

MINNESOTA · REVENUE

MEASURES OF CITY CAPACITY & NEED

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For Mayors LGA Advisory Group

June 8, 2012

Road Map Overview

Intro

- Goals Review
- Clusters
- Formula Overview

Capacity

- LGA & Revenues
- Taxes & Tax Rates
- Other Capacity Measures

Need

- Spending
- Overburden

Purpose / Goals Review

- What we think we've heard so far
 - Provide property tax relief
 - Ensure ability to provide core services (esp. public safety and public works)
 - Increase reliability and stability
 - Recognize diversity of needs and capacity
 - Encourage innovation and cooperation
 - Simplify formula

Cluster Background

- Clusters group cities according to region, size, property wealth, income and growth patterns
- Updating needed but still show general trends
- For ease of use, we've combined clusters into 3 metro and 5 Greater MN categories

Cluster Background, Part 2

Cluster	# of Cities	Average population	Property tax base per capita
GMN Small	357	215	\$584
GMN Stable / Moderate Growth	268	1,838	\$575
GMN Regional / Sub Reg. Centers	49	10,182	\$765
GMN Major Cities	3	85,337	\$876
GMN High Income / Urban Fringe	36	6,099	\$1,112
METRO Diversified / Old / Small	72	9,448	\$1,132
METRO Large / High Growth / Income	66	21,684	\$1,364
METRO Minneapolis / St. Paul	2	336,671	\$1,052

Distribution Formula Overview

- Current need-capacity formula

Need

- Pre-1940 housing %
- 10-year pop decline
- Accidents per capita
- Avg household size
- Metro / Non-metro
- Commercial industrial market value %
- Adjusted population

Capacity

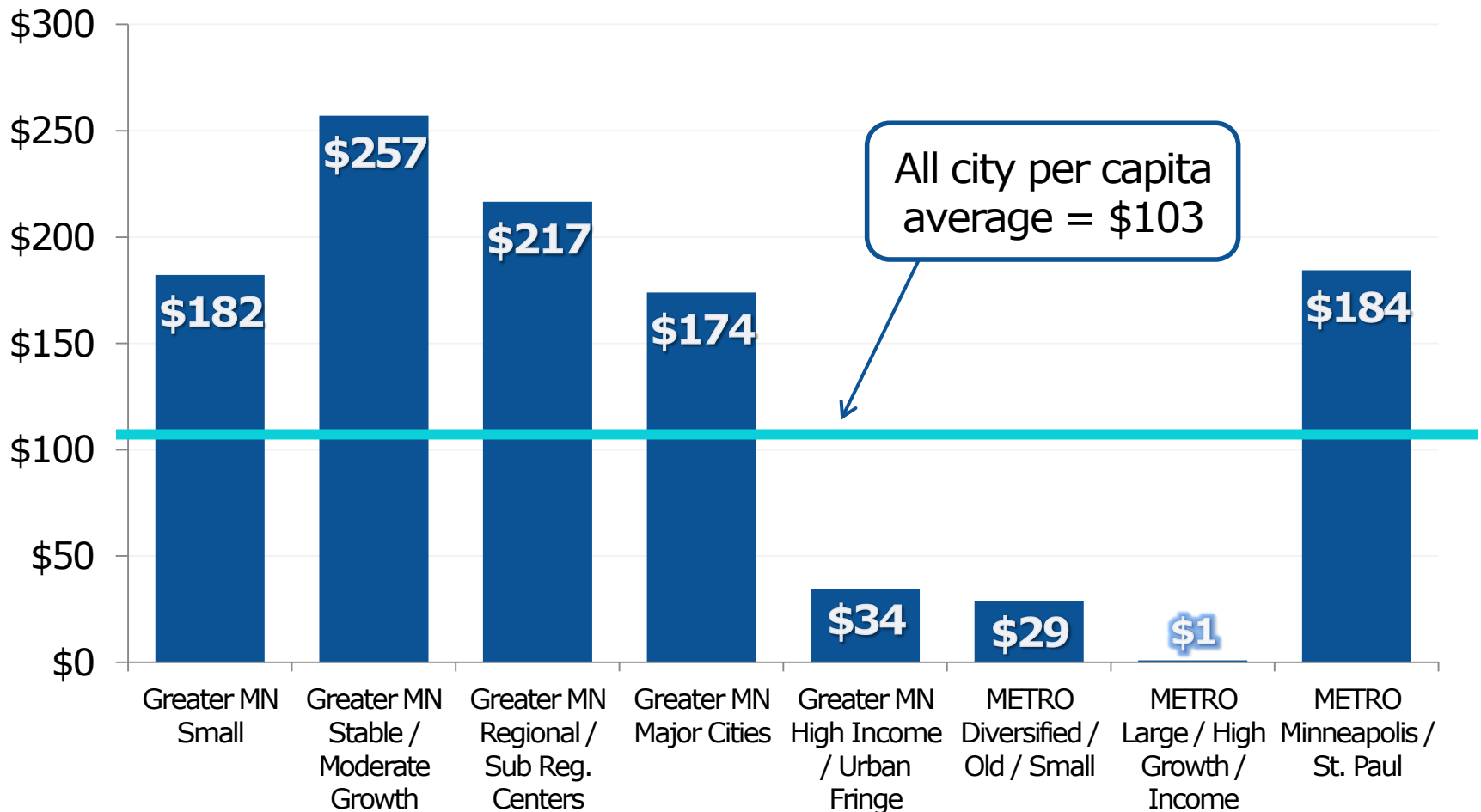
- Property tax base times average city tax rate

