

**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, 2017**

**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, 2017

Charlie Bronitsky, Mayor

Sam Hindi, Vice Mayor

Gary Pollard, Councilmember

Herb Perez, Councilmember

Catherine Mahanpour, Councilmember

Kevin M. Miller, City Manager

Jean B. Savaree, City Attorney

Dante Hall, Assistant City Manager

Doris Palmer, Communications Director/
City Clerk

Curtis Banks, Community Development Director

Edmund Suen, Finance Director

John Healy, Fire Chief

Ann Ritzma, Human Resources Director

Jennifer Liu, Parks & Recreation Director

Joe Pierucci, Police Chief

Jeff Moneda, Public Works Director

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**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 JUNE 30, 2017**

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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 1, 2017

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, 2017 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, 2017.

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 2016-2017 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 33,200 and provides a full range of municipal services, including police protection; fire suppression, prevention and advanced life support programs; 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.

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

The local economy experienced continued expansion and prosperity during FY 2016-2017. Development activity was robust, with one-time development related revenues, permit and plan check fees contributing to the City/District's total revenues. As developments are completed, property tax revenues are anticipated to expand further next year. A recently completed Town Place Suites hotel will also bring additional transient occupancy tax revenues into the City's coffers in FY 2017-2018.

Real estate prices in the City/District reached yet again new historical highs in FY 2016-2017. With the recently completed and the current residential and commercial developments, the City/District is experiencing healthy growth in property tax revenues, which has led to an expansion of reserves that will allow the City/District to maintain its infrastructure and to continue to provide its high level of quality services to the community.

LONG-TERM FINANCIAL PLAN

In Foster City, 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 develops strategies necessary to achieve these goals.

The City/District has established a minimum reserve policy for its General Fund at 33⅓% to 50.0% of annual operating expenditures and for its Water and Wastewater Enterprise Funds at 25% of annual operating expenses. The minimum 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 could help ensure business continuity if the City faced catastrophic situations. Moreover, since fiscal year 2011-2012, the City/District has implemented long-term funding for potential 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 repair and maintenance, self-insurance for legal liability, and post-employment medical benefits. This is another layer of the City/District's prudent long-term plan, not only to budget the true cost of operations from year-to-year, but also to accumulate resources to continue the 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 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 had balanced budgets over the past four years. The City/District's five-year financial plan (FY 2017-2018 to FY 2021-2022) also shows reserves that comfortably exceed the minimum policy levels throughout the time horizon.

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 7.75% to 7.50% to 7%, the revision of rate smoothing policy, and the demographic assumption changes have all contributed to an increase in the employer contribution rates. In fact, the most recent reduction for the CalPERS investment rate of return from 7.50% to 7% is projected to increase employer contribution rates from 1.7 to 6.7 percentage points annually over the next 5 years, starting FY 2018-2019.

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, 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. Even as the economy has since recovered, 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 forecast includes an assumption of a 3.5% to 4% increases in compensation over the next 2 years (based on current labor agreements) followed by 1% increases for the following 3 years. The modest 1% increases is a reflection of a slowdown in one-time building and plan check fees and the projected General Fund structural deficits forecasted over the next 5 years. Again, 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. As directed by the City Council, staff will bring forth revenue and/or cost containment alternatives in FY 2017-2018 to address the structural deficit condition.

MAJOR INITIATIVES

The following major accomplishments and initiatives are noted/completed or are in progress as of June 30, 2017:

- Balanced Budget – The City/District achieved a balanced General Fund budget as actual revenues exceeded expenditure by \$5.5 million in FY 2016-2017.
- Fire Shared Service – The City of Foster City and the City of San Mateo entered into a contract on July 1, 2010 to share the Fire Department management and administration services. Subsequently, the Belmont Fire Protection District entered into an agreement with the City of Foster City and the City of San Mateo to share the Fire management and administration services on January 1, 2013. All parties believe that the shared services model is a prudent way to deliver important public safety services. Staff is evaluating a proposed Belmont-Foster City-San Mateo Fire Joint Powers Authority to further this shared services model.
- Public Safety – The City continues to be among the safest; the FBI & Unified Crime Reporting (UCR) crime statistics ranks Foster City as the 8th safest city in California and the 63rd safest city in the nation. The Foster City Fire Department maintained a class 2 rating with the Insurance Service Office (ISO) in the past fiscal year. Nationwide, only 241 fire agencies have earned a class 1 rating and 1,324 were rated a class 2 out of a total of 46,042 fire agencies that were evaluated. That places the Foster City Fire Department in the top 3.4% of all fire agencies rated by the ISO.
- Development of 15-acre Site (Foster Square) – On October 3, 2014 the City/District sold the 15-acre site adjacent to City Hall to The New Home Company (TNHC-HW Foster City, LLC) for a mixed-use development consisting of senior housing (market rate and affordable, for sale and rental), retail and public plaza/promenades. Both the 66 unit below market rate apartments (Alma Point) and the 155 room assisted living component (Atria) have been completed and are now open. Over 40 of the 200 for-sale condominiums (Lennar) have already been sold.
- Pilgrim-Triton Development Project – Phase I of the approximately 20.75 acre Pilgrim-Triton Master Plan (The Plaza) was completed in 2013. It included the construction of 307 apartment units and 7,000 square feet of commercial space. One Hundred Grand, a 166-apartment complex and 6,000 square feet of ground floor commercial space, was completed in FY 2016-2017. Phase II of the project, the Triton apartments (220 units and 5,000 square feet of commercial) is anticipated to be completed in FY 2017-2018.
- New Extended Stay Hotel – A 121 room Town Place Suites Hotel will open in the Fall of 2017. Adjacent to the hotel, a 12,000 square foot retail building is anticipated to open in late summer of 2017.
- Gilead Sciences – In FY 2016-2017, Gilead Sciences continued development of their 72-acre campus. Two new lab buildings are currently under construction. They consist of a 231,000 square foot laboratory/office and pilot laboratory building and a 357,000 square feet laboratory/office building. These buildings are anticipated to be completed in late 2018/early 2019.

- Biomed/Illumina – Biomed Realty is developing the approximately 20-acre Lincoln Centre Life Sciences Research Campus site for up to 595,000 gross square feet of laboratory, manufacturing, office space, visitor and employee amenities and structure parking. The first phase of the project, which includes two office/R&D buildings totaling 370,000 square feet, a 40,000 square foot amenities building and a parking garage, is currently under construction and should be completed in early 2019. The buildings will be occupied by Illumina.
- Park Improvements – During the fiscal year, the Catamaran playground was refurbished and the Ketch playground was replaced; new synthetic turf was installed at the amphitheater at Leo J. Ryan Park; pathway renovations were completed at Boothbay, Edgewater, Killdeer, and Sea Cloud parks; and new park signs were installed at Baywinds, Boat, Bridgeview, Catamaran, Erckenbrack, Gull, Marlin, Leo J. Ryan, Port Royal, Sea Cloud, and Shorebird parks.
- Traffic/Street Improvements – The City/District has an ongoing program to repair and resurface the pavement of public streets. During the year, 2 miles of streets were resurfaced, 1,393 square feet of sidewalk was replaced, 430 linear feet of curb and gutter was installed, and 1,100 feet of storm drain line and drains installed.
- Levee Protection Planning and Improvement Project – This estimated \$90 million project will raise the City’s levee system to meet new FEMA safety standards and will protect property owners with federally-back mortgages from the mandatory purchase of annual flood insurance. Preliminary engineering work as well as an environmental impact report for the project was completed in FY 2016-2017. In order to maintain FEMA accreditation and keep Foster City properties out of the flood zone, the City Council is anticipated to consider a local funding measure (General Obligation Bond) for a June 2018 ballot.
- Water Distribution System and Wastewater Collection System – A water distribution system master plan and a wastewater collection system master plan study to identify system deficiencies and to establish a 10-year Capital Improvement Project plan was initiated in FY 2016-2017.
- Wastewater Treatment Plant Master Plan Improvements – The Estero Municipal Improvement District and the City of San Mateo are parties to a Joint Powers Agreement for a wastewater treatment plant. In FY 2014-2015, both parties agreed to embark on a joint CIP project (Clean Water Program) to replace the aging plant. The District’s share is estimated at \$124 million over the life of this 10-year project. A joint powers financing authority was formed by the District and San Mateo in FY 2015-2016 to position the two agencies to submit a single application to the State Water Resources Board’s revolving loan program for the financing of this project.
- Economic Development – An economic development strategic plan was approved by the City Council. Initiates from the plan included a carpooling program with Scoop to alleviate commute-time traffic, a collaboration with micro-lender Kiva to offer interest-free loans to Foster City small businesses and a Commercial Linkage Fee Policy, with generated funds used to maintain and create affordable workforce housing opportunities. The City also launched two community websites, connectfostercity.com, a transportation portal, which consolidates all the commuter options available in and out of Foster City, and sustainable.fostercity.org, which highlights programs and achievements centered around the City’s Sustainable Foster City initiative. Sustainable Foster City included a Community Dialogue Series consisting of a series of four interactive community events designed to inform, engage, and centered on topics such as workforce housing, transportation and commercial retail. It also included the switchover of all municipal facilities and operations to Peninsula Clean Energy’s 100% Renewable Energy Plan, which comes from 100% renewable energy sources and is 100% carbon free.

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, 2016. This was the 24th 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

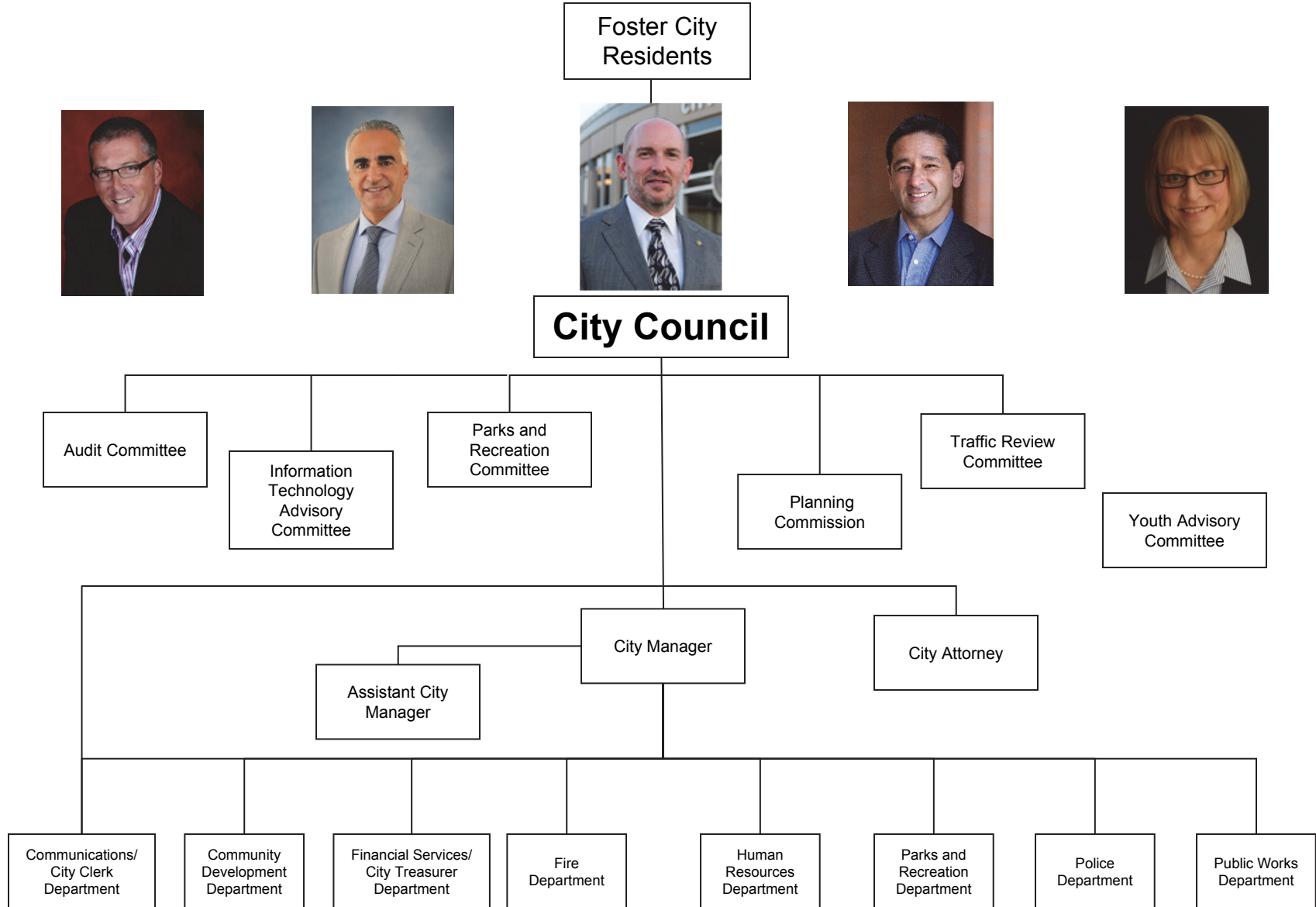
**City of Foster City and Estero
Municipal Improvement District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

Foster City Organization Chart



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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, 2017, 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, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of the following Governmental Accounting Standards Board Statement No. 73, which became effective during the year ended June 30, 2017 as discussed in Note 9 to the financial statements:

Statement 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

The emphasis of this matter does not constitute modifications to our opinion.

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, 2017 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.

Maze & Associates

Pleasant Hill, California
November 1, 2017

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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, 2017**

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, 2017. 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, 2017, the City/District's total assets and deferred outflows, increased by \$ 23.7 million, or 6.57%, to \$385.0 million, of which \$283.8 million represented governmental assets and \$101.2 million represented business-type assets.
- The City/District's total liabilities and deferred inflows, increased by \$18.5 million, or 22.48%, to \$100.9 million, of which \$87.6 million were governmental liabilities and \$13.3 million were business-type liabilities.
- The City/District's total net position increased by \$5.2 million, or 1.87%, to \$284.1 million. Of this amount, \$83.1 million (unrestricted governmental net position) and \$28.4 million (unrestricted business-type net position) may be used to meet the government's ongoing obligations to citizens/customers and creditors.
- City-wide revenues increased by \$3.2 million, or 4.59%, to \$72.3 million, of which \$50.3 million were generated by governmental activities and \$22.0 million were generated by business-type activities.
- City-wide expenses increased by \$6.7 million, or 11.89%, to \$63.1 million, of which \$42.5 million were incurred by governmental activities and \$20.6 million were incurred by business-type activities.
- Detailed analysis is provided under the GOVERNMENT-WIDE FINANCIAL ANALYSIS caption.

Fund Level:

- Governmental Fund balances increased \$8.3 million, or 9.05%, to \$100.2 million. Of this amount, \$43.4 million, or 43.3%, was in the unassigned fund balance and available for spending at the City's discretion.
- Governmental Fund revenues were \$49.7 million, an increase of \$1.7 million or 3.56%, from \$48.0 million in the prior fiscal year.
- Governmental Fund expenditures increased by \$3.6 million, or 9.47%, to \$42.0million in FY 2016-2017, from \$38.3 million in the prior fiscal year.
- Enterprise Fund net position increased by \$1.1 million, or 1.32%, to \$86.0 million. Of this amount, \$26.6 million was unrestricted net position and available for spending at the District's discretion.
- Enterprise Fund operating revenues were \$21.7 million in FY 2016-2017, an increase of \$1.6 million from \$20.1 million in fiscal year 2015-2016.
- Enterprise Fund operating expenses were \$20.9 million in FY 2016-2017, an increase of \$2.5 million from \$18.4 million in fiscal year 2015-2016.
- Detailed analysis is provided under the FINANCIAL ANALYSIS OF THE CITY/DISTRICT'S FUNDS caption.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
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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 of 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 of the funds of the City/District can be divided into three primary categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

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OVERVIEW OF THE 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.

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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, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total		Amount Change	Percent Change
	2017	2016	2017	2016	2017	2016		
Assets:								
Current and other assets	\$ 163,752,193	\$ 153,503,407	\$ 40,386,683	\$ 39,712,769	\$ 204,138,876	\$ 193,216,176	\$ 10,922,700	5.65%
Capital assets	104,241,497	105,267,654	59,464,204	56,208,645	163,705,701	161,476,299	2,229,402	1.38%
Total assets	267,993,690	258,771,061	99,850,887	95,921,414	367,844,577	354,692,475	13,152,102	3.71%
Deferred outflows of resources related to pension	15,779,495	6,130,756	1,367,295	443,149	17,146,790	6,573,905	10,572,885	160.83%
Liabilities:								
Current and other liabilities	12,811,363	11,368,927	5,954,514	3,676,961	18,765,877	15,045,888	3,719,989	24.72%
Long-term liabilities	72,851,481	56,785,133	7,304,713	5,862,617	80,156,194	62,647,750	17,508,444	27.95%
Total Liabilities	85,662,844	68,154,060	13,259,227	9,539,578	98,922,071	77,693,638	21,228,433	27.32%
Deferred inflows of resources related to pension	1,896,823	4,280,427	69,581	396,855	1,966,404	4,677,282	(2,710,878)	-57.96%
Net position:								
Net investment in capital assets	104,241,497	105,267,654	59,464,204	56,208,645	163,705,701	161,476,299	2,229,402	1.38%
Restricted	8,875,532	8,164,308	-	-	8,875,532	8,164,308	711,224	8.71%
Unrestricted	83,096,489	79,035,368	28,425,170	30,219,485	111,521,659	109,254,853	2,266,806	2.07%
Total net position	\$ 196,213,518	\$ 192,467,330	\$ 87,889,374	\$ 86,428,130	\$ 284,102,892	\$ 278,895,460	\$ 5,207,432	1.87%

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 is \$284.1 million, representing 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 \$5.2 million, or 1.9%, from \$278.9 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 2014-2015, 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 2016-2017, the City/District implemented GASB 73, which required the recording of \$3.7 million of net pension liability for the Longevity Recognition Benefits Program. See Note 9 and 13 for details on the effects of these accounting standards.

The largest portion, approximately 57.6% or \$163.7 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 \$8.9 million or 3.1% represents resources that are subject to restrictions, which were placed by outsiders and cannot be changed by the City/District.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The remaining balance of unrestricted net position of \$111.5 million, or 39.3%, 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 2016-2017, the City/District had positive balances in all three categories of net positions for the government as a whole.

	Governmental Activities 2017	2016	Amount Change	Percent Change
Assets:				
Current and other assets	\$ 163,752,193	\$ 153,503,407	\$ 10,248,786	6.68%
Capital assets	104,241,497	105,267,654	(1,026,157)	-0.97%
Total assets	<u>267,993,690</u>	<u>258,771,061</u>	<u>9,222,629</u>	<u>3.56%</u>
Deferred outflows of resources related to pension	15,779,495	6,130,756	\$ 9,648,739	157.38%
Liabilities:				
Current and other liabilities	12,811,363	11,368,927	1,442,436	12.69%
Long-term liabilities	72,851,481	56,785,133	16,066,348	28.29%
Total Liabilities	<u>85,662,844</u>	<u>68,154,060</u>	<u>17,508,784</u>	<u>25.69%</u>
Deferred inflows of resources related to pension	1,896,823	4,280,427	(2,383,604)	-55.69%
Net position:				
Net investment in capital assets	104,241,497	105,267,654	(1,026,157)	-0.97%
Restricted	8,875,532	8,164,308	711,224	8.71%
Unrestricted	83,096,489	79,035,368	4,061,121	5.14%
Total net position	<u>\$ 196,213,518</u>	<u>\$ 192,467,330</u>	<u>\$ 3,746,188</u>	<u>1.95%</u>

The net position of the City/District's governmental activities increased by \$3.7 million. This increase consists of three components:

1. **Net investment in capital assets** – The \$1.0 million reduction was due to the excess of depreciation and retirement of capital assets over capital asset additions.
2. **Restricted net position** – The \$711,000 increase was due primarily to higher net positions in the Park-In-Lieu Funds of \$815,000.
3. **Unrestricted net position** – The \$4.1 million increase was due mainly to the excess of revenues over expenditures by \$7.8 million (primarily from gains in property tax revenues and one-time charges for services for development projects) less a prior period adjustment of 4.0 million for the implementation of GASB 73 for the City's Longevity Recognition Benefits program. The increase in the Capital Asset Preservation Fund net position was from ongoing loan repayments received and investment earnings from the previous sale of City/District owned properties.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net Position Business Type Activities

	Business-Type Activities		Amount Change	Percent Change
	2017	2016		
Assets:				
Current and other assets	\$ 40,386,683	\$ 39,712,769	\$ 673,914	1.70%
Capital assets	59,464,204	56,208,645	3,255,559	5.79%
Total assets	<u>99,850,887</u>	<u>95,921,414</u>	<u>3,929,473</u>	<u>4.10%</u>
Deferred outflows of resources related to pension	1,367,295	443,149	924,146	208.54%
Liabilities:				
Current and other liabilities	5,954,514	3,676,961	2,277,553	61.94%
Long-term liabilities	7,304,713	5,862,617	1,442,096	24.60%
Total Liabilities	<u>13,259,227</u>	<u>9,539,578</u>	<u>3,719,649</u>	<u>38.99%</u>
Deferred inflows of resources related to pension	69,581	396,855	(327,274)	-82.47%
Net position:				
Net investment in capital assets	59,464,204	56,208,645	3,255,559	5.79%
Unrestricted	28,425,170	30,219,485	(1,794,315)	-5.94%
Total net position	<u>\$ 87,889,374</u>	<u>\$ 86,428,130</u>	<u>\$ 1,461,244</u>	<u>1.69%</u>

The net position of the City/District's business-type activities increased by \$1.5 million. This increase consists of two components.

