

MUNICIPALITIES CITED IN THE PRESS AS FINANCIALLY TROUBLED

The following city sketches cover some of the budgetary and economic challenges facing each city, but are not intended to represent a full picture of the situation. They were based solely on reports in local or national news media or on city fiscal reports (which are listed in the reference section).

AKRON, OHIO

Akron, once known as the world capital for the rubber industry, is a mid-sized, northern city that has lost industrial employers and residents. Its population, at 199,000, is about 100,000 less than in the 1960s. Although the city benefits somewhat from spillover economic activity around Cleveland to the north, Akron’s economic challenges date back to the contraction of Ohio’s rubber industry.

In 2011, the state auditor put Akron on fiscal watch and ordered that it improve its poor accounting practices. But city officials said recently that one reason for Akron’s budget problems was a reduction in state funding. Beginning in 2013, the state no longer levied an inheritance tax, long a reliable source of funding for Ohio municipalities, including \$2 million for Akron. The city has also lost property tax revenues.

ALTOONA, PENNSYLVANIA

Altoona, a small city in rural Pennsylvania, once revolved around industries that sprang up with the railroads. Today, its economic activity centers on outdoor recreation and hunting. The city’s population peaked during the Depression at about 82,000 and, by 2010, had dropped to about 46,000. As the city’s property tax base has eroded, it has had less money to pay for city services. In 2012, the state of Pennsylvania declared Altoona one of its distressed cities under a state oversight and debt restructuring program known as Act 47.

Prior to the declaration, the city had experienced budget deficits for four consecutive years, ranging from 11 percent to 19 percent of revenues. The city also reached its legal limit in levying real estate taxes for general spending. The state recovery plan calls for freezing city workers’ pay and shrinking benefits, and contracts with Altoona’s three labor unions are set to expire at the end of 2013.

BAKERSFIELD, CALIFORNIA

This mid-sized city in California’s agricultural corridor is struggling financially, despite strong population growth due to the recent shale-oil boom. Its population has been increasing since the 1800s and grew an additional 41 percent in the prior decade, to 352,400.

Bakersfield’s revenue base is restricted for several reasons. The city charges the minimum sales tax allowed under a state law that redistributes a share of the revenues back to California cities. This year, Bakersfield also sued the state government to resume collections of property taxes after state auditors said \$28 million of the approximately \$96 million in debts tied to city redevelopment projects, including a sports arena, aren’t “enforceable obligations.” In 2010, it was reported that California public schools, including Bakersfield’s, were receiving less state funding than they had anticipated. The city has also experienced declines in its tax revenues stemming from a high foreclosure rate after the recession.

BALTIMORE, MARYLAND

With 621,000 residents, Baltimore is a mid-sized city. It is also Maryland’s largest city, though it has lost one-third of its population since the 1950s. Many businesses and residents have moved to neighboring Baltimore County, where property taxes are lower. Some 16,000 vacant properties inside the city limits have dramatically eroded the tax base. The city’s median household income is nearly \$15,000 above the national average. But Baltimore for decades has been losing manufacturing jobs, while job growth has been fastest in low-wage industries, such as food service, drinking establishments, and social assistance.

Against this backdrop, a report early this year by an outside consulting firm warned the city would have to enact major reforms to avert bankruptcy. The report, commissioned by city officials, forecast that Baltimore could accumulate a budget deficit over the next decade of up to \$2 billion, which is the size of its annual operating budget. Baltimore's revenue options are limited: it already has the highest property taxes in Maryland, and its income tax is the highest allowed under state law. The city has enacted new taxes on bottled beverages, hotels, and parking. To reduce pension costs, the mayor recently proposed converting the city employee system from a defined benefit plan to a 401(k)-style plan.

BRIDGEPORT, CONNECTICUT

Bridgeport, which was a manufacturing hub in the 19th century, is now a small city facing serious economic and financial challenges. Manufacturing jobs have vanished, and it lacks the high incomes and strong economic and population base of neighbors on Long Island Sound like Greenwich or Westport. Bridgeport's population is below its 1950s peak – it now has 144,229 residents.

