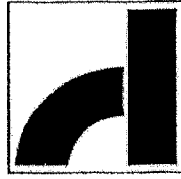


2004-2005 BUDGET
City of Boulder, Colorado

Volume I



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Boulder
Colorado**

For the Biennium Beginning

January 1, 2002

Samuel A. Shure

President

Jeffrey R. Emer

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Boulder, Colorado for its biennial budget for the biennium beginning January 1, 2002. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device.

The award is valid for a period of two years only. We believe our current budget continues to conform to program requirements and we are submitting it to GFOA to determine its eligibility for another award.

**2004-2005 BUDGET DOCUMENT
OVERVIEW AND OPERATING BUDGET**

City of Boulder

Mayor William Toor

Deputy Mayor Thomas E. Eldridge

Council Members Robin Bohannon
(term began November 25, 2003)

Dan Corson
(term ended November 25, 2003)

Crystal Gray
(term began November 25, 2003)

Spenser W. Havlick
(term ended November 25, 2003)

Shaun McGrath
(term began November 25, 2003)

Don Mock
(resigned as of July 31, 2003)

Lisa Morzel
(term ended November 25, 2003)

Francoise Poinatte
(term ended November 25, 2003)

Gordon Riggle

Mark Ruzzin

Andy Schultheiss
(term began November 25, 2003)

Jack Stoakes
(term began November 25, 2003)

City Manager..... Frank W. Bruno

2004

CITY OF BOULDER STAFF

City Manager Frank W. Bruno
Executive Director for Administrative Services and Director of Public Affairs Jana Petersen
City Attorney Ariel P. Calonne
Municipal Judge Linda P. Cooke
Director of Finance Kate Love
Co Directors of Housing and Human Services John Pollak and Karen Rahn
Director of Human Resources and Organizational Effectiveness Joann Roberts Stacy
Director of Information Technology Chris Puccio
Management Team Leader for Library and Arts Elizabeth Abbott
Director of Open Space/Mountain Parks Michael Patton
Director of Parks and Recreation Janice Geden
Director of Planning Peter Pollock
Director of Public Works for Development & Support Services Maureen F. Rait
Director of Public Works for Transportation Tracy Winfree
Director of Public Works for Utilities Ned Williams
Fire Chief Larry Donner
Police Chief Mark R. Beckner
Director of Downtown University Hill Management Division/Parking Services Molly Winter
Director of Support Services/City Clerk Alisa D. Lewis

Budget Office Staff

Deputy Finance Director Thomas B. Hagerty
Senior Budget Analyst Kathy McGuire
Budget Analyst Cindy Miller

2004
BUDGET DOCUMENT
OVERVIEW AND OPERATING BUDGET

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INTRODUCTION

CITY OF BOULDER

2004-05 BUDGET

GENERAL INFORMATION

SHORT HISTORY OF BOULDER¹

The Boulder Valley was first the home of Native Americans, primarily the Southern Arapaho tribe who maintained a village near Haystack Mountain. Utes, Cheyennes, Comanches, and Sioux were occasional visitors to the area.

Gold seekers established the first non-native settlement in Boulder County on October 17, 1858 at Red Rocks near the entrance to Boulder Canyon. Less than a year later, on February 10, 1859, the Boulder City Town Company was organized by A.A. Brookfield, the first president, and 56 shareholders. Four thousand forty-four lots were laid out at a purchase price of \$1,000 each, a price that was later lowered in order to attract more residents.

Part of the Nebraska Territory until February 28, 1861, when the Territory of Colorado was created by the U.S. Congress, Boulder City grew slowly. It developed as a supply base for miners going into the mountains in search of gold and silver. Boulder City residents provided these miners with equipment, agricultural products, housing and transport services, and gambling and drinking establishments.

Competition among Boulder County settlements for new residents and businesses was intense. As a mining supply town, Boulder residents were more settled than in the mining camps. Economic stability was a necessity and residents encouraged the establishment of railroad service, hospital and school buildings, and a stable town government.

