

## Glossary

**ADOPTED BUDGET** - The City budget for a fiscal year, adopted by the City Council by resolution following the close of budget hearings.

**APPROPRIATION** - Legal authorization granted by City Council or other policy body to make expenditures and incur obligations for a specific purpose within a specific time frame.

**ASSESSED VALUATION** - A dollar value placed on real estate or other property by the County as a basis for levying property taxes.

**AUDIT** - A review of the City's accounts by an independent auditing firm to substantiate fiscal year-end balances and assure compliance with generally accepted standards for financial accounting and reporting.

**AVAILABLE FUND BALANCE** - The amount of fund balance available to finance appropriation requirements after deducting reserves.

**BOND PROCEEDS** - The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These moneys are used to finance the project or purpose for which the securities were issued and to pay certain costs of issuance as may be provided in the bond contract.

**BONDS** - A certificate of debt issued by an entity, guaranteeing payment of the original investment, plus interest, by a specified future date.

**BUDGET** - A plan of financial operation, embodying an estimate of proposed expenditures/expenses for a given period (typically a fiscal year) and the proposed means of financing them (revenue estimates). Upon approval by the City Council, the budget appropriation resolution is the legal basis for expenditures in the fiscal year.

**BUDGET AUTHORITY** - Under certain circumstances, the City Council may adjust the budgeted appropriations for reasons unforeseen at the time of the adoption of the original budget. Such amendments are made by Council resolution. The City Manager may make transfers of appropriations within a fund.

**BUDGETARY CONTROL** - The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

**BUSINESS LICENSE TAX** - This is a general tax on businesses for the privilege of conducting business within the city. Rates are set at each city's discretion but may not be discriminatory or confiscatory.

**CAPITAL IMPROVEMENT BUDGET** - Annual appropriations for capital improvement projects such as street improvements, building construction and various kinds of major facility maintenance. Capital projects are outlined in a five-year expenditure plan which details funding sources and expenditure amounts. They often are multi-year projects which require funding beyond the one-year period of the annual budget.

**CAPITAL OUTLAY** - Expenditures which result in the acquisition of, or addition to, fixed assets.

**CAPITAL PROJECT** - Any project having assets of significant value and a useful life of five years or more. Capital projects include the purchase of land, design, engineering, and construction of buildings, infrastructure such as streets, bridges, drainage, street lighting, water/sewer systems, etc. Capital projects may include the acquisition of heavy equipment management control technique of formal budgetary and machinery or rolling stock using capital funding sources.

**CAPITAL PROJECTS FUND** - A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**CAPITALIZATION POLICY** - The criteria used by a government to determine which outlays should be reported as fixed assets.

**CASH WITH FISCAL AGENT** - An asset account reflecting deposits with fiscal agents, such as commercial banks, for the payment of bond principal and interest.

**CAPITAL INVESTMENT PROGRAM (CIP)** - A section in the five-year capital plan listing projects for which some level of funding is available.

**COMMUNITY ORIENTED POLICING SERVICES (COPS)** - A grant program supporting community involvement offered by the U.S. Department of Justice.

**CONSUMER PRICE INDEX (CPI)** - A statistical description of price levels provided by the U.S. Department of Labor. The change in this index from year to year is used to measure the cost of living and economic inflation.

**CONTINGENCY** - An amount of money appropriated for unforeseen expenditures. It is limited to not more than 15% of the appropriations in any fund.

**CURRENT SERVICE CHARGES** - These are charges imposed to support services provided to individuals. These charges may not exceed the cost of providing the service plus overhead. The rationale behind service charges is that certain services are primarily for the benefit of individuals rather than the general public.

**DEBT SERVICE** - Payment of the principal and interest on an obligation resulting from the issuance of bonds, notes or leasing arrangements.

**DEBT SERVICE FUND** - A fund established to account for the accumulation of resources for, and the payment of, general long term debt principal and interest.

**DEFICIT** - An excess of expenditures or expenses over revenues (resources).

**DEPARTMENT** - An organizational unit comprised of divisions or programs. It is the basic unit of service responsibility encompassing a broad mandate of related activities.

**DEPRECIATION** - (1) Expiration in the service life of fixed assets, other than wasting assets, attributable to wear and tear, deterioration, action of the physical elements, inadequacy and obsolescence. (2) The portion of the cost of a fixed asset, other than wasting assets, charged as an expense during a particular period. In accounting for depreciation, the cost of a fixed asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.

**DESIGNATED FUND BALANCE**- A portion of an unreserved fund balance that has been "earmarked" by the City Manager or the City Council for specified purposes.

**DESIGNATION** - An account containing money set aside by the City Council for a specific future use. Money in a designation is earmarked for specific use, but may not be legally restricted to that use.

