



Foster City Financial Update FY 21/22 Q1

City of Foster City
Financial Services Dept.

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in Foster City

The City Received \$4.05 million as the 1st Tranche of American Rescue Plan Act (ARPA) Relief Funds in July. These monies provide for the recovery of lost City revenues from the COVID-19 pandemic and helps correct an otherwise projected General Fund Deficit of \$2.07 million

The FY 21/22 adopted General Fund budget (Funds 001 to 003) included a reduction of the annual transfer to the City CIP Fund from \$3.5 million to \$1.5 million and a \$2.1 million deficit. The deficit was corrected by using American Rescue Plan Act (ARPA) relief monies (for the recovery of lost revenues from the pandemic). In July, the City received the 1st tranche of funding for \$4.05 million. The 2nd and final tranche is expected in July 2022.

Excluding the \$4.05 million of ARPA revenues, total General Fund Revenues (Funds 001 to 003) were \$2.38 million compared to \$2.42 million in FY 20/21.

It is important to note that the City's revenues are non-linear and are not received evenly by 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 60% and VLF In-Lieu over 5.5% of total General Fund revenues, total first quarter revenues are normally low, as is the case for the current fiscal year. There were positive comparisons in both Transient Occupancy Tax (TOT) and Recreation revenues for the quarter. TOT and Recreation receipts totaled \$277,000 and \$387,000 respectively compared to of \$128,000 and 149,000 from a year ago. Building permit revenues were \$619,000 or \$205,000 higher than last year.

General Fund expenditures (Funds 001 to 003) totaled \$15.5 million or 32.5% of the annual budget as the City made a \$6.79 million prepayment of its current year's unfunded liability obligation to CalPERS. The lump sum option represents a \$233,000 citywide savings compared to making monthly payments. The City incurred a \$178,000 separation cost with the departure of the former City Manager. As part of its agreement with San Mateo Consolidated Fire, the City contributed its first quarter funding obligation for its 20% portion of share costs for fire protection and prevention services to the City. At its November 1 meeting,

the City Council approved a two year labor agreement with the Police Officers Association as well as a two year Management Group Compensation and Benefit Plan retroactive July 1, 2021. The City will continue with labor negotiations with its AFSCME labor unit. Lastly, a \$1.5 million transfer was made to the City Capital Projects Fund.

Although City staff continues to provide high quality services to the community, the organization has experienced its share of staff departures/retirements. Conditions in the labor market are extremely tight and challenging, so the completion of labor agreements are important. While the City has partially filled some of its staff vacancies (e.g. various engineering staff, Public Works Director, Interim City Manager, Interim Deputy City Manager, and Management Coordinator), there are current and upcoming vacancies in Community Development, Human Resources, IT, Public Works Department, Police, and Recreation departments plus the recruitment of a permanent City Manager.

As reported at the November 1 City Council meeting, the City closed out FY 2020-21 with a \$4.3 million rollover surplus. The surplus may help address one-time needs including, but not limited to unfunded pension liability, CIP projects (e.g. Recreation Center replacement), and the strengthening of City reserves (e.g. Facilities Replacement Fund).

Wastewater Enterprise Fund operating revenues totaled \$2.35 million or \$386,000 higher than the same period in the prior year as base rates were increased by 14.25% effective July 1, 2021, primarily to fund debt service costs associated with the District's current and projected debt service for the financing of its \$153.6 million share of the Wastewater Treatment Plant Master Improvements (WWTP) project with the City of San Mateo. Operating expenditures were \$1.08 million or \$21,000 higher than the same period last year. On July 1, the District closed the sale of \$62.76 million of wastewater revenue notes to attain a \$1.1 million financing savings before drawing on the WIFIA loan in 2025 to pay off the notes.