

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 or recovery from a natural disaster. 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. Cities may also appear to spend less than others if they provided services through enterprise funds or contracted with another municipality to provide a service. 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 the city's 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.

This report is also sorted by clusters as established by the League of Minnesota Cities. The State Auditor's Office has made the data in this report available in an interactive database on its web site. The OSA web site address is www.osa.state.mn.us.

¹ This analysis does not incorporate the finances of enterprise funds. The inclusion of enterprise fund spending could significantly affect per capita figures for certain cities. Additionally, cities that provide services to other municipalities will have higher per capita expenditures. 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

Current General Government Expenditures. General government expenditures are those expenditures related to the administration of the governmental unit. General government expenditures include costs related to the mayor and city council, elections, finance, city hall maintenance, and supplies.

Current Public Safety Expenditures. Public safety expenditures are those expenditures that are related to the protection of people and property. The most common services in this category include police, fire, and ambulance services.

Current Streets and Highways Expenditures. Streets and highways expenditures are for the maintenance and repair of local highways, streets, bridges and related equipments. Common expenditures include patching, seal coating, and snow removal. Expenditures for road construction are not included in current expenditures, but are accounted for as capital outlay expenditures.

Current Sanitation Expenditures. Sanitation expenditures include services such as refuse collection and disposal, recycling, as well as weed and pest control. Some cities provide sanitation services through enterprise funds.

Current Health Expenditures. Health expenditures include services such as the maintenance of vital statistics, restaurant inspection, communicable disease control, and various health services and clinics.

Current Culture and Recreation Expenditures. Culture and recreation expenditures include such services 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.

Current Housing and Economic Development Expenditures. Housing and economic development activities include development and redevelopment in blighted or otherwise economically disadvantaged areas. Activities may include: low interest loans to individuals and businesses; cleanup of hazardous sites; rehabilitation of substandard housing and other physical facilities; and assistance to those providing housing and economic opportunity within a disadvantaged area.

Current Airport Expenditures. Airport expenditures include snow plowing, runway maintenance, staff, and supplies.

Current Transit Expenditures. Transit expenditures reflect the costs associated with operating transit systems. Costs include salaries, vehicle maintenance, fuel, and administration. 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.

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.

Total Current Expenditures. Total current expenditures is the total of all expenses relating to current operations.

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.

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.

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 various types of bonded debt as well as liabilities such as certificates of participation, long-term leases, and notes.