

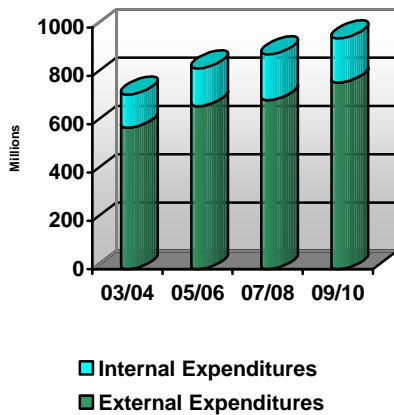
# Expenditure Analysis

This section of the budget reviews the County's major expenditure categories. The figures presented here are County-wide, meaning that they cut across all funds and departments. Effort has been made to ensure that the historical data shown are as comparable as possible.

## Historical Expenditure Analysis

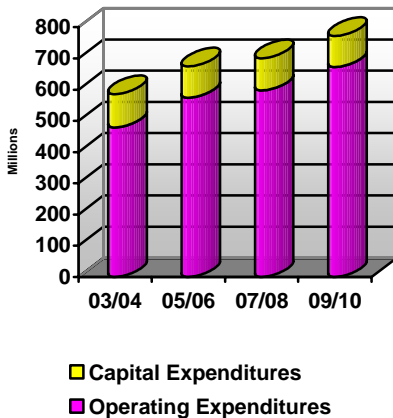
While budgets traditionally focus on the period to come, it is important to place the current financial plan in the context of long-term trends. By analyzing trends over multiple years, it is possible to identify significant long-term changes that might not be apparent in any single year. The change in the County's expenditure levels from 2003/2004 through the 2009/2010 biennium are discussed in the following paragraphs.

Clark County's expenditures, which totaled \$721.7 million in 2003/2004, are projected to increase to \$954.2 million in 2009/10. This represents a total increase of 32 percent through 2010 or about 5 percent per year. Both external and internal expenditures have grown as displayed in the graph to the left. The following table summarizes the major expenditure categories for the last three biennia and for the upcoming 2009/10 biennial budget period.



Exp. Category	03/04 Actual	05/06 Actual	07/08 Actuals	09/10 Budget	Annual Growth
Salaries & Benefits	225.3	246.6	290.4	307.5	5.3%
Supplies & Services	206.8	228.9	265.3	330.5	8.1%
Debt Service	46.4	98.9	40.9	33.9	-5.1%
Fixed Assets	106.3	100.1	103.0	99.5	-1.1%
<b>External Expenditures</b>	<b>584.7</b>	<b>674.5</b>	<b>699.5</b>	<b>771.3</b>	<b>4.7%</b>
<b>Internal Expenditures</b>	<b>137.0</b>	<b>155.9</b>	<b>188.7</b>	<b>182.8</b>	<b>4.9%</b>
<b>Total Expenditures</b>	<b>721.7</b>	<b>830.4</b>	<b>888.2</b>	<b>954.2</b>	<b>4.8%</b>

**External expenditures** represent a use of cash by the County. They are payments to entities outside the County such as private sector vendors, suppliers, employees, and other governments. These cash expenditures have grown from \$584.7 million in 2003/04 to \$771.3 million in 2009/2010. This is a 32 percent increase over this period, or an annual growth rate of about 4.7 percent per year.



External expenditures are comprised of two primary components, capital expenditures and operating expenditures. Cash operating expenditures, displayed as the lower portion of the graph to the left, have grown from \$478.5 million in 2003/04, to \$671.8 million in 2009/10, an average annual increase of 5.8 percent.

**Internal expenditures** occur when funds are transferred between Clark County entities or when one department "buys" internal services from another. No cash is expended by the County as a whole, instead, money only moves between County departments. These transactions allow departments to track costs when internal service providers are used. An example may help illustrate:

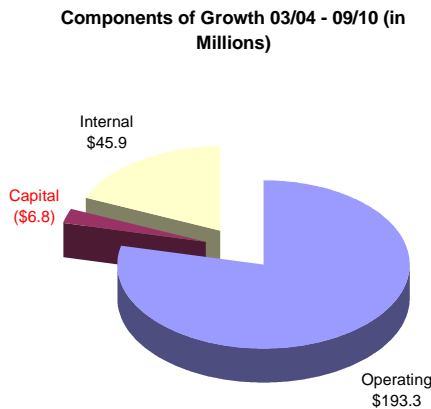
*When Public Works (PW) "buys" \$5,000 worth of legal services from the Prosecuting Attorney's (PA) Office, it "spends" \$5,000 and records an internal service transfer. The County as a whole did not spend cash, but,*

moved it from PW (Road Fund) to the PA (General Fund). The cash expenditure only occurs when the PA spends the \$5,000 on attorney payroll, office supplies, etc.

