

Section H
Budget Reference

Budget Reference Materials



OVERVIEW

The following materials are included in this section to facilitate the reader's understanding of the Financial Plan document and preparation process:

- Frequently Asked Questions
- Budget Process
- Budget Calendar
- Budget Policies and Practices
- Demographics & Statistics – Includes selected financial and demographic information, generally presented on a ten year historical basis.
- Appropriations Limits
- Fund Structure Chart
- Budget Glossary - The Annual Budget contains a number of terms that may be used in a manner unique to public finance or the City's budgetary process. The purpose of the Budget Glossary is to provide common terminology in discussing the City's financial operations.

Frequently Asked Questions



What is the biggest budget issue facing the City in the coming year?

As has been the case for a number of years, the most difficult budget issue facing the City is identifying adequate resources to fund an ongoing deferred maintenance program. Past budget messages have highlighted the issue of the lack of discretionary funds for maintenance purposes. Securing permanent funding for on-going operating expenditures will be a continuing challenge as the City sees funds taken away by the State as a way to reduce their budget deficits. Another issue is continued oversight of Measure O expenditures.

Why is it necessary to have reserves?

Sufficient levels of unreserved Working Capital can help to ensure the continued orderly operation of government and the provision of services to residents. The maintenance of such stability is important when considering the possible effects of external influences, such as an economic downturn, on the government's financial condition. Those governments that have recognized the economic uncertainty facing governments, and that have had the foresight to develop adequate financial resources in response to this uncertainty, will be able to deal much better with the consequences of a slowing economy than those who have not. Also a Working Capital reserve may also be legally required, such as by bond indenture. Each city has its own method for calculating its minimum Working Capital reserve. Some use from as little as 3% to as much as 20% of their operating budget. The City calculates its minimum Working Capital reserve as 60 days of the operating budget.

What are the major General Fund revenues?

The largest source of revenue for the City's General Fund is sales tax, including sales tax in-lieu of property taxes representing 60% of total General Fund revenues. Representing less than 10% each are the Transient Occupancy Tax at 8.0% and property taxes at 6%.

What is the General Fund's largest expense?

\$12,360,895 or 45% of General Fund operating expenditures is spent on police services; this represents the largest operating budget of the City. Next is the fire services operating budget \$7,486,817 or 27% of General Fund operating expenditures.

Budget Process



The budget process was designed to provide a strategic planning focus for the development of the City's Annual Budget.

Phase I: Goal Setting and Long Term Financial Planning

The City Council finalized a strategic plan in May 2013. This plan provides a policy agenda for 2013-14 for the City Council and a management agenda for city staff. Both agendas are reflected throughout the budget document. The agendas identified in the strategic plan are short term objectives instrumental in achieving City Council goals for 2018 and a City Council vision of Eureka in 2028 which recognizes Eureka as a beautiful, historic, and dynamic seaport city. The strategic plan also identifies a mission statement for the Eureka City Government which is to be financially responsible and to provide effective municipal services in a personal responsive manner and in partnership with community.

Phase II: Capital Improvement Planning

Annually a Five-Year Capital Improvement Plan (CIP) is prepared. Departments prepare prioritized project requests during the annual budget process. The requests are based on a variety of individual program plans, including the Sanitary Sewer Master Plan, Facilities Plans, the Zoo Master Plan, etc. Recommended citywide funding priorities are determined and the City Manager and Department Heads approved priority lists for Capital Improvement Program for consideration in the Annual Budget.

Phase III: Department Operating Budget Requests

City departments prepare requests for operating budgets to maintain current services and for service enhancements. Requests are based on a variety of program plans, as mentioned above, and individual departmental strategic plans. Department budgets are prepared consistent with the budget development policies and procedures. These procedures tighten base budgets while focusing on priority changes needed.

Phase IV: Proposed Budget to City Council

Annually, in June, the Proposed Budget is presented to the City Council. Included in this budget are recommendations for: the base budget, service enhancements to meet increased demand, and priority capital projects. These recommendations are described in the Budget Message at the front of this document.

Phase V: City Council Reviews Proposed Budget

The recommendations are discussed by the City Council in budget workshops set forth by the Council. The City Council determines when public hearings will be held and public notices will be sent out at that time. The Finance Advisory Committee, appointed by the City Council reviews the proposed budget revenues and appropriations.

Phase VI: Final Adoption

Prior to June 30, the City Council approves the Proposed Budget as adopted following a public hearing process. If this does not occur prior to June 30, the city charter provides for the previous year's operating budget appropriations to carry over until the new budget can be approved.

*FY2013-14
Budget Preparation Calendar*



| Date | Task | Staff |
|-------------------|--|--|
| January 7, 2013 | Finance provide departments with instructions for the Mid-year Budget review process | Finance |
| February 22, 2013 | All departments submit complete Mid-year budget packets, including 2012-13 estimated actuals to Finance. | Departments, Finance |
| March 5, 2013 | Presentation of 2012/13 Mid-year Budget Report. | Finance, City Manager |
| March 6, 2013 | Kickoff meeting: discuss process and distribute materials | Finance, Departments, Manager |
| March 7-March 15 | Departments and accountants meet to review Personnel sheets in detail | Finance, Departments |
| March 29, 2013 | All Departments submit complete packets of 2013-14 operating budget requests, all other accompanying materials | Departments |
| March 29, 2013 | Submit project forms to Finance | Engineering, PW |
| April 4, 2013 | Strategic Visioning | Staff |
| April 19, 2013 | Departments turn in Fee Schedule changes | Departments |
| April 15-19 | Departments, Finance & City Manager review operating budgets and service alternatives. Finance, Personnel & City Manager review personnel service alternatives. | Departments, CM, Finance, Personnel |
| April 15-19 | Departments and accountants meet to review certain revenue projections | Finance, Departments |
| April 26, 2013 | Departments turn in budget document narrative, goals & objectives, etc. | Finance, Departments |
| May 6, 2013 | Strategic Visioning | City Council |
| May 22, 2013 | Strategic Visioning Recapitulation | Staff |
| June 4, 2013 | Present the 2013-14 Fiscal Year Budget to Council | CM, Finance, Departments, City Council |
| June 6, 2013 | Special Finance Advisory Committee Meeting to introduce budget | Finance Advisory Committee, Staff |
| June 11, 2013 | Special Council meeting for Budget Workshop (1 of 2) | CM, Finance, Departments, City Council |
| June 13, 2013 | Special Council meeting for Budget Workshop (2 of 2) | CM, Finance, Departments, City Council |
| June 18, 2013 | Council adopts operating and capital budget | CM, City Council |

Budget Policies & Practices



The City Council has adopted a set of budgetary and financial policies as recommended by the Finance Advisory Committee. These policies are presented below, along with other long-standing policies.

