

# *Budget Guide*



# Budget Guide

The City's budget represents the official financial and organizational plan by which City policies and programs are implemented. This budget document presents the budget for the fiscal year running from July 1, 2014 to June 30, 2015.

The City's budget emphasizes reporting and controlling by programs within departments. A variety of programs representing major work efforts are established within each department. A budget is developed for each program in order to more accurately measure the true cost of providing services.

While, there are 7 City departments there are about 104 operating programs. Program budgeting provides much more useful information concerning the operations of the City. For example, rather than simply allocating \$23.9 million in FY14-15 for the entire Police Department, with program budgeting we can specify the resources necessary to provide for a particular activity, such as Traffic Enforcement, Animal Services, General Investigations, or Crime Prevention.

## Budget Document

The FY 14-15 budget for the City of Tracy is presented here in this document in the following sections:

**Section A: Budget Message**

This includes the City Manager's letter of transmittal to the City Council with supporting presentation of budget issues and policies.

**Section B: Budget Guide**

This section provides a general explanation of the budget document and process and includes a glossary of budget terms and other information helpful in understanding the City's budget.

**Section C: Fiscal Overview**

An overview of the budget comparing total City expenditures against anticipated resources. It presents the City's budget summaries.

**Section D: Estimated Revenues**

A presentation of the estimated revenues forecasted to be received by the City and available to fund expenditures.

**Section E: Operating Programs**

A presentation of the expenditures necessary to fund the everyday operating activities and programs of the City.

**Section F: Capital Improvement Program (CIP) and Capital Budget**

The CIP is the City's comprehensive multi-year plan for the development of the City's capital facilities and improvements. This section provides a presentation of CIP projects and their costs.

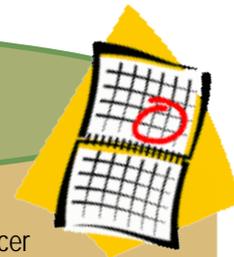
**Section G: Debt Service**

Debt service obligations are shown separately from the operating budget and the CIP in this section. This section provides a presentation of outstanding debt issues and their obligations.

## Budget Development

The City's budget is prepared by City staff under direction of the City Manager. The City Manager reviews and considers preliminary budget estimates and proposals submitted by City departments, and then formulates these estimates and proposals into a "Proposed Budget" for submission to the City Council. The City Manager is supported in this budget-making role by the Administrative Services Director and the Budget Officer.

### Budget Preparation Calendar FY 14-15 Budget



September 2013	CIP Update prepared by Budget Officer
October through December 2013	Distribution of CIP forms and instructions. Departments update and prepare CIP proposals
December 2013	Base Budget prepared by the Budget Officer
January through February 2014	Finance review of CIP proposals
January 24, 2014	Distribution of budget forms and instructions
January 24 <sup>th</sup> through March 15, 2014	Departments prepare operating budget submittals
March 15 <sup>th</sup> through March 29, 2014	Finance review of budget submittals and packaging of preliminary operating budget
April 9 <sup>th</sup> through April 23, 2014	City Manager's review of the preliminary operating budget and formulation of proposed budget
April 23 <sup>rd</sup> through May 28, 2014	Finance preparation and printing of proposed budget document
May 29, 2014	Release of proposed budget document
June 3, 2014	City Council Budget Workshop
June 17, 2014	City Council adoption of the budget
July 1, 2014	Start of new fiscal year

## Program Budget

The budgetary model used by the City of Tracy is known as "program budgeting". This approach is a balanced integration of management by objectives, program budgeting, and line accounting control, with emphasis on program planning and evaluation, resource allocation, and financial management reporting and control.

Under a program system, the City's budget is organized around programs subject to review and analysis. Each budgetary program has performance objectives that represent its intended level of service.

The purpose of utilizing a program approach for the operating budget is to achieve the following:

1. An emphasis on the services and activities of City departments rather than only detailed expense items. Budget justifications can then focus on public needs, departmental responses, and the resources needed for such.
2. Improved management capabilities. Rather than relying only on line-item accounting control, budget management can focus on service delivery and allow flexibility in managing resources.
3. Improved performance evaluation of City activities and operations. Budget preparation will require the formulation of specific performance objectives, and the budget execution can be evaluated against these objectives.
4. The use of manageable cost centers. Budget management can focus on more detailed breakdowns for various City activities, when necessary.

### Base Budget and Augmentations

The base budget is developed for all operating programs for contracted services and commodities accounts. Normally, the base is determined by utilizing the historical spending average from the prior 2 years (but adjusted each year for an inflation factor) plus the current budget amounts. The budget may also be adjusted for specific one-time items that are not considered to be ongoing.

For purposes of budget preparation and formulation, departmental budget submittals for a program consist of two parts: a base request and augmentation requests to enhance the base.

A program's base request details the fiscal resources necessary to carry on the program at its current level. Personnel expenses for current regular staffing were adjusted only for mandated cost increases. This year, that represented PERS rates increases and Health Insurance.

However, contracted services, commodities and internal service charges can be adjusted for inflation. This year, except internal service charges, these costs were held at the current level.

The City's budget policy provides for internal service funds for vehicle operations and maintenance (fuel and repair services), self-insurance (worker's compensation and general liability), equipment replacement, central services (copier and mail), building maintenance (custodial, repair, and utilities), and information systems and telecommunications. Direct utilities costs, while allocated as internal service costs to different programs, are charged as departmental expenses. Direct use phone costs (local and long distance), as opposed to system costs, are charged to the various operating programs.

An augmentation request for a program details the funding to increase or significantly change the program budget from its current level (beyond the base request). Such funding would provide for:

- ◆ New or reorganized staffing;
- ◆ Contracted services or commodities expenses above those provided for in the base request;
- ◆ Purchase of new or replacement equipment;
- ◆ Outlays for minor improvements or building renovations;
- ◆ Any expenses for a special project or one-time effort.

Usually the base budget and augmentation requests total more than the amount of funds available. Management reviews all augmentation requests in order to determine priority. If possible, high priority augmentations are included in the budget, while maintaining an acceptable reserve level.

In the current economic and financial situation, however, the usual budget process is not applicable, particularly for General Fund programs and activities. Normally, the base budget provides for inflationary increases in personnel expenses for all current positions. Where there are existing labor agreements that specify cost of living adjustments the budget provides for these, but also includes allowance for the standard 5% merit increase when an eligible employee advances to a higher step within their pay range. Since no cost of living adjustments are specified under current agreements, none were provided in the FY14-15 budget. However, provisions were made for increases in personnel

expenses due to merit and incentive raises, PERS, flex-leave adjustments, and group insurances.

An important part of any compensation package as well as a significant expense to the City is the retirement plan. The City participates in the California Public Employees Retirement System (PERS) and these costs have been included in the FY14-15 budget.

In FY12-13, City employees started to pay 1/3 of the employees' share of PERS contribution which are 8% for miscellaneous employees and 9% for public safety employees. So, miscellaneous employees will contribute 2.67% of their pay for their PERS contribution, and 3% for public safety. In FY14-15, these employees' contributions will increase to 8% and 9% respectively. However, these contributions are partially offset by flex leave for the employee; but the City will show a net savings.

In addition, contracted services and commodities expenses, instead of receiving inflationary adjustments, have been reduced since FY 08-09. Since FY 11-12, budgeted expenses have been held at their FY 10-11 level. Budget augmentation requests were limited and only a few were added to the base.