More than two decades after its petition in bankruptcy court was denied by a court, the city continues to struggle with fiscal problems. Bridgeport was recently criticized by a former U.S. comptroller general and Bridgeport homeowner for poor fiscal management. In 2000, the city issued \$350 million in bonds for its pension fund, and related investments then suffered large losses. Its property tax base eroded significantly during the housing market collapse. By 2012, its foreclosure activity still ranked among the nation's highest.

CENTRAL FALLS, RHODE ISLAND

In October 2012, Central Falls, a tiny city north of Providence, emerged from a bankruptcy reorganization forced on it by decades of decline after its textile mills and factories shut down. Despite recent, modest growth in its population, which stands at 19,400, Central Falls' peak size came during the Great Depression. It is now among Rhode Island's most economically distressed communities. The local unemployment rate, which averaged 5.4 percent in the eight years prior to the Great Recession, shot up to double digits after the recession hit.

The city entered bankruptcy in August 2011, after city officials projected five consecutive years of \$5 million budget deficits, on top of an \$80 million unfunded pension liability. Under the court reorganization of its finances, the city agreed to cut staff and reduced retirees' pension benefits by up to 55 percent. Retirees accepted the cuts after the state promised to supplement pensions for five years. Other benefits were also cut. Yet, the city faces several years of fiscal tightening, including property tax hikes.

CHICAGO, ILLINOIS

Although this major metropolitan city retains its role as the Midwestern hub of economic, financial, and tourist activity, it has serious fiscal issues related to a long-term decline in the U.S. manufacturing sector. The population continues to contract and, at 2.7 million people, is 20 percent smaller than it was in the 1950s. The housing market crisis sharply increased the number of foreclosures in the city and surrounding suburbs. One in four residents lives in poverty.

In 2013, Chicago's general obligation bonds were downgraded due to growing pension fund liabilities. In the last fiscal year, governmental agencies paid \$965 million into the city's pension funds, and employees contributed \$649 million from their salaries. But the city's fiscal challenges predate the Great Recession: in the mid-2000s, former Mayor Richard Daley began leasing city property – a toll road, parking garages, and parking meters – to raise revenue.

COMPTON, CALIFORNIA

The Los Angeles Times last year blamed "questionable financial practices" for the fiscal problems in Compton, a small but growing city in the Los Angeles metropolitan area with a sizable budget deficit. The city is known as a hot spot for entrepreneurs, and it continued to grow during the recession, to 96,500 residents in 2010.

Yet Compton is experiencing budget shortfalls amid criticisms that it improperly used money from its water and sewer operations and retirement funds to balance the budget, the *LA Times* reported. Last year, one rating agency suspended ratings on city bond issues for water and sewer, citing the city's failure to receive independent audits. In 2004, a former mayor was convicted of using public funds to pay his personal expenses, though the ruling was overturned. In 2012, the city's problems came to a head: it disclosed that it had \$5 million in bills due and \$3 million in the bank. Although the city has cut spending and has averted a threatened bankruptcy filing, it was reported last spring that the city was running a budget deficit of at least \$40 million.

DETROIT, MICHIGAN

The largest U.S. city ever to file for bankruptcy protection, Detroit's economy has been declining over decades, and its population has plummeted more than 40 percent from its peak of nearly 1.2 million when the local automobile industry was booming in the 1950s. This once-large city has shrunk to mid-sized; its population is now 706,500. The flight of residents has shrunk revenues, but the cost of delivering services hasn't fallen as much.

Detroit's July 2013 bankruptcy filing was the culmination of decades in which the city was paying its bills by borrowing money, while struggling to provide basic city services. Due to the long-term contraction of its property tax base, Detroit's budget deficit is estimated at \$380 million. The city's long-term debt increased after a June 2005 sale of \$1.4 billion of taxable securities, known as Pension Obligation Certificates of Participation. The city's state-appointed emergency manager said he chose bankruptcy over diverting money from police, fire and other services to make payments on the city's \$18 billion in debts.

