Iowa Legislative Service Bureau

City Finances in Iowa

1975-1984

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FOREWORD

City government in Iowa is big business--well more than a billion dollars worth each year.

City finances are complex because cities are complex operations. They get their money from many sources, not just property taxes, as many people think; and they have a wide variety of expenditures ranging from animal control to zoos. But more importantly, cities provide many essential services such as fire and police protection, street and sidewalk construction, libraries, parks and recreation facilities, water, sewers, garbage collection, transit, and snow removal.

We think this Iowa local government finance report is the most comprehensive analysis of city finances ever made in Iowa. Because of the complexity and detailed nature of city finance information, in the past it would have been very difficult and costly to compile this information in any reliable detail. But thanks to the assistance of the U.S. Bureau of the Census, which supplied a computer tape of this information for each city to the Institute, we can now make these analyses in a cost effective manner. Furthermore, this information will be available each year for future comparisons.

This report has two parts. The first part analyzes the trends and changes in city revenues and expenditures from 1975 to 1984. The second part analyzes in detail the kinds of revenues and expenditures by five categories of cities grouped by size.

It is important to Iowa government that the Institute describe with accuracy and authority what is happening in city finances in Iowa. Yet, even this comprehensive report, in a sense, is an overview, for there are many items of revenues and expenditures that merit further study. Nevertheless, the information enclosed should be valuable to legislators, the governor's office, city officials, and the media to better understand city finances, and to give more of a factual base for policy decisions relating to city finances.

David Swenson, Government Research Specialist of the Institute, prepared the computer analysis and wrote this report. The manuscript was typed by Margot Johnjulio of the Institute.

Our special appreciation goes to Robert McArthur of the U.S. Bureau of the Census for his assistance.

Clayton L. Ringgenberg, Director
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OVERVIEW

Some incredible changes befell Iowa municipal finances over the last 10 years. In the late 1970s a fundamental transformation in city general revenue sources began and continues to the present. At the same time, municipal general expenditure patterns began to change dramatically. This report identifies these changes over time by analyzing trends in Iowa municipal revenues, expenditures, and debt over the years 1975 through 1984.

Some of the major highlights of these trends in city finances are:

- In current dollars, the percentage increase in cities' own source general revenues (those derived from taxes, charges and fees, and other miscellaneous sources) was over twice as much as revenues from the federal government and the state.

- The percentage increase in property tax revenues between 1975 and 1984 was less than any of the other own source revenues.

- Cities now receive more revenues from charges, fees and other miscellaneous sources such as sewer, garbage collection, and parking facilities than any other revenue source.

- City general revenues increased from $441 million in 1975 to $1.1 billion in 1984; additionally, non-general revenues received from municipal utilities (gas, electric, and water) and other enterprises such as transit services increased from $108 million in 1975 to $338 million in 1984.

- Taking inflation into account, city general revenues grew by about a third in the 10 years. Since 1978, however, combined assistance from the federal and state government has declined by 23 percent, property taxes increased 13 percent, and other own source revenues (primarily charges and miscellaneous revenues) have increased 59 percent.

- The proportion of city general revenues coming from property taxes has declined slightly since 1975.

- The greatest proportional decline has been in the area of intergovernmental assistance. In 1978, assistance from state and federal sources amounted to nearly 39 percent of all general revenues. By 1984 that percentage had dropped to 27 percent.

- Cities are becoming more revenue self-reliant: the proportion of own source revenues increased from about 60 percent in 1978 to over 72 percent in 1984.

- Without controlling for inflation, general municipal expenditures increased by 145 percent between 1975 and 1984.

- City expenditures for streets and sidewalks actually declined by over 16 percent over the last three reporting years.

- Over the same period, general interest payments on municipal debt increased by 289 percent even though total city debt increased only 161 percent.

- The nature of city debt has changed remarkably: general obligation debt in 1972 constant dollars declined 12 percent between 1975 and 1984; however, revenue bond debt increased 78 percent.

- Taking inflation into account, city expenditures actually declined by 7.4 percent from 1983 to 1984; the only category to defy this trend has been public health and municipal hospital expenditures.

Not only have there been noteworthy changes over time, there are also major differences between small, medium, and large cities. These differences are evident in both the types of revenues upon which they respectively rely and in the areas where they concentrate their expenditures. The second section of this report analyzes 1984 city revenues, expenditures, and debt by city size giving both proportional and per capita indicators.

Some of the highlights of that section are:

- Although nearly half of Iowa's cities have populations under 500, these cities account for only 3 percent of municipal general revenues. Cities under 500 were much more dependent on intergovernmental assistance than the remaining cities.

- Iowa's largest cities, those over 50,000, have around 33 percent of the state's city population and account for 38 percent of all municipal general revenues.

- State assistance declines in relative importance as city size increases. Cities under 500 receive nearly a quarter of their revenues from the state compared to an average of 15 percent for all cities.

- Cities in Iowa generated an average of $495 per capita in general revenues. Small cities averaged $300 per capita - large cities averaged $572 per capita. Property taxes per capita were, in 1984, $152 on average for all cities.

- Per capita utility revenues, those received from water, electric, gas, and transit charges, were nearly 10 times greater in cities 500 to 2,499 and 2,500 to 9,999 than in Iowa's largest cities. The average for all cities was $109 per capita.

- The two most important expenditure areas for all but the largest cities are for sewer and sewer maintenance, and streets and sidewalks; the largest cities spend proportionally more on police services.

- Overall, 42 percent of city expenditures were dedicated in 1984 to home and community environment services (such as sewers, roads and streets, urban renewal, parking, snow removal, and garbage collection). Per capita, the average for all cities was $188.

- The average for all cities in general expenditures per capita was $450. The largest cities spent nearly twice as much per capita than the smallest cities.

- For the most part, municipal wage expenditures per capita and as a proportion of all general expenditures tended to increase by city size.

- Per capita debt, excluding the smallest cities, declines by city size; however, small cities have greater revenue bond debt per capita, while larger cities have more general obligation debt per capita.

TABLE OF CONTENTS

TABLES, EXHIBITS, AND FIGURES

TABLES:

EXHIBITS:

FIGURES:

INTRODUCTION

Recent trends in Iowa municipal revenue and expenditure patterns are the subjects of this report. Specific analyses will focus on (1) revenue and expenditure trends over the years 1975-1984, and (2) detailed revenues and expenditure patterns by city size for the most recent reporting year, fiscal year 1984. The first section of this report identifies trends in Iowa municipal general revenues and expenditures using three indicators of change: apparent changes, real changes, and proportional changes.

Often, governmental revenue and expenditure reports detail only apparent or gross changes over time. For example, Iowa municipal revenues when measured using current dollar indicators rose by 157 percent between 1975 and 1984, which translates into an annual growth rate of 11 percent. Although useful for conceptual purposes, this type of reporting obscures especially the effects of inflation, as well as increased service demands, transfers in service responsibilities, and population changes on municipal budgetary practices.

A reporting strategy that helps offset the effects of inflation is measuring revenues and expenditures using an appropriate constant dollar indicator. Thus, for example, in 1972 constant dollars, Iowa municipal revenues rose by 26.1 percent between 1975 and 1984, which translates into an annual real growth rate of 2.6 percent. When using this method we get an idea of net growth or growth in excess of inflation, all other things being equal. Moreover, we are able to analyze in detail the real value of the different sources of revenue upon which city governments rely and areas of expenditures using a measure that is standardized over time.

To round out our portrayal of municipal finances it is also useful to look at proportional differences over time for the various revenue and expenditure categories. For example, revenues from the federal government and the state accounted for more than 37 percent of all city general revenues in 1975; whereas, by 1984, these transfers made up 27 percent of all general revenues.

A change such as this could be the result of decreases in aid from these sources or increases in revenues from other sources or some combination of the two. By detailing revenues and expenditures using these three methods we intend to identify significant changes in both sources of revenues and the types of expenditures characteristic of Iowa's cities.

The second section of the report will provide a more detailed analysis of revenue and expenditure categories for fiscal year 1984 using city finance data provided by the U.S. Bureau of the Census. This data source allows reaggregation by city size as well as extensive analysis of specific revenue and expenditure items, both proportionally and on a per capita basis.

Exhibit 1. Municipal Revenue Categories and Specific Revenue Sources.

TAXES
- Property Taxes
- Other Taxes
  - Utility Franchise Tax
  - Hotel-Motel Tax

LICENSES & PERMITS
- Business and Non-Business Licenses and Permits
- Building, Inspection, Zoning, and Subdivision Fees
- Health Inspection Fees

FEDERAL ASSISTANCE
- Federal Revenue Sharing
- Community Development Block Grant
- Housing and Urban Renewal Grants
- Miscellaneous Aid to Projects and Enterprises

STATE ASSISTANCE
- Municipal Assistance
- State Liquor Profit
- State Road Use Tax
- Property Tax Relief - Credits
- Miscellaneous Aid to Projects and Programs

OTHER LOCAL GOVERNMENTS
- Fire Contracts
- Payments in Lieu of Taxes

CURRENT CHARGES
- Parks, Recreation, and Library
- Sewer, Garbage, Landfill, and Cemetary
- Fire, Police, Ambulance, and Animal Control
- Parking, Airport, and Hospital Enterprises
- Miscellaneous Charges

MISCELLANEOUS REVENUES
- Special Assessments
- Interest on Investments
- Rents
- Fines, Forfeits, Penalties, and Refunds
- Donations
- Other Miscellaneous Revenues

UTILITY REVENUES
- Water Charges
- Electricity Charges
- Gas Charges
- Transit Charges

I

TRENDS IN IOWA MUNICIPAL REVENUES : 1975-1984

City governments in Iowa derive their general revenues from four main sources: (1) property taxes, (2) state assistance, (3) federal assistance, and (4) charges and other miscellaneous revenues. Cities may also generate revenues from certain utilities and enterprises such as water, transit, gas, and electricity services. These examples are not considered "general" revenues; in this section of the report, they will be listed as "enterprise and utility" revenues and will not be analyzed in detail. Exhibit 1 outlines the major revenue categories and specific items that fall under these major revenue groupings.

