



CASE STUDY

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Kansas City and Saint Louis Expense Breakdown Compared to Six Other Cities

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INTRODUCTION

This case study focuses on the cost of services that a city provides. The goal of this paper is to describe spending patterns on government services compared to Kansas City and Saint Louis. By presenting Saint Louis' and Kansas City's total expenditures and breaking down the general categories in which these expenditures were made, it is possible to compare them, in some ways, to the expenditures of other, similarly sized cities. For the purposes of this paper, the comparison cities are Tulsa, Oklahoma City, Omaha, Denver, Louisville, and Indianapolis.¹ See Table 1 for some selected information about each city.

However, it is important to note a couple of things. First, just comparing expenditures across cities does not necessarily tell the full story. For example, both Louisville and Indianapolis are structured as consolidated city-county entities, while Kansas City expenditures are kept separate from Jackson County, the county in which Kansas City is located.² There are many differences across cities. Several possible explanations exist as to why one city spends more or less than another.³

One possible reason a city would spend more than its peers is because the residents of that city want a certain level of services and the city is responding to consumer demand. However, there is a trade-off. The more services a city offers, the more resources are required from citizens in order

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TABLE 1

City Data Points	Population (2011)	Government Structure	Bachelor's Degree or higher	Median Household Income	Living Below Poverty
Kansas City	463,202	Council-Manager	30.1%	\$45,246.00	18.2%
Saint Louis	318,069	Mayor-Council	27.7%	\$34,402.00	26.0%
Omaha	415,068	Mayor-Council	32.1%	\$46,978.00	15.5%
Tulsa	396,466	Mayor-Council	29.5%	\$40,268.00	19.4%
Oklahoma City	591,967	Council-Manager	27.9%	\$44,973.00	17.1%
Indianapolis	827,609	Mayor-Council (Consolidated)	27.1%	\$42,704.00	18.9%
Louisville/ Jefferson County	602,011	Mayor-Council (Consolidated)	26.0%	\$43,680.00	17.5%
Denver	619,968	Mayor-Council	41.3%	\$47,499.00	18.8%

All data except "Government Structure" is courtesy of the U.S. Census Bureau.

Data for "Government Structure" comes from the National League of Cities, each city's government website, and City-data.com.

This paper aims only to highlight the spending patterns for similar cities with a particular focus on how Kansas City and Saint Louis compare.

for the government to provide them. Economist Charles Tiebout explained that people will locate in cities that offer them their preferred mix of services at an acceptable tax rate.⁴ If Kansas City and Saint Louis are spending more than their peers, they could be responding to the demand of their residents who have chosen to locate there, and therefore, the cities could be providing more services. On the other hand, a city may be delivering the same level of service as its peers, but due to inefficient production, those services would cost more than they would in a similar city. This paper aims to only highlight the spending patterns for similar cities with a particular focus on how Kansas City and Saint Louis compare. It does not attempt to explain why these differences, if they are present, exist.

BREAKING DOWN THE SPENDING

So what exactly is being broken down? With data from each city's Comprehensive Annual Financial Report (CAFR), each city's total government fund expenditures are broken down by service or function.⁵ For example, a city's fire department and police department both contribute to the safety of the city's residents and thus function as contributing to public safety. Hence, when expenditures are compared across cities, functions such as public safety and public services are compared (these functions are found in different CAFRs and thus enables these varying services to be standardized across cities). The latest fiscal year for which data is available for **all** of the cities is 2011.

Governmental funds are being examined because general tax revenue supports these funds and these funds cover the main operations of a city.

For the purposes of this paper, city spending is broken down into seven categories:

1. **Administrative Functions:** Includes departments such as the city manager’s office, the office of mayor and council, the municipal counselor’s office, the city auditor’s office, the city clerk’s office, finance, personnel, and general services.
2. **Public Safety:** Includes police, fire, animal welfare, and municipal courts.
3. **Public Services:** Includes airports, public works, development services, planning, public transportation and parking, and utilities.
4. **Culture and Recreation:** Includes parks and recreation, zoos, convention centers, and museums.
5. **Debt Service:** Any items related to administering or paying off the city’s debt.
6. **Capital Outlays:** All items that would add a fixed asset to the city’s assets or improve existing fixed assets.
7. **Other:** All other items not included in the above six categories.

