

MINNESOTA OFFICE OF THE STATE AUDITOR

**1998 BUDGET DATA
TOGETHER WITH
1997 REVISED BUDGET DATA**

**CITIES OVER 2,500
IN POPULATION**

**JUDITH H. DUTCHER
STATE AUDITOR**

Minnesota Cities Over 2,500 in Population

1998 Budget Data Together With 1997 Revised Budget Data



July 31, 1998

**Government Information Division
Office of the State Auditor
State of Minnesota**

**E-MAIL: GID@OSA.STATE.MN.US
WWW. OSA.STATE.MN.US**

525 Park Street, Suite 400, St. Paul, MN 55103 ◦ (612) 297-3682

TABLE OF CONTENTS

Governmental Revenues	1
Current Expenditures	3
Total Expenditures	5
Net Unrealized Gain or Loss from Investments	5
Methodology and Caveats	5
Appendix 1 - Summary of Budgeted Revenues and Expenditures Cities Over 2,500 in Population 1998 and Revised 1997	9
Appendix 2 - 1997 and 1998 Revenues and Expenditures Budgeted for Cities Over 2,500 in Population	12
Appendix 3 - 1998 Minnesota City Summary Budget Data Reporting Form	109

Governmental Revenues

In 1998, 175 Minnesota cities with populations greater than 2,500 had budgeted revenues of \$2.08 billion.¹ This represents an increase of \$125.4 million, or 6.4 percent, over 1997 budgeted revenues. All sources of revenues except special assessments increased in 1998 budgets.

The principal sources of revenues in 1998 city budgets were: intergovernmental revenues which accounted for 34.5 percent of revenues; property taxes which accounted for 30.0 percent of revenues; and charges for services which accounted for 8.1 percent of revenues. Property taxes and charges for services account for a slightly smaller share of total revenues in 1998 budgets compared to 1997 budgets. In contrast, intergovernmental revenues represent a slightly larger share of 1998 budgets.

- ***Intergovernmental Revenues.*** Cities receive grants and aids from the federal, state and other local governments. Cities budgeted intergovernmental revenues of \$719.0 million for 1998. This represents an increase of 7.4 percent over 1997 budgeted intergovernmental revenues.

State General Purpose Aid. The most substantial source of intergovernmental revenues for cities is state general purpose aid. General purpose aid has no restrictions on its use and includes, among other things, Local Government Aid (LGA) and Homestead and Agricultural Credit Aid (HACA). Cities budgeted general purpose aid of \$465.0 million for 1998, which was \$8.4 million more than in 1997. State general purpose aid accounted for 22.3 percent of 1998 budgeted revenues.

State Categorical Aid. Cities budgeted categorical aid of \$118.8 million for 1998. This represents an increase of 13.6 percent over categorical aid budgeted in 1997. Categorical aid levels can fluctuate widely because these revenue sources commonly support capital projects that are short-term or cyclical in nature.

Federal Grants. Cities budgeted federal grants of \$88.2 million for 1998. This was an increase of 23.2 percent over federal grants budgeted in 1997. The large increase in federal grants is largely attributable to the City of Richfield. The city is expected to receive federal funding for two large road construction projects in 1998.

Local Grants. Cities budgeted grant revenues from other local governments of \$47.0 million for 1998. This represents an increase of 28.0 percent over local grants budgeted for 1997. These revenues commonly reflect cooperation among two or more governments to provide a service or participate in a capital project. The Cities of Richfield and St. Paul accounted for the majority of the increase.

- ***Taxes.*** Cities receive revenues from several types of taxes. In addition to levying property taxes, cities generate revenues from local option taxes such as hotel/motel, franchise (public utilities), gambling, gravel and sales taxes. Cities that have established tax increment

¹There are 185 cities with populations above 2,500. Ten of these cities failed to submit, or submitted incomplete data, for 1998. Total revenues exclude borrowing and transfers from other funds.

financing (TIF) districts also receive tax increment revenue.

