To: Mayor and City Council
cc: John Lamerato, Acting City Manager
Lori Grigg Bluhm, City Attorney

From: Robin Beltramini, Council Member

Subject: Meetings of National League of Cities FAIR Steering Committee and City Futures Panel on Public Finance, Cambridge MA, June 15-17, 2006

Date: June 27, 2006

This was a highly productive meeting from an educational standpoint, and a frustrating one from the policy and mechanics standpoints. There were several consistent themes from the speakers, whether their reference was public policy research, federal government experience, state/municipal finance interrelations, or academia. It seems that structural deficits are prevalent at all levels of government. Health care, as an employee benefit, and as a family expense, will have a huge impact on finance and budgeting. There is an unclear distinction as to the roles of the various levels of government as to the provision of public services. There is an educational gap when it comes to recognizing the true factors that impact public finance. I have included in this packet of information several of the power point outlines from the presentations, as well as the executive summary of the Massachusetts Municipal Association-sponsored study, and a plethora of information from Moody's regarding municipal bond ratings.

Structural deficits: The best definition is "Normal revenue growth is inadequate to cover normal cost increases without adjusting level of service." Admittedly, this is a simplification and a deficit can be avoided with the intervention of efficiencies. However, the point was made that even with efficiencies, at some point the cost increase will be such that revenue alone must cover it. For example, eventually a police department will have no further cross-training that can be done and all shifts will require a certain number of personnel to be effective. The same is true for public works and most other service areas.

Property tax as a relative burden has many measurement methods. Inequities exist, even in a system saturated with "amendments" designed to alleviate those inequities. While economists, for statistical purposes, tend to measure tax burden against the economy (GDP), most families have a far different measurement tool—taxes as a percentage of family income. One is broad, statistical, "defensibly accurate" while the other is real, "on the ground"—a "what it means to me" measurement. It is often difficult for policy-makers to reconcile the two.

The *Four Big Challenges in Public Finance* from the Center on Budget Policy Priorities is particularly elucidative on this and other points. That presentation, like others, looked at alternative taxes, the Tax-payer Bill of Rights (TABOR) and Stop Over Spending (SOS) style initiatives that have sprung up in the various states. The presentation includes a modicum of information on the federal budget process and policy issues that ultimately impact state and local governments. Virtually the same message, with different examples, was offered by Robert Tannewald, PhD., Director of the New England Public Policy Center. Dr. Tannewald's presentation specifically highlighted the impact of business taxes on the economy. He reported a significant shift 3-4 years ago in what sorts of taxes businesses began reviewing. Essentially, most quit focusing on the corporate income tax and began looking at all other taxes (e.g., Michigan's SBT). While an identical tax structure across the country could have standardized components (e.g., property, income, payroll), the percentages might be different in order to reflect the local economy. Property tax is an outdated revenue source with the national economy currently being much more dependent on services than goods. Therefore, a whole new tax system, such as VAT may have to be considered. From a long-term economic perspective, it is felt that a comprehensive tax will not have sustainable increases—because of increased efficiencies, cheap components, etc. Also, "value added" is, by definition, a knowledge-based concept and therefore, there is no taxable transaction.

Included is a power point outline, "History of Property Tax Limitations," that was put together by the City of Cambridge Assessor. It is a good summary of the movement nationally, over time. The Massachusetts-specific information is interesting as a trend summary. In looking at the two states, and Cambridge compared with Troy, there are significant similarities.

Health Care and Other Post Employment Benefits: Health care treatment costs seem to be uncontainable. Happily, Troy has implemented the defined contribution plan for new hires. For our employees under the defined benefit plan, and already retired employees, we will have continuing costs to fund. The Government Accounting Standards Board (GASB) has instituted a requirement for the ability to fund such current and future costs to be included in the "notes" section of municipal budgets in the very near future (GASB 45). This makes those expenses transparent for any outsider wishing to know more about the fiscal health of a municipality—taxpayers, businesses, other governments, bond rating agencies and purchasers. . .

Intergovernmental Relations: Stan Finkelstein Director of Association of Washington Cities and Seattle University instructor prepared a thorough and cogent summary of trends impacting cities, revenue shifts, and some ways cities are adapting to cope with these changes. I've included Stan's presentation outline as an attachment.

Geoffrey Beckwith, Director Massachusetts Municipal Association, explained the report prepared by Northeastern University regarding the revenue sharing issues in Massachusetts. The situation there is much the same as what we face here in Michigan with two major differences, Michigan cities can levy and collect income taxes and Massachusetts cities are responsible for supervision of the local educational system. I do not mean to imply that these offset each other, just that they are the primary differences in the state systems as it relates to the report. I have included the summary of that report as well. To the list of trends impacting the ability of local governments to provide expected service Geoff added: a hardening of the political system, political relationships being rewarded has caused a more polarized system; who to blame has become a mantra that simply broadens small stories rather than solving the problem; sound bites (from all levels of government) have led to oversimplification and the need to choose sides where no sides appropriately exist. Geoff also mentioned some noteworthy "coping mechanisms." Dialogue and Education are tops on the list. Dialogue with business folks, young adults, average citizens interested in good governance, neighborhood organizations, and academics. Build lateral coalitions. Dialogue with the state level folks can be helpful, but may not be as fruitful as an informed, united local citizenry. Educate our citizenry regarding why local taxing matters—what we do, on how much money, what benchmarks and accountability measures exist now or can be built into our systems. While we speak in business terms, because they are readily understood, it must be known that we do not do business work per se, and we have different requirements and measurements for much of the work we are required to perform.

Moody's information: I have included documents from Moody's rating service arm as well as the power point outline from Susan Freiner's presentation. In addition to being Moody's lead analyst for local governments in Massachusetts and Vermont, she is a member of the rating committee. The "National Medians" document is particularly interesting as it gives benchmarks for various financial attributes and groups them by population and ratings. The major components impacting a bond rating are fairly standard across the rating services, but this is a good reference document for them.

I am fairly certain that this is more than you ever wanted to know. I did not include the NLC report from the CityFutures Panel on Public Finance. It is available online at the NLC Website. As the economy changes, expectations change, and our relationships with other levels of government change, all this is worthy food for thought. Again, thank you for the opportunity to serve on NLC's Finance, Administration, and Intergovernmental Affairs Steering Committee. It is an education and a privilege.

REB

Four Big Challenges in Public Finance

Presentation to the
National League of Cities
June 15, 2006
Boston, MA

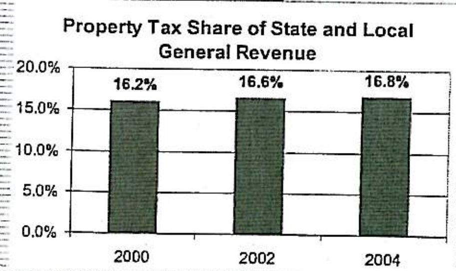
Nick Johnson
Director, State Fiscal Project
Center on Budget & Policy Priorities

Center on Budget and Policy Priorities

Challenges

- The Property Tax and State-Local Fiscal Relationships
- State Structural Deficits
- TABOR
- The Feds

The Property Tax: Is It Rising...



Source: Census Bureau

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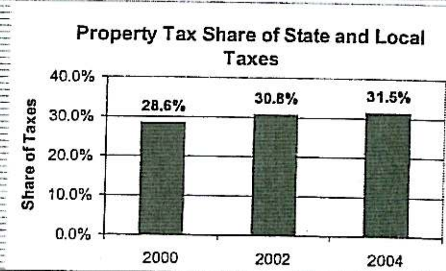
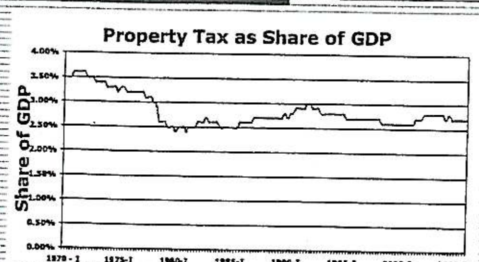


Source: Census Bureau

... or Not?



Source: Bureau of Economic Analysis

Property Tax

- Whether property tax burdens are rising is a *relative* question
  - As a share of the economy: no
  - As a share of state and local taxes: yes (at least shortterm)
  - On businesses: not as much as on residences
  - Local variation
  - As a share of a family's income: depends on whether the family's income is rising

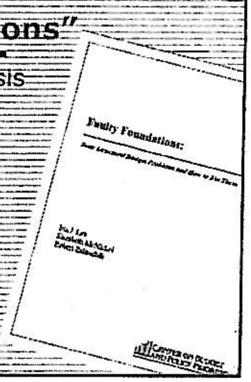
Property tax cont'd

- To at least some extent, declining aid from the state is the culprit
- Defining the problem can help define the solution
  - Some families face large & rising residential property tax burdens relative to incomes
  - Property tax circuitbreakers may be ideal solution
  - What's the future hold for state aid?

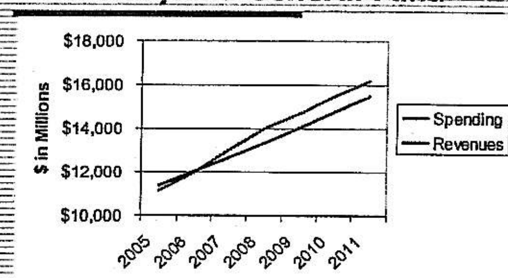
State Structural Deficits

"Faulty Foundations"

- State-by-state analysis of structural deficit risks
- Builds on work of numerous other analysts
- Will update regularly



What a Structural Deficit Looks Like: Maryland General Fund



Source: Maryland Spending Affordability Committee Briefing, November 2005

What Do We Mean By a "Structural Deficit"?

A state has a structural deficit when:

- the "normal" growth of revenues under existing tax policy
- is chronically inadequate to finance the "normal" growth of expenditures for the current set of state programs ("current services")
- even at times of healthy economic growth.

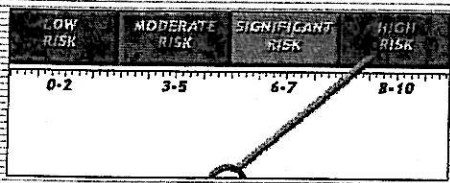
Why Are All States at Risk of Having Structural Deficits?

