

GLOSSARY OF BUDGET TERMS

The City's budget contains specialized and technical terminology, which is unique to public finance and budgeting. To help the reader understand the terms, a glossary of budgetary terms has been included in the document.

Accounting System - The financial records and procedures that identify, record, classify, summarize and report information on the financial transactions, position and accountability for assets and liabilities of the city government.

Adopted Multi-year Budget – A document of budget detail that is adopted by the City Council every two years and updated annually. It contains information on revenue estimates, positions, descriptions of the city services and appropriations for city services and improvement projects approved by the City Council.

Allocated Costs - An expense charged by one department/division to another for services performed or expenditures of a general nature, which are charged to one main account and allocated to other departments/divisions by a specified formula.

Appropriation - An authorization to spend made by resolution of the City Council, which permits the City to incur obligations and spend funds as approved in the adopted multiyear budget. Appropriations are made at a Department or Capital Project level.

Appropriation Limit - State law (Proposition 4, 1979 and Proposition 111, 1990 added and amended Article XIII-B of the State Constitution) requires the City to set an appropriation limit for each fiscal year, that is, how much the City can spend from certain revenues. The limit is based on appropriations only from proceeds of taxes, as defined by the law, with certain exclusions. Guidelines were developed to define and implement the changes and establish the annual audit requirements. The limit amount can be increased each year by a formula that uses a combination of percent changes in Statewide Per Capita Income (PCI), City or County Population and Non-residential assessed valuation. The appropriation limit and annual growth factors used to calculate the limit is set by resolution when the annual budget is adopted. The appropriation limit can only be set one year at a time due to the annual State generated factors needed to set the limit.

Assessed Valuation – An annual value of real or personal property established by the County Assessor each January 1st, which is used to generate property taxes from the property tax rates. The property values were established by State Law in 1978 (Proposition 13) and can be adjusted by the County Assessor by either the Statewide Per Capita Income (PCI), the maximum annual increase of 2%, actual sales price, improvements and/or other adjustments allowed by State law.

Assessments - A levy made by the City or other public agencies against certain properties pay for all or part of the costs of a specific capital improvement or annual services that primarily benefits those properties. The City has levied Silverado and Palisades landscape maintenance assessments and Mora Ave. street improvement assessments.

Authorized Positions - The number of full time and permanent part time staff identified within a department, division or program measured on a full time equivalent (FTE) basis.

Bonds – A legal obligation to repay money loaned to the City for public improvements.

Budget - A financial plan for a specific period of time, generally a fiscal year, identifies the estimated revenues and expenditures for municipal services.

Budget Amendment – An adjustment to the adopted budget by the City Council or the City Manager. Adjustments to budget within departmental budgets may be accomplished administratively. City Council approval is required for additional appropriations from fund balance or new revenue sources or shifts between departments or capital improvement projects.

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Capital Improvement Projects (CIP) - Annual appropriations in the City's budget for capital improvement projects such as street or park improvements, building construction and various kinds of major facility maintenance. They are often multi-year projects, which require funding beyond the one-year period of the annual budget.

Capital Outlay - Expenditures relating to the purchase of furniture, land, vehicles, computers and equipment.

Certificates of Participation (COPS) – COPS are long-term financing instruments issued to fund the acquisition of equipment or the acquisition, construction or rehabilitation of real property. They are usually structured as a lease arrangement, with payments made from a specified fund.

COLA - Cost of living adjustment as a percentage change from one year to the next. Generally applied to salaries and primarily based on the CPI (see explanation below).

CPI – Consumer price index as a percentage of change from one year to the next. A statistical measure of consumer related costs provided by the U.S. Department of Labor signifying the cost of living and economic inflation. The City uses the San Francisco-Oakland-San Jose area All Consumer indices calculated either as a point-to-point in April or median from June to April for various budget items such as labor costs. Changes in other commodity costs are generally based on more discreet indices for that particular commodity.

Contingency or Emergency Reserve- A budgetary reserve set aside for emergency or unanticipated expenditures, revenue shortfall and/or unknown expenditures, such as those for pending legal settlements. Currently established for the general fund at 10% of expenditures.

Comprehensive Annual Financial Report (CAFR) – An annual report, audited by an independent auditor that reports the prior year financial transactions with a comparison to the budget.

Cost Recovery - The establishment of user fees, which recover all or a portion of the cost of providing services.

