

CITY OF MINNEAPOLIS

# Expense Overview



**Minneapolis**  
*City of Lakes*

**Ways & Means Committee**

**May 19, 2014**

# Expense Overview

- Definition
- Expenditure Types
- Expense Budget
- Public Purpose

# Expense Overview-Definition

Actual or expected cash outflows (or the equivalent) that have occurred or will occur as a result of the entity's ongoing major or central operations.

# Expense Overview-Types

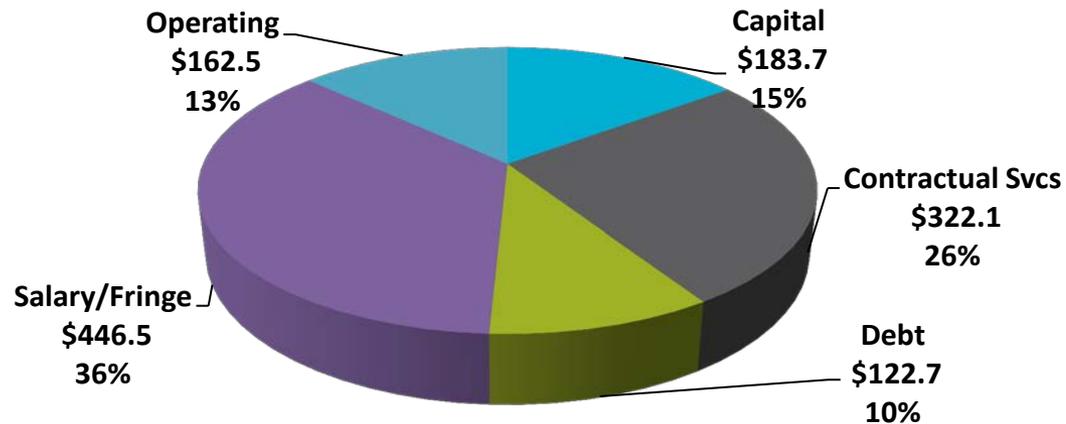
- Personnel
  - Salaries/Wages
  - Benefits
- Contractual Services
  - Third-party provide of services, either internally or to the public
- Materials & Supplies
  - Materials and supplies used in the provision of services to residents (including internal supplies)
- Capital
  - Costs for acquisition of items that convert to City assets
  - NOT working capital
- Financing Costs
  - Debt principal and interest (as well as associated issuance costs)

# Expense Overview - Budget

Spending by Major Categories  
(in millions of dollars)

## Expense by Category

Expense Category	2013 Adopted	2014 Council Adopted	\$ Change	% Change
CAPITAL	189.4	183.7	(5.7)	-3.0%
CONTRACTUAL SERVICES	302.7	322.1	19.4	6.4%
DEBT SERVICE	120.7	122.7	2.0	1.6%
FRINGE BENEFITS	124.9	133.9	9.0	7.2%
OPERATING COSTS	159.5	162.5	3.0	1.9%
SALARIES AND WAGES	298.6	312.6	14.0	4.7%
<b>Total Expense</b>	<b>1,195.8</b>	<b>1,237.5</b>	<b>41.6</b>	<b>3.5%</b>