- The growth rate of state spending needed to maintain "current services" usually approximates the growth rate of state personal income (PI)

but

- Most state tax systems & individual taxes are structured such that the "natural" rate of growth in revenue lags behind the rate of growth in PI.

Study Looked at Factors that Put State at Risk for Structural Deficit



Ten Risk Factors

- Services under sales tax
- Corporate income tax strength
- Untaxed E-Commerce
- Tax preferences for elderly
- Progressivity of personal inc. tax
- Tax policy mix and choices
- Expenditure needs/trends
- Process barriers such as TELs
- Failure to delink from federal policy
- Findings of other studies

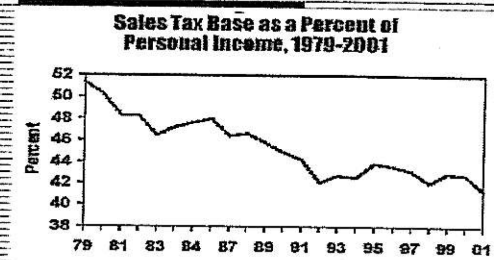
Many States Are At Risk of a Structural Deficit

Number of Factors Contributing to Structural Gap

10 or 9	8	7	6	5	4 or 3
Alaska	Alabama	Arizona	Connecticut	Kansas	Minnesota
Arkansas	Georgia	California	Delaware	Louisiana	Nebraska
Colorado	Kentucky	Hawaii	Illinois	Maine	New Jersey
Florida	Missouri	Idaho	Iowa	Maryland	North Dakota
Nevada	Rhode Island	Indiana	Massachusetts	New York	Vermont
New Mexico	South Dakota	Michigan	Montana		Wisconsin
Pennsylvania	Washington	Mississippi	New Hampshire		
South Carolina		Oklahoma	North Carolina		
Tennessee		Virginia	Ohio		
Texas			Oregon		
Wyoming			Utah		
			West Virginia		

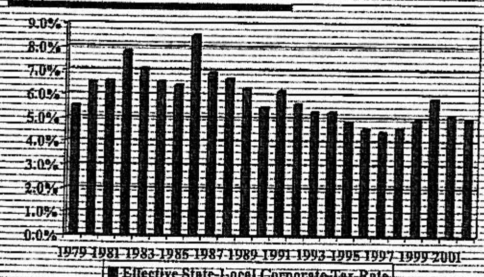
Most at Risk ⟷ Least at Risk

The Sales Tax Base Has Eroded



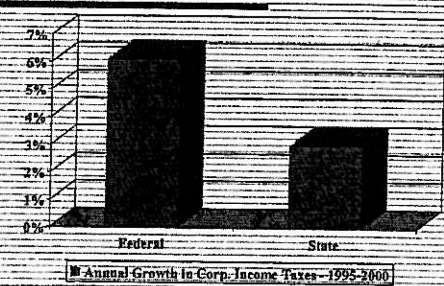
Source: William Fox, *Three Characteristics of Tax Structures Have Contributed to the Current State Fiscal Crisis*, April 3, 2003.

Corporations Increasingly Avoid State Taxes



Source: Steve Maguire, Congr. Research Service, "Average Effective Corporate Tax Rates: 1959 TO 2002, Updated September 5, 2003.

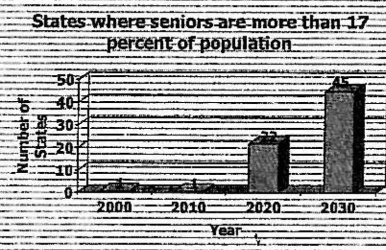
State Corporate Tax Avoidance Greater Than Federal



Most States Offer Non-Means-Tested Breaks to the Elderly

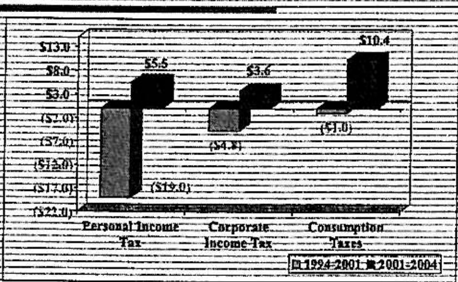
- ☐ 26 states completely exempt Social Security income
- ☐ Pension income is fully or partially exempt in 30 states
- ☐ Four out of five states give additional personal exemptions or credits based on age
- ☐ Also, many states assist local governments with the costs of age-based property tax reduction programs

Cost of Senior Tax Breaks Will Grow



Source: Census Bureau projections

Making things worse: state tax actions



Source: CBPP analysis of NCSL State Tax Actions 1994-2002

Making things worse: federal tax actions

- ☐ **Estate tax:** 24 states still have estate or inheritance tax; remaining states are losing $14 billion through 2007. Loss of fast growing revenue source.
- ☐ **American Jobs Creation Act of 2004 –** QPAI: 18 states are decoupling; remaining states will lose $800M to $1.2 B annually when fully phased in – and eroding their corporate taxes

Options for improvement

- ☐ Expand sales tax base to include more services
- ☐ Adopt SSTP and seek federal legislation, enforce use tax collection by "bricks and clicks" retailers
- ☐ Close corporate tax loopholes, adopt "combined reporting," eliminate wasteful economic development giveaways, enact a value-added tax as a corporate AMT, decouple from federal corporate tax cuts

More options for improvement

- ☐ Reduce income and property tax breaks based solely on age
- ☐ Update personal income taxes with more progressive rate structures to capture income growth at upper income levels
- ☐ Avoid substituting sales/sin tax revenue for PIT revenue in the overall mix
- ☐ Preserve a state estate tax

And still more options ...

- Avoid new artificial and arbitrary limits on revenues and tax reform powers; modify existing ones
- Oppose new federal preemptions of state and local taxing authority
- Improve budget transparency, especially by requiring long-range revenue and current-services spending forecasts

TABOR

What is a TABOR?

- A state constitutional amendment
- Limits growth in state budget by a formula of inflation (CPI) + population
- Requires voter approval to override the limit

→ Shrinks state budget over time

Colorado is the *only* state in the nation that has TABOR

- Colorado adopted its Taxpayer Bill of Rights (TABOR) in 1992
- TABOR strangles budgets slowly, squeezing tighter every year. Bad effects took some years to appear, now are hurting Colorado.
- In November 2005, Colorado voted to put TABOR in "time out" for five years.

Consequences in Colorado

- In 1991-92, Colorado ranked 35th in state and local spending for K-12 as a share of personal income. In 2000-01, it fell to **49th**.
- In 1991-92, Colorado ranked 30th when comparing the average salary of teachers to annual earnings in the private sector. In 2001-02, Colorado fell to **50th**.

Sources: NEA, NCES, AFT, Grapevine, and CBPP

Consequences in Colorado

- In 1991-92, Colorado ranked 35th in state spending for higher education as a share of personal income. In 2003-04, it fell to **48th**.
- The appropriation for University of Colorado in FY 2004 was roughly the same it received in **FY 1995** — but it has an estimated 4,927 additional students.

Sources: NEA, NCES, AFT, Grapevine, and CBPP

Consequences in Colorado

- In 2003, only 69% of kids in Colorado received scheduled immunizations, ranking the state **50th** in the nation, down from 24th. (Only by investing additional funds in immunization programs was Colorado able to improve its ranking to 43rd in 2004.)
- In 1992, Colorado ranked 23rd in adequacy of pre-natal care. In 2002, it ranked **48th**.
- In 1992, Colorado ranked 33rd in percentage of low-income children lacking health insurance. In 2004, it ranked **50th**.

Sources: The Bell Policy Center, CBPP and the University of Colorado

TABOR Did Not Improve Colorado's Economy, as Proponents Claim

Average Annual Employment Change Before and After TABOR		
	1980-1992	1992-2004
Colorado	2.1%	2.6%
Mountain States (median)	2.1%	2.8%

Source: Bureau of Labor Statistics

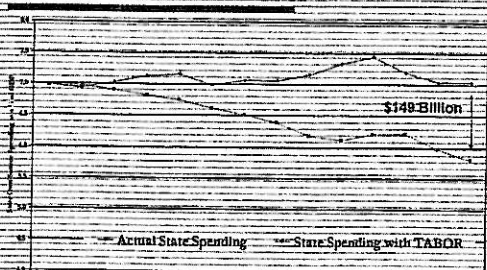
Colorado's Time-Out

- Broad-based and bipartisan campaign to suspend TABOR
  - Republican Gov. Bill Owens joined with Democratic legislature
  - Unanimous support from Chambers of Commerce and active leadership of the business community
  - Involvement of unions, higher ed, churches, health care providers, teachers, local officials, seniors, non-profits, etc.

TABOR's Flawed Formula

- TABOR's **inflation-plus-population formula** doesn't capture the growth in costs of the goods and services purchased by the state
  - CPI measures what consumers – not governments – buy
  - Subpopulations that governments serve (i.e. prisoners, special education students, the elderly) generally are growing more rapidly than overall population
- **So each year, the state can spend a little less than it needs to; over time, the gap grows**

Population-Plus-Inflation Formula Would Shrink State Governments Over Time



Source: CBPP analysis of NASBO data

TABOR's Threat to Local Governments

- The direct threat: Colorado's TABOR and some other states' versions include limits on local government revenues that are at least as restrictive as the state limits
- The less-direct threat: If states have to cut spending, aid to localities may be the first place they look

TABOR Across The Country

- TABOR has qualified for the November 2006 ballot in **Oklahoma** and **Maine**
- TABOR initiatives (sometimes called StopOverspending or SOS) are being pushed in **Michigan, Nevada, Nebraska, Oregon,** and **Montana**
  - Signatures challenged in **Missouri**
  - Statutory version moving in **Pennsylvania**
  - Measure withdrawn from ballot in **Ohio** – statutory version enacted
- Maine and Nevada versions also include *local* limits

Explaining What's Wrong with TABOR: General Messages

- TABOR forces the state to cut the services you care about: education, health care, public safety
- TABOR is a political gimmick: it won't bring real reform or accountability
- TABOR is a proven failure: Colorado, the only state that has a TABOR, recently voted to suspend it

Explaining What's Wrong with TABOR: Colorado

- Show that your proposal is TABOR
  - Three core features
  - Bells and whistles don't matter
- Tell the Colorado story
  - TABOR hurt public services
  - A broad coalition worked to suspend it
- Colorado speakers
  - Republicans, business owners, ranchers

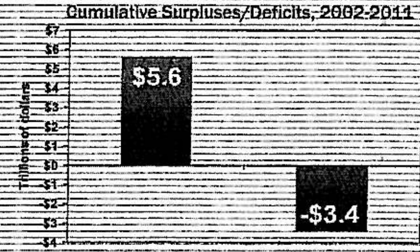
Explaining What's Wrong with TABOR: Make It Relevant

- Impact studies to show possible outcomes at state and local level
- Tap into importance of quality education for quality of life in the state
- Show how it would affect things people care about
  - Football in Ohio

Meanwhile, in Washington D.C. ...

