



# Foster City Financial Update FY 16/17 Q2

City of Foster City  
Financial Services Dept.

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in Foster City

## **General Fund operating results for FY 16/17 are projected to be on target with a \$3.1 million operating surplus. However, the announcement of a reduction in the CalPERS discount rate from 7.5% to 7.0% will increase the City's pension contribution expenditures**

The financial position for the City's General Fund is anticipated to meet budgeted expectations of a \$3.1 million operating surplus by the end of the current fiscal year. In addition, the City received \$200,000 from the City of Half Moon Bay for its Rule 20A funds and based on City Council direction, these monies have been set aside for a Solar Incentive Grant program for Foster City residents.

The City's available General Fund Reserves began the fiscal year with \$37.8 million. In its latest projections, staff is estimating that the General Fund will likely to finish FY16/17 with a \$3.1 million operating surplus, expanding the Reserve balance to \$40.9 million. Significant General Fund revenues are discussed below.

**Property Taxes:** based on fiscal year to date receipts of property taxes from the County, staff is estimating property tax revenues will meet or exceed budgeted revenues of \$21.3 million before Educational Revenue Augmentation Fund (ERAF) refund. In January, the County notified the City of its ERAF refund and the amount will be \$1,450,000 or \$879,000 higher than our budgeted amount of \$571,000.

**Transient Occupancy tax (TOT):** Transient Occupancy Tax revenues have been revised downwards by \$397,500 as the opening of Town Place Suites is not expected until the beginning of FY17/18.

**Sales tax revenues:** staff met with our sales tax consultant in January and expectations are that current budgeted revenues of \$3.09 million will be realized.

**Other Revenues:** Franchise Fees, Real Property Transfer Tax, Motor Vehicle License Fees, License and Permits, Charges for Current Services are all expected to reach budgeted levels.

**General Fund Expenditures:** The City negotiated new 3-year labor agreements with both the Police

and Fire bargaining units retroactive July 1, 2016. Labor negotiations for AFSCME and the management units is anticipated to commence in Spring 2017.

In addition to the City's General Fund, the City's other Funds are generally meeting expectations through the first six months of the fiscal year.

Water Enterprise Fund revenues totaled \$6.6 million, or 53.4% of the annual budget.

Wastewater Enterprise Fund revenues totaled \$4.6 million through the 1st six month period and are also meeting expectations at 50.7% of budget.

Staff anticipates that financing for the Levee and Wastewater Treatment Plant CIP projects will occur in FY 17/18.

In December 2016, CalPERS announced that it will lower its discount rate from 7.5% to 7.0%. This will result in higher employer pension contributions with impacts taking effect beginning in FY 18/19. Preliminary guidance from CalPERS indicate that the City's Normal Cost for its Miscellaneous Plan and Safety Plans (currently 26.121% and 40.176% respectively) will increase up to 29.121% and 45.176% at early as FY 20/21 and the City's Unfunded Liability payments (currently \$1.9 million and \$2.5 million respectively) for the Miscellaneous and Safety Plans will increase up to 40% by FY 24/25.