

**2016-2017  
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 among appropriations based on updated needs, to correct technical problems in the 2017-2018 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, because the Administration has deemed the need can or should not wait until later in the year.

**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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**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 2017-2018 budget for all funds where the actual (unaudited) 2016-2017 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 meet the commitment to the development community 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.

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**CLEAN-UP/REBUDGET ACTIONS**

**General Fund & Special/Capital Funds**

**Technical Adjustments** – These actions align revenues and/or expenditures among appropriations, funds, and/or categories for previously approved budget actions or reconciles revenues with expenditures to close out the previous fiscal year.

- **Net-Zero Funding Transfers/Reallocations** – These actions include net-zero transfers between appropriations, funds, and revenue categories and the redistribution of funding allocations.
- **Artificial Turf Capital Replacement Reserve** – Consistent with past practice, this technical adjustment in the General Fund adds funding of \$165,000 to a reserve that was included as part of the 2017-2018 Adopted Operating Budget for future replacement of artificial turf fields. This reserve is supported by field reservation revenues, less the cost to maintain and operate the artificial turf fields.
- **Cardroom Regulation** – This technical adjustment in the General Fund reduces the Cardroom Regulation Fee revenue for 2017-2018 to credit the cardrooms for over collection in 2016-2017. As a result of a settlement between the City and the cardrooms, the annual revenue collected from the cardroom regulation fees and the cardroom work permit fees is required to be reconciled to the expenditures incurred by the City for cardroom regulation. In 2016-2017, the revenue collected from the cardroom was greater than the City's expenditures by \$25,100.
- **Certified Access Specialist Program (CASP)** – This technical adjustment in the General Fund increases the CASP appropriation by \$9,413 based on actual revenue received compared to the modified budget revenue estimate from a \$1.00 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** - These technical adjustments in the General Fund increase the Non-Personal/Equipment appropriation to the Department of Transportation by \$69,000 for the Contractual Street Tree Planting program to align funding with actual fees received since 2012-2013. 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. Funding is adjusted to ensure availability when the trees are scheduled for pruning.

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**CLEAN-UP/REBUDGET ACTIONS**

**General Fund & Special/Capital Funds**

- **Council District 1, 2, 10 Special Events** - These technical adjustments in the General Fund increase the Council District #01 (\$500), Council District #02 (\$500), and Council District #10 (\$500) to allocate revenue received from various business and individuals in 2016-2017 that will support special events co-sponsored by the respective Council District.
- **Cultural Facilities Capital Maintenance Reserve** – This technical adjustment in the General Fund is necessary to recognize additional Transient Occupancy Tax (TOT) revenue received in 2016-2017 in the amount of \$275,000. In 2017-2018, a budget action was approved to eliminate the portion of the Cultural Facilities Maintenance Reserve, supported by the growth in General Fund TOT receipts (\$6.8 million in 2017-2018). To address facility needs, an annual General Fund allocation of \$450,000 was instead approved. This funding, in combination with the existing Reserve balance, is expected to support capital maintenance needs over the next three years.
- **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. A General Plan Update fee is applied to certain planning permits and activities and the revenues received are restricted to activities related to General Plan updates. The upward adjustment of \$17,808 accounts for actual revenue receipts that were slightly above the modified budget, which are now recommended to be placed in an earmarked reserve for future use.
- **Gift Trust Fund Reconciliation** – These technical actions allocate the actual revenues received in 2016-2017 that were not incorporated into the 2017-2018 Adopted Budget for existing gifts, as well as rebudget gifts that were anticipated to be spent in 2016-2017, 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.
- **Interest Earnings – 2014 and 2015 Justice Assistance Grant** – This technical adjustment in the Edward Byrne Memorial Justice Assistance Grant Fund appropriates interest earned in 2016-2017 to the 2014 Justice Assistance Grant and the 2015 Justice Assistance Grant appropriations that were previously unallocated. These funds will be used in accordance with the approved spending plan, which includes equipment, crime prevention and community education programs, and grant administration.

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**General Fund & Special/Capital Funds**

- **Interest Earnings – SLES 2015-2017 and SLES 2016-2018** – This technical adjustment in the Supplemental Law Enforcement Services Fund appropriates interest earned in 2016-2017 to the SLES 2015-2017 and SLES 2016-2018 appropriations that were previously unallocated. These funds will be used in accordance with the approved spending plan, which includes enhancements in investigative abilities, training, crime prevention, community policing, and grant administration.
- **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. As a result of lower than budgeted revenues and expenditures, these technical adjustments increase the City-Wide Expenses Public, Educational, and Government (PEG) Access Facilities – Capital appropriation by \$450,425 and the City-Wide Expenses Government Access - Capital Expenditures by \$15,260.
- **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. As a result of slightly lower than budgeted revenues and expenditures, this technical adjustment increases the PEG – CreaTV appropriation by \$5,627.
- **Maddie’s Lifesaving Grant** – These actions increase the Maddie Lifesaving Grant appropriation by \$111,931 to allocate 100% of the grant revenue received in 2016-2017 from Maddie’s Fund to promote pet adoption efforts for shelter dogs and cats.
- **Transfer to Business Improvement District Fund** – This action increases the transfer from the General Fund to the Business Improvement District Fund in the amount of \$350 to account for increases in assessments for City-owned properties within the Willow Glen Community Benefit Improvement District.