

Financial Section

INTRODUCTION

This section of the document focuses on the financial nuts-and-bolts of the Proposed Budget. It includes the following topics:

- Consolidated Operating Budget: presents a single unified picture of the proposed operating expenditure budget for the entire City, with adjustments to eliminate double-counting that arises from governmental accounting conventions
- Budget By Fund: summarizes the operating budget by fund group and fund
- General Fund Revenues: outlines the major revenue sources for the City's General Fund and discusses the financial condition of the fund
- General Fund Expenditures: summarizes the expenditures in the General Fund by department and by object
- Position Summary: summarizes the number of authorized City staff positions by department

HIGHLIGHTS

- The General Fund faces a shortfall of \$8.7 million, primarily due to the impacts of the State of California's budget crisis and the condition of the California Public Employee Retirement System (CalPERS). The Proposed Budget eliminates \$4.6 million of this gap with spending cuts, non-tax revenues and one-time savings. The remaining \$4.1 million will be drawn from reserves, reducing the balance of the General Fund from \$14.7 million to \$10.6 million.
- The City will also draw down reserves in its transportation funds (primarily the Gas Tax fund) by approximately \$600,000. This will be used chiefly to preserve the maintenance of Modesto's street trees at current levels. General Fund support for street tree maintenance has been reduced by almost \$500,000.
- The City's utility funds are expected to draw down approximately \$2.2 million from their reserves. Some capital projects may need to be delayed in order to make this funding available. As discussed in the *Policies & Issues* section, the City has undertaken a major effort to improve the financial condition of its utility funds.
- The reserves of the City's internal service funds will increase by approximately \$950,000, mainly due to increased funding for post-retirement health benefit liabilities. The additional money set aside for this purpose should prevent the unfunded liability from growing in the upcoming year.

CONSOLIDATED OPERATING BUDGET

Government accounting and auditing standards require municipalities like the City of Modesto to budget and account for their expenditures in a number of separate funds. This can make it difficult to get a clear picture of the total size and make-up of the City's budget.

One solution would be to add the budgets for each fund together, arriving at a total City budget. However, this approach creates an exaggerated picture of total City spending. Governmental accounting rules require that all payments, transfers, and loans between funds be budgeted as expenditures in the "sending" fund and as revenues to the "receiving" fund. As a result of these interfund transactions, the same money can appear to be "spent" two or even three times.

To address this, we have developed a consolidated budget presentation, which provides a full picture of the City's operating expenditures, while eliminating "double-counted" costs. This is presented in Table 1 on the next page.

As the table shows, the total Proposed Budget for 2004-5 is \$195.9 million on a consolidated basis. Of this, \$107.8 million (55%) represents payroll costs. Another \$68 million (35%) is budgeted for supplies and services, and \$9.8 million (5%) represents debt service payments. The remaining 5% is composed of a variety of costs, the largest being capital equipment, which includes fleet vehicles, buses and fire equipment. Travel and training represent 0.5% of the total.

The total Proposed Budget also \$92.9 million in internal transactions: interfund transfers, interfund service credits, internal service fund charges and pass-through funds used to account for health insurance and other employee benefits. Adding this to the \$195.9 million consolidated total yields the "gross" total budget of \$288.8 million.

