



Foster City Financial Update FY 18/19 Q3

City of Foster City
Financial Services Dept.

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Projected General Fund surplus for FY 18/19 is \$980,000

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). On April 15, 2019, the City Council authorized the allocation of the Rollover Funds for 1) \$3,432,974 for the Pension Stabilization Fund 2) \$2,716,614 transfer to the Building Maintenance Fund (with an additional \$150,923 transfer each from the Water and Wastewater Funds) to address the deficiency in the Building Maintenance Internal Service Fund Balance; and 3) \$716,487 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 the adopted FY 18/19 General Fund operating budget (excludes Transfers Out) of \$43.6 million.

City staff is projecting the General Fund (Funds 001-003) to finish the current fiscal year with a \$980,000 surplus, with total revenues of \$48.92 million and total expenditures of \$47.94 million inclusive of the transfers of \$3.5 million to the City CIP Fund, \$76,765 to the Sustainable Foster City 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 have exceeded expectations.

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 countywide 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.

Rental Revenues: The City received \$393,300 from Gilead for fiber optic network facilities placed in the City's public right of way.

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: On January 13, 2019, San Mateo Consolidated Fire Department (SMC FD) commenced operations. Fire protection and prevention personnel and operating costs previously paid directly by the City will instead be paid to SMC FD as personnel from the cities of Foster City, Belmont, and San Mateo became employees of SMC FD with the three cities responsible under a JPA agreement to a 20%/20%/60% budgetary cost sharing arrangement. Each City also transferred fire vehicles and equipment and asset replacement reserves to SMC FD. Staff expects full year personnel and service and supplies expenditures to be within the adopted operating budget. Labor agreements with the Police bargaining units, AFSCME, the management unit expire on June 30, 2019 with a one-year extension pending approval by the City Council.

Water Enterprise Fund operating revenues totaled \$9.96 million, or 64.5% while operating expenditures were \$8.46 million or 59.7% 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 \$8.08 million or 71.2% and operating expenditures were \$4.26 million or 52.4% 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 June, 2019.