

## **FINANCIAL AND BUDGET TERMS GLOSSARY**

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**Adopted Budget** - appropriations adopted by the City Council.

**Adoption** - formal action by the City Council, which sets the spending path for the fiscal year.

**Appropriation** - legal authorization given by the City Council to make expenditures and incur obligations using City funds.

**Assessed Value** - the valuation of real property established by the Property Appraiser as a basis for levying taxes.

**Bond** - a special type of “loan” that provides funding for capital projects. Local governments are prohibited from borrowing funds to cover standard operating expenses.

**Debt Service Budget** - the debt service budget is money used to repay bond issues.

**Non-Departmental Budget** - the purpose of the Non-Departmental account/program is to record expenditures for those items that are not directly associated with any one department or operating budget, but to the City as a whole. Those expenses include, personnel payout cost (per MOUs provisions), unfunded accrual liability, retiree medical contributions, and transfer out to assigned reserve.

**Enterprise Fund** – the funding source for city agencies that are self-supporting, such as resource recovery facilities and water and wastewater facilities.

**Fiscal Year** - the 12-month financial period in which funds are appropriated and accounted for by the City, which begins July 1 and ends June 30 of the following year. A fiscal year is identified by the year in which it ends.

**Fund** - monies set aside and accounted for separately in order to ensure that the monies are spent for a specific purpose.

**Fund Balance** - the balance remaining after accounting for all liabilities and revenue incurred during that year, plus the previous year’s fund balance. It is calculated at the end of each fiscal year.

**Mandated Service** - required by State, Federal, County law, health and safety code of California, contractual obligations, legal and tort liabilities.

**MOU** - Memorandum of Understanding. A labor contract pursuant to state, law, the Meyers, Millias and Brown Act, between the City and a labor union or organized group of employees under which all conditions of employment are negotiated.

**Operating Budget** - a plan of financial operations that provides a basis for the planning, controlling, and evaluating the operational portion of governmental activities. The operating budget supports ongoing services and programs.

**Property Tax base** – total value of land and property upon which a taxing authority can levy taxes. The tax base is often different from the total property value in any area because some types of property, like schools and government facilities, are exempted from property taxes.

**Redwood Empire Municipal Fund (REMIF) | California Intergovernmental Risk Authority (CIRA)** – Annually, the Redwood Empire Municipal Insurance Fund (REMIF) and the California Intergovernmental Risk Agency (CIRA), which are the City's self-insured joint powers authorities, manage the insurance claims, benefit programs, and risk management for member cities. The REMIF/CIRA Board Members, including Vice Mayor Zollman and Councilmember Hinton, establish a budget for insurance premiums for the participating cities in this collective. Based on the premiums determined by REMIF/CIRA, the City of Sebastopol budgets accordingly. These premiums cover various claims such as workers' compensation, personal liability, and property insurance.

**Accrual in lieu** – An arrangement where employees accumulate a certain benefit, such as leave or time off, but instead of taking the time off, they receive a payment for it. This often happens when an employee has earned more leave than they can use or carry over to the next period, and the employer compensates them financially for the unused time. It's like having a savings account of time off; if you don't use it, you get paid for it instead.

**Health in lieu** - Employees who opt out of the city-provided health plan are entitled to a "cash in lieu" benefit, which is a monetary amount provided to the employee instead of health insurance coverage.

**Unfunded Accrued Liability (UAL)** – It is the gap between the future money needed for employee benefits, like pensions, and the funds currently saved for them. It's the difference between the total amount that should be paid to employees after retirement and the actual savings available. UAL shows how much more needs to be added to the savings to ensure all promised payments can be made to retirees. It's a way to measure how much more money needs to be saved to cover future payments to retired employees. The difference between the estimated cost of future benefits and the assets that have been set aside to pay for those benefits.

**Non Departmental Budget** - The purpose of the Non-Departmental account/program is to record expenditures for those items that are not directly associated with any one department or operating budget, but to the City as a whole. Non-Departmental operating expenses include, personnel payout cost (per MOUs provisions), unfunded accrual liability, retiree medical contributions, and transfer out to assigned reserve.