LEAGUE OF
MINNESOTA
CITIES

State of the Cities REPORT 2005

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REPORT

2005

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The League of Minnesota Cities is a non-profit, membership organization dedicated to helping cities throughout Minnesota build quality communities by providing effective advocacy, expert analysis, trusted guidance, and collective action. The League serves its members through advocacy, education and training, policy development, risk management, and other services.

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Executive Summary

The League of Minnesota Cities *State of the Cities Report 2005* presents the results of the second annual fiscal conditions survey. This year the survey was also sent to six other Midwest states in coordination with the National League of Cities and other state leagues. The report features seven in-depth case studies that provide city-specific examples of the trends revealed by the survey. They also illustrate similarities and differences in how budget cuts and other issues have impacted cities across the state and how cities have responded.

FISCAL CONDITIONS

Cities in Minnesota continue to face difficulties in providing quality public services to residents and businesses because of the long-term trends of cuts in state aid and levy limits on cities over 2,500 population, and the unsteady economic recovery. The responses to the fiscal conditions survey reveal that two-thirds of Minnesota cities experienced deterioration in their ability to meet their fiscal needs from 2003 to 2004 (see Table ES-A). Fifty-six percent predict they will face worse circumstances in 2005 than in 2004. Whether a city is better or less able to meet needs is a relative comparison with its circumstances in the previous year. "Better able" may mean going from horrible conditions to still pretty bad conditions. In other words, a response of "better" does not mean a city is fully able to meet needs. Conversely, "less able" may mean going from "great" to "pretty good."

TABLE ES-A

Ability of Minnesota cities to meet financial needs

Overall, is your city better or less able to meet financial needs …		Better able	Less able
… in 2003 than 2002	(actual)	11.9%	86.0%
… in 2004 than 2003	(actual)	30.9%	64.7%
… in 2005 than 2004	(predicted)	39.1%	55.6%

City fiscal conditions are impacted by more than just revenue shortfalls. The number of cities reporting shortfalls in property taxes and state revenues peaked in 2003, yet the majority of cities reported worsening fiscal conditions from 2003 to 2004. Some are still struggling to make permanent adjustments to deal with the 2003 aid and credit cuts. Cities that made service cuts or tapped their budget reserves now face the difficult balancing act between restoring services, depleting fund balances, and holding the line on property taxes. Long-term trends, such as population growth or a growing senior population, spiraling healthcare costs, and the uncertainty of future state aid and credit payments, cause ongoing fiscal stress.

Conversely, the results suggest a growing minority of cities that are optimistic about their fiscal condition. While only 12 percent of cities reported better financial circumstances in 2003 than in 2002 in last year's survey, 31 percent of respondents to the most recent survey said conditions in 2004 were better than in 2003. Even more, 39 percent were optimistic conditions will be better in 2005 than in 2004.

BUDGET RESPONSES

As in 2003, cities employed a variety of strategies to respond to their 2004 fiscal challenges, including revenue increases, spending cuts, workforce reductions, efficiency increases, service reductions, and drawing down reserves. Generally, a slightly smaller share of cities used each of these in 2004 than in 2003, indicating that some made permanent budget adjustments in 2003 that carried forward into their 2004 budgets.

Eighty-four percent of Minnesota cities increased their revenues in 2004, by increasing their property tax levy, the number and/or level of their user fees, or both. Cities with larger populations, and cities with growing populations, were more likely to increase property taxes and fees.

Permanent spending cuts made after the 2003 local government aid (LGA) cuts reduced pressure on cities to make further cuts. Yet 47 percent of cities reported they cut spending for public safety, infrastructure or other purposes, or at least reduced the overall growth rate of spending in 2004.

Cities continue to look for ways to make operations more efficient. About one-third of responding cities reported increasing their productivity levels, pursuing more or expanded cooperative agreements, or entering into more contracts with public or private entities to provide services.

Just over one-fifth of cities reported making cuts to the size of their workforces in 2004. The larger the city, the more likely it was to decrease the number of employees. Larger cities may have more opportunities to avoid the pain of layoffs by taking advantage of retirements and staff turnover to reduce their workforce.

Fifteen percent of cities reduced overall level of services to citizens during 2004, down from the 20 percent that reported doing so in 2003. Again, major budget adjustments in 2003 may have carried forward to help balance 2004 budgets. Similar to workforce cuts, as population size increased so did the likelihood of reducing overall services.

While two-thirds of cities said they spent down reserved funds to deal with aid and other revenue shortfalls in 2001, 2002, and 2003, just over 46 percent of cities turned to reserve funds for any purpose in 2004.

MINNESOTA CITIES AND THEIR MIDWEST COUNTERPARTS

Coordination with leagues in six other Midwest states to administer the fiscal conditions survey allows for comparisons between cities in Minnesota and cities in these states. At the time the survey was administered, 823 cities were League of Minnesota Cities (LMC) members. As of Feb. 1, 2005, 825 cities were members.

Surveys were also sent to cities in Illinois, Iowa, Michigan, North Dakota, South Dakota, and Wisconsin by their respective leagues. Cities in different states rely on a different mix of revenues; therefore, the impacts on cities of the national recession and subsequent state budget shortfalls varied.

Minnesota, Wisconsin, and Michigan cities are more reliant on state-shared revenues than cities in other Midwest states. Not surprisingly, cities in these states experienced much more significant shortfalls in state revenues. Illinois cities, in particular, are heavily reliant on local sales taxes and some even have local income taxes. Consequently, they cited more frequent shortfalls in these revenues than most other states.

The timing of budget challenges differed across states as well. In some states, cities experienced revenue shortfalls more often in 2003. In other states, shortfalls were more prevalent in 2004.

The survey did not measure the dollar magnitude of reported shortfalls, so the relative significance of cities' budget challenges is not easy to gauge. One indicator is the actions cities took in response to shortfalls; it is likely that cities with more significant budget challenges employed more strategies to cope. Minnesota cities were among the most active in implementing tax increases, spending down reserves, increasing fees and charges, postponing capital projects, reducing overall services, contracting for services, and cutting their workforces in response to revenue shortfalls over fiscal years 2002 to 2004. In 2004 alone, cities in Minnesota, Wisconsin, and Michigan were the three most active states implementing budget-balancing strategies.

Minnesota ranked fourth in these seven Midwest states for the share of cities whose fiscal condition improved from 2003 to 2004. And more Minnesota cities were optimistic about improvement in 2005 (39 percent) than cities in all but one other state (South Dakota). Yet the evidence indicates ongoing budget challenges. Minnesota cities continue to rely on multiple budget-balancing strategies, and the majority of Minnesota cities forecast worsening conditions in 2005.

CASE STUDIES

The following seven cities agreed to serve as case studies for the *State of the Cities Report 2005*: Cloquet, Fosston, Moorhead, Plymouth, Red Wing, St. Anthony Village, and Shorewood. The group represents communities in different regions, and different population sizes and development patterns. In addition, a small-cities profile was developed for cities under 500 population in greater Minnesota. Several themes emerged to connect the diverse group of cities.

Location often shapes cities and their services. Moorhead faces the challenge of bordering Fargo, N.D. The geography and geology of Red Wing, Cloquet, and Shorewood influence how these cities provide services.

Each city described challenges related to the growing senior population. In several of the cities, services have been added or changed to meet the needs of seniors. As one example, Fosston recently bonded for a new assisted living facility. Cities are concerned about the affordability of fee and tax increases for those with fixed incomes.

These cities described both existing collaborations with other local governments or private entities, and how officials are exploring new or expanded ways to work together. Shorewood's experience highlights both the benefits of collaboration and the continual effort that sharing services requires, especially as the characteristics and political leadership of the participating cities change.

The case studies highlight the different ways cities were and continue to be impacted by state budget cuts, as well as the different ways in which cities have reacted. The recession proceeding the state budget cuts also impacted some of these cities in other ways, such as when major employers implemented layoffs, or when school districts cut teachers or programs.

Several case-study cities described their need for additional tools to provide services to their residents and businesses. A street utility to finance maintenance and repair projects, and authority for local sales taxes were two tools mentioned. Red Wing, Fosston, and Cloquet expressed interest in a local sales tax, while Moorhead cited competition with Fargo as a reason why it would not be helpful.

Cities gave mixed reviews regarding their relationship with the state. With a few exceptions, cities are satisfied in their interactions with state agencies and department personnel on individual projects and issues. Cities described frequent frustration, however, with the state's broad law- and rule-making that fails to account for the unique needs and circumstances of cities around the state.

CONTINUED EFFORTS TO MEET SERVICE NEEDS

Cities continue to face budget challenges from state aid and credit cuts, levy limits, and an unsteady economic recovery. They must also deal with the ongoing pressures of growth, healthcare costs, and an aging population. Cities across the state are pursuing a variety of strategies to help deal with these long-term fiscal and demographic trends. They are creating and expanding collaborative relationships with other local units of government. Cities are also looking to the state for new tools and a reinvigorated state-city partnership to help meet the service needs of residents and businesses.

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Introduction

Cities in Minnesota continue to face challenges in providing quality public services. The long-term trends of cuts in state aid and levy limits on cities over 2,500 population have created difficult financial circumstances for cities. The unsteady economic recovery and other long-term budget pressures add concern.

The League of Minnesota Cities *State of the Cities Report 2005* describes the results of the second annual fiscal conditions survey and offers in-depth portrayals of a cross-section of cities in Minnesota. The survey results will provide readers with an understanding of the fiscal challenges facing cities in Minnesota, as well as cities' recent budget actions. The purpose of the case studies is two-fold:

- To serve as city-specific examples of the trends revealed by the survey.
- To highlight the similarities and differences in city circumstances, how cities have been impacted by budget cuts, and how cities have coped with those cuts.

"The League of Minnesota Cities *State of the Cities Report 2005* describes the results of the second annual fiscal conditions survey and offers in-depth portrayals of a cross-section of cities in Minnesota. "

FISCAL CONDITIONS SURVEY

The first chapter of the report is dedicated to a discussion of the fiscal conditions survey, which was sent to LMC member cities for the second consecutive year. The survey includes comparisons of Minnesota cities' responses with last year's data and comparisons of Minnesota cities by population size, by clusters, and by their proximity to the seven metropolitan statistical areas that are partly or totally within Minnesota (The seven MSAs are: St. Cloud, Rochester, Fargo-Moorhead, Minneapolis-St. Paul, Duluth-Superior, La Crosse, and Grand Forks.)

The League coordinated with the National League of Cities (NLC) and several other state leagues, including six in the Midwest, to survey cities in several states (see "Survey Methodology"). The first section of the report concludes with comparisons between Minnesota cities and cities in other Midwest states.

CASE STUDIES

Seven case studies are presented in the second chapter of the report. The cities selected for this portion of the report were: Cloquet, Fosston, Moorhead, Plymouth, Red Wing, St. Anthony Village, and Shorewood. This section also includes an overview of cities under 500 population in greater Minnesota. The group of seven cities represents different population sizes, regions of the state, and growth patterns. Each case study is presented along with background financial and demographic data for the city. The background comparison data is also summarized in a table that can be found at the beginning of the second chapter.

SURVEY METHODOLOGY

For the second year, the League of Minnesota Cities (LMC) sent a fiscal conditions survey, based in part on a National League of Cities (NLC) survey, to its members in order to learn more about the fiscal challenges cities across the state were facing. At the time the survey was sent, 823 of Minnesota's 853 cities were LMC members. As of Feb. 1, 2005, 825 cities were members. The survey instrument asked cities if they were better or able to meet financial needs in 2004 than in 2003, and if they predict they will be better able to meet needs in 2005 than 2004. It also asked cities to indicate whether or not they have had various kinds of revenue shortfalls over the last three fiscal years, identify the actions taken in response to those shortfalls, and report on budget actions taken during 2004.

Last year, the League compared the results from Minnesota cities to data from the NLC survey. These comparisons were limited, however, since NLC surveyed only cities over 10,000 population. In order to create a larger pool of cities with which to compare Minnesota cities for the *State of the Cities Report 2005*, the League coordinated a multi-state effort. Together, the leagues in Florida, Illinois, Iowa, Michigan, Minnesota, North Dakota, South Dakota, West Virginia, and Wisconsin sent surveys to their member cities.

Of the 5,275 surveyed, 2,174 cities responded to the survey. The overall response rate was 41 percent. The state-by-state response rates were as follows: Florida, 37 percent; Illinois, 36 percent; Iowa, 43 percent; Michigan, 39 percent; Minnesota, 52 percent; North Dakota, 33 percent; South Dakota, 32 percent; West Virginia, 21 percent; Wisconsin, 55 percent.

The group of Minnesota cities responding to the survey is of course different from last year's, and this may have resulted in some changes in response trends. Of the 430 that responded to the survey, 278 (65 percent) had also responded to the previous year's survey. A total of 152 cities (35 percent) were first-time respondents.

A copy of the survey tool can be found in Appendix II.

Chapter 1: Fiscal Conditions Survey

INTRODUCTION

Providing quality services in the face of reductions in local government aid (LGA), levy limits on cities over 2,500 population, and an unsteady national economic recovery was a challenge for Minnesota cities in 2004. Since the 2003 Legislature permanently cut LGA by $150 million and reduced the market value homestead credit (MVHC) reimbursements by $20 million for 2003 and 2004, cities have turned to a wide range of strategies to balance their budgets while trying to meet the service needs of residents and businesses.

"The results of the fiscal conditions survey suggest there is a growing minority of cities that are optimistic when looking forward. The majority of cities, however, are pessimistic about their ability to deliver services in the near future."