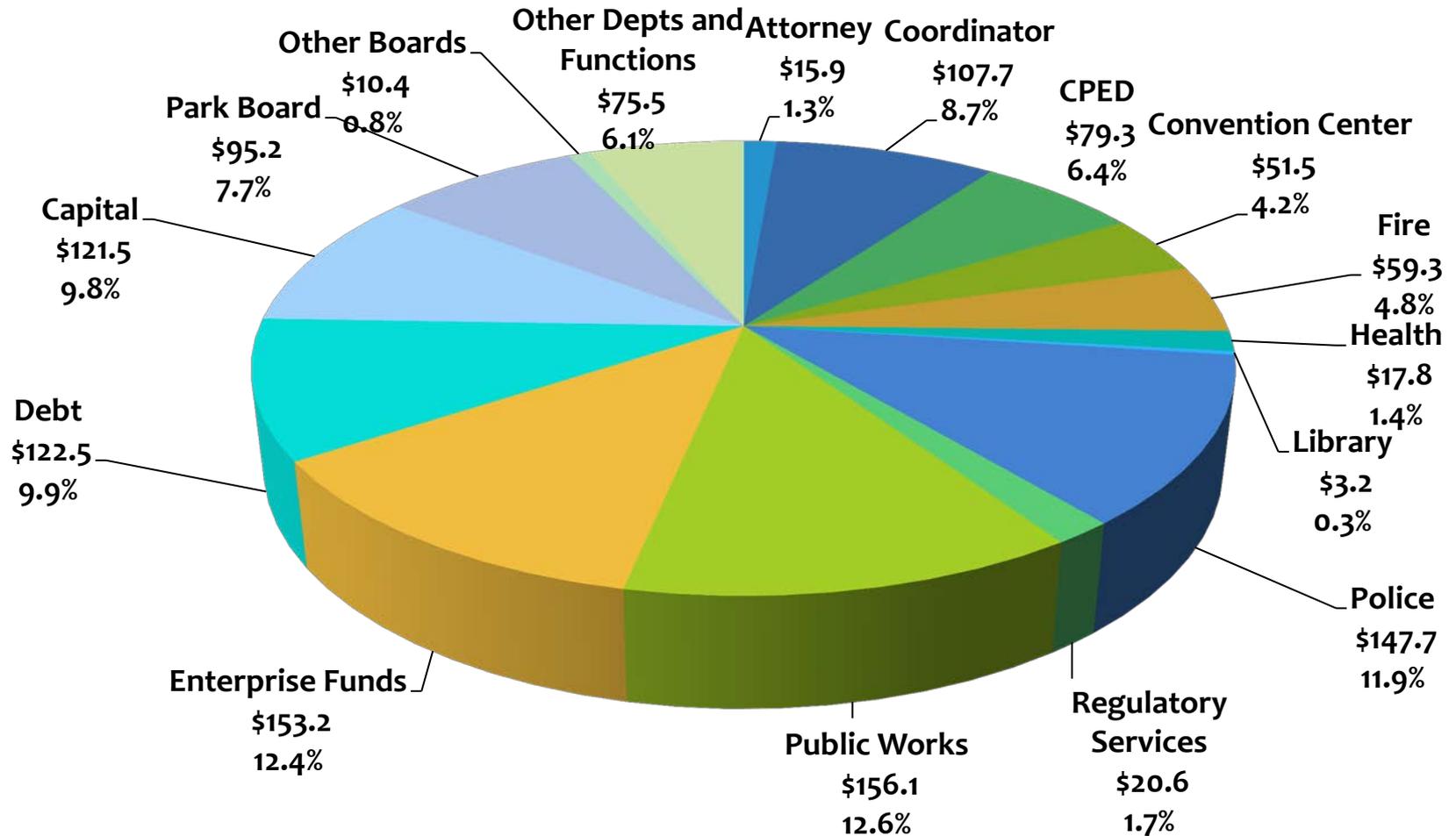
# Expense Overview - Budget

## By Fund Type (in millions of dollars)

	2013 Adopted	2014 Council Adopted	Percent Change	Dollar Change
<b>Expense:</b>				
GENERAL	\$351.7	\$392.6	11.6%	\$40.9
SPECIAL REVENUE	\$245.1	\$255.0	4.1%	\$9.9
CAPITAL PROJECT	\$95.7	\$76.5	-20.0%	(\$19.1)
DEBT SERVICE	\$71.3	\$81.1	13.7%	\$9.8
INTERNAL SERVICE	\$132.4	\$133.3	0.6%	\$0.8
ENTERPRISE	\$299.6	\$298.9	-0.2%	(\$0.6)
<b>Total</b>	<b>\$1,195.8</b>	<b>\$1,237.5</b>	<b>3.5%</b>	<b>\$41.6</b>

# Expense Overview – Budget

Total Expense Budget – Use of Funds  
 2014 Council Adopted Budget  
 \$1.24 Billion  
 (in millions \$)



# Expense Overview- Budget/Authority

- All expenditures (operating and capital, all funds) need to be covered by appropriation authority
  - even grants or other “pass-through” sourced \$ are disbursements from City coffers)
- Contracts, even over multiple years, create obligations, not appropriations
- Unless otherwise provided for (e.g., certain capital and/or specific rollover) appropriation authorities lapse at end of year
  - may be recreated in next year’s budget
- Expense appropriations are not funding

# Expense Overview-Public Purpose

- **Taxation must be for a Public Purpose**
  - MN Const. Art. X, Sec. 1, Art. XI, Sec. 2.
- **Authority for Expenditure of Public Funds:**
  - Implied
  - Specific
  - Home Rule Charter Cities may have more authority defined in charter

# Expense Overview-Public Purpose

- **Standards:**
  - Activity will benefit the community as a body
  - Activity is directly related to functions of government
  - Activity does not have as its primary objective the benefit of a primary interest
- **Objectives:**
  - Promotes:
    - Public Health
    - Safety
    - General Welfare
    - Security
    - Prosperity
    - Contentment

# Expense Overview-Public Purpose Pitfalls

- Community Celebrations
- Donations to Organizations
  - Non-profits (↓), arts organizations (↑), chamber of commerce (↑ -but no membership)
  - Often confused with grants
- Dues and Memberships with private organizations (↓ - unless provided for in statute)
- Travel Expenses and Meals

# Expense Overview-Public Purpose

TEST	Answer	NOT Authorized	Authorized
Does a statute or charter provision specifically or implicitly authorize the specific expenditure?	Yes		
	No		
Does the expenditure benefit the community as a whole?	Yes		
	No		
Is the expenditure directly related to the functions of government?	Yes		
	No		
Does the expenditure have as its primary objective the benefit of a private interest?	Yes		
	No		

# Next Steps....

- Wrap up and roll up
- Budget Process
- Other topics TBD



CITY OF MINNEAPOLIS

# Expense Overview

# Questions

**Sources:**

**Minnesota Department of Revenue**

**Minnesota Revisor of Statutes**

**Office of the Minnesota State Auditor**

**League of Minnesota Cities**