

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.

FEMA Reimbursement Fund

For costs incurred as a result of the federally or state declared disasters for storms and wildfires from July 2007 to May 2009.

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.

Justice Assistance Grant Fund

For receipt and disbursement of federal Edward Byrne Memorial Justice Assistance Grant Program funds to support crime control and prevention.

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.

APPENDIX: Description of Funds

Police Local Law Enforcement Block Grant Fund

For Federal grants funds received for local law enforcement activities.

Police Supplemental Law Enforcement Fund

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

Redevelopment Obligation Retirement Fund

For the costs of retiring existing Redevelopment Agency obligations with the elimination of the Redevelopment Agency on January 31, 2012.

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 A) 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 A was approved by the voters of Santa Barbara County in an election held on November 4, 2008. The tax became effective on April 1, 2010.

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.

Utility Undergrounding Fund

For the City's portion of funds received from a 1% franchise surcharge on electric utility bills in the City. The funds are used to support the City's costs associated with Southern California Edison Rule 20A and 20B approved undergrounding utility line projects in the City.

Wildland Fire Benefit Assessment District Fund

For funds received from a special property tax assessment to property owners who live in Extreme Foothill and Foothill Zones of the City high fire hazard area. Funds are spent solely within the Benefit Assessment District for vegetation road clearance, chipping services, defensible space assistance and inspection, and vegetation management projects.

APPENDIX: Description of Funds

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 \$247,500 to \$339,900, with final maturity in 2017.

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 ranging from \$2,895,000 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 ranging from \$1,920,000 to \$2,835,000 through 2019.

2004 Redevelopment Agency Tax Allocation Housing Bonds – Series 2004A

For the accumulation of funds for the payment of the 2004 Redevelopment Tax Allocation Housing Bonds, Series A. These bonds mature in annual principal installments on serial bonds ranging from \$470,000 to \$620,000 through 2018.

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 \$560,000 to \$720,000 through 2014.

2004 Sewer Revenue Bonds

For the accumulation of funds for the payment of the 2004 Sewer Revenue Bonds. These bonds mature in annual installments of \$580,000 to \$1,290,000 through 2029.

2009 Airport Revenue Bonds

For the accumulation of funds for the payment of the 2009 Airport Revenue Bonds. These bonds mature in annual principal installments of \$865,000 to \$2,995,000 through 2039.

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.

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.

APPENDIX: Description of Funds

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.

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.

Facilities Management Fund

For the costs of operating citywide building maintenance, custodial and electronics maintenance operations. Also includes the capital project costs of renewing City facilities.

Fleet Management Fund

For the costs of operating a City maintenance facility for automobiles and other vehicles used by all City departments. Also includes the costs of scheduled replacement of the City's vehicle fleet.

Self-Insurance Fund

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

APPENDIX: Description of Funds

Information Systems Intra-City Service Fund

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

Post-Employment Benefits Fund

To accumulate monies for post-employment benefits, including sick leave, vacation leave, and retiree medical benefits.

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.

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 Budget Manager, 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 the Budget Manager 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, with input from the public, 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 projections.

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

The Finance and Public Works departments and Information Systems in the Administrative Services department develop allocated costs.

Departments submit capital project requests to Public Works Administrative Officer as part of development of the Six-Year Capital Improvement Plan.

Anticipated program adjustments are communicated to the Finance Department.

Budget Preparation

Cycle-specific information is distributed to each department, including revenue targets for General Fund departments.

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 in-depth budget review 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 posts it 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.

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, 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 Enterprise 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. 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 contingencies; specifically, to allow for the orderly implementation of a balancing strategy to address the fiscal impacts of unexpected events in order to minimize impacts to the organization and community.

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:

APPENDIX: Budget Policies

- 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.

The use of reserves for disasters and contingencies require Council action and must be accompanied by an assessment of the fiscal condition of the fund and a comprehensive balancing strategy and plan for replenishing reserves.

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 are 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, 2012, the outstanding balance is \$1,831,500 and annual debt service requirement is \$349,125.

