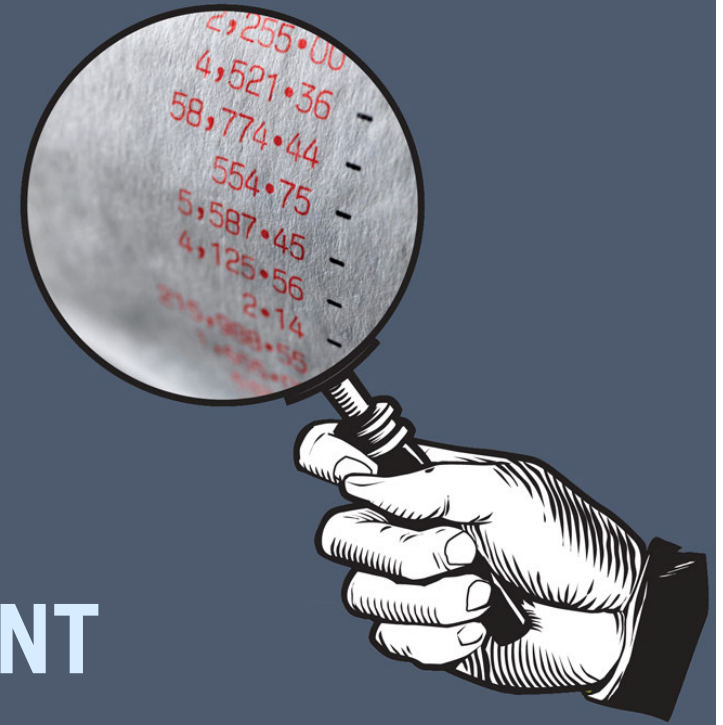


TOWARD A MORE OPEN GOVERNMENT IN MINNESOTA

The Need for Greater Transparency
in Local Budgeting & Spending Decisions



Issues and Challenges in Object Code Budget Transparency

Object Code information can be found in most local budget documents, but often is insufficient in assembling the story of government operations for a number of reasons:

- In some cases there is insufficient detail—e.g. a line item labeled “personal services” covers all employee labor cost elements
- Detailed Object Code information is provided at the department level but is not totaled to provide a complete budget perspective
- Simple year-on-year comparisons can mask longer term important trends
- Descriptive information should provide context for the dollar total— (e.g. employee health care plan features and cost-sharing provisions)
- Complexity of government fund accounting is challenging to average taxpayers

What is Needed?



Create a *Budget Presentation Template* that:

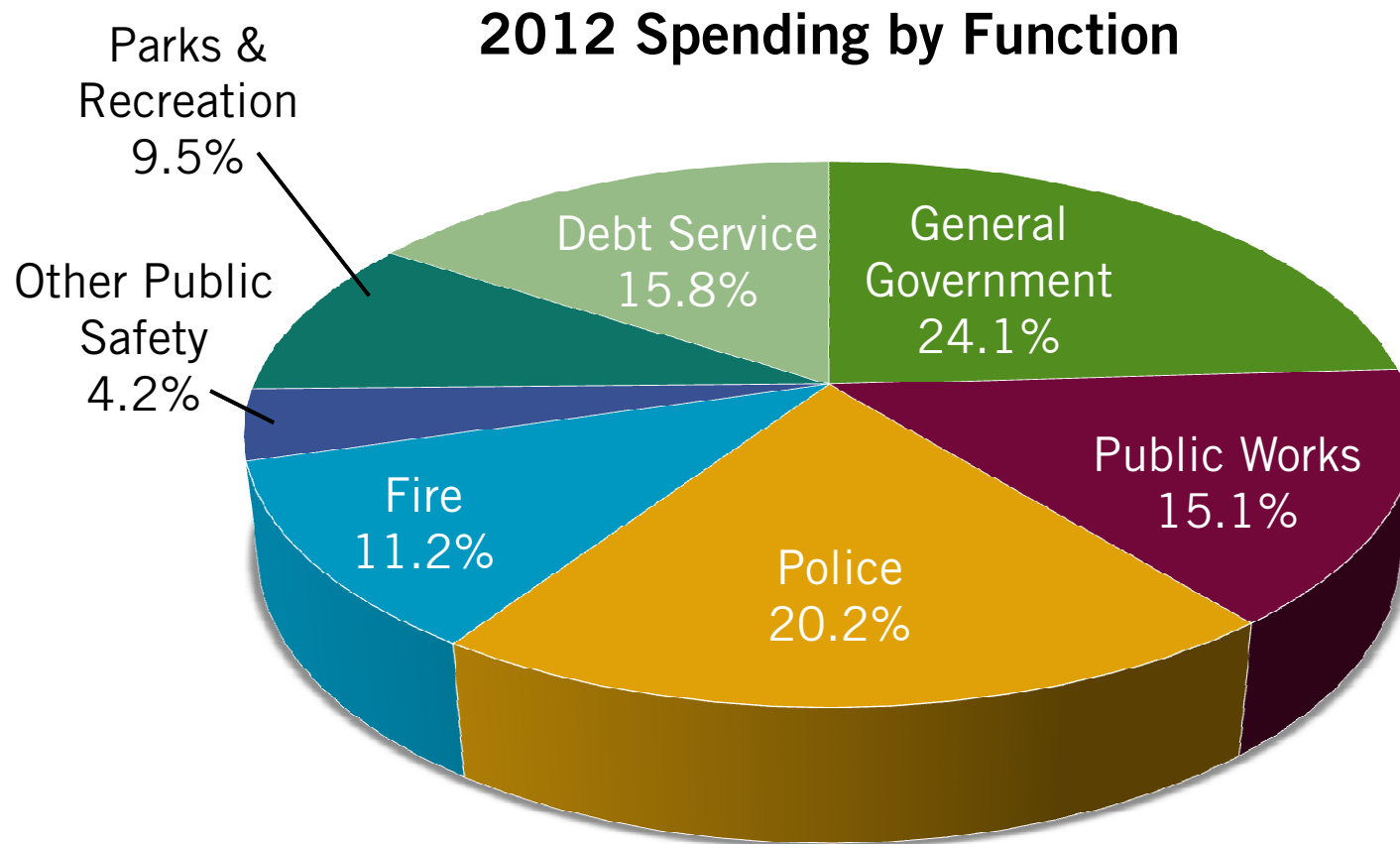
- Includes an Object Code perspective on government operations highlighting cost structures and trends
- Connects cost-drivers to property tax changes and promotes greater property tax understanding and accountability
- Complements program spending information
- Enables taxpayers to flag critical issues, ask questions with confidence, and to better understand the financial challenges confronting local elected officials

Present the Role of Property Tax in the Budget

Present the Role of Property Tax in the Budget (“Tax of Last Resort”) In Thousands (\$000)