**DEVELOPMENT IMPACT FEES** - Fees placed on the development of land or conditions required for the approval of a development project such as the donation ("dedication" or "exaction") of certain

lands (or money) to specific public uses. The fees are typically justified as an offset to the future impact that development will have on existing infrastructure.

**DIVISION** - A sub-section (or activity) within a department which furthers the objectives of the City by providing specific services or programs.

**ENCUMBRANCE** - An anticipated expenditure committed for the payment of goods and services not yet received or paid for. Used in budgeting, encumbrances are not GAAP expenditures or liabilities, but represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed.

**ENTERPRISE FUND** - A fund established to account for operations financed and operated in a manner similar to private business enterprises (e.g., water, gas and electric utilities, airports, parking garages, or transit systems). In this case the governing body intends that costs (i.e., expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. A fund established because the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management controls, accountability or other purposes.

**ERAF** - Educational Revenue Augmentation Fund. The state enacted legislation in 1992 whereby partial responsibility of funding education was shifted to local governments, directing specified amounts of local agency property taxes be deposited into such funds to support schools.

**EXPENDITURES** - Monies spent, including current operating expenses, debt service and capital outlays.

**EXPENSE** - The actual spending of funds by an enterprise fund set aside by an appropriation.

**FINES FORFEITURES AND PENALTIES** - Revenues received and/or bail monies forfeited upon conviction of a misdemeanor or municipal infraction.

**FISCAL YEAR** - In accounting terms, it is the net of a twelve-month period used for budgeting and accounting purposes. For the City of East Palo Alto, the fiscal year is from July 1 to June 30.

**FIXED ASSETS** - Long-lived tangible assets obtained or controlled as a result of past transactions, events or circumstances. Fixed assets include buildings, equipment, and improvements other than buildings and land. In the private sector, these assets are referred to most often as property, plant and equipment.

**FORFEITURE**- See Fines, forfeitures, and penalties.

**FRANCHISES FEES**- Fees paid to a municipality from a franchisee for “rental” or as a “toll” for the use of city streets and rights-of-way. The businesses required to pay franchise fees in East Palo Alto include utilities such as water, gas, electricity, cable television and solid waste collection and disposal. Telephone utilities are specifically exempted from franchise fees by State law.

**FULL-TIME EQUIVALENT (FTE)** - The amount of time a regular full or part-time position has been budgeted for in terms of the amount of time an employee works in a year. Except as noted, part-time services provided by casual/seasonal employees, such as those for summer recreation programs, are not included.

**FUND** - An independent fiscal and accounting entity with a self-balancing set of accounts. Examples are the General Fund, Special Revenue Funds, Capital Projects, Enterprise, and Internal Service Funds.

**FUND BALANCE** - The amount of financial resources available for use. Generally, this represents a summary of all the annual operating surpluses and deficits since the fund’s inception.

**FY** - Fiscal year.

**GASOLINE TAX (HIGHWAY USERS TAX)** - The Gasoline Tax is an 26-cent per gallon tax on fuel used to propel a motor vehicle or aircraft. The use of these revenues is restricted to “research, planning, construction, improvement, maintenance, and operation of public streets and highways or public mass transit guideways”. The basic means of distribution to cities is population. The allocation formula is very complicated.

**GENERAL FUND** - The primary fund used to account for all revenues and expenditures of the City not legally restricted as to use. This fund is used to offset the cost of the City's general operations. Examples of departments financed by the General Fund include the Police and

Administrative Support Services Departments, such as the City Manager’s Office.

**GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB)** - A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

**GRANT** - Contributions, gifts of cash or other assets from another governmental entity to be used or expended for a specific purpose, activity or facility.

**HOMEOWNER’S PROPERTY TAX RELIEF** - Revenue from the state to offset city loss of property tax for state-imposed \$7,000 per dwelling homeowner exemption.

**INFRASTRUCTURE** - Facilities on which the continuance and growth of a community depend, such as streets and roads, sewers, public buildings, parks, etc.

**INTRAFUND TRANSFERS** - A transfer of moneys between departments in the same fund.

**INVESTMENT EARNINGS** - Revenue earned from the investment of idle public funds.

**JOINING POWERS AUTHORITY** - The Joint Exercise of Powers Act authorizes local public agencies to exercise common powers and to form joint powers authorities (JPAs) for the purpose of jointly receiving or providing specific services.

**LEGAL LEVEL OF BUDGETARY CONTROL** - The level at which spending in excess of budgeted amounts would be a violation of law.

**LEVEL OF BUDGETARY CONTROL** - One of the three possible levels of budgetary control and authority to which organizations, programs, activities and functions may be subject. These levels of budgetary control are: (a) appropriated budget, (b) legally authorized non-appropriated budget review and approval process, which is outside the appropriated budget process or (c) non-budgeted financial activities, which are not subject to the appropriated budget and the appropriation process or to any legally authorized non-appropriated budget review and approval process, but still are relevant for sound financial management and oversight.