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 \$14.4 million and \$4.7 million, respectively, based on operating results for the year ended June 30, 2012. For fiscal year 2014, the current total debt service requirement for all existing debt is approximately \$5.6 million and \$1.7 million for the Water Fund and Wastewater Fund, respectively.

Based on a net assessed value of property of approximately \$16.41 billion, the legal debt limit is \$615.2 million. Currently, there is no outstanding debt subject to limitation.

No other restrictions exist.

APPENDIX: Budget Calendar

NOVEMBER 2012

- Thursday, November 1*
 - ▶ FMS BUDGET SYSTEM INITIALIZATION
 - ▶ BUDGET STEERING COMMITTEE
- Thursday, November 1 -
Thursday, December 6*
 - ▶ Finance prepares General Fund multi-year forecast, non-departmental revenue estimates, salary and benefit projections, status quo budgets, and departmental revenue targets
- Thursday, November 8*
 - ▶ Finance completes payroll projections, calculation of status quo budgets and preliminary revenue targets
 - ▶ General Fund Cost Allocation Plan finalized
 - ▶ Budget Calendar Highlights distributed to departments
 - ▶ Position re-allocation worksheets and "special pays" instructions sent to departments
 - ▶ BUDGET STEERING COMMITTEE
- Friday, November 9*
 - ▶ Draft Six-Year Capital Improvement Plan (CIP) submissions due to Public Works from depts.
- Mid-November*
 - ▶ FINANCE COMMITTEE MEETING - FY 13 First Quarter Review
- Thursday, November 15*
 - ▶ Overhead Allocation and Internal Service Funds charges finalized and entered into FMS
 - ▶ BUDGET STEERING COMMITTEE
 - ▶ Budget Steering Committee approves FY14 salary & benefit, and allocated cost assumptions.
- Monday, November 19*
 - ▶ Final CIP project revisions due to Public Works from departments
- Thursday, November 29*
 - ▶ BUDGET STEERING COMMITTEE

DECEMBER 2012

- Month of December*
 - ▶ Dept. Heads discuss budget issues with City Administrator at respective monthly meetings
- Thursday, November 1 -
Thursday, December 6*
 - ▶ Finance prepares General Fund multi-year forecast, non-departmental revenue estimates, salary and benefit projections, status quo budgets, and departmental revenue targets
- Thursday, December 6*
 - ▶ BUDGET STEERING COMMITTEE
- Tuesday, December 18*
 - ▶ FINANCE COMMITTEE MEETING - CAFRs presented
- Thursday, December 20*
 - ▶ Deadline for new positions and reclassifications for FY 14 to Human Resources

Budget
Budget Meetings
Capital
Performance Measures
CC / FC Meetings

APPENDIX: Budget Calendar

JANUARY 2013

- Thursday, January 10* ▶ BUDGET STEERING COMMITTEE
- Friday, January 11* ▶ BUDGET KICK-OFF AND ANNUAL BUDGET TRAINING SESSION FOR DEPARTMENTS
- Monday, January 14* ▶ FY 13 AE&E and revenue reports for six months ended Dec 31, 2012 released to depts.
- Monday, January 14 -
Monday, March 4* ▶ Departments develop line-item budgets and P3 plans
- Thursday, January 17* ▶ BUDGET STEERING COMMITTEE
- Thursday, January 24* ▶ BUDGET STEERING COMMITTEE
- Thursday, January 31* ▶ P3 Quarterly Reports due to CAO for second quarter of FY 13
▶ Final Draft of Six-Year Capital Improvement Plan (CIP) due to City Administrator

FEBRUARY 2013

- Wednesday, February 6* ▶ COUNCIL BUDGET WORKSESSION - Review of General Fund Budget Priorities for FY 14
- Thursday, February 7 -
Monday, March 4* ▶ BUDGET SUBMITTALS DUE: Operating and capital budgets, revenue estimates, current year projections, fee resolutions, and annual P3 plans (staggered due dates)
- Mid-February* ▶ FINANCE COMMITTEE MEETING - FY 13 Mid-Year Review
▶ City Administrator finalizes Six-Year Capital Improvement Plan (CIP)
- Thursday, February 14* ▶ BUDGET STEERING COMMITTEE
- Thursday, February 21 -
Thursday, March 21* ▶ Departmental Budget Review Meetings with City Administrator and departments

