	# Foster City Financial Update FY 22/23 Q4	**City of Foster City Financial Services Dept.** Live, Work & Play in Foster City

General Fund Unrestricted Reserves Ends Year at $58.6 million including receipt of the 2nd tranche of ARPA relief funds for $4.05 million.

The City's General Fund Reserves (Funds 001to 003) ended FY 22/23 with an Unrestricted Reserve balance of $58.6 million. This balance represents a reserve level of 100% of FY 23/24 budgeted expenditures of $53.5 million.

Total FY 22/23 General Fund Revenues, including $4.05 million of American Rescue Plan Act (ARPA) were $65.9 million, surpassing adopted budget estimates by $8.9 million. Total expenditures, excluding net Transfers Out were $48.4 million. Total transfers out of $3.52 million included $3.5 million to the City CIP Fund and $41,983 for Successor Agency loan repayment designated to the Housing Successor Fund. A transfer in of $21,287 were from the Foundation Fund for the summer concerts.

Significant General Fund revenues are discussed below.

Property Taxes: $37.2 million (includes $3.3 million of Education Revenue Augmentation Fund "ERAF" refunds from San Mateo County) or $2.8 million above budgeted expectations due primarily to a $1.7 million variance in ERAF and moderate growth in organic property tax revenues. ERAF refunds are expected to have continued volatility and subject to the State's potential scrutiny. Real estate transfer taxes totaled $211,000 and fell short of budget by $94,000 as the inventory of homes available for sale diminished with the rise of mortgage rates following the profusion of refinancings when 30 year mortgage rates were in the 3% range.

Property Tax In Lieu of Vehicle License Fees (VLF): $5.7 million or $1.1 million above budget as the State provided backfill for prior period shortfalls. Since the County's distribution of VLF revenues are impacted by the number of non-basic aid school districts; with declines impacting the availability of monies for distribution to the cities, the recovery of any shortfalls from the State has inherent uncertainty. Thus far, the State has approved funding 2 years after the occurrence of annual VLF shortfalls, but has not been supportive of a legislative fix to the VLF issue.

Transient Occupancy tax (TOT): $3.4 million or $975,000 above the adopted budget estimates. Although these revenues are still not at pre-pandemic levels, the recovery trend is promising.

Sales tax revenues: $4.4 million or $1.3 million above budget estimates. The higher price of gas and merchandise along with strong consumer spending contributed to the robust results.

Business License Tax (BLT): $1.7 million, bettering estimates by $254,000.

Interest and rental income: $3.2 million or $1.7 million higher than estimates as the Federal Reserve's Federal Funds rate ascended 350 basis points in FY 2022-23 and demand for facility rentals accelerated.

Recreation fees/charges: $1.4 million or $157,000 above budget with solid demand for programing and classes.

Total General Fund (Funds 001to 003) expenditures were $48.4 million or $6.1 million below the amended budget. Personnel related savings accounted for $3.9 million and supplies and contract services $2.1 million. While the City was able to fill some positions, the multitude of staff vacancies and supply chain disruptions contributed to the unexpended employee services budget as well as delays and postponement of work plans and related procurements.

During the year, the City made strong process in the Levee CIP project and is expecting substantial completion by January 2024. The acquisition of 22 workforce housing units were completed in August 2022.

Both the Water and Wastewater enterprises had gains in its overall Net Positions and exceeded its 25% reserve levels for its operating funds and its $2 million minimum level for its capital improvement projects program.

The City's overall fiscal health at the conclusion of FY 2022-23 remains positive. However, the expiration of ARPA funding, higher costs associated with adjustments made from the results of the classification and compensation studies, new labor agreements, and an increase in head counts approved in the FY 2023-24 budget are contributing to anticipated multi-year structural deficits to the City's General Fund.