Apparent Revenues

Table 1 lists Iowa municipal revenues by major source for fiscal years 1975 through 1984.[1] These unadjusted dollar amounts give us a picture of the apparent or gross changes in revenues by category for these years. During the ten fiscal periods covered, total revenues rose by $956 million or 174 percent; general revenues grew by $693 million or 157 percent, and utility and enterprise revenues increased $230 million or 214 percent. Looking solely at general revenues, the largest area of growth is found in charges and miscellaneous revenues, which increased by 256 percent. Property tax revenues grew by 140 percent, from $139 million in 1975 to $352 million in 1984. All in all, general revenues from cities' own sources (taxes, charges, fees, and miscellaneous revenues) rose by 195 percent over this period of time.

Intergovernmental revenues, those derived primarily from the

Table 1. Iowa Municipal Revenues, 1975-1984. (In millions of current dollars)

	84	83	82	81	80	79	78	77	76	75	Percent Change 1975-1984
REVENUES											
TOTAL	1504.0	1396.7	1282.1	1151.6	1027.0	943.9	827.5	732.1	650.7	548.4	174.3%
General	1133.2	1083.2	989.1	891.2	787.6	716.2	645.7	589.8	523.4	440.6	157.2%
Intergovernmental	316.0	289.7	285.7	295.9	284.2	266.8	261.7	228.4	198.4	163.9	92.8%
Federal	144.8	128.8	125.8	138.0	121.8	120.8	130.2	102.8	97.7	79.1	83.1%
State	161.4	152.1	152.3	148.3	151.6	137.6	123.7	118.4	95.2	83.9	92.4%
Own Source	817.1	793.5	703.4	595.3	503.5	449.4	383.9	361.3	324.9	276.7	195.3%
Tax Revenue	351.7	327.1	297.7	269.1	239.2	217.5	197.8	178.8	172.2	146.0	140.9%
Property	332.7	310.7	282.5	255.0	224.9	205.4	186.0	168.7	163.2	138.7	139.9%
Other	19.0	16.4	15.2	14.1	14.3	12.1	11.8	10.1	8.9	7.3	160.3%
Chgs & Misc	465.4	466.3	405.7	326.2	264.3	231.9	186.1	182.5	152.8	130.6	256.4%
Utility & Enterprise	337.9	285.4	268.0	242.2	222.3	209.6	168.6	142.4	127.4	107.8	213.5%

Note: All 1975-1984 data from GOVERNMENTAL FINANCES, Bureau of the Census.

federal government and the state, grew by much less than the previously mentioned categories: revenues from federal sources were $66 million or 83 percent greater in 1984 than they were in 1975; those obtained from the state were $78 million or 92 percent greater. It is further apparent that 1984 was a recovery year for intergovernmental assistance to cities. Although the actual amount of federal assistance in 1983 was less than in 1981 (-$9.2 million or -6.7 percent), in 1984 federal assistance increased 12.4 percent. State assistance to city governments, which changed very little between 1981 and 1983, also increased by 6.1 percent in 1984.

Real Revenues

In this subsection we examine the real or constant 1972 dollar changes in city government revenues for years 1975-1984 in order to identify growth in excess of inflation.[2] Figure 1 depicts real changes in the four main revenue sources for city governments over a ten-year period. The most outstanding area of real growth is in charges and miscellaneous revenues, especially since 1978; property tax revenues indicate only modest growth. Intergovernmental revenues, those obtained mostly from the federal government and the state of Iowa, have decreased in recent years. In real dollar amounts, revenues from the federal government began to slide after 1978; revenues from the state government remained about constant between 1977 and 1980, but began to decline thereafter.

Figure 1. Iowa Municipal Revenues, 1975-1984. Selected Sources in 1972 Dollars.

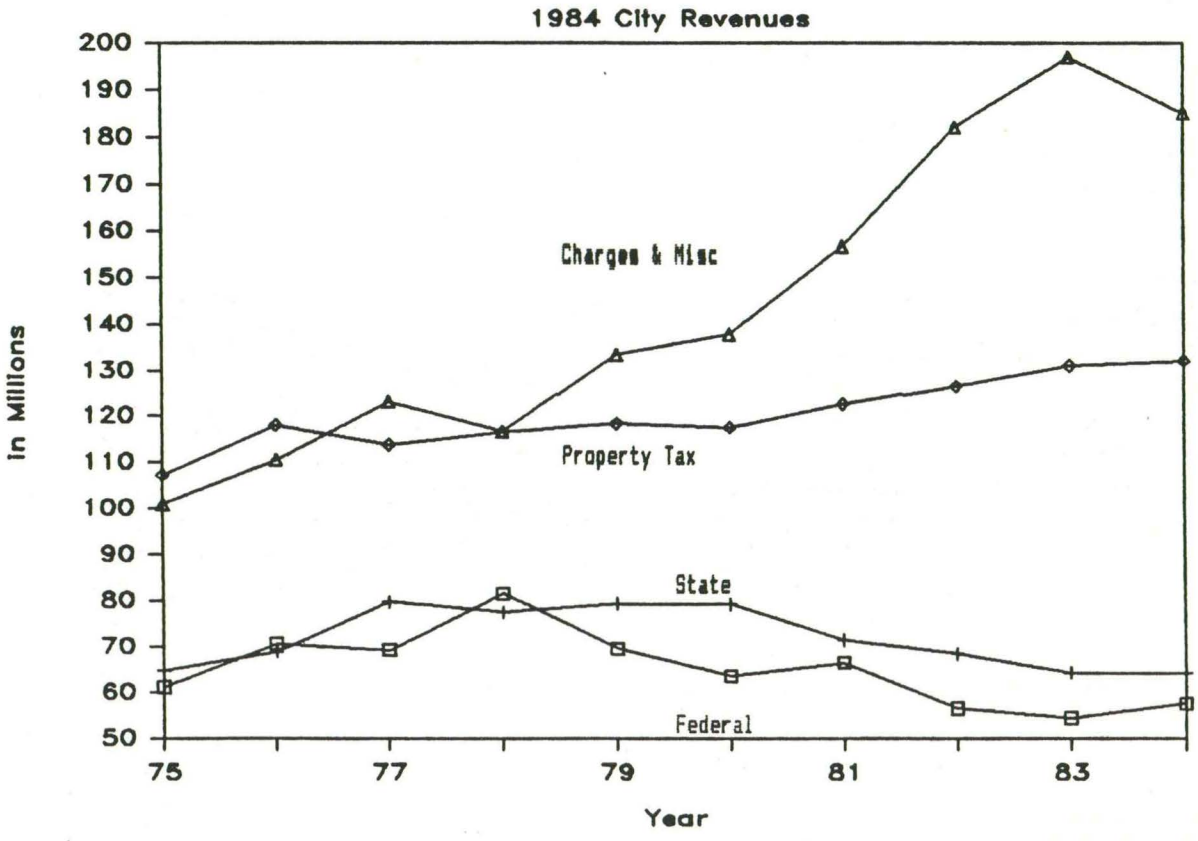

Table 2. Iowa Municipal Revenues, 1975-1984. (In millions of 1972 dollars)

	84	83	82	81	80	79	78	77	76	75	Percent Change 1975-1984
REVENUES											
TOTAL	597.8	590.1	575.4	553.7	536.3	543.4	518.2	493.3	470.5	423.8	41.1%
General	450.4	457.6	443.9	428.5	411.3	412.3	404.3	397.4	378.5	340.5	32.3%
Intergovernmental	125.6	122.4	128.2	142.3	148.4	153.6	163.9	153.9	143.5	126.7	-0.8%
Federal	57.6	54.4	56.5	66.3	63.6	69.5	81.5	69.3	70.6	61.1	-5.9%
State	64.1	64.3	68.4	71.3	79.2	79.2	77.5	79.8	68.8	64.8	-1.1%
Own Source	324.8	335.2	315.7	286.2	262.9	258.7	240.4	243.5	234.9	213.8	51.9%
Tax Revenue	139.8	138.2	133.6	129.4	124.9	125.2	123.9	120.5	124.5	112.8	23.9%
Property	132.2	131.3	126.8	122.6	117.4	118.2	116.5	113.7	118.0	107.2	23.4%
Other	7.6	6.9	6.8	6.8	7.5	7.0	7.4	6.8	6.4	5.6	33.9%
Chgs & Misc	185.0	197.0	182.1	156.8	138.0	133.5	116.5	123.0	110.5	100.9	83.3%
Utility & Enterprise	134.3	120.6	120.3	116.4	116.1	120.7	105.6	96.0	92.1	83.3	61.2%

Table 2 lists city government revenues by source in 1972 constant dollars. The total 1984 general revenues for Iowa's 956 cities were 32.3 percent greater than they were in 1975 but they were 1.6 percent less than they were in 1983; enterprise and utility revenues were 61.2 percent higher. Within the general revenue category the most dramatic increase, as indicated in Figure 1, was in the category of charges and miscellaneous revenues. Revenues from this source increased by over 83 percent between 1975 and 1984, which represents an annual real growth rate of 6.2 percent; however, between 1983 and 1984, these revenues decreased by 6.1 percent. Property revenues rose a modest 23.4 percent between 1975 and 1984, which is an annual real growth rate of 2.4 percent.

The areas of revenue reductions were in the flow of funds from state and federal sources. Although funds from the federal government

in 1984 were only 5.9 percent less than they were in 1975, they were 29.3 percent less, in real terms, than they were in 1978. State funds, which show negligible difference for years 1975 and 1983, were actually 19.7 percent less in 1984 than they were in 1977.

