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### **\*\*\*PRESS RELEASE\*\*\***

## **State Auditor Otto Releases Report on City Finances**

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**ST. PAUL (3/7/2013)** – State Auditor Rebecca Otto today released the Minnesota City Finances Report. The report summarizes, through data tables, charts and graphs, the financial operations of the 852 Minnesota cities that provided their financial information to the Office of the State Auditor for calendar year 2011.

**“We continue to see the trend of cities relying more on property tax revenues as a source of revenue to fund basic services,” said Auditor Otto. “The proportion of revenues derived from property taxes grew from 26 percent in 2002 to 38 percent in 2011, while revenues derived from intergovernmental sources, including federal and state grants, decreased from 33 percent in 2002 to 25 percent in 2011.”**

Highlights from the report include:

### **Current Trends**

- Total revenues of the governmental funds for all Minnesota cities totaled \$4.69 billion in 2011. This represents an increase of 0.6 percent over 2010 revenues. Total revenues of cities over 2,500 in population increased 0.4 percent, and revenues of cities under 2,500 in population increased 3 percent.
- Total expenditures of the governmental funds for all cities totaled \$5.18 billion in 2011. This represents a decrease of 4 percent from 2010. Total expenditures of cities over 2,500 in population decreased 4 percent, while total expenditures for cities under 2,500 in population increased 2 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 21 percent of total expenditures, and public safety accounted for 28 percent. For small cities, streets and highways accounted for 24 percent of total expenditures, and public safety accounted for 22 percent.

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- In 2011, unrestricted fund balances as a percent of current expenditures averaged 44 percent for large cities, compared to 95 percent for small cities.
- Overall, small cities tend to carry a greater debt burden than large cities. In 2011, small cities carried long-term debt of \$1.16 billion, or \$3,027 per capita, compared to \$8.35 billion, or \$2,096 per capita, for large cities.

### **Long-term Trends**

- Over the ten-year period of 2002 to 2011, an examination of city finances shows that when adjusted for inflation, 2011 revenue levels are below 2002 levels. Inflation-adjusted total city revenues decreased 16 percent between 2002 and 2011.
- Between 2002 and 2011, actual revenues derived from property taxes grew 80 percent, compared to a decrease of 7 percent for revenues derived from intergovernmental sources. Additional analysis of actual intergovernmental revenues shows uneven trends over the ten-year period; federal grants increased 81 percent, state grants decreased 20 percent, and local grants increased 15 percent. When revenues are adjusted for inflation, the ten-year period shows a 26 percent increase in property tax revenues, while intergovernmental revenues decreased 35 percent.
- Actual total city expenditures grew from \$4.55 billion in 2002 to \$5.18 billion in 2011. This represents an increase of 14 percent. Over the ten-year period of 2002 to 2011, an examination of city finances shows that, when adjusted for inflation, 2011 expenditure levels are below 2002 levels and decreased 20 percent over the ten-year period.
- The proportion of total revenues derived from property taxes grew from 26 percent in 2002 to 38 percent in 2011. During this same time frame, revenues derived from intergovernmental sources decreased from 33 percent of total revenues to 25 percent.
- Over the ten-year period, when adjusted for inflation, total current expenditures declined 5 percent, while capital outlays and debt service decreased by 41 percent and 32 percent, respectively.

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

<http://www.auditor.state.mn.us/default.aspx?page=20130306.000>.

*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 18<sup>th</sup> State Auditor. A high-resolution official photo is available for download at [http://www.auditor.state.mn.us/images/otto\\_hires.jpg](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>.*