

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jim Shannon

SUBJECT: See Below

DATE: October 14, 2025

Approved



Date:

10/23/25

COUNCIL DISTRICT: Citywide

SUBJECT: Adoption of an Ordinance Ratifying Final Expenditures in Various Appropriations for 2024-2025 and Adoption of the Associated Appropriation Ordinance and Funding Sources Resolution Amendments in 2024-2025

RECOMMENDATION

- (a) Adopt an ordinance ratifying final 2024-2025 expenditures in various appropriations as detailed in this report.
- (b) Adopt the following 2024-2025 Appropriation Ordinance amendments in the South Bay Water Recycling Operating Fund:
 - (1) Increase the SCVWD – Advanced Water Treatment appropriation to the Environmental Services Department by \$2,990,677;
 - (2) Decrease the Non-Personal/Equipment appropriation to the Environmental Services Department by \$2,037,497; and
 - (3) Decrease the Personal Services appropriation to the Environmental Services Department by \$953,180.
- (c) Adopt the following 2024-2025 Appropriation Ordinance amendments in the Water Utility Fund:
 - (1) Increase the Non-Personal/Equipment appropriation to the Environmental Services Department by \$1,661,704; and
 - (2) Decrease the Unrestricted Ending Fund Balance by \$1,661,704.
- (d) Adopt the following 2024-2025 Appropriation Ordinance amendments in the Public Works Program Support Fund:
 - (1) Increase the Compensated Time Off appropriation to the Public Works Department by \$1,335,149; and
 - (2) Decrease the Unrestricted Ending Fund Balance by \$1,335,149.

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- (e) Adopt the following 2024-2025 Appropriation Ordinance and Funding Sources Resolution amendments in the Community Development Block Grant Fund:
- (1) Increase the estimate for Revenue from the Use of Money/Property to the Housing Department by \$212,337;
 - (2) Increase the estimate for Revenue from Federal Government to the Housing Department by \$100,302;
 - (3) Increase Housing Program Development and Monitoring appropriation to the Housing Department by \$494,373;
 - (4) Increase the Housing Emergency and Minor Repair Program appropriation to the Housing Department by \$297,159;
 - (5) Re-establish the Community Development Block Grant CV3 appropriation to the Housing Department by \$100,302;
 - (6) Decrease the Code Enforcement Operations appropriation to the Planning, Building and Code Enforcement Department by \$365,000;
 - (7) Decrease the Transportation Neighborhood Infrastructure Improvements appropriation to the Department of Transportation by \$196,005; and
 - (8) Decrease the Planning Studies appropriation to the Planning, Building and Code Enforcement Department by \$18,190.
- (f) Adopt the following 2024-2025 Appropriation Ordinance amendments in the Construction Tax and Property Conveyance Tax Fund: Library Purposes:
- (1) Increase Facilities Improvements – Library Capital appropriation to the Library Department by \$187,501; and
 - (2) Decrease the Unrestricted Ending Fund Balance by \$187,501.
- (g) Adopt the following 2024-2025 Appropriation Ordinance amendments in the Fire Development Fee Program Fund:
- (1) Increase the Overhead appropriation to the Finance Department by \$84,467; and
 - (2) Decrease the Unrestricted Ending Fund Balance by \$84,467.
- (h) Adopt the following 2024-2025 Appropriation Ordinance amendments in the General Fund:
- (1) Increase the Personal Services appropriation to the Finance Department by \$33,256;
 - (2) Decrease the Non-Personal/Equipment appropriation to the Finance Department by \$33,256;
 - (3) Increase the Workers' Compensation Claims – Fire appropriation to the Fire Department by \$24,817;
 - (4) Increase the Workers' Compensation Claims – Public Works appropriation to the Public Works Department by \$15,940; and
 - (5) Decrease the Workers' Compensation Claims – Police appropriation to the Police Department by \$40,757.

SUMMARY AND OUTCOME

The recommended actions account for unanticipated appropriation over-expenditures that occurred at the end of 2024-2025 and allow the final financial accounting on a budgetary basis for 2024-2025 to be completed.

