



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jim Shannon

SUBJECT: See Below

DATE: October 18, 2024

Approved

Date:

10/21/24

COUNCIL DISTRICT: Citywide

SUBJECT: Adoption of an Ordinance Ratifying Final Expenditures in Various Appropriations for 2023-2024 and Adoption of the Associated Appropriation Ordinance and Funding Sources Resolution Amendments in 2023-2024

RECOMMENDATION

- (a) Adopt an ordinance ratifying final 2023-2024 expenditures in various appropriations as detailed in this report.
- (b) Adopt the following 2023-2024 Appropriation Ordinance amendments in the Home Investment Partnership Program Fund:
 - (1) Increase the Housing Loans and Grants appropriation to the Housing Department by \$5,625,000; and
 - (2) Decrease the Ending Fund Balance by \$5,625,000.
- (c) Adopt the following 2023-2024 Appropriation Ordinance and Funding Sources Resolution amendments in the Construction Tax and Property Conveyance Tax Fund: Parks Purposes Central Fund:
 - (1) Increase the Construction and Conveyance Tax revenue estimate by \$2,066,909;
 - (2) Increase the Revenue from the Use of Money/Property estimate by \$31,230;
 - (3) Increase the Needs-Based Allocation Transfer to District 1 by \$175,376;
 - (4) Increase the Needs-Based Allocation Transfer to District 2 by \$99,292;
 - (5) Increase the Needs-Based Allocation Transfer to District 3 by \$87,066;
 - (6) Increase the Needs-Based Allocation Transfer to District 4 by \$56,638;
 - (7) Increase the Needs-Based Allocation Transfer to District 5 by \$178,054;
 - (8) Increase the Needs-Based Allocation Transfer to District 6 by \$98,832;
 - (9) Increase the Needs-Based Allocation Transfer to District 7 by \$169,318;
 - (10) Increase the Needs-Based Allocation Transfer to District 8 by \$133,533;

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- (11) Increase the Needs-Based Allocation Transfer to District 9 by \$104,864;
 - (12) Increase the Needs-Based Allocation Transfer to District 10 by \$67,944;
 - (13) Increase the Transfer to the Parks City-Wide Construction and Conveyance Tax Fund appropriation by \$585,956;
 - (14) Increase the Transfer to the General Fund – Parks Eligible Maintenance Costs appropriation by \$310,036; and
 - (15) Increase the Transfer to the General Fund – Interest Income appropriation by \$31,230.
- (d) Adopt the following 2023-2024 Appropriation Ordinance amendments in the Water Utility Fund:
- (1) Increase the Non-Personal/Equipment appropriation to the Environmental Services Department by \$1,230,957; and
 - (2) Decrease Ending Fund Balance by \$1,230,957.
- (e) Adopt the following 2023-2024 Appropriation Ordinance amendments in the General Fund:
- (1) Increase the Workers' Compensation Claims – Police appropriation to the Police Department by \$786,344;
 - (2) Increase the Workers' Compensation Claims – Fire appropriation to the Fire Department by \$217,969;
 - (3) Decrease the General Liability Claims appropriation to the Office of the City Attorney by \$813,633;
 - (4) Decrease the Workers' Compensation Claims – Other Departments appropriation to the Human Services Department by \$114,225;
 - (5) Decrease the Workers' Compensation Claims – PRNS appropriation to the Parks, Recreation, and Neighborhood Services Department by \$55,067;
 - (6) Decrease the Workers' Compensation Claims – Transportation appropriation to the Transportation Department by \$15,641; and
 - (7) Decrease the Workers' Compensation Claims – Public Works appropriation to the Public Works Department by \$5,747.
- (f) Adopt the following 2023-2024 Appropriation Ordinance and Funding Sources Resolution amendments in the Benefit Fund:
- (1) Increase the Health Plans appropriation to the Human Resources Department by \$93,418; and
 - (2) Increase Transfers and Reimbursements estimate by \$93,418.
- (g) Adopt the following 2023-2024 Appropriation Ordinance and Funding Sources Resolution amendments in the Construction Tax and Property Conveyance Tax Fund: Fire Protection Purposes:
- (1) Increase the Revenue from the Use of Money/Property estimate by \$12,843; and