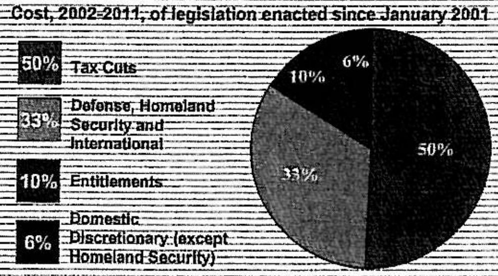
Budget cuts
Tax cuts
Budget process changes

From Large Surpluses to Large Deficits in Just 5 Years



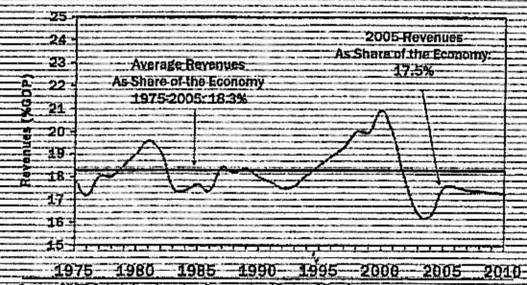
Source: CBPP calculations based on Congressional Budget Office data. Assumes extension of tax cuts and Alternative Minimum Tax relief.

Legislation Adding to Deficits: Mostly Tax Cuts and Defense



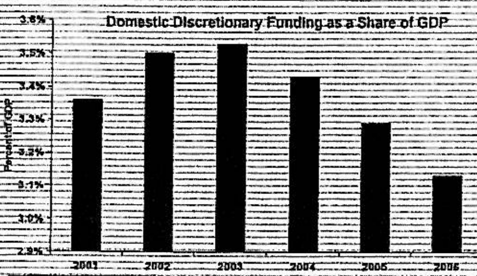
Source: CBPP calculations based on Congressional Budget Office data. Assumes extension of tax cuts and Alternative Minimum Tax relief.

Revenues as Share of the Economy are Below Their Historical Average



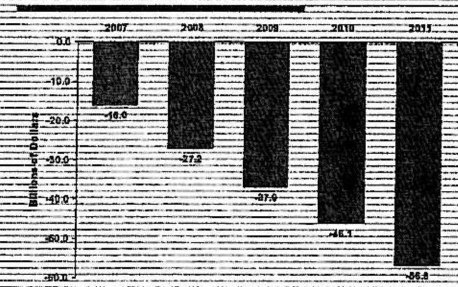
Source: CBPP Calculations based on Congressional Budget Office Data

Since 2001, Funding for Domestic Discretionary Programs Has Fallen as a Share of the Economy

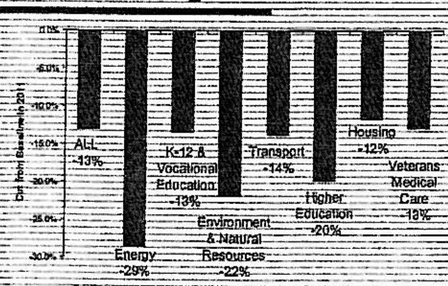


Source: CBPP calculations based on CBO data

President's Proposed Cuts in Domestic Discretionary Funding Grow Deeper Over Time



President's Budget Calls for Large Cuts to Broad Range of Domestic Programs

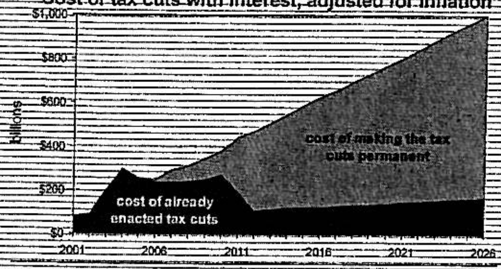


Budget Process Changes on the Horizon

- Both Senate and House are likely to take up changes to the "budget process" soon
- Goal: to protect themselves against charges of fiscal irresponsibility
- Possible problematic items:
  - Mandatory cuts to discretionary spending (based on President's proposal)
  - Deficit-reduction targets that favor spending cuts over revenue increases
  - And more!

Making the Tax Cuts and AMT Relief Permanent Would Cost Trillions

Cost of tax cuts with interest, adjusted for inflation



Source: CBPP calculations from Congressional Budget Office data

Long-Term Revenue Outlook Poor if Tax Cuts Extended

- ☐ If the tax cuts are extended, federal revenues over the next decade are projected to remain lower than the average levels in the 1960s, 70s, 80s, and 90s
- ☐ Exacerbates mismatch between revenues and expenditures
- ☐ But letting tax cuts expire will not be enough to address long-term budget imbalance

What Would It Take to Balance the Budget While Preserving the Tax Cuts?

To balance the budget by 2016 while making the tax cuts permanent, policy makers would have to:

- Cut Social Security benefits by.............................. 45%
- Or cut defense spending by.............................. 66%
- Or cut Medicare by.............................. 56%
- Or cut every other program except Social Security, Medicare, defense, and homeland security by.............. 32%

Wrapping up: The fiscal reform agenda, from the bottom up

- ☐ Address property taxes wisely
- ☐ Fix state structural deficits
- ☐ Stop TABOR
- ☐ Reduce federal tax cuts & avoid bad federal budget-process changes

History of Property Tax Limitations

National League of Cities

Presented by: Robert P. Reardon
City of Cambridge
June 15, 2006

1

The Constitutionally of Assessment Limitations

- US Supreme Court has made two rulings on "Acquisition Value"
- In the 1989 Allegheny Pittsburg Coal Co vs County Commission of Webster County, 488 U.S. 336, ruled 9-0 that the tax assessor could not use historic purchase price because it was a violation of the Equal Protection Clause
- In 1991 Nordlinger vs Hahn, 505 U.S. 1, ruled in a split decision that California's Proposition 13 did not violate the Equal Protection Clause because it was imposed as a state constitutional amendment

2

Types of Property Tax Limitations

- Limits on Tax or Mill Rate
- Limits on the increase in Tax Levy
- Limits on what is Taxed
- Limits on increases in Assessed Value
- Classification of Property for Taxation including different rates for a class

3

Maryland - 1959

- Adopted an assessment increase limitation of 10% for homestead or owner occupied properties at the state level
- County and municipal governments are allowed to cap the increase at a rate of between 0 and 10%
- No limitation for assessment increases for school districts

4

California - 1978

- **June 1978 Referendum known as Proposition 13**
- **Limits Tax Rate to less than 1% on any parcel**
- **Assessed values "rolled back" to its 1975-1976 value**
- **Assessed value of a property can not increase at more than 2% per year**
- **If ownership changes the property is reassessed to it market value**

5

Iowa - 1978

- Statue limits the growth of total assessed values in the state to 4% (originally 6%) per year since 1980
- New construction, improvements to existing buildings and utility property are limited to 8%
- "Roll Back Percentages" are calculated for each class of property to maintain 4% cap
- Residential and Agricultural property are further limited to smallest increase in each class if either is less than 4%

6

Arizona -1980

- Each parcel has two separate values – Fair Market Value (FMV) and a Limited Property Value (LPV)
- Statutory annual growth is the greater of 10% or 25% of the difference of last years LPV and this year's FMV

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Florida - 1995

- Assessment limitations which applies only to homestead/owner occupied homes
- Restricts increases in assessment to the lower of 3% or the change in the Consumer Price Index
- New Construction may increase the assessment beyond statutory limits

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Other Limitations

- ~~State of Washington (1997) – Referendum limiting assessed values increases to 15% per year for all property~~
- Texas (1997) – Referendum limited assessed value increases of homestead property to 10% per year plus increases as a result of improvements. Value reverts to market value upon sale.

Massachusetts - 1978

- Nov 1978 Referendum known as Proposition 2 1/2
- Limits total Tax Levy to less than 2 ½% of fair market value or 2 ½% increase over prior year levy
- Property Tax Levy "rolled back" to its 1977-1978 tax levy for each community
- New construction and improvements are added to levy limit as new growth
- Property tax classification allows for cities and towns to shift real estate burden from resident class to commercial class
- Allows for "override vote" for operating expenses

Massachusetts Overrides

Fiscal Year	City & Town Override Votes	Percent of Entire 351 City & Towns
2000	29	8.3%
2001	41	11.7%
2002	46	13.1%
2003	52	14.8%
2004	67	19.1%
2005	65	18.5%
2006	74	21.1%

11

Municipal Finance Task Force

Mission Statement

The Municipal Finance Task Force was created by the Metro Mayors Coalition to review trends in municipal finance and local aid, to understand the impact of such trends on municipal budgets and services, to enable municipalities to develop strategies and policies to better navigate these trends, and to provide recommendations to municipal leaders, the Legislature and the Executive Branch.