The results of the fiscal conditions survey suggest there is a growing minority of cities that are optimistic when looking forward. The majority of cities, however, are pessimistic about their ability to deliver services in the near future. Cities' pessimism is a sign of ongoing stress from long-term issues and trends, including the volatility of state aids. Some cities are still struggling to make adjustments to deal with the 2003 LGA and MVHC cuts. Cities that made service cuts or tapped their budget reserves are debating whether to restore those services or fund balances, or opt to hold taxes down.

The League of Minnesota Cities (LMC) administered the fiscal conditions survey in late 2004 and also completed in-depth case studies of seven cities[1]. An additional case study provides an overview of the 359 cities under 500 population in greater Minnesota. These case studies illuminate the different circumstances facing cities around the state, and highlight the different ways cities have been impacted by aid cuts and other revenue shortfalls. They also point to the diverse ways in which cities are dealing with their budget challenges. In the discussion that follows, references to the case studies will serve as city-specific examples of the trends seen in the survey data.

SURVEY RESULTS

Minnesota

Each city's fiscal condition depends on many factors and circumstances. Cities have different needs depending in part on their population, age of infrastructure, economic base, and location in the state. The impacts of the recession, levy limits, and cuts to aids and credits, therefore, are not consistent across all cities. Older cities and the central cities face the challenge of raising adequate revenues to fund repairs or replacements of aging infrastructure. Growing communities struggle to meet the service demands of new residents when tight levy limits restrict their revenue-raising ability. Small cities often have limited tax bases and rely on assistance from the state in meeting the basic needs of their communities. Regional centers struggle to match those who pay for services with the users of those services, many of whom do not live within their cities.

The survey asked cities whether they were better or less able to meet financial needs in 2004 than 2003. It also asked cities to predict if they will be better able to meet needs in 2005 than in 2004. The question of whether a city is better or less able to meet needs is a relative comparison with its circumstances in the previous year. "Better able" may mean going from horrible conditions to still pretty bad conditions. In other words, a response of "better" does not mean a city is fully able to meet needs. Conversely, "less able" may mean going from "great" to "pretty good."

The majority of Minnesota cities' ability to meet the service needs of residents and businesses continues to decline. Sixty-five percent of cities reported they were less able to meet their financial needs in 2004 than in 2003 (see Table 1A). This is an improvement, however, from last year's survey when 86 percent of cities said they were less able to meet needs in 2003 than in 2002. Fifty-six percent of cities predicted they would be less able to meet needs in 2005 than in 2004.

TABLE 1A

Ability of Minnesota cities to meet financial needs

Overall, is your city better or less able to meet financial needs …		Better able	Less able
… in 2003 than 2002	(actual)	11.9%	86.0%
… in 2004 than 2003	(actual)	30.9%	64.7%
… in 2005 than 2004	(predicted)	39.1%	55.6%

That more than half of responding cities are pessimistic about their budget future signals that some cities may still be struggling with past aid and budget cuts, or may have ongoing uncertainty about the stability of state aids and credits. The 2003 aid cuts were part of a long-term trend of diminishing state aids and increasing reliance on the property tax. They came when cities were halfway through their 2003 budget year and left cities scrambling to make adjustments in order to balance their budgets.

The 2005 Legislature is facing an estimated $450 million deficit. With inflation included in the expenditure estimates, that figure is roughly $1.15 billion. Since cuts to LGA made up a significant part of the budget-balancing solution in 2003, cities may have concerns that additional reductions may be sought. Gov. Pawlenty's budget proposal released in January recommended extending the cuts to city MVHC reimbursement for 2005 and 2006. These cuts would amount to roughly $19 million in MVHC reimbursement to 103 cities each year.

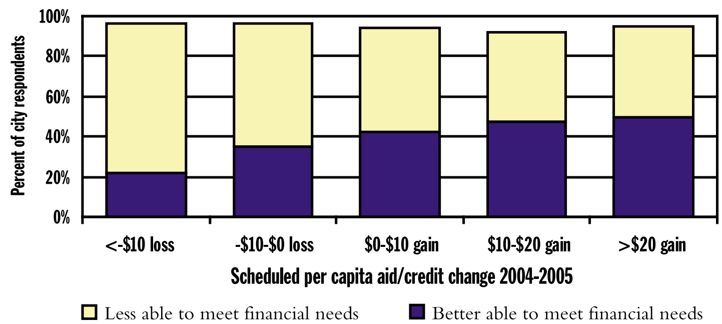
Two of the cities that participated in the case study project described what impacts uncertainty over future aid revenues has had on their communities. In Red Wing, six city employees were laid off after the 2003 cuts. The city budget situation has stabilized somewhat and recently the City Council approved filling those positions. Hiring will be very cautious, however, because the city is concerned that LGA and MVHC reimbursement cuts will only cause them to have to lay off employees again. Cloquet echoes these concerns. The city's optimism about its positioning for growing both its residential and commercial tax bases is tempered by its hesitancy to hire staff or establish new services. The risk is that more cuts could come after the city has committed resources to increasing staff and/or services.

While many cities are experiencing ongoing budget stress from long-term trends in revenue shortfalls and the impacts of cuts they have made, the survey results suggest there is some optimism in a growing number of cities regarding their fiscal health. In last year's survey, only 12 percent of cities reported better financial circumstances in 2003 than 2002. This year, 31 percent of cities report being better able to meet needs in 2004 than in 2003, and almost 40 percent predict better circumstances for 2005 than 2004.

Reasons for optimism at the time the survey was administered may include the expiration of strict levy limits on cities over 2,500 populations and the scheduled restoration of MVHC reimbursements for 2005. The governor's proposal to extend the MVHC reimbursement cuts for 2005 and 2006 was released after cities completed the survey. Increases in LGA payments for some cities may also be contributing to optimism. The total LGA appropriation remains unchanged from year to year, but some cities are continuing to lose LGA while others are seeing increases as the new formulae enacted in 2003 begin to take effect and as city circumstances change. Cities are more likely to believe they will be able to meet their needs in 2005 if they are scheduled to have MVHC cuts restored in 2005 or if their certified 2005 LGA is scheduled to be more than in 2004 (see Chart 1A).

CHART 1A

Scheduled aid and credit changes for 2005 correlate with 2005 budget outlook



In some communities, increases in population size and tax base may be contributing to an optimistic view of 2005. Major adjustments to spending that cities have already taken are also a possible reason. In Moorhead, one of the case study cities, officials have engaged in an aggressive growth strategy to expand its tax base and thereby reduce its dependency on state aids. The city is issuing building permits at its fastest pace ever and estimates that it added 300 housing units in 2004. The city also undertook an extensive reorganization of city departments and staff, eliminating several positions. This effort was designed to better position the city for the future.

Population and location

A city's population and its proximity to large population centers are strong predictors of a city's fiscal condition and the actions it took with its 2004 budget. Survey respondents were categorized by population size[2] and by whether or not they are within a metropolitan statistical area (MSA) county[3]. There are 18 counties in Minnesota that have been categorized as MSA counties by the U.S. Census Bureau (see Map 1A and Table 1B). Half of the 271 cities within the MSA counties are over 3,000 population, while only 10 percent of the 582 cities in non-MSA counties are over 3,000 population.

Looking at the survey results by population and MSA status highlights differences in the fiscal challenges between cities that tend to be larger, more urban or near urban centers, and their smaller counterparts in more rural counties. The survey responses suggest that a greater number of larger cities and more cities within MSA counties are optimistic about their ability to

MAP 1A

Metropolitan statistical area (MSA) counties

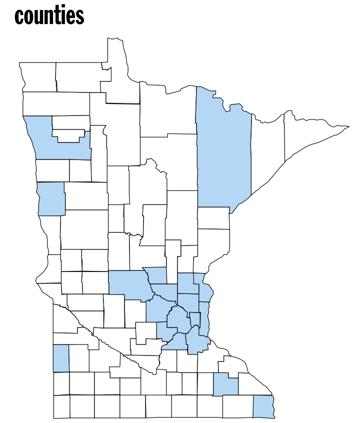


TABLE 1B

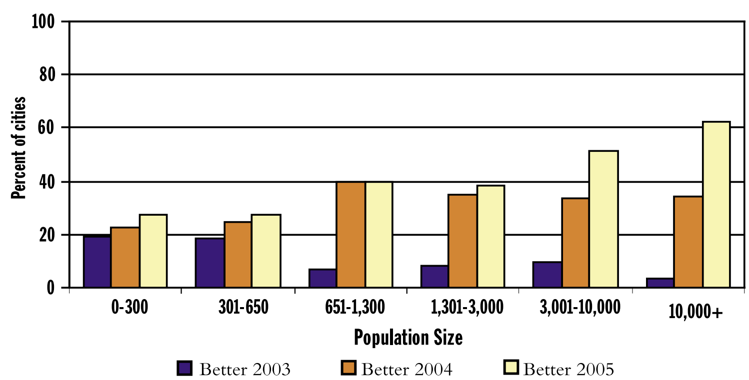
Minnesota cities by MSA status and population

	Cities under 3,000 population	Cities over 3,000 population	Total cities
Within MSA County	139	132	271
Within Non-MSA County	523	59	582
Total	662	191	853

meet needs now and in the near future. Smaller cities were more likely to see improvement in their fiscal conditions from 2002 to 2003. All population groups had roughly equal percentages of cities experiencing better fiscal conditions in 2004 than in 2003. But in a reversal from 2003, cities over 3,000 population were much more likely to predict improvement in 2005 over 2004 than smaller cities (see Chart 1B). Similarly, cities located within MSA counties reported a large increase in predicted fiscal improvement for 2005, while cities in non-MSA counties showed only modest improvement from 2004 to 2005.

CHART 1B

Percent of cities better able to meet needs



Larger cities generally have more options for adjusting their spending to better position themselves for the future. For example, with larger city staffs, turnover and retirements are more frequent and create more options for dealing with payroll pressures. Cities that are population centers or are in close proximity to population centers may also have more options for diversifying their revenues, such as adding new fees. They may also be better positioned to attract new growth and increase their property tax base.

One of the case studies illustrates some of these trends. The city of Plymouth (pop. 70,238) is well positioned near several highways and downtown Minneapolis to attract businesses, and therefore employment opportunities and growth. The Plymouth case study highlights the struggles of a fast-growing suburb to meet the needs of its community while facing strict levy limits. In order to reduce reliance on the property tax, the city is exploring alternative revenue sources, including franchise fees and using special assessments more frequently for street projects.

As in past *State of the Cities* reports, cities were classified into relatively homogeneous groups, called *clusters*, based upon population size, population change between 1990 and 2000, 2002 commercial/industrial tax base per capita, and 1999 median household income[4]. A growing share of cities in 10 of the 15 clusters reported improving fiscal conditions in 2004 and 2005 (see Table 1C).

In greater Minnesota, regional centers, sub-regional centers, and urban-fringe cities show the greatest improvement in the portion of cities reporting more favorable budget circumstances in 2005 than in 2004. In the metropolitan area, high-growth cities, large cities, and older cities were the ones predicting the most improvement. Note that the data for several clusters is based on a small number of survey responses. In two clusters—greater Minnesota moderate-growth cities and metro small cities—the share of cities that believe their fiscal conditions will improve in 2005 is lower than the share that experienced improvement from 2003 to 2004.

TABLE 1C

Percent of cities better able to meet financial needs 2003 to 2005 by cluster

	Were better able to meet needs in 2003 than 2002*	Were better able to meet needs in 2004 than 2003	Predict better able to meet needs in 2005 than 2004	Number of cities responding to 2005 survey/# in cluster
Metro Large Cities	0%	50%	88%	8/12
Metro High-Growth	10	43	76	21/35
GMN Urban-Fringe	13	44	67	9/10
GMN High-Income	46	53	60	15/26
GMN Regional Center	0	40	60	10/22
Metro Older Cities	0	22	56	9/13
GMN Sub-regional Center	5	11	50	18/27
Metro Small Cities	24	56	48	24/41
Metro High-Income	0	27	46	11/20
GMN Established	6	32	37	119/209
GMN Moderate-Growth	9	41	31	29/59
GMN Small Cities	16	23	27	144/359
Metro Diversified	25	0	11	9/15
GMN Major Cities	0	0	0	2/3
Metro Central Cities	0	0	0	2/2
Overall	12	31	39	430/853

**Data in this column are from previous year's survey*

Revenue shortfalls

The survey asked cities to identify what kinds of revenue shortfalls they had experienced over the last three fiscal years. Overall, reports of shortfalls in property tax revenues and state revenues peaked in 2003—the year in which LGA and MVHC reimbursement cuts came mid-budget year. The portion of cities identifying fees, charges, and license revenue shortfalls increased from 2002 to 2003 and from 2003 to 2004. The unsteady economic recovery and mixed employment news may be contributing to the increase in the portion of cities that had shortfalls in these revenue streams.

Strategies/Budget actions

Cities have used multiple strategies in order to cope with state aid cuts and other revenue shortfalls due to the economic recession and strict levy limits in 2004 and to keep budgets in balance. The responses to this year's survey are additional evidence of a long-term trend of multi-pronged city responses to revenue shortfalls. Last year's fiscal conditions survey and anecdotal evidence collected by the League showed that cities were delaying capital projects, leaving vacant positions unfilled, drawing down reserves, cutting programs and services, and looking for efficiencies in cooperative service agreements with neighboring local governments. Cities continued to use these strategies in 2004.

