

Fiscal Year 2007 Annual Budget

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|---------------------------------------|-------------------------|--------------|
| Personal Services | \$27,883,994 | 29.6% |
| Operations | 37,810,359 | 40.1% |
| Internal Service | 8,879,784 | 9.4% |
| Debt Payments | 5,686,601 | 6.0% |
| Capital Outlay | 10,171,432 | 10.8% |
| Transfers Out – to other funds | <u>3,837,949</u> | 4.1% |

Total Fiscal Year 2007 Budget **\$94,270,119**

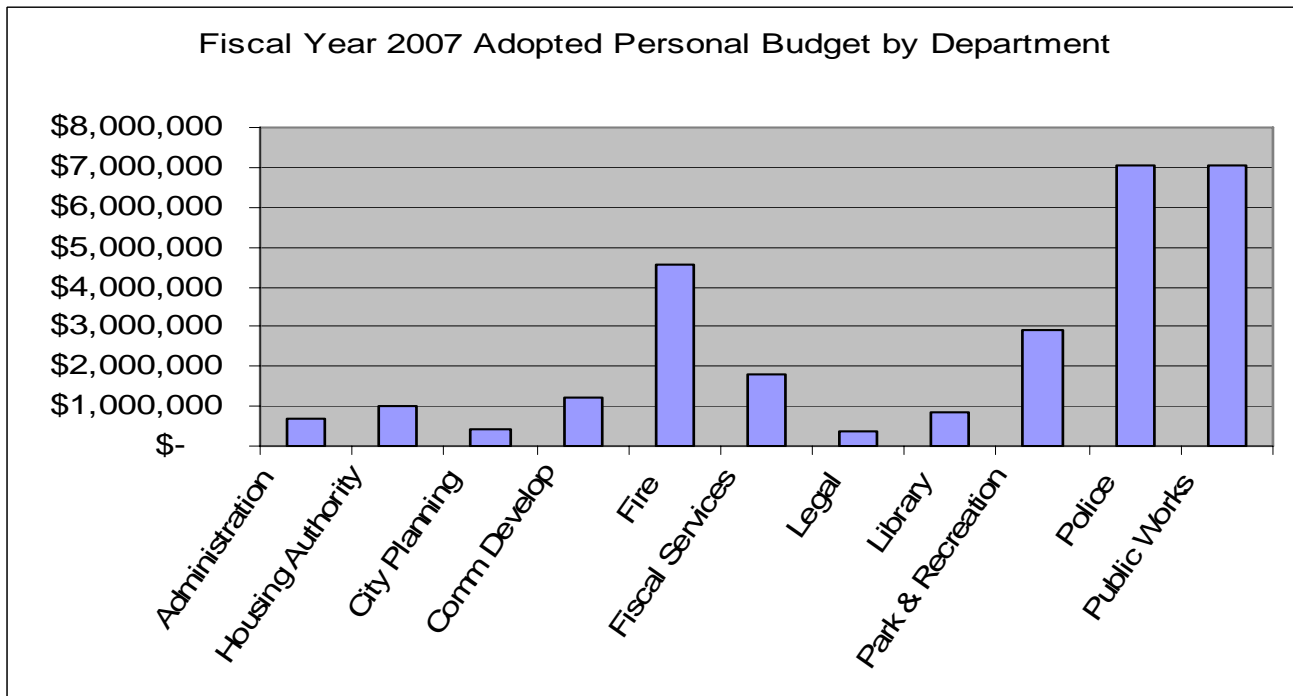
Major Expenditures

Personal Services

A 3.25% increase for all employees has been adopted in the Fiscal Year 2007 Budget. Overall personal services in the Fiscal Year 2007 budget, including salaries and benefits, increased 4.9% and was 29.6% of the City’s total expenditure budget.

