



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jim Shannon

SUBJECT: SEE BELOW

DATE: October 3, 2023

Approved

Date

10/6/2023

SUBJECT: ADOPTION OF AN ORDINANCE RATIFYING FINAL EXPENDITURES IN VARIOUS APPROPRIATIONS FOR 2022-2023 AND ADOPTION OF THE ASSOCIATED APPROPRIATION ORDINANCE AND FUNDING SOURCES RESOLUTION AMENDMENTS IN 2022-2023

RECOMMENDATION

- (a) Adopt an ordinance ratifying final 2022-2023 expenditures in various appropriations as detailed in the report to Council.
- (b) Adopt the following 2022-2023 Appropriation Ordinance and Funding Sources Resolution amendments in the American Rescue Plan Fund:
 - (1) Increase the estimate for Revenue from the Federal Government by \$12,124,964; and
 - (2) Increase the Transfer to the General Fund appropriation by \$12,124,964.
- (c) Adopt the following 2022-2023 Appropriation Ordinance and Funding Sources Resolution amendments in the Benefit Fund:
 - (1) Increase the revenue estimate for Transfers and Reimbursements by \$496,277;
 - (2) Increase the FICA - Medicare appropriation to the Human Resources Department by \$484,190;
 - (3) Increase the 401(a) Defined Contribution Retirement Plan appropriation to the Human Resources Department by \$12,579; and
 - (4) Decrease the Unrestricted Ending Fund Balance by \$492.
- (d) Adopt the following 2022-2023 Appropriation Ordinance and Funding Sources Resolution amendments in the General Fund:
 - (1) Increase the estimate for Revenue from the Federal Government by \$427,280; and
 - (2) Increase the Clean Creeks, Healthy Watersheds appropriation to the Environmental Services Department by \$427,280.

- (e) Adopt the following 2022-2023 Appropriation Ordinance amendments in the Public Works Program Support Fund:
 - (1) Increase the Compensated Time Off appropriation to the Public Works Department by \$729,043; and
 - (2) Decrease the Unrestricted Ending Fund Balance by \$729,043.

- (f) Adopt the following 2022-2023 Appropriation Ordinance amendments in the Integrated Waste Management Fund:
 - (1) Increase the Personal Services appropriation to the City Attorney's Office by \$116,582; and
 - (2) Decrease the Unrestricted Ending Fund Balance by \$116,582.

- (g) Adopt the following 2022-2023 Appropriation Ordinance amendments in the Sewer Service and Use Charge Fund:
 - (1) Increase the Collection Costs appropriation to the Finance Department by \$19,318; and
 - (2) Decrease the Unrestricted Ending Fund Balance by \$19,318.

- (h) Adopt the following 2022-2023 Appropriation Ordinance amendments in the San José-Santa Clara Treatment Plant Operating Fund:
 - (1) Increase the Personal Services appropriation to the City Attorney's Office by \$16,046; and
 - (2) Decrease the Unrestricted Ending Fund Balance by \$16,046.

SUMMARY AND OUTCOME

The recommended actions account for unanticipated appropriation over-expenditures that occurred at the end of 2022-2023 and allow the final financial accounting on a budgetary basis for 2022-2023 to be completed.

BACKGROUND

As part of the process of completing the 2022-2023 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 2022-2023 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 2023 for the 2022-2023 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 over 140 City funds. In 2022-2023, appropriations were exceeded in six City funds as described in Attachment. The total amount for the seven funds involved is \$13.9 million and includes the following:

- Expenditure appropriation in the American Rescue Plan Fund related to a transfer to the General Fund for revenue-loss reimbursement to account for the transfer of costs previously encumbered in the American Rescue Plan Fund in a prior fiscal year (\$12.1 million);
- Expenditure appropriations in the Benefit Fund related to the FICA-Medicare appropriation (\$484,190) and the 401(a) Defined Retirement Plan appropriation (\$12,579);
- Expenditure appropriations in the General Fund related to the Clean Creeks, Healthy Watersheds project (\$427,280);
- Expenditure appropriations in the Public Works Program Support Fund related to the Compensated Time Off appropriation (\$729,043);
- Expenditure appropriations in the Integrated Waste Management Fund related to a Personal Services appropriation for the City Attorney's Office (\$116,582);
- Expenditure appropriations in the Sewer Service and Use Charge Fund related to the Collection Costs appropriation (\$19,318);
- Expenditure appropriations in the San José-Santa Clara Treatment Plant Operating Fund related to a Personal Services appropriation for the City Attorney's Office (\$16,046).

At the close of 2022-2023, a small number of appropriations exceeded their budget by year-end. Approval of this memorandum will allow for the ratification of these final 2022-2023 expenditures, which are further described in the Attachment: 2022-2023 Ratification Descriptions.

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Page 4

EVALUATION AND FOLLOW-UP

The ratification of exceeded appropriations will be incorporated into the City's Annual Comprehensive Financial Report for 2022-2023.

COST SUMMARY/IMPLICATIONS

As discussed in the Attachment to this memorandum, additional revenue and expenditure savings are available to offset the exceeded appropriations for 2022-2023.