**LEVY** - (Verb) to impose taxes, special assessments or service charges for the support of governmental activities; (noun) the total amounts of taxes, and/or special assessments and/or

service charges imposed by a governmental agency.

**LICENSES AND PERMITS** - Charge designed to reimburse City for costs of regulating activities being licensed, such as licensing of animals and bicycles, etc.

**LIEN** - A claim on assets, especially property, for the payment of taxes or utility service charges.

**LIQUIDITY** - Refers to the ability to rapidly convert an investment into cash.

**LOCAL AGENCY INVESTMENT FUND (LAIF)** - Was established by the state to enable treasurers to place idle funds in a pool for investment. Each agency is currently limited to LAIF to an investment of \$20 million plus any bond proceeds.

**MISSION STATEMENT** - A succinct description of the scope and purpose of a City department.

**MEASURE C PARCEL TAX** – a measure pass by the voters on the November 2006 ballot that calls for a 10 year special tax on all City parcels. Revenue generated from such tax will be used for public safety and crime prevention programs.

**MOTOR VEHICLE IN-LIEU FEES** - State residents pay a fee to the State each year that is computed as a percent of the depreciated value of their motor vehicles. Each city and county in California receives a portion, based on population, of the total motor vehicle license fees collected by the State. In 2004, the State reduced local government allocation from 2.0% to 0.67%. The difference of 1.33% was a swap for local property tax, now known as Property Tax in Lieu of VLF.

**OBJECTIVES** - The expected results or achievements of a budget activity which can be measured and achieved within a given time frame. Achievement of the objective advances the organization towards a corresponding goal.

**OPERATING BUDGET** - Annual appropriation of funds for on-going program costs, including salaries and benefits, services and supplies, debt service and capital outlay.

**ORDINANCE** - A formal legislative enactment by the City Council. It has the full force and effect of law within City boundaries unless preempted by a higher form of law. An ordinance has a higher legal

**OTHER EXPENDITURES**- This category reflects transfer outs of the General Fund and excise tax

settlement payments. Transfers are used to move funds to other operating funds in order to finance the operations of another fund or to reimburse the other fund for certain services provided to the General Fund.

**OTHER FINANCING SOURCES** - Governmental fund general long-term debt proceeds, amounts equal to the present value of minimum lease payments arising from capital leases, proceeds from the sale of general fixed assets, and operating transfers in.

**OTHER FINANCING USES** - Governmental fund operating transfers out and the amount of refunding bond proceeds deposited with the escrow agent. Such amounts are classified separately from expenditures on the governmental operating statement.

**OTHER REVENUES** - This category includes reimbursements from other government agencies, interest earned on investments and contributions. This category also includes some loan repayments made to the General Fund, i.e., from the Redevelopment Agency for budget purposes only.

**OVERHEAD ALLOCATION** - A methodology for identifying and allocating overhead, (indirect) costs incurred by central services departments to the direct cost programs.

**PERFORMANCE MEASURE** - An annual indicator of achievement or measures of prediction for a program of work unit as defined in the organization of the budget. Measures may be expressed as a number count, fraction, or a percent of achievement related to the size of the problem or service being provided.

**PERMITS, FEES AND CHARGES FOR SERVICES**- This category includes the City's charges and fees for licenses and permits issued by the City; as well as, the community development services of staff, provided to customers. The license and permit revenues are designed to reimburse the City for costs of regulating the activities being licensed. Fees and charges for services are imposed to support services provided to individuals and businesses.

**PERS** - Public Employees' Retirement System.

**P.O.S.T** - Peace Officer Standards and Training - a State reimbursement program for Police Officer Training.

**PROPERTY TAX** - Homes, businesses, and other taxable real and personal property are subject to a

property tax rate of 1% of assessed value. Since Proposition 13 was enacted in 1978, the assessed valuation of real property in the “base year” of 1975-1976 may increase each year by the change in the Consumer Price Index (CPI), not to exceed 2% as long as it is held by the same owner. When there is a transfer of property ownership, or when property is newly constructed, it is reappraised at its current full market value. The property tax is imposed on real property (land and permanently attached improvements such as buildings) and tangible personal property (movable property) located within the state. By definition, this ad valorem tax is based on the property value, as defined in law, rather than on a fixed amount or benefit.

**PROPOSED BUDGET** - The financial and operating document submitted by the City Manager to the City Council for consideration.

**PROPOSITION 13** - Article XIII A of the California Constitution, commonly known as Proposition 13, which limits the maximum annual increase of any ad valorem tax on real property to 1% of the full cash value of such property.

