



FARMLAND AND THE TAX BILL:

THE COST OF COMMUNITY SERVICES IN THREE MINNESOTA CITIES



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THREE MINNESOTA CITIES**

**American Farmland Trust
1994**



American Farmland Trust

American Farmland Trust is a private, nonprofit, conservation organization founded in 1980 to protect the nation's agricultural resources. AFT works to stop the loss of productive farmland and to promote farming practices that lead to a healthy environment. Its action-oriented programs include public education, technical assistance in policy development and direct farmland protection projects. Basic annual membership is \$20. For membership information, contact the National Office.

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The Land Stewardship Project is a private, nonprofit farm and social justice organization founded in 1982. Based in Minnesota, LSP works locally and nationally to foster an ethic of stewardship toward the land and promote sustainable communities and agriculture through grassroots organizing, advocacy, participatory education and policy initiatives. To receive our newsletter and support LSP's work, send \$30. For more information, contact the Marine on St. Croix office.

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Respectfully Submitted,

David R. Senf

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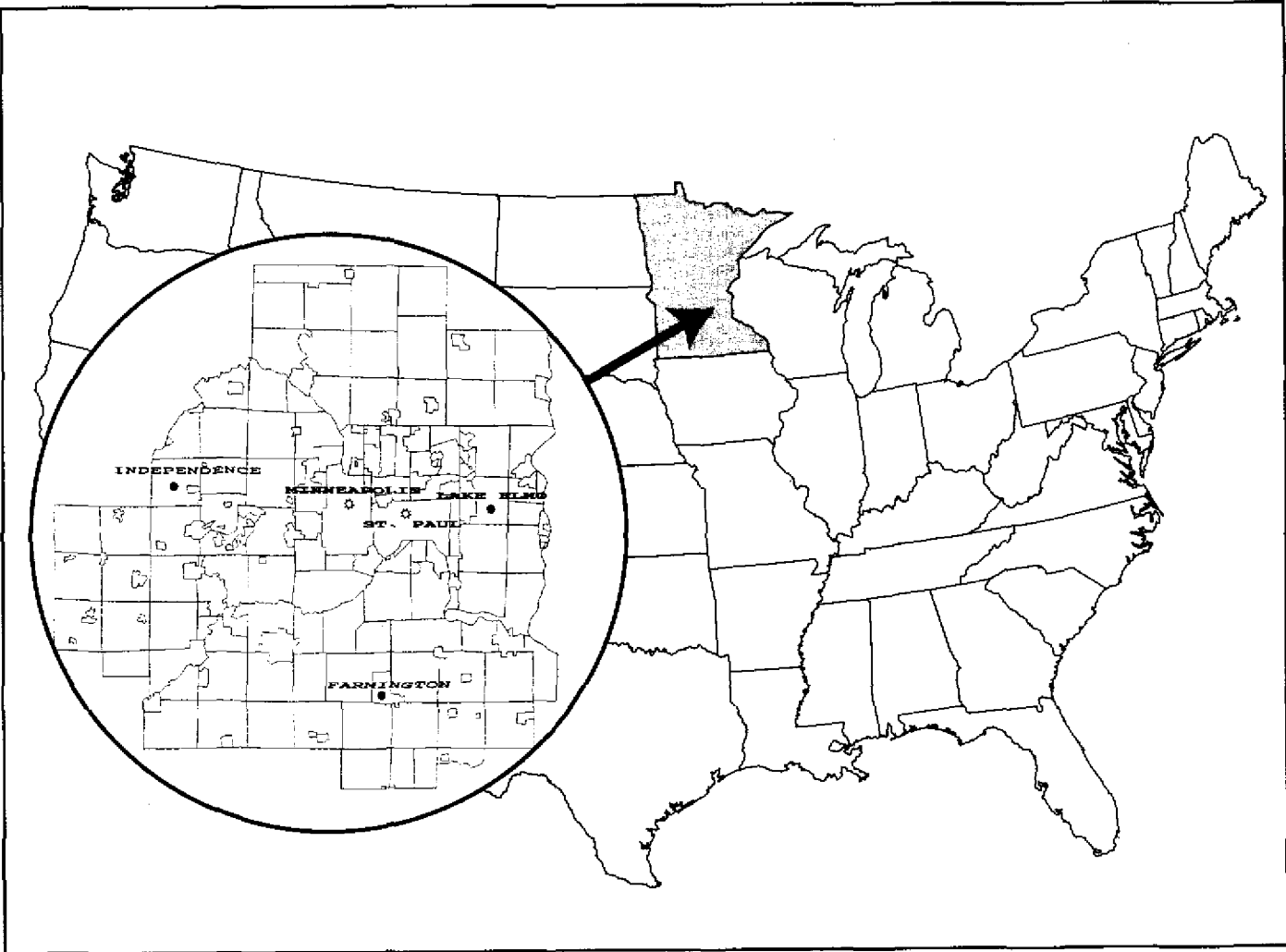
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Locator Map

**Farmington, Lake Elmo and Independence are
in Minnesota's Twin Cities Metropolitan Area**



Abstract

Farmland in the seven-county metropolitan area of Minneapolis and St. Paul, Minn. has been urbanized at nearly twice the rate of population growth since 1970, resulting in the loss of more than 150,000 acres, or 235 square miles of farm and vacant land. Since 1980, growth has occurred almost exclusively in the second ring of suburbs and, to a lesser extent, on the urban fringe. Slowing the pace of urban sprawl around the Twin Cities has been hindered in part by the property tax-dependent system of local government finance. Even with a nationally lauded property tax base sharing program and one of the nation's highest levels of state aid to local government, municipalities compete for new development to increase their tax base.

Across the country, suburban developments are proposed, advocated and approved based on the argument that expanding the tax base will reduce local property taxes. Among other things, this has led property owners to oppose tax relief programs for farmland. In response, American Farmland Trust, a private, nonprofit conservation organization, has developed a consistent, inexpensive and easy-to-understand way to evaluate existing contributions of municipal land uses. In eight studies in the

Northeast and Ohio, AFT has found that any apparent gain in tax revenue from residential development was lost when the cost of delivering necessary public services -- from roads, sewers and parking lots to education and public safety -- was considered. Based on these studies and interest in finding out if this pattern would hold in Minnesota, AFT was asked to conduct three Cost of Community Services studies in the Twin Cities metro area.

Cost of Community Services studies reorganize local records to trace the flow of revenues and expenditures generated by specific land uses. Results provide a snapshot of the relative contributions of different land uses, which are summarized by ratios of revenues to service costs for residential, commercial and industrial, and farmland uses.

Working with the Land Stewardship Project, a Minnesota-based farmland and social justice organization, AFT conducted COCS studies in three outlying Twin Cities Metro Area municipalities. On average, AFT found the ratio of dollars generated by residential development to the cost of services provided was \$1 : 1.04. In comparison, on average, for every farm dollar raised, only 50 cents was spent to provide services.

| Summary of Findings (In Dollars) | | | |
|----------------------------------|-------------|-------------------------|----------|
| City | Residential | Commercial & Industrial | Farmland |
| Farmington | 1 : 1.02 | 1 : 0.79 | 1 : 0.77 |
| Lake Elmo | 1 : 1.07 | 1 : 0.20 | 1 : 0.27 |
| Independence | 1 : 1.03 | 1 : 0.19 | 1 : 0.47 |

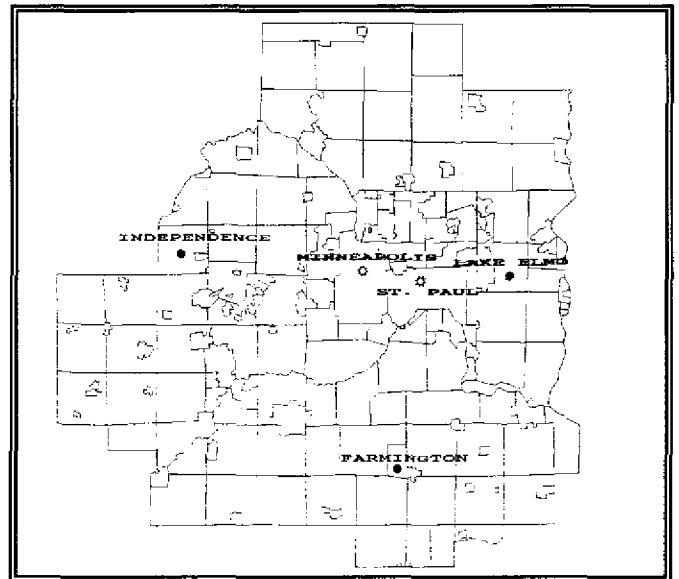
Introduction

Minnesota's Twin Cities metropolitan area consists of seven counties covering just under 3,000 square miles, or 1.9 million acres. The metro area's shape is an irregular rectangle 50 miles wide and 60 miles long. Minneapolis and St. Paul, the two central cities, are located in the center of the metro area. Based on 1990 land use data, approximately 29 percent of the metro area is classified as urbanized¹, another six percent is lakes and streams, 10 percent is classified as wetlands and the remaining land, 55 percent, is classified as vacant/agricultural. While mainly farmland,² the vacant/agricultural land use classification also includes vacant industrial land and unused public land. More than half the 2.3 million residents of the seven-county metro area still live within the two central cities and surrounding first-ring suburbs, but growth since 1980 has occurred almost exclusively in the second ring of suburbs and, to a lesser extent, on the urban fringe.

