

# CITY OF FREMONT

FY 2026/27 Proposed Budget

May 12, 2026

# Overview

- ▶ Economic Update
- ▶ General Fund Revenues
- ▶ FY 2026/27 Proposed Budget (\$427.1 million)
  - General Fund - \$289.1 million
  - All Other Funds - \$138.0 million
- ▶ Summary

# Economic Update

- ▶ National Economy Expected to Grow at Moderate Rate
  - Stable labor market but elevated inflation
  - Consumer spending has increased steadily over the past year
- ▶ Interest Rates will Remain Higher Longer
  - Low unemployment and inflation pressures are prompting the Federal Reserve to delay reducing interest rates
- ▶ City's Primary Revenues Growing Modestly
  - Continued consumer spending supports modest increases in sales tax, business tax, and hotel tax revenue
  - Higher interest rates discourage property sales and new development, slowing property tax growth in FY 2026/27 and FY 2027/28
- ▶ Prolonged Conflict in Persian Gulf Could Lead to Slowdown
  - The longer gas and oil prices remain elevated, the more damage to the global economy and the longer the recovery period

# Ongoing Resources Add Only 3.0% in FY 2026/27

Dollars in Millions	FY 2024/25 Actual	FY 2025/26 Estimate	FY 2026/27 Proposed	FY 2027/28 Projected	FY 2028/29 Projected
Property Tax	\$145.5	\$152.5	\$158.2	\$164.4	\$171.7
Sales Tax*	58.1	69.3	71.2	73.4	75.6
Business Tax	13.1	14.9	15.1	15.6	16.2
Franchise Fees	13.4	13.4	14.0	14.6	15.7
Hotel Tax	6.2	6.9	7.3	7.6	8.0
Charges for Services	8.1	7.3	7.7	7.8	7.9
Other	12.7	11.6	11.2	11.4	11.5
<b>Revenue Subtotal</b>	<b>257.1</b>	<b>275.9</b>	<b>284.7</b>	<b>294.8</b>	<b>306.6</b>
Transfers In	6.3	6.8	6.3	6.4	6.4
<b>Total Resources</b>	<b>\$263.4</b>	<b>\$282.7</b>	<b>\$291.0</b>	<b>\$301.2</b>	<b>\$313.0</b>
Percent Change		7.3%	3.0%	3.5%	3.9%

\* Sales tax in FY 2024/25 reflects the State's recovery of FY 2022/23 overpayments – a reduction of approximately \$11.9 million.

# Budget Balanced for FY 2026/27 with Existing Service Reductions

Dollars in Millions	FY 2024/25 Actual	FY 2025/26 Estimate	FY 2026/27 Proposed	FY 2027/28 Projected	FY 2028/29 Projected
<b>Sources of funds</b>					
Encumbrance reserve	\$ 1.5	\$ 1.0	\$ 0.0	\$ 0.0	\$ 0.0
Unreserved fund balance	0.0	0.0	1.7	1.7	6.1
Revenues and transfers in	263.4	282.7	291.0	301.2	313.0
<b>Total sources of funds</b>	<b>264.9</b>	<b>283.7</b>	<b>292.7</b>	<b>302.9</b>	<b>319.1</b>
<b>Uses of funds</b>					
Expenditures and transfers out*	280.7	281.8	289.1	295.7	305.0
Encumbrance balance	1.0	0.0	0.0	0.0	0.0
<b>Total uses of funds</b>	<b>281.7</b>	<b>281.8</b>	<b>289.1</b>	<b>295.7</b>	<b>305.0</b>
<b>Addition to Reserves</b>	<b>-16.8</b>	<b>0.2</b>	<b>1.9</b>	<b>1.1</b>	<b>1.4</b>
<b>Unreserved fund balance</b>	<b>\$ 0.0</b>	<b>\$ 1.7</b>	<b>\$ 1.7</b>	<b>\$ 6.1</b>	<b>\$ 12.5</b>

\* The placeholder salary adjustment of 2% included in the FY 2026/27 proposed budget is assumed to be part of a three-year agreement. Accordingly, additional 2% adjustments are included in the two forecast years.