Gap

- If need exceeds capacity, a city receives formula aid

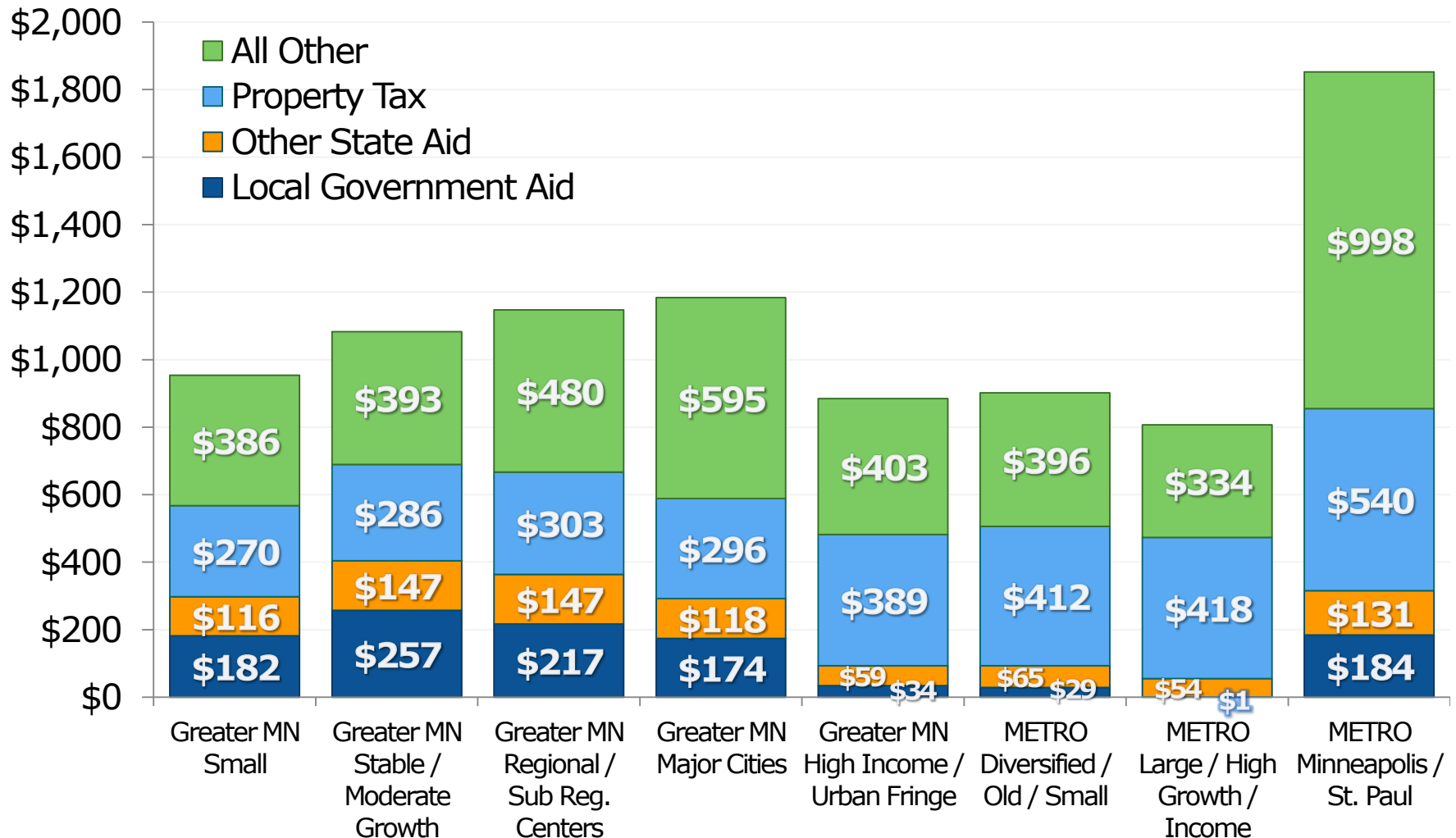
- Aid bases

Local Government Aid Per Capita average 2008-2010



Source: State Auditor's Office, Minnesota City Finances

Per Capita City Revenues average 2008-2010



