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“...City officials will need to be more proactive than ever...”

National League of Cities President Kathleen Novak

While preparing for this year's National League of Cities annual meeting in early November, I came across this interesting summary of a survey that the NLC just completed regarding the financial conditions of local governments. The article can be found here [NLC Survey Article](#) and a more comprehensive overview of the Survey's finding can be found here [Research Brief](#).

It's certainly no surprise that cities are really feeling the pain of this current economic down turn. Here is what I found most useful about this article:

1. **No community is left unscathed**
 - a. 88% of responding finance officers say their community will have a [problem meeting its financial needs in 2009](#) and 89% say their community will have the same problem in 2010.
 - b. This is the 24th year that the NLC has done this survey and the responses this year are the worst they have ever seen.
2. **Averages from the Survey**
 - a. Total Budget gap 2.9%
 - b. Decline in income 1.3%
 - c. Decline in sales tax 3.8%
3. **Sales Tax Revenue** is typically the first to decline, followed by property taxes anywhere from 18 months to several years after the decline in sales taxes. It can take [several years for these shifts to impact a community's fiscal condition](#).
4. **What are Communities doing in Response:**
 - a. Hiring Freeze layoffs 67%
 - b. Canceling Capital Projects 62%
 - c. Cutting non-public safety services 32%
 - d. Increasing fees or taxes 42%
 - e. Creating new fees 25%
5. **What next? What should communities be doing?**
 - a. Slow recovery for housing and consumer spending is forecasted – the two largest revenue bases for most local governments. As a result [communities are expected to have a difficulty through 2010](#).
 - b. Communities need to know that this is likely to be a much more protracted down turn for them and, therefore, they need to be proactive by looking closely at the [types and levels of services to provide and fees to be charged](#).
 - c. Look at ways to [shift expenses for services to special taxing districts](#) like TIFs and Special Service Areas.
 - d. Look at [economic development projects that may be draining cash flow](#) from the community and find ways to move the ahead.

This information is provided by Paul S. Nicolosi, JD. Mr. Nicolosi holds a degree in Political Science with an emphasis in business and economics from Loyola University of Chicago (1987) and a law degree from Northern Illinois University (1990). Upon graduation from law school, Mr. Nicolosi became partner at his family's sixty year old law firm, [Nicolosi & Associates, LLC](#), and a principal at the firm's affiliated consulting business, The Buckley Companies. Together, these two organizations provide comprehensive public finance planning under the name "[EDCon Services](#)".

Mr. Nicolosi is a regular speaker at the IML's annual conference on municipal finance issues and is a former member of the IML's legislative committee. Mr. Nicolosi's articles on public finance topics have been published by IML's Review Magazine. He is also a speaker for the Illinois TIF Association and an active member of the National League of Cities' (NLC) committee on Public Finance.

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