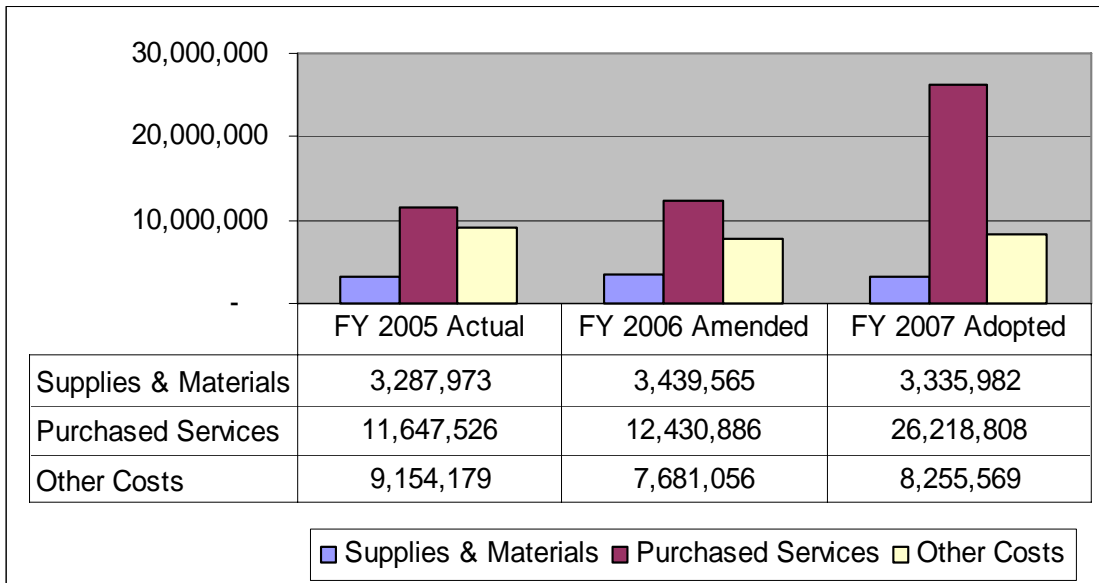
As the City tries to bring its employees’ salaries up to market value, certain costs of personal services have increased faster than the City’s ability to keep up. One such cost is health insurance. All employees with spouses, dependents, family, or single coverage have been required to contribute 10% of the total cost of the health insurance monthly premium. This amounts to \$83, \$60, \$63 and \$10 a month for each level of coverage. In previous years, benefit adjustments were made including significantly increasing deductibles and co-pays. The City of Great Falls is a self-funded health insurance plan. The Health and Benefit Fund is currently in a deficit situation. To help cover this deficit, a six year recovery plan has been put in place. In Fiscal Year 2004 through 2009, all funds with personal costs will contribute a corresponding percentage of the deficit using fund reserves to the Health and Benefit Fund.

The personal budgets reflect a total of 468.73 full time equivalents (FTEs) in full and part time positions. There is no change from the Fiscal Year 2006 Amended budget.



Operations

The operations portion of expenses includes supplies and materials, purchased services, and fixed charges and is 40.1% of the total budget. Overall, the operations portion of the Fiscal Year 2007 increased by 60% from the Fiscal Year 2006 budget. The major increase was due to the purchase of electricity in the Electric Utility Fund, increasing by \$14 million. Other increases were due to the increase in natural gas and fuel.



Capital Outlay

The City’s appropriations for capital outlay in Fiscal Year 2007 total \$10,171,432 or 10.8% of the total budget. This is a decrease of \$3,904,643 or 23% from the Fiscal Year 2006 amended capital outlay budget. The decrease was due to significant capital improvement projects in the Water and Sewer Fund in Fiscal Year 2006. Capital outlay varies considerably from year to year according to the timing of debt issuance and the planned use of reserves. We have fully paid off old bond issues in the Water and Sewer Funds, which frees up debt service funding for a replacement debt issuance without any unusual rate increases.

General Capital

The General Fund annually transfers money to the General Capital Projects Fund for general government facility and equipment needs. We will not make any transfers to General Capital from the General Fund in Fiscal Year 2007. At this time we are holding our own in funding the highest priorities from annual and unanticipated revenues, but eventually property tax uncertainties may encourage us to consider debt issuance for adequate capital funding.

Balancing Priority Systems

We are intentionally not financing our full Capital Improvement Program (CIP) schedules. We would like to finance the ideal reflected by such schedules, but must be satisfied with reasonably adequate financing of current needs. Maintenance records and system monitoring indicate we are maintaining our systems at a status quo level. The strategy is to slowly build adequate resources to deal with system

needs as they mature. We constantly balance the deterioration of our systems against our ability to finance improvements.

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|---------------------------------|---|
| Street Annual Replacement | \$7.3 million CIP needed/\$338,447 provided |
| Water System Annual Replacement | \$4.2 million CIP needed/\$1.3 million provided |
| Sewer System Annual Replacement | \$1.8 million CIP needed / \$550,000 provided |

In addition to this annual funding:

- In Fiscal Year 2007, a Water Master Plan will be completed.

Major Capital Improvement Projects

- All Major Capital Improvement Projects are listed under the Capital and Debt Section of the Budget Document for Water, Sewer, Storm Drain, and the Street Funds for Fiscal Year 2007.