropriate such amount from the General Fund. If the Council selects Options 2 or 3, the cost of those elections would be appropriated from the General Fund in the budgets for those later fiscal years.

**ATTACHMENT:**
1. Petition for Submission to the Voters of the City of Watsonville Urban Limit Expansion Initiative.
2. County of Santa Cruz Elections Department memo, dated December 4, 2012.
3. District Registration by Party-Active Registration

**PETITION FOR SUBMISSION TO THE VOTERS OF THE CITY OF WATSONVILLE**
**URBAN LIMIT EXPANSION INITIATIVE**

The City Attorney has prepared the following summary. The ULL is the boundary of the area beyond which the City will not permit urban development and will not extend City services. The present ULL was approved by the voters in Measure U in November, 2002. This proposal would add ninety-five acres to the area within which the City will permit urban development and will extend City services. Approving this change in the ULL would be the first step in subjecting this additional ninety-five acres to City of Watsonville local control for purposes of planning, zoning, environmental review, development and taxation. This area is now in the unincorporated area of Santa Cruz County outside the ULL and outside Watsonville City Limits. The ninety-five acres is comprised of two areas, one known as Sakata Kett and the other known as Greenfarm. The Sakata Kett area has five parcels. The five parcels comprised eighty acres, generally northeast of the intersection of State Highway One and Riverside Drive. The Sakata Kett area is bounded on three sides by public roads and on one side by industrial property. All five parcels are now used for row crop agriculture. The area is bounded by Watsonville City Limits on the northeast and northwest. The Greenfarm area has one parcel. The parcel is approximately 15 acres, generally northwest of the intersection of State Highway One and Riverside Drive. The Greenfarm area is bounded on three sides by public roads and on one side by a Chevron gas station. The Greenfarm parcel is now used for row crop agriculture and the "Redman-Hirahara House" is also located on the Greenfarm parcel. The area is bounded by Watsonville City Limits on the southwest and northwest. If this measure passes, in all other respects, Measure U would remain unchanged. If this measure does not pass, then the 95 acres would not be subject to development under Measure U.

**Notice of Intention to Circulate Petition**

Notice is hereby given by the person whose name appears hereon of his intention to circulate the petition within the City Of Watsonville. The purpose of this petition would be to amend the boundary definitions of the Urban Limit Line ( ULL ) of Measure U passed by the Voters of the City of Watsonville in 2002 for the Purpose of Economic Development opportunities.

A statement of the reason for the proposed action as described in the petition is as follows:

Watsonville has historically experienced the highest rate of unemployment in the County. The City has experienced a high rate (20%) of unemployment over the last year. With the demise of the State Redevelopment law, Enterprise zones and the continuing State budget issues, the City of Watsonville is facing growing fiscal challenges. The amendment of the Western boundary of the Urban Limit Line as set forth in Measure U is necessary at this time. This action will assist the City of Watsonville in discharging its municipal service responsibilities to all of its residents by creating employment growth and encouraging economic development opportunities. The petition seeks to amend the definitions related to the Urban Limit Line of the City of Watsonville describing the Westerly Boundary Line and the 20 Year Boundary Line to expand and include the areas identified in the 2005 General Plan (as adopted in 1994) as the Riverside Drive Annexation proposal which include; The **Sakata and Kett** parcels, which is identified as Subarea 2, which comprise approximately 80 acres south of West Beach road and east of Highway 1, The **Greenfarms** parcel, which is identified as Subarea 3, which comprise approximately 15 acres south of West Beach road and West of Highway 1, Riverside Dr, West Beach St., Lee Road and the City limits of the City of Watsonville form the boundaries of this area. (Exhibit A)

s/ Daniel Dodge 618 Lincoln St. Watsonville CA 95076

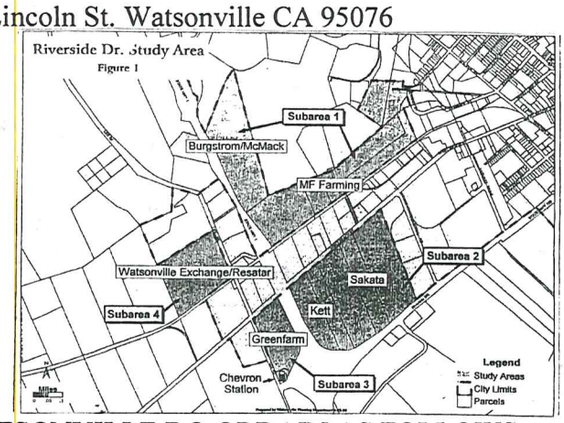



Exhibit A

THE PEOPLE OF WATSONVILLE DO ORDAIN AS FOLLOWS:

The City of Watsonville amends the Watsonville 2005 General Plan Urban Limit Line (ULL) as it is identified in the 2005 General Plan as adopted in 1994 and amended by Measure U as adopted by the voters in November 2002; Policy 3.C (Urban Limit Line) and 3.C.1. (Urban Limit Line and Twenty Year ULL) to include:

The **Sakata and Kett** parcels, which are identified as Subarea 2, which comprise approximately 80 acres South of West Beach Road and East of Highway 1, The **Greenfarms** parcel, which is identified as Subarea 3, which comprises approximately 15 acres South of West Beach road and West of Highway 1, Riverside Dr, West Beach St., Lee Road and the City limits of the City of Watsonville form the boundaries of this area.

# County of Santa Cruz


## COUNTY CLERK / ELECTIONS

**701 OCEAN STREET, ROOM 210, SANTA CRUZ, CA 95060-4076**
**831-454-2060 TOLL-FREE: 866-282-5900 FAX: 831 454-2445 TDD: 831-454-2123**
**E-MAIL: gail.pellerin@co.santa-cruz.ca.us**
**Web Sites: www.sccoclerk.com & www.votescount.com**

**GAIL L. PELLERIN, COUNTY CLERK**


December 4, 2012

To: Board of Supervisors, Special Districts, School Districts and Cities
From: Crystal Bertheau, Santa Cruz County Elections Department
Re: 2013 Elections

There is only one election scheduled in 2013 – the November 5, 2013 UDEL election for the following special districts:

- Alba Park, Parkway and Recreation
- Opal Cliffs Recreation
- Salsipuedes Sanitary
- Depot Hill Geological Hazard Abatement
- Place de Mer Geological Hazard Abatement

The deadline to file a resolution to consolidate an election with the November 5, 2013 Special District election is August 9, 2013.

The other established election dates in 2013 are:

- March 5, 2013 – Polling Place Election. E-88 is December 7, 2012
- May 7, 2013 – Mailed Ballot Election. E-88 is February 8, 2013
- June 4, 2013 – Polling Place Election. E-88 is March 8, 2013
- August 27, 2012 – Mailed Ballot Election. E-88 is May 31, 2013

**Estimated Costs:**

- Jurisdictions with under 999 voters ..... $9 to $25 per voter
- Jurisdictions with 1,000 to 2,500 voters ..... $8 per voter
- Jurisdictions with 2,500 to 10,000 registered voters ..... $6 to $7 per voter
- Jurisdictions with 10,001 or more registered voters ..... $4 to $5 per voter

If you need to call a special election to fill a vacancy or to propose a local measure please call Crystal Bertheau at 831-454-2408 or email her at crystal.bertheau@co.santa-cruz.ca.us to obtain materials you will need. You can also contact the Santa Cruz County Clerk Gail Pellerin at 831-454-2419 or gail.pellerin@co.santa-cruz.ca.us Call us with any questions.

# District Registration by Party

*Active Registration*

| | DEM | REP | AIP | GRN | LIB | PAF | AME | DTS | MISC | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| *0-0 Santa Cruz County | 85,919 | 26,383 | 3,661 | 3,155 | 1,355 | 556 | 4 | 36,000 | 1,493 | 158,526 |
| *118-0 18th Congressional District | 16,527 | 7,882 | 986 | 816 | 439 | 107 | 1 | 8,014 | 403 | 35,175 |
| *120-0 20th Congressional District | 69,392 | 18,501 | 2,675 | 2,339 | 916 | 449 | 3 | 27,986 | 1,090 | 123,351 |
| *217-0 17th Senatorial District | 85,919 | 26,383 | 3,661 | 3,155 | 1,355 | 556 | 4 | 36,000 | 1,493 | 158,526 |
| *329-0 29th Assembly District | 72,335 | 23,341 | 3,278 | 2,994 | 1,275 | 458 | 2 | 31,621 | 1,376 | 136,680 |
| *330-0 30th Assembly District | 13,584 | 3,042 | 383 | 161 | 80 | 98 | 2 | 4,379 | 117 | 21,846 |
| *401-0 1st Supervisorial District | 18,440 | 6,273 | 854 | 669 | 284 | 118 | 0 | 8,010 | 353 | 35,001 |
| *402-0 2nd Supervisorial District | 17,180 | 6,933 | 757 | 437 | 241 | 108 | 0 | 6,841 | 292 | 32,789 |
| *403-0 3rd Supervisorial District | 22,990 | 3,385 | 794 | 1,102 | 341 | 151 | 0 | 9,821 | 362 | 38,946 |
| *404-0 4th Supervisorial District | 10,601 | 2,494 | 312 | 123 | 62 | 72 | 3 | 3,423 | 96 | 17,186 |
| *405-0 5th Supervisorial District | 16,708 | 7,298 | 944 | 824 | 427 | 107 | 1 | 7,905 | 390 | 34,604 |
| *501-0 City of Santa Cruz | 25,206 | 3,862 | 896 | 1,171 | 360 | 162 | 0 | 10,686 | 406 | 42,749 |
| *502-0 City of Capitola | 3,452 | 1,102 | 159 | 91 | 61 | 22 | 0 | 1,454 | 65 | 6,406 |
| *503-0 City of Watsonville | 10,298 | 2,014 | 277 | 97 | 49 | 66 | 1 | 3,171 | 80 | 16,053 |
| *503-1 City of Watsonville - District 1 | 1,041 | 122 | 30 | 9 | 6 | 6 | 1 | 336 | 10 | 1,561 |
| *503-2 City of Watsonville - District 2 | 1,163 | 143 | 21 | 14 | 5 | 11 | 0 | 337 | 6 | 1,700 |
| *503-3 City of Watsonville - District 3 | 1,589 | 251 | 30 | 11 | 6 | 14 | 0 | 513 | 11 | 2,425 |
| *503-4 City of Watsonville - District 4 | 1,597 | 367 | 53 | 18 | 10 | 12 | 0 | 550 | 16 | 2,623 |
| *503-5 City of Watsonville - District 5 | 1,302 | 242 | 39 | 15 | 11 | 4 | 0 | 496 | 13 | 2,122 |
| *503-6 City of Watsonville - District 6 | 1,588 | 353 | 48 | 11 | 6 | 14 | 0 | 444 | 14 | 2,478 |
| *503-7 City of Watsonville - District 7 | 2,016 | 535 | 56 | 19 | 5 | 5 | 0 | 494 | 10 | 3,140 |
| *504-0 City of Scotts Valley | 3,248 | 2,372 | 226 | 78 | 57 | 7 | 0 | 1,668 | 72 | 7,728 |
| *599-0 Unincorporated Area | 43,715 | 17,033 | 2,103 | 1,718 | 828 | 299 | 3 | 19,021 | 870 | 85,590 |
| *2BE-0 State Board of Equalization - District 2 | 85,919 | 26,383 | 3,661 | 3,155 | 1,355 | 556 | 4 | 36,000 | 1,493 | 158,526 |
| CB-0 County Board of Education | 84,366 | 25,493 | 3,569 | 3,102 | 1,315 | 546 | 4 | 35,138 | 1,438 | 154,971 |
| CB02-0 Santa Clara County Board Of Education | 1,536 | 874 | 91 | 53 | 40 | 10 | 0 | 847 | 55 | 3,506 |
| CB02-2 Santa Clara County Board Of Education - Area 2 | 1,536 | 874 | 91 | 53 | 40 | 10 | 0 | 847 | 55 | 3,506 |
| CB03-0 San Benito County Board Of Education | 17 | 16 | 1 | 0 | 0 | 0 | 0 | 15 | 0 | 49 |
| CB03-2 San Benito County Board Of Education - Area 2 | 17 | 16 | 1 | 0 | 0 | 0 | 0 | 15 | 0 | 49 |
| CB-1 County Board of Education-Trustee Area 1 | 12,198 | 6,489 | 794 | 552 | 341 | 83 | 1 | 6,063 | 299 | 26,820 |
| CB-2 County Board of Education-Trustee Area 2 | 15,072 | 2,773 | 589 | 760 | 225 | 112 | 0 | 6,217 | 289 | 26,037 |
| CB-3 County Board of Education-Trustee Area 3 | 16,696 | 2,952 | 559 | 770 | 260 | 89 | 0 | 7,200 | 241 | 28,767 |
| CB-4 County Board of Education-Trustee Area 4 | 13,590 | 4,200 | 617 | 474 | 212 | 92 | 0 | 5,822 | 244 | 25,251 |
| CB-5 County Board of Education-Trustee Area 5 | 13,695 | 6,229 | 642 | 400 | 206 | 75 | 1 | 5,629 | 251 | 27,128 |
| CB-6 County Board of Education-Trustee Area 6 | 5,868 | 1,462 | 177 | 73 | 25 | 43 | 2 | 1,801 | 49 | 9,500 |
| CB-7 County Board of Education-Trustee Area 7 | 7,247 | 1,388 | 191 | 73 | 46 | 52 | 0 | 2,406 | 65 | 11,468 |
| CC01-0 Cabrillo Community College District | 84,391 | 25,510 | 3,572 | 3,102 | 1,315 | 546 | 4 | 35,157 | 1,438 | 155,035 |
| CC01-1 Cabrillo Community College District- Trustee Area 1 | 12,346 | 5,933 | 773 | 602 | 357 | 80 | 1 | 5,955 | 285 | 26,332 |
| CC01-2 Cabrillo Community College District- Trustee Area 2 | 15,013 | 4,180 | 608 | 699 | 222 | 109 | 0 | 6,351 | 295 | 27,477 |
| CC01-3 Cabrillo Community College District- Trustee Area 3 | 13,179 | 4,001 | 596 | 478 | 201 | 78 | 0 | 5,528 | 234 | 24,295 |
| CC01-4 Cabrillo Community College District- Trustee Area 4 | 17,684 | 2,537 | 600 | 813 | 263 | 110 | 0 | 7,720 | 266 | 29,993 |
| CC01-5 Cabrillo Community College District- Trustee Area 5 | 7,299 | 1,368 | 206 | 69 | 40 | 50 | 1 | 2,337 | 63 | 11,433 |
| CC01-6 Cabrillo Community College District- Trustee Area 6 | 13,703 | 6,034 | 646 | 369 | 203 | 81 | 0 | 5,578 | 250 | 26,864 |
| CC01-7 Cabrillo Community College District- Trustee Area 7 | 5,167 | 1,457 | 143 | 72 | 29 | 38 | 2 | 1,688 | 45 | 8,641 |
| CC02-0 West Valley-Mission Community College District | 1,528 | 873 | 89 | 53 | 40 | 10 | 0 | 843 | 55 | 3,491 |
| SC055-0 Aromas-San Juan Unified School District | 17 | 16 | 1 | 0 | 0 | 0 | 0 | 15 | 0 | 49 |
| UN01-0 San Lorenzo Valley Unified School District | 8,574 | 3,241 | 504 | 494 | 273 | 68 | 1 | 4,004 | 191 | 17,350 |
| UN01-1 San Lorenzo Valley Unified School District - Trustee Area 1 | 1,684 | 599 | 114 | 84 | 62 | 12 | 0 | 838 | 41 | 3,434 |

FARM BUREAU
SANTA CRUZ COUNTY

141 Monte Vista Avenue, Watsonville, CA 95076
P: (831) 724-1356 F: (831) 724-5821
sccfb@sbcglobal.net
www.sccfb.com

CITY COUNCIL 6.2

RECEIVED
CITY CLERK
WATSONVILLE

2013 FEB -5 PM 1:43

February 4, 2013

Lowell Hurst, Mayor
City of Watsonville
PO Box 50000
Watsonville, CA 95077

Dear Mayor Hurst and City Council Members,

We understand that the council will have an agenda item on its February 12 meeting to decide when to place on the ballot the voter initiative regarding the potential annexation of the Sakata-Kett property. If the measure is to be placed on a ballot, we hope that it will be in the general election in November, 2014. This will not only save the city money, but allow for the community to have an in-depth conversation on its merits. This is an important issue and the public should be given adequate time to have a thorough discussion on its long-term effect on the City of Watsonville.

We look forward to discussing this important issue with you.

