

## Expenditure Summary

### *Estimating Expenditures*

Estimating expenditures can be difficult, because throughout any given year, there are many factors substantially changing community service needs. Because of this uncertainty, the expenditure estimation is a local government resource allocation plan. Throughout the year, and as needed, the City Council and City Manager make adjustments.

Beyond an expenditure's service driven aspect, many categories are fixed and are not impacted by service levels. Other expenditures are driven by the cost of goods (such as fuel or other types of supplies). Because of these economic factors, they are difficult to estimate. During budget development, these factors are considered, and the resulting estimates become the proposed expenditures.

Expenditures can be grouped into ten different categories:

- **Total Salaries – Total Salaries** represent the City's employee compensatory sum. City employees provide community services.
- **Other Salary Expenditures – Other Salary Expenditures** include City employee overtime, uniform allowances, and other compensation is not necessarily employee salaries.
- **Total Benefits -- Total Benefits** is the City contribution to health insurance, life insurance, and other non-salary benefits. This category also includes City paid federal income taxes.
- **Total Contractual Services – Contractual Services** represents various City service contract funding. These contract types range from sports officials to financial advisors.
- **Total Materials and Supplies – Materials and Supplies** are essential to complete any job. This category includes everything from pencils and paper to feed for the City's mounted patrol horses.
- **Total Other Operating Expenses – Other Operating Expenses** include miscellaneous tangibles and intangibles. Items such as training expenses, travel cost, and postage are included in this category.
- **Total Internal Service Charges – Internal Service Charges** are used to quantify City interdepartmental service costs. Services such as Information Technology, Risk Management, and City Garage represent this category.
- **Total Capital Outlay – Capital Outlay** represents equipment purchases costing more than \$5,000. When an item is purchased through capital outlay, it is eligible to be depreciated over its useful life.
- **Total Debt Service – To finance major projects** within the Capital Improvement Program, it is necessary for the City to borrow funds. Generally, they are notes or bonds. Through Debt Service, the City pays its "mortgage."
- **Total Transfers and Contingencies – Transfers** move funds from one fund to another, and when the cost of an issue is unknown, contingencies are set aside. The largest City transfer is to the Schools operating fund.

