

CITY OF FREMONT

FY 2021/22 Year-End Report and 2022/23 Update

October 18, 2022

Overview

- ▶ Summary of FY 2021/22 General Fund Operating Results
- ▶ Recommended Allocation of Fund Balance
- ▶ Review of FY 2021/22 Authorized Appropriation Actions
- ▶ Updated FY 2022/23 Revenue and Expenditure Projections

Major Updates to Y/E Revenue Estimate

- ▶ Property tax – Added \$1.3 million

Payments from County received May-August:

- March-June supplemental property tax
- May-June secured property tax

- ▶ Business tax – Added \$1.3 million

May and June payments from contractors/business owners:

- Residential construction tax
- Prior year delinquencies

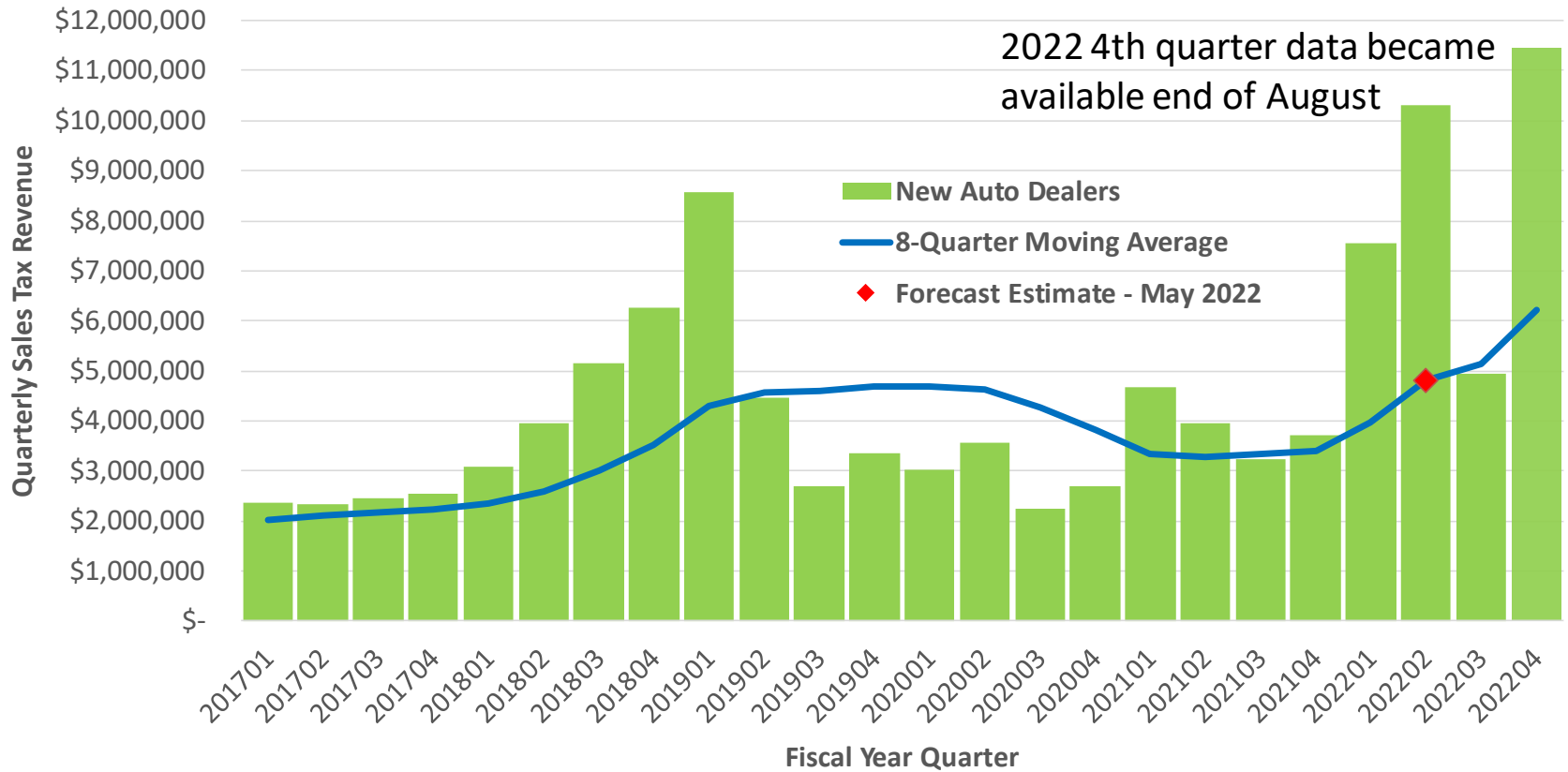
- ▶ Sales tax – Added \$8.8 million

Payment from State received in August:

- 4th quarter sales tax – new auto sales and County pool

New Auto Sales Tax – Increasing but Volatile

- ▶ Exceeded Estimate by over \$6 million in 4th quarter
 - New auto spike caused corresponding spike in county pool allocation



Revenues Exceed Estimate by \$12.5 Million

Dollars in Millions	FY 2020/21 Actual	FY 2021/22 May Estimate	FY 2021/22 Est Actual	FY 2021/22 Est Actual vs. Prior Year	FY 2021/22 Est Actual vs. May Estimate
Property Tax	\$112.8	\$117.6	\$118.9	5.4%	\$ 1.3
Sales Tax	60.4	78.0	86.8	43.7%	8.8
Business Tax	10.8	12.6	13.9	28.7%	1.3
Franchise Fees	10.7	11.1	11.2	4.7%	0.1
Hotel Tax	2.8	4.3	4.7	67.9%	0.4
Charges for Services	6.0	6.6	6.8	13.3%	0.2
Other*	27.2	31.1	31.6	16.2%	0.5
Revenue Subtotal	230.7	261.3	273.9	18.7%	12.6
Transfers In	7.5	6.5	6.4	-14.7%	-0.1
Total Resources	\$238.2	\$267.8	\$280.3	17.7%	\$ 12.5

