

APPENDIX: Description of Funds

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, segregated for the purpose of carrying on specific activities, or complying with special regulations, restrictions, or limitations. The following provides a description of all accounting funds used by the City of Santa Barbara, including those for which a budget is not adopted.

GOVERNMENTAL FUNDS

The measurement focus for governmental funds is on current spendable resources, and as such, the balance sheets for these types of funds include only current assets and current liabilities. Governmental funds are accounted for on a modified accrual basis, thus revenues are recognized when measurable and available, and expenditures are recorded when the related liability is incurred.

General Fund

The City's General Fund accounts for activities and services traditionally associated with governments, such as police and fire, which are financed primarily through tax-generated revenues and not required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds from specific revenue sources, other than trusts or major capital projects that are legally or contractually restricted to expenditures for specific purposes.

1995 Floods Fund

For costs incurred as a result of the two federally declared disasters in January 1995 and February 1998.

2005 Floods Fund

For costs incurred as a result of the federally declared disaster in January 2005.

Community Development Block Grant Fund

For receipt and disbursement of the City's federal block grant funds.

County Library

For funds received and expended for library services on behalf of Santa Barbara County (non-City) residents.

Creeks Restoration and Water Quality Improvement (Measure B) Fund

For the receipt and disbursement of the creeks-related share of transient occupancy tax (2%), generated by the passage of Measure B in October 2000. These funds may only be used for operations and capital projects related to creeks restoration, cleanup and maintenance, and for creeks- and ocean-water quality improvement projects and activities.

HOME Grant Fund

For receipt and disbursement of federal HOME Investment Partnership Program funds which facilitate the development of affordable housing projects in the City.

Miscellaneous Grants Fund

For resources received from various granting agencies.

Police Asset Forfeiture and Grants Fund

For assets confiscated by police special operations and restricted for use in support of police operations and miscellaneous grants.

Police Local Law Enforcement Block Grant Fund

For Federal grants funds received for local law enforcement activities.

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Police Supplemental Law Enforcement Fund

For State voter-approved funds (AB 3229), restricted to public safety and law enforcement.

Redevelopment Agency Fund

For operations of the Redevelopment Agency. Tax increment revenues primarily support this fund.

Solid Waste Fund

For City operations related to solid waste in support of State AB 939.

Streets

For receipt and disbursement of streets-restricted utility users' tax for activities related to streets and roads. Fifty percent of the City's utility users' tax is restricted for this purpose.

Street Sweeping Fund

For receipt and disbursement of street sweeping parking violations revenue in connection with the City's Consolidated Clean Sweep Program which provides for sweeping of City streets in both commercial and residential neighborhoods.

Traffic Safety Fund

For receipt of fines collected pursuant to the California Vehicle Code. The State of California Government Code restricts use of these funds to traffic control devices, equipment and supplies related to traffic control or traffic safety, and maintenance of public streets. The funds may not be used to pay compensation to traffic or police officers.

Transportation Development Act Fund

For receipt and disbursement of the City's share of gasoline sales tax and Transportation Development Act of 1971. These funds may be used only for capital projects pertaining to streets, roads and bikeways.

Transportation Sales Tax (Measure D) Fund

For funds received from a one-half cent sales tax levied by the Santa Barbara County Association of Governments. The proceeds are restricted to transportation uses. Measure D was approved by the voters of Santa Barbara County in an election held on November 7, 1989. The tax became effective on April 1, 1990.

Debt Service Funds

Debt service funds are used to account for debt service expenditures on general long-term debt.

2002 Municipal Refunding Certificates of Participation

For the accumulation of funds for the payment of the General Fund's portion of the 2002 municipal improvement certificates of participation. These certificates mature in annual installments of \$65,000 to \$360,000, with final maturity in 2018.

1995 Redevelopment Agency Refunding Tax Allocation Bonds Series A and B

For the accumulation of funds for the payment of the 1995 Refunding Tax Allocation Bonds, Series A and B. These bonds mature in annual principal installments of \$2,300,000 to \$4,705,000 through 2008.

2001 Redevelopment Agency Tax Allocation Bonds – Series 2001A

For the accumulation of funds for the payment of the 2001 Redevelopment Tax Allocation Refunding Bonds, Series A. These bonds mature in annual principal installments on serial bonds range from \$2,785,000 to \$4,340,000 through 2019.

2003 Redevelopment Agency Tax Allocation Bonds – Series 2003A

For the accumulation of funds for the payment of the 2003 Redevelopment Tax Allocation Refunding Bonds, Series A. These bonds mature in annual principal installments on serial bonds range from \$1,140,000 to \$2,835,000 through 2019.

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1994 Water Refunding Revenue Bonds

For the accumulation of funds for the payment of the 1994 Water Revenue Refunding Serial Bonds. These bonds mature in annual principal installments of \$420,000 to \$510,000 through 2008

2004 Sewer Revenue Bonds

For the accumulation of funds for the payment of the 2004 Sewer Revenue Bonds. These bonds mature in annual principal installments of \$525,000 to \$1,290,000 through 2029.

Capital Projects Funds

Capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

Capital Outlay Fund

For all capital projects financed by the General Fund.

Redevelopment Agency Capital Projects Funds

For expenditures funded from the proceeds of the Agency's Tax Allocation Bonds.

PROPRIETARY FUNDS

Proprietary funds account for operations that are financed and operated in a manner similar to private sector enterprises, in that goods and services are provided to the general public (external users) or other city departments (internal users), and the costs are financed or recovered primarily through fees and service charges charged directly to the users of the goods and services. Proprietary funds use the accrual basis of accounting.

Enterprise Funds

Enterprise funds are used to report activities for which service charges or fees are charged to external users. Enterprise funds are financed and operated in a manner similar to private sector enterprises.

Airport Fund

For operations of the municipal airport and the administration of leases on airport property. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, capital acquisition and construction, financing and related debt service, and the billing and collection of fees.

Downtown Parking Fund

For the provision of parking services in the downtown area of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, capital acquisition and construction, financing and related debt service, and the billing and collection of fees.

Golf Fund

For the operation of a municipal golf course. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, capital acquisition and construction, financing and related debt service, and the billing and collection of fees.

Wastewater Fund

For the provision of sewer services to the residents of the City and some residents of the County. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, capital acquisition and construction, financing and related debt service, and the billing and collection of fees.

Water Fund

For the provision of water services to the residents of the City and some residents of the County. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, capital acquisition and construction, financing and related debt service, and the billing and collection of fees.

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Waterfront Fund

For the operations of the City-managed waterfront, the assets of which are part of the State of California Tideland Trust. Operations include: (1) a public wharf providing facilities for, and services to, leaseholders, restaurants, retail shops and other recreational activities; (2) a small watercraft harbor for commercial fishing, tour and privately-owned boats; and (3) the operation of all parking facilities in the waterfront area.

Internal Service Funds

Internal service funds are used to report activities for which service charges or fees are charged to internal users. These funds are used to account for the financing of goods or services provided by one City department to other City departments on a cost reimbursement basis.

Duplications Fund

For the costs of operating the City print shop that provides duplicating services to all City departments.

Intra-City Service Fund

For the costs of operating a City maintenance facility for automobiles and other vehicles used by all City departments and scheduled replacement of the motor pool. This fund also accounts for the citywide building maintenance operation, custodial and electronics maintenance operations.

Self-Insurance Fund

For the cost of providing workers' compensation, unemployment, liability and employee health insurance coverage on a citywide basis.

Information Systems Intra-City Service Fund

For the costs of the Information Systems operations for citywide computer and network maintenance and replacement.

FIDUCIARY FUNDS

Funds that account for resources held in a trustee, custodial or agency capacity for others.