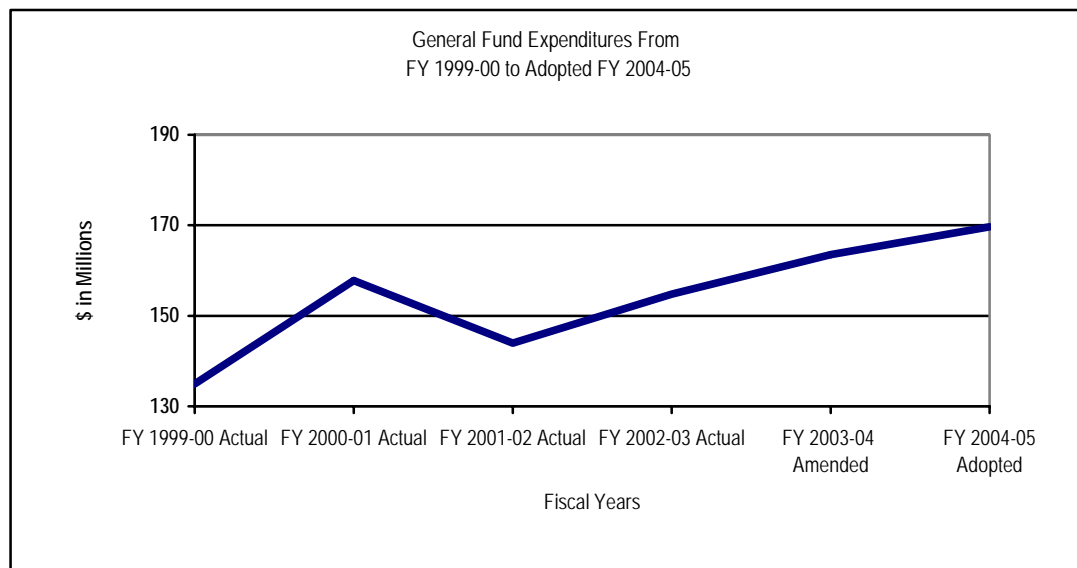
# Expenditure Summary

## General Fund Expenditures in Total

Controlling expenditures aids the City to maintain stable tax rates. As the table below indicates, general fund expenditures grew by just under \$6.2 million. On the surface, the growth seems significant, but taken into context, it only represents growth of 3.79% over the previous year, and over the period shown, the compound average growth has been held to 1.8%. This is well below the normal growth for the cost of services.

General Fund Expenditures By Category						
Category	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Amended	FY 2005 Adopted
Total Salaries	\$ 38,421,657	40,107,968	38,519,901	41,203,544	45,751,923	46,812,724
Other Salary Expenditures	2,935,166	2,833,313	3,132,278	3,719,226	3,284,307	3,803,934
Total Benefits	10,688,082	12,810,214	12,172,034	14,302,176	16,012,676	22,083,658
Total Contractual Services	12,041,586	12,300,385	13,872,897	13,575,859	16,200,938	13,948,111
Total Materials and Supplies	2,895,800	2,876,921	3,186,314	3,448,091	3,041,285	2,852,679
Total Other Operating Expenses	9,000,519	8,041,437	8,337,017	8,980,753	8,380,834	8,411,493
Total Internal Service Fund Charges	6,791,610	7,261,507	8,458,809	11,035,362	10,191,673	13,019,523
Total Capital Outlay	608,259	16,074,880	1,611,091	1,940,816	270,013	93,144
Total Debt Service	16,775,571	20,196,273	19,733,422	19,648,709	21,839,528	20,539,049
Total Transfers and Contingencies	34,833,135	35,262,093	34,910,658	36,929,747	38,517,605	38,118,177
Total Operating Budget	\$ 134,991,385	157,764,991	143,934,421	154,784,283	163,490,782	169,682,492

As the graph below indicates, the growth in the general fund has been moderate. The large jump from FY 2000-01 to FY 2001-02 was due to an unusually high amount of capital purchases. If those capital purchases were removed, the operational growth would indicate a steady trend. Much like the cost of living or consumer price index would demonstrate over this same period of time, there has been moderate growth in the cost of goods and services.