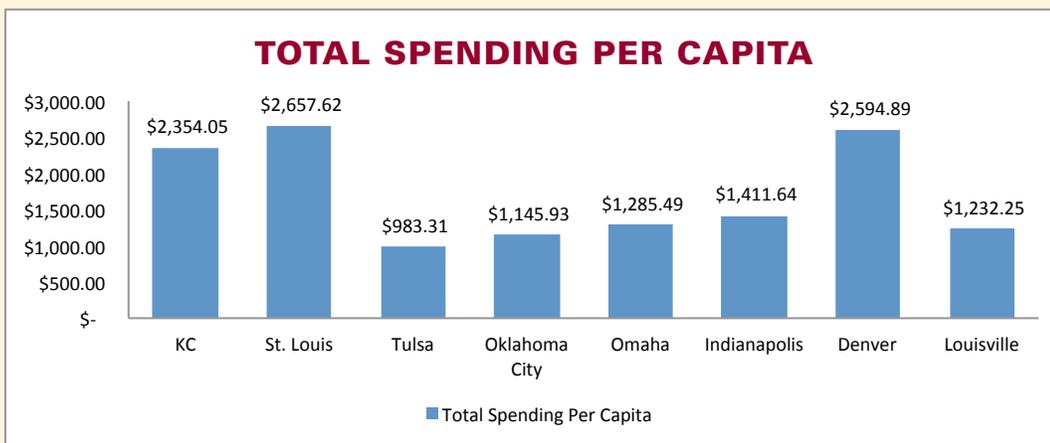
These items are then divided by the city’s population to obtain a per capita amount each city spends.⁶ Per capita data help make comparisons among the cities easier because one can easily see how much the cities spend per person. That is why each city’s spending category is divided by that city’s 2011 Census population estimate to get a per capita expenditure amount for each spending category.⁷

HOW DO KANSAS CITY AND SAINT LOUIS COMPARE?

The graph in Figure 1 shows that Saint Louis has a higher total per capita spending amount than the other cities. Denver is second. Kansas City comes in right behind Denver and its

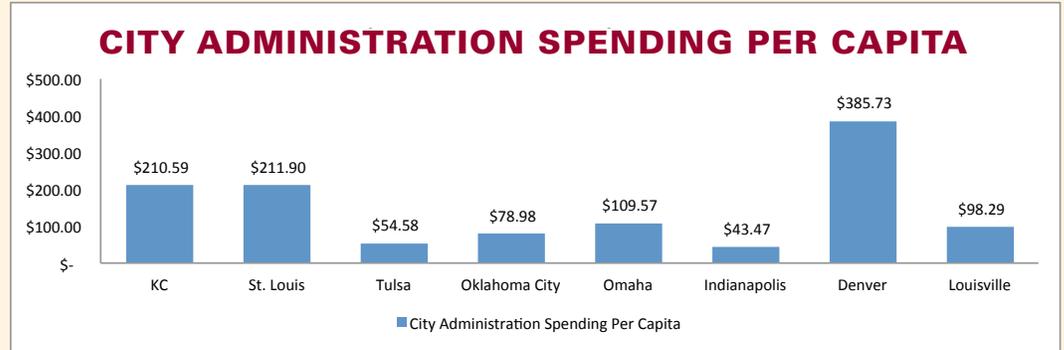
By presenting Saint Louis’ and Kansas City’s total expenditures and breaking down the general categories in which these expenditures were made, it is possible to compare them, in some ways, to the expenditures of other, similarly sized cities.

FIGURE 1



spending is much higher than many of the other cities, with nearly a thousand dollars more spent per person than the next highest city, Indianapolis. It is worth noting that Saint Louis does not share costs with its home county because it is its own county.

FIGURE 2



As Figure 2 shows, Denver leads the other comparison cities in per capita city administration spending by a considerable margin. Saint Louis and Kansas City spend the second and third most, respectively. The difference between the biggest spender, Denver, and the lowest, Indianapolis, is more than \$340 per person.

Regarding public safety (see Figure 3), Saint Louis is the top spender of the group. However, there are still a couple of things worth analyzing. First, the first two graphs for total spending and administrative spending show that Kansas City’s and Saint Louis’ per capita spending is closely aligned. The difference in per capita spending on administrative functions between Saint Louis and Kansas City is less than \$2. However, there is a larger gap between the two cities regarding public safety spending, with a difference of more than \$350.⁸ With the exceptions of Saint Louis, Denver, and Kansas City, the rest of the cities spend similar amounts per person on public safety. In fact, there is less than a \$100 difference among them.