GENERAL

Budget decisions will be driven by City Council vision, values and priorities.

The City Manager will provide a financial impact analysis of all policy initiatives, service changes and new projects.

CITIZEN INVOLVEMENT

Citizen involvement shall be encouraged in the annual budget decision making process through public hearings.

BUDGET SYSTEM

The City will maintain a budget control system to adhere to the budget.

Decision making for capital improvements will be coordinated with the operating budget to make effective use of the City's limited resources for operating and maintaining facilities.

OPERATING BUDGETS

The City uses a program budget. The program level is the lowest level in the organization for which budgets are prepared. Each program's budget will include financing and spending plans.

Each program will also propose an annual performance plan. The plan must identify ongoing program objectives and corresponding indicators which measure performance. The plan should also include specific project objectives which have results during the budget year. All performances at the program level must meet the budget goals and policies established by the City Council.

Department and program managers will not exceed the Council-approved appropriations for operating budgets.

CAPITAL IMPROVEMENTS

The City will actively pursue grant and other outside funding sources for all capital improvement projects.

The City will undertake to maintain all of its assets at a level adequate to protect the City's capital infrastructure and to minimize future maintenance and replacement costs. The City will use a five-year Capital Improvement Plan (CIP) to systematically plan, schedule, and finance capital projects as determined by the City Council. The CIP will include major ongoing maintenance and rehabilitation costs to existing infrastructure and facilities, as well as the cost of new facilities or capital improvements.

Whenever the City finances capital projects by issuing long-term debt, it will repay the debt within a period not to exceed the expected useful life of the project.



WORKING CAPITAL (RESERVES)

Unappropriated revenues and Working Capital in governmental funds at the end of each fiscal year will be appropriated for future use into a "Reserve for Working Capital."

The appropriation of carryover Working Capital must be approved judiciously. This should ensure that recurring expenditures will be budgeted only to the extent that recurring revenue streams exist.

STABILIZATION FUNDS (RESERVES)

General Fund

The General Fund Working Capital (Reserves) should be adequate to handle extraordinary unbudgeted expenditures and economic downturns, which could cause revenues to come in lower than estimated. The minimum Working Capital should be 60 days of the operating expenditures, not including designated or reserved components of Working Capital (approximately \$3.9 million for 2012-13). All budgetary decisions will be viewed in light of this goal. The City shall undertake to reach this goal by budgeting a minimum of \$250,000 per year to increase the Working Capital until the goal is reached.

Once this goal is attained, should the Working Capital fall below 60 days of operating expenditures, a plan for expenditure reductions and/or revenue increases shall be submitted to the City Council via the Finance Advisory Committee. If, at the end of a fiscal year, the Working Capital falls below 60 days of operating expenditures, then the City shall rebuild the balance within one year.

If the Working Capital exceeds 60 days of operating expenditures, the difference may be used to fund the following activities:

- One-time capital expenditures which do not increase ongoing City costs
- Other one-time costs
- Capital maintenance projects
- To increase reserves

A minimum of \$50,000 will be allocated on an annual basis to be deposited in the Contingency Reserve Fund to fund ongoing capital maintenance.

The 2012-13 budget does not include the \$250,000 increase to working capital or the \$50,000 for the contingency reserve.

Enterprise Funds

Appropriate levels of contingency funds will be determined and maintained in the City's enterprise funds. As with the General Fund, an amount approximating 60 days of operating expenditures should be maintained in the City's Water, Wastewater, Transit and Harbor funds. Those amounts are \$893,044, \$1,032,458, \$317,698, and \$109,346 respectively. Equity balances will also include amounts to be used for future capital projects.

Budget Policies & Practices



The City will establish reserves to comply with the terms and conditions of the debt instruments and grants used to finance capital projects. Current reserve requirements are listed below.

1973 Municipal Harbor Improvement Bonds: The City maintains at least one year's debt service as a reserve.

California Department of Boating and Waterways Loan: The City is required to deposit annually: \$20,000 into a Dredging Reserve Fund for the term of the Loan Contract (until 2028) to pay for the cost of a five year dredging cycle program; \$100,000 into a Debt Service Reserve Fund until the balance equals (including interest earned thereon) \$1,000,000; \$30,000 annually into a Capital Improvement Reserve for the term of the Loan Contract to pay for all anticipated costs of berth replacement and other normally occurring capital improvements within the project area (Small Boat Basin).

EPA Wastewater Treatment Plant Grant: The City is annually required to deposit \$250,000 into a Reserve for Treatment Plant Replacement, to be capped at \$3,700,000, and \$150,000 into a Reserve for Collection Facilities Replacement, to be capped at \$2,000,000.

Internal Service Funds

The City will maintain adequate reserves to fund claims and increased costs in Risk Management Fund that houses the Workers Compensation, Liability and Group Health and Benefits insurance benefits. Adequate reserves are estimated to be:

Risk Management Fund \$1,000,000

The City will maintain adequate reserves to fund scheduled vehicle maintenance and replacement in the Equipment Operations Fund.

The City will maintain adequate reserves to fund scheduled computer maintenance and replacement in the Information Technology Operations Fund.

REVENUES AND FEES:

The City will endeavor to maintain a diversified and stable revenue base to minimize the effects of economic fluctuations on revenue accumulation.

The City currently follows this policy

The level of user fee cost recovery should consider the *community-wide* versus *special service* nature of the program or activity. The use of general purpose (tax) revenues is appropriate for community-wide services, while user fees are appropriate for services which are of special benefit to easily identified individuals or groups.

