

GLOSSARY OF TERMS

The Annual Budget contains specialized and technical terminology that is unique to public finance and budgeting. To assist the reader of the Annual Budget document in understanding these terms, a budget glossary has been included in the document.

Account Number - In accordance with the state chart of accounts, each class of expenditures and revenues is assigned a specific account number for use within the City's accounting system.

Accrual Basis of Accounting - The “basis of accounting” refers to *when* a transaction is recognized. In the accrual basis of accounting, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Activity - The smallest unit of budgetary accountability and control which encompasses specific and distinguishable lines of work performed by an organizational unit for the purpose of accomplishing a function for which the City is responsible.

Adopted Budget - The budget that is formally approved by the City Commission.

Ad Valorem Tax - A tax that is based on the “taxable value” of property. The tax is calculated by multiplying the millage rate (set by the taxing authority) by the taxable value of the property.

Allocate - To divide a lump-sum appropriation that is designated for expenditure by specific organizational units and/or specific purposes or activities.

Amended Budget - The adopted budget that has been formally amended/adjusted by the City Commission.

Appropriation - An authorization granted by the City Commission to make expenditures and to incur obligations for purposes specified in the Budget Ordinance.

Arbitrage - The difference between coupon interest paid to municipal bondholders and interest revenue earned on bond proceeds. Excess earnings are remitted to the Internal Revenue Service at the close of each five year calculation period and the issue retirement date.

Assessed Valuation - A valuation set upon property by the County Property appraiser as a basis for levying taxes.

Asset - Resources owned or held by a government that possess monetary value.

Available Fund Balance - Funds remaining from the prior year, which are available for appropriation and expenditure in the current year.

Base Budget Allowance - Continuous expenses for Personal Services, Operating Expenses and replacement of existing equipment to maintain service levels authorized by the City Commission.

GLOSSARY OF TERMS (Continued)

Benchmark - A point of reference from which variations may be measured. In a performance measurement context, benchmarking refers to the process of critically evaluating a program's or service's activities, functions, operations and processes to achieve a desired level of performance.

Bond Rating - A rating from a schedule of grades issued by a bond rating agency indicating the probability of timely repayment of principal and interest on bonds issued by a municipality.

Budget - A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. The term usually indicates a financial plan for a single fiscal period.

Budget Amendment - A procedure to revise a budget appropriation.

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

Budget Hearing - As required by law, the City Commission conducts two public hearings to receive and consider input from the public and to propose and adopt a millage rate and annual budget.

Budget Issue - Any new or expanded service requested/adopted on the part of a department as part of the annual budget process.

Budget Message - A general discussion of the adopted budget as presented in the Adopted Financial Plan by the City Manager to the City Commission.

CAFR - **Comprehensive Annual Financial Report** - A complete set of financial statements published soon after the close of each fiscal year by each general-purpose local government in conformity with GAAP and audited in accordance with generally accepted auditing standards.

Capital Asset - Acquired asset having a unit cost of at least \$500 and a useful life of more than one year.

Capital Expenditure - A category of budgetary appropriation that includes expenses for buildings, machinery and equipment and results in additions to a fixed asset inventory.

Capital Improvement Budget - The adopted budget to fund the capital improvement plan for the upcoming fiscal year.

CDBG - **Community Development Block Grant** - A general purpose federal grant primarily used to facilitate the production and preservation of low and moderate income housing.

GLOSSARY OF TERMS (Continued)

Charges for Service - Revenue derived from charging fees for providing certain government services. These revenues can be received from private individuals or entities, or other governmental units. Charges for service include water/sewer fees, solid waste fees, and recreation and cultural activity admissions.

CIE - **Capital Improvement Element** - Projects identified in the CIP that are designated to accomplish the goals of the City Comprehensive Plan.

CIP - **Capital Improvement Plan**. - A financial plan for construction of physical assets such as buildings, streets, sewers and recreation facilities. The plan extends over several future years indicating the beginning and ending date of each project, the amount to be expended in each year and the method of financing those expenditures.

COLA - **Cost of Living Adjustment** - An upward adjustment in salary levels to offset the adverse effect of inflation on employee compensation.

Collective Bargaining Agreement - A legal contract between an employer and a verified representative of a recognized bargaining unit for specific terms and conditions of employment (e.g., working hours and conditions, salaries, fringe benefits and matters affecting health and safety of employees).