The dramatic suburbanization of jobs and people during the 1980s reversed the late-1970s trend of slowing vacant/agricultural land consumption. This land was being converted to urban uses at an average annual rate of 9,500 acres during the early 1970s. The average conversion rate declined to 5,400 acres per year between 1975 and 1984. Since 1985, vacant/agricultural land has been developed at an annual rate of 9,000 acres.³

Despite the loss of more than 150,000 acres, or 235 square miles of vacant/agricultural land to urbanization since 1970, almost two-thirds of the metro area remains in this category, when wetlands are included. Agricultural activity remains strong,

accounting for slightly more than 6 percent of the state's total agricultural production. Even Hennepin County, which includes Minneapolis and has a population of more than 1 million people, is still 40 percent vacant/agricultural land. Few urban counties in the nation can match Hennepin in population and farm production. Dakota County, the metro county with the most farm activity, has some of the state's most productive farmland, yet it is one of the fastest growing counties in the nation.



Farmington, Lake Elmo and Independence in relation to the Twin Cities

The variation in farm activity in the metro area is similar to that found across the state. In descending order of acreage, crops include corn, soybeans, hay, oats and wheat. More than 700 dairy farms with 36,000 milk cows are in operation. In addition, metro-area farms raise more than 150,000 beef cattle, 128,000 hogs and 7,000 sheep. Vegetable

Introduction

farming is a major activity, both for local consumption and processing, as is the greenhouse and nursery industry.⁴ Metro-area agricultural activity produced more than \$500 million worth of farm output in 1990 and generated 7,000 jobs.⁵

The Metropolitan Council is a metro-wide planning agency that tries to manage the rate of growth and the pattern of development around the Twin Cities. The council was formed in 1967 to accommodate the area's growth in an orderly way and to promote the development of public facilities to ensure efficient delivery of public services. The council also affects land use decisions through review of all metropolitan cities' comprehensive land use plans. One of the council's strongest planning tools is its review and approval authority for sewage and highway development. In this capacity, the council has approved infrastructure investments that have significantly enlarged the urban service boundary.

Although there are many forces driving urban sprawl, one of the prime reasons that cities, and, to a lesser degree, townships, have resisted metropolitan-wide planning efforts is the pressure to increase property tax bases. Local governments in Minnesota derive a large share of their own-source revenues from property taxes. Faced with increasing service demands and stagnant or decreasing intergovern-



A subdivision rises out of farm fields in Farmington.

mental aid, cities tend to choose between raising property taxes or trying to expand their property tax base to balance their budgets. Other popular options include sharing services, cutting services or joint powers agreements.

Public services in the metro area are provided by more than 200 different government entities. Seven counties, more than 100 cities, 45 townships and 50 school districts are contained within the metro area. Additional services are provided by numerous special district governments, including technical college districts, watershed districts, a sewage district and a mosquito control district. While counties, schools, townships and special districts realize that the health of their budgets depends greatly on their property tax bases, cities control zoning and land use decisions and are most active in promoting economic development.

Minnesota's legislature realized two decades ago that competition among cities for economic growth could lead to haphazard urban development. In response, the state established one of the nation's only property tax base sharing programs to promote more sensible development. Under the Fiscal Disparities program, since 1971, 40 percent of new commercial and industrial valuation within the area has been pooled and shared by all metro cities.

The pool of tax revenue from commercial and industrial property is redistributed to cities based on population and per-capita property valuation, with low per-capita valuation cities receiving more than high per-capita valuation cities. The net result is that communities with low per-capita property valuation receive property tax revenue from commercial and industrial properties located outside their borders.

Introduction

The goal of the Fiscal Disparities program is to decrease the level of competition for development by reducing the role that property tax revenue plays in land use decisions. However, cities still pursue property tax revenues from new developments. When cities gain large-scale commercial and industrial developments, these typically generate extra income, despite having to share some of the property tax revenue gain.

The key role of property taxes in land use decisions is underscored by two farmland protection programs: the state-wide Green Acres Program and the Metropolitan Agricultural Preserves. In these programs, farmland owners agree not to develop their land in exchange for a reduction or delay in paying property taxes and/or receiving assessments. In 1992, more than 600,000 acres of farmland, or almost one-third of the metro area, was enrolled in these two programs.⁶

Despite the planning efforts of the Metropolitan Council, the Fiscal Disparities program and the farmland preservation programs, the amount of metro land devoted to urban land uses has increased by 42 percent since 1970⁷. The urbanization rate was almost double that of the 22 percent population growth rate.

Acceleration in population growth, due mostly to increased immigration, is expected to continue into the next century. The land-devouring pattern of growth also is expected to follow current trends, predominately in and beyond the second-ring suburbs. Population in the two central metropolitan counties is projected to increase by 10 percent during the next two decades and by 40 percent in the metro area's five other counties.⁸ Since most of this growth will occur on farmland, the metro area is expected to consume more than 100,000 acres of farmland by the year 2010.



Lake Elmo still retains its rural character.

American Farmland Trust, a private, nonprofit conservation organization, has developed a consistent, inexpensive and easy-to-understand method of evaluating existing net financial contributions of municipal land uses. Cost of Community Services studies reorganize local records to trace the flow of revenues and expenditures generated by specific land uses. Results provide a snapshot of the relative contributions of different land uses. Ratios of revenues to service costs for residential, commercial and industrial, and farmland uses are calculated.

Working with the Land Stewardship Project, a Minnesota-based farm and social justice organization, AFT conducted COCS studies in three outlying Twin Cities Metro Area municipalities. The goal was to encourage people in small metro-area cities (in Minnesota any incorporated village or town is called a city) to reconsider their fiscal assumptions about land use relationships. The findings provide information to help local officials evaluate the

Introduction



Independence remains a mostly rural community.

impact of land use decisions on municipal and school district finances.

In these COCS studies, the 1992 financial records of three metro cities located on the Twin Cities' urban service boundary are reorganized to show the net fiscal contribution of the three major land uses: residential, commercial and industrial, and farmland. As with previous COCS studies, the findings show a net gain from farm properties. Farmland generates more local revenue than the cost of local services it receives. In other words, farmland makes a positive financial contribution that is worthy of municipal consideration. Residential development was found to demand more in services than it contributed in revenues.

The three cities studied are typical of small cities in the metro area in terms of population and development pressure, although they are more typical of towns or townships in other parts of the country. Farmington, with a 1992 population of 6,347 and sized 7,400 acres is 25 miles south of St. Paul and represents cities facing strong development pressure. Farmington is surrounded on two sides by a swelling

suburb and on the others by townships still predominantly farmland.

Twelve miles east of St. Paul, Lake Elmo, with a 1992 population of 5,965 and sized 16,000 acres, is bounded on the west and south by two suburbs. Townships with growing two-to-10 acre housing developments border Lake Elmo on its northern and eastern limits. Lake Elmo has used zoning to maintain the city's rural

character. However, developers have circumvented Lake Elmo's zoning by annexing parcels to adjoining, more pro-development cities.

The city of Independence is the most rural of the three cities and is typical of rural communities on the urban edge. Its 1992 population was 2,944, spread over 22,000 acres and located 20 miles west of downtown Minneapolis. With more than half of Independence zoned for agriculture, development pressure is light.

This report is organized into four main sections: Methodology, City Reports, Findings and Discussion. The Methodology section explains the research steps and how municipal records were reorganized to reflect the land use categories defined by the studies. City Reports provides a brief history of each city and presents financial data. The Findings section reports on and compares the cities' reorganized financial data to reflect the fiscal relationship between land use categories, as defined in the Methodology section. In the Discussion, the findings are reviewed and implications are explored.

Methodology

COCS studies reorganize government financial records to match the flow of revenues and expenditures with specific land uses. By so doing, COCS studies provide valuable information to local officials by showing how land use decisions affect municipal and school district budgets.

The initial step in a COCS study is to identify and classify municipal land uses. Definitions depend on the mix of land uses and the availability of data. After discussions with local officials and a review of Minnesota's property tax classification system, three general land use categories were defined: residential, commercial and industrial, and farmland.