Table 1: Consolidated Operating Budget

	2002-3 Actual	2003-4 Budget	2003-4 6 Months	2004-5 Baseline	2004-5 Proposed
Regular Salaries	49,803,198	67,059,734	25,110,821	68,838,082	68,221,465
Part Time Salaries	2,918,828	3,174,319	1,468,114	3,277,674	3,078,987
Overtime Pay	4,050,572	3,159,623	2,134,124	3,200,634	3,200,634
Other Pay	12,613,923	2,446,949	6,691,171	2,603,961	2,607,798
Insurance	5,787,085	7,039,619	3,359,745	8,054,320	8,018,388
Workers Compensation	2,607,371	3,855,170	1,606,373	3,876,743	3,388,689
PERS Retirement	7,291,889	8,723,132	4,112,645	13,178,357	13,167,113
EBF Retirement	733,896	747,551	311,945	1,736,145	3,572,981
Other Benefits	<u>1,355,943</u>	<u>3,144,563</u>	<u>865,280</u>	<u>2,727,229</u>	<u>2,586,547</u>
Payroll Costs	87,162,705	99,350,660	45,660,218	107,493,145	107,842,602
Supplies & Services	61,671,523	69,903,782	28,089,667	68,118,854	68,046,093
Travel & Training	836,497	1,096,526	326,091	1,094,707	1,062,224
Intrafund Service Credits	-136,243	1	-512,586	0	0
Promotions & Events	241,529	497,649	238,143	531,804	420,939
Interest & Principal	<u>4,096,858</u>	<u>9,917,636</u>	<u>4,123,379</u>	<u>9,847,220</u>	<u>9,847,220</u>
Other Operating Costs	66,710,164	81,415,594	32,264,693	79,592,585	79,376,476
Projects	446,033	614,315	21,070	462,400	462,400
Equipment	2,246,436	6,856,360	2,471,585	6,442,702	7,107,212
CIP Costs	354,957	2,644,855	2,384,618	1,149,000	1,149,000
Reserves	<u>0</u>	<u>-1,405,383</u>	<u>-100</u>	<u>0</u>	<u>0</u>
Other Costs	3,047,426	8,710,147	4,877,173	8,054,102	8,718,612
Consolidated Total	156,920,295	189,476,401	82,802,083	195,139,832	195,937,690
plus Internal Transactions	96,817,634	96,226,645	32,654,822	94,347,170	92,871,130
Grand Total	253,737,929	285,703,046	115,456,904	289,487,002	288,808,820

Note: CIP Costs reflect CIP-related charges currently budgeted in operating organizations. These may be removed in future versions of this table. Projects costs primarily represent grant-funded non-capital projects, which in the future may be budgeted as multi-year appropriations.

Negative figures on the Reserves line reflect explicitly budgeted reductions of reserves in certain funds.

BUDGET BY FUND

Table 2, on the following page, summarizes the Proposed Budget for operations by City fund. Of the City's total \$288.9 million budget, the General Fund accounts for \$107.1 million, or about 37%. (On a consolidated basis, the General Fund represents \$90 million out of a consolidated total of \$195.9 million, or 46%.)

In Table 2, funds are grouped by function, rather than strictly by accounting fund type. Non-operating funds, which account for CIP or multi-year projects, are not included here, but are addressed instead in the CIP section of this document.

The Transportation Funds account for resources dedicated to defined transportation purposes, including street maintenance, transit and non-motorized transportation (such as bicycle paths).

The Utilities Funds account for the City's water, sewer and drainage utilities. In addition, the Airport fund is included in this category. (In future versions of this document, Airport may be reclassified into Transportation.) All funds in this group are categorized as Enterprise Funds for accounting purposes, meaning that they operate in a manner similar to private businesses, collecting payments from customers in return for services provided.

The Internal Service Funds account for separate funds established by the City to account for certain internal service functions (such as fleet management, information services, and building services), as well as self-insurance reserves and employee benefits pass-throughs. (The Insurance and Employee Benefits funds both have self-insurance and pass-through components.)

Debt Service funds account for payments of principal and interest on the City debt (excluding debt incurred by Enterprise Funds, such as the utilities).

Other Funds include funds established to track and manage grants (such as the operating grants funds and the CDBG funds), to set aside money for certain designated purposes (such as the Traffic Safety Fund and the Park Fund), and to account for operations which are similar to separate entities (such as Centre Plaza and the Golf Fund).

