

CITY OF FREMONT

FY 2022/23 Year-End Report

November 7, 2023

Overview

- ▶ Summary of FY 2022/23 General Fund Operating Results
- ▶ Recommended Allocation of Fund Balance
- ▶ Review of FY 2022/23 Authorized Appropriation Actions

Revenues Exceed Estimate by \$8.7 Million

Dollars in Millions	FY 2021/22 Actual	FY 2022/23 May Estimate	FY 2022/23 Est Actual	FY 2022/23 Est Actual vs. Prior Year	FY 2022/23 Est Actual vs. May Estimate
Property Tax	\$118.9	\$128.8	\$130.5	9.8%	\$ 1.7
Sales Tax	86.8	106.4	111.6	28.6%	5.2
Business Tax	13.9	13.4	14.2	2.2%	0.8
Franchise Fees	11.2	11.9	11.8	5.4%	-0.1
Hotel Tax	4.7	6.4	6.0	27.7%	-0.4
Charges for Services	6.8	7.0	7.1	4.4%	0.1
Other*	31.6	8.3	9.8	-69.0%	1.5
Revenue Subtotal	273.9	282.2	291.0	6.2%	8.8
Transfers In	6.4	5.8	5.7	-10.9%	-0.1
Total Resources	\$280.3	\$288.0	\$296.7	5.9%	\$ 8.7

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

Added Expenditure Savings of \$0.5 Million

Dollars in Millions	FY 2021/22 Actual	FY 2022/23 May Estimate	FY 2022/23 Est Actual	FY 2022/23 Est Actual vs. Prior Year	FY 2022/23 Est Actual vs. May Estimate
Police	\$ 92.6	\$ 101.4	\$ 100.1	8.1%	\$ -1.3
Fire	58.2	62.1	64.2	10.3%	2.1
Maintenance (Streets/Facilities)	18.0	19.2	19.6	8.9%	0.4
General Government	17.0	20.3	19.3	13.5%	-1.0
Maintenance (Parks/Medians)	9.5	10.1	10.3	8.4%	0.2
Human Services	4.4	4.6	4.8	9.1%	0.2
Code Enf/Comm Devt Admin	1.4	1.8	1.9	35.7%	0.1
Non-Departmental	1.1	2.4	1.6	45.5%	-0.8
Debt Service*	8.5	25.9	25.8	203.5%	-0.1
Expenditures Subtotal	210.7	247.8	247.6	17.5%	-0.2
Capital Projects	27.7	43.2	43.2	56.0%	0.0
Cost Centers	4.3	4.0	3.9	-9.3%	-0.1
Housing/Grants/Clean Water	2.6	3.1	2.9	11.5%	-0.2
Other**	10.0	15.0	15.0	50.0%	0.0
Transfers Out Subtotal	44.6	65.3	65.0	45.7%	-0.3
Total Use of Resources	\$255.3	\$313.1	\$312.6	22.4%	\$ -0.5



* Payoff of 2017 Bonds is shown as Debt Service in FY 2022/23 (\$17.4 million).

** Other includes transfers to Retiree Healthcare Trust in FY 2021/22 and Accrued Leave Liability Reserve in FY 2022/23.

Ending Unreserved Fund Balance of \$21.9 Million

Dollars in Millions	FY 2022/23 May Estimate	FY 2022/23 Est Actual	Variance
Sources of funds			
Encumbrance balance	\$ 1.4	\$ 1.4	\$ 0.0
Unreserved fund balance	43.2	43.2	0.0
Revenues and transfers in	288.0	296.7	8.7
Total sources of funds	332.6	341.3	8.7
Uses of funds			
Expenditures and transfers out	313.1	312.6	0.5
Encumbrance balance	0.0	1.2	-1.2
Total uses of funds	313.1	313.8	-0.7
Addition to Reserves	5.6	5.6	0.0
Unreserved fund balance	\$ 13.9	\$ 21.9	\$ 8.0

* 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, 2023
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%).

Recommendation for General Fund Unreserved Fund Balance - \$21.9 Million

- ▶ Leave unreserved fund balance available to offset reduction in sales tax revenue
 - Sales tax revenue will be reduced over the next two or three years to recoup \$28 million misallocated to the City during FY 2022/23
 - \$20 million Budget Uncertainty Reserve is also available to address revenue shortfalls
 - Suspending \$5.5 million additions to annual maintenance transfers
- ▶ FY 2023/24 Mid-Year Report provides opportunity to take additional actions, if necessary, based on updated revenue and expenditure information
- ▶ Accrued leave reserve, established at \$15 million, could provide source of funding to address one-time shortfall in FY 2024/25

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 2022/23 encumbrances to FY 2023/24
 - Represents budgetary commitments related to contracts for goods or services
 - Carryover encumbrance appropriations of \$36,680,648 in all City funds
 - General Fund: \$ 1,226,334
 - Other Governmental funds: \$ 17,265,741
 - Reimbursement Grant funds: \$ 14,697,633
 - Internal Service/Custodial funds: \$ 3,490,941
- ▶ Expenditure appropriations supported by increased revenues
 - Increased expenditure appropriations by \$2,992,322
 - Human Services grants and service fees: \$ 2,929,713
 - Fire Department grant: \$ 49,923
 - Development Department service fees: \$ 8,437
 - Special Events service fees: \$ 4,249

Summary

- ▶ Higher than anticipated General Fund revenues leave a \$21.9 million unreserved ending fund balance
 - City received approximately \$28 million overpayment of 2022/23 sales tax revenues
 - Staff recommends leaving the unreserved fund balance available to offset reduction in future sales tax revenue
- ▶ Authorized appropriation actions consistent with budget resolution
 - Encumbrance and carryover appropriations of \$36.7 million
 - Increased appropriations of \$2.3 million for emergency rental assistance
 - Increased appropriations of \$0.7 million for other grants and fees

FY 2024/25 Operating Budget Schedule

- ▶ March 5, 2024 FY 2023/24 Mid-Year Budget Report
- ▶ May 14, 2024 Proposed Operating Budget Presentation
- ▶ June 4, 2024 First Public Hearing
- ▶ June 11, 2024 Second Public Hearing and Budget Adoption