

**City of Foster City and  
Estero Municipal Improvement District  
*California***



**Comprehensive Annual Financial Report  
Prepared by the Department of Financial Services  
Fiscal Year Ended June 30, 2014**

**CITY OF FOSTER CITY AND  
ESTERO MUNICIPAL IMPROVEMENT DISTRICT  
CALIFORNIA**

**Comprehensive Annual Financial Report**

**Prepared by the Department of Financial Services**

**For the Fiscal Year Ended June 30, 2014**

Charlie Bronitsky, Mayor

Art Kiesel, Vice Mayor

Steve Okamoto, Councilmember

Herb Perez, Councilmember

Gary Pollard, Councilmember

James C. Hardy, City Manager/City Treasurer

Jean B. Savaree, City Attorney

Lin-Lin Cheng, Finance Director

Brad Underwood, Public Works Director

Ann Ritzma, Human Resources Director

Matthew Martell, Police Chief

Kevin Miller, Parks & Recreation Director

Michael Keefe, Fire Chief

Curtis Banks, Community Development Director

Doris Palmer, City Clerk

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**City of Foster City and Estero Municipal Improvement District  
 Comprehensive Annual Financial Report  
 For the fiscal year ended June 30, 2014**

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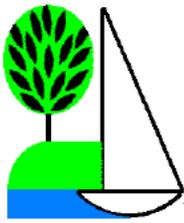
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# **INTRODUCTORY SECTION**



*City of Foster City*

**ESTERO MUNICIPAL IMPROVEMENT DISTRICT**

610 FOSTER CITY BOULEVARD  
FOSTER CITY, CA 94404-2222  
(650) 286-3200  
FAX (650) 574-3483

November 25, 2014

Honorable Mayor and Members of the City Council,  
Board of Directors of the Estero Municipal Improvement District  
and Citizens of Foster City  
City of Foster City, California

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

The Comprehensive Annual Financial Report (CAFR) of the City of Foster City (City) and the Estero Municipal Improvement District (District) for the fiscal year ended June 30, 2014 is hereby submitted. This report was prepared by the Financial Services Department, which is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation of this report, including all disclosures. We believe the data, as presented, are accurate in all material aspects and presented in a manner designed to fairly set forth the financial position and results of operations of the City/District as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City/District's financial affairs have been included.

The City/District prepared the Comprehensive Annual Financial Report using the financial reporting requirements as prescribed by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*. This GASB Statement requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the management's discussion and analysis and should be read in conjunction with it. The management's discussion and analysis can be found immediately following the report of the independent auditor.

The Comprehensive Annual Financial Report is organized into three sections:

- The ***Introductory Section*** includes this transmittal letter, the City/District's organizational chart and a list of principal officials. This section is intended to familiarize the reader with the organizational structure of the City/District, the nature and scope of the services it provides, and the specifics of its legal operating environment.
- The ***Financial Section*** includes the management's discussion and analysis, the basic financial statements, notes and other required supplementary information. The basic financial statements include the government-wide financial statements that present an overview of the City/District's entire financial operations and the fund financial statements that present the financial information for each of the City/District's major funds, as well as non-major governmental and other funds. Also included in this section is the independent auditor's report on the financial statements and schedules.

- The **Statistical Section** contains comprehensive statistical data on the City/District's financial, physical, economic, social and political characteristics.

The City/District's Comprehensive Annual Financial Report includes the funds of the primary government and enterprise activities that are not considered separate legal entities. Currently, there are no component units for which the primary government is financially accountable. Therefore, no financial balances or activities are reported as component units as of and for the fiscal year ended June 30, 2014.

## **INDEPENDENT AUDIT**

The City/District requires that its financial statements be audited annually by an independent certified public accountant selected by the City Council/District Board. The City/District has contracted with Vavrinek, Trine, Day and Company, LLP Certified Public Accountants, to conduct the audit for FY 2013-2014 and the independent auditor's opinion is included in this report.

In addition, the City/District is required to file financial and operational information with the State of California and the County of San Mateo. All required reporting information has been filed in a timely manner.

## **PROFILE OF THE GOVERNMENT**

The District was created by the California State Legislature in 1960 as a general-purpose district with municipal power, including the power to issue municipal bonds. The Board of Directors of the District was created and issued over \$80 million in bonds to provide the infrastructure for a new, master-planned community which was to be built on what then was a dairy farm and salt ponds adjacent to the San Francisco Bay. The bond proceeds were used to fill and reclaim the land and to finance construction of a man-made lagoon for storm drainage and recreation, a water system, a sewer system, a street system which included roads, bridges and street lights, a parks system, and a fire station. The first residents of this new community known as "Foster City" moved into their homes in 1964.

The City was officially incorporated on April 27, 1971. The newly elected City Council also began to serve as the Board of Directors for the District. The City is a general law city and has a Council-Manager form of government. Policy making and legislative authority are vested in a governing council consisting of the City Mayor/District Board President and four other members. There are five City Council/District Board Members elected by seat number for staggered four-year terms, with a two-term limit. The City Manager is responsible for carrying out the policies and ordinances of the Council/Board, for overseeing day-to-day operations of the City/District, and for appointing the heads of the various departments. The City Manager, City Attorney, Planning Commissioners, and Citizen Advisory Committee Members are appointed by the City Council/ District Board. The City Council/District Board is financially accountable for City/District operations and the Successor Agency. The Comprehensive Annual Financial Report includes all funds of the City/District, and the Successor Agency's activities are reported under fiduciary fund type as a private purpose trust fund.

Located on the San Francisco Peninsula, ten (10) miles south of the San Francisco International Airport, the City/District encompasses a geographic area of 12,345 acres, of which 9,726 acres are part of San Francisco Bay and Belmont Slough, and 2,619 acres are land. The City/District serves a population of 31,120 and provides a full range of municipal services, including police protection; fire suppression, prevention and advanced life support programs; water and wastewater services; construction and maintenance of streets, storm drains, lagoons, levees, bridges, and infrastructure; community development and redevelopment; maintenance and protection of the physical environment; construction and maintenance of parks and recreational amenities; leisure, entertainment and educational programs; and general government operations and services.

## **ACCOUNTING AND BUDGETING SYSTEMS**

The City/District's financial picture is more readily understood with a general introduction to our accounting and budgeting systems. These systems provide the means for allocating available resources and for the proper control and recording of revenues and expenditures.

As part of our ongoing effort to maintain fiscal stewardship and financial accountability, the City/District uses a fully computerized accounting system. The accounting system is updated regularly to keep abreast of changing accounting techniques and principles. In developing, evaluating and maintaining the City/District's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding: 1) the safeguarding of assets against loss from unauthorized use or disposition, and 2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. The City/District's internal accounting controls are designed to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City/District's budget is a detailed operating plan that identifies estimated costs and results in relation to estimated revenues. The budget includes: 1) the programs, projects, services and activities to be carried on during the fiscal year; 2) the estimated revenue available to finance the operating plan; and, 3) the estimated spending requirements of the operating plan. The budget represents a process where policy decisions by the City Council/District Board are made and then implemented. The City/District is required to adopt an annual budget on or before June 30<sup>th</sup> for the ensuing fiscal year. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various departments. All appropriations lapse and must be re-authorized at the end of the fiscal year if they have not been spent or legally committed.

In addition to internal controls, the City/District also maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embedded in the annual appropriated budget approved by the City Council/District Board. The City Council and District Board may amend the budget by resolution. The budget is adopted at the object level of expenditure within departments. The City Manager may transfer appropriations from one program, activity, or object to another within a department within the same fund but not between departments or funds. Accordingly, the lowest level of budgetary control established by the City Council/District Board is at the department level. The City/District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end.

## **LOCAL ECONOMY**

The local economy continued its recovery from the global recession throughout fiscal year 2014. The development activity was very robust in fiscal year 2014 and development related revenues, permit fees, plan check fees, and business license tax all exceeded expectations. Based on the development activity currently underway, revenues are poised for growth going forward due to the residual effect that commercial/residential development has on the General Fund's other sources of revenue.

The City/District's real estate market has rebounded, and the market value of real estate has well exceeded its pre-recession value. With the recent completed and undergoing residential and commercial development, the City/District is experiencing a healthy growth in the property tax revenue, which lead to healthy fund reserves that will allow the City/District to maintain its infrastructure and to provide quality services.

The City/District's sales tax revenues declined as the largest sales tax generator moved its operations out the City/District in 2012. The current development projects have brought in one-time sales tax revenues during the construction phase, it is expected that at the completion of the retail section of each developments sales tax revenue will be enhanced.

To address the vulnerability and challenges of the local economy, the City/District established a Sustainable Economic Development Strategic Plan, not only to preserve and enhance the property tax and sales tax as the top two major revenue sources of the City/District, but also to achieve the vision to "Sustain and Enhance the Quality of Life in Foster City."

## LONG-TERM FINANCIAL PLAN

In Foster City, City/District fiscal policy establishes the framework upon which short and long-term financial decisions are made. In particular, it identifies the long-range goals needed for fiscal sustainability and develops strategies necessary to achieve these goals.

The City/District has established a minimum reserve policy for its General Fund at 33⅓% of annual operating expenditures and for its Water and Wastewater Funds at 25% of annual operating expenses. In addition, a \$2 million emergency reserve is established for each of the three Capital Projects Funds programs – City, Water and Wastewater. The minimum reserve policy could help prevent the City from spending beyond its sustainable means during periods of economic growth, while also providing the City a mechanism to maintain services at desired levels during economic downturns. The emergency reserve could ensure business continuity if the City faces catastrophic situations. In addition, since fiscal year 2011 the City/District implemented long-term funding for potential capital improvement projects over a 10-year horizon.

The City/District has also established internal services funds to reserve funding for vehicle and equipment replacement, information and technology equipment maintenance and replacement, building repair and maintenance, self-insurance for legal liability, and other post-employment benefits. This is another layer of the City/District's prudent long-term plan, not only to budget the true cost of operations from year-to-year, but also to guarantee the availability of resources to continue the high level of quality services in the future.

The City/District has adopted a five-year financial projection model as its basis for developing a long-term financial plan. The plan takes into consideration various financial and economic factors received from various sources. Such information includes residential and commercial property value trends, assessed valuation data, unemployment rates, consumer spending trends, consumer price indices, interest rates, investment performance of the CalPERS investment portfolio, State budget and financial forecasts, and qualitative data received from discussions and interviews with key business leaders in Foster City.

The City/District uses long-term financial planning to ensure stability through ups and downs in economic cycles. It also allows decision makers to better understand the true effect of policy decisions. Through the City/District's long-term financial planning, the City/District has solved the General Fund structural deficit by reducing service levels, sharing services, managing compensation and benefits costs, and enhancing revenues during the prior fiscal years and reached a balanced budget for FY 2013-2014. The City/District's five-year financial plan (FY 2014-2015 to FY 2018-2019) also shows a balanced budget throughout. The City/District is well on the way to economic recovery.

The CalPERS pension reform continues to have a significant impact on the City's long-term financial plan. In addition to the current unfunded liability, the decrease of the assumption for CalPERS investment rate of return from 7.75% to 7.50%, revision of the rate smoothing policy, and the demographic assumption changes will increase the employer contribution rate from 1.5% to 4.5 % starting FY 2015-2016.

The City/District has been closely monitoring employee compensation and benefits costs, and is taking control measures and funding preparation for other post-employment benefit liabilities. Historically, the City/District has taken a conservative approach in providing reasonable compensation and benefits to the employees which has kept the City/District's liabilities at a manageable level compared to other local governments. In recent years, the City/District has taken further steps in trimming personnel costs by reducing the work force, sharing services, shifting defined benefits to defined contribution, and establishing a second tier retirement plan. The City/District will carefully consider the long-term implication of its decisions regarding personnel-related spending and liabilities in the years to come.

The City's five-year financial forecast includes an assumption of a 2% cost of living increase in compensation, and significant revenues from the local private developments, such as Gilead Sciences South Campus, Triton Pointe, Waverly (Triton-Pilgrim Phase III), Bio-Med, Chess-Hatch, Foster Square, and Extended Stay Hotel. Again, the City/District took a conservative approach by excluding the Chess-Hatch development until which time the developer of the site indicates that it has secured a long-term tenant and anticipates starting construction. With this forecast, the City achieved a balanced budget in the General Fund from FY 2014-2015 through FY 2018-2019.

## MAJOR INITIATIVES

The following major initiatives were completed or are in progress as of June 30, 2014:

- Balanced Budget – The City/District achieved a balanced General Fund Budget and the revenues exceeded expenditures by \$4.9 million in FY 2013-2014.
- Fire Shared Service – The City of Foster City and the City of San Mateo entered into a contract on July 1, 2010 to share the Fire Department management and administration services. The Belmont Fire Protection District entered into an agreement with the City of Foster City and the City of San Mateo to share the Fire management and administration services on January 1, 2013. All parties believe this is a prudent way to deliver important public safety services and the shared service is functioning well. The shared services are reviewed and evaluated periodically.
- Fire Apparatus – The City is replacing one of the oldest frontline Fire Engine which was built in 1997. Through the Joint Apparatus Committee's recommendation, the City participated in the HGAC (Houston-Galveston Area Council) purchasing co-op and obtained the best price (\$583,000) from Pierce Manufacturing, Inc. for a new Fire Engine - Pierce Arrow XT 1750 GPM Pumper. The funding was from the Internal Services Fund, specifically the Vehicle Replacement Fund.
- Sale of City's 15-acre Site – On October 3, 2014 the City/District sold the 15-acre site adjacent to the Government Center to The New Home Company (TNHC-HW Foster City, LLC) for a mixed-use development consisting of Senior Housing (market rate and affordable, for sale and rental), retail and public plaza/promenades. The construction of the Phase I – for sale and affordable units will start in December 2014.
- Pilgrim-Triton Development Project – Phase 1 of the Pilgrim-Triton development project (The Plaza) completed the construction of 300 apartment units and 17,000 square feet of commercial space. Phase 2 of the Pilgrim-Triton development project (The Triton Pointe) is well underway and is expected to be completed in FY 2014-2015. Phase 3 (Waverly) commenced construction in FY 2014-2015.
- Park Improvements – During the fiscal year, the City/District completed the installation of synthetic turf at Edgewater Park sports field, tennis and basketball courts resurfacing at various parks, and Boothbay Park natural turf renovation.
- New Parks – In November 2013, City Council authorized an agreement with Callander and Associates for architectural support services and to provide plan and specification for the construction of Werder Park and Destination Park. The City Council further approved plans and specifications, call for bids, and awarded the bids for both parks. The construction of both parks will take place in the second quarter of FY 2014-2015, and both projects are funded by Park-in-lieu fees.
- Traffic Improvement – The City continued fine tuning the traffic signal coordination and completed the project in FY 2013-2014. Signal interlock was installed at Foster City Boulevard, Chess Drive, and SR 92. The City also completed Triton Drive widening project and modified the signal at Foster City Boulevard and Triton Drive. Also, an eastbound lane on Metro Center Boulevard was added.
- Vintage Park Overcrossing Project – This project consists of the identification and evaluation of various maintenance and rehabilitation methods for resolving settlement issues at the approach slabs to the Vintage Park Overcrossing, and the subsequent design and construction of improvements to correct the problem. The construction of the project will take place in FY 2014-2015.

- Dredging at the Lagoon Intake Structure – The water level in the City’s lagoon is controlled by allowing water to flow through the intake structure by the Sea Cloud Park and pumping water out of the lagoon into the bay by the Corporation Yard. This project is to remove the sedimentation in front of the lagoon intake structure to ensure water flowing freely into the lagoon and accurate water level readings from the Bay Level Transducer.
- Sanitary Sewer Lift Station Improvements – The District continued the program of maintaining sanitary sewer lift stations and addressing preventative maintenance and upgrades to extend the useful life of the lift stations. The rehabilitated lift stations will also provide a safer working environment for the operation staff. The program started in 2000, 23 lift stations have been fully or partially rehabilitated. This phase 5 includes improvement to 10 lift stations and items of work includes repairing interior wet wells, installing new pumps, motor, and valves; replacing electrical and telemetry control systems, installing by-pass piping and connections, and replacing corroded components with non-corrosive stainless steel material.
- Seismic Evaluation of Water Tanks – The District maintains three welded steel tanks and one pre-stressed concrete tank. These tanks provide emergency supply storage, as well as storage for peak use and firefighting demands. This project provides for a seismic engineering study of the steel tanks, including structural and operational evaluations to minimize damage from a seismic event.
- Seismic Evaluation of Water Booster Pump Station – The existing building that houses six pumps to distribute water from the storage tanks into Foster City Community was constructed approximately 50 years ago. This project will evaluate the building based on the current seismic standards. A report with findings and recommendations for improvements is anticipated.
- Development Plans – Plans for various land use development projects were reviewed, approved or are well under way, including Triton Pointe, Gilead Sciences buildings and parking garages, Waverly, Foster Square, Chess-Hatch, and the Extended Stay Hotel, all of which stand to generate significant long-term revenues to the City/District.

## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City/District for the year ended June 30, 2013. This was the twenty-first consecutive year that the City/District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City/District published an easily readable and efficiently organized Comprehensive Annual Financial Report which satisfied both accounting principles accepted in the United States of America and applicable legal requirements. The Certificate of Achievement is valid for a period of one year. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the professional, efficient and dedicated service of the Financial Services Department staff. In particular, I would like to express my appreciation to the following members who contributed to the development of this report: Fiti Rusli and Mimi Lam, Accounting Managers.

I also like to thank the Vavrinek, Trine, Day & Company, LLP audit team for their cooperation and assistance.

Sincere appreciation is also expressed to the Mayor/President and the members of the City Council/District Board, the City Manager, the operating departments, and members of the Audit Committee for their interest and support towards conducting the financial operations of the City/District in a responsible and progressive manner.

Respectfully submitted,



Lin-Lin Cheng  
Finance Director

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Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Foster City  
and Estereo Municipal Improvement  
District, California**

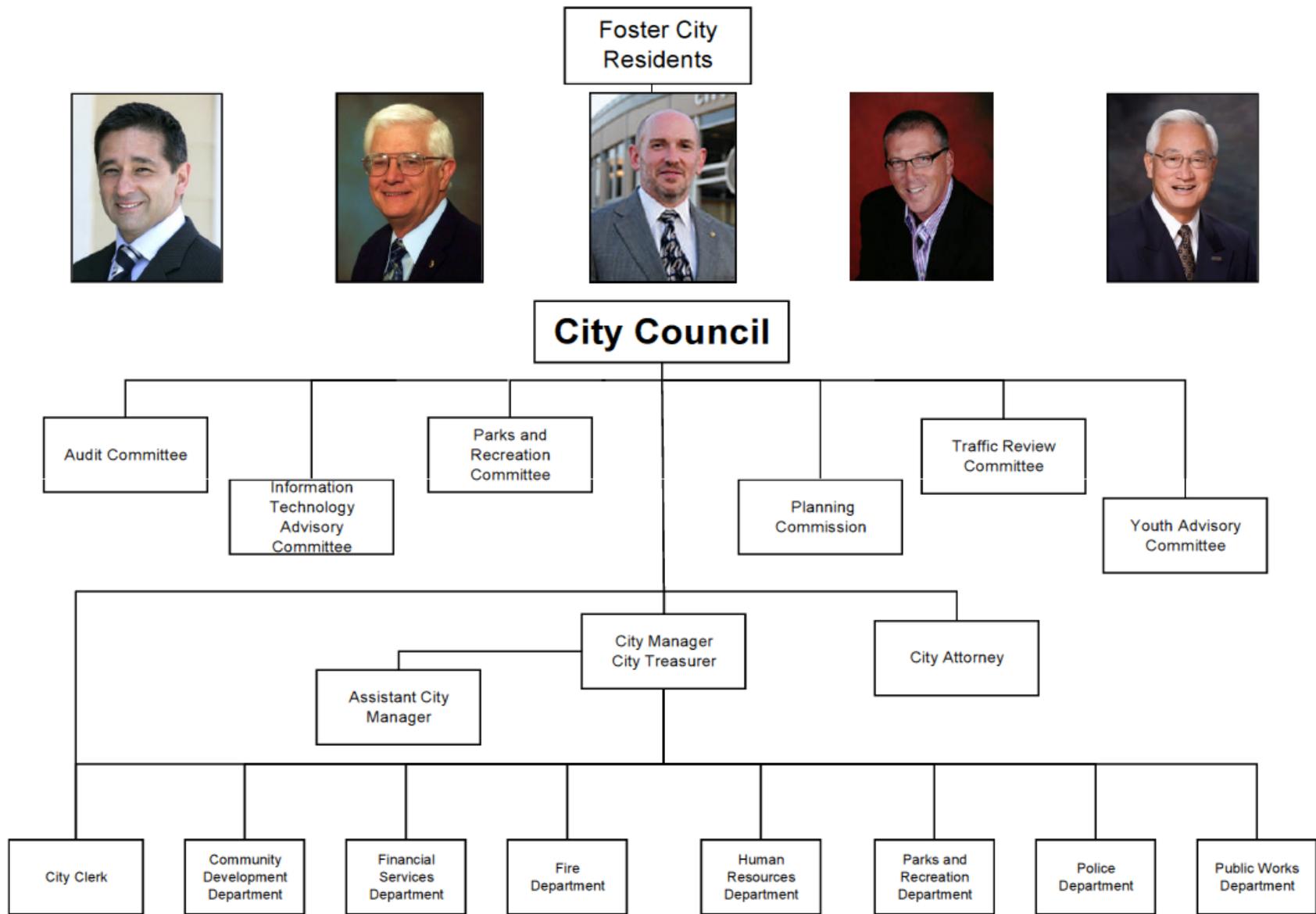
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

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# Foster City Organization Chart



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# **FINANCIAL SECTION**



VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*

VALUE THE DIFFERENCE

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council  
of the City of Foster City  
and the Board of Directors of the Estero Municipal Improvement District  
Foster City, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Foster City and Estero Municipal Improvement District (City/District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City/District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Foster City and Estero Municipal Improvement District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As described in Note 2 to the financial statements, the City/District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of July 1, 2013. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules and schedules of funding progress as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City/District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014, on our consideration of the City/District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City/District's internal control over financial reporting and compliance.

Varrinek, Trine, Day & Co., LLP.

Pleasanton, California  
November 25, 2014

**CITY OF FOSTER CITY AND  
ESTERO MUNICIPAL IMPROVEMENT DISTRICT  
Management's Discussion and Analysis  
for the Fiscal Year Ended June 30, 2014**

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This section of the City of Foster City/Estero Municipal Improvement District's (City/District) Comprehensive Annual Financial Report presents a narrative overview and analysis of the City/District's financial activities for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the Transmittal Letter and accompanying Basic Financial Statements.

**FINANCIAL HIGHLIGHTS**

City-wide:

- As of June 30, 2014, the City/District's total assets increased by \$13.7 million, or 4.84%, to \$297.5 million, of which \$205.3 million represented governmental assets and \$92.2 million represented business-type assets.
- The City/District's total liabilities increased by \$2.5 million, or 18.17%, to \$16.3 million, of which \$12.7 million were governmental liabilities and \$3.6 million were business-type liabilities.
- The City/District's total net position increased by \$11.2 million, or 4.16%, to \$281 million. Of this amount, \$82.6 million (unrestricted governmental net position) and \$31.3 million (unrestricted business-type net position) may be used to meet the government's ongoing obligations to citizens/customers and creditors.
- City-wide revenues decreased by \$10.6 million, or 14.08%, to \$64.8 million, of which \$46.3 million were generated by governmental activities and \$18.5 million were generated by business-type activities.
- City-wide expenses decreased by \$1.4 million, or 2.55%, to \$52.2 million, of which \$36.0 million were incurred by governmental activities and \$16.2 million were incurred by business-type activities.
- Detailed analysis is provided under the GOVERNMENT-WIDE FINANCIAL ANALYSIS caption.

Fund Level:

- Total Governmental Fund balances increased \$8.9 million, or 23.04%, to \$47.4 million. Of this amount, \$23.7 million, or 50.09%, was in the unassigned fund balance and available for spending at the City/District's discretion.
- Total Governmental Fund revenues were \$44.5 million, an increase of \$6.4 million, or 16.82%, from \$38.1 million in the prior fiscal year.
- Total Governmental Fund expenditures increased by \$2.5 million, or 7.40%, to \$35.6 million in fiscal year 2014, from \$33.1 million in the prior fiscal year.
- Total Enterprise Fund net position increased by \$2.2 million, 2.57%, to \$87.3 million. Of this amount, \$30.0 million was unrestricted net position and available for spending at the City/District's discretion.
- Total Enterprise Fund operating revenues were \$18.0 million in fiscal year 2014 compared to \$17.5 million in the prior fiscal year.
- Total Enterprise Fund operating expenses were \$16.3 million in fiscal year 2014, an decrease from \$16.8 million in fiscal year 2013.
- Detailed analysis is provided under the FINANCIAL ANALYSIS OF THE CITY/DISTRICT'S FUNDS caption.

**CITY OF FOSTER CITY AND  
ESTERO MUNICIPAL IMPROVEMENT DISTRICT  
Management's Discussion and Analysis  
for the Fiscal Year Ended June 30, 2014**

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**OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT**

The City/District's annual report is comprised of six parts:

- 1) *Introductory section*, which includes the Letter of Transmittal and other general information;
- 2) *Management's Discussion and Analysis* (this part);
- 3) *Basic Financial Statements*;
- 4) *Required Supplementary Information*;
- 5) *Combining Statements* for non-major governmental funds, internal service funds, fiduciary funds, and *budgetary comparison schedules* for non-major governmental funds; and
- 6) *Statistical Information*.

The *Basic Financial Statements* are comprised of three components: 1) Government-wide financial statements; 2) Fund financial statements; and, 3) Notes to the basic financial statements.

The **Government-Wide Financial Statements** are designed to provide readers with a broad overview of City/District finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City/District's assets and liabilities, with the difference between the assets and liabilities shown as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City/District is improving or deteriorating.

The *statement of activities* presents information showing how the City/District's net position changed during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of these government-wide financial statements distinguish functions of the City/District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City/District include general government, public safety, public works, community development, and parks and recreation. The business-type activities of the City/District include water and sewer or wastewater operations. The government-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City/District as a whole.

The **Fund Financial Statements** are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City/District, like other states and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the City/District can be divided into three primary categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

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**OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CONTINUED)**

**Governmental funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City/District's programs.

The focus of governmental funds is narrower than that of the government-wide financial statements. It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds organized according to their type. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Low and Moderate Income Housing Assets Fund, City Capital Project, and Capital Asset Preservation, all of which are considered to be *major funds*. Data from the remaining governmental funds are combined into a single, aggregated column entitled "Non-Major Governmental Funds." Individual and combining fund data for each of these non-major governmental funds is provided as *other supplementary information* in this report.

**Proprietary funds** are generally used to account for services for which the City/District charges customers – either outside customers, or internal units or departments of the City/District. Proprietary funds provide the same type of information shown in the government-wide financial statements, only in more detail. The City/District maintains the following two types of proprietary funds:

- *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City/District uses enterprise funds to account for the water and wastewater operations.
- *Internal service funds* are used to report activities that provide supplies and services for certain City/District programs and activities. The City/District uses internal service funds to account for the City/District's vehicle rental, equipment replacement, self-insurance, information technology, building maintenance, longevity recognition benefits, the Public Employees Medical and Hospital Care Act (PEMHCA) benefits, and compensated absences payoff. Since these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

**Fiduciary funds** are used to account for the financial activities where the City/District acts as an agent on behalf of others, holding amounts collected, and disbursing them as directed or required. The City/District's fiduciary activities are reported in the separate Statements of Fiduciary Net Position and the Statement of Changes in Net Position. These activities are excluded from the City/District's other financial statements because the City/District cannot use these assets to finance its own operations.

**Notes to the Basic Financial Statements** provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

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**OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CONTINUED)**

The *required supplementary information* includes the City/District's General Fund, Low and Moderate Income Housing Asset Fund, and budgetary comparison schedules and the Schedules of Funding Progress for the City/District's pension plans and OPEB obligations. The City/District adopts an annual appropriated budget for its General Fund, Low and Moderate Income Housing Asset Fund, and budgetary comparison schedules are provided to demonstrate compliance with this budget.

The *other supplementary information* contains the combining and individual fund statements and schedules, which provide information for non-major governmental funds and the internal service funds, all of which are presented immediately following the required supplementary information.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Condensed Statement of Net position  
June 30, 2014 and 2013

	Governmental Activities		Business-Type Activities		Total		Amount Change	Percent Change
	2014	2013	2014	2013	2014	2013		
<b>Assets:</b>								
Current and other assets	\$102,726,995	\$ 92,501,049	\$34,883,750	\$29,336,046	\$137,610,745	\$121,837,095	\$15,773,650	12.95%
Capital assets	102,532,106	102,503,211	57,308,122	59,384,377	159,840,228	161,887,588	(2,047,360)	-1.26%
Total assets	205,259,101	195,004,260	92,191,872	88,720,423	297,450,973	283,724,683	13,726,290	4.84%
<b>Liabilities:</b>								
Current and other liabilities	7,289,307	6,422,412	3,000,861	1,798,912	10,290,168	8,221,324	2,068,844	25.16%
Long-term liabilities	5,357,938	4,956,122	620,323	589,178	5,978,261	5,545,300	432,961	7.81%
Total Liabilities	12,647,245	11,378,534	3,621,184	2,388,090	16,268,429	13,766,624	2,501,805	18.17%
<b>Net position:</b>								
Net investment in capital assets	102,532,106	102,503,211	57,308,122	59,384,377	159,840,228	161,887,588	(2,047,360)	-1.26%
Restricted	7,528,560	5,488,986	-	-	7,528,560	5,488,986	2,039,574	37.16%
Unrestricted	82,551,190	75,633,529	31,262,566	26,947,956	113,813,756	102,581,485	11,232,271	10.95%
Total net position	\$192,611,856	\$183,625,726	\$88,570,688	\$86,332,333	\$281,182,544	\$269,958,059	\$11,224,485	4.16%

**Net Position**

Net position may serve over time as a useful indicator of a government's financial position. This analysis focuses on the net position and year-to-year changes in net position of the City/District as a whole. The City/District's combined net position is \$281 million, representing the difference between total assets and total liabilities. The overall net position increased by \$11.2 million, or 4.16%, from \$270 million in the prior fiscal year. This change in net position reflects an increase in the Statement of Activities and is explained later in this report.

