

## General Compliance Reporting:

Confirm completion of the following Measure D Agreement requirements during the reporting year. The RTC shall utilize information from Recipient on expenditures to prepare a comprehensive report to the public on the expenditure of Measure D revenues.

Recipient - Update all highlighted fields on 3 tabs. Reporting Requirements (Articles from the Master Fund Agreement are referenced as comments)

REPORTING YEAR: **FY17/18**

Recipient Agency **City of Watsonville**

Public Information/ Outreach	Date	Documentation (ex. copy of resolution, minutes, notices, articles, webpage, signage, etc) - please attach.	Comments, additional info. If applicable, briefly explain why publicity requirement was not completed
Date Initial 5-Year Plan Adopted	3/28/2017	Resolution	attached
Date of 5-Year Plan Public Hearing	3/28/2017	Staff report	attached
Date of annual audit of Measure D Expenditures	12/7/2018	audit	attached
News Article	3/30/2017	copy of article	attached
Website with info on Meas. D projects	ongoing	webpage sample	<a href="https://cityofwatsonville.org/1417/Measure-D">https://cityofwatsonville.org/1417/Measure-D</a>
Map of Measure D-funded Projects	ongoing	copy of map or webpage	<a href="https://cityofwatsonville.org/DocumentCenter/View/6237/032917-measure-d-project-map?bidId=">https://cityofwatsonville.org/DocumentCenter/View/6237/032917-measure-d-project-map?bidId=</a>
Photos (before/after)	ongoing	Document with photos, captions	<a href="https://cityofwatsonville.org/1417/Measure-D">https://cityofwatsonville.org/1417/Measure-D</a>
Signage	ongoing	photo of signs	attached
Describe any other public outreach conducted during the reporting year about Measure D	None		

### Maintenance of Effort

FY17/18 LOCAL funds spent on multimodal local road repairs & maintenance (exclude HUTA, formula state & fed funds, special grants)	\$ 785,020	Locally-generated funds beyond HUTA or Measure D (ex. general funds, city tax, developer fees, etc)
Maintenance of Effort BASELINE (should match MOE report submitted to RTC in 2017)	\$ 676,105	Pre-Measure D Baseline of average of locally-generated revenues (ex. general funds, sales and property taxes and other fees) and expenditures for transportation purposes in the three to five fiscal years prior to the start of Measure D allocations to recipient agencies (FY16/17, FY15/16, FY14/15, and optionally FY13/14 and FY12/13).
FY18/19 LOCAL (exclude HUTA, formula state & fed funds) funds BUDGETED on multimodal local road repairs & maintenance	\$ 776,860	Locally-generated funds beyond HUTA or Measure D (ex. general funds, city tax, developer fees, etc)
If FY17/18 local expenditures were lower than the baseline amount, explain why. (e.g. emergencies, extraordinary event - fires, etc) Recipient agencies have up to three fiscal years to meet the adjusted minimum local revenue expenditure requirement.	N/A	
Does your agency have an indirect cost allocation plan?	No	If "no", Measure D funds cannot be used for indirect costs.
Cities/County Only: Does your agency have an adopted Complete Streets policy?	No	City is circulating draft policy at this time and anticipates implementing during the first half of 2019

### Contacts

Administrative officer or designated staff available to report on or answer any and all inquiries in regard to Recipient's receipt, usage, and/or compliance audit findings regarding Measure D funds before the RTC and/or the Independent Oversight Committee or RTC advisory committees, as applicable.

Name	Title/Measure D tasks	Phone/email
Murray A. Fontes	Principal Engineer	<a href="mailto:831-768-3117/murray.fontes@cityofwatsonville.org">831-768-3117/murray.fontes@cityofwatsonville.org</a>
Marissa Duran	Financial Analyst	<a href="mailto:831-768-3471/marissa.duran@cityofwatsonville.org">831-768-3471/marissa.duran@cityofwatsonville.org</a>

## MEASURE D EXPENDITURE REPORT

List how Measure D funds were expended. While backup documentation (e.g. invoices from contractors, payroll, etc) do not need to be submitted with this report, all Measure D funds must included in recipient agency's fiscal audit and projects will be randomly selected for more detailed review. Agencies should retain records documenting Measure D expenditures for at least 3 years on each project.