In addition to staffing, contracted services, and commodities, the City's budget policy provides for the annual accumulation and set aside of monies for the purposes of replacing vehicles and equipment. These amounts are budgeted as internal service charges in the operating programs of City departments. These charges are then expended quarterly, and the receipts are placed into the Equipment Acquisition Fund 605, except for the Water, the Wastewater, and the Transit Funds, where the receipts are retained within those respective funds.

When preparing their annual budget requests, departments divide equipment requests into "new" and "replacement". New items have to compete for funding with other requests for new funding throughout the City operations. However, replacement items may be replaced from available funds within the Equipment Acquisition Fund 605. Starting in FY09-10, a new Vehicle Acquisition Fund 606 was started to separate the funding, assets, and outlays for vehicles and rolling stock from other equipment.

Occasionally for larger ticket items, it may be more feasible to obtain debt or lease financing. If this is done, then the annual lease payment or debt payment then becomes payable out of the respective department's annual set aside. Approved equipment purchases for FY14-15 are detailed further in the Equipment Acquisition Program 593x of the

non-departmental group in the Operating Budget section of this budget document. Major lease payments are budgeted in the Debt section.

As a cost savings measure, the internal services charges for equipment and vehicle replacement were cut to 50% for FY10-11 through FY12-13. In FY13-14 and FY14-15, these charges were brought back up in the budget. In addition, the charges were brought up to \$2,133,260 per year.

### Tracy City Council



## Budget Review and Adoption

The proposed budget was released on May 29, 2014. A budget workshop was held on June 3, 2014, where the City Council reviewed and considered the proposed budget prepared by City staff. The workshop provided the opportunity for City Council to discuss the budget in detail and to modify the proposed budget to reflect the Council's priorities. The workshop also permits public comment and participation in the budget process. Copies of the budget are available for public viewing at the City's Public Library and at City Hall.

After review and deliberation, the City Council adopted and approved the budget on June 17, 2014. The adopted budget includes any modifications made by the City Council during their review. The resolution adopted appropriates the monies necessary to fund the budget. Along with the budget resolution, the Council adopts a resolution establishing the appropriation limit for tax proceeds for the fiscal year as required by Article XII (B) of the State Constitution. Additional information regarding the appropriations limit can be found starting on Page C18.

After adoption, the Budget Officer prepares and has the approved budget document published. This document represents the official fiscal policy and plan of the City of Tracy for Fiscal Year 2014-2015. It serves as a communications medium for the general public concerning City activities, as well as a directive to City staff concerning the management and operations of City activities.

## Capital Improvement Program

### Definition of CIP

The term, Capital Improvement Program, or CIP, refers to a local government's ongoing program of construction projects. Usually these projects have high costs, take a year or more to complete, and result in the creation of a capital asset for the local government.

From a planning perspective, a Capital Improvement Program (CIP) is a comprehensive multi-year plan for the development of a City's capital facilities and improvements. Considering the high cost and completion time involved, a comprehensive multi-year plan is recommended as a good management and planning tool.

Such a plan attempts to identify for a City all capital maintenance, facilities, and improvements needed within the next few years. Sometimes, it also included major equipment purchases and capital related studies and master plans.

From a management perspective, it is a middle range implementation plan for City staff. It provides the scope of the project's efforts necessary to develop the capital facilities and improvements. For such projects, it establishes priorities, develops preliminary time schedules, estimates project costs, and determines funding sources.

After adoption by the City Council, a CIP Plan represents Council direction and authorization for City staff to implement the approved projects necessary to develop the capital facilities and improvements. Also, it serves as a management guide to City staff in the coordination and scheduling of project efforts and resources. It provides a reference for the monitoring and reporting upon progress in the implementation of the approved projects.

The approved project costs for the first year of a CIP Plan usually becomes the Capital Budget for the new upcoming fiscal year.

A CIP Plan should be annually updated and revised. New projects can then be added, approved projects reviewed and updated, and priorities reconsidered and possibly reassigned.

### Definition/Scope of CIP Project

For the City of Tracy, a CIP project includes the construction, acquisition, expansion, rehabilitation, or replacement of a facility or improvement, or non-routine maintenance work on such, which cost \$10,000 or more. It would also include any capital plan or study costing \$25,000 or more, or any equipment or systems acquisition costing \$100,000 or more.

The scope of a CIP project would include those activities which are preliminary and which would facilitate the primary project effort. Thus, it would include: planning and design work, land acquisition, contract bidding and negotiations, construction, project management and monitoring, equipment purchase and installation, and any contingencies set aside for a project.

### CIP Preparation and Review

The process for CIP preparation started last September with the preliminary planning for the process. In October, City departments then developed their CIP proposals. Competitive projects were then reviewed in November by an interdepartmental management group to rank projects. Competitive projects are those that compete for limited discretionary funding. In November through January, Engineering staff reviewed and refined the cost estimates for the proposals. In February, the proposals were reviewed by Central Management staff. This review resulted in the formulation of a proposed CIP document.

### CIP Council Review

The proposed CIP was presented to the City Council in April 2014. A Council workshop was held. The proposed CIP as modified is now included as part of the proposed City budget.

### Approved Capital Budget

The Council's budget review may include reconsideration of the proposed Capital Budget. Any modifications to the proposed Capital Budget resulting from City Council deliberations are then incorporated into the final adopted budget, which then provides authorization for City staff to start work upon the approved capital projects.



The Finance Division is responsible for the City's budget and financial controls. The Finance Division reviews purchasing transactions and payment requests for compliance with City's rules, regulations, and budgetary limits. Finance also administers the City's payable system to review, process, and pay purchasing transactions and expense claims. The Finance Division receives and deposits all City receipts. City deposits are invested by the elected City Treasurer. The Finance Division maintains the records of all City receipts, outlays, and cash balances.

Monthly budget detail reports are prepared and distributed to department heads and program managers. These reports are organized by program and show the budget amount authorized as well as expenditures and encumbrances to date.

The Finance Division, in conjunction with Human Resources, maintains a position control system based on the budget to control City staffing. The Finance Division administers the City's payroll system to process personnel transactions and to review and pay personnel expenses.

In the course of the fiscal year, it may become necessary to amend, transfer, or adjust the amounts appropriated in the adopted budget. Any subsequent appropriation of additional monies for a fiscal year requires approval of the City Council. Any transfer of appropriations between departments in the operating budget or between capital projects in the capital budget also requires Council approval. However, the City Manager may approve transfers between administrative control accounts within a department or within a capital project.

Early in 2009, the Finance Division started preparation and training for the installation of a new financial system. On July 1, 2009, the department started the utilization of the new financial system and software. The new system replaced the system used for the previous thirteen years. However, late in 2014, the Finance Division will start preparation and training for the implementation of another new financial system. This system will go into utilization in FY 15-16. The new system will provide an opportunity for

the department to review and evaluate current procedures, operations, and methods; and to seek improvements, where possible.

**Basis of Accounting**

The City's financial records are prepared and maintained in accordance with generally accepted accounting principles (GAAP) of governmental accounting. Under GAAP, the modified accrual basis of accounting is used for governmental funds, while the full accrual basis of accounting is used for proprietary funds.

The chart on page B6 and following subsection provide more details concerning the City's fund structure.