Debt Service - The payment of principal and interest on borrowed funds such as bonds, COPS, or leases.

Debt Service Fund - A fund established to account for the payment of general long-term debt, leases and other payments of principal and interest.

Department - A major administrative segment of the city organization, which has overall management responsibility for services or capital improvement projects.

Designated Fund Balance - A portion of fund balance set aside to pay for special programs or expenditures in a future period.

Division or Program - A unit of organization, which reports to a department.

Encumbrance - An amount of money committed for the payment of goods and services not yet received or paid for.

Enterprise Funds - A fund established to account for certain financial and operated activities in a manner similar to private business enterprises. The City Water and Wastewater systems are enterprise funds. This method of accounting allows for the costs of providing services to be fully recovered through user fees. (The City also had a Transit enterprise fund when it was directly operating a transit system).

Estimated Revenue - The amount of revenue expected in during a fiscal year.

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Expenditures or Expenses – To spend money or use fund resources. Expenditures include operating expenses, debt service and capital outlays.

Expenditure Category - A basis for distinguishing types of expenditures. The major expenditure categories used by the City are Personnel Services, Services and Supplies, Other, Debt Service and Capital Projects.

Expenditure Detail or Accounts – Specific types of expenditures within a Department program, such as, full-time salaries, materials & supplies, phone, repairs & maintenance, electricity, fuel and other specific types or expenditures.

Fiscal Year (FY) - A twelve month time period signifying the beginning and ending period for recording financial transactions. The City has specified July 1 through June 30 for its fiscal year.

Fixed Assets – Land, buildings, vehicles, equipment and other improvements that have a long tangible use to the City.

Full Time Equivalent (FTE) - Part time and hourly positions expressed as a fraction of full time positions (2080 hours per year for all positions except Fire. Firefighter positions are 2912 hours per year). Example: 3 part time positions working 1040 hours each will equal 1 ½ FTE's.

Fund - A fiscal and accounting method to record financial transactions for the purpose of carrying on specific activities in accordance with the requirements placed upon the use of financial resources. Part of a municipal fund accounting system governed by generally accepted accounting principles (GAAP) issued by the Governmental Accounting Standards Board (GASB).

Fund Balance – As used in the Budget, fund balance reflects the available resources in governmental type funds, including any reserves. For Enterprise or proprietary type of funds working capital is similar to fund balance.

General Fund (GF) - the fund used to account for the major operating revenues and expenditures of the City, except for those resources that are required to be accounted for in another fund category. General Fund revenues are derived primarily from property, sales, transient occupancy and other taxes, service fees and revenues from the State. The General Fund provides the primary municipal services such as park and street maintenance, recreation, planning, building inspection, fire and police services and support services.

General Government – An accounting grouping of administrative departments/divisions (Support Services, City Council, City Clerk, City Treasurer) that provide general government support to the operating departments, which provide direct services to the community.

General Reserve – a designated reserve of fund balance or working capital amounts that is available for allocation by the City Council during the year. In the General fund the goal is to maintain a general reserve of 20% of operating expenditures, in addition to the contingency or emergency reserve of 10%. In other funds, the use and amount of general reserves vary.

Generally Accepted Accounting Principles (GAAP) – Uniform minimum standards and guidelines for financial accounting and reporting.

Goals - Tasks or projects, which identify the focus of a program's activities within the budget year.

Grants - Contributions of cash or other assets from another governmental agency to be used or expended for a specific purpose, activity or facility.

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Gross - Amount prior to any deductions.

Homeowner Exemption and Subvention– A State adopted exemption or reduction in assessed valuation of \$7,000 for residential homeowners. This reduces the amount of property tax paid by the homeowner to the County. The State then provides a subvention, or payment, to the City equal to the reduced property tax.

Independent Auditor – an qualified independent accountant that is appointed by the City Council to annually audit the City accounting system and financial statements according to specific guidelines established by the Governmental Accounting Standards Board (GASB).

Infrastructure - A substructure or underlying foundation on which the continuance or growth of a community is dependent; such as streets, sidewalks, water system, wastewater system and storm drains.

Interfund Transfers - Movement of money from one fund to another within the City accounting and budget system.

Intergovernmental Revenue - Grants, entitlements and cost reimbursements from another federal, state or local government unit.

Internal Service Fund - A fund used to account for the services provided by one department/division to other departments on a cost reimbursement basis. The City uses an internal service fund for Equipment and computer systems replacement and maintenance.

