



The Adopted General Fund Budget (Funds 001-003) projects a \$1.52 million surplus for FY 19/20. With current economic conditions remaining positive, staff anticipates that the City is on track to meet both revenue estimates and expenditure budgets

Economic conditions in the 1st quarter were positive and financial results were generally in line with expectations. Total General Fund Revenues (Funds 001-003) were \$3.3 million or \$432,000 higher than the same quarter last year as Transient Occupancy Tax (TOT) revenues climbed by \$239,000, primary from an increase in the TOT rate from 11% to 12% effective 7/1/19. Interest Income for the quarter was \$221,000 compared to the prior year's level of \$133,000 as yields on City's investment portfolio benefited from higher year-over-year LAIF rates and higher average coupons on the City's federal agency holdings. It is important to note that the City's revenues are non-linear and are not received evenly by the City over the course of the fiscal year. As an example, most property tax revenues and property tax in lieu of vehicle license fees (VLF In-Lieu) are paid by the County to the City in December and April. Since property taxes account for over 50% and VLF In-Lieu over 8% of total General Fund revenues, total first quarter revenues are normally low, as is the case for the current fiscal year. General Fund expenditures (Funds 001-003) totaled \$17.3 million or 38% of the annual budget as the City made a \$5.59 million prepayment for its current year's unfunded liability obligation to CalPERS. The lump sum option represents a \$199,000 savings compared to making monthly payments. Notwithstanding, the City's CalPERS unfunded liability stood at \$81.2 million (based on the latest CalPERS actuarial valuation report). The City also contributed both its first and second quarter funding obligation to San Mateo Consolidated Fire for its portion of share costs for fire protection and prevention services. The second quarter amounted to a "prepayment" of \$1.99 million. Lastly, a \$3.5 million transfer was made (as approved in the FY 19/20 budget) to the City Capital Projects Fund.

Absent any unforeseen events, City staff anticipates that FY 18/19 estimated General Fund revenues will be realized and expenditures for the full year

will be within the appropriation levels as approved by the City Council.

Park in Lieu Fund expenditures totaled \$1.17 million, all of which was for the Sea Cloud Park improvement project (CIP 301-659).

Water Enterprise Fund operating revenues totaled \$2.91 million, which was \$282,000 higher than the previously year as base water consumption rates and fixed meter charges increased 2.9% and 7.9% respectively effective 7/1/2019. Expenditures totaled \$3.21 million, at 21.5% of the annual budget.

Wastewater Enterprise Fund operating revenues totaled \$1.88 million or \$209,000 higher than the same period in the prior year as base rates were increased by 14.25% effective July 1, 2019, primarily to fund debt service costs associated with the District's current and projected debt service for the financing of its \$158 million share of the Wastewater Treatment Plant Master Improvements (WWTP) project with the City of San Mateo. Operating expenditures were \$1.01 million. Total Wastewater capital projects expenditures were \$1.93 million and included the WWTP, Sanitary Sewer Lift Station, and Sanitary Main Rehabilitation projects.

While the design of the City's \$90 million Levee Protection Planning and Improvements project (CIP 301-657) is nearing completion, construction has been delayed as the City awaits permits from various regulatory agencies. At this time, City staff projects that General Obligation bonds will be issued in May/June 2020 with the commencement of construction shortly thereafter. In May 2018, the City Council passed a resolution committing to fund up to \$10 million of potential project cost overruns over and above the \$90 million project budget. The City Council will provide policy direction on the funding source (e.g. General Fund reserves and/or Capital Projects Acquisition and Replacement Fund) of cost overruns at such time that City staff notifies the City Council that construction bids/award of contract exceed the available Levee project budget.