- (2) Increase the Transfer to the General Fund – Interest Income appropriation by \$12,843.
- (h) Adopt the following 2023-2024 Appropriation Ordinance and Funding Sources Resolution amendments in the Construction Tax and Property Conveyance Tax Fund: Parks Maintenance Yards Purposes:
 - (1) Increase the Construction and Conveyance Tax revenue estimate by \$5,814; and
 - (2) Increase the Transfer to the General Fund – Park Yards Operating and Maintenance Expenses appropriation by \$5,814.

SUMMARY AND OUTCOME

The recommended actions account for unanticipated appropriation over-expenditures that occurred at the end of 2023-2024 and allow the final financial accounting on a budgetary basis for 2023-2024 to be completed.

BACKGROUND

As part of the process of completing the 2023-2024 fiscal year-end audit, final expenditures and encumbrances recorded by the Finance Department have been compared to the budget to determine whether the expenditures were within appropriation levels approved by the City Council. In this report, City Council approval is requested for a small number of appropriation increases necessitated because final 2023-2024 expenditure totals exceeded final modified appropriation levels.

ANALYSIS

As part of the year-end closing process, certain expenses not previously anticipated are recorded and cause appropriations to be exceeded. Under the City's current practice, appropriation increases necessary to fund those expenses require City Council ratification action. The Administration makes every effort to limit the number of instances where after-the-fact ratification of over-expenditures must occur. As has been the practice in the past, year-end budget adjustments were prepared and brought to City Council by the City Manager's Budget Office in June 2024 for the 2023-2024 fiscal year. A number of potential overruns were avoided as a result of the actions taken in that document.

The Administration manages approximately 1,500 appropriations allocated to approximately 137 budgeted City funds. In 2023-2024, appropriations were exceeded in seven City funds as described in the attachment to this memorandum (**Attachment -**

2023-2024 Ratification Descriptions.) The total amount for the seven funds involved is \$10.1 million and includes the following:

- Expenditure appropriation in the Home Investment Partnership Program Fund related to the Housing Loans and Grants appropriation for the Housing Department to maximize the expenditure of grant funds for an affordable housing project before the required spending deadline of September 30, 2024 (\$5,625,000);
- Transfer appropriations in the Construction Tax and Property Conveyance Tax Fund: Parks Purposes Central Fund (\$2,066,909) and the Construction Tax and Property Conveyance Tax Fund: Parks Maintenance Yards Purposes (\$5,814) that allocates excess Construction and Conveyance Tax receipts in accordance with the City Council-approved distribution formula;
- Expenditure appropriation in the Water Utility Fund related to a Non-Personal/Equipment appropriation for the Environmental Services Department primarily due to higher than anticipated wholesale water purchases and year-end accruals (\$1,230,957);
- Expenditure appropriations in the General Fund related to the Workers' Compensation Claims – Police appropriation (\$786,344) and Workers' Compensation Claims – Fire appropriation (\$217,969) primarily due to higher than anticipated claims settlement costs;
- Expenditure appropriation in the Benefit Fund related to the Health Plans appropriation due to higher enrollment and activity levels (\$93,418); and
- Transfer appropriations in the Construction Tax and Property Conveyance Tax Fund: Parks Purposes Central Fund (\$31,230) and the Construction Tax and Property Conveyance Tax Fund: Fire Protection Purposes (\$12,843) for the transfer of additional interest earnings to the General Fund.

EVALUATION AND FOLLOW-UP

The ratification of exceeded appropriations will be incorporated into the City's Annual Comprehensive Financial Report for 2023-2024.

COST SUMMARY/IMPLICATIONS

As discussed in the attachment to this memorandum, additional revenue and expenditure savings are available to offset the exceeded appropriations for 2023-2024.

