

2015-2016

ANNUAL

REPORT

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

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Budget Adjustments

This section of the Annual Report summarizes recommended budget adjustments in all funds and is broken down by General Fund and Special/Capital Funds. This section consists of the following types of changes:

General Fund

Required Technical/Rebalancing Actions – These actions recommend adjustments to align already approved expenditure budgets with the most current tracking information, to comply with actions previously authorized by the City Council, or to correct technical problems in the 2016-2017 Adopted Budget.

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.

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 through the annual budget process, because the Administration has deemed the need can or should not wait until later in the year.

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 Actions

This section consists of clean-up 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 2016-2017 budget for all funds where the actual (unaudited) 2015-2016 Ending Fund Balance contained in the unaudited Comprehensive Annual Financial Report (CAFR) statements differed from the budgeted amount.

Development Fee Program Reconciliations – These actions adjust appropriations based on actual Development Fee Program expenditure and revenue reconciliations. Consistent with the budget policy enacted many years ago, year-end reconciliations of the revenues and expenditures in the Development Fee Programs are conducted to determine if revenues exceeded or fell below costs. To meet the commitment to the development community that all development fees will be used solely to support development fee activities, any excess revenues and interest earnings above actual costs are placed in the Development Fee Program Reserves.

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.

Voluntary Furlough/Reduced Work Week Program – Adjustments to various departments' Personal Services appropriations reflect implementation of the Voluntary Furlough/Reduced Work Week Program in 2016-2017. Savings in the General Fund (\$200,000) will be generated from employees taking unpaid time off (up to 45 hours) without the loss of accrued benefits (vacation, sick leave, and seniority) or reducing their weekly scheduled hours by as much as eight hours per week during the year. Savings of \$200,000 were assumed in the development of the 2016-2017 Adopted Budget and temporarily funded from the General Fund Salaries and Benefits Reserve. The actions reflected in this report remove the actual savings from the departmental budgets and appropriately restore the funding to the Salaries and Benefits Reserve.

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General Fund & Special/Capital Funds

Technical Adjustments – These actions align revenues and/or expenditures among appropriations, funds, and/or categories for previously approved budget actions or reconciles revenues with expenditures to close out the previous fiscal year.

- **Net-Zero Funding Transfers/Reallocations** – These actions include net-zero transfers between appropriations, funds, and revenue categories and the redistribution of funding allocations.
- **Other Adjustments:**
 - **4th Street Garage Banquet Facility Maintenance and Operations** – This technical contractually required adjustment in the General Fund decreases the 4th Street Garage Banquet Facility Maintenance and Operations appropriation based on actual banquet revenue received in 2015-2016 compared to the modified budget revenue estimate. A decrease to this appropriation of \$27,402 is recommended in this report based on actual collections.
 - **Interest Earnings – 2014 and 2015 Justice Assistance Grant** – This technical adjustment in the Edward Byrne Memorial Justice Assistance Grant Fund appropriates interest earned in 2015-2016 to the 2014 Justice Assistance Grant and the 2015 Justice Assistance Grant appropriations that were previously unallocated. These funds will be used in accordance with the approved spending plan, which includes equipment, crime prevention and community education programs, and grant administration.
 - **Artificial Turf Capital Replacement Reserve** – Consistent with past practice, this technical adjustment in the General Fund adds funding of \$310,000 to a reserve that was included as part of the 2016-2017 Adopted Operating Budget for future replacement of artificial turf fields. This reserve is supported by the field reservation revenues, less the cost to maintain and operate the artificial turf fields.

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Other Adjustments:

- **Certified Access Specialist Program (CASP)** – This technical adjustment in the General Fund decreases the CASP appropriation by \$2,407 based on actual revenue received compared to the modified budget revenue estimate from a \$1.00 surcharge on each new or renewed City-issued business license for activities and services associated with an expanded CASP program, as required by State Senate Bill 1186. Of the total fees collected, 30.0% are transmitted to the State Division of Architect, and 70.0% remains with the City of San José. Of the 70.0% City portion, 95.0% of the funding funds inspection services in the Planning, Building and Code Enforcement Department, and the remaining 5.0% funds administrative costs in the Finance Department for collections and reporting. This program increases compliance with Americans with Disabilities Act (ADA) improvements and develops educational resources for business to facilitate compliance with federal and State disability laws.
- **Cultural Facilities Capital Maintenance Reserve** – This technical adjustment is necessary to recognize additional Transient Occupancy Tax revenue received in 2015-2016 in the amount of \$265,000. As directed in the Mayor’s March Message for Fiscal Year 2015-2016, as approved by the City Council, the growth in the General Fund portion of the Transient Occupancy Tax revenue above the 2014-2015 base year is to be set aside for cultural and arts facilities capital maintenance.
- **Federal Realty Refund** – This technical adjustment, totaling \$138, corrects for a rounding error. Because projects are rounded to the nearest thousand dollar in the Building and Structure Construction Tax Fund in the Capital Budget, the Federal Realty Refund appropriation, which will refund a developer, was inadvertently rounded down versus to the exact refund amount. By rounding down, the appropriation did not have sufficient funding to make the payment.
- **General Plan Update Reserve** – This technical adjustment reflects a reconciliation of actual annual General Plan Update fee revenues received in the General Fund compared to the modified budget revenue estimate. A General Plan Update fee is applied to certain planning permits and activities and the revenues received are restricted to activities related to General Plan updates. The upward adjustment of \$38,656 accounts for actual revenue receipts that were slightly above the modified budget, which are now recommended to be placed in an earmarked reserve for future use.