Perhaps the strongest transformation in local government revenues has happened in the relative importance of intergovernmental transfers and charges and miscellaneous revenues. Although cause and effect is not the topic of this report, it seems plausible that the increased receipts from charges and miscellaneous fees are at least partially attributable to the decreased flow of intergovernmental assistance coupled with a general local resistance to increasing property taxes. Total intergovernmental assistance was $38.3 million less in constant terms in 1984 than the peak year of 1978. It appears that the initial and sustained response on the part of local governments to recover these lost revenues was to increase charges and fees or broaden the range of services for which fees and charges could be applied. 1979 represents the first year of a dramatic five-year increase in revenues from charges and miscellaneous revenues (see Figure 1 and Table 2). Receipts from this source in real dollars were $63.5 million greater in 1983 than in 1979. All told, the loss of intergovernmental revenues has been more than compensated by increased charges and fees revenues. Property tax revenues remained quite stable over this same time period showing only modest growth.[3] Finally, 1984 showed a net increase in intergovernmental assistance and a net decrease in revenues from charges and miscellaneous revenues, which may help lend credence to the implied relationship between federal assistance and local charges and fees.

Proportional Revenues

Figure 2 details Iowa municipal general revenues by the proportion attributable to each major source for fiscal year 1984. Although there is a general misperception that property taxes account for most city revenues, the truth is that they fell second by twelve percentage points to revenues obtained from charges and other miscellaneous revenues. In proportional terms, charges and miscellaneous revenues overtook property taxes in 1979 and the gap widened until 1984 when charges and miscellaneous revenues showed a slight decline (see Figure 1).

Figure 2. Proportional Composition of Municipal Revenues

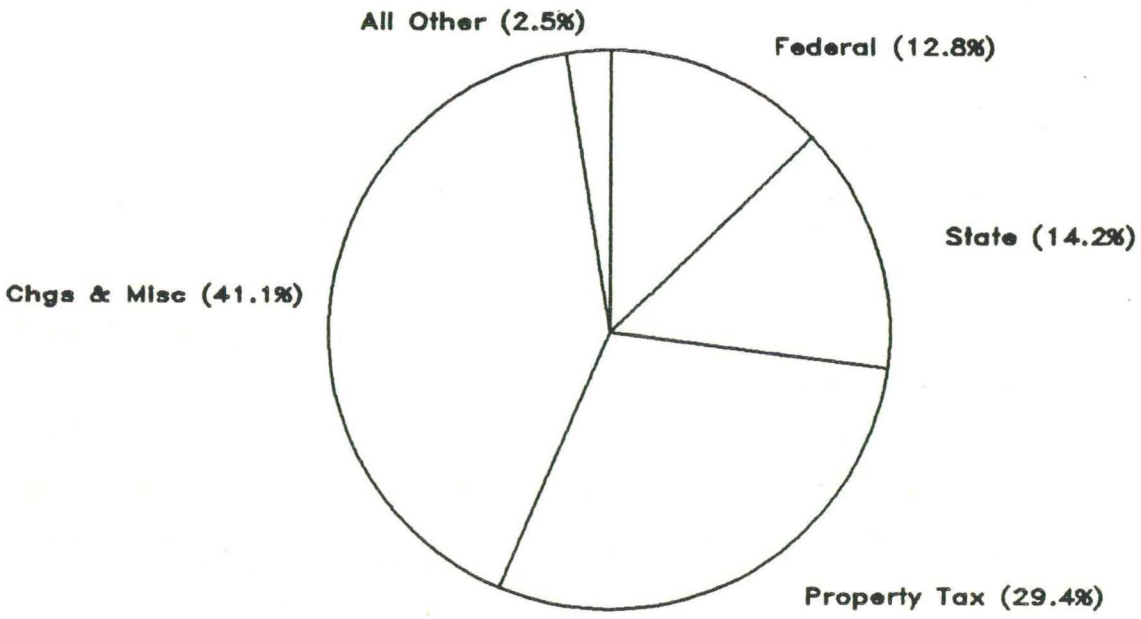

Table 3. Proportional Composition of Iowa Municipal General Revenues, 1975-1984.

	84	83	82	81	80	79	78	77	76	75
REVENUES										
General	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Intergovernmental	27.9	26.7	28.9	33.2	36.1	37.3	40.5	38.7	37.9	37.2
Federal	12.8	11.9	12.7	15.5	15.5	16.9	20.2	17.4	18.7	18.0
State	14.2	14.0	15.4	16.6	19.2	19.2	19.2	20.1	18.2	19.0
Own Source	72.1	73.3	71.1	66.8	63.9	62.7	59.5	61.3	62.1	62.8
Tax Revenue	31.0	30.2	30.1	30.2	30.4	30.4	30.6	30.3	32.9	33.1
Property	29.4	28.7	28.6	28.6	28.6	28.7	28.8	28.6	31.2	31.5
Other	1.7	1.5	1.5	1.6	1.8	1.7	1.8	1.7	1.7	1.7
Chgs & Misc	41.1	43.0	41.0	36.6	33.6	32.4	28.8	30.9	29.2	29.6

Looking at data for years 1975-1984 (see Table 3), a number of major proportional changes have occurred. In 1975, cities generated nearly 63 percent of their general revenues from their own revenue sources; the remaining 37 percent came from the state and the federal government. In 1984, by contrast, cities' own source monies made up over 72 percent of general revenues, while intergovernmental sources accounted for less than 28 percent.

Again, as we have pointed out already, the greatest proportional change happened in the areas of charges and miscellaneous revenues, and intergovernmental revenues. Property taxes remained proportionally stable over these years, especially since 1977. But charges and miscellaneous revenues and intergovernmental receipts have flip-flopped in relative importance; again, most noticeably since 1978-1979.

TRENDS IN IOWA MUNICIPAL EXPENDITURES: 1975-1984

City governments provide their citizens a variety of services. For the most part, these varied services can be grouped into the four general expenditure categories listed in Exhibit 2.

Exhibit 2. Municipal Expenditure Categories.

COMMUNITY PROTECTION
- Police, Fire, and Ambulance Services
- Traffic Control and Street Lighting

HUMAN DEVELOPMENT
- Health and Human Services
- Parks and Recreation
- Civic Facilities

HOME AND COMMUNITY ENVIRONMENT
- Sewage, Streets, and Sidewalks
- Snow Removal and Street Maintenance
- Parking, Cemeteries, and Airports

POLICY AND ADMINISTRATION
- City Council and City Hall
- Financial, Administrative, and Legal Services
- Debt Service and Employee Retirement

Historical data from the Bureau of the Census, unfortunately, do not fall readily into these four general areas. Instead, they aggregate city expenditures using more specific categories in order to lend comparability to other forms of local governments. For the purposes of this section, we will analyze the Census Bureau's expenditure designations: the last section of the report will involve a much more detailed analysis of expenditures under the four general categories listed above.[4]

Apparent Expenditures

Table 4 depicts the unadjusted, actual expenditures for Iowa's cities for years 1975-1984. General expenditures in 1984 were $636 million or 145 percent more than in 1975, which translates into a 10.5 percent annual rate of growth. Nevertheless, general expenditures were 1.5 percent less in 1984 than they were in 1983. Utility expenditures were $278 million or 232 percent greater in 1984 than they were in 1975.

Within the general direct expenditures category the following increases were shown for 1984 when compared with 1975: streets and sidewalks, 89.8 percent; police and fire, 167.0 percent; hospital and public health, 514.1 percent; and interest on general indebtedness, 289.1 percent.[5] Clearly, the expenditure categories showing the most growth were for hospital and public health costs, interest payments, and police and fire services. Public health and hospital expenditures show the greatest amounts of growth after 1979; police and fire expenditures have increased at a fairly consistent average rate of 11.5 percent annually.

Table 4. Iowa Municipal Expenditures, 1975-1984. (In millions of current dollars)

	84	83	82	81	80	79	78	77	76	75	Percent Change 1975-1984
EXPENDITURES											
TOTAL DIRECT	1488.8	1458.4	1386.2	1252.8	1097.3	922.0	785.9	747.8	667.2	558.2	166.7%
General direct	1075.7	1092.6	972.5	902.9	796.4	675.1	589.7	559.0	518.5	438.7	145.2%
Education	--	--	--	--	--	0.5	--	--	--	--	
Streets-Sidewalks	159.8	174.6	181.3	191.2	149.9	133.9	97.6	98.9	105.3	84.2	89.8%
Public Welfare	0.0	1.1	0.6	0.7	1.9	2.9	3.6	2.2	2.1	0.6	-100.0%
Police & Fire	175.7	168.0	137.5	125.8	112.7	101.9	90.7	87.3	78.9	65.8	167.0%
Health & Hosp	117.3	92.4	85.8	66.6	122.8	50.9	34.7	25.8	23.2	19.1	514.1%
Interest-gen debt	99.6	111.5	72.0	56.6	40.5	39.7	32.9	29.5	29.4	25.6	289.1%
All other	523.2	545.1	495.5	462.1	368.5	345.4	330.1	315.2	279.6	243.5	114.9%
Utility & Enterprise	397.2	351.6	400.2	337.0	269.6	235.8	185.7	188.8	148.7	119.5	232.4%

Real Expenditures

Expenditures in real or constant dollar terms allow us to better identify areas of growth. Figure 3 portrays selected expenditures in 1972 constant dollars for years 1975-1984. The areas of the most real growth in recent years are: interest payments on municipal long-term debts, after five years of relative stability; and in hospital and public health costs. The tremendous increase in hospital and public health costs in 1980 were due primarily to capital improvement; excluding this aberrant year, hospital and public health costs have increased at a fairly constant rate since 1977.

Figure 3. Iowa Municipal Expenditures, 1975-1984. Selected Sources in 1972 dollars.

