



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.**

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VIA EMAIL PRIOR TO OR DURING THE MEETING BY SENDING THOSE COMMENTS TO
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TELECONFERENCE PARTICIPANTS

**AUDIT COMMITTEE MEMBERS CINDY WANG, JAMES HWANG, KEERTHANA
SWAMINATHAN, BOB BUYERS AND CHAIR MICHAEL BARRY 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 CINDY WANG,
JAMES HWANG, KEERTHANA SWAMINATHAN, BOB BUYERS AND CHAIR MICHAEL
BARRY PARTICIPATING BY TELECONFERENCE**

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

AGENDA

Thursday December 3, 2020 7:00 PM

- I. Call to Order**
- II. Roll Call**
- III. Introduction**
 - a. New member of audit committee
- IV. Public Comments**
- V. Minutes**
 - a. Approval of June 30, 2020 minutes.
- VI. Reports**
 - a. FY2019-2020 Draft of Comprehensive Annual Financial Report (CAFR)
 - b. FY2019-2020 Measure A Report
 - c. FY2019-2020 Measure W Report
 - d. FY2019-2020 Appropriations Limit
 - e. FY2019-2020 Memorandum of Internal Control and Required Communications
- VII. New Business**
 - a. Code of Conduct Policy
 - b. Selection of 2021 Chair and Vice Chair
 - c. Preparation of a written annual report of 2020 accomplishments to be presented to the City Council
 - d. Selection of April 2021 Audit Committee Meeting Date
- VIII. Adjournment**



AUDIT COMMITTEE
SPECIAL MEETING MINUTES
City Hall, Conference Room 1D/EOC
610 Foster City Blvd, Foster City, CA 94404

Tuesday, June 30, 2020

Pursuant to Governor Newsom's Executive Order N-29-20, the meeting was held by teleconference and/or video conference only.

I. Call to Order

The meeting was called to order at 7:00 pm by Chair Michael Barry.

II. Roll Call

Assistant Finance Director Fiti Rusli called the roll:

Members Present: **Chair Michael Barry, Vice Chair Cindy Wang, James Hwang and Keerthana Swaminathan.**

City Council Liaison Absent: **Richa Awasthi**

Maze & Associates: **Grace Zhang, Partner.**

Staff Present: **Edmund Suen, Finance Director; Fiti Rusli, Assistant Finance Director; Karen Li, Senior Accountant and Aaron Siu, Senior Systems Analyst.**

III. Public Comment – **None**

IV. Minutes

a. Approval of April 23, 2020 minutes.

Motion by Chair Michael Barry, seconded by Vice Chair Cindy Wang, and carried by roll call vote, 4-0-0 to accept the Minutes of the Audit Committee Meeting of April 23, 2020.

V. Reports

a. FY2019-2020 Interim Accounting Issues Memo.

Auditor Zhang provided a general overview of their audit procedures and briefly explained the interim accounting issues memo. She indicated that the interim accounting issues memo is simply a communication with Financial Department staff of the interim audit results such as internal control issues (if any) and current and future Governmental Accounting Standards Board (GASB) pronouncement(s) that needs to be implemented. This interim memo is not intended as a communication with the City Council/ EMID Board of Directors).

She reported that the interim audit went smoothly despite the shelter-in-place situation. Based on the interim control testing, there were no deficiencies of internal control issues noted.

Questions and comments from the audit committee members and responses from auditor Zhang and Finance Director Suen on future GASB pronouncements implementation and its impact to the financial statements ensued.

Motion by Chair Michael Barry, seconded by Vice Chair Cindy Wang, and carried by roll call vote, 4-0-0 to accept the FY2019-2020 Interim Accounting Issues Memo.

VI. Old Business

a. Consideration of FY2019-2020 Directed Study to be performed by auditor.

Finance Director Suen stated that this topic is continuation from the last meeting whereby Chair Michael Barry recommended a further discussion on directed studies when all committee members are present.

Finance Director Suen provided samples of directed study topic previously performed by the auditor.

Suggested topics of a directed study by the Audit committee members were:

- a. Surplus fund**
- b. Pension liabilities**
- c. Levee bond**
- d. Parks and Recreation's sponsorship**

Questions and comments from audit committee members and responses from Finance Director Suen and Auditor Zhang ensued on the directed study.

Motion by Chair Michael Barry, seconded by Vice Chair Cindy Wang, and carried by roll call, 4-0-0 that the Committee is not requesting a directed study for fiscal year 2019-2020.

VII. New Business

- a. Selection of November 2020 Audit Committee Meeting Date to review audited draft Comprehensive Annual Financial Report (CAFR) and other reports

Assistant Finance Director Rusli suggested next meeting would be on November 19, 2020, 7 pm.

Motion by member James Hwang, seconded by member Keerthana Swaminathan, and carried by roll call vote, 4-0-0 to review audited draft Comprehensive Annual Financial Report (CAFR) and other reports on November 19, 2020 meeting.

- b. Membership Vacancy Update
Recruitment in mid July 2020, anticipating appointment in September 2020 by the City Council

Finance Director Suen gave an update regarding an Audit Committee vacancy due to the resignation of member Leia Lucas. The recruitment will commence in mid-July 2020 and the City Council is anticipated to make an appointment in September 2020.

Motion by Chair Michael Barry, seconded by Vice Chair Cindy Wang, and carried by roll call, 4-0-0 to accept the membership update.

VIII. Adjournment

Hearing no objection from the members, Chair Michael Barry adjourned the meeting. Meeting adjourned at 8:55 pm.

City of Foster City and Estero Municipal Improvement District California



**Comprehensive Annual Financial Report
Prepared by the Department of Financial Services
Fiscal Year Ended June 30, 2020**

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Prepared by the Department of Financial Services

For the Fiscal Year Ended June 30, 2020

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

Comprehensive Annual Financial Report

Prepared by the Department of Financial Services

For the Fiscal Year Ended June 30, 2020

Catherine Mahanpour, Mayor

Sanjay Gehani, Vice Mayor

Sam Hindi, Councilmember

Jon Froomin, Councilmember

Richa Awasthi, Councilmember

Dante Hall, Interim City Manager

Jean B. Savaree, City Attorney

Dante Hall, Assistant City Manager

Priscilla Schaus, Communications
Director/City Clerk

Marlene Subhashini, Community Development Director

Edmund Suen, Finance Director

Maria Saguisag-Sid, Human Resources Director

Tracy Avelar, Police Chief

Jennifer Liu, Parks & Recreation Director

Norman Dorais, Public Works Director

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**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 JUNE 30, 2020**

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| INTRODUCTORY SECTION | |
| Finance Director’s Letter of Transmittal | i |
| Certificate of Achievement – Government Finance Officers Association | vii |
| City of Foster City Organizational Chart | viii |
| FINANCIAL SECTION | |
| Independent Auditor’s Report | 1 |
| Management’s Discussion and Analysis | 5 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 21 |
| Statement of Activities..... | 22 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 24 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 25 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 26 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 27 |
| Statement of Net Position – Proprietary Funds | 28 |
| Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds | 29 |
| Statement of Cash Flows – Proprietary Funds..... | 30 |
| Statement of Fiduciary Net Position – Fiduciary Fund..... | 32 |
| Statement of Changes in Fiduciary Net Position – Fiduciary Fund..... | 33 |
| Notes to the Basic Financial Statements | 35 |
| Required Supplementary Information: | |
| Budgetary Comparison Schedules: | |
| General Fund..... | 78 |
| Low and Moderate Income Housing Assets Fund | 80 |
| Foster City Affordable Housing Fund | 81 |
| Schedule of Changes in the Net Pension Liability and Related Ratios – Agent Multiple-Employer Defined Benefit Pension Plan | 82 |

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 JUNE 30, 2020**

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| FINANCIAL SECTION (Continued) | |
| Schedule of the Plan’s Proportionate Share of the Net Pension Liability and Related Ratios as of The Measurement Date – Cost-Sharing Multiple-Employer Defined Benefit Pension Plan | 83 |
| Schedule of Contributions: | |
| Agent Multiple-Employer Defined Benefit Pension Plan..... | 84 |
| Cost-Sharing Defined Benefit Pension Plan | 85 |
| Schedule of Changes in the Total Pension Liability and Related Ratios – Longevity | |
| Recognition Benefits Plan..... | 86 |
| Schedule of Changes in the Total OPEB Liability and Related Ratios | |
| Other Post Employment Benefits Plan..... | 87 |
| Supplementary Information: | |
| Non-Major Governmental Funds: | |
| Combining Balance Sheet..... | 89 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 90 |
| Non-Major Special Revenue Funds: | |
| Combining Balance Sheet | 92 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 96 |
| Budgetary Comparison Schedules – Special Revenue Funds: | |
| Traffic Safety | 100 |
| Measure A | 101 |
| Gas Tax | 102 |
| Park-in-lieu | 103 |
| Measure M | 104 |
| SLESF/COPS Grant..... | 105 |
| California Opportunities | 106 |
| Foster City Foundation | 107 |
| SB1 Road Maintenance & Rehabilitation | 108 |
| Sustainable Foster City | 109 |
| Bay Area Employee Relations Services..... | 110 |
| General Plan Maintenance | 111 |
| Construction and Demolition Recycling..... | 112 |
| Technology Maintenance..... | 113 |
| SB 1186 (Disability Access)..... | 114 |
| Strong Motion Instrument Program (SMIP) Fee | 115 |
| CRV Grant | 116 |
| Curbside Recycling..... | 117 |
| Green Building Fee | 118 |
| Measure W | 119 |

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 JUNE 30, 2020**

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Supplementary Information (Continued): | |
| Internal Service Funds: | |
| Combining Statement of Net Position | 122 |
| Combining Statement of Revenues, Expenses and Changes in Net Position | 124 |
| Combining Statement of Cash Flows | 126 |
| STATISTICAL SECTION | |
| Description of Statistical Section | |
| Financial Trends: | |
| Government-wide: | |
| Net Position by Component | 129 |
| Changes in Net Position..... | 130 |
| Governmental Funds: | |
| Changes in Fund Balances of Governmental Funds | 131 |
| Fund Balances of Governmental Funds | 132 |
| Revenue Capacity: | |
| Assessed Value of Taxable Property | 133 |
| Property Tax Rates – Direct and Overlapping Governments..... | 134 |
| Principal Property Tax Payers | 135 |
| Property Tax Levies and Collections..... | 136 |
| Water Sales by Type of Customer | 137 |
| Water and Wastewater Rates | 138 |
| Debt Capacity: | |
| Ratios of Outstanding Debt by Type | 139 |
| Direct and Overlapping Governmental Activities Debt..... | 140 |
| Legal Debt Margin Information..... | 141 |
| Demographic and Economic Information: | |
| Demographic and Economic Statistics | 142 |
| Principal Employers..... | 143 |
| Operating Information: | |
| Full-Time Equivalent City Government Employees by Function/Program | 144 |
| Operating Indicators by Function/Program..... | 145 |
| Capital Asset Statistics by Function/Program..... | 146 |

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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 16, 2020

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

The Comprehensive Annual Financial Report (CAFR) of the City of Foster City (City) and the Estero Municipal Improvement District (District) for the fiscal year ended June 30, 2020 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 Comprehensive Annual 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 Comprehensive Annual 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 Comprehensive Annual 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, 2020.

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 2019-20 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 Comprehensive Annual 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 33,033 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

Much of the local and national economy was rocked by the COVID-19 induced recession of 2020. Although the City's largest revenue source, property taxes wasn't impacted mainly 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 92% in the final quarter of the fiscal year compared to the same period a year ago. Sales tax revenues and the City's Recreation Center based revenues also suffered significant declines. Fortunately, strong property tax revenues, better than expected development permits fees and charges, and higher investment income were sufficient to overcome the shortfall in the adversely impacted categories (i.e. TOT, sales tax, recreation center based revenues) resulting in an overall \$991,000 favorable General Fund actual to budget revenue outcome for the full fiscal year. The revenue gains along with City's expenditure reduction strategy (e.g. a citywide hiring freeze, reduction and/or elimination of contractual services and discretionary travel and conferences) implemented to address the revenue shortfall resulted in a General Fund operating surplus of \$3.32 million in FY 2019-20.

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 established 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 provided long-term funding of capital improvement projects over a 10-year horizon.

The City/District has also established internal services funds 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. This is another layer 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 \$50.86 million Unassigned Fund Balance and a \$3.51 million Pension Stabilization reserve within the Committed Fund Balance of the General Fund as of June 30, 2020.

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 assumption for CalPERS investment rate of return from 7.50% to 7% and the demographic assumption changes have contributed to an increase in the City/District's employer contribution costs. The City/District's annual unfunded accrued liability payment increased by \$920,000 from \$4.67 million to \$5.59 million in FY 2019-20 and will expand by another \$620,000 to \$6.21 million in FY 2020-21. Total employer pension contributions (normal cost plus required unfunded accrued liability payment) for FY 2019-20 amounted to \$7.82 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, and establishing a second tier retirement plan before the California Public Employees' Pension Reform Act (PEPRA) went into effect on January, 2013. Even as the economy has since recovered and is now

contending 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 uncertainty surrounding the voracity of economic recovery from COVID-19, a slowdown in one-time building and plan check fees, 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 recommended making a discretionary payment to pay down the City's unfunded accrued liability which was unanimously endorsed by the City Council. As a result, the City Council authorized a partial use of the City's FY 2017-18 General Fund operating surplus and approved a \$3.48 million payment to reduce the unfunded accrued liability of the City's CalPERS safety plan. Similarly, the City Council utilized \$3.5 million of the FY 2018-19 General Fund Operating Surplus and committed it to a Pension Sustainability reserve as an available tool for mitigating future pension cost escalation.

MAJOR INITIATIVES

The following major accomplishments and initiatives are noted/completed or are in progress as of June 30, 2020:

- General Fund Financial results – The City/District's fund balance increased by \$3.32 million to \$58.60 million in FY 2019-20. Unassigned Fund Balance decreased by \$1.32 million to \$50.86 million. During the year, the City Council authorized using \$6.77 million of FY 2018-19 operating surplus for 1) \$3.5 million for a Pension Stabilization reserve; and 2) \$1.64 million each for the City's Capital Improvements Projects Fund and Facilities Replacement reserve. The additions to the Pension Stabilization and Facilities Replacement reserve less a \$500,000 expenditure for COVID-19 relief for local businesses (see discussion under "COVID-19 assistance" below) are the primary reasons that the Committed Fund Balance increased by \$4.69 million to \$7.70 million in FY 2019-20.
- Public Safety – The City continues to be among the safest; the FBI & Unified Crime Reporting (UCR) crime statistics ranked Foster City as the 11th safest city in California. The Department handled 28,254 incidents, including responding to 18,123 calls for service. It also hosted a virtual town hall meeting to listen to community concerns about police accountability and transparency in order to better understand how it may improve its policies, processes, and practices to improve its services to its constituents.
- COVID-19 assistance – The City provided \$500,000 of small business grants, \$10,000 each to 50 local businesses to provide immediate relief to the COVID-19 health emergency.
- COVID-19 workplace modifications – The City utilized technology to help streamline operations, including appointment scheduling, online request for proposal (RFP)/bid submissions, and building permit submittals.
- Levee Improvements project – In January 2020, the City obtained all regulatory permits necessary for the City to start construction. Construction bids were received and awarded to a contractor within the original \$90 million project budget.
- Preparation of FY 2020-21 budget and 5-Year Financial Plan in a COVID-19 public health crisis – Financial Services Department staff successfully implemented OpenGov's budgeting software, replacing the City's legacy product during the year. As indicated in the previously discussed General Fund financial results, the City managed to strengthen its Fund Balance by \$3.32 million in FY 2019-20. Although the FY 2020-21 adopted General Fund operations budget included a \$644,000 shortfall, the

\$50.86 million of Unassigned General Fund Balance represents a reserve level of well over 100% FY 2020-21 General Fund operations expenditures. This healthy reserve level is the culmination of the City's prudent financial and budgeting policies and puts the City in a better position to weather the fiscal impacts of this terrible and heart-wrenching pandemic without drastic compromise to 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, 2019. This was the 27th 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 Comprehensive Annual 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 Comprehensive Annual 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 Comprehensive Annual 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,



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, 2019

Christopher P. Morill

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, 2020, 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, 2020 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.

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, Supplemental 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 November 1, 2020 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
November 1, 2020

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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, 2020**

This section of the City of Foster City/Estero Municipal Improvement District's (City/District) Comprehensive Annual Financial Report presents a narrative overview and analysis of the City/District's financial activities for the fiscal year ended June 30, 2020. 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, 2020, the City/District's total assets and deferred outflows, increased by \$20.47 million, or 4.4%, to \$481.84 million, of which \$320.66 million represented governmental assets and \$161.18 million represented business-type assets.
- The City/District's total liabilities and deferred inflows, increased by \$5.68 million, or 3.6%, to \$161.86 million, of which \$104.97 million were governmental liabilities and \$56.89 million were business-type liabilities.
- The City/District's total net position increased by \$14.79 million, or 4.9%, to \$319.98 million. Of this amount, \$102.27 million (unrestricted governmental net position) and \$41.89 million (unrestricted business-type net position) may be used to meet the government's ongoing obligations to citizens/customers, and creditors.
- City-wide revenues decreased by \$1.56 million, or 1.7%, to \$90.69 million, of which \$60.35 million were generated by governmental activities and \$30.34 million were generated by business-type activities.
- City-wide expenses increased by \$2.13 million, or 2.9%, to \$75.9 million, of which \$53.05 million were incurred by governmental activities and \$22.85 million were incurred by business-type activities.
- Detailed analysis is provided under the GOVERNMENT-WIDE FINANCIAL ANALYSIS caption.

Fund Level:

- Governmental Fund balances increased \$10.27 million, or 8.5%, to \$131.25 million. Of this amount, \$50.73 million, or 38.6%, were in unassigned fund balance and available for spending at the City's discretion.
- Governmental Fund revenues were \$58.39 million, a decrease of \$4.35 million or 6.9%, from \$62.74 million in the prior fiscal year.
- Governmental Fund expenditures decreased by \$1.77 million, or 3.4%, to \$49.47 million in FY 2019-20, from \$51.23 million in the prior fiscal year.
- Enterprise Fund net position increased by \$7.27 million, or 7.7 %, to \$102.06 million. Of this amount, \$39.66 million were unrestricted net position and available for spending at the District's discretion.
- Enterprise Fund operating revenues were \$30.2 million in FY 2019-20, an increase of \$2.7 million from \$27.5 million in FY 2018-19.
- Enterprise Fund operating expenses were \$23.07 million in FY 2019-20, an increase of \$804,000 from \$22.27 million in FY 2018-19.
- Detailed analysis is provided under the FINANCIAL ANALYSIS OF THE CITY/DISTRICT'S FUNDS caption.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2020**

OVERVIEW OF THE COMPREHENSIVE ANNUAL 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*.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2020**

OVERVIEW OF THE COMPREHENSIVE ANNUAL 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, and Capital Asset Preservation 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
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2020**

OVERVIEW OF THE COMPREHENSIVE ANNUAL 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, 2020 and 2019

| | Governmental Activities | | Business-Type Activities | | Total | | Amount Change | Percent Change |
|---|-------------------------|----------------|--------------------------|---------------|----------------|----------------|---------------|----------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | | |
| Assets: | | | | | | | | |
| Current and other assets | \$ 202,497,904 | \$ 189,823,415 | \$ 74,035,501 | \$ 78,971,882 | \$ 276,533,405 | \$ 268,795,297 | \$ 7,738,108 | 2.88% |
| Capital assets | 102,819,233 | 102,668,101 | 86,222,517 | 71,504,705 | 189,041,750 | 174,172,806 | 14,868,944 | 8.54% |
| Total assets | 305,317,137 | 292,491,516 | 160,258,018 | 150,476,587 | 465,575,155 | 442,968,103 | 22,607,052 | 5.10% |
| Deferred outflows of resources related to pension | 15,340,131 | 17,526,048 | 923,685 | 872,009 | 16,263,816 | 18,398,057 | (2,134,241) | -11.60% |
| Total assets and deferred outflows combined | 320,657,268 | 310,017,564 | 161,181,703 | 151,348,596 | 481,838,971 | 461,366,160 | 20,472,811 | 4.44% |
| Liabilities: | | | | | | | | |
| Current and other liabilities | 13,149,347 | 12,529,779 | 7,865,329 | 5,365,187 | 21,014,676 | 17,894,966 | 3,119,710 | 17.43% |
| Long-term liabilities | 83,671,304 | 83,869,957 | 48,607,606 | 48,731,473 | 132,278,910 | 132,601,430 | (322,520) | -0.24% |
| Total Liabilities | 96,820,651 | 96,399,736 | 56,472,935 | 54,096,660 | 153,293,586 | 150,496,396 | 2,797,190 | 1.86% |
| Deferred inflows of resources related to pension | 8,146,137 | 5,226,795 | 420,950 | 452,525 | 8,567,087 | 5,679,320 | 2,887,767 | 50.85% |
| Total liabilities and deferred inflows combined | 104,966,788 | 101,626,531 | 56,893,885 | 54,549,185 | 161,860,673 | 156,175,716 | 5,684,957 | 3.64% |
| Net position: | | | | | | | | |
| Net investment in capital assets | 102,819,233 | 102,668,101 | 62,401,864 | 57,834,914 | 165,221,097 | 160,503,015 | 4,718,082 | 2.94% |
| Restricted | 10,601,909 | 10,389,000 | - | - | 10,601,909 | 10,389,000 | 212,909 | 2.05% |
| Unrestricted | 102,269,338 | 95,333,932 | 41,885,954 | 38,964,497 | 144,155,292 | 134,298,429 | 9,856,863 | 7.34% |
| Total net position | \$ 215,690,480 | \$ 208,391,033 | \$ 104,287,818 | \$ 96,799,411 | \$ 319,978,298 | \$ 305,190,444 | \$ 14,787,854 | 4.85% |

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 \$320 million. This represents the difference between the sum of total assets and deferred outflows of resources related to pension and the sum of total liabilities and deferred inflows related to pension. The overall net position increased by \$14.79 million to \$319.98 million, or 4.8%, from \$305.19 million in the prior fiscal year. This change in net position reflects an 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 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.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The largest portion, approximately 51.6% or \$165.22 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 \$10.6 million or 3.3% 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 \$144.16 million, or 45.1%, 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 2019-20, 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 |
|---|-------------------------|-----------------------|---------------------|-------------------|
| | 2020 | 2019 | | |
| Assets: | | | | |
| Current and other assets | \$ 202,497,904 | \$ 189,823,415 | \$ 12,674,489 | 6.68% |
| Capital assets | 102,819,233 | 102,668,101 | 151,132 | 0.15% |
| Total assets | <u>305,317,137</u> | <u>292,491,516</u> | <u>12,825,621</u> | <u>4.38%</u> |
| Deferred outflows of resources related to pension | 15,340,131 | 17,526,048 | \$ (2,185,917) | -12.47% |
| Liabilities: | | | | |
| Current and other liabilities | 13,149,347 | 12,529,779 | 619,568 | 4.94% |
| Long-term liabilities | 83,671,304 | 83,869,957 | (198,653) | -0.24% |
| Total Liabilities | <u>96,820,651</u> | <u>96,399,736</u> | <u>420,915</u> | <u>0.44%</u> |
| Deferred inflows of resources related to pension | 8,146,137 | 5,226,795 | 2,919,342 | 55.85% |
| Net position: | | | | |
| Net investment in capital assets | 102,819,233 | 102,668,101 | 151,132 | 0.15% |
| Restricted | 10,601,909 | 10,389,000 | 212,909 | 2.05% |
| Unrestricted | 102,269,338 | 95,333,932 | 6,935,406 | 7.27% |
| Total net position | <u>\$ 215,690,480</u> | <u>\$ 208,391,033</u> | <u>\$ 7,299,447</u> | <u>3.50%</u> |

The net position of the City/District's governmental activities increased by \$7.3 million. This increase consists of three components:

1. **Net investment in capital assets** – The \$151,000 increase was due to capital asset disposals, retirements, and depreciation greater than capital asset additions.
2. **Restricted net position** – The \$213,000 increase was due primarily to higher net positions in the Measure A Fund, General Plan Maintenance Fund, and Measure W Fund of \$693,000, \$146,000 and \$338,000 respectively and a lower net positions in the Park-In-Lieu Fund and Measure M Fund of \$633,000 and \$133,000 respectively.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

3. **Unrestricted net position** – The \$6.94 million increase was due mainly to the \$7.3 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 \$151,000 and \$213,000 respectively.

| | Business-Type Activities | | Amount Change | Percent Change |
|---|--------------------------|----------------------|---------------------|-------------------|
| | 2020 | 2019 | | |
| Assets: | | | | |
| Current and other assets | \$ 74,035,501 | \$ 78,971,882 | \$ (4,936,381) | -6.25% |
| Capital assets | 86,222,517 | 71,504,705 | 14,717,812 | 20.58% |
| Total assets | <u>160,258,018</u> | <u>150,476,587</u> | <u>9,781,431</u> | <u>6.50%</u> |
| Deferred outflows of resources related to pension | 923,685 | 872,009 | 51,676 | 5.93% |
| Liabilities: | | | | |
| Current and other liabilities | 7,865,329 | 5,365,187 | 2,500,142 | 46.60% |
| Long-term liabilities | 48,607,606 | 48,731,473 | (123,867) | -0.25% |
| Total Liabilities | <u>56,472,935</u> | <u>54,096,660</u> | <u>2,376,275</u> | <u>4.39%</u> |
| Deferred inflows of resources related to pension | 420,950 | 452,525 | (31,575) | -6.98% |
| Net position: | | | | |
| Net investment in capital assets, net of related debt | 62,401,864 | 57,834,914 | 4,566,950 | 7.90% |
| Unrestricted | 41,885,954 | 38,964,497 | 2,921,457 | 7.50% |
| Total net position | <u>\$ 104,287,818</u> | <u>\$ 96,799,411</u> | <u>\$ 7,488,407</u> | <u>7.74%</u> |

The net position of the City/District's business-type activities increased by \$7.49 million. This increase consists of two components.

1. **Net Investment in capital assets, net of related debt** – The \$4.57 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 \$2.92 million increase was due mainly to the change in net position as indicated in the Statement of Activities of \$7.49 million less the \$4.57 million for the net increase in capital assets.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2020**

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 |
|---|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|--------------------|----------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | | |
| Program Revenues | | | | | | | | |
| Charges for services | \$ 5,109,649 | \$ 8,083,642 | \$ 30,202,743 | \$ 27,504,445 | \$ 35,312,392 | \$ 35,588,087 | \$ (275,695) | -0.77% |
| Operating grants and contributions | 1,302,269 | 1,136,501 | - | - | 1,302,269 | 1,136,501 | 165,768 | 14.59% |
| Capital grants and contributions | 979,700 | 1,115,882 | 21,216 | 5,557 | 1,000,916 | 1,121,439 | (120,523) | -10.75% |
| General Revenues | | | | | | | | |
| Taxes | 41,958,844 | 41,334,969 | - | - | 41,958,844 | 41,334,969 | 623,875 | 1.51% |
| Contributions not restricted to specific programs | 4,424,946 | 4,513,774 | - | - | 4,424,946 | 4,513,774 | (88,828) | -1.97% |
| Unrestricted investment and rental income | 5,672,389 | 7,340,714 | 81,433 | 984,386 | 5,753,822 | 8,325,100 | (2,571,278) | -30.89% |
| Gain on JPA Investment | 663,404 | 84,643 | - | - | 663,404 | 84,643 | 578,761 | 683.77% |
| Gain (loss) on Sale of Capital Asset | - | (22,309) | (10,665) | - | (10,665) | (22,309) | 11,644 | -52.19% |
| Other | 237,699 | 124,124 | 49,043 | 51,132 | 286,742 | 175,256 | 111,486 | 63.61% |
| Total Revenues | 60,348,900 | 63,711,940 | 30,343,770 | 28,545,520 | 90,692,670 | 92,257,460 | (1,564,790) | -1.70% |
| Expenses | | | | | | | | |
| General government | 6,702,456 | 6,060,023 | - | - | 6,702,456 | 6,060,023 | 642,433 | 10.60% |
| Public safety | 26,733,077 | 26,056,000 | - | - | 26,733,077 | 26,056,000 | 677,077 | 2.60% |
| Public works | 5,376,875 | 5,430,742 | - | - | 5,376,875 | 5,430,742 | (53,867) | -0.99% |
| Community development | 2,980,907 | 2,907,622 | - | - | 2,980,907 | 2,907,622 | 73,285 | 2.52% |
| Parks and recreation | 11,256,138 | 11,096,170 | - | - | 11,256,138 | 11,096,170 | 159,968 | 1.44% |
| Water operations | - | - | 14,978,448 | 14,074,075 | 14,978,448 | 14,074,075 | 904,373 | 6.43% |
| Wastewater operation | - | - | 7,876,915 | 8,151,224 | 7,876,915 | 8,151,224 | (274,309) | -3.37% |
| Total Expenses | 53,049,453 | 51,550,557 | 22,855,363 | 22,225,299 | 75,904,816 | 73,775,856 | 2,128,960 | 2.89% |
| Excess (deficiency) of revenues over (under) expenses before transfers | 7,299,447 | 12,161,383 | 7,488,407 | 6,320,221 | 14,787,854 | 18,481,604 | (3,693,750) | -19.99% |
| Transfers in (out) | - | 308,866 | - | (308,866) | - | - | - | 0.00% |
| Change in net position | 7,299,447 | 12,470,249 | 7,488,407 | 6,011,355 | 14,787,854 | 18,481,604 | (3,693,750) | -19.99% |
| Net position, beginning of year | 208,391,033 | 195,920,784 | 96,799,411 | 90,788,056 | 305,190,444 | 286,708,840 | 18,481,604 | 6.45% |
| Prior period adjustment | - | - | - | - | - | - | - | - |
| Net position, end 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% |

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

- **Charges for Services** – The \$2.97 million decrease in Governmental Activities was primarily from declines in 1) recreation program fees due to the COVID-19 pandemic, 2) park-in-lieu fees; 3) community development fees, including the elimination of fire inspection/plan check fees from the transfer of all fire services to the new Fire JPA, San Mateo Consolidated Fire Department in January 2019. These revenue reductions amounted to \$2.18 million, \$361,000, and \$221,000 respectively. Revenues for Business-Type activities increased by \$2.7 million as water rates, fixed meter charges and wastewater rates were all raised in FY 2019-20 to pay for anticipated increases in water purchases, operating costs, and the wastewater treatment plant project costs and debt service costs.
- **Operating Grants and Contributions** – Governmental Activities for operating grants and contributions increased slightly by \$166,000 to \$1.3 million.
- **Capital Grants and Contributions** – Governmental Activities for capital grants and contributions saw a \$136,000 decline to \$980,000.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

- Taxes – The \$624,000 increase in Governmental Activities included higher property tax revenues of \$1.57 million primarily from new development and sales of existing homes reassessed at higher values, but an \$884,000 decrease in transient occupancy tax from the impacts of the COVID-19 induced recession.
- Unrestricted Investment and Rental Income - The \$1.67 million decrease in Governmental Activities is largely due to steep declines in investment yields as the Federal Reserve lowered the Discount Rate to near zero with the goal of stimulating the nation's economy in the wake of the COVID-19 pandemic. The \$903,000 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 increased by \$642,000 to \$6.7 million, mainly from an increase in labor costs (wages and employee benefits).
- Public Safety – Expenses increased by \$677,000 to \$26.7 million in the Public Safety (Police and Fire) departments. Police department general wage increases of 2% were made during the year based on the Police Officer Association's labor agreement. The City/District also recorded a \$3.27 million increase in GASB 68 pension expenses in FY 2019-20, but this was offset by the one-time \$3.48 million additional discretionary payment made in FY 2018-19.
- Public Works and Community Development – Expenses decreased by \$54,000 to \$5.4 million and \$73,000 to \$2.98 million as a citywide hiring freeze aided in the reduction of salary and wage expenses.
- Parks and Recreation – Expenses increased only by 1.5% or \$160,000 to \$11.26 million as operating expenses decreased with the cancellation of programs in the City's recreation center.
- Water Operation – Expenses increased by \$904,000 to \$14.98 million with utility expenses (primarily water purchases) climbing from \$9.11 million to \$9.73 million.
- Wastewater Operation – Expenses decreased by \$274,000 to \$7.9 million. Cost allocation charges declined by \$70,000 and contract services, including the maintenance of the wastewater treatment plant decreased \$50,000 to \$2.62 million. As of June 30, 2020, total 2019 wastewater revenue bond debt totaled \$40.15 million, inclusive of \$6.33 million of unamortized bond premium.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2020**

FINANCIAL ANALYSIS OF THE CITY/DISTRICT'S FUNDS

Governmental Funds

As of June 30, 2020, the City/District's governmental funds reported combined fund balances of \$131.25 million. Of this total, \$19,000 are non-spendable, \$9.92 million are considered restricted funds, \$70.59 million are committed by the City Council/District Board for specified projects or uses, and the remaining \$50.72 million are unassigned and available for general use.

