

Foster City Financial Update 4Q 13/14

City of Foster City

Live, Work & Play
in Foster City

The City has completed the fourth quarter and the final audit of fiscal year 2013-2014. This report summarizes the activities of the City's General Fund, but is not meant to be inclusive of all financial and accounting transactions. This report is only intended to provide the Council and the public with an overview of the state of the City's general fiscal condition. The General Fund is the primary operating fund of the City and is used to account for most operating activities.

Highlights of General Fund Revenue Performance:

The top six revenue sources are property taxes, sales & use taxes, motor vehicle license fees, transient occupancy tax, permit fees, and charges for current services. They accounted for 86% of the total general fund revenues.

The current commercial and residential development projects have brought in a significant amount (\$1,816,668) of one-time revenues to the general fund, such as permit fees (\$1,150,211) and plan check fees (\$666,457).

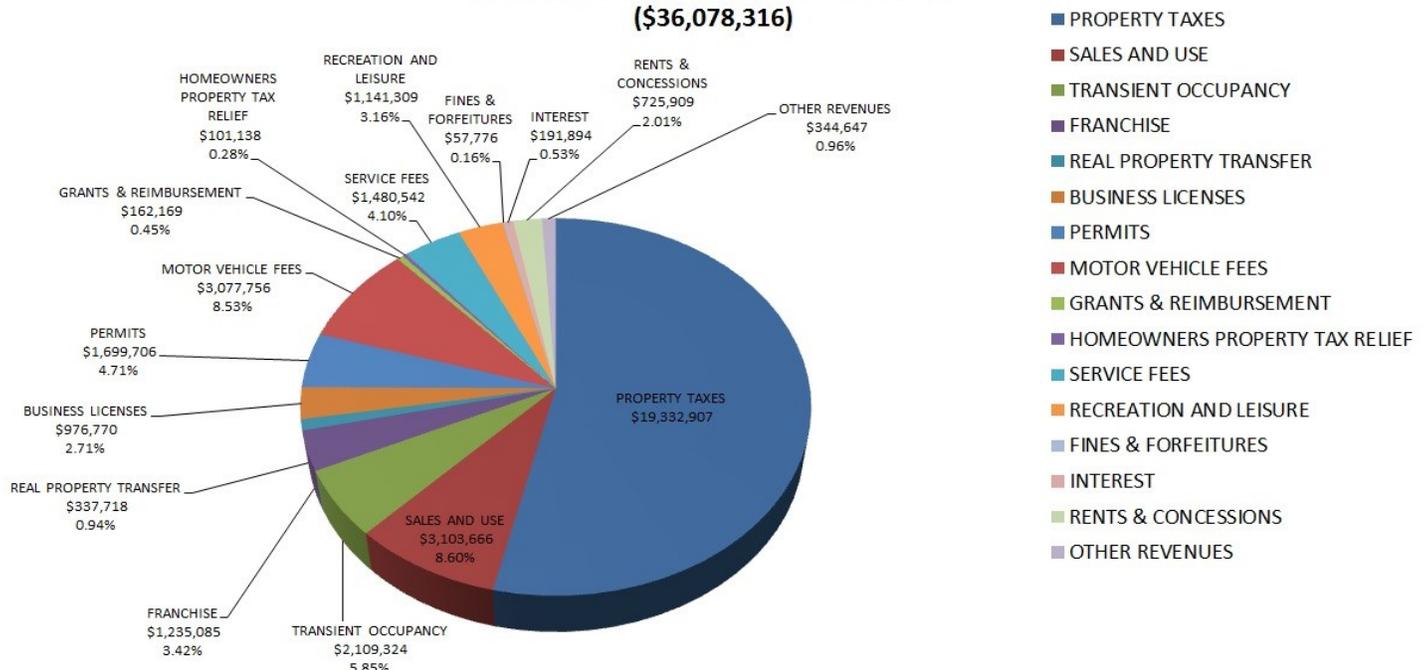
The development projects also generate long-term revenues; such as property taxes, sales & use taxes, and business license tax, which will benefit and secure the revenue flows of the general fund.