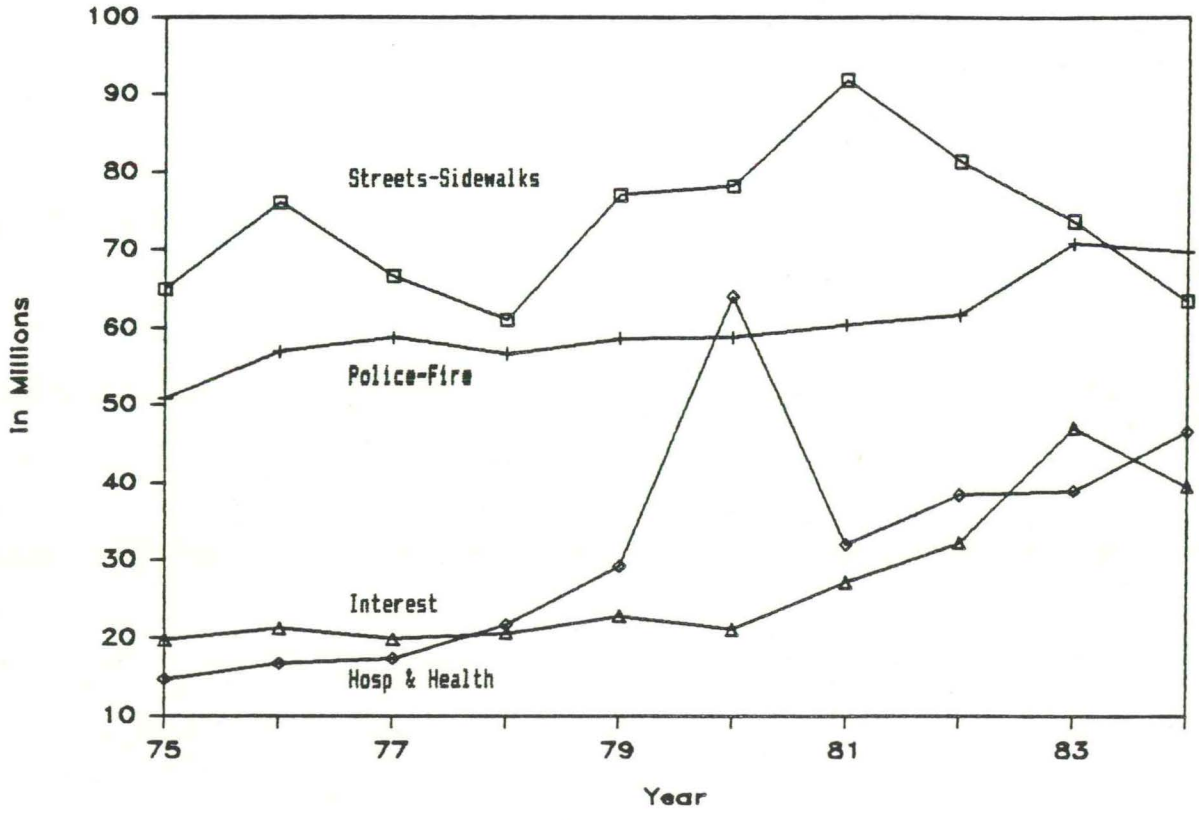

Table 5. Iowa Municipal Expenditures, 1975-1984. (In millions of 1972 dollars)

	84	83	82	81	80	79	78	77	76	75	Percent Change 1975-1984
EXPENDITURES											
TOTAL DIRECT	591.7	616.1	622.2	602.3	573.0	530.8	492.1	503.9	482.4	431.4	37.2%
General direct	427.5	461.6	436.5	434.1	415.9	388.7	369.3	376.7	374.9	339.0	26.1%
Education	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	
Streets-Sidewalks	63.5	73.8	81.4	91.9	78.3	77.1	61.1	66.6	76.1	65.1	-2.4%
Public Welfare	0.0	0.5	0.3	0.3	1.0	1.7	2.3	1.5	1.5	0.5	-100.0%
Police & Fire	69.8	71.0	61.7	60.5	58.9	58.7	56.8	58.8	57.0	50.9	37.3%
Health & Hosp	46.6	39.0	38.5	32.0	64.1	29.3	21.7	17.4	16.8	14.8	215.9%
Interest-gen debt	39.6	47.1	32.3	27.2	21.1	22.9	20.6	19.9	21.3	19.8	100.1%
All other	207.9	230.3	222.4	222.2	192.4	198.8	206.7	212.4	202.2	188.2	10.5%
Utility & Enterprise	157.9	148.5	179.6	162.0	140.8	135.8	116.3	127.2	107.5	92.3	70.9%

The figure also shows us that public safety expenditures have remained quite flat over this time period, indicating only moderate real growth except for years 1982 to 1983 and a net decline between 1983 and 1984. Street and sidewalk expenditures, although showing more movement both up and down than the other categories, peaked in 1981 after a three-year increase and have decreased quite steadily since.[6]

Table 5 lists all real general expenditures by category over the same time period. Notwithstanding the unspecific "all other" category, street and sidewalk expenditures were greater than the others until 1984, although police and fire expenditures were always a very close second. Where expenditures for roads and streets exceeded police and fire by over $14 million in 1975, the gap had narrowed to less than $3 million by 1983. By 1984, police and fire expenditures were $6 million more than street expenditures.

Percentage changes in real expenditures for year 1984 as compared to 1975 are: streets and sidewalks, -2.4 percent; public welfare, no real change; police and fire, 37.3 percent; hospital and public health, 215.9 percent; and general debt interest payments, 100.1 percent.

According to these categorical breakdowns, then, the areas of greatest real expenditure growth are in hospital and public health costs and interest payments, with police and fire expenditures coming in a distant third. It has been evident for quite some time that hospital and public health costs have risen much more rapidly than inflation; that is, those forces that seem to moderate the costs of other goods and services seem to have only negligible effect upon this broad area. It is also important to emphasize that there are only 23 municipal hospitals in Iowa, yet these hospitals account for over three-fourths of all expenditures in this category (see note 5). Finally, municipal hospital expenditures are, for the most part, determined and reviewed by local hospital boards and are not subject to the scrutiny of their respective city councils.

The rapid rise in interest costs was apparently due in part to pent up demand for capital improvement by 1979 or so because of high municipal bond rates in the late 1970s, which continued into years 1981-1982. Another more important reason for this increase is found in Table 7. Note that after 1979, cities began to rely more and more on "nonguaranteed" or revenue bonds. Revenue bonds carry higher interest costs than general obligation bonds and this shift in bond type accounts for a large portion of this increase.

Proportional Expenditures

Figure 4 displays the proportions of 1984 general expenditures accounted by the five categories covered in this section. Public welfare expenditures by city governments are very low and were included in the "all other" category for this figure. Forty-nine percent of these expenditures are unspecified in the Census Bureau reports; section two of this report will cover detailed expenditure items and uncovers most of these unspecified expenditures.

Figure 4. Proportional Composition of Municipal Expenditures, 1984.

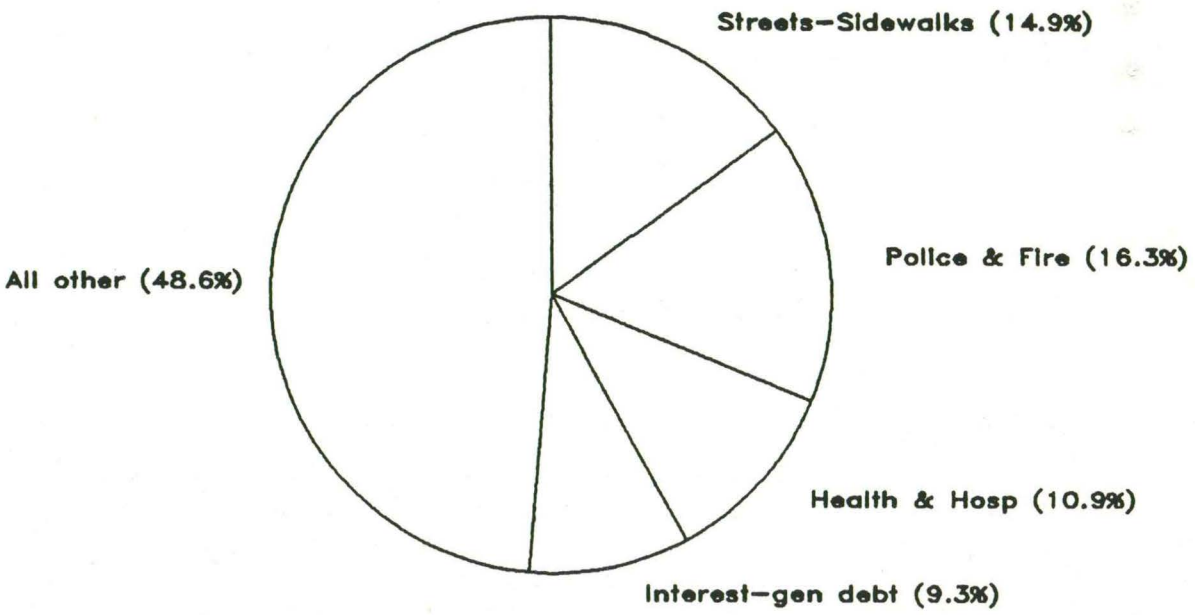

Table 6. Proportional Composition of Iowa Municipal Expenditures, 1975-1984.

	84	83	82	81	80	79	78	77	76	75
EXPENDITURES										
General direct	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Streets-Sidewalks	14.9	16.0	18.6	21.2	18.8	19.8	16.6	17.7	20.3	19.2
Public Welfare	0.0	0.1	0.1	0.1	0.2	0.4	0.6	0.4	0.4	0.1
Police & Fire	16.3	15.4	14.1	13.9	14.2	15.1	15.4	15.6	15.2	15.0
Health & Hosp	10.9	8.5	8.8	7.4	15.4	7.5	5.9	4.6	4.5	4.4
Interest-gen debt	9.3	10.2	7.4	6.3	5.1	5.9	5.6	5.3	5.7	5.8
All other	48.6	49.9	51.0	51.2	46.3	51.2	56.0	56.4	53.9	55.5

According to Table 6, and as a proportion of all general expenditures, street and sidewalk spending went down by over four percentage points when comparing 1984 with 1975 (from 19 to 15 percent); its historical high was 21.2 percent in 1981. Police and fire proportions have remained relatively stable (hovering very close to 15 or 16 percent) both comparing 1984 with 1975 and over the intervening years.

