

BOISE CITY – GLOSSARY OF KEY TERMS

ACROSS THE BOARD REAPPRAISAL: Each year, the Ada County Assessor re-appraises approximately 20% - 30% of the properties located in Ada County. If assessments rise rapidly, Idaho State law requires the Assessor to consider indexing all property values at rates similar to like properties that were actually reappraised. Since 1991, property values for properties not appraised have been trended (indexed across the board), and assigned formula inflationary increases in value.

ADA COUNTY HIGHWAY DISTRICT: ACHD provides for all streets and roads within the county including Boise city. ACHD does not provide for State roads and Federal highways.

AD VALOREM: According to value.

AD VALOREM TAX: A tax levied on the assessed value of real property (also known as property tax).

ANNUAL APPROPRIATION DEBT: Under the Idaho Constitution, cities may issue debt, without a vote of the taxpayers, if it does not create an ongoing liability to the city and if it must be approved annual by the City Council.

APPROVED BUDGET: The Idaho State Code provides a budget adoption process that all municipalities must follow. The annual budget is approved by adopting the Annual Appropriation Ordinance for the fiscal year (including operating and fiscal year capital costs). Only one year annual budgets (including capital) are authorized. Therefore, the City adopts a two year budget plan for City purposes and formally adopts each year of the budget separately as code requires.

APPROPRIATION: The legal authority to spend within the approved budget. Prior to incurring the actual expenditure/expense, the City budget and accounting process requires that the funding to support the appropriation be identified and/or accrued.

ASSESSED MARKET VALUE: For property taxation purposes, the County Assessor establishes a market value for all real and for certain personal property within the taxing jurisdiction. In Idaho, property is assessed at full market value using appraisal techniques based upon comparable sales or construction cost data. Every parcel within the County is reappraised on a scheduled basis, usually every three to five years. Gross market value for assessment purposes (GMVAP) reflects the full (100%) market value on the County Assessor's records for the property. Net market value is the GMVAP less any applicable exemptions. Homeowners and certain low-income persons can qualify for exemptions under state code.

AUTHORIZATION: The authorization process involves approval both of expenditure/expense plans and the actual commitment or obligation. Final authorization requires the

budget approval for the specific commitment by the Mayor and City Council, as well as expenditure/expense approval through the purchasing/accounting control process.

BASE BUDGET: The expenditure and revenue base budget reflects on-going costs and revenues for services that are reasonably anticipated to be provided in the future. One-time costs and revenues do not generally become a part of the base budget. New on-going commitments (e.g.: additional facilities to maintain or new personnel costs to support added services) and on-going funding sources (e.g.: a new revenue source) become part of the base and therefore must be considered for their effects on future budgets

BIENNIAL BUDGET: See TWO-YEAR BUDGET

BOND: A written promise, generally under seal, to pay a specified sum of money, called the par value or principal, at a specified date or dates in the future, called the date of maturity together with periodic interest at a specified rate.

BOND RATING: The rating established by a rating company (such as Fitch, Moody's or Standard and Poors) that assesses the City's financial stability, resources and capacity to repay the issued debt by evaluating the organization's administrative management, financial management, debt load, and local economics.

CAPITAL BUDGET: The plan for future capital facilities construction or repair, rehabilitation or renovation. Boise's capital budgets are multi-year in nature with the action year for appropriation authorization incorporated into the overall annual budget process. Capital projects often extend beyond the fiscal year in which the project is first approved. Therefore, the City either appropriates the entire project cost in the initial fiscal year or identifies annual phases, which may be approved in future years if funding is available. By policy, operating costs in all proposed capital projects must be estimated when submitted for consideration. The City Council approves future operating costs as a component of approval of capital projects.

CAPITAL IMPROVEMENT PROGRAM (CIP): The CIP is a six-year plan of projects for new capital facilities or for major repair, rehabilitation or repair of existing facilities. The CIP presents a comprehensive picture of the City's capital needs within the five-year period and facilitates budget planning.