12

Municipal Finance Task Force Members

John Hamill, Chairman, Sovereign Bank New England – Chairman of Task Force
Mayor Thomas Ambrosino, City of Revere
George Anzuoni, Director of Finance, City of Revere
Katharine Bradbury, Senior Economist and Policy Advisor, Federal Reserve Bank of Boston
Janice Bourque, Senior Vice President and Group Head of Life Sciences Practice, Comerica Bank
Alan Clayton-Matthews, The McCormack Graduate School of Policy Studies, UMass Boston
Patrick Dello Russo, Chief Financial Officer/Auditor, City of Melrose
Louis DePasquale, Assistant City Manager for Fiscal Affairs, City of Cambridge
Ruth Ellen Fitch, President, Dimock Community Health Center
Catherine Gover, City Council, City of Everett
Mayor Mary Clare Higgins, City of Northampton; Vice President, MMA
State Representative Rachel Kaprielian, 29th Middlesex
Kathleen Kelley, President, Massachusetts Federation of Teachers
William Kennedy, Partner, Nutter, McClennen & Fish
Mayor William Phelan, City of Quincy
James Segel, Partner, Smith, Segel & Sowalsky
Lisa Signori, Chief Financial Officer, City of Boston
State Senator Steven Tolman, 2nd Suffolk and Middlesex
Michael Widmer, President, Massachusetts Taxpayers Foundation

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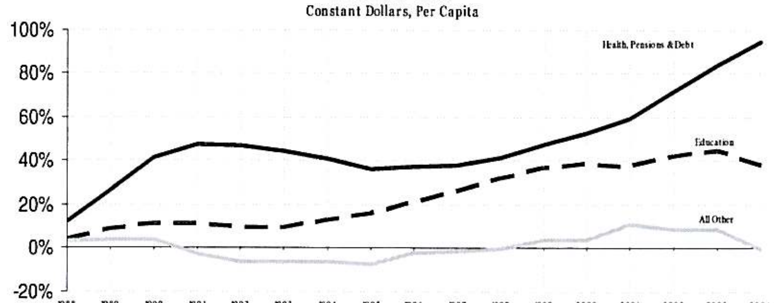
Report Summary

Massachusetts cities and towns are facing a long-term financial crunch caused by increasingly restricted and unpredictable local aid levels, constraints on ways to raise local revenue, and specific costs that are growing at rates far higher than the growth in municipal revenues.



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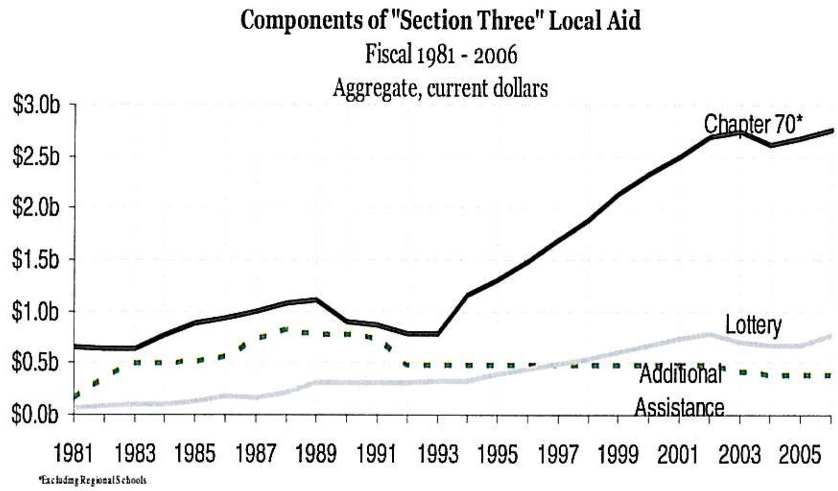
Report Summary



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Report Highlights

- Since 1981, per capita annual growth of municipal budgets has averaged 1.1% after adjusting for inflation.
- State expenditures for local aid reached its peak in FY88 at 20% of total state expenditures, it dropped to 13.4% in FY93 and increased more recently to 16.4% in FY04.
- Since 1987, per capita expenditures by cities and towns for core municipal services (excluding schools, health care insurance, and some fixed costs) have averaged -0.3% growth in real terms.
- None of the three major aid formulas is currently working as intended.

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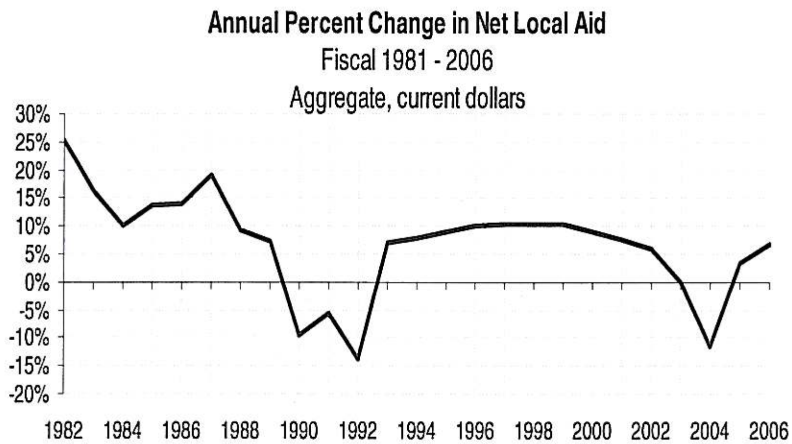
Report Highlights



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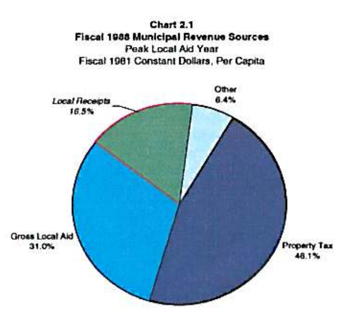
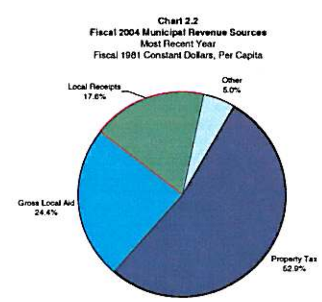
Report Highlights

Municipal Revenue Sources





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Report Highlights

Greater Dependence on Property Taxes

- The Massachusetts Department of Revenue (MDOR) reports that residential property taxes now represent 72% of all property taxes paid, up from 68% in 2000.
- Excluding communities with residential tax exemptions, MDOR reports that the average family tax bill has increased $910 from FY2000 to FY2005.

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Municipal Expenditures

Squeeze on Municipal Services

Chart 3.1
Fiscal 1987 Local Government Expenditures by Category
Fiscal 1987 Constant Dollars, Per Capita

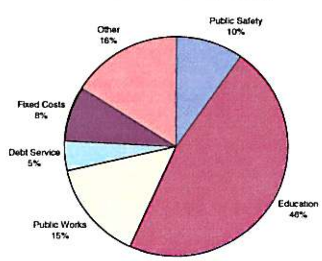
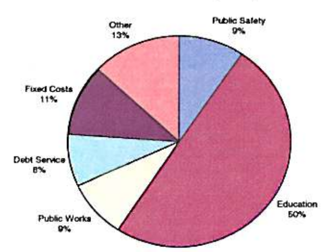


Chart 3.2
Fiscal 2004 Local Government Expenditures by Category
Fiscal 1987 Constant Dollars, Per Capita



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Report Recommendations

1. **Ensure State Assistance is Sufficient and Predictable**

- Adopt a revenue sharing policy that allocates a fixed percentage of state tax receipts to local aid.
- Return to a formula for distributing general government local aid, holding current Additional Assistance communities harmless, but using additional funding as a base to broaden non-school aid.
- Fulfill commitment to use Lottery proceeds to benefit local government by lifting the current cap.
- Review Chapter 70 aid formula – re-examine the municipal growth factor and minimum local contribution, and consider adding an income element. However, any reforms must be fully understood to avoid creating new inequities in such a complex funding system.
- Consider the use of "circuit breakers" for certain categories of municipal expenses that are prone to uncontrollable increases.

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Report Recommendations

2. **Provide Communities with Additional Ability to Control Non-Property Tax Local Revenues**

- Grant additional flexibility in developing local option revenue sources, such as local option meals taxes, parking excise taxes or rental car surcharges.
- Consider changes to update the motor vehicle excise tax – particularly updating the valuation schedule and addressing widespread fraud in vehicle registrations.
- Review telecommunications taxation and Internet hotel/motel taxes issues. These costs are estimated at $140 million and up to $7.3 million respectively.

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Report Recommendations

3. Give Municipalities Tools to Control Costs

- The municipal health care crisis must be a top priority for policymakers. Several strategies and issues are discussed to address ways to control health insurance costs.
- Encourage regional service delivery and cost sharing.
- Clarify the roles of municipal and state governments, and develop a plan to let the state take responsibility for funding what are properly state functions, such as RTAs and counties.

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"The Changing World of Intergovernmental Relations"

National League of Cities
Futures Panel on City Finances
June 15, 2006

Stan Finkelstein
Association of Washington Cities
stanf@awcnet.org or (360) 753-4137

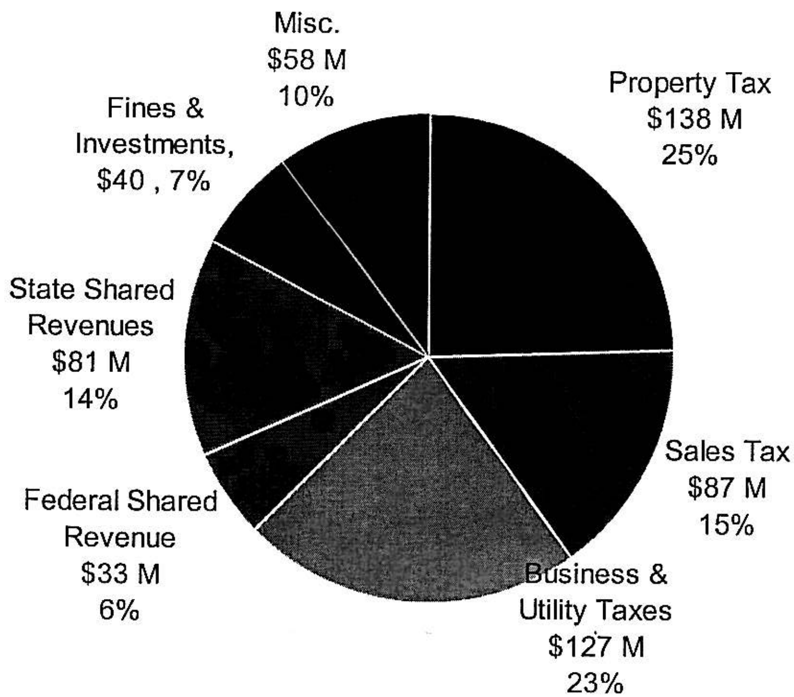
- How have intergovernmental relations changed?
- How are they changing now and into the foreseeable future?
- How can cities best position themselves to respond to the changing intergovernmental landscape?