Source: State Auditor's Office, Minnesota City Finances

City Property Tax Rates

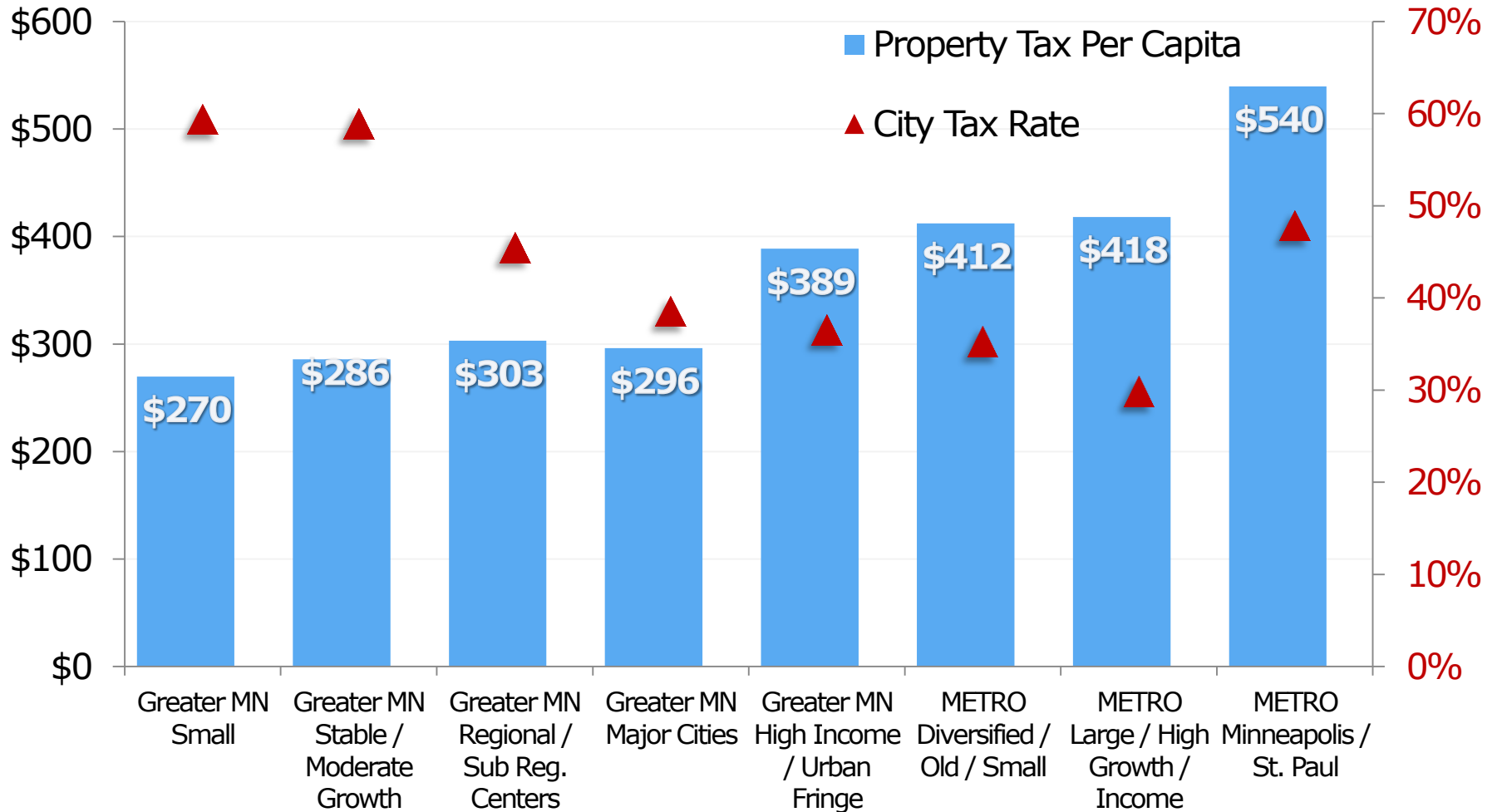
average 2008-2010



Source: Department of Revenue

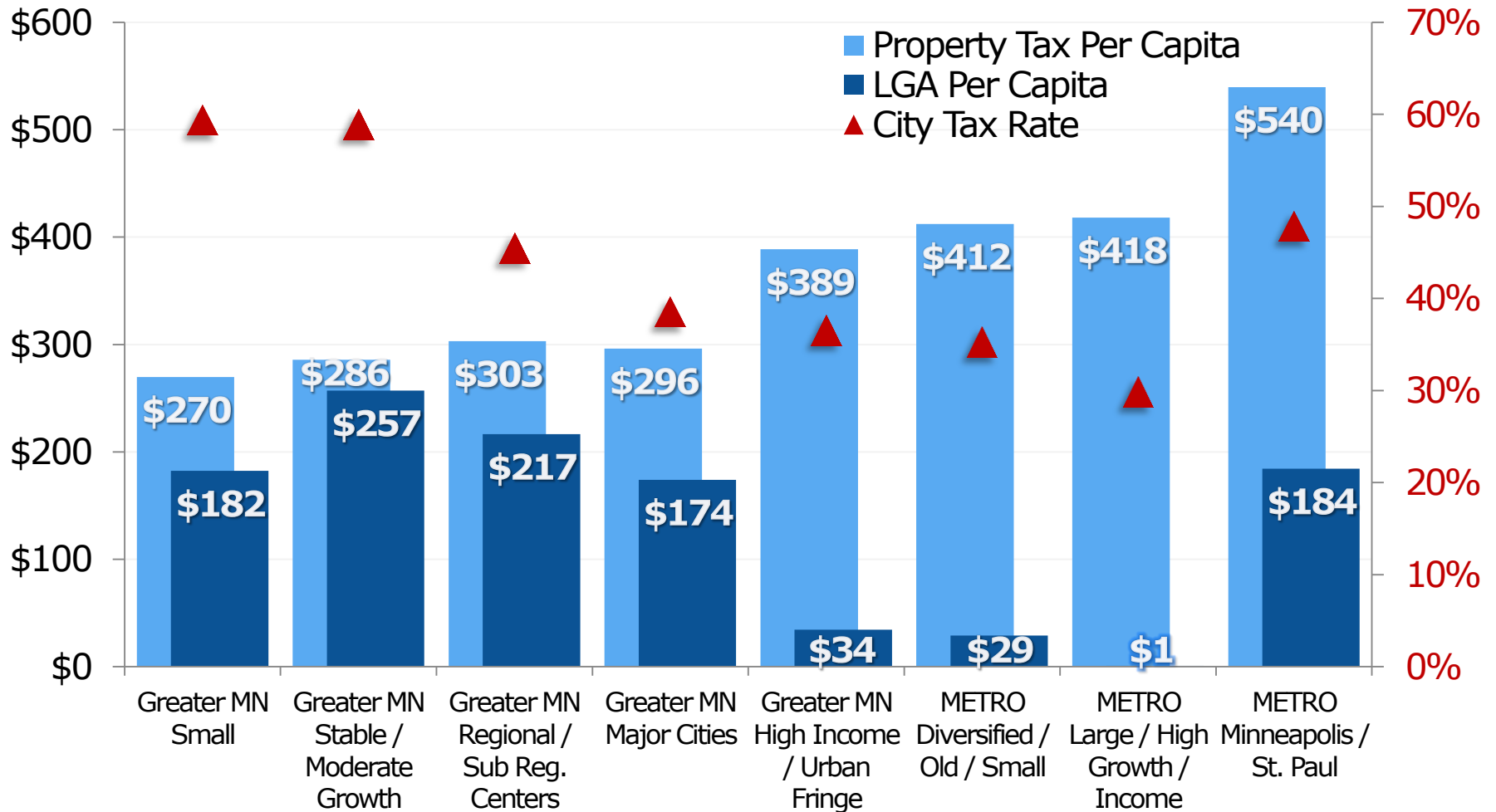
Property Tax Per Capita & City Tax Rates