1. **Net Investment in capital assets** – The \$3.3 million increase was due to new asset additions during the year in excess of depreciation and the retirement of capital assets. Detailed analysis is provided under Note No. 6.
2. **Unrestricted net position** – The \$1.8 million decrease was mainly due to higher than expected water purchase expenses in the Water Enterprise Fund.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

	Governmental Activities		Business-Type Activities		Total		Amount Change	Percent Change
	2017	2016	2017	2016	2017	2016		
Program Revenues								
Charges for services	\$ 8,532,744	\$ 6,327,837	\$ 21,742,555	\$ 20,100,247	\$ 30,275,299	\$ 26,428,084	\$ 3,847,215	14.56%
Operating grants and contributions	1,262,548	3,137,709	-	-	1,262,548	3,137,709	(1,875,161)	-59.76%
Capital grants and contributions	586,884	290,669	32,174	71,315	619,058	361,984	257,074	71.02%
General Revenues								
Taxes	33,451,814	31,078,069	-	-	33,451,814	31,078,069	2,373,745	7.64%
Contributions not restricted to specific programs	3,780,217	3,892,638	-	-	3,780,217	3,892,638	(112,421)	-2.89%
Unrestricted investment and rental income	2,487,713	2,807,314	154,770	350,091	2,642,483	3,157,405	(514,922)	-16.31%
Gain on Sale of Capital Asset	37,071	9,188	(7,860)	-	29,211	9,188	20,023	217.93%
Other	134,187	1,000,920	104,478	61,506	238,665	1,062,426	(823,761)	-77.54%
Total Revenues	50,273,178	48,544,344	22,026,117	20,583,159	72,299,295	69,127,503	3,171,792	4.59%
Expenses								
General government	5,042,007	4,308,710	-	-	5,042,007	4,308,710	733,297	17.02%
Public safety	20,016,416	18,368,428	-	-	20,016,416	18,368,428	1,647,988	8.97%
Public works	4,760,961	4,335,309	-	-	4,760,961	4,335,309	425,652	9.82%
Community development	2,590,742	2,417,650	-	-	2,590,742	2,417,650	173,092	7.16%
Parks and recreation	10,085,864	8,750,077	-	-	10,085,864	8,750,077	1,335,787	15.27%
Water operations	-	-	13,398,161	11,824,224	13,398,161	11,824,224	1,573,937	13.31%
Wastewater operation	-	-	7,166,712	6,356,799	7,166,712	6,356,799	809,913	12.74%
Total Expenses	42,495,990	38,180,174	20,564,873	18,181,023	63,060,863	56,361,197	6,699,666	11.89%
Change in net position	7,777,188	10,364,170	1,461,244	2,402,136	9,238,432	12,766,306	(3,527,874)	-27.63%
Net position, beginning of year	192,467,330	182,103,160	86,428,130	84,025,994	278,895,460	266,129,154	12,766,306	4.80%
Prior period adjustment	(4,031,000)	-	-	-	(4,031,000)	-	(4,031,000)	-100.00%
Net position, end of year	\$ 196,213,518	\$ 192,467,330	\$ 87,889,374	\$ 86,428,130	\$ 284,102,892	\$ 278,895,460	\$ 5,207,432	1.87%

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

- **Charges for Services** – The \$2.2 million increase in Governmental Activities was primarily from robust one-time related development related revenues. On the other hand, revenues for Business-Type activities increased by \$1.6 million as water and wastewater rates were raised at beginning of fiscal year 2016-2017 to pay for expected increases in water purchase and operating costs.
- **Operating Grants and Contributions** – The \$1.9 million decrease in Governmental Activities was mainly due to the non-recurring one-time receipt in fiscal year 2015-2016 of \$1.85 million in community benefits program payment from Biomed to develop the Lincoln Centre Life Sciences Campus to be occupied by Illumina.
- **Capital Grants and Contributions** – The \$296,000 increase in Governmental Activities was mainly due to higher developer contributions during the year, including a Thompson Dorfman contribution of \$302,670 for street repairs associated with the 100 Grand residential project, a \$101,809 contribution from Biomed for traffic improvements associated with the Lincoln Centre project, and a California Department of Housing and Community Development grant of \$161,000 for renovation at the Leo J. Ryan Park.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

- Taxes – The \$2.4 million increase in Governmental Activities was primarily from higher property tax revenues as reflected by strong housing prices and a robust local and regional economy.
- Unrestricted Investment and Rental Income - The \$320,000 decrease in Governmental Activities was largely due to a mark-to-market reduction of \$481,000 in the value of the City's Investment Portfolio because of an overall increase in the nation's interest rates. The City's general policy is to hold its investments until maturity. As a result, the mark-to-market reduction is a recognized loss, but not a realized loss.
- Other Revenues – The \$867,000 decrease in Governmental Activities is substantially due to a \$608,000 one-time in-lieu property tax payment the City/District received in FY 2015-2016 from MidPen Housing for the Atria at Foster Square affordable housing project.

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

- General Government – Expenses increased by \$733,000. This included a \$331,000 increase in net pension expense recorded at the government-wide level for the amortization of deferred net pension expenses as prescribed by accounting standards under GASB 68. Program costs for CalOPPs (for a major website upgrade of this public sector recruitment tool), Sustainable Foster City (for the implementation of economic development and sustainability initiatives), and BAERS (the hosting of this employee relations program starting in September 2016) increased by \$218,000, 130,000, and 109,000 respectively.
- Public Safety – The increase of \$1.6 million in the Public Safety departments are due primarily to wage adjustments as stipulated under applicable labor agreements with the Police and Fire Departments, and cost escalation in benefits.
- Public Works, Community Development, and Parks and Recreation – Expenses for the three departments increased by an aggregate of \$1.9 million. This included a \$505,000 increase in net pension expense recorded at the government-wide level for the amortization of deferred net pension expenses as prescribed by accounting standards under GASB 68. The remaining \$1.4 million is primarily attributable to staff augmentations including the addition of a Management Analyst, a Building Technician, a Code Enforcement Officer, an Engineer, and a Public Works Superintendent to administer the Streets and Lagoon Division and general increases in wage and benefit costs as provided under labor agreements.
- Water Operation – Expenses increased by \$1.6 million, mostly from a \$1.3 million increase in utility expenditures (primarily water purchases).
- Wastewater Operation – Expenses increased by \$810,000. Contractual services, including maintenance costs for the wastewater treatment plant increase by \$378,000. Employee services costs increased by \$265,000 and cost allocations increased by \$150,000.

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FINANCIAL ANALYSIS OF THE CITY/DISTRICT'S FUNDS

Governmental Funds

As of June 30, 2017, the City/District's governmental funds reported combined fund balances of \$100.2 million. Of this total, \$8.0 million are considered restricted funds, \$48.7 million are committed by the City Council/District Board for specified projects or uses, \$28,100 are assigned by the City Manager (as duly authorized by Council/Board policy) for specified uses, and the remaining \$43.4 million are unassigned and available for general use.

Total revenues, expenditures and changes in fund balances for the fiscal year ended June 30, 2017 are shown below in comparison to the year ended June 30, 2016.

	2017		2016		Increase / (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
Revenues by Source						
Taxes	\$ 35,378,834	71.17%	\$ 33,196,631	69.16%	\$ 2,182,203	6.57%
Licenses and permits	4,564,176	9.18%	3,399,578	7.08%	1,164,598	34.26%
Intergovernmental	1,552,362	3.12%	1,400,996	2.92%	151,366	10.80%
Charges for current services	2,940,785	5.92%	2,671,725	5.57%	269,060	10.07%
Fines and forfeitures	187,670	0.38%	162,589	0.34%	25,081	15.43%
Park-in-lieu	1,146,000	2.31%	429,000	0.89%	717,000	167.13%
Investment and rental income	1,978,805	3.98%	2,345,939	4.89%	(367,134)	-15.65%
Other	1,961,964	3.95%	4,394,357	9.15%	(2,432,393)	-55.35%
Total revenues	49,710,596	100.00%	48,000,815	100.00%	1,709,781	3.56%
Expenditures by Function						
General Government	4,599,220	10.96%	3,738,875	9.75%	860,345	23.01%
Public safety	20,534,340	48.93%	18,865,143	49.21%	1,669,197	8.85%
Public works	2,510,297	5.98%	2,050,278	5.35%	460,019	22.44%
Community development	2,600,470	6.20%	2,487,145	6.49%	113,325	4.56%
Parks and recreation	8,229,008	19.61%	7,312,735	19.08%	916,273	12.53%
Capital outlay	3,491,142	8.32%	3,880,749	10.12%	(389,607)	-10.04%
Total expenditures	41,964,477	100.00%	38,334,925	100.00%	3,629,552	9.47%
Revenues over (under) expenditures	7,746,119		9,665,890		(1,919,771)	
Other financing sources (uses)	-		(163,198)		163,198	
Sale of capital assets	564,315		546,293		18,022	
Net change in fund balances	8,310,434		10,048,985		\$ (1,738,551)	
Fund balances, beginning of year	91,862,616		81,813,631			
Fund balances, end of year	<u>\$ 100,173,050</u>		<u>\$ 91,862,616</u>			

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ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2017**

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

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

- Taxes – The increase of \$2.2 million is due to gains in property tax revenues fueled by strong housing prices, new development projects added to the tax roll, and a \$94,000 or 3.3% increase in transient occupancy tax aided by a robust local and regional economy.
- Licenses and permits – The \$1.2 million increase is primarily due to development related one-time permit fees including the Gilead Sciences expansion project and the Biomed Lincoln Centre Illumina project.
- Intergovernmental – The increase of \$151,000 is largely due to an increase in grants received in FY 2016-2017 including \$161,000 from the California Department of Housing and Community Redevelopment for renovations to Leo J. Ryan Park.
- Charges for Current Services – The increase of \$269,000 is primarily due to General Plan, Construction and Demolition, Technology Maintenance fees collected as a result on strong development activity during FY 2016-2017.
- Park in-lieu – The increase of \$ 717,000 is largely due to in-lieu fees collected from the Foster Square Atria and Lennar residential projects.
- Investment and rental income – As discussed previously, the City recognized a mark-to-market reduction of \$481,000 in the value of the City's Investment Portfolio because of an overall increase in interest rates. GASB Statement 31 requires a government agency to report the fair value of all investments in its financial statement. Accordingly, the City/District takes a snapshot of the fair value of its investment portfolio at June 30 of each fiscal year and records the difference between the fair value and book value as unrealized gain or loss. However, as the City/District's investment practice is to hold investments until maturity, the book gain or loss is generally not realized.
- Other revenues – The decrease of \$2.4 million consists primarily of \$1.85 million community benefits program monies the City received from Biomed to develop the Lincoln Centre Life Sciences Campus and a \$608,000 in-lieu property tax payment received from Mid-Pen Housing for the Foster Square Atria affordable housing projects, both in FY 2015-2016.

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

- General Government – There was an \$860,000 increase in General Government expenditures. As previously indicated, program costs for CalOPPs (for a major website upgrade of this public sector recruitment tool), Sustainable Foster City (for the implementation of economic development and sustainability initiatives), and BAERS (the hosting of this employee relations program starting in September 2016) increased by \$218,000, 130,000, and 109,000 respectively. In addition, there were increased costs in the General Fund associated with expanding/maintaining service levels for the community. Staffing was added for the administration of a \$1.85 million Community Benefits Program, the creation of a Communications/City Clerk Department to implement a public engagement program, the upgrade of a part-time Office Assistant to full time status for the increase workload in the Financial Services Department. General increases in wage and benefit costs as provided under labor agreements also contributed to the overall increase in expenditures.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2017**

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

- Public Safety – The increase of \$1.7 million in Public Safety Department was primarily due to wage adjustments as stipulated under applicable labor agreements with the Police and Fire Departments, and cost escalation in benefits.
- Public Works – There was a \$460,000 increase in Public Works expenditures, most of which was for General Fund employee services (\$296,000). Staffing additions included a half-time Management Analyst, an Engineer, and a Public Works Superintendent to administer the Streets and Lagoon Division. There were also general increases in wage and benefit costs as provided under labor agreements. Contractual services also increased by \$64,000 in the Streets Division, including expenditures for curb ramp installation and replacement and traffic signal systems.
- Community Development – The \$113,000 increase included the addition of a full-time code enforcement officer and a limited duration Building/Permit Technician to address the increase in workload.
- Parks and Recreations – Expenditures increased by \$916,000 to \$8.2 million in the Parks and Recreation Department. Wages and benefits, internal service charges, and contractual service climbed by \$291,000, \$202,000, and \$198,000 respectively. Building maintenance charges for the Library also increased by \$93,000.
- Capital Outlay – The \$390,000 decrease was due to a slight reduction in capital improvement project expenditures in FY 2016-2017 with the completion of the Vintage Park overcrossing project in FY 2015-2016.

The following provides highlights of the five (5) *Major Governmental Funds*.

General Fund – The General Fund represents the single most important operating 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, 2017 was \$45.7 million, which was a \$4.5 million increase from the prior year. Unassigned fund balances finished the year at \$43.4 million, increasing by \$3.8 million from the prior year.

General Fund revenues increased \$520,000 in FY 2016-2017 to \$44.1 million. However, this amount is distorted by the one-time Other Revenues of \$1.85 million for a Community Benefits Program and a \$608,000 in-lieu property tax payment from the developer of an affordable housing project received in FY 2015-2016. Not counting these one-time revenues, the FY 2016-2017 increase would have been closer to \$3 million. The majority of the increase was attributable to property taxes (\$1.9 million and building permit fees \$1.1 million).

General Fund expenditures increased \$3.4 million in FY 2016-2017 to \$36.4 million. Much of the increase can be attributed to the addition of City staff due to a combination of increases in workload needed to maintain and /or expand service levels to the community that was discussed earlier (e.g. public engagement, sustainable Foster City, code enforcement, etc.). Wage adjustments and higher benefit costs, including higher employer pension contribution rates also contributed to the overall expenditure increase.

In aggregate, General Fund revenues exceeded expenditures by \$7.7 million. During the fiscal year, the General Fund transferred \$1.9 million to the City Capital Improvement Project Fund for future capital improvement projects. The General Fund's Fund Balance at June 30, 2017 was \$45.7 million with an unassigned balance of \$43.4 million. This amount meets the Governing Board's reserve policy requirement of a reserve balance of 33½% to 50.0% of annual operating expenditures.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2017**

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

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, 2017, the Low and Moderate Income Housing Assets Fund had a restricted fund balance of \$1.7 million. 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, 2017, the Fund had a Committed Fund Balance of \$25,000.

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, 2017, this fund had a Committed Fund Balance of \$7.3 million.

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, 2017, this fund had a committed fund balance of \$36.5 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 \$10.1 million as of June 30, 2017. The Governing Board's reserve policy requirements for the Water fund is 25% of annual operating expenses plus a \$2 million reserve for capital improvement projects. After earmarks of \$3.2 million for operations, \$2.0 million for capital projects, \$1.8 million for Equipment Replacements, \$104,000 for water conservation rebates, a \$3.0 million remainder is available for planned and future capital improvement projects.

Wastewater – The District provides wastewater collection services to customers in Foster City and participates in a joint powers authority with the City of San Mateo, which operates the Wastewater Treatment Plant (WWTP). Unrestricted net position totaled \$16.4 million as of June 30, 2017. The Governing Board's reserve policy requirements for the Wastewater fund is 25% of annual operating expenses plus a \$2 million reserve for capital improvement projects. After earmarks of \$2.0 million for operations, \$2.0 million for capital projects, and \$2.8 million for Equipment Replacements, \$9.6 million remainder is available for planned and future capital improvement projects.

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. Services included 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, 2017 was \$27.5 million, which was a \$1.1 million increase from the prior year as internal charges for services exceeded expenses and net transfers.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2017**

2015 FINANCIAL ANALYSIS OF THE CITY/DISTRICT'S FUNDS (CONTINUED)

GENERAL FUND BUDGETARY HIGHLIGHTS

The original General Fund budget for fiscal year 2016-2017 included \$42.7 million in appropriations and transfers out to other funds, with estimated revenues and transfers in from other funds totaling \$44.0 million.

Total revenues for the year were \$118,000 above budgeted projections. Property taxes exceeded projections by \$1.9 million, which included a higher than budgeted Educational Revenue Augmentation Fund (ERAF) refund and increased receipts in secured and supplemental taxes. Motor Vehicle License In-Lieu (Property Tax in-lieu of VLF) was \$122,000 ahead of budget as these revenues increase annually in proportion to the growth in assessed valuations. Sales and use taxes were \$63,000 above budget, but still \$70,000 below FY 2015-2016 as a decline in one-time construction related use tax was forecasted. Transient occupancy tax revenue was \$450,000 under budget, but still \$94,000 ahead of last year's total of \$2.8 million. The budget miss was due to the delay in the opening of a Town Place Suites property. Permit fees fell short of budget by \$1.8 million as General Plan, Construction and Demolition, and Technology restricted revenues were deposited to these newly added Special Revenue funds. In addition, budgeted permit fees for some of Gilead Sciences' expansion project did not materialize until FY 2017-2018. Other Revenues included \$200,000 received from the City of Half Moon Bay in exchange for the City's Rule 20A credits with PG&E. Based on policy decision of the City Council, those monies were designated for a Solar Incentive Grant program for Foster City residents. The \$3.3 million variance in expenditures was from salary savings from vacant positions, replacement of separated employees with new hires who are at a lower pay rate and/or with less expensive retirement plans, unspent service and supplies, and the conservative administration of budgetary resources by management.

CAPITAL ASSETS

The City/District's investment in capital assets for its governmental and business-type activities as of June 30, 2017 totaled \$163.7 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
	2017	2016	2017	2016	2017	2016		
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	82,212,952	84,445,291	27,275,462	28,736,187	109,488,414	113,181,478	(3,693,064)	-3.26%
Equipment, vehicles and software	6,143,332	5,872,227	1,912,527	1,622,598	8,055,859	7,494,825	561,034	7.49%
Sewer Capacity Rights			18,743,199	19,239,030	18,743,199	19,239,030	(495,831)	-2.58%
Construction in progress	4,782,992	3,847,915	7,979,542	3,057,356	12,762,534	6,905,271	5,857,263	84.82%
Total	\$ 104,241,497	\$ 105,267,654	\$ 59,464,204	\$ 56,208,645	\$ 163,705,701	\$ 161,476,299	\$ 2,229,402	1.38%

Capital assets for Governmental activities decreased by \$1.0 million as total depreciation and retirements exceeded the addition of new assets. The Business-Type activities infrastructure asset, equipment and software, and sewer capacity rights increased by \$3.3 million as construction in progress for the new wastewater treatment plant continued.

The City/District depreciates all of 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.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2017**

DEBT ADMINISTRATION

As of June 30, 2017, the City/District had total long-term outstanding obligations of \$80.2 million, which comprised of compensated absences of \$1.7 million, other post-employment benefits (OPEB) liability of \$5.2 million, PG&E On-Bill Loan of \$223,000 and net pension liability of approximately \$72.9 million (\$69.2 million for CalPERS and \$3.7 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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City/District prides itself in prudently managing its financial resources through long-term financial strategies and conservative financial decisions. Over the past three years, economic expansion in the region has enhanced the net position of the City/District. However, a structural deficit is forecasted in the next 5 years due to a slowdown in one-time building and plan check fees for new development projects. The City Council will be looking into revenue and/or cost containment alternatives in FY 2017-2018 to address this structural deficit condition.

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

- Property Taxes – The real estate market in Foster City remained strong in the past year as home prices reached historic highs and commercial property values expanded along with the adding of new developments. The Assessor's Office projected an increase in assessed valuation in the City/District of 8.6% for FY 2017-2018. The assumptions for property taxes revenues from various major developments have been included in the five-year financial planning projection based on anticipated completion schedules.
- Sales & Use Tax – Sales tax revenues are expected to increase by 2.0% in FY 2017-2018 from prior year's projections, no assumptions have been made with respect to the additional retail areas planned for Foster Square and adjacent to the new Town Place Suites Hotel.
- Transient Occupancy Tax (TOT) – TOT revenues are projected to increase by \$356,000 with the opening of a Town Place Suites Hotel at the end of September 2017.

CalPERS Pension Rates – On April 17, 2013 the CalPERS Board revised the rate smoothing policy to reduce the amortization period of investment gains and losses from a rolling 15 year period to a direct rate smoothing period of 5 years starting in FY 2015-2016. During FY 2013-2014 CalPERS reduced the annual rate of investment return assumption from 7.75% to 7.5%. In December 2016, CalPERS further reduced its investment return assumption from 7.5% to 7%. The revised rate smoothing policy and lower the rate of investment return will result in a significant increase in the employer contribution rates for 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 budget as the most significant cost-savings provisions of the Act apply primarily to new employees hired after January 1, 2013. The FY 2017-2018 employer contribution rates to the CalPERS pension plans for Miscellaneous and Public Safety "Classic" plans will rise to 27.908% and 45.150% from 26.121% and 40.176% respectively.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2017**

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

- Development, Planning, Permit and Park In-Lieu Fees – The development associated revenues such as building permits, park-in-lieu, water and wastewater connection fees, real property transfer taxes, plan check fees, and inspection fees have been incorporated into the annual budget. One-time permit and plan check fees for new development is forecasted to decline by over \$3 million in FY 2017-2018.
- Capital Improvement Project Funds – The long-term funding of Capital Improvement Projects implemented in FY 2010-2011 continues for the City's General Fund and the Water and Wastewater Enterprise Funds. An additional \$12.3 million is budgeted in Wastewater Enterprise Fund for the City/District's proportionate share of the Wastewater Treatment Plant Master Improvement Project and \$2 million budgeted in the City CIP Fund for the Levee Protection and Planning Improvement Project for FY 2017-2018.
- 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 2017-2018 will increase the standard 5/8" and 3/4" fixed meter charges by 5% and the base consumption rate by 6.5% due to the increase in water supply costs.
- Wastewater Rates – The wastewater rates assume a 14.25% increase in FY 2017-2018 based on currently known operating and capital improvements projects (CIP), including the Wastewater Treatment Plant Master Plan Improvement Project. The estimated share of the improvement costs for City/District is \$124 million. In order to pay the City/District's share of the improvements, the City/District will need to obtain State Water Resources Board financing, issue bonds, or borrow funds from either internal or other external sources in order to fund the improvements as they are constructed.

The City/District has an Unassigned General Fund balance of \$43.4 million as of June 30, 2017, which will provide flexibility and enable it to implement changes where appropriate while retaining its fiscal vitality and fund balances above its minimum reserve levels, thereby maintaining the health and safety of the community.

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, 2017

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and investments	\$ 139,978,411	\$ 34,375,558	\$ 174,353,969
Receivable, net	1,975,718	3,889,780	5,865,498
Internal balances	(1,872,505)	1,872,505	-
Inventory	85,997	248,840	334,837
Prepays and deposits	32,401	-	32,401
Restricted cash and investments	330,410	-	330,410
Loans receivable (net)	23,221,761	-	23,221,761
Capital assets:			
Nondepreciable	15,885,213	11,533,016	27,418,229
Depreciable, net of accumulated depreciation	88,356,284	47,931,188	136,287,472
Total assets	267,993,690	99,850,887	367,844,577
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension	15,779,495	1,367,295	17,146,790
LIABILITIES			
Accounts payable	1,428,258	5,616,934	7,045,192
Accrued payroll	1,206,017	119,224	1,325,241
Refundable deposits	8,764,777	72,009	8,836,786
Unearned revenue	302,607	-	302,607
Long-term liabilities:			
Due within one year	1,109,704	146,347	1,256,051
Due in more than one year	6,418,169	794,566	7,212,735
Net Pension Liability:			
Due in more than one year	66,433,312	6,510,147	72,943,459
Total liabilities	85,662,844	13,259,227	98,922,071
DEFERRED INFLOWS OF RESOURCES			
Related to pension	1,896,823	69,581	1,966,404
NET POSITION			
Net investment in capital assets	104,241,497	59,464,204	163,705,701
Restricted for:			
Housing	1,756,046	-	1,756,046
Roads	3,431,186	-	3,431,186
Parks	2,376,137	-	2,376,137
Local programs and events	1,312,163	-	1,312,163
Unrestricted	83,096,489	28,425,170	111,521,659
Total net position	\$ 196,213,518	\$ 87,889,374	\$ 284,102,892

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, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 5,042,007	\$ 785,073	\$ 380	\$ -
Public safety - Police	11,226,563	159,415	150,121	-
Public safety - Fire	8,789,853	598,376	22,966	-
Public works	4,760,961	254,169	1,003,134	408,604
Community development	2,590,742	4,377,111	-	-
Parks and recreation	10,085,864	2,358,600	85,947	178,280
Total governmental activities	42,495,990	8,532,744	1,262,548	586,884
Business-type activities:				
Water	13,398,161	12,574,363	-	-
Wastewater	7,166,712	9,168,192	-	32,174
Total business-type activities	20,564,873	21,742,555	-	32,174
Total primary government	\$ 63,060,863	\$ 30,275,299	\$ 1,262,548	\$ 619,058

General revenues and transfers:

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
- Gain on sale of capital assets
- Other

Total general revenues and transfers

Change in net position

Net position - beginning of year

Prior Period Adjustment

Net position - beginning of year, restated

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
\$ (4,256,554)	\$ -	\$ (4,256,554)
(10,917,027)	-	(10,917,027)
(8,168,511)	-	(8,168,511)
(3,095,054)	-	(3,095,054)
1,786,369	-	1,786,369
(7,463,037)	-	(7,463,037)
(32,113,814)	-	(32,113,814)
-	(823,798)	(823,798)
-	2,033,654	2,033,654
-	1,209,856	1,209,856
(32,113,814)	1,209,856	(30,903,958)
27,249,762	-	27,249,762
2,914,905	-	2,914,905
1,190,454	-	1,190,454
2,096,693	-	2,096,693
3,780,217	-	3,780,217
2,487,713	154,770	2,642,483
37,071	(7,860)	29,211
134,187	104,478	238,665
39,891,002	251,388	40,142,390
7,777,188	1,461,244	9,238,432
192,467,330	86,428,130	278,895,460
(4,031,000)	-	(4,031,000)
188,436,330	86,428,130	274,864,460
\$ 196,213,518	\$ 87,889,374	\$ 284,102,892

City of Foster City and Estero Municipal Improvement District
Balance Sheet
Governmental Funds
June 30, 2017