Budget

Budget Meetings

Capital

Performance Measures

CC / FC Meetings

APPENDIX: Budget Calendar

MARCH 2013

- Thursday, February 7 -
Monday, March 4*
- ▶ **BUDGET SUBMITTALS DUE:** Operating and capital budgets, revenue estimates, current year projections, fee resolutions, and annual P3 plans (staggered due dates)
- Thursday, February 21 -
Thursday, March 21*
- ▶ **Departmental Budget Review Meetings with City Administrator and departments**
- Thursday, March 7*
- ▶ BUDGET STEERING COMMITTEE
- Early March*
- ▶ Six-Year Capital Improvement Plan filed with the City Clerk
 - ▶ CITY COUNCIL MEETING - Six-Year Capital Improvement Plan presented
- Wednesday, March 13*
- ▶ COUNCIL BUDGET WORKSESSION - Review Options for Increasing General Fund Revenues
- Monday, March 18*
- ▶ **FINAL BUDGET REVIEW AND BALANCING** by Budget Steering Committee
- Monday, March 18 -
Monday, April 15*
- ▶ Budget document compiled, reviewed and published

APRIL 2013

- Monday, March 18 -
Monday, April 15*
- ▶ Budget document compiled, reviewed and published
- Tuesday, April 16*
- ▶ **City Administrator's Recommended Budget filed with City Clerk**
 - ▶ FINANCE COMMITTEE MEETING - Finance Committee Budget Review Schedule approved
 - ▶ CITY COUNCIL MEETING - Staff presents budget overview and Schedule of Budget Worksessions and Public Hearings approved
 - ▶ Recommended budget posted to the Internet and available on CD-ROM
 - ▶ Press briefings with local newspapers in a.m.
- Late April*
- ▶ Budget Briefings with Labor Unions

Budget

Budget Meetings

Capital

Performance Measures

CC / FC Meetings

APPENDIX: Budget Calendar

MAY 2013

- Month of May* ▶ FINANCE COMMITTEE REVIEW OF CERTAIN ELEMENTS OF RECOMMENDED BUDGET
- Wednesday, May 1* ▶ COUNCIL SPECIAL BUDGET WORKSESSION AND PUBLIC HEARING - #1
- Thursday, May 2* ▶ COUNCIL SPECIAL BUDGET WORKSESSION AND PUBLIC HEARING - #2
- Monday, May 6* ▶ COUNCIL SPECIAL BUDGET WORKSESSION AND PUBLIC HEARING - #3
- Mid-May* ▶ FINANCE COMMITTEE MEETING - FY 13 Third Quarter Review
- Monday, May 13* ▶ COUNCIL SPECIAL BUDGET WORKSESSION AND PUBLIC HEARING - #4
- Wednesday, May 15* ▶ COUNCIL SPECIAL BUDGET WORKSESSION AND PUBLIC HEARING - #5
- Monday, May 20* ▶ COUNCIL SPECIAL BUDGET WORKSESSION AND PUBLIC HEARING - #6
- Tuesday, May 21* ▶ FINANCE COMMITTEE MEETING - Decisions on recommended budget adjustments
- Wednesday, May 22* ▶ COUNCIL SPECIAL BUDGET WORKSESSION AND PUBLIC HEARING - #7 (as needed)

JUNE 2013

- Monday, June 3* ▶ COUNCIL SPECIAL BUDGET WORKSESSION AND PUBLIC HEARING - #8: Finance Committee Recommendations presented to Council; Council budget deliberations; Final direction to staff from Council
- Wednesday, June 5* ▶ COUNCIL SPECIAL BUDGET WORKSESSION AND PUBLIC HEARING - #9: Council budget deliberations (as needed)
- Thursday, June 6* ▶ COUNCIL SPECIAL BUDGET WORKSESSION AND PUBLIC HEARING - #10: Council budget deliberations (as needed)
- Friday, June 14* ▶ Final revisions to P3 Annual Plans for FY 14 due to the City Administrator
- Tuesday, June 18* ▶ CITY COUNCIL MEETING - **BUDGET ADOPTION**
- Wednesday, June 19* ▶ Adopted budget transferred to general ledger
▶ Adopted budget reports from general ledger reviewed and distributed to departments