Boulder's first schoolhouse was built in 1860 at the southwest corner of Walnut and 15th Street, the first in the territory. Also in 1860 a group of Boulder residents began lobbying to have the University located in Boulder. By 1874 Boulder had won the designation, secured a donated 44.9 acre site and raised \$15,000 to match a similar grant by the state legislature. Construction of Old Main signaled the opening of the University, with classrooms, auditorium, office and the President's living quarters all located there.

Transportation was improved in 1873 with railroad service coming to Boulder. Gradually tracks were laid to provide service to Golden and Denver and to the mining camps to the west. In 1890 the railroad depot was constructed on Water Street (now Canyon Boulevard) and 14th Street.

City government was formalized in November, 1871 when the town of Boulder was incorporated. Designation of Boulder as the county seat occurred in 1867 and led to the construction of the first courthouse at its present site in 1883. It burned to the ground in 1932 and was replaced by the current courthouse in 1934.

Amenities and health services were developed, even in periods of little growth. The first Post Office was established in 1860; the telegraph became available in 1874; a hospital was built in 1873; a water system was installed in 1874; and the first bank was built in 1874.

The initial residential area was located in what is now downtown and in some parts of Goss/Grove, Whittier and Mapleton Hill neighborhoods. As commercial expansion took over downtown housing, these neighborhoods surrounding downtown remained primarily residential areas. At the turn of the century growth of the University led to the development of parts of University Hill. One mark of elegance for residents were flagstone sidewalks, first installed during the 1880's.

The first private school in Boulder, Mt. St. Gertrude Academy, was opened in 1892. Boulder, by then accessible to visitors by railroad, was known as a community with a prosperous economy, a comprehensive educational system, and well maintained residential neighborhoods. It was no wonder that the railroad recommended Boulder as a site for a Chautauqua in 1897. Boulder residents passed a bond issue to buy the land, and the now familiar Chautauqua auditorium was built.

By 1905 the economy was faltering and Boulder counted heavily on tourism to boost its fortunes; however, Boulder had no first class hotel to attract summer visitors and group meetings. By 1906 a subscription drive had raised money to begin construction. The first event at the new hotel was a reception for Boulderites, held on December 30, 1908, and Hotel Boulderado opened to the public for business on January 1, 1909.

Tourism continued to dominate the Boulder economy for the next forty years. Each summer shopkeepers, transport firms, and lodging managers eagerly awaited the influx of Chautauqua residents, primarily from Texas, and other visitors. By World War II, when tourism declined, the University unknowingly provided another opportunity for growth. With the location of the U.S. Navy's Japanese language school at CU, young men and women from around the country became acquainted with the City and liked it.

Following World War II, many of these trainees returned as students, professional and business people, joining veterans attending the University on the G.I. bill. Boulder's population had not increased significantly since the 1920's. The 1920 census showed 11,006 residents while the 1940 census count was 12,958. After the first influx of new residents in the late 1940's the count soared to 20,000 in 1950.

New residents meant both new opportunities and new challenges. Although jobs were needed, townspeople wanted to preserve the beautiful natural setting and amenities developed over the years. By 1950 Boulder leaders were actively recruiting new "clean" industry and improved transportation, securing a new highway, the Boulder-Denver Turnpike, and the National Bureau of Standards in 1952. Other research and development industries soon followed.

The housing shortage and need for additional business and public buildings attracted young and talented architects. New subdivisions were planned, including the Highland Park-Martin Acres neighborhood located on the historic Martin Farm, and the North Boulder developments from Balsam north, originally part of the Tyler Farm. New neighborhoods brought the City's first two shopping centers, North Broadway and Basemar.

With the completed turnpike to downtown Denver, Boulder continued to expand. From 1950-1972 the population grew from 20,000 to 72,000.