Residential: Property used for dwelling units, including farm houses, single-family units, apartments, condominiums, town houses, mobile homes, nursing homes, non-commercial seasonal resorts and non-commercial, non-industrial and non-utility vacant land.

Commercial and industrial: Property used for business purposes including retail stores, manufacturing plants, office spaces, railroad structures, utility structures, commercial seasonal resorts and commercial, industrial or utility vacant land.

Farmland: Property used for or designated as agricultural land (excluding farm houses).

The numerous property tax classes in Minnesota

helped to indicate how to assign parcels to land use categories. Property tax data reports property taxes on farm houses and surrounding acreage separately, facilitating the inclusion of property taxes on farm houses in the residential sector and property taxes from surrounding acreage in the farmland category. Undeveloped or vacant industrial, commercial and residential land is also listed separately. Property tax payments from these property classes were allocated accordingly to residential or commercial and industrial, or land use.

The second step is to decide which local governments to include and then to collect relevant financial records. In 1992, approximately one-fourth of all local services provided in the metro area were supplied by counties, one-fourth by cities and one-half by independent school districts.

For a complete accounting of how land use patterns affect local tax burdens, all three levels of government should be included. But tracing county revenues and spending back to various land uses in the three cities exceeded available resources. As a result, county government was excluded, primarily due to the size of its budget. Hennepin County's budget is second only to Minnesota's state budget. Accurately tracing specific Hennepin County services, provided to more than 1 million people, back to Independence's 2,000 residents was not feasible. Thus, only the revenues and expenditures of cities and the school districts are included in calculating financial contributions by land use categories in this study. It is interesting to note that, while land use decisions are made by city officials,

Methodology

county and especially school budgets are affected by changing revenues and costs related to land use conversions.

Three main sources of financial data were used. Property tax data was available from the Property Tax Division, Minnesota Department of Revenue. Other city revenue and spending data was available from each city's annual financial report, filed with the state's Office of State Auditor. School data was gathered from financial statements filed with the Minnesota Department of Education.

For each city, property tax revenues were allocated to land use based on state tax data, which is reported by property classes. Otherwise, revenues and expenditures were allocated to land uses based primarily on local records and interviews with city officials. For example, Independence provides police service by a joint powers agreement with Maple Plain, an adjacent city. West Hennepin police officials estimated that 93 percent of their work in Independence was residential, five percent was related to commercial or industrial properties and two percent involved farmland.

School revenue and spending presented special problems due to the number of school districts involved. Four school districts serve different areas of Independence. Lake Elmo residents are served by three school districts. All of Farmington is in the same school district, but half of the district's enrollment lives outside Farmington.

To estimate total school spending for a city, a share of each school district's total budget was assigned to the city based on percent of district enrollment accounted for by pupils living within city limits. For example, Farmington pupils account for 47 percent of school district enrollment, making school spending for Farmington 47 percent of the district's budget.

School funding in Minnesota is derived from five general sources: state school aid, local property taxes, other local sources, federal school aid and school fees and charges. District enrollment percentages were used to estimate the share of each district's state aid, other local sources, federal aid, and school fees and charges attributable to the pupils of Independence, Lake Elmo or Farmington in a manner analogous to the method used to estimate school spending. Thus, in Farmington, 47 percent of the school district's state school aid, other local sources, federal aid and school fees and charges were treated as being generated by Farmington's residents.

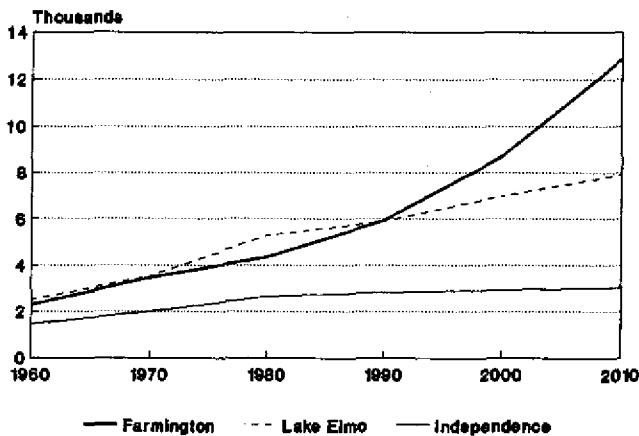
School property taxes paid by the various land use categories were available from state property tax data. In all three cities, actual school property taxes paid by all property owners within the cities were less than the actual amount of property taxes used to fund school expenditures for pupils from the cities. The difference was property taxes collected in other parts of the school districts serving the cities. For instance, in Lake Elmo, of the \$7 million spent on education in 1992 for Lake Elmo children, \$3.6 million was paid with property taxes. But Lake Elmo property owners paid only \$2.3 million in school property taxes. The other \$1.3 million was paid by property owners in surrounding cities served by the same school districts serving Lake Elmo. This source of school funding is referred to as district subsidies in tables presented later. Due to the school district funding system and the haphazard configuration of school district boundaries, land use decisions in one city can significantly increase property taxes in other cities through increases in school district budgets.

The final step was to compute ratios, comparing revenues to expenditures for each land use category. The results are presented in the Findings section.

City Reports

Farmington, named for the rich Dakota County farmland that surrounded a railroad depot built in 1865, is in transition from its historical role as an agricultural trade center to an expanding suburb of the Twin Cities. Farmington is poised for major development, following the path of neighboring suburbs. The combined population of five suburbs (Apple Valley, Burnsville, Eagan, Lakeville and Rosemont) located between Farmington and the rest of the metro area increased in population from 50,000 to 150,000 between 1970 and 1990. Farmington, which added an average of 1,200 people during the last two decades, is projected to double in population by 2010, adding almost 3,500 people per decade. Past city populations and projections for the cities are displayed in the graph below.⁹

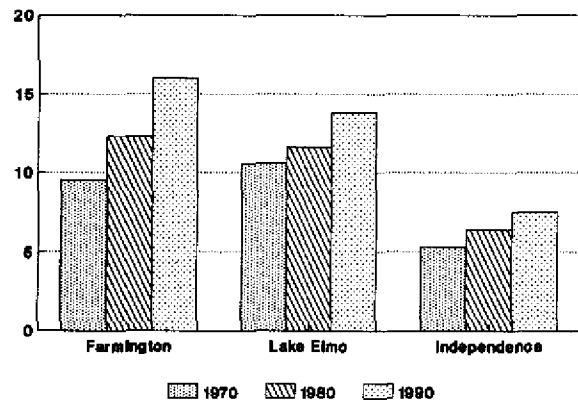
Population Growth



Land use in Farmington is still predominantly agricultural, with only 16 percent of the city classified as developed. Most of the farmland is located west and north of the downtown and main residential area. Almost three-fourths of the city's

6,200 acres of farmland is enrolled in agricultural preservation programs. The percent of each city's land in urban use over the last three decades is shown in the graph below.

Percent of City in Urban Use



Lake Elmo is less development-orientated than Farmington, perhaps due to differences in terrain and history. Its terrain is rolling and dotted with nine lakes and numerous ponds. Farmland is more scattered and wooded areas are more prevalent than in Farmington. In addition to serving as an agriculture trade center, Lake Elmo was also a summer resort area during its early years. Lake Elmo's present configuration was formed by the merging of Lake Elmo Village with East Oakdale Township in 1969. Lake Elmo has retained its rural character by limiting urban services such as central sewer and water. Of the city's 16,000 acres, less than 15 percent are urbanized. The city has more than 3,000 acres in park land, including the 2,200-acre Lake Elmo Regional Park in the middle of the city. An additional 4,400 acres in Lake Elmo are enrolled in agricultural preservation programs.

City Reports

Lake Elmo has planned to sustain its unique rural atmosphere despite rapid growth in adjacent suburbs. Oakdale, which runs along Lake Elmo's western border, has added more than 10,000 people since 1970 and is projected to grow by another 9,000 during the next two decades to reach a population of 27,500. Woodbury, which borders Lake Elmo on the south, was one of the metro area's fastest-growing cities during the 1980s. Woodbury's 1970 population of 6,200 exploded to 20,100 in 1990 and is projected to reach 42,000 by 2010. However, Lake Elmo's growth has been more controlled, growing from 3,500 in 1970 to 5,900 in 1990. If it follows its comprehensive land use plan, the city will add less than 2,000 new residents during the next two decades.

Independence is the most agriculturally oriented of the three cities. Its 20-mile distance from downtown Minneapolis has minimized development pressure. Independence has very little commercial and industrial development. City residents rely on a number of surrounding communities for shopping and personal services.