average 2008-2010



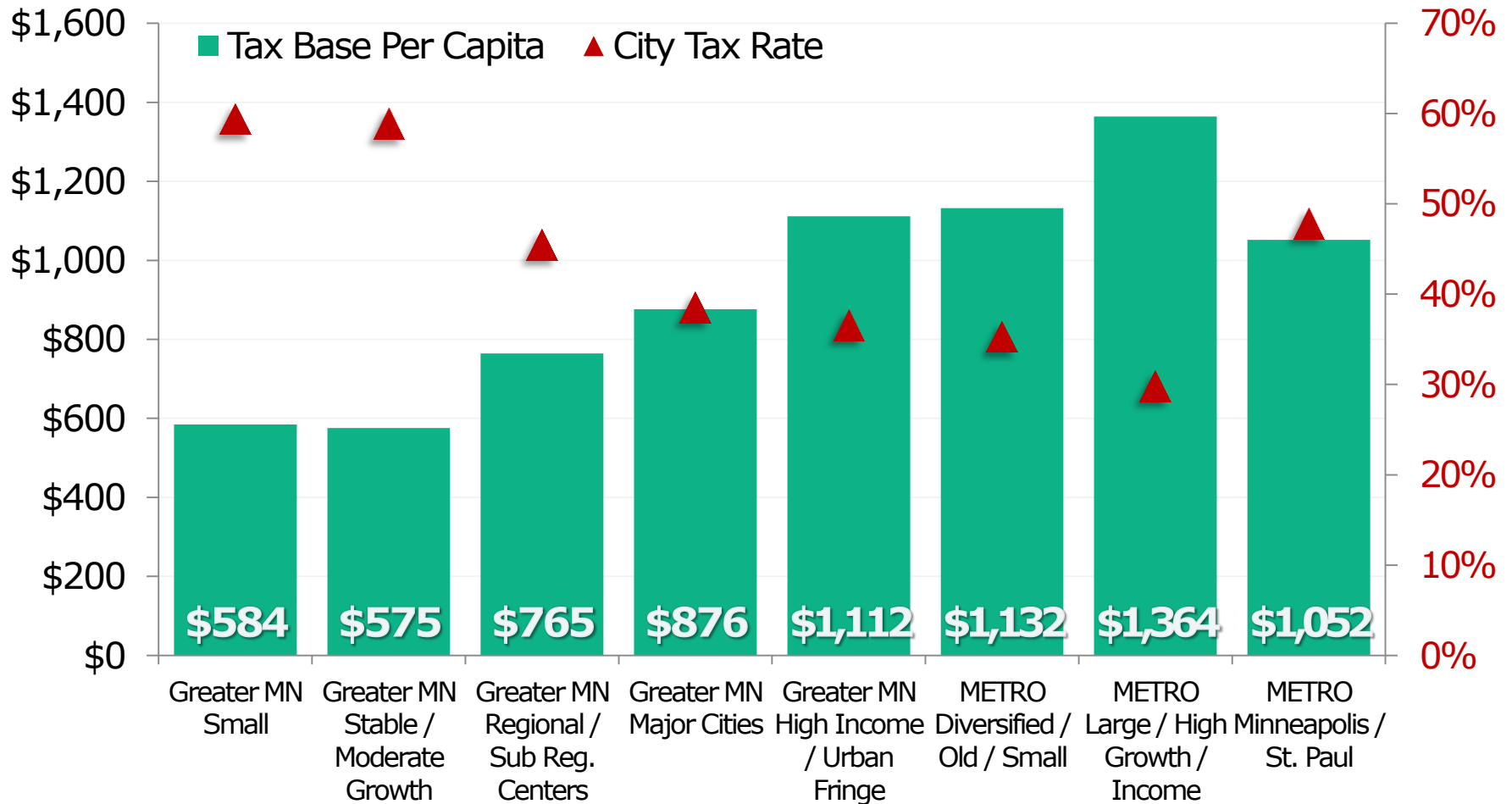
Source: Department of Revenue

Property Tax and LGA Per Capita & City Tax Rates average 2008-2010



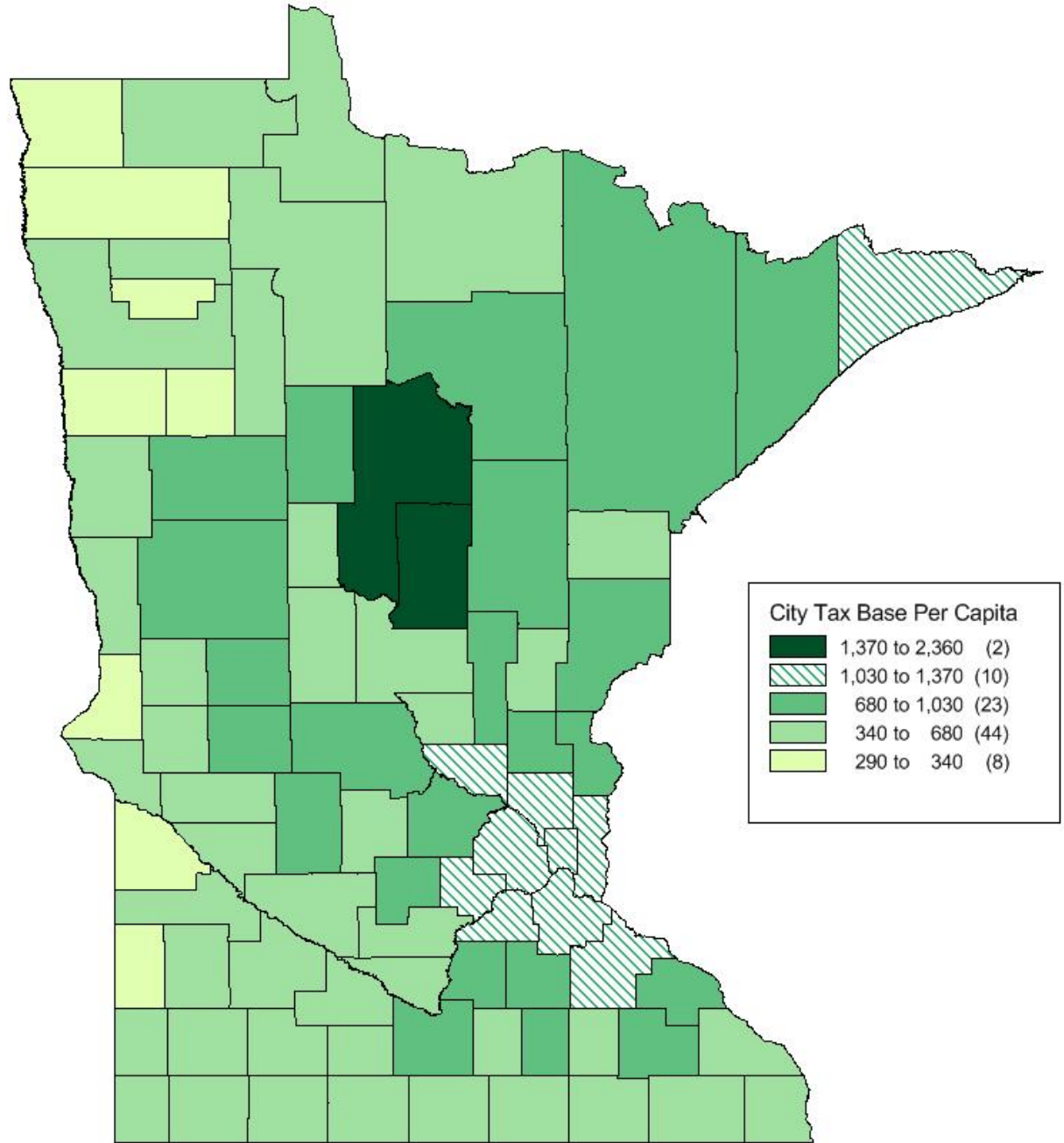
Source: Department of Revenue

Property Tax Base Per Capita and City Tax Rate average 2008-2010

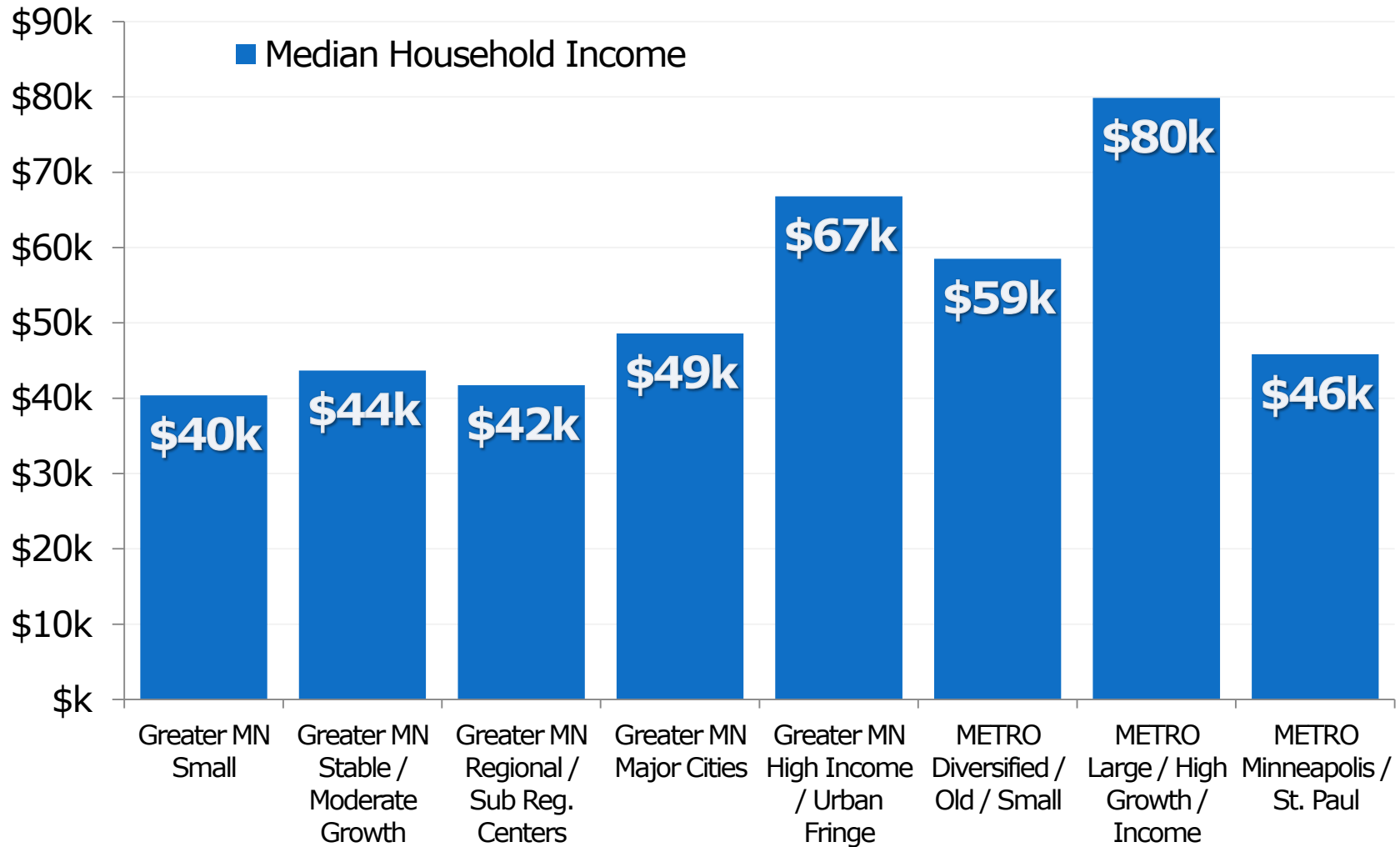


Source: Department of Revenue

City Property Tax Base Per Capita by county 2008-2010



Median Household Income (2010)



Source: Census Bureau

LGA and Sales Tax (\$ millions)