	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	\$ 50,330,581	\$ 1,764,039	\$ 25,318	\$ 9,985,920	\$ 36,540,340	\$ 10,670,250	\$ 109,316,448
Receivables, net of allowance:							
Accrued interest	453,489	-	-	-	-	-	453,489
Intergovernmental	27,515	-	-	-	-	27,278	54,793
Taxes	912,137	-	-	-	-	61,991	974,128
Other	222,666	-	-	-	-	238,067	460,733
Due from other funds	4,214	-	-	67,273	-	-	71,487
Prepays and deposits	31,695	-	-	-	-	-	31,695
Inventory	16,900	-	-	-	-	-	16,900
Restricted cash and investments	240,410	-	-	-	-	90,000	330,410
Loans receivables, net of allowance	1,321,676	265,922	5,117,767	-	-	-	6,705,365
Total assets	\$ 53,561,283	\$ 2,029,961	\$ 5,143,085	\$ 10,053,193	\$ 36,540,340	\$ 11,087,586	\$ 118,415,448
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 924,939	\$ 1,931	\$ -	\$ 237,293	\$ -	\$ 81,974	\$ 1,246,137
Accrued payroll	1,140,865	-	-	-	-	11,160	1,152,025
Refundable deposits	4,188,436	6,062	-	2,492,564	-	2,077,715	8,764,777
Due to other funds	-	-	-	-	-	71,487	71,487
Unearned revenue	302,607	-	-	-	-	-	302,607
Total liabilities	6,556,847	7,993	-	2,729,857	-	2,242,336	11,537,033
Deferred inflows of resources							
Unavailable-loan programs	1,321,676	265,922	5,117,767	-	-	-	6,705,365
Fund Balances:							
Non-Spendable	48,595	-	-	-	-	-	48,595
Restricted	5,675	1,756,046	-	-	-	6,247,325	8,009,046
Committed	2,202,807	-	25,318	7,323,336	36,540,340	2,638,698	48,730,499
Assigned	28,093	-	-	-	-	-	28,093
Unassigned	43,397,590	-	-	-	-	(40,773)	43,356,817
Total fund balances	45,682,760	1,756,046	25,318	7,323,336	36,540,340	8,845,250	100,173,050
Total liabilities, deferred inflows of resources, and fund balances	\$ 53,561,283	\$ 2,029,961	\$ 5,143,085	\$ 10,053,193	\$ 36,540,340	\$ 11,087,586	\$ 118,415,448

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, 2017

Total Fund Balances - Total Governmental Funds \$ 100,173,050

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	\$ 15,885,213	\$ (95,620)	
Depreciable, net	88,356,284	(6,143,330)	
Total capital assets	104,241,497	(6,238,950)	98,002,547

First time homebuyer loans receivable are not available to pay current-period expenditures and, therefore, are deferred inflows in the governmental funds. 265,922

The New Home Company loans receivable are unavailable to pay current period expenditures and, therefore, are deferred inflows in the governmental funds. 5,117,767

The Successor Agency loans receivable are unavailable to pay current period expenditures and, therefore, are deferred inflows in the governmental funds. 1,321,676

North Peninsula Jewish Campus loans receivable are unavailable to pay current period expenditures and, therefore, are not reported in the governmental funds. 16,516,396

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 31,836,198

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

Compensated absences	(2,314,614)
OPEB Liability	(4,390,884)
Net pension liability	(63,624,069)

Deferred outflows due to pension liabilities 15,175,715

Deferred inflows due to pension liabilities (1,866,186)

Net Position of Governmental Activities \$ 196,213,518

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, 2017

	Major Funds						Total	
	Special Revenue			Capital Projects				
	General Fund	Low & Moderate Income		Foster City Affordable Housing	City Capital Projects	Capital Asset Preservation		Non-Major Governmental Funds
		Housing Assets Fund						
REVENUES:								
Property taxes	\$27,234,888	\$ -	\$ -	\$ -	\$ -	\$ -	\$27,234,888	
Sales and use and sales tax in lieu	3,152,191	-	-	-	-	628,026	3,780,217	
Transient occupancy tax	2,914,905	-	-	-	-	-	2,914,905	
Franchise tax	1,190,454	-	-	-	-	-	1,190,454	
Property transfer tax	258,370	-	-	-	-	-	258,370	
Licenses and permits	4,564,176	-	-	-	-	-	4,564,176	
Intergovernmental	662,254	-	-	-	-	890,108	1,552,362	
Charges for current services	2,355,462	-	-	-	-	585,323	2,940,785	
Fines and forfeitures	106,924	-	-	-	-	80,746	187,670	
Park-in-lieu	-	-	-	-	-	1,146,000	1,146,000	
Investment and rental income	953,273	224,353	111	15,977	706,265	78,826	1,978,805	
Other	684,784	101,223	-	323,700	-	852,257	1,961,964	
Total revenues	\$44,077,681	325,576	111	339,677	706,265	4,261,286	49,710,596	
EXPENDITURES:								
Current:								
General government	3,824,917	-	-	-	-	774,303	4,599,220	
Public safety - Police	11,209,401	-	-	-	-	135,316	11,344,717	
Public safety - Fire	9,188,620	-	-	-	-	1,003	9,189,623	
Public works	1,760,924	-	-	3,026	-	746,347	2,510,297	
Community development	2,361,436	88,057	-	-	-	150,977	2,600,470	
Parks and recreation	7,904,625	-	-	274,544	-	49,839	8,229,008	
Capital outlay	165,660	-	-	1,358,230	-	1,967,252	3,491,142	
Total expenditures	36,415,583	88,057	-	1,635,800	-	3,825,037	41,964,477	
REVENUES OVER (UNDER) EXPENDITURES	\$7,662,098	237,519	111	(1,296,123)	706,265	436,249	7,746,119	
OTHER FINANCING SOURCES (USES):								
Proceeds from financing loan repayments	-	-	-	-	564,315	-	564,315	
Transfers in	17,679	4,563	-	1,948,000	-	1,230,269	3,200,511	
Transfers out	(3,182,832)	-	-	-	-	(17,679)	(3,200,511)	
Total other financing sources (uses)	(3,165,153)	4,563	-	1,948,000	564,315	1,212,590	564,315	
NET CHANGE IN FUND BALANCES	4,496,945	242,082	111	651,877	1,270,580	1,648,839	8,310,434	
FUND BALANCES:								
Beginning of year	41,185,815	1,513,964	25,207	6,671,459	35,269,760	7,196,411	91,862,616	
End of year	\$ 45,682,760	\$ 1,756,046	\$ 25,318	\$ 7,323,336	\$ 36,540,340	\$ 8,845,250	\$ 100,173,050	

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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 8,310,434

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 \$4,670,030, which consisted of \$1,121,815 in additions attributable to internal service fund activity and \$3,548,215 in additions attributable to governmental funds).	3,548,216
Loss on capital asset disposal (net of accumulated depreciation).	(365)
Less current year depreciation. This amount is net of depreciation expense of the internal service funds in the amount of \$868,245.	(4,826,797)

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.	(85,239)
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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.	(564,315)
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Interest that will not be collected for several years are not considered "available" and are not reported in the governmental fund.	325,692
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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	
Compensated absences	2,344
OPEB liabilities	(808,609)
Pension expense	893,481

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.	982,346
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Change in Net Position of Governmental Activities	\$ 7,777,188
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See accompanying Notes to Basic Financial Statements

City of Foster City and Estero Municipal Improvement District
Statement of Net Position
Proprietary Funds
June 30, 2017

	Enterprise Funds			Internal Service Funds
	Water	Wastewater	Total	
ASSETS				
Current assets:				
Cash and investments	\$ 11,939,361	\$ 22,436,197	\$ 34,375,558	\$ 30,661,963
Receivables, net of allowance:				
Billed utility, net of allowance for uncollectibles	622,387	522,005	1,144,392	-
Unbilled utility	1,637,390	978,212	2,615,602	-
Other	109,988	19,798	129,786	32,575
Deposits and prepaid items	-	-	-	706
Inventory	72,819	176,021	248,840	69,097
Total current assets	<u>14,381,945</u>	<u>24,132,233</u>	<u>38,514,178</u>	<u>30,764,341</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable	4,542,637	6,990,379	11,533,016	95,620
Depreciable, net of accumulated depreciation	17,040,814	30,890,374	47,931,188	6,143,330
Total noncurrent assets	<u>21,583,451</u>	<u>37,880,753</u>	<u>59,464,204</u>	<u>6,238,950</u>
Total assets	<u>35,965,396</u>	<u>62,012,986</u>	<u>97,978,382</u>	<u>37,003,291</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	<u>673,670</u>	<u>693,625</u>	<u>1,367,295</u>	<u>603,780</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,082,740	4,534,194	5,616,934	182,121
Accrued payroll	61,176	58,048	119,224	53,992
Refundable deposits	72,009	-	72,009	-
Claims liability	-	-	-	106,000
Compensated absences - current portion	75,499	70,848	146,347	70,540
Other liability - current portion	-	-	-	31,466
Total current liabilities	<u>1,291,424</u>	<u>4,663,090</u>	<u>5,954,514</u>	<u>444,119</u>
Noncurrent liabilities:				
Compensated absences - noncurrent portion	112,162	111,787	223,949	102,811
OPEB liability	288,940	281,677	570,617	288,671
Net pension liability	3,178,099	3,332,048	6,510,147	2,809,243
Other liability - noncurrent portion	-	-	-	222,887
Total noncurrent liabilities	<u>3,579,201</u>	<u>3,725,512</u>	<u>7,304,713</u>	<u>3,423,612</u>
Total liabilities	<u>4,870,625</u>	<u>8,388,602</u>	<u>13,259,227</u>	<u>3,867,731</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	<u>33,932</u>	<u>35,649</u>	<u>69,581</u>	<u>30,637</u>
NET POSITION				
Net investment in capital assets	21,583,451	37,880,753	59,464,204	6,238,950
Unrestricted	10,151,058	16,401,607	26,552,665	27,469,753
Total net position	<u>\$ 31,734,509</u>	<u>\$ 54,282,360</u>	<u>86,016,869</u>	<u>\$ 33,708,703</u>
			Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	
				<u>1,872,505</u>
			Net position of business-type activities	<u>\$ 87,889,374</u>

See accompanying Notes to Basic Financial Statements

City of Foster City and Estero Municipal Improvement District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the fiscal year ended June 30, 2017

	Enterprise Funds			Internal Service Funds
	Water	Wastewater	Total	
OPERATING REVENUES:				
Sales and service charges	\$ 12,574,363	\$ 9,168,192	\$ 21,742,555	\$ -
Charges for service - internal	-	-	-	6,711,033
Total operating revenues	12,574,363	9,168,192	21,742,555	6,711,033
OPERATING EXPENSES:				
Personnel	1,747,229	1,903,135	3,650,364	2,199,414
Utilities	8,733,769	211,483	8,945,252	-
Program supplies	253,631	141,915	395,546	-
Repairs and maintenance	8,116	58,841	66,957	1,183,254
General and administration	1,550,395	1,440,330	2,990,725	666,844
Depreciation and amortization	897,488	1,248,775	2,146,263	868,245
Contractual service	246,950	2,214,543	2,461,493	361,557
Insurance	125,800	125,800	251,600	371,101
Total operating expenses	13,563,378	7,344,822	20,908,200	5,650,415
OPERATING INCOME (LOSS)	(989,015)	1,823,370	834,355	1,060,618
NONOPERATING REVENUES (EXPENSES):				
Gain(Loss) on disposal of capital assets	-	(7,860)	(7,860)	37,071
Investment income	53,616	101,154	154,770	183,216
Miscellaneous	68,465	36,013	104,478	33
Total nonoperating revenues (expenses)	122,081	129,307	251,388	220,320
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(866,934)	1,952,677	1,085,743	1,280,938
CONTRIBUTIONS AND TRANSFERS:				
Capital contributions	32,174	-	32,174	44,735
Transfers in	-	-	-	548,763
Transfers out	-	-	-	(548,763)
Total contributions and transfers	32,174	-	32,174	44,735
Change in net position	(834,760)	1,952,677	1,117,917	1,325,673
NET POSITION:				
Beginning of the year	32,569,269	52,329,683		32,383,030
End of the year	\$ 31,734,509	\$ 54,282,360		\$ 33,708,703
Adjustment to reflect the consolidation				
of internal service fund activities related to enterprise funds			343,327	
Change in net position of business-type activities			\$ 1,461,244	

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, 2017

	Enterprise Funds			Internal Service Funds
	Water	Wastewater	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 12,579,148	\$ 9,296,919	\$ 21,876,067	\$ -
Cash received from inter-departmental charges	-	-	-	6,682,098
Cash payments to suppliers for goods and services	(10,896,169)	(1,659,854)	(12,556,023)	(2,643,217)
Cash payments to employees for services	(1,654,057)	(1,782,863)	(3,436,920)	(2,138,956)
Cash received from others	68,465	36,013	104,478	33
Net cash provided (used) by operating activities	97,387	5,890,215	5,987,602	1,899,958
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers received	-	-	-	548,763
Transfer paid	-	-	-	(548,763)
Net cash provided (used) by noncapital financing activities	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of capital assets	-	(7,860)	(7,860)	37,071
Capital contributions received	32,174	-	32,174	44,735
Acquisition and construction of capital assets	(39,446)	(5,362,376)	(5,401,822)	(1,121,034)
Net cash provided (used) by capital and related financing activities	(7,272)	(5,370,236)	(5,377,508)	(1,039,228)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	53,616	101,154	154,770	183,216
Net cash provided (used) by investing activities	53,616	101,154	154,770	183,216
Net increase (decrease) in cash and cash equivalents	143,731	621,133	764,864	1,043,946
CASH AND CASH EQUIVALENTS:				
Beginning of year	11,795,630	21,815,064	33,610,694	29,618,017
End of year	<u>\$ 11,939,361</u>	<u>\$ 22,436,197</u>	<u>\$ 34,375,558</u>	<u>\$ 30,661,963</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, 2017

	Enterprise Funds			Internal Service Funds
	Water	Wastewater	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (989,015)	\$ 1,823,370	\$ 834,355	\$ 1,060,618
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	897,488	1,248,775	2,146,263	868,245
Miscellaneous revenues	68,465	36,013	104,478	33
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Billed receivables	255,541	232,165	487,706	-
Unbilled receivables	(218,190)	(86,802)	(304,992)	-
Other receivables	(32,566)	(16,636)	(49,202)	(28,935)
Deposit and prepaid items	-	-	-	91,401
Inventory	4,879	295,886	300,765	(4,017)
Deferred outflow of resources	(463,124)	(461,022)	(924,146)	(368,767)
Increase (decrease) in:				
Accounts payable and claims liability	42,421	2,237,172	2,279,593	(122,845)
Accrued payroll	(689)	(10,562)	(11,251)	(8,355)
Refundable deposits	(24,808)	-	(24,808)	
Claims liability	-	-	-	(25,000)
Compensated absences	(785)	18,327	17,542	12,426
OPEB liability	54,100	53,135	107,235	50,236
Net pension liability	659,898	691,440	1,351,338	519,678
Other liability	-	-	-	(26,222)
Deferred inflow of resources	(156,228)	(171,046)	(327,274)	(118,538)
Total adjustments	1,086,402	4,066,845	5,153,247	839,340
Net cash provided (used) by operating activities	\$ 97,387	\$ 5,890,215	\$ 5,987,602	\$ 1,899,958

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, 2017

	Successor Agency of Community Development Agency
ASSETS	
Cash and investments	\$ 229,989
Total assets	\$ 229,989
LIABILITIES	
Loan payable	\$ 1,321,676
Total liabilities	1,321,676
NET POSITION	
Unrestricted	(1,091,687)
Total Net Position	\$ (1,091,687)

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
June 30, 2017

	Successor Agency of Community Development Agency
Additions	
Property taxes	\$ 577,574
Investment earnings	3,084
Total additions	<u>580,658</u>
Deductions	
Administrative expenses	228,371
Affordable housing subsidy	458,541
Total deductions	<u>686,912</u>
Change in net position	(106,254)
Net position-Beginning of the year	<u>(985,433)</u>
Net position-End of the year	<u>\$ (1,091,687)</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, 2017**

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, 2017**

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, 2017**

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, 2017**

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, 2017**

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. Contributed capital assets are valued at their estimated market value on the date contributed. 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, 2017**

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 40% 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, 2017**

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 home owner 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 uncollectibles 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 2016/2017:

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, 30% of the fees collected are remitted to the Division of the State.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City retains 70% 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 revenue 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, assessed at \$4 per \$1,000 valuation. 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 City did not close any funds in fiscal year 2016/2017.

M. *Deferred outflows/inflows of resources*

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

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

N. *Pensions*

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

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. New Pronouncements

In 2017, the City/District has/will be adopting 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. 73 – In June 2015, GASB issued Statement 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. The provisions in statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. This statement had a significant impact on the City’s/District’s financial statements. See detail disclosure in Note 9 for Longevity Benefits.

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Statement No. 74 replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, statement 43, and statement No. 50, Pension Disclosures. The provisions in statement 74 are effective for fiscal years beginning after June 15, 2016. This statement had no impact on the City’s/District’s financial statements.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, Tax Abatement Disclosures. The objective of this statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. This statement is effective for reporting periods beginning after December 15, 2015 and had no impact on the City’s/District’s financial statements.

GASB Statement No. 78 – In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to State or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. This Statement had no impact on the City’s/District’s financial statements.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 80 – In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Unit—an amendment to GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, *The Financial Reporting Entity*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment to GASB Statement No. 14*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016 and had no impact on the City’s/District’s financial statements.

GASB Statement No. 82 – In March 2016, the GASB issued Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25, GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27, and GASB Statement 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. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. This statement had no significant impact on the City’s/District’s financial statements.

Future Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Statement 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in statement 75 are effective for fiscal years beginning after June 15, 2017. 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, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 81 – In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. This Statement had no impact on the City's/District's financial statements.

GASB Statement No. 83 – In November 2017, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The City/District has not determined its effect on the financial statements.

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.

GASB Statement No. 85 – In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. 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, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 86 – In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The City/District has not determined its effect on the financial statements.

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.

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.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 – CASH AND INVESTMENTS (Continued)

Classification

Cash and investments as of June 30, 2017 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	\$ 174,353,969
Restricted cash and investments	330,410
Total Primary Government cash and investments	<u>174,684,379</u>

Statement of Fiduciary Net Position:

Cash and investments	<u>229,989</u>
Total Fiduciary Trust cash and investments	<u>229,989</u>

Total cash and investments	<u><u>\$ 174,914,368</u></u>
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Cash and investments as of June 30, 2017 consist of the following:

Cash on hand	\$ 3,250
Deposits with financial institutions	2,269,345
Certificates of Deposit	240,410
Local Agency Investment Funds (LAIF)	86,907,839
Investments	85,493,524
	<u>\$ 174,914,368</u>

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.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2017**

NOTE 3 – CASH AND INVESTMENTS (Continued)

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	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%	\$65,000,000

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, 2017, all of these funds were held in LAIF.

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.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments held in City Treasury grouped by maturity date at June 30, 2017, 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 Mortgage Associations Bonds-Coupon	\$ 20,740,400	\$ 2,995,360	\$ -	\$ 5,966,110	\$ 2,968,820	\$ 8,810,110
Federal Farm Credit Bank Bonds-Coupon	13,895,690	6,990,010	993,870	989,680	2,955,650	1,966,480
Federal Home Loan Bank Bonds-Coupon	22,993,864	3,363,342	4,992,260	4,972,910	3,733,852	5,931,500
Federal Home Loan Mortgage Corporation Bonds-Coupon	25,348,495	3,995,080	1,991,480	8,944,810	5,458,995	4,958,130
Corporate Notes	2,515,075	500,145	1,006,580	1,008,350	-	-
Certificates of Deposit	240,410	240,410	-	-	-	-
Total	\$ 85,733,934	\$ 18,084,347	\$ 8,984,190	\$21,881,860	\$15,117,317	\$21,666,220

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, 2017, 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. Notes (FHLMC)	Aaa	AA+
Federal National Mortg. Assn. Notes (FNMA)	Aaa	AA+
Corporate Notes	A1, A2	A, A+, AA+

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 – CASH AND INVESTMENTS (Continued)

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
Certificates of Deposit	\$ 240,410	0.14%
Corporate Bond	2,515,075	1.46%
Securities of U.S. Government Agencies:		
Federal Farm Credit Bank Bonds (FFCB)	13,895,690	8.05%
Federal Home Loan Bank Bonds (FHLB)	22,993,864	13.32%
Federal Home Loan Mortg. Corp. Notes (FHLMC)	25,348,495	14.68%
Federal National Mortg. Assn. Notes (FNMA)	20,740,400	12.01%
Total Securities of U.S. Government Agencies	85,733,934	49.66%
Local Agency Investment Fund Pool	86,907,839	50.34%
Total Investment Portfolio	\$ 172,641,773	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.

As of June 30, 2017, the carrying amount of the City/District’s deposits was \$2,182,595 and the bank balance was \$2,441,863. Of the bank balance, \$250,000 was covered by federal depository insurance and \$2,191,863 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.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 – CASH AND INVESTMENTS (Continued)

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, 2017, by multiplying its account balance with LAIF (\$87,000,000) times a fair value factor (0.998940671) 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, 2017, the City/District's investments in LAIF, stated at fair value, equaled \$86,907,839.

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.

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.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 – CASH AND INVESTMENTS (Continued)

The City's fair value measurements are as follows at June 30, 2017:

<u>Investment Type</u>	Fair Value Measurement Using	
	Level 2	
	<u>Inputs</u>	<u>Uncategorized</u>
Federal National Mortgage Association Bonds	\$ 20,740,400	\$ -
Federal Farm Credit Bank Bonds	13,895,690	-
Federal Home Loan Bank Bonds	22,993,864	-
Federal Home Loan Mortgage Corporation Bonds	25,348,495	-
Corporate Notes	2,515,075	-
Local Agency Investment Fund Pool	-	86,907,839
Certificates of Deposit	-	240,410
Total Investment Portfolio	\$ 85,493,524	\$ 87,148,249

NOTE 4 – LOANS RECEIVABLE

At June 30, 2017, Loans Receivable amounted to:

	<u>Amount</u>	<u>Allowance</u>	<u>Net Amount</u>
Metro Center Senior Homes Project	\$ 6,959,543	\$ (6,959,543)	\$ -
First Time Home Buyer Program	265,922	-	265,922
North Peninsula Jewish Campus Land	16,516,396	-	16,516,396
MP Foster Square Associates, L.P.	5,117,767	-	5,117,767
Successor Agency	1,321,676	-	1,321,676
Total	\$ 30,181,304	\$ (6,959,543)	\$ 23,221,761

The 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.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 – LOANS RECEIVABLE (Continued)

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, 2017, the Agency provided a 100% valuation allowance equal to the loan balance outstanding in the amount of \$6,959,543 which includes principal of \$5,917,695 and accumulated interest in the amount of \$1,041,848.

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 \$265,922 at June 30, 2017.

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 \$16,516,396 as of June 30, 2017.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 – LOANS RECEIVABLE (Continued)

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, 2017, final certificate of occupancy has not been issued. The outstanding loan balance is \$5,117,767 which includes principal of \$4,750,000 and accrued interest of \$367,767.

Successor Agency

In FY 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, 2017 is \$ 1,321,676. Payments will be made by the Successor Agency using available future funds from the County's Reserve for Property Tax Trust Fund (RPTTF).

