

## 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

**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 2022-2023 Adopted Budget, or comply with actions previously authorized by the City Council.

**Grants/Reimbursements/Fees** – These actions, which generally impact, recognize new or adjusted grants, reimbursements, or fee activity revenues 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 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 2021-2022 Annual Report, the following Urgent Fiscal/Program Needs are identified: Homelessness Management Services and a Lateral Firefighter/Paramedic Academy.

#### 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 2022-2023 Adopted Budget for all funds where the actual (unaudited) 2021-2022 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.
- **City Hall Debt Service / Transfers and Reimbursements** – Several actions included in this report decreases the contribution from various special and capital funds, offset by a corresponding increase from the General Fund, to the City Hall Debt Service Fund in a total amount of \$3.8 million to account for the necessary cost allocation adjustments of the 2020A lease revenue bonds debt service obligation that is paid in the City Hall Debt Service Fund. A separate action to increase the transfer from the General Fund to the City Hall Debt Service Fund is described in greater detail within the *General Fund Recommended Budget Adjustments Summary* section below.

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

### CLEAN-UP/REBUDGET ACTIONS

#### General Fund & Special/Capital Funds

- **Salary Program** – Several actions are recommended to increase various department Personal Services appropriations to fund the additional general wage increase that was negotiated and agreed to by the City for the following bargaining units: Association of Engineers and Architects (AEA), Association of Legal Professionals (ALP), Association of Maintenance Supervisory Personnel (AMSP), City Association of Management Personnel (CAMP), International Brotherhood of Electrical Workers (IBEW), Municipal Employees’ Federation (MEF), Operating Engineers (OE#3), San Jose Police Dispatchers’ Association (SJPDA), and Executive Management and Professional Employees in Unit 99 and other unrepresented employees in Unit 81/82. The negotiated agreements were reached after the adoption of the budget. Adjustments that are included in this report total \$6.4 million all funds, of which \$3.6 million is in the General Fund. To offset these augmentations, this report includes recommendations to decrease the Salaries and Benefits Reserve in the General Fund that was set aside for these increases in the 2022-2023 Adopted Budget, and to reduce the Ending Fund Balances or other expenditure offset in the Special Funds as appropriate.
- **Measure E** – The Measure E revenue reconciliations results in upward adjustments to: Measure E – 40% Extremely Low-Income Households Reserve (\$6,156); Measure E – 30% Low-Income Households Reserve (\$4,617); Measure E – 15% Homeless Support Programs Reserve (\$2,309); Measure E – 10% Homeless Prevention and Rental Assistance Reserve (\$1,539); and Measure E – 5% Moderately-Income Households Reserve (\$770).
- **Gift Trust Fund Reconciliation** – These technical actions allocate the actual revenues received in 2021-2022 that were not incorporated into the 2022-2023 Adopted Budget for existing gifts, as well as rebudgeted gifts that were anticipated to be spent in 2021-2022, 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.

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

### 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:
  - 4<sup>th</sup> Street Garage Banquet Facility Maintenance and Operations
  - Artificial Turf Capital Replacement Reserve
  - Certified Access Specialist Program (CASP)
  - Contractual Street Tree Planting
  - Digital Inclusion Program
  - Public, Education, and Government (PEG) Access Program
  - Cardroom Fee
  
- **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.