



Foster City Financial Update FY 18/19 Q1

City of Foster City
Financial Services Dept.

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in Foster City

The Adopted General Fund Budget (Funds 001-003) projects a Structural Deficit of \$850,000 for FY 18/19. With current economic conditions remaining positive; the City is anticipated to be on track to meet both revenue estimates 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 \$2.9 million or \$952,000 lower than the same quarter last year as the City received \$952,000 in one-time building permit fees from Gilead Sciences for their campus expansion last year (1st quarter of FY 17/18). Sales tax revenues saw a \$180,000 year-over-year decline due to a \$190,000 "true-up" of April to June sales tax collections in FY 17/18. Interest Income for the quarter was \$132,700 compared to the prior year's level of \$119,800 as yields on City's investment portfolio benefited from increases 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 \$13.6 million or 29.6% of the annual budget as the City made a \$4.67 million prepayment of its current year's unfunded liability obligation to CalPERS. The lump sum option represents a \$143,000 savings compared to making monthly payments. As approved by the City Council in its adoption of the FY 18/19 General Fund budget, City staff transferred \$3.5 million to the City Capital Projects Fund and \$2 million to the newly established Pension Stabilization Fund. A study session is planned for January 2019 to discuss alternatives to address the City's unfunded pension liability of over 78 million, of which \$67.5 million is for the General Fund.

The adopted General Fund budget projects a structural deficit over the next 5 years (excluding volatile one-time development revenues). The projections included an assumption of the successful passage of a Transient Occupancy Tax (TOT) ballot measure (Measure TT), increasing the tax rate from the current 9.5% to 11% effective January 1, 2019 and to 12% effective July 1, 2019. Measure TT was ultimately approved by Foster City's voters on November 6, 2018. Absent any unforeseen events, City staff anticipates that FY 18/19 estimated General Fund revenues will be realized and expenditures for the full year will be within the appropriation levels as approved by the City Council.

Water Enterprise Fund operating revenues totaled \$2.63 million, which was \$86,000 higher than the previously year as base water consumption rates and fixed meter charges increased 8% each effective 9/1/2018.

Wastewater Enterprise Fund operating revenues totaled \$1.67 million or \$51,000 higher than the same period in the prior year as base rates were increased by 14.25% effective September 1, 2018, primarily to fund debt service costs associated with the District's \$155 million share of the Wastewater Treatment Plant Master Improvements (WWTP) project. This joint project with the City of San Mateo is one of several very important projects for the community. The other being the \$90 million Levee Protection Planning and Improvements (Levee) project which will raise the existing levee to meet new FEMA flood protection requirements. Revenue Bond financing for the WWTP project is anticipated to occur in the Spring of 2019 and General Obligation Bond financing for the Levee project is anticipated to occur in June 2019.