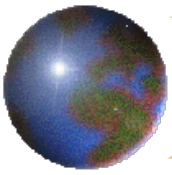
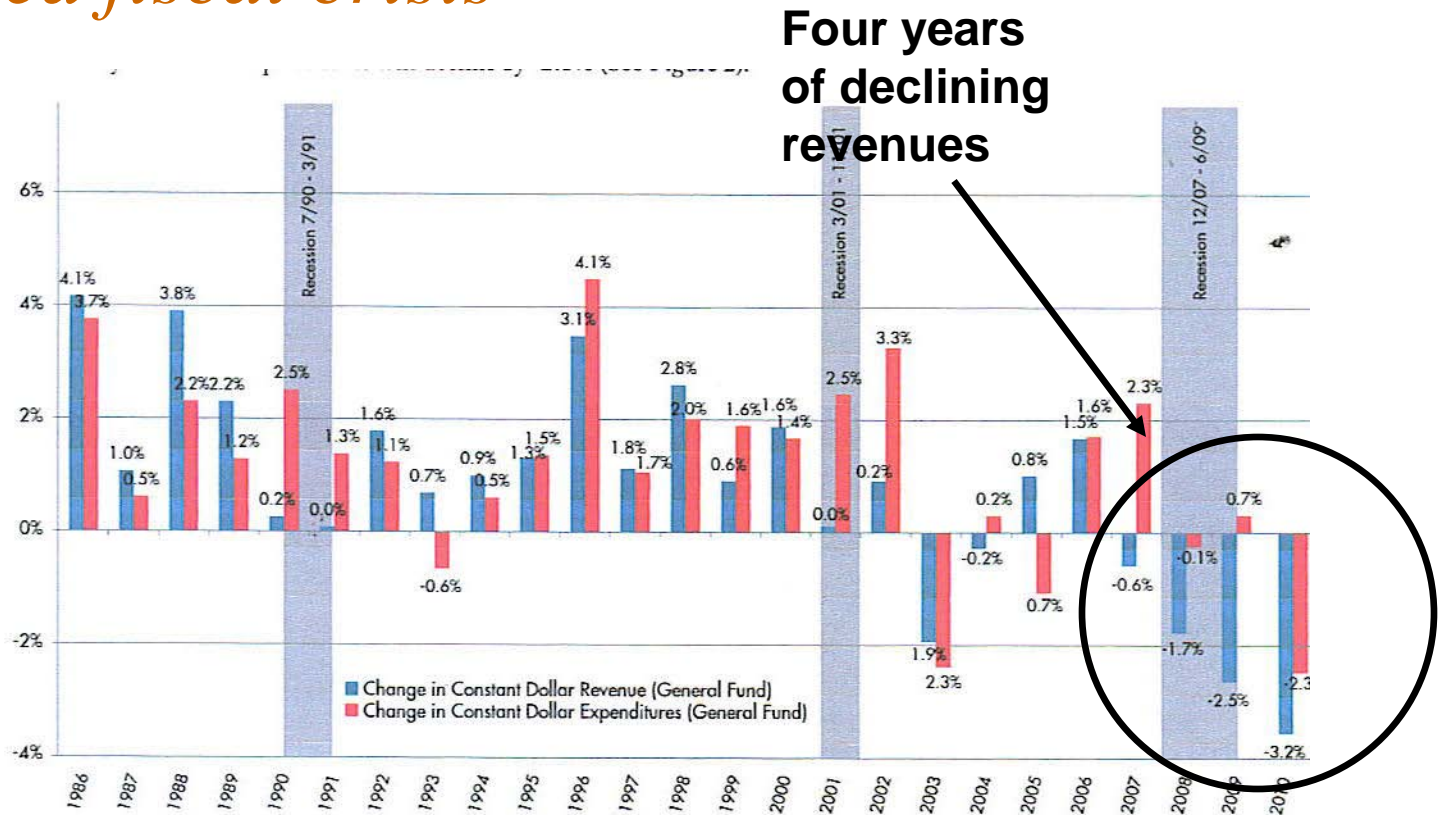


Can our cities survive the fiscal crisis?

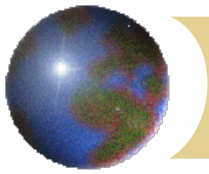
Alan Mallach
Non-resident Senior Fellow
The Brookings Institution



The nation's cities are in the middle of a sustained fiscal crisis



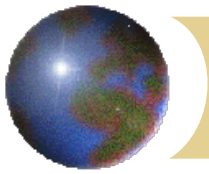
Source: National League of Cities



According to the most recent NLC survey:

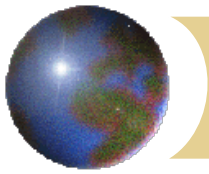
- ✚ A further 3% or greater decline is expected in 2011
- ✚ 79% of cities have laid off employees – 25% have laid off public safety workers
- ✚ 68% have delayed or cancelled infrastructure projects
- ✚ 34% have renegotiated health benefits

WHAT IS GOING ON?