The greatest proportional changes were, not surprisingly, in public health and hospital expenses and interest payments, which increased dramatically. In 1975 these two areas combined accounted for 10.2 percent of all expenditures, by 1983 they accounted for over 20 percent.

Whether these two categories will increase their proportional shares of local general expenditures in the future or are the result of cyclical changes is unknown. The important points emphasized in this section have to do with the historical shifts in the shares of expenditures by category.

TRENDS IN IOWA MUNICIPAL DEBT: 1975-1984

The analysis of city financial characteristics would not be complete unless city debt were analyzed. Cities may pledge their "full faith and credit," their future tax revenues, for the purpose of issuing bonds to pay for essential or general public services. These are called general obligation bonds and are used primarily for infrastructure and building construction. Nonguaranteed indebtedness involves borrowing money to pay for the capital development of revenue producing items from whose revenues the debt is retired. These are typically known as revenue bonds, and may pay for such revenue producing services as water and sewage facilities, transit systems, and airports.

Table 7 lists current and constant dollar debt figures for years 1975-1984. Full faith and credit (FF&C) indebtedness was 70.3 percent greater in 1984 than in 1975 in current dollar terms. Using 1972 constant dollars, however, the real difference was -12.4 percent. Nonguaranteed debt was 245.2 percent greater comparing these same two years in current dollars; whereas the constant value of that increase was 77.5 percent. Clearly, the only area of real growth in local government indebtedness recently is in revenue bonds, or nonguaranteed debt.

Table 7. Iowa Municipal Debt by Type of Issue, 1975-1984. (Dollar amounts in millions)

	84	83	82	81	80	79	78	77	76	75	Percent Change 1975-1984
	Current Dollars										
TOTAL DEBT	2008.6	1910.6	1938.7	1516.4	1486.4	1090.7	903.5	917.8	783.0	769.3	161.1%
Long-term	1937.6	1872.9	1886.2	1473.4	1471.5	1073.3	889.5	901.5	754.3	727.2	166.4%
FF&C	556.9	554.1	512.0	445.8	406.2	394.7	354.5	353.6	336.7	327.1	70.3%
Nonguaranteed	1380.6	1318.8	1374.2	1027.6	1065.2	678.5	535.0	547.9	417.6	400.0	245.2%
	1972 Dollars										
TOTAL DEBT	798.3	807.2	870.2	729.0	776.2	627.9	565.7	618.5	566.2	594.5	34.3%
Long-term	770.1	791.3	846.6	708.4	768.4	617.9	557.0	607.5	545.4	562.0	37.0%
FF&C	221.3	234.1	229.8	214.3	212.1	227.2	222.0	238.3	243.5	252.8	-12.4%
Nonguaranteed	548.7	557.2	616.8	494.0	556.2	390.6	335.0	369.2	302.0	309.1	77.5%

II

IOWA MUNICIPAL REVENUES: 1984

The previous discussion gave us an idea of Iowa municipal finance trends in the aggregate over the ten most recent years for which there are data. In this section of the report we will provide a detailed description of fiscal year 1984 municipal finances by city size. Revenues and expenditures will not be reported in dollar amounts; instead, we will rely on proportional and per capita measures to identify major differences by population classification.

Of Iowa's 956 cities, 859 or 90 percent submitted a fiscal year 1984 annual financial report to the Iowa Auditor of State in time to be forwarded to the U.S. Census Bureau for compilation and analysis. These compiled raw data were obtained from the Census Bureau in order to provide a more thorough analysis of Iowa municipal finances.

The data were then reaggregated into five population groupings: places under 500 in population; cities 500 to 2,499; cities 2,500 to 9,999; cities 10,000 to 49,999; and cities of 50,000 or more. The first two categories, cities under 2,500, are those that the Census Bureau defines as "rural places." The next two categories encompass Iowa's medium sized cities and, as a standard of reference, may be characterized loosely as "county seat" type cities. The final population classification encompasses Standard Metropolitan Statistical Areas (SMSAs), Iowa's largest and most developed cities.[7] By grouping the cities thus, we are more able to treat like cases similarly; to conceive of differences on the basis of size and, to a certain extent, on the levels of services characteristic of these cities.

Proportional Revenues

Table 8 lends some substance to these five population groups by giving us three proportional indicators from which to characterize these cities. Although 48.4 percent of the cities in the analysis are under 500 in population, these small cities collectively account for only 5.3 percent of all city-dwellers and merely 3.2 percent of total city general revenues. On the other extreme, less than one percent of Iowa's cities have populations of 50,000 or greater, yet they account for nearly 33 percent of the population and 38 percent of all general revenues. It is important to remember in the upcoming discussion that discernable differences may be interpreted differently by city size: for rural cities these differences apply to the majority of Iowa's cities, yet only a very small proportion of the total city population; for medium to large cities, differences can be interpreted to apply to a minority of cities but a majority of the state's city population. Similarly, references to revenues or expenditures follow the same qualifications: no matter what the indications, rural places account for a relatively small percentage of city revenues and expenditures.

Table 8. Selected Characteristics of Study Cities by Size of City

CITY SIZE: Indicators	Less Than 500	500 - 2,4999	2,500 - 9,999	10,000 - 49,999	50,000 or more
Cities	48.4%	38.4%	10.2%	2.1%	.9%
Population	5.3	18.9	22.7	20.3	32.8
General Revenues	3.2	19.0	20.6	19.3	37.9

Table 9. Proportional Composition of Municipal Revenues, 1984, by City Size.

	CITY SIZE:					
	Less Than 500	500 to 2,499	2,500 to 9,999	10,000 to 49,999	50,000 or More	ALL CITIES TOTAL
INTERGOVERNMENTAL	42.0	29.8	33.6	27.1	27.4	29.5
Federal Aid	14.7	11.7	15.1	11.5	14.9	13.7
State Revenues	24.5	16.3	17.3	14.9	12.0	14.9
Other Govt Revenue	2.8	1.8	1.2	0.6	0.5	1.0
OWN SOURCE	58.0	70.2	66.4	72.9	72.6	70.5
Total Taxes	27.5	31.2	29.6	33.6	32.5	31.7
Property Tax	27.5	30.1	29.0	33.1	31.0	30.7
Other Taxes	.0	1.0	0.6	0.4	1.5	1.0
Total Licenses & Permits	1.1	0.8	0.7	1.1	0.9	0.9
Total Chgs & Misc	29.4	38.3	36.1	38.3	39.2	37.9
Current Charges	18.3	25.3	20.9	19.0	27.2	23.7
Misc Revenues	11.1	13.1	15.2	19.3	12.0	14.2
TOTAL GENERAL REVENUES	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 9 demonstrates percentages of general revenues by general source and city size. The most pronounced differences are between the very small cities (less than 500) and the remaining four categories. These small cities relied much more on assistance from other governments and were less able or willing to generate proportionally more revenues from their own sources.

No real patterns of dependence are discernable by city size in terms of federal assistance; however, the importance of state assistance tends to vary inversely by city size. For 1984, state assistance amounted to 24.5 percent of all general revenues for very small cities, but declined in importance as city size increased to about 12 percent on

average for the largest cities.

The proportions of general revenues coming from taxes did not vary greatly. Cities under 500 received about 27.5 percent of their revenues from property taxes, while cities of 10,000 to 49,999 generated about 33.6 percent from this source. The average for all cities in this study was 30.7 percent. In the other taxes category, which are utility franchises and hotel-motel taxes, small cities generated virtually no revenues from these sources; the remaining cities generated varying, yet still very small amounts of their revenues from these other taxes.

In the categories of charges and miscellaneous revenues, no discernable tendencies are attributable to city size alone. For example, cities under 500 received 18.3 percent of their revenues from current charges; cities 10,000 to 49,999 received 19 percent. The very small cities received 11.1 percent of their revenues from miscellaneous sources, cities of 50,000 or more received 12 percent. The larger cities in the rural city groups, 500 to 2,499, generated 25.3 percent of their revenues from charges, a figure very close to the 27.2 percent figure for the largest cities.

Table 10 gives us many of the same percentages listed previously as well as additional detail for revenues obtained from the federal government, the state, charges, and miscellaneous revenues.

Looking first at federal revenues, we see that the Community Development Block Grant was more important as a percentage of total general revenues for both the smallest cities (7.6%) and the largest cities (5.5%) in 1984. Federal aid to capital projects was over twice as important to cities with populations 2,500 to 9,999 than the categories on either side, and only nominally important to the smallest

Table 10. Proportional Composition of Municipal Revenues, 1984, by Specific Source.