Sincerely,

Cynthia L. Mathiesen

Cynthia L. Mathiesen
President

CM/mg

APPROVED
By Carlos J. Palacios at 2:12 pm, Feb 05, 2013

**City of Watsonville**
***Public Works & Utilities***

**M E M O R A N D U M**

APPROVED
By Steve Palmisano at 1:47 pm, Feb 05, 2013

**DATE:** **February 5, 2013**

**TO:** **Carlos J. Palacios, City Manager**

**FROM:** **Steve Palmisano, Interim Director of Public Works & Utilities**
**Patrice Theriot, Principal Engineer**

**SUBJECT:** **Approval of Change Order for 2012 Watsonville Alley Pavement Maintenance, Project No. ST-12-03**

**AGENDA ITEM: February 12, 2013** **City Council**

---

**RECOMMENDATION:**
Staff recommends that the City Council approve Contract Change Order No. 2 in the amount of $51,752.59 to the contract for the 2012 Watsonville Alley Pavement Maintenance Project, Project No. ST-12-03, with Valley Slurry Seal Company and approve appropriations of $311,357.39 ($225,750.00 original contract, $33,854.80 CCO #1, $51,752.59 CCO #2)

**DISCUSSION:**
Working at the request of the Council, public works staff examined the pavement condition of City alleys during the summer of 2012. This project had not previously been identified in the list of Capital Improvement Projects in the adopted budget. On July 10, 2012, staff presented a report to the City Council, and they approved Resolution No. 102-12 (CM) that included approval of plans and specifications and called for bids for the Alley Pavement Maintenance Project. The Council awarded the bid on August 28, 2012, through Resolution No. 106-12 (CM), in the amount of $225,750.00 to Valley Slurry Seal Company. Though the staff report that accompanied Resolution No. 106-12 (CM) recommended appropriation of $225,750.00 from the Gas Tax Fund to pay for the project, the appropriation was not explicitly worded in the resolution. The appropriations requested above serve to clarify the intent of the previous actions, and increase the contract amount to reflect the work that was completed.

The 2012 Watsonville Alley Pavement Maintenance Project provides alley cleaning and pavement sealing for City alleys. Due to unforeseeable pavement conditions, the amount of pavement material that was needed to seal the alleys exceeded the estimated quantities. Thicker application of paving material to the road surface provides value to the community because it will significantly extend the useful life of the alley pavement.

Change Order No. 1, in the amount of $33,854.80 (less than 15% of awarded contract) was approved by the Director of Public Works. This change order increased the quantity of

pavement materials over the estimate in the contract. The degraded condition of the alleys' pavement required more material than originally estimated. Change Order No. 2, in the amount of $51,752.59, was based on the actual final quantities used to complete the project.

| Item | Cost | Notes |
|---|---|---|
| Contract as bid | $225,750.00 | Awarded per 106-12 (CM) |
| Contract Change Order 1 | $33,854.80 | Material quantity increase |
| Contract Change Order 2 | $51,752.59 | Material quantity increase |
| Total Project Cost | $311,357.39 | From Gas Tax Fund |
| Increase over original contract | $85,607.39 | Total of Change Orders 1 and 2 |

The project was started on October 1, 2012 and completed October 12, 2012.

**STRATEGIC PLAN:**
The project meets the goals and objectives outlined in the Strategic Plan for Infrastructure and Transportation.

**FINANCIAL IMPACT:**
The total contract cost of $311,357.39 will be funded with State Gas Tax Funds. There is no impact on the City's General Fund.

**ALTERNATIVES:**
There are no feasible alternatives to approval of Change Order No. 2.

**ATTACHMENTS:**
None.

cc: City Attorney

**RESOLUTION NO._____ (CM)**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE APPROVING CONTRACT CHANGE ORDER NUMBER 2 WITH VALLEY SLURRY SEAL COMPANY, A CORPORATION, FOR THE 2012 WATSONVILLE ALLEY PAVEMENT MAINTENANCE, PROJECT NO. ST-12-03, INCREASING THE SCOPE OF WORK IN AN AMOUNT NOT TO EXCEED $311,357.39; DIRECTING THE CITY MANAGER TO EXECUTE SAME; AND AUTHORIZING A $311,357.39 BUDGET APPROPRIATION FROM THE GAS TAX FUND**

**Amends Resolution No. 106-12 (CM)**

**WHEREAS,** Resolution No. 102-12 (CM) adopted by the City Council of the City of Watsonville on July 10, 2012, approved plans and specifications and authorized calling for the 2012 Watsonville Alley Pavement Maintenance, Project, No. ST-12-03; and

**WHEREAS,** bids opened on Thursday, August 16, 2012, at 11:00 A.M., for the 2012 Watsonville Alley Pavement Maintenance Project; and

**WHEREAS,** on August 28, 2012, the City Council adopted Resolution No. 106-12 (CM) approving the contract with Valley Slurry Seal Company, a corporation, [Contractor's License #293727], for the 2012 Watsonville Alley Pavement Maintenance, Project No. ST-12-03; and

**WHEREAS,** due to unforeseeable pavement conditions, the amount of pavement material needed exceeded the estimated quantities; and

**WHEREAS,** Contract Change Order Number 2 increases contract amount by $51,752.59 (from contract amount prior to this change order of $259,604.80 to $311,357.39)

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WATSONVILLE, CALIFORNIA, AS FOLLOWS:**

1. That Contract Change Order Number 2 with Valley Slurry Seal Company, a corporation, for the 2012 Watsonville Alley Pavement Maintenance, Project No. ST-12-03, increasing the scope of work in an amount not to exceed $311,357.39, a copy of which Change Order is attached hereto and incorporated herein by this reference, is hereby approved.

2. That the City Manager be and is hereby authorized and directed to execute Contract Change Order Number 2 on behalf of the City of Watsonville.

3. That the budget appropriation of $311,357.39 from the Gas Tax Fund is hereby authorized.

**********

# CITY OF WATSONVILLE, DEPARTMENT OF PUBLIC WORKS & UTILITIES

**CONTRACT CHANGE ORDER NO.** 2 SUPPL. NO. N/A FEDERAL NO.(S) N/A

PROJECT NAME Watsonville 2012 Alley Pavement Maintenance Project PROJECT NO. ST-12-03

To Valley Slurry Seal Contractor

You are hereby directed to make the herein described changes from the contract plans and specifications or do the following described work not included in the contract plans and specifications. All new work herein described shall be done in accordance with the applicable provisions of the contract plans and specifications, except as specifically modified by this contract change order.

**NOTE:** This change order is not effective until approved by the Director of Public Works and Utilities.

Change requested by: Patrice Theriot, Principal Engineer

Description of work: Initial _____ Sheet 1 of 1 Sheets

This change order is limited to increasing the application rate of the Microsurface Type III (Contract Line Item No. 4).
Bid Quantity = 625.00 tons
In-place quantity = 1038.86 tons
Percentage increase of Microsurface = 166.218%
Per Project's General Provisions, quantities that exceed 125% of the bid amount are subject to adjustment
625.00 tons x 125% = 781.25 tons shall be paid at bid unit cost.
1038.86 tons – 781.25 tons = 257.61 tons shall be paid at adjusted unit cost.

Adjusted unit cost of Microsurface, in place, = $151.76 per ton

| | | |
|---|---|---|
| Contract Quantity Microsurface at Bid | 625.00 tons | |
| Contract Line Item Amount $299.60/ton x 625.00 tons = | | $187,250.00 |

| | | |
|---|---|---|
| CCO No. 1 (previously approved) | | |
| Increase microsurface | 113.00 tons | |
| Increase in line item cost CCO1 | $299.60 x 113.00 tons = | $33,854.80 |

CCO No. 2
Increase = 1038.86 tons (final) – 625.00 tons (as bid) – 113.00 tons (CCO1) = 300.86 tons

| | |
|---|---|
| 43.25 tons @ $299.60/ton = | $12,657.70 |
| 257.61 tons @ $151.76/ton = | $39,094.89 |
| Increase in line item cost CCO2 = | $51,752.59 |
| Final Total Line Item 4 (Microsurface) | $272,857.39 |

| | |
|---|---|
| Original Contract Total | $225,750.00 |
| Change Order 1 Increase | $33,854.80 (15% over original contract) |
| Change Order 2 Increase | $51,752.59 |
| **New Contract Amount** | **$311,357.39 ( 37.9% over original contract)** |

Estimated Cost Decrease $_____ or Increase $ 85,607.39 (37.9%)

By reason of this order the time of completion will be adjusted as follows: 0 DAYS

Submitted by: _____ Construction Engineer _____ Date Approved: _____ Director of Public Works and Utilities _____ Date

Approved: _____ Director of Administrative Services _____ Date Approved: _____ City Manager _____ Date

We, the undersigned contractor, have given careful consideration to the change proposed and hereby agree, if this proposal is approved, that we will provide all equipment, furnish all materials, except as may otherwise be noted above, and perform all services necessary for the work specified, and accept the prices listed above as full payment for all labor, equipment, materials, overhead and profit required to perform the above described change.

Date Accepted 1-8-13 Contractor Valley Slurry Seal Company

By _____ Title Alan S. Berger Vice President

APPROVED
By Carlos J. Palacios at 8:00 am, Feb 05, 2013

**City of Watsonville**
***Department of Public Works and Utilities***

**M E M O R A N D U M**

**DATE:** **February 4, 2013**

**TO:** **Carlos J. Palacios, City Manager**

APPROVED
By Steve Palmisano at 8:03 am, Feb 04, 2013

**FROM:** **Steve Palmisano, Interim Director of Public Works and Utilities**
**Maria Esther Rodriguez, Assistant Director**

**SUBJECT:** **Report on Grant Funding Opportunity and Resolution approving Consultant Agreement with RBF Consulting in an amount not to exceed $75,000 for Design and Preparation of Construction Documents for Operational Improvements at Pennsylvania Drive and Clifford Avenue.**

**AGENDA ITEM:** **February 12, 2013** **City Council**

**Recommendation:**
It is recommended that City Council:
- Receive report on Monterey Bay Unified Air Pollution Control District AB 2766 Grant.
- Approve Resolution for Consultant Agreement with RBF Consulting in an amount not to exceed $75,000 for Design and Preparation of Construction Documents for Operational Improvements.

**Discussion:**

**Background**
Over the years, the intersection of Pennsylvania Drive and Clifford Avenue has become more and more congested, especially at peak hours of day. In 2010, staff began data collection at the intersection and looking at potential improvements that could be done to address the congestion. This intersection has been identified as requiring operational improvements to deal with the increased traffic.

While the intersection functions acceptably during low-traffic periods, there are periods of significant congestion which contribute towards motorists waiting in long lines to be able to get through the intersection. With the Association of Monterey Bay Area Governments (AMBAG) goals for emissions reduction, cities must now consider viable alternatives to deal with this issue.

**Alternatives Analysis**. In considering what type of operational changes could improve the intersection; staff looked at standard signal, a roundabout or the “do nothing” approach.

***Standard Signal***. Staff review found that a signalized intersection was not appropriate at this location as it would be to specifically deal with congestion during a peak period.

Primary functions of a traffic signal are to assign right of way and thus provide safety at an intersection. Currently, these items are not at issue at this location thus a signal is not warranted.

***Do Nothing***. Leaving the intersection as is would lead to even more congestion as our population continues to grow. Since the congestion is already at unacceptable levels during peak hours and is a contributing factor to increasing emissions from vehicles, this option was deemed not viable

***Roundabout***. In early 2012, a Roundabout Operations Analysis was completed by RBF Consulting. The analysis included an overview of the specific features of this intersection, including land use, collision history, traffic volumes, pedestrian and cyclist usage, and existing public right-of-way in the area. The study concluded that the installation of a modern roundabout would provide a significant improvement over the existing all way stops.

There are many benefits to installing a Roundabout, including:

1. **Safety--**Roundabouts have been shown to reduce fatal and injury accidents as much as 76% in the USA. The reduction in accidents is attributed to slower speeds and reduced number of conflict points.
2. **Pedestrian Safety--**All research shows that modern roundabouts are safer than signalized intersections for pedestrians. This safety advantage has been attributed to the slower traffic speed at roundabouts and the division of the pedestrian crossing into two stages, from the near-side wheelchair ramp out to the splitter island, and then from the splitter island to the far-side wheelchair ramp. In each stage the pedestrian has to look in only one direction to cross a one-way traffic stream. Pedestrian refuges are provided in the areas within the splitter islands. As this intersection is adjacent to an elementary school and entrance to Watsonville Wetland Trails, pedestrian usage is a major factor.
3. **Reduced Delay--**By yielding at the entry rather than stopping, delay is significantly reduced.
4. **Capacity--**Intersections with a high volume of left turns are better handled by a roundabout than a multi-phased traffic signal.
5. **Air Quality and Aesthetics--**A reduction in delay corresponds to a decrease in fuel consumption and air pollution. Less idling traffic reduces emissions being released into the air. In addition, the central island provides an opportunity to provide landscaping.

**<u>Air District Grant</u>**

With this preliminary operations analysis, staff had the opportunity to apply for grant through the Monterey Bay Unified Air Pollution Control District (MBUAPCD). As the benefits of a roundabout fit the grant requirements regarding air quality, the **City of Watsonville was awarded a grant in the amount of $198,540** for the installation of a Roundabout at Pennsylvania Drive and Clifford Avenue.

**Neighborhood Meetings**
In summer of 2012, Neighborhood Services staff organized a meeting in the Clifford Avenue neighborhood to discuss various topics, including traffic issues. Public Works staff attended and, at that meeting, residents commented on speeding issues along Clifford Avenue and congestion at the intersection with Pennsylvania Drive. Staff informed residents that the topic was being studied and one of the alternatives being looked at was a roundabout. Staff informed them that there would be another meeting specific to operational improvements at the intersection of Pennsylvania and Clifford.

In late September of 2012, another neighborhood meeting was held regarding operational improvements at this intersection. 23 residents were in attendance along with staff from Neighborhood Services and Public Works. Staff presented an overview of operational improvement options to address the congestion at the intersection. The roundabout option was well received among the attendees, especially with the availability of grant funding to pay for its installation.

**Consultant Agreement**
In 2011, Public Works and Utilities staff solicited proposals for traffic engineering related work. Qualifications of the firms submitted were reviewed and evaluated by staff. RBF Consulting was chosen to prepare the initial Roundabout Operational Analysis and, now, to move forward on the design and preparation of construction documents for a Roundabout. It is recommended that Council approve a resolution for Consultant Agreement with RBF Consulting in an amount not to exceed $75,000 for this work.

Once the design is complete, Council will have the opportunity to review and approve plans and specifications to solicit bids for the construction of the roundabout. It is anticipated that this item would be scheduled for Council consideration in June of this year.

**STRATEGIC PLAN:**
Adoption of this resolution is consistent with the Watsonville City Council's Strategic Plan Objective 2 – Streets and Traffic.

**FINANCIAL IMPACT:**
The consultant agreement in the amount not to exceed $75,000 would be paid from Crestview Traffic Impact Fee Funds, under the Pennsylvania/Clifford Operational Improvements project listed in the current approved budget.

The MBUAPCD grant awarded will pay for the construction of the roundabout, which is not being approved by Council at this time. Approval of plans and bidding documents for construction is anticipated to be scheduled for Council consideration in June of this year.

**ALTERNATIVES:**
The City Council could elect to not proceed with this project and reject the Air District grant.

**ATTACHMENTS:**
None

cc: City Attorney

**RESOLUTION NO._____ (CM)**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE APPROVING AGREEMENT FOR CONSULTANT SERVICES BETWEEN THE CITY OF WATSONVILLE AND RBF CONSULTING, A CORPORATION, FOR DESIGN AND PREPARATION OF CONSTRUCTION DOCUMENTS FOR OPERATIONAL IMPROVEMENTS AT PENNSYLVANIA DRIVE AND CLIFFORD AVENUE, IN AN AMOUNT NOT TO EXCEED $75,000, AND AUTHORIZING AND DIRECTING THE CITY MANAGER TO EXECUTE SAME**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WATSONVILLE, CALIFORNIA, AS FOLLOWS:**

1. That the Agreement for Consultant Services between the City of Watsonville and RBF Consulting, a corporation, for design and preparation of construction documents for operational improvements at Pennsylvania Drive and Clifford Avenue, in an amount not to exceed $75,000, a copy of which Agreement is attached hereto and incorporated herein by this reference, is fair and equitable and is hereby ratified and approved.

2. That the City Manager be and is hereby authorized and directed to execute said Agreement for and on behalf of the City of Watsonville.

**********

**AGREEMENT FOR CONSULTANT SERVICES BETWEEN THE CITY OF WATSONVILLE AND RBF CONSULTING**

**THIS AGREEMENT,** is made and entered into this _____, by and between the **City of Watsonville,** a municipal corporation, hereinafter called "City," and **RBF CONSULTING,** hereinafter called "Consultant."

**WITNESSETH**

**WHEREAS,** the City needs to obtain certain professional, technical and/or specialized services of an independent contractor to assist the City in the most economical manner; and

**WHEREAS,** Consultant has the requisite skill, training, qualifications, and experience to render such services called for under this Agreement to City.

**THE PARTIES HEREBY AGREE AS FOLLOWS:**

**SECTION 1. SCOPE OF SERVICES.** Consultant shall perform those services as specified in detail in Exhibit "A," entitled "SCOPE OF SERVICES" which is attached hereto and incorporated herein.

**SECTION 2. TERM OF AGREEMENT.** The term of this Agreement shall be from February 18, 2013 to February 28, 2014, inclusive.

**SECTION 3. SCHEDULE OF PERFORMANCE.** The services of Consultant are to be completed according to the schedule set out in Exhibit "B," entitled "SCHEDULE OF PERFORMANCE," which is attached hereto and incorporated herein. Consultant will diligently proceed with the agreed Scope of Services and will provide such services in a timely manner in accordance with the "SCHEDULE OF PERFORMANCE."