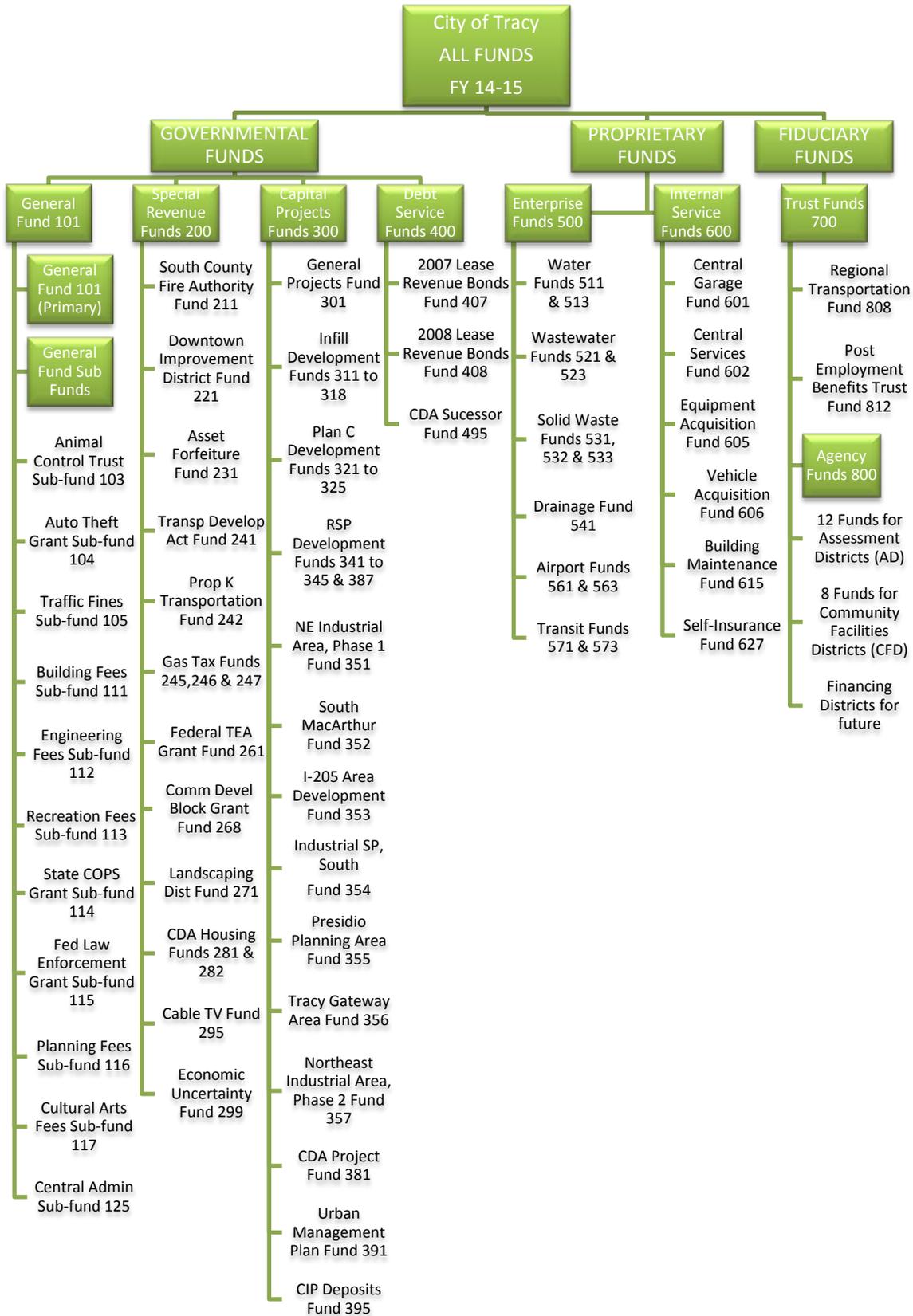
**Basis of Budgeting**

The City's budget is prepared, recorded, and controlled using a modified accrual basis for all funds budgeted, including proprietary funds. Under this basis of budgeting, capital outlays and debt service principal payments are budgeted and recorded as expenditures. Debt proceeds, capital grants, interfund transfers, and interfund loans exceeding one year are budgeted and recorded as revenues. However, for accounting purposes, these entries in the proprietary funds are adjusted at year-end to comply with the full accrual basis of accounting in the City's Comprehensive Annual Financial Report (CAFR). In City budget documents and periodic budget reports, they are treated as revenues and expenditures.

**Funds**

The City of Tracy's fiscal activities are budgeted and accounted for through the use of funds. A fund is a separate fiscal entity, which is self-balancing and free standing. The use of funds enables the maintaining of separate records for particular purposes. The following pages B6 through B10 provide a list and description of the funds used by the City.

# City of Tracy Fund Structure



# City Of Tracy

## Description of Funds

### For FY 2014-2015 Budget

The chart on page B6 provides an outline of the City's fund structure. As the chart shows, funds are divided into three categories and then into eight fund types.

The fund categories are: Governmental Funds, Proprietary Funds, and Fiduciary Funds. The eight fund types are: General, Special Revenue, Capital Projects, Debt Service, Enterprise, Internal Services, Trust, and Agency. Below is a list of City funds by fund type.

The list provides a description of the funds used in the City's FY 14-15 budget. However, it is not an all-inclusive list since it does not include those trust and agency funds for which no budgets are prepared. The City's Comprehensive Annual Financial Report (CAFR) should be consulted for a complete listing of all City funds.

#### General Fund 100

**General Fund 101** - This fund is used to account for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund. This is the City's most significant fund because it is the City's main operating fund and accounts for about 41% of the City's operating budget.

A number of sub-funds have been established under the General Fund to account separately for certain grants and fee revenues. For internal administrative purposes, these sub-funds are used to record appropriate revenues and expenditures, and then to determine sub-fund equity. For CAFR reporting purposes, these sub-funds are consolidated into the final year-end General Fund figures.

Sub-funds established under the General Fund are:

- 103 - Animal Control Trust
- 104 - Auto Theft Grant
- 105 - Traffic Fines
- 111 - Building Fees
- 112 - Engineering Fees
- 113 - Recreation Fees
- 114 - COPS Grant
- 115 - Federal Law Enforcement Grants
- 116 - Planning Fees
- 117 - Cultural Arts Fees
- 125 - Central Administration

#### Special Revenue Funds 200

Special Revenue funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose. These funds are as follows:

**South County Fire Authority Fund 211** - This fund is used to account for revenues and expenses of the South County Fire Authority.

**Downtown Improvement District Fund 221** - This fund is used to accumulate revenues from business assessments and promotional income from special events to promote Downtown Tracy.

**Asset Forfeiture Fund 231** - This fund is used to account for the revenues that result from asset seizures. They are specifically restricted for law enforcement purposes.

**Transportation Development Fund 241** - This fund is used to account for the City's share of the quarter cent statewide transportation sales tax devoted to street maintenance purposes. The first claim on the tax goes to the Transit Fund and then any balance goes to this fund.

**Proposition K Transportation Tax Fund 242** - This fund is used to account for the City's share of the half-cent transportation sales tax for San Joaquin County. It is used for street maintenance and repairs.

**Gas Tax Street Funds 245, 246, 247** - These funds are used to account for the City's share of the motor vehicle gas tax imposed under the provisions of the Street and Highway Code of the State of California under Sections 325, 2105, 2106, 2107, and 2107.5, which are legally restricted for the acquisition, construction, improvement and maintenance of public streets.