Total revenues, expenditures, and changes in fund balances for the fiscal years ended June 30, 2020 and June 30, 2019 are shown below.

| | 2020 | | 2019 | | Increase / (Decrease) | |
|---|-----------------------|------------------|-----------------------|------------------|-----------------------|----------------|
| | Amount | Percent of Total | Amount | Percent of Total | Amount | Percent Change |
| Revenues by Source | | | | | | |
| Taxes | \$ 44,477,091 | 76.17% | \$ 43,986,723 | 70.10% | \$ 490,368 | 1.11% |
| Licenses and permits | 3,399,595 | 5.82% | 3,687,802 | 5.88% | (288,207) | -7.82% |
| Intergovernmental | 1,915,314 | 3.28% | 2,450,199 | 3.91% | (534,885) | -21.83% |
| Charges for current services | 1,807,364 | 3.10% | 2,302,304 | 3.67% | (494,940) | -21.50% |
| Fines and forfeitures | 90,960 | 0.16% | 123,403 | 0.20% | (32,443) | -26.29% |
| Park-in-lieu | 480,000 | 0.82% | 2,240,000 | 3.57% | (1,760,000) | -78.57% |
| Investment and rental income | 4,719,935 | 8.08% | 6,489,694 | 10.34% | (1,769,759) | -27.27% |
| Other | 1,500,190 | 2.57% | 1,464,509 | 2.33% | 35,681 | 2.44% |
| Total revenues | 58,390,449 | 100.00% | 62,744,634 | 100.00% | (4,354,185) | -6.94% |
| Expenditures by Function | | | | | | |
| General Government | 5,944,704 | 12.02% | 4,995,310 | 9.75% | 949,394 | 19.01% |
| Public safety | 23,389,575 | 47.28% | 25,929,992 | 50.61% | (2,540,417) | -9.80% |
| Public works | 3,114,099 | 6.30% | 3,142,559 | 6.13% | (28,460) | -0.91% |
| Community development | 2,884,972 | 5.83% | 2,803,275 | 5.47% | 81,697 | 2.91% |
| Parks and recreation | 9,386,057 | 18.97% | 9,049,950 | 17.66% | 336,107 | 3.71% |
| Capital outlay | 4,747,124 | 9.60% | 5,312,860 | 10.37% | (565,736) | -10.65% |
| Total expenditures | 49,466,531 | 100.00% | 51,233,946 | 100.00% | (1,767,415) | -3.45% |
| Revenues over (under) expenditures | 8,923,918 | | 11,510,688 | | (2,586,770) | |
| Sale of capital assets | 622,025 | | 602,160 | | 19,865 | |
| Transfer in | 5,978,262 | | 4,338,841 | | 1,639,421 | |
| Transfer out | (5,255,112) | | (7,387,275) | | 2,132,163 | |
| Net change in fund balances | 10,269,093 | | 9,064,414 | | \$ 1,204,679 | |
| Fund balances, beginning of year | 120,980,986 | | 111,916,572 | | | |
| Fund balances, end of year | <u>\$ 131,250,079</u> | | <u>\$ 120,980,986</u> | | | |

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2020**

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

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

- Taxes – The increase of \$490,000 is due to gains in property tax revenues and property tax in lieu of vehicle license fees (VLF) but diluted by declines in transient occupancy tax and sales tax. Property tax revenues, including VLF climbed by \$1.57 million as new development and higher assessed values from sales of existing home were primary contributors. However, COVID-19 adversely impacted transient occupancy tax (TOT) revenues and sales tax revenues by \$884,000 and \$222,000 respectively.
- Licenses and permits – The \$288,000 decline is primarily due to a reduction of development related one-time permit fees in FY 2019-20.
- Intergovernmental – The \$535,000 decrease is substantially from a non-recurring FY 2018-19 Transit Development Act (TDA) grant of \$400,000 for its Bicycle and Pedestrian Improvement CIP project.
- Charges for Current Services – The decrease of \$495,000 is primarily due to a large decline in recreation program revenues from the closure of the City's recreation center as a result of the COVID-19 health orders to shelter in place.
- Park in-lieu – The decrease of \$1.76 million is largely from the \$1.50 million one-time fees collected for the Pilgrim Triton Waverly project in the prior year.
- Investment and rental income – The decrease of \$1.77 million is primarily from lower investment income driven by the Federal Reserve's monetary actions to reduce interest rates to near zero so as to stimulate the U.S. economy in light of the COVID-19. In addition, the City received a non-recurring one-time interest payment of \$517,000 in FY 2018-19 from Gilead Sciences for its share of the multi-traffic improvement project.

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

- General Government – The \$949,000 increase to \$5.94 million in General Government expenditures was attributed to an increase in labor costs (wages and benefits) and pandemic relief in the form of Foster City small business grants for \$500,000.
- Public Safety – The decrease of \$2.5 million to \$23.39 million in Public Safety Department was primarily due to a non-recurring \$3.48 million additional payment made in FY 2018-19 to CalPERS towards its unfunded pension liability. Increases include a 2% general wage adjustment for Police personnel.
- Public Works – There was just a slight \$28,000 decrease to \$3.11 million in Public Works expenditures in FY 2019-20.
- Community Development – The \$82,000 increase to \$2.88 million was primarily from the escalation of wages and employee benefits.
- Parks and Recreations – Total expenditures increased by \$336,000 to \$9.39 million as building maintenance internal service charges rose by \$374,000.
- Capital Outlay – Capital outlay was lower by \$566,000 to \$4.75 million.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2020**

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

The following provides highlights of the five (5) *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, 2020 was \$58.60 million, which was a \$3.32 million higher than the prior year's mark of \$55.28 million. Unassigned fund balance finished the year at \$50.86 million, decreasing by \$1.32 million from the prior year total of 52.18 million.

General Fund revenues decreased \$1.61 million in FY 2019-20 to \$51.43 million. Property tax revenues, excluding Motor Vehicle License In-Lieu climbed by \$1.35 million to \$31.0 million as new development and reassessment of homes sold contributed to the gains. Motor Vehicle License In-Lieu revenues increased by \$220,000 to \$4.19 million as these revenues generally increase annually in proportion to the growth in countywide assessed values. Transient Occupancy Tax revenues fell by \$884,000 to \$3.51 million as the COVID-19 pandemic decimated business travel and lodging. Sales and use tax revenues slid by \$524,000 to \$3.15 million as shelter in place health orders ravaged the restaurant and service station segments. Investment income fell by \$613,000 as interest rates dove after the Federal Reserve's reduction of the discount rate to near zero in hopes of stimulating a recovery from the COVID-19 induced recession. Other significant revenue reductions included charges for services (program fees) and facility rentals in the Parks and Recreation Department.

General Fund expenditures, excluding Transfers In/Out declined by \$921,000 to \$42.94 million in FY 2019-20 as the City implemented a hiring freeze and eliminated or deferred discretionary expenditures, including contractual services and travel and training. There was also a non-recurring \$3.48 million payment to CalPERS made in FY 2018-19 to pay down the unfunded liability of its safety plan. Cost increases during the year included wage adjustments and increases in benefit costs as authorized in labor agreements and higher employer pension contribution rates.

In aggregate, General Fund revenues exceeded expenditures by \$8.49 million. After deducting \$5.17 million of Net Transfers In/Out (\$18,535 Transfers In from the Foster City Foundation Fund, \$5.14 million of Transfers Out to the City CIP Fund, and \$50,000 of Transfers Out to the Foster City Sustainability Fund), the net increase in the General Fund was \$3.32 million, resulting in a fiscal year ending June 30, 2020 Fund Balance of \$58.60 million, of which \$50.86 million was 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, 2020, the Low and Moderate Income Housing Assets Fund had a restricted fund balance of \$2.0 million, an increase of \$116,000 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, 2020, the Fund had a Committed Fund Balance of \$921,000, and increase of \$47,000 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, or Measure M funds, etc.) do not pay. As of June 30, 2020, this Fund had a Committed Fund Balance of \$15.71 million which is an increase of \$4.2 million from the prior fiscal year. The \$4.2 million increase included a \$5.14 million transfer in from the General Fund to fund CIP projects.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2020**

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

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, 2020, this fund had a committed fund balance of \$42.42 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 \$15.61 million as of June 30, 2020, 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 \$24.05 million as of June 30, 2020, 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 allow the operating departments within the City/District to provide 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, 2020 was \$32.67 million, which was a \$1.14 million increase from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City Council adopted General Fund budget for fiscal year 2019-20 included \$50.39 million in appropriations and transfers out to other funds, with estimated revenues and transfers in from other funds totaling \$50.45 million.

Total revenues for the year were \$991,000 above budgeted estimates. Secured and Unsecured property taxes topped estimates by \$1.72 million to hit \$28 million and included a \$2.18 million in ERAF refunds as new development and reassessment of homes sold contributed to the favorable results. Motor Vehicle License In-Lieu revenues were \$16,000 below budget as these revenues generally increase annually in proportion to the growth in countywide assessed valuations. Transient Occupancy Tax (TOT) revenues under performed by \$1.19 million due primarily to the adverse effects of COVID-19 on business travel. Sales and use taxes and recreation and leisure fees and charges were \$242,000 and \$605,000 below estimates and were also casualties of COVID-19. Investment income was \$604,000 higher than estimates, aided by an unrealized mark-to-market gain of \$352,000 in the current fiscal year. Building permits and planning services fees also bested estimated by \$462,000 with better than expected prior to the onset of COVID-19.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2020**

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

Total expenditures for the year were \$4.32 million below the final budget. As the COVID-19 pandemic ravaged local revenues, the City implemented various cost savings measures, including a hiring freeze, reducing contractual services, and deferring or cancelling non-essential travel and training. In addition, unspent appropriations in the Community Benefits Program, Solar Incentive Grant Program, and Employee Rental Assistance Program were \$709,000, \$30,000, and \$56,000 respectively.

CAPITAL ASSETS

The City/District's investment in capital assets for its governmental and business-type activities as of June 30, 2020 totaled \$189.5 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 |
|---|-------------------------|----------------|--------------------------|---------------|----------------|----------------|---------------|----------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | | |
| 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 | 80,206,499 | 81,080,404 | 25,484,078 | 25,726,473 | 105,690,577 | 106,806,877 | (1,116,300) | -1.05% |
| Equipment, vehicles and software | 4,078,414 | 4,247,253 | 1,633,352 | 1,778,512 | 5,711,766 | 6,025,765 | (313,999) | -5.21% |
| Sewer Capacity Rights | | | 17,255,711 | 17,751,542 | 17,255,711 | 17,751,542 | (495,831) | -2.79% |
| Construction in progress | 7,432,099 | 6,238,223 | 38,295,903 | 22,694,704 | 45,728,002 | 28,932,927 | 16,795,075 | 58.05% |
| Total | \$ 102,819,233 | \$ 102,668,101 | \$ 86,222,518 | \$ 71,504,705 | \$ 189,041,751 | \$ 174,172,806 | \$ 14,868,945 | 8.54% |

Capital assets for Governmental activities increased by \$151,000 the addition of new assets exceeded depreciation, disposals, and retirements of assets. Infrastructure assets, equipment and software, and construction in progress for business-type activities increased by \$14.72 million as work on the District's wastewater treatment plant project 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, 2020, the City/District had total long-term outstanding obligations of \$52.8 million, which comprised of compensated absences of \$1.9 million, other post-employment benefits (OPEB) liability of \$11.2 million, PG&E On-Bill Loan of \$126,000, 2019 wastewater revenue bonds, including unamortized bond premium of \$39.6 million and Net Pension Liability of approximately \$79.5 million (\$75.9 million for CalPERS and \$3.6 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, 2020**

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 five years, economic expansion in the region has enhanced the net position of the City/District. 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 safety plan. Similarly in March 2020, during the onset of the COVID-19 pandemic, the City Council authorized designating \$3.5 million of the FY 2018-19 General Fund surplus to a Pension Stabilization Fund (shown as part of the overall committed General Fund's Fund Balance). They will have another opportunity in FY 2020-21 to have a public discussion on the use of the FY 2019-20 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 – Assessed values on secured properties are continuing its upward trend with the County Assessor's office projecting an approximate 5.4% increase in FY 2020-21 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. In addition, the State has challenged various Counties, including San Mateo County regarding their calculation of Educational Revenue Augmentation Fund (ERAF) refunds. As a result, the City reduced its FY 2020-21 forecasted ERAF refund to \$1.035 million compared to the FY 2019-20 actual refund of \$2.184 million.
- Transient Occupancy Tax (TOT) – TOT revenues are forecasted to decline by \$1.08 million in FY 2020-21 to \$2.42 million due to the great uncertainty surrounding the level of recovery in business travel and hotel occupancy and pricing in Foster City in the new fiscal year. In the three-month period from April 1 to June 30, 2020, the City's TOT revenue plummeted by 92% compared to the same period of the prior year.
- Sales & Use Tax – General Fund sales tax revenues are projected to fall by \$352,000 to \$2.80 million in FY 2020-21 from prior year's levels as COVID-19 highly impacted segments in Foster City included restaurants and gas stations.
- Investment Income – As short-term Treasury yields (within 5 year maturity) have fallen below 50 basis points, General Fund investment income is projected to decline by \$429,000 to 434,000 in FY 2020-21.
- 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) will 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 2020-21 employer *normal* contribution rates to CalPERS for its Miscellaneous Plan and Public Safety "Classic" plans will rise to 11.345% and 22.437% from 10.570% and 20.707% respectively. The required unfunded accrued liability (UAL) obligation will also rise from \$5.79 million to \$6.43 million. As discussed earlier, the City Council authorized a \$3.5 million contribution to a Pension Stabilization Fund in March 2020. These monies provide the City the flexibility to potentially pay down the City's total unfunded pension liability of \$85.9 million as measured in the latest

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2020**

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

Actuarial Valuation Reports as of June 30, 2019 and to improve the City's funded status (68.6% for the both the Miscellaneous Plan and Safety Classic Plan).

- 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.
- Capital Improvement Project Funds – The funding model for capital improvement projects 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 with the exception that \$2.15 million of the \$3.5 million funding scheduled for City CIP projects was deferred to FY 2021-22 to minimize the FY 2020-21 General Fund expenditures in light of forecasted revenue shortfalls from the COVID-19 pandemic. Notwithstanding, the City budgeted \$31.4 million in CIP projects in FY 2020-21, of which \$9.4 are Wastewater Enterprise Fund projects (primarily the District's proportionate share of the Wastewater Treatment Plant Master Improvement Project). Of the remaining \$22 million, the Levee project accounts for \$20 million which is funded by General Obligation bonds issued in August 2020.
- 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 2020-21 will increase the standard 5/8" and 3/4" fixed meter charges by 3% and the base consumption rate also by 3%.
- Wastewater Rates – The wastewater rates assume a 14.25% increase in FY 2020-21 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 \$154.0 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. A portion of the bond proceeds was used to repay a \$13.4 million short-term loan from the General Fund.

As of June 30, 2020, the General Fund had a Fund Balance of \$58.60 million, of which \$50.86 million was unassigned and \$7.70 million was committed, of which \$3.51 million was for pension stabilization, \$2.38 million for facilities replacement, and \$1.50 million for community benefits.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual 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, 2020

| | Primary Government | | |
|--|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Cash and investments | \$ 175,789,446 | \$ 49,639,171 | \$ 225,428,617 |
| Receivable, net | 4,049,742 | 21,885,280 | 25,935,022 |
| Internal balances | (2,225,776) | 2,225,776 | - |
| Inventory | 105,020 | 285,274 | 390,294 |
| Prepays and deposits | 53,172 | - | 53,172 |
| Restricted cash and investments | 236,274 | - | 236,274 |
| Loans receivable (net) | 20,870,208 | - | 20,870,208 |
| Investment in JPA Equity | 3,619,818 | - | 3,619,818 |
| Capital assets: | | | |
| Nondepreciable | 18,534,320 | 41,849,377 | 60,383,697 |
| Depreciable, net of accumulated depreciation | 84,284,913 | 44,373,140 | 128,658,053 |
| Total assets | <u>305,317,137</u> | <u>160,258,018</u> | <u>465,575,155</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Related to Pension and OPEB | <u>15,340,131</u> | <u>923,685</u> | <u>16,263,816</u> |
| LIABILITIES | | | |
| Accounts payable | 2,015,897 | 6,369,840 | 8,385,737 |
| Accrued interest | - | 658,958 | 658,958 |
| Accrued payroll | 990,266 | 137,926 | 1,128,192 |
| Refundable deposits | 9,110,508 | 52,920 | 9,163,428 |
| Unearned revenue | 92,334 | - | 92,334 |
| Long-term liabilities: | | | |
| Due within one year | 940,342 | 645,685 | 1,586,027 |
| Due in more than one year | 11,842,240 | 40,979,822 | 52,822,062 |
| Net Pension Liability: | | | |
| Due in more than one year | <u>71,829,064</u> | <u>7,627,784</u> | <u>79,456,848</u> |
| Total liabilities | <u>96,820,651</u> | <u>56,472,935</u> | <u>153,293,586</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Related to Pension and OPEB | <u>8,146,137</u> | <u>420,950</u> | <u>8,567,087</u> |
| NET POSITION | | | |
| Net investment in capital assets | 102,819,233 | 62,401,864 | 165,221,097 |
| Restricted for: | | | |
| Housing | 2,003,145 | - | 2,003,145 |
| Roads | 4,143,917 | - | 4,143,917 |
| Parks | 2,787,789 | - | 2,787,789 |
| Local programs and events | 1,667,058 | - | 1,667,058 |
| Unrestricted | <u>102,269,338</u> | <u>41,885,954</u> | <u>144,155,292</u> |
| Total net position | <u>\$ 215,690,480</u> | <u>\$ 104,287,818</u> | <u>\$ 319,978,298</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, 2020

| Functions/Programs | Expenses | Program Revenues | | |
|----------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 6,702,456 | \$ 702,859 | \$ 162,453 | \$ - |
| Public safety - Police | 15,697,931 | 98,398 | 210,760 | - |
| Public safety - Fire | 11,035,146 | 70,709 | 2,601 | - |
| Public works | 5,376,875 | 179,837 | 872,370 | 979,700 |
| Community development | 2,980,907 | 2,537,272 | - | - |
| Parks and recreation | 11,256,138 | 1,520,574 | 54,085 | - |
| Total governmental activities | 53,049,453 | 5,109,649 | 1,302,269 | 979,700 |
| Business-type activities: | | | | |
| Water | 14,978,448 | 16,552,780 | - | - |
| Wastewater | 7,876,915 | 13,649,963 | - | 21,216 |
| Total business-type activities | 22,855,363 | 30,202,743 | - | 21,216 |
| Total primary government | \$ 75,904,816 | \$ 35,312,392 | \$ 1,302,269 | \$ 1,000,916 |

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 on JPA investment
- Gain (Loss) on sale of capital assets
- Other

Transfers:

Total general revenues and transfers

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 |
|----------------------------|-----------------------------|-----------------------|
| \$ (5,837,144) | \$ - | \$ (5,837,144) |
| (15,388,773) | - | (15,388,773) |
| (10,961,836) | - | (10,961,836) |
| (3,344,968) | - | (3,344,968) |
| (443,635) | - | (443,635) |
| (9,681,479) | - | (9,681,479) |
| <u>(45,657,835)</u> | <u>-</u> | <u>(45,657,835)</u> |
| - | 1,574,332 | 1,574,332 |
| <u>-</u> | <u>5,794,264</u> | <u>5,794,264</u> |
| - | 7,368,596 | 7,368,596 |
| <u>(45,657,835)</u> | <u>7,368,596</u> | <u>(38,289,239)</u> |
| 35,186,668 | - | 35,186,668 |
| 3,506,101 | - | 3,506,101 |
| 1,213,162 | - | 1,213,162 |
| 2,052,913 | - | 2,052,913 |
| 4,424,946 | - | 4,424,946 |
| 5,672,389 | 81,433 | 5,753,822 |
| 663,404 | - | 663,404 |
| | (10,665) | (10,665) |
| 237,699 | 49,043 | 286,742 |
| - | - | - |
| <u>52,957,282</u> | <u>119,811</u> | <u>53,077,093</u> |
| 7,299,447 | 7,488,407 | 14,787,854 |
| 208,391,033 | 96,799,411 | 305,190,444 |
| <u>\$ 215,690,480</u> | <u>\$ 104,287,818</u> | <u>\$ 319,978,298</u> |

City of Foster City and Estero Municipal Improvement District

Balance Sheet

Governmental Funds

June 30, 2020

| | Major Funds | | | | | | Total |
|--|----------------------|----------------------------|--------------------------------|-----------------------|----------------------------|------------------------------|-----------------------|
| | Special revenue | | | Capital Projects | | | |
| | General Fund | Low and Moderate | | City Capital Projects | Capital Asset Preservation | Non-Major Governmental Funds | |
| | | Income Housing Assets Fund | Foster City Affordable Housing | | | | |
| ASSETS | | | | | | | |
| Cash and investments | \$ 59,048,052 | \$ 2,025,149 | \$ 921,383 | \$ 22,513,499 | \$ 42,370,105 | \$ 12,129,306 | \$ 139,007,494 |
| Receivables, net of allowance: | | | | | | | |
| Accrued interest | 772,445 | - | - | - | - | - | 772,445 |
| Intergovernmental | 35,501 | - | - | - | - | 225,073 | 260,574 |
| Taxes | 2,815,977 | - | - | - | - | 107,510 | 2,923,487 |
| Other | 52,943 | 1,527 | - | - | - | 32,590 | 87,060 |
| Due from other funds | - | - | - | 133,436 | - | - | 133,436 |
| Prepays and deposits | 2,515 | - | - | - | 50,000 | - | 52,515 |
| Inventory | 16,900 | - | - | - | - | - | 16,900 |
| Restricted cash and investments | 236,274 | - | - | - | - | - | 236,274 |
| Loans receivables, net of allowance | 1,284,468 | 230,085 | 4,645,028 | - | - | 1,346 | 6,160,927 |
| Total assets | \$ 64,265,075 | \$ 2,256,761 | \$ 5,566,411 | \$ 22,646,935 | \$ 42,420,105 | \$ 12,495,825 | \$ 149,651,112 |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 691,887 | \$ 17,469 | \$ - | \$ 1,111,198 | \$ - | \$ 27,962 | \$ 1,848,516 |
| Accrued payroll | 911,554 | - | - | - | - | 11,668 | 923,222 |
| Refundable deposits | 2,688,741 | 6,062 | - | 5,830,130 | - | 585,575 | 9,110,508 |
| Due to other funds | - | - | - | - | - | 133,436 | 133,436 |
| Unearned revenue | 92,334 | - | - | - | - | - | 92,334 |
| Total liabilities | 4,384,516 | 23,531 | - | 6,941,328 | - | 758,641 | 12,108,016 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenue - Measure M funding | - | - | - | - | - | 133,436 | 133,436 |
| Unavailable-loan receivable | 1,284,468 | 230,085 | 4,645,028 | - | - | - | 6,159,581 |
| Total liabilities | 1,284,468 | 230,085 | 4,645,028 | - | - | 133,436 | 6,293,017 |
| FUND BALANCES | | | | | | | |
| Non-Spendable | 19,415 | - | - | - | - | - | 19,415 |
| Restricted | 15,296 | 2,003,145 | - | - | - | 7,898,576 | 9,917,017 |
| Committed | 7,702,504 | - | 921,383 | 15,705,607 | 42,420,105 | 3,838,608 | 70,588,207 |
| Unassigned | 50,858,876 | - | - | - | - | (133,436) | 50,725,440 |
| Total fund balances | 58,596,091 | 2,003,145 | 921,383 | 15,705,607 | 42,420,105 | 11,603,748 | 131,250,079 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 64,265,075 | \$ 2,256,761 | \$ 5,566,411 | \$ 22,646,935 | \$ 42,420,105 | \$ 12,495,825 | \$ 149,651,112 |

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, 2020

Total Fund Balances - Total Governmental Funds \$ 131,250,079

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 | \$ 18,534,320 | \$ - | |
| Depreciable, net | 84,284,913 | (4,078,411) | |
| Total capital assets | 102,819,233 | (4,078,411) | 98,740,822 |
| First time homebuyer loans receivable are not available to pay current-period expenditures and, therefore, are deferred inflows in the governmental funds. | | | 230,085 |
| The New Home Company loans receivable are unavailable to pay current period expenditures and, therefore, are deferred inflows in the governmental funds. | | | 4,645,028 |
| The Successor Agency loans receivable are unavailable to pay current period expenditures and, therefore, are deferred inflows in the governmental funds. | | | 1,284,468 |
| North Peninsula Jewish Campus loans receivable are unavailable to pay current period expenditures and, therefore, are not reported in the governmental funds. | | | 14,709,281 |
| Revenues from Measure M funding not expected to received with the accrual period are classified as unavailable revenue in governmental funds | | | 133,436 |
| 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 | | | 34,525,308 |
| 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 | | | 3,619,818 |
| Compensated absences | | | (2,310,714) |
| Net OPEB Liability | | | (9,471,856) |
| Net pension liability | | | (68,609,224) |
| Deferred outflows due to pension liabilities | | | 14,285,804 |
| Deferred outflows due to OPEB liabilities | | | 599,320 |
| Deferred inflows due to pension liabilities | | | (6,231,849) |
| Deferred inflows due to OPEB liabilities | | | (1,709,326) |

Net Position of Governmental Activities \$ 215,690,480

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, 2020

| | Major Funds | | | | | | Total |
|---|--------------------|----------------------------------|--------------------------------------|--------------------------|----------------------------------|------------------------------------|-------------------|
| | Special Revenue | | | Capital Projects | | Non-Major Governmental Funds | |
| | General Fund | Low & Moderate | | City Capital Projects | Capital Asset Preservation | | |
| | | Income Housing Assets Fund | Foster City Affordable Housing | | | | |
| REVENUES: | | | | | | | |
| Property taxes | \$ 35,186,668 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 35,186,668 |
| Sales and use and sales tax in lieu | 3,149,274 | - | - | - | - | 1,142,236 | 4,291,510 |
| Transient occupancy tax | 3,506,101 | - | - | - | - | - | 3,506,101 |
| Franchise tax | 1,213,162 | - | - | - | - | - | 1,213,162 |
| Property transfer tax | 279,650 | - | - | - | - | - | 279,650 |
| Licenses and permits | 3,399,595 | - | - | - | - | - | 3,399,595 |
| Intergovernmental | 349,953 | - | - | - | - | 1,565,361 | 1,915,314 |
| Charges for current services | 1,578,848 | - | - | - | - | 228,516 | 1,807,364 |
| Fines and forfeitures | 30,935 | - | - | - | - | 60,025 | 90,960 |
| Park-in-lieu | - | - | - | - | - | 480,000 | 480,000 |
| Investment and rental income | 2,272,144 | 115,175 | 47,290 | 540,710 | 1,494,139 | 250,477 | 4,719,935 |
| Other | 463,996 | 74,397 | - | 221,953 | - | 739,844 | 1,500,190 |
| Total revenues | 51,430,326 | 189,572 | 47,290 | 762,663 | 1,494,139 | 4,466,459 | 58,390,449 |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| General government | 5,097,645 | - | - | - | - | 847,059 | 5,944,704 |
| Public safety - Police | 13,842,519 | - | - | - | - | 157,677 | 14,000,196 |
| Public safety - Fire | 9,389,379 | - | - | - | - | - | 9,389,379 |
| Public works | 2,551,159 | - | - | - | - | 562,940 | 3,114,099 |
| Community development | 2,708,698 | 73,531 | - | - | - | 102,743 | 2,884,972 |
| Parks and recreation | 9,353,239 | - | - | 29,935 | - | 2,883 | 9,386,057 |
| Capital outlay | - | - | - | 2,397,737 | - | 2,349,387 | 4,747,124 |
| Total expenditures | 42,942,639 | 73,531 | - | 2,427,672 | - | 4,022,689 | 49,466,531 |
| REVENUES OVER (UNDER) EXPENDITURES | 8,487,687 | 116,041 | 47,290 | (1,665,009) | 1,494,139 | 443,770 | 8,923,918 |
| OTHER FINANCING SOURCES (USES): | | | | | | | |
| Proceeds from sales of capital assets | - | - | - | - | 622,025 | - | 622,025 |
| Transfers in | 18,535 | - | - | 5,859,727 | - | 100,000 | 5,978,262 |
| Transfers out | (5,186,577) | - | - | - | - | (68,535) | (5,255,112) |
| Total other financing sources (uses) | (5,168,042) | - | - | 5,859,727 | 622,025 | 31,465 | 1,345,175 |
| NET CHANGE IN FUND BALANCES | 3,319,645 | 116,041 | 47,290 | 4,194,718 | 2,116,164 | 475,235 | 10,269,093 |
| FUND BALANCES: | | | | | | | |
| Beginning of year | 55,276,446 | 1,887,104 | 874,093 | 11,510,889 | 40,303,941 | 11,128,513 | 120,980,986 |
| End of year | \$ 58,596,091 | \$ 2,003,145 | \$ 921,383 | \$ 15,705,607 | \$ 42,420,105 | \$ 11,603,748 | \$ 131,250,079 |

