

CITY OF FREMONT

FY 2018/19 Year-End Update

October 15, 2019

Overview

- ▶ Summary of FY 2018/19 Operating Results
- ▶ Recommended Allocation of Fund Balance
- ▶ FY 2018/19 Authorized Appropriation Actions
- ▶ City Council Discussion

Actual Revenues Fall Short of May Estimate

Dollars in Millions	FY 2017/18 Actual	FY 2018/19 May Estimate	FY 2018/19 Actual	FY 2018/19 Actual vs. Prior Year	FY 2018/19 Actual vs. May Estimate
Property Tax	\$ 93.4	\$ 99.6	\$ 99.6	6.6%	\$ 0.0
Sales Tax	58.9	67.2	65.0	10.4%	-2.2
Franchise Fees	10.1	10.2	10.1	0.0%	-0.1
Business Tax	12.1	11.3	11.6	-4.1%	0.3
Hotel Tax	8.6	8.7	8.3	-3.5%	-0.4
Charges for Services	7.1	5.8	6.2	-12.7%	0.4
Other	7.0	7.2	7.0	0.0%	-0.2
Revenue Subtotal	197.2	210.0	207.8	5.4%	-2.2
Transfers In	6.5	6.9	6.9	6.2%	0.0
Total Resources	\$203.7	\$216.9	\$214.7	5.4%	\$ -2.2

Expenditure Savings of \$5.0 Million

Dollars in Millions	FY 2017/18 Actual	FY 2018/19 May Estimate	FY 2018/19 Actual	FY 2018/19 Actual vs. Prior Year	FY 2018/19 Actual vs. May Estimate
Police	\$ 76.5	\$ 82.3	\$ 80.6	5.4%	\$ -1.7
Fire	47.1	51.8	49.7	5.5%	-2.1
Maintenance (Streets/Facilities)	14.8	15.2	15.5	4.7%	0.3
General Government	14.9	16.0	15.3	2.7%	-0.7
Maintenance (Parks/Medians)	8.3	8.8	8.3	0.0%	-0.5
Human Services	3.4	3.7	3.9	14.7%	0.2
Code Enf/Comm Devt Admin	1.6	2.0	1.8	12.5%	-0.2
Non-Departmental	2.2	2.6	2.7	22.7%	0.1
Debt Service	8.6	8.9	8.5	-1.2%	-0.4
Expenditures Subtotal	177.3	191.3	186.3	5.0%	-5.0
Capital Projects	7.6	20.0	20.0	163.2%	0.0
Cost Centers	5.5	5.8	5.8	5.5%	0.0
Housing/Grants	2.1	2.2	2.2	4.8%	0.0
Transfers Out Subtotal	15.2	28.0	28.0	84.2%	0.0
Total Use of Resources	\$192.5	\$219.3	\$214.3	11.3%	\$ -5.0

Ending Fund Balance of \$14.0 Million

Dollars in Millions	FY 2018/19 May Estimate	FY 2018/19 Actual	Variance
Sources of funds			
Encumbrance balance*	\$ 4.5	\$ 4.5	\$ 0.0
Unreserved fund balance	13.2	13.2	0.0
Revenues and transfers in	216.9	214.7	-2.2
Total sources of funds	234.6	232.4	-2.2
Uses of funds			
Expenditures and transfers out	219.3	214.3	5.0
Encumbrance balance*	0.0	1.9	-1.9
Total uses of funds	219.3	216.2	3.1
Addition to Reserves	2.2	2.2	0.0
Unreserved fund balance**	\$ 13.1	\$ 14.0	\$ 0.9

* The encumbrance balance reflects the portion of the fund balance that has been contractually obligated or committed by council, but not yet spent.

** Fund balance includes \$8.4 million allocated by Council to increase reserves and \$1.9 million of misallocated sales tax revenue.

Reserves Provide Uncertainty Cushion

Reserve/Fund	Adopted Funding July 1, 2019
Contingency Reserve (16.7%* of expenditures and transfers out – address unforeseen events)	\$36.7 Million
Budget Uncertainty Reserve (3 years of projected sales tax growth - offset revenue uncertainty)	8.3 Million
Total Reserves (20.5%)	\$45.0 Million

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

Recommended Allocation of General Fund Unreserved Fund Balance

- ▶ FY 2019/20 Adopted Operating Budget applied \$8.4 million to increase and consolidate reserves
- ▶ Set aside \$1.9 million to offset sales tax revenue misallocated by the State that is anticipated to be reallocated in FY 2019/20 or future years
- ▶ Increase expenditure and transfer appropriations by \$3.1 million to reflect approved labor MOUs
- ▶ Reduce sales tax revenue estimate by \$0.6 million

Recommended Allocation of Development Cost Center Unreserved Fund Balance

- ▶ The Community Planning Fee was established in 2003 to recover a portion of the costs associated with comprehensive updates and ongoing maintenance of the General Plan and Zoning Ordinance
- ▶ Community Planning Fees collected during FY 2018/19, net of related expenditures during the year, total \$560,000
- ▶ Appropriate \$560,000 of Development Cost Center ending unreserved fund balance to the Community Planning Fee Project for the next General Plan Update

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 2018/19 encumbrances to FY 2019/20
 - Represents budgetary commitments related to contracts for goods or services
 - Carryover encumbrance appropriations of \$11.3 million in all City funds
 - Capital funds: \$ 7.6 million
 - General Fund: \$ 1.2 million
 - Other funds: \$ 2.5 million
- ▶ Council Commitments
 - \$671,500 for Homeless Services (remaining unspent funds from FY 2018/19)
- ▶ Expenditure appropriations supported by increased cost center revenues
 - Human Services appropriation increase of \$1.9 million supported by grant revenues

Summary

- ▶ General Fund unreserved beginning fund balance of \$13.1 million and net operating result of \$0.9 million leaves a \$14.0 million unreserved ending fund balance
 - General Fund reserves for FY 2019/20 established at City Council policy levels
 - Staff recommends allocating ending fund balance to offset State sales tax misallocation (\$1.9 million), reflect approved labor MOUs (\$3.1 million), and reduce sales tax revenue estimate (\$0.6 million)
- ▶ Development Cost Center ending fund balance includes fees collected to support general plan update
 - Staff recommends allocating \$560,000 to Community Planning Fee Project
- ▶ Authorized appropriation actions consistent with budget resolution
 - Carryover appropriations of \$11.3 million
 - Increased appropriation in the Human Services Funds of \$1.9 million supported by grant revenues

FY 2020/21 Operating Budget Schedule

- ▶ March 3, 2020 FY 2019/20 Mid-Year Budget Review
- ▶ May 12, 2020 Proposed Operating Budget Presentation
- ▶ June 2, 2020 First Public Hearing
- ▶ June 9, 2020 Second Public Hearing and Budget Adoption