With the purchase of thousands of acres of open space beginning in 1967, the adoption of the Boulder Valley Comprehensive Plan in 1970, passage of the building height restriction ordinance in 1972, and the residential growth management ordinance in 1977, Boulder began a period of infill and re-use of its past architectural development which continues to present. The Historic Preservation Code was passed in September, 1974. The ordinance is instrumental in preserving significant portions of our past while encouraging the rehabilitation of historic buildings.

GOVERNING BODY

The City of Boulder is governed by nine City Council members. City Council members are elected at-large and are non-partisan. The Mayor and Deputy Mayor are chosen for two-year terms by the Council from among its nine members.

CITY MANAGEMENT

The City employs a full-time City Manager, appointed by City Council to oversee the operations of the City. City Council also appoints the City Attorney and the Municipal Judge.

DEMOGRAPHIC CHARACTERISTICS²

Population (2002 Est.): 103,216
Median Age: 29.0
Median Education: 66.8% residents with four or more years of college
Median Household Income: \$44,748

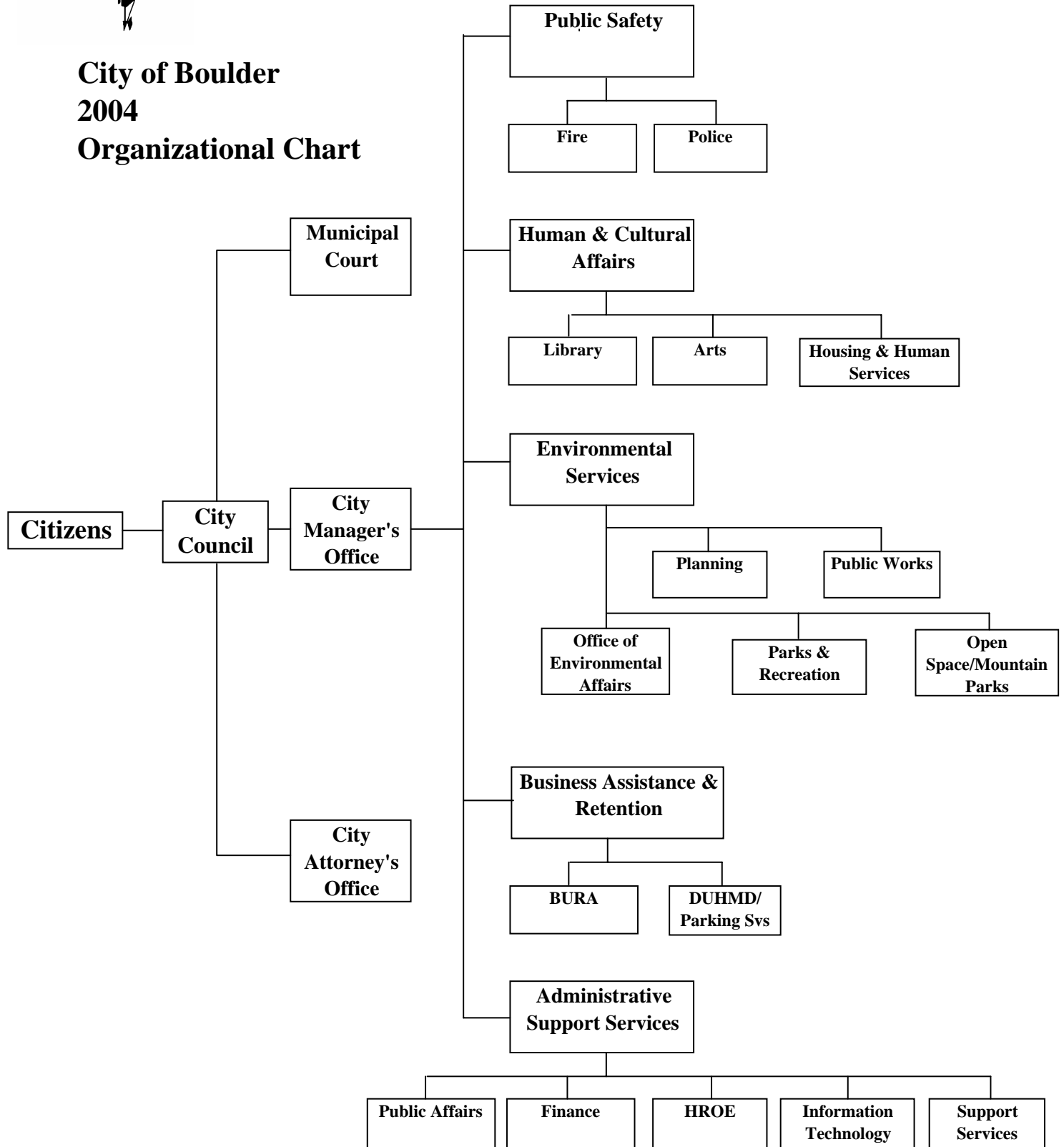
CLIMATE³

Average Annual Maximum Temperature in 2002: 66.1 degrees Fahrenheit
Average Annual Minimum Temperature in 2002: 37.4 degrees Fahrenheit
2002 Precipitation (includes rain, hail and snow): 13.9 inches
2002 Snowfall: 80.7 inches

-
1. Landmarks Preservation Advisory Board
 2. Summary of Information About Boulder
 3. Colorado Climate Center



**City of Boulder
2004
Organizational Chart**



BUDGET PHILOSOPHY AND PROCESS

Budget Philosophy

Serving the public trust requires that the annual budget provide the best possible balance of allocation to meet the varied needs of all citizens. The budget is a principal management tool for the City administration, and in allocating the City's resources, it both reflects and defines the annual work program. In this context, the budget provides a framework for us to accomplish our mission, which is "to create, enhance, and preserve a human, natural, physical, and economic environment which fosters our community's unique quality of life". The budget should also reflect our core City organization values of integrity, teamwork, service excellence, personal growth, and innovation.

In addition to balancing allocations to meet community needs, and incorporating our mission and core values, a successful annual budget preparation process requires excellent communications, citizen outreach, and a commitment to excellence. To this end, the process must be a cooperative effort of the entire City organization.