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, 2020

Net Change in Fund Balances - Total Governmental Funds **\$ 10,269,093**

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 \$6,759,174, which consisted of \$858,401 in additions attributable to internal service fund activity and \$5,900,773 in additions attributable to governmental funds). | 5,439,144 |
| Capital assets disposal | (73,336) |
| Less current year depreciation. This amount is net of depreciation expense of the internal service funds in the amount of \$732,754. | (5,045,837) |

| | |
|--|----------|
| 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 funds. | (12,445) |
|--|----------|

| | |
|--|-----------|
| 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. | (622,024) |
|--|-----------|

| | |
|---|---------|
| Revenues from Measure M funding not expected to received with the accrual period are classified as unavailable revenue in governmental funds. | 133,436 |
|---|---------|

| | |
|---|---------|
| Interest that will not be collected for several years are not considered "available" and are not reported in the governmental fund. | 129,540 |
|---|---------|

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.

| | |
|---------------------------------------|-------------|
| Capital contributions to other agency | 388,489 |
| Gain on JPA investment | 663,404 |
| Compensated absences | (240,240) |
| OPEB expenses | (50,468) |
| Pension expenses | (4,431,561) |

| | |
|---|---------|
| 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. | 752,252 |
|---|---------|

| | |
|--|---------------------|
| Change in Net Position of Governmental Activities | \$ 7,299,447 |
|--|---------------------|

See accompanying Notes to Basic Financial Statements

City of Foster City and Estero Municipal Improvement District
Statement of Net Position
Proprietary Funds
June 30, 2020

| | Enterprise Funds | | | Internal Service Funds |
|---|----------------------|----------------------|--------------------|------------------------------|
| | Water | Wastewater | Total | |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 18,021,843 | \$ 31,617,328 | \$ 49,639,171 | \$ 36,781,952 |
| Receivables, net of allowance: | | | | |
| Billed utility, net of allowance for uncollectibles | 1,036,388 | 934,314 | 1,970,702 | - |
| Unbilled utility | 2,028,253 | 1,459,745 | 3,487,998 | - |
| Interest | - | 143 | 143 | - |
| JPFA | - | 16,334,332 | 16,334,332 | - |
| Other | 86,240 | 5,865 | 92,105 | 6,176 |
| Deposits and prepaid items | - | - | - | 657 |
| Inventory | 65,436 | 219,838 | 285,274 | 88,120 |
| Total current assets | 21,238,160 | 50,571,565 | 71,809,725 | 36,876,905 |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Nondepreciable | 4,118,184 | 37,731,193 | 41,849,377 | - |
| Depreciable, net of accumulated depreciation | 15,566,770 | 28,806,370 | 44,373,140 | 4,078,411 |
| Total noncurrent assets | 19,684,954 | 66,537,563 | 86,222,517 | 4,078,411 |
| Total assets | 40,923,114 | 117,109,128 | 158,032,242 | 40,955,316 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Related to Pension and OPEB | 466,392 | 457,293 | 923,685 | 455,007 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 1,264,743 | 5,105,097 | 6,369,840 | 167,381 |
| Accrued interest | - | 658,958 | 658,958 | - |
| Accrued payroll | 67,907 | 70,019 | 137,926 | 67,044 |
| Refundable deposits | 52,920 | - | 52,920 | - |
| Claims liability | - | - | - | 36,000 |
| Compensated absences - current portion | 65,047 | 65,638 | 130,685 | 72,423 |
| Other liability | - | - | - | 31,466 |
| Bonds payable - current portion | - | 515,000 | 515,000 | - |
| Total current liabilities | 1,450,617 | 6,414,712 | 7,865,329 | 374,314 |
| Noncurrent liabilities: | | | | |
| Compensated absences - noncurrent portion | 125,282 | 115,523 | 240,805 | 115,199 |
| Net OPEB liability | 619,051 | 479,981 | 1,099,032 | 619,059 |
| Net pension liability | 3,689,040 | 3,938,744 | 7,627,784 | 3,219,840 |
| Other liability-noncurrent portion | - | - | - | 125,865 |
| Bonds payable - noncurrent portion | - | 39,639,985 | 39,639,985 | - |
| Total noncurrent liabilities | 4,433,373 | 44,174,233 | 48,607,606 | 4,079,963 |
| Total liabilities | 5,883,990 | 50,588,945 | 56,472,935 | 4,454,277 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Related to Pension and OPEB | 213,651 | 207,299 | 420,950 | 204,962 |
| NET POSITION | | | | |
| Net investment in capital assets | 19,684,954 | 42,716,910 | 62,401,864 | 4,078,411 |
| Unrestricted | 15,606,911 | 24,053,267 | 39,660,178 | 32,672,673 |
| Total net position | \$ 35,291,865 | \$ 66,770,177 | 102,062,042 | \$ 36,751,084 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | 2,225,776 | |
| Net position of business-type activities | | | \$ 104,287,818 | |

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, 2020

| | Enterprise Funds | | | Internal Service Funds |
|---|----------------------|----------------------|-------------------|------------------------------|
| | Water | Wastewater | Total | |
| OPERATING REVENUES: | | | | |
| Sales and service charges | \$ 16,552,780 | \$ 13,649,963 | \$ 30,202,743 | \$ - |
| Charges for services - Internal | - | - | - | 8,786,939 |
| Total operating revenues | 16,552,780 | 13,649,963 | 30,202,743 | 8,786,939 |
| OPERATING EXPENSES: | | | | |
| Personnel | 2,179,378 | 2,136,819 | 4,316,197 | 2,559,881 |
| Utilities | 9,734,099 | 213,079 | 9,947,178 | - |
| Program supplies | 114,795 | 103,617 | 218,412 | - |
| Repairs and maintenance | 24,870 | 83,137 | 108,007 | 1,399,549 |
| General and administration | 1,854,384 | 1,496,392 | 3,350,776 | 1,445,052 |
| Depreciation and amortization | 843,591 | 1,248,855 | 2,092,446 | 633,697 |
| Contractual service | 234,111 | 2,615,193 | 2,849,304 | 582,885 |
| Insurance | 96,169 | 96,169 | 192,338 | 430,131 |
| Total operating expenses | 15,081,397 | 7,993,261 | 23,074,658 | 7,051,195 |
| OPERATING INCOME (LOSS) | 1,471,383 | 5,656,702 | 7,128,085 | 1,735,744 |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Gain(Loss) on disposal of capital assets | (1,463) | (9,202) | (10,665) | (5,054) |
| Investment income | 419,613 | 1,018,266 | 1,437,879 | 822,914 |
| Interest expenses | - | (1,356,446) | (1,356,446) | - |
| Miscellaneous | 22,074 | 26,969 | 49,043 | 47,413 |
| Total nonoperating revenues (expenses) | 440,224 | (320,413) | 119,811 | 865,273 |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | 1,911,607 | 5,336,289 | 7,247,896 | 2,601,017 |
| CONTRIBUTIONS AND TRANSFERS: | | | | |
| Capital contributions to other agency | - | - | - | (388,489) |
| Capital contributions | 21,216 | - | 21,216 | - |
| Transfers in | - | - | - | 299,573 |
| Transfers out | - | - | - | (1,540,554) |
| Total contributions and transfers | 21,216 | - | 21,216 | (1,629,470) |
| Change in net position | 1,932,823 | 5,336,289 | 7,269,112 | 971,547 |
| NET POSITION: | | | | |
| Beginning of the year | 33,359,042 | 61,433,888 | | 35,779,537 |
| End of the year | <u>\$ 35,291,865</u> | <u>\$ 66,770,177</u> | | <u>\$ 36,751,084</u> |

Adjustment to reflect the consolidation
of internal service fund activities related
to enterprise funds 219,295
Change in net position of business-
type activities \$ 7,488,407

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, 2020

| | Enterprise Funds | | | Internal Service Funds |
|---|----------------------|----------------------|----------------------|------------------------------|
| | Water | Wastewater | Total | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash received from customers | \$ 16,470,195 | \$ 13,492,923 | \$ 29,963,118 | \$ - |
| Cash received from inter-departmental charges | - | - | - | 8,784,353 |
| Cash received from others | 22,074 | 10,448,021 | 10,470,095 | 47,413 |
| Cash payments to suppliers for goods and services | (11,823,435) | (2,881,813) | (14,705,248) | (4,301,459) |
| Cash payments to employees for services | (1,942,065) | (1,839,742) | (3,781,807) | (2,383,837) |
| Net cash provided (used) by operating activities | 2,726,769 | 19,219,389 | 21,946,158 | 2,146,470 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Transfers received | - | - | - | 299,573 |
| Transfer paid | - | - | - | (1,540,554) |
| Net cash provided (used) by noncapital financing activities | - | - | - | (1,240,981) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Principal paid on bonds | - | (225,054) | (225,054) | - |
| Capital contributions received | 21,216 | - | 21,216 | - |
| Acquisition and construction of capital assets | (504,887) | (16,316,036) | (16,820,923) | (858,401) |
| Net cash provided (used) by capital and related financing activities | (483,671) | (16,541,090) | (17,024,761) | (858,401) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Interest expenses | - | (1,356,446) | (1,356,446) | - |
| Investment income | 419,613 | 1,018,266 | 1,437,879 | 822,914 |
| Net cash provided (used) by investing activities | 419,613 | (338,180) | 81,433 | 822,914 |
| Net increase (decrease) in cash and cash equivalents | 2,662,711 | 2,340,119 | 5,002,830 | 870,002 |
| CASH AND CASH EQUIVALENTS: | | | | |
| Beginning of year | 15,359,132 | 29,277,209 | 44,636,341 | 35,911,950 |
| End of year | <u>\$ 18,021,843</u> | <u>\$ 31,617,328</u> | <u>\$ 49,639,171</u> | <u>\$ 36,781,952</u> |

(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, 2020

| | Enterprise Funds | | | Internal Service Funds |
|---|---------------------|----------------------|----------------------|------------------------------|
| | Water | Wastewater | Total | |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | | |
| Operating income (loss) | \$ 1,471,383 | \$ 5,656,702 | \$ 7,128,085 | \$ 1,735,744 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation and amortization | 843,591 | 1,248,855 | 2,092,446 | 633,697 |
| Miscellaneous revenues | 22,074 | 26,969 | 49,043 | 47,413 |
| Changes in operating assets and liabilities: | | | | |
| Decrease (increase) in: | | | | |
| Billed receivables | 3,147 | 11,569 | 14,716 | - |
| Unbilled receivables | (137,737) | (165,494) | (303,231) | - |
| Other receivables | 52,005 | 10,372,801 | 10,424,806 | (2,586) |
| Interest receivables | - | 45,136 | 45,136 | - |
| Deposit and prepaid items | 299 | 299 | 598 | (657) |
| Inventory | 1,463 | (24,982) | (23,519) | 10,143 |
| Deferred outflow of resources | (8,271) | (43,405) | (51,676) | (14,614) |
| Increase (decrease) in: | | | | |
| Accounts payable and claims liability | 244,444 | 1,210,112 | 1,454,556 | (426,328) |
| Accrued interest | - | 540,345 | 540,345 | - |
| Due to other funds | - | - | - | - |
| Accrued payroll | 723 | 12,193 | 12,916 | 1,015 |
| Refundable deposits | (11,213) | - | (11,213) | - |
| Claims liability | - | - | - | (27,000) |
| Compensated absences | (13,585) | (5,423) | (19,008) | 9,825 |
| Net OPEB liability | 74,507 | 69,219 | 143,726 | 74,513 |
| Net pension liability | 201,225 | 278,782 | 480,007 | 154,911 |
| Other liability | - | - | - | (31,467) |
| Deferred inflow of resources | (17,286) | (14,289) | (31,575) | (18,139) |
| Total adjustments | 1,255,386 | 13,562,687 | 14,818,073 | 410,726 |
| Net cash provided (used) by operating activities | \$ 2,726,769 | \$ 19,219,389 | \$ 21,946,158 | \$ 2,146,470 |
| NONCASH CAPITAL AND RELATED FINANCING TRANSACTIONS: | | | | |
| Capital contributions to other agency | \$ - | \$ - | \$ - | \$ (388,489) |
| Loss on disposal of capital assets | (1,463) | (9,202) | (10,665) | - |
| Total noncash capital and related financing transaction | \$ (1,463) | \$ (9,202) | \$ (10,665) | \$ (388,489) |

See accompanying Notes to Basic Financial Statements

City of Foster City and Estero Municipal Improvement District
Fiduciary Fund
Statement of Fiduciary Net Position
June 30, 2020

| | Successor Agency of Community Development Agency |
|---------------------------|---|
| ASSETS | |
| Cash and investments | \$ 482,505 |
| Total assets | \$ 482,505 |
| LIABILITIES | |
| Loan payable to City | \$ 1,284,468 |
| Total liabilities | 1,284,468 |
| NET POSITION | |
| Unrestricted | (801,963) |
| Total Net Position | \$ (801,963) |

See accompanying Notes to Basic Financial Statements

City of Foster City and Estero Municipal Improvement District
Fiduciary Fund
Statement of Changes in Fiduciary Net Position
For fiscal year ended June 30, 2020

| | Successor Agency of Community Development Agency |
|------------------------------------|---|
| Additions | |
| Property taxes | \$ 269,966 |
| Investment earnings | 12,329 |
| Total additions | <u>282,295</u> |
| Deductions | |
| Administrative expenses | 55,234 |
| Affordable housing subsidy | 250,951 |
| Total deductions | <u>306,185</u> |
| Change in net position | (23,890) |
| Net position-Beginning of the year | <u>(778,073)</u> |
| Net position-End of the year | <u>\$ (801,963)</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, 2020**

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, 2020**

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

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 – Private purpose trust fund is used to account for assets held by the City/District as fiduciary for Foster City Successor Agency. The Successor Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments of recognized obligations at appropriate amounts and times in the future. The financial activities of the funds are excluded from the Government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

Fiduciary funds (private-purpose trust fund) are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues (additions) are recorded when earned and expenses (deductions) are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020**

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 noninfrastructure 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, 2020**

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, 2020**

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 and Closed Funds

The City established the following in fiscal year 2019/2020:

Measure W Special Revenue 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 July 1, 2019. These funds are earmarked to improve transit and relieve traffic congestion including roads maintenances, promote alternative modes of transportation, implement advanced technologies on roadway system, and planning/implementing traffic operations and safety projects.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

O. New Pronouncements

In 2020, 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. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance* – This Statement extended the implementation dates for 15 GASB Statements and Implementation Guides by 1 year or more. Of course, many of the Statements could be early-implemented, as applicable.

Future 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 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The City/District has not determined its effect on the financial statements.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2020**

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, 2020 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 | \$ 225,428,617 |
| Restricted cash and investments | 236,274 |
| Total Primary Government cash and investments | <u>225,664,891</u> |

Statement of Fiduciary Net Position:

| | |
|--|------------------------------|
| Cash and investments | 482,505 |
| Total Fiduciary Trust cash and investments | <u>482,505</u> |
| Total cash and investments | <u><u>\$ 226,147,396</u></u> |

Cash and investments as of June 30, 2020 consist of the following:

| | |
|--|------------------------------|
| Cash on hand | \$ 3,400 |
| Deposits with financial institutions | 1,294,532 |
| Certificates of Deposit (non-negotiable) | 236,274 |
| Negotiable Certificates of Deposit | 2,756,135 |
| Local Agency Investment Funds (LAIF) | 183,396,585 |
| Corporate Bond | - |
| Securities of U.S. Government | 38,460,470 |
| | <u><u>\$ 226,147,396</u></u> |

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020, 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, 2020**

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments Authorized by 2019 Wastewater Revenue Bond 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 | Minimum Credit |
|--|---------|----------------|
| 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, 2020, are shown below:

| Investment Type | Fair Value | Investment Maturities (in years) | | | | |
|--|-----------------------|----------------------------------|---------------------|---------------------|---------------------|----------------------|
| | | 1 year or Less | 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) | \$ 8,078,280 | \$ 2,021,790 | \$ 4,054,600 | \$ - | \$ 1,000,450 | \$ 1,001,440 |
| Federal Farm Credit Bank Bonds (FFCB) | 2,001,540 | - | - | 1,000,410 | 1,001,130 | - |
| Federal Home Loan Bank Bonds (FHLB) | 11,791,670 | 4,774,100 | 2,000,740 | - | - | 5,016,830 |
| Federal Home Loan Mortg. Corp. Bonds (FHLMC) | 16,588,980 | 7,555,390 | 1,019,930 | 2,000,240 | - | 6,013,420 |
| Negotiable Certificates of Deposit | 2,756,135 | 1,250,502 | 1,505,633 | - | - | - |
| Certificates of Deposit (non-negotiable) | 236,274 | 236,274 | - | - | - | - |
| Local Agency Investment Funds (LAIF) | 183,396,585 | 183,396,585 | - | - | - | - |
| Total | \$ 224,849,464 | \$ 199,234,641 | \$ 8,580,903 | \$ 3,000,650 | \$ 2,001,580 | \$ 12,031,690 |

CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020, 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 | \$ 2,756,135 | 1.23% |
| Certificates of Deposit (non-negotiable) | 236,274 | 0.11% |
| Securities of U.S. Government Agencies: | | |
| Federal Farm Credit Bank Bonds (FFCB) | 2,001,540 | 0.89% |
| Federal Home Loan Bank Bonds (FHLB) | 11,791,670 | 5.24% |
| Federal Home Loan Mortg. Corp. Bonds (FHLMC) | 16,588,980 | 7.38% |
| Federal National Mortg. Assn. Bonds (FNMA) | 8,078,280 | 3.59% |
| Total Securities of U.S. Government Agencies | 38,460,470 | 17.10% |
| Local Agency Investment Fund Pool | 183,396,585 | 81.56% |
| Total Investment Portfolio | \$ 224,849,464 | 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, 2020**

NOTE 3 – CASH AND INVESTMENTS (Continued)

As of June 30, 2020, the carrying amount of the City/District's deposits was \$1,294,532 and the bank balance was \$3,826,099. Of the bank balance, \$250,000 was covered by federal depository insurance and \$3,576,099 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, 2020, by multiplying its account balance with LAIF (\$182,500,000) times a fair value factor (1.004912795) 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, 2020, the City/District's investments in LAIF, stated at fair value, equaled \$183,396,585.

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, 2020**

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, 2020:

| <u>Investment Type</u> | <u>Fair Value Measurement Using</u> | |
|--|-------------------------------------|-----------------------|
| | <u>Level 2 Inputs</u> | <u>Uncategorized</u> |
| Federal National Mortg. Assn. Bonds (FNMA) | \$ 8,078,280 | \$ - |
| Federal Farm Credit Bank Bonds (FFCB) | 2,001,540 | - |
| Federal Home Loan Bank Bonds (FHLB) | 11,791,670 | - |
| Federal Home Loan Mortg. Corp. Bonds (FHLMC) | 16,588,980 | - |
| Local Agency Investment Funds (LAIF) | - | 183,396,585 |
| Negotiable Certificates of Deposit | 2,756,135 | - |
| Certificates of Deposit (non-negotiable) | - | 236,274 |
| Total Investment Portfolio | <u>\$ 41,216,605</u> | <u>\$ 183,632,859</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, 2020**

NOTE 4 – LOANS RECEIVABLE

At June 30, 2020, Loans Receivable amounted to:

| | <u>Amount</u> | <u>Allowance</u> | <u>Net Amount</u> |
|------------------------------------|----------------------|-----------------------|-----------------------|
| Metro Center Senior Homes Project | \$ 7,147,252 | \$ (7,147,252) | \$ - |
| First Time Home Buyer Program | 230,085 | - | 230,085 |
| North Peninsula Jewish Campus Land | 14,709,281 | - | 14,709,281 |
| MP Foster Square Associates, L.P. | 4,645,028 | - | 4,645,028 |
| KIVA | 1,346 | - | 1,346 |
| Successor Agency | 1,284,468 | - | 1,284,468 |
| Total | <u>\$ 28,017,460</u> | <u>\$ (7,147,252)</u> | <u>\$ 20,870,208</u> |

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, 2020, the Agency provided a 100% valuation allowance equal to the loan balance outstanding in the amount of \$7,147,252 which includes principal of \$5,855,998 and accumulated interest in the amount of \$1,291,254.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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 \$230,085 at June 30, 2020.

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 \$14,709,281 as of June 30, 2020.

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, 2020, final certificate of occupancy has not been issued. The outstanding loan balance is \$4,645,028 which includes principal of \$4,023,577 and accrued interest of \$621,451.

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, 2020, the outstanding balance of this loan is \$1,346.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020**

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, 2020 is \$1,284,468. 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 | \$ 133,436 |
| Total | | \$ 133,436 |

Transfers

Resources may be transferred from one City/District fund to another. Transfers are made for the purposes of funding capital projects, capital outlays, or reimburse a fund that has incurred expenditures on behalf of another fund. Expenditures reimbursed were for capital projects, maintenance and operation expenses, and contributions for post-employment benefits or other employment liabilities. The following schedule summarizes the City/District’s transfer activity:

| Transfers In | Transfers Out | Amount Transferred |
|----------------------------------|------------------------------|---------------------|
| General Fund | Non-Major Governmental Funds | \$ 18,535 |
| City Capital Projects Fund | General Fund | 5,136,577 |
| City Capital Projects Fund | Internal Service Funds | 723,150 |
| Internal Service Funds | Internal Service Funds | 299,573 |
| Non-Major Governmental Funds | General Fund | 50,000 |
| Non-Major Governmental Funds | Non-Major Governmental Funds | 50,000 |
| Total Interfund Transfers | | \$ 6,277,835 |

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, 2020**

NOTE 5 – INTERFUND TRANSACTIONS (Continued)

In fiscal year 2020, the Equipment Replacement Internal Service Fund recorded a transfer out in the amount of \$517,831 to transfer capital assets to the governmental activities for the purchase of playground equipment. The transfer in to the governmental activities is only recorded in the governmentwide financial statements and therefore, transfers in and out do not reconcile on the fund statements.

NOTE 6 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2020 follows:

| | <u>July 1, 2019</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>June 30, 2020</u> |
|--|-----------------------|--------------------|---------------------|--------------------|-----------------------|
| Governmental activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 11,102,221 | \$ - | \$ - | \$ - | \$ 11,102,221 |
| Construction in progress | <u>6,238,223</u> | <u>4,921,314</u> | <u>-</u> | <u>(3,727,438)</u> | <u>7,432,099</u> |
| Total capital assets, not being depreciated | <u>17,340,444</u> | <u>4,921,314</u> | <u>-</u> | <u>(3,727,438)</u> | <u>18,534,320</u> |
| Capital assets, being depreciated: | | | | | |
| Infrastructure | 117,032,379 | 517,830 | (407,131) | 3,727,438 | 120,870,516 |
| Buildings | 50,011,488 | - | - | - | 50,011,488 |
| Improvements | 5,898,096 | - | - | - | 5,898,096 |
| Equipment | 7,061,054 | 103,225 | (225,672) | - | 6,938,607 |
| Vehicles | 4,211,627 | 407,363 | (346,169) | - | 4,272,821 |
| Software | <u>844,096</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>844,096</u> |
| Total capital assets, being depreciated | <u>185,058,740</u> | <u>1,028,418</u> | <u>(978,972)</u> | <u>3,727,438</u> | <u>188,835,624</u> |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | (69,137,883) | (3,719,659) | 333,795 | - | (72,523,747) |
| Buildings | (19,803,170) | (1,146,390) | - | - | (20,949,560) |
| Improvements | (2,920,506) | (179,788) | - | - | (3,100,294) |
| Equipment | (4,691,642) | (298,573) | 225,672 | - | (4,764,543) |
| Vehicles | (2,558,442) | (305,820) | 300,438 | - | (2,563,824) |
| Software | <u>(619,440)</u> | <u>(29,303)</u> | <u>-</u> | <u>-</u> | <u>(648,743)</u> |
| Total accumulated depreciation | <u>(99,731,083)</u> | <u>(5,679,533)</u> | <u>859,905</u> | <u>-</u> | <u>(104,550,711)</u> |
| Total capital assets, being depreciated, net | <u>85,327,657</u> | <u>(4,651,115)</u> | <u>(119,067)</u> | <u>3,727,438</u> | <u>84,284,913</u> |
| Governmental activities capital assets, net | <u>\$ 102,668,101</u> | <u>\$ 270,199</u> | <u>\$ (119,067)</u> | <u>\$ -</u> | <u>\$ 102,819,233</u> |

Total capital asset additions for the City for the fiscal year ended for governmental activities were \$5,949,732 which consisted of \$510,588 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, 2020**

NOTE 6 – CAPITAL ASSETS (Continued)

| | July 1, 2019 | Additions | Retirements | Transfers | June 30, 2020 |
|---|----------------------|----------------------|-------------------|--------------------|----------------------|
| Business-type activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 3,553,474 | \$ - | \$ - | \$ - | \$ 3,553,474 |
| Construction in progress | 22,694,704 | 16,751,750 | - | (1,150,551) | 38,295,903 |
| Total capital assets, not being depreciated | 26,248,178 | 16,751,750 | - | (1,150,551) | 41,849,377 |
| Capital assets, being depreciated: | | | | | |
| Infrastructure | 73,782,150 | 58,720 | (56,731) | 1,150,551 | 74,934,690 |
| Sewer capacity rights | 24,791,531 | - | - | - | 24,791,531 |
| Equipment | 3,118,286 | 6,590 | (76,231) | - | 3,048,645 |
| Total capital assets, being depreciated | 101,691,967 | 65,310 | (132,962) | 1,150,551 | 102,774,866 |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | (48,055,677) | (1,444,864) | 49,929 | - | (49,450,612) |
| Sewer capacity rights | (7,039,989) | (495,831) | - | - | (7,535,820) |
| Equipment | (1,339,774) | (151,751) | 76,231 | - | (1,415,294) |
| Total accumulated depreciation | (56,435,440) | (2,092,446) | 126,160 | - | (58,401,726) |
| Total capital assets, being depreciated, net | 45,256,527 | (2,027,136) | (6,802) | 1,150,551 | 44,373,140 |
| Business-type activities capital assets, net | \$ 71,504,705 | \$ 14,724,614 | \$ (6,802) | \$ - | \$ 86,222,517 |

Depreciation

Depreciation expense was charged to governmental functions as follows:

| | |
|-----------------------------------|---------------------|
| General government | \$ 649,751 |
| Public safety - Police | 271,260 |
| Public safety - Fire | 20,003 |
| Public works | 2,437,896 |
| Community development | 46,521 |
| Parks and recreation | 2,254,103 |
| Total depreciation expense | \$ 5,679,534 |

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

| | |
|-----------------------------------|---------------------|
| Water | \$ 843,591 |
| Wastewater | 1,248,855 |
| Total depreciation expense | \$ 2,092,446 |

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 – LONG TERM OBLIGATIONS

The following is a summary of long-term obligation transactions for the year ended June 30, 2020:

| | July 1, 2019 | Additions | Retirements | June 30, 2020 | Due Within One Year | Due in More Than One Year |
|---|----------------------|---------------------|-----------------------|----------------------|------------------------|------------------------------|
| Governmental activities: | | | | | | |
| Claim liability | \$ 63,000 | \$ - | \$ (27,000) | \$ 36,000 | \$ 36,000 | \$ - |
| Compensated absences | 2,248,271 | 1,135,848 | (885,783) | 2,498,336 | 872,876 | 1,625,460 |
| Net OPEB liability | 9,005,196 | 1,711,780 | (626,061) | 10,090,915 | - | 10,090,915 |
| Direct placement: PG&E On-Bill Financing | 188,798 | - | (31,467) | 157,331 | 31,466 | 125,865 |
| Total governmental activities | \$ 11,505,265 | \$ 2,847,628 | \$ (1,570,311) | \$ 12,782,582 | \$ 940,342 | \$ 11,842,240 |
| Business-type activities: | | | | | | |
| Compensated absences | \$ 390,498 | \$ 144,776 | \$ (163,784) | \$ 371,490 | \$ 130,685 | \$ 240,805 |
| Net OPEB liability | 955,306 | 212,671 | (68,945) | 1,099,032 | - | 1,099,032 |
| 2019 Wastewater Revenue Bonds | 33,820,000 | - | - | 33,820,000 | 515,000 | 33,305,000 |
| Plus: Unamortized bond premium | 6,560,039 | - | (225,054) | 6,334,985 | - | 6,334,985 |
| Total business-type activities | \$ 41,725,843 | \$ 357,447 | \$ (457,783) | \$ 41,625,507 | \$ 645,685 | \$ 40,979,822 |

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, \$187,622 of compensated absences, \$36,000 of claims liability, \$157,331 of PG&E On-Bill Financing, \$3,219,840 of net pension liability and \$619,059 net OPEB liability 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.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 – LONG TERM OBLIGATIONS (Continued)

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. 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 \$40,154,985 at June 30, 2020. Total principal and interest payments on the District Bonds until final maturity is \$62,564,750.

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.

