

Section IX
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GLOSSARY

GLOSSARY OF BUDGET TERMINOLOGY

The City's proposed budget contains specialized and technical terminology that is unique to public finance and budgeting. To assist the reader of this document in understanding the terms, a glossary of budgetary terminology has been included.

AB489

Assembly Bill 489- caps property tax bills of owner-occupied single-family residents and low income apartment owners at 3% per year. All other property owners have a cap using a 10-year rolling average or 8% whichever is less compared to twice the CPI. The cap is established at the greater of the two.

Adopted Budget

Revenues and appropriations approved by the City Council in May for the following fiscal year.

Accrual Accounting

A basis of accounting in which revenues are recorded when earned and expenses are recorded at the time they are incurred, instead of when cash is actually received or disbursed (see Funds).

Ad Valorem Tax

A tax levied on the assessed valuation of real property (see Revenues). Nevada Revised Statutes (NRS) 361.453 sets a maximum tax rate of \$3.64 per \$100 of assessed valuation.

Appropriation

An authorization made by the City Council which permits the City to obligate and expend governmental resources. Appropriations are generally made in fixed amounts and by state law are granted for a one-year period.

Assessed Valuation (AV)

A value established for real property for use as a basis for levying property taxes. The assessed value is thirty-five percent (35%) of taxable value. The Washoe County Assessor is responsible for all appraisal activity.

Balanced Budget

The State of Nevada requires that all governmental entities file a balance budget. This is accomplished by having revenues and use of fund balance or retained earnings that equal expenditures and ending fund balance.

Bonds

Debt issued for more than one year in order to raise funds to complete capital projects.

Budget

A comprehensive financial plan of operation for a specified period of time that matches all planned revenues and expenditures with various municipal services.

Budget Augmentation

A legal procedure allowed by law for revisions that alter the total appropriations of a fund. An augmentation results in increased expenditures for the fund.

Budget Document

The official written statement prepared by the City staff reflecting the decisions made by the Council in their budget deliberations. The City submits that document to the State Department of Taxation to meet Nevada Revised Statute requirements. A separate document is prepared for distribution to staff, the public and submittal to Government Finance Officers Association (GFOA).

Budget Message

A general discussion of the budget which provides the City Council and the public with a general summary of the most important aspects of the budget, changes from previous fiscal years, and the views and recommendations of the City Manager.

Budget Revision

A budget revision is a shift in appropriations between two or more line item accounts. A budget revision does not result in increased appropriations.

Capital Equipment

Equipment with a value in excess of \$10,000 and an expected life of more than one year.

Capital Improvements

Major construction, repair of or addition to buildings, parks, streets, bridges and other City facilities.

Capital Improvement Program (CIP)

A plan for capital expenditures to provide for the acquisition, expansion or rehabilitation of an element of the City's physical plant to be incurred over a fixed period of several future years.

Capital Outlay

Expenditures relating to the purchase of equipment, land and other fixed assets.

Capital Projects Funds

These funds account for the financial resources to be used for the acquisition and/or construction of major capital facilities, other than those financed by proprietary funds. Each year, the City appropriates funds for the work to be completed that fiscal year; fund balances are designated for the completion of the projects over a period of years. Examples of projects are fire stations, streets, sewer lines and drains. (see Fund)

Debt Service

The payment of principal and interest on borrowed funds. This also includes the accounting for lease-purchase payments for various equipment used by the City.

Debt Service Fund

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and other costs. Most general long-

term debt is "general obligation" debt, secured by the full faith and credit of the issuing government. It is also used to account for payment of other long-term debts, including notes, lease-purchase agreements, and installment purchase contracts. The Retrac Debt Service Fund is a Major Fund see details under fund.

Department

A major administrative division of the City which indicates overall management responsibility for an operation or a group of related operations within a functional area. A department usually has more than one program and may have more than one fund as a revenue source for the services it provides.

Encumbrance

Obligations in the form of purchase orders, contracts, or salary commitments which are chargeable to an appropriation. Obligations cease to be encumbrances when they are paid, otherwise terminated, or a debt is incurred.

Enterprise Fund

A fund established to account for activities that are financed and operated in a manner similar to private business enterprises, where costs of providing services to the public are recovered through user fees.

Enterprise Funds are used to account for operations that are either financed or operated in a manner similar to private businesses, or when the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for public policy, management control, accountability or other purposes. Rate schedules for services provided are usually established to insure that revenues are adequate to meet necessary expenditures. The Sanitary Sewer Fund is a major fund see details under fund.

Expenditure

Utilization of fund resources. Expenditures include operating costs, debt service and capital outlays.

Expenditure Category

A basis for distinguishing types of expenditures. The major expenditure categories used by the City of Reno are: salaries and wages, employee benefits, services and supplies, capital outlay and debt service/other.

Fiscal Year (FY)

The beginning and ending period for recording financial transactions. The City's fiscal year begins July 1 and ends June 30 the following year.

