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City officials across the country are beginning to see improvement in municipal finances, but they remain in the midst of a tenuous recovery from the recession according to a new report from the National League of Cities (NLC). The 28th annual City Fiscal Conditions report shows this improved outlook comes from increased sales and income tax revenue, and improved local economic health.

“City officials are clearly feeling better about how their local economies are doing,” said Marie Lopez Rogers, President of NLC and Mayor of Avondale, AZ. “But city officials are still making difficult and critical decisions regarding the types of community investments they need to make on behalf of the families they serve. Local officials must be vigilant as the economy continues its painfully slow recovery.”

Yet there are pockets of concern that could pose problems. While conditions are

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consequences of the nation not raising the debt ceiling on time.”

Cities are making needed changes to ensure healthy balance sheets. For much of the past two decades the most common action taken to boost city revenues has been to increase the amount of fees charged for services.

This year, two in five (39%) city finance officers report that their city has raised fee levels. Additionally, around one in four cities increased the number of fees that are applied to city services (22%), and one in five (19%) cities increased the local property tax in 2013. Increases in sales, income or other taxes are even less common than property tax increases, and this continued to be the case in 2013. Reducing the size of the municipal workforce is the most common action cities have taken to decrease their costs.

“Because cities operate under an annual balance-budget requirement, they are constantly making adjustments and trade-offs as they adapt their budgets to changing economic conditions,” said Michael Pagano, Dean of the College of Urban Planning and Public Affairs at the University of Illinois at Chicago and co-author of the report.

There are a number of factors playing into balancing budgets and decision-making in the coming months: “Infrastructure demands, employee-related costs, and cuts in federal and state aid continue to weigh heavily on local budgets and will for the foreseeable future,” said Christiana McFarland, Interim Director for City Solutions and Applied Research at NLC and co-author of the report. “External shocks and economic uncertainty could undermine optimism and progress at the local level.”

The National League of Cities is dedicated to helping city leaders build better communities. NLC is a resource and advocate for 19,000 cities, towns and villages, representing more than 218 million Americans.

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