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Cities cut back, expecting shortfalls

Salaries, jobs, services face the chopping block

By Marisol Bello
USA TODAY

Battered by record foreclosures and falling tax revenue, cities are laying off workers, raising fees and closing libraries and recreation centers.

"Almost every city in the country is feeling the impact," says Chris Hoene, director of policy and research at the National League of Cities.

A survey in September found that city finance officers expect revenue from property, sales and income taxes to decrease 4.3% this year, Hoene says.

The problem will be worse next year, he says, because there is a lag between current economic conditions and when they affect city revenue.

"Local officials know that if things are tight now," he says, "tougher choices are coming."

The survey found that 79% of cities expect their finances to worsen in 2009.

Cities are making adjustments:

- Philadelphia** saw revenue from a tax on businesses drop 9% to \$399 million in its 2008 fiscal year, which ended June 30. Its real estate transfer tax revenue fell 15% to \$184 million. Eleven of 54 libraries are closing, 67 of 81 pools will not reopen next summer, and 200 of 23,000 employees will be laid off on Jan. 1. "This is the worst thing we've seen in decades in terms of how quickly the economy has fallen," finance director Rob Dubow says.

- San Diego**, where foreclosures more than doubled this year to 5,551, is projecting a \$43 million shortfall in its \$1.19 billion budget when the fiscal year ends on June 30, because of falling revenue from property, sales and hotel taxes and other fees. On Jan. 1, the city eliminated all six service centers where residents went for help with city services, and it reduced the number of cadets in its police academy from 50 to 25.

- Atlanta**, expecting a revenue shortfall of up to \$60 million, is cutting 4,600 employees' salaries, including the mayor's, by 10%.

- Seattle** is just beginning to feel the pinch, Mayor Greg Nickels says. The city proposes increasing parking fees from \$1.50 an hour to \$2.50 and reducing spending on youth violence programs and housing for the homeless. "We are starting to see the effects of what others have been facing," Nickels says.

The U.S. Conference of Mayors is asking Congress for a \$90 billion stimulus plan to help cities with infrastructure projects, the creation of green jobs and community development.

"Without some help, it is increasingly difficult for cities to be the great places we are," says Philadelphia Mayor Michael Nutter.

Sally Reed of Friends of Libraries USA says cities are making the wrong cuts, closing libraries just as more people use their free services.

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"It's really backwards thinking," she says. "They've become increasingly important, and yet libraries are the first ones cut."

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