



City Fiscal Conditions **Rachel Walker-LMC**

Michigan Municipal League
Capitol Conference 2008

City Fiscal Conditions

- Survey project background
- Most recent findings
 - Overall
 - Michigan cities
- Funding city services in Minnesota

Fiscal Conditions Survey Project

- NLC has conducted survey 20+ years
- LMC adaptation
 - Ability to meet financial needs
 - Revenue shortfalls
 - Changes in and impacts of budget factors
 - Budget-balancing strategies
- Multiple state league participants
- LMC *State of the Cities* reports

State League Participants 2007/08

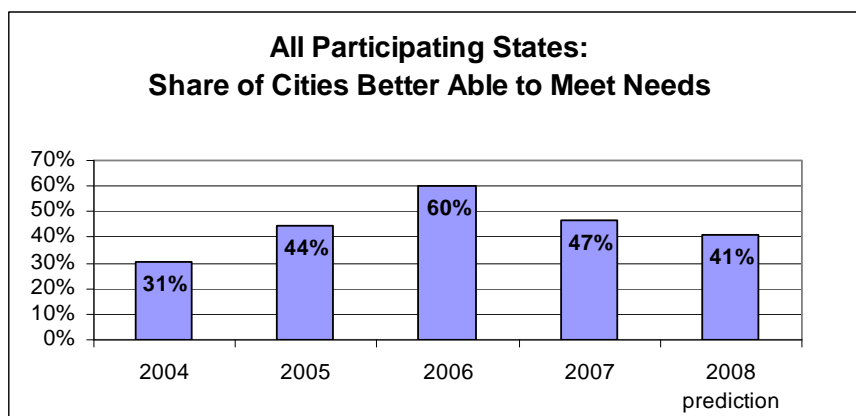
- | | |
|-------------------|-----------------|
| ▪ Connecticut* | ▪ North Dakota |
| ▪ Illinois | ▪ Oregon* |
| ▪ Iowa | ▪ Pennsylvania |
| ▪ Kansas | ▪ South Dakota |
| ▪ <i>Michigan</i> | ▪ Tennessee |
| ▪ Minnesota | ▪ West Virginia |
| ▪ Missouri | |

* 1st time participant

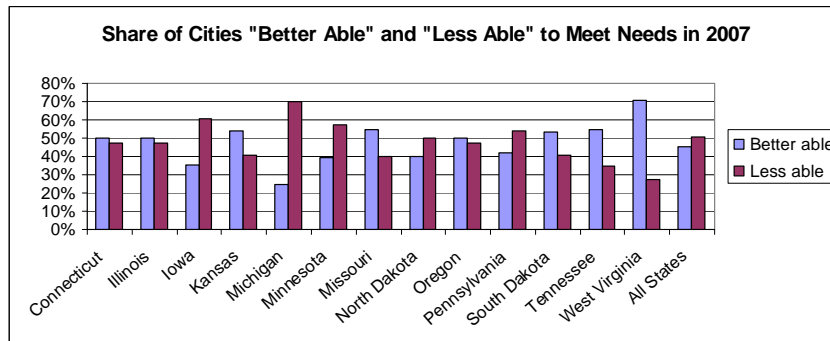
Add-on question topics

- Connecticut-real estate taxes, property tax rate
- Illinois-pension funds
- Iowa-water and wastewater infrastructure
- Michigan-service sharing, economic development
- Minnesota-foreclosures, energy efficiency, collaboration
- Pennsylvania-health insurance costs, infrastructure needs