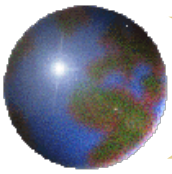
Fiscal pressures on cities

	Revenue	Expenditure
Short-term	<ul style="list-style-type: none">✚ Declining housing market✚ Recession✚ Reduction in state 'safety net'	
Long-term	<ul style="list-style-type: none">✚ Dependence on property tax✚ Lack of ratable growth✚ Poverty	<ul style="list-style-type: none">✚ High service demands✚ Aging infrastructure✚ Pension costs✚ Health care benefits✚ Union contract provisions



The urban difference

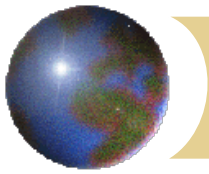
- ❖ Older urban centers are affected by the crisis differently from other municipalities
 - Long-term economic problems
 - Stagnant or declining property tax base
 - Higher service demands
 - Greater dependence on state aid, particularly *Abbott aid*
- ❖ They have a **structural deficit**



The structural deficit

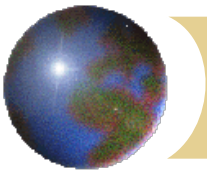


Source: CamConnect



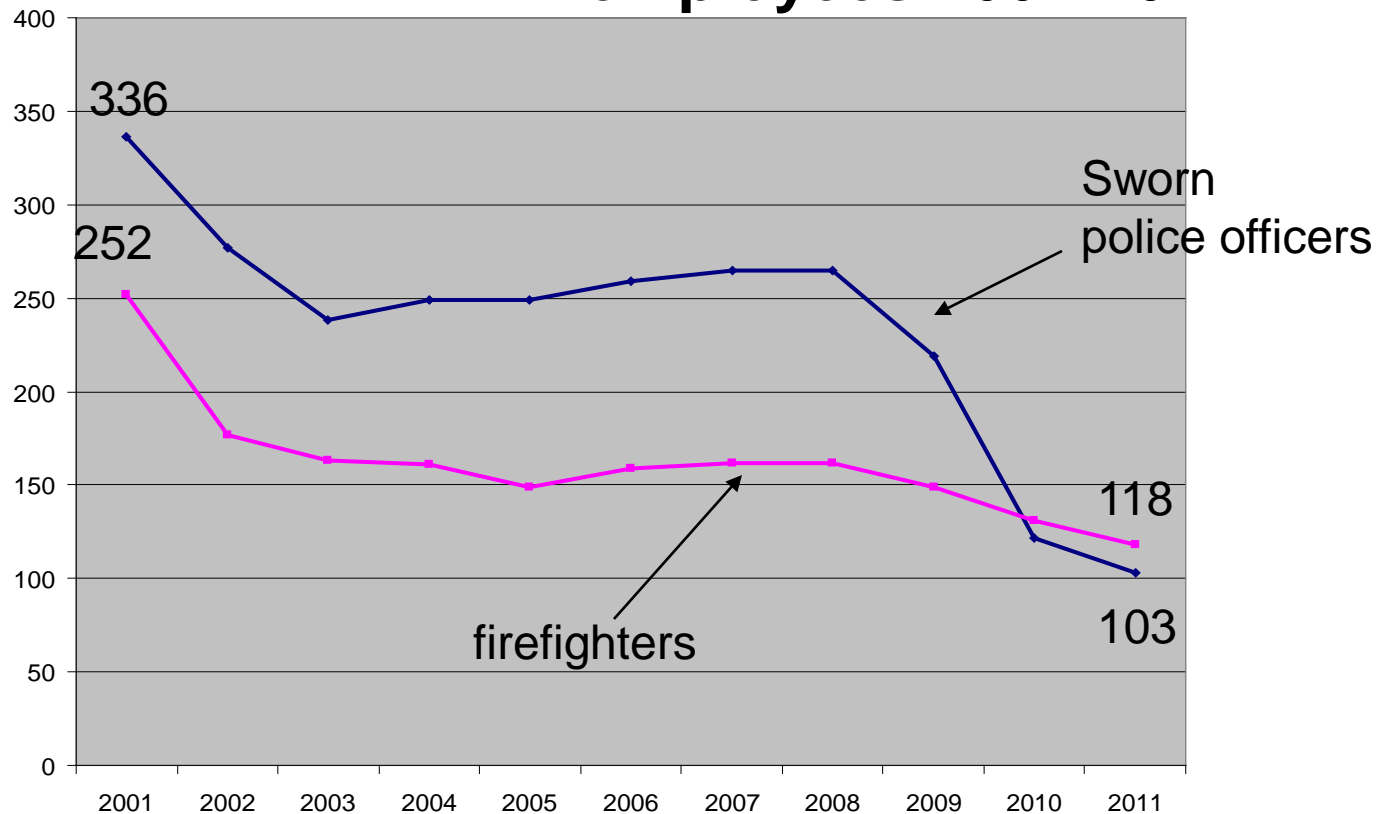
Expenditures are unsustainable

- ✿ Pension and health benefits continue to take up a growing share of city budgets
 - ▣ In Camden, 29% in 2010, up from 16% in 2003
 - ▣ In Flint, 40% in 2010
- ✿ **Rising employee compensation cannot be supported by a stagnant or declining revenue base**

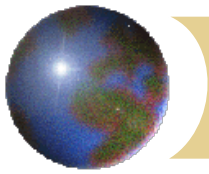


What is the result?