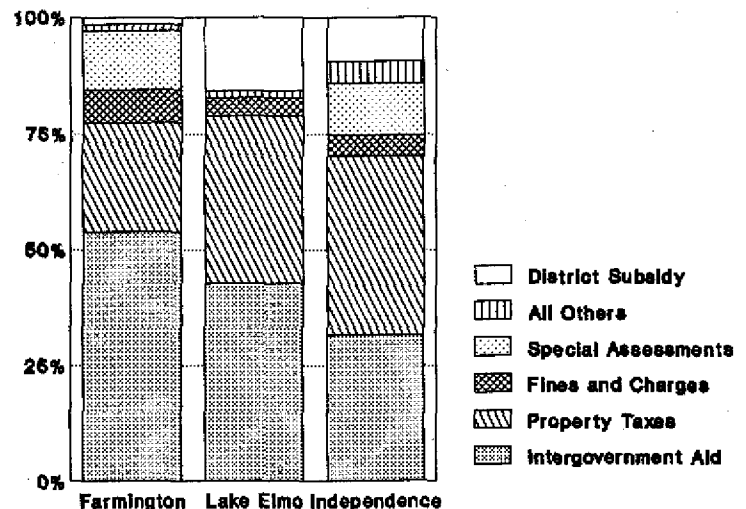
The city of Independence was carved out of Independence Township in the 1960s. City limits include all of the township except for a small portion that makes up the city of Maple Plain, which is surrounded on three sides by Independence. The majority of residents live in the eastern half of the city, with concentrations in the Maple Plain area and around Lake Sarah. Like Lake Elmo, Independence has a large park, Lake Rebecca Park Reserve, which covers 1,500 acres in the city's northwest corner. Only eight percent of the city's 22,000 acres are classified as urbanized. The majority of the city is still in farmland, including 12,500 acres enrolled in agricultural preservation programs.

Independence has grown from 1,446 residents in

1970 to 2,822 in 1990, a gain of 42 percent. This gain matches the average population increase of six surrounding communities (Corcoran, Greenfield, Maple Plain, Medina, Minnetrista and Orono.) Future population growth in Independence is projected to be much lower than in surrounding communities, eight percent over the next two decades compared to an average of 25 percent in surrounding communities. Independence has zoned for slower growth, as most of the western half of the city is zoned for commercial agricultural use.

Minnesota's local governments rely less on property taxes than local governments in most states. Major sources of revenue for the cities and school districts are shown in the following chart. In Farmington, 54 percent of revenue was supplied by other governmental units via intergovernmental aid, versus 24 percent from property taxes. Intergovernmental aid in Lake Elmo accounted for 42 percent of revenue, compared to 36 percent from property taxes. Only in Independence were property taxes the leading source of revenue. Independence's property taxes raised 39 percent of revenue as opposed to 32 percent generated by intergovernmental aid.

Revenues by Sources



City Reports

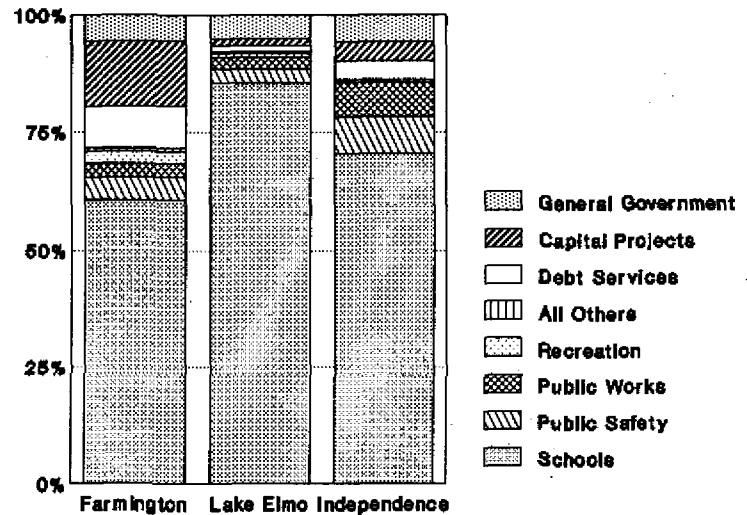
The large share of intergovernmental aid results primarily from Minnesota's school financing system, in which property-poor districts receive more state aid per student than property-rich districts. The net effect is that Minnesota funds a larger share of public education spending than most states. Most intergovernmental aid is allocated to residential land use because distribution formulas for various state aid are driven by either student enrollment or city population. Table 1 on page 10 presents a summary of the allocation of revenue types to land use categories.

Allocation for property taxes was based on state property tax data. Intergovernmental aid was based on the distribution factors in aid distribution formulas. Other revenue sources, such as fines and user charges, were allocated based on discussions with city officials. Revenue sources and land use allocation for each city are detailed in Appendices IA, IIA and IIIA.

The expenditures chart shows each city's spending by major function. Expenditures are based on actual city and school spending reported in relevant financial reports. Farmington, which is promoting growth, had major capital project outlays in 1992. Even when capital project spending is excluded, Farmington's per-capita expenditures easily exceed the level of spending in the other two cities. The range of per-capita expenditures (city only) was \$513 in Farmington, \$128 in Lake Elmo and \$390 in Independence. School expenditures per student varied less, a result of the school financing system. Expenditures per student were \$5,500 in Farmington, \$5,700 in Lake Elmo and \$ 6,300 in Independence. School spending accounted for more than 60 percent of combined city and school spending in Farmington, 85 percent in Lake Elmo and 72 percent in Independence. The large share of local spending devoted to education reinforces the point that school costs must

be included when analyzing fiscal impacts of development, even if a large share of school costs related to development is borne by state taxpayers through state school aid.

Expenditures by Function



School spending was allocated to residential land use because residents demand the service. Other city spending allocations were based on information from city officials. For example, in Independence, fire services are contracted, while policing is under a joint-powers arrangement with an adjacent city. In Lake Elmo, both police and fire services are contracted. Thus, the contract agencies determined allocations. For some expenditures, such as the mayor and city council, officials were unable to relate costs to land use. For these, percent of total property taxes paid by each land use category was used for allocations. Table 2 on page 11 summarizes expenses by major function and allocation across land use. Greater financial detail is presented in Appendices IB, IIB and IIIB. (Please note, slight discrepancies in Totals in report tables are due to rounding.)

City Reports

Table 1. Summary of Revenues, FY 1992, for Farmington, Lake Elmo, and Independence

| Source | Residential | Commercial & Industrial | Farmland | Total |
|-----------------------------|-------------------|-------------------------|----------------|-------------------|
| CITY OF FARMINGTON | | | | |
| Property Taxes | 683,376 | 366,217 | 25,042 | 1,074,635 |
| Fines & Charges | 580,730 | 96,927 | 8,242 | 685,899 |
| Intergovernmental Aid | 1,517,831 | 3,813 | 284 | 1,521,929 |
| Miscellaneous | 190,229 | 45 | | 190,274 |
| Special Assessments | 1,507,730 | 127,113 | 153 | 1,634,996 |
| SCHOOL | | | | |
| Property Taxes | 1,286,730 | 633,528 | 47,219 | 1,967,477 |
| Other Local | 225,256 | | | 225,256 |
| State Aid | 4,939,301 | | | 4,939,301 |
| Federal Aid | 285,420 | | | 285,420 |
| Charges | 239,012 | | | 239,012 |
| District Subsidies | 185,981 | | | 185,981 |
| GRAND TOTAL | 11,641,595 | 1,227,644 | 80,940 | 12,950,180 |
| PERCENT OF TOTAL | 89.9% | 9.5% | 0.6% | 100.0% |
| CITY OF LAKE ELMO | | | | |
| Property Taxes | 534,601 | 159,538 | 22,895 | 717,033 |
| Fines & Charges | 109,447 | 11,188 | 212 | 120,847 |
| Intergovernmental Aid | 374,452 | 25,379 | 50 | 399,881 |
| Miscellaneous | 58,417 | 9,278 | 289 | 67,984 |
| Special Assessments | 23,349 | 8,406 | | 31,755 |
| SCHOOL | | | | |
| Property Taxes | 1,706,823 | 504,154 | 71,794 | 2,282,771 |
| Other Local | 396,731 | | | 396,731 |
| State Aid | 2,581,637 | | | 2,581,637 |
| Federal Aid | 173,314 | | | 173,314 |
| Charges | 205,239 | | | 205,239 |
| Reserves | 5,924 | | | 5,924 |
| District Subsidies | 1,322,339 | | | 1,322,339 |
| GRAND TOTAL | 7,492,273 | 717,942 | 95,239 | 8,305,455 |
| PERCENT OF TOTAL | 90.2% | 8.6% | 1.1% | 100.0% |
| CITY OF INDEPENDENCE | | | | |
| Property Taxes | 469,954 | 57,720 | 48,443 | 576,117 |
| Fines & Charges | 90,404 | 6,128 | 1,116 | 97,648 |
| Intergovernmental Aid | 152,413 | | 7,415 | 159,828 |
| Miscellaneous | 75,460 | 2,639 | 8,952 | 87,052 |
| Special Assessments | 560,909 | | | 560,909 |
| SCHOOL | | | | |
| Property Taxes | 1,098,682 | 151,779 | 131,986 | 1,382,447 |
| Other Local Sources | 173,513 | | | 173,513 |
| State Aid | 1,194,831 | | | 1,194,831 |
| Federal Aid | 73,854 | | | 73,854 |
| Student Fees and Charges | 133,041 | | | 133,041 |
| Reserves | 153,552 | | | 153,552 |
| District Subsidies | 479,830 | | | 479,830 |
| GRAND TOTAL | 4,656,443 | 218,266 | 197,913 | 5,072,622 |
| PERCENT OF TOTAL | 91.8% | 4.3% | 3.9% | 100.0% |

