# Foster City Financial Update FY 23/24 Q4

**City of Foster City**
**Financial Services Dept.**

Live, Work & Play
in Foster City

## General Fund Unrestricted Reserves Ends Year at $63.1 million including receipt of the Vehicle License Fee (VLF) backfill for approximately $667K.

The City's General Fund Reserves (Funds 001to 003) ended FY 23/24 with an Unrestricted Reserve balance of $63.1 million. This balance represents a reserve level of 100% of FY 24/25 budgeted expenditures of $61.8 million.

Total FY 23/24 General Fund Revenues, including VLF backfill, were $63.5 million, surpassing adopted budget estimates by $2.0 million. Total expenditures, excluding net Transfers Out were $53.0 million. Total transfers out of $6.7 million included $6.0 million to the City CIP Fund and $63,564 for Successor Agency loan repayment designated to the Housing Successor Fund. A transfer in of $21,948 were from the Foundation Fund for the summer concerts.

Significant General Fund revenues are discussed below.

Property Taxes: $38.9 million (includes $3.5 million of Education Revenue Augmentation Fund "ERAF" refunds from San Mateo County) or $2.9 million above budgeted expectations due primarily to a $1.9 million variance in ERAF and moderate growth in organic property tax revenues. ERAF refunds are expected to have continued volatility and subject to the State's potential scrutiny. Real estate transfer taxes totaled $238,000 and fell short of budget by $73,000 as the inventory of homes available for sale diminished with the rise of mortgage rates following the profusion of refinancings when 30 year mortgage rates were much lower (3%-4% range).

Property Tax In Lieu of Vehicle License Fees (VLF): $3.8 million or approximately $608,000 below budget as the current year short fall was higher than the State provided backfill for prior period shortfalls. Since the County's distribution of VLF revenues are impacted by the number of non-basic aid school districts; with declines impacting the availability of monies for distribution to the cities, the recovery of any shortfalls from the State has inherent uncertainty. Thus far, the State has approved funding 2 years after the occurrence of annual VLF shortfalls, but has not been supportive of a legislative fix to the VLF issue.

Transient Occupancy tax (TOT): $4.3 million or $725,000 above the adopted budget estimates. These revenues are now marginally below the level of the $4.39 million high back in FY 2018-19 and the recovery trend is promising.

Sales tax revenues: $3.7 million or $229,000 below budget estimates. The shortfall is primarily due to the adjustments made by the State for the sales that did not belong to the City.

Business License Tax (BLT): $1.9 million, bettering estimates by $313,000.

Interest and rental income: $4.3 million or $1.4 million higher than estimates as the Federal Reserve's Federal Funds rate continued to be at high level in FY 2023-24 and demand for facility rentals accelerated.

Recreation fees/charges: $1.7 million or $183,000 above budget with solid demand for programing and classes.

Total General Fund (Funds 001to 003) expenditures were $53.0 million or $6.5 million below the amended budget. Personnel related savings accounted for approximately $4.5 million and supplies and contract services $2.0 million. While the City was able to fill some positions, the multitude of staff vacancies and supply chain disruptions contributed to the unexpended employee services budget as well as delays and postponement of work plans and related procurements.

During the year, the City made strong progress in the Levee CIP project and completed the project in February 2024.

Both the Water and Wastewater enterprises had gains in its overall Net Positions and exceeded its 25% reserve levels for its operating funds and its $2 million minimum level for its capital improvement projects program.

The City's overall fiscal health at the conclusion of FY 2022-23 remains positive. However, higher costs associated with adjustments made from the results of the classification and compensation studies, new labor agreements, and an increase in head counts approved in the FY 2024-25 budget are contributing to anticipated multi-year structural deficits to the City's General Fund.