This internal expenditure “system” gives departments the ability to track the cost of using internal service providers, and encourages internal services providers to remain competitive with outside service providers. In the example above, the PA would include \$5,000 in its budget for salaries, benefits and supplies necessary to provide legal services to PW. PW would also budget \$5,000 for legal professional services. Consequently, a total of \$10,000 would appear in the budget, but, only \$5,000 of cash would leave the County.

Internal expenditures have the effect of artificially inflating the County’s budget when individual department budgets are aggregated. Continuing with the above example, the PW budget would include \$5,000 for legal services. The PA would also include \$5,000 in its budget for salaries, benefits and supplies necessary to provide legal services to PW. A total of \$10,000 would appear in the budget however, the County would spend only \$5,000 in cash.

Internal expenditures have increased an average of 4.9 percent per year over the last six years and account for approximately 20 percent of the 2009/10 budget. As a significant portion of the overall budget, it has become increasingly important to isolate cash expenditures from non-cash expenditures when viewing the County budget as a whole. The County has modified its financial systems and account codes to simplify the process of separating these expenditures and has reduced the overall growth of internal expenditures since 2001/02 by consolidating departments.



Change in Major Expenditure Types (millions)				
Type of Expenditure	03/04 Actual	09/10 Budget	Change	Avg. Growth Rate per Year
Operating Expenditures (Cash)	478.5	671.8	193.3	5.8%
Capital Expenditures (Cash)	106.3	99.5	(6.8)	-1.1%
Internal Expenditures (Non-Cash)	137.0	182.8	45.9	4.9%
<b>Total Expenditures</b>	<b>721.7</b>	<b>954.2</b>	<b>232.5</b>	<b>4.8%</b>

## Components of Expenditure Growth

The pie chart to the left and table above show the major components of the \$232.5 million budget increase from 2003/04 to 2009/10. Most of the expenditure growth occurred in operating expenditures. Within each expenditure type there are one or more expenditure categories. Each expenditure category and its annual rate of growth are discussed below.

### Operating Expenditure Increase from 2003/04 to 2009/10

**Operating expenditures** include salaries & benefits, supplies & services, and debt service payments. These ongoing expenditures are necessary to support the full range of County functions and operations. Detailed information on staffing increases can be found in the Staffing Analysis contained toward the end of the Financial Section.

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**Salaries & Benefits Increase  
03/04 to 09/10**

Sheriff's Office & Jail .....	\$22.2 million
Community Services .....	8.1 million
Public Works .....	7.0 million
Prosecuting Attorney.....	5.1 million
Juvenile.....	4.4 million
District Court .....	2.8 million
Superior Court.....	2.8 million
Corrections.....	2.7 million
Other Areas.....	27.1 million
<b>Total Payroll Increase.....</b>	<b>\$82.2 million</b>

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**Salaries and Benefits (Payroll) Increase**

Total Six Year Increase.....	\$ 82.2 million
Total Growth (03/04-09/10).....	36.5 percent
Avg. Annual Growth Rate .....	5.3 percent

Two factors have contributed to the rise in payroll expenditures: a larger workforce, and a higher cost per employee. The County added 72 full-time equivalent (FTE) positions from 2004 to 2010. This represents an increase of about 1.0 percent per year. Up until the 2009/10 budget staff increases averaged 3 percent per year, which approximates the County's population growth rate of 3.0 percent per year over the same period. However, the 2009/10 budget reflects a net reduction of 150 staff due to the economic slowdown. It is anticipated that growth in staffing in future years will be tempered by the economy.

Net new positions added since 2004 cost about \$57 million in 2009/2010 dollars and account for 70 percent of the total payroll increase since 2004. The remaining \$25.2 million, or 30 percent of the total payroll increase is attributable to the increase in the average cost of County employees. In 2004, the County spent an annual average of \$54,000 in salary and \$13,100 in benefits for each FTE. In 2010, the average cost will be about \$62,800 in salary and \$25,000 in benefits. The increase is equivalent to a 4.6 percent salary/benefit increase each year.