Table 2: Operating Budget by Fund

	2002-3 Actual	2003-4 Budget	2003-4 6 Months	2004-5 Baseline	2004-5 Proposed
General Fund	102,656,675	103,003,105	40,985,089	108,643,352	107,078,957
Gas Tax Fund	3,096,227	12,655,745	7,021,459	12,146,784	12,063,449
Local Transportation Fund	1,233,753	2,713,762	104,250	2,383,757	2,395,757
LTF Non-Motorized	0	0	0	80,000	81,000
Bus Fund	<u>8,478,208</u>	<u>10,572,009</u>	<u>3,972,770</u>	<u>10,194,809</u>	<u>10,959,937</u>
Transportation Funds	12,808,188	25,941,516	11,098,478	24,805,350	25,500,143
Water Fund	30,771,870	33,965,146	15,735,906	34,747,480	34,845,443
Sewer Fund	21,002,557	26,949,232	9,238,392	27,324,211	27,401,165
Drainage Fund	4,837,943	5,501,053	2,259,391	5,571,594	5,679,593
Airport Fund	<u>586,893</u>	<u>760,541</u>	<u>330,899</u>	<u>783,336</u>	<u>826,008</u>
Utilities Funds	57,199,263	67,175,972	27,564,587	68,426,621	68,752,209
Fleet Fund	3,484,560	5,825,044	2,574,199	7,376,288	7,393,064
Information & Technology	2,882,441	3,781,817	1,762,808	3,925,246	3,856,609
Building Services	3,075,803	1,694,760	858,331	1,898,834	1,905,563
Central Services	1,004,884	3,072,500	453,807	3,160,362	3,164,735
Insurance Funds	15,334,308	18,547,924	6,866,238	17,680,574	17,683,157
Employee Benefit Fund	<u>41,089,739</u>	<u>31,113,404</u>	<u>14,762,936</u>	<u>31,388,100</u>	<u>31,333,286</u>
Internal Service Funds	66,871,735	64,035,449	27,278,317	65,429,404	65,336,414
Debt Service Funds	3,601,551	3,612,421	2,017,658	3,637,146	3,637,146
Capital Improvement Support	0	2,501,416	1,129,299	3,079,445	3,111,655
Solid Waste Fund	0	552,973	257,810	587,715	592,566
Ed & Gvt Communication	0	280,747	102,720	259,964	259,964
Elections	0	0	0	0	2,500
Operating Grants - Block	999,421	2,126,292	431,060	527,858	536,927
Operating Grants - Reimbursed	648,174	1,052,865	489,180	642,886	659,707
Traffic Safety Fund	592,290	607,098	28,409	584,000	584,000
Downtown Improvement District	196,217	205,357	104,678	191,452	191,452
CDBG - Direct	2,517,297	3,891,374	1,308,000	3,173,206	3,177,322
CDBG - Rental Rehab	0	16,853	2,980	0	0
Housing Loan Program	14,552	1,200,000	20,517	1,200,200	1,200,200
HOME Program	230,149	2,726,749	144,735	1,473,108	1,474,055
Emergency Shelter Program	88,000	88,261	40,956	105,715	105,715
CFF Administration	338,519	247,000	38,968	216,900	226,900
Park Fund	150,000	350,000	18,837	499,000	349,000
CFD Administration	380,578	324,676	115,263	379,696	396,522
Parking Fund	761,683	741,730	437,998	846,771	847,312
Refunding Revenue Bonds	0	1,027,253	117,318	921,970	921,970
Golf Fund	2,146,816	2,335,965	1,042,142	2,240,270	2,240,260
Centre Plaza Fund	<u>1,536,821</u>	<u>1,657,974</u>	<u>681,905</u>	<u>1,614,973</u>	<u>1,625,924</u>
Other Funds	10,600,517	21,934,583	6,512,775	18,545,129	18,503,951
Grand Total	253,737,929	285,703,046	115,456,904	289,487,002	288,808,820

Table 3, on the following page, shows the anticipated revenues and proposed operating expenditures by fund, with net surpluses or deficits for each, and estimated available balances.

The Estimated Available Balance for each fund represents staff's estimate of the dollars in each fund that will be available in 2004-5 to pay for operations. These estimates are approximate, tentative and subject to revision for several reasons. They reflect estimates of current fiscal year revenues and expenditures, as well as assumptions regarding commitments in each fund. Commitments (such as existing CIP projects) may change rapidly, depending upon management decisions, and this is particularly likely in the Utility Funds, whose capital plans are currently undergoing major revision. In addition, a "zero" available balance does not necessarily indicate that a fund has no resources, but only that its resources are fully committed (typically to multi-year or capital projects).

The General Fund is expected to expend \$4.1 million from its available balance, leaving an ending balance of \$10.6 million. This exceeds the Council's 8% minimum reserve policy by \$1.8 million.

The Gas Tax fund will spend approximately 37% of its available balance (\$0.7 million out of \$2.0 million). Almost \$500,000 of this is due to the reduction in General Fund support for the street tree program. The remainder is needed to finance other street maintenance programs. Falling Local Transportation Fund revenues (due in part to rising demand for funds on the part of transit agencies) contribute to the shortfall.

The net surplus in Internal Service Funds is due to increased contributions to the Employee Benefit Fund to halt the growth of the unfunded liability for post-retirement health benefits.

The Water Fund is expected to expend significant reserves, and may need to explore short term financing options if water rate increases are not implemented in the near future. The revenue budget for the Water Fund does not currently reflect the potential effects of a rate increase.

The Sewer Fund is currently committed to CIP projects which exceed its resources. Table 3 assumes that CIP commitments will be reduced to match available resources (including 2004-5 revenues) by the end of the current fiscal year.