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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
General Fund	Non-Major Governmental Funds	\$ 4,214
City Capital Projects Capital Projects Fund	Non-Major Governmental Funds	67,273
Total		\$ 71,487

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	\$ 17,679
Low and Moderate Income Housing Assets Fund	General Fund	4,563
Non-Major Governmental Funds	General Fund	1,230,269
City Capital Projects Fund	General Fund	1,948,000
Internal Service Funds	Internal Service Funds	548,763
Total Interfund Transfers		\$ 3,749,274

Transfers between funds were made during the fiscal year to fund capital improvement projects, to set aside 20% of loan repayment from Successor Agency into Low and Moderate Income Housing for affordable housing purposes, to set up new funds, and to fund summer concerts.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2017 follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2017</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 11,102,221	\$ -	\$ -	\$ -	\$ 11,102,221
Construction in progress	3,847,915	3,522,910	-	(2,587,833)	4,782,992
Total capital assets, not being depreciated	14,950,136	3,522,910	-	(2,587,833)	15,885,213
Capital assets, being depreciated:					
Infrastructure	109,701,903	120,924	(23,654)	2,473,899	112,273,072
Buildings	50,011,488	-	-	-	50,011,488
Improvements	5,898,096	-	-	-	5,898,096
Equipment	7,205,788	465,163	(356,592)	-	7,314,359
Vehicles	7,291,015	381,933	(154,109)	-	7,518,839
Software	714,778	179,100	(155,439)	113,934	852,373
Total capital assets, being depreciated	180,823,068	1,147,120	(689,794)	2,587,833	183,868,227
Less accumulated depreciation for:					
Infrastructure	(62,458,179)	(3,480,729)	23,289	-	(65,915,619)
Buildings	(16,326,875)	(1,166,280)	-	-	(17,493,155)
Improvements	(2,381,142)	(179,788)	-	-	(2,560,930)
Equipment	(4,741,386)	(391,537)	356,592	-	(4,776,331)
Vehicles	(3,897,203)	(461,343)	154,109	-	(4,204,437)
Software	(700,765)	(15,365)	154,659	-	(561,471)
Total accumulated depreciation	(90,505,550)	(5,695,042)	688,649	-	(95,511,943)
Total capital assets, being depreciated, net	90,317,518	(4,547,922)	(1,145)	2,587,833	88,356,284
Governmental activities capital assets, net	\$ 105,267,654	\$ (1,025,012)	\$ (1,145)	\$ -	\$ 104,241,497

Total capital asset additions for the City for the fiscal year ended for governmental activities were \$4,670,030 which consisted of \$1,121,816 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, 2017**

NOTE 6 – CAPITAL ASSETS (Continued)

	July 1, 2016	Additions	Retirements	June 30, 2017
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,553,474	\$ -	\$ -	\$ 3,553,474
Construction in progress	3,057,356	4,922,186	-	7,979,542
Total capital assets, not being depreciated	6,610,830	4,922,186	-	11,533,016
Capital assets, being depreciated:				
Infrastructure	72,357,570	49,838	-	72,407,408
Sewer capacity rights	24,791,531	-	-	24,791,531
Equipment	2,584,802	429,798	(29,152)	2,985,448
Total capital assets, being depreciated	99,733,903	479,636	(29,152)	100,184,387
Less accumulated depreciation for:				
Infrastructure	(43,621,383)	(1,510,563)	-	(45,131,946)
Sewer capacity rights	(5,552,501)	(495,831)	-	(6,048,332)
Equipment	(962,204)	(139,869)	29,152	(1,072,921)
Total accumulated depreciation	(50,136,088)	(2,146,263)	29,152	(52,253,199)
Total capital assets, being depreciated, net	49,597,815	(1,666,627)	-	47,931,188
Business-type activities capital assets, net	\$ 56,208,645	\$ 3,255,559	\$ -	\$ 59,464,204

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 589,259
Public safety - Police	293,753
Public safety - Fire	205,980
Public works	2,393,064
Community development	52,137
Parks and recreation	2,160,849
Total depreciation expense	\$ 5,695,042

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 – CAPITAL ASSETS (Continued)

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

Water	\$	897,488
Wastewater		<u>1,248,775</u>
Total depreciation expense	\$	<u><u>2,146,263</u></u>

NOTE 7 – LONG TERM OBLIGATIONS

The following is a summary of long-term obligation transactions for the year ended June 30, 2017:

	July 1, 2016	Additions	Retirements	June 30, 2017	Due Within One Year	Due in More Than One Year
Governmental activities:						
Claim liability	\$ 131,000	\$ -	\$ 25,000	\$ 106,000	\$ 106,000	\$ -
Compensated absences	2,477,884	1,214,972	(1,204,891)	2,487,965	972,238	1,515,727
OPEB obligation	3,820,710	1,159,256	(300,411)	4,679,555	-	4,679,555
PG&E On-Bill Financing	280,575		(26,222)	254,353	31,466	222,887
Total governmental activities	\$ 6,710,169	\$ 2,374,228	\$ (1,506,524)	\$ 7,527,873	\$ 1,109,704	\$ 6,418,169
Business-type activities:						
Compensated absences	\$ 352,754	\$ 172,851	\$ (155,309)	\$ 370,296	\$ 146,347	\$ 223,949
OPEB obligation	463,382	144,744	(37,509)	570,617	-	570,617
Total business-type activities	\$ 816,136	\$ 317,595	\$ (192,818)	\$ 940,913	\$ 146,347	\$ 794,566

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, \$173,351 of internal service funds compensated absences, \$106,000 of claims liability, \$254,353 of PG&E On-Bill Financing and \$288,671 of OPEB obligation 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, 2017**

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, 2017**

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.

Detailed classifications of the City’s Fund Balances, as of June 30, 2017, are below:

	Major Funds					Non-Major	
	General Fund	Low and Moderate	Foster City		Capital Asset Preservation	Governmental Funds	Total
		Income Housing Assets Fund	Affordable Housing Fund	City Capital Projects			
Nonspendable							
Prepays and deposits	\$ 31,695	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,695
Inventory	16,900	-	-	-	-	-	16,900
Total Nonspendable	48,595	-	-	-	-	-	48,595
Restricted							
Affordable housing	-	1,756,046	-	-	-	-	1,756,046
Parks	-	-	-	-	-	2,376,137	2,376,137
Public safety program	5,675	-	-	-	-	-	5,675
Roadway capital project and maintenance	-	-	-	-	-	3,431,186	3,431,186
Recreation programs and community events	-	-	-	-	-	440,002	440,002
Total Restricted	5,675	1,756,046	-	-	-	6,247,325	8,009,046
Committed							
Solid waste reduction	-	-	-	-	-	587,521	587,521
Garbage rate stabilization fund	148,287	-	-	-	-	-	148,287
Capital projects	-	-	-	7,323,336	36,540,340	-	43,863,676
Affordable housing	-	-	25,318	-	-	-	25,318
CalOpps online recruitment program	-	-	-	-	-	451,077	451,077
Sustainable Foster City program	-	-	-	-	-	185,767	185,767
BAERS program	-	-	-	-	-	425,292	425,292
General plan, building and zoning	-	-	-	-	-	867,847	867,847
Technology fee program	-	-	-	-	-	121,194	121,194
Community benefit	1,868,861	-	-	-	-	-	1,868,861
Solar rebate	185,659	-	-	-	-	-	185,659
Total Committed	2,202,807	-	25,318	7,323,336	36,540,340	2,638,698	48,730,499
Assigned	28,093	-	-	-	-	-	28,093
Unassigned	43,397,590	-	-	-	-	(40,773)	43,356,817
Total Fund Balances	\$ 45,682,760	\$ 1,756,046	\$ 25,318	\$ 7,323,336	\$ 36,540,340	\$ 8,845,250	\$ 100,173,050

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. At June 30, 2017, there were no encumbered fund balances.

Fund Balance Deficit

The fund listed in the table below had fund balance deficit at June 30, 2017. The deficit is expected to be eliminated by future revenues.

Funds	Deficit Fund Balance
Non-Major Governmental Fund:	
Measure M	(\$40,773)

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017**

NOTE 9 – EMPLOYEE’S RETIREMENT PLAN (Continued)

The plans’ provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Agent-Multiple		Cost Sharing		
	Miscellaneous Plan		Safety (Police and Fire) Plan		
	Tier 1	Tier 2	Tier 1	Tier 2	Tier 3
Hire date	Prior to 1/1/2013	On or after 1/1/2013	Prior to 1/1/2012	On or after 1/1/2012	On or after 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	**	**	**	**	**
Monthly benefits, as a % of annual salary	2% to 2.7%	1% to 2.5%	3%	2.4% to 3%	2% to 2.7%
Required employee contribution rate	8%	6.25%	9%	9%	11.50%
Required employer contribution rate	26.121%	26.121%	18.428%	14.785%	12.082%
Total employee contribution FY 16/17	\$ 730,104	\$ 142,629	\$ 602,854	\$ 24,248	\$ 171,230
Total employer contribution FY 16/17	\$ 2,208,015	\$ 431,345	\$ 4,349,307	\$ 39,835	\$ 180,394

** Average of the highest 3 consecutive years' compensation

Employees Covered – At June 30, 2017, the following employees were covered by the benefit terms of the Miscellaneous Plan, 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	171
Inactive employees entitled to but not yet receiving benefits	159
Active employees	<u>123</u>
Total	<u><u>453</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.

For the year ended June 30, 2017, the contributions for the Plans were as follows:

	<u>Miscellaneous *</u>	<u>Safety Plans *</u>	<u>Total</u>
Contributions - employer	\$ 2,639,360	\$ 4,569,536	\$ 7,208,896
Contributions - employee	872,733	798,332	1,671,065

* 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, 2017**

NOTE 9 – EMPLOYEE’S RETIREMENT PLAN (Continued)

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, 2016, using an annual actuarial valuation as of June 30, 2015 using standard update procedures. As of June 30, 2017, the City reported net pension liabilities of \$31,087,895.

As of June 30, 2017, the City’s reported net pension liabilities for its proportionate shares of the net pension liability of Safety Plan as follow:

	Cost Sharing Safety Plan
Proportionate Share of Net Pension Liability	\$ 38,119,564

The total net pension liability for the Miscellaneous and Safety Plans at June 30, 2017 was \$69,207,459.

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, 2016 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, 2015. 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, 2015 and 2016 is as follows:

	Cost Sharing Safety (Police and Fire) Plan
Proportion - June 30, 2015	0.46%
Proportion - June 30, 2016	0.74%
Change-Increase (Decrease)	0.28%

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 – EMPLOYEE’S RETIREMENT PLAN (Continued)

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

At June 30, 2017, the City recognized pension expense of \$201,977 for the Miscellaneous Plan and negative pension expense of \$957,167 for the Safety Plan.

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	\$ 2,639,360	\$ -	\$ 4,569,536	\$ -	\$ 7,208,896	\$ -
Differences between actual and expected experience	396,132	55,363	-	222,439	396,132	277,802
Changes in assumptions	-	280,942	-	969,851	-	1,250,793
Net difference between projected and actual earnings on pension plan investments	3,826,830	-	4,764,831	-	8,591,661	-
Changes in employer's proportion	-	-	936,775	-	936,775	-
Difference between the employer's contributions and the employer's proportionate share of contributions	-	-	13,326	148,809	13,326	148,809
Total	\$ 6,862,322	\$ 336,305	\$ 10,284,468	\$ 1,341,099	\$ 17,146,790	\$ 1,677,404

The \$7,208,896 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, 2018. 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
2018	\$ 475,563	\$ 437,237	\$ 912,800
2019	642,094	488,466	1,130,560
2020	1,763,690	2,207,705	3,971,395
2021	1,005,310	1,240,425	2,245,735
	\$ 3,886,657	\$ 4,373,833	\$ 8,260,490

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2017**

NOTE 9 – EMPLOYEE’S RETIREMENT PLAN (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions for Miscellaneous and Safety Plans:

	All Plans
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return (1)	7.65%
Mortality (2)	Derived using CalPERS' membership for data for all funds

(1) Net of pension plan investment and administrative expenses; includes inflation.

(2) The mortality table used for Miscellaneous and Safety Plans were developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale AA.

For more details on this table, please refer to the CalPERS 2010 experience study report available on CalPERS website.

Discount Rate –The discount rate used to measure the total pension liability was 7.65 percent for each plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

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, staff 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 (11-60 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 rounded down to the nearest one quarter of one percent.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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.

Asset Class	New Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100.0%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

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

	Agent-Multiple Miscellaneous * Plan	Cost-Sharing Safety * Plan
Discount Rate 1% Decrease	6.65%	6.65%
Net Pension Liability	\$ 44,265,880	\$ 54,309,480
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$ 31,087,895	\$ 38,119,564
Discount Rate 1% Increase	8.65%	8.65%
Net Pension Liability	\$ 20,143,813	\$ 24,829,303

* 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, 2017**

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, 2015	\$ 96,860,740	\$ 71,876,889	\$ 24,983,851
Changes in the year:			
Service cost	1,748,222	-	1,748,222
Interest on the total pension liability	7,349,248	-	7,349,248
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Difference between expected and actual experience	679,084	-	679,084
Plan to plan resource movement	-	-	-
Contributions - employer	-	2,471,456	(2,471,456)
Contributions - employees	-	834,277	(834,277)
Net investment income	-	410,582	(410,582)
Benefit payments, including refunds of employee contributions	(4,690,682)	(4,690,682)	-
Administrative expenses	-	(43,805)	43,805
Other miscellaneous income	-	-	-
Net changes	<u>5,085,872</u>	<u>(1,018,172)</u>	<u>6,104,044</u>
Balance at June 30, 2016	<u>\$ 101,946,612</u>	<u>\$ 70,858,717</u>	<u>\$ 31,087,895</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, 2017**

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, 2017, the reporting date, the following numbers of employees were covered by the benefit terms:

	Numbers of Covered Employees
Inactives currently receiving benefits	49
Inactives entitled to benefit payments	2
Active employees	42
Total	<u>93</u>

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

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

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017	June 30, 2016
Measurement Date	6/30/17	6/30/16
Total Pension Liability (TPL)	\$3,736,000	\$4,031,000

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 (2.58%)	Current Rate (3.58%)	1% Increase (4.58%)
Total pension liability	\$4,266,000	\$3,736,000	\$3,305,000

Balances of Deferred Outflows/Inflows of Resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	289,000
Transactions subsequent to the measurement date	N/A	N/A
Total	\$ -	\$ 289,000

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2017**

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, 2017 Measurement Date
Actuarial Valuation Date	February 1, 2017
Contribution Policy	Pay-as-you-go
Discount Rate	3.58% at June 30, 2017 (Bond Buyer 20 Index)
	2.85% at June 30, 2016 (Bond Buyer 20 Index)
General Inflation	2.75% per annum
Mortality, Retirement, Disability, Termination	CalPERS 1997-2011 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2014, modified to converge to ultimate improvement rates in 2022
Expected Long-Term Rate of Return on Investments	N/A
Payroll Increases	Aggregate: 3.00%
	Merit: CalPERS 1997-2011 Experience Study

Other Post-Employment Benefits

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 \$125 and \$128 per month per family for the period from July 1, 2016 to December 31, 2016 and January 1, 2017 to June 30, 2017, respectively. The City/District’s contribution for fiscal year 2017 amounted to \$337,920 which included \$206,000 implied subsidy benefit payment.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 – EMPLOYEE’S RETIREMENT PLAN (Continued)

Annual OPEB Cost and Net OPEB Obligation

The City's annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based on the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover minimal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City/District annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$	1,450,000
Interest on net OPEB obligation		240,000
Amortization of net OPEB obligation		<u>(386,000)</u>
Annual OPEB cost		1,304,000
Payments made		<u>(337,920)</u>
Increase (decrease) in net OPEB obligation		966,080
Net OPEB obligation - beginning of the year		<u>4,284,092</u>
Net OPEB obligation - end of year	\$	<u><u>5,250,172</u></u>

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 – EMPLOYEE’S RETIREMENT PLAN (Continued)

The City/District Retiree Health annual OPEB cost and the percentage of annual OPEB cost contributed to the plan for 2017 and the preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Cumulative OPEB Obligation
June 30, 2015	\$ 540,465	21.92%	\$ 422,000	\$ 3,372,000
June 30, 2016	1,226,000	25.60%	912,092	4,284,092
June 30, 2017	1,304,000	25.91%	966,080	5,250,172

Funded Status and Funding Progress. The funded status of the Plan, based on the Plan’s most recent actuarial valuation date, was as follows:

Actuarial Valuation Date	Actuarial Asset Value	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
2/1/2017	-	\$ 12,749,000	0%	\$ 18,778,000	67.9%

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

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 February 1, 2017 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.75% investment rate of return (net of administrative expenses) and a 2.75% general inflation assumption. The healthcare cost trend rate minimum was assumed to annually increase by 4.25%. 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.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017, the District's share of the operating and maintenance costs was \$1,953,204 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. Although no financing has been done by the PFA yet, financing is expected to occur in FY 17/18.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2017**

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

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, 2017, the City/District paid premiums to The Cities Group of \$1,394,310 which are included in the General Fund as insurance expenditures. Payments of City/District workers’ compensation claims for the year ended June 30, 2017 were \$619,982.

Condensed financial information as of June 30, 2017 (the latest information available) for The Cities Group is presented below:

Total assets	\$	2,462,270
Total liabilities		1,315,096
Total equity/net assets		1,147,174
Total revenues		2,698,981
Total expenses/expenditures		2,784,859
Increase (decrease) in equity/net assets		(85,878)

Audited financial information may be obtained for The Cities Group at P.O. Box 111, Burlingame, CA 94011.

ABAG PLAN

The City/District, along with 31 other Bay Area governments, is a member of the ABAG PLAN Corporation (ABAG), a public-entity risk pool. ABAG provides liability insurance coverage, claims management, risk management services and legal defense to its participating members. ABAG is governed by a Board of Directors, which is comprised of officials appointed by each participating member. Premiums paid to ABAG are subject to possible refund based on the results of actuarial studies and approval by ABAG’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 ABAG 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, 2017, the City/District’s paid premiums of \$311,951 to ABAG.

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Condensed financial information as of June 30, 2016 (the latest information available) for the ABAG PLAN is presented below:

Total assets and deferred outflows	\$	40,825,211
Total liabilities and deferred inflows		48,337,516
Total equity/net assets		(7,512,305)
Total revenues		56,606,292
Total expenses/expenditures		58,470,313
Increase (decrease) in equity/net assets		(1,864,021)

Audited financial information may be obtained from ABAG at 375 Beale Street, Suite 710 San Francisco, CA 94105.

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 ABAG, a joint powers agency for the funding and pooling of insurance coverage. ABAG 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 \$9,000,000 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, 2017, the liability for general liability self-insurance claims was \$106,000. 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, 2015	\$	170,783
Current year claim deductibles and changes in estimates		37,094
Net payments		(76,877)
Liability at June 30, 2016		131,000
Current year claim deductibles and changes in estimates		(16,112)
Net payments		(8,888)
Liability at June 30, 2017	\$	<u>106,000</u>

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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:

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

(ii) Utility Subsidy — The Agency pledged to the developer a utility allowance subsidy in the amount of \$36,000 annually for affordable housing units. The Utility Subsidy will be paid annually through the life of the Marlin Cove project (estimated to be 2029) following the issuance of the Final Certificate of Completion for the residential portion of the site and will be increased annually by 2% to adjust for inflation. The balance of the amount will be due to the developer, provided the developer has provided the Agency by April 15 of each year written evidence documenting payment of all property taxes and assessments due on the site. For the fiscal year ended June 30, 2017, the Successor Agency paid the developer the Utility Subsidy in the amount of \$48,451.

(iii) Tax Increment Subsidy — The Agency agreed to provide rental subsidies pursuant to the California Health and Safety Code to ensure the affordability of at least 30% of the units in the residential portion of the site to persons and households of very low, low, and moderate income. The Agency pledged to the developer annually 30% of the net tax increment generated from the site (Tax Increment Subsidy). The Tax Increment Subsidy will be paid to the developer on an annual basis on May 1 of each year in an amount equal to the difference between the fair market rents of the affordable units and the affordable rent but not more than the Tax Increment Subsidy. For the fiscal year ended June 30, 2017, the Successor Agency paid the developer a tax increment subsidy in the amount of \$189,716.

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, 2017**

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

Hillsdale/Gull Disposition and Development Agreement

In March 2000, the Agency approved a Disposition and Development Agreement (DDA) with a developer. The DDA includes the entire Hillsdale/Gull Project Area site and consists of residential development. The DDA calls for significant Agency participation under an Agency Grant. The Agency agreed to grant to the developer an amount not to exceed \$4,000,000 for an affordable housing land subsidy, fees due the City in connection with the development of the site, other demolition costs and affordable unit construction costs.

During fiscal year 2001, the Agency paid the developer \$2,000,000. The balance of the Agency Grant will be due to the developer, with interest at eight percent per annum, amortized over fifteen years and paid to the developer in equal installments of \$233,659. The annual payments will be paid on July 1 of each year, provided (i) the developer has completed construction and installation of the work of improvements and the Agency has issued a Certificate of Completion, (ii) the developer provided the Agency by April 15 of each year written evidence documenting payment of all property taxes and assessments due on the site, and (iii) the developer delivered to the Agency the annual report required under the Affordable Housing Covenant. Construction was completed during fiscal year June 30, 2005. For the fiscal year ended June 30, 2017, the Successor Agency paid the developer the required installment in the amount of \$220,374.

A tentative payment schedule of \$233,659 per year has been established depending upon the developers' compliance with the agreement through 2015/2016. 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, 2017**

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	Committed
		Through June 30, 2017	
Sewer System Rehabilitation	\$ 450,000	\$ 84,908	\$ 365,092
Sanitary Sewer Lift Station Improvements Project Ph 5	8,075,000	384,958	7,690,042
Dredging At The Lagoon Intake Structure	1,950,000	275,681	1,674,319
Median Modifications-Foster City Blvd at Chess Drive	345,540	26,883	318,657
Water System Improvements and Valve Replacements	475,000	86,997	388,003
Road Widening-Foster City Blvd At Chess Drive	1,141,000	84,922	1,056,078
Lift Station 59 Effluent Line Improvements (2014-2015)	463,000	404,791	58,209
Two Natural Gas Powered Engines and Pumps Replacement	964,295	902,166	62,129
Wastewater Treatment Plant Master Plan Improvement (2015-2016)	16,915,000	6,302,033	10,612,967
Street Rehabilitation (2015-2016)	2,107,670	2,083,525	24,145
Lagoon Intake Gate Replacement (2015-2016)	75,000	-	75,000
Park Infrastructure Improvement-Leo Ryan Park Lawn Conversion and Bocce Courts (2015-2016)	925,000	29,565	895,435
Levee Protection Planning And Improvements Projects (2015-2016)	4,077,465	1,631,093	2,446,372
Traffic Improvements At E 3rd Ave and Lincoln Center Dr	626,175	114,095	512,080
Soccer Fields S1, S2 and B1 Baseball Field Synthetic Turf Installation-Sea Cloud Park & Synthetic Turf Replacement-Catamaran Park (2016-2017)	3,475,000	367,744	3,107,256
Remove and Recoat Water Tanks 1, 2 & 3	50,000	-	50,000
Sanitary Sewer Force Main Rehabilitation (2016-2017)	750,000	11,920	738,080
Wastewater Collection System Master Plan Study (2016-2017)	250,000	4,853	245,147
Street Rehabilitation (2016-2017)	1,530,000	5,917	1,524,083
Bicycle, Pedestrian, and Intersection Evaluation Study	325,000	67,870	257,130
Road Improvements at Metro Center Blvd and SR92 On-Ramp	25,000	5,975	19,025
Water Distributions System Master Plan Study (2016-2017)	250,000	25,353	224,647
Corporation Yard Facility Improvements (2016-2017)	240,757	1,262	239,495
Total	<u>\$ 45,485,902</u>	<u>\$ 12,902,511</u>	<u>\$ 32,583,391</u>

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 – PRIOR PERIOD ADJUSTMENT

The implementation of the Governmental Accounting Standards Board Statement No. 73 for the Longevity Recognition Benefits Plan disclosed in Note 9 required the City to make prior period adjustments. As a result, the beginning net position of the Governmental Activities was restated and reduced by \$4,031,000.

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 passage of a resolution.

The transfer of budget amounts between funds or departments must be approved by the City Council and the District's Board. Transfer of budget amounts within one fund or one department must be 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 modified accrual basis of accounting.

