

APPENDIX

GLOSSARY OF TERMS USED IN THE CITY OF NEWARK'S BUDGET

Appropriation

An authorization made by the Municipal Council, which permits officials to incur obligations against and to make expenditures of governmental resources. Appropriations are usually made for a one year period.

Assessed Valuation

The estimated value placed upon real and personal property as the basis for levying property taxes.

Authorized Positions

Council-approved positions that are funded, unless otherwise stated.

Bond

A written promise to pay a specified sum of money (principal or face value) at a specified future date (maturity date) along with periodic interest paid at a specified percent of principal (interest rate). Bonds are used for long-term debt, to pay for specific capital expenditures.

Bond Refinancing

The pay-off and reissuance of bonds to obtain more favorable interest rates and/or bond conditions.

Budget Amendment

A formal action by the Municipal Council to adjust the budget prior to the adoption of the budget. The purpose of a Budget Amendment is usually to transfer funds from one operating fund to another or to increase the total budget by increasing revenue estimates and appropriations.

Budget Organization

The organizational unit of budgetary classification to which appropriations are made. May encompass an entire department (i.e., 030, - Administration) or one major function of a department (i.e., 0303 - Central Purchase).

GLOSSARY (Cont'd)

Budget Transfers

An action that need formal approval by Municipal Council to adjust the appropriations after the adoption of the budget. The purpose of the budget revision is usually to transfer funds from one department to another.

Capital Budget

A plan of proposed capital expenditures and the means of financing them. The capital budget is the first year of the CIP as enacted as part of the city's total budget.

Capital Improvements

The 5% down payment amount that the City must expend, as part issuance of bonds, for capital projects. Bonding can be only 95% of the total of all capital projects.

Capital Improvement Program (CIP)

A plan for capital expenditures to be incurred each year, over a period of five years, setting forth each capital project, the amount to be expended in each year and the method of financing those expenditures. (i.e., for (re) construction of buildings, streets, sewer and parks).

Current Fund

This fund is used to account for the resources and expenditures for governmental operations of a general nature, including debt services on general purpose bonds and notes.

Debt Limit

The maximum rate at which the City may incur debt.

Debt Service

Payment of interest and repayment of principal to holders of the City's debt instrument (bonds).

Encumbrance

Obligations in the form of purchase orders or contract commitments which are chargeable to an appropriation and for which a part of the appropriation is reserved. They cease to be encumbrances when paid or when an actual liability is set up.

GLOSSARY (Cont'd)

Expenditures

The cost of goods received or services rendered when those liabilities are incurred, whether cash payments have been made or not.

Emergency

An emergency is an unanticipated expenditure that requires an appropriation that was not provided for in the adopted budget. According to New Jersey State Statute (40A:4-46) an appropriation for an emergency must meet a pressing need to protect or promote the public health, safety, morals or welfare of the citizens of the municipality. Revenues for all emergencies are funded either through surplus or emergency notes. The total amount of all emergency appropriations must be appropriated in the succeeding fiscal year.

Equipment

Items of expense for the outright purchase of major equipment and durable goods whose unit price is \$100.00 or greater.

Fiscal Year

The twelve month period other than January 1st to December 31st.

Fringe Benefits

Direct expenditures associated with employee compensation, which are undistributed to each organization's budget. These include retirement, social security, worker's compensation and life/health/dental insurance.

Employee benefits costs which are instead allocated, to each element, include longevity, night differential, and uniform allowance.

Full Valuation

An estimate of the actual market value of assessable property within the City, which is calculated by applying a state-designated Special Ratio to the assessed value of property.

Fund

A set of accounts to record revenue and expenses associated with a specific purpose. (i.e., Current Fund, Water Fund, Trust Funds.)

GLOSSARY (Cont'd)

Judgements

Mandated settlements, of all legal cases, that require a payment to be issued, are appropriated for in this section of the budget.

Line Item

A specific item defined by detail in a unique account in the financial system. (i.e., 4120-Tax Assessor, 7104-Printing Services)

Expenditure requests are reviewed and approved, at this most basic level, for each budget organization.

Longevity

A percentage increase to base salary that becomes effective after a certain number of years of service.

The specific circumstance differs by union; i.e., PBA - 4% after 4 years, 6% after 9 years and 8% after 14 years.

Materials and Supplies

Items of expense in the operating budget which are consumed or show a material change in their physical condition, and are generally of limited value (under \$100.00) and rapidly depreciative. Example: office supplies, motor fuels.

Miscellaneous

Provides the capability to make appropriations for certain specialized purposes which state law or contract requires be separated from other appropriations. (Passaic Valley Sewerage Commission Payment)

Objects of Expense

Expenditure classifications based upon the types of categories of goods and services purchased:

60 - Personnel Services

70 - Services by Contract or Agreement

GLOSSARY (Cont'd)

80 - Materials and Supplies

90 - Equipment

93 - Miscellaneous

Operating Budget

The annual financial plan that identifies revenues, specifies the type and level of services to be provided and establishes the amount of money which may be spent.

Ordinance

A formal legislative enactment by the Municipal Council having the full force and effect of the law.

Over Expenditures (Current Fund, Reserves and Capital Ordinances)

Expenditures without appropriations; and expenditure that exceeds the appropriated total for the major categories (Services by Contract or Agreement) must be appropriated in total in the succeeding fiscal year. The New Jersey State Division of Local Government Services Municipal Budget Manual includes this procedure.

Personnel Services

Items of expense in the operating budget for salaries and wages and for fringe benefits costs associated with City full-time and part-time employment.

Prior Years' Bills

Any charges (salaries and/or vendor invoice) left unpaid for a two year period or were not appropriated for in the prior year must be considered a Prior Years' Bill and must be appropriated in the succeeding fiscal year. This procedure is included in the New Jersey State Division of Local Government Services Municipal Budget Manual.

Property Tax Levy

The total amount of property tax to be assessed on taxpayers, regardless of whether they are actually collected.

Property Tax Rate

The rate used to determine the property tax bill of individual taxpayers. The rate is expressed as a dollar amount to be charged for each \$100 of assessed property value.

GLOSSARY (Cont'd)

Resolution

An order of the Municipal Council requiring less legal formality than an Ordinance.

Serial Bonds

A long-term borrowing instrument which requires a series of payments to be made over a multi-year period. The payments made include principal installments and interest expense.

Services by Contract or Agreement

Items of expense for services the City receives from an outside vendor. Example: utilities, rent, maintenance service agreements.

User Fees

The payment of a charge for direct receipt of a public service by a party benefiting from that service.