**Federal TEA Grant Fund 261** - This fund is used to account for the revenues from federal aid for transportation projects.

**Community Development Block Grant Fund 268** - These funds are used to account for the federal grant monies received from the Housing and Urban Development Department for Community Development Block Grants.

**Landscaping District Fund 271** - This fund is used to account for the revenues collected from benefit assessment districts established to provide landscaping services in certain areas of the City. These districts cover all the newer developments in the City since 1985.

**Community Development Agency Housing Fund 281** - This fund was used to account for the 20% portion of tax increment funds received for redevelopment related purposes, and set aside for low and moderate-income housing.

With the disbanding of the Community Development Agency, a CDA Housing Successor Fund 282 received Fund 281 assets.

**Cable TV Fund 295** – This fund is used to account for the portion of cable television franchise fees allocated to provide a community access cable television channel in the City of Tracy.

**Economic Uncertainty Fund 299** - Established at the end of FY 00-01, with transfer from the General Fund, to provide a reserve for future economic uncertainties arising out of slowing economic growth.

## Capital Projects Funds 300

Capital Project funds are used to account for the acquisition and development of major capital facilities, other than those financed by proprietary or trust funds. The revenues to fund most capital projects are derived from development impact fees, bond proceeds, and/or special revenues. These funds are as follows:

**General Projects Fund 301** - This fund is used to account for capital projects financed through the transfer of General Fund monies or proceeds for community wide benefit.

**Infill Development Funds** - These funds are used to account for capital projects financed through capital development fees levied upon developers in the City's infill area. There are separate funds as follows:

- Fund 311 - Infill-Parks
- Fund 312 - Infill-Storm Drainage
- Fund 313 - Infill-Arterials
- Fund 314 - Infill-Building & Equipment
- Fund 315 - Infill-Program Management
- Fund 316 - Downtown Improvement
- Fund 317 - Redevelopment Agency Obligations
- Fund 318 - Downtown Projects

**New Areas Development Funds** - These funds are used to account for capital projects financed through capital development fees levied upon developers in respective new development areas.

**RSP Development** – 1987 Residential Specific Plan (RSP) Any and all funds from 1987 Residential Specific Plan (RSP) were closed at the end of FY 07-08. Now, these funds are used as an economic development fund for the city.

### Plan C Development

- Fund 321 - Plan C Areas-Parks
- Fund 322 - Plan C Areas-Arterials
- Fund 323 - Plan C Areas-Drainage
- Fund 324 - Plan C Areas-General Facilities
- Fund 325 - Plan C Areas-Utilities

### Other Planning Areas

- Fund 351 - Northeast Industrial Area, Phase 1
- Fund 352 - South MacArthur Planning Area
- Fund 353 - I-205 Development Area
- Fund 354 - Industrial Specific Plan, South
- Fund 355 - Presidio Planning Area
- Fund 356 - Tracy Gateway Area
- Fund 357 - Northeast Industrial Area, Phase 2

**Community Development Agency Project Fund 381** - This fund is used to account for construction projects related to the redevelopment project area. These projects are financed by bond proceeds and loans pledging repayment from tax increment monies.

Effective January 31, 2012, redevelopment agencies were disbanded by the State. Agency assets are to be liquidated.

**Urban Management Plan Facilities Fund 391** - This fund is used to account for expenditures for the planning, design, and program management required for new development in new areas in a preliminary stage and approved financing plan.

**Capital Improvement Program Deposits Fund 395** - This fund is used to account for monies received from developers, contractors and other entities for the purpose of reimbursing the City for expenditures incurred in studies, research, etc., regarding their proposed development or for construction of facilities that would normally be the owner's responsibility. For budgeting, it is also used to measure in-kind contributions from developers of constructed facilities.

## Debt Service Funds 400

Debt Service funds account for the accumulation of monies for the payment of debt where the City has some obligation. These funds are as follows:

**2007 Lease Revenue Bonds Fund 407** - This fund is used to accumulate the monies used for payment of the debt service on the 2007 Lease Revenue Bonds, which were used to refinance the Land COP debt. Monies are transferred into the fund from the General Fund 101 to make debt service payments.

**2008 Lease Revenue Bonds Fund 408** - This fund is used to accumulate the debt service on the 2008 Lease Revenue Bonds, which were used to refinance the Regional Mall COP Debt. Monies are transferred into the fund from the General Fund 101 to make debt service payments.

**Community Development Successor Agency Fund 495** - This fund is to for the administrative allocation to be used to oversee the liquidation of CSA assets and the repayment of outstanding CDA debt.

## Enterprise Funds 500

Enterprise funds are used to account for those operations that are financed and managed in a manner similar to private business enterprises, where the intent is that the costs of provided goods and services recovered primarily through user charges. Three of these enterprise funds - Water, Wastewater, and Solid Waste - are significant in that they represent about 34% of the City's operating expenditures.

**Water Fund 511** - This fund is used to account for the activities associated with the production, distribution, and transmission of potable water by the City to its residents and businesses.

**Water Capital Fund 513** - This fund is used to account for capital funding and outlays for water system CIP projects.

**Wastewater Fund 521** - This fund is used to account for the activities associated with the collection, treatment, and disposal of wastewater from City residences and businesses.

**Wastewater Capital Fund 523** - This fund is used to account for the capital funding and outlays for wastewater system CIP projects.

**Solid Waste Funds 531, 532, 533** - These funds are used to account for the activities associated with the collection and disposal of refuse throughout the City which is

accomplished through a franchised operator. Fund 531 is used to account for waste disposal activities and street sweeping. Fund 532 is for solid waste collection, and Fund 533 is for recycling activities.

**Drainage Fund 541** - This fund is used to account for the activities related to the operations and maintenance of the City's storm drainage system.

**Airport Fund 561** - This fund is used to account for the activities associated with the operations and maintenance of the City's airports.

**Airport Capital Fund 563** - This fund is used to account for the capital funding and outlays for airport CIP projects.

**Transit Fund 571** - This fund is used to account for the activities associated with the operations and maintenance of the City's public transit activities, and has particular emphasis on serving the elderly and the handicapped.

**Transit Capital Fund 573** - This fund is used to account for capital funding and outlays for transit CIP projects.

## Internal Service Funds 600

Internal Service funds are used to account for the financing of goods or services provided by one department to another on a cost reimbursement basis. These funds are as follows:

**Central Garage Fund 601** - This fund is used to account for the fueling and maintenance of the City's fleet of vehicles which serves the vehicle and equipment needs of all City departments and divisions.

**Central Services Fund 602** - This fund is used to account for charges received from City agencies for central postage and copying, telecom, and computer services.

**Equipment Acquisition Fund 605 and Vehicle Acquisition Fund 606** - These funds are used to account for monies received from all City agencies and programs, except for the water, wastewater and transit funds, for the acquisition of replacement equipment and vehicles. Agencies' payments are maintained in a savings account until purchases and/or lease payments are made.

Fund 605 is for general equipment, while Fund 606 is for vehicles and rolling stock. The latter was new for FY 09-10.

**Building Maintenance Fund 615** - This fund is used to account for charges received from City agencies to provide for building maintenance and repair activities and custodial services.

**Self-Insurance Fund 627** - This fund is used to finance and account for the City's risk management, insurance, and workers compensation programs.

