

CITY OF FREMONT

FY 2019/20 PROPOSED BUDGET

May 21, 2019

Overview

- ▶ Economic Update
- ▶ FY 2019/20 Proposed Budget (\$382.9 million)
 - General Fund - \$219.9 million
 - All Other Funds - \$163.0 million
- ▶ Summary

Economic Update

- ▶ National economy growing at a healthy pace
 - GDP grew at 3.2% in first quarter of 2019
 - Unemployment rate declined slightly to 3.6% in April
- ▶ Modest regional job growth
 - Unemployment rate increased slightly to 2.9% in March
 - Building permits lagging behind 2017/18 pace

Top Five Revenues Show Modest Growth

- ▶ Property Tax
 - 6.4% growth, due to inflation, sales, and new construction
- ▶ Sales Tax
 - 5.0% growth, primarily auto, business, and online sales
- ▶ Franchise Fees
 - 2.1% growth, Cable franchise fees decreasing
- ▶ Business Tax
 - 3.8% increase, based on recent historical trend
- ▶ Hotel Occupancy Tax
 - 2.4% growth, post-recession recovery appears to have plateaued

Ongoing Resources Up 5.3%* in FY 2019/20

Dollars in Millions	FY 2017/18 Actual	FY 2018/19 Estimate	FY 2019/20 Proposed	FY 2020/21 Projected	FY 2021/22 Projected
Property Tax	\$ 93.4	\$ 99.6	\$ 106.0	\$ 112.3	\$ 119.0
Sales Tax	58.9	67.2	63.9	66.5	69.2
Franchise Fees	10.1	10.2	10.4	10.6	10.8
Business Tax	12.1	11.3	11.7	12.2	12.6
Hotel Tax	8.6	8.7	8.9	9.1	9.3
Charges for Services	7.1	5.8	5.8	5.9	5.9
Other	7.0	7.2	7.6	7.5	7.6
Revenue Subtotal	197.2	210.0	214.3	224.1	234.4
Transfers In	6.5	6.9	7.4	7.4	7.5
Total Resources	\$203.7	216.9	221.7	231.5	241.9
Percent Change		6.5%	2.3%	4.4%	4.5%

* Factoring out a one-time spike of \$6.3 million in FY 2018/19 sales tax revenue, General Fund resources are projected to increase by 5.3% in FY 2019/20.

Balanced FY 2019/20 Proposed Budget

Dollars in Millions	FY 2017/18 Actual	FY 2018/19 Estimate	FY 2019/20 Proposed	FY 2020/21 Projected	FY 2021/22 Projected
Sources of funds					
Encumbrance reserve	\$ 1.0	\$ 4.6	\$ 0.0	\$ 0.0	\$ 0.0
Unreserved fund balance*	7.0	13.2	13.1	0.0	0.0
Revenues and transfers in	203.7	216.8	221.7	231.5	241.9
Total sources of funds	211.7	234.6	234.8	231.5	241.9
Uses of funds					
Expenditures and transfers out	192.5	219.3	219.9	226.5	232.1
Encumbrance balance	4.6	0.0	0.0	0.0	0.0
Total uses of funds	197.1	219.3	219.9	226.5	232.1
Addition to Reserves*	1.4	2.2	10.6	1.1	0.7
Unreserved fund balance	\$ 13.2	\$ 13.1			
Projected sources over uses			\$ 4.3	\$ 3.9	\$ 9.1

* FY 2018/19 ending fund balance applied to consolidate Contingency Reserve and increase Budget Uncertainty Reserve in FY 2019/20.

General Fund - Ongoing CIP Activities

- ▶ Proposed CIP addition addresses ADA requirements

Program (\$ in thousands)	2019/20	2020/21	2021/22	2023/24	2024/25	Total
Pavement Maintenance	\$2,225	\$2,225	\$2,225	\$2,225	\$2,225	\$11,125
Building Maintenance	1,000	1,000	1,000	1,000	1,000	5,000
Parks Capital Replacement	500	500	500	500	500	2,500
ADA Facility Improvements	450	450	450	450	450	2,250
Downtown Project	500	500	250	250	250	1,750
50/50 Sidewalk Repair/Street Tree	325	325	325	325	325	1,625
Playground Resurfacing	250	250	250	250	250	1,250
Water Conservation and Median Upgrades	250	250	250	250	250	1,250
Total	\$5,500	\$5,500	\$5,250	\$5,250	\$5,250	\$26,750

Budget Targets Council and Community Priorities



Staffing Changes Address Critical Services

Function	FY 2018/19 Estimate	FY 2019/20 Proposed	Staffing Change
Public Safety			
Fire	161.0	162.0	1.0
Police	314.5	317.5	3.0
Other Community Services			
Community Development	80.2	80.2	0.0
Community Services	94.0	96.0	2.0
Economic Development	4.0	4.0	0.0
Human Services	65.4	64.4	-1.0
Public Works	129.7	135.7	6.0
Administrative Services	87.9	92.9	5.0
Total	936.7	952.7	16.0*

* General Fund positions (11 total): Police (3), Fire (1), Community Services (2), Human Resources (1), Public Works (4).
Other funds (5 total): Human Services (-1), Information Technology (4), Public Works (2).

Reserves Provide Uncertainty Cushion

- ▶ Applying FY 2018/19 projected ending fund balance to consolidate and increase General fund reserves to address revenue risk and increasing costs

Reserves	Proposed Funding July 1, 2019
Contingency Reserve* – 16.7% of expenditures and transfers out (natural disasters, unforeseen events, new revenue-generating initiatives)	\$36.7 Million
Budget Uncertainty Reserve – Three years of projected sales tax growth (revenue shortfalls and cost increases)	8.3 Million
Total Reserves	\$45.0 Million

* Starting in Fiscal Year 2019/20, the General Fund Contingency Reserve, General Fund Program Investment Reserve, and the General Fund Economic Volatility Reserve will be consolidated into a single General Fund Contingency Reserve to be maintained at the GFOA recommended minimum level of 16.7% of budgeted expenditures and transfers out.

Maintaining Capacity for Future Operations

Future Operating Expenses (excluding capital investment needs)	FY 2021/22 Projected
Police Add 2-3 officers annually to keep pace with development activity	\$ 0.8 million
Fire Add 14th fire company (9 firefighters) to meet standards of cover	2.3 million
Building Maintenance Increase annual funding to address tasks identified in building facilities condition assessment	2.3 million
Warm Springs Senior Center Begin operations in FY 2021/22	0.7 million
Downtown Event Center Begin operations in FY 2021/22	0.6 million
Total	\$ 6.7 million

City Operations - Cost Centers and Human Services Special Revenue Fund

- ▶ Development
- ▶ Recreation
- ▶ Human Services

Summary

- ▶ National economy continues to expand at a moderate pace
 - Forecast incorporates revenue growth from new development
- ▶ Regional economy continuing to experience job growth
 - Top five revenues showing modest increase
- ▶ FY 2019/20 Proposed Budget is balanced without the use of the Budget Uncertainty Reserve
 - One-time allocation to consolidate General Fund Contingency Reserve and increase Budget Uncertainty Reserve
 - Includes additional CalPERS contributions to pay down unfunded pension liability per Council policy
- ▶ Sustained fiscal discipline and continued revenue growth will determine our ability to maintain the current level of services and invest in the City's future

Budget Schedule

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

Q & A

