Dear National Fire Academy Student:

Welcome to Fire Service Financial Management! This course is designed to assist fire service managers in planning and managing fire department fiscal programs. Your 2 weeks at the U.S. Fire Administration’s National Fire Academy will be challenging and will include some evening classes.

In order for the course to be meaningful, you need to do several things before coming to Emmitsburg.

1) Read “Playing With Fire” by Scott Lazenby, Publisher: iUniverse, ISBN 0595194109, available from amazon.com. After reading the book, answer the following questions and prepare a type-written detailed response prior to your arrival in class. These will be picked up as part of the activities on the first morning of class.

   - What were the financial and political issues that led to the potential problems with the Trillium city budget?

   - Was fire department senior management, Fire Chief Max Oakley, considered a part of the city’s management team? Why or why not?

   - Did the firefighter’s union play fair during the crisis? What role did ethics play with the way Union President Brian Gallagher approached the issues facing both the firefighters and the fire department regarding the potential for reductions in the fire department budget?

   - Taking the fire department operational issues out of the argument, did the proposal as submitted by the Assistant City Manager, Betty Sue Castle, make common sense and show economic savings to the non-fire-service background person? Why or why not?

   - What role did the press play in this story? Was the reporter, Sabrina Chan, fair and impartial?

   - What was the impression that City Manager Ben Cromarty had of the fire department and the firefighter’s association? What approach/opportunities could have been used to improve their standing with him?

2) Complete the seven-part pre-course preparation unit. See enclosure.

3) If your department has a written mission statement and goals, bring copies of them with you.

End-of-class graduation ceremonies are an important part of the course, and you are expected to attend. Please do not make any travel arrangements to leave campus until after you and your classmates graduate.
For your information, the NFA classroom environment is PC based. As increasing numbers of students and instructors are bringing laptop computers or other electronic devices to campus you alone are responsible for the security and maintenance of your equipment. The Academy cannot provide you with computer software, hardware, or technical support to include disks, printers, scanners, etc. Classrooms are outfitted with surge protectors at each table for your convenience. Thumb drives or external hard drives used to bring course materials to class cannot be connected to FEMA property without being scanned for viruses. Due to time limitations for scanning, these devices cannot be larger than 8 GB. Anything over this amount will not be scanned and cannot be used. A Student Computer Lab is located in Building D and is available for all students to use. It is open daily with technical support provided in the evenings. This lab uses Windows 7 and Office 2010 as the software standard.

Should you need additional information related to course content or requirements, please feel free to contact Ms. Colleen Heilig, Planning and Information Management Curriculum Training Specialist, at (301) 447-1613 or email at Colleen.Heilig@fema.dhs.gov.

Sincerely,

[Signature]

Dr. Kirby Kiefer, Acting Superintendent
National Fire Academy
U.S. Fire Administration

Enclosure
Dear Fire Service Financial Management Student:

Congratulations on your acceptance into the National Fire Academy Fire Service Financial Management (R0333) course. As part of the course requirement, you are asked to review and complete this pre-course preparation unit. It consists of seven assignments:

1) Pre-course Assignment #1- Read and answer questions about the book *Playing With Fire*.
2) Pre-course Assignment #2- Complete the questionnaire about your Local Department Profile.
3) Pre-course Assignment #3- Bring a copy of the most recent monthly budget expenditure report.
4) Pre-course Assignment #4- Bring a copy of the most recent Rating Report from the ISO for your jurisdiction (Public Protection Classification Summary Report-approximately 35-40 pages). Students from Texas also bring a copy of the Texas State Exceptions to the Fire Suppression Rating Schedule (FSRS).
5) Pre-course Assignment #5-“American Rhetoric” Select and listen/watch a speech presentation and identify 10 content/context elements from a delivery and content viewpoint.
6) Pre-course Assignment #6- Meet with your Financial Director or person in a similar position to develop answers to nine questions regarding your community’s current and future financial situation.
7) Pre-course #7–Familiarize and/or research the course Terminology. There is an activity on the first day of class to determine your understanding of these terms.

Please read the instructions, which follow for each of these sections, and complete activities as directed. Bring the materials and/or information with you to the first day of class.