Contingency - An appropriation of funds to cover unforeseen events that may occur throughout the fiscal year.

Continuation Budget - The base proposed budget that reflects all costs necessary to maintain City services at the same level as adopted in the prior fiscal year, including additional costs or personnel necessary to maintain that level of service.

Cost Allocation - A method used to distribute the costs of central administrative functions such as accounting and personnel to non-general government funds.

Cost Center - An organizational operating unit within a City department (i.e., Purchasing is a cost center within the Department of General Services).

CPI - **Consumer Price Index** - A statistical description of price levels provided by the U.S. Department of Labor. The index is used as a measure of the increase in the cost of living (i.e., economic inflation).

CRA - **Community Redevelopment Agency** - An agency established by the City Commission to allow tax increment financing and to implement the provisions of the City's Master Plan to rehabilitate the redevelopment area. The agency cooperates with the private sector to attract long-term, financially sound projects that will generate new employment opportunities while protecting the City's unique character and charm.

GLOSSARY OF TERMS (Continued)

Culture and Recreation - A major category of services provided by a government for facilities and activities such as golf, tennis, baseball, exhibition halls, performing arts halls and parks.

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

Deficit - The excess of the liabilities of a fund over its assets. An excess of expenditures over revenues during an accounting period.

Department - A major work unit or functional unit having related activities aimed at accomplishing a major service or regulatory program for which the City is responsible.

Depreciation - The decrease in value of physical assets due to use and the passage of time.

Economic Environment - A major category of services provided by a government that develop and improve the economic condition of the community and its citizens.

Encumbrance - An amount of money committed for the payment of goods and services not yet received or paid for, usually supported by an outstanding purchase order.

Enterprise Fund - A self-supporting fund designed to account for activities supported by user charges such as Sewer, Water and Solid Waste Funds.

Excise Tax - A tax assessed on the consumer of a service, usually a utility service, which is based upon the level of consumption. The City has excise taxes on water, electric, telecommunications services, natural gas, liquid propane and heating oil.

Fines and Forfeits - Fines and forfeits are derived from penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations and for neglect of official duty. These revenues include court fines, confiscated property and parking violations.

Fiscal Year - Any period of 12 consecutive months designated as the budget year. The City's fiscal year begins October 1 and ends September 30, the same as the Federal Government.

Fixed Asset - Long-lived tangible asset obtained or controlled as a result of past transactions, events or circumstances. Fixed asset includes buildings, equipment and improvements.

Franchise Fee - A fee assessed on a business, usually a public utility, in return for granting the business the exclusive right to operate in public rights of way inside the City limits. The City of Sarasota has negotiated franchise agreements for electric, cable television, natural gas and telephone service.

Fringe Benefits - For budgeting purposes, fringe benefits are employer payments for social security, retirement, group health and life insurance.

FTE - **F**ull-**T**ime **E**quivalent - An employee position converted to the decimal equivalent of a full-time position based on 2,080 hours per year. For example, a part-time position of 20 hours per week would be equivalent to 0.5 FTE.

GLOSSARY OF TERMS (Continued)

Fund - An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fund Balance - The resources available for appropriation in accordance with the prescribed basis of budgeting. Accordingly, only undesignated and/or unencumbered resources are considered fund balance for budget purposes.

Fund Type - Any one of seven categories into which all funds are classified in governmental accounting. The seven fund types are: general, special revenue, debt service, capital projects, enterprise, internal service and trust.

GAAP - **G**enerally **A**ccepted **A**ccounting **P**inciples - Uniform standards and guidelines for financial accounting and reporting. These standards govern the form and content of the basic financial statements of an entity. These acceptable practices are modified from time to time. GAAP guidance is provided from various sources. The Governmental Accounting Standards Board issues authoritative statements, interpretations of statements, technical bulletins, implementation guides and concept statements of position. The American Institute of CPA's issues audit and accounting guides and statements of position.

GASB - **G**overnmental **A**ccounting **S**tandards **B**oard - Organized in 1984 by the Financial Accounting Foundation, the Board was created to establish standards of financial accounting and reporting for state and local governmental entities. Its standards guide the preparation of external financial reports of those entities.