BACKGROUND

As part of the process of completing the 2024-2025 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 2024-2025 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 2025 for the 2024-2025 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 140 budgeted City funds. In 2024-2025, appropriations were exceeded in seven City funds as described in the attachment to this memorandum. The total amount for the seven funds involved is \$7.2 million and includes the following:

- Expenditure appropriation in the South Bay Water Recycling Operating Fund related to the SCVWD – Advanced Water Treatment appropriation for the transfer of excess revenues from the South Bay Water Recycling program to Valley Water (formerly the Santa Clara Valley Water District) per the terms of the agreement between the City and the District (\$2,990,677);
- Expenditure appropriation in the Water Utility Fund related to the Non-Personal/ Equipment appropriation to the Environmental Services Department primarily due to higher than anticipated wholesale water purchases and unanticipated year-end accruals (\$1,661,704);

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- Expenditure appropriation in the Public Works Program Support Fund related to the Compensated Time Off appropriation to the Public Works Department, primarily driven by higher than anticipated costs and activity (\$1,335,149);
- Expenditure appropriations in the Community Development Block Grant Fund related to the Housing Program Development and Monitoring appropriation due to a realignment of administrative staff budget to match actual CDBG award funding and higher than anticipated staffing costs (\$494,373), a realignment of emergency and minor repair program budget to match the actual CDBG award funding (\$297,159), and recognition of CDBG grant expenditures and offsetting revenues from remaining financial relief funding provided by the Coronavirus Aid, Relief, and Economic Security Act passed by the federal government in March 2020 (\$100,302);
- Expenditure appropriation in the Library Construction and Conveyance Tax Fund related to the Facilities Improved appropriation for unexpected emergency repairs that were needed at various library facilities in 2024-2025 (\$187,501);
- Expenditure appropriation in the Fire Development Fee Program Fund related to the Overhead appropriation, primarily driven by higher than projected costs and activity (\$84,467); and
- Expenditure appropriations in the General Fund related to the Personal Services appropriation to the Finance Department due to higher than unanticipated year-end accrual charges (\$33,256), as well as Workers' Compensation Claims – Fire appropriation (\$24,817) and Workers' Compensation Claims – Public Works appropriation (\$15,940) due to higher than anticipated claims settlement costs.

EVALUATION AND FOLLOW-UP

The ratification of exceeded appropriations will be incorporated into the City's Annual Comprehensive Financial Report for 2024-2025.

COST SUMMARY/IMPLICATIONS

As discussed in the attachment to this memorandum, additional revenue and expenditure savings are available to offset the exceeded appropriations for 2024-2025.

COORDINATION

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

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PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the November 4, 2025 City Council meeting.

COMMISSION RECOMMENDATION/INPUT

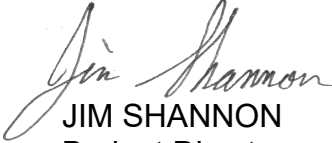
No commission recommendation or input is associated with this action.

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

I hereby certify that there was available for appropriation in the following funds in fiscal year 2024-2025 moneys in excess of those heretofore appropriated therefrom, said excess being at least the amounts as set forth below:

Community Development Block Grant Fund

\$312,639


JIM SHANNON
Budget Director

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

ATTACHMENT: 2024-2025 Ratification Descriptions

2024-2025 RATIFICATION DESCRIPTIONS**South Bay Water Recycling Operating Fund****\$2,990,677**

An adjustment is necessary in the South Bay Water Recycling Operating Fund to account for over-expenditures related to the SCVWD – Advanced Water Treatment appropriation (\$2,990,677). Expenditures in the SCVWD - Advanced Water Treatment appropriation exceeded year-end projected levels for a contractual obligation included in the cost-sharing agreement to accrue a higher-than-anticipated annual payment to Valley Water that account for activity levels within the South Bay Water Recycling Operating Fund. The offsetting adjustments to the over-expenditure are decreases to the Non-Personal/Equipment appropriation to the Environmental Services Department (\$2,037,497) and the Personal Services appropriation to the Environmental Services Department (\$953,180), which have sufficient savings to accommodate the adjustments.

Water Utility Fund**\$1,661,704**

An adjustment is necessary in the Water Utility Fund to account for an over-expenditure related to the Non-Personal/Equipment appropriation to the Environmental Services Department. This appropriation ended the year above budgeted levels due to wholesale water purchases being higher than anticipated at the end of the fiscal year due to increased customer demand. The remaining balance within the Non-Personal/Equipment appropriation is insufficient to support the increase. The offsetting adjustments to this over-expenditure is a decrease to Unrestricted Ending Fund Balance.