	CITY SIZE:					
	Less Than 500	500 to 2,499	2,500 to 9,999	10,000 to 49,999	50,000 or More	ALL CITIES TOTAL
Property Tax	27.5	30.1	29.0	33.1	31.0	30.7
Total Other Taxes	.0	1.0	0.6	0.4	1.5	1.0
Total Licenses & Permits	1.1	0.8	0.7	1.1	0.9	0.9
Federal Rev Sharing	2.7	2.4	2.2	2.1	2.1	2.2
Comm Dev Block Grant	7.6	2.2	1.2	2.8	5.5	3.6
Ent & Util Aid	1.2	1.8	1.0	0.5	2.7	1.7
Aid to Projects	2.6	4.3	9.6	4.2	2.8	4.8
Other Federal Aid	0.7	0.9	1.0	1.8	1.8	1.5
Total Federal Aid	14.7	11.7	15.1	11.5	14.9	13.7
Municipal Assistance	2.4	1.6	1.4	1.4	1.0	1.3
State Liquor Profit	2.4	1.5	1.3	1.2	0.9	1.2
State Road Use Tax	11.5	7.7	6.8	6.5	4.8	6.3
Prop Tax Relief/Credits	3.3	3.6	3.5	4.0	4.0	3.8
Other State	4.9	1.8	4.3	1.9	1.3	2.2
Total State Revenues	24.5	16.3	17.3	14.9	12.0	14.9
Total Other Govt Revenue	2.8	1.8	1.2	0.6	0.5	1.0
Parks-Rec-Cult Chgs	0.4	0.9	1.5	1.3	0.8	1.0
Landfill Fees	1.8	1.1	0.7	0.6	0.3	0.7
Misc Charges	5.5	5.8	6.8	2.9	13.3	8.3
Charges for Services	10.6	17.4	11.8	14.2	12.9	13.7
Total Current Charges	18.3	25.3	20.9	19.0	27.2	23.7
Special Assessments	0.7	2.3	2.5	1.3	1.5	1.8
Interest on Investments	5.5	5.9	6.9	7.1	5.4	6.1
Rents & Royalties	2.8	3.2	4.2	8.8	2.9	4.4
Other Misc Revenues	2.1	1.6	1.6	2.2	2.2	1.9
Total Misc Revenues	11.1	13.1	15.2	19.3	12.0	14.2
TOTAL GENERAL REVENUES	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

and largest cities.

The state-funded Road Use Tax was the most important state assistance category for the two smallest city population groups at 11.5 percent and 7.7 percent respectively. As was mentioned previously, state assistance to cities tended to decline in importance as city size increased. The only categorical exception to this appeared to be in the area of property tax credits, which tended to increase in importance as city size increased.

In the current charges category we see quite a lot of variation in terms of proportions of general revenues gathered from these sources. The dominant category, charges for services, involves charges for such services as sewers, solid waste disposal, parking, and hospital and health care. These types of charges amount to 17.4 percent of general revenues for cities 500 to 2,499 compared to the average for all cities of 13.7 percent. Miscellaneous charges, which are less well-defined but include miscellaneous (non-interest) funds received from all revenue producing items, account for 13.3 percent of the largest city general revenues, yet only around 2.9 percent of the next smallest city category.

In the miscellaneous revenues category we see that the two dominant categories were interest on investments and rents and royalties. All of Iowa's cities gathered over 5 percent of their general revenues from interest earnings in 1984, with the greater proportions found in cities 2,500 to 9,999 (6.9%) and cities 10,000 to 49,999 (7.1%). Rent and royalty earnings appeared to be most important to cities with populations of 10,000 to 49,999, and only nominally so, on average, for the remainder of Iowa's cities.

Per Capita Revenues

The use of per capita measures allows us to get a better, more intuitively appealing, idea of the value of revenues generated by cities annually. The three categories of most importance are total general revenues, total revenues from own sources, and total intergovernmental revenues per capita. Total general revenues give us an idea of the amount of revenues needed per capita, on average, to fund city services. Intergovernmental revenues demonstrate the value of revenues received that come from non-local sources, and own source revenues identify the average costs of government per person locally.

Total general revenues per capita ranged from $300 in the smallest cities (on average) to $572 for the largest cities (see Table 11).

Table 11. Per Capita Municipal Revenues, 1984, by City Size.

	CITY SIZE:					
	Less Than 500	500 to 2,499	2,500 to 9,999	10,000 to 49,999	50,000 or More	ALL CITIES TOTAL
INTERGOVERNMENTAL	$126.27	$147.40	$151.13	$127.37	$156.85	$146.17
Federal Aid	44.24	57.90	67.95	54.21	85.49	67.76
State Revenues	73.51	80.72	77.65	70.24	68.70	73.57
Other Govt Revenue	8.52	8.78	5.54	2.91	2.66	4.83
OWN SOURCE	$174.13	$347.88	$298.82	$342.96	$415.20	$348.67
Total Taxes	82.61	154.35	133.27	157.82	185.76	156.79
Property Tax	82.51	149.25	130.55	155.82	177.09	151.95
Other Taxes	0.11	5.10	2.72	2.00	8.67	4.84
Total Licenses & Permits	3.19	3.77	3.16	5.09	5.08	4.30
Total Charges & Misc	88.33	189.77	162.39	180.05	224.36	187.58
Current Charges	55.04	125.13	94.04	89.20	155.60	117.09
Misc Revenues	33.29	64.64	68.35	90.85	68.76	70.49
TOTAL GENERAL REVENUES	$300.39	$495.28	$449.95	$470.33	$572.05	$494.83

Intergovernmental revenues did not vary more than $20 per capita by size of city from the average of $146.17. As is shown, the greatest differences are in the area of own-source revenues: cities populated less than 500 generated nearly $175 less per capita than the average amount for all cities. These very small cities tended to generate over 47 percent fewer ($74) tax revenues per capita than the average for all cities ($157), and nearly $99 (or 53 percent) fewer than average revenues per capita ($188) from charges and miscellaneous revenues. Iowa's largest cities received the most revenues per capita both from intergovernmental sources ($157) and own source revenues ($415), within which all categories except miscellaneous revenues were highest.

Table 12 gives additional detail for per capita federal, state, and own source revenues. Looking at federal aid, it is apparent that the largest cities tended to dominate most aid categories, although federal aid to capital projects for cities 2,500 to 9,999 were 83 percent higher per capita ($43.06) than average ($23.57). Likewise, federal revenue sharing, which is scheduled for elimination in 1987, ranged from a high of $12 per capita in cities 500 to 2,499 to $8 per capita in the smallest cities.

Turning to state assistance per capita, it is evident that the state road use tax is the most important for all categories of cities ($31 for all cities), followed by property tax credits ($19). State funded property tax credits per capita, as has already been indicated, tended to increase with population, ranging from under $10 in the smallest cities to over $23 in the largest. Total state aid per capita, excluding the smallest cities, tended to decline as population increased.

Table 12. Per Capita Municipal Revenues, 1984, by Specific Source.

	CITY SIZE:					
	Less Than 500	500 to 2,499	2,500 to 9,999	10,000 to 49,999	50,000 or More	ALL CITIES TOTAL
Total Taxes	$82.61	$154.35	$133.27	$157.82	$185.76	$156.79
Property Tax	82.51	149.25	130.55	155.82	177.09	151.95
Total Other Taxes	0.11	5.10	2.72	2.00	8.67	4.84
Total Licenses & Permits	$3.19	$3.77	$3.16	$5.09	$5.08	$4.30
Federal Rev Sharing	8.03	12.08	10.00	10.05	11.84	10.91
Comm Dev Block Grant	22.74	11.10	5.60	13.26	31.41	17.57
Ent & Util Aid	3.51	8.86	4.59	2.51	15.46	8.49
Aid to Projects	7.77	21.37	43.06	19.73	16.29	23.57
Other Federal Aid	2.18	4.49	4.70	8.66	10.50	7.23
Total Federal Aid	$44.24	$57.90	$67.95	$54.21	$85.49	$67.76
Municipal Assistance	7.25	8.11	6.38	6.36	5.72	6.53
State Liquor Profit	7.22	7.53	5.93	5.75	5.19	6.02
State Road Use Tax	34.44	38.16	30.59	30.39	27.23	31.08
Prop Tax Relief/Credits	9.90	17.86	15.61	18.72	23.15	18.84
Other State	14.69	9.06	19.13	9.03	7.40	11.09
Total State Revenues	$73.51	$80.72	$77.65	$70.24	$68.70	$73.57
Total Other Govt Revenue	$8.52	$8.78	$5.54	$2.91	$2.66	$4.83
Parks-Rec-Cult Chgs	1.26	4.69	6.88	6.22	4.31	5.19
Landfill Fees	5.36	5.45	3.28	2.68	1.90	3.22
Misc Charges	16.46	28.86	30.67	13.53	75.80	40.91
Charges for Services	31.96	86.13	53.21	66.77	73.59	67.76
Total Current Charges	$55.04	$125.13	$94.04	$89.20	$155.60	$117.09
Special Assessments	1.96	11.61	11.23	6.27	8.77	9.00
Interest on Investments	16.65	29.15	30.87	33.19	30.93	30.29
Rents & Royalties	8.42	15.96	19.09	41.22	16.70	21.64
Other Misc Revenues	6.25	7.91	7.15	10.16	12.35	9.56
Total Misc Revenues	$33.29	$64.64	$68.35	$90.85	$68.76	$70.49
TOTAL GENERAL REVENUES	$300.39	$495.28	$449.95	$470.33	$572.05	$494.83

In the current charges category we see that the largest and second smallest city groups are more adept at generating revenues from these varied sources, while the smallest cities generate about 53 percent less per capita than average. Cities 500 to 2,499 and cities over 50,000 were able respectively to generate $86 and $74 per capita in charges for service; the smallest cities gathered on average $32 per capita. Charges for service include primarily sewer, garbage, and hospital service revenues for cities 500 to 2,499; in the largest cities the dominant categories were charges for garbage, followed by airports, parking, and sewer charges.

The category of miscellaneous charges is clearly dominated by the largest cities. These cities generate $76 per capita, with cities 2,500 to 9,999 coming in a distant second at $31 per capita. Most of these revenues in the largest cities come from miscellaneous sewer charges such as hook-up fees and repairs, as well as charges associated with various capital projects.[8]

In the general area of miscellaneous revenues, the smallest cities demonstrate the fewest revenues per capita in all sub-categories. In the interest sub-category it is apparent that all cities over 500 are able to generate about $30 per capita from investments of idle funds, with cities 10,000 to 49,999 able to do marginally better than average.