Pension Trust Funds

Pension trust funds are used to account for the accumulation of resources for the locally administered safety retirement programs.

Safety Retirement Fund

For the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 17, 1937 and May 28, 1965.

Service Retirement Fund

For the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 17, 1937 and May 28, 1965, and who were disabled due to job related injuries.

Non-Expendable Trust Funds

Non-expendable trust funds are used to account for trust resources, wherein the City, in accordance with the terms of the trust agreement, can expend interest earnings of the trust, but the principal must remain intact. Like proprietary funds, non-expendable trust funds use the accrual basis of accounting.

Expendable Trust Funds

Expendable trust funds are used to account for trust resources, wherein the City, in accordance with the terms of the trust agreement, can expend the Trust's principal and interest earnings.

Library Gifts Fund

For gifts and bequests made to the City library. Funds are used for book replacement.

APPENDIX: Description of Funds

Agency Funds

Agency funds are used to account for resources for which the City acts as an agent, or custodian, for other governmental units, private organizations, or individuals.

California Law Enforcement Telecommunications System (CLETS) Fund

For monies received from various participating public agencies for the purchase of computer equipment for communication with the California Law Enforcement Tracking System (CLETS).

Revolving Rehabilitation Loan Fund

For rehabilitation loans made by the City through the use of various funding sources

Seismic Safety Assessment Fund

For the financial activities of the Seismic Assessment District #1.

APPENDIX: Legal Requirements and the Budgetary Process

Authoritative Basis for the Annual Budget

The authoritative basis for the development of the annual budget is provided in Article XII, Fiscal Administration, Section 1200 et. al. of the City of Santa Barbara Charter. Section 1200 specifically requires that "... at least sixty (60) days prior to the beginning of each fiscal year, the City Administrator shall submit to the City Council the proposed budget as prepared by him (or her)."

Budgetary Roles and Responsibilities

The Budget Officer and the Finance Department, during budget pre-development, determine departmental revenue targets for use during budget development and develop cycle-specific information, such as debt service requirements and allocated costs. The Budget Officer works with the Treasury Manager from Finance throughout the entire budget development process to develop the base budget requirements for the next fiscal year through analysis of revenue estimates.

The Treasury Manager develops preliminary revenue estimates for departments during budget pre-development, and works with departments throughout the budget development process in revising the preliminary estimates for departmental revenues in order to reach final, revised estimates.

The Budget Manager develops overhead cost allocations and works with the Public Works Department in preparing preliminary cost allocations for building maintenance, custodial and electronic maintenance services, and the City's Motor Pool. The Budget Manager also works with Information Systems to determine cost allocations for the desktop maintenance and replacement program, as well as cost allocations related to the City's financial management system.

Finance managers assist departmental budget staff with the review of budgets to ensure that departmental budget submittals are complete, technically correct and submitted in a timely manner. During the budget review phase, Finance managers analyze requested budgets to determine that departments met their revenue target, and verify the accuracy of line-item budgets. They present findings and recommendations to the City Administrator during the individual departmental meetings with the departments.

The Assistant City Administrator for Organizational Development works with all departmental Program Owners, Managers and Department Heads to ensure that the performance objectives contained in the Programs and Services narratives are measurable, actionable, specific and adequately cover the day-to-day activities of city operations, as well as any one-time projects or initiatives planned for the budget year.

The Budget Steering Committee provides oversight to the entire budget process, with direction from the City Administrator, to ensure that Council goals and other citywide priorities are addressed throughout development of the budgets.

Departmental Staff develop line-item operating budgets and capital requests. Anticipated program adjustments are incorporated and communicated to the Finance Department for revising departmental revenue targets.

The City Administrator provides oversight of the Budget Steering Committee throughout the entire budget process. The City Administrator meets with Department Heads, Program Owners, Departmental Budget Staff and Budget Liaisons to review all departmental operating and capital requests and makes funding decisions for the recommended budget, ensuring that Council goals and the Steering Committee's budget priorities are addressed. Also at these budget meetings, the City Administrator approves all operational goals and objectives for the coming fiscal year that are laid out in the Programs and Services narratives. All recommendations and adjustments are incorporated into the City Administrator's recommended budget that is filed with the City Clerk and presented to City Council for approval in April of each year.

Mayor and City Council review the City Administrator's recommended budget, along with any specific recommendations from the Council Finance Committee, approve or adjust as necessary, and adopt the final operating and capital budget.

Budgetary Basis and the Budgetary Level of Control

Governmental funds are budgeted using the modified accrual basis, consistent with the basis of accounting. Briefly, this means that expenditures are recognized when the related liability is incurred; revenues are recognized to the degree that they are available to finance expenditures of the current period. The only exception is the budgeting of capital projects, in which the entire cost of the capital project is budgeted in the first year, and subsequently carried over until project completion.

APPENDIX: Legal Requirements and the Budgetary Process

Similarly, Proprietary Funds use the modified accrual basis of budgeting, but use the accrual basis of accounting. Differences arise between the two bases for several items: depreciation expense is recorded on a GAAP basis only; debt service retirement, including principal and interest payments, are budgeted as expenditures; and, like governmental funds, all costs of capital projects are included in the budget for the first year of the project.

Budgets are monitored at varying levels of classification detail. However, expenditures cannot exceed total appropriations at the department level for the General Fund, and at the fund level for all legally budgeted funds (proprietary funds).

Specifically, the budget is controlled at the following levels:

1. Departments are authorized to transfer amounts between individual line-item expenditure categories within a particular major object account group.
2. The City Administrator is authorized to transfer amounts within individual departmental budgets, both between programs and between major object groupings.
3. City Council must authorize all budget amendments that alter the total appropriations of a particular department or fund.

Two-Year Budget Cycle

On November 27, 1984, the City Council adopted Resolution No. 84-182, approving the concept of a two-year budget cycle for the City of Santa Barbara. This action provided that:

1. City Council would approve a two-year program and financial plan at the beginning of each two-year cycle; and
2. Consistent with City Charter requirements, the City Council would adopt a budget for the program on an annual basis.

Significant characteristics of a two-year budget process, in addition to the items noted above, are:

- o Budget preparation and analysis will be for two years, occurring in the fiscal year immediately preceding the two-year cycle.
- o Mid-cycle adjustments will be managed as mid-year adjustments are managed; that is, outside of the budget development process, but subject to City Council approval.
- o The two-year budget cycle will be developed in conjunction with the establishment of the City Council two-year goals and action plan.

Implementation of a two-year budget cycle does not preclude adjustments at mid-cycle or modifications to the second year recommendations due to special circumstances or significant changes in revenue projections. It does, however, eliminate much of the repetitive and time-consuming aspects associated with the development of budget estimates, particularly for those programs that tend to remain constant. In addition, because the City Council is already focusing on a two-year commitment, the two-year budget process facilitates a long-term, program and financial planning approach.

APPENDIX: Legal Requirements and the Budgetary Process

The following summarizes the City of Santa Barbara's two-year budget process.

Budget Process - Year One

Pre-Development Activities

Council goals and program priorities are developed.

Finance Department develops preliminary revenue projection.

Revenue targets are developed by City Administrator and distributed to departments.

The Finance and Public Works departments develop allocated costs.

Departments submit capital project requests to Capital Improvement Program Coordinator.

Anticipated program adjustments are communicated to the Finance Department.

Budget Preparation

Cycle-specific information is distributed to each department.

Departments develop line-item budget estimates, document text information, and annual performance plans for each program.

Edit and Review of Departmental Submittals

Finance Department Budget Liaisons performs preliminary review of departmental line-item submittals.

