CHAPTER 7

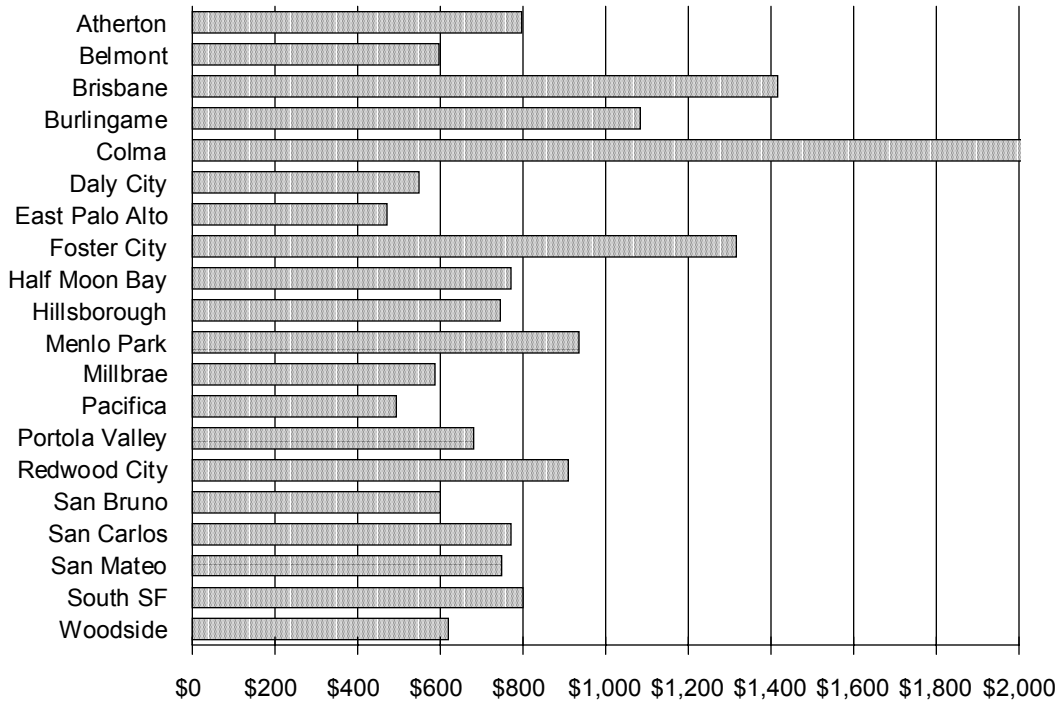
LOCAL GOVERNMENT EXPENDITURES

Total Expenditures

Local governments (excluding the county government, school districts, and some large special districts) spent $448 million in fiscal year 1989-1990. Total expenditures in 1990 were nearly double the level of 1970 (adjusted for inflation) (see appendix B, tables 26 and 32). These expenditures varied from a low of $2.8 million in Portola Valley to a high of $64 million in San Mateo (see appendix B, table 25). As expected, the absolute level of expenditures is much higher in the larger cities; to provide a better comparison between cities of unequal size, this chapter focuses on the amount spent per capita.

Based on per capita expenditures, the cities fall into groups very similar to those for revenue in chapter 6: cities with high revenues tend to be big spenders (the relationship of revenue to expenditure levels is examined further in chapters 9 and 10). Highest per capita expenditures were in Colma ($3,114), Brisbane ($1,416), and Foster City ($1,315) (figures 34 and 35). Moderately high expenditures ($900-$1,300) were found in Burlingame, Menlo Park, and Redwood City. Medium expenditures ($700-$900) were found in Atherton, Half Moon Bay, Hillsborough, San Carlos, San Mateo, and South San Francisco. Both Half Moon Bay and Hillsborough had only medium expenditures, despite their moderately high revenues. The low expenditure group (less than $700 per capita) includes all of the cities in the low revenue group (Daly City, East Palo Alto, Millbrae, Pacifica,

Figure 34: Total Expenditures Per Capita, 1990



Source: Data from CA Controller 1990a, 1990b, 1990c

and San Bruno), plus three cities from the medium revenue group (Belmont, Portola Valley, and Woodside). In every case, the cities found in a lower expenditure group than their revenue group were the less commercially developed; none of the cities were in a higher expenditure group than their revenue group.

Per capita expenditures climbed from $468 in 1970 to $753 in 1990 (see appendix B, tables 27, 33). All cities shared in the rising expenditure: Colma led with a $2,233 increase. Large gains were also posted in Brisbane ($664) and Burlingame ($612). The largest per capita increases were in cities with very little population growth for the period. The smallest increases were in Pacifica ($148), Redwood City ($155), and Hillsborough ($171). (Because they were not incorpo-