Ability to meet financial needs



Findings: Ability to meet financial needs



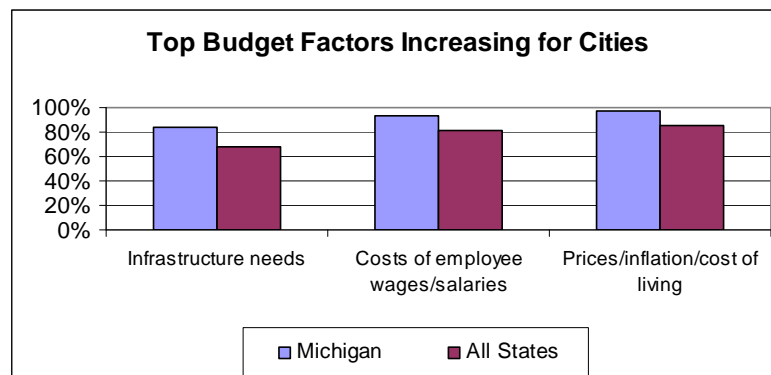
Decline in city fiscal conditions

- Mortgage foreclosure crisis
- Housing slump
- Economy/recession
- State budget deficits

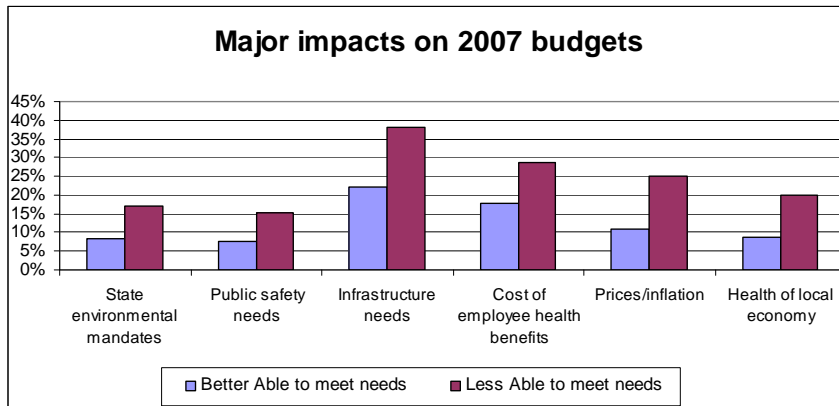
Findings: City revenue shortfalls

	Michigan	All States
State revenue shortfall	68% of cities	39% of cities
Property tax shortfall	32%	33%
Fees/charges/permit revenue shortfall	45%	33%

Findings: Budget Factors



Findings: Budget factor changes have major impacts



Findings: Budget-balancing strategies

- Top three actions overall:
 - Increase taxes (49%)
 - Draw on budget reserves (36%)
 - Raise fees/charges (35%)
- Cuts to city workforce slightly more frequent in 2007
 - Among Michigan cities: up to 33% from 31%
- MI cities more likely to cut services: 17% vs. 6% of cities overall

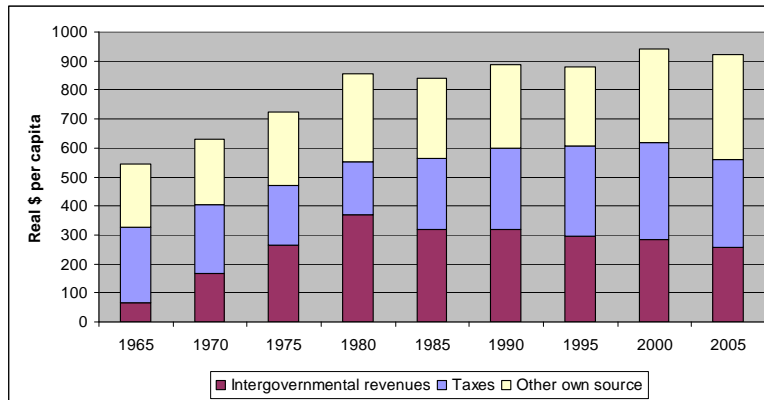
Funding city services in MN

- State aid to cities
- Reliance on property tax
- Limits on property taxes
- 2008 property tax limit proposal

State aid to Minnesota cities

- Complex formula
- 2003 aid cuts and reform
- Volatility problem
- Reform efforts

MN city revenue sources 1965-2005



Limiting MN property tax

- Levy limits
- “TABOR” proposals
- Turbo-charged Truth-in-Taxation
- 2008 proposal

Thank you

Look for *State of the Cities Report 2008* in June!

www.lmc.org

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