General Fund - Used to account for all governmental functions not required to be separately recorded by laws or governmental policy. Most of the essential governmental services such as police protection, public works, landscape maintenance, neighborhood services and general administration are provided by the General Fund.

General Government - A major class of services provided by the legislative, judicial and administrative branches for the benefit of the public and the governmental body as a whole.

Goal - A broad statement of intended accomplishments or a description of a general condition deemed desirable.

Grant - Contribution or gift of cash or other asset from another government or agency to be used or expended for a specified purpose, activity or facility.

Growth Management Act of 1985 - State of Florida Legislation that amends the 1975 Local Government Comprehensive Planning Act. The amendment requires changes in local government planning procedures and gives State and Regional planning authorities more supervisory and coordinating involvement than in the past.

Homestead Exemption - A deduction from the taxable value of property occupied by the owner in the State of Florida. The exemption is currently \$25,000 for all property owners who qualify.

GLOSSARY OF TERMS (Continued)

Human Services - A major category of services provided by a government for the care, treatment and control of human illness, injury or handicap, for the welfare of the community as a whole, or for the housing and education of individuals.

Indirect Cost - A cost necessary for the functioning of the organization as a whole, but which cannot be directly assigned to one service.

Interfund Transfer - Transfer of resources from one fund to another fund in the same government. Transfers are not repayable and do not constitute payment or reimbursement of goods provided or services performed.

Intergovernmental Revenue - Revenue received from Federal, State and other government sources including grants, shared revenues and payments in lieu of taxes (PILT).

Internal Service Fund - A type of fund designed to account for the financing of goods or services provided by one department for other departments within the City. Goods and services furnished are billed at cost plus an overhead factor designed to cover the indirect expenses of the fund.

Investments - Securities and real estate held for the production of revenues in the form of interest, dividends, rentals, or lease payments.

Letter of Transmittal - A general discussion of the proposed budget as presented in writing by the City Manager to the City Commission.

Licenses and Permits - Revenues derived from the issuance of local licenses and permits including professional and occupational licenses, building permits and other miscellaneous permits.

Line Items - The classification of objects of expenditure (object codes) by major expense category.

Local Option Gas Tax - The Local Option Gas Tax is a 30 year tax, begun in 1983 to fund transportation related improvements in the City.

Mill - The equivalent of one one-thousandth of a U.S. dollar -or- \$1 per \$1,000 of taxable property value.

Millage Rate - The tax rate on real property, established by a governmental body authorized by law to impose ad valorem taxes. Rate is presented as 1.000 mill -or- 1.000 dollar per \$1,000 of taxable property value.

Miscellaneous Revenue - Revenue not otherwise specified under Taxes, Licenses and Permits, Intergovernmental, Charges for Services or Fines and Forfeits. They include investment earnings, rents, royalties, special assessments, impact fees and proceeds from asset sales.

GLOSSARY OF TERMS (Continued)

Mission - A clear and concise statement that declares the fundamental purpose of a department/program toward which all operational efforts are directed.

Modified Accrual Basis of Accounting - The “basis of accounting” refers to *when* a transaction is recognized. In the modified accrual basis of accounting, revenues are recorded when measurable and available, and expenditures are recorded when the services or goods are received and the liabilities are incurred.

Object Code - Account to which an expense or expenditure is recorded in order to accumulate and categorize the various types of payments that are made. These are normally grouped into Personal Services, Operating Supplies, Capital Outlay, and Other for budgetary analysis and financial reporting purposes.

Objective - Desired output-oriented accomplishments that can be measured and achieved within a given time frame.

Object of Expenditure - Expenditures are classified based upon the type of goods or services incurred. Such classifications include:

- Personal Services
- Materials and Supplies
- Contractual Services
- Contractual Maintenance
- Capital Outlay
- Debt Service

Operating Budget - Plans of current expenditures and the proposed means of financing them. The annual operating budget is the primary means by which most of the financing, acquisition, spending and service delivery activities of a government are controlled.

Operating Costs - Expenses for such items as expendable supplies, contractual services, and utilities.

Ordinance - A formal legislative enactment by the City Commission or governing body of a municipality. If it is not in conflict with any higher form of law such as a statute or constitutional provision, it has the full force and effect of law within the boundaries of the municipality to which it applies.

Performance Measurement - A managerial process for determining how a program is accomplishing its mission, goals, and objectives through the delivery of products, services, or processes. Performance measurement is a systematic process of evaluating outcomes of specific government programs and services that are delivered to customers with respect to efficiency and effectiveness.