Budget Policies & Practices



The City will set fees and rates at levels which fully cover the total direct and indirect costs including debt service, reserve requirements, and capital costs of the following enterprise programs:

- Water Utility
- Wastewater Utility
- Building
- Humboldt Bay

The City will set transit fare charges adequate to maintain a cost fare box ratio sufficient to comply with the Transportation Development Act.

Fees will be reviewed annually, and after recommendations from staff for adjustments, the City Council shall annually adopt a resolution establishing fees and service charges for the City. Items to be considered when reviewing fees include:

- Comparability with other communities
- Special benefit
- Service recipient vs. service driver
- Effect of pricing on the demand for the service
- Feasibility of collection and recovery
- Factors that favor low cost-recovery levels
- Factors which favor high cost-recovery levels

The following fee cost recovery policies apply:

Recreation fees: Charges will be assessed for use of City facilities, gymnasiums, ball fields, special use areas, and recreation equipment for activities not sponsored or con-sponsored by the City. Such charges will generally conform to the fee-supported categories listed below. Activities covered include commercial, private non-profit, youth, and schools.

The following programs are considered “maximum” user fee-supported programs, which should recover 100 percent of direct program costs, along with a percentage of indirect program costs, as follows:

| | |
|------------------------|-----|
| Youth and Adult Sports | 50% |
| Special Classes | 85% |
| Roller Skating | 50% |

Other “maximum” user fee-supported programs include Special Events and Junior Athletics.

“Minimum” user fee-supported programs include Senior Activities, Youth Centers and Activities, Playground Activities and Co-sponsored Special Interest Activities.



The Public Works Department examines these fee schedules annually and recommends changes as needed.

Planning fees: Fees should be set to recover 100% of the estimated cost of processing permits or providing services.

Building fees: As part of an annual fee resolution adoption process, the City will adopt the most current valuation data as published in Building Standards, and give consideration to adopting any new fee rate increases as published in the Uniform Administrative Code (UAC) [adopted by the City Council March 01].

The permit fee schedule is published in the UAC, which is updated every three years. As mandated, the City takes the permit fee schedule to the Board of Appeals for review, as they do when the codes themselves are presented for adoption. At this time, the Humboldt Builders Exchange and North Coast Homebuilders are noticed and asked to comment as a courtesy.

It is the intention of the City to establish and update the permit fee schedule when codes set forth by the UAC are adopted.

DEBT ISSUANCE AND MANAGEMENT:

The following elements should act as a guide when considering the use of debt financing:

The City will consider the use of long-term debt financing only for one-time capital acquisitions and construction projects, and only under the following circumstances

- When the acquisition s or project s useful life will equal or exceed the term of the financing
- When the project revenues or specific resources will be sufficient to service the long-term debt
- When a public-private or public-public partnership is judged to be fiscally sound and the resources of the City are a small, but necessary, element of the project.

Debt financing will not be considered appropriate for:

- Current operating and maintenance expenses except for issuing short-term instruments such as revenue anticipation notes or tax anticipation note
- Any recurring purpose



USE OF ONE-TIME REVENUES

One-time revenues should not be used to balance budgets, and will be used for time-limited services, capital projects, equipment requirements, establishment of reserves, or services that can be terminated without significant disruption to the community or City organization. Before accepting one-time revenues such as grants for specific projects or programs, consideration and careful analysis should be given to the long-term implications of accepting the revenue. Funding for positions or projects should not be accepted if the City cannot afford to maintain the project or continue funding the positions after the one-time revenue is gone.

EVALUATE THE USE OF UNPREDICTABLE REVENUES

The City will evaluate the use of unpredictable revenues in the matching of current revenues to current expenditures. State subventions and reimbursements are examples of such unpredictable revenues.

BALANCING THE OPERATING BUDGET

The operating budget will be balanced with current revenues, which may include beginning Working Capitals less required reserves as established by the City Council.

REVENUE DIVERSIFICATION

To the degree possible, the City will strive to maintain a diversified and stable revenue base to protect against short-term fluctuations in any one revenue source, and to ensure its ability to provide ongoing service.

CONTINGENCY PLANNING

At appropriate intervals throughout the budget year, the City Council will review recommended reductions to annual appropriations should anticipated revenues not be received. This review process will be considered the City's Contingency Planning Process.

OVERHEAD COST ALLOCATION

Identifiable overhead costs shall be allocated to the appropriate program within the limits of state and federal law.

Budget Policies & Practices



RETIREMENT

The budget will provide for the adequate funding of all retirement systems.

FUNDING FOR OUTSIDE ORGANIZATIONS

The following process will be used for the distribution of City funds (both cash and in kind contributions or services) to outside organizations:

All City fund distributions will be based on performance measures as delineated within each contract between the City and an outside organization. Performance measures are statements of specific direction, purpose, or intent based on the needs of the community and the goals established for a specific program. These performance measures will be clearly stated as objectives that are measurable in quantitative terms.

Accomplishment of the objectives stated within each contract with an outside organization will be measured through performance indicators. The performance indicators will be similar to those used for each program within the City's annual budget. Performance indicators are measures of output, efficiency or outcome, for each contract objective.

The City will contract with outside organizations to administer City or Redevelopment programs that are required or desired by the City and can be done more cost effectively by the contracted organization. The contract for service with an outside organization will be regularly updated maintaining current performance measures and performance indicators.

The City will conduct an annual review of current contracts with outside organizations receiving funds from the City during the City's annual budget preparation process (January through March).

Requests for City funds from additional outside organizations will be reviewed during this same time period.

BUDGETS AND BUDGETARY BASIS

The City uses two fund types to account for its activities. Governmental funds (the General Fund, special revenue funds, debt service funds, capital projects and expendable trust funds), focus on measurement of current financial resources. Proprietary funds (enterprise, internal service, and pension trust funds), which are used to account for activities similar to private businesses, focus on the determination of net income. Under generally accepted accounting principles (GAAP), the modified accrual basis is followed by governmental funds, which means that revenue is recognized when measurable and available for paying the liabilities of the current period. Also, under GAAP, the full accrual basis of accounting is used by proprietary funds. This means that revenues are recognized when earned and expenses are recorded at the time liabilities are incurred. All annual appropriations lapse at year end except amounts that have been encumbered.