**PURCHASED SERVICES** - This category covers a wide-range of services such as consulting services, outside professional, legal, and auditing services, county services, i.e., supplemental police patrol, and animal control services; City facilities maintenance services, etc.

**RDA** - Redevelopment Agency.

**RECEIVABLES-REDEVELOPMENT AGENCY** - This receivable sets out amounts due the City from the Redevelopment Agency making those funds unavailable for appropriations until received.

**REGULAR POSTISION** - Any permanent position in the classified service that is required to be filled through certification, or by provisional appointment.

**REIMBURSEMENT FOR STATE MANDATED COSTS** - Article XIII B, Section 6 of the California Constitution which requires the State to reimburse local agencies for the cost of state-imposed programs. Process is commonly called “SB 90” after its original 1972 legislation.

**RESERVE** - An account used to record a portion of the fund balance as legally segregated for a specific use, usually at a future time.

**RESOLUTION** - A special order of the City Council which has a lower legal standing than an ordinance.

**REVENUES** - Monies received or anticipated by a local government from both tax and non-tax sources during the fiscal year.

**SALARIES AND BENEFITS** - This major category accounts for full-time and part-time employees, overtime expenses and all employee benefits, such as medical, dental, retirement, life insurance, long term disability, and workers compensation. Where applicable, uniform allowance is also included in this category.

**SALES TAX** - This tax is levied on goods and services at the point-of-sale. Sales tax in San Mateo County is 8.25% of which approximately 1% is returned to East Palo Alto for those sales which take place in East Palo Alto.

**SB 90** - Reimbursement process for state mandated costs, named after its original 1972 legislation.

**SERVICE CHARGES** - Charges imposed to support services to individuals or to cover the cost of providing such services. The fees charged are limited to the cost of providing the service or regulation required (plus overhead).

**SERVICES** - Expenditures/expenses for services.

**SINGLE AUDIT** - An audit performed in accordance with the Single Audit Act of 1984 and the Office of Management & Budget (OMB) Circular A-128, Audits of State and Local Governments. The Single Audit Act allows or requires governments (depending on the amount of federal assistance received) to have one audit performed to meet the needs of the federal agencies.

**SPECIAL REVENUE FUND** - A fund used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specific purposes. GAAP only require the use of special revenue funds when legally mandated.

**SUPPLEMENTAL PROPERTY TAX** - In the event a property changes ownership, the county collects a supplemental property tax assessment in the current tax year by determining a supplemental value. In future tax periods, the property carries the full cash value.

**SUPPLIES AND MATERIALS** - This category of expenses relates to supplies needed and required to operate as a cost of doing business. Some of the major supplies consist of general office supplies, safety supplies, utilities and fuel for City vehicles, etc.

**TAX** - Compulsory charge levied by a government for the purpose of financing services performed for the common benefit.

**TAX ALLOCATED BONDS** - Bonds issued by redevelopment agencies to revitalize blighted and economically depressed areas of the community and to promote economic growth.

**TAX BASE** - The objects or transactions to which a tax is applied (e.g., parcels of property, retail sales, etc.). State law or local ordinances define the tax base and the objects or transactions exempted from taxation.

**TAX INCREMENT FINANCING** - A tax incentive designed to attract business investment by dedicating to the project area the new property tax revenues generate by redevelopment. The increase in revenues (increment) is used to finance development-related costs in that district.

**TAX RATE** - The amount of tax applied to the tax base. The rate may be flat, incremental or a percentage of the tax base, or any other reasonable method.

**TEMPORARY POSITION** - A non-regular, temporary position created to meet a peak workload or other unusual work situation; can include seasonal or recurrent intermittent employment.

**TRANSIENT OCCUPANCY TAX (TOT)** - This is a general tax imposed on occupants for the privilege of occupying rooms in hotels, motels, inns, or other lodging facilities for 30 days or less. The current tax rate in East Palo Alto is 12%. Of the total tax anticipated to be received by the City, there is a 10% set-aside for children, youth, senior and families services and another 10% for housing services for the residents of East Palo Alto.

**TRUST FUNDS** - Funds used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments and/or other funds.

**UNDESIGNATED FUND BALANCE** - The City will maintain an Undesignated General Fund Balance to help mitigate the effects of such unanticipated situations as the following:

- a) Economic downturns
- b) Loss of revenues to or imposition of additional costs by other governmental agencies
- c) Errors in financial forecasting
- d) Natural disasters

**UNRESERVED FUND BALANCE** - That portion of a fund balance available for spending or appropriation in the future.

**UTILITY USER'S TAX** - This tax is imposed on the consumer (residential or commercial) of utilities – electric, gas, cable television, and telephone services. The current tax rate is 5%. The tax is collected by the companies providing the service as part of their billing process and is issued to the City.

**VLF** - See Motor Vehicle In-Lieu Fee.