	Count	LGA²	Sales Tax³	Chng Net Revenue
Total Sales Tax Cities¹	136	\$319	\$319	\$0
Non-LGA cities (receive zero LGA)	52	\$0	\$138	\$138
LGA cities: Sales Tax \geq LGA	34	\$27	\$60	\$33
Sales Tax $<$ LGA	50	\$292	\$120	(\$172)
All other cities ⁴	717	\$128	NA	-

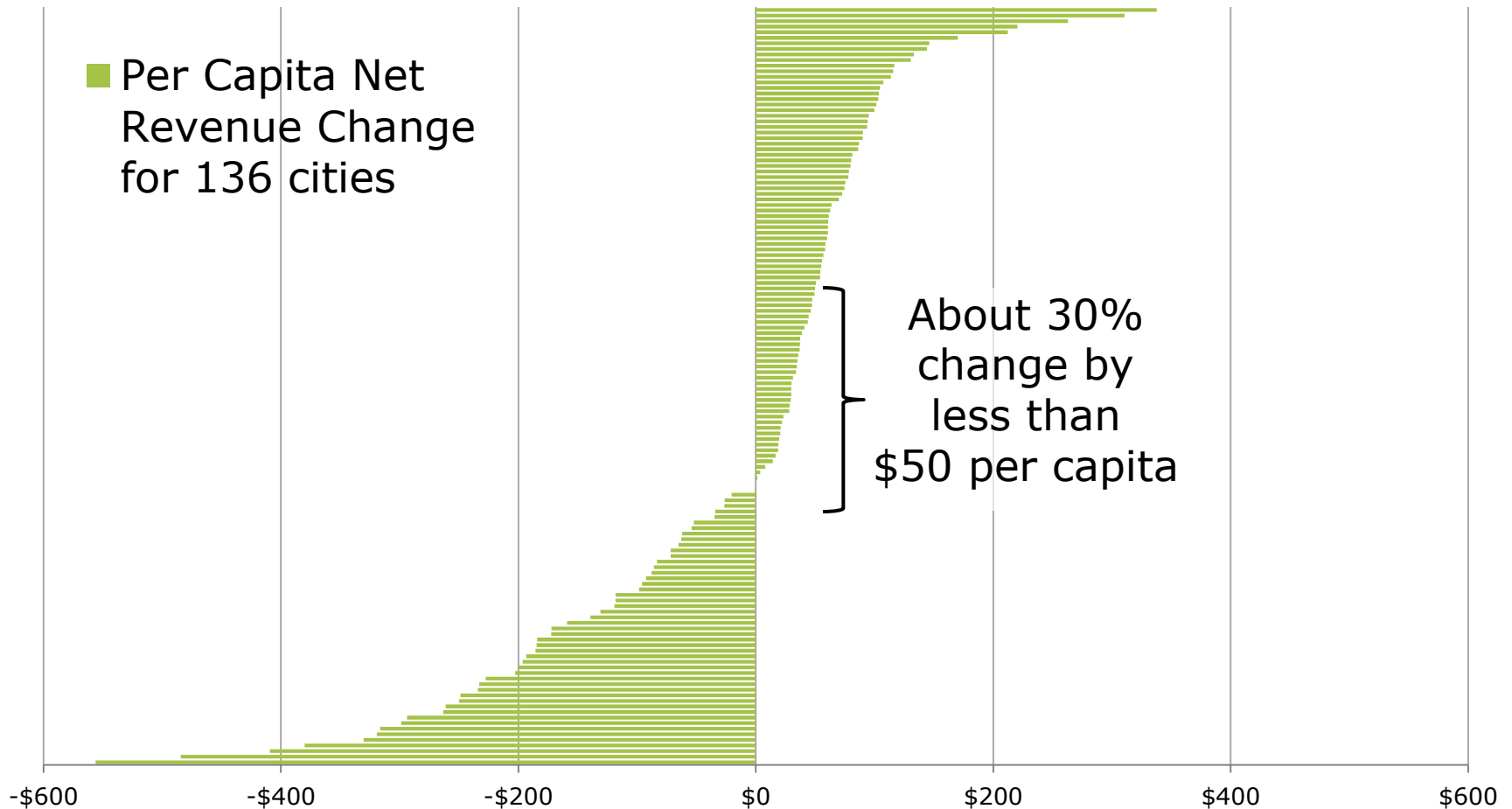
¹ Based on Department of Revenue sales tax statistics for 136 cities

² Based on average LGA received 2008-2010

³ Based on average taxable sales 2008-2010 at a rate of 0.717%

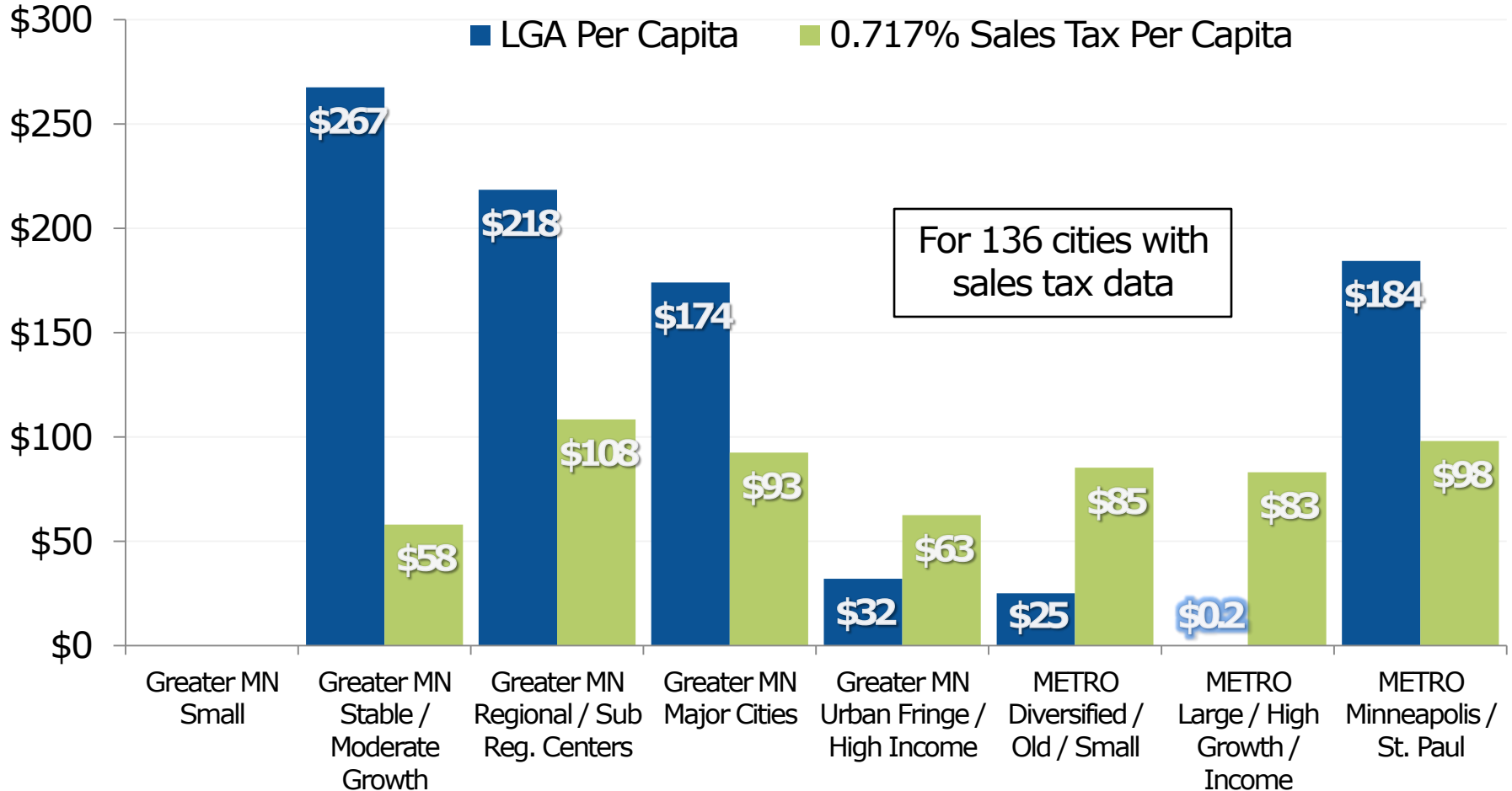
⁴ City specific sales tax data is not available for cities with smaller populations and business counts

