



AUDIT COMMITTEE REGULAR MEETING

CITY OF FOSTER CITY

**PURSUANT TO GOVERNOR NEWSOM'S EXECUTIVE ORDER N-29-20, THE MEETING
WILL BE HELD BY TELECONFERENCE AND/OR VIDEO CONFERENCE ONLY.**

Join Zoom Meeting

<https://fostercity-org.zoom.us/j/87244439248>

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**THE PUBLIC MAY PARTICIPATE BY SUBMITTING COMMENTS ON ANY AGENDA ITEM
VIA EMAIL PRIOR TO OR DURING THE MEETING BY SENDING THOSE COMMENTS TO
PUBLICCOMMENT-AUDIT@FOSTERCITY.ORG**

TELECONFERENCE PARTICIPANTS

**AUDIT COMMITTEE MEMBERS KEERTHANA SWAMINATHAN, MICHAEL BARRY,
FALGOON DESAI, VICE CHAIR BOB BUYERS, AND CHAIR CINDY WANG WILL
PARTICIPATE BY TELECONFERENCE PURSUANT TO GOVERNOR NEWSOM'S
EXECUTIVE ORDER N-25-20**

**PURSUANT TO RALPH M. BROWN ACT, GOVERNMENT CODE SECTION 54953, ALL
VOTES SHALL BE BY ROLL CALL DUE TO AUDIT COMMITTEE MEMBERS KEERTHANA
SWAMINATHAN, MICHAEL BARRY, FALGOON DESAI, VICE CHAIR BOB BUYERS, AND
CHAIR CINDY WANG PARTICIPATING BY TELECONFERENCE**

**ANY REQUEST FOR REASONABLE ACCOMMODATION SHOULD BE SENT TO
PUBLICCOMMENT-AUDIT@FOSTERCITY.ORG OR (650) 286-3224**

AGENDA

Tuesday November 30, 2021, 7:00 PM

I. Call to Order

II. Roll Call

III. Public Comments

IV. Minutes

- a. Approval of September 29, 2021, minutes.

V. Reports

- a. Draft Annual Comprehensive Financial Report (ACFR) for the Year Ended June 30, 2021
- b. Draft Measure A Report for the Year Ended June 30, 2021
- c. Draft Measure W Report for the Year Ended June 30, 2021
- d. Draft Appropriations Limit Report for the Year Ended June 30, 2022
- e. Draft Memorandum of Internal Control for the Year Ended June 30, 2021
- f. Draft Required Communications for the Year Ended June 30, 2021

VI. Old Business

Review and accept the updated Directed Study on Comparison of the City's Investment Portfolio with five Bay Area Cities

VII. New Business

- a. Discuss/prepare annual report of 2021 accomplishments; review mission statement and discuss/ prepare annual goals/work program to be presented to the City Council on January 21, 2022 (copy of 2020 report provided for reference)
- b. Selection of April 2022 Audit Committee Meeting Date
- c. Selection of 2022 Chair and Vice Chair

VIII. Adjournment

**City of Foster City and
Estero Municipal Improvement District
California**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Prepared by the Department of Financial Services

For the Fiscal Year Ended June 30, 2021

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
CALIFORNIA**

Annual Comprehensive Financial Report

Prepared by the Department of Financial Services

For the Fiscal Year Ended June 30, 2021

Sanjay Gehani, Mayor

Richa Awasthi, Vice Mayor

Sam Hindi, Councilmember

Jon Froomin, Councilmember

Patrick Sullivan, Councilmember

Kevin Miller, Interim City Manager

Benjamin L. Stock, City Attorney

Edmund Suen, Finance Director

Marlene Subhashini, Community
Development Director

Maria Saguisag-Sid, Human Resources Director

Tracy Avelar, Police Chief

Priscilla Schaus, Communications Director/City Clerk

Louis Sun, Public Works Director

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**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
ANNUAL COMPREHENSIVE FINANCIAL REPORT
JUNE 30, 2021**

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JUNE 30, 2021**

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INTRODUCTORY SECTION



City of Foster City

ESTERO MUNICIPAL IMPROVEMENT DISTRICT

610 FOSTER CITY BOULEVARD
FOSTER CITY, CA 94404-2222
(650) 286-3200
FAX (650) 574-3483

November 9, 2021

Honorable Mayor and Members of the City Council,
Board of Directors of the Estero Municipal Improvement District,
and Citizens of Foster City

City of Foster City, California

ANNUAL COMPREHENSIVE FINANCIAL REPORT

The Annual Comprehensive Financial Report (ACFR) of the City of Foster City (City) and the Estero Municipal Improvement District (District) for the fiscal year ended June 30, 2021 is hereby submitted. This report was prepared by the Financial Services Department, which is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation of this report, including all disclosures. We believe the data, as presented, are accurate in all material aspects and presented in a manner designed to fairly set forth the financial position and results of operations of the City/District as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain an understanding of the City/District's financial affairs have been included.

The City/District prepared the Annual Comprehensive Financial Report using the financial reporting requirements as prescribed by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*. This GASB Statement requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the management's discussion and analysis and should be read in conjunction with it. The management's discussion and analysis can be found immediately following the report of the independent auditor.

The Annual Comprehensive Financial Report is organized into three sections:

- The ***Introductory Section*** includes this transmittal letter, the City/District's organizational chart and a list of principal officials. This section is intended to familiarize the reader with the organizational structure of the City/District, the nature and scope of the services it provides, and the specifics of its legal operating environment.
- The ***Financial Section*** includes the management's discussion and analysis, the basic financial statements, notes and other required supplementary information. The basic financial statements include the government-wide financial statements that present an overview of the City/District's entire financial operations and the fund financial statements that present the financial information for each of the City/District's major funds, as well as non-major governmental and other funds. Also included in this section is the independent auditor's report on the financial statements and schedules.
- The ***Statistical Section*** contains comprehensive statistical data on the City/District's financial, physical, economic, social, and political characteristics.

The City/District's Annual Comprehensive Financial Report includes the funds of the primary government and enterprise activities that are not considered separate legal entities. Currently, there are no component units for which the primary government is financially accountable. Therefore, no financial balances or activities are reported as component units as of and for the fiscal year ended June 30, 2021.

INDEPENDENT AUDIT

The City/District requires that its financial statements be audited annually by an independent certified public accountant selected by the City Council/District Board. The City/District has contracted with Maze & Associates to conduct the audit for FY 2020-21 and the independent auditor's opinion is included in this report.

PROFILE OF THE GOVERNMENT

The District was created by the California State Legislature in 1960 as a general-purpose district with municipal power, including the power to issue municipal bonds. The Board of Directors of the District was created and issued over \$80 million in bonds to provide the infrastructure for a new, master-planned community, which was to be built on what then were a dairy farm and salt ponds adjacent to the San Francisco Bay. The bond proceeds were used to fill and reclaim the land and to finance construction of a man-made lagoon for storm drainage and recreation, a water system, a sewer system, a street system that included roads, bridges and streetlights, a parks system, and a fire station. The first residents of this new community known as "Foster City" moved into their homes in 1964.

The City was officially incorporated on April 27, 1971. The newly elected City Council also began to serve as the Board of Directors for the District. The City is a general law city and has a Council-Manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the City Mayor/District Board President and four other members. There are five City Council/District Board Members elected by seat number for staggered four-year terms, with a two-term limit. The City Manager is responsible for carrying out the policies and ordinances of the Council/Board, for overseeing day-to-day operations of the City/District, and for appointing the heads of the various departments. The City Council / District Board appoint the City Manager, City Attorney, Planning Commissioners, and Citizen Advisory Committee Members. The City Council/District Board is financially accountable for City/District operations and the Successor Agency. The Annual Comprehensive Financial Report includes all funds of the City/District, and the Successor Agency's activities are reported under fiduciary fund type as private purpose trust fund.

Located on the San Francisco Peninsula, ten (10) miles south of the San Francisco International Airport, the City/District encompasses a geographic area of 12,345 acres, of which 9,726 acres (15.20 square miles) are part of San Francisco Bay and Belmont Slough, and 2,619 acres (4.09 square miles) are land. The City/District serves a population of 32,842 residents and provides a full range of municipal services, including police protection; water and wastewater services; construction and maintenance of streets, storm drains, lagoons, levees, bridges, and infrastructure; community development and redevelopment; maintenance and protection of the physical environment; construction and maintenance of parks and recreational amenities; leisure, entertainment and educational programs; and general government operations and services. The City/District receives fire suppression, prevention and advanced life support programs/services through its member agency status with the San Mateo Consolidated Fire Department, a Joint Powers Authority between Foster City, the Belmont Fire Protection District, and the City of San Mateo

ACCOUNTING AND BUDGETING SYSTEMS

The City/District's financial picture is more readily understood with a general introduction to our accounting and budgeting systems. These systems provide the means for allocating available resources and for the proper control and recording of revenues and expenditures.

As part of our ongoing effort to maintain fiscal stewardship and financial accountability, the City/District uses a fully computerized accounting system. The accounting system is updated regularly to keep abreast of changing accounting techniques and principles. In developing, evaluating, and maintaining the City/District's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding: 1) the safeguarding of assets against loss from unauthorized use or disposition, and 2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. The City/District's internal accounting controls are designed to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City/District's budget is a detailed operating plan that identifies estimated costs and results in relation to estimated revenues. The budget includes: 1) the programs, projects, services and activities to be carried on during the fiscal year; 2) the estimated revenue available to finance the operating plan; and, 3) the estimated spending requirements of the operating plan. The budget represents a process where policy decisions by the City Council/District Board are made and then implemented. The City/District is required to adopt an annual budget on or before June 30 for the ensuing fiscal year. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various departments. All appropriations, with the exception of those for the Capital Improvement Projects funds lapse and must be re-authorized at the end of the fiscal year if they have not been spent or legally committed.

In addition to internal controls, the City/District also maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embedded in the annual appropriated budget approved by the City Council/District Board. The City Council and District Board may amend the budget by resolution. The budget is adopted at the object level of expenditure within departments. The City Manager may transfer appropriations from one program, activity, or object to another within a department within the same fund but not between departments or funds. Accordingly, the lowest level of budgetary control established by the City Council/District Board is at the department level. The City/District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end with the exception of the Capital Improvement Projects funds.

LOCAL ECONOMY

Fiscal year (FY) 2020-21 marked the 1st full fiscal year of economic impacts from the COVID-19 public health emergency. Although the City's largest revenue source, property taxes was largely insulated because of its lagging characteristics (most assessed values are determined based on a January 1 lien date, which is 6 months ahead of the beginning of each fiscal year), transient occupancy tax (TOT), the City's 2nd largest General Fund revenues category, plunged 77.4% in FY 2020-21 to \$0.99 million compared to pre-pandemic level of \$4.39 million in FY 2018-19. Sales tax revenues and the City's Recreation Center based revenues also suffered significant declines compared to pre-pandemic levels. Fortunately, strong property tax revenues, better than expected building permits fees, and \$0.41 million of federal CARES Act assistance for the COVID-19 public health emergency were sufficient to overcome those shortfalls, resulting in an overall \$3.23 million favorable General Fund actual to budget revenue (excluding Transfers In) outcome for the full fiscal year. The overall actual to budget revenue gains along with the City's expenditure reduction strategy (e.g. a citywide hiring freeze through December 31, 2020 and the reduction and/or elimination of discretionary services and supplies expenditures) combined with labor concessions of a zero cost-of-living wage adjustment across all bargaining units and unfilled staff vacancies in the 2nd half of the fiscal year due in part to a very tight labor market resulted in a preliminary General Fund surplus of \$6.37 million. Notwithstanding, since the City's General Fund had an already healthy \$58.60 million at the end of FY 2019-20, the City Council authorized a \$7.50 million additional discretionary payment (ADP) to CalPERS in FY 2020-21 to reduce the City's unfunded accrued liability (UAL). The net effect of the ADP was a \$1.13 million net reduction Fund Balance for FY 2020-21 and an ending Fund Balance in the General Fund of \$57.47 million.

LONG-TERM FINANCIAL PLAN

The City/District fiscal policies establish the framework upon which short and long-term financial decisions are made. In particular, it identifies the long-range goals needed for fiscal sustainability and guides the development of strategies necessary to achieve these goals.

The City/District has a reserve policy for its General Fund at a minimum level of 33⅓% to 50.0% of annual operating expenditures and for its Water and Wastewater Enterprise Funds a level of 25% of annual operating expenses. The reserve policy serves as a method to deter the City from spending beyond its sustainable means during periods of economic growth, while also providing the City a mechanism to maintain services at desired levels during economic downturns. In addition, a \$2 million emergency reserve is established for each of the three Capital Projects Funds programs – City, Water and Wastewater. The emergency reserve provides a level of financial resources for business continuity in the event a catastrophic occurrence. Moreover, since fiscal year 2011-2012, the City/District has generally provided long-term funding of capital improvement projects over a 10-year horizon.

The City/District has also established internal services funds (ISF) to accumulate funding for vehicle and equipment replacement, information and technology equipment maintenance and replacement, building repairs and maintenance, self-insurance for potential legal liability, and post-employment medical benefits. These ISFs serve as another component of the City/District's prudent long-term plan, to not only budget for the cost of operations from year-to-year, but to also accumulate resources to continue a high level of quality services for the future.

The City/District has adopted a five-year financial projection model as its basis for developing a long-term financial plan. The plan takes into consideration various financial and economic factors received from multiple sources. Such information includes residential and commercial property value trends, assessed valuation data, unemployment rates, consumer spending trends, consumer price indices, interest rates, investment performance of the CalPERS investment portfolio, State budget and financial forecasts, and qualitative data received from discussions and interviews with key business leaders in Foster City.

The City/District uses long-term financial planning to ensure stability through the ups-and-downs within economic cycles. It also allows decision makers to better understand the true effects of policy decisions. Through the City/District's long-term financial planning, the City/District has built up a \$52.98 million Unassigned Fund Balance for the General Fund as of June 30, 2021.

CalPERS pension reform continues to have a significant impact on the City's long-term financial plan. In addition to the current unfunded liability, the decrease in the actuarial assumption for CalPERS investment rate of return from 7.50% to 7% over a three year period from FY 2018-19 to FY 2020-21 and changes in demographic assumption have contributed to an increase in the City/District's employer contribution costs. The City/District's mandatory unfunded accrued liability payment increased by \$0.62 million from \$5.59 million to \$6.21 million in FY 2020-21 and will expand by another \$0.58 million to \$6.79 million (lump sum payment due in July 2021) in FY 2021-22. Total employer pension contributions (the aggregate of normal cost, required unfunded accrued liability payment, and the \$7.5 million ADP) for FY 2020-21 amounted to \$16.07 million.

The City/District has been closely monitoring employee compensation and benefits costs and has taken measures to address this issue, including funding post-employment medical benefit liabilities. Historically, the City/District has taken a conservative approach in providing reasonable compensation and benefits to the employees, which has kept the City/District's liabilities at a manageable level compared to other local governments. In the years following the Great Recession (December 2007 to June 2009), the City/District took steps in trimming personnel costs by reducing the work force, implementing shared services, shifting some defined benefits to defined contribution, establishing a second tier retirement plan before the California Public Employees' Pension Reform Act (PEPRA) went into effect on January, 2013, and making ADPs to pay down the City's UAL. Even as the economy has since recovered and continues to contend with the COVID-19 crisis, the City/District will continue to carefully consider the long-term implications of its decisions regarding personnel-related spending and liabilities.

The City's five-year financial projections include 2% annual wage increases for the entire period. The modest 2% annual increases is reflective of the continued uncertainty surrounding the voracity of economic recovery from COVID-19 and additional funding needs for the City's Capital Projects Fund for repairing and/or replacing the City's aging infrastructure. As customary, the City/District took a conservative approach in its revenue forecasts by excluding entitled projects such as the Gilead Sciences' Chess-Hatch development site until such time Gilead secures approved plans and permits to develop that site. In November 2018, the City Council formed a Pension Subcommittee to identify options to address the City/District's unfunded CalPERS pension liability. The Subcommittee has since recommended and the City Council authorized making two ADPs of \$3.48 million and \$7.5 million respectively in FY 2018-19 and FY 2020-21 to pay down the City's UAL and mitigate future pension cost escalation.

MAJOR INITIATIVES

The following major accomplishments and initiatives are noted/completed or are in progress as of June 30, 2021:

- Foster City's 50th anniversary – The City celebrated its golden 50th anniversary in 2021 with a series of hybrid celebratory events over the course of the year. Today, Foster City is a thriving community with a strong “sense of place”.
- Public Safety – The City continues to be among the safest; the FBI & Unified Crime Reporting (UCR) crime statistics ranked Foster City as the 10th safest city in California in 2020.
- General Fund Financial results – The City/District's Fund Balance totaled \$57.47 million. Unassigned Fund Balance improved by \$2.12 million to \$52.98 million. During the year, the City Council authorized a \$7.5 million payment to CalPERS to reduce its unfunded accrued liability, resulting in a net savings in future employer contributions of approximately \$9.73 million.
- WIFIA Loan – In November 2020, the District received approval for a \$66.86 million Water Infrastructure Finance and Innovation Act (WIFIA) loan for its joint wastewater treatment plant project with the City of San Mateo (San Mateo received a separate WIFIA loan). The loan matures on August 1, 2055 and has an interest rate of 1.14% per annum. WIFIA is a federal loan program administered by the Environmental Protection Agency (EPA) for eligible water or wastewater projects.
- COVID-19 workplace modifications – The City utilized technology to help streamline operations, including online business license renewals.
- Levee Improvements project – The City received a Aaa credit rating from Moody's Investor Services and a AA+ credit rating from S&P Global Ratings and issued \$85 million (par value) of 2020 General Obligation Bonds for its Levee Improvements project in August 2020. Construction is in progress with a scheduled completion date of January 2024.
- Preparation of FY 2021-22 budget and 5-Year Financial Plan in a COVID-19 environment – The FY 2021-22 adopted General Fund budget included a \$3.19 million revenue estimate for American Rescue Plan Act (ARPA) funding for the recovery of loss revenues from the pandemic. In July 2021, the City received \$4.05 million of ARPA monies which was \$0.86 million better than original estimates. As a result, the General Fund's estimated surplus for FY 2021-22 is now \$1.99 million. The General Fund's Unassigned Fund Balance as of June 30, 2021 stood at \$52.98 million and represents a reserve level of over 100% of FY 2021-22 budgeted General Fund operations expenditures of \$48.65 million. This healthy reserve level is the culmination of the City's prudent financial and budget policies and puts the City in a strong position to weather the continued economic impacts of COVID-19 public health emergency and not compromise providing essential services to the Foster City community.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City/District for the year ended June 30, 2020. This was the 28th consecutive year that the City/District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City/District published an easily readable and efficiently organized Annual Comprehensive Financial Report, which satisfied both accounting principles accepted in the United States of America and applicable legal requirements. The Certificate of Achievement is valid for a period of one year. I believe our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and City staff will be submitting it to the GFOA for eligibility for another certificate.

The preparation of this Annual Comprehensive Financial Report could not have been accomplished without the professional, efficient, and dedicated service of the Financial Services Department staff. In particular, I would like to express my appreciation to the following members who contributed to the development of this report: Fiti Rusli, Assistant Finance Director and Karen Li, Senior Accountant.

I also like to thank the Maze & Associates audit team for their cooperation and assistance.

Sincere appreciation is also expressed to the Mayor/President and the members of the City Council/District Board, the City Manager, the Financial Services staff, the operating departments, and members of the Audit Committee for their interest and support towards conducting the financial operations of the City/District in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Edmund Suen', written in a cursive style.

Edmund Suen
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Foster City and Estero Municipal
Improvement District, California**

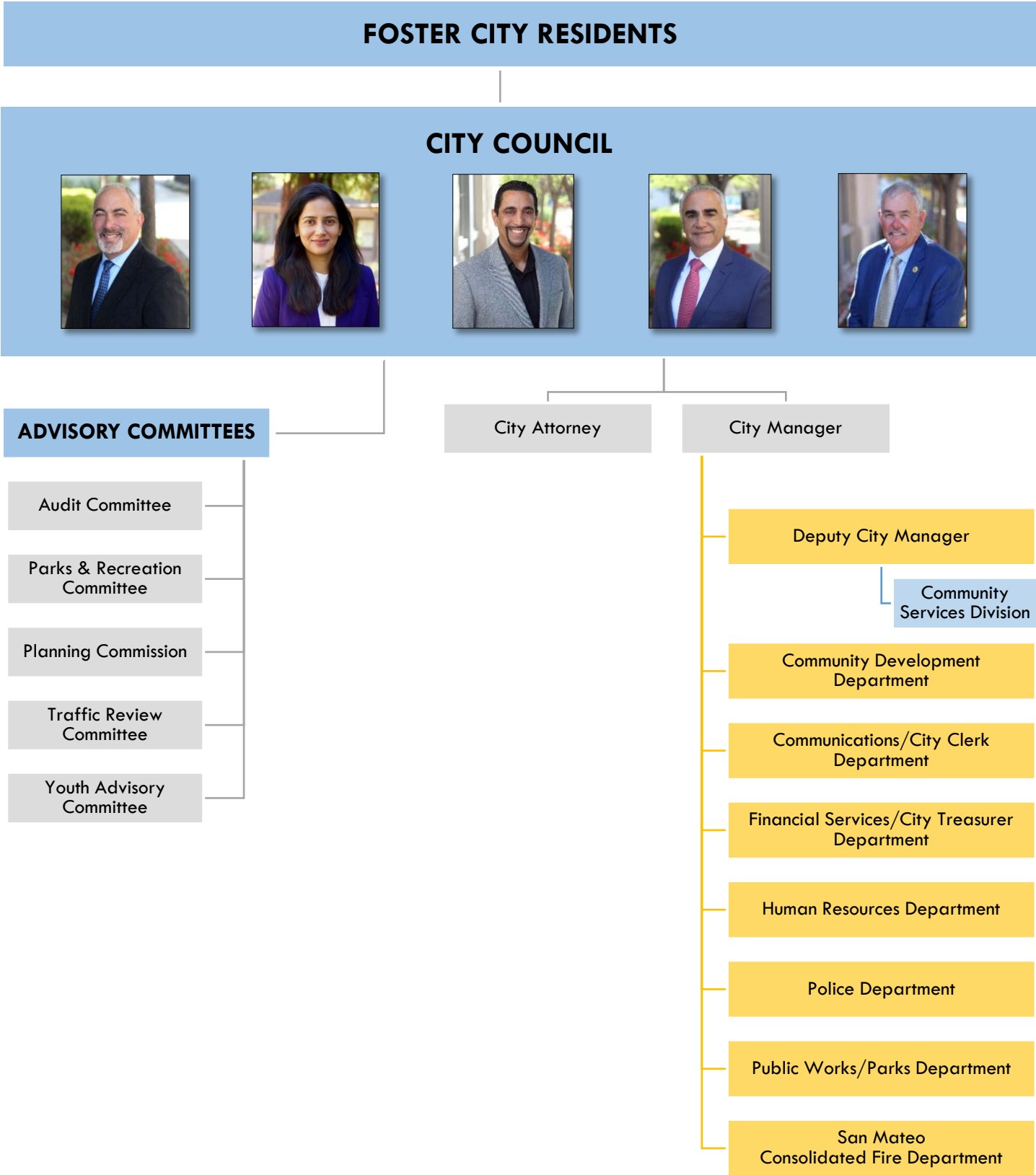
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

City of Foster City Organization Chart



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council of the City of Foster City
and the Board of Directors of the Estero Municipal Improvement District
Foster City, California

Report on Financial Statements

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 Foster City and the Estero Municipal Improvement District (City/District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City/District's basic 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 Audit 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/District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City/District'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 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/District as of June 30, 2021 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 84 – *Fiduciary Activities*, which became effective during the year ended June 30, 2021, and established the new fund type, Custodial Funds, and eliminated the fund type of Agency Funds as discussed in Note 2L to the financial statements.

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City/District's basic financial statements. The Introductory Section, Supplementary Information and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2021, on our consideration of the City/District'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/District's internal control over financial reporting and compliance.

Pleasant Hill, California
October 30, 2021

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**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2021**

This section of the City of Foster City/Estero Municipal Improvement District's (City/District) Annual Comprehensive Financial Report presents a narrative overview and analysis of the City/District's financial activities for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the Transmittal Letter and accompanying Basic Financial Statements.

FINANCIAL HIGHLIGHTS

City-wide:

- As of June 30, 2021, the City/District's total assets and deferred outflows, increased by \$119.53 million, or 24.8%, to \$601.37 million, of which \$427.81 million represented governmental assets and \$173.56 million represented business-type assets.
- The City/District's total liabilities and deferred inflows, increased by \$102.46 million, or 63.3%, to \$264.32 million, of which \$204.30 million were governmental liabilities and \$60.02 million were business-type liabilities.
- The City/District's total net position increased by \$17.07 million, or 5.3%, to \$337.05 million. Of this amount, \$22.21 million (unrestricted governmental net position) and \$47.40 million (unrestricted business-type net position) may be used to meet the government's ongoing obligations to citizens/customers, and creditors.
- City-wide revenues increased by \$1.49 million, or 1.7%, to \$92.18 million, of which \$60.01 million were generated by governmental activities and \$32.17 million were generated by business-type activities.
- City-wide expenses decreased by \$0.8 million, or 1%, to \$75.11 million, of which \$52.20 million were incurred by governmental activities and \$22.91 million were incurred by business-type activities.
- Detailed analysis is provided under the GOVERNMENT-WIDE FINANCIAL ANALYSIS caption.

Fund Level:

- Governmental Fund balances increased \$66.79 million, or 50.9%, to \$198.04 million. Of this amount, \$52.98 million, or 26.8%, were in unassigned fund balance and available for spending at the City's discretion.
- Governmental Fund revenues were \$59.85 million, an increase of \$1.46 million or 2.5%, from \$58.39 million in the prior fiscal year.
- Governmental Fund expenditures increased by \$36.67 million, or 74.1%, to \$86.14 million in FY 2020-21 from \$49.47 million in the prior fiscal year.
- Enterprise Fund net position increased by \$8.97 million, or 8.8 %, to \$111.03 million. Of this amount, \$44.88 million were in unrestricted net position and available for spending at the District's discretion.
- Enterprise Fund operating revenues were \$33.37 million in FY 2020-21, an increase of \$3.17 million from \$30.2 million in FY 2019-20.
- Enterprise Fund operating expenses were \$23.19 million in FY 2020-21, an increase of \$0.12 million from \$23.07 million in FY 2019-20.
- Detailed analysis is provided under the FINANCIAL ANALYSIS OF THE CITY/DISTRICT'S FUNDS caption.

**CITY OF FOSTER CITY AND
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Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2021**

OVERVIEW OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT

The City/District's annual report comprises of six parts:

- 1) *Introductory section*, which includes the Transmittal Letter and general information;
- 2) *Management's Discussion and Analysis* (this part);
- 3) *Basic Financial Statements*;
- 4) *Required Supplementary Information*;
- 5) *Combining Statements* for non-major governmental funds, internal service funds, fiduciary funds, and *budgetary comparison schedules* for non-major governmental funds; and
- 6) *Statistical Information*.

The *Basic Financial Statements* are comprised of three components: 1) Government-wide financial statements; 2) Fund financial statements; and 3) Notes to the basic financial statements.

The **Government-Wide Financial Statements** are designed to provide readers with a broad overview of City/District finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all the City/District's assets and liabilities, with the difference between the assets and liabilities shown as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City/District is improving or deteriorating.

The *statement of activities* presents information showing how the City/District's net position changed during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of these government-wide financial statements distinguish functions of the City/District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City/District include general government, public safety, public works, community development, and parks and recreation. The business-type activities of the City/District include water and wastewater operations. The government-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City/District as a whole.

The **Fund Financial Statements** are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City/District, like other states and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All the funds of the City/District can be divided into three primary categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

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OVERVIEW OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT (CONTINUED)

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 funds 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 determining what financial resources are available in the near future to finance the City/District's programs.

The focus of governmental funds is narrower than that of the 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 funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds organized according to their type. 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, Low and Moderate Income Housing Assets Fund, Foster City Affordable Housing Fund, City Capital Projects Fund, Capital Asset Preservation Fund and Levee Capital Project Fund, all of which are considered to be *major funds*. Data from the remaining governmental funds are combined into a single, aggregated column entitled "Non-Major Governmental Funds". Individual and combining fund data for each of these non-major governmental funds is provided as *other supplementary information* in this report.

Proprietary funds are generally used to account for services for which the City/District charges customers – either outside customers, or internal units or departments of the City/District. Proprietary funds provide the same type of information shown in the government-wide financial statements, only in more detail. The City/District maintains the following two types of proprietary funds:

- *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City/District uses enterprise funds to account for the water and wastewater operations.
- *Internal service funds* are used to report activities that provide supplies and services for certain City/District programs and activities. The City/District uses internal service funds to account for the City/District's vehicle rental, equipment replacement, self-insurance, information technology, building maintenance, longevity recognition benefits, the Public Employees Medical and Hospital Care Act (PEMHCA) benefits, and compensated absences payoff. Since these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Fiduciary funds are used to account for the financial activities where the City/District acts as an agent on behalf of others, holding amounts collected, and disbursing them as directed or required. The City/District's fiduciary activities are reported in the separate Statements of Fiduciary Net Position and the Agency Funds Statement of Changes in Net Position. These activities are excluded from the City/District's other financial statements because the City/District cannot use these assets to finance its own operations.

Notes to the Basic Financial Statements provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
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OVERVIEW OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT (CONTINUED)

The *required supplementary information* includes the City/District's General Fund, Low and Moderate Income Housing Assets Fund, and budgetary comparison schedule and the Schedule of Funding Progress for the City/District's pension plans and OPEB obligations. The City/District adopts an annual appropriated budget for its General Fund, Low and Moderate Income Housing Asset Fund, and budgetary comparison schedules are provided to demonstrate compliance with this budget.

The *other supplementary information* contains the combining and individual fund statements and schedules, which provide information for non-major governmental funds and the internal service funds, all of which are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net position
June 30, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total		Amount Change	Percent Change
	2021	2020	2021	2020	2021	2020		
Assets:								
Current and other assets	\$ 273,368,998	\$ 202,497,904	\$ 68,819,317	\$ 74,035,501	\$ 342,188,315	\$ 276,533,405	\$ 65,654,910	23.74%
Capital assets	129,905,492	102,819,233	103,360,569	86,222,517	233,266,061	189,041,750	44,224,311	23.39%
Total assets	<u>403,274,490</u>	<u>305,317,137</u>	<u>172,179,886</u>	<u>160,258,018</u>	<u>575,454,376</u>	<u>465,575,155</u>	<u>109,879,221</u>	<u>23.60%</u>
Deferred outflows of resources	24,535,715	15,340,131	1,383,793	923,685	25,919,508	16,263,816	9,655,692	59.37%
Total assets and deferred outflows combined	427,810,205	320,657,268	173,563,679	161,181,703	601,373,884	481,838,971	119,534,913	24.81%
Liabilities:								
Current and other liabilities	19,625,939	13,149,347	10,964,010	7,865,329	30,589,949	21,014,676	9,575,273	45.56%
Long-term liabilities	178,491,448	83,671,304	48,727,733	48,607,606	227,219,181	132,278,910	94,940,271	71.77%
Total Liabilities	<u>198,117,387</u>	<u>96,820,651</u>	<u>59,691,743</u>	<u>56,472,935</u>	<u>257,809,130</u>	<u>153,293,586</u>	<u>104,515,544</u>	<u>68.18%</u>
Deferred inflows of resources	6,186,737	8,146,137	326,949	420,950	6,513,686	8,567,087	(2,053,401)	-23.97%
Total liabilities and deferred inflows combined	204,304,124	104,966,788	60,018,692	56,893,885	264,322,816	161,860,673	102,462,143	63.30%
Net position:								
Net investment in capital assets	129,905,492	102,819,233	66,148,527	62,401,864	196,054,019	165,221,097	30,832,922	18.66%
Restricted	71,387,356	10,601,909	-	-	71,387,356	10,601,909	60,785,447	573.34%
Unrestricted	22,213,233	102,269,338	47,396,460	41,885,954	69,609,693	144,155,292	(74,545,599)	-51.71%
Total net position	<u>\$ 223,506,081</u>	<u>\$ 215,690,480</u>	<u>\$ 113,544,987</u>	<u>\$ 104,287,818</u>	<u>\$ 337,051,068</u>	<u>\$ 319,978,298</u>	<u>\$ 17,072,770</u>	<u>5.34%</u>

Net Position

Net position may serve over time as a useful indicator of a government's financial position. This analysis focuses on the net position and year-to-year changes in net position of the City/District as a whole. The City/District's combined net position was \$337.05 million. This represents the difference between the sum of total assets and deferred outflows of resources and the sum of total liabilities and deferred inflows. The overall net position increased by \$17.07 million to \$337.05 million, or 5.3%, from \$319.98 million in the prior fiscal year. This change in net position reflects an overall increase in the Statement of Activities and is explained later in this report. In FY 2014-15, the City/District implemented GASBs 68 and 71, which required

**CITY OF FOSTER CITY AND
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Management's Discussion and Analysis
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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

the recording of net pension liability and pension related deferred inflows and outflows. In FY 2016-17, the City/District implemented GASB 73, which required the recording of net pension liability for the Longevity Recognition Benefits Program. In FY 2017-18, the City implemented GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (“OPEB”), for its retiree health benefits. See Note 9 and 13 for details on the effects of these accounting standards.

The largest portion, approximately 58.2% or \$196.05 million of the City/District’s net position represents its investment in infrastructure and other capital assets (e.g., land, building, other improvements, etc.). The City/District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The restricted portion of the City/District’s net position of \$71.39 million or 21.2% represents resources that are subject to restrictions, which were placed by outsiders and cannot be changed by the City/District.

The remaining balance of unrestricted net position of \$69.61 million, or 20.7%, is for unrestricted uses in accordance with finance-related legal requirements reflected in the City/District’s fund structure. These can be used to finance day-to-day operations without constraints established by legal requirements or restrictions.

At the end of FY 2020-21, the City/District had positive balances in all three categories of net positions for the government as a whole.

	Governmental Activities		Amount Change	Percent Change
	2021	2020		
Assets:				
Current and other assets	\$ 273,368,998	\$ 202,497,904	\$ 70,871,094	35.00%
Capital assets	129,905,492	102,819,233	27,086,259	26.34%
Total assets	<u>403,274,490</u>	<u>305,317,137</u>	<u>97,957,353</u>	<u>32.08%</u>
Deferred outflows of resources	24,535,715	15,340,131	9,195,584	59.94%
Liabilities:				
Current and other liabilities	19,625,939	13,149,347	6,476,592	49.25%
Long-term liabilities	178,491,448	83,671,304	94,820,144	113.32%
Total Liabilities	<u>198,117,387</u>	<u>96,820,651</u>	<u>101,296,736</u>	<u>104.62%</u>
Deferred inflows of resources	6,186,737	8,146,137	(1,959,400)	-24.05%
Net position:				
Net investment in capital assets	129,905,492	102,819,233	27,086,259	26.34%
Restricted	71,387,356	10,601,909	60,785,447	573.34%
Unrestricted	22,213,233	102,269,338	(80,056,105)	-78.28%
Total net position	<u>\$ 223,506,081</u>	<u>\$ 215,690,480</u>	<u>\$ 7,815,601</u>	<u>3.62%</u>

The net position of the City/District’s governmental activities increased by \$7.82 million. This increase consists of three components:

- Net investment in capital assets** – The \$27.09 million increase was due to capital asset additions (primarily from construction in progress for the Levee project) greater than the sum of capital asset disposals, retirements, and depreciation.
- Restricted net position** – The \$60.79 million increase was due primarily to the addition of restricted net positions from the Levee Capital Project Fund and the Debt Service Fund (for the City’s Levee project) of \$50.17 million and \$9.94 million respectively in FY 2020-21.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

3. **Unrestricted net position** – The \$80.06 million decline was due mainly to the \$7.82 million improvement in net position as indicated in the Statement of Activities less the increases in Net Investment in Capital Assets and Restricted Net Position of \$27.09 million and \$60.79 million respectively.

	Business-Type Activities		Amount Change	Percent Change
	2021	2020		
Assets:				
Current and other assets	\$ 68,819,317	\$ 74,035,501	\$ (5,216,184)	-7.05%
Capital assets	103,360,569	86,222,517	17,138,052	19.88%
Total assets	<u>172,179,886</u>	<u>160,258,018</u>	<u>11,921,868</u>	<u>7.44%</u>
Deferred outflows of resources	1,383,793	923,685	460,108	49.81%
Liabilities:				
Current and other liabilities	10,964,010	7,865,329	3,098,681	39.40%
Long-term liabilities	48,727,733	48,607,606	120,127	0.25%
Total Liabilities	<u>59,691,743</u>	<u>56,472,935</u>	<u>3,218,808</u>	<u>5.70%</u>
Deferred inflows of resources	326,949	420,950	(94,001)	-22.33%
Net position:				
Net investment in capital assets, net of related debt	66,148,527	62,401,864	3,746,663	6.00%
Unrestricted	47,396,460	41,885,954	5,510,506	13.16%
Total net position	<u>\$ 113,544,987</u>	<u>\$ 104,287,818</u>	<u>\$ 9,257,169</u>	<u>8.88%</u>

The net position of the City/District's business-type activities increased by \$9.26 million. This increase consists of two components.

1. **Net Investment in capital assets, net of related debt** – The \$3.75 million increase was due to new asset additions during the year greater than depreciation charges. Most of the new asset increases were from construction in progress for the City/District apportionment of the joint wastewater treatment plant project with the City of San Mateo. Detailed analysis of the Capital Assets is provided under Note No. 6.
2. **Unrestricted net position** – The \$5.51 million increase was due mainly to the change in net position as indicated in the Statement of Activities of \$9.26 million less the \$3.75 million for the net increase in capital assets.

**CITY OF FOSTER CITY AND
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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in Net Position – The following table identifies the changes in net position for governmental and business-type activities:

	Governmental Activities		Business-Type Activities		Total		Amount Change	Percent Change
	2021	2020	2021	2020	2021	2020		
Program Revenues								
Charges for services	\$ 4,645,646	\$ 5,109,649	\$ 33,368,906	\$ 30,202,743	\$ 38,014,552	\$ 35,312,392	\$ 2,702,160	7.65%
Operating grants and contributions	1,572,224	1,302,269			1,572,224	1,302,269	269,955	20.73%
Capital grants and contributions	1,347,461	979,700	446	21,216	1,347,907	1,000,916	346,991	34.67%
General Revenues								
Taxes	45,740,834	41,958,844	-	-	45,740,834	41,958,844	3,781,990	9.01%
Contributions not restricted to specific programs	4,073,476	4,424,946	-	-	4,073,476	4,424,946	(351,470)	-7.94%
Unrestricted investment and rental income	2,191,807	5,672,389	(1,247,738)	81,433	944,069	5,753,822	(4,809,753)	-83.59%
Gain (loss) on JPA Investment	(1,549)	663,404	-	-	(1,549)	663,404	(664,953)	-100.23%
Gain (loss) on Sale of Capital Asset	-	-	-	(10,665)	-	(10,665)	10,665	-100.00%
Other	443,850	237,699	50,647	49,043	494,497	286,742	207,755	72.45%
Total Revenues	60,013,749	60,348,900	32,172,261	30,343,770	92,186,010	90,692,670	1,493,340	1.65%
Expenses								
General government	6,088,435	6,702,456	-	-	6,088,435	6,702,456	(614,021)	-9.16%
Public safety	26,085,045	26,733,077	-	-	26,085,045	26,733,077	(648,032)	-2.42%
Public works	4,575,342	5,376,875	-	-	4,575,342	5,376,875	(801,533)	-14.91%
Community development	3,254,326	2,980,907	-	-	3,254,326	2,980,907	273,419	9.17%
Parks and recreation	10,678,377	11,256,138	-	-	10,678,377	11,256,138	(577,761)	-5.13%
Interest on long term debt	1,516,623	-	-	-	1,516,623	-	1,516,623	100.00%
Water operations	-	-	14,711,672	14,978,448	14,711,672	14,978,448	(266,776)	-1.78%
Wastewater operation	-	-	8,203,420	7,876,915	8,203,420	7,876,915	326,505	4.15%
Total Expenses	52,198,148	53,049,453	22,915,092	22,855,363	75,113,240	75,904,816	(791,576)	-1.04%
Excess (deficiency) of revenues over (under) expenses before transfers	7,815,601	7,299,447	9,257,169	7,488,407	17,072,770	14,787,854	2,284,916	15.45%
Transfers in (out)	-	-	-	-	-	-	-	0.00%
Change in net position	7,815,601	7,299,447	9,257,169	7,488,407	17,072,770	14,787,854	2,284,916	15.45%
Net position, beginning of year	215,690,480	208,391,033	104,287,818	96,799,411	319,978,298	305,190,444	14,787,854	4.85%
Prior period adjustment	-	-	-	-	-	-	-	-
Net position, end of year	\$ 223,506,081	\$ 215,690,480	\$ 113,544,987	\$ 104,287,818	\$ 337,051,068	\$ 319,978,298	\$ 17,072,770	5.34%

Key changes to **revenue** categories are explained below:

- **Charges for Services** – The \$0.5 million decrease in Governmental Activities was primarily from declines in recreation program fees of \$1.11 million due to the COVID-19 public health emergency and general government fees of \$0.25 million. These declines was partially mitigated by gains in community development fees of \$0.94 million. Revenues for Business-Type activities increased by \$3.17 million as water rates, fixed meter charges and wastewater rates were all raised in FY 2020-21 to pay for anticipated increases in water purchases, operating costs, and debt service payments for financing the wastewater treatment plant capital improvements project.
- **Operating Grants and Contributions** – Governmental Activities for operating grants and contributions increased by \$0.27 million to \$1.57 million as the City received federal CARES Act assistance associated with the COVID-19 public health emergency for \$0.41 million.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

- Capital Grants and Contributions – Governmental Activities for capital grants and contributions saw a \$0.37 million increase to \$1.35 million as the City received funding for sports fields, street rehabilitation, and traffic signals capital improvement projects.
- Taxes – The \$3.78 million increase in Governmental Activities included higher property tax revenues of \$6.45 million primarily from new development and higher reassessed values from the sales of existing homes diminished by a \$2.51 million decline in transient occupancy tax as a result of a severe drop in business travel due mainly to the COVID-19 public health emergency.
- Unrestricted Investment and Rental Income - The \$3.49 million decrease in Governmental Activities is largely due to steep declines in investment yields as the Federal Reserve kept the Discount Rate to near zero as the COVID-19 health emergency persisted over the course of the entire fiscal year. The \$1.33 million decrease in Business-Type Activities was also impacted by the Federal Reserve action as well as the 2019 Wastewater Revenue Bond interest expense which is netted against investment income.

