

IV. RECOMMENDED BUDGET ADJUSTMENTS AND CLEAN-UP/REBUDGET ACTIONS

RECOMMENDED BUDGET ADJUSTMENTS

This section of the Annual Report describes recommended budget adjustments and is broken down by General Fund and Special/Capital Funds. The following types of changes are included:

General Fund

Required Technical/Rebalancing Actions – These actions recommend adjustments to align already approved revenue estimates and expenditure budgets with the most current tracking information, reallocate funding for ongoing appropriations based on updated needs, correct technical problems in the 2023-2024 Adopted Budget, or comply with actions previously authorized by the City Council.

Grants/Reimbursements/Fees – These actions, which generally impact, recognize new or adjusted grants, reimbursements, or fee activity revenues and adjust the appropriations for these purposes, as appropriate.

Special/Capital Funds

Special/Capital Fund Adjustments – These actions adjust revenue estimates based on recent collection information; recognize revenues from new or adjusted grants, reimbursements, and fees; reflect changes in project and program allocations based on revised cost estimates and project timing; reallocate project funding from reserves; and/or establish a limited number of new projects and programs.

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CLEAN-UP/REBUDGET ACTIONS

This section of the Annual Report consists of clean-up and rebudget actions for the General Fund and Special/Capital Funds. The following types of adjustments are included:

General Fund & Special/Capital Funds

Fund Balance Reconciliations – These actions revise the Beginning Fund Balance estimates in the 2023-2024 Adopted Budget for all funds where the actual (unaudited) 2022-2023 Ending Fund Balance contained in the Annual Comprehensive Financial Report (ACFR) statements differ from the budgeted amount.

Rebudgets – These actions revise various appropriations to rebudget funds to complete prior year projects. Downward adjustments to previously approved rebudget actions are included if actual year-end revenues or expenditures were higher than anticipated, while upward adjustments are included if actual year-end revenues or expenditures were lower than anticipated.

Technical Adjustments – These actions align revenues and/or expenditures among appropriations, funds, and/or categories for previously approved budget actions or reconcile revenues with expenditures to close out the previous fiscal year. Summaries of each of these adjustments are provided below:

- **Net-Zero Funding Transfers/Reallocations** – These actions include net-zero transfers between appropriations, funds, and revenue categories and the redistribution of funding allocations.
 - **Appropriation Name Change** – renames appropriations to better align with the intended use of the funds.
 - **Funding Reallocation / Shifts** – reallocates funds for the same purpose that was previously approved by City Council to another appropriation, fund, or revenue category to better track the funding; to align funding with an appropriation best suited for the intended use (e.g., Non-Personal/Equipment to Personal Services, Non-Personal/Equipment to a City-Wide Expenses appropriation); or to shift funds to the appropriate funding source.
- **Measure E** – The Measure E expenditure reconciliations resulted in a net downward adjustment to 2023-2024 reserve allocations by \$2.7 million: 1) to proportionately reduce budgeted levels by \$8.7 million to reflect the 2022-2023 shortfall of Real Property Transfer Tax proceeds, 2) increasing reserves by \$4.3 million to reallocate 2022-2023 expenditure savings to the corresponding reserve for future programming, 3) increasing reserves by \$1.7 million to proportionately reallocate Program Administration 2022-2023 expenditure savings to reserves for future programming, and 4) net-zero technical adjustments between reserves to correctly allocate prior year funding in accordance with prior City Council direction. The Measure E reconciliations resulted in upward adjustments to Measure E - 5% Moderate-Income Households Reserve (\$2.2 million) and Measure E - 10% Homeless Prevention and Rental Assistance Reserve (\$1.5 million); and downward adjustments to

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Measure E - Interim Housing Construction and Operations Reserve (\$3.1 million), Measure E - 40% Extremely Low-Income Households Reserve (\$2.8 million), and Measure E - 30% Low-Income Households Reserve (\$534,000).

- **Gift Trust Fund Reconciliation** – These technical actions allocate the actual revenues received in 2022-2023 that were not incorporated into the 2023-2024 Adopted Budget for existing gifts, as well as rebudgeted gifts that were anticipated to be spent in 2022-2023, but had funds remaining. The Gift Trust Fund accounts for revenues and expenditures related to gifts, donations, and bequests to the City, and funds deposited may only be used for the specified gifts as indicated.
- **Prior Year Encumbrance Liquidation** – These actions appropriate funding for prior year encumbrances that were liquidated in 2022-2023 and fell to the fund’s ending fund balance. These encumbrances were for a specific contract and due to various reasons, the current vendor was unable to fulfill the obligations under the contract. It is recommended that the funding be appropriated and re-encumbered for the same purpose but with a different vendor.
- **Restricted Revenue/Expenditure Reconciliations** – These actions adjust appropriations to align budgeted revenues and expenses with the actual performance of restricted revenues/expenditures. Reconciliations of these revenues and expenditures for these programs are conducted to determine if revenues exceeded or fell below costs. To meet the commitment to the restricted funding source, all related funds are used solely to support the respective programs. Some examples of these program reconciliations with actions recommended in this report include:
 - 4th Street Garage Banquet Facility Maintenance and Operations
 - Artificial Turf Capital Replacement Reserve
 - Certified Access Specialist Program (CASP)
 - Contractual Street Tree Planting
 - Digital Inclusion Program
 - Public, Education, and Government (PEG) Access Program
 - Cardroom Regulation Fee
- **Restricted Revenue/Expenditure Special/Capital Fund Reconciliations** – These actions adjust appropriations to align budgeted revenues and expenses with the actual performance within a Special/Capital Fund. Transfers are made in the Special/Capital Fund from subaccounts within the respective Special/Capital Fund with corresponding actions to reserves or the Ending Fund Balance associated with the subaccount. Examples of Funds with the subaccounts are the Contingent Lien District Fund, Construction Excise Tax Fund, and Multi-Source Housing Fund.