



Foster City Financial Update FY 15/16 Q1

City of Foster City
Financial Services Dept.

Live, Work & Play
in Foster City

Economic conditions during the 1st quarter remain positive and the City's General Fund is on track to meet both revenue and expenditure budgets and end year by meeting or exceeding projected surplus of \$1.3 million.

During the 1st quarter, economic conditions were positive and financial results were generally in line with expectations.

Total General Fund Revenues of \$2.6 million or \$290,000 higher than the same quarter last year. Much of this year over year increase is attributed to higher permit and building fees collected from development projects. It is important to note that the City's revenues are non-linear and do not flow evenly to the City over the course of the fiscal year. As an example, most property tax revenues are paid by the County to the City in December and April. Since property taxes account for over 50% of the City's General Fund revenues, total General Fund revenues in the 1st quarter is normally low, as is the case for FY 2015/16. Notwithstanding, the outlook for the full fiscal year remains good and the City is expected to meet or exceed its adopted budget with a projected General Fund surplus of \$1.3 million and a reserve balance of \$33.5 million.

Special Revenue Fund Gas Tax totaled \$204,000 or \$62,000 higher than the same quarter in the prior year as the State Controller's office changed the measurement period for which taxes are paid to agencies from an accrual basis to a cash basis. This resulted in the recognition of 3 months of revenues in FY 2015/16 versus 2 months of revenues in FY 2014/15.

Water Enterprise Fund revenues totaled \$1.86 million, which was slightly lower in comparison to the \$1.88 million in prior year. Although water rates were increased at the beginning of the fiscal year, consumption also declined as rate payers continued their conservation efforts in response to the State's severe drought.

Wastewater Enterprise Fund revenues totaled \$1.1 million or \$111,000 higher than the same period in

the prior year as rates were increased effective July 1, 2015 to fund costs associated with the wastewater treatment plant master plan improvements project.

Effective FY 2014/15, a new accounting standard took effect. Government Accounting Standards Board (GASB) 68 required the reporting of pension liabilities to be included in its government-wide financial statements. As a result, governmental funds (i.e. General Fund) do not record these liabilities at the Fund level, but only at the government-wide level as presented in the annual Comprehensive Annual Financial Report (CAFR). With the implementation of GASB 68, the General Fund's Net Position was reduced by \$49.4 million at the government-wide level in FY 2014/15. On the other hand, Proprietary Funds, including the City's Water and Wastewater Enterprise Funds and the City's Internal Service Funds that include staffing costs included pension liabilities and a retroactive adjustment to its respective Fund Balance in FY 2014-2015. The implementation of GASB 68 reduced the Fund Balances of the Water and Wastewater Funds by \$2.63 and \$2.77 million respectively at the end of June 30, 2015. Similarly, Fund Balances for the Vehicle Rental, Information Technology, and Building Maintenance Internal Services Funds were reduced by \$663,000; \$848,000; and \$866,000 respectively. Notwithstanding, the City's financial position and long term (5-year) outlook remains solid at the end of FY 2015/16 Q1.