* American Rescue Plan Act (ARPA) fiscal recovery funds are shown as Other revenue in FY 2020/21 (\$20.0 million) and FY 2021/22 (\$22.1 million).

Expenditure Savings of \$2.1 Million

Dollars in Millions	FY 2020/21 Actual	FY 2021/22 May Estimate	FY 2021/22 Est Actual	FY 2021/22 Est Actual vs. Prior Year	FY 2021/22 Est Actual vs. May Estimate
Police	\$ 91.3	\$ 94.0	\$ 92.6	1.4%	\$ -1.4
Fire	55.7	59.3	58.2	4.5%	-1.1
Maintenance (Streets/Facilities)	16.8	17.3	18.0	7.1%	0.7
General Government	17.0	17.3	17.0	0.0%	-0.3
Maintenance (Parks/Medians)	9.0	9.1	9.5	5.6%	0.4
Human Services	4.3	4.2	4.4	2.3%	0.2
Code Enf/Comm Devt Admin	1.5	1.7	1.4	-6.7%	-0.3
Non-Departmental	1.5	1.2	1.1	-26.7%	-0.1
Debt Service	8.6	8.5	8.5	-1.2%	0.0
Expenditures Subtotal	205.7	212.6	210.7	2.4%	-1.9
Capital Projects	0.0	27.7	27.7		0.0
Cost Centers	5.6	4.4	4.3	-23.2%	-0.1
Housing/Grants/Clean Water	2.6	2.7	2.6	0.0%	-0.1
Retiree Healthcare Trust	0.0	10.0	10.0		0.0
Transfers Out Subtotal	8.2	44.8	44.6	443.9%	-0.2
Total Use of Resources	\$213.9	\$257.4	\$255.3	19.4%	\$ -2.1

Ending Unreserved Fund Balance of \$13.2 Million

Dollars in Millions	FY 2021/22 May Estimate	FY 2021/22 Est Actual	Variance
Sources of funds			
Encumbrance balance	\$ 1.0	\$ 1.0	\$ 0.0
Unreserved fund balance	26.1	26.1	0.0
Revenues and transfers in	267.8	280.3	12.5
Total sources of funds	294.9	307.4	12.5
Uses of funds			
Expenditures and transfers out	257.4	255.3	2.1
Encumbrance balance	0.0	1.4	-1.4
Total uses of funds	257.4	256.7	0.7
Addition to Reserves	7.5	7.5	0.0
Unreserved fund balance	\$ 29.9	\$ 43.2	\$ 13.2

* The encumbrance balance reflects the portion of the fund balance that has been contractually obligated or committed by council, but not yet spent.