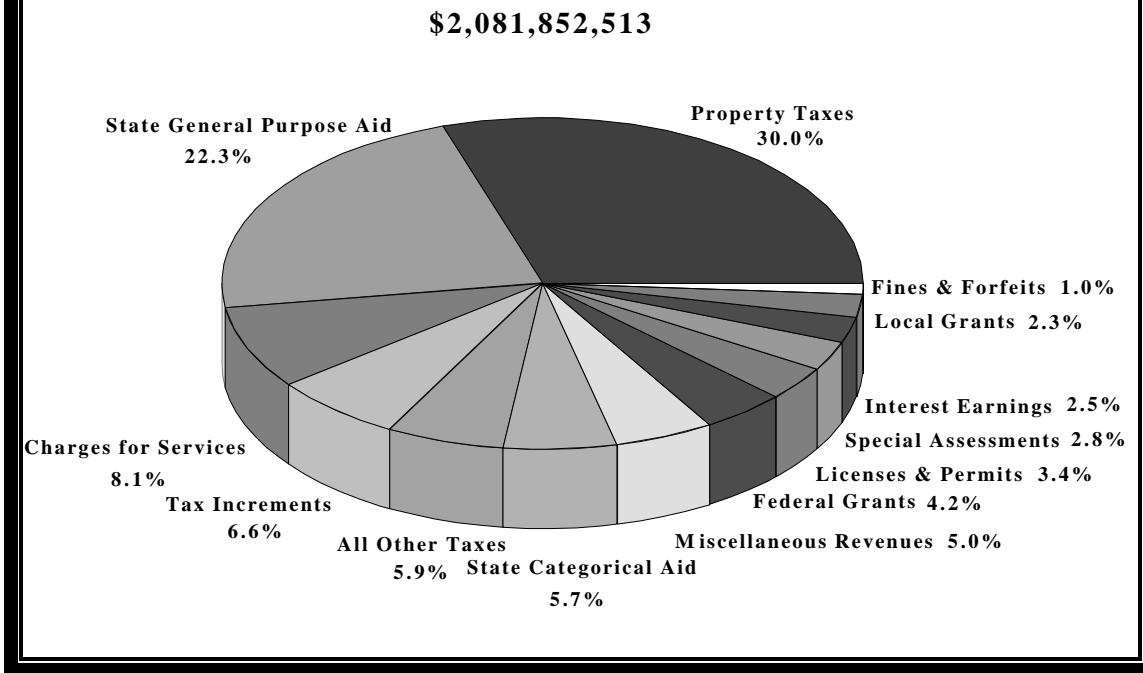
Property Taxes. Property tax revenues increased 5.5 percent in 1998 budgets. Revenues derived from property taxes totaled \$625.4 million and accounted for 30.0 percent of city revenues. The majority of cities budgeted higher levels of property tax revenues for 1998. 158 cities budgeted higher property taxes, 13 cities budgeted lower revenues, and 4 cities budgeted the same level of revenues.

Tax Increments. Cities budgeted tax increment revenues of \$137.7 million for 1998. This represents an increase of 6.7 percent over 1997 budgeted tax increments. Cities generate tax increment revenue when they establish tax increment financing (TIF) districts. In a TIF district, a city reserves the use of a portion of the property taxes collected from parcels in the district to pay the costs of development and redevelopment rather than the general services of the city, county and school district.

All Other Taxes. This category of revenue accounts for taxes such as franchise taxes, hotel and motel taxes, sales taxes, and others. Cities budgeted all other tax revenues of \$123.8 million for 1998. This was an increase of 3.7 percent over 1997 budgeted tax revenues.