As with last year's survey, actions cities took in 2004 were grouped into the following broad categories[5]:

- ***Revenue increases.*** Actions include property tax increases and increases in the number and/or level of fees.
- ***Spending decreases.*** Actual decreases in spending for infrastructure, public safety, or other purposes. The category also includes decreases to the overall growth rate of spending.
- ***Increasing efficiencies.*** Increasing productivity levels, contracting out for services, or the number or scope of inter-local agreements and other cost-sharing plans.
- ***Workforce cuts.*** Reductions to the overall size of the city's workforce, such as layoffs and eliminating vacant positions.
- ***Overall service cuts.*** Decreases in overall service levels for residents and businesses.
- ***Drawing down reserves.*** Increases in the use of reserve funds.

The survey did not ask cities to indicate the dollar amounts associated with each action so the data do not reveal the magnitude of any one action. Generally, the portion of cities taking action in most of these categories was slightly smaller than the previous year (see Table 1D)[6]. Many cities made major budget adjustments in 2003, which may have reduced the need to take additional corrective actions in 2004. As described earlier, cities' reports of shortfalls in their two main revenue sources—state aid and the local property tax—peaked in 2003.

TABLE 1D

Budget actions taken in 2003 and 2004

Percent of cities that took action in:	Revenue increases	Spending decreases	Increasing efficiencies	Workforce cuts	Service cuts	Draw down reserves
FY2003	85%	55%	33%	26%	20%	60%*
FY2004	84%	47%	34%	22%	15%	46%

**Drew on reserves 2001-2003*

Two of the case study cities described how major changes the cities made in the past would impact their future budgets. Red Wing and Moorhead stressed that they made major spending and organizational changes in 2003 in order to position themselves better for the future. As part of a priority-setting process, Red Wing eliminated non-essential programs and cut funding for the local museum to balance its budget and preserve the city's ability to provide core services in the future. Moorhead undertook a massive structural reorganization in anticipation of the state aid cuts. The city eliminated two departments and 14 vacant positions, and made eight layoffs.

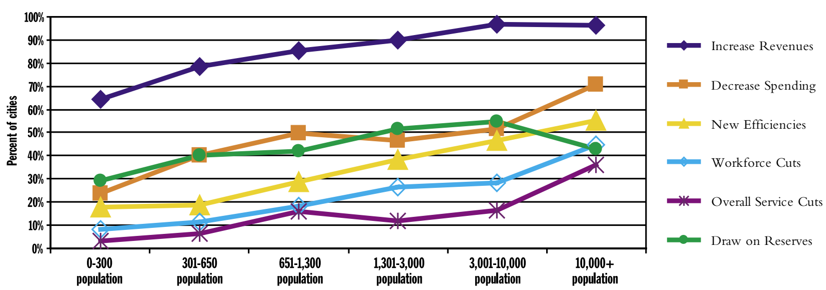
Strategies and population size

The survey results suggest that overall there is a relationship between city size and the budget-balancing strategies used during 2004. Chart 1C shows the percentage of cities in each of the population groupings that pursued at least one action within each of the six strategy categories. For example, if a city increased its levy *or* increased the level of existing fees *or* increased the number of fees, that city is reported as having increased revenues. Cities did not indicate the dollar magnitude of the actions they took during 2004. In other words, a revenue increase could have been just one dollar.

As the chart shows, there are some significant differences between the strategy choices of the smallest cities and those of the largest cities. For example, while 24 percent of cities under 300 population decreased their spending, almost three-fourths of the cities over 10,000 population cut infrastructure, public safety or other spending, or the overall growth rate of spending. This is similar to the pattern for workforce cuts; only 8 percent of cities under 300 reduced the size of their workforce and almost half of cities over 10,000 took this action.

CHART 1C

Percent of cities taking budget action in 2004 (response does not indicate dollar magnitude of action taken)



Revenue increases

When comparing this year's responses to last year's survey responses,there was almost no change in the percentage of cities enacting revenue increases overall (84 percent in 2004; 85 percent in 2003). Within the revenue increases category, the survey results show that the portion of cities raising the level of existing fees rose by 11 percentage points over last year's results while the portion implementing new fees rose by 10 percentage points.

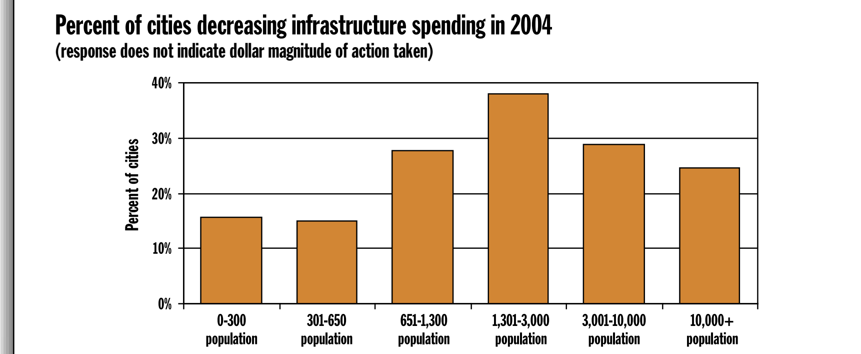
Fee and property tax increases were positively associated with population size. The portion of cities over 10,000 population increasing property tax yields, the number of development fees, and the number or level of other fees exceeded the portion of cities under 300 taking these actions by 30 percentage points.

The levy limits on cities over 2,500 population also influenced the relationship of fee increases and population size. Larger cities, specifically those restricted by levy limits in 2004, employed more fee increases than cities not under levy limits. Seventy-four percent of responding cities over 2,500 population and covered by levy limits indicated they had increased the level of existing fees. In contrast, 47 percent of cities under 2,500 increased the level of existing fees.

Spending decreases

Overall, cities were slightly less likely to reduce spending in 2004 than they were in 2003 (4 percentage point decrease). Permanent budget adjustments enacted in 2003 reduced the need for additional cuts in 2004. The relationship between population size and capital spending decisions was not as straightforward as that between population and revenue increases. As Chart 1D shows, the rate of spending decreases was highest for cities between 1,301-3000 population.

CHART 1D



While about a quarter of all cities cut infrastructure spending in 2004, one of the case study cities did the opposite. St. Anthony Village, a city of just over 8,000, has continued its aggressive capital improvement plans in its efforts to redevelop or replace aging infrastructure despite losing all of its LGA. Broad community support for reinvesting in the city's infrastructure helps to keep the city on pace with original redevelopment plans despite aid reductions. The city is in the 11th year of a street reconstruction plan and has constructed new police and fire stations. A 650-unit development project is currently underway, and the city is working to provide sewer and water infrastructure for those new homes.

Forty-seven percent of cities reported making spending increases of one kind or another in 2004. This does not mean that 47 percent of cities increased their overall spending, but rather that almost half of the cities reported increasing at least one of four following actions: public safety spending, infrastructure spending, other spending, or the growth rate of operating spending. The survey suggests that many cities have reprioritized spending in 2004 or increased spending to cover increasing costs, rather than restoring or expanding services.

Fifteen percent of cities reported increases in one or more of the four spending categories, and decreases in one or more categories. This indicates that these cities have shifted spending from one area to another, but not necessarily increased overall spending on city services. Other spending increases may have been necessary to cover increasing costs or to provide existing services to new development. Despite the fact that 47 percent of cities reported making revenue increases in one or more areas, only 5 percent reported an increase in overall service levels.

Efficiencies

Larger cities, particularly those over 1,300 population, were more likely to pursue increases to productivity levels, contracting out for services or inter-local agreements. While less than one-fifth of cities under 300 took efficiency actions, more than half of those over 10,000 population did so. The results did show, however, that 15 percent of cities under 300 population increased contracting out for services (one element of this category)—roughly the same pace as all cities—despite the fact that they typically provide fewer services. This may reflect the decisions of some of the smallest cities to contract with their counties or neighbors for law enforcement services.

Generally, the market of public and private entities able to contract or collaborate with cities to provide services is more extensive in larger communities. These cities are also often in closer proximity to more potential city partners. They likely have greater internal capacity for pursuing efficiencies and productivity changes. One of the case study cities illustrates how proximity to several partners can facilitate collaboration for services. The city of Shorewood borders several cities and is nearby to several others in the Lake Minnetonka area. It cooperates extensively with many of these neighbors for services, including police, fire, economic development, and public works.

Workforce cuts

There was a very clear relationship between population size and the rate at which cities pursued changes to shrink their workforces. Larger cities overall were more likely to decrease the size of their workforces. Almost half of the cities over 10,000 population that responded to the survey indicated they had made workforce cuts during 2004. There may be more opportunities to eliminate or combine positions and take advantage of retirements and turnover in cities with bigger staffs.

Service cuts

Again, larger cities were most likely to make cuts in overall service levels. Cities over 10,000 population made service cuts more than nine times as often as cities under 300 and about five times more often than cities 300-650 population. There is generally a broader range of services offered by larger cities and officials in these communities may have more options for cutting services.

Draw down reserves

Sixty percent of cities used reserves to deal with a variety of revenue shortfalls in fiscal years 2001-2003. The portion of cities increasing their reliance on reserves for any purpose in 2004 was 46 percent. Again, there is a clear relationship with population size, with larger cities using reserves at higher rates than smaller cities. There was one exception to this pattern, however, as cities over 10,000 used reserves at roughly the same rate as cities between 300-1,300 population.

COMPARING MINNESOTA CITIES TO MIDWEST COUNTERPARTS

The League of Minnesota Cities coordinated with the National League of Cities and leagues in six other Midwest states to administer the fiscal conditions survey, allowing for comparisons between cities in Minnesota and cities in these states[7]. Cities in different states rely on a different mix of revenues. The national recession and the state budget shortfalls that followed impacted cities in different ways based upon the revenues on which they rely.

Revenue shortfalls

Of the seven states, cities in Minnesota, Michigan, and Wisconsin are most reliant on state aids[8]. So it is perhaps not surprising that cities in these three states saw the largest cuts in state aids for 2004. In Minnesota, aid to cities was permanently reduced by $150 million. Michigan local government aid was cut by $221 million, and Wisconsin cities saw a $70 million reduction.

The local sales tax is not currently a source of revenue for most Minnesota cities, although several are advocating for this authority in order to pay for capital projects of regional significance. Illinois cities in particular are heavily reliant on local sales taxes and some even have local income taxes. Consequently, Illinois cities cited more frequent shortfalls in these areas than did cities in the other states. Nearly half of them reported sales tax shortfalls in 2003 and 2004, illustrating that it, too, can be a volatile revenue source.

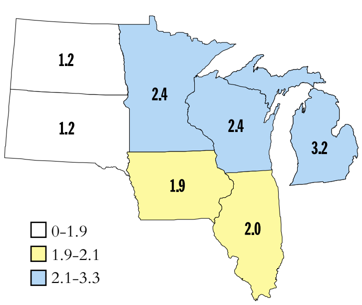
The timing of budget challenges differed across states, as well. In some states, cities experienced revenue shortfalls more often in 2003; in other states, shortfalls were more prevalent in 2004. For example, the frequency of revenue shortfalls in Minnesota and Illinois cities was higher in 2003 than 2004 for almost every source of revenue. Iowa cities experienced more frequent shortfalls in all revenue categories in 2004.

Budget strategies

The survey did not measure the dollar magnitude of each city's reported shortfalls, so the relative significance of cities' budget challenges is not easy to gauge. One indicator is the actions cities took in response to shortfalls; it is likely that cities with more significant budget challenges employed a broader number of strategies to cope with those challenges (see Map 1B). Cities in Michigan, Minnesota, and Wisconsin were the three most active in implementing multiple budget-balancing strategies in the six categories described earlier (i.e., increase revenues, decrease spending, increase efficiencies, cut workforce, cut overall service levels, or draw on reserves), indicating larger budget issues to be addressed. In the other four states, cities faced either small cuts or actual increases in state revenue sharing and used fewer strategies on average.

MAP 1B

Budget strategies used by Midwest cities



Looking at specific actions within the broad categories of budget strategies, Minnesota cities were much more likely to raise property taxes than were cities in the other states (73 percent and 50 percent, respectively). They were less reliant than other Midwest cities, however, on increases in local sales taxes (no Minnesota cities made local sales tax increases while 8 percent of cities overall did so) or other taxes (2 percent vs. 6 percent). Forty-three percent of Minnesota cities raised the number of fees they charge. In contrast, 33 percent of Midwest cities did so. Fifteen percent of cities in Minnesota made cutbacks in overall service levels, while 11 percent of all Midwest cities responding to the survey did so.

Overall direction of fiscal health

Minnesota cities rank fourth of the seven Midwestern states in the percentage of cities indicating that they are better able to meet needs in 2004 than 2003 (see Table 1E). Looking to the future, more Minnesota cities predict improvement in their budget situations than do cities in five of the six other states.

TABLE 1E

Percent of Midwest cities better able to meet needs in 2004 and 2005

State	Better able to meet needs in 2004 than 2003	Better able to meet needs in 2005 than 2004
South Dakota	56%	49%
Illinois	37.2	38.3
North Dakota	31.6	36.8
Minnesota	**30.9**	**39.1**
Iowa	21.6	25
Wisconsin	19.7	20.4
Michigan	12.4	13.4
Overall	27.9	30.7

Looking just at the rate at which they predicted better fiscal conditions for 2005, Minnesota cities may appear to be healthier fiscally than their Midwest counterparts. However, as described earlier, predicting improvement in financial circumstances is not equivalent to indicating that the budget is now in fine shape. It is only a relative comparison to present circumstances. The breadth of Minnesota cities' corrective budget actions, as well as their reliance on aid programs that were significantly cut, suggest that Minnesota cities are starting from a more challenging fiscal position than many other cities that responded to the survey.