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 | Business-Type Activities | | |
|--------------------------------|--------------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 2021 | \$ 515,000 | \$ 1,568,625 | \$ 2,083,625 |
| 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 - 2030 | 3,680,000 | 6,750,500 | 10,430,500 |
| 2031 - 2035 | 4,720,000 | 5,705,750 | 10,425,750 |
| 2036 - 2040 | 5,970,000 | 4,458,325 | 10,428,325 |
| 2041 - 2045 | 7,365,000 | 3,066,550 | 10,431,550 |
| 2046 - 2050 | 9,225,000 | 1,199,375 | 10,424,375 |
| Total | <u>\$ 33,820,000</u> | <u>\$ 28,744,750</u> | <u>\$ 62,564,750</u> |
| Plus: Unamortized Premium | <u>\$ 6,334,985</u> | | |
| | <u>\$ 40,154,985</u> | | |

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020**

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, 2020, 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 | Governmental Funds | |
| | | | | | | | |
| Nonspendable | | | | | | | |
| Prepays and deposits | \$ 2,515 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,515 |
| Inventory | 16,900 | - | - | - | - | - | 16,900 |
| Total Nonspendable | 19,415 | - | - | - | - | - | 19,415 |
| Restricted | | | | | | | |
| Affordable housing | - | 2,003,145 | - | - | - | - | 2,003,145 |
| Parks | - | - | - | - | - | 2,787,789 | 2,787,789 |
| Public safety program | 15,296 | - | - | - | - | - | 15,296 |
| Roadway capital project and maintenance | - | - | - | - | - | 4,143,917 | 4,143,917 |
| Recreation programs and community events | - | - | - | - | - | 966,870 | 966,870 |
| Total Restricted | 15,296 | 2,003,145 | - | - | - | 7,898,576 | 9,917,017 |
| Committed | | | | | | | |
| Solid waste reduction | - | - | - | - | - | 749,382 | 749,382 |
| Garbage rate stabilization fund | 153,337 | - | - | - | - | - | 153,337 |
| Capital projects | - | - | - | 15,705,607 | 42,420,105 | - | 58,125,712 |
| Affordable housing | - | - | 921,383 | - | - | - | 921,383 |
| CalOpps online recruitment program | - | - | - | - | - | 392,674 | 392,674 |
| Sustainable Foster City program | - | - | - | - | - | 181,599 | 181,599 |
| BAERS program | - | - | - | - | - | 673,503 | 673,503 |
| General plan, building and zoning | - | - | - | - | - | 1,661,815 | 1,661,815 |
| Technology fee program | - | - | - | - | - | 179,635 | 179,635 |
| Community benefit | 1,503,339 | - | - | - | - | - | 1,503,339 |
| Solar rebate | 96,854 | - | - | - | - | - | 96,854 |
| Facility maintenance | 2,376,699 | - | - | - | - | - | 2,376,699 |
| Employee homeloan program | 59,406 | - | - | - | - | - | 59,406 |
| Pension | 3,512,869 | - | - | - | - | - | 3,512,869 |
| Total Committed | 7,702,504 | - | 921,383 | 15,705,607 | 42,420,105 | 3,838,608 | 70,588,207 |
| Unassigned | 50,858,876 | - | - | - | - | (133,436) | 50,725,440 |
| Total Fund Balances | \$ 58,596,091 | \$ 2,003,145 | \$ 921,383 | \$ 15,705,607 | \$ 42,420,105 | \$ 11,603,748 | \$ 131,250,079 |

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, 2020, there were no encumbered fund balances.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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 employer 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, 2020**

NOTE 9 – EMPLOYEE’S RETIREMENT PLAN (Continued)

The plans’ provisions and benefits in effect at June 30, 2020, 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% | 12.00% |
| Required employer contribution rate * | 33.652% | 33.652% | 64.666% | 17.948% | 13.601% (Police) 13.617% (Fire) |
| Total employee contribution FY 19/20 | \$ 693,529 | \$ 238,761 | \$ 266,156 | \$ 15,306 | \$ 251,073 |
| Total employer contribution FY 19/20 | \$ 3,649,887 | \$ 403,785 | \$ 3,452,760 | \$ 31,435 | \$ 284,938 |

* 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, 2018, 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 | 217 |
| Inactive employees entitled to but not yet receiving benefits | 173 |
| Active employees | <u>129</u> |
| Total | <u><u>519</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, 2020**

NOTE 9 – EMPLOYEE’S RETIREMENT PLAN (Continued)

For the year ended June 30, 2020, the contributions for the Plans were as follows:

| | <u>Miscellaneous *</u> | <u>Safety Plans *</u> | <u>Total</u> |
|--------------------------|------------------------|-----------------------|--------------|
| Contributions - employer | \$ 4,053,672 | \$ 3,769,133 | \$ 7,822,805 |
| Contributions - employee | 932,290 | 532,535 | 1,464,825 |

* 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, 2019, using an annual actuarial valuation as of June 30, 2018 using standard update procedures. As of June 30, 2020, the City reported net pension liabilities of \$35,231,181.

As of June 30, 2020, 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 | \$ 40,648,037 |

The total net pension liability for the Miscellaneous and Safety Plans at June 30, 2020 was \$75,879,218.

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, 2019 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, 2018. 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, 2018 and 2019 is as follows:

| | <u>Cost Sharing Safety (Police and Fire) Plan</u> |
|----------------------------|---|
| Proportion - June 30, 2018 | 0.74% |
| Proportion - June 30, 2019 | 0.65% |
| Change-Increase (Decrease) | <u>-0.09%</u> |

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 – EMPLOYEE’S RETIREMENT PLAN (Continued)

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

At June 30, 2020, the City recognized pension expense of \$6,058,217 for the Miscellaneous Plan and pension expense of \$7,093,605 for the Safety Plan, with a total pension expense of \$13,151,822.

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 Outflows of Resources | Deferred Inflows of Resources |
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | | |
| Pension contributions subsequent to measurement date | \$ 4,053,672 | \$ - | \$ 3,769,133 | \$ - | \$ 7,822,805 | \$ - |
| Differences between actual and expected experience | 563,201 | (79,409) | 2,653,950 | - | 3,217,151 | (79,409) |
| Changes in assumptions | - | (180,988) | 1,666,092 | (325,136) | 1,666,092 | (506,124) |
| Net difference between projected and actual earnings on pension plan investments | - | (625,738) | - | (559,183) | - | (1,184,921) |
| Changes in employer's proportion | - | - | - | (3,895,496) | - | (3,895,496) |
| Difference between the employer's contributions and the employer's proportionate share of contributions | - | - | 2,350,659 | (274,905) | 2,350,659 | (274,905) |
| Total | <u>\$ 4,616,873</u> | <u>\$ (886,135)</u> | <u>\$ 10,439,834</u> | <u>\$ (5,054,720)</u> | <u>\$ 15,056,707</u> | <u>\$ (5,940,855)</u> |

The \$7,822,805 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, 2020. 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 June 30 | Miscellaneous | Safety | Total |
|-----------------------|--|--|--|
| | Plan | Plan | |
| | Deferred Outflows/ (Inflows) of Resources | Deferred Outflows/ (Inflows) of Resources | Deferred Outflows/ (Inflows) of Resources |
| 2021 | \$ 306,511 | \$ 2,353,381 | \$ 2,659,892 |
| 2022 | (537,791) | (880,587) | (1,418,378) |
| 2023 | (158,192) | 34,387 | (123,805) |
| 2024 | 66,538 | 108,800 | 175,338 |
| | <u>\$ (322,934)</u> | <u>\$ 1,615,981</u> | <u>\$ 1,293,047</u> |

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020**

NOTE 9 – EMPLOYEE’S RETIREMENT PLAN (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions for Miscellaneous and Safety Plans:

| | All Plans |
|---------------------------|--|
| Valuation Date | June 30, 2018 |
| Measurement Date | June 30, 2019 |
| Actuarial Cost Method | Entry Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.75% |
| Payroll Growth | 3.0% |
| Salary Increase | Varies by Entry Age and Service |
| Investment Rate of Return | 7.35% (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 best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (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 returns of 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, 2020**

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.

| (A) | (B) | (C) |
|----------------------------|------------------------------|-----------------------------|
| Asset Class | Market value (\$ Billion) | Policy Target Allocation |
| Public Equity | 171.8 | 49.0% |
| Private Equity | 27.2 | 8.0% |
| Global Fixed Income | 79.1 | 22.0% |
| Liquidity | 11.8 | 3.0% |
| Real Assets | 38.1 | 12.0% |
| Inflation Sensitive Assets | 20.8 | 6.0% |
| Other | 3.1 | 0.0% |
| Total Fund | 351.9 | 100.0% |

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:

| | Agent-Multiple Miscellaneous * Plan | Cost-Sharing Safety * Plan |
|---------------------------|---|----------------------------------|
| Discount Rate 1% Decrease | 6.15% | 6.15% |
| Net Pension Liability | \$ 50,896,181 | \$ 59,652,216 |
| Current Discount Rate | 7.15% | 7.15% |
| Net Pension Liability | \$ 35,231,181 | \$ 40,648,037 |
| Discount Rate 1% Increase | 8.15% | 8.15% |
| Net Pension Liability | \$ 22,267,967 | \$ 25,067,587 |

* 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, 2020**

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, 2018 | \$ 115,671,958 | \$ 82,148,859 | \$ 33,523,099 |
| Changes in the year: | | | |
| Service cost | 2,181,880 | - | 2,181,880 |
| Interest on the total pension liability | 8,207,764 | - | 8,207,764 |
| Changes of benefit terms | - | - | - |
| Changes of assumptions | - | - | - |
| Difference between expected and actual experience | 894,495 | - | 894,495 |
| Net Plan to plan resource movement | - | (315,016) | 315,016 |
| Contributions - employer | - | 3,537,734 | (3,537,734) |
| Contributions - employees | - | 930,863 | (930,863) |
| Net investment income | - | 5,480,856 | (5,480,856) |
| Benefit payments, including refunds of employee contributions | (5,726,960) | (5,726,960) | - |
| Administrative expenses | - | (58,380) | 58,380 |
| Other miscellaneous income | - | - | - |
| Net changes | <u>5,557,179</u> | <u>3,849,097</u> | <u>1,708,082</u> |
| Balance at June 30, 2019 | <u>\$ 121,229,137</u> | <u>\$ 85,997,956</u> | <u>\$ 35,231,181</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, 2020**

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, 2020, the reporting date, the following numbers of employees were covered by the benefit terms:

| | |
|--|------------------------------------|
| | Numbers of Covered Employees |
| Inactives currently receiving benefits | 52 |
| Inactives entitled to benefit payments | 6 |
| Active employees | 34 |
| Total | 92 |

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 | Active Fire , Police and Safety Management employees hired before 1/1/12 (Plan is closed to new entrants): Age 50 & 10 years of City service Retire from the City & CalPERS (service or disability) Miscellaneous Management and AFSCME members who retired before 9/30/07 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|--------------------------|--------|------|--------|------|------|------|------|------|------|-------|-----|-----|-----|-----|-------|-----|-----|-----|-----|-------|-----|-----|-----|-----|------|-----|-----|-----|-----|
| Retiree Benefits | Monthly benefit varies by City service: <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, 2020**

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, 2020 | June 30, 2019 |
| Measurement Date | 6/30/20 | 6/30/19 |
| Total Pension Liability (TPL) | \$ 3,577,630 | \$ 3,333,649 |

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 (1.45%) | Current Rate (2.45%) | 1% Increase (3.45%) |
| Total pension liability | \$ 4,071,655 | \$ 3,577,630 | \$ 3,172,917 |

Balances of Deferred Outflows/Inflows of Resources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences Between Actual and Expected Experience | \$ 5,277 | \$ (495,067) |
| Changes of assumptions | 473,170 | (60,000) |
| Total | <u>\$ 478,447</u> | <u>\$ (555,067)</u> |

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020**

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, 2019 Measurement Date |
| Actuarial Valuation Date | March 1, 2019 |
| Contribution Policy | Pay-as-you-go |
| Discount Rate | 2.45% at June 30, 2020 (Bond Buyer 20 Index) |
| | 3.13% at June 30, 2019 (Bond Buyer 20 Index) |
| General Inflation | 2.50% per annum |
| Mortality, Retirement, Disability, Termination | Same as CalPERS |
| Mortality Improvement | 15 years 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 \$136 and \$139 per month per family for the period from July 1, 2019 to December 31, 2019 and January 1, 2020 to June 30, 2020, respectively. The City/District’s contribution for fiscal year 2020 amounted to \$467,448 which included \$312,348 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, 2020:

| | |
|---|------------|
| Active employees | 169 |
| Inactive employees receiving benefit payments | 138 |
| Inactive employees entitled to but not yet receiving benefit payments | 62 |
| Total | <u>369</u> |

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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 March 1, 2019 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 2.45% 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 for measurement after March 31, 2015. The UAAL is amortized as a level percentage of projected payrolls over 15 years on a closed basis commencing in 2014.

| <u>Actuarial Assumption</u> | <u>June 30, 2020 Measurement Date</u> |
|---|---|
| <u>Actuarial Valuation Date</u> | <u>March 01, 2019</u> |
| | *2.45% at June 30, 2020 |
| | *3.13% at June 30, 2019 |
| <u>20-Year Municipal Bond Rate</u> | <u>*Bond Buyer 20-Bond GO Index</u> |
| | *2.45% at June 30, 2020 |
| | *3.13% at June 30, 2019 |
| <u>Discount Rate</u> | |
| <u>General Inflation</u> | <u>2.5% 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> |

Changes in Total OPEB Liability

The changes in the total OPEB liability follows:

| | Total OPEB Liability |
|--|---------------------------------|
| Balance as of June 30, 2019 | <u>\$ 9,960,502</u> |
| Changes Recognized for the Measurement Period: | |
| Service cost | 539,303 |
| Interest on the total OPEB liability | 321,329 |
| Differences between expected and actual experience | (13,845) |
| Changes of assumptions | 850,106 |
| Benefit Payments | (155,100) |
| Implicit Rate Subsidy Fulfilled | (312,348) |
| Net changes | <u>1,229,445</u> |
| Balance as of June 30, 2020 | <u>\$ 11,189,947</u> |

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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 (1.45%) or 1-percentage-point higher (3.45%) than the current discount rate:

| Total OPEB Liability/(Asset) | | |
|-------------------------------------|--------------------------|------------------------------|
| Discount Rate -1% (1.45%) | Discount Rate (2.45%) | Discount Rate +1% (3.45%) |
| \$ 12,638,789 | \$ 11,189,947 | \$ 9,990,282 |

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 4.50% Decreasing to 2.84% | Healthcare Cost Trend Rates 5.5% Decreasing to 3.84% | 1% Increase 6.50% Decreasing to 4.84% |
| \$ 10,649,185 | \$ 11,189,947 | \$ 11,827,570 |

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$63,789. At June 30, 2020, 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 | \$ - | \$ (1,427,030) |
| Changes of assumptions | 728,662 | (644,135) |
| | <u>\$ 728,662</u> | <u>\$ (2,071,165)</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 |
|-----------------------|------------------------|
| 2021 | \$ (329,395) |
| 2022 | (329,395) |
| 2023 | (320,395) |
| 2024 | (241,395) |
| 2025 | (241,388) |
| 2026 | 119,465 |
| Total | <u>\$ (1,342,503)</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, 2020**

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, 2020, the District's share of the operating and maintenance costs was \$2,477,426 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 \$124.4 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, 2020**

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

The condensed financial information of the PFA as of June 30, 2020 is as follows:

| | |
|-------------------|----------------|
| Total Assets | \$571,653,738 |
| Total Liabilities | \$630,743,822 |
| Net Position | \$(59,090,084) |

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, 2020, the City recorded an investment in JPA equity of \$3,619,818 based on the audited financial statements of the JPA for fiscal year 2020. 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, 2020 is as follows (in millions):

| | |
|--------------------------------------|--------|
| Total Assets | \$17.1 |
| Deferred outflows-related to pension | \$ 5.9 |
| Total Liabilities | \$ 4.9 |
| 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, 2020**

**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, 2020, the City/District paid premiums to The Cities Group of \$1,525,582 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, 2020, the City/District's paid premiums of \$386,425 to 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, 2020**

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 \$2,500,000 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, 2020, the liability for general liability self-insurance claims was \$36,000. 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, 2018 | \$ 92,000 |
| Current year claim deductibles and changes in estimates | (17,967) |
| Net payments | <u>(11,033)</u> |
| 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 | <u><u>\$ 36,000</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, 2020**

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.

(iii) 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, 2020, the Successor Agency paid the developer the Utility Subsidy in the amount of \$51,416.

(ii) 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, 2020, the Successor Agency paid the developer a tax increment subsidy in the amount of \$199,545.

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, 2020**

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, 2020 | Committed |
|---|--------------------------|--------------------------------------|---------------|
| Sewer System Rehabilitation-Force Mains, Gravity Mains and Manholes | \$ 1,450,000 | \$ 1,052,581 | \$ 397,419 |
| Sanitary Sewer Lift Station Improvements Project-Phase 5 | 8,075,000 | 7,586,001 | 488,999 |
| Median Modifications-Foster City Blvd at Chess Dr-MP#3 | 345,540 | 38,430 | 307,110 |
| Water System Improvements and Valve Replacements | 1,265,000 | 390,279 | 874,721 |
| Road Widening-Foster City Blvd at Chess Dr-MP#7 | 1,141,000 | 182,476 | 958,524 |
| Wastewater Treatment Plant Master Plan Improvements | 42,505,235 | 29,341,491 | 13,163,744 |
| Park Infrastructure Improvements-Leo Ryan Park Lawn Conversion and Bocce Courts | 925,000 | 29,565 | 895,435 |
| Levee Protection Planning and Improvement Project | 62,867,795 | 5,188,457 | 57,679,338 |
| Water Tank Improvements | 3,200,000 | 174,431 | 3,025,569 |
| Street Rehabilitation | 2,500,000 | 69,750 | 2,430,250 |
| Seismic Improvements at Lagoon Pump Station | 150,000 | 9,008 | 140,992 |
| Synthetic Surface replacements | 725,000 | 181,182 | 543,818 |
| Park Infrastructure Projects | 1,175,000 | 34,400 | 1,140,600 |
| Corporation Yard Facility Improvements | 566,002 | 254,090 | 311,912 |
| Playground ADA Compliance Projects-Gull Park | 550,000 | - | 550,000 |
| Playground ADA Compliance Projects-Marlin Park | 550,000 | 77,574 | 472,426 |
| Library Exterior Wall Sealing and Tile Installation | 120,000 | - | 120,000 |
| Recreation Center Master Plan | 300,000 | 242,172 | 57,828 |
| Street Rehabilitation | 1,917,000 | 1,451,622 | 465,378 |
| Roof Replacement | 635,000 | - | 635,000 |
| Dynamic Signage for Traffic Relief Pilot Program | 225,000 | 31,963 | 193,037 |
| New Traffic Signals at Various Locations | 2,882,500 | 75,982 | 2,806,518 |
| Park System Master Plan Study | 257,500 | 108,909 | 148,591 |
| Corporation Yard HVAC Replacement | 380,000 | - | 380,000 |
| Civic Center Rear Security Gate Installation | 250,000 | - | 250,000 |
| | \$ 134,957,572 | \$ 46,520,363 | \$ 88,437,209 |

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

General Obligation Bonds Series 2020 – Original issue \$85,000,000

On August 5, 2020, the City issued \$85,000,000 of General Obligation Bonds Series 2020 to finance the improvement of the City's levee system. The Bonds bear interest rates of 2% to 4%. Principal payments are due annually on August 1 and semi-annual interest payments are due each August 1 and February 1 commencing on August 1, 2021.

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.

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, 2020. 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, 2020

Budgetary Comparison Schedule - General Fund

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-------------------------------------|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| Fund balance, June 30, 2019 | \$ 55,276,446 | \$ 55,276,446 | \$ 55,276,446 | \$ - |
| Resources (inflows): | | | | |
| Property taxes: | | | | |
| Secured | 27,802,400 | 27,802,400 | 29,677,247 | 1,874,847 |
| Unsecured | 1,472,000 | 1,472,000 | 1,323,151 | (148,849) |
| Motor vehicle in lieu | 4,202,000 | 4,202,000 | 4,186,270 | (15,730) |
| Total | 33,476,400 | 33,476,400 | 35,186,668 | 1,710,268 |
| Other taxes: | | | | |
| Sales and use and sales tax in lieu | 3,391,100 | 3,391,100 | 3,149,274 | (241,826) |
| Transient occupancy | 4,697,200 | 4,697,200 | 3,506,101 | (1,191,099) |
| Franchise | 1,195,600 | 1,195,600 | 1,213,162 | 17,562 |
| Real property transfer | 304,900 | 304,900 | 279,650 | (25,250) |
| Total | 9,588,800 | 9,588,800 | 8,148,187 | (1,440,613) |
| Licenses and permits: | | | | |
| Business licenses | 1,768,100 | 1,768,100 | 1,674,780 | (93,320) |
| Permits | 1,384,900 | 1,384,900 | 1,724,815 | 339,915 |
| Total | 3,153,000 | 3,153,000 | 3,399,595 | 246,595 |
| Intergovernmental: | | | | |
| Homeowner property tax relief | 100,000 | 100,000 | 98,483 | (1,517) |
| Reimbursements and grants | 30,000 | 30,000 | 251,470 | 221,470 |
| Total | 130,000 | 130,000 | 349,953 | 219,953 |
| Charges for current services: | | | | |
| Service fees | 415,700 | 415,700 | 538,273 | 122,573 |
| Recreation and leisure | 1,645,800 | 1,645,800 | 1,040,575 | (605,225) |
| Total | 2,061,500 | 2,061,500 | 1,578,848 | (482,652) |
| Fines and forfeitures: | | | | |
| Traffic fines and court fees | 15,000 | 15,000 | 14,923 | (77) |
| False alarm fines | 38,100 | 38,100 | 16,012 | (22,088) |
| Total | 53,100 | 53,100 | 30,935 | (22,165) |
| Investment income and rentals: | | | | |
| Investment income | 682,850 | 682,850 | 1,286,461 | 603,611 |
| Rent | 978,000 | 978,000 | 985,683 | 7,683 |
| Total | 1,660,850 | 1,660,850 | 2,272,144 | 611,294 |
| Other revenues | 315,900 | 315,900 | 463,996 | 148,096 |
| Total revenues | 50,439,550 | 50,439,550 | 51,430,326 | 990,776 |
| Transfers in | \$18,000 | \$18,000 | 18,535 | 535 |
| Amounts available for appropriation | 105,733,996 | 105,733,996 | 106,725,307 | 991,311 |

(Continued)

City of Foster City and Estero Municipal Improvement District
Required Supplementary Information, Continued
For the Fiscal Year Ended June 30, 2019

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 | \$ 380,847 | \$ 380,847 | \$ 373,189 | \$ 7,658 |
| City/District Manager | 2,698,208 | 2,698,208 | 1,809,590 | 888,618 |
| City Clerk | 840,863 | 935,863 | 779,950 | 155,913 |
| City/District Attorney | 535,842 | 635,842 | 521,884 | 113,958 |
| Human Resources | 611,149 | 651,149 | 499,001 | 152,148 |
| Financial Services | 1,339,724 | 1,339,724 | 1,114,031 | 225,693 |
| Subtotal | 6,406,633 | 6,641,633 | 5,097,645 | 1,543,988 |
| Public safety - Police | 14,616,811 | 14,616,811 | 13,842,519 | 774,292 |
| Public safety - Fire | 9,369,254 | 9,544,254 | 9,389,379 | 154,875 |
| Public works | 2,969,534 | 2,969,534 | 2,551,159 | 418,375 |
| Community development | 3,116,423 | 3,116,423 | 2,708,698 | 407,725 |
| Parks and recreation | \$10,365,961 | \$10,374,201 | 9,353,239 | 1,020,962 |
| Subtotal | 40,437,983 | 40,621,223 | 37,844,994 | 2,776,229 |
| Total expenditures | 46,844,616 | 47,262,856 | 42,942,639 | 4,320,217 |
| Transfers out | 3,550,000 | \$5,186,577 | 5,186,577 | - |
| Total charges to appropriations | 50,394,616 | 52,449,433 | 48,129,216 | 4,320,217 |
| Fund balance, June 30, 2020 | \$ 55,339,380 | \$ 53,284,563 | \$58,596,091 | \$ 5,311,528 |

City of Foster City and Estero Municipal Improvement District
Required Supplementary Information, Continued
For the Fiscal Year Ended June 30, 2020

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 | \$ 89,060 | \$ 89,060 | \$ 115,175 | \$ 26,115 |
| Other | 15,000 | 15,000 | 74,397 | 59,397 |
| Total revenues | 104,060 | 104,060 | 189,572 | 85,512 |
| EXPENDITURES: | | | | |
| Community development | 153,200 | 153,200 | 73,531 | 79,669 |
| Total Expenditures | 153,200 | 153,200 | 73,531 | 79,669 |
| NET CHANGE IN FUND BALANCE | (49,140) | (49,140) | 116,041 | 165,181 |
| FUND BALANCE: | | | | |
| Beginning of year | 1,887,104 | 1,887,104 | 1,887,104 | - |
| End of year | \$ 1,837,964 | \$ 1,837,964 | \$ 2,003,145 | \$ 165,181 |

City of Foster City and Estero Municipal Improvement District
Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Budgetary Comparison Schedule - Foster City Affordable Housing Fund

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|---------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 12,300 | \$ 12,300 | \$ 47,290 | \$ 34,990 |
| Other revenues | 5,200 | 5,200 | - | (5,200) |
| Total revenues | 17,500 | 17,500 | 47,290 | 29,790 |
| NET CHANGE IN FUND BALANCE | 17,500 | 17,500 | 47,290 | 29,790 |
| FUND BALANCE: | | | | |
| Beginning of year | 874,093 | 874,093 | 874,093 | - |
| End of year | \$ 891,593 | \$ 891,593 | \$ 921,383 | \$ 29,790 |

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**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, | | | | | |
|--|-----------------------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Total Pension Liability | | | | | | |
| Service Cost | \$ 2,181,880 | \$ 2,119,859 | \$ 2,054,671 | \$ 1,748,222 | \$ 1,653,700 | \$ 1,711,380 |
| Interest on total pension liability | 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 | 894,495 | (344,105) | (524,787) | 679,084 | (332,183) | - |
| Benefit payments, including refunds of employee contributions | (5,726,960) | (5,494,351) | (4,938,810) | (4,690,682) | (4,253,245) | (3,758,521) |
| Net change in total pension liability | 5,557,179 | 3,328,368 | 10,396,978 | 5,085,872 | 2,358,256 | 4,617,467 |
| Total pension liability - beginning | 115,671,958 | 112,343,590 | 101,946,612 | 96,860,740 | 94,502,484 | 89,885,017 |
| Total pension liability - ending (a) | \$ 121,229,137 | \$ 115,671,958 | \$ 112,343,590 | \$ 101,946,612 | \$ 96,860,740 | \$ 94,502,484 |
| Plan fiduciary net position | | | | | | |
| Contributions - employer | \$ 3,537,734 | \$ 3,099,413 | \$ 2,641,720 | \$ 2,471,456 | \$ 2,086,023 | \$ 1,820,484 |
| Contributions - employee | 930,863 | 909,578 | 876,497 | 834,277 | 775,427 | 915,734 |
| Net investment income | 5,480,856 | 6,586,940 | 8,063,603 | 410,582 | 1,630,597 | 10,775,194 |
| Benefit payments | (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 | (58,380) | (120,606) | (104,618) | (43,805) | (80,893) | - |
| Other Miscellaneous Income/(Expense) | - | (229,033) | - | - | - | - |
| Net change in plan fiduciary net position | 3,849,097 | 4,751,750 | 6,538,392 | (1,018,172) | 157,909 | 9,752,891 |
| Total fiduciary net position - beginning | 82,148,859 | 77,397,109 | 70,858,717 | 71,876,889 | 71,718,980 | 61,966,089 |
| Total fiduciary net position - ending (b) | \$ 85,997,956 | \$ 82,148,859 | \$ 77,397,109 | \$ 70,858,717 | \$ 71,876,889 | \$ 71,718,980 |
| Net pension liability - ending (a) - (b) | \$ 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 | 70.94% | 71.02% | 68.89% | 69.51% | 74.21% | 75.89% |
| Covered payroll | \$ 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-employee payroll | 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 the 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 and 2018, 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, 2020**

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 Employee Payroll | Plan's proportionate share of the net pension Liability/(assets) as a percentage of its covered-employee 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% | 68.04% |
| 2017 | 0.72156% | 43,114,785 | 8,456,759 | 509.83% | 67.23% |
| 2018 | 0.74362% | 43,632,371 | 8,829,101 | 494.19% | 68.43% |
| 2019 | 0.65115% | 40,648,037 | 7,369,584 | 551.56% | 70.69% |

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, 2020**

**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 employee payroll | Contributions as a percentage of covered employee 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% |

Notes to Schedule

Valuation date: June 30, 2018

Methods and assumptions used to determine

| | |
|---------------------------|--|
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level percentage of payroll |
| Asset valuation method | Fair Value of Assets |
| Inflation | 2.75% |
| Salary increases | Varies by entry age and service |
| Payroll growth | 3.00% |
| Investment rate of return | 7.375%, Net of Pension Plan Investment and Administrative Expenses; includes Inflation. |
| Retirement age | The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011 |
| Mortality | The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997-2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvements using Scale BB published by the Society of Actuaries. |

Benefit changes: None

Changes in assumptions: None

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, 2020**

**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 employee payroll | Contributions as a percentage of covered employee 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% |

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**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, | | | |
|--|-----------------------------------|---------------------|---------------------|---------------------|
| | 2020 | 2019 | 2018 | 2017 |
| Total Pension Liability | | | | |
| Service Cost | \$ 27,073 | \$ 54,416 | \$ 89,000 | \$ 109,000 |
| Interest on total pension liability | 102,446 | 140,452 | 134,000 | 116,000 |
| Changes in benefits | - | - | - | - |
| Changes in assumptions | 283,853 | 282,626 | (134,000) | (376,000) |
| Differences between expected and actual experience | 5,929 | (634,525) | - | - |
| Benefit payments, including refunds of employee contributions | (175,320) | (168,320) | (166,000) | (144,000) |
| Net change in total pension liability | 243,981 | (325,351) | (77,000) | (295,000) |
| Total pension liability - beginning | 3,333,649 | 3,659,000 | 3,736,000 | 4,031,000 |
| Total pension liability - ending | \$ 3,577,630 | \$ 3,333,649 | \$ 3,659,000 | \$ 3,736,000 |
| | | | | |
| Plan fiduciary net position as a percentage of the total pension liability | N/A | N/A | N/A | N/A |
| | | | | |
| Covered payroll | \$ 4,215,446 | \$ 4,102,624 | \$ 6,773,000 | \$ 7,937,000 |
| Total pension liability as percentage of covered-employee payroll | 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, 2020**

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

| Measurement Date | 6/30/2020 | 6/30/19 | 6/30/18 |
|--|----------------------|---------------------|----------------------|
| Total OPEB Liability (1) | | | |
| Service Cost | \$ 539,303 | \$ 646,076 | \$ 575,000 |
| Interest | 321,329 | 473,515 | 432,000 |
| Differences between expected and actual experience | (13,845) | (1,981,229) | |
| Changes of assumptions | 850,106 | (544,791) | (519,000) |
| Benefit payments | (155,100) | (150,401) | (141,000) |
| Implicit Subsidy Credit | (312,348) | (294,668) | (184,000) |
| Net change in total OPEB liability | 1,229,445 | (1,851,498) | 163,000 |
| Total OPEB liability - beginning | 9,960,502 | 11,812,000 | 11,649,000 |
| Total OPEB liability - ending | \$ 11,189,947 | \$ 9,960,502 | \$ 11,812,000 |
| | | | |
| Covered payroll | \$ 19,338,464 | \$ 18,820,890 | \$ 23,289,000 |
| | | | |
| Total OPEB liability as a percentage of covered-employee payroll | 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

City of Foster City and Estero Municipal Improvement District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020

| | <u>Non-Major Special Revenue Funds</u> |
|--|--|
| ASSETS | |
| Cash and investments | \$ 12,129,306 |
| Receivables, net of allowance: | |
| Intergovernmental | 225,073 |
| Taxes | 107,510 |
| Other | 32,590 |
| Loans receivable | <u>1,346</u> |
| Total assets | <u>\$ 12,495,825</u> |
| LIABILITIES | |
| Accounts payable | \$ 27,962 |
| Accrued payroll | 11,668 |
| Refundable deposits | 585,575 |
| Due to other funds | <u>133,436</u> |
| Total liabilities | <u>758,641</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Unavailable revenue - Measure M funding | <u>133,436</u> |
| Total liabilities | <u>133,436</u> |
| FUND BALANCES | |
| Restricted | 7,898,576 |
| Committed | 3,838,608 |
| Unassigned | <u>(133,436)</u> |
| Total fund balances | <u>11,603,748</u> |
| Total liabilities, deferred inflow of resources and fund balances | <u>\$ 12,495,825</u> |

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, 2020

| | <u>Non-Major Special Revenue Funds</u> |
|---|--|
| REVENUES: | |
| Sales and use tax | \$ 1,142,236 |
| Intergovernmental | 1,565,361 |
| Charges for services | 228,516 |
| Fines and forfeitures | 60,025 |
| Park-in-lieu | 480,000 |
| Investment income | 250,477 |
| Other | 739,844 |
| Total revenues | 4,466,459 |
| EXPENDITURES: | |
| Current: | |
| General government | 847,059 |
| Public safety - police | 157,677 |
| Public safety - fire | - |
| Public works | 562,940 |
| Community development | 102,743 |
| Parks and recreation | 2,883 |
| Capital outlay | 2,349,387 |
| Total expenditures | 4,022,689 |
| REVENUES OVER(UNDER) EXPENDITURES | 443,770 |
| OTHER FINANCING SOURCES (USES): | |
| Transfers in | 100,000 |
| Transfers out | (68,535) |
| Total other financing sources (uses) | 31,465 |
| NET CHANGES IN FUND BALANCES | 475,235 |
| FUND BALANCES: | |
| Beginning of year | 11,128,513 |
| End of year | \$ 11,603,748 |

NON-MAJOR SPECIAL REVENUE 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.

