

	<h1>Foster City Financial Update FY 2022-23 Q3</h1>	<p>City of Foster City Financial Services Dept.</p>
		<p>Live, Work & Play in Foster City</p>

The City's General Fund is projected to end the fiscal year with a \$5.65 million surplus, inclusive of the 2nd and Final Tranche of American Rescue Plan Act (ARPA) relief funds of \$4.05 million.

Despite economic headwinds from high interest rates and high inflation, the City saw improvements in multiple revenue segments over the past nine months. Combined that with the July receipt of the final tranche of American Rescue Plan Act (ARPA) relief funds of \$4.05 million for the recovery of loss revenues from COVID-19, City staff is projecting a \$5.65 million General Fund surplus by year end.

Total General Fund Revenues (Funds 001 to 003), excluding ARPA relief funds for the nine month period were \$43.8 million or \$7.2 million higher than the same period last year. There were year-over-year revenue improvements in property tax, property tax in lieu of vehicle license fees, sales tax, transient occupancy tax (TOT), business license tax, and recreation program fees of \$2.7 million, \$2.5 million, \$0.4 million, \$0.8 million, \$0.2 million, and \$0.4 million respectively. Interest Income for the period surged year-over-year from \$120,000 to \$886,000 as the Federal Reserve raised their discount rate 475 basis points from March 2021 to March 2023 to combat the rapid rise in U.S. inflation.

General Fund expenditures (Funds 001 to 003) totaled \$39.3 million or 72.6% of the annual budget compared to the prior year's mark of \$37.8 million. The City contributed 12 months of funding obligation to San Mateo Consolidated Fire for its portion of share costs for fire protection and prevention services which equates to a fourth quarter prepayment of \$2.18 million. In FY 2021-22, the City agreed to two-year agreements with its AFSCME and POA labor units as well as its unrepresented management unit. Based on these agreements, the CPI adjusted wages for city staff increased by 5% for the current fiscal year.

In August 2022, the City completed the \$7 mil-

lion purchase of 22 workforce housing units using Capital Asset Acquisition and Replacement Fund reserves. The City's \$55 million built-to-budget Recreation Center rebuild is currently in the schematic design phase and is expected to extend through construction of the project which is anticipated to be completed in 2026. Funding for project was approved last fiscal year utilizing 19 million of General Fund Reserves and \$36 million for the Capital Asset Acquisition and Replacement Reserves.

Water Enterprise Fund operating revenues and expenditures were \$10.68 million and \$9.89 million respectively. Wastewater Enterprise operating revenues totaled \$13.67 million and included a 14.25% base rate increase effective July 1, 2022, primarily to fund debt service costs as well as to pay for non debt financed construction costs of the \$158.3 million Wastewater Treatment Plant Master Improvements (WWTP) project (our share of this joint project with the City of San Mateo). Operating expenditures for the nine months were \$5.3 million and within expectations.

As City staff prepares its preliminary FY 2023-24 budget and five-year financial plan, current risks include the duration of high interest rates and inflation, the potential of a contagion from the recent bank failures, the possibility of a recession later this year, retention and recruitment of staff, and the State's posturing of possibly not backfilling the County's and thereby the City's VLF shortfalls. The projected \$5.65 million in General Fund surplus for this fiscal year as well as our overall healthy reserve level may help provide a temporary cushion for the financial impacts from such risks. In addition, such funds will likely be drawn upon for the anticipated FY 2023-24 structural deficit.