Figure 35 Expenditures

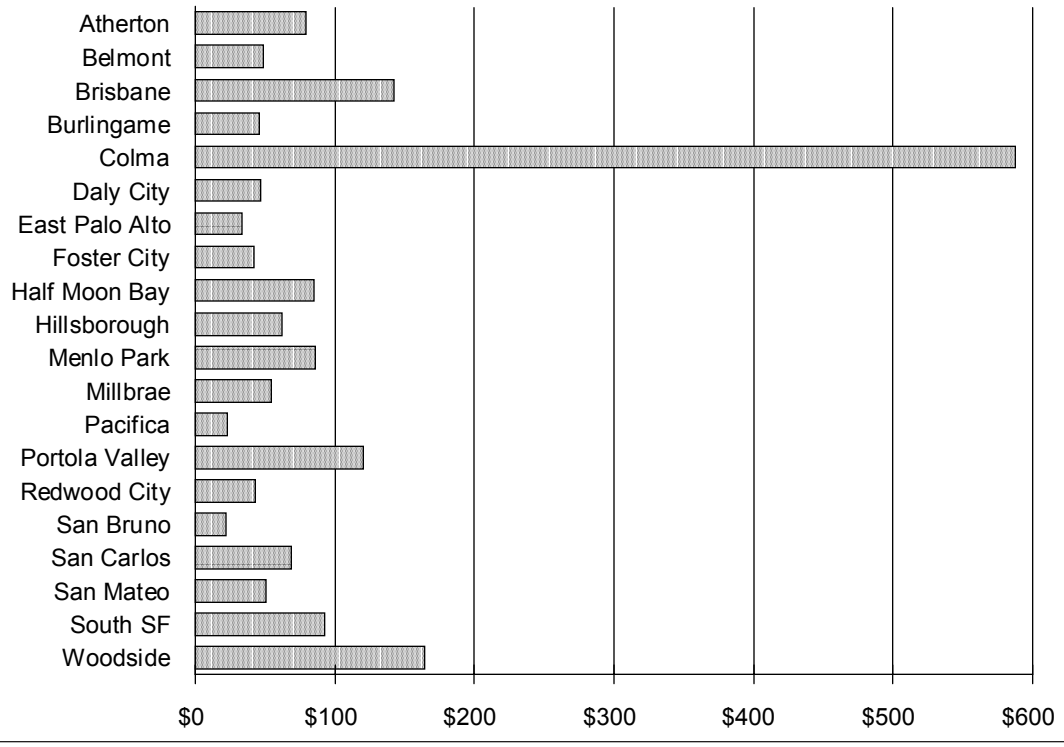
rated cities in 1970, East Palo Alto and Foster City are not included in the figures which show expenditure changes between 1970 and 1990.)

General Government

General government expenditures represent the basic costs of government: city council, city manager, city attorney, etc. Even though we would not expect these fixed costs to vary much with size (each city or town, regardless of size, has only one city council), the actual level of general government expenditures varied by a factor of 10, from $500,000 in Portola Valley to $5 million in South San Francisco (see appendix B, table 26). Per capita figures varied from only $22 in San Bruno to $588 in Colma (figure 36). Besides Colma, three cities (Brisbane, Portola Valley, and Woodside) spent over $100 per capita on this function. The high level of general government expenditures in the four smallest cities seems to indicate there is a fixed cost of government that is not dependent on the size of the city.

General government was the only category to show a decrease in expenditures from 1970 to 1990, although part of this may be due to changes in reporting data by the State Controller (see figure 4 for a comparison of the categories used in the three different years). Per capita expenditures on general government declined by $41 overall (see appendix B, table 35). Redwood City experienced the largest decline ($189). Atherton, Colma, Half Moon Bay, Portola Valley, South San Francisco, and Woodside had substantial increases, while Belmont, Hillsborough, and Menlo Park showed very slight increases.