JULY 2013

- Wednesday, July 31* ▶ Adopted budget document distributed and published to the City's website
▶ P3 Quarterly Reports due to CAO for fourth quarter of FY 13

Budget

Budget Meetings

Capital

Performance Measures

CC / FC Meetings

APPENDIX: Legal Debt Margin

**City of Santa Barbara
Legal Debt Margin
(amounts expressed in thousands)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Assessed valuation	\$14,771,839	\$15,805,423	\$16,059,758	\$16,133,703	\$16,405,822
Coverage percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	\$3,692,960	\$3,951,356	\$4,014,940	\$4,033,426	\$4,101,456
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	\$553,944	\$592,703	\$602,241	\$605,014	\$615,218
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$553,944</u>	<u>\$592,703</u>	<u>\$602,241</u>	<u>\$605,014</u>	<u>\$615,218</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state. The City is not at risk of exceeding its legal debt limit.

APPENDIX: Debt Obligations

REVENUE BONDS

Water Fund:

\$9,780,000 – 1994A water revenue refunding serial bonds. Bonds issued to provide funds in order to refund the outstanding City of Santa Barbara Water Revenue and Refunding Bonds of 1979, which were used to finance capital improvements to the water distribution system. Remaining annual installments range from \$655,000 to \$720,000 through September 1, 2014. Interest rates range from 4.3% to 4.8% payable semi-annually on March 1st and September 1st.

**Outstanding at
June 30, 2012**

\$ 2,065,000

Airport Fund:

\$47,270,000 – 2009 Airport Revenue Bonds. Bonds issued to provide funds to construct a new passenger terminal building and related parking and roadway improvements at the Santa Barbara Municipal Airport. Remaining annual principal installments range from \$865,000 to \$2,995,000 through July 1, 2039.

47,270,000

Wastewater Fund:

\$20,410,000 – 2004A sewer revenue serial bonds. Bond proceeds are used to provide funds for the acquisition of certain capital improvements to the Wastewater system. Remaining annual installments range from \$655,000 to \$1,290,000 through May 1, 2029. Interest rates range from 2.4% to 4.7% payable semi-annually.

15,685,000

Total Revenue Bonds

\$65,020,000

TAX ALLOCATION BONDS

For fiscal year 2012, principal and interest paid on these bonds was \$1,782,898, and property tax received in the Redevelopment Agency was \$11,740,474. With the elimination of the Redevelopment Agency on January 31, 2012, the outstanding tax allocation bonds have been assumed by the Successor Agency.

CERTIFICATES OF PARTICIPATION

General Fund:

\$4,184,400 – 2002 Refunding Municipal Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara Refunding Certificates of Participation Series 1993, which were used to finance capital improvements in the City's Municipal Improvements Program. Remaining annual installments range from \$273,900 to \$339,900 through August 1, 2017. Interest rates range from 3.0% to 4.625% payable semi-annually.

**Outstanding at
June 30, 2012**

\$1,831,500

APPENDIX: Debt Obligations

Tidelands Trust - Waterfront:

\$19,405,000 - 2002 Waterfront Refunding Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara 1992 Certificates of Participation, which were used to finance capital improvements at the waterfront. Remaining annual installments range from \$575,000 to \$1,230,000 through October 1, 2027. Term certificates of \$16,090,000 are due on October 2027. Interest rates range from 3.75% to 6.75% payable semi-annually. 13,870,000

Golf Fund:

\$2,155,600 – 2002 Refunding Municipal Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara Refunding Certificates of Participation Series 1993, which were used to finance capital improvements at the golf course. Remaining annual installments range from \$141,100 to \$175,100 through August 1, 2017. Interest rates range from 3.0% to 4.625% payable semi-annually. 943,500

