



Foster City Financial Update FY 16/17 Q3

City of Foster City
Financial Services Dept.

Live, Work & Play
in Foster City

FY 16/17 General Fund operating results are projected to remain on target with a \$3.1 million operating surplus. However, the City is also anticipating a structural deficit commencing in FY 17/18

The General Fund is anticipated to end the fiscal year with a projected surplus of \$3.1 million, resulting in a Fund Balance of approximately \$41.0 million. This amount represents 104% of the current year's budgeted operating expenditures of \$39.3 million (as amended) and is comfortably above the City Council's minimum reserve policy level of 33 1/3% to 50% of operating expenditures. 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.

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 City received ERAF refund and the amount will be \$1,450,600 or \$879,600 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 anticipates that budgeted revenues of \$3.09 million will be realized by the end of the current fiscal year.

Other Revenues: Franchise Fees, Real Property Transfer Tax, Motor Vehicle License Fees, License and Permits, Charges for Current Services, and Investment and Rental Income are expected to meet 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.

Budget amendments totaling \$360,000 are included in the amended FY 16/17 expenditure budget. Labor agreements for AFSCME and the management unit will expire on 6/30/17. Negotiations for new contracts have already started.

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

Water Enterprise Fund revenues totaled \$8.1 million, or at 65.7% of the annual budget.

Wastewater Enterprise Fund revenues totaled \$6.1 million for the nine month period or at 67.2% of the annual budget.

Staff anticipates that financing for the City's \$90 million Levee CIP project and \$119 million Wastewater Treatment Plant CIP project will occur in FY 17/18.

In December 2016, CalPERS announced that it will lower its discount rate (projected return on its investment) 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 Employer Rates for its Miscellaneous "Classic" Plan and Safety "Classic" Plan is expected to rise from the current 26.121% and 40.176% to 44.894% and 71.603% respectively by FY 21/22.

As indicated in the FY 17/18 preliminary budget that was presented to the City Council on May 8, 2017, the City is looking at a structural deficit that will require the consideration of revenue measures and/or cost containment options.