

2006/2007 Proposed General Government Operating Budget

Glossary of Terms

Ad Valorem Tax A tax levied on the assessed value of rent and personal property. This tax is commonly referred to as property tax.

Allocated Revenues Revenues received or earned by the Municipality of Anchorage which are not attributed to a particular department, program or service. Examples are 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.

Appropriation Authorization by the Assembly to make expenditures and incur obligations. The Assembly appropriates each department's direct cost and each fund's function cost. Appropriations lapse at the end of the fiscal year.

Areawide Services Services provided throughout the Municipality of Anchorage.

Assessed Valuation Basis for determining property tax (ad valorem tax). By State law, all taxable property is assessed annually at 100% of market value.

Average Tax Rate The average tax rate (mill levy) computed by:

$$\frac{\text{Total Property Tax Required}}{\text{Total Areawide Assessed Valuation}} \times 1,000 = \text{Average Tax Rate}$$

Budget A plan of financial operations embodying an estimate of proposed expenditures for a given period and the means of financing them.

Budget Unit 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.

Budget Year The fiscal year for which the budget is being prepared and presented.

Charter The governing document that created the Municipality of Anchorage as a home rule government. The charter was adopted in 1975.

Code 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.

Continuation Level Projected to continue existing programs and services from one fiscal year to the next.

Debt Service Principal and interest payments on debt incurred (bonds sold) by the Municipality of Anchorage.

Direct Costs Personnel, supplies, contracts and other purchased services, debt service, and capital outlay. The Assembly appropriates each department's direct costs for the fiscal year.

Expense General government expenses include salaries, wages, supplies, contracts, debt service, and purchases of machinery and equipment.

Fiscal Year A twelve month period designated as the operating year for accounting purposes. The fiscal year of the Municipality of Anchorage begins January 1 and ends December 31.

Function Cost The appropriation level for funds or service areas. 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. Function cost is calculated as follows:

$$\begin{array}{r r r r r r} \text{Direct} & + & \text{Intragovernmental} & - & \text{Intragovernmental} & = & \text{Function} \\ \text{Cost} & & \text{Charges From Others} & & \text{Charges To Others} & & \text{Cost} \end{array}$$

Fund An accounting entity designed to segregate the expenses and revenues for carrying on specific activities. 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 by the Municipality of Anchorage is assigned a unique fund number and title.

Intragovernmental Charge The charge for a service that one budget unit provides to another. Charges to other budget units are counted as revenues; charges received from others are counted as expenses.

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:

$$\begin{array}{r r r r r r r} \text{Direct} & + & \text{Intragovernmental} & - & \text{Intragovernmental} & - & \text{Program} & = & \text{Net} \\ \text{Cost} & & \text{Charges From} & & \text{Charges To} & & \text{Revenues} & & \text{Program} \\ & & \text{Others} & & \text{Others} & & & & \text{Costs} \end{array}$$

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

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

$$\begin{array}{r r r r r} \text{Net Program Costs} & & \text{Allocated Revenues} & & \text{Property Tax} \\ \text{for all Budget} & & \text{Assigned to the} & & \text{Required for} \\ \text{Units within} & - & \text{Fund and Fund} & = & \text{the Fund to Meet} \\ \text{a Fund} & & \text{Balance} & & \text{the Budget} \end{array}$$

Property Tax Requirement The amount of allowed property tax necessary to fund the budget.

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 of Anchorage. Other services are limited to smaller geographic areas.

Service Level An amount of work to be accomplished with a given level of resources.

Tax Cap or Tax Limit A charter amendment passed by the voters of Anchorage in October 1983, which sets an upper limit on the amount of taxes the Municipality of Anchorage 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 cap are taxes allowed for payment of debt service and judgments against the Municipality and taxes to fund voter-approved services.

Tax Rate Rate applied to assessed valuation to determine property tax. Rates are expressed in terms of \$1 of tax per \$1,000 of assessed value. Tax rates are computed as follows:

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

Tax-supported Indicates programs or funds that 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.