
III. RECOMMENDED BUDGET ADJUSTMENTS AND CLEAN-UP ACTIONS

RECOMMENDED BUDGET ADJUSTMENTS

This section of the Mid-Year Budget Review describes recommended budget adjustments and is broken down by General Fund, Special Funds, and Capital Funds.

General Fund

Urgent Fiscal/Program Needs – These actions recommend additional funding to address urgent fiscal/program needs. These adjustments are being brought forward for City Council consideration as part of this report, rather than later through the annual budget process, because the Administration has deemed the need can or should not wait until later in the year.

Required Technical/Rebalancing Actions – These actions recommend adjustments to align already approved revenue estimates and expenditure budgets with the most current tracking information, or reallocate funding among appropriations based on updated needs. These actions also implement City Council direction.

Grants/Reimbursements/Fees – These actions, which have a net-zero impact, recognize new or adjusted grant, reimbursement, or fee activity revenue and adjust the appropriations for these purposes, as appropriate.

Special Funds

Special Fund Adjustments – These actions adjust revenue estimates based on current year collection information; recognize and appropriate revenues from new or adjusted grants, reimbursements, and fees; reallocate project funding from reserves; and/or establish a limited number of new projects and programs.

Capital Funds

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

III. RECOMMENDED BUDGET ADJUSTMENTS AND CLEAN-UP ACTIONS

RECOMMENDED CLEAN-UP ACTIONS

General Fund & Special/Capital Funds

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

Construction and Conveyance Tax Adjustment -

These actions decrease the Construction and Conveyance (C&C) Tax Funds revenue allocation to align the 2023-2024 budgeted estimate with the anticipated collection level. A total of 17 C&C Tax Funds are budgeted throughout the Capital Budget. Most of these funds (13) support the Parks and Community Facilities Development Capital Program, with the remaining four funds supporting the Public Safety, Library, Service Yards, and Communications Capital Programs. C&C collections are driven by activity in the local real estate market. Based on collections through December, C&C Tax revenue is anticipated to fall short of the budgeted estimate. Therefore, a recommendation to decrease the revenue by \$5.0 million (from \$40.0 million to \$35.0 million) is included in this report to align the budgeted estimate with the anticipated collection level. As a result, the following C&C Tax revenue reductions are recommended to the individual C&C Tax Funds: Parks Central C&C Tax Fund (\$3.2 million), Library C&C Tax Fund (\$711,000), Service Yards C&C Tax Fund (\$439,000), Fire C&C Tax Fund (\$420,000), Communications C&C Tax Fund (\$170,000), and Park Yards C&C Tax Fund (\$60,000). To offset these actions, this report includes recommendations to decrease the Ending Fund Balances in the C&C Tax Funds.

Fund Balance Reconciliations – Beginning Fund Balances in each budgeted fund are adjusted each year as part of the Annual Report process based on unaudited Annual Comprehensive Financial Report (ACFR) statements. For some funds, however, additional actions are included in the Mid-Year Budget Review to further revise Beginning Fund Balances based on a reconciliation to the final audited 2022-2023 ACFR.

Rebudgets – These actions revise revenue and expenditure rebudgets of prior year funding based on 2022-2023 final year-end accounting adjustments.

Salary and Benefits to Overtime Reallocation – This action reallocates savings in the salary and benefit line item in the Police Department (\$17.0 million) due primarily to vacancies, to the overtime line item in the Personal Services appropriation.

Salary and Benefits Program – Several actions are recommended to increase various department Personal Services appropriations to fund previously-negotiated swing shift differential pay with the Police Officers' Association (POA); for retirement costs and position costs to account for leap day that were inadvertently omitted in the development of the 2023-2024 Adopted Budget; for Management Pay for Performance Program implementation; and for health benefit increases. Adjustments were included for those departments that are not able to absorb these additional costs (\$9.5 million all funds; \$9.0 million General Fund). To offset these augmentations, this report includes recommendations to partially decrease the Salaries and Benefits Reserve allocation in the General Fund, and to reduce the Ending Fund Balances in the Special Funds as appropriate.

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Transfer to the General Fund – Interest Earnings – These actions increase the Transfer to the General Fund – Interest Earnings allocations to reflect the increase of interest earned in 2023-2024 on cash balances across multiple City funds, which is required to properly allocate interest proceeds from higher than anticipated estimated earned income yield trends. As indicated in the Finance Department 2023-2024 First Quarter Investment Report (ending September 30, 2023), the earned interest yield for the City’s total investment portfolio for the first quarter ended as 3.000%, which was 0.142% higher than the previous quarter and 1.381% higher than a year ago. The 2023-2024 Adopted Budget estimated interest earning levels were set lower than what is currently being reflected in the Finance Department 2023-2024 First Quarter Public Safety Investment Report. As part of this report, actions are recommended to increase the General Fund from the impacted Special and Capital Funds to realign estimated interest earnings to current levels.

Technical Adjustments – A variety of net-zero adjustments are recommended to reallocate funds for the same purpose that was previously approved by City Council to another appropriation or revenue category to better track the funding or to align funding with an appropriation best suited for the intended use (e.g., Non-Personal/Equipment to Personal Services).