

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, 2016**

**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, 2016

Herb Perez, Mayor

Charlie Bronitsky, Vice Mayor

Gary Pollard, Councilmember

Sam Hindi, Councilmember

Catherine Mahanpour, Councilmember

Kevin M. Miller, City Manager

Jean B. Savaree, City Attorney

Dante Hall, Assistant City Manager

Doris Palmer, City Clerk/Communications Director

Curtis Banks, Community Development Director

Edmund Suen, Finance Director

John Healy, Fire Chief

Ann Ritzma, Human Resources Director

Jennifer Liu, Parks & Recreation Director

Joe Pierucci, Police Chief

Jeff Moneda, Public Works Director

Cover page photo courtesy of: Lawrence Yonathan, PW Engineering Intern

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For the fiscal year ended June 30, 2016**

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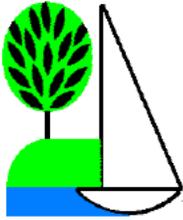
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City of Foster City

ESTERO MUNICIPAL IMPROVEMENT DISTRICT

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

November 30, 2016

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, 2016 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 an 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, 2016.

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 2015-2016 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 were 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 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 (15.20 square miles) are part of San Francisco Bay and Belmont Slough, and 2,619 acres (4.09 square miles) are land. The City/District serves a population of 33,200 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 30th 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, with the exception of those for the Capital Improvement Projects funds 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 with the exception of the Capital Improvement Projects funds.

LOCAL ECONOMY

The local economy experienced continued expansion and prosperity during fiscal year 2015-2016. Development activity was robust and development related revenues, permit and plan check fees, exceeded expectations. Based on the development activity currently underway, revenues are anticipated to acquire further growth for next year due to the residual effect that commercial/residential development has on the General Fund's major sources of revenue, including property tax.

Real Estate values in the City/District are at historical highs. With the recently completed and current residential and commercial development, the City/District is experiencing healthy growth in property tax revenues, which lead to healthy fund reserves that will allow the City/District to maintain its infrastructure and to continue to provide high quality services.

LONG-TERM FINANCIAL PLAN

In Foster City, City/District fiscal policies establish 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. The minimum reserve policy serves as one method to 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. In addition, a \$2 million emergency reserve is established for each of the three Capital Projects Funds programs – City, Water and Wastewater. The emergency reserve could help ensure business continuity if the City faced catastrophic

situations. In addition, since fiscal year 2011, the City/District has 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 accumulate resources so as to continue the high level of quality services for 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 within economic cycles. It also allows decision makers to better understand the true effects of policy decisions. Through the City/District's long-term financial planning, the City/District has had balanced budgets over the past three years. The City/District's five-year financial plan (FY 2017-2018 to FY 2021-2022) also shows reserves that comfortably exceed the minimum policy levels throughout the time horizon.

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%, the revision of rate smoothing policy, and the demographic assumption changes have all contributed to an increase in the employer contribution rate from 1.5 to 4.5 percentage points starting FY 2015-2016.

The City/District has been closely monitoring employee compensation and benefits costs and has taken control measures to address this issue, including funding 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 the years following the Great Recession, the City/District took 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. Even as the economy has since recovered, the City/District will continue to carefully consider the long-term implications of its decisions regarding personnel-related spending and liabilities.

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, Pilgrim Triton, Foster Square, Town Place Suites Hotel, and Illumina. Again, the City/District took a conservative approach by excluding the Gilead Sciences acquired Chess-Hatch development site until which time Gilead secures approved plans and permits to develop that site. With this forecast, the City achieved a balanced budget in the General Fund for FY 2016-2017.

MAJOR INITIATIVES

The following major initiatives were completed or are in progress as of June 30, 2016:

- Balanced Budget – The City/District achieved a balanced General Fund Budget and actual revenues exceeded expenditure by \$5.2 million in FY 2015-2016.
- 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. Subsequently, 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 that the shared services model is a prudent way to deliver important public safety services; it is also reviewed and evaluated periodically.

- Development of 15-acre Site (Foster Square) – On October 3, 2014 the City/District sold the 15-acre site adjacent to City Hall 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 affordable housing component (Alma Point) was already nearing completion at the close of FY 2015-2016. The assisted and independent living (Atria) component is anticipated to be completed in mid-year of FY 2016-2017 and Phase I of the market rate for sales units are also expected to be completed by the winter 2016.
- Pilgrim-Triton Development Project – Phase 1 of the Pilgrim-Triton development project (The Plaza) was completed in 2013. It included 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 expected to be completed in 2017. Phase 3, 100 Grand was nearing completion at the close of FY 2015-2016.
- Park Improvements – During the fiscal year, the City/District completed playground equipment installation at Ketch Park and playground equipment and beach improvement at Catamaran Park.
- Traffic/Street Improvements – The City/District has an ongoing program to repair and resurface the pavement of public streets. Project design commenced in spring 2015 and construction was completed in FY 2015-2016.
- 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 project was substantially completed at the end of FY 2015-2016.
- Levee Protection Planning and Improvement Project – This project will raise the City’s levee system to meet new FEMA requirements in order to protect property owners with federally-back mortgages from the mandatory purchase of annual flood insurance. Preliminary engineering work was done in FY 2015-2016 with design and construction scheduled for FY 2016-2017 and FY 2017-2020 respectively. The cost of this project is likely to be financed with either the formation of one of more Assessment Districts, a Community Facilities District, or the issuance of General Obligation bonds.
- Wastewater Treatment Plant Master Plan Improvements – The Estero Municipal Improvement District and the City of San Mateo as parties to a Joint Powers Agreement for a wastewater treatment plant. In FY 2014-2015, both parties agreed to embark on a joint CIP project (Clean Water Program) to replace the aging plant. Design work has begun and construction is expected to commence in mid FY 2016-2017. The District’s share is estimated at \$113 million over the life of this 10-year project. A joint powers finance authority was formed by the District and San Mateo in FY 2015-2016 to position the two agencies to submit a single application to the State Water Resources Board’s revolving loan program in FY 2016-2017 for the financing of this project.
- Development Plans – Plans for various land use development projects were reviewed, approved or are well under way, including Gilead Sciences buildings and parking garages, Foster Square, the Town Place Hotel, and Illumina, 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, 2015. This was the 23rd 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. I believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program’s requirements and City staff will be submitting it to the GFOA for 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, Assistant Finance Director and Karen Li, Senior Accountant.

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 Financial Services staff, 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,

A handwritten signature in black ink, appearing to read 'Edmund Suen', with a stylized flourish at the end.

Edmund Suen
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

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

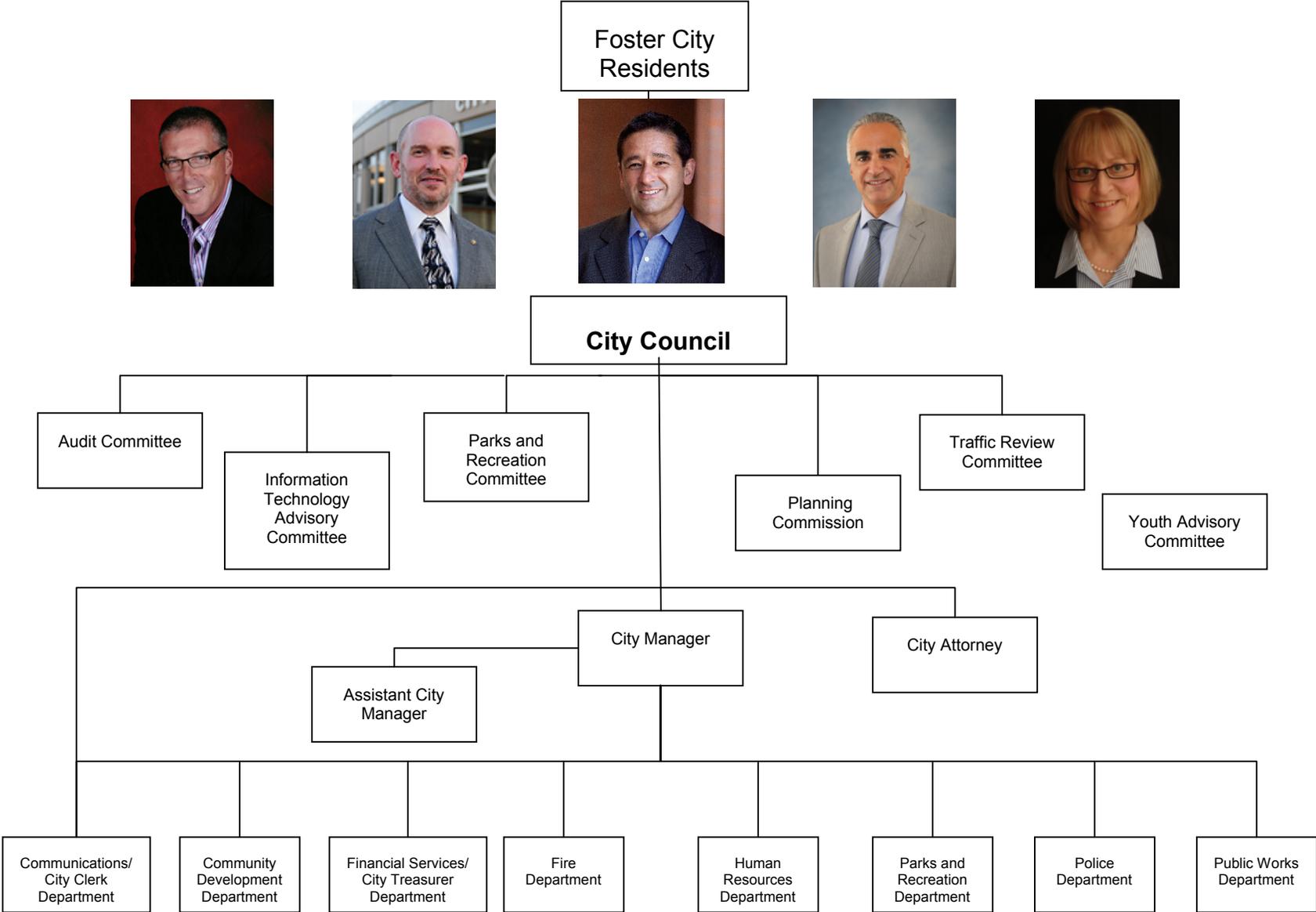
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

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Foster City Organization Chart



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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, 2016, 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 misstatement.

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, 2016, 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 discussed in Note 2 to the financial statements, the City/District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, effective July 1, 2015. Our opinion is not modified with respect to these matters.

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, the schedule of changes in the net pension liability and related ratios, the schedule of proportionate share of the net pension liability, the schedules of contributions, 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 30, 2016, 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 30, 2016

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**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2016**

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, 2016. 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, 2016, the City/District's total assets increased by \$15.1 million, or 4.46%, to \$354.7 million, of which \$258.8 million represented governmental assets and \$95.9 million represented business-type assets.
- The City/District's total liabilities increased by \$10.3 million, or 15.35%, to \$77.7 million, of which \$68.2 million were governmental liabilities and \$9.5 million were business-type liabilities.
- The City/District's total net position increased by \$12.8 million, or 4.8%, to \$278.9 million. Of this amount, \$79.0 million (unrestricted governmental net position) and \$30.2 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 \$26.9 million, or 28.02%, to \$69.1 million, of which \$48.5 million were generated by governmental activities and \$20.6 million were generated by business-type activities.
- City-wide expenses increased by \$1.3 million, or 2.32%, to \$56.4 million, of which \$38.2 million were incurred by governmental activities and \$18.2 million were incurred by business-type activities.
- Detailed analysis is provided under the GOVERNMENT-WIDE FINANCIAL ANALYSIS caption.

Fund Level:

- Governmental Fund balances increased \$10.1 million, or 12.28%, to \$91.9 million. Of this amount, \$39.6 million, or 43.1%, was in the unassigned fund balance and available for spending at the City's discretion.
- Governmental Fund revenues were \$48.0 million, an increase of \$309,000 or 0.82%, from \$47.6 million in the prior fiscal year.
- Governmental Fund expenditures decreased by \$5.5 million, or 12.5%, to \$38.3 million in FY 2015-2016, from \$43.8 million in the prior fiscal year.
- Enterprise Fund net position increased by \$2.2 million, or 2.69%, to \$84.9 million. Of this amount, \$28.7 million was unrestricted net position and available for spending at the District's discretion.
- Enterprise Fund operating revenues were \$20.1 million in FY 2015-2016 compared to \$18.1 million in the prior fiscal year.
- Enterprise Fund operating expenses were \$18.4 million in FY 2015-2016, an increase of \$515,000 from \$17.9 million in fiscal year 2014-2015.
- 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, 2016**

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

- 1) *Introductory section*, which includes the Transmittal Letter and 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 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, Foster City Affordable Housing Fund, City Capital Projects Fund, and Capital Asset Preservation Fund, 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 Agency Funds 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 Assets Fund, and budgetary comparison schedule and the Schedule 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, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total		Amount Change	Percent Change
	2016	2015	2016	2015	2016	2015		
Assets:								
Current and other assets	\$ 153,503,407	\$ 142,111,757	\$ 39,712,769	\$ 36,615,405	\$ 193,216,176	\$ 178,727,162	\$ 14,489,014	8.11%
Capital assets	105,267,654	105,458,244	56,208,645	55,371,422	161,476,299	160,829,666	646,633	0.40%
Total assets	258,771,061	247,570,001	95,921,414	91,986,827	354,692,475	339,556,828	15,135,647	4.46%
Deferred outflows of resources related to pension	6,130,756	4,147,422	443,149	421,797	6,573,905	4,569,219	2,004,686	43.87%
Liabilities:								
Current and other liabilities	11,368,927	9,540,032	3,676,961	2,100,881	15,045,888	11,640,913	3,404,975	29.25%
Long-term liabilities	56,785,133	50,453,243	5,862,617	5,259,848	62,647,750	55,713,091	6,934,659	12.45%
Total Liabilities	68,154,060	59,993,275	9,539,578	7,360,729	77,693,638	67,354,004	10,339,634	15.35%
Deferred inflows of resources related to pension	4,280,427	9,620,988	396,855	1,021,901	4,677,282	10,642,889	(5,965,607)	-56.05%
Net position:								
Net investment in capital assets	105,267,654	105,458,244	56,208,645	55,371,422	161,476,299	160,829,666	646,633	0.40%
Restricted	8,164,308	7,666,923	-	-	8,164,308	7,666,923	497,385	6.49%
Unrestricted	79,035,368	68,977,993	30,219,485	28,654,572	109,254,853	97,632,565	11,622,288	11.90%
Total net position	\$ 192,467,330	\$ 182,103,160	\$ 86,428,130	\$ 84,025,994	\$ 278,895,460	\$ 266,129,154	\$ 12,766,306	4.80%

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 \$278.9 million, representing the difference between the sum of total assets and deferred outflows of resources related to pension and the sum of total liabilities and deferred inflows related to pension. The overall net position increased by \$12.8 million, or 4.8%, from \$266.1 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. In the prior fiscal year (FY 2014-2015), the City/District implemented GASBs 68 and 71 which required the recording of net pension liability and pension related deferred inflows and outflows. See Note 9 for details on the effects of this accounting standard.

The largest portion, approximately 57.9% or \$161.5 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.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The restricted portion of the City/District's net position of \$8.2 million or 2.9% 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 \$109.3 million, or 39.2%, is for unrestricted uses in accordance with finance-related legal requirements reflected in the City/District's fund structure. These can be used to finance day-to-day operations without constraints established by legal requirements or restrictions.

At the end of FY 2015-2016, the City/District had positive balances in all three categories of net positions for the government as a whole.

	Governmental Activities 2016	2015	Amount Change	Percent Change
Assets:				
Current and other assets	\$153,503,407	\$142,111,757	\$11,391,650	8.02%
Capital assets	105,267,654	105,458,244	(190,590)	-0.18%
Total assets	<u>258,771,061</u>	<u>247,570,001</u>	<u>11,201,060</u>	4.52%
Deferred outflows of resources related to pension	6,130,756	4,147,422	1,983,334	47.82%
Liabilities:				
Current and other liabilities	11,368,927	9,540,032	1,828,895	19.17%
Long-term liabilities	56,785,133	50,453,243	6,331,890	12.55%
Total Liabilities	<u>68,154,060</u>	<u>59,993,275</u>	<u>8,160,785</u>	13.60%
Deferred inflows of resources related to pension	4,280,427	9,620,988	(5,340,561)	-55.51%
Net position:				
Net investment in capital assets, net of related debt	105,267,654	105,458,244	(190,590)	-0.18%
Restricted	8,164,308	7,666,923	497,385	6.49%
Unrestricted	79,035,368	68,977,993	10,057,375	14.58%
Total net position	<u>\$192,467,330</u>	<u>\$182,103,160</u>	<u>\$10,364,170</u>	5.69%

The net position of the City/District's governmental activities increased by approximately \$10.4 million. This increase consists of three components:

1. **Net investment in capital assets** – The \$191,000 reduction was due to the excess of depreciation and retirement of capital assets over capital asset additions.
2. **Restricted net position** – The \$497,000 increase was due primarily to higher net positions in the Park-In-Lieu and Foster City Foundation Special Revenue Funds of \$275,000 and \$116,000 respectively.
3. **Unrestricted net position** – The \$10.1 million increase was due mainly to higher net positions in the General Fund and the Capital Asset Preservation Fund of \$8.9 million and \$1.5 million respectively. The General Fund had significant revenue gains in property, transient occupancy, and business license taxes. The City also received one-time payments for a community benefits program from Biomed to develop the Lincoln Centre Life Sciences Campus to be occupied by Illumina and an in-lieu property tax payment from MidPen Housing for their Atria at Foster Square affordable housing project of \$1.85 million and \$608,000 respectively. The increase in the Capital Asset Preservation Fund net position was from ongoing loan repayments received and investment earnings from the previous sale of City/District owned properties.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

	Business-Type Activities		Amount Change	Percent Change
	2016	2015		
Assets:				
Current and other assets	\$ 39,712,769	\$ 36,615,405	\$3,097,364	8.46%
Capital assets	56,208,645	55,371,422	837,223	1.51%
Total assets	<u>95,921,414</u>	<u>91,986,827</u>	<u>3,934,587</u>	4.28%
Deferred outflows of resources related to pension	443,149	421,797	21,352	5.06%
Liabilities:				
Current and other liabilities	3,676,961	2,100,881	1,576,080	75.02%
Long-term liabilities	5,862,617	5,259,848	602,769	11.46%
Total Liabilities	<u>9,539,578</u>	<u>7,360,729</u>	<u>2,178,849</u>	29.60%
Deferred inflows of resources related to pension	396,855	1,021,901	(625,046)	-61.17%
Net position:				
Net investment in capital assets, net of related debt	56,208,645	55,371,422	837,223	1.51%
Unrestricted	30,219,485	28,654,572	1,564,913	5.46%
Total net position	<u>\$ 86,428,130</u>	<u>\$ 84,025,994</u>	<u>\$ 2,402,136</u>	2.86%

The net position of the City/District's business-type activities increased by \$2.4 million. This increase consists of two components.

1. **Net investment in capital assets** – The \$837,000 increase was due to new asset additions during the year in excess of depreciation and the retirement of capital assets. Detailed analysis is provided under Note 6.
2. **Unrestricted net position** – The \$1.6 million increase was mainly due to higher operating income as wastewater rates were increased at the start of fiscal year 2015-2016 to pay for the District's share of the wastewater treatment plant capital improvement project undertaken with the City of San Mateo.

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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
	2016	2015	2016	2015	2016	2015		
Program Revenues								
Charges for services	\$ 6,327,837	\$ 9,154,024	\$ 20,100,247	\$ 18,151,346	\$ 26,428,084	\$ 27,305,370	\$ (877,286)	-3.21%
Operating grants and contributions	3,137,709	2,655,353	-	-	3,137,709	2,655,353	482,356	18.17%
Capital grants and contributions	290,669	709,800	71,315	26,991	361,984	736,791	(374,807)	-50.87%
General Revenues								
Taxes	31,078,069	28,621,521	-	-	31,078,069	28,621,521	2,456,548	8.58%
Contributions not restricted to specific programs	3,892,638	3,955,873	-	-	3,892,638	3,955,873	(63,235)	-1.60%
Unrestricted investment and rental income	2,807,314	2,256,791	350,091	319,633	3,157,405	2,576,424	580,981	22.55%
Gain on Sale of Capital Asset	9,188	29,656,931	-	-	9,188	29,656,931	(29,647,743)	-99.97%
Other	1,000,920	431,368	61,506	94,246	1,062,426	525,614	536,812	102.13%
Total Revenues	48,544,344	77,441,661	20,583,159	18,592,216	69,127,503	96,033,877	(26,906,374)	-28.02%
Expenses								
General government	4,308,710	3,557,955	-	-	4,308,710	3,557,955	750,755	21.10%
Public safety	18,368,428	18,154,823	-	-	18,368,428	18,154,823	213,605	1.18%
Public works	4,335,309	4,650,758	-	-	4,335,309	4,650,758	(315,449)	-6.78%
Community development	2,417,650	2,176,539	-	-	2,417,650	2,176,539	241,111	11.08%
Parks and recreation	8,750,077	8,808,422	-	-	8,750,077	8,808,422	(58,345)	-0.66%
Water operation	-	-	11,824,224	10,596,613	11,824,224	10,596,613	1,227,611	11.58%
Wastewater operation	-	-	6,356,799	7,140,529	6,356,799	7,140,529	(783,730)	-10.98%
Total Expenses	38,180,174	37,348,497	18,181,023	17,737,142	56,361,197	55,085,639	1,275,558	2.32%
Excess (deficiency) of revenues over (under) expenses before transfers	10,364,170	40,093,164	2,402,136	855,074	12,766,306	40,948,238	(28,181,932)	-68.82%
Extraordinary gain	-	1,131,265	-	-	-	1,131,265	(1,131,265)	-100.00%
Change in net position	10,364,170	41,224,429	2,402,136	855,074	12,766,306	42,079,503	(29,313,197)	-69.66%
Net position, beginning of year	182,103,160	192,611,856	84,025,994	88,570,688	266,129,154	281,182,544	(15,053,390)	-5.35%
Prior period adjustment	-	(51,733,125)	-	(5,399,768)	-	(57,132,893)	57,132,893	-100.00%
Net position, end of year	\$ 192,467,330	\$ 182,103,160	\$ 86,428,130	\$ 84,025,994	\$ 278,895,460	\$ 266,129,154	\$ 12,766,306	4.80%

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

- **Charges for Services** – The \$2.8 million decrease in Governmental Activities was primarily from very robust one-time related development related revenues in the prior fiscal year. On the other hand, revenues for Business-Type activities increased by \$1.9 million as water and wastewater rates were raised at beginning of fiscal year 2015-2016 to pay for an expected increase in costs.
- **Operating Grants and Contributions** – The \$482,000 increase in Governmental Activities was mainly due to the receipt in fiscal year 2015-2016 of a one-time community benefits program payment of \$1.85 million from Biomed to develop the Lincoln Centre Life Sciences Campus to be occupied by Illumina compared to the \$1.45 million affordable housing payment received in the prior year for the Foster Square development project (15 acre site).
- **Capital Grants and Contributions** – The \$419,000 decrease in Governmental Activities was mainly due to a one-time contribution the City/District received in fiscal year 2014-2015 from the New Home Company for the Foster Square project for \$560,000.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

- Taxes – The \$2.4 million increase in Governmental Activities was primarily from higher property and transient occupancy tax revenues as reflected by strong housing prices and a robust local and regional economy.
- Unrestricted Investment and Rental Income - The \$550,000 increase in Governmental Activities was largely due to a combination of a higher investment income from a larger investment pool as the City/District had a full twelve months of additional \$30 million it had received from the sale of its 15-acre property in 2015 and also benefited from positive returns on its Longevity Recognition Benefits Fund and PEMHCA Fund compared to losses in the prior fiscal year.
- Other Revenues – The \$570,000 increase in Governmental Activities is substantially due to a \$608,000 in-lieu property tax payment the City/District received from MidPen Housing for the Atria at Foster Square affordable housing project.
- Gain on Sale of Capital Assets – The City/District realized an overall gain of \$29.7 million in FY 2014-2015 from the sale of its capital assets, primarily its 15 acre site, aka Foster Square.