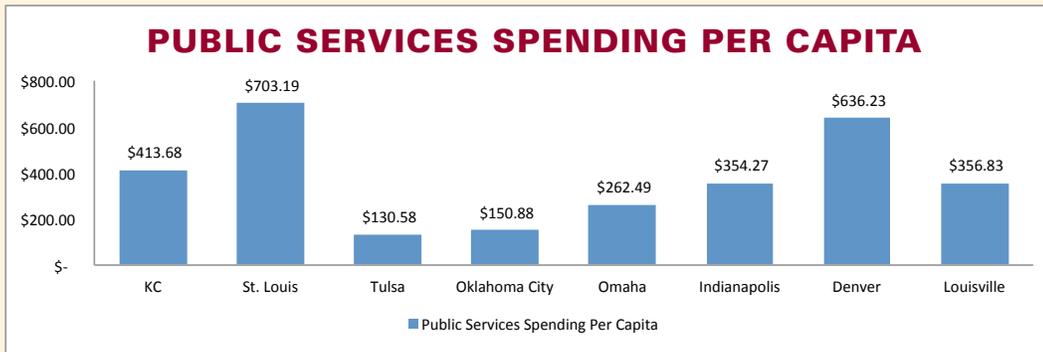
FIGURE 3



The same spending phenomenon that occurs in public safety is repeated in overall spending for public services (see Figure 4). Spending in Saint Louis outpaces the rest of the cities, with Denver second in spending and the rest of the cities spending much less.⁹ The difference among the other cities is slightly more pronounced than it is for public safety. For example,

Governmental funds are being examined because general tax revenue supports these funds and these funds cover the main operations of a city.

FIGURE 4

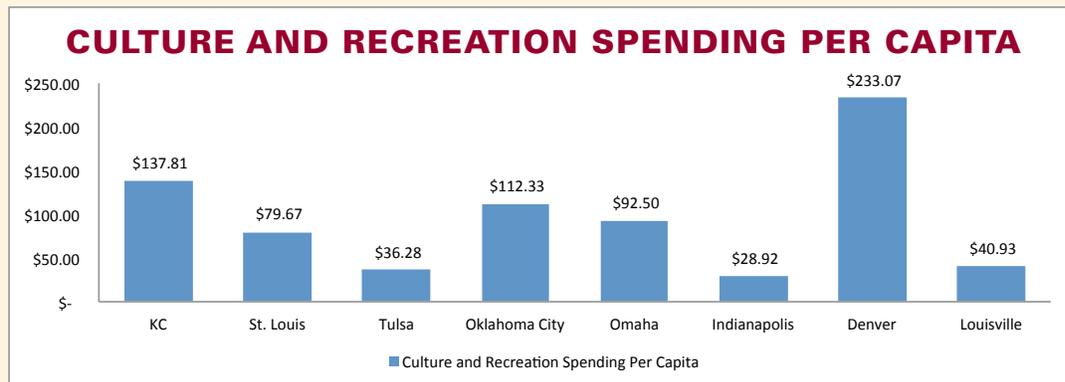


Per capita data help make comparisons among the cities easier because one can easily see how much the cities spend per person.

Kansas City spends a little more than three times as much per person as Tulsa for public services. However, Kansas City is closer to Louisville and Indianapolis in the amount of money it spends on public services than it is to Saint Louis and Denver.