Budget Liaisons review department line-item and text submittals.

City Administrator holds meetings with each department.

Production and Publication of Budget Document

Finance Director and staff develop the tables, charts and graphs, prepare summary schedules and fund overviews, and compile, review and publish the document, as well as post the Recommended Budget to the Internet.

City Administrator and staff prepare "City Administrator's Budget Message" and review annual performance plans included in the program narratives.

The Recommended Budget is filed with the City Clerk's Office.

Public Review

Boards and Commissions review the Recommended Budget.

City Council and Finance Committee review the Recommended Budget, including Capital Program and Fee Resolutions.

City Council approves and/or adjusts the City Administrator's Recommended Budget, as appropriate.

Public hearings are held.

Budget overview and department presentations are held.

Budget information made available in accordance with Public Information Plan.

APPENDIX: Legal Requirements and the Budgetary Process

Budget Adoption

City Council adopts, by resolution, the two-year financial plan and the operating and capital program budgets for year one of the two-year financial plan.

Finance Department updates and publishes the budget document, and post to the Internet.

Budget Process - Year Two

Mid-Cycle Review

Finance Department updates the revenue projections for year two of the two-year financial plan.

Year two recommendations are revised, if necessary.

If necessary, an addendum to the two-year plan is prepared by the City Administrator.

Presentation and Adoption

City Administrator presents addendum and a summary of the proposed budget for year two to the City Council. This document identifies the following:

- o Changes to the two-year financial plan approved at mid-cycle.
- o Any changes to the City Administrator's second year recommendations.
- o The progress of the City Council's two-year goals and action plan.
- o A summary of the second year's budget by program.

City Council reviews the addendum information and approves and/or adjusts the changes made by the City Administrator, as appropriate.

A public hearing is held.

Council adopts, by resolution, the operating and capital budget for year two of the two-year financial plan.

APPENDIX: Budget Policies

General Policies

All current operating expenditures will be financed with current revenues.

Budgetary emphasis will focus on providing high quality municipal services, recognizing the fundamental importance to the public of public safety and properly maintained infrastructure.

The budget will provide sufficient funding for adequate maintenance and orderly replacement of capital plant and equipment.

The budget will reflect a higher priority for maintenance of existing facilities than for acquisition of new facilities.

Future maintenance needs for all new capital facilities will be fully costed out, and added costs will be recognized and included in future year budget projections.

Strong customer service and productivity improvements, with a focus on cost savings, remain important budgetary goals.

Productivity improvements resulting in cost reduction will remain an important budgetary goal.

Revenue Policies

A diversified and stable revenue system will be maintained to shelter the City from short-run fluctuations in any single revenue source.

Revenues will be conservatively estimated, will be projected for the next four years and will be updated at least annually.

Intergovernmental assistance in the form of grants and loans will be used to finance only:

- Capital improvements that are consistent with the Six-Year Capital Program priorities and can be maintained and operated over time; and
- Operating programs which either can be sustained over time or have a limited horizon.
- One-time revenues will be used for operating programs only after an examination determines whether they are subsidizing an imbalance between operating revenues and expenditures, and then only if a long-term forecast shows that the operating deficit will not continue. In general, one-time revenues will be used only to support capital or other non-recurring expenditures.

All fees and charges for each enterprise fund will be set at a level that fully supports the direct and indirect cost of the enterprise.

Reserve Policies

An Appropriated Reserve will be included in each operating fund's adopted budget to provide for unanticipated expenditures or to meet unexpected small increases in service delivery costs within the fiscal year. This reserve will be budgeted up to ½ of 1% of the operating budget and any unused portion will be returned to fund balance at the end of the fiscal year.

Each operating fund will establish a Capital Reserve funded to at least 5% of the value of its capital assets. In the alternative, the amount may be established at an amount equal to the average of the adopted capital program budgets for the previous five years. The goal for the General Fund Capital Reserve shall be set to at least \$1 million. Appropriations from these reserves will be to fund major capital costs.

For each operating fund there will be a reserve equal to 15% of its annual operating budget for the purpose of responding to emergencies. It may take more than one year to meet the 15% goal if these emergency reserves do not presently meet the 15% goal.

Each operating fund will establish and maintain a reserve equal to 10% of its annual operating budget for the purpose of providing for unique one-time costs and maintenance of City services and permit orderly budget adjustments during periods of reductions. Appropriation of these reserves to operating budgets should, when feasible, be accompanied by a plan for the replenishment within a reasonable period of time.

APPENDIX: Budget Policies

Funding of reserves will come generally from one-time revenues, excess fund balance and projected revenues in excess of projected expenditures. They will generally be reserved in the following priority order:

- Reserve for Economic Contingency/Emergencies
- Reserve for Capital
- Reserve for Future Years' Budgets

However, flexibility will be retained to allocate available funds among the reserves based on the current circumstances and needs of the City's various operating funds.

Appropriation or use of funds from any of these reserves will require Council action.

Debt Policy

It is the intent of the City of Santa Barbara to issue debt in a manner that adheres to state and federal laws, existing bond covenants and prudent financial management. A summary of existing debt obligations by fund and a summary of total annual debt service requirements is provided in this section under "Debt Obligations".

The General Fund currently does not have any general obligation bonds and does not anticipate issuing such debt. Existing General Fund debt includes certificates of participation for capital improvements to City facilities. As of June 30, 2004, the outstanding balance is \$3,725,700 and annual debt service requirement is \$357,987.

With respect to financing of future capital improvements, General Fund annual budgeted expenditures provide for funding of general capital improvements. In addition, current City policy provides for the use of accumulated reserves in excess of policy requirements for one-time costs, including major capital projects.

Restrictions affecting the issuance of debt relate to existing bond covenants associated with the outstanding Water and Wastewater Fund Revenue Bonds. Specifically, existing bond covenants require that net system revenues (operating revenues less operating expenses, excluding depreciation) must be at least 125% of the annual debt service requirements (maximum).

Based on these restrictions and existing annual debt service requirements, total annual debt service capacity for the Water Fund and Wastewater Fund is approximately \$5.6 million and \$1.8 million, respectively, based on operating results for the year ended June 30, 2004. For fiscal year 2005, the current total debt service requirement for all existing debt is approximately \$2.3 million and \$1,355,000 for the Water Fund and Wastewater Fund, respectively.

Based on a net assessed value of property of approximately \$10.73 billion, the legal debt limit is \$1,073 million (10%). Currently, there is no outstanding debt subject to limitation.

No other restrictions exist.

Investment Policy

It is the policy of the City to invest public funds in a manner that will provide maximum security, adequate liquidity, and sufficient yield, while meeting the daily cash flow demands of the City and conforming to all statutes and regulations governing the investment of public funds.

The primary objectives of the City's investment activities are safety, liquidity, and yield. Safety, the preservation of capital in the portfolio, is the foremost objective of the investment program. In order to mitigate credit and interest rate risk, the City diversifies its investments by investing funds among several financial institutions and a variety of securities offering independent returns. The liquidity objective maintains that the portfolio should remain sufficiently liquid to enable the City meet all cash requirements that can be reasonably anticipated without requiring a sale of securities. A portion of the portfolio is placed in money market mutual funds or LAIF which offer same-day liquidity for short-term holdings to meet unanticipated cash needs. Yield, or return on investment, is the final objective of the investment program and states that the portfolio should attain a benchmark rate of return, throughout budgetary and economic cycles, commensurate with the investment risk constraints and the liquidity requirements of the portfolio. Yield is of secondary importance to safety and liquidity, and the core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

Except for cash in certain restricted and special funds, the investment policy provides for consolidating, or pooling, cash balances from all funds to maximize investment earnings. Investment earnings are then allocated back to the various funds in accordance with identified investment procedures and generally accepted accounting principles.

