

## Definition of Terms

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Definitions of terms used in the Operating and Capital sections of the budget are listed and defined below:

**Accrual basis of accounting** – the method of accounting under which transactions are recognized when they occur and are measurable, regardless of the timing of related cash flows.

**Appropriation** – an authorization made by the City Council that permits City departments to make expenditures of governmental resources. All appropriations that have not been expended or lawfully encumbered lapse at the end of the fiscal year. The City Council may increase or decrease appropriations by majority vote. The City Manager may transfer appropriation within a department. All transfers between departments must be approved by the City Council.

**Appropriations Limit** – as a governmental entity in the State of California, the City is subject to the Gann Spending Limit Initiative, which limits the amount of annual appropriations of tax proceeds. See City Financial Information to review the calculation.

**Asset** – resources owned or held by a government that have monetary value.

**Bond** – a written promise to pay a designated amount (called the principal), at a specific date in the future together with periodic interest at a specified rate. In the budget, these payments are identified as debt service. Bonds are usually used to obtain long-term financing for capital improvements.

**Bond rating** – an opinion of a credit rating agency as to a debt issuer's overall financial capacity and willingness to meet its financial commitments as they come due. It is a measure of risk associated with a debt issuer's ability to pay its debt.

### **Budget**

Capital – (see Capital)

Operating – a fiscal plan detailing current operating programs, including an estimate of proposed expenditures and the proposed means to finance them.

**Budgetary control** – the control or management of a government in accordance with the approved budget for the purpose of keeping expenditures within the limitations of available appropriations and resources.

**CAFR** – (see Comprehensive Annual Financial Report)

**Caltrans** – the California Department of Transportation.

### **Capital**

Capital improvement (also, Capital project) – refers to a specific project in the CIP. The City of Anaheim budgets at the project level. Capital projects are major projects (water

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lines, streets, parks, buildings, etc.) having a long-term nature/life, constructed or acquired for the public good.

Capital Improvement Program (CIP) – a five-year fiscal plan detailing the amount and timing of anticipated capital expenditures. The City Council adopts the first year of the CIP and approves the entire five-year plan in concept. It is updated annually with the adoption of the budget. The last section of this budget document contains the City’s proposed CIP.

Capital outlay – one of four categories of expense (see expense category). Capital outlay expenditures result in the acquisition of, or addition of, capital assets or infrastructure. These expenditures may occur in either an operating program (e.g., the purchase of a computer) or a capital project (e.g., land acquisition). Conversely, a capital project may have other categories of expense (e.g., labor costs for administrative personnel working on the project or other operating costs for materials and/or supplies that are not capital items).

Capital Projects funds – established to account for resources used for the acquisition and construction of capital facilities by the City, except those financed by proprietary funds. The individual funds comprising this grouping are as follows: Mello-Roos Projects, Redevelopment Agency, Other Capital Improvements and Anaheim Resort Improvements. These and other funds (including Special Revenue, Enterprise and General Fund) comprise the funding sources for the CIP.

**Capital assets** – assets of long-term character that are intended to continue to be held or used for a period of more than one year, such as land, buildings, machinery, furniture, and other equipment.

**Capital budget** – (see Capital, Capital Improvement Program)

**Capital improvements** – (see Capital, Capital project)

**Capital Improvement Program (CIP)** – (see Capital)

**Capital outlay** – (see Capital)

**Cash basis of accounting** – a basis of accounting under which revenue and expenses are recognized when cash is received and cash is paid.

**Category of expense** – (see Expense Category)

**CDBG** – (see Community Development Block Grant)

**CIP** – (see Capital)

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**Community Development Block Grant (CDBG)** – a federally funded program whose main objective is the development of viable urban communities through the provision of decent housing, a suitable living environment and economic opportunity, principally for low to moderate income persons.

**Community Improvements Fund (Comm. Imp.)** – a fund of the City that was created in fiscal year 2001/02 to account for funds set aside for making improvements to neighborhoods. For reporting purposes, this fund is included in the Other Capital Improvements fund grouping.

**Comprehensive Annual Financial Report (CAFR)**– the official annual financial report of a government, which encompasses all funds.