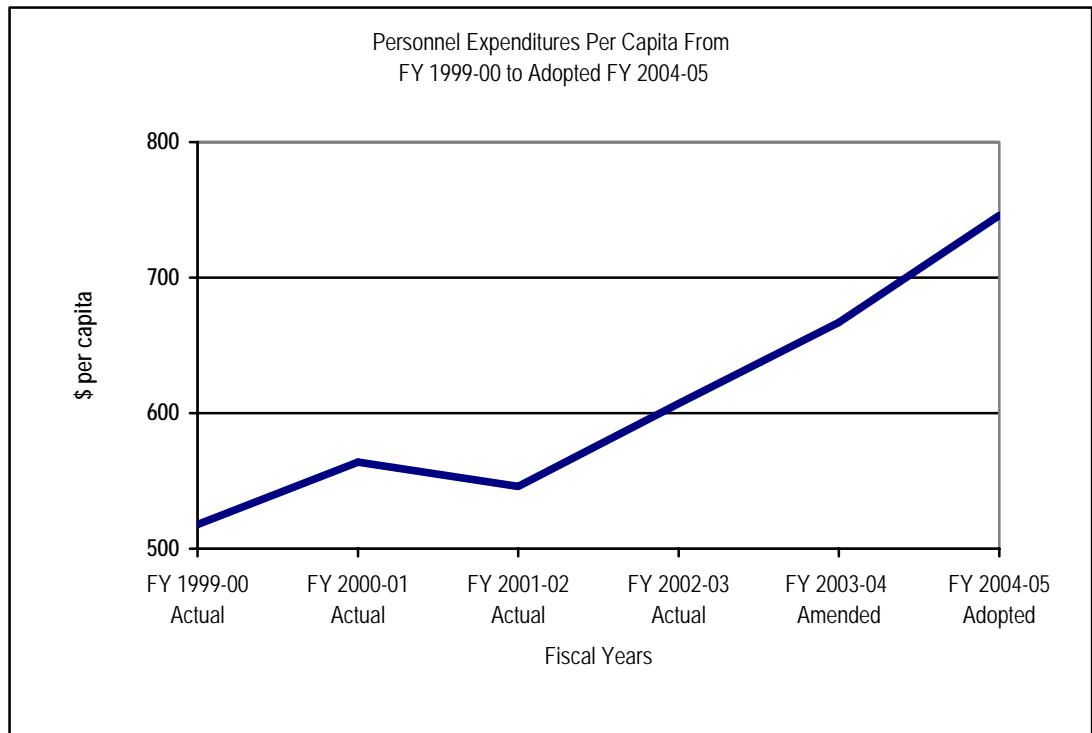


# Expenditure Summary

## Personnel Related Expenditures

Personnel Expenditures By Category						
Category	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Amended	FY 2005 Adopted
Total Salaries	\$ 38,421,657	40,107,968	38,519,901	41,203,544	45,751,923	46,812,724
Other Salary Expenditures	2,935,166	2,833,313	3,132,278	3,719,226	3,284,307	3,803,934
Total Benefits	10,688,082	12,810,214	12,172,034	14,302,176	16,012,676	22,083,658
Total Personnel Related Expenditures	\$ 52,044,905	55,751,495	53,824,213	59,224,946	65,048,906	72,700,316

At just under \$72.8 million, personnel expenditures are the single largest general fund expense representing 42.84% of the total expenditures. The FY 2004-05 \$7.7 million growth can be primarily attributed to the 15% growth in the health care cost and the increased retirement benefit cost. Over FY 2003-04, the benefits category grew by \$6.07 million or 37.91%. This category has grown to represent 30.38% of the total personnel cost. This trend is further reinforced by the 15.62% compound average growth since FY 1999-00. The trend is expected to continue into the future. The remaining personnel salary expenditures grew by only 3.22% or \$1.58 million. The growth includes the January 1<sup>st</sup> \$1.18 million (3%) City employee cost of living increase and the January 1<sup>st</sup> \$105,000 (1.5%) retiree cost of living increase. As the graph below indicates, over this period, personnel expenditure growth has outpaced the population causing the per capita expenditures to increase significantly. This trend is expected to continue into the future.