CERTIFIED PROPERTY TAX: Consistent with Idaho State Code, Boise City certifies to the County Tax Collector, the property taxes required for the upcoming budget year. Property owners then pay the taxes in December and June of the fiscal year. The County Clerk and the State Tax Commission have authority to approve the amounts and to complete the certification.

CHANGE BUDGET: The City focuses on changes proposed for existing service levels, for new facilities and other significant changes in the base budget in a 'change budget' process.

CITY COUNCIL LIAISONS: The Boise City Council is organized to assign liaison responsibility for each City Department, for significant community organizations and for relations with other entities to individual Council Members. Committees are established by subject area for liaison meetings.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG): An entitlement grant program authorized by the federal government which provides a federal grant for each year in which the program is authorized by Congress. The entitlement is based upon a formula that includes the City's population. The CDBG is limited to eligible uses of the funds and generally affects low and moderate-income persons or the elimination of slums and blight. CDBG has been a significant source of capital funds for Boise since 1974.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The CAFR is the financial statement to the citizens and the financial community of the City's financial health. This financial performance report includes results of the completed fiscal year operations and the status of all City funds and account groups. It also includes a disclosure of the City's compliance with generally accepted accounting principles and governmental accounting and financial reporting standards as promulgated by the Government Standards Board.

CONTINGENCIES: Contingent accounts are established in each fund to provide for unanticipated needs. Use of contingent funds requires Mayor's Budget Team, Mayor and City Council approval. The contingent account in the General Fund is budgeted at about 0.3% of total resources annually.

CURRENT LEVEL BUDGET: A key to the annual budget process is to identify the budgetary needs (costs and resources) to continue the services that have previously been provided (base services).

DEBT SERVICE: The annual payments that are required to support debt issues including interest and principal payments.

ENTERPRISE FUND: A fund in which government services and activities are supported primarily through user charges. Rates and charges are set at a level to provide the total cost of the services including depreciation.

ENTITLEMENT CITY: In federal grant regulations, entitlements are grants provided to eligible cities based upon a predetermined formula. For example, the City of Boise is an Entitlement City for Community Development Block Grants (CDBG).

FEDERAL GRANTS: The City anticipates receiving federal grants in FY 2004 and 2005 in the areas of Housing, Homeland Security, Aeronautics, Green Belt Development, Police and Library. Federal Grants require following specific federal guidelines.

FISCAL YEAR: Idaho State Code sets the municipal fiscal year as the twelve-month period beginning October 1st. Therefore Fiscal Year 2004 begins October 1, 2003 and ends September 30, 2004.

FORENSIC AUDIT: The City underwent an investigation to examine whether a department fraudulently reported its finances.

FTEs - FULL TIME EQUIVALENTS: Personnel resources are budgeted by position (which may be full-time or part-time). Positions are identified by their equivalence to a full-time position. For all positions but fire fighting positions, one (1.0) FTE equals 2,090 hours per year. Fire fighting positions equal 2,823 hours per FTE.

FUND: A fiscal accounting entity with a self-balancing set of accounts recording cash and other financial resources together with related liabilities and residual equities or balances.

FUND BALANCE/FUND EQUITY: Fund balance is used for government funds. Fund equity or retained earnings are used for enterprise funds. Governmental funds use a spending measurement focus. Only current assets and current liabilities are generally included in the balance sheet. Fund balance is a measure of the net current assets, or available resources for spending listed on the balance sheet which are either reserved (legally segregated for a specific use or not appropriate for expenditure) or unreserved. Enterprise funds are used to account for operations: a) that are financed and operated in a manner similar to private business – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered, primarily through user charges; or b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

GENERAL FUND: The fund that accounts for all revenues and expenditures, which are not accounted for in specific purpose funds. It finances the ordinary operations of the City.

GENERAL OBLIGATION BOND ISSUE: Idaho Code provides for two kinds of General Obligation bonded indebtedness: 1) capital bonds to construct capital facilities and 2) operating cost overrides to fund current program and service costs. Both kinds of General Obligation debt require approval by a two-thirds majority of the electorate. Debt service can be funded as a special levy beyond general property tax limitations.

HOMELAND SECURITY GRANTS: The City has applied for grants offered by the Department of Homeland Security to enhance the City's preparedness in responding to acts of terrorism and violence.

