City of Foster City
Financial Services Dept.

Foster City Financial Update FY 22/23 Q1

Live, Work & Play
in Foster City

The City Received $4.05 million as the Final Tranche of American Rescue Plan Act (ARPA) Relief Funds in July. These monies help alleviate an otherwise projected General Fund Deficit of $3.94 million

The FY 22/23 adopted General Fund budget (Funds 001 to 003) included a projected structural deficit of $3.94 million, inclusive of a $3.5 million transfer out to the City's Capital Improvement Projects Fund. The deficit was alleviated by the July receipt of the final tranche of American Rescue Plan Act (ARPA) relief monies for $4.05 million (for the recovery of loss revenues from the COVID-19 pandemic).

Total General Fund Revenues (Funds 001 to 003) in the 1st quarter were $8.74 million compared to $6.43 million in FY 21/22. This is due primarily to the $2.01 million backfill of FY 20/21 Property Tax in-lieu of VLF we received from the State in August 2022.

It is important to note that the City's revenues are non-linear and are not received evenly by the City over the course of the fiscal year. As an example, most property tax revenues are paid by the County to the City in December and April. Since property taxes account for over 60% of total General Fund revenues, total first quarter revenues are normally low, as is the case for the current fiscal year. There were positive comparisons in both Transient Occupancy Tax (TOT) and Recreation revenues for the quarter. TOT and Recreation receipts totaled $489,000 and $610,000 respectively compared to of $277,000 and 387,000 from a year ago. As the Federal Reserve continues to raise the discount rate, staff is projecting a significant improvement in its interest income earnings,

General Fund expenditures (Funds 001 to 003) totaled $20.1 million or 37.3% of the annual budget as the City made a $7.51 million prepayment of its current year's unfunded liability obligation to CalPERS. The lump sum option represents a $258,000 citywide savings compared to making monthly payments. As part of its agreement with San Mateo Consolidated Fire, the City contributed both it's first and second quarter funding obligations for its 20% portion of share costs for fire protection and prevention services to the City.

Based on its labor agreements with the Police Officers Association and AFSCME as well as it's Management Group Compensation and Benefit Plan executed last year, the CPI adjusted wages for city staff increased by 5% in FY 22/23. Labor agreements are due to expire on 6/30/23, with focus also on the completion of the citywide classification and compensation studies.

As reported at the November 7 City Council meeting, the City closed out FY 2021-22 with a $44 million General Fund Reserve, after making a $19 million transfer to the City's CIP Fund for the Recreation replacement project earlier that year. The $44 million represents a reserve level of 82% of budgeted FY 22/23 operating expenditures.

In August 2022, the City completed the $7 million purchase of 22 workforce housing units using reserves from the Capital Asset Acquisition and Replacement Fund..

Water Enterprise operating revenues are essentially unchanged from last year due to conservation efforts of the community. Wastewater Enterprise Fund operating revenues totaled $2.79 million or 440,000 higher than the same period in the prior year as base rates were increased by 14.25% effective July 1, 2022 primarily to fund debt service costs associated with the District's financing of its $153 million share of the Wastewater Treatment Plant Master Improvements (WWTP) project with the City of San Mateo. Operating expenditures were $1.24 million or $160,000 higher than the same period last year.

The organization continues to experience its share of staff departures, including the recent separation of the Deputy City Manager and Human Resources Director. With conditions in the labor market still extremely tight, employee retention and recruitment remains a high priority. The projected multi-year structural deficit, impacts from the negative 6.1% CalPERS returns last year, high inflation, and a potential recession next year are some of the challenges as City staff initiates the preparing of the FY 23/24 budget and 5-year financial plan .