Agency	Beginning of Year Fund Balance	FY 16/17-17/18 Measure D Received (4/1/17-6/30/18)	Interest Earned on Measure D funds	Measure D Expended (4/1/17-6/30/18)	End of Year Fund Balance/ Carryover to be Spent in Future Years	Anticipated Future Interest (include in 5-Year plan updates)
City of Watsonville	NA in first report	\$ 874,413.01	\$ 3,989.43	\$ 46,200.46	\$ 828,212.55	\$ 3,778.64

### DETAILED SUMMARY OF EXPENDITURES AND ACCOMPLISHMENTS.

#	Project Name	Total Project Cost	Past year(s) Measure D Expenditures on this project	FY17/18 Measure D Expenditures	(Est) Future Year(s) Measure D Expenditures	Measure D-funded Capital Costs	Measure D-funded Non-capital (non-infrastructure, outreach, admin, etc)	Measure D-funded indirect costs	Leveraged Funds (grants & other funds secured, which used Meas. D as match)	Leveraged Fund Source Name(s)
1	Bicycle Safety Improvements	\$ 200,000.00	\$ -	\$ 15,585.26	\$ 200,000.00	\$ -	\$ 15,585.26	\$ -	\$ -	N/A
2	Downtown Revitalization	\$ 650,000.00	\$ -	\$ 20,050.00	\$ 445,000.00	\$ 4,500.00	\$ 15,550.00	\$ -	\$ -	N/A
3	Pedestrian & Traffic Safety	\$ 250,000.00	\$ -	\$ 10,565.20	\$ 250,000.00	\$ 8,886.04	\$ 1,679.16	\$ -	\$ -	N/A
Total		\$	-	\$ 46,200.46						

<b>Agency</b>
City of Watsonville

TAILED SUMMARY OF EXPENDITURE		In 5-yr?	Project Information Continued			Project Status/Timeline			
Project Name	Project in approved 5-year plan?	Location/Limits	Description <small>(may include additional project components, ex. complete streets, traffic calming, crossing improvements, drainage upgrades, etc.)</small>	Project Category	Primary Project Type	Project Status	CEQA compliance <small>(List type of document &amp; certification date - e.x. CE, 5/1/18)</small>	Construction schedule	Completion Date <small>(actual or estimate)</small>
Bicycle Safety Improvements	Yes	Various locations within City	Provide signage and traffic markings along bicycle corridors and provide educational programs.	Bike only	Education and Promotion	Complete	N/A	Complete	6/30/2018
Downtown Revitalization	Yes	Main St from West Beach St to Freedom Blvd	Provide complete streets improvements including but not limited to pedestrian crossings, bus stops, parking, sidewalks and traffic management. Includes design, environmental documentation and construction.	Multimodal (road & bike/ped/etc)	Streetscape / Complete Streets	In-progress	Future	07/01/18 - 06/30/19	6/30/2019
Pedestrian & Traffic Safety	Yes	Various Locations	Install or upgrade safety and traffic calming measures such as striping, markers, signage, flashing beacons, curb extensions and speed humps and provide educational programs.	Other	Safety Improvements	Complete	TBD	Complete	6/30/2018

<b>Agency</b>
City of Watsonville

TAILED SUMMARY OF EXPENDITURE		Project Costs by Mode - estimate percent of project by mode							Additional Metrics - if applicable				Other	
Project Name	% System Preservation	% Roadway <small>(on local roads, non-sys. preservation - ex. traffic circulation, intersections, highway, etc.)</small>	% State Highway	% Bike	% Ped	% Transit	% Paratransit	% other <small>(e.g. airport, planning, TSM, etc)</small>	New Bike Lane Miles	New Pedestrian Path or Sidewalk Miles	Miles of pavement rehab/ repair (pothole, seals, etc)	Rehab of bikeways, sidewalks, or ADA ramps included? <small>(describe)</small>	If Complete Streets not incorporated into project, why not?	Other Notes or Information <small>(optional)</small>
Bicycle Safety Improvements	0%	0%	0%	100%	0%	0%	0%	0%	0	0	0	No - Safety Training	Safety training	Safety training
Downtown Revitalization	0%	0%	10%	5%	80%	5%	0%	0%	0	0	0	Yes - ADA ramps	Complete Streets incorporated	Design, \$100,000 in Gas Tax
Pedestrian & Traffic Safety	0%	50%	0%	0%	50%	0%	0%	0%	0	0	0	No - flashing beacon	Pedestrian & Traffic Safety	Flashing beacon

**Measure D: Neighborhood Projects Program** (Funds to Cities and County for Local Streets and Roads - LSR)

**Performance Measures**

AGENCY:

City of Watsonville

Measure D recipients are to document the performance and benefits of the projects and programs funded with Measure D funds. The following performance measures are a selection of performance standards to be documented by the recipients, as applicable. Additional or alternate performance measures may be provided or requested by the RTC or recipients.

