



Foster City Financial Update FY 19/20 Q2

City of Foster City
Financial Services Dept.

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The City's General Fund is projected to finish FY 19/20 with a \$1.8 million surplus with reserves at 100% of operating expenditures. However, unfunded pension liability, the recreation center project, parks master plan, and the outcome of the levee project construction bids are among the fiscal concerns.

The City's General Fund Reserves (Funds 001-003) began the fiscal year at \$52.2 million, inclusive of a \$6,773,154 FY 18/19 "rollover surplus". City staff recommends using these funds for 1) \$3.5 million transfer to the Pension Stabilization Fund to pay of the remaining estimated balance of the Public Safety "classic" plan's 6/30/16 Asset Loss base and 2) \$1,636,577 transfers each to the City CIP Fund and the City Facilities Fund. This still leaves \$45.4 million in General Fund Reserves, which represents 100% of budgeted FY 19/20 General Fund operating expenditures (excludes Transfers Out).

City staff is projecting the City's General Fund (Funds 001-003) to finish the current fiscal year with a surplus of \$1.8 million with total revenues of \$50.8 million and total expenditures of \$49.0 million inclusive of the transfers of \$3.5 million to the City CIP Fund.

Significant General Fund revenues are discussed below.

Property Taxes: Based on fiscal year-to-date receipts and full year estimates of property taxes revenues from the County, staff is projecting property tax revenues will reach \$30.1 million in FY 19/20.

Property Tax in lieu of Vehicle License Fees (VLF): VLF revenues are anticipated to decline by \$738,400 to \$3,463,600 from an adopted budget estimate of \$4,202,000. The shortfall is due the deficiency of available property taxes designated to fund VLF. San Mateo County is reaching out to the State for a FY 2020-2021 appropriation to cover this shortfall, which totals \$42.4 million county-wide.

Transient Occupancy tax (TOT): Transient Occupancy Tax revenues is projected to climb to \$4.85 million, The City's TOT rate increased from 11% to 12% effective 7/1/19.

Sales tax revenues: City staff meets quarterly with its sales tax consultant and revenues for the fiscal year have been elevated by \$118,900 to \$3.51 million.

General Fund Expenditures: City staff expects full year personnel and service and supplies expenditures will be within the City's adopted operating budget.

Special Revenue Funds: The Housing Successor Fund received \$61,697 from Bridge Housing in November, 2019 and the Affordable Housing Fund received \$25,151 from MP Foster Square in October, 2019 for affordable housing residual receipts for the Metro Center Senior Homes and Alma Point projects respectively.

Capital Asset Acquisition and Replacement Fund: This fund holds a balance of \$40.3 million. After adding an estimated \$1.68 million from PJCC loan repayments and investment earnings, the projected 6/30/20 balance is anticipated to reach \$42 million, with \$7 million earmarked for the purchase 22 units of workforce housing for Pilgrim Triton Phase C project.

Water Enterprise Fund operating revenues totaled \$8.8 million, or 49.6% while operating expenditures were \$6.8 million or 45.3% of the annual budget. The Enterprise's staff continues to monitor the system's water loss.

Wastewater Enterprise Fund operating revenues totaled \$7.0 million or 50.4% and operating expenditures were \$2.8 million or 36.7% 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. The Wastewater Treatment Plant CIP project is financed with proceeds from the San Mateo-Foster City PFA 2019 bonds issued in June, 2019.

As the City/District start the preparation of the FY 20/21 budget and 5-year financial plan, key financial concerns include an estimated \$82.3 unfunded pension liability, pending labor negotiations for all personnel groups, Recreation Center repairs/replacement, Parks Master Plan, and the pending bid outcomes for the construction of the Levee project.