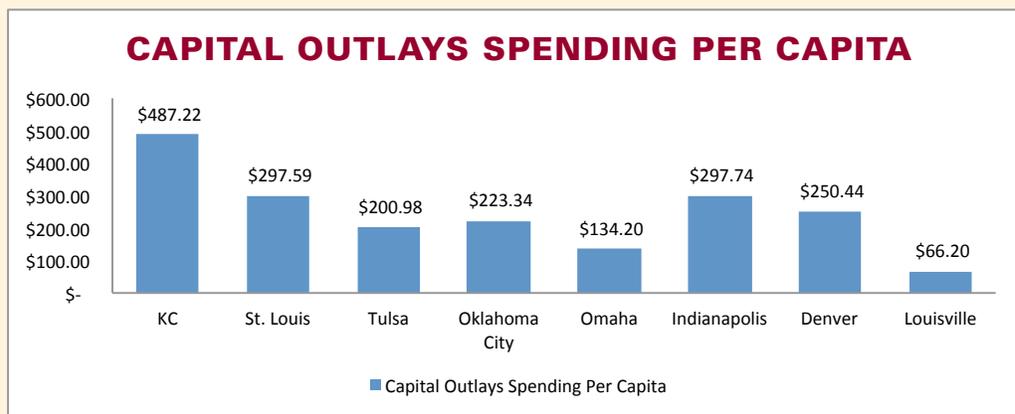
The overall spending pattern is different for culture and recreation (see Figure 5) than it was for public safety and public services.¹⁰ In this instance, Denver spends the most per person, followed by Kansas City, with Oklahoma City coming in third, just slightly higher than Omaha. Saint Louis, which has led the cities in per capita spending in many areas, is in the bottom half of per person spending for culture and recreation.

FIGURE 5



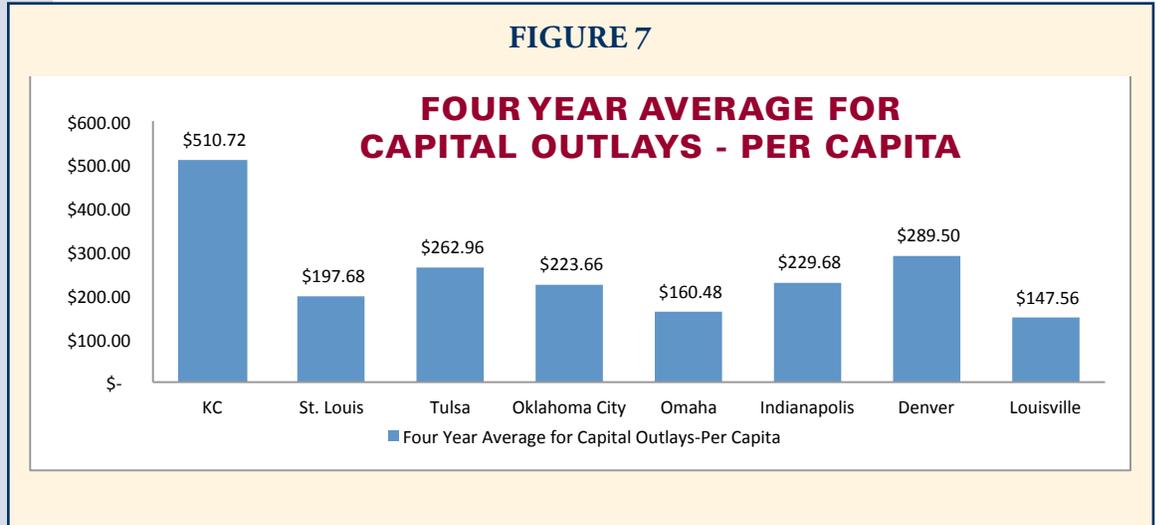
Kansas City leads the rest of the cities in spending for capital outlays (see Figure 6). In fact, Kansas City leads the next highest spending city, Indianapolis, by almost \$200. Saint Louis is right behind Indianapolis.