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City of Foster City and Estero Municipal Improvement District
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2020

| | Traffic Safety | Measure A | Gas Tax | Park-in-lieu | Measure M |
|--|-------------------|---------------------|-------------------|---------------------|-------------------|
| ASSETS | | | | | |
| Cash and investments | \$ - | \$ 2,656,995 | \$ 767,924 | \$ 2,787,789 | \$ - |
| Receivables, net of allowance: | | | | | |
| Intergovernmental | 2,524 | - | - | - | 133,436 |
| Taxes | - | 56,256 | - | - | - |
| Other | - | - | - | - | - |
| Loans receivable | - | - | - | - | - |
| Total assets | \$ 2,524 | \$ 2,713,251 | \$ 767,924 | \$ 2,787,789 | \$ 133,436 |
| LIABILITIES | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accrued payroll | - | - | - | - | - |
| Refundable deposits | - | - | - | - | - |
| Due to other funds | - | - | - | - | 133,436 |
| Total liabilities | - | - | - | - | 133,436 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - Measure M funding | - | - | - | - | 133,436 |
| Total deferred inflow of resources | - | - | - | - | 133,436 |
| FUND BALANCES | | | | | |
| Restricted | 2,524 | 2,713,251 | 767,924 | 2,787,789 | - |
| Committed | - | - | - | - | - |
| Unassigned | - | - | - | - | (133,436) |
| Total fund balances | 2,524 | 2,713,251 | 767,924 | 2,787,789 | (133,436) |
| Total liabilities, deferred inflow of resources and fund balances | \$ 2,524 | \$ 2,713,251 | \$ 767,924 | \$ 2,787,789 | \$ 133,436 |

| SLESF/ COPS Grant | California Opportunities | Foster City Foundation | SB1 Road Maintenance & Rehabilitation Fund | Sustainable Foster City Special Fund | Bay Area Employee Relations Services Fund |
|----------------------|-----------------------------|---------------------------|---|--|--|
| \$ - | \$ 394,134 | \$ 365,762 | \$ 571,105 | \$ 197,877 | \$ 677,091 |
| - | - | - | 89,113 | - | - |
| - | - | - | - | - | - |
| - | 10,500 | 22,090 | - | - | - |
| - | - | - | - | 1,346 | - |
| <u>\$ -</u> | <u>\$ 404,634</u> | <u>\$ 387,852</u> | <u>\$ 660,218</u> | <u>\$ 199,223</u> | <u>\$ 677,091</u> |
| \$ - | \$ 6,645 | \$ 469 | \$ - | \$ 17,624 | \$ - |
| - | 5,315 | - | - | - | 3,588 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 11,960 | 469 | - | 17,624 | 3,588 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 387,383 | 660,218 | - | - |
| - | 392,674 | - | - | 181,599 | 673,503 |
| - | - | - | - | - | - |
| - | 392,674 | 387,383 | 660,218 | 181,599 | 673,503 |
| <u>\$ -</u> | <u>\$ 404,634</u> | <u>\$ 387,852</u> | <u>\$ 660,218</u> | <u>\$ 199,223</u> | <u>\$ 677,091</u> |

(Continued)

City of Foster City and Estero Municipal Improvement District
Combining Balance Sheet (Continued)
Non-Major Special Revenue Funds
June 30, 2020

| | 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 | \$ 1,666,310 | \$ 1,335,065 | \$ 179,635 | \$ 20,364 | \$ 3,373 |
| Receivables, net of allowance: | | | | | |
| Intergovernmental | - | - | - | - | - |
| Taxes | - | - | - | - | - |
| Other | - | - | - | - | - |
| Loans receivable | - | - | - | - | - |
| Total assets | \$ 1,666,310 | \$ 1,335,065 | \$ 179,635 | \$ 20,364 | \$ 3,373 |
| LIABILITIES | | | | | |
| Accounts payable | \$ 1,730 | \$ 108 | \$ - | \$ 369 | \$ 88 |
| Accrued payroll | 2,765 | - | - | - | - |
| Refundable deposits | - | 585,575 | - | - | - |
| Due to other funds | - | - | - | - | - |
| Total liabilities | 4,495 | 585,683 | - | 369 | 88 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - Measure M funding | - | - | - | - | - |
| Total deferred inflow of resources | - | - | - | - | - |
| FUND BALANCES | | | | | |
| Restricted | - | - | - | 19,995 | 3,285 |
| Committed | 1,661,815 | 749,382 | 179,635 | - | - |
| Unassigned | - | - | - | - | - |
| Total fund balances | 1,661,815 | 749,382 | 179,635 | 19,995 | 3,285 |
| Total liabilities, deferred inflow of resources and fund balances | \$ 1,666,310 | \$ 1,335,065 | \$ 179,635 | \$ 20,364 | \$ 3,373 |

| CRV Grant Fund | Curbside Recycling Fund | Green Building Fee Fund | Measure W | Total |
|-------------------|-------------------------------|-------------------------------|-------------------|----------------------|
| \$ 12,425 | \$ 201,073 | \$ 5,446 | \$ 286,938 | \$ 12,129,306 |
| - | - | - | - | 225,073 |
| - | - | - | 51,254 | 107,510 |
| - | - | - | - | 32,590 |
| - | - | - | - | 1,346 |
| <u>\$ 12,425</u> | <u>\$ 201,073</u> | <u>\$ 5,446</u> | <u>\$ 338,192</u> | <u>\$ 12,495,825</u> |
| \$ - | \$ - | \$ 929 | \$ - | \$ 27,962 |
| - | - | - | - | 11,668 |
| - | - | - | - | 585,575 |
| - | - | - | - | 133,436 |
| - | - | 929 | - | 758,641 |
| - | - | - | - | 133,436 |
| - | - | - | - | 133,436 |
| 12,425 | 201,073 | 4,517 | 338,192 | 7,898,576 |
| - | - | - | - | 3,838,608 |
| - | - | - | - | (133,436) |
| <u>12,425</u> | <u>201,073</u> | <u>4,517</u> | <u>338,192</u> | <u>11,603,748</u> |
| <u>\$ 12,425</u> | <u>\$ 201,073</u> | <u>\$ 5,446</u> | <u>\$ 338,192</u> | <u>\$ 12,495,825</u> |

City of Foster City and Estero Municipal Improvement District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
For the fiscal year ended June 30, 2020

| | Traffic Safety | Measure A | Gas Tax | Park-in-lieu | Measure M |
|---|-------------------|---------------------|-------------------|---------------------|---------------------|
| REVENUES: | | | | | |
| Sales and use tax | \$ - | \$ 806,687 | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | 787,300 | - | 38,555 |
| Charges for services | - | - | - | - | - |
| Fines and forfeitures | 60,025 | - | - | - | - |
| Park-in-lieu | - | - | - | 480,000 | - |
| Investment income | - | 58,404 | 21,646 | 54,676 | - |
| Other | - | - | - | - | - |
| Total revenues | <u>60,025</u> | <u>865,091</u> | <u>808,946</u> | <u>534,676</u> | <u>38,555</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | - | - | 94,690 | - | - |
| Public safety - police | - | - | - | - | - |
| Public safety - fire | - | - | - | - | - |
| Public works | 72,253 | - | 479,011 | - | - |
| Community development | - | - | - | - | - |
| Parks and recreation | - | - | - | - | - |
| Capital outlay | - | 172,165 | 266,140 | 1,167,232 | 171,991 |
| Total expenditures | <u>72,253</u> | <u>172,165</u> | <u>839,841</u> | <u>1,167,232</u> | <u>171,991</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(12,228)</u> | <u>692,926</u> | <u>(30,895)</u> | <u>(632,556)</u> | <u>(133,436)</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGES IN FUND BALANCES | <u>(12,228)</u> | <u>692,926</u> | <u>(30,895)</u> | <u>(632,556)</u> | <u>(133,436)</u> |
| FUND BALANCES: | | | | | |
| Beginning of year | 14,752 | 2,020,325 | 798,819 | 3,420,345 | - |
| End of year | <u>\$ 2,524</u> | <u>\$ 2,713,251</u> | <u>\$ 767,924</u> | <u>\$ 2,787,789</u> | <u>\$ (133,436)</u> |

| SLESF/ COPS Grant | California Opportunities | Foster City Foundation | SB1 Road Maintenance & Rehabilitation | Sustainable Foster City Special Fund | Bay Area Employee Relations Services Fund |
|----------------------|-----------------------------|---------------------------|---|--|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 155,948 | - | - | 583,558 | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 12,373 | - | 18,973 | 3,053 | 18,402 |
| - | 431,352 | 59,686 | - | - | 202,291 |
| <u>155,948</u> | <u>443,725</u> | <u>59,686</u> | <u>602,531</u> | <u>3,053</u> | <u>220,693</u> |
| - | 454,061 | - | - | 58,426 | 239,882 |
| 155,948 | - | 1,729 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 2,883 | - | - | - |
| - | - | - | 571,859 | - | - |
| <u>155,948</u> | <u>454,061</u> | <u>4,612</u> | <u>571,859</u> | <u>58,426</u> | <u>239,882</u> |
| - | (10,336) | 55,074 | 30,672 | (55,373) | (19,189) |
| - | - | - | - | 100,000 | - |
| - | - | (18,535) | - | - | - |
| - | - | (18,535) | - | 100,000 | - |
| - | (10,336) | 36,539 | 30,672 | 44,627 | (19,189) |
| - | 403,010 | 350,844 | 629,546 | 136,972 | 692,692 |
| <u>\$ -</u> | <u>\$ 392,674</u> | <u>\$ 387,383</u> | <u>\$ 660,218</u> | <u>\$ 181,599</u> | <u>\$ 673,503</u> |

(Continued)

City of Foster City and Estero Municipal Improvement District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Non-Major Special Revenue Funds
For the fiscal year ended June 30, 2020

| | General Plan Maintenance Fund | Construction and Demolition Recycling Fund | Technology Maintenance Fund | SB 1186 (Disability Access) Fund | Strong Motion Instrument Program (SMIP) Fund |
|---|-------------------------------------|---|-----------------------------------|---|---|
| REVENUES: | | | | | |
| Sales and use tax | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - | - | - |
| Charges for services | 146,386 | 35,495 | 39,610 | 6,498 | 65 |
| Fines and forfeitures | - | - | - | - | - |
| Park-in-lieu | - | - | - | - | - |
| Investment income | 30,164 | 22,484 | 3,762 | 318 | 64 |
| Other | - | - | - | - | - |
| Total revenues | 176,550 | 57,979 | 43,372 | 6,816 | 129 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | - | - | - | - | - |
| Public safety - police | - | - | - | - | - |
| Public safety - fire | - | - | - | - | - |
| Public works | - | 3,675 | - | - | - |
| Community development | 30,104 | - | 72,139 | 500 | - |
| Parks and recreation | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Total expenditures | 30,104 | 3,675 | 72,139 | 500 | - |
| REVENUES OVER (UNDER) EXPENDITURES | 146,446 | 54,304 | (28,767) | 6,316 | 129 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | (50,000) | - | - | - |
| Total other financing sources (uses) | - | (50,000) | - | - | - |
| NET CHANGES IN FUND BALANCES | 146,446 | 4,304 | (28,767) | 6,316 | 129 |
| FUND BALANCES: | | | | | |
| Beginning of year | 1,515,369 | 745,078 | 208,402 | 13,679 | 3,156 |
| End of year | \$ 1,661,815 | \$ 749,382 | \$ 179,635 | \$ 19,995 | \$ 3,285 |

| CRV Grant Fund | Curbside Recycling Fund | Green Building Fee Fund | Measure W | Total |
|-------------------|-------------------------------|-------------------------------|-------------------|----------------------|
| \$ - | \$ - | \$ - | \$ 335,549 | \$ 1,142,236 |
| - | - | - | - | 1,565,361 |
| - | - | 462 | - | 228,516 |
| - | - | - | - | 60,025 |
| - | - | - | - | 480,000 |
| 156 | 3,265 | 94 | 2,643 | 250,477 |
| <u>8,574</u> | <u>37,941</u> | <u>-</u> | <u>-</u> | <u>739,844</u> |
| <u>8,730</u> | <u>41,206</u> | <u>556</u> | <u>338,192</u> | <u>4,466,459</u> |
| - | - | - | - | 847,059 |
| - | - | - | - | 157,677 |
| - | - | - | - | - |
| 8,001 | - | - | - | 562,940 |
| - | - | - | - | 102,743 |
| - | - | - | - | 2,883 |
| - | - | - | - | <u>2,349,387</u> |
| <u>8,001</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,022,689</u> |
| <u>729</u> | <u>41,206</u> | <u>556</u> | <u>338,192</u> | <u>443,770</u> |
| - | - | - | - | 100,000 |
| - | - | - | - | (68,535) |
| - | - | - | - | <u>31,465</u> |
| <u>729</u> | <u>41,206</u> | <u>556</u> | <u>338,192</u> | <u>475,235</u> |
| <u>11,696</u> | <u>159,867</u> | <u>3,961</u> | <u>-</u> | <u>11,128,513</u> |
| <u>\$ 12,425</u> | <u>\$ 201,073</u> | <u>\$ 4,517</u> | <u>\$ 338,192</u> | <u>\$ 11,603,748</u> |

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, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|-----------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Fines and forfeitures | \$ 83,000 | \$ 83,000 | \$ 60,025 | \$ (22,975) |
| Total revenues | 83,000 | 83,000 | 60,025 | (22,975) |
| EXPENDITURES: | | | | |
| Public works | 98,691 | 98,691 | 72,253 | 26,438 |
| Total expenditures | 98,691 | 98,691 | 72,253 | 26,438 |
| NET CHANGE IN FUND BALANCE | (15,691) | (15,691) | (12,228) | 3,463 |
| FUND BALANCE: | | | | |
| Beginning of year | 14,752 | 14,752 | 14,752 | - |
| End of year | \$ (939) | \$ (939) | \$ 2,524 | \$ 3,463 |

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, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Sales and use taxes | \$ 640,600 | \$ 640,600 | \$ 806,687 | \$ 166,087 |
| Investment income | 28,000 | 28,000 | 58,404 | 30,404 |
| Total revenues | 668,600 | 668,600 | 865,091 | 196,491 |
| EXPENDITURES: | | | | |
| Capital outlay | 1,401,788 | 1,401,788 | 172,165 | 1,229,623 |
| Total expenditures | 1,401,788 | 1,401,788 | 172,165 | 1,229,623 |
| NET CHANGE IN FUND BALANCE | (733,188) | (733,188) | 692,926 | 1,426,114 |
| FUND BALANCE: | | | | |
| Beginning of year | 2,020,325 | 2,020,325 | 2,020,325 | - |
| End of year | \$ 1,287,137 | \$ 1,287,137 | \$ 2,713,251 | \$ 1,426,114 |

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, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|-----------------------------------|------------------|------------------|-------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| REVENUES: | | | | |
| Intergovernmental | \$ 859,300 | \$ 859,300 | \$ 787,300 | \$ (72,000) |
| Investment income | 21,700 | 21,700 | 21,646 | (54) |
| Total revenues | 881,000 | 881,000 | 808,946 | (72,054) |
| EXPENDITURES: | | | | |
| General government | 94,689 | 94,689 | 94,690 | (1) |
| Public works | 479,011 | 479,011 | 479,011 | - |
| Capital outlay | 1,058,130 | 1,058,130 | 266,140 | 791,990 |
| Total expenditures | 1,631,830 | 1,631,830 | 839,841 | 791,989 |
| NET CHANGE IN FUND BALANCE | (750,830) | (750,830) | (30,895) | 719,935 |
| FUND BALANCE: | | | | |
| Beginning of year | 798,819 | 798,819 | 798,819 | - |
| End of year | \$ 47,989 | \$ 47,989 | \$ 767,924 | \$ 719,935 |

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, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|--------------------|--------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Park-in-lieu | \$ 480,000 | \$ 480,000 | \$ 480,000 | \$ - |
| Investment income | 30,000 | 30,000 | 54,676 | 24,676 |
| Total revenues | 510,000 | 510,000 | 534,676 | 24,676 |
| EXPENDITURES: | | | | |
| Capital outlay | 1,912,667 | 1,912,667 | 1,167,232 | 745,435 |
| Total Expenditures | 1,912,667 | 1,912,667 | 1,167,232 | 745,435 |
| NET CHANGE IN FUND BALANCE | (1,402,667) | (1,402,667) | (632,556) | 770,111 |
| FUND BALANCE: | | | | |
| Beginning of year | 3,420,345 | 3,420,345 | 3,420,345 | - |
| End of year | \$ 2,017,678 | \$ 2,017,678 | \$ 2,787,789 | \$ 770,111 |

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, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | \$ 114,600 | \$ 114,600 | \$ 38,555 | \$ (76,045) |
| Total revenues | 114,600 | 114,600 | 38,555 | (76,045) |
| EXPENDITURES: | | | | |
| Capital outlay | 226,000 | 226,000 | 171,991 | 54,009 |
| Total Expenditures | 226,000 | 226,000 | 171,991 | 54,009 |
| NET CHANGE IN FUND BALANCE | (111,400) | (111,400) | (133,436) | (22,036) |
| FUND BALANCE: | | | | |
| Beginning of year | - | - | - | - |
| End of year | \$ (111,400) | \$ (111,400) | \$ (133,436) | \$ (22,036) |

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, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|----------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | \$ 100,000 | \$ 100,000 | \$ 155,948 | \$ 55,948 |
| Total revenues | 100,000 | 100,000 | 155,948 | 55,948 |
| EXPENDITURES: | | | | |
| Public safety - police | 100,000 | 100,000 | 155,948 | (55,948) |
| Total expenditures | 100,000 | 100,000 | 155,948 | (55,948) |
| 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, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|-----------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 5,200 | \$ 5,200 | \$ 12,373 | \$ 7,173 |
| Other | 439,600 | 439,600 | 431,352 | (8,248) |
| Total revenues | 444,800 | 444,800 | 443,725 | (1,075) |
| EXPENDITURES: | | | | |
| General government | 476,380 | 499,380 | 454,061 | 45,319 |
| Total expenditures | 476,380 | 499,380 | 454,061 | 45,319 |
| NET CHANGE IN FUND BALANCE | (31,580) | (54,580) | (10,336) | 44,244 |
| FUND BALANCE: | | | | |
| Beginning of year | 403,010 | 403,010 | 403,010 | - |
| End of year | \$ 371,430 | \$ 348,430 | \$ 392,674 | \$ 44,244 |

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, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|-----------------------------------|------------------|----------------|-------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| REVENUES: | | | | |
| Other | \$ 148,000 | \$ 148,000 | \$ 59,686 | \$ (88,314) |
| Total revenues | 148,000 | 148,000 | 59,686 | (88,314) |
| EXPENDITURES: | | | | |
| General government | 777 | 777 | - | 777 |
| Public Safety- Police | 8,500 | 8,500 | 1,729 | 6,771 |
| Public Safety- Fire | - | - | - | - |
| Public works | 1,250 | 1,250 | - | 1,250 |
| Parks and recreation | 100,000 | 100,000 | 2,883 | 97,117 |
| Total Expenditures | 110,527 | 110,527 | 4,612 | 105,915 |
| OTHER FINANCING SOURCES: | | | | |
| Transfer out | (18,000) | (18,000) | (18,535) | (535) |
| NET CHANGE IN FUND BALANCE | 19,473 | 19,473 | 36,539 | 17,066 |
| FUND BALANCE: | | | | |
| Beginning of year | 350,844 | 350,844 | 350,844 | - |
| End of year | \$ 370,317 | \$ 370,317 | \$ 387,383 | \$ 17,066 |

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, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | \$ 567,000 | \$ 567,000 | \$ 583,558 | \$ 16,558 |
| Investment income | - | - | 18,973 | 18,973 |
| Total revenues | 567,000 | 567,000 | 602,531 | 35,531 |
| EXPENDITURES: | | | | |
| Capital outlay | 871,900 | 871,900 | 571,859 | 300,041 |
| Total Expenditures | 871,900 | 871,900 | 571,859 | 300,041 |
| NET CHANGE IN FUND BALANCE | (304,900) | (304,900) | 30,672 | 335,572 |
| FUND BALANCE: | | | | |
| Beginning of year | 629,546 | 629,546 | 629,546 | - |
| End of year | \$ 324,646 | \$ 324,646 | \$ 660,218 | \$ 335,572 |

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, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|-----------------------------------|------------------|------------------|-------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| REVENUES: | | | | |
| Investment income | \$ - | \$ - | \$ 3,053 | \$ 3,053 |
| Other revenue | 25,600 | 25,600 | - | (25,600) |
| Total revenues | 25,600 | 25,600 | 3,053 | (22,547) |
| EXPENDITURES: | | | | |
| General Government | 240,350 | 240,350 | 58,426 | 181,924 |
| Total Expenditures | 240,350 | 240,350 | 58,426 | 181,924 |
| OTHER FINANCING SOURCES: | | | | |
| Transfer in | 100,000 | 100,000 | 100,000 | - |
| NET CHANGE IN FUND BALANCE | (114,750) | (114,750) | 44,627 | 159,377 |
| FUND BALANCE: | | | | |
| Beginning of year | 136,972 | 136,972 | 136,972 | - |
| End of year | \$ 22,222 | \$ 22,222 | \$ 181,599 | \$ 159,377 |

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, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|-----------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 10,200 | \$ 10,200 | \$ 18,402 | \$ 8,202 |
| Other | 257,500 | 257,500 | 202,291 | (55,209) |
| Total revenues | 267,700 | 267,700 | 220,693 | (47,007) |
| EXPENDITURES: | | | | |
| General Government | 302,878 | 302,878 | 239,882 | 62,996 |
| Total Expenditures | 302,878 | 302,878 | 239,882 | 62,996 |
| NET CHANGE IN FUND BALANCE | (35,178) | (35,178) | (19,189) | 15,989 |
| FUND BALANCE: | | | | |
| Beginning of year | 692,692 | 692,692 | 692,692 | - |
| End of year | \$ 657,514 | \$ 657,514 | \$ 673,503 | \$ 15,989 |

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, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|----------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Charges for services | \$ 209,800 | \$ 209,800 | \$ 146,386 | \$ (63,414) |
| Investment income | 21,200 | 21,200 | 30,164 | 8,964 |
| Total revenues | 231,000 | 231,000 | 176,550 | (54,450) |
| EXPENDITURES: | | | | |
| Community development | 61,800 | 221,800 | 30,104 | 191,696 |
| Total Expenditures | 61,800 | 221,800 | 30,104 | 191,696 |
| NET CHANGE IN FUND BALANCE | 169,200 | 9,200 | 146,446 | 137,246 |
| FUND BALANCE: | | | | |
| Beginning of year | 1,515,369 | 1,515,369 | 1,515,369 | - |
| End of year | \$ 1,684,569 | \$ 1,524,569 | \$ 1,661,815 | \$ 137,246 |

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, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--------------------------------------|------------------|------------------|-------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| REVENUES: | | | | |
| Charges for services | \$ 160,000 | \$ 160,000 | \$ 35,495 | \$ (124,505) |
| Investment income | 20,500 | 20,500 | 22,484 | 1,984 |
| Total revenues | 180,500 | 180,500 | 57,979 | (122,521) |
| EXPENDITURES: | | | | |
| Public works | 279,750 | 279,750 | 3,675 | 276,075 |
| Total Expenditures | 279,750 | 279,750 | 3,675 | 276,075 |
| OTHER FINANCING SOURCES: | | | | |
| Transfer out | (50,000) | (50,000) | (50,000) | - |
| Total other financing sources | (50,000) | (50,000) | (50,000) | - |
| NET CHANGE IN FUND BALANCE | (149,250) | (149,250) | 4,304 | 153,554 |
| FUND BALANCE: | | | | |
| Beginning of year | 745,078 | 745,078 | 745,078 | - |
| End of year | \$ 595,828 | \$ 595,828 | \$ 749,382 | \$ 153,554 |

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, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|----------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Charges for services | \$ 72,400 | \$ 72,400 | \$ 39,610 | \$ (32,790) |
| Investment income | 3,100 | 3,100 | 3,762 | 662 |
| Total revenues | 75,500 | 75,500 | 43,372 | (32,128) |
| EXPENDITURES: | | | | |
| Community development | 78,618 | 78,618 | 72,139 | 6,479 |
| Total Expenditures | 78,618 | 78,618 | 72,139 | 6,479 |
| NET CHANGE IN FUND BALANCE | (3,118) | (3,118) | (28,767) | (25,649) |
| FUND BALANCE: | | | | |
| Beginning of year | 208,402 | 208,402 | 208,402 | - |
| End of year | \$ 205,284 | \$ 205,284 | \$ 179,635 | \$ (25,649) |

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, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|--------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Charges for services | \$ 2,000 | \$ 2,000 | \$ 6,498 | \$ 4,498 |
| Investment income | 100 | 100 | 318 | 218 |
| Total revenues | 2,100 | 2,100 | 6,816 | 4,716 |
| EXPENDITURES: | | | | |
| Community development | 1,300 | 1,300 | 500 | 800 |
| Total Expenditures | 1,300 | 1,300 | 500 | 800 |
| NET CHANGE IN FUND BALANCE | 800 | 800 | 6,316 | 5,516 |
| FUND BALANCE: | | | | |
| Beginning of year | 13,679 | 13,679 | 13,679 | - |
| End of year | \$ 14,479 | \$ 14,479 | \$ 19,995 | \$ 5,516 |

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, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|-----------------------------------|------------------|---------------|-------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| REVENUES: | | | | |
| Charges for services | \$ 9,900 | \$ 9,900 | \$ 65 | \$ (9,835) |
| Investment income | 110 | 110 | 64 | (46) |
| Total revenues | 10,010 | 10,010 | 129 | (9,881) |
| EXPENDITURES: | | | | |
| Community development | 500 | 500 | - | 500 |
| Total Expenditures | 500 | 500 | - | 500 |
| NET CHANGE IN FUND BALANCE | 9,510 | 9,510 | 129 | (9,381) |
| FUND BALANCE: | | | | |
| Beginning of year | 3,156 | 3,156 | 3,156 | - |
| End of year | \$ 12,666 | \$ 12,666 | \$ 3,285 | \$ (9,381) |

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, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|----------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 150 | \$ 150 | \$ 156 | \$ 6 |
| Other | 8,500 | 8,500 | 8,574 | 74 |
| Total revenues | 8,650 | 8,650 | 8,730 | 80 |
| EXPENDITURES: | | | | |
| Public works | 13,200 | 13,200 | 8,001 | 5,199 |
| Total Expenditures | 13,200 | 13,200 | 8,001 | 5,199 |
| NET CHANGE IN FUND BALANCE | (4,550) | (4,550) | 729 | 5,279 |
| FUND BALANCE: | | | | |
| Beginning of year | 11,696 | 11,696 | 11,696 | - |
| End of year | \$ 7,146 | \$ 7,146 | \$ 12,425 | \$ 5,279 |

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, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|----------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 2,200 | \$ 2,200 | \$ 3,265 | \$ 1,065 |
| Other | 19,800 | 19,800 | 37,941 | 18,141 |
| Total revenues | 22,000 | 22,000 | 41,206 | 19,206 |
| EXPENDITURES: | | | | |
| Public works | 25,000 | 25,000 | - | 25,000 |
| Total Expenditures | 25,000 | 25,000 | - | 25,000 |
| NET CHANGE IN FUND BALANCE | (3,000) | (3,000) | 41,206 | 44,206 |
| FUND BALANCE: | | | | |
| Beginning of year | 159,867 | 159,867 | 159,867 | - |
| End of year | \$ 156,867 | \$ 156,867 | \$ 201,073 | \$ 44,206 |

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, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|--------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Charges for services | \$ 3,500 | \$ 3,500 | \$ 462 | \$ (3,038) |
| Investment income | 60 | 60 | 94 | 34 |
| Total revenues | 3,560 | 3,560 | 556 | (3,004) |
| EXPENDITURES: | | | | |
| Community development | 500 | 500 | - | 500 |
| Total Expenditures | 500 | 500 | - | 500 |
| NET CHANGE IN FUND BALANCE | 3,060 | 3,060 | 556 | (2,504) |
| FUND BALANCE: | | | | |
| Beginning of year | 3,961 | 3,961 | 3,961 | - |
| End of year | \$ 7,021 | \$ 7,021 | \$ 4,517 | \$ (2,504) |

