

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 2025-2026 Adopted Budget, or comply with actions previously authorized by the City Council.

Grants/Reimbursements/Fees – These actions recognize new or adjusted grants, reimbursements, or fee activity revenues and adjust the appropriations for these purposes, as appropriate.

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/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 2025-2026 Adopted Budget for all funds where the actual (unaudited) 2024-2025 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 spending.
 - **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.

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- **Construction Excise Tax Fund Shifts** – These actions reallocate funding from the Construction Excise Tax Fund to various newly budgeted funds (Evergreen Traffic Impact Fee Fund, I-280/Winchester Traffic Impact Fee Fund, North San Jose Traffic Impact Fee Fund, Route 101/Oakland/Mabury Traffic Impact Fee Fund, State Gas Tax Pavement Maintenance Fund, VRF Measure B Pavement Maintenance Fund, and VTA Measure B Pavement Maintenance Fund) that were previously subaccounts within the Construction Excise Tax Fund. Reallocating these funds to individual budgeted capital funds will improve transparency and financial and budgetary administration.
- **Annual Action Plan Alignment** – These actions align funding allocations in the Community Development Block Grant Fund, Home Investment Partnership Program Trust Fund, Multi-Source Housing Fund to the federal grant amounts outlined in the Annual Action Plan (AAP). The City submits an annual document known as the AAP to the U.S. Department of Housing and Urban Development (HUD) that describes how it will use federal funds to address local housing and community development needs over the next year, in alignment with the larger, multi-year Consolidated Plan. The AAP details specific activities, projects, and resources planned to achieve the goals of the Community Development Block Grant (CDBG), HOME Investment Partnerships, Emergency Solutions Grants (ESG), and Housing Opportunities for Persons With AIDS (HOPWA) programs. The adjustments reflect the final figures submitted to HUD and may differ slightly from those in the AAP approved by City Council on June 3, 2025 due to updates to program income, carryover balances, rounding differences, and technical corrections to ensure alignment with HUD's reporting requirements.
- **Gift Trust Fund Reconciliation** – These actions allocate the actual revenues received in 2024-2025 that were not incorporated into the 2025-2026 Adopted Budget for existing gifts, as well as rebudgeted gifts that were anticipated to be spent in 2024-2025 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.
- **Transfer to the General Fund – Interest Income** – These actions transfer interest earnings from certain Special/Capital Funds to General Fund. These actions adjust these transfers to reflect the latest projections for 2025-2026.

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General Fund & Special/Capital Funds

- **Prior Year Encumbrance Liquidation** – These actions appropriate funding for prior year encumbrances that were liquidated in 2024-2025 and fell to the fund’s ending fund balance. These encumbrances were for a specific contract and due to various reasons, the current vendor was unable to fulfill the obligations under the contract. It is recommended that the funding be appropriated and re-encumbered for the same purpose but with a different vendor or contract.
- **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:
 - Certified Access Specialist Program (CASP)
 - Contractual Street Tree Planting
 - Digital Inclusion Program
 - Electric Vehicle Charging Stations
 - Public, Education, and Government (PEG) Access Program
 - Tree Mitigation
- **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.