Boulder prides itself on being a progressive community, willing to challenge the status quo and being on the "cutting edge". City staff has accepted this challenge by developing the budget within the context of a search for creative solutions for the delivery of City services. The budget will emphasize measures to improve the productivity and effectiveness of service delivery to citizens. Teamwork and efficiency enhancements will limit the amount of bureaucratic "red tape" required, both between functional areas within the City, and between City staff and citizens. The overriding goals must be to support the high standards set by the community, and to provide long-term value at reasonable cost.

The budget will be based upon timely, consistent and clearly articulated policies. It will be realistic and will include adequate resources to meet assigned work programs. Once adopted, within the parameters of policy guidelines, departments will be given full spending authority for their budget(s).

Budget Process

The fiscal year of the City is the calendar year. The City has implemented a two-year budget process and adopts a biennial budget by December 1st of the year prior to the two-year budget period. Even though the budget is adopted for a two-year term, the State and City Charter require that prior to each fiscal year, an appropriation ordinance must be adopted to authorize budgeted expenditures for the coming fiscal year.

The City of Boulder Charter establishes the time limits pertaining to the adoption of the budget. The budget process and schedule of development is designed to fit within the Charter mandate and to allow for active and early participation by the City Council, with an emphasis on public input.

The City's budget is developed over a ten month period, beginning in February and ending in October/November.

In February, staff began the development of five year revenue projections along with preliminary cost projections. In May, Council is updated on the proposed budget. At this time, policy issues are presented and Council has the opportunity to provide direction for consideration by the City Manager in the development of the proposed budget. Then staff compiles all the necessary information in the budget guideline manual that provides the basis for the development of each department's budget. Departments begin developing their detailed budgets in May/June with review by boards and/or commissions where appropriate.