Figure 36: General Government Expenditures Per Capita, 1990



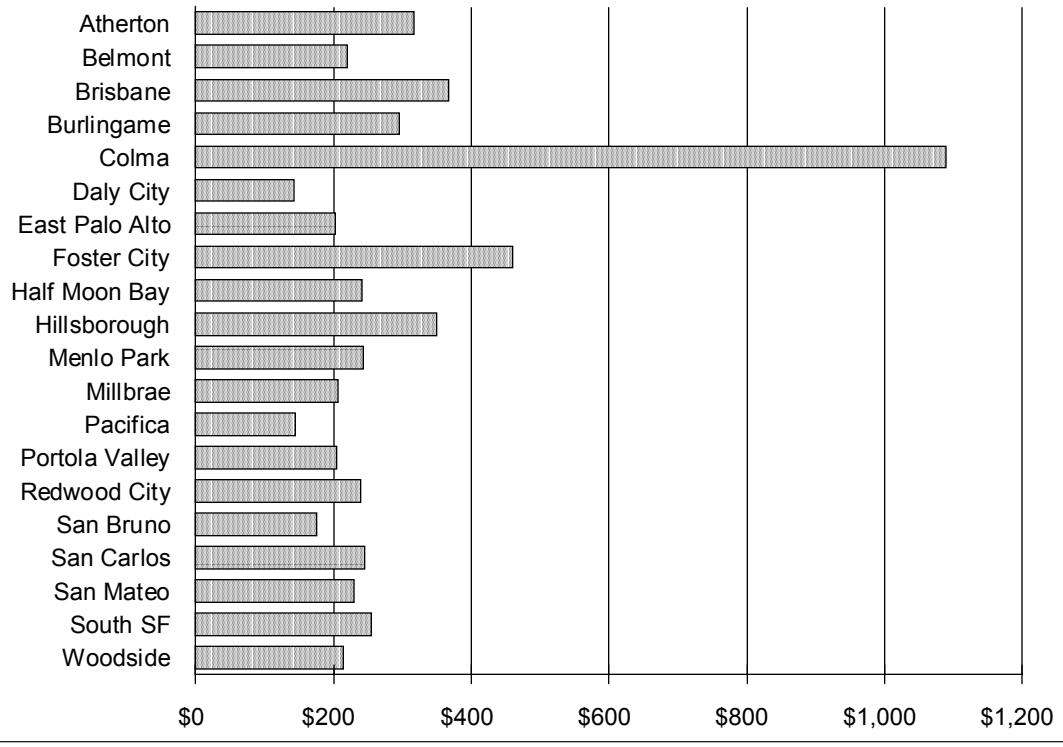
Source: Data from CA Controller 1990a

Health/Safety

The cities and special districts collectively spent $136.7 million on health/safety for fiscal year 1989-1990 (see appendix B, table 26). More than half of this amount was expended on police services, with fire protection making up most of the remainder. Other expenditures in this category included animal regulation, building regulation, and disaster preparedness (see figure 4). Relatively small amounts were spent on health by the San Mateo County cities.

Colma spent over $1,000 per capita on health/safety, compared to an overall level of $230 (figure 37). The high per capita costs for Colma, Brisbane, Atherton, and Hillsborough, and the low value for Daly City, would indicate that a

Figure 37: Health/Safety Expenditures Per Capita, 1990

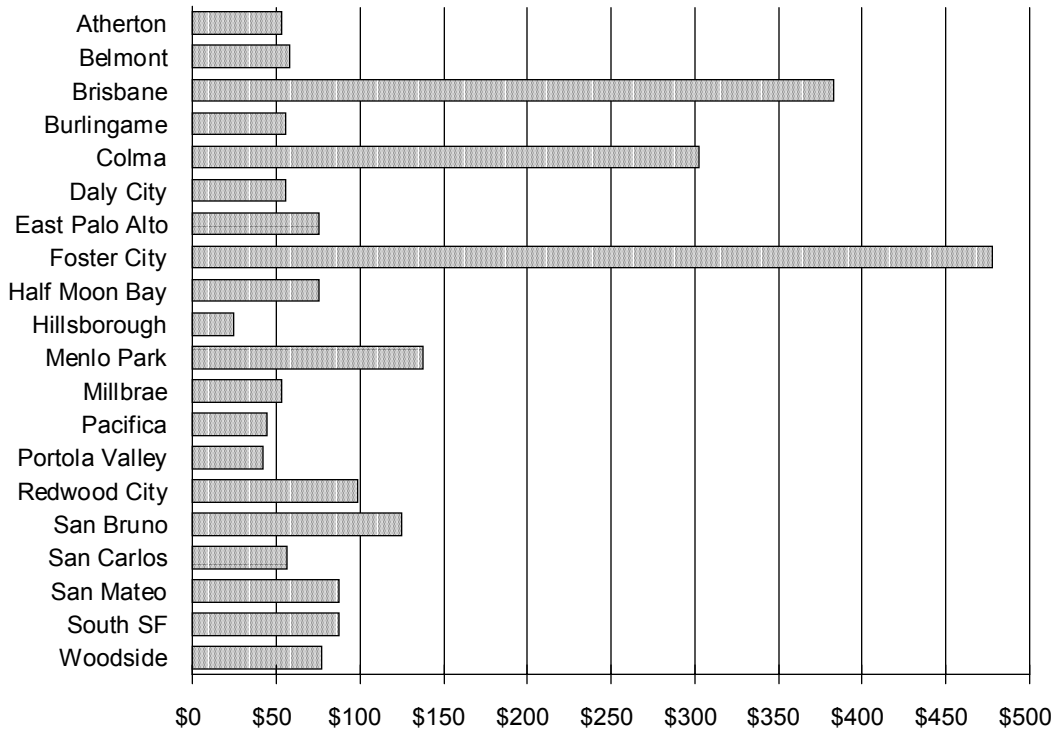


Source: Data from CA Controller 1990a, 1990b

substantial part of health/safety costs were independent of population. Woodside and Portola Valley, however, had only average levels of expenditure. The majority of the cities, in fact, seem to fall in a narrow range from $202 (East Palo Alto) to $255 (South San Francisco). Foster City had an abnormally high level because of its unique safety expense of levee maintenance.

Per capita expenditures on health/safety increased by $97 overall between 1970 and 1990 (see appendix B, table 35). Brisbane, Daly City, and Pacifica showed substantially smaller increases than the other cities, while Atherton, Burlingame, and Colma had much larger increases.

Figure 38: Community Development Expenditures Per Capita, 1990



Source: Data from CA Controller 1990a, 1990b, 1990c

Community Development

Expenditures for community development (including planning, engineering, housing, employment, community promotion, and redevelopment agencies) illustrate the difficulty in ascribing causation to government expenditure levels. Are these costs the result of residential and/or commercial development (development occurs and the city responds by making appropriate expenditures on community development), or was private development activity a result of investments the city makes in "community development"?

The biggest community development spender was Foster City, with expenditures of $13.5 million (see appendix B, table 25). This evidence supports the

idea that these costs were directly related to growth: Foster City is relatively new and is currently attempting to change from a bedroom community to a more balanced city with office and retail employment; the large expenditures on community development appear to be related to this growth. Four of the next five big spenders were the four largest cities, which may simply indicate the larger volume of everything in those cities. San Bruno, however, the fifth biggest spender at $4.9 million, is a much smaller city, indicating some special conditions there.