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

- General Government – The \$750,000 increase in General Government was primarily from filling and restoring various positions and general increases in wage and benefit costs as provided under labor agreements.
- Public Safety – The increase of \$214,000 or 1.2% in the Public Safety Department included the “over hire” of 2 police officers and 1 police dispatcher positions and an increase in fire shared services costs with the City of San Mateo, both of which were approved by the City/District’s Governing Board as part of the adopted fiscal year 2015-2016 budget, wage adjustments as stipulated under applicable labor agreements with the Police and Fire Departments, and general cost escalation in benefits. The increases were partially offset by a decrease in net pension expense recorded at the government-wide level to recognize amortized CalPERS FY 2013-2014 excess investment earnings.
- Public Works; Community Development, and Parks and Recreation – Public Works expenses declined by \$315,000 as maintenance, repairs, and supplies moderated compared to the prior year. Community Development expenses increased by \$241,000, including bargained wage adjustments and higher employee benefit costs. Parks and Recreation expenses were essentially unchanged compared to the prior year, decreasing by \$58,000.
- Water Operation – A 30.7% increase in water supply cost was the significant contributor to the overall increase in Water Operations expense of \$1.2 million or 11.6%.
- Wastewater Operation – In FY 2014-2015, the City of San Mateo and the City/District (as co-owners) of a wastewater treatment plant commenced work to develop a comprehensive 10 year wastewater master plan to replace its aging facility. The \$784,000 decrease in expenses is attributable to a decline in various replacement costs with the building of a new treatment plant in the horizon.

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FINANCIAL ANALYSIS OF THE CITY/DISTRICT'S FUNDS

Governmental Funds

As of June 30, 2016, the City/District's governmental funds reported combined fund balances of \$91.9 million. Of this total, \$7.8 million are considered restricted funds, \$44.3 million are committed by the City Council/District Board for specified projects or uses, \$138,000 are assigned by the City Manager (as duly authorized by Council/Board policy) for specified uses, and the remaining \$39.6 million are unassigned and available for general use.

Total revenues, expenditures and changes in fund balances for the fiscal year ended June 30, 2016 are shown below in comparison to the year ended June 30, 2015.

	2016		2015		Increase / (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent Change
Revenues by Source						
Taxes	\$ 33,196,631	69.16%	\$ 30,968,962	65.05%	\$ 2,227,669	7.19%
Licenses and permits	3,399,578	7.08%	3,954,102	8.31%	(554,524)	-14.02%
Intergovernmental	1,400,996	2.92%	1,563,429	3.28%	(162,433)	-10.39%
Charges for current services	2,671,725	5.57%	2,510,647	5.27%	161,078	6.42%
Fines and forfeitures	162,589	0.34%	168,838	0.35%	(6,249)	-3.70%
Park-in-lieu	429,000	0.89%	3,288,613	6.91%	(2,859,613)	-86.95%
Investment and rental income	2,345,939	4.89%	2,273,291	4.77%	72,648	3.20%
Other	4,394,357	9.15%	2,882,967	6.06%	1,511,390	52.42%
Total revenues	48,000,815	100.00%	47,610,849	100.00%	389,966	0.82%
Expenditures by Function						
General Government	3,738,875	9.75%	3,162,004	7.22%	576,871	18.24%
Public safety	18,865,143	49.21%	17,722,005	40.45%	1,143,138	6.45%
Public works	2,050,278	5.35%	2,331,632	5.32%	(281,354)	-12.07%
Community development	2,487,145	6.49%	6,928,167	15.81%	(4,441,022)	-64.10%
Parks and recreation	7,312,735	19.08%	7,182,946	16.40%	129,789	1.81%
Capital outlay	3,880,749	10.12%	6,483,904	14.80%	(2,603,155)	-40.15%
Total expenditures	38,334,925	100.00%	43,810,658	100.00%	(5,475,733)	-12.50%
Revenues over (under) expenditures	9,665,890		3,800,191		5,865,699	
Other financing sources (uses)	(163,198)		122,000		(285,198)	
Sale of capital assets	546,293		30,485,503		(29,939,210)	
Net change in fund balances	10,048,985		34,407,694		\$ (24,358,709)	
Fund balances, beginning of year	81,813,631		47,405,937			
Fund balances, end of year	\$ 91,862,616		\$ 81,813,631			

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

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

- Taxes – The increase of \$2.2 million is due to gains in property tax revenues fueled strong housing prices and transient occupancy tax revenues, aided by a robust local and regional economy.
- Licenses and permits – In November, 2013, Foster City voters passed Measure U to update the City/District's business license tax which had been established 40+ years ago. This Measure contributed to an increase of approximately \$165,000 in FY 2015-2016 from the prior year. However, a decline in FY 2015-2016 of new development activity compared to the very robust activity level in fiscal year 2014-2015 resulted in a reduction of development related permit fees for the year.
- Intergovernmental – The decrease of \$162,000 is largely due to the decline of gas tax revenues received from the State by \$131,000.
- Charges for Current Services – The increase of \$161,000 includes the addition of a new Technology Replacement fee for the City new permitting software and a general annual rate increase in the City/District's master fee and service charges schedule.
- Park in-lieu – The decrease of \$2.9 million is largely due to the collection of one-time park in-lieu fees from the Pilgrim Triton project in fiscal year 2014-2015.
- Investment and rental income – Investment and rental income increased by \$73,000 or 3.2% as the investment portfolio increased in size due to an expansion of Governmental Fund balances. In addition, 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. However, as the City/District's investment practice is to hold investments until maturity, the book gain or loss is generally not realized.
- Other revenues – The increase of \$1.5 million consists primarily of the \$1.85 million community benefits program monies the City/District received from Biomed to develop the Lincoln Centre Life Sciences Campus to be occupied by Illumina.

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

- General Government – The \$577,000 increase in General Government was primarily from filling and restoring various positions and general increases in wage and benefit costs as provided under labor agreements.
- Public Safety – The increase of \$1.1 million in Public Safety Department was due to several factors including the "over hire" of 2 police officers and 1 police dispatcher position and an increase in fire shared services costs with the City of San Mateo, both of which were authorized in the fiscal year 2015-16 adopted budget. In addition, there were wage adjustments made as stipulated under applicable labor agreements with the Police and Fire Departments.
- Public Works – The \$281,000 decrease in Public Works was due to a decrease in the level of maintenance, repairs, and supplies compared to the prior year.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2016**

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

- Community Development – The \$4.4 million decrease was primarily from a \$4.75 million loan to MP Foster Square Associates, L.P. to build affordable housing at Foster Square that occurred in the prior year (FY 2014-2015).
- Capital Outlay – The \$2.6 million decrease was due to the substantial capital improvement projects that occurred in the prior year (FY 2014-2015) including the library/community center solar project, HVAC upgrades in the public safety building and recreation and community centers, construction of Werder Park and Destination Park, dredging at the lagoon intake structure, various park infrastructure improvements, and annual street resurfacing. Significant projects for FY 2015-2016 included the substantial completion of the Vintage Park overcrossing project and preliminary engineering work on the Levee Protection Planning and Improvements Project.
- Sale of Capital Assets – The \$29.9 million decrease is from the one-time City/District sale of its 15-acre site adjacent City Hall to THNC-HW Foster City, LLC for \$30 million that occurred in fiscal year 2014-2015.

The following provides highlights of the five (5) *Major Governmental Funds*.

General Fund – The General Fund represents the single most important operating fund of the City/District. The governing 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, 2016 was \$41.2 million, which was a \$9.0 million increase from the prior year. Unassigned fund balances finished the year at \$39.6 million, increasing by \$9.3 million from prior year's amount of \$30.3 million.

General Fund revenues increased \$4.7 million in FY 2015-2016 to \$43.6 million as property tax, transient occupancy tax, business license tax, motor vehicle fees, planning fees, and investment income saw gains. The City/District also received one-time Other Revenues of \$1.85 million for a Community Benefits Program and a \$608,000 in-lieu property tax payment from the developer of an affordable housing project.

General Fund expenditures increased \$1.7 million in FY 2015-2016 to \$33 million due mainly to increases in personnel costs associated with adjustments provided under labor agreements, the filling and restoration of central support staff, the addition of 2 police officers and 1 police dispatcher "over hires", and greater benefit costs, including higher employer pension contribution rates.

In aggregate, General Fund revenues exceeded expenditures by \$10.5 million. During the fiscal year, the General Fund transferred \$1.3 million to the City Capital Improvement Project fund for future capital improvement projects and \$250,000 to the Sustainable Foster City Fund. The General Fund's fund balance at June 30, 2016 was \$41.2 million with an unassigned balance of \$39.6 million. The Governing Board's reserve policy requirement for the General Fund is 33⅓% of annual operating expenditures which amounts to \$13 million. Another \$1.85 million is earmarked for the Community Benefits Program, leaving \$24.8 million for other uses at the discretion of the Governing Board.

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, 2016, the Low and Moderate Income Housing Assets Fund had a restricted fund balance of \$1.5 million. The fund's revenues sources are the rental income from the existing 6 affordable housing units and repayments from the first time home buyers' loans.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2016**

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

Foster City Affordable Housing Fund – This fund was established to utilize the proceeds from the San Mateo County redistribution of unencumbered housing tax increments from the former Foster City Community Development Agency for future affordable housing projects in the City. As of June 30, 2016, the Fund had a Committed Fund Balance of \$25,000.

City Capital Projects Fund – The City Capital Projects fund is 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 Measure M funds, etc.) do not pay. As of June 30, 2016, this fund had a Committed Fund Balance of \$6.7 million.

Capital Asset Preservation Fund – The City/District created the Capital Asset Preservation Fund to hold the proceeds from sale of the 11-acre site to North Peninsula Jewish Campus and the proceeds from the sale of the 15 acre site adjacent City Hall to the New Home Company for future capital asset acquisitions and replacements subject to the approval by 4/5th of the City Council. As of June 30, 2016, this fund had a committed fund balance of \$35.3 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 \$10.1 million as of June 30, 2016, representing an approximate \$100,000 decrease from the prior year. The decrease was primarily attributable to a decline in water consumption due to continued water conservation while the unit cost of water supply jumped by 30.7%. The Governing Board’s reserve policy 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 \$5.1 million at June 30, 2016; however, \$2.0 million of the excess reserves are earmarked for approved capital improvement projects and future equipment replacement needs and another \$7,800 for funding of water conservation rebate and education programs. Accordingly, there are available reserves to fund additional capital improvement projects.

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, 2016 totaled \$18.6 million, representing an approximate \$1.5 million increase from the prior year balance of \$17.1 million. The Governing Board’s reserve policy 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 million at June 30, 2016, however, \$14 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 included 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, 2016 was \$26.4 million, which was a \$300,000 increase from the prior year as internal charges for services exceeded expenses and net transfers.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2016**

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The original General Fund budget for fiscal year 2015-2016 included \$37.0 million in appropriations and transfers out to other funds, with estimated revenues and transfers in from other funds totaling \$38.3 million.

Total revenues for the year were \$5.2 million (13.7%) above budgeted projections. Property taxes exceeded projections by \$1.6 million which includes higher than budgeted Educational Revenue Augmentation Fund (ERAF) refund and increased receipts in secured and supplemental taxes. Motor Vehicle License In-Lieu (Property Tax in-lieu of VLF) was \$163,000 ahead of budget as these revenues increase annually in proportion to the growth in assessed valuations. Sales and use taxes were \$224,000 below budget as there was less one-time construction related use tax compared to the prior year. Transient occupancy tax revenue was \$117,000 higher than the budget due to continued regional economic expansion. Permit and planning fees also exceeded budget by \$487,000 and \$697,000 respectively as development activity was higher than originally anticipated by City staff. Other Revenues included the \$1.85 million community benefits program monies the City/District received from Biomed to develop the Lincoln Centre Life Sciences Campus and the \$608,000 in-lieu property tax payment the City/District received from MidPen Housing for the Atria at Foster Square affordable housing project. The \$3.2 million variance in expenditures was from salary savings from retirements, staff separations, vacant positions, unspent maintenance, repairs, and supplies, and conservative administration of budgetary resources by management.

CAPITAL ASSETS

The City/District's investment in capital assets for its governmental and business-type activities as of June 30, 2016 totaled \$161.5 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
	2016	2015	2016	2015	2016	2015		
Land	\$ 11,102,221	\$ 11,102,221	\$ 3,553,474	\$ 3,553,474	\$ 14,655,695	\$ 14,655,695	\$ -	0.00%
Infrastructure, structures and improvements	84,445,291	88,213,377	28,736,187	30,202,215	113,181,478	118,415,592	(5,234,114)	-4.42%
Equipment, vehicles and software	5,872,227	4,356,054	1,622,598	1,595,117	7,494,825	5,951,171	1,543,654	25.94%
Sewer Capacity Rights			19,239,030	19,734,862	19,239,030	19,734,862	(495,832)	-2.51%
Construction in progress	3,847,915	1,786,592	3,057,356	285,754	6,905,271	2,072,346	4,832,925	233.21%
Total	\$ 105,267,654	\$ 105,458,244	\$ 56,208,645	\$ 55,371,422	\$ 161,476,299	\$ 160,829,666	\$ 646,633	0.40%

Capital assets for Governmental activities decreased by \$191,000 as total depreciation and retirements exceeded the addition of new assets. The Business-Type activities infrastructure asset, equipment and software, and sewer capacity rights increased by \$837,000 as \$2.7 million of construction in progress for the new wastewater treatment plant and \$236,000 in new infrastructure and equipment were added which exceeded the \$2.2 million in depreciation.

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.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2016**

DEBT ADMINISTRATION

As of June 30, 2016, the City/District had total long-term outstanding obligations of \$62.6 million, which was comprised of compensated absences of \$1.7 million, other post-employment benefits (OPEB) liability of \$4.3 million, PG&E On-Bill Loan of \$249,000 and net pension liability of approximately \$56.4 million. Additional information about the City/District's long term obligations can be found in Note 7 and Note 9 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. In the two years, economic expansion in the region has enhanced the net position of the City/District. The efforts over the past several years of sharing services, as well as managing compensation and benefits escalation have helped control costs. The combination of these factors resulted in the City/District balanced budget for FY 2016-2017.

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

- Property Taxes – The real estate market in Foster City remained strong in the past year as home prices rose and commercial property values expanded with new developments. The Assessor's Office projected an increase in assessed valuation in the City/District of 5.8% for FY 2016-2017. The assumptions for property taxes revenues from various major developments have been included in the five-year financial planning projection based on anticipated completion schedules.
- Sales & Use Tax – Sales tax revenues are expected to increase by 2.0% in FY 2016-2017 from prior year's projections, no assumptions have been made with respect to the additional retail areas planned for the Pilgrim-Triton and 15-Acre Site projects and the commercial space adjacent to the new Town Place Suites Hotel.
- Transient Occupancy Tax (TOT) – TOT revenues are projected to increase by \$480,000 with the anticipated opening of a Town Place Suites Hotel in FY 2016-2017.
- 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 7.50%. This 7.50% investment return assumption is net of 0.15% in administrative expenses. As a result, the gross rate of return used by CalPERS, after implementation of GASB 68 is now 7.65%. 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 FY 2016-2017 employer contribution rates to the CalPERS pension plans for Miscellaneous and Public Safety "classic" plans will rise to 26.121% and 40.176% from 23.435% and 36.429% respectively.

**CITY OF FOSTER CITY AND
ESTERO MUNICIPAL IMPROVEMENT DISTRICT
Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2016**

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

- 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. Financing of \$10.9 million is budgeted in Wastewater Enterprise Fund for the City/District's proportionate share of the Wastewater Treatment Plant Master Plan Improvement project and \$2,500,000 budgeted in the City CIP Fund for the Levee Protection and Planning Improvement project.
- Water Supply Assurance / Water Costs – The City/District currently serves approximately 8,400 utility customers. Under the District's 10-Year Rate Smoothing policy, water rates for FY 2016-2017 will increase the standard 5/8" and 3/4" fixed meter charges by 9.6% and the base consumption rate by 9.8% due to the increase in water supply costs.
- Wastewater Rates – The wastewater rates assume an 11% increase in FY 2016-2017 based on currently known operating and capital improvements projects (CIP), including the Wastewater Treatment Plant Master Plan Improvement Project. The estimated share of the improvement costs for City/District is \$113 million. In order to pay the City/District's share of the improvements, the City/District will likely need to obtain State Water Resources Board financing, issue bonds, or borrow funds from either internal or other external sources in order to fund the improvements as they are constructed.

The City/District has a healthy unassigned General Fund balance of \$39.6 million as of June 30, 2016, which will provide flexibility and enable it to implement changes where appropriate while retaining its fiscal vitality and 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, creditors, and interested parties 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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City of Foster City and Estero Municipal Improvement District
Statement of Net Position
June 30, 2016

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Cash and investments	\$ 128,589,129	\$ 33,610,694	\$ 162,199,823
Receivable, net	2,435,795	4,023,292	6,459,087
Internal balances	(1,529,178)	1,529,178	-
Inventory	81,980	549,605	631,585
Prepays and deposits	114,937	-	114,937
Restricted cash and investments	265,121	-	265,121
Loans receivable (net)	23,545,623	-	23,545,623
Capital assets:			
Nondepreciable	14,950,136	6,610,829	21,560,965
Depreciable, net of accumulated depreciation	90,317,518	49,597,816	139,915,334
Total assets	258,771,061	95,921,414	354,692,475
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	6,130,756	443,149	6,573,905
LIABILITIES			
Accounts payable	1,867,405	3,337,341	5,204,746
Accrued payroll	1,210,050	130,475	1,340,525
Refundable deposits	6,886,829	96,817	6,983,646
Unearned revenue	248,531	-	248,531
Long-term liabilities:			
Due within one year	1,156,112	112,328	1,268,440
Due in more than one year	5,554,056	703,808	6,257,864
Net Pension Liability:			
Due in more than one year	51,231,077	5,158,809	56,389,886
Total liabilities	68,154,060	9,539,578	77,693,638
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	4,280,427	396,855	4,677,282
NET POSITION			
Net investment in capital assets	105,267,654	56,208,645	161,476,299
Restricted for:			
Housing	1,513,964	-	1,513,964
Roads	4,329,426	-	4,329,426
Parks	1,561,583	-	1,561,583
Local programs and events	759,335	-	759,335
Unrestricted	79,035,368	30,219,485	109,254,853
Total net position	\$ 192,467,330	\$ 86,428,130	\$ 278,895,460

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, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 4,308,710	\$ 591,961	\$ 3,273	\$ -
Public safety - Police	10,438,938	164,464	157,996	-
Public safety - Fire	7,929,490	639,596	66,429	-
Public works	4,335,309	264,579	870,332	268,151
Community development	2,417,650	3,193,499	1,850,000	-
Parks and recreation	8,750,077	1,473,738	189,679	22,518
Total governmental activities	38,180,174	6,327,837	3,137,709	290,669
Business-type activities:				
Water	11,824,224	11,635,584	-	-
Wastewater	6,356,799	8,464,663	-	71,315
Total business-type activities	18,181,023	20,100,247	-	71,315
Total primary government	\$ 56,361,197	\$ 26,428,084	\$ 3,137,709	\$ 361,984

General revenues and transfers:

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
- Gain on sale of capital assets
- Other

Total general revenues and transfers

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
\$ (3,713,476)	\$ -	\$ (3,713,476)
(10,116,478)	-	(10,116,478)
(7,223,465)	-	(7,223,465)
(2,932,247)	-	(2,932,247)
2,625,849	-	2,625,849
<u>(7,064,142)</u>	<u>-</u>	<u>(7,064,142)</u>
<u>(28,423,959)</u>	<u>-</u>	<u>(28,423,959)</u>
-	(188,640)	(188,640)
-	2,179,179	2,179,179
-	1,990,539	1,990,539
<u>(28,423,959)</u>	<u>1,990,539</u>	<u>(26,433,420)</u>
25,042,950	-	25,042,950
2,820,879	-	2,820,879
1,182,060	-	1,182,060
2,032,180	-	2,032,180
3,892,638	-	3,892,638
2,807,314	350,091	3,157,405
9,188	-	9,188
1,000,920	61,506	1,062,426
<u>38,788,129</u>	<u>411,597</u>	<u>39,199,726</u>
10,364,170	2,402,136	12,766,306
<u>182,103,160</u>	<u>84,025,994</u>	<u>266,129,154</u>
<u>\$ 192,467,330</u>	<u>\$ 86,428,130</u>	<u>\$ 278,895,460</u>

City of Foster City and Estero Municipal Improvement District
Balance Sheet
Governmental Funds
June 30, 2016

	Major Funds						Total
	Special Revenue			Capital Projects			
	General Fund	Low and Moderate		City Capital Projects	Capital Asset Preservation	Non-Major Governmental Funds	
		Income Housing Assets Fund	Foster City Affordable Housing				
ASSETS							
Cash and investments	\$ 43,061,174	\$ 1,526,299	\$ 25,207	\$ 10,411,165	\$ 35,269,760	\$ 8,677,507	\$ 98,971,112
Receivables, net of allowance:							
Accrued interest	255,277	-	-	-	-	-	255,277
Intergovernmental	27,114	-	-	-	-	8,967	36,081
Taxes	1,673,418	-	-	-	-	50,602	1,724,020
Other	353,572	-	-	4,400	-	58,805	416,777
Due from other funds	-	-	-	46,500	-	-	46,500
Prepays and deposits	22,830	-	-	-	-	-	22,830
Inventory	16,900	-	-	-	-	-	16,900
Restricted cash and investments	265,121	-	-	-	-	-	265,121
Loans receivables, net of allowance	1,138,484	351,161	4,975,267	-	-	-	6,464,912
Total assets	\$ 46,813,890	\$ 1,877,460	\$ 5,000,474	\$ 10,462,065	\$ 35,269,760	\$ 8,795,881	\$ 108,219,530
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 840,994	\$ 6,273	\$ -	\$ 668,991	\$ -	\$ 46,181	\$ 1,562,439
Accrued payroll	1,140,914	-	-	-	-	6,789	1,147,703
Refundable deposits	2,259,152	6,062	-	3,121,615	-	1,500,000	6,886,829
Due to other funds	-	-	-	-	-	46,500	46,500
Unearned revenue	248,531	-	-	-	-	-	248,531
Total liabilities	4,489,591	12,335	-	3,790,606	-	1,599,470	9,892,002
Deferred inflows of resources							
Unavailable-loan programs	1,138,484	351,161	4,975,267	-	-	-	6,464,912
Fund Balances:							
Non-Spendable	39,730	-	-	-	-	-	39,730
Restricted	99,481	1,513,964	-	-	-	6,172,004	7,785,449
Committed	1,279,731	-	25,207	6,671,459	35,269,760	1,024,407	44,270,564
Assigned	138,174	-	-	-	-	-	138,174
Unassigned	39,628,699	-	-	-	-	-	39,628,699
Total fund balances	41,185,815	1,513,964	25,207	6,671,459	35,269,760	7,196,411	91,862,616
Total liabilities, deferred inflows of resources, and fund balances	\$ 46,813,890	\$ 1,877,460	\$ 5,000,474	\$ 10,462,065	\$ 35,269,760	\$ 8,795,881	\$ 108,219,530