Trends that Have Impacted Cities 1980-2005

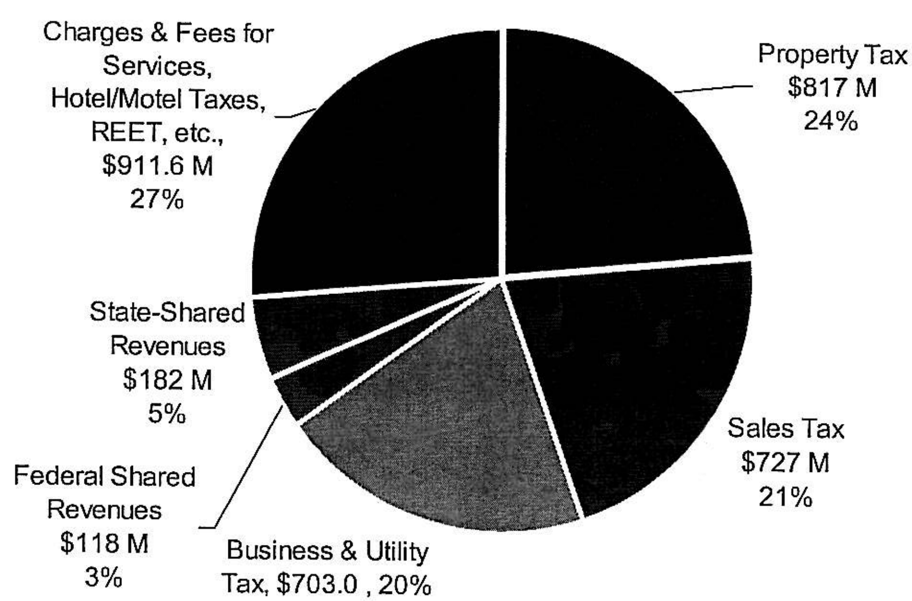
1. The impact of economic downturns on intergovernmental fiscal relations
2. The reality of double digit inflation in health care costs
3. The effects of massive federal deficits
4. The growth of populism and initiatives
5. The anti-government mindset
6. More local taxing authority and less direct assistance
7. Awareness of the impacts of unfunded mandates

Comparison of Operating Revenues 1980 & 2005

City Operating Revenues
1980 = $530 M

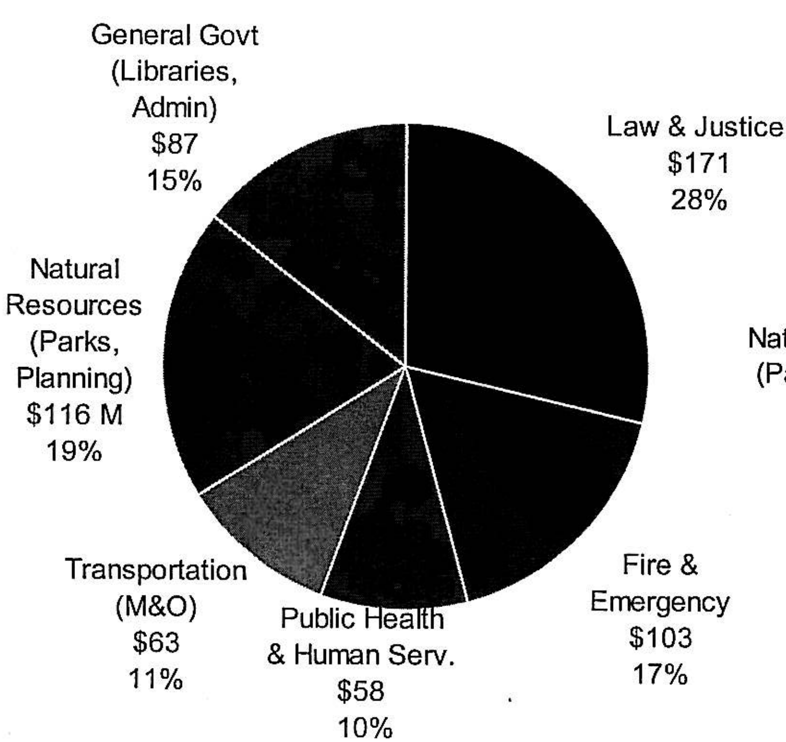


City Operating Revenues
2005 = $3.5 Billion

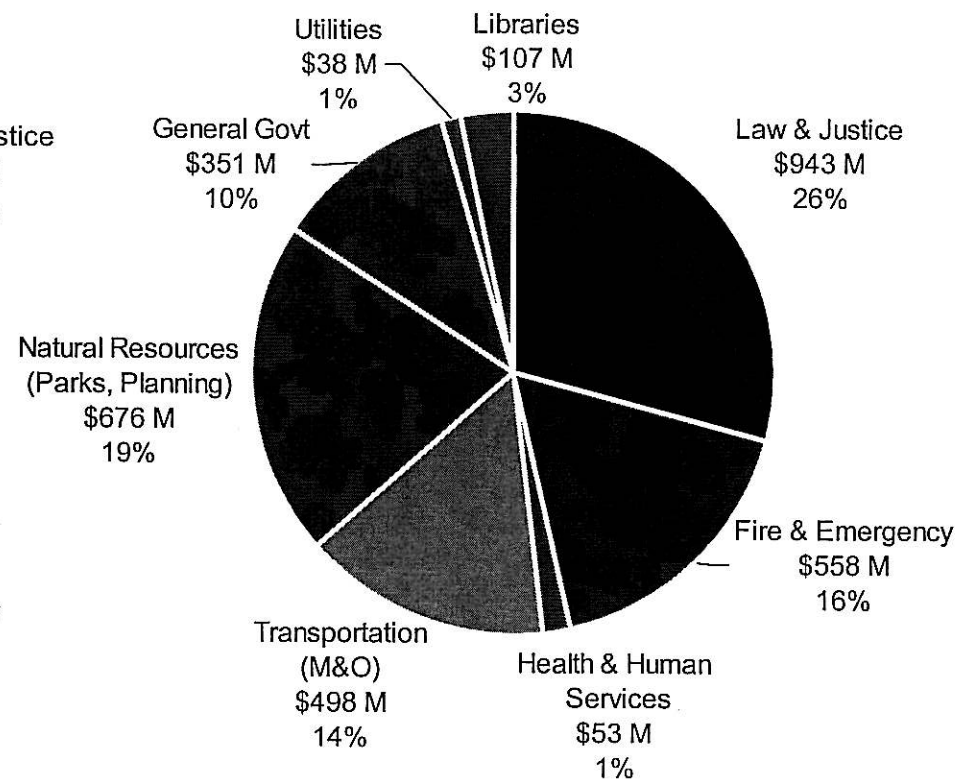


Comparison of Operating Expenses 1980 & 2005

City Operating Expenses
1980 = $598 M*



City Operating Expenses
2005 = $3.2 Billion



* Includes some expenses paid with restricted revenues.
Excludes one-time capital & utilities.

Current trends in Intergovernmental Fiscal Relations

1. Role of the legislature in providing a “safety net” for revenue deficient cities
2. Emphasis on economic development
3. Increased concerns about government “accountability”
4. Extrication of the federal government from domestic assistance programs

How Can Cities Best Position to Respond to the Changing Fiscal Landscape?

1. Wean ourselves from dependence on Federal and state assistance programs
2. Develop local fiscal capacity
3. Adopt inter-temporal fiscal management strategies
4. Continual monitoring of infrastructure needs and finances
5. Creation of cost effective partnerships
6. Adoption of accountability and performance measurement programs
7. Encouragement of state “fair play” fiscal policies

MASSACHUSETTS
MUNICIPAL
ASSOCIATION

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617-426-7272 • 800-882-1498 • fax 617-695-1314 • www.mma.org

January 2006

Economic Report: Increasing Aid to Cities and Towns is Essential for Economic Prosperity

Local Aid Increases Key to a Stronger, More Competitive Massachusetts Economy

Increasing local aid to cities and towns is central to economic success and prosperity in Massachusetts, according to a new report, *Revenue Sharing and the Future of the Massachusetts Economy*, a major economic study authored by economists at Northeastern University's Center for Urban and Regional Policy (CURP), and released in January at the Massachusetts Municipal Association's Annual Meeting, attended by over 1,000 local officials.

The report concludes that in order for the Massachusetts economy to be competitive and successful, cities and towns must receive major local aid increases to deliver the services and amenities that workers want for their families, while relieving the exploding property tax burden in the state.

Mayors, selectmen, administrators, councillors and key local officials from across the state, meeting at the MMA's 27th Annual Meeting and Trade Show on Saturday, January 14, 2006, received a detailed briefing by Dr. Barry Bluestone, a noted Northeastern University economist and Director of CURP.

Dr. Bluestone stated that increased local aid is essential for Massachusetts to attract businesses and economic development, compete for jobs, and retain young workers in the state. Bluestone stated that "Massachusetts needs to renew and rebuild a state-local economic partnership, and it is clear that local aid is essential for our economic success." The report calls for the state to share 40% of state tax collections with cities and towns as local aid.

"We know that cities and towns are vitally important to our prosperity and economic future," said the members of the MMA Board of Directors in a joint statement. "It is imperative that the Governor and state leaders address these vital issues today, otherwise our communities will continue to struggle, property taxes will be too high, and our economy will suffer."

The MMA engaged Northeastern University to conduct an independent, comprehensive study of key economic trends and principles regarding attracting and retaining jobs and people, as well as a review of the treatment of local aid over the past twenty-five years, and the tax shift that has caused today's record over-reliance on the property tax.

In releasing the report, Dr. Bluestone and Northeastern University concluded that:

• Businesses seek out a town or city that meets their needs in terms of a combination of workforce, infrastructure, public services, and cultural and recreational amenities, and "unless cities and towns have the resources to offer attractive locations for investment, everything the state does in the way of economic development incentives will prove inadequate or futile";

(over)

• Current local aid is insufficient to ensure the level of vital local services necessary to attract businesses and people to Massachusetts, noting that current aid to cities and towns, when adjusted for inflation, is nearly $700 million below fiscal 2002 levels;

• Local property taxes are too high throughout the state, because local aid is too low, and this is hurting our economy;

• Massachusetts is falling further behind as young talented workers leave for other states, reporting that we are the only state to lose population two years in a row;

• The state needs to invest in all aspects of municipal services, including education, public safety, culture and recreation and infrastructure in order to attract and retain families and jobs;

• The state should commit to revenue sharing by dedicating a fixed share of state tax revenues to local aid (CURP endorses the Massachusetts Taxpayers Foundation's recommendation of 40%, which would provide $1 billion);

• The state should allow cities and towns to reduce reliance on property taxes by diversifying local revenues, allowing local-option meals taxes and eliminating state-set telecommunications tax loopholes;

• The state should loosen its imposition of unfunded mandates, and give cities and towns greater local management authority in key areas such as employee benefits and regionalization efforts; and

• Massachusetts needs a renewed state-local fiscal partnership in order for our economy to be competitive, and to attract and retain young families, jobs and investment.