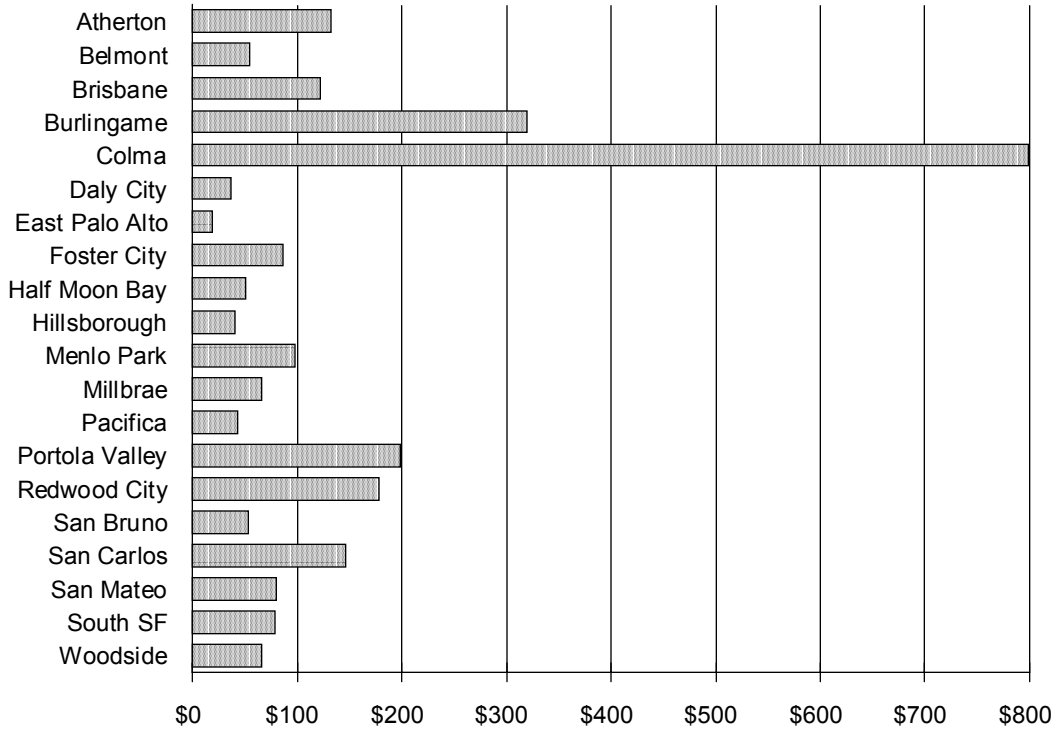
On a per capita basis, Hillsborough was lowest at $25, followed closely by Portola Valley and Pacifica (figure 38). Foster City was, of course, the highest at $478 per capita. Other big spenders per capita were Brisbane ($383), Colma ($303), Menlo Park ($138), and San Bruno ($125). All of the other cities were below the overall spending level of $100 per capita. Redwood City, which has both a developing "edge city" area and an active redevelopment program in the oldest part of town, was just below the overall level of spending for this category.

Per capita expenditures on community development increased by $82 overall from 1970 to 1990 (see appendix B, table 35). Large increases occurred in Brisbane ($330), Colma ($258), Menlo Park ($119), and San Bruno ($117). All others were below the overall level; Portola Valley was lowest at $25.

Transportation

Colma was far out in front in per capita spending on transportation at $798 (figure 39). (This amount was more than the overall level of total per capita expenditures for the 20 cities.) East Palo Alto spent only $18 per capita on transportation; Atherton, Brisbane, Burlingame, Portola Valley, Redwood City, and San Carlos all spent more than $100 per capita.

Figure 39: Transportation Expenditures Per Capita, 1990



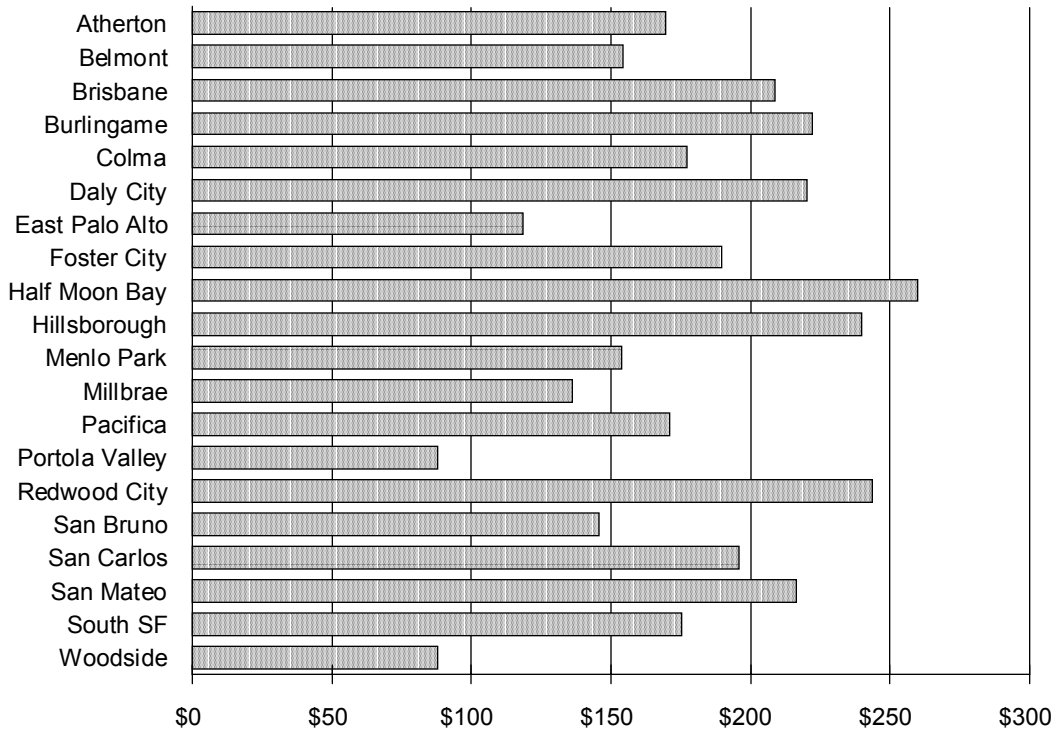
Source: Data from CA Controller 1990a, 1990b