Water Fund:

\$15,535,000 – 2002 Refunding Water Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara 1992 Certificates, which were used to finance capital improvements to the water distribution system. Remaining annual installments range from \$520,000 to \$1,030,000 through September 1, 2026. Interest rates range from 3.0% to 4.75% payable semi-annually. 11,095,000

Total Certificates of Participation \$ 27,740,000

LOANS PAYABLE

Water Fund:

**Outstanding at
June 30, 2012**

\$17,900,849 – California Department of Health Services Safe Drinking Water State Revolving Fund loan. Funds used to assist in financing construction of a project which will enable the City to meet safe drinking water standards. Due in semiannual payments of \$572,123. Interest is 2.5132% per annum. The final payment is due July 1, 2025. 12,622,653

\$19,997,929 – California Department of Health Services Safe Drinking Water State Revolving Fund loan. Funds used to assist in financing construction of a project which will enable the City to meet safe drinking water standards. Due in semiannual payments of \$655,935. Interest is 2.7934% per annum. The final payment is due January 1, 2027. 15,553,279

\$29,283,000 – California Department of Health Services Safe Drinking Water State Revolving Fund loan. Funds used to assist in financing construction of a project which will enable the City to meet safe drinking water standards. Once all phases of the project are complete, the total amount borrowed will be repaid to the State with semi-annual principal and interest payments for 20 years. Interest is 2.5017% per annum. 8,695,381

APPENDIX: Debt Obligations

Airport Fund:

\$2,450,339 – State Department of Transportation loan. Funds used to finance capital improvements at the airport. Due in 17 annual payments of \$218,714. Interest is 5.0843% per annum. The final payment is due June 30, 2024.

1,929,329

Waterfront Fund:

\$7,201,000 – State Department of Boating and Waterways loan. Funds used to finance capital improvements at the marina. Interest is 4.5% per annum. Once all phases of the project are complete, the total amount borrowed will be repaid to the State with fixed annual principal and interest payments due each year on August 1 for 30 years.

3,084,714

Total Loans Payable

\$ 41,885,356

Outstanding Debt Obligations – Total , All Funds

\$134,645,356

APPENDIX: Debt Obligations

The annual requirements to amortize all debts outstanding as of June 30, 2012 are as follows:

Fiscal Year Ending	Governmental	Business-type			Total
	Activities	Activities			
	Principal Payments				
	Certificates	Revenue	Certificates	Other	
	of	Bonds	of	Loans	
	Participation		Participation		
2013	\$273,900	\$2,175,000	\$1,236,100	\$1,867,841	\$5,552,841
2014	287,100	2,265,000	1,292,900	2,285,284	6,130,284
2015	300,300	2,355,000	1,349,700	2,349,918	6,354,918
2016	306,900	1,700,000	1,413,100	2,416,472	5,836,472
2017	323,400	1,780,000	1,496,600	2,485,007	6,085,007
2018 - 2022	339,900	10,110,000	7,890,100	13,526,940	31,866,940
2023 - 2027	-	12,585,000	10,000,000	11,898,577	34,483,577
2028 - 2032	-	11,735,000	1,230,000	3,101,321	16,066,321
2033 - 2037	-	11,755,000	-	1,258,217	13,013,217
2038 - 2042	-	8,560,000	-	695,779	9,255,779
Total Principal	\$1,831,500	\$65,020,000	\$25,908,500	\$41,885,356	\$134,645,356
Fiscal Year Ending	Interest Payments				Total
2013	\$75,225	\$3,028,430	\$1,292,019	\$1,177,196	\$5,572,870
2014	63,647	2,936,570	1,236,089	1,141,364	5,377,670
2015	50,976	2,840,355	1,172,540	1,076,729	5,140,600
2016	37,502	2,747,275	1,105,136	1,010,175	4,900,088
2017	23,159	2,677,275	1,033,259	941,640	4,675,333
2018 - 2022	7,860	12,127,473	3,974,924	3,606,296	19,716,553
2023 - 2027	-	9,555,040	1,625,194	1,634,088	12,814,322
2028 - 2032	-	6,235,250	30,750	657,765	6,923,765
2033 - 2037	-	3,372,750	-	269,376	3,642,126
2038 - 2040	-	442,000	-	79,997	521,997
Total Interest	\$258,369	\$45,962,418	\$11,469,911	\$11,594,626	\$69,285,324
Total Debt	\$2,089,869	\$110,982,418	\$37,378,411	\$53,479,982	\$203,930,680

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.