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, 2016

Total Fund Balances - Total Governmental Funds \$ 91,862,616

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:

	Government-Wide Statement of Net Assets	Internal Service Funds	
Non-depreciable	\$ 14,950,136	\$ (113,934)	
Depreciable, net	90,317,518	(5,872,227)	
Total capital assets	105,267,654	(5,986,161)	99,281,493

First time homebuyer loans receivable are not available to pay current-period expenditures and, therefore, are deferred inflows in the governmental funds. 351,161

The New Home Company loans receivable are unavailable to pay current period expenditures and, therefore, are deferred inflows in the governmental funds. 4,975,267

The Successor Agency loans receivable are unavailable to pay current period expenditures and, therefore, are deferred inflows in the governmental funds. 1,138,484

North Peninsula Jewish Campus loans receivable are unavailable to pay current period expenditures and, therefore, are not reported in the governmental funds. 17,080,711

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 30,853,852

Long term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Compensated absences	(2,316,958)
OPEB Liability	(3,582,275)
Net pension liability	(48,941,512)

Deferred outflows due to pension liabilities 5,895,743

Deferred inflows due to pension liabilities (4,131,252)

Net Position of Governmental Activities \$ 192,467,330

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, 2016

	Major Funds						Total
	Special Revenue			Capital Projects		Non-Major Governmental Funds	
	General Fund	Low & Moderate		City Capital Projects	Capital Asset Preservation		
		Income Housing Assets Fund	Foster City Affordable Housing				
REVENUES:							
Property taxes	\$ 25,029,881	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,029,881
Sales and use and sales tax in lieu	3,222,062	-	-	-	-	670,576	3,892,638
Transient occupancy tax	2,820,879	-	-	-	-	-	2,820,879
Franchise tax	1,182,060	-	-	-	-	-	1,182,060
Property transfer tax	271,173	-	-	-	-	-	271,173
Licenses and permits	3,399,578	-	-	-	-	-	3,399,578
Intergovernmental	446,909	-	-	-	-	954,087	1,400,996
Charges for current services	2,671,725	-	-	-	-	-	2,671,725
Fines and forfeitures	80,673	-	-	-	-	81,916	162,589
Park-in-lieu	-	-	-	-	-	429,000	429,000
Investment and rental income	1,135,318	83,400	680	114,422	935,801	76,318	2,345,939
Other	3,297,647	124,407	-	253,518	-	718,785	4,394,357
Total revenues	43,557,905	207,807	680	367,940	935,801	2,930,682	48,000,815
EXPENDITURES:							
Current:							
General government	3,417,705	-	-	-	-	321,170	3,738,875
Public safety - Police	10,489,900	-	-	-	-	131,554	10,621,454
Public safety - Fire	8,240,844	-	-	-	-	2,845	8,243,689
Public works	1,260,267	-	-	-	-	790,011	2,050,278
Community development	2,411,176	75,969	-	-	-	-	2,487,145
Parks and recreation	7,228,313	-	-	41,207	-	43,215	7,312,735
Capital outlay	-	-	-	2,980,672	-	900,077	3,880,749
Total expenditures	33,048,205	75,969	-	3,021,879	-	2,188,872	38,334,925
REVENUES OVER (UNDER) EXPENDITURES	10,509,700	131,838	680	(2,653,939)	935,801	741,810	9,665,890
OTHER FINANCING SOURCES (USES):							
Sale of capital assets	-	-	-	-	546,293	-	546,293
Transfers in	35,591	-	-	1,303,000	-	250,000	1,588,591
Transfers out	(1,593,000)	-	-	-	-	(158,789)	(1,751,789)
Total other financing sources (uses)	(1,557,409)	-	-	1,303,000	546,293	91,211	383,095
NET CHANGE IN FUND BALANCES	8,952,291	131,838	680	(1,350,939)	1,482,094	833,021	10,048,985
FUND BALANCES:							
Beginning of year	32,233,524	1,382,126	24,527	8,022,398	33,787,666	6,363,390	81,813,631
End of year	\$ 41,185,815	\$ 1,513,964	\$ 25,207	\$ 6,671,459	\$ 35,269,760	\$ 7,196,411	\$ 91,862,616

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, 2016

Net Change in Fund Balances - Total Governmental Funds	\$	10,048,985
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 \$6,706,906, which consisted of \$2,441,917 in additions attributable to internal service fund activity and \$4,265,289 in additions attributable to governmental funds)		4,265,289
Loss on capital asset disposal (net of accumulated depreciation)		(82,219)
Less current year depreciation. This amount is net of depreciation expense of the internal service funds in the amount of \$788,264		(4,936,548)
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.		(90,122)
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		(546,293)
Interest that will not be collected for several years are not considered "available" and are not reported in the governmental fund.		147,333
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.		
Compensated absences		(103,868)
OPEB liabilities		(763,427)
Pension expense		1,717,785
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is reported with governmental activities		707,255
Change in Net Position of Governmental Activities	\$	<u>10,364,170</u>

See accompanying Notes to Basic Financial Statements.

City of Foster City and Estero Municipal Improvement District
Statement of Net Position
Proprietary Funds
June 30, 2016

	Enterprise Funds			Internal Service Funds
	Water	Wastewater	Total	
ASSETS				
Current assets:				
Cash and investments	\$ 11,795,630	\$ 21,815,064	\$ 33,610,694	\$ 29,618,017
Receivables, net of allowance:				
Billed utility, net of allowance for uncollectibles	877,928	754,170	1,632,098	-
Unbilled utility	1,419,200	891,410	2,310,610	-
Other	77,422	3,162	80,584	3,640
Deposits and prepaid items	-	-	-	92,107
Inventory	77,698	471,907	549,605	65,080
Total current assets	<u>14,247,878</u>	<u>23,935,713</u>	<u>38,183,591</u>	<u>29,778,844</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable	4,559,369	2,051,460	6,610,829	113,934
Depreciable, net of accumulated depreciation	17,882,124	31,715,692	49,597,816	5,872,227
Total noncurrent assets	<u>22,441,493</u>	<u>33,767,152</u>	<u>56,208,645</u>	<u>5,986,161</u>
Total assets	<u>36,689,371</u>	<u>57,702,865</u>	<u>94,392,236</u>	<u>35,765,005</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	<u>210,546</u>	<u>232,603</u>	<u>443,149</u>	<u>235,013</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,040,319	2,297,022	3,337,341	304,966
Accrued payroll	61,865	68,610	130,475	62,347
Refundable deposits	96,817	-	96,817	-
Claims liability	-	-	-	131,000
Compensated absences - current portion	64,308	48,020	112,328	61,377
Total current liabilities	<u>1,263,309</u>	<u>2,413,652</u>	<u>3,676,961</u>	<u>559,690</u>
Noncurrent liabilities:				
Compensated absences - noncurrent portion	124,138	116,288	240,426	99,548
OPEB liability	234,840	228,542	463,382	238,435
Net pension liability	2,518,201	2,640,608	5,158,809	2,289,565
Other liability	-	-	-	280,575
Total noncurrent liabilities	<u>2,877,179</u>	<u>2,985,438</u>	<u>5,862,617</u>	<u>2,908,123</u>
Total liabilities	<u>4,140,488</u>	<u>5,399,090</u>	<u>9,539,578</u>	<u>3,467,813</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	<u>190,160</u>	<u>206,695</u>	<u>396,855</u>	<u>149,175</u>
NET POSITION				
Net investment in capital assets	22,441,493	33,767,152	56,208,645	5,986,161
Unrestricted	10,127,776	18,562,531	28,690,307	26,396,869
Total net position	<u>\$ 32,569,269</u>	<u>\$ 52,329,683</u>	<u>84,898,952</u>	<u>\$ 32,383,030</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>1,529,178</u>	
Net position of business-type activities			<u>\$ 86,428,130</u>	

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, 2016

	Enterprise Funds		Total	Internal Service Funds
	Water	Wastewater		
OPERATING REVENUES:				
Sales and service charges	\$ 11,635,584	\$ 8,464,663	\$ 20,100,247	\$ -
Charges for service - internal	-	-	-	5,658,400
Total operating revenues	11,635,584	8,464,663	20,100,247	5,658,400
OPERATING EXPENSES:				
Personnel	1,461,117	1,638,603	3,099,720	1,885,004
Utilities	7,468,036	187,996	7,656,032	-
Program supplies	232,188	76,042	308,230	-
Repairs and maintenance	68,189	48,338	116,527	993,950
General and administration	1,392,076	1,309,418	2,701,494	577,292
Depreciation and amortization	944,441	1,243,094	2,187,535	788,263
Contractual service	250,641	1,876,464	2,127,105	441,214
Insurance	83,000	83,000	166,000	348,777
Total operating expenses	11,899,688	6,462,955	18,362,643	5,034,500
OPERATING INCOME (LOSS)	(264,104)	2,001,708	1,737,604	623,900
NONOPERATING REVENUES (EXPENSES):				
Gain on disposal of capital assets	-	-	-	9,188
Investment income	129,229	220,862	350,091	314,042
Miscellaneous	39,013	22,493	61,506	125,937
Total nonoperating revenues (expenses)	168,242	243,355	411,597	449,167
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(95,862)	2,245,063	2,149,201	1,073,067
CONTRIBUTIONS AND TRANSFERS:				
Capital contributions	71,315	-	71,315	-
Transfers in	-	-	-	920,500
Transfers out	-	-	-	(1,104,692)
Total contributions and transfers	71,315	-	71,315	(184,192)
Change in net position	(24,547)	2,245,063	2,220,516	888,875
NET POSITION:				
Beginning of the year	32,593,816	50,084,620		31,494,155
End of the year	<u>\$ 32,569,269</u>	<u>\$ 52,329,683</u>		<u>\$ 32,383,030</u>
			Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	181,620
			Change in net position of business- type activities	\$ 2,402,136

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, 2016

	Enterprise Funds			Internal Service Funds
	Water	Wastewater	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 10,996,896	\$ 8,133,501	\$ 19,130,397	\$ -
Cash received from inter-departmental charges	-	-	-	5,654,760
Cash payments to suppliers for goods and services	(9,322,199)	(2,195,343)	(11,517,542)	(2,360,957)
Cash payments to employees for services	(1,483,159)	(1,663,808)	(3,146,967)	(2,002,838)
Cash received from others	39,013	22,493	61,506	125,937
Net cash provided (used) by operating activities	230,551	4,296,843	4,527,394	1,416,902
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers received	-	-	-	920,500
Transfer paid	-	-	-	(1,104,692)
Net cash provided (used) by noncapital financing activities	-	-	-	(184,192)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of capital assets	-	-	-	9,188
Capital contributions received	71,315	-	71,315	-
Acquisition and construction of capital assets	(1,019,931)	(2,004,827)	(3,024,758)	(1,351,151)
Net cash provided (used) by capital and related financing activities	(948,616)	(2,004,827)	(2,953,443)	(1,341,963)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	129,229	220,862	350,091	314,042
Net cash provided (used) by investing activities	129,229	220,862	350,091	314,042
Net increase (decrease) in cash and cash equivalents	(588,836)	2,512,878	1,924,042	204,789
CASH AND CASH EQUIVALENTS:				
Beginning of year	12,384,466	19,302,186	31,686,652	29,413,228
End of year	<u>\$ 11,795,630</u>	<u>\$ 21,815,064</u>	<u>\$ 33,610,694</u>	<u>\$ 29,618,017</u>

(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, 2016

	Enterprise Funds			Internal Service Funds
	Water	Wastewater	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (264,104)	\$ 2,001,708	\$ 1,737,604	\$ 623,900
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	944,441	1,243,094	2,187,535	788,263
Miscellaneous revenues	39,013	22,493	61,506	125,937
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Billed receivables	(297,537)	(242,902)	(540,439)	-
Unbilled receivables	(270,065)	(88,217)	(358,282)	-
Other receivables	(71,086)	(43)	(71,129)	(3,640)
Due from other funds	-	-	-	2,657
Deposit and prepaid items	-	-	-	(91,627)
Inventory	(10,321)	(11,531)	(21,852)	16,915
Deferred outflow of resources	(2,542)	(18,810)	(21,352)	(31,942)
Increase (decrease) in:				
Accounts payable and claims liability	246,394	1,397,446	1,643,840	114,771
Accrued payroll	(1,069)	3,676	2,607	2,235
Refundable deposits	(64,142)	-	(64,142)	-
Due to other funds	-	-	-	(2,657)
Claims liability	-	-	-	(39,783)
Compensated absences	20,864	32,569	53,433	(17,707)
OPEB liability	49,555	48,654	98,209	50,456
Pension liability	219,345	225,557	444,902	213,989
Other liability	-	-	-	(34,088)
Deferred inflow of resources	(308,195)	(316,851)	(625,046)	(300,777)
Total adjustments	494,655	2,295,135	2,789,790	793,002
Net cash provided (used) by operating activities	\$ 230,551	\$ 4,296,843	\$ 4,527,394	\$ 1,416,902

(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, 2016

	Successor Agency of Community Development Agency
ASSETS	
Cash and investments	\$ 156,301
Total assets	156,301
LIABILITIES	
Accounts payable	3,250
Loan payable	1,138,484
Total liabilities	1,141,734
NET POSITION	
Unrestricted	(985,433)
Total Net Position	\$ (985,433)

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
June 30, 2016

	Successor Agency of Community Development Agency
Additions	
Property taxes	\$ 494,701
Investment earnings	1,630
Total additions	496,331
Deductions	
Administrative expenses	38,460
Affordable housing subsidy	453,062
Total deductions	491,522
Change in net position	4,809
Net position-Beginning of the year	(990,242)
Net position-End of the year	\$ (985,433)

See accompanying Notes to Basic Financial Statements.

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City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

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, wastewater, 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, 2016

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 and property tax within sixty 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 position 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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.

Foster City Affordable Housing Fund – Accounts for the proceeds from the San Mateo County redistribution of the unencumbered housing tax increments from the former Foster City Community Development Agency for future affordable housing projects in the city.

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. By policy direction, assets in this fund may only be used for the acquisition or replacement of significant assets or capital improvements by 4/5th 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 wastewater 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.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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.

Wastewater Fund - Accounts for activities associated with sewage transmissions and treatment including construction of wastewater 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*, as amended by GASB 72, *Fair Value Measurement and Application*, 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, 2016

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.

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 fund balance reservation, 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 its 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, 2016

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 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 wastewater 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 noninfrastructure 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 wastewater, 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 wastewater facilities (see Note 11). All capital facilities costs are capitalized in the Wastewater 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 AFSCME employees, 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, 2016

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 Wastewater 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 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 Wastewater Enterprise Funds. As of year end there were no material uncollected water and wastewater 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.

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 and disclosures at the date of the financial statements. Accordingly, actual results could differ from those estimates.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

L. New Funds and Closed Funds

The City established the following funds in fiscal year 2015/2016:

Bay Area Employee Relations Services Fund, a special revenue fund, accounts for revenues received from other local government agencies to access labor negotiations, position/classification studies and compensation analysis database.

The City did not close any funds in fiscal year 2015/2016.

M. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element; deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The City/District reports deferred outflows related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resource (revenue) until that time. The City/District reports deferred inflows related to pensions.

N. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. New Pronouncements

In 2016, the City/District has/will be adopting new accounting and reporting standards in order to conform to the following Governmental Accounting Standards Board (GASB) Statements:

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. These disclosures should be organized by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. This statement was implemented by the City/District as of July 1, 2015.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

GASB Statement No. 76 – In June 2015, GASB issues Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement is effective for reporting periods beginning after June 15, 2015. The City/District has implemented the provisions of this statement as of July 1, 2015.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The City/District has implemented the provisions of this Statement as of July 1, 2015.

Future Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions in statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. There was no impact for those elements required to be implemented in the fiscal year ended June 30, 2016. The City/District has not determined the effect on the financial statements for those elements required to be implemented in future years.

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement No. 74 replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, statement 43, and statement No. 50, *Pension Disclosures*. The provisions in statement 74 are effective for fiscal years beginning after June 15, 2016. The City/District has not determined its effect on the financial statements.

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in statement 75 are effective for fiscal years beginning after June 15, 2017. The City/District has not determined its effect on the financial statements.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. This statement is effective for reporting periods beginning after December 15, 2015. The City/District has not determined its effect on the financial statements.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to State or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The City/District has not determined its effect on the financial statements.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment to GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, *The Financial Reporting Entity*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment to GASB Statement No. 14*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The City/District has not determined its effect on the financial statements.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. The City/District has not determined its effect on the financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The City/District has not determined its effect on the financial statements.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

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 contracts the Trust Department of a bank (Bank of New York) 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.

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, 2016 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	\$ 162,199,822
Restricted cash and investments	<u>265,121</u>
Total Primary Government cash and investments	<u>162,464,943</u>

Statement of Fiduciary Net Position:

Cash and investments	<u>156,301</u>
Total Fiduciary Trust cash and investments	<u>156,301</u>

Total cash and investments	\$ <u>162,621,244</u>
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City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

3. CASH AND INVESTMENTS, Continued

Cash and investments as of June 30, 2016 consist of the following:

Cash on hand	\$	4,000
Deposits with financial institutions		1,885,998
Certificates of Deposit		465,121
Local Agency Investment Funds (LAIF)		89,755,725
Investments		70,510,400
	<u>\$</u>	<u>162,621,244</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.

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%	\$ 65,000,000

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). As of June 30, 2016, all of these funds were held in LAIF.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

3. CASH AND INVESTMENTS, Continued

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 unrealized gains and losses.

Investments held in City Treasury grouped by maturity date at June 30, 2016, are shown below:

Investment Type	Fair Value	Investment Maturities (in years)				
		1 year or Less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years
Securities of U.S. Government						
Treasury and Agencies:						
Federal National Mortgage Associations Bonds-Coupon	\$ 16,017,220	\$ -	\$ 3,001,410	\$ 3,007,150	\$ 3,003,130	\$ 7,005,530
Federal Farm Credit Bank Bonds-Coupon	16,012,180	1,000,030	12,009,860	-	1,001,730	2,000,560
Federal Home Loan Bank Bonds-Coupon	17,417,650	-	7,374,660	7,036,980	1,001,420	2,004,590
Federal Home Loan Mortgage Corporation Bonds-Coupon	18,539,505	-	4,006,130	3,003,830	6,021,210	5,508,335
Corporate Notes	2,523,845	502,445	1,013,390	1,008,010	-	-
Certificates of Deposit	465,121	465,121	-	-	-	-
Total	\$ 70,975,521	\$ 1,967,596	\$ 27,405,450	\$ 14,055,970	\$ 11,027,490	\$ 16,519,015

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 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, 2016, 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+
Corporate Notes	Aaa	AA+

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

3. CASH AND INVESTMENTS, Continued

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.

	Amount	% of Portfolio
Certificates of Deposit	\$ 465,121	0.29%
Corporate Bond	2,523,845	1.57%
Securities of U.S. Government Agencies:		
Federal Farm Credit Bank Bonds (FFCB)	16,012,180	9.96%
Federal Home Loan Bank Bonds (FHLB)	17,417,650	10.84%
Federal Home Loan Mortg. Corp. Notes (FHLMC)	18,539,505	11.53%
Federal National Mortg. Assn. Notes (FNMA)	16,017,220	9.97%
Total Securities of U.S. Government Agencies	<u>67,986,555</u>	<u>42.30%</u>
Local Agency Investment Fund Pool	89,755,725	55.84%
Total Investment Portfolio	<u>\$ 160,731,246</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, 2016, the carrying amount of the City/District’s deposits was \$1,889,998 and the bank balance was \$2,730,213. Of the bank balance, \$250,000 was covered by federal depository insurance and \$2,480,213 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. LAIF is not registered with the Securities and Exchange Commission and is not rated.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

3. CASH AND INVESTMENTS, Continued

The City/District valued its investments in LAIF as of June 30, 2016, by multiplying its account balance with LAIF (\$89,700,000) times a fair value factor (1.000621222) 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, 2016, the City/District's investments in LAIF, stated at fair value, equaled \$89,755,725.

Fair Value Measurements

The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the City has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the City's own data. The City should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the City are not available to other market participants.

Uncategorized - Investments in San Mateo County Treasury Investment Pool and/or the Local Agency Investment Funds/State Investment Pool are not measured using the input levels above because the City's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

3. CASH AND INVESTMENTS, Continued

The City's fair value measurements are as follows at June 30, 2016:

Investment Type	Fair Value Measurement Using			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Uncategorized
Federal National Mortgage Association Bonds	\$ -	\$ 16,017,220	\$ -	\$ -
Federal Farm Credit Bank Bonds	-	16,012,180	-	-
Federal Home Loan Bank Bonds	-	17,417,650	-	-
Federal Home Loan Mortgage Corporation Bonds	-	18,539,505	-	-
Corporate Notes	-	2,523,845	-	-
Local Agency Investment Fund Pool	-	-	-	89,755,725
Certificates of Deposit	-	-	-	465,121
Total Investment Portfolio	\$ -	\$ 70,510,400	\$ -	\$ 90,220,846

4. LOANS RECEIVABLE

At June 30, 2016, Loans Receivable amounted to:

	Amount	Allowance	Net Amount
Metro Center Senior Homes Project	\$ 6,965,622	\$ (6,965,622)	\$ -
First Time Home Buyer Program	351,161	-	351,161
North Peninsula Jewish Campus Land	17,080,711	-	17,080,711
MP Foster Square Associates, L.P.	4,975,267	-	4,975,267
Successor Agency	1,138,484	-	1,138,484
Total	\$ 30,511,245	\$ (6,965,622)	\$ 23,545,623

The Foster City Community Development 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.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

4. LOANS RECEIVABLE, Continued

Metro Center Senior Homes Project

On July 1, 1995, the Agency loaned \$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 with a maturity of 40 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 and the remainder of the loan was financed through its accumulated tax increment funds. Payment of the Note is secured by a deed of trust, assignment of rents, security agreement and fixture filing. Payments of principal and interest shall be made from residual cash flow. 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. Residual cash flow is defined as all rents and revenues derived from the Project less operation and other related costs of the Project. The loan agreement includes a provision to forgive the promissory note if Metro is acquired by its affiliates, the term of the note shall be extended by an additional 15 years from 40 years to 55 years from the date of the note and all amounts due under the note on the maturity date as extended shall be forgiven. In October 2012, Metro Senior Associates was acquired by its affiliates and as stated in the agreement the loan was extended from 40 years to 55 years from the date of the note. The outstanding loan balance will be forgiven at the end of the 55 years. As of June 30, 2016, the Agency provided a 100% valuation allowance equal to the loan balance outstanding in the amount of \$6,965,622 which includes principal of \$5,917,695 and accumulated interest in the amount of \$1,047,927.