EL MONTE, CALIFORNIA

Problems in El Monte, a mid-sized, working-class city in suburban Los Angeles, date back to 2007 when sales tax revenues started declining and its historic population growth leveled off at about 113,500. The fiscal problems intensified during the Great Recession when three of the city's eight major car dealerships closed. Prior to the recession, auto sales had been increasing and provided more than half of city revenues. During the expansion, El Monte was able to raise employees' pay, hire police, and create city programs. When the recession came, state budget cuts strained a city that was also losing sales tax revenue. El Monte officials in 2009 backed off threats they would have to declare bankruptcy after public employee unions agreed to concessions in their pay, pensions and health care benefits.

El Monte officials responded, cutting the budget by nearly one-fifth, including pay for top managers, and raising revenues through such measures as taxing sugary drinks and turning off lighting in city parks. But the belt tightening was continuing even as the city passed its latest budget, in May 2013.

FLINT, MICHIGAN

Flint, the once-prosperous city where General Motors Corp. was founded, has fallen on tough times, having shriveled to half its size in the 1960s. The company's employment there has plunged from 80,000 at its peak to about 6,000 today, and the Flint area had a 7.3 percent jobless rate even prior to the recession. City officials describe as "low" the level of services they're able to deliver – they're asking whether parks are essential. Public safety is a continual concern: Flint often ranks among the top U.S. cities for violent crime.

Over the past decade, the city has experienced multiple fiscal emergencies, which have become so severe that Michigan's governor appointed an emergency manager to oversee operations. From 2006 to 2007, property taxes, income taxes, and state aid decreased by 46 percent. Flint currently has the second-highest unfunded retiree liabilities in the state of Michigan and its budget deficit has more than doubled in recent years. Early in 2013, the city said it may seek state approval to borrow money for operating costs, and it slashed 27 workers from its payroll.

FORT WAYNE, INDIANA

Fort Wayne, located in the northeast corner of Indiana along the Ohio state line, continues to be a diverse manufacturing center. The population of this mid-sized city – Indiana’s second-largest – is growing and approached 254,000 in 2010. But Fort Wayne has been buffeted by many Rust Belt problems, including a loss of manufacturing jobs that produced a 10-percent unemployment rate in the years leading up to the Great Recession.

City officials blame Fort Wayne’s fiscal problems on a state cap on property taxes that went into effect in 2009. The city estimates this cap has cost \$53 million in revenues, but its expenses continue to rise. One proposal being discussed to close the fiscal 2014 budget gap of \$11 million would increase the local income tax rate by half a percentage point. Other proposals have included geographical annexations and benefit reductions for city employees.

FRESNO, CALIFORNIA

Fresno is a growing, mid-sized city in central California, but the Great Recession created serious fiscal issues for its city government. Its population continues to increase, reaching 465,000 in 2010. The surrounding county’s unemployment rate, already 10 percent prior to the recession, surged to 18 percent by 2010. In 2012, its foreclosure rate ranked among the highest nationwide, according to RealtyTrac Inc.

Fresno was described by *The Bond Buyer* in February as “walking a financial tightrope.” The city at that time faced a \$16 million budget deficit and is coming to terms with cash-flow problems and layoffs of city staff. These are not new issues. In 2010, Fresno’s mayor declared a “fiscal emergency” for the city, which is limited in its ability to raise property taxes by California’s Proposition 13, especially in the wake of the housing market’s collapse. To tackle more than \$100 million of budget deficits over three and a half years, Fresno has cut its workforce by 25 percent citywide.