CONCLUSION

While the majority of cities in Minnesota are pessimistic about their present and future fiscal conditions, a growing number of cities are predicting more favorable fiscal circumstances for the near future. Cities over 3,000 population were much more likely to predict improvement in 2005 over 2004 than smaller cities. This is a reversal from 2003, when more small cities saw improvement in their fiscal conditions than did cities over 3,000. Despite the fact that the reports of shortfalls in property tax revenues and state aid revenues peaked in 2003, cities have ongoing concerns about the stability of state aid and credit revenues—particularly as the state once again faces a significant budget deficit. Long-term demographic trends, such as the aging of Minnesota's population, will also continue to create challenges for cities in meeting the needs of their residents.

Cities continue to use a wide variety of strategies to balance their budgets while providing quality services. Generally, large cities and those closer to population centers are more likely than their small, rural counterparts to enact revenue increases, spending decreases, workforce cuts, new efficiencies, overall service cuts, and to draw on reserves.

Of the seven Midwest states, cities in Minnesota, Michigan, and Wisconsin were most active in using multiple budget strategies during 2004. These states also lead the Midwest in reliance on state revenues and size of recent cuts to state aids. Minnesota saw the most improvement in the portion of cities with favorable fiscal conditions, but reliance on state aid that was permanently reduced in 2003 and the breadth of budget actions suggest that cities in Minnesota have faced more challenging circumstances than many other cities.

Endnotes

1 Case study cities were Cloquet, Fosston, Moorhead, Plymouth, Red Wing, Shorewood, and St. Anthony Village.

2 Cities were divided into six population categories: 0-300; 301-650; 651-1300; 1,301-3,000; 3,001-10,000; over 10,000. There are a roughly equal number of cities in each category.

3 The U.S. Census Bureau defines a metropolitan statistical area (MSA) as a geographical area containing at least one urbanized area of at least 50,000 inhabitants with a total area population of at least 100,000. The area consists of one or more counties. The seven MSAs that include at least one Minnesota county are: St. Cloud, Rochester, Fargo-Moorhead, Minneapolis-St. Paul, Duluth-Superior, La Crosse, and Grand Forks.

4 See Appendix I for a description of the characteristics of cities in each cluster. For details on the cluster methodology and a list of cities in each cluster, see the Policy Research section of the LMC web site at: **www.lmnc.org**.

5 A table showing the use of strategies by the 15 city clusters is in Appendix I.

6 This table makes a slight correction to the percentages for cities enacting workforce cuts and overall service cuts in 2003.

7 Surveys were also sent to cities in Illinois, Iowa, Michigan, North Dakota, South Dakota, and Wisconsin by their respective leagues.

8 Texas Municipal League, "State Aid to Cities: March 2004;" per capita calculations done by the League of Minnesota Cities based on 2003 population estimates. Wisconsin ranks 6th, Minnesota 7th, Michigan 9th, Illinois 12th, Iowa 17th, North Dakota 20th, and South Dakota 32nd.

Chapter 2: Case Studies

INTRODUCTION

This *State of the Cities Report* augments the fiscal conditions survey with seven case studies of individual cities and an overview of greater Minnesota cities under 500 population. The purpose of the case studies is two-fold. First, the inclusion of case studies is a way to complement the impersonal statistics of the survey with tangible, real-world stories about the state of Minnesota's cities. Second, the case studies demonstrate both the diversity of Minnesota's cities, and identify some common issues and challenges faced by many communities.

The cities—Cloquet, Fosston, Moorhead, Plymouth, Red Wing, St. Anthony Village, and Shorewood—are not a randomly-selected representative sample. Rather they are a cross-section representing different regions, sizes, and development patterns. They include a fast-growing second-ring suburb, a free-standing regional center, a smaller rural city, two fully-developed residential suburbs (one bordering Minneapolis and the other on Lake Minnetonka), and two border cities (one in the Northwest and one just south of the metro area).

Each case study begins with a brief description of the city, its recent accomplishments, and some of the major issues it is facing. This is followed by how the state budget crisis has impacted the city's budget, operations, and strategies. The next section highlights creative solutions to city budget challenges, innovative practices, and other major initiatives or projects. Each case study concludes by looking forward to the city's vision and emerging issues that will shape the city in the years to come. Descriptive statistics for each of the case study cities are included in the left column. A summary of these statistics appears in Table 2A.

Common themes; diverse cities

Each of Minnesota's 853 cities has a unique character and history, and no two cities face identical challenges and opportunities. The case studies illustrate this diversity, but they also reveal themes that many cities share—common struggles, broad demographic trends, and changes in how cities do business.

Location shapes cities. Where a city sits impacts its character. Red Wing's river bluffs, Cloquet's slate bedrock, and Shorewood's lakes, islands, and bays impact how the cities have developed and how they provide services. Location in relation to other cities matters as well. St. Anthony Village is redeveloping and Plymouth is growing due to their proximity to the metro core and transportation corridors. Moorhead has the blessing and curse of sitting across the Red River from Fargo, North Dakota, a state with a tax and regulatory environment quite different from that in Minnesota. Fosston, with a population of 1,537, is the largest city in its area so it provides a wide range of services for its size.

Aging population. All the case-study cities described impacts from the seniors in their community. Seniors make up an especially high proportion of the population in Fosston, St. Anthony Village, Cloquet, and Red Wing. The rate of growth of the senior population is highest in Plymouth and Shorewood, where the populations over age 65 doubled from 1990-2000.

Several cities have recently added senior centers and new or expanded programming, while two cities mentioned transit systems that are used most heavily by seniors. One city, Red Wing, described how the city benefits from its senior population through extensive volunteering by seniors. Several mentioned how their city councils' deliberations during recent budget-balancing debates have considered the impacts of fee and tax increases on residents with fixed incomes.

Collaboration and creativity. Minnesota cities have a long history of working together to address problems and provide services. Budget challenges in recent years have only renewed interest in collaboration among cities, and between cities and other units of government. Several case study cities are expanding or creating significant new partnerships. Others are collaborating in modest ways, thereby developing relationships with neighbors that they hope will lead to more extensive collaboration in the future. Some collaborative efforts are good ideas that provide service improvements but offer little budget savings. Sometimes they require up-front investment or offer little in long-term financial savings. As the Shorewood case study will highlight, collaboration is not always easy to achieve—especially when citizens are concerned about losing the community's identity or control over the service. Collaborative relationships also require continual effort and attention as the participating communities and their leadership change, as well as during times of fiscal stress.

Budget challenges. The state budget crisis teaches cities many lessons. It is a reminder of cities' dependence upon the state, both for resources and for the authority cities need to govern. Another lesson is that the crisis impacted cities in many different ways. All cities received cuts in aid and/or credit reimbursements. Cities over 2,500 were saddled with levy limits that made no adjustments for population or tax base growth. Cuts to schools and counties, as well as state programs, impacted the quality of life in many cities. The recession that contributed to the state budget crisis also impacted cities through layoffs at local industries, commercial/industrial tax base devaluation, and reductions in other city revenues sources like fees and interest earnings.

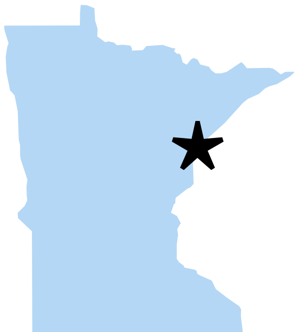
Tools for the future. While cities are diligently and creatively dealing with the challenges presented to them, several expressed a desire for additional tools to support their efforts. Red Wing, Fosston, and Cloquet are interested in local sales tax authority. Moorhead is not interested due to concerns about competitiveness with Fargo, which already enjoys a lower state sales tax rate. Nor did any of the metropolitan area case study cities mention sales taxes. Small cities with little commercial activity would not see much benefit from local sales taxes. Several cities would like the authority to create a street utility to better match the cost of maintaining and repairing streets with the users of the streets. St. Anthony Village would like the state to provide more coordinated information on services available to seniors, and for the state to provide more assistance for seniors to make improvements to their homes.

City/state relationship. The case study cities had a lot to say about their relationship to the state. Many of the cities expressed frustration over broad state policy-making—frustration with the content of the decisions that restrict cities and cut revenues, as well as the lack of responsiveness by state officials to city concerns. Yet with only a few exceptions, the cities described a positive partnership between their cities and the various state departments that they work with on discrete transportation or development projects. That is, cities are more likely to perceive a positive relationship with the state when the state works collaboratively with individual cities in a forum where the unique characteristics and circumstances of the city are considered. City officials are more likely to take exception when the state makes broad policy that treats all cities uniformly regardless of local circumstances.

TABLE 2A

Comparison of case study cities

Case study cities	Cloquet	Fosston	Moorhead	Plymouth	Red Wing	St. Anthony Village	Shore-wood	GM small cities	All cities average
Population	11,499	1,537	32,720	70,238	16,191	8,012	7,595	213	4,805
10-yr population change	4%	1%	-1%	27%	4%	0%	18%	-1%	15%
Population per square mile	320	935	2,435	1,988	391	3,378	569	992	198
2000 Census data									
Median household income	$35,675	$27,634	$34,781	$77,008	$43,674	$46,883	$96,589	$31,858	$47,111
Population over 65 years	17%	29%	13%	8%	17%	25%	8%	22%	13%
Median home value	$80,100	$54,500	$86,100	$197,600	$112,800	$145,100	$254,300	$47,926	$122,400
Tax base									
Tax capacity per capita 2004	$542	$300	$384	$1,245	$1,167	$813	$1,456	$348	$793
Revenue base									
Levy per capita 2004	$227	$187	$143	$264	$711	$414	$450	$223	$297
LGA per capita 2004	$239	$270	$218	$0	$12	$0	$0	$169	$107
2003/2004 Cuts									
2003 revenue base cut	8.5%	9.3%	9.3%	4.6%	9.3%	8.7%	3.0%	5.8%	8.3%
2003 cut per capita	$45	$46	$37	$12	$69	$33	$12	$23	$35
2004 revenue base cut	13.0%	9.3%	9.3%	4.4%	7.7%	8.7%	2.6%	5.8%	9.8%
2004 cut per capita	$68	$47	$37	$11	$57	$33	$11	$23	$41



CLOQUET: TEMPERED OPTIMISM

Cloquet, a regional center just west of Duluth, is home to several major natural-resource-based industries. The city's active local economy and proximity to Duluth has led to 6 percent population growth in the city over the past 20 years. There has also been significant housing development in adjacent townships, with their population increasing 22 percent over the same time. Ten percent of the city population is Native American, with the Fond du Lac reservation partly within the city limits. The local tribal community college is a unique asset that attracts people to Cloquet.

Overburden. Like other regional centers, the city provides services and is home to jobs for many people from surrounding townships and cities. Ninety-five percent of the funding for the regional library, located within the city, comes from city property taxes. Forty percent of the users are non-city residents. The city has a full-time fire department, a necessary service for the local wood-based industries. Residents of surrounding townships are charged for fire and emergency medical services (EMS) runs, but the revenues do not completely offset the cost of providing these services.

The city also provides municipal services to Fond du Lac reservation residents and property. The reservation property is tax exempt and the city receives no payments in lieu of taxes to support the police, fire or library services. The value of the land and buildings of the reservation is equal to about 8 percent of the taxable property value in the city[1]. The tribe did contribute funding for infrastructure to extend water and sewer services to some reservation land.

Industry volatility. Three years ago, a foreign firm purchased a major employer, reducing the number of employees there from 1,000 to 650. The layoffs strained the community. The county subsequently lowered the valuation of that property, shifting tax burdens to other property in the community. A second company is down from 250 employees several years ago to about 150 now.

Aging population. In 2000, 17 percent of the city's population was over 65, compared to 13 percent in the average Minnesota city. The city added a new senior center two years ago. The burden of utility charges on residents with fixed incomes is a concern because the rates were recently increased to fund infrastructure improvements.

Recent budget challenges

Cloquet's local government aid (LGA) was originally certified to be $3.5 million for 2003, but was cut in mid-2003 to $3.0 million (a loss of $45 per capita). In 2004 the city's aid was reduced another $23 per capita to $2.75 million. For 2005, the city's LGA is certified to decline another $11 per capita. The $750,000 cumulative two-year cut is 14 percent of the city's 2005 general fund budget.

The city has employed a broad array of strategies to respond to the cuts. The city increased its levy by 4 percent in 2004 and an additional 6 percent in 2005. But these increases only make up for about one-third of the LGA reduction. The city reduced its workforce by encouraging early retirements and laying-off a parks employee and police secretarial staff. It also eliminated vacant fire, police, library, and street positions. The city delayed capital projects, cut back on some training, and eliminated little "extras" such as the annual

City profile

	Cloquet	All cities average
Population	11,499	4,805
10-yr population change	4%	15%
Population per square mile	320	198
2000 Census data		
Median household income	$35,675	$47,111
Population over 65 years	17%	13%
Median home value	$80,100	$122,400
Tax base		
Tax capacity per capita 2004	$542	$793
Revenue base		
Levy per capita 2004	$227	$297
LGA per capita 2004	$239	$107
2003/2004 Cuts		
2003 revenue base cut	8.5%	8.3%
2003 cut per capita	$45	$35
2004 revenue base cut	13.0%	9.8%
2004 cut per capita	$68	$41

employee recognition picnic. The city eliminated its animal control officer position, but the city restored the position after many in the community voiced concerns about losing this service.

The city continues to face challenges from the cuts. For example, the fire department provides EMS service for a large part of northern Carlton County and Fond du Lac Indian Reservation. EMS calls have increased on average by 6 percent per year. With one position still vacant as a result of the budget reductions, firefighters/paramedics are seeing hours and workload increase. Cloquet is currently studying EMS/rescue services with Carlton County and neighboring jurisdictions to develop a new model of service to address a number of issues including the staffing problem.