City Reports

Table 2. Summary of Expenditures, FY 1992, for Farmington, Lake Elmo, and Independence

| Source | Residential | Commercial & Industrial | Farmland | Total |
|-----------------------------|-------------------|-------------------------|---------------|-------------------|
| CITY OF FARMINGTON | | | | |
| General Government | 518,350 | 206,437 | 14,951 | 739,738 |
| Public Safety | 481,366 | 127,387 | 12,705 | 621,458 |
| Public Works | 272,093 | 55,571 | 15,825 | 343,489 |
| Recreation | 316,270 | | | 316,270 |
| Special Funds | 44,228 | 75,790 | | 120,018 |
| Debt Service Fund | 937,693 | 178,608 | | 1,116,301 |
| Capital Project Funds | 1,447,798 | 322,795 | 18,527 | 1,789,120 |
| School | 7,842,477 | | | 7,842,477 |
| GRAND TOTAL | 11,860,275 | 966,588 | 62,008 | 12,888,871 |
| PERCENT OF TOTAL | 92.0% | 7.5% | 0.5% | 100.0% |
| CITY OF LAKE ELMO | | | | |
| General Government | 336,099 | 62,866 | 10,214 | 409,179 |
| Public Safety | 199,678 | 44,402 | 2,254 | 246,335 |
| Public Works | 177,654 | 20,845 | 9,954 | 208,454 |
| Recreation | 57,220 | | | 57,220 |
| Sanitation | 40,645 | | | 40,645 |
| Special Funds | 2,179 | | | 2,179 |
| Debt Service Fund | 90,172 | 15,747 | 3,602 | 109,520 |
| Capital Project Funds | 124,561 | | | 124,561 |
| School | 6,967,956 | | | 6,967,956 |
| GRAND TOTAL | 7,996,164 | 143,861 | 26,025 | 8,166,049 |
| PERCENT OF TOTAL | 97.9% | 1.8% | 0.3% | 100.0% |
| CITY OF INDEPENDENCE | | | | |
| General Government | 102,637 | 12,419 | 23,369 | 138,425 |
| Public Safety | 368,905 | 20,979 | 10,559 | 400,442 |
| Public Works | 321,866 | | 52,950 | 374,816 |
| Recreation | 2,519 | | | 2,519 |
| Miscellaneous | 20,638 | 2,911 | 2,443 | 25,993 |
| Special Funds | 9,823 | | | 9,823 |
| Debt Service Fund | 196,577 | | | 196,577 |
| Capital Project Funds | 203,201 | 4,995 | 4,192 | 212,388 |
| School | 3,591,067 | | | 3,591,067 |
| GRAND TOTAL | 4,817,233 | 41,304 | 93,513 | 4,952,050 |
| PERCENT OF TOTAL | 97.3% | 0.8% | 1.9% | 100.0% |

Findings

The Twin Cities COCS studies found that in Farmington, Lake Elmo and Independence, the costs of city and school services provided to residential parcels exceeded the revenue generated by them. The negative contribution -- or shortfall -- of residential land use was offset by a surplus of revenues over costs arising from commercial and industrial, and farmland parcels.

In Farmington, the residential sector accounted for 90 percent of revenues while receiving 92 percent of services. Residential property in Lake Elmo also raised 90 percent of revenue but accounted for 98 percent of expenditures. The residential sector in Independence generated 92 percent of revenue compared to the 97 percent of city and school costs demanded by residents.

While farmland may have accounted for small percentages of revenues and expenditures in all cities, it far more than paid its way. Even in Farmington, which had high per capita expenditures on infrastructure improvements, .6 percent of revenues were related to farmland as compared to .5 percent of city and school services expended.

Lake Elmo and Independence were more typical of previous communities AFT has studied. Lake Elmo's farmland generated 1.1 percent of revenues and received .3 percent of services. Farmland in Independence accounted for 3.9 percent of city and

school revenues and 1.9 percent of costs.

The chart on the next page shows the results of comparing revenues to costs with dollar to dollar ratios calculated for the major land uses in the three metro-area communities. Even given the Fiscal Disparities Program and the different types of cities, in all three the cost of serving residential development exceeded revenues. In Farmington, residential areas cost the city and school district \$1.02 for every \$1 of revenue. Every dollar raised by commercial and industrial land cost Farmington 79 cents. Farmland had a similar positive contribution, costing Farmington 77 cents for every dollar generated -- for a savings of 33 cents.

Residential properties received the most for their tax dollars in Lake Elmo. Every \$1 of revenue generated by the residential sector in Lake Elmo received \$1.07 in services. Commercial and industrial land again showed positive balance, requiring 20 cents of services for every dollar contributed, while farmland cost 27 cents.

In Independence, residential property cost the city and school district \$1.03 for every dollar raised. The commercial and industrial sector, of which there is very little, required only 19 cents. Again farmland showed a positive balance, demanding only 47 cents of services for every dollar raised, leaving 53 cents to offset the residential shortfall.

Findings

| Summary of Revenues and Expenditures by Land Use Category in Farmington, Lake Elmo and Independence | | | | |
|--|-------------------|-------------------|----------------|----------|
| | Revenues | Expenditures | Balance | Ratio |
| CITY OF FARMINGTON | | | | |
| Residential | 11,641,596 | 11,860,275 | (218,679) | 1 : 1.02 |
| Commercial & Industrial | 1,227,644 | 966,588 | 261,056 | 1 : 0.79 |
| Farmland | 80,940 | 62,008 | 18,932 | 1 : 0.77 |
| GRAND TOTAL | 12,950,180 | 12,888,871 | 61,309 | |
| CITY OF LAKE ELMO | | | | |
| Residential | 7,492,273 | 7,996,164 | (503,891) | 1 : 1.07 |
| Commercial & Industrial | 717,942 | 143,861 | 574,081 | 1 : 0.20 |
| Farmland | 95,240 | 26,025 | 69,215 | 1 : 0.27 |
| GRAND TOTAL | 8,305,455 | 8,166,050 | 139,405 | |
| CITY OF INDEPENDENCE | | | | |
| Residential | 4,656,443 | 4,817,233 | (160,790) | 1 : 1.03 |
| Commercial & Industrial | 218,266 | 41,304 | 176,962 | 1 : 0.19 |
| Farmland | 197,913 | 93,513 | 104,400 | 1 : 0.47 |
| GRAND TOTAL | 5,072,622 | 4,952,050 | 120,572 | |

Discussion

COCS studies are a snapshot in time that offer local officials and citizens a new perspective on land use relationships. They differ from other fiscal studies because they consider farmland a potentially permanent land use. As case studies, COCS findings are most important to their host communities. However, all COCS studies performed to date by AFT or other researchers have found the same general pattern.

As a rule, residential development does not pay for itself. Commercial and industrial properties, and farmland generate significantly more revenue than they demand in services on an annual basis.

The studies of Farmington, Lake Elmo and Independence, Minn., are no exception. Residential development consistently cost more in services than it provided in property and other tax revenues, while other land uses, including farmland, helped balance the budgetary shortfall. Because of a large contribution of state aid to education, the relationship appears weaker in Farmington, which showed the least cost differential between land uses of any COCS study to date. Yet, the overall pattern still holds.

