



# Presentation to the LGA Study Group

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LMC

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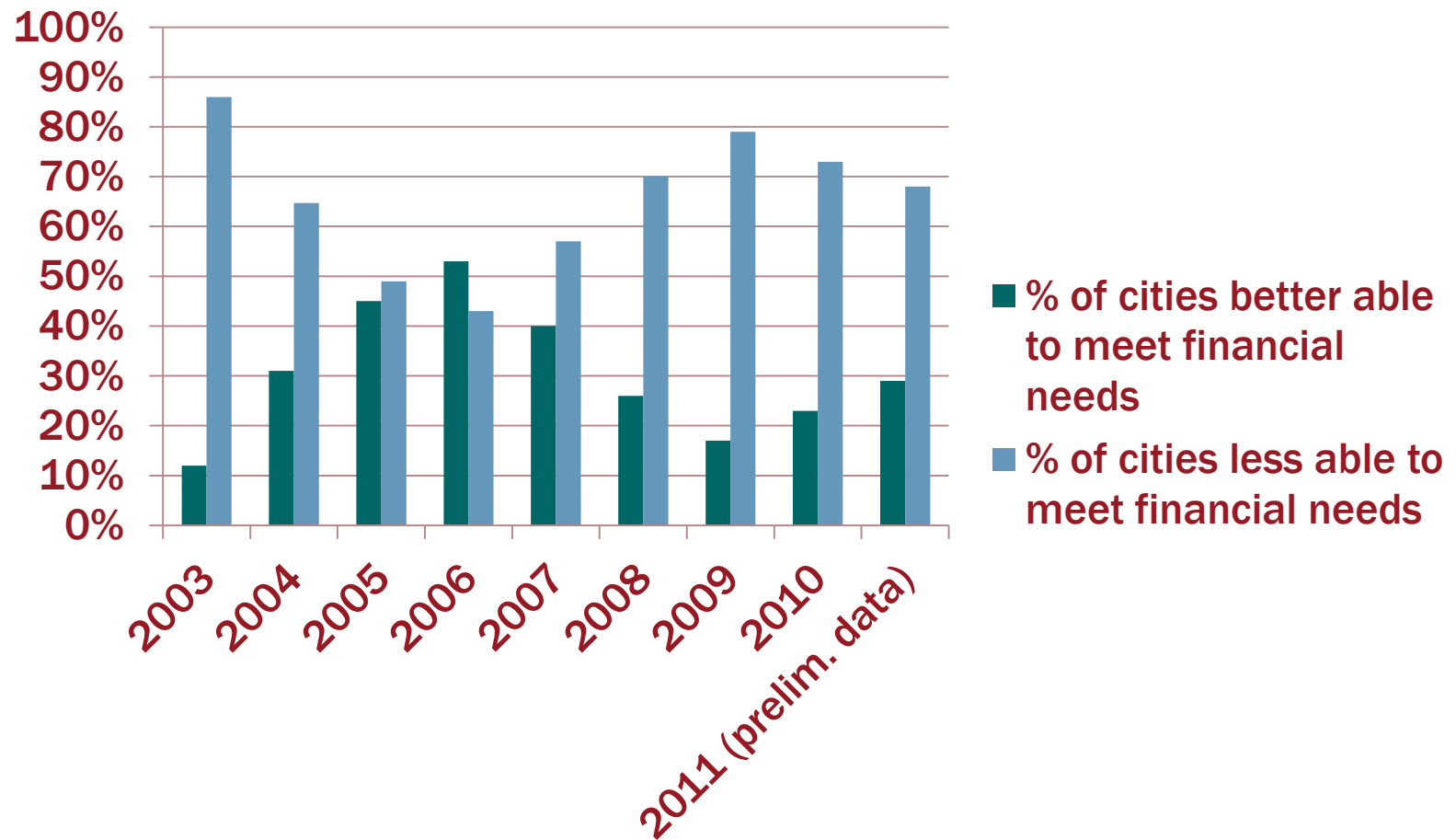
# Outline

- Data on city finances
- LGA and city levy trends
- HHH report on city finances

# Fiscal conditions survey

- Sent to all member cities annually (starting in 2003)
- Typical response rate about 50%
- Basis for *State of the Cities* reports (available at [www.lmc.org](http://www.lmc.org))