Total expenditures of each governmental fund may not legally 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, 2017. 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, 2017

Budgetary Comparison Schedule - General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Fund balance, June 30, 2016	\$ 41,185,815	\$ 41,185,815	\$ 41,185,815	\$ -
Resources (inflows):				
Property taxes:				
Secured	20,917,500	20,917,500	22,781,041	1,863,541
Unsecured	989,000	989,000	1,072,706	83,706
Motor vehicle in lieu	3,259,000	3,259,000	3,381,141	122,141
Total	25,165,500	25,165,500	27,234,888	2,069,388
Other taxes:				
Sales and use and sales tax in lieu	3,089,000	3,089,000	3,152,191	63,191
Transient occupancy	3,364,800	3,364,800	2,914,905	(449,895)
Franchise	1,196,600	1,196,600	1,190,454	(6,146)
Real property transfer	333,700	333,700	258,370	(75,330)
Total	7,984,100	7,984,100	7,515,920	(468,180)
Licenses and permits:				
Business licenses	1,734,000	1,734,000	1,739,320	5,320
Permits	4,626,800	4,626,800	2,824,856	(1,801,944)
Total	6,360,800	6,360,800	4,564,176	(1,796,624)
Intergovernmental:				
Motor vehicle in lieu	-	-	14,874	14,874
Homeowner property tax relief	100,000	100,000	99,003	(997)
Reimbursements and grants	44,000	44,000	548,377	504,377
Total	144,000	144,000	662,254	518,254
Charges for current services:				
Service fees	1,462,370	1,462,370	1,142,862	(319,508)
Recreation and leisure	1,218,800	1,218,800	1,212,600	(6,200)
Total	2,681,170	2,681,170	2,355,462	(325,708)
Fines and forfeitures:				
Traffic fines and court fees	39,300	39,300	41,760	2,460
False alarm fines	18,000	18,000	65,164	47,164
Total	57,300	57,300	106,924	49,624
Investment income and rentals:				
Investment income	309,000	309,000	159,509	(149,491)
Rent	772,000	772,000	793,764	21,764
Total	1,081,000	1,081,000	953,273	(127,727)
Other revenues	485,500	485,500	684,784	199,284
Total revenues	43,959,370	43,959,370	44,077,681	118,311
Transfers in	-	-	\$17,679	17,679
Amounts available for appropriation	85,145,185	85,145,185	85,281,175	135,990

(Continued)

City of Foster City and Estero Municipal Improvement District
Required Supplementary Information, Continued
For the Fiscal Year Ended June 30, 2017

Budgetary Comparison Schedule - General Fund, Concluded

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to appropriations (outflows):				
General government:				
Council/Board	\$ 331,966	\$ 331,966	\$ 312,612	\$ 19,354
City/District Manager	3,030,731	3,030,731	1,092,591	1,938,140
City Clerk	529,624	529,624	456,755	72,869
City/District Attorney	354,724	354,724	353,098	1,626
Human Resources	453,703	453,703	420,546	33,157
Financial Services	1,296,322	1,296,322	1,189,315	107,007
Library Services	-	-	-	-
Subtotal	<u>5,997,070</u>	<u>5,997,070</u>	<u>3,824,917</u>	<u>2,172,153</u>
Public safety - Police	12,029,263	12,219,263	11,209,401	1,009,862
Public safety - Fire	9,278,209	9,483,922	9,188,620	295,302
Public works	2,034,272	2,034,272	1,760,924	273,348
Community development	2,720,871	2,780,871	2,361,436	419,435
Parks and recreation	8,649,600	8,652,061	7,904,625	747,436
Capital outlay	27,500	188,875	165,660	23,215
Subtotal	<u>34,739,715</u>	<u>35,359,264</u>	<u>32,590,666</u>	<u>2,768,598</u>
Total expenditures	<u>40,736,785</u>	<u>41,356,334</u>	<u>36,415,583</u>	<u>4,940,751</u>
Transfers out	<u>1,948,000</u>	<u>1,640,900</u>	<u>\$3,182,832</u>	<u>(1,541,932)</u>
Total charges to appropriations	<u>42,684,785</u>	<u>42,997,234</u>	<u>39,598,415</u>	<u>3,398,819</u>
Fund balance, June 30, 2017	<u>\$ 42,460,400</u>	<u>\$ 42,147,951</u>	<u>\$ 45,682,760</u>	<u>\$ 3,534,809</u>

City of Foster City and Estero Municipal Improvement District
Required Supplementary Information, Continued
For the Fiscal Year Ended June 30, 2017

Budgetary Comparison Schedule - Low and Moderate Income Housing Assets Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental income	\$ 65,820	\$ 65,820	\$ 224,353	\$ 158,533
Other	41,372	41,372	101,223	59,851
Total revenues	107,192	107,192	325,576	218,384
EXPENDITURES:				
Community development	142,600	206,600	88,057	118,543
Total Expenditures	142,600	206,600	88,057	118,543
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	4,563	4,563
Total other financing sources (uses)	-	-	4,563	4,563
NET CHANGE IN FUND BALANCE	(35,408)	(99,408)	242,082	341,490
FUND BALANCE:				
Beginning of year	1,513,964	1,513,964	1,513,964	-
End of year	\$ 1,478,556	\$ 1,414,556	\$ 1,756,046	\$ 341,490

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2017

Budgetary Comparison Schedule - Foster City Affordable Housing Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 5,140	\$ 5,140	\$ 111	\$ (5,029)
Total revenues	<u>5,140</u>	<u>5,140</u>	<u>111</u>	<u>(5,029)</u>
NET CHANGE IN FUND BALANCE	<u>5,140</u>	<u>5,140</u>	<u>111</u>	<u>(5,029)</u>
FUND BALANCE:				
Beginning of year	<u>25,207</u>	<u>25,207</u>	<u>25,207</u>	<u>-</u>
End of year	<u>\$ 30,347</u>	<u>\$ 30,347</u>	<u>\$ 25,318</u>	<u>\$ (5,029)</u>

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Schedule of Funding Progress Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Asset Value	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/13	-	\$ 4,500,000	0%	\$ 16,338,000	27.5%
6/30/15	-	10,714,000	0%	16,892,000	63.4%
2/01/17	-	12,749,000	0%	18,778,000	67.9%

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**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,		
	2016	2015	2014
Total Pension Liability			
Service Cost	\$ 1,748,222	\$ 1,653,700	\$ 1,711,380
Interest on total pension liability	7,349,248	6,975,642	6,664,608
Changes in benefits	-	-	-
Changes in assumptions	-	(1,685,658)	-
Differences between expected and actual experience	679,084	(332,183)	-
Benefit payments, including refunds of employee contributions	(4,690,682)	(4,253,245)	(3,758,521)
Net change in total pension liability	<u>5,085,872</u>	<u>2,358,256</u>	<u>4,617,467</u>
Total pension liability - beginning	<u>96,860,740</u>	<u>94,502,484</u>	<u>89,885,017</u>
Total pension liability - ending (a)	<u>\$ 101,946,612</u>	<u>\$ 96,860,740</u>	<u>\$ 94,502,484</u>
Plan fiduciary net position			
Contributions - employer	\$ 2,471,456	\$ 2,086,023	\$ 1,820,484
Contributions - employee	834,277	775,427	915,734
Net investment income	410,582	1,630,597	10,775,194
Benefit payments	(4,690,682)	(4,253,245)	(3,758,521)
Administrative expense	(43,805)	(80,893)	-
Net change in plan fiduciary net position	<u>(1,018,172)</u>	<u>157,909</u>	<u>9,752,891</u>
Total fiduciary net position - beginning	<u>71,876,889</u>	<u>71,718,980</u>	<u>61,966,089</u>
Total fiduciary net position - ending (b)	<u>\$ 70,858,717</u>	<u>\$ 71,876,889</u>	<u>\$ 71,718,980</u>
Net pension liability - ending (a) - (b)	<u>\$ 31,087,895</u>	<u>\$ 24,983,851</u>	<u>\$ 22,783,504</u>
Plan fiduciary net position as a percentage of the total pension liability	69.51%	74.21%	75.89%
Covered - employee payroll	\$ 10,547,034	\$ 9,721,261	\$ 9,595,746
Net pension liability as percentage of covered-employee payroll	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: None

Changes of assumptions: None

**CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**

<u>Measurement period ended June 30,</u>	<u>Plan's proportion of the net pension liability (assets)</u>	<u>Plan's proportionate share of the net pension liability (assets)</u>	<u>Plan's Covered Employee Payroll</u>	<u>Plan's proportionate share of the net pension Liability/(assets) as a percentage of its covered-employee payroll</u>	<u>Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability</u>
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%

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, 2017**

**Miscellaneous Plan¹
 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%

Notes to Schedule

Valuation date: June 30, 2015

Methods and assumptions used to determine

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	14 years
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	50 years
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997-2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvements using Scale AA 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, 2017**

**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%

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, 2017**

**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, 2017
	<hr/>
Total Pension Liability	
Service Cost	\$ 109,000
Interest on total pension liability	116,000
Changes in benefits	-
Changes in assumptions	(376,000)
Differences between expected and actual experience	-
Benefit payments, including refunds of employee contributions	(144,000)
Net change in total pension liability	<hr/> (295,000)
Total pension liability - beginning	<hr/> 4,031,000
Total pension liability - ending	<hr/> <hr/> \$ 3,736,000
Plan fiduciary net position as a percentage of the total pension liability	N/A
Covered - employee payroll	\$ 7,937,000
Total pension liability as percentage of covered-employee payroll	47.07%

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

Notes to Schedule

Benefit changes: None

Changes of assumptions: None

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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, 2017

	<u>Non-Major Special Revenue Funds</u>
ASSETS	
Cash and investments	\$ 10,670,250
Receivables, net of allowance:	
Intergovernmental	27,278
Taxes	61,991
Other	238,067
Restricted cash and investments	<u>90,000</u>
Total assets	<u><u>\$ 11,087,586</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 81,974
Accrued payroll	11,160
Refundable deposits	2,077,715
Due to other funds	<u>71,487</u>
Total liabilities	<u>2,242,336</u>
Fund balances:	
Restricted	6,247,325
Committed	2,638,698
Unassigned	<u>(40,773)</u>
Total fund balances	<u>8,845,250</u>
Total liabilities and fund balances	<u><u>\$ 11,087,586</u></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, 2017

	Non-Major Special Revenue Funds
REVENUES:	
Sales and use tax	\$ 628,026
Intergovernmental	890,108
Charges for services	585,323
Fines and forfeitures	80,746
Park-in-lieu	1,146,000
Investment income	78,826
Other	852,257
Total revenues	<u>4,261,286</u>
EXPENDITURES:	
Current:	
General government	774,303
Public safety - police	135,316
Public safety - fire	1,003
Public works	746,347
Community development	150,977
Parks and recreation	49,839
Capital outlay	1,967,252
Total expenditures	<u>3,825,037</u>
REVENUES OVER(UNDER) EXPENDITURES	<u>436,249</u>
OTHER FINANCING SOURCES (USES):	
Transfers in	1,230,269
Transfers out	(17,679)
Total other financing sources (uses)	<u>1,212,590</u>
NET CHANGES IN FUND BALANCES	<u>1,648,839</u>
FUND BALANCES:	
Beginning of year	<u>7,196,411</u>
End of year	<u>\$ 8,845,250</u>

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 *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 *Day Time Shuttle Fund* accounts for grants available from the San Mateo County Transportation Authority to fund 75% of the operations of a daytime shuttle service. The remaining 25% will come from the City and/or business community.

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 *SB1186 (Disability) Fund* accounts for fees collected from business license taxes. As required by the legislation, 30% of the fees collected are remitted to the Division of the State. The City retains 70% 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, assessed at \$4 per \$1,000 valuation. 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.

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City of Foster City and Estero Municipal Improvement District
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2017

	Traffic Safety	Measure A	Gas Tax	Park-in-lieu	Measure M
ASSETS					
Cash and investments	\$ -	\$ 2,163,695	\$ 1,191,029	\$ 3,876,137	\$ -
Receivables, net of allowance:					
Intergovernmental	14,471	-	-	-	-
Taxes	-	61,991	-	-	-
Other	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-
Total assets	\$ 14,471	\$ 2,225,686	\$ 1,191,029	\$ 3,876,137	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-
Refundable deposits	-	-	-	1,500,000	-
Due to other funds	-	-	-	-	40,773
Total liabilities	-	-	-	1,500,000	40,773
Fund balances:					
Restricted	14,471	2,225,686	1,191,029	2,376,137	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	(40,773)
Total fund balances	14,471	2,225,686	1,191,029	2,376,137	(40,773)
Total liabilities and fund balances	\$ 14,471	\$ 2,225,686	\$ 1,191,029	\$ 3,876,137	\$ -

SLESF/ COPS Grant	California Opportunities	Foster City Foundation	Sustainable Foster City Special Fund	Day Time Shuttle Fund	Bay Area Employee Relations Services Fund	General Plan Maintenance Fund
\$ -	\$ 311,636	\$ 331,202	\$ 109,825	\$ -	\$ 356,047	\$ 892,065
4,214	-	-	-	-	-	-
-	-	-	-	-	-	-
-	166,174	-	-	-	71,893	-
-	-	-	90,000	-	-	-
<u>\$ 4,214</u>	<u>\$ 477,810</u>	<u>\$ 331,202</u>	<u>\$ 199,825</u>	<u>\$ -</u>	<u>\$ 427,940</u>	<u>\$ 892,065</u>
\$ -	\$ 18,221	\$ 1,090	\$ 14,058	\$ -	\$ -	\$ 24,218
-	8,512	-	-	-	2,648	-
-	-	-	-	-	-	-
4,214	-	26,500	-	-	-	-
<u>4,214</u>	<u>26,733</u>	<u>27,590</u>	<u>14,058</u>	<u>-</u>	<u>2,648</u>	<u>24,218</u>
-	-	303,612	-	-	-	-
-	451,077	-	185,767	-	425,292	867,847
-	-	-	-	-	-	-
-	451,077	303,612	185,767	-	425,292	867,847
<u>\$ 4,214</u>	<u>\$ 477,810</u>	<u>\$ 331,202</u>	<u>\$ 199,825</u>	<u>\$ -</u>	<u>\$ 427,940</u>	<u>\$ 892,065</u>

(Continued)

City of Foster City and Estero Municipal Improvement District
Combining Balance Sheet (Continued)
Non-Major Special Revenue Funds
June 30, 2017

	Construction and Demolition Recycling Fund	Technology Maintenance Fund	SB 1186 (Disability Access) Fund	Strong Motion Instrument Program (SMIP) Fund	CRV Grant Fund
ASSETS					
Cash and investments	\$ 1,166,811	\$ 121,194	\$ 1,280	\$ 12,525	\$ 13,518
Receivables, net of allowance:					
Intergovernmental	-	-	-	-	8,593
Taxes	-	-	-	-	-
Other	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-
Total assets	\$ 1,166,811	\$ 121,194	\$ 1,280	\$ 12,525	\$ 22,111
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,575	\$ -	\$ 60	\$ 10,935	\$ 8,973
Accrued payroll	-	-	-	-	-
Refundable deposits	577,715	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	579,290	-	60	10,935	8,973
Fund balances:					
Restricted	-	-	1,220	1,590	13,138
Committed	587,521	121,194	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	587,521	121,194	1,220	1,590	13,138
Total liabilities and fund balances	\$ 1,166,811	\$ 121,194	\$ 1,280	\$ 12,525	\$ 22,111

Curbside Recycling Fund	Green Building Fee Fund	Total
\$ 119,044	\$ 4,242	\$ 10,670,250
-	-	27,278
-	-	61,991
-	-	238,067
-	-	90,000
<u>\$ 119,044</u>	<u>\$ 4,242</u>	<u>\$ 11,087,586</u>

\$ -	\$ 2,844	\$ 81,974
-	-	11,160
-	-	2,077,715
-	-	71,487
<u>-</u>	<u>2,844</u>	<u>2,242,336</u>

119,044	1,398	6,247,325
-	-	2,638,698
-	-	(40,773)
<u>119,044</u>	<u>1,398</u>	<u>8,845,250</u>
<u>\$ 119,044</u>	<u>\$ 4,242</u>	<u>\$ 11,087,586</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, 2017

	Traffic Safety	Measure A	Gas Tax	Park-in-lieu	Measure M
REVENUES:					
Sales and use tax	\$ -	\$ 628,026	\$ -	\$ -	\$ -
Intergovernmental	-	-	650,795	-	109,227
Charges for services	-	-	-	-	-
Fines and forfeitures	80,746	-	-	-	-
Park-in-lieu	-	-	-	1,146,000	-
Investment income	-	10,729	5,137	36,298	-
Other	-	-	-	-	-
Total revenues	<u>80,746</u>	<u>638,755</u>	<u>655,932</u>	<u>1,182,298</u>	<u>109,227</u>
EXPENDITURES:					
Current:					
General government	-	-	94,353	-	-
Public safety - police	-	-	-	-	-
Public safety - fire	-	-	-	-	-
Public works	75,242	67,870	586,700	-	-
Community development	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Capital outlay	-	1,449,508	-	367,744	150,000
Total expenditures	<u>75,242</u>	<u>1,517,378</u>	<u>681,053</u>	<u>367,744</u>	<u>150,000</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>5,504</u>	<u>(878,623)</u>	<u>(25,121)</u>	<u>814,554</u>	<u>(40,773)</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>5,504</u>	<u>(878,623)</u>	<u>(25,121)</u>	<u>814,554</u>	<u>(40,773)</u>
FUND BALANCES:					
Beginning of year	<u>8,967</u>	<u>3,104,309</u>	<u>1,216,150</u>	<u>1,561,583</u>	<u>-</u>
End of year	<u>\$ 14,471</u>	<u>\$ 2,225,686</u>	<u>\$ 1,191,029</u>	<u>\$ 2,376,137</u>	<u>\$ (40,773)</u>

SLESF/ COPS Grant	California Opportunities	Foster City Foundation	Sustainable Foster City Special Fund	Day Time Shuttle Fund	Bay Area Employee Relations Services Fund	General Plan Maintenance Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
130,086	-	-	-	-	-	-
-	-	-	-	-	-	382,377
-	-	-	-	-	-	-
-	1,380	-	2,227	-	1,295	7,703
-	358,407	97,368	-	-	354,370	-
130,086	359,787	97,368	2,227	-	355,665	390,080
-	387,050	-	138,361	-	154,539	-
130,086	-	5,230	-	-	-	-
-	-	1,003	-	-	-	-
-	-	1,000	-	-	-	-
-	-	-	-	-	-	87,677
-	-	49,839	-	-	-	-
-	-	-	-	-	-	-
130,086	387,050	57,072	138,361	-	154,539	87,677
-	(27,263)	40,296	(136,134)	-	201,126	302,403
-	-	-	-	-	-	565,444
-	-	(17,679)	-	-	-	-
-	-	(17,679)	-	-	-	565,444
-	(27,263)	22,617	(136,134)	-	201,126	867,847
-	478,340	280,995	321,901	-	224,166	-
\$ -	\$ 451,077	\$ 303,612	\$ 185,767	\$ -	\$ 425,292	\$ 867,847

(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, 2017

	Construction and Demolition Recycling Fund	Technology Maintenance Fund	SB 1186 (Disability Access) Fund	Strong Motion Instrument Program (SMIP) Fund	CRV Grant Fund
REVENUES:					
Sales and use tax	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	72,558	126,033	1,473	1,514	-
Fines and forfeitures	-	-	-	-	-
Park-in-lieu	-	-	-	-	-
Investment income	11,639	1,047	18	76	103
Other	-	-	-	-	17,098
Total revenues	84,197	127,080	1,491	1,590	17,201
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety - police	-	-	-	-	-
Public safety - fire	-	-	-	-	-
Public works	6,562	-	-	-	8,973
Community development	-	62,000	1,300	-	-
Parks and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	6,562	62,000	1,300	-	8,973
REVENUES OVER (UNDER) EXPENDITURES	77,635	65,080	191	1,590	8,228
OTHER FINANCING SOURCES (USES):					
Transfers in	509,886	56,114	1,029	-	4,910
Transfers out	-	-	-	-	-
Total other financing sources (uses)	509,886	56,114	1,029	-	4,910
NET CHANGES IN FUND BALANCES	587,521	121,194	1,220	1,590	13,138
FUND BALANCES:					
Beginning of year	-	-	-	-	-
End of year	\$ 587,521	\$ 121,194	\$ 1,220	\$ 1,590	\$ 13,138

Curbside Recycling Fund	Green Building Fee Fund	Total
\$ -	\$ -	\$ 628,026
-	-	890,108
-	1,368	585,323
-	-	80,746
-	-	1,146,000
1,144	30	78,826
25,014	-	852,257
<u>26,158</u>	<u>1,398</u>	<u>4,261,286</u>
-	-	774,303
-	-	135,316
-	-	1,003
-	-	746,347
-	-	150,977
-	-	49,839
-	-	1,967,252
-	-	3,825,037
<u>26,158</u>	<u>1,398</u>	<u>436,249</u>
92,886	-	1,230,269
-	-	(17,679)
<u>92,886</u>	<u>-</u>	<u>1,212,590</u>
<u>119,044</u>	<u>1,398</u>	<u>1,648,839</u>
-	-	7,196,411
<u>\$ 119,044</u>	<u>\$ 1,398</u>	<u>\$ 8,845,250</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Fines and forfeitures	\$ 112,600	\$ 112,600	\$ 80,746	\$ (31,854)
Total revenues	<u>112,600</u>	<u>112,600</u>	<u>80,746</u>	<u>(31,854)</u>
EXPENDITURES:				
Public works	<u>112,600</u>	<u>112,600</u>	<u>75,242</u>	<u>37,358</u>
Total expenditures	<u>112,600</u>	<u>112,600</u>	<u>75,242</u>	<u>37,358</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>5,504</u>	<u>5,504</u>
FUND BALANCE:				
Beginning of year	<u>8,967</u>	<u>8,967</u>	<u>8,967</u>	<u>-</u>
End of year	<u>\$ 8,967</u>	<u>\$ 8,967</u>	<u>\$ 14,471</u>	<u>\$ 5,504</u>

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Sales and use taxes	\$ 626,300	\$ 626,300	\$ 628,026	\$ 1,726
Investment income	28,000	28,000	10,729	(17,271)
Total revenues	654,300	654,300	638,755	(15,545)
EXPENDITURES:				
Public Works	67,870	67,870	67,870	-
Capital outlay	3,158,069	3,158,069	1,449,508	1,708,561
Total expenditures	3,225,939	3,225,939	1,517,378	1,708,561
NET CHANGE IN FUND BALANCE	(2,571,639)	(2,571,639)	(878,623)	1,693,016
FUND BALANCE:				
Beginning of year	3,104,309	3,104,309	3,104,309	-
End of year	\$ 532,670	\$ 532,670	\$ 2,225,686	\$ 1,693,016

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 669,100	\$ 669,100	\$ 650,795	\$ (18,305)
Investment income	10,000	10,000	5,137	(4,863)
Total revenues	679,100	679,100	655,932	(23,168)
EXPENDITURES:				
General government	94,353	94,353	94,353	-
Public works	586,700	586,700	586,700	-
Capital outlay	76,400	76,400	-	76,400
Total expenditures	757,453	757,453	681,053	76,400
NET CHANGE IN FUND BALANCE	(78,353)	(78,353)	(25,121)	53,232
FUND BALANCE:				
Beginning of year	1,216,150	1,216,150	1,216,150	-
End of year	\$ 1,137,797	\$ 1,137,797	\$ 1,191,029	\$ 53,232

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Park-in-lieu	\$ 1,572,000	\$ 1,572,000	\$ 1,146,000	\$ (426,000)
Investment income	6,500	6,500	36,298	29,798
Total revenues	1,578,500	1,578,500	1,182,298	(396,202)
EXPENDITURES:				
Capital outlay	3,625,435	3,625,435	367,744	3,257,691
Total Expenditures	3,625,435	3,625,435	367,744	3,257,691
OTHER FINANCING SOURCES:				
Transfer out	-	(123,198)	-	123,198
NET CHANGE IN FUND BALANCE	(2,046,935)	(2,170,133)	814,554	2,984,687
FUND BALANCE:				
Beginning of year	1,561,583	1,561,583	1,561,583	-
End of year	\$ (485,352)	\$ (608,550)	\$ 2,376,137	\$ 2,984,687