Changes in per capita transportation expenditures showed a wide range for the 1970 to 1990 period: overall spending was up by $34, but Half Moon Bay, Hillsborough, Pacifica, and San Bruno experienced declines (see appendix B, table 35). Colma showed the largest increase ($676), while Burlingame, Portola Valley, and Brisbane all had increases of $100 or more. Belmont, Daly City, San Mateo, and Woodside all had very small increases in transportation spending.

Water/Sewer

Per capita expenditures on water and sewer show a large range, from $88 in Portola Valley and Woodside (estimated) to $260 in Half Moon Bay (figure 40).

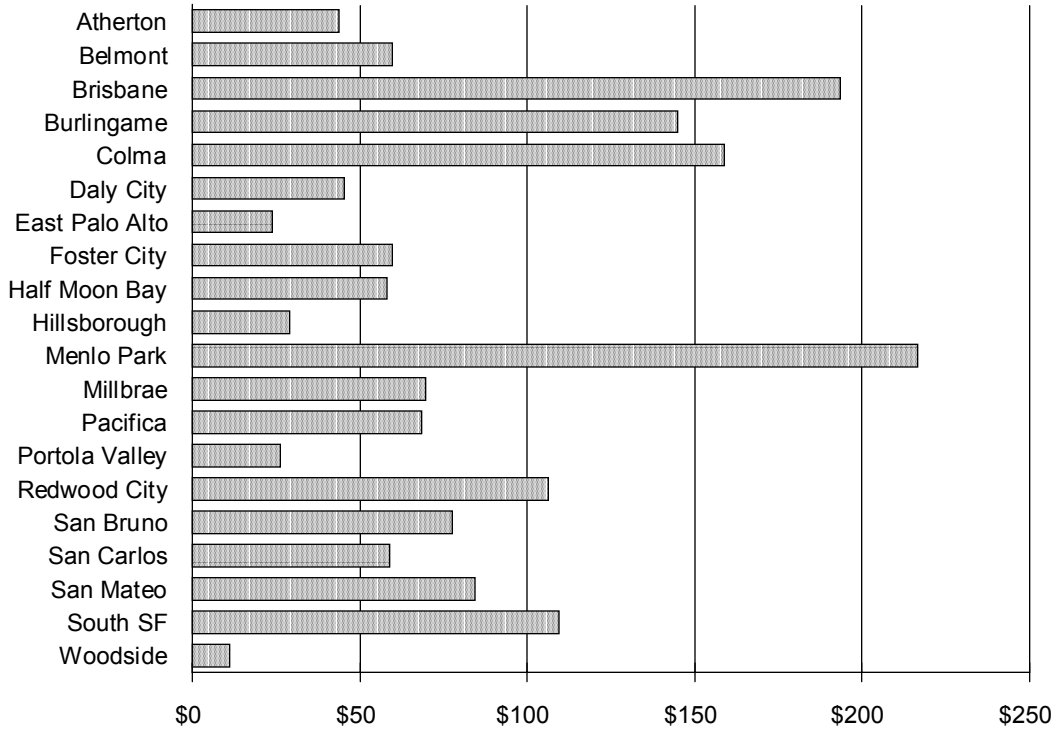
Figure 40: Water/Sewer Expenditure Per Capita, 1990



Source: Data from CA Controller 1990a, 1990b, and estimated

This expenditure category, however, had the largest amount of allocated special district expenses and estimates of costs for private water companies. For those cities for which we had expenditures reported directly by the city, the range was from $136 (Millbrae) to $244 (Redwood City). The Redwood City expenditures, however, may include some areas outside the city limits. Water/sewer expenditures rose overall by $85 per capita between 1970 and 1990. The largest increases were in Daly City and Half Moon Bay (see appendix B, table 35).

Figure 41: Culture/Leisure Expenditures Per Capita, 1990



Source: Data from CA Controller 1990a, 1990b

Culture/Leisure

Expenditures on culture/leisure may serve as a measure of the prosperity of a community. Since the cities could probably function without parks, libraries, and museums, a high expenditure on these items could indicate the city had ample funds available to provide for "frills." Alternatively, however, a demand-based theory might see such expenditures as reflecting the "demands" of a particular population group, e.g., the elderly, children.

The leading per capita spender on culture/leisure was Menlo Park ($217), followed closely by Brisbane ($193) (figure 41). All of the high revenue and moderately high revenue cities were big spenders on culture/leisure except Foster

City. The affluent bedroom communities were all very low in per capita spending, indicating either that residents of those towns purchase their culture in the private sector, or that bedroom communities of expensive houses do not generate a fiscal surplus for cultural purposes.