The largest portion, approximately 56.86% or \$160 million, of the City/District's net position represents its investment in infrastructure and other capital assets (e.g., land, building, other improvements, etc.). The City/District uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending.

The restricted portion of the City/District's net position of \$7.5 million, or 2.68% represents resources that are subject to restrictions which were placed by outsiders and cannot be changed by the City/District.

The remaining balance of unrestricted net position of \$113.8 million, or 40.48%, can be used to finance day-to-day operations without constraints established by legal requirements or restrictions.

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

As in the prior fiscal year, the City/District was able to report positive balances in all three categories of net positions for the government as a whole.

	Governmental Activities 2014	2013	Amount Change	Percent Change
Assets:				
Current and other assets	\$102,726,995	\$ 92,501,049	\$10,225,946	11.05%
Capital assets	<u>102,532,106</u>	<u>102,503,211</u>	<u>28,895</u>	<u>0.03%</u>
Total assets	<u>205,259,101</u>	<u>195,004,260</u>	<u>10,254,841</u>	<u>5.26%</u>
Liabilities:				
Current and other liabilities	7,289,307	6,422,412	866,895	13.50%
Long-term liabilities	<u>5,357,938</u>	<u>4,956,122</u>	<u>401,816</u>	<u>8.11%</u>
Total Liabilities	<u>12,647,245</u>	<u>11,378,534</u>	<u>1,268,711</u>	<u>11.15%</u>
Net position:				
Net investment in capital assets	102,532,106	102,503,211	28,895	0.03%
Restricted	7,528,560	5,488,986	2,039,574	37.16%
Unrestricted	<u>82,551,190</u>	<u>75,633,529</u>	<u>6,917,661</u>	<u>9.15%</u>
Total net position	<u>\$192,611,856</u>	<u>\$183,625,726</u>	<u>\$ 8,986,130</u>	<u>4.89%</u>

The net position of the City/District's governmental activities increased by approximately \$9 million. This increase consists of three components:

1. **Net investment in capital assets** – The \$29 thousand increase was due to capital assets additions exceeding depreciation and the retirement of capital assets. Detailed analysis is provided under Note No. 6.
2. **Restricted net position** – This amount increased by \$2 million which was mainly due to the park-in-lieu fee received from the “The Triton Pointe” (Pilgrim/Triton Phase II) project.
3. **Unrestricted net position** – The \$7 million increase was mainly due to 1) the significant increase of General Fund revenues in property tax, business license, building permits, and plan check fees related to the current on-going development projects, 2) monthly principal and interest payments received from the NPJC promissory note, and 3) incremental increase in investment earnings for all funds.

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

	Business-Type Activities		Amount Change	Percent Change
	2014	2013		
<b>Assets:</b>				
Current and other assets	\$34,883,750	\$29,336,046	\$5,547,704	18.91%
Capital assets	<u>57,308,122</u>	<u>59,384,377</u>	<u>(2,076,255)</u>	-3.50%
Total assets	<u>92,191,872</u>	<u>88,720,423</u>	<u>3,471,449</u>	3.91%
<b>Liabilities:</b>				
Current and other liabilities	3,000,861	1,798,912	1,201,949	66.82%
Long-term liabilities	<u>620,323</u>	<u>589,178</u>	<u>31,145</u>	5.29%
Total Liabilities	<u>3,621,184</u>	<u>2,388,090</u>	<u>1,233,094</u>	51.64%
<b>Net position:</b>				
Net investment in capital assets	57,308,122	59,384,377	(2,076,255)	-3.50%
Unrestricted	<u>31,262,566</u>	<u>26,947,956</u>	<u>4,314,610</u>	16.01%
Total net position	<u>\$88,570,688</u>	<u>\$86,332,333</u>	<u>\$2,238,355</u>	2.59%

The net position of the City/District's business-type activities increased by \$2.2 million, primarily from water and wastewater revenues exceeding expenses in anticipation of future capital improvement projects and the implementation of water usage penalties as part of the conservation-based tiered water rate structure.

1. **Net Investment in capital assets** – The \$2.1 million decrease was due to the excess of depreciation and the retirement of capital assets over capital assets addition. Detailed analysis is provided under Note No. 6.
2. **Unrestricted net position** – The \$4.3 million increase resulted from the net decrease of \$2.1 million in capital assets and the net increase of \$2.2 million from operating income.

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Changes in Net Position** – The following table identifies the changes in net position for governmental and business-type activities:

	Governmental Activities		Business-Type Activities		Total		Amount Change	Percent Change
	2014	2013	2014	2013	2014	2013		
<b>Program Revenues</b>								
Charges for services	\$ 8,317,164	\$ 3,006,495	\$ 17,950,613	\$ 17,466,485	\$ 26,267,777	\$ 20,472,980	\$ 5,794,797	28.30%
Operating grants and contributions	1,471,641	1,479,057	-	-	1,471,641	1,479,057	(7,416)	-0.50%
Capital grants and contributions	1,374,066	938,348	-	19,305	1,374,066	957,653	416,413	43.48%
<b>General Revenues</b>								
Taxes	27,378,377	27,168,460	-	-	27,378,377	27,168,460	209,917	0.77%
Contributions not restricted to specific programs	3,684,963	4,413,470	-	-	3,684,963	4,413,470	(728,507)	-16.51%
Unrestricted investment and rental income	3,688,849	1,539,026	459,090	(141,502)	4,147,939	1,397,524	2,750,415	196.81%
Other	405,586	19,494,949	87,468	58,306	493,054	19,553,255	(19,060,201)	-97.48%
<b>Total Revenues</b>	<b>46,320,646</b>	<b>58,039,805</b>	<b>18,497,171</b>	<b>17,402,594</b>	<b>64,817,817</b>	<b>75,442,399</b>	<b>(10,624,582)</b>	<b>-14.08%</b>
<b>Expenses</b>								
General government	3,794,112	3,514,037	-	-	3,794,112	3,514,037	280,075	7.97%
Public safety	17,337,144	17,001,815	-	-	17,337,144	17,001,815	335,329	1.97%
Public works	4,353,289	5,718,340	-	-	4,353,289	5,718,340	(1,365,051)	-23.87%
Community development	1,965,069	2,078,968	-	-	1,965,069	2,078,968	(113,899)	-5.48%
Parks and recreation	8,516,392	8,387,726	-	-	8,516,392	8,387,726	128,666	1.53%
Water operations	-	-	9,846,110	10,336,188	9,846,110	10,336,188	(490,078)	-4.74%
Wastewater operations	-	-	6,412,706	6,554,771	6,412,706	6,554,771	(142,065)	-2.17%
<b>Total Expenses</b>	<b>35,966,006</b>	<b>36,700,886</b>	<b>16,258,816</b>	<b>16,890,959</b>	<b>52,224,822</b>	<b>53,591,845</b>	<b>(1,367,023)</b>	<b>-2.55%</b>
<b>Excess (deficiency) of revenues over</b>	<b>10,354,640</b>	<b>21,338,919</b>	<b>2,238,355</b>	<b>511,632</b>	<b>12,592,995</b>	<b>21,850,554</b>	<b>(9,257,559)</b>	<b>-42.37%</b>
Extraordinary loss	(1,368,510)	(6,300,000)	-	-	(1,368,510)	(6,300,000)	4,931,490	-100.00%
<b>Change in net position</b>	<b>8,986,130</b>	<b>15,038,919</b>	<b>2,238,355</b>	<b>511,632</b>	<b>11,224,485</b>	<b>15,550,554</b>	<b>(4,326,069)</b>	<b>-27.82%</b>
Net position, beginning of year	183,625,726	168,586,807	86,332,333	85,820,701	269,958,059	254,407,508	15,550,551	6.11%
Net position, end of year	\$ 192,611,856	\$ 183,625,726	\$ 88,570,688	\$ 86,332,333	\$ 281,182,544	\$ 269,958,062	\$ 11,224,482	4.16%

Key changes to **revenue** categories are explained below:

- **Charges for Services** – The \$5.3 million increase in Governmental Activities was all development related revenues, such as park-in-lieu fee and plan check fees.
- **Capital Grants and Contributions** – The increase was mainly due to the one-time Measure “A” special grant for Triton Drive widening project.
- **Contributions Not Restricted to Specific Programs** – Sales and use taxes comprise this line-item which decreased by 16.5% or \$0.7 million from the prior fiscal year primarily due to the top sales tax generator moving out of the City since last fiscal year.
- **Unrestricted Investment and Rental Income** – The increases in both the Governmental Activities and Business-Type activities were primarily due to recognizing the unrealized gain in the City/District investment portfolio to comply with GASB Statement 31.
- **Other Revenues** – The significant decrease in Governmental Activities primarily due to the sale of the City/District’s 11-acre site in prior fiscal year.

**CITY OF FOSTER CITY AND  
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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

Key changes in **expense** categories are explained below:

- General Government – The \$280,000 increase in General Government was due to the increase of its share of costs in internal services funds operation.
- Public Safety – The increase of \$335,000 in Safety Department was mainly due to one additional officer and increase in training costs.
- Public Works – The \$1.4 million decrease in Public Works was due to the biennial street resurfacing repair project, LED street light replacement project, and Triton Drive widening project completed in FY 2012-2013.
- Water Operations – The decrease in Water Operations resulted from the prior year assets (water pipe line) transfer to private company (Gilead Science) was recognized as disposal expense.

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**FINANCIAL ANALYSIS OF THE CITY/DISTRICT'S FUNDS**

**Governmental Funds**

As of June 30, 2014, the City/District's governmental funds reported combined fund balances of \$47.4 million. Of this total, \$7.2 million are considered restricted funds, \$15.7 million are committed by the City Council/District Board for specified projects or uses, \$0.7 million are assigned by the City Manager (as duly authorized by Council/Board policy) for specified uses, and the remaining \$23.8 million is unassigned and available for general use.

Total revenues, expenditures and changes in fund balances for the fiscal year ended June 30, 2014 are shown below in comparison to the year ended June 30, 2013.

	2014		2013		Increase / (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
<b>Revenues by Source</b>						
Taxes	\$29,972,228	67.36%	\$30,807,783	80.88%	\$ (835,555)	-2.71%
Licenses and permits	2,676,476	6.02%	1,354,501	3.56%	1,321,975	97.60%
Intergovernmental	2,688,202	6.04%	2,010,089	5.28%	678,113	33.74%
Charges for current services	2,621,851	5.89%	1,637,289	4.30%	984,562	60.13%
Fines and forfeitures	197,969	0.44%	193,654	0.51%	4,315	2.23%
Park-in-lieu	3,289,634	7.39%	-	0.00%	3,289,634	100.00%
Investment and rental income	2,252,482	5.06%	907,101	2.38%	1,345,381	148.32%
Other	794,640	1.79%	1,178,203	3.09%	(383,563)	-32.55%
<b>Total revenues</b>	<b>44,493,482</b>	<b>100.00%</b>	<b>38,088,620</b>	<b>100.00%</b>	<b>6,404,862</b>	<b>16.82%</b>
<b>Expenditures by Function</b>						
General Government	3,174,115	8.92%	2,980,817	8.99%	193,298	6.48%
Public safety	17,026,819	47.84%	16,767,712	50.60%	259,107	1.55%
Public works	1,967,187	5.53%	3,343,143	10.09%	(1,375,956)	-41.16%
Community development	1,936,205	5.44%	1,967,382	5.94%	(31,177)	-1.58%
Parks and recreation	7,107,443	19.97%	6,879,810	20.76%	227,633	3.31%
Capital outlay	4,382,435	12.31%	1,201,432	3.63%	3,181,003	264.77%
<b>Total expenditures</b>	<b>35,594,204</b>	<b>100.00%</b>	<b>33,140,296</b>	<b>100.00%</b>	<b>2,453,908</b>	<b>7.40%</b>
<b>Revenues over (under) expenditures</b>	<b>8,899,278</b>		<b>4,948,324</b>		<b>3,950,954</b>	
Other financing sources (uses)	1,344,924		(1,317,810)		2,662,734	
Extraordinary loss	(1,368,510)		(6,300,000)		4,931,490	
<b>Net change in fund balances</b>	<b>8,875,692</b>		<b>(2,669,486)</b>		<b>\$ 11,545,178</b>	
Fund balances, beginning of year	38,530,245		41,199,731			
Fund balances, end of year	\$47,405,937		\$38,530,245			

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**FINANCIAL ANALYSIS OF THE CITY/DISTRICT'S FUNDS (CONTINUED)**

Key changes to **revenue** categories are explained below:

- Taxes – The decrease of \$0.8 million, was due to the relocation of the top sales tax generator out of the City/District since last fiscal year.
- Licenses and permits – The total license and permit revenue has increased by \$1.3 million compared to prior year. With the voters' support, the passage of Measure "U" has updated the business license tax which was established 40+ years ago, which resulted in an increase of \$318,000 compared to prior year. The residential/commercial development has brought in various one-time revenues. In the current fiscal year, the permit fees revenue has increased by \$1 million specifically from all the major development project in town.
- Park-in-lieu – The City received \$3.3 million in park-in-lieu fees from the Phase 2 – Triton Pointe development project.
- Investment and rental income – The investment income increased \$1.3 million. GASB Statement 31 requires a government agency to report the fair value of all investments in its financial statement. Accordingly, the City/District takes a snapshot of the fair value of its investment portfolio at June 30 of each fiscal year and records the difference between the fair value and book value as unrealized gain or loss. Unrealized gain is recognized when the market is improving and unrealized loss is recognized when the market is declining. The City/District recorded a significant unrealized gain in this fiscal year compared to unrealized loss in the prior year. However, as the City/District's investment practice is to hold investments until maturity, the book gain or loss is never realized.
- Other revenues – The \$0.4 million decrease was due to various one-time revenues received in prior year, such as PG&E On-Bill financing program, the early repayment of the first time home buyers' loan, and donations received for the East 3<sup>rd</sup> Avenue windsurf and kiteboard site improvement.

Key changes in **expenditure** categories are explained below:

- Public Safety – The increase of \$259,000 in Safety Department was mainly due to one additional officer and increase in training costs.
- Public Works – The \$1.4 million decrease in Public Works was due to the biennial street resurfacing repair project, LED street light replacement project, and Triton Drive widening project completed in FY 2012-2013.
- Parks and Recreation – The \$228,000 increase was due to various park infrastructure maintenance and repair projects.
- Capital Outlay – The \$3.2 million increase was due to expenditures for capital improvement projects, such as levee/pedway improvement, vintage park overcrossing, dredging at the lagoon intake structure, park infrastructure improvement, etc.

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**FINANCIAL ANALYSIS OF THE CITY/DISTRICT'S FUNDS (CONTINUED)**

- Extraordinary Loss – Due to the dissolution of the redevelopment agency, the City transferred \$6.3 million to the Successor Agency to fulfill the affordable housing commitment to subsidize the construction cost of 60 affordable housing units at "The Plaza" in FY 2012-2013. The City transferred \$1.4 million to the Successor Agency in FY 2013-2014 due to the court ruling against the City regarding the general fund loan repayment received from the former Community Development Agency in FY 2010-2011. The loan repayment was clawed back per AB1484. Please refer to Note 14 – Successor Agency Activities for further detail.

The following provides highlights of the four (4) *Major Governmental Funds*.

**General Fund** – The General Fund represents the single most important operating fund of the City/District. The legislative body and executive staff spend a significant amount of time during the year closely monitoring the financial health and operations of this fund which provides core municipal services to the public. The total fund balance at June 30, 2014 was \$25 million, which was a \$5 million increase from FY 2012-2013. Unassigned fund balances finished the year at \$23.7 million, increasing by \$4.7 million from the prior year.

The General Fund revenue increased \$5.2 million in fiscal year 2013-2014. The increase in property tax, transient occupancy tax, property transfer tax, franchise tax, licenses and permits, investment and rental income, charges for current services, and other revenues totaled \$6.0 million. However, the decrease in sales and use tax, fines and forfeitures, and intergovernmental totaled \$0.8 million.

The General Fund expenditures decreased \$32,302 in fiscal year 2013-2014 mainly due to the personnel savings from public works and community development departments.

The General Fund revenues exceeded the expenditures by \$6.5 million. During the fiscal year, the General Fund transferred \$581,000 to the City Capital Improvement Project fund for future capital improvement projects. The General Fund had an extraordinary loss of \$1,246,530 as the Sacramento Superior Court ruled against the City regarding the general fund loan repayment received from the former Foster City Community Development Agency in FY 2010-2011. The loan repayment was clawed back per AB 1848; however, the City is allowed to reinstate the general fund loan with the Successor Agency of the former Foster City Community Development Agency. The loan reinstatement request is pending approval by the State Department of Finance. Once the reinstatement request is approved, the loan payments will be made using future funds from the County's Reserve for Property Tax Trust Fund (RPTTF) starting 2016 until fully paid in 2025. Despite the extraordinary loss, the General Fund's fund balance at June 30, 2014 was \$24.9 million with an unassigned balance of \$23.7 million, or 72.18% of annual operating expenditures, well exceeded the City/District's minimum reserve policy of 33⅓%.

**Low and Moderate Income Housing Assets Fund** – This fund was established for the Housing Successor to continue the existing Low and Moderate Income Housing program. As of June 30, 2014, the Low and Moderate Income Housing Assets Fund had a restricted fund balance of \$1.3 million. The fund's revenues sources are the rental income from the existing 8 affordable housing units and repayments from the first time home buyers' loans. During the fiscal year, 2 affordable housing units were sold due to unaffordable high maintenance costs and special assessment from HOA (Home Owners' Association). The sales proceeds are an ongoing source of funds for low and moderate income housing activities in accordance with the applicable housing-related provisions of the Community Redevelopment Law.

**City Capital Projects Fund** – The City Capital Projects fund is also a key fund of the City/District. This fund pays for infrastructure improvement and significant maintenance projects for which other resources (e.g., Gas Tax, Measure A, or Proposition 42 funds, etc.) do not pay. As of June 30, 2014, this fund had a committed fund balance of \$9.0 million.

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**FINANCIAL ANALYSIS OF THE CITY/DISTRICT'S FUNDS (CONTINUED)**

**Capital Asset Preservation Fund** – The City created the Capital Asset Preservation Fund to dedicate the proceeds from the sale of the 11-acre site to North Peninsula Jewish Campus for future capital asset acquisitions and replacements which are approved by a majority 4/5<sup>th</sup> vote of the Council members. As of June 30, 2014, this fund had a committed fund balance of \$2.6 million.

The following provides highlights of the operations of the three (3) *Proprietary Funds* for the year.

**Water** – Estero Municipal Improvement District provides water services to customers located within the District, primarily the “94404” zip code which encompasses all of Foster City and a portion of San Mateo. Unrestricted net position for the water fund totaled \$12.2 million as of June 30, 2014, representing an approximate \$1.8 million increase from the prior year. The increase was planned in order to smooth future rate increases anticipated from the San Francisco Public Utilities Commission (SFPUC) for its \$4.6 billion Hetch Hetchy System improvement project. The increase also included \$101,000 in excess revenues collected as a result of the conservation-based tiered water rate structure implemented in FY 2013-2014 to promote conservation by water customers. Those excess revenues will be used to fund water conservation rebate and education programs. The reserve requirements for the Water fund is 25% of annual operating expenses plus a \$2 million reserve for capital improvement projects. Unrestricted net position exceeded the reserve requirements by \$7.5 million at June 30, 2014, however, \$1.3 million of the excess reserves are earmarked for approved capital improvement projects and future equipment replacement needs. Accordingly, the fund has sufficient reserves to fund future capital improvement projects and to offset the increases anticipated from the SFPUC.

**Wastewater** – The District provides wastewater collection services to customers in Foster City and participates in a joint powers authority with the City of San Mateo which operates the Wastewater Treatment Plant (WWTP). Unrestricted net position as of June 30, 2014 totaled \$17.8 million, representing an approximate \$2.4 million increase from the prior year. The reserve requirements for the Wastewater fund is 25% of annual operating expenses plus a \$2 million reserve for capital improvement projects. Unrestricted net position exceeded the reserve requirements by \$15.2 million at June 30, 2014, however, \$2.8 million of this balance is earmarked for approved capital improvement projects and future equipment replacement needs.

**Internal Service Funds** – These funds provide services and funding mechanisms to allow the operating departments within the City/District to provide services to the community. Services include vehicle / fleet rental, equipment replacement, self-insurance risk management, information technology, building maintenance, and funding for the Longevity Recognition, Public Employees' Medical and Hospital Care Act (PEMHCA) post-retirement medical programs, and compensated absences liabilities. Total unrestricted net position as of June 30, 2014 were \$30.1 million, which was a \$1.2 million increase from the prior year. The increase was mainly from the investment income.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original General Fund budget for fiscal year 2013-2014 presented a balanced budget including \$31.7 million in appropriations and transfers out to other funds, with estimated revenues and transfers in from other funds totaling \$31.7 million.

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**GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)**

Total revenues for 2014 were \$4.8 million (9.3%) above budgeted projections. Property taxes exceeded projections by \$3.8 million which is approximately equal to the total of the unbudgeted Educational Revenue Augmentation Fund (ERAF) refund and additional supplemental tax received. Sales and use taxes were \$347,000 short of the budget caused by the relocation of the top sales tax generator out of the City/District. Transient occupancy tax revenue was \$69,000 higher than the budget due to the economic recovery. Business license tax revenue was \$344,000 more than the projection mainly due to the passage of Measure U, with voter's support the City updated business license tax which were established 40+ years ago. Reimbursement and grant revenues were from the Successor Agency administration fees, Belmont Fire Protection District's share of Battalion Chief's services, and Advance Life Support, a regional paramedic program. Charges for current services exceeded projection by \$908,000 due to the one-time revenues (plan check fees, inspection fee, etc.) received from major residential and commercial developments. Recreation and leisure revenues were \$149,000 less than budget due to lower than anticipated enrollment in recreation classes. Investment income was \$194,000 over the budget, mainly due to the improved investment rates. Total expenditures for 2014 were \$2.0 million (6.2%) below final budgeted appropriations. The reduction in expenditures was the result primarily of salary savings from retirement, restructuring, deferral of filling vacant positions and the conservative financial management of department managers.

**CAPITAL ASSETS**

The City/District's investment in capital assets for its governmental and business-type activities as of June 30, 2014 totaled \$159.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, structures and improvements, equipment, vehicles, intangible assets, and construction in progress.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Business-Type Activities		Total		Amount Change	Percent Change
	2014	2013	2014	2013	2014	2013		
Land	\$ 11,433,893	\$ 11,622,912	\$ 3,553,474	\$ 3,553,474	\$ 14,987,367	\$ 15,176,386	\$ (189,019)	-1.25%
Infrastructure, structures and improvements	85,376,455	88,465,010	31,785,497	33,361,922	117,161,952	121,826,932	(4,664,980)	-3.83%
Equipment, vehicles and software	2,288,431	2,206,054	1,629,412	1,742,456	3,917,843	3,948,510	(30,667)	-0.78%
Sewer Capacity Rights	-	-	20,230,693	20,726,525	20,230,693	20,726,525	(495,832)	-2.39%
Construction in progress	3,433,327	209,235	109,046	-	3,542,373	209,235	3,333,138	1593.01%
<b>Total</b>	<b>\$ 102,532,106</b>	<b>\$ 102,503,211</b>	<b>\$ 57,308,122</b>	<b>\$ 59,384,377</b>	<b>\$ 159,840,228</b>	<b>\$ 161,887,588</b>	<b>\$(2,047,360)</b>	<b>-1.26%</b>

The Governmental activities infrastructure assets and capital assets increased \$29,000 due to the excess of capital asset additions over the depreciation and retirements during the year. The increase of construction in progress is from various on-going capital improvement projects and major fleet replacement, e.g. levee/pedway improvements, vintage park overcrossing, dredging at the lagoon intake structure, fire engine, etc. The Business-Type activities infrastructure asset, equipment and software, and sewer capacity rights decreased \$2.1 million due to total depreciation and retirement exceeding the addition of assets.

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**CAPITAL ASSETS (CONTINUED)**

The City/District depreciates all of its capital assets over the assets' estimated useful lives. The purpose of depreciation is to spread the cost of the capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information about the City/District's capital assets can be found in Note 6 to the financial statements.

**DEBT ADMINISTRATION**

As of June 30, 2014, the City/District had total long-term outstanding obligations of \$6.0 million, which was comprised of compensated absences of \$2.8 million, other post-employment benefits (OPEB) liability of \$3.0 million, and claims liability of approximately \$0.2 million. Additional information about the City/District's long term obligations can be found in Note 7 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City/District prides itself in prudently managing its financial resources through long-term financial strategies and conservative financial decisions. Over the past several years, the City/District's primary fiscal goal was to solve the General Fund structural deficit. The efforts over the past several years of reducing service levels, sharing services, as well as managing compensation and benefits costs have achieved the goal, and the City/District is presenting a balanced budget for FY 2014-2015.

Key economic indicators that are being watched closely are as follows:

- Property Taxes – The real estate market in Foster City has strengthened in the past year, and the commercial property values have shown a higher than average growth due to the major developments in town. However, there still exists several commercial property owners filing assessment appeals due to longer than expected vacancy and pending approval for redevelopment. The residential property values have well recovered and exceeded the high points prior to the real estate bubble. The Assessor's Office projected an increase in assessed valuation in the City/District of 3.5%. An increase of 2.8% is incorporated into the FY 2014-2015 property tax revenue projection due to potential loss of \$291,000 from assessment appeals in progress. The assumptions for property taxes revenues for various major developments have been included in the five-year financial planning projection according to the anticipated completion schedule.
- Sales & Use Tax – The City suffered a significant loss in its sales tax revenues in FY 2012-2013 and FY 2013-2014 as the largest sales tax producer moved its sales operation out of the City/District. This resulted in a loss of over \$1 million in annual sales tax revenues. Sales tax revenues are expected to increase by 2% in FY 2014-2015 projections, no assumptions have been made with respect to the additional retail areas planned for the net of the Pilgrim-Triton or 15-Acre Site projects.

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (CONTINUED)**

- Land Sale Transactions – On October 3, 2014 the City sold the 15-acre site adjacent to the Government Center to The New Home Company (TNHC), for \$30 million with \$9 million paid in cash at closing. The City is financing \$21 million as a 22-month loan at a fixed rate of 5% with no prepayment penalty. All sale proceeds and future payments will be deposited into the Capital Asset Acquisition and Replacement Fund with a commitment toward future real property asset acquisition or the funding of new or significant future capital improvement projects. Use of the assets in this fund requires a majority 4/5<sup>th</sup> vote of the City Council/District Board.
- Business License Tax – The Business License Tax Ordinance was updated in November 2013 based on voter approval. The increased minimum tax rates and maximum revenue caps upon which the tax is paid are assumed to generate an additional \$475,000 based on current business license tax collections.
- CalPERS Pension Rates – On April 17, 2013 the CalPERS Board revised the rate smoothing policy to reduce the amortization period of investment gains and losses from a rolling 15 year period to a direct rate smoothing period of 5 years starting in FY 2015-2016. During FY 2013-2014 CalPERS reduced the annual rate of investment return assumption from 7.75% to 7.5%. The revised rate smoothing policy and lower the rate of investment return will result in a significant increase in the employer contribution rates for Miscellaneous and Public Safety retirement plans. The provisions of the Public Employees' Pension Reform Act of 2013 (PEPRA) will not have a material impact on the City's budget for several years as the most significant cost-savings provisions of the Act apply primarily to new employees hired after January 1, 2013. The employer contribution rates to the CalPERS pension plans for Miscellaneous and Public Safety plans will be 21.458% and 32.907% respectively, which includes the reduced investment return rate.
- Development, Planning, Permit and Park In-Lieu Fees – The development associated revenues such as building permits, park-in-lieu, water and wastewater connection fees, real property transfer taxes, plan check fees, and inspection fees have been incorporated into the annual budget.
- Capital Improvement Project Funds – The long-term funding of Capital Improvement Projects implemented in FY 2010-2011 continues for the City's General Fund, the Water and Wastewater Enterprise Funds. There is a significant funding of \$5,850,000 budgeted in Wastewater Enterprise Fund for sanitary sewer system improvements and lift station improvement projects.
- Water Supply Assurance / Water Costs – The City/District currently serves approximately 8,400 utility customers. Through its membership in the Bay Area Water Supply and Conservation Agency (BAWSCA), the District participated in the issuance of bonds by BAWSCA to prepay the obligation to fund the City and County of San Francisco's capital improvements related to the Hetch Hetchy System. Under the District's 10-Year Rate Smoothing policy, the water rates for FY 2014-2015 will increase fixed meter charges by 1.3% and the base consumption rate by 6%.

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (CONTINUED)**

- Wastewater Rates – The wastewater rates assume a 2% increase in FY 2014-2015, based on currently known operating and capital improvements projects (CIP). It is noted that there is a need for improvements to the Wastewater Treatment Plant (WWTP) to meet the needs for future growth, existing and future regulations, and replacement/repair of aging infrastructure. The estimated 20 year escalated cost is \$340 million for all improvements to the WWTP. The estimated share of the improvement costs for Estero Municipal Improvement District (EMID) is \$85 million, which will have an impact on future wastewater rates for EMID customers. A preliminary analysis by staff has determined that the wastewater rates may need to be increased by approximately a total of 44% to 53% by 2019, and that in order to pay the District's share of the improvements that the District may need to issue bonds or borrow funds from either internal or external sources in order to fund the improvements as they are constructed. The District Board authorized staff to request proposals from financial consulting firms and bring back a report to evaluate the proposals and costs in consideration of hiring a financial consulting firm to develop better forecasts based on the proposed WWTP CIP, obtain a current bond rating, conduct analyses to evaluate the financial impacts, evaluate funding opportunities, and develop rate increase requirements and multi-year plan for those increases.

The City/District has positive unassigned General Fund balances which enable it to implement the changes necessary to retain its fiscal health and maintain fund balances above its minimum reserve levels, thereby maintaining the health and safety of the community.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this report should be directed to the Financial Services Department at 610 Foster City Boulevard, Foster City, CA 94404.

