

## 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

**Urgent Fiscal/Program Needs** – These actions recommend additional funding to address a very limited number of 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, to comply with actions recently authorized by the City Council or because the Administration has deemed the need can or should not wait until later in the year. In the 2023-2024 Annual Report, the following Urgent Fiscal/Program Needs are identified: City Manager’s Office Personal Services (Road to 2026 Executive Leadership) and Public Works Department Personal Services (Animal and Care Services).

**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 2024-2025 Adopted Budget, or comply with actions previously authorized by the City Council.

**Grants/Reimbursements/Fees** – These actions 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.

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

### 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 2024-2025 Adopted Budget for all funds where the actual (unaudited) 2023-2024 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 Department Change** – realign appropriations with Departments responsible for the funds.
  - **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.

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### General Fund & Special/Capital Funds

- **City Council District Budgets** – These actions reallocate funding of estimated staff leave balance payouts between appropriations for the City Council District that is in a transition year – when the term of office of the Mayor or Councilmember(s) will expire and, as a result, the official may leave office due to election results or term limits, two separate appropriations are created, one for the outgoing and another one for the incoming elected official. The first appropriation is for the July through December period (outgoing) while the second appropriation is for the January through June period (incoming). As part of the approval of the 2024-2025 Adopted Operating Budget, Manager’s Budget Addendum #32 amended City Council Policy 1-18 to revise the allocation between the two appropriations to account for the estimated payout amount of leave balances to be rebudgeted into the outgoing office’s budget.
- **Development Fee Program (Shared Resources Allocation)** – These actions realign funding allocations between various Special Funds for Information Technology Department staff that are currently dedicated to supporting the Development Fee Program. Every year, the funding allocations for these positions are updated based on the updated allocation plan; however, the allocation plan was not finalized in time for inclusion in the 2024-2025 Base Operating Budget. These actions will realign funding allocations to the updated allocation plan.
- **Gift Trust Fund Reconciliation** – These actions allocate the actual revenues received in 2023-2024 that were not incorporated into the 2024-2025 Adopted Budget for existing gifts, as well as rebudgeted gifts that were anticipated to be spent in 2023-2024, 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.
- **Measure E** – These actions reallocate unencumbered Measure E funds received in prior years from the General Fund to the Real Property Transfer Tax Fund, which was newly established in the 2024-2025 Adopted Operating Budget. For ease of administration and transparency, all future revenues and expenditures related to Measure E will be included in the Real Property Transfer Tax Fund.
- **Prior Year Encumbrance Liquidation** – These actions appropriate funding for prior year encumbrances that were liquidated in 2023-2024 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.

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

### General Fund & Special/Capital Funds

- **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:
  - Artificial Turf Capital Replacement Reserve
  - Certified Access Specialist Program (CASP)
  - Contractual Street Tree Planting
  - Digital Inclusion Program
  - Electric Vehicle Charging Stations
  - Public, Education, and Government (PEG) Access Program
  - Tree Mitigation
- **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.