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 \$351,161 at June 30, 2016.

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 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 \$17,080,711 as of June 30, 2016.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

4. LOANS RECEIVABLE, Continued

MP Foster Square Associates, L.P.

On December 3, 2014, the City made a loan of \$4,750,000 to MP Foster Square Associates, L.P. to assist in financing an affordable housing project in Foster Square (15-acre site). The loan is secured by a deed of trust, assignment of rents, security agreement and fixture filing. The loan bears a rate of three percent simple interest per annum.

Annual payments on this Note shall be payable on a residual receipts basis with a proportional share of 50% of all surplus cash payable to City toward principal and interest. The entire outstanding principal balance of this Note, together with interest accrued thereon shall be payable in full on the date which is the earlier of 1) the 55th anniversary of the date upon which the City issues a final certificate of occupancy or equivalent for the Project, or 2) the 57th anniversary of the date of the Note.

No payment shall be due on the note prior to the date that City issues a final certificate of occupancy or equivalent for the Project. As of June 30, 2016, final certificate of occupancy has not been issued.

Successor Agency

In FY 2013/2014, the City had an extraordinary loss of \$1,368,510 due to the Sacramento Superior Court ruling against the City regarding the general fund loan repayment received from the former Foster City Community Development Agency in FY 2010/2011. Included in the \$1,368,510 was the repayment of \$1,115,697 to the general fund. This loan repayment was clawed back per AB1484; however, the City was allowed to reinstate the general fund loan with the Successor Agency of the former Foster City Community Development Agency. In FY 2014/2015, the loan reinstatement request for \$1,115,697 plus accrued interest of \$15,568 was approved by the State Department of Finance on November 10, 2014 retroactive September 10, 2014. As a result, the Successor Agency recorded a loan payable to the City effective that date. The outstanding balance of this loan including accrued interest from September 11, 2014 through June 30, 2016 is \$1,138,484. Payments will be made by the Successor Agency using available future funds from the County's Reserve for Property Tax Trust Fund (RPTTF).

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.

Due from other funds	Due to other fund	
	Non-Major	
	Governmental Fund	
	Foster City	
	Foundation Fund	
		City Capital Projects
		\$ 46,500

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

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 a 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:

		Transfers in				
Transfers out		General Fund	Non-Major Governmental Funds	City Capital Projects Funds	Internal Service Funds	Total
		General Fund	\$ -	\$ 250,000	\$ 1,303,000	\$ 40,000
	Non-Major Governmental Fund, Park-in-lieu	-	-	-	123,198	123,198
	Foster City Foundation Fund	35,591	-	-	-	35,591
	Total	<u>\$ 35,591</u>	<u>\$ 250,000</u>	<u>\$ 1,303,000</u>	<u>\$ 163,198</u>	<u>\$ 1,751,789</u>

Transfers between funds were made during the fiscal year to fund capital improvement projects; to fund capital outlay; to fund sustainable economic development strategy for the City; to fund janitorial services; to fund July 4th and summer concerts.

The internal service funds recorded a transfer out in the amount of \$347,390 to transfer capital assets to the governmental activities. The transfer in to the governmental activities is only recorded in the government-wide financial statements and therefore, transfers in and out do not reconcile on the fund statements.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

6. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2016 follows:

	July 1, 2015	Additions	Retirements	Transfers	June 30, 2016
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 11,102,221	\$ -	\$ -	\$ -	\$ 11,102,221
Construction in progress	1,786,592	4,031,833	-	(1,970,510)	3,847,915
Total capital assets, not being depreciated	<u>12,888,813</u>	<u>4,031,833</u>	<u>-</u>	<u>(1,970,510)</u>	<u>14,950,136</u>
Capital assets, being depreciated:					
Infrastructure	109,492,317	132,485	(826,190)	903,291	109,701,903
Buildings	49,909,583	214,905	(113,000)	-	50,011,488
Improvements	5,898,096	-	-	-	5,898,096
Equipment	7,094,702	387,655	(276,569)	-	7,205,788
Vehicles	5,963,169	873,109	(612,482)	1,067,219	7,291,015
Software	714,778	-	-	-	714,778
Total capital assets, being depreciated	<u>179,072,645</u>	<u>1,608,154</u>	<u>(1,828,241)</u>	<u>1,970,510</u>	<u>180,823,068</u>
Less accumulated depreciation for:					
Infrastructure	(59,682,567)	(3,600,146)	824,534	-	(62,458,179)
Buildings	(15,202,698)	(1,156,614)	32,437	-	(16,326,875)
Improvements	(2,201,354)	(179,788)	-	-	(2,381,142)
Equipment	(4,640,980)	(376,975)	276,569	-	(4,741,386)
Vehicles	(4,080,864)	(405,275)	588,936	-	(3,897,203)
Software	(694,751)	(6,014)	-	-	(700,765)
Total accumulated depreciation	<u>(86,503,214)</u>	<u>(5,724,812)</u>	<u>1,722,476</u>	<u>-</u>	<u>(90,505,550)</u>
Total capital assets, being depreciated, net	<u>92,569,431</u>	<u>(4,116,658)</u>	<u>(105,765)</u>	<u>1,970,510</u>	<u>90,317,518</u>
Governmental activities capital assets, net	<u>\$ 105,458,244</u>	<u>\$ (84,825)</u>	<u>\$ (105,765)</u>	<u>\$ -</u>	<u>\$ 105,267,654</u>

Total capital asset additions for the City for the fiscal year ended for governmental activities were \$5,639,987 which consisted of \$1,374,698 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, 2016

6. CAPITAL ASSETS, Continued

	July 1, 2015	Additions	Retirements	Transfers	June 30, 2016
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 3,553,474	\$ -	\$ -	\$ -	\$ 3,553,474
Construction in Progress	285,754	2,789,022	-	(17,420)	3,057,356
Total capital assets, not being depreciated	3,839,228	2,789,022	-	(17,420)	6,610,830
Capital assets, being depreciated:					
Infrastructure	72,258,177	81,973	-	17,420	72,357,570
Sewer capacity rights	24,791,531	-	-	-	24,791,531
Equipment	2,441,004	153,765	(9,967)	-	2,584,802
Total capital assets, being depreciated	99,490,712	235,738	(9,967)	17,420	99,733,903
Less accumulated depreciation for:					
Infrastructure	(42,055,962)	(1,565,421)	-	-	(43,621,383)
Sewer capacity rights	(5,056,669)	(495,832)	-	-	(5,552,501)
Equipment	(845,887)	(126,284)	9,967	-	(962,204)
Total accumulated depreciation	(47,958,518)	(2,187,537)	9,967	-	(50,136,088)
Total capital assets, being depreciated, net	51,532,194	(1,951,799)	-	17,420	49,597,815
Business-type activities capital assets, net	\$ 55,371,422	\$ 837,223	\$ -	\$ -	\$ 56,208,645

Depreciation

Depreciation expense was charged to governmental functions as follows:

General government	\$ 587,275
Public safety - Police	308,007
Public safety- Fire	181,193
Public works	2,438,599
Community development	62,149
Parks and recreation	2,147,589
Total depreciation expense	\$ 5,724,812

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

Water	\$ 944,441
Wastewater	1,243,094
Total depreciation expense	\$ 2,187,535

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

7. LONG TERM OBLIGATIONS

The following is a summary of long-term obligation transactions for the year ended June 30, 2016:

	July 1, 2015	Additions	Retirements	June 30, 2016	Due Within One Year	Due in More Than One Year
Governmental activities:						
Claim liability	\$ 170,783	\$ 37,094	\$ (76,877)	\$ 131,000	\$ 131,000	\$ -
Compensated absences	2,391,722	1,258,670	(1,172,508)	2,477,884	993,647	1,484,237
OPEB obligation	3,006,827	1,093,575	(279,692)	3,820,710	-	3,820,710
PG&E On-Bill Financing	314,663	-	(34,088)	280,575	31,466	249,109
Total governmental activities	\$ 5,883,995	\$ 2,389,339	\$ (1,563,165)	\$ 6,710,169	\$ 1,156,113	\$ 5,554,056
Business-type activities:						
Compensated absences	\$ 299,321	\$ 146,247	\$ (92,814)	\$ 352,754	\$ 112,328	\$ 240,426
OPEB obligation	365,173	132,425	(34,216)	463,382	-	463,382
Total business-type activities	\$ 664,494	\$ 278,672	\$ (127,030)	\$ 816,136	\$ 112,328	\$ 703,808

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, \$160,926 of internal service funds compensated absences, \$131,000 of claims liability, \$280,575 of PG&E On-Bill Financing and \$238,435 of OPEB obligation are included in the above amounts.

The general fund has typically been used to liquidate the other postemployment benefit obligation within governmental activities and the water and wastewater funds have been used to liquidate obligations under business-type activities.

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.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

8. NET POSITION AND FUND BALANCES, Continued

Fund Balances

Fund balances presented in the governmental fund financial statements, represent the difference between assets and deferred outflows, and liabilities and deferred inflows 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.

Nonspendables – 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, which 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, 2016

8. NET POSITION AND FUND BALANCES, Continued

Detailed classifications of the City's Fund Balances, as of June 30, 2016, are below:

	Major Funds					Non-Major	Total
	General Fund	Low and Moderate Income Housing Assets Fund	Foster City Affordable Housing Fund	City Capital Projects	Capital Asset Preservation	Governmental Funds	
Nonspendable							
Prepays and deposits	\$ 22,830	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,830
Inventory	16,900	-	-	-	-	-	16,900
Total Nonspendable	39,730	-	-	-	-	-	39,730
Restricted							
Affordable housing	-	1,513,964	-	-	-	-	1,513,964
Roadway capital projects and maintenance	-	-	-	-	-	4,329,426	4,329,426
Recreation programs and community events	-	-	-	-	-	1,842,578	1,842,578
Other	99,481	-	-	-	-	-	99,481
Total Restricted	99,481	1,513,964	-	-	-	6,172,004	7,785,449
Committed							
Solid waste reduction	509,886	-	-	-	-	-	509,886
Garbage rate stabilization fund	148,287	-	-	-	-	-	148,287
General Plan, Building & Zoning	565,444	-	-	-	-	-	565,444
Capital projects	-	-	-	6,671,459	35,269,760	-	41,941,219
Affordable housing	-	-	25,207	-	-	-	25,207
CalOpps online recruitment program	-	-	-	-	-	478,340	478,340
Sustainable Foster City program	-	-	-	-	-	321,901	321,901
Technology fee program	56,114	-	-	-	-	-	56,114
BAERS program	-	-	-	-	-	224,166	224,166
Total Committed	1,279,731	-	25,207	6,671,459	35,269,760	1,024,407	44,270,564
Assigned							
Capital outlay	138,174	-	-	-	-	-	138,174
Unassigned	39,628,699	-	-	-	-	-	39,628,699
Total Fund Balances	\$ 41,185,815	\$ 1,513,964	\$ 25,207	\$ 6,671,459	\$ 35,269,760	\$ 7,196,411	\$ 91,862,616

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, 2016, 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, 2016

9. EMPLOYEES' RETIREMENT PLANS

The City participates in the following Pension Plans administered by the California Public Employees Retirement System (CalPERS):

1. ***Agent Multiple-Employer Defined Benefit Pension Plan*** (Agent Multiple) for its Miscellaneous employees.

An agent multiple-employer plan is one in which the assets of the participating government employers are pooled for investment purposes but separate accounts are maintained for each individual employer.

2. ***Cost-Sharing Multiple-Employer Defined Benefit Pension Plan*** (Cost Sharing) for its Safety employees.

A cost-sharing multiple-employer defined benefit pension plan is a plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay benefits of the employees of any employer that provides pensions through the plan.

General Information about the Pension Plans

Plan Descriptions - All qualified permanent employees are eligible to participate in the City's separate Safety (police and fire) cost-sharing Plans and Miscellaneous (all other) agent multiple employer defined benefit pension plans administered by the California Public Employees Retirement System (CalPERS).

The Miscellaneous Plan is an agent multiple-employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

The City's Safety Plan is a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS since the plan has less than 100 active members, commonly referred to as risk pool. The City has three retirement benefit tiers in the Safety Plan. Tier 1 is for employees hired prior to January 1, 2012. Tier 2 is for employees hired between January 1, 2012 to December 31, 2012. Tier 3 is for employees hired on or after January 1, 2013.

Benefits Provided – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees, and their beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment, age and the average of the final 3 years' compensation. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

9. EMPLOYEES' RETIREMENT PLANS, Continued

The plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Agent-Multiple		Cost Sharing		
	Miscellaneous Plan		Safety (Police and Fire) Plan		
	Tier 1	Tier 2	Tier 1	Tier 2	Tier 3
	prior to	starting	prior to	starting	starting
Hire date	1/1/2012	1/1/2013	1/1/2012	1/1/2012	1/1/2013
Benefit formula	2.7%@55	2%@62	3%@50	2%@50	2.7%@57
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	55	62	50	50	57
Final compensation period	**	**	**	**	**
Monthly benefits, as a % of annual salary	2% to 2.7%	1% to 2.5%	3%	2.4% to 3%	2% to 2.7%
Required employee contribution rate	8%	6.25%	9%	9%	11.50%
Required employer contribution rate	23.435%	23.435%	36.429%	13.813%	11.153%
Total employee contribution FY 15/16	\$ 711,353	\$ 103,445	\$ 632,084	\$ 35,970	\$ 83,567
Total employer contribution FY 15/16	\$ 2,083,779	\$ 388,052	\$ 2,685,931	\$ 55,206	\$ 81,045

** Average of the highest 3 consecutive years' compensation

Employees Covered – At June 30, 2016, the following employees were covered by the benefit terms of the Miscellaneous Plan, however, information for the Safety Plans was not provided from CalPERS for cost-sharing multiple-employer defined benefit pension plans.

	Miscellaneous *
Inactive employees or beneficiaries currently receiving benefits	158
Inactive employees entitled to but not yet receiving benefits	65
Active employees	117
Total	340

* All Tiers of the Miscellaneous plan were combined together on GASB 68 report by CalPERS

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rates of employees.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

9. EMPLOYEES' RETIREMENT PLANS, Continued

For the year ended June 30, 2016, the contributions for the Plans were as follows:

	<u>Miscellaneous *</u>	<u>Safety Plans *</u>	<u>Total</u>
Contributions - employer	\$ 2,471,831	\$ 2,822,183	\$ 5,294,014

* All Tiers of the Miscellaneous and Safety plans were combined together on GASB 68 report by CalPERS

Net Pension Liability

The City's net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 using standard update procedures. As of June 30, 2016, the City reported net pension liabilities of \$24,983,851.

As of June 30, 2016, the City's reported net pension liabilities for its proportionate shares of the net pension liability of Safety Plan as follow:

	<u>Cost Sharing</u> <u>Safety Plan</u>
Proportionate Share of Net Pension Liability	\$ 31,406,035

The total net pension liability for the Miscellaneous and Safety Plans at June 30, 2016 was \$56,389,886.

The City's net pension liability for Safety Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2015 and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Safety Plan as of June 30, 2014 and 2015 is as follows:

	<u>Cost Sharing</u> <u>Safety (Police and Fire) Plan</u>
Proportion - June 30, 2014	0.44%
Proportion - June 30, 2015	0.46%
Change-Increase (Decrease)	0.02%

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

9. EMPLOYEES' RETIREMENT PLANS, Continued

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension

At June 30, 2016, the City recognized pension expense of \$1,195,110 for the Miscellaneous Plan and \$2,060,891 for the Safety Plan.

The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for Miscellaneous and Safety Plans:

	Agent-Multiple		Cost-Sharing		Total	
	Miscellaneous Plan		Safety Plan		Deferred Outflows of Resources	Deferred Inflows of Resources
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources		
Pension contributions subsequent to measurement date	\$ 2,471,831	\$ -	\$ 2,822,183	\$ -	\$ 5,294,014	\$ -
Differences between actual and expected experience	-	193,773	-	327,592	-	521,365
Changes in assumptions	-	983,300	-	1,506,716	-	2,490,016
Net difference between projected and actual earnings on pension plan investments		670,808		763,613	-	1,434,421
Changes in employer's proportion	-	-	1,279,891	-	1,279,891	-
Difference between the employer's contributions and the employer's proportionate share of contributions	-	-	-	231,480	-	231,480
Total	\$ 2,471,831	\$ 1,847,881	\$ 4,102,074	\$ 2,829,401	\$ 6,573,905	\$ 4,677,282

The \$5,294,014 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended	Miscellaneous	Safety	Total
	Plan	Plan	
	Deferred Outflows/ (Inflows) of Resources	Deferred Outflows/ (Inflows) of Resources	Deferred Outflows/ (Inflows) of Resources
6/30/2017	\$ (1,317,163)	\$ (844,796)	\$ (2,161,959)
6/30/2018	(812,700)	(846,409)	(1,659,109)
6/30/2019	(476,397)	(795,688)	(1,272,085)
6/30/2020	758,379	937,383	1,695,762
	\$ (1,847,881)	\$ (1,549,510)	\$ (3,397,391)

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

9. EMPLOYEES' RETIREMENT PLANS, Continued

Actuarial Assumptions – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions for Miscellaneous and Safety Plans:

	All Plans
Valuation Date	6/30/2014
Measurement Date	6/30/2015
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return (1)	7.65%
Mortality (2)	Derived using CalPERS' membership for data for all funds

(1) Net of pension plan investment and administrative expenses; includes inflation.

(2) The mortality table used for Miscellaneous and Safety Plans were developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale AA. For more details on this table, please refer to the CalPERS 2010 experience study report available on CalPERS website.

Discount Rate –The discount rate used to measure the total pension liability was increased from 7.50 percent to 7.65 percent in 2015. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

9. EMPLOYEES' RETIREMENT PLANS, Continued

The table below reflects long-term expected real rate of return by asset class for Miscellaneous and Safety Plans. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

For Miscellaneous and Safety Plan

Asset Class	New Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
	100.0%		

Sensitivity of the Net Pension Liability for Miscellaneous Plans and Sensitivity of the Proportionate Share of the Net Pension Liability for Safety Plans to changes in the Discount rate – The following presents the net pension liability of the City for Miscellaneous and the City's proportionate share of the net pension liability for Safety Plans, calculated using the discount rate as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1- percentage point lower or 1- percentage point higher than the current rate:

	Agent-Multiple Miscellaneous * Plan	Cost-Sharing Safety * Plan
Discount Rate 1% Decrease	6.65%	6.65%
Net Pension Liability	\$ 37,768,721	\$ 46,917,253
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$ 24,983,851	\$ 31,406,035
Discount Rate 1% Increase	8.65%	8.65%
Net Pension Liability	\$ 14,385,029	\$ 18,687,121

* All Tiers of the Miscellaneous and Safety plans were combined together on GASB 68 report by CalPERS.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

9. EMPLOYEES' RETIREMENT PLANS, Continued

Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Miscellaneous Plan* are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	\$ 94,502,484	\$ 71,718,980	\$ 22,783,504
Changes in the year:			
Service Cost	1,653,700		1,653,700
Interest on the total pension liability	6,975,642		6,975,642
Differences between actual and expected experience	(332,183)		(332,183)
Changes in assumptions	(1,685,658)		(1,685,658)
Contribution - employer		2,086,023	(2,086,023)
Contribution - employee		775,427	(775,427)
Net Investment income		5,422,500	(5,422,500)
Differences between projected and actual earning on plan investments		(3,791,903)	3,791,903
Administrative expenses		(80,893)	80,893
Benefit payments, including refunds of employee contributions	(4,253,245)	(4,253,245)	-
Net changes	<u>2,358,256</u>	<u>157,909</u>	<u>2,200,347</u>
Balance at June 30, 2015	<u>\$ 96,860,740</u>	<u>\$ 71,876,889</u>	<u>\$ 24,983,851</u>

* All Tiers of the Miscellaneous plan were combined together on GASB 68 report by CalPERS.

Pension Plan Fiduciary Net Pension – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

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 post employment obligation, with no associated trust, 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
For the fiscal year ended June 30, 2016

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 \$122 and \$125 per month per family for the period from July 1, 2015 to December 31, 2015 and January 1, 2016 to June 30, 2016 respectively. The City/District's contribution for fiscal year 2016 amounted to \$313,908 which included \$188,000 implied subsidy benefit payment.

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	\$ 1,333,000
Interest on net OPEB obligation	194,000
Amortization of net OPEB obligation	<u>(301,000)</u>
Annual OPEB cost	1,226,000
Payments made	<u>(313,908)</u>
Increase (decrease) in net OPEB obligation	912,092
Net OPEB obligation - beginning of the year	<u>3,372,000</u>
Net OPEB obligation - end of year	<u><u>\$ 4,284,092</u></u>

The City/District Retiree Health annual OPEB cost and the percentage of annual OPEB cost contributed to the plan for 2016 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>Net OPEB Obligation</u>	<u>Cumulative OPEB Obligation</u>
6/30/2014	\$ 507,396	21.76%	\$ 397,000	\$ 2,950,000
6/30/2015	540,465	21.92%	422,000	3,372,000
6/30/2016	1,226,000	25.60%	912,092	4,284,092

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

9. EMPLOYEES' RETIREMENT PLANS, Continued

Funded Status and Funding Progress. The funded status of the Plan as of June 30, 2015, the Plan's most recent actuarial valuation date, was as follows:

Actuarial Valuation Date	Actuarial Asset Value	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2015	-	\$ 10,714,000	0%	\$ 16,892,000	63.4%

** 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, 2015 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 valuation includes implied subsidy as required by Actuarial Standards of Practice No. 6 for measurement after March 31, 2015. 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, 2016

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 Wastewater 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 20th 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 Wastewater 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, 2016, the District's share of the operating and maintenance costs was \$1,707,494 which is included in the Wastewater Enterprise Fund's accompanying financial statements as contractual services.

On February 29, 2016, the City of San Mateo and Estero Municipal Improvement District executed a Joint Exercise of Powers Agreement to form the San Mateo-Foster City Public Financing Authority (PFA) to provide assistance with the financing of the replacement of the jointly owned Wastewater Treatment Plant. This Clean Water Program/Wastewater Treatment Plant Master Plan Improvements project is estimated to cost \$900 million over a 10-year period with the District's share estimated to be \$113 million. Although no financing was done by the PFA in FY 15/16, financing is expected to occur in 2017.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

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, 2016, the City/District paid premiums to The Cities Group of \$1,299,326, which are included in the General Fund as insurance expenditures. Payments of City/District workers' compensation claims for the year ended June 30, 2016 were \$586,896.