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, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|----------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Sales and use taxes | \$ - | \$ - | \$ 335,549 | \$ 335,549 |
| Investment income | - | - | 2,643 | 2,643 |
| Total revenues | - | - | 338,192 | 338,192 |
| NET CHANGE IN FUND BALANCE | - | - | 338,192 | 338,192 |
| FUND BALANCE: | | | | |
| Beginning of year | - | - | - | - |
| End of year | \$ - | \$ - | \$ 338,192 | \$ 338,192 |

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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, 2020

| | Vehicle Rental | Equipment Replacement | Self Insurance | Information Technology |
|--|---------------------|--------------------------|---------------------|---------------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 5,447,890 | \$ 6,108,870 | \$ 1,398,714 | \$ 5,312,180 |
| Accounts receivable | - | - | - | - |
| Deposit and prepaid items | 657 | - | - | - |
| Inventory | 45,957 | 42,163 | - | - |
| Total current assets | <u>5,494,504</u> | <u>6,151,033</u> | <u>1,398,714</u> | <u>5,312,180</u> |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Depreciable | 1,708,996 | 2,174,058 | - | - |
| Depreciable - Intangible | - | 195,357 | - | - |
| Total noncurrent assets | <u>1,708,996</u> | <u>2,369,415</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>7,203,500</u> | <u>8,520,448</u> | <u>1,398,714</u> | <u>5,312,180</u> |
| DEFERRED OUTFLOW OF RESOURCES | | | | |
| Related to Pension and OPEB | <u>97,181</u> | <u>-</u> | <u>-</u> | <u>191,886</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 28,601 | - | - | 11,604 |
| Accrued payroll | 14,657 | - | - | 27,005 |
| Claims liability | - | - | 36,000 | - |
| Compensated absences - current portion | 10,533 | - | - | 30,402 |
| Other liability - current portion | - | - | - | - |
| Total current liabilities | <u>53,791</u> | <u>-</u> | <u>36,000</u> | <u>69,011</u> |
| Noncurrent liabilities: | | | | |
| Compensated absences | 9,581 | - | - | 59,933 |
| Net OPEB liability | 177,052 | - | - | 264,957 |
| Net pension liability | 938,382 | - | - | 1,085,122 |
| Other liability-noncurrent portion | - | - | - | - |
| Total noncurrent liabilities | <u>1,125,015</u> | <u>-</u> | <u>-</u> | <u>1,410,012</u> |
| Total liabilities | <u>1,178,806</u> | <u>-</u> | <u>36,000</u> | <u>1,479,023</u> |
| DEFERRED INFLOW OF RESOURCES | | | | |
| Related to Pension and OPEB | <u>57,982</u> | <u>-</u> | <u>-</u> | <u>82,088</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 1,708,996 | 2,369,415 | - | - |
| Unrestricted | 4,354,897 | 6,151,033 | 1,362,714 | 3,942,955 |
| Total net position | <u>\$ 6,063,893</u> | <u>\$ 8,520,448</u> | <u>\$ 1,362,714</u> | <u>\$ 3,942,955</u> |

| Building Maintenance | Longevity Recognition Benefits | PEMHCA | Compensated Absences | Total |
|-------------------------|--------------------------------------|---------------------|-------------------------|----------------------|
| \$ 7,327,184 | \$ 2,436,926 | \$ 5,960,929 | \$ 2,789,259 | \$ 36,781,952 |
| 6,176 | - | - | - | 6,176 |
| - | - | - | - | 657 |
| - | - | - | - | 88,120 |
| <u>7,333,360</u> | <u>2,436,926</u> | <u>5,960,929</u> | <u>2,789,259</u> | <u>36,876,905</u> |
| - | - | - | - | 3,883,054 |
| - | - | - | - | 195,357 |
| - | - | - | - | 4,078,411 |
| <u>7,333,360</u> | <u>2,436,926</u> | <u>5,960,929</u> | <u>2,789,259</u> | <u>40,955,316</u> |
| <u>165,940</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>455,007</u> |
| 127,176 | - | - | - | 167,381 |
| 25,382 | - | - | - | 67,044 |
| - | - | - | - | 36,000 |
| 31,488 | - | - | - | 72,423 |
| 31,466 | - | - | - | 31,466 |
| <u>215,512</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>374,314</u> |
| 45,685 | - | - | - | 115,199 |
| 177,050 | - | - | - | 619,059 |
| 1,196,336 | - | - | - | 3,219,840 |
| 125,865 | - | - | - | 125,865 |
| <u>1,544,936</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,079,963</u> |
| <u>1,760,448</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,454,277</u> |
| <u>64,892</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>204,962</u> |
| - | - | - | - | 4,078,411 |
| <u>5,673,960</u> | <u>2,436,926</u> | <u>5,960,929</u> | <u>2,789,259</u> | <u>32,672,673</u> |
| <u>\$ 5,673,960</u> | <u>\$ 2,436,926</u> | <u>\$ 5,960,929</u> | <u>\$ 2,789,259</u> | <u>\$ 36,751,084</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, 2020

| | Vehicle Rental | Equipment Replacement | Self Insurance | Information Technology |
|---|---------------------|--------------------------|---------------------|---------------------------|
| OPERATING REVENUES: | | | | |
| Charges for services | \$ 1,598,989 | \$ 649,912 | \$ 457,947 | \$ 1,912,780 |
| Total operating revenues | 1,598,989 | 649,912 | 457,947 | 1,912,780 |
| OPERATING EXPENSES: | | | | |
| Personnel | 451,521 | - | - | 827,289 |
| Repairs and maintenance | 319,190 | 116,037 | - | 571,903 |
| General and administration | 264,113 | - | - | 238,249 |
| Depreciation | 305,821 | 327,876 | - | - |
| Contractual services | 3,173 | - | 40,956 | 7,792 |
| Insurance | 59,533 | - | 370,598 | - |
| Total operating expenses | 1,403,351 | 443,913 | 411,554 | 1,645,233 |
| OPERATING INCOME (LOSS) | 195,638 | 205,999 | 46,393 | 267,547 |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Gain (loss) on disposal of capital assets | (6,554) | 1,500 | - | - |
| Investment income (expense) | 129,691 | 155,941 | 28,608 | 125,908 |
| Miscellaneous | 44,926 | - | - | - |
| Total nonoperating revenues (expenses) | 168,063 | 157,441 | 28,608 | 125,908 |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | 363,701 | 363,440 | 75,001 | 393,455 |
| CONTRIBUTIONS AND TRANSFERS: | | | | |
| Capital contributions to other agency | (229,104) | (150,285) | - | (9,100) |
| Transfers in | - | 49,573 | - | - |
| Transfers out | - | (767,831) | - | (42,655) |
| Total contributions and transfers | (229,104) | (868,543) | - | (51,755) |
| Changes in Net Position | 134,597 | (505,103) | 75,001 | 341,700 |
| NET POSITION: | | | | |
| Beginning of the year | 5,929,296 | 9,025,551 | 1,287,713 | 3,601,255 |
| End of the year | <u>\$ 6,063,893</u> | <u>\$ 8,520,448</u> | <u>\$ 1,362,714</u> | <u>\$ 3,942,955</u> |

| Building Maintenance | Longevity Recognition Benefits | PEMHCA | Compensated Absences | Total |
|-------------------------|--------------------------------------|---------------------|-------------------------|----------------------|
| \$ 3,390,856 | \$ 224,160 | \$ 177,192 | \$ 375,103 | \$ 8,786,939 |
| <u>3,390,856</u> | <u>224,160</u> | <u>177,192</u> | <u>375,103</u> | <u>8,786,939</u> |
| 764,889 | 175,320 | 155,099 | 185,763 | 2,559,881 |
| 392,419 | - | - | - | 1,399,549 |
| 942,690 | - | - | - | 1,445,052 |
| - | - | - | - | 633,697 |
| 518,201 | 5,575 | 7,188 | - | 582,885 |
| - | - | - | - | 430,131 |
| <u>2,618,199</u> | <u>180,895</u> | <u>162,287</u> | <u>185,763</u> | <u>7,051,195</u> |
| <u>772,657</u> | <u>43,265</u> | <u>14,905</u> | <u>189,340</u> | <u>1,735,744</u> |
| - | - | - | - | (5,054) |
| 161,034 | 45,190 | 111,398 | 65,144 | 822,914 |
| 2,487 | - | - | - | 47,413 |
| <u>163,521</u> | <u>45,190</u> | <u>111,398</u> | <u>65,144</u> | <u>865,273</u> |
| <u>936,178</u> | <u>88,455</u> | <u>126,303</u> | <u>254,484</u> | <u>2,601,017</u> |
| - | - | - | - | (388,489) |
| 250,000 | - | - | - | 299,573 |
| (730,068) | - | - | - | (1,540,554) |
| <u>(480,068)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,629,470)</u> |
| 456,110 | 88,455 | 126,303 | 254,484 | 971,547 |
| <u>5,217,850</u> | <u>2,348,471</u> | <u>5,834,626</u> | <u>2,534,775</u> | <u>35,779,537</u> |
| <u>\$ 5,673,960</u> | <u>\$ 2,436,926</u> | <u>\$ 5,960,929</u> | <u>\$ 2,789,259</u> | <u>\$ 36,751,084</u> |

City of Foster City and Estero Municipal Improvement District
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2020

| | Vehicle Rental | Equipment Replacement | Self Insurance | Information Technology |
|---|---------------------|--------------------------|---------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash received from inter-departmental charges | \$ 1,598,989 | \$ 649,912 | \$ 457,947 | \$ 1,916,370 |
| Cash payments to suppliers for goods and services | (615,933) | (116,037) | (439,003) | (946,101) |
| Cash payments to employees for services | (385,121) | - | - | (764,749) |
| Cash received from others | 44,926 | - | - | - |
| Net cash provided (used) by operating activities | 642,861 | 533,875 | 18,944 | 205,520 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Transfers received | - | 49,573 | - | - |
| Transfer paid | - | (767,831) | - | (42,655) |
| Net cash provided (used) by noncapital financing activities | - | (718,258) | - | (42,655) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Acquisition and construction of capital assets | (597,291) | (252,010) | - | (9,100) |
| Net cash provided (used) by capital and related financing activities | (597,291) | (252,010) | - | (9,100) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Interest received on investments | 129,691 | 155,941 | 28,608 | 125,908 |
| Net cash provided (used) by investing activities | 129,691 | 155,941 | 28,608 | 125,908 |
| Net increase (decrease) in cash and cash equivalents | 175,261 | (280,452) | 47,552 | 279,673 |
| CASH AND CASH EQUIVALENTS: | | | | |
| Beginning of year | 5,272,629 | 6,389,322 | 1,351,162 | 5,032,507 |
| End of year | <u>\$ 5,447,890</u> | <u>\$ 6,108,870</u> | <u>\$ 1,398,714</u> | <u>\$ 5,312,180</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | | |
| Operating income (loss) | \$ 195,638 | \$ 205,999 | \$ 46,393 | \$ 267,547 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation | 305,821 | 327,876 | - | - |
| Miscellaneous revenues | 44,926 | - | - | - |
| Changes in operating assets and liabilities: | | | | |
| Decrease (increase) in: | | | | |
| Accounts receivable | - | - | - | 3,590 |
| Deposit and prepaid items | (657) | - | - | - |
| Inventory | 10,143 | - | - | - |
| Deferred outflow of resources | 9,504 | - | - | (18,164) |
| Increase (decrease) in: | | | | |
| Accounts payable | 20,590 | - | (449) | (128,157) |
| Accrued payroll | (348) | - | - | 860 |
| Claims liability | - | - | (27,000) | - |
| Compensated absences | (18,088) | - | - | 17,568 |
| Net OPEB liability | 21,271 | - | - | 31,971 |
| Net pension liability | 59,294 | - | - | 38,655 |
| Other liability | - | - | - | - |
| Deferred inflow of resources | (5,233) | - | - | (8,350) |
| Total adjustments | 447,223 | 327,876 | (27,449) | (62,027) |
| Net cash provided (used) by operating activities | \$ 642,861 | \$ 533,875 | \$ 18,944 | \$ 205,520 |
| NONCASH CAPITAL AND RELATED FINANCING TRANSACTIONS: | | | | |
| Capital contributions to other agency | \$ (229,104) | \$ (150,285) | \$ - | \$ (9,100) |
| Total noncash capital and related financing transaction | \$ (229,104) | \$ (150,285) | \$ - | \$ (9,100) |

| Building Maintenance | Longevity Recognition Benefits | PEMHCA | Compensated Absences | Total |
|----------------------|--------------------------------|---------------------|----------------------|----------------------|
| \$ 3,384,680 | \$ 224,160 | \$ 177,192 | \$ 375,103 | \$ 8,784,353 |
| (2,171,622) | (5,575) | (7,188) | - | (4,301,459) |
| (717,785) | (175,320) | (155,099) | (185,763) | (2,383,837) |
| 2,487 | - | - | - | 47,413 |
| <u>497,760</u> | <u>43,265</u> | <u>14,905</u> | <u>189,340</u> | <u>2,146,470</u> |
| 250,000 | - | - | - | 299,573 |
| (730,068) | - | - | - | (1,540,554) |
| (480,068) | - | - | - | (1,240,981) |
| - | - | - | - | (858,401) |
| - | - | - | - | (858,401) |
| 161,034 | 45,190 | 111,398 | 65,144 | 822,914 |
| 161,034 | 45,190 | 111,398 | 65,144 | 822,914 |
| 178,726 | 88,455 | 126,303 | 254,484 | 870,002 |
| 7,148,458 | 2,348,471 | 5,834,626 | 2,534,775 | 35,911,950 |
| <u>\$ 7,327,184</u> | <u>\$ 2,436,926</u> | <u>\$ 5,960,929</u> | <u>\$ 2,789,259</u> | <u>\$ 36,781,952</u> |
| \$ 772,657 | \$ 43,265 | \$ 14,905 | \$ 189,340 | \$ 1,735,744 |
| - | - | - | - | 633,697 |
| 2,487 | - | - | - | 47,413 |
| (6,176) | - | - | - | (2,586) |
| - | - | - | - | (657) |
| - | - | - | - | 10,143 |
| (5,954) | - | - | - | (14,614) |
| (318,312) | - | - | - | (426,328) |
| 503 | - | - | - | 1,015 |
| - | - | - | - | (27,000) |
| 10,345 | - | - | - | 9,825 |
| 21,271 | - | - | - | 74,513 |
| 56,962 | - | - | - | 154,911 |
| (31,467) | - | - | - | (31,467) |
| (4,556) | - | - | - | (18,139) |
| (274,897) | - | - | - | 410,726 |
| <u>\$ 497,760</u> | <u>\$ 43,265</u> | <u>\$ 14,905</u> | <u>\$ 189,340</u> | <u>\$ 2,146,470</u> |
| \$ - | \$ - | \$ - | \$ - | \$ (388,489) |
| \$ - | \$ - | \$ - | \$ - | \$ (388,489) |

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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.

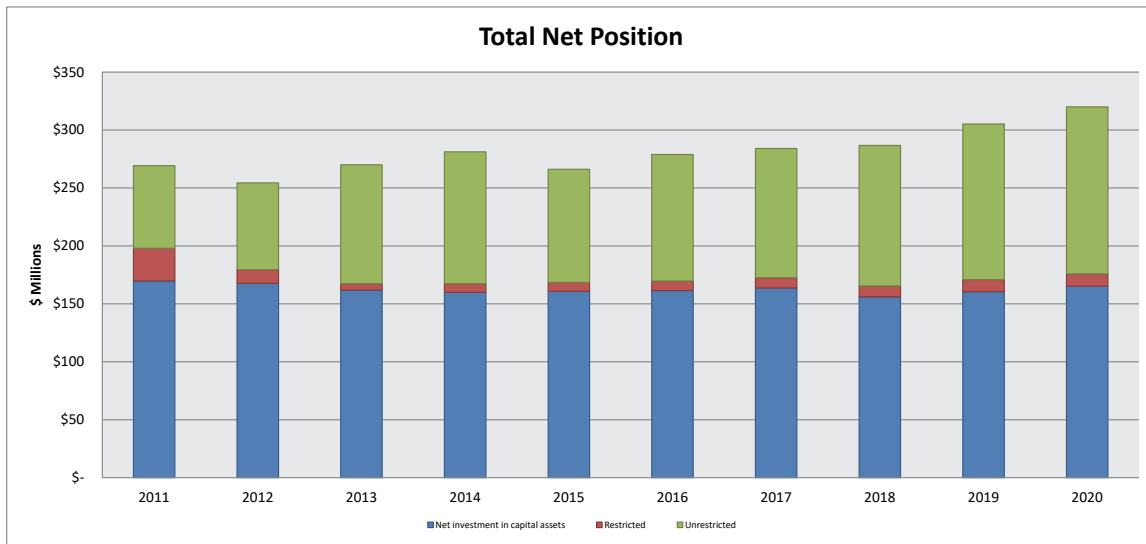
Operating Information

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 | | | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 108,007,645 | \$ 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 |
| Restricted | 28,263,106 | 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 |
| Unrestricted | 49,579,722 | 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 |
| Total governmental activities net position | \$ 185,850,473 | \$ 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 |
| Business-type activities | | | | | | | | | | |
| Net Investment in capital assets | \$ 61,718,653 | \$ 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 |
| Restricted | - | - | - | - | - | - | - | - | - | - |
| Unrestricted | 21,659,733 | 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 |
| Total business-type activities net position | \$ 83,378,386 | \$ 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 |
| Primary government | | | | | | | | | | |
| Net Investment in capital assets | \$ 169,726,298 | \$ 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 |
| Restricted | 28,263,106 | 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 |
| Unrestricted | 71,239,455 | 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 |
| Total primary government net position | \$ 269,228,859 | \$ 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 |



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

| | Fiscal Year | | | | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 3,135,273 | \$ 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 |
| Police | 9,635,944 | 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 |
| Fire | 8,011,016 | 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 |
| Public works | 4,924,309 | 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 |
| Community development | 5,904,547 | 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 |
| Parks and recreation | 7,889,206 | 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 |
| Total governmental activities expenses | 39,500,295 | 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 |
| Business-type activities: | | | | | | | | | | |
| Water | 8,690,887 | 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 |
| Wastewater | 5,334,103 | 5,909,150 | 6,554,771 | 6,412,706 | 7,140,529 | 6,356,799 | 7,166,712 | 7,722,767 | 8,151,224 | 7,876,915 |
| Public transportation | 204,321 | 201,696 | - | - | - | - | - | - | - | - |
| Total business-type activities expenses | 14,229,311 | 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 |
| Total primary government expenses | \$ 53,729,606 | \$ 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 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Public works | \$ 150,183 | \$ 115,060 | \$ 185,606 | \$ 259,277 | \$ 192,974 | \$ 264,579 | \$ 254,169 | \$ 367,879 | \$ 213,086 | \$ 179,837 |
| Parks and recreation | 1,264,706 | 1,082,263 | 1,065,366 | 4,430,943 | 4,374,455 | 1,473,738 | 2,358,600 | 1,853,153 | 3,697,450 | 1,520,574 |
| Other activities | 1,641,925 | 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 |
| Operating grants and contributions | 1,374,103 | 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 |
| Capital grants and contributions | 4,157,426 | 449,989 | 938,348 | 1,374,066 | 709,800 | 290,669 | 586,884 | 2,218,653 | 1,115,882 | 979,700 |
| Total governmental activities program revenues | 8,588,343 | 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 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water | 9,166,844 | 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 |
| Wastewater | 6,862,627 | 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 |
| Other activities | - | 7,317 | - | - | - | - | - | - | - | - |
| Operating grants and contributions | 140,709 | 100,756 | - | - | - | - | - | - | - | - |
| Capital grants and contributions | - | - | 19,305 | - | 26,991 | 71,315 | 32,174 | 8,741 | 5,557 | 21,216 |
| Total business-type activities program revenues | 16,170,180 | 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 |
| Total primary government program revenues | \$ 24,758,523 | \$ 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 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities | \$ (30,911,952) | \$ (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) |
| Business-type activities | 1,940,869 | 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 |
| Total primary government net expense | \$ (28,971,083) | \$ (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) |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | \$ 26,225,287 | \$ 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 |
| Franchise taxes | 1,088,266 | 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 |
| Sales taxes | 4,225,824 | 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 |
| Other taxes | 2,165,353 | 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 |
| Investment earnings | 2,409,846 | 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 |
| Gain on JPA investment | - | - | - | - | - | - | - | - | 84,643 | 663,404 |
| Gain on sale of capital assets | - | - | - | - | - | - | 37,071 | 101,798 | (22,309) | - |
| Miscellaneous | 117,764 | 210,189 | 19,494,949 | 405,586 | 30,088,299 | 1,010,108 | 134,187 | 316,522 | 124,124 | 237,699 |
| Transfers | (108,000) | (60,501) | - | - | - | - | 162,674 | 308,866 | - | - |
| Total governmental activities | 36,124,340 | 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 |
| Business-type activities: | | | | | | | | | | |
| Investment earnings | 256,984 | 292,258 | (141,502) | 459,090 | 319,633 | 350,091 | 154,770 | 277,627 | 984,386 | 81,433 |
| Loss on sales of capital assets | - | - | - | - | - | - | (7,860) | (479) | - | (10,665) |
| Miscellaneous | 140,335 | 36,975 | 58,306 | 87,468 | 94,246 | 61,506 | 104,478 | 125,512 | 51,132 | 49,043 |
| Transfers | 108,000 | 60,501 | - | - | - | - | - | (162,674) | (308,866) | - |
| Total business-type activities | 505,319 | 389,734 | (83,196) | 546,558 | 413,879 | 411,597 | 251,388 | 239,986 | 726,652 | 119,811 |
| Total primary government | \$ 36,629,659 | \$ 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 |
| Extraordinary Items | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Extraordinary items | | | | | | | | | | |
| Total governmental activities | \$ - | \$ (16,350,052) | \$ (6,300,000) | \$ (1,368,510) | \$ 1,131,265 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total primary government | \$ - | \$ (16,350,052) | \$ (6,300,000) | \$ (1,368,510) | \$ 1,131,265 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 5,212,388 | \$ (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 |
| Business-type activities | 2,446,188 | 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 |
| Total primary government | \$ 7,658,576 | \$ (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 |

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 | | | | | | | | | |
|---|---------------------|------------------------|-----------------------|---------------------|----------------------|----------------------|---------------------|----------------------|---------------------|----------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Revenues | | | | | | | | | | |
| Taxes | \$ 32,846,406 | \$ 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 |
| Licenses, fees and permits | 1,289,106 | 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 |
| Fines and penalties | 159,303 | 179,717 | 193,654 | 197,969 | 168,838 | 162,589 | 187,670 | 227,271 | 123,403 | 90,960 |
| Charges for services | 1,659,773 | 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 |
| Special assessments | 4,000,000 | - | - | 3,289,634 | 3,288,613 | 429,000 | 1,146,000 | 540,000 | 2,240,000 | 480,000 |
| Intergovernmental | 1,522,599 | 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 |
| Investment earnings | 1,796,472 | 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 |
| Other revenues | 559,764 | 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 |
| Total revenues | <u>43,833,423</u> | <u>35,279,773</u> | <u>38,088,620</u> | <u>44,493,482</u> | <u>47,610,849</u> | <u>48,000,815</u> | <u>49,710,596</u> | <u>55,275,024</u> | <u>62,744,634</u> | <u>58,390,449</u> |
| Expenditures | | | | | | | | | | |
| General government | 2,689,200 | 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 |
| Police | 9,362,853 | 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 |
| Fire | 7,917,966 | 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 |
| Public works | 2,603,647 | 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 |
| Community development | 5,825,075 | 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 |
| Parks and recreation | 6,780,921 | 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 |
| Capital outlay | 970,235 | 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 |
| Debt service | | | | | | | | | | |
| Interest | 156,685 | - | - | - | - | - | - | - | - | - |
| Total expenditures | <u>36,306,582</u> | <u>35,571,948</u> | <u>33,140,296</u> | <u>35,594,204</u> | <u>43,810,658</u> | <u>38,334,925</u> | <u>41,964,477</u> | <u>44,114,432</u> | <u>51,233,946</u> | <u>49,466,531</u> |
| Excess of revenues over (under) expenditures | 7,526,841 | (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 |
| 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 |
| Transfers in | 25,391,490 | 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 |
| Transfers out | (25,499,490) | (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) |
| Total other financing sources (uses) | <u>(108,000)</u> | <u>(69,080)</u> | <u>(1,317,810)</u> | <u>1,344,924</u> | <u>30,607,503</u> | <u>383,095</u> | <u>564,315</u> | <u>582,930</u> | <u>(2,446,274)</u> | <u>1,345,175</u> |
| Extraordinary Item | | | | | | | | | | |
| Extraordinary loss | - | (16,350,052) | (6,300,000) | (1,368,510) | - | - | - | - | - | - |
| Total extraordinary item | <u>-</u> | <u>(16,350,052)</u> | <u>(6,300,000)</u> | <u>(1,368,510)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u>\$ 7,418,841</u> | <u>\$ (16,711,307)</u> | <u>\$ (2,669,486)</u> | <u>\$ 8,875,692</u> | <u>\$ 34,407,694</u> | <u>\$ 10,048,985</u> | <u>\$ 8,310,434</u> | <u>\$ 11,743,522</u> | <u>\$ 9,064,414</u> | <u>\$ 10,269,093</u> |
| Debt service as a percentage of noncapital expenditures | 0.45% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

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

| | Fiscal Year | | | | | | | | | |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| General Fund | | | | | | | | | | |
| Non-Spendable | \$ 33,527 | \$ 32,448 | \$ 34,769 | \$ 36,126 | \$ 31,380 | \$ 39,730 | \$ 48,595 | \$ 56,029 | \$ 48,231 | \$ 19,415 |
| Restricted | - | - | - | - | - | 99,481 | 5,675 | 21,252 | 26,384 | 15,296 |
| Committed | 812,807 | 466,016 | 405,949 | 441,920 | 1,279,096 | 1,279,731 | 2,202,807 | 2,265,890 | 3,013,410 | 7,702,504 |
| Assigned | 1,052,366 | 964,536 | 510,417 | 676,878 | 619,948 | 138,174 | 28,093 | 125,010 | 8,240 | - |
| Unassigned | <u>19,304,982</u> | <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> |
| Total general fund | <u>\$ 21,203,682</u> | <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> |
| All Other Governmental Funds | | | | | | | | | | |
| Non-Spendable | \$ - | \$ - | \$ - | \$ - | \$ 683 | \$ - | \$ - | \$ 75 | \$ 2,203 | \$ - |
| Restricted | 28,608,240 | 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 |
| Committed | 8,099,116 | 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 |
| Unassigned | - | - | - | - | - | - | (40,773) | - | - | (133,436) |
| Total all other governmental funds | <u>\$ 36,707,356</u> | <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> |

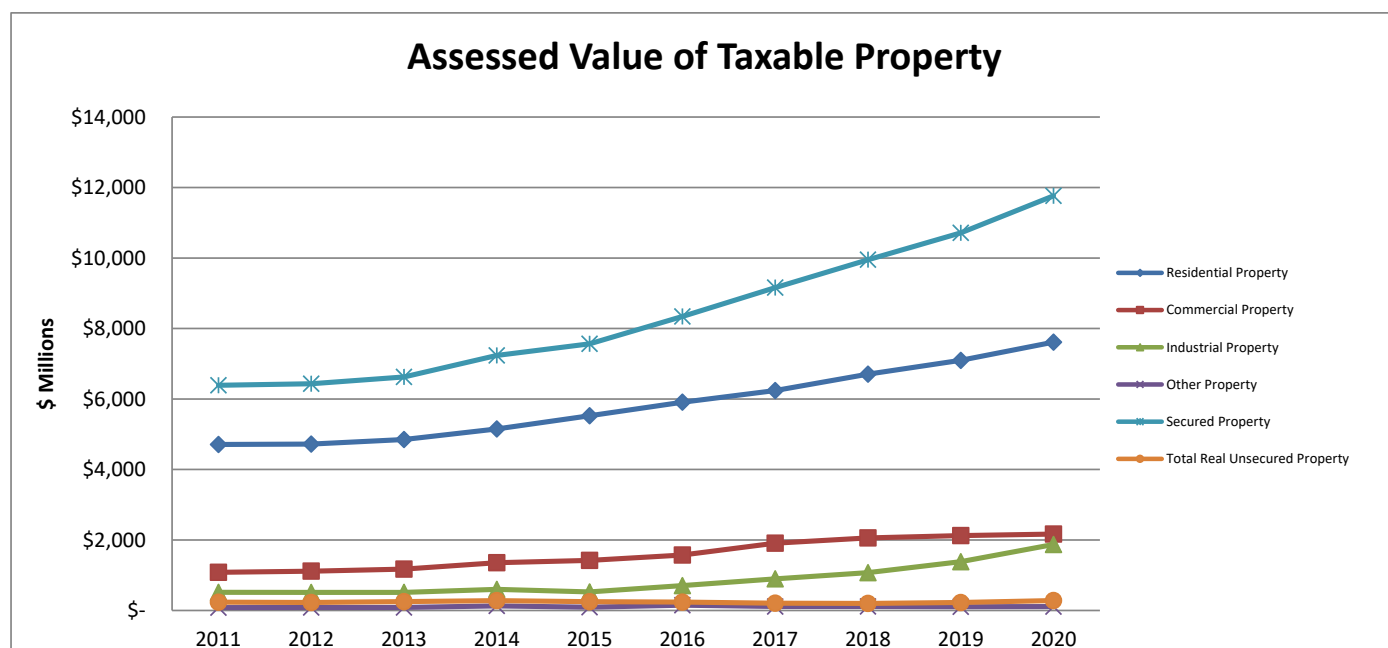
City of Foster City and Estero Municipal Improvement District

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 |
|----------------------------|----------------------|---------------------|---------------------|----------------|-----------------------------|--------------------|----------------|------------------------------------|------------------------------------|
| 2011 | \$ 4,709,407 | \$ 1,083,260 | \$ 516,044 | \$ 80,957 | \$ 6,389,668 | \$ 234,475 | \$ 6,624,143 | \$ 6,624,143 | 0.29192 |
| 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 |