Key changes in **expense** categories are explained below:

- General Government – Expenses decreased by \$0.61 million to \$6.09 million, mainly from staff separations and unfilled vacancies.
- Public Safety – Expenses decreased by \$0.65 million to \$26.09 million in the Public Safety (Police and Fire) departments. Unfilled vacancies in both sworn and police dispatchers contributed to the savings.
- Public Works – Expenses decreased by \$0.80 million to \$4.58 million as both personnel vacancies and work plan delays curbed spending.
- Community Development – Expenses increased by \$0.27 million to \$3.25 million. The City provide a \$0.3 million commercial façade improvement grant to a local shopping center.
- Parks and Recreation – Expenses declined by \$0.58 million to \$10.68 million as operating expenses decreased with the cancellation of programs in the City's recreation center.
- Water Operation – Expenses decreased by \$0.27 million or 1.8% to \$14.71 million with utility expenses (primarily water purchases) declining from \$9.73 million to \$9.47 million.
- Wastewater Operation – Expenses increased by \$0.33 million or 4.2% to \$8.20 million with slight gains in both personnel and operating costs.

**CITY OF FOSTER CITY AND
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FINANCIAL ANALYSIS OF THE CITY/DISTRICT'S FUNDS

Governmental Funds

As of June 30, 2021, the City/District's governmental funds reported combined fund balances of \$198.04 million. Of this total, \$0.02 million are non-spendable, \$71.13 million are considered restricted funds, \$73.91 million are committed by the City Council/District Board for specified projects or uses, and the remaining \$52.98 million are unassigned and available for general use.

Total revenues, expenditures, and changes in fund balances for the fiscal years ended June 30, 2021 and June 30, 2020 are shown below.

	2021		2020		Increase / (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
Revenues by Source						
Taxes	\$ 48,326,501	80.75%	\$ 44,477,091	76.17%	\$ 3,849,410	8.65%
Licenses and permits	3,472,940	5.80%	3,399,595	5.82%	73,345	2.16%
Intergovernmental	2,438,138	4.07%	1,915,314	3.28%	522,824	27.30%
Charges for current services	1,841,360	3.08%	1,807,364	3.10%	33,996	1.88%
Fines and forfeitures	68,347	0.11%	90,960	0.16%	(22,613)	-24.86%
Park-in-lieu	-	0.00%	480,000	0.82%	(480,000)	-100.00%
Investment and rental income	2,052,552	3.43%	4,719,935	8.08%	(2,667,383)	-56.51%
Other	1,650,893	2.76%	1,500,190	2.57%	150,703	10.05%
Total revenues	59,850,731	100.00%	58,390,449	100.00%	1,460,282	2.50%
Expenditures by Function						
General Government	6,779,021	7.87%	5,944,704	12.02%	834,317	14.03%
Public safety	28,058,943	32.57%	23,389,575	47.28%	4,669,368	19.96%
Public works	2,860,679	3.32%	3,114,099	6.30%	(253,420)	-8.14%
Community development	3,874,174	4.50%	2,884,972	5.83%	989,202	34.29%
Parks and recreation	10,544,668	12.24%	9,386,057	18.97%	1,158,611	12.34%
Capital outlay	32,503,065	37.73%	4,747,124	9.60%	27,755,941	584.69%
Interest on long term debt	1,516,623	1.76%	-	0.00%	1,516,623	100.00%
Total expenditures	86,137,173	100.00%	49,466,531	100.00%	36,670,642	74.13%
Revenues over (under) expenditures	(26,286,442)		8,923,918		(35,210,360)	
Sale of capital assets	642,545		622,025		20,520	
Issuance of long term debt	91,835,167		-		91,835,167	
Transfer in	8,012,976		5,978,262		2,034,714	
Transfer out	(7,412,976)		(5,255,112)		(2,157,864)	
Net change in fund balances	66,791,270		10,269,093		\$ 56,522,177	
Fund balances, beginning of year	131,250,079		120,980,986			
Fund balances, end of year	\$ 198,041,349		\$ 131,250,079			

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2021**

FINANCIAL ANALYSIS OF THE CITY/DISTRICT'S FUNDS (CONTINUED)

Key changes to **revenue** categories are explained below:

- Taxes – The increase of \$3.85 million is due to gains in property tax revenues and property tax in lieu of vehicle license fees (VLF) totaling \$6.45 million but diluted by declines in transient occupancy tax and sales tax of \$2.51 million and \$0.09 million respectively.
- Licenses and permits – Combined total revenues had slight gains, increasing from \$3.40 million to \$3.47 million.
- Intergovernmental – The \$0.52 million increase is substantially from the receipt of \$0.41 million of federal CARES Act assistance associated with the COVID-19 public health emergency.
- Park in-lieu fees – The City did not have any development projects that were subject to park-in-lieu payments in FY 2020-21, resulting in a \$0.48 million decline for the year.
- Investment and rental income – The decrease of \$2.67 million is primarily from lower investment income driven by the Federal Reserve's continued monetary policy of maintaining interest rates at near zero so as to stimulate the U.S. economy in light of the COVID-19 public health emergency.

Key changes in **expenditure** categories are explained below:

- General Government, Public Safety, Public Works, Community Development, and Parks and Recreation – The aggregate expenditures for these five functions increased by \$7.4 million from FY 2019-20 to FY 2020-21. The primary reason is that the City made two additional discretionary payments of \$4.09 million and \$3.41 million to CalPERS to reduce the unfunded pension liability for its miscellaneous plan and safety plan respectively. Absence of this non-recurring expenditure of \$7.5 million, expenditures actually declined by \$0.10 million as there were multiple staff vacancies.
- Capital Outlay – Capital outlay increased by \$27.76 million to \$32.50 million as capital project expenditures accelerated, led by the commencement of construction in the Levee Protection Planning and Improvements project.

The following provides highlights of the six (6) **Major Governmental Funds**.

General Fund – The General Fund represents the single most important governmental fund of the City/District. The governing body and executive staff spend a significant amount of time during the year closely monitoring the financial health and operations of this fund, which provides core municipal services to the public. The total Fund Balance at June 30, 2021 was \$57.47 million, which was a \$1.13 million lower than the prior year's mark of \$58.60 million. Unassigned fund balance finished the year at \$52.98 million, improving by \$2.12 million from the prior year total of 50.86 million.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2021**

FINANCIAL ANALYSIS OF THE CITY/DISTRICT'S FUNDS (CONTINUED)

General Fund revenues decreased \$2.28 million in FY 2020-21 to \$49.15 million. Property tax revenues, including Motor Vehicle In-Lieu climbed by \$1.87 million to \$37.06 million as new development and reassessment of homes sold contributed to the gains. Transient Occupancy Tax revenues fell by \$2.51 million as the COVID-19 public health emergency decimated business travel and lodging. Sales and use tax revenues was essentially flat at \$3.13 million compared to \$3.15 million in the prior year. Charges for Current Services fell by \$0.67 million as the City's Recreation Center was closed during majority of the fiscal year due to the shelter in place orders associated with the COVID-19 public health emergency. As a result, recreation center programming and related revenues were substantially impaired. Investment and rental income fell by \$1.31 million as short term interest rates (i.e. one-year treasuries) averaged less than 0.10% in FY 2020-21. Intergovernmental revenues rose by \$0.36 million as the City received federal CARES Act assistance associated with the COVID-19 public health emergency for \$0.41 million

General Fund expenditures, excluding Transfers In/Out increased by \$7.23 million to \$50.17 million in FY 2020-21 as the City made a one-time \$7.5 million additional discretionary payment to CalPERS to reduce its unfunded accrued pension liability. Excluding this expenditure, a very tight labor market contributed to unfilled vacant positions.

In aggregate, General Fund expenditures exceeded revenues by \$1.02 million. After deducting \$0.11 million of Net Transfers In/Out, the net decrease in the General Fund was \$1.13 million, resulting in a fiscal year ending June 30, 2021 Fund Balance of \$57.47 million, of which \$52.98 million were Unassigned.

Low and Moderate Income Housing Assets Fund – This fund was established for the Housing Successor to continue the existing Low and Moderate Income Housing program. As of June 30, 2021, the Low and Moderate Income Housing Assets Fund had a restricted fund balance of \$2.03 million, an increase of \$0.03 million from the prior year. The fund's revenues sources are the rental income from the existing six affordable housing units and repayments from the first-time home buyers' loans.

Foster City Affordable Housing Fund – This fund was established to utilize the proceeds from the San Mateo County redistribution of unencumbered housing tax increments from the former Foster City Community Development Agency for future affordable housing projects in the City. As of June 30, 2021, the Fund had a Committed Fund Balance of \$0.83 million, a decrease of \$0.09 million from the prior year.

City Capital Projects Fund – The City Capital Projects fund is a key fund of the City/District. This fund pays for infrastructure improvement and significant maintenance projects for which other resources (e.g., Gas Tax, Measure A, Measure M, SB1 funds, etc.) do not pay. As of June 30, 2021, this Fund had a Committed Fund Balance of \$21.36 million which is an increase of \$5.66 million from the prior fiscal year. The increase came primarily from a \$5.19 million Transfers In from the Levee Capital Projects Fund as repayment for monies previously advanced for by the City Capital Projects Fund for the Levee project prior to the issuance of permanent general obligation bond debt financing that was completed in August 2020.

Capital Asset Preservation Fund – The City/District created the Capital Asset Preservation Fund to hold the proceeds from sale of the 11-acre site to North Peninsula Jewish Campus and the proceeds from the sale of the 15 acre site adjacent City Hall to the New Home Company for future capital asset acquisitions and replacements subject to the approval by 4/5th of the City Council. As of June 30, 2021, this fund had a committed fund balance of \$43.58 million.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
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FINANCIAL ANALYSIS OF THE CITY/DISTRICT’S FUNDS (CONTINUED)

Levee Capital Project Fund – In FY 2020-21, the City added a new Levee Capital Project fund for the construction of an upgraded levee system that meets FEMA accreditation for flood protection. The City issued \$85 million (par value) of general obligation bonds in August 2020 for the financing of this project. As of June 30, 2021 this fund had a restricted fund balance of \$50.17 million.

The following provides highlights of the operations of the three (3) *Proprietary Funds* for the year.

Water – Estero Municipal Improvement District provides water services to customers located within the District, primarily the “94404” zip code which encompasses all of Foster City and a portion of San Mateo. Unrestricted net position for the Water Fund totaled \$18.99 million as of June 30, 2021, meeting the Governing Board’s policy of holding a minimum operating reserve level of 25% of annual operating expenses plus a \$2 million reserve level for capital improvement projects.

Wastewater – The District provides wastewater collection services to customers in Foster City and partners with the City of San Mateo in a joint powers agreement for a Wastewater Treatment Plant (WWTP). Unrestricted net position totaled \$25.89 million as of June 30, 2021, meeting the District Board’s reserve policy requirement of holding a minimum operating reserve level of 25% of annual operating expenses and a \$2 million reserve for capital improvement projects. The total also includes \$2 million for wastewater rate stabilization.

Internal Service Funds – These funds provide services and funding mechanisms to facilitate the operating departments within the City/District in providing services to the community. These services include vehicle / fleet rental, equipment replacement, self-insurance risk management, information technology, building maintenance, and funding for the Longevity Recognition Benefits Program, Public Employees’ Medical and Hospital Care Act (PEMHCA) post-retirement medical programs, and compensated absences liabilities. Total unrestricted net position as of June 30, 2021 was \$35.18 million, which was a \$2.51 million increase from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City Council’s amended General Fund budget for fiscal year 2020-21 included \$56.53 million in appropriations and transfers out to other funds, with estimated revenues and transfers in from other funds totaling \$47.20 million.

Total revenues for the year were \$3.20 million above amended budget estimates. Property tax topped budget by \$3.10 million with gains in assessed values from new development projects and home sales. Sales tax and rental income exceeded expectations by \$0.33 million and 0.35 million respectively as sales/use tax from the County Pool grew and rental income from the City’s golf operator expanded by \$0.28 million due to a resurgence of golf course and driving range play. Transient Occupancy Tax (TOT) revenues under performed by \$1.43 million due primarily to the continued adverse effects of COVID-19 on business travel. Building Permit revenues bested estimated by \$0.59 million as development activity and leasehold and home improvement were contributors to the stronger results. Intergovernmental revenues had a favorable \$0.58 million outcome, benefitting from the receipt of \$0.41 million of federal CARES Act assistance associated with the COVID-19 public health emergency. Investment income missed budget by \$0.47 million as the combination of depressed investment earnings due to the very low interest rate environment and an unrealized mark-to-market loss battered results.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management’s Discussion and Analysis
for the Fiscal Year Ended June 30, 2021**

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

Total expenditures for the year were \$4.99 million below the final budget. The City budgeted a 2% increase in annual wage adjustment for FY 2020-21. However, due to the continued economic uncertainties from the COVID-19 public health emergency, the 2% increase did not materialize as each of the City’s labor agreements had expired prior to FY 2020-21. In addition, multiple staff vacancies did not get filled because of a very tight labor market and changes in the City’s organization. There was also \$0.54 million of savings from unspent appropriations in the Community Benefits Program.

CAPITAL ASSETS

The City/District’s investment in capital assets for its governmental and business-type activities as of June 30, 2021 totaled \$233.27 million (net of accumulated depreciation). They include land, buildings, infrastructure, structures and improvements, equipment, vehicles, intangible assets, and construction in progress.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Business-Type Activities		Total		Amount Change	Percent Change
	2021	2020	2021	2020	2021	2020		
Land	\$ 11,102,221	\$ 11,102,221	\$ 3,553,474	\$ 3,553,474	\$ 14,655,695	\$ 14,655,695	\$ -	0.00%
Infrastructure, structures and improvements	76,957,732	80,206,499	25,245,692	25,484,078	102,203,424	105,690,577	(3,487,153)	-3.30%
Equipment, vehicles and software	3,664,290	4,078,414	1,518,913	1,633,351	5,183,203	5,711,765	(528,562)	-9.25%
Sewer Capacity Rights			16,759,880	17,255,711	16,759,880	17,255,711	(495,831)	-2.87%
Construction in progress	38,181,249	7,432,099	56,282,610	38,295,903	94,463,859	45,728,002	48,735,857	106.58%
Total	\$ 129,905,492	\$ 102,819,233	\$ 103,360,569	\$ 86,222,517	\$ 233,266,061	\$ 189,041,750	\$ 44,224,311	23.39%

Capital assets for Governmental activities increased by \$27.09 million with additions of new assets (primarily from the Levee Protection Planning and Improvements project) exceeding depreciation, disposals, and retirements of assets. Infrastructure assets, equipment and software, and construction in progress for business-type activities increased by \$17.14 million as construction of the District’s joint wastewater treatment plant project with the City of San Mateo continued.

The City/District depreciates all its capital assets over the assets’ estimated useful lives. The purpose of depreciation is to spread the cost of the capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information about the City/District’s capital assets can be found in Note 6 to the financial statements.

DEBT ADMINISTRATION

As of June 30, 2021, the City/District had total long-term obligations of \$227.22 million, which comprised of compensated absences of \$2.15 million, PG&E On-Bill Loan of \$0.10 million, 2020 levee general obligation bonds including unamortized bond premium of \$87.94 million, 2019 wastewater revenue bonds including unamortized bond premium of \$38.87 million, other post-employment benefits (OPEB) liability of \$11.08 million and Net Pension Liability of \$87.08 million (\$83.14 million for CalPERS and \$3.94 million for the Longevity Recognition Benefits Program). Additional information about the City/District’s long-term obligations can be found in Note 7 and 9 to the financial statements.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management’s Discussion and Analysis
for the Fiscal Year Ended June 30, 2021**

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The City/District prides itself in the prudent management of its financial resources through long-term financial strategies and conservative financial decisions. Over the past six years, City Council and City staff have together strengthened the City/District’s Net Position so that it may have financial resources to address its unmet needs and unfunded liabilities. In June 2019, the City Council authorized using the FY 2017-18 General Fund surplus to address various needs, including authorizing a \$3.48 million payment to CalPERS to reduce the unfunded pension liability of the City’s safety plan. Similarly in March 2020, during the onset of the COVID-19 public health emergency, the City Council authorized designating \$3.5 million of the FY 2018-19 General Fund surplus to the Pension Stabilization Fund. In 2021, the City Council designated the entire \$4.05 million of FY 2019-20 General Fund surplus on top of the \$3.5 million to the Pension Stabilization Fund. A combined \$7.5 million was then remitted to CalPERS in June 2021 to further reduce the City’s unfunded pension liability. The City Council will have another opportunity in FY 2021-22 to have a public discussion on the use of the FY 2020-21 General Fund surplus to further address various City needs, including its unfunded pension liability.

Key economic indicators that are being watched closely are as follows:

- Property Taxes – The County Assessor’s office has projected an approximate 2.4% increase in FY 2021-22 for Foster City. The assumptions for property taxes revenues, including approved development projects have been included in the City’s five-year financial projections based on anticipated completion schedules.
- Transient Occupancy Tax (TOT) – The City is forecasting that it will take several more years before a full TOT recovery to pre-pandemic levels. As a result, projected revenues for FY 2021-22 are \$2.36 million which is only a 50% recovery from pre-COVID conditions.
- Sales & Use Tax – General Fund sales tax revenues are projected to be flat as the absorption of restaurant closures within the City has been proven challenging.
- Investment Income – Investment income has been recalibrated substantially lower to reflect the very low interest rate environment as the Federal Reserve continues hold the Federal Discount Rate to near zero.
- CalPERS Pension Rates – In December 2016, CalPERS reduced its investment return assumption from 7.5% to 7%. The lower rate of investment return combined with changes in assumptions has resulted in a significant increase in the employer contribution rates for the City’s Miscellaneous and Public Safety retirement plans. The provisions of the Public Employees’ Pension Reform Act of 2013 (PEPRA) continues to have a slow but gradual impact on the City’s pension costs as the most significant cost-savings provisions of PEPRA apply primarily to new employees hired after January 1, 2013. The City’s FY 2021-22 employer *normal* contribution rates to CalPERS for its Miscellaneous Plan and Public Safety “Classic” plans are 10.730% and 22.48% respectively. The required FY 2021-22 payment obligation for the City’s unfunded accrued liability (UAL) is \$7.02 million. As discussed earlier, the City made a \$7.5 million payment to CalPERS in June 2021 to reduce its unfunded accrued liability (UAL). In addition, CalPERS reported a 21.3% investment return in FY 2020-21 which easily exceeded its 7% actuarial assumption. This positive result will also help lower the City’s UAL.
- Development, Planning, Permit and Park In-Lieu Fees – Development associated revenues such as building permits, water and wastewater connection fees, real property transfer taxes, plan check fees, and inspection fees have been incorporated into the annual budget.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2021**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (CONTINUED)

- Capital Improvement Project Funds – The City/District has a funding model for capital improvement projects that was implemented in FY 2010-11 whereby 1/10th of the 10 year CIP cash needs are funded annually by the City's General Fund and the Water and Wastewater Enterprise Funds. Funding from the General Fund for FY 2021-22 has been scaled down to \$1.5 million as forecasted revenues remain short of pre-COVID-19 levels. Notwithstanding, the City budgeted \$64.32 million in CIP projects (excluding unspent carryover encumbrances) in FY 2021-22, of which \$56.51 are Wastewater Enterprise Fund projects (primarily the District's proportionate share of the Wastewater Treatment Plant Master Improvement Project that is financed by debt). Of the remaining \$7.81 million, the Levee project accounts for \$2.13 million (financed by general obligation bonds) and \$2.95 million are for traffic and street projects (funded by Special Revenue Funds).
- Water Supply Assurance / Water Costs – The City/District currently serves approximately 8,400 utility customers. Under the District's 10-Year Rate Smoothing policy, water rates for FY 2021-22 will increase the standard 5/8" and 3/4" fixed meter charges by 4% and the base consumption rate also by 2.8%.
- Wastewater Rates – The wastewater rates assume a 14.25% increase in FY 2021-22 based on currently known operating and capital improvements projects (CIP), including the joint Wastewater Treatment Plant Master Plan Improvement (WWTP) Project with the City of San Mateo. The estimated share of the City/District's project costs is \$154 million. In FY 2018-19, the District issued 2019 wastewater revenue bonds with a par value of \$33.8 million and a bond premium of \$6.6 million. In November 2020, the District received approval for a \$66.86 million Water Infrastructure Finance and Innovation Act (WIFIA) loan for its WWTP project. WIFIA is a federal loan program administered by the Environmental Protection Agency (EPA) for eligible water or wastewater projects. The District does not plan to draw on the WIFIA loan until 2025 as it issued 2021 wastewater revenue notes in July 2021 with a 2025 maturity, at which time they will use the WIFIA loan to repay the maturing notes. This financing plan yields a cost savings of approximately \$1.1 million because of the lower interest rate.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Annual Comprehensive Financial Report is intended to provide citizens, taxpayers, investors, creditors, and interested parties with a general overview of the City's finances. Questions about this report should be directed to the Financial Services Department at 610 Foster City Boulevard, Foster City, CA 94404.

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BASIC FINANCIAL STATEMENTS

City of Foster City and Estero Municipal Improvement District
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Cash and investments	\$ 247,472,083	\$ 58,450,236	\$ 305,922,319
Receivable, net	4,037,021	7,614,585	11,651,606
Internal balances	(2,516,516)	2,516,516	-
Inventory	125,950	237,980	363,930
Prepays and deposits	51,575	-	51,575
Restricted cash and investments	341,557	-	341,557
Loans receivable (net)	20,239,059	-	20,239,059
Investment in JPA Equity	3,618,269	-	3,618,269
Capital assets:			
Nondepreciable	49,283,470	59,836,084	109,119,554
Depreciable, net of accumulated depreciation	80,622,022	43,524,485	124,146,507
Total assets	<u>403,274,490</u>	<u>172,179,886</u>	<u>575,454,376</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pension	23,336,899	1,225,099	24,561,998
Related to OPEB	1,198,816	158,694	1,357,510
Total deferred outflows of resources	<u>24,535,715</u>	<u>1,383,793</u>	<u>25,919,508</u>
LIABILITIES			
Accounts payable	5,464,173	9,421,454	14,885,627
Accrued interest	-	648,229	648,229
Accrued payroll	1,003,161	138,874	1,142,035
Refundable deposits	8,057,390	89,139	8,146,529
Unearned revenue	187,889	-	187,889
Long-term liabilities:			
Due within one year	4,913,326	666,314	5,579,640
Due in more than one year	89,940,721	39,118,355	129,059,076
Net Pension Liability:			
Due in more than one year	78,555,177	8,522,971	87,078,148
Total OPEB Liability:			
Due in more than one year	9,995,550	1,086,407	11,081,957
Total liabilities	<u>198,117,387</u>	<u>59,691,743</u>	<u>257,809,130</u>
DEFERRED INFLOWS OF RESOURCES			
Related to Pension	3,691,552	-	3,691,552
Related to OPEB	2,495,185	326,949	2,822,134
Total deferred inflows of resources	<u>6,186,737</u>	<u>326,949</u>	<u>6,513,686</u>
NET POSITION			
Net investment in capital assets	129,905,492	66,148,527	196,054,019
Restricted for:			
Housing	2,032,198	-	2,032,198
Roads	5,531,024	-	5,531,024
Parks	2,805,866	-	2,805,866
Local programs and events	913,845	-	913,845
Levee	50,166,574	-	50,166,574
Debt services	9,937,849	-	9,937,849
Unrestricted	22,213,233	47,396,460	69,609,693
Total net position	<u>\$ 223,506,081</u>	<u>\$ 113,544,987</u>	<u>\$ 337,051,068</u>

See accompanying Notes to Basic Financial Statements

City of Foster City and Estero Municipal Improvement District

Statement of Activities

For the fiscal year ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 6,088,435	\$ 457,034	\$ 410,034	\$ -
Public safety - Police	14,797,439	69,667	168,303	-
Public safety - Fire	11,287,606	70,709	13,589	-
Public works	4,575,342	162,108	926,727	1,347,461
Community development	3,254,326	3,476,710	48,493	-
Parks and recreation	10,678,377	409,418	5,078	-
Interest on long term debt	1,516,623	-	-	-
Total governmental activities	52,198,148	4,645,646	1,572,224	1,347,461
Business-type activities:				
Water	14,711,672	17,678,897	-	446
Wastewater	8,203,420	15,690,009	-	-
Total business-type activities	22,915,092	33,368,906	-	446
Total primary government	\$ 75,113,240	\$ 38,014,552	\$ 1,572,224	\$ 1,347,907

General revenues:

Taxes:

- Property taxes
- Transient occupancy tax
- Franchise tax
- Other taxes

Contributions not restricted to specific programs:

- Sales and use tax and sales tax in lieu
- Unrestricted investment and rental income, net of interest expense
- Gain (Loss) on JPA investment
- Other

Total general revenues

Change in net position

Net position - beginning of year

Net position - end of year

See accompanying Notes to Basic Financial Statements

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (5,221,367)	\$ -	\$ (5,221,367)
(14,559,469)	-	(14,559,469)
(11,203,308)	-	(11,203,308)
(2,139,046)	-	(2,139,046)
270,877	-	270,877
(10,263,881)	-	(10,263,881)
(1,516,623)	-	(1,516,623)
(44,632,817)	-	(44,632,817)
-	2,967,671	2,967,671
-	7,486,589	7,486,589
-	10,454,260	10,454,260
(44,632,817)	10,454,260	(34,178,557)
41,633,116	-	41,633,116
992,616	-	992,616
1,185,308	-	1,185,308
1,929,794	-	1,929,794
4,073,476	-	4,073,476
2,191,807	(1,247,738)	944,069
(1,549)	-	(1,549)
443,850	50,647	494,497
52,448,418	(1,197,091)	51,251,327
7,815,601	9,257,169	17,072,770
215,690,480	104,287,818	319,978,298
\$ 223,506,081	\$ 113,544,987	\$ 337,051,068

City of Foster City and Estero Municipal Improvement District

Balance Sheet

Governmental Funds

June 30, 2021

	Major Funds							Total
	Special revenue			Capital Projects				
	General Fund	Low and Moderate		City Capital Projects	Capital Asset Preservation	Levee Capital Project Fund	Non-Major Governmental Funds	
		Income Housing Assets Fund	Foster City Affordable Housing					
ASSETS								
Cash and investments	\$ 57,425,187	\$ 2,044,420	\$ 830,749	\$ 27,485,790	\$ 43,528,619	\$ 54,142,423	\$ 22,765,100	\$ 208,222,288
Receivables, net of allowance:								
Accrued interest	249,885	-	-	-	-	51,822	-	301,707
Intergovernmental	75,919	-	-	-	-	-	125,078	200,997
Taxes	3,056,384	-	-	-	-	-	156,299	3,212,683
Other	186,440	1,275	-	-	-	-	25,430	213,145
Due from other funds	-	-	-	1,908	-	-	-	1,908
Prepays and deposits	1,575	-	-	-	50,000	-	-	51,575
Inventory	16,900	-	-	-	-	-	-	16,900
Restricted cash and investments	341,557	-	-	-	-	-	-	341,557
Loans receivables, net of allowance	1,235,250	192,522	4,744,551	-	-	-	-	6,172,323
Total assets	\$ 62,589,097	\$ 2,238,217	\$ 5,575,300	\$ 27,487,698	\$ 43,578,619	\$ 54,194,245	\$ 23,071,907	\$ 218,735,083
LIABILITIES								
Accounts payable	\$ 875,178	\$ 7,435	\$ 2,491	\$ 326,608	\$ -	\$ 4,027,671	\$ 99,779	\$ 5,339,162
Accrued payroll	928,033	-	-	-	-	-	5,517	933,550
Refundable deposits	1,892,351	6,062	-	5,799,708	-	-	359,269	8,057,390
Due to other funds	-	-	-	-	-	-	1,908	1,908
Unearned revenue	187,889	-	-	-	-	-	-	187,889
Total liabilities	3,883,451	13,497	2,491	6,126,316	-	4,027,671	466,473	14,519,899
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - Measure M funding	-	-	-	-	-	-	1,908	1,908
Unavailable-loan receivable	1,234,854	192,522	4,744,551	-	-	-	-	6,171,927
Total deferred inflows of resources	1,234,854	192,522	4,744,551	-	-	-	1,908	6,173,835
FUND BALANCES								
Non-Spendable	18,475	-	-	-	-	-	-	18,475
Restricted	24,823	2,032,198	-	-	-	50,166,574	18,906,991	71,130,586
Committed	4,447,532	-	828,258	21,361,382	43,578,619	-	3,698,443	73,914,234
Unassigned	52,979,962	-	-	-	-	-	(1,908)	52,978,054
Total fund balances	57,470,792	2,032,198	828,258	21,361,382	43,578,619	50,166,574	22,603,526	198,041,349
Total liabilities, deferred inflows of resources, and fund balances	\$ 62,589,097	\$ 2,238,217	\$ 5,575,300	\$ 27,487,698	\$ 43,578,619	\$ 54,194,245	\$ 23,071,907	\$ 218,735,083

See accompanying Notes to Basic Financial Statements

City of Foster City and Estero Municipal Improvement District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2021

Total Fund Balances - Total Governmental Funds \$ 198,041,349

Amounts reported for governmental activities in the Statement of Net Position were reported differently because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. Except for the internal service funds reported below, the capital assets were adjusted as follows:

	Government-Wide Statement of Net Position	Internal Service Funds	
Non-depreciable	\$ 49,283,470	\$ (32,319)	
Depreciable, net	80,622,022	(3,664,290)	
Total capital assets	129,905,492	(3,696,609)	126,208,883

First time homebuyer loans receivable are not available to pay current-period expenditures and, therefore, are deferred inflows in the governmental funds. 192,522

The New Home Company loans receivable are unavailable to pay current period expenditures and, therefore, are deferred inflows in the governmental funds. 4,744,551

The Successor Agency loans receivable are unavailable to pay current period expenditures and, therefore, are deferred inflows in the governmental funds. 1,234,854

North Peninsula Jewish Campus loans receivable are unavailable to pay current period expenditures and, therefore, are not reported in the governmental funds. 14,066,736

Revenues from Measure M funding not expected to received with the accrual period are classified as unavailable revenue in governmental funds 1,908

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Position 36,358,543

Long term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Investment in JPA Equity	3,618,269
Long-term debt	(91,835,167)
Compensated absences	(2,569,142)
Total OPEB liability	(9,383,035)
Net pension liability	(71,039,291)
Total pension liability	(3,943,540)

Deferred outflows due to pension liabilities 22,708,646

Deferred outflows due to OPEB liabilities 1,116,548

Deferred inflows due to pension liabilities (3,691,552)

Deferred inflows due to OPEB liabilities (2,325,001)

Net Position of Governmental Activities \$ 223,506,081

See accompanying Notes to Basic Financial Statements

City of Foster City and Estero Municipal Improvement District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2021

	Major Funds			Major Funds				Total
	Special Revenue Funds			Capital Projects Funds				
	Low & Moderate			City Capital Projects	Capital Asset Preservation	Levee Capital Project Fund	Non-Major Governmental Funds	
	General Fund	Income Housing Assets Fund	Foster City Affordable Housing					
REVENUES:								
Property taxes	\$ 37,060,897	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,572,219	\$ 41,633,116
Sales and use and sales tax in lieu	3,131,071	-	-	-	-	-	1,073,933	4,205,004
Transient occupancy tax	992,616	-	-	-	-	-	-	992,616
Franchise tax	1,185,308	-	-	-	-	-	-	1,185,308
Property transfer tax	310,457	-	-	-	-	-	-	310,457
Licenses and permits	3,472,940	-	-	-	-	-	-	3,472,940
Intergovernmental	707,668	-	-	-	-	-	1,730,470	2,438,138
Charges for current services	912,542	-	-	-	-	-	928,818	1,841,360
Fines and forfeitures	14,027	-	-	-	-	-	54,320	68,347
Investment and rental income	960,201	76,381	22,084	35,537	515,969	359,801	82,579	2,052,552
Other	400,865	38,286	-	704,655	-	-	507,087	1,650,893
Total revenues	49,148,592	114,667	22,084	740,192	515,969	359,801	8,949,426	59,850,731
EXPENDITURES:								
Current:								
General government	5,921,517	-	-	-	-	246,206	611,298	6,779,021
Public safety - Police	15,969,516	-	-	-	-	-	158,004	16,127,520
Public safety - Fire	11,931,423	-	-	-	-	-	-	11,931,423
Public works	2,321,554	-	-	-	-	-	539,125	2,860,679
Community development	3,434,512	100,921	115,209	-	-	-	223,532	3,874,174
Parks and recreation	10,524,051	-	-	8,280	-	-	12,337	10,544,668
Capital outlay	65,229	-	-	1,814,588	-	29,758,570	864,678	32,503,065
Debt service:								
Interest	-	-	-	-	-	-	1,516,623	1,516,623
Total expenditures	50,167,802	100,921	115,209	1,822,868	-	30,004,776	3,925,597	86,137,173
REVENUES OVER (UNDER) EXPENDITURE	(1,019,210)	13,746	(93,125)	(1,082,676)	515,969	(29,644,975)	5,023,829	(26,286,442)
OTHER FINANCING SOURCES (USES):								
Proceeds from sales of capital assets	-	-	-	-	642,545	-	-	642,545
Issuance of long term debt	-	-	-	-	-	85,000,000	6,835,167	91,835,167
Transfers in	1,259,218	15,307	-	6,738,451	-	-	-	8,012,976
Transfers out	(1,365,307)	-	-	-	-	(5,188,451)	(859,218)	(7,412,976)
Total other financing sources (uses)	(106,089)	15,307	-	6,738,451	642,545	79,811,549	5,975,949	93,077,712
NET CHANGE IN FUND BALANCES	(1,125,299)	29,053	(93,125)	5,655,775	1,158,514	50,166,574	10,999,778	66,791,270
FUND BALANCES:								
Beginning of year	58,596,091	2,003,145	921,383	15,705,607	42,420,105	-	11,603,748	131,250,079
End of year	\$ 57,470,792	\$ 2,032,198	\$ 828,258	\$ 21,361,382	\$ 43,578,619	\$ 50,166,574	\$ 22,603,526	\$ 198,041,349

See accompanying Notes to Basic Financial Statements

City of Foster City and Estero Municipal Improvement District
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the fiscal year ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds **\$ 66,791,270**

Governmental activities in the Statement of Activities were reported differently because:

Governmental funds report capital outlay as expenditures. In the Statement of Activities and Changes in Net Position, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital assets additions (Total capital asset additions for the City for the fiscal year ended for governmental activities were \$32,704,820, which consisted of \$242,642 in additions attributable to internal service fund activity and \$32,462,178 in additions attributable to governmental funds).	32,462,178
Capital assets disposal. This amount is net of disposals of the internal service funds in the amount of \$26,557.	(123,235)
Less current year depreciation. This amount is net of depreciation expense of the internal service funds in the amount of \$597,887.	(4,870,879)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of lease principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.

Proceeds from issuance of long term debt	(91,835,167)
--	--------------

Revenues from new loans that are funded in this fiscal year that will not be collected for several months after the City/District's fiscal year ends are not considered "available" revenue and are classified as unavailable revenue in the governmental fund.

(114,097)

Revenues from North Peninsula Jewish Campus in this fiscal year that will not be collected for several years are not considered "available" revenue and are not reported in the governmental fund.

(642,545)

Revenues from Measure M funding not expected to received with the accrual period are classified as unavailable revenue in governmental funds.

(131,528)

Interest that will not be collected for several years are not considered "available" and are not reported in the governmental fund.

126,443

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Loss on JPA investment	(1,549)
Compensated absences	(258,428)
OPEB expenses	(9,626)
Pension expenses	4,589,529

Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net assets of the internal service funds is reported with governmental activities.