## Fiduciary Funds 700 & 800

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for a third party are recorded here. While the City has a number of such funds, usually they are not subject to budgeting requirements and are not included in the budget. However, there are a few included in the budget where the City serves as the debt administrator for certain special assessment and community facilities districts. These funds are as follows:

**Regional Transportation Impact Fund 808** - This fund account for receipt and distribution of Regional Transportation Impact Fees collected by the City.

**Post-Employment Benefit Trust Fund 812** - This fund account for post-employment benefit paid out by the City. Such benefits are funded through medical leave banks or reimbursements from retirees or former employees.

**Agency Debt Funds** - These funds are the only trust and agency funds budgeted and they are used to account for the monies held on behalf of Assessment District (AD) or Community Facilities District (CFD) property owners, until they are remitted to the bond trustee. The debt issues for these districts were used to finance new infrastructure in or for the respective new development in the districts.

**Financing Districts 8xx** - It is anticipated that one or more new assessments or community facilities districts may be established in FY 10-11 and/or future years.

Separate funds for these districts as follows:

- \*3 Fund 831 AD 87-3 Water RSP
  - \*1 Fund 832 AD 93-2 Woodfield Estates
  - \*3 Fund 834 AD 84-1 Sewer RSP
  - Fund 835 CFD 89-1 ISP-NE
  - Fund 837 CFD 99-1 ISP-NE
  - \*2 Fund 838 CFD 99-2 S MacArthur Area
  - \*2 Fund 839 AD 00-02 Heartland #3
  - Fund 840 CFD 00-01 Presidio
  - Fund 841 AD 94-1 Auto Mall
  - \*1 Fund 842 AD 95-1 Pheasant Run
  - \*1 Fund 843 AD 96-1 Bridle Creek 1 & 2
  - Fund 844 CFD 93-1 Tracy Marketplace
  - \*1 Fund 845 AD 97-2 Bridle Creek 3 & 4
  - Fund 846 CFD 98-1 Plan "C"
  - Fund 847 CFD 98-3 Souza Citation
  - \*1 Fund 848 AD 97-1/Park Atherton
  - \*2 Fund 849 AD 98-4 Morrison Homes
  - Fund 850 I-205 RAA 1999 Debt Refinancing
  - Fund 851 CFD 00-03 Larch-Clover
  - Fund 852 AD 03-01 Berg Avenue Utilities
  - Fund 853 CFD 06-01 NEIA, Phase 2
  - Fund 854 TOPJPA Revenue Bonds 2011A
  - Fund 855 CFD 11-1 Tracy 580 Business Park
- \*1 *These funds were closed and consolidated into Fund 850 in FY 99-00. However, their respective assessment districts remain active for revenue collection purposes.*
- \*2 *These funds were consolidated into Fund 854 in FY 12-13. However, their respective assessment districts will remain active for revenue collection purposes.*
- \*3 *These funds were closed in FY 12-13.*

# City Of Tracy

## Budget & Fiscal Policies

The City of Tracy's annual budget is prepared, reviewed, approved, and administered in accordance with several sources of policy direction including the Tracy Municipal Code and the City's Administrative Policies and Procedures Manual.

### Budget Policies

**Fiscal Year:** The fiscal or budget year of the City shall begin on the first day of July and shall end on the thirtieth day of June of the succeeding year, unless otherwise prescribed by State law.

**Comprehensive Budget:** The City budget shall consist of the operating budget, the debt service budget, the capital budget, the capital program, and the budget message. The budget will be organized in a comprehensive programmatic format emphasizing annual work effort and performance. It shall represent a complete financial plan for a fiscal year for the City reflecting all receipts and disbursements from all sources, including all revenues, all expenditures, and the surplus or deficit in the general fund and all governmental, proprietary and expendable trust and agency funds of the City government.

**Operating Budget** - The "operating budget" is the plan of the City to receive and expend funds for obligations and charges incurred for current operating activities and programs of the City for a specific fiscal year.

**Debt Service Budget** - The "debt service budget" is the fiscal plan and schedules to receive and expend funds to pay off long-term city debt.

**Capital Budget** - The "capital budget" is the fiscal plan of the City to receive and expend funds for capital projects scheduled during the first fiscal year included in the capital program.

**Capital Project** - A "capital project" is: (1) any physical public betterment or improvement and any preliminary studies and surveys relative thereto; (2) the acquisition of property of a permanent nature for public use; and (3) the purchase of equipment for any public betterment or improvement when first constructed.

**Capital Program** - The "capital program" is the fiscal plan and schedule of the City to receive and expend funds for capital projects during the fiscal year covered by the capital budget and the next succeeding four fiscal years thereafter.

The City Manager shall be responsible for the formulation of the proposed City budget.

#### Submission of the City Budget

- Not later than June 30th, the City Manager shall submit to the City Council the proposed City budget for the next fiscal year.
- The proposed City budget shall be filed with the City Clerk and copies thereof shall be made available to the public upon request. A copy thereof shall also be made available to the public at the City library and the City's website.

#### Public Budget Hearings

- Upon receipt of the proposed City budget, the City Clerk shall cause to be published a public notice of the place and time of at least one public hearing on the budget by the City Council.
- The City Council may hold such other preliminary workshops on the budget for the purpose of obtaining information as it may determine, but final budget adoption shall not be taken by the City Council until after the public hearing prescribed in this section.

**Council Action on the Budget** - After the public hearing, the City Council may add, decrease, or delete any items in the budget except any provisions for debt service on obligations then outstanding or for estimated cash deficits.

#### Council Adoption of the Budget

- The adoption of the City's annual budget shall be by the affirmative vote of a majority of the City Council by a resolution to be known as the Annual Budget and Appropriations Resolution.
- The format of the adopted budget shall be by fund and department for the operating budget and by fund and capital project group for the capital budget.
- The adopted budget shall also include a list of authorized interfund transfers.

#### Effective Date of the Budget

The adopted budget shall take effect on the first day of the fiscal year to which it applies.

**BUDGET PRINCIPLES TO ADDRESS THE CITY'S STRUCTURAL BUDGET DEFICIT  
AS APPROVED BY RESOLUTION 2011-094  
MAY 3, 2011**

1. **General Fund Reserves**

Through FY15-16, the City shall maintain a General Fund reserve of at least 20% of the City's General Fund Operating Budget.
2. **Budget**

Reserves may be used to balance the General Fund Operating Budget through FY13-14. The General Fund Operating Budget to be adopted by City Council for FY14-15 must be balanced without the use of reserves.
3. **Economic Uncertainty Fund**

When conditions permit begin building up the Economic Uncertainty Fund.
4. **Structurally Balanced Budget**

The annual budgets for all City funds shall be structurally balanced throughout the budget process. Ongoing revenues shall equal or exceed ongoing expenditures in both the proposed and adopted budgets. If a structural imbalance occurs, a plan shall be developed and implemented to bring the budget back into structural balance.
5. **Proposed Budget Revisions**

The annual General Fund proposed budget balancing plan shall be presented and discussed in context of the updated five-year forecast. Any revisions to the proposed budget shall include an analysis of the impact on the forecasted years. If a revision creates a negative impact on the forecast, a funding plan shall be developed and approved to offset the impact.
6. **Use of One-Time Resources**