Reserves Ensure Service Continuity

Reserve/Fund	Adopted Funding July 1, 2022
Contingency Reserve (16.7%* of expenditures and transfers out - address unforeseen events)	\$41.7 Million
Budget Uncertainty Reserve (Financial risk in 3-year forecast - offset revenue/expenditure uncertainty)	10.0 Million
Total Reserves	\$51.7 Million

*GFOA recommended level is no less than two months of regular operating expenditures (16.7%).

Recommended Allocation of General Fund Unreserved Fund Balance - \$13.2 Million

- ▶ Apply \$2.5 million to increase Budget Uncertainty Reserve to \$12.5 million
 - Higher level of risk in our forecast:
 - Magnitude and volatility of new auto sales tax revenue
 - Increasing cost of supplies and service due to inflation
 - Potential for revenue slowdown due to recession
- ▶ Transfer \$10.7 million to Capital Improvements Fund to support 2023/24 – 2027/28 CIP projects
 - Parks Master Plan
 - Central Park Multi-Service Center
 - Climate Action Plan/Fleet Electrification

Authorized Appropriation Actions

- ▶ Annual operating budget resolution provides authorization to increase expenditure appropriations under certain circumstances
 - Resolution requires staff to report on any actions taken under this authority at year end
- ▶ Carryover of unexpended FY 2021/22 encumbrances to FY 2022/23
 - Represents budgetary commitments related to contracts for goods or services
 - Carryover encumbrance appropriations of \$20.1 million in all City funds
 - Capital funds: \$11.4 million
 - General Fund: \$ 1.4 million
 - Other funds: \$ 7.3 million
- ▶ Expenditure appropriations supported by increased revenues
 - Human Services donations and service fees totaling \$846,255
 - Family Resource Center donations of \$193,708
 - Development Impact Fee revenue of \$12,750

Major Updates to Current Year Estimates

- ▶ Personnel expenditures – Added \$3.9 million
 - Impact of MOUs adopted in July/September
- ▶ Property tax – Added \$1.8 million ongoing
 - Final Assessed Value Roll certified in August
- ▶ Sales tax – Added \$2.4 million ongoing
 - 4th quarter remittance received in August
- ▶ Citywide Expenditure Savings – Added \$4.0 million
 - Actual May-September vacancy savings
 - Additional historical analysis

Summary

- ▶ Higher than anticipated General Fund revenues coupled with expenditure savings leave a \$13.2 million unreserved ending fund balance
 - Staff recommends allocating remaining ending fund balance to increase Budget Uncertainty Reserve (\$2.5 million) and support 2023/24-2027/28 Capital Improvement Program (\$10.7 million)
- ▶ Authorized appropriation actions consistent with budget resolution
 - Encumbrance and carryover appropriations of \$20.1 million
 - Increased appropriations of \$0.6 million for Afghan Refugee Assistance
 - Increased appropriations of \$0.5 million for other donations and fees
- ▶ Updated revenue and savings estimates offset compensation increases
 - August property tax and sales tax data add \$4.2 million ongoing revenue
 - Persistently high vacancies suggest higher ongoing Citywide savings
 - No recommended adjustments to current year budget

FY 2023/24 Operating Budget Schedule

- ▶ March 7, 2023 FY 2022/23 Mid-Year Budget Report
- ▶ May 16, 2023 Proposed Operating Budget Presentation
- ▶ June 6, 2023 First Public Hearing
- ▶ June 13, 2023 Second Public Hearing and Budget Adoption