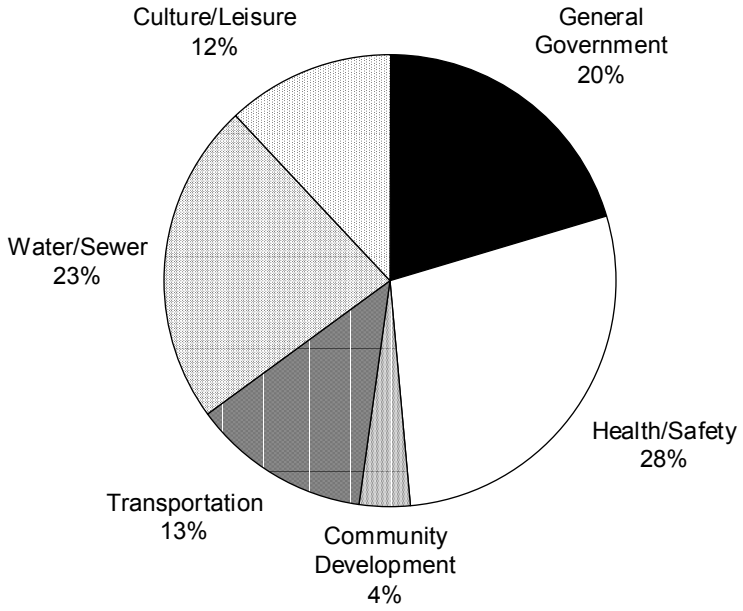
Overall expenditures for culture/leisure increased by $27 per capita from 1970 to 1990 (see appendix B, table 35). Brisbane had the largest increase ($163), followed by Colma ($159) and Menlo Park ($137). South San Francisco ($4) and San Mateo ($7) had the smallest increases. Except for Colma, which generally shows the largest per capita increases in revenue and in several expenditure categories, the changes in culture/leisure expenditures do not correspond closely to changes in revenue. South San Francisco, for example, had an average level of per capita revenue increase, but was at the bottom in increased spending on culture/leisure. Apparently, factors other than income influence culture/leisure spending.

Changing Patterns of Expenditure

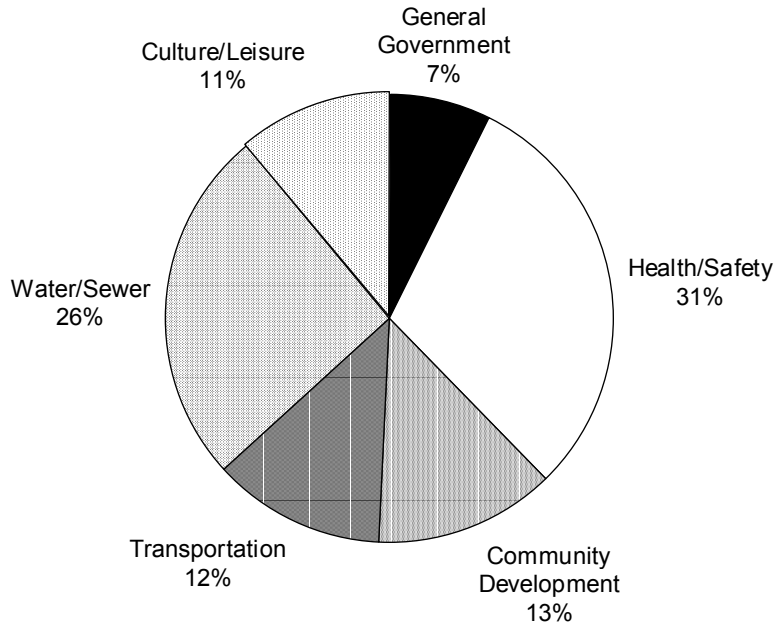
With the exception of declining expenditures for general government and increases for community development, the relative proportion of local government expenditures on different categories changed very little from 1970 to 1990 (figure 42). Health/safety expenditures went from 28.3% of the total in 1970 to 30.5% in 1990; transportation went from 12.6% to 12.3%; water/sewer, from 23.1% to 25.6%; and culture/leisure, from 11.9% to 11.0%. As mentioned earlier, the decline in general government expenditures, from 20.4% of the total in 1970 to only 7.3% in 1990, may be partly a result of changes in the categorization of expenditures by the State Controller. The increase in community development

