



# FREEDOM FOUNDATION OF MINNESOTA

CITY SPOTLIGHT  
**RICHFIELD**

**March 2009**

—+  
FREEDOM  
FOUNDATION  
OF MINNESOTA  
+—

## **DEMOGRAPHICS**

The City of Richfield's population has been declining for decades. According to the 1970 Census, Richfield had 47,231 residents; by the year 2000, that number had dropped to 34,439. And the State Demographer's office estimated the city's 2008 population at 33,107.

Richfield's population is also aging, with 16.4 percent of residents 65 years old or over, compared to 12.1% statewide. It is also worth noting that by 2015, the 55+ age group will be the fastest growing demographic in Minnesota, and by 2033 there will be more Minnesotans not working than working.<sup>i</sup>

### **Facts and Figures**

- 3<sup>rd</sup> highest metro-area recipient of LGA in 2008
- 10.03% gross levy increase in 2009
- 62.8% increase in long-term debt obligations between 2008 and 2009
- \$19.8 million General Fund budget

Unless Richfield plans on bucking this demographic trend, which its recent past suggests is unlikely, the city's debt obligations will become increasingly onerous. Any obligation Richfield makes today may need to be paid for by an older and smaller population in the future.

Richfield's median household income is \$45,519, lower than the statewide average (\$47,111) and substantially less than Hennepin County as a whole (\$51,711). Richfield also has the third highest foreclosure rate in the county, behind Minneapolis and Brooklyn Park.

## **LOCAL GOVERNMENT AID**

In December 2008, as the state faced a \$426 million short-term budget deficit, local government officials from across the state converged on the State Capitol to urge the governor and legislature to spare LGA. At that time Richfield officials said LGA cuts would leave their city in dire financial straits, potentially even forcing them to cut 16 police officers, more than one-third of its total force.<sup>ii</sup> Ultimately, Governor Pawlenty used his power of unallotment to reduce LGA payments to cities, including a \$619,000 reduction for Richfield. Even after unallotment, Richfield's take of LGA in 2008 was more than \$1.5 million. In fact, Richfield currently receives more total LGA than any other metro-area city except Minneapolis and St. Paul.<sup>iii</sup>

While Richfield has chosen not to layoff any police officers yet (in fact, they hired two new cops and a firefighter in 2008), city leaders have kept up the threat. At a February 2009 town hall meeting, mayor Debbie Goettel told legislators, "Most of our budget is for public services. With a small budget like Richfield's we'll have to cut public safety (if the aid isn't there)."<sup>v</sup>

### **By the Numbers: Richfield's LGA**

2004: \$2,618,829 (new LGA formula)  
2005: \$1,593,091  
2006: \$813,633  
2007: \$2,007,206  
2008: \$1,556,508 (after unallotment)  
2009: \$1,782,065 (estimate)<sup>iv</sup>

By necessity, state aid to local governments will almost certainly continue to lag in the coming budget cycles, as the state deals with a structural budget problem coupled with a deep recession.

## **BUDGET GROWTH**

Richfield's 2009 General Fund budget is \$19,805,480. The city's gross tax levy increased a staggering 10.03% this year. The majority of that (6.97%) goes toward Debt Service Tax Levy (including initial payments for a new Police/Fire/City Hall facility). Approximately 59% of the 2009 budget is designated for public safety.

### **By the Numbers: General Fund Budget**

2004: \$16,125,480  
2005: \$16,781,040  
2006: \$17,511,080  
2007: \$18,552,480  
2008: \$19,020,480  
2009: \$19,805,480

**GENERATION OF DEBT**

Over the next 20 years, Richfield taxpayers are on the hook for \$55.5 million just to repay the city’s general obligation “Improvement” and “Redevelopment” bonds. In just one year, the city’s 20-year debt obligation has skyrocketed from \$34,089,741 to \$55,511,040, a 62.8-percent increase. Much of the increase is due to the city’s issuance of bonds to begin construction of a new \$22.3 million Police/Fire/City Hall facility. Taxpayers are also paying for a brand new \$12.5 million Public Works Maintenance facility that opened this past June. (However, those taxpayers may be pleased to learn that the facility includes “many ‘green’ features, such as pervious pavement, rain gardens, geothermal heating and skylights to reduce the need for artificial light in much of the building.”)

General Obligation Improvement Bonds			
Scheduled Debt Service Requirements			
Year	Principal	Interest	Total
2009	\$355,000	\$818,648	\$1,173,648
2010	\$625,000	\$1,068,021	\$1,693,021
2011	\$930,000	\$1,037,329	\$1,967,329
2012	\$920,000	\$1,000,302	\$1,920,302
2013	\$955,000	\$961,452	\$1,916,452
2014	\$910,000	\$922,801	\$1,832,801
2015	\$950,000	\$884,107	\$1,834,107
2016	\$990,000	\$842,725	\$1,832,725
2017	\$1,035,000	\$798,607	\$1,833,607
2018	\$1,070,000	\$751,959	\$1,821,959
2019	\$1,125,000	\$702,657	\$1,827,657
2020	\$1,180,000	\$650,179	\$1,830,179
2021	\$1,235,000	\$594,645	\$1,829,645
2022	\$1,290,000	\$535,991	\$1,825,991
2023	\$1,350,000	\$473,843	\$1,823,843
2024	\$1,415,000	\$407,871	\$1,822,871
2025	\$1,485,000	\$337,843	\$1,822,843
2026	\$1,555,000	\$263,805	\$1,818,805
2027	\$1,635,000	\$185,611	\$1,820,611
2028	\$1,715,000	\$102,944	\$1,817,944
2029	\$1,120,000	\$30,240	\$1,150,240
	<b>\$23,815,000</b>	<b>\$13,371,580</b>	<b>\$37,216,580</b>

