

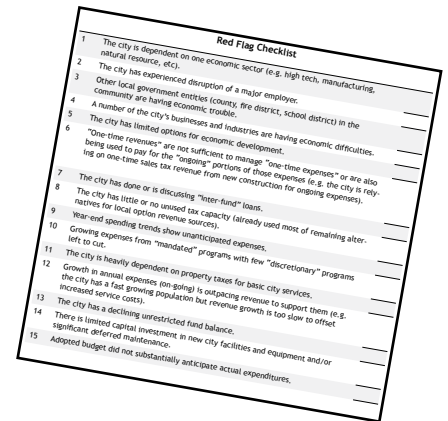
## Communicating about your city's financial condition\*

Many factors can influence your city's financial condition. Most are driven by external forces such as demands by citizens for certain service levels, tax limitations, effects of state and federal mandates, population growth, and economic conditions.

Following is a list of 15 "redflag" conditions that could indicate problem areas in a city's financial future.

Alone each of these flags is just an issue that the city can work to resolve. However, when they are combined they could forecast a more complex problem and the need for a more comprehensive solution.

The red flags are intended as a starting point for discussions with your city leaders, community, and businesses about your city's financial future.



### For more information:

For a more comprehensive process for evaluating your city's financial condition, consult the Financial Trend Monitoring System in Evaluating Financial Condition: A Handbook for Local Government available from the International City/County Management Association [www.icma.org](http://www.icma.org).

For comparative information on city revenues and expenditures, see the State Auditor's Local Government Finance Reporting System <http://lgfrs.sao.wa.gov/lgfrs/>.

For an overview of revenue options for cities, see the Revenue Guide for Cities and Towns on the Municipal

Research & Services Center website [www.mrsc.org](http://www.mrsc.org). For basic information on the budget process, see the AWC/WFOA publication Budgeting for Cities and Towns in Washington State, [www.awcnet.org](http://www.awcnet.org).

For more information on best practices, see the Government Finance Officers Association Digital Finance Library at [www.gfoa.org/services/df/](http://www.gfoa.org/services/df/).

See also Local Government Dollars & Sense by Len Wood for practical tips on managing local finances.

For more help, call AWC at (360) 753-4137.



\* Based on Community Distress Signals developed by the League of Oregon Cities ([www.orcities.org](http://www.orcities.org)).

## Red Flag Checklist

Applies  
to my City?

1	The city is dependent on one economic sector (e.g. high tech, manufacturing, natural resource, etc).	_____
2	The city has experienced disruption of a major employer.	_____
3	Other local government entities (county, fire district, school district) in the community are having economic trouble.	_____
4	A number of the city's businesses and industries are having economic difficulties.	_____
5	The city has limited options for economic development.	_____
6	"One-time revenues" are not sufficient to manage "one-time expenses" or are also being used to pay for the "ongoing" portions of those expenses (e.g. the city is relying on one-time sales tax revenue from new construction for ongoing expenses).	_____
7	The city has done or is discussing "inter-fund" loans.	_____
8	The city has little or no unused tax capacity (already used most of remaining alternatives for local option revenue sources).	_____
9	Year-end spending trends show unanticipated expenses.	_____
10	Growing expenses from "mandated" programs with few "discretionary" programs left to cut.	_____
11	The city is heavily dependent on property taxes for basic city services.	_____
12	Growth in annual expenses (on-going) is outpacing revenue to support them (e.g. the city has a fast growing population but revenue growth is too slow to offset increased service costs).	_____
13	The city has a declining unrestricted fund balance.	_____
14	There is limited capital investment in new city facilities and equipment and/or significant deferred maintenance.	_____
15	Adopted budget did not substantially anticipate actual expenditures.	_____

### 1-5 flags Opportunity

1. Review specific problems.
2. Seek targeted resources to address them.

### 6-10 flags Growing Distress

1. Need long-range financial planning that includes analysis of potential impacts to service levels if improvement does not occur.
2. Identify new resources and potential partners.
3. Communicate with citizens about potential impacts on services.

### 11-15 flags Significant Distress

1. Research alternatives to city service provision.
2. Provide strong community leadership.
3. Communicate likely impacts on city services and seek effective citizen involvement to resolve.

## What strategies are available to help my city?

Understand the causes of the distress. Is it the result of a short-term or isolated issue, or is the problem more long term or growing? Evaluate how big the problem is and when it will hit.

Think long term. If your city has not done long-term financial projections and budget planning, now is the time. Estimate revenues/expenditures for 5-6 year horizons. Determine community values.

Identify the outcomes if nothing changes. Identify what will happen to city services. Prioritize programs and service delivery. If services are reduced, what trickle-down effects will there be in the city?

Identify sources of assistance. Look to other cities in your region, state agencies, private foundations, and/or business and civic groups in the community. Create a mechanism for community involvement.

Tell your story. Engage citizens, businesses, groups, and legislators in identifying the problem and crafting the solution. Educate, Educate, Educate.

Find a solution. Remember that the solution will require the involvement of your community, and expect that change takes time and effort.