Condensed financial information as of June 30, 2016 (the latest information available) for The Cities Group is presented below:

Total assets	\$ 2,558,371
Total liabilities	1,067,066
Total equity/net assets	1,491,305
Total revenues	2,672,137
Total expenses/expenditures	2,921,506
Increase (decrease) in equity/net assets	(249,369)

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, 2016, the City/District's paid premiums of \$334,860 to ABAG.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

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

Condensed financial information as of June 30, 2015 (the latest information available) for the ABAG PLAN is presented below:

Total assets	\$ 47,839,048
Total liabilities	23,585,370
Total equity/net assets	24,253,678
Total revenues	10,099,187
Total expenses/expenditures	484,535
Increase (decrease) in equity/net assets	9,614,652

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, 2016, the liability for general liability self-insurance claims was \$131,000. 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, 2014	\$ 206,827
Current year claim deductibles and changes in estimates	20,516
Net payments	<u>(56,560)</u>
Liability at June 30, 2015	<u>170,783</u>
Current year claim deductibles and changes in estimates	37,094
Net payments	<u>(76,877)</u>
Liability at June 30, 2016	<u><u>\$ 131,000</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, 2016

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.

Marlin Cove Disposition and the Development Agreement

On November 15, 1999, the Successor Agency of Foster City (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:

(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. The Agency Grant was paid in full as of June 30, 2014.

(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, 2016, the Successor Agency paid the developer the Utility Subsidy in the amount of \$47,500.

(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, 2016, the Successor Agency paid the developer a tax increment subsidy in the amount of \$187,890.

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.

The above DDA obligations were administered by the Successor Agency effective February 1, 2012 as the Agency ceased to exist.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

12. COMMITMENTS AND CONTINGENCIES, Continued

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.

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, 2016, the Successor Agency paid the developer the required installment in the amount of \$217,672.

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.

City of Foster City and Estero Municipal Improvement District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

12. COMMITMENTS AND CONTINGENCIES, Continued

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, 2016	Committed
Sewer System Rehabilitation	\$ 450,000	\$ 33,740	\$ 416,260
Vintage Park Overcrossing Project	2,165,000	1,723,986	441,014
Sanitary Sewer Lift Station Improvements Project Ph 5	6,075,000	204,390	5,870,610
Dredging At The Lagoon Intake Structure	1,950,000	241,351	1,708,649
Median Modifications-Foster City Blvd at Chess Drive	345,540	26,883	318,657
Water System Improvements and Valve Replacements	475,000	84,537	390,463
Road Widening-Foster City Blvd At Chess Drive	1,141,000	84,922	1,056,078
Lift Station 59 Effluent Line Improvements (2014-2015)	463,000	391,147	71,853
Wooden Dock and Concrete Deck Adjacent to Edgewater Plaza	170,000	143,666	26,334
Park Infrastructure Improvements (2014-2015)	628,354	603,649	24,705
Two Natural Gas Powered Engines and Pumps Replacement	964,295	921,358	42,937
Wastewater Treatment Plant Master Plan Improvement (2015-2016)	5,931,000	1,543,640	4,387,360
Street Rehabilitation (2015-2016)	1,150,000	3,327	1,146,673
Lagoon Intake Gate Replacement (2015-2016)	75,000	-	75,000
Park Infrastructure Improvement-Leo Ryan Park Lawn Conversion and Bocce Courts (2015-2016)	925,000	29,565	895,435
Park Infrastructure Improvements (2015-2016)	650,000	10,650	639,350
Levee Protection Planning And Improvements Projects (2015-2016)	1,577,465	791,721	785,744
Traffic Improvements At E 3rd Ave and Lincoln Center Dr	626,175	12,286	613,889
Total	<u>\$ 25,761,829</u>	<u>\$ 6,850,818</u>	<u>\$ 18,911,011</u>

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 effect on the financial condition of the City/District as a result of any potential grant audits.

City of Foster City and Estero Municipal Improvement District
Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

Budgetary Comparison Schedule - General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, June 30, 2015	\$ 32,233,524	\$ 32,233,524	\$ 32,233,524	\$ -
Resources (inflows):				
Property taxes:				
Secured	19,403,360	19,403,360	20,923,704	1,520,344
Unsecured	925,000	925,000	1,009,298	84,298
Motor vehicle in lieu	2,934,000	2,934,000	3,096,879	162,879
Total	23,262,360	23,262,360	25,029,881	1,767,521
Other taxes:				
Sales and use and sales tax in lieu	3,446,000	3,446,000	3,222,062	(223,938)
Transient occupancy	2,703,500	2,703,500	2,820,879	117,379
Franchise	1,154,760	1,154,760	1,182,060	27,300
Real property transfer	286,100	286,100	271,173	(14,927)
Total	7,590,360	7,590,360	7,496,174	(94,186)
Licenses and permits:				
Business licenses	1,700,000	1,700,000	1,661,611	(38,389)
Permits	1,250,900	1,250,900	1,737,967	487,067
Total	2,950,900	2,950,900	3,399,578	448,678
Intergovernmental:				
Motor vehicle in lieu	-	-	13,069	13,069
Homeowner property tax relief	100,000	100,000	99,396	(604)
Reimbursements and grants	44,000	44,000	334,444	290,444
Total	144,000	144,000	446,909	302,909
Charges for current services:				
Service fees	929,400	929,400	1,626,988	697,588
Recreation and leisure	1,290,500	1,290,500	1,044,737	(245,763)
Total	2,219,900	2,219,900	2,671,725	451,825
Fines and forfeitures:				
Traffic fines and court fees	42,000	42,000	41,536	(464)
False alarm fines	18,000	18,000	39,137	21,137
Total	60,000	60,000	80,673	20,673
Investment income and rentals:				
Investment income	309,000	309,000	385,600	76,600
Rent	774,000	774,000	749,718	(24,282)
Total	1,083,000	1,083,000	1,135,318	52,318
Other revenues	1,006,800	1,006,800	3,297,647	2,290,847
Total revenues	38,317,320	38,317,320	43,557,905	5,240,585
Transfers in	-	-	35,591	35,591
Amounts available for appropriation	70,550,844	70,550,844	75,827,020	5,276,176

(Continued)

City of Foster City and Estero Municipal Improvement District
Required Supplementary Information, Continued
For the Fiscal Year Ended June 30, 2016

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	\$ 297,913	\$ 300,761	\$ 294,378	\$ 6,383
City/District Manager	988,704	988,704	950,225	38,479
City Clerk	393,614	393,614	322,022	71,592
City/District Attorney	354,724	354,724	347,129	7,595
Human Resources	425,102	425,102	423,286	1,816
Financial Services	1,156,198	1,156,198	1,080,665	75,533
Subtotal	3,616,255	3,619,103	3,417,705	201,398
Public safety - Police	11,270,878	11,270,878	10,489,900	780,978
Public safety - Fire	8,418,624	8,427,624	8,240,844	186,780
Public works	1,716,660	1,989,660	1,260,267	729,393
Community development	2,577,627	2,909,627	2,411,176	498,451
Parks and recreation	7,999,020	8,002,120	7,228,313	773,807
Capital outlay	40,000	40,000	-	40,000
Subtotal	32,022,809	32,639,909	29,630,500	3,009,409
Total expenditures	35,639,064	36,259,012	33,048,205	3,210,807
Transfers out	1,600,900	1,640,900	1,593,000	47,900
Total charges to appropriations	37,239,964	37,899,912	34,641,205	3,258,707
Fund balance, June 30, 2016	\$ 33,310,880	\$ 32,650,932	\$ 41,185,815	\$ 8,534,883

City of Foster City and Estero Municipal Improvement District
Required Supplementary Information, Continued
For the Fiscal Year Ended June 30, 2016

Budgetary Comparison Schedule - Low and Moderate Income Housing Assets Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental income	\$ 63,420	\$ 63,420	\$ 83,400	\$ 19,980
Other	41,372	41,372	124,407	83,035
Total revenues	104,792	104,792	207,807	103,015
EXPENDITURES:				
Community development	142,600	159,600	75,969	83,631
Total Expenditures	142,600	159,600	75,969	83,631
NET CHANGE IN FUND BALANCE	(37,808)	(54,808)	131,838	186,646
FUND BALANCE:				
Beginning of year	1,382,126	1,382,126	1,382,126	-
End of year	\$ 1,344,318	\$ 1,327,318	\$ 1,513,964	\$ 186,646

City of Foster City and Estero Municipal Improvement District
Required Supplementary Information, Continued
For the Fiscal Year Ended June 30, 2016

Budgetary Comparison Schedule - Foster City Affordable Housing Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Investment income	\$ 35,000	\$ 35,000	\$ 680	\$ (34,320)
Total revenues	35,000	35,000	680	(34,320)
EXPENDITURES:				
Community Development	-	-	-	-
Total Expenditures	-	-	-	-
NET CHANGE IN FUND BALANCE	35,000	35,000	680	(34,320)
FUND BALANCE:				
Beginning of year	24,527	24,527	24,527	-
End of year	\$ 59,527	\$ 59,527	\$ 25,207	\$ (34,320)

**City of Foster City and Estero Municipal Improvement District
 Required Supplementary Information, Continued
 For the fiscal year ended June 30, 2016**

Schedule of Funding Progress Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Asset Value	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
1/1/2011	\$ -	\$ 5,085,000	0%	\$ 17,857,000	28.5%
6/30/2013	-	4,500,000	0%	16,338,000	27.5%
6/30/2015	-	10,714,000	0%	16,892,000	63.4%

**City of Foster City and Estero Municipal Improvement District
Required Supplementary Information, Continued
For the fiscal year ended June 30, 2016**

**Miscellaneous Plan¹
Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2016
Last 10 Years²**

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	Measurement period ended June 30,	
	2015	2014
Total Pension Liability		
Service Cost	\$ 1,653,700	\$ 1,711,380
Interest on total pension liability	6,975,642	6,664,608
Changes in benefits	-	-
Changes in assumptions	(1,685,658)	-
Differences between expected and actual experience	(332,183)	-
Benefit payments, including refunds of employee contributions	(4,253,245)	(3,758,521)
Net change in total pension liability	2,358,256	4,617,467
Total pension liability - beginning	94,502,484	89,885,017
Total pension liability - ending (a)	\$ 96,860,740	\$ 94,502,484
Plan fiduciary net position		
Contributions - employer	\$ 2,086,023	\$ 1,820,484
Contributions - employee	775,427	915,734
Net investment income	1,630,597	10,775,194
Benefit payments	(4,253,245)	(3,758,521)
Administrative expense	(80,893)	-
Net change in plan fiduciary net position	157,909	9,752,891
Total fiduciary net position - beginning	71,718,980	61,966,089
Total fiduciary net position - ending (b)	\$ 71,876,889	\$ 71,718,980
 Net pension liability - ending (a) - (b)	 \$ 24,983,851	 \$ 22,783,504
 Plan fiduciary net position as a percentage of the total pension liability	 74.21%	 75.89%
 Covered - employee payroll	 \$ 9,721,261	 \$ 9,595,746
 Net pension liability as percentage of covered-employee payroll	 257.00%	 237.43%

¹ All Tiers of the Miscellaneous plan were combined on GASB 68 report by CalPERS.

² Fiscal year 2015 was the 1st year of GASB 68 implementation

Notes to Schedule

Benefit changes: None

Changes in assumptions: The discount rate was changed from 7.5% (net of administrative expense) to 7.65%.

**City of Foster City and Estero Municipal Improvement District
 Required Supplementary Information, Continued
 For the fiscal year ended June 30, 2016**

**Safety Plan
 Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
 As of June 30, 2016
 Last 10 Years¹**

**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 AND RELATED RATIOS AS OF THE MEASUREMENT DATE**

Measurement period ended June 30,	Plan's proportion of the net pension liability (assets)	Plan's proportionate share of the net pension liability (assets)	Plan's Covered Employee Payroll	Plan's proportionate share of the net pension Liability/(assets) as a percentage of its covered-employee payroll	Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability
2014	0.44475%	\$ 27,674,101	\$ 7,910,256	349.85%	79.82%
2015	0.45755%	31,406,035	7,974,455	393.83%	78.40%

¹ Fiscal year 2015 was the 1st year of GASB 68 implementation

**City of Foster City and Estero Municipal Improvement District
 Required Supplementary Information, Continued
 For the fiscal year ended June 30, 2016**

**Miscellaneous Plan¹
 Agent Multiple-Employer Defined Benefit Pension Plan
 As of June 30, 2016**

**Last 10 Years²
 SCHEDULE OF CONTRIBUTIONS**

Fiscal year ended	Actuarially determined contributions	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
2015	\$ 2,085,988	\$ (2,085,988)	-	\$ 9,721,261	21.46%
2016	2,471,831	(2,471,831)	-	10,547,034	23.44%

Notes to Schedule

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	15 years
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	50 years
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997-2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvements using Scale AA published by the Society of Actuaries.

Benefit changes: None

Changes in assumptions: None

¹ All Tiers of the Miscellaneous plan were combined on GASB 68 report by CalPERS.

² Fiscal year 2015 was the 1st year of GASB 68 implementation

**City of Foster City and Estero Municipal Improvement District
 Required Supplementary Information, Continued
 For the fiscal year ended June 30, 2016**

Safety Plan
 Cost Sharing Defined Benefit Pension Plan
 As of June 30, 2016
 Last 10 Years¹
 SCHEDULE OF CONTRIBUTIONS

Fiscal year ended	Actuarially determined contributions	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
2015	\$ 2,466,232	\$ (2,466,232)	\$ -	\$ 7,974,455	30.93%
2016	2,822,183	(2,822,183)	-	8,149,496	34.63%

¹ Fiscal year 2015 was the 1st year of GASB 68 implementation

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City of Foster City and Estero Municipal Improvement District
Combined Balance Sheet
Non-Major Governmental Funds
June 30, 2016

	Non-Major Special Revenue Funds
ASSETS	
Cash and investments	\$ 8,677,507
Receivables, net of allowance:	
Intergovernmental	8,967
Taxes	50,602
Other	58,805
Total assets	\$ 8,795,881
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 46,181
Accrued payroll	6,789
Refundable deposit	1,500,000
Due to other funds	46,500
Total liabilities	1,599,470
Fund balances:	
Restricted	6,172,004
Committed	1,024,407
Total fund balances	7,196,411
Total liabilities and fund balances	\$ 8,795,881

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, 2016

	Non-Major Special Revenue Funds
REVENUES:	
Sales and use taxes	\$ 670,576
Intergovernmental	954,087
Fines and forfeitures	81,916
Park-in-lieu	429,000
Investment income	76,318
Other	718,785
Total revenues	2,930,682
EXPENDITURES:	
Current:	
General government	321,170
Public safety - Police	131,554
Public safety - Fire	2,845
Public works	790,011
Parks and recreation	43,215
Capital outlay	900,077
Total expenditures	2,188,872
REVENUES OVER (UNDER) EXPENDITURES	741,810
OTHER FINANCING SOURCES (USES):	
Transfer in	250,000
Transfer out	(158,789)
Total other financing sources (uses)	91,211
NET CHANGE IN FUND BALANCES	833,021
FUND BALANCES:	
Beginning of year	6,363,390
End of year	\$ 7,196,411

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City of Foster City and Estero Municipal Improvement District
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2016

	Traffic Safety	Measure A	Gas Tax	Park-in-lieu	Measure M
ASSETS					
Cash and investments	\$ -	\$ 3,053,707	\$ 1,237,102	\$ 3,061,583	\$ -
Receivables, net of allowance:				-	-
Intergovernmental	8,967		-	-	-
Taxes	-	50,602	-	-	-
Other	-	-	-	-	-
Total assets	\$ 8,967	\$ 3,104,309	\$ 1,237,102	\$ 3,061,583	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 20,952	\$ -	\$ -
Accrued payroll	-	-	-	-	-
Refundable deposits	-	-	-	1,500,000	-
Due to other funds	-	-	-	-	-
Total liabilities	-	-	20,952	1,500,000	-
Fund balances:					
Restricted	8,967	3,104,309	1,216,150	1,561,583	-
Committed	-	-	-	-	-
Total fund balances	8,967	3,104,309	1,216,150	1,561,583	-
Total liabilities and fund balances	\$ 8,967	\$ 3,104,309	\$ 1,237,102	\$ 3,061,583	\$ -

SLESF/ COPS Grant	California Opportunities	Foster City Foundation	Sustainable Foster City Special Fund	Day Time Shuttle Fund	Bay Area Employee Relations Services Fund	Total
\$ -	\$ 470,874	\$ 324,067	\$ 321,901	\$ -	\$ 208,273	\$ 8,677,507
-	-	-	-	-	-	8,967
-	-	-	-	-	-	50,602
-	35,100	3,867	-	-	19,838	58,805
<u>\$ -</u>	<u>\$ 505,974</u>	<u>\$ 327,934</u>	<u>\$ 321,901</u>	<u>\$ -</u>	<u>\$ 228,111</u>	<u>\$ 8,795,881</u>
\$ -	\$ 24,790	\$ 439	\$ -	\$ -	\$ -	\$ 46,181
-	2,844	-	-	-	3,945	6,789
-	-	-	-	-	-	1,500,000
-	-	46,500	-	-	-	46,500
-	27,634	46,939	-	-	3,945	1,599,470
-	-	280,995	-	-	-	6,172,004
-	478,340	-	321,901	-	224,166	1,024,407
-	478,340	280,995	321,901	-	224,166	7,196,411
<u>\$ -</u>	<u>\$ 505,974</u>	<u>\$ 327,934</u>	<u>\$ 321,901</u>	<u>\$ -</u>	<u>\$ 228,111</u>	<u>\$ 8,795,881</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, 2016

	Traffic Safety	Measure A	Gas Tax	Park-in-lieu	Measure M
REVENUES:					
Sales and use tax	\$ -	\$ 670,576	\$ -	\$ -	\$ -
Intergovernmental	-	-	722,880	-	106,917
Fines and forfeitures	81,916	-	-	-	-
Park-in-lieu	-	-	-	429,000	-
Investment income	-	30,989	13,419	25,850	-
Other	-	-	-	-	-
Total revenues	81,916	701,565	736,299	454,850	106,917
EXPENDITURES:					
Current:					
General government	-	-	94,566	-	-
Public safety - police	-	-	-	-	-
Public safety - fire	-	-	-	-	-
Public works	82,359	-	707,652	-	-
Parks and recreation	-	-	-	-	-
Capital outlay	-	736,514	-	56,646	106,917
Total expenditures	82,359	736,514	802,218	56,646	106,917
REVENUES OVER (UNDER) EXPENDITURES	(443)	(34,949)	(65,919)	398,204	-
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(123,198)	-
Total other financing sources (uses)	-	-	-	(123,198)	-
NET CHANGES IN FUND BALANCES	(443)	(34,949)	(65,919)	275,006	-
FUND BALANCES:					
Beginning of year	9,410	3,139,258	1,282,069	1,286,577	-
End of year	\$ 8,967	\$ 3,104,309	\$ 1,216,150	\$ 1,561,583	\$ -

SLESF/ COPS Grant	California Opportunities	Foster City Foundation	Sustainable Foster City Special Fund	Day Time Shuttle Fund	Bay Area Employee Relations Services Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 670,576
124,290	-	-	-	-	-	954,087
-	-	-	-	-	-	81,916
-	-	-	-	-	-	429,000
10	4,378	-	877	-	795	76,318
-	240,750	208,448	810	-	268,777	718,785
<u>124,300</u>	<u>245,128</u>	<u>208,448</u>	<u>1,687</u>	<u>-</u>	<u>269,572</u>	<u>2,930,682</u>
-	169,322	3,497	8,379	-	45,406	321,170
124,300	-	7,254	-	-	-	131,554
-	-	2,845	-	-	-	2,845
-	-	-	-	-	-	790,011
-	-	43,215	-	-	-	43,215
-	-	-	-	-	-	900,077
<u>124,300</u>	<u>169,322</u>	<u>56,811</u>	<u>8,379</u>	<u>-</u>	<u>45,406</u>	<u>2,188,872</u>
-	75,806	151,637	(6,692)	-	224,166	741,810
-	-	-	250,000	-	-	250,000
-	-	(35,591)	-	-	-	(158,789)
-	-	<u>(35,591)</u>	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>91,211</u>
-	75,806	116,046	243,308	-	224,166	833,021
-	402,534	164,949	78,593	-	-	6,363,390
<u>\$ -</u>	<u>\$ 478,340</u>	<u>\$ 280,995</u>	<u>\$ 321,901</u>	<u>\$ -</u>	<u>\$ 224,166</u>	<u>\$ 7,196,411</u>

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 149,000	\$ 149,000	\$ 81,916	\$ (67,084)
Total revenues	<u>149,000</u>	<u>149,000</u>	<u>81,916</u>	<u>(67,084)</u>
EXPENDITURES:				
Public works	149,000	149,000	82,359	66,641
Total expenditures	<u>149,000</u>	<u>149,000</u>	<u>82,359</u>	<u>66,641</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>(443)</u>	<u>(443)</u>
FUND BALANCE:				
Beginning of year	9,410	9,410	9,410	-
End of year	<u>\$ 9,410</u>	<u>\$ 9,410</u>	<u>\$ 8,967</u>	<u>\$ (443)</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sales and use taxes	\$ 614,000	\$ 614,000	\$ 670,576	\$ 56,576
Investment income	28,000	28,000	30,989	2,989
Total revenues	642,000	642,000	701,565	59,565
EXPENDITURES:				
Capital outlay	1,894,384	1,894,384	736,514	1,157,870
Total expenditures	1,894,384	1,894,384	736,514	1,157,870
NET CHANGE IN FUND BALANCE	(1,252,384)	(1,252,384)	(34,949)	1,217,435
FUND BALANCE:				
Beginning of year	3,139,258	3,139,258	3,139,258	-
End of year	\$ 1,886,874	\$ 1,886,874	\$ 3,104,309	\$ 1,217,435

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 686,700	\$ 686,700	\$ 722,880	\$ 36,180
Investment income	10,000	10,000	13,419	3,419
Total revenues	696,700	696,700	736,299	39,599
EXPENDITURES:				
General government	94,566	94,566	94,566	-
Public works	686,700	711,700	707,652	4,048
Total expenditures	781,266	806,266	802,218	4,048
NET CHANGE IN FUND BALANCE	(84,566)	(109,566)	(65,919)	43,647
FUND BALANCE:				
Beginning of year	1,282,069	1,282,069	1,282,069	-
End of year	\$ 1,197,503	\$ 1,172,503	\$ 1,216,150	\$ 43,647

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Park-in-lieu
For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Park-in-lieu	\$ 929,000	\$ 929,000	\$ 429,000	\$ (500,000)
Investment income	10,700	10,700	25,850	15,150
Total revenues	939,700	939,700	454,850	(484,850)
EXPENDITURES:				
Capital outlay	968,166	968,166	56,646	911,520
Total Expenditures	968,166	968,166	56,646	911,520
REVENUES OVER (UNDER) EXPENDITURES	(28,466)	(28,466)	398,204	426,670
OTHER FINANCING SOURCES:				
Transfer out	-	(123,198)	(123,198)	-
NET CHANGE IN FUND BALANCE	(28,466)	(151,664)	275,006	426,670
FUND BALANCE:				
Beginning of year	1,286,577	1,286,577	1,286,577	-
End of year	\$ 1,258,111	\$ 1,134,913	\$ 1,561,583	\$ 426,670