Personal Services - Expenditures for Salaries/Wages and Benefits (Social Security, Medical/Dental/Life/Workers’ Compensation Insurance and Retirement, etc.) provided for employees by the City.

GLOSSARY OF TERMS (Continued)

Physical Environment - A major category of services provided by a government for the purpose of achieving a satisfactory living environment by controlling and utilizing elements of the environment. Included in this category are water/sewer services, solid waste services, conservation management, demolition and lot mowing.

PILT - Payment In lieu of Taxes - A calculation of the amount of Ad Valorem taxes which would have been due if the property had been taxable under Florida law.

Prior Year Encumbrance - Obligation from a previous year in the form of a purchase order or contract which is chargeable to an appropriation, and for which a part of the current year appropriation is reserved. It ceases to be an encumbrance when the obligation is paid or otherwise terminated.

Program - A program is a distinct, clearly identifiable activity, function, or organizational unit that is budgeted as a sub-unit of a department. A program budget utilizes the separate program budget as its basic component.

Proprietary Fund - A type of fund that accounts for governmental operations that are financed and operated in a manner similar to private business enterprises. Proprietary fund types used by the City include the Enterprise and Internal Services Funds.

Public Safety - A major category of services provided by a government for the security of persons and property. This includes Police Services and Building, Zoning and Code Enforcement.

Reappropriation of Funds - The transfer of funds appropriated in one year for projects/programs performed in a subsequent year

Reclassification - The moving of an existing position from one personnel classification (title) to another.

Recommended Budget - The budget proposed by the City Manager to the City Commission for adoption.

Reserve - An account that records the portion of the fund balance which is segregated for future use and is not available for further appropriation or expenditure.

Resolution - A special or temporary order of a legislative body; an order of a legislative body requiring less legal formality than an ordinance or statute.

Resources - Total amounts available for appropriation, including estimated revenue, fund transfers and beginning fund balances.

Rolled-Back Rate - Under Florida law as property values are increased each year by the property appraiser due to inflation, the City property tax rate is automatically reduced proportionately so that the City does not automatically derive additional revenue. All property tax rate changes are calculated using the rolled-back rate as the base.

GLOSSARY OF TERMS (Continued)

Special Assessment - A compulsory levy made against certain properties to defray part or all of the cost of a specific improvement or service deemed to primarily benefit those properties.

Special Revenue Fund - A fund to account for revenue derived from specific sources that are restricted by law or policy to finance specific activities.

Strategic Concern - A critical issue or opportunity of strategic importance to the City that needs to be addressed by one or more strategies in the next five years and is intended to guide action plans and budgets.

Strategy - A statement of broad direction, purpose or intent based on the needs of the community. A broad operational statement of what a department/program expects to achieve sometime in the future.

Task - An activity to be accomplished in specific, well-defined, and measurable terms and that is achievable within a specified time frame. Also, a defined method to accomplish an established strategy.

Tax Increment Financing - A mechanism for using property taxes to stimulate investment in economically depressed areas. This involves identifying the depressed areas, then reinvesting property taxes generated as a result of new construction in projects designed to further enhance the area's economic vitality.

Tax Revenue - Revenue derived by charges levied against the income or wealth of a person or other legal entity.

TRIM - Truth In Millage - One of many provisions of state legislation enacted in 1980 to direct taxpayer concerns regarding taxes to the appropriate public bodies. The County property appraiser is required annually to prepare and deliver to each taxpayer a notice of proposed property taxes, known as a TRIM Notice, for the upcoming year.

Transportation - The cost of services provided for the safe and adequate flow of vehicles, travelers and pedestrians including the provision and maintenance of roads and streets, transit systems and parking facilities.

Unencumbered Balance - The amount of an appropriation that is neither expended or encumbered. It is essentially the amount of money still available for future purposes.

User Charges - The payment of a fee for direct receipt of a public service by the party benefiting from the service.

Utility Excise Tax - A tax levied by cities on the consumers of various utilities such as electricity, gas (natural and propane), water, heating oil, and telephone service.

Workload Indicator - Statistical parameter that indicates the demand for service within a given department or division. Workload indicator is a type of performance measure utilized by departments or divisions to assess its level of service.