Sincerely,

Colleen Heilig
Training Specialist, Information Management

Enclosure
FIRE SERVICE FINANCIAL MANAGEMENT
PRE-COURSE ASSIGNMENT
**Fire Service Financial Management (R0333) Course Description**

This 10-day course focuses on managing the effective allocation of resources and fiscal assets to improve service risk reduction and sustainability outcomes. This course introduces a method to evaluate the impact of changes in resource levels on performance goals and outcomes. There is a review of budgeting process and applications; however, this is not an accounting course. The course demonstrates how to identify and prioritize resource needs and create decision packages that align resources and funding with the most effective approach to risk-reduction outcomes. This is a resident course for fire/emergency medical services (EMS) and their emergency service managers, community leaders, and others who need to tie capacity building, resource, and resource allocation to the community risk-reduction outcomes identified in their strategic/capability-based planning. This course supports coalition building and collaboration to obtain prioritized needs, resource allocation, and tracking to sustain updated strategies and the delivery of community risk identification and preparedness programs.

**Selection Criteria**

Fire, EMS, and emergency services personnel who have direct influence or responsibility for the design, development and/or administration of the organization’s resources/budget/logistics. Special admission is available for board members, financial managers, and town/city administrators responsible for fire service operations who attend the course with their fire/EMS Chief Officer.

**Prerequisites**

Incident Command System (ICS)-100-level and ICS-200-level training. Preferred courses are Q462, ICS-100: *Introduction to ICS for Operational First Responders* and Q463, ICS-200: *Basic ICS for Operational First Responders* available through NFA Online at www.nfaonline.dhs.gov Chief’s signature attests that the applicant has completed this required training.

**ACE Recommendation**

In the upper division baccalaureate degree category, 3 semester hours in Business Administration, Fire Science, or Public Administration.
Dear Fire Service Financial Management Student:

Congratulations on your acceptance to the National Fire Academy’s (NFA’s) Fire Service Financial Management course. If you haven’t received your pre-course materials, they can be downloaded at www.usfa.dhs.gov/downloads/pdf/pcm/pcm_R0333.pdf Please review this material very carefully.

In particular, please make sure that you have read the book “Playing With Fire” by Scott Lazenby, Publisher: iUniverse, ISBN: 0595194109. You can purchase the book online at either Amazon or Barnes and Noble. There is a pre-course assignment due the first day of class on the book. Also we will be doing several activities during the course that use the book as a base for discussion.

Whether this is your first time at the NFA or you are an alumnus, this will be a great experience. For your planning purposes, there are no scheduled course activities over the weekend.

In addition to the book, there are several pre-course assignments you must complete prior to your arrival on campus. It is suggested that you budget approximately 24 hours of time to complete the pre-course assignments.

Pre-course Assignment #1—”Playing With Fire”

After reading the book, answer the following questions and prepare a type-written detailed response prior to your arrival in class. These will be picked up as part of the activities on the first morning of class.

1. What were the financial and political issues that led to the potential problems with the Trillium city budget?

2. Was fire department senior management, Fire Chief Max Oakley, considered a part of the city’s management team? Why or why not?

3. Did the firefighter’s union play fair during the crisis? What role did ethics play with the way Union President Brian Gallagher approached the issues facing both the firefighters and the fire department regarding the potential for reductions in the fire department budget?

4. Taking the fire department operational issues out of the argument, did the proposal as submitted by the Assistant City Manager, Betty Sue Castle, make common sense and show economic savings to the non-fire-service background person? Why or why not?

5. What role did the press play in this story? Was the reporter, Sabrina Chan, fair and impartial?

6. What was the impression that City Manager Ben Cromarty had of the fire department and the firefighter’s association? What approach/opportunities could have been used to improve their standing with him?
Pre-course Assignment #2—Local Department Profile

Complete the following questionnaire regarding your home department to the best of your ability. This is not intended as a test, so do not hesitate to seek out any information that you do not know from appropriate sources. You will be required to hand in the completed questionnaire on the first day of class. The information will be used by the instructors to help them focus the course on the needs of the students and may be used in the final class activity.

Department Demographics

Name: ________________________________

Department name: ________________________________

Type of jurisdiction: ________________________________

Approximately how many square miles are in your jurisdiction? ________________________________

What is the size of the population served by your department? ________________________________

Describe any significant changes in the population base of your jurisdiction during the past 5 years.