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Measure M
For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 102,000	\$ 102,000	\$ 106,917	\$ 4,917
Total revenues	102,000	102,000	106,917	4,917
EXPENDITURES:				
Capital outlay	250,000	250,000	106,917	143,083
Total Expenditures	250,000	250,000	106,917	143,083
NET CHANGE IN FUND BALANCE	(148,000)	(148,000)	-	148,000
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ (148,000)	\$ (148,000)	\$ -	\$ 148,000

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 124,290	\$ 24,290
Investment income	-	-	10	10
Total revenues	100,000	100,000	124,300	24,300
EXPENDITURES:				
Public safety - police	100,000	100,000	124,300	(24,300)
Total expenditures	100,000	100,000	124,300	(24,300)
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 2,500	\$ 2,500	\$ 4,378	\$ 1,878
Other	159,900	159,900	240,750	80,850
Total revenues	162,400	162,400	245,128	82,728
EXPENDITURES:				
General government	183,845	481,774	169,322	312,452
Total expenditures	183,845	481,774	169,322	312,452
NET CHANGE IN FUND BALANCE	(21,445)	(319,374)	75,806	395,180
FUND BALANCE:				
Beginning of year	402,534	402,534	402,534	-
End of year	\$ 381,089	\$ 83,160	\$ 478,340	\$ 395,180

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other	\$ 54,000	\$ 54,000	\$ 208,448	\$ 154,448
Total revenues	54,000	54,000	208,448	154,448
EXPENDITURES:				
General government	622	622	3,497	(2,875)
Public Safety- Police	24,067	24,067	7,254	16,813
Public Safety- Fire	22,343	22,343	2,845	19,498
Parks and recreation	81,267	81,267	43,215	38,052
Total Expenditures	128,299	128,299	56,811	71,488
REVENUES OVER (UNDER) EXPENDITURES	(74,299)	(74,299)	151,637	225,936
OTHER FINANCING SOURCES:				
Transfer out	(36,000)	(36,000)	(35,591)	409
NET CHANGE IN FUND BALANCE	(110,299)	(110,299)	116,046	226,345
FUND BALANCE:				
Beginning of year	164,949	164,949	164,949	-
End of year	\$ 54,650	\$ 54,650	\$ 280,995	\$ 226,345

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 730	\$ 730	\$ 877	\$ 147
Other	-	-	810	810
Total revenues	730	730	1,687	957
EXPENDITURES:				
General Government	258,100	258,100	8,379	249,721
Total Expenditures	258,100	258,100	8,379	249,721
REVENUES OVER (UNDER) EXPENDITURES	(258,100)	(258,100)	(7,569)	250,531
OTHER FINANCING SOURCES:				
Transfer in	250,000	250,000	250,000	-
Total other financing sources (uses)	250,000	250,000	250,000	-
NET CHANGE IN FUND BALANCE	(7,370)	(7,370)	243,308	250,678
FUND BALANCE:				
Beginning of year	78,593	78,593	78,593	-
End of year	\$ 71,223	\$ 71,223	\$ 321,901	\$ 250,678

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Day Time Shuttle Fund
For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 143,600	\$ 143,600	\$ -	\$ (143,600)
Total revenues	143,600	143,600	-	(143,600)
EXPENDITURES:				
General Government	191,500	191,500	-	191,500
Total Expenditures	191,500	191,500	-	191,500
REVENUES OVER (UNDER) EXPENDITURES	(191,500)	(191,500)	-	191,500
OTHER FINANCING SOURCES:				
Transfer in	47,900	47,900	-	(47,900)
Total other financing sources (uses)	47,900	47,900	-	(47,900)
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -

City of Foster City and Estero Municipal Improvement District
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Bay Area Employee Relations Services
For the fiscal year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 795	\$ 795
Other	360,000	360,000	268,777	(91,223)
Total revenues	360,000	360,000	269,572	(90,428)
EXPENDITURES:				
General Government	340,592	340,592	45,406	295,186
Total Expenditures	340,592	340,592	45,406	295,186
NET CHANGE IN FUND BALANCE	19,408	19,408	224,166	204,758
FUND BALANCE:				
Beginning of year	-	-	-	-
End of year	\$ 19,408	\$ 19,408	\$ 224,166	\$ 204,758

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City of Foster City and Estero Municipal Improvement District
Combining Statement of Fund Net Position
Internal Service Funds
June 30, 2016

	Vehicle Rental	Equipment Replacement	Self Insurance	Information Technology
ASSETS				
Current assets:				
Cash and investments	\$ 4,699,157	\$ 6,354,304	\$ 1,149,813	\$ 3,922,442
Accounts receivable	-	-	-	-
Deposit and prepaid items	508	91,599	-	-
Inventory	22,917	42,163	-	-
Total current assets	4,722,582	6,488,066	1,149,813	3,922,442
Noncurrent assets:				
Capital assets:				
Non-depreciable	-	-	-	113,934
Depreciable	3,393,812	2,464,402	-	-
Depreciable - Intangible	-	14,013	-	-
Total noncurrent assets	3,393,812	2,478,415	-	113,934
Total assets	8,116,394	8,966,481	1,149,813	4,036,376
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	59,862	-	-	90,559
LIABILITIES				
Current liabilities:				
Accounts payable	23,277	26,801	14,673	83,809
Accrued payroll	16,645	-	-	25,228
Claims liability	-	-	131,000	-
Compensated absences - current portion	13,895	-	-	23,926
Total current liabilities	53,817	26,801	145,673	132,963
Noncurrent liabilities:				
Compensated absences	27,494	-	-	35,299
OPEB liability	62,070	-	-	104,203
Net pension liability	635,779	-	-	823,985
Other liability	-	-	-	-
Total noncurrent liabilities	725,343	-	-	963,487
Total liabilities	779,160	26,801	145,673	1,096,450
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	45,391	-	-	43,054
NET POSITION				
Net investment in capital assets	3,393,812	2,478,415	-	113,934
Unrestricted	3,957,893	6,461,265	1,004,140	2,873,497
Total net position	\$ 7,351,705	\$ 8,939,680	\$ 1,004,140	\$ 2,987,431

<u>Building Maintenance</u>	<u>Longevity Recognition Benefits</u>	<u>PEMHCA</u>	<u>Compensated Absences</u>	<u>Total</u>
\$ 2,430,234	\$ 2,733,000	\$ 6,012,109	\$ 2,316,958	\$ 29,618,017
3,640	-	-	-	3,640
-	-	-	-	92,107
-	-	-	-	65,080
<u>2,433,874</u>	<u>2,733,000</u>	<u>6,012,109</u>	<u>2,316,958</u>	<u>29,778,844</u>
-	-	-	-	113,934
-	-	-	-	5,858,214
-	-	-	-	14,013
-	-	-	-	5,986,161
<u>2,433,874</u>	<u>2,733,000</u>	<u>6,012,109</u>	<u>2,316,958</u>	<u>35,765,005</u>
<u>84,592</u>	-	-	-	<u>235,013</u>
156,406	-	-	-	304,966
20,474	-	-	-	62,347
-	-	-	-	131,000
23,556	-	-	-	61,377
<u>200,436</u>	-	-	-	<u>559,690</u>
36,755	-	-	-	99,548
72,162	-	-	-	238,435
829,801	-	-	-	2,289,565
280,575	-	-	-	280,575
<u>1,219,293</u>	-	-	-	<u>2,908,123</u>
<u>1,419,729</u>	-	-	-	<u>3,467,813</u>
<u>60,730</u>	-	-	-	<u>149,175</u>
-	-	-	-	5,986,161
<u>1,038,007</u>	<u>2,733,000</u>	<u>6,012,109</u>	<u>2,316,958</u>	<u>26,396,869</u>
<u>\$ 1,038,007</u>	<u>\$ 2,733,000</u>	<u>\$ 6,012,109</u>	<u>\$ 2,316,958</u>	<u>\$ 32,383,030</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, 2016

	Vehicle Rental	Equipment Replacement	Self Insurance	Information Technology
OPERATING REVENUES:				
Charges for services	\$ 1,464,439	\$ 501,224	\$ 395,600	\$ 1,556,224
Total operating revenues	1,464,439	501,224	395,600	1,556,224
OPERATING EXPENSES:				
Personnel	381,719	-	-	577,231
Repairs and maintenance	268,947	53,961	-	426,360
General and administration	11,672	-	385	91,845
Depreciation	405,275	382,988	-	-
Contractual services	3,512	-	76,878	84,164
Insurance	53,700	-	295,077	-
Total operating expenses	1,124,825	436,949	372,340	1,179,600
OPERATING INCOME (LOSS)	339,614	64,275	23,260	376,624
NONOPERATING REVENUES (EXPENSES):				
Gain (loss) on disposal of capital assets	7,513	1,675	-	-
Investment income (expense)	57,363	67,130	10,750	41,839
Miscellaneous	25,616	95,251	-	-
Total nonoperating revenues (expenses)	90,492	164,056	10,750	41,839
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	430,106	228,331	34,010	418,463
CONTRIBUTIONS AND TRANSFERS:				
Transfers in	-	341,826	-	-
Transfers out	(538,674)	(132,485)	-	(161,074)
Total transfers	(538,674)	209,341	-	(161,074)
Changes in Net Position	(108,568)	437,672	34,010	257,389
NET POSITION:				
Beginning of the year	7,460,273	8,502,008	970,130	2,730,042
End of the year	<u>\$ 7,351,705</u>	<u>\$ 8,939,680</u>	<u>\$ 1,004,140</u>	<u>\$ 2,987,431</u>

Building Maintenance	Longevity Recognition Benefits	PEMHCA	Compensated Absences	Total
\$ 1,683,910	\$ -	\$ -	\$ 57,003	\$ 5,658,400
<u>1,683,910</u>	<u>-</u>	<u>-</u>	<u>57,003</u>	<u>5,658,400</u>
481,616	131,360	125,908	187,170	1,885,004
244,682	-	-	-	993,950
473,390	-	-	-	577,292
-	-	-	-	788,263
276,660	-	-	-	441,214
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>348,777</u>
<u>1,476,348</u>	<u>131,360</u>	<u>125,908</u>	<u>187,170</u>	<u>5,034,500</u>
<u>207,562</u>	<u>(131,360)</u>	<u>(125,908)</u>	<u>(130,167)</u>	<u>623,900</u>
-	-	-	-	9,188
26,576	26,888	61,332	22,164	314,042
5,070	-	-	-	125,937
<u>31,646</u>	<u>26,888</u>	<u>61,332</u>	<u>22,164</u>	<u>449,167</u>
<u>239,208</u>	<u>(104,472)</u>	<u>(64,576)</u>	<u>(108,003)</u>	<u>1,073,067</u>
40,000	90,550	-	448,124	920,500
<u>(272,459)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,104,692)</u>
<u>(232,459)</u>	<u>90,550</u>	<u>-</u>	<u>448,124</u>	<u>(184,192)</u>
6,749	(13,922)	(64,576)	340,121	888,875
<u>1,031,258</u>	<u>2,746,922</u>	<u>6,076,685</u>	<u>1,976,837</u>	<u>31,494,155</u>
<u>\$ 1,038,007</u>	<u>\$ 2,733,000</u>	<u>\$ 6,012,109</u>	<u>\$ 2,316,958</u>	<u>\$ 32,383,030</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, 2016

	Vehicle Rental	Equipment Replacement	Self Insurance
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from inter-departmental charges	\$ 1,464,439	\$ 501,224	\$ 395,600
Cash payments to suppliers for goods and services	(341,873)	(118,913)	(405,266)
Cash payments to employees for services	(403,002)	-	-
Cash received from others	25,616	95,251	-
Net cash provided (used) by operating activities	745,180	477,562	(9,666)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers received	-	341,826	-
Transfer paid	(538,674)	(132,485)	-
Net cash provided (used) by noncapital financing activities	(538,674)	209,341	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of capital assets	7,513	1,675	-
Acquisition and construction of capital assets	(849,563)	(387,654)	-
Net cash provided (used) by capital and related financing activities	(842,050)	(385,979)	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	57,363	67,130	10,750
Net cash provided (used) by investing activities	57,363	67,130	10,750
Net increase (decrease) in cash and cash equivalents	(578,181)	368,054	1,084
CASH AND CASH EQUIVALENTS:			
Beginning of year	5,277,338	5,986,250	1,148,729
End of year	<u>\$ 4,699,157</u>	<u>\$ 6,354,304</u>	<u>\$ 1,149,813</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 339,614	\$ 64,275	\$ 23,260
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	405,275	382,988	-
Miscellaneous revenues	25,616	95,251	-
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	-	-	-
Due from other funds	-	-	-
Deposit and prepaid items	(28)	(91,599)	-
Inventory	16,915	-	-
Deferred outflow of resources	(5,925)	-	-
Increase (decrease) in:			
Accounts payable	(20,929)	26,647	6,857
Accrued payroll	238	-	-
Due to other funds	-	-	-
Claims liability	-	-	(39,783)
Compensated absences	(6,127)	-	-
OPEB liability	13,515	-	-
Net pension liability	57,078	-	-
Other liability	-	-	-
Deferred inflow of resources	(80,062)	-	-
Total adjustments	405,566	413,287	(32,926)
Net cash provided (used) by operating activities	\$ 745,180	\$ 477,562	\$ (9,666)

Information Technology	Building Maintenance	Longevity Recognition Benefits	PEMHCA	Compensated Absences	Total
\$ 1,556,224	\$ 1,680,270	\$ (2,657)	\$ 2,657	\$ 57,003	\$ 5,654,760
(567,699)	(927,206)	-	-	-	(2,360,957)
(594,906)	(560,492)	(131,360)	(125,908)	(187,170)	(2,002,838)
-	5,070	-	-	-	125,937
<u>393,619</u>	<u>197,642</u>	<u>(134,017)</u>	<u>(123,251)</u>	<u>(130,167)</u>	<u>1,416,902</u>
-	40,000	90,550	-	448,124	920,500
(161,074)	(272,459)	-	-	-	(1,104,692)
<u>(161,074)</u>	<u>(232,459)</u>	<u>90,550</u>	<u>-</u>	<u>448,124</u>	<u>(184,192)</u>
-	-	-	-	-	9,188
(113,934)	-	-	-	-	(1,351,151)
<u>(113,934)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,341,963)</u>
41,839	26,576	26,888	61,332	22,164	314,042
<u>41,839</u>	<u>26,576</u>	<u>26,888</u>	<u>61,332</u>	<u>22,164</u>	<u>314,042</u>
160,450	(8,241)	(16,579)	(61,919)	340,121	204,789
<u>3,761,992</u>	<u>2,438,475</u>	<u>2,749,579</u>	<u>6,074,028</u>	<u>1,976,837</u>	<u>29,413,228</u>
<u>\$ 3,922,442</u>	<u>\$ 2,430,234</u>	<u>\$ 2,733,000</u>	<u>\$ 6,012,109</u>	<u>\$ 2,316,958</u>	<u>\$ 29,618,017</u>
\$ 376,624	\$ 207,562	\$ (131,360)	\$ (125,908)	\$ (130,167)	\$ 623,900
-	-	-	-	-	788,263
-	5,070	-	-	-	125,937
-	(3,640)	-	-	-	(3,640)
-	-	-	2,657	-	2,657
-	-	-	-	-	(91,627)
-	-	-	-	-	16,915
(11,200)	(14,817)	-	-	-	(31,942)
34,670	67,526	-	-	-	114,771
2,487	(490)	-	-	-	2,235
-	-	(2,657)	-	-	(2,657)
-	-	-	-	-	(39,783)
5,161	(16,741)	-	-	-	(17,707)
19,822	17,119	-	-	-	50,456
83,522	73,389	-	-	-	213,989
-	(34,088)	-	-	-	(34,088)
(117,467)	(103,248)	-	-	-	(300,777)
<u>16,995</u>	<u>(9,920)</u>	<u>(2,657)</u>	<u>2,657</u>	<u>-</u>	<u>793,002</u>
<u>\$ 393,619</u>	<u>\$ 197,642</u>	<u>\$ (134,017)</u>	<u>\$ (123,251)</u>	<u>\$ (130,167)</u>	<u>\$ 1,416,902</u>

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CITY OF FOSTER CITY AND ESTERO MUNICIPAL IMPROVEMENT DISTRICT

STATISTICAL SECTION

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

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.

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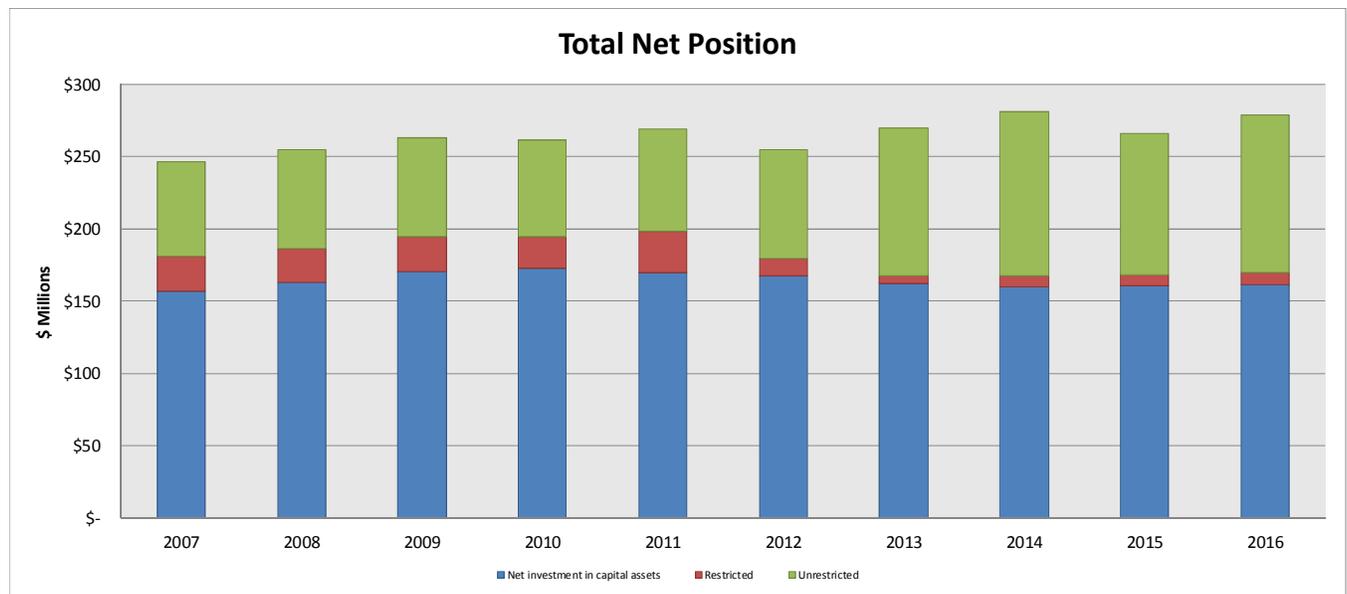
City of Foster City and Estero Municipal Improvement District

Net Position by Component

Last Ten Fiscal Years

(Accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 97,403,808	\$ 101,122,436	\$ 109,387,638	\$ 111,894,545	\$ 108,007,645	\$ 106,295,814	\$ 102,503,211	\$ 102,532,106	\$ 105,458,244	\$ 105,267,654
Restricted	23,657,789	23,606,731	24,293,134	22,043,974	28,263,106	11,760,967	5,488,986	7,528,560	7,666,923	8,164,308
Unrestricted	44,825,904	49,475,890	48,498,680	46,699,565	49,579,722	50,530,026	75,633,529	82,551,190	68,977,993	79,035,368
Total governmental activities net position	\$ 165,887,501	\$ 174,205,057	\$ 182,179,452	\$ 180,638,084	\$ 185,850,473	\$ 168,586,807	\$ 183,625,726	\$ 192,611,856	\$ 182,103,160	\$ 192,467,330
Business-type activities										
Net investment in capital assets	\$ 59,649,262	\$ 61,434,009	\$ 60,853,224	\$ 60,575,907	\$ 61,718,653	\$ 61,458,480	\$ 59,384,377	\$ 57,308,122	\$ 55,371,422	\$ 56,208,645
Restricted	301,692	-	-	-	-	-	-	-	-	-
Unrestricted	20,548,181	18,775,807	20,010,431	20,356,291	21,659,733	24,362,221	26,947,956	31,262,566	28,654,572	30,219,485
Total business-type activities net position	\$ 80,499,135	\$ 80,209,816	\$ 80,863,655	\$ 80,932,198	\$ 83,378,386	\$ 85,820,701	\$ 86,332,333	\$ 88,570,688	\$ 84,025,994	\$ 86,428,130
Primary government										
Net investment in capital assets	\$ 157,086,070	\$ 162,556,445	\$ 170,240,862	\$ 172,470,452	\$ 169,726,298	\$ 167,754,294	\$ 161,887,588	\$ 159,840,228	\$ 160,829,666	\$ 161,476,299
Restricted	23,959,481	23,606,731	24,293,134	22,043,974	28,263,106	11,760,967	5,488,986	7,528,560	7,666,923	8,164,308
Unrestricted	65,374,085	68,251,697	68,509,111	67,055,856	71,239,455	74,892,247	102,581,485	113,813,756	97,632,565	109,254,853
Total primary government net position	\$ 246,419,636	\$ 254,414,873	\$ 263,043,107	\$ 261,570,282	\$ 269,228,859	\$ 254,407,508	\$ 269,958,059	\$ 281,182,544	\$ 266,129,154	\$ 278,895,460