The City Manager reviews departmental budgets in June/July and meets with the Directors Group as needed to discuss the proposals submitted by departments.

to November 30, 1989, and GASB statements since that date in accounting and reporting for its proprietary operations.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, a pension trust fund must be used. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent.

Fund Definitions

General Fund

The General Fund is established to account for the revenues and expenditures necessary to carry out basic governmental activities of the City such as public safety, recreation, planning, legal services, administrative services, etc, which are not required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are established to account for the proceeds of specific revenue sources (other than special assessments, pension trusts, proprietary fund operations and revenues received for major capital projects) that are legally restricted for specific purposes. The City of Boulder has the following special revenue funds.

Capital Development Fund - to account for development fee proceeds to be utilized for the acquisition, construction and improvement of facilities necessary to maintain the current level of public amenities such as police, fire, library, human services, municipal offices, streets, and parks and recreation.

Lottery Fund - to account for State Conservation Trust Fund proceeds to be utilized for the refurbishment, capital improvement and debt service on park acquisitions.

Planning & Development Services Fund - to account for revenues and expenditures related to development and building services functions.

Affordable Housing Fund - to account for cash in lieu financial contributions from developers and General Fund contributions which are to be used to construct, purchase and maintain permanently affordable housing units in Boulder.

Community Housing Assistance Program (CHAP) Fund - to account for property tax, a housing excise tax and fees to be used to increase the supply of affordable housing in Boulder.

.15 Cent Sales Tax Fund - to account for earmarked sales tax authorized by the voters in 1992 for parks and recreation and general municipal purposes.

.25 Cent Sales Tax Fund - to account for earmarked sales tax authorized by the voters in 1995 for parks and recreation operating and capital needs.

Public Safety Property and Sales Tax Fund - to account for earmarked sales and property tax authorized by the voters in 1997 for public safety purposes.

Library Fund - to account for the operations of the City-owned library and branches. Financing is provided by general property taxes and General Fund contributions.

Recreation Activity Fund - to account for revenues and expenditures related to the provision of recreation, reservoir and golf course services/programs.

Open Space Fund - to account for the acquisition and maintenance of greenbelt land. Financing is provided by sales taxes and the issuance of long-term bonds and notes payable.

Airport Fund - to account for the operations of the City-owned municipal airport. Financing is provided by grants, rents and leases.

Transportation Fund - to account for construction, operation and maintenance of all major thoroughfares, local streets, bikeways, walkways and City-owned parking. Financing is provided by sales taxes, the City's share of the County Road and Bridge tax, State Highway Users' tax and State Auto Registration fees.

Transportation Development Fund - to account for development fees to be utilized for the construction of transportation capital improvements related to new development and growth.

Community Development Block Grant Fund - to account for the funds granted by the Community Development Block Grant program administered by the Department of Housing and Urban Development.

HOME Fund - to account for funds granted by the HOME program administered by the Department of Housing and Urban Development.

Capital Project Funds

The Capital Project Funds are established to account for financial resources to be utilized for acquisition, construction and improvement of general fixed assets (other than those financed by Proprietary Funds).

The City of Boulder has the following Capital Project Funds:

.25 Cent Sales Tax Bond Proceeds Fund
Permanent Parks and Recreation Fund
Boulder Municipal Property Authority Bond Fund

Debt Service Fund

The Debt Service Funds are established to accumulate moneys for payment of general long-term debt principal and interest.

General Obligation Debt Service Fund - Financing is provided by investments accumulated for the retirement of specific notes payable.

.15 Cent Sales Tax Debt Service Fund - Financing is provided by earmarked sales tax.

Boulder Municipal Property Authority Debt Service Fund - Financing is provided by base rentals from the General Fund, Lottery Fund, Open Space Fund and the Permanent Parks and Recreation Fund.

Enterprise Funds

Enterprise Funds are established to finance and account for the acquisition, operation and maintenance of governmental facilities and services which are entirely or predominantly self-supporting by user charges. All activities necessary to provide such services are accounted for in these funds, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing collections.