The full report is available to be read and downloaded from the MMA's website at www.mma.org.

The MMA is the statewide nonprofit, nonpartisan association formed in 1979 to promote and build strong and effective local government across the Commonwealth, serving as the voice of local government before the state and local government, and providing a wide range of publications, training and service programs for cities and towns and municipal officials.

Bond Ratings for U.S. Cities

Presented by:

Susan Kendall Freiner
Vice President/Senior Analyst
Public Finance Group

June 16, 2006

National League of Cities
Joint Meeting of Finance, Administration & Intergovernmental Relations Steering Committee & Public Finance Panel
Cambridge, Massachusetts

Moody's Investors Service

Overview

- What is a bond rating?
- Five primary credit factors
- OPEB & GASB 45
- The Cambridge, Massachusetts Story
- 2005 National Medians
- NLC vs. National Medians

What is a Credit Rating?

- Denotes relative credit quality
- Assessment of issuers' ability and willingness to repay debt in full and on time
- Independent opinion
- Forward-looking projection

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A Credit Rating is NOT:

- An audit
- A recommendation to buy, sell or hold a security
- Static or permanent
- An opinion of a community's quality of life

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Moody's Public Finance Ratings

Long -Term Ratings

Investment Grade	Aaa	Highest quality
	Aa1/Aa2/Aa3	High quality
	A1/A2/A3	Upper Medium quality
	Baa1/Baa2/Baa3	Medium quality
Below Investment Grade	Ba1/Ba2/Ba3 B1/B2/B3	Speculative elements
	Caa1/Caa2/Caa3	Danger of/in default

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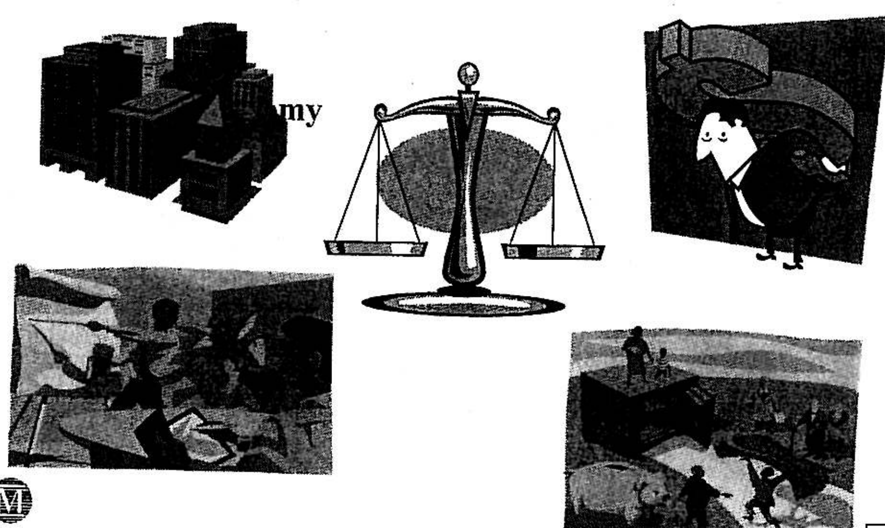
Five Primary Credit Factors



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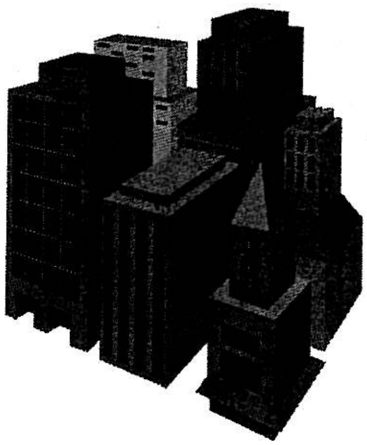
Economy



- Tax Base - Size, location, diversity, components of base
- Growth Trends
- Largest Taxpayers
- Employment Base
- Socio-economic Indicators income levels, population trends, housing values, etc.

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Financial Performance

- Operating performance
- Balance sheet/Reserve level trends
- Financial flexibility
- Adequate liquidity
- Budgetary assumptions

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Debt Position

- Debt Levels
  - Direct & Total Debt
  - Adjusted Debt Burden
- Debt Structure
- Capital Plans & Future Borrowing
  - Impact on future debt position
  - Issuance restrictions

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9

Management

- Ability to:
  - Achieve budgetary targets
  - Make mid-year corrections
  - Recognize and respond to problems and constraints
  - Provide appropriate disclosure and timely financial statements–POS/OS

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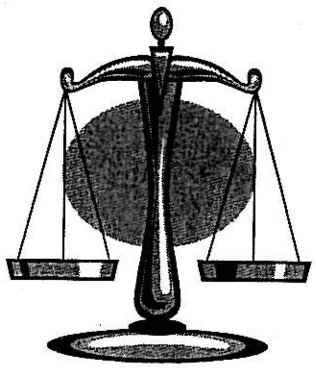
Legal Security



- What is the legal pledge securing the debt?
- General Obligation, revenue or lease debt?

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Information Used in Moody's Credit Analysis

- Preliminary Official Statement (POS/OS)
- Audits—at least three years
- Preliminary financial statements for most recent year
- Approved budget for current year
- Capital Improvement Plan
- Pension & OPEB Actuarial Studies

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GASB 45 and OPEB Liability Disclosure
MOODY'S BELIEVES CHANGE IS POSITIVE

- Captures government's liability on financial statements
- Improves disclosure of financial obligations
- Easier to evaluate evenly across the board
- No wholesale downgrades expected

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Moody's Opinion

- Disclosure is Good
- Management Practices Could Improve
- Different approaches by different governments
- Reporting of liability does not change a credit profile—presumably these liabilities are already worked into a municipality's rating
- With better information trends will be analyzed to determine the impact on relative credit strength

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Information Likely to be Used in Moody's OPEB Analysis

- Actual vs. Required Contributions
- Actuarial Assumptions
- Evidence of flexibility under local and state statutes as well as contractual obligations
- Funding progress in relation to financial reserves, liquidity, and debt levels
- Funding progress in relation to comparable cities

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Questions Likely to be Asked in the Evaluation of OPEB Liabilities

- Has an actuarial assessment of OPEB liabilities been performed? If so, when and what is the accrued actuarial liability, actuarial value of plan assets, and funded ratio?
- What healthcare and other post-employment benefits subject to the standards are provided? What are the benefits eligibility requirements?
- Describe the mechanism (e.g. single-employer or agent multiple employer) through which benefits are provided.

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Questions Likely to be Asked in the Evaluation of OPEB Liabilities (cont.)

- What legislative or other actions would be required to reduce benefit costs?
- What is the total cost of retiree health and related benefits in the budget? How much has this sum changed in recent years, and what has accounted for that?
- Has the municipality set up or intend to set up a trust for OPEB?
- How does the municipality intend to fund this trust?
- What are the investment assumptions?
- What's the amortization assumption?

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The Cambridge, Massachusetts Story

- Rating History
  - 1981 Baa
  - 1986 A
  - 1991 Aa1
  - 1997 Aaa
- Important Rating Factors in Cambridge
  - Proposition 2 ½ levy limit (enacted 1980)
  - High % tax-exempt property and student population
  - Universities add stability to local economy
  - Formal PILOT agreements with institutions
  - Significant Excess Levy Capacity ($65 million FY06)

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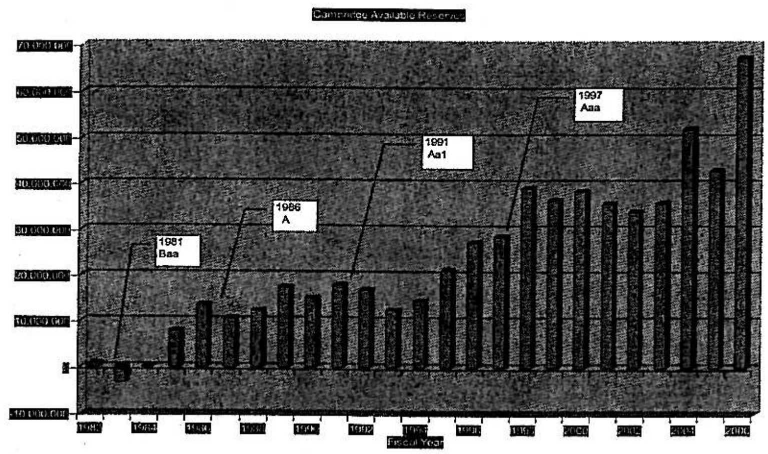
Cambridge, Mass. Reserve Growth



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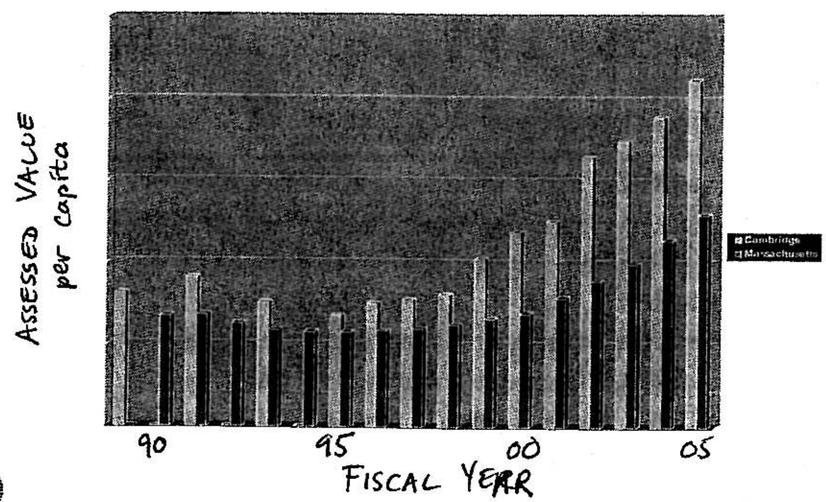
Cambridge, Mass. Wealth Growth