**SECTION 4. COMPENSATION.** The compensation to be paid to Consultant including both payment for professional services and reimbursable expenses as well as the rate and schedule of payment are set out in Exhibit "C" entitled "COMPENSATION," which is attached hereto and incorporated herein.

**SECTION 5. METHOD OF PAYMENT**. Except as otherwise provided in Exhibit "C," each month, Consultant shall furnish to the City a statement of the work performed for compensation during the preceding month. Such statement shall also include a detailed record of the month's actual reimbursable expenditures.

**SECTION 6. INDEPENDENT CONSULTANT.** It is understood and agreed that Consultant, in the performance of the work and services agreed to be performed by Consultant, shall act as and be an independent Consultant and not an agent or employee of City, and as an independent Consultant, shall obtain no rights to retirement benefits or other benefits which accrue to City's employees, and Consultant hereby expressly waives any claim it may have to any such rights.

**SECTION 7. ASSIGNABILITY.** Consultant shall not assign or transfer any interest in this Agreement nor the performance of any of Consultant's obligations hereunder, without the prior written consent of City, and any attempt by Consultant to so assign this Agreement or any rights, duties or obligations arising hereunder shall be void and of no effect.

**SECTION 8. INDEMNIFICATION.** To the fullest extent permitted by law (including, without limitation, California Civil Code Sections 2782 and 2782.8), Consultant shall defend (with legal counsel reasonably acceptable to City), indemnify and hold harmless City and its elected and appointed officers, agents, departments, officials, representatives and employees (collectively "Indemnitees") from and against any and all claims, loss, cost, damage, injury (including, without limitation injury to or death of an employee of Consultant or its Sub-consultants), expense and liability of every kind, nature and description (including, without limitation, incidental and consequential damages, court costs, attorneys' fees, litigation expenses and fees of expert consultants or expert witnesses incurred in connection therewith and costs of investigation) that arise out of; pertain to, or relate to, directly or indirectly, in whole or in part, the negligence, recklessness, or willful misconduct of Consultant, any Sub-consultant, anyone directly or indirectly employed by them, or anyone that they control (collectively "Liabilities"). Such obligations to defend, hold harmless and indemnify any Indemnitee shall not apply to the extent that such Liabilities are caused in part by the sole negligence, active negligence, or willful misconduct of such Indemnitee.

To the extent there is an obligation to indemnify under this Section, Consultant shall be responsible for incidental and consequential damages resulting directly or indirectly, in whole or in part, from Consultant's negligence, recklessness, or willful misconduct.

**SECTION 9. INSURANCE.**

A. Errors and Omissions Insurance. Consultant shall obtain and maintain in full force throughout the term of this Agreement a professional liability insurance policy (Errors and Omissions), in a company authorized to issue such insurance in the State of California, with limits of liability of not less than One Million Dollars ($1,000,000.00) to cover all professional services rendered pursuant to this Agreement.

B. Auto and Commercial General Liability Insurance. Consultant shall also maintain in full force and effect for the term of this Agreement, automobile insurance and commercial general liability insurance with an insurance carrier satisfactory to City, which insurance shall include protection against claims arising from bodily and personal injury, including death resulting therefrom, and damage to property resulting from any actual occurrence arising out of the performance of this Agreement. The amounts of insurance shall not be less than the following:

(1) Commercial general liability insurance, or equivalent form, with a combined single limit of not less than $500,000.00 per occurrence. If such insurance contains a general aggregate limit, such limit shall apply separately to each project Consultant performs for City. Such insurance shall (a) name City, its appointed and elected officials, and its employees as insureds; and (b) be primary with respect to

insurance or self-insurance programs maintained by City and (c) contain standard separation of insured's provisions.

(2) Business automobile liability insurance, or equivalent form, with a combined single limit of not less than $500,000.00 per occurrence. Such insurance shall include coverage for owned, hired and non-owned automobiles.

C. Workers' Compensation Insurance. In accordance with the provisions of Section 3700 of the Labor Code, Consultant shall be insured against liability for Workers' Compensation or undertake self-insurance. Consultant agrees to comply with such provisions before commencing performance of any work under this Agreement.

D. Proof of Insurance to City before Notice to Proceed to Work. Consultant shall satisfactorily provide certificates of insurance to the City Clerk before Notice to Proceed to Work of this Agreement will be issued. Certificates and policies shall state that the policy shall not be canceled or reduced in coverage without thirty (30) days written notice to City. Approval of insurance by City shall not relieve or decrease the extent to which Consultant may be held responsible for payment of damages resulting from services or operations performed pursuant to this Agreement. Consultant shall not perform any work under this Agreement until Consultant has obtained the required insurance and until the required certificates have been submitted to the City and approved by the City Attorney. If Consultant fails or refuses to produce or maintain the insurance required by these provisions, or fails or refuses to furnish City required proof that insurance has been procured and is in force and paid for, City shall have the right at City's election to forthwith terminate this Agreement immediately without any financial or contractual obligation to the City. As a result of such termination, the City reserves the right to employ another consultant to complete the project.

E. Written notice. Contractor shall provide immediate written notice if (1) any insurance policy required by this Agreement is terminated; (2) any policy limit is reduced; (3) or any deductible or self insured retention is increased.

**SECTION 10. NON-DISCRIMINATION.** Consultant shall not discriminate, in any way, against any person on the basis of age, sex, race, color, creed, national origin or disability in connection with or related to the performance of this Agreement.

**SECTION 11. TERMINATION.**

A. City and Consultant shall have the right to terminate this Agreement, without cause, by giving not less than ten (10) days written notice of termination.

B. If Consultant fails to perform any of its material obligations under this Agreement, in addition to all other remedies provided by law, City may terminate this Agreement immediately upon written notice.

C. The City Manager is empowered to terminate this Agreement on behalf of City.

D. In the event of termination, Consultant shall deliver to City copies of all work papers, schedules, reports and other work performed by Consultant and upon receipt thereof, Consultant shall be paid in full for services performed and reimbursable expenses incurred to the date of termination.

**SECTION 12. COMPLIANCE WITH LAWS.** Consultant shall comply with all applicable laws, ordinances, codes and regulations of the federal, state and local governments. Consultant shall obtain and maintain a City of Watsonville business license during the term of this Agreement.

**SECTION 13. GOVERNING LAW**. City and Consultant agree that the law governing this Agreement shall be that of the State of California. Any suit brought by either party against the other arising out of the performance of this Agreement shall be filed and maintained in the Municipal or Superior Court of the County of Santa Cruz.

**SECTION 14. PRIOR AGREEMENTS AND AMENDMENTS.** This Agreement represents the entire understanding of the parties as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered hereunder. This Agreement may only be modified by a written amendment.

**SECTION 15. CONFIDENTIAL INFORMATION.** All data, documents, discussions or other information developed or received by or for Consultant in performance of this Agreement are confidential and not to be disclosed to any person except as authorized by the City Manager or his designee, or as required by law.

**SECTION 16. OWNERSHIP OF MATERIALS.** All reports, documents or other materials developed or received by Consultant or any other person engaged directly by Consultant to perform the services required hereunder shall be and remain the property of City without restriction or limitation upon their use.

**SECTION 17. COVENANT AGAINST CONTINGENT FEES.** The Consultant covenants that Consultant has not employed or retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure the Agreement, and that Consultant has not paid or agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fees, commissions, percentage, brokerage fee, gift, or any other consideration contingent on or resulting from the award or making of this Agreement, for breach or violation of this covenant, the City shall have the right to annul this Agreement without liability, or in its discretion, to deduct from the contract price or consideration or otherwise recover, the full amount of such fee, commission, percentage fee, gift, or contingency.

**SECTION 18. WAIVER.** Consultant agrees that waiver by City or any one or more of the conditions of performance under this Agreement shall not be construed as waiver of any other condition of performance under this Agreement.

**SECTION 19. CONFLICT OF INTEREST.**

A. A Consultant shall avoid all conflict of interest or appearance of conflict of interest in performance of this Agreement. Consultant shall file a disclosure statement, if required by City Council Resolution, which shall be filed within thirty (30) days from the effective date of this Agreement or such Resolution, as applicable.

B. No member, officer, or employee of the City, during their tenure, or for one (1) year thereafter, shall have any interest, direct or indirect, in this Agreement or the proceeds thereof and Consultant agrees not to allow, permit, grant, transfer, or otherwise do anything which will result in such member, officer, or employee of the City from having such interest.

**SECTION 20. AUDIT BOOKS AND RECORDS.** Consultant shall make available to City, its authorized agents, officers and employees, for examination any and all ledgers and books of account, invoices, vouchers, canceled checks and other records or documents evidencing or related to the expenditures and disbursements charged to the City, and shall furnish to City, its authorized agents and employees, such other evidence or information as City may require with respect to any such expense or disbursement charged by Consultant.

**SECTION 21. NOTICES.** All notices shall be personally served or mailed, postage prepaid, to the following addresses, or to such other address as may be designated by written notice by the parties:

| **CITY** | **CONSULTANT** |
|---|---|
| City Clerk's Office<br>275 Main Street, Suite 400<br>Watsonville, CA 95076<br>(831) 768-3040 | RBF Consulting<br>3180 Imjin Road, Suite 110<br>Marina, CA 93933<br>(831)883-9987 |

**SECTION 22. EXHIBITS:**

Exhibit A: Scope of Services
Exhibit B: Schedule of Performance
Exhibit C: Compensation

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**WITNESS THE EXECUTION HEREOF,** on the day and year first hereinabove written.

| **CITY** | **CONSULTANT** |
|---|---|
| **CITY OF WATSONVILLE** | |
| BY _____<br>Carlos J. Palacios, City Manager | BY_____ |

**ATTEST:**

BY _____
Beatriz Vázquez Flores, City Clerk

**APPROVED AS TO FORM:**

BY _____
Alan J. Smith, City Attorney

## EXHIBIT "A"

## SCOPE OF SERVICES

The scope of services is as follows:

### Clifford Avenue / Pennsylvania Drive Roundabout Design Services

RBF Consulting (RBF), a company of Michael Baker Corporation, agrees to perform the following scope of services for the City of Watsonville by providing engineering services for the entitled project above.

**Task 1: Survey and Mapping**

RBF Consulting will conduct a topographic survey and collect data to design the roundabout. A control survey will be performed to register the local horizontal and vertical control network.

The Clity will perform record research to acquire filed records of survey, corner records, subdivision maps and right-of-way drawings. Record survey measurements will be computed by RBF from the research to establish the record right-of-way.

**Task 1 Deliverables:**

- AutoCAD base map will be created to serve as the basis for design

**Task 2: Preliminary Engineering**

The results of the survey and mapping tasks and a review of existing records will be used to develop a preliminary (30%) design drawing. A preliminary roundabout concept design was prepared for this intersection by RBF Consulting on January 27, 2012 based on aerial imagery, but needs to be refined for design purposes. Existing grades, private improvements, signing and striping, and utilities will be considered in the development of the preliminary design drawing.

With the completion of the 30% submittal, the City of Watsonville and RBF will have the opportunity to initiate the process of coordinating with the utility companies. Plans will be distributed to the various utility companies to begin the review process.

The Preliminary Design Task is structured to separate specific work elements related to roundabout design from traditional intersection improvement projects. Conceptual and preliminary designs are a key component in the success of the roundabout. RBF has developed a process that provides a solid foundation for the layout of the roundabout prior to work on design details typical of most roadway improvement projects.

Task 2.1: Operational Analysis

RBF Consulting has already prepared an operational analysis of the roundabout based on existing and future (General Plan 2030) intersection turning count volumes provided previously by the City using SIDRA Intersection 4 software program. Additional outputs from this analysis will be produced for design purposes. Roundabout operations will be evaluated with the US HCM NCHRP Report 572 capacity model which is based on US roundabout research and is the basis for the 2010 HCM. Roundabout performance measures such as degree of saturation, lane utilization, delay, and queue length will be evaluated on a lane by lane basis for each peak period.

**Task 2.1 Deliverables:**

- Operational Analysis

Task 2.2: Preliminary Design Drawings

The preliminary design phase provides a framework to evaluate alignment alternatives and project constraints. Roundabout preliminary design layout will be refined in CADD using the topographic data. Colored, 2D concept renderings will depict critical roundabout features and geometric design and operation considerations, including:

- Operational analysis based on project defined peak hour demands
- Number of approach, departure and circulatory lanes
- Channelization
- Size and location relative to right-of-way and geometric constraints
- Alignment of approaches and departures
- Design vehicle
- Local access impacts

Design calculations will also be provided with the preliminary design drawing to demonstrate fastest path checks and speed estimation.

After the development of the initial preliminary drawing, we will review the design with the City to collaboratively share comments and further develop the design. RBF would then accompany the City on a site visit to review the impacts to private property and determine the final limits of improvements and further review the plan to ensure that the City's concerns are being met.

The preliminary roundabout layout will be refined to a 30% design level geometric approval drawing based on the comments received from the initial preliminary design drawing submittal. The design will incorporate basic horizontal geometric design elements including curb/shoulder and gutter lines, channelization islands, sidewalks, pedestrian crossings and truck apron. The geometry will incorporate design speed and speed consistency objectives and accommodate design vehicles.

This task includes evaluation of turning movements using the AutoTurn program to analyze vehicles path of travel.

The task will conclude with the City's approval of the geometric layout of the roundabout.

**Task 2.2 Deliverables:**

- Preliminary Design Drawing (colored, 2D concept rendering)
- Preliminary Design Calculations
- 30% Geometric Design Level Plan

**Task 3: Final Engineering**

All plans and specifications will be completed in conformance with City of Watsonville standards. Plans will be prepared using CADD format and submitted at the 60%, 95%, and 100% levels of completion. Specs will be completed at 95% and 100% levels of completion.

Task 3.1: Street Improvement Plans

RBF will prepare Street Improvement Plans for the construction of the Clifford Avenue/Pennsylvania Drive Roundabout Project. The street improvement plans will include existing topographic and planimetric mapping, right-of-way lines, roadway centerlines, and calculated geometric layouts.

Improvement plans will indicate all proposed surface improvements including, but not limited to curb, gutter, sidewalks, new pavement, sawcuts, overlays, ADA compliant curb returns and grading. Grades will be provided at all critical points including beginning of curve, end of curve, grade breaks, and angles points. Profiles will not be provided. The improvement plans will be prepared at a scale of one inch equals ten feet (1”=10’).

Task 3.2: Utility Plans

RBF will prepare utility plans to accompany the street improvement plans. The utility plans will identify the existing utilities to be relocated as well as the proposed storm drain improvements associated with the project. This task includes time for RBF to review available record drawings of existing utilities provided by the City and incorporate the existing utility information from the record drawings into the project CADD base files. Utility profiles will not be provided. The utility plans will be prepared at a scale of one inch equals twenty feet (1”=20’).

Task 3.3: Demolition Plans

RBF will prepare a demolition plans to accompany the street improvement plans. The demolition plans indicates improvements to be demolished including, but not limited to, curbs, gutters, sidewalks, pavement, and utilities. The demolition plans will be prepared at a scale of one inch equals twenty feet (1”=20’).

Task 3.4: Signing and Striping Plans

RBF will prepare signing and striping plans to accompany the street improvement plans. The signing and striping plans will identify existing signs and striping in the project limits as well as the proposed regulatory, warning, and guide signs and striping improvements. Proposed signing and striping improvements will conform to the California Manual on Uniform Traffic Control Devices (MUTCD), 2012 Edition. The signing and striping plans will be prepared at a scale of one inch equals thirty feet (1”=30’).

Task 3.5: Erosion and Sediment Control Plans

RBF will prepare erosion and sediment control plans for temporary and permanent erosion control for the project. The plan will include existing and proposed topography, disturbed areas, onsite and offsite drainage patterns (if applicable), surface discharge or sheet flow indicators and suggested best management practices (BMPs). Additionally, the plan will incorporate the City standard notes, calculations, and details as deemed necessary. The erosion and sediment control plans will be prepared at a scale of one inch equals thirty feet (1”=30’).

In addition, RBF will serve as the Qualified SWPPP Developer (QSD) for the project by preparing and uploading the necessary Permit Registration Documents (PRDs), including the SWPPP for the project to comply with the Construction General Permit. The SWPPP will include a vicinity map, an erosion and sediment control plan, a description of potential project Best Management Practices (BMPs), a Construction Site Monitoring Program (CSMP), and a Rain Event Action Plan (REAP) base form.

As a part of this task, RBF will also coordinate and provide consult with the City and project Qualified SWPPP Practitioner (QSP) as it relates to QSP Services, which is specifically excluded from this scope of services. This includes initial project coordination between RBF and the project QSP, a construction kick-off meeting with the City and project QSP, and consultation for the Annual Report

and Notice of Termination that is to be performed by the project QSP. We have budgeted a total of 12 hours of staff time for this coordination effort.

Task 3.6: Street Lighting Plans

RBF will prepare a photometric analysis for the roundabout to establish the pole heights and fixture wattages required to provide lighting levels in compliance with IESNA recommendations and NCHRP Report 672, *Roundabouts – An Informational Guide*. The analysis will include the maximum and minimum lighting levels as well as the maximum/minimum ratios. The analysis will be prepared using the City standard pole heights and fixture wattages. The analysis will be provided to the City for approval and will be used as the basis for the electrical design.