Factors which influence the County's cost per employee include: cost-of-living increases established through County labor negotiations, mandated increases in FICA and Washington State's retirement system contributions, market driven benefit cost increases, and elected official salary increases which are determined by State statute.

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**Supplies & Services Increase**

Community Services .....	\$60.6 million
Parks REET .....	12.2 million
Equipment Rental .....	10.1 million
Road Fund .....	5.4 million
Solid Waste.....	4.8 million
Metropolitan Park District.....	4.1 million
Jail.....	4.1 million
Other Areas.....	22.3 million
<b>Total Supplies and Services.....</b>	<b>\$123.6 million</b>

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**Supplies & Services Increase**

Total Six Year Increase.....	\$123.6 million
Total Growth (03/04-09/10) .....	59.8 percent
Avg. Annual Growth Rate .....	8.1 percent

Supply & service expenditures have surpassed payroll as the largest expenditure growth component. This reverses the trend of prior years in response to several State-wide initiatives and referendum.

The table at left summarizes the major areas of increase. Departments that have experienced rapid spending growth in this category include the following:

- **Community Services (\$60.6 million):** This increase represents growth in grant funded social service programs providing services to the mentally ill, the developmentally disabled, substance abusers, and other disadvantaged citizens. In most cases, the County contracts with private-sector agencies to provide these services. These expenditures are budgeted as professional services costs.
- **Parks REET (\$12.2 million):** This item reflects an aggressive development program for parks within unincorporated areas. The County sends funds to the Consolidated Parks Program which is managed by the City of Vancouver.

- **Equipment Rental & Revolving (\$10.1 million):** ER&R is responsible for the management and maintenance of the County's fleet of vehicles and equipment. The budget increases represent increased equipment and vehicle costs.
- **Road Fund (\$5.4 million):** The Road Fund accounts for the capital costs of building new roads and for maintaining existing roads. Increased costs since 2004 are principally due to the effects of increases in oil based products and the effects this has on the cost to maintain existing and new roads.
- **Solid Waste (\$4.8 million):** The county is required to manage and maintain a solid waste program. A significant increase in program expenditures is anticipated for the program one of which is restructuring how solid waste is collected within the unincorporated sections of the county.
- **Metropolitan Park District (\$4.1 million):** In 2005, voters approved the establishment of the District to provide funding for maintenance and selected capital for at least 35 new parks and seven miles of new trails. This funding came primarily from a separately approved property tax levy with the district.
- **Jail (\$4.1 million):** The Sheriff's Office is responsible for the housing of inmates. Most of the increase in cost since 2004 is the result of increasing medical services. The county contracts with a third party to provide this service.
- **Other Areas (\$22.3 million):** The remaining \$22.3 million increase in supply and service costs is spread widely across the County. A portion of this amount reflects normal inflation in service costs over the six-year period.

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**Debt Service Decrease**

Interest Payments..... \$6.3 million  
 Principal Payments..... 6.2 million  
**Total Debt Service**  
**Decrease ..... \$12.5 million**

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**Debt Service Decrease**

Total Six Year Decrease ... ..... \$12.5 million  
 Total Growth (03/04-09/10).....-27.0 percent  
 Avg. Annual Growth Rate . . . . . -5.1 percent

Debt service expenditures have decreased by \$12.5 million since 03/04. The county added debt over this period for an Exhibition Hall, VHA low income housing, Center for Community Health, Assessor/Treasurer Automated System, Conservation Futures, and other property acquisitions.

The decrease in debt service payments over this period is due to retiring obligations issued in the early to late 90's for the Treasurer's Remittance Processor, construction of the Jail Work Center (medium security facility), Fairground improvements, County Courthouse remodel, financing of a solid waste transfer station, golf course equipment, and the funding of open space.

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**Capital Expenditures Increase**

Parks (MPD).....\$24.0 million  
Economic Development.....8.0 million  
Stormwater.....3.2 million  
Sewer Treatment Plant.....3.1 million

Projects - Completed..... (50.1) million  
Other Areas.....5.1 million

**Total Capital Expenditure  
Decrease..... \$6.7 million**

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**Capital Expenditure Decrease 03/04 to 09/10:**

Capital expenditures are typically for the purchase of fixed asset and transportation improvement projects. These large and unevenly timed costs are generally budgeted and tracked in a capital type fund.