FIGURE 6

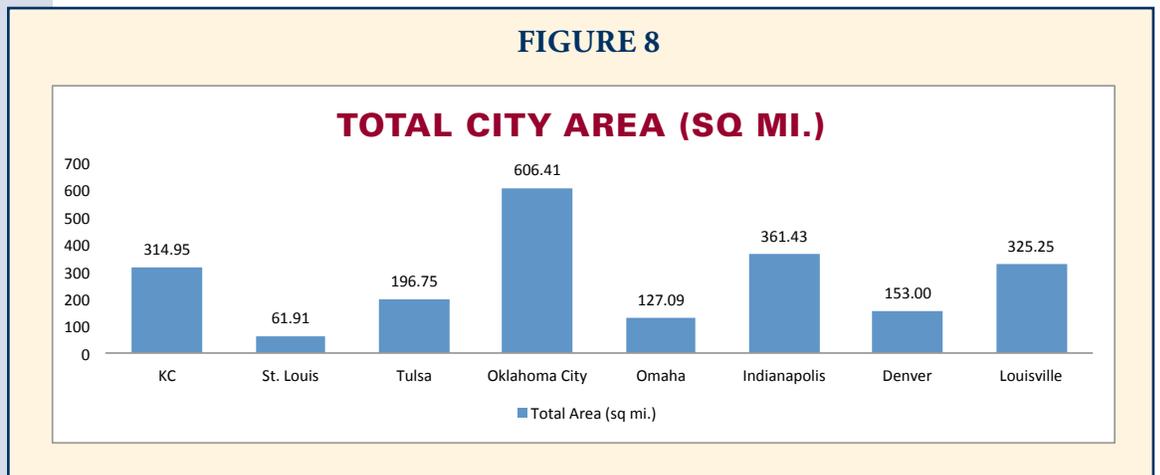


Capital outlays can fluctuate wildly from year to year due to new project costs. For example, if a city in one year started

a building project for a new stadium, the city would incur a large cost once the project starts, but the spending would not reflect a city’s “normal” expenditures on capital outlays. Taking a four-year average (2008-11) of capital outlay expenditures will help smooth out any one-time expenses these cities might have incurred. These average expenditures are shown in Figure 7.



Kansas City still spends much more per capita on capital outlays than other cities. Saint Louis is one of the cities that spends the least. Denver spends the second most. The total size of the cities might affect capital outlays. Thus, as shown in Figure 8, I took the total size of the cities in regards to area in square miles (for example: there might be greater overhead for servicing a larger area) and plotted them to see if they matched with the four-year averages shown in Figure 7.



Saint Louis stands out as being the biggest spender overall, and in most sub-categories. Kansas City is also a high spender in many areas.

With just these eight samples, it would be difficult to determine if there is any correlation between the size, in area, of the cities, and the per capita amount of average capital outlays. Any correlations using just these eight cities would be useless because the standard errors would be so great. More cities would need to be included in this analysis before any correlation would be statistically significant.

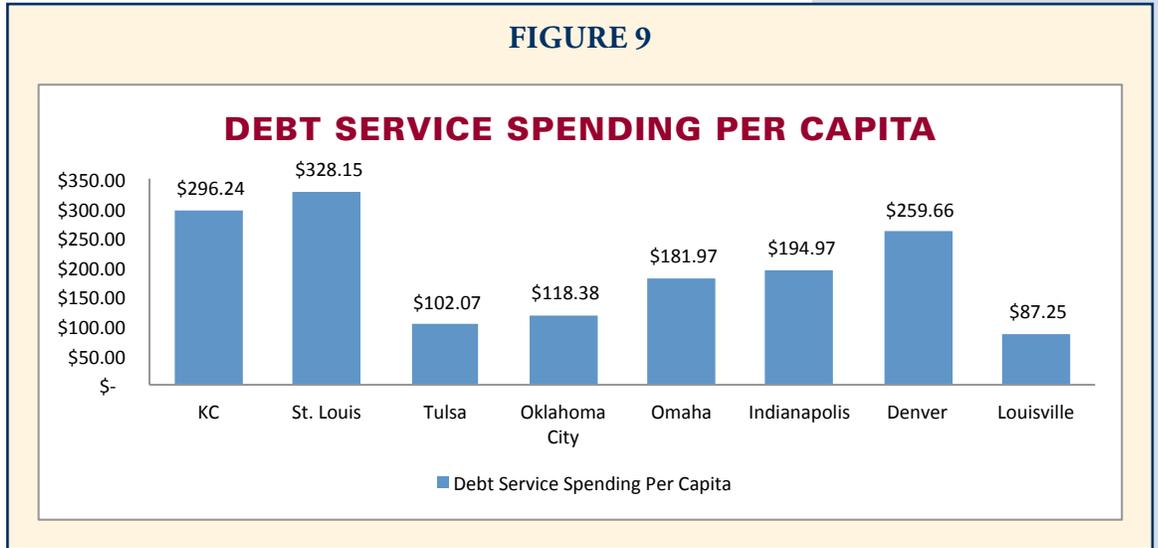
At a glance, however, it appears that a city with a larger area does not necessarily mean that city will have larger average capital outlay expenditures. Oklahoma City is nearly twice as large as Indianapolis, yet it spends less on capital outlays. Louisville is more than five times the size of Saint Louis

and yet Saint Louis spends more per capita on capital outlays. Kansas City spends nearly twice as much as the next city (Denver) on capital outlays, yet it is the fourth-largest city in terms of area and Denver is sixth-largest. Without a more detailed analysis, it would be imprudent to say that there is no correlation between the size of a city and the amount it spends on per capita capital outlays. However, at first glance, it appears that a correlation is lacking.