____________________________________________________________________________________

How many of each of the following type of equipment does your department operate?

Stations _____ Engines _____ Trucks _____ BLS Ambulances _____ ALS Ambulances _____

How many employees does your department have? Sworn __________ Civilian __________

What is the number and employment status of emergency response personnel?

Full-time ______ Part-time _______ Paid/Call _______ Volunteer _______

What is your minimum staffing on the following? Engine __________ Truck __________

What is the monthly base salary for the following positions?

Company Officer $________ Driver/Operator $________ Firefighter $________

Firefighter/Paramedic $________ Paramedic $________

List two major financial management issues facing your department or community that you would like to take an active part in finding a solution. It’s preferred to think “outside the box”; it may or may not just be a fire- or EMS-related issue.

____________________________________________________________________________________

____________________________________________________________________________________
Budget Information

What is the total annual budget for your jurisdiction this fiscal year? $__________________

What is the total annual budget for your department this fiscal year? $__________________

(This total may be the same as for the preceding question if your department is an independent fire entity, i.e., not part of a larger city or other jurisdiction.)

Over the past 3 years, has your budget increased, stayed the same, or decreased? (Circle one)

If it has changed, by approximately what percent? ________ %

Approximately what percent of your department’s budget is for personnel? ________ %

Approximately what percent of your department’s budget is for capital items? ________ %

Approximately what percent of salary does your jurisdiction pay to provide benefits (retirement, health insurance, disability insurance, etc.) to your firefighting classes? ________ %

In what month of the year does your jurisdiction’s fiscal year begin? ______________________

What type of budget process does your jurisdiction use? (Line-item budget, Performance budget, Program budget, Zero-base budget, etc.)

______________________________________________________________

Are there any significant budget issues that you anticipate during the next 2 years?

Yes ______ No ______

If yes, please explain: ____________________________________________

______________________________________________________________

______________________________________________________________

Has your jurisdiction implemented GASB 45? Yes ______ No ______

If so, how has this affected the fire department? _________________________

______________________________________________________________

Has your jurisdiction implemented reductions in pension benefits? Yes ______ No ______

Has your jurisdiction implemented reductions in health insurance benefits? Yes ______ No ______
Pre-course Assignment #3—Department Monthly Budget Expenditure Report

You are to bring a copy of the most recent monthly budget expenditure report used by your department to track expenditures. If your department does not use a formal expenditure reporting system, bring a copy of the information which is used by your department to track budget expenses. There is an activity during the course that has some optional activities that uses your own budget report. You will retain the report; just make sure to bring it to class on the first day with the other pre-course materials.

Pre-course Assignment #4—Insurance Services Office Materials

We will be doing a new exercise that will use your Insurance Services Office (ISO) rating information. The exercise will allow you to examine your ISO report and community rating to seek areas of cost-effective improvement for future ratings. Please bring a copy of the most recent Rating Report from the ISO for your jurisdiction. There are two types of reports available from ISO. The best report to bring is the Public Protection Classification Summary Report that contains the Improvement Statements for your jurisdiction. This report has a complete breakdown of your ISO scoring and areas suggested for improvement. It typically is about 35 to 40 pages. The other report is the Classification Detail Report, an actual summary of your grading. It typically is about 10 to 12 pages. It contains just the point values awarded with no explanations. If this is the only report you can locate, bring it; otherwise try to bring the Public Protection Classification Summary Report to get the most out of the exercise. For those of you from the State of Texas, bring a copy of the Texas State Exceptions to the Fire Suppression Rating Schedule (FSRS). You will be able to use that information in addition to your regular ISO report.

More information about ISO can be accessed at their Web site: www.iso.com/Products/Public-Protection-Classification-Service/Fire-Suppression-Rating-Schedule-FSRS-manual-for-PPC-grading.html

Pre-course Assignment #5—“American Rhetoric”

In addition, please visit the Web site “American Rhetoric.” We will be doing an exercise in class regarding presentations. Your pre-course assignment is to go to the section with the “Top 100 Speeches” and select any speech that interests you. Click on the hyperlinked title on the Web site in the column titled “Title/Text/Multimedia” to review the speech you have selected.