The electrical plans will be based on the light pole locations and wattages of the lighting fixtures in the approved photometric analysis. The plans will include pullboxes, conduit, wiring, connection diagrams, voltage drop calculations, pole elevations and details for the street lighting installation. If a meter pedestal is required to serve the lights, the plans will include metered pedestal details, panel schedules pedestal, and associated control diagrams.

RBF will coordinate with the electrical utility provider for the power service to feed the new lighting fixtures.

The foundation for the lighting poles is included on the City standard plans. As such, foundation design for the lighting poles is excluded from this task.

Task 3.7: Earthwork Calculations

RBF will perform earthwork calculations to determine grading cut/fill quantities. Special attention will be paid to the proposed pavement sections and shrinkage that will occur during compaction.

Task 3.8: Sight Distance Calculations and Restricted Sight Area Exhibit

RBF will perform stopping sight distance and intersection sight distance calculations for the proposed roundabout per the recommendations in NCHRP Report 762, “Roundabouts: An Informational Guide”. RBF will develop a restricted sight area exhibit based on the sight distance requirements to be used as a basis for the design of the roundabout landscaping

Task 3.9: Specifications and Bid Documents

RBF will prepare construction specifications and a project bid schedule, using the City "boilerplate" for the contract documents and general provisions. Specifications will also be prepared using the standard specifications for Public Works Construction (“Greenbook”), with special provisions where required. Technical specifications will be prepared for construction of each item of work in the Project. It is anticipated that all of the above mentioned plans will be bid under one construction bid document.

**Task 3 Deliverables:**

- Street Improvement Plans (60%, 95%, Draft 100%, Final 100%)
- Utility Plans (60%, 95%, Draft 100%, Final 100%)
- Demolition Plans (60%, 95%, Draft 100%, Final 100%)
- Signing & Striping Plans (60%, 95%, Draft 100%, Final 100%)
- Erosion Control Plans (60%, 95%, Draft 100%, Final 100%)
- SWPPP
- Street Lighting Plans Plans (60%, 95%, Draft 100%, Final 100%)
- Earthwork Calculations (95%, Draft 100%, Final 100%)

- Sight Distance Calculations and Restricted Sight Area Exhibit (60%, 95%, Final 100%)
- Specifications and Special Provisions utilizing the City Boilerplate (95%, Draft 100%, Final 100%)

**Task 4: Utility Coordination**

RBF will submit plans to all utility companies (PG&E, AT&T, Comcast) and the City for review and comment at 60% and 95%. RBF will attend coordination meetings with these utility companies.

**Task 4 Deliverables:**

- Submit plans to all utility companies (at 60% and 95%)
- Schedule and conduct two (2) meetings or conference calls

**Task 5: Hydrology/Hydraulics Report**

RBF will prepare a drainage study and stormwater control plan with the associated calculations in accordance with the requirements of the City of Watsonville. The drainage report will document the sizing of LID features using guidelines from the City's *Low Impact Development Best Management Practice Design Guidance*. Included in this scope of work will be calculations for drainage management areas, overland release hydraulic calculations, storm drain pipe sizing calculations (if applicable), post-construction design calculations, and LID feature sizing calculations. As a part of this task, RBF will submit and process the study and associated calculations with the City of Watsonville.

**Task 5 Deliverables:**

- Drainage Report (at 60% and Final 100%)

**Task 6: Engineer's Cost Estimate**

RBF will prepare an engineer's cost estimate in Microsoft Excel spreadsheet format that will include bid item description, bid unit, bid quantity, unit price, and total price for each bid item. The spreadsheet item description will correspond word-for-word with the Bid Schedule item description to be used when advertising the project for construction bids.

**Task 6 Deliverables:**

- Engineer's Cost Estimate (60%, 95%, Final 100%)

**Task 7: Meetings and Coordination**

The key to a successful project is the establishment of an RBF team that will continue to support the City for the duration of the project. Key individuals authorized to make decisions and provide clear direction should be involved in the coordination meetings. The Project Team should include, but not be limited to: City Project Manager, City Engineer and staff responsible for maintenance, drainage and landscaping. In addition, coordination with the local residents, especially those living adjacent to the project locations, will be essential to this process.

In advance of the scheduled meetings, the RBF Project Manager will distribute items for discussion and/or agendas, meeting minutes/notes, progress reports, schedule updates and action items. To keep the project on track, we will maintain a decision and action item list that

will be reviewed at the beginning of each team meeting. If additional meetings are required, our team can attend, conduct and assist staff with the required input at an additional fee.

In addition, the RBF project manager will coordinate regularly with the City's project manager on schedule and budget updates. Issues and decisions that will affect the budget will be discussed prior to the monthly billings or as the need arises. Information regarding schedule updates will be distributed to the project team via email prior to each of the scheduled Project Team Meetings.

**Task 7 Deliverables:**

- Schedule and conduct three (3) Project Team meetings
- Prepare and distribute progress reports, action items and decision logs at each project team meeting
- Schedule and budget coordination with City Project Manager

**Task 8: Bidding and Construction Management Support (T&M)**

RBF will provide bidding and construction support to City staff through the construction phase of the project. Specifications for the design and bidding process will be prepared under Task 3. This Task includes the support during the bid process, response to technical questions from potential bidders, attending calls or meetings, potential evaluation of bids, attendance of a pre-construction meeting with the preferred contractor, and technical support (answering RFIs and reviewing construction submittals) during the construction phase of the project. Our scope includes support for a Not to Exceed amount of $2,500 on a T&M basis per our rate schedule. If additional effort beyond the $2,500 is required, RBF will obtain approval from the City before committing to the effort.

**Task 8 Deliverables (estimate):**

- Prepare bid addenda for to respond to four (4) request for information (RFI) during the bid process
- Schedule and conduct one (1) pre-construction meeting
- Respond to six (6) RFIs during construction
- Review eight (8) construction submittals

**Conditions**

- Monthly billings will be made and will be based upon the estimated percentage of completion of the work.

- Progress billings will be forwarded to Client on a monthly basis. These billings will include the fees earned for the billing period plus all direct costs advanced by RBF Consulting. Client shall make every reasonable effort to review invoices within fifteen (15) working days from the date of receipt of the invoices and notify RBF Consulting in writing of any particular item that it is alleged to be incorrect. The fees proposed herein shall apply until January 1, 2014. Due to ever-changing costs, RBF Consulting shall have the opportunity to increase those portions of the contract fee for which work must still be completed after January 1, 2014, as negotiated with Client up to a maximum of ten-percent (10%) per year.

- Reimbursable expenses (which include, but not limited to: mileage, printing, plotting, reprographics, delivery services, etc.) are estimated as part of the budget estimate and will be reimbursed by Client on an actual expense basis.

- Services, which are not specifically identified herein as services to be performed by RBF Consulting or its Consultants shall be considered Additional Services. Additional Services shall be negotiated as a separate contract for an additional fee.

- Client may request in writing that RBF Consulting perform services, which are considered Additional Services. However, RBF Consulting is not obligated to perform such Additional Services unless an amendment to this Agreement has been fully executed setting forth the scope, schedule and fee for such Additional Services. In the event RBF Consulting performs Additional Services with the knowledge and approval of Client before receipt of such executed amendment, Client acknowledges its obligation to pay for such services at RBF's standard rates, within 30 days of receipt of RBF's invoice.

- The costs of permits and fees are not included within this proposal and shall be paid by the Client.

- Client will provide any and all indemnification, abatement, disposal or other actions required by local, state or federal law regarding hazardous materials.

**Exclusions**
RBF's services relating to any of the following tasks may be completed for an additional fee, but are presently specifically excluded from the services agreement:

- Landscaping and Irrigation Design
- Public Outreach
- QSP services
- Design Cross Sections
- Design Profiles
- Dry utility design services (other than street lighting)
- Potholing
- Traffic control plans
- Construction management
- Geotechnical services
- Biological services
- Arbortist reviews or reports
- Environmental clearances and documentation
- Encroachment permitting
- Other services not specifically set forth in the above scope of services

**Client Responsibilities**

- **Client will provide a project geotechnical report. The report shall providing geotechnical recommendations for: site preparation, grading and compaction; utility trench backfill requirements, concrete slab-on-grade and structural pavement design for new pavement sections.**
- The Client will perform record research to acquire filed records of survey, corner records, subdivision maps and right-of-way drawings.
- Client will provide permission to access the site.
- Client will pay all government and jurisdictional agency fees and costs.

## EXHIBIT "B"

## SCHEDULE OF PERFORMANCE

Services shall commence immediately upon execution of this Agreement. All services performed under the provisions of this Agreement shall be completed in accordance with the following schedule:

Project work shall be completed prior to February 28, 2014.

## EXHIBIT "C"

## COMPENSATION

a. Total Compensation. The total obligation of City under this Agreement shall not exceed $75,000.

b. Basis for Payment. Payment(s) to Consultant for services performed under this contract shall be made as follows and shall include payment for reimbursable expenses.

| Task | Description | Budget |
|---|---|---|
| 1 | Survey and Mapping | $9,500 |
| 2 | Preliminary Engineering | |
| 2.1 | Operational Analysis | $800 |
| 2.2 | Preliminary Design Drawings and Peer Review | $9,300 |
| 3 | Final Engineering | |
| 3.1 | Street Improvement Plans | $12,500 |
| 3.2 | Utility Plans | $2,800 |
| 3.3 | Demolition Plans | $1,000 |
| 3.4 | Signing and Striping Plans | $3,500 |
| 3.5 | Erosion and Sediment Control Plans | $4,500 |
| 3.6 | Street Lighting Plans | $10,400 |
| 3.7 | Earthwork Calculations | $1,200 |
| 3.8 | Sight Distance Calculations and Restricted Sight Area Exhibit | $2,500 |
| 3.9 | Specifications and Bid Documents | $2,500 |
| 4 | Utility Coordination | $2,200 |
| 5 | Hydrology/Hydraulics Report and Design Review | $3,800 |
| 6 | Engineer's Cost Estimate | $2,200 |
| 7 | Meetings and Coordination | $2,000 |
| 8 | Bidding and Construction Management Support (T&M) | $2,500 |
| | | |
| | Reimbursable Expenses (allowance) | $1,600 |
| | | |
| | **TOTAL** | **$74,800** |

c. Payment Request. Consultant shall submit a request for payment for services on a monthly basis by letter to Director, or said Director's designated representative. Such request for payment shall cover the preceding monthly period during the term hereof, shall note the City's purchase order number for this contract, shall contain a detailed listing of the total number of items or tasks or hours for which payment is requested, the individual dates on which such services were rendered, and invoices for reimbursable expenses, if any. Upon receipt in the Office of Director of said payment request, Director shall cause payment to be initiated to Consultant for appropriate compensation.

# City of Watsonville
## *Community Development Department*

## M E M O R A N D U M

APPROVED
By Carlos J. Palacios at 5:55 pm, Jan 29, 2013

APPROVED
By Keith Boyle at 3:23 pm, Jan 29, 2013

**DATE:** **January 9, 2012**

**TO:** **Carlos J. Palacios, City Manager**

**FROM:** **Marcela Tavantzis, Community Development Director**
**Tom Sharp, Senior Engineering Associate**

**SUBJECT:** **An appeal of staff's determination that a property located in Santa Cruz County, 525 Blakeridge Lane (APN: 109-291-09), is ineligible for a Water Availability Letter under current City Council policy**

**AGENDA ITEM:** **February 12, 2013** **City Council**

**RECOMMENDATION:**
Staff recommends that City Council adopt a resolution upholding staff's determination that the property known as 525 Blakeridge Lane is ineligible for a water availability letter under current City Council policy for a new residence located outside the City limits as requested by Lisa Burgstrom.

**BACKGROUND:**
On December 10, 2002, the City Council adopted Resolution No. 303-02 (CM) which modified the policy for water availability to properties located in unincorporated Santa Cruz County but within the Watsonville water service area. The primary objectives of the policy are: 1) discouraging further division of land in designated Rural Areas; and 2) increasing density on larger vacant, underutilized land in the designated Urban Areas. The policies eased the restrictions on connection of existing parcels to existing water mains both in Rural and Urban Areas, and also reflect that there are designated Urban Areas that are not within County sanitation districts (for sewer service). A brief summary of the adopted policies follows:

**I. <u>County-Designated Urban Areas</u>**
Objective 1 and the accompanying policies allow water connection within County-designated Urban Areas for an existing undividable parcel; a deed-restricted, accessory dwelling; an affordable project with a density of at least 12 units-per-acre; agricultural-worker housing; and certain institutional uses such as daycare facilities and schools. Policy 1.2d provides the City Council the opportunity to consider projects that do not meet the density requirement on an individual basis.

**II. <u>County Designated Rural Areas</u>**
Objective 2 and the accompanying policies limit water connections within the Rural Areas

to an existing parcel of land, to serve either a single-family residence and/or a deed-restricted, accessory dwelling, agricultural-worker housing; and certain institutional uses such as day care facilities and schools. The policies do not allow the City to serve new parcels created by division of land, nor do the policies allow for extension of water mains to serve parcels.

**III. Failing Wells**

Objective 3 and the accompanying policies continue the principle of allowing connection of existing development to the water system, upon providing evidence that an existing well is failing.

**IV. Continuing Dialogue with Santa Cruz County**

Objective 4 and the accompanying policies direct staff to continue to work with and through Santa Cruz County, to address city-centered development ideals within the Pajaro Valley, and on a County-wide basis. As Santa Cruz County represents the governing authority for the area, continued dialogue is critical for the ultimate implementation of city-centered development principles.

On December 6, 2012, Lisa Burgstrom represented by Hamilton Swift & Associates, Inc. requested staff prepare a water availability letter for a new lot to be created by a 2 lot subdivision of a 13 acre parcel located at 525 Blakeridge Lane in the unincorporated community of Corralitos. The property is located on a forested hillside and contains one existing residence. The County designates the property as Rural Residential. The property is zoned Agricultural Residential (RA). Neighboring properties include larger parcels with single family residences zoned RA as well as smaller lots which front Blake Road zoned R-1-15 (single family residential, 15,000 square foot parcel minimum). To complete the application for the subdivision, the County Planning Department requires the submittal of a water availability letter from the local water utility, the City of Watsonville.

Staff investigated the water availability request. Since the county designates the property as rural agricultural, Policy Objective 2 which pertains to rural designated properties, applies. Objective 2 is printed below in its entirety:

**OBJECTIVE 2**

Adopt policies which discourage the non-city centered development patterns in the Santa County designated rural areas located within the City's water service area.

*Policy 2.1:* Water connection may be provided to an existing parcel of land containing an existing single family residence provided that

a. The connection is to provide service to an accessory dwelling unit that is deed restricted in accordance with provisions of the Santa Cruz County Zoning Ordinance; and

b. The parcel fronts an existing water main.

*Policy 2.2:* Water connection may be provided to an existing vacant parcel provided that:

a. The connection is to provide service to a single family residence; and

b. The service line sizing and meter are limited in design and construction to serve a single family dwelling and accessory dwelling; and

c. The parcel fronts an existing water main.

*Policy 2.3:* Water connection(s) and main extension(s) may be provided to a parcel to serve a new development provided that the project is 100-percent agricultural worker housing as defined by state or federal government regulatory or funding guidelines.

*Policy 2.4:* Notwithstanding Policy 2.1, 2.2, 2.3 above, no water connection or main extension will be provided to serve a proposed division of land.

*Policy 2.5:* Water connections, main extensions and expanded services may be provided to parcels containing or proposing to be developed as a private or public school or day care facility with a capacity of 25 children or more.

Staff concludes that Policy 2.4, "no water connection will be provided to serve a proposed division of land," prevents it from issuing a water availability letter to the applicant.

In 2005, a similar application for a water availability letter for a County designated rural property was brought to City Council. In this instance, staff recommended granting the request for a water availability letter. City Council unanimously approved issuing a water availability letter to the applicant. The rational for that recommendation apparently didn't find policy 2.4 relevant to the decision to recommend granting a new water connection. None the less, staff concludes that the Council water availability policy was designed to prevent facilitating land division of County designated rural areas.

Therefore, staff recommends that City Council adopt a resolution upholding staff's determination that the property known as 525 Blakeridge Lane is ineligible for a water availability letter under current City Council policy for a new residence located outside the City limits as requested by Lisa Burgstrom.

**FINANCIAL IMPACT:**
Staff anticipates no direct financial impact as a result of the action. The site is located outside the City and is currently served by the City water system. In the event of development, the City would receive impact fees to cover capital costs and monthly fees to cover use and operational costs.