1,833,235

Change in Net Position of Governmental Activities

\$ 7,815,601

See accompanying Notes to Basic Financial Statements

City of Foster City and Estero Municipal Improvement District
Statement of Net Position
Proprietary Funds
June 30, 2021

	Enterprise Funds			Internal Service Funds
	Water	Wastewater	Total	
ASSETS				
Current assets:				
Cash and investments	\$ 21,035,107	\$ 37,415,129	\$ 58,450,236	\$ 39,249,795
Receivables, net of allowance:				
Billed utility, net of allowance for uncollectibles	857,019	933,620	1,790,639	-
Unbilled utility	1,871,887	1,633,411	3,505,298	-
Interest	-	275	275	-
JPFA	-	2,202,434	2,202,434	-
Other	113,524	2,415	115,939	108,489
Inventory	66,548	171,432	237,980	109,050
Total current assets	<u>23,944,085</u>	<u>42,358,716</u>	<u>66,302,801</u>	<u>39,467,334</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable	4,419,543	55,416,541	59,836,084	32,319
Depreciable, net of accumulated depreciation	14,770,939	28,753,546	43,524,485	3,664,290
Total noncurrent assets	<u>19,190,482</u>	<u>84,170,087</u>	<u>103,360,569</u>	<u>3,696,609</u>
Total assets	<u>43,134,567</u>	<u>126,528,803</u>	<u>169,663,370</u>	<u>43,163,943</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to Pension	603,051	622,048	1,225,099	628,253
Related to OPEB	82,268	76,426	158,694	82,268
Total deferred outflows of resources	<u>685,319</u>	<u>698,474</u>	<u>1,383,793</u>	<u>710,521</u>
LIABILITIES				
Current liabilities:				
Accounts payable	443,709	8,977,745	9,421,454	125,011
Accrued interest	-	648,229	648,229	-
Accrued payroll	60,217	78,657	138,874	69,611
Refundable deposits	89,139	-	89,139	-
Claims liability	-	-	-	86,000
Compensated absences - current portion	47,030	74,284	121,314	82,747
Other liability	-	-	-	31,466
Bonds payable - current portion	-	545,000	545,000	-
Total current liabilities	<u>640,095</u>	<u>10,323,915</u>	<u>10,964,010</u>	<u>394,835</u>
Noncurrent liabilities:				
Compensated absences - noncurrent portion	108,306	140,573	248,879	152,504
Total OPEB liability	612,506	473,901	1,086,407	612,515
Net pension liability	4,112,282	4,410,689	8,522,971	3,572,346
Other liability-noncurrent portion	-	-	-	97,021
Bonds payable - noncurrent portion	-	38,869,476	38,869,476	-
Total noncurrent liabilities	<u>4,833,094</u>	<u>43,894,639</u>	<u>48,727,733</u>	<u>4,434,386</u>
Total liabilities	<u>5,473,189</u>	<u>54,218,554</u>	<u>59,691,743</u>	<u>4,829,221</u>
DEFERRED INFLOWS OF RESOURCES				
Related to OPEB	170,189	156,760	326,949	170,184
Total deferred inflows of resources	<u>170,189</u>	<u>156,760</u>	<u>326,949</u>	<u>170,184</u>
NET POSITION				
Net investment in capital assets	19,190,482	46,958,045	66,148,527	3,696,609
Unrestricted	18,986,026	25,893,918	44,879,944	35,178,450
Total net position	<u>\$ 38,176,508</u>	<u>\$ 72,851,963</u>	<u>111,028,471</u>	<u>\$ 38,875,059</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>2,516,516</u>	
Net position of business-type activities			<u>\$ 113,544,987</u>	

See accompanying Notes to Basic Financial Statements

City of Foster City and Estero Municipal Improvement District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the fiscal year ended June 30, 2021

	Enterprise Funds			Internal Service Funds
	Water	Wastewater	Total	
OPERATING REVENUES:				
Sales and service charges	\$ 17,678,897	\$ 15,690,009	\$ 33,368,906	\$ -
Charges for services - Internal	-	-	-	8,974,214
Total operating revenues	17,678,897	15,690,009	33,368,906	8,974,214
OPERATING EXPENSES:				
Personnel	2,037,440	2,219,613	4,257,053	2,553,223
Utilities	9,473,537	222,417	9,695,954	-
Program supplies	118,695	85,618	204,313	-
Repairs and maintenance	18,477	67,271	85,748	1,171,729
General and administration	2,007,517	1,502,322	3,509,839	1,202,292
Depreciation and amortization	839,763	1,289,387	2,129,150	597,887
Contractual service	239,280	2,849,928	3,089,208	440,285
Insurance	111,467	111,467	222,934	618,147
Total operating expenses	14,846,176	8,348,023	23,194,199	6,583,563
OPERATING INCOME (LOSS)	2,832,721	7,341,986	10,174,707	2,390,651
NONOPERATING REVENUES (EXPENSES):				
Gain(Loss) on disposal of capital assets	(619)	(11,014)	(11,633)	14,768
Investment income	32,255	52,394	84,649	89,346
Interest expenses	-	(1,332,387)	(1,332,387)	-
Miscellaneous	19,840	30,807	50,647	163,981
Total nonoperating revenues (expenses)	51,476	(1,260,200)	(1,208,724)	268,095
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	2,884,197	6,081,786	8,965,983	2,658,746
CONTRIBUTIONS AND TRANSFERS:				
Capital contributions	446	-	446	65,229
Transfers in	-	-	-	17,409
Transfers out	-	-	-	(617,409)
Total contributions and transfers	446	-	446	(534,771)
Change in net position	2,884,643	6,081,786	8,966,429	2,123,975
NET POSITION:				
Beginning of the year	35,291,865	66,770,177		36,751,084
End of the year	\$ 38,176,508	\$ 72,851,963		\$ 38,875,059
Adjustment to reflect the consolidation				
of internal service fund activities related				
to enterprise funds				
			290,740	
Change in net position of business-				
type activities				
			\$ 9,257,169	

See accompanying Notes to Basic Financial Statements

City of Foster City and Estero Municipal Improvement District
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2021

	Enterprise Funds			Internal Service Funds
	Water	Wastewater	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 17,987,348	\$ 15,520,487	\$ 33,507,835	\$ -
Cash received from inter-departmental charges	-	-	-	8,871,901
Cash received from others	19,840	14,162,573	14,182,413	163,981
Cash payments to suppliers for goods and services	(12,754,900)	(928,698)	(13,683,598)	(3,445,096)
Cash payments to employees for services	(1,925,815)	(2,003,134)	(3,928,949)	(2,476,201)
Net cash provided (used) by operating activities	3,326,473	26,751,228	30,077,701	3,114,585
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers received	-	-	-	17,409
Transfer paid	-	-	-	(617,409)
Net cash provided (used) by noncapital financing activities	-	-	-	(600,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on bonds	-	(515,000)	(515,000)	-
Interest paid on bonds	-	(225,509)	(225,509)	-
Capital contributions received	446	-	446	-
Acquisition and construction of capital assets	(345,910)	(18,932,925)	(19,278,835)	(136,088)
Net cash provided (used) by capital and related financing activities	(345,464)	(19,673,434)	(20,018,898)	(136,088)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest expenses	-	(1,332,387)	(1,332,387)	-
Investment income	32,255	52,394	84,649	89,346
Net cash provided (used) by investing activities	32,255	(1,279,993)	(1,247,738)	89,346
Net increase (decrease) in cash and cash equivalents	3,013,264	5,797,801	8,811,065	2,467,843
CASH AND CASH EQUIVALENTS:				
Beginning of year	18,021,843	31,617,328	49,639,171	36,781,952
End of year	\$ 21,035,107	\$ 37,415,129	\$ 58,450,236	\$ 39,249,795

(Continued)

See accompanying Notes to Basic Financial Statements.

City of Foster City and Estero Municipal Improvement District
Statement of Cash Flows, Continued
Proprietary Funds
For the fiscal year ended June 30, 2021

	Enterprise Funds			Internal Service Funds
	Water	Wastewater	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 2,832,721	\$ 7,341,986	\$ 10,174,707	\$ 2,390,651
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	839,763	1,289,387	2,129,150	597,887
Miscellaneous revenues	19,840	30,807	50,647	163,981
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Billed receivables	179,369	694	180,063	-
Unbilled receivables	156,366	(173,666)	(17,300)	-
Other receivables	(27,284)	14,135,348	14,108,064	(102,313)
Interest receivables	-	(132)	(132)	-
Deposit and prepaid items	-	-	-	657
Inventory	(1,112)	48,406	47,294	(20,930)
Deferred outflow of resources	(218,927)	(241,181)	(460,108)	(255,514)
Increase (decrease) in:				
Accounts payable and claims liability	(821,034)	3,872,648	3,051,614	(42,370)
Accrued interest	-	(10,729)	(10,729)	-
Due to other funds	-	-	-	-
Accrued payroll	(7,690)	8,638	948	2,567
Refundable deposits	36,219	-	36,219	-
Claims liability	-	-	-	50,000
Compensated absences	(34,993)	33,696	(1,297)	47,629
Total OPEB liability	(6,545)	(6,080)	(12,625)	(6,544)
Net pension liability	423,242	471,945	895,187	352,506
Other liability	-	-	-	(28,844)
Deferred inflow of resources	(43,462)	(50,539)	(94,001)	(34,778)
Total adjustments	493,752	19,409,242	19,902,994	723,934
Net cash provided (used) by operating activities	\$ 3,326,473	\$ 26,751,228	\$ 30,077,701	\$ 3,114,585
NONCASH CAPITAL AND RELATED FINANCING TRANSACTIONS:				
Capital contributions	\$ -	\$ -	\$ -	\$ 65,229
Loss on disposal of capital assets	(619)	(11,014)	(11,633)	-
Total noncash capital and related financing transaction	\$ (619)	\$ (11,014)	\$ (11,633)	\$ 65,229

See accompanying Notes to Basic Financial Statements

City of Foster City and Estero Municipal Improvement District
Statement of Net Position
Fiduciary Funds
June 30, 2021

	Successor Agency of Community Development Agency	Custodial Funds	
		Tourism Assessment	SMC Fire
ASSETS			
Cash	\$ 311,097	\$ 15,136	\$ 9,101
Accounts receivable	108,068	-	-
Total assets	\$ 419,165	\$ 15,136	\$ 9,101
LIABILITIES			
Accounts payable	\$ 93	\$ 15,136	\$ 9,101
Non-current liabilities:			
Loan payable to City	1,234,854	-	-
Total liabilities	1,234,947	15,136	9,101
NET POSITION			
Unrestricted	(815,782)	-	-
Total Net Position	\$ (815,782)	\$ -	\$ -

See accompanying Notes to Basic Financial Statements

City of Foster City and Estero Municipal Improvement District
Statement of Changes in Net Position
Fiduciary Funds
For fiscal year ended June 30, 2021

	Successor Agency of Community Development Agency	Custodial Funds	
		Tourism Assessment	SMC Fire
Additions			
Property taxes	\$ 282,820	\$ -	\$ -
Fee collection from other governments	-	52,672	148,369
Investment earnings	2,312	-	-
Total additions	285,132	52,672	148,369
Deductions			
Administrative expenses	48,415	-	-
Payment to other government	-	52,672	148,369
Affordable housing subsidy	250,536	-	-
Total deductions	298,951	52,672	148,369
Change in net position	(13,819)	-	-
Net position-Beginning of the year	(801,963)	-	-
Net position-End of the year	<u>\$ (815,782)</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements

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NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY

The City of Foster City (City) was incorporated in 1971. The Estero Municipal Improvement District (District) was formed in 1960. The District was created by the California Legislature to issue general obligation bonds to fill and reclaim the land that later became the City upon incorporation. The City is a general law city and operates under a Council-Manager form of government, providing such services as public safety (police, fire and building inspection), highways and streets, wastewater, water, parks and recreation, public improvements, planning and zoning, and general administrative services. The District, although a separate entity, encompasses the same basic geographical area, is inhabited by the same citizens and is governed, administered and budgeted by the same governmental body and procedures as the City and is included with the operations of the City in the accompanying financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Measurement Focus

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities and Changes in Net Position display information about the primary government (City/District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between governmental and business-type activities of the City/District. Governmental activities, which normally are supported by taxes, intergovernmental revenues and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The Statement of Activities and Changes in Net Position presents a comparison between direct expenses and program revenues for each function of the City/District's governmental activities and for each segment of the business-type activities of the City/District. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. Program revenues include 1) fees, fines and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City/District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The fund financial statements provide information about the City/District's funds, including fiduciary funds. Separate statements for each fund category — governmental, proprietary, and fiduciary — are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental funds are separately aggregated and reported as nonmajor funds.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Sales and use tax, interest, certain state and federal grants, and charges for services are accrued when their receipt occurs within ninety days and property tax within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds.

Under the terms of various grant agreements, the City/District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City/District's policy to first apply cost-reimbursement grant resources (restricted) to such programs and then use general revenues (unrestricted) if necessary.

Major Funds

Major funds are defined as funds that have either assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General fund is always a major fund. The City/District may also select other funds it believes should be presented as major funds.

The City/District reported the following major governmental funds in the accompanying financial statements:

General Fund – Accounts for all revenues and expenditures necessary to carry out basic governmental activities of the City/District that are not accounted for through other funds.

Low and Moderate Income Housing Assets Fund – Accounts for all housing activities related to the assets assumed by the City as Housing Successor to the housing activities of the former Redevelopment Agency of the City.

Foster City Affordable Housing Fund – Accounts for the proceeds from the San Mateo County redistribution of the unencumbered housing tax increments from the former Foster City Community Development Agency for future affordable housing projects in the city.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

City Capital Projects Fund – Accounts for development, construction or acquisition of approved capital projects funded by general fund, special revenues fund, state and federal grants.

Capital Asset Preservation Fund – Accounts for revenues from the sale of City properties. By policy direction, assets in this fund may only be used for the acquisition or replacement of significant assets or capital improvements by 4/5th vote of the City Council.

Levee Capital Projects Fund – Accounts for proceeds from the City’s 2020 General Obligation Bonds for development and construction of the levee protection planning and improvements project.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a fund’s principal ongoing operations. The principal operating revenues of the City/District’s enterprise and internal service funds are charges for customer services, including water and wastewater charges, vehicle, equipment and building maintenance and usage fees, insurance charges, information services support charges, employee pension and other post employment benefits charges, and compensated absences charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities are reported as nonoperating revenues and expenses.

The City/District reported all enterprise funds as major funds in the accompanying financial statements:

Water Fund – Accounts for activities associated with providing water services including construction of water plant facilities.

Wastewater Fund – Accounts for activities associated with sewage transmissions and treatment including construction of wastewater plant facilities.

The City/District also reports the following fund types:

Internal Service Funds – These funds account for the City/District’s vehicle rental, equipment replacement, self-insurance, information technology, building maintenance services, longevity recognition benefits, CalPERS’ public employees’ medical and hospital cared Act medical benefits plan, and compensated absences; all of which are provided to other departments of the City/District on a cost-reimbursement basis.

Fiduciary Funds – These funds include: Foster City Successor Agency Private-Purpose Trust Fund – which accounts for the accumulation of resources to be used for payments of recognized obligations at appropriate amounts and times in the future; the Tourism Assessment Custodial Fund – which accounts for tourism assessments collected from three hotels in Foster City that the City is holding for the City of Burlingame; and the San Mateo Consolidated (SMC) Fire Custodial Fund – which accounts for fire plan check fees collected from constructions permits that the City is holding for SMC Fire Department. The financial activities of these funds are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Cash and Cash Equivalents

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

In accordance with GASB Statement No. 40, Deposit and Investment Disclosures (Amendment of GASB No. 3), certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended by GASB 72, Fair Value Measurement and Application, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California entitled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to the change in interest rates.

For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash. The City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

C. Investments

Investments are stated at fair value. The fair value of investments is determined annually and is based on current market prices. The method of allocating interest earned on pooled deposits and investments among governmental and proprietary funds is based upon average investment balances and is performed on a quarterly basis.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Inventory and Prepaid Items

Inventory, consisting of expendable supplies, is valued at cost on a first-in first-out basis. The cost of governmental funds inventory is recorded as expenditure at the time the individual inventory or prepaid item is consumed. Reported inventory and prepaid items are equally offset by a fund balance reservation, which indicates that they do not constitute “available spendable resources” even though they are a component of the net current assets.

E. Loans Receivable

For the purposes of the fund financial statements, expenditures related to long-term loans arising from loan subsidy programs are charged to operations upon funding and the loans are recorded, net of an estimated allowance for potentially uncollectible loans, with an offset to a deferred inflows of resources account. The balance of the long-term loans receivable includes loans that may be forgiven if certain terms and conditions of the loans are met. For purposes of the government-wide financial statements, long-term loans are not offset by deferred inflows of resources, nor its activity reflected in the Statement of Activities.

F. Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Capital assets include building and improvements, machinery and equipment, vehicles and public domain (infrastructure). Infrastructure consists of improvements including the roadway/street network, park system, and the storm drain, sanitary wastewater and water distribution systems. The City/District has a policy whereby assets with an initial, individual cost of more than \$5,000 and \$100,000 for its non-infrastructure and infrastructure assets, respectively, and an estimated useful life in excess of three years will be capitalized. Capital assets used in operations are depreciated using the straight-line method over their estimated useful lives in the government-wide and proprietary funds statements.

The estimated useful lives are as follows:

Infrastructure:	
Roadway/street network (including levee)	10 to 100 years
Park systems	8 to 50 years
Storm drain, sanitary wastewater, and water distribution systems	12 to 50 years
Buildings and improvements	45 to 50 years
Sewer-capacity rights	50 years
Equipment	3 to 10 years
Vehicles	4 to 25 years

The cost of normal maintenance and repairs that does not add to the value of the assets or materially extend asset lives is not capitalized. Improvements are capitalized and, for government-wide and proprietary funds statements, are depreciated over the remaining useful lives of the related capital assets.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets – Sewer Capacity Rights

The City/District entered into a Joint Powers Agreement (JPA) with the City of San Mateo (San Mateo) to construct wastewater facilities (see Note 10). All capital facilities costs are capitalized in the Wastewater Enterprise Fund and once placed in service, these costs are amortized using the straight-line method over 50 years.

G. *Compensated Absences (Vacation and Sick Pay)*

The City/District reports compensated absences for accrued vacation leave, sick pay, administrative leave and compensatory leave. In the event of termination, employees are paid for all allowed unused vacation at their current hourly rate in effect. For management and safety employees, vacation pay may be accrued up to three years without forfeiture. For AFSCME employees, vacation pay may be accrued up to two years. The vested portion is available for current use or, if unused, is payable upon termination. After six months of employment, 25% to 30% of an employee’s accrued sick leave vests at the current rate of pay.

An Internal Service Fund was established in fiscal year 2012/2013 to fund the payout of compensated absence balances, such as vacation and sick leave that are payable when employees separate from employment with the City related to governmental funds.

H. *Property Tax Levy, Collection and Maximum Rates*

State of California (State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value (\$1 per \$100 of assessed value) plus an additional amount for general obligation debt approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than 2% per year unless the property is sold or transferred. The State Legislature determines the method of distribution of receipts from the 1% tax levy among the counties, cities, school districts, and other districts.

The County of San Mateo assesses properties and bills for and collects property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/tax lien dates	January 1	January 1
Levy dates	On or before November 1	On or before July 31
Due dates (delinquent after)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 1 (August 31)

The term “unsecured” refers to taxes on personal property other than land and buildings. These “unsecured” taxes are secured by liens on the personal property being taxed. The County of San Mateo distributes to the City/District the entire amount of each year’s levy and in return receives all penalties and interest on delinquent payments.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Revenue Recognition for Water and Wastewater Enterprise Funds

Revenue is recorded as billed to customers on a cyclical basis. All accounts are billed bi-monthly except irrigation accounts and homeowner association (HOA) accounts are billed monthly. Amounts unbilled at June 30 are accrued and recognized as revenue, the billed and unbilled receivables are shown net of an allowance for uncollectible for the Water and the Wastewater Enterprise Funds. As of year-end there were no material uncollected water and wastewater service revenues.

J. Interfund Transactions

Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. Loans reported as receivables and payables as appropriate, are subject to elimination upon consolidation in the Government-Wide Financial Statements and 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). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the Government-Wide Financial Statements as “internal balances.”

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are recorded when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers within governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

K. Estimated and Assumptions

The preparation of basic financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Accordingly, actual results could differ from those estimates.

L. New Funds

The City established the following new funds in the fiscal year 2021:

Commercial Linkage Fees Special Revenue Fund – Accounts for commercial linkage fees to provide a mechanism for commercial development to pay fees to offset the impacts of the development on the need for affordable housing.

Tenant Relocation Assistance Special Revenue Fund – Accounts for funding of programs to help minimize the impacts of expiring affordable housing covenants to the residents of Foster’s Landing.

Levee Protection Planning & Improvements Debt Service Fund – Accounts for the payment debt service on the City’s general obligation bond debt used for financing up to \$90 million in levee improvement costs.

Levee Capital Project Fund – Accounts for proceeds of General Obligation Bonds to fund Levee improvement project.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City implemented the provisions of Governmental Accounting Standards Board Statement No. 84 – Fiduciary Activities during the year ended June 30, 2021, as a result, the activities of the formal agency funds are now reported as custodial funds:

Tourism Assessment Custodial Fund – Accounts for tourism assessments collected from three hotels in Foster City that the City is holding for the City of Burlingame.

SMC Fire Custodial Fund – Accounts for fire plan check fees collected from constructions permits that the City is holding for SMC Fire Department

M. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The City/District reports deferred outflows related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resource (revenue) until that time. The City/District reports deferred inflows related to pensions.

N. Pensions

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

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. New Pronouncements

In 2021, the City/District adopted new accounting and reporting standards in order to conform to the following Governmental Accounting Standards Board (GASB) Statements:

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 84 – In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The provisions of this Statement were implemented during fiscal year 2021. As part of the implementation of this Statement, it was determined that the Tourism Assessment and SMC Fire Funds should be accounted for and reported as Custodial Funds.

Future Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 87 – In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The City/District has not determined its effect on the financial statements.

GASB Statement No. 90 – In August 2018, GASB issued Statement No. 90, *Majority Equity Interests* – an amendment of GASB Statements No. 14 and No. 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This statement is effective for reporting periods beginning after December 15, 2018. The City/District has not yet determined its effect on the financial statements.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 91 – In May 2019, GASB Issued Statement No. 91, Conduit Debt Obligation. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. This Statement is effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The City/District has not yet determined its effect on the financial statements.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2021**

NOTE 3 – CASH AND INVESTMENTS

Policies

It is the City/District’s policy to invest public funds in a manner which will provide the optimal return available consistent with the City/District’s liquidity needs and the primary objective of protecting the safety of principal conforming to all laws of the State of California regarding the investment of public funds.

The City/District invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. In order to increase security, the City/District contracts the Trust Department of a bank (Bank of New York) as the custodian of certain City/District managed investments, regardless of their form.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City/District’s cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City/District’s name and places the City/District ahead of general creditors of the institution.

The City/District’s investments are carried at fair value, as required by generally accepted accounting principles. The City/District adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

Classification

Cash and investments as of June 30, 2021 are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City lease or agency agreements.

Financial Statement Presentation:

Statement of Net Position:

City of Foster City/Estero Municipal Improvement District:

Cash and investments	\$ 305,922,319
Restricted cash and investments	341,557
Total Primary Government cash and investments	<u>306,263,876</u>

Statement of Fiduciary Net Position:

Cash and investments	335,334
Total Fiduciary Trust cash and investments	<u>335,334</u>
Total cash and investments	<u>\$ 306,599,210</u>

Cash and investments as of June 30, 2021 consist of the following:

Cash on hand	\$ 3,400
Deposits with financial institutions	1,322,609
Certificates of Deposit (non-negotiable)	341,557
Negotiable Certificates of Deposit	1,484,966
Local Agency Investment Funds (LAIF)	270,528,758
Securities of U.S. Government	32,917,920
	<u>\$ 306,599,210</u>

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 – CASH AND INVESTMENTS (Continued)

The City/District does not allocate investments by fund. Each proprietary funds portion of Cash and Investments Available for Operation is in substance a demand deposit available to finance operations and is considered a cash equivalent in preparing the statement of cash flows.

Investments Authorized by the California Government Code and City/District’s Investment Policy

The City/District maintains a cash and investment pool that is available for use by all funds. Under the provisions of the City’s investment policy and in accordance with Section 53601 of the California Government Code, the City is authorized to invest or deposit in the following:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds	5 years	5%	5%
U.S. Treasury Obligations	5 years	100%	100%
U.S. Agency Securities	5 years	100%	50%
Bankers Acceptances	180 days	25%	5%
Commercial Paper	90 days	20%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 year	50%	50%
Medium-Term Notes	5 years	5%	5%
Shares of Beneficial Interest (Mutual Funds)	N/A	10%	10%
Certificates of Deposit (non-negotiable)	1 year	10%	Max with FDIC
San Mateo County Pooled Investment Program	N/A	10%	10%
State Local Agency Investment Fund (LAIF)	N/A	100%	\$75,000,000
State Bonds	5 years	5%	5%

During fiscal year ended June 30, 2005, the City/District started to invest funds set aside for the Longevity Recognition Plan and Public Employees’ Medical and Hospital Care Act (PEMHCA). As of June 30, 2021, all of these funds were held in LAIF.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. These bond indentures did not disclose limitations for maximum percentage of portfolio and investment in one issuer. The table below identifies the investment type that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U.S. Agency Securities	N/A	N/A
Money Market Mutual Funds	N/A	AAm-G or Aam
Short-Term Certificates of Deposit	1 year	A-1+
Certificates of deposit, saving accounts, deposit accounts or money market deposits, trust funds, trust accounts, overnight bank deposits, other bankers acceptances	30 days	A-1
Commercial Paper	27 days	A-1 +
Direct State general obligations, Unsecured general obligations	N/A	A-
Direct State general short-term obligations	N/A	A-1 +
Federal funds or bankers' acceptances	1 year	A-1 +
Repurchase Agreements	N/A	A
California Local Agency Investment Fund	N/A	N/A

Risk Disclosures

Interest Rate Risk: It is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value of changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City/District's investment policy limits the weighted average maturity of the City/District's cash and investment pool to less than five years. The City/District also manages its interest rate risk by holding most investments to maturity, thus reversing unrealized gains and losses.

Investments held in City Treasury grouped by maturity date at June 30, 2021, are shown below:

Investment Type	Fair Value	Investment Maturities (in years)				
		Less than 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years
Securities of U.S. Government						
Treasury and Agencies:						
Federal National Mortg. Assn. Bonds (FNMA)	\$ 4,008,590	\$ 4,008,590	\$ -	\$ -	\$ -	\$ -
Federal Farm Credit Bank Bonds (FFCB)	1,995,380	-	-	-	1,995,380	-
Federal Home Loan Bank Bonds (FHLB)	25,911,430	-	-	-	2,995,210	22,916,220
Federal Home Loan Mortg. Corp. Bonds (FHLMC)	1,002,520	1,002,520	-	-	-	-
Negotiable Certificates of Deposit	1,484,966	1,484,966	-	-	-	-
Certificates of Deposit (non-negotiable)	341,557	341,557	-	-	-	-
Local Agency Investment Funds (LAIF)	270,528,758	270,528,758	-	-	-	-
Total	\$ 305,273,201	\$ 277,366,391	\$ -	\$ -	\$ 4,990,590	\$ 22,916,220

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 – CASH AND INVESTMENTS (Continued)

Credit Risk: It is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City/District’s investment policy limits its pooled investments to that of securities and obligations of the U.S. Government and mutual funds to the highest ranking or the highest letter and numerical rating by not less than two of the three (Moody’s, Standard & Poor’s, and Fitch) nationally recognized rating services.

At June 30, 2021, the City’s deposits and investments subject to credit quality ratings were as follows:

	Credit Quality Ratings	
	Moody's	S&P
Securities of U.S. Government Agencies:		
Federal Farm Credit Bank Bonds (FFCB)	Aaa	AA+
Federal Home Loan Bank Bonds (FHLB)	Aaa	AA+
Federal Home Loan Mortg. Corp. Bonds (FHLMC)	Aaa	AA+
Federal National Mortg. Assn. Bonds (FNMA)	Aaa	AA+

Concentration of Credit Risk: The City/District’s investment policy contains limitation of the amount that can be invested in any one issuer beyond that stipulated by the California Government Code Section 53601. The City/District diversifies its portfolio by limiting the percentage of the portfolio that can be invested in any one issuer’s name.

	Amount	% of Portfolio
Negotiable Certificates of Deposit	\$ 1,484,966	0.49%
Certificates of Deposit (non-negotiable)	341,557	0.11%
Securities of U.S. Government Agencies:		
Federal Farm Credit Bank Bonds (FFCB)	1,995,380	0.65%
Federal Home Loan Bank Bonds (FHLB)	25,911,430	8.49%
Federal Home Loan Mortg. Corp. Bonds (FHLMC)	1,002,520	0.33%
Federal National Mortg. Assn. Bonds (FNMA)	4,008,590	1.31%
Total Securities of U.S. Government Agencies	32,917,920	10.78%
Local Agency Investment Fund Pool	270,528,758	88.62%
Total Investment Portfolio	\$ 305,273,201	100.00%

Custodial Credit Risk – Deposits: It is the risk that in the event of a bank failure, the City/District’s deposits may not be returned. Under the California Government Code, a financial institution is required to secure deposits in excess of \$250,000 made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 105% to 150% of the total amount deposited by the public agencies depending on specific securities pledged as collateral.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 – CASH AND INVESTMENTS (Continued)

As of June 30, 2021, the carrying amount of the City/District's deposits was \$1,322,609 and the bank balance was \$2,342,591. Of the bank balance, \$250,000 was covered by federal depository insurance and \$2,092,591 was collateralized by the pledging financial institutions as required by the California Government Code Section 53652.

Custodial Credit Risk – Investments: The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City/District's investment policy stipulated the safekeeping and custody requirements for custodial credit risk on all security transactions including the collateral for repurchase agreements. Securities shall be conducted on a delivery-versus-payment (DVP) basis, and will be held by a third party custodian designated by the City Treasurer and evidenced by safekeeping receipts/statements. Collateral will always be held by the third party custodian as well. The City/District's investment policy requires a collateralization level of 102% of the market value for repurchase agreements which is in conformance with the California Government Code.

Investment in State Investment Pool: The City/District is a voluntary participant in Local Agency Investment Fund (LAIF), a State of California external investment pool, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City/District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. LAIF is not registered with the Securities and Exchange Commission and is not rated.

The City/District valued its investments in LAIF as of June 30, 2021, by multiplying its account balance with LAIF (\$270,506,314) times a fair value factor (1.00008297) computed by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value. Accordingly, as of June 30, 2021, the City/District's investments in LAIF, stated at fair value, equaled \$270,528,758.

Fair Value Measurements

The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the City has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 – CASH AND INVESTMENTS (Continued)

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the City’s own data. The City should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the City are not available to other market participants.

Uncategorized - Investments in San Mateo County Treasury Investment Pool and/or the Local Agency Investment Funds/State Investment Pool are not measured using the input levels above because the City's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The City's fair value measurements are as follows at June 30, 2021:

<u>Investment Type</u>	Fair Value Measurement Using	
	Level 2 Inputs	Uncategorized
Federal National Mortg. Assn. Bonds (FNMA)	\$ 4,008,590	\$ -
Federal Farm Credit Bank Bonds (FFCB)	1,995,380	-
Federal Home Loan Bank Bonds (FHLB)	25,911,430	-
Federal Home Loan Mortg. Corp. Bonds (FHLMC)	1,002,520	-
Local Agency Investment Funds (LAIF)	-	270,528,758
Negotiable Certificates of Deposit	1,484,966	-
Certificates of Deposit (non-negotiable)	-	341,557
Total Investment Portfolio	<u>\$ 34,402,886</u>	<u>\$ 270,870,315</u>

Federal agency securities and Negotiable Certificates of Deposit classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices. The California Local Agency Investment Fund (LAIF) is classified as exempt in the fair value hierarchy, as it is valued at amortized cost, which is exempt from being classified under GASB 72. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 – LOANS RECEIVABLE

At June 30, 2021, Loans Receivable amounted to:

	Amount	Allowance	Net Amount
Metro Center Senior Homes Project	\$ 7,243,539	\$ (7,243,539)	\$ -
First Time Home Buyer Program	192,522	-	192,522
North Peninsula Jewish Campus Land	14,066,736	-	14,066,736
MP Foster Square Associates, L.P.	4,744,551	-	4,744,551
KIVA	396	-	396
Successor Agency	1,234,854	-	1,234,854
Total	\$ 27,482,598	\$ (7,243,539)	\$ 20,239,059

The former Foster City Community Development Agency entered into the loan program for Metro Center Senior Homes project and First Time Homebuyer program to improve the quality of housing and to increase the availability of affordable housing. Due to the passage of ABx1 26, the Foster City Community Development Agency was dissolved, and the City agreed to become the successor to the former redevelopment agency housing activities and as a result the City of Foster City assumed the loans receivable of the former Foster City Community Development Agency as of February 1, 2012.

Metro Center Senior Homes Project

On July 1, 1995, the Agency loaned \$6,879,774 to Metro Senior Associates (Metro) for the construction of a senior housing project (Project) to be known as the Metro Center Senior Homes Project. The loan bears a two percent interest rate with a maturity of 40 years. To finance the loan of \$6,879,774 to Metro, the Agency sold tax allocation bonds of \$5,000,000 on July 27, 1995 and the remainder of the loan was financed through its accumulated tax increment funds. Payment of the Note is secured by a deed of trust, assignment of rents, security agreement and fixture filing. Payments of principal and interest shall be made from residual cash flow. To the extent there is residual cash flow from the Project, Metro shall pay the entire residual cash flow to the Agency within ninety days of the end of each calendar year. Residual cash flow is defined as all rents and revenues derived from the Project less operation and other related costs of the Project. The loan agreement includes a provision to forgive the promissory note if Metro is acquired by its affiliates, the term of the note shall be extended by an additional 15 years from 40 years to 55 years from the date of the note and all amounts due under the note on the maturity date as extended shall be forgiven. In October 2012, Metro Senior Associates was acquired by its affiliates and as stated in the agreement the loan was extended from 40 years to 55 years from the date of the note. The outstanding loan balance will be forgiven at the end of the 55 years. As of June 30, 2021, the Agency provided a 100% valuation allowance equal to the loan balance outstanding in the amount of \$7,243,539 which includes principal of \$5,855,275 and accumulated interest in the amount of \$1,388,264.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 – LOANS RECEIVABLE (Continued)

First Time Homebuyer Program

The Agency started the First Time Homebuyer Program to provide low interest second mortgages for people who live and/or work in the City/District who can afford moderate monthly mortgage payments and require assistance with the down payment in order to purchase their first home. These loans have an interest rate of 3% and a term of 30 years. However, there are no payments and no accrued interest for the first five years. Beginning in year six, equal monthly payments of principal and interest will commence and continue for the remaining 25 years. The outstanding balance of these loans is \$192,522 at June 30, 2021.

North Peninsula Jewish Campus Land, LLC

On September 28, 2012, the City sold 11 acre site bounded by Foster City Boulevard, Balclutha Drive, Shell Boulevard and south drive to the North Peninsula Jewish Campus Land, LLC for \$20,000,000. According to the business term of the sale and purchase agreement, \$1,000,000 of the purchase price was paid in cash at closing, the balance of the purchase price in the amount of \$19,000,000 is financed by the City via a seller carry-back financing loan. The loan terms are 25-year at a fixed rate of 3.25%, secured by a first position deed of trust. The monthly loan payment is in the amount of \$92,590.08 beginning on November 1, 2012 and ending on October 1, 2037. The outstanding balance of this loan is \$14,066,736 as of June 30, 2021.

MP Foster Square Associates, L.P.

On December 3, 2014, the City made a loan of \$4,750,000 to MP Foster Square Associates, L.P. to assist in financing an affordable housing project in Foster Square (15-acre site). The loan is secured by a deed of trust, assignment of rents, security agreement and fixture filing. The loan bears a rate of three percent simple interest per annum.

Annual payments on this Note shall be payable on a residual receipts basis with a proportional share of 50% of all surplus cash payable to City toward principal and interest. The entire outstanding principal balance of this Note, together with interest accrued thereon shall be payable in full on the date which is the earlier of 1) the 55th anniversary of the date upon which the City issues a final certificate of occupancy or equivalent for the Project, or 2) the 57th anniversary of the date of the Note.

No payment shall be due on the note prior to the date that City issues a final certificate of occupancy or equivalent for the Project. As of June 30, 2021, final certificate of occupancy has not been issued. The outstanding loan balance is \$4,744,551 which includes principal of \$4,023,577 and accrued interest of \$720,974.

KIVA

On November 21, 2016, the City Council approved an agreement with KIVA Microlending (KIVA) creating a loan matching supporter account in the amount of \$90,000 for Foster City businesses. Kiva Microloans is the world's first and largest micro-lending website offering 0% micro business loans directly to small businesses who would otherwise have difficulty qualifying for traditional small business bank loans. Small businesses with an economic need are eligible to raise up to \$10,000 in crowdfunded capital with 0% interest. As of June 30, 2021, the outstanding balance of this loan is \$396.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 – LOANS RECEIVABLE (Continued)

Successor Agency

In fiscal year 2013/2014, the City had an extraordinary loss of \$1,368,510 due to the Sacramento Superior Court ruling against the City regarding the general fund loan repayment received from the former Foster City Community Development Agency in FY 2010/2011. Included in the \$1,368,510 was the repayment of \$1,115,697 to the general fund. This loan repayment was clawed back per AB1484; however, the City was allowed to reinstate the general fund loan with the Successor Agency of the former Foster City Community Development Agency. In FY 2014/2015, the loan reinstatement request for \$1,115,697 plus accrued interest of \$15,568 was approved by the State Department of Finance on November 10, 2014 retroactive September 10, 2014. As a result, the Successor Agency recorded a loan payable to the City effective that date. The outstanding balance of this loan including accrued interest from September 11, 2014 through June 30, 2021 is \$1,234,854. Payments will be made by the Successor Agency using available future funds from the County’s Reserve for Property Tax Trust Fund (RPTTF).

NOTE 5 – INTERFUND TRANSACTIONS

Due To and From Other Funds

Amounts due to or due from other funds reflect inter-fund balances of services rendered or short-term loans expected to be repaid in the next fiscal year.

Due From Other Funds	Due To Other Funds	Amount
City Capital Projects Fund	Non-Major Governmental Funds	\$ 1,908
Total		<u>\$ 1,908</u>

Transfers

Resources may be transferred from one City/District fund to another. The purpose of the majority of transfers is to move resources from one fund to another. Less often, a transfer may be made to open or close a fund. The following schedule summarizes the City/District’s transfer activity:

Transfers In	Transfers Out	Amount Transferred
General Fund	Non-Major Governmental Funds	\$ 859,218
General Fund	Internal Service Funds	400,000
Low and Moderate Income Housing Assets Fund	General Fund	15,307
City Capital Projects Fund	General Fund	1,350,000
City Capital Projects Fund	Levee Project Fund	5,188,451
City Capital Projects Fund	Internal Service Funds	200,000
Internal Service Funds	Internal Service Funds	17,409
Total Interfund Transfers		<u>\$ 8,030,385</u>

Transfers between funds were made during the fiscal year to fund capital improvement projects, summer concerts, Sustainable Foster City Program, and to fund building maintenance expenses.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2021 follows:

	July 1, 2020	Additions	Retirements	Transfers	June 30, 2021
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 11,102,221	\$ -	\$ -	\$ -	\$ 11,102,221
Construction in progress	7,432,099	32,500,578	(6,080)	(1,745,348)	38,181,249
Total capital assets, not being depreciated	18,534,320	32,500,578	(6,080)	(1,745,348)	49,283,470
Capital assets, being depreciated:					
Infrastructure	120,870,516	-	(961,358)	1,745,348	121,654,506
Buildings	50,011,488	-	-	-	50,011,488
Improvements	5,898,096	-	-	-	5,898,096
Equipment	6,938,607	210,323	(83,658)	-	7,065,272
Vehicles	4,272,821	-	(287,610)	-	3,985,211
Software	844,096	-	-	-	844,096
Total capital assets, being depreciated	188,835,624	210,323	(1,332,626)	1,745,348	189,458,669
Less accumulated depreciation for:					
Infrastructure	(72,523,747)	(3,558,649)	838,123	-	(75,244,273)
Buildings	(20,949,560)	(1,132,443)	-	-	(22,082,003)
Improvements	(3,100,294)	(179,788)	-	-	(3,280,082)
Equipment	(4,764,543)	(284,361)	74,195	-	(4,974,709)
Vehicles	(2,563,824)	(284,223)	270,513	-	(2,577,534)
Software	(648,743)	(29,303)	-	-	(678,046)
Total accumulated depreciation	(104,550,711)	(5,468,767)	1,182,831	-	(108,836,647)
Total capital assets, being depreciated, net	84,284,913	(5,258,444)	(149,795)	1,745,348	80,622,022
Governmental activities capital assets, net	\$ 102,819,233	\$ 27,242,134	\$ (155,875)	\$ -	\$ 129,905,492

Total capital asset additions for the City for the fiscal year ended for governmental activities were \$32,704,820 which consisted of \$242,642 in additions attributable to internal service fund activity.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 – CAPITAL ASSETS (Continued)

	July 1, 2020	Additions	Retirements	Transfers	June 30, 2021
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 3,553,474	\$ -	\$ -	\$ -	\$ 3,553,474
Construction in progress	38,295,903	19,185,877	-	(1,199,170)	56,282,610
Total capital assets, not being depreciated	41,849,377	19,185,877	-	(1,199,170)	59,836,084
Capital assets, being depreciated:					
Infrastructure	74,934,690	43,932	-	1,199,170	76,177,792
Sewer capacity rights	24,791,531	-	-	-	24,791,531
Equipment	3,048,645	43,765	(132,501)	-	2,959,909
Total capital assets, being depreciated	102,774,866	87,697	(132,501)	1,199,170	103,929,232
Less accumulated depreciation for:					
Infrastructure	(49,450,612)	(1,481,488)	-	-	(50,932,100)
Sewer capacity rights	(7,535,820)	(495,831)	-	-	(8,031,651)
Equipment	(1,415,294)	(151,831)	126,129	-	(1,440,996)
Total accumulated depreciation	(58,401,726)	(2,129,150)	126,129	-	(60,404,747)
Total capital assets, being depreciated, net	44,373,140	(2,041,453)	(6,372)	1,199,170	43,524,485
Business-type activities capital assets, net	\$ 86,222,517	\$ 17,144,424	\$ (6,372)	\$ -	\$ 103,360,569

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 645,657
Public safety - Police	260,671
Public safety - Fire	20,003
Public works	2,438,918
Community development	45,555
Parks and recreation	2,057,963
Total depreciation expense	\$ 5,468,767

Depreciation expense was charged to the business-type functions as follows:

Water	\$ 839,763
Wastewater	1,289,387
Total depreciation expense	\$ 2,129,150

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 – LONG TERM OBLIGATIONS

The following is a summary of long-term obligation transactions for the year ended June 30, 2021:

	July 1, 2020	Additions	Retirements	June 30, 2021	Due Within One Year	Due in More Than One Year
Governmental activities:						
Claim liability	\$ 36,000	\$ 50,000	\$ -	\$ 86,000	\$ 86,000	\$ -
Compensated absences	2,498,336	1,013,055	(706,998)	2,804,393	900,860	1,903,533
2020 GO Bonds	-	85,000,000	-	85,000,000	3,895,000	81,105,000
Plus: bond premium	-	6,835,167	-	6,835,167	-	6,835,167
Direct placement:						
PG&E On-Bill Financing	157,331	-	(28,844)	128,487	31,466	97,021
Total governmental activities	\$ 2,691,667	\$ 92,898,222	\$ (735,842)	\$ 94,854,047	\$ 4,913,326	\$ 89,940,721
Business-type activities:						
Compensated absences	\$ 371,490	\$ 178,135	\$ (179,432)	\$ 370,193	\$ 121,314	\$ 248,879
2019 Wastewater Revenue Bonds	33,820,000	-	(515,000)	33,305,000	545,000	32,760,000
Plus: Unamortized bond premium	6,334,985	-	(225,509)	6,109,476	-	6,109,476
Total business-type activities	\$ 40,526,475	\$ 178,135	\$ (919,941)	\$ 39,784,669	\$ 666,314	\$ 39,118,355

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$235,251 of compensated absences, \$86,000 of claims liability and \$128,487 of PG&E On-Bill Financing from the internal service funds are included in the above amounts.

The general fund has typically been used to liquidate the other postemployment benefit obligation within governmental activities and the water and wastewater funds have been used to liquidate obligations under business-type activities.