Source: The HdL Company and San Mateo County Assessor 2010/11 - 2019/20 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 | | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| 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 | 0.00920 | 0.01970 | 0.01970 | 0.01830 | 0.01820 | 0.03620 | 0.03060 | 0.02780 | 0.02710 | 0.02050 |
| Belmont-Redwood Shores | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00520 | 0.00430 | 0.00410 |
| Mid-Peninsula Regional Open Space | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00080 | 0.00060 | 0.00090 | 0.00180 | 0.00160 |
| San Mateo Community College 2005 Series B | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00350 |
| San Mateo Foster City Elementary | 0.03410 | 0.03470 | 0.03380 | 0.04210 | 0.03880 | 0.04020 | 0.05460 | 0.05420 | 0.05300 | 0.04370 |
| San Mateo Junior College | 0.01930 | 0.01990 | 0.01940 | 0.01940 | 0.01900 | 0.02500 | 0.02470 | 0.02350 | 0.01750 | 0.02310 |
| San Mateo Union High | 0.03220 | 0.03830 | 0.03810 | 0.03550 | 0.04750 | 0.04660 | 0.04150 | 0.04330 | 0.04070 | 0.03850 |
| Sequoia Union High | 0.03110 | 0.03580 | 0.03560 | 0.03130 | 0.04330 | 0.04340 | 0.03910 | 0.03830 | 0.03650 | 0.03400 |
| Total Direct & Overlapping² Tax Rates | 1.12590 | 1.14840 | 1.14660 | 1.14660 | 1.16680 | 1.19220 | 1.19110 | 1.19320 | 1.18090 | 1.16900 |
| City's Share of 1% Levy Per Prop 13³ | 0.25974 | 0.25974 | 0.25974 | 0.25974 | 0.25974 | 0.25974 | 0.25974 | 0.25974 | 0.21971 | 0.23365 |
| 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 | 1.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 |
| Total Direct Rate⁵ | 0.45653 | 0.44624 | 0.44902 | 0.22518 | 0.22474 | 0.22323 | 0.22231 | 0.22156 | 0.22086 | 0.23441 |

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, 2010/11 - 2019/20 Direct and Overlapping Property Tax Rates Schedule
San Mateo County Assessor 2010/11 - 2019/20 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 2019/2020 | | | FY 2010/2011 | | |
|--|---------------------|------|--|---------------------|------|--|
| | Taxable Assessed | Rank | Percentage of Total City Taxable Assessed | Taxable Assessed | Rank | Percentage of Total City Taxable Assessed |
| | Value | | Value | Value | | |
| GILEAD SCIENCES INC | \$ 2,205,502,171 | 1 | 18.31% | \$ 420,048,179 | 1 | 6.34% |
| BMR LINCOLN CENTER LP | 351,813,918 | 2 | 2.92% | | | |
| HUDSON METRO CENTER LLC | 342,151,356 | 3 | 2.84% | | | |
| VISA USA INC | 271,533,138 | 4 | 2.25% | | | |
| TRUST PARKSIDE TOWERS CORPORATION | 225,289,700 | 5 | 1.87% | | | |
| BEX FMCA LLC | 192,752,647 | 6 | 1.60% | | | |
| SF HILLSDALE 20102012 LLC | 152,958,838 | 7 | 1.27% | | | |
| AREOF VI US PILGRIM TRITON LLC | 147,103,256 | 8 | 1.22% | | | |
| CV TRITON LLC | 113,732,805 | 9 | 0.94% | | | |
| NORTHWESTERN MUTUAL LIFE | 91,421,166 | 10 | 0.76% | | | |
| BAYSIDE TOWERS INC | | | | | | |
| SPK-METRO CENTER LLC LESSEE | | | | 212,102,624 | 2 | 3.20% |
| VISA INTERNATIONAL SERVICE ASSOCIATION | | | | 160,033,267 | 3 | 2.42% |
| APPLERA CORPORATION | | | | 147,237,561 | 4 | 2.22% |
| PARKSIDE TOWERS | | | | 91,600,000 | 5 | 1.38% |
| VISA LAND DEVELOPMENT II LP | | | | 88,554,835 | 6 | 1.34% |
| GRUPE REAL ESTATE INVESTMENT | | | | 88,543,781 | 7 | 1.34% |
| ELECTRONICS FOR IMAGING INC | | | | 76,872,214 | 8 | 1.16% |
| BRE PROPERTIES INC | | | | 73,338,853 | 9 | 1.11% |
| ESSEX HARBOR COVE APARTMENTS LP | | | | 71,706,153 | 10 | 1.08% |
| Top Ten Total | \$ 4,094,258,995 | | 33.99% | \$ 1,430,037,467 | | 21.59% |
| City Total | \$ 12,046,171,424 | | | \$ 6,624,142,909 | | |

Source: The HdL Company and San Mateo County Assessor 2019/20 & 2010/11 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 |
| 2011 | \$ 12,267,181 | \$ 12,696,154 | 103.50% ³ | \$ 31,783 | \$ 12,727,937 | 103.76% |
| 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% ⁴ | (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% ⁵ | (14,773) | 29,767,998 | 105.28% |
| 2020 | 31,147,215 | 31,113,654 | 99.89% | - | 31,113,654 | 99.89% |

Notes:

- ¹ Information from County of San Mateo Controller's Office
- ² Amount received after ERAF contribution
- ³ One of the City's redevelopment project areas reached its TI (tax increment) limit during the fiscal year 2011, the residual tax increment was redistributed among all taxing agencies and the City was one of the recipients. Thus, the total amount of property taxes received during the fiscal year exceeded the taxes levied for the fiscal year.
- ⁴ Include \$350,463 from the dissolution of the Community Development Agency of Foster City as a result of AB1484.
- ⁵ San Mateo County Controller's Office changed the excess ERAF distribution. Included 45% excess ERAF amount distributed in August FY2019/2020.

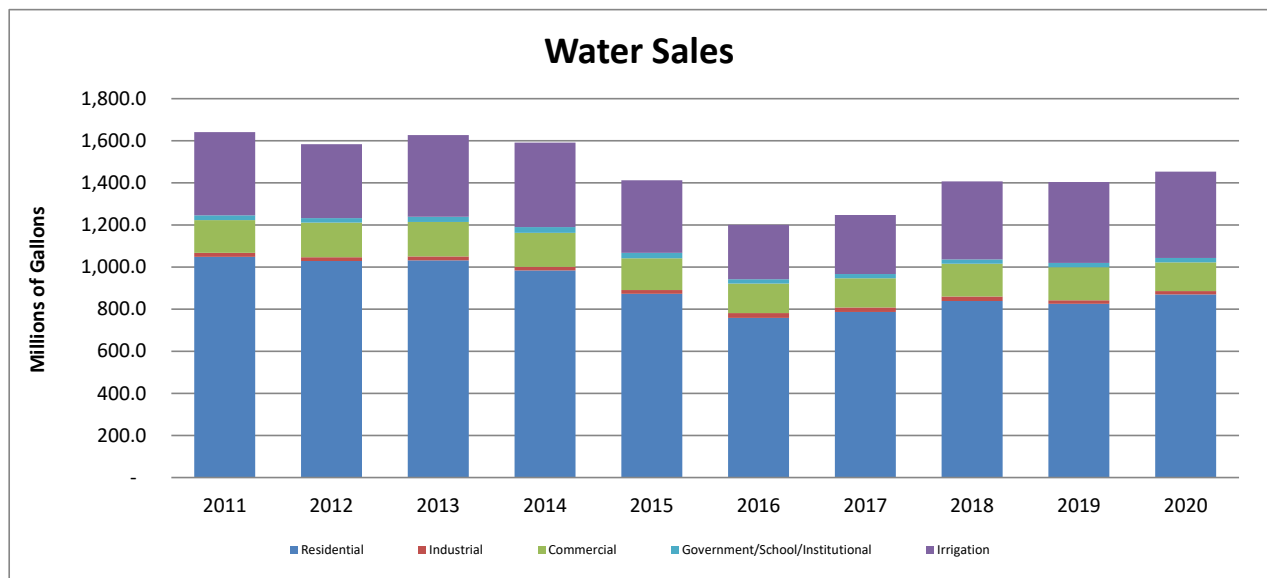
City of Foster City and Estero Municipal Improvement District

Water Sales by Type of Customer

Last Ten Fiscal Years

(in millions of gallons)

| Type of Customer | Fiscal Year | | | | | | | | | |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Residential | 1,048.9 | 1,029.2 | 1,032.1 | 984.3 | 873.0 | 758.5 | 786.8 | 838.9 | 825.4 | 870.0 |
| Industrial | 18.8 | 17.8 | 18.4 | 17.2 | 17.7 | 23.0 | 21.1 | 21.2 | 16.9 | 16.0 |
| Commercial | 155.3 | 164.3 | 163.8 | 161.2 | 151.1 | 140.0 | 138.9 | 156.0 | 157.2 | 136.7 |
| Government/School/Institutional | 23.0 | 21.3 | 24.9 | 27.4 | 25.9 | 20.6 | 20.2 | 20.6 | 20.5 | 20.8 |
| Irrigation | 395.0 | 351.1 | 388.0 | 401.4 | 344.6 | 258.4 | 280.4 | 370.1 | 384.0 | 410.1 |
| Total | 1,641.0 | 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 |



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>2011</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> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Availability / Meter Charge (per Month) | | | | | | | | | | |
| 5/8 inch | \$ 17.55 | \$ 17.55 | \$ 15.80 | \$ 15.80 | \$ 16.00 | \$ 17.25 | \$ 18.90 | \$ 19.85 | \$ 21.45 | \$ 23.15 |
| 3/4 inch | \$ 17.55 | \$ 17.55 | \$ 15.80 | \$ 15.80 | \$ 16.00 | \$ 17.25 | \$ 18.90 | \$ 19.85 | \$ 21.45 | \$ 23.15 |
| 1 inch | \$ 43.90 | \$ 43.90 | \$ 39.50 | \$ 27.65 | \$ 28.00 | \$ 28.75 | \$ 31.50 | \$ 33.08 | \$ 35.75 | \$ 38.58 |
| 1&1/2 inch | \$ 87.75 | \$ 87.75 | \$ 79.00 | \$ 79.00 | \$ 80.00 | \$ 69.00 | \$ 75.60 | \$ 79.40 | \$ 85.80 | \$ 92.60 |
| 2 inch | \$ 140.40 | \$ 140.40 | \$ 126.40 | \$ 126.40 | \$ 128.00 | \$ 92.00 | \$ 100.80 | \$ 105.87 | \$ 114.40 | \$ 123.47 |
| 3 inch | \$ 245.70 | \$ 245.70 | \$ 221.20 | \$ 221.20 | \$ 224.00 | \$ 201.25 | \$ 220.50 | \$ 231.58 | \$ 250.25 | \$ 270.08 |
| 4 inch | \$ 386.10 | \$ 386.10 | \$ 347.60 | \$ 347.60 | \$ 352.00 | \$ 362.25 | \$ 396.90 | \$ 416.85 | \$ 450.45 | \$ 486.15 |
| 6 inch | \$ 737.10 | \$ 737.10 | \$ 663.60 | \$ 663.60 | \$ 672.00 | \$ 805.00 | \$ 882.00 | \$ 926.33 | \$ 1,001.00 | \$ 1,080.33 |
| 8 inch | \$ 1,158.30 | \$ 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 |
| Consumption Charge (per Unit*) | | | | | | | | | | |
| All Classes | | | | | | | | | | |
| Single Family Residential | | | | | | | | | | |
| 0-10 units | \$ 1.57 | \$ 2.00 | \$ 2.35 | \$ 2.35 | \$ 2.49 | \$ 4.30 | \$ 4.72 | \$ 5.03 | \$ 5.43 | \$ 5.59 |
| 11-20 units | \$ 2.09 | \$ 2.66 | \$ 3.13 | \$ 3.13 | \$ 3.32 | \$ 4.30 | \$ 4.72 | \$ 5.03 | \$ 5.43 | \$ 5.59 |
| > 20 units | \$ 4.18 | \$ 4.66 | \$ 4.70 | \$ 4.70 | \$ 4.98 | \$ 4.64 | \$ 5.95 | \$ 6.06 | \$ 6.10 | \$ 6.20 |
| Multi Family Residential | | | | | | | | | | |
| 0-5 units | \$ 1.57 | \$ 2.00 | \$ 2.35 | \$ 2.35 | \$ 2.49 | \$ 4.30 | \$ 4.72 | \$ 5.03 | \$ 5.43 | \$ 5.59 |
| 6-10 units | \$ 2.09 | \$ 2.66 | \$ 3.13 | \$ 3.13 | \$ 3.32 | \$ 4.30 | \$ 4.72 | \$ 5.03 | \$ 5.43 | \$ 5.59 |
| > 10 units | \$ 4.18 | \$ 4.66 | \$ 4.70 | \$ 4.70 | \$ 4.98 | \$ 4.67 | \$ 5.93 | \$ 5.62 | \$ 6.10 | \$ 6.20 |
| Irrigation | | | | | | | | | | |
| 0-100% of annual water budget | \$ 2.09 | \$ 2.66 | \$ 3.13 | \$ 3.13 | \$ 3.32 | \$ 4.30 | \$ 4.72 | \$ 5.03 | \$ 5.43 | \$ 5.59 |
| > 100% of annual water budget | \$ 4.18 | \$ 4.66 | \$ 4.70 | \$ 4.70 | \$ 4.98 | \$ 5.65 | \$ 7.35 | \$ 7.21 | \$ 6.47 | \$ 6.17 |
| Commercial and Fire Line | \$ 2.09 | \$ 2.66 | \$ 3.13 | \$ 3.13 | \$ 3.32 | \$ 4.40 | \$ 4.97 | \$ 5.15 | \$ 5.54 | \$ 5.70 |
| Private Fire Protection Service | | | | | | | | | | |
| Availability / Meter Charge (per Month) | | | | | | | | | | |
| 3/4 inch | \$ 30.75 | \$ 30.75 | \$ 27.65 | \$ 27.65 | \$ 28.00 | \$ 24.15 | \$ 26.46 | \$ 27.79 | \$ 30.03 | \$ 32.41 |
| 1 inch | \$ 30.75 | \$ 30.75 | \$ 27.65 | \$ 27.65 | \$ 28.00 | \$ 24.15 | \$ 26.46 | \$ 27.79 | \$ 30.03 | \$ 32.41 |
| 1&1/2 inch | \$ 30.75 | \$ 30.75 | \$ 27.65 | \$ 27.65 | \$ 28.00 | \$ 24.15 | \$ 26.46 | \$ 27.79 | \$ 30.03 | \$ 32.41 |
| 2 inch | \$ 49.15 | \$ 49.15 | \$ 44.25 | \$ 44.25 | \$ 44.80 | \$ 32.20 | \$ 35.34 | \$ 37.12 | \$ 40.11 | \$ 43.29 |
| 3 inch | \$ 86.00 | \$ 86.00 | \$ 77.45 | \$ 77.45 | \$ 78.40 | \$ 70.45 | \$ 77.11 | \$ 80.99 | \$ 87.52 | \$ 94.45 |
| 4 inch | \$ 135.15 | \$ 135.15 | \$ 121.70 | \$ 121.70 | \$ 123.20 | \$ 126.80 | \$ 138.92 | \$ 145.90 | \$ 157.66 | \$ 170.15 |
| 6 inch | \$ 258.00 | \$ 258.00 | \$ 232.30 | \$ 232.30 | \$ 235.20 | \$ 281.75 | \$ 308.64 | \$ 324.15 | \$ 350.28 | \$ 378.04 |
| 8 inch | \$ 405.45 | \$ 405.45 | \$ 365.00 | \$ 365.00 | \$ 369.60 | \$ 483.00 | \$ 529.20 | \$ 555.80 | \$ 600.60 | \$ 648.20 |
| Wastewater | | | | | | | | | | |
| Residential (per Month) | | | | | | | | | | |
| Single Family | \$ 46.05 | \$ 46.05 | \$ 46.05 | \$ 46.05 | \$ 47.00 | \$ 51.47 | \$ 57.13 | \$ 65.27 | \$ 74.57 | \$ 85.20 |
| Townhouse | \$ 38.75 | \$ 38.75 | \$ 38.75 | \$ 38.75 | \$ 39.55 | \$ 43.23 | \$ 47.99 | \$ 54.83 | \$ 62.64 | \$ 71.57 |
| Duplex | \$ 38.75 | \$ 38.75 | \$ 38.75 | \$ 38.75 | \$ 39.55 | \$ 43.23 | \$ 47.99 | \$ 54.83 | \$ 62.64 | \$ 71.57 |
| Apartment / Condominium | \$ 38.75 | \$ 38.75 | \$ 38.75 | \$ 38.75 | \$ 39.55 | \$ 43.23 | \$ 47.99 | \$ 54.83 | \$ 62.64 | \$ 71.57 |
| Commercial (per Unit* of Water Billed) | | | | | | | | | | |
| Restaurant | \$ 8.37 | \$ 8.37 | \$ 8.37 | \$ 8.37 | \$ 8.54 | \$ 9.35 | \$ 10.38 | \$ 11.86 | \$ 13.55 | \$ 15.48 |
| Miscellaneous | \$ 2.94 | \$ 2.94 | \$ 2.94 | \$ 2.94 | \$ 3.00 | \$ 3.29 | \$ 3.65 | \$ 4.17 | \$ 4.76 | \$ 5.44 |
| Institutional (per Unit* of Water Billed) | | | | | | | | | | |
| School | \$ 1.66 | \$ 1.66 | \$ 1.66 | \$ 1.66 | \$ 1.69 | \$ 2.16 | \$ 2.40 | \$ 2.74 | \$ 3.13 | \$ 3.58 |
| Church | \$ 1.66 | \$ 1.66 | \$ 1.66 | \$ 1.66 | \$ 1.69 | \$ 2.16 | \$ 2.40 | \$ 2.74 | \$ 3.13 | \$ 3.58 |
| Public Facility | \$ 1.66 | \$ 1.66 | \$ 1.66 | \$ 1.66 | \$ 1.69 | \$ 2.16 | \$ 2.40 | \$ 2.74 | \$ 3.13 | \$ 3.58 |

Unit* = 748 Gallons

Source: City of Foster City Financial Services Department

City of Foster City and Estero Municipal Improvement District

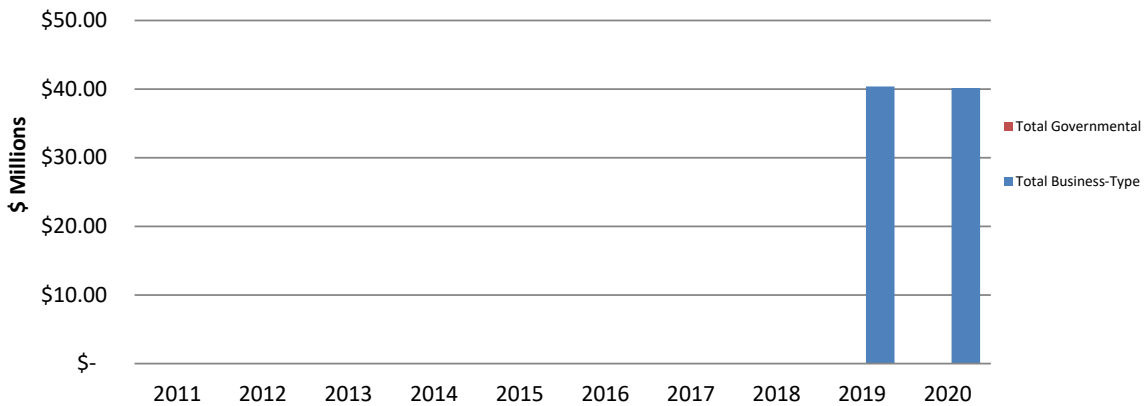
Ratios of Outstanding Debt by Type

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 | | | | |
| 2011 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | n/a | \$ - | |
| 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 | 0.019 | 1,198 | |
| 2020 | - | - | - | - | 40,155 | 40,155 | 0.017 | 1,216 | |

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, 2020

2019-20 Assessed Valuation:

\$12,030,110,970

| | Total Debt Outstanding 06/30/20 | Percentage Applicable (1) | City's Share of Overlapping Debt 06/30/20 |
|---|--|--------------------------------------|--|
| <u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | | | |
| San Mateo Community College District | \$ 766,683,503 | 5.027% | \$ 38,541,180 |
| San Mateo Union High School District | 623,906,623 | 14.397% | 89,823,837 |
| Sequoia Union High School District | 510,715,000 | 0.005% | 25,536 |
| San Mateo-Foster City School District | 282,726,833 | 28.994% | 81,973,818 |
| Belmont-Redwood Shores School District | 60,077,715 | 0.031% | 18,624 |
| Midpeninsula Regional Open Space District | 88,810,000 | 0.004% | 3,552 |
| Estero Municipal Improvement District | - | 100.000% | - |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | | \$ 210,386,547 |
| <u>OVERLAPPING GENERAL FUND DEBT:</u> | | | |
| San Mateo County General Fund Obligations | \$ 515,920,256 | 5.027% | \$ 25,935,311 |
| San Mateo County Board of Education Certificates of Participation | 7,505,000 | 5.027% | 377,276 |
| Midpeninsula Regional Park District General Fund Obligations | 111,985,600 | 0.004% | 4,479 |
| TOTAL OVERLAPPING GENERAL FUND DEBT | | | \$ 26,317,066 |
| TOTAL DIRECT DEBT | | | \$ - |
| TOTAL OVERLAPPING DEBT | | | \$ 236,703,613 |
| COMBINED TOTAL DEBT | | | \$ 236,703,613 (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 2019-20 Assessed Valuation:

| | |
|--|-------|
| Direct Debt | 0.00% |
| Total Direct and Overlapping Tax and Assessment Debt | 1.75% |
| Combined Total Debt | 1.97% |

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)

Legal Debt Margin Calculation for Fiscal Year 2020

| | |
|---|---------------|
| Assessed value | \$ 11,951,356 |
| Debt limit (15% of assessed value) | 1,792,703 |
| Debt applicable to limit: | |
| General obligation bonds | - |
| Less: Amount set aside for repayment of general obligation debt | - |
| Total net debt applicable to limit | - |
| Legal debt margin | \$ 1,792,703 |

| | Fiscal Year | | | | | | | | | |
|---|-------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Debt limit | \$ 985,253 | \$ 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 |
| Total net debt applicable to limit | - | - | - | - | - | - | - | - | - | - |
| Legal debt margin | \$ 985,253 | \$ 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 |
| 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% |

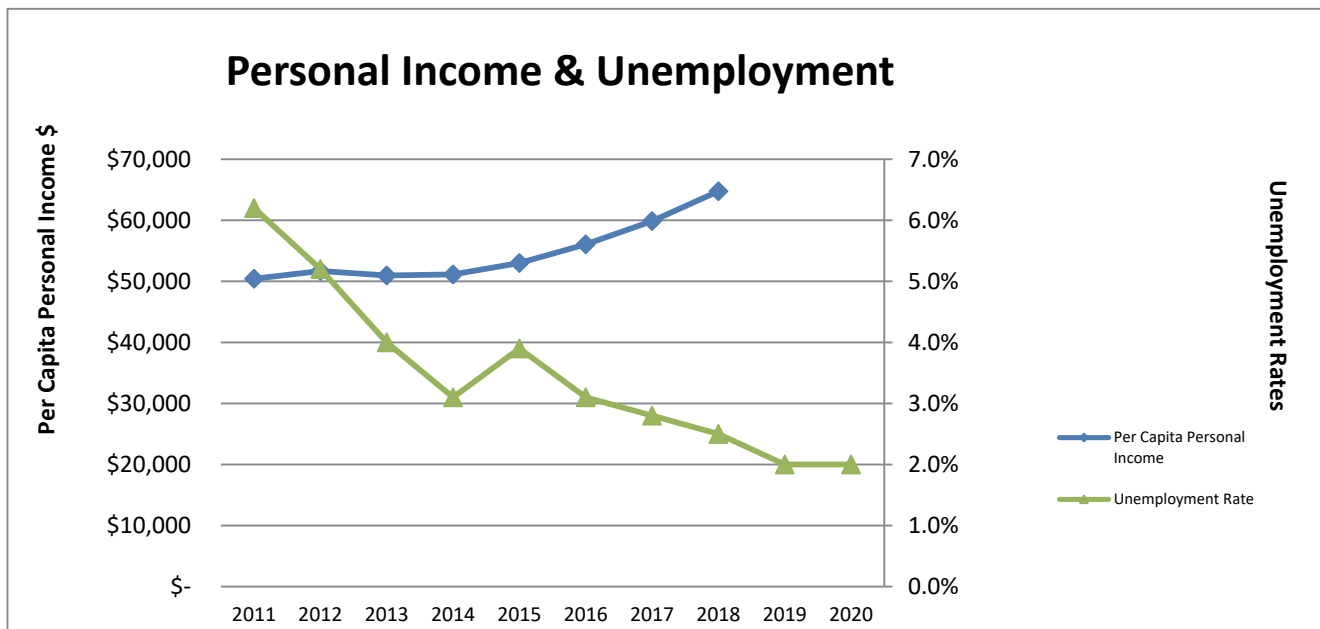
Note: Under state finance law, the city's outstanding general obligation debt should not exceed 15 percent of total assessed property value.

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 |
|------|------------|---|----------------------------|-------------------|
| 2011 | 30,790 | \$ 1,557,571 | \$ 50,415 | 6.2% |
| 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 | n/a | n/a | 2.0% |



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

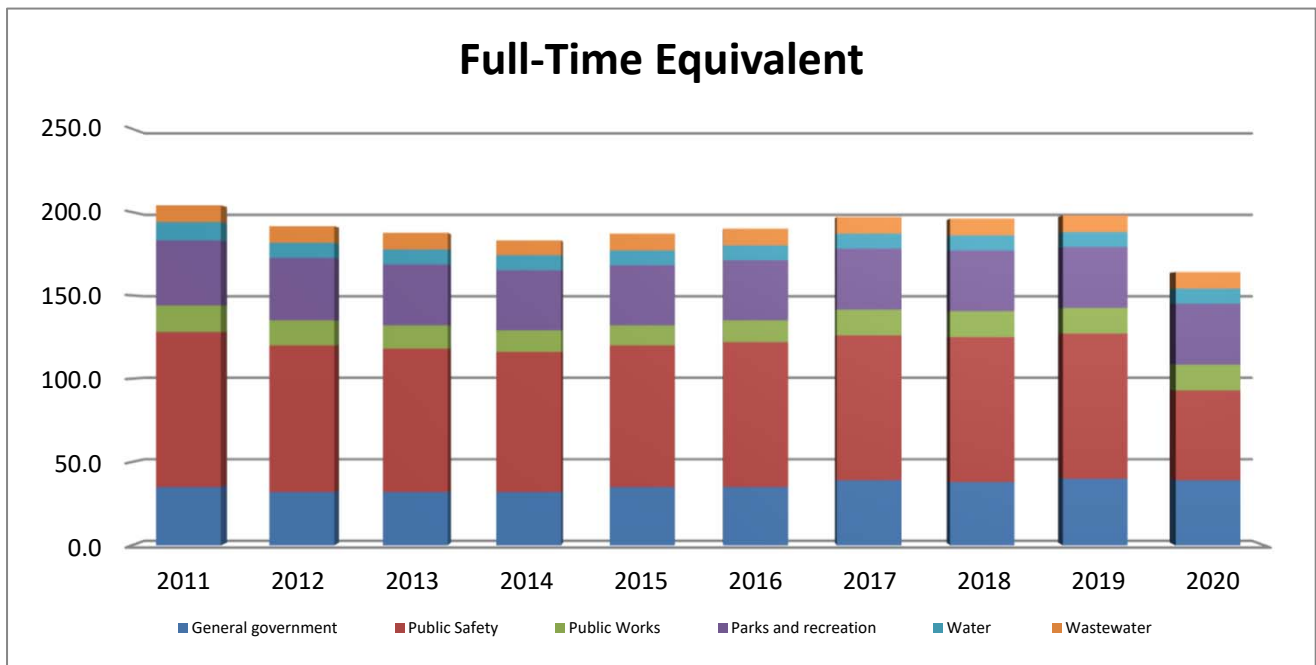
Current Year and Ten Years Ago

| <u>Employer</u> | <u>2020</u> | | | <u>2011</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. | 8,268 | 1 | 38.66% | 2,231 | 1 | 13.55% |
| VISA U.S.A. INC. | 2,263 | 2 | 10.58% | 1,435 | 2 | 8.71% |
| VISA TECHNOLOGY & OPERATIONS LLC, FKA INOVANT LLC | 1,006 | 3 | 4.70% | 964 | 5 | 5.85% |
| ZOOX INC | 530 | 4 | 2.48% | | | |
| CYBERSOURCE CORPORATION | 435 | 5 | 2.03% | | | |
| ILLUMINA INC | 389 | 6 | 1.82% | | | |
| IBM CORPORATION | 367 | 7 | 1.72% | 390 | 7 | 2.37% |
| CITY OF FOSTER CITY | 313 | 8 | 1.46% | | | |
| CSG CONSULTANTS, INC. | 289 | 9 | 1.35% | | | |
| EXABEAM INC | 269 | 10 | 1.26% | | | |
| APPLIED BIOSYSTEMS, LLC | | | | 1,328 | 3 | 8.06% |
| ELECTRONICS FOR IMAGING, INC. | | | | 1,219 | 4 | 7.40% |
| SONY COMPUTER ENTERTAINMENT, LLC | | | | 742 | 6 | 4.51% |
| QUINSTREET, INC. | | | | 376 | 8 | 2.28% |
| MID-PENINSULA HOUSING | | | | 264 | 9 | 1.60% |
| REARDEN COMMERCE, INC. | | | | 254 | 10 | 1.54% |
| Top Ten Total | 14,129 | | 66.06% | 9,203 | | 55.87% |
| City Total | 21,388 | | | 16,467 | | |

Source: 2011 and 2020 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

| Function/Program | Full-time Equivalent Employees as of June 30 | | | | | | | | | |
|---------------------------|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| General government | | | | | | | | | | |
| Management services | 16.0 | 14.0 | 13.0 | 13.0 | 13.0 | 13.0 | 14.0 | 14.0 | 15.0 | 15.0 |
| Finance | 8.0 | 8.0 | 8.0 | 8.0 | 9.0 | 9.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| Planning | 5.5 | 5.0 | 6.0 | 6.0 | 7.0 | 7.0 | 8.0 | 7.0 | 7.0 | 7.0 |
| Building | 5.5 | 5.0 | 5.0 | 5.0 | 6.0 | 6.0 | 7.0 | 7.0 | 8.0 | 7.0 |
| Police | | | | | | | | | | |
| Officers | 39.0 | 36.0 | 36.0 | 36.0 | 37.0 | 38.0 | 38.0 | 38.0 | 38.0 | 38.0 |
| Civilians | 17.0 | 15.0 | 13.0 | 13.0 | 13.0 | 15.0 | 15.0 | 16.0 | 16.0 | 16.0 |
| Fire | | | | | | | | | | |
| Firefighters and officers | 35.0 | 35.0 | 35.0 | 33.0 | 33.0 | 32.0 | 32.0 | 31.0 | 31.0 | 0.0 |
| Civilians | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 0.0 |
| Other public works | | | | | | | | | | |
| Engineering | 7.0 | 6.0 | 5.0 | 4.0 | 4.0 | 5.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| Other | 9.0 | 9.0 | 9.0 | 9.0 | 8.0 | 8.0 | 9.5 | 9.5 | 9.5 | 9.5 |
| Parks and recreation | | | | | | | | | | |
| Water | 11.0 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 |
| Wastewater | 10.0 | 10.0 | 10.0 | 9.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| Total | 204.0 | 191.5 | 187.5 | 183.0 | 187.0 | 190.0 | 197.0 | 196.0 | 198.0 | 164.0 |



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>2011</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> |
| Police | | | | | | | | | | |
| Physical arrests | 728 | 650 | 520 | 640 | 572 | 576 | 444 | 489 | 526 | 275 |
| Parking violations | 624 | 673 | 673 | 654 | 552 | 816 | 972 | 490 | 695 | 250 |
| Traffic violations | 2,317 | 2,693 | 2,774 | 3,012 | 2,078 | 1,746 | 1,661 | 1,757 | 1,427 | 710 |
| Fire¹ | | | | | | | | | | |
| Emergency responses | 1,873 | 1,946 | 2,012 | 2,336 | 2,123 | 1,978 | 1,944 | 2,180 | 1,976 | 2,155 |
| Fires extinguished | 73 | 88 | 61 | 82 | 24 | 47 | 34 | 45 | 24 | 29 |
| Inspections | 1,231 | 1,143 | 1,029 | 1,108 | 1,201 | 1,102 | 1,080 | 1,100 | 1,040 | 647 |
| Other public works | | | | | | | | | | |
| Street resurfacing (miles) | 5 | 1 | 1 | 2 | 2 | 2 | 5 | 5 | 4 | 1 |
| Potholes repaired | 40 | 45 | 36 | 40 | 32 | 35 | 27 | 120 | 105 | 66 |
| Parks and recreation | | | | | | | | | | |
| Athletic field permits issued | 57 | 64 | 66 | 57 | 60 | 86 | 91 | 95 | 115 | 138 |
| Community center admissions | 8,123 | 7,582 | 7,580 | 5,837 | 3,794 | 5,611 | 5,546 | 5,773 | 5,912 | 4,103 |
| Water | | | | | | | | | | |
| New connections | - | 7 | 1 | 1 | 13 | 26 | 28 | 7 | 39 | 18 |
| Water mains breaks | 6 | 6 | 3 | 11 | 6 | 17 | 4 | 22 | 21 | 15 |
| Average daily consumption (thousands of gallons) | 4,822 | 4,660 | 4,100 | 3,980 | 3,956 | 3,623 | 3,810 | 4,232 | 4,041 | 4,100 |
| Peak daily consumption (thousands of gallons) | 9,750 | 9,165 | 8,890 | 8,445 | 6,624 | 5,047 | 7,760 | 7,688 | 5,577 | 5,460 |
| Wastewater | | | | | | | | | | |
| Average daily sewage treatment (thousands of gallons) | 2,340 | 2,267 | 2,200 | 2,652 | 2,040 | 2,350 | 2,430 | 2,390 | 2,457 | 2,356 |

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 | | | | | | | | | |
|---|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| 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 | 12 | 11 | 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 | 2,063 | 2,062 | 2,031 | 2,031 | 2,031 | 2,025 | 2,025 | 2,022 | 2,022 | 2,022 |
| Traffic signals | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 27 | 27 | 27 |
| Parks and recreation | | | | | | | | | | |
| Acreage | 210 | 210 | 213 | 213 | 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 | 110 | 107 | 107 | 107 | 107 | 107 | 107 | 107 | 107 |
| Fire hydrants | 1,153 | 1,153 | 1,109 | 1,110 | 1,110 | 1,110 | 1,110 | 1,110 | 1,109 | 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 | 66 | 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 | 83 | 81 | 81 | 81 | 81 | 81 | 81 | 81 | 81 |
| Transit--minibuses | 1 | 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, 2020

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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, 2020. Management is responsible for the City/District's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the City/District'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 and accordingly, included examining, on a test basis, evidence about the City/District's compliance with those requirements and performing such other procedures as considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide legal determination of the City/District's compliance with the specified requirements.

