

**2017-2018
ANNUAL REPORT**

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 2018-2019 Adopted Budget, or comply with actions previously authorized by the City Council.

Grants/Reimbursements/Fees – These actions, which generally 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 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 2017-2018 Annual Report, there is one Urgent Fiscal/Program Need identified, the Active Shooter Training for the Fire Department.

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.

**2017-2018
ANNUAL REPORT**

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 2018-2019 budget for all funds where the actual (unaudited) 2017-2018 Ending Fund Balance contained in the Comprehensive Annual Financial Report (CAFR) statements differ from the budgeted amount.

Development Fee Program Reconciliations – These actions adjust appropriations based on actual Development Fee Program expenditures and revenue receipts. 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 ensure 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.

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.
 - **Mayor and City Council Office Transition Year Funding** – Per Section 20 (Office of the Mayor and City Council District Office Budgets in Transition Years) of City Council Policy 1-18, Operating Budget and Capital Improvement Program Policy, two separate budget allocations were established in the 2018-2019 Adopted Budget for the Mayor and Council Offices for Districts 5, 7, and 9. If there is no change in the office holder, the appropriations are to be combined for the continuity of operations. Actions are recommended to combine the appropriations for the Mayor and Council District 5. Any additional actions will be brought forward as part of the 2018-2019 Mid-Year Budget Review.
 - **Portable Emergency Mass Warning** – These technical adjustments reallocate the remaining funds for the Portable Emergency Mass Warning System from the Fire Department to the Office of Emergency Management in the City Manager’s Office.

**2017 - 2018
ANNUAL REPORT**

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

CLEAN-UP/REBUDGET ACTIONS

General Fund & Special/Capital Funds

- **Gift Trust Fund Reconciliation** – These technical actions allocate the actual revenues received in 2017-2018 that were not incorporated into the 2018-2019 Adopted Budget for existing gifts, as well as rebudget gifts that were anticipated to be spent in 2017-2018, 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.
- **Interest Earnings** – These technical adjustments increase transfers to the General Fund from various Capital Funds. By practice, all interest earnings accrued in the various Construction and Conveyance Tax Funds are transferred to the General Fund, and these recommended adjustments reflect a reconciliation of the actual interest earnings in each of the funds.
- **Overhead Rate** – These actions adjust Overhead appropriations across a variety of funds resulting in a net reduction of \$2.1 million to the General Fund revenue estimate to recognize the impact of a recalculation of the overhead rate applied to various Special and Capital Funds. Administrative costs associated with city-wide operations, which cannot be attributed to any specific department – such as work performed by the Finance and Human Resources Departments – are subject to a city-wide overhead cost allocation plan to distribute these costs on an equitable basis to departments and funds that are beneficiaries of such expenses. Though the existing methodology meets industry standards, these actions reflect recent refinement to the allocation basis for certain costs, which results in a net reduction in revenue to the General Fund and corresponding adjustments to Overhead appropriations within various Special and 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.
 - **4th Street Garage Banquet Facility Maintenance and Operations** – This technical adjustment in the General Fund reconciles the 4th Street Garage Banquet Facility Maintenance and Operation appropriation based on actual banquet revenue received compared to the modified budget revenue estimate.
 - **Artificial Turf Capital Replacement Reserve** – Consistent with past practice, this technical adjustment sets aside field reservation revenues, less the cost to maintain and operate the artificial turf fields.

**2017 - 2018
ANNUAL REPORT**

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

CLEAN-UP/REBUDGET ACTIONS

General Fund & Special/Capital Funds

- **Certified Access Specialist Program (CASP)** – This technical adjustment in the General Fund increases the CASP appropriation based on actual revenue received compared to the modified budget revenue estimate from the 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% are transmitted to the State Division of Architect, and 70% remains with the City of San José. Of the 70% City portion, 95% of the funding provides for inspection services in the Planning, Building and Code Enforcement Department, and the remaining 5% funds administrative costs in the Finance Department for collections and reporting. This program increases compliance with Americans with Disabilities Act improvements and develops educational resources for business to facilitate compliance with federal and State disability laws.
- **Contractual Street Tree Planting** - Funding for the Contractual Street Tree Planting program is generated through developer fees that are paid in advance for the pruning of new trees at 3 to 5 years of age, and again at 7 to 10 years of age. Fee funding is reconciled to ensure availability when the trees are scheduled for pruning.
- **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. The additional revenue over the budgeted estimate is recommended to be placed in an earmarked reserve for future use.
- **Public, Education, 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 compared to expenditures.
- **Public, Education, and Government (PEG) – CreaTV** – This 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 compared to expenditures.
- **Small Cell Permitting** – The City Council approved separate Funding and Reimbursement Agreements with Mobilitie and Verizon during its June 26, 2018 meeting, recognizing \$1.55 million in advanced permitting fees for projected staffing, consulting, and ancillary costs to process and streamline the permitting of small cell antennae on City-owned streetlight poles, and \$550,000 from initial installments of grant contributions (\$2.2 million) to the City-Wide appropriations for Broadband and Digital Inclusion Strategy and Digital Inclusion Program. Council also approved the addition of a total of five positions (1.0 Associate Construction Inspector, 2.0 Associate Engineer, and 2.0 Engineering Technician II) in the Public Works Department and 1.0 Geographic Information Systems Specialist in the Department of Transportation to provide the requisite staffing to address the expected increase in the scale of

**2017-2018
ANNUAL REPORT**

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

CLEAN-UP/REBUDGET ACTIONS

General Fund & Special/Capital Funds

small cell deployments. However, these position actions were inadvertently omitted from the final agenda for the June 26, 2018 meeting, necessitating reauthorization. Accordingly, the 2017-2018 Annual Report includes a series of technical adjustments to implement the actions brought forward to the City Council.