Population change: Cloquet and bordering townships 1983-2003

	Cloquet city	Bordering townships*
1983	10,847	7,282
1993	11,055	7,885
2003	11,499	8,853
10-year change	2%	8%
20-year change	6%	22%

* *Brevator Township*
Perch Lake Township
Thomson Township
Twin Lakes Township

Creative solutions

The city went to a two-year budget process in 2003 as a result of the LGA cuts. Since the cuts were coming over two years, the best way for the Cloquet City Council to prioritize services was to develop the budget with both years in mind. The city now has a six-month, priority-setting procedure, which builds more long-term planning into the budget process. City officials hope to continue to use a revolving two-year budget.

The city has started a dialogue with surrounding cities, townships, and the county about sharing services such as prosecution services, library, public works training, economic development, ambulance, and fire. The response has been generally positive. The participants now share some public works training, and the city is hopeful that more will be done.

The city contracts with Duluth to treat the city's sewage because the slate rock on which the city is built makes it difficult to construct holding ponds and other solutions to water-quality issues. Much of the sewage is generated by local industry. The area's geology and federal water regulations are an impediment to growth. The Environmental Protection Agency (EPA) is restricting increases in system volume, which in effect caps growth in the city's new business park.

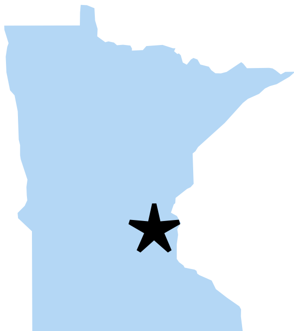
Looking forward

Scheduled transportation corridor improvements will help position the city for future growth. If water-quality issues can be resolved, the city looks to continue both residential and business growth. The city has land designated for tax-exempt JOBZ[2] development for a new or expanding business.

The city is looking to expand its tourism industry. It has plans to redevelop its river front and parks, but funding challenges have stalled these ideas. The city also needs help with building and maintaining its transportation infrastructure.

Unsuccessfully, the city has sought legislative authority for the past four years for a local sales tax to fund capital projects. The city has support from local retailers to get legislative authorization to take the issue to the voters. Cloquet's neighbors with strong retail bases—Duluth, Proctor, and Hermantown—currently have local sales taxes.

City officials are very optimistic about Cloquet's future, but continuing budget and overburden issues temper this optimism. It is difficult to carry optimism into permanent hiring and service level decisions. Adding staff or a program is perceived to be a big risk because the city's budget woes could worsen, if for instance more cuts come from the state.



PLYMOUTH: MAINTAINING SERVICE QUALITY DURING GROWTH

Plymouth is a fast-growing city of 70,238 people, strategically located just west of Minneapolis and served by three major highways: I-494, I-394, and Highway 55. Its location is attractive to businesses and commuters. The city is home to 50,000 jobs. Plymouth offers a broad range of housing choices, has an excellent park and trails system, and is served by four school districts.

Growth. Since 2000, the city's population has grown by 6,000 people, or about 9 percent. The city's senior population is smaller than in many cities, but it grew from 5 percent to 8 percent of the population from 1990 to 2000. The city recently added a new senior center and low-income senior housing. The city is also serving a growing ethnic population, which has led the city to add interpreters and make other changes in how the city delivers public safety, recreation, and HRA services.

Recession shifted taxes. The city has experienced several years of losses to its commercial and industrial (C/I) tax base since the economic recession. The C/I tax base declined by 5 percent last year and another 2 percent this year. This has shifted more of the property tax burden to residential property. In addition, many residential properties have had additional tax burden shifted onto them as a result of the phase-out of the state's Limited Market Value program.

Recent budget challenges

Plymouth has a strong tax base and is generally financially sound. The city does not qualify for local government aid (LGA), and saw a $28 per capita reduction in state aid when the Homestead and Agricultural Credit Aid (HACA) program was eliminated in 2001. It also saw its market value homestead credit (MVHC) reimbursement eliminated by the state for 2003 and 2004, effectively reducing its property tax levy by 4.5 percent, or $12 per capita.

State-imposed levy limits, however, have been the biggest challenge to Plymouth's budget in the past few years. Levy limits, which were imposed for six of the past eight years (and 27 of the past 34 years), did not allow the city to increase its property tax levy to pay for expanding services to new residents and businesses. Instead, the city had to reprioritize its existing revenues to provide these services.

In reaction to levy limits and the loss of MVHC reimbursement, the Plymouth City Council's first priority has been to maintain and improve public safety services to its expanding service base. The city has added police officers, but at the expense of other departments. Funding for parks, street, and general government services is now a smaller share of the general fund budget, while public safety spending is a larger share.

To maintain street funding, the city now issues street reconstruction bonds instead of paying for street projects with general fund dollars. The city has

City profile

	Plymouth	All cities average
Population	70,238	4,805
10-yr population change	27%	15%
Population per square mile	1988	198
2000 Census data		
Median household income	$77,008	$47,111
Population over 65 years	8%	13%
Median home value	$197,600	$122,400
Tax base		
Tax capacity per capita 2004	$1245	$793
Revenue base		
Levy per capita 2004	$264	$297
LGA per capita 2004	$0	$107
2003/2004 Cuts		
2003 revenue base cut	4.6%	8.3%
2003 cut per capita	$12	$35
2004 revenue base cut	4.4%	9.8%
2004 cut per capita	$11	$41

issued bonds the last two years because of the loss of MVHC, which will increase the total cost of the projects. These bonds will be repaid mainly with property taxes and some assessment revenues. The city has cut back on park, street, and trail maintenance. The city has closed ice rinks, replaced equipment less frequently, and delayed filling vacancies.

Plymouth's changing spending priorities: 2001-2005

	2001 Budget	2005 Budget
Police	32.5%	36.3%
Fire	7.4%	7.7%
Parks, Trails & Recreation	20.5%	19.7%
Street Maintenance	16.1%	14.8%
Support Services	13.1%	11.5%
Inspections & Planning	8.7%	8%
Community Service	1.7%	2%

Creative solutions

Plymouth has made a number of changes to increase efficiencies in its operations. The city changed the work schedule for the public works department to include two daytime shifts, which allows for better utilization of equipment and reduces overtime costs. Employees understand the reason for the changes and have accepted them with little opposition.

The city is installing more energy-efficient systems and equipment. The city is also saving money by using more work-release individuals from state facilities for road and park maintenance.

A new blacktop patching machine has significantly increased the efficiency of fixing potholes. This machine blasts out existing material and sprays in the new surface. The results are much smoother and more long-lasting than their old traditional repair. One worker can do the job that four did previously, and the new split shift allows the machine to be working 12 hours a day.

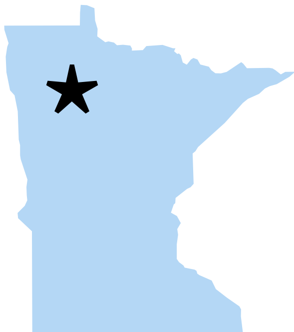
Looking forward

Plymouth is preparing for the impact of federal regulations for clean water. The city is building some money into the budget to try to get ahead of this issue, since it will likely have very large cost implications for the city into the future. The state is providing a steady stream of communication regarding the bodies of water involved and potential timing of new regulations. The city contains 15 lakes, including eight major lakes. One of these, Medicine Lake, is the second-largest lake in Hennepin County. About 20 percent of the city's land area (1,542 acres) is covered by water. The city also has over 700 wetland basins covering 2,860 acres.

The city is exploring utility franchise fees, and using assessments instead of taxes for additional services like street overlay projects. The city may be interested in creating a street utility if the Legislature grants cities that authority.

Plymouth still has a lot of undeveloped land. The city is planning for continued, orderly development until it is fully built-out. The Metropolitan Council forecasts Plymouth will have a population of 78,500 in the year 2030. The City Council is focused on keeping the city a safe and livable community. But it must grapple with ongoing uncertainty because of potential continuation of MVHC cuts, the re-imposition of levy limits, and the impact of new debt burdens created due to previous cuts. The costs of paying interest on this debt will extend into future budgets.

FOSSTON: BUILDING, WORKING TO REMAIN AFFORDABLE



Fosston is a small, rural city in northwest Minnesota with progressive community leadership. With a population of 1,537, the city offers unique services for its size, including a busy transit service and excellent health care facilities.

Aging population. Fosston has a large senior population; 29 percent of residents are over 65, compared to 13 percent for the average Minnesota city. The city's seniors account for most of the 25,000 annual rides on the city bus service. Senior citizens are charged less for residential garbage pickup ($5.50 per month) than the regular rate ($6.50 per month). The city also donates $800 per year to the local senior meals program. Many seniors serve as volunteers in the community. The city recently bonded for a new 20-unit assisted living facility, built at a cost of $2 million, which opened in early 2005. The city owns the facility, which is intended to be self-supporting, and contracts with the hospital/nursing home to operate it. The facility will benefit seniors, as well as contribute to the hospital's financial viability.

Utilities. Like many rural communities, the city provides a wide array of services through utilities, including electric, water, sewer, gas, and cable. There are no private providers of most of these services in the city. Some local businesses do sell satellite television service from major providers.

Little growth. The city has seen little population growth over the past 10 years. It has a property tax base typical of smaller rural cities, which is less than half the value per capita of the average Minnesota city. The average Fosston home has a market value of $54,500, compared to $122,400 for cities statewide.

Economic development. The city is working to expand its commercial/industrial (C/I) sector to bring good jobs and new residents to the community. The city has developed one JOBZ project, an expansion of a current business that will bring 10 new jobs to the city, and is working on a couple of other JOBZ projects. The city is hoping its fiber-optic infrastructure will attract tech-based businesses.

City profile

	Fosston	All cities average
Population	1,537	4,805
10-yr population change	1%	15%
Population per square mile	935	198
2000 Census data		
Median household income	$27,634	$47,111
Population over 65 years	29%	13%
Median home value	$54,500	$122,400
Tax base		
Tax capacity per capita 2004	$300	$793
Revenue base		
Levy per capita 2004	$187	$297
LGA per capita 2004	$270	$107
2003/2004 Cuts		
2003 revenue base cut	9.3%	8.3%
2003 cut per capita	$46	$35
2004 revenue base cut	9.3%	9.8%
2004 cut per capita	$47	$41

Recent budget challenges

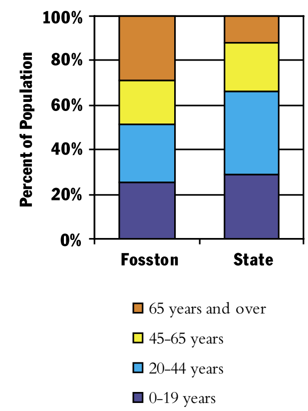
Local government aid (LGA) cuts reduced Fosston's $800,000 general fund budget by $75,000 a year, or $46 per capita. The city cut part-time staff, reduced civic center and summer recreation program hours, and froze staff salaries. Still, the city has had difficulty maintaining service levels and keeping them affordable following the cuts.

The city also deferred many maintenance projects and capital purchases. The last major street overlay project was done in the early 1980s. Delaying projects is catching up with the city; a few streets were done in 2004, and a few more are planned in the next couple of years.

The city doesn't have a significant rainy day fund. Instead, when the mid-year cuts were announced by the state, the city increased transfers from its utility enterprise funds to its general fund to help balance the 2003 budget. The city will transfer $20,000 more from the electric fund to the general fund, for an annual transfer of $100,000. Enterprise funds have also been used to purchase additional equipment that used to be paid for by general fund dollars. All of the enterprise funds are self-supporting, and most are generating a margin of profit that allows the city to put money in reserve for future capital improvements.

These transfers are not a long-term budget solution. The city reviews utility rates on an annual basis and adjusts them as necessary. The city is trying to hold the rates down because of the burden increases put on some residents, especially seniors with fixed incomes.

Breakdown of 2000 population by age groups



Creative solutions

In 2001, the city abolished its police department and contracted with the county sheriff for police services. Financial constraints caused by limited budgets and the increasing need for advanced training and equipment to protect the community led to this change. Cost savings from eliminating duplication of services, reducing administrative costs, and eliminating training and capital equipment costs are realized. Service quality is also improved, with enhanced response times and a higher level of skill and sophistication brought to crimes and other emergencies. The move was a struggle at first, but citizens are now happy with the arrangement and receive 24-hour, seven-day coverage.

A 27-lot development is underway that requires expansion of the water and sewer systems. Both the development and the assisted living facility required issuance of new debt, which will increase the city tax levy beginning in 2006.

The city is also working on a $2.3 million wastewater pretreatment plant project, funded in parts by grants and bonds. Local heavy industry, including a vegetable dehydration plant that will contribute to the cost, is a large contributor to the city's wastewater burden. The new plant will feature an anaerobic digester that produces biogas. Currently, the city is focused on ensuring the industrial wastewater is treated correctly so that treatment ponds are not overloaded and no Minnesota Pollution Control Agency (MPCA) discharge limits are violated. Once the new system is running, the city will explore using biogas to generate electricity.

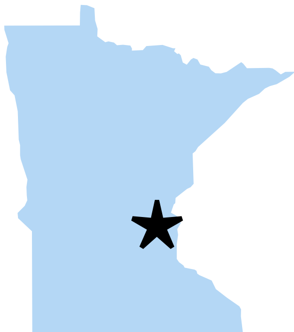
The city needs additional capital improvements as well. The civic center needs $650,000 in improvements, which will likely be paid for through a combination of bonds and savings by making energy-efficiency improvements to the facility.