- **Charges for Services.** Cities budgeted revenues from charges for services of \$168.4 million, which was an increase of 2.5 percent over the amount budgeted in 1997.
- **Licenses and Permits.** Cities budgeted revenues from licenses and permits of \$70.6 million for 1998. This represents an increase of 9.2 percent over the amount budgeted in 1997. This category accounts for revenue derived from fees collected for the issuance of both business and non-business licenses and permits.
- **Special Assessments.** Cities budgeted revenues of \$59.0 million from special assessments in 1998. This represents a decrease of 4.2 percent from the level budgeted in 1997. Cities levy special assessments to pay for services that are deemed to primarily benefit specific properties.
- **Interest Earnings.** Cities budgeted revenues from interest earnings of \$52.2 million for 1998, which was an increase of 13.1 percent over interest earnings budgeted for 1997. Cities expect that their investments will continue to perform well due to the strong economy and solid market growth.
- **Miscellaneous Revenues.** Cities budgeted miscellaneous revenues of \$104.0 million for 1998. This represents an increase of 18.1 percent over 1997.

Figure 1: 1998 Budgeted Revenues



Current Expenditures

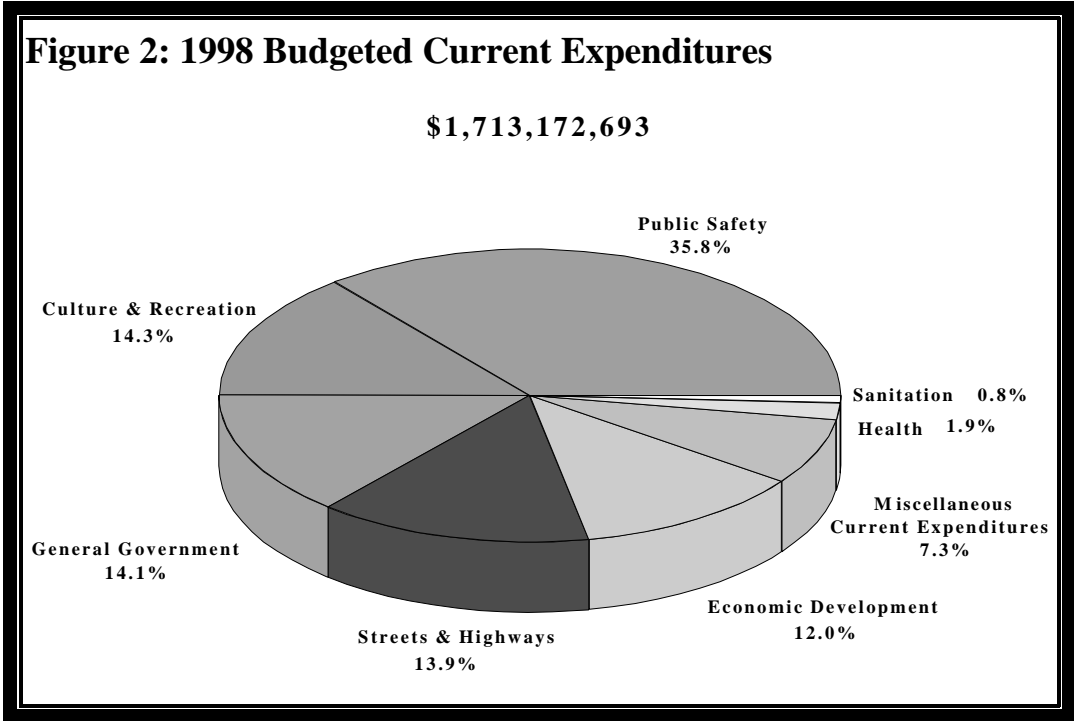
Cities set their budgets for total current expenditures at \$1.71 billion for 1998. This represents an increase of 2.7 percent over 1997 budgeted total current expenditures.²

The three costliest services budgeted by cities in 1998 were: public safety which accounted for 35.8 percent of current expenditures; culture and recreation which accounted for 14.3 percent of current expenditures; and general government which accounted for 14.1 percent of current expenditures.