The following table summarizes findings from this and other AFT COCS studies:

| Summary of AFT Cost of Community Service Studies (In Dollars) | | | |
|---|-------------|-------------------------|------------------|
| State/City | Residential | Commercial & Industrial | Farm & Open land |
| Connecticut | | | |
| Hebron | 1 : 1.06 | 1 : 0.47 | 1 : 0.43 |
| Massachusetts | | | |
| Agawam | 1 : 1.05 | 1 : 0.44 | 1 : 0.31 |
| Deerfield | 1 : 1.16 | 1 : 0.38 | 1 : 0.29 |
| Gill | 1 : 1.15 | 1 : 0.43 | 1 : 0.38 |
| New York | | | |
| Beekman | 1 : 1.12 | 1 : 0.18 | 1 : 0.48 |
| North East | 1 : 1.36 | 1 : 0.29 | 1 : 0.21 |
| Minnesota | | | |
| Farmington | 1 : 1.02 | 1 : 0.79 | 1 : 0.77 |
| Lake Elmo | 1 : 1.07 | 1 : 0.20 | 1 : 0.27 |
| Independence | 1 : 1.03 | 1 : 0.19 | 1 : 0.47 |
| Ohio | | | |
| Madison Vil. | 1 : 1.67 | 1 : 0.20 | 1 : 0.38 |
| Madison Twnshp. | 1 : 1.40 | 1 : 0.25 | 1 : 0.30 |

Discussion

Although the three communities in the Minnesota COCS study were classified as cities, their character is more typical of a township or town and they contain the largest amount of productive farmland found in any AFT study yet. For example, more than half of Independence is zoned exclusively for agriculture, and only 8 percent of its land is classified as urbanized. In contrast, previous studies in the Northeast and Ohio concentrated on communities that were relatively rural, given an already urban or suburban context. Still, even in Independence, where agriculture is likely to demand relatively more in services than in bedroom communities with more significant residential development, farmland turned out to be a notable contributor to the tax base.

Residential ratios for the three metro-area communities in Minnesota are less consistent than those found in previous COCS studies. Primarily, this appears due to the high level of state educational aid and district subsidies created by multi-city school districts.¹⁰ In other COCS studies, property taxes fund an average of 70 percent of spending. In the three metro-area communities, average property tax funding is only 42 percent, even when school district subsidies are included. Intergovernmental aid is used to hold down property taxes in Minnesota.

Since most educational aid is distributed based on population or school enrollment, the higher level of intergovernmental aid in Minnesota increases the share of revenue attributable to the residential sector. This lowers the revenue-to-cost ratio for residential land, even though the share of residential spending in these Minnesota communities is similar to the share in other communities where COCS studies were performed. While this clearly has shifted some of the burden off specific communities, as long as society chooses to use property taxes to fund the

costs of schools, farmland and open space will help subsidize education.

Minnesota's high level of state aid is defended on equity grounds. Property taxes are generally considered to be regressive. So the state decided that substituting state aid for property taxes, especially to fund education, would improve the equity of local government financing. However, by reducing the gap between residential revenues and costs, Minnesota's generous level of intergovernmental aid may be inadvertently accelerating the metro area's rate of urbanization. A trade-off emerges between equity and accountability. As the level of state aid increases, the relationship between who is paying for services and who is receiving the benefits becomes more obscure.



The new school in Farmington neighbors a farm.

Furthermore, in Farmington, where residential ratios were especially low, it is likely the current revenue-to-cost relationship is not stable. Ratios may well increase as the city grows because state school aid will decrease. In Minnesota, state school aid is dependent on the total property valuation of a school district, as well as being a function of enrollment. Thus, as growth occurs and property tax bases

Discussion

expand, school districts receive less state aid per student. In theory, this is offset by the expanded tax base. However, if the increase in tax base comes from residential development, the pattern of public service demands found in COCS studies is likely to continue. Then, instead of using state aid, school districts may require higher property taxes.

Increases in property valuation have a similar effect for cities through the Fiscal Disparities program. As a city's per capita valuation increases, its share of Fiscal Disparities money decreases. This may result in school districts requiring more local revenue. Because the most exercised options tend to be raising property taxes or increasing the tax base, this situation could encourage communities to champion development just to generate fiscal activity.

Minnesota metro-area communities in general do not seem to be an exception to the national rule that communities typically pursue residential development in search of "highest and best use." However, the findings of this study suggest a more cautious approach. Apparent financial solutions may, in fact, increase fiscal instability.

Thus, Minnesota's local government finance system complicates the analysis of fiscal relationships arising from land use changes. While comparing revenues and costs generated by land use, cities here must also consider the effect of development on intergovernmental aid.

In this light, farmland protection may be financially beneficial, partly because of its contribution to the tax base, but also because it holds down total property valuation. Lower property valuation leads to more state aid, which reduces the share of local government costs paid for by community residents and property owners.

When these aspects of local government financing in Minnesota are considered, developing farmland to

capture a perceived highest and best use may not achieve its goal. Local land use decision-makers must be fully aware of the complicated financial consequences of changing land use and consider the costs as well as the revenues associated with residential development.

COCS studies are not designed to be predictive, nor are they meant to judge the intrinsic value of one land use over another. However, these findings do suggest that farmland in the Twin Cities area is an important contributor that is worthy of fiscal respect. While it may not be generate enough to completely offset residential demands on municipal services, on average, farmland adds twice as much to local coffers as it demands back. This is an important finding, especially given the context of rapid metro-area urbanization proceeding at nearly twice the rate of population growth. Although planners and developers often portray farmland as an interim use awaiting conversion to a higher and better -- i.e., more developed -- use, this study suggests that this perception contributes to fiscal instability.

Furthermore, farm and natural lands provide far greater benefits than their positive additions to the tax base. Metro-area farms produced more than \$500 million of output and supported 7,000 jobs.¹¹ This direct economic activity multiplies to support industries and services that rely on agricultural activity. Beyond that, farming is a cost-effective, private way to protect open space and the quality of life. Farmland provides wildlife habitat and can be the preferred land use in urban watersheds. It supports many other interests, from hunting and fishing to floodplain and wetland protection. It retains community character and quality of life while often being associated with historic preservation. As yet, we do not have a reliable way to quantify these valuable contributions. However, in the long run,

Discussion

they may be most important of all.

Given this context, Minnesota and these metro-area communities should continue to support existing farmland protection activities and explore other types of techniques to retain this valuable resource base. The findings from these studies help state a case for protecting Minnesota's farmland and encouraging sensible, rather than sprawling, haphazard growth.

Certainly, the studies support the Metro Ag Preserves and the state's Green Acres program. Even with favorable tax policies, farmland is a good deal to these communities. The findings further suggest that agricultural zoning in Independence can help maintain farmland's positive contribution to the city's tax base. Similarly, it appears that the decision by Lake Elmo officials to limit urban services has helped their tax base, as this city showed the most favorable contribution from farmland. Given the city's higher than average share received by the residential sector, this should sound a cautionary note to proponents of infrastructure expansion. Beyond these measures are other ways the state and localities can protect farmland from conversion

to more developed uses. Common techniques include strengthened right-to-farm laws, purchase and transfer of development rights programs and agricultural conservation districts. Combining incentives -- such as tax relief or purchasing development rights, with regulatory approaches -- such as agricultural zoning, can assure the future of strategic farmland.

In the long run, conservation and responsible development must be considered as two important pieces of the Twin Cities metro area's economic profile. Their needs must be balanced to ensure a healthy community for the residents who benefit from both. If development can be encouraged to support local agriculture, farmers will be more likely to stay in business and continue to contribute so much their communities. This might mean improving marketing opportunities or linking development to the needs of the local farm economy. Combining farming-friendly development with a farmland protection strategy will help these small Minnesota cities sustain an agricultural economy and a vital resource base.

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1. Urbanized uses include residential, commercial, industrial, public recreation lands and highways.
2. Preliminary 1990 land use data from Metropolitan Council.
3. Metropolitan Council, Land Use Trends, 1970-1984, in the Twin Metropolitan Area, September 1987.
4. Metropolitan Area profile is based on Minnesota Agriculture Statistics - 1993, July 1993, compiled by Minnesota Department of Agriculture.
5. 1990 IMPLAN Data Base, Minnesota IMPLAN Group, Inc.
6. Financing Farmland Preservation: The Twin Cities Metropolitan Area Experience, May 1994.
7. Metropolitan Council preliminary 1990 land use data and Land Use Trends, 1970-1984, in the Twin Cities Metropolitan Area, 1990.
8. Metropolitan Council, Forecasts of Population, Households and Employment: 2000 to 2020, Metropolitan Council.
9. Population projections come from Forecasts of Population, Households and Employment: 2000 to 2020, Metropolitan Council.
10. School district subsidies include school taxes paid by property owners outside of a city.
11. 1990 IMPLAN Data Base, Minnesota IMPLAN Group, Inc.

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Independent School District #622, Financial Statements, Fiscal Year Ended June 30, 1993.

Independent School District #832, Financial Statements, Fiscal Year Ended June 30, 1993.

City of Independence

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School District #879, Financial Statements, Fiscal Year Ended June 30, 1993.

Independent School District #278, Financial Statements, Fiscal Year Ended June 30, 1993.

Independent School District #277, Financial Statements, Fiscal Year Ended June 30, 1993.