In our opinion, the City/District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2020.

This report is intended solely for the information and use of the City Council, Board of Directors of the Estero Municipal Improvement District and Management and the San Mateo County Transportation Authority Board and Management. However, this report is a matter of public record and its distribution is not limited.

Maze & Associates

Pleasant Hill, California
November 1, 2020

CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT

MEASURE A TRANSPORTATION FUND

BALANCE SHEET

JUNE 30, 2020

Assets:

| | | |
|----------------------|----|-------------------------|
| Cash and investments | \$ | 2,656,995 |
| Taxes receivable | | <u>56,256</u> |
| | \$ | <u><u>2,713,251</u></u> |

Fund Balance:

| | | |
|---------------------------|----|-------------------------|
| Restricted for Measure A | \$ | <u>2,713,251</u> |
| Total Fund Balance | \$ | <u><u>2,713,251</u></u> |

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, 2020**

Revenues:

| | |
|---------------------|------------|
| Sales and use taxes | \$ 806,687 |
| Investment income | 58,404 |

| | |
|-----------------------|----------------|
| Total revenues | <u>865,091</u> |
|-----------------------|----------------|

Expenditures:

| | |
|---|---------|
| Public Works | - |
| Residential street resurfacing and repair project: | |
| Contractual services, professional services, and other supplies | 172,165 |

| | |
|---------------------------|----------------|
| Total expenditures | <u>172,165</u> |
|---------------------------|----------------|

| | |
|--|----------------|
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>692,926</u> |
|--|----------------|

Fund Balance:

| | |
|-------------------|------------------|
| Beginning of year | <u>2,020,325</u> |
|-------------------|------------------|

| | |
|-------------|---------------------|
| End of year | <u>\$ 2,713,251</u> |
|-------------|---------------------|

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City of Foster City

ESTERO MUNICIPAL IMPROVEMENT DISTRICT

610 FOSTER CITY BOULEVARD
FOSTER CITY, CA 94404-2222

November 1, 2020

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, 2020:

- 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, 2020, are in compliance with the Agreement.

Signed: _____


Dante Hall, 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, 2020

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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, 2020. Management is responsible for the City's compliance with those requirements. 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 and accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provided legal determination of the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2020.

This report is intended solely for the information and use of management, San Mateo County Transportation Authority 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.

A handwritten signature in black ink that reads 'Maze & Associates' in a cursive, flowing script.

Pleasant Hill, California
November 1, 2020

CITY OF FOSTER CITY

MEASURE W TRANSPORTATION FUND

BALANCE SHEET

JUNE 30, 2020

Assets:

| | | |
|----------------------|----|-----------------------|
| Cash and investments | \$ | 286,938 |
| Taxes receivable | | <u>51,254</u> |
| | \$ | <u><u>338,192</u></u> |

Fund Balance:

| | | |
|---------------------------|----|-----------------------|
| Restricted for Measure W | \$ | <u>338,192</u> |
| Total Fund Balance | \$ | <u><u>338,192</u></u> |

CITY OF FOSTER CITY

MEASURE W TRANSPORTATION FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2020**

Revenues:

| | |
|---------------------|------------|
| Sales and use taxes | \$ 335,549 |
| Investment income | 2,643 |

| | |
|-----------------------|----------------|
| Total revenues | <u>338,192</u> |
|-----------------------|----------------|

| | |
|--|----------------|
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>338,192</u> |
|--|----------------|

Fund Balance:

| | |
|-------------------|----------|
| Beginning of year | <u>-</u> |
|-------------------|----------|

| | |
|-------------|-------------------|
| End of year | <u>\$ 338,192</u> |
|-------------|-------------------|

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City of Foster City

ESTERO MUNICIPAL IMPROVEMENT DISTRICT

610 FOSTER CITY BOULEVARD
FOSTER CITY, CA 94404-2222

November 1, 2020

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, 2020:

- 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, 2020, are in compliance with the Agreement.

Signed: _____

Dante Hall, 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, 2021

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**INDEPENDENT ACCOUNTANT’S REPORT ON
APPLYING AGREED UPON PROCEDURES FOR
COMPLIANCE WITH THE PROPOSITION 111
2020-2021 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 below to the Appropriations Limitation Worksheet which were agreed to by the City of Foster City and the Estero Municipal Improvement District (City/District), California, for the year ending June 30, 2021. 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. Management is responsible for the Appropriations Limit Worksheet. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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.

The procedures you requested us to perform and our findings were as follows:

- A. We obtained the Appropriations Limitation Worksheet and determined the 2020-2021 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 2020-2021 Appropriations Limit by multiplying the 2019-2020 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.

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 examination or review, 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.

This report is intended solely for the information and use of management and the City Council and Board of Directors; 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
November 1, 2020

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 APPROPRIATIONS LIMIT SCHEDULE
 FOR THE YEAR ENDING JUNE 30, 2021**

| | <u>City</u> | <u>District</u> | <u>Total</u> | <u>Source</u> |
|--|----------------------------|----------------------------|-----------------------------|-----------------------------|
| A. Appropriation Limit for the year ended June 30, 2020 | \$71,578,617 | \$67,043,225 | \$138,621,842 | Prior Year Schedule |
| B. Calculation Factors: | | | | |
| 1. Population increase % | 0.9987 | 0.9987 | 0.9987 | State Department of Finance |
| 2. Inflation increase % | 1.0373 | 1.0373 | 1.0373 | State Department of Finance |
| 3. Total adjustment factor % | <u>1.0360</u> | <u>1.0360</u> | <u>1.0360</u> | B1 X B2 |
| C. Annual adjustment Increase | 2,576,830 | 2,413,556 | 4,990,386 | [(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>2,576,830</u> | <u>2,413,556</u> | <u>4,990,386</u> | C+D |
| F. Appropriations limit for the year ending June 30, 2021 | <u><u>\$74,155,447</u></u> | <u><u>\$69,456,781</u></u> | <u><u>\$143,612,228</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, 2021**

.....

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 2020-2021 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 2020-2021 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, 2021.

**CITY OF FOSTER CITY
AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT

MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

FOR THE YEAR ENDED JUNE 30, 2020**

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

**MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

For The Year Ended June 30, 2020

Table of Contents

| | <u>Page</u> |
|---|--------------------|
| <i>Memorandum on Internal Control</i> | 1 |
| Schedule of Other Matters | 3 |
| Status of Prior Year Schedule of Other Matters | 15 |
| <i>Required Communications</i> | 17 |
| Significant Audit Findings: | |
| Accounting Policies..... | 17 |
| Unusual Transactions, Controversial or Emerging Areas | 18 |
| Accounting Estimates..... | 18 |
| Disclosures..... | 19 |
| Difficulties Encountered in Performing the Audit..... | 19 |
| Corrected and Uncorrected Misstatements..... | 20 |
| Disagreements with Management..... | 20 |
| Management Representations | 20 |
| Management Consultations with Other Independent Accountants | 20 |
| Other Audit Findings and Issues..... | 20 |
| Other Information Accompanying the Financial Statements | 20 |

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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, 2020, 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.

A handwritten signature in black ink that reads 'Maze & Associates' in a cursive, flowing script.

Pleasant Hill, California
November 1, 2020

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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 2020/21:

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.

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 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. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred after the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

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

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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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, 2020. 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 Findings

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 95 – Postponement of the Effective Dates of Certain Authoritative Guidance

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations

GASB 95 – Postponement of the Effective Dates of Certain Authoritative Guidance (Continued)

- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

The City implemented the provisions of Statement No. 95 in fiscal year 2020.

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. However, events that occurred during fiscal year June 30, 2020 discussed below could have an impact on the financial statements:

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and whether shelter in place orders will be reinstated. Although many of the City's services are considered essential, City Hall was closed to the public, certain other services transitioned to online-only and because some of the City's revenue sources, including businesses that collect sales taxes and parks and recreation fees, are directly impacted by these events, it is probable that this matter will negatively impact the City. However, the ultimate financial impact and duration cannot be reasonably estimated at this time.

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, 2020, the City held approximately \$226.1 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, 2020. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2020.
- *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 November 1, 2020.

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 Findings 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.

Maze & Associates

Pleasant Hill, California
November 1, 2020

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City of Foster City/Estero Municipal Improvement District
Code of Conduct
 for Elected and Appointed Officials

The purpose of this policy is to assure that all Foster City/Estero Municipal Improvement District (City/District) elected and appointed officials, while exercising their office, conduct themselves in a manner that will instill public confidence and trust in the fair operation and integrity of City/District government and that the highest standards of respect and integrity are upheld between and among elected and appointed officials and in their treatment of City/District staff and constituents in any public setting.

CONDUCT GUIDELINES GENERALLY

1. Elected and Appointed Officials shall comply with the laws of the nation, the State of California, and the City/District in the performance of their public duties. These laws include, but are not limited to: the United States and California constitutions; the code and ordinances of the City of Foster City and Estero Municipal Improvement District; laws pertaining to conflicts of interest, election campaigns, financial disclosures, employer responsibilities, and open processes of government; and City/District policies.
2. All elected and appointed officials shall always act in the public interest. As required by law, they must complete, within the time period required and provide documentation of completing, State mandated ethics training as required by Government Code Section 53235 and are expected to perform their duties as set forth in the government code.
3. In all cases, elected and appointed officials' common goal to preserve and protect the present and the future of the community shall be acknowledged even when individuals may not agree on an issue. Every effort should be made to be cooperative and show mutual respect for the contributions made by each individual for the good of the community.

SETTING AGENDAS

1. The City/District Manager determines, in consultation with the Mayor/President, which items are placed on the City Council/ District Board's meeting agendas and the timing for scheduling such items. An individual City Council/District Board Member's request for an item to be placed on the agenda will be agendized to ask the full City Council/District Board if time should be spent on preparing a full report on the proposed agenda item.
2. City/District elected and appointed Members should attempt to communicate questions, corrections, and/or clarifications about reports requiring official action to staff prior to meetings; however, this does not preclude Members from asking questions at Meetings.
3. Agenda items for City/District advisory bodies must originate with the City Council/District Board or from City/District staff. The City/District Staff Liaison will consult with the Chair of the advisory body or both Members of City Council Subcommittees to determine which items are placed on the meeting agendas of these groups.

4. All work undertaken by a City Council Subcommittee must originate with the City Council and all actions of City Council Subcommittees shall be reported to the City Council.

MEETING DECORUM

1. All City/District elected and appointed Members must recognize the Presiding Officer of the Meeting. It is the Presiding Officer's responsibility to maintain order among the elected/appointed Members and the public. Members must preserve order and decorum while in session as outlined in Foster City Municipal Code Section 2.08.190, Rules of Debate, and 2.08.250, Rules of Decorum. No Member, by conversation nor otherwise, may delay or interrupt the proceedings nor disturb any Member while speaking nor refuse to obey the orders of the Presiding Officer.
2. If there is disagreement about the agenda or the Presiding Officer's actions, those objections should be voiced politely and with reason, following procedures outlined in parliamentary procedure identified in Foster City Municipal Code Section 2.08.190, Points of Order.
3. Members shall remain in their assigned seats and shall not leave the meeting place during a meeting without first obtaining the permission of the Presiding Officer.
4. Debate must be accomplished with civility and decorum and without offensive personal comments to other Members. Difficult questions, tough challenges to a point of view, and criticism of ideas and information are recognized as legitimate elements of debate. Belligerent, personal, impertinent, slanderous, threatening, abusive, or disparaging comments are not recognized as appropriate elements of free debate.
5. Elected and appointed Members who are personally offended by the remarks of another Member, may make note of the actual words used and call for a "point of personal privilege" that challenges the other Member to justify or apologize for the language used. The Presiding Officer will maintain control of this discussion.
6. All elected and appointed Members should utilize effective problem solving approaches on issues to find common ground and seek a solution that focuses on underlying interests and benefits the community as a whole. Decisions of the body shall be based upon the merits and substance of the matter at hand.
7. It is the responsibility of elected and appointed Members to publicly share substantive information that is relevant to a matter under consideration that they have received from sources outside of the public decision-making process prior to taking action on the matter.
8. As a matter of respect, elected and appointed Members are encouraged to use formal titles, such as Mayor, Vice Mayor, President, Vice President, Councilmember, Chair, Vice Chair or Mr./Ms., followed by the individual's last name.
9. Elected and appointed Members assigned to any City/District or regional committee or board shall attend all meetings of the body to which assigned or arrange for the assigned alternate to attend in their place. Failure to comply may result in removal from said committee, commission, or board.

CONDUCT TOWARD THE PUBLIC

1. At public meetings, elected and appointed Members must treat the public with respect by actively listening to speakers, asking for clarification, if needed, through the Presiding Officer and avoiding debate and argument with the public.
2. Only the Presiding Officer, not individual Members, may interrupt a speaker during a presentation, although a Member can ask the Presiding Officer for a point of order if the speaker is off the topic or exhibiting unacceptable behavior or language.
3. No partiality, prejudice or disrespect should be evident on the part of any elected or appointed Members toward an individual participating in a public forum. Every effort should be made to be independent, fair, impartial and open minded in receiving public testimony. Decisions should be reserved until all applicable information has been presented.
4. The Presiding Officer shall determine and announce time limits on public testimony. These limits shall be implemented in a fair and impartial manner.
5. Any person who willfully interrupts a meeting so as to render orderly conduct of the meeting infeasible may be removed and, if order cannot be restored, the meeting may proceed pursuant to procedures outlined in Government Code Section 54957.9 and Foster City Municipal Code Section 2.08.250(C).

CONDUCT TOWARD STAFF

1. Elected and appointed Members must treat staff as professionals and recognize that poor behavior toward staff is not acceptable.
2. Publicly criticizing a staff member is not acceptable conduct. Concerns about staff performance or decorum shall be brought to the Mayor/President or City/District Manager in a non-public setting.
3. Elected and appointed Members may not interfere in the administrative functions of the staff. The City/District Manager is recognized as the appropriate respondent for staff concerns. Elected and appointed Members should not:
 - Disrupt City/District staff while they are in meetings, on the phone, or engrossed in performing their job functions in order to have their individual needs met.
 - Attend internal staff meetings or meetings between City/District staff and third parties unless invited by City/District staff or directed by the City Council/District Board to do so.
 - Direct the City/District Manager to initiate any action, change a course of action, or prepare any report without the approval of the City Council/District Board.
 - Interfere with the appointment by the City/District Manager of any of the department heads or any person to any office or employment, nor with the City/District Manager's power to remove any of those persons.
 - Give orders to any subordinate of the City/District Manager, either publicly or privately.

- Direct questions about policy, budget, or professional opinion to staff other than the City/District Manager or designee. Elected and appointed Members may direct questions and inquiries for information that is readily available to the general public or easily retrievable to any staff member.
 - Solicit any type of political support (financial contributions, display of posters or lawn signs, name on support list, etc.) from City/District staff.
4. Elected and appointed officials should not seek to establish a personal attorney-client relationship with the City/District Attorney, including his or her staff and attorneys contracted to work on behalf of the City/District. The City/District Attorney represents the City/District and not individual elected and appointed Members.

CITY COUNCIL/DISTRICT BOARD MEMBER CONDUCT WITH BOARDS, COMMITTEES AND COMMISSIONS

1. Typically, City Council/District Board Member questions regarding action by a Board, Committee or Commission should be addressed to the Staff Liaison through the City/District Manager.
2. Any comments by a City Council/District Board Member at a Board, Committee or Commission meeting as a member of the public should be clearly made as individual opinion and not a representation of the feelings of the entire City Council/District Board. Comments as the City Council Liaison to the committee may appropriately represent the views of the City Council as a whole.
3. It is inappropriate for a City Council/District Board Member to contact a Board, Committee or Commission Member to lobby on behalf of an individual, business, or developer, and vice versa.
4. City Council/District Board Members are admonished to respect that Boards, Committees and Commissions serve the community, not individual City Council/District Board Members.

REPRESENTATION TO THE PUBLIC

1. This section applies to the representation of elected and appointed Member's opinions in a public setting of any type, including in-person, media interviews and all social media accounts.
2. California Government Code Section 54954.2 requires that elected and appointed Members limit their engagement with the public who make statements on non-agendized topics during the Public Comment period to clarifying questions or providing information. All other responses to Public Comments should be directed to City/District Staff or other elected and appointed Members (such as referring items to City/District Staff or requesting through the Presiding Officer to agendize items for consideration at a future meeting). Members may choose to make factual corrections at the conclusion of Public Comment, after the commenter has left the podium.
3. Clear, honest communication that respects the abilities, experience, and dignity of each individual is expected.
4. Elected and appointed Members are encouraged to communicate respectfully and civilly as befits their position when engaging the community. Comments that contain vulgar language, personal attacks of any kind, or offensive comments that disparage or discriminate on the basis of

protected classes such as race, color, age, ancestry, religion, national origin, pregnancy and perceived pregnancy, sex/gender, military status, sexual orientation, genetic information/characteristics, marital status, medical condition (including cancer or record or history of cancer or AIDS/HIV status, or mental or physical disability should never be part of an elected or appointed Member's posts.

5. Personal statements should always be held to the highest standard of accuracy and can be used to assist with clarification and correction of information understood by the public
6. To the best of their ability, elected and appointed Members shall represent the official policies and positions of the body when communicating in public. If presenting their personal opinions or positions publicly, elected and appointed Members shall explicitly state they do not represent the City/District.

CITY COUNCIL/DISTRICT BOARD SUBCOMMITTEES

1. The City Council/District Board may organize itself into standing and/or special/ad hoc committees of the City Council/District Board to facilitate City Council/District Board review and action regarding certain matters referred to them by the City Council/District Board.
2. The City Council/District Board may create or dissolve standing committees at any time by the affirmative vote of a majority of the City Council/District Board.
3. The Mayor annually appoints Members to standing City Council Subcommittees.
4. If permitted by the Ralph M. Brown Act, other Members of the City Council not assigned to a committee may attend meetings of a committee, as an observer, however, they shall be seated with the audience and may not participate in any manner or address the committee.

REPORTING AND INVESTIGATION

1. Reporting
 - Members of the public, including Members of Commissions or Committees, the City/District Manager and the City/District Attorney. should report violations of this policy to the Mayor/President. If a complaint involves the Mayor/President, it should be reported to the Vice Mayor/Vice President.
 - City/District staff should report violations of this policy to the City/District Manager, who will consult with the Mayor/President or Vice Mayor/Vice President. If the complaint involves the City/District Manager, it should be reported to the Mayor/President.
 - City Council/District Board Members should report violations of this policy to the Mayor/President. Violations of the Brown Act should be reported to the City/District Manager or City/District Attorney. If the complaint involves the Mayor/President, it should be reported to the Vice Mayor/Vice President.
2. Upon report of a written complaint, the City/District Manager and City/District Attorney will join the Mayor/President or Vice Mayor/Vice President as an evaluation committee to determine the validity of the complaint and an initial course of action. If the City/District Manager or City/District

Attorney is the complainant, the longest serving uninvolved City Council/District Board Member will replace the City/District Manager or City/District Attorney on the evaluation committee.

3. Within seventy-two (72) hours of receipt of the complaint by the Mayor/President or Vice Mayor/Vice President, the Member in question shall be notified of the reported complaint by the Mayor/President or his/her designee. The notification shall include a copy of the written complaint and supporting documentation, the identity of the complainant and nature of the complaint.
4. If the majority of the Committee agrees that the reported violation is without substance, no further action will be taken.
5. If the reported violation is deemed valid but minor in nature, the Mayor/President or Vice Mayor/Vice President shall counsel and, if appropriate, admonish the elected or appointed Member privately to resolve the matter.
6. If the reported violation is considered to be serious in nature, the matter shall be referred to outside legal counsel selected by the Committee for the purpose of conducting an initial interview with the elected or appointed Member. The outside counsel shall report his/her initial findings back to the Committee and either (1) recommend that the elected or appointed Member be exonerated based on a finding that the investigation did not reveal evidence of a serious violation of the Code of Conduct, or (2) recommend disciplinary proceedings based on findings that one or more provisions of the Code of Conduct or other City/District policies have been violated. In the latter event, the report shall specify the provisions violated along with the facts and evidence supporting each finding.
7. Where the decision is to refer the matter to the City Council/District Board, a copy of the full report, including documents relied on by the investigator shall be provided with the notification, and a copy of both shall be provided to the whole City Council/District Board. Investigative findings shall be presented to the City Council/District Board at a public hearing. The rules of evidence do not apply to the public hearing. It shall not be conducted as an adversarial proceeding.
8. Elected and appointed Members who intentionally and repeatedly fail to abide by the Code of Conduct may be publicly admonished, formally censured by the City Council/District Board, lose committee assignments or other privileges.
9. Parties to the complaint shall not be subjected to harassment, intimidation, threats, coercion, discrimination, or any form of reprisal, because they have reported, in good faith, an ethics, compliance or related concerns; or assisted or participated in an ethics, compliance or related investigation or proceeding, even if subsequently it is found that there is insufficient evidence to support the report.

IMPLEMENTATION

1. The Code of Conduct is intended to be self-enforcing and is an expression of the standards of conduct for all elected and appointed Members.

2. In order to ensure that elected and appointed Members are thoroughly familiar with this Code and embrace its provisions, this document shall be included in the regular orientations for candidates for City Council/District Board, City/District Treasurer, City/District Clerk, applicants to Board, Committee and Commissions, and newly elected and appointed Members. Elected and appointed Members entering office shall sign a statement acknowledging they have read and understand the Code of Conduct.
3. The Code of Conduct shall be periodically reviewed by the City Council/District Board and updated as necessary.

ETHICS STANDARDS FOUND IN LAW

1. The provisions in this section are found in various state and federal law and are provided as a reminder for elected and appointed Members.
2. Conduct public deliberations and processes openly, unless legally confidential, in an atmosphere of respect and civility.
3. The City/District operates under a Council-Manager form of government. Accordingly, Members of the City Council/District Board are elected at-large, provide legislative direction, set City/District policy, and ultimately answer to the public. The City/District Manager serves as the City/District's chief administrative officer and is responsible for directing the day-to-day operations of the City/District and implementing policy direction.
4. Elected and appointed Members act as a body. Policy is established by majority vote. A decision of the majority binds the body to a course of action. The majority may be a majority of the quorum of the body.
5. No City Council/District Board Member has extraordinary powers beyond those of other Members (except as may otherwise be provided in State law). All Members, including the Mayor/President, have equal powers.
6. No Member of the City Council/District Board is permitted to hold any other City/District office or City/District employment.
7. Legislative actions by the City Council/District Board can be taken by means of ordinance, resolution, or minute action duly made and passed by the majority (unless otherwise provided).
8. Per Foster City Municipal Code Section 2.08.208, City Council/District Board Members may request that an abstract of their statements be entered into the minutes and the statement will be entered if the Council/Board consents. City Council/District Board Members may also state for the record their reason for dissenting on an item per Foster City Municipal Code Section 2.08.210.
9. Actions of the City Council/District Board concerning confidential property, personnel, and/or legal matters of the City/District are to be reported consistent with State law.
10. Elected and appointed Members may teleconference into an official meeting of their body if outside the City/District for personal reasons, business purposes, or if they are ill.

11. City Council/District Board Member Conflict of Interest

- In order to assure their independence and impartiality on behalf of the public good, City Council/District Board Members are prohibited from using their official positions to influence government decisions in which they have a financial interest or where they have an organizational responsibility or a personal relationship that would present a conflict of interest under applicable State law.
- City Council/District Board Members shall not take advantage of services or opportunities for personal gain or to promote personal business by virtue of their public office that are not available to the public in general.
- City Council/District Board Members shall respect and preserve the confidentiality of information provided to them concerning the confidential matters of the City/District. They must neither disclose confidential information without proper legal authorization nor use such information to advance the personal, financial, or private interests of themselves or others.
- In keeping with their role as stewards of the public interest, City Council/District Board Members shall not appear on behalf of the private interests of a third party before the City Council/District Board or any board, commission, or committee or proceeding of the City Council/District Board, except as permitted by law.

RESOLUTION NO. 2020-116

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FOSTER CITY ADOPTING
A CODE OF CONDUCT FOR FOSTER CITY ELECTED AND APPOINTED OFFICIALS

CITY OF FOSTER CITY

WHEREAS, the City Council/EMID Board of Directors wishes to establish a Code of Conduct to ensure that all elected and appointed officials have a clear and common vision of the norms, rules, and responsibilities or proper practices within the organization; and

WHEREAS, if all members manifest these practices in their attitudes and behavior, officials, while exercising their office, will conduct themselves in a manner that will instill public confidence and trust in the fair operation and integrity of the City's governance.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Foster City does hereby adopt a Code of Conduct for Foster City elected and appointed officials.

PASSED AND ADOPTED as a resolution of the City Council of the City of Foster City at the regular meeting held on the 2nd day of November, 2020, by the following vote:

AYES: Councilmembers Froomin, Gehani, Hindi, and Mayor Mahanpour

NOES: None

ABSENT: Councilmember Awasthi

ABSTAIN: None

DocuSigned by:

Catherine Mahanpour

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CATHERINE MAHANPOUR, MAYOR

ATTEST:

DocuSigned by:

Priscilla Schaus

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PRISCILLA SCHAUS, CITY CLERK

RESOLUTION NO. 3543

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE ESTERO MUNICIPAL IMPROVEMENT DISTRICT ADOPTING A CODE OF CONDUCT FOR ELECTED AND APPOINTED OFFICIALS

ESTERO MUNICIPAL IMPROVEMENT DISTRICT

WHEREAS, the City Council/EMID Board of Directors wishes to establish a Code of Conduct to ensure that all elected and appointed officials have a clear and common vision of the norms, rules, and responsibilities or proper practices within the organization; and

WHEREAS, if all members manifest these practices in their attitudes and behavior, officials, while exercising their office, will conduct themselves in a manner that will instill public confidence and trust in the fair operation and integrity of the District's governance.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Estero Municipal Improvement District does hereby adopt a Code of Conduct for elected and appointed officials.

PASSED AND ADOPTED as a resolution of the Board of Directors of the Estero Municipal Improvement District at the regular meeting held on the 2nd day of November, 2020, by the following vote:

AYES: Directors Froomin, Gehani, Hindi, and President Mahanpour

NOES: None

ABSENT: Director Awasthi

ABSTAIN: None

DocuSigned by:

Catherine Mahanpour

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CATHERINE MAHANPOUR, PRESIDENT

ATTEST:

DocuSigned by:

Priscilla Schaus

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PRISCILLA SCHAUS, DISTRICT SECRETARY