Fixed Assets

Assets of a long-term character which are intended to be held or used, such as land, buildings, machinery, furniture and other equipment. All items with a useful life of more than one year and a cost in excess of \$10,000 are classified as fixed assets.

Full Cost Recovery

The establishment of user fees which are equal to the direct and indirect cost of providing services.

Function

A group of related programs crossing organization (departmental) boundaries and aimed at accomplishing a broad goal or major service. The functions used in Reno's budget are those designated by the State of Nevada and are: General Government, Judicial, Public Safety, Public Works, Health and Sanitation, Culture and Recreation, Community Support and Debt Service.

Fund

A fiscal and accounting entity for which the recording of financial transactions is made for the purpose of carrying on specific activities in accordance with the requirements placed upon the use of financial resources.

A fund is a fiscal and accounting entity with a self-balancing set of accounts. Governments use several types of funds, which are listed here in order of use. Financial summaries of these funds are contained elsewhere in this document.

Governmental Funds:

- 1) General Fund - The General Fund is a Major Fund and accounts for most of the financial resources of the government, as it is the general operating fund for the City. General Fund revenues include property taxes, sales taxes, licenses and permits, service charges and other types of revenue that are not designated by law for a special purpose. The General Fund accounts for most of the departmental expenditures including some costs of community services, development services, maintenance and engineering, public safety, criminal justice services, support services and debt.
- 2) Special Revenue Funds - Special Revenue Funds are used to account for resources that are subject to certain legal spending restrictions. They are created when a resolution, statute or ordinance requires that specific resources are to be used to finance a particular activity. An example is the Street Fund, which was established in 1979 to comply with Nevada laws requiring that money distributed by the State from the collection of motor vehicle fuel taxes be used only for expenditures on streets, alleyways and public highways of the City.
- 3) Debt Service Fund - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt-principal, interest and other costs. Most general long-term debt is "general obligation" debt, secured by the full faith and credit of the issuing government. It is also used to account for payment of other long-term debts, including notes, lease-purchase agreements, and installment purchase contracts. The Retrac Debt Fund is a Major Funds and accumulates resources to repay debt issued to build the railroad trench.
- 4) Capital Projects Funds - These funds account for the financial resources to be used for the acquisition and/or construction of major

capital facilities, other than those financed by proprietary funds. Each year the City appropriates money for the work to be completed that fiscal year; fund balances are designated for the completion of the projects over a period of years. Examples of projects are fire stations, streets, sewer lines and drains.

Proprietary Funds:

5) Enterprise Funds - Enterprise Funds are used to account for operations that are either financed or operated in a manner similar to private businesses, or when the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for public policy, management control, accountability or other purposes. Rate schedules for services provided are usually established to insure that revenues are adequate to meet necessary expenditures. The Sanitary Sewer Fund is a Major Fund and is used to account for the operations and maintenance of the sewer system including sewer bill issuance and collection, sewer line installation, repair and maintenance, and finally the operations, improvements and repairs to two sewer plant facilities.

6) Internal Service Funds - Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments of the City, or to other governments, on a reimbursement basis.

Trust and Agency Funds:

7) Trust and Agency Funds - These funds are custodial (used to account for assets held by a government in a trustee capacity), and do not involve measurement of results of operations. They are generally limited to instances where legally mandated, or where a formal legal trustee relationship exists. Principal and interest in these funds may be expended in the course of their designated operations.

Fund Balance

The excess of assets over liabilities. A negative fund balance is called a deficit. A positive ending fund balance from one fiscal year is used as a resource for the following fiscal year's activities. (The ending fund balance for one fiscal year is the same amount as the beginning fund balance for the following fiscal year).

General Fund

The General Fund is a Major Fund and accounts for most of the financial resources of the government, as it is the general operating fund for the City. General Fund revenues include property taxes, sales taxes, licenses and permits, service charges and other types of revenue that are not designated by law for a special purpose. The General Fund accounts for most of the departmental expenditures including some costs of community services, development services,

maintenance and engineering, public safety, criminal justice services, support services and debt. (see Fund)

General Obligation Bonds

Bonds issued with the full faith and credit of the City. Repayment of these bonds has first call on the resources of the City.

Infrastructure

The physical facilities owned and maintained by the City. They include buildings, streets, traffic signals and equipment, bridges, culverts, sewer and storm drain pipes and equipment and parks.

Interest Earnings

Revenue earned on invested and idle funds. The City pools its cash and invests it in accordance with its adopted investment policy. Interest earnings are then allocated to the individual funds based upon their average cash balance.

Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments of the City, or to other governments, on a reimbursement basis. (see Fund)

Indirect Costs

An expense charged by one department/division to another for services performed or for expenditures of a general nature which are charged to one main account and allocated to other departments/divisions by a specified formula.

Modified Accrual Accounting

Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (when they become both measurable and available). “Measurable” means the amount of the transaction 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. A one-year availability period is used for revenue recognition for special assessment revenues. Anticipated refunds of such taxes are recorded as liabilities and reduction in revenue when measurable and their validity seems certain. Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt, which are recorded as fund liabilities when due.