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# Basic Financial Statements

**City of Foster City and Estero Municipal Improvement District**  
**Statement of Net Position**  
**June 30, 2014**

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b>ASSETS</b>			
Cash and investments	\$ 82,724,512	\$ 29,990,775	\$ 112,715,287
Receivable, net	2,231,401	3,317,625	5,549,026
Internal balances	(1,222,476)	1,222,476	-
Inventory	138,118	352,230	490,348
Prepays and deposits	19,678	644	20,322
Restricted cash and investments	198,696	-	198,696
Loans receivable (net)	18,637,066	-	18,637,066
Capital assets:			
Nondepreciable	14,867,220	3,662,520	18,529,740
Depreciable, net of accumulated depreciation	87,664,886	53,645,602	141,310,488
<b>Total assets</b>	<b>205,259,101</b>	<b>92,191,872</b>	<b>297,450,973</b>
<b>LIABILITIES</b>			
Accounts payable	1,759,626	2,813,891	4,573,517
Accrued payroll	893,784	114,862	1,008,646
Refundable deposits	4,404,944	72,108	4,477,052
Unearned revenue	230,953	-	230,953
Long-term liabilities:			
Due within one year	1,010,338	116,630	1,126,968
Due in more than one year	4,347,600	503,693	4,851,293
<b>Total liabilities</b>	<b>12,647,245</b>	<b>3,621,184</b>	<b>16,268,429</b>
<b>NET POSITION</b>			
Net investment in capital assets	102,532,106	57,308,122	159,840,228
Restricted for:			
Housing	1,314,860	-	1,314,860
Roads	4,375,368	-	4,375,368
Other purposes	1,838,332	-	1,838,332
Unrestricted	82,551,190	31,262,566	113,813,756
<b>Total net position</b>	<b>\$ 192,611,856</b>	<b>\$ 88,570,688</b>	<b>\$ 281,182,544</b>

See accompanying Notes to Basic Financial Statements.

**City of Foster City and Estero Municipal Improvement District**  
**Statement of Activities and Changes in Net Position**  
**For the fiscal year ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
<b>Governmental activities:</b>				
General government	\$ 3,794,112	\$ 199,373	\$ 8,568	\$ -
Public safety - Police	9,580,196	193,474	173,814	-
Public safety - Fire	7,756,948	195,995	38,878	-
Public works	4,353,289	259,277	1,095,785	1,374,066
Community development	1,965,069	3,038,102	-	-
Parks and recreation	8,516,392	4,430,943	154,596	-
Total governmental activities	35,966,006	8,317,164	1,471,641	1,374,066
<b>Business-type activities:</b>				
Water	9,846,110	10,550,591	-	-
Sewer	6,412,706	7,400,022	-	-
Total business-type activities	16,258,816	17,950,613	-	-
<b>Total primary government</b>	<b>\$ 52,224,822</b>	<b>\$ 26,267,777</b>	<b>\$ 1,471,641</b>	<b>\$ 1,374,066</b>

**General revenues:**

Taxes:

- Property taxes
- Transient occupancy tax
- Franchise tax
- Other taxes

Contributions not restricted to specific programs:

- Sales and use tax and sales tax-in-lieu
- Unrestricted investment and rental income
- Other

**Total general revenues**

**Extraordinary items:**

- Extraordinary loss - Successor Agency

**Total extraordinary items**

**Change in net position**

**Net position - beginning of year**

**Net position - end of year**

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (3,586,171)	\$ -	\$ (3,586,171)
(9,212,908)	-	(9,212,908)
(7,522,075)	-	(7,522,075)
(1,624,161)	-	(1,624,161)
1,073,033	-	1,073,033
(3,930,853)	-	(3,930,853)
<u>(24,803,135)</u>	<u>-</u>	<u>(24,803,135)</u>
-	704,481	704,481
-	987,316	987,316
-	1,691,797	1,691,797
<u>(24,803,135)</u>	<u>1,691,797</u>	<u>(23,111,338)</u>
22,618,342	-	22,618,342
2,109,324	-	2,109,324
1,235,085	-	1,235,085
1,415,626	-	1,415,626
3,684,963	-	3,684,963
3,688,849	459,090	4,147,939
405,586	87,468	493,054
<u>35,157,775</u>	<u>546,558</u>	<u>35,704,333</u>
(1,368,510)	-	(1,368,510)
<u>(1,368,510)</u>	<u>-</u>	<u>(1,368,510)</u>
8,986,130	2,238,355	11,224,485
<u>183,625,726</u>	<u>86,332,333</u>	<u>269,958,059</u>
<u>\$ 192,611,856</u>	<u>\$ 88,570,688</u>	<u>\$ 281,182,544</u>

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	Major Funds					Total
	General Fund	Low and Moderate		Capital Asset Preservation	Non-Major Governmental Funds	
		Income Housing Assets Fund	City Capital Projects			
<b>ASSETS</b>						
Cash and investments	\$ 25,561,392	\$ 1,468,233	\$ 12,757,130	\$ 2,560,644	\$ 9,582,294	\$ 51,929,693
Receivables, net of allowance:						
Accrued interest	206,570	-	-	-	-	206,570
Intergovernmental	351,352	-	-	-	136,540	487,892
Taxes	1,122,287	-	-	-	52,171	1,174,458
Other	237,521	-	-	-	50,650	288,171
Due from other funds	27,109	-	144,000	-	-	171,109
Prepays and deposits	19,226	-	-	-	-	19,226
Inventory	16,900	-	-	-	-	16,900
Restricted cash and investments	198,696	-	-	-	-	198,696
Loans receivables, net of allowance	-	524,633	-	-	-	524,633
<b>Total assets</b>	<b>\$ 27,741,053</b>	<b>\$ 1,992,866</b>	<b>\$ 12,901,130</b>	<b>\$ 2,560,644</b>	<b>\$ 9,821,655</b>	<b>\$ 55,017,348</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 579,983	\$ 27,307	\$ 833,198	\$ -	\$ 4,007	\$ 1,444,495
Accrued payroll	832,086	-	-	-	3,191	835,277
Refundable deposits	1,196,339	126,066	3,082,539	-	-	4,404,944
Due to other funds	-	-	-	-	171,109	171,109
Unearned revenue	230,953	-	-	-	-	230,953
<b>Total liabilities</b>	<b>2,839,361</b>	<b>153,373</b>	<b>3,915,737</b>	<b>-</b>	<b>178,307</b>	<b>7,086,778</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable-revolving loan programs	-	524,633	-	-	-	524,633
<b>FUND BALANCES</b>						
Non-Spendable	36,126	-	-	-	-	36,126
Restricted	-	1,314,860	-	-	5,912,927	7,227,787
Committed	441,920	-	8,985,393	2,560,644	3,730,421	15,718,378
Assigned	676,878	-	-	-	-	676,878
Unassigned	23,746,768	-	-	-	-	23,746,768
<b>Total fund balances</b>	<b>24,901,692</b>	<b>1,314,860</b>	<b>8,985,393</b>	<b>2,560,644</b>	<b>9,643,348</b>	<b>47,405,937</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 27,741,053</b>	<b>\$ 1,992,866</b>	<b>\$ 12,901,130</b>	<b>\$ 2,560,644</b>	<b>\$ 9,821,655</b>	<b>\$ 55,017,348</b>

See accompanying Notes to Basic Financial Statements.

**City of Foster City and Estero Municipal Improvement District**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2014**

**Total Fund Balances - Total Governmental Funds** \$ 47,405,937

Amounts reported for governmental activities in the Statement of Net Position were reported differently because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. Except for the internal service funds reported below, the capital assets were adjusted as follows:

	<u>Government-Wide Statement of Net Position</u>	<u>Internal Service Funds</u>	
Non-depreciable	\$ 14,867,220	\$ (583,374)	
Depreciable, net	<u>87,664,886</u>	<u>(2,288,427)</u>	
Total capital assets	102,532,106	(2,871,801)	99,660,305

First time homebuyer loans receivable are not available to pay current-period expenditures and, therefore, are deferred inflows in the governmental funds.

	<u>Governmental Funds Balance Sheets</u>	<u>Government-Wide Statement of Net Position</u>	
	-	-	
Unearned revenue - special recreation program	<u>230,953</u>	<u>293,680</u>	
	230,953	293,680	524,633

North Peninsula Jewish Campus loans receivable are unavailable to pay current period expenditures and, therefore, are not reported in the governmental funds.

	<u>Government-Wide Statement of Net Position</u>	<u>Governmental Funds Balance Sheets</u>	
	18,637,066	(524,633)	18,112,433

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Position

31,730,037

Compensated absences and other post employment benefits liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

	<u>Government-Wide Statement of Net Position</u>	<u>Internal Service Funds</u>	
Long term liabilities - due within one year	(1,010,338)	267,915	
Long term liabilities - due more than one year	<u>(4,347,600)</u>	<u>268,534</u>	
	(5,357,938)	536,449	<u>(4,821,489)</u>

**Net Position of Governmental Activities** \$ 192,611,856

See accompanying Notes to Basic Financial Statements.

**City of Foster City and Estero Municipal Improvement District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the fiscal year ended June 30, 2014**

	Major Funds					Total
	General Fund	Low & Moderate Income		Capital Asset Preservation	Non-Major Governmental Funds	
		Housing Assets Fund	City Capital Projects			
<b>REVENUES:</b>						
Property taxes	\$ 22,397,460	\$ -	\$ -	\$ -	\$ 207,679	\$ 22,605,139
Sales and use and sales tax in lieu	3,103,666	-	-	-	581,296	3,684,962
Transient occupancy tax	2,109,324	-	-	-	-	2,109,324
Franchise tax	1,235,085	-	-	-	-	1,235,085
Property transfer tax	337,718	-	-	-	-	337,718
Licenses and permits	2,676,476	-	-	-	-	2,676,476
Intergovernmental	353,519	-	508,000	-	1,826,683	2,688,202
Charges for current services	2,621,851	-	-	-	-	2,621,851
Fines and forfeitures	57,776	-	-	-	140,193	197,969
Park-in-lieu	-	-	-	-	3,289,634	3,289,634
Investment and rental income	1,157,573	83,682	217,147	673,155	120,925	2,252,482
Other	251,450	176,896	68,250	-	298,044	794,640
<b>Total revenues</b>	<b>36,301,898</b>	<b>260,578</b>	<b>793,397</b>	<b>673,155</b>	<b>6,464,454</b>	<b>44,493,482</b>
<b>EXPENDITURES:</b>						
Current:						
General government	2,918,502	-	-	-	255,613	3,174,115
Public safety - Police	9,217,574	-	-	-	103,985	9,321,559
Public safety - Fire	7,699,482	-	-	-	5,778	7,705,260
Public works	1,217,501	-	4,840	-	744,846	1,967,187
Community development	1,790,503	145,702	-	-	-	1,936,205
Parks and recreation	6,915,305	-	139,727	-	52,411	7,107,443
Capital outlay	18,736	-	1,493,183	-	2,870,516	4,382,435
<b>Total expenditures</b>	<b>29,777,603</b>	<b>145,702</b>	<b>1,637,750</b>	<b>-</b>	<b>4,033,149</b>	<b>35,594,204</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>6,524,295</b>	<b>114,876</b>	<b>(844,353)</b>	<b>673,155</b>	<b>2,431,305</b>	<b>8,899,278</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Sale of capital assets	-	789,546	-	555,378	-	1,344,924
Transfers in	228,204	-	981,245	-	-	1,209,449
Transfers out	(581,000)	-	-	(205,000)	(423,449)	(1,209,449)
<b>Total other financing sources (uses)</b>	<b>(352,796)</b>	<b>789,546</b>	<b>981,245</b>	<b>350,378</b>	<b>(423,449)</b>	<b>1,344,924</b>
<b>EXTRAORDINARY ITEM:</b>						
Extraordinary loss	(1,246,530)	-	(121,980)	-	-	(1,368,510)
<b>Total extraordinary item</b>	<b>(1,246,530)</b>	<b>-</b>	<b>(121,980)</b>	<b>-</b>	<b>-</b>	<b>(1,368,510)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>4,924,969</b>	<b>904,422</b>	<b>14,912</b>	<b>1,023,533</b>	<b>2,007,856</b>	<b>8,875,692</b>
<b>FUND BALANCES:</b>						
Beginning of year	19,976,723	410,438	8,970,481	1,537,111	7,635,492	38,530,245
End of year	\$ 24,901,692	\$ 1,314,860	\$ 8,985,393	\$ 2,560,644	\$ 9,643,348	\$ 47,405,937

See accompanying Notes to Basic Financial Statements.

**City of Foster City and Estero Municipal Improvement District  
Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Government-Wide  
Statement of Activities and Changes in Net Position  
For the fiscal year ended June 30, 2014**

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**Net Change in Fund Balances - Total Governmental Funds** \$ 8,875,692

Governmental activities in the Statement of Activities were reported differently because:

Governmental funds report capital outlay as expenditures. In the Statement of Activities and Changes in Net Position, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital assets additions (Total capital asset additions for the City for the fiscal year ended for governmental activities were \$5,918,154, which consisted of \$1,324,166 in additions attributable to internal service fund activity and \$4,593,988 in additions attributable to governmental funds)	\$ 4,593,988	
Gain on capital asset disposal (net of accumulated depreciation)	(621,236)	
Less current year depreciation. This amount is net of depreciation expense of the internal service funds in the amount of \$647,730	<u>(4,609,607)</u>	(636,855)

Revenues from new loans that are funded in this fiscal year that will not be collected for several months after the City/District's fiscal year ends are not considered "available" revenue and are classified as unavailable revenue in the governmental funds.		(161,597)
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Revenues from North Peninsula Jewish Campus in this fiscal year that will not be collected for several years are not considered "available" revenue and are not reported in the governmental fund		(555,377)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
OPEB liabilities	(325,580)	
Change in long-term compensated absences.	<u>468</u>	(325,112)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net assets of the internal service funds is reported with governmental activities		<u>1,789,379</u>
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**Change in Net Position of Governmental Activities** \$ 8,986,130

See accompanying Notes to Basic Financial Statements.

**City of Foster City and Estero Municipal Improvement District**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	Enterprise Funds			Internal Service Funds
	Water	Sewer	Total	
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 11,989,575	\$ 18,001,200	\$ 29,990,775	\$ 30,794,819
Receivables, net of allowance:				
Billed utility, net of allowance for uncollectibles	771,973	682,709	1,454,682	-
Unbilled utility	1,180,784	627,971	1,808,755	-
Other	53,750	438	54,188	74,310
Deposits and prepaid items	282	362	644	452
Inventory	81,257	270,973	352,230	121,218
<b>Total current assets</b>	<b>14,077,621</b>	<b>19,583,653</b>	<b>33,661,274</b>	<b>30,990,799</b>
Noncurrent assets:				
Capital assets:				
Nondepreciable	3,597,734	64,786	3,662,520	583,374
Depreciable, net of accumulated depreciation	19,608,035	34,037,567	53,645,602	2,288,427
<b>Total noncurrent assets</b>	<b>23,205,769</b>	<b>34,102,353</b>	<b>57,308,122</b>	<b>2,871,801</b>
<b>Total assets</b>	<b>37,283,390</b>	<b>53,686,006</b>	<b>90,969,396</b>	<b>33,862,600</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	1,438,864	1,375,027	2,813,891	315,131
Accrued payroll	56,651	58,211	114,862	58,507
Refundable deposits	72,108	-	72,108	-
Claims liability	-	-	-	206,827
Compensated absences - current portion	58,795	57,835	116,630	61,088
<b>Total current liabilities</b>	<b>1,626,418</b>	<b>1,491,073</b>	<b>3,117,491</b>	<b>641,553</b>
Noncurrent liabilities:				
Compensated absences - noncurrent portion	90,489	94,029	184,518	104,609
OPEB liability	162,075	157,100	319,175	163,925
<b>Total noncurrent liabilities</b>	<b>252,564</b>	<b>251,129</b>	<b>503,693</b>	<b>268,534</b>
<b>Total liabilities</b>	<b>1,878,982</b>	<b>1,742,202</b>	<b>3,621,184</b>	<b>910,087</b>
<b>NET POSITION</b>				
Net investment in capital assets	23,205,769	34,102,353	57,308,122	2,871,801
Unrestricted	12,198,639	17,841,451	30,040,090	30,080,712
<b>Total net position</b>	<b>\$ 35,404,408</b>	<b>\$ 51,943,804</b>	<b>87,348,212</b>	<b>\$ 32,952,513</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			1,222,476	
Net position of business-type activities			<b>\$ 88,570,688</b>	

See accompanying Notes to Basic Financial Statements.

**City of Foster City and Estero Municipal Improvement District**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the fiscal year ended June 30, 2014**

	Enterprise Funds		Total	Internal Service Funds
	Water	Sewer		
<b>OPERATING REVENUES:</b>				
Sales and service charges	\$ 10,550,591	\$ 7,400,022	\$ 17,950,613	\$ -
Charges for service - internal	-	-	-	5,336,459
Other	63,401	24,067	87,468	803
<b>Total operating revenues</b>	<b>10,613,992</b>	<b>7,424,089</b>	<b>18,038,081</b>	<b>5,337,262</b>
<b>OPERATING EXPENSES:</b>				
Personnel	1,354,649	1,499,938	2,854,587	1,853,513
Utilities	5,754,630	200,517	5,955,147	-
Program supplies	245,126	81,769	326,895	-
Repairs and maintenance	3,192	34,867	38,059	1,234,526
General and administration	1,257,874	1,152,258	2,410,132	634,572
Depreciation and amortization	1,021,849	1,248,466	2,270,315	647,730
Contractual service	177,002	2,169,356	2,346,358	289,629
Insurance	57,100	57,100	114,200	424,796
<b>Total operating expenses</b>	<b>9,871,422</b>	<b>6,444,271</b>	<b>16,315,693</b>	<b>5,084,766</b>
<b>OPERATING INCOME (LOSS)</b>	<b>742,570</b>	<b>979,818</b>	<b>1,722,388</b>	<b>252,496</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Gains (loss) on sales of capital assets	7,315	-	7,315	100,553
Investment income	179,251	279,839	459,090	1,436,367
<b>Total nonoperating revenues (expenses)</b>	<b>186,566</b>	<b>279,839</b>	<b>466,405</b>	<b>1,536,920</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>929,136</b>	<b>1,259,657</b>	<b>2,188,793</b>	<b>1,789,416</b>
<b>CONTRIBUTIONS AND TRANSFERS:</b>				
Capital contributions	-	-	-	49,525
Transfers in	-	-	-	25,413
Transfers out	-	-	-	(25,413)
<b>Total contributions and transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,525</b>
<b>Change in net position</b>	<b>929,136</b>	<b>1,259,657</b>	<b>2,188,793</b>	<b>1,838,941</b>
<b>NET POSITION:</b>				
Beginning of the year	34,475,272	50,684,147		31,113,572
End of the year	\$ 35,404,408	\$ 51,943,804		\$ 32,952,513

Adjustment to reflect the consolidation  
of internal service fund activities related  
to enterprise funds

49,562

Change in net position of business-  
type activities

\$ 2,238,355

See accompanying Notes to Basic Financial Statements.

**City of Foster City and Estero Municipal Improvement District**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the fiscal year ended June 30, 2014**

	Enterprise Funds			Internal Service Funds
	Water	Sewer	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 11,044,686	\$ 7,558,831	\$ 18,603,517	\$ -
Cash received from inter-departmental charges	-	-	-	5,262,952
Cash payments to suppliers for goods and services	(6,923,453)	(3,093,485)	(10,016,938)	(2,559,557)
Cash payments to employees for services	(1,336,269)	(1,490,327)	(2,826,596)	(1,890,208)
<b>Net cash provided (used) by operating activities</b>	<b>2,784,964</b>	<b>2,975,019</b>	<b>5,759,983</b>	<b>813,187</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers received	-	-	-	25,413
Transfer paid	-	-	-	(25,413)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Disposition of capital assets	7,315	-	7,315	-
Proceeds from sale of capital assets	-	-	-	100,553
Acquisition and construction of capital assets	(138,364)	(84,091)	(222,455)	(1,263,956)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(131,049)</b>	<b>(84,091)</b>	<b>(215,140)</b>	<b>(1,163,403)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment income	179,251	279,839	459,090	1,436,367
<b>Net cash provided (used) by investing activities</b>	<b>179,251</b>	<b>279,839</b>	<b>459,090</b>	<b>1,436,367</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,833,166</b>	<b>3,170,767</b>	<b>6,003,933</b>	<b>1,086,151</b>
<b>CASH AND CASH EQUIVALENTS:</b>				
Beginning of year	9,156,409	14,830,433	23,986,842	29,708,668
End of year	\$ 11,989,575	\$ 18,001,200	\$ 29,990,775	\$ 30,794,819

(Continued)

See accompanying Notes to Basic Financial Statements.

**City of Foster City and Estero Municipal Improvement District**  
**Statement of Cash Flows, Continued**  
**Proprietary Funds**  
**For the fiscal year ended June 30, 2014**

	Enterprise Funds			Internal Service Funds
	Water	Sewer	Total	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 742,570	\$ 979,818	\$ 1,722,388	\$ 252,496
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	1,021,849	1,248,466	2,270,315	647,730
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Billed receivables	75,872	(69,534)	6,338	-
Unbilled receivables	351,014	204,714	555,728	-
Other receivables	3,808	(438)	3,370	(74,310)
Deposit and prepaid items	226	(282)	(56)	(18)
Inventory	19,764	(79,353)	(59,589)	(16,766)
Increase (decrease) in:				
Accounts payable and claims liability	545,898	682,017	1,227,915	(68,879)
Accrued payroll	(777)	(2,377)	(3,154)	(3,773)
Refundable deposits	5,583	-	5,583	-
Claims liability	-	-	-	109,629
Compensated absences	(3,472)	(10,244)	(13,716)	(56,345)
OPEB liability	22,629	22,232	44,861	23,423
Total adjustments	2,042,394	1,995,201	4,037,595	560,691
<b>Net cash provided (used) by operating activities</b>	<b>\$ 2,784,964</b>	<b>\$ 2,975,019</b>	<b>\$ 5,759,983</b>	<b>\$ 813,187</b>

(Concluded)

See accompanying Notes to Basic Financial Statements.

**City of Foster City and Estero Municipal Improvement District**  
**Fiduciary Fund**  
**Statement of Fiduciary Net Position**  
**June 30, 2014**

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	Successor Agency of Community Development Agency
<b>ASSETS</b>	
Cash and investments	\$ 133,631
<b>Total assets</b>	<u>133,631</u>
<b>LIABILITIES</b>	
Accounts payable	4,029
<b>Total liabilities</b>	<u>4,029</u>
<b>NET POSITION</b>	
Net position held in trust	<u>\$ 129,602</u>

See accompanying Notes to Basic Financial Statements.

**City of Foster City and Estero Municipal Improvement District**  
**Fiduciary Fund**  
**Statement of Changes in Fiduciary Net Position**  
**For the Fiscal Year Ended June 30, 2014**

	Successor Agency of Community Development Agency
<b>Additions</b>	
Property taxes	\$ 703,755
Investment earnings	2,232
<b>Total additions</b>	<u>705,987</u>
<b>Deductions</b>	
Administrative expenses	120,436
Tax refund to the County	2,179,467
Affordable housing subsidy	545,233
Settlement	1,484,000
<b>Total deductions</b>	<u>4,329,136</u>
<b>Extraordinary item</b>	
Extraordinary gain	<u>1,368,510</u>
<b>Change in net position</b>	(2,254,639)
Net position-Beginning of the year	<u>2,384,241</u>
Net position-End of the year	<u>\$ 129,602</u>

See accompanying Notes to Basic Financial Statements.

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# Notes to Basic Financial Statements

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

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**1. DESCRIPTION OF THE REPORTING ENTITY**

The City of Foster City (City) was incorporated in 1971. The Estero Municipal Improvement District (District) was formed in 1960. The District was created by the California Legislature to issue general obligation bonds to fill and reclaim the land that later became the City upon incorporation. The City is a general law city and operates under a Council-Manager form of government, providing such services as public safety (police, fire and building inspection), highways and streets, sewer, water, parks and recreation, public improvements, planning and zoning, and general administrative services. The District, although a separate entity, encompasses the same basic geographical area, is inhabited by the same citizens and is governed, administered and budgeted by the same governmental body and procedures as the City and is included with the operations of the City in the accompanying financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***A. Basis of Accounting and Measurement Focus***

**Government-Wide Financial Statements**

The Statement of Net Position and Statement of Activities and Changes in Net Position display information about the primary government (City/District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between governmental and business-type activities of the City/District. Governmental activities, which normally are supported by taxes, intergovernmental revenues and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The Statement of Activities and Changes in Net Position presents a comparison between direct expenses and program revenues for each function of the City/District's governmental activities and for each segment of the business-type activities of the City/District. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. Program revenues include 1) fees, fines and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City/District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Fund Financial Statements**

The fund financial statements provide information about the City/District's funds, including fiduciary funds. Separate statements for each fund category — governmental, proprietary, and fiduciary — are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Sales and use tax, interest, certain state and federal grants, and charges for services are accrued when their receipt occurs within ninety days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds.

Under the terms of various grant agreements, the City/District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the City/District's policy to first apply cost-reimbursement grant resources (restricted) to such programs and then use general revenues (unrestricted) if necessary.

**Major Funds**

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General fund is always a major fund. The City/District may also select other funds it believes should be presented as major funds.

The City/District reported the following major governmental funds in the accompanying financial statements:

**General Fund** - Accounts for all revenues and expenditures necessary to carry out basic governmental activities of the City/District that are not accounted for through other funds.

**Low and Moderate Income Housing Assets Fund** - Accounts for all housing activities related to the assets assumed by the City as Housing Successor to the housing activities of the former Redevelopment Agency of the City. The revenue sources are from rental activities and loan repayments from Metro Center Senior Housing and first time homebuyers.

**City Capital Projects Fund** - Accounts for development, construction or acquisition of approved capital projects funded by general fund, special revenues fund, state and federal grants.

**Capital Asset Preservation Fund** - Accounts for revenues from the sale of City properties are being deposited into this fund. By policy direction, assets in this fund may only be used for the acquisition or replacement of significant assets or capital improvements by 4/5<sup>th</sup> vote of the City Council.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a fund's principal ongoing operations. The principal operating revenues of the City/District's enterprise and internal service funds are charges for customer services, including water and sewer charges, vehicle, equipment and building maintenance and usage fees, insurance charges, information services support charges, employee pension and other post-employment benefits charges, and compensated absences charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities are reported as nonoperating revenues and expenses.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

The City/District reported all enterprise funds as major funds in the accompanying financial statements:

**Water Fund** - Accounts for activities associated with providing water services including construction of water plant facilities.

**Sewer Fund** - Accounts for activities associated with sewage transmissions and treatment including construction of sewer plant facilities.

The City/District also reports the following fund types:

**Internal Service Funds** – These funds account for the City/District’s vehicle rental, equipment replacement, self-insurance, information technology, building maintenance services, longevity recognition benefits, CalPERS’ public employees’ medical and hospital cared Act medical benefits plan, and compensated absences; all of which are provided to other departments of the City/District on a cost-reimbursement basis.

**Fiduciary Funds** – An agency fund is used to account for assets held by the City/District as an agent for Foster City Successor Agency. The Successor Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments of recognized obligations at appropriate amounts and times in the future. The financial activities of the funds are excluded from the Government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

Fiduciary funds (private-purpose trust fund) are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues (additions) are recorded when earned and expenses (deductions) are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

**B. Cash and Cash Equivalents**

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

The City participates in an investment pool managed by the State of California entitled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to the change in interest rates.

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City and are presented as "Cash and Investments" in the accompanying Basic Financial Statements.

For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash. The City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

**C. Investments**

Investments are stated at fair value. The fair value of investments is determined annually and is based on current market prices. The method of allocating interest earned on pooled deposits and investments among governmental and proprietary funds is based upon average investment balances and is performed on a quarterly basis.

**D. Inventory and Prepaid Items**

Inventory, consisting of expendable supplies, is valued at cost on a first-in first-out basis. The cost of governmental funds inventory is recorded as expenditure at the time the individual inventory or prepaid item is consumed. Reported inventory and prepaid items are equally offset by a non spendable fund balance classification, which indicates that they do not constitute "available spendable resources" even though they are a component of the net current assets.

**E. Loans Receivable**

For the purposes of the fund financial statements, expenditures related to long-term loans arising from loan subsidy programs are charged to operations upon funding and the loans are recorded, net of an estimated allowance for potentially uncollectible loans, with an offset to a deferred inflows of resources account. The balance of the long-term loans receivable includes loans that may be forgiven if certain terms and conditions of the loans are met. For purposes of the government-wide financial statements, long-term loans are not offset by deferred inflows of resources, nor is activity reflected in the Statement of Activities.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**F. Capital Assets**

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include building and improvements, machinery and equipment, vehicles and public domain (infrastructure). Infrastructure consists of improvements including the roadway/street network, park system, and the storm drain, sanitary sewer and water distribution systems. The City/District has a policy whereby assets with an initial, individual cost of more than \$5,000 and \$100,000 for its non infrastructure and infrastructure assets, respectively, and an estimated useful life in excess of three years will be capitalized. Capital assets used in operations are depreciated using the straight-line method over their estimated useful lives in the government-wide and proprietary funds statements.

The estimated useful lives are as follows:

Infrastructure:	
Roadway/street network (including levee)	10 to 100 years
Park systems	8 to 50 years
Storm drain, sanitary sewer, and water distribution systems	12 to 50 years
Buildings and improvements	45 to 50 years
Sewer capacity rights	50 years
Equipment	3 to 10 years
Vehicles	4 to 25 years

The cost of normal maintenance and repairs that does not add to the value of the assets or materially extend asset lives is not capitalized. Improvements are capitalized and, for government-wide and proprietary funds statements, are depreciated over the remaining useful lives of the related capital assets.

Intangible Assets – Sewer Capacity Rights

The City/District entered into a Joint Powers Agreement (JPA) with the City of San Mateo (San Mateo) to construct sewer facilities (see Note 10). All capital facilities costs are capitalized in the Sewer Enterprise Fund and once placed in service, these costs are amortized using the straight-line method over 50 years.

**G. Compensated Absences (Vacation and Sick Pay)**

The City/District reports compensated absences for accrued vacation leave, sick pay, administrative leave and compensatory leave. In the event of termination, employees are paid for all allowed unused vacation at their current hourly rate in effect. For management and safety employees, vacation pay may be accrued up to three years without forfeiture. For American Federation of State, County and Municipal Employees (AFSCME), vacation pay may be accrued up to two years. The vested portion is available for current use or, if unused, is payable upon termination. After six months of employment, 25% to 50% of an employee's accrued sick leave vests at the current rate of pay.