Looking forward

City taxpayers will benefit from a modest decrease in the city levy in 2005, as the Fosston City Council wanted to pass along the savings from some retired debt. But the city projects that the levy will increase by 14 percent in 2006 and another 17 percent in 2007 as debt payments for the various new projects come due.

The city believes additional tools, such as a local sales tax, street utility authority, and preservation of tax increment financing authority, would help maintain the quality of city services.

City officials look to work with partners at the state, school district, and county to develop together as a region. They see economic development issues, such as labor force preparation and business attraction, as regional, not city-wide, in scope.



ST. ANTHONY VILLAGE: REDEVELOPING AND GROWING

St. Anthony Village is a first-ring suburb of 8,012 residents strategically located just five minutes from downtown Minneapolis. It is primarily a residential community, with most of its housing development occurring soon after World War II. It is served by an excellent school district that has a waiting list for open enrollment.

Flooding. Flooding has been a recurring problem in the city. In 1997, serious flooding impacted 100-150 homes, convincing the community to act. The city embarked on a $14 million flood mitigation plan that included purchasing land, building holding ponds, and lowering park land. The last phase of the project was just completed.

Infrastructure. The city's infrastructure is in great shape after years of very aggressive redevelopment plans. A community visioning process takes place each year in January. The residents have demonstrated broad support for reinvestment in infrastructure, in part to take advantage of historically low interest rates over the past five years. The city is in the 11th year of a street reconstruction plan. Within the last seven years, new buildings have been built for police, fire, and public works, as well as a new City Hall and two new liquor stores. To reduce the impact of property taxes, some of the profits from liquor operations are transferred to the general fund, and are also used to purchase capital equipment and fund upgrades to the city park system.

Aging population. The city's aging population has been on city officials' radar screens for some time. Twenty-five percent of residents are over 65, almost double the share in the average Minnesota city. The school district is impacted as the percentage of students from the city is declining, while more students come from other communities through open enrollment. School and city officials are working to get more St. Anthony students, as school district officials are concerned about relying long-term on state open-enrollment policies that may change.

Apache Plaza redevelopment. The city has undertaken a major redevelopment project at the site where the Apache Plaza mall, built in the early 1960s, used to stand. The project, Silver Lake Village, will feature 650 housing units, including condominiums, town homes, senior apartments, and affordable units, commercial space, and trails and parks. The commercial development is scheduled to be completed soon, and the housing will begin to be available this summer. So that the existing tax base does not subsidize new development, sewer and water charges and park dedication fees will offset the city's additional costs associated with the development. A grant from the Metropolitan Council was used for asbestos abatement in demolishing Apache Plaza.

Recent budget challenges

St. Anthony permanently lost all of its local government aid (LGA) in the middle of 2003 as a result of cuts to LGA and changes to the formula. The city also received a reduction in its market value homestead credit (MVHC) reimbursement for 2003 and 2004. The cuts equaled $33 per capita, about 10 percent of the city's revenue base.

To balance its budget for the remainder of 2003, the city increased the transfer from the municipal liquor store by $25,000, reduced reserves,

City profile

	St. Anthony Village	All cities average
Population	8,012	4,805
10-yr population change	0%	15%
Population per square mile	3,378	198
2000 Census data		
Median household income	$46,883	$47,111
Population over 65 years	25%	13%
Median home value	$145,100	$122,400
Tax base		
Tax capacity per capita 2004	$813	$793
Revenue base		
Levy per capita 2004	$414	$297
LGA per capita 2004	$0	$107
2003/2004 Cuts		
2003 revenue base cut	8.7%	8.3%
2003 cut per capita	$33	$35
2004 revenue base cut	8.7%	9.8%
2004 cut per capita	$33	$41

and cut the capital equipment budget. Major equipment purchases were deferred to 2006, 2007, and 2008. For more permanent budget balancing, the city reduced staff costs. The city left four positions vacant. City employees agreed to a 1.5 percent salary increase, one of the lowest in the area. The city is slowly restoring its fund balance, with a target of 35 percent of annual revenues.

The city has also increased its property tax levy significantly, with a 16 percent increase in 2004 and another 9 percent for 2005. Citizens have been generally supportive, and expressed an awareness of the need to reinvest and redevelop the community.

The budget challenges were not exclusive to city government. In 2004, the school district lost the authority to levy about $54,000 for recreation purposes. The city assumed that levy amount to maintain current programs for the community. The amount levied provides funding for community services, which provides recreational activities for all ages.

Redevelopment project: Silver Lake Village

The Silver Lake Village project is 15 percent of the city's total area (50 acres) at the former site of Apache Plaza.

Commercial elements
Retail: 219,300 sq. feet
Office: 25,000 sq. feet

Housing elements
Market rate apartments: 261 units
Urban Flats/Condos: 251 units
Senior Cooperative: 80 units
3-story town homes: 26 units
Urban flats: 80 units

Other elements
North Pond Park Area: 3.22 acres
South Pond Park Area: 2.4 acres

Creative solutions

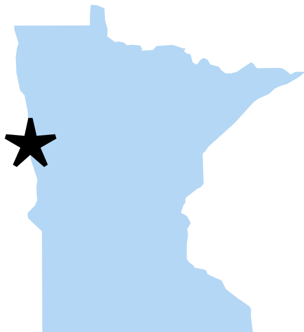
The city has maintained its original plans for redevelopment of buildings and streets despite the aid cuts. The desire to capitalize on low interest rates was a key factor in this decision. Community feedback was another important element in city budget decisions. The city hires a survey firm every four years to ask the community to rate services. City services consistently have 90 percent approval ratings. In the most recent survey, 75 percent supported tax increases to maintain or improve services. When the state cuts came, the city engaged in an aggressive education campaign that utilized newsletters, cable television, and the city web site to educate resident on projects and budget issues. The city provided open houses and public meetings to get feedback.

St. Anthony provides police services to the communities of Lauderdale and Falcon Heights. The revenue from these contracts pays for the entire cost of providing those services and also provides funding for the purchase of new squad cars. An added benefit is that with more officers on the street, they can assist each other in emergencies in the three cities.

The city is always looking to technology to improve efficiency. For example, the city worked with Roseville and other area cities to purchase an Internet protocol (IP) phone system, installing it as new city facilities were built. The city's use of traditional phone lines is limited to faxes and various alarm systems, which is saving the city money. In addition, participating cities on this system can connect to each other with a five-digit number. The ease of communicating with employees of several cities has been especially useful for police investigations.

Looking forward

The city's goal is to be a progressive, walkable community that is safe and secure. The city has seen virtually no population growth in the last decade, but due to its aggressive redevelopment, it is forecasting 20 percent growth in the next five years. Through this new development and the gradual turnover of ownership of many single-family homes, the city expects to bring more young families into the city, which will help balance the population and bring more long-term stability to the school district.



MOORHEAD: REORGANIZED AND POSITIONED FOR FUTURE

Moorhead is the biggest border city in greater Minnesota, with 32,720 residents. It sits across the Red River from Fargo, North Dakota, a city of over 90,000. Moorhead considers itself the cultural center for western Minnesota, and serves as a regional service center for many communities in west central and northwestern Minnesota.

Location. Moorhead faces unique challenges due to its location. It faces competition with Fargo due to differences in state and local tax structures and the business climate. Most of the region's major retail is in Fargo, although commercial opportunities do exist in the city's downtown and commercial corridors. Moorhead is the regional hub for public and non-profit services, including higher education, state and federal offices, and healthcare facilities. Moorhead's economy is supported by and dependent on the public sector. In 2004, the city received an upgrade in its Moody's bond rating due to its sound financial management.

Demographics. The city has a greater share of school-aged population than most cities. Enrollment trends are stable and slightly increasing in 2004. School enrollment is expected to rebound as additional housing units are added. Continued growth could add 500 to 1,000 people this year, with healthy in-migration projected for the next several years.

Recent budget challenges

The previous city administration anticipated the state's financial crisis and worked to position the city for change before the 2003 local government aid (LGA) cuts came. The city reorganized its staff, reducing the number of departments from six to four, eliminating 14 vacant positions, and laying off an additional eight full-time equivalents (FTEs). These layoffs were mostly executive and management positions, rather than front-line service positions. In lieu of cuts to the fire department, the city shifted its housing inspections function to the fire department.

When the cuts arrived, the city's LGA was reduced by $1.2 million (about $37 per capita). Because of concerns about its competitiveness with Fargo and other communities in the area, the city only modestly increased its property taxes (by $150,000 in 2004, and $70,000 in 2005). The city relied on savings from its reorganization. It also made cuts to park and recreation programs and to street sweeping. The city increased fees for liquor licenses and park and recreation programs, and instituted a new fire service fee for hydrants. The city stretched out its schedule for vehicle and computer replacement. The city used one-third of its rainy-day reserves. Long-term tax base growth will help the city rebuild its reserves over time.

Creative solutions

The Moorhead City Council involved citizens early in budget deliberations through surveys, publications, meetings, and formal hearings. Changes made in the last two budgets should keep Moorhead's budget balanced through 2007. Citizen reaction has been positive.

The city places a strong emphasis on partnerships, engaging in many collaborative efforts with Fargo, the county, and other jurisdictions to bring efficiencies to city operations. Moorhead and Fargo operate a joint 9-1-1

City profile

	Moorhead	All cities average
Population	32,720	4,805
10-yr population change	-1%	15%
Population per square mile	2,435	198
2000 Census data		
Median household income	$34,781	$47,111
Population over 65 years	13%	13%
Median home value	$86,100	$122,400
Tax base		
Tax capacity per capita 2004	$384	$793
Revenue base		
Levy per capita 2004	$143	$297
LGA per capita 2004	$218	$107
2003/2004 Cuts		
2003 revenue base cut	9.3%	8.3%
2003 cut per capita	$37	$35
2004 revenue base cut	9.3%	9.8%
2004 cut per capita	$37	$41

dispatch system, animal control, SWAT team, hazmat, emergency response planning, and a new joint transit service. They are exploring a joint animal pound. They also have mutual aid agreements for fire service.

Moorhead and Clay County are working on a county-wide geospatial property database. Moorhead makes up 50 percent of the existing county database. This unique project involves integrating GIS, property tax, special assessment, flood, and other data. Staff is currently conducting training and installation, and hope to implement the new system by mid-2005.

The city implemented a new automated garbage system. The new system provides 50 percent more volume at no additional cost to residents. Some initial investment was necessary, but the change will allow the city to handle anticipated growth of the community.

Moorhead is implementing an administrative fines system that meets the guidelines issued from the state attorney general and state auditor. The goal of the system is property code compliance through education, but with consequences for repeated failure to comply. The process should take a few weeks instead of the typical six to nine months for traditional courts. Trained arbitrators will make rulings on the fines, although their decisions can be appealed to the courts.

Looking forward

Moorhead is growing. It has a good relationship with its neighboring townships, and orderly annexations are in place for the next 10 years. The city will be developing 250 acres each year. It will add 300 units of housing in 2004, which is 50 percent more than the largest increase of the past 20 years. The city's plan for 50-year growth may happen in the next 15 years.

The city has a 472-acre JOBZ zone. It is working on three different projects that have the potential to add 250 jobs.

The city is dealing with some of the stresses caused by growth. The city is working with the Minnesota Department of Transportation (Mn/DOT) on new stop signs for two intersections on busy state roads. The city is also facing increasing demand from residents and nonresidents for equipping parks and enhancing existing park equipment.

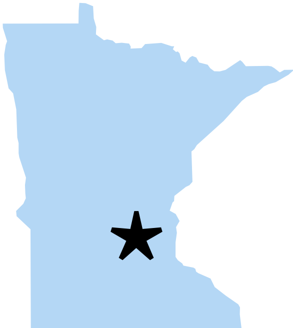
The city is working on rail safety issues as well. A rail line through town carries 70 trains a day. The city is creating a new highway exchange and a new quiet zone that will be the longest in the nation. Due to the quiet zone, the city must redo 17 intersections. The plans for the quiet zone have had the benefit of spurring development of 100 new housing units downtown.

The city is still dependent on LGA. The cuts to LGA were challenging, and the risk of further cuts to city services is significant. Moorhead officials believe that on good days, the state is a good partner for Moorhead and other cities and that this partnership needs to be continually renewed.

The city's mission is to be a vibrant, full service community within the region. The city is on the cutting edge with technology, vision, and services. Moorhead was designated an All America City in 2000 by the National Civic League, an honor bestowed on cities that have demonstrated citizen participation, civic action, and community pride. The city is confident it can win again.

Comparing Moorhead and Fargo

	Moorhead, MN	Fargo, ND
Population 2000	32,177	90,599
Population change, 1990-2000	-1.1%	22.1%
Homeowner-ship rate, 2000	63.7%	47.1%
Median household income, 1999	$34,781	$35,510
Land area, 2000 (sq. miles)	13	38
Persons per square mile, 2000	2,394.3	2,388.2
Persons enrolled in college/ graduate school	6,505	13,068
Persons enrolled in college/graduate school as percent of total population	20.2%	14.4%
Percent of residents living in same house as in 1995	48.1%	39.7%
Portion of workers employed by government	17.7%	13.4%
Portion of employers in education, health care, or social services	30.2%	23.6%
Total city/state sales tax	6.5% (6.5% state)	6.5% (5% state, 1.5% city)
Total cost of owning $115,000 home (all taxes, mortgage, utility costs)	$21,246	$21,364



SHOREWOOD: COLLABORATION CENTRAL

Shorewood is a residential community of 7,595 people on the southwestern shore of Lake Minnetonka. The city is six miles long, one mile wide, and is bisected by the city of Excelsior and by Excelsior and St. Albans bays. A portion of the city is made up of islands in Lake Minnetonka that can only be reached by boat or by driving more than six miles through other cities. In all, the city has about 15 miles of shoreline.