GARY, INDIANA

This small city has major challenges due to the long-term contraction of U.S. Steel, which once undergirded the local economy. Gary’s population has shrunk by more than half since the 1960s, and officials are taking drastic steps to deliver services to the 80,000 residents who remain. Thousands of abandoned buildings downtown and throughout the neighborhoods have for years attracted criminal activity, and Gary was known for years as the “murder capital.”

The mayor in August 2013 started selling empty houses for \$1 to increase homeownership and property tax revenues. More money is needed to pay down debt and also to pay for services: just 17 employees are now providing public maintenance such as snow removal, down from 100 in 2006. In June, the mayor even suggested that all city residents might be relocated and confined to about 35 square miles to save on services and reinvigorate that smaller section of the city.

HAMTRAMCK, MICHIGAN

The working class, immigrant community of Hamtramck, a small city entirely surrounded by the city of Detroit, has declined in population along with the automobile industry. Its population is now less than half of what it was in the 1930s, shrinking to 22,400 in 2010. The city also has a history of fiscal problems. In 2010, it filed for bankruptcy protection, but the state denied its application. Early in 2013, however, Michigan’s governor declared the city to be in a state of financial emergency, an action that could pave the way for the city to refile its bankruptcy petition.

Hamtramck has run budget deficits for the past three years, due to plummeting property values and a shrinking commercial tax base. To raise cash and avert a larger crisis, the city may cut its police, firefighters and other staff, reduce salaries and benefits, and sell more than 400 city-owned properties.

HARRISBURG, PENNSYLVANIA

Harrisburg, which filed a detailed plan in late August to tackle the city's debt, has been in economic decline since the end of the steel industry boom along the banks of the Susquehanna River in central Pennsylvania. In May 2013, the city filed for bankruptcy protection, but a state law made it ineligible to go through with it.

Despite modest growth in the Pennsylvania capital in recent years, its population, at around 49,500, is dramatically below its 89,500 peak in the 1950s. The city's diversification into a service-oriented economy has not been adequate to repair its fiscal problems. The result of years of negotiation with its creditors, Harrisburg's plan to restructure \$345 million in debt rests primarily on the roughly \$130 million sale of the municipal trash incinerator that was the source of some of the city's financial issues. The plan also includes leasing 13 city-owned parking garages to operators to bring in \$1.5 million annually. In 2012 and 2013, Harrisburg made national news with its plan to raise city revenue by auctioning city-owned memorabilia such as Revolutionary War weapons and a Jesse James poster.

LOS ANGELES, CALIFORNIA

With 3.8 million residents, the nation's second-largest city is experiencing fiscal problems, even as it continues on its historic growth path. In 2010, as the city struggled to recover from the recession, a former Los Angeles mayor predicted the city was on the brink of filing for bankruptcy. It never did, but its recovery remains slow. The jobless rate in the Los Angeles-area averaged 5.8 percent before the recession, but is now hovering around 10 percent. One in four city residents lives in poverty.

In May 2013, the city passed a \$7.7 billion budget that restored key services and provided 5.5 percent raises to city employees, but the City Council did not immediately provide the money to fund the future raises. Los Angeles has also struggled with falling credit ratings. In 2010, credit rating agencies downgraded the city's bond ratings. In 2011, the city dropped one rating agency after the agency lowered the credit rating on the city's investment pool, a move that was disputed by the city.

MIAMI, FLORIDA

The population of Miami, a mid-sized Sun Belt city, continues to grow – its 2010 population was nearly 400,000 – but it was slammed hard by the real estate collapse. It was not unusual for house prices to drop by at least a third in Florida cities, including Miami. City officials in May 2013 were also charged with fiscal mismanagement by the Securities and Exchange Commission, which accused the city of “playing shell games with its finances” and making “materially false and misleading statements” about transfers of the proceeds of its bond offerings.

Miami officials said recently that city finances are improving for the first time in years – the proposed 2014 budget has a reserve – and the city hired a budget expert. But Miami has a long history of fiscal problems. In 1996, Florida Governor Lawton Chiles declared a fiscal emergency and appointed an oversight committee to help restore the city to financial health. In 2003, the SEC also charged Miami with securities violations.