The transient occupancy tax has shown steady increases each year due the recovery of the economy.

With voter's support, the passage of Measure "U" has updated the business license tax which was established 40+ years ago. The increase in the business license tax is being phased in over a three-year period: January 1, 2014; January 1, 2015; and January 1, 2016.

Over the years, the City Council has provided sound policy directions which have provided financial stability and made this community one of the best places to live, work, and play!

FY 2013/2014 GENERAL FUND REVENUES
(\$36,078,316)





Highlights of General Fund Expenditure Performance

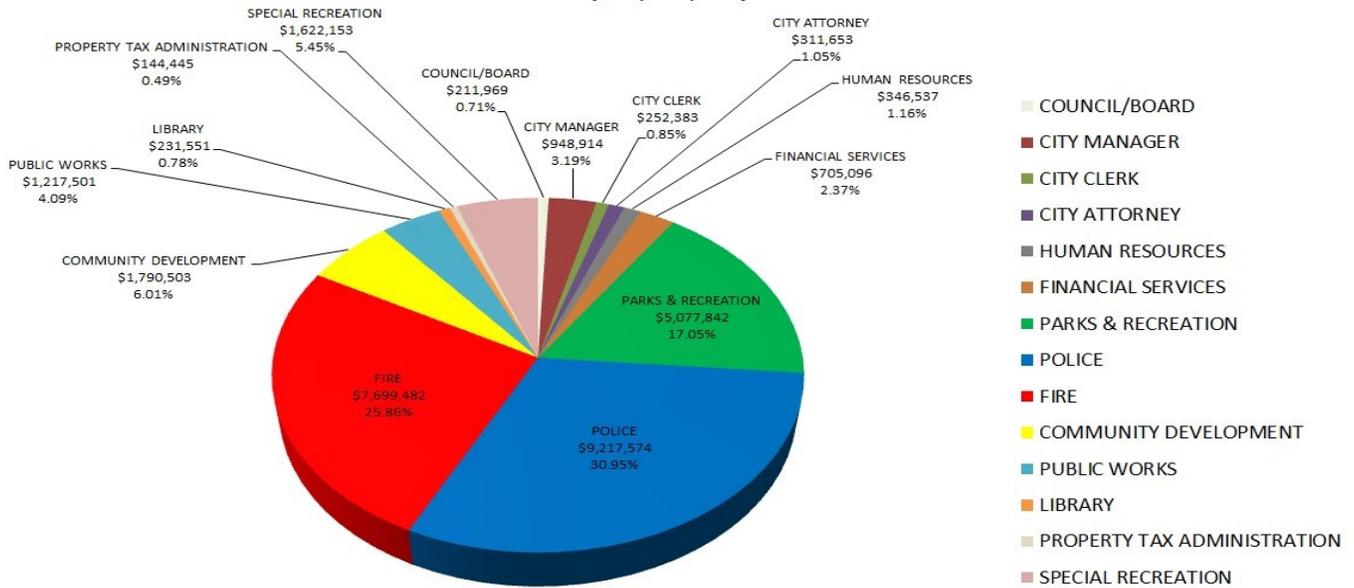
The City has been responsively evaluating and managing employee compensation and benefits costs. The City has taken steps in reorganizing the work force, sharing services, shifting defined benefits to defined contribution, and establishing multiple tiers of retirement plans. By managing overall expenses, there was a minimum increase of \$60,695 in total general fund expenditures compared to prior fiscal year.

The City began establishing internal services funds (ISF) in the 1980’s. The general fund contributes to the ISF annually for vehicle and equipment replacements, information and technology equipment maintenance and replacement, building repairs and maintenance, self-insurance for legal liabilities, and other post-employment benefits, which proactively ensure the stability of the general fund’s operation and service quality regardless of the economic condition.

The total operation costs of police, fire, public works, community development, parks & recreation departments, special recreation programs and the library building maintenance costs accounted for approximately 90% of the general fund expenditures. The total operation costs of the support departments accounted for the remaining 10% of expenditures.

The first energy efficiency “LED” street lights change out project has generated an additional savings of \$38,184 than originally projected and is an example of how a capital investment has resulted in operational savings.