Balanced Budget: A budget is balanced when the fiscal year's appropriations equals to the revenue.

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.

APPENDIX: Budget Glossary

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

APPENDIX: Budget Glossary

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 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 expenditure 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

APPENDIX: Budget Glossary

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 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!	COMB	Cachuma Operations and Management Board
ABC	Alcoholic Beverage Control	COP	Citizen-Oriented Policing
ABOP	Anti-freeze, Batteries, Oil and Paint	COPS	Community Oriented Problem Solving
ABR	Architectural Board of Review	CPUC	California Public Utilities Commission
ACCEL	Authority of California Cities Excess Liability	CSMFO	California Society of Municipal Finance Officers
ADA	Americans with Disabilities Act	CWQCB	California Water Quality Control Board
AF	Acre Feet	DA	District Attorney
AFP	Aviation Facilities Plan	D.A.R.E.	Drug Awareness Resistance Education
ALP	Adult (and Family) Literacy Program	DART	Development Application Review Team
AOA	Airfield Operations Area	DOJ	Department of Justice
A/P	Accounts Payable	DPA	Development Plan Agreement
APWA	American Public Works Association	DUI	Driving Under the Influence
ARFF	Aircraft Rescue and Firefighting	EIR	Environmental Impact Report
ARRA	American Recovery and Reinvestment Act	EMLAP	Employee Mortgage Loan Assistance Program
BAP	Business Activity Permit	ELAP	Environmental Laboratory Accreditation Program
BFI	Browning-Ferris Industries (a wholly owned subsidiary of Allied Waste Industries, Inc.)	ENF	Enforcement
BMPs	Best Management Practices	EOC	Emergency Operations Center
BPO	Blanket Purchase Order	EPA	Environmental Protection Agency
C&D Recycling	Construction and demolition recyclable waste	ERAF	Educational Revenue Augmentation Fund
CA-DHS	California Department of Health Services	FAA	Federal Aviation Administration
CAD	Computer Aided Dispatch System	FAR	Federal Air Regulation
CAFR	Comprehensive Annual Financial Report	FBI	Federal Bureau of Investigation
CAL-ID	State of California's automated fingerprinting identification system	FMDSS	Financial Management Decision Support System
CAPER	Consolidated Annual Performance Report	FMLA	Family and Medical Leave Act
CARB	California Air Resources Board	FMS	Financial Management System
CCC	Combined Communications Center	FTE	Full-time Equivalent Job Position
CCRB	Cachuma Conservation Release Board	FY	Fiscal Year
CCTV	Closed Circuit Television	FYE	Fiscal Year End
CCWA	Central Coast Water Authority	GAAP	Generally Accepted Accounting Principles
CDBG	Community Development Block Grant	GASB 34	Governmental Accounting Standards Board Statement No. 34
CEQA	California Environmental Quality Act	GASB	Governmental Accounting Standards Board
CERT	Citizens Emergency Response Training	GFOA	Government Finance Officers' Association
CHDO	Community Housing Development Organization	GIS	Geographical Information Systems
CIP	Capital Improvement Program	GOA	Gone on Arrival
CLA	City Leadership Academy	GPU	General Plan Update
CLETS	California Law Enforcement Telecommunications System	HBRR	Federal Highway Bridge Replacement and Rehabilitation