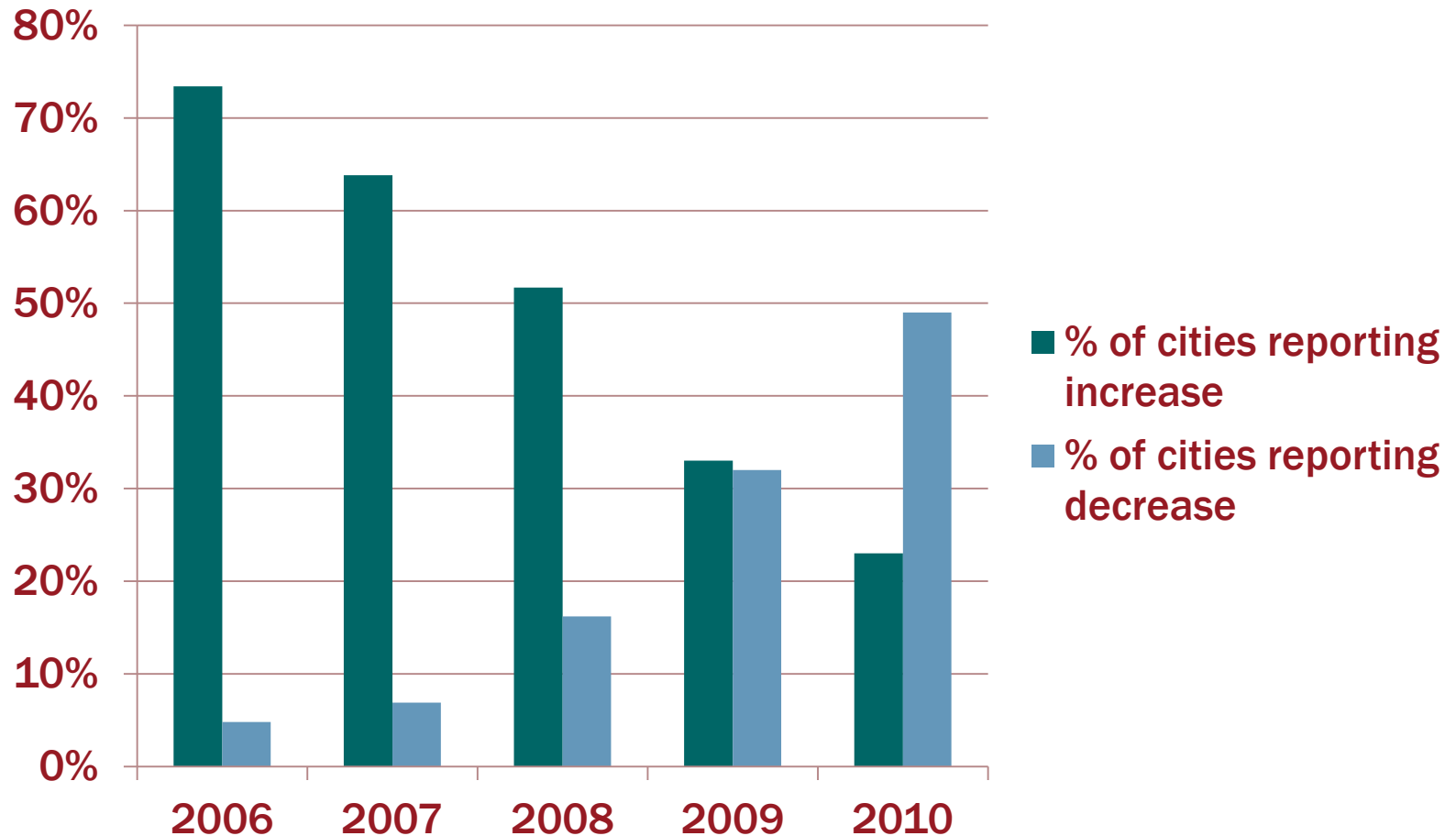
# Ability to meet financial needs



# Revenue Shortfalls

	Property taxes	Fees and charges	Sales tax	Local income tax	Lodging and rest. taxes	State revenues	Federal revenues
2003	28%	17%	3%	n/a	5%	82%	12%
2004	27%	24%	1%	0%	3%	55%	8%
2005	40%	25%	3%	2%	4%	39%	12%
2006	40%	33%	4%	2%	4%	31%	13%
2007	43%	36%	6%	3%	5%	35%	15%
2008	54%	41%	7%	3%	8%	41%	14%
2009	62%	57%	8%	3%	12%	61%	16%
2010	68%	51%	8%	3%	11%	73%	22%
*Combines shortfalls of greater than and less than 10 percent of expected revenues							

# Tax base changes 2006-10



# Budget-balancing actions

- In 2010, 35% of cities responding cut spending
- 71% increased revenues (fees and/or taxes)
- 30% increased efficiencies (e.g. contracting out, collaboration)
- 25% reduced size of city workforce
- 35% used reserve funds

# Trends in LGA and city levies



# HHH Report: Projected Future of City Budgets

# HHH Report

- Part of Cities, Services and Funding project
- A projection of the future given current revenue and expenditure trends
- Answers the question: where do we end up if we stay on our current path?
- Used to build awareness of the challenges facing cities across the state

# Methodology

- Relied primarily on OSA data
- Assumed 2% inflation
- Assumed flat property tax rates (i.e. growth in property tax revenues only from tax base growth not policy decisions)
- Assumed cuts to LGA and MVHC in 2010 and then held them flat

# Key Findings

- If nothing changes...
- Cities of all kinds—all sizes and in all parts of the state—will be dealing with a deficit situation by 2015
- Cities overall will see a deficit of 35% of revenues by 2025
- Revenues projected to grow at 3.7% while expenditures projected to grow at 5.5% from 2010-2025

# Key Findings

- Deficits are not allowed—so tough choices about services, service delivery and funding need to be made