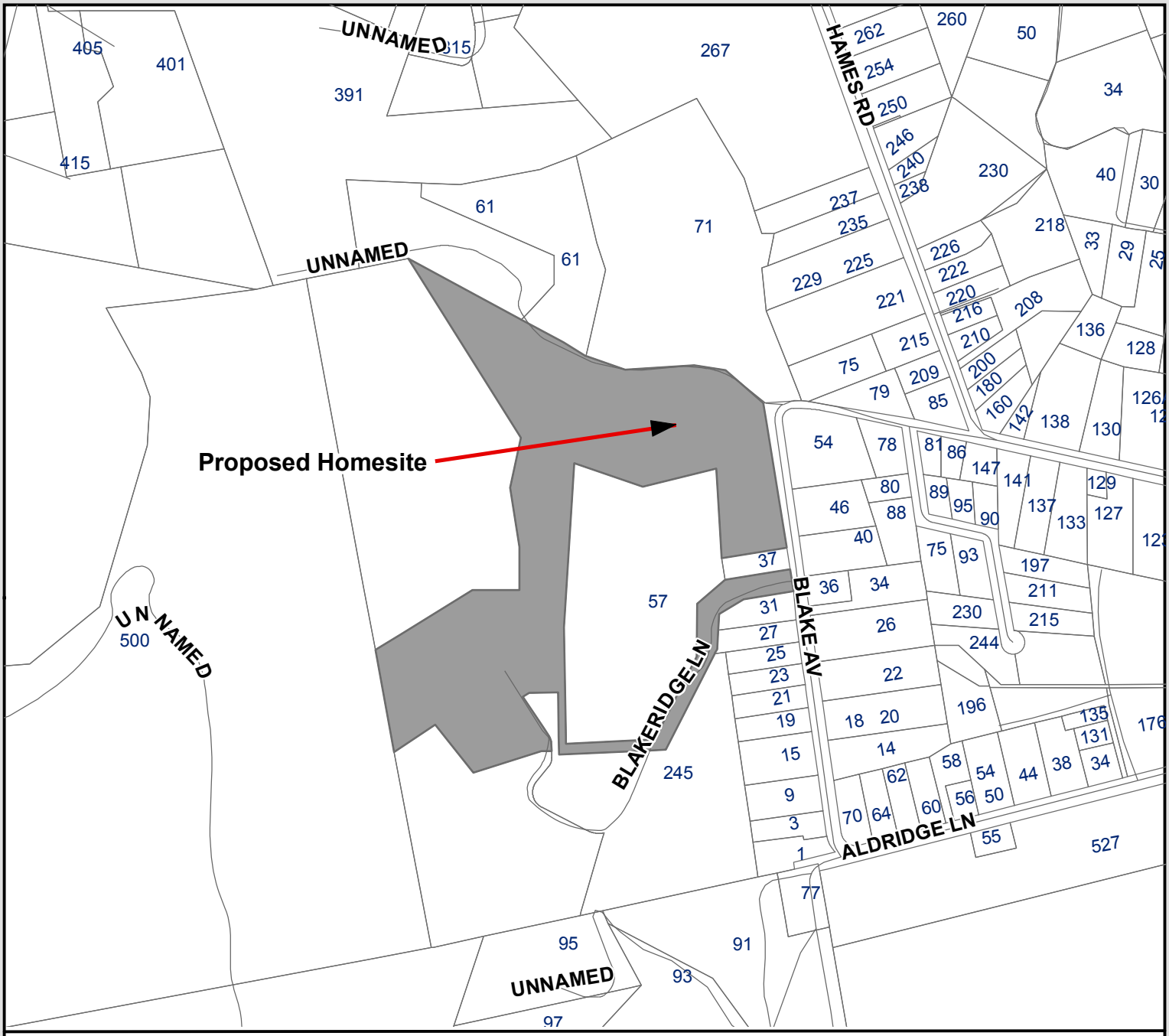
**ALTERNATIVES:**
Approve the applicant's request for a Water Availability Letter.

**ATTACHMENTS:**
1. Site & Vicinity Map

2. Letter dated December 6, 2012 from Charlie Eadie requesting a water availability letter for 525 Blakeridge Lane
3. Letter dated December 12, 2012 from staff denying water availability request
4. Letter dated December 13, 2012 from Charlie Eadie appealing staff's denial of a water availability letter
5. Resolution No. 303-02 "Outside City of Watsonville Water Connections Policy"
6. September 13, 2005 City Council Staff Report, " Water Availability Letter for 350 Hames Road"
7. Site Map

cc: City Attorney

# Site and Vicinity Map




**Legend**

Project Site
Parcel
Watsonville City Limit

PROJECT: Request for New Water Connection
APPLICANT: Lisa Burgstrom
APN#s: 108-291-09
LOCATION OF PROJECT: 525 Blakeridge Ln

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Prepared by Watsonville GIS Center 01/15/2013 (PWKS1301).

This Document is a graphic representation only of best available sources.
The City of Watsonville assumes no responsibility for any errors.

HAMILTON SWIFT
& ASSOCIATES, INC.

December 6, 2012

Mr. Tom Sharp
Community Development Department Engineer
City of Watsonville

RE: Request for Will Serve Letter
APN 109-291-09

Dear Tom:

I am representing Lisa Burgstrom who owns a 13 acre property fronting on Blake Ave. in Corralitos. We are pursuing a minor land division to create one new lot. The County of Santa Cruz requires that we submit a Will Serve letter in order to process the application.

There is currently a water main running along Blake Ave. Providing water service to the proposed lot would require only a simple connection.

The maximum density allowable for the site under the County zoning and general plan at that location is one unit for five acres. The minor land division would create one parcel of 6.49 acres gross (5.01 acres net) and one parcel of 6.57 acres gross (5.32 acres net). See the attached map for details.

Thank you for considering this request.

Sincerely,

Charles Eadie
Principal Associate



INTEGRATED LAND USE AND DEVELOPMENT SERVICES
500 CHESTNUT STREET, SANTA CRUZ, CA 95060 ■ 831/459-9992 ■ FAX 831/459-9998 ■ WWW.HAMILTONSWIFT.COM

# CITY OF WATSONVILLE

*"Opportunity through diversity, unity through cooperation"*

December 12, 2012

Charlie Eadie
Hamilton Swift and Associates
500 Chestnut Street
Santa Cruz, CA 95060

SUBJECT: REQUEST FOR WATER SERVICE – APN 109-291-09

Dear Mr. Eadie:

Staff has reviewed your request for a new water service for a building lot which would be created by a minor land division proposed at the subject parcel located at Blake Avenue in Corralitos. Existing customers on Blake Avenue are served by the 4" main which fronts the subject parcel.

We have determined that the County designates the property Rural Agriculture. City Council policy for furnishing water to parcels zoned this way doesn't allow provision of new water service to facilitate a land division. I've attached a copy of "Outside City of Watsonville Water Connections Goal, Objectives and Policies" adopted by the Council December 10, 2002 which includes the policy for county designated rural parcels cited above.

If you disagree with staff's determination that a new water service may not be provided under the Council policy, please submit an appeal of this decision to our office and we will take it to an upcoming Council meeting.

Please contact me at 831-768-3076 if you have any questions.

Sincerely,

Tom Sharp
Senior Engineering Associate

**ATTACHMENT 3**
**Page 1 of 1**

HAMILTON SWIFT
& ASSOCIATES, INC.

December 13, 2012

Mr. Tom Sharp
Senior Engineering Associate
City of Watsonville
250 Main St., Watsonville CA 95076

RE: Request for Water Service – APN 109-291-09

Dear Tom:
We received your letter regarding the administrative denial of our request for a Will Serve letter for a water connection for this proposed minor land division to create one lot on Blake Avenue in Corralitos.

We are requesting a review of this action by City Council and their consideration of approval of the water connection, as provided under Policy 1.4 of the City's policy regarding water connections to properties located in Santa Cruz County.

It is our opinion that the proposed land division is consistent with the four findings identified in Policy 1.4 (findings 1-4). Consistency with those findings would allow this request to be approved. An analysis of the project demonstrates that consistency, as follows:

- *The project is consistent with the General Plan of Watsonvill*e. In this case, the minor land division would create one additional lot in an existing residential area. It essentially is an infill proposal which is encouraged by the Watsonville General Plan. Obviously, Corralitos is not an area designated for annexation. Moreover, there are no other options for development of this property, nor is it in an area with additional development potential.

- *The project is designed under the highest allowable density under the County General Plan*. The zoning for the parcel is RA Rural Agriculture and under the County's rural density matrix regulations the minimum parcel size is 5 acres of net developable for one single family house. The proposed land division will split a 10.33 net acre lot into two parcels of just over 5 net acres each.

- *There are unique site characteristics that limit the development of the site*. The site fronts on Blake Ave. at a mostly level area then slopes up in a wooded terrain. The topography fundamentally limits the development potential. The project is not part of a sanitation district and therefore must be served by septic, which also limits development potential.



INTEGRATED LAND USE AND DEVELOPMENT SERVICES
500 CHESTNUT STREET, SANTA CRUZ, CA 95060 ■ 831/459-9992 ■ FAX 831/459-9998 ■ WWW.HAMILTONSWIFT.COM

- *The project complies with inclusionary unit provisions*. The project is subject to the County's Affordable Housing ordinance, which exempts projects of fewer than five units from providing inclusionary units. Similarly, Watsonville's ordinance only applies inclusionary unit requirements to projects of 7 or more units.

As further background, the water main on Blake Ave. already serves the other homes and lots in the vicinity, including the existing parcel and the other adjacent parcels in the same zone district. Extending City water in infill situations like this is preferable as it facilitates the City's water conservation efforts and avoids adding new wells into the basin. It is an easy connection to make technically.

As a practical matter, denial of this request would only have the effect of preventing the construction of one house, and would have no bearing on the City's efforts to influence the planning done by the County.

We have reviewed the approval granted by unanimous vote of the City Council in September, 2005 involving a similar land division at 350 Hames Road. This past action provides precedent for approval for a water connection in a County rural area for a proposed minor land division under the framework of Policy 1.4. The rationale and support in the staff report by the Community Development Department for the 2005 proposal clearly applies to and supports our request for the Will Serve approval for this proposal.

Thanks for your attention to this request. Please contact me if you have any questions.

Sincerely,

Charlie Eadie
Principal Associate

RESOLUTION NO. 303-02 CM)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE ESTABLISHING AND ADOPTING THE "OUTSIDE CITY OF WATSONVILLE WATER CONNECTIONS–GOALS, OBJECTIVES, AND POLICIES"

Rescinds Resolution No. 61-02 (CM)

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WATSONVILLE, CALIFORNIA, AS FOLLOWS:

1. That the Council finds that the attached "Outside City of Watsonville Water Connections–Goals, Objectives and Policies" implement and further the goals, policies, and implementing measures of the *Watsonville 2005 General Plan* and in particular Chapter 3.

2. That the three (3) page "Outside City of Watsonville Water Connections– Goals, Objectives and Policies," attached herein and marked as Exhibit "A," are hereby adopted.

3. That Resolution 61-02 (CM) is hereby rescinded, effective immediately.

**********

**ATTACHMENT 5**
**Page 1 of 5**



AJS ____ CJP ____ CDD _____

The foregoing resolution was introduced at a regular meeting of the City Council of the City of Watsonville, held on the 10th day of December, 2002, by Council Member Doering-Nielsen, who moved its adoption, which motion being duly seconded by Council Member Rivas, was upon roll call carried and the resolution adopted by the following vote:

| | | |
|---|---|---|
| AYES: | COUNCIL MEMBERS: | Gomez, Phares, Rivas, Skillicorn, Doering-Nielsen, de la Paz |
| NOES: | COUNCIL MEMBERS: | None |
| ABSENT: | COUNCIL MEMBERS: | Lopez |

Richard de la Paz, Jr., Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

**ATTACHMENT 5**
**Page 2 of 5**



AJS ____ CJP ____ CDD _____

# OUTSIDE CITY OF WATSONVILLE WATER CONNECTIONS

## GOAL, OBJECTIVES AND POLICIES

On September 24, 2002, the City Council of the City of Watsonville directed Staff to prepare revisions to previously adopted policies relative to the limitation of future water connections and water main extensions to serve parcels located outside of the City of Watsonville. The following revised policies reflect the current policies of the City Council as adopted this 10th day of December 2002.

### GOAL

To encourage the development of affordable housing opportunities in the unincorporated portions of the Pajaro Valley, discourage non-city centered development and protect water resources for future City residents and businesses.

### OBJECTIVE 1

Adopt policies that encourage and enhance opportunities for the development of more dense and affordable dwelling units within Santa Cruz County Designated Urban Areas located within the City's water service area.

***Policy 1.1:*** Water connection may be provided to an existing parcel of land (vacant or otherwise) that cannot, under the current Santa Cruz County General Plan and Zoning, be further divided provided that:

a. The connection is to serve a principal dwelling unit and/or a deed restricted accessory dwelling unit that complies with the provisions of the Santa Cruz County Zoning Ordinance; and

b. The parcel fronts an existing water main.

***Policy 1.2:*** Water connections and extensions may be provided to an existing parcel (vacant or otherwise) located within a County Sanitation District which, under the current Santa Cruz County General Plan and Zoning, may be further divided provided that:

a. The project has a net density of at least 12 dwelling units per acre; and

b. The project is consistent with City of Watsonville housing goals and policies including Watsonville Municipal Code Chapter 14-46 (inclusive of percentage of inclusionary units, income restrictions, sales price restrictions and length of affordability covenants); or

c. The project is 100-percent agricultural worker housing as defined by State or Federal Government regulatory or funding guidelines.

***Policy 1.3:*** Water connections and extensions may be provided to an existing parcel (vacant or otherwise) located outside a County Sanitation District which, under the current Santa Cruz General Plan and Zoning, may be further divided provided that:

a. The parcel, under the current Santa Cruz County Environmental Health Department regulations

Attachment/Exhibit to: Resolution No. 303-02 (CM)

and policies, cannot contain more than one dwelling unit with community water; and/or

b. The connection is to provide water service to an accessory dwelling unit that is deed restricted in accordance with provisions of the Santa Cruz County Zoning Ordinance; or

c. The parcel fronts an existing water main

***Policy 1.4:*** Water connections, main extensions and expanded services may be provided to parcels containing or proposing to be developed provided that the City Council has, upon formal written request and recommendation of the Community Development and Public Works and Utilities Departments, found that: 1) the proposed project, notwithstanding Policy 1.2 a., is consistent with the goals, policies and objectives of the City of Watsonville General Plan; 2) the proposed project is designed at the highest allowable density under the County General Plan including the State density bonus; and 3) there are unique site characteristics including but not limited to size, shape, and topography that limit the development of the site; and 4) the project complies with Policy 1.2 b. relative to inclusionary unit provisions.

***Policy 1.5:*** Water connections, main extensions and expanded services may be provided to parcels containing or proposing to be developed as a private or public school or day care facility with a capacity of 25 children or more.

**OBJECTIVE 2**

Adopt policies which discourage the non-city centered development patterns in the Santa Cruz County designated Rural Areas located within the City's water service area.

***Policy 2.1:*** Water connection may be provided to an existing parcel of land containing an existing single family residence provided that:

a. The connection is to provide water service to an accessory dwelling unit that is deed restricted in accordance with provisions of the Santa Cruz County Zoning Ordinance; and

b. The parcel fronts an existing water main.

***Policy 2.2:*** Water connection may be provided to an existing vacant parcel of land provided that:

a. The connection is to provide service to a single family residence; and

b. The service line sizing and meter are limited in design and construction to serve a single family residence and accessory dwelling; and

c. The parcel fronts an existing water main.

***Policy 2.3:*** Water connection(s) and main extension(s) may be provided to a parcel to serve new development provided that the project is 100-percent agricultural worker housing as defined by State or Federal Government regulatory or funding guidelines.



***Policy 2.4:*** Notwithstanding Policy 2.1, 2.2 or 2.3 above, no water connection or main extension

Attachment/Exhibit to Resolution No. 303-02 (CM)

will be provided to serve a proposed division of land.

***Policy 2.5:*** Water connections, main extensions and expanded services may be provided to parcels containing or proposing to be developed as a private or public school or a day care facility with a capacity of 25 children or more.

**OBJECTIVE 3**

To discourage the creation of new wells as replacement to failed wells within the City's water service area.

***Policy 3.1:*** Water connection may be made to a parcel to serve an existing development that had previously been served by a private well that is demonstrated to be failing in terms of water production and/or water quality. In such cases, property owners requesting connection to the City's water system shall be required to:

a. Provide evidence of well failure to the City; and

b. Abandon or make other modifications to the failing well and/or plumbing connections as directed by the City; and

c. Provide documentation of legal access for water service connection to the City's water main; and

d. Pay all water connection, water impact, and other applicable fees.

**OBJECTIVE 4**

To continue dialogue with Santa Cruz County to influence land use and zoning changes in the Pajaro Valley and on a County-wide basis.

***Policy 4.1:*** City Staff will continue to meet with Santa Cruz County Staff on a regular basis to discuss growth and development related issues and, in particular, those related to city-centered development.

***Policy 4.2:*** City Staff will monitor development activity in the area and, where provided by law, make appropriate comments as to the project's consistency with the policies.

***Policy 4.3:*** City Staff will participate in the upcoming County General Plan update and EIR process.

EXHIBIT A
Page 3 of 3

Attachment/Exhibit to Resolution No. 303-02 (CM)

CITY COUNCIL # 4.9

*Endorsed for presentation to the City Council*

*Carlos J. Palacios*

# City of Watsonville
## *Community Development Department*

## MEMORANDUM

**DATE:** **August 23, 2005**

**TO:** **Carlos J. Palacios, City Manager**

**FROM:** **John T. Doughty, Community Development Director**
**Joy Bader, Assistant Engineer**

**SUBJECT:** **Request for City Council Release of Water Availability Letter ("Will Serve") to Development Proposal Located at 350 Hames Road (Outside City Limits) Requested by Doug, Robert, Kim, and Janet Mattos**

**AGENDA ITEM:** **September 13, 2005** **City Council**

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**RECOMMENDATION:**
Staff recommends that City Council adopt a resolution approving the release of a water availability letter ("will serve") to a residential development proposal located at 350 Hames Road, located outside the City limits, requested by Doug, Robert, Kim, and Janet Mattos.