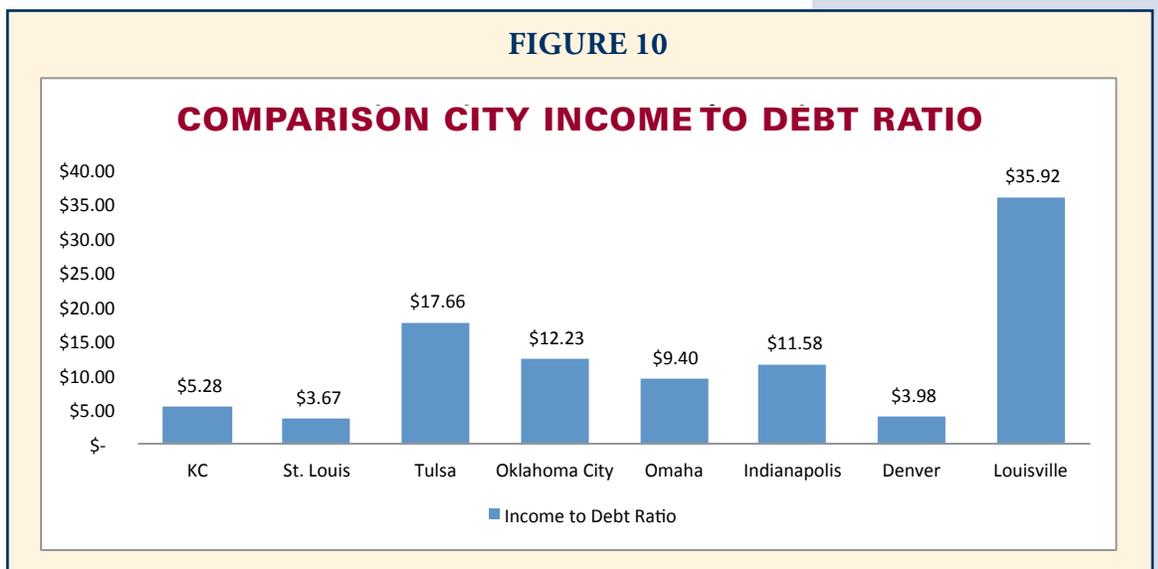
Saint Louis and Kansas City spend more than the other six cities on debt service. Louisville spends the least of all the comparison cities on debt service (see Figure 9).

It would also be interesting to see the amount of debt each city has per capita as it relates to the per capita income of its residents.¹¹ One city might have 50 percent more debt per capita than its peers, but if it has twice the per capita income, its ability to bear the burden of that debt could be better than its less indebted peer. Thus, I decided to look at the per capita income-to-debt ratio for each of these eight cities. The results are displayed in Figure 10.

According to the chart in Figure 10, Louisville has the largest income-to-debt ratio. For every \$1 it has in debt per capita, its residents have nearly \$36 in income per capita, twice that of the next closest city (Tulsa). On the other hand, Saint Louis has \$3.67 in income for every \$1 in debt per capita,



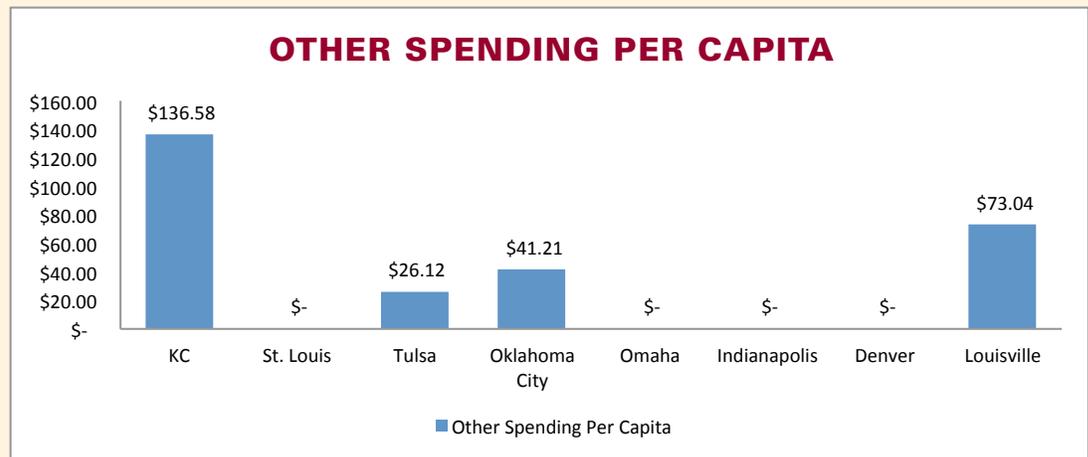
Several possible explanations exist as to why one city spends more or less than another.



