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

State Auditor Otto Releases Report on City Finances

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ST. PAUL (1/27/2016) – State Auditor Rebecca Otto today released the 2014 Minnesota City Finances Report. The report summarizes, through data tables and charts, the financial operations of 852 Minnesota cities for calendar year 2014.

“The City Finances report is issued annually to help local government officials, policy makers, and the public understand city financial operations,” said Auditor Otto. “The Report also analyzes long-term financial trends for large and small cities across Minnesota.”

Highlights from the report include:

Current Trends

- Total revenues of the governmental funds for all Minnesota cities totaled \$5.09 billion in 2014. This represents an increase of 5.5 percent over 2013 revenues. Total revenues of cities over 2,500 in population increased 5.9 percent, and increased 1.3 percent for cities under 2,500 in population.
- Total expenditures of the governmental funds for all cities totaled \$5.84 billion in 2014. This represents an increase of 8.5 percent over 2013. Total expenditures of cities over 2,500 in population increased 9.2 percent, while total expenditures for cities under 2,500 in population increased 2.0 percent.
- The largest expenditure categories for both groups of cities were streets and highways and public safety. For large cities, streets and highways accounted for 22.5 percent of total expenditures, and public safety accounted for 25.7 percent. For small cities, streets and highways accounted for 25.6 percent of total expenditures, and public safety accounted for 21.5 percent.
- Overall, small cities tend to carry a greater debt burden per capita than large cities. In 2014, small cities carried long-term debt of \$1.24 billion, or \$3,454 per capita, compared to \$7.97 billion, or \$1,942 per capita, for large cities.

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Long-term Trends

- Over the ten-year period of 2005 to 2014, an examination of city finances shows that, when adjusted for inflation, 2014 revenue levels are below 2005 levels and decreased by 6.9 percent over that period of time.
- Between 2005 and 2014, actual revenues derived from property taxes grew 57.9 percent, compared to an increase of 5.1 percent for revenues derived from intergovernmental sources. Additional analysis of actual intergovernmental revenues over the ten-year period shows; federal grants decreased 17.5 percent, state grants increased 7.5 percent, and local grants increased 40.0 percent. When revenues are adjusted for inflation over the same period, there was a 21.4 percent increase in property tax revenues, while intergovernmental revenues decreased 19.2 percent.
- The proportion of total revenues derived from property taxes grew from 29.7 percent in 2005 to 38.7 percent in 2014. During this same time frame, revenues derived from intergovernmental sources decreased from 27.8 percent of total revenues to 24.1 percent.
- Between 2005 and 2014, actual total city expenditures grew from \$4.98 billion to \$5.84 billion. This represents an increase of 17.4 percent. Over the same ten-year period, an examination of city finances shows that, when adjusted for inflation, 2014 expenditure levels are below 2005 levels and decreased 9.8 percent over the ten-year period.
- Over the ten-year period, when adjusted for inflation, total current expenditures decreased 0.3 percent, capital outlays decreased 22.5 percent, and debt service decreased 20.4 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=20160126.003>.

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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>.