Table 3: Expenditures & Revenues by Fund

	Est Available Balance	2004-5 Expenditures	2004-5 Revenues	Balance Change	Ending Balance
General Fund	14,700,000	107,078,957	102,978,345	-4,100,612	10,599,388
Gas Tax Fund	2,000,000	12,063,449	11,317,683	-745,766	1,254,234
Local Transportation Fund	0	2,395,757	2,401,669	5,912	5,912
LTF Non-Motorized	0	81,000	139,858	58,858	58,858
Bus Fund	0	<u>10,959,937</u>	<u>11,008,837</u>	<u>48,900</u>	<u>48,900</u>
Transportation Funds	2,000,000	25,500,143	24,868,047	-632,096	1,367,904
Fleet Fund	7,450,000	7,393,064	7,430,609	37,545	7,487,545
Information & Technology	600,000	3,856,609	3,868,418	11,809	611,809
Building Services	40,000	1,905,563	1,873,610	-31,953	8,047
Central Services	400,000	3,164,735	3,167,451	2,716	402,716
Insurance Funds	10,000	17,683,157	17,677,213	-5,944	4,056
Employee Benefit Fund	0	<u>31,333,286</u>	<u>32,271,243</u>	<u>937,957</u>	<u>937,957</u>
Internal Service Funds	8,500,000	65,336,414	66,288,544	952,130	9,452,130
Water Fund	1,600,000	34,845,443	32,630,879	-2,214,564	-614,564
Sewer Fund	-600,000	27,401,165	28,048,256	647,091	47,091
Drainage Fund	1,000,000	5,679,593	5,133,463	-546,130	453,870
Airport Fund	<u>200,000</u>	<u>826,008</u>	<u>764,000</u>	<u>-62,008</u>	<u>137,992</u>
Utilities	2,200,000	68,752,209	66,576,598	-2,175,611	24,389
Debt Service Funds	0	3,637,146	3,637,146	0	0
Capital Improvement Support	10,000	3,111,655	3,101,803	-9,852	148
Solid Waste Fund	5,000	592,566	587,715	-4,851	149
Ed & Gvt Communication	5,000	259,964	256,000	-3,964	1,036
Elections	0	2,500	250,000	247,500	247,500
Operating Grants - Block	0	536,927	536,927	0	0
Operating Grants - Reimbursed	0	659,707	659,707	0	0
Traffic Safety Fund	300,000	584,000	625,000	41,000	341,000
Downtown Improvement District	0	191,452	192,000	548	548
CDBG - Direct	0	3,177,322	3,177,322	0	0
CDBG - Rental Rehab	0	0	0	0	0
Housing Loan Program	0	1,200,200	1,200,200	0	0
HOME Program	0	1,474,055	1,474,055	0	0
Emergency Shelter Program	0	105,715	105,715	0	0
CFF Administration	180,000	226,900	219,902	-6,998	173,002
Park Fund	250,000	349,000	283,842	-65,158	184,842
CFD Administration	20,000	396,522	379,696	-16,826	3,174
Parking Fund	600,000	847,312	781,096	-66,216	533,784
Refunding Revenue Bonds	0	921,970	942,140	20,170	20,170
Golf Fund	0	2,240,260	2,192,608	-47,652	-47,652
Centre Plaza Fund	<u>130,000</u>	<u>1,625,924</u>	<u>1,620,469</u>	<u>-5,455</u>	<u>124,545</u>
Other Funds	1,500,000	18,503,951	18,586,197	82,246	1,582,246
Grand Total	28,900,000	288,808,820	282,934,877	-5,873,943	23,026,057

