

CITY OF FREMONT

FY 2023/24 Proposed Budget

May 16, 2023

Overview

- ▶ Economic Update
- ▶ General Fund Revenues
- ▶ FY 2023/24 Proposed Budget (\$442.8 million)
 - General Fund - \$278.1 million
 - All Other Funds - \$164.7 million
- ▶ Summary

Economic Update

- ▶ National Economy Continues to Expand
 - GDP grew by 2.9% in the fourth quarter of 2022
 - Unemployment rate remains at 3.4% in April 2023
- ▶ High Interest Rates and Bank Failures Create Uncertainty
 - Fed Funds rate raised to 5.00%-5.25% range in May
 - Failure of Silicon Valley Bank and others may lead to reduced business lending
 - GDP slowed to 1.1% in first quarter of 2023
- ▶ City's Proposed Budget Assumes Slower Growth
 - Budget Uncertainty Reserve provides near-term protection against recession and inflation

Ongoing Resources Add 4.9% in FY 2023/24

Dollars in Millions	FY 2021/22 Actual	FY 2022/23 Estimate	FY 2023/24 Proposed	FY 2024/25 Projected	FY 2025/26 Projected
Property Tax	\$118.9	\$128.8	\$135.7	\$142.1	\$149.2
Sales Tax*	86.8	106.4	100.9	105.9	111.2
Business Tax	13.9	13.4	13.9	14.4	14.9
Franchise Fees	11.2	11.9	12.1	12.6	13.1
Hotel Tax	4.7	6.4	7.3	7.8	8.3
Charges for Services	6.8	7.0	7.1	7.1	7.2
Other**	31.6	8.3	8.3	8.3	8.5
Revenue Subtotal	273.9	282.2	285.3	298.2	312.4
Transfers In	6.4	5.8	6.0	6.2	6.4
Total Resources	\$280.3	\$288.0	\$291.3	\$304.4	\$318.8
Percent Change		2.7%	1.2%	4.5%	4.7%

* Sales tax includes an estimated \$10.3 million of one-time revenue in FY 2022/23.

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

Base Budget Increase Totals \$18.5 Million

FY 2023/24 Base Budget

\$279.7 Million

Compensation and Benefits – \$13.5 Million

(compensation/benefits - \$10.5 million, pension UAL - \$3.8 million, OPEB UAL - (\$0.8 million))

Departmental Services and Supplies – \$1.0 Million

(fuel - \$0.2 million, utilities - \$0.7 million)

Internal Service Fund Charges/Contributions – \$5.6 Million

(Risk Management - \$2.1 million, Fire - \$2.0 million, ITS - \$1.6 million)

Citywide and Debt Service – (\$2.0 Million)

(eliminate biennial election costs – 0.7 million, 2017B Bonds debt service - \$1.3 million)

Transfers and Cost Center Allocations –\$0.4 Million

(Development/Senior Centers - \$0.3 million, homeless services/community grants - \$0.1 million)

FY 2022/23 Revised Budget (less one-time items)

\$261.2 Million

Ongoing Resources – Base Budget =
Fiscal Capacity to expanded or enhance services

Balanced Proposed Budget for FY 2023/24

Dollars in Millions	FY 2021/22 Actual	FY 2022/23 Estimate	FY 2023/24 Proposed	FY 2024/25 Projected	FY 2025/26 Projected
Sources of funds					
Encumbrance reserve	\$ 1.0	\$ 1.4	\$ 0.0	\$ 0.0	\$ 0.0
Unreserved fund balance	26.1	43.2	13.9	14.9	11.7
Revenues and transfers in	280.3	288.0	291.3	304.4	318.8
Total sources of funds	307.4	332.6	305.2	319.3	330.5
Uses of funds					
Expenditures and transfers out	255.3	313.1	278.1	303.4	305.3
Encumbrance balance	1.4	0.0	0.0	0.0	0.0
Total uses of funds	256.7	313.1	278.1	303.4	305.3
Addition to Reserves	7.5	5.6	12.2	4.2	0.3
Unreserved fund balance	\$ 43.2	\$ 13.9	\$ 14.9	\$ 11.7	\$ 24.9

- Labor agreements end in FY 2024/25, so no compensation increases are included in the FY 2025/26 projected expenditures.
- Forecast shows approximately 3% of proposed/projected expenditures remaining as fund balance at end of three-year horizon.

Reserves Ensure Service Continuity

- ▶ Contingency Reserve fully funded in Proposed Budget
- ▶ Proposed Budget includes \$7.5 million increase to Budget Uncertainty Reserve

General Fund Reserves	Proposed Funding FY 2023/24
Contingency Reserve (16.7%* of expenditures and transfers out - address unforeseen events)	\$46.4 Million
Budget Uncertainty Reserve (Financial risk in 3-year forecast - offset revenue/expenditure uncertainty)	20.0 Million
Total Reserves	\$66.4 Million

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

Budget Targets Council and Community Priorities



93%

City Operations - Cost Centers and Human Services Special Revenue Fund

- ▶ Development
- ▶ Recreation
- ▶ Human Services



Staffing Changes Address Priority Services

Function	FY 2022/23 Estimate	FY 2023/24 Proposed	Staffing Change
Public Safety			
Fire	172.0	172.0	0.0
Police	322.5	327.5	5.0
Other Community Services			
Community Development	87.5	88.5	1.0
Community Services	101.2	102.2	1.0
Economic Development	4.0	5.0	1.0
Human Services	78.4	82.4	4.0
Public Works	135.9	141.9	6.0
Administrative Services	97.2	100.2	3.0
Total	998.7	1,019.7	21.0*

* General Fund (16 total): Police (5), Public Works (6), Community Services (1), Economic Development (1), Finance (2), Human Resources (1).

Other funds (5 total): Community Development (1), Human Services (4).

Summary

- ▶ National economy likely to slow
 - High interest rates discouraging consumers and businesses
- ▶ FY 2023/24 Proposed Budget is balanced
 - Adding positions to address public safety, homelessness, and support neighborhoods and business districts
 - Increasing annual contributions for street, park, and building maintenance
 - One-time allocation to increase Budget Uncertainty Reserve
- ▶ Proposed service enhancements consistent with fiscal sustainability
 - Expanded or enhanced services depend on continued revenue growth and fiscal discipline

Budget Schedule

- ▶ June 6 First Public Hearing
- ▶ June 13 Second Public Hearing and Budget Adoption