NEWARK, NEW JERSEY

Newark remains the largest city in New Jersey, despite a plunge in its population in the latter half of the 20th century. The population is around 277,000, down from 442,000 in the 1930s. Worsening the fiscal problems caused by a shrinking property tax base, the troubled city was also hit by the subprime mortgage crisis. As a result, the city's tax burden is shifting from residential to commercial property owners.

In 2012, the city narrowly escaped having to apply for state aid, yet it continues to struggle with large budget deficits due to revenue declines. Between 2008 and 2010, Newark's special tax collections for hotels, payrolls, and parking dropped by nearly a third. State aid declined 40 percent. To increase revenue, Newark sold and leased back property. Spending on outside contractors was also cut, and the budget for Newark's police force has shrunk despite continuing problems with crime. Rookies have been hired to make up for some personnel cuts.

NEW HAVEN, CONNECTICUT

Industrial decline in New Haven, a mid-sized, working class city on Long Island Sound, began in the 1950s and 1960s. Over the years, poverty engulfed some sections of Connecticut's second-largest city behind Bridgeport, and its population fell from about 164,000 in 1950 to 130,000 in 2010.

Despite a revitalization program in 2000 that drew retailers and residential complexes downtown, New Haven grapples with high debt levels and high property taxes. The government's property tax revenue is limited, since 45 percent of the institutions within city limits are tax exempt. One credit rating agency that downgraded New Haven pointed to an over-reliance for city revenue on property sales to Yale University and other institutions. The city's current budget deficit, about \$3.5 million, is expected to soar to \$12 million next year.

OAKLAND, CALIFORNIA

This mid-sized city has more of the problems typical of a major metropolitan area than does its larger neighbor, San Francisco. In the previous decade, Oakland also experienced a modest decline in its population, to 390,000 residents in 2010. The Great Recession hit Oakland hard: the local jobless rate increased to 11 percent, from an average of 5.3 percent in prior years.

It was good news for the beleaguered city in May 2013 when a developer announced plans to develop a 65-acre waterfront site. But the city is being forced to cut spending, and the mayor said in a budget summary that the city is "faced with some big challenges." Early this year, Oakland sold bonds to finance its pension fund. The mayor in 2013 said that rapidly rising costs for pensions and health care are "beyond our local control."

PHILADELPHIA, PENNSYLVANIA

Philadelphia is the nation's fifth-largest city, but its population has shrunk steadily since the 1960s, adding to its longstanding fiscal problems. Over decades, the city has lost factories, stores, and corporate headquarters. Many neighborhoods outside the bustling city center have abandoned plants or housing.

Philadelphia has the lowest credit rating among the five largest U.S. cities, according to *Bloomberg News*. It may sell off a public utility to raise cash and retire some of its debt, which totaled \$8.75 billion in early 2013. Fiscal issues have included unsettled union contracts and a \$304 million deficit in the Philadelphia School District. In April 2013, the city hired an investment banker to sell the Philadelphia Gas Works. It also passed a tax on cigarettes, which requires state approval.

PITTSBURGH, PENNSYLVANIA

Despite some success in diversifying its economy, this mid-sized former steel city has been unable to fully reverse years of economic and population decline and resulting fiscal problems, including budget deficits projected through 2018. Many young people have left the city, and Pittsburgh's population has dropped by half since 1960, to 305,000 in 2010.

In August, the state warned Pittsburgh that it was in danger of losing funding if it did not implement a financial management system that was supposed to go into effect in 2012. The city's troubled financial situation is not new. Back in 2004, Pittsburgh was declared financially distressed, and the state established systems to monitor its spending and budgets. The mayor has argued this financial oversight is no longer necessary and may seek to remove it, a move the city controller said would be impossible.