APPENDIX: Annual Budget Calendar for FY 06

NOVEMBER 2004

- Monday, November 1*
- ▶ P3 Quarterly Reports due to CAO for first quarter of FY 05
 - ▶ BUDGET SYSTEM INITIALIZATION
- Monday, November 1 -
Wednesday, December 2*
- ▶ Finance prepares General Fund multiyear forecast, non-departmental revenue estimates, salaries and benefit projections, and departmental revenue targets
- Thursday, November 4*
- ▶ BUDGET STEERING COMMITTEE - (1) Proposed non-departmental revenue estimates, (2) Review and approve Budget Calendar, (3) Direction on MOU assumptions for FY 05 thru FY 07, (4) Council work session planning, and (5) ICS contribution to revenue target reductions
- Friday, November 5*
- ▶ Budget Calendar distributed to departments
 - ▶ Schedule of Pre-Budget Meetings with City Administrator distributed to departments
 - ▶ Position re-allocation worksheets distributed to departments
- Tuesday, November 9*
- ▶ FINANCE COMMITTEE MEETING - FY 05 First Quarter Review
- Wednesday, November 10*
- ▶ Finance completes initial payroll projections and projected cost increases
- Thursday, November 11*
- ▶ BUDGET STEERING COMMITTEE - (1) Finalize non-departmental revenue estimates, (2) Multiyear forecast, (3) Continue Council work session planning, (4) Target allocation methodology, (5) MOU assumptions, and (6) FY 05 Budget cycle debriefing and Council suggestions to budget process.
- Wednesday, November 17*
- ▶ Cost Allocation Plan Update available
- Thursday, November 18*
- ▶ BUDGET STEERING COMMITTEE - (1) Review Information System and Public Works allocations, including Planned Maintenance and generator replacements, (2) Review preliminary overhead allocation charges and insurance allocations, and (3) Finalize General Fund capital projects, and (4) Direction to departments on pre-budget meetings
- Monday, November 22*
- ▶ Final Public Works and Information Systems (Internal Service Funds) allocations due to Finance
 - ▶ Property and liability insurance premium estimates finalized
 - ▶ Overhead allocation charges finalized
 - ▶ Retiree medical contributions and other status quo adjustments calculated

Budget

Budget Meetings

Capital

Performance Measures

CC / FC Meetings

APPENDIX: Annual Budget Calendar for FY 06

NOVEMBER 2004 (CONTINUED)

Tuesday, November 23 ▶ BUDGET STEERING COMMITTEE (SPECIAL MEETING) - (1) Multiyear forecast update, (2) Proposed General Fund balancing strategy, and (3) Direction of allocation of target reductions

Monday, November 29 ▶ DEPT HEAD STAFF MEETING - (1) Review multi-year forecast, (2) Discuss General Fund balancing strategy and (3) Department target allocations

DECEMBER 2004

Month of December ▶ Department Heads discuss budget issues with Jim Armstrong and Finance at monthly meeting

Thursday, December 2 ▶ BUDGET STEERING COMMITTEE - Review revenue target allocations to departments

Tuesday, December 7 ▶ FINANCE COMMITTEE MEETING - (1) Review multi-year forecast and (2) Present preliminary General Fund balancing strategy, and (3) Provide direction to staff

Thursday, December 9 ▶ BUDGET STEERING COMMITTEE

Monday, December 13 ▶ **BUDGET KICK-OFF.** DEPT HEAD STAFF MEETING - Revenue targets issued, status quo budgets and authorized position reports distributed

Monday, December 13 ▶ COUNCIL BUDGET WORK SESSION I - GENERAL FUND (1) Preliminary financial issues and review multiyear forecast, (3) Highlights of major activities and capital in departments, and (3) Policy direction to staff

Tuesday, December 21 ▶ CITYWIDE PRE-BUDGET MEETING (#1) with City Administrator, Finance and City staff to discuss budget framework

Monday, December 20 ▶ Deadline for new/deleted positions for FY 06 to Human Resources

Tuesday, December 28 ▶ CITYWIDE PRE-BUDGET MEETING (#2) with City Administrator, Finance and City staff to discuss budget framework

Budget **Budget Meetings** **Capital** **Performance Measures** **CC / FC Meetings**

APPENDIX: Annual Budget Calendar for FY 06

JANUARY 2005

- Thursday, January 6* ▶ CITYWIDE PRE-BUDGET MEETING (#3) with City Administrator, Finance and City staff to discuss budget framework
- Friday, January 7* ▶ Technical budget training for departments
- Monday, January 10* ▶ Live expense and revenue reports for six months ended, December 31, 2004 released
▶ General Fund User Fee Study Update available
- Monday, January 31 -
Friday, February 18* ▶ **BUDGET SUBMITTALS DUE:** Operating and capital budgets, revenue estimates, current year projections, fee resolutions, and annual P3 plans (staggered due dates)
- Monday, January 31* ▶ P3 Quarterly Reports due to CAO for second quarter of FY 05

FEBRUARY 2005

- Monday, January 31 -
Friday, February 18* ▶ **BUDGET SUBMITTALS DUE:** Operating and capital budgets, revenue estimates, current year projections, fee resolutions, and annual P3 plans (staggered due dates)
- Monday, February 7 -
Friday, March 4* ▶ Departmental budget review meetings with City Administrator and departments
- Monday, February 24* ▶ COUNCIL BUDGET WORK SESSION II - ENTERPRISE FUNDS (1) Update on financial issues, (2) Review current projects and new initiatives, and (3) Policy direction to staff

MARCH 2005

- Monday, February 7 -
Friday, March 4* ▶ Departmental budget review meetings with City Administrator and departments (cont'd)
- Thursday, March 10* ▶ **BUDGET REVIEW AND BALANCING**
- Tuesday, March 15 -
Monday, April 21* ▶ Budget document published

Budget **Budget Meetings** **Capital** **Performance Measures** **CC / FC Meetings**

APPENDIX: Annual Budget Calendar for FY 06

APRIL 2005

- Monday, April 18* ▶ Budget document completed
- Tuesday, April 19* ▶ **City Administrator's Recommended Budget filed with City Clerk**
▶ CITY COUNCIL MEETING - (1) Staff presents budget overview, (2) Schedule of Budget Work sessions & Public Hearings approved by Council
▶ Recommended budget posted to the Internet and available on CD-ROM
▶ Press briefings with Santa Barbara Newspress and SB Independent newspapers
▶ P3 Quarterly Report due to City Administrator for 3rd quarter of fiscal year 2004
- Tuesday, April 26* ▶ FINANCE COMMITTEE SPECIAL BUDGET REVIEW MEETING - General Fund revenue estimates and assumptions, detailed review multi-year forecast update
- Late April* ▶ Budget Briefings with Labor Unions

MAY 2005

- Monday, May 2* ▶ P3 Quarterly Reports due to CAO for third quarter of FY 05
- Tuesday, May 3* ▶ FINANCE COMMITTEE SPECIAL BUDGET REVIEW MEETING - Legal and policy restrictions on enterprise funds, review of citywide performance measures program
- Thursday, May 5* ▶ FINANCE COMMITTEE SPECIAL BUDGET REVIEW MEETING - Fire department, Police department, and Mayor and Council department budget reviews
- Monday, May 9* ▶ CITY COUNCIL SPECIAL BUDGET WORK SESSION AND PUBLIC HEARING - Review of administrative departments budgets
- Tuesday, May 10* ▶ FINANCE COMMITTEE SPECIAL BUDGET REVIEW MEETING - Review of cable franchise fees, public access funding, and Community Development department budget
- Monday, May 16* ▶ CITY COUNCIL SPECIAL BUDGET WORK SESSION AND PUBLIC HEARING - Review of Fire, Police, and Community Development departments budgets