An Internal Service Fund was established in fiscal year 2012/2013 to fund the payout of compensated absence balances, such as vacation and sick leave that are payable when employees separate from employment with the City related to governmental funds.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***H. Property Tax Levy, Collection and Maximum Rates***

State of California (State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value (\$1 per \$100 of assessed value) plus an additional amount for general obligation debt approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than 2% per year unless the property is sold or transferred. The State Legislature determines the method of distribution of receipts from the 1% tax levy among the counties, cities, school districts, and other districts.

The County of San Mateo assesses properties and bills for and collects property taxes as follows:

	Secured	Unsecured
Valuation/tax lien dates	January 1	January 1
Levy dates	On or before November 1	On or before July 31
Due dates (delinquent after)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 1 (August 31)

The term “unsecured” refers to taxes on personal property other than land and buildings. These “unsecured” taxes are secured by liens on the personal property being taxed. The County of San Mateo distributes to the City/District the entire amount of each year’s levy and in return receives all penalties and interest on delinquent payments.

***I. Revenue Recognition for Water and Sewer Enterprise Funds***

Revenue is recorded as billed to customers on a cyclical basis. All accounts are billed bi-monthly except irrigation accounts and home owner association (HOA) accounts which are billed monthly. Amounts unbilled at June 30, are accrued and recognized as revenue. The billed and unbilled receivables are shown net of an allowance for uncollectibles for the Water and the Sewer Enterprise Funds. As of year end there were no material uncollectable water and sewer service revenues.

***J. Interfund Transactions***

Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. Loans reported as receivables and payables as appropriate, are subject to elimination upon consolidation in the Government-Wide Financial Statements and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the Government-Wide Financial Statements as “internal balances.”

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are recorded when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers within governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***K. Estimates and Assumptions***

The preparation of basic financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

***L. New Funds and Closed Funds***

The City established the following new fund:

**Park-In-Lieu Fund** to account for revenues from construction projects for the acquisition, construction and improvement of parks and recreational facilities.

The City closed the following funds in fiscal year 2013/2014 as the projects had been completed:

**American Recovery and Reinvestment Act Fund** as the LED street light replacement project had been completed.

**Proposition 1B Fund** as the arterial and collector overlay project had been completed.

***M. New Pronouncements***

In 2014, the City/District has adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board (GASB) Statements:

**Statement No. 65** - In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The City has implemented the provisions of this Statement for the year ended June 30, 2014.

**Statement No. 66** - In March, 2012, GASB issued Statement No. 66, *Technical Correction – 2012 – an amendment of GASB Statement No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This pronouncement is effective for financial statements periods after December 15, 2012. The City has implemented this standard with no significant financial statement effect related to this Statement.

**Statement No. 70** – In April 2013, GASB issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. The City has implemented this statement with no significant financial statement impact.

**Statement No. 68** - In June, 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This pronouncement is effective for financial statements with fiscal year ending June 30, 2015.

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The City/District has not determined the impact on future financial statements.

**Statement No. 69** - In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The primary objective of this Statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The provisions of Statement No. 69 are effective for financial statements for periods beginning after December 15, 2013, with earlier application encouraged. The City has not determined its effect on the financial statements.

**Statement No. 71** - In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No.68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

**3. CASH AND INVESTMENTS**

***Policies***

It is the City/District's policy to invest public funds in a manner which will provide the optimal return available consistent with the City/District's liquidity needs and the primary objective of protecting the safety of principal conforming to all laws of the State of California regarding the investment of public funds.

The City/District invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. In order to increase security, the City/District employs the Trust Department of a bank as the custodian of certain City/District managed investments, regardless of their form.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City/District's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City/District's name and places the City/District ahead of general creditors of the institution.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

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**3. CASH AND INVESTMENTS, Continued**

The City/District’s investments are carried at fair value, as required by generally accepted accounting principles. The City/District adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

*Classification*

Cash and investments as of June 30, 2014 are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City lease or agency agreements.

**Financial Statement Presentation:**

Statement of Net Position:

City of Foster City/Estero Municipal Improvement District:

Cash and investments	\$ 112,715,287
Restricted cash and investments	<u>198,696</u>
Total Primary Government cash and investments	<u>112,913,983</u>

Statement of Fiduciary Net Position:

Cash and investments	<u>133,631</u>
Total Fiduciary Trust cash and investments	<u>133,631</u>

<b>Total cash and investments</b>	<b><u><u>\$ 113,047,614</u></u></b>
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Cash and investments as of June 30, 2014 consist of the following:

Cash on hand	\$ 4,000
Deposits with financial institutions	909,230
Local Agency Investment Funds (LAIF)	27,608,244
Investments	<u>84,526,140</u>
	<u><u>\$ 113,047,614</u></u>

The City/District does not allocate investments by fund. Each proprietary funds portion of Cash and Investments Available for Operation is in substance a demand deposit available to finance operations and is considered a cash equivalent in preparing the statement of cash flows.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

**3. CASH AND INVESTMENTS, Continued**

*Investments Authorized by the California Government Code and City/District's Investment Policy*

The City/District maintains a cash and investment pool that is available for use by all funds. Under the provisions of the City's investment policy and in accordance with Section 53601 of the California Government Code, the City is authorized to invest or deposit in the following:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds	5 years	5%	5%
U.S. Treasury Obligations	5 years	100%	100%
U.S. Agency Securities	5 years	100%	50%
Bankers Acceptances	270 days	25%	5%
Commercial Paper	90 days	20%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 year	50%	50%
Medium-Term Notes	5 years	5%	5%
Shares of Beneficial Interest (Mutual Funds)	N/A	10%	10%
Certificates of Deposit	1 years	10%	Max with FDIC
San Mateo County Pooled Investment Program	N/A	10%	10%
State Local Agency Investment Fund (LAIF)	N/A	100%	\$ 50,000,000

During fiscal year ended June 30, 2005, the City/District started to invest funds set aside for the Longevity Recognition Plan and Public Employees' Medical and Hospital Care Act (PEMHCA). These funds are actively managed in a portfolio consisting of government and corporate bonds and mutual funds. Investment of funds in stocks is not permitted under the City/District's policy.

***Risk Disclosures***

**Interest Rate Risk:** It is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value of changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City/District's investment policy limits the weighted average maturity of the City/District's cash and investment pool to less than five years. The City/District also manages its interest rate risk by holding most investments to maturity, thus reversing recognized but unrealized gains and losses.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

**3. CASH AND INVESTMENTS, Continued**

Investments held in City Treasury grouped by maturity date at June 30, 2014, are shown below:

Investment Type	Fair Value	Investment Maturities (in years)				
		1 year or Less	2 years	3 years	4 years	5 years
Securities of U.S. Government						
Treasury and Agencies:						
Federal National Mortgage Associations Bonds-Coupon	\$ 7,939,170	\$ -	\$ -	\$ -	\$ 7,939,170	\$ -
Federal Farm Credit Bank Bonds-Coupon	20,921,356	-	-	2,991,800	15,926,480	2,003,076
Federal Home Loan Bank Bonds-Coupon	24,776,807	1,013,780	-	1,655,782	17,119,100	4,988,145
Federal Home Loan Mortgage Corporation Bonds-Coupon	16,942,320	-	-	-	13,928,200	3,014,120
Corporate Notes	4,625,595	-	4,122,830	-	502,765	-
Equity Mutual Funds-open end funds	9,320,892	9,320,892	-	-	-	-
<b>Total</b>	<b>\$84,526,140</b>	<b>\$ 10,334,672</b>	<b>\$4,122,830</b>	<b>\$4,647,582</b>	<b>\$55,415,715</b>	<b>\$10,005,341</b>

**Credit Risk:** It is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City/District's investment policy limits its pooled investments to that of securities and obligations of the U.S. Government and mutual funds and to the highest ranking or the highest letter and numerical rating by not less than two of the three (Moody's, Standard & Poor's, and Fitch) nationally recognized rating services.

At June 30, 2014, the City's deposits and investments subject to credit quality ratings were as follows:

	Credit Quality Ratings	
	Moody's	S&P
Securities of U.S. Government Agencies:		
Federal Farm Credit Bank Bonds (FFCB)	Aaa	AA+
Federal Home Loan Bank Bonds (FHLB)	Aaa	AA+
Federal Home Loan Mortg. Corp. Notes (FHLMC)	Aaa	AA+
Federal National Mortg. Assn. Notes (FNMA)	Aaa	AA+
Money Market Funds	Aaa	AA+

**Concentration of Credit Risk:** The City/District's investment policy contains limitation of the amount that can be invested in any one issuer beyond that stipulated by the California Government Code Section 53601. The City/District diversifies its portfolio by limiting the percentage of the portfolio that can be invested in any one issuer's name. At June 30, 2014, the City/District did not have more than 25 percent invested in any one issuer.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

**3. CASH AND INVESTMENTS, Continued**

	<u>Amount</u>	<u>% of Portfolio</u>
Certificate of Deposit	\$ 200,000	0.18%
Corporate Bond	4,625,595	4.12%
Securities of U.S. Government Agencies:		
Federal Farm Credit Bank Bonds (FFCB)	20,921,356	18.62%
Federal Home Loan Bank Bonds (FHLB)	24,776,807	22.06%
Federal Home Loan Mortg. Corp. Notes (FHLMC)	16,942,320	15.08%
Federal National Mortg. Assn. Notes (FNMA)	<u>7,939,170</u>	<u>7.07%</u>
Total Securities of U.S. Government Agencies	70,579,653	62.83%
Local Agency Investment Fund Pool	27,608,244	24.58%
Equity Mutual Funds-open end funds	9,320,892	8.30%
Total Investment Portfolio	<u>\$112,334,384</u>	<u>100.00%</u>

**Custodial Credit Risk – Deposits:** It is the risk that in the event of a bank failure, the City/District’s deposits may not be returned. Under the California Government Code, a financial institution is required to secure deposits in excess of \$250,000 made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 105% to 150% of the total amount deposited by the public agencies depending on specific securities pledged as collateral.

As of June 30, 2014, the carrying amount of the City/District’s deposits was \$913,230 and the bank balance was \$1,289,925. Of the bank balance, \$648,696 was covered by federal depository insurance and \$641,229 was collateralized by the pledging financial institutions as required by the California Government Code Section 53652.

**Custodial Credit Risk – Investments:** The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City/District’s investment policy stipulated the safekeeping and custody requirements for custodial credit risk on all security transactions including the collateral for repurchase agreements. Securities shall be conducted on a delivery-versus-payment (DVP) basis, and will be held by a third party custodian designated by the City Treasurer and evidenced by safekeeping receipts/statements. Collateral will always be held by the third party custodian as well. The City/District’s investment policy requires a collateralization level of 102% of the market value for repurchase agreements which is in conformance with the California Government Code.

**Investment in State Investment Pool:** The City/District is a voluntary participant in Local Agency Investment Fund (LAIF), a State of California external investment pool, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City/District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF’s investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

**3. CASH AND INVESTMENTS, Continued**

The City/District valued its investments in LAIF as of June 30, 2014, by multiplying its account balance with LAIF (\$27,600,000) times a fair value factor (1.00029875) computed by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value. Accordingly, as of June 30, 2014, the City/District's investments in LAIF, stated at fair value, equaled \$27,608,245.

**4. LOANS RECEIVABLE**

At June 30, 2014, Loans Receivable amounted to:

	Amount	Allowance	Net Amount
Metro Center Senior Homes Project	\$ 6,782,241	\$ (6,782,241)	\$ -
First Time Home Buyer Program	524,633	-	524,633
North Peninsula Jewish Campus Land	18,112,433	-	18,112,433
<b>Total</b>	<b>\$ 25,419,307</b>	<b>\$ (6,782,241)</b>	<b>\$ 18,637,066</b>

The Foster City Community Development Agency (Agency) entered into the loan program for Metro Center Senior Homes project and First Time Homebuyer program to improve the quality of housing and to increase the availability of affordable housing. Due to the passage of ABx1 26 the Foster City Community Development Agency was dissolved and the City agreed to become the successor to the former redevelopment agency housing activities and as a result the City of Foster City assumed the loans receivable of the former Foster City Community Development Agency as of February 1, 2012.

***Metro Center Senior Homes Project***

On July 1, 1995, the Agency agreed to loan \$6,879,774 to Metro Senior Associates (Metro) for the construction of a senior housing project (Project) to be known as the Metro Center Senior Homes Project. The loan bears a two percent interest rate. To the extent there is residual cash flow from the Project Metro shall pay the entire residual cash flow to the Agency within ninety days of the end of each calendar year, in satisfaction of principal and interest owed. Residual cash flow is defined as all rents and revenues derived from the Project less operation and other related costs of the Project. Any outstanding principal and interest is due and payable in full in forty years.

To finance the loan of \$6,879,774 to Metro, the Agency sold tax allocation bonds of \$5,000,000 on July 27, 1995. The Agency financed the remainder of the loan through its accumulated tax increment funds. At June 30, 2014, the Agency provided a 100% valuation allowance equal to the loan balance outstanding in the amount of \$6,782,241 which includes principal of \$5,917,695 and accumulated interest in the amount of \$864,546 because there remains significant doubt as to the ability of the Project to generate sufficient and recurring annual residual cash flows from which to repay its obligation to the Agency.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

**4. LOANS RECEIVABLE, Continued**

*First Time Homebuyer Program*

The Agency started the First Time Homebuyer Program to provide low interest second mortgages for people who live and/or work in the City/District who can afford moderate monthly mortgage payments and require assistance with the down payment in order to purchase their first home. These loans have an interest rate of 3% and a term of 30 years. However, there are no payments and no accrued interest for the first five years. Beginning in year six, equal monthly payments of principal and interest will commence and continue for the remaining 25 years. The outstanding balance of these loans is \$524,633 at June 30, 2014.

*North Peninsula Jewish Campus Land, LLC*

On September 28, 2012, the City sold 11 acre site bounded by Foster City Boulevard, Balclutha Drive, Shell Boulevard and south drive to the North Peninsula Jewish Campus Land, LLC for \$20,000,000. According to the business term of the sale and purchase agreement, \$1,000,000 of the purchase price was paid in cash at closing, the balance of the purchase price in the amount of \$19,000,000 is financed by the City via a seller carry-back financing loan. The loan terms are 25-year at a fixed rate of 3.25%, secured by a first position deed of trust. The monthly loan payment including principal and interest is in the amount of \$92,590.08 beginning on November 1, 2012 and ending on October 1, 2037. The outstanding balance of this loan is \$18,112,433 as of June 30, 2014.

**5. INTERFUND TRANSACTIONS**

*Due To and From Other Funds*

Amounts due to or due from other funds reflect inter-fund balances of services rendered or short-term loans expected to be repaid in the next fiscal year.

<b>Due to other funds</b>					
<b>Due from other funds</b>	Non-Major Governmental Fund Traffic Safety Fund	Non-Major Governmental Fund SLESF/COPS Grant Fund	Non-Major Governmental Fund Foster City Foundation Fund	Total	
	General Fund	\$ 2,205	\$ 24,904	\$ -	\$ 27,109
	City Capital Projects	-	-	144,000	144,000
<b>Total</b>	<b>\$ 2,205</b>	<b>\$ 24,904</b>	<b>\$ 144,000</b>	<b>\$171,109</b>	

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
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**5. INTERFUND TRANSACTIONS, Continued**

***Transfers***

Resources may be transferred from one City/District fund to another. Transfers are made for the purposes of funding capital projects, capital outlays, or reimburse fund that has incurred expenditures on behalf of another fund. Expenditures reimbursed were for capital projects, maintenance and operation expenses, and contributions for post-employment benefits or other employment liabilities. The following schedule summarizes the City/District's transfer activity:

		<b>Transfers in</b>			
<b>Transfers out</b>		General Fund	City Capital Projects Fund	Equipment Replacement Fund	Total
		General Fund	\$ -	\$ 581,000	\$ -
	Non-Major Governmental Fund, Park-In-Lieu Fund	-	400,245	-	400,245
	Foster City Foundation Fund	23,204	-	-	23,204
	Capital Asset Preservation Fund	205,000	-	-	205,000
	Information Technology	-	-	25,413	25,413
	<b>Total</b>	<u>\$ 228,204</u>	<u>\$ 981,245</u>	<u>\$ 25,413</u>	<u>\$ 1,234,862</u>

Transfers between funds were made during the fiscal year to fund capital improvement projects; to fund capital outlay; to fund compensated absences payout; to reimburse General Fund for crossing guard and summer concert; to reimburse General Fund for rental income no longer receive as a result of the sale of 11 acre site to the North Peninsula Jewish Campus Land, LLC.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

**6. CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2014 follows:

	July 1, 2013	Additions	Retirements	Transfers	June 30, 2014
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 11,622,912	\$ -	\$ (189,019)	\$ -	\$ 11,433,893
Construction in progress	209,235	5,168,985	-	(1,944,893)	3,433,327
Total capital assets, not being depreciated	<u>11,832,147</u>	<u>5,168,985</u>	<u>(189,019)</u>	<u>(1,944,893)</u>	<u>14,867,220</u>
Capital assets, being depreciated:					
Infrastructure	102,297,942	8,377	(1,335,703)	1,944,893	102,915,509
Buildings	50,623,442	-	(518,579)	-	50,104,863
Improvements	5,898,096	-	-	-	5,898,096
Equipment	5,642,027	225,535	(351,043)	-	5,516,519
Vehicles	5,092,152	512,762	(548,196)	-	5,056,718
Software	774,066	2,495	-	-	776,561
Total capital assets, being depreciated	<u>170,327,725</u>	<u>749,169</u>	<u>(2,753,521)</u>	<u>1,944,893</u>	<u>170,268,266</u>
Less accumulated depreciation for:					
Infrastructure	(55,371,889)	(3,256,527)	1,313,252	-	(57,315,164)
Buildings	(13,145,347)	(1,168,747)	108,812	-	(14,205,282)
Improvements	(1,837,234)	(184,333)	-	-	(2,021,567)
Equipment	(4,564,272)	(297,094)	340,358	-	(4,521,008)
Vehicles	(3,993,292)	(320,937)	548,196	-	(3,766,033)
Software	(744,627)	(29,699)	-	-	(774,326)
Total accumulated depreciation	<u>(79,656,661)</u>	<u>(5,257,337)</u>	<u>2,310,618</u>	<u>-</u>	<u>(82,603,380)</u>
Total capital assets, being depreciated, net	<u>90,671,064</u>	<u>(4,508,168)</u>	<u>(442,903)</u>	<u>1,944,893</u>	<u>87,664,886</u>
<b>Governmental activities capital assets, net</b>	<u>\$102,503,211</u>	<u>\$ 660,817</u>	<u>\$ (631,922)</u>	<u>\$ -</u>	<u>\$102,532,106</u>

Total capital asset additions for the City for the fiscal year ended for governmental activities were \$5,918,154 which consisted of \$1,324,166 in additions attributable to internal service fund activity.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

**6. CAPITAL ASSETS, Continued**

	July 1, 2013	Additions	Retirements	Transfers	June 30, 2014
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 3,553,474	\$ -	\$ -	\$ -	\$ 3,553,474
Construction in Progress	-	109,046	-	-	109,046
<b>Total capital assets, not being depreciated</b>	<b>3,553,474</b>	<b>109,046</b>	<b>-</b>	<b>-</b>	<b>3,662,520</b>
Capital assets, being depreciated:					
Infrastructure	72,188,410	94,105	(72,391)	-	72,210,124
Sewer capacity rights	24,791,531	-	-	-	24,791,531
Equipment	2,450,649	-	(8,000)	-	2,442,649
<b>Total capital assets, being depreciated</b>	<b>99,430,590</b>	<b>94,105</b>	<b>(80,391)</b>	<b>-</b>	<b>99,444,304</b>
Less accumulated depreciation for:					
Infrastructure	(38,826,488)	(1,661,440)	63,301	-	(40,424,627)
Sewer capacity rights	(4,065,006)	(495,832)	-	-	(4,560,838)
Equipment	(708,193)	(113,044)	8,000	-	(813,237)
<b>Total accumulated depreciation</b>	<b>(43,599,687)</b>	<b>(2,270,316)</b>	<b>71,301</b>	<b>-</b>	<b>(45,798,702)</b>
<b>Total capital assets, being depreciated, net</b>	<b>55,830,903</b>	<b>(2,176,211)</b>	<b>(9,090)</b>	<b>-</b>	<b>53,645,602</b>
<b>Business-type activities capital assets, net</b>	<b>\$59,384,377</b>	<b>\$(2,067,165)</b>	<b>\$ (9,090)</b>	<b>\$ -</b>	<b>\$57,308,122</b>

**Depreciation**

Depreciation expense was charged to governmental functions as follows:

General government	\$ 590,499
Public safety - Police	273,489
Public safety- Fire	151,671
Public works	2,416,587
Community development	63,458
Parks and recreation	1,761,633
<b>Total depreciation expense</b>	<b>\$ 5,257,337</b>

Depreciation expense was charged to the business-type functions as follows:

Water	\$ 1,021,849
Sewer	1,248,466
<b>Total depreciation expense</b>	<b>\$ 2,270,315</b>

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

**7. LONG TERM OBLIGATIONS**

The following is a summary of long-term obligation transactions for the year ended June 30, 2014:

	July 1, 2013	Additions	Retirements	June 30, 2014	Due Within One Year	Due in More Than One Year
<b>Governmental activities:</b>						
Claims liability	\$ 97,198	\$ 187,234	\$ (77,605)	\$ 206,827	\$ 206,827	\$ -
Compensated absences	2,577,100	753,018	(809,832)	2,520,286	803,511	1,716,775
OPEB obligation	2,281,824	446,922	(97,921)	2,630,825	-	2,630,825
Total governmental activities	<u>\$4,956,122</u>	<u>\$1,387,174</u>	<u>\$ (985,358)</u>	<u>\$5,357,938</u>	<u>\$1,010,338</u>	<u>\$ 4,347,600</u>
<b>Business-type activities:</b>						
Compensated absences	\$ 314,864	\$ 130,934	\$ (144,650)	\$ 301,148	\$ 116,630	\$ 184,518
OPEB obligation	274,314	57,336	(12,475)	319,175	-	319,175
Total business-type activities	<u>\$ 589,178</u>	<u>\$ 188,270</u>	<u>\$ (157,125)</u>	<u>\$ 620,323</u>	<u>\$ 116,630</u>	<u>\$ 503,693</u>

The City has established an internal service fund to liquidate the net other postemployment benefit obligation. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$165,697 of internal service funds compensated absences, \$206,827 of claims liability and \$163,925 of OPEB obligation are included in the above amounts.

**8. NET POSITION AND FUND BALANCES**

**Net Position**

The government-wide, proprietary fund and fiduciary fund financial statements utilize a net position presentation. Net positions are categorized as net investment in capital assets, restricted and unrestricted.

**Net Investment in Capital Assets:** This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

**Restricted Net Position:** This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

**Unrestricted Net Position:** This category represents net positions of the City/District, not restricted for any project or other purpose.

**Fund Balances**

Fund balances presented in the governmental fund financial statements, represent the difference between assets and liabilities reported in a governmental fund. The City's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

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**8. NET POSITION AND FUND BALANCES, Continued**

**Nonspendable** – represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, Inventory, notes receivable, and land held for resale are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

**Restricted** – represents balances have external restrictions imposed by creditors, grantors, contributors, laws, regulation, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances, donations, and nonspendable amounts subject to restrictions are included along with spendable resources.

**Committed** – represents balances have constraints imposed by the City’s highest level of decision-making authority, the City Council, through Council Resolution. Commitments may be altered only by Council Resolution, with the City taking the same formal action that imposed the constraint originally. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

**Assigned** – represents balances intended to be used by the City for specific purposes, but are neither restricted nor committed. The City Council through City Resolution delegated the authority to the City Manager to assign fund balances which are not otherwise restricted or committed.

**Unassigned** – represents the residual fund balances that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

**8. NET POSITION AND FUND BALANCES, Continued**

Detailed classifications of the City's Fund Balances, as of June 30, 2014, are below:

	Major Funds				Non-Major	Total
	General Fund	Low and Moderate	City Capital Projects	Capital Asset Preservation	Governmental Funds	
		Income Housing Assets Fund				
<b>Nonspendable</b>						
Prepays and deposits	\$ 19,226	\$ -	\$ -	\$ -	\$ -	\$ 19,226
Inventory	16,900	-	-	-	-	16,900
<b>Total Nonspendable</b>	<u>36,126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,126</u>
<b>Restricted</b>						
Affordable housing	-	1,314,860	-	-	-	1,314,860
Roadway capital projects and maintenance	-	-	-	-	4,373,964	4,373,964
Public safety equipment and programs	-	-	-	-	41,789	41,789
Recreation programs and community events	-	-	-	-	1,495,816	1,495,816
Other	-	-	-	-	1,358	1,358
<b>Total Restricted</b>	<u>-</u>	<u>1,314,860</u>	<u>-</u>	<u>-</u>	<u>5,912,927</u>	<u>7,227,787</u>
<b>Committed</b>						
Solid waste reduction	293,633	-	-	-	-	293,633
Garbage rate stabilization fund	148,287	-	-	-	-	148,287
Capital projects	-	-	8,985,393	2,560,644	-	11,546,037
Affordable housing	-	-	-	-	3,306,133	3,306,133
CalOpps online recruitment program	-	-	-	-	300,773	300,773
Sustainable Foster City program	-	-	-	-	123,515	123,515
<b>Total Committed</b>	<u>441,920</u>	<u>-</u>	<u>8,985,393</u>	<u>2,560,644</u>	<u>3,730,421</u>	<u>15,718,378</u>
<b>Assigned</b>						
Capital outlay	676,878	-	-	-	-	676,878
<b>Unassigned</b>	<u>23,746,768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,746,768</u>
<b>Total Fund Balances</b>	<u>\$24,901,692</u>	<u>\$ 1,314,860</u>	<u>\$8,985,393</u>	<u>\$2,560,644</u>	<u>\$ 9,643,348</u>	<u>\$47,405,937</u>

The City/District uses encumbrance accounting throughout the fiscal year to encumber appropriations based upon purchase orders issued to the City/District's vendors. Any purchase order not expended lapse at the end of the fiscal year, and must be reinitiated with the vendor on July 1 of the subsequent fiscal year. At June 30, 2014, there were no encumbered fund balances.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

**9. EMPLOYEES' RETIREMENT PLANS**

**Public Employees' Retirement Fund**

**Plan Description:** All permanent employees are eligible to participate in the Public Employees' Retirement Fund (Fund) of the State of California's Public Employees' Retirement System (CalPERS). The Fund is an agent multiple-employer defined benefit plan that acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. The Fund provides retirement, disability, and death benefits based on the employee's years of service, age and the average of the final 3 years' compensation. Employees vest after five years of service and may eligible to retire and receive retirement benefits at age fifty, fifty-seven or sixty-two for safety and other employees based on the entering level of the retirement plan. These benefit provisions and all other requirements are established by State statute and City/District ordinances. Copies of the Fund's annual financial report may be obtained from CalPERS' Executive Office: 400 P Street, Sacramento, CA 95814.

	Safety (Police and Fire) Plan			Miscellaneous Plan	
	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2
	prior to	starting	starting	prior to	starting
Hire date	1/1/2012	1/1/2012	1/1/2013	1/1/2012	1/1/2013
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50	50	57	50	62
Retirement plan	3%@50	2%@50	2.7%@57	2.7%@55	2%@62
Final compensation period	**	**	**	**	**
Required employee contribution rate	9%	9%	11.50%	8%	6.25%
Required employer contribution rate	31.025%	19.900%	11.50%	18.865%	18.865%
Total employee contribution FY 13/14	\$ 661,336	\$ 16,040	\$ 44,143	\$ 735,446	\$ 25,167
Total employer contribution FY 13/14	\$ 2,279,773	\$ 35,466	\$ 44,143	\$ 1,730,053	\$ 75,849

\*\* Average of the highest 3 consecutive years' compensation

**Funding Policy:** Public safety employees and all other employees have an obligation to contribute 9% or 11.5% and 8% or 6.25% of their salary to the fund based on each employee's entering level of the retirement plans listed above. The minimum contribution requirements of the plan members are established by State statute. The City/District is required to contribute at an actuarially determined rate. The required employer contribution rates for fiscal year 2014 were 18.865% for miscellaneous employees and 31.025%, 19.000% or 11.500% for safety employees of annual covered payroll based on each employee's entering level of the retirement plans listed above. The employer contribution rates are established and updated each fiscal year based on the annual valuation result provided by CalPERS.

**Annual Pension Cost:** For fiscal year 2014, the City/District's annual pension cost for CalPERS was equal to the City/District's required and actual contributions, which were determined as part of the June 30, 2013 actuarial valuation using the entry age normal cost method. The actuarial assumptions included the following:

Discount rate	7.50% (net of administrative services)
Projected salary increases	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 2.75% and an annual production growth of 0.25%.

**City of Foster City and Estero Municipal Improvement District**  
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**9. EMPLOYEES' RETIREMENT PLANS, Continued**

The market value of assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. Unfunded actuarial accrued liability (UAAL) (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period of the unfunded actuarial liabilities of the City/District ends on June 30, 2021 for safety employees, and June 30, 2019 for miscellaneous employees.

**Three-Year Trend Information:** The following table shows the City/District's required contributions and the percentage contributed, for the current year and each of the preceding two years.

Fiscal Year Ending	Miscellaneous Plan			Fiscal Year Ending	Safety Plan		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation		Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 1,623,578	100%	-	6/30/2012	\$ 2,353,773	100%	-
6/30/2013	\$ 1,764,618	100%	-	6/30/2013	\$ 2,282,138	100%	-
6/30/2014	\$ 1,805,902	100%	-	6/30/2014	\$ 2,359,382	100%	-

*Funded Status of Plan – Safety Employees*

The City/District's retirement plan for safety employees is a part of the CalPERS risk pool for cities and other government entities that have less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of the funding progress for the City/District's safety employees is not available.

*Funded Status of Plan – Miscellaneous Employees*

The City/District contributed to the California Public Employees' Retirement System (CalPERS), as an agent multiple-employer public employee defined benefit pension plan. The amounts reflected herein represent the District's portion as reported by CalPERS.

Valuation Date	Actuarial Accrued Liability	Market Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
6/30/2013	\$ 85,150,976	\$ 61,872,747	\$ 23,278,229	72.7%	\$ 9,630,403	241.7%

Additional information regarding the funded status of the miscellaneous employees' retirement plan can be found in the Required Supplementary Information section.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

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**9. EMPLOYEES’ RETIREMENT PLANS, Continued**

*Public Employees’ Pension Reform Act (PEPRA)*

Assembly Bill (AB) 340 pension reform created the Public Employees’ Pension Reform Act (PEPRA) that implemented new benefit formulas and final compensation period, as well as new contribution requirements for new employees hired on or after January 1, 2013 who meet the definition of new member under PEPRA.