**Debt service** – the repayment of principal and/or interest on borrowed funds.

**Debt Service fund** – governmental fund type used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**Department** – a major administrative unit of the City, which indicates overall management responsibility for an operation or a group of related operations within a functional area, and the level at which the budget is adopted.

**Depreciation** – expiration in the service life of capital assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy or obsolescence.

**Division** – an organizational unit that indicates management responsibility for an operation or group of related operations within a functional area, subordinate to the department level of the organization.

**Educational Revenue Augmentation Fund (ERAF)** – in 1992, the State of California enacted legislation that shifted partial financial responsibility for funding education to local government (cities, counties and special districts). The State did this by instructing county auditors to shift the allocation of local property tax revenues from local government to educational revenue augmentation funds, directing that specified amounts of city, county and other local agency property taxes be deposited into these funds to support schools. The state has provided some funding to local governments that it considers mitigation of ERAF. However, nearly all of these funds are earmarked for particular purposes and represent only a fraction of the funds lost.

**Encumbrance** – commitment related to unperformed (executory) contracts for goods or services.

**Enterprise fund** – a fund established to account for the operations and financing of self-supporting activities of a governmental unit that renders services on a user charge basis to the general public, similar to private business enterprises. The following funds operate on an enterprise basis: Electric Utility, Water Utility, Sanitation, Golf Courses, Stadium and Convention Center.

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**ERAF** – (see Educational Revenue Augmentation Fund)

**Expenditure** – the payment of cash on the transfer of property or services for the purpose of acquiring an asset, service or settling a loss.

**Expense** – charges incurred (whether paid immediately or unpaid) for operations, maintenance, interest or other charges.

**Expense category** – there are four expense categories: Personnel (also referred to as Labor), Other Operating, Debt Service, and Capital Outlay.

**FERC** – Federal Energy Regulatory Commission

**Fiduciary fund** – funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. The fiduciary category includes pension (and other employee benefit) trust funds, investment trust funds, private-purposed trust funds, and agency funds.

**Fiscal year** – any yearly accounting period, regardless of its relationship to a calendar year. The fiscal year for the City begins on July 1 of each year and ends on June 30 of the following year. It is designated by the calendar year in which it ends. For example, fiscal year 2005/06 begins on July 1, 2005 and ends on June 30, 2006.

**Fund** – an independent fiscal and accounting entity with a self-balancing set of accounts.

**Fund draw/contribution** – annual deficiency or excess of revenues over expenses, which decreases or increases the working capital balance of a particular fund.

**General Fund** – this fund is one of five governmental fund types and typically serves as the chief operating fund of a government. The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

**Generally accepted accounting principles (GAAP)** – the conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements.

**General obligation bonds** – bonds that are issued and backed by the full faith and credit of the issuing government.

**Goal** – a broad statement of intended accomplishments, which normally covers long periods of time and explains the basic purpose for which a department was established. Elected officials and senior management are responsible for establishing goals.

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**Governmental funds** – funds generally used to account for tax-supported activities. There are five different types of governmental funds. Anaheim’s governmental funds include the general fund, other general purpose funds, special revenue funds, debt service funds and capital projects funds.

**Grant** – a contribution by a government or other organization to support a particular function. Grants may be classified as either operational or capital, depending on the grantee.

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

**Infrastructure** – the physical assets of a government (e.g., streets, sewers, public buildings and parks).

**Internal Service funds** – used to account for the financing of centralized services to different funds and City departments on a cost reimbursement basis (including replacement costs). Internal Service funds of the City include General Benefits and Insurance, Motorized Equipment, Duplicating and Printing, Information Services, and Office Maintenance and Equipment.

**Lease Payment Measurement Revenues (LPMR)** – in 1997, the Anaheim Public Financing Authority issued lease revenue bonds to finance the construction of improvements in the Anaheim Resort. The amount of each lease payment to be made by the City under the lease agreement is measured by Lease Payment Measurement Revenues.

**LPMR** – (see Lease Payment Measurement Revenues)

**Measure M** – an initiative passed by Orange County voters to fund transportation improvements using revenue generated by a countywide half-cent sales tax. The various cities of Orange County receive funding from the Orange County Transportation Authority and are required to spend the monies on transportation projects.