NAB

Neighborhood Advisory Board- established in eight areas of the City. These citizen committees provide input to the City Council on all City services for their area and communicate the needs and desires of the residents to the City Council. The NABs are composed of residents who live in each Reno neighborhood. The members are a group of volunteers who are appointed by the City Council for three-year terms. The committee meetings provide an arena for residents to voice their concerns related to such issues as new development projects, police protection, code enforcement, neighborhood planning and other neighborhood

concerns. The boards receive funding based on population served to address local needs. City staff also provides support to these boards.

NAC

Nevada Administrative Code-the codified, administrative regulations of the Executive Branch of the State of Nevada for all governmental entities to follow.

NRS

Nevada Revised Statutes-the codified laws of the State of Nevada for all governmental agencies to follow.

Objective

A statement of specific direction, purpose or intent to be accomplished by staff within a program. Objectives should be measurable.

Operating Budget

A financial plan for the provision of direct service and support functions that provide basic governmental services. The operating budget contains appropriations for such expenditures as salaries and benefits, services, supplies, capital outlay and debt service/other.

Program

An organized set of related work activities which are directed toward accomplishing a common goal. Each City department is responsible for a number of related service programs.

Property Tax Rate

The amount of tax levied for each \$100 of assessed valuation. It is also called the ad valorem tax rate.

Reserve

A portion of fund balance earmarked to indicate 1) that it is not available for expenditure, or 2) is legally segregated for a specific future use.

Resources

Assets that can be used to fund expenditures. Examples include property taxes, charges for services, beginning fund balance or working capital.

Revenue

Income received from various sources used to finance government services. For example, sales tax revenue. The State of Nevada classifies revenues into the following categories:

- 1) Taxes. This category is primarily the ad valorem tax, which is restricted by State law.
- 2) Licenses and Permits. A license issued by a local government which allows a business to conduct a business or activity for an extended period of time. A permit generally restricts the activity to a specific date and place. Business licenses and building permits constitute the major portion of this category of revenues, but it also includes liquor licenses, City gaming licenses, animal licenses, and franchise fees. Limitations on these revenues are State imposed.

- 3) Intergovernmental Revenues are those resources that are collected by another government and are disbursed to the City based upon statutory authority and a set formula. They include: grants, cigarette tax, liquor tax, Basic and Supplemental City-County Relief Tax (sales tax), motor vehicle privilege tax, county gaming licenses and real property transfer tax. Most intergovernmental revenues are distributed by a formula based on revenues received in the previous year and growth in assessed valuation and population.
- 4) Charges for Service. The City charges businesses and residents for providing some specific service of direct benefit for that business or person.
- 5) Fines and Forfeits. These are fines and warrant revenues resulting from misdemeanor violations, traffic and parking violations, etc. occurring within City limits and imposed by the municipal court. In addition, it includes penalties assessed for delinquent payment of business licenses.
- 6) Miscellaneous. The largest resource in this category is interest income earned on invested cash during the year. It also includes various forms of reimbursement and restitution.
- 7) Other Financing Sources. This includes sale of fixed assets, transfers from other funds, and proceeds of long-term debt.

Revenue Bonds

Bonds whose principal and interest are payable exclusively from earnings of a revenue source.

Risk Management

The identification and control of risk and liabilities incurred by a local government to conserve resources used for accidental losses. Reno's risk management program is managed by the City Manager's Department with the assistance of the City Attorney.

SB509

Senate Bill 509-Assembly Bill 489- caps property tax bills of owner-occupied single-family residents and low income apartment owners at 3% per year. All other property owners have a cap using a 10-year rolling average or 8% whichever is less compared to twice the CPI. The cap is established at the greater of the two.

Special Assessment Districts (SADs)

Areas within the City where improvements have been made for the benefit of and paid for by the property owners within the district over a ten-year period. SADs are budgeted and accounted for in both capital project funds (during the construction phase) and debt service funds (during the debt repayment phase) according to standards set forth by the Governmental Accounting Standards Board.

Special Revenue Funds

Special Revenue Funds are used to account for resources that are subject to certain legal spending restrictions. They are created when a resolution, statute or

ordinance requires that specific resources are to be used to finance a particular activity. An example is the Street Fund, which was established in 1979 to comply with Nevada laws requiring that money distributed by the State from the collection of motor vehicle fuel taxes be used only for expenditures on streets, alleyways and public highway of the City. (see Fund)

Star Bonds

Sales Tax Revenue Bonds an economic development tool designed to used new sales tax revenues generated by new development to help pay the costs of the development.

Trust and Agency Funds

These funds are custodial (used to account for assets held by a government in a trustee capacity), and do not involve measurement of results of operations. They are generally limited to instances where legally mandated, or where a formal legal trustee relationship exists. Principal and interest in these funds may be expended in the course of their designated operations. (see Fund)

User Fees

Fees charged to users of a particular service provided by the City.

Ward

There are eight Ward's in the City of Reno this is a political boundary line to determine Council representation.