The table below provides such information for safety and miscellaneous employees who meet the definition of new member under PEPRA effective January 1, 2013.

	Safety	Miscellaneous
Benefit formula	2.7% at age 57	2% at age 62
Final compensation period	3 year	3 year
Employer contribution rate as a percentage payroll	11.5% of reportable compensation	6.25% of reportable compensation
Member contribution rate as a percentage payroll	11.5% of reportable compensation	6.25% of reportable compensation

**Internal Revenue Code Section 401(a) Plan and 457 Deferred Compensation Plan**

City/District employees may contribute a portion of their compensation under the City/District sponsored 401(a) Retirement Plan and 457 Deferred Compensation Plan created in accordance with Internal Revenue Code Section 401(a) and 457. Under these Plans, participants are not taxed on their contributions to the Plans until it is distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plans.

The laws governing the plan assets require the plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City/District’s property and are not subject to the City/District control, they have been excluded from these financial statements.

**Longevity Recognition Benefits**

The Longevity Recognition Benefits is a pension obligation established for the benefit of the classifications of Police Officer, Police Corporal, Police Sergeant, Police Lieutenant, Police Captain, Police Chief, Firefighter, Fire Captain, Battalion Chief and Fire Chief. It was also afforded to the members of the AFSCME bargaining unit who retired after July 1, 2001 and before October 1, 2007. The monthly benefit is calculated based on the years of service and bargaining group, which ranges from \$125 to \$350. The payment is made upon separation from the City, as long as that separation is in conjunction with a retirement through CalPERS. The payment is a monthly annuity payment, which has no restriction as to how the payment is used by the member. The payment commences the first of the month following the retirement date of the annuitant.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
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**9. EMPLOYEES' RETIREMENT PLANS, Continued**

**Other Post Employment Benefits**

All City/District employees, their surviving spouses, and eligible dependents can continue to participate in the health care program under the provisions of the formal City-sponsored single employer plan at their own cost. The City/District will only contribute the minimum amount provided under Government Code Section 22825 of the Public Employee Medical and Hospital Care Act by which, the City/District paid \$115 and \$119 per month per family for the period from July 1, 2013 to December 31, 2013 and January 1, 2014 to June 30, 2014 respectively. The City/District's contribution for fiscal year 2014 amounted to \$110,396.

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based on the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City/District annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 572,396
Interest on net OPEB obligation	150,000
Amortization of net OPEB obligation	<u>(215,000)</u>
Annual OPEB cost	507,396
Payments made	<u>(110,396)</u>
Increase (decrease) in net OPEB obligation	397,000
Net OPEB obligation - beginning of the year	<u>2,553,000</u>
Net OPEB obligation - end of year	<u><u>\$ 2,950,000</u></u>

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

**9. EMPLOYEES' RETIREMENT PLANS, Continued**

The City/District Retiree Health annual OPEB cost and the percentage of annual OPEB cost contributed to the plan for 2014 and the preceding fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Change in Net OPEB Obligation</u>	<u>Cumulative OPEB Obligation</u>
6/30/2012	\$ 498,267	19.65%	\$ 409,000	\$ 2,025,000
6/30/2013	624,895	15.51%	528,000	2,553,000
6/30/2014	507,396	21.76%	397,000	2,950,000

**Funded Status and Funding Progress.** The funded status of the Plan as of June 30, 2013, the Plan's most recent actuarial valuation date, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Asset Value</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Liability as Percentage of Covered Payroll</u>
6/30/2013	-	\$ 4,500,000	0%	\$ 16,338,000	27.5%

Additional information regarding the funded status of the OPEB can be found in the Required Supplementary Information section.

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions:** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the June 30, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 6% investment rate of return (net of administrative expenses) and a 3% general inflation assumption. The healthcare cost trend rate minimum was assumed to annually increase by 4.5%. The UAAL is amortized as a level percentage of projected payrolls over 15 years on a closed basis commencing in 2014.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

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**10. INVESTMENT IN JOINT VENTURE AND MEMBERSHIP IN INSURANCE POOLS**

The City/District participates in a joint venture and insurance pools established under the State of California Joint Powers Act, as follows:

**Wastewater Treatment Facility**

The City/District executed a Joint Exercise of Powers Agreement in June 1974 (amended February 1976) with the City of San Mateo for the joint construction of a wastewater treatment facility (Facility). The project was funded through various sources: federal funding was 75%, state funding was 12.5%, and the City/District and the City of San Mateo jointly funded the remaining 12.5%. The project was completed during the year ended June 30, 1987, at an approximate total cost to the City/District of \$826,000. Part of the City/District's share of the costs has been financed through the sale of \$760,000 in Sewer Revenue Bonds of 1979. The remaining construction costs were financed through use of existing funds.

A new Joint Powers Agreement (JPA) dated July 17, 1989 and amended January 17, 1990, was executed by the City/District and City of San Mateo to rescind the agreement of June 1974 (amended February 1976). The new JPA provides for the expansion of the wastewater treatment facility with all costs shared between the parties as follows: the City/District, 25% and the city of San Mateo, 75%. The city of San Mateo is the lead agency and bills the City/District monthly for its share of the expansion project costs and quarterly for its operating and maintenance costs. The City of San Mateo's audited financial statements may be obtained at 330 W 20<sup>th</sup> Avenue, San Mateo, CA 94403. Part of the City/District's share of costs has been financed through the sale of \$1,329,000 in Sewer Revenue Bonds in 1993. The City of San Mateo issued \$23.5 million in long-term revenue bonds to finance its share of expansion costs. The City/District is not obligated in any manner to repay the San Mateo revenue bonds. The wastewater treatment plant facility project was completed in fiscal year 2011.

For the year ended June 30, 2014, the District's share of the operating and maintenance costs was \$2,088,031 which is included in the Sewer Enterprise Fund's accompanying financial statements as contractual services.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

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**10. INVESTMENT IN JOINT VENTURE AND MEMBERSHIP IN INSURANCE POOLS, Continued**

**The Cities Group**

The City/District, along with five other governments located within San Mateo County, is a member of The Cities Group, a public entity risk pool and a provider of workers' compensation insurance coverage, claims management, risk management services and legal defense to each participating member. The Cities Group is governed by a Board of Directors, which is comprised of officials appointed by each participating member. Premiums paid to the Cities Group may be modified by Board decision according to the loss experience of each member. This loss experience mechanism will operate to ensure that each member returns over a period of time to the Cities Group the funds paid out on its behalf as paid losses. In the opinion of City/District management, premiums paid represent the best available estimate of the ultimate cost of the City/District's participation in The Cities Group and, accordingly, the accompanying basic financial statements of the City/District includes no provisions for possible refunds or additional assessments. For the year ended June 30, 2014, the City/District paid premiums to The Cities Group of \$1,348,505, which are included in the General Fund as insurance expenditures. Payments of City/District workers' compensation claims for the year ended June 30, 2014 were \$1,050,905.

Condensed financial information as of June 30, 2014 (the latest information available) for The Cities Group is presented below:

Total assets	\$ 2,179,934
Total liabilities	1,169,328
Total equity/net assets	1,010,606
Total revenues	2,856,040
Total expenses/expenditures	3,316,698
Increase (decrease) in equity/net assets	(460,658)

Audited financial information may be obtained for The Cities Group at P.O. Box 111, Burlingame, CA 94011.

**ABAG PLAN**

The City/District, along with 31 other Bay Area governments, is a member of the ABAG PLAN Corporation (ABAG), a public-entity risk pool. ABAG provides liability insurance coverage, claims management, risk management services and legal defense to its participating members. ABAG is governed by a Board of Directors, which is comprised of officials appointed by each participating member. Premiums paid to ABAG are subject to possible refund based on the results of actuarial studies and approval by ABAG's Board of Directors. In the opinion of the City/District management, premiums made represent the best available estimate of the ultimate cost of the City/District's participation in ABAG and, accordingly, the accompanying basic financial statements of the City/District include no provisions for possible refunds or additional assessments. Actual refunds and assessments arising from retrospective premium adjustments relating to prior loss years will be recorded in the City/District's basic financial statements in the year they become known. For the year ended June 30, 2014, the City/District's paid premiums of \$277,516 to ABAG.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

**10. INVESTMENT IN JOINT VENTURE AND MEMBERSHIP IN INSURANCE POOLS, Continued**

Condensed financial information as of June 30, 2013 (the latest information available) for the ABAG PLAN is presented below:

Total assets	\$ 44,444,445
Total liabilities	36,354,585
Total equity/net assets	8,089,860
Total revenues	8,039,122
Total expenses/expenditures	20,413,794
Increase (decrease) in equity/net assets	(12,374,672)

**11. RISK MANAGEMENT**

The City/District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City/District is self-insured for general liability claims up to \$100,000. General liability claims in excess of \$100,000 are insured with ABAG, a joint powers agency for the funding and pooling of insurance coverage. ABAG is a self-insured public-entity risk pool. Workers' compensation claims are insured with The Cities Group, a joint powers agency for the funding and pooling of insurance coverage. The Cities Group purchases third-party commercial insurance to cover all liabilities in excess of \$1,000,000 for all employees. Charges to the General Fund for general liability claims are determined from an analysis of self-insured claim costs. Such charges are recorded as expenditures in the General Fund and revenues in the Self-Insurance Internal Service Fund. The City/District considers incurred but not reported claims in determining if an accrual for loss contingencies is required for claims.

Settled claims have not exceeded the City/District's excess coverage in any of the past three fiscal years. Claims expenses and liabilities are reported for self-insured deductibles when it is probable that a loss has occurred, the amount of that loss can be reasonably estimated and includes incremental claim expenses. Allocated and unallocated claims adjustment expenses are included in the claims liability balance. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2014, the liability for general liability self-insurance claims was \$206,827. This liability is the City/District's best estimate based on available information.

Changes in the reported liability resulted from the following:

Liability at June 30, 2012	\$ 176,625
Current year claim deductibles and changes in estimates	4,481
Net payments	<u>(83,908)</u>
Liability at June 30, 2013	<u>97,198</u>
Current year claim deductibles and changes in estimates	187,234
Net payments	<u>(77,605)</u>
Liability at June 30, 2014	<u><u>\$ 206,827</u></u>

Audited financial information may be obtained from ABAG at P.O. Box 2050, Oakland, CA 94604.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

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**12. COMMITMENTS AND CONTINGENCIES**

The City/District is a defendant in lawsuits arising in the normal course of business. City/District management is of the opinion that the potential claims against the City/District resulting from such litigation, not covered by insurance, and would not materially affect the basic financial statements of the City/District.

**Successor Agency – Private Purpose Trust Fund**

As a result of the dissolution of the Redevelopment Agency (Agency) in 2012, the assets and liabilities of the former Agency were transferred to the successor agency, City of Foster City.

**Settlement with San Mateo Union High School District**

In 1991, the former Agency settled a lawsuit involving the allocation of property tax increment revenue to the San Mateo Union High School District (High School District). Based on the settlement, the Agency had agreed to pay the High School District a fixed amount of \$300,000 of tax increment annually through fiscal year 1996. For each fiscal year from 1997 to 2006, the Agency was obligated to pay the High School District an amount equal to 7.5% of the projected net tax increment received by the Agency in each fiscal year. For each fiscal year from 2007 to 2016, the Agency is obligated to pay the High School District in accordance with an agreed-upon payment schedule based on 10% of the original estimated net tax increment received in each fiscal year. Total payments to the High School District are not to exceed \$9,636,000 and are to be made only from the tax revenues of the year payments are made. Accordingly, no liability for the future settlement payments has been recorded as it was contingent on receipt of sufficient Tax Increment revenues to require payment.

Since the dissolution of the Agency as of February 1, 2012, the annual installment payment of the outstanding obligation was paid by the Successor Agency (private-purpose trust fund). At its February 13, 2013 Regular Meeting, the Oversight Board approved Resolution 2013-002 that approved a Pass-through Implementation Agreement between the Successor Agency and San Mateo Union High School District that would call for the payout of the remaining liability under the 1991 Agreement totaling \$1,508,000. On May 24, 2013, the Successor Agency received a determination letter from the State Department of Finance that approved the Oversight Board's Resolution 2013-005 that approved a liquidation and payoff of the obligation with San Mateo Union High School District at a discount rate of 0.80%, which is equivalent to a 3- to 4-year Federal Home Loan Bank note, and is representative of the anticipated investment return of the San Mateo Union High School District. The present value of the future payments under the 1991 Agreement, using the 0.80% discount rate, equates to a total liability of \$1,484,000. The obligation was paid in full on December 18, 2013.

**Marlin Cove Disposition and Development Agreement**

On November 15, 1999, the Agency approved a Disposition and Development Agreement (DDA) with a developer. On June 4, 2001, the DDA was amended. The DDA includes the entire Marlin Cove Project Area site and consists of a mixed-use development consisting of both residential and commercial development. The DDA as amended calls for significant Agency participation as summarized below:

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

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**12. COMMITMENTS AND CONTINGENCIES, Continued**

(i) *Agency Grant* — The Agency agreed to grant to the developer \$5,900,000 for off-site public improvements, hazardous materials remediation, fees due the City/District in connection with the development of the site, relocation expenses, and other demolition and improvement expenses. During fiscal year 2000, the Agency paid the developer \$4,900,000. The balance of the Agency Grant will be due to the developer, provided the developer has provided the Agency by April 15 of each year written evidence documenting payment of all property taxes and assessments due on the site. For the fiscal year ended June 30, 2014, the Successor Agency paid to the developer the required installment of \$109,794.

**Marlin Cove Disposition and Development Agreement, Continued**

(ii) *Utility Subsidy* — The Agency pledged to the developer a utility allowance subsidy in the amount of \$36,000 annually for affordable housing units. The Utility Subsidy will be paid annually through the life of the Marlin Cove project (estimated to be 2029) following the issuance of the Final Certificate of Completion for the residential portion of the site and will be increased annually by 2% to adjust for inflation. The balance of the amount will be due to the developer, provided the developer has provided the Agency by April 15 of each year written evidence documenting payment of all property taxes and assessments due on the site. For the fiscal year ended June 30, 2014, the Successor Agency paid the developer the Utility Subsidy in the amount of \$45,656.

(iii) *Tax Increment Subsidy* — The Agency agreed to provide rental subsidies pursuant to the California Health and Safety Code to ensure the affordability of at least 30% of the units in the residential portion of the site to persons and households of very low, low, and moderate income. The Agency pledged to the developer annually 30% of the net tax increment generated from the site (Tax Increment Subsidy). The Tax Increment Subsidy will be paid to the developer on an annual basis on May 1 of each year in an amount equal to the difference between the fair market rents of the affordable units and the affordable rent but not more than the Tax Increment Subsidy. For the fiscal year ended June 30, 2014, the Successor Agency paid the developer a tax increment subsidy in the amount of \$177,801.

If, in any year commencing more than one year after the execution of the DDA, the sum of the Tax Increment Subsidy, the Utility Subsidy and the Amortized portion of the Agency Grant exceeds the net tax increment, the Tax Increment Subsidy will be reduced for that year by such that the total amount paid to the developer does not exceed the net tax increment for the applicable year.

A tentative payment schedule of \$109,794 per year has been established depending upon the developers compliance with the agreement through 2013/2014. The above DDA obligations were administered by the Successor Agency effective February 1, 2012 as the Agency ceased to exist.

**Hillsdale/Gull Disposition and Development Agreement**

In March 2000, the Agency approved a Disposition and Development Agreement (DDA) with a developer. The DDA includes the entire Hillsdale/Gull Project Area site and consists of residential development. The DDA calls for significant Agency participation under an Agency Grant. The Agency agreed to grant to the developer an amount not to exceed \$4,000,000 for an affordable housing land subsidy, fees due the City in connection with the development of the site, other demolition costs and affordable unit construction costs.

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

**12. COMMITMENTS AND CONTINGENCIES, Continued**

**Hillsdale/Gull Disposition and Development Agreement, Continued**

During fiscal year 2001, the Agency paid the developer \$2,000,000. The balance of the Agency Grant will be due to the developer, with interest at eight percent per annum, amortized over fifteen years and paid to the developer in equal installments of \$233,659. The annual payments will be paid on July 1 of each year, provided (i) the developer has completed construction and installation of the work of improvements and the Agency has issued a Certificate of Completion, (ii) the developer provided the Agency by April 15 of each year written evidence documenting payment of all property taxes and assessments due on the site, and (iii) the developer delivered to the Agency the annual report required under the Affordable Housing Covenant. Construction was completed during fiscal year June 30, 2005. For the fiscal year ended June 30, 2014, the Successor Agency paid the developer the required installment in the amount of \$211,982.

A tentative payment schedule of \$233,659 per year has been established depending upon the developers compliance with the agreement through 2015/2016. The above DDA obligations were administered by the Successor Agency effective February 1, 2012 as the Agency ceased to exist.

**Capital Project Commitments**

The City/District has commitments for the following significant capital, infrastructure and other projects and programs:

Project	Project Authorization	Expended Through June 30, 2014	Committed
Levee/Pedway Improvements and Repairs	\$ 2,200,000	\$ 1,304,348	\$ 895,652
Sewer System Rehabilitation	150,000	-	150,000
Vintage Park Overcrossing Project	2,150,000	57,991	2,092,009
Sanitary Sewer Lift Station Improvements Project Ph 5	575,000	64,786	510,214
Dredging At The Lagoon Intake Structure	150,000	24,627	125,373
Park Infrastructure Improvements (2012-2013)	438,000	387,666	50,334
Synthetic Surface - Edgewater Park	1,760,000	1,363,520	396,480
Werder Park Site Development	125,000	107,572	17,428
Destination Park Development	125,000	104,297	20,703
Median Modifications-Foster City Blvd at Chase Drive	57,000	-	57,000
Water System Improvements and Valve Replacements	375,000	-	375,000
Road Widening-Foster City Blvd At Chess Drive	175,000	-	175,000
Road Widening-SR 92 Westbound Off-Ramp At Chess Drive	360,000	-	360,000
Residential Street Resurfacing Project	915,000	2,550	912,450
Site Improvement-East Third Avenue	861,000	110,578	750,422
Park Infrastructure Improvements (2013-2014)	286,000	69,669	216,331
Intersection Upgrade on Edgewater Blvd at Port Royal Ave	76,000	-	76,000
HVAC System Energy Efficiency Upgrades	1,442,738	-	1,442,738
Two Natural Gas Powered Engines and Pumps Replacement	575,000	44,260	530,740
<b>Total</b>	<b>\$ 12,795,738</b>	<b>\$ 3,641,864</b>	<b>\$ 9,153,874</b>

**City of Foster City and Estero Municipal Improvement District**  
**Notes to the Basic Financial Statements**  
**For the fiscal year ended June 30, 2014**

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**12. COMMITMENTS AND CONTINGENCIES, Continued**

The City/District participates in Federal, State, and local grant programs. These programs are subject to audits by the granting agencies. City/District management does not expect any material adverse affect on the financial condition of the City/District as a result of any potential grant audits.

**13. SUBSEQUENT EVENT**

On October 3, 2014, the City sold its last piece of land (15-acre land) adjacent to the Foster City Government Center Complex to The New Home Corporation, LLC for \$30,000,000. According to the business term of the sale and purchase agreement, \$9,000,000 of the purchase price was paid in cash at closing, and the balance of the purchase price in the amount of \$21,000,000 is financed by the City via a seller carry-back financing loan. The loan terms are 22-months at a fixed rate of 5%, secured by a first position deed of trust. The first principal payment is on August 3, 2015 in the amount of \$16,500,000. The second principal payment will be paid on August 3, 2016.

**14. SUCCESSOR AGENCY ACTIVITIES**

This footnote is to explain the impacts of the dissolution of the former Redevelopment Agency on the City's financial statements. The former Foster City Community Development Agency was dissolved as of January 31, 2012. Certain assets of the housing Fund were distributed to the Housing Successor Agency and all remaining assets of the former Redevelopment Agency were distributed to the Successor Agency. Subsequent to the adoption of AB 1X 26 and AB 1X 27, the California State Legislature adopted AB 1484 in June 2012. AB1484 directed the State Controller to review whether all assets transferred has occurred between the City or County, or City and County that created a redevelopment agency or any other public agency, and the redevelopment agency between January 1, 2011 through January 31, 2012.

In FY 2013/2014, the City had an extraordinary loss of \$1,368,510 (\$1,246,530 from general fund and \$121,980 from City Capital Projects Fund). The \$1,246,530 City's general fund extraordinary loss was due to the Sacramento Superior Court ruled against the City regarding the general fund loan repayment received from the former Foster City Community Development Agency in FY 2010/2011. The loan repayment was clawed back per AB1484; however, the City is allowed to reinstate the general fund loan with the Successor Agency of the former Foster City Community Development Agency. The loan reinstatement request is pending approval by the State Department of Finance. Once, the reinstatement request is approved, the loan payments will be made using future funds from the County's Reserve for Property Tax Trust Fund (RPTTF) starting 2016 until fully paid by 2025.

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# Required Supplementary Information

## BUDGET AND BUDGETARY ACCOUNTING

**The following procedures are performed by the City/District in establishing the budgetary data reflected in the basic financial statements:**

The City Manager submits to the City Council and the District's Board members a proposed budget for the coming fiscal year. The budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain taxpayers' comments.

The budget is legally adopted through passage of a resolution.

The transfer of budget amounts between funds or departments must be approved by the City Council and the District's Board. Transfer of budget amounts within one fund or one department must be approved by the City Manager.

Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and Special Revenue Funds.

Budgets are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) using the modified accrual basis of accounting.

Total expenditures of each governmental fund may not legally exceed fund appropriations at the department level.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the budgetary process.

Fund appropriations lapse at the end of each year. The City/District closes out all purchase orders, contracts and other commitments at year-end. As such, no encumbrances were outstanding at June 30, 2014. Encumbrances are expected to be reappropriated in the following fiscal year.

**City of Foster City and Estero Municipal Improvement District**  
**Required Supplementary Information**  
**For the Fiscal Year Ended June 30, 2014**

*Budgetary Comparison Schedule - General Fund*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Fund balance, June 30, 2013</b>	<u>\$ 19,976,723</u>	<u>\$ 19,976,723</u>	<u>\$ 19,976,723</u>	<u>\$ -</u>
Resources (inflows):				
Property taxes:				
Secured	15,288,000	15,288,000	18,415,959	3,127,959
Unsecured	904,000	904,000	916,948	12,948
Motor vehicle in lieu	<u>2,360,000</u>	<u>2,360,000</u>	<u>3,064,553</u>	<u>704,553</u>
Total	<u>18,552,000</u>	<u>18,552,000</u>	<u>22,397,460</u>	<u>3,845,460</u>
Other taxes:				
Sales and use and sales tax in lieu	3,451,000	3,451,000	3,103,666	(347,334)
Transient occupancy	2,040,000	2,040,000	2,109,324	69,324
Franchise	1,379,500	1,379,500	1,235,085	(144,415)
Real property transfer	<u>275,400</u>	<u>275,400</u>	<u>337,718</u>	<u>62,318</u>
Total	<u>7,145,900</u>	<u>7,145,900</u>	<u>6,785,793</u>	<u>(360,107)</u>
Licenses and permits:				
Business licenses	632,400	632,400	976,770	344,370
Permits	<u>1,760,000</u>	<u>1,760,000</u>	<u>1,699,706</u>	<u>(60,294)</u>
Total	<u>2,392,400</u>	<u>2,392,400</u>	<u>2,676,476</u>	<u>284,076</u>
Intergovernmental:				
Motor vehicle in lieu	-	-	13,203	13,203
Homeowner property tax relief	100,000	100,000	101,138	1,138
Reimbursements and grants	<u>-</u>	<u>-</u>	<u>239,178</u>	<u>239,178</u>
Total	<u>100,000</u>	<u>100,000</u>	<u>353,519</u>	<u>253,519</u>
Charges for current services:				
Service fees	573,000	573,000	1,480,542	907,542
Recreation and leisure	<u>1,290,500</u>	<u>1,290,500</u>	<u>1,141,309</u>	<u>(149,191)</u>
Total	<u>1,863,500</u>	<u>1,863,500</u>	<u>2,621,851</u>	<u>758,351</u>
Fines and forfeitures:				
Traffic fines and court fees	26,000	26,000	26,350	350
False alarm fines	<u>31,000</u>	<u>31,000</u>	<u>31,426</u>	<u>426</u>
Total	<u>57,000</u>	<u>57,000</u>	<u>57,776</u>	<u>776</u>
Investment income and rentals:				
Investment income	238,000	238,000	431,664	193,664
Rent	<u>739,000</u>	<u>739,000</u>	<u>725,909</u>	<u>(13,091)</u>
Total	<u>977,000</u>	<u>977,000</u>	<u>1,157,573</u>	<u>180,573</u>
Other revenues	<u>449,800</u>	<u>449,800</u>	<u>251,450</u>	<u>(198,350)</u>
Total revenues	31,537,600	31,537,600	36,301,898	4,764,298
Transfers in	<u>205,000</u>	<u>205,000</u>	<u>228,204</u>	<u>23,204</u>
Amounts available for appropriation	<u>51,719,323</u>	<u>51,719,323</u>	<u>56,506,825</u>	<u>4,787,502</u>

(Continued)

**City of Foster City and Estero Municipal Improvement District**  
**Required Supplementary Information, Continued**  
**For the Fiscal Year Ended June 30, 2014**

*Budgetary Comparison Schedule - General Fund, Concluded*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to appropriations (outflows):				
General government:				
Council/Board	\$ 217,412	\$ 217,412	\$ 211,969	\$ 5,443
City/District Manager	967,345	973,845	948,914	24,931
City Clerk	279,931	285,681	249,888	35,793
City/District Attorney	273,524	313,524	311,653	1,871
Human Resources	417,296	417,296	346,537	70,759
Financial Services	933,168	933,168	849,541	83,627
Subtotal	<u>3,088,676</u>	<u>3,140,926</u>	<u>2,918,502</u>	<u>222,424</u>
Public safety - Police	9,291,442	9,291,442	9,217,574	73,868
Public safety - Fire	7,894,278	7,968,278	7,699,482	268,796
Public works	1,689,933	1,959,933	1,217,501	742,432
Community development	1,872,484	2,103,269	1,790,503	312,766
Parks and recreation	7,267,310	7,242,310	6,915,305	327,005
Capital outlay	<u>35,000</u>	<u>35,000</u>	<u>18,736</u>	<u>16,264</u>
Subtotal	<u>28,050,447</u>	<u>28,600,232</u>	<u>26,859,101</u>	<u>1,741,131</u>
Total expenditures	<u>31,139,123</u>	<u>31,741,158</u>	<u>29,777,603</u>	<u>1,963,555</u>
Transfers out	<u>581,000</u>	<u>581,000</u>	<u>581,000</u>	<u>-</u>
Total charges to appropriations	<u>31,720,123</u>	<u>32,322,158</u>	<u>30,358,603</u>	<u>1,963,555</u>
<b>Extraordinary Item:</b>				
Extraordinary loss	<u>-</u>	<u>-</u>	<u>1,246,530</u>	<u>(1,246,530)</u>
<b>Fund balance, June 30, 2014</b>	<u>\$ 19,999,200</u>	<u>\$ 19,397,165</u>	<u>\$ 24,901,692</u>	<u>\$ 5,504,527</u>

**City of Foster City and Estero Municipal Improvement District**  
**Required Supplementary Information, Continued**  
**For the Fiscal Year Ended June 30, 2014**

*Budgetary Comparison Schedule - Low and Moderate Income Housing Assets Fund*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Investment and rental income	\$ 112,700	\$ 112,700	\$ 83,682	\$ (29,018)
Other	27,000	27,000	176,896	149,896
<b>Total revenues</b>	<b>139,700</b>	<b>139,700</b>	<b>260,578</b>	<b>120,878</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	168,700	168,700	145,702	22,998
<b>Total Expenditures</b>	<b>168,700</b>	<b>168,700</b>	<b>145,702</b>	<b>22,998</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of capital assets	-	-	789,546	789,546
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>789,546</b>	<b>789,546</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(29,000)</b>	<b>(29,000)</b>	<b>904,422</b>	<b>933,422</b>
<b>FUND BALANCE:</b>				
Beginning of year	410,438	410,438	410,438	-
End of year	\$ 381,438	\$ 381,438	\$ 1,314,860	\$ 933,422

**City of Foster City and Estero Municipal Improvement District  
Required Supplementary Information, Continued  
For the fiscal year ended June 30, 2014**

**Schedules of Funding Progress (Unaudited)**

*Funded Status of Pension Plan - Safety Employees*

In fiscal year ended June 30, 2004, CalPERS established a risk pool for cities and other government entities that have less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of the funding progress for the City/District's safety employees is not available.

*Funded Status of Pension Plan - Miscellaneous Employees*

Valuation Date	Entry Age Normal Accrued Liability	Actuarial *Value/Market Value of Assets	Unfunded Liability	Funded Ratio		Annual Covered Payroll	UAAL as a % of Payroll
				Actuarial Value	Market Value		
6/30/2011	\$ 76,201,207	\$ 62,829,160	\$ 13,372,047	82.5%	73.5%	\$ 10,409,877	128.5%
6/30/2012	\$ 80,423,332	\$ 66,279,791	\$ 14,143,541	82.4%	68.9%	\$ 9,509,925	148.7%
6/30/2013	\$ 85,150,976	\$ 61,872,747	\$ 23,278,229	72.7%	72.7%	\$ 9,630,403	241.7%

\* Starting with 6/30/2013, market value of assets is reported.