Once the General Fund budget is brought into structural balance, one-time resources (e.g., revenue spikes, budget savings, sale of property, or similar nonrecurring revenue) shall not be used for current or new ongoing operating expenses. Examples of appropriate uses of one-time resources include rebuilding the Economic Uncertainty Reserve, early retirement of debt, capital expenditures without significant operating and maintenance costs, and other nonrecurring expenditures.
7. **Reserves**

All City funds shall maintain an adequate reserve level and/or ending fund balance, as determined annually and as appropriate for each fund. For the General Fund, a contingency reserve amount which is a minimum of 20% of the operating budget shall be maintained.
8. **Prudent Use of Debt**

The City shall not issue long-term (over one year) General Fund debt to support ongoing operating costs. All General Fund debt issuance shall identify the method of repayment or have a dedicated revenue source. General obligation debt shall be limited to 8% of the operating budget.
9. **Capital Improvement Projects**

Capital Improvement Projects shall not proceed for projects with annual operating and maintenance costs exceeding \$25,000 without City Council certification that funding will be made available in the applicable year of the cost impact.
10. **Fees and Charges**

Fee increases shall be utilized, where appropriate, to assure that the program operating costs are fully covered by fee revenue and explore opportunities to establish new fees for services where appropriate.
11. **Grants**

City staff shall seek out, apply for and effectively administer federal, state and other grants that address the City's priorities and policy objectives and provide a positive benefit to the City. Before the grant is pursued, staff shall provide a detailed pro-forma that addresses the immediate and long-term costs and benefits to the City. One-time operating grant revenues shall not be used to begin or support the costs of ongoing programs.
12. **Personnel Services Costs**

Total General Fund personnel services costs shall not exceed 75% of the General Fund operating budget.
13. **Performance Measures**

All requests for departmental funding shall include performance measurement data so that funding requests can be evaluated and approved based on effective accomplishment of community desired outcomes and priorities.
14. **Budget Offsets**

City Council approval of a General Fund supplemental appropriation (additional monies after the adoption of the budget for the fiscal year), shall be accompanied by a corresponding action to reduce the General Fund budget in another area.

## Accounting and Audit Policies

**Governmental Accounting** - The City's financial records will be maintained in accordance with generally accepted accounting principles for governmental accounting, which prescribe fund accounting.

**Financial Reporting** - After the close of the fiscal year, a comprehensive annual financial report (CAFR) covering all funds and financial operations shall be prepared and submitted to the City Council.

**Annual Independent Audit** - All the funds, accounts and financial transactions of the City shall be subjected to an annual audit by an independent certified public accountant that is to be selected by the City Council.

**Basis of Accounting** - The basis of accounting within Governmental Fund types used by the City is modified accrual. Under this method of accounting, revenue is recorded when susceptible to accrual, which is when both measurable and available for the funding of current appropriations. Further, expenditures are recognized when the related fund liability is incurred. Under the modified accrual basis of accounting, principal and interest on long-term debt are recorded as fund liabilities when due. All Enterprise and Internal Service Funds follow the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when incurred.

**Accounting System Maintenance** - The City places continued emphasis on maintenance of an accounting system that provides strong internal budgetary and accounting controls. It is designed to provide reasonable assurances regarding both the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and reports, such as the budget and the City's Comprehensive Annual Financial Report (CAFR), as well as the maintenance and accountability of assets.

**Comprehensive Annual Financial Report** - The City of Tracy issues a CAFR in accordance with accounting principles generally accepted in the United States of America and outlined by the Governmental Accounting Standards Board. An independent audit of the City's CAFR is performed annually.

## Budget Control

**Administrative Budget Control** - The adopted budget shall be detailed to administrative control accounts. Such detailing shall be consistent with the format of the adopted budget and be based upon the supporting detail underlying the proposed budget submitted to the Council and as modified by any Council action.

### Budgetary Accounts

- For the operating budget, expenditures and encumbrances shall be accounted for by department, program, object, and sub-object within a fund.
- For the capital budget, expenditures and encumbrances shall be accounted for by capital project group, project, and sub-object within a fund.
- Revenue shall be accounted for by source within a fund.
- Budget and Finance staff shall be responsible for maintaining tables for accounts for program, projects, objects, sub-objects, and revenue sources to be used for budgetary accounting.

**Budget Reporting** - The City Manager shall provide budget reports to the City Council quarterly showing the status of the budget. These reports shall match the format of the adopted budget and be by fund and major sources for revenues, by department and program for operating expenditures and by capital group for capital projects.

**Limitations on Expenditures** - No expenditures of City funds shall be made or authorized in excess of the available unencumbered appropriations therefor. Nothing in this chapter shall prevent the making of contracts providing for the payment of funds at a time beyond the fiscal year in which such contracts are made, provided the nature of such transactions reasonably requires the making of such contracts.

### Composition and Limitations on City Funds

- All revenues and receipts from assessments; from special services or benefit charges; from special taxes or assessments imposed upon special taxing areas for special or particular services, purposes or benefits; from funds held by the City as trustee or agent; or from bond proceeds, shall be paid into and appropriated from special funds created therefore. All other revenues and

receipts of the City from taxes, grants, State revenues and other receipts shall be paid into and appropriated from the general fund which shall be the primary fund for the financing of current expenses for the conduct of City business.

- No general fund revenues or receipts shall be dedicated to, expended for, or used to supplement appropriations from the special funds except as a loan to such special fund as authorized by the City Council.
- Upon request of the City Manager, the City Council may, by the Annual Budget and Appropriation Resolution, or by other legislative act, provide for the establishment of working capital or revolving funds for the financing of internal services common to the agencies of the City.
- Notwithstanding other provisions of this section, the City Council may establish a reserve fund for permanent public improvements, into which there may be paid by the annual budget and appropriation resolution cash surpluses not otherwise appropriated or toward the financing of which taxes or other sources of revenue may be dedicated.

#### **Transfer of Appropriations**

- Transfers of appropriations between expenditure accounts in the operating budget within the same agency and within the same fund may be authorized by the City Manager.
- Transfers between agencies of the City government and within the same fund of the operating budget may be made by resolution of the City Council upon request of the City Manager.
- Inter-project transfers of appropriations between capital projects in the capital budget may be authorized by resolution of the City Council upon request of the City Manager.
- Nothing contained herein shall be construed to prevent the City Council, upon request of the City Manager, from adopting a resolution for interfund cash borrowings to meet temporary cash requirements or to prevent reimbursements among funds for goods supplied or services rendered.

#### **Supplementary Appropriations**

During any fiscal year, the City Council, by the affirmative vote of a majority of the Council, upon the recommendation of the City Manager, may by resolution make additional or supplementary appropriations from unexpended and unencumbered funds set aside for contingencies in the City budget, from revenues received from anticipated sources, but in excess of budget estimates therefor, or from revenues received from sources not anticipated in the budget.

**Grant Appropriations** - Revenues from grant allocations which were unanticipated in any current fiscal year may be appropriated by resolution by the City Council upon request of the City Manager. The appropriation shall be made to the proper grant account established for the revenues and any surplus grant funds remaining at the end of the fiscal year shall be carried over to the following fiscal year without the necessity of further action by the City Council.

#### **Unexpended Appropriations**

- Unless otherwise provided by law, all unexpended and unencumbered appropriations in the operating budget remaining at the end of the fiscal year shall lapse and revert into the appropriate fund balance.
- No appropriation for a capital project in the capital budget shall lapse until the purpose for which the appropriation was made shall have been accomplished or abandoned; provided that any capital project shall stand abandoned if five (5) fiscal years elapse without any expenditure from or encumbrance of the appropriation made therefor.
- The balances remaining to the credit of the completed or abandoned capital projects shall be available for appropriation in subsequent capital budgets to the extent permitted by State law.