a little more than 1/10th of Louisville's total. Kansas City does not fare much better than Saint Louis and has a ratio nearly 1/7th that of Louisville.

Kansas City also leads the rest of the cities in this study in spending on "other" categories (see Figure 11). In fact, Kansas City spends almost as much as the other cities combined in per capita spending. However, it is possible that the spending classified as "other" for Kansas City might be shifted to different categories for the other cities.

FIGURE 11



One possible reason a city would spend more than its peers is because the residents of that city want a certain level of services and the city is responding to consumer demand.

SUMMARY

The purpose of this paper is to conduct a comparative overview of spending for similar cities. In terms of per capita spending, Saint Louis stands out as being the biggest spender overall, and in most sub-categories. Kansas City is also a high spender in many areas. In fact, it leads in a couple of categories. Tulsa is at or near the bottom in most sub-categories except capital outlays and other spending. There are large differences between the top spenders (Saint Louis, Denver, and Kansas City) and the bottom spender (Tulsa).

According to the data, similar cities can and do spend varying amounts per person on city services. This does not mean that the cities that spend the most are being inefficient or wasteful. Nor does it mean the cities that spend the least are somehow not delivering adequate services to their residents. There are various reasons why these cities are spending differing amounts. What the data shows is that the differences between similar cities can be quite substantial.

There are many possible explanations for these differences. Tulsa, for example, spent the least among the comparison cities and since late 2009, it has engaged in numerous activities aimed at reducing costs and shifting activities into public-private partnerships.¹² Examples include the Tulsa Zoo and shifting animal adoption services to the Humane Society of Tulsa.¹³ This does **not** mean that the privatization is the reason Tulsa spends the least among the cities. It could be that, per Tiebout, the residents of Tulsa are comfortable with the city providing a low level of services. However, the privatization efforts do point to an effort by the leadership in Tulsa to deliver services in a more efficient manner. The data in this paper does not enable one to say whether this explanation is correct.

Not only are there factors influencing city spending, city spending can factor into other items of which one would not normally think. The cost of city services could be reflected in the price of homes in the area. People can indicate their willingness to pay for higher city spending by buying housing in the cities with higher spending per capita. Not only could cost be a factor, but the quality of these services could be just as important. If the services a city delivers are of high quality, then the value of the services could also be reflected in the prices of these homes.

Michael Rathbone is a policy researcher at the Show-Me Institute, which promotes market solutions for Missouri public policy.

Economist Charles Tiebout explained that people will locate in cities that offer them their preferred mix of services at an acceptable tax rate.

NOTES

¹This study uses these eight cities because they share certain characteristics with Kansas City that would be useful in a comparison. Some are similar to Kansas City in population (Omaha and Tulsa). Others share certain economic traits with Kansas City (Denver has a poverty rate similar to Kansas City, while Tulsa has a nearly identical per capita income). Saint Louis is included, not because of any economic or demographic similarities, but because it is at the center of the other large metropolitan area in Missouri.

²Indianapolis and Marion County serve as one governmental entity known as Unigov. More information about this arrangement can be found here: http://www.indy.gov/eGov/Council/Documents/unigovhandbookweb_2011.pdf. Louisville and its home county also serve as one governmental entity. More information about this arrangement can be found here: <http://www.louisvilleky.gov/YourGovernment/About-Louisville.htm>.

³The difficulty in comparing the spending of different cities is encapsulated in a paper that Roger B. Parks and Ronald J. Oakerson wrote titled “Comparative Metropolitan Organization: Service Production and Governance Structures in St. Louis (MO) and Allegheny County (PA)” which compared government structures and service production between Saint Louis and Allegheny County (Pittsburgh). This paper compared only four services (fire, police, streets, and schools) between the two cities. Comparing **all** of the services that all **six** cities provide would be a substantial undertaking and not only be beyond the scope of this paper, but it may require a small book to do the project justice.