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COORDINATION

This memorandum was coordinated with the City Attorney's Office and the Finance Department.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the November 5, 2024 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

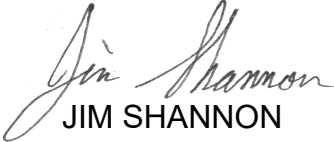
No commission recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP17-004, Government Funding Mechanism or Fiscal Activity with no commitment to a specific project which may result in a potentially significant physical impact on the environment.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.


JIM SHANNON
Budget Director

HONORABLE MAYOR AND CITY COUNCIL

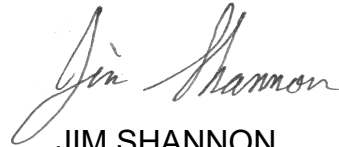
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I hereby certify that there was available for appropriation in the following funds in fiscal year 2023-2024 moneys in excess of those heretofore appropriated therefrom, said excess being at least the amounts as set forth below:

Construction Tax and Property Conveyance Tax Fund: Parks Purposes Central Fund	\$2,098,139
Benefit Fund	\$93,418
Construction Tax and Property Conveyance Tax Fund: Fire Protection Purposes	\$12,843
Construction Tax and Property Conveyance Tax Fund: Parks Maintenance Yards Purposes	\$5,814



JIM SHANNON
Budget Director

For questions, please contact Jim Shannon, Budget Director, at (408) 535-8142.

ATTACHMENT: 2023-2024 Ratification Descriptions

2023-2024 RATIFICATION DESCRIPTIONS**Home Investment Partnership Program Fund****\$5,625,000**

An adjustment is necessary in the Home Investment Partnership Program Fund to account for an over-expenditure related to the Housing Loans and Grants appropriation (\$5,625,000). This appropriation ended the year above budgeted levels primarily due to a reallocation of funding sources for the City Council-approved affordable housing project at 1860 Alum Rock Avenue, known as the 1860 Alum Rock Apartments Project. The project entails the construction of a 60-unit multifamily development, restricted to low- and extremely low-income households for a minimum of 55 years following completion. Initially, on June 21, 2022, a City loan of \$7,500,000 from Measure E funds was approved for the project, with an additional \$587,753 from Measure E funds approved on May 2, 2023 to complete tenant improvements in the ground floor commercial space. The HOME Investment Partnerships Program provides grants to cities and counties, and low-interest loans to developers, to create and retain affordable housing under specific conditions. The 1860 Alum Rock Apartments Projects was deemed an eligible use of HOME funds, and the allocation of \$5,625,000 needed to be utilized before a September 30, 2024, spending deadline. As a result, the previously approved Measure E funding was replaced by HOME funds. The offsetting adjustment to this over-expenditure is a decrease to Ending Fund Balance.

Construction Tax and Property Conveyance Tax Fund: Parks Purposes Central Fund**\$2,098,139**

As a result of higher than anticipated revenues, a technical adjustment is necessary to account for over-expenditures that occurred in the Transfer appropriations in the Construction and Conveyance Tax Fund – Parks Purposes Central Fund (\$2,066,909) that is allocated for parks and community facilities development. The Construction and Conveyance Tax revenue is received in the Construction and Conveyance Tax Fund – Parks Purposes Central Fund and then distributed to other various Parks-related Construction and Conveyance Tax Funds (i.e., City-Wide and Council District Funds) as well as the General Fund based on the City Council-approved distribution formula. Because Construction and Conveyance Tax Fund revenue ended the year above the estimated level, the transfer appropriations that were used to distribute this revenue to the other funds were also exceeded. Funding allocated for these ratification actions is offset by additional Parks Construction and Conveyance Tax Fund revenue. In addition, due to higher than anticipated interest earnings being received, a technical adjustment is necessary to account for an over-expenditure that occurred in the Transfer to the General Fund appropriation for interest income (\$31,230). Funding allocated for this ratification action is offset by additional Revenue from the Use of Money/Property for the higher interest income.