#### **Year End Budget Carryovers**

- Any unexpended but encumbered appropriations for specific orders or contracts outstanding at the end of the fiscal year shall be carried over into the new fiscal year.
- Any expended appropriations for incomplete active projects in the capital budget at the end of the fiscal year shall be carried over into the new fiscal year.
- When carried over and budgeted in the new fiscal year, these appropriations shall be offset against the appropriate fund balance and/or revenue source.
- These carryovers may be made without further Council actions, since prior authorization has been given for these appropriations.

### **Contract and Purchasing Policies**

**Formal Bids** - Contracts and purchases of \$50,000 or more, and for public projects over \$5,000, require a formal bidding process (or a formal RFP process for professional services contracts) and award by City Council action. However, an award may be made by City Council action while waiving the formal process for the contract or purchase.

**Informal Quotations** - Contracts and purchases of \$10,000 or more but less than \$50,000 require an informal quotations process (or an informal RFP process) with award by the City Manager.

**Open Market Purchases** - Contracts and purchases over \$3,000 but under \$10,000 have no procedural requirements but awards may be made by the department head after review and approval by the finance division.

**Small Purchases** - Contracts and purchases of \$3,000 or less may be made by the department staff under delegation by the department head.

**Budget Sufficiency** - A contract or purchase may be initiated only if sufficient funds have been appropriated and for which there is an unexpended and unencumbered remaining balance sufficient to pay for the contract or purchase.

**Encumbrances** - Each contract or purchase requiring the payment of City funds, after execution will be entered into the City's financial system by an encumbrance against the appropriate budgeted funds.

## Cash Management / Investment Policies

**Pooled Cash** - The majority of unrestricted cash is combined into one pooled operating account to facilitate effective management of the City's resources.

**Investments** - The City Treasurer invests temporarily idle funds in accordance with Government Code Sections 53600 et al, 16429.1 and 53684 and a formal investment policy approved by the City Council and the Investment Advisory Commission. Permissible investments include obligations of the U.S. Government, Federal Agencies, Government Sponsored Enterprises Medium Term Notes, Certificates of Deposit, Bankers Acceptances, Commercial Paper rated A-1 by Standard and Poor's Corporation, P-1 by Moody's Investors Service or F-1 by Fitch Ratings, State of California Local Agency Investment Fund, Repurchase Agreements, Reverse Repurchase Agreements, and Money Market Mutual Funds.

## Position Control System

- A position control system shall be maintained to control personnel transactions and to ensure that they are in compliance with budgetary limits.
- After the adoption of the budget, a position control roster showing authorized positions will be prepared based upon the tables of staffing submitted in the proposed budget and as modified and approved by Council action.
- No personnel transaction for a City department shall be made or authorized in excess of the number of authorized positions for the agency or in excess of budgeted funds for personnel expenses.
- Temporary over-hires in a City department may be allowed for particular positions if their impact is offset by other vacancies in other authorized positions of equal and/or higher compensation in the department.
- Substitute positions in a City department may be allowed for particular positions if their impact is offset by absences or vacancies in other authorized positions and the budget authority is not exceeded.
- The establishment of any new full-time regular position, the reclassification of any current positions, or the transfer of a current position between departments shall require the amending of the position control roster by Council action upon request of the City Manager.



## GLOSSARY OF BUDGET TERMS

**Adopted Budget:** The official budget as approved by a legislative body at the start of each fiscal year.

**Amended Budget:** The official budget as adopted and as amended by the legislative body through the course of a fiscal year.

**Appropriation:** A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and in time as to when it may be expended.

**Asset:** An economic resource or probable future benefit obtained or controlled by a particular entity as a result of past transactions or events.

**Augmentation:** An increase to the base budget proposed during the budget preparation process and to be added to the budget for the new upcoming fiscal year. See page B2 for further explanation.

**Base Budget:** A preliminary budget forecast used as a starting point in the budget preparation process. It usually provides financial resources to carry on current service levels with only an inflationary increase.

**Budget:** A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year.

**Budget Message:** A general discussion of the proposed budget as presented in writing by the budget-making authority to the legislative body.

**Capital Budget:** A budget which focuses on capital projects to implement the first year of Capital Improvement Program.

**Capital Improvement Program:** A plan for capital improvements to be implemented over a fixed period of years to meet capital needs arising from long-term work effort. It sets forth projects or other contemplated expenditures in which the government is to have a part and specifies the full resources estimated to be available to finance the projected expenditures. Usually, the plan is updated annually.

**Capital Project:** The budget unit to group all activities and costs necessary to implement a specific capital improvement and/or acquisition, costing \$10,000 or more. Such would involve the construction, acquisition, expansion, replacement, or rehabilitation of a physical facility or improvement. Also, such projects involve planning and design, land acquisition, and project management related to such facilities and improvements. For the City of Tracy, studies over \$25,000 and equipment purchases over \$100,000 are budgeted as capital projects.

**Capital Outlays:** Expenditures which result in the acquisition of or addition to fixed assets. In the operating budget, they usually involve equipment acquisitions under \$100,000, or facility improvements under \$10,000. In the capital budget, they are grouped into capital improvements projects.

**Carryovers:** The transfer of unspent appropriations from one fiscal year into the following fiscal year. They are normally allowed only for one-time items in the operating budget or uncompleted projects in the capital budget. When posted into the new fiscal year, they become part of the amended budget. *(See page C2 for further explanation)*

**Commodities:** The object expenditure class for payments made for good and materials used in City operations and activities and supplied by external parties. The class is further detailed into sub-objects for different types of commodities.

**Contracted Services:** The object expenditure class for payments made for services rendered in support of City operations and activities by external parties. These may be based upon either formal contracts or ad-hoc charges. The class is further detailed into sub-objects for different types of services.

**Cost Allocation Plan:** A plan prepared to identify the total costs of providing City services. It first determines direct and indirect costs; and then, allocates the latter back to the former on the basis of benefit in a logical and uniform manner.

**Current Assets:** Those assets likely to be used up and/or converted into cash within one year.

**Current Charges:** Charges collected by a government in exchange for a particular public service of a limited and specific benefit. These may be voluntary or mandatory if necessary depending on the particular service.

**Current Liabilities:** Liabilities likely to be paid off or liquidated within one year.

**Debt Service:** A budget which focuses on obligations for outstanding debt issues. Also, the expenditure objects for the payment of these debt obligations. The object is detailed into sub-objects for principal, interest, and debt service fees.

**Deferral:** The administrative act of reducing the budget during the fiscal year. This is usually done when items or projects are to be rescheduled for future years.

**Direct Costs:** Those costs necessary and related to providing a specific service to the public.

**EDUs:** See Equivalency Factor.

**Encumbrance:** An obligation or reserve charged against a budget indicating that a commitment has been made or an order placed for a certain amount and that is not then available for other transactions, prior to the actual spending.

**Equivalency Factor:** A unit cost measure providing a relative common base for all elements of the City budget. The factor is expressed in terms of an Equivalence Dwelling Unit or EDUs, which equates to the "average" household in the City. See page B3 for further explanation.

**Equity:** The residual economic net worth of a particular entity calculated by adding up its assets minus its liabilities.