Annual appropriated budgets are adopted for all funds of the City except agency funds. In general, the budget is prepared on a basis consistent with GAAP. However, the budget varies from GAAP basis in the following areas:

- Budgetary revenues include such items as repayments of loans receivable and other items which on a GAAP basis are considered as reclassifications of Working Capital between reserved Working Capital and unreserved Working Capital

Budget Policies & Practices



- Non-GAAP (budgetary basis) expenditures include encumbrances (in the year of commitment to purchase), loans, debt principal payments, and capital outlay in the proprietary funds.
- Depreciation expense is not budgeted in the proprietary funds of the City.

The Comprehensive Annual Financial Report (CAFR), shows the status of the City's finances on a GAAP basis. It also contains budgetary basis financial statements, which include revenues and expenditures that are not presented in accordance with GAAP, as explained above. These budgetary statements show reconciliation to the GAAP basis financial statements.

All annual, operating appropriations lapse at fiscal year end (on a budgetary basis). Project-length financial plans are adopted for capital and other projects. Appropriations for these projects are included in the annual appropriated budgets for each of the applicable funds. Unspent project amounts are included in the annual budgets of subsequent years until project completion.

MID-YEAR BUDGET ADJUSTMENTS/AMENDMENTS

Legally adopted budgetary appropriations are enacted at the departmental level for current operating expenditures, with separate appropriations for capital and other projects, debt service, reserves, transfers and contingencies. Expenditures cannot legally exceed appropriations at these control levels. Amendments to the budget at the legal appropriation level must be approved by City Council. Amendments to the budget at less than the legal appropriation level may be made by management.

In general, ongoing budget changes should be dealt with during the annual budget process, while one-time budget changes may be considered by the City Council either during the annual budget process or at any meeting after the adoption of the budget.



Demographics & Statistics



The Following tables provide additional demographic statistics for the City of Eureka and its citizenry from the 2010 U.S. Census, the 2007-2011 American Community Survey (ACS), and the California Department of Finance (E-1 & E-4 City and County Population Estimates):

Gender

| | |
|-------------|-------|
| Male..... | 49.3% |
| Female..... | 50.7% |

Age Composition

| | |
|-------------------------|-------|
| Under 5 years..... | 5.8% |
| 5 to 9 years..... | 4.3% |
| 10 to 14 years..... | 5.8% |
| 15 to 19 years..... | 6.5% |
| 20 to 24 years..... | 8.9% |
| 25 to 34 years..... | 15.9% |
| 35 to 44 years..... | 11.2% |
| 45 to 54 years..... | 15.4% |
| 55 to 59 years..... | 7.5% |
| 60 to 64 years..... | 5.5% |
| 65 to 74 years..... | 6.7% |
| 75 to 84 years..... | 4.4% |
| 85 years and over..... | 2.0% |
| Median age (years)..... | 37.9 |

Occupation Composition

| | |
|--|-------|
| Management, business, science and arts..... | 29.8% |
| Service..... | 26.3% |
| Sales and office | 25.4% |
| Nat. resources, construction, & maintenance.... | 10.5% |
| Production, transportation, & materials moving.. | 8.0% |
| (Civilian employed population 16 years and over) | |

Race/Ethnic Origin

| | |
|--|-------|
| White..... | 76.5% |
| Hispanic/Latino..... | 9.3% |
| Black or African American..... | 1.8% |
| American Indian & Alaska Native..... | 4.3% |
| Asian..... | 3.9% |
| Native Hawaiian and Other Pacific Islander.... | 0.6% |
| Some Other race..... | 0.2% |
| Two or More Races..... | 3.3% |

Educational Attainment

| | |
|--|-------|
| Less than 9 th grade..... | 3.4% |
| 9 th to 12 th grade, no diploma..... | 8.4% |
| High school graduate..... | 27.9% |
| Some college, no degree..... | 29.2% |
| Associate's degree..... | 9.4% |
| Bachelor's degree..... | 14.4% |
| Graduate or professional degree..... | 7.4% |

Household Income

| | |
|------------------------------|----------|
| Less than \$10,000..... | 8.2% |
| \$10,000 to \$14,999..... | 12.6% |
| \$15,000 to \$24,999..... | 15.1% |
| \$25,000 to \$34,999..... | 12.8% |
| \$35,000 to \$49,999..... | 13.5% |
| \$50,000 to \$74,999..... | 15.2% |
| \$75,000 to \$99,999..... | 11.3% |
| \$100,000 to \$149,000..... | 8.9% |
| \$150,000 to \$199,999..... | 1.3% |
| \$200,000 or more..... | 1.3% |
| Median household income..... | \$36,081 |

Population

| | |
|-----------|--------|
| 2000..... | 26,128 |
| 2001..... | 26,169 |
| 2002..... | 26,316 |
| 2003..... | 26,551 |
| 2004..... | 26,727 |
| 2005..... | 26,793 |
| 2006..... | 26,763 |
| 2007..... | 26,762 |
| 2008..... | 26,845 |
| 2009..... | 26,927 |
| 2010..... | 27,125 |
| 2011..... | 27,191 |
| 2012..... | 26,988 |
| 2013..... | 27,021 |



Employment by Industry

| | <u>Total</u> | <u>Percent</u> |
|---|--------------|----------------|
| Agriculture, forestry, fishing and hunting, and mining..... | 211 | 1.8% |
| Construction..... | 976 | 8.1% |
| Manufacturing..... | 349 | 2.8% |
| Wholesale trade..... | 288 | 2.4% |
| Retail trade..... | 1476 | 12.3% |
| Transportation and warehousing, and utilities..... | 613 | 5.1% |
| Information..... | 277 | 2.3% |
| Finance and insurance, real estate, rental and leasing..... | 817 | 6.8% |
| Professional, scientific, management, administrative and waste management services..... | 954 | 7.9% |
| Educational services, health care, and social assistance..... | 2752 | 22.8% |
| Arts, entertainment, recreation, accommodation, and food services..... | 1819 | 15.1% |
| Other services (except public administration)..... | 720 | 6.0% |
| Public administration..... | 795 | 6.6% |
| (Civilian employed population 16 years and over) | | |

Appropriations Limit FY 2013/14



Article XIII B of the California Constitution, adopted by Proposition 4 in 1980, and amended in 1990 by Proposition 111, imposes restrictions on the amount of revenues that can be received and appropriated in a fiscal year. Only revenues defined to as “proceeds of taxes” are restricted by the limit. Generally, revenues restricted as to use, enterprise fund revenues, redevelopment agency revenues, and charges for services not exceeding the cost of providing the service are not considered proceeds of taxes. Also, certain expenditures are considered exempt from the limit. During any fiscal year, a city may not appropriate any proceeds of taxes they receive in excess of their Limit.

