	# Foster City Financial Update FY 20/21 Q4	**City of Foster City Financial Services Dept.** Live, Work & Play in Foster City

General Fund Unrestricted Reserves Ends Year at $52.9 million, inclusive of a FY 20/21 Rollover Surplus (the amount of Fund Balance exceeding 100% of FY 21/22 budgeted expenditures) of $4.3 million.

The City's General Fund Reserves (Funds 001to 003) ended FY 20/21 with an Unrestricted Reserve balance of $52.9 million. This balance is $4.3 million above the FY 21/22 budgeted expenditures of $48.6 million. The $4.3 million provides the City Council a tool to reduce the City's unfunded pension liability, enhance other reserves (Capital Projects Fund, Facilities Replacement Fund, Pension Stabilization Fund, etc.).

Total FY 20/21 General Fund Revenues were $48.7 million, surpassing adopted budget estimates by $995,000. However, as compared to the prior fiscal year's total of $51.2 million, it represented a decline of $2.5 million. Total expenditures, including net Transfers In/Out of $4.4 million were $46.6 million. Transfers Out included $1.35 million to the City CIP Fund. The City Council also authorized transfers out from the FY 1920 "rollover surplus" of $4.055 million to the Pension Stabilization Fund. Transfers In included $400,000 from surplus reserves in the Equipment Replacement Fund and $628,000 from the BAERS Fund as a result of it's program discontinuation.

Significant General Fund revenues are discussed below.

Property Taxes: $34.3 million (includes $3.5 million of Education Revenue Augmentation Fund "ERAF" refunds from San Mateo County) or $3.6 million above budgeted expectations due to a $1.99 million variance in ERAF and 5.6% growth in organic property tax revenues. ERAF refunds are expected to have continued volatility and subject to the State's potential scrutiny.

Property Tax In Lieu of Vehicle License Fees (VLF): $2.7 million or $1 million below budget. The countywide funding shortfall for VLF was $96 million. The County's distribution of VLF revenues are impacted by the number of non-basic aid school districts; with declines impacting the availability of monies for distribution to the cities. The County has requested the VLF shortfall amount be added in the State's next (FY 22/23) budget.

Transient Occupancy tax (TOT): $996,000 or $1.43 million below the adopted budget estimates. This revenue category is continues to be a major casualties of COVID-19 pandemic and corresponding changes in business travel.

Sales tax revenues: $3.1 million or essentially unchanged from FY 19/20. City staff had scaled down estimates for the budget, so the actual results surpassed the budget by $333,000.

Building Permits: $1.97 million or $593,000 above estimates as development activity and home improvements/remodels were better than expected

Business License Tax (BLT): $1.51 million, slipping $82,000 below estimates.

Interest Income: $302,000 or $132,000 million below estimates as interest rates tumbled as a result of the Federal Reserves monetary intervention to stimulate the economy from the adverse impacts of the COVID-19 pandemic.

Unrealized Investment Loss: $359,000 for the mark-to-market adjustment to the Investment portfolio due to the steep decline in interest rates and calls to City's investment holdings which were previously priced at premiums to par values.

Recreation fees/charges: $409,000 or $839,000 below estimates. The City Recreation Center was essentially closed for much of the year which led to the cancellation of programming and the dramatic decline in fees and charges.

Total General Fund (Funds 001to 003) expenditures were $42.2 million or $4.1 million below the amended budget. Personnel related savings accounted for $2.7 million. The combination of a citywide hiring freeze through 12/31/20, unfilled vacancies, curtailment of some supplies, services, and programs were contributors to the total budgetary savings.

While the General Fund and the City's overall fiscal health remain positive, recent organizational changes and priority projects, including the potential replacement of the Recreation Center may require drawdowns on various City reserves and the incurrence of new debt (e.g. some degree of financing for a new Recreation Center). Of course, continued discretionary payments to address the City's unfunded pension liability are also desirable.