⁴Tiebout, Charles M., “A Pure Theory of Local Expenditures,” *The Journal of Political Economy*, vol. 64, no. 5, Oct. 1956, pp. 416-424.

⁵The Comprehensive Annual Reports for each city can be found here:

Denver: http://www.denvergov.org/Portals/344/documents/CAFR_2011/Financial/CAFR_Financial_Section_2011.pdf.

Indianapolis: <http://www.indy.gov/eGov/City/OFM/Documents/2011%20City%20of%20Indpls%20CAFR-FINAL.pdf>.

Kansas City: <http://www.kcmo.org/idc/groups/finance/documents/finance/f11cafr.pdf>.

Louisville: <http://www.louisvilleky.gov/NR/rdonlyres/6F1BA24C-3A88-4EC0-9823-F6C7DEE1CD31/0/FY11CAFR.pdf>.

Oklahoma City: http://www.okc.gov/finance_tab/yearenders/2011/cafr_11.pdf.

Omaha: <http://www.cityofomaha.org/finance/images/stories/pdfs/F-14206OMA-11%20City%20of%20Omaha%20CAFR.pdf>.

Saint Louis: http://stlouis-mo.gov/government/departments/comptroller/documents/upload/FY11_CAFR1.pdf.

Tulsa: <https://www.cityoftulsa.org/media/196480/2011%20cafr%20-%20final.pdf>.

⁶The 2011 population estimates from the U.S. Census Bureau can be found here:

Denver: <http://quickfacts.census.gov/qfd/states/08/0820000.html>.

Indianapolis: <http://quickfacts.census.gov/qfd/states/18/1836003.html>.

Kansas City: <http://quickfacts.census.gov/qfd/states/29/2938000.html>.

Louisville: <http://quickfacts.census.gov/qfd/states/21/2148006.html>.

Oklahoma City: <http://quickfacts.census.gov/qfd/states/40/4055000.html>.

Omaha: <http://quickfacts.census.gov/qfd/states/31/3137000.html>.

Saint Louis: <http://quickfacts.census.gov/qfd/states/29/2965000.html>.

Tulsa: <http://quickfacts.census.gov/qfd/states/40/4075000.html>.

⁷The census figures for population come directly from the United States Census Bureau’s State & County QuickFacts website. Each city’s page can be found here:

Denver: <http://quickfacts.census.gov/qfd/states/08/0820000.html>.

Indianapolis: <http://quickfacts.census.gov/qfd/states/18/1836003.html>.

Kansas City: <http://quickfacts.census.gov/qfd/states/29/2938000.html>.

Louisville: <http://quickfacts.census.gov/qfd/states/21/2148006.html>.

Oklahoma City: <http://quickfacts.census.gov/qfd/states/40/4055000.html>.

Omaha: <http://quickfacts.census.gov/qfd/states/31/3137000.html>.

Saint Louis: <http://quickfacts.census.gov/qfd/states/29/2965000.html>.

Tulsa: <http://quickfacts.census.gov/qfd/states/40/4075000.html>.

⁸One possible explanation for some of these differences involves the treatment of sheriff’s departments. Saint Louis City is its own county and thus has its own sheriff’s department. Kansas City has its own police department, but the sheriff’s department is a part of Jackson County. Thus, Saint Louis’ large per capita spending on public safety could be due to the city financing its own sheriff’s department.

⁹These differences might be explained by the proportion of city streets to state roads and county roads. The city does not fund and maintain all streets in Saint Louis. The same may be the case in other cities.

¹⁰This is another case where the direct expenditures are not entirely comparable. For instance, a lot of cultural activities and recreation in Saint Louis are financed by the Metropolitan Zoological Park and Museum District, which encompasses Saint Louis City and Saint Louis County, two separate entities. Thus, Saint Louis County bears some of the cost.

¹¹“Per capita Income” is per capita money income in the past 12 months taken from the United States Census Bureau’s State & County QuickFacts website.

¹²Kenny, Harris. “Tulsa, Jacksonville Mayors Pursuing Public-Private Partnerships.” Reason Foundation. May 15, 2012.

¹³Bartlett Jr., Dewey. “Tulsa, Open for Business.” Reason Foundation. January 13, 2012.



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