



The City's General Fund is projected to end the fiscal year with a \$1.62 million surplus as a result of \$4.05 million in American Rescue Plan Act (ARPA) relief funds received in July, which helped negate an otherwise projected General Fund Deficit of \$2.43 million

While some green shoots are now emerging, the adverse impacts of the COVID-19 pandemic continued through the 3rd quarter of the fiscal year. General Fund revenues, especially from our local hotels are still challenged and are only at 36% compared to the 9 month period of FY 2019-20. The unfavorable conditions were muted as the Federal Government provided municipalities with 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.

Total General Fund Revenues (Funds 001 to 003), excluding ARPA relief funds for the nine month period were \$32.6 million or \$2.9 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), building permits, recreation program fees, and rental of \$0.2 million, \$0.3 million, \$0.2 million, \$0.2 million, \$0.6 million, \$0.4 million, \$0.4 million, and \$0.4 million respectively. Interest Income for the period sank by 51.4% to \$120,000 as interest rates sank for much of the 1st 6 months of the fiscal year before improving in Q3 as the Federal Reserve has since increased the discount rate due the rapid rise in U.S. inflation.

General Fund expenditures (Funds 001 to 003) totaled \$37.8 million or 75.7% of the annual budget as the City made a \$6.79 million prepayment on its annually required unfunded accrued liability payment to CalPERS. The lump sum payment option represents a \$233,000 citywide savings compared to making monthly payments. The City also contributed 12 months of funding obligation to San Mateo Consolidated Fire for its portion of share costs for fire protection and prevention services to the City, which equates to a fourth quarter prepayment of \$2.1 million. The City agreed to two-year agreements with its AFSCME and POA labor units

as well as its unrepresented management unit. The wage and benefit adjustments took into consideration the current retention and recruitment challenges. As a deficit reduction action, the City pared down its normal \$3.5 million transfer to the City Capital Projects Fund to \$1.5 million. The City County also authorized the funding of a \$55 million built-to-budget of the Recreation Center utilizing 19 million of General Fund Reserves and \$36 million for the Capital Asset Acquisition and Replacement Fund.

Water Enterprise Fund operating revenues and expenditures were \$10.19 million and \$9.35 million respectively. Wastewater Enterprise operating revenues totaled \$11.12 million or \$981,000 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 \$4.9 million and within expectations. On July 1, the District closed the sale on \$62.76 million of wastewater revenue notes to attain a \$1.1 million financing savings before drawing on its WIFIA loan to pay off the notes in 2025.

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, and the strengthening of other City reserves (e.g. Facilities Replacement Fund). City staff will be seeking City Council direction on a pension liability reduction policy. As of this writing, on May 9, the City Council will review the City's preliminary budget and 5-year financial plan which identifies a multi-year structural deficit. This rollover surplus may be simply held in General Fund reserves while the City Council considers a possible Business License revenue measure to address the General Fund structural deficit.