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Other Adjustments:

- **Gift Trust Fund Reconciliation** – These actions allocate the actual revenues received in 2015-2016 that were not incorporated into the 2016-2017 Adopted Budget for existing gift, as well as rebudget gifts that were anticipated to be spent in 2015-2016 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 be only be used for the specified gifts as indicated.
- **Leland Sports Field Repayment** – This technical adjustment transfers funding toward the full repayment of \$350,000 to the Council District 10 Construction and Conveyance (C&C) Tax Fund. Funding was advanced to the Leland Sports Field project from this District to support the addition of an enhanced concession/storage/bathroom facility at the Leland Sports Field. As approved by the City Council in March 2007, fees collected from the use of this sports field will support ongoing operational and maintenance costs, repay the Council District 10 C&C Tax Fund, and establish a reserve for future replacement of the turf prior to the expiration of the agreement. A technical adjustment recommended in this report transfers \$39,000 in additional fee revenue in excess of operating costs from the General Fund to the Leland Turf Replacement Reserve in the Council District 10 C&C Tax Fund. A total of \$39,000 remains to be repaid to the Council District 10 C&C Tax Fund. This payment completes the repayment of \$350,000 to the Council District 10 C&C Tax Fund.
- **Human Resources/Payroll/Budget Systems Upgrade** (Transfer to the General Fund) – Actions are recommended in this report to provide additional funding for the Human Resources/Payroll/Budget Systems Upgrade (\$566,000) in the General Fund. Of the \$566,000 being added, \$466,000 will be added to the project contingency, bringing the total contingency amount to \$1,883,740. The remaining \$100,000 of additional funding will cover an Agreement with CherryRoad Technology Inc. for Managed Services. This Agreement will provide the City with additional technical support once the systems have all been implemented. To offset a portion of the costs, a transfer of \$136,000 from various special and capital funds as well as reimbursement from the Development Fee Program partners of \$29,000 is included to account for those funds' fair share of the additional project costs.

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Other Adjustments:

- **Policy and Ordinance Assistance** – These technical adjustments reallocate funding (\$124,000) from the Planning, Building and Code Enforcement (PBCE) Non-Personal/Equipment appropriation to the PBCE Personal Services appropriation. The funding will support temporary staff to assist with researching and drafting proposed changes to land use regulations in the San José Municipal Code and land use policy documents in order to facilitate the implementation of action items identified in the Envision San José 2040 General Plan and for economic development. Funding was added in the 2016-2017 Adopted Budget for a consultant to provide these services; however, subsequently temporary staff was hired to perform the work.
- **Public, Educational, and Government (PEG) Access** – These technical contractually required adjustments in the General Fund reflect a reconciliation of actual revenue received from the City’s cable provider and related interest earnings. As a result of higher than budgeted revenues received, these technical adjustments increase the City-Wide Expenses Public, Educational, and Government Access Facilities – Capital appropriation by \$2,788 and the City-Wide Expenses Government Access – Capital Expenditures appropriation by \$2,219.
- **San José End of Watch Memorial** – These technical adjustments reallocate funding from Mayor and City Council appropriations to the San José End of Watch Memorial (\$33,500). At the August 9, 2016 City Council meeting, direction was given to reallocate resources from Mayor and Council offices to support the San José End of Watch Memorial to memorialize San José Police Department officers who have made the ultimate sacrifice servicing the residents of San José.
- **Vietnamese-American Community Center Planning and Fundraising** – These technical adjustments reallocate funding (\$70,000) from the City Manager’s Office Vietnamese-American Community Center City-Wide Expenses to the Parks, Recreation and Neighborhood Services Department (PRNS) Vietnamese-American Community Center Planning and Fundraising Capital Improvements appropriation. These actions consolidate the funding allocated for fundraising and community partnership activities for the Vietnamese-American Community Center.