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 106,000	\$ 106,000	\$ 109,227	\$ 3,227
Total revenues	106,000	106,000	109,227	3,227
EXPENDITURES:				
Capital outlay	256,000	256,000	150,000	106,000
Total Expenditures	256,000	256,000	150,000	106,000
NET CHANGE IN FUND BALANCE	(150,000)	(150,000)	(40,773)	109,227
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ (150,000)	\$ (150,000)	\$ (40,773)	\$ 109,227

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 130,086	\$ 30,086
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>130,086</u>	<u>30,086</u>
EXPENDITURES:				
Public safety - police	<u>100,000</u>	<u>100,000</u>	<u>130,086</u>	<u>(30,086)</u>
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>130,086</u>	<u>(30,086)</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE:				
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 2,500	\$ 2,500	\$ 1,380	\$ (1,120)
Other	159,900	159,900	358,407	198,507
Total revenues	162,400	162,400	359,787	197,387
EXPENDITURES:				
General government	256,781	562,781	387,050	175,731
Total expenditures	256,781	562,781	387,050	175,731
NET CHANGE IN FUND BALANCE	(94,381)	(400,381)	(27,263)	373,118
FUND BALANCE:				
Beginning of year	478,340	478,340	478,340	-
End of year	\$ 383,959	\$ 77,959	\$ 451,077	\$ 373,118

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other	\$ 95,000	\$ 95,000	\$ 97,368	\$ 2,368
Total revenues	95,000	95,000	97,368	2,368
EXPENDITURES:				
General government	-	397	-	397
Public Safety- Police	-	23,812	5,230	18,582
Public Safety- Fire	-	27,994	1,003	26,991
Public works	-	-	1,000	(1,000)
Parks and recreation	-	228,142	49,839	178,303
Total Expenditures	-	280,345	57,072	223,273
OTHER FINANCING SOURCES:				
Transfer out	-	-	(17,679)	(17,679)
NET CHANGE IN FUND BALANCE	95,000	(185,345)	22,617	207,962
FUND BALANCE:				
Beginning of year	280,995	280,995	280,995	-
End of year	\$ 375,995	\$ 95,650	\$ 303,612	\$ 207,962

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 730	\$ 730	\$ 2,227	\$ 1,497
Total revenues	730	730	2,227	1,497
EXPENDITURES:				
General Government	258,100	258,100	138,361	119,739
Total Expenditures	258,100	258,100	138,361	119,739
NET CHANGE IN FUND BALANCE	(257,370)	(257,370)	(136,134)	121,236
FUND BALANCE:				
Beginning of year	321,901	321,901	321,901	-
End of year	\$ 64,531	\$ 64,531	\$ 185,767	\$ 121,236

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Daytime Shuttle Special Revenue Fund
For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES:				
General Government	-	-	-	-
Total Expenditures	-	-	-	-
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
Bay Area Employee Relations Services Special Revenue Fund
For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 1,295	\$ 1,295
Other	369,000	369,000	354,370	(14,630)
Total revenues	369,000	369,000	355,665	(13,335)
EXPENDITURES:				
General Government	388,071	388,071	154,539	233,532
Total Expenditures	388,071	388,071	154,539	233,532
NET CHANGE IN FUND BALANCE	(19,071)	(19,071)	201,126	220,197
FUND BALANCE:				
Beginning of year	224,166	224,166	224,166	-
End of year	\$ 205,095	\$ 205,095	\$ 425,292	\$ 220,197

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 890,400	\$ 890,400	\$ 382,377	\$ (508,023)
Investment income	-	-	7,703	7,703
Total revenues	890,400	890,400	390,080	(500,320)
EXPENDITURES:				
Community development	51,300	91,300	87,677	3,623
Total Expenditures	51,300	91,300	87,677	3,623
OTHER FINANCING SOURCES:				
Transfer in	-	565,444	565,444	-
Total other financing sources	-	565,444	565,444	-
NET CHANGE IN FUND BALANCE	839,100	1,364,544	867,847	(496,697)
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ 839,100	\$ 1,364,544	\$ 867,847	\$ (496,697)

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 19,800	\$ 19,800	\$ 72,558	\$ 52,758
Investment income	-	-	11,639	11,639
Total revenues	19,800	19,800	84,197	64,397
EXPENDITURES:				
Public works	12,000	12,000	6,562	5,438
Total Expenditures	12,000	12,000	6,562	5,438
OTHER FINANCING SOURCES:				
Transfer in	-	509,886	509,886	-
Total other financing sources	-	509,886	509,886	-
NET CHANGE IN FUND BALANCE	7,800	517,686	587,521	69,835
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ 7,800	\$ 517,686	\$ 587,521	\$ 69,835

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Charges for services	\$ 238,500	\$ 238,500	\$ 126,033	\$ (112,467)
Investment income	-	-	1,047	1,047
Total revenues	238,500	238,500	127,080	(111,420)
EXPENDITURES:				
Community development	62,850	62,850	62,000	850
Total Expenditures	62,850	62,850	62,000	850
OTHER FINANCING SOURCES:				
Transfer in	-	56,114	56,114	-
Total other financing sources	-	56,114	56,114	-
NET CHANGE IN FUND BALANCE	175,650	231,764	121,194	(110,570)
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ 175,650	\$ 231,764	\$ 121,194	\$ (110,570)

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 1,500	\$ 1,500	\$ 1,473	\$ (27)
Investment income	-	-	18	18
Total revenues	1,500	1,500	1,491	(9)
EXPENDITURES:				
Community development	1,300	1,300	1,300	-
Total Expenditures	1,300	1,300	1,300	-
OTHER FINANCING SOURCES:				
Transfer in	-	1,029	1,029	-
Total other financing sources (uses)	-	1,029	1,029	-
NET CHANGE IN FUND BALANCE	200	1,229	1,220	(9)
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ 200	\$ 1,229	\$ 1,220	\$ (9)

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 900	\$ 900	\$ 1,514	\$ 614
Investment income	-	-	76	76
Total revenues	900	900	1,590	690
EXPENDITURES:				
Community development	500	500	-	500
Total Expenditures	500	500	-	500
NET CHANGE IN FUND BALANCE	400	400	1,590	1,190
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ 400	\$ 400	\$ 1,590	\$ 1,190

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 103	\$ 103
Other	8,000	8,000	17,098	9,098
Total revenues	8,000	8,000	17,201	9,201
EXPENDITURES:				
Public works	8,000	13,426	8,973	4,453
Total Expenditures	8,000	13,426	8,973	4,453
OTHER FINANCING SOURCES:				
Transfer in	4,910	4,910	4,910	-
Total other financing sources (uses)	4,910	4,910	4,910	-
NET CHANGE IN FUND BALANCE	4,910	(516)	13,138	13,654
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ 4,910	\$ (516)	\$ 13,138	\$ 13,654

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 1,144	\$ 1,144
Other	22,000	22,000	25,014	3,014
Total revenues	22,000	22,000	26,158	4,158
EXPENDITURES:				
Public works	25,000	25,000	-	25,000
Total Expenditures	25,000	25,000	-	25,000
OTHER FINANCING SOURCES:				
Transfer in	-	92,886	92,886	-
Total other financing sources (uses)	-	92,886	92,886	-
NET CHANGE IN FUND BALANCE	(3,000)	89,886	119,044	29,158
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ (3,000)	\$ 89,886	\$ 119,044	\$ 29,158

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 900	\$ 900	\$ 1,368	\$ 468
Investment income	-	-	30	30
Total revenues	900	900	1,398	498
EXPENDITURES:				
Community development	500	500	-	500
Total Expenditures	500	500	-	500
NET CHANGE IN FUND BALANCE	400	400	1,398	998
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ 400	\$ 400	\$ 1,398	\$ 998

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, 2017

	Vehicle Rental	Equipment Replacement	Self Insurance	Information Technology	Building Maintenance
ASSETS					
Current assets:					
Cash and investments	\$ 5,028,434	\$ 6,295,649	\$ 1,416,392	\$ 4,218,140	\$ 2,859,705
Accounts receivable	-	-	-	-	32,575
Deposit and prepaid items	546	-	-	160	-
Inventory	26,934	42,163	-	-	-
Total current assets	<u>5,055,914</u>	<u>6,337,812</u>	<u>1,416,392</u>	<u>4,218,300</u>	<u>2,892,280</u>
Noncurrent assets:					
Capital assets:					
Non-depreciable	-	95,620	-	-	-
Depreciable	3,314,401	2,538,027	-	-	-
Depreciable - Intangible	-	290,902	-	-	-
Total noncurrent assets	<u>3,314,401</u>	<u>2,924,549</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>8,370,315</u>	<u>9,262,361</u>	<u>1,416,392</u>	<u>4,218,300</u>	<u>2,892,280</u>
DEFERRED OUTFLOW OF RESOURCES					
Deferred outflows of resources related to pension	<u>162,425</u>	<u>-</u>	<u>-</u>	<u>232,527</u>	<u>208,828</u>
LIABILITIES					
Current liabilities:					
Accounts payable	23,117	6,973	-	11,935	140,096
Accrued payroll	14,499	-	-	21,174	18,319
Claims liability	-	-	106,000	-	-
Compensated absences - current portion	18,659	-	-	26,880	25,001
Other liability	-	-	-	-	31,466
Total current liabilities	<u>56,275</u>	<u>6,973</u>	<u>106,000</u>	<u>59,989</u>	<u>214,882</u>
Noncurrent liabilities:					
Compensated absences	23,072	-	-	40,674	39,065
OPEB liability	75,595	-	-	124,491	88,585
Net pension liability	791,601	-	-	988,569	1,029,073
Other liability	-	-	-	-	222,887
Total noncurrent liabilities	<u>890,268</u>	<u>-</u>	<u>-</u>	<u>1,153,734</u>	<u>1,379,610</u>
Total liabilities	<u>946,543</u>	<u>6,973</u>	<u>106,000</u>	<u>1,213,723</u>	<u>1,594,492</u>
DEFERRED INFLOW OF RESOURCES					
Deferred inflows of resources related to pension	<u>8,541</u>	<u>-</u>	<u>-</u>	<u>10,930</u>	<u>11,166</u>
NET POSITION					
Net investment in capital assets	3,314,401	2,924,549	-	-	-
Unrestricted	<u>4,263,255</u>	<u>6,330,839</u>	<u>1,310,392</u>	<u>3,226,174</u>	<u>1,495,450</u>
Total net position	<u>\$ 7,577,656</u>	<u>\$ 9,255,388</u>	<u>\$ 1,310,392</u>	<u>\$ 3,226,174</u>	<u>\$ 1,495,450</u>

Longevity Recognition Benefits	PEMHCA	Compensated Absences	Total
\$ 2,603,131	\$ 5,925,898	\$ 2,314,614	\$ 30,661,963
-	-	-	32,575
-	-	-	706
-	-	-	69,097
<u>2,603,131</u>	<u>5,925,898</u>	<u>2,314,614</u>	<u>30,764,341</u>
-	-	-	95,620
-	-	-	5,852,428
-	-	-	290,902
<u>-</u>	<u>-</u>	<u>-</u>	<u>6,238,950</u>
<u>2,603,131</u>	<u>5,925,898</u>	<u>2,314,614</u>	<u>37,003,291</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>603,780</u>
-	-	-	182,121
-	-	-	53,992
-	-	-	106,000
-	-	-	70,540
-	-	-	31,466
<u>-</u>	<u>-</u>	<u>-</u>	<u>444,119</u>
-	-	-	102,811
-	-	-	288,671
-	-	-	2,809,243
-	-	-	222,887
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,423,612</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,867,731</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>30,637</u>
-	-	-	6,238,950
<u>2,603,131</u>	<u>5,925,898</u>	<u>2,314,614</u>	<u>27,469,753</u>
<u>\$ 2,603,131</u>	<u>\$ 5,925,898</u>	<u>\$ 2,314,614</u>	<u>\$ 33,708,703</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, 2017

	Vehicle Rental	Equipment Replacement	Self Insurance	Information Technology
OPERATING REVENUES:				
Charges for services	\$ 1,537,658	\$ 499,448	\$ 599,500	\$ 1,757,621
Total operating revenues	1,537,658	499,448	599,500	1,757,621
OPERATING EXPENSES:				
Personnel	445,137	-	-	644,012
Repairs and maintenance	335,632	94,869	-	454,901
General and administration	12,952	-	-	115,465
Depreciation	461,343	406,902	-	-
Contractual services	4,978	-	8,888	23,588
Insurance	81,400	-	289,701	-
Total operating expenses	1,341,442	501,771	298,589	1,237,966
OPERATING INCOME (LOSS)	196,216	(2,323)	300,911	519,655
NONOPERATING REVENUES (EXPENSES):				
Gain (loss) on disposal of capital assets	23,015	14,056	-	-
Investment income (expense)	21,722	28,367	5,341	18,161
Miscellaneous	-	-	-	33
Total nonoperating revenues (expenses)	44,737	42,423	5,341	18,194
INCOME (LOSS) BEFORE				
CONTRIBUTIONS AND TRANSFERS	240,953	40,100	306,252	537,849
CONTRIBUTIONS AND TRANSFERS:				
Capital contributions	-	44,735	-	-
Transfers in	-	382,317	-	49,345
Transfers out	(15,002)	(151,444)	-	(348,451)
Total contributions and transfers	(15,002)	275,608	-	(299,106)
Changes in Net Position	225,951	315,708	306,252	238,743
NET POSITION:				
Beginning of the year	7,351,705	8,939,680	1,004,140	2,987,431
End of the year	<u>\$ 7,577,656</u>	<u>\$ 9,255,388</u>	<u>\$ 1,310,392</u>	<u>\$ 3,226,174</u>

<u>Building Maintenance</u>	<u>Longevity Recognition Benefits</u>	<u>PEMHCA</u>	<u>Compensated Absences</u>	<u>Total</u>
\$ 2,063,525	\$ -	\$ -	\$ 253,281	\$ 6,711,033
<u>2,063,525</u>	<u>-</u>	<u>-</u>	<u>253,281</u>	<u>6,711,033</u>
553,287	143,860	131,920	281,198	2,199,414
297,852	-	-	-	1,183,254
538,427	-	-	-	666,844
-	-	-	-	868,245
296,261	13,037	14,805	-	361,557
-	-	-	-	371,101
<u>1,685,827</u>	<u>156,897</u>	<u>146,725</u>	<u>281,198</u>	<u>5,650,415</u>
<u>377,698</u>	<u>(156,897)</u>	<u>(146,725)</u>	<u>(27,917)</u>	<u>1,060,618</u>
-	-	-	-	37,071
11,512	27,028	60,514	10,571	183,216
-	-	-	-	33
<u>11,512</u>	<u>27,028</u>	<u>60,514</u>	<u>10,571</u>	<u>220,320</u>
<u>389,210</u>	<u>(129,869)</u>	<u>(86,211)</u>	<u>(17,346)</u>	<u>1,280,938</u>
-	-	-	-	44,735
102,099	-	-	15,002	548,763
(33,866)	-	-	-	(548,763)
<u>68,233</u>	<u>-</u>	<u>-</u>	<u>15,002</u>	<u>44,735</u>
457,443	(129,869)	(86,211)	(2,344)	1,325,673
<u>1,038,007</u>	<u>2,733,000</u>	<u>6,012,109</u>	<u>2,316,958</u>	<u>32,383,030</u>
<u>\$ 1,495,450</u>	<u>\$ 2,603,131</u>	<u>\$ 5,925,898</u>	<u>\$ 2,314,614</u>	<u>\$ 33,708,703</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, 2017

	Vehicle Rental	Equipment Replacement	Self Insurance	Information Technology
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from inter-departmental charges	\$ 1,537,658	\$ 499,448	\$ 599,500	\$ 1,757,621
Cash payments to suppliers for goods and services	(439,177)	(23,098)	(338,262)	(665,988)
Cash payments to employees for services	(417,007)	-	-	(628,957)
Cash received from others	-	-	-	33
Net cash provided (used) by operating activities	681,474	476,350	261,238	462,709
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers received	-	382,317	-	49,345
Transfer paid	(15,002)	(151,444)	-	(348,451)
Net cash provided (used) by noncapital financing activities	(15,002)	230,873	-	(299,106)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of capital assets	23,015	14,056	-	-
Capital contributions received	-	44,735	-	-
Acquisition and construction of capital assets	(381,932)	(853,036)	-	113,934
Net cash provided (used) by capital and related financing activities	(358,917)	(794,245)	-	113,934
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	21,722	28,367	5,341	18,161
Net cash provided (used) by investing activities	21,722	28,367	5,341	18,161
Net increase (decrease) in cash and cash equivalents	329,277	(58,655)	266,579	295,698
CASH AND CASH EQUIVALENTS:				
Beginning of year	4,699,157	6,354,304	1,149,813	3,922,442
End of year	<u>\$ 5,028,434</u>	<u>\$ 6,295,649</u>	<u>\$ 1,416,392</u>	<u>\$ 4,218,140</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 196,216	\$ (2,323)	\$ 300,911	\$ 519,655
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	461,343	406,902	-	-
Miscellaneous revenues	-	-	-	33
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Accounts receivable	-	-	-	-
Deposit and prepaid items	(38)	91,599	-	(160)
Inventory	(4,017)	-	-	-
Deferred outflow of resources	(102,563)	-	-	(141,968)
Increase (decrease) in:				
Accounts payable	(160)	(19,828)	(14,673)	(71,874)
Accrued payroll	(2,146)	-	-	(4,054)
Claims liability	-	-	(25,000)	-
Compensated absences	342	-	-	8,329
OPEB liability	13,525	-	-	20,288
Net pension liability	155,822	-	-	164,584
Other liability	-	-	-	-
Deferred inflow of resources	(36,850)	-	-	(32,124)
Total adjustments	<u>485,258</u>	<u>478,673</u>	<u>(39,673)</u>	<u>(56,946)</u>
Net cash provided (used) by operating activities	\$ 681,474	\$ 476,350	\$ 261,238	\$ 462,709

Building Maintenance	Longevity Recognition Benefits	PEMHCA	Compensated Absences	Total
\$ 2,034,590	\$ -	\$ -	\$ 253,281	\$ 6,682,098
(1,148,850)	(13,037)	(14,805)	-	(2,643,217)
(536,014)	(143,860)	(131,920)	(281,198)	(2,138,956)
-	-	-	-	33
<u>349,726</u>	<u>(156,897)</u>	<u>(146,725)</u>	<u>(27,917)</u>	<u>1,899,958</u>
102,099	-	-	15,002	548,763
<u>(33,866)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(548,763)</u>
<u>68,233</u>	<u>-</u>	<u>-</u>	<u>15,002</u>	<u>-</u>
-	-	-	-	37,071
-	-	-	-	44,735
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,121,034)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,039,228)</u>
11,512	27,028	60,514	10,571	183,216
<u>11,512</u>	<u>27,028</u>	<u>60,514</u>	<u>10,571</u>	<u>183,216</u>
429,471	(129,869)	(86,211)	(2,344)	1,043,946
2,430,234	2,733,000	6,012,109	2,316,958	29,618,017
<u>\$ 2,859,705</u>	<u>\$ 2,603,131</u>	<u>\$ 5,925,898</u>	<u>\$ 2,314,614</u>	<u>\$ 30,661,963</u>
\$ 377,698	\$ (156,897)	\$ (146,725)	\$ (27,917)	\$ 1,060,618
-	-	-	-	868,245
-	-	-	-	33
(28,935)	-	-	-	(28,935)
-	-	-	-	91,401
-	-	-	-	(4,017)
<u>(124,236)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(368,767)</u>
(16,310)	-	-	-	(122,845)
(2,155)	-	-	-	(8,355)
-	-	-	-	(25,000)
3,755	-	-	-	12,426
16,423	-	-	-	50,236
199,272	-	-	-	519,678
(26,222)	-	-	-	(26,222)
(49,564)	-	-	-	(118,538)
<u>(27,972)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>839,340</u>
<u>\$ 349,726</u>	<u>\$ (156,897)</u>	<u>\$ (146,725)</u>	<u>\$ (27,917)</u>	<u>\$ 1,899,958</u>

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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.

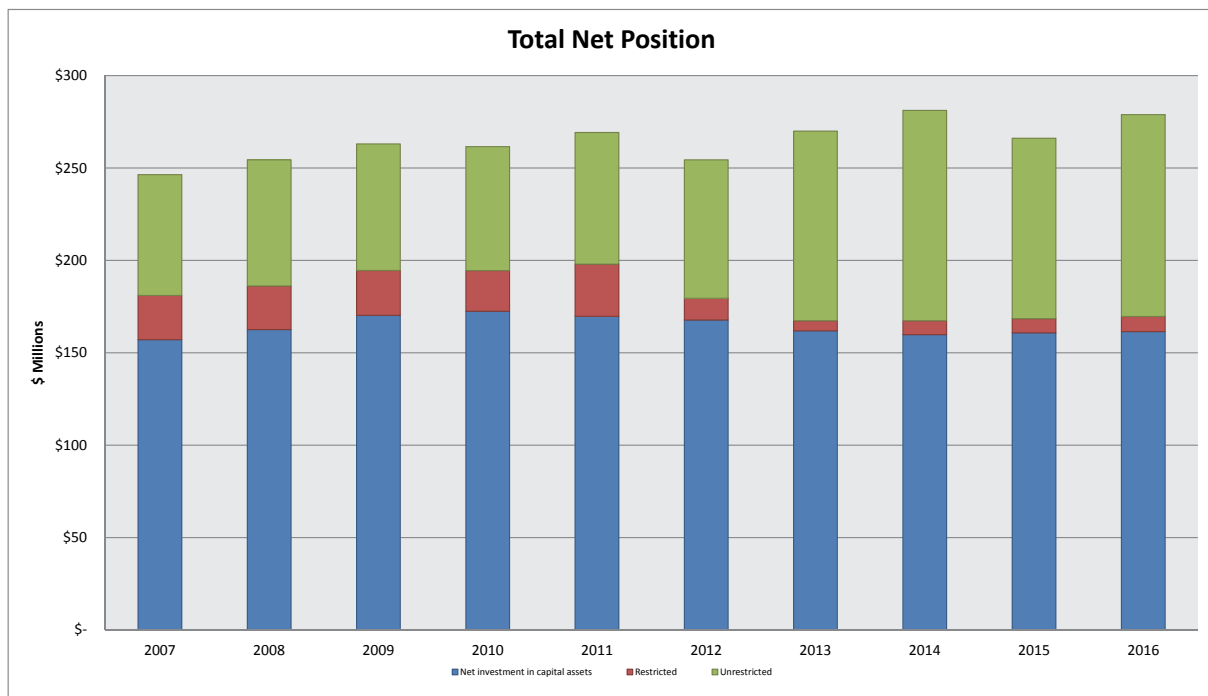
Operating Information

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 97,403,808	\$ 101,122,436	\$ 109,387,638	\$ 111,894,545	\$ 108,007,645	\$ 106,295,814	\$ 102,503,211	\$ 102,532,106	\$ 105,458,244	\$ 105,267,654
Restricted	23,657,789	23,606,731	24,293,134	22,043,974	28,263,106	11,760,967	5,488,986	7,528,560	7,666,923	8,164,308
Unrestricted	44,825,904	49,475,890	48,498,680	46,699,565	49,579,722	50,530,026	75,633,529	82,551,190	68,977,993	79,035,368
Total governmental activities net position	\$ 165,887,501	\$ 174,205,057	\$ 182,179,452	\$ 180,638,084	\$ 185,850,473	\$ 168,586,807	\$ 183,625,726	\$ 192,611,856	\$ 182,103,160	\$ 192,467,330
Business-type activities										
Net investment in capital assets	\$ 59,649,262	\$ 61,434,009	\$ 60,853,224	\$ 60,575,907	\$ 61,718,653	\$ 61,458,480	\$ 59,384,377	\$ 57,308,122	\$ 55,371,422	\$ 56,208,645
Restricted	301,692	-	-	-	-	-	-	-	-	-
Unrestricted	20,548,181	18,775,807	20,010,431	20,356,291	21,659,733	24,362,221	26,947,956	31,262,566	28,654,572	30,219,485
Total business-type activities net position	\$ 80,499,135	\$ 80,209,816	\$ 80,863,655	\$ 80,932,198	\$ 83,378,386	\$ 85,820,701	\$ 86,332,333	\$ 88,570,688	\$ 84,025,994	\$ 86,428,130
Primary government										
Net investment in capital assets	\$ 157,086,070	\$ 162,556,445	\$ 170,240,862	\$ 172,470,452	\$ 169,726,298	\$ 167,754,294	\$ 161,887,588	\$ 159,840,228	\$ 160,829,666	\$ 161,476,299
Restricted	23,959,481	23,606,731	24,293,134	22,043,974	28,263,106	11,760,967	5,488,986	7,528,560	7,666,923	8,164,308
Unrestricted	65,374,085	68,251,697	68,509,111	67,055,856	71,239,455	74,892,247	102,581,485	113,813,756	97,632,565	109,254,853
Total primary government net position	\$ 246,419,636	\$ 254,414,873	\$ 263,043,107	\$ 261,570,282	\$ 269,228,859	\$ 254,407,508	\$ 269,958,059	\$ 281,182,544	\$ 266,129,154	\$ 278,895,460