**Capital Expenditure Decrease**

Total Six Year Decrease . . . . . \$ -6.7million  
Total Growth (03/04-09/10)..... -6.4 percent  
Avg. Biennial Growth Rate..... -1.1 percent

A major factor in the decrease of the County budget from 03/04 through 09/10 has been the aggressive capital spending program in prior years to meet growing demands on building and infrastructure. The Center for Community Health (houses social service providers) and the Assessor/Treasurer Tax system (assessment and taxation) was completed during this six-year period which is reflected in an overall decrease during the six year period. Increased capital spending include the expansion of parks infrastructure that resulted from taxpayer approval in 2005 of the Metropolitan Parks District (MPD) to provide maintenance and operational funding and the creation of an economic development fund to provide the infrastructure to attract private development. Additional information on capital spending and a list of individual capital projects is contained in the Capital Section.

**Internal Expenditure Increase from 03/04 to 09/10:**

Internal expenditures are non-cash transactions because no cash enters or leaves the County as a whole. They are necessary to track the movement of money between the County’s separate accounting entities. Transfers between funds represent “subsidies”. For example, the General Fund supporting the operations of the Community Development Fund. Inter-fund transactions represent charge for services between funds. The classic example is the General Funds use of facilities. The Facilities Fund supports the maintenance of county buildings and so “bills” the General Fund.

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**Internal Transactions**

Transfer between funds ..... \$43.7 million  
Inter-fund Payments..... 2.2 million

**Total Internal Transaction  
Increase..... \$45.9 million**

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**Internal Transaction Increase**

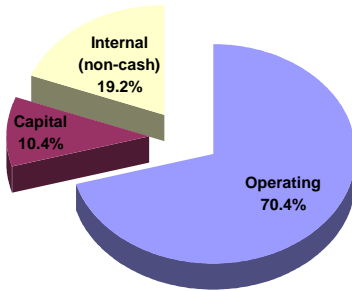
Total 6 Year Increase ..... \$45.9 million  
Total Growth (03/04-09/10)..... 33.5 percent  
Avg. Annual Growth Rate ..... 4.9 percent

The overall increase in internal transfers represents the expansion of county facilities and associated maintenance costs on those facilities combined with departments responsible for paying those costs through internal transactions. Other contributing factors include the increase in sales tax for mental health and law & justice and transfer to supported departments.

Major internal service providers include: Equipment Services, Emergency Services, Central Support, and Major Maintenance.

## The 2009/2010 Expenditure Budget

The 2009/2010 Adopted Budget contains \$954.2 million in total expenditures. As displayed in the graph to the left, the majority of these expenditures (\$771.3 or 81%) are external cash outlays for capital and operating purposes.

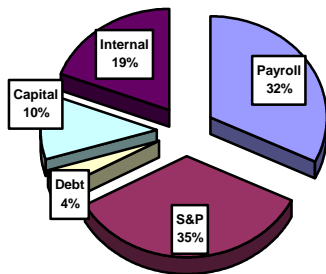


The three broad expenditure types described above can be further divided into expenditure categories. The second pie chart to the left shows the five expenditure categories. The pie chart shows the categories as a percentage of budget and the table shows the dollar amount. The paragraphs below describe the categories, discuss the major components of spending in each and outline any major policy issues.

### Operating Expenditure Categories

#### Payroll (Salaries & Benefits)

Payroll costs, including overtime compensation, represent the second largest expenditure category in the 2009/2010 budget. The County's payroll budget is driven by four major factors: 1) the number and types of staff employed by the County, 2) the County's salary structure, 3) the cost of living adjustments (COLAs) negotiated with collective bargaining units and 4) the cost of providing employee benefits.



1. A Staffing Analysis, which discusses the location and number of funded staff positions, is presented later in the Financial Section.
2. The County's salary structure, which defines personnel classifications and assigns them to salary ranges, is developed and maintained on the basis of ongoing surveys of comparable employers in both public and private sectors.
3. The third major factor driving the County's payroll budget is the annual cost of living adjustment (COLA). This is determined through the process of negotiating the County's various labor agreements, generally every three years. The County's current agreements cover various periods depending on individual contracts. The assumption for contracts negotiated in this budget period is that COLA will be held to less than 3.0%. Contracts expiring during the budget period do not have full COLA's loaded. These adjustments have been estimated and included in separate contingency accounts pending final negotiations.
4. The last factor is the cost of benefits. Benefits make up about 28.5% of total payroll costs. Mandated benefits make up about 11.2% of the total payroll costs. Mandated benefits include social security and medicare, contributions to the state retirement system, unemployment insurance, and workers' compensation insurance. The remaining benefits, like medical and dental insurance, long-term disability and life insurance are about 17.2% of total payroll. These costs are determined, in part, through labor negotiations and market forces.