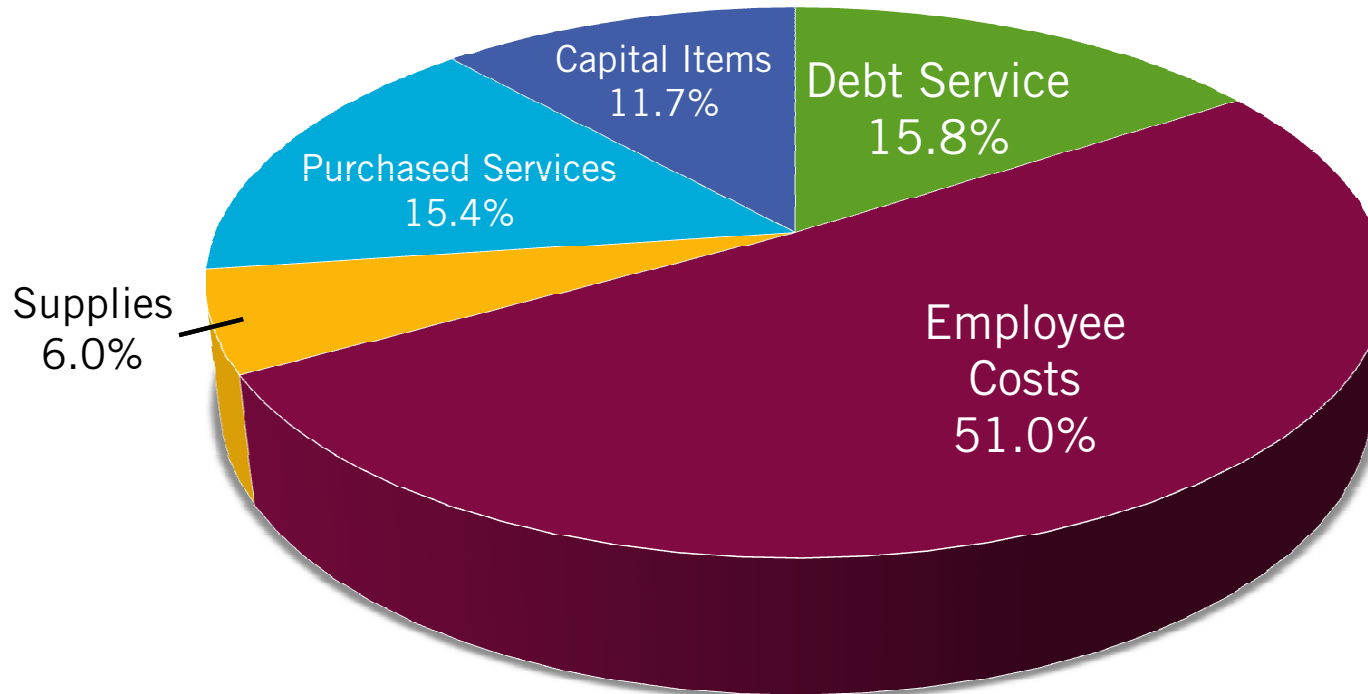
	2009 Actual	2010 Actual	2011 Estimated	2012 Budgeted	2011-2012 Change		2009-2012 Change	
					Amount	Pct	Amount	Pct
Total Spending	40,554	41,555	39,478	42,069	2,591	6.4%	1,515	3.7%
Total Non-Property Tax Resources	11,018	11,143	9,256	12,938	3,682	33.4%	1,920	20.7%
Property Taxes Needed	29,536	30,412	30,222	29,131	(-1,091)	(-3.7%)	(-405)	(-1.3%)

Present Government Spending Through Both Lenses (Function and Object)



Present Government Spending Through Both Lenses (Function and Object)

2012 Spending by Major Object Category



Present Spending by Major Object Category with Detail on Employee Costs

Spending by Object	2009 Actual	2010 Actual	2011 Estimated	2012 Budgeted	2011-2012 Change		2009-2012 Change	
					Amount	Pct	Amount	Pct
Employee Costs	20,335	20,450	20,730	21,462	731	3.5%	1,126	5.5%
<i>Salaries & Wages</i>	16,134	16,321	16,282	16,692	410	2.5%	559	3.5%
<i>Pension</i>	1,396	1,484	1,518	1,641	123	8.1%	244	17.5%
<i>FICA</i>	718	713	710	793	83	11.7%	74	10.3%
<i>Healthcare</i>	1,541	1,506	1,755	1,954	199	11.4%	413	26.8%
<i>Other</i>	546	476	465	382	(-83)	(-17.9%)	(-164)	(-30.1%)
Supplies	2,459	2,190	2,492	2,528	35	1.4%	68	2.8%
Purchased Services	6,582	6,685	6,870	6,498	(-372)	(-5.4%)	(-84)	(-1.3%)
Capital Items	2,081	2,242	4,115	4,942	827	20.1%	2,861	137.5%
Debt Service	8,622	9,189	5,271	6,640	1,369	26.0%	(-1,981)	(-23.0%)
Transfers to Other Funds	475	750	0	0	0	NA	(-475)	(-100.0%)
Total Expenses	40,554	41,555	39,478	42,069	2,591	6.6%	1,515	3.7%

Provide Descriptive Detail on Key Labor-Related Items—e.g. Employee Health Care

- Premium Cost
- Employee/Employer Cost Share
- Key Plan Features/Details (max out-of-pocket, co-pays, etc.)
- Other Post Employment Benefits (OPEB)