Per Capita Net Revenue Change from Replacing LGA with 0.717% Sales Tax



Source: Department of Revenue

LGA Per Capita & Sales Tax Per Capita average 2008-2010



Source: Department of Revenue

City Spending Per Capita

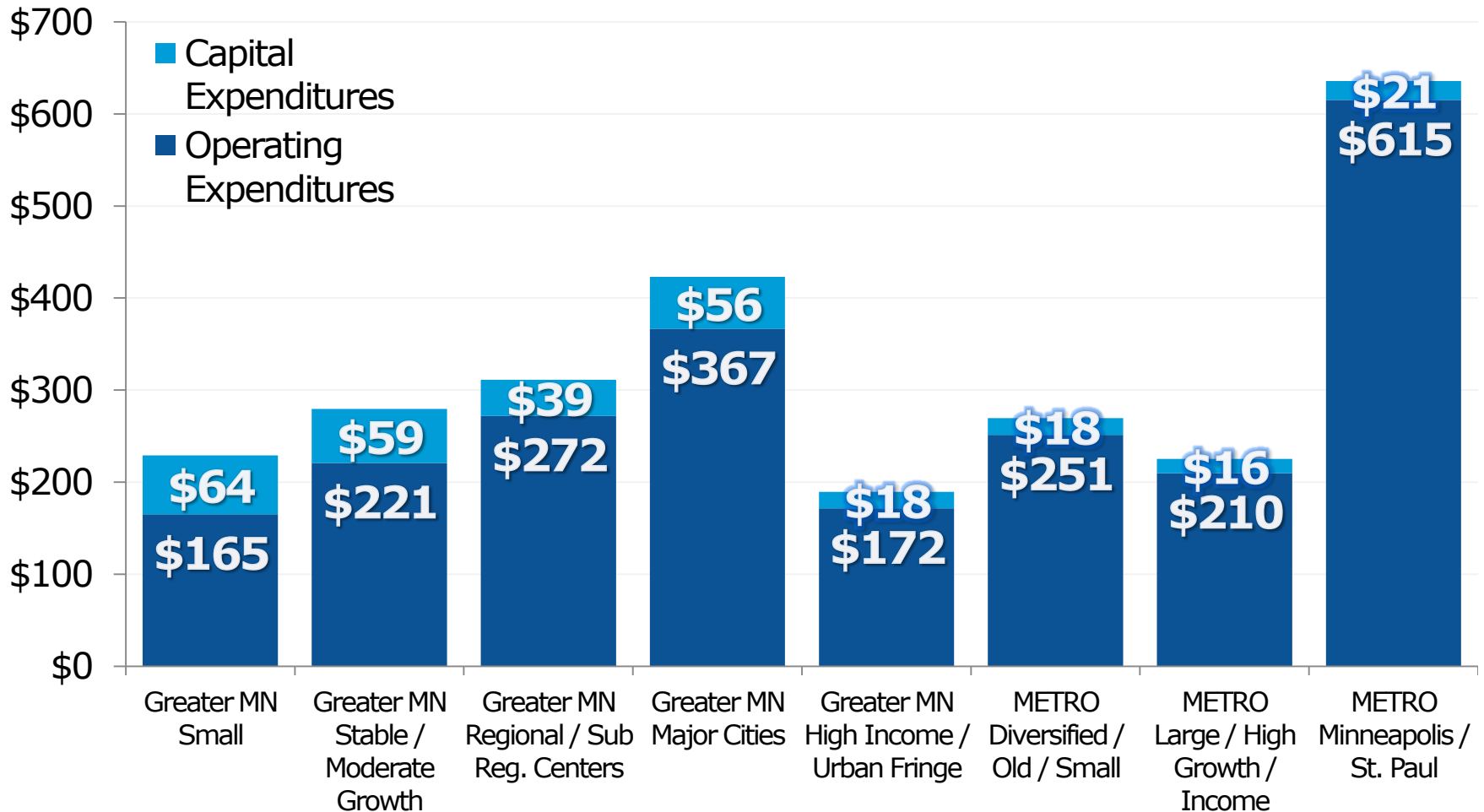
by major category, average 2008-2010



Source: State Auditor's Office, Minnesota City Finances

Public Safety Spending Per Capita

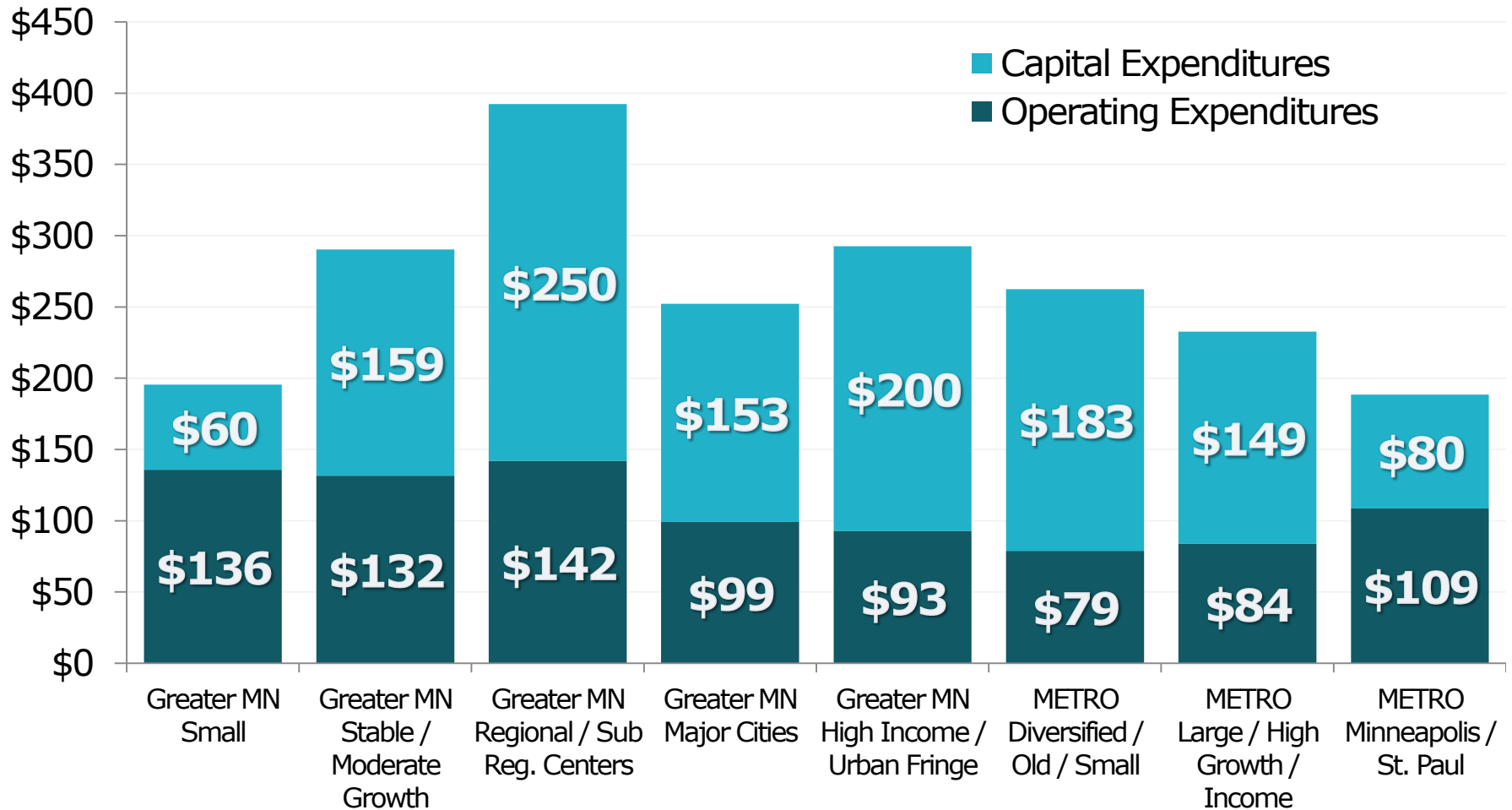
average 2008-2010



Source: State Auditor's Office, Minnesota City Finances

