

Basis of Expenditure Estimates

Personnel Services

Description This category includes expenditures for City employees' base wages and salaries plus expenditures for other forms of employee compensation: life and health insurance, social security, workers' compensation, retirement contributions, longevity pay, overtime, and special duty/status pay. The Budget Division of the Finance Department calculates the personnel cost based on the staffing requested by each department.

Significant Assumptions The personnel services budget is based on the following assumptions:

- ◆ Merit increase based on approved pay plans, 3% for non-bargaining general employees and 5% for Firefighters and Police Officers. No merit increases are reflected in this budget for general employees bargaining members.
- ◆ No cost of living (COLA) increases are reflected in this budget.
- ◆ Workers' Compensation - The risk rates for each employment classification are modified based on projected cost.

Operating Expenses

Description This category includes expenditures that are not classified as personnel, capital outlay, or capital projects. Operating expenses include such items as office supplies, postage, utilities, travel and training, dues and memberships, fuel, telephone, and advertising to name a few. Expenditures of certain funds also include indirect costs (for services provided by the General Fund), based on a Citywide cost allocation plan.

Significant Assumptions Projected increases (and decreases) are based on a departmental level decision-making process.

The Departments were given two guidelines: (1) No submission of estimates for Travel & Conference (may include funds for tolls, mileage reimbursements, meals and parking), Training College Classes – Education, or Membership/dues/subscriptions unless specifically required for mandated certification; and (2) to submit detailed, justified budget requests relative to new programs and activities. They were given flexibility over allocation in the various line items.

Expenditures were then adjusted to reflect management priorities and to reflect updated information on costs.

Capital Outlay

Description Effective October 1, 2004, this category includes expenditures for capital items, with an initial individual cost of \$1,000 or more, and an estimated useful life in excess of one year (the only exception being computers, which will retain a minimal threshold of \$750). Purchase orders encumbered at the end of the previous year are carried over. For budgetary purposes, significant capital encumbrances outstanding at year-end are re-appropriated in the subsequent year's revised budget, rather than shown in the adopted budget. Insignificant encumbrances outstanding at year-end are deemed to have lapsed, and the related expenditures are charged to the subsequent year's budget when incurred.

Significant Assumptions Projected expenditures are based on the estimated cost of each capital item.

Funding for capital expenditures is reflected within the department's target budget.

Capital outlays are ranked in the order of management priorities.

Capital Projects

Description This category includes expenditures for construction.

Significant

Assumptions Projected expenditures are based on an estimated cost to completion.

General Fund 10-Year Expenditure Analysis

Growth in Constant 2003 Dollars: Consistent with guidelines expenditure containment has been the underpinning principle of budget development with notable recent results. The 2011-12 Adopted Budget is \$3.3 million less than the 2010-11 expenses in constant 2003 dollars. Over the past ten years the General Fund budget has experienced real growth of \$11.6 million or 11.3%, excluding the impact of inflation, compared to \$48.6 million or 47.6% in unadjusted dollars. The \$11.6 million increase is attributable to rising personnel expenses of \$9.6 million or 12.7% and operating expenses of \$3.3 million or 14.0%. These increases were mitigated by a decline of \$1.8 million or -55.5% in capital expenses.

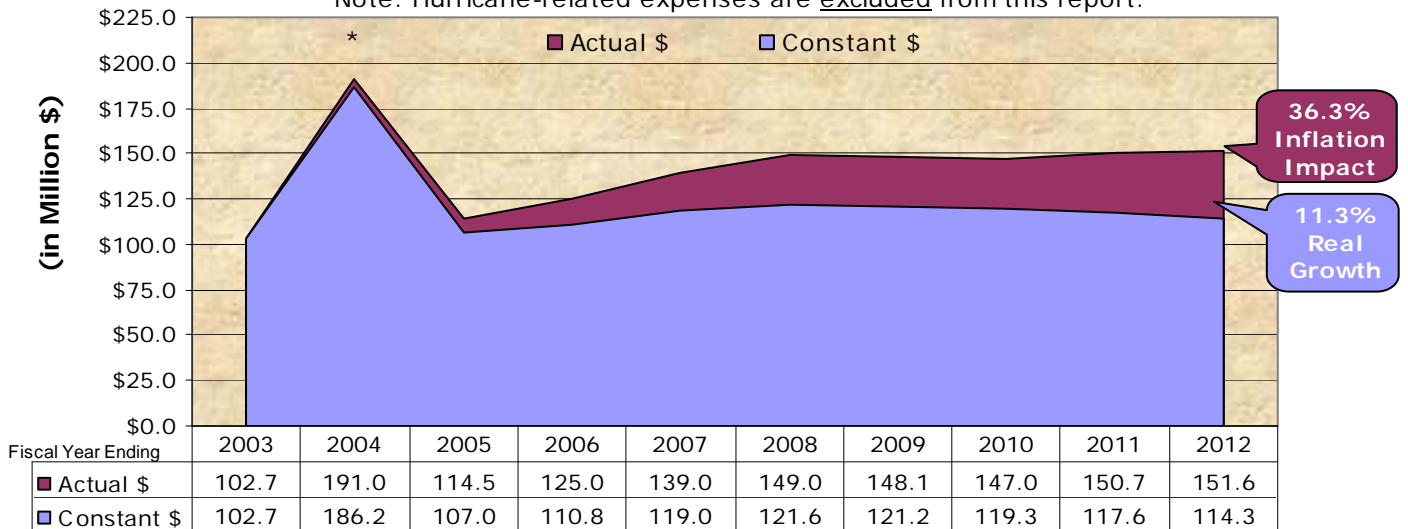
The \$9.6 million personnel cost increase was due to pension (\$10.5 million or 127.4%) and health insurance (\$8.1 million or 111.8%) increases that were partially offset by salary reductions of \$9.7 million or -18.1% associated with a reduction of more than 180 full-time positions since 2002-03 and significant labor concessions during 2009-10. The pension increases were linked to enhanced benefits and recent underperformance of investments while \$6.4 million of the health and life insurance increases related to the funding of other post employment benefit (OPEB) as required by GASB Statements 43 and 45. The City started funding OPEB in 2007 and that expense accounted for 24.2% of the 2011-12 personnel costs.

The \$3.3 constant dollar increase in operating expense is connected chiefly to \$3.3 million in debt service related to the construction of three rental apartment towers, \$0.9 million in internal charges to the Fire Department, and \$0.3 million for fuel. Reductions include \$0.4 million each in Professional Services - other and Prof Services - outside legal, \$0.3 million in Equipment less than \$1,000, and \$0.2 million in Special Events.

General Fund Expense: Actual vs Constant 2003 Dollars

(Actual 2003-2010; Working Budget 2011; Adopted Budget 2012)

Note: Hurricane-related expenses are excluded from this report.



* Impact of \$77.9 million lump sum pension contribution from bond proceeds.