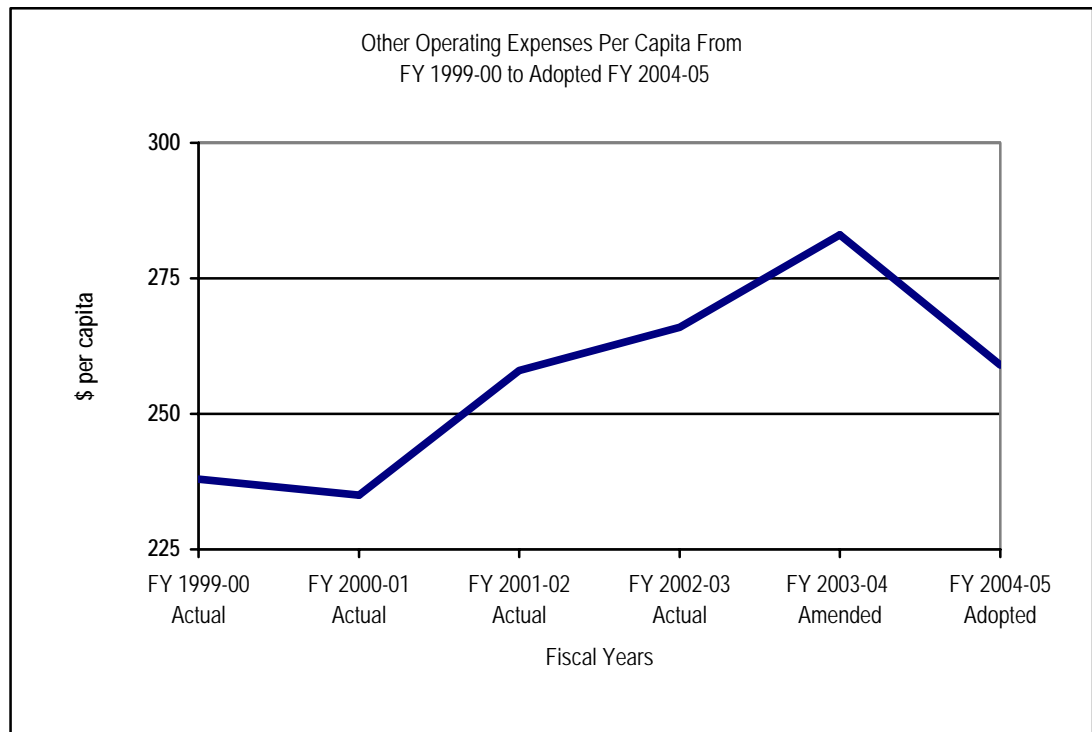


# Expenditure Summary

## Other Operating Expenditures

Category	Other Operating By Category					
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Amended	FY 2005 Adopted
Total Contractual Services	\$ 12,041,586	12,300,385	13,872,897	13,575,859	16,200,938	13,948,111
Total Materials and Supplies	2,895,800	2,876,921	3,186,314	3,448,091	3,041,285	2,852,679
Total Other Operating Expenses	9,000,519	8,041,437	8,337,017	8,980,753	8,380,834	8,411,493
Total Other Operating Expenses	\$ 23,937,905	23,218,743	25,396,228	26,004,703	27,623,057	25,212,283

In the past years, to achieve the needed savings, as the personnel costs have grown, and citizen service demands increased, the City has traditionally looked toward reducing the non-personnel accounts. This is demonstrated by the minimal compound average growth rate of 1.04% over this period. Perhaps even more significant is the three-year trend since FY 2002-03, where an average reduction of 1.54% has occurred. From FY 2003-04 to FY 2004-05, this category of spending is down by 8.73% translating into a \$2.4 million reduction. Reductions in these areas directly impact the City's abilities to provide services to the citizens. On a per capita basis, in FY 2004-05, other operating expenditures are down significantly.