Another major area is the category of rents and royalties (the preponderance of which are rents). The average for all cities was about $22 per capita. Cities 10,000 to 49,999 generated nearly twice the average from this source ($41 per capita), although the raw data offer no general explanation for this distinction. Finally, cities 500 to 2,499 as well as the next largest group were able to generate over $11

per capita in special assessments, which compares to an average $9 per capita for all cities down to around $2 per capita for the smallest cities.

Per Capita Utility Revenues

Perhaps one of the more surprising aspects of per capita municipal finances is found in the area of utility and enterprise revenues. Table 13 demonstrates these per capita revenues by size of city. These are revenues that are obtained from direct charges for the categories listed. Cities populated from 500 to 2,499 and 2,500 to 9,999 generated over $200 per capita from these utilities, most important of which were electricity, water, and gas charges. Iowa's largest cities, by contrast, generated about $22 per capita. Clearly, the big-ticket item for the two groups of cities ranging in size from 500 to 9,999 were in charges for electricity: those cities 500 to 2,499 averaged $114 per capita from this item; those 2,500 to 9,999, nearly $134 per capita. For the most part, however, these revenues only accrue to the 100 or so cities that operate these utilities out of nearly 400 cities in the two population groupings. Gas revenues were also important to these two city groups at $38 and $25 respectively per capita. The large difference in per capita water revenues between the largest cities and the other groups is attributable to Des Moines and Davenport receiving their water supplies from nonmunicipal sources.[9]

Table 13. Per Capita Municipal Utility Revenues, 1984, by City Size.

	CITY SIZE:					
	Less Than 500	500 to 2,499	2,500 to 9,999	10,000 to 49,999	50,000 or More	ALL CITIES TOTAL
Water Charges	49.35	59.14	57.02	38.52	15.88	39.76
Electricity Charges	26.25	114.30	133.84	0.00	1.47	53.84
Gas Charges	4.03	37.56	25.46	0.26	2.00	13.80
Transit Charges	0.00	1.65	0.37	3.41	2.79	2.00
TOTAL UTILITY REVENUES	$79.63	$212.65	$216.69	$42.20	$22.14	$109.41

IOWA MUNICIPAL EXPENDITURES: 1984

Turning to expenditures for fiscal year 1984, we are now more able to satisfactorily categorize expenditure areas as compared with the general designations listed in Exhibit 2. Cities in Iowa uniformly classify their general expenditures under four general headings: community protection; human development; home and community environment; and policy and administrative expenditures.

This section is particularly important because it details the relative importance proportionally of different types of city expenditures by population size. We are able to discern which service categories generally matter more or less to the average city dweller in different sizes of cities. We are also able to attribute an average value or cost to these various services to the average city dweller when we show per capita expenditures by city size.

Proportional Expenditures

Table 14 gives us an indication of how different sizes of cities tend to allocate their expenditures by the four major categories listed above. Looking first at the average for all cities we see that home and community environment expenditures accounted for, on average, nearly 42 percent of all expenditures. This category includes such services as sewage disposal, garbage collection, street and sidewalk construction and maintenance, and housing and urban renewal costs. Furthermore, we see that cities less than 500 and those 2,500 to 9,999 allocated around 50 percent of all expenditures in this area.

Community protection expenditures (fire and police, primarily) amounted to 21.3 percent of all expenditures for all cities with the largest cities, understandably, spending nearly 25 percent of their funds in this area and the smallest communities about 18 percent. Two important reasons for these differences are that larger cities have fully-staffed, full-time police and fire departments and police and fire retirement programs not found in the smaller cities.

Table 14. Proportional Composition of Municipal Expenditures, 1984, by Size of City

CITY SIZE: Expenditure Category	Less Than 500	500-2,499	2,500-9,999	10,000-49,999	50,000 or more	All Cities
Community Protection	17.6%	19.1%	17.9%	21.0%	24.8%	21.3%
Human Development	10.2	17.8	17.1	26.2	18.2	19.3
Home & Community Development	50.3	40.3	48.2	38.6	40.1	41.8
Policy and Administration	20.7	21.6	15.8	12.7	16.7	16.7
All Other	1.2	1.2	1.0	1.6	.2	.8

Human development expenditures were third in importance at, on average, just over 19 percent of all expenditures. The smallest cities spent much less proportionally in this area, around 10 percent, whereas cities 10,000 to 49,999 spent over 26 percent of their revenues in this area. Hospital and health care expenditures, as we will see later, accounted for most of this divergence.

The final major category is policy and administrative expenditures, which averaged nearly 17 percent for all cities. As is evident, these

Table 15. Proportional Composition of Municipal Expenditures, 1984, by Specific Source.

	CITY SIZE:					
	Less Than 500	500 to 2,499	2,500 to 9,999	10,000 to 49,999	50,000 or More	ALL CITIES TOTAL
COMMUNITY PROTECTION						
Police	5.1	9.8	11.4	10.8	10.8	10.6
Fire Dept	5.8	5.6	3.6	6.7	7.6	6.2
Street Lights	5.5	2.2	1.9	1.3	1.9	1.9
All Other	1.2	1.5	1.1	2.1	4.4	2.6
TOTAL	17.6	19.1	17.9	21.0	24.8	21.3
HUMAN DEVELOPMENT						
Hospital and Health	2.2	8.8	6.8	17.3	6.1	9.0
Parks and Recreation	3.3	3.9	5.6	5.0	5.8	5.2
Library Services	2.7	2.8	3.4	2.7	2.5	2.8
Other Rec & Cultural	1.0	1.8	0.9	0.4	2.5	1.6
All Other	1.0	0.5	0.4	0.8	1.2	0.8
TOTAL	10.2	17.8	17.1	26.2	18.2	19.3
HOME & COMMUNITY ENVRNMNT						
Sewers & Sewage Disposal	12.2	14.5	23.2	15.6	10.3	14.8
Roads, Bridges, Sidewalk	25.8	15.6	17.0	11.0	10.5	13.3
Housing and Urban Renew	1.0	2.6	1.5	5.2	6.6	4.4
Garbage Collection	6.6	3.8	2.6	2.2	2.5	2.8
Parking-Meter & Other	0.1	0.3	0.1	0.4	4.6	1.9
Airport	0.2	0.6	0.7	0.2	3.4	1.6
Snow Removal	1.7	1.0	0.8	0.5	0.9	0.8
Street Cleaning	1.4	0.8	0.9	0.7	0.7	0.8
All Other	1.3	0.9	1.5	2.7	0.6	1.3
TOTAL	50.3	40.3	48.2	38.6	40.1	41.8
POLICY AND ADMINISTRATION						
General Interest	4.3	12.3	7.0	5.6	5.3	7.0
Clerk, Treas, Fin Admin	4.2	3.0	2.3	1.3	1.7	2.1
City Hall & Gen Blds	4.6	1.5	1.5	1.4	2.6	2.0
Mayor, Council, Manager	1.1	0.7	1.4	1.4	0.6	1.0
Tort Liability	1.2	0.5	0.7	0.6	0.5	0.6
All Other	5.4	3.5	2.8	2.4	6.1	4.1
TOTAL	20.7	21.6	15.8	12.7	16.7	16.7
INTERGOVERNMENTAL EXPEND						
Local Governments	1.0	0.6	0.4	1.1	0.0	0.5
State Government	.0	.0	0.2	0.1	0.0	0.1
TOTAL	1.0	0.6	0.7	1.2	0.0	0.5
OTHER EXPENDITURES	0.2	0.6	0.3	0.4	0.2	0.3
TOTAL GENERAL EXPENDITURE	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

expenditures tended to decline proportionally as city size increased through the first four population groups. The reason for this decline is probably a function of attaining certain economics of scale. The increased proportion between cities 50,000 or more and the preceding group is likely because of the presence of additional administrative services required due to the generally higher levels of service found in these larger cities.

Table 15 allows us to identify the general expenditure areas that are most important to the city population groupings. Not surprisingly, for the four largest city groups, police and fire expenditures dominate the community protection category, whereas police, fire, and street light expenditures were equally important to the smallest cities.

In the human development expenditure group, we see that hospital and health expenditures generally dominate this group. The relatively high proportion of expenditures spent on hospital and health in cities 10,000 to 49,999 is attributable to the fact that many of the state's larger municipal hospitals are located in these cities. Parks and recreation expenditures are second in importance, followed by library services.

The most important expenditure group, home and community environment, reveals that most of these expenditures are dedicated to two primary services: sewers and sewage disposal; and roads, bridges, and sidewalks. For fiscal year 1984, we see that cities 2,500 to 9,999 spent an average of over 40 percent of their expenditures on these two items, followed closely by the smallest city group at 38 percent. The average for all cities was just over 28 percent. We see also that even though most of the remaining categories are relatively insignificant,

the two largest city groups spent 5.2 percent and 6.6 percent respectively on housing and urban development.

Policy and administration expenditures are dominated proportionally by interest payments on general municipal indebtedness. Cities 500 to 2,499 and, to a lesser extent, cities 2,500 to 9,999 dominate this area. This is due, for the most part, to their heavy reliance upon revenue bonds to fund and maintain revenue-producing services such as sewer, landfill, garbage collection, and gas and electricity services. Although many of the gas and electricity costs normally would be reported as enterprise expenditures, our analysis indicates that some of these interest payments are listed by these cities as general expenditures. In the categories of financial administration and city hall and general buildings costs, the proportions tend to decline as city size increases, except for the largest cities.

Per Capita Expenditures

Just as per capita revenue figures gave us an intuitively clear idea of the value of the various revenue sources, per capita expenditures give us an idea of the relative costs or value of each type of service.

Table 16 lists per capita expenditures for the four major general expenditure categories. Beginning with the last line we see that per capita expenditures in Iowa's largest cities ($517) are nearly twice as great as in her smallest cities ($264), and that on average the cities in this analysis spent $450 per capita in 1984.

