

**2011-2012**

**ANNUAL**

**REPORT**

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**IV. RECOMMENDED BUDGET  
ADJUSTMENTS AND  
CLEAN-UP 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, totaling a net of \$2.4 million, recommend current year adjustments to align budgeted revenue and expenditures with the most current information, or to correct technical problems in the 2012-2013 Adopted Budget. Additional detailed information on these adjustments can be found in the following pages in this section.

**Grants/Reimbursements/Fees** – These actions, which have a net-zero impact on the General Fund, recognize new or adjusted grant, reimbursement, or fee activity revenue and adjust the appropriations for these purposes as appropriate. Additional detailed information on these adjustments can be found in the following pages in this section.

**Urgent Fiscal/Program Needs** – These actions recommend additional funding of \$10.5 million to address two urgent fiscal/program needs. The recommended actions establish the Successor Agency City Legal Obligations Earmarked Reserve in the amount of \$7.5 million and increase the Workers Compensation/General Liability Catastrophic Earmarked Reserve by \$3.0 million. Additional detailed information on these adjustments can be found in the following pages in this section.

**Special/Capital Funds**

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

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**Clean-Up Actions**

**General Fund & Special/Capital Funds**

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

**Fund Balance Reconciliations** – These actions revise the Beginning Fund Balance estimates in the 2012-2013 budget for all funds where the actual (unaudited) 2011-2012 Ending Fund Balance/2012-2013 Beginning Fund Balance differed from the budgeted amount.

**Development Fee Program Reconciliations** – These actions adjust appropriations based on actual fee program reconciliations. In the four Development Fee Programs (Building, Fire, Planning, and Public Works), these actions adjust fee reserves to reflect the policy of preserving all expenditure savings and/or revenue excess/shortfall and related interest earnings resulting from year-end program reconciliations.

**Rebudget Adjustments** – These actions revise various appropriations to rebudget funds to complete prior year projects. Downward adjustments to previous 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.

**Retirement Contributions Reconciliation** – Due to a change in methodology for paying the City's annual required contribution to a minimum amount or the amount generated by a rate, a Retirement Contributions Reconciliation was completed for both the Federated System and the Police and Fire Retirement Plan in order to ensure that all City funds contain the correct contribution amounts for 2012-2013. This reconciliation is consistent with City Council direction as part of the approval of the 2012-2013 Mayor's June Budget Message. Based on the final City contribution amounts as determined by the two retirement boards in April and May of 2012 and budget actions approved after the release of the Proposed Budget, the retirement contribution reconciliation results in net savings of \$904,000 in the General Fund (\$1.1 million in all funds) that are recommended to be distributed in this document.

**Technical Adjustments** – These actions correct errors or align revenues and/or expenditures among appropriations and funds for previously approved budget actions:

- **Net-Zero Funding Transfers/Reallocations** – These actions include net-zero transfers between appropriations, funds and revenue categories, and the redistribution of funding allocations.

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**Clean-Up Actions**

**General Fund & Special/Capital Funds**

- **Close-Out of Funds** – These actions include revenue and expenditure appropriation adjustments to reflect the final reconciliations to close out funds that are no longer used based on activity through the end of 2011-2012.
  
- **Other Adjustments:**
  - **Appropriation Re-title** – This technical adjustment re-titles one appropriation name to more accurately reflect the intent of the project.
  
  - **Energy Efficiency Program Implementation** – Per previous City Council direction, this technical adjustment allocates energy rebates received in 2011-2012, as well as the equivalent of first year energy savings from departmental non-personal/equipment appropriations, to a revolving energy efficiency City-Wide Expenses appropriation for future energy savings projects.
  
  - **Fire Station 5 Remediation** – Due to recently-identified mold issues that render Fire Station 5 uninhabitable, the station crew has been transferred to Fire Station 34 until another temporary location can be identified. To abate the mold at Fire Station 5, total funding of \$1.2 million is recommended in this report—\$1.1 million from the Fire Construction and Conveyance (C&C) Tax Fund, which includes \$232,000 of funding transferred from the General Fund, and \$89,000 from the Neighborhood Security Bond Fund. The following technical adjustments, which are included in the General Fund Clean-Up Actions, reallocate funding of \$232,000 from the General Fund to the Fire C&C Tax Fund: decreases the Public Works Non-Personal/Equipment appropriation (deferred maintenance) by \$107,000, decreases the Public Works Unfunded Projects City-Wide Expenses appropriation by \$50,000, and decreases the Unanticipated/Emergency Maintenance Capital project by \$75,000. Additional detailed information for the remaining funding adjustments can be found in the Special/Capital Funds Recommended Budget Adjustments.
  
  - **Successor Agency City Legal Obligations Subsidy** – These technical adjustments establish a Successor Agency City Legal Obligations Subsidy line-item (\$11.0 million) to reflect a reclassification of this expenditure, which was included in the 2012-2013 Adopted Budget as a Transfer. These technical adjustments more appropriately align this expenditure to the City-Wide Expenses category as the Transfers category is used for transfers between City funds, and the Successor Agency is a separate entity from the City.

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- **Other Adjustments (Cont'd.):**

- **Comcast Public, Education, and Government (PEG) Access** – These technical adjustments reflect a reconciliation of revenue received from the City's cable provider and related interest earnings. As a result of lower than budgeted revenues received, these technical adjustments decrease the Public and Education Access – Capital Expenditures appropriation by \$28,104 and Government Access – Capital Expenditures appropriation by \$2,839.