GENERAL FUND REVENUES

Table 4: General Fund Revenue by Source

	2002-3 Actual	2003-4 Budget	2003-4 6 Months	2004-5 Baseline	2004-5 Proposed	2004-5 No State (1)
Sales Tax	25,887,064	27,848,000	13,587,113	21,466,222	21,466,222	28,666,222
Property Tax	9,610,787	9,505,000	6,114,916	19,008,126	19,008,126	13,008,126
Utility Tax	13,732,571	12,989,000	7,309,810	16,405,602	16,405,602	16,405,602
Vehicle License Fees	11,746,283	12,394,000	2,586,496	10,529,248	10,529,248	13,129,248
Business Licenses	9,238,797	9,844,000	4,695,874	9,775,070	9,775,070	9,775,070
Construction Fees	2,595,934	3,407,809	1,302,070	3,353,385	3,353,385	3,353,385
Franchise Tax	3,265,609	2,608,000	1,121,677	3,116,036	3,116,036	3,116,036
Transient Occupancy Tax	2,097,901	2,108,000	1,128,651	2,451,708	2,451,708	2,451,708
Transfers In	<u>6,388,569</u>	<u>2,013,188</u>	<u>0</u>	<u>1,453,910</u>	<u>1,303,910</u>	<u>1,303,910</u>
Major Sources	84,563,515	82,716,997	37,846,607	87,559,307	87,409,307	91,209,307
Fees for Service	3,150,962	3,365,345	1,569,517	3,197,345	3,242,895	3,242,895
Intergovernmental	2,979,595	3,056,778	967,016	2,072,812	2,116,033	2,116,033
Other Taxes	558,217	548,000	723	539,294	539,294	539,294
Interfund Service Credits	7,938,114	5,301,374	2,080,185	4,981,438	5,081,434	5,081,434
Indirect Cost Recovery	2,785,253	2,884,000	1,184,084	2,898,638	2,898,638	2,898,638
Other	<u>3,603,025</u>	<u>2,115,526</u>	<u>1,189,007</u>	<u>1,435,966</u>	<u>1,690,744</u>	<u>1,690,744</u>
Other Sources	21,015,166	17,271,023	6,990,533	15,125,493	15,569,038	15,569,038
Total	105,578,681	99,988,020	44,837,140	102,684,800	102,978,345	106,778,345

(1) 2004-5 No State column shows what the General Fund's revenue situation would have been in the absence of the anticipated State budget impacts.

Overview

In 2004-5, General Fund revenues are projected at \$103 million, a 3% increase over the 2003-4 budgeted level. Table 4, above, shows the principal sources of this revenue.

The Proposed Budget assumes three major State actions:

- The "triple-flip," which has the effect of reducing Sales Tax receipts by \$7.2 million and increasing Property Tax revenues by \$6.9 million. Net loss: \$300,000.
- The "ERAF Shift" increase, which diverts local property taxes to supplant the State's support for schools. Net loss: \$900,000.
- Vehicle License Fee (VLF) Backfill "delay," assumes that three months worth of VLF Backfill payments will not be received due to delays in the adoption of the State's budget. Net loss: \$2.6 million.

Overall, General Fund revenues would have grown by 6.8%, to \$106.8 million, if not for the anticipated impact of the State's budget actions. As the State's intentions become clearer, it may be necessary to update this financial picture.

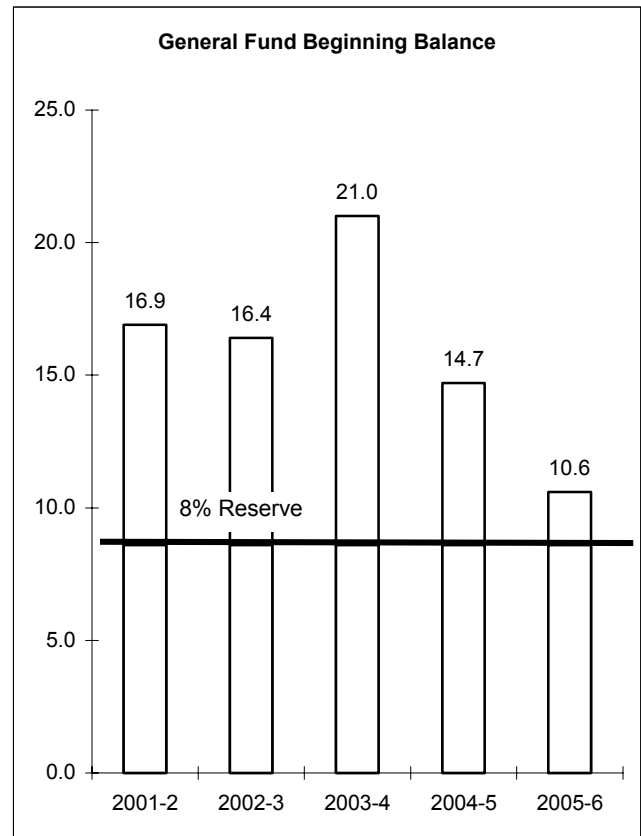
General Fund Financial Condition

The General Fund began the current (2003-4) fiscal year with an available balance of \$21.0 million. That balance was built up intentionally, to create a cushion against adverse financial events – such as State revenue diversions.

This year, we project that the General Fund will spend approximately \$6.3 million (30%) of this balance, leaving \$14.7 million at the beginning of the 2004-5 budget year.