**BACKGROUND:**
**Policy Overview.** The *Watsonville 2005: General Plan*, adopted in 1994, includes an element entitled "Growth and Conservation Strategy." Contained within this element are Goals and Policies to encourage orderly growth (Goal 3.1), containment of urban development (Goal 3.2), and to foster continuation of agricultural land use (Goal 3.3) as well as a specific policy directing the City to focus efforts on city-centered development (Policy 3.A). In addition, implementation measures 3.A.1 through 3.A.5 contain specific implementation strategies that include utilizing utility connections as a means to encourage city-centered development strategies.

At the request of the City Council in June 2000, Staff prepared draft policies to establish the conditions under which the City would provide water service to projects outside the City. During the Council discussions, it was indicated that the policies should encourage an increase in densities in urban service areas, result in the provision of affordable housing and discourage a continued low-density sprawl.

In December of 2002, the City Council amended the policies to provide property owners outside the City additional flexibility, while maintaining the primary objectives of: 1) discouraging further division of land in designated Rural Areas; and 2) increasing density on larger vacant, underutilized land in the designated Urban Areas. The amended policies ease the restrictions on connection of existing parcels to existing water mains both in Rural and Urban Areas, and also reflect that there are designated Urban Areas that are not within County sanitation districts (for sewer service). A brief summary of the adopted policies follows:

**I. <u>County-Designated Urban Areas</u>**

Objective 1 and the accompanying policies allow water connection within County-designated Urban Areas for an existing undividable parcel; a deed-restricted, accessory dwelling; an affordable project with a density of at least 12 units-per-acre; agricultural-worker housing; and certain institutional uses such as daycare facilities and schools. Policy 1.2d provides the City Council the opportunity to consider projects that do not meet the density requirement on an individual basis.

**II. <u>County Designated Rural Areas</u>**

Objective 2 and the accompanying policies limit water connections within the Rural Areas to an existing parcel of land, to serve either a single-family residence and/or a deed-restricted, accessory dwelling, agricultural-worker housing; and certain institutional uses such as day care facilities and schools. The policies do not allow the City to serve new parcels created by division of land, nor do the policies allow for extension of water mains to serve parcels.

**III. <u>Failing Wells</u>**

Objective 3 and the accompanying policies continue the principle of allowing connection of existing development to the water system, upon providing evidence that an existing well is failing.

**IV. <u>Continuing Dialogue With Santa Cruz County</u>**

Objective 4 and the accompanying policies direct Staff to continue to work with and through Santa Cruz County, to address city-centered development ideals within the Pajaro Valley, and on a County-wide basis. As Santa Cruz County represents the governing authority for the area, continued dialogue is critical for the ultimate implementation of city-centered development principles.

On April 25, 2000, the City Council approved a contract for the reconstruction of the sewer mains at Pajaro Dunes, a project located outside of the City but within the sewer service area. Concerns were raised that the City was devoting excessive resources to the provision of utilities outside the City to the detriment of present and future City residents. The City Council requested that Staff return with a report on the City's provision of utility services outside of the City to allow for a more informed discussion and debate.

On June 13, 2000, Staff presented its report to the City Council. Various aspects of utility service were presented to the Council. Additionally, Staff discussed the related land use issues including whether the City's provision of utilities (water) was a hindrance to the City's city-centered growth policies. Following the presentation, the City Council directed Staff to return to the Council with policies to address the limitation of water connections outside of the City Limits.

On September 26, and October 10, 2000, the City Council adopted policies related to the limitation of water connections outside the City Limits of Watsonville.

On March 12, 2002, the City Council revised the policies to allow connection of homes to the City system where their existing private well was failing.

In August of 2002, John Ricker, of Santa Cruz County Environmental Health, informed the City that his Department was considering modification of their regulations/policies for designated Urban Areas due to City policies and owner requests for Building Permits. He indicated that the County, based on the City policies and provisions contained in the County General Plan, would allow wells and individual septic disposal systems (ISDS) in the Urban Areas subject to technical requirements (including separation requirements). Under the regulations, there is no minimum parcel size for existing parcels, provided the technical requirements (including separation) can be met. These revisions are subject to review and approval of the Santa Cruz County Board of Supervisors.

In August of 2002, Council Member Judy Doering-Nielsen requested that Staff prepare a report regarding the policies. Notice of this meeting was provided via printed notice in the Register Pajaronian and Santa Cruz Sentinel. Interested individuals were also notified of the September 24, 2002 report and meeting.

On September 24, 2002, the City Council discussed the policies and provided opportunity for the public to provide comment. Following that discussion, the City Council directed Staff to return within 90 days for their consideration of policy revisions.

On November 5, 2002, the voters of the City of Watsonville approved Measure U, the Action Pajaro Valley urban-limit line initiative. Under the initiative and underlying framework of the plan, Action Pajaro Valley, the City and the County of Santa Cruz are to work cooperatively in efforts to increase affordable housing opportunities within County designated as Urban Areas and, in particular, the Green Valley Road corridor area.

On September 24, 2002, the City Council received a report and public comment regarding the existing policies, as well as several options for revision of the policies. The Council directed Staff to evaluate the options more fully and return for potential adoption.

On December 10, 2002, the City Council amended the policies as noted above. The policies maintained the commitment to the goals of Measure U and Action Pajaro Valley, and in particular the efforts to focus on vacant and underutilized properties in the Green Valley Road corridor area.

On July 27, 2005, Staff received a letter from Doug, Robert, Kim, and Janet Mattos, hereinafter called "Applicant", requesting issuance of a "will serve" letter in order to provide three new water connections to serve a proposed residential development project at 350 Hames Road. The letter is included as Attachment 2.

**DISCUSSION:**
The Applicant is proposing a two-phased residential development, consisting of parcel map to split 350 Hames Road (APN 107-461-25) and a lot line adjustment to add area and an existing residence to an adjacent parcel, 296 Hames Road (APN 107-461-24) (refer to Attachment 3, Site Map and Attachment 4, Development Proposal). Both parcels are owned by the Mattos family. The proposed residential development would also include construction of three new dwelling units, to be served by City water.

During the first development phase, the Applicant proposes to split the existing 20.79-acre parcel (350 Hames Road), to create two 10-acre parcels. 350 Hames Road is zoned RA (single-family residential and agricultural), and has a Santa Cruz County General Plan Designation of Rural Residential. The parcel contains one existing dwelling unit, and is bound on the west by Enos Lane, and to the north, south, and east by low-density residential parcels. The parcel slopes up to a hilltop, with a maximum elevation change between the hilltop and the parcel boundary of 180 feet. The hilltop and surrounding slopes are covered with mature trees. An aerial photograph of the vicinity is included as Attachment 5, and photographs of the existing site are included as Attachment 6.

It is proposed that one of the new 10-acre parcels would contain two new dwelling units – one dwelling unit would be the primary dwelling unit and the other would be considered an accessory dwelling unit, restricted to a maximum area of 1,200 square feet. The other new 10-acre parcel would contain the existing dwelling unit and one new dwelling unit. The existing dwelling unit would be converted to an accessory dwelling unit by reducing its area to less than 1,200 square feet. Access to the existing dwelling unit on the subject parcel is provided from an existing asphalt driveway off Hames Road. Access to the proposed additional dwelling units would also be from the existing asphalt driveway. A photograph of the existing unit and asphalt driveway is included in Attachment 6. The Applicant is requesting City water to serve all three new units. The Applicant proposes that water for each of the new units be individually metered to promote water conservation.

The entire 20.79-acre area of 350 Hames Road is designated as a Primary Groundwater Recharge Area by Santa Cruz County, and is shown as such on the County Planning Environmental Constraint Map. Per Title 13 Chapter 14.070 of the Santa Cruz County Code, designation as a Primary Groundwater Recharge Area results in lower allowable density and higher minimum acreage requirements. The Santa Cruz County General Plan requires that new parcels within Primary Groundwater Recharge Areas be at least ten gross acres in size.

Designation as a Primary Groundwater Recharge Area limits division of the existing 20.79-acre parcel into a maximum of two parcels. The Santa Cruz County General Plan further limits development of parcels within Primary Groundwater Recharge Areas to a maximum density of one dwelling unit per ten acres. Given the improbability that Santa Cruz County will allow development at a higher density than proposed, a lot split to create two parcels and allow the construction of three additional units may be the best way to maximize the use of this land.

During the second development phase, the Applicant proposes a lot line adjustment to add land area and the existing dwelling unit from the second 10-acre parcel to an adjacent parcel, 296 Hames Road. 296 Hames Road is a 3.03-acre (131,928 square feet) parcel, is zoned R-1-15, RA (single family residential), and has a Santa Cruz County General Plan Designation of Rural Residential. It currently contains one existing residence; the proposed lot line adjustment would result in 296 Hames Road containing two

existing residences, both of which are currently served by City water. One residence would be the primary dwelling unit and the other would be an accessory dwelling unit.

If Santa Cruz County approves the proposed lot line adjustment, the second 10-acre parcel would be reduced in size to approximately 5.5 acres, and would contain just one dwelling unit. Due to the moderately steep slope of the parcel, the limited building envelope due to the mature trees covering the hilltop and slopes, and due to the density restrictions and acreage requirements imposed by the Primary Groundwater Recharge Area designation, it is unlikely that Santa Cruz County would approve any further development to add additional dwelling units to this 5.5-acre parcel.

**Findings.** Policy 1.4 of the Outside City of Watsonville Water Connections Goals and Objectives and Policies indicates that the City Council may issue a Water Availability Letter to projects not meeting the density requirements subject to four findings:

1) The proposed project, notwithstanding Policy 1.2a., is consistent with the goals, policies and objectives of the City of Watsonville General Plan;

2) The proposed project is designed at the highest allowable density under the County General Plan including the State density bonus; and

3) There are unique site characteristics including but not limited to size, shape, and topography that limit the development of the site; and

4) The project complies with Policy 1.2 b. relative to inclusionary unit provisions.

Per the Policy, a formal recommendation to the City Council is to be provided by the Public Works and Utilities, and Community Development Directors. The following is Staff's analysis of the project proposal in relation to the four required findings contained within the Policy, and specifically Policy 1.4.

With respect to the first finding in Policy 1.4 (outlined above), the applicant has provided written response contained in Attachment 2. The water connection policies were adopted to implement the Watsonville General Plan, and to encourage development of higher density, affordable housing in areas where infrastructure and urban development patterns exist. The site is located in a County-designated Rural Area, within the City's water service area. The parcel is not located in a County Sanitation District; existing and proposed units will be served by septic systems. Urban utilities and infrastructure do not exist to accommodate urban development, but the City's water system extends to the subject parcel. The applicant contends and Staff agrees that due to site limitations, the proposed project maximizes development of the parcel.

The applicant generally contends that the project meets the second finding in Policy 1.4 (outlined above), and that the County is unlikely to approve a General Plan Amendment to increase density. Designation as a Primary Groundwater Recharge Area results in lower allowable density and higher minimum acreage requirements, which limits the number of units that may be constructed. The Applicant would provide a total of two accessory dwelling units, which are affordable by design. Staff finds the Applicant has designed the project to comply with single-family, residential zoning per Santa

Cruz County. With the incorporation of accessory dwelling units for two of the three lots, the project is consistent with County policies to utilize accessory units, and maximizes utility of the parcels.

With regards to the third finding in policy 1.3, the applicant contends that unique site characteristics limit development of the parcel. The 350 Hames Road is 20.79 acres, is zoned RA, and has been designated as a Primary Groundwater Recharge Area. Designation as a Primary Groundwater Recharge Area reduces the allowable density of a parcel to one dwelling unit per ten acres and sets the minimum parcel size at ten acres.

With respect to the fourth finding in Policy 1.4 (outlined above), the applicant indicates that the accessory dwelling units will be deed-restricted as affordable per Santa Cruz County requirements, equating to forty percent of the total units, which meets City requirements relative to actual percentage. Two outstanding issues remain: 1) Santa Cruz County permits family members to occupy accessory units without meeting affordability requirements; and 2) without specific direction, the affordable units will be subject to compliance with County provisions including County median income. Staff is recommending a condition requiring that, where applicable, the affordable unit be based on Watsonville Median income for establishing rental price, but all other provisions of County Code apply.

**CONCLUSION:**
The proposed project is consistent with the County long-range plan (General Plan), and creates affordable housing on a parcel currently utilizing City water.

**FINANCIAL IMPACT:**
Staff anticipates no direct financial impact as a result of the action. The site is located outside the City and is currently served by the City water system. In the event of development, the City would receive impact fees to cover capital costs and monthly fees to cover use and operational costs.

**ALTERNATIVES:**
Deny the applicant's request for a Water Availability Letter.

**ATTACHMENTS:**
1. Outside City of Watsonville Water Connections Policy
2. Letter written by Doug, Kim, Robert, and Janet Mattos
3. Site map
4. Development proposal
5. Aerial photograph of vicinity
6. Photographs of the existing site

cc: City Attorney

## OUTSIDE CITY OF WATSONVILLE WATER CONNECTIONS

## GOAL, OBJECTIVES AND POLICIES

On September 24, 2002, the City Council of the City of Watsonville directed Staff to prepare revisions to previously adopted policies relative to the limitation of future water connections and water main extensions to serve parcels located outside of the City of Watsonville. The following revised policies reflect the current policies of the City Council as adopted this 10th day of December 2002.

### GOAL

To encourage the development of affordable housing opportunities in the unincorporated portions of the Pajaro Valley, discourage non-city centered development and protect water resources for future City residents and businesses.

### OBJECTIVE 1

Adopt policies that encourage and enhance opportunities for the development of more dense and affordable dwelling units within Santa Cruz County Designated Urban Areas located within the City's water service area.

***Policy 1.1:*** Water connection may be provided to an existing parcel of land (vacant or otherwise) that cannot, under the current Santa Cruz County General Plan and Zoning, be further divided provided that:

a. The connection is to serve a principal dwelling unit and/or a deed restricted accessory dwelling unit that complies with the provisions of the Santa Cruz County Zoning Ordinance; and

b. The parcel fronts an existing water main.

***Policy 1.2:*** Water connections and extensions may be provided to an existing parcel (vacant or otherwise) located within a County Sanitation District which, under the current Santa Cruz County General Plan and Zoning, may be further divided provided that:

a. The project has a net density of at least 12 dwelling units per acre; and

b. The project is consistent with City of Watsonville housing goals and policies including Watsonville Municipal Code Chapter 14-46 (inclusive of percentage of inclusionary units, income restrictions, sales price restrictions and length of affordability covenants); or

c. The project is 100-percent agricultural worker housing as defined by State or Federal Government regulatory or funding guidelines.

***Policy 1.3:*** Water connections and extensions may be provided to an existing parcel (vacant or otherwise) located outside a County Sanitation District which, under the current Santa Cruz General Plan and Zoning, may be further divided provided that:

a. The parcel, under the current Santa Cruz County Environmental Health Department regulations and policies, cannot contain more than one dwelling unit with community water;

and/or

b. The connection is to provide water service to an accessory dwelling unit that is deed restricted in accordance with provisions of the Santa Cruz County Zoning Ordinance; or

c. The parcel fronts an existing water main

***Policy 1.4:*** Water connections, main extensions and expanded services may be provided to parcels containing or proposing to be developed provided that the City Council has, upon formal written request and recommendation of the Community Development and Public Works and Utilities Departments, found that: 1) the proposed project, notwithstanding Policy 1.2 a., is consistent with the goals, policies and objectives of the City of Watsonville General Plan; 2) the proposed project is designed at the highest allowable density under the County General Plan including the State density bonus; and 3) there are unique site characteristics including but not limited to size, shape, and topography that limit the development of the site; and 4) the project complies with Policy 1.2 b. relative to inclusionary unit provisions.

***Policy 1.5:*** Water connections, main extensions and expanded services may be provided to parcels containing or proposing to be developed as a private or public school or day care facility with a capacity of 25 children or more.

**OBJECTIVE 2**

Adopt policies which discourage the non-city centered development patterns in the Santa Cruz County designated Rural Areas located within the City's water service area.

***Policy 2.1:*** Water connection may be provided to an existing parcel of land containing an existing single family residence provided that:

a. The connection is to provide water service to an accessory dwelling unit that is deed restricted in accordance with provisions of the Santa Cruz County Zoning Ordinance; and

b. The parcel fronts an existing water main.

***Policy 2.2:*** Water connection may be provided to an existing vacant parcel of land provided that:

a. The connection is to provide service to a single family residence; and

b. The service line sizing and meter are limited in design and construction to serve a single family residence and accessory dwelling; and

c. The parcel fronts an existing water main.

***Policy 2.3:*** Water connection(s) and main extension(s) may be provided to a parcel to serve new development provided that the project is 100-percent agricultural worker housing as defined by State or Federal Government regulatory or funding guidelines.

***Policy 2.4:*** Notwithstanding Policy 2.1, 2.2 or 2.3 above, no water connection or main extension will be provided to serve a proposed division of land.

***Policy 2.5:*** Water connections, main extensions and expanded services may be provided to parcels containing or proposing to be developed as a private or public school or a day care facility with a capacity of 25 children or more.