Budget

Budget Meetings

Capital

Performance Measures

CC / FC Meetings

APPENDIX: Annual Budget Calendar for FY 06

MAY 2005 (CONTINUED)

- Tuesday, May 17* ▶ FINANCE COMMITTEE SPECIAL BUDGET REVIEW MEETING - Review of Public Works transportation/transit programs, downtown parking fund, solid waste fund, and sewer capacity overflow projects, and city community promotions funding
- Friday, May 20* ▶ CITY COUNCIL SPECIAL BUDGET WORK SESSION AND PUBLIC HEARING - Review of Public Works department budget
- Tuesday, May 24* ▶ FINANCE COMMITTEE SPECIAL BUDGET REVIEW MEETING - Review of Parks and Recreation department budget, staff recommended adjustments to the proposed budget, and make final Finance Committee decisions and recommendations for Council

JUNE 2005

- Wednesday, June 1* ▶ CITY COUNCIL SPECIAL BUDGET WORK SESSION AND PUBLIC HEARING - Review of Library and Parks and Recreation departments budgets, and city community promotions funding
- Monday, June 6* ▶ CITY COUNCIL SPECIAL BUDGET WORK SESSION AND PUBLIC HEARING - Review of Airport and Waterfront departments budgets
- Tuesday, June 7* ▶ CITY COUNCIL MEETING - Finance Committee recommendations presented to Council, preliminary direction to staff on Council changes to proposed budget
- Tuesday, June 14* ▶ CITY COUNCIL MEETING - Final direction to staff on Council changes to proposed budget
- Tuesday, June 21* ▶ CITY COUNCIL MEETING - **BUDGET ADOPTION**
- Wednesday, June 22 -* ▶ Adopted budget transferred to general ledger
- Friday, June 25* ▶ Adopted budget reports from general ledger, reviewed and distributed

Budget

Budget Meetings

Capital

Performance Measures

CC / FC Meetings

APPENDIX: Gann Appropriation Limit

Article XIII B of the California State Constitution, commonly referred to as the “Gann Appropriation Limit”, was adopted by the California voters in 1980. The Gann Limit places a limit on the amount of tax proceeds that government agencies can receive and appropriate each year.

The Gann Appropriation Limit is based on actual appropriations during the 1979 fiscal year, and is adjusted each year using the growth in population and inflation. The City’s limit is adopted by resolution each year by the City Council.

In 1990, Proposition 111 made changes to the manner in which the Appropriation Limit is calculated by allowing government agencies a choice of annual growth factors. Proposition 111 also provides for the exclusion from the calculation of capital expenditures for fixed assets of \$100,000 or more in value that have a useful life of ten years or more.

The fiscal year 2006 Gann Appropriation Limit is calculated as follows:

Appropriations Subject to Limitation

Fiscal year 2005 adopted revenues		\$	93,676,414
Less:			
Nonproceeds of tax			(30,517,906)
Qualified Capital Outlay			(5,213,723)
Federal Mandates:			
Medicare	(516,252)		
FLSA - Fire Department	(495,226)		(1,011,478)
Plus: User fees in excess of costs			-
Total Appropriations Subject to Limitation		\$	<u>56,933,307</u>

Appropriation Limit

Fiscal year 2005 appropriation limit, adopted		\$	82,424,009
A. Inflation adjustment, CPI	1.0526		
B. Population adjustment	1.0114		
Change factor (A X B)	1.0646		
Increase in appropriation limit			<u>5,324,561</u>
Fiscal year 2006 appropriation limit		\$	<u>87,748,570</u>

APPENDIX: Debt Obligations

REVENUE BONDS

Water Fund:

\$9,780,000 – 1994A Water Revenue Refunding Serial Bonds. Remaining annual installments ranging from \$420,000 to \$510,000 through September 1, 2008, term bonds of \$3,835,000 due on September 1, 2014, interest at 4.4% to 5.1% due semi-annually. Bonds maturing on or after September 1, 2004, shall be subject to redemption, at the option of the City, upon at least 45 days prior written notice to the Trustee specifying the date and amount of such redemption, on or after September 1, 2003, in whole or in part on any date (by lot within any maturity and among maturities as specified by the City). Bonds maturing on September 1, 2014 shall be subject to mandatory redemption, on each date that a sinking installment payment for such Term Bonds is payable from sinking installment, by lot, in an amount equal to such sinking installment payments, plus accrued interest to the redemption date and without premium.

**Outstanding at
June 30, 2004**

\$ 6,255,000

Total Revenue Bonds

\$ 6,225,000

TAX ALLOCATION BONDS

Redevelopment Agency:

\$34,810,000 – 2003 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Remaining annual principal installments on serial bonds range from \$1,140,000 to \$2,835,000 beginning March 1, 2004 through March 1, 2019. Interest rates range from 2.0% to 5.0% payable semi-annually on September 1 and March 1.

\$ 32,725,000

\$38,855,000 – 2001 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Remaining annual principal installments on serial bonds range from \$2,785,000 to \$4,340,000 beginning March 1, 2009 through March 1, 2019. Interest rates range from 4.0% to 5.0% payable semi-annually on September 1 and March 1.

38,305,000

\$28,170,000 - 1995 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Remaining annual principal installments on serial bonds range from \$1,935,000 to \$2,330,000 through March 1, 2005. Term bonds of \$7,235,000 are due March 1, 2008. Interest rates range from 3.65% to 6.0% payable semi-annually.

9,080,000

\$6,845,000 – 1995 Redevelopment Agency Tax Allocation Refunding Bonds, Series B. \$2,545,000 term bonds are due March 1, 2007. Interest rates range from 4.375% to 6.35% payable semi-annually.

1,925,000

Total Tax Allocation Bonds

\$ 82,035,000

APPENDIX: Debt Obligations

CERTIFICATES OF PARTICIPATION

	<u>Outstanding at June 30, 2004</u>
<u>General Fund:</u>	
<u>\$4,184,400</u> – 2002 Refunding Municipal Certificates of Participation, remaining annual installments range from \$204,600 to \$339,000 beginning August 1, 2003 through 2017. Interest rates range from 3.0% to 4.625% payable semi-annually.	\$3,725,700
<u>Tidelands Trust - Waterfront:</u>	
<u>\$19,405,000</u> - 2002 Waterfront Refunding Certificates of Participation. Remaining annual installments range from \$490,000 to \$1,230,000 beginning October 1, 2002 through 2027. Term certificates of \$16,090,000 are due in October 2027. Interest rates range from 3.75% to 6.75% payable semi-annually. Certificates maturing on or after October 1, 2004, are subject to optional prepayment prior to maturity on or after October 1, 2003. The Certificates are subject to mandatory prepayment prior to maturity on any date, in inverse order of maturity and by lot within a maturity, from the net proceeds of insurance or condemnation awards.	18,195,000
<u>Golf Fund:</u>	
<u>\$2,155,600</u> - 2002 Refunding Municipal Certificates of Participation. Remaining annual installments range from \$105,400 to \$175,100 beginning August 1, 2003 through 2017. Interest rates range from 3.0% to 4.625% payable semi-annually.	1,919,300
<u>Water Fund:</u>	
<u>\$15,535,000</u> - 2002 Refunding Water Certificates of Participation. Remaining annual installments range from \$380,000 to \$675,000 beginning September 1, 2003 through 2027. Interest rates range from 3.0% to 4.75% payable semi-annually.	14,620,000
Total Certificates of Participation	<u>\$ 38,460,000</u>