General Obligation Redevelopment Bonds			
Scheduled Debt Service Requirements			
Year	Principal	Interest	Total
2009	\$930,000	\$614,090	\$1,544,090
2010	\$975,000	\$572,560	\$1,547,560
2011	\$1,020,000	\$527,700	\$1,547,700
2012	\$1,075,000	\$479,360	\$1,554,360
2013	\$595,000	\$440,300	\$1,035,300
2014	\$620,000	\$411,750	\$1,031,750
2015	\$655,000	\$380,920	\$1,035,920
2016	\$690,000	\$348,240	\$1,038,240
2017	\$730,000	\$313,260	\$1,043,260
2018	\$665,000	\$278,260	\$943,260
2019	\$700,000	\$243,680	\$943,680
2020	\$740,000	\$207,100	\$947,100
2021	\$775,000	\$168,480	\$943,480
2022	\$820,000	\$127,700	\$947,700
2023	\$865,000	\$84,600	\$949,600
2024	\$915,000	\$38,940	\$953,940
2025	\$280,000	\$7,700	\$287,700
	<b>\$13,050,000</b>	<b>\$5,244,640</b>	<b>\$18,294,640</b>

**FUN AND GAMES**

For a supposedly cash-strapped city, Richfield continues to maintain a robust Recreation Services Department, which operates facilities including the ice arena, outdoor pool, and Woodlake Nature Center. The city is budgeted to spend nearly \$1.7 million on recreation programs and administration in 2009.

And the city doesn’t just spend a lot on recreation, they lose a lot. Between 2003 and 2007 (the most recent year for which data is available), Richfield’s recreation enterprise fund reported total operating losses of more than \$1.6 million.

By the Numbers:	
Recreation Enterprise Fund	
2003:	(\$310,991)
2004:	(\$361,998)
2005:	(\$285,549)
2006:	(\$325,041)
2007:	(\$360,997)

Richfield’s recreational spending shows no sign of slowing down. In 2008, the city:

- Installed new play equipment and a new basketball court at Richfield Lake Park;
- Authorized spending \$126,200 for baseball field improvements at Lincoln Field and other locations;<sup>vi</sup> and
- Approved spending \$70,000 to begin work on a new skateboarding park, even though the city already helped build another skateboarding park in 2003. (Richfield partnered

with Edina, Bloomington, and the YMCA that year to construct the Tri-City Skate Park in Edina.<sup>vii)</sup>

And in one of 2008's most unusual local government line items, Richfield city staff completed an "internal critical analysis" of the money-losing city-owned mini golf course, Adventure Gardens. The city also announced plans to conduct a "feasibility study" to determine if moving the unprofitable mini golf course to a different location would improve its bottom line.<sup>viii</sup> Adding to the city's already impressive catalog of nonessential novelty projects, the Recreation Services Department plans to create "carbon capture gardens" on a city boulevard later this year. And finally, Richfield is working on building a citywide wireless Internet network, which the city has said will be operational Summer 2009.

Despite evidence to the contrary, City Manager Steve Devich says Richfield is serious about changing the way it does business. "Simply closing a skating rink," Devich said, "falls very short of the kinds of adjustments we need to make."<sup>ix</sup> However, while policymakers have taken some modest measures to curtail spending – suspending travel for city staff, for example<sup>x</sup> – Richfield has not yet delivered any significant, systemic reforms.

---

#### **SOURCES**

<sup>i</sup> Budget Trends Study Commission.

[http://www.minnpost.com/client\\_files/pdfs/BudgetTrendsCommReport.pdf](http://www.minnpost.com/client_files/pdfs/BudgetTrendsCommReport.pdf)

<sup>ii</sup> <http://wcco.com/local/budget.shortfall.minnesota.2.892678.html>

<sup>iii</sup> House Research Department, CY 2008 Major December City Aids Payments

<sup>iv</sup> League of Minnesota Cities, "Estimated 2009 and 2010 Cuts to LGA and MVHC according to the Governor's Budget Proposal."

<sup>v</sup> <http://www.tcdailyplanet.net/article/2009/02/27/getting-earful.html?mini=eventcalendar/2009/02/all>

<sup>vi</sup> <http://www.ci.richfield.mn.us/officials/Council/councilagendas/021009agenda/09ccsr039.pdf>

<sup>vii</sup> <http://www.richfieldrecreation.com/Facilities/SkatePark.htm>

<sup>viii</sup> <http://www.ci.richfield.mn.us/Documents/AnnualReport.pdf>

<sup>ix</sup> <http://minnesota.publicradio.org/display/web/2008/12/30/cityservices/>

<sup>x</sup> <http://www.mnsun.com/articles/2009/02/09/news/ri05chamber.txt>

**The Freedom Foundation of Minnesota is an independent, non-profit 501(c)3 educational and research organization that advocates the principles of individual freedom, personal responsibility, economic freedom, and limited government. Founded in 2006, we hope to create a better and more vibrant future for every Minnesotan by helping shape sound public policy. We tackle issues important to every Minnesotan and provide real-time, proven research and policy alternatives to help further the debate among leaders in government, the media, and the citizenry.**