The appropriations limit is based on actual appropriations during the base year of 1978-79, and is adjusted each year using the growth in population and inflation. The limit, cost of living factor, and population change factor must be adopted each year by resolution of the City Council.

FISCAL YEAR 2013-14 CITY OF EUREKA APPROPRIATIONS LIMIT CALCULATIONS

| | | |
|---|--------------------------|---------------|
| A. LAST YEAR’S LIMIT | | \$109,262,642 |
| B. ADJUSTMENT FACTORS | | |
| 1. Population % (County population growth) | | 0.37 |
| 2. Inflation % (Change California Per Capita Personal Income) | | 5.12 |
| Population Converted to a Ratio: | $\frac{0.37+100}{100} =$ | 1.0037 |
| Per Capita Cost of Living Converted to a Ratio: | $\frac{5.12+100}{100} =$ | 1.0512 |
| Calculation of Factor for Fiscal Year 2013-2014 | $1.0037 \times 1.0512 =$ | 1.0551 |
| C. THIS YEAR’S LIMIT: | | \$115,283,014 |

APPROPRIATIONS SUBJECT TO LIMIT AND AMOUNT UNDER LEGAL LIMIT

| | |
|---|---------------|
| A. PROCEEDS OF TAXES | \$ 22,725,629 |
| B. EXCLUSIONS | 0 |
| C. APPROPRIATIONS SUBJECT TO LIMITATION | \$ 22,725,629 |
| D. CURRENT YEAR LIMIT | \$115,283,014 |
| E. UNDER LIMIT | \$ 92,557,385 |

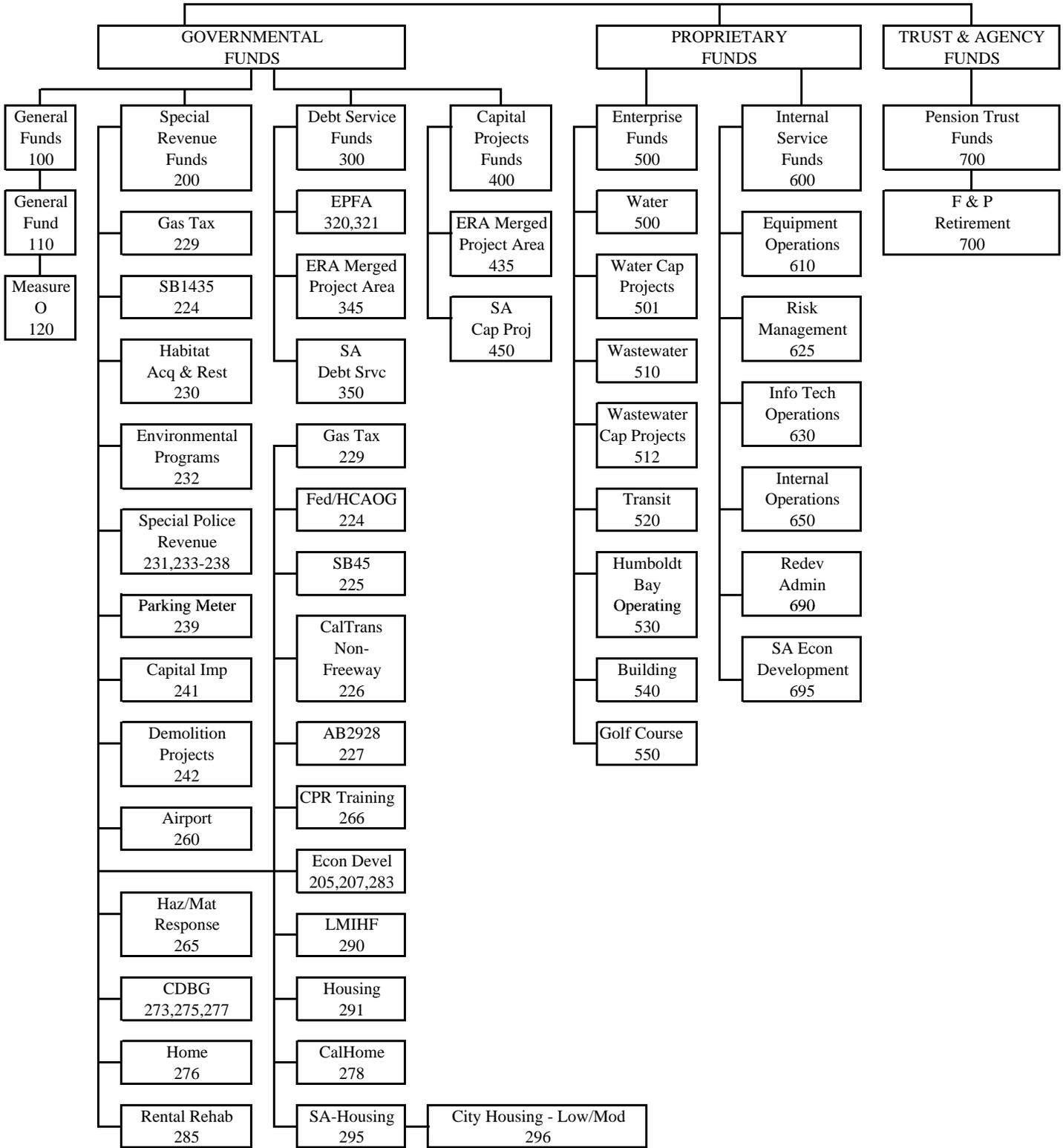
Appropriations Limit FY 2013/14



Reviewing the City's appropriations limit calculations over the past years indicates the City should remain well within its legal limit for many years to come. During the nine year period between fiscal years 2004-05 to 2013-14 the calculated appropriations limit has increased by 58% from \$72,894,939 to \$115,283,014. During this same time period appropriations subject to this limitation have increased 62% from \$13,993,886 to \$22,725,629. In spite of slow population growth, and a moderate inflation rate, tax revenues are growing more slowly than the appropriations limit.

