

# CITY OF FREMONT

FY 2018/19 Mid-Year Budget Review

March 5, 2019

# Overview

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- ▶ FY 2018/19 Budget Update
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# Economic and Revenue Update

## ▶ National

- Economic growth slowing
- National economy in late stage of recovery

## ▶ Local/Regional

- Top 5 revenues – healthy growth
- Sales tax revenues reflect spike in auto sales

# Additional Revenue of \$12.0 Million

Dollars in Millions	FY 2017/18 Actual	FY 2018/19 Adjusted	FY 2018/19 Estimate	FY 2018/19 Estimate vs. Prior Year	FY 2018/19 Estimate vs. Adjusted
Property Tax	\$ 93.4	\$ 97.4	\$ 99.7	6.7%	\$ 2.3
Sales Tax	58.9	54.9	66.0	12.1%	11.1
Business Tax	12.1	13.2	11.8	-2.5%	-1.4
Franchise Fees	10.1	10.5	10.8	6.9%	0.3
Hotel Tax	8.6	8.8	8.8	2.3%	0.0
Charges for Services	7.1	6.1	5.9	-16.9%	-0.2
Other	7.0	7.2	7.1	1.4%	-0.1
Revenue Subtotal	<b>197.2</b>	<b>198.1</b>	<b>210.1</b>	<b>7.8%</b>	<b>12.0</b>
Transfers In	6.5	6.9	6.9	6.2%	0.0
<b>Total Resources</b>	<b>\$203.7</b>	<b>\$205.0</b>	<b>\$217.0</b>	<b>6.5%</b>	<b>\$ 12.0</b>

# Ending Fund Balance of \$14.1 Million

Dollars in Millions	FY 2017/18 Actual	FY 2018/19 Adjusted*	FY 2018/19 Estimate
<b>Sources of funds</b>			
Encumbrance reserve	\$ 1.0	\$ 4.6	\$ 4.6
Unreserved fund balance**	7.0	13.2	13.2
Revenues and transfers in	203.7	205.0	217.0
<b>Total sources of funds</b>	<b>211.7</b>	<b>222.8</b>	<b>234.8</b>
<b>Uses of funds</b>			
Expenditures and transfers out	192.5	217.5	218.5
Encumbrance balance	4.6	0.0	0.0
<b>Total uses of funds</b>	<b>197.1</b>	<b>217.5</b>	<b>218.5</b>
<b>Addition to Reserves</b>	<b>1.4</b>	<b>2.2</b>	<b>2.2</b>
<b>Unreserved fund balance</b>	<b>\$ 13.2</b>	<b>\$ 3.1</b>	<b>\$ 14.1</b>

\* The FY 2018/19 adjusted budget includes \$11.1 million of prior year ending fund balance allocated by the City Council as part of the FY 2017/18 Year-End Update.

\*\* Fund balance includes \$2.1 million of sales tax revenue misallocated by the state anticipated to be reallocated in FY 2018/19.

# Reserves Provide Uncertainty Cushion

Reserves	Adopted Funding July 1, 2018
Contingency Reserve (10% of expenditures and transfers out - natural disasters, unforeseen events)	\$20.6 Million
Program Investment Reserve (2.5% of expenditures and transfers out - new revenue-generating initiatives)	5.1 Million
Economic Volatility Reserve (2.5% of expenditures and transfers out - adverse economic/cost impacts)	5.1 Million
<b>Total, in accordance with Council policy</b>	<b>30.8 Million</b>
Budget Uncertainty Reserve (offset revenue uncertainty)	3.7 Million
<b>Total Reserves (16.8%)*</b>	<b>\$34.5 Million</b>

\*GFOA Recommendation is no less than two months of regular operating expenditures (16.7%)

# Preliminary Forecast

Dollars in Millions	FY 2017/18 Actual	FY 2018/19 Estimate	FY 2019/20 Projected	FY 2020/21 Projected	FY 2021/22 Projected
<b>Sources of funds</b>					
Encumbrance reserve	\$ 1.0	\$ 4.6	\$ 0.0	\$ 0.0	\$ 0.0
Unreserved fund balance	7.0	13.2	0.0	0.0	0.0
Revenues and transfers in	203.7	217.0	219.1	227.8	236.9
<b>Total sources of funds</b>	<b>211.7</b>	<b>234.8</b>	<b>219.1</b>	<b>227.8</b>	<b>236.9</b>
<b>Uses of funds</b>					
Expenditures and transfers out	192.5	218.5	208.6	214.8	219.2
Encumbrance balance	4.6	0.0	0.0	0.0	0.0
<b>Total uses of funds</b>	<b>197.1</b>	<b>218.5</b>	<b>208.6</b>	<b>214.8</b>	<b>219.2</b>
<b>Addition to Reserves</b>	<b>1.4</b>	<b>2.2</b>	<b>3.4</b>	<b>3.9</b>	<b>3.6</b>
<b>Unreserved fund balance</b>	<b>\$ 13.2</b>				
<b>Projected sources over uses</b>		<b>\$ 14.1</b>	<b>\$ 7.1</b>	<b>\$ 9.1</b>	<b>\$ 14.1</b>

# Recommended Budget Actions

- ▶ Approve adjustments to bring the budgeted revenue and expenditure estimates in line with current projections
  - Increase sales tax estimate by \$11.1 million
  - Increase property tax estimate by \$2.3 million
  - Reduce business tax estimate by \$1.4 million
  - Reduce vacancy savings estimate by \$1.0 million
- ▶ Transfer \$463,000 from the General Fund to the Development Cost Center for the Public Works Department
  - Additional special projects and increased community service requests
- ▶ Transfer \$307,525 from the General Fund to the Development Cost Center for the Community Development Department
  - Work related to three council referrals and increased cost of the climate action plan



# Summary

- ▶ National and regional economy robust, but pace of expansion is moderating
  - Significant spike in sales tax
  - City's revenue growth will slow as business cycle matures
- ▶ FY 2018/19 Mid-Year estimate projects \$14.1 million ending fund balance
  - General Fund reserves for FY 2018/19 established at City Council policy levels
- ▶ Recommendations
  - Adjust revenue and expenditure estimates to reflect current projections
  - Approve supplemental appropriations to the Development Cost Center to address special projects, increased activity, Council referrals, and climate action plan

# FY 2019/20 Budget Schedule

- ▶ March 19, 2019 CIP Work Session
- ▶ May 14, 2019 Proposed Operating Budget Presentation  
Proposed CIP Presentation
- ▶ June 4, 2019 First Public Hearings
- ▶ June 11, 2019 Second Public Hearings  
Budget and CIP Adoption