Submittal date

12/20/2018

Performance Measure	Performance Metric and Standard		Corrective Action
	Baseline/Prior Year	Current	
<b>Pavement State of Repair</b>	Track city/countywide Pavement Condition Index (PCI), which rates the "surface condition" of local streets from 1 to 100, at least every three years.		Any agency with a falling PCI must provide an explanation. If the PCI drops, specify what funding amounts, policies, or other needs are required to enable increasing the PCI to 60 (fair) or above.
Average Network PCI (0-100)*	49	48	Staffing turnover contributed to declining PCI as pavement management data not updated, project design, permitting delayed. During FY17/18, 0.8 mile Freedom Blvd paving project (Broadis to Alta Vista) completed. During past six months, staffing increased through new hires, contract consultants. Several projects in FY18/19 will improve PCI. These include completed 0.5 mile reconstruction of Airport Blvd (Freedom to City limits), in-progress paving of 0.5 mile Airport Blvd (Nielsen to Hanger) and soon to bid paving 0.4 miles of Green Valley Rd (Struve Slough to Freedom) and seven-mile city-wide road maintenance project with three-layer coating system.
Date of PCI Analysis (month/year)	2017	May 2018	
Miles repaved in FY17/18 (using all funds, not just Measure D)	0	0.24	
Miles agency plans to repave in FY18/19 (using all funds, not just Measure D)	0	0.44	
Total centerline miles in jurisdiction	82.7	82.7	
<b>Complete Streets Implementation</b>			Provide an explanation if less than 20% of Measure D funds are spent on bicycle and pedestrian facilities.
Percent of annual Measure D funds used to support bicycling and walking.	N/A	82%	
Number of linear feet or lane miles of bicycle facilities built or maintained (bike lanes, bike routes, multi-use pathways)	N/A	0	
Number of pedestrian projects completed (linear feet of sidewalks, number of crossing improvements/stripping, quantify traffic calming items, lighting, landscaping/streetscape, number of curb/ADA ramps, linear feet of trail/pathway built or maintained)	N/A	1 flashing beacon	
Describe how school access was improved for children bicycling and walking, which may include collision data	N/A	Pedestrian & bicycle training at schools	
<b>Capital Project and Program Investment</b>	Investment into capital projects and programs is greater than funding program administration	Investment into capital projects and programs is greater than funding program administration	Any agency expending less on capital investments compared to other activities must explain how capital investments will increase in the subsequent years
Amount expended on capital projects and programs by phase (design, right-of-way, construction and capital support)	See Expenditures Tab	See Expenditures Tab	
<b>Leveraged Funds</b>	Report total grants and other funding secured using Measure D as a match.	Report total grants and other funding secured using Measure D as a match.	Explain if Measure D funds fully funding all projects.
Amount of competitive grants secured using Measure D as match	N/A	None	

**City of Watsonville**  
**Measure D Fund Financial Statements**  
**Watsonville, California**  
**For the Year Ended June 30, 2018**

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**CITY OF WATSONVILLE  
MEASURE D FUND FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Measure D Fund (Measure D) of the City of Watsonville, California (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing such an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above fairly, in all material respects, the financial position of the Measure D Fund as of June 30, 2018, and the change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter***

As discussed in Note 1, the financial statements present only the Measure D Fund and do not purport to, and do not present fairly the financial position of the City of Watsonville as of June 30, 2018, the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Maze & Associates*

February 24, 2019  
Pleasant Hill, California

**CITY OF WATSONVILLE**  
**MEASURE D FUND**  
**BALANCE SHEET**  
**June 30, 2018**

**ASSETS**

Cash and investments	\$ 751,831
Accounts receivable	<u>88,371</u>
<b>Total Current Assets</b>	<b><u>\$ 840,202</u></b>

**LIABILITIES**

Accounts payable	<u>\$ 8,000</u>
<b>Total Liabilities</b>	<b><u>8,000</u></b>

**FUND BALANCE**

Restricted for:	
Bicycle safety improvements program	34,414
Downtown Revitalization program	29,950
Trails maintenance	50,000
Pedestrian & Traffic safety program	39,600
Other Measure D programs	<u>678,238</u>
<b>Total Fund Balance</b>	<b><u>832,202</u></b>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	 <b><u>\$ 840,202</u></b>

See accompanying Notes to Basic Financial Statements.