The City of Eureka's adopted appropriations should remain well below the appropriations limit as prescribed in Article XIII B of the California Constitution and adopted by Proposition 4 in 1980 for the foreseeable future.

Fund Structure FY 2012-13





Glossary Of Terms



Activities

Specific services performed in accomplishing program objectives and goals (See Program).

ADA

Americans with Disabilities Act is federal legislation governing the abilities of all citizens to have equal access to all city buildings and materials.

Appropriation

An authorization made by the Council which permits the City to incur obligations and to make expenditures of resources.

Appropriation Limitation

Imposed by Propositions 4 and 111, creates a restriction on the amount of revenue which can be appropriated in any fiscal year. The Limit is based on actual appropriations during the 1978-79 fiscal year, and is increased each year using the growth of population and inflation. Not all revenues are restricted by the limit; only those which are referred to as "proceeds of taxes." Some examples of proceeds of taxes are sales tax, property tax, and business license tax.

Assessed Valuation

A value established for real property for use as a basis in levying property taxes. For all agencies in the State of California, assessed value is established by the County for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under Article XIII of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. Proposition 13 also modified the value of real taxable property for fiscal 1979 by rolling back values to fiscal 1976 levels. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal. Property taxes for general purposes cannot exceed 1% of assessed value.

Audit

Prepared by an independent certified public accountant (CPA), the primary objective of an audit is to determine if the City's financial statements present fairly the City's financial position and results of operations in conformity with generally accepted accounting principles. In conjunction with their performance of an audit, it is customary for an independent auditor to issue a Management Letter stating the adequacy of the City's internal controls as well as recommending improvements to the City's financial management practices.

BASIS OF ACCOUNTING

Accrual Accounting

Use of accrual basis of accounting is considered appropriate for proprietary funds, nonexpendable trust funds, and pension trust funds of governmental units. Accrual accounting means that revenues should be recorded in the period in which the service is given, although payment is received in a prior or subsequent period; and that expenses should be recorded in the period in which the benefit is received, although payment is made in a prior or subsequent period.

Examples of funds using the accrual basis of accounting are the Water, Wastewater, and Humboldt Bay Funds.



Modified Accrual Accounting

Funds such as general funds, special revenue funds, capital project funds, debt service funds, special assessment funds and expendable trust funds use the modified accrual accounting basis because they are not concerned with income determination. Under the modified accrual basis, revenues should be recognized in the accounting period in which they become available and measurable. Expenditures should be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt and on special assessment indebtedness secured by interest-bearing special assessment levies, which should be recognized when due.

Examples of funds using the modified accrual basis of accounting are the General Fund, Gas Tax Fund, and Capital Improvements Fund.

Bonds

A form of borrowing (debt financing) which reflects a written promise from the City to repay a sum of money on a specific date at a specified interest rate. Bonds are used to finance large capital projects such as buildings, streets, utility infrastructure, and bridges.

Budget

A financial plan for a specified period of time that matches planned revenues and expenditures to municipal services, goals and objectives. The City of Eureka uses a financial plan covering a fiscal year, with actual budget appropriations made annually.

Budget Amendment

The City Council has the sole responsibility for adopting the City's budget, and may amend or supplement the budget at any time after adoption by majority vote. The City Manager has the authority to approve administrative adjustments to the budget as long as those changes are between objects within the same expenditure category.

Budget Calendar

The schedule of budget preparations, hearings and adoption of the annual budget.

Budget Policies

General and specific guidelines that govern financial plan preparation and administration.

CAFR

The Comprehensive Annual Financial Report encompasses the City's annual financial reports for all funds, a comparative analysis of prior year and current year financial transactions, notes to support financial transactions and financial statistics covering the past ten years.

Capital Improvement Plan (CIP)

A five-year plan providing for the maintenance or replacement of existing public facilities and assets and for building or acquiring new ones.

Capital Lease

The periodic payment for assets acquired with a lease financing instrument.

Capital Outlay

The costs of acquiring land or purchasing "fixed assets," i.e., building improvements, buildings, improvements other than building, machinery and equipment (in general, items to be purchased are those with a cost of \$5,000 or more, having a useful life of greater than one year, with a few exceptions).



Certificates of Participation

Form of lease-purchase financing used to construct or acquire capital facilities and equipment.

CDBG

Community Development Block Grants are funded by the Federal Government and their purpose is to provide funds for very low and moderate income families to eliminate substandard and deteriorated housing.

Contingency

A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted.

Contractual Services

Services rendered to a government by private firms, individuals, or other governmental agencies. Examples include utilities, maintenance agreements, and professional consulting services.

Cost Allocation

Costs which are charged to a department in the City for services of a generalized nature provided by another fund or department through a cost allocation procedure. Examples included as part of the allocation are the cost of the City Manager's Office, the City Attorney's Office, and the Finance Department. Departments which receive services from these departments are charged based on a standard formula.

CSMFO

California Society of Municipal Finance Officers. A state-wide organization whose purpose is to provide educational opportunities and interaction amongst municipal finance officers. It provides an opportunity for recognition in the achievement of excellence in operational budgeting.

Debt Financing

Borrowing funds as needed and pledging future revenues to make current expenditures. The City of Eureka uses debt financing only for one-time capital improvements whose life will exceed the term of financing and where expected revenues are sufficient to cover the long-term debt.

Debt Instrument

Methods of borrowing funds, including general obligation bonds, revenue bonds, lease/purchase agreements, lease-revenue bonds, tax allocation bonds, certificates of participation, and assessment district bonds.

Debt Service

Payments of principal and interest on bonds and other debt instruments according to a pre-determined schedule.

Deficit

The excess of an entity's liabilities over its assets or the excess of expenditures or expenses over revenues during a single accounting period.