Next year, the General Fund faces a potential shortfall of \$8.7 million. Budget cuts, non-tax revenue options and one-time savings included in the Proposed Budget have addressed \$4.6 million of the shortfall, with fund balance to be used to cover the remaining \$4.1 million.

Therefore, the General Fund will expend \$4.1 million (27%) of its remaining balance. This figure corresponds closely to the \$3.8 million in anticipated State impact to the General Fund.



The chart at right shows the changes in the General Fund's available balance at the beginning of each fiscal year from 2001-2 (actual) to 2005-6 (budget estimate). It also shows the level of the 8% minimum reserve, based on 2004-5 proposed General Fund expenditures (approximately \$8.8 million).

The prospects for the General Fund in fiscal 2005-6 depend on a number of unpredictable factors, including the 2004-5 and 2005-6 State budgets, and the outcome of the renegotiations of the City's two largest collective bargaining agreements. However, based on plausible assumptions, it appears that the General Fund could face a shortfall in the neighborhood of \$3.5 million in next year's budget process.

Revenue Discussion

Sales Tax. Modesto residents pay a sales & use tax of 7.375 cents per dollar. Of this amount, the City actually receives one cent, from which Stanislaus County deducts 5% for administrative costs. In the absence of the “triple flip,” sales tax revenues were forecast to rise to \$28.7 million, a 4.2% increase compared with current year estimated actuals.

Property Tax. As in most of California, Modesto residents pay a property tax rate of 1%. The lion’s share of the proceeds, 73%, go to support of the public schools. The City’s share of the total property tax is approximately 7%. In the absence of the “triple flip” and the increased ERAF shift, property tax revenues were expected to increase by 10% over the projected current year level. This high rate of growth appears to be related to the rising pace of home sales in Modesto, which is in turn driven partly by in-migration from Bay Area communities.

Utility Tax. The City levies a 6% tax on the users of utilities such as electricity, water, telephone service, gas, and cable television. The tax is capped at \$1,500 per taxpayer per utility, which limits the tax burden on local businesses. We are projecting a 9% increase in Utility Tax revenue compared with estimated current year actuals.

Vehicle License Fees. The vehicle license fee (VLF) is a tax imposed by the State and distributed to local governments on a per-capita basis for general local purposes, such as police and fire protection. In 1999, the State of California lowered the VLF rate paid by the public by two-thirds, and promised to “backfill” the loss to cities and counties from other State revenue sources. In 2003, faced with a deteriorating financial situation, the State re-imposed the full VLF tax rate, and abandoned the backfill. Subsequently, the newly elected Governor reversed the re-imposition of the full VLF, again lowering the rate by two-thirds. However, the backfill was not immediately restored. After further negotiations, the Governor decided to restore the backfill, but not to immediately make up the amount of payments made in the first three months after the rate was reduced. The State has promised to repay this amount – Modesto’s share of which will be \$3.6 million – in the 2005-6 fiscal year. The Governor’s budget, submitted to the legislature in January, included financing for the full VLF backfill for 2004-5. However, based on past experience, there is a significant risk that the State budget will not be adopted prior to the start of the fiscal year, in which case VLF backfill payments would be delayed, and it is possible that the legislature and Governor could decide to retain some of this money in the State’s coffers to help close the State’s own gap. We have included the loss of three months of backfill payments in the City’s revenue estimate, at a cost of \$2.6 million. Absent this impact, VLF revenue would have been expected to grow at 5.9% from the current budget level.

Business Licenses. The City of Modesto imposes an annual registration fee and a gross receipts tax on firms doing business within the City. The tax rate is one dollar per thousand dollars of sales for retail businesses and two dollars per thousand of sales on service businesses. This revenue is forecast to remain essentially flat at its currently budgeted level, an increase of 5.8% on projected actuals.

Construction Fees. The City charges a variety of fees for building and planning activities, such as building permit fees and plan check fees. Building and planning activity dropped off in the current year, and estimated actuals are 11% less than the budgeted level. However, fees were increased during the year, and this should contribute to higher revenues. Overall, these fees are budgeted at slightly lower than the current budget, but 10.4% higher than forecast actuals.

Franchise Tax. The City imposes a franchise tax on solid waste businesses, cable television and gas & electric services. Franchise tax revenue is expected to increase 12.2% compared with forecast actuals.

