



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@osa.state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

*****PRESS RELEASE*****

State Auditor Otto Releases Report on City Finances

Contact: Jim Levi, Office of the State Auditor, (651) 297-3683, Jim.Levi@osa.state.mn.us

ST. PAUL (3/12/2014) – State Auditor Rebecca Otto today released the Minnesota City Finances Report. The report summarizes, through data tables, charts and graphs, the financial operations of 851 Minnesota cities for calendar year 2012.

“Cities’ two largest expenditures are for public safety and streets and highways,” said Auditor Otto. “Public safety expenditures include law enforcement and fire fighting services. Streets and highways expenditures include the construction, maintenance, engineering, lighting, and snow removal of streets as well as maintenance of storm sewers. These are all important services that our cities provide on a daily basis.”

Highlights from the report include:

Current Trends

- Total revenues of the governmental funds for all Minnesota cities totaled \$4.82 billion in 2012. This represents an increase of 3 percent over 2011 revenues. Total revenues of cities over 2,500 in population increased 2 percent, and revenues of cities under 2,500 in population increased 6 percent.
- Total expenditures of the governmental funds for all cities totaled \$5.40 billion in 2012. This represents an increase of 4 percent from 2011. Total expenditures of cities over 2,500 in population increased 3 percent, while total expenditures for cities under 2,500 in population increased 13 percent.
- The largest expenditure categories for both groups of cities are streets and highways and public safety. For large cities, streets and highways accounted for 22 percent of total expenditures, and public safety accounted for 27 percent. For small cities, streets and highways accounted for 23 percent of total expenditures, and public safety accounted for 21 percent.
- In 2012, unrestricted fund balances as a percent of current expenditures averaged 46 percent for large cities, compared to 98 percent for small cities.

-- more --

- Overall, small cities tend to carry a greater debt burden per capita than large cities. In 2012, small cities carried long-term debt of \$1.19 billion, or \$3,096 per capita, compared to \$8.23 billion, or \$2,044 per capita, for large cities.

Long-term Trends

- Over the ten-year period of 2003 to 2012, an examination of city finances shows that, when adjusted for inflation, 2012 revenue levels are below 2003 levels, and decreased by 9 percent over that period of time.
- Between 2003 and 2012, actual revenues derived from property taxes grew 78 percent, compared to an increase of 4 percent for revenues derived from intergovernmental sources. Additional analysis of actual intergovernmental revenues shows uneven trends over the ten-year period; federal grants increased 46 percent, state grants decreased 7 percent, and local grants increased 41 percent. When revenues are adjusted for inflation, the ten-year period shows a 29 percent increase in property tax revenues, while intergovernmental revenues decreased 25 percent.
- Actual total city expenditures grew from \$4.64 billion in 2003 to \$5.40 billion in 2012. This represents an increase of 16 percent. Over the ten-year period of 2003 to 2012, an examination of city finances shows that, when adjusted for inflation, 2012 expenditure levels are below 2003 levels and decreased 16 percent over the ten-year period.
- The proportion of total revenues derived from property taxes grew from 28 percent in 2003 to 39 percent in 2012. During this same time frame, revenues derived from intergovernmental sources decreased from 30 percent of total revenues to 25 percent.
- Over the ten-year period, when adjusted for inflation, total current expenditures declined 3 percent, capital outlays declined 36 percent, and debt service decreased 23 percent.

To view the complete report, which includes an Executive Summary, graphs and tables, go to:

<http://www.auditor.state.mn.us/default.aspx?page=20140311.002>

-- 30 --

The Office of the State Auditor is a constitutional office that is charged with overseeing more than \$20 billion spent annually by local governments in Minnesota. The Office of the State Auditor does this by performing audits of local government financial statements, and by reviewing documents, data, reports, and complaints reported to the Office. The financial information collected from local governments is analyzed and is the basis of statutory reports issued by the Office of the State Auditor.

Rebecca Otto is Minnesota's 18th State Auditor. A high-resolution official photo is available for download at http://www.auditor.state.mn.us/images/otto_hires.jpg. To learn more about State Auditor Otto, see <http://www.auditor.state.mn.us/default.aspx?page=bio>.