Streets & Highways Spending Per Capita

average 2008-2010



Source: State Auditor's Office, Minnesota City Finances

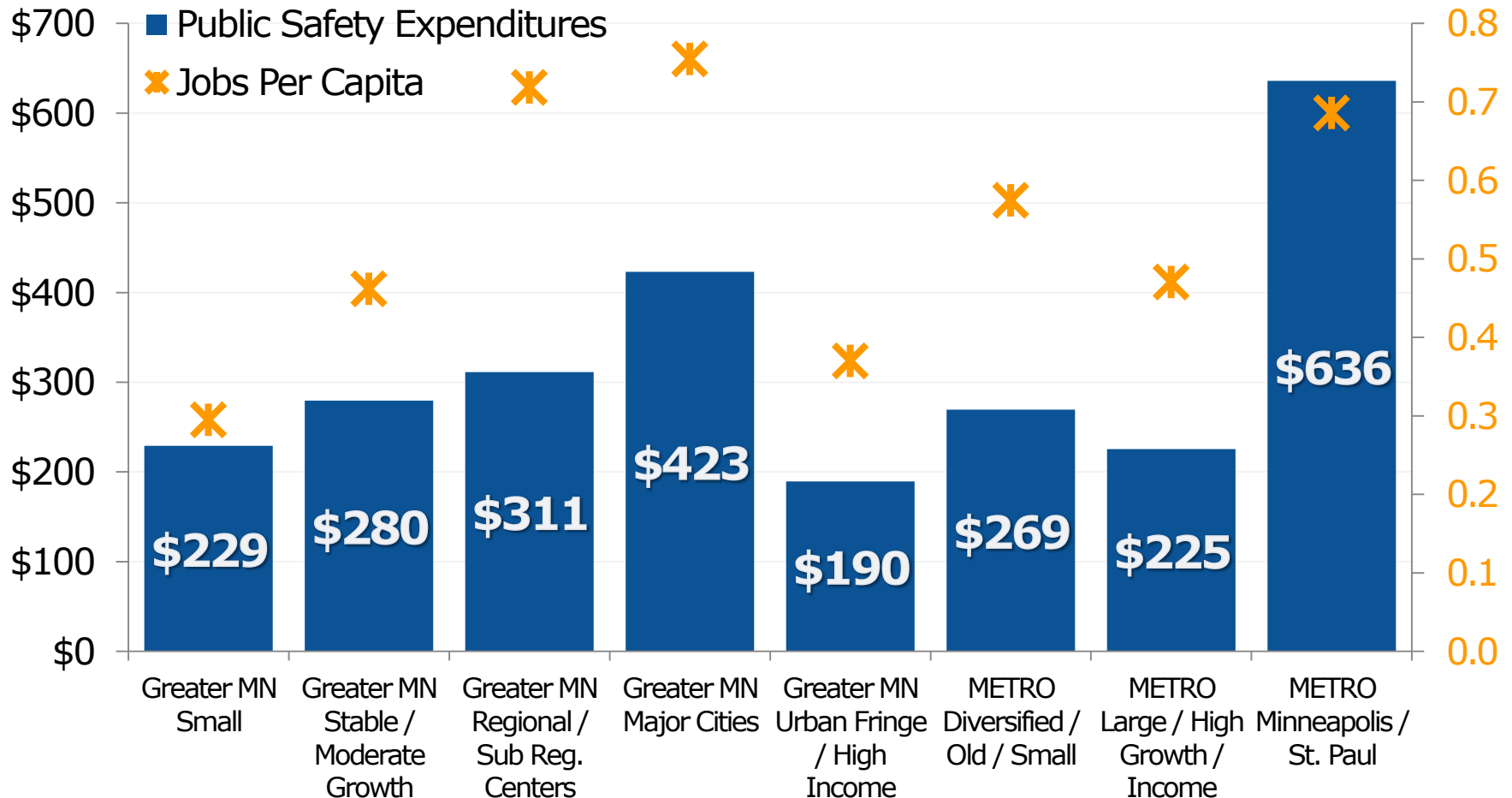
Formula Factors of Need

Factor	Cities over 2,500 population	Cities under 2,500 population
Pre-1940 Housing Percentage	✓	✓
10-year Population Decline	✓	✓
Accidents per Capita	✓	
Average Household Size	✓	
Metro / Non-metro	✓	
Commercial Industrial Market Value Percentage		✓
Adjusted Population		✓