Review the speech; some are video and audio and some are audio only. As you listen to and/or watch the speaker, you should try and capture the elements that make the speech memorable. What was it that the speaker did to get his/her message across, and what was it about the content of the speech that moved you? What are those delivery and message content elements that you could use to make yourself a better public speaker and produce better content in your own presentations? Make a list of at least 10 elements from a delivery and content viewpoint. This information will be reviewed as part of a student activity during the first Wednesday of class.

The Web site is found at www.americanrhetoric.com/top100speechesall.html
Pre-course Assignment #6—My Community’s Financial Information

Purpose

To explore current and potential future financial conditions affecting your community. Please meet with your Finance Director or person of a similar position to develop the answers to the following questions.

Directions

Prepare written answers to the following nine questions regarding your own community’s financial situation, current and future.

1. Name, title, and phone number of the person you contacted for this assignment.

2. What is your community’s main economic engine? What drives its ability to support governmental activities?

3. What is the percentage of your agencies’ income derived from property tax and sales tax? Is one of those increasing or decreasing as a percentage of total income faster than the other?

4. Who are the top three employers in your community?

5. Who are the three largest sales tax producers in your community?

6. What are the short- and long-term outlooks for those entities listed in the above questions to keep their current status at the top?

7. Does your agency have any potential issues regarding long-term obligation for pensions and/or postretirement health benefits? If so, how is this being addressed?

8. Does the finance director have any concerns with the fire/EMS department’s short- and long-term financial viability under the current service delivery model? If so, what are they?

9. Has your agency made any significant changes as a result of financial conditions in the way they operate on a day-to-day basis in the past 3 years? If so, what were they?
Pre-course Assignment #7—Terminology List

An understanding of the following terms will assist you in successfully completing the *Fire Service Financial Management* (FSFM) course. You are to review them and research those with which you are not familiar. Please make sure that you review the terminology list prior to your arrival, as there is an activity on the first day of class that covers that material. Valuable Fire Academy Prizes (VFAP) will be at stake.

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GLOSSARY

Abatement
The cancellation of part or all of a past or prospective expenditure.

Accrual basis
A method of accounting whereby revenues and expenses are identified within specific periods of time, i.e., month or year. (See also Cash basis.)

Ad valorem
A phrase used to denote property tax assessments from the Latin term meaning “according to value.”

Amortization
The gradual extinguishment of any amount over a period of time such as the retirement of debt or replacement of capital items by serial payments to a creditor or into a sinking fund.

Annuitant
A retired employee.

Appropriation
An authorization from a specific fund to a specific entity to make expenditures/incur obligations for a specified purpose and period of time.

Arbitrage
The term used to describe the practice of buying, selling, or brokering financial instruments (such as bonds, securities, derivatives, etc.) in a manner which allows profits over a short period from differences between the interest rates at purchase and sale.

Assets
Any owned physical object (tangible) or right (intangible) having a monetary value.

Audit
Any inspection by a third person of accounting records; any systematic investigation or appraisal of procedures or operations.

Balance sheet
A statement of financial condition which lists assets, liabilities, and equity.

Benefit-cost analysis
Compares the ratio of the monetary value of the benefits of a proposed action to the costs incurred. Variables should be quantified in comparable units (frequently monetary).

Bond counsel
The attorney, or firm of attorneys, that gives the legal opinion printed on the back of bonds confirming that the bonds are legal, valid, and binding obligations of the issue.
**Bond rating**
A rating of the risk involved in investing in bonds issued by a particular entity based on that entity’s past repayment record, current financial condition/level of debt, and future prospects. The ratings are issued by financial rating institutions and are expressed alphabetically (i.e., AAAA, AAA+, AA, etc.).

**Capital expense**
Usually the expense to purchase assets.

**Cash basis**
A method of accounting whereby revenues are recorded when received in cash and expenditures (outlays) are recorded when paid without regard to the fiscal year or other accounting period to which the transactions apply. (See also Accrual basis.)

**Cash flow**
Refers to cash on hand which is available to meet current obligations at any particular time.

**Collateral**
Assets pledged to a creditor as security in exchange for credit or a loan.

**Compliance audit**
An audit to determine whether rules set down by some higher authority are being followed.

**Consumer Price Index (CPI)**
A numerical index which measures inflation as experienced by the “average” household (also referred to as “cost of living” or “retail price” index).

**Consumption tax**
A tax which is assessed on the use of products such as cigarettes, liquor, hotel rooms, etc., (also called sin tax).