Figure 42: Percentage of Expenditures by Category

1970

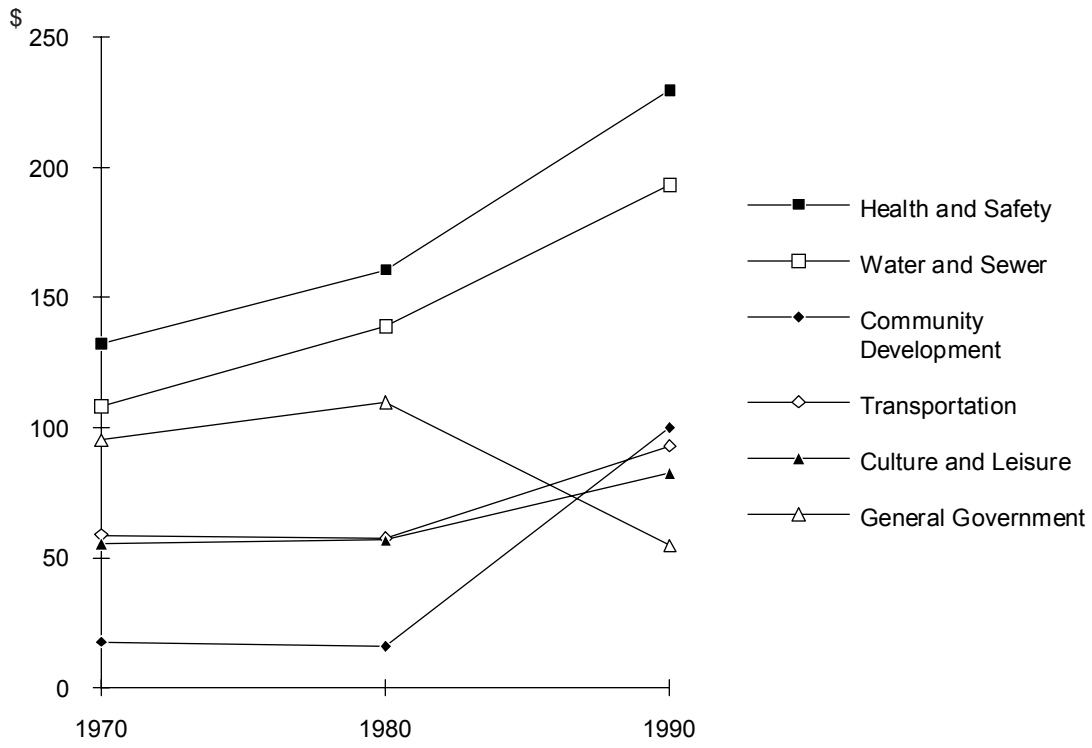


1990



Source: Data from CA Controller 1970a, 1970b, 1990a, 1990b, 1990c

Figure 43: Per Capita Expenditure Changes, 1970-1990



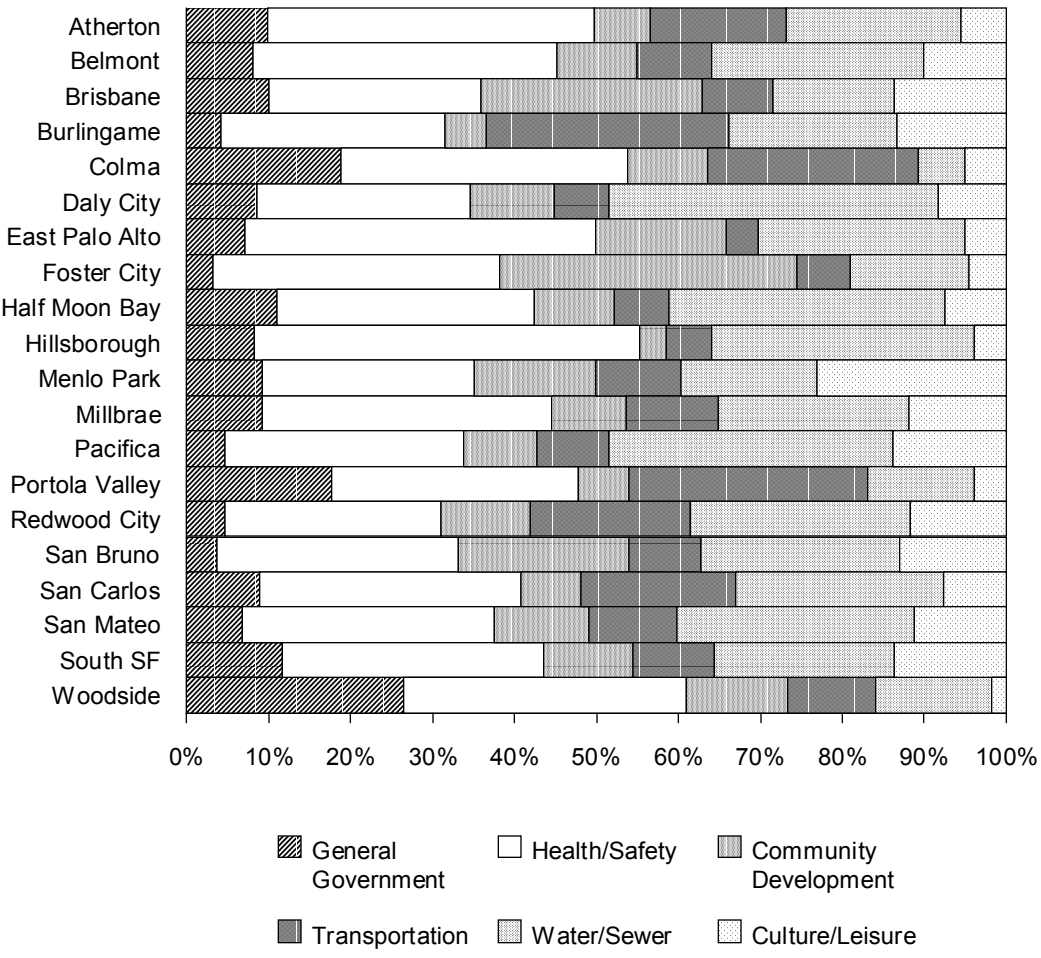
Source: Data from CA Controller 1970a, 1970b, 1980a, 1980b, 1990a, 1990b, 1990c

expenditures, from 3.8% in 1970 to 13.3% in 1990, was largely the result of redevelopment agency activity (see chapter 5). Community development went from sixth place among the expenditure categories in 1970 to third place in 1990 (figure 43).