Long Term Debt - Debt with a maturity of more than one year after the date of issue.

Mission Statement - A broad direction based on the needs of the community. A mission is general and timeless; it is not concerned with a specific achievement in a given time period.

Motor Vehicle License Fee (Motor Vehicle In-Lieu Fees) – This is a 2% fee of the value of motor vehicles that is levied by the State. These funds are used by the State to fund local governments and are allocated as follows: 30.5% to Cities by population, 30.5% to Counties by population, 18.75% to Cities and Counties to offset specific reductions in other State imposed revenues and 25% to Counties to offset additional costs of health and welfare programs shifted from the State to Counties. The allocation of a portion of the fee is “In-Lieu” of Cities imposing a separate property tax on motor vehicles. In 1998 legislation was adopted to reduce the Motor Vehicle License Fee with annual credits of up to 67% if State General Fund revenues come within certain revenue targets. If the State revenue targets are not achieved, then the credits are to be dropped. The legislation also provided an annual backfill of the revenue loss to local governments due to the credits.

Net - Amount after consideration of any adjustments.

Objectives - Statements of measurable results to be accomplished within a specific time frame. Objectives support long term goals.

Operating Budget - A financial plan for the provision of direct service and support functions that provide basic government services. The operating budget contains appropriations for such expenditures as salaries, benefits, services, supplies, and may include capital outlay and debt service. It does not include transfers from or to other funds, capital improvement or special project expenditures or other typical non operating revenues or expenses.

PARSAC – Public Agency Risk Sharing Authority of California is a joint powers authority of a number of cities and public agencies formed to provide a general liability, property and workers compensation self insured and excess insurance pool.

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Performance Measurement - The performance measures provide an indicator of the amount of work performed or measures the quality of effectiveness of work performed by a department or program from year to year.

PERS – California Public Employees Retirement System. Also known as CalPERS.

Position Classification - Includes job titles, job grades and job families for an overall job level.

Program - A organizational unit that provides a service.

Property Tax Rates – The various tax rates by different government agencies that are charged by the County Tax Collector and generate property taxes based on the net assessed valuation of real and personal property. This includes a statewide base rate of 1% of assessed valuation, which is allocated among the various local agencies – County, City, School District and Special Districts. Also includes additional rates, generally adopted by the voters in the applicable agencies after 1978, for debt service or other services. The City receives an estimated .15% portion of the 1% in basic property taxes paid by property owners.

Property Tax Revenue Allocation - The allocation of the 1% base rate to the County, City, School District and Special Districts on a complex formula determined by state law and known as the 'AB 8 formula'. This formula allocates annual property tax revenues in generally the same percentage as local agencies received in 1978 prior to the adoption of Proposition 13, Tax Reform Act. However, over the years, additional voter approved propositions and the State legislature have adjusted the formula. The last adjustment, Educational Revenue Augmentation Funds (ERAF) shifted an estimated 33% of the property tax from Cities, Counties and Special Districts to School Districts. The revenue is recorded in the General fund to fund general municipal services.

Propositions – The State Constitution provides for an initiative process through ballot propositions to allow the voters to directly establish constitutional amendments and laws. Over the years, many propositions have been approved that affect the revenues and authority of the City. Below are summaries of some of the major propositions:

Proposition 4– In 1979 the voters added and amended Article XIII B of the State Constitution, which requires the City to set an appropriation limit for each fiscal year, that is, how much the City can spend from certain revenues. Please see definition of Appropriation Limit.

Proposition 13 – In 1978 the voters approved Article XIII A of the State Constitution, which limited the ability of local governments to impose property taxes, reduced and established a limitation on the annual increases in assessed valuations and required a two-thirds vote of the people for local special taxes. Implementation of this law significantly changed the funding of local governments and shifted control to the State. Please see the definition of Property Tax Rates and Revenue Allocation. Over the years, there have been a number of other propositions that have modified and added to Proposition 13.

Proposition 62 – In 1986 the voters approved a requirement for a majority vote of the people for general taxes.

Proposition 98 – In 1990 the voters approved minimum annual funding from the State General fund for public schools and community colleges. This has an indirect affect of limiting State funds available for allocation to Cities and Counties.

Proposition 111 – In 1990 the voters approved an increase in the State Gas tax and allocated a portion to Cities and Counties. In addition, modifications to Proposition 4 were approved.