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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 3,172,917	\$ 3,384,497	\$ 3,673,100	\$ 3,715,494	\$ 3,135,273	\$ 3,596,590	\$ 3,514,037	\$ 3,794,112	\$ 3,557,955	\$ 4,308,710
Police	8,414,456	8,598,000	9,637,744	9,601,374	9,635,944	9,393,100	9,316,093	9,580,196	9,853,153	10,438,938
Fire	7,129,555	7,277,640	7,376,366	7,960,605	8,011,016	8,222,350	7,685,722	7,756,948	8,301,670	7,929,490
Public works	5,832,257	4,795,377	4,746,696	4,792,866	4,924,309	5,253,074	5,718,340	4,353,289	4,650,758	4,335,309
Community development	4,517,721	4,399,597	5,165,200	10,058,917	5,904,547	2,215,164	2,078,968	1,965,069	2,176,539	2,417,650
Parks and recreation	6,274,796	6,969,205	7,540,180	7,486,684	7,889,206	7,978,548	8,387,726	8,516,392	8,808,422	8,750,077
Interest on long-term debt	714,924	527,048	286,765	71,079	-	-	-	-	-	-
Total governmental activities expenses	36,056,626	35,951,364	38,426,051	43,687,019	39,500,295	36,658,826	36,700,886	35,966,006	37,348,497	38,180,174
Business-type activities:										
Water	6,868,450	7,575,909	7,804,377	8,272,135	8,690,887	9,782,394	10,336,188	9,846,110	10,596,613	11,824,224
Wastewater	5,099,038	5,861,595	5,351,927	5,875,701	5,334,103	5,909,150	6,554,771	6,412,706	7,140,529	6,356,799
Public transportation	131,378	155,344	245,589	298,964	204,321	201,696	-	-	-	-
Total business-type activities expenses	12,098,866	13,592,848	13,401,893	14,446,800	14,229,311	15,893,240	16,890,959	16,258,816	17,737,142	18,181,023
Total primary government expenses	\$ 48,155,492	\$ 49,544,212	\$ 51,827,944	\$ 58,133,819	\$ 53,729,606	\$ 52,552,066	\$ 53,591,845	\$ 52,224,822	\$ 55,085,639	\$ 56,361,197
Program Revenues										
Governmental activities:										
Charges for services:										
Public works	\$ 76,488	\$ 160,062	\$ 84,958	\$ 146,430	\$ 150,183	\$ 115,060	\$ 185,606	\$ 259,277	\$ 192,974	\$ 264,579
Parks and recreation	1,017,538	1,032,979	1,065,675	1,055,300	1,264,706	1,082,263	1,065,366	4,430,943	4,374,455	1,473,738
Other activities	1,638,345	1,679,892	1,722,734	1,204,446	1,641,925	2,420,613	1,755,523	3,626,944	4,586,595	4,589,520
Operating grants and contributions	996,947	854,272	1,000,607	813,296	1,374,103	1,483,915	1,479,057	1,471,641	2,655,353	3,137,709
Capital grants and contributions	128,000	-	733,684	680,355	4,157,426	449,989	938,348	1,374,666	709,800	290,669
Total governmental activities program revenues	3,857,318	3,727,205	4,607,658	3,899,827	8,588,343	5,551,840	5,423,900	11,162,871	12,519,177	9,756,215
Business-type activities:										
Charges for services:										
Water	6,027,769	6,769,890	7,182,212	7,531,859	9,166,844	10,328,467	10,495,752	10,550,591	10,230,148	11,635,584
Wastewater	5,170,037	5,570,010	6,175,068	6,543,036	6,862,627	7,509,281	6,970,730	7,400,022	7,921,198	8,464,663
Other activities	69,955	-	-	-	-	7,317	-	-	-	-
Operating grants and contributions	-	-	-	-	140,709	100,756	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	19,305	-	26,991	71,315
Total business-type activities program revenues	11,267,761	12,339,900	13,357,280	14,074,895	16,170,180	17,945,821	17,485,787	17,950,613	18,178,337	20,171,562
Total primary government program revenues	\$ 15,125,079	\$ 16,067,105	\$ 17,964,938	\$ 17,974,722	\$ 24,758,523	\$ 23,497,661	\$ 22,909,687	\$ 29,113,484	\$ 30,697,514	\$ 29,927,777
Net (Expense)/Revenue										
Governmental activities	\$ (32,199,308)	\$ (32,224,159)	\$ (33,818,393)	\$ (39,787,192)	\$ (30,911,952)	\$ (31,106,986)	\$ (31,276,986)	\$ (24,803,135)	\$ (24,829,320)	\$ (28,423,959)
Business-type activities	(831,105)	(1,252,948)	(44,613)	(371,905)	1,940,869	2,052,581	594,828	1,691,797	441,195	1,990,539
Total primary government net expense	\$ (33,030,413)	\$ (33,477,107)	\$ (33,863,006)	\$ (40,159,097)	\$ (28,971,083)	\$ (29,054,405)	\$ (30,682,158)	\$ (23,111,338)	\$ (24,388,125)	\$ (26,433,420)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 23,946,796	\$ 25,326,023	\$ 26,525,347	\$ 27,328,303	\$ 26,225,287	\$ 19,140,435	\$ 22,850,306	\$ 22,618,342	\$ 22,824,950	\$ 25,042,950
Franchise taxes	981,494	1,029,576	1,044,988	1,017,749	1,088,266	1,122,847	1,227,976	1,235,085	1,135,666	1,182,060
Sales taxes	4,485,030	5,059,382	4,950,468	4,365,018	4,225,824	4,853,339	4,413,470	3,684,963	3,955,873	3,892,638
Other taxes	2,396,793	2,552,680	2,307,231	2,099,539	2,165,353	2,596,057	3,090,178	3,524,950	4,660,905	4,853,059
Payments in lieu of taxes	2,605,998	2,250,733	2,359,092	2,417,925	-	-	-	-	-	-
Investment earnings	4,463,127	3,933,537	2,449,586	2,193,541	2,409,846	2,331,007	1,539,026	3,688,849	2,256,791	2,807,314
Miscellaneous	768,061	438,822	847,954	253,121	117,764	210,189	19,494,499	405,586	30,088,299	1,010,108
Transfers	(80,424)	(82,038)	(110,733)	(10,519)	(108,000)	(60,501)	-	-	-	-
Total governmental activities	39,566,875	40,508,715	40,373,933	39,664,677	36,124,340	30,193,373	52,615,905	35,157,775	64,922,484	38,788,129
Business-type activities:										
Property Tax	-	-	-	-	-	-	-	-	-	-
Investment earnings	1,145,239	809,666	451,762	296,930	256,984	292,258	(141,502)	459,090	319,633	350,091
Loss on sales of capital assets	-	(17,198)	-	-	-	-	-	-	-	-
Miscellaneous	28,262	89,123	135,957	132,999	140,335	36,975	58,306	87,468	94,246	61,506
Transfers	80,424	82,038	110,733	10,519	108,000	60,501	-	-	-	-
Total business-type activities	1,253,925	963,629	698,452	440,448	505,319	389,734	(83,196)	546,558	413,879	411,597
Total primary government	\$ 40,820,800	\$ 41,472,344	\$ 41,072,385	\$ 40,105,125	\$ 36,629,659	\$ 30,583,107	\$ 52,532,709	\$ 35,704,333	\$ 65,336,363	\$ 39,199,726
Extraordinary Items										
Governmental activities:										
Extraordinary items	-	-	-	-	-	(16,350,052)	(6,300,000)	(1,368,510)	1,131,265	-
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	\$ 7,367,567	\$ 8,284,556	\$ 6,555,540	\$ (122,515)	\$ 5,212,388	\$ (17,263,665)	\$ 15,038,919	\$ 8,986,130	\$ 41,224,429	\$ 10,364,170
Business-type activities	422,820	(289,319)	653,839	68,543	2,446,188	2,442,315	511,632	2,238,355	855,074	2,402,136
Total primary government	\$ 7,790,387	\$ 7,995,237	\$ 7,209,379	\$ (53,972)	\$ 7,658,576	\$ (14,821,350)	\$ 15,550,551	\$ 11,224,485	\$ 42,079,503	\$ 12,766,306

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 33,523,781	\$ 35,329,687	\$ 36,322,157	\$ 36,445,627	\$ 32,846,406	\$ 27,014,176	\$ 30,807,783	\$ 29,972,228	\$ 30,968,962	\$ 33,196,631
Licenses, fees and permits	1,156,192	1,166,550	1,085,643	1,050,758	1,289,106	2,200,437	1,354,501	2,676,476	3,954,102	3,399,578
Fines and penalties	194,613	164,661	142,887	158,199	159,303	179,717	193,654	197,969	168,838	162,589
Charges for services	1,383,692	1,347,279	1,403,448	1,392,205	1,659,773	1,640,114	1,637,289	2,621,851	2,510,647	2,671,725
Special assessments	799,236	352,443	189,911	-	4,000,000	-	-	3,289,634	3,288,613	429,000
Intergovernmental	1,183,015	1,443,393	1,601,956	1,546,873	1,522,599	1,994,051	2,010,089	2,688,202	1,563,429	1,400,996
Investment earnings	5,127,172	4,706,132	3,444,940	2,608,180	1,796,472	1,814,301	907,101	2,252,482	2,273,291	2,345,939
Other revenues	1,024,736	1,012,569	1,661,625	827,083	559,764	436,977	1,178,203	794,640	2,882,967	4,394,357
Total revenues	44,392,437	45,522,714	45,852,567	44,028,925	43,833,423	35,279,773	38,088,620	44,493,482	47,610,849	48,000,815
Expenditures										
General government	2,471,650	2,979,792	3,150,439	3,271,525	2,689,200	2,980,808	2,980,817	3,174,115	3,162,004	3,738,875
Police	8,470,914	8,650,231	9,271,457	9,535,983	9,362,853	9,171,064	9,078,222	9,321,559	9,693,710	10,621,454
Fire	7,213,382	7,373,331	7,385,613	7,876,172	7,917,966	8,148,675	7,689,490	7,705,260	8,028,295	8,243,689
Public works	2,428,438	2,435,402	2,700,326	2,426,798	2,603,647	2,876,718	3,343,143	1,967,187	2,331,632	2,050,278
Community development	4,550,667	4,429,165	7,194,733	10,017,098	5,825,075	2,229,747	1,967,382	1,936,205	6,928,167	2,487,145
Parks and recreation	5,704,605	6,361,683	6,543,724	6,340,330	6,780,921	6,780,597	6,879,810	7,107,443	7,182,946	7,312,735
Capital outlay	1,186,620	2,110,297	6,255,420	2,391,675	970,235	3,384,339	1,201,432	4,382,435	6,483,904	3,880,749
Debt service										
Interest	2,387,604	1,998,571	1,509,465	996,412	156,685	-	-	-	-	-
Principal	5,695,000	5,210,000	3,800,000	4,775,000	-	-	-	-	-	-
Total expenditures	40,108,880	41,548,472	47,811,177	47,630,993	36,306,582	35,571,948	33,140,296	35,594,204	43,810,658	38,334,925
Excess of revenues over (under) expenditures	4,283,557	3,974,242	(1,958,610)	(3,602,068)	7,526,841	(292,175)	4,948,324	8,899,278	3,800,191	9,665,890
Other Financing Sources (uses)										
Proceeds from sale of capital assets	500	-	-	-	-	-	1,332,190	1,344,924	30,485,503	546,293
Transfers in	5,895,607	5,843,405	9,184,980	10,548,804	25,391,490	7,729,944	958,867	1,209,449	752,646	1,588,591
Transfers out	(6,255,434)	(5,925,443)	(9,295,713)	(11,860,304)	(25,499,490)	(7,799,024)	(3,608,867)	(1,209,449)	(630,646)	(1,751,789)
Total other financing sources (uses)	(359,327)	(82,038)	(110,733)	(1,311,500)	(108,000)	(69,080)	(1,317,810)	1,344,924	30,607,503	383,095
Extraordinary Item										
Extraordinary loss	-	-	-	-	-	(16,350,052)	(6,300,000)	(1,368,510)	-	-
Total extraordinary item	-	-	-	-	-	(16,350,052)	(6,300,000)	(1,368,510)	-	-
Net change in fund balances	\$ 3,924,230	\$ 3,892,204	\$ (2,069,343)	\$ (4,913,568)	\$ 7,418,841	\$ (16,711,307)	\$ (2,669,486)	\$ 8,875,692	\$ 34,407,694	\$ 10,048,985
Debt service as a percentage of noncapital expenditures	26.21%	22.37%	14.65%	14.62%	0.45%	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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 14,763,522	\$ 11,828,982	\$ 8,209,971	\$ 1,159,290	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	17,873,192	20,287,727	22,039,476	23,944,755	-	-	-	-	-	-
Non-Spendable	-	-	-	-	33,527	32,448	34,769	36,126	31,380	39,730
Committed	-	-	-	-	812,807	466,016	405,949	441,920	1,279,096	1,279,731
Assigned	-	-	-	-	1,052,366	964,536	510,417	676,878	619,948	138,174
Restricted	-	-	-	-	-	-	-	-	-	99,481
Unassigned	17,873,192	20,287,727	22,039,476	23,944,755	19,304,982	20,272,893	19,025,588	23,746,768	30,303,100	39,628,699
Total general fund	\$ 50,509,906	\$ 52,404,436	\$ 52,288,923	\$ 49,048,800	\$ 21,203,682	\$ 21,735,893	\$ 19,976,723	\$ 24,901,692	\$ 32,233,524	\$ 41,185,815
All Other Governmental Funds										
Reserved	\$ 18,633,237	\$ 20,278,822	\$ 18,018,576	\$ 17,587,790	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	2,541,599	2,890,661	2,748,765	3,300,455	-	-	-	-	-	-
Capital projects funds	(228,646)	2,188,916	4,388,977	4,499,907	-	-	-	-	-	-
Non-Spendable	-	-	-	-	-	-	-	-	683	-
Restricted	-	-	-	-	28,608,240	10,357,852	4,546,308	7,227,787	7,263,706	7,685,968
Committed	-	-	-	-	8,099,116	9,105,986	14,007,214	15,276,458	42,315,718	42,990,833
Total all other governmental funds	\$ 20,946,190	\$ 25,358,399	\$ 25,156,318	\$ 25,388,152	\$ 36,707,356	\$ 19,463,838	\$ 18,553,522	\$ 22,504,245	\$ 49,580,107	\$ 50,676,801

Note: In compliance with GASB 54 issued in year 2011, fund balances are re-categorized.

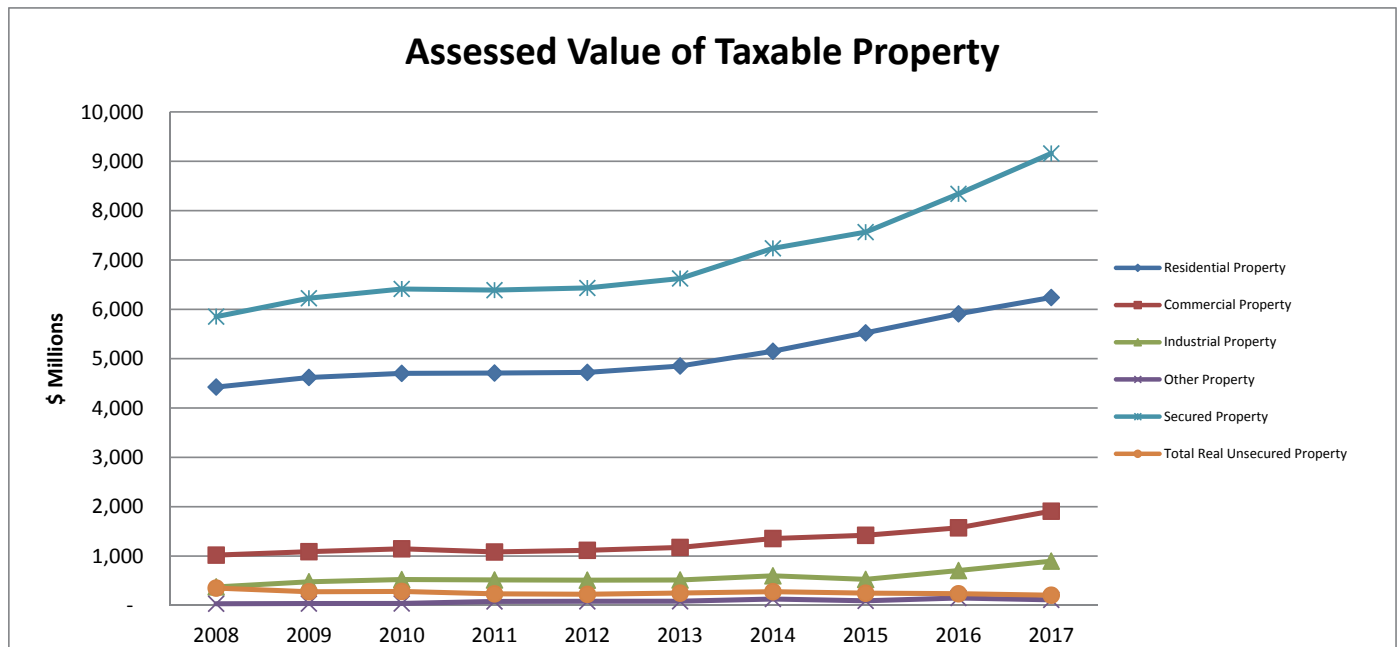
City of Foster City and Estero Municipal Improvement District

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
2008	4,424,764	1,019,063	375,300	33,416	5,852,543	351,316	6,203,859	6,203,859	0.29144
2009	4,619,037	1,088,907	479,764	38,069	6,225,777	276,761	6,502,538	6,502,538	0.29565
2010	4,703,107	1,146,981	524,207	39,063	6,413,358	283,165	6,696,523	6,696,523	0.29099
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



Source: The HdL Company and San Mateo County Assessor 2007/08 - 2016/17 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									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
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	0.00870	0.00840	0.00830	0.00920	0.01970	0.01970	0.01830	0.01820	0.03620	0.03060
Mid-Penninsula Regional Open Space	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00080	0.00060
San Mateo Foster City Elementary	0.03330	0.03150	0.03260	0.03410	0.03470	0.03380	0.04210	0.03880	0.04020	0.05460
San Mateo Junior College	0.01710	0.01650	0.01820	0.01930	0.01990	0.01940	0.01940	0.01900	0.02500	0.02470
San Mateo Union High	0.01500	0.02980	0.03190	0.03220	0.03830	0.03810	0.03550	0.04750	0.04660	0.04150
Sequoia Union High	0.02050	0.02820	0.02770	0.03110	0.03580	0.03560	0.03130	0.04330	0.04340	0.03910
Total Direct & Overlapping² Tax Rates	1.09460	1.11440	1.11870	1.12590	1.14840	1.14660	1.14660	1.16680	1.19220	1.19110
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	0.25974	0.25974
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	1.00000	1.00000	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Total Direct Rate⁵	0.47502	0.45957	0.45582	0.45653	0.44624	0.44902	0.22518	0.22474	0.22323	0.22231

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 general fund tax shifts may not be included in the tax ratio figures.

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 to by the government 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 in the same proportions as general fund revenue.

Source:

The HdL Company, 2007/08 through 2016/17 Direct and Overlapping Property Tax Rates Schedule
San Mateo County Assessor 2007/08 -2016/17 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>	<u>FY 2016/2017</u>			<u>FY 2007/2008</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
	GILEAD SCIENCES INC	\$ 1,482,721,195	1	15.83%	\$ 254,467,545	1
HUDSON METRO CENTER LLC	322,597,997	2	3.44%			
VISA USA INC	263,159,662	3	2.81%			
TRUST PARKSIDE TOWERS CORPORATION	212,300,499	4	2.27%			
BEX FMCA LLC	181,655,913	5	1.94%			
SF HILLSDALE 20102012 LLC	143,252,935	6	1.53%			
NORTHWESTERN MUTUAL LIFE	86,148,210	7	0.92%			
BAYSIDE TOWERS INC	75,902,454	8	0.81%			
LENNAR HOMES OF CALIFORNIA INC	67,196,004	9	0.72%			
PWM RESIDENTIAL VENTURE LLC	67,131,216	10	0.72%			
VISA LAND DEVELOPMENT II LP				253,831,576	2	4.09%
SPK-METRO CENTER LLC LESSEE				208,288,980	3	3.36%
APPLERA CORPORATION				144,300,273	4	2.33%
ELECTRONICS FOR IMAGING INC				139,145,847	5	2.24%
GRUPE REAL ESTATE INVESTMENT				85,307,720	6	1.38%
PARKSIDE ASSOCIATES NF LP N A				74,460,000	7	1.20%
HINES VAF NO CAL PROPERTIES L P				71,900,000	8	1.16%
BRE PROPERTIES INC				70,587,261	9	1.14%
ESSEX HARBOR COVE APARTMENTS LP				68,926,500	10	1.11%
Top Ten Total	<u>2,902,066,085</u>		<u>30.98%</u>	<u>1,371,215,702</u>		<u>22.10%</u>
City Total	<u>\$ 9,367,471,356</u>			<u>\$ 6,203,858,727</u>		

Source: The HdL Company and San Mateo County Assessor 2016/17 & 2007/08 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
2008	11,514,681	10,821,776	93.98%	33,698	10,855,474	94.28%
2009	11,994,160	11,087,934	92.44%	56,327	11,144,261	92.91%
2010	12,415,753	11,337,451	91.32%	19,034	11,356,485	91.47%
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%	-	23,973,655	99.11%

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.