*Funded Status of OPEB Obligation*

Actuarial Valuation Date	Actuarial Asset Value	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
1/1/2009	-	\$ 4,116,000	0%	\$ 18,241,000	22.6%
1/1/2011	-	\$ 5,085,000	0%	\$ 17,857,000	28.5%
6/30/2013	-	\$ 4,500,000	0%	\$ 16,338,000	27.5%

# **Non-Major Governmental Funds**

**City of Foster City and Estero Municipal Improvement District**  
**Combined Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2014**

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	Total Non-Major Special Revenue Funds
<b>ASSETS</b>	
Cash and investments	\$ 9,582,294
Receivables, net of allowance:	
Intergovernmental	136,540
Taxes	52,171
Other	50,650
<b>Total assets</b>	<b>\$ 9,821,655</b>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 4,007
Accrued payroll	3,191
Due to other funds	171,109
<b>Total liabilities</b>	<b>178,307</b>
<b>Fund balances:</b>	
Restricted	5,912,927
Committed	3,730,421
<b>Total fund balances</b>	<b>9,643,348</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,821,655</b>

**City of Foster City and Estero Municipal Improvement District**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the fiscal year ended June 30, 2014**

	Total Non-Major Special Revenue Funds
<b>REVENUES:</b>	
Property taxes	\$ 207,679
Sales and use taxes	581,296
Intergovernmental	1,826,683
Fines and forfeitures	140,193
Park-in-lieu	3,289,634
Investment income	120,925
Other	298,044
<b>Total revenues</b>	<b>6,464,454</b>
<b>EXPENDITURES:</b>	
Current:	
General government	255,613
Public safety - Police	103,985
Public safety - Fire	5,778
Public works	744,846
Parks and recreation	52,411
Capital outlay	2,870,516
<b>Total expenditures</b>	<b>4,033,149</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,431,305</b>
<b>OTHER FINANCING SOURCES (USES):</b>	
Transfer out	(423,449)
<b>Total other financing sources (uses)</b>	<b>(423,449)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,007,856</b>
<b>FUND BALANCES:</b>	
Beginning of year	7,635,492
End of year	\$ 9,643,348

# Non-Major Special Revenue Funds

**Special revenue funds are used to account for revenues that are restricted by law or administrative action to expenditures for specified purposes. Non-Major Special Revenue Funds used by the City/District are listed below:**

The *Traffic Safety Fund* accounts for the revenues received by the City as its share of fines generated from violations of the State Motor Vehicles Code and expended for traffic safety programs.

The *Measure A Fund* accounts for revenues generated by a special one-half cent sales tax that was approved by the voters of San Mateo County during 1988. These funds are restricted for engineering, construction and maintenance of City/District streets and transportation-related purposes.

The *Gas Tax Fund* accounts for the revenues apportioned to the City from State collected gasoline taxes and expended for engineering, construction, and maintenance of City streets.

The *Park-In-Lieu Fund* accounts for the revenues from construction projects for the acquisition, construction and improvement of parks and recreational facilities.

The *Measure M Fund* accounts for the revenues generated by a special ten dollar vehicle registration fee that was approved by the voters of San Mateo County in 2010. These funds are restricted for the maintenance of City/District streets, provide transportation options to reduce congestion, safe routes to schools, reduce water pollution from oil and gas runoff, etc.

The *SLESF/COPS Grant Fund* accounts for the State of California monies received to fund supplemental law enforcement services such as anti-gang and community crime prevention programs. Supplemental law enforcement services include costs for personnel, equipment and program operating expenses.

The *California Law Enforcement Equipment Fund* accounts for revenues received for the California Law Enforcement Equipment Purchase Program (CLEEP). The grant is to be used to purchase technology equipment.

The *California Opportunities Fund* accounts for revenues received from other local government agencies, which participated in the public employment career opportunities program.

The *Foster City Foundation Fund* accounts for revenues received from any person or organization for charitable contributions to Foster City for the benefit of the City and its residents. The donations should be used according to the intent specified by the donors.

The *Foster City Affordable Housing Fund* was to dedicate the proceeds from the San Mateo County redistribution of the unencumbered housing tax increments from the former Foster City Community Development Agency to future affordable housing projects in the City.

The *Sustainable Foster City Special Fund* was to dedicate the proceeds from the San Mateo County redistribution of the unencumbered general tax increments from the former Foster City Community Development Agency to develop a sustainable economic development strategy for the City.

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**City of Foster City and Estero Municipal Improvement District**  
**Combining Balance Sheet**  
**Non-Major Special Revenue Funds**  
**June 30, 2014**

	Traffic Safety	Measure A	Gas Tax	Park-in-lieu	Measure M
<b>ASSETS</b>					
Cash and investments	\$ -	\$ 3,100,426	\$ 1,029,304	\$ 1,385,349	\$ 84,036
Receivables, net of allowance:				-	-
Intergovernmental	12,398		99,238	-	-
Taxes	-	52,171	-	-	-
Other	-	-	-	-	-
<b>Total assets</b>	<u>\$ 12,398</u>	<u>\$ 3,152,597</u>	<u>\$ 1,128,542</u>	<u>\$ 1,385,349</u>	<u>\$ 84,036</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-
Due to other funds	2,205	-	-	-	-
<b>Total liabilities</b>	<u>2,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>					
Restricted	10,193	3,152,597	1,128,542	1,385,349	84,036
Committed	-	-	-	-	-
<b>Total fund balances</b>	<u>10,193</u>	<u>3,152,597</u>	<u>1,128,542</u>	<u>1,385,349</u>	<u>84,036</u>
<b>Total liabilities and fund balances</b>	<u>\$ 12,398</u>	<u>\$ 3,152,597</u>	<u>\$ 1,128,542</u>	<u>\$ 1,385,349</u>	<u>\$ 84,036</u>

<u>SLESF/ COPS Grant</u>	<u>California Law Enforcement Equipment</u>	<u>California Opportunities</u>	<u>Foster City Foundation</u>	<u>Foster City Affordable Housing</u>	<u>Sustainable Foster City Special Fund</u>	<u>Total</u>
\$ -	\$ -	\$ 273,011	\$ 279,185	\$ 3,306,133	\$ 124,850	\$ 9,582,294
24,904	-	-	-	-	-	136,540
-	-	-	-	-	-	52,171
-	-	31,650	19,000	-	-	50,650
<u>\$ 24,904</u>	<u>\$ -</u>	<u>\$ 304,661</u>	<u>\$ 298,185</u>	<u>\$ 3,306,133</u>	<u>\$ 124,850</u>	<u>\$ 9,821,655</u>
\$ -	\$ -	\$ 697	\$ 1,975	\$ -	\$ 1,335	\$ 4,007
-	-	3,191	-	-	-	3,191
24,904	-	-	144,000	-	-	171,109
<u>24,904</u>	<u>-</u>	<u>3,888</u>	<u>145,975</u>	<u>-</u>	<u>1,335</u>	<u>178,307</u>
-	-	-	152,210	-	-	5,912,927
-	-	300,773	-	3,306,133	123,515	3,730,421
-	-	300,773	152,210	3,306,133	123,515	9,643,348
<u>\$ 24,904</u>	<u>\$ -</u>	<u>\$ 304,661</u>	<u>\$ 298,185</u>	<u>\$ 3,306,133</u>	<u>\$ 124,850</u>	<u>\$ 9,821,655</u>

**City of Foster City and Estero Municipal Improvement District**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Special Revenue Funds**  
**For the fiscal year ended June 30, 2014**

	Traffic Safety	Measure A	Gas Tax	Park-in-lieu	Measure M	SLESF/ COPS Grant
<b>REVENUES:</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use tax	-	581,296	-	-	-	-
Intergovernmental	-	631,421	993,353	-	102,433	99,476
Fines and forfeitures	140,193	-	-	-	-	-
Park-in-lieu	-	-	-	3,289,634	-	-
Investment income	-	54,782	12,904	6,289	-	-
Other	-	-	-	-	-	-
<b>Total revenues</b>	<u>140,193</u>	<u>1,267,499</u>	<u>1,006,257</u>	<u>3,295,923</u>	<u>102,433</u>	<u>99,476</u>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	107,287	-	-	-
Public safety - police	-	-	-	-	-	99,476
Public safety - fire	-	-	-	-	-	-
Public works	130,000	-	512,413	-	102,433	-
Parks and recreation	-	-	-	-	-	-
Capital outlay	-	1,216,276	-	1,510,329	2,551	-
<b>Total expenditures</b>	<u>130,000</u>	<u>1,216,276</u>	<u>619,700</u>	<u>1,510,329</u>	<u>104,984</u>	<u>99,476</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>10,193</u>	<u>51,223</u>	<u>386,557</u>	<u>1,785,594</u>	<u>(2,551)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers out	-	-	-	(400,245)	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(400,245)</u>	<u>-</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>10,193</u>	<u>51,223</u>	<u>386,557</u>	<u>1,385,349</u>	<u>(2,551)</u>	<u>-</u>
<b>FUND BALANCES:</b>						
Beginning of year	-	3,101,374	741,985	-	86,587	-
End of year	<u>\$ 10,193</u>	<u>\$ 3,152,597</u>	<u>\$ 1,128,542</u>	<u>\$ 1,385,349</u>	<u>\$ 84,036</u>	<u>\$ -</u>

California Law Enforcement Equipment	California Opportunities	Foster City Foundation	Foster City Affordable Housing	Sustainable Foster City Special Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ 207,679	\$ 207,679
-	-	-	-	-	581,296
-	-	-	-	-	1,826,683
-	-	-	-	-	140,193
-	-	-	-	-	3,289,634
-	3,950	-	42,160	840	120,925
-	123,900	174,144	-	-	298,044
-	127,850	174,144	42,160	208,519	6,464,454
-	83,525	596	-	64,205	255,613
2,145	-	2,364	-	-	103,985
-	-	5,778	-	-	5,778
-	-	-	-	-	744,846
-	-	52,411	-	-	52,411
5,844	-	135,516	-	-	2,870,516
7,989	83,525	196,665	-	64,205	4,033,149
(7,989)	44,325	(22,521)	42,160	144,314	2,431,305
-	-	(23,204)	-	-	(423,449)
-	-	(23,204)	-	-	(423,449)
(7,989)	44,325	(45,725)	42,160	144,314	2,007,856
7,989	256,448	197,935	3,263,973	(20,799)	7,635,492
\$ -	\$ 300,773	\$ 152,210	\$ 3,306,133	\$ 123,515	\$ 9,643,348

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**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Traffic Safety Special Revenue Fund**  
**For the fiscal year ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Fines and forfeitures	\$ 130,000	\$ 130,000	\$ 140,193	\$ 10,193
<b>Total revenues</b>	<u>130,000</u>	<u>130,000</u>	<u>140,193</u>	<u>10,193</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	130,000	130,000	130,000	-
<b>Total expenditures</b>	<u>130,000</u>	<u>130,000</u>	<u>130,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>10,193</u>	<u>10,193</u>
<b>FUND BALANCE:</b>				
Beginning of year	-	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,193</u>	<u>\$ 10,193</u>

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Measure A Special Revenue Fund**  
**For the fiscal year ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Sales and use taxes	\$ 560,000	\$ 560,000	\$ 581,296	\$ 21,296
Intergovernmental	-	-	631,421	631,421
Investment income	27,000	27,000	54,782	27,782
<b>Total revenues</b>	<b>587,000</b>	<b>587,000</b>	<b>1,267,499</b>	<b>680,499</b>
<b>EXPENDITURES:</b>				
Capital outlay	1,539,684	1,539,684	1,216,276	323,408
<b>Total expenditures</b>	<b>1,539,684</b>	<b>1,539,684</b>	<b>1,216,276</b>	<b>323,408</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(952,684)</b>	<b>(952,684)</b>	<b>51,223</b>	<b>1,003,907</b>
<b>FUND BALANCE:</b>				
Beginning of year	3,101,374	3,101,374	3,101,374	-
End of year	\$ 2,148,690	\$ 2,148,690	\$ 3,152,597	\$ 1,003,907

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Gas Tax Special Revenue Fund**  
**For the fiscal year ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 813,700	\$ 813,700	\$ 993,353	\$ 179,653
Investment income	7,300	7,300	12,904	5,604
<b>Total revenues</b>	<b>821,000</b>	<b>821,000</b>	<b>1,006,257</b>	<b>185,257</b>
<b>EXPENDITURES:</b>				
Current:				
General government	107,287	107,287	107,287	-
Public works	512,413	512,413	512,413	-
<b>Total expenditures</b>	<b>619,700</b>	<b>619,700</b>	<b>619,700</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>201,300</b>	<b>201,300</b>	<b>386,557</b>	<b>185,257</b>
<b>FUND BALANCE:</b>				
Beginning of year	741,985	741,985	741,985	-
End of year	\$ 943,285	\$ 943,285	\$ 1,128,542	\$ 185,257

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Park-in-lieu Special Revenue Fund**  
**For the fiscal year ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Park-in-lieu	\$ 2,775,000	\$ 2,775,000	\$ 3,289,634	\$ 514,634
Investment income	-	-	6,289	\$ 6,289
<b>Total revenues</b>	<b>2,775,000</b>	<b>2,775,000</b>	<b>3,295,923</b>	<b>520,923</b>
<b>EXPENDITURES:</b>				
Capital outlay	2,133,440	2,133,440	1,510,329	623,111
<b>Total Expenditures</b>	<b>2,133,440</b>	<b>2,133,440</b>	<b>1,510,329</b>	<b>623,111</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfers out	(400,245)	(400,245)	(400,245)	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>241,315</b>	<b>241,315</b>	<b>1,385,349</b>	<b>1,144,034</b>
<b>FUND BALANCE:</b>				
Beginning of year	-	-	-	-
End of year	\$ 241,315	\$ 241,315	\$ 1,385,349	\$ 1,144,034

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Measure M Special Revenue Fund**  
**For the fiscal year ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 95,600	\$ 95,600	\$ 102,433	\$ 6,833
<b>Total revenues</b>	<u>95,600</u>	<u>95,600</u>	<u>102,433</u>	<u>6,833</u>
<b>EXPENDITURES:</b>				
Current:				
Public Works	102,433	102,433	102,433	-
Capital outlay	<u>127,100</u>	<u>127,100</u>	<u>2,551</u>	<u>124,549</u>
<b>Total Expenditures</b>	<u>229,533</u>	<u>229,533</u>	<u>104,984</u>	<u>124,549</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(133,933)</u>	<u>(133,933)</u>	<u>(2,551)</u>	<u>131,382</u>
<b>FUND BALANCE:</b>				
Beginning of year	<u>86,587</u>	<u>86,587</u>	<u>86,587</u>	<u>-</u>
End of year	<u>\$ (47,346)</u>	<u>\$ (47,346)</u>	<u>\$ 84,036</u>	<u>\$ 131,382</u>

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**SLESF/COPS Grant Special Revenue Fund**  
**For the fiscal year ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 99,476	\$ (524)
Investment income	-	-	-	-
<b>Total revenues</b>	<u>100,000</u>	<u>100,000</u>	<u>99,476</u>	<u>(524)</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety - police	<u>100,000</u>	<u>100,000</u>	<u>99,476</u>	<u>524</u>
<b>Total expenditures</b>	<u>100,000</u>	<u>100,000</u>	<u>99,476</u>	<u>524</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE:</b>				
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**California Law Enforcement Equipment Special Revenue Fund**  
**For the fiscal year ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES:</b>				
Current:				
Public safety - police	\$ -	\$ 2,145	\$ 2,145	-
Capital outlay	-	5,844	5,844	-
<b>Total expenditures</b>	<b>-</b>	<b>7,989</b>	<b>7,989</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(7,989)</b>	<b>(7,989)</b>	<b>-</b>
<b>FUND BALANCE:</b>				
Beginning of year	7,989	7,989	7,989	-
End of year	\$ 7,989	\$ -	\$ -	\$ -

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**California Opportunities Special Revenue Fund**  
**For the fiscal year ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Investment income	\$ 2,000	\$ 2,000	\$ 3,950	\$ 1,950
Other	102,000	102,000	123,900	21,900
<b>Total revenues</b>	<b>104,000</b>	<b>104,000</b>	<b>127,850</b>	<b>23,850</b>
<b>EXPENDITURES:</b>				
Current:				
General government	120,220	120,220	83,525	36,695
<b>Total expenditures</b>	<b>120,220</b>	<b>120,220</b>	<b>83,525</b>	<b>36,695</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(16,220)</b>	<b>(16,220)</b>	<b>44,325</b>	<b>60,545</b>
<b>FUND BALANCE:</b>				
Beginning of year	256,448	256,448	256,448	-
End of year	\$ 240,228	\$ 240,228	\$ 300,773	\$ 60,545

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Foster City Foundation Special Revenue Fund**  
**For the fiscal year ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Other	\$ 59,000	\$ 59,000	\$ 174,144	\$ 115,144
<b>Total revenues</b>	<b>59,000</b>	<b>59,000</b>	<b>174,144</b>	<b>115,144</b>
<b>EXPENDITURES:</b>				
Current:				
General government	704	704	596	108
Public Safety- Police	20,540	20,540	2,364	18,176
Public Safety- Fire	25,299	25,299	5,778	19,521
Parks and recreation	102,463	102,463	52,411	50,052
Capital outlay	203,317	203,317	135,516	67,801
<b>Total Expenditures</b>	<b>352,323</b>	<b>352,323</b>	<b>196,665</b>	<b>155,658</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfers out	(25,000)	(25,000)	(23,204)	1,796
<b>NET CHANGE IN FUND BALANCE</b>	<b>(318,323)</b>	<b>(318,323)</b>	<b>(45,725)</b>	<b>272,598</b>
<b>FUND BALANCE:</b>				
Beginning of year	197,935	197,935	197,935	-
End of year	\$ (120,388)	\$ (120,388)	\$ 152,210	\$ 272,598

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Foster City Affordable Housing Special Revenue Fund**  
**For the fiscal year ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Investment income	\$ -	\$ -	\$ 42,160	\$ 42,160
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>42,160</b>	<b>42,160</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>42,160</b>	<b>42,160</b>
<b>FUND BALANCE:</b>				
Beginning of year	3,263,973	3,263,973	3,263,973	-
End of year	\$ 3,263,973	\$ 3,263,973	\$ 3,306,133	\$ 42,160

**City of Foster City and Estero Municipal Improvement District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Sustainable Foster City Special Fund**  
**For the fiscal year ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ -	\$ -	\$ 207,679	\$ 207,679
Investment income	-	-	840	840
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>208,519</b>	<b>208,519</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	\$ 98,000	\$ 177,201	\$ 64,205	\$ 112,996
<b>Total Expenditures</b>	<b>98,000</b>	<b>177,201</b>	<b>64,205</b>	<b>112,996</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(98,000)</b>	<b>(177,201)</b>	<b>144,314</b>	<b>321,515</b>
<b>FUND BALANCE:</b>				
Beginning of year	(20,799)	(20,799)	(20,799)	-
End of year	\$ (118,799)	\$ (198,000)	\$ 123,515	\$ 321,515

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# Internal Service Funds

**Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments on a cost reimbursement basis. Internal Service Funds used at the City/District are listed below:**

The *Vehicle Rental Fund* accounts for vehicle replacement, acquisition and maintenance service charges and the related billings to various departments.

The *Equipment Replacement Fund* accounts for equipment replacement, acquisition and the related billings to various departments.

The *Self-Insurance Fund* accounts for charges to the various departments for general liability, litigation and for the related premium billings and administrative costs.

The *Information Technology Fund* accounts for communication and information service acquisitions and maintenance service charges and the related billings to various departments.

The *Building Maintenance Fund* provides management, maintenance and daily inspection of all City/District buildings and equipment.

The *Longevity Recognition Benefits Fund* accounts for pension obligation to employees represented by Foster City Police Officer's Association (FCPOA), the San Mateo County Firefighters, local 2400, International Association of Firefighters, and the non-represented Safety Management Employees.

The *PEMHCA Benefits Plan Fund* accounts for the liability requested by the CalPERS' Public Employees' Medical and Hospital Cared Act medical benefits plan.

The *Compensated Absences Fund* accounts for the payout of compensated absences (vacation and sick leaves) to governmental fund employees upon separation of employment.

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**City of Foster City and Estero Municipal Improvement District**  
**Combining Statement of Fund Net Position**  
**Internal Service Funds**  
**June 30, 2014**

	Vehicle Rental	Equipment Replacement	Self Insurance	Information Technology
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 5,823,417	\$ 5,684,869	\$ 1,244,771	\$ 3,578,437
Accounts receivable	74,310	-	-	-
Deposit and prepaid items	452	-	-	-
Inventory	79,055	42,163	-	-
Total current assets	<u>5,977,234</u>	<u>5,727,032</u>	<u>1,244,771</u>	<u>3,578,437</u>
Noncurrent assets:				
Capital assets:				
Non-depreciable	583,374	-	-	-
Depreciable	1,290,685	995,507	-	-
Depreciable - Intangible	-	2,235	-	-
Total noncurrent assets	<u>1,874,059</u>	<u>997,742</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>7,851,293</u>	<u>6,724,774</u>	<u>1,244,771</u>	<u>3,578,437</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	54,655	67,801	714	87,746
Accrued payroll	16,643	-	-	21,844
Claims liability	-	-	206,827	-
Compensated absences - current portion	15,455	-	-	20,508
Total current liabilities	<u>86,753</u>	<u>67,801</u>	<u>207,541</u>	<u>130,098</u>
Noncurrent liabilities:				
Compensated absences	29,861	-	-	22,528
OPEB liability	42,225	-	-	74,675
Total noncurrent liabilities	<u>72,086</u>	<u>-</u>	<u>-</u>	<u>97,203</u>
<b>Total liabilities</b>	<u>158,839</u>	<u>67,801</u>	<u>207,541</u>	<u>227,301</u>
<b>NET POSITION</b>				
Net investment in capital assets	1,874,059	997,742	-	-
Unrestricted	5,818,395	5,659,231	1,037,230	3,351,136
<b>Total net position</b>	<u>\$ 7,692,454</u>	<u>\$ 6,656,973</u>	<u>\$ 1,037,230</u>	<u>\$ 3,351,136</u>

Building Maintenance	Longevity Recognition Benefits	PEMHCA	Compensated Absences	Total
\$ 2,803,876	\$ 2,968,330	\$ 6,417,481	\$ 2,273,638	\$ 30,794,819
-	-	-	-	74,310
-	-	-	-	452
-	-	-	-	121,218
<u>2,803,876</u>	<u>2,968,330</u>	<u>6,417,481</u>	<u>2,273,638</u>	<u>30,990,799</u>
-	-	-	-	583,374
-	-	-	-	2,286,192
-	-	-	-	2,235
-	-	-	-	2,871,801
<u>2,803,876</u>	<u>2,968,330</u>	<u>6,417,481</u>	<u>2,273,638</u>	<u>33,862,600</u>
104,215	-	-	-	315,131
20,020	-	-	-	58,507
-	-	-	-	206,827
25,125	-	-	-	61,088
<u>149,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>641,553</u>
52,220	-	-	-	104,609
47,025	-	-	-	163,925
99,245	-	-	-	268,534
<u>248,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>910,087</u>
-	-	-	-	2,871,801
<u>2,555,271</u>	<u>2,968,330</u>	<u>6,417,481</u>	<u>2,273,638</u>	<u>30,080,712</u>
<u>\$ 2,555,271</u>	<u>\$ 2,968,330</u>	<u>\$ 6,417,481</u>	<u>\$ 2,273,638</u>	<u>\$ 32,952,513</u>

**City of Foster City and Estero Municipal Improvement District**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Internal Service Funds**  
**For the fiscal year ended June 30, 2014**

	Vehicle Rental	Equipment Replacement	Self Insurance	Information Technology
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 1,535,749	\$ 480,850	\$ 271,900	\$ 1,355,618
Other	803	-	-	-
<b>Total operating revenues</b>	<b>1,536,552</b>	<b>480,850</b>	<b>271,900</b>	<b>1,355,618</b>
<b>OPERATING EXPENSES:</b>				
Personnel	416,201	-	-	548,864
Repairs and maintenance	393,960	102,902	-	462,238
General and administration	11,432	-	385	88,826
Depreciation	320,937	326,793	-	-
Contractual services	3,630	-	77,666	30,592
Insurance	36,900	-	387,896	-
<b>Total operating expenses</b>	<b>1,183,060</b>	<b>429,695</b>	<b>465,947</b>	<b>1,130,520</b>
<b>OPERATING INCOME (LOSS)</b>	<b>353,492</b>	<b>51,155</b>	<b>(194,047)</b>	<b>225,098</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Gain (loss) on sale of capital assets	100,675	(122)	-	-
Investment income (expense)	110,857	98,967	22,008	65,721
<b>Total nonoperating revenues (expenses)</b>	<b>211,532</b>	<b>98,845</b>	<b>22,008</b>	<b>65,721</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>565,024</b>	<b>150,000</b>	<b>(172,039)</b>	<b>290,819</b>
<b>CONTRIBUTIONS AND TRANSFERS:</b>				
Capital contribution	23,901	25,624	-	-
Transfers in	-	25,413	-	-
Transfers out	-	-	-	(25,413)
<b>Total transfers</b>	<b>23,901</b>	<b>51,037</b>	<b>-</b>	<b>(25,413)</b>
<b>Changes in Net Position</b>	<b>588,925</b>	<b>201,037</b>	<b>(172,039)</b>	<b>265,406</b>
<b>NET POSITION:</b>				
Beginning of the year	7,103,529	6,455,936	1,209,269	3,085,730
End of the year	<u>\$ 7,692,454</u>	<u>\$ 6,656,973</u>	<u>\$ 1,037,230</u>	<u>\$ 3,351,136</u>

Building Maintenance	Longevity Recognition Benefits	PEMHCA	Compensated Absences	Total
\$ 1,641,219	\$ -	\$ -	\$ 51,123	\$ 5,336,459
		-	-	803
<u>1,641,219</u>	<u>-</u>	<u>-</u>	<u>51,123</u>	<u>5,337,262</u>
497,038	115,710	110,396	165,304	1,853,513
275,426	-	-	-	1,234,526
533,929	-	-	-	634,572
-	-	-	-	647,730
177,741	-	-	-	289,629
-	-	-	-	424,796
<u>1,484,134</u>	<u>115,710</u>	<u>110,396</u>	<u>165,304</u>	<u>5,084,766</u>
<u>157,085</u>	<u>(115,710)</u>	<u>(110,396)</u>	<u>(114,181)</u>	<u>252,496</u>
-	-	-	-	100,553
<u>48,323</u>	<u>338,757</u>	<u>722,652</u>	<u>29,082</u>	<u>1,436,367</u>
<u>48,323</u>	<u>338,757</u>	<u>722,652</u>	<u>29,082</u>	<u>1,536,920</u>
<u>205,408</u>	<u>223,047</u>	<u>612,256</u>	<u>(85,099)</u>	<u>1,789,416</u>
-	-	-	-	49,525
-	-	-	-	25,413
-	-	-	-	(25,413)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,525</u>
205,408	223,047	612,256	(85,099)	1,838,941
<u>2,349,863</u>	<u>2,745,283</u>	<u>5,805,225</u>	<u>2,358,737</u>	<u>31,113,572</u>
<u>\$ 2,555,271</u>	<u>\$ 2,968,330</u>	<u>\$ 6,417,481</u>	<u>\$ 2,273,638</u>	<u>\$ 32,952,513</u>

**City of Foster City and Estero Municipal Improvement District**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the fiscal year ended June 30, 2014**

	Vehicle Rental	Equipment Replacement	Self Insurance
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from inter-departmental charges	\$ 1,462,242	\$ 480,850	\$ 271,900
Cash payments to suppliers for goods and services	(426,449)	(39,722)	(360,095)
Cash payments to employees for services	(400,385)	-	-
<b>Net cash provided (used) by operating activities</b>	<b>635,408</b>	<b>441,128</b>	<b>(88,195)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers received	-	25,413	-
Transfers paid	-	-	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>-</b>	<b>25,413</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from sale of capital assets	100,675	(122)	-
Capital contributions received	23,901	25,624	-
Acquisition and construction of capital assets	(1,096,136)	(217,345)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(971,560)</b>	<b>(191,843)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received on investments	110,857	98,967	22,008
<b>Net cash provided (used) by investing activities</b>	<b>110,857</b>	<b>98,967</b>	<b>22,008</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(225,295)</b>	<b>373,665</b>	<b>(66,187)</b>
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of year	6,048,712	5,311,204	1,310,958
End of year	<u>\$ 5,823,417</u>	<u>\$ 5,684,869</u>	<u>\$ 1,244,771</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 353,492	\$ 51,155	\$ (194,047)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	320,937	326,793	-
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	(74,310)	-	-
Deposit and prepaid items	(18)	-	-
Inventory	(16,766)	-	-
Increase (decrease) in:			
Accounts payable	36,257	63,180	(3,777)
Accrued payroll	115	-	-
Claims liability	-	-	109,629
Compensated absences	9,746	-	-
OPEB liability	5,955	-	-
Total adjustments	<u>281,916</u>	<u>389,973</u>	<u>105,852</u>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 635,408</b>	<b>\$ 441,128</b>	<b>\$ (88,195)</b>

Information Technology	Building Maintenance	Longevity Recognition Benefits	PEMHCA	Compensated Absences	Total
\$ 1,355,618	\$ 1,641,219	\$ -	\$ -	\$ 51,123	\$ 5,262,952
(792,984)	(940,307)	-	-	-	(2,559,557)
(616,547)	(481,866)	(115,710)	(110,396)	(165,304)	(1,890,208)
(53,913)	219,046	(115,710)	(110,396)	(114,181)	813,187
-	-	-	-	-	25,413
(25,413)	-	-	-	-	(25,413)
(25,413)	-	-	-	-	-
-	-	-	-	-	100,553
-	-	-	-	-	49,525
-	-	-	-	-	(1,313,481)
-	-	-	-	-	(1,163,403)
65,721	48,323	338,757	722,652	29,082	1,436,367
65,721	48,323	338,757	722,652	29,082	1,436,367
(13,605)	267,369	223,047	612,256	(85,099)	1,086,151
3,592,042	2,536,507	2,745,283	5,805,225	2,358,737	29,708,668
\$ 3,578,437	\$ 2,803,876	\$ 2,968,330	\$ 6,417,481	\$ 2,273,638	\$ 30,794,819
\$ 225,098	\$ 157,085	\$ (115,710)	\$ (110,396)	\$ (114,181)	\$ 252,496
-	-	-	-	-	647,730
-	-	-	-	-	(74,310)
-	-	-	-	-	(18)
-	-	-	-	-	(16,766)
(211,328)	46,789	-	-	-	(68,879)
(3,990)	102	-	-	-	(3,773)
-	-	-	-	-	109,629
(74,015)	7,924	-	-	-	(56,345)
10,322	7,146	-	-	-	23,423
(279,011)	61,961	-	-	-	560,691
\$ (53,913)	\$ 219,046	\$ (115,710)	\$ (110,396)	\$ (114,181)	\$ 813,187

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# STATISTICAL SECTION

*Economic Conditions Reporting: The Statistical Section - an amendment of NCGA Statement 1.* The statement is intended to improve understanding what the information in the Basic Financial Statements, Notes, and Required Supplementary Information says:

## **Financial Trends**

These schedules contain trend information to help the reader understand how the City/District's financial performance and well-being have changed over time.