COORDINATION

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

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the October 17, 2023 City Council meeting.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

FISCAL/POLICY ALIGNMENT

The recommended budget actions align with the City's budget policy that dictates that the City will maintain the fiscal integrity of its operating, debt service, and capital improvement budgets.

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.

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Page 5

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

I hereby certify that there was available for appropriation in the following funds in fiscal year 2022-2023 moneys in excess of those heretofore appropriated therefrom, said excess being at least the amounts as set forth below:

American Rescue Plan Fund	\$12,124,964
Benefit Fund	\$496,277
General Fund	\$427,280


JIM SHANNON
Budget Director

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

Attachment: 2022-2023 Ratification Descriptions

2022-2023 RATIFICATION DESCRIPTIONS**American Rescue Plan Fund**

\$12,124,964

An adjustment is necessary in the American Rescue Plan Fund to account for an over-expenditure in the Transfer to the General Fund appropriation (\$12.1 million).

Due to Federal debt ceiling negotiations between the President and the U.S. Congress that had the potential to claw back any unobligated American Rescue Plan funding, on May 25, 2023, the City Council approved the reallocation of funding with the American Rescue Plan Fund and the General Fund to ensure the completion of community and economic recovery activities previously authorized by the City Council¹. However, the budget actions approved in May did not account for funds that were encumbered in a prior fiscal year, but not yet expended. To complete the shifting of funds in alignment with City Council direction, prior to 2022-2023 fiscal close, the remaining encumbrance balance of \$12.1 million in the American Rescue Plan was transferred to the General Fund, which is fully offset by the receipt of previously budgeted revenue from the American Rescue Plan Fund.

Benefit Fund

\$496,769

Adjustments are necessary in the Benefit Fund to account for over-expenditures related to two appropriations; FICA-Medicare (\$484,190) and 401(a) Defined Contribution Retirement Plan (\$12,579).

The FICA-Medicare appropriation and the 401(a) Defined Contribution Retirement Plan appropriation ended the year above budgeted levels primarily due to the inadvertent oversight of using an incorrect projection formula that did not account for an additional pay period as a result of a change in methodology to calculate accrued expenses. The offsetting adjustment to the over-expenditure is an increase in revenue from Transfers and Reimbursements from other funds into the Benefit Fund, and a decrease to the Benefits Fund's Unrestricted Ending Fund Balance.

General Fund

\$427,280

An adjustment is necessary in the General Fund to account for an over-expenditure related to the Clean Creeks, Healthy Watersheds appropriation. This appropriation ended the year above budgeted levels primarily due to the inadvertent oversight of not having recognized and appropriated grant funding provided by the United States Environmental Protection Agency for the purpose of supporting the Clean Creeks, Healthy Watersheds program, as approved by City Council on June 22, 2021. The offsetting adjustments to this over-

¹ <https://sanjose.legistar.com/LegislationDetail.aspx?ID=6227829&GUID=662E2D26-84BF-417C-97A7-BB74B536A69B>

2022-2023 RATIFICATION DESCRIPTIONS

expenditure is an increase to the estimate for Revenue from the Federal Government, which was received in 2022-2023.

Public Works Program Support Fund

\$729,043

An adjustment is necessary in the Public Works Program Support Fund to account for an over-expenditure related to the Compensated Time Off appropriation. This appropriation ended the year above budgeted levels primarily due to a change in accounting practice in which the City's non-pensionable 5% compensation is now included in the basis of Compensated Time Off calculations and several personnel related adjustments in the Public Works Program Support Fund. The offsetting adjustments to this over-expenditure is a decrease to the Public Works Program Support Fund Unrestricted Ending Fund Balance.

Integrated Waste Management Fund

\$116,582

An adjustment is necessary in the Integrated Waste Management Fund to account for an over-expenditure related to the Personal Services – City Attorney's Office appropriation. This appropriation ended the year above budgeted levels primarily due to a shift in work assignments prompted by Environment Services Department legal needs, and a budget adjustment to account for this shift was inadvertently omitted from year-end clean-up actions. The offsetting adjustments to this over-expenditure is a decrease to the Integrated Waste Management Fund's Unrestricted Ending Fund Balance.

Sewer Service and Use Charge Fund

\$19,318

An adjustment is necessary in the Sewer Service and Use Charge Fund to account for an over-expenditure related to the Collection Costs appropriation. This appropriation ended the year above budgeted levels primarily due to a shift in work assignments prompted by Environment Services Department legal needs, and a budget adjustment to account for this shift was inadvertently omitted from year-end clean-up actions. The offsetting adjustments to this over-expenditure is a decrease to the Integrated Sewer Service and Use Charge's Unrestricted Ending Fund Balance.

San José-Santa Clara Treatment Plant Operating Fund

\$16,046

An adjustment is necessary in the San José-Santa Clara Treatment Plant Operating Fund to account for an over-expenditure related to the Personal Services – City Attorney's Office appropriation. This appropriation ended the year above budgeted levels primarily due to a shift in work assignments prompted by Environment Services Department legal needs, and a budget adjustment to account for this shift was inadvertently omitted from year-end clean-up actions. The offsetting adjustments to this over-expenditure is a decrease to the San José-Santa Clara Treatment Plant Operating Fund's Unrestricted Ending Fund Balance.

TOTAL **\$13,930,002**