Dedicated to a Strong Greater Minnesota

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Bi-partisan Support Key to Keeping Cities Strong, Growing Minnesota

Survey shows cuts to LGA have hit communities hard

Area mayors and city officials gathered today to urge local legislators to protect Local Government Aid (LGA) in the 2010 legislative session. The state has reduced LGA by $201 million, or 13 percent, since 2008. According to the mayors, these repeated and disproportionate cuts to LGA have enabled the state to shift the effects of its ongoing budget problems down to the local level.

"If it's true that strong states are built on the backs of strong cities, the state of Minnesota is setting itself up for a stunted economic recovery," said St. Paul Mayor Chris Coleman, who joined local mayors in a show of metro-rural solidarity on the issue. "Cities provide the essential services that encourage residents and businesses to make Minnesota home, and through deep cuts to LGA, cities simply can no longer provide the expected level of services at an affordable price to property taxpayers."

The mayors presented survey results released by the Coalition of Greater Minnesota Cities that demonstrate how cities have dealt with LGA cuts in their 2010 budgets. Of the 58 cities that responded to the survey, nearly all had reduced expenditures, while two-thirds had increased revenues such as property taxes and fees, and just over one-third reduced their reserve fund.

"The results of the cuts to LGA are clear: residents will see less services and higher property taxes. The cuts are eroding our ability to stay competitive, to attract businesses and keep families in our cities," said Albert Lea Mayor Mike Murtaugh.

Murtaugh summarized the key findings of the survey:

- In response to the LGA reductions, more cities cut expenditures than raised revenue in their 2010 budgets.

- Street maintenance was the most frequently cut service.

- 69 percent of cities reduced their workforce; 33 percent of cities reduced public safety personnel, resulting in the loss of 42 public safety positions.

- The average levy increase for 2010 was 5 percent.

- 60 percent of cities increased or implemented new fees.

"It is critical that leaders from both parties emerge at the Capitol and say 'enough is enough,' and that we can grow this state if we partner with local communities and keep them strong," Murtaugh said.

To protect LGA from deep cuts in 2010, the mayors urged local legislators to follow their cities' examples and use all budget tools, including expenditure reductions and revenue increases, to repair the state's long-term budget outlook.

"Minnesotans, who have seen their property taxes skyrocket over 60 percent in the past decade, are fed up with the state's tactic of budgeting from crisis to crisis," said Mayor Coleman. "It's time for our leaders—both Democrats and Republicans—to muster up the political courage and do what's right for their local constituents. It's time to protect LGA and ensure the economic stability of our cities."

The mayors noted that summaries of individual responses to the 2010 city budget survey can be found online at www.ThankLGA.org.

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CGMC 2010 LGA Survey Results

How Greater Minnesota Cities Responded to the 2008, 2009 and 2010 LGA Unallotments

Intro

In response to the state of Minnesota's budget deficit, Governor Pawlenty unalloted many spending programs including Local Government Aid (LGA) and the Market Value Credit (MVC), both of which are directed to cities. Of these programs, most greater Minnesota cities saw the greatest impact from reduced LGA payments. LGA is provided to cities to reduce property taxes, and assist low property wealth communities and high need communities with providing services.

Cities have faced three years of reduced aid and credit payments. In 2008, the governor reduced LGA by $54 million, a maximum of 4.08 percent of a city's levy plus aid. In 2009, another $45 million was reduced from LGA, a maximum of 3.31 percent of a city's levy plus aid. The 2008 cut was reduced in December of 2008 with less than two weeks remaining in the 2008 city budget year. This required cities to use their reserves and then reduce spending in their 2009 budget year. In June 2009, the governor unalloted cities' 2009 LGA payment. Midway through their 2009 budget year, cities again had to make further spending reduction and use of their reserves to cover the lost revenue. Combined, cities reduced costs and reserves by $98 million due to the 2008 and 2009 unallotments.

Cities' only opportunity to look at increasing revenue occurred in the setting of their 2010 budget discussions. For 2010, the governor reduced LGA payments by $102 million, a maximum of 7.64 percent of a city's levy plus aid. Unlike the cuts of 2008 and 2009, cities in 2010 were fully aware of their LGA reduction and could budget accordingly with all the options available to local elected officials. The setting of the 2010 budget is the first real opportunity to see how local officials in greater Minnesota react to the LGA unallotments of the last three years.