Transient Occupancy Tax (TOT). The City imposes an 8% tax on hotel and motel stays. In past years, portions of this revenue have been allocated to the Convention & Visitor’s Bureau (CVB) and the Modesto Redevelopment Agency (RDA). Because of the General Fund’s financial condition, the Proposed Budget reduces these allocations (see “Revisiting Formulas & Allocations” in *Policies & Issues*). TOT is forecast to grow by 8.1% from forecast actuals.

Transfers In. The General Fund receives transfers from other City funds (particularly utilities) for their share of certain City debt service (\$183,000), loan repayments from Capital Facilities Funds and the Parks fund (\$537,000) and a transfer from the Traffic Safety fund to help defray the cost of traffic enforcement services provided by the Police department (\$584,000).

GENERAL FUND EXPENDITURES

Table 5: General Fund Expenditures by Department

	2002-3 Actual	2003-4 Budget	2003-4 6 Months	2004-5 Baseline	2004-5 Proposed	2004-5 Allocated (1)
Police Department	37,433,010	41,249,682	17,659,476	44,733,568	46,014,127	46,665,357
Fire Department	18,784,940	22,295,466	10,041,858	22,980,494	23,187,791	23,187,791
Parks, Rec & Neighborhoods	6,208,373	6,360,472	2,840,247	6,663,341	6,122,975	6,946,059
Community & Econ Dev	4,305,627	5,073,512	2,187,755	5,474,687	5,325,102	5,804,102
Operations & Maintenance	12,250,530	9,235,540	2,768,589	9,779,599	8,497,062	5,630,039
Finance Department	5,328,793	5,652,499	2,477,420	5,869,678	5,569,109	5,569,109
Street Maintenance	na	na	na	na	na	2,867,023
Debt Service	na	na	na	na	na	2,497,003
Engineering & Transportation	6,539,240	1,700,598	541,868	1,870,950	1,915,550	1,915,550
City Attorney	1,817,691	1,972,982	775,960	1,900,851	1,764,510	1,764,510
City Manager	1,694,600	1,662,051	789,447	1,578,582	1,240,939	1,240,939
Personnel	1,168,492	1,287,406	576,983	1,363,603	1,371,164	1,371,164
City Clerk & Auditor	508,139	1,578,719	236,534	536,118	501,030	751,030
Information Technology	326,434	235,569	18,210	225,753	128,000	128,000
Interfund Transfer	6,051,429	5,804,463	0	5,399,536	5,078,317	378,000
City Council	239,377	192,086	70,741	216,592	213,281	213,281
Other	0	-1,297,940	0	50,000	150,000	150,000
Total	102,656,675	103,003,105	40,985,089	108,643,352	107,078,957	107,078,957

(1) 2004-5 Allocated column shows expenditures after allocating Interfund Transfer department and separating Street Maintenance component from Operations & Maintenance budget.

Table 5, above, shows the General Fund expenditure budget by department. Of the \$107.1 million Proposed total, the Police and Fire departments account for \$69.8 million, or almost two-thirds of the General Fund. (Police and Fire represent a higher share of the discretionary revenues in the General Fund; see below.)

Table 6: General Fund Discretionary Resources

	Proposed Expenditures	Allocation Adjustment	Department Revenues	Discretionary Resources	Share
Police Department	46,014,127	651,230	2,603,166	44,062,191	47%
Fire Department	23,187,791		432,000	22,755,791	24%
Parks, Rec & Neighborhoods	6,122,975	823,084	1,695,136	5,250,923	6%
Community & Econ Dev	5,078,317	958,000	3,651,294	2,385,023	3%
Operations & Maintenance	8,497,062	-2,867,023	890,092	4,739,947	5%
Finance Department	5,569,109		2,997,836	2,571,273	3%
Street Maintenance	0	2,867,023	0	2,867,023	3%
Debt Service	0	2,497,003	0	2,497,003	3%
Engineering & Transportation	1,915,550		844,163	1,071,387	1%
City Attorney	1,764,510		771,246	993,264	1%
City Manager	1,371,164		82,058	1,289,106	1%
Personnel	1,240,939		76,000	1,164,939	1%
City Clerk & Auditor	501,030	250,000	32,500	718,530	1%
Information Technology	128,000		0	128,000	0%
Interfund Transfer	5,325,102	-5,179,317	0	145,785	0%
City Council	213,281		0	213,281	0%
Other	150,000		0	150,000	0%
Total	107,078,957	0	14,075,491	93,003,466	100%

Table 6, above, shows the distribution of the General Fund's discretionary resources. Beginning with the 2004-5 Proposed expenditure budget, it performs the same reallocation described in Table 5, above, then deducts department specific revenues, such as fees for service. The result is the portion of each department's operating budget that is not supported by department-specific sources, but rather by the City's discretionary resources.