INCENTIVE REALLOCATION: One of the key budget policies for encouraging cost reduction and efficiency. At year-end, a portion of department savings is returned to the department for discretionary use. The uses are generally for productivity tools and other improvements.

INTERGOVERNMENTAL: The City has many legal, contractual and cooperative relationships with other governmental entities. Intergovernmental revenues are generally either grant funds or formula distributions. Many intergovernmental activities relate to the federal and state governments however, other levels are also included. For example, Ada County collects the property tax and all street-related projects require close cooperation with the Ada County Highway District.

JUDICIAL VALIDATION OF DEBT: Under Idaho Code, cities may seek judicial review of proposed debt issuance to determine whether the instruments meet the requirements to qualify under the Constitution as either “ordinary and necessary” or “annual appropriation” debt.

MAINTENANCE AND OPERATIONS (M&O): Costs for materials, supplies and services needed to provide programs and services. The M&O budget includes all costs except personnel, equipment and capital.

MANDATES: The Federal and State government establish these legal requirements that all cities must follow. Some entail significant costs, which must be funded locally.

MAYOR’S BUDGET TEAM (MBT): The MBT was established to advise the Mayor in the management of the citywide budget process including budget development and interim budget management.

MAYOR’S PROPOSED BUDGET: City and State Code require the Mayor to prepare a proposed budget for all City operations and capital annually and to present it to the City Council for their review, amendment and adoption. The Mayor has established a budget staff and process to assist in preparing the proposed budget for his approval.

OCCUPANCY TAX: Taxes assessed for new properties, pro-rated for the portion of the year that the property is occupied. Since they are pro-rated, the values under the occupancy permit are less than the true value of the property.

ONE PERCENT INITIATIVE; In 1978, voters in Idaho approved an initiative, popularly termed the ‘One Percent Initiative’ which was modeled after California’s Proposition 13. In Idaho, however, the State Legislature is required to implement such an initiative. The legislature adopted a number of measures after 1979 to implement the ‘One Percent Initiative’. In 1991, the last constraints from the One Percent Initiative were removed by the State Legislature and replaced with the ‘Truth in Taxation’ requirements. In 1995, the Legislature approved and the Governor signed House Bill 156, which reinstated property tax limitations.

OPERATING BUDGET: The costs to provide personnel and supporting maintenance and operation services, as well as the costs for equipment and major categories in the operating budget.

ORDINARY AND NECESSARY DEBT: Under the Idaho Constitution, cities can issue debt to replace certain municipal facilities without a vote of the electorate. Debt service must be made from current revenues.

PEOPLESOFT: The City purchased an integrated financial and human resources software system called PeopleSoft. It uses relational data base management and provides improved reporting and analytical tools.

PERFORMANCE MEASURES: Specific quantitative measures of work performed within a Service Unit or

Department. Also, a specific quantitative measure of results obtained through a program or activity. Performance measures are used to focus process improvement, to report on the impact upon customers and to evaluate efficiency. Performance measures include:

- Output – activity or work units completed
- Efficiency – rates of output to resources used
- Outcomes & Effectiveness - impact on customers

PRELIMINARY BUDGET: The Idaho State Code requires the City Council to adopt a preliminary budget and then to set a public hearing to receive public comment about the appropriateness of the preliminary budget. The City Council may change the budget after the public comment is received and considered, but may not increase the expenditure and expense total.

PROCLARITY: A business intelligence software that the City uses to customize and share analysis among City departments.

PROJECTION: Estimation of revenues and expenditures based upon past trends, current economic conditions and future financial forecasts.

PROPERTY TAX EXEMPTION: The Idaho Legislature has established through the Idaho State Code various exemptions within the property tax assessment process. The ‘Homeowners Exemption’ provides a reduction of one half the market value of residential improvements (excluding land) up to a limit of \$50,000 for owners that live in the home. The ‘Circuit Breaker Exemption’ is provided to seniors with low income. The effect of the exemption is to reduce the property tax upon the qualifying properties.

PROPERTY TAX RATE: The total amount of tax levied for each hundred dollars (\$100) of real and personal property within a taxing district as determined by the County assessor and the State of Idaho as the basis for levying taxes.