Survey Population

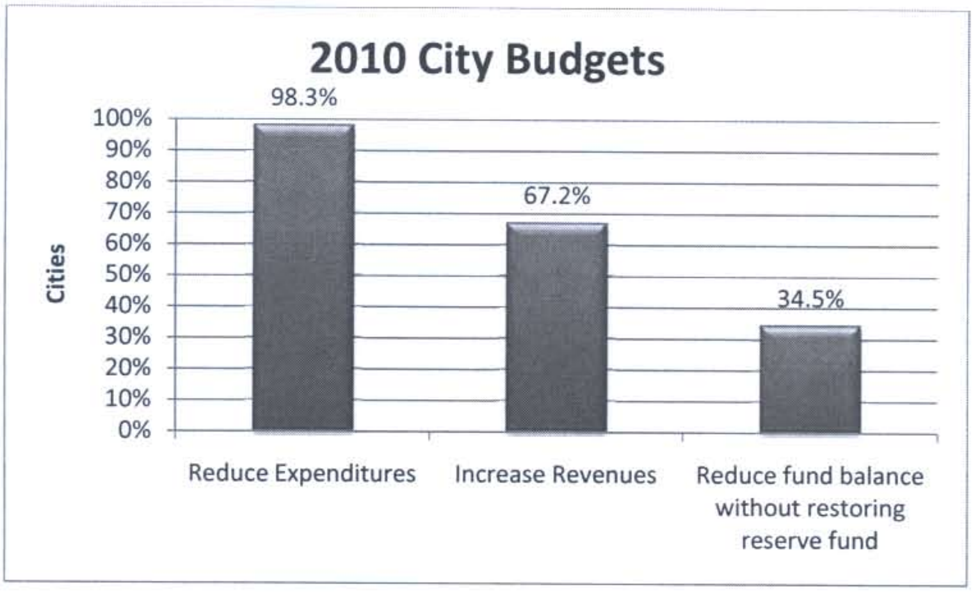
The survey was given to 76 CGMC city managers and administrators. The survey had a response rate of 77 percent. Cities in the CGMC are located in all regions of Minnesota outside the Twin Cities metro area. Cities responding to the survey vary in population from under 3,000 to over 100,000 residents.

Results

2010 City Budgets

In response to the LGA reductions, more cities cut expenditures than raised revenue in their 2010 budgets. Ninety-eight percent of cities responding to the survey reduced expenditures, compared to

67.2 percent that raised revenue. A third of cities reduced their fund balance without restoring their reserve.



Expenditure Reductions

Greater Minnesota cities reduced their expenditures by an average of 2 percent. One of the largest areas cities have reduced expenditure is in delaying capital equipment purchases. Sixty-nine percent of cities have delayed the purchase of capital equipment. In addition 64 percent of cities delayed capital improvement projects.

Service Reductions

As a result of LGA reductions, many city services have been reduced. Hardest hit was street maintenance with 65 percent of cities reducing this budget area. The following chart shows the percentage of cities that reduced various services. The first column is the percentage of cities that reduced a service of all responding cities that provided that service. The second column is the percentage of cities that provide that service (example, 76 percent of cities provide library services and of that total, 27 percent reduced those services).

	Percent of cities that cut services (of cities that provide service)	Percent of cities that provide service
Street maintenance	65 percent	98 percent
Park and recreation programs otherwise not listed	48 percent	90 percent
Public safety programs including police and fire personnel	40 percent	95 percent
Pool hours	39 percent	71 percent

Snow removal	30 percent	98 percent
Library hours	27 percent	76 percent
Life guard hours at beaches	26 percent	47 percent
Public safety programs not including police and fire personnel	20 percent	86 percent

City Employment

In response to the reduction in revenues, 69 percent of cities reduced their workforce. Over 188 positions were eliminated, an average of 3.25 positions per city. Thirty-three percent of cities reduced their public safety personnel, resulting in the loss of 42 public safety positions.

In addition to reducing workforces, many cities attempted to reduce the cost of their workforce. Wage freezes were instituted in 55 percent of cities for non-union employees. Sixty-six percent of cities have or are attempting to negotiate wage freezes with union employees. Three percent of cities do not have union employees.

Revenue Increases

The average property levy increase was 5 percent. Eighteen percent of cities increased their property tax levy by over 10 percent.

Many cities looked to increase revenue through other means other than property tax levies. Sixty percent of cities increased or implemented new fees. Five percent of cities are implementing a street light utility fee. Seventeen percent of cities increased their sewer and water fees.

Reserves and Cash Flow

Particularly to address mid-year and end-of-year unallotments, city fund balances have been reduced. Seventy-four percent of cities reduced their fund balance to offset the loss of LGA. Reductions in reserves can impact city cash flow. Nine percent of cities responding to the survey report they do not have an adequate fund balance to meet their 2010 cash flow needs. Due to the reduction in revenue and the timing of the aid payment cuts, 3.5 percent of cities surveyed have used some form of short-term borrowing.