Flint, Michigan public safety employees 2001-2011



Source: city of Flint annual financial report, approved 2011 budget



What is the solution?

Sunday Star-Ledger

PERSPECTIVE

SECTION TWO | JANUARY 30, 2011 | NJ.COM/PERSPECTIVE

With high crime, fewer
cops and little money,
CAMDEN is sinking
even deeper into trouble.

What is happening
here, and could other
New Jersey cities be next?



Abandoned homes are a common sight in neighborhoods in Camden, where more than a third of individuals live below poverty level.

JERRY MCCREAY/
THE STAR-LEDGER



Raise taxes?



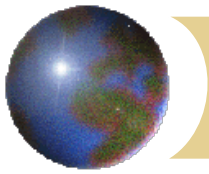
Cut services?



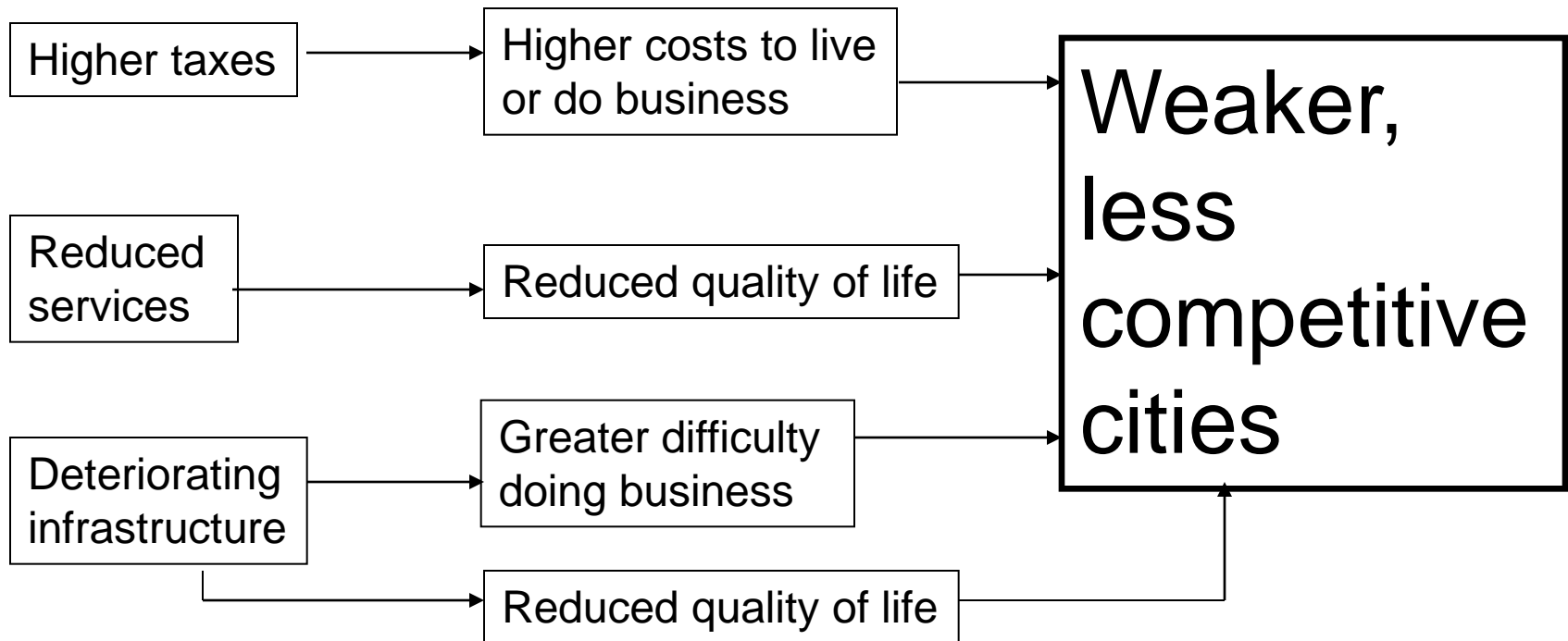
Cut investments?

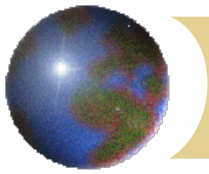
INTO THE

ABYSS



The vicious cycle





Looking forward – three principles

- ❖ Cities cannot get out of this crisis without redevelopment and revitalization.
- ❖ Cities cannot afford their current workforce and service delivery model
- ❖ Cities cannot get out of this crisis on their own.