Although it is perceived as having recently developed, Shorewood has a historic sense of community. It was part of Excelsior Township formed in the 1850s, and did not incorporate until 1956. Many residents in the western half of the city, where most of the township-era development occurred, consider themselves "rural"; residents in the eastern half, which generally developed more recently, more often identify themselves as suburban.

Collaboration. Extensive partnership with neighboring cities is one of Shorewood's greatest successes, but has also led to key challenges. The cities of Shorewood, Excelsior, Tonka Bay, Greenwood, and Deephaven jointly built a community/senior center in 1997. They established the joint-powers Excelsior Fire District in 2000. Four of the cities created the joint-powers South Lake Minnetonka Police Department in 1973. And the city established the Shorewood Economic Development Authority to own and construct facilities for these public safety organizations. The city and its neighbors have made major investments (over $12 million) in new public safety facilities. Shorewood's share of the costs represents about 13 percent of its levy in 2005.

Mandates. Reporting and other procedural mandates have led Shorewood to add a full-time, in-house engineer. Much of the engineer's work will be for mandated activities, reports, and documentation required for such things as storm water regulations. The city has also added a second accounting clerk due to the increase in transactions and to assist in complying with new Government Accounting Standards Board (GASB) financial reporting requirements.

Recent budget challenges

Shorewood received little local government aid (LGA) prior to 2003, although it did lose $58 per capita of homestead and agricultural credit aid (HACA) in 2001. The city was able to handle the LGA and market value homestead credit (MVHC) cut for 2003 and 2004 ($12 per capita, or 3 percent of the city revenue base) by reducing capital funding, deferring some maintenance and technology improvements for the short term, and having adequate reserves. If the city is faced with continuing cuts in MVHC receivable in 2005, it will most likely not place all monies in its capital funds as planned.

Indirectly, state aid cuts and levy limits have affected the decisions of the partner cities in the joint powers organizations (JPOs). The services of the JPOs are impacted by what the partner cities believe they can afford. This has been most notable for partner cities that have had significant reductions in LGA, MVHC, or were affected by levy limits. Carefully negotiated cost-sharing arrangements can become problematic and reopened to debate in tough budget times.

City profile

	Shorewood	All cities average
Population	7,595	4,805
10-yr population change	18%	15%
Population per square mile	569	198
2000 Census data		
Median household income	$96,589	$47,111
Population over 65 years	8%	13%
Median home value	$254,300	$122,400
Tax base		
Tax capacity per capita 2004	$1,456	$793
Revenue base		
Levy per capita 2004	$450	$297
LGA per capita 2004	$0	$107
2003/2004 Cuts		
2003 revenue base cut	3.0%	8.3%
2003 cut per capita	$12	$35
2004 revenue base cut	2.6%	9.8%
2004 cut per capita	$11	$41

Shorewood has been more significantly impacted by levy limits. The city's roads are aging and need major maintenance. The city has a history of using pay-as-you-go capital funding rather than special assessments to fund road replacement and reconstruction. Levy limits have forced the city to reduce transfers to its capital account, and revenue was shifted to general operations.

Creative solutions

Shorewood and its neighbors collaborate in many lower-profile ways as well. Joint training—where trainers come to the area rather than the city sending people to training—has been successful. The South Lake Minnetonka cities informally share public works staff and equipment to work more effectively and timely (e.g., street patching and sealcoating, snow plowing; coordinating schedules of activities in order to share/borrow equipment). They also collaborate on joint bidding and negotiating for seal coating and prosecution services, resulting in separate contracts but better pricing.

Shorewood contracts with the Mound Fire Department to serve the city's "remote" islands in Lake Minnetonka. The city hired a private contractor to handle park scheduling and monitor compliance. Shorewood has developed and maintains a skate park with initial contributions coming in from the other four South Lake Minnetonka cities.

Demonstrating that privatization is not always the most effective model, the city ended a long-term contract with a private firm to maintain the city's water and sewer systems. Now that maintenance was brought in-house, the system is in much better shape in terms of condition, reliability, and predictability of costs. While there was some added cost initially, the city is now seeing cost reductions in maintenance and repair costs.

Looking forward

Fully merging two or more of the cities is a perennial topic of discussion, but little comes of it. Resistance stems from fears of losing identity, control, and easy and effective access to city processes. The cost of governance—elected bodies and appointed commissions, etc.—is actually a very small percentage of overall expenses. Much of the savings—in the joint provision of services—have already been achieved.

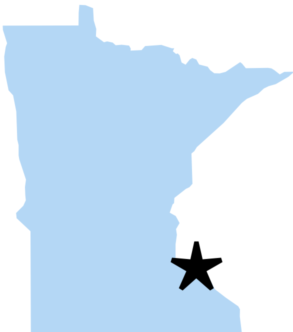
Further service consolidation could be achieved by combining the public works departments of some or all of the South Lake Minnetonka cities. Budget realities for small communities may compel them to explore this concept more fully. As it is, they do a lot of informal sharing and collaboration that is accomplishing much of what would result from a formal consolidation.

Only roughly 50 units of new housing—mostly in-fill or teardown/rebuilds—are built each year. Citizen expectations of city government are changing. There is growing interest in trails and community events, including a successful new "concert in the park" series. Citizens also expect information technology and web communications, and the city has responded.

Shorewood's vision is to remain a distinctive place, with a high value placed on maintaining high quality natural amenities throughout the area; to be predominantly a low-density residential community; and to provide the necessary services with high value and reasonable cost to support the community.

Shorewood collaborative examples

Service	Partners
Community/ senior center	Excelsior, Deephaven, Tonka Bay, Greenwood
Excelsior Fire District	Excelsior, Deephaven, Tonka Bay, Greenwood
South Lake Minnetonka Police Dept.	Excelsior, Greenwood, Tonka Bay
Fire service to islands	Contract with Mound
Skate park	Excelsior, Spring Park, Tonka Bay, Greenwood
Shared public works staff and equipment	Excelsior, Tonka Bay; all cities informally



City profile

	Red Wing	All cities average
Population	16,191	4,805
10-yr population change	4%	15%
Population per square mile	391	198
2000 Census data		
Median household income	$43,674	$47,111
Population over 65 years	17%	13%
Median home value	$112,800	$122,400
Tax base		
Tax capacity per capita 2004	$1,167	$793
Revenue base		
Levy per capita 2004	$711	$297
LGA per capita 2004	$12	$107
2003/2004 Cuts		
2003 revenue base cut	9.3%	8.3%
2003 cut per capita	$69	$35
2004 revenue base cut	7.7%	9.8%
2004 cut per capita	$57	$41

RED WING: DEALING WITH VOLATILITY

Red Wing is a city of 16,191 residents just south of the Twin Cities on the Mississippi River. City officials take pride in providing basic city services, but also having a strong arts, culture, and heritage preservation base. Residents have access to metro area amenities, but have chosen to do a lot of things locally, such as theater, a library, and various arts organizations. There is a center for artists in residence that hosts art shows and exhibits, and the city is home to the Goodhue County Historical Society. The bluffs and river attract many visitors. The city is also home to a major electric generation facility that significantly affects its tax base.

Job losses. The recession hit Red Wing hard in terms of layoffs. The city lost nearly 800 manufacturing jobs between early 2000 and early 2004. Plants have closed or moved. Employment at the local casino, the area's largest employer, fluctuates with the economy.

Topography. The city is challenging to develop because it is situated on river bluffs and has extensive Indian mounds. The community wants development to be respectful of the environment. Only 60 percent of total land (including wetlands and floodplains) in the city is developable because of the waterways, bluffs, and Indian mounds.

Senior population. Seventeen percent of the population is over 65 (the average is 13 percent). The city has added transit routes to serve areas heavily populated by seniors in order to meet demand. There is an ongoing debate over how much the city should contribute to senior-only programs. The city benefits from a very active senior volunteer base. City officials are very conscious of how tax burdens can affect the ability of those with fixed incomes to stay in their homes.

Power plant valuation. The city's tax base has been decreasing due to valuation changes of the power plant. Fifteen years ago the plant was 70 percent of the city's tax capacity, now it is 30 percent. This has significantly shifted tax burden to homeowners and local businesses. State law dictates that the value will continue to depreciate over the next 10 years.

City incinerator. Unlike most cities, Red Wing operates a solid waste incinerator. The city receives no money from the county and the facility has been running $300,000 deficits the last few years. Yet the facility will be unable to attract business if the city raises the service fee too much. City and county officials are discussing a countywide fee to support the incinerator, since the city views it as inappropriate for the city tax base to subsidize this service for the entire county.

Water and sewer standards. The city has to invest $8 million in its storm water treatment plant and is investing $5 million into its water system to meet state and federal water and sewer standards. The city disagrees with the Minnesota Pollution Control Agency (MPCA) over claims of effluent flow to Lake Pepin. City officials in Red Wing are frustrated that regulations focus the vast majority of water clean-up costs on cities when most of the pollution comes from non-city sources.

Recent budget challenges

The 2003 state budget cuts reduced Red Wing revenues by $70 per capita. In response, the Red Wing City Council prioritized its budget and cut nonessential programs like senior and youth programs and the local museum. It laid-off six employees and left vacancies unfilled. It also reduced reserves and delayed capital projects. During 2004, the city stabilized and retooled its budget.

There was strong citizen reaction to the cuts to senior and youth programs. Citizens asked why the city was doing what it was angry at the state for doing. Citizens understood better the seriousness of the situation when layoffs were enacted, and they saw the similarities of the tough choices facing local businesses and the city.

The city's budget has also been impacted by the elimination of the state-wide $200 million tax increment financing (TIF) deficit grant pool. Without those funds, Red Wing has had to fluctuate its levy by as much as $500,000 to cover TIF deficits.

Tax base composition: 1993-2004

	1993	2004	93-04 Change
Utility tax capacity	20,021,913	7,545,564	-62.30%
Residential tax capacity	2,994,966	6,303,745	110.50%
All other tax capacity	5,801,961	5,041,146	-13.10%

Creative solutions

The Council has made communications a priority. It applies a business perspective to its operations, as though it is selling a product to citizens. The city newsletter has been retooled and is now sent monthly. As of January 2005, all board and commission meetings are televised on the local access channel, as are information pieces on city services.

The city's technology investments include a new fiber-optic phone system that has reduced city phone bills. There have also been improvements made to the city web site, including online forms and, soon, online bill paying.

City, school district, and county officials are discussing pooling contracts for various testing services. The priority is to establish relationships and build the foundation for future collaborations.

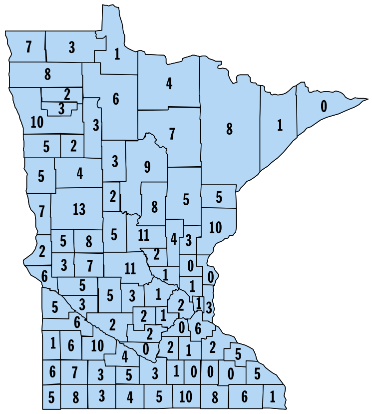
Looking forward

The Council has established a long-term fiscal plan. The city is financially solid. Its local government aid (LGA) is scheduled to increase significantly in 2005 due to changes in the distribution formulae. The Council approved hiring back some positions for 2005, but does not plan to restore funding to the popular senior and youth programs. This has created some conflict among citizens.

Officials are concerned the city will hire back and then face more aid and credit losses. The governor's budget recommendation includes extending the city's market value homestead credit (MVHC) cut for two additional years. Hiring will be cautious because of this uncertainty.

Additional uncertainty comes from the ongoing state power plant valuation study. City officials are concerned there will be another sudden dramatic devaluation In addition, city officials are very engaged with federal officials on the nuclear waste storage issue. If the federal government does not approve the plan to store waste at Yucca Mountain in Nevada, the local power plant will likely close.

The city is working to develop its tourism industry and maintain a strong downtown. The city is working to retain and attract jobs, and it is participating in the JOBZ program. A couple projects are in the works, including a business relocating from Wisconsin.



Cities per county under 500 population

SMALL GREATER MINNESOTA CITIES

Almost half of Minnesota's 853 cities are cities under 500 population in greater Minnesota. Only 1.5 percent of the state's population resides within these small greater Minnesota cities. While grouped together because of their size, small cities are a diverse group that includes growing resort and other tourism communities, bedroom communities for regional centers, small industrial centers, depopulating farm and industrial communities, and more.

Small cities typically differ from larger cities in a number of ways that can create different financial circumstances and challenges. The population growth that the state overall has experienced has generally not occurred within small cities (see city profile). Forty-six percent of small cities experienced a population decline of more than 5 percent from 1993-2003, but only 14 percent of cities above 500 population experienced this kind of loss.

Small cities have older populations (see city profile). As a result of this disparity, some small cities may feel the pressures of trying to meet the service needs of an aging population more acutely. They may also face a greater challenge in keeping the tax burden on those with fixed incomes affordable.

Modest property tax and business base. Generally, small cities are distinct from cities overall in the resources they have to provide services. Small cities have much less property tax base, about $350 per capita, than cities overall (almost $800). Small cities also typically have much less business property, 19 percent of the tax base, compared to 28 percent in cities overall. Small cities typically have about a quarter of their property value in tax-exempt status, compared to 17 percent for cities overall.