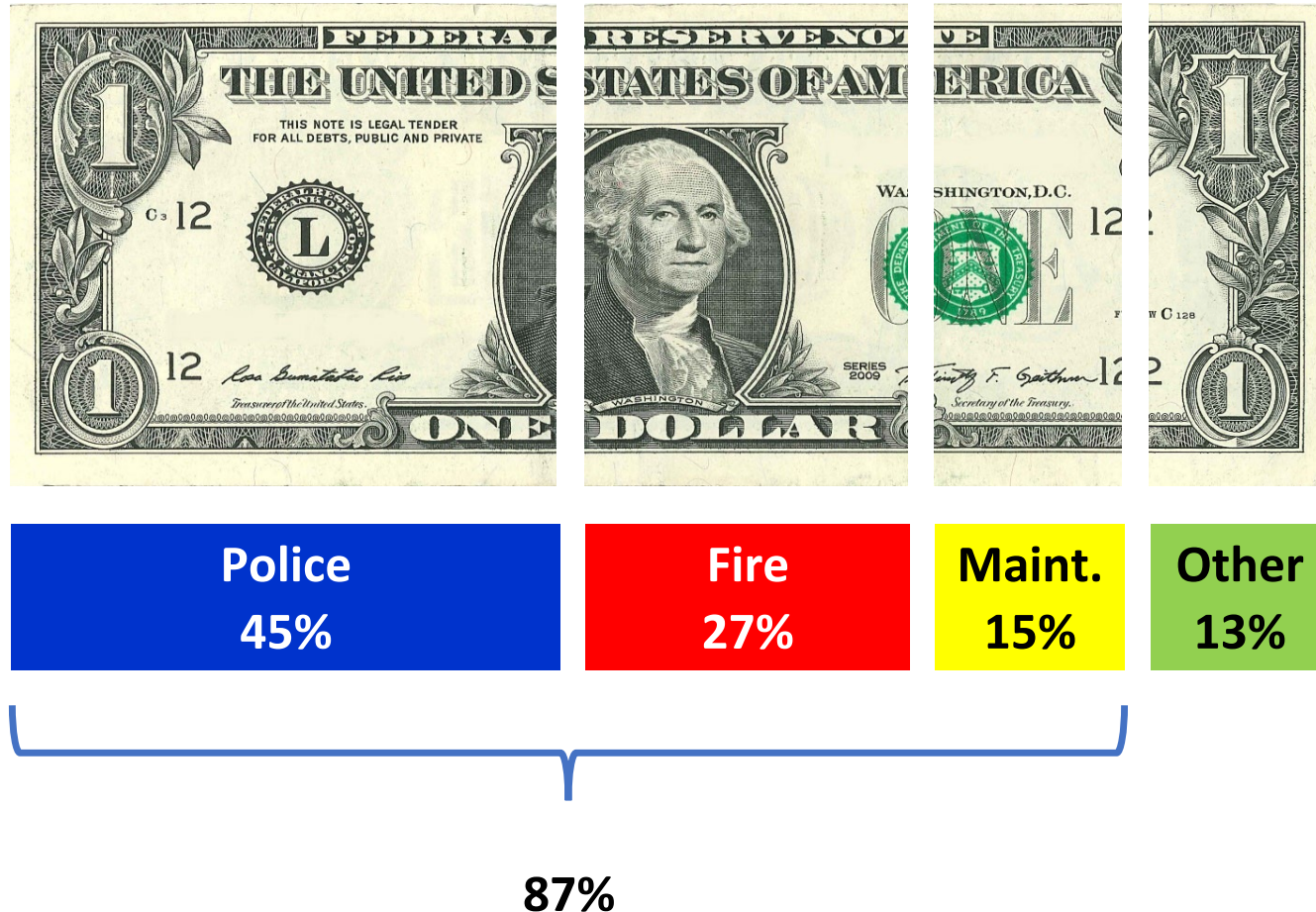
# Reserves Ensure Service Continuity

- ▶ Contingency Reserve fully funded in Proposed Budget
- ▶ Forecast assumes \$4.3 million of the Budget Uncertainty Reserve will remain at the end of FY 2025/26

General Fund Reserves	Proposed Funding FY 2026/27
<b>Contingency Reserve</b> (16.7%* of expenditures and transfers out - address unforeseen events)	\$48.3 Million
<b>Budget Uncertainty Reserve</b> (Financial risk in 3-year forecast - offset revenue/expenditure uncertainty)	4.3 Million
<b>Total Reserves</b>	<b>\$52.6 Million</b>

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

# Budget Focused on Council/Community Priorities



# City Operations - Cost Centers and Human Services Special Revenue Fund

- ▶ Development
- ▶ Recreation
- ▶ Human Services



# Minimal Staffing Changes for FY 2026/27

Function (positions shown as full-time equivalent – FTE)	FY 2025/26 Estimate*	FY 2026/27 Proposed	Staffing Change**
<b>Public Safety</b>			
Fire	174.0	174.0	0.0
Police	320.0	320.0	0.0
<b>Other Community Services</b>			
Community Development	88.2	88.2	0.0
Community Services	46.4	46.4	0.0
Economic Development	4.0	4.0	0.0
Human Services	82.7	79.9	(2.8)
Maintenance Operations	111.0	111.0	0.0
Public Works	67.7	67.7	0.0
<b>Administrative Services</b>	102.0	103.0	1.0
<b>Total</b>	<b>996.0</b>	<b>994.2</b>	<b>(1.8)</b>

\* FY 2025/26 estimate reflects positions eliminated as part of mid-year rebalancing actions.

\*\* General Fund: City Council (1 FTE).  
Other funds: Human Services (-2.8 FTE).

# Summary

- ▶ National economy will continue to expand at a moderate rate, but interest rates will remain elevated
  - Modest increases in sales tax, business tax, and hotel tax revenue
  - Low levels of real estate turnover and new development activity constrain property tax growth
- ▶ FY 2026/27 Proposed Budget balanced
  - Staffing and services budgeted at current-year levels (with staffing and service reductions from FY 2025/26)
  - No capacity to restore eliminated positions or services
  - Labor negotiations underway – 2% salary placeholders in proposed budget and forecast year projections
- ▶ Significant uncertainty in both revenues and expenditures
  - Prolonged energy supply disruptions could lead to economic slowdown
  - Budget Uncertainty Reserve projected to end FY 2025/26 at \$4.3 million

# Budget Schedule

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