Is There a Pattern of Expenditures?

The distribution of expenditures by function does not seem to depend on (or affect) the level of total expenditure per capita. The high expenditure cities (Brisbane, Colma, and Foster City) had very different patterns of expenditure (see figure 44 and appendix B, table 28). Colma spent a very small percentage of its

Figure 44: City Expenditures by Category, 1990



Source: Data from CA Controller 1990a, 1990b, 1990c

budget on community development, compared to Foster City and Brisbane, which ranked first and second in the percentage of expenditures used for that purpose. Colma, on the other hand, spent more than 25% on transportation, while Brisbane and Foster City were both below the overall percentage of 12.3%. All three cities spent smaller percentages of their budgets on water/sewer than the rest of the county. Colma and Foster City were also low spenders on culture/leisure, while

Brisbane spent a slightly higher proportion for culture/leisure than the overall county level.

The moderately high spenders (Burlingame, Menlo Park, and Redwood City) were similar only in spending on health/safety (see figure 44 and appendix B, table 28). The distribution of expenditures in Redwood City was very similar to the overall county pattern, with a slightly higher percentage spent on transportation and lower percentages on health/safety and general government. Menlo Park spent a higher percentage than any other city on culture/leisure; its water/sewer expenditures were a smaller percentage than for most other cities. Burlingame was highest among all cities in the percentage of expenditure on transportation, but was very low in community development expenditures. Burlingame and Menlo Park, although sharing the same demographic, revenue, and total expenditure characteristics, spent very different proportions of their budgets on community development, transportation, and culture/leisure.

In the medium expenditure group, Atherton and Hillsborough exhibit similar expenditure patterns, consistent with their similar demographic characteristics. Both devote high proportions of their expenditures to health/safety and low proportions to culture/leisure and community development. Atherton expends a high percentage for transportation, and an average percentage on water/sewer, while Hillsborough spent substantially more on water/sewer and less on transportation.

The other cities in the medium expenditure group (San Carlos, San Mateo, and South San Francisco) had expenditure patterns similar to the overall level for the 20 cities. San Carlos was higher in transportation expenditures, but lower in community development and culture/leisure. South San Francisco spent a higher

percentage on general government and a lower percentage on transportation. San Mateo did not differ significantly from the overall percentages for any category.

The low expenditure cities represent a wide variety of expenditure patterns, just as they represent a wide variety of demographic characteristics. Portola Valley and Woodside, the two affluent bedroom communities in this group, had in common low percentages of expenditures on culture/leisure and water/sewer and high percentages of expenditures on general government. Portola Valley also expends a high percentage on transportation (second only to Burlingame) and a low percentage on community development. Daly City and East Palo Alto, the two inner cities in the low expenditure group, had in common small percentages spent on culture/leisure and transportation. East Palo Alto spent more than 40% on health/safety, while Daly City spent more than 40% on water/sewer, both much higher than the overall county level. Belmont and Millbrae, the two typical suburbs in this group, spent their funds similarly to the overall level, although both spent slightly higher percentages on health/safety and slightly lower percentages on community development. Finally, San Bruno spent close to the overall pattern, except for a higher percentage on community development and a lower percentage on general government. Except for the percentage spent on community development, San Bruno was very similar to its neighbor South San Francisco.

The discussion above indicates that widely varying percentages of budgets may be spent on almost any of the expenditure categories. General government varies from 3.2% of expenditures in Foster City to 26% in Woodside. Community development expenditures also vary widely, from only 3.3% in Hillsborough to 36.3% in Foster City. Transportation expenditures were as low as 3.9% in East Palo Alto and as high as 29.5% in Burlingame. Despite the variation in the ex-

tremes, however, more than half of the cities spent between 6.5% and 11.5% of their budgets on transportation. Water/sewer expenditures also show a large variation between the extremes (5.7% in Colma, 40.2% in Daly City) but half of the cities were between 20% and 30%. Expenditures on culture/leisure were as little as 1.8% in Woodside and as much as 23.2% in Menlo Park. Percentages spent on culture/leisure do not seem to depend on city size: although the largest cities all spent from 8.3% (Daly City) to 13.7% (South San Francisco), the small cities can be either very low (Woodside 1.8%) or near the highest (Brisbane 13.6%). Of all categories of expenditure health/safety was the most consistent: all but four of the cities were between 25% and 35%. Only Hillsborough was above 40%.

While it does not seem that the patterns of expenditures were closely related to the demographic categories, nor to the total per capita expenditures for the city, it does seem that the level of expenditures was related to the level of revenue. All but five of the 20 cities were in the same revenue and expenditure groups. Of the five that were in a lower expenditure group than their revenue group, three were affluent bedroom communities (Hillsborough, Portola Valley, Woodside), one was a typical suburb with limited nonresidential development (Belmont), and one was a largely residential coastside community (Half Moon Bay). Although the evidence here is merely suggestive, there appears to be a pattern of lower expenditures in relation to revenues for some of the least developed communities. Chapters 8 and 9 will take a more rigorous approach to examining these relationships.