**OBJECTIVE 3**

To discourage the creation of new wells as replacement to failed wells within the City's water service area.

***Policy 3.1:*** Water connection may be made to a parcel to serve an existing development that had previously been served by a private well that is demonstrated to be failing in terms of water production and/or water quality. In such cases, property owners requesting connection to the City's water system shall be required to:

a. Provide evidence of well failure to the City; and

b. Abandon or make other modifications to the failing well and/or plumbing connections as directed by the City; and

c. Provide documentation of legal access for water service connection to the City's water main; and

d. Pay all water connection, water impact, and other applicable fees.

**OBJECTIVE 4**

To continue dialogue with Santa Cruz County to influence land use and zoning changes in the Pajaro Valley and on a County-wide basis.

***Policy 4.1:*** City Staff will continue to meet with Santa Cruz County Staff on a regular basis to discuss growth and development related issues and, in particular, those related to city-centered development.

***Policy 4.2:*** City Staff will monitor development activity in the area and, where provided by law, make appropriate comments as to the project's consistency with the policies.

***Policy 4.3:*** City Staff will participate in the upcoming County General Plan update and EIR process.

July 27, 2005

Mr. David Koch
City of Watsonville
250 Main Street
Watsonville, CA 95076

Subj: Water Will Serve Letter
For 350 Hames Road Property Land Division
APN# 10746125

Dear Mr. Koch:

The subject 20+ acre property has been in our family for the past 59 years and it is now time to divide the property among the family.

This property is located in the Primary Groundwater Recharge area and the maximum density, according to County regulations, is three additional dwellings, with maximum land division as follows:

One 10 acre parcel with an approximate 3,000 square foot dwelling and an approximate 1,200 square foot dwelling. Both of these dwelling will be new construction.

Second 10 acre parcel with a new approximate 2,500 square foot dwelling and an existing approximate 1,200 square foot dwelling. The existing 1,200 square foot dwelling will be lot line adjusted to the adjoining family-owned parcel.

In addition to the one existing City water meter, three separate water meters will be required for maximum achievement of water conservation, one per dwelling.

Some history. Our family sold part of this 20+ acre land to the City of Watsonville many years ago to accommodate the City water. One of the City's large green water tank's now sits on that adjoining property.

This project is currently at a stand-still until your permission is granted to the above and a Will Serve letter is written from the City of Watsonville.

If you have any questions, we hope you won't hesitate to ask. We look forward to your favorable answer.

Sincerely,

Doug Mattos

Kim Mattos

Robert Mattos

Janet Mattos

ATTACHMENT 2
Page 1 of 1

FOR TAX PURPOSES ONLY

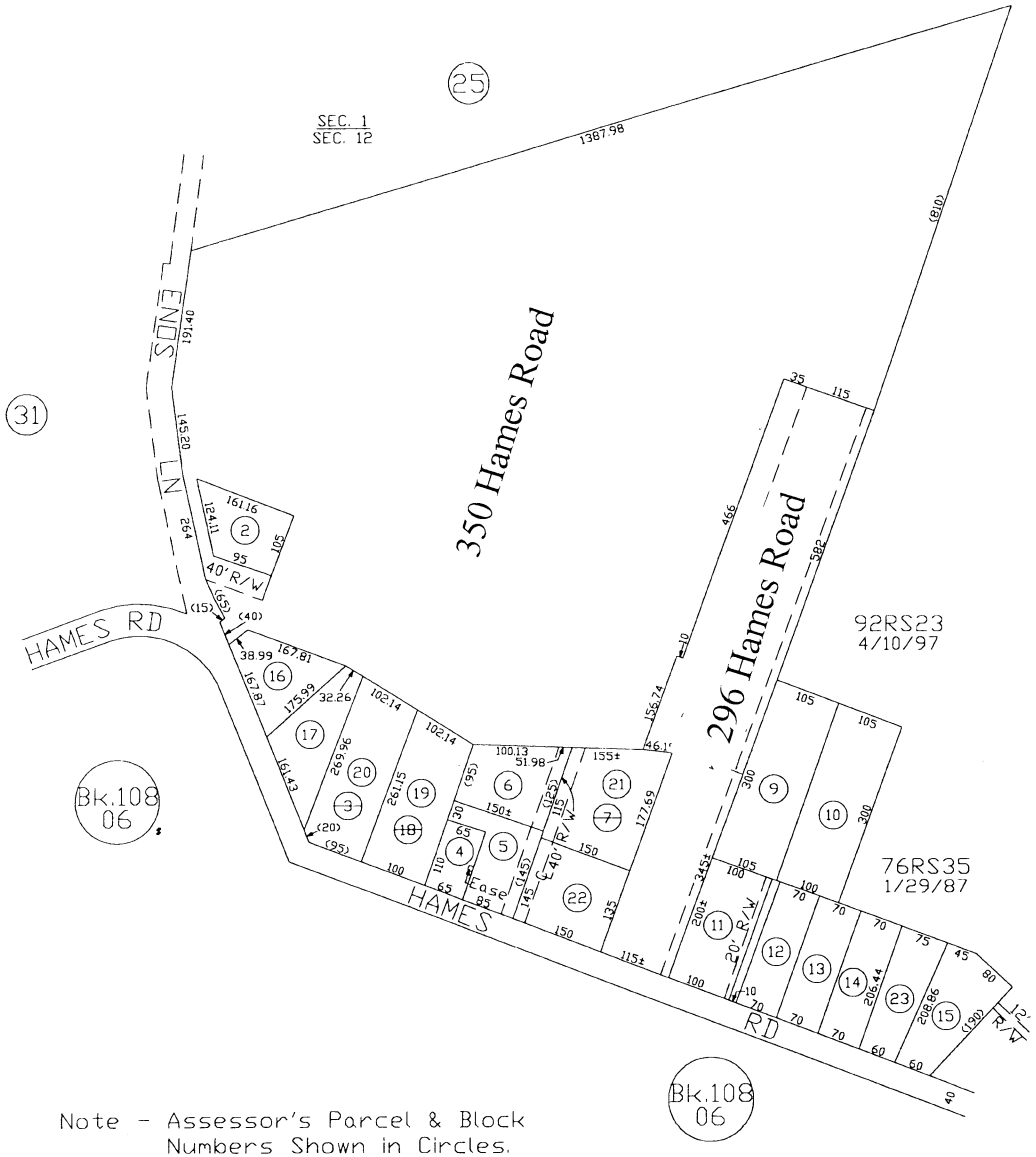
THE ASSESSOR MAKES NO GUARANTEE AS TO MAP ACCURACY NOR ASSUMES ANY LIABILITY FOR OTHER USES. NOT TO BE REPRODUCED. ALL RIGHTS RESERVED.
© COPYRIGHT SANTA CRUZ COUNTY ASSESSOR 1998

# RANCHO DE LOS CORRALITOS

POR. SEC. 1 & 12, T.11S., R.1E., M.D.B. & M.

Tax Area Code 69-262

107-46

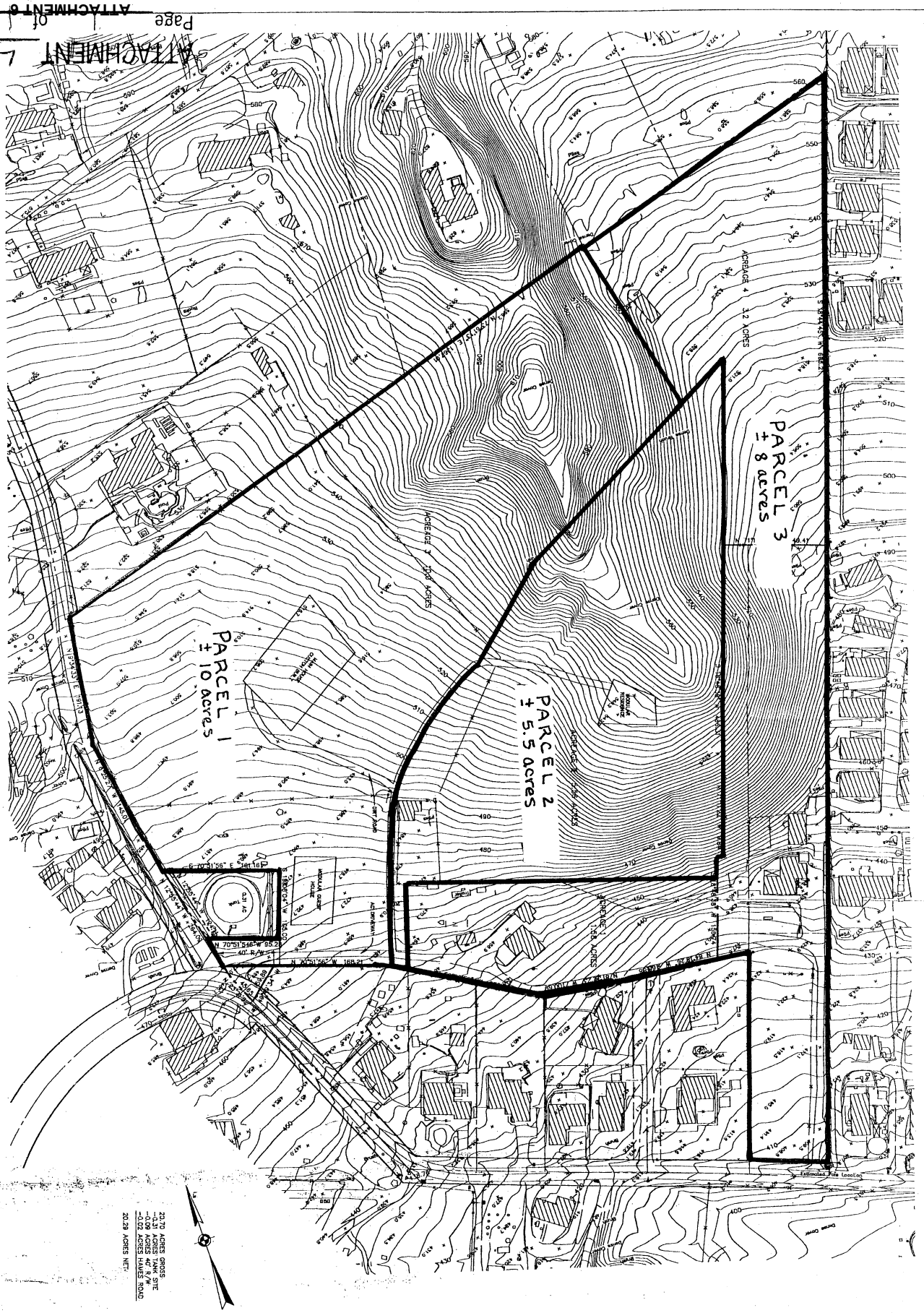



Note - Assessor's Parcel & Block Numbers Shown in Circles.

Assessor's Map No. 107-46
County of Santa Cruz, Calif.
Jan. 1998

Electronically drawn 1/20/98 KSA
Rev 4/9/98 CB (Tax Consolidation)

ATTACHMENT 3
Page 1 of 1




PLANNING MAP FOR
**WILSON/MATTOS 1991 TRUST**
APN 107-461-25 2004-0090935

350 HAMES ROAD, CORRALITOS
SANTA CRUZ COUNTY, CALIFORNIA

SCALE: 1" = 60'
DESIGNED BY: LJV
DRAWN BY: HP230
DATED: MARCH 18, 2005
REVISED: JULY 18, 2005
JOB NO.: 05030
SHEET 1 OF 1 SHEETS

MCE

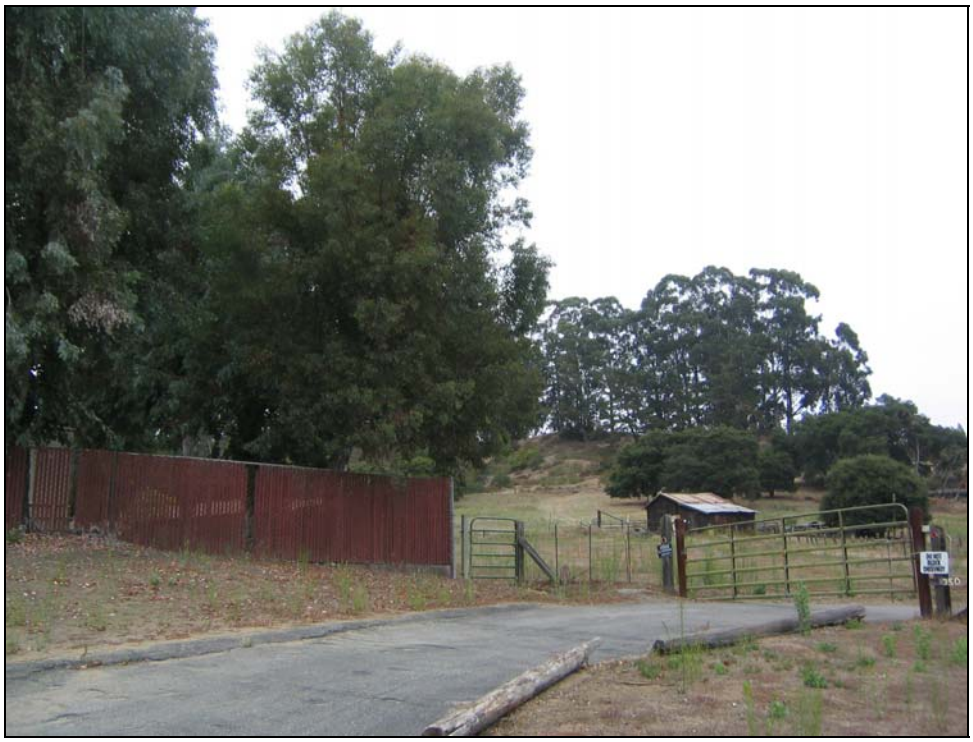
MID COAST ENGINEERS
CIVIL ENGINEERS AND LAND SURVEYORS
70 PENNY LANE, SUITE A WATSONVILLE, CA 95076 – (831) 724-2580

PROFESSIONAL LAND SURVEYOR
STANLEY O. NITSEN
No. 3233
STATE OF CALIFORNIA

N

0 100 200

ATTACHMENT 5
Page 1 of 1



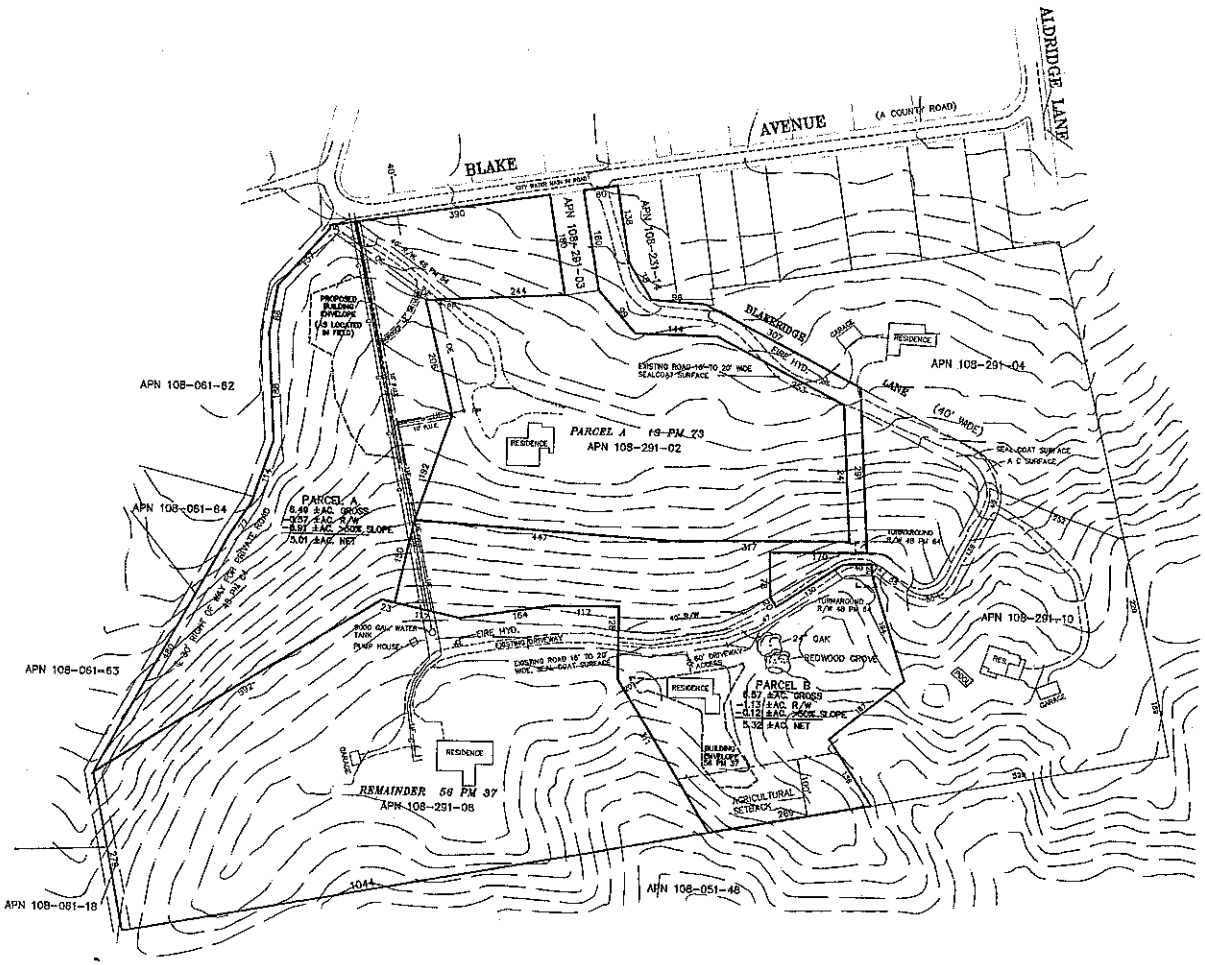
Existing access driveway off Hames Road

350 Hames Road: view of hillside, looking east from Enos Lane

Hilltop: view looking east from Enos Lane

Mature trees and existing outbuildings on 350 Hames Road: view looking southeast from Enos Lane

Existing house, view to the east from Hames Road




## ACREAGE CALCULATIONS

| PROPOSED | GROSS | RIGHTS OF WAY | 50% SLOPE | NET |
|---|---|---|---|---|
| PARCEL A | 6.49 ACRES | 0.57 ACRES | 0.91 ACRES | 5.01 ACRES |
| PARCEL B | 6.57 ACRES | 1.13 ACRES | 0.12 ACRES | 5.32 ACRES |
| TOTAL: | 13.06 ACRES | 1.70 ACRES | 1.03 ACRES | 10.33 ACRES |

## LEGEND

OE OVERHEAD ELECTRIC
UE UNDERGROUND ELECTRIC
W WATER LINE
G GAS LINE

## NOTES:

1. OWNER: LISA J. BURGSTROM
   525 BLAKERIDGE LANE
   WATSONVILLE, CA 95076
2. EXISTING USE: RURAL RESIDENTIAL
   PROPOSED USE: RURAL RESIDENTIAL
3. EXISTING ZONING: RA
   PROPOSED ZONING: RA
4. EXISTING GENERAL PLAN: R-R
5. CONTOUR INTERVAL IS 10'. TOPOGRAPHIC DATA IS BASED ON SANTA CRUZ COUNTY GIS COUNTY WIDE CONTOURS.