**Metro Cities Joint Powers Authority** – provides fire emergency dispatch services for seven cities in Orange County.

**Modified accrual basis of accounting** – the basis of accounting, according to which (a) revenues are recognized in the accounting period in which they become available and measurable and (b) expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt and certain similar accrued obligations, which should be recognized when due.

**NAC** – Neighborhood Advisory Councils. The leadership group of a neighborhood association that formally advises City staff to create and implement a neighborhood improvement action plan.

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**Objective** – a specific, measurable goal, formally established at the division level of the organization.

**OCTA** – Orange County Transportation Authority.

**Operating budget** – (see Budget)

**Operating category** – a category of expense that includes materials, supplies and small equipment. It can be found in both operating and capital budgets.

**Operating expenditure** – divided into four categories, personnel, other operating, debt service and capital outlay and represent working costs required for a department to function.

**Operating revenues** – funds that the government receives as income to pay for ongoing operations. They include such items as taxes, fees from specific services, interest earnings, and grant revenues and are used to pay for day-to-day services.

**Other General Purpose funds** – these specialized funds represent General Fund obligations and are reported with the General Fund in the City's Comprehensive Annual Financial Report (CAFR). Other General Purpose funds of the City include the Half Cent Sales Tax for Public Safety, Arena, Police Outside Reimbursements, Economic Development, Mother Colony, Library Donations, M. Roston Memorial, Deposits, and Drainage Assessments funds.

**Pay-as-you-go basis** – a term used to describe a financial policy by which capital outlays are financed from current revenues rather than through borrowing.

**Performance indicators** – specific quantitative and qualitative measures of work performed as an objective of specific departments or divisions.

**Personnel services** – a budget category used to capture the costs associated with employing full-time and part-time employees.

**Proprietary fund** – funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: Enterprise funds and Internal Service funds.

**PW** – the City's Department of Public Works. It is often referred to by this acronym in the CIP.

**Revenue** – sources of income financing the operations of government.

**Special Revenue funds** – used to account for the revenue derived from specific taxes or other earmarked revenue sources (other than for major capital projects) that are restricted by law or administrative action to expenditures for specified purposes.

**TOT** – (see Transient Occupancy Tax).

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**Transfers To/From** – amounts transferred from one fund to another to assist in financing the service for the recipient fund.

**Transient Occupancy Tax (TOT)** – a tax on hotel/motel stays of less than 30 days. The rate is currently 15%.

**Triple Flip** – in March 2004, California voters approved the Governor’s budget measure which called for (among other things) the implementation of the “Triple Flip” to generate a dedicated revenue stream for bond repayment. One-quarter of Anaheim’s sales tax revenues are re-directed by the State and replaced with an equal amount of property tax revenues. Because the basis for the calculation of this replacement revenue will continue to be the amount of taxable sales generated in Anaheim, the City will record this replacement revenue in the sales tax category.

**UASI** – (see Urban Area Security Initiative).

**Unreserved fund balance** – the portion of a fund’s balance that is not restricted for a specific purpose and is available for general appropriation.

**Urban Area Security Initiative (UASI)** – sponsored by the United States Office of Domestic Preparedness, a grant program to make funds available to cities to enhance security and overall preparedness to prevent, respond to, and recover from acts of terrorism.

**User charges** – the payment of a fee for direct receipt of a public service by the party who benefits from the service.

**Visitor and Convention Bureau (V&CB)** – an independent organization that contracts with the City to promote conventions and other tourism in Anaheim. The payment to the V&CB is budgeted in the Convention, Sports and Entertainment Department.

**VLF Gap Loan Financing Program** – in FY 2003/04 the state of California “borrowed” a portion of the Vehicle License Fee (VLF) backfill owed to local agencies. This VLF gap loan is to be repaid by the State in FY 2006/07. The California State Association of Counties (CSAC) and the League of California Cities sponsored legislation that permits local agencies to sell their VLF gap loan receivable to a third party and get the money as early as March 2005, rather than waiting until FY 2006/07. The California Statewide Communities Development Authority (CSCDA) issued fixed rate bonds on a taxable and tax-exempt basis and used the proceeds to purchase the VLF receivables and pay financing costs. For local agencies, such as Anaheim, who participated in the program, the CSCDA bondholders will look only to the State for repayment, not to the cities and counties.

**Working capital** – estimated resources available for appropriation after consideration of both current and long-term funded liabilities.