## **Revenue Capacity**

These schedules contain information to help the reader assess the City/District's most significant local revenue sources.

## **Debt Capacity**

These schedules present information to help the reader assess the affordability of the City/District's current level of outstanding debt and the ability to issue additional debt in the future.

## **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City/District's financial activities take place.

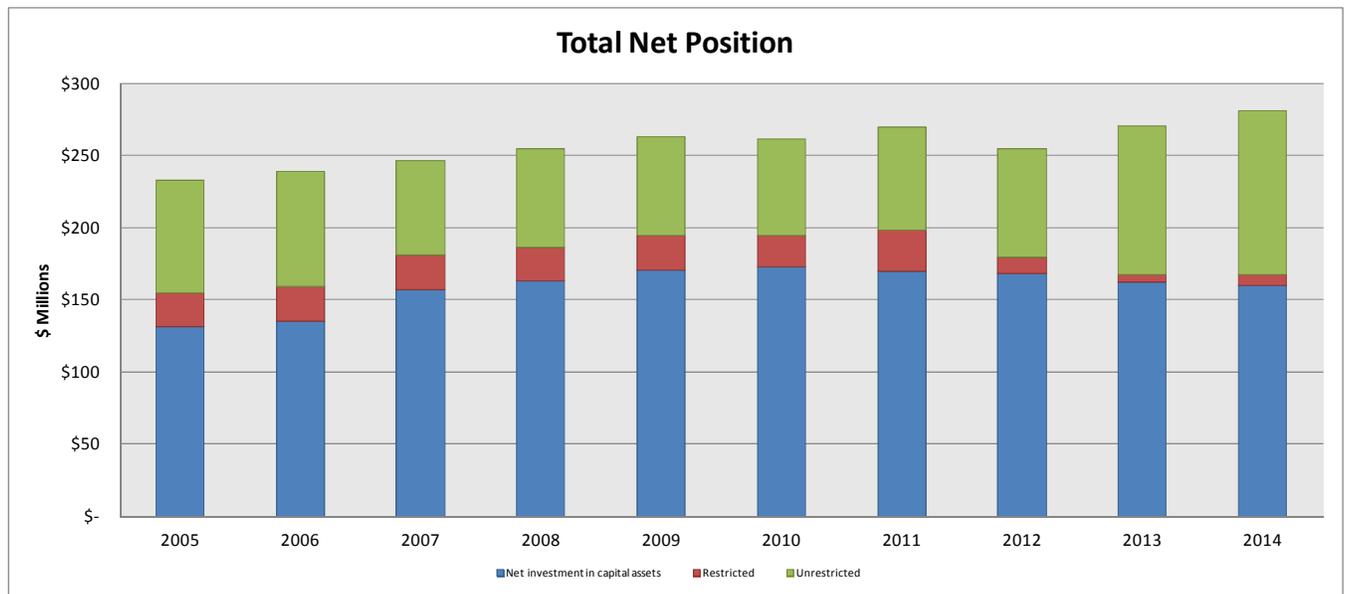
## **Operating Information**

These schedules contain service data to help the reader understand how the information in the City/District's financial report relates to the services the City/District provides and the activities it performs.

Note: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant years.

**City of Foster City and Estero Municipal Improvement District**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
*(Accrual basis of accounting)*

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental activities</b>										
Net investment in capital assets	\$ 92,896,656	\$ 95,785,241	\$ 97,403,808	\$ 101,122,436	\$ 109,387,638	\$ 111,894,545	\$ 108,007,645	\$ 106,295,814	\$ 102,503,211	\$ 102,532,106
Restricted	22,592,125	23,209,747	23,657,789	23,606,731	24,293,134	22,043,974	28,263,106	11,760,967	5,488,986	7,528,560
Unrestricted	36,848,780	39,557,946	44,825,904	49,475,890	48,498,680	46,699,565	49,579,722	50,530,026	75,633,529	82,551,190
<b>Total governmental activities net position</b>	<b>\$ 152,337,561</b>	<b>\$ 158,552,934</b>	<b>\$ 165,887,501</b>	<b>\$ 174,205,057</b>	<b>\$ 182,179,452</b>	<b>\$ 180,638,084</b>	<b>\$ 185,850,473</b>	<b>\$ 168,586,807</b>	<b>\$ 183,625,726</b>	<b>\$ 192,611,856</b>
<b>Business-type activities</b>										
Net Investment in capital assets	\$ 38,216,716	\$ 39,528,336	\$ 59,649,262	\$ 61,434,009	\$ 60,853,224	\$ 60,575,907	\$ 61,718,653	\$ 61,458,480	\$ 59,384,377	\$ 57,308,122
Restricted	622,786	644,200	301,692	-	-	-	-	-	-	-
Unrestricted	41,640,689	39,908,805	20,548,181	18,775,807	20,010,431	20,356,291	21,659,733	24,362,221	26,947,956	31,262,566
<b>Total business-type activities net position</b>	<b>\$ 80,480,191</b>	<b>\$ 80,081,341</b>	<b>\$ 80,499,135</b>	<b>\$ 80,209,816</b>	<b>\$ 80,863,655</b>	<b>\$ 80,932,198</b>	<b>\$ 83,378,386</b>	<b>\$ 85,820,701</b>	<b>\$ 86,332,333</b>	<b>\$ 88,570,688</b>
<b>Primary government</b>										
Net Investment in capital assets	\$ 131,113,372	\$ 135,313,577	\$ 157,086,070	\$ 162,556,445	\$ 170,240,862	\$ 172,470,452	\$ 169,726,298	\$ 167,754,294	\$ 161,887,588	\$ 159,840,228
Restricted	23,214,911	23,853,947	23,959,481	23,606,731	24,293,134	22,043,974	28,263,106	11,760,967	5,488,986	7,528,560
Unrestricted	78,489,469	79,466,751	65,374,085	68,251,697	68,509,111	67,055,856	71,239,455	74,892,247	102,581,485	113,813,756
<b>Total primary government net position</b>	<b>\$ 232,817,752</b>	<b>\$ 238,634,275</b>	<b>\$ 246,419,636</b>	<b>\$ 254,414,873</b>	<b>\$ 263,043,107</b>	<b>\$ 261,570,282</b>	<b>\$ 269,228,859</b>	<b>\$ 254,407,508</b>	<b>\$ 269,958,059</b>	<b>\$ 281,182,544</b>



# City of Foster City and Estero Municipal Improvement District

## Changes in Net Position

### Last Ten Fiscal Years

*(Accrual basis of accounting)*

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 2,848,557	\$ 3,401,929	\$ 3,172,917	\$ 3,384,497	\$ 3,673,100	\$ 3,715,494	\$ 3,135,273	\$ 3,596,590	\$ 3,514,037	\$ 3,794,112
Police	7,672,926	7,874,658	8,414,456	8,598,000	9,637,744	9,601,374	9,635,944	9,393,100	9,316,093	9,580,196
Fire	6,456,232	7,707,520	7,129,555	7,277,640	7,376,366	7,960,605	8,011,016	8,222,350	7,685,722	7,756,948
Public works	4,272,573	4,938,721	5,832,257	4,795,377	4,746,696	4,792,866	4,924,309	5,253,074	5,718,340	4,353,289
Community development	4,330,177	3,939,444	4,517,721	4,399,597	5,165,200	10,058,917	5,904,547	2,215,164	2,078,968	1,965,609
Parks and recreation	6,201,991	6,112,184	6,274,796	6,969,205	7,540,180	7,486,684	7,889,206	7,978,548	8,387,726	8,516,392
Interest on long-term debt	1,394,022	1,149,134	714,924	527,048	286,765	71,079	-	-	-	-
Total governmental activities expenses	33,176,478	35,123,590	36,056,626	35,951,364	38,426,051	43,687,019	39,500,295	36,658,826	36,700,886	35,966,006
<b>Business-type activities:</b>										
Water	6,342,028	6,713,789	6,868,450	7,575,909	7,804,377	8,272,135	8,690,887	9,782,394	10,336,188	9,846,110
Wastewater	4,739,273	5,276,815	5,099,038	5,861,595	5,351,927	5,875,701	5,334,103	5,909,150	6,554,771	6,412,706
Public transportation	103,281	119,496	131,378	155,344	245,589	298,964	204,321	201,696	-	-
Total business-type activities expenses	11,184,582	12,110,100	12,098,866	13,592,848	13,401,893	14,446,800	14,229,311	15,893,240	16,890,959	16,258,816
Total primary government expenses	\$ 44,361,060	\$ 47,233,690	\$ 48,155,492	\$ 49,544,212	\$ 51,827,944	\$ 58,133,819	\$ 53,729,606	\$ 52,552,066	\$ 53,591,845	\$ 52,224,822
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
Public works	\$ 430,209	\$ 556,598	\$ 76,488	\$ 160,062	\$ 84,958	\$ 146,430	\$ 150,183	\$ 115,060	\$ 185,606	\$ 259,277
Parks and recreation	1,092,235	1,103,417	1,017,538	1,023,979	1,065,675	1,055,300	1,264,706	1,082,263	1,065,366	4,430,943
Other activities	1,563,775	1,570,945	1,638,345	1,679,892	1,722,734	1,204,446	1,641,925	2,420,613	1,755,523	3,626,944
Operating grants and contributions	1,181,974	1,642,813	996,947	854,272	1,000,607	813,296	1,374,103	1,483,915	1,479,057	1,471,641
Capital grants and contributions	1,076,241	1,771,121	128,000	-	733,684	680,355	4,157,426	449,989	938,348	1,374,066
Total governmental activities program revenues	5,344,434	6,644,894	3,857,318	3,727,205	4,607,658	3,899,827	8,588,343	5,551,840	5,423,900	11,162,871
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Water	5,800,508	5,782,979	6,027,769	6,769,890	7,182,212	7,531,859	9,166,844	10,328,467	10,495,752	10,550,591
Sewer	5,141,871	5,155,092	5,170,037	5,570,010	6,175,068	6,543,036	6,862,627	7,509,281	6,970,730	7,400,022
Other activities	79,590	55,479	69,955	-	-	-	-	7,317	-	-
Operating grants and contributions	-	-	-	-	-	-	140,709	100,756	-	-
Capital grants and contributions	-	1,762	-	-	-	-	-	-	19,305	-
Total business-type activities program revenues	11,021,969	10,995,312	11,267,761	12,339,900	13,357,280	14,074,895	16,170,180	17,945,821	17,485,787	17,950,613
Total primary government program revenues	\$ 16,366,403	\$ 17,640,206	\$ 15,125,079	\$ 16,067,105	\$ 17,964,938	\$ 17,974,722	\$ 24,758,523	\$ 23,497,661	\$ 22,909,687	\$ 29,113,484
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (27,832,044)	\$ (28,478,696)	\$ (32,199,308)	\$ (32,224,159)	\$ (33,818,393)	\$ (39,787,192)	\$ (30,911,952)	\$ (31,106,986)	\$ (31,276,986)	\$ (24,803,135)
Business-type activities	(162,613)	(1,114,788)	(831,105)	(1,252,948)	(44,613)	(371,905)	1,940,869	2,052,581	594,828	1,691,797
Total primary government net expense	\$ (27,994,657)	\$ (29,593,484)	\$ (33,030,413)	\$ (33,477,107)	\$ (33,863,006)	\$ (40,159,097)	\$ (28,971,083)	\$ (29,054,405)	\$ (30,682,158)	\$ (23,111,338)
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental activities:</b>										
<b>Taxes</b>										
Property taxes	\$ 22,067,892	\$ 22,656,311	\$ 23,946,796	\$ 25,326,023	\$ 26,525,347	\$ 27,328,303	\$ 26,225,287	\$ 19,140,435	\$ 22,850,306	\$ 22,618,342
Franchise taxes	875,033	909,123	981,494	1,029,576	1,044,988	1,017,749	1,088,266	1,122,847	1,227,976	1,235,085
Sales taxes	3,670,336	4,136,136	4,485,030	5,059,382	4,950,468	4,365,018	4,225,824	4,853,339	4,413,470	3,684,963
Other taxes	1,980,139	2,202,260	2,396,793	2,552,680	2,307,231	2,099,539	2,165,353	2,596,057	3,090,178	3,524,950
Payments in lieu of taxes	2,405,400	2,190,769	2,605,998	2,250,733	2,359,092	2,417,925	-	-	-	-
Investment earnings	1,701,412	1,652,286	4,463,127	3,933,537	2,449,586	2,193,541	2,409,846	2,331,007	1,539,026	3,688,849
Miscellaneous	378,185	991,956	768,061	438,822	847,954	253,121	117,764	210,189	19,494,949	405,586
Transfers	1,931	(44,722)	(80,424)	(82,038)	(110,733)	(10,519)	(108,000)	(60,501)	-	-
Total governmental activities	33,080,328	34,694,069	39,566,875	40,508,715	40,373,933	39,664,677	36,124,340	30,193,373	52,615,905	35,157,775
<b>Business-type activities:</b>										
Property Tax	-	-	-	-	-	-	-	-	-	-
Investment earnings	746,105	671,166	1,145,239	809,666	451,762	296,930	256,984	292,258	(141,502)	459,090
Loss on sales of capital assets	-	-	-	(17,198)	-	-	-	-	-	-
Miscellaneous	-	-	28,262	89,123	135,957	132,999	140,335	36,975	58,306	87,468
Transfers	(1,931)	44,772	80,424	82,038	110,733	10,519	108,000	60,501	-	-
Total business-type activities	744,174	715,938	1,253,925	963,629	698,452	440,448	505,319	389,734	(83,196)	546,558
Total primary government	\$ 33,824,502	\$ 35,410,007	\$ 40,820,800	\$ 41,472,344	\$ 41,072,385	\$ 40,105,125	\$ 36,629,659	\$ 30,583,107	\$ 52,532,709	\$ 35,704,333
<b>Extraordinary Items</b>										
<b>Governmental activities:</b>										
Extraordinary items	-	-	-	-	-	-	-	(16,350,052)	(6,300,000)	(1,368,510)
Total governmental activities	-	-	-	-	-	-	-	(16,350,052)	(6,300,000)	(1,368,510)
Total primary government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (16,350,052)	\$ (6,300,000)	\$ (1,368,510)
<b>Change in Net Position</b>										
Governmental activities	\$ 5,248,284	\$ 6,215,373	\$ 7,367,567	\$ 8,284,556	\$ 6,555,540	\$ (122,515)	\$ 5,212,388	\$ (17,263,665)	\$ 15,038,919	\$ 8,986,130
Business-type activities	581,561	(398,850)	422,820	(289,319)	653,839	68,543	2,446,188	2,442,315	511,632	2,238,355
Total primary government	\$ 5,829,845	\$ 5,816,523	\$ 7,790,387	\$ 7,995,237	\$ 7,209,379	\$ (53,972)	\$ 7,658,576	\$ (14,821,350)	\$ 15,550,551	\$ 11,224,485

# City of Foster City and Estero Municipal Improvement District

## Changes in Fund Balances of Governmental Funds

### Last Ten Fiscal Years

*(Accrual basis of accounting)*

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>										
Taxes	\$ 30,773,530	\$ 31,881,063	\$ 33,523,781	\$ 35,329,687	\$ 36,322,157	\$ 36,445,627	\$ 32,846,406	\$ 27,014,176	\$ 30,807,783	\$ 29,972,228
Licenses, fees and permits	925,063	1,145,886	1,156,192	1,166,550	1,085,643	1,050,758	1,289,106	2,200,437	1,354,501	2,676,476
Fines and penalties	231,281	190,439	194,613	164,661	142,887	158,199	159,303	179,717	193,654	197,969
Charges for services	1,218,808	1,334,881	1,383,692	1,347,279	1,403,448	1,392,205	1,659,773	1,640,114	1,637,289	2,621,851
Special assessments	1,466,046	1,316,143	799,236	352,443	189,911	-	4,000,000	-	-	3,289,634
Intergovernmental	1,709,815	1,716,468	1,183,015	1,443,393	1,601,956	1,546,873	1,522,599	1,994,051	2,010,089	2,688,202
Investment earnings	3,554,502	3,800,211	5,127,172	4,706,132	3,444,940	2,608,180	1,796,472	1,814,301	907,101	2,252,482
Other revenues	578,459	1,032,866	1,024,736	1,012,569	1,661,625	827,083	559,764	436,977	1,178,203	794,640
<b>Total revenues</b>	<b>40,457,504</b>	<b>42,417,957</b>	<b>44,392,437</b>	<b>45,522,714</b>	<b>45,852,567</b>	<b>44,028,925</b>	<b>43,833,423</b>	<b>35,279,773</b>	<b>38,088,620</b>	<b>44,493,482</b>
<b>Expenditures</b>										
General government	2,173,641	2,371,339	2,471,650	2,979,792	3,150,439	3,271,525	2,689,200	2,980,808	2,980,817	3,174,115
Police	7,629,412	7,886,775	8,470,914	8,650,231	9,271,457	9,535,983	9,362,853	9,171,064	9,078,222	9,321,559
Fire	6,412,718	6,831,111	7,213,382	7,373,331	7,385,613	7,876,172	7,917,966	8,148,675	7,689,490	7,705,260
Public works	2,254,732	2,571,047	2,428,438	2,435,402	2,700,326	2,426,798	2,603,647	2,876,718	3,343,143	1,967,187
Community development	4,099,415	4,191,028	4,550,667	4,429,165	7,194,733	10,017,098	5,825,075	2,229,747	1,967,382	1,936,205
Parks and recreation	5,199,602	5,500,330	5,704,605	6,361,683	6,543,724	6,340,330	6,780,921	6,780,597	6,879,810	7,107,443
Capital outlay	1,885,475	2,276,329	1,186,620	2,110,297	6,255,420	2,391,675	970,235	3,384,339	1,201,432	4,382,435
Debt service										
Interest	2,971,975	2,921,459	2,387,604	1,998,571	1,509,465	996,412	156,685	-	-	-
Principal	5,540,000	9,656,000	5,695,000	5,210,000	3,800,000	4,775,000	-	-	-	-
<b>Total expenditures</b>	<b>38,166,970</b>	<b>44,205,418</b>	<b>40,108,880</b>	<b>41,548,472</b>	<b>47,811,177</b>	<b>47,630,993</b>	<b>36,306,582</b>	<b>35,571,948</b>	<b>33,140,296</b>	<b>35,594,204</b>
Excess of revenues over (under) expenditures	2,290,534	(1,787,461)	4,283,557	3,974,242	(1,958,610)	(3,602,068)	7,526,841	(292,175)	4,948,324	8,899,278
<b>Other Financing Sources (uses)</b>										
Proceeds from sale of capital assets	-	130,000	500	-	-	-	-	-	1,332,190	1,344,924
Transfers in	4,940,702	8,863,966	5,895,607	5,843,405	9,184,980	10,548,804	25,391,490	7,729,944	958,867	1,209,449
Transfers out	(4,938,771)	(8,918,100)	(6,255,434)	(5,925,443)	(9,295,713)	(11,860,304)	(25,499,490)	(7,799,024)	(3,608,867)	(1,209,449)
<b>Total other financing sources (uses)</b>	<b>1,931</b>	<b>75,866</b>	<b>(359,327)</b>	<b>(82,038)</b>	<b>(110,733)</b>	<b>(1,311,500)</b>	<b>(108,000)</b>	<b>(69,080)</b>	<b>(1,317,810)</b>	<b>1,344,924</b>
<b>Extraordinary Item</b>										
Extraordinary loss	-	-	-	-	-	-	-	(16,350,052)	(6,300,000)	(1,368,510)
<b>Total extraordinary item</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,350,052)</b>	<b>(6,300,000)</b>	<b>(1,368,510)</b>
<b>Net change in fund balances</b>	<b>\$ 2,292,465</b>	<b>\$ (1,711,595)</b>	<b>\$ 3,924,230</b>	<b>\$ 3,892,204</b>	<b>\$ (2,069,343)</b>	<b>\$ (4,913,568)</b>	<b>\$ 7,418,841</b>	<b>\$ (16,711,307)</b>	<b>\$ (2,669,486)</b>	<b>\$ 8,875,692</b>
Debt service as a percentage of noncapital expenditures	30.65%	42.85%	26.21%	22.37%	14.65%	14.62%	0.45%	0.00%	0.00%	0.00%

**City of Foster City and Estero Municipal Improvement District**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
*(Modified accrual basis of accounting)*

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Fund</b>										
Reserved	\$ 17,146,836	\$ 16,239,583	\$ 14,763,522	\$ 11,828,982	\$ 8,209,971	\$ 1,159,290	\$ -	\$ -	\$ -	\$ -
Unreserved	14,634,507	16,185,228	17,873,192	20,287,727	22,039,476	23,944,755	-	-	-	-
Non-Spendable	-	-	-	-	-	-	33,527	32,448	34,769	36,126
Committed	-	-	-	-	-	-	812,807	466,016	405,949	441,920
Assigned	-	-	-	-	-	-	1,052,366	964,536	510,417	676,878
Unassigned	14,634,507	16,185,228	17,873,192	20,287,727	22,039,476	23,944,755	19,304,982	20,272,893	19,025,588	23,746,768
<b>Total general fund</b>	<b>\$ 46,415,850</b>	<b>\$ 48,610,039</b>	<b>\$ 50,509,906</b>	<b>\$ 52,404,436</b>	<b>\$ 52,288,923</b>	<b>\$ 49,048,800</b>	<b>\$ 21,203,682</b>	<b>\$ 21,735,893</b>	<b>\$ 19,976,723</b>	<b>\$ 24,901,692</b>
<b>All Other Governmental Funds</b>										
Reserved	\$ 20,341,972	\$ 17,691,445	\$ 18,633,237	\$ 20,278,822	\$ 18,018,576	\$ 17,587,790	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	2,820,266	2,209,785	2,541,599	2,890,661	2,748,765	3,300,455	-	-	-	-
Capital projects funds	(3,573,312)	(2,667,367)	(228,646)	2,188,916	4,388,977	4,499,907	-	-	-	-
Restricted	-	-	-	-	-	-	28,608,240	10,357,852	4,546,308	7,227,787
Committed	-	-	-	-	-	-	8,099,116	9,105,986	14,007,214	15,276,458
<b>Total all other governmental funds</b>	<b>\$ 19,588,926</b>	<b>\$ 17,233,863</b>	<b>\$ 20,946,190</b>	<b>\$ 25,358,399</b>	<b>\$ 25,156,318</b>	<b>\$ 25,388,152</b>	<b>\$ 36,707,356</b>	<b>\$ 19,463,838</b>	<b>\$ 18,553,522</b>	<b>\$ 22,504,245</b>

Note: In compliance with GASB 54 issued in year 2011, fund balances are re-categorized.

**City of Foster City and Estero Municipal Improvement District**  
**Assessed Value of Taxable Property**  
**Last Ten Fiscal Years**  
*(In thousands of dollars)*

Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial Property	Other Property	Total Real Secured Property	Unsecured Property	Total Assessed	Estimated Full Market <sup>1</sup>	Total Direct Tax Rate <sup>2</sup>
2005	3,525,902	837,154	268,701	102,655	4,734,412	375,101	5,109,513	5,109,513	0.29666
2006	3,909,826	855,220	274,483	68,868	5,108,397	384,974	5,493,371	5,493,371	0.29209
2007	4,202,217	940,245	357,821	31,948	5,532,231	405,100	5,937,331	5,937,331	0.29382
2008	4,424,764	1,019,063	375,300	33,416	5,852,543	351,316	6,203,859	6,203,859	0.29144
2009	4,619,037	1,088,907	479,764	38,069	6,225,777	276,761	6,502,538	6,502,538	0.29565
2010	4,703,107	1,146,981	524,207	39,063	6,413,358	283,165	6,696,523	6,696,523	0.29099
2011	4,709,407	1,083,260	516,044	80,957	6,389,668	234,475	6,624,143	6,624,143	0.29192
2012	4,721,378	1,116,185	512,381	83,466	6,433,410	226,067	6,659,477	6,659,477	0.28770
2013	4,851,575	1,174,781	514,770	84,880	6,626,006	250,130	6,876,136	6,876,136	0.28889
2014	5,150,785	1,356,302	600,059	129,427	7,236,573	278,889	7,515,462	7,515,462	0.00000



**Source:** The HdL Company and San Mateo County Assessor 2004/05 - 2013/14 Combined Tax Rolls

**Notes:** <sup>1</sup> Article XIII A, added to California Constitution by Proposition 13 in fiscal year 1978, fixed the base for valuation of property subject to taxes at the full cash value which appeared on the Assessor's 1976 assessment roll.

Thereafter, full cash value can be increased/decreased:

- a) to reflect annual inflation up to 2 percent; or
- b) to reflect fair market value at the time of ownership change; or
- c) to reflect fair value for new construction; or
- d) to reflect reassessed fair value after appeal.

<sup>2</sup> California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

**City of Foster City and Estero Municipal Improvement District**  
**Property Tax Rates – Direct and Overlapping Governments**  
**Last Ten Fiscal Years**  
*(Per \$100 of Assessed Value)*

Agency	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Basic Levy <sup>1</sup>	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Belmont Elementary	0.00990	0.01070	0.00930	0.00870	0.00840	0.00830	0.00920	0.01970	0.01970	0.01830
Millbrae Elementary Bond	0.00000	0.00000	0.00000	0.00000	0.00000	0.01850	0.02540	0.02950	0.03550	0.04280
San Mateo Foster City Elementary	0.03840	0.03820	0.03320	0.03330	0.03150	0.03260	0.03410	0.03470	0.03380	0.04210
San Mateo Junior College	0.00650	0.00650	0.01840	0.01710	0.01650	0.01820	0.01930	0.01990	0.01940	0.01940
San Mateo Union High	0.01740	0.01740	0.01560	0.01500	0.02980	0.03190	0.03220	0.03830	0.03810	0.03550
Sequoia Union High	0.01640	0.02230	0.02080	0.02050	0.02820	0.02770	0.03110	0.03580	0.03560	0.03130
<b>Total Direct &amp; Overlapping<sup>2</sup> Tax Rates</b>	<b>1.08860</b>	<b>1.09510</b>	<b>1.09730</b>	<b>1.09460</b>	<b>1.11440</b>	<b>1.13720</b>	<b>1.15130</b>	<b>1.17790</b>	<b>1.18210</b>	<b>1.18940</b>
<b>City's Share of 1% Levy Per Prop 13<sup>3</sup></b>	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
<b>General Obligation Debt Rate</b>	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
<b>Redevelopment Rate<sup>4</sup></b>	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	0.00000	0.00000
<b>Total Direct Rate<sup>5</sup></b>	0.29666	0.29209	0.29382	0.29144	0.29565	0.29099	0.29192	0.28770	0.28889	0.00000

Notes:

<sup>1</sup>In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

<sup>2</sup>Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners.

<sup>3</sup>City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. ERAF general fund tax shifts may not be included in the tax ratio figures.

<sup>4</sup>Redevelopment Rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.

<sup>5</sup>Total Direct Rate is the weighted average of all individual direct rates applied to by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

Source:

The HdL Company, 2004/05 through 2013/14 Direct and Overlapping Property Tax Rates Schedule  
San Mateo County Assessor 2004/05 -2013/14 Tax Rate Table

**City of Foster City and Estero Municipal Improvement District  
Principal Property Tax Payers  
Current Year and Ten Years Ago**

<u>Taxpayer</u>	FY 2013/2014			FY 2004/2005		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
GILEAD SCIENCES INC	\$ 731,920,763	1	9.74%	\$ 150,826,018	3	2.95%
VISA USA INC	256,573,699	2	3.41%			
SPK - METRO CENTER LLC LESSEE	208,917,504	3	2.78%	159,950,512	2	3.13%
PARKSIDE TOWERS LP	191,748,843	4	2.55%			
BMR-LINCOLN CENTRE LP	108,660,842	5	1.45%			
BRE PROPERTIES INC	76,902,371	6	1.02%	67,190,046	8	1.31%
SF HILLSDALE 20102012 LLC	74,991,901	7	1.00%			
BAYSIDE TOWERS INC	72,966,576	8	0.97%			
PWM RESIDENTIAL VENTURE LLC	64,464,076	9	0.86%	55,511,985	9	1.09%
NORTHWESTERN MUTUAL LIFE	55,388,517	10	0.74%			
VISA LAND DEVELOPMENT II LP				170,387,751	1	3.33%
ELECTRONICS FOR IMAGING INC				131,407,416	4	2.57%
APPLERA CORPORATION				125,673,541	5	2.46%
GATEWAY PHOENIX & 5990 SEPULVEDA ASSOCIATES				69,700,000	7	1.36%
LIMAR REALTY				54,368,881	10	1.06%
VISA INTERNATIONAL SERVICE ASSOCIATION LESSEE				80,809,651	6	1.58%
Top Ten Total	1,842,535,092		24.52%	1,065,825,801		20.86%
City Total	\$ 7,515,462,072			\$ 5,109,513,187		

Source: The HdL Company and San Mateo County Assessor 2013/14 & 2004/05 Combined TaxRolls and the SBE Non Unitary Tax Roll.