Source: City of Foster City Comprehensive Annual Financial Reports

City of Foster City and Estero Municipal Improvement District

Changes in Net Position

Last Ten Fiscal Years

(Accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 3,172,917	\$ 3,384,497	\$ 3,673,100	\$ 3,715,494	\$ 3,135,273	\$ 3,596,590	\$ 3,514,037	\$ 3,794,112	\$ 3,557,955	\$ 4,308,710
Police	8,414,456	8,598,000	9,637,744	9,601,374	9,635,944	9,393,100	9,316,093	9,580,196	9,853,153	10,438,938
Fire	7,129,555	7,277,640	7,376,366	7,960,605	8,011,016	8,222,350	7,685,722	7,756,948	8,301,670	7,929,490
Public works	5,832,257	4,795,377	4,746,696	4,792,866	4,924,309	5,253,074	5,718,340	4,353,289	4,650,758	4,335,309
Community development	4,517,721	4,399,597	5,165,200	10,058,917	5,904,547	2,215,164	2,078,968	1,965,069	2,176,539	2,417,650
Parks and recreation	6,274,796	6,969,205	7,540,180	7,486,684	7,889,206	7,978,548	8,387,726	8,516,392	8,808,422	8,750,077
Interest on long-term debt	714,924	527,048	286,765	71,079	-	-	-	-	-	-
Total governmental activities expenses	36,056,626	35,951,364	38,426,051	43,687,019	39,500,295	36,658,826	36,700,886	35,966,006	37,348,497	38,180,174
Business-type activities:										
Water	6,868,450	7,575,909	7,804,377	8,272,135	8,690,887	9,782,394	10,336,188	9,846,110	10,596,613	11,824,224
Wastewater	5,099,038	5,861,595	5,351,927	5,875,701	5,334,103	5,909,150	6,554,771	6,412,706	7,140,529	6,356,799
Public transportation	131,378	155,344	245,589	298,964	204,321	201,696	-	-	-	-
Total business-type activities expenses	12,098,866	13,592,848	13,401,893	14,446,800	14,229,311	15,893,240	16,890,959	16,258,816	17,737,142	18,181,023
Total primary government expenses	\$ 48,155,492	\$ 49,544,212	\$ 51,827,944	\$ 58,133,819	\$ 53,729,606	\$ 52,552,066	\$ 53,591,845	\$ 52,224,822	\$ 55,085,639	\$ 56,361,197
Program Revenues										
Governmental activities:										
Charges for services:										
Public works	\$ 76,488	\$ 160,062	\$ 84,958	\$ 146,430	\$ 150,183	\$ 115,060	\$ 185,606	\$ 259,277	\$ 192,974	\$ 264,579
Parks and recreation	1,017,538	1,032,979	1,065,675	1,055,300	1,264,706	1,082,263	1,065,366	4,430,943	4,374,455	1,473,738
Other activities	1,638,345	1,679,892	1,722,734	1,204,446	1,641,925	2,420,613	1,755,523	3,626,944	4,586,595	4,589,520
Operating grants and contributions	996,947	854,272	1,000,607	813,296	1,374,103	1,483,915	1,479,057	1,471,641	2,655,353	3,137,709
Capital grants and contributions	128,000	-	733,684	680,355	4,157,426	449,989	938,348	1,374,066	709,800	290,669
Total governmental activities program revenues	3,857,318	3,727,205	4,607,658	3,899,827	8,588,343	5,551,840	5,423,900	11,162,871	12,519,177	9,756,215
Business-type activities:										
Charges for services:										
Water	6,027,769	6,769,890	7,182,212	7,531,859	9,166,844	10,328,467	10,495,752	10,550,591	10,230,148	11,635,584
Wastewater	5,170,037	5,570,010	6,175,068	6,543,036	6,862,627	7,509,281	6,970,730	7,400,022	7,921,198	8,464,663
Other activities	69,955	-	-	-	-	7,317	-	-	-	-
Operating grants and contributions	-	-	-	-	140,709	100,756	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	19,305	-	26,991	71,315
Total business-type activities program revenues	11,267,761	12,339,900	13,357,280	14,074,895	16,170,180	17,945,821	17,485,787	17,950,613	18,178,337	20,171,562
Total primary government program revenues	\$ 15,125,079	\$ 16,067,105	\$ 17,964,938	\$ 17,974,722	\$ 24,758,523	\$ 23,497,661	\$ 22,909,687	\$ 29,113,484	\$ 30,697,514	\$ 29,927,777
Net (Expense)/Revenue										
Governmental activities	\$ (32,199,308)	\$ (32,224,159)	\$ (33,818,393)	\$ (39,787,192)	\$ (30,911,952)	\$ (31,106,986)	\$ (31,276,986)	\$ (24,803,135)	\$ (24,829,320)	\$ (28,423,959)
Business-type activities	(831,105)	(1,252,948)	(44,613)	(371,905)	1,940,869	2,052,581	594,828	1,691,797	441,195	1,990,539
Total primary government net expense	\$ (33,030,413)	\$ (33,477,107)	\$ (33,863,006)	\$ (40,159,097)	\$ (28,971,083)	\$ (29,054,405)	\$ (30,682,158)	\$ (23,111,338)	\$ (24,388,125)	\$ (26,433,420)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 23,946,796	\$ 25,326,023	\$ 26,525,347	\$ 27,328,303	\$ 26,225,287	\$ 19,140,435	\$ 22,850,306	\$ 22,618,342	\$ 22,824,950	\$ 25,042,950
Franchise taxes	981,494	1,029,576	1,044,988	1,017,749	1,088,266	1,122,847	1,227,976	1,235,085	1,135,666	1,182,060
Sales taxes	4,485,030	5,059,382	4,950,468	4,365,018	4,225,824	4,853,339	4,413,470	3,684,963	3,955,873	3,892,638
Other taxes	2,396,793	2,552,680	2,307,231	2,099,539	2,165,353	2,596,057	3,090,178	3,524,950	4,660,905	4,853,059
Payments in lieu of taxes	2,605,998	2,250,733	2,359,092	2,417,925	-	-	-	-	-	-
Investment earnings	4,463,127	3,933,537	2,449,586	2,193,541	2,409,846	2,331,007	1,539,026	3,688,849	2,256,791	2,807,314
Miscellaneous	768,061	438,822	847,954	253,121	117,764	210,189	19,494,949	405,586	30,088,299	1,010,108
Transfers	(80,424)	(82,038)	(110,733)	(10,519)	(108,000)	(60,501)	-	-	-	-
Total governmental activities	39,566,875	40,508,715	40,373,933	39,664,677	36,124,340	30,193,373	52,615,905	35,157,775	64,922,484	38,788,129
Business-type activities:										
Property Tax	-	-	-	-	-	-	-	-	-	-
Investment earnings	1,145,239	809,666	451,762	296,930	256,984	292,258	(141,502)	459,090	319,633	350,091
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	94,246	61,506
Transfers	80,424	82,038	110,733	10,519	108,000	60,501	-	-	-	-
Total business-type activities	1,253,925	963,629	698,452	440,448	505,319	389,734	(83,196)	546,558	413,879	411,597
Total primary government	\$ 40,820,800	\$ 41,472,344	\$ 41,072,385	\$ 40,105,125	\$ 36,629,659	\$ 30,583,107	\$ 52,532,709	\$ 35,704,333	\$ 65,336,363	\$ 39,199,726
Extraordinary Items										
Governmental activities:										
Extraordinary items										
Total governmental activities	-	-	-	-	-	(16,350,052)	(6,300,000)	(1,368,510)	1,131,265	-
Total primary government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (16,350,052)	\$ (6,300,000)	\$ (1,368,510)	\$ 1,131,265	\$ -
Change in Net Position										
Governmental activities	\$ 7,367,567	\$ 8,284,556	\$ 6,555,540	\$ (122,515)	\$ 5,212,388	\$ (17,263,665)	\$ 15,038,919	\$ 8,986,130	\$ 41,224,429	\$ 10,364,170
Business-type activities	422,820	(289,319)	653,839	68,543	2,446,188	2,442,315	511,632	2,238,355	855,074	2,402,136
Total primary government	\$ 7,790,387	\$ 7,995,237	\$ 7,209,379	\$ (53,972)	\$ 7,658,576	\$ (14,821,350)	\$ 15,550,551	\$ 11,224,485	\$ 42,079,503	\$ 12,766,306

Source: City of Foster City Comprehensive Annual Financial Reports

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 33,523,781	\$ 35,329,687	\$ 36,322,157	\$ 36,445,627	\$ 32,846,406	\$ 27,014,176	\$ 30,807,783	\$ 29,972,228	\$ 30,968,962	\$ 33,196,631
Licenses, fees and permits	1,156,192	1,166,550	1,085,643	1,050,758	1,289,106	2,200,437	1,354,501	2,676,476	3,954,102	3,399,578
Fines and penalties	194,613	164,661	142,887	158,199	159,303	179,717	193,654	197,969	168,838	162,589
Charges for services	1,383,692	1,347,279	1,403,448	1,392,205	1,659,773	1,640,114	1,637,289	2,621,851	2,510,647	2,671,725
Special assessments	799,236	352,443	189,911	-	4,000,000	-	-	3,289,634	3,288,613	429,000
Intergovernmental	1,183,015	1,443,393	1,601,956	1,546,873	1,522,599	1,994,051	2,010,089	2,688,202	1,563,429	1,400,996
Investment earnings	5,127,172	4,706,132	3,444,940	2,608,180	1,796,472	1,814,301	907,101	2,252,482	2,273,291	2,345,939
Other revenues	1,024,736	1,012,569	1,661,625	827,083	559,764	436,977	1,178,203	794,640	2,882,967	4,394,357
Total revenues	44,392,437	45,522,714	45,852,567	44,028,925	43,833,423	35,279,773	38,088,620	44,493,482	47,610,849	48,000,815
Expenditures										
General government	2,471,650	2,979,792	3,150,439	3,271,525	2,689,200	2,980,808	2,980,817	3,174,115	3,162,004	3,738,875
Police	8,470,914	8,650,231	9,271,457	9,535,983	9,362,853	9,171,064	9,078,222	9,321,559	9,693,710	10,621,454
Fire	7,213,382	7,373,331	7,385,613	7,876,172	7,917,966	8,148,675	7,689,490	7,705,260	8,028,295	8,243,689
Public works	2,428,438	2,435,402	2,700,326	2,426,798	2,603,647	2,876,718	3,343,143	1,967,187	2,331,632	2,050,278
Community development	4,550,667	4,429,165	7,194,733	10,017,098	5,825,075	2,229,747	1,967,382	1,936,205	6,928,167	2,487,145
Parks and recreation	5,704,605	6,361,683	6,543,724	6,340,330	6,780,921	6,780,597	6,879,810	7,107,443	7,182,946	7,312,735
Capital outlay	1,186,620	2,110,297	6,255,420	2,391,675	970,235	3,384,339	1,201,432	4,382,435	6,483,904	3,880,749
Debt service										
Interest	2,387,604	1,998,571	1,509,465	996,412	156,685	-	-	-	-	-
Principal	5,695,000	5,210,000	3,800,000	4,775,000	-	-	-	-	-	-
Total expenditures	40,108,880	41,548,472	47,811,177	47,630,993	36,306,582	35,571,948	33,140,296	35,594,204	43,810,658	38,334,925
Excess of revenues over (under) expenditures	4,283,557	3,974,242	(1,958,610)	(3,602,068)	7,526,841	(292,175)	4,948,324	8,899,278	3,800,191	9,665,890
Other Financing Sources (uses)										
Proceeds from sale of capital assets	500	-	-	-	-	-	1,332,190	1,344,924	30,485,503	546,293
Transfers in	5,895,607	5,843,405	9,184,980	10,548,804	25,391,490	7,729,944	958,867	1,209,449	752,646	1,588,591
Transfers out	(6,255,434)	(5,925,443)	(9,295,713)	(11,860,304)	(25,499,490)	(7,799,024)	(3,608,867)	(1,209,449)	(630,646)	(1,751,789)
Total other financing sources (uses)	(359,327)	(82,038)	(110,733)	(1,311,500)	(108,000)	(69,080)	(1,317,810)	1,344,924	30,607,503	383,095
Extraordinary Item										
Extraordinary loss	-	-	-	-	-	(16,350,052)	(6,300,000)	(1,368,510)	-	-
Total extraordinary item	-	-	-	-	-	(16,350,052)	(6,300,000)	(1,368,510)	-	-
Net change in fund balances	\$ 3,924,230	\$ 3,892,204	\$ (2,069,343)	\$ (4,913,568)	\$ 7,418,841	\$ (16,711,307)	\$ (2,669,486)	\$ 8,875,692	\$ 34,407,694	\$ 10,048,985
Debt service as a percentage of noncapital expenditures	26.21%	22.37%	14.65%	14.62%	0.45%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: City of Foster City Comprehensive Annual Financial Reports

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

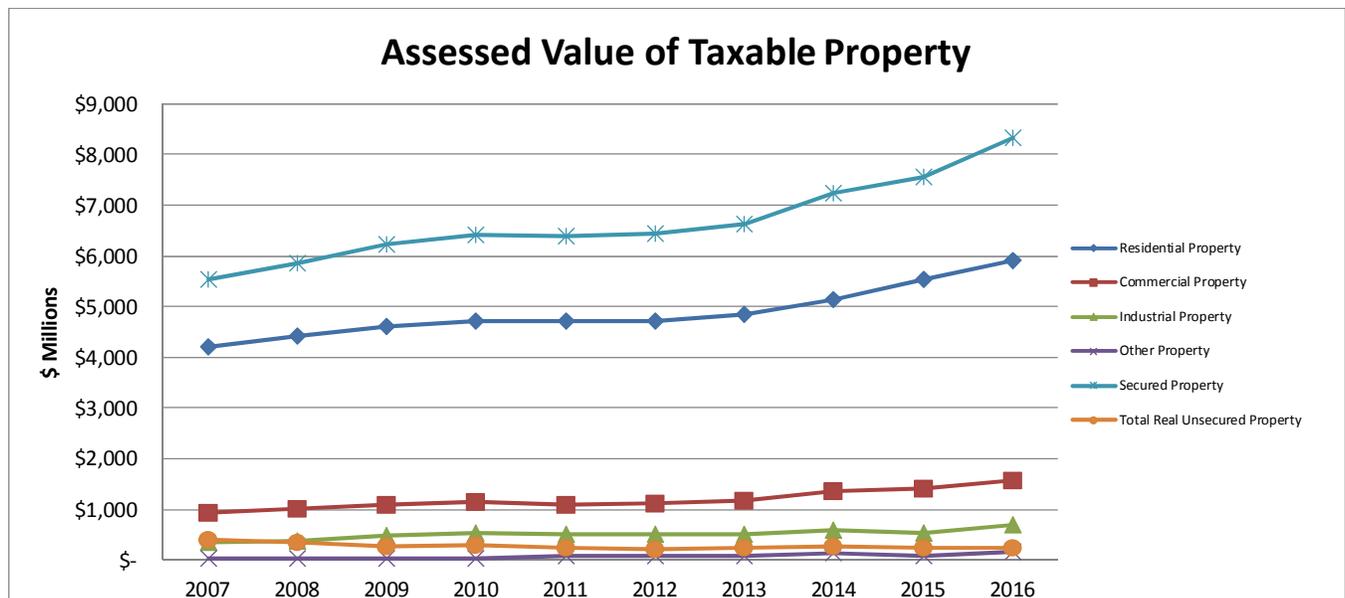
	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 14,763,522	\$ 11,828,982	\$ 8,209,971	\$ 1,159,290	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	17,873,192	20,287,727	22,039,476	23,944,755	-	-	-	-	-	-
Non-Spendable	-	-	-	-	33,527	32,448	34,769	36,126	31,380	39,730
Committed	-	-	-	-	812,807	466,016	405,949	441,920	1,279,096	1,279,731
Assigned	-	-	-	-	1,052,366	964,536	510,417	676,878	619,948	138,174
Restricted	-	-	-	-	-	-	-	-	-	99,481
Unassigned	17,873,192	20,287,727	22,039,476	23,944,755	19,304,982	20,272,893	19,025,588	23,746,768	30,303,100	39,628,699
Total general fund	\$ 50,509,906	\$ 52,404,436	\$ 52,288,923	\$ 49,048,800	\$ 21,203,682	\$ 21,735,893	\$ 19,976,723	\$ 24,901,692	\$ 32,233,524	\$ 41,185,815
All Other Governmental Funds										
Reserved	\$ 18,633,237	\$ 20,278,822	\$ 18,018,576	\$ 17,587,790	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	2,541,599	2,890,661	2,748,765	3,300,455	-	-	-	-	-	-
Capital projects funds	(228,646)	2,188,916	4,388,977	4,499,907	-	-	-	-	-	-
Non-Spendable	-	-	-	-	-	-	-	-	683	-
Restricted	-	-	-	-	28,608,240	10,357,852	4,546,308	7,227,787	7,263,706	7,685,968
Committed	-	-	-	-	8,099,116	9,105,986	14,007,214	15,276,458	42,315,718	42,990,833
Total all other governmental funds	\$ 20,946,190	\$ 25,358,399	\$ 25,156,318	\$ 25,388,152	\$ 36,707,356	\$ 19,463,838	\$ 18,553,522	\$ 22,504,245	\$ 49,580,107	\$ 50,676,801

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

Source: City of Foster City Comprehensive Annual Financial Reports

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 ¹	Total Direct Tax Rate ²
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	0.22518
2015	5,524,789	1,420,944	527,049	92,869	7,565,651	248,396	7,814,047	7,814,047	0.22474
2016	5,909,653	1,573,865	707,140	150,091	8,340,749	237,511	8,578,260	8,578,260	0.22323



Source: The HdL Company and San Mateo County Assessor 2006/07 - 2015/16 Combined Tax Rolls

Notes: ¹ 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.

² 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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Basic Levy ¹	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Belmont Elementary	0.00930	0.00870	0.00840	0.00830	0.00920	0.01970	0.01970	0.01830	0.01820	0.03620
Mid-Penninsula Regional Open Space	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00080
San Mateo Foster City Elementary	0.03320	0.03330	0.03150	0.03260	0.03410	0.03470	0.03380	0.04210	0.03880	0.04020
San Mateo Junior College	0.01840	0.01710	0.01650	0.01820	0.01930	0.01990	0.01940	0.01940	0.01900	0.02500
San Mateo Union High	0.01560	0.01500	0.02980	0.03190	0.03220	0.03830	0.03810	0.03550	0.04750	0.04660
Sequoia Union High	0.02080	0.02050	0.02820	0.02770	0.03110	0.03580	0.03560	0.03130	0.04330	0.04340
Total Direct & Overlapping² Tax Rates	1.09730	1.09460	1.11440	1.11870	1.12590	1.14840	1.14660	1.14660	1.16680	1.19220
City's Share of 1% Levy Per Prop 13³	0.25974	0.25974	0.25974	0.25974	0.25974	0.25974	0.25974	0.25974	0.25974	0.25974
General Obligation Debt Rate	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Redevelopment Rate⁴	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	0.00000	0.00000	0.00000	0.00000
Total Direct Rate⁵	0.47679	0.47502	0.45957	0.45582	0.45653	0.44624	0.44902	0.22518	0.22474	0.22323

Notes:

¹In 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.

²Overlapping 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.

³City'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.

⁴Redevelopment 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.

⁵Total 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, 2006/07 through 2015/16 Direct and Overlapping Property Tax Rates Schedule
San Mateo County Assessor 2006/07 -2015/16 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>	<u>FY 2015/2016</u>			<u>FY 2006/2007</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
GILEAD SCIENCES INC	\$ 1,109,699,727	1	12.94%	\$ 223,791,337	2	3.77%
HUDSON METRO CENTER LLC	261,102,585	2	3.04%			
VISA USA INC	259,941,815	3	3.03%			
TRUST PARKSIDE TOWERS CORPORATION	209,111,688	4	2.44%			
BEX FMCA LLC	178,838,800	5	2.08%			
SF HILLSDALE 20102012 LLC	141,152,318	6	1.65%			
NORTHWESTERN MUTUAL LIFE	84,854,186	7	0.99%			
BAYSIDE TOWERS INC	74,762,331	8	0.87%	65,750,000	10	1.11%
LENNAR HOMES OF CALIFORNIA	66,500,000	9	0.78%			
PWM RESIDENTIAL VENTURE LLC	66,133,489	10	0.77%			
VISA LAND DEVELOPMENT II LP				248,981,685	1	4.19%
APPLERA CORPORATION				212,818,314	3	3.58%
SPK-METRO CENTER LLC LESSEE				171,708,743	4	2.89%
ELECTRONICS FOR IMAGING INC				139,226,393	5	2.34%
GRUPE REAL ESTATE INVESTMENT				83,635,028	6	1.41%
PARKSIDE ASSOCIATES NF LP N A				73,000,000	7	1.23%
BRE PROPERTIES INC				69,204,996	8	1.17%
ESSEX HARBOR COVE APARTMENTS LP				67,575,000	9	1.14%
Top Ten Total	<u>2,452,096,939</u>		<u>28.59%</u>	<u>1,355,691,496</u>		<u>22.83%</u>
City Total	<u>\$ 8,578,259,707</u>			<u>\$ 5,937,330,995</u>		

Source: The HdL Company and San Mateo County Assessor 2015/16 & 2006/07 Combined Tax Rolls 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

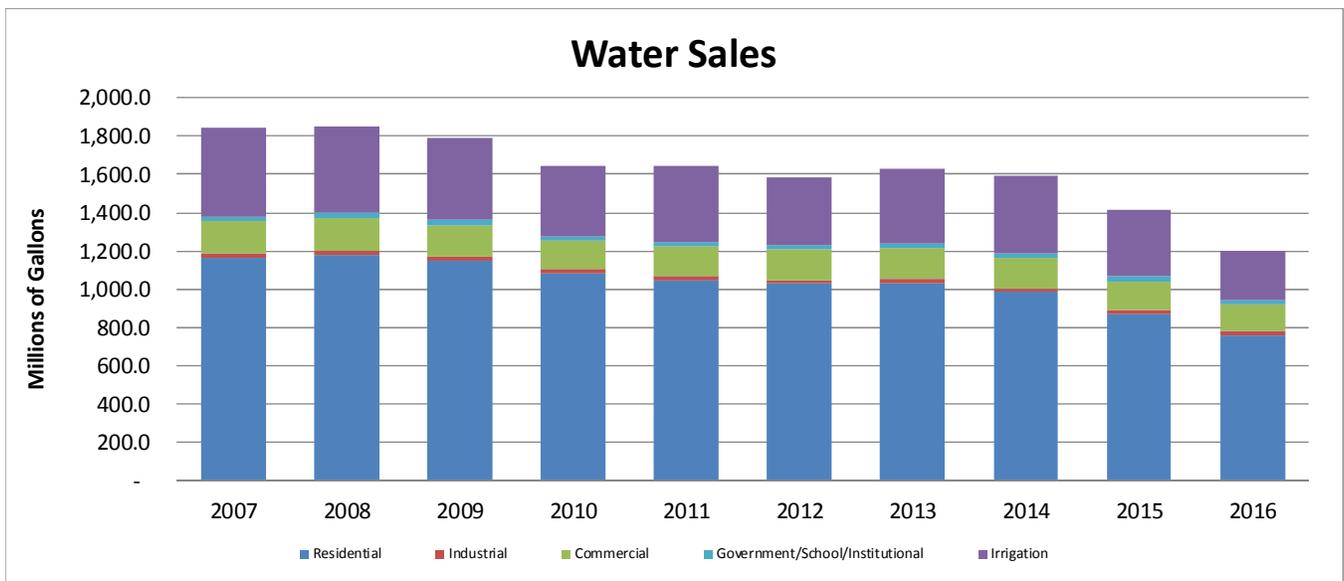
Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year ¹	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount ²	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 10,989,391	\$ 10,632,880	96.76%	\$ 84,287	\$ 10,717,167	97.52%
2008	11,514,681	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% ³	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% ⁴	(37,058)	19,442,083	100.92%
2015	20,152,567	20,126,637	99.87%	(11,207)	20,115,431	99.82%
2016	22,149,657	22,043,604	99.52%	-	22,043,604	99.52%

Notes:

- ¹ Information from County of San Mateo Controller's Office
- ² Amount received after ERAF contribution
- ³ 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 taxes received during the fiscal year exceeded the taxes levied for the fiscal year.
- ⁴ Include \$350,463 from the dissolution of the Community Development Agency of Foster City as a result of AB1484.

