



# Foster City Financial Update 3Q 13/14

City of Foster City

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## General Fund Revenues Looking Stronger, Expecting to Finish FY 2013-2014 \$2 Million Ahead of Original Forecast

The City's General Fund revenues continue to look more promising as the fiscal year enters its fourth quarter. It is expected that the fiscal year will close with General Fund revenues exceeding the original forecast by over \$2 million.

- ☺ **Property taxes** in total are projected to finish \$2.5 million ahead of the original budget. About \$1.3 million of that relates to the receipt of Excess ERAF funds that has historically not been included in the budget given its unpredictability. The remaining \$1.2 million is indicative of the improved real estate market and, as previously disclosed in the 2nd Quarter report, the increase in assessed valuation on commercial properties that had reduced assessments during the Recession.
- ☹ **Sales and use taxes** will fall \$463,000 short due to a reduction in the "triple flip" amount that is received through the convoluted trade of property and sales taxes and vehicle license fees by the State.
- ☹ **Franchise fees** will fall \$153,500 short of original projections, due primarily to the decrease from 10% to 5% in the franchise fee charged to Recology for the privilege of using City rights of way to conduct their business.
- ☺ **Business License revenues** are expected to beat original budget estimates by \$318,000 due to the approval of Measure U by voters which will increase the gross revenue cap upon which the tax is assessed ratably over the next four years. The original expectation of Measure U-related revenues was \$275,000. Ac-

tual collections are higher due to greater than expected gross revenues reported by businesses.

- ☹ **Permit revenues** will fall short of expectations by \$370,000, primarily as a result of the City not anticipating that the Waverly Project will pull a building permit by June 30, 2014. Those revenues are expected to occur after year end. Recurring permit revenues are showing signs of improvement, which will bode well for FY 2014-2015 projections.
- ☺ **Vehicle license fees** are trending higher than original estimates by \$427,500 as many agencies in the State saw increases in vehicle registrations and the flow of vehicle license fee revenues from the State.
- ☺ **Service fee revenues** will finish nearly \$200,000 better than forecast due to increased development activity from Gilead Sciences that generated plan check fees greater than originally anticipated.
- ☹ **Recreation and leisure fees** are expected to finish the year \$220,000 behind forecast, however there will be a similar reduction in expenditures as the Recreation Department matches part-time staffing of programs to enrolled participants.

The sales and use tax trend is something that staff is watching closely. As the "triple flip" nears the end of its life in 2015, the affected revenue streams will stabilize and be more predictable.

These trends will be taken into consideration in the preparation of the FY 2014-2015 budget and five-year forecast.

### Included in this report:

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### Highlights:

- General Fund revenues will finish \$2 million ahead of original forecast, due primarily to positive trends in property tax, business license tax, and vehicle license fees
- Sales tax revenue trends will require careful monitoring and will play an important part in the City's future economic development plans
- The City received \$508,000 in grant funding for its Street Resurfacing Project, offsetting the need to use as much Measure A and M funds.



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 Enhancing the  
 Quality of Life in  
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### Special Revenue Funds and City CIP Funds Benefit from Significant One-Time Revenues

Special Revenue and City CIP funds will experience a surplus over the original forecast of nearly \$2.8 million combined. Some of the key reasons for this excess revenue include:

- ☺ Measure A revenues will finish the year nearly \$630,000 ahead of forecast due primarily to the receipt of countywide funds that assisted the Multi-Project Traffic Improvement project along Triton Drive near the Pilgrim-Triton project. The City will refund the related deposit made by the Pilgrim-Triton developers for their share of the project costs prior to the City being awarded the Measure A grant..
- ☺ Park in Lieu fees will finish \$522,000 higher than anticipated as the final calculation of the PIL fees for the Triton Pointe project were higher than the original conservative budget estimates. This will allow the City to fund the necessary park improvements to meet the demands put on the park system as a result of increased population.
- ☺ The City Affordable Housing Fund will finish at least \$850,000 better than original forecast. The City sold its interest in an affordable housing unit in the Emerald Bay development, and is also expected to close escrow on the sale of another affordable housing unit by year's end in the Sand Harbour South development, the funds from which will be used to support the operations of the remaining six (6) affordable housing units retained by the City as the successor housing agency to the dissolved former redevelopment agency.
- ☺ The CIP Project - City fund received a one-time grant of \$508,000 from the State Department of Transportation as a dollar-for-dollar match against Measure A funds used for the Residential Street Resurfacing Project (CIP 627) completed during the current fiscal year.

### Drought Conditions in California - Impact on Estero Municipal Improvement District's Water Operations Fund

Rainfall totals this winter have been historically low. The District, in conjunction with BAWCSA, has been monitoring the potential for limited water availability for FY 2014/2015. In mid-February, Governor Brown announced drought emergency legislation that will provide special drought funds to help communities deal with the drought. During the same press conference, the Governor stopped short of declaring a mandatory water reduction, rather he has called on all Californians to voluntarily reduce their water usage by 20 percent.

While several other water agencies in the state have declared mandatory rationing, the SFPUC, from whom the District purchases all of its water, has indicated that it is not instituting mandatory rationing at the present time and will reevaluate that decision again in June 2014.

The impact of an historically low rainfall has meant that irrigation customers and single-family residences have used higher than normal amounts of water through the typically rainy season. This has been counterbalanced against the water conservation efforts over the past several years in which the District has seen its water consumption drop by over 15% since 2009-2010.

Because of the District Board's fiscal policies, the consumption rate charged to District customers is matched closely with the rate charged to the District by San Francisco. This approach ensures that the District's fixed costs are always covered even when the variable costs (purchase of water) goes up or down.

Customers have been encouraged to conserve water by 10% in an effort to ensure that there is an available supply from the Hetch Hetchy System. But from a financial perspective, the District's prudent fiscal policy in terms of matching its variable revenues with variable costs will ensure that the District's financial health remains intact.