### **2009/2010 Expenditures by Major Category**

#### **External Expenditures**

Payroll .....	\$307.5 million
Supplies & Services .....	330.5 million
Debt Service.....	33.9 million
Fixed Assets .....	99.5 million

**Total External Expenditures ..... 771.3 million**

#### **Internal Expenditures**

Transfers & Internally Provided Services .....	182.8 million
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**Total Budget..... 954.2 million**

#### **Supplies & Services (External Only)**

The supplies and services budget represents the largest expenditure category at \$330.5 million. The supplies budget of \$49.2 million is distributed to all departments. Supplies include fuel for patrol and maintenance vehicles, computer hardware under \$5,000, asphalt and aggregate for roads, and a wide

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## **Supplies & Services Expenditures**

Community Services .....	\$123.5 million
Parks .....	27.4 million
Public Works.....	26.5 million
Fleet.....	21.3 million
Sheriff's Office & Jail.....	14.1 million
Health Dept.....	9.8 million
Sewer Treatment Plant.....	9.3 million
Indigent Defense.....	9.1 million
Facilities.....	8.7 million
Other.....	80.8 million

### **Total Supplies**

**& Services ..... \$330.5 million**

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## **Fixed Assets**

Public Works (roads) .....	\$43.3 million
Parks .....	\$24.7 million
Economic Development.....	8.0 million
Vehicle replacements.....	6.4 million
Sewer Treatment Plant.....	5.7 million
Computers and systems.....	4.0 million
Other Areas .....	7.4 million

### **Total Fixed Asset**

**Expenditures ..... \$99.5 million**

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## **Internal Expenditures**

### **Internal Services and Transfers**

Sales Tax transfers.....	\$29.8 million
General Fund subsidies.....	25.7 million
Debt Service transfers .....	26.1 million
Impact Fee transfers .....	22.4 million
Public Works inter-fund.....	16.7 million
Other Internal Exp.....	62.1 million

### **Total Internal**

**Expenditures ..... \$182.8 million**

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variety of office supplies. Service expenditures make up the bulk of the category at \$281.3 million. Services include an extremely wide variety of expenditures, ranging from rented office space and telephone charges, to professional consulting and expert legal expenses. The majority of service expenditures; however, support transportation infrastructure and human services programs. The table at left displays the seven largest service budgets.

Intergovernmental Expenditures, a sub-category of services, represent payments from the County to other governmental entities or inter-local agencies. The majority of intergovernmental expenditures are for parks related activities. The County and City of Vancouver Parks departments consolidated into one regional Parks Department in 1997. All Park Impact Fees (PIFs) and park acquisition and planning expenditures are now transferred to the City of Vancouver in exchange for parks services.

### **Debt Service**

Approximately 3.6 percent of the budget, or \$33.9 million, is allocated for debt service payments (principal and interest) on the County's bonds, revenue bonds, Public Works Trust Fund (PWTF) loans, and other outstanding debt. More information regarding the County's debt structure appears in the Debt Summary located later in the Financial Section.

### **Fixed Assets Category**

The 2009/2010 budget includes \$99.5 million in capital expenditures. Overall, capital expenditures represent 10.4 percent of the 2009/2010 budget. The table on the left shows the major capital areas. See the Capital Plan located later in the Financial Section for a detailed list of 2009/2010 capital projects.

### **Internal Expenditure Category**

As discussed in the historical expenditure analysis, internal expenditures occur when funds are transferred between Clark County entities (transfers) or when one department "buys" internal services from another (inter-fund services). Cash is not expended in these transfers but it is moved between County departments. The two internal expenditure categories are inter-fund services and internal transfers. The table on the left shows the major users of internal services or transfers.

Internal charges represent 19.2 percent of the total budget. The Public Works Department is by far the largest user of internal services. Much of this service is through equipment rental charges and for internal support.

Other major internal services include parks maintenance and support services like accounting, human resources, vehicle rental and repair, and computer rental and repair. Many of these services are charged out to individual departments through an indirect cost allocation mechanism.