

CITY OF FREMONT

FY 2024/25 Proposed Budget

May 14, 2024

Overview

- ▶ Economic Update
- ▶ General Fund Revenues
- ▶ FY 2024/25 Proposed Budget (\$440.2 million)
 - General Fund - \$276.3 million
 - All Other Funds - \$163.9 million
- ▶ Summary

Economic Update

- ▶ National Economy Continues to Expand
 - GDP grew by 3.4% in the fourth quarter of 2023
 - Unemployment rate rose slightly to 3.9% in April 2024
- ▶ High Interest Rates Discourage Borrowing
 - Fremont real estate transactions declined 23% in 2023
 - GDP slowed to 1.6% in first quarter of 2024
- ▶ City's Proposed Budget Assumes Moderate Growth
 - Property tax growth projected at lower than historical levels for FY 2024/25

Ongoing Resources Add 3.5% in FY 2024/25

Dollars in Millions	FY 2022/23 Actual	FY 2023/24 Estimate	FY 2024/25 Proposed	FY 2025/26 Projected	FY 2026/27 Projected
Property Tax	\$130.5	\$141.0	\$147.3	\$155.8	\$164.8
Sales Tax*	111.6	55.4	57.5	72.9	77.1
Business Tax	14.2	14.1	14.0	14.5	15.1
Franchise Fees	11.8	12.6	13.1	13.6	14.2
Hotel Tax	6.0	6.1	6.5	6.9	7.4
Charges for Services	7.1	7.3	7.5	7.7	7.8
Other**	9.8	11.8	9.0	9.0	9.1
Revenue Subtotal	291.0	248.3	254.9	280.4	295.5
Transfers In***	5.7	16.0	6.3	6.4	6.6
Total Resources	\$296.7	\$264.3	\$261.2	\$286.8	\$302.1
Percent Change		-10.9%	-1.2%	9.8%	5.3%

* Sales tax includes an estimated \$23.6 million of revenue misallocated by the State in FY 2022/23; recovery by the State is included in FY 2023/24 and FY 2024/25.

** Other revenue includes \$1.5 million of Federal reimbursements for the COVID-19 and 2023 winter storms emergencies in FY 2023/24.

*** Transfers in includes \$10.0 million from the accrued leave reserve to the General Fund Budget Uncertainty Reserve in FY 2023/24.

Revenue Shortfall Addressed in FY 2024/25

Dollars in Millions	FY 2022/23 Actual	FY 2023/24 Estimate	FY 2024/25 Proposed	FY 2025/26 Projected	FY 2026/27 Projected
Sources of funds					
Encumbrance reserve	\$ 1.4	\$ 1.2	\$ 0.0	\$ 0.0	\$ 0.0
Unreserved fund balance	43.2	21.9	0.0	0.0	6.3
Revenues and transfers in	296.7	264.4	261.2	286.8	302.1
Total sources of funds	341.3	287.5	261.2	286.8	308.4
Uses of funds					
Expenditures and transfers out	312.6	274.4	276.3	279.9	282.6
Encumbrance balance	1.2	0.0	0.0	0.0	0.0
Total uses of funds	313.8	274.4	276.3	279.9	282.6
Addition to Reserves	5.6	13.1	-15.1	0.6	0.5
Unreserved fund balance	\$ 21.9	\$ 0.0	\$ 0.0	\$ 6.3	\$ 25.3

- Labor agreements end in FY 2024/25, so no compensation increases are included in the FY 2025/26 or FY 2026/27 projected expenditures.
- Forecast shows approximately 3% of proposed/projected expenditures remaining as fund balance at end of the three-year horizon.

Reserves Ensure Service Continuity

- ▶ Contingency Reserve fully funded in Proposed Budget
- ▶ Forecast assumes \$5.6 million of the Budget Uncertainty Reserve will be used in FY 2023/24

General Fund Reserves	Proposed Funding FY 2024/25
Contingency Reserve (16.7%* of expenditures and transfers out - address unforeseen events)	\$46.1 Million
Budget Uncertainty Reserve (Financial risk in 3-year forecast - offset revenue/expenditure uncertainty)	24.4 Million
Total Reserves	\$70.5 Million

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

Budget Targets Council and Community Priorities



94%

City Operations - Cost Centers and Human Services Special Revenue Fund

- ▶ Development
- ▶ Recreation
- ▶ Human Services



Staffing Changes Limited to Priority Services

Function	FY 2023/24 Estimate	FY 2024/25 Proposed	Staffing Change
Public Safety			
Fire	172.0	172.0	0.0
Police	325.0	326.0	1.0
Other Community Services			
Community Development	103.0	103.0	0.0
Community Services	87.9	87.9	0.0
Economic Development	5.0	5.0	0.0
Human Services	82.4	84.1	1.7
Public Works	143.0	143.0	0.0
Administrative Services	100.2	100.2	0.0
Total	1,018.5	1,021.2	2.7*

* General Fund: Police (1).
Other funds: Human Services (1.7).

Summary

- ▶ National economy expanding at a moderate pace
 - High interest rates discouraging home buyers and businesses
- ▶ FY 2024/25 Proposed Budget addresses near-term revenue shortfall
 - Budget Uncertainty Reserve helps preserve service levels as State recovers its sales tax overpayment to the City
 - Service enhancements address City Council priorities while maintaining fiscal sustainability
- ▶ Forecast shows revenue covering expenditures in future years
 - No use of reserves needed in FY 2025/26 and FY 2026/27

Budget Schedule

- ▶ June 4 First Public Hearing
- ▶ June 11 Second Public Hearing and Budget Adoption