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Residential	1,162.1	1,178.5	1,151.9	1,081.4	1,048.9	1,029.2	1,032.1	984.3	873.0	758.5
Industrial	21.5	21.9	21.9	20.8	18.8	17.8	18.4	17.2	17.7	23.0
Commercial	171.6	173.5	163.3	154.1	155.3	164.3	163.8	161.2	151.1	140.0
Government/School/Institutional	25.9	26.7	25.6	22.1	23.0	21.3	24.9	27.4	25.9	20.6
Irrigation	461.0	450.4	426.0	368.9	395.0	351.1	388.0	401.4	344.6	258.4
Total	1,842.1	1,851.0	1,788.7	1,647.3	1,641.0	1,583.7	1,627.2	1,591.5	1,412.3	1,200.5



Source: Utility Billing of Financial Services Department

City of Foster City and Estero Municipal Improvement District

Water and Sewer Rates

Last Ten Fiscal Years

Water	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Availability / Meter Charge (per Month)										
5/8 inch	\$ 12.90	\$ 13.90	\$ 15.60	\$ 16.85	\$ 17.55	\$ 17.55	\$ 15.80	\$ 15.80	\$ 16.00	\$ 17.25
3/4 inch	\$ 12.90	\$ 13.90	\$ 15.60	\$ 16.85	\$ 17.55	\$ 17.55	\$ 15.80	\$ 15.80	\$ 16.00	\$ 17.25
1 inch	\$ 32.25	\$ 34.75	\$ 39.00	\$ 42.15	\$ 43.90	\$ 43.90	\$ 39.50	\$ 27.65	\$ 28.00	\$ 28.75
1&1/2 inch	\$ 64.40	\$ 69.50	\$ 78.00	\$ 84.25	\$ 87.75	\$ 87.75	\$ 79.00	\$ 79.00	\$ 80.00	\$ 69.00
2 inch	\$ 103.00	\$ 111.20	\$ 124.80	\$ 134.80	\$ 140.40	\$ 140.40	\$ 126.40	\$ 126.40	\$ 128.00	\$ 92.00
3 inch	\$ 180.00	\$ 194.60	\$ 218.40	\$ 235.90	\$ 245.70	\$ 245.70	\$ 221.20	\$ 221.20	\$ 224.00	\$ 201.25
4 inch	\$ 280.00	\$ 305.80	\$ 343.20	\$ 370.70	\$ 386.10	\$ 386.10	\$ 347.60	\$ 347.60	\$ 352.00	\$ 362.25
6 inch	\$ 540.00	\$ 583.80	\$ 655.20	\$ 707.70	\$ 737.10	\$ 737.10	\$ 663.60	\$ 663.60	\$ 672.00	\$ 805.00
8 inch	\$ 850.00	\$ 917.40	\$ 1,029.60	\$ 1,112.10	\$ 1,158.30	\$ 1,158.30	\$ 1,042.80	\$ 1,042.80	\$ 1,056.00	\$ 1,380.00
Consumption Charge (per Unit*)										
All Classes	\$ 1.29	\$ 1.49	\$ 1.60	\$ 1.73						
Single Family Residential										
0-10 units					\$ 1.57	\$ 2.00	\$ 2.35	\$ 2.35	\$ 2.49	\$ 4.30
11-20 units					\$ 2.09	\$ 2.66	\$ 3.13	\$ 3.13	\$ 3.32	\$ 4.30
> 20 units					\$ 4.18	\$ 4.66	\$ 4.70	\$ 4.70	\$ 4.98	\$ 4.64
Multi Family Residential										
0-5 units					\$ 1.57	\$ 2.00	\$ 2.35	\$ 2.35	\$ 2.49	\$ 4.30
6-10 units					\$ 2.09	\$ 2.66	\$ 3.13	\$ 3.13	\$ 3.32	\$ 4.30
> 10 units					\$ 4.18	\$ 4.66	\$ 4.70	\$ 4.70	\$ 4.98	\$ 4.67
Irrigation										
0-100% of annual water budget					\$ 2.09	\$ 2.66	\$ 3.13	\$ 3.13	\$ 3.32	\$ 4.30
> 100% of annual water budget					\$ 4.18	\$ 4.66	\$ 4.70	\$ 4.70	\$ 4.98	\$ 5.65
Commercial and Fire Line					\$ 2.09	\$ 2.66	\$ 3.13	\$ 3.13	\$ 3.32	\$ 4.40
Private Fire Protection Service										
Availability / Meter Charge (per Month)										
3/4 inch	\$ 22.50	\$ 24.33	\$ 27.30	\$ 29.50	\$ 30.75	\$ 30.75	\$ 27.65	\$ 27.65	\$ 28.00	\$ 24.15
1 inch	\$ 22.50	\$ 24.33	\$ 27.30	\$ 29.50	\$ 30.75	\$ 30.75	\$ 27.65	\$ 27.65	\$ 28.00	\$ 24.15
1&1/2 inch	\$ 22.50	\$ 24.33	\$ 27.30	\$ 29.50	\$ 30.75	\$ 30.75	\$ 27.65	\$ 27.65	\$ 28.00	\$ 24.15
2 inch	\$ 36.25	\$ 38.92	\$ 43.68	\$ 47.20	\$ 49.15	\$ 49.15	\$ 44.25	\$ 44.25	\$ 44.80	\$ 32.20
3 inch	\$ 63.25	\$ 68.11	\$ 76.44	\$ 82.60	\$ 86.00	\$ 86.00	\$ 77.45	\$ 77.45	\$ 78.40	\$ 70.45
4 inch	\$ 99.25	\$ 107.03	\$ 120.12	\$ 129.75	\$ 135.15	\$ 135.15	\$ 121.70	\$ 121.70	\$ 123.20	\$ 126.80
6 inch	\$ 189.25	\$ 204.33	\$ 229.32	\$ 247.70	\$ 258.00	\$ 258.00	\$ 232.30	\$ 232.30	\$ 235.20	\$ 281.75
8 inch	\$ 297.50	\$ 321.09	\$ 360.36	\$ 389.25	\$ 405.45	\$ 405.45	\$ 365.00	\$ 365.00	\$ 369.60	\$ 483.00
Wastewater										
Residential (per Month)										
Single Family	\$ 35.13	\$ 37.94	\$ 40.98	\$ 43.85	\$ 46.05	\$ 46.05	\$ 46.05	\$ 46.05	\$ 47.00	\$ 51.47
Townhouse	\$ 29.54	\$ 31.90	\$ 34.45	\$ 36.90	\$ 38.75	\$ 38.75	\$ 38.75	\$ 38.75	\$ 39.55	\$ 43.23
Duplex	\$ 29.54	\$ 31.90	\$ 34.45	\$ 36.90	\$ 38.75	\$ 38.75	\$ 38.75	\$ 38.75	\$ 39.55	\$ 43.23
Apartment / Condominium	\$ 27.94	\$ 30.18	\$ 34.45	\$ 36.90	\$ 38.75	\$ 38.75	\$ 38.75	\$ 38.75	\$ 39.55	\$ 43.23
Commercial (per Unit* of Water Billed)										
Restaurant	\$ 6.39	\$ 6.90	\$ 7.45	\$ 7.97	\$ 8.37	\$ 8.37	\$ 8.37	\$ 8.37	\$ 8.54	\$ 9.35
Miscellaneous	\$ 2.08	\$ 2.25	\$ 2.62	\$ 2.80	\$ 2.94	\$ 2.94	\$ 2.94	\$ 2.94	\$ 3.00	\$ 3.29
Institutional (per Unit* of Water Billed)										
School	\$ 1.27	\$ 1.37	\$ 1.48	\$ 1.58	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.69	\$ 2.16
Church	\$ 1.27	\$ 1.37	\$ 1.48	\$ 1.58	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.69	\$ 2.16
Public Facility	\$ 1.27	\$ 1.37	\$ 1.48	\$ 1.58	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.66	\$ 1.69	\$ 2.16

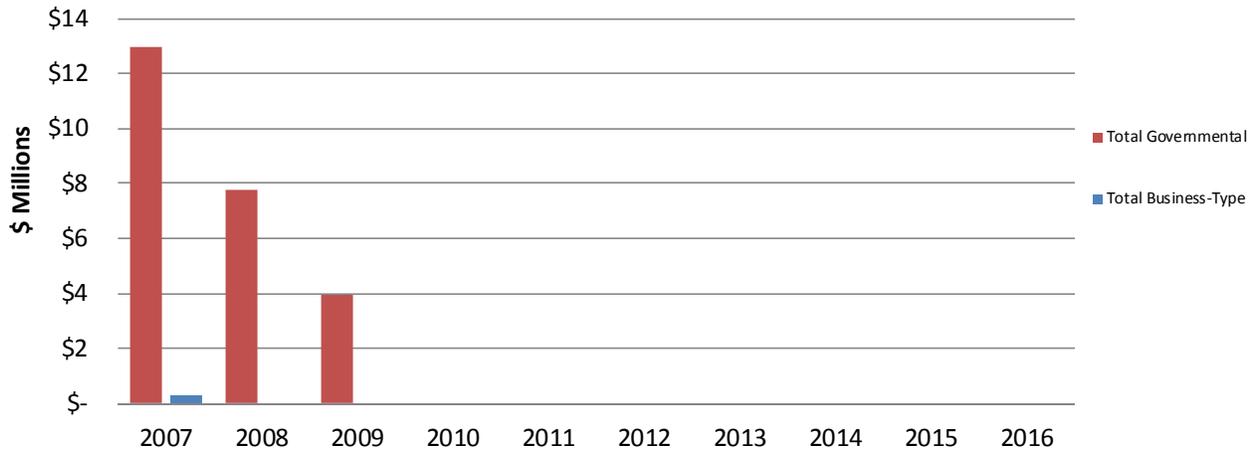
Unit* = 748 Gallons

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			Total	Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Redevelopment Bonds	Special Assessment Bonds		Wastewater Bonds				
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	-
2015	-	-	-	-	-	-	-	n/a	-
2016	-	-	-	-	-	-	-	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, 2016**

2015-16 Assessed Valuation: \$8,561,065,274

	Total Debt Outstanding 06/30/16	Percentage Applicable (1)	City's Share of Overlapping Debt 6/30/16
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:			
San Mateo Community College District	\$644,384,027	4.800%	\$ 30,930,433
San Mateo Union High School District	544,823,660	13.683%	74,548,221
Sequoia Union High School District	419,320,000	0.005%	20,966
San Mateo-Foster City School District	301,000,533	28.369%	85,390,841
Belmont-Redwood Shores School District	68,186,228	0.028%	19,092
Midpeninsula Regional Open Space District	45,000,000	0.005%	2,250
Estero Municipal Improvement District	0	100.000%	0
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 190,911,803
OVERLAPPING GENERAL FUND DEBT:			
San Mateo County General Fund Obligations	\$432,359,816	4.800%	\$ 20,753,271
San Mateo County Board of Education Certificates of Participation	9,890,000	4.800%	474,720
Midpeninsula Regional Park District General Fund Obligations	122,305,886	0.005%	6,115
TOTAL OVERLAPPING GENERAL FUND DEBT			\$ 21,234,106
TOTAL DIRECT DEBT			\$0.00
TOTAL OVERLAPPING DEBT			\$ 212,145,909
COMBINED TOTAL DEBT			\$ 212,145,909 (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 2015-16 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	2.23%
Combined Total Debt	2.48%

Source: California Municipal Statistics, Inc.

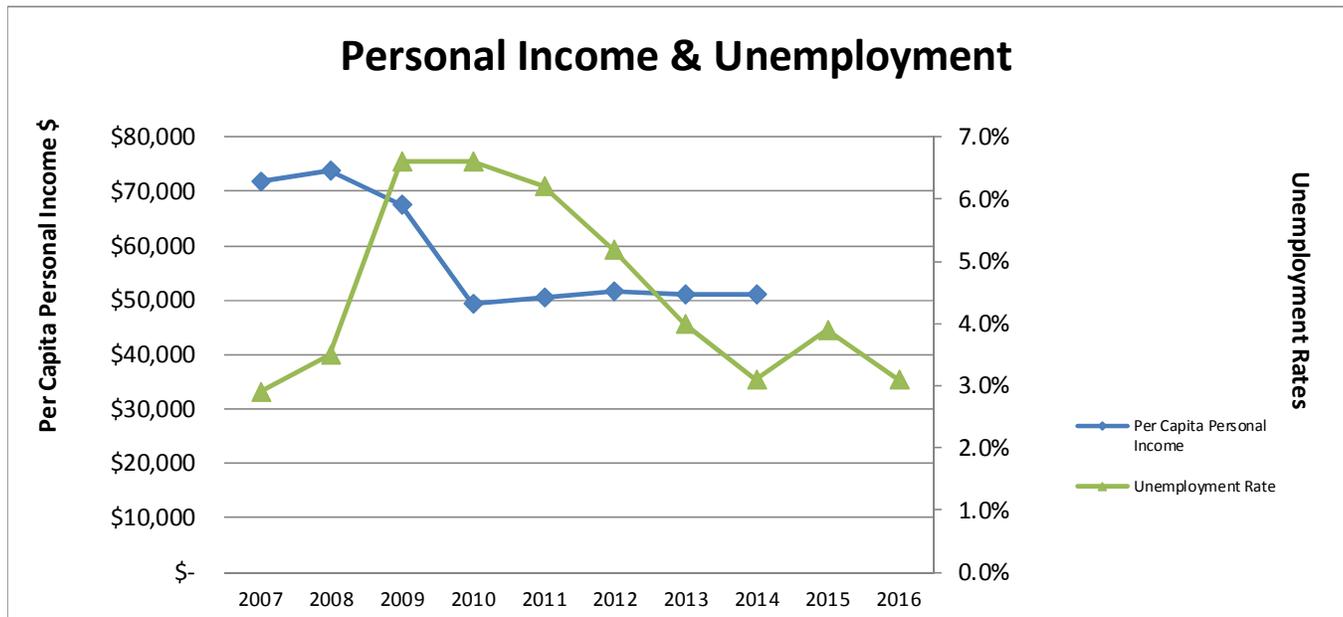
City of Foster City and Estero Municipal Improvement District
Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$ 882,082	\$ 922,063	\$ 967,627	\$ 995,982	\$ 985,253	\$ 984,013	\$ 1,016,775	\$ 1,112,856	\$ 1,157,114	\$ 1,271,748
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<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>	<u>\$ 1,157,114</u>	<u>\$ 1,271,748</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	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

Year	Population	Personal Income <i>(thousands of dollars)</i>	Per Capita Personal Income	Unemployment Rate
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	1,645,399	51,120	3.1%
2015	32,187	1,759,601	52,998	3.9%
2016	33,201	n/a	n/a	3.1%



Sources: Population: The HdL Company and State Department of Finance
 Personal income: The HdL Company and State Employment Development Department for County of San Mateo
 2000-2009 – Census Block Groups that overlap the City’s boundaries
 2010-2015 – US Census Bureau, most recent American Community Survey
 Unemployment Rate: The HdL Company and Bureau of Labor Statistics for City of Foster City

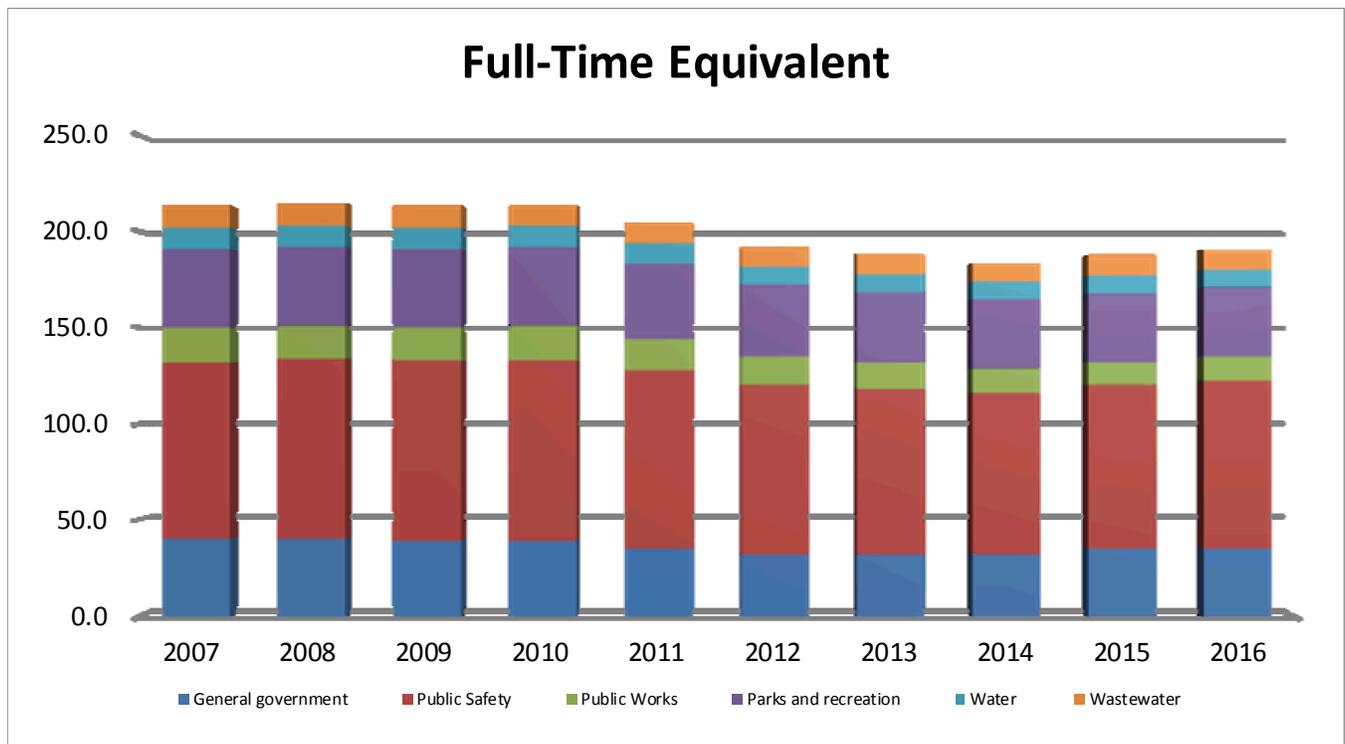
**City of Foster City and Estero Municipal Improvement District
Principal Employers
Current Year and Ten Years Ago**

<u>Employer</u>	<u>2016</u>			<u>2007</u>		
	<u>Employees & Contractors</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees & Contractors</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
GILEAD SCIENCES, INC.	6,949	1	32.76%	1,025	5	6.86%
VISA U.S.A. INC.	2,443	2	11.52%	1,374	3	9.19%
INOVANT LLC	2,094	3	9.87%	1,166	4	7.80%
GUIDEWIRE SOFTWARE, INC.	769	4	3.63%			
IBM CORPORATION	444	5	2.09%			
CYBERSOURCE CORPORATION	416	6	1.96%			
CITY OF FOSTER CITY	296	7	1.40%	213	10	1.42%
PENINSULA JEWISH COMMUNITY CTR	270	8	1.27%			
QUINSTREET, INC.	255	9	1.20%	253	9	1.69%
COSTCO	233	10	1.10%			
APPLIED BIOSYSTEMS, LLC				1,578	1	10.56%
ELECTRONICS FOR IMAGING, INC.				1,410	2	9.43%
SONY COMPUTER ENTERTAINMENT, LLC				725	6	4.85%
MID-PENINSULA HOUSING				264	7	1.77%
STENTOR, INC.				260	8	1.74%
Top Ten Total	<u>14,169</u>		<u>66.80%</u>	<u>8,268</u>		<u>55.30%</u>
City Total	<u>21,211</u>			<u>14,950</u>		

Source: 2007 and 2016 Business License Database of Financial Services Department

**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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General government										
Management services	19.0	20.0	19.0	19.0	16.0	14.0	13.0	13.0	13.0	13.0
Finance	9.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	9.0	9.0
Planning	5.5	5.5	5.5	6.5	5.5	5.0	6.0	6.0	7.0	7.0
Building	6.5	6.5	6.5	5.5	5.5	5.0	5.0	5.0	6.0	6.0
Police										
Officers	37.0	39.0	39.0	39.0	39.0	36.0	36.0	36.0	37.0	38.0
Civilians	17.0	17.0	17.0	17.0	17.0	15.0	13.0	13.0	13.0	15.0
Fire										
Firefighters and officers	36.0	36.0	36.0	36.0	35.0	35.0	35.0	33.0	33.0	32.0
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	8.0	7.0	7.0	7.0	7.0	6.0	5.0	4.0	4.0	5.0
Other	10.0	10.0	10.0	11.0	9.0	9.0	9.0	9.0	8.0	8.0
Parks and recreation	41.0	41.0	41.0	41.0	39.0	37.5	36.5	36.0	36.0	36.0
Water	11.0	11.0	11.0	11.0	11.0	9.0	9.0	9.0	9.0	9.0
Wastewater	11.0	11.0	11.0	10.0	10.0	10.0	10.0	9.0	10.0	10.0
Total	213.0	214.0	213.0	213.0	204.0	191.5	187.5	183.0	187.0	190.0



Source: City Budget

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

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>2015</u>	<u>2016</u>
Police										
Physical arrests	762	769	677	831	728	650	520	640	572	576
Parking violations	863	891	854	865	624	673	673	654	552	816
Traffic violations	2,396	1,870	2,004	2,811	2,317	2,693	2,774	3,012	2,078	1,746
Fire										
Emergency responses	1,940	2,095	1,895	1,828	1,873	1,946	2,012	2,336	2,123	1,978
Fires extinguished	105	107	102	85	73	88	61	82	24	47
Inspections	1,102	1,128	1,026	966	1,231	1,143	1,029	1,108	1,201	1,102
Other public works										
Street resurfacing (miles)	1	2	1	1	5	1	1	2	2	2
Potholes repaired	30	25	45	70	40	45	36	40	32	35
Parks and recreation										
Athletic field permits issued	49	52	45	54	57	64	66	57	60	86
Community center admissions	8,804	9,144	8,648	8,209	8,123	7,582	7,580	5,837	3,794	5,611
Water										
New connections	4	2	-	-	-	7	1	1	13	26
Water mains breaks	-	14	6	1	6	6	3	11	6	17
Average daily consumption (thousands of gallons)	5,574	5,520	5,230	4,890	4,822	4,660	4,100	3,980	3,956	3,623
Peak daily consumption (thousands of gallons)	10,634	10,450	10,530	10,340	9,750	9,165	8,890	8,445	6,624	5,047
Wastewater										
Average daily sewage treatment (thousands of gallons)	3,074	2,980	2,600	2,450	2,340	2,267	2,200	2,652	2,040	2,350

Sources: Various city departments

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

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>2015</u>	<u>2016</u>
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	12	12	12	11	10	10	10
Fire stations	1	1	1	1	1	1	1	1	1	1
Other public works										
Streets (miles)	54	54	54	54	54	54	54	54	54	54
Streetlights	1,918	1,918	1,918	1,918	2,063	2,062	2,031	2,031	2,031	2,025
Traffic signals	25	25	25	25	25	25	25	25	25	25
Parks and recreation										
Acreage	171	210	210	210	210	210	213	213	221	221
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	3	3	3	3	3	3	3	3
Water										
Water mains (miles)	110	110	110	110	110	110	107	107	107	107
Fire hydrants	1,149	1,149	1,149	1,149	1,153	1,153	1,109	1,110	1,110	1,110
Storage capacity (thousands of gallons)	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Wastewater										
Sanitary Wastewaters (miles)	66	66	66	66	66	66	65	65	65	65
Storm Wastewaters (miles)	83	83	83	83	83	83	81	81	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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