PRICHARD, ALABAMA

The small city of Prichard has filed for bankruptcy protection twice in 10 years, the culmination of its declining manufacturing base and the flight of major corporate employers and a military base. As residents moved out, the city's residential property tax base has also withered to about half its former size in the 1960s, as the population shrunk to about 22,000 in 2010.

Prichard's first bankruptcy filing came in 1999 and was blamed on years of mismanagement, as well as funding shortfalls, *The New York Times* reported. The city stopped paying some retirees their pension checks. In 2007, the city finished paying off its creditors, as required under the reorganization plan. But it did not fully resolve a large shortfall in its pension funds. It filed for bankruptcy protection again in October 2009, citing a \$600,000 deficit. In July 2013, it laid off six city employees.

PROVIDENCE, RHODE ISLAND

Providence, a small city a one-hour drive from Boston's healthier economy, has never recovered from the contraction of its textiles and manufacturing base. The population has shrunk by about one-third since its heyday in the 1940s, to 178,000 in 2010, despite some growth in recent years. The recession and subprime mortgage crisis fell hard on tiny Rhode Island: its foreclosure rate also far exceeded the rates of its neighboring states, Connecticut and Massachusetts. The state registered one of the highest unemployment rates in the country in 2008, and the Providence area's jobless rate, at about 9.5 percent, remains high.

In 2012, national and international media identified the city government as being in dire straits. To make up for the revenue shortfalls, the Providence City Council in recent years shed jobs, cut pay, and trimmed benefits. In June 2013, they approved an increase in residential property tax rates, one month after it was reported that the city would be forced to seek state assistance. Providence had an \$11 million deficit this year, after ending fiscal 2012 with a \$15 million deficit. In June 2013, the state approved an additional \$5 million infusion to help the city.

SAN BERNARDINO, CALIFORNIA

In late August 2013, a federal bankruptcy court granted San Bernardino, a growing, mid-sized city in the California desert, eligibility to proceed with its financial reorganization. The city had filed after a housing bust drove it into economic and fiscal disarray. However, its struggles date back further, to the shutdown of some major employers in the 1990s. In the years leading up to San Bernardino's 2012 bankruptcy filing, a former city manager and outside consultants each tried to warn the city council of fiscal troubles ahead. Angry residents charged poor leadership in city council meetings. The city's pension fund is a central issue in the bankruptcy case: in 2012, San Bernardino became the first California city to stop its bi-weekly contributions to the statewide retirement system.

Its population in recent years has been relatively flat, at about 213,000. When the Great Recession hit, city revenues plunged. San Bernardino was at the epicenter of the foreclosure crisis, and its unemployment rate rocketed from about 5 percent, pre-recession, to nearly 15 percent – it had one of the highest rates among major metropolitan areas in 2010.

SAN DIEGO, CALIFORNIA

San Diego is a major, growing city – it had 1.3 million residents in 2010 – based on tourism and the military. But its economy was rocked by the 1990s recession. It bounced back to record one of the lowest jobless rates in California during the early 2000s but was hit again by the Great Recession, which caused bankruptcies by residents and businesses to soar to 13,640 in 2008 – 78 percent more filings than in 2007.

San Diego in July 2013 had a \$20 million budget deficit. City leaders recently blamed San Diego's problems on the recession, which "had a significant negative impact on median home prices, home sales, and foreclosures leading to a decline in property tax revenue," according to budget documents. In prior years, the city closed a budget gap with a combination of spending and job cuts and one-time solutions, but San Diego this year failed to secure a freeze on employees' pensionable pay to further reduce spending.

SCRANTON, PENNSYLVANIA

Scranton is a small city in northeastern Pennsylvania that has suffered significantly from industrial decline. The city's problems began with the closing of lace makers and book binderies in the early 1900s and then textile mills in the 1950s and 1960s. Its population has plunged to about half of its 1930s peak: Scranton had just 76,000 residents in 2010. The magnitude of its budget deficit was recently compared with that of San Bernardino, California, which filed for bankruptcy protection.