Reliance on state aids. Small cities often provide fewer services at more modest levels than larger cities. The average small city raises 20 percent less revenues per capita than cities overall; small cities raise less revenue per capita through property taxes ($223 per capita in 2004, compared to $297 for cities overall) and less revenue from fees and charges. Yet due to their modest tax bases, small city tax rates are much higher than those in the average city (65 percent and 40 percent, respectively). Small cities received about $170 per capita of local government aid (LGA) in 2004, compared to $107 per capita for cities overall.

Recent budget challenges

Small cities keenly felt the impact of the state budget crisis. While the cuts to small cities were a smaller share of revenue base (property tax levy plus LGA) than for the average city (5.8 percent and 8.3 percent, respectively), coping with those cuts was not any less of a challenge. Most small cities have smaller budgets per capita, fewer services, less reserve funds, and smaller staffs. They have less flexibility, therefore, to deal with aid cuts than the average larger city.

City profile

	GM small cities	All cities average
Population	213	4,805
10-yr population change	-1%	15%
Population per square mile	992	198
2000 Census data		
Median household income	$31,858	$47,111
Population over 65 years	22%	13%
Median home value	$47,926	$122,400
Tax base		
Tax capacity per capita 2004	$348	$793
Revenue base		
Levy per capita 2004	$223	$297
LGA per capita 2004	$169	$107
2003/2004 Cuts		
2003 revenue base cut	5.8%	8.3%
2003 cut per capita	$23	$35
2004 revenue base cut	5.8%	9.8%
2004 cut per capita	$23	$41

Small cities were not saddled with levy limits in recent years like cities over 2,500 population. While many opted to increase their levy as part of their budget balancing, small cities had only slightly higher property tax increases in 2005 than other cities. Many small cities kept tax increases modest due to concerns over residents' tax burdens and because many already have local tax rates much higher than their large city neighbors.

Small cities have also reduced services and other expenses. Lake Lillian eliminated its part-time police officer in 2003 and now depends on county law enforcement services. Chokio did not flood its ice rinks and reduced mowing on city property. Middle River froze 2004 wages for its three employees. Lake Bronson delayed construction of a new fire department building. Currie sold its liquor store.

Creative solutions

Small cities often face extra hurdles in finding new efficiencies and other creative solutions. Many are geographically isolated from neighbors and potential contractors, making service collaboration and privatization less viable. Many have a small or part-time staff that has little time to investigate new innovations while scrambling to complete required paperwork. Small cities do, however, sometimes reduce costs through dramatic action such as eliminating their police departments and relying on the county. Hendrum changed its mayor's term from two to four years in 2003, thereby eliminating one election every four years.

Small cities have various arrangements with other local governments to deliver a wide range of services. Cities share staff, have joint departments, and contract with other local governments for services. Bricelyn and Frost share one city clerk. These two cities, along with Walters, also share one police officer. Similarly, Delavan, Easton, and Minnesota Lake have a shared police department. Hazel Run contracts with Hanley Falls for a water superintendent, and Strandquist contracts with the Karlstad Ambulance Service to provide coverage to its residents. Upsala provides a building for which it pays the utility bills for the Great Rivers Regional Library. Underwood and Ottertail County collaborated on a housing rehabilitation project. And Maynard, Clara City, and Sacred Heart undertook a wind energy study after installing an experimental wind tower.

Looking forward

Long-term demographic and economic trends will impact small cities' futures. Cities in or near growth centers may see their population, and the corresponding property tax base, stabilize or grow. Others, such as those on the Iron Range and in rural agricultural areas, are impacted by national and global economic trends. And most small cities' fortunes also depend upon the decisions made in St. Paul about the state-local finance system. Yet small cities also strive to improve their futures in ways that are independent of the state-local relationship, by aggressively pursuing economic development opportunities, providing housing and small-town living for workers in nearby growth centers, or capitalizing on local amenities and historic preservation to boost tourism.

CONCLUSION

Cities continue to face budget challenges. Despite the fact that the frequency of reported property tax and state revenue shortfalls peaked in 2003, two-thirds of Minnesota cities reported deterioration of their fiscal conditions in 2004. The majority of cities are pessimistic about their fiscal outlook for 2005. A growing minority of cities, however, is optimistic about seeing improvement to their fiscal circumstances in 2005. This optimism is more prevalent in Minnesota's larger cities.

Changes in state aid and credit payments to cities explain some, but not all, of the difference in fiscal conditions and outlook. Each of Minnesota's 853 cities faces a unique set of issues, circumstances, and local preferences that impact its budget outlook, including population growth (both within and outside of city borders), aging infrastructure, soaring health care costs, and a growing senior population.

Because of their uniqueness, cities across the state are pursuing a variety of strategies to help deal with these long-term fiscal and demographic trends. Many are creating and expanding collaborative relationships with other local units of government and exploring creative ways to deliver services efficiently. Many are changing their revenue structures to better match the costs of services to those who benefit from them. Yet they are also often struggling with citizen expectations that they restore recently cut services or expand services while maintaining affordability. Many cities are looking to the state for new tools to help with these issues, including local sales tax authority and street utility authority.

Cities are also seeking a reinvigorated state-city partnership to help meet the service needs of residents and businesses. Cities generally reported a favorable working relationship with the state on individual projects that can account for unique local circumstances. But local elected officials continue to bristle when the state imposes new restrictions on city regulatory authority or one-size-fits-all mandates. A renewed partnership can help cities and the state better serve their common constituents.

Endnotes

1 Department of Revenue 1998 abstract of tax-exempt property.

2 The Job Opportunity Building Zone (JOBZ) initiative was implemented in 2004 to assist rural communities in attracting new or expanding businesses. Details of the program can be found on the DEED web site at: **www.deed.state.mn.us**.

Appendix I: Clustering Minnesota Cities

The table below provides descriptions of the characteristics of the 15 city clusters. A detailed description of how the city clusters were derived and a list of cities in each cluster are available in the Policy Research section of the LMC web site at: **www.lmnc.org**.

City clusters

City clusters organize cities into relatively homogeneous groups based on four characteristics: population in 2000, population change 1990 to 2000, median household income in 1999, and commercial/industrial tax base per capita in 2002. The analysis separated cities into the seven-county metro area and 80-county greater Minnesota. For more information, including a list of cities in each cluster, see the *Clustering Minnesota Cities* document in the Policy Research section of the LMC web site (**www.lmnc.org**).

Cluster Name	Number of Cities	Dominant Characteristics	Example Cities
Metropolitan Clusters	***138***	***Cities in the seven-county Twin Cities metro area***	
Central Cities	2	Major population and economic centers of the state and Twin Cities metropolitan area	Minneapolis and St. Paul
Large Cities	12	Large cities in the metro area besides the two central cities, with population over 45,000	Burnsville and Plymouth
Old Cities	13	Relatively larger low-income cities with stable or declining population growth	Brooklyn Center and Richfield
Diversified Cities	15	High commercial/industrial market value per capita	Roseville and Wayzata
High-Growth Cities	35	High population growth	Chaska and Woodbury
High-Income Cities	20	Smaller cities with high median household income	Minnetonka Beach and North Oaks
Smaller Cities	41	Small population size	Hilltop and New Trier
Greater Minnesota Cities	***715***	***Cities in the 80-county greater Minnesota area***	
Major Cities	3	Major economic centers for greater Minnesota	Duluth, Rochester, and St. Cloud
Regional Centers	22	Large cities with high commercial/industrial market value per capita	Mankato and Marshall
Sub-Regional Centers	27	Medium-sized cities with high commercial/industrial market value per capita	Hinckley and Waite Park
Urban Fringe	10	Extremely high population growth rate and high median household income	Albertville and St. Michael
High-Income Cities	26	Very high median household income	Hanover and Oronoco
Moderate-Growth Cities	59	Higher than average median household income and higher population growth rate	Cohasset and Lake Shore
Established Cities	209	Stable or declining population, below average median household income	Moose Lake and Pipestone
Small Rural Cities	359	Population less than 500	Bluffton and Wykoff

Note: The *State of the Cities Report 2003* included 17 clusters. This report combines the High-Growth and Extremely High-Growth metro clusters into one High-Growth city cluster and combines the Established and Low-Income Rural clusters into one Greater Minnesota Established city cluster. This 15-cluster method is consistent with the clusters used by the League, state agencies, and the Legislature for the past year.

2004 budget responses by city cluster

	Increase revenues	Decrease spending	New efficiencies	Workforce cuts	Overall service cuts	Draw on reserves	# of cities responding/ cities in cluster
GMN Established	86%	51%	34%	25%	13%	49%	119/209
GMN High-Income	87%	53%	40%	0%	7%	53%	15/26
GMN Moderate-Growth	93%	52%	28%	24%	17%	48%	29/59
GMN Major Cities	100%	100%	50%	50%	50%	100%	2/3
GMN Regional Center	100%	90%	90%	60%	50%	50%	10/22
GMN Sub-regional Center	100%	83%	22%	39%	28%	67%	18/27
GMN Small Cities	70%	30%	18%	12%	5%	31%	144/359
GMN Urban-Fringe	100%	33%	56%	0%	0%	56%	9/10
Metro Diversified	100%	33%	33%	44%	44%	56%	9/15
Metro High-Growth	90%	38%	62%	14%	19%	14%	21/35
Metro High-Income	73%	27%	45%	0%	0%	45%	11/20
Metro Large Cities	100%	75%	63%	25%	13%	25%	8/12
Metro Older Cities	100%	78%	22%	100%	56%	56%	9/13
Metro Small Cities	88%	33%	33%	8%	13%	50%	24/41
Metro Central Cities	100%	100%	100%	100%	50%	50%	2/2

Appendix II: Fiscal Conditions Survey Tool

1. When does your city's fiscal year begin?

January 1 ❑
July 1 ❑
October 1 ❑
Other ❑ (please indicate month) ________________

2. Overall, would you say that your city is better or less able to…

a. Meet financial needs in fiscal year 2004 than last year? (*circle one*) Better Able Less Able

b. Address its financial needs in the next fiscal year (2005) compared to this fiscal year? (*circle one*) Better Able Less Able

3. Please indicate whether your city has experienced revenue shortfalls (i.e. actual receipts fell below predicted or budgeted receipts) in the following areas in fiscal years 2002, 2003 and/or 2004 (*choose all that apply; please leave an item blank if it does not apply for your city*):

	2002	2003	2004
a. Property Tax Revenues………………………………………………	❑	❑	❑
b. Fees, charges, license revenues…………………………………....	❑	❑	❑
c. Sales tax revenues………………. *(Does **NOT** apply for MI, WV, WI)*	❑	❑	❑
d. Local income/commuter tax revenues ……………………*(Does **NOT** apply for FL, IA, IL, MN, SD, WV, WI)*	❑	❑	❑
e. Lodging, restaurant, amusement, other tourist-related taxes ………………………………………*(Does **NOT** apply for FL, MI)*	❑	❑	❑
f. State revenues………………………………………………………..	❑	❑	❑
g. Federal revenues…………………………………………………..	❑	❑	❑

4. Over the last three fiscal years, have these shortfalls caused your city to consider and/or implement any of the following? (*Choose one answer for each category*)

	Considered	Implemented	Not Considered
a. Tax increases………………………………………………………	❑	❑	❑
b. Draw down ending balances/reserves……………………………..	❑	❑	❑
c. Fees/charges/licenses increases……………………………………	❑	❑	❑
d. Postpone capital spending…………………………………………	❑	❑	❑
e. Service delivery cutbacks/elimination of services..………………..	❑	❑	❑
f. Privatizing or contracting out………………………………………	❑	❑	❑
g. Hiring freezes/layoffs/early retirement incentives...…………………	❑	❑	❑

5. Please indicate whether your city has taken the listed actions during the 2004 fiscal year:
(If your city does not have authority to take action regarding an item, please check the "not authorized" box).

	Increased	Maintained	Decreased	Not Authorized
a. Property taxes (**dollar yield**)………………………….	❑	❑	❑	❑
b. Property tax **rates**……………………………………..	❑	❑	❑	❑
c. Sales tax rates …*(Does **NOT** apply for FL, MI, WV, WI)*	❑	❑	❑	❑
d. Income tax rates ……………*(Does **NOT** apply for FL, IA, IL, MN, SD, WV, WI)*	❑	❑	❑	❑
e. Rates of other taxes……………………………………	❑	❑	❑	❑
f. Number of other taxes…………………………………	❑	❑	❑	❑
g. Tax base unrelated to growth (e.g. reduced tax credits, taxed previously untaxed items) ………………………….. *(Does **NOT** apply for FL, WV, WI)*	❑	❑	❑	❑
h. Number or level of impact/development fees…………	❑	❑	❑	❑
i. Level of other fees/charges……………………………	❑	❑	❑	❑
j. Number of other fees/charges…………………………	❑	❑	❑	❑
k. Growth rate of operating spending……………………	❑	❑	❑	❑
l. Actual infrastructure spending………………………..	❑	❑	❑	❑
m. Actual public safety spending…………………………	❑	❑	❑	❑
n. Other spending ……………………………………..	❑	❑	❑	❑
o. Size of municipal government workforce……………..	❑	❑	❑	❑
p. Contracting out of services……………………………	❑	❑	❑	❑
q. Productivity levels……………………………………..	❑	❑	❑	❑
r. Number and/or scope of interlocal agreements or other cost-sharing plans……………………………	❑	❑	❑	❑
s. Overall city service levels……………………………..	❑	❑	❑	❑
t. Draw down ending balances/reserves………………...	❑	❑	❑	❑

Thank you for taking the time to complete this survey.

Your name:______________________________ Title:____________________________

City:__________________________________ Phone: (______)________________________

State::_________________________________

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