



Foster City Financial Update FY 20/21 Q3

City of Foster City
Financial Services Dept.

Live, Work & Play
in Foster City

City staff is projecting a \$223,000 surplus for FY 20/21, subject to a continuation of revenue recovery from the COVID-19 pandemic. In addition, the 1st tranche of the American Rescue Plan Act (ARPA) federal relief funds of \$3.19 million is expected in June, 2021

Adverse economic conditions from the COVID-19 pandemic continued through much of the 3rd quarter of the fiscal year. General Fund revenues, especially from our local hotels and the City's recreation center programs/rentals remained compromised. Although the FY 20/21 adopted General Fund budget included a downsizing of revenues, it was still susceptible to incorrect assumptions and uncertainty. In approving the FY 20/21 budget which included a \$644,000 structural deficit, the City Council tasked staff to continue its efforts to close/eliminate the budget shortfall in FY 20/21. Over the past nine months, staff's efforts to cure the structural deficit included a \$400,000 transfer of surplus reserves from the Equipment Replacement Fund and a \$627,619 transfer of Fund Balance from the BAERS Fund (due to the discontinuation of this program) to the General Fund. These efforts have led to City staff's current forecast that shows the elimination of the deficit and a projected \$223,000 surplus. The City is also expecting the 1st tranche of federal ARPA relief funds of \$3.19 million in June 2021 with the 2nd tranche for the same amount in June 2022.

Total General Fund Revenues (Funds 001 to 003) for the nine month period were \$29.6 million or \$2.7 million lower than the same period last year. There were severe year-over-year declines in Transient Occupancy Tax (TOT) revenues and Parks and recreations revenues of \$2.4 million or 81.3% and \$1.1 million or 74.4% respectively. Interest Income for the period sank by 63.1% to \$247,000 as interest rates plummeted to near zero as the Federal Reserve injected monetary stimulus to the economy to combat the economic contraction caused by the COVID-19 pandemic. These shortfalls were partially mitigated by a \$1.7 million gain in property tax revenues for the nine months. The City received \$407,000 of CARES Act funding which help replenish its Community Benefits Fund which has provided over \$500,000 of financial assistance to local businesses and non-profits. General Fund expenditures (Funds 001 to 003) totaled

\$35 million or 75.4% of the annual budget as the City made a \$6.21 million prepayment of its mandatory annual unfunded liability obligation to CalPERS. The lump sum option represents a \$214,000 savings compared to making monthly payments. The City also contributed its full 12 months of funding to the San Mateo Consolidated Fire for its portion of share costs for fire protection and prevention services to the City, which amounts to a prepayment of \$1.99 million. The City also agreed to a one-year MOU with its AFSCME labor unit with no wage increases, saving an estimated \$96,000 for the General Fund. Labor negotiations are continuing for the Police Officers Association as well as the unrepresented Management Unit. Lastly, a \$1.35 million transfer was made to the City Capital Projects Fund. As a part of the City's structural budget remediation strategy, City staff also identified \$286,000 of various personnel cost savings for FY 20/21, primarily from vacancies and unneeded part-time/seasonal labor.

Water Enterprise Fund operating revenues and expenditures were \$11.6 million and \$9.8 million respectively and within budget expectations. Wastewater Enterprise Fund operating revenues totaled \$10.1 million or \$1.1 million higher than the same period in the prior year as base rates were increased by 14.25% effective July 1, 2020, 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 \$4.6 million or \$131,000 higher than the same period last year. In November 2020, the District and the City of San Mateo completed a Water Infrastructure Financing and Innovation Act (WIFIA) loan with the Environmental Protection Agency (EPA) for its 2nd tranche of financing for the WWTP project. The interest rate on the District's portion of the loan was 1.14%. City staff is currently working on issuing 4-year wastewater revenue notes to further take advantage of the current low interest rate environment. These notes will be taken out by the \$66.86 million WIFIA loan at the end of its 4-year term.