Proposition 172 – In 1993 the voters approved a .5% increase in the Sales tax to be allocated to Cities (approximately 6% of total revenues generated) and Counties (94% of revenues) for Public Safety purposes.

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Proposition 218 – In 1996 the voters approved far reaching changes in procedural steps to adopt taxes, assessments and certain fees (property related charges for services). This proposition also placed in the State Constitution the majority vote requirement for general taxes and two-thirds vote for special taxes. In addition, any election on general taxes must be held at a regularly scheduled election when members of the City Council are elected.

Reserves – A type of account used to designate a portion of the fund balance or working capital for a specific future use. Some reserves are required by grant or debt/lease agreements. Reserves are designated for specific or general purposes as part of the annual budget adoption and reviews.

Revenue - Increases in fund resources. Revenues include cash or equivalents from user service fees, taxes, permits, licenses, interest earnings and other sources. Revenue generally does not include bond or loan proceeds or transfers from other funds.

Revenue Bonds – Cities can pledge the restricted revenues of an enterprise system or other special fund to repay bonds or COPs for improvements. The City uses of revenue financing are for water and wastewater system improvements.

Revised Budget - The Adopted Budget adjusted during the year or at the Mid Year or Mid Term updates by City Council resolution.

Risk Management - All the ways and means used to avoid accidental loss or to reduce its consequences if it does occur.

Sales Tax – A State and Local tax levied on generally retail sales, which a portion is allocated to the City under the 1955 Bradley-Burns Act. In Napa County the 2003 sales tax rate is 7.75%. The revenue from the sales tax rate is allocated as follows; 1% to the City based on sales within the City, .5% to the Napa County Flood Protection Authority on sales within the County, .25% for Statewide Transportation purposes, .5% for Local Public Safety to Counties and Cities, and 5.5% for the State. Changes in the local rate may be imposed by a vote for general (majority) or special purposes (two-thirds). The revenue is recorded in the General fund to fund general municipal services.

Special Revenue Funds – These funds are restricted to specific uses by Federal, State or City laws or policies. They are used to account for the expenditures of the restricted revenues, such as gasoline taxes, grants, donations, development fees and other special revenues.

Subsidy - Supplemental resources provided to ensure adequate funding when anticipated expenditures exceed revenues.

Subventions - Revenues collected by the State (or other level of government), which are allocated to the City of a formula basis. The major subventions received by the City come from the State of California and include motor vehicle license fee (VLF), Homeowner exemption and gasoline taxes. Subventions are generally allocated by population or other formulas.

Support Services - A grouping of administrative departments/divisions (City Manager, Legal Services, Finance, Non-Departmental and Risk Management) that support the operating departments, which provide direct services to the community.

Taxes - Compulsory charges levied by a government, through a vote of the people, on a specific basis or to a specific group of taxpayers to finance services performed for the common benefit. The taxes directly levied by the City are Transient Occupancy, Business License and Real Property Transfer. The tax revenue is part of the General fund and used for general city services.

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Transfers From or To Other Funds – Approved transfers of money between funds to better account for the expenditure of funds.

Transient Occupancy Tax - This is a 12% local general tax on the rental of hotel, motel, Spa, Bed & Breakfast and other rentals of less than 30 days. The revenue is recorded in the General fund to fund general municipal services.

User Service Fees or Charges - Fees charged to users of a particular service provided by the City. Fees are established based upon cost recovery policy decisions reviewed on an annualized basis.

Utilities - A public service such as gas, electricity, phone, water, wastewater, refuse, cable or transit. The City owns, sets the rates and directly operates the water and wastewater utility services. The City contracts with the Napa County Transportation Planning Agency for the operation of the transit system. The City has a franchise agreement with Comcast to provide cable services and is extensively regulated by Federal and State laws. The City is a member of the Upper Valley Joint Powers Authority, which provides refuse services, through a franchise agreement with a private firm. The gas, electricity and phone utilities are provided by private investor owned firms and are governed by the State Public Utilities Commission and State laws.

Working Capital – A term used to express the cash or equivalents equity of a fund. It is determined by the current assets less the current liabilities. It provides a measure of resources available to be used in the current or next fiscal year. It is generally used to show the available resources in enterprise funds, such as the City's water and wastewater funds. In the General and Special Revenue funds the fund balance is similar to working capital.