2023-2024 RATIFICATION DESCRIPTIONS**Water Utility Fund****\$1,230,957**

An adjustment is necessary in the Water Utility Fund to account for an over-expenditure related to the Environmental Services Department's Non-Personal/Equipment appropriation. This appropriation ended the year above budgeted levels due to a combination of two circumstances. First, wholesale water purchases were higher than expectations toward the end of the fiscal year due to higher than expected outdoor temperatures. These increased costs, as well as associated costs per the standard annual accrual processes, were inadvertently missed during the year-end close process. Second, because of lower actual vacancy rates in the Water Utility Fund, and more than expected positions being filled by incumbents requiring Tier 1 retirement contributions, personal services costs were higher than expected through the fiscal year; an action to accommodate these additional personal services costs was included in the 2023-2024 Year-End Budget Actions memorandum, adopted by City Council on June 18, 2024, offset by a decrease to the Environmental Services Department's Non-Personal/Equipment appropriation. Because of the timing of the development of the 2023-2024 Year-End Budget Actions memorandum, the remaining balance within the Non-Personal/Equipment appropriation was assumed to be sufficient to support the increase to support the additional personal services costs, further compounding the negative. The offsetting adjustments to this over-expenditure is a decrease to Ending Fund Balance.

General Fund**\$1,004,313**

Adjustments are necessary in the General Fund to account for over-expenditures related to the Workers' Compensation Claims – Police (\$786,344) and Workers' Compensation Claims – Fire (\$217,969). These appropriations ended the year above budgeted levels primarily due to higher than anticipated claims settlement costs, including claims involving ongoing and future medical treatments, and payment reissuance. A series of offsetting adjustments to these over-expenditures are recommended to the following appropriations, reflecting and realizing savings from amounts budgeted to other departments for workers' compensation claims, and aligning with actions recommended in the 2023-2024 Annual Report to rebudget funds for General Liability Claims: General Liability Claims (\$813,633); Workers' Compensation Claims – Other Departments (\$114,225); Workers' Compensation Claims – PRNS (\$55,067); Workers' Compensation Claims – Transportation (\$15,641); and Workers' Compensation Claims – Public Works (\$5,747).

2023-2024 RATIFICATION DESCRIPTIONS**Benefit Fund****\$93,418**

An Adjustment is necessary in the Benefit Fund to account for an over-expenditure related to the Health Plans appropriation (\$93,418). This appropriation ended the year above budgeted levels primarily due to higher than anticipated health plan enrollment and activity levels toward the end of the 2023-2024 fiscal year. This over-expenditure is offset by the recognition of additional employee contributions for health plan participation, increasing the Transfers and Reimbursements estimate by \$93,418.

Construction Tax and Property Conveyance Tax Fund: Fire Protection Purposes**\$12,843**

As a result of higher than anticipated interest earnings being received, a technical adjustment is necessary to account for an over-expenditure that occurred in the Transfer to the General Fund appropriation for interest income (\$12,843). Funding allocated for this ratification action is offset by additional Revenue from the Use of Money/Property for the higher interest income.

Construction Tax and Property Conveyance Tax Fund: Parks Maintenance Yards Purposes**\$5,814**

As a result of higher than anticipated revenues, a technical adjustment is necessary to account for the over-expenditure that occurred in the Transfer appropriation in the Construction and Conveyance Tax Fund – Parks Maintenance Yards Purposes Fund. Based on the City Council-approved distribution formula, a total of 15% of the revenue received in the Construction and Conveyance Tax Fund – Parks Maintenance Yards Purposes Fund is transferred to the General Fund for park maintenance operating and maintenance costs. Because Construction and Conveyance Tax Fund revenue ended the year above the estimated level, the transfer appropriation that was used to distribute this revenue to the General Fund was also exceeded. The funding allocated for the ratification action is offset by the additional Construction and Conveyance Tax Fund revenue.

TOTAL \$10,070,484