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

State Auditor Otto Releases Report on City Finances

~Report shows continued long-term trends~

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ST. PAUL (3/3/2011) – State Auditor Rebecca Otto today released the Minnesota City Finances Report, which summarizes the financial operations of Minnesota cities for calendar year 2009. **“Cities deliver some of our most essential services like street and highway maintenance and public safety,”** said State Auditor Otto. The report is intended to help local government officials, policy makers, and the public understand current and long-term trends in city financial operations.

“Between 2008 and 2009, cities had a decrease in actual revenues collected as well as a decrease in actual expenditures,” said Auditor Otto. **“Cities as a group also seem to be putting off capitol outlay projects. There has been a steep decline in capitol outlay expenditures since 2006.”**

The 2009 City Finances Report revealed some noteworthy long-term trends that have continued for cities. The proportion of total revenues derived from property taxes grew from 23 percent in 2000 to 37 percent in 2009. During this same time frame, revenues derived from intergovernmental sources, such as state and federal aids, decreased from 30 percent of total revenues to 26 percent. **“Cities are relying more on property tax revenues as a percent of total revenues as they receive less state and federal aids over the last 10 years,”** said Otto. **“At the same time, 2009 revenues, when adjusted for inflation, are 11% below 2000 levels, and 2009 expenditures when adjusted for inflation are 8% below 2000 levels.”**

“As the legislature and the Governor grapple with the state budget deficit, I will share this important information with them. A further reduction in local government aids will have an impact on what revenue sources cities will have to rely upon,” stated Auditor Otto.

Highlights from the report include:

Current Trends

- Total revenues of the governmental funds for all Minnesota cities totaled \$4.65 billion in 2009. This represents a decrease of 0.3 percent from 2008 revenues. Total revenues of cities over 2,500 in population decreased 0.2 percent and revenues of cities under 2,500 in population decreased 1.2 percent.

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- Total expenditures of the governmental funds for all cities totaled \$5.38 billion in 2009. This represents a decrease of 3 percent from 2008. Total expenditures of cities over 2,500 in population decreased 2 percent, while total expenditures for cities under 2,500 in population decreased 6 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 26 percent. For small cities, streets and highways accounted for 22 percent of total expenditures, and public safety accounted for 21 percent.
- In 2009, unreserved fund balances as a percent of current expenditures averaged 102 percent for small cities (89 percent in 2008), compared to 50 percent for large cities (up from 46 percent in 2008).

Long-term Trends

- Over the ten-year period of 2000 to 2009, an examination of city finances shows that when adjusted for inflation, 2009 revenue levels are below 2000 levels. Inflation-adjusted total city revenues decreased 11 percent between 2000 and 2009.
- Between 2000 and 2009, actual revenues derived from property taxes grew 100 percent, compared to 5.9 percent for revenues derived from intergovernmental sources. When revenues are adjusted for inflation, the ten-year period shows a 41.1 percent increase in property tax revenues, while intergovernmental revenues decreased 25 percent.
- Actual total city expenditures grew from \$4.12 billion in 2000 to \$5.38 billion in 2009. This represents an increase of 31 percent. Over the ten-year period of 2000 to 2009, an examination of city finances shows that, when adjusted for inflation, 2009 expenditure levels are below 2000 levels and decreased 8 percent over the ten-year period.
- Over the ten-year period, when adjusted for inflation, total current expenditures and total debt service payment grew 7 and 2 percent, respectively, while total capital outlays decreased 36 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=20110302.001>.

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>.