Looking at the average for all cities column we see, as was indicated in the preceding section, that home and community environment expenditures carry the highest per capita costs by nearly twice as much as any other category. Community protection expenditures are second, followed closely by human development and policy and administration costs.

Table 16. Per Capita Municipal Expenditures, 1984, by City Size

CITY SIZE: Expenditure Category	Less Than 500	500-2,499	2,500-9,999	10,000-49,999	50,000 or more	All Cities
Community Protection	$ 46.49	$ 88.26	$ 73.59	$ 89.19	$128.09	$ 95.03
Human Development	26.94	82.46	70.13	111.28	94.16	86.99
Home and Community Environment	132.80	186.34	197.87	164.18	207.28	187.94
Policy and Administration	54.64	100.13	64.75	53.85	86.41	75.31
All General Expenditures	263.94	462.58	410.39	425.53	517.05	450.03

Table 17. Per Capita Municipal Expenditures, 1984, by Specific Source.

	CITY SIZE: Less Than 500	500 to 2,499	2,500 to 9,999	10,000 to 49,999	50,000 or More	ALL CITIES TOTAL
COMMUNITY PROTECTION						
Police	13.35	45.32	46.67	46.08	55.95	47.54
Fire Dept	15.43	25.91	14.79	28.49	39.54	27.85
Street Lights	14.60	10.03	7.76	5.66	9.89	8.75
All Other	3.11	7.00	4.37	8.96	22.72	11.69
TOTAL	$46.49	$88.26	$73.59	$89.19	$128.09	$95.83
HUMAN DEVELOPMENT						
Hospital and Health	5.83	40.88	27.88	73.56	31.79	40.50
Parks and Recreation	8.62	17.93	22.93	21.30	30.07	23.19
Library Services	7.24	13.18	13.89	11.37	13.15	12.62
Other Rec & Cultural	2.62	8.36	3.78	1.70	12.77	6.99
All Other	2.62	2.12	1.65	3.36	6.38	3.68
TOTAL	$26.94	$82.46	$70.13	$111.28	$94.16	$86.99
HOME & COMMUNITY ENVRNMNT						
Sewers & Sewage Disposal	32.27	66.90	95.02	66.40	53.18	66.82
Roads, Bridges, Sidewalk	68.05	72.10	69.75	46.86	54.28	60.07
Housing and Urban Renew	2.71	12.24	6.25	22.32	34.10	19.66
Garbage Collection	17.45	17.77	10.62	9.42	13.00	12.79
Parking-Meter & Other	0.19	1.57	0.40	1.86	24.00	8.50
Airport	0.40	3.00	2.87	0.91	17.60	7.06
Snow Removal	4.40	4.49	3.39	1.95	4.56	3.70
Street Cleaning	3.83	3.89	3.58	2.82	3.46	3.44
All Other	3.52	4.37	5.99	11.64	3.10	5.89
TOTAL	$132.80	$186.34	$197.87	$164.18	$207.28	$187.94
POLICY AND ADMINISTRATION						
General Interest	11.24	57.10	28.87	23.64	27.18	31.48
Clerk, Treas, Fin Admin	11.09	13.90	9.59	5.67	8.61	9.29
City Hall & Gen Blds	12.04	7.14	6.23	5.86	13.28	8.88
Mayor, Council, Manager	2.92	3.37	5.90	5.80	3.32	4.43
Tort Liability	3.21	2.51	2.71	2.76	2.41	2.61
All Other	14.14	16.09	11.45	10.12	31.61	18.62
TOTAL	$54.64	$100.13	$64.75	$53.85	$86.41	$75.31
INTERGOVERNMENTAL EXPEND						
Local Governments	2.59	2.56	1.77	4.80	0.00	2.06
State Government	0.01	0.18	1.01	0.39	0.00	0.34
TOTAL	$2.59	$2.74	$2.78	$5.20	$0.00	$2.41
OTHER EXPENDITURES	$0.49	$2.65	$1.29	$1.83	$1.11	$1.56
TOTAL GENERAL EXPENDITURE	$263.94	$462.58	$410.39	$425.53	$517.05	$450.03

Table 17 gives us per capita indicators by specific expenditure item. As mentioned previously, police and fire expenditures are the highest in the community protection category for all but the smallest cities. The smallest cities spent more per capita on street lights than on their police services. Per capita police expenditures tended to increase by city size; however, no such general pattern was true for fire protection.

In the human development category we see that hospital and health per capita expenditures were again highest in cities 10,000 to 49,999 ($74 per capita) not because these people were generally more ill, but because more of the large municipal hospitals happen to be located in these cities. Parks and recreation expenditures tended to increase with city size and, except for the smallest cities, the intergroup average library per capita expenditures are all quite close.

Sewers and sewage disposal, and street and sidewalks dominate the home and community environment category for all city population groups. These are followed by housing and urban renewal expenditures, which are higher in the larger cities, and garbage collection, which are higher in the first two city groups. Sewer costs ranged from a high of $95 per capita in cities 2,500 to 9,999 to a low of $32 in the smallest cities. For 1984, per capita street and sidewalk expenditures were lower in the two larger city groups ($48 and $54 respectively). Airport expenditures were very low in the first four groups of cities (ranging from $.40 to $3.00 per capita), but showed to be relatively significant to the largest cities, which spent nearly $18 per capita on this item. Similarly, parking expenditures followed the same pattern of being quite insignificant to the first four groups but costing $24 per capita in the largest cities.

General interest payments per capita dominate the policy and administration category and are twice as high in cities 500 to 2,499 ($57 per capita) as in any other group (average interest $31 per capita); however, it must be noted that these cities tend to receive a substantial amount of general revenues from the operation of city utilities and enterprises, which helps mitigate these apparent high costs. Moreover, for the three largest groups we see that per capita general interest costs are relatively similar. Again we see that per capita financial administration and general building and city hall costs tend to decline as city size increases until we reach the largest city group. Finally, tort liability expenditures for all cities were around $2.61 per capita with the smallest cities paying the most on average.

Wages

Personnel costs as represented by total wage costs, are an important overall expenditure item for all cities. Table 18 lists wage expenditures by city size both as a percentage of all general expenditures and in per capita amounts. In general, per capita wage costs and wages as a percentage of general expenditures increased by city size. Iowa's largest cities spent on average more than four times more ($185) on wages per capita than the smallest cities ($45). The average for all cities was $143 per capita.

Table 18. Wages as a Proportion of General Expenditures and Per Capita by City Size

City Size:	Per Capita	% of General Expenditures
Less than 500	$ 45.25	17.1%
500 - 2,499	138.63	30.0
2,500 - 9,999	115.51	28.1
10,000 - 49,999	133.37	31.3
50,000 or More	185.47	35.9
All Cities	142.54	31.7

IOWA MUNICIPAL DEBT: 1984

Indications of the magnitude of debt also give us an idea of the financial picture of Iowa's cities. Table 19 lists type of debt by city size both as it compares proportionally to general expenditures and the per capita debt burden. Both proportionally and per capita, general obligation debt tends to increase by city size, whereas the inverse is the case for revenue bond debt. Iowa's smallest cities averaged $83.26 per capita general obligation debt while its largest cities averaged $296.56. Revenue bond debt per capita was highest in cities 500 - 2,499, but it should be noted there were very small differences among the first three city size groupings. Excluding the smallest cities, total debt per capita declined by city size.

Table 19. City Government Debt by Type, Per Capita, and as a Proportion of all General Expenditures by City Size

	Per Capita		As a Proportion of all General Expenditures	
City Size	G.O.	Revenue	G.O.	Revenue
Less than 500	$ 83.26	$229.47	31.5%	86.9%
500 - 2,499	212.49	252.56	45.9	54.6
2,500 - 9,999	215.49	251.18	52.5	61.2
10,000 - 49,999	264.32	147.72	62.1	34.7
50,000 or More	296.56	82.87	57.4	16.0
All Cities	244.89	173.45	54.4	38.5

NOTES

1. All 1975-1984 municipal revenue and expenditure data are from Governmental Finances (1974-1975 through 1983-1984), Bureau of the Census.

2. 1972 price deflators for state and local government purchases from the Economic Report of the President, February, 1985.

3. Beginning in 1978, annual allowable increases in taxable property valuations were established by state law (see §441.21 of the Iowa Code). In the face of declining levels of state and federal assistance and implicit restrictions on future property tax revenues, one of the few options available to cities was to increase charges and fees and to expand the range of services for which charges would be applicable. Although property tax valuation limits only constrain cities when they reach their general fund tax rate limits, there is a general unwillingness on the part of city officials to increase property taxes drastically and an unwillingness on the part of local taxpayers to accept an increase.

4. These four general expenditure categories are the uniform breakdowns that appear on the annual financial reports, which are submitted to the Iowa Auditor of the State and subsequently forwarded to the Bureau of the Census.

5. There are only 23 municipal hospitals in Iowa. Yet, according to the Census Bureau's estimates, the hospitals account for 77 percent of all municipal health and hospital expenditures in Iowa in 1984, and a substantial fraction of the real growth in municipal hospital and public health expenditures is attributable to these hospitals. Nevertheless, the proportions of these expenditures attributable as public health costs have also increased quite drastically, especially from 1981 on to the present.

6. Much of the decline in expenditures for streets and sidewalks is likely due to declining levels of federal and state assistance for these projects, as well as a general deferring of maintenance and new construction.

7. City reporting rates by size of city were: under 500, 85.4%; 500 to 2,499, 93.2%; 2,500 to 9,999; 92.6%; 10,000 to 49,999, 85.7%; and cities 50,000 and over, 87.5%.

8. It is further the case in the large cities that the property taxes raised from a special transit levy are reported in the category of miscellaneous charges instead of the property tax category.

9. Des Moines purchases its water supply from a quasi-governmental metropolitan water authority; Davenport purchases its water from a private source.

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