Series 2020 General Obligation Bonds

On August 5, 2020, the City issued General Obligation Bonds (2020 GO Bonds) in the amount of \$85,000,000, bearing interest at the rate of 2% to 4%. Interest payments are payable semi-annually on February 1 and August 1, commencing February 1, 2021. The bonds are payable solely from ad valorem property taxes levied by the City and collected by San Mateo County. Principal payable on the bonds will be paid on August 1 starting on August 1, 2021. The Bonds maturing on or before August 1, 2027 are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 2028 are subject, at the option of the City, to redemption prior to their stated maturities in whole or in part on any date commencing August 1, 2027, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

2019 Wastewater Revenue Bond

On June 4, 2019, the San Mateo-Foster City Public Financing Authority (PFA) issued 2019 Series Wastewater Revenue Bonds (2019 Bonds) in the amount of \$270,000,000, of which the District's allocated share is \$33,820,000 (District Bonds). As stipulated in a Financing Agreement, Foster City/Estero Municipal Improvement District is solely liable for the repayment of the District Bonds. The City of San Mateo is solely responsible for the remaining \$236,180,000 under its separate financing agreement. Interest payments are payable semi-annually on February 1 and August 1, commencing February 1, 2020.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 – LONG TERM OBLIGATIONS (Continued)

The District Bonds mature through August 1, 2049 and bear interest at the rate of 4% to 5%. The issuance resulted in a bond premium of \$6,579,286 for the District Bonds.

The 2019 District Bonds are payable from net revenues received by the District from the operation of its Wastewater Enterprise Fund. The outstanding principal balance, net of bond premium was \$39,414,476 at June 30, 2021. Total principal and interest payments on the District Bonds until final maturity is \$60,481,125.

The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments for principal and interest; the failure of the Authority to observe or perform any of the covenants, agreements or conditions on its part in the Indenture or in the 2019 Bonds contained; filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws; or failure by a Member to make any payment in full when due under the related Financing Agreement in respect of the debt service on the 2019 Bonds, as set forth in respective payment schedules filed with the Trustee by the Authority.

Water Infrastructure Finance and Innovation Act (WIFIA) Loan

On November 5, 2020, the District entered into an agreement with the San Mateo-Foster City Public Financing Authority (PFA) and the Environmental Protection Agency (EPA) for a \$66,860,640 loan (Loan) under the EPA's Water Infrastructure Finance and Innovation Act (WIFIA) loan program. The purpose of the loan is to finance a portion of the District's share of the San Mateo/District's joint clean Water Program project (aka the District's Wastewater Treatment Plant Master Plan Improvement project, CIP 455-652). The Loan is anticipated to be disbursed in its entirety on August 1, 2025 with a fixed interest rate of 1.14% amortized over 30 years. Principal payments are due annually on August 1 and semi-annual interest payments are due each February 1 and August 1 commencing on February 1, 2026.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 – LONG TERM OBLIGATIONS (Continued)

Debt Service Requirements

Annual debt service requirements are shown below for all long-term debt with specified repayment terms:

For the Year Ending June 30	Governmental-Type Activities		
	Principal	Interest	Total
2022	\$ 3,895,000	\$ 2,592,812	\$ 6,487,812
2023	3,940,000	2,436,112	6,376,112
2024	3,050,000	2,296,312	5,346,312
2025	1,700,000	2,201,312	3,901,312
2026	1,770,000	2,131,912	3,901,912
2027 - 2031	9,970,000	9,516,960	19,486,960
2032 - 2036	12,060,000	7,426,460	19,486,460
2037 - 2041	14,055,000	5,440,260	19,495,260
2042 - 2046	16,135,000	3,311,435	19,446,435
2047 - 2051	18,425,000	1,054,756	19,479,756
	<u>85,000,000</u>	<u>\$ 38,408,331</u>	<u>\$ 123,408,331</u>
Plus: Unamortized Premium	<u>6,835,167</u>		
	<u>\$ 91,835,167</u>		
For the Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2022	\$ 545,000	\$ 1,542,125	\$ 2,087,125
2023	570,000	1,514,250	2,084,250
2024	600,000	1,485,000	2,085,000
2025	630,000	1,454,250	2,084,250
2026	665,000	1,421,875	2,086,875
2027 - 2031	3,870,000	6,561,750	10,431,750
2032 - 2036	4,955,000	5,469,325	10,424,325
2037 - 2041	6,235,000	4,190,375	10,425,375
2042 - 2046	7,675,000	2,757,425	10,432,425
2047 - 2050	7,560,000	779,750	8,339,750
Total	<u>33,305,000</u>	<u>\$ 27,176,125</u>	<u>\$ 60,481,125</u>
Plus: Unamortized Premium	<u>6,109,476</u>		
	<u>\$ 39,414,476</u>		

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 – NET POSITION AND FUND BALANCES

Net Position

The government-wide, proprietary fund and fiduciary fund financial statements utilize a net position presentation. Net positions are categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets: This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position: This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position: This category represents net positions of the City/District, not restricted for any project or other purpose.

Fund Balances

Fund balances presented in the governmental fund financial statements, represent the difference between assets and deferred outflows, and liabilities and deferred inflows reported in a governmental fund. The City's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint.

Nonspendables – represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, inventory, notes receivable, and land held for resale are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

Restricted – represents balances have external restrictions imposed by creditors, grantors, contributors, laws, regulation, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances, donations, and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed – represents balances have constraints imposed by the City's highest level of decision-making authority, the City Council, through Council Resolution. Commitments may be altered only by Council Resolution, which the City taking the same formal action that imposed the constraint originally. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned – represents balances intended to be used by the City for specific purposes, but are neither restricted nor committed. The City Council through City Resolution delegated the authority to the City Manager to assign fund balances which are not otherwise restricted or committed.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

Unassigned – represents the residual fund balances that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

Detailed classifications of the City’s Fund Balances, as of June 30, 2021, are below:

	Major Funds					Non-Major		Total
	General Fund	Low and Moderate Income Housing Assets Fund	Foster City Affordable Housing Fund	City Capital Projects	Capital Asset Preservation	Levee Project Fund	Governmental Funds	
Nonspendable								
Prepays and deposits	\$ 1,575	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,575
Inventory	16,900	-	-	-	-	-	-	16,900
Total Nonspendable	18,475	-	-	-	-	-	-	18,475
Restricted								
Affordable housing	-	2,032,198	-	-	-	-	-	2,032,198
Parks	-	-	-	-	-	-	2,805,866	2,805,866
Public safety program	24,823	-	-	-	-	-	-	24,823
Levee improvement costs	-	-	-	-	-	50,166,574	-	50,166,574
Roadway capital project and maintenance	-	-	-	-	-	-	4,851,933	4,851,933
Recreation programs and community events	-	-	-	-	-	-	1,311,343	1,311,343
General Obligation Bonds debt services	-	-	-	-	-	-	9,937,849	9,937,849
Total Restricted	24,823	2,032,198	-	-	-	50,166,574	18,906,991	71,130,586
Committed								
Solid waste reduction	-	-	-	-	-	-	742,217	742,217
Garbage rate stabilization fund	157,687	-	-	-	-	-	-	157,687
Capital projects	-	-	-	21,361,382	43,578,619	-	-	64,940,001
Affordable housing	-	-	828,258	-	-	-	95,913	924,171
CalOpps online recruitment program	-	-	-	-	-	-	317,167	317,167
Sustainable Foster City	208,922	-	-	-	-	-	-	208,922
General plan, building and zoning	-	-	-	-	-	-	1,790,760	1,790,760
Commercial linkage fee	-	-	-	-	-	-	568,914	568,914
Technology fee program	-	-	-	-	-	-	183,472	183,472
Community benefit	1,450,210	-	-	-	-	-	-	1,450,210
Solar rebate	87,458	-	-	-	-	-	-	87,458
Facility maintenance	2,392,110	-	-	-	-	-	-	2,392,110
Employee homeloan program	59,791	-	-	-	-	-	-	59,791
Pension	91,354	-	-	-	-	-	-	91,354
Total Committed	4,447,532	-	828,258	21,361,382	43,578,619	-	3,698,443	73,914,234
Unassigned	52,979,962	-	-	-	-	-	(1,908)	52,978,054
Total Fund Balances	\$ 57,470,792	\$ 2,032,198	\$ 828,258	\$ 21,361,382	\$ 43,578,619	\$ 50,166,574	\$ 22,603,526	\$ 198,041,349

The City/District uses encumbrance accounting throughout the fiscal year to encumber appropriations based upon purchase orders issued to the City/District’s vendors. Any purchase order not expended lapse at the end of the fiscal year, and must be reinitiated with the vendor on July 1 of the subsequent fiscal year. As of June 30, 2021, there were no encumbered fund balances.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – EMPLOYEE’S RETIREMENT PLAN

The City participates in the following Pension Plans administered by the California Public Employees Retirement System (CalPERS):

1. **Agent Multiple-Employer Defined Benefit Pension Plan** (Agent Multiple) for its miscellaneous employees.

An agent multiple-employer plan is one in which the assets of the participating government employers are pooled for investment purposes, but separate accounts are maintained for each individual employer.

2. **Cost-Sharing Multiple-Employer Defined Benefit Pension Plan** (Cost Sharing) for its Safety employees.

A cost-sharing multiple-employer defined benefit pension plan is a plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay benefits of the employees of any employer that provides pensions through the plan.

General Information about the Pension Plans

Plan Descriptions – All qualified permanent employees are eligible to participate in the City’s separate Safety (police and fire) cost-sharing Plans and Miscellaneous (all other) agent multiple employers defined benefit pension plans administered by the California Public Employees Retirement System (CalPERS).

The Miscellaneous Plan is an agent multiple-employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

The City’s Safety Plan is a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS since the plan has less than 100 active members, commonly referred to as risk pool. The City has three retirement benefit tiers in the Safety Plan. Tier 1 is for employees hired prior to January 1, 2012. Tier 2 is for employees hired between January 1, 2012 to December 31, 2012. Tier 3 is for employees hired on or after January 1, 2013.

Benefits Provided – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees, and their beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment, age and the average of the final 3 years’ compensation. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – EMPLOYEE’S RETIREMENT PLAN (Continued)

The plans’ provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Agent-Multiple		Cost Sharing		
	Miscellaneous Plan		Safety (Police and Fire) Plan		
	Classic	PEPRA	Classic	Classic (Police)	PEPRA
	Prior to	On or after	Prior to	On or after	On or after
Hire date	1/1/2013	1/1/2013	1/1/2012	1/1/2012	1/1/2013
Benefit formula	2.7% @ 55	2% @ 62	3% @ 50	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	62	50	50	57
Final compensation period	Three Year	Three Year	Three Year	Three Year	Three Year
Monthly benefits, as a % of annual salary	2% to 2.7%	1% to 2.5%	3%	2.0% to 2.7%	2.0% to 2.7%
Required employee contribution rate	8.00%	6.25%	9.00%	9.00%	13.00%
Required employer contribution rate *	36.089%	36.089%	114.506%	20.454%	14.052% (Police) 0.00% (Fire)
Total employee contribution FY 20/21	\$ 644,461	\$ 261,894	\$ 253,991	\$ 21,565	\$ 293,438
Total employer contribution FY 20/21	\$ 8,035,273	\$ 475,235	\$ 7,195,474	\$ 49,408	\$ 318,966

* including Unfunded Actuarial Liability (UAL) contribution rate

Employees Covered – The following employees were covered by the benefit terms of the Miscellaneous Plan as of the most recent actuarial valuation date of June 30, 2019, however, information for the Safety Plans was not provided from CalPERS for cost-sharing multiple-employer defined benefit pension plans.

	<u>Miscellaneous *</u>
Inactive employees or beneficiaries currently receiving benefits	207
Inactive employees entitled to but not yet receiving benefits	165
Active employees	<u>132</u>
Total	<u><u>504</u></u>

* All Tiers of the Miscellaneous plan were combined together on GASB 68 report by CalPERS

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

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – EMPLOYEE’S RETIREMENT PLAN (Continued)

For the year ended June 30, 2021, the contributions for the Plans were as follows:

	<u>Miscellaneous *</u>	<u>Safety Plans *</u>	<u>Total</u>
Contributions - employer	\$ 8,510,508	\$ 7,563,848	\$ 16,074,356
Contributions - employee	906,355	568,994	1,475,349

* All Tiers of the Miscellaneous and Safety plans were combined together on GASB 68 report by CalPERS

Net Pension Liability

The City’s net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 using standard update procedures. As of June 30, 2021, the City reported net pension liabilities of \$38,993,651.

As of June 30, 2021, the City’s reported net pension liabilities for its proportionate shares of the net pension liability of Safety Plan as follow:

	<u>Cost Sharing Safety Plan</u>
Proportionate Share of Net Pension Liability	\$ 44,140,957

The total net pension liability for the Miscellaneous and Safety plans at June 30, 2021 was \$83,134,608.

The City’s net pension liability for Safety Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020 and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Safety Plan as of June 30, 2019 and 2020 is as follows:

	<u>Cost Sharing Safety (Police and Fire) Plan</u>
Proportion - June 30, 2019	0.65%
Proportion - June 30, 2020	0.66%
Change-Increase (Decrease)	<u>0.01%</u>

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – EMPLOYEE’S RETIREMENT PLAN (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension

At June 30, 2021, the City recognized pension expense of \$5,003,537 for the Miscellaneous Plan and pension expense of \$6,354,575 for the Safety Plan, with a total pension expense of \$11,358,112.

The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for Miscellaneous and Safety Plans:

	Agent-Multiple		Cost-Sharing		Total	
	Miscellaneous Plan		Safety Plan		Deferred	Deferred
	Deferred	Deferred	Deferred	Deferred	Deferred	Deferred
	Outflows	Inflows	Outflows	Inflows	Outflows	Inflows
	of Resources	of Resources	of Resources	of Resources	of Resources	of Resources
Pension contributions subsequent to measurement date	\$ 8,510,508	\$ -	\$ 7,563,848	\$ -	\$ 16,074,356	\$ -
Differences between actual and expected experience	1,506,777	-	3,422,907	-	4,929,684	-
Changes in assumptions	-	-	-	(147,034)	-	(147,034)
Net difference between projected and actual earnings on pension plan investments	603,279	-	959,369	-	1,562,648	-
Changes in employer's proportion	-	-	528,753	(2,390,209)	528,753	(2,390,209)
Difference between the employer's contributions and the employer's proportionate share of contributions	-	-	1,305,824	(1,154,309)	1,305,824	(1,154,309)
Total	\$ 10,620,564	\$ -	\$ 13,780,701	\$ (3,691,552)	\$ 24,401,265	\$ (3,691,552)

The contributions made after the measurement date of the net pension liability but before the end of the reporting period of June 30, 2021 will be recognized as a reduction of the net pension liability in the subsequent fiscal period rather than in the current fiscal period. Therefore, the \$16,074,356 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended	Miscellaneous	Safety	Total
	Plan	Plan	
June 30	Deferred	Deferred	Deferred
	Outflows/	Outflows/	Outflows/
	(Inflows)	(Inflows)	(Inflows)
	of Resources	of Resources	of Resources
2022	\$ 578,290	\$ 73,862	\$ 652,152
2023	732,913	998,854	1,731,767
2024	432,696	971,887	1,404,583
2025	366,157	480,698	846,855
	\$ 2,110,056	\$ 2,525,301	\$ 4,635,357

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2021**

NOTE 9 – EMPLOYEE’S RETIREMENT PLAN (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions for Miscellaneous and Safety Plans:

	All Plans
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.625%
Payroll Growth	2.875%
Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.25% (1)
Mortality (2)	Derived using CalPERS' membership for data for all funds (2)

(1) Net of pension plan investment and administrative expenses, including inflation

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of Scale MP 2016. For more details on this table, please refer to the December 2017 experience study report.

Discount Rate – The discount rate used to measure the total pension liability for each Plan was 7.15%. The projection of cash flows used to determine the discount rate for each Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, each Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability for each Plan.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11 + years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – EMPLOYEE’S RETIREMENT PLAN (Continued)

The table below reflects long-term expected real rate of return by asset class for Miscellaneous and Safety Plans. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class (a)</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1-10 (b)</u>	<u>Real Return Years 11+ (c)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total Fund	100.0%	16.6%	21.7%

(a) In the CalPERS Annual Comprehensive Financial Report, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.0% used for this period.

(c) An expected inflation of 2.92% used for this period.

Sensitivity of the Net Pension Liability for Miscellaneous Plans and Sensitivity of the Proportionate Share of the Net Pension Liability for Safety Plans to changes in the Discount rate –

The following presents the net pension liability of the City for Miscellaneous and the City’s proportionate share of the net pension liability for Safety Plans, calculated using the discount rate as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1- percentage point lower or 1- percentage point higher than the current rate:

	<u>Agent-Multiple Miscellaneous * Plan</u>	<u>Cost-Sharing Safety * Plan</u>
Discount Rate 1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 55,492,432	\$ 63,699,540
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 38,993,651	\$ 44,140,957
Discount Rate 1% Increase	8.15%	8.15%
Net Pension Liability	\$ 25,337,743	\$ 28,091,289

* All Tiers of the Miscellaneous and Safety plans were combined together on GASB 68 report by CalPERS

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – EMPLOYEE’S RETIREMENT PLAN (Continued)

Changes in the Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2019	\$ 121,229,137	\$ 85,997,956	\$ 35,231,181
Changes in the year:			
Service cost	2,183,734	-	2,183,734
Interest on the total pension liability	8,686,727	-	8,686,727
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Difference between expected and actual experience	2,024,793	-	2,024,793
Net Plan to plan resource movement	-	-	-
Contributions - employer	-	4,031,414	(4,031,414)
Contributions - employees	-	938,355	(938,355)
Net investment income	-	4,284,251	(4,284,251)
Benefit payments, including refunds of employee contributions	(5,706,217)	(5,706,217)	-
Administrative expenses	-	(121,236)	121,236
Other miscellaneous income	-	-	-
Net changes	<u>7,189,037</u>	<u>3,426,567</u>	<u>3,762,470</u>
Balance at June 30, 2020	<u>\$ 128,418,174</u>	<u>\$ 89,424,523</u>	<u>\$ 38,993,651</u>

* All Tiers of the Miscellaneous plan were combined together on GASB 68 report by CalPERS.

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

Internal Revenue Code Section 401(a) Plan and 457 Deferred Compensation Plan

City/District employees may contribute a portion of their compensation under the City/District sponsored 401(a) Retirement Plan and 457 Deferred Compensation Plan created in accordance with Internal Revenue Code Section 401(a) and 457. Under these Plans, participants are not taxed on their contributions to the Plans until it is distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plans. The laws governing the plan assets require the plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City/District’s property and are not subject to the City/District control, they have been excluded from these financial statements.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – EMPLOYEE’S RETIREMENT PLAN (Continued)

Longevity Recognition Benefits

The Longevity Recognition defined benefits plan offered by City is a post-employment obligation, with no associated trust, established for the benefit of the classifications of Police Officer, Police Corporal, Police Sergeant, Police Lieutenant, Police Captain, Police Chief, Firefighter, Fire Captain, Battalion Chief and Fire Chief. It was also afforded to the members of the AFSCME bargaining unit who retired after July 1, 2001 and before October 1, 2007. At June 30, 2021, the reporting date, the following numbers of employees were covered by the benefit terms:

	Numbers of Covered Employees
Inactives currently receiving benefits	56
Inactives entitled to benefit payments	5
Active employees	17
Total	<u>78</u>

The monthly benefit is calculated based on the years of service and bargaining group, which ranges from \$125 to \$350. The summary of the plan provisions is listed below:

Eligibilities	<p>Active Fire , Police and Safety Management employees hired before 1/1/12 (Plan is closed to new entrants):</p> <p style="padding-left: 40px;">Age 50 & 10 years of City service</p> <p style="padding-left: 40px;">Retire from the City & CalPERS (service or disability)</p> <p>Miscellaneous Management and AFSCME members who retired before 9/30/07</p>																														
Retiree Benefits	<p>Monthly benefit varies by City service:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Years of City Service</th> <th style="text-align: center;">AFSCME</th> <th style="text-align: center;">Mgmt</th> <th style="text-align: center;">Police</th> <th style="text-align: center;">Fire</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">< 10</td> <td style="text-align: center;">\$ 0</td> <td style="text-align: center;">\$ 0</td> <td style="text-align: center;">\$ 0</td> <td style="text-align: center;">\$ 0</td> </tr> <tr> <td style="text-align: center;">10-14</td> <td style="text-align: center;">125</td> <td style="text-align: center;">125</td> <td style="text-align: center;">140</td> <td style="text-align: center;">125</td> </tr> <tr> <td style="text-align: center;">15-19</td> <td style="text-align: center;">200</td> <td style="text-align: center;">200</td> <td style="text-align: center;">210</td> <td style="text-align: center;">200</td> </tr> <tr> <td style="text-align: center;">20-24</td> <td style="text-align: center;">275</td> <td style="text-align: center;">275</td> <td style="text-align: center;">275</td> <td style="text-align: center;">275</td> </tr> <tr> <td style="text-align: center;">≥ 25</td> <td style="text-align: center;">350</td> <td style="text-align: center;">350</td> <td style="text-align: center;">345</td> <td style="text-align: center;">350</td> </tr> </tbody> </table>	Years of City Service	AFSCME	Mgmt	Police	Fire	< 10	\$ 0	\$ 0	\$ 0	\$ 0	10-14	125	125	140	125	15-19	200	200	210	200	20-24	275	275	275	275	≥ 25	350	350	345	350
Years of City Service	AFSCME	Mgmt	Police	Fire																											
< 10	\$ 0	\$ 0	\$ 0	\$ 0																											
10-14	125	125	140	125																											
15-19	200	200	210	200																											
20-24	275	275	275	275																											
≥ 25	350	350	345	350																											
Withdrawal Benefit & Pre-retirement Death Benefit	None, unless eligible for service or industrial disability retirement benefit																														

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – EMPLOYEE’S RETIREMENT PLAN (Continued)

The payment is made upon separation from the City, as long as that separation is in conjunction with a retirement through CalPERS. The payment is a monthly annuity payment, which has no restriction as to how the payment is used by the member. The payment commences the first of the month following the retirement date of the annuitant.

Total pension liabilities for the plan:

	Total Pension Liability	
	June 30, 2021	June 30, 2020
Measurement Date	6/30/21	6/30/20
Total Pension Liability (TPL)	\$ 3,943,540	\$ 3,577,630

No assets are accumulated in a trust that meets the criteria of paragraph 4 of Statement No. 73 of the Governmental Accounting Standards Board.

Sensitivity of total pension liability to changes in the Discount Rate:

	Sensitivity of Total Pension Liability to Changes in the Discount Rate		
	1% Decrease (0.92%)	Current Rate (1.92%)	1% Increase (2.92%)
Total pension liability	\$ 4,498,403	\$ 3,943,540	\$ 3,490,061

Balances of Deferred Outflows/Inflows of Resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Actual and Expected Experience	\$ 66,458	\$ -
Changes of assumptions	94,275	-
Total	\$ 160,733	\$ -

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – EMPLOYEE’S RETIREMENT PLAN (Continued)

Significant Actuarial Assumptions:

Significant Actuarial Assumptions Used in Calculating the Total Pension Liability	
Significant Actuarial Assumptions	June 30, 2021 Measurement Date
Actuarial Valuation Date	June 30, 2021
Contribution Policy	Pay-as-you-go
Discount Rate	1.92% at June 30, 2021 (Bond Buyer 20 Index) 2.45% at June 30, 2020 (Bond Buyer 20 Index)
General Inflation	2.50% per annum
Mortality, Retirement, Disability, Termination	Same as CalPERS
Mortality Improvement	20 years (Miscellaneous) and 15 years (Police) of projected on-going mortality improvement using MP 2016 published by the Society of Actuaries
Expected Long-Term Rate of Return on Investments	N/A
Payroll Increases	Aggregate: 2.75% Merit: CalPERS 1997-2011 Experience Study

Other Post-Employment Benefits (OPEB)

General Information about the City’s OPEB Plan

All City/District employees, their surviving spouses, and eligible dependents can continue to participate in the health care program under the provisions of the formal City-sponsored single employer plan at their own cost. The City/District will only contribute the minimum amount provided under Government Code Section 22825 of the Public Employee Medical and Hospital Care Act by which, the City/District paid \$139 and \$143 per month per family for the period from July 1, 2020 to December 31, 2020 and January 1, 2021 to June 30, 2021, respectively. The City/District’s contribution for fiscal year 2021 amounted to \$496,035 which included \$333,722 implied subsidy benefit payment. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2021:

Active employees	159
Inactive employees receiving benefit payments	132
Inactive employees entitled to but not yet receiving benefit payments	<u>67</u>
Total	<u><u>358</u></u>

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – EMPLOYEE’S RETIREMENT PLAN (Continued)

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 the plan participants) 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 participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the June 30, 2021 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 1.92% discount rate and a 2.50% general inflation assumption. The healthcare cost trend rate minimum was assumed to annually increase by 2.75%. The valuation includes implied subsidy as required by Actuarial Standards of Practice No. 6. The UAAL is amortized as a level percentage of projected payrolls over 14 years on a closed basis commencing in 2014.

<u>Actuarial Assumption</u>	<u>June 30, 2021 Measurement Date</u>
<u>Actuarial Valuation Date</u>	<u>June 30, 2021</u>
	*1.92% at June 30, 2021 2.45% at June 30, 2020
<u>20-Year Municipal Bond Rate</u>	<u>*Bond Buyer 20-Bond GO Index</u>
<u>Discount Rate</u>	<u>*1.92% at June 30, 2021 2.45% at June 30, 2020</u>
<u>General Inflation</u>	<u>2.50% per annum</u>
<u>Aggregate Payroll Increase</u>	<u>2.75% per annum</u>
<u>Mortality, Retirement, Disability, Termination</u>	<u>Same as CalPERS</u>
<u>Mortality Improvement</u>	<u>Post-retirement mortality projected fully generational with modified Scale MP-2016</u>

Change of Assumption - For the measurement date of June 30, 2021, the discount rate reduced from 2.45% to 1.92%.

Changes in Total OPEB Liability

The changes in the total OPEB liability follows:

	Total OPEB Liability
Balance as of June 30, 2020	\$ 11,189,947
Changes Recognized for the Measurement Period:	
Service cost	632,514
Interest on the total OPEB liability	283,575
Differences between expected and actual experience	(1,405,505)
Changes of assumptions	877,461
Benefit Payments	(162,313)
Implicit Rate Subsidy Fulfilled	(333,722)
Net changes	(107,990)
Balance as of June 30, 2021	\$ 11,081,957

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – EMPLOYEE’S RETIREMENT PLAN (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.92%) or 1-percentage-point higher (2.92%) than the current discount rate:

Total OPEB Liability/(Asset)		
Discount Rate -1% (0.92%)	Discount Rate (1.92%)	Discount Rate +1% (2.92%)
\$ 12,594,603	\$ 11,081,957	\$ 9,835,176

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Total OPEB Liability/(Asset)		
1% Decrease 6.00%	Healthcare Cost Trend Rates 7.00%	1% Increase 8.00%
\$ 10,602,260	\$ 11,081,957	\$ 11,647,226

OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the City recognized OPEB expense of \$14,131. At June 30, 2021, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Actual and Expected Experience	\$ -	\$ (2,343,827)
Changes of assumptions	1,357,510	(478,307)
	<u>\$ 1,357,510</u>	<u>\$ (2,822,134)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2022	\$ (405,923)
2023	(396,923)
2024	(317,923)
2025	(317,916)
2026	42,937
2027	(68,876)
Total	<u>\$ (1,464,624)</u>

Additional information regarding the OPEB can be found in the Required Supplementary Information section.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 – INVESTMENT IN JOINT VENTURE AND MEMBERSHIP IN INSURANCE POOLS

The City/District participates in a joint venture and insurance pools established under the State of California Joint Powers Act, as follows:

Wastewater Treatment Facility

The City/District executed a Joint Exercise of Powers Agreement in June 1974 (amended February 1976) with the City of San Mateo for the joint construction of a wastewater treatment facility (Facility). The project was funded through various sources: federal funding was 75%, state funding was 12.5%, and the City/District and the City of San Mateo jointly funded the remaining 12.5%. The project was completed during the year ended June 30, 1987, at an approximate total cost to the City/District of \$826,000. Part of the City/District's share of the costs has been financed through the sale of \$760,000 in Wastewater Revenue Bonds of 1979. The remaining construction costs were financed through use of existing funds.

A new Joint Powers Agreement (JPA) dated July 17, 1989 and amended January 17, 1990, was executed by the City/District and City of San Mateo to rescind the agreement of June 1974 (amended February 1976). The new JPA provides for the expansion of the wastewater treatment facility with all costs shared between the parties as follows: the City/District, 25% and the City of San Mateo, 75%. The City of San Mateo is the lead agency and bills the City/District monthly for its share of the expansion project costs and quarterly for its operating and maintenance costs. The City of San Mateo's audited financial statements may be obtained at 330 W 20th Avenue, San Mateo, CA 94403. Part of the City/District's share of costs has been financed through the sale of \$1,329,000 in Wastewater Revenue Bonds in 1993. The City of San Mateo issued \$23.5 million in long-term revenue bonds to finance its share of expansion costs. The City/District is not obligated in any manner to repay the San Mateo revenue bonds. The wastewater treatment plant facility project was completed in fiscal year 2011.

For the year ended June 30, 2021, the District's share of the operating and maintenance costs was \$2,685,378 which is included in the Wastewater Enterprise Fund's accompanying financial statements as contractual services.

On February 29, 2016, the City of San Mateo and Estero Municipal Improvement District executed a Joint Exercise of Powers Agreement to form the San Mateo-Foster City Public Financing Authority (PFA) to provide assistance with the financing of the replacement of the jointly owned Wastewater Treatment Plant. This Clean Water Program/Wastewater Treatment Plant Master Plan Improvements project is estimated to cost \$1.06 billion over a 10-year period with the District's share estimated to be \$154 million.

On June 4, 2019, the PFA issued the 2019 Series Wastewater Revenue Bonds in the amount of \$270,000,000. Of the \$270,000,000, the District's allocated share of the bond is \$33,820,000 (District Bonds).

Under the terms of the financing agreement, the District Bonds are secured by a pledge of the District's Wastewater Enterprise Fund Net Revenue as defined under the financing agreement.

Financial statements of the PFA may be obtained from City of San Mateo, 330 West 20th Avenue, San Mateo, CA 94403.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2021**

**NOTE 10 – INVESTMENT IN JOINT VENTURE AND MEMBERSHIP IN INSURANCE POOLS
 (Continued)**

The condensed financial information of the PFA as of June 30, 2021 is as follows:

Total Assets	\$450.2
Total Liabilities	\$507.7
Net Position	\$(57.5)

Investment in Equity Interest for Fire Joint Power Authority

On November 22, 2017, the City of San Mateo, the City of Belmont/Belmont Fire Protection District and the City of Foster City/Estero Municipal Improvement District formed a Joint Powers Authority (JPA) named the San Mateo Consolidated Fire Department (SMC Fire) to provide integrated and comprehensive fire protection, fire prevention, and emergency response services to all three communities serving a population of over 164,000. SMC Fire commenced operations on January 13, 2019. Certain costs, including the annual employer contribution associated with unfunded CalPERS pension liability remain with Foster City. Effective January 13, 2019, Foster City’s financial contributions to SMC Fire is accounted for annually as an investment in equity interest in its government-wide financial statements.

SMC Fire is governed under the terms of the JPA Agreement by a Board of Directors consisting of one voting representative and one alternate who are elected members from the governing boards of the three JPA Member Agencies. Each member agency has the following weighted vote: City of San Mateo (60%), Belmont (20%) and City of Foster City (20%).

As of June 30, 2021, the City recorded an investment in JPA equity of \$3,618,269 based on the audited financial statements of the JPA for fiscal year 2021. Every year the City adjusts the investment based on the City’s proportion of financial activity at SMC Fire (20%).

Audited financial statements for the JPA are available from City of San Mateo, 330 West 20th Avenue, San Mateo, CA 94403.

The condensed audited financial information of the JPA as of June 30, 2021 is as follows (in millions):

Total Assets	\$18.7
Deferred Outflows	\$ 8.0
Total Liabilities	\$ 8.7
Deferred Inflows	\$0.01
Net Position	\$18.1

South Bayside Waste Management Authority (SBWMA)

The South Bayside Waste Management Authority (the Authority) was formed by a joint powers agreement on October 13, 1999. Members of the Authority currently include the cities of Atherton, Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, Menlo Park, Redwood City, San Carlos, San Mateo, as well as the West Bay Sanitary District and the County of San Mateo. The members are required by AB 939 to reduce, recycle and reuse solid waste generated within their respective jurisdictions and to provide source reduction, recycling and composting activities. The Authority's purpose is to assist its members in meeting these requirements.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 10 – INVESTMENT IN JOINT VENTURE AND MEMBERSHIP IN INSURANCE POOLS
(Continued)**

Financial statements may be obtained by mailing a request to the City of Redwood City, 1017 Middlefield Road, Redwood City, California 94063.

The Cities Group

The City/District, along with five other governments located within San Mateo County, is a member of The Cities Group, a public entity risk pool and a provider of workers' compensation insurance coverage, claims management, risk management services and legal defense to each participating member. The Cities Group is governed by a Board of Directors, which is comprised of officials appointed by each participating member. Premiums paid to the Cities Group may be modified by Board decision according to the loss experience of each member. This loss experience mechanism will operate to ensure that each member returns over a period of time to the Cities Group the funds paid out on its behalf as paid losses. In the opinion of City/District management, premiums paid represent the best available estimate of the ultimate cost of the City/District's participation in The Cities Group and, accordingly, the accompanying basic financial statements of the City/District includes no provisions for possible refunds or additional assessments. For the year ended June 30, 2021, the City/District paid premiums to The Cities Group of \$1,383,342 which are included in the General Fund as insurance expenditures.

PLAN JPA

The City/District, along with 28 other Bay Area governments, is a member of the of the Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA), a joint powers insurance authority consists of 28 member cities in the San Francisco Bay Area, a public-entity risk pool. PLAN JPA provides liability insurance coverage, claims management, risk management services and legal defense to its participating members. PLAN JPA is governed by a Board of Directors, which is comprised of officials appointed by each participating member. Premiums paid to PLAN JPA are subject to possible refund based on the results of actuarial studies and approval by PLAN JPA's Board of Directors. In the opinion of the City/District management, premiums made represent the best available estimate of the ultimate cost of the City/District's participation in PLAN JPA and, accordingly, the accompanying basic financial statements of the City/District include no provisions for possible refunds or additional assessments. Actual refunds and assessments arising from retrospective premium adjustments relating to prior loss years will be recorded in the City/District's basic financial statements in the year they become known. For the year ended June 30, 2021, the City/District's paid premiums of \$489,508 o PLAN JPA.

Prior to January 2018 the City participated in ABAG Plan Corporation, a non-profit public benefit corporation established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. On January 16, 2018, ABAG Plan Corporation transitioned to PLAN JPA.

Audited financial information may be obtained from PLAN JPA at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2021**

NOTE 11 – RISK MANAGEMENT

The City/District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City/District is self-insured for general liability claims up to \$100,000. General liability claims in excess of \$100,000 are insured with PLAN JPA, a joint powers agency for the funding and pooling of insurance coverage. PLAN JPA is a self-insured public-entity risk pool. Workers' compensation claims are insured with The Cities Group, a joint powers agency for the funding and pooling of insurance coverage. The Cities Group purchases third-party commercial insurance to cover for the claims at the limit \$1,700,000 with an excess layer of \$10,000,000 per incident by reinsurance contracts for all employees. Charges to the General Fund for general liability claims are determined from an analysis of self-insured claim costs. Such charges are recorded as expenditures in the General Fund and revenues in the Self-Insurance Internal Service Fund. The City/District considers incurred but not reported claims in determining if an accrual for loss contingencies is required for claims.

Settled claims have not exceeded the City/District's excess coverage in any of the past three fiscal years. Claims expenses and liabilities are reported for self-insured deductibles when it is probable that a loss has occurred, the amount of that loss can be reasonably estimated and includes incremental claim expenses. Allocated and unallocated claims adjustment expenses are included in the claims liability balance. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2021, the liability for general liability self-insurance claims was \$86,000. This liability is the City/District's best estimate based on available information.

Changes in the reported liability resulted from the following:

Liability at June 30, 2019	\$ 63,000
Current year claim deductibles and changes in estimates	13,956
Net payments	<u>(40,956)</u>
Liability at June 30, 2020	36,000
Current year claim deductibles and changes in estimates	101,852
Net payments	<u>(51,852)</u>
Liability at June 30, 2021	<u><u>\$ 86,000</u></u>

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The City/District is a defendant in lawsuits arising in the normal course of business. City/District management is of the opinion that the potential claims against the City/District resulting from such litigation, not covered by insurance, and would not materially affect the basic financial statements of the City/District.

Marlin Cove Disposition and the Development Agreement

On November 15, 1999, the Former Successor Agency of Foster City (the Agency) approved a Disposition and Development Agreement (DDA) with a developer. On June 4, 2001, the DDA was amended. The DDA includes the entire Marlin Cove Project Area site and consists of a mixed-use development consisting of both residential and commercial development. The DDA as amended calls for significant Agency participation as summarized below:

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

(i) Agency Grant — The Agency agreed to grant to the developer \$5,900,000 for off-site public improvements, hazardous materials remediation, fees due the City/District in connection with the development of the site, relocation expenses, and other demolition and improvement expenses. During fiscal year 2000, the Agency paid the developer \$4,900,000. The balance of the Agency Grant will be due to the developer, provided the developer has provided the Agency by April 15 of each year, written evidence documenting payment of all property taxes and assessments due on the site. The Agency Grant was paid in full as of June 30, 2014.

(ii) Utility Subsidy — The Agency pledged to the developer a utility allowance subsidy in the amount of \$36,000 annually for affordable housing units. The Utility Subsidy will be paid annually through the life of the Marlin Cove project (estimated to be 2029) following the issuance of the Final Certificate of Completion for the residential portion of the site and will be increased annually by 2% to adjust for inflation. The balance of the amount will be due to the developer, provided the developer has provided the Agency by April 15 of each year written evidence documenting payment of all property taxes and assessments due on the site. For the fiscal year ended June 30, 2021, the Successor Agency paid the developer the Utility Subsidy in the amount of \$52,444.

(iii) Tax Increment Subsidy — The Agency agreed to provide rental subsidies pursuant to the California Health and Safety Code to ensure the affordability of at least 30% of the units in the residential portion of the site to persons and households of very low, low, and moderate income. The Agency pledged to the developer annually 30% of the net tax increment generated from the site (Tax Increment Subsidy). The Tax Increment Subsidy will be paid to the developer on an annual basis on May 1 of each year in an amount equal to the difference between the fair market rents of the affordable units and the affordable rent but not more than the Tax Increment Subsidy. For the fiscal year ended June 30, 2021, the Successor Agency paid the developer a tax increment subsidy in the amount of \$197,444.

If, in any year commencing more than one year after the execution of the DDA, the sum of the Tax Increment Subsidy, the Utility Subsidy and the Amortized portion of the Agency Grant exceeds the net tax increment, the Tax Increment Subsidy will be reduced for that year by such that the total amount paid to the developer does not exceed the net tax increment for the applicable year.

The above DDA obligations were administered by the Successor Agency effective February 1, 2012 as the Agency ceased to exist.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

Capital Project Commitments

The City/District has commitments for the following significant capital, infrastructure and other projects and programs:

Project	Project Authorization	Expended Through June 30, 2021	Committed
Sanitary Sewer Lift Station Improvements -Phase 5	\$ 8,075,000	\$ 7,669,089	\$ 405,911
Median Modifications -Foster City Blvd at Chess Dr-MP#3	345,540	40,116	305,424
Water System Improvements and Valve Replacements	1,550,000	549,566	1,000,434
Road Widening -Foster City Blvd at Chess Dr-MP#7	1,141,000	211,212	929,788
Wastewater Treatment Plant Master Plan Improvements	50,820,816	47,953,835	2,866,981
Park Infrastructure Improvements -Leo Ryan Park Lawn Conversion and Bocce Courts	925,000	29,565	895,435
Levee Protection Planning and Improvement	82,867,795	34,947,022	47,920,773
Water Tank Improvements	3,200,000	316,503	2,883,497
Corporation Yard Facility Improvements	566,002	267,082	298,920
Library Exterior Wall Sealing and Tile Installation	120,000	-	120,000
Recreation Center Replacement	300,000	242,172	57,828
New Traffic Signals at Various Locations	2,882,500	99,246	2,783,254
Park System Improvement	257,500	112,859	144,641
Corporation Yard HVAC Replacement	380,000	-	380,000
Street Rehabilitation (2019-2020)	2,744,000	2,285,388	458,612
Seismic Improvements at Lagoon Pump Station	400,000	34,457	365,543
Park Infrastructure	525,000	408,220	116,780
Roof Replacement	635,000	-	635,000
Dynamic Signage for Traffic Relief Pilot Program	225,000	31,963	193,037
Lift Station 59 Effluent Line Improvements	150,000	49,773	100,227
Sanitary Sewer System Improvements	900,000	56,362	843,638
Street Rehabilitation (2020-2021)	1,500,000	50	1,499,950
Traffic Signal System Upgrades	50,000	-	50,000
Corporation Yard Workshops Exterior Paint	200,000	-	200,000
	\$ 160,760,153	\$ 95,304,480	\$ 65,455,673

The City/District participates in Federal, State, and local grant programs. These programs are subject to audits by the granting agencies. City/District management does not expect any material adverse effect on the financial condition of the City/District as a result of any potential grant audits.