Appendix IA. Revenues, Fiscal Year 1992, City of Farmington

| Source | Residential | Commercial & Industrial | Farmland | Total |
|------------------------------|-------------------|-------------------------|---------------|-------------------|
| CITY | | | | |
| Property Taxes | 683,376 | 366,217 | 25,042 | 1,074,635 |
| <u>Fines & Charges</u> | | | | |
| Licenses | | 12,298 | | 12,298 |
| Permits | 127,702 | 6,721 | | 134,423 |
| General Government Charges | 222,478 | 50,057 | 5,562 | 278,097 |
| Public Safety Charges | 53,539 | 26,360 | 1,965 | 81,864 |
| Customer Service Charges | 27,601 | 1,490 | 715 | 29,807 |
| Recreation Charges | 43,049 | | | 43,049 |
| Court Fines | 24,896 | | | 24,896 |
| Storm Sewer Fees | 81,465 | | | 81,465 |
| Total Fines & Charges | 580,730 | 96,927 | 8,242 | 685,899 |
| <u>Intergovernmental Aid</u> | | | | |
| Local Government Aid | 290,495 | | | 290,495 |
| Homestead and Other Credits | 420,076 | | | 420,076 |
| Police Aid | 34,400 | | | 34,400 |
| Other State Reimbursements | 7,745 | 3,813 | 284 | 11,843 |
| County Reimbursements | 8,965 | | | 8,965 |
| State Street Grant | 6,855 | | | 6,855 |
| State and County Sewer Aid | 90,110 | | | 90,110 |
| State and County Street Aid | 655,839 | | | 655,839 |
| Interest | 3,346 | | | 3,346 |
| Total Intergovernmental Aid | 1,517,831 | 3,813 | 284 | 1,521,929 |
| <u>Miscellaneous</u> | | | | |
| Donations | 18,052 | | | 18,052 |
| Sale or rent of property | 1,863 | | | 1,863 |
| Miscellaneous | 109,924 | | | 109,924 |
| Interest | 10,871 | | | 10,871 |
| Customer Service Fees | 1,764 | | | 1,764 |
| Celebrate Minnesota | 45 | 45 | | 90 |
| Police Forfeitures | 900 | | | 900 |
| Parkland Dedications | 35,592 | | | 35,592 |
| Economic Development Grant | 11,218 | | | 11,218 |
| Total Miscellaneous | 190,229 | 45 | | 190,274 |
| Special Assessments | 1,507,730 | 127,113 | 153 | 1,634,996 |
| City Total | 4,479,896 | 594,116 | 33,721 | 5,107,733 |
| SCHOOL | | | | |
| Property Taxes | 1,286,730 | 633,528 | 47,219 | 1,967,477 |
| Other Local | 225,256 | | | 225,256 |
| State Aid | 4,939,301 | | | 4,939,301 |
| Federal Aid | 285,420 | | | 285,420 |
| Charges | 239,012 | | | 239,012 |
| District Subsidies | 185,981 | | | 185,981 |
| School Total | 7,161,700 | 633,528 | 47,219 | 7,842,447 |
| GRAND TOTAL | 11,641,596 | 1,227,644 | 80,940 | 12,950,180 |
| PERCENT OF TOTAL | 89.9% | 9.5% | 0.6% | 100.0% |

Appendix IB. Expenditures, Fiscal Year 1992, City of Farmington

| Source | Residential | Commercial & Industrial | Farmland | Total |
|------------------------------------|-------------------|-------------------------|---------------|-------------------|
| General Government | | | | |
| General Government | 110,150 | 54,233 | 4,042 | 168,425 |
| Mayor and Council | 13,896 | 6,842 | 510 | 21,248 |
| Administration & Finance | 283,381 | 139,524 | 10,399 | 433,305 |
| Engineering | 110,922 | 5,838 | | 116,760 |
| Total General Government | 518,350 | 206,437 | 14,951 | 739,738 |
| Public Safety | | | | |
| Police | 379,571 | 116,402 | 10,122 | 506,094 |
| Fire | 89,400 | 10,159 | 2,032 | 101,591 |
| Rescue Squad | 12,396 | 826 | 551 | 13,773 |
| Total Public Safety | 481,366 | 127,387 | 12,705 | 621,458 |
| Public Works | | | | |
| Street Maintenance | 253,202 | 47,475 | 15,825 | 316,503 |
| Shade Tree Management | 18,890 | 8,096 | | 26,986 |
| Total Public Works | 272,093 | 55,571 | 15,825 | 343,489 |
| Recreation | | | | |
| General Recreation | 81,357 | | | 81,357 |
| Park Maintenance | 135,441 | | | 135,441 |
| Swimming Pool | 73,112 | | | 73,112 |
| Senior Center | 26,360 | | | 26,360 |
| Total Recreation | 316,270 | | | 316,270 |
| Special Revenue Funds | | | | |
| DARE | 12,032 | | | 12,032 |
| Parkland | 32,196 | | | 32,196 |
| Economic Development | | 75,790 | | 75,790 |
| Total Special Revenue Funds | 44,228 | 75,790 | | 120,018 |
| Debt Service Funds | | | | |
| Principal Retirement | 571,200 | 108,800 | | 680,000 |
| Interest | 336,748 | 64,143 | | 400,891 |
| Fiscal Agent Fees | 19,039 | 3,626 | | 22,665 |
| Miscellaneous | 10,706 | 2,039 | | 12,745 |
| Total Debt Service Funds | 937,693 | 178,608 | | 1,116,301 |
| Capital Project Funds | | | | |
| Revolving Capital Project | 210,786 | 39,522 | 13,174 | 263,482 |
| Storm Sewer Trunk | 70,839 | 8,334 | 4,167 | 83,340 |
| SE Area Storm Area | 1,522 | 179 | 90 | 1,790 |
| State Aid Streets | 111,915 | 12,435 | | 124,350 |
| Celebrate MN | 23,447 | 4,237 | 565 | 28,249 |
| 1991 Annexation | 14,482 | 7,130 | 531 | 22,144 |
| 1987 Improvements | 3,325 | | | 3,325 |
| 1991 Improvements | 287,424 | 123,182 | | 410,605 |
| 1992 Improvements | 724,060 | 127,775 | | 851,835 |
| Total Capital Project Funds | 1,447,798 | 322,795 | 18,527 | 1,789,120 |
| School | 7,842,477 | | | 7,842,477 |
| GRAND TOTAL | 11,860,275 | 966,588 | 62,009 | 12,888,871 |
| PERCENT OF TOTAL | 92.0% | 7.5% | 0.5% | 100.0% |

Appendix IIA. Revenues, Fiscal Year 1992, City of Lake Elmo

| Source | Residential | Commercial & Industrial | Farmland | Total |
|------------------------------|------------------|-------------------------|---------------|------------------|
| CITY | | | | |
| Property Taxes | 534,601 | 159,538 | 22,895 | 717,033 |
| Fines & Charges | | | | |
| Licenses and Permits | 75,863 | 5,974 | | 81,837 |
| Fines and Forfeits | 14,937 | 3,734 | | 18,671 |
| Composting Fees | 13,705 | | | 13,705 |
| Other Fees | 4,942 | 1,480 | 212 | 6,634 |
| Total Fines & Charges | 109,447 | 11,188 | 212 | 120,847 |
| Miscellaneous | | | | |
| Miscellaneous | 12,211 | 2,327 | 289 | 14,827 |
| Interest Income | 27,806 | 6,951 | | 34,757 |
| Park Dedication Fees | 6,150 | | | 6,150 |
| Park Donations | 12,250 | | | 12,250 |
| Total Miscellaneous | 58,417 | 9,278 | 289 | 67,984 |
| Intergovernmental Aid | | | | |
| Homestead Credits | 142,163 | | | 142,163 |
| Mobile Home Homestead Credit | 5,917 | | | 5,917 |
| Municipal Street Aid | 40,835 | | | 40,835 |
| 2 % Police Aid | 9,894 | | | 9,894 |
| Fire State Aid | 14,831 | | | 14,831 |
| Other Aid | 8,070 | | | 8,070 |
| Gravel Tax | | 3,734 | | 3,734 |
| Park Rental | 1,295 | | | 1,295 |
| Washington County Compost | 23,593 | | | 23,593 |
| Other County Aid | | | 50 | 50 |
| EPA Grant | 49,202 | 21,086 | | 70,288 |
| Reimbursement for County | 71,236 | | | 71,236 |
| Interest on Investments | 7,416 | 559 | | 7,975 |
| Total Intergovernmental Aid | 374,452 | 25,379 | 50 | 399,881 |
| Special Assessments | 23,349 | 8,406 | | 31,755 |
| City Total | 1,100,266 | 213,789 | 23,446 | 1,337,500 |
| SCHOOL | | | | |
| Property Taxes | 1,706,823 | 504,154 | 71,794 | 2,282,771 |
| Other Local Sources | 396,731 | | | 396,731 |
| State Aid | 2,581,637 | | | 2,581,637 |
| Federal Aid | 173,314 | | | 173,314 |
| Student Fees and Charges | 205,239 | | | 205,239 |
| Reserves | 5,924 | | | 5,924 |
| District Subsidies | 1,322,339 | | | 1,322,339 |
| School Total | 6,392,007 | 504,154 | 71,794 | 6,967,955 |
| GRAND TOTAL | 7,492,273 | 717,943 | 95,240 | 8,305,455 |
| PERCENT OF TOTAL | 90.2% | 8.6% | 1.1% | 100.0% |

