

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:

Fund Balance Reconciliations – Beginning Fund Balances in each budgeted fund are adjusted each year as part of the Annual Report process based on unaudited Comprehensive Annual Financial Report (CAFR) 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 2020-2021 CAFR.

Salary and Benefits Program – Several actions are recommended to increase various department Personal Services appropriations to fund the one-time, non-pensionable lump sum payment and general wage increase that was negotiated and agreed to by the City for the following bargaining units: Association of Engineers and Architects (AEA & SEA), Association of Legal Professionals (ALP), Association of Maintenance Supervisory Personnel (AMSP), City Association of Management Personnel (CAMP), Municipal Employees' Federation (MEF), Operating Engineers (OE#3), and Executive Management and Professional Employees in Unit 99 and other unrepresented employees in Unit 81/82; for Management Pay for Performance Program (MPP) costs; and for health benefit increases. The negotiated agreements were reached after the adoption of the budget. Adjustments were included for those departments that are not able to absorb these additional costs (\$14.9 million all funds; \$11.1 million General Fund). To offset these augmentations, this report includes recommendations to partially decrease the Salaries and Benefits Reserve allocation in the General Fund that was set aside for these increases in the 2021-2022 Adopted Budget, and to reduce the Ending Fund Balances in the Special Funds as appropriate.

Rebudgets – These actions revise revenue and expenditure rebudgets of prior year funding based on 2020-2021 final year-end accounting adjustments.

Technical Adjustments – A net-zero adjustment is recommended to shift funding from the Office of Economic Development and Cultural Affairs to the Housing Department for the Google Community Benefits – Community Stabilization appropriation in the amount of \$3 million to better align with initiatives led by the Housing Department. Additional net-zero adjustments correct errors or re-align revenues and/or expenditures among appropriations for previously approved budget actions.

Cardroom Fee Reconciliation – This technical adjustment reduces the revenue estimate for Licenses and Permits to be received in the General Fund in 2021-2022 by \$83,000 as a result of the final reconciliation of the 2020-2021 cardroom administration and casino table fees.