APPENDIX: List of Acronyms

	funds		Area (Assessment)
HHW	Hazardous Household Waste	PC	Planning Commission
HLC	Historic Landmarks Commission	PCD	Program Criteria Document
HOME	Federal Home Investment Partnership Program	PEM	Proposed Evaluatory Monitoring
HUD	Housing and Urban Development	PERS	Public Employee Retirement System
ICS	Intra-City Services	PFC	Passenger Facility Charge
IIPP	Injury and Illness Prevention Program	PlanSB	General Plan Update
IOD	Injury on Duty	PLF	Public Library Fund
IPM	Integrated Pest Management	PM	Planned Maintenance
ICPMS	Inductively Coupled Plasma Mass Spectroscopy	POST	Police Officers' Standards & Training
ISAIMS	Integrated Scanning of America Imaging Management System	PQI	Pavement Quality Index
JPA	Joint Powers Authority	PRT	Pre-Application Review Team
LAIF	Local Agency Investment Fund	PSA	Public Service Announcement
LDT	Land Development Team	PSR	Project Study Report
LEA	Local Enforcement Agency	PUC	Public Utilities Commission
LEAP	Learning for Excellence & Achievement Program	RACS	Records, Archives, and Clerical Services
LED	Light-Emitting Diode	RAP	Recreation After-School Program
LEED	Leadership in Energy and Environmental Design	RDA	Redevelopment Agency
LIMS	Laboratory Information Management System	RFP	Request for Proposal
LTF	Local Task Force on Solid Waste	RFQ	Request for Qualifications
LUFT	Leaking Underground Fuel Tank	RMS	Records Management System
MDC	Mobile Data Computer	RWQCB	California Regional Water Quality Control Board
MEA	Master Environmental Assessment	SBA	Santa Barbara Airport
MHA	Mental Health Association	SBAPCD	Santa Barbara Air Pollution Control District
MJSWTG	Multi-Jurisdictional Solid Waste Task Group	SBCAG	Santa Barbara County Association of Governments
MRE	Mobile Reporting Equipment	SBCPA	Santa Barbara Center for the Performing Arts
MTD	Metropolitan Transit District	SBCVB	Santa Barbara Conference and Visitor's Bureau
MOU	Memorandum of Understanding	SBMC	Santa Barbara Municipal Code
MUR	Multi-Unit Residential	SBPD	Santa Barbara Police Department
NIMS	National Incident Management System	SBPL	Santa Barbara Public Library
NITF	Neighborhood Improvement Task Force	SCADA	Supervisory Control and Data Acquisition
NPDES	National Pollution Discharge Elimination System	SCE	Southern California Edison
NPO	Neighborhood Preservation Ordinance	SCEEP	South Coast Energy Efficiency Partnership
OSH	Occupational Safety and Health	SCORE	Service Corps of Retired Executives
OSHA	Occupational Safety and Health Administration	SEIU	Service Employee International Union (Local 620)
P³	Paradise Performance Program	SEMS	Standardized Emergency Management System
PAF	Personnel Action Form	SET	Staff Hearing Officer, Environmental Review, and Training
PAL	Police Activities League	SFDB	Single Family Design Board
PARC	Parks & Recreation Comm. Foundation		
PBIA	Parking and Business Improvement		

APPENDIX: List of Acronyms

SHO	Staff Hearing Officer
SHO	Serious Habitual Offender
SIDA	Security Identification Display Area
SLIP	Sewer Lateral and Inspection Program
SMS	(Microsoft) Software Management System
SMU	Site Mitigation Unit
SOP	Standard Operating Procedures
STIP	State Transportation Improvement Project funds
SWPPP	Storm Water Pollution Prevention Plan
TACT	Total Awareness Cross Training
TBID	Tourism Business Improvement District
TDA	Transportation Development Act
TOT	Transient Occupancy Tax
TSA	Transportation Security Administration
UP	Union Pacific Railroad
USGS	U.S. Geological Services
USPS	United States Postal Service
UST	Underground Storage (Fuel) Tanks
UUAD	Underground Utility Assessment District
UUT	Utility Users' Tax
VAPP	Visual Arts in Public Places
VOIP	Voice Over Internet Protocol
WAN	Wide Area Network
ZIR	Zoning Information Report

[This page intentionally left blank.]