NOTE 13 – SUBSEQUENT EVENTS

2021 Wastewater Revenue Notes Series A – Original issue \$62,760,000

On July 1, 2021, the City issued \$62,760,000 of 2021 Wastewater Revenue Bonds Series A to finance the costs of acquiring, engineering, and constructing certain public capital improvements to expand and upgrade the wastewater treatment facilities. The Bonds bear interest rates of 5%. Principal payments are due on 8/1/2025 and semi-annual interest payments are due each February 1 and August 1 commencing on February 1, 2022.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 13 – SUBSEQUENT EVENTS (Continued)

Reduction of CalPERS Discount Rate

In July 2021, CalPERS reported a preliminary 21.3% net return on investments for the 12-month period that ended June 30, 2021. Under the Funding Risk Mitigation Policy approved by the CalPERS Board of Administration in 2015, the 21.3% net return will trigger a reduction in the discount rate used to calculate employer and Public Employees' Pension Reform Act (PEPRA) member contributions. The Funding Risk Mitigation Policy seeks to reduce CalPERS funding risk over time, in which CalPERS investment performance that significantly outperforms the discount rate will trigger adjustments to the discount rate, expected investment return, and strategic asset allocation targets. This is the first time it has been triggered. The discount rate, or assumed rate of return, will drop to 6.8%, from its current level of 7%.

Based on these preliminary fiscal year returns, the CalPERS has announced the funded status of the overall PERF is an estimated 82%. This estimate is based on a 7% discount rate. Under the new 6.8% discount rate, however, CalPERS indicated the funded status of the overall PERF drops to 80%. This is because existing assets are assumed to grow at a slightly slower rate annually into the future. As intended under the Funding Risk Mitigation Policy, the lower discount rate increases the likelihood that CalPERS can reach its target over the longer term. The CalPERS Board of Administration will continue to review the discount rate through its Asset Liability Management process during the rest of the calendar year.

CalPERS' final fiscal year 2021 investment performance will be calculated based on audited figures and will be reflected in contribution levels for contracting cities, counties, and special districts in fiscal year 2024.

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REQUIRED SUPPLEMENTARY INFORMATION

BUDGET AND BUDGETARY ACCOUNTING

The following procedures are performed by the City/District in establishing the budgetary data reflected in the basic financial statements:

The City Manager submits to the City Council and the District's Board members a proposed budget for the coming fiscal year. The budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain taxpayers' comments.

The budget is legally adopted through the passage of a resolution.

The transfer of budget amounts between funds or departments are approved by the City Council and the District's Board. Transfer of budget amounts within one fund or one department are approved by the City Manager.

Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and Special Revenue Funds.

Budgets are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) using the cash and encumbrance basis of accounting. Encumbrances lapse at year-end with the exception of Capital Improvement Projects Funds.

Total expenditures of each governmental fund may not exceed fund appropriations at the department level.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the budgetary process.

Fund appropriations lapse at the end of each year. The City/District closes out all purchase orders, contracts and other commitments at year-end. As such, no encumbrances were outstanding at June 30, 2021. Encumbrances are expected to be reappropriated in the following fiscal year.

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City of Foster City and Estero Municipal Improvement District
Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

Budgetary Comparison Schedule - General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, June 30, 2020	\$ 58,596,091	\$ 58,596,091	\$ 58,596,091	\$ -
Resources (inflows):				
Property taxes:				
Secured	28,660,320	28,660,320	33,077,791	4,417,471
Unsecured	1,552,000	1,552,000	1,273,420	(278,580)
Motor vehicle in lieu	3,743,640	3,743,640	2,709,686	(1,033,954)
Total	33,955,960	33,955,960	37,060,897	3,104,937
Other taxes:				
Sales and use and sales tax in lieu	2,797,500	2,797,500	3,131,071	333,571
Transient occupancy	2,424,450	2,424,450	992,616	(1,431,834)
Franchise	1,076,000	1,076,000	1,185,308	109,308
Real property transfer	274,400	274,400	310,457	36,057
Total	6,572,350	6,572,350	5,619,452	(952,898)
Licenses and permits:				
Business licenses	1,588,400	1,588,400	1,506,696	(81,704)
Permits	1,373,105	1,373,105	1,966,244	593,139
Total	2,961,505	2,961,505	3,472,940	511,435
Intergovernmental:				
Homeowner property tax relief	100,000	100,000	98,589	(1,411)
Reimbursements and grants	30,000	30,000	609,079	579,079
Total	130,000	130,000	707,668	577,668
Charges for current services:				
Service fees	558,648	558,648	503,125	(55,523)
Recreation and leisure	1,248,225	270,932	409,417	138,485
Total	1,806,873	829,580	912,542	82,962
Fines and forfeitures:				
Traffic fines and court fees	36,100	36,100	5,996	(30,104)
False alarm fines	15,000	15,000	8,031	(6,969)
Total	51,100	51,100	14,027	(37,073)
Investment income and rentals:				
Investment income	460,450	460,450	(5,351)	(465,801)
Rent	903,990	610,990	965,552	354,562
Total	1,364,440	1,071,440	960,201	(111,239)
Other revenues	341,700	342,824	400,865	58,041
Total revenues	47,183,928	45,914,759	49,148,592	3,233,833
Transfers in	\$262,562	\$1,290,182	1,259,218	(30,964)
Amounts available for appropriation	106,042,581	105,801,032	109,003,901	3,202,869

(Continued)

City of Foster City and Estero Municipal Improvement District
Required Supplementary Information, Continued
For the Fiscal Year Ended June 30, 2021

Budgetary Comparison Schedule - General Fund, Concluded

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Charges to appropriations (outflows):				
General government:				
Council/Board	\$ 377,381	\$ 377,381	\$ 344,402	\$ 32,979
City/District Manager	2,670,744	3,061,392	1,971,482	1,089,910
City Clerk	911,033	1,013,712	875,176	138,536
City/District Attorney	570,961	570,961	491,081	79,880
Human Resources	448,290	842,385	758,074	84,311
Financial Services	1,272,846	1,686,925	1,481,302	205,623
Subtotal	<u>6,251,255</u>	<u>7,552,756</u>	<u>5,921,517</u>	<u>1,631,239</u>
Public safety - Police	15,182,898	17,541,740	15,969,516	1,572,224
Public safety - Fire	10,240,265	12,036,162	11,931,423	104,739
Public works	2,690,649	3,072,080	2,321,554	750,526
Community development	3,091,957	3,577,582	3,434,512	143,070
Parks and recreation	10,382,644	11,398,127	10,524,051	874,076
Subtotal	<u>41,588,413</u>	<u>47,625,691</u>	<u>44,181,056</u>	<u>3,444,635</u>
Capital Outlay			65,229	(65,229)
Total expenditures	<u>47,839,668</u>	<u>55,178,447</u>	<u>50,167,802</u>	<u>5,010,645</u>
Transfers out	<u>1,350,000</u>	<u>1,350,000</u>	<u>1,365,307</u>	<u>(15,307)</u>
Total charges to appropriations	<u>49,189,668</u>	<u>56,528,447</u>	<u>51,533,109</u>	<u>4,995,338</u>
Fund balance, June 30, 2021	<u>\$ 56,852,913</u>	<u>\$ 49,272,585</u>	<u>\$57,470,792</u>	<u>\$ 8,198,207</u>

City of Foster City and Estero Municipal Improvement District
Required Supplementary Information, Continued
For the Fiscal Year Ended June 30, 2021

Budgetary Comparison Schedule - Low and Moderate Income Housing Assets Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Investment and rental income	\$ 99,160	\$ 99,160	\$ 76,381	\$ (22,779)
Other	15,000	15,000	38,286	23,286
Total revenues	114,160	114,160	114,667	507
EXPENDITURES:				
Community development	133,200	133,200	100,921	32,279
Total Expenditures	133,200	133,200	100,921	32,279
OTHER FINANCING SOURCES:				
Transfer in	-	-	15,307	15,307
NET CHANGE IN FUND BALANCE	(19,040)	(19,040)	29,053	48,093
FUND BALANCE:				
Beginning of year	2,003,145	2,003,145	2,003,145	-
End of year	\$ 1,984,105	\$ 1,984,105	\$ 2,032,198	\$ 48,093

City of Foster City and Estero Municipal Improvement District
Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

Budgetary Comparison Schedule - Foster City Affordable Housing Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Investment income	\$ 59,000	\$ 59,000	\$ 22,084	\$ (36,916)
Other revenues	5,200	5,200	-	(5,200)
Total revenues	64,200	64,200	22,084	(42,116)
EXPENDITURES:				
Community development	-	400,000	115,209	284,791
Total expenditures	-	400,000	115,209	284,791
NET CHANGE IN FUND BALANCE	64,200	(335,800)	(93,125)	242,675
FUND BALANCE:				
Beginning of year	921,383	921,383	921,383	-
End of year	\$ 985,583	\$ 585,583	\$ 828,258	\$ 242,675

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**Miscellaneous Plan¹
Agent Multiple-Employer Defined Benefit Pension Plan
Last 10 Years²
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

	Measurement period ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	\$ 2,183,734	\$ 2,181,880	\$ 2,119,859	\$ 2,054,671	\$ 1,748,222	\$ 1,653,700	\$ 1,711,380
Interest on total pension liability	8,686,727	8,207,764	7,831,249	7,592,791	7,349,248	6,975,642	6,664,608
Changes in benefits	-	-	-	-	-	-	-
Changes in assumptions	-	-	(784,284)	6,213,113	-	(1,685,658)	-
Differences between expected and actual experience	2,024,793	894,495	(344,105)	(524,787)	679,084	(332,183)	-
Benefit payments, including refunds of employee contributions	(5,706,217)	(5,726,960)	(5,494,351)	(4,938,810)	(4,690,682)	(4,253,245)	(3,758,521)
Net change in total pension liability	7,189,037	5,557,179	3,328,368	10,396,978	5,085,872	2,358,256	4,617,467
Total pension liability - beginning	121,229,137	115,671,958	112,343,590	101,946,612	96,860,740	94,502,484	89,885,017
Total pension liability - ending (a)	\$ 128,418,174	\$ 121,229,137	\$ 115,671,958	\$ 112,343,590	\$ 101,946,612	\$ 96,860,740	\$ 94,502,484
Plan fiduciary net position							
Contributions - employer	\$ 4,031,414	\$ 3,537,734	\$ 3,099,413	\$ 2,641,720	\$ 2,471,456	\$ 2,086,023	\$ 1,820,484
Contributions - employee	938,355	930,863	909,578	876,497	834,277	775,427	915,734
Net investment income	4,284,251	5,480,856	6,586,940	8,063,603	410,582	1,630,597	10,775,194
Benefit payments	(5,706,217)	(5,726,960)	(5,494,351)	(4,938,810)	(4,690,682)	(4,253,245)	(3,758,521)
Net Plan to Plan Resource Movement	-	(315,016)	(191)	-	-	-	-
Administrative expense	(121,236)	(58,380)	(120,606)	(104,618)	(43,805)	(80,893)	-
Other Miscellaneous Income/(Expense)	-	-	(229,033)	-	-	-	-
Net change in plan fiduciary net position	3,426,567	3,849,097	4,751,750	6,538,392	(1,018,172)	157,909	9,752,891
Total fiduciary net position - beginning	85,997,956	82,148,859	77,397,109	70,858,717	71,876,889	71,718,980	61,966,089
Total fiduciary net position - ending (b)	\$ 89,424,523	\$ 85,997,956	\$ 82,148,859	\$ 77,397,109	\$ 70,858,717	\$ 71,876,889	\$ 71,718,980
Net pension liability - ending (a) - (b)	\$ 38,993,651	\$ 35,231,181	\$ 33,523,099	\$ 34,946,481	\$ 31,087,895	\$ 24,983,851	\$ 22,783,504
Plan fiduciary net position as a percentage of the total pension liability	69.64%	70.94%	71.02%	68.89%	69.51%	74.21%	75.89%
Covered payroll	\$ 12,505,794	\$ 12,358,999	\$ 12,029,880	\$ 11,417,868	\$ 10,547,034	\$ 9,721,261	\$ 9,595,746
Net pension liability as percentage of covered payroll	311.80%	285.07%	278.67%	306.07%	294.75%	257.00%	237.43%

¹ All Tiers of the Miscellaneous plan were combined on GASB 68 report by CalPERS.

² Fiscal year 2015 was the 1st year of GASB 68 implementation

Notes to Schedule

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

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

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**Safety Plan
 Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
 Last 10 Years¹**

**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 AND RELATED RATIOS AS OF THE MEASUREMENT DATE**

Measurement period ended June 30,	Plan's proportion of the net pension liability (assets)	Plan's proportionate share of the net pension liability (assets)	Plan's Covered Payroll	Plan's proportionate share of the net pension Liability/(assets) as a percentage of its Covered payroll	Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability
2014	0.44475%	\$ 27,674,101	\$ 7,910,256	349.85%	79.82%
2015	0.45755%	31,406,035	7,974,455	393.83%	78.40%
2016	0.73601%	38,119,564	8,149,496	467.75%	74.06%
2017	0.72156%	43,114,785	8,456,759	509.83%	73.31%
2018	0.74362%	43,632,371	8,829,101	494.19%	75.26%
2019	0.65115%	40,648,037	7,369,584	551.56%	75.26%
2020	0.66254%	44,140,957	5,257,579	839.57%	75.10%

¹ Fiscal year 2015 was the 1st year of GASB 68 implementation

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**Miscellaneous Plan
Agent Multiple-Employer Defined Benefit Pension Plan
Last 10 Years²
SCHEDULE OF CONTRIBUTIONS**

Fiscal year ended June 30,	Actuarially determined contributions	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered payroll	Contributions as a percentage of Covered payroll
2015	\$ 2,085,988	\$ (2,085,988)	\$ -	\$ 9,721,261	21.46%
2016	2,471,831	(2,471,831)	-	10,547,034	23.44%
2017	2,639,360	(2,639,360)	-	11,417,868	23.12%
2018	3,096,377	(3,096,377)	-	12,029,880	25.74%
2019	3,548,365	(3,548,365)	-	12,358,999	28.71%
2020	4,053,672	(4,053,672)	-	12,505,794	32.41%
2021	8,510,508	(8,510,508)	-	12,296,821	69.21%

Notes to Schedule

Valuation date: June 30, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Asset valuation method	Market Value of Assets
Inflation	2.625%
Salary increases	Varies by entry age and service
Payroll growth	2.875%
Investment rate of return	7.25% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement age	The probabilities of Retirement are based on the CalPERS Experience Study.
Mortality	The probabilities of mortality are based on the CalPERS Experience Study. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries from 2015 to 2018. For 2019, 2020, and 2021, pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

¹ All Tiers of the Miscellaneous plan were combined on GASB 68 report by CalPERS.

² Fiscal year 2015 was the 1st year of GASB 68 implementation

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**Safety Plan
 Cost Sharing Defined Benefit Pension Plan
 Last 10 Years¹
 SCHEDULE OF CONTRIBUTIONS**

Fiscal year ended June 30,	Actuarially determined contributions	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2015	\$ 2,466,232	\$ (2,466,232)	\$ -	\$ 7,974,455	30.93%
2016	2,822,183	(2,822,183)	-	8,149,496	34.63%
2017	4,569,536	(4,569,536)	-	8,456,759	54.03%
2018	3,409,946	(3,409,946)	-	8,829,101	38.62%
2019	3,574,289	(7,055,629)	(3,481,340)	7,369,584	95.74%
2020	3,769,133	(3,769,133)	-	5,257,579	71.69%
2021	7,563,848	(7,563,848)	-	5,318,114	142.23%

¹ Fiscal year 2015 was the 1st year of GASB 68 implementation

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**Longevity Recognition Benefits Plan
 Agent Multiple-Employer Defined Benefit Pension Plan
 Last 10 Years¹**

SCHEDULE OF CHANGES IN THE TOTAL PENSION LIABILITY AND RELATED RATIOS

	Measurement period ended June 30,				
	2021	2020	2019	2018	2017
Total Pension Liability					
Service Cost	\$ 32,921	\$ 27,073	\$ 54,416	\$ 89,000	\$ 109,000
Interest on total pension liability	86,231	102,446	140,452	134,000	116,000
Changes in benefits	-	-	-	-	-
Changes in assumptions	251,401	283,853	282,626	(134,000)	(376,000)
Differences between expected and actual experience	177,222	5,929	(634,525)	-	-
Benefit payments, including refunds of employee contributions	(181,865)	(175,320)	(168,320)	(166,000)	(144,000)
Net change in total pension liability	<u>365,910</u>	<u>243,981</u>	<u>(325,351)</u>	<u>(77,000)</u>	<u>(295,000)</u>
Total pension liability - beginning	<u>3,577,630</u>	<u>3,333,649</u>	<u>3,659,000</u>	<u>3,736,000</u>	<u>4,031,000</u>
Total pension liability - ending	<u>\$ 3,943,540</u>	<u>\$ 3,577,630</u>	<u>\$ 3,333,649</u>	<u>\$ 3,659,000</u>	<u>\$ 3,736,000</u>
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	\$ 2,640,807	\$ 4,215,446	\$ 4,102,624	\$ 6,773,000	\$ 7,937,000
Total pension liability as percentage of covered-employee payroll	149.33%	84.87%	81.26%	54.02%	47.07%

¹ Fiscal year 2017 was the 1st year of GASB 73 implementation

Notes to Schedule

Benefit changes: None

Changes of assumptions: None

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**Other Post Employment Benefits Plan
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
 Last 10 fiscal years***

Measurement Date	6/30/2021	6/30/2020	6/30/19	6/30/18
Total OPEB Liability (1)				
Service Cost	\$ 632,514	\$ 539,303	\$ 646,076	\$ 575,000
Interest	283,575	321,329	473,515	432,000
Differences between expected and actual experience	(1,405,505)	(13,845)	(1,981,229)	
Changes of assumptions	877,461	850,106	(544,791)	(519,000)
Benefit payments	(162,313)	(155,100)	(150,401)	(141,000)
Implicit Subsidy Credit	(333,722)	(312,348)	(294,668)	(184,000)
Net change in total OPEB liability	(107,990)	1,229,445	(1,851,498)	163,000
Total OPEB liability - beginning	11,189,947	9,960,502	11,812,000	11,649,000
Total OPEB liability - ending	\$ 11,081,957	\$ 11,189,947	\$ 9,960,502	\$ 11,812,000
Covered-employee payroll	\$ 17,214,320	\$ 19,338,464	\$ 18,820,890	\$ 23,289,000
Total OPEB liability as a percentage of covered-employee payroll	64.38%	57.86%	52.92%	50.72%

Notes to Schedule:

(1) No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

* Fiscal year 2018 was the first year of implementation.

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NON-MAJOR GOVERNMENTAL FUNDS

Special revenue funds are used to account for revenues that are restricted by law or administrative action (committed) to expenditures for specified purposes. Non-Major Special Revenue Funds used by the City/District are listed below:

The *Traffic Safety Fund* accounts for the revenues received by the City as its share of fines generated from violations of the State Motor Vehicles Code and expended for traffic safety programs.

The *Measure A Fund* accounts for revenues generated by a special one-half cent sales tax that was approved by the voters of San Mateo County during 1988. These funds are restricted for engineering, construction and maintenance of City/District streets and transportation-related purposes.

The *Gas Tax Fund* accounts for the revenues apportioned to the City from State collected gasoline taxes and expended for engineering, construction, and maintenance of City streets.

The *Park-In-Lieu Fund* accounts for the revenues from construction projects for the acquisition, construction and improvement of parks and recreational facilities.

The *Measure M Fund* accounts for the revenues generated by a special ten dollar vehicle registration fee that was approved by the voters of San Mateo County in 2010. These funds are restricted for the maintenance of City/District streets, provide transportation options to reduce congestion, safe routes to schools, reduce water pollution from oil and gas runoff, etc.

The *SLESF/COPS Grant Fund* accounts for the State of California monies received to fund supplemental law enforcement services such as anti-gang and community crime prevention programs. Supplemental law enforcement services include costs for personnel, equipment and program operating expenses.

The *California Opportunities Fund* accounts for revenues received from other local government agencies who utilize this Foster City managed recruitment website for public sector employment opportunities.

The *Foster City Foundation Fund* accounts for revenues received from any person or organization for charitable contributions to Foster City for the benefit of the City and its residents. The donations shall be used according to the intent specified by the donor(s).

The *SB1 Road Maintenance and Rehabilitation Fund* accounts for the revenues collected from the State and apportioned to the City for the increase in gasoline and diesel excise tax and a new vehicle registration tax. These funds are earmarked for local streets and roads maintenance and rehabilitation and other eligible uses, including road maintenance and rehabilitation, traffic control devices, street component projects, and drainage improvements.

The *Sustainable Foster City Special Fund* accounts for the proceeds from the San Mateo County redistribution of the unencumbered general tax increments from the former Foster City Community Development Agency to develop a sustainable economic development strategy for the City.

The *Bay Area Employee Relations Services Fund* accounts for revenues received from other local government agencies to access labor negotiations, position/classification studies and compensation analysis database.

The *General Plan Maintenance Fund* accounts for fees collected from building permits for updating the City's General Plan, Zoning and Building Code.

The *Construction and Demolition Fund* accounts for refundable deposits collected from building permits. Forfeited deposit not meeting the requirement of maximizing recycling of debris and other waste generated from the project shall be used to promote the development and expansion of recycling and waste reduction programs.

The *Technology Maintenance Fund* accounts for fees collected from building permits for maintenance of the City's permitting system.

The *SB 1186 (Disability Access) Fund* accounts for fees collected from business license taxes. As required by the legislation, 10% of the fees collected are remitted to the Division of the State. The City retains 90% of the fees collected to provide training for building inspectors as Certified Access Specialists.

The *Strong Motion Instrument Program (SMIP) Fund* accounts for fees collected from building permits. This fee is remitted to the State of California to obtain vital earthquake data for the engineering and scientific communities through a statewide network of strong motion instruments.

The *CRV Grant Fund* accounts for the portion of the California Redemption Value (CRV) collected by beverage retailers at the point of sale and remitted to Cal Recycle that is not redeemed by individuals. Such funds are made available to Cities and Counties to assist in the implementation of beverage container recycling and litter abatement projects.

The *Curbside Recycling Fund* accounts for revenues received from the Department of Resources Recycling and Recovery (Cal Recycle) to support the implementation of activities related to beverage container recycling.

The *Green Building Fee Fund* accounts for fees collected from building permits. 90% of the fees collected are remitted to California Building Standard Commission for deposit in the Building Standards Administration Special Revolving Fund. The City retains 10% of the fees collected for related administrative costs and code enforcement education.

The *Measure W Fund* accounts for the revenues generated by a new half-cent sales tax that was approved by the voters of San Mateo County in 2018 which took effect on July 1, 2019. These funds are earmarked to improve transit and relieve traffic congestion including roads maintenance, promote alternative modes of transportation, implement advanced technologies on roadway system, and planning/implementing traffic operations and safety projects.

The *Commercial Linkage Fees Fund* accounts for commercial linkage fees to provide a mechanism for commercial development to pay fees to offset the impacts of the development on the need for affordable housing.

The *Tenant Relocation Assistance Fund* accounts for funding of programs to help minimize the impacts of expiring affordable housing covenants to the residents of Foster's Landing.

Debt service funds account for the accumulation of financial resources for the payment of interest and principal on long-term debt. Non-Major Debt Service Funds used by the City/District are listed below:

The *Levee Protection planning & Improvements Fund* accounts for the payment debt service on the City's general obligation bond debt used for financing up to \$90 million in levee improvement costs.

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City of Foster City and Estero Municipal Improvement District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2021

	SPECIAL REVENUE FUNDS				
	Traffic Safety	Measure A	Gas Tax	Park-in-lieu	Measure M
ASSETS					
Cash and investments	\$ -	\$ 3,196,166	\$ 615,535	\$ 2,805,866	\$ -
Receivables, net of allowance:					
Intergovernmental	11,576	-	-	-	1,908
Taxes	-	55,990	-	-	-
Other	-	-	-	-	-
Loans receivable	-	-	-	-	-
Total assets	\$ 11,576	\$ 3,252,156	\$ 615,535	\$ 2,805,866	\$ 1,908
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-
Refundable deposits	-	-	-	-	-
Due to other funds	-	-	-	-	1,908
Total liabilities	-	-	-	-	1,908
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - Measure M funding	-	-	-	-	1,908
Total deferred inflow of resources	-	-	-	-	1,908
FUND BALANCES					
Restricted	11,576	3,252,156	615,535	2,805,866	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	(1,908)
Total fund balances	11,576	3,252,156	615,535	2,805,866	(1,908)
Total liabilities, deferred inflow of resources and fund balances	\$ 11,576	\$ 3,252,156	\$ 615,535	\$ 2,805,866	\$ 1,908

SPECIAL REVENUE FUNDS

<u>SLESF/ COPS Grant</u>	<u>California Opportunities</u>	<u>Foster City Foundation</u>	<u>SB1 Road Maintenance & Rehabilitation Fund</u>	<u>Sustainable Foster City Special Fund</u>	<u>Bay Area Employee Relations Services Fund</u>
\$ -	\$ 307,267	\$ 378,811	\$ 861,072	\$ -	\$ -
-	-	-	111,594	-	-
-	-	-	-	-	-
-	21,930	3,500	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 329,197</u>	<u>\$ 382,311</u>	<u>\$ 972,666</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 6,742	\$ 260	\$ -	\$ -	\$ -
-	5,288	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	12,030	260	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	382,051	972,666	-	-
-	317,167	-	-	-	-
-	-	-	-	-	-
-	317,167	382,051	972,666	-	-
<u>\$ -</u>	<u>\$ 329,197</u>	<u>\$ 382,311</u>	<u>\$ 972,666</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

City of Foster City and Estero Municipal Improvement District
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2021

	SPECIAL REVENUE FUNDS				
	General Plan Maintenance Fund	Construction and Demolition Recycling Fund	Technology Maintenance Fund	SB 1186 (Disability Access) Fund	Strong Motion Instrument Program (SMIP) Fund
ASSETS					
Cash and investments	\$ 1,804,592	\$ 1,170,086	\$ 183,472	\$ 25,695	\$ 11,885
Receivables, net of allowance:					
Intergovernmental	-	-	-	-	-
Taxes	-	-	-	-	-
Other	-	-	-	-	-
Total assets	\$ 1,804,592	\$ 1,170,086	\$ 183,472	\$ 25,695	\$ 11,885
LIABILITIES					
Accounts payable	\$ 13,603	\$ 68,600	\$ -	\$ 83	\$ 7,169
Accrued payroll	229	-	-	-	-
Refundable deposits	-	359,269	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	13,832	427,869	-	83	7,169
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - Measure M funding	-	-	-	-	-
Total deferred inflow of resources	-	-	-	-	-
FUND BALANCES					
Restricted	-	-	-	25,612	4,716
Committed	1,790,760	742,217	183,472	-	-
Unassigned	-	-	-	-	-
Total fund balances	1,790,760	742,217	183,472	25,612	4,716
Total liabilities, deferred inflow of resources and fund balances	\$ 1,804,592	\$ 1,170,086	\$ 183,472	\$ 25,695	\$ 11,885

SPECIAL REVENUE FUNDS

CRV Grant Fund	Curbside Recycling Fund	Green Building Fee Fund	Measure W	Commercial Linkage Fee	Tenant Relocation Assistance
\$ 14,073	\$ 202,376	\$ 5,246	\$ 614,349	\$ 568,914	\$ 95,913
-	-	-	-	-	-
-	-	-	64,742	-	-
-	-	-	-	-	-
<u>\$ 14,073</u>	<u>\$ 202,376</u>	<u>\$ 5,246</u>	<u>\$ 679,091</u>	<u>\$ 568,914</u>	<u>\$ 95,913</u>
\$ 1,822	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
12,251	202,376	5,246	679,091	-	-
-	-	-	-	568,914	95,913
-	-	-	-	-	-
<u>12,251</u>	<u>202,376</u>	<u>5,246</u>	<u>679,091</u>	<u>568,914</u>	<u>95,913</u>
<u>\$ 14,073</u>	<u>\$ 202,376</u>	<u>\$ 5,246</u>	<u>\$ 679,091</u>	<u>\$ 568,914</u>	<u>\$ 95,913</u>

City of Foster City and Estero Municipal Improvement District
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2021

	DEBT SERVICES FUND	
	Levee Protection Planning & Improvements	Total
ASSETS		
Cash and investments	\$ 9,903,782	\$ 22,765,100
Receivables, net of allowance:		
Intergovernmental	-	125,078
Taxes	35,567	156,299
Other	-	25,430
Total assets	\$ 9,939,349	\$ 23,071,907
LIABILITIES		
Accounts payable	\$ 1,500	\$ 99,779
Accrued payroll	-	5,517
Refundable deposits	-	359,269
Due to other funds	-	1,908
Total liabilities	1,500	466,473
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - Measure M funding	-	1,908
Total deferred inflow of resources	-	1,908
FUND BALANCES		
Restricted	9,937,849	18,906,991
Committed	-	3,698,443
Unassigned	-	(1,908)
Total fund balances	9,937,849	22,603,526
Total liabilities, deferred inflow of resources and fund balances	\$ 9,939,349	\$ 23,071,907

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City of Foster City and Estero Municipal Improvement District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the fiscal year ended June 30, 2021

	SPECIAL REVENUE FUNDS				
	Traffic Safety	Measure A	Gas Tax	Park-in-lieu	Measure M
REVENUES:					
Sales and use tax	\$ -	\$ 735,139	\$ -	\$ -	\$ -
Intergovernmental	-	-	732,749	-	185,537
Charges for services	-	-	-	-	-
Fines and forfeitures	54,320	-	-	-	-
Investment income	-	5,480	(374)	18,077	-
Other	-	-	-	-	-
Total revenues	54,320	740,619	732,375	18,077	185,537
EXPENDITURES:					
Current:					
General government	-	-	95,015	-	-
Public safety - police	-	-	-	-	-
Public works	45,268	-	480,885	-	-
Community development	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Capital outlay	-	201,714	308,864	-	54,009
Total expenditures	45,268	201,714	884,764	-	54,009
REVENUES OVER (UNDER) EXPENDITURES	9,052	538,905	(152,389)	18,077	131,528
OTHER FINANCING SOURCES (USES):					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
NET CHANGES IN FUND BALANCES	9,052	538,905	(152,389)	18,077	131,528
FUND BALANCES:					
Beginning of year	2,524	2,713,251	767,924	2,787,789	(133,436)
End of year	\$ 11,576	\$ 3,252,156	\$ 615,535	\$ 2,805,866	\$ (1,908)

SPECIAL REVENUE FUNDS

SLESF/ COPS Grant	California Opportunities	Foster City Foundation	SB1 Road Maintenance & Rehabilitation	Sustainable Foster City Special Fund	Bay Area Employee Relations Services Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
156,727	-	-	612,384	-	-
-	-	-	-	-	-
-	281	-	155	-	-
-	394,611	8,282	-	-	-
<u>156,727</u>	<u>394,892</u>	<u>8,282</u>	<u>612,539</u>	<u>-</u>	<u>-</u>
-	470,399	-	-	-	45,884
156,727	-	1,277	-	-	-
-	-	-	-	-	-
-	-	12,337	-	-	-
-	-	-	300,091	-	-
<u>156,727</u>	<u>470,399</u>	<u>13,614</u>	<u>300,091</u>	<u>-</u>	<u>45,884</u>
-	(75,507)	(5,332)	312,448	-	(45,884)
-	-	-	-	(181,599)	(627,619)
-	-	-	-	(181,599)	(627,619)
-	(75,507)	(5,332)	312,448	(181,599)	(673,503)
-	392,674	387,383	660,218	181,599	673,503
<u>\$ -</u>	<u>\$ 317,167</u>	<u>\$ 382,051</u>	<u>\$ 972,666</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

City of Foster City and Estero Municipal Improvement District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the fiscal year ended June 30, 2021

	SPECIAL REVENUE FUNDS				
	General Plan	Construction	Technology	SB 1186	Strong Motion
	Maintenance	and Demolition	Maintenance	(Disability	Instrument
	Fund	Recycling	Fund	Access)	Program (SMIP)
	Fund	Fund	Fund	Fund	Fund
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use tax	-	-	-	-	-
Intergovernmental	29,021	-	-	-	-
Charges for services	214,117	38,575	100,343	6,023	1,384
Fines and forfeitures	-	-	-	-	-
Investment income	11,155	8,556	1,128	144	47
Other	-	-	-	-	-
Total revenues	254,293	47,131	101,471	6,167	1,431
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety - police	-	-	-	-	-
Public works	-	4,296	-	-	-
Community development	125,348	-	97,634	550	-
Parks and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt services:					
Interest	-	-	-	-	-
Total expenditures	125,348	4,296	97,634	550	-
REVENUES OVER					
(UNDER) EXPENDITURES	128,945	42,835	3,837	5,617	1,431
OTHER FINANCING SOURCES (USES):					
Issuance of long term debt	-	-	-	-	-
Transfers out	-	(50,000)	-	-	-
Total other financing sources (uses)	-	(50,000)	-	-	-
NET CHANGES IN FUND BALANCES	128,945	(7,165)	3,837	5,617	1,431
FUND BALANCES:					
Beginning of year	1,661,815	749,382	179,635	19,995	3,285
End of year	\$ 1,790,760	\$ 742,217	\$ 183,472	\$ 25,612	\$ 4,716

SPECIAL REVENUE FUNDS

CRV Grant Fund	Curbside Recycling Fund	Green Building Fee Fund	Measure W	Commercial Linkage Fee	Tenant Relocation Assistance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	338,794	-	-
-	-	-	-	-	-
-	-	693	-	\$567,683	-
-	-	-	-	-	-
61	1,303	36	2,105	1,231	160
8,441	-	-	-	-	95,753
<u>8,502</u>	<u>1,303</u>	<u>729</u>	<u>340,899</u>	<u>568,914</u>	<u>95,913</u>
-	-	-	-	-	-
-	-	-	-	-	-
8,676	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8,676	-	-	-	-	-
<u>(174)</u>	<u>1,303</u>	<u>729</u>	<u>340,899</u>	<u>568,914</u>	<u>95,913</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(174)</u>	<u>1,303</u>	<u>729</u>	<u>340,899</u>	<u>568,914</u>	<u>95,913</u>
12,425	201,073	4,517	338,192	-	-
<u>\$ 12,251</u>	<u>\$ 202,376</u>	<u>\$ 5,246</u>	<u>\$ 679,091</u>	<u>\$ 568,914</u>	<u>\$ 95,913</u>

City of Foster City and Estero Municipal Improvement District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the fiscal year ended June 30, 2021

	DEBT SERVICES FUND	
	Levee Protection Planning & Improvements	Total
REVENUES:		
Property taxes	\$ 4,572,219	\$ 4,572,219
Sales and use tax	-	1,073,933
Intergovernmental	14,052	1,730,470
Charges for services	-	928,818
Fines and forfeitures	-	54,320
Investment income	33,034	82,579
Other	-	507,087
Total revenues	4,619,305	8,949,426
EXPENDITURES:		
Current:		
General government	-	611,298
Public safety - police	-	158,004
Public works	-	539,125
Community development	-	223,532
Parks and recreation	-	12,337
Capital outlay	-	864,678
Debt services:		
Interest	1,516,623	1,516,623
Total expenditures	1,516,623	3,925,597
REVENUES OVER (UNDER) EXPENDITURES	3,102,682	5,023,829
OTHER FINANCING SOURCES (USES):		
Issuance of long term debt	6,835,167	6,835,167
Transfers out	-	(859,218)
Total other financing sources (uses)	6,835,167	5,975,949
NET CHANGES IN FUND BALANCES	9,937,849	10,999,778
FUND BALANCES:		
Beginning of year	-	11,603,748
End of year	\$ 9,937,849	\$ 22,603,526

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Traffic Safety Special Revenue Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 84,660	\$ 84,660	\$ 54,320	\$ (30,340)
Total revenues	84,660	84,660	54,320	(30,340)
EXPENDITURES:				
Public works	83,000	83,000	45,268	37,732
Total expenditures	83,000	83,000	45,268	37,732
NET CHANGE IN FUND BALANCE	1,660	1,660	9,052	7,392
FUND BALANCE:				
Beginning of year	2,524	2,524	2,524	-
End of year	\$ 4,184	\$ 4,184	\$ 11,576	\$ 7,392

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Measure A Special Revenue Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sales and use taxes	\$ 793,600	\$ 793,600	\$ 735,139	\$ (58,461)
Intergovernmental	-	-	-	-
Investment income	26,000	26,000	5,480	(20,520)
Total revenues	819,600	819,600	740,619	(78,981)
EXPENDITURES:				
Capital outlay	1,966,245	1,966,245	201,714	1,764,531
Total expenditures	1,966,245	1,966,245	201,714	1,764,531
NET CHANGE IN FUND BALANCE	(1,146,645)	(1,146,645)	538,905	1,685,550
FUND BALANCE:				
Beginning of year	2,713,251	2,713,251	2,713,251	-
End of year	\$ 1,566,606	\$ 1,566,606	\$ 3,252,156	\$ 1,685,550

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Gas Tax Special Revenue Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 865,738	\$ 865,738	\$ 732,749	\$ (132,989)
Investment income	12,100	12,100	(374)	(12,474)
Total revenues	877,838	877,838	732,375	(145,463)
EXPENDITURES:				
General government	95,015	95,015	95,015	-
Public works	480,885	480,885	480,885	-
Capital outlay	937,930	937,930	308,864	629,066
Total expenditures	1,513,830	1,513,830	884,764	629,066
NET CHANGE IN FUND BALANCE	(635,992)	(635,992)	(152,389)	483,603
FUND BALANCE:				
Beginning of year	767,924	767,924	767,924	-
End of year	\$ 131,932	\$ 131,932	\$ 615,535	\$ 483,603

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Park-in-lieu Special Revenue Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 35,800	\$ 35,800	\$ 18,077	\$ (17,723)
Total revenues	35,800	35,800	18,077	(17,723)
EXPENDITURES:				
Capital outlay	745,435	745,435	-	745,435
Total Expenditures	745,435	745,435	-	745,435
NET CHANGE IN FUND BALANCE	(709,635)	(709,635)	18,077	727,712
FUND BALANCE:				
Beginning of year	2,787,789	2,787,789	2,787,789	-
End of year	\$ 2,078,154	\$ 2,078,154	\$ 2,805,866	\$ 727,712

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Measure M Special Revenue Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 119,300	\$ 119,300	\$ 185,537	\$ 66,237
Total revenues	119,300	119,300	185,537	66,237
EXPENDITURES:				
Capital outlay	173,309	173,309	54,009	119,300
Total Expenditures	173,309	173,309	54,009	119,300
NET CHANGE IN FUND BALANCE	(54,009)	(54,009)	131,528	185,537
FUND BALANCE:				
Beginning of year	(133,436)	(133,436)	(133,436)	-
End of year	\$ (187,445)	\$ (187,445)	\$ (1,908)	\$ 185,537

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
SLESF/COPS Grant Special Revenue Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 156,727	\$ 56,727
Total revenues	100,000	100,000	156,727	56,727
EXPENDITURES:				
Public safety - police	100,000	100,000	156,727	(56,727)
Total expenditures	100,000	100,000	156,727	(56,727)
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
California Opportunities Special Revenue Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 3,500	\$ 3,500	\$ 281	\$ (3,219)
Other	474,300	474,300	394,611	(79,689)
Total revenues	477,800	477,800	394,892	(82,908)
EXPENDITURES:				
General government	526,970	526,137	470,399	55,738
Total expenditures	526,970	526,137	470,399	55,738
NET CHANGE IN FUND BALANCE	(49,170)	(48,337)	(75,507)	(27,170)
FUND BALANCE:				
Beginning of year	392,674	392,674	392,674	-
End of year	\$ 343,504	\$ 344,337	\$ 317,167	\$ (27,170)

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Foster City Foundation Special Revenue Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other	\$ 86,000	\$ 86,000	\$ 8,282	\$ (77,718)
Total revenues	86,000	86,000	8,282	(77,718)
EXPENDITURES:				
General government	777	777	-	777
Public Safety- Police	10,000	10,000	1,277	8,723
Public works	1,250	1,250	-	1,250
Parks and recreation	100,000	100,000	12,337	87,663
Total Expenditures	112,027	112,027	13,614	98,413
NET CHANGE IN FUND BALANCE	(26,027)	(26,027)	(5,332)	20,695
FUND BALANCE:				
Beginning of year	387,383	387,383	387,383	-
End of year	\$ 361,356	\$ 361,356	\$ 382,051	\$ 20,695