**CITY OF WATSONVILLE**  
**MEASURE G FUND**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGE IN FUND BALANCE**  
**For The Year Ended June 30, 2018**

**REVENUES**

Measure D allocation	\$ 874,413
Interest	3,989
<b>Total Revenues</b>	<u>878,402</u>

**EXPENDITURES**

Bicycle safety improvements program	15,586
Downtown revitalization program	20,050
Pedestrian and traffic safety program	10,400
Street sidewalks	164
<b>Total Expenditures</b>	<u>46,200</u>

<b>NET CHANGE IN FUND BALANCE</b>	832,202
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**FUND BALANCE**

Beginning Fund Balance	-
Ending Fund Balance	<u>\$ 832,202</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF WATSONVILLE**  
**MEASURE G FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGE IN FUND BALANCE - BUDGET AND ACTUAL**  
**For The Year Ended June 30, 2018**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Sales tax - Transportation	\$ 750,000	\$ 874,413	\$ 124,413
Interest Revenue	-	3,989	3,989
<b>Total Revenues</b>	750,000	878,402	128,402
<b>EXPENDITURES</b>			
Bicycle safety improvements program	50,000	15,586	34,414
Downtown revitalization program	50,000	20,050	29,950
Trails maintenance	50,000	-	50,000
Pedestrian and traffic safety program	50,000	10,400	39,600
Street Sidewalks	830,000	164	829,836
<b>Total Expenditures</b>	1,030,000	46,200	983,800
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>\$ (280,000)</u></u>	832,202	<u><u>\$ (855,398)</u></u>
<b>FUND BALANCE</b>			
Beginning Fund Balance		-	
Ending Fund Balance		<u><u>\$ 832,202</u></u>	

See accompanying Notes to Basic Financial Statements

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**CITY OF WATSONVILLE  
MEASURE D FUND  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

On November 8, 2016, the voters of Santa Cruz County, pursuant to the provisions of the Local Transportation Authority and Improvement Act (the Act), California Public Utilities Code, Division 19, Section 180000 et seq. adopted an ordinance approving the Santa Cruz County Transportation Improvement Plan Measure (Measure D), thereby authorizing Santa Cruz County Regional Transportation Commission, referred to herein as the Local Transportation Authority (Authority), to administer the proceeds from a retail transaction and use tax of one-half of one-percent (0.5%) that will last for 30 years from the initial date of collection. The Measure D Ordinance authorizes the Authority to allocate, administer, and oversee the expenditure of all Measure D revenues and to distribute revenues no less than quarterly to local jurisdictions (including City of Watsonville), Santa Cruz Metropolitan Transit District, and the Consolidated Transportation Service Agency.

The financial statements presented only the activities of the Measure D Funding and its' related expenditures for City of Watsonville (City), and are not intended to present the financial position and changes in financial position of the City, in accordance with accounting principles generally accepted in the United States of America.

**B. Basis of Accounting**

The Measure D Fund of the City is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

**C. Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 - CASH AND INVESTMENTS**

Cash and investments at June 30, 2018, consist of the following:

Pooled cash and investments with the	
City of Watsonville	\$751,831

Please refer to the notes of the City's June 30, 2018 Comprehensive Annual Financial Report regarding cash and investments for additional detail.



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**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE WITH THE APPLICABLE REQUIREMENTS  
AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the 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, the financial statements of the City of Watsonville Measure D Fund (Measure D) as of and for the year ended June 30, 2018 and have issued our report thereon dated February 24, 2019.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the Measure D financial statements, we considered the Measure D's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Measure D's internal control. Accordingly, we do not express an opinion on the effectiveness of Measure D's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Measure D's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Measure D's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Our procedures included the applicable audit procedures and tests of compliance with the Master Funding Agreement (Agreement) between the Authority and City, and the applicable provisions of the Authority Ordinance No. 2016-01 (Ordinance). The Ordinance Section. 32 Taxpayer Safeguards, Audits, and Accountability requires that: (a) Each agency receiving Measure Revenue shall annually adopt an annual report; (b) No less than annually, an independent annual audit shall be conducted of the expenditure of all funds generated by the transportation tax. The audit, which shall be made available to the public, shall report on evidence that the expenditure of funds is in accordance with the Plan as adopted.

However, providing an Opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated December 7, 2019, which is an integral part of our audit and should be read in conjunction with this report.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Measure D's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Measure D's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Maze & Associates".

February 24, 2019  
Pleasant Hill, California