

CITY OF FREMONT

FY 2020/21 Proposed Budget

May 12, 2020

Overview

- ▶ Economic Update and General Fund Revenues
- ▶ Budget Balancing Measures
- ▶ FY 2020/21 Proposed Budget (\$338.0 million)
 - General Fund - \$213.4 million
 - All Other Funds - \$124.6 million
- ▶ Summary

Economic Update

- ▶ **National Economy Heading Toward Recession**
 - GDP fell 4.8% in first quarter of 2020
 - Unemployment rate rose to 14.7% in April 2020
 - Further economic contraction and job losses expected during second quarter 2020

- ▶ **Local Shelter In Place Restrictions Continue**
 - Proposed budget assumes restrictions ease after May, then three-month recovery period
 - Post-recovery activity assumed to remain 10% below pre-COVID levels through FY 2020/21

- ▶ **No Consensus on Economic Trajectory**
 - Depth of economic contraction
 - Rate and extent of recovery
 - Potential second wave of COVID-19 infections

Top Revenues Down \$9.6M in FY 2019/20

- ▶ **Property Tax**
 - 6.2% growth, 7.0% in FY 2020/21 based on 2019 activity
- ▶ **Sales Tax**
 - 20.3% drop, 1.1% recovery in FY 2020/21
- ▶ **Business Tax**
 - 0.7% increase, COVID-19 impact delayed to 2021/22 since tax based on prior year activity
- ▶ **Franchise Fees**
 - 0.3% decline, further 2.6% decline in FY 2020/21
- ▶ **Hotel Occupancy Tax**
 - 32.3% drop, 7.9% recovery in FY 2020/21

Ongoing Resources Drop 3.6% in FY 2019/20

Dollars in Millions	FY 2018/19 Actual	FY 2019/20 Estimate	FY 2020/21 Proposed	FY 2021/22 Projected	FY 2022/23 Projected
Property Tax	\$ 99.6	\$ 105.8	\$ 113.2	\$ 120.9	\$ 129.3
Sales Tax	64.8	51.7	52.2	55.0	57.7
Business Tax	11.6	11.6	12.0	11.4	12.9
Franchise Fees	10.1	10.1	9.8	10.1	10.5
Hotel Tax	8.3	5.6	6.1	6.7	7.3
Charges for Services	6.2	6.2	6.4	6.4	6.5
Other	6.6	8.1	6.9	6.6	6.8
Revenue Subtotal	207.2	199.1	206.6	217.1	231.0
Transfers In	6.9	7.3	7.6	7.6	7.6
Total Resources	\$214.1	\$206.4	\$214.2	\$224.7	\$238.6
Percent Change		-3.6%	3.8%	4.9%	6.2%

* FY 2019/20 midyear revenue estimate was \$5.2 million below adopted budget; COVID-19 added another \$10.0 million loss.

Budget Balancing Measures Save \$18.5M

Expenditure Category (\$M)	FY 2020/21 Base	FY 2020/21 Proposed	Notes*
Departmental			
Personnel	\$169.8	\$166.6	Reduce overtime/part-time, PERS discount
Travel and Training	1.6	1.4	Reduce staff travel and training
Supplies/Equip/Capital	5.3	4.9	Reduce fuel cost, other supplies
Services	17.4	16.5	Reduce water use, maintenance, other svcs
Internal Service Funds	18.8	14.5	Suspend/reduce annual contributions
Non-Departmental	3.9	3.7	Suspend special events subsidy
Citywide Savings	(8.0)	(11.2)	Continue hiring freeze/delays
Debt Service	8.7	8.7	No refinancing opportunities
Transfers			
Capital Program	5.5	0.0	Suspend annual funding
Cost Centers	6.1	5.6	SB 2 funding shift; delay Age Well Center
Miscellaneous	2.8	2.7	CDGB support for community grants
Total Use of Funds	\$231.9	\$213.4	

Balanced FY 2020/21 Proposed Budget

Dollars in Millions	FY 2018/19 Actual	FY 2019/20 Estimate	FY 2020/21 Proposed	FY 2021/22 Projected	FY 2022/23 Projected
Sources of funds					
Encumbrance reserve	\$ 4.5	\$ 2.0	\$ 0.0	\$ 0.0	\$ 0.0
Unreserved fund balance*	13.2	14.7	0.0	0.0	0.0
Revenues and transfers in	214.4	206.4	214.2	224.7	238.6
Total sources of funds	232.1	223.1	214.2	224.7	238.6
Uses of funds					
Expenditures and transfers out	213.2	221.2	213.4	234.4	238.2
Encumbrance balance	2.0	0.0	0.0	0.0	0.0
Total uses of funds	215.2	221.2	213.4	234.4	238.2
Addition to Reserves*	2.2	10.5	-0.8	3.5	0.6
Unreserved fund balance	\$ 14.7	\$ -8.6			
Projected sources over uses			\$ 1.6	\$ -13.2	\$ -0.2

* FY 2018/19 ending fund balance applied to consolidate Contingency Reserve and increase Budget Uncertainty Reserve to \$8.3 million in FY 2019/20. Amount is negative in FY 2020/21 since reserve requirement is reduced.

Budget Targets Council and Community Priorities



Police
48%

Fire
29%

Maint.
14%

Other
9%

91%

Reserves Maintain Uncertainty Cushion

- ▶ Contingency Reserve fully funded in Proposed Budget
- ▶ \$8.3 million Budget Uncertainty Reserve completely exhausted in FY 2019/20
 - Could partially restore in FY 2020/21 if resources become available

Reserves	Proposed Funding July 1, 2020
Contingency Reserve – 16.7% of expenditures and transfers out (natural disasters, unforeseen events, new revenue-generating initiatives)	\$35.6 Million
Budget Uncertainty Reserve – 3 years of revenue/expenditure risk (revenue shortfalls, unanticipated cost increases)	0.0 Million
Total Reserves	\$35.6 Million

City Operations - Cost Centers and Human Services Special Revenue Fund

- ▶ Development
- ▶ Recreation
- ▶ Human Services



Staffing Changes Address Priority Services

Function	FY 2019/20 Estimate	FY 2020/21 Proposed	Staffing Change
Public Safety			
Fire	162.0	162.0	0.0
Police	317.5	320.5	3.0
Other Community Services			
Community Development	81.3	81.6	0.3
Community Services	96.7	97.1	0.4
Economic Development	4.0	4.5	0.5
Human Services	64.7	69.0	4.3
Public Works	136.0	136.3	0.3
Administrative Services	93.9	91.4	-2.5
Total	956.0	962.3	6.3*

* General Fund (3 new positions): Police (3.0), Economic Development (0.5), Clerk (0.3), City Manager (-0.8).

Other funds (3.3 new positions): Community Development (0.3), Community Services (0.4), Human Services (4.3), Public Works (0.3), City Manager (-2.0).

Summary

- ▶ National economy heading toward recession
 - Local shelter-in-place measures remain in effect
 - No consensus on economic trajectory
- ▶ General Fund revenues down 3.6% in FY 2019/20
 - Estimated \$10.0 million revenue loss will exhaust \$8.3 million Budget Uncertainty Reserve
 - FY 2020/21 revenue growth estimated at 3.8%
 - Pandemic costs City two years of lost revenue growth
- ▶ FY 2020/21 Proposed Budget is balanced
 - Budget balancing measures total \$18.5 million
 - Contingency Reserve fully funded at \$35.6 million
 - General Fund forecast projects shortfall in FY 2021/22

Budget Schedule

- ▶ June 2 First Public Hearing
- ▶ June 9 Second Public Hearing and Budget Adoption

Q & A