Flag Fastest Growing and Declining Non-Personnel Costs

Spending by Object	2009 Actual	2010 Actual	2011 Estimated	2012 Budgeted	2011-2012 Change		2009-2012 Change	
					Amount	Pct	Amount	Pct
Web Development	32	28	50	160	110	219.2%	128	398.5%
Contracted Repair	187	196	193	267	74	38.7%	80	42.7%
General Supplies	383	360	411	454	43	10.5%	71	18.5%
Data Processing	354	338	389	412	23	5.9%	58	16.3%
Salt	252	167	254	189	(-65)	(-25.6%)	(-63)	(-25.1%)
Professional Services	1,817	1,787	1,666	1,747	80	4.8%	(-70)	(-3.9%)
Gas and Fuel Oil	426	259	316	319	3	0.9%	(-107)	(-25.1%)

Breakdown of Revenue Sources

Revenue Source	2009 Actual	2010 Actual	2011 Estimated	2012 Budgeted	2011-2012 Change		2009-2012 Change	
					Amount	Pct	Amount	Pct
Property Taxes	29,536	30,412	30,222	29,131	(-1,091)	(-3.6%)	(-405)	(-1.4%)
Special Assessments	565	1,509	1,817	1,817	<1	<0.1%	1,253	221.9%
Franchise Taxes	647	668	640	650	10	1.6%	3	0.4%
Local Government Aid	0	0	0	0	0	NA	0	NA
Other State Grants/Aids	806	780	770	721	(-49)	(-6.4%)	(-85)	(-10.6%)
Federal Grants/Aids	203	383	197	197	0	NA	(-6)	(-2.8%)
County & Local Grants/Aids	69	68	68	105	37	54.1%	36	51.4%
Fees and Charges	3,040	2,759	2,795	2,734	(-61)	(-2.2%)	(-306)	(-10.1%)
Licenses and Permits	2,886	2,081	2,321	2,309	(-11)	(-0.5%)	(-576)	(-20.0%)
Fines and Forfeits	1,073	1,225	1,173	1,027	(-146)	(-12.4%)	(-46)	(-4.3%)
Investment Income	826	277	270	297	27	9.8%	(-530)	(-64.1%)
Operating Revenues	4	3	314	3	(-310)	(-99.0%)	(-1)	(-17.8%)
All Other Revenues	371	488	411	410	(-2)	(-0.4%)	38	10.2%
Subtotal – Revenues	40,026	40,653	40,998	39,401	(-1,596)	(-3.9%)	(-625)	(-1.6%)
Transfers from Other Funds	1,213	969	765	765	0	NA	(-448)	(-36.9%)
Use of (Addition to) Fund Balance	(686)	(66)	(2,285)	1,903	4,188	NA	2,589	NA
Total Expenses	40,554	41,555	39,478	42,069	2,591	6.6%	1,515	3.7%

Distribution of the Levy Among Properties



Present Summary Information on Impact of Changes in the Property Tax Distribution

- Shifting from changes in relative valuation
- Shifting from changes in state law

Reactions of Government



- Some elected officials quite supportive
- Staff on the other hand, is very skeptical and concerned
- Concern about cost, time and additional staff burden in changing or adding to traditional reporting
- Concern about burying taxpayers in minutiae—finding the line between “enough” and “too much” information
- Question the real need— “citizens aren’t engaged”
- Highly resistant to anything that would lead to uniform cost accounting and benchmarking across jurisdictions along with any new mandates associated with this initiative

Adding to the Urgency



The Projected Future of City Budgets Through 2025

A Report from the League of Minnesota Cities, June 2010

Key findings:

- “Cities of every size, in every region, will be broke by 2015 if no policy changes are made.”
- “By the year 2025, cities overall would see a deficit of 35% of city revenues.”
- “Fundamental changes are needed in city services and funding in order for these projections to be avoided.”

Supporting the Idea

“More details, more power to the people”

“Support for the idea of more specifics in public budgets”

~St. Paul Pioneer Press editorial 4/28/2011

- “Keeping a foot on the brake of local spending is one important way to keep property taxes within reason.”
- “If taxpayers could understand more easily where the dollars are going via a different way of reporting expenses and seeing trends over time, they could more easily exert pressure to apply the brakes.”
- “However this information is gathered, the public deserves and needs the best data on how property tax dollars are being spent.”



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