Public Works Program Support Fund**\$1,335,149**

An adjustment is necessary in the Public Works Program Support Fund to account for an over-expenditure related to the Compensated Time Off appropriation, which primarily accounts for vacation and sick leave costs of Public Works staff assigned to capital projects. This appropriation ended the year above budgeted levels primarily due to higher than anticipated personnel costs, including vacation sell-back activity and a greater number of positions charging to this appropriation than originally anticipated. The offsetting adjustments to this over-expenditure is a decrease to the Public Works Program Support Fund Unrestricted Ending Fund Balance.

2024-2025 RATIFICATION DESCRIPTIONS**Community Development Block Grant Fund****\$891,834**

As a result of a misalignment of the budget to the CDBG annual entitlement grant funded award levels, a technical adjustment is necessary to account for over-expenditures to the Housing Program Development and Monitoring (\$494,373) and the Housing Emergency and Minor Repair Program (\$297,159) appropriations to the Housing Department in the Community Development Block Grant (CDBG) Fund. The Housing Program Development and Monitoring appropriation provides funding for administrative planning and oversight of the CDBG Program. The Housing Emergency and Minor Repair Program appropriation provides funding for emergency and minor repairs to low- and-moderate- income homeowners who meet CDBG eligibility requirements. Both these appropriations are recommended to be adjusted to align to the funding that was awarded from the federal government to the respective services/programs. Staffing costs were also higher than anticipated but is eligible for reimbursement from CDBG revenues. Funding allocated for these ratification actions are offset by increased CDBG originated loan repayment revenues to the Housing Department (\$212,337) as well as from decreases to the Code Enforcement Operations to the (\$365,000), Transportation Neighborhood Infrastructure Improvements (\$196,005), and Planning Studies appropriations to the Planning Building and Code Enforcement Department (\$18,190), all of which had funding available to reallocate to the over-expended appropriations. Additionally, the Housing Department spent the remaining Round 3 grant award from the Coronavirus Aid, Relief, and Economic Security (CARES) Act funding allocated via the CDBG Program in the Community Development Block Grant CV3 appropriation to the Housing Department (\$100,302). These funds provided for administrative expenditures under the guidelines of the CDBG grant and is offset with revenues from the federal government.

2024-2025 RATIFICATION DESCRIPTIONS**Construction Tax and Property Conveyance Tax Fund: Library Purposes****\$187,501**

An adjustment to the Library Construction and Conveyance Tax Fund is required due to an over-expenditure in the Facilities Improvement appropriation to the Library Department, caused by unexpected emergency repairs at multiple library facilities. These emergency repairs consisted of plumbing repairs, alarm panel repairs, building lighting replacements, roof repairs, boiler replacements, heating, ventilation and air conditioning (HVAC) component repairs and replacement, and various building repairs from vandalism. This over-expenditure is offset by a reduction to the Unrestricted Ending Fund Balance.

Fire Development Fee Program Fund**\$84,467**

An adjustment to the Fire Development Fee Program Fund is necessary as a result of an over-expenditure related to the Overhead appropriation to the Finance Department. These overhead expenditures consist of indirect expenses incurred by the General Fund required to support the overall operations of the Fire Development Fee Program. At the end of 2024-2025, this appropriation exceeded its budgeted allocation due to a reconciliation of year-end activity during the fiscal year closing process. To ensure proper financial reconciliation, this over-expenditure is offset by a corresponding reduction to the Unrestricted End Fund Balance.

General Fund**\$74,013**

Adjustments are necessary in the General Fund to account for over-expenditures related to the Personal Services appropriation (\$33,256) to the Finance Department, primarily due to the higher than anticipated year-end accrual charges, which is recommended to be offset by savings from the Non-Personal/Equipment appropriation to the Finance Department (\$33,256). Additional increases are required for the Workers' Compensation Claims – Fire (\$24,817) appropriation to the Fire Department and Workers' Compensation Claims – Public Works (\$15,940) appropriation to the Public Works Department due to higher than anticipated claims settlement costs, including claims involving ongoing and future medical treatments. A corresponding decrease to the Workers' Compensation Claims – Police (\$40,757) appropriation to the Police Department is recommended to offset these over-expenditures, realizing savings from amounts budgeted to the Police Department for workers' compensation claims.

TOTAL**\$7,225,345**