LOANS PAYABLE

	<u>Outstanding at June 30, 2004</u>
<u>Water Fund:</u>	
<u>\$2,000,000</u> - State Department of Water Resources Loan. Due in 20 annual payments of \$150,894 each on April 30. Interest is 4.0128% per annum. The final payment is due April 30, 2009.	\$ 684,249
<u>\$5,000,000</u> - State Department of Water Resources Loan. Due in 20 annual payments of \$342,477 on April 30. Interest is 3.1% per annum. The final payment is due November 30, 2011.	2,286,992
<u>\$15,965,705</u> – State Department of Water Resources Loan. Due in semi-annual payments commencing January 1, 2006. Interest is 2.5132% per annum. The final payment is due July 1, 2025.	15,965,705
<u>\$2,961,877</u> – State Department of Water Resources Loan. Due in semi-annual payments commencing January 1, 2007. Interest is 2.7934% per annum. The final payment is due July 1, 2026.	2,961,877
Total Loans Payable	<u>\$ 21,898,823</u>

APPENDIX: Debt Obligations

The annual requirements to amortize all debts outstanding as of June 30, 2004 are as follows:

Fiscal Year Ending	Principal Payments				Total
	Revenue	Tax	Certificates	Other	
	Bonds	Allocation	of	Loans	
		Bonds	Participation		
2005	435,000	4,535,000	1,210,000	395,016	6,575,016
2006	460,000	4,720,000	1,250,000	1,031,579	7,461,579
2007	480,000	4,920,000	1,275,000	1,437,837	8,112,837
2008	510,000	4,405,000	1,330,000	1,860,819	8,105,819
2009	535,000	4,645,000	1,375,000	1,929,331	8,484,331
2010 - 2014	3,115,000	26,115,000	7,370,000	5,489,401	42,089,401
2015 - 2019	720,000	32,695,000	8,550,000	4,103,690	46,068,690
2020 - 2024	-	-	8,580,000	4,649,519	13,229,519
2025 - 2029	-	-	7,520,000	1,001,630	8,521,630
Principal payments outstanding	6,255,000	82,035,000	38,460,000	21,898,822	148,648,822

Fiscal Year Ending	Interest Payments				Total
2005	289,800	3,699,984	1,550,956	98,355	5,639,095
2006	268,320	3,511,284	1,523,956	482,341	5,785,901
2007	245,760	3,313,884	1,493,506	732,089	5,785,239
2008	222,000	3,106,884	1,458,686	965,106	5,752,676
2009	196,920	2,871,084	1,595,237	912,156	5,575,397
2010 - 2014	562,200	11,454,692	5,691,128	1,526,863	19,234,883
2015 - 2019	17,280	4,871,260	5,268,219	999,053	11,155,812
2020 - 2024	-	-	3,090,434	884,580	3,975,014
2025 - 2029	-	-	671,897	18,919	690,816
Interest payments outstanding	1,802,280	32,829,072	22,344,019	6,619,462	63,594,833
Total Debt Service Obligation	\$ 8,057,280	\$ 114,864,072	\$ 60,804,019	\$ 28,518,284	\$ 212,243,655

APPENDIX: Budget Glossary

Accrual Basis of Accounting: Proprietary and non-expendable trust fund types utilize the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, such that revenues and expenditures are recognized when the underlying event or transaction takes place.

Appropriation: An authorization granted by the legislative body of a government, which permits officials to incur obligations against and to make expenditures of governmental resources. Appropriations are usually made for fixed amounts and are typically granted for a one-year period by the City Council. Non-operating appropriations, i.e., capital and special projects, continue in force through a budget re-appropriation (or carryover) until fully expended or until the City has accomplished or abandoned the purpose for which Council originally granted the appropriation.

Appropriation Resolution: The official enactment by the legislative body establishing the legal authority for officials to obligate and expend resources.

Assessed Value: The value placed on real and other property as a basis for levying property taxes. For all agencies in the State of California, assessed value is established by the County for the secured and unsecured property tax rolls; the State Board of Equalization establishes assessed value of utility property tax rolls.

Balance Sheet: A statement purporting to present the financial position of an entity by disclosing the value of its assets, liabilities, and equities as of a specific date.

Basis of Accounting: The timing of recognition, that is, when the effects of transactions or events are recognized for financial reporting or budgeting purposes. The three bases of accounting for governmental agencies are: (1) cash basis (when cash is received or paid), (2) accrual basis (when the underlying transaction or event takes place) and, (3) modified accrual basis (revenues recognized in the accounting period in which they become available and measurable and expenditures recognized in the accounting period in which the fund liability is incurred).

Bond: A written promise to pay (debt) a specified sum of money (principal or face value) on a specific future date (the maturity date) along with periodic interest paid at a specified percentage of the principal (interest rate). Bonds are typically used for long-term debt to finance large-scale capital projects such as buildings, bridges, streets, and utility infrastructure.

Bond Rating: An evaluation of a bond issuer's credit quality and perceived ability to pay the principal and interest on time and in full. Two agencies regularly review city bonds and generate bond rating: Moody's Investors Service and Standard and Poor's Ratings Group.

Budget: A plan for the expenditure of financial resources covering a specific time period, usually one year, which, by adoption, constitutes legal authority to spend. The City of Santa Barbara adopts an annual budget from July 1 – June 30. The budget contains appropriations needed to continue the City's operations for the year and the revenues anticipated to finance them.

Budget Amendment: Under the City Charter, the City Council has the sole responsibility for adopting the City's budget, and may amend or supplement the budget at any time after adoption by a majority vote. The City Administrator has the authority to approve administrative adjustments to the budget, as long as the adjustments will not have a significant policy impact, or affect the bottom-line appropriations for any given department.

Budget Calendar: A schedule of key dates and milestones that a government follows in the preparation and adoption of the budget.

Budgetary Basis of Accounting: The method of accounting applied to the budgetary accounts and the process used to determine when revenues and expenditures are recognized for budgetary purposes. The City of Santa Barbara uses the modified accrual basis for budgeting all funds, including proprietary funds.

Budgetary Control: The control or management of a government or enterprise in accordance with an approved budget for the purpose of keeping expenditures within the limitations of appropriations and available revenues. The level of budgetary control for City Council is at the department level. For the City Administrator, budgetary control is within a department, at the program level and at the major object level (groupings of individual line-item expenditure categories, for example, salaries and benefits, supplies and services, special projects, and non-capital equipment categories). For departments, budgetary control is at the line-item level within a particular major object group.

Budget Message: A general discussion of the budget presented in writing as a part of, or supplement to, the budget document. The budget message explains the principal issues against the background of financial trends and the priorities set forth in the budget.

Capital Asset: A tangible, fixed asset that is long-term in nature, of significant value, and obtained or controlled as a result of past transactions, events or circumstances. Fixed assets include land, buildings, equipment, improvements to buildings, and infrastructure (i.e., streets, highways, bridges and other immovable assets). A capital asset is defined as an asset with a useful life extending beyond a single accounting period. The capitalization threshold for the City of Santa Barbara is \$10,000.

Capital Expenditure: An amount expended for fixed asset acquisitions and improvements. The capitalization threshold for the City of Santa

APPENDIX: Budget Glossary

Barbara is \$10,000.

Capital Budget: A plan of capital expenditures and the means of financing them. The capital budget is adopted as part of the complete annual budget, including both operating and capital outlays.