The Police and Fire departments, together, account for approximately 71% of the City's discretionary general fund.

Table 7: General Fund Expenditures by Object

	2002-3 Actual	2003-4 Budget	2003-4 6 Months	2004-5 Baseline	2004-5 Proposed
Regular Salaries	38,020,225	44,514,486	16,864,982	45,498,437	44,930,419
Part Time Salaries	2,290,861	2,327,759	1,094,633	2,303,906	2,105,219
Overtime Pay	3,321,097	2,133,960	1,544,213	2,166,639	2,166,639
Other Pay	9,973,616	2,375,939	4,685,808	2,582,531	2,586,368
Insurance	4,284,672	4,667,890	2,200,952	5,267,827	5,238,926
Workers Compensation	2,370,162	3,130,842	1,304,518	3,150,201	2,752,966
PERS Retirement	6,288,990	7,165,588	3,389,682	10,686,370	10,683,480
EBF Retirement	554,918	487,187	202,994	1,131,464	2,558,496
Other Benefits	<u>901,188</u>	<u>2,042,912</u>	<u>559,104</u>	<u>1,934,241</u>	<u>1,813,546</u>
Payroll Costs	68,005,729	68,846,563	31,846,885	74,721,616	74,836,059
Supplies & Services	16,076,622	14,005,370	4,267,148	13,245,354	13,069,877
Travel & Training	583,417	801,983	233,706	807,474	773,491
Service Credits	338,511	539,570	123,785	931,349	923,490
Intrafund Service Credits	-122,553	0	-2,733	0	0
Promotions & Events	220,927	457,149	230,350	496,304	385,439
Interest & Principal	10,977	10,978	5,492	10,978	10,978
Internal Service Charge	<u>10,195,071</u>	<u>8,049,810</u>	<u>3,325,309</u>	<u>8,474,808</u>	<u>8,006,621</u>
Other Operating Costs	27,302,972	23,864,860	8,183,056	23,966,267	23,169,896
Projects	0	0	0	0	0
Equipment	1,191,268	1,039,662	955,248	1,009,662	999,662
Interfund Transfers	6,156,706	9,519,553	0	8,945,807	8,073,340
Reserves	<u>0</u>	<u>-267,533</u>	<u>-100</u>	<u>0</u>	<u>0</u>
Other Costs	7,347,974	10,291,682	955,148	9,955,469	9,073,002
Grand Total	102,656,675	103,003,105	40,985,089	108,643,352	107,078,957

Table 7, above, shows the allocation of General Fund expenditures by object. Of the \$107.1 million Proposed total, \$74.8 million (69%) represents payroll costs. An additional \$13.1 million represents the cost of supplies and services purchased from outside providers, and \$8.0 million represents City internal service fund charges, primarily for Fleet and Building Services. Travel & Training accounts for approximately 0.7% of the General Fund budget.

Table 8: Permanent Positions by Department

	2001-2 Actual	2002-3 Actual	2003-4 Adopted	2004-5 Baseline	2004-5 Proposed
Police Department	367.00	363.00	371.00	369.60	369.60
Fire Department	159.00	156.00	175.00	175.00	175.00
Parks, Rec & Neighborhoods	62.50	66.00	61.75	61.75	60.75
Community & Econ Dev	53.00	51.00	49.00	56.00	53.00
Operations & Maintenance	384.00	375.00	382.00	383.00	381.00
Finance Department	64.00	65.00	64.00	65.00	62.00
Engineering & Transportation	91.80	89.80	87.80	87.00	87.00
City Attorney	17.00	17.00	17.00	17.00	16.00
City Manager	16.00	16.00	13.00	13.10	11.10
Personnel	21.13	22.13	22.13	22.12	22.12
City Clerk & Auditor	7.00	7.00	7.00	7.00	7.00
Information Technology	23.75	27.75	26.75	27.00	26.00
Total	1,266.18	1,255.68	1,276.43	1,283.57	1,270.57

Table 8, above, summarizes the number of permanent staff positions authorized for each City department. The 2004-5 Baseline column reflects the number of positions authorized on January 1, 2004, which was the point used to calculate the Baseline budget.

The Proposed Budget reduces the position count by thirteen, including three executive level managers.