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Cambridge vs. National Medians (2005)

	National Medians	National Aaa Medians	Cambridge, Mass.
Median Moody's GO/Issuer Rating	A2	Aaa	Aaa
General Fund Balance as % of Revenues	26.2	24.3	35.7
Unreserved, Undesignated General Fund Balance as % of Revenues	17.2	12.7	28.7
Direct Net Debt as % of Full Value	1.1	0.9	0.6
Debt Burden (Overall Net Debt as % Full Value)	2.7	1.9	1.4
Total Full Value ($000)	1,307,283	6,406,363	21,097,000
Full Value Per Capita ($)	70,962	175,886	209,359
Population (2000 Census)	15,931	41,845	101,355
Per Capita Income (2000 Census)	$22,160	$42,680	$31,156

Moody's Investors Service

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Moody's Ratings--Cities

- **National--2177 ratings**
  - Median rating A2
  - Does not include counties or independent school districts
- **NLC--43 ratings**
  - Median rating Aa3

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National Medians vs. NLC

Municipal Financial Ratio Analysis - U.S. & NLC Cities	National Medians (2005)	NLC Medians (most recent available)
Median Moody's GO/Issuer Rating	A2	Aa3
General Fund Balance as % of Revenues	26.2	27.7
Unreserved, Undesignated General Fund Balance as % of Revenues	17.2	19.3
[redacted]	2.7	2.9
Total Full Value ($000)	1,307,283	10,791,270
[redacted]	70,962	74,616
Population (2000 Census)	15,931	89,750
[redacted]	$22,160	$22,736
Median Home Value (2000 Census)	$119,598	$131,650

Moody's Investors Service

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Q & A

Moody's Investors Service

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March 2004

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The Six Critical Components of Strong Municipal Management:

Managerial Methods to Promote Credit Enhancement

Summary

Municipal credit ratings do not generally peak in boom times and fall in recessions. One of the main factors behind this stability is the proven ability of governmental managers to implement strategies that maintain credit strength over the long-term. A strong governmental management team prepares well for economic downturns, maintains strong controls during boom times, and manages well during all economic cycles. To this point, strong management is a reason behind the fact that, even in the economic difficulties of calendar year 2003, the rate of upgrades exceeded downgrades by a factor of 270 to 144.

The five key factors Moody's assesses in determining a credit rating are: debt, finances, the debt's legal security, economy/demographics, and management strategies. Assessing managerial strength is the most subjective of our five rating factors, yet it is also essential. This special comment will address the most critical components that public managers can utilize to position their governments better for the short- and long-term, for maximum credit stability or improvement.

The six critical components of strong management are:

1. **Conservative budgeting techniques**
   A careful, organizational approach to budgeting that ideally involves conservative fiscal policies and multi-year modeling.
2. **Fund balance policies**
   Adoption of a clearly delineated fiscal plan which includes a fund balance target level and the instances in which reserves may be used.
3. **Debt planning**
   A formalized debt plan that includes target and maximum debt levels, targets for pay-as-you-go funding of capital work, and incorporation of these debt policies into a multi-year capital plan.
4. **Succession and contingency planning**
   A formalized succession/contingency plan which typically includes written documentation of organizational structures, succession plans should key personnel change, and specific scenarios to respond to likely changes that might affect credit.
5. **Strategic planning for economic development**
   Feasible economic development plans that suit the particular strengths and needs of the community, with clear guidelines that detail allowable incentives.
6. **Timely disclosure**
   Timely audited financial documents that are attested to by an outside firm, and the direct disclosure of any material events as soon as possible.

1. GOOD BUDGETING

Moody's recommended approach incorporates conservative budgeting and allows for contingency planning and mid-year flexibility. Specifically, we recommend: conservative revenue forecasting, tight expenditure controls and multi-year budget planning.

Conservative Revenue Forecasting

Moody's seeks to understand the many variables used to create robust budgeted revenue projections. We also prefer to see governments that work with information that is updated on a regular basis. For instance, Moody's analysts anticipate that feasible property tax revenue projections will be based on historic trends and include reasonable assumptions about the future of the local real estate market, the direction of national interest rates, and the local government's likely tax collection rate. Similarly, sales tax revenue projections might incorporate recent actual trends and indicators of likely future purchasing demand – such as population trend numbers, expected unemployment rates and the impact of current and expected nearby retail competition.

In our analysis, Moody's associates will assess a government's local revenue forecasting by looking at historic trends and budgetary assumptions, including comparisons of budget-to-actual results on a line item basis for the major revenues and expenditures, usually over several years. The strongest management teams have a solid track record of meeting projections in most line items over several years. We also analyze the assumptions behind the current and upcoming years' budgets, to see if we believe the government is likely to reach its targets in the future.

Overall, our reason for focusing on this analytical area is that rosy revenue budgeting can lead to shortfalls within a fiscal year. These shortfalls must then be filled, either by last-minute revenue enhancements, expenditure cuts, one-shots or draws into reserves. All of these measures undermine future financial flexibility, which can create fiscal problems in subsequent years and pose a significant challenge to credit strength.

Tight Expenditure Controls

Similarly to our analysis of revenue growth, Moody's analysts will also look for strong management by assessing the government's track record of expenditure controls and conservative but reasonable expenditure projections. In Moody's view, the strongest management teams are able to discuss the levels of flexibility within each expenditure line item as well as discuss the details about the assumptions behind their budgeting. We bring to these expectations a sensitivity to political realities and to the extremely difficult balancing act that government officials must perform between providing services and controlling costs. As with the revenue side, we consider tight expenditure controls part of strong management because such controls lessen the likelihood of fiscal distress, within a fiscal year and beyond.

Further, in times of economic weakening, revenues such as sales tax and income tax are likely to stagnate or even decline, and property tax collection rates may fall. Therefore, expenditure controls are key to keeping a budget balanced. Otherwise, over-budget expenditures are usually paid through draws from reserves, cash borrowing or one-shot revenues like asset sales. Using any of these approaches weakens the government's options the following fiscal year, when the continued expenditure growth could cause further fiscal distress.

Multi-Year Budget Planning

Because the results of one fiscal year of course impact the next fiscal year, Moody's recommends that governments implement multi-year fiscal planning. Generally done over three- to five-year timeframes – although sometimes up to 10 years – these long-term plans show the level of revenue growth necessary to reach particular spending levels and, alternatively, the impact that slowed revenues would have on spending. By plugging in various economic assumptions, government officials can use these plans to envision their budgetary needs over the near- to medium-term. Officials can "stress test" certain revenue streams – for instance, possibly learning that level state aid funding could be offset by the expected property tax revenue growth, allowing for normal expenditure growth even during a state's fiscal crisis.

Moody's has found that these documents serve as helpful planning tools, allowing officials to communicate "from the same page." Fiscal plans are also helpful to our analysis, since they can lay out in black and white the arguments for how a government, in times of economic constriction or other challenges, plans to maintain financial stability. They can put numbers behind an argument that a worse-case scenario is still not a scenario of lowered credit strength.

The best fiscal plans are incorporated with long-term capital planning, identifying future debt service costs and additional operational costs that will result from new capital construction. These types of integrated plans demonstrate how the government will pay for increased services and inflationary budget growth. They identify areas of potential financial flexibility – for example, capital spending that could be reduced or fees that could be increased. In short, multi-year fiscal plans perform two important functions: one, they walk the reader through the "what if" questions with quantified, hard answers; and, two, they provide a road map that shows where the government's management team intends to go over the next several years.

2. FUND BALANCE POLICIES

Moody's analysts realize that many municipalities have experienced sustained expenditure pressure primarily driven by incremental salary costs, health insurance premiums and pension payments. As a result, in the last few years many municipalities have appropriated some of their reserves for operations. While Moody's understands these pressures, we also want to see adequate levels of generally available, highly liquid fund balances maintained, even in an environment of fiscal strain. Fund balance policies provide one of the best guarantees to bondholders that sufficient levels of fund balance will be maintained, regardless of economic cycles, cash crunches or administrative turn-over.

Maintaining adequate reserves has several internal and external benefits. Internally, reserves can provide for cash flow needs until major revenues are received, reducing or eliminating the need for cash flow borrowing; provide funds to leverage state or federal grants; and provide for the unexpected. Externally, reserves tend to be viewed favorably by investors, rating agencies and local banks with which a municipality does business, thus benefiting ratings and decreasing the potential need for external liquidity sources.

A municipality's fiscal policies should incorporate a plan related to reserves, specifically when they can be used, what the fund balance target level is and to what minimum level they will not drop below. We also prefer fiscal policies that define a target for cash as well as fund balances, as cash is a leading indicator of financial health. Moody's does not require specific fund balance levels, but one guideline is undesignated reserves that equal one to two months of operating expenses or between 5% to 10% of annual revenues. The specific targeted level should be predicated on the level of fiscal vulnerability faced by the particular government, including the cyclical vulnerability of the revenue stream, volatility of expenditure items and likelihood of natural disasters. A town located in a flood zone with a high reliance on sales taxes, for example, should have relatively high fund balances to hedge against the relative risk in its operations. Also, a county that is reliant on economically sensitive revenue streams such as sales or income taxes and is experiencing growing social service costs should also have higher reserves. The bottom line is that General Fund balances should be sufficient to address normal contingencies and maintain stability in reserves over time. This is always the case, and it is certainly important in smoothing the transition phase from a robust to weaker economy.

Moody's also prefers to see written investment and fund balance policies, and ideally those that have been adopted by the government in some formalized manner, such as a resolution. A written policy, while not necessarily legally binding, indicates to Moody's that the government officials have discussed the policy in full and arrived at a consensus behind it. In short, we believe written policies carry much more weight than verbal agreements do. For more information on Moody's view of fund balances, please refer to our special comment "Your General Fund Balance – One Size Does Not Fit All!"

3. DEBT PLANNING

As with fund balance policies, formalized debt planning and debt policies provide bondholders with reassurances that debt burdens and operational debt costs will be kept at manageable levels and that, simultaneously, capital needs will be met on an ongoing basis.