**Expenditures:** Decreases in net financial resources. Expenditures include current operating expenses which require the current or future use of net current assets, debt service and capital outlays.

**Expenses:** Decreases in net total assets. Expenses represent the total cost of operations during a period regardless of the timing of related expenditures.

**Fiduciary Funds:** These funds account for monies held by the City in a fiduciary manner. These are funds which may use a financial flow or capital maintenance focus depending on its purpose. The types of funds are Trust and Agency.

**Full-Time Equivalent:** A unit measure for counting staffing where 1.00 FTE represents one full-time regular employee. Part-time and temporary employees are measured as proportionately based upon 2,080 staff hours per year for the equivalent of the 1.00 FTE.

**Fiscal Year:** A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and the results of its operations.

**Fixed Assets:** Assets of a long-term character which are intended to continue to be held or used, such as land, buildings, improvements other than buildings, machinery and equipment.

**FTEs:** See full-time equivalent.

**Full Accrual Basis:** The basis of accounting where revenues are recognized when they are earned, expenses when incurred, and fixed assets are depreciated. All enterprise and internal service funds are accounted for using the full accrual basis of accounting.

**Fund:** A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, 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:** A term used to express the equity (assets minus liabilities) of governmental fund types and trust funds. However, for budgeting purposes, a working capital definition of current assets minus current liabilities is used for the computation.

**Generally Accepted Accounting Principles (GAAP)** Uniform minimum standards of/and guidelines for financial accounting and reporting. They govern the form and content of the basic financial statements of an entity. GAAP encompass the conventions, rules, and procedures necessary to define accepted accounting practices as a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. GAAP provides a standard by which to measure financial presentations.

**Governmental Funds:** These funds account for City governmental operations and activities funded primarily through taxes and grants. These are funds which utilize a financial flow measurement focus and modified accrual basis of accounting: The types of funds are: General, Special Revenues, Capital Projects, and Debt Service.

**Gross Budget:** The total of the budgets of each City fund including budgeted transfers between funds. See Net Budget.

**Indirect Costs:** Payments made by City Departments and activities to pay for their share of Citywide overhead and support activities. These payments are made to the General Fund by non-General Funds through a separate program in the non-departmental group under the operating budget. Administratively, the central administration sub-fund 125 accumulates the overhead expenses and is then reimbursed by the other funds, including the General Fund and its net fee producing sub-funds.

**Intergovernmental Revenue:** Revenue collected by one government and distributed (usually through some predetermined formula) to another level of government(s).

**Internal Charges:** These charges are paid into one or more of the City's internal service funds. Object of expenditure for payments made to other City programs for particular services rendered and/or materials supplied, on a cost reimbursement basis. These are further detailed into sub-objects for different services.

**Lapsed Appropriations:** Under the "use it or lose it" rule, operating budget appropriations not spent or encumbered at the end of a fiscal year lapse or terminate as budget authority. For capital budget appropriations, they lapse at the end of fiscal year only when a project has been completed or canceled, or when there has been no activity for more than three fiscal years.

**Liability:** A legal claim upon, or probable future sacrifice of, economic resources or benefits of a particular entity, arising from an obligation to transfer assets or provide service to others in the future as a result of past transactions or events.

**Long-Term Debt:** Any debt obligation which is not payable within one year.

**Measurements Focus:** The accounting convention which determines (1) which assets and which liabilities are included on an entity's balance sheet and (2) whether its operating statement presents "financial flow" information (revenues and expenditures) or "capital maintenance" information (revenues and expenses).

**Modified Accrual Basis:** The basis of accounting where revenues are recognized when they become both "measurable" and "available" to finance expenditures of the current period. All governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting.

**Net Budget:** The gross budget less all interfund transactions. Those amounts in the budget representing transfers and interfund reimbursements which in effect are double counted in from the perspective of the entire budget are subtracted from the gross budget amount.

**Objective:** A simply stated, readily measurable statement of aim or expected accomplishment within the fiscal year. A good statement of objective should imply a specific standard of performance for a given program:

(a) An operational objective focuses on service delivery.

(b) A managerial objective focuses on those aspects of management that help staff achieve operational objectives, i.e., staff training, work plan development, etc.

**Objects:** The classification of expenditures in terms of what is bought and paid for. For the City of Tracy the following are used: personnel expenses, contracted services, commodities, internal charges, and other payments. Objects are detailed into sub-objects to further specify what expenditures are for.

**Operating Budget:** A budget which focuses on everyday operating activities and programs.

**Operating Transfers:** Legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended, transfers of tax revenues from a Special Revenue Fund to a Debt Service Fund, transfers from the General Fund to a Special Revenue or Capital Projects Fund, operating subsidy transfers from the General or a Special Revenue Fund to an Enterprise Fund, and transfers from an Enterprise Fund other than payments in lieu of taxes to finance General Fund expenditures.

**Performance Budget:** A budget which relates expenditures to measures of activity and performance.

**Personnel Expenses:** The object expenditure class for the compensation paid to or for City employees. The class is detailed into sub-objects for regular salaries, temporary wages, overtime, and various benefits.

**Preliminary Budget:** A budget in its preliminary preparation stage prior to review and formulation by the formal budget-making authority. In the preliminary stage, a budget consists of various estimates forecasting current costs into the future and new or modified spending proposals for the future.

**Program Budget:** A budget organized by programs. A program used in this application is a grouping of related activities, projects and services which are similar in purpose. The expenditure focus of a program budget is related to the nature of work and services performed.

**Program Performance Budget:**

Combines performance measures with a program budget structure.

**Proposed Budget:** The budget as formulated and proposed by the budget-making authority. It is submitted to the legislative body for review and approval.

**Proprietary Funds:** These funds account for City activities funded and operated in a manner similar to business enterprises, supported by fees and charges. These funds utilize a capital maintenance measurement focus and full accrual basis of accounting. The types of funds are Enterprise and Internal Services.

**Recision:** The legislative act of reducing and/or canceling appropriations, after budget adoption. The effect is to reduce the budget.

**Reserves:** Those monies that are set aside in the budget for contingencies, for future projects, for debt services, or for cash flow purposes.

**Retained Earnings:** An equity account reflecting the accumulated earnings of an Enterprise or Internal Service Fund. For budgeting purposes, the working capital definition of fund balance is used.

**Revenues:** (1) Increases in government fund type net current assets from other than expenditure refunds and residual equity transfers. Under NCGA Statement 1, general long-term debt proceeds and operating transfers-in are classified as "other financing sources" rather than revenues. (2) Increases in proprietary fund type net total assets from other than expense refunds, capital contributions, and residual equity transfers. Under NCGA Statement 1, operating transfers-in are classified separately from revenues.

**Special Assessments:** Compulsory charges levied by a government for the purpose of financing a particular public service performed for the benefit of a limited group of property owners.

**Supplemental:** An increase to the adopted or amended budget proposed during the middle of the fiscal year. When approved as a supplemental appropriation, it becomes part of the amended budget.

**Taxes:** Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. This term does not include specific charges made against particular persons or property for current or permanent benefits such as special assessments. Neither does the term include charges for services rendered only to those paying such charges as, for example, sewer service charges.

**Working Capital:** A term used to express the liquid equity of funds. It is determined by current assets minus current liabilities. It provides a measure of residual resources available to be used in the current or next fiscal year. For governmental fund types, working capital and fund balance are synonymous.