Capital Improvement Plan (CIP): A formal long-term (multi-year) plan for the acquisition and improvement of major assets, such as land, buildings, machinery and equipment, and infrastructure (i.e., streets, highways, bridges, and other immovable assets). The CIP identifies the expected beginning and ending date for each project, the amount to be expended in each, and the method of financing those expenditures. The City of Santa Barbara prepares a six-year CIP and the threshold for inclusion in the CIP is \$25,000.

Capital Lease: An agreement that conveys the rights to use property, plant or equipment, usually for a stated period of time.

Capital Projects Fund: A governmental fund type used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds). See also *Governmental Fund*.

Carryover: Expenditure originally planned in the current year but, because of delays, is postponed to the following fiscal year.

Certificate of Participation: A form of lease-purchase financing used to construct or acquire capital facilities and equipment.

Change in Service: A change in the nature, type or level of service provided by a City program from that provided in the prior fiscal year's adopted budget, as amended.

Community Development Block Grant (CDBG): Grant funds allocated by the federal government to the City of Santa Barbara to use for the prevention and removal of slum and blight, and to benefit low- and moderate-income persons. The City disburses these funds through an annual application process open to all nonprofit organizations and City departments.

Contingency: An appropriation of funds to cover unforeseen events that occur during the fiscal year, such as shortfalls in revenue and similar eventualities, natural disasters, and federal mandates,

Contractual Services: Expenditures for City services performed by firms, individuals or other city departments.

Cost-Reimbursement Basis: The setting of service charges and fees such that costs are systematically recovered on a break-even basis over time. This term is used in connection with internal service funds.

Debt Instrument: A vehicle for borrowing funds,

including general obligation bonds, revenue bonds, lease/purchase agreements, lease-revenue bonds, tax allocation bonds, certificates of participation, and assessment district bonds. See also *Bond*.

Debt Service: Payment of interest and repayment of principal to holders of a government's debt instruments.

Debt Service Fund: A governmental fund type used to account for the payment and accumulation of resources related to general long-term debt principal and interest; debt service payments related to enterprise operations are directly accounted for in the enterprise fund itself. See also *Governmental Fund*.

Debt Service Requirement: The amount of money required to pay interest and principal on outstanding debt and the required contributions to accumulate monies for future retirement of long-term bonds.

Department: An operational and budgetary unit designated by the City Council to define and organize City operations, or a group of related operations within a functional area.

Encumbrance: Legal commitments related to unperformed (executory) contracts for goods and services. At year-end, encumbrances represent a reservation on fund balance.

Enterprise Fund: A proprietary fund type used to account for operations that are financed and operated in a manner similar to private sector enterprises, such that the costs of providing goods and services to the general public are financed or recovered primarily through fees charged directly to the users of the goods or services provided. The City of Santa Barbara has ten enterprise funds, including Airport Operating and Capital, Golf, Downtown Parking, Water Operating and Capital, Wastewater Operating and Capital, and Waterfront Operating and Capital Funds. See also *Proprietary Fund*.

Enterprise Fund Accounting: Accounting used for government operations that are financed and operated in a manner similar to private sector enterprises, and for which preparation of an income statement is desirable. Enterprise Funds use the accrual basis of accounting.

Estimated Revenue: The budgeted projected revenues, which are expected and realizable during the budget fiscal year, to finance all or part of planned expenditures.

Expenditure: The outflow of funds paid, or to be paid, for goods and services received during the current period. Note: an encumbrance is not expenditure; rather it represents a reservation on fund balance.

Expense: The incurrence of liabilities or the consumption of assets arising from the delivery or production of goods, rendering services or carrying out other activities that constitutes the entity's ongoing major or central operation. This

APPENDIX: Budget Glossary

term applies to the City's Enterprise and Internal Service Funds.

Fiduciary Fund: A major fund type used to account for assets held by the City in a trustee, agency or custodial capacity for others. The City of Santa Barbara has pension trust, expendable trust, non-expendable trust, and agency funds within the fiduciary fund type. Expendable trust funds are accounted for in the same manner as governmental funds, using the modified accrual basis of accounting. Pension trust and non-expendable trust funds use the accrual basis of accounting. An agency fund is custodial in nature in that it does not measure results of operations and the assets equal liabilities (i.e., all assets are held solely for the benefit of others).

Fiscal Year: The 12-month period to which the annual operating budget applies, at the end of which a government determines its financial position and the results of its operations. The City of Santa Barbara operates on a fiscal year from July 1 through June 30.

Fixed Asset: See *Capital Asset*.

Full-Time Equivalent (FTE): The standardized unit of measurement of staffing equal to 2,080 hours of work per year.

Fund: A separate fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances and changes therein are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions or limitations. There are three major fund types: governmental, proprietary, and fiduciary.

Fund Balance: From a strict accounting perspective, fund balance represents the excess of assets over liabilities. It also represents the cumulative effect of revenues and other financing sources over expenditures, and other financing uses that are available for reservation, designation or appropriation. A negative fund balance is called a *fund deficit*.

General Fund: The primary operating fund of a governmental organization that accounts for activities and services not required to be accounted for in another fund, and traditionally associated with governments, such as police and fire service, which are financed primarily through tax, intergovernmental and other non-exchange revenues.

General Obligation Bond: A bond sold to generate financing for various purposes, and to be repaid with normal, unrestricted operating revenue, usually from the General Fund.

Generally Accepted Accounting Principles (GAAP): Uniform minimum standards and guidelines for accounting and reporting. These standards govern the form and content of the annual financial statements of an entity. The

primary authoritative body on the application of GAAP to state and local governments is the Governmental Accounting Standards Board (GASB).

Governmental Activities: Activities generally financed through taxes, intergovernmental revenues, and other non-exchange revenues, and usually reported in governmental and internal service funds.

Governmental Fund: A major fund type generally used to account for tax-supported activities. Governmental funds use the modified accrual basis of accounting. The City of Santa Barbara uses four types of governmental funds: general, special revenue, debt service, and capital projects funds.

Grant: Contributions of cash or other assets donated from one governmental agency or organization to another, and usually restricted for a specific purpose. Typically, these contributions are made to local governments from state and federal governments.

Infrastructure: Facilities that support the daily life and growth of the City, for example, roads, waterlines, sewers, public buildings, parks and airports.

Interfund Reimbursements: Payments from one fund to another to reimburse costs to the recipient fund.

Interfund Transfers: Payments from one fund to another to finance the operations of the recipient fund.

Internal Service Fund: Funds used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government on a cost-reimbursement basis. See also *Proprietary Fund*.

Liability: Debt or other legal obligations arising out of transactions in the past that must be liquidated, renewed or refunded at some future date. Note: the term does not include encumbrances.

Line-Item Budget: A budget that lists detailed expenditures categories separately, along with the amount budgeted for each specified category. The City of Santa Barbara uses program rather than line-item budgeting; however, detailed line-item accounts are maintained and recorded for financial reporting and control purposes.

Major Object: Categorized groupings of individual line-item expenditures that are similar in nature. For example, the City's major object categories include salaries and benefits, supplies and services, special projects, non-capital equipment, capital equipment, and miscellaneous.

Mandate: Legislation passed by the state or federal government requiring action or provision of services and/or programs. Examples include the Americans with Disabilities Act, which requires actions such as physical facility

APPENDIX: Budget Glossary

improvements and provision of specialized transportation services.

Modified Accrual Basis of Accounting: Under the modified accrual basis, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction that can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Those revenues susceptible to accrual include property taxes remitted within 60 days after year-end, interest on investments, and certain intergovernmental and other revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. All governmental fund types, expendable trust funds and agency funds use the modified accrual basis of accounting.

Objective: Quantified, outcome-based statements of what will be accomplished during the budget year. These annual performance goals are specific, measurable, time-bound, and realistic, yet challenging. Objectives cover day-to-day activities as well as one-time initiatives.