**Contingency fund**
A portion of available resources reserved for emergency expenditures or for transfer.

**Cost-benefit analysis (CBA)**
Compares the ratio of the monetary value of the benefits of a proposed action to the costs incurred. Variables should be quantified in comparable units (frequently monetary).

**Debt ceiling**
The limit set on a jurisdiction regarding the amount of debt it is authorized to incur.

**Decision package**
An integral part of a zero-base budget package which offers the choice of incremental levels of funding or performance for a program, such as 90 percent of proposal, 100 percent of proposal, 110 percent of proposal, etc., (also called decision units).
Depreciation
An allowance for the fact that fixed assets wear out or become obsolete.

Derivatives
Financial instruments whose value is linked to, or derived from, the performance of some underlying asset or benchmark such as bonds, stocks, or currencies.

Economic indicators
Factors such as prime interest rate, gross national product (GNP), stock market average price, etc., used to calculate indexes such as the CPI and to forecast economic trends.

Eminent domain
The taking of private property by government for public use with just compensation.

Enterprise fund
A fund used to finance an operation similar to private enterprise whereby all costs for providing the goods or service are recovered through user charges (examples: airport, golf course, etc.).

Equity
Total assets minus total liabilities; also called net worth.

Ethics
A set of principles of right conduct; rules or standards governing conduct.

Expendable item
An item to be procured which is, by its nature, depleted or worn out through use.

Expenditure category
A grouping of similar types of budget expenditure objects (i.e., personal services, operating, capital, etc.).

External audit
An audit which is conducted by an independent accounting or regulatory agency as opposed to one conducted by internal agency auditors.

Fiduciary fund
A fund held by a government agency in a trustee capacity for individuals, private organizations, or other government agencies.

Financial audit
An audit focused on accounting records.

Financial statement
A statement of an entity’s financial condition, at a specific point in time, which usually includes balance sheet, income statement, and statement of changes in financial condition.
**Fiscal year**
The 12-month accounting period for which a given budget is adopted and implemented (i.e., obligations are incurred, encumbrances are made, and appropriations are expended).

**FTE**
Full-time equivalents.

**Fund**
A self-balancing set of accounts established to accomplish a specific purpose (i.e., general fund).

**Future value**
The amount to which a sum of money will grow if invested at a given rate of interest.

**General fund**
The fund used to account for revenues and expenditures which are not specifically designated to be accounted for by any other fund.

**General obligation bond**
Financial instruments issued by government entities to generate revenue with a promise to repay with interest over a specific period. A method to incur debt which generally requires voter approval.

**ICMA**
International City/County Management Association.

**Increment**
That portion of tax revenue which represents an increase or decrease over prior year revenue.

**Inflation**
A general rise in the level of prices.

**Interest**
The price paid for the use of a sum of money. The standard charge is a percentage, and the standard period is 1 year.

**Internal audit**
An audit performed by an internal bureau, department, or function of the government entity.

**Investment pool**
A pooled account of funds from several agencies which are surplus or temporarily idle, combined to take advantage of the investment advantages of a larger fund balance (leveraging, etc.).

**JPA**
Joint Powers Agreement.
Lease-back
The practice of selling a government improvement to a private investor, then leasing it back from that investor at an annual rate.

Lease-purchase
A method of acquiring assets without affecting debt ceiling through shorter-term financing. The government entity may not own the asset outright at the end of the payment term.

Liability
An amount owed or promised.

Line-item budget
A budget system that concentrates on resources to be consumed during the budget year. Expressed as a listing of objects of expenditure.

Linear regression
A statistical method for identifying straight-line relationships between two sets of data.

Liquidity
The amount of an entity’s assets which are available as cash or which can immediately be converted to cash.

Long-term debt
Debt incurred by an entity to meet long-term needs such as acquisition of capital assets—usually through the issuance of long-term municipal bonds.

Mean
A statistical term to denote the average (i.e., an everyday guide to the midpoint in a set of numbers).

Median
A statistical term to denote a value, within a set of values, that has an equal number of values greater than it as there are less than it.

Mill rate
A term used to describe the rate of property tax assessment. A mill is equal to $1 of tax for each $1,000 of assessment.

Mode
A statistical term used to denote a value, within a set of values, which occurs most frequently.

