

MEMORANDUM

March 18, 2011

To: Mayor and City Council

From: Lauren Bradley, Administrative Services Director

Via: Gary W. Jackson, City Manager

Subject: Ten-year General Fund budget trends

The purpose of this memorandum is to respond to a Council member request made during the March 8 City Council work session for information about General Fund budget trends during the last ten years. Staff was asked to produce this information with a focus on the overall General Fund budget, employee salaries and benefits, public safety, and parks, recreation and cultural arts.

Analysis Methodology

Inflation adjustment, or "deflation", is accomplished by dividing a monetary time series by a price index, such as the Consumer Price Index (CPI). The deflated series is then said to be measured in "constant dollars," whereas the original series was measured in "nominal dollars" or "current dollars." Inflation is often a significant component of apparent growth in any series measured in dollars. By adjusting for inflation, you uncover the real growth, if any.

The CPI is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The CPI measures inflation as experienced by consumers in their day-to-day living expenses. According to the CPI for the south urban area, the inflation rate change over the last 10 years was 25.59%.

Calculating "per-capita" General Fund expenditures is used to indicate the average amount of spending per person in the city's population. For example, per-capita General Fund expenditures represent total expenditures divided by Asheville's population. This figure is useful for comparing the General Fund budget in relation to population, which has a direct impact on demand for services and related costs.

The analysis below provides comparisons for both current dollars (not adjusted for inflation) and constant dollars (adjusted for inflation).

Current dollars (not adjusted for inflation)

During the study period (2000-2010), General Fund operating expenditures, not adjusted for inflation, increased from \$63.1 million to \$91.6 million, representing a 45.19% increase. During the same time period, the city of Asheville's population grew by 21%. As a result, per-capita General Fund operating expenditures went from \$916 to \$1,099. This represents a 19.93% increase in per-capita General Fund expenditures over the

last ten years in current dollars. This increase is below the inflation rate change over the same period of time at 25.59%.

Data for the specific focus areas shows that over the ten year period:

- Per-capita General Fund salary and benefit expenditures increased by 26.78%;
- Per-capita public safety expenditures increased by 35.16%; and,
- Per-capita parks, recreation and cultural arts expenditures increased by 25.35%.

Table 1 provides the data set for current dollars (i.e., not adjusted for inflation).

Table 1. Per Capita Current Dollars (not adjusted for inflation)					
Fiscal Year		General Fund Adopted Budget	General Fund Adopted Salaries & Benefits	General Fund Public Safety Adopted Budget	Parks, Recreation & Cultural Arts Adopted Budget
2000	- 2001	63,116,468	37,485,180	23,458,528	6,141,438
Population		68,889	68,889	68,889	68,889
Per Capita		916.21	544.14	340.53	89.15
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2010	- 2011	91,635,962	57,530,988	38,381,372	9,318,812
Population		83,393	83,393	83,393	83,393
Per Capita		1,098.84	689.88	460.25	111.75
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Percent Change		45.19%	53.48%	63.61%	51.74%
		21.05%	21.05%	21.05%	21.05%
		19.93%	26.78%	35.16%	25.35%

Constant dollars (adjusted for inflation)

During the study period (2000-2010), inflation-adjusted General Fund operating expenditures increased from \$63.1 million to \$72.9 million (in 2000 dollars), representing a 15.60% increase. During the same time period, the city of Asheville's population grew by 21%. As a result, inflation-adjusted per-capita General Fund operating expenditures went from \$916 to \$875. This represents a 4.5% decrease in inflation-adjusted per-capita General Fund expenditures over the last ten years.

Data for the specific focus areas shows that over the ten year period:

- Inflation-adjusted per-capita General Fund salary and benefit expenditures increased by .95%;
- Inflation-adjusted per-capita public safety expenditures increased by 7.62%; and,
- Inflation-adjusted per-capita parks, recreation and cultural arts expenditures decreased by .19%.

Table 2 provides the data set for constant dollars (i.e., adjusted for inflation).

Table 2. Per Capita Constant Dollars (adjusted for inflation)				
Fiscal Year	General Fund Adopted Budget	General Fund Adopted Salaries & Benefits	General Fund Public Safety Adopted Budget	Parks, Recreation & Cultural Arts Adopted Budget
2000 - 2001	63,116,468	37,485,180	23,458,528	6,141,438
Population	68,889	68,889	68,889	68,889
Per Capita	916	544	341	89.15
2010 - 2011	72,965,484	45,809,269	30,561,314	7,420,140
Population	83,393	83,393	83,393	83,393
Per Capita	875	549	366	88.98
Percent Change	15.60%	22.21%	30.28%	20.82%
	21.05%	21.05%	21.05%	21.05%
	-4.50%	0.95%	7.62%	-0.19%

Conclusion

During the last ten years, the data shows that the city of Asheville's overall General Fund budget has increased at a rate that is slower than inflation when taking into consideration population growth over the same period of time. Expenditures associated with salaries, benefits and parks and recreation services have grown at a rate that is consistent with inflation. Among these categories, public safety services have experienced the highest level of additional investment on a per-capita basis over the last ten years.

CC: All Department Directors
 Tony McDowell, Budget Manager
 John Sanchez, Budget Analyst