PROPERTY TAX LIMITATIONS: in 1995, the legislature approved House Bill 156 which set a limit for annual increases on property tax of no more than 103% of the prior year total levy plus a growth-related amount for annexation and new construction. Voters may authorize, by majority vote, a taxing district such as the City to exceed the limitations for a period not to exceed two years.

QUARTERLY REPORTS: City Departments report progress related to the operations budget, capital projects and performance measures quarterly. The Department of Financial Management (DFM) prepares citywide summaries of financial performance in Quarterly Reports.

REFINANCING BOND: In 1996, Boise refinanced its cash flow borrowing in order to move to a current basis for property tax collections. The Refinancing Bond issue is a fifteen-year debt issue with a principal amount equal to the FY 96 property tax proceeds. The goal for the refinancing was to eliminate the need for borrowing 50% - 70% of the tax funds cash flow by ‘taking out’ annual short term borrowing with one long-term issuance.

RETAINED EARNINGS: See **FUND BALANCE/FUND EQUITY**

REVENUE ANTICIPATION NOTES (RANs): RANs are cash flow borrowings in the national municipal credit markets to allow the City to obtain funds to meet current obligations in advance of receipt of revenues. Idaho State Code and federal arbitrage rules constrain the amount and timing of borrowings.

REVENUE BONDS: Idaho State Code provides cities with the ability to issue debt, supported by user fees, to construct facilities, which provide services, which can be associated with user benefits and fees. Revenue bonds require approval by a two-thirds majority of the voters.

SERIAL LEVY: Under the provisions of House Bill 156 adopted in 1995, voters may approve a property tax levy for operation or capital services through a simple majority vote. The levy may not exceed two years in length, however it may be renewed. Previously all property tax override or bond issues required a two-thirds majority vote.

SERVICE GROUP: A service group is comprised of one or more service units to define similar or related services.

SERVICE GROUP BUDGETING: The City is moving towards a budget and accounting system that identifies and reports costs by basic services in order to focus on efficiency and to support evaluation of city programs.

SERVICE UNIT: The basic unit of services in the City. All City services are organized into Service Units focusing on outcomes for customers. All City Service Units are prioritized.

SIX (6) YEAR CAPITAL AND EQUIPMENT PLAN: The City Council adopts six-year capital and equipment plans for planning and projection purposes. The first two years are funded in the two-year budget.

SIX (6) YEAR FINANCIAL PLAN: The City Council has adopted a six-year financial plan that is updated at least biennially. The plan includes an economic scan, a comprehensive list of financial policies, a six-year projection of costs and revenues and a list of budgetary policies.

SIX (6) YEAR PROJECTION: The City has developed and uses multi-year financial projections to evaluate the effects of budgetary and other financial decisions on the City's overall financial position.

STRATEGIC PLAN: The key contextual document upon which the two-year budget is based is the strategic plan. For the FY 2004-2005 two-year budget, the Strategic Plan was updated to report progress on initiatives and tactics. The Strategic Plan Update (SPU) was the focus of the Mayor's Proposed Budget.

SWORN EMPLOYEES: Employees required under the Municipal and State Codes to enforce the law or to otherwise carry out the City's police power protecting the health, safety and welfare of the community. Often this term is used to denote the officers (non-civilians) in the Police and Fire departments. However, other municipal officers are under oath to enforce the City Code. They include the Mayor, officers of the court (City

Attorneys and Court Marshals), Building and Zoning Inspectors and Licensing Enforcement Officers.

TAX FUNDS: The General and Capital Funds are often referred to as 'Tax Funds' connoting their primary funding sources of general taxes and discretionary revenues.

TWO-YEAR BUDGET (2YB): The City adopts a two-year capital and operating budget. This avoids the need for extensive budget preparations every year and is a productivity improvement. Idaho State law requires adoption of annual budgets; therefore, the second year of the two-year budget requires publication of a notice, a Public Hearing and adoption of an authorizing Ordinance. Even with these requirements, additional budget development work is largely eliminated for the second year of the two-year budget.