Municipal bond
A financial instrument which provides a means for local or regional government to borrow money for general needs or special projects such as building streets or other infrastructures. Investors are guaranteed a fixed rate of return which is exempt from Federal, State, and local income taxes.
Obligation
An encumbrance or other commitment to expend funds.

Operating expense
A category of related expenditure objects within a budget display used to fund the operating functions of an entity (i.e., communications, fuel, household, etc.).

Opportunity costs
Indirect costs that occur when personnel, money, and time are dedicated to performing one function and, thus, are prevented from resolving other needs.

Performance budget
A budget system which emphasizes outputs, or work to be done, in terms of unit cost or other efficiency.

Personal service expense
A category of related expenditure objects within a budget display used to fund personnel-related functions of an entity (i.e., salaries, retirement, insurance, etc.).

Present value
The sum of money which would have to be put on deposit today, at a given interest rate, to generate a given sum in the future.

Prime rate
A key interest rate banks charge as determined by market forces affecting the bank’s cost of funds and the rates borrowers will accept.

Priority analysis
A technique that determines priority of community needs by estimating community impact, evaluating probability of future incidents, and predicting costs of preventive action.

Procedural audit
An audit to ensure an entity is in compliance with policy or procedures as dictated by a higher authority.

Program budget
A budget system which emphasizes outcomes, or work to be done in terms of outcomes or results (efficiency).

Property tax
A tax based on the value of real or personal property.

Purchase order
A procurement instrument which constitutes an official order for goods and promise to pay upon receipt.
Rational Nexus
A legal term requiring that a fee be proportionate to the benefit received.

Recession
An economic trend which is characterized by increasing unemployment rates, decreasing tax revenues, decreasing interest rates, etc.

Redevelopment Agency (RDA)
A government subdivision created to improve economically depressed areas and to issue bonds or other instruments necessary to fund the programs. Goals are normally accomplished in partnership with private developers.

Remediation
Responding to a loss in the making and seeking to reduce its cumulative effect.

Revenue bond
Financial instrument issued by government entities to generate revenue for the specific purpose of building improvements which will generate fees used to repay the bonded debt. These generally do not require voter approval.

Reversion
The transfer of funding which had been appropriated for a specific purpose but which was not used for that purpose back into the unallocated general fund.

RFP
Request for Proposal.

Sales tax
A tax assessed against retail sales revenue.

Sample
A statistical term used to denote a subset of a “population” (i.e., a group of 10 fire engines used to estimate the performance of all fire engines in the department).

Short-term debt
Debt incurred by government entities to cover short-term cash flow deficiencies.

Sinking fund
A fund used to hold periodic payments made in anticipation of future replacement expenses (i.e., set-aside account).

Special fund
A fund restricted by law for a specific purpose other than the general fund.
Spreadsheet template
A spreadsheet which has all headings, labels, and formulas preformatted and ready for data entry.

Staff benefits
The costs associated with employee salaries to provide benefits such as retirement/pension, health insurance, workers compensation, unemployment insurance, etc.

Subscription fee
Annual fees or dues paid to receive a specified service (such as fire protection or ambulance services).

Target-based budget
A budgeting system in which the government entity provides a target amount for each department based on revenue estimates for the upcoming fiscal year and on any changes in priorities for the new fiscal year.

Tax Increment Financing (TIF)
TIF is a method to use future gains in taxes to finance current improvements (which theoretically will create the conditions for those future gains). When a development or public project is carried out, there is often an increase in the value of surrounding and developed real estate.

Total cost purchasing
A method of purchasing/accounting which considers all the costs associated with procuring an item (i.e., buying costs, delivery, installation, warehousing, etc.).

Total replacement purchasing
A method of purchasing replacement items that considers replacing all at once in anticipation of predicted failure versus replacing each unit as it fails.

Transfer of budget accounts (TBA)
A voucher or other instrument which authorizes funds from one appropriation to be moved to another appropriation.

Use tax
A tax assessed on the use of a service or commodity (i.e., auto license fee, etc.).

Zero-base budget
A budgeting system which requires the government entity to rebuild its budget from “zero” or some other agreed upon level each year to ensure adequate examination and justification of all programs. Includes decision packages at various funding levels for each proposed program based on adjustments (± or −) from past levels of funding or performance.