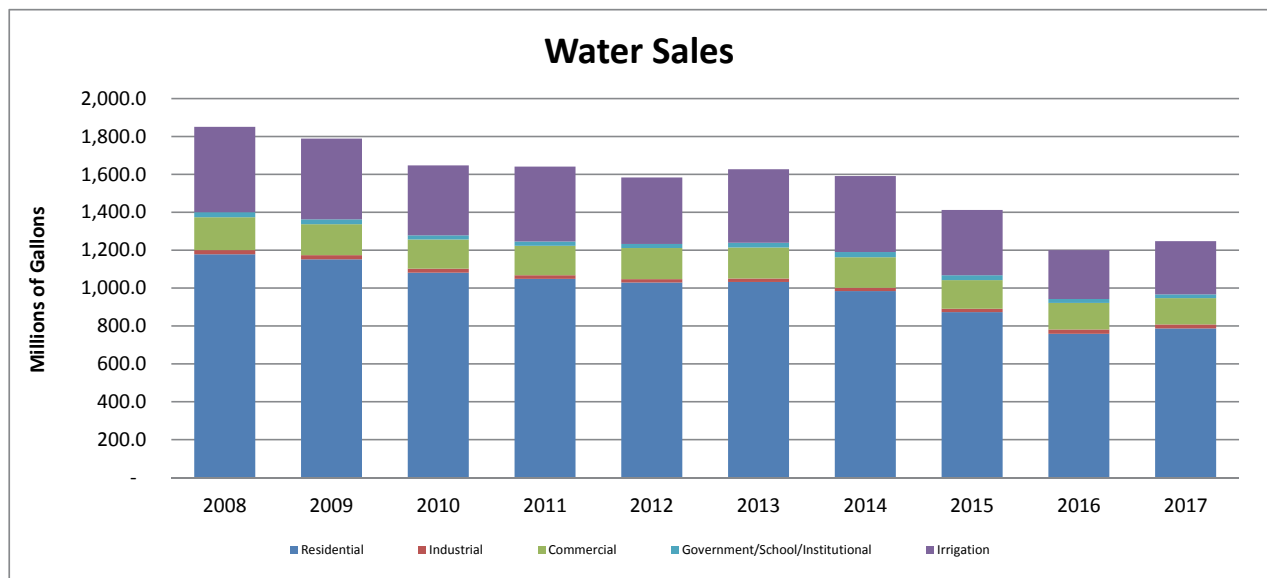
City of Foster City and Estero Municipal Improvement District

Water Sales by Type of Customer

Last Ten Fiscal Years

(in millions of gallons)

Type of Customer	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Residential	1,178.5	1,151.9	1,081.4	1,048.9	1,029.2	1,032.1	984.3	873.0	758.5	786.8
Industrial	21.9	21.9	20.8	18.8	17.8	18.4	17.2	17.7	23.0	21.1
Commercial	173.5	163.3	154.1	155.3	164.3	163.8	161.2	151.1	140.0	138.9
Government/School/Institutional	26.7	25.6	22.1	23.0	21.3	24.9	27.4	25.9	20.6	20.2
Irrigation	450.4	426.0	368.9	395.0	351.1	388.0	401.4	344.6	258.4	280.4
Total	1,851.0	1,788.7	1,647.3	1,641.0	1,583.7	1,627.2	1,591.5	1,412.3	1,200.5	1,247.4



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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<i>Availability / Meter Charge (per Month)</i>										
5/8 inch	\$ 13.90	\$ 15.60	\$ 16.85	\$ 17.55	\$ 17.55	\$ 15.80	\$ 15.80	\$ 16.00	\$ 17.25	\$ 18.90
3/4 inch	\$ 13.90	\$ 15.60	\$ 16.85	\$ 17.55	\$ 17.55	\$ 15.80	\$ 15.80	\$ 16.00	\$ 17.25	\$ 18.90
1 inch	\$ 34.75	\$ 39.00	\$ 42.15	\$ 43.90	\$ 43.90	\$ 39.50	\$ 27.65	\$ 28.00	\$ 28.75	\$ 31.50
1&1/2 inch	\$ 69.50	\$ 78.00	\$ 84.25	\$ 87.75	\$ 87.75	\$ 79.00	\$ 79.00	\$ 80.00	\$ 69.00	\$ 75.60
2 inch	\$ 111.20	\$ 124.80	\$ 134.80	\$ 140.40	\$ 140.40	\$ 126.40	\$ 126.40	\$ 128.00	\$ 92.00	\$ 100.80
3 inch	\$ 194.60	\$ 218.40	\$ 235.90	\$ 245.70	\$ 245.70	\$ 221.20	\$ 221.20	\$ 224.00	\$ 201.25	\$ 220.50
4 inch	\$ 305.80	\$ 343.20	\$ 370.70	\$ 386.10	\$ 386.10	\$ 347.60	\$ 347.60	\$ 352.00	\$ 362.25	\$ 396.90
6 inch	\$ 583.80	\$ 655.20	\$ 707.70	\$ 737.10	\$ 737.10	\$ 663.60	\$ 663.60	\$ 672.00	\$ 805.00	\$ 882.00
8 inch	\$ 917.40	\$ 1,029.60	\$ 1,112.10	\$ 1,158.30	\$ 1,158.30	\$ 1,042.80	\$ 1,042.80	\$ 1,056.00	\$ 1,380.00	\$ 1,512.00
<i>Consumption Charge (per Unit*)</i>										
All Classes	\$ 1.49	\$ 1.60	\$ 1.73							
Single Family Residential										
0-10 units				\$ 1.57	\$ 2.00	\$ 2.35	\$ 2.35	\$ 2.49	\$ 4.30	\$ 4.72
11-20 units				\$ 2.09	\$ 2.66	\$ 3.13	\$ 3.13	\$ 3.32	\$ 4.30	\$ 4.72
> 20 units				\$ 4.18	\$ 4.66	\$ 4.70	\$ 4.70	\$ 4.98	\$ 4.64	\$ 5.95
Multi Family Residential										
0-5 units				\$ 1.57	\$ 2.00	\$ 2.35	\$ 2.35	\$ 2.49	\$ 4.30	\$ 4.72
6-10 units				\$ 2.09	\$ 2.66	\$ 3.13	\$ 3.13	\$ 3.32	\$ 4.30	\$ 4.72
> 10 units				\$ 4.18	\$ 4.66	\$ 4.70	\$ 4.70	\$ 4.98	\$ 4.67	\$ 5.93
Irrigation										
0-100% of annual water budget				\$ 2.09	\$ 2.66	\$ 3.13	\$ 3.13	\$ 3.32	\$ 4.30	\$ 4.72
> 100% of annual water budget				\$ 4.18	\$ 4.66	\$ 4.70	\$ 4.70	\$ 4.98	\$ 5.65	\$ 7.35
Commercial and Fire Line				\$ 2.09	\$ 2.66	\$ 3.13	\$ 3.13	\$ 3.32	\$ 4.40	\$ 4.97
<i>Private Fire Protection Service</i>										
<i>Availability / Meter Charge (per Month)</i>										
3/4 inch	\$ 24.33	\$ 27.30	\$ 29.50	\$ 30.75	\$ 30.75	\$ 27.65	\$ 27.65	\$ 28.00	\$ 24.15	\$ 26.46
1 inch	\$ 24.33	\$ 27.30	\$ 29.50	\$ 30.75	\$ 30.75	\$ 27.65	\$ 27.65	\$ 28.00	\$ 24.15	\$ 26.46
1&1/2 inch	\$ 24.33	\$ 27.30	\$ 29.50	\$ 30.75	\$ 30.75	\$ 27.65	\$ 27.65	\$ 28.00	\$ 24.15	\$ 26.46
2 inch	\$ 38.92	\$ 43.68	\$ 47.20	\$ 49.15	\$ 49.15	\$ 44.25	\$ 44.25	\$ 44.80	\$ 32.20	\$ 35.34
3 inch	\$ 68.11	\$ 76.44	\$ 82.60	\$ 86.00	\$ 86.00	\$ 77.45	\$ 77.45	\$ 78.40	\$ 70.45	\$ 77.11
4 inch	\$ 107.03	\$ 120.12	\$ 129.75	\$ 135.15	\$ 135.15	\$ 121.70	\$ 121.70	\$ 123.20	\$ 126.80	\$ 138.92
6 inch	\$ 204.33	\$ 229.32	\$ 247.70	\$ 258.00	\$ 258.00	\$ 232.30	\$ 232.30	\$ 235.20	\$ 281.75	\$ 308.64
8 inch	\$ 321.09	\$ 360.36	\$ 389.25	\$ 405.45	\$ 405.45	\$ 365.00	\$ 365.00	\$ 369.60	\$ 483.00	\$ 529.20
<u>Wastewater</u>										
Residential (per Month)										
Single Family	\$ 37.94	\$ 40.98	\$ 43.85	\$ 46.05	\$ 46.05	\$ 46.05	\$ 46.05	\$ 47.00	\$ 51.47	\$ 57.13
Townhouse	\$ 31.90	\$ 34.45	\$ 36.90	\$ 38.75	\$ 38.75	\$ 38.75	\$ 38.75	\$ 39.55	\$ 43.23	\$ 47.99
Duplex	\$ 31.90	\$ 34.45	\$ 36.90	\$ 38.75	\$ 38.75	\$ 38.75	\$ 38.75	\$ 39.55	\$ 43.23	\$ 47.99
Apartment / Condominium	\$ 30.18	\$ 34.45	\$ 36.90	\$ 38.75	\$ 38.75	\$ 38.75	\$ 38.75	\$ 39.55	\$ 43.23	\$ 47.99
Commercial (per Unit* of Water Billed)										
Restaurant	\$ 6.90	\$ 7.45	\$ 7.97	\$ 8.37	\$ 8.37	\$ 8.37	\$ 8.37	\$ 8.54	\$ 9.35	\$ 10.38
Miscellaneous	\$ 2.25	\$ 2.62	\$ 2.80	\$ 2.94	\$ 2.94	\$ 2.94	\$ 2.94	\$ 3.00	\$ 3.29	\$ 3.65
Institutional (per Unit* of Water Billed)										
School	\$ 1.37	\$ 1.48	\$ 1.58	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.69	\$ 2.16	\$ 2.40
Church	\$ 1.37	\$ 1.48	\$ 1.58	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.69	\$ 2.16	\$ 2.40
Public Facility	\$ 1.37	\$ 1.48	\$ 1.58	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.69	\$ 2.16	\$ 2.40

Unit* = 748 Gallons

Source: City of Foster City Financial Services Department

City of Foster City and Estero Municipal Improvement District

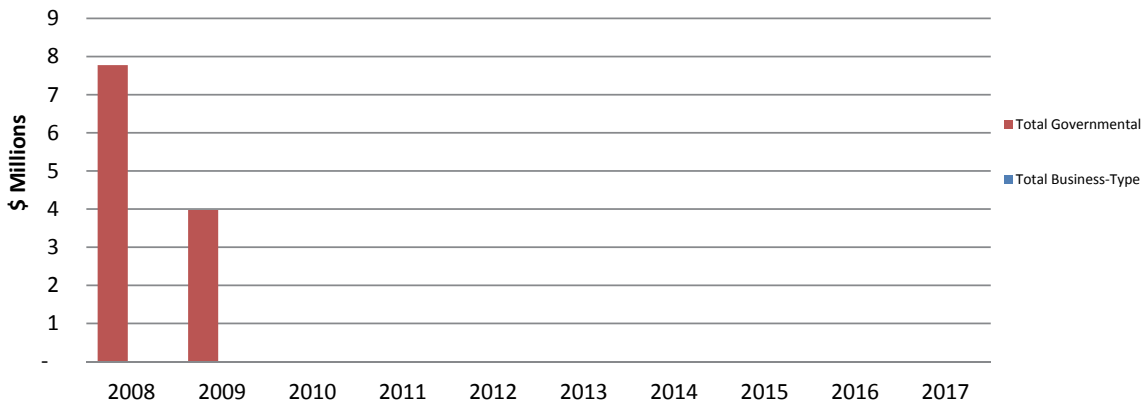
Ratios of Outstanding Debt by Type

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				
2008	-	6,975	800	7,775	-	7,775	0.004	257	
2009	-	3,560	415	3,975	-	3,975	0.002	131	
2010	-	-	-	-	-	-	n/a	-	
2011	-	-	-	-	-	-	n/a	-	
2012	-	-	-	-	-	-	n/a	-	
2013	-	-	-	-	-	-	n/a	-	
2014	-	-	-	-	-	-	n/a	-	
2015	-	-	-	-	-	-	n/a	-	
2016	-	-	-	-	-	-	n/a	-	
2017	-	-	-	-	-	-	n/a	-	

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, 2017

2016-17 Assessed Valuation: \$9,346,884,810

	Total Debt Outstanding 06/30/17	Percentage Applicable (1)	City's Share of Overlapping Debt 6/30/17
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
San Mateo Community College District	\$611,812,998	4.872%	\$ 29,807,529
San Mateo Union High School District	532,761,586	13.887%	73,984,601
Sequoia Union High School District	523,920,000	0.004%	20,957
San Mateo-Foster City School District	293,597,434	28.632%	84,062,817
Belmont-Redwood Shores School District	66,921,311	0.025%	16,730
Midpeninsula Regional Open Space District	44,225,000	0.005%	2,211
Estero Municipal Improvement District	0	100.000%	0
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 187,894,845
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
San Mateo County General Fund Obligations	\$399,389,816	4.872%	\$ 19,458,272
San Mateo County Board of Education Certificates of Participation	9,330,000	4.872%	454,558
Midpeninsula Regional Park District General Fund Obligations	112,143,611	0.005%	5,607
TOTAL OVERLAPPING GENERAL FUND DEBT			\$ 19,918,437
TOTAL DIRECT DEBT			\$0.00
TOTAL OVERLAPPING DEBT			\$ 207,813,282
COMBINED TOTAL DEBT			\$ 207,813,282 (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 2016-17 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	2.01%
Combined Total Debt	2.22%

Source: California Municipal Statistics, Inc.

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

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt limit	\$ 922,063	\$ 967,627	\$ 995,982	\$ 985,253	\$ 984,013	\$ 1,016,775	\$ 1,112,856	\$ 1,157,114	\$ 1,271,748	\$ 1,389,831
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 922,063</u>	<u>\$ 967,627</u>	<u>\$ 995,982</u>	<u>\$ 985,253</u>	<u>\$ 984,013</u>	<u>\$ 1,016,775</u>	<u>\$ 1,112,856</u>	<u>\$ 1,157,114</u>	<u>\$ 1,271,748</u>	<u>\$ 1,389,831</u>
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%

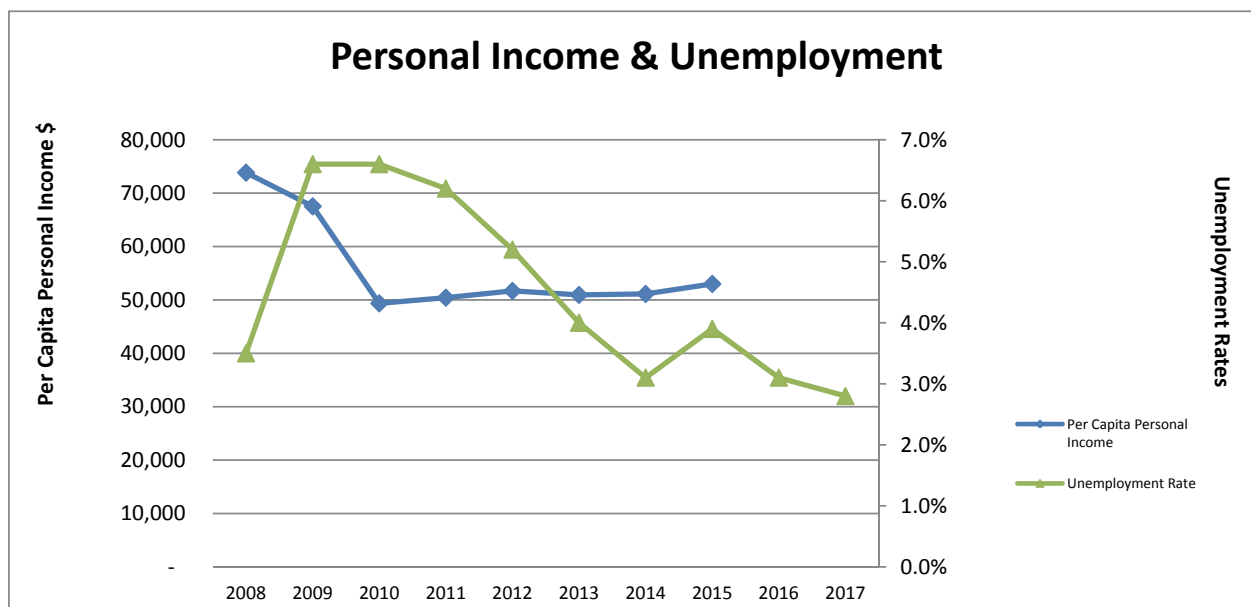
Note: Under state finance law, the city's outstanding general obligation debt should not exceed 15 percent of total assessed property value.

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
2008	30,308	2,237,912	73,839	3.5%
2009	30,429	2,054,508	67,536	6.6%
2010	30,719	1,516,228	49,358	6.6%
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	n/a	n/a	2.8%



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
 2010-2017 – US Census Bureau, most recent American Community Survey
 Unemployment Rate: The HdL Company and Bureau of Labor Statistics for City of Foster City

City of Foster City and Estero Municipal Improvement District

Principal Employers

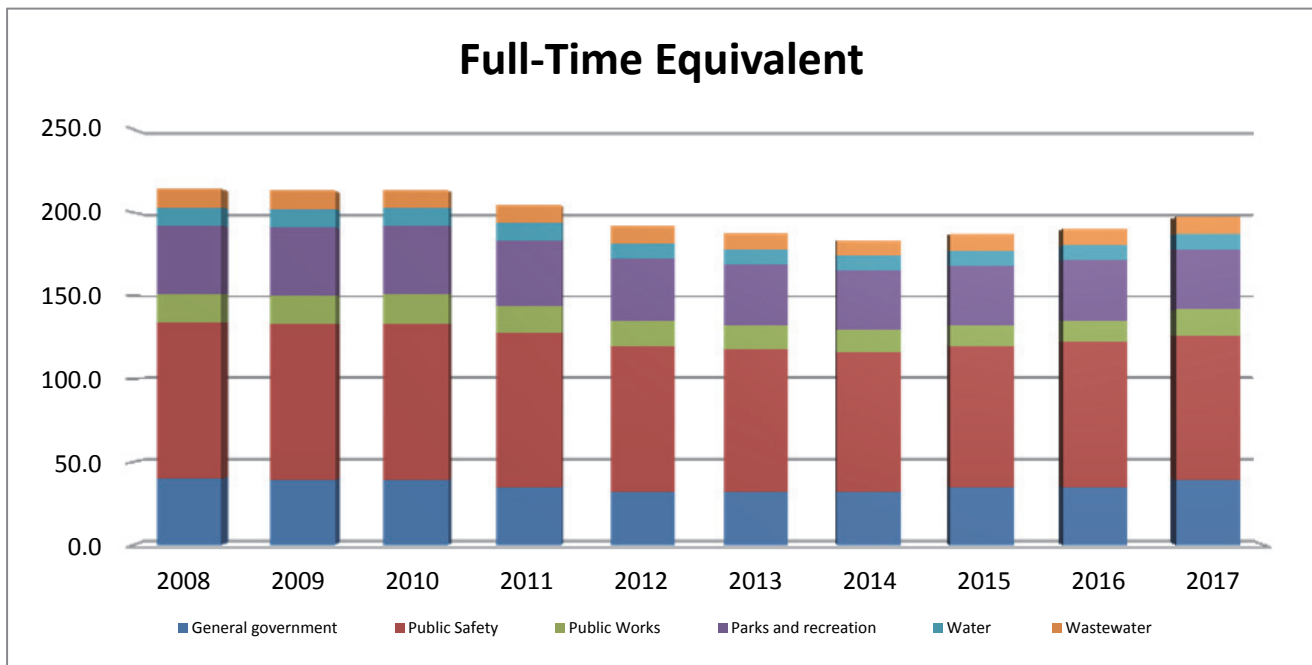
Current Year and Ten Years Ago

<u>Employer</u>	<u>2017</u>			<u>2008</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.	5,535	1	29.72%	1,073	4	6.60%
VISA U.S.A. INC.	1,651	2	8.86%	1,287	3	7.92%
INOVANT LLC	1,347	3	7.23%	1,020	5	6.27%
GUIDEWIRE SOFTWARE, INC.	613	4	3.29%			
CSG CONSULTANTS, INC.	524	5	2.81%			
IBM CORPORATION	417	6	2.24%	295	9	1.81%
CYBERSOURCE CORPORATION	353	7	1.90%			
SLEDGEHAMMER GAMES, INC.	313	8	1.68%			
CITY OF FOSTER CITY	311	9	1.67%			
BRIGHTEDGE TECHNOLOGIES INC.	300	10	1.61%			
APPLIED BIOSYSTEMS, LLC				1,499	1	9.22%
ELECTRONICS FOR IMAGING, INC.				1,394	2	8.57%
SONY COMPUTER ENTERTAINMENT, LLC				674	6	4.15%
QUINSTREET, INC.				450	7	2.77%
REARDEN COMMERCE, INC.				300	8	1.85%
MID-PENINSULA HOUSING				264	10	1.62%
Top Ten Total	11,364		61.01%	8,256		50.78%
City Total	18,625			16,257		

Source: 2008 and 2017 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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government										
Management services	20.0	19.0	19.0	16.0	14.0	13.0	13.0	13.0	13.0	14.0
Finance	8.0	8.0	8.0	8.0	8.0	8.0	8.0	9.0	9.0	10.0
Planning	5.5	5.5	6.5	5.5	5.0	6.0	6.0	7.0	7.0	8.0
Building	6.5	6.5	5.5	5.5	5.0	5.0	5.0	6.0	6.0	7.0
Police										
Officers	39.0	39.0	39.0	39.0	36.0	36.0	36.0	37.0	38.0	38.0
Civilians	17.0	17.0	17.0	17.0	15.0	13.0	13.0	13.0	15.0	15.0
Fire										
Firefighters and officers	36.0	36.0	36.0	35.0	35.0	35.0	33.0	33.0	32.0	32.0
Civilians	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Other public works										
Engineering	7.0	7.0	7.0	7.0	6.0	5.0	4.0	4.0	5.0	6.0
Other	10.0	10.0	11.0	9.0	9.0	9.0	9.0	8.0	8.0	9.5
Parks and recreation										
Water	41.0	41.0	41.0	39.0	37.5	36.5	36.0	36.0	36.0	36.5
Wastewater	11.0	11.0	11.0	11.0	9.0	9.0	9.0	9.0	9.0	9.0
Wastewater	11.0	11.0	10.0	10.0	10.0	10.0	9.0	10.0	10.0	10.0
Total	214.0	213.0	213.0	204.0	191.5	187.5	183.0	187.0	190.0	197.0



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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Police										
Physical arrests	769	677	831	728	650	520	640	572	576	444
Parking violations	891	854	865	624	673	673	654	552	816	972
Traffic violations	1,870	2,004	2,811	2,317	2,693	2,774	3,012	2,078	1,746	1,661
Fire										
Emergency responses	2,095	1,895	1,828	1,873	1,946	2,012	2,336	2,123	1,978	1,944
Fires extinguished	107	102	85	73	88	61	82	24	47	34
Inspections	1,128	1,026	966	1,231	1,143	1,029	1,108	1,201	1,102	1,080
Other public works										
Street resurfacing (miles)	2	1	1	5	1	1	2	2	2	5
Potholes repaired	25	45	70	40	45	36	40	32	35	27
Parks and recreation										
Athletic field permits issued	52	45	54	57	64	66	57	60	86	91
Community center admissions	9,144	8,648	8,209	8,123	7,582	7,580	5,837	3,794	5,611	5,546
Water										
New connections	2	-	-	-	7	1	1	13	26	28
Water mains breaks	14	6	1	6	6	3	11	6	17	4
Average daily consumption (thousands of gallons)	5,520	5,230	4,890	4,822	4,660	4,100	3,980	3,956	3,623	3,810
Peak daily consumption (thousands of gallons)	10,450	10,530	10,340	9,750	9,165	8,890	8,445	6,624	5,047	7,760
Wastewater										
Average daily sewage treatment (thousands of gallons)	2,980	2,600	2,450	2,340	2,267	2,200	2,652	2,040	2,350	2,430

Sources: Various city departments

City of Foster City and Estero Municipal Improvement District

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	13	13	12	12	12	11	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	1,918	1,918	1,918	2,063	2,062	2,031	2,031	2,031	2,025	2,025
Traffic signals	25	25	25	25	25	25	25	25	25	25
Parks and recreation										
Acreage	210	210	210	210	210	213	213	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	2	3	3	3	3	3	3	3	3	3
Water										
Water mains (miles)	110	110	110	110	110	107	107	107	107	107
Fire hydrants	1,149	1,149	1,149	1,153	1,153	1,109	1,110	1,110	1,110	1,110
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 Wastewaters (miles)	66	66	66	66	66	65	65	65	65	65
Storm Wastewaters (miles)	83	83	83	83	83	81	81	81	81	81
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
Transit-minibuses	1	1	1	1	1	1	1	1	1	1

Sources: Various city departments