Other measures of Overburden

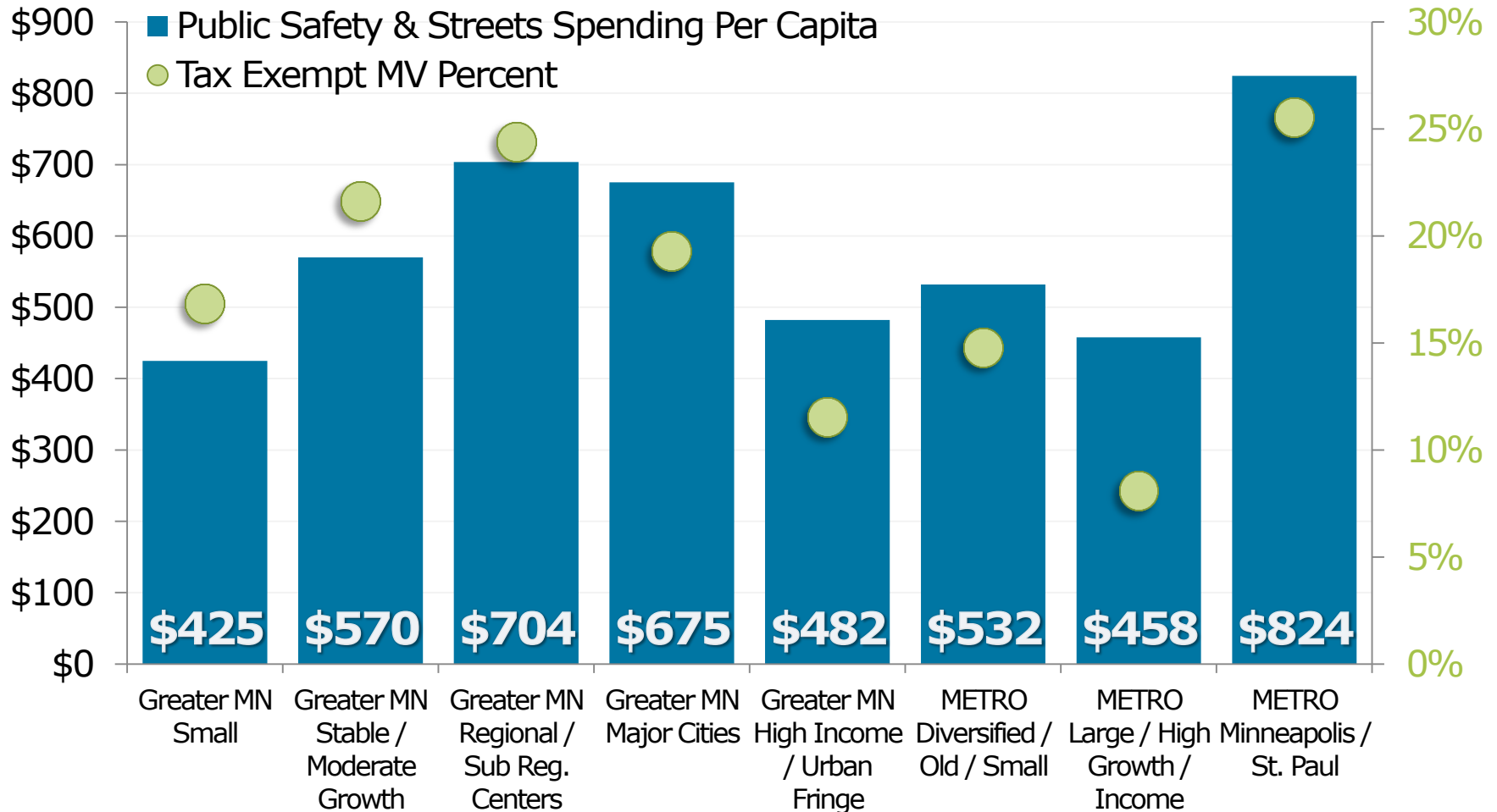
Variable	Current formula
Jobs	LGA jobs aid
Tax-exempt property	-
Crime rate	County aid formula
Poverty	County aid formula
Age-adjusted population	County aid formula
Rental Housing %	-

Public Safety City Spending Per Capita & Jobs Per Capita average 2008-2010



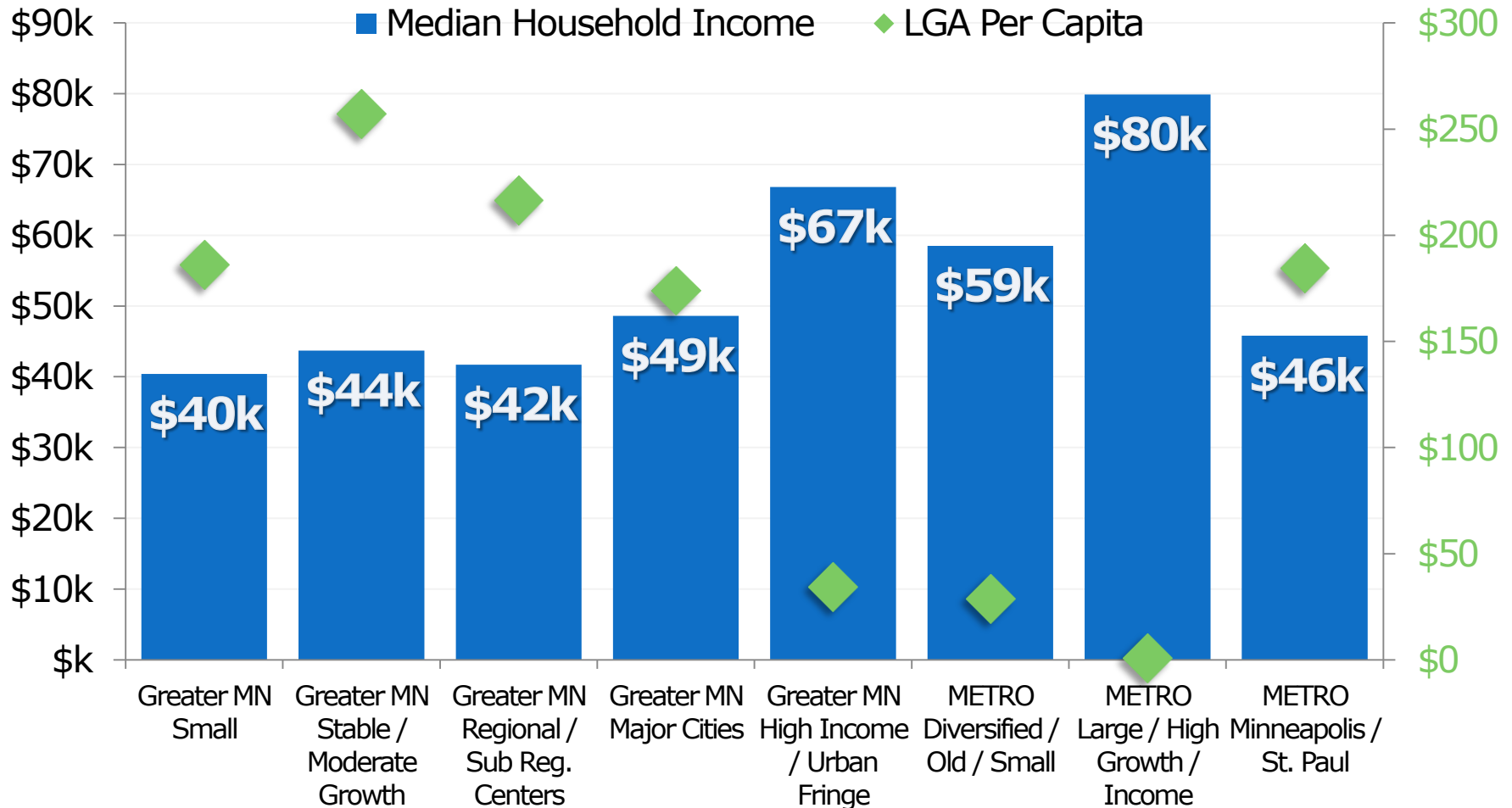
Source: State Auditor's Office, Dept. of Employment and Econ Development

Public Safety and Streets City Spending Per Capita & Tax Exempt Property average 2008-2010



Source: State Auditor's Office, Department of Revenue

Median Household Income (2010) and LGA Per Capita (2008-2010)



Source: Census Bureau, Department of Revenue

Wrapping Up

- LGA cities raise less property tax with higher tax rates and spend more
- Property tax base is more uniform than sales tax base among cities
- Higher spending on public safety and public works is correlated with several overburden measures

Wrapping Up *(continued)*

- Cities have diverse needs and capacities
- What you measure depends on the program goal or goals
- Multiple goals and many variables results in a complicated formula
- A more simple formula must ignore some relevant differences among cities

Thank you

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