Department

A major organizational unit of the City which has been assigned overall management responsibility for an operation or a group of related operations within a functional area.

Glossary Of Terms



Depreciation

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

Distinguished Budget Presentation Awards Program

A voluntary awards program administered by the Governmental Finance Officers Association on a federal level and by the California Society of Municipal Finance Officers Association on a state-wide basis to encourage governments to prepare effective budget documents.

ECEA

The Eureka City Employees Association is an employee organization representing those employees who are not management, fire or police.

EFL

Employee organization representing fire employees and who bargains with the City for employee salaries and benefits.

EFT

Electronic Funds Transfer is a term used by the banking industry to signify a transaction that occurs through electronic means rather than a physical transfer of funds.

Employee Benefits

Costs of benefits for City employees, including Unemployment Insurance, Workers' Compensation Insurance, Health Insurance, Dental Insurance, Vision Insurance, Retirement, and Life Insurance.

EOC

Emergency Operations Center is a location where emergency managers can assemble, coordinate their actions, and facilitate efficient communication during a local emergency.

EPA

Environmental Protection Agency. A federal agency that has oversight for environmental issues and that provides grant funds to facilitate environmental endeavors by the City.

EPFA

Eureka Public Financing Authority was established as a separate entity whose purpose is to borrow money to provide funding for Redevelopment Agency projects.

EPOA

Employee organization representing police employees and who bargains with the City for employee salaries and benefits.

ERA

The Eureka Redevelopment Agency was established under state law to undertake projects that will revitalize the project areas and improve the economic base of the community.

ERAF

Education Revenue Augmentation Fund. The California State Legislature enacted the ERAF in 1991 to permanently redirect property taxes from counties, cities, and special districts to public school entities within each county. This is a state level of funding for the Education system within the State of California. Revenues have been "shifted" from local governments to fund this educational fund from both the City and Redevelopment Agency.

Glossary Of Terms



Expenditure

The outflow of funds paid or to be paid for an asset obtained or goods and services obtained regardless of when the expense is actually paid. This term applies to all funds. Note: An encumbrance is not an expenditure; an encumbrance reserves funds to be expended.

Expenditure Savings

Under the City's budgeting procedures, personnel cost projections are based on all positions being filled throughout the year. Cost projections for major supply purchases and service contracts are projected on a similar basis. However, past experience indicates that expenditures are consistently less than budgeted amounts, due at least in part to this costing methodology. Accordingly, the expenditure savings category is used to account for this factor in preparing Working Capital projections.

FEMA

Federal Emergency Management Agency. A federal agency that provides grants for fire related equipment and also training for fire personnel.

FPPC

The "Fair Political Practice Commission" is the State agency that oversees the Political Reform Act (PRA).

Fixed Assets

Assets of long-term nature such as land, buildings, machinery, furniture, and other equipment. The City has defined such assets as those with an expected life in excess of one year and an acquisition cost in excess of \$5,000.

FTE

A employee unit of measurement for one "full time employee". When employee positions are allocated within the budget, these allocations are measured in terms of full time employees. Two employees working half-time would be added together and listed as one FTE.

Fund

An accounting entity that records all financial transactions for specific activities or government functions. The six generic fund types used by the City are: General Fund, Special Revenue, Debt Service, Capital Project, Enterprise, and Trust & Agency Funds.

Fund Balance (Working Capital replaces the term Fund Balance)

Also known as financial position, Working Capital for the governmental fund types is the excess of fund assets over liabilities, and represents the cumulative effect of revenues and other financing sources over expenditures and other financing uses. For the enterprise funds, this term is used interchangeably with "working capital", a comparable (although not exact) financial position concept as Working Capital (see Working Capital).

FUND TYPES

The City uses funds to organize and operate its accounting system. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are further classified into several types, depending on the purpose and funding source, as explained below.

General Fund (Funds 110, 120)

This fund is used for all financial transactions/resources that are not accounted for in other funds. Most City departments, except those classified as Enterprise Funds, Grants, Housing and Redevelopment, receive their funds from the General Fund.

Glossary Of Terms



Special Revenue Funds (Funds 205, 207, 224, 225, 226, 227, 230, 231, 232, 233, 234, 236, 237, 238, 239, 241, 242, 260, 265, 266, 273, 275, 276, 277, 278, 283, 285, 290, 291 and 295)

These funds account for proceeds of revenues designated for financing specified activities of the City. Special Revenue funds are also used when there is some compelling reason for segregating a revenue source from the General Fund.

Debt Service Funds (Funds 320, 321, 345, and 350)

These funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest of the Agency and the Authority. Revenues for this purpose include property tax increment and related interest.

Capital Projects Funds (Fund 435 and 450)

These funds account for capital improvements of the Redevelopment Agency which are financed by proceeds of tax allocation bonds and City advances. The Agency has three capital projects areas that were fiscally merged for FY 2007-08. The project areas are: Century III Phase I; Century III Phase II; and Eureka Tomorrow.

Enterprise Funds (Funds 500, 501, 510, 512, 520, 530, 540, and 550)

These funds account for activities which are intended to be self-supporting or where periodic determination of net income is appropriate for management control and accountability. Costs are financed primarily through user charges.

Internal Service Funds (Funds 610, 625, 630, 650, 690, and 695)

These funds account for activities and services provided by one City organizational unit to another, financed through cost-reimbursement.

Trust & Agency Funds (Fund 700)

Also known as Fiduciary Fund Types, these funds are used to account for assets held by the City in a trustee capacity or as an agent for private individuals, organizations, or other governmental agencies. The fiduciary funds used by the City include expendable trust and agency funds. Expendable trust funds are accounted for in the same manner as Governmental Funds (general, special revenues, debt service, and capital project funds). Agency funds are custodial in nature (assets equal liabilities) and do not measure the results of operations.

FY

The "Fiscal Year" is the beginning and ending period for recording financial transactions. The City has specified July 1 to June 30 as its fiscal year.

GAAP

Generally Acceptable Accounting Principles. Uniform minimum standards for financial accounting and recording, encompassing the conventions, rules, and procedures that define accepted accounting principles.

GASB

Governmental Accounting Standards Board sets all requirements for governmental agency reporting and accounting methodologies.