The City of Boulder has the following Enterprise Funds:

Water Utility Fund
Wastewater Utility Fund
Flood Control Utility Fund
Central Area General Improvement District
University Hill General Improvement District

Internal Service Funds

The Internal Service Funds are established to finance and account for services and/or commodities required by other funds. The City of Boulder has the following Internal Service Funds:

Telecommunications Fund - to account for the costs of operating, acquiring and maintaining telecommunications equipment used by all City departments.

Property & Casualty Insurance Fund - to account for and facilitate the monitoring of the City's self-insured property & casualty insurance plan.

Workers Compensation Insurance Fund - to account for and facilitate the monitoring of the City's self-insured workers compensation plan.

Employee Benefit Insurance Fund - to account for and facilitate the monitoring of the City's minimum premium funding arrangement (similar to self-insurance) for health and dental insurance.

Compensated Absences - to account for payments of compensated absences to employees of the General and Library Funds. Funding is received primarily from the General Fund.

Fleet Fund - to account for the costs of operating, acquiring and maintaining automotive equipment used by other City departments. Such costs are billed to the other departments.

Computer Replacement Fund - to account for the costs of acquiring and maintaining computer equipment used by other City departments. Such costs are billed to the other departments.

Equipment Replacement Fund - to account for the costs of acquiring equipment used by other City departments. Such costs are billed to the other departments.

Facility Renovation & Replacement Fund - to account for the costs of maintaining and replacing facilities within the City of Boulder.

Budget Basis

Budgets are prepared on a modified accrual basis, except for outstanding encumbrances which are budgeted as expenditures. Briefly, this means that obligations of the City are budgeted as expenditures, but revenues are recognized only when they are 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. Expenditures generally are recorded when a liability is incurred.

The Comprehensive Annual Financial Report (CAFR) shows the status of the City's finances on the basis of generally accepted accounting principles (GAAP). In most cases, this conforms to the way the City prepares the budget. One exception is compensated absences (accrued but unused vacation or sick leave) which are treated slightly differently in the budget and in the CAFR.

Budget Terms

Accrual Basis - The basis of accounting under which revenues and expenses are recognized when they occur, rather than when collected or paid.

Ad Valorem Tax - Tax based on the Assessed Valuation of property.

Appropriation - Legal authorization granted by City Council to make expenditures and incur obligations up to a specific dollar amount.

Appropriation Ordinance - An ordinance by means of which appropriations are given legal effect. It is the method by which the expenditure side of the annual budget is enacted into law by the City Council.

Assessed Valuation - Basis for determining property taxes. The assessor determines the assessed valuation of residential real property. For 1999-2000, property was appraised at the 1998 actual value. The residential rate for 1999 was 9.74% of its actual 1998 value and all other property was assessed at 29%.

Bond - Written promise to pay a specified sum of money, called the face value or principal, at a specified date or dates in the future, called the maturity date(s), together with periodic interest at a specified rate.

Budget - Plan of financial operation, embodying an estimate of proposed expenditures for a given period and the proposed revenue estimates of financing them. Upon approval by City Council, the budget appropriation ordinance is the legal basis for expenditures in the budget year.

Capital Assets - Assets of significant value and having a useful life of several years. Capital assets are also referred to as fixed assets.

Capital Improvement Program - An annual, updated plan of capital expenditures for public facilities and infrastructure (buildings, streets, etc.) with estimated costs, sources of funding and timing of work over a five year period.

Capital Project - Projects involving the purchase or construction of capital assets. Often a capital project encompasses the purchase of land and the construction of a building or facility, or major street construction or reconstruction. Design, engineering or architectural fees are often a part of a capital project.

Capital Purchases - Those items which a department purchases that have a value of over \$5,000 and a life of longer than one year, with the exception of computing equipment and copy machines which have a limit of \$1,000.

Debt Service - Payment of principal and interest related to long-term debt.