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
SB1 Road Maintenance & Rehabilitation Special Revenue Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 578,000	\$ 578,000	\$ 612,384	\$ 34,384
Investment income	-	-	155	155
Total revenues	578,000	578,000	612,539	34,539
EXPENDITURES:				
Capital outlay	642,941	642,941	300,091	342,850
Total Expenditures	642,941	642,941	300,091	342,850
NET CHANGE IN FUND BALANCE	(64,941)	(64,941)	312,448	377,389
FUND BALANCE:				
Beginning of year	660,218	660,218	660,218	-
End of year	\$ 595,277	\$ 595,277	\$ 972,666	\$ 377,389

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Sustainable Foster City Special Revenue Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES:				
Transfer out	\$ (212,562)	\$ (212,562)	\$ (181,599)	\$ 30,963
NET CHANGE IN FUND BALANCE	(212,562)	(212,562)	(181,599)	30,963
FUND BALANCE:				
Beginning of year	181,599	181,599	181,599	-
End of year	\$ (30,963)	\$ (30,963)	\$ -	\$ 30,963

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Bay Area Employee Relations Services Special Revenue Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 7,300	\$ 7,300	\$ -	\$ (7,300)
Other	257,500	257,500	-	(257,500)
Investment income	-	-	-	-
Total revenues	264,800	264,800	-	(264,800)
EXPENDITURES:				
General Government	302,553	302,553	45,884	256,669
Total Expenditures	302,553	302,553	45,884	256,669
OTHER FINANCING SOURCES:				
Transfer out	-	(627,620)	(627,619)	1
Total other financing sources (uses)	-	(627,620)	(627,619)	1
NET CHANGE IN FUND BALANCE	(37,753)	(665,373)	(673,503)	(8,130)
FUND BALANCE:				
Beginning of year	673,503	673,503	673,503	-
End of year	\$ 635,750	\$ 8,130	\$ -	\$ (8,130)

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Plan Maintenance Special Revenue Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
	\$ -	\$ -	\$ 29,021	\$ 29,021
Charges for services	139,486	139,486	214,117	74,631
Investment income	17,400	17,400	11,155	(6,245)
Total revenues	<u>156,886</u>	<u>156,886</u>	<u>254,293</u>	<u>97,407</u>
EXPENDITURES:				
Community development	52,300	344,731	125,348	219,383
Total Expenditures	<u>52,300</u>	<u>344,731</u>	<u>125,348</u>	<u>219,383</u>
NET CHANGE IN FUND BALANCE	<u>104,586</u>	<u>(187,845)</u>	<u>128,945</u>	<u>316,790</u>
FUND BALANCE:				
Beginning of year	1,661,815	1,661,815	1,661,815	-
End of year	<u>\$ 1,766,401</u>	<u>\$ 1,473,970</u>	<u>\$ 1,790,760</u>	<u>\$ 316,790</u>

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Construction and Demolition Recycling Special Revenue Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Charges for services	\$ 70,000	\$ 70,000	\$ 38,575	\$ (31,425)
Investment income	12,000	12,000	8,556	(3,444)
Total revenues	<u>82,000</u>	<u>82,000</u>	<u>47,131</u>	<u>(34,869)</u>
EXPENDITURES:				
Public works	76,750	76,750	4,296	72,454
Total Expenditures	<u>76,750</u>	<u>76,750</u>	<u>4,296</u>	<u>72,454</u>
OTHER FINANCING SOURCES:				
Transfer out	(50,000)	(50,000)	(50,000)	-
Total other financing sources	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(44,750)</u>	<u>(44,750)</u>	<u>(7,165)</u>	<u>37,585</u>
FUND BALANCE:				
Beginning of year	749,382	749,382	749,382	-
End of year	<u>\$ 704,632</u>	<u>\$ 704,632</u>	<u>\$ 742,217</u>	<u>\$ 37,585</u>

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Technology Maintenance Special Revenue Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 90,722	\$ 90,722	\$ 100,343	\$ 9,621
Investment income	2,200	2,200	1,128	(1,072)
Investment income	-	-	-	-
Total revenues	92,922	92,922	101,471	8,549
EXPENDITURES:				
Community development	115,618	115,618	97,634	17,984
Total Expenditures	115,618	115,618	97,634	17,984
NET CHANGE IN FUND BALANCE	(22,696)	(22,696)	3,837	26,533
FUND BALANCE:				
Beginning of year	179,635	179,635	179,635	-
End of year	\$ 156,939	\$ 156,939	\$ 183,472	\$ 26,533

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
SB 1186 Disability Access Special Revenue Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 4,000	\$ 4,000	\$ 6,023	\$ 2,023
Investment income	100	100	144	44
Total revenues	4,100	4,100	6,167	2,067
EXPENDITURES:				
Community development	1,300	1,300	550	750
Total Expenditures	1,300	1,300	550	750
NET CHANGE IN FUND BALANCE	2,800	2,800	5,617	2,817
FUND BALANCE:				
Beginning of year	19,995	19,995	19,995	-
End of year	\$ 22,795	\$ 22,795	\$ 25,612	\$ 2,817

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Strong Motion Instrument Program (SMIP) Fee Special Revenue Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 990	\$ 990	\$ 1,384	\$ 394
Investment income	110	110	47	(63)
Total revenues	1,100	1,100	1,431	331
EXPENDITURES:				
Community development	500	500	-	500
Total Expenditures	500	500	-	500
NET CHANGE IN FUND BALANCE	600	600	1,431	831
FUND BALANCE:				
Beginning of year	3,285	3,285	3,285	-
End of year	\$ 3,885	\$ 3,885	\$ 4,716	\$ 831

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
CRV Grant Special Revenue Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 100	\$ 100	\$ 61	\$ (39)
Other	8,500	8,500	8,441	(59)
Total revenues	8,600	8,600	8,502	(98)
EXPENDITURES:				
Public works	13,000	13,000	8,676	4,324
Total Expenditures	13,000	13,000	8,676	4,324
NET CHANGE IN FUND BALANCE	(4,400)	(4,400)	(174)	4,226
FUND BALANCE:				
Beginning of year	12,425	12,425	12,425	-
End of year	\$ 8,025	\$ 8,025	\$ 12,251	\$ 4,226

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Curbside Recycling Special Revenue Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Investment income	\$ 1,800	\$ 1,800	\$ 1,303	\$ (497)
Other	19,800	19,800	-	(19,800)
Investment income	-	-	-	-
Total revenues	21,600	21,600	1,303	(20,297)
EXPENDITURES:				
Public works	25,000	25,000	-	25,000
Total Expenditures	25,000	25,000	-	25,000
NET CHANGE IN FUND BALANCE	(3,400)	(3,400)	1,303	4,703
FUND BALANCE:				
Beginning of year	201,073	201,073	201,073	-
End of year	\$ 197,673	\$ 197,673	\$ 202,376	\$ 4,703

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Green Building Fee Special Revenue Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 1,800	\$ 1,800	\$ 693	\$ (1,107)
Investment income	60	60	36	(24)
Total revenues	1,860	1,860	729	(1,131)
EXPENDITURES:				
Community development	500	500	-	500
Total Expenditures	500	500	-	500
NET CHANGE IN FUND BALANCE	1,360	1,360	729	(631)
FUND BALANCE:				
Beginning of year	4,517	4,517	4,517	-
End of year	\$ 5,877	\$ 5,877	\$ 5,246	\$ (631)

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Measure W Special Revenue Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sales and use taxes	\$ 351,900	\$ 351,900	\$ 338,794	\$ (13,106)
Intergovernmental	-	-	-	-
Investment income	-	-	2,105	2,105
Total revenues	<u>351,900</u>	<u>351,900</u>	<u>340,899</u>	<u>(11,001)</u>
NET CHANGE IN FUND BALANCE	<u>351,900</u>	<u>351,900</u>	<u>340,899</u>	<u>(11,001)</u>
FUND BALANCE:				
Beginning of year	<u>338,192</u>	<u>338,192</u>	<u>338,192</u>	<u>-</u>
End of year	<u>\$ 690,092</u>	<u>\$ 690,092</u>	<u>\$ 679,091</u>	<u>\$ (11,001)</u>

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Commercial Linkage Fee Special Revenue Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Charges for services	\$ 968,000	\$ 968,000	\$567,683	\$ (400,317)
Investment income	-	-	1,231	1,231
Total revenues	968,000	968,000	568,914	(399,086)
NET CHANGE IN FUND BALANCE	968,000	968,000	568,914	(399,086)
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	<u>\$ 968,000</u>	<u>\$ 968,000</u>	<u>\$ 568,914</u>	<u>\$ (399,086)</u>

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Tenant Relocation Assistance Special Revenue Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Investment income	\$ -	\$ -	\$ 160	\$ 160
Other	-	-	95,753	95,753
Total revenues	-	-	95,913	95,913
NET CHANGE IN FUND BALANCE	-	-	95,913	95,913
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ 95,913	\$ 95,913

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Levee Protection Planning & Improvements Debt Service Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 4,685,023	\$ 4,685,023	\$ 4,572,219	\$ (112,804)
Intergovernmental	-	-	14,052	14,052
Investment income	-	-	33,034	33,034
Total revenues	4,685,023	4,685,023	4,619,305	(65,718)
EXPENDITURES:				
Debt service:				
Interest	4,530,023	4,530,023	1,516,623	3,013,400
Total Expenditures	4,530,023	4,530,023	1,516,623	3,013,400
REVENUES OVER (UNDER) EXPENDITURES	155,000	155,000	3,102,682	2,947,682
OTHER FINANCING SOURCES (USES):				
Issuance of long term debt	5,137,000	5,137,000	6,835,167	1,698,167
Total other financing sources (uses)	5,137,000	5,137,000	6,835,167	1,698,167
NET CHANGE IN FUND BALANCE	5,292,000	5,292,000	9,937,849	4,645,849
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ 5,292,000	\$ 5,292,000	\$ 9,937,849	\$ 4,645,849

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INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments on a cost reimbursement basis. Internal Service Funds used at the City/District are listed below:

The *Vehicle Rental Fund* accounts for vehicle replacement, acquisition and maintenance service charges and the related billings to various departments.

The *Equipment Replacement Fund* accounts for equipment replacement, acquisition and the related billings to various departments.

The *Self-Insurance Fund* accounts for charges to the various departments for general liability, litigation and for the related premium billings and administrative costs.

The *Information Technology Fund* accounts for communication and information service acquisitions and maintenance service charges and the related billings to various departments.

The *Building Maintenance Fund* provides management, maintenance and daily inspection of all City/District buildings and equipment.

The *Longevity Recognition Benefits Fund* accounts for post-retirement benefit obligation to eligible employees represented by Foster City Police Officer's Association (FCPOA), the San Mateo County Firefighters, local 2400, International Association of Firefighters, and the non-represented Safety Management Employees.

The *PEMHCA Benefits Plan Fund* accounts for retiree medical benefit obligations due to the CalPERS' Public Employees' Medical and Hospital Cared Act medical benefits plan.

The *Compensated Absences Fund* accounts for the payout of compensated absences (vacation and sick leaves) to governmental fund employees upon separation of employment.

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City of Foster City and Estero Municipal Improvement District
Combining Statement of Fund Net Position
Internal Service Funds
June 30, 2021

	Vehicle Rental	Equipment Replacement	Self Insurance	Information Technology
ASSETS				
Current assets:				
Cash and investments	\$ 6,044,511	\$ 6,103,280	\$ 1,397,489	\$ 5,869,261
Accounts receivable	-	16,378	-	700
Inventory	66,887	42,163	-	-
Total current assets	<u>6,111,398</u>	<u>6,161,821</u>	<u>1,397,489</u>	<u>5,869,961</u>
Noncurrent assets:				
Capital assets:				
Non-depreciable	31,523	796	-	-
Depreciable	1,407,680	2,090,560	-	-
Depreciable - Intangible	-	166,050	-	-
Total noncurrent assets	<u>1,439,203</u>	<u>2,257,406</u>	<u>-</u>	<u>-</u>
Total assets	<u>7,550,601</u>	<u>8,419,227</u>	<u>1,397,489</u>	<u>5,869,961</u>
DEFERRED OUTFLOW OF RESOURCES				
Related to Pension	150,128	-	-	247,341
Related to OPEB	23,485	-	-	35,298
Total deferred outflows of resources	<u>173,613</u>	<u>-</u>	<u>-</u>	<u>282,639</u>
LIABILITIES				
Current liabilities:				
Accounts payable	5,480	2,329	18,287	14,465
Accrued payroll	15,913	-	-	27,839
Claims liability	-	-	86,000	-
Compensated absences - current portion	15,010	-	-	31,368
Other liability - current portion	-	-	-	-
Total current liabilities	<u>36,403</u>	<u>2,329</u>	<u>104,287</u>	<u>73,672</u>
Noncurrent liabilities:				
Compensated absences	20,121	-	-	74,785
Total OPEB liability	175,184	-	-	262,149
Net Pension Liability	1,066,640	-	-	1,184,512
Other liability-noncurrent portion	-	-	-	-
Total noncurrent liabilities	<u>1,261,945</u>	<u>-</u>	<u>-</u>	<u>1,521,446</u>
Total liabilities	<u>1,298,348</u>	<u>2,329</u>	<u>104,287</u>	<u>1,595,118</u>
DEFERRED INFLOW OF RESOURCES				
Related to OPEB	48,590	-	-	73,005
Total deferred inflows of resources	<u>48,590</u>	<u>-</u>	<u>-</u>	<u>73,005</u>
NET POSITION				
Net investment in capital assets	1,439,203	2,257,406	-	-
Unrestricted	4,938,073	6,159,492	1,293,202	4,484,477
Total net position	<u>\$ 6,377,276</u>	<u>\$ 8,416,898</u>	<u>\$ 1,293,202</u>	<u>\$ 4,484,477</u>

Building Maintenance	Longevity Recognition Benefits	PEMHCA	Compensated Absences	Total
\$ 8,166,200	\$ 2,492,351	\$ 6,027,317	\$ 3,149,386	\$ 39,249,795
91,411	-	-	-	108,489
-	-	-	-	109,050
<u>8,257,611</u>	<u>2,492,351</u>	<u>6,027,317</u>	<u>3,149,386</u>	<u>39,467,334</u>
-	-	-	-	32,319
-	-	-	-	3,498,240
-	-	-	-	166,050
-	-	-	-	3,696,609
<u>8,257,611</u>	<u>2,492,351</u>	<u>6,027,317</u>	<u>3,149,386</u>	<u>43,163,943</u>
230,784	-	-	-	628,253
23,485	-	-	-	82,268
<u>254,269</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>710,521</u>
84,450	-	-	-	125,011
25,859	-	-	-	69,611
-	-	-	-	86,000
36,369	-	-	-	82,747
31,466	-	-	-	31,466
<u>178,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>394,835</u>
57,598	-	-	-	152,504
175,182	-	-	-	612,515
1,321,194	-	-	-	3,572,346
97,021	-	-	-	97,021
<u>1,650,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,434,386</u>
<u>1,829,139</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,829,221</u>
48,589	-	-	-	170,184
<u>48,589</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,184</u>
-	-	-	-	3,696,609
<u>6,634,152</u>	<u>2,492,351</u>	<u>6,027,317</u>	<u>3,149,386</u>	<u>35,178,450</u>
<u>\$ 6,634,152</u>	<u>\$ 2,492,351</u>	<u>\$ 6,027,317</u>	<u>\$ 3,149,386</u>	<u>\$ 38,875,059</u>

City of Foster City and Estero Municipal Improvement District
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the fiscal year ended June 30, 2021

	Vehicle Rental	Equipment Replacement	Self Insurance	Information Technology
OPERATING REVENUES:				
Charges for services	\$ 1,646,073	\$ 518,638	\$ 530,796	\$ 2,130,749
Total operating revenues	1,646,073	518,638	530,796	2,130,749
OPERATING EXPENSES:				
Personnel	510,645	-	-	837,017
Repairs and maintenance	295,826	5,958	-	542,122
General and administration	196,200	-	-	228,102
Depreciation	284,223	313,664	-	-
Contractual services	3,842	-	51,852	2,475
Insurance	69,004	-	549,143	-
Total operating expenses	1,359,740	319,622	600,995	1,609,716
OPERATING INCOME (LOSS)	286,333	199,016	(70,199)	521,033
NONOPERATING REVENUES (EXPENSES):				
Gain (loss) on disposal of capital assets	19,611	(4,843)	-	-
Investment income (expense)	7,439	3,261	687	7,206
Miscellaneous	-	16,378	-	30,692
Total nonoperating revenues (expenses)	27,050	14,796	687	37,898
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	313,383	213,812	(69,512)	558,931
CONTRIBUTIONS AND TRANSFERS:				
Capital contributions	-	65,229	-	-
Transfers in	-	17,409	-	-
Transfers out	-	(400,000)	-	(17,409)
Total contributions and transfers	-	(317,362)	-	(17,409)
Changes in Net Position	313,383	(103,550)	(69,512)	541,522
NET POSITION:				
Beginning of the year	6,063,893	8,520,448	1,362,714	3,942,955
End of the year	\$ 6,377,276	\$ 8,416,898	\$ 1,293,202	\$ 4,484,477

Building Maintenance	Longevity Recognition Benefits	PEMHCA	Compensated Absences	Total
\$ 3,302,006	\$ 224,160	\$ 194,579	\$ 427,213	\$ 8,974,214
3,302,006	224,160	194,579	427,213	8,974,214
790,071	181,865	162,313	71,312	2,553,223
327,823	-	-	-	1,171,729
777,990	-	-	-	1,202,292
-	-	-	-	597,887
374,713	2,790	4,613	-	440,285
-	-	-	-	618,147
2,270,597	184,655	166,926	71,312	6,583,563
1,031,409	39,505	27,653	355,901	2,390,651
-	-	-	-	14,768
11,872	15,920	38,735	4,226	89,346
116,911	-	-	-	163,981
128,783	15,920	38,735	4,226	268,095
1,160,192	55,425	66,388	360,127	2,658,746
-	-	-	-	65,229
-	-	-	-	17,409
(200,000)	-	-	-	(617,409)
(200,000)	-	-	-	(534,771)
960,192	55,425	66,388	360,127	2,123,975
5,673,960	2,436,926	5,960,929	2,789,259	36,751,084
\$ 6,634,152	\$ 2,492,351	\$ 6,027,317	\$ 3,149,386	\$ 38,875,059

City of Foster City and Estero Municipal Improvement District
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2021

	Vehicle Rental	Equipment Replacement	Self Insurance	Information Technology
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from inter-departmental charges	\$ 1,646,073	\$ 502,260	\$ 530,796	\$ 2,130,049
Cash payments to suppliers for goods and services	(608,266)	(3,629)	(532,708)	(769,838)
Cash payments to employees for services	(453,806)	-	-	(823,619)
Cash received from others	-	16,378	-	30,692
Net cash provided (used) by operating activities	584,001	515,009	(1,912)	567,284
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers received	-	17,409	-	-
Transfer paid	-	(400,000)	-	(17,409)
Net cash provided (used) by noncapital financing activities	-	(382,591)	-	(17,409)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	5,181	(141,269)	-	-
Net cash provided (used) by capital and related financing activities	5,181	(141,269)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	7,439	3,261	687	7,206
Net cash provided (used) by investing activities	7,439	3,261	687	7,206
Net increase (decrease) in cash and cash equivalents	596,621	(5,590)	(1,225)	557,081
CASH AND CASH EQUIVALENTS:				
Beginning of year	5,447,890	6,108,870	1,398,714	5,312,180
End of year	<u>\$ 6,044,511</u>	<u>\$ 6,103,280</u>	<u>\$ 1,397,489</u>	<u>\$ 5,869,261</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 286,333	\$ 199,016	\$ (70,199)	\$ 521,033
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	284,223	313,664	-	-
Miscellaneous revenues	-	16,378	-	30,692
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Accounts receivable	-	(16,378)	-	(700)
Deposit and prepaid items	657	-	-	-
Inventory	(20,930)	-	-	-
Deferred outflow of resources	(76,432)	-	-	(90,753)
Increase (decrease) in:				
Accounts payable	(23,121)	2,329	18,287	2,861
Accrued payroll	1,256	-	-	834
Claims liability	-	-	50,000	-
Compensated absences	15,017	-	-	15,818
Total OPEB liability	(1,868)	-	-	(2,808)
Net pension liability	128,258	-	-	99,390
Other liability	-	-	-	-
Deferred inflow of resources	(9,392)	-	-	(9,083)
Total adjustments	<u>297,668</u>	<u>315,993</u>	<u>68,287</u>	<u>46,251</u>
Net cash provided (used) by operating activities	\$ 584,001	\$ 515,009	\$ (1,912)	\$ 567,284
NONCASH CAPITAL AND RELATED FINANCING TRANSACTIONS:				
Capital contributions	\$ -	\$ 65,229	\$ -	\$ -
Total noncash capital and related financing transaction	\$ -	\$ 65,229	\$ -	\$ -

Building Maintenance	Longevity Recognition Benefits	PEMHCA	Compensated Absences	Total
\$ 3,216,771	\$ 224,160	\$ 194,579	\$ 427,213	\$ 8,871,901
(1,523,252)	(2,790)	(4,613)	-	(3,445,096)
(783,286)	(181,865)	(162,313)	(71,312)	(2,476,201)
116,911	-	-	-	163,981
<u>1,027,144</u>	<u>39,505</u>	<u>27,653</u>	<u>355,901</u>	<u>3,114,585</u>
-	-	-	-	17,409
(200,000)	-	-	-	(617,409)
(200,000)	-	-	-	(600,000)
-	-	-	-	(136,088)
-	-	-	-	(136,088)
11,872	15,920	38,735	4,226	89,346
11,872	15,920	38,735	4,226	89,346
839,016	55,425	66,388	360,127	2,467,843
7,327,184	2,436,926	5,960,929	2,789,259	36,781,952
<u>\$ 8,166,200</u>	<u>\$ 2,492,351</u>	<u>\$ 6,027,317</u>	<u>\$ 3,149,386</u>	<u>\$ 39,249,795</u>
\$ 1,031,409	\$ 39,505	\$ 27,653	\$ 355,901	\$ 2,390,651
-	-	-	-	597,887
116,911	-	-	-	163,981
(85,235)	-	-	-	(102,313)
-	-	-	-	657
-	-	-	-	(20,930)
(88,329)	-	-	-	(255,514)
(42,726)	-	-	-	(42,370)
477	-	-	-	2,567
-	-	-	-	50,000
16,794	-	-	-	47,629
(1,868)	-	-	-	(6,544)
124,858	-	-	-	352,506
(28,844)	-	-	-	(28,844)
(16,303)	-	-	-	(34,778)
(4,265)	-	-	-	723,934
<u>\$ 1,027,144</u>	<u>\$ 39,505</u>	<u>\$ 27,653</u>	<u>\$ 355,901</u>	<u>\$ 3,114,585</u>
\$ -	\$ -	\$ -	\$ -	\$ 65,229
\$ -	\$ -	\$ -	\$ -	\$ 65,229

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STATISTICAL SECTION

Economic Conditions Reporting: The Statistical Section - an amendment of NCGA Statement 1. The statement is intended to improve understanding what the information in the Basic Financial Statements, Notes, and Required Supplementary Information says:

Financial Trends

These schedules contain trend information to help the reader understand how the City/District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City/District's most significant local revenue sources.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City/District's current level of outstanding debt and the ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City/District's financial activities take place.

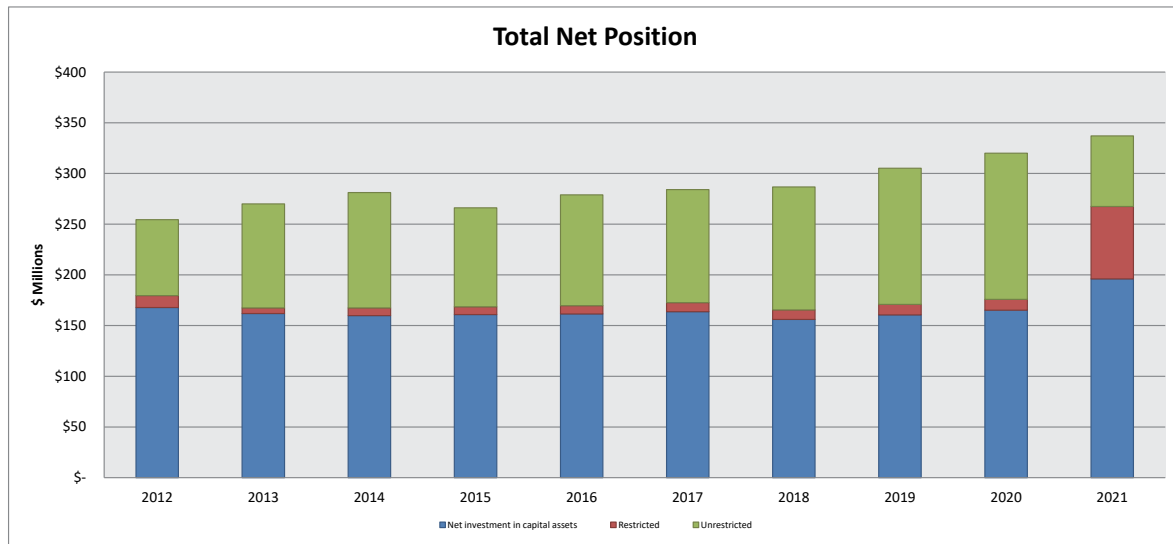
Operating Information

These schedules contain service data to help the reader understand how the information in the City/District's financial report relates to the services the City/District provides and the activities it performs.

Note: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant years.

City of Foster City and Estero Municipal Improvement District
Net Position by Component
Last Ten Fiscal Years
(Accrual basis of accounting)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Net investment in capital assets	\$ 106,295,814	\$ 102,503,211	\$ 102,532,106	\$ 105,458,244	\$ 105,267,654	\$ 104,241,497	\$ 104,366,565	\$ 102,668,101	\$ 102,819,233	\$ 129,905,492
Restricted	11,760,967	5,488,986	7,528,560	7,666,923	8,164,308	8,875,532	9,353,747	10,389,000	10,601,909	71,387,356
Unrestricted	50,530,026	75,633,529	82,551,190	68,977,993	79,035,368	83,096,489	82,200,472	95,333,932	102,269,338	22,213,233
Total governmental activities net position	\$ 168,586,807	\$ 183,625,726	\$ 192,611,856	\$ 182,103,160	\$ 192,467,330	\$ 196,213,518	\$ 195,920,784	\$ 208,391,033	\$ 215,690,480	\$ 223,506,081
Business-type activities										
Net investment in capital assets	\$ 61,458,480	\$ 59,384,377	\$ 57,308,122	\$ 55,371,422	\$ 56,208,645	\$ 59,464,204	\$ 51,691,503	\$ 57,834,914	\$ 62,401,864	\$ 66,148,527
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	24,362,221	26,947,956	31,262,566	28,654,572	30,219,485	28,425,170	39,096,553	38,964,497	41,885,954	47,396,460
Total business-type activities net position	\$ 85,820,701	\$ 86,332,333	\$ 88,570,688	\$ 84,025,994	\$ 86,428,130	\$ 87,889,374	\$ 90,788,056	\$ 96,799,411	\$ 104,287,818	\$ 113,544,987
Primary government										
Net Investment in capital assets	\$ 167,754,294	\$ 161,887,588	\$ 159,840,228	\$ 160,829,666	\$ 161,476,299	\$ 163,705,701	\$ 156,058,068	\$ 160,503,015	\$ 165,221,097	\$ 196,054,019
Restricted	11,760,967	5,488,986	7,528,560	7,666,923	8,164,308	8,875,532	9,353,747	10,389,000	10,601,909	71,387,356
Unrestricted	74,892,247	102,581,485	113,813,756	97,632,565	109,254,853	111,521,659	121,297,025	134,298,429	144,155,292	69,609,693
Total primary government net position	\$ 254,407,508	\$ 269,958,059	\$ 281,182,544	\$ 266,129,154	\$ 278,895,460	\$ 284,102,892	\$ 286,708,840	\$ 305,190,444	\$ 319,978,298	\$ 337,051,068



City of Foster City and Estero Municipal Improvement District
Changes in Net Position
Last Ten Fiscal Years
(Accrual basis of accounting)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities:										
General government	\$ 3,596,590	\$ 3,514,037	\$ 3,794,112	\$ 3,557,955	\$ 4,308,710	\$ 5,042,007	\$ 5,789,051	\$ 6,060,023	\$ 6,702,456	\$ 6,088,435
Police	9,393,100	9,316,093	9,580,196	9,853,153	10,438,938	11,226,563	14,100,954	15,022,253	15,697,931	14,797,439
Fire	8,222,350	7,685,722	7,756,948	8,301,670	7,929,490	8,789,853	10,801,237	11,033,747	11,035,146	11,287,606
Public works	5,253,074	5,718,340	4,353,289	4,650,758	4,335,309	4,760,961	5,707,187	5,430,742	5,376,875	4,575,342
Community development	2,215,164	2,078,968	1,965,069	2,176,539	2,417,650	2,590,742	3,073,843	2,907,622	2,980,907	3,254,326
Parks and recreation	7,978,548	8,387,726	8,516,392	8,808,422	8,750,077	10,085,864	10,777,390	11,096,170	11,256,138	10,678,377
Interest on long-term debt	-	-	-	-	-	-	-	-	-	1,516,623
Total governmental activities expenses	36,658,826	36,700,886	35,966,006	37,348,497	38,180,174	42,495,990	50,249,662	51,550,557	53,049,453	52,198,148
Business-type activities:										
Water	9,782,394	10,336,188	9,846,110	10,596,613	11,824,224	13,398,161	14,599,582	14,074,075	14,978,448	14,711,672
Wastewater	5,909,150	6,554,771	6,412,706	7,140,529	6,356,569	7,166,712	7,722,767	8,151,224	7,876,915	8,203,420
Public transportation	201,696	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	15,893,240	16,890,959	16,258,816	17,737,142	18,181,023	20,564,873	22,322,349	22,225,299	22,855,363	22,915,092
Total primary government expenses	\$ 52,552,066	\$ 53,591,845	\$ 52,224,822	\$ 55,085,639	\$ 56,361,197	\$ 63,060,863	\$ 72,572,011	\$ 73,775,856	\$ 75,904,816	\$ 75,113,240
Program Revenues										
Governmental activities:										
Charges for services:										
Public works	\$ 115,060	\$ 185,606	\$ 259,277	\$ 192,974	\$ 264,579	\$ 254,169	\$ 367,879	\$ 213,086	\$ 179,837	\$ 162,108
Parks and recreation	1,082,263	1,065,366	4,430,943	4,374,455	4,473,738	2,358,600	1,853,153	3,697,450	1,520,574	409,418
Other activities	2,420,613	1,755,523	3,626,944	4,586,595	4,589,520	5,919,975	6,066,430	4,173,106	3,409,238	4,074,120
Operating grants and contributions	1,483,915	1,479,057	1,471,641	2,655,353	3,137,709	1,262,548	1,236,057	1,136,501	1,302,269	1,572,224
Capital grants and contributions	449,989	938,348	1,374,066	709,800	290,669	586,884	2,218,653	1,115,882	979,700	1,347,461
Total governmental activities program revenues	5,551,840	5,423,900	11,162,871	12,519,177	9,756,215	10,382,176	11,742,172	10,336,025	7,391,618	7,565,331
Business-type activities:										
Charges for services:										
Water	10,328,467	10,495,752	10,550,591	10,230,148	11,635,584	12,574,363	14,833,965	15,382,698	16,552,780	17,678,897
Wastewater	7,509,281	6,970,730	7,400,022	7,921,198	8,464,663	9,168,192	10,723,302	12,121,747	13,649,963	15,690,009
Other activities	7,317	-	-	-	-	-	-	-	-	-
Operating grants and contributions	100,756	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	19,305	-	26,991	71,315	32,174	8,741	5,557	21,216	446
Total business-type activities program revenues	17,945,821	17,485,787	17,950,613	18,178,337	20,171,562	21,774,729	25,566,008	27,510,002	30,223,959	33,369,352
Total primary government program revenues	\$ 23,497,661	\$ 22,909,687	\$ 29,113,484	\$ 30,697,514	\$ 29,927,777	\$ 32,156,905	\$ 37,308,180	\$ 37,846,027	\$ 37,615,577	\$ 40,934,683
Net (Expense)/Revenue										
Governmental activities	\$ (31,106,986)	\$ (31,276,986)	\$ (24,803,135)	\$ (24,829,320)	\$ (28,423,959)	\$ (32,113,814)	\$ (38,507,490)	\$ (41,214,532)	\$ (45,657,835)	\$ (44,632,817)
Business-type activities	2,052,581	594,828	1,691,797	441,195	1,990,539	1,209,856	3,243,659	5,284,703	7,368,596	10,454,260
Total primary government net expense	\$ (29,054,405)	\$ (30,682,158)	\$ (23,111,338)	\$ (24,388,125)	\$ (26,433,420)	\$ (30,903,958)	\$ (35,263,831)	\$ (35,929,829)	\$ (38,289,239)	\$ (34,178,557)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 19,140,435	\$ 22,850,306	\$ 22,618,342	\$ 22,824,950	\$ 25,042,950	\$ 27,249,762	\$ 29,697,500	\$ 33,612,508	\$ 35,186,668	\$ 41,633,116
Franchise taxes	1,122,847	1,227,976	1,235,085	1,135,666	1,182,060	1,190,454	1,178,643	1,151,822	1,213,162	1,185,308
Sales taxes	4,853,339	4,413,470	3,684,963	3,955,873	3,892,638	3,780,217	4,141,017	4,513,774	4,424,946	4,073,476
Other taxes	2,596,057	3,090,178	3,524,950	4,660,905	4,853,059	5,011,598	5,628,469	6,570,639	5,559,014	2,922,410
Payments in lieu of taxes	-	-	-	-	-	-	-	-	-	-
Investment earnings	2,331,007	1,539,026	3,688,849	2,256,791	2,807,314	2,487,713	2,801,998	7,340,714	5,672,389	2,191,807
Gain (loss) on JPA investment	-	-	-	-	-	-	-	84,643	663,404	(1,549)
Gain on sale of capital assets	-	-	-	-	-	37,071	101,798	(22,309)	-	-
Miscellaneous	210,189	19,494,949	405,586	30,088,299	1,010,108	134,187	316,522	124,124	237,699	443,850
Transfers	(60,501)	-	-	-	-	-	162,674	308,866	-	-
Total governmental activities	30,193,373	52,615,905	35,157,775	64,922,484	38,788,129	39,891,002	44,028,621	53,684,781	52,957,282	52,448,418
Business-type activities:										
Property Tax	-	-	-	-	-	-	-	-	-	-
Investment earnings	292,258	(141,502)	459,090	319,633	350,091	154,770	277,627	984,386	81,433	(1,247,738)
Loss on sales of capital assets	-	-	-	-	-	(7,860)	(479)	-	(10,665)	-
Miscellaneous	36,975	58,306	87,468	94,246	61,506	104,478	125,512	51,132	49,043	50,647
Transfers	60,501	-	-	-	-	-	(162,674)	(308,866)	-	-
Total business-type activities	389,734	(83,196)	546,558	413,879	411,597	251,388	239,986	726,652	119,811	(1,197,091)
Total primary government	\$ 30,583,107	\$ 52,532,709	\$ 35,704,333	\$ 65,336,363	\$ 39,199,726	\$ 40,142,390	\$ 44,268,607	\$ 54,411,433	\$ 53,077,093	\$ 51,251,327
Extraordinary Items										
Governmental activities:										
Extraordinary items										
(16,350,052)	(6,300,000)	(1,368,510)	1,131,265	-	-	-	-	-	-	-
(16,350,052)	(6,300,000)	(1,368,510)	1,131,265	-	-	-	-	-	-	-
\$ (16,350,052)	\$ (6,300,000)	\$ (1,368,510)	\$ 1,131,265	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Position										
Governmental activities	\$ (17,263,665)	\$ 15,038,919	\$ 8,986,130	\$ 41,224,429	\$ 10,364,170	\$ 7,777,188	\$ 5,521,131	\$ 12,470,249	\$ 7,299,447	\$ 7,815,601
Business-type activities	2,442,315	511,632	2,238,355	855,074	2,402,136	1,461,244	3,483,645	6,011,355	7,488,407	9,257,169
Total primary government	\$ (14,821,350)	\$ 15,550,551	\$ 11,224,485	\$ 42,079,503	\$ 12,766,306	\$ 9,238,432	\$ 9,004,776	\$ 18,481,604	\$ 14,787,854	\$ 17,072,770

City of Foster City and Estero Municipal Improvement District
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Taxes	\$ 27,014,176	\$ 30,807,783	\$ 29,972,228	\$ 30,968,962	\$ 33,196,631	\$ 35,378,834	\$38,848,086	\$43,986,723	\$44,477,091	\$48,326,501
Licenses, fees and permits	2,200,437	1,354,501	2,676,476	3,954,102	3,399,578	4,564,176	5,066,971	3,687,802	3,399,595	3,472,940
Fines and penalties	179,717	193,654	197,969	168,838	162,589	187,670	227,271	123,403	90,960	68,347
Charges for services	1,640,114	1,637,289	2,621,851	2,510,647	2,671,725	2,940,785	2,757,324	2,302,304	1,807,364	1,841,360
Special assessments	-	-	3,289,634	3,288,613	429,000	1,146,000	540,000	2,240,000	480,000	-
Intergovernmental	1,994,051	2,010,089	2,688,202	1,563,429	1,400,996	1,552,362	1,666,254	2,450,199	1,915,314	2,438,138
Investment earnings	1,814,301	907,101	2,252,482	2,273,291	2,345,939	1,978,805	2,330,691	6,489,694	4,719,935	2,052,552
Other revenues	436,977	1,178,203	794,640	2,882,967	4,394,357	1,961,964	3,838,427	1,464,509	1,500,190	1,650,893
Total revenues	35,279,773	38,088,620	44,493,482	47,610,849	48,000,815	49,710,596	55,275,024	62,744,634	58,390,449	59,850,731
Expenditures										
General government	2,980,808	2,980,817	3,174,115	3,162,004	3,738,875	4,599,220	4,633,199	4,995,310	5,944,704	6,779,021
Police	9,171,064	9,078,222	9,321,559	9,693,710	10,621,454	11,344,717	12,075,308	14,649,843	14,000,196	16,127,520
Fire	8,148,675	7,689,490	7,705,260	8,028,295	8,243,689	9,189,623	9,221,643	11,280,149	9,389,379	11,931,423
Public works	2,876,718	3,343,143	1,967,187	2,331,632	2,050,278	2,510,297	3,286,106	3,142,559	3,114,099	2,860,679
Community development	2,229,747	1,967,382	1,936,205	6,928,167	2,487,145	2,600,470	2,747,238	2,803,275	2,884,972	3,874,174
Parks and recreation	6,780,597	6,879,810	7,107,443	7,182,946	7,312,735	8,229,008	8,218,254	9,049,950	9,386,057	10,544,668
Capital outlay	3,384,339	1,201,432	4,382,435	6,483,904	3,880,749	3,491,142	3,932,684	5,312,860	4,747,124	32,503,065
Debt service	-	-	-	-	-	-	-	-	-	1,516,623
Interest	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-
Total expenditures	35,571,948	33,140,296	35,594,204	43,810,658	38,334,925	41,964,477	44,114,432	51,233,946	49,466,531	86,137,173
Excess of revenues over (under) expenditures	(292,175)	4,948,324	8,899,278	3,800,191	9,665,890	7,746,119	11,160,592	11,510,688	8,923,918	(26,286,442)
Other Financing Sources (uses)										
Proceeds from sale of capital assets	-	1,332,190	1,344,924	30,485,503	546,293	564,315	582,930	602,160	622,025	642,545
Issuance of long term debt	-	-	-	-	-	-	-	-	-	91,835,167
Transfers in	7,729,944	958,867	1,209,449	752,646	1,588,591	3,200,511	2,255,488	4,338,841	5,978,262	8,012,976
Transfers out	(7,799,024)	(3,608,867)	(1,209,449)	(630,646)	(1,751,789)	(3,200,511)	(2,255,488)	(7,387,275)	(5,255,112)	(7,412,976)
Total other financing sources (uses)	(69,080)	(1,317,810)	1,344,924	30,607,503	383,095	564,315	582,930	(2,446,274)	1,345,175	93,077,712
Extraordinary Item										
Extraordinary loss	(16,350,052)	(6,300,000)	(1,368,510)	-	-	-	-	-	-	-
Total extraordinary item	(16,350,052)	(6,300,000)	(1,368,510)	-	-	-	-	-	-	-
Net change in fund balances	\$ (16,711,307)	\$ (2,669,486)	\$ 8,875,692	\$ 34,407,694	\$ 10,048,985	\$ 8,310,434	\$ 11,743,522	\$ 9,064,414	\$ 10,269,093	\$ 66,791,270
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.91%