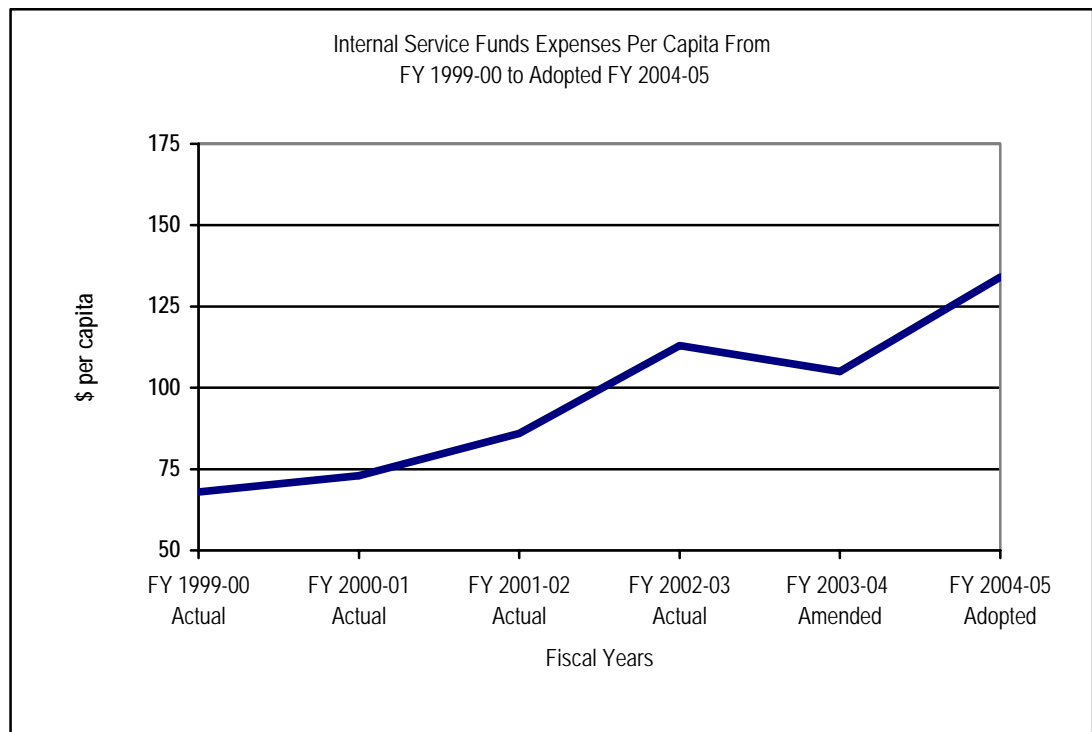


# Expenditure Summary

## Internal Service Fund Charges

Category	Internal Service Fund Expenditures					
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Amended	FY 2005 Adopted
Total Internal Service Fund Charges	\$ 6,791,610	7,261,507	8,458,809	11,035,362	10,191,673	13,019,523

In the City Council's fall 2003 retreat, a 3-year financial strategy was derived establishing the City's financial foundation renaissance. One of those strategies focused specifically on the area of internal service funds: *Eliminating cash flow deficits in the internal service funds by committing to annual funding from the General Fund.* To address this City Council goal, the internal service funds are the only increasing budgetary areas. Within the FY 2004-05 budget, the first of a three-year increase is being implemented. Funding to all the internal service funds has increased by 27.75% or slightly less than \$2.83 million. The funding may seem ambitious, but to ensure the future financial stability of these funds and the City, they are necessary. Utilizing a three-year deficit elimination plan for the internal service funds, the City will be able to reduce dependence on Revenue Anticipation Note (RAN) borrowing. While on the surface there is a negative steeply increasing cost per capita trend and considering the goal and need for fund financial solvency, this is necessary growth. Until these funds are returned to a financially solvent state, this trend will continue to grow three more years.



# Expenditure Summary

## Capital Outlay, Debt Service and Transfers and Contingencies

Category	Other Operating By Category					
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Amended	FY 2005 Adopted
Total Capital Outlay	\$ 608,259	16,074,880	1,611,091	1,940,816	270,013	93,144
Total Debt Service	16,775,571	20,196,273	19,733,422	19,648,709	21,839,528	20,539,049
Total Transfers and Contingencies	34,833,135	35,262,093	34,910,658	36,929,747	38,517,605	38,118,177
Total Capital Outlay, Debt Service, and Transfers and Contingencies	52,216,965	71,533,246	56,255,171	58,519,272	60,627,146	58,750,370

These expenditures relate to non-operating expenses and transfers to other funds. The public education transfer largely drives the funding changes. It represents about 53% of the total transfer. Adjusting for the increased public education transfer of \$2.25 million over the previous year and the elimination of the \$2 million public utility fund transfer, the category is actually down by \$2.13 million. This funding reduction is the result of one-time savings from debt restructuring, elimination of capital outlay purchases, and the limitation of transfers to other funds. On a per capita basis, over the past few years, these expenditures have remained fairly consistent.