Operating Budget: A plan of financial operations embodying an estimate of planned expenditures for a given period (typically a fiscal year) and the proposed means for financing them (revenue estimates). The annual operating budget, as distinguished from the capital program budget, is the primary means by which most of the financing, acquisition, spending and service delivery activities of a government are controlled. The City of Santa Barbara generally adopts a two-year financial plan that includes the adoption of actual budget appropriations for the first year of the financial plan, and recommendations for year two.

Operating Deficit: The deficiency of operating revenues under expenditures during a single accounting period.

Operating Surplus: The excess of operating revenues over operating expenditures during a single accounting period.

Ordinance: A formal legislative enactment by the City Council. If it is not in conflict with any higher form of law, such as a state statute or constitutional provision, it has the full force and effect of law within the boundaries of the city.

Outstanding Bonds: Bonds not yet retired through principal and interest payments.

Performance Measure: Quantifiable indicators that measure program workload or progress in achieving program objectives.

Program: A group of activities, operations or organizational units organized to accomplish specific purposes, goals or objectives. It is a distinct functional unit within a department, consisting of a significant service provided using City resources.

Program Budgeting: A method of budgeting that focuses on services provided to customers at the functional (or program) level.

Proposed Budget: This refers to the status of an annual budget, which has been submitted by the City Administrator and is pending public review and City Council adoption.

Proprietary Fund: A major fund type used to account for operations that are financed and operated in a manner similar to private sector enterprises, in that goods and services are provided to the general public (external users) or other City departments (internal users), and the costs of which are financed or recovered primarily through fees and service charges charged directly to the users of the goods and services. Proprietary funds use the accrual basis of accounting.

Reserves: Accumulated funds legally restricted or otherwise designated by management and/or City Council for specific purposes. See also *Fund Balance*.

Revenue Bond: A bond sold to construct a project that will produce revenues pledged for the repayment of principal and related interest.

Revenues: Total amount of income received, earned, or otherwise available for appropriation.

Self-Insurance: A term often used to describe the retention by an entity of a risk of loss arising out of the ownership of property or the activity of the agency.

Service Charge: See *User Fee*.

Special Revenue Fund: A governmental fund type used to account for the proceeds from specific revenue sources, other than trusts or major capital projects, that are legally restricted to expenditures for specific purposes. See also *Governmental Fund*.

Transient Occupancy Tax (TOT): Tax collected by hotel operators and imposed on hotel guests for transient lodging (30 days or less) within the City. The current TOT rate is 12%, 2% of which is legally restricted for creeks restoration and creeks and ocean water quality improvement pursuant to voter-approved Measure B, effective January 1, 2001.

User Fee: The voluntary payment of a fee for direct receipt of a public service by the party directly benefiting from service.

APPENDIX: List of Acronyms

A-OK!	After-School Opportunities for Kids!		
ABC	Alcoholic Beverage Control	EOC	Emergency Operations Center
ABOP	Antifreeze, Batteries, Oil and Paint	EPA	Environmental Protection Agency
ABR	Architectural Board of Review	ERAF	Educational Revenue Augmentation Fund
ACCEL	Authority of California Cities Excess Liability	FAA	Federal Aviation Administration
AF	Acre Feet	FAR	Federal Air Regulation
AFP	Aviation Facilities Plan	FBI	Federal Bureau of Investigation
ALP	Adult (and Family) Literacy Program	FMDSS	Financial Management Decision Support System
AOA	Airfield Operations Area	FMS	Financial Management System
A/P	Accounts Payable	FTE	Full-time Equivalent Job Position
ARFF	Aircraft Rescue and Firefighting	FY	Fiscal Year
BFI	Browning-Ferris Industries (a wholly owned subsidiary of Allied Waste Industries, Inc.)	FYE	Fiscal Year End
		GASB 34	Governmental Accounting Standards Board Statement No. 34
BPO	Blanket Purchase Order	GASB	Governmental Accounting Standards Board
BSIP	Business Self Inspection Program	GFOA	Government Finance Officers' Association
CA-DHS	California Department of Health Services	GIS	Geographical Information Systems
CAFR	Comprehensive Annual Financial Report	GOA	Gone on Arrival
CAPER	Consolidated Annual Performance Report	GPU	General Plan Update
CCC	Combined Communications Center	HLC	Historic Landmarks Commission
CDBG	Community Development Block Grant	HOME	Federal Home Investment Partnership Program
CEQA	California Environmental Quality Act	HUD	Housing and Urban Development
CERT	Citizens Emergency Response Training	ICS	Intra-City Services
CHDO	Community Housing Development Organization	IIPP	Injury and Illness Prevention Program
CIP	Capital Improvement Program	IOD	Injury on Duty
CLETS	California Law Enforcement Telecommunications System	IPM	Integrated Pest Management
COPS	Community Oriented Problem Solving	ICPMS	Inductively Coupled Plasma Mass Spectroscopy
CPO	Cash Purchase Order	JPA	Joint Powers Authority
CSMFO	California Society of Municipal Finance Officers	LAIF	Local Agency Investment Fund
DA	District Attorney	LDT	Land Development Team
D.A.R.E.	Drug Awareness Resistance Education	LEAP	Learning for Excellence & Achievement Program
DART	Development Application Review Team	LTF	Local Task Force
DOJ	Department of Justice	LUFT	Leaking Underground Fuel Tank
DPA	Development Plan Agreement	MDC	Mobile Data Computer
DUI	Driving Under the Influence	MHA	Mental Health Association
EIR	Environmental Impact Report	MJSWTG	Multi-Jurisdictional Solid Waste Task Group
		MTD	Metropolitan Transit District
EMLAP	Employee Mortgage Loan Assistance	NPDES	National Pollution Discharge Elimination System

APPENDIX: List of Acronyms

NPO	Neighborhood Preservation Ordinance	TOT	Transient Occupancy Tax
OSHA	Occupational Safety and Health Administration	TSA	Transportation Security Administration
P³	Paradise Performance Program	USGS	U.S. Geological Services
PAF	Personnel Action Form	USPS	United States Postal Service
PAL	Police Activities League	UUT	Utility Users' Tax
PARC	Parks and Recreation Community Foundation	VAPP	Visual Arts and Public Places
PBIA	Parking and Business Improvement Area (Assessment)	WAN	Wide Area Network
PC	Planning Commission	ZIR	Zoning Information Report
PCD	Program Criteria Document		
PERS	Public Employee Retirement System		
PFC	Passenger Facility Charge		
PLF	Public Library Fund		
PM	Planned Maintenance		
PO	Purchase Order		
POST	Police Officers Standards and Training		
PQI	Pavement Quality Index		
PRT	Pre-Application Review Team		
PSA	Public Service Announcement		
PUC	Public Utilities Commission		
RAP	Recreation After-School Program		
RDA	Redevelopment Agency		
RFP	Request for Proposal		
RFQ	Request for Qualifications		
RWQCB	California Regional Water Quality Control Board		
SBAPCD	Santa Barbara Air Pollution Control District		
SBCAG	Santa Barbara County Association of Governments		
SBCPA	Santa Barbara Center for the Performing Arts		
SBMC	Santa Barbara Municipal Code		
SBPD	Santa Barbara Police Department		
SBPL	Santa Barbara Public Library		
SEIU	Service Employee International Union (Local 620)		
SEMS	Standardized Emergency Management Systems		
SIDA	Security Identification Display Area		
SMS	(Microsoft) Software Management System		
SMU	Site Mitigation Unit		
TACT	Total Awareness Cross Training		
TDA	Transportation Development Act		