Appendix II.B. Expenditures, Fiscal Year 1992, City of Lake Elmo

| Source | Residential | Commercial & Industrial | Farmland | Total |
|------------------------------------|------------------|-------------------------|---------------|------------------|
| General Government | | | | |
| Mayor and Council | 45,637 | 9,698 | 1,711 | 57,046 |
| Elections | 18,838 | | | 18,838 |
| Administration | 79,692 | 16,935 | 2,988 | 99,615 |
| Assessor | 12,656 | 2,689 | 475 | 15,820 |
| Accounting | 10,387 | 2,207 | 390 | 12,984 |
| Legal | 55,311 | 11,754 | 2,074 | 69,139 |
| Engineering | 25,761 | 5,474 | 966 | 32,201 |
| Planning | 42,926 | 9,122 | 1,610 | 53,657 |
| Building Inspector | 44,891 | 4,988 | | 49,879 |
| Total General Government | 336,099 | 62,866 | 10,214 | 409,179 |
| Public Safety | | | | |
| Police | 90,174 | 20,289 | 2,254 | 112,717 |
| Fire Protection | 96,454 | 24,113 | | 120,567 |
| Animal Control | 13,051 | | | 13,051 |
| Total Public Safety | 199,678 | 44,402 | 2,254 | 246,335 |
| Public Works | | | | |
| Streets | 169,226 | 19,909 | 9,954 | 199,089 |
| Street lighting | 8,429 | 937 | | 9,365 |
| Total Public Works | 177,654 | 20,845 | 9,954 | 208,454 |
| Recreation | | | | |
| Parks | 57,220 | | | 57,220 |
| Total Recreation | 57,220 | | | 57,220 |
| Sanitation | | | | |
| Flood Pumping | 301 | | | 301 |
| Recycling | 33,982 | | | 33,982 |
| Compost | 6,362 | | | 6,362 |
| Total Sanitation | 40,645 | | | 40,645 |
| Special Revenue Funds | | | | |
| Contractual Services | 2,179 | | | 2,179 |
| Total Special Revenue Funds | 2,179 | | | 2,179 |
| Debt Service Funds | | | | |
| Principal | 74,970 | 11,970 | 3,060 | 90,000 |
| Interest Expenses | 12,617 | 3,777 | 542 | 16,935 |
| Agent Fees | 1,085 | | | 1,085 |
| Contractual Service | 1,500 | | | 1,500 |
| Total Debt Service Funds | 90,172 | 15,747 | 3,602 | 109,520 |
| Capital Project Funds | | | | |
| Contractual Services | 9,220 | | | 9,220 |
| Capital Outlay | 28,721 | | | 28,721 |
| Construction Costs | 73,056 | | | 73,056 |
| Interfund Interest | 13,564 | | | 13,564 |
| Total Capital Project Funds | 124,561 | | | 124,561 |
| School | 6,967,956 | | | 6,967,956 |
| GRAND TOTAL | 7,996,164 | 143,861 | 26,025 | 8,166,049 |
| PERCENT OF TOTAL | 97.9% | 1.8% | 0.3% | 100.0% |

Appendix IIIA. Revenues, Fiscal Year 1992, City of Independence

| Source | Residential | Commercial & Industrial | Farmland | Total |
|------------------------------------|------------------|-------------------------|----------------|------------------|
| CITY | | | | |
| Property Taxes | 469,954 | 57,720 | 48,443 | 576,117 |
| Fines & Charges | | | | |
| Business Licenses & Permits | | 1,010 | | 1,010 |
| Non-Business Licenses & Permits | 419 | | | 419 |
| Building Permits | 35,876 | 1,888 | | 37,764 |
| Sale, Maps, Copies, Publications | 393 | 98 | | 491 |
| Zoning & Subdivision Fees | 1,360 | 340 | | 1,700 |
| Assessment Searches | 440 | | | 440 |
| Fines | 51,916 | 2,791 | 1,116 | 55,824 |
| Total Fines & Charges | 90,404 | 6,128 | 1,116 | 97,648 |
| Miscellaneous | | | | |
| Administrative Charges | 3,562 | | | 3,562 |
| Public Works Reimbursements | 10,615 | | 2,654 | 13,269 |
| Miscellaneous | 16,334 | | 4,083 | 20,417 |
| Community Center | 9,101 | 1,284 | 1,077 | 11,462 |
| Interest Income | 15,172 | 1,356 | 1,138 | 17,666 |
| Park Dedication Fees | 20,576 | | | 20,576 |
| Community Hall Miscellaneous | 100 | | | 100 |
| Total Miscellaneous | 75,460 | 2,639 | 8,952 | 87,052 |
| Intergovernmental Aid | | | | |
| County Grants & Aid | 1,847 | | 7,388 | 9,235 |
| Homestead Credits | 141,446 | | | 141,446 |
| Misc. Tax Credits | | | 27 | 27 |
| CDBG | 9,120 | | | 9,120 |
| Total Intergovernmental Aid | 152,413 | | 7,415 | 159,828 |
| Special Assessments | 560,909 | | | 560,909 |
| City Total | 1,349,140 | 66,467 | 65,927 | 1,481,534 |
| SCHOOL | | | | |
| Property Taxes | 1,098,682 | 151,779 | 131,986 | 1,382,447 |
| Other Local Sources | 173,513 | | | 173,513 |
| State Aid | 1,194,831 | | | 1,194,831 |
| Federal Aid | 73,854 | | | 73,854 |
| Student Fees and Charges | 133,041 | | | 133,041 |
| Reserves | 153,552 | | | 153,552 |
| District Subsidies | 479,830 | | | 479,830 |
| School Total | 3,307,303 | 151,779 | 131,986 | 3,591,068 |
| GRAND TOTAL | 4,656,443 | 218,266 | 197,913 | 5,072,622 |
| PERCENT OF TOTAL | 91.8% | 4.3% | 3.9% | 100.0% |

Appendix III B. Expenditures, Fiscal Year 1992, City of Independence

| Source | Residential | Commercial & Industrial | Farmland | Total |
|------------------------------------|------------------|-------------------------|---------------|------------------|
| General Government | | | | |
| Mayor and Council Administration | 6,853 | 967 | 811 | 8,631 |
| Planning & Zoning | 51,683 | 7,290 | 6,119 | 65,092 |
| Election & Professional Services | 12,946 | 0 | 12,946 | 25,891 |
| Buildings | 24,395 | 3,209 | 2,693 | 30,297 |
| | 6,760 | 954 | 800 | 8,514 |
| Total General Government | 102,637 | 12,419 | 23,369 | 138,425 |
| Public Safety | | | | |
| Police Contract | 249,617 | 13,420 | 5,368 | 268,405 |
| Legal Fees | 17,052 | 917 | 367 | 18,336 |
| Dog Impound | 1,056 | | | 1,056 |
| Room and Board | 14,478 | 778 | 311 | 15,568 |
| Brookings | 237 | 13 | 5 | 255 |
| Miscellaneous | 2,215 | 119 | 48 | 2,382 |
| Fire Protection | 56,151 | 4,257 | 4,460 | 64,868 |
| Protective Inspection | 28,098 | 1,474 | | 29,572 |
| Total Public Safety | 368,905 | 20,979 | 10,559 | 400,442 |
| Public Works | | | | |
| Recycling | 21,817 | | | 21,817 |
| Streets | 300,049 | | 52,950 | 352,999 |
| Total Public Works | 321,866 | | 52,950 | 374,816 |
| Recreation | 2,519 | | | 2,519 |
| Miscellaneous | 20,638 | 2,911 | 2,443 | 25,993 |
| Special Revenue Funds | | | | |
| Park Fund | 9,823 | | | 9,823 |
| Total Revenue Funds | 9,823 | | | 9,823 |
| Debt Service Funds | | | | |
| Bond Principle | 115,000 | | | 115,000 |
| Bond Interest | 81,577 | | | 81,577 |
| Total Debt Service Funds | 196,577 | | | 196,577 |
| Capital Project Funds | | | | |
| Community Hall | 35,410 | 4,995 | 4,192 | 44,597 |
| Road | 167,791 | | | 167,791 |
| Total Capital Project Funds | 203,201 | 4,995 | 4,192 | 212,388 |
| School | 3,591,067 | | | 3,591,067 |
| GRAND TOTAL | 4,817,233 | 41,304 | 93,513 | 4,952,050 |
| PERCENT OF TOTAL | 97.3% | 0.8% | 1.9% | 100.0% |



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