Despite slight improvements in its budget, fiscal issues continue to plague the city, and solutions are elusive. It has operated under state financial supervision for years, has a severe cash crunch, and is not meeting a recovery plan. The city briefly cut some city workers' pay to minimum wage, and it has talked about increasing property taxes. Scranton has borrowed numerous times over the past decade and had some \$148 million in debt in early 2013. In a search for more revenue, city officials last year briefly hoped to sell its storm-water system to the Scranton Sewer Authority, but learned that the authority already owned it.

STOCKTON, CALIFORNIA

Stockton, a mid-sized agricultural community, has historically experienced strong population growth. But the city was badly hurt by the recent housing market boom and bust that forced it into bankruptcy. Its population continued to grow, even during the recession, to 292,000 residents in 2012. But Stockton then had to cut spending on services after the housing market decline battered the city. The city posted the nation's highest foreclosure rate in 2012, according to RealtyTrac. In April 2013, the U.S. Bankruptcy Court granted Stockton's petition for protection from creditors.

Prior to the recession, the city's outlook was optimistic. Benefitting from its proximity to San Francisco, Stockton-area farmlands were converted to middle-class suburbs for people priced out of the Bay Area's expensive market. In 2004, city leaders issued bonds to finance construction of a sports and concert arena, built a new City Hall, and took on debt to finance development projects. After the housing collapse caused foreclosures to soar, the city's finances reversed. It has had to reorganize its finances, cut jobs, and restructure what the city calls its "above market pay and benefits and unsustainable long-term debt."

TACOMA, WASHINGTON

Tacoma, a mid-sized city on Puget Sound, south of Seattle, has experienced continual population growth. But it only recently began to see some signs of revival from the recession, which caused the city's container shipping business to decline sharply and pushed the city budget from surplus to deficit. The population had reached 198,400 by 2010. The local unemployment rate prior to the recession was 6.3 percent – and it nearly doubled during the recession.

In July 2012, Fitch Ratings downgraded the city's limited-tax general obligation bonds and cut its rating on unlimited-tax general obligation bonds, citing concerns about whether the city could address a structural deficit in its general fund. City leaders more recently have seen signs of progress in such things as State Farm's announcement to locate offices downtown, the opening of a 173-unit apartment building, and plans for a new hotel. There were also early indications that the city's spending was less than had been projected and revenues were higher.

TOLEDO, OHIO

Toledo, located at the western tip of Lake Ontario, is another mid-sized Rust Belt city troubled by a contracting population and empty streets downtown. Historically, its economy revolved around glass and auto parts such as spark plugs, but six of its seven Fortune 500 companies have left, stores have closed, and many residents have moved to the suburbs. Economic development includes a casino that opened in 2012. The city has 287,200 residents, down from nearly 384,000 in the 1970s. Toledo's former mayor said recently that the city flirted with a "bankruptcy-like situation" during the recession but successfully prevented it.

In August 2013, Toledo had a \$5-million budget surplus, but the city's financial methods were an issue in the recent mayoral election. Another issue in the election was the sale of city-owned property to raise revenue. The city recently reported revenue was running below expectations.

VALLEJO, CALIFORNIA

This small, working-class city in the hills northeast of San Francisco emerged from bankruptcy protection in 2011 but is still plagued with financial problems that have their roots in the 1996 closing of a naval shipyard, which triggered a downward spiral. The housing boom only temporarily eased Vallejo's financial issues after the city stopped growing around 2000, at about 116,000 residents. When the Great Recession hit, foreclosures skyrocketed, revenues declined sharply, and the city filed for bankruptcy protection in 2008. The surrounding county once had one of the highest foreclosure rates in California.

Vallejo's police and fire department budgets were cut as the city repaired its finances. But two years after bankruptcy, the Vallejo City Council in June 2013 was still trying to plug a \$5 million budget hole through further reductions in police services, a sales tax hike, and other moves. Over the next five years, the city projects revenues falling short of spending.

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