**City of Foster City and Estero Municipal Improvement District  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year <sup>1</sup>	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount <sup>2</sup>	Percentage of Levy		Amount	Percentage of Levy
2005	9,440,814	8,861,531	93.86%	282,509	9,144,040	96.86%
2006	10,204,649	9,347,350	91.60%	(5,553)	9,341,797	91.54%
2007	10,989,391	10,632,880	96.76%	84,287	10,717,167	97.52%
2008	11,514,681	10,821,776	93.98%	33,698	10,855,474	94.28%
2009	11,994,160	11,087,934	92.44%	56,327	11,144,261	92.91%
2010	12,415,753	11,337,451	91.32%	19,034	11,356,485	91.47%
2011	12,267,181	12,696,154	103.50% <sup>3</sup>	31,783	12,727,937	103.76%
2012	17,066,910	15,111,377	88.54%	(7,011)	15,104,366	88.50%
2013	17,614,023	17,312,886	98.29%	(45,095)	17,267,791	98.03%
2014	19,265,347	19,479,141	101.11%	-	19,479,141	101.11%

**Notes:**

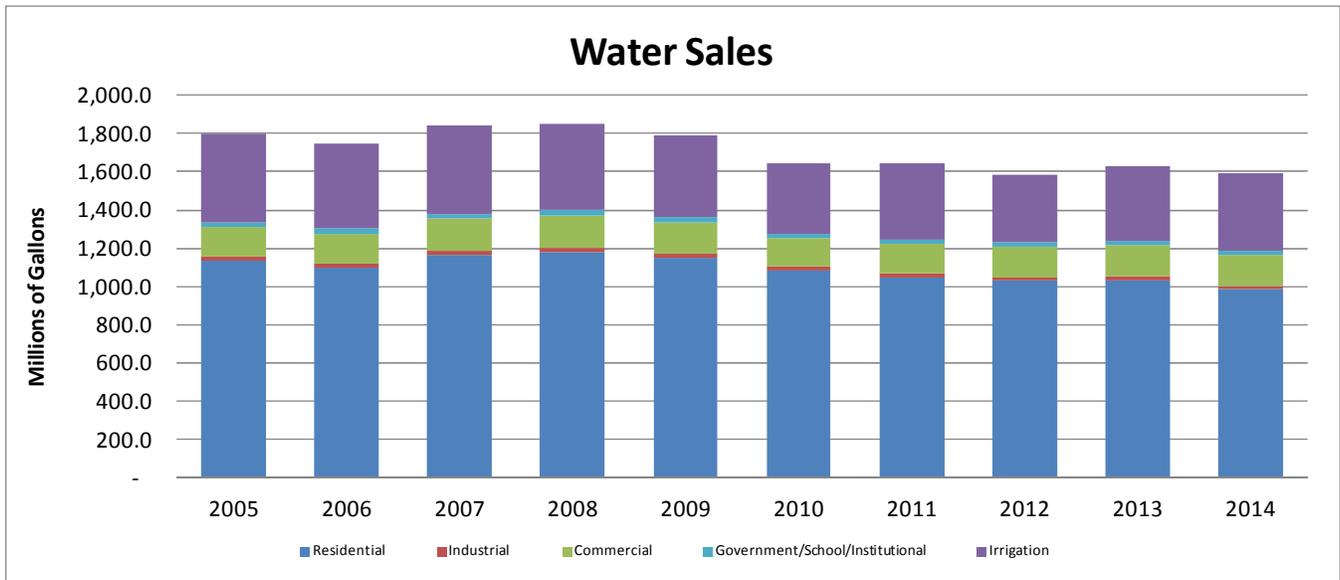
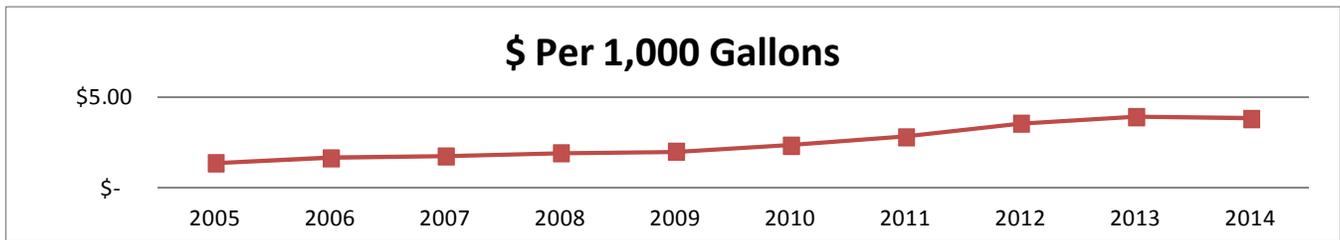
<sup>1</sup> Information from County of San Mateo Controller's Office

<sup>2</sup> Amount received after ERAF contribution

<sup>3</sup> One of the City's redevelopment project areas reached its TI (tax increment) limit during the fiscal year 2011, the residual tax increment was redistributed among all taxing agencies and the City was one of the recipients. Thus, the total amount of property tax received during the fiscal year exceeded the taxes levied for the fiscal year.

**City of Foster City and Estero Municipal Improvement District**  
**Water Sales by Type of Customer**  
**Last Ten Fiscal Years**  
*(in millions of gallons)*

Type of Customer	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Residential	1,131.9	1,097.9	1,162.1	1,178.5	1,151.9	1,081.4	1,048.9	1,029.2	1,032.1	984.3
Industrial	21.8	22.5	21.5	21.9	21.9	20.8	18.8	17.8	18.4	17.2
Commercial	157.1	157.4	171.6	173.5	163.3	154.1	155.3	164.3	163.8	161.2
Government/School/Institutional	21.9	24.1	25.9	26.7	25.6	22.1	23.0	21.3	24.9	27.4
Irrigation	466.9	444.3	461.0	450.4	426.0	368.9	395.0	351.1	388.0	401.4
<b>Total</b>	<b>1,799.6</b>	<b>1,746.2</b>	<b>1,842.1</b>	<b>1,851.0</b>	<b>1,788.7</b>	<b>1,647.3</b>	<b>1,641.0</b>	<b>1,583.7</b>	<b>1,627.2</b>	<b>1,591.5</b>
Total direct rate per 1,000 gallons	\$ 1.36	\$ 1.63	\$ 1.74	\$ 1.91	\$ 2.00	\$ 2.33	\$ 2.79	\$ 3.55	\$ 3.91	\$ 3.80



Source: Utility billing of Financial Services Department

# City of Foster City and Estero Municipal Improvement District

## Water and Sewer Rates

### Last Ten Fiscal Years

<b>Water</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Availability / Meter Charge (per Month)</b>										
5/8 inch	\$ 12.50	\$ 12.50	\$ 12.90	\$ 13.90	\$ 15.60	\$ 16.85	\$ 17.55	\$ 17.55	\$ 15.80	\$ 15.80
3/4 inch	\$ 12.50	\$ 12.50	\$ 12.90	\$ 13.90	\$ 15.60	\$ 16.85	\$ 17.55	\$ 17.55	\$ 15.80	\$ 15.80
1 inch	\$ 31.25	\$ 31.25	\$ 32.25	\$ 34.75	\$ 39.00	\$ 42.15	\$ 43.90	\$ 43.90	\$ 39.50	\$ 27.65
1&1/2 inch	\$ 62.50	\$ 62.50	\$ 64.40	\$ 69.50	\$ 78.00	\$ 84.25	\$ 87.75	\$ 87.75	\$ 79.00	\$ 79.00
2 inch	\$ 100.00	\$ 100.00	\$ 103.00	\$ 111.20	\$ 124.80	\$ 134.80	\$ 140.40	\$ 140.40	\$ 126.40	\$ 126.40
3 inch	\$ 175.00	\$ 175.00	\$ 180.00	\$ 194.60	\$ 218.40	\$ 235.90	\$ 245.70	\$ 245.70	\$ 221.20	\$ 221.20
4 inch	\$ 275.00	\$ 275.00	\$ 280.00	\$ 305.80	\$ 343.20	\$ 370.70	\$ 386.10	\$ 386.10	\$ 347.60	\$ 347.60
6 inch	\$ 525.00	\$ 525.00	\$ 540.00	\$ 583.80	\$ 655.20	\$ 707.70	\$ 737.10	\$ 737.10	\$ 663.60	\$ 663.60
8 inch	\$ 825.00	\$ 825.00	\$ 850.00	\$ 917.40	\$ 1,029.60	\$ 1,112.10	\$ 1,158.30	\$ 1,158.30	\$ 1,042.80	\$ 1,042.80
<b>Consumption Charge (per Unit*)</b>										
All Classes	\$ 1.26	\$ 1.26	\$ 1.29	\$ 1.49	\$ 1.60	\$ 1.73				
<b>Single Family Residential</b>										
0-10 units							\$ 1.57	\$ 2.00	\$ 2.35	\$ 2.35
11-20 units							\$ 2.09	\$ 2.66	\$ 3.13	\$ 3.13
> 20 units							\$ 4.18	\$ 4.66	\$ 4.70	\$ 4.70
<b>Multi Family Residential</b>										
0-5 units							\$ 1.57	\$ 2.00	\$ 2.35	\$ 2.35
6-10 units							\$ 2.09	\$ 2.66	\$ 3.13	\$ 3.13
> 10 units							\$ 4.18	\$ 4.66	\$ 4.70	\$ 4.70
<b>Irrigation</b>										
0-100% of annual water budget							\$ 2.09	\$ 2.66	\$ 3.13	\$ 3.13
> 100% of annual water budget							\$ 4.18	\$ 4.66	\$ 4.70	\$ 4.70
Commercial and Fire Line							\$ 2.09	\$ 2.66	\$ 3.13	\$ 3.13
<b>Private Fire Protection Service</b>										
<b>Availability / Meter Charge (per Month)</b>										
3/4 inch	\$ 21.88	\$ 21.88	\$ 22.50	\$ 24.33	\$ 27.30	\$ 29.50	\$ 30.75	\$ 30.75	\$ 27.65	\$ 27.65
1 inch	\$ 21.88	\$ 21.88	\$ 22.50	\$ 24.33	\$ 27.30	\$ 29.50	\$ 30.75	\$ 30.75	\$ 27.65	\$ 27.65
1&1/2 inch	\$ 21.88	\$ 21.88	\$ 22.50	\$ 24.33	\$ 27.30	\$ 29.50	\$ 30.75	\$ 30.75	\$ 27.65	\$ 27.65
2 inch	\$ 35.00	\$ 35.00	\$ 36.25	\$ 38.92	\$ 43.68	\$ 47.20	\$ 49.15	\$ 49.15	\$ 44.25	\$ 44.25
3 inch	\$ 61.25	\$ 61.25	\$ 63.25	\$ 68.11	\$ 76.44	\$ 82.60	\$ 86.00	\$ 86.00	\$ 77.45	\$ 77.45
4 inch	\$ 96.25	\$ 96.25	\$ 99.25	\$ 107.03	\$ 120.12	\$ 129.75	\$ 135.15	\$ 135.15	\$ 121.70	\$ 121.70
6 inch	\$ 183.75	\$ 183.75	\$ 189.25	\$ 204.33	\$ 229.32	\$ 247.70	\$ 258.00	\$ 258.00	\$ 232.30	\$ 232.30
8 inch	\$ 288.75	\$ 288.75	\$ 297.50	\$ 321.09	\$ 360.36	\$ 389.25	\$ 405.45	\$ 405.45	\$ 365.00	\$ 365.00
<b>Sewer</b>										
<b>Residential (per Month)</b>										
Single Family	\$ 35.13	\$ 35.13	\$ 35.13	\$ 37.94	\$ 40.98	\$ 43.85	\$ 46.05	\$ 46.05	\$ 46.05	\$ 46.05
Townhouse	\$ 29.54	\$ 29.54	\$ 29.54	\$ 31.90	\$ 34.45	\$ 36.90	\$ 38.75	\$ 38.75	\$ 38.75	\$ 38.75
Duplex	\$ 29.54	\$ 29.54	\$ 29.54	\$ 31.90	\$ 34.45	\$ 36.90	\$ 38.75	\$ 38.75	\$ 38.75	\$ 38.75
Apartment / Condominium	\$ 27.94	\$ 27.94	\$ 27.94	\$ 30.18	\$ 34.45	\$ 36.90	\$ 38.75	\$ 38.75	\$ 38.75	\$ 38.75
<b>Commercial (per Unit* of Water Billed)</b>										
Restaurant	\$ 6.39	\$ 6.39	\$ 6.39	\$ 6.90	\$ 7.45	\$ 7.97	\$ 8.37	\$ 8.37	\$ 8.37	\$ 8.37
Miscellaneous	\$ 2.08	\$ 2.08	\$ 2.08	\$ 2.25	\$ 2.62	\$ 2.80	\$ 2.94	\$ 2.94	\$ 2.94	\$ 2.94
<b>Institutional (per Unit* of Water Billed)</b>										
School	\$ 1.27	\$ 1.27	\$ 1.27	\$ 1.37	\$ 1.48	\$ 1.58	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.66
Church	\$ 1.27	\$ 1.27	\$ 1.27	\$ 1.37	\$ 1.48	\$ 1.58	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.66
Public Facility	\$ 1.27	\$ 1.27	\$ 1.27	\$ 1.37	\$ 1.48	\$ 1.58	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.66

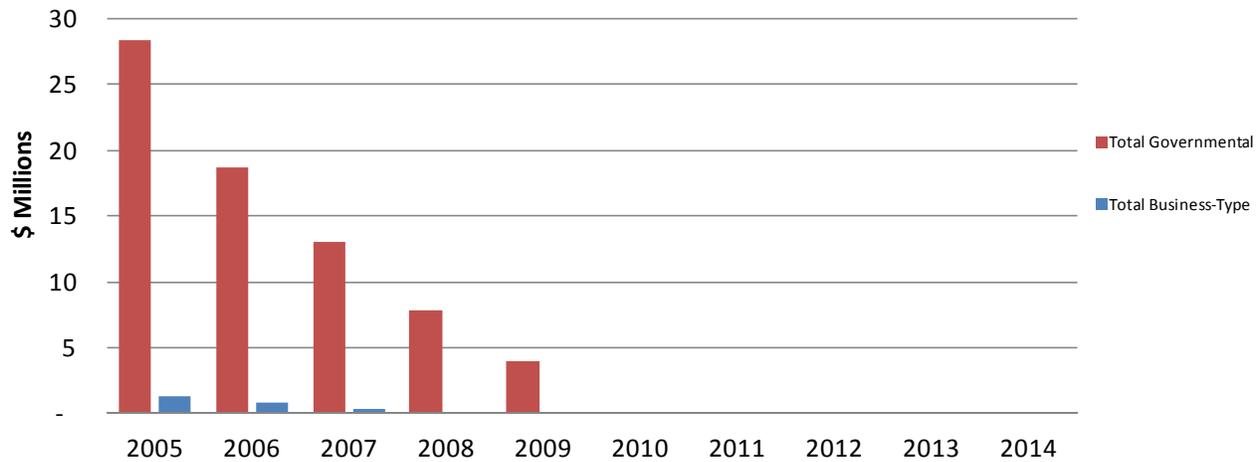
Unit\* = 748 Gallons

Source: City of Foster City Financial Services Department

**City of Foster City and Estero Municipal Improvement District**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
*(dollars in thousands, except per capita)*

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Redevelopment Bonds	Special Assessment Bonds	Total	Sewer Bonds				
2005	3,491	20,400	4,445	28,336	1,242	29,578	1.670	990	
2006	1,985	13,385	3,310	18,680	785	19,465	0.970	651	
2007	635	10,250	2,100	12,985	280	13,265	0.006	438	
2008	-	6,975	800	7,775	-	7,775	0.004	257	
2009	-	3,560	415	3,975	-	3,975	0.002	131	
2010	-	-	-	-	-	-	n/a	-	
2011	-	-	-	-	-	-	n/a	-	
2012	-	-	-	-	-	-	n/a	-	
2013	-	-	-	-	-	-	n/a	-	
2014	-	-	-	-	-	-	n/a	-	

**Outstanding Debt**



**Note:** Details regarding the City/District's outstanding debt can be found in the notes to the financial statements.

**City of Foster City and Estero Municipal Improvement District  
 Direct and Overlapping Governmental Activities Debt  
 As of June 30, 2014**

2013-14 Assessed Valuation: \$7,503,552,671

	<b>Total Debt Outstanding 06/30/14</b>	<b>Percentage Applicable (1)</b>	<b>City's Share of Overlapping Debt 6/30/14</b>
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
San Mateo Community College District	\$563,069,994	4.779%	\$ 26,909,115
San Mateo Union High School District	514,146,777	13.749%	70,690,040
Sequoia Union High School District	328,635,000	0.007%	23,004
San Mateo-Foster City School District	186,857,360	28.775%	53,768,205
Belmont-Redwood Shores School District	32,384,348	0.039%	12,630
<b>Estero Municipal Improvement District</b>	<b>0</b>	<b>100.000%</b>	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 151,402,994
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
San Mateo County General Fund Obligations	\$473,769,816	4.779%	\$ 22,641,460
San Mateo County Board of Education Certificates of Participation	10,950,000	4.779%	523,301
Midpeninsula Regional Park District General Fund Obligations	133,209,717	0.006%	7,993
TOTAL OVERLAPPING GENERAL FUND DEBT			\$ 23,172,754
<b>TOTAL DIRECT DEBT</b>			<b>\$0.00</b>
TOTAL OVERLAPPING DEBT			\$ 174,575,748
COMBINED TOTAL DEBT			\$ 174,575,748 (2)

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease obligations.

Ratios to 2013-14 Assessed Valuation:

<b>Direct Debt</b> .....	<b>0.00%</b>
Total Direct and Overlapping Tax and Assessment Debt .....	2.02%
Combined Total Debt .....	2.33%

Source: California Municipal Statistics, Inc.

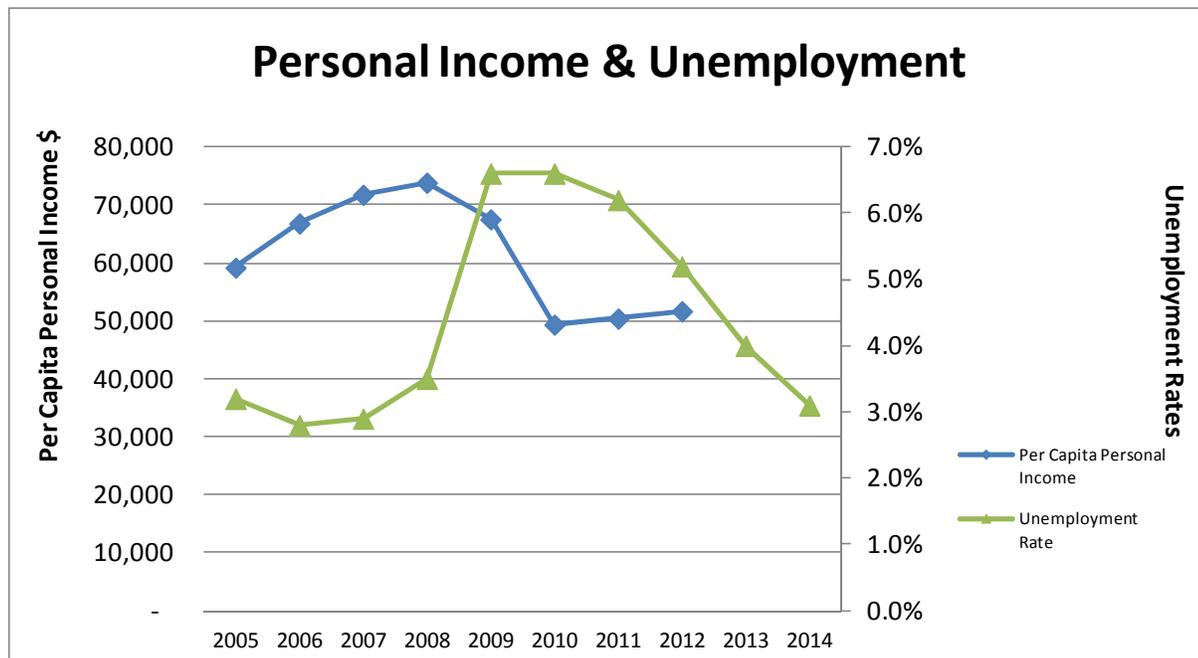
**City of Foster City and Estero Municipal Improvement District**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
*(dollars in thousands)*

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt limit	\$ 759,294	\$ 815,558	\$ 882,082	\$ 922,063	\$ 967,627	\$ 995,982	\$ 985,253	\$ 984,013	\$ 1,016,775	\$ 1,112,856
Total net debt applicable to limit	<u>1,469</u>	<u>-</u>	<u>-</u>							
Legal debt margin	<u>\$ 757,825</u>	<u>\$ 815,558</u>	<u>\$ 882,082</u>	<u>\$ 922,063</u>	<u>\$ 967,627</u>	<u>\$ 995,982</u>	<u>\$ 985,253</u>	<u>\$ 984,013</u>	<u>\$ 1,016,775</u>	<u>\$ 1,112,856</u>
Total net debt applicable to the limit as a percentage of debt limit	0.19%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**Note:** Under state finance law, the city's outstanding general obligation debt should not exceed 15 percent of total assessed property value.

**City of Foster City and Estero Municipal Improvement District**  
**Demographic and Economic Statistics**  
**Last Ten Calendar Years**

<b>Year</b>	<b>Population</b>	<b>Personal Income (thousands of dollars)</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>
2005	29,876	1,769,048	59,213	3.2%
2006	29,900	1,998,486	66,839	2.8%
2007	30,269	2,171,892	71,753	2.9%
2008	30,308	2,237,912	73,839	3.5%
2009	30,429	2,054,508	67,536	6.6%
2010	30,719	1,516,228	49,358	6.6%
2011	30,790	1,557,571	50,415	6.2%
2012	30,895	1,608,593	51,690	5.2%
2013	31,120	1,638,863	50,947	4.0%
2014	32,168	n/a	n/a	3.1%



Sources: Population: State Department of Finance  
 Personal income: State Employment Development Department for County of San Mateo  
 Unemployment Rate: Bureau of Labor Statistics for City of Foster City

**City of Foster City and Estero Municipal Improvement District  
Principal Employers  
Current Year and Nine Years Ago**

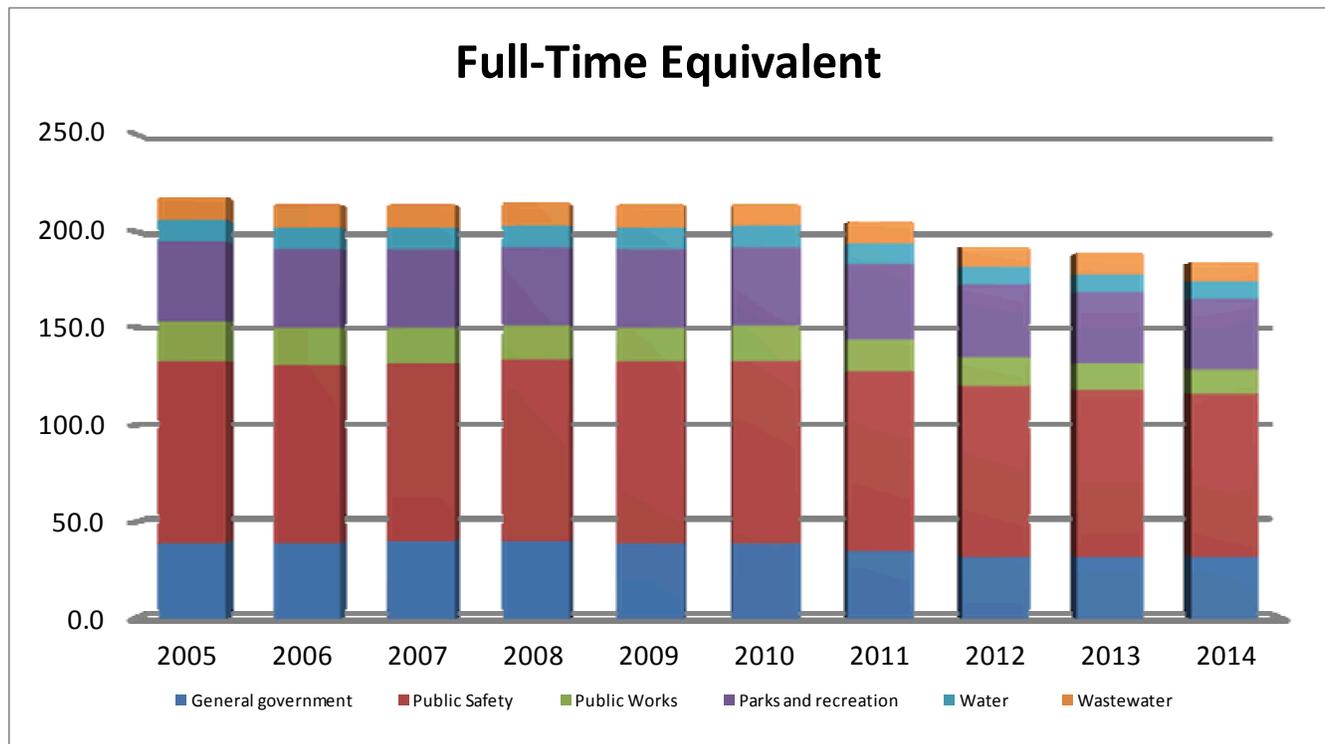
<b>Employer</b>	<b>2014</b>			<b>2006</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
GILEAD SCIENCES, INC.	4,577	1	24.69%	1,025	4	8.22%
VISA U.S.A. INC.	3,012	2	16.25%	1,193	2	9.57%
INOVANT LLC	2,103	3	11.34%			0.00%
IBM CORPORATION	493	4	2.66%			0.00%
GUIDEWIRE SOFTWARE, INC.	415	5	2.24%			0.00%
APPLIED BIOSYSTEMS, LLC	350	6	1.89%	1,578	1	12.66%
QUINSTREET, INC.	298	7	1.61%	253	7	2.03%
COSTCO	234	8	1.26%	223	8	1.79%
CROWNE PLAZA FOSTER CITY	200	9	1.08%	140	10	1.12%
SLEDGEHAMMER GAMES, INC.	165	10	0.89%			0.00%
SONY COMPUTER ENTERTAINMENT, LLC			0.00%	725	5	5.82%
ELECTRONICS FOR IMAGING, INC.			0.00%	1,054	3	8.46%
LEGACY PARTNERS, LLC				300	6	2.41%
CITY OF FOSTER CITY				213	9	1.71%
<b>Top Ten Total</b>	<b>11,847</b>		<b>63.90%</b>	<b>6,704</b>		<b>53.79%</b>
<b>City Total</b>	<b>18,539</b>			<b>12,464</b>		

**Source:** 2006 and 2014 Business License Database of Financial Services Department

**Note:** Data from 2004-2005 is not available as required by GASB 44

**City of Foster City and Estero Municipal Improvement District  
Full-time Equivalent City Government Employees by Function/Program  
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of June 30</u>									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General government										
Management services	19.0	19.0	19.0	20.0	19.0	19.0	16.0	14.0	13.0	13.0
Finance	9.0	9.0	9.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Planning	5.0	5.0	5.5	5.5	5.5	6.5	5.5	5.0	6.0	6.0
Building	6.0	6.0	6.5	6.5	6.5	5.5	5.5	5.0	5.0	5.0
Police										
Officers	39.0	37.0	37.0	39.0	39.0	39.0	39.0	36.0	36.0	36.0
Civilians	17.0	17.0	17.0	17.0	17.0	17.0	17.0	15.0	13.0	13.0
Fire										
Firefighters and officers	36.0	36.0	36.0	36.0	36.0	36.0	35.0	35.0	35.0	33.0
Civilians	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Other public works										
Engineering	10.0	9.0	8.0	7.0	7.0	7.0	7.0	6.0	5.0	4.0
Other	10.0	10.0	10.0	10.0	10.0	11.0	9.0	9.0	9.0	9.0
Parks and recreation	42.0	41.0	41.0	41.0	41.0	41.0	39.0	37.5	36.5	36.0
Water	11.0	11.0	11.0	11.0	11.0	11.0	11.0	9.0	9.0	9.0
Wastewater	11.0	11.0	11.0	11.0	11.0	10.0	10.0	10.0	10.0	9.0
<b>Total</b>	<b>217.0</b>	<b>213.0</b>	<b>213.0</b>	<b>214.0</b>	<b>213.0</b>	<b>213.0</b>	<b>204.0</b>	<b>191.5</b>	<b>187.5</b>	<b>183.0</b>



Source: City Budget

**City of Foster City and Estero Municipal Improvement District  
Operating Indicators by Function/Program  
Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Police</b>										
Physical arrests	797	727	762	769	677	831	728	650	520	640
Parking violations	1,065	956	863	891	854	865	624	673	673	654
Traffic violations	2,472	1,772	2,396	1,870	2,004	2,811	2,317	2,693	2,774	3,012
<b>Fire</b>										
Emergency responses	1,882	1,981	1,940	2,095	1,895	1,828	1,873	1,946	2,012	2,336
Fires extinguished	116	116	105	107	102	85	73	88	61	82
Inspections	1,779	1,813	1,102	1,128	1,026	966	1,231	1,143	1,029	1,108
<b>Other public works</b>										
Street resurfacing (miles)	-	3	1	2	1	1	5	1	1	2
Potholes repaired	30	27	30	25	45	70	40	45	36	40
<b>Parks and recreation</b>										
Athletic field permits issued	37	48	49	52	45	54	57	64	66	57
Community center admissions	8,279	8,481	8,804	9,144	8,648	8,209	8,123	7,582	7,580	5,837
<b>Water</b>										
New connections	-	6	4	2	-	-	-	7	1	1
Water mains breaks	19	17	-	14	6	1	6	6	3	11
Average daily consumption (thousands of gallons)	5,174	5,257	5,574	5,520	5,230	4,890	4,822	4,660	4,100	3,702
Peak daily consumption (thousands of gallons)	10,202	11,146	10,634	10,450	10,530	10,340	9,750	9,165	8,890	8,445
<b>Wastewater</b>										
Average daily sewage treatment (thousands of gallons)	3,103	3,185	3,074	2,980	2,600	2,450	2,340	2,267	2,200	2,652

Sources: Various city departments

**City of Foster City and Estero Municipal Improvement District  
Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	13	13	13	13	13	12	12	12	11	10
Fire stations	1	1	1	1	1	1	1	1	1	1
Other public works										
Streets (miles)	46	46	46	46	46	46	46	46	46	46
Streetlights	1,918	1,918	1,918	1,918	1,918	1,918	2,063	2,062	2,031	2,031
Traffic signals	20	23	25	25	25	25	25	25	25	25
Parks and recreation										
Acreage	104	168	171	210	210	210	210	210	213	213
Playgrounds	21	21	21	21	21	21	21	21	21	21
Baseball/softball diamonds	8/3	8/3	8/3	8/3	8/3	8/3	8/3	8/3	8/3	8/3
Soccer/football fields	10/0	10/0	10/0	10/0	10/0	10/0	10/0	10/0	10/0	10/0
Community centers	2	2	2	2	3	3	3	3	3	3
Water										
Water mains (miles)	110	110	110	110	110	110	110	110	107	107
Fire hydrants	1,149	1,149	1,149	1,149	1,149	1,149	1,153	1,153	1,109	1,110
Storage capacity (thousands of gallons)	12,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Wastewater										
Sanitary sewers (miles)	66	66	66	66	66	66	66	66	65	65
Storm sewers (miles)	83	83	83	83	83	83	83	83	81	81
Treatment capacity (thousands of gallons)	52,130	52,130	52,130	52,130	52,130	52,130	52,130	52,130	52,130	52,130
Transit-minibuses	1	1	1	1	1	1	1	1	1	1

Sources: Various city departments

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