FY 2013/2014 GENERAL FUND EXPENDITURES (\$29,777,603)





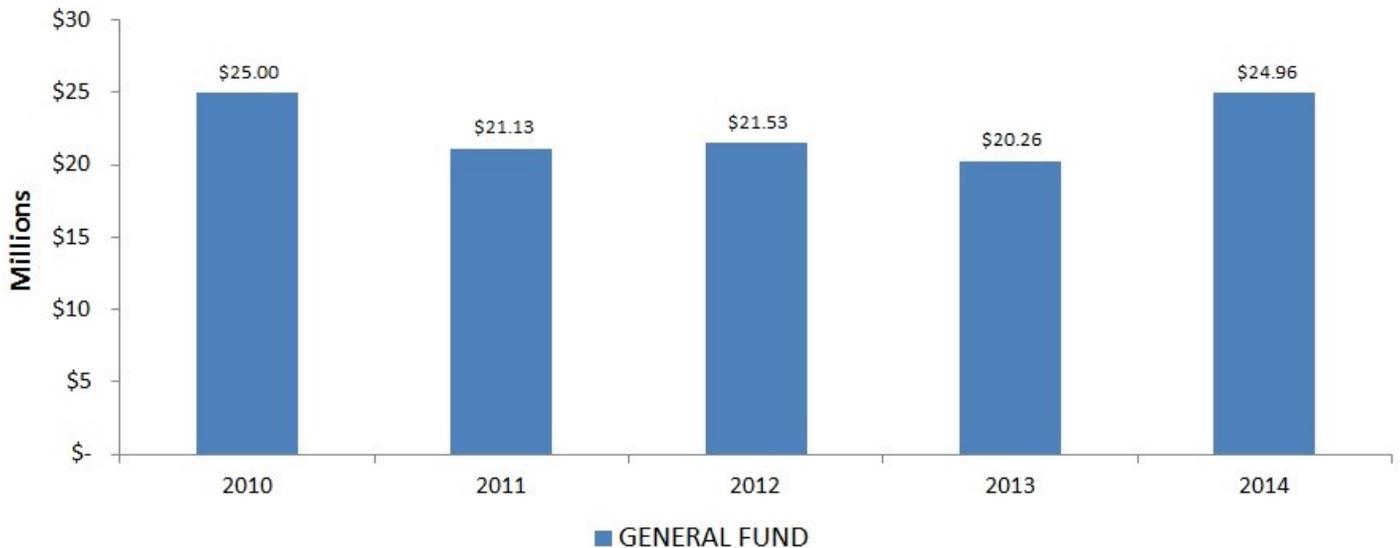
Highlights of the General Fund’s Fund Balances

In FY 2013-2014, the City’s general fund had an extra-ordinary loss of \$1,246,530 as the Sacramento Superior Court ruled against the City regarding the general fund loan repayment received from the former Foster City Community Development Agency in FY 2010-2011. The loan repayment was clawed back per AB 1848; however, the City is allowed to reinstate the general fund loan with the Successor Agency of the former Foster City Community Development Agency. The loan reinstatement request is pending approval by the State Department of Finance. Once the reinstatement request is approved, the loan payments will be made using future funds from the County’s Reserve for Property Tax Trust Fund (RPTTF) starting 2016 until fully paid by 2025.

Despite the extra-ordinary loss, the general fund’s fund balance increased by \$4.7 million, or 23.2% to \$24.96 million. The unassigned fund balance of \$23.8 million represents 72.36% of annual operating expenditures, which well exceeded the City’s minimum reserve policy of 33⅓%.

The City’s three-year action plan in dealing with the structural budget deficit has been carried out successfully and the general fund balance has recovered to its 2010 level. The City is well managed and in sound financial condition.

**CITY OF FOSTER CITY GENERAL FUND
FUND BALANCES FROM FY 2009-2010 THROUGH FY 2013-2014**



FOR MORE INFORMATION:

This summary is based on detailed information produced by the City’s Financial Services Department. If you would like additional information or have any questions about this report, please call 650-286-3212.

