

## Glossary of Terms

<b>Ad Valorem Tax</b>	A tax based on value. Property taxes in the Municipality are an ad valorem tax. Taxpayers pay a set rate per dollar of assessed value of taxable property.
<b>Allocated Revenues</b>	Revenues received or earned by the Municipality which are not attributed to a particular department, program or service. Examples are state revenue sharing and interest earned on cash investments. These revenues are distributed to funds (service areas), but not to particular programs. The method of allocation varies, depending on the type of revenue.
<b>Allowed Budget</b>	Amount the total budget can be without exceeding the tax limitation. Calculated by adding the amount of taxes allowed under the tax limitation and other anticipated revenues (programs and allocated revenues and intra-governmental charges to non-tax-supported units such as grants and utilities).
<b>Appropriation</b>	An authorization by the Assembly to make expenditures. The Assembly makes appropriations in the operating budget for each department's direct cost and each fund's function cost. Appropriations lapse at the end of the fiscal year.
<b>Areawide Services</b>	Services provided throughout the entire Municipality. Examples are education, planning and zoning, library, health and transit.
<b>Assessed Valuation</b>	The value of real estate and other taxable property established by the Municipality as a basis for levying taxes. By State law, all taxable property must be assessed annually at 100% of market value.
<b>Average Mill Rate</b>	The average tax rate (mill levy) computed by: $\frac{\text{Total Property Tax Required}}{\text{Total Areawide Assessed Valuation}} \times 1,000 = \text{Average Mill Rate}$
<b>Balanced Budget</b>	A budget in which sufficient revenues are available to fund anticipated expenditures.
<b>Budget Unit</b>	An organization level for which a budget is prepared. This is usually a division or section, depending on the organizational structure of the particular department.
<b>Charter</b>	The governing document that created the Municipality of Anchorage as a home rule government. The charter was adopted in 1975 and may be amended only by a majority of those voting on the approved amendment.

<b>Code</b>	The laws that interpret and implement the Municipal charter. The code is adopted and may be revised by ordinance approved by at least six members of the Assembly.
<b>Continuation Level</b>	Projection of what it would cost in the budget year to continue existing programs and services at the same level of activity.
<b>Debt Service</b>	Principal and interest payments on debt incurred (bonds sold) by the Municipality.
<b>Direct Costs</b>	Salaries and other personnel expenses, supplies, contracts and other purchased services, debt service, machinery and other capital expenses. The Assembly appropriates a department's direct costs for the fiscal year.
<b>Expense</b>	General government expenses include salaries, wages, supplies, contracts, debt service, and purchases of machinery and equipment.
<b>Fiscal Year</b>	An accounting term for the budget year. The fiscal year of the Municipality is January through December 31.
<b>Function Cost</b>	<p>The appropriation level for funds (or service areas). Function cost is calculated as follows:</p> $\begin{array}{rcccc} \text{Direct} & + & \text{Intragovernmental} & - & \text{Intragovernmental} & = & \text{Function} \\ \text{Cost} & & \text{Charges From} & & \text{Charges to Others} & & \text{Cost} \\ & & \text{Others} & & & & \end{array}$ <p>The function cost of a particular fund is the sum of the function costs of all budget units assigned to the fund. The Assembly appropriates a fund's function costs for the fiscal year.</p>
<b>Fund</b>	An accounting entity designed to isolate the expenses and revenues of a particular program or service. Funds are classified according to type: general, enterprise, debt service, etc. The expenses and revenues are accounted for according to generally accepted accounting principles. Each service area established in the Municipality is assigned a unique fund number and title.
<b>Intragovernmental Charge (IGC)</b>	The charge for a service that one budget unit (servicer) provides to another (requester). Charges to other budget units are counted as revenues; charges from others are counted as expenses.
<b>Mandated Increase</b>	Budget increase required to meet Federal, State, or Municipal legally mandated services or programs.

**Mill Levy or Rate** A rate of tax to be assessed on all taxable property. Rates are expressed in terms of \$1 of tax per \$1,000 of assessed value. Mill Levy is computed as follows:

$$\frac{\text{Property Tax Required in a Service Area}}{\text{Total Assessed Value of Taxable Property in the Service Area}} \times 1,000 = \text{Mill Levy}$$

**Net Program Cost** The amount required to support a program that is not completely funded by revenues earned by the program. Net program cost must be funded by allocated revenues or property taxes. It is computed as follows:

$$\text{Direct Cost} + \text{Intragovernmental Charges From} - \text{Intragovernmental Charges to} - \text{Program Revenues} = \text{Net Program Cost}$$

**Program Revenue** Revenues earned by a program, including fees for service, license and permit fees and fines.

**Property Tax** Total amount of revenue to be raised by levying taxes on real and personal property. Property tax is computed as follows:

$$\text{Net Program Costs for all Budget Units in a Particular Fund} - \text{Allocated Revenues Assigned to the Fund and Fund Balance} = \text{Property Tax Required for the Fund to Meet the Budget}$$

**Resources** The personnel and financial requirements of each program. Personnel resources are stated in terms of full time, part-time and temporary positions. Financial resources are stated in terms of five major expense categories (personal services, supplies, other services, debt services and capital outlay).

**Service Area** A legal entity that funds particular governmental services. Service areas are created, altered or abolished only with the approval of a majority of those voting on the question within the affected area. The services are financed only from taxes on property within the area (after all other revenue sources are applied). Areawide services are provided to, and paid for by, taxpayers throughout the Municipality. Other services are limited to smaller geographic areas. Examples of service areas are:

- Chugiak Fire **Service Area** (SA)
- Anchorage Metropolitan Police **Service Area**
- Anchorage **Roads and Drainage Service Area** (ARDSA)
- Girdwood Valley **Service Area**
- Glen Alps **Limited Road Service Area** (LRSA)

- Spending Limitation** Anchorage Municipal Code Section 6.10.037 established a spending limitation on general government tax-supported services. It generally limits per capita expenditure increases to the amount of inflation (as measured by the Anchorage consumer price index) and expenditures required to provide voter and legally mandated services.
- Tax Limitation** A charter amendment passed by the voters of Anchorage in October 1983, which sets an upper limit on the amount of taxes the Municipality can levy in any given year. The tax limit is generally based on the amount levied in the previous year, increased by the rate of inflation and the five-year average population growth. Exceptions to the limit are taxes allowed for payment of debt service and judgments against the Municipality and taxes to fund voter-approved services.
- Tax Requirement** The amount of property tax allowed and necessary to fund the budget.
- Tax-supported** A term used to indicate programs or funds which depend, to some degree, on property taxes as a source of revenue. Those that are not tax-supported earn sufficient program revenues, allocated revenues and/or intragovernmental charge revenues to balance their budgets.