

Overview

The data in this report is intended to facilitate a comparative analysis of spending by Minnesota cities. This report does not analyze whether any city is spending an appropriate amount for city services. Such evaluations can only be made after a thorough assessment of the overall spending of a particular city, the relative level of demand for services within that city, and the extent to which residents of that city demand, and are willing to finance, non-essential services.

Minnesota's truth-in-taxation requirements for local governments provide citizens with information on the proposed distribution of their property tax dollars. This information does not, however, compare different jurisdictions to one another. This report, and the presentation of this data in per capita form, allow the residents of cities with a population over 2,500 to compare their city's expenditures with other similarly sized cities. The comparisons may be used by citizens as a means to better understand the uses of their tax dollars and to hold city government accountable for management of city resources.

Comparisons of city per capita expenditures can also be useful for the cities themselves. City officials should use the comparisons as a starting point for improving efficiency, by looking at comparable cities that have lower per capita expenditures, and investigating potential techniques or ideas that could be replicated to reduce city expenditures.

When examining the following tables, it is evident that there are wide variations in the amount spent on city services. Several possible reasons exist for the wide variation in city expenditures.¹ Cities with relatively high per capita expenditures may be responding to particular circumstances, such as a higher crime rate, an aged or deteriorating infrastructure, or the problems faced by high concentrations of low-income individuals. Alternatively, comparatively high per capita expenditures may be indicative of poor financial management practices by city officials.

Conversely, cities with comparatively low per capita expenditures may have opted not to provide certain services that are available in other cities, or may not be faced with the same demands for services. Alternatively, comparatively low per capita expenditures may be indicative of superior financial management practices of city officials.

Residents of individual cities need to evaluate their city's circumstances to better understand the reasons for their per capita expenditure patterns. To fully understand city finances, residents and city officials need to analyze the relative contributions of both management and circumstances for their city.

The State Auditor's Office has made this data available in an interactive database on its web site. The OSA web site address is www.osa.state.mn.us.

¹ Appendix A provides a more detailed analysis of factors that contribute to the differences in city spending.

Definitions of Categories of Expenditures and Long-Term Debt

Table 1: *Current General Government Expenditures*. General government refers to the costs associated with running a city government, such as the mayor, the city council, administration, finance, and elections. Expenditures in this category include salaries, wages, and benefits of legislative, judicial, and administrative personnel, supplies, and city hall maintenance.

Table 2: *Current Public Safety Expenditures*. Public safety is a category combining several distinct city departments, including police, fire, ambulance services, and other protection. They are combined here because cities allocate similar responsibilities differently among these departments.

Table 3: *Current Streets and Highways Expenditures*. The departments that make up the category of streets and highways include street maintenance and storm sewers, snow removal, street cleaning, street engineering, and street lighting.

Table 4: *Current Sanitation Expenditures*. This category includes services such as refuse collection and disposal, recycling, as well as weed and pest control. Some cities provide sanitation services through enterprise funds.

Table 5: *Current Health Expenditures*. Health expenditures include maintenance of vital statistics, restaurant inspection, communicable disease control, and various health services and clinics.

Table 6: *Current Culture and Recreation Expenditures*. This category includes all expenditures for cultural and recreational activities, including such things as libraries, museums, swimming pools, golf courses, zoos, and parks. Many cities provide recreation services through enterprise funds, which results in low per capita expenditures for this category.

Table 7: *Current Housing and Economic Development Expenditures*. This category includes expenditures associated with planning for and providing of adequate housing and redevelopment of substandard physical facilities. It also includes expenditures directed toward developing a geographic area or providing assistance and opportunity to persons and business for such development.

Table 8: *Current Airport Expenditures*. A number of Greater Minnesota cities have airports. This category of spending is separated from the "miscellaneous" category to help identify the difference an airport makes in total per capita expenditures.

Table 9: *Current Transit Expenditures*. This category includes expenditures related to the current operation of transit services. Several large cities operate transit authorities as enterprise funds. Because enterprise fund expenditures are not included in this report, cities with transit enterprise funds will have no expenditures for transit operations in this report.

Table 10: *Current Miscellaneous Expenditures*. This category refers to all categories of current expenditures that do not fit into any of the above categories. Included are such things as pension contributions and insurance not allocated elsewhere, cemeteries, conservation of natural resources, judgments, and community education.

Table 11: *Total Current Expenditures*. Total current expenditures is the total of all expenses relating to current operations.

Table 12: *Total Capital Outlays*. Capital outlay expenditures are for the purchase of physical items that benefit the city for more than one year. These expenditures include the purchase, construction, or permanent improvement of buildings, equipment, machinery, and land. In many cases, cities try to plan for consistent capital spending from year to year to avoid large swings in spending. This is not always possible because projects such as the construction of a new building may be large in cost, but infrequent in nature.

Table 13: *Debt Service Expenditures*. Debt service expenditures are the annual cost of servicing the outstanding debt of the city. These costs include principal, interest, and fiscal charges.

Table 14: *Outstanding Long-Term Debt*. Outstanding long-term debt is not an expenditure, but is related to debt service expenditures. Outstanding long-term debt is debt that a city has incurred to finance its capital projects. Examples of long-term debt include general obligation bonds, general obligation tax increment bonds, special assessment bonds, general obligation revenue bonds, revenue bonds, refunding bonds, and other long-term types of debt.