



Foster City Financial Update FY 18/19 Q2

City of Foster City
Financial Services Dept.

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General Fund is projected to finish FY 18/19 with a \$300,000 surplus, but the City has significant funding needs for several large capital projects

The City's General Fund Reserves (Funds 001-003) began the fiscal year at \$51 million, inclusive of a \$7,582,562 FY 17/18 surplus (Rollover Funds). City Council has provided preliminary support to use the Rollover Funds for 1) \$2M to establish a Pension Stabilization Fund 2) \$2,649,400 transfer to the Building Maintenance Fund (with an additional \$147,150 transfer each from the Water and Wastewater Funds) to address the deficiency in the Building Maintenance Internal Service Fund Balance 3) the remaining \$2,933,162 to be transferred \$1,466,581 to the Pension Stabilization Fund and \$733,291 each to City CIP Fund and a new Facility Replacement Fund. This still leaves \$43.4 million in General Fund Reserves, which represents 99.5% of budgeted FY 18/19 General Fund operating expenditures (excludes Transfers Out) of \$43.6 million.

City staff is projecting the City's General Fund (Funds 001-003) to finish the current fiscal year with a surplus of \$300,000, with total revenues of \$47.9 million and total expenditures of \$47.6 million inclusive of the transfers of \$3.5 million to the City CIP Fund and \$331,820 for the Library HVAC Replacement project. This compares favorably to the estimated \$850,000 deficit when the FY 18/19 was adopted in June, 2018.

Significant General Fund revenues are discussed below.

Property Taxes: based on fiscal year to date receipts of property taxes from the County, staff is projecting property tax revenues will reach \$27.9 million compared to the budgeted amount of \$26.6 million as assessed valuation growth and the resulting property tax apportionment to Foster City exceed expectations and the County's refund of Excess ERAF will reach \$2.26 million due partly to an accelerated timing of payments to taxing entities.

Transient Occupancy tax (TOT): Transient Occupancy Tax revenues is projected to climb to \$4.1 million, inclusive of a full-year of operation for Towneplace Suites and the increase in the City's TOT rate from 9.5% to 11% effective 1/1/19 (and to 12% effective 7/1/19).

Property Tax In-Lieu Vehicle License Fees: Full year results are projected to be \$180,600 higher than the budgeted amount of \$3.77 million as revenue growth is proportional to the growth of assessed property values.

Sales tax revenues: City staff meets quarterly with our sales tax consultant and expectations for sales tax revenues for the fiscal year are \$3.37 million.

Other Revenues: Miscellaneous revenues are anticipated to be slightly lower than forecast as the commencement of SMC Fire effective January 13, 2019 will eliminate various Fire Department related revenues (fees and reimbursements) that will be retained by the new Fire JPA.

General Fund Expenditures: City staff expects full year personnel and service and supplies expenditures will be within the City's adopted operating budget. Labor agreements with the Police bargaining units, AFSCME, the management unit expire on June 30, 2019.

Water Enterprise Fund operating revenues totaled \$8.1 million, or 52.7% while operating expenditures were \$6.3 million or 44.4% of the annual budget. The Enterprise's staff will continue to review water purchases and sales data regularly to monitor the system's water loss.

Wastewater Enterprise Fund operating revenues totaled \$6.1 million or 54.1% and operating expenditures were \$2.6 million or 32.5% of the annual budget. These expenditures do not include all of the apportioned operating charges from the City of San Mateo for the jointly owned Wastewater Treatment Plant as they are billed to the Wastewater Enterprise quarterly in arrears. City staff anticipates that debt financing for the Wastewater Treatment Plant CIP project will occur in May/June, 2019.

As the City/District start the preparation of the FY 19/20 budget and 5-year financial plan, key financial issues include pension liability and personnel cost and asset acquisition and infrastructure maintenance and replacement, including Recreation Center, Parks Master Plan, Pilgrim Triton Phase C-22 units of workforce housing, and the construction of Levee project.