On Thursday, January 22, Director of the California League of Cities, Chris McKenzie, shared his insight on the current state of affairs in California including both city revenues and expenditures, as well as a strategic financial plan moving into the future. After his presentation, McKenzie took time to address individual questions and also provided powerful advice for those looking into a career in city/county management.

A recent article in the November Edition of Western City indicates the alarming trend of California cities’ revenues not returning as quickly as desired. Sales tax has been declining due to the growing popularity of e-commerce, and insufficient taxes on services due to an outdated tax code in the State. Also fueling financial concerns, McKenzie noted a number of expenses driving economical pitfalls in the cities. Over the next few years, pensions are going to significantly increase expenditures across the board, causing some large cities to propose structural deficits to cover these obligations. Chris referenced another article which notes that due to the recession and its role in shrinking work forces, for each employee a city has they are outnumbered by two retirees. To add to the stress being felt by city governments, PERS is not reporting individual unfunded liability figures for all member cities, which is going to indicate significant long-term deficits. To resolve the accumulating debt, a number of cities are looking to revocable trusts to park new revenues and bring down pension liabilities.
So where do California cities go from here? McKenzie provided a number of possible solutions to combat these looming financial crises. Partnerships with various governmental bodies to provide tools for measuring relationships and also expanded tax increment financing could better educate decision-makers when establishing laws. Infrastructure also provides opportunities for recovery. Beginning new Infrastructure Tax Districts is a tax increment financing tool that is believed to be the next generation of redevelopment. Investment in further infrastructure maintenance and construction, currently the Governor’s goal, works to identify legislation to address financing transportation infrastructure and veer away from a gas tax. CEQA reform could also be used to leverage infrastructure development.

Other remedies include a Water Bond, OPEB reforming both pensions and healthcare and identifying ways for cities and CalPERS to reduce their OPEB costs, and modernizing revenue collection to finance ongoing services and costs.

After presenting his State of the City, McKenzie answered a number of questions regarding current political decisions, low voter turnout, mandates, and relationships between public agencies and unions. When asked what he would tell future city and county managers about the position, he concluded stating,

“They are embarking on the most exciting and rewarding career. It is times like this that give managers the permission to come up with innovative ideas. We are really on the cusp of growth in further collaboration between local governments.”

We appreciate Chris McKenzie for taking the time to share his valuable insight on local government, and look forward to our upcoming opportunities to hear more from prominent figures in the field. Please go to http://priceschool.usc.edu/programs/masters/mpa/fellowship/ for more information on our next event.