GFOA

Government Finance Officers Association of the United States and Canada. A national organization whose purpose is to provide accounting guidance and educational opportunities to governmental finance officers. This organization sets the standards for budget documents that must meet program criteria as a policy document, operations guide, a financial plan and a communication device.

Glossary Of Terms



Goal

Is a broad statement of purpose for particular program within the agency.

HOME Program

A HOME grant or "Home Partnership Investment Program" provides grant funds for an Owner Occupied Housing First Time Homebuyer program.

Inter-fund Transfers

The movement of monies between funds of the same governmental entity.

Investment Revenue

Revenue received as interest from the investment of funds not immediately required to meet cash disbursement obligations.

LAFCO

Local Area Formation Commission is a regional agency that oversees land use within the Humboldt County area.

Line Item Budget

A budget that lists detailed expenditure categories (salary, materials, telephone service, travel, etc.) separately, along with the amount budgeted for each specified category. The City uses a line-item detail to maintain and record for financial reporting and control purposes. This line item budget has been developed into a Program Budget format that presents each department's operations under a broader program of service (Public Works, Community Services, etc.)

Materials and Supplies

Expendable materials and operating supplies necessary to conduct departmental operations.

Mission

Is an ideal statement of what the organization hopes to achieve.

MOU

Memorandum of Understanding is an agreement between employees and administration covering salaries, benefits and rights of employees.

NOP

Neighborhood Oriented Policing is a program utilized by the Eureka Police Department to assign personnel to areas within the community.

NPDES

The National Pollution Distribution Elimination System sets the standards for storm water runoff.

Object of Expenditure

An expenditure classification, referring to the lowest and most detailed level of classification, such as electricity, office supplies, and contract services.

Objective

Is a measurable accomplishment to be achieved within a specific period of time.

OES

Office of Emergency Services is a state-wide emergency services organizational structure. There are six mutual aid regions within California.

Glossary Of Terms



Operating Budget

The portion of the budget that pertains to daily operations providing basic governmental services. The program budgets in the financial plan form the operating budget.

Operations

A grouping of related programs within a functional area (See Function and Program).

Performance Measures (Objectives)

A statement of specific direction, purpose, or intent based on the needs of the community and the goals established for a specific program. Performance measures are clearly stated objectives that are measurable in quantitative terms.

PERS

The Public Employee Retirement System is a statewide retirement system in which all full time and regular part time employees participate as one of their employee benefits. Alternately referred to as CalPERS to designate the retirement system within the State of California.

PLC

A Programmable Logic Controller is a type of computer that is used to control the water treatment process.

POST

“Peace Officers Standards and Training” is a requirement or standard that all police officers within California must meet.

Program

A grouping of activities organized to accomplish basic goals and objectives.

PSAPS

Public Safety Answering Point System is a county-wide computerized connection process with law agencies within the County. The Eureka Police Department maintains this networking system.

Reserve

An account used to indicate that a portion of a fund's balance is legally restricted for a specific purpose or designated by Council and is, therefore, not available for general appropriation.

Reserve Draw Down

Refers to the amount of Working Capital required as a revenue funding source to balance fund budgets where appropriations exceed current revenues. If current revenues exceed appropriations, the Working Capital will increase and be referred to a reserve improvement.

Revenue Bonds

Bonds sold to construct a project that will produce revenues pledged for the payment of related principal and interest (See Bonds).

Resolution

A special or temporary order of a legislative body; an order of a legislative body requiring less legal formality than an ordinance or statute.

Resources (Sources)

Total amounts available for appropriation including estimated revenues, fund transfers, and beginning balances.

Glossary Of Terms



RFP

Request for Proposals is a method of inviting proposals from qualified vendors of a specific commodity or service.

RPT

Regular part time employees who are employed by the City less than 40 hours per week but whose position is allocated as a permanent position within the annual budget process.

Salaries

Costs of salaries of City employees, including full-time and part-time/temporary employees, overtime and miscellaneous categories apply.

SCADA

The Supervisory Control and Data Acquisition is a software package that is installed in a PLC to gather necessary data on the water treatment process.

Services and Supplies

The costs of services or supplies purchased by the City. Examples of such services and supplies include consultants, architectural, engineering, legal services, contractual services for construction/maintenance of public facilities, removal and repair of equipment, purchase of gasoline and diesel fuel, payment of gas and electrical bills, payment for water purchased from Humboldt Bay Municipal Water District, office supplies, chemicals and other operating supplies, cost of liability and fire insurance and principal and interest payments on outstanding City debt.

Significant Accomplishments

Outlines the changes and accomplishments that occurred over the past fiscal year. Significant changes would be changes that effect the structural nature of a department or program that may or may not impact the way services are rendered. Accomplishments review how performance objectives were met.

STAF

State Transit Assistance Funds are disbursed locally by the Humboldt County Association of Governments for local transit needs.

STIP

State Transportation Improvement Program - The STIP is a multi-year capital improvement program of transportation projects on and off the State Highway System, funded with revenues from the State Highway Account and other funding sources.

Subventions

Revenues collected by the State (or other level of government), which are allocated to the City on a formula basis. The major subventions received by the City from the State of California include motor vehicle in-lieu and gasoline taxes.

Tax Allocation Bonds

Bonds sold to fund capital projects, whereby principal and interest payments are secured by tax revenues.

Units of Measure

A set of reasonable, realistic standards of precise units of measures whereby performance data can be compared. The resulting information is the feedback for management, the City Council, and citizens concerning the relative success and efficiency of the various city programs.

Glossary Of Terms



Unencumbered Working Capital

The portion of a fund's balance that is not restricted for a specific purpose and is available for general appropriation.

USDA

United States Department of Agriculture rules and regulations are guidelines by which our City zoo is operated.

USDI

United States Department of the Interior rules and regulations are guidelines by which our City zoo is operated.

Working Capital (Reserves)

Also known as financial position in private sector accounting and in enterprise fund accounting in the public sector, working capital is the excess of current assets over current liabilities. For the enterprise funds, this term is used interchangeably with "Working Capital", a comparable (although not exact) financial position concept in the governmental fund types (see Working Capital).