



Foster City Financial Update FY 17/18 Q1

City of Foster City
Financial Services Dept.

Live, Work & Play
in Foster City

The Adopted General Fund Budget (Funds 001-003) projects a Structural Deficit of \$647,000 for FY 17/18. Current economic conditions remain positive; the City is anticipated to be on track to meet both revenue 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 \$3.85 million or \$1.04 million higher than the same quarter last year as the City received \$952,000 of one-time building permit fees from Gilead Sciences for their campus expansion which had been budgeted in FY 16/17. Sales tax revenues were higher than expected as the "true-up" of April to June State tax collections compared to advances paid to the City were \$246,500 higher versus the \$56,900 in the prior year, resulting in an increase of \$189,600 year-over-year. Interest Income for the quarter was \$119,800 and \$43,000 better than FY 16/17 as yields on City's investment portfolio benefited from the general increase in U.S. interest rates. It is important to note that the City's revenues are non-linear and do not flow evenly to 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 \$11.5 million or 29.5% of the annual budget as the City made a \$3.9 million aggregate lump sum unfunded liability payment to CalPERS. The lump sum option represents a \$143,000 savings compared to making monthly payments.

Water Enterprise Fund operating revenues totaled \$2.54 million, which was \$210,000 higher than the previously year as base water consumption rates and fixed meter charges increased by 6.5% and

5.0% respectively effective 7/1/2017.

Wastewater Enterprise Fund operating revenues totaled \$1.62 million or \$352,000 higher than the same period in the prior year as base rates were increased by 14.25% effective July 1, 2017 to fund costs associated with the Wastewater Treatment Plant Master Improvements Project. This 10-year project is one of several very important projects for the community. The other being the Levee Protection Planning and Improvements Project which will raise the existing levee to meet new FEMA flood protection requirements.

The adopted General Fund budget projects a structural deficit over the next 5 years (excluding volatile one-time development revenues). Absent any unforeseen events, Staff expects that FY 17/18 budgeted General Fund revenues will be realized and expenditures for the full year will be within the appropriation levels as approved by the City Council. In October 2017, the City Council provided direction for staff to bring back information on various revenue and cost containment options. Additional information on revenue measures, including sales tax, transient occupancy tax, business license tax, and franchise fees as well as options for the recovery of credit card fees and an analysis of Parks and Recreation program subsidies will be presented for discussion and potential direction at the January, 2018 City Council Vision and Policy Summit.