



Foster City Financial Update FY 17/18 Q4

City of Foster City
Financial Services Dept.

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General Fund Unrestricted Reserves Ends Year at \$51.1 Million as City Finishes Fiscal Year with a \$7.7 Million Surplus.

The City's General Fund ended FY 17/18 with a \$7.7 million surplus, increasing the Unrestricted Reserve Balance to \$51.1 million. As directed by the City Council in its adoption of the FY 2018-2019 budget, a \$2 million transfer will be made at the beginning of FY 18/19 from Unrestricted General Fund reserves for a newly established Pension Liability Sustainability Fund in recognition of the City's growing unfunded pension liability of over \$78 million (\$67.5 million of which is for the General Fund). The remaining \$49.1 million in General Fund reserves can be used for various purposes subject to the approval of the City Council, including but not limited to emergencies, economic down turns, new capital improvement program projects associated with the City's aging infrastructure, and unfunded pension liabilities.

Total General Fund Revenues were 47.8 million or \$5.2 million ahead of budgeted estimates. Total expenditures, including net Transfers In/Out totaled \$40.1 million (includes a \$2.2 million transfer out to the City CIP Fund, \$60,000 for an Employee Rental Assistance program, and \$38,000 for the Foster City Sustainability program). Expenditure savings in Employee Services totaled approximately \$2.7 million, with Police, and Fire, and Parks and Recreation accounting for \$2 million (due primarily to salary and benefit savings from staff vacancies and new hires and conservative budgeted assumptions on employee benefits). Services and Supplies savings were approximately \$900,000 and primarily from unspent contract services, some of which are deferred to FY 2018-2019 (e.g. election costs for June 5, 2018 which were not finalized and billed by the County until October 2018).

Major General Fund revenues are discussed below:

Property Taxes: \$26 million (includes \$1.69 million of Education Revenue Augmentation Fund "ERAF" refunds from San Mateo County) or \$2.4 million above the budget. The addition of new development and record high sales prices of homes aided the results.

Property Tax In Lieu of Vehicle License Fees (VLF): \$3.7 million or \$202,000 above the budget. VLF

subvention gains are proportional to growth in the City's assessed valuation.

Transient Occupancy tax (TOT): \$3.5 million or \$78,000 higher than budgeted estimates. The opening of a new hotel, TownePlace Suites contributed to year over year gains in this revenue category.

Sales tax revenues: \$3.4 million or \$352,000 above budgeted expectations. The California Department of Tax and Fee Administration (CDTFA) changed its software system and paid local jurisdictions, including Foster City, an "additional" one month of sales tax revenues that would have otherwise been paid in FY 2018-2019.

Building Permits and Planning Fees: \$4.1 million or \$2.4 million above budget. Building permits and fees totaling \$950,000 for the Gilead Science's campus expansion projects (324 and 357 Lakeside) budgeted in FY 16/17 wasn't received until FY 17/18. In aggregate, Gilead provided over \$1.9 million in fees including amounts collected for tenant improvements.

Business License Tax (BLT): \$1.7 million and essentially flat and meeting expectations. Calendar year 2016 was the 3rd and final year of the BLT measure that was passed by Foster City voters in November 2013 that was phased over a 3-year period.

The six revenue sources discussed above represent over 87% of the City's total General Fund revenues. The City's Other Revenues were \$435,000 better than expected and included cost recovery payments from developers and Gilead Sciences.

Although the City remains fiscally healthy, there are ongoing challenges. As indicated in the FY 18/19 adopted budget and five-year financial plan which included annual transfers of \$3.5 million to the City CIP Fund, the City is facing structural deficits over each of the next five years even after an assumption of the passage of a Transient Occupancy Tax measure (Measure TT) in November 2018. The current Levee and Wastewater Treatment Plant are among the City's most significant projects ever. In addition, the City's Recreation Center and aging infrastructure and park system are projects on the horizon.