MID COAST ENGINEERS
CIVIL ENGINEERS AND LAND SURVEYORS
70 FENRY LANE SUITE A WATSONVILLE, CA 95076 - (831) 724-2580

TENTATIVE MAP FOR
LISA J. BURGSTROM
APN 108-291-09
SANTA CRUZ COUNTY CALIFORNIA

MINOR LAND DIVISION

| | |
|---|---|
| SCALE: | 1" = 100' |
| DESIGNED BY: | LV |
| DRAWN BY: | HP430 |
| DATE: | SEPT. 7, 2012 |
| REVISED: | |
| JOB NO.: | 12085 |
| SHEET | 1 OF 4 SHEETS |

**RESOLUTION NO._____ (CM)**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE UPHOLDING STAFF'S DETERMINATION THAT THE PROPOSED RESIDENCE AT 525 BLAKERIDGE LANE (APN: 109-291-09) IS INELIGIBLE FOR A WATER AVAILABILITY LETTER ("WILL SERVE") FOR A PROPERTY LOCATED OUTSIDE THE CITY LIMITS AS REQUESTED BY LISA BURGSTROM**

**WHEREAS,** on or about September 24, 2002, the City Council directed City staff to prepare revisions to previously adopted policies relative to the limitation of future water connections and water main extensions to serve parcels located outside of the City of Watsonville; and

**WHEREAS,** on December 10, 2002, the City Council adopted Resolution No. 303-02 (CM) establishing and adopting the "Outside City of Watsonville Water Connections – Goal, Objectives and Policies;" and

**WHEREAS,** on December 6, 2012, Hamilton Swift & Associates, Inc., on behalf of Lisa Burgstrom submitted a request for a Water Availability Letter ("Will Serve") for a two lot subdivision located at 525 Blakeridge Lane (APN: 109-291-09) which is designated by the County of Santa Cruz as rural; and

**WHEREAS,** Objective 2 of the "Outside City of Watsonville Water Connections-Goal, Objectives and Policies" is to discourage non-City centered development patterns in Santa Cruz County designated Rural Areas located within the City's water service area; and

**WHEREAS,** Policy 2.4 of the "Outside City of Watsonville Water Connections-Goal, Objectives and Policies" states that no water connection or main extension will be provided to serve a proposed division of land.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WATSONVILLE, CALIFORNIA, AS FOLLOWS:**

That the City Council hereby upholds City staff's determination that under current City Council policy the property located at 525 Blakeridge Lane (APN: 109-291-09) is ineligible for a Water Availability Letter ("Will Serve").

**********

# INFORMATION ITEMS
# February 12, 2013

## 1.0 APPLICATIONS

--Application for Alcoholic Beverage License
SGR Enterprise, Inc.
Sushi Garden Japanese Restaurant

## 2.0 MINUTES

--Planning Commission
November 5, 2012

Department of Alcoholic Beverage Control

State of California

# APPLICATION FOR ALCOHOLIC BEVERAGE LICENSE(S)

ABC 211 (6/99)

RECEIVED
CITY CLERK
WATSONVILLE
2013 JAN 24 PM 12: 09

**TO:** Department of Alcoholic Beverage Control
1137 WESTRIDGE PARKWAY
SALINAS, CA 93907
(831) 755-1990

File Number: **529349**
Receipt Number: **2151670**
Geographical Code: **4403**
Copies Mailed Date: **January 22, 2013**
Issued Date:

DISTRICT SERVING LOCATION: **SALINAS**

First Owner: **SGR ENTERPRISE, INC.**

Name of Business: **SUSHI GARDEN JAPANESE RESTAURANT**

Location of Business: **1441 MAIN ST**
**WATSONVILLE, CA 95076**

County: **SANTA CRUZ**

Is Premise inside city limits? **Yes** Census Tract **1104.00**

Mailing Address:
(If different from premises address)

Type of license(s): **41**

Transferor's license/name: **476840 / SUSHI GARDEN INC** Dropping Partner: Yes___ No X

| License Type | Transaction Type | Fee Type | Master | Dup | Date | Fee |
|---|---|---|---|---|---|---|
| 41 - On-Sale Beer And Wine | FIDUCIARY TRANSFER | NA | Y | 0 | 01/22/13 | $50.00 |
| | | | | | Total | $50.00 |

Have you ever been convicted of a felony? **No**

Have you ever violated any provisions of the Alcoholic Beverage Control Act, or regulations of the Department pertaining to the Act? **No**

Explain any "Yes" answer to the above questions on an attachment which shall be deemed part of this application.

Applicant agrees (a) that any manager employed in an on-sale licensed premises will have all the qualifications of a licensee, and (b) that he will not violate or cause or permit to be violated any of the provisions of the Alcoholic Beverage Control Act.

STATE OF CALIFORNIA County of SANTA CRUZ Date: January 22, 2013

Under penalty of perjury, each person whose signature appears below, certifies and says: (1) He is an applicant, or one of the applicants, or an executive officer of the applicant corporation, named in the foregoing application, duly authorized to make this application on its behalf; (2) that he has read the foregoing and knows the contents thereof and that each of the above statements therein made are true; (3) that no person other than the applicant or applicants has any direct or indirect interest in the applicant or applicant's business to be conducted under the license(s) for which this application is made; (4) that the transfer application or proposed transfer is not made to satisfy the payment of a loan or to fulfill an agreement entered into more than ninety (90) days preceding the day on which the transfer application is filed with the Department or to gain or establish a preference to or for any creditor or transferor or to defraud or injure any creditor of transferor; (5) that the transfer application may be withdrawn by either the applicant or the licensee with no resulting liability to the Department.

**Effective July 1, 2012, Revenue and Taxation Code Section 7057, authorizes the State Board of Equalization and the Franchise Tax Board to share taxpayer information with Department of Alcoholic Beverage Control. The Department may suspend, revoke, and refuse to issue a license if the licensee?s name appears in the 500 largest tax delinquencies list. (Business and Professions Code Section 494.5.)**

Applicant Name(s) Applicant Signature(s)

**See 211 Signature Page**

SGR ENTERPRISE, INC.

ABC - 227 to follow

# M I N U T E S

## REGULAR MEETING OF THE PLANNING COMMISSION OF THE CITY OF WATSONVILLE

## COUNCIL CHAMBERS
## 275 MAIN STREET, 4th FLOOR, WATSONVILLE, CALIFORNIA

**Monday, November 5, 2012 6:06 P.M.**

*In accordance with City policy, all Planning Commission meetings are recorded on audio and videotapes in their entirety, and the tapes are available for review in the Community Development Department (CDD). These minutes are a brief summary of action taken.*

### 1.0 ROLL CALL OF COMMISSIONERS

Present were Commissioners Betty Bobeda, Pedro Castillo, Karina Cervantez, Mireya Gomez-Contreras and Chair Trina Coffman-Gomez. Commissioner Marty Corley was absent.

Commissioner Bobeda requested an excused absence for Commissioner Corley due to the power outage at Couch Distributing. Chair Coffman-Gomez concurred.

Staff members present were Secretary Marcela Tavantzis, Principal Planner Keith Boyle, Recording Secretary Deborah Muniz and Interpreter Carlos Landaverry.

### 2.0 PLEDGE OF ALLEGIANCE

Commissioner Bobeda led the Pledge of Allegiance.

### 3.0 PETITIONS AND ORAL COMMUNICATIONS

Commissioners Castillo and Gomez-Contreras thanked Commissioners Cervantez and Coffman-Gomez for their service on the Planning Commission. Commissioner Castillo requested that they appoint their new Planning Commissioner for their district as soon as possible. The vacancy for District 5 still has not been filled.

Secretary Tavantzis reiterated the request stating a time sensitive project is coming in January before the Commission.

Chair Coffman-Gomez stated it has been an honor to serve the community and a learning experience. She thanked the other Planning Commissioners. She encouraged anyone that is interested in serving on the Planning Commission to contact the City Clerk's office. Remember to vote tomorrow in the General Election.

Commissioner Cervantez thanked City staff and stated it was an amazing experience. She encouraged those wanting to serve on the Planning Commission to refer to the City's web site for more information. She recommended contacting current Planning Commissioners and Council Members if they have any questions.

### 4.0 CONSENT AGENDA

**4.1 MOTION APPROVING MINUTES FOR THE OCTOBER 2, 2012 REGULAR MEETING**

**MOTION:** It was moved by Commissioner Bobeda, seconded by Commissioner Castillo, and carried by the following vote to approve the Consent Agenda:

| | | |
|---|---|---|
| AYES: | COMMISSIONERS: | Bobeda, Castillo, Cervantez, Gomez-Contreras, Coffman Gomez |
| NOES: | COMMISSIONERS: | None |
| ABSENT: | COMMISSIONERS: | Corley |

**5.0 PUBLIC HEARINGS**

**5.1 A PUBLIC HEARING TO CONSIDER AN APPLICATION (PP2012-238) FOR A MODIFICATION OF SPECIAL USE PERMIT (PP2002-185), TO ALLOW LIMITED AUTO RESALE OF UP TO 20 VEHICLES PER YEAR, AT AN EXISTING AUTO BODY SHOP IN THE INDUSTRIAL DISTRICT AT 32 MENKER STREET (APN: 017-172-29), FILED BY BILL BANUELOS, APPLICANT.**

**a) Staff Presentation**

The staff report was given by Principal Planner Keith Boyle.

Commissioner Bobeda asked how staff will monitor the 20 car sales per year and where the cars for sale will be parked.

Mr. Boyle replied the applicant can be requested to provide a yearly sales receipt and the cars will be parked inside in the building or at home.

**b) Applicant Presentation**

Robert, employee, stated the business does not want to be another dealership and only sell 1 to 2 cars per month. They have been operating for 20 years.

Commissioner Castillo asked about the process of selling the vehicles and if their main source of income comes from body work.

Robert concurred that the main source of income comes from body work. The internet is used for advertising the car sales and also repeat customers.

Secretary Tavantzis stated the business has been operating for 20 years without any problems but they did not have the Use Permit to sell the cars. She recommended that the business not be required to show proof of yearly sales at this time. If problems start occurring, then the Use Permit will be brought back to the Commission for review.

Chair Coffman-Gomez stated she visited the site and commended the business on operating for 20 years. She asked how long the lien process is.

Manuel replied two weeks.

**c) Public Hearing**

Chairperson Coffman-Gomez opened the Public Hearing and hearing no public comments, closed the Public Hearing.

**d) Commission Discussion - None**

**e) Motion:**

It was moved by Commissioner Castillo, seconded by Commissioner Bobeda, and carried by the following vote to adopt a resolution approving Application (PP2012-238) for a modification of Special Use Permit (PP2002-185).

| | | |
|---|---|---|
| AYES: | COMMISSIONERS: | Bobeda, Castillo, Cervantez, Gomez-Contreras, Coffman Gomez |
| NOES: | COMMISSIONERS: | None |
| ABSENT: | COMMISSIONERS: | Corley |

**5.2 A PUBLIC HEARING TO CONSIDER AN APPLICATION FOR A SPECIAL USE PERMIT (PP2012-255), TO ALLOW TRUCK REPAIR AND PARKING FOR LA ROSA TORTILLA FACTORY, AT AN EXISTING BUILDING AT 620 WALKER STREET (APN: 018-461-01), FILED BY JIM HICKS, APPLICANT.**

**a) Staff Presentation**

The staff report was given by Principal Planner Keith Boyle.

**b) Applicant Presentation**

Jim Hicks, Chief Financial Officer, for La Rosa Market was present to answer questions.

Commissioner Castillo complimented the business on having 40-45 trucks. He is very glad the business is staying in Watsonville.

Chair Coffman-Gomez asked Mr. Hicks how many employees the business currently has; do they plan to expand their truck routes and hire additional employees?

Mr. Hicks replied the business currently has 160 employees and could possibly expand 3 to 4 routes and hire 2 to 3 new employees every year within the next 3 to 5 years.

**c) Public Hearing**

Chairperson Coffman-Gomez opened the Public Hearing and hearing no further public comments, closed the Public Hearing.

**d) Commission Discussion - None**

**e) Motion:**

It was moved by Commissioner Bobeda, seconded by Commissioner Gomez-Contreras, and carried by the following vote to adopt a resolution approving Application (PP2012-255) for a Special Use Permit:

| | | |
|---|---|---|
| AYES: | COMMISSIONERS: | Bobeda, Castillo, Cervantez, Gomez-Contreras, Coffman-Gomez |
| NOES: | COMMISSIONERS: | None |
| ABSENT: | COMMISSIONERS: | Corley |

## 6.0 REPORT OF SECRETARY

### 6.1 CANCELLATION OF DECEMBER 4, 2012 REGULAR MEETING

Secretary Tavantzis announced the December 4th meeting has been cancelled since the Planning Commission will not have a quorum.

### 6.2 RESCHEDULE JANUARY 1, 2013 REGULAR MEETING TO JANUARY 15, 2013

Secretary Tavantzis announced since the January 1st meeting lands on a holiday, the meeting has been rescheduled to January 15th. She stated the relocation of the Cieba College Preparatory Academy will be coming before the Commission in January. The tentative improvements are a time sensitive issue.

### 6.3 UPDATE ON THE SEPTEMBER 26, 2012 "BUSINESS WALK" EVENT, PRESENTED BY KURT OVERMEYER, REDEVELOPMENT MANAGER

Mr. Overmeyer stated they just completed their third "Business Walk" event. The event involves visiting and speaking to as many businesses as possible in two hours. This year's event was co-sponsored by the City and Chamber of Commerce. Watsonville has 2,600 businesses excluding home based businesses: however, since time is limited they only visit about 100 a year. Information is gathered from the businesses on if they are succeeding, expanding, having problems, their future plans and if they need help. They are in the process of transitioning more responsibility of sponsoring the event to the Chamber of Commerce; getting more volunteers so additional businesses could be visited; and adding a second annual walk event.

Chair Coffman-Gomez said it was a very positive experience and an eye opener. Many businesses are ready to expand. She appreciated the interest and concerns she received from businesses that were impacted by the recent construction work on Freedom Boulevard. She encouraged the other Commissioners to participate in the event. She suggested recruiting the students from the City's Student Council as volunteers and hiring an intern to assist in collecting the data.

Commissioner Cervantez asked what the Chamber of Commerce envisions to do with following up with the businesses.

Mr. Overmeyer stated the Chamber is able to find out which local, state and county policies are causing problems for the businesses from the information that is gathered and enables them to focus their efforts in advocacy. The Chamber provides these great goodie bags for the businesses. They do a tremendous job in recruiting the volunteers that collect the data and getting sponsors to provide the breakfast and luncheon.

Commissioner Castillo stated a second walk would be valuable in the spring and if the event was held twice a year this would allow more flexibility to attend. The information being gathered is very important and encouraging.

## 7.0 ADJOURNMENT

Chairperson Coffman-Gomez adjourned the meeting at 6:49 p.m. The next Planning Commission meeting is scheduled for Tuesday, January 15, 2013 at 4:30 p.m. in the City Council Chambers.

Marcela Tavantzis, Secretary
Planning Commission

Trina Coffman-Gomez, Chairperson
Planning Commission