City of Foster City and Estero Municipal Improvement District
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Non-Spendable	32,448	34,769	36,126	31,380	39,730	48,595	56,029	48,231	19,415	18,475
Restricted	-	-	-	-	99,481	5,675	21,252	26,384	15,296	24,823
Committed	466,016	405,949	441,920	1,279,096	1,279,731	2,202,807	2,265,890	3,013,410	7,702,504	4,447,532
Assigned	964,536	510,417	676,878	619,948	138,174	28,093	125,010	8,240	-	-
Unassigned	<u>20,272,893</u>	<u>19,025,588</u>	<u>23,746,768</u>	<u>30,303,100</u>	<u>39,628,699</u>	<u>43,397,590</u>	<u>50,980,152</u>	<u>52,180,181</u>	<u>50,858,876</u>	<u>52,979,962</u>
Total general fund	<u>\$ 21,735,893</u>	<u>\$ 19,976,723</u>	<u>\$ 24,901,692</u>	<u>\$ 32,233,524</u>	<u>\$ 41,185,815</u>	<u>\$ 45,682,760</u>	<u>\$ 53,448,333</u>	<u>\$ 55,276,446</u>	<u>\$ 58,596,091</u>	<u>\$ 57,470,792</u>
All Other Governmental Funds										
Non-Spendable	-	-	-	683	-	-	75	2,203	-	-
Restricted	10,357,852	4,546,308	7,227,787	7,263,706	7,685,968	8,003,371	8,542,352	9,314,094	9,901,721	71,105,763
Committed	9,105,986	14,007,214	15,276,458	42,315,718	42,990,833	46,527,692	49,925,812	56,388,243	62,885,703	69,466,702
Unassigned	-	-	-	-	-	(40,773)	-	-	(133,436)	(1,908)
Total all other governmental funds	<u>\$ 19,463,838</u>	<u>\$ 18,553,522</u>	<u>\$ 22,504,245</u>	<u>\$ 49,580,107</u>	<u>\$ 50,676,801</u>	<u>\$ 54,490,290</u>	<u>\$ 58,468,239</u>	<u>\$ 65,704,540</u>	<u>\$ 72,653,988</u>	<u>\$ 140,570,557</u>

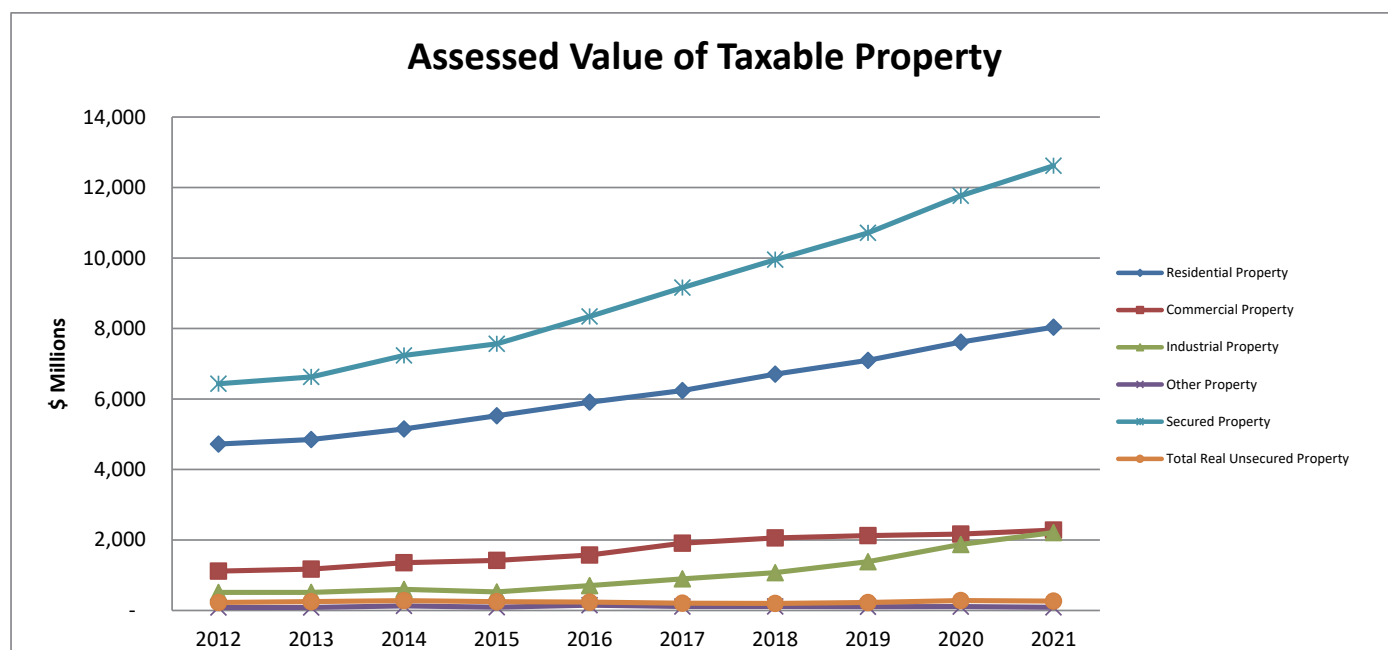
City of Foster City and Estero Municipal Improvement District

Assessed Value of Taxable Property

Last Ten Fiscal Years

(in thousands of dollars)

Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial Property	Other Property	Total Real Secured Property	Unsecured Property	Total Assessed	Estimated Full Market ¹	Total Direct Tax Rate ²
2012	4,721,378	1,116,185	512,381	83,466	6,433,410	226,067	6,659,477	6,659,477	0.28770
2013	4,851,575	1,174,781	514,770	84,880	6,626,006	250,130	6,876,136	6,876,136	0.28889
2014	5,150,785	1,356,302	600,059	129,427	7,236,573	278,889	7,515,462	7,515,462	0.22518
2015	5,524,789	1,420,944	527,049	92,869	7,565,651	248,396	7,814,047	7,814,047	0.22474
2016	5,909,653	1,573,865	707,140	150,091	8,340,749	237,511	8,578,260	8,578,260	0.22323
2017	6,240,204	1,910,182	898,130	112,187	9,160,703	206,769	9,367,472	9,367,472	0.22231
2018	6,704,861	2,059,294	1,074,561	113,666	9,952,382	200,384	10,152,766	10,152,766	0.22156
2019	7,096,609	2,125,413	1,385,304	105,123	10,712,449	225,163	10,937,612	10,937,612	0.22086
2020	7,613,917	2,168,754	1,872,191	110,446	11,765,308	280,863	12,046,171	12,046,171	0.23441
2021	8,037,085	2,280,491	2,211,821	89,233	12,618,630	265,823	12,884,453	12,884,453	0.23437



Source: The HdL Company and San Mateo County Assessor 2011/12 - 2020/21 Combined Tax Rolls

Notes: ¹ Article XIII A, added to California Constitution by Proposition 13 in fiscal year 1978, fixed the base for valuation of property subject to taxes at the full cash value which appeared on the Assessor's 1976 assessment roll.

Thereafter, full cash value can be increased/decreased:

- a) to reflect annual inflation up to 2 percent; or
- b) to reflect fair market value at the time of ownership change; or
- c) to reflect fair value for new construction; or
- d) to reflect reassessed fair value after appeal.

² California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

City of Foster City and Estero Municipal Improvement District
Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years
(Per \$100 of Assessed Value)

Agency	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Basic Levy ¹	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Belmont Elementary	0.01970	0.01970	0.01830	0.01820	0.03620	0.03060	0.02780	0.02710	0.02050	0.02040
Belmont-Redwood Shores	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00520	0.00430	0.00410	0.00390
Foster City GO Bond	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.03600
Mid-Peninsula Regional Open Space	0.00000	0.00000	0.00000	0.00000	0.00080	0.00060	0.00090	0.00180	0.00160	0.00150
San Mateo Community College 2005 Series B	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00350	0.00370
San Mateo Foster City Elementary	0.03470	0.03380	0.04210	0.03880	0.04020	0.05460	0.05420	0.05300	0.04370	0.04620
San Mateo Junior College	0.01990	0.01940	0.01940	0.01900	0.02500	0.02470	0.02350	0.01750	0.02310	0.01760
San Mateo Union High	0.03830	0.03810	0.03550	0.04750	0.04660	0.04150	0.04330	0.04070	0.03850	0.04490
Sequoia Union High	0.03580	0.03560	0.03130	0.04330	0.04340	0.03910	0.03830	0.03650	0.03400	0.03150
Total Direct & Overlapping² Tax Rates	1.14840	1.14660	1.14660	1.16680	1.19220	1.19110	1.19320	1.18090	1.16900	1.20570
City's Share of 1% Levy Per Prop 13³	0.25974	0.25974	0.25974	0.25974	0.25974	0.25974	0.25974	0.21971	0.23365	0.23366
General Obligation Debt Rate	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Redevelopment Rate⁴	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Total Direct Rate⁵	0.44624	0.44902	0.22518	0.22474	0.22323	0.22231	0.22156	0.22086	0.23441	0.23437

Notes:

¹In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

²Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners.

³City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. ERAF portion of the City's Levy has been subtracted where known.

⁴Redevelopment Rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.

⁵Total Direct Rate is the weighted average of all individual direct rates applied by the City/Agency preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes of this report, residual revenue is assumed to be distributed to the City/Agency in the same proportions as general fund revenue.

Source:

The HdL Company, 2011/12 - 2020/21 Direct and Overlapping Property Tax Rates Schedule
San Mateo County Assessor 2011/12 - 2020/21 Tax Rate Table

City of Foster City and Estero Municipal Improvement District

Principal Property Tax Payers

Current Year and Ten Years Ago

<u>Taxpayer</u>	FY 2020/2021			FY 2011/2012		
	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed
	Value		Value	Value		
GILEAD SCIENCES INC	\$ 2,536,132,893	1	19.68%	\$ 413,069,021	1	6.20%
BMR LINCOLN CENTER LP	358,850,195	2	2.79%			
HUDSON METRO CENTER LLC	348,864,031	3	2.71%			
VISA USA INC	267,072,483	4	2.07%			
TRUST PARKSIDE TOWERS CORPORATION	229,794,123	5	1.78%			
BEX FMCA LLC	196,156,804	6	1.52%			
AREOF VI US PILGRIM TRITON LLC	170,646,000	7	1.32%			
SF HILLSDALE 20102012 LLC	155,780,189	8	1.21%			
CV TRITON LLC	115,773,121	9	0.90%			
NORTHWESTERN MUTUAL LIFE	93,249,588	10	0.72%			
VISA INTERNATIONAL SERVICE ASSOCIATION				224,994,714	2	3.38%
SPK-METRO CENTER LLC				193,129,245	3	2.90%
APPLERA CORPORATION				152,622,454	4	2.29%
PARKSIDE TOWERS LP				129,000,000	5	1.94%
ELECTRONICS FOR IMAGING INC				78,240,239	6	1.17%
BRE PROPERTIES INC				73,946,659	7	1.11%
ESSEX HARBOR COVE APARTMENTS LP				72,300,348	8	1.09%
HINES VAF NO CALIFORNIA PROPERTIES LP				69,043,066	9	1.04%
BAYSIDE TOWERS INC				66,115,724	10	0.99%
Top Ten Total	4,472,319,427		34.71%	1,472,461,470		22.11%
City Total	\$ 12,884,453,380			\$ 6,659,477,367		

Source: The HdL Company and San Mateo County Assessor 2020/21 & 2011/12 Combined Tax Rolls and the SBE Non Unitary Tax Roll.

City of Foster City and Estero Municipal Improvement District Property Tax Levies and Collections Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year ¹	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount ²	Percentage of Levy		Amount	Percentage of Levy
2012	17,066,910	15,111,377	88.54%	(7,011)	15,104,366	88.50%
2013	17,614,023	17,312,886	98.29%	(45,095)	17,267,791	98.03%
2014	19,265,347	19,479,141	101.11% ³	(37,058)	19,442,083	100.92%
2015	20,152,567	20,126,637	99.87%	(11,207)	20,115,431	99.82%
2016	22,149,657	22,043,604	99.52%	(20,905)	22,022,699	99.43%
2017	24,188,847	23,973,655	99.11%	(1,320)	23,972,335	99.10%
2018	26,231,976	26,113,362	99.55%	(39,853)	26,073,509	99.40%
2019	28,275,807	29,782,771	105.33% ⁴	(14,773)	29,767,998	105.28%
2020	31,147,215	31,113,654	99.89%	(21,465)	31,092,189	99.82%
2021	33,307,478	34,471,265	103.49%	-	34,471,265	103.49%

Notes:

¹ Information from County of San Mateo Controller's Office

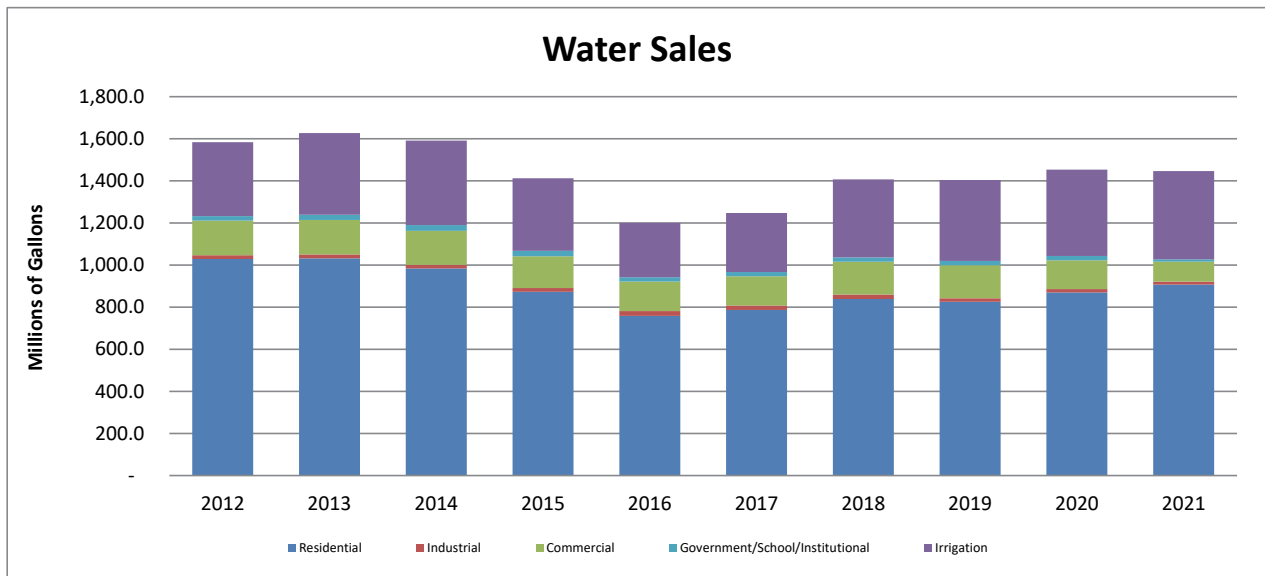
² Amount received after ERAF contribution

³ Include \$350,463 from the dissolution of the Community Development Agency of Foster City as a result of AB1484.

⁴ San Mateo County Controller's Office changed the excess ERAF distribution. Included 45% excess ERAF amount distributed in August FY2019/2020.

City of Foster City and Estero Municipal Improvement District
Water Sales by Type of Customer
Last Ten Fiscal Years
(in millions of gallons)

Type of Customer	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Residential	1,029.2	1,032.1	984.3	873.0	758.5	786.8	838.9	825.4	870.0	907.0
Industrial	17.8	18.4	17.2	17.7	23.0	21.1	21.2	16.9	16.0	14.3
Commercial	164.3	163.8	161.2	151.1	140.0	138.9	156.0	157.2	136.7	95.1
Government/School/Institutional	21.3	24.9	27.4	25.9	20.6	20.2	20.6	20.5	20.8	11.3
Irrigation	351.1	388.0	401.4	344.6	258.4	280.4	370.1	384.0	410.1	419.1
Total	1,583.7	1,627.2	1,591.5	1,412.3	1,200.5	1,247.4	1,406.8	1,404.0	1,453.6	1,446.8



Source: Utility Billing of Financial Services Department

City of Foster City and Estero Municipal Improvement District

Water and Wastewater Rates

Last Ten Fiscal Years

<u>Water</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<i>Availability / Meter Charge (per Month)</i>										
5/8 inch	\$ 17.55	\$ 15.80	\$ 15.80	\$ 16.00	\$ 17.25	\$ 18.90	\$ 19.85	\$ 21.45	\$ 23.15	\$ 23.85
3/4 inch	\$ 17.55	\$ 15.80	\$ 15.80	\$ 16.00	\$ 17.25	\$ 18.90	\$ 19.85	\$ 21.45	\$ 23.15	\$ 23.85
1 inch	\$ 43.90	\$ 39.50	\$ 27.65	\$ 28.00	\$ 28.75	\$ 31.50	\$ 33.08	\$ 35.75	\$ 38.58	\$ 39.75
1&1/2 inch	\$ 87.75	\$ 79.00	\$ 79.00	\$ 80.00	\$ 69.00	\$ 75.60	\$ 79.40	\$ 85.80	\$ 92.60	\$ 95.40
2 inch	\$ 140.40	\$ 126.40	\$ 126.40	\$ 128.00	\$ 92.00	\$ 100.80	\$ 105.87	\$ 114.40	\$ 123.47	\$ 127.20
3 inch	\$ 245.70	\$ 221.20	\$ 221.20	\$ 224.00	\$ 201.25	\$ 220.50	\$ 231.58	\$ 250.25	\$ 270.08	\$ 278.25
4 inch	\$ 386.10	\$ 347.60	\$ 347.60	\$ 352.00	\$ 362.25	\$ 396.90	\$ 416.85	\$ 450.45	\$ 486.15	\$ 500.85
6 inch	\$ 737.10	\$ 663.60	\$ 663.60	\$ 672.00	\$ 805.00	\$ 882.00	\$ 926.33	\$ 1,001.00	\$ 1,080.33	\$ 1,113.00
8 inch	\$ 1,158.30	\$ 1,042.80	\$ 1,042.80	\$ 1,056.00	\$ 1,380.00	\$ 1,512.00	\$ 1,588.00	\$ 1,716.00	\$ 1,852.00	\$ 1,908.00
<i>Consumption Charge (per Unit*)</i>										
All Classes										
Single Family Residential										
0-10 units	\$ 2.00	\$ 2.35	\$ 2.35	\$ 2.49	\$ 4.30	\$ 4.72	\$ 5.03	\$ 5.43	\$ 5.59	\$ 5.76
11-20 units	\$ 2.66	\$ 3.13	\$ 3.13	\$ 3.32	\$ 4.30	\$ 4.72	\$ 5.03	\$ 5.43	\$ 5.59	\$ 5.76
> 20 units	\$ 4.66	\$ 4.70	\$ 4.70	\$ 4.98	\$ 4.64	\$ 5.95	\$ 6.06	\$ 6.10	\$ 6.20	\$ 6.41
Multi Family Residential										
0-5 units	\$ 2.00	\$ 2.35	\$ 2.35	\$ 2.49	\$ 4.30	\$ 4.72	\$ 5.03	\$ 5.43	\$ 5.59	\$ 5.76
6-10 units	\$ 2.66	\$ 3.13	\$ 3.13	\$ 3.32	\$ 4.30	\$ 4.72	\$ 5.03	\$ 5.43	\$ 5.59	\$ 5.76
> 10 units	\$ 4.66	\$ 4.70	\$ 4.70	\$ 4.98	\$ 4.67	\$ 5.93	\$ 5.62	\$ 6.10	\$ 6.20	\$ 6.46
Irrigation										
0-100% of annual water budget	\$ 2.66	\$ 3.13	\$ 3.13	\$ 3.32	\$ 4.30	\$ 4.72	\$ 5.03	\$ 5.43	\$ 5.59	\$ 5.76
> 100% of annual water budget	\$ 4.66	\$ 4.70	\$ 4.70	\$ 4.98	\$ 5.65	\$ 7.35	\$ 7.21	\$ 6.47	\$ 6.17	\$ 6.39
Commercial and Fire Line	\$ 2.66	\$ 3.13	\$ 3.13	\$ 3.32	\$ 4.40	\$ 4.97	\$ 5.15	\$ 5.54	\$ 5.70	\$ 5.88
<i>Private Fire Protection Service</i>										
<i>Availability / Meter Charge (per Month)</i>										
3/4 inch	\$ 30.75	\$ 27.65	\$ 27.65	\$ 28.00	\$ 24.15	\$ 26.46	\$ 27.79	\$ 30.03	\$ 32.41	\$ 33.39
1 inch	\$ 30.75	\$ 27.65	\$ 27.65	\$ 28.00	\$ 24.15	\$ 26.46	\$ 27.79	\$ 30.03	\$ 32.41	\$ 33.39
1&1/2 inch	\$ 30.75	\$ 27.65	\$ 27.65	\$ 28.00	\$ 24.15	\$ 26.46	\$ 27.79	\$ 30.03	\$ 32.41	\$ 33.39
2 inch	\$ 49.15	\$ 44.25	\$ 44.25	\$ 44.80	\$ 32.20	\$ 35.34	\$ 37.12	\$ 40.11	\$ 43.29	\$ 44.60
3 inch	\$ 86.00	\$ 77.45	\$ 77.45	\$ 78.40	\$ 70.45	\$ 77.11	\$ 80.99	\$ 87.52	\$ 94.45	\$ 97.31
4 inch	\$ 135.15	\$ 121.70	\$ 121.70	\$ 123.20	\$ 126.80	\$ 138.92	\$ 145.90	\$ 157.66	\$ 170.15	\$ 175.30
6 inch	\$ 258.00	\$ 232.30	\$ 232.30	\$ 235.20	\$ 281.75	\$ 308.64	\$ 324.15	\$ 350.28	\$ 378.04	\$ 389.47
8 inch	\$ 405.45	\$ 365.00	\$ 365.00	\$ 369.60	\$ 483.00	\$ 529.20	\$ 555.80	\$ 600.60	\$ 648.20	\$ 667.80
<u>Wastewater</u>										
Residential (per Month)										
Single Family	\$ 46.05	\$ 46.05	\$ 46.05	\$ 47.00	\$ 51.47	\$ 57.13	\$ 65.27	\$ 74.57	\$ 85.20	\$ 97.34
Townhouse	\$ 38.75	\$ 38.75	\$ 38.75	\$ 39.55	\$ 43.23	\$ 47.99	\$ 54.83	\$ 62.64	\$ 71.57	\$ 81.77
Duplex	\$ 38.75	\$ 38.75	\$ 38.75	\$ 39.55	\$ 43.23	\$ 47.99	\$ 54.83	\$ 62.64	\$ 71.57	\$ 81.77
Apartment / Condominium	\$ 38.75	\$ 38.75	\$ 38.75	\$ 39.55	\$ 43.23	\$ 47.99	\$ 54.83	\$ 62.64	\$ 71.57	\$ 81.77
Commercial (per Unit* of Water Billed)										
Restaurant	\$ 8.37	\$ 8.37	\$ 8.37	\$ 8.54	\$ 9.35	\$ 10.38	\$ 11.86	\$ 13.55	\$ 15.48	\$ 17.69
Miscellaneous	\$ 2.94	\$ 2.94	\$ 2.94	\$ 3.00	\$ 3.29	\$ 3.65	\$ 4.17	\$ 4.76	\$ 5.44	\$ 6.22
Institutional (per Unit* of Water Billed)										
School	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.69	\$ 2.16	\$ 2.40	\$ 2.74	\$ 3.13	\$ 3.58	\$ 4.09
Church	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.69	\$ 2.16	\$ 2.40	\$ 2.74	\$ 3.13	\$ 3.58	\$ 4.09
Public Facility	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.69	\$ 2.16	\$ 2.40	\$ 2.74	\$ 3.13	\$ 3.58	\$ 4.09

Unit* = 748 Gallons

Source: City of Foster City Financial Services Department

City of Foster City and Estero Municipal Improvement District

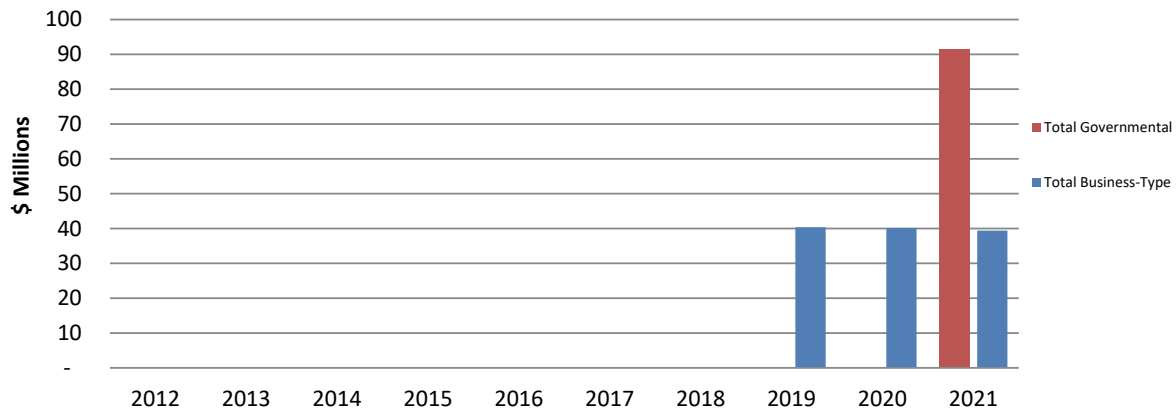
Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(dollars in thousands, except per capita)

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Redevelopment Bonds	Special Assessment Bonds	Total	Wastewater Bonds				
2012	-	-	-	-	-	-	-	n/a	-
2013	-	-	-	-	-	-	-	n/a	-
2014	-	-	-	-	-	-	-	n/a	-
2015	-	-	-	-	-	-	-	n/a	-
2016	-	-	-	-	-	-	-	n/a	-
2017	-	-	-	-	-	-	-	n/a	-
2018	-	-	-	-	-	-	-	n/a	-
2019	-	-	-	-	40,380	40,380	40,380	0.019	1,198
2020	-	-	-	-	40,155	40,155	40,155	0.017	1,216
2021	91,522	-	-	91,522	39,414	130,936	130,936	0.054	3,987

Outstanding Debt



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

City of Foster City and Estero Municipal Improvement District Direct and Overlapping Governmental Activities Debt As of June 30, 2021

2020-21 Assessed Valuation: \$12,863,302,434

	Total Debt Outstanding 06/30/21	Percentage Applicable (1)	City's Share of Overlapping Debt 06/30/21
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
San Mateo Community College District	\$761,305,961	5.024%	\$ 38,248,011
San Mateo Union High School District	680,210,648	14.495%	98,596,533
Sequoia Union High School District	494,220,000	0.004%	19,769
San Mateo-Foster City School District	414,613,474	28.861%	119,661,595
Belmont-Redwood Shores School District	58,487,840	0.028%	16,377
Midpeninsula Regional Open Space District	86,400,000	0.004%	3,456
Estero Municipal Improvement District	85,000,000	99.836%	84,860,600
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 341,406,341
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
San Mateo County General Fund Obligations	\$487,114,345	5.024%	\$ 24,472,625
San Mateo County Board of Education Certificates of Participation	6,840,000	5.024%	343,642
Midpeninsula Regional Park District General Fund Obligations	106,000,600	0.004%	4,240
TOTAL OVERLAPPING GENERAL FUND DEBT			\$ 24,820,507
TOTAL DIRECT DEBT			\$ 84,860,600
TOTAL OVERLAPPING DEBT			\$ 281,366,248
COMBINED TOTAL DEBT			\$ 366,226,848 (2)

- (1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease obligations.

Ratios to 2020-21 Assessed Valuation:

Direct Debt (\$84,860,600)	0.66%
Total Direct and Overlapping Tax and Assessment Debt	2.65%
Combined Total Debt	2.85%

Source: California Municipal Statistics, Inc.

City of Foster City and Estero Municipal Improvement District
Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

	Fiscal Year									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Debt limit	\$ 984,013	\$ 1,016,775	\$ 1,112,856	\$ 1,157,114	\$ 1,271,748	\$ 1,389,831	\$ 1,508,177	\$ 1,626,260	\$ 1,792,703	\$ 1,917,784
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 984,013</u>	<u>\$ 1,016,775</u>	<u>\$ 1,112,856</u>	<u>\$ 1,157,114</u>	<u>\$ 1,271,748</u>	<u>\$ 1,389,831</u>	<u>\$ 1,508,177</u>	<u>\$ 1,626,260</u>	<u>\$ 1,792,703</u>	<u>\$ 1,917,784</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

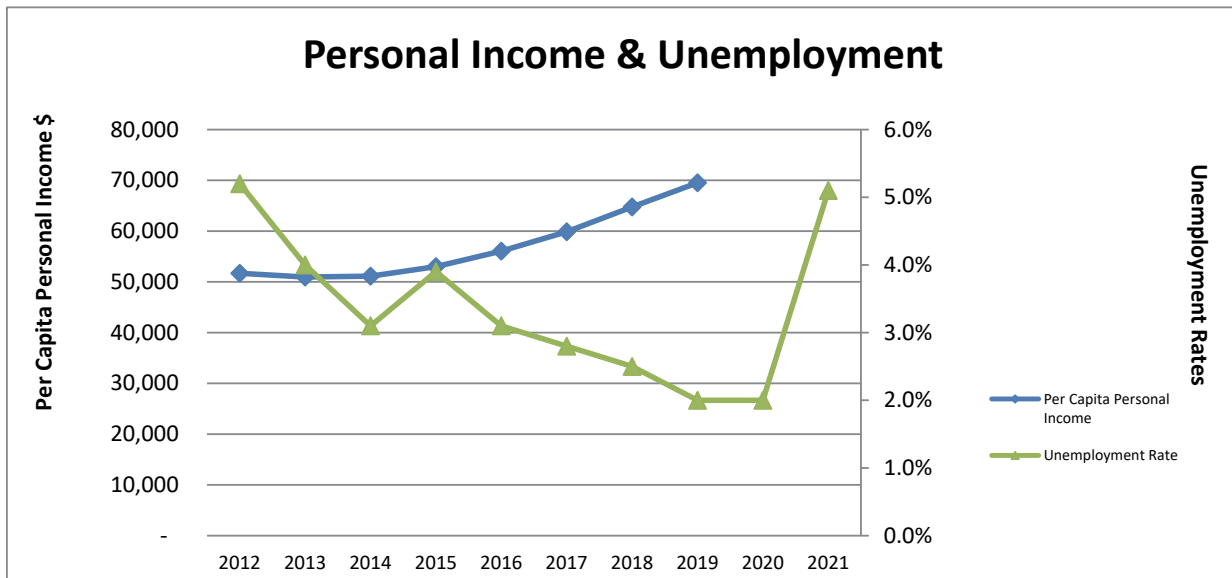
Note: Under state finance law, the city's outstanding general obligation debt should not exceed 15 percent of total assessed property value.

City of Foster City and Estero Municipal Improvement District

Demographic and Economic Statistics

Last Ten Calendar Years

Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Unemployment Rate
2012	30,895	1,608,593	51,690	5.2%
2013	31,120	1,638,863	50,947	4.0%
2014	32,168	1,645,399	51,120	3.1%
2015	32,187	1,759,601	52,998	3.9%
2016	33,201	1,862,311	56,051	3.1%
2017	33,225	2,004,795	59,862	2.8%
2018	33,490	2,181,678	64,751	2.5%
2019	33,693	2,296,218	69,512	2.0%
2020	33,033	2,403,747	73,191	2.0%
2021	32,842	n/a	n/a	5.1%



Sources:

Population: The HdL Company and State Department of Finance
 Personal income: The HdL Company and State Employment Development Department for County of San Mateo
 2000-2009 – Census Block Groups that overlap the City’s boundaries
 2010 and later – US Census Bureau, most recent American Community Survey
 Unemployment Rate: The HdL Company and California Employment Development Department

City of Foster City and Estero Municipal Improvement District

Principal Employers

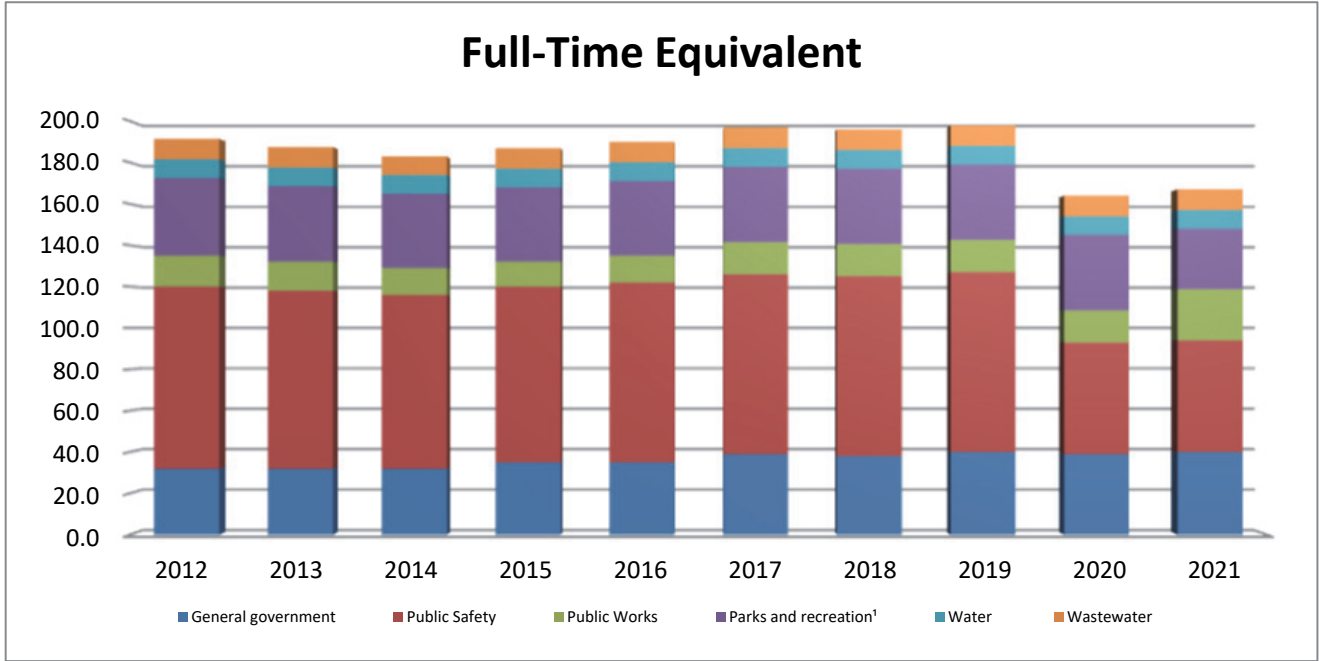
Current Year and Ten Years Ago

<u>Employer</u>	<u>2021</u>			<u>2012</u>		
	<u>Employees & Contractors</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees & Contractors</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
GILEAD SCIENCES, INC.	8,481	1	41.20%	2,231	1	13.76%
VISA U.S.A. INC.	2,459	2	11.94%	1,435	2	8.85%
VISA TECHNOLOGY & OPERATIONS LLC, FKA INOVANT LLC	1,006	3	4.89%	254	10	1.57%
ZOOX INC	510	4	2.48%			
CYBERSOURCE CORPORATION	465	5	2.26%			
CSG CONSULTANTS, INC.	329	6	1.60%			
COSTCO WHOLESALE CORPORATION	276	7	1.34%	376	8	2.32%
IBM CORPORATION	248	8	1.20%	264	9	1.63%
QUALYS INC	247	9	1.20%			
SLEDGEHAMMER GAMES INC.	237	10	1.15%			
LIFE TECHNOLOGIES				1,328	3	8.19%
ELECTRONICS FOR IMAGING, INC.				1,219	4	7.52%
QUINSTREET, INC.				964	5	5.94%
SONY COMPUTER ENTERTAINMENT, LLC				742	6	4.58%
REARDEN COMMERCE, INC.				390	7	2.40%
Top Ten Total	14,258		69.26%	9,203		56.76%
City Total	20,587			16,217		

Source: 2012 and 2021 Business License Database of Financial Services Department

City of Foster City and Estero Municipal Improvement District Full-time Equivalent City Government Employees by Function/Program Last Ten Fiscal Years

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of June 30</u>									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General government										
Management services	14.0	13.0	13.0	13.0	13.0	14.0	14.0	15.0	15.0	16.0
Finance	8.0	8.0	8.0	9.0	9.0	10.0	10.0	10.0	10.0	10.0
Planning	5.0	6.0	6.0	7.0	7.0	8.0	7.0	7.0	7.0	7.0
Building	5.0	5.0	5.0	6.0	6.0	7.0	7.0	8.0	7.0	7.0
Police										
Officers	36.0	36.0	36.0	37.0	38.0	38.0	38.0	38.0	38.0	38.0
Civilians	15.0	13.0	13.0	13.0	15.0	15.0	16.0	16.0	16.0	16.0
Fire										
Firefighters and officers	35.0	35.0	33.0	33.0	32.0	32.0	31.0	31.0	0.0	0.0
Civilians	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.0	0.0
Other public works										
Engineering	6.0	5.0	4.0	4.0	5.0	6.0	6.0	6.0	6.0	7.0
Other ¹	9.0	9.0	9.0	8.0	8.0	9.5	9.5	9.5	9.5	17.7
Parks and recreation ¹	37.5	36.5	36.0	36.0	36.0	36.5	36.5	36.5	36.5	29.3
Water	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Wastewater	10.0	10.0	9.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Total	191.5	187.5	183.0	187.0	190.0	197.0	196.0	198.0	164.0	167.0



Source: City Budget

City of Foster City and Estero Municipal Improvement District

Operating Indicators by Function/Program

Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Police										
Physical arrests	650	520	640	572	576	444	489	526	275	226
Parking violations	673	673	654	552	816	972	490	695	250	259
Traffic violations	2,693	2,774	3,012	2,078	1,746	1,661	1,757	1,427	710	256
Fire¹										
Emergency responses	1,946	2,012	2,336	2,123	1,978	1,944	2,180	1,976	2,155	2,068
Fires extinguished	88	61	82	24	47	34	45	24	29	36
Inspections	1,143	1,029	1,108	1,201	1,102	1,080	1,100	1,040	647	348
Other public works										
Street resurfacing (miles)	1	1	2	2	2	5	5	4	1	4
Potholes repaired	45	36	40	32	35	27	120	105	66	46
Parks and recreation										
Athletic field permits issued	64	66	57	60	86	91	95	115	138	195
Community center admissions	7,582	7,580	5,837	3,794	5,611	5,546	5,773	5,912	4,103	2,691
Water										
New connections	7	1	1	13	26	28	7	39	18	16
Water mains breaks	6	3	11	6	17	4	22	21	15	9
Average daily consumption (thousands of gallons)	4,660	4,100	3,980	3,956	3,623	3,810	4,232	4,041	4,100	3,912
Peak daily consumption (thousands of gallons)	9,165	8,890	8,445	6,624	5,047	7,760	7,688	5,577	5,460	7,795
Wastewater										
Average daily sewage treatment (thousands of gallons)	2,267	2,200	2,652	2,040	2,350	2,430	2,390	2,457	2,356	1,979

Sources: Various city departments

Notes: ¹ Foster City Fire Department was separated from the City on 01/13/2019. Fire Employees were transferred to San Mateo Consolidated Fire Department. However, data presented is for the full fiscal year (services was performed by Foster City Fire Department up to 1/12/2019 and San Mateo Consolidated Fire started from 1/13/2019).

City of Foster City and Estero Municipal Improvement District

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	12	11	10	10	10	10	10	10	10	10
Fire stations	1	1	1	1	1	1	1	1	1	1
Other public works										
Streets (miles)	54	54	54	54	54	54	54	54	54	54
Streetlights	2,062	2,031	2,031	2,031	2,025	2,025	2,022	2,022	2,022	2,022
Traffic signals	25	25	25	25	25	25	27	27	27	27
Parks and recreation										
Acreage	210	213	213	221	221	221	221	221	221	221
Playgrounds	21	21	21	21	21	21	21	21	21	21
Baseball/softball diamonds	8/3	8/3	8/3	8/3	8/3	8/3	8/3	8/3	8/3	8/3
Soccer/football fields	10/0	10/0	10/0	10/0	10/0	10/0	10/0	10/0	10/0	10/0
Community centers	3	3	3	3	3	3	3	3	3	3
Water										
Water mains (miles)	110	107	107	107	107	107	107	107	107	107
Fire hydrants	1,153	1,109	1,110	1,110	1,110	1,110	1,110	1,109	1,111	1,111
Storage capacity (thousands of gallons)	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Wastewater										
Sanitary Sewer (miles)	66	65	65	65	65	65	65	65	65	65
Treatment capacity (thousands of gallons)	52,130	52,130	52,130	52,130	52,130	52,130	52,130	52,130	52,130	52,130
Stormwater (miles)	83	81	81	81	81	81	81	81	81	81
Transit--minibuses	1	1	1	1	1	1	1	1	-	-

Sources: Various city departments

**CITY OF FOSTER CITY
AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
MEASURE A TRANSPORTATION FUND**

**Report on Compliance with the
*Agreement for Distribution of San Mateo County
Measure A Funds for Local Transportation Purposes***

For the Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT ON MANAGEMENT'S ASSERTION

To the Honorable Mayor and Members of the City Council of the City of Foster City
and the Board of Directors of the Estero Municipal Improvement District
Foster City, California

We have examined management's assertion, included in accompanying Management's Report on Compliance with the *Agreement for Distribution of San Mateo County Measure A Funds for Local Transportation Purposes (the Agreement)* between the City of Foster City and Estero Municipal Improvement District (City/District) and the San Mateo County Transportation Authority entered into on August 18, 1989 and extended on January 1, 2009 that the City/District complied with the requirements of the Agreement during the year ended June 30, 2021. Management is responsible for that assertion. Our responsibility is to express an opinion on management's assertion about the City's compliance based upon our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion that the City complied with the requirements of the Agreement is fairly stated, in all material respects. The nature, timing and extent of procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide legal determination of the City's compliance with specified requirements.