- Public Safety.** Cities budgeted \$613.9 million for public safety in 1998. This represents an increase of 4.4 percent over public safety expenditures budgeted in 1997. Cities budgeted more than twice as much for public safety as for any other current expenditure.
- Large cities budgeted more than twice as much for public safety as for any other current expenditure.*
- Culture and Recreation.** Cities budgeted culture and recreation expenditures of \$244.5 million for 1998. This represents an increase of 4.7 percent over 1997 culture and recreation budgets. Culture and recreation activities previously had represented the fourth largest budgeted current expenditure for cities. This category now represents the second largest current expenditure.

²Total current expenditures exclude capital outlay, debt service, transfers to other funds, and proprietary funds.

- **General Government.** Cities budgeted general government current expenditures of \$240.9 million for 1998, which was an increase of 5.4 percent over 1997 general government budgets. General government expenditures reflect the administration costs of city governments including such items as salaries of city officials and maintenance of buildings.
- **Streets and Highways.** Cities budgeted \$237.6 million for streets and highways in 1998. This represents an increase 4.5 percent over 1997 streets and highways budgets. Streets and highways current expenditures include snow removal and general maintenance but exclude construction.
- **Urban and Economic Development and Housing.** Cities budgeted housing and economic development current expenditures of \$205.4 million. This represents a decrease of 6.4 percent from the level budgeted in 1997.
- **Health.** Cities budgeted health expenditures of \$32.6 million for 1998. This represents a decrease of 14.5 percent from 1997 budgets. The large decrease in health expenditures reflects the merging of services between the City of St. Paul and Ramsey County. While most of the health department's activities were shifted to the county, others remained with the city. One health activity that remained with the city is housing inspections. This function is now accounted for in the public safety budget.
- **Sanitation.** Cities budgeted \$13.5 million for sanitation expenditures in 1998. This represents an increase of 2.4 percent over 1997. Sanitation expenditures account for 0.8 percent of total current expenditures. These expenditures account for a relatively small share of total current expenditures because most cities over 2,500 in population do not directly provide sanitation services or provide them through municipal enterprises.



Total Expenditures

Minnesota's cities with populations over 2,500 had budgeted total expenditures of \$2.33 billion for 1998. This was an increase of 6.0 percent over 1997 budgeted total expenditures. Total expenditures include current expenditures, capital outlay and debt service, but exclude transfers to other funds. Highlights of additional expenditure components include:

- ***Capital Outlays.*** Cities budgeted capital outlays of \$313.8 million for 1998. This represents an increase of \$52.0 million over capital outlays budgeted for 1997. Capital outlays represent 12.5 percent of total expenditures budgeted for 1998.
- ***Debt Service.*** Cities budgeted debt service payments of \$301.8 million. This represents an increase of 13.2 percent over 1997 budgeted debt service payments. Cities budgeted principal payments of \$230.8 million and interest and fiscal charges of \$71.1 million. Principal payments increased 15.6 percent and interest and fiscal charges increased 6.3 percent in 1998 budgets.

Net Unrealized Gain or Loss from Investments

Of the 175 cities that submitted 1998 budgets, only 53 reported any gain or loss on their investments. Of the 53 cities that reported information on their investments, 43 reported gains, 9 reported losses and one reported no change. The gains of those that reported investment information were greater than those that reported losses. The statewide net gain from investments was \$10.6 million.

Methodology and Caveats

Budget data used in this report reflect unaudited revenues and expenditures reported by cities to the Office of the State Auditor. Budgeted amounts of revenues and expenditures may differ from actual revenues and expenditures that year. The reported data does not represent all city revenues and spending for three reasons: (1) Cities reported budget data for all funds for which the city had adopted annual budgets. Cities with funds for which annual budgets were not adopted could have more revenues and expenditures than reported here. (2) The revenues and expenditures of municipal enterprises are not included. The inclusion of enterprise funds could significantly alter the revenue and expenditure trends of cities. (3) There were ten cities that failed to submit information on their budgets.