Department - An organizational unit of the city which provides one or more services.

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

Designated Fund Balance - That portion of the fund balance that has been set aside for a specific purpose by the City Council.

Division - A group of related tasks to provide a specific benefit to either the general public or the city organization. A division is a sub-organizational unit of the department.

Encumbrance - Appropriations committed by contract for goods or services, which will not be paid for until the next fiscal year.

Fiscal Year - A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and the results of its operations. The City of Boulder's fiscal year is January 1 through December 31.

Fund Balance - The balance remaining in a fund after costs have been subtracted from revenues.

General Obligation Bonds - Bonds which the full faith and credit of the issuing government are pledged for payment.

Grants - Contributions or gifts of cash or other assets from another government to be used or expended for a specified purpose or activity.

Home Rule - Statutory and constitutional provisions, which allow municipalities to exercise powers of local self-government such as the administration and collection of local taxes. The City of Boulder is a home rule municipality.

Infrastructure - Facilities on which the continuance and growth of a community depend, such as streets, waterlines, etc.

Interdepartmental Charges - Charges for services provided by the Interdepartmental Service Funds. An example of these charges is vehicle charges. These charges are reflected as expenditures in the department budgets and as revenues in the Intradepartmental Service Funds.

Internal Transfers - Legally authorized intra-city transfers from a fund receiving revenue to another fund where it is to be expended. Revenue and expenditures are accounted for in both funds.

Lease-Purchase Agreements - Contractual agreements which are termed "leases", but which in substance amount to purchase contracts, for equipment and machinery.

Long-term Debt - Debt with a maturity of more than one year after the date of issuance.

Maturity - The date on which the principal or stated value of investments or debt obligations are due and may be reclaimed.

Mill Levy - Rate applied to Assessed Valuation of property to determine property taxes. A mill is 1/10th of a penny, or \$1.00 of tax for each \$1,000 of assessed valuation. The city's maximum mill levy, excluding debt service, is thirteen mills per City Charter.

Modified Accrual Basis - Revenues are recorded as the amount becomes measurable and available. Expenditures are recorded when the liability is incurred.

Not Operating Budget - Represents the amount of money necessary to provide for the day to day functions of city government. It does not include internal transfers between funds, nor does it include expenditures for debt service and capital projects.

Operating Expenses - Those items that a department will utilize in its daily operations. Examples of these items would be copying, office supplies, postage, work supplies, and chemicals. In addition, any item that a department receives from outside agencies such as telephone services, gas and electric charges, equipment rentals, rent, advertising, and contractual arrangements are also included in operating expenses.

Personnel Services - This category includes salary and benefits for standard and temporary employees. It also includes budgeted overtime.

Plant Investment Fees - Charges to new developers for connecting to the city's water or sewer system to compensate the city for additional facilities needed to serve the development.

Program - A specific activity within a department. A grouping of programs typically defines a division within a department.

Projected - Estimation of revenues and expenditures based on past trends, current economic conditions and future financial forecasts.

Reserves - Funds which are planned to not be spent in the current budget year, and whose level is established by a specific policy decision. Please refer to specific reserve policies in this document.

Revised Budget - Most recent estimate of revenue and expenditures including additional appropriations made throughout the year and encumbrances carried over.

Special Assessment - A levy made against certain properties to defray part or all of the cost of a specific improvement or service deemed to primarily benefit those properties.

Supplemental Requests - Programs and services which departments would like to have added to their budget. Typically, supplemental requests are covered by additional revenue, as is the case with new grants.

Unallocated Fund Balances - Unspent funds whose levels at any point in time are the difference between expected

revenues plus any unspent funds from prior years, and budgeted expenditures. The primary conceptual difference between unallocated fund balances and reserves is that reserves are earmarked by conscious policy decisions, and unallocated fund balances are funds which remain above the reserve.

User Fees - The payment of a fee for direct receipt of a public service by the party benefiting from the service.