In our opinion, management's assertion that the City complied with the requirements of the Agreement for the year ended June 30, 2021 is fairly stated, in all material respects.

This report is intended solely for the information and use of management and the City Council and is not intended to be and should not be used by anyone other than those specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Pleasant Hill, California
October 30, 2021

CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT

MEASURE A TRANSPORTATION FUND

BALANCE SHEET

JUNE 30, 2021

Assets:

Cash and investments	\$	3,196,166
Taxes receivable		55,990
		<hr/>
	\$	3,252,156
		<hr/> <hr/>

Fund Balance:

Restricted for Measure A	\$	3,252,156
		<hr/>
Total Fund Balance and liabilities	\$	3,252,156
		<hr/> <hr/>

CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT

MEASURE A TRANSPORTATION FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021**

Revenues:

Sales and use taxes	\$ 735,139
Investment income	5,480

Total revenues	<u>740,619</u>
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Expenditures:

Residential street resurfacing and repair project:	
Contractual services, professional services, and other supplies	201,714

Total expenditures	<u>201,714</u>
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Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>538,905</u>
--	----------------

Fund Balance:

Beginning of year	<u>2,713,251</u>
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End of year	<u><u>\$ 3,252,156</u></u>
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October 30, 2021

San Mateo County Transportation Authority
1250 San Carlos Avenue
San Carlos, California 94070

Management’s Report on Compliance with the *Agreement for Distribution of San Mateo County Measure A Funds for Local Transportation Purpose*

The City of Foster City and the Estero Municipal Improvement District (City/District) is responsible for complying with the *Agreement for Distribution of San Mateo County Measure A Funds for Local Transportation Purposes* (the Agreement) between the City/District and the San Mateo County Transportation Authority entered into on August 18, 1989 and extended on January 1, 2009. The Agreement states that in return for receiving an annual allocation of a specified portion of the retail transactions and use tax approved by *Measure A – San Mateo County Transportation Expenditure Plan* (the Measure), the City/District, agrees that funds, “shall not be used to replace funds previously provided by property tax or other local revenues for public transportation purposes, and that City/District will limit the use of Funds Provided Pursuant to this Agreement to the improvement and maintenance of local transportation, including streets and road improvements.”

With respect to compliance with the Agreement, management attests to the following for the year ended June 30, 2021:

- Management is responsible for establishing and maintaining an effective internal control structure with respect to compliance with the Agreement;
- Management is responsible for complying with the Agreement;
- Management has evaluated the City/District’s compliance with the requirements of the Agreement;
- All Transactions, as summarized in the preceding Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance for the Year Ended June 30, 2021, are in compliance with the Agreement.

Signed: _____

Kevin Miller, Interim City Manager

Signed: _____

Edmund Suen, Finance Director

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**City of Foster City
Measure W Funds**

**Report on Compliance with the
*Agreement for Distribution of San Mateo County
Measure W Funds for
Local Transportation Purposes in Accordance
with the San Mateo County Congestion Relief Plan***

For the Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT ON MANAGEMENT'S ASSERTION

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

We have examined management's assertion, included in accompanying Management's Report on Compliance with the *Agreement for Distribution of San Mateo County Measure W Funds for Local Transportation Purposes in Accordance with the San Mateo County Congestion Relief Plan (the Agreement)* between the City of Foster City and the San Mateo County Transportation Authority dated December 2, 2019, that the City complied with the requirements of the Agreement during the year ended June 30, 2021. Management is responsible for that assertion. Our responsibility is to express an opinion on management's assertion about the City's compliance based upon our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion that the City complied with the requirements of the Agreement is fairly stated, in all material respects. The nature, timing and extent of procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide legal determination of the City's compliance with specified requirements.

In our opinion, management's assertion that the City complied with the requirements of the Agreement for the year ended June 30, 2021 is fairly stated, in all material respects.

This report is intended solely for the information and use of management and the City Council and is not intended to be and should not be used by anyone other than those specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Pleasant Hill, California
October 30, 2021

CITY OF FOSTER CITY

**MEASURE W
BALANCE SHEET
JUNE 30, 2021**

Assets:

Cash and investments	\$	614,349
Taxes receivable		64,742
		<hr/>
	\$	679,091
		<hr/> <hr/>

Fund Balance:

Restricted for Measure W	\$	679,091
		<hr/>
Total Fund Balance	\$	679,091
		<hr/> <hr/>

CITY OF FOSTER CITY

MEASURE W

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021**

Revenues:

Sales and use taxes	\$ 338,794
Investment income	2,105

Total revenues	<u>340,899</u>
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Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>340,899</u>
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Fund Balance:

Beginning of year	<u>338,192</u>
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End of year	<u>\$ 679,091</u>
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Use client prepared document

October 30, 2021

San Mateo County Transportation Authority
1250 San Carlos Avenue
San Carlos, California 94070

Management's Report on Compliance with the *Agreement for Distribution of San Mateo County Measure W Funds for Local Transportation Purposes in accordance with the San Mateo County Congestion Relief Plan*

The City of Foster City is responsible for complying with the *Agreement for Distribution of San Mateo County Measure W Funds for Local Transportation Purposes in Accordance with the San Mateo County Congestion Relief Plan* (the Agreement) between the City and the San Mateo County Transportation Authority entered into on December 2, 2019. The Agreement states that in return for receiving an annual allocation of a specified portion of the retail transactions and use tax approved by *Measure W – San Mateo County Transportation Expenditure Plan* (the Measure), the City agrees that funds shall not be used to replace funds previously provided for public transportation investments, and that City will limit the use of funds provided pursuant to this Agreement to invest in major arterial and local roadway improvements in key congested areas throughout the County, focusing on improving safety, reducing congestion, and supporting all modes of travel on the County's roadway system.

With respect to compliance with the Agreement, management attests to the following for the year ended June 30, 2021:

- Management is responsible for establishing and maintaining an effective internal control structure with respect to compliance with the Agreement;
- Management is responsible for complying with the Agreement;
- Management has evaluated the City's compliance with the requirements of the Agreement;
- All Transactions, as summarized in the preceding Balance Sheet and Schedule of Revenues, Expenditures and Changes in Fund Balance for the Year Ended June 30, 2021, are in compliance with the Agreement.

Signed: _____

Kevin Miller, Interim City Manager

Signed: _____

Edmund Suen, Finance Director

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**CITY OF FOSTER CITY
AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT**

**INDEPENDENT ACCOUNTANT'S REPORT
ON AGREED UPON PROCEDURES FOR
COMPLIANCE WITH THE PROPOSITION 111
(Appropriation Limit)**

For the Year Ending June 30, 2022

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**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED UPON PROCEDURES FOR
COMPLIANCE WITH THE PROPOSITION 111
2021-2022 APPROPRIATIONS LIMIT INCREMENT**

To the Honorable Mayor and Members of the City Council of the City of Foster City
and the Board of Directors of the Estero Municipal Improvement District
Foster City, California

We have performed the procedures enumerated below on the Appropriations Limit Worksheet (Worksheet) of the City of Foster City and the Estero Municipal Improvement District (City/District), California, for the year ending June 30, 2022. The City's management is responsible for the Worksheet.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of these procedures, which were suggested by the League of California Cities and presented in their Article XIII B Appropriations Limitation Uniform Guidelines, were performed solely to assist you in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings were as follows:

- A. We obtained the Appropriations Limitation Worksheet and determined the 2021-2022 Appropriations Limit and annual adjustment factors were adopted by Resolution of the City Council and the District Board of Directors. We also determined that the population and inflation factor options were selected by a recorded vote of the City Council, and the District Board of Directors.

Findings: No exceptions were noted as a result of our procedures.

- B. We computed the 2021-2022 Appropriations Limit by multiplying the 2020-2021 Prior Year Appropriations Limit by the Total Growth Factor. We recomputed the Total Growth Factor by multiplying the inflation option by the population option.

Findings: No exceptions were noted as a result of our procedures.

- C. For the Appropriations Limitation Worksheet, we agreed the population and inflation factors to California State Department of Finance Worksheets.

Findings: No exceptions were noted as a result of our procedures.

We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Worksheet. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of management and the City Council and Board of Directors and is not intended to be and should not be used by anyone other than those specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Pleasant Hill, California
October 30, 2021

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 APPROPRIATIONS LIMIT SCHEDULE
 FOR THE YEAR ENDING JUNE 30, 2022**

	<u>City</u>	<u>District</u>	<u>Total</u>	<u>Source</u>
A. Appropriation Limit for the year ended June 30, 2021	\$74,155,447	\$69,456,781	\$143,612,228	Prior Year Schedule
B. Calculation Factors:				
1. Population increase %	0.9945	0.9945	0.9945	State Department of Finance
2. Inflation increase %	<u>1.0573</u>	<u>1.0573</u>	<u>1.0573</u>	State Department of Finance
3. Total adjustment factor %	1.0515	1.0515	1.0515	B1 X B2
C. Annual adjustment Increase	3,819,006	3,577,024	7,396,030	[(B3-1)xA]
D. Other Adjustments:				
Loss responsibility (-)	-	-	-	N/A
Transfers to private (-)	-	-	-	N/A
Transfers to fees (-)	-	-	-	N/A
Assumed responsibility (+)	-	-	-	N/A
E. Total Adjustments	<u>3,819,006</u>	<u>3,577,024</u>	<u>7,396,030</u>	C+D
F. Appropriations limit for the year ending June 30, 2022	<u><u>\$77,974,453</u></u>	<u><u>\$73,033,805</u></u>	<u><u>\$151,008,258</u></u>	A+E

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE APPROPRIATIONS LIMIT SCHEDULE
FOR THE YEAR ENDING JUNE 30, 2022**

.....

1. PURPOSE OF LIMITED PROCEDURES REVIEW

Under Article XIII B of the California Constitution (the Gann Spending Limitations Initiative), California governmental agencies are restricted as to the amount of annual appropriations from proceeds of taxes. Effective for years beginning on or after July 1, 1990, under Section 1.5 of Article XIIB, the annual calculation of the appropriation limit is subject to a limited procedures review in connection with the annual audit.

2. METHOD OF CALCULATION

Under Section 10.5 of Article XIII B, for fiscal years beginning on or after July, 1990, the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-87, adjusted for the inflation and population factors discussed in Notes 3 and 4 below.

3. INFLATION FACTORS

A California governmental agency may adjust its appropriations limit by either the annual percentage change in the 4th quarter per capita personal income (which percentage is supplied by the State Department of Finance) or the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction. The factor adopted by the City/District for the fiscal year 2021-2022 represents the percentage change in the 4th quarter per capita personal income.

4. POPULATION FACTORS

A California governmental agency may adjust its appropriations limit by either the annual percentage change of the jurisdiction's own population or the annual percentage change in population of the county where the jurisdiction is located. The factor adopted by the City/District for the fiscal year 2021-2022 represents the annual percentage change in population for the San Mateo County.

5. OTHER ADJUSTMENTS

A California government agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another government agency or private entity. The City/District had no such adjustment for the year ending June 30, 2022.

**CITY OF FOSTER CITY
AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
MEMORANDUM ON INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2021**

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**CITY OF FOSTER CITY
AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT**

MEMORANDUM ON INTERNAL CONTROL

For The Year Ended June 30, 2021

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Status of Prior Year Schedule of Other Matters	13

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MEMORANDUM ON INTERNAL CONTROL

To the City Council of the City of Foster City
And Board of Directors of the Estero Municipal Improvement District
Foster City, California

In planning and performing our audit of the basic financial statements of the City of Foster City and the Estero Municipal Improvement District (City/District) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the City/District's internal control over financial reporting (internal control) as a basis for designing 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 the City/District's internal control. Accordingly, we do not express an opinion on the effectiveness of the City/District'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 City/District's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

Management's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, City Council, Board of Directors, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

Pleasant Hill, California
October 30, 2021

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**CITY OF FOSTER CITY
AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT**

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking affect in the next few years. We cite them here to keep you informed of developments:

EFFECTIVE FISCAL YEAR 2021/22:

GASB 87 – Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

Management Response: The City/District will review the applicability of this GASB and implement accordingly, if applicable.

GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period

The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

Management Response: The City/District has early implemented this GASB in FY2019.

**CITY OF FOSTER CITY
AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT**

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 92 – Omnibus 2020

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

Management Response: The City/District will review the applicability of this GASB and implement accordingly, if applicable.

**CITY OF FOSTER CITY
AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT**

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively.

This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

This Statement supersedes the remaining provisions of Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of all Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances.

**CITY OF FOSTER CITY
AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT**

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32 (Continued)*

How the Changes in this Statement will Improve Financial Reporting

The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans.

Management Response: The City/District will review the applicability of this GASB and implement accordingly, if applicable.

EFFECTIVE FISCAL YEAR 2022/23:

GASB 91 – *Conduit Debt Obligations*

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics:

- There are at least three parties involved:
 - (1) an issuer
 - (2) a third-party obligor, and
 - (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

**CITY OF FOSTER CITY
AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT**

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 91 – Conduit Debt Obligations (Continued)

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

**CITY OF FOSTER CITY
AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT**

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 91 – Conduit Debt Obligations (Continued)

How the Changes in this Statement will Improve Financial Reporting

The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations.

Management Response: The City/District will review the applicability of this GASB and implement accordingly, if applicable.

GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

PPPs - This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, Leases, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an SCA. This Statement provides accounting and financial reporting requirements for all other PPPs: those that either (1) meet the definition of an SCA or (2) are not within the scope of Statement 87, as amended (as clarified by this Statement). The PPP term is defined as the period during which an operator has a noncancelable right to use an underlying PPP asset, plus, if applicable, certain periods if it is reasonably certain, based on all relevant factors, that the transferor or the operator either will exercise an option to extend the PPP or will not exercise an option to terminate the PPP.

**CITY OF FOSTER CITY
AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT**

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
(Continued)

A transferor generally should recognize an underlying PPP asset as an asset in financial statements prepared using the economic resources measurement focus. However, in the case of an underlying PPP asset that is not owned by the transferor or is not the underlying asset of an SCA, a transferor should recognize a receivable measured based on the operator's estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, a transferor should recognize a receivable for installment payments, if any, to be received from the operator in relation to the PPP. Measurement of a receivable for installment payments should be at the present value of the payments expected to be received during the PPP term. A transferor also should recognize a deferred inflow of resources for the consideration received or to be received by the transferor as part of the PPP. Revenue should be recognized by a transferor in a systematic and rational manner over the PPP term.

This Statement requires a transferor to recognize a receivable for installment payments and a deferred inflow of resources to account for a PPP in financial statements prepared using the current financial resources measurement focus. Governmental fund revenue would be recognized in a systematic and rational manner over the PPP term.

This Statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of Statement 87, as amended (as clarified in this Statement). An operator should report an intangible right-to-use asset related to an underlying PPP asset that either is owned by the transferor or is the underlying asset of an SCA. Measurement of the right-to-use asset should be the amount of consideration to be provided to the transferor, plus any payments made to the transferor at or before the commencement of the PPP term, and certain direct costs. For an underlying PPP asset that is not owned by the transferor and is not the underlying asset of an SCA, an operator should recognize a liability measured based on the estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, an operator should recognize a liability for installment payments, if any, to be made to the transferor in relation to the PPP. Measurement of a liability for installment payments should be at the present value of the payments expected to be made during the PPP term. An operator also should recognize a deferred outflow of resources for the consideration provided or to be provided to the transferor as part of the PPP. Expense should be recognized by an operator in a systematic and rational manner over the PPP term.

This Statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts. If a PPP involves multiple underlying assets, a transferor and an operator in certain cases should account for each underlying PPP asset as a separate PPP. To allocate the contract price to different components, a transferor and an operator should use contract prices for individual components as long as they do not appear to be unreasonable based on professional judgment or use professional judgment to determine their best estimate if there are no stated prices or if stated prices appear to be unreasonable. If determining the best estimate is not practicable, multiple components in a PPP should be accounted for as a single PPP.

**CITY OF FOSTER CITY
AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT**

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (Continued)*

This Statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator’s right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination. A PPP termination should be accounted for by a transferor by reducing, as applicable, any receivable for installment payments or any receivable related to the transfer of ownership of the underlying PPP asset and by reducing the related deferred inflow of resources. An operator should account for a termination by reducing the carrying value of the right-to-use asset and, as applicable, any liability for installment payments or liability to transfer ownership of the underlying PPP asset. A PPP modification that does not qualify as a separate PPP should be accounted for by remeasuring PPP assets and liabilities.

APAs - An APA that is related to designing, constructing, and financing a nonfinancial asset in which ownership of the asset transfers by the end of the contract should be accounted for by a government as a financed purchase of the underlying nonfinancial asset. This Statement requires a government that engaged in an APA that contains multiple components to recognize each component as a separate arrangement. An APA that is related to operating or maintaining a nonfinancial asset should be reported by a government as an outflow of resources in the period to which payments relate.

Management Response: The City/District will review the applicability of this GASB and implement accordingly, if applicable.

GASB 96 – *Subscription-Based Information Technology Arrangements*

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

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

The subscription term includes the period during which a government has a noncancelable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option).

**CITY OF FOSTER CITY
AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT**

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 96 – Subscription-Based Information Technology Arrangements (Continued)

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, —which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government’s incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages, and their costs should be accounted for accordingly:

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.
- Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset.
- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government’s ongoing operations related to a SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

In classifying certain outlays into the appropriate stage, the nature of the activity should be the determining factor. Training costs should be expensed as incurred, regardless of the stage in which they are incurred.

If a SBITA contract contains multiple components, a government should account for each component as a separate SBITA or nonsubscription component and allocate the contract price to the different components. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single SBITA.

This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

**CITY OF FOSTER CITY
AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT**

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 96 – Subscription-Based Information Technology Arrangements (Continued)

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

How the Changes in this Statement will Improve Financial Reporting

The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

Management Response: The City/District will review the applicability of this GASB and implement accordingly, if applicable.

**CITY OF FOSTER CITY
AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT**

MEMORANDUM ON INTERNAL CONTROL

**STATUS OF PRIOR YEAR
SCHEDULE OF OTHER MATTERS**

2019-01 Administrator User rights and Assets Custodianship

Criteria: Proper access limitation to finance system and segregation of assets custodianship are essential to maintain a good internal control environment. A system administrator user is an individual granted full access to the City's financial system. Staff involved in reviewing of the financial processes should not have unlimited access to the financial modules, or the related assets. Good internal control further dictates that an independent staff not directly involved in the financial process should perform periodic review of changes to the vendor or employee database to ensure check and balance.

Condition: Through our inquiry with City's IT and Finance departments, we noted the following:

- Certain Finance staff performing review functions have access to the blank check stocks and signature plates.
- These Finance staff also have full access to the financial modules, including the submodules for Disbursement and Payroll process.

Cause: It appear that the Finance Department went through a system access evaluation three years ago and determined that such user access is necessary for certain reviewers to ensure the smooth workflow.

Potential Effect: Although there are layers of reviews in place, the condition mentioned above could still complicate the good checks and balances for the Finance internal control environment, and potentially subject the Finance System to unauthorized transactions for payroll or disbursements.

Recommendation: The following options may help effectively mitigate the potential risks:

1. **Option#1:** The Finance Department may consider a system-wide review to limit the Finance staff's access rights appropriately. For example, access to Payroll or Disbursement (A/P) module for reviewers should be limited to "READ ONLY", if feasible; Payroll clerk should not be granted with new employees set up or payrate changes functions.
2. **Option#2:** If Option#1 is deemed unfeasible for finance operational practice, an employee independent of the Payroll and Disbursement processes should be designated to perform periodic review for the vendor and payroll database and changes in details for proper safeguarding.

Management Responses: The City has multiple layers of review in its work processes. Notwithstanding, the City has implemented various changes to address the concerns raised by the auditors. Finance staff performing review functions no longer have full access to financial modules and no longer have access to the signature plate. In addition, the Human Resources Department is now tasked with employee and pay rate set up, updates, and modifications.

Current year status: It has been implemented. Finance staff performing review functions no longer have full access to financial modules and no longer have access to the signature plate. HR is now tasked with employee and pay rate setup up, updates and modifications.

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**CITY OF FOSTER CITY
AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED JUNE 30, 2021**

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**CITY OF FOSTER CITY
AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT**

REQUIRED COMMUNICATIONS

For The Year Ended June 30, 2021

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REQUIRED COMMUNICATIONS

To the City Council of the City of Foster City
And Board of Directors of the Estero Municipal Improvement District
Foster City, California

We have audited the basic financial statements of the City of Foster City and the Estero Municipal Improvement District (City/District) for the year ended June 30, 2021. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards and *Government Auditing Standards*.

Significant Audit Matters

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City/District are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year, except as indicated below.

GASB 84 - Fiduciary Activities

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

The pronouncement became effective, but did not have a material effect on the financial statements.

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

- *Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources:* Management's estimate of the net pension liabilities and deferred outflows/inflows of resources are disclosed in Note 9 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the City. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.
- *Estimated Net OPEB Obligation:* Management's estimate of the net OPEB obligation is disclosed in Note 9 to the financial statements and is based on actuarial study determined by a consultant, which is based on the experience of the City. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.
- *Estimated Fair Value of Investments:* As of June 30, 2021, the City held approximately \$306.6 million of cash and investments as measured by fair value as disclosed in Note 3 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2021. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2021.
- *Estimate of Depreciation:* Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 2F to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

- *Estimate of Compensated Absences:* Accrued compensated absences which are comprised of accrued vacation, holiday, and certain other compensating time is estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year as disclosed in Note 7 to the financial statements. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.
- *Estimated Claims Liabilities:* Management's estimate of the claims liabilities payable is disclosed in Note 11 to the financial statements and is based on the claims experience of the City. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the City Council.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated October 30, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Matters and Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information Accompanying the Financial Statements

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were engaged to report on the supplementary information which accompany the financial statements, but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory and Statistical Sections which accompany the financial statements, but are not required supplementary information. Such information 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 them.

This information is intended solely for the use of City Council, Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Pleasant Hill, California
October 30, 2021

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**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED UPON PROCEDURES FOR
CITY OF FOSTER CITY
INVESTMENT COMPARISONS
FOR THE QUARTER ENDED DECEMBER 31, 2020**

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**INDEPENDENT ACCOUNTANT’S REPORT ON
 APPLYING AGREED UPON PROCEDURES FOR
 CITY OF FOSTER CITY
 INVESTMENT COMPARISONS
 FOR THE QUARTER ENDED DECEMBER 31, 2020**

City Manager and Finance Director
 of the City of Foster City
 Foster City, California

We have performed the procedures described below, which were agreed to by the City of Foster City (City), to assist you in reviewing investment return comparisons with the five bay area cities, for the quarter ended December 31, 2020. The City’s management is solely responsible for its investment. The sufficiency of these procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

All Cities’ investments are required to comply with the California state law, Government Codes and all applicable local ordinances or policies. Each City may place further restrictions on its investments, adopted annually by the City’s Council. Each City’s situation and financial condition is unique to itself, therefore, its investment strategy and portfolio vary, depending on its emphasis on safety, liquidity, and yield.

Foster City’s Investment Policy identifies three primary investment objectives. In the order of priorities, they are a) Safety, b) Liquidity, and c) Yield. A table summarizing these investment objectives on December 31, 2020 is as follows:

Foster City, Investment Portfolio as of 12/31/2020									
Investment Type	Credit Quality ⁽¹⁾	Maturities / Liquidity ⁽³⁾					Total Portfolio (Market Value)	% of Portfolio ⁽¹⁾	Yield ⁽³⁾
		up to 1 year	1-2 years	2 to 3 years	3-4 years	4-5 years			
Federal Agencies	Aaa/AA+	10,568,715	-	-	1,001,700	4,005,280	15,575,695	4.9%	1.57%
Certificates of Deposits	FDIC Insured	1,242,586	1,245,653	-	-	-	2,488,239	0.8%	2.29%
LAIF (Liquid account)	n/a	298,347,560	-	-	-	-	298,347,560	94.3%	0.54%
Total Investments		310,158,861	1,245,653	-	1,001,700	4,005,280	316,411,494	100.0%	0.60%
Portfolio Liquidity⁽²⁾		98.0%	0.4%	0.0%	0.3%	1.3%	100.0%		
Investment Objectives, in the Order of Priorities:									
⁽¹⁾ Safety									
⁽²⁾ Liquidity									
⁽³⁾ Yield									

The procedures are listed as follows:

1. Investment Portfolio and Yield to Maturity (YTM)

We have obtained the investments compositions as of December 31, 2020 for five bay area cities. The cities' yield to maturity (YTM) for each investment type, as well as the weighted average YTM, are presented in both Table and Graph format for comparison purpose, however, we do not express any opinion for the comparison. All data presented are either obtain from publicly available information downloaded from the cities' websites, or through audited financial data.

The cities are listed below:

- A. Foster City
- B. Belmont
- C. Burlingame
- D. Redwood City
- E. Mountain View
- F. Palo Alto

Please note that the portfolios of two Cities, Burlingame and Redwood City were managed by an independent investment manager: PFM Asset Management LLC.

• Comparisons in Table Format

Investment Type	1-Foster City			2-Belmont		
	Fair Value	% of Portfolio	Yield to Maturity	Fair Value	% of Portfolio	Yield to Maturity
Federal Agencies notes/bonds:	\$ 15,575,695	4.92%	1.57%	\$ -	0.00%	0.00%
Negotiable Certificates of Deposit	2,488,239	0.79%	2.29%	-	0.00%	0.00%
Local Agency Investment Funds (LAIF) *	298,347,560	94.29%	0.54%	91,003,700	100.00%	0.54%
Total	\$ 316,411,494	100.00%	0.60%	\$ 91,003,700	100.00%	0.54%

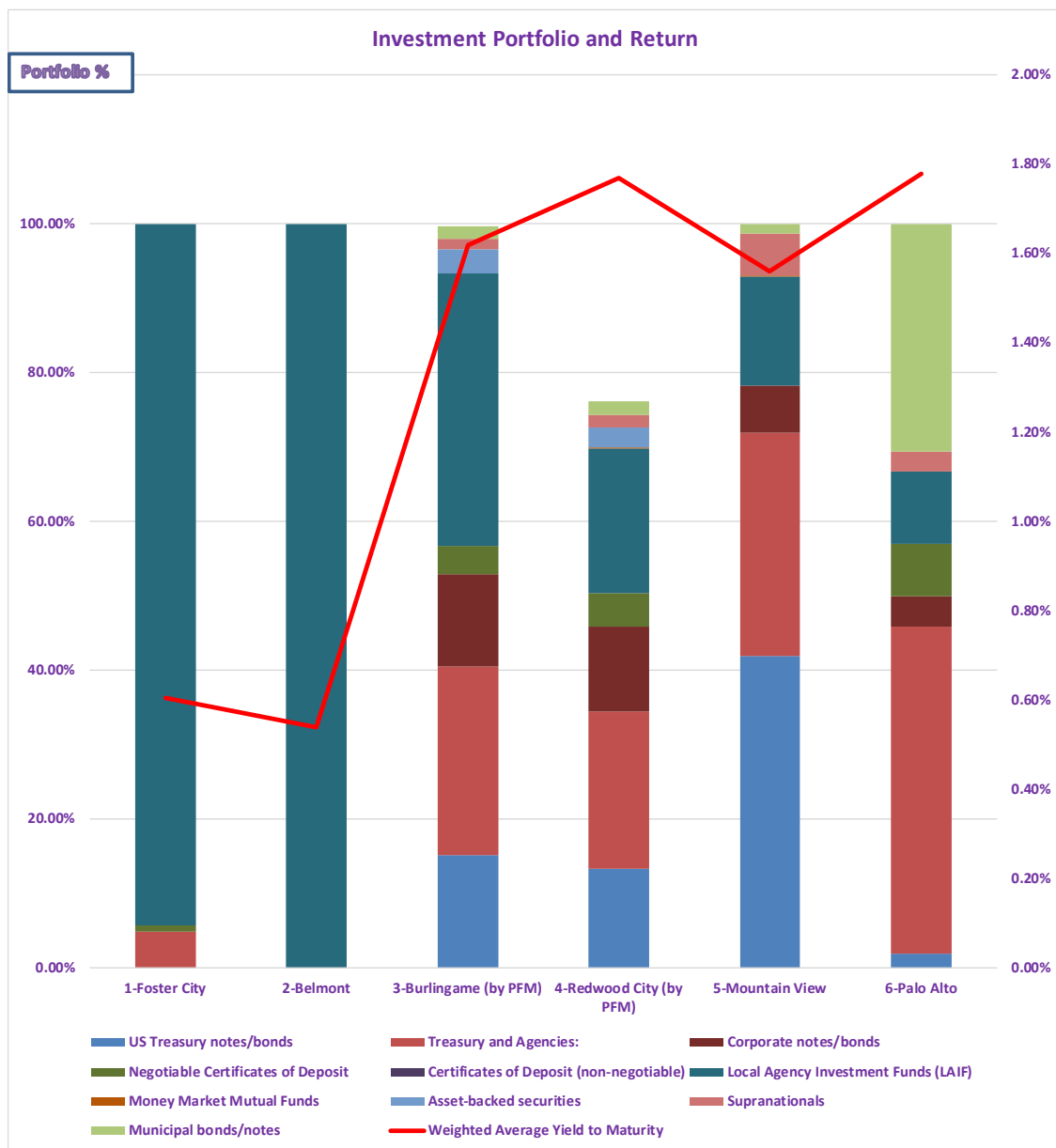
*Includes \$81,821,766 of Levee G.O. Bond Proceeds

Investment Type	3-Burlingame (by PFM)			4-Redwood City (by PFM)		
	Fair Value	% of Portfolio	Yield to Maturity	Fair Value	% of Portfolio	Yield to Maturity
Securities of U.S. Government						
US Treasury notes/bonds	\$ 29,937,979	15.10%	1.90%	\$ 37,952,891	13.37%	2.16%
Treasury and Agencies:	50,263,239	25.35%	1.03%	59,791,529	21.07%	1.07%
Corporate notes/bonds	24,744,152	12.48%	2.17%	32,353,336	11.40%	2.26%
Negotiable Certificates of Deposit	7,380,764	3.72%	1.80%	12,918,929	4.55%	1.88%
Local Agency Investment Funds (LAIF)	72,825,705	36.73%	0.54%	55,120,911	19.42%	0.54%
County Investment Pool	-	0.00%	0.00%	67,536,412	23.79%	1.00%
California Asset Management Program (CAMP)	589,202	0.30%	0.03%	-	0.00%	0.00%
Money Market Mutual Funds	-	0.00%	0.00%	612,465	0.22%	0.00%
Asset-backed securities	6,196,653	3.13%	2.41%	7,419,248	2.61%	2.53%
Supranationals	2,999,166	1.51%	2.06%	4,674,790	1.65%	2.75%
Municipal bonds/notes	3,309,359	1.67%	1.33%	5,461,626	1.92%	1.47%
Total	\$ 198,246,219	100.00%	1.21% (A)	\$ 283,842,137	100.00%	1.34% (A)

*Burlingame and Redwood City uses an independent investment manager to manage its investment portfolio, excluding LAIF, County Investment Pool, and CAMP. As a result, the investment manager only provides each City the YTM on its managed holdings. In order to provide applicable comparability, we have manually calculated the overall investment YTM, inclusive of LAIF, County Investment Pool, and CAMP holdings for Burlingame and Redwood City.

Investment Type	5-Mountain View			6-Palo Alto		
	Fair Value	% of Portfolio	Yield to Maturity	Fair Value	% of Portfolio	Yield to Maturity
Securities of U.S. Government						
US Treasury notes/bonds	\$ 329,796,839	41.89%	1.73%	\$ 10,824,020	1.95%	2.36%
Treasury and Agencies:	236,471,342	30.04%	1.41%	242,849,253	43.85%	1.61%
Corporate notes/bonds	49,764,809	6.32%	2.43%	22,920,804	4.14%	1.37%
Negotiable Certificates of Deposit	-	0.00%	0.00%	39,396,148	7.11%	1.82%
Local Agency Investment Funds (LAIF)	115,884,902	14.72%	0.52%	53,332,419	9.63%	0.54%
Money Market Mutual Funds	165,685	0.02%	0.01%	-	0.00%	0.00%
Supranationals	44,867,303	5.70%	2.13%	14,635,600	2.64%	2.45%
Municipal bonds/notes	10,350,804	1.31%	4.83%	169,832,319	30.67%	2.41%
Total	\$ 787,301,684	100.00%	1.56%	\$ 553,790,563	100.00%	1.78%

- **Comparisons in Graph Format**



2. Investments authorized by Cities' Investment Policy

We have also obtained the types of investments authorized by each City's investment policy.

A. Foster City

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Local Agency Bonds	5 years	5%	5%
U.S. Treasury Obligations	5 years	100%	100%
U.S. Agency Securities	5 years	100%	50%
Bankers Acceptances	180 days	25%	5%
Commercial Paper	90 days	20%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 year	50%	50%
Medium-Term Notes	5 years	5%	5%
Shares of Beneficial Interest (Mutual Funds)	N/A	10%	10%
Certificates of Deposit (non-negotiable)	1 year	10%	Max with FDIC
San Mateo County Pooled Investment Program	N/A	10%	10%
State Local Agency Investment Fund (LAIF)	N/A	100%	\$75,000,000
State Bonds	5 years	5%	5%

B. Belmont

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum % of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Local Agency Municipal Bonds	5 years	None	None	None
U.S. Treasury Obligations	5 years	None	None	None
State of California and Other State Obligations	5 years	None	None	None
CA Local Agency Obligations	5 years	None	None	None
U.S. Agency Securities	5 years	None	None	None
Bankers Acceptances	180 days	None	40%	30%
Commercial Paper (pooled)	270 days	A1 / P1	40%	10%
Commercial Paper (non-pooled)	270 days	A1 / P1	25%	10%
Negotiable Certificates of Deposit	5 years	None	30%	None
Non-Negotiable Certificates of Deposit	5 years	None	None	None
Placement Service Deposits	5 years	None	30% (A)	None
Placement Service Certificates of Deposit	5 years	None	30% (A)	None
Repurchase Agreements	1 year	None	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	None	20% of base value of portfolio	None
Medium Term Corporate Notes	5 years	A	30%	None
Mutual Funds	N/A	Top rating category	20%	10%
Money Market Mutual Funds	N/A	Top rating category	20%	10%
Collateralized Bank Deposits	5 years	None	None	None
Mortgage Pass-Through Securities	5 years	AA	20%	None
County Pooled Investment Funds	N/A	None	None	None
Joint Powers Authority Pool	N/A	Multiple	None	None
California Local Agency Investment Fund	N/A	None	None	\$75M
Voluntary Investment Program Fund	N/A	None	None	None
Supranational Obligations (B)	5 years	AA	30%	None

(A) 30% maximum % of portfolio is for deposits and certificates of deposit combined.

(B) Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB)

C. Burlingame

Acceptable investments authorized for purchase by the Finance Director/Treasurer are:

- US treasury obligations
- Federal agency or US
- Obligation of State of California or local agency within CA
- Treasury notes or bonds
- Bankers’ Acceptances
- Commercial Paper
- Negotiable Certificates of Deposits (CD)
- Non-negotiable CD
- Medium-term notes

Burlingame (continued)

- Demand deposits
- Passbook savings accounts
- Share of beneficial interest issued by diversified management company
- Mortgage back securities
- Repurchase Agreements
- Local Agency Investment Fund (LAIF)
- San Mateo County Pool
- Shares issued by a Joint Powers Authority
- Guaranteed investment contracts
- Supranationals

D. Redwood City

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Obligations	5 years	No limit	No limit
Federal Agency or Government Sponsored Enterprises (GSEs)	N/A	No limit	No limit
Local Agency Investment Fund	N/A	No limit	\$75 Million
San Mateo County Pool	N/A	No limit	\$75 Million
State and Local Agency Bonds	N/A	20%	5%
Money Market and Mutual Funds	N/A	20%	5%
Local Government Investment Pools	N/A	20%	No limit
U.S. Medium-Term Notes	5 years	30%	5%
Non-negotiable Certificates of Deposit	3 years	10%	2%
Negotiable Certificates of Deposit	N/A	30%	5%
Prime Commercial Paper	270 days	25%	5%
Bankers' Acceptances	180 days	10%	2%
Repurchase Agreements	90 days	10%	2%
Asset-backed Securities	5 years	20%	5%
Supranational Securities	5 years	30%	5%

E. Mountain View

The City Council is responsible for the regulatory oversight of the City's cash and investments pool. The City's Investment Policy and the California Government Code permit investments in the following: Securities issued by the U.S. Government or an agency of the U.S. Government, mortgage-backed securities, commercial paper, banker's acceptances, medium term notes issued by U.S. corporations, mutual funds invested in U.S. Government securities, certificates of deposit, municipal bonds issued by the City or any of its component units, the Local Agency Investment Fund (LAIF), and Supranational securities.

F. Palo Alto

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Government Securities	10 years (*)	N/A	No Limit	No Limit
U.S. Federal Agency Securities (C)	10 years (*)	N/A	No Limit (A)	No Limit
Certificates of Deposit	10 years (*)	N/A	20%	10% of the par value of portfolio
Bankers Acceptances	180 days (D)	N/A (D)	30%	\$5 million
Commercial Paper	270 days	A-1	15%	\$3 million (B)
Local Agency Investment Fund	N/A	N/A	No Limit	\$50 million per account
Short-Term Repurchase Agreements	1 year	N/A	No Limit	No Limit
City of Palo Alto Bonds	N/A	N/A	No Limit	No Limit
Money Market Mutual Funds	N/A	N/A (E)	No Limit	No Limit
Mutual Funds (F)	N/A	N/A	20%	10%
Negotiable Certificates of Deposit	10 years (*)	N/A	10%	\$5 million
Medium-Term Corporate Notes	5 years	AA	10%	\$5 million
Bonds of State of California Municipal Agencies & Other U.S. States	10 years (*)	AA/AA2	30%	No Limit
Supranational	5 years	AA/AA2	20%	10% of the par value of portfolio

(A) Callable and multi-step securities are limited to no more than 25% of the par value of the portfolio, provided that: 1) the potential call dates are known at the time of purchase, 2) the interest rates at which they "step-up" are known at the time of purchase, and 3) the entire face value of the security is redeemable at the call date.

(B) The lesser of \$3 million or 10% of outstanding commercial paper of any one institution.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the City's investment. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and the City Council, and is not intended to be and should not be used by anyone other than those specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Maze & Associates

Pleasant Hill, California
August 23, 2021

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Audit Committee 2020 Year-End Report and Mission and Goals for 2021

In CY2020, all members of Audit Committee (“The Committee”) were newly appointed by Foster City’s City Council. The committee worked closely with the Foster City Finance Team, the city’s auditors Maze & Associates and City Council Member Richa Awasthi.

Over the course of three scheduled meeting sessions, the Committee discussed various subjects and reviewed many documents. Below is a summary of activity during the calendar year 2020. At this time, the Committee does not have any recommendations or open action items surrounding the financial matters reviewed in calendar year 2020.

Financial Matters Reviewed by the Audit Committee in CY2020

Financial Matter	Finding and Recommendation
FY2019-2020 Foster City/Estero Municipal Improvement District Draft CAFR	None noted
Measure A Report	None noted
Measure W Report	None noted
FY2020-2021 Appropriations Limit	None noted
Memorandum on Internal Control and Required Communications	None noted
Directed Study	Discussed Many Topics; Not Ordered
FY2019-2020 Interim Accounting Issues Memo	None noted
Review Ad-hoc Matters as Presented by the City’s Finance Team and Auditors	None noted

Mission Statement

The Committee’s Mission Statement was discussed and updated during 2020 as the following: To provide insights, advice and support into audit, governance, and other relevant fiscal matters appropriate to the oversight, operational and fiduciary responsibilities of the City Council and the Estero Municipal Improvement District Board of Directors.

CY2021 Goals

The current team of the Committee has a 3-year duration and shall continue to seek input and request from the City Council. In CY2021, the committee shall continue to review the annual audit process and the City's annual financial reports for Fiscal Year 2020-21 and recommend, if any a directed study to be performed by the independent Auditors ancillary to their audit.

Concluding Remarks

The Committee would like to recognize the incredible work done by the Foster City Finance team and their continued dedication to ensure accurate and responsible financial reporting for Foster City. This has led to achievements such as Foster City receiving its 27th consecutive Government Finance Officers Association award for its FY 18/19 CAFR in CY2020. The work of the Committee would not have been as straightforward without the upfront effort put forth by the Foster City Finance team.