The debt burden measures how leveraged a community is by calculating the amount of debt outstanding as compared to the entity's full valuation. Ultimately, the more leveraged a tax base is, the more difficult it is to afford additional debt. Moody's views debt burdens that range from 3 to 4% as average, although this range varies somewhat by state. Therefore, in debt policies, Moody's prefers to see maximum debt burdens above which the community will not bond, identified as a percentage of the community's full valuation and also, possibly, as a per capita percentage. The best debt policies include both a target debt level, say, 2.5%, and a maximum debt level, for example, 4%, and then project the community's next five year's of capital borrowing against those levels. Also, if an entity plans to enter into an interest rate swap, Moody's believes that it is important to incorporate swap objectives into the debt policy. In our analysis of swap deals and their potential impact on credit quality, one of Moody's analysts' main concerns is the exposure of that issuer to the effects of interest rate volatility of variable rate interest. Therefore, we regard strong management teams as those that understand the purpose of the swap transaction and the risks inherent in the transaction. For more information on swaps, please refer to Moody's special report entitled "Swaps and the Municipal Market: The Impact of Swaps and FASB 133 on Municipal Credit Quality."

Existence of a regularly updated, multi-year capital improvement plan is critical to good management, as such plans itemize the future capital needs of the government and identify financing sources for each of the upcoming capital projects. The strongest governmental management teams then incorporate their capital improvement plans into their debt projections and multi-year fiscal projections – identifying how both their debt and operating capital expenditures will impact their balance sheets and financial operations.

On the operating side, Moody's recommends that – in addition to debt policies – management teams adopt policies for their pay-as-you-go financing of capital work and the percentage they believe debt service should represent of their overall expenditures. For instance, some governments have policies that ensure that 5% of building permit fees, impact fees or other earmarked revenues are diverted annually into pay-go capital spending. Others have policies that state that half of any annual operating surplus will be used for pay-go capital spending. The particular policy adopted should be determined by the needs of that individual government and can be honed by looking at peer group norms. Similarly, Moody's prefers to see policies that identify a maximum that debt service should comprise of total operating expenditures. Debt service payments represent a fixed expense and as such, they offer limited line-item flexibility should financial operations become stressed. The typical range for debt service as a percent of expenditures is 5 to 15%. Moody's recommends debt service policies that incorporate the near-term and long-term capital needs of the community and result in feasible, financially responsible goals for that community. For more information on Moody's analysis of debt, please refer to our special comment "Moody's Approach to Analyzing Municipal Long-Term Debt."

4. CONTINGENCY AND SUCCESSION PLANNING

Contingency planning is critical to good governmental management, and should be part of the management strategies we discuss throughout this report. Long-term budgeting, for instance, involves contingency planning because it depends on managers being able to quickly identify unexpected mid-year changes in their revenues or expenses and respond immediately, usually according to previously outlined plans. Fund balance policies, as discussed above, also serve as contingency plans, as they work best when they are adopted documents that continue to influence financial decisions even when the appointed and elected officials behind the policy change.

Similarly, changes in a government's management team should not jeopardize that government's credit strength. Moody's analysts should be given an outline of a government's organizational structure, including which department heads answer to whom, and whether certain department heads who are key to credit stability – namely, treasurer, finance director, business administrator and/or comptroller – have deputies with significant responsibilities. These questions help our analysts assess whether the government would continue to function smoothly if an individual member of the management team were to leave. Any further documentation on likely staff movement, such as a written succession plan, is also helpful. This issue is of particular importance if the government has appropriation, swap and/or variable rate debt outstanding, because in those cases the manager's ability and authority to act quickly on debt service budgeting requirements, payment due dates and puts is essential.

Other credit-risk scenarios that highlight the importance of contingency planning are: annexation proposals, voter referenda that could impact financial operations, and major tax appeals. In these three examples, the change is rarely a surprise; discussion of the burgeoning problem almost always takes place first. With any government that is facing one of these issues, Moody's analysts would want to be informed of the possibility beforehand and discuss in detail the government's plans for all possible outcomes. These discussions can be kept confidential and do not have to occur in conjunction with a bond sale. Moody's analysts are less concerned with what the particular challenge is and more concerned with seeing foresight and proactive planning by the government officials in response to it.

5. STRATEGIC PLANNING FOR ECONOMIC DEVELOPMENT

The economic viability of a locality drives its ability to generate adequate financial resources to meet operating and debt service needs. Because of this, Moody's believes that the strongest management teams are involved in targeted economic development initiatives that can influence the future vitality of their particular entity, mainly over the long-term.

In our analysis, Moody's considers the local government's economic size, its growth and redevelopment potential, government management of economic development, the size of the tax base, tax base diversity and concentration, whether there are unmet workforce issues, demographic measures, and likely growth trends. We want to see economic development strategies that suit that government's particular strengths and weaknesses and economic development staff members that have an accurate sense of the community, its needs and how they will achieve their office's economic goals. These goals should be consistent with the size and complexity of the particular tax base. For example, a small community with stable employers may warrant a small economic development staff, while a large city with, for example, a dependence on one industrial sector, may need a larger, more experienced staff able to deal with the challenges it could face.

In the case of economic development incentives, Moody's believes that strong managers use well-considered guidelines for the expected return on investment. Many well-run communities have economic incentive policies that state that a proposed development project may only be considered for an incentive if it is projected to return 100% of the investment or guarantee a certain number of jobs within a set timeframe, for instance, three years. The methodology used to project this return is also outlined in these policies. Moody's further recommends that management teams consider how the use of financial incentives, tax abatements or other economic development mechanisms impact financial flexibility and whether there is the potential for long-term benefit, either through the creation of new jobs of generation of new revenue. For more information on how economic development plans factor into ratings, please refer to Moody's special comment "How Moody's Examines Economic Conditions As a Factor In Local Government Credit Analysis."

6. TIMELY DISCLOSURE

As Moody's analysts depend entirely on the documents and information provided to us by government issuers and their representatives, full and timely disclosure of financial matters is of essential importance to us and is a basic tenet of a well-functioning capital market system. Our analysts are not accountants who prepare the numbers or auditors who opine on the compliance of the reports. Instead, we rely on the information given to us to be accurate and complete. Therefore, in our view, the strongest management teams have audited or reviewed financial reports prepared annually, generally within six to nine months of the close of the fiscal year. The financial statements that are attested to by an outside firm – as opposed to preliminary documents prepared by members of the government's finance department – will be viewed as significantly enhanced. Moody's does not require or even expect all governments to employ national accounting firms, but we do recommend that even small governments employ a respected, established local, regional or national firm. To note, Moody's does rate the debt of issuers that do not publish annual audits (usually, small communities). However, we generally consider those issuers to have weaker financial reporting practices and therefore weaker management as related to disclosure.

The Governmental Accounting Standards Bureau (GASB) creates the accounting principles by which governmental accountants prepare their audited financial statements. Moody's is not the regulatory body behind GASB and, as such, we do not demand compliance with GASB standards. At the same time, we do believe that the strongest governmental management teams comply with GASB (assuming that is the norm in their state, with New Jersey's statutory accounting standard as one of several notable exceptions). This belief is based on our knowledge that GASB has become the industry standard. Additionally, GASB's commitment to being responsive to the needs of the entire affected community and adherence to a due process that gives interested parties ample opportunity to make their views known has resulted in the creation of a time-tested method for establishing accounting standards. Moody's recognizes that this process can become politically and emotionally charged; however, our overall interest in audited documents is in comparability of information and an accurate representation of the issuer's financial picture.

The other sign of strong management is timely disclosure of events that may have a material impact on credit quality. Moody's analysts are frequently contacted by government representatives – outside of any bond sale calendar – who want to inform our analysts of events taking place in their communities. Moody's encourages such communication. These types of informal notifications most frequently involve possible upcoming lawsuits, company closings or bankruptcies, referendum votes, and the like, but they can also serve as a way to keep us abreast of less dramatic events such as the unfolding of ongoing budget matters. Moody's analysts strongly prefer not to be surprised by events that might impact credit quality, and informal communication from the appropriate government official is a recommended way to avoid such surprises.

Conclusion: Why Strong Management Matters

Strong management refers to Moody's preference in seeing administrative strategies that improve credit strength in good times and provide strong assurances of maintaining credit strength in weaker times. Indications of credit strength include strategies to ensure that financial practices, debt management, contingency planning and economic development will serve the community well for the both short- and long-term. Strong management also means establishing reserve policy goals and financial and debt benchmarks. These policies additionally guarantee against the concern that a possible change in the government's politics or members will impact its financial operations. They create a baseline for future management teams and, if formally adopted, demonstrate "buy-in" by all affected parties.

Moody's prefers to see that management strategies will help ensure that financial practices are appropriate and responsive to the municipality's needs. We look for debt practices that are thoughtfully structured and in line with statutory and voter prescribed debt limits. We believe that the best managers are responsive to the demands for services relative to the needs of business and residential taxpayers, and have well thought-out contingency plans in place.

Many of the red flags of declining credit strength stem directly from weak budgeting. They include: revenue shortfalls, unanticipated expenditure growth, draws from reserves for operations, and short-term borrowing for operations. For these reasons, we believe overly optimistic budgets pose a greater risk to municipal credit worth than does a slowdown in economic activity. As Wade S. Smith wrote in his book *The Appraisal of Municipal Credit Risk*, "Economic recessions are in a sense disasters, but neither their arrival nor their impact on state revenues come unexpectedly." By implementing the steps recommended in this report – good budgeting, adoption of fund balance policies, debt planning, succession and contingency planning, strategic planning for economic development, and timely disclosure – local governments can create a bridge that carries them through near-term challenges without compromising short-term or long-term credit strength.

Related Research

Special Comments:

Your General Fund Balance - One Size Does Not Fit All!, March 2002 (74269)

Moody's Approach To Local Government Financial Analysis , January 2002 (73689)

Municipal Credit Quality Deteriorates Sharply in 2003, Led By State Downgrades, January 2004 (80905)

Swaps And The Municipal Market: The Impace Of Swaps And Fasb 133 on Municipal Credit Quality, October 2002 (76388)

Rating Methodologies:

The Determinants of Credit Quality, May 2002 (75047)

How Moody's Examines Local Government Economic Conditions As A Factor In Its Municipal Credit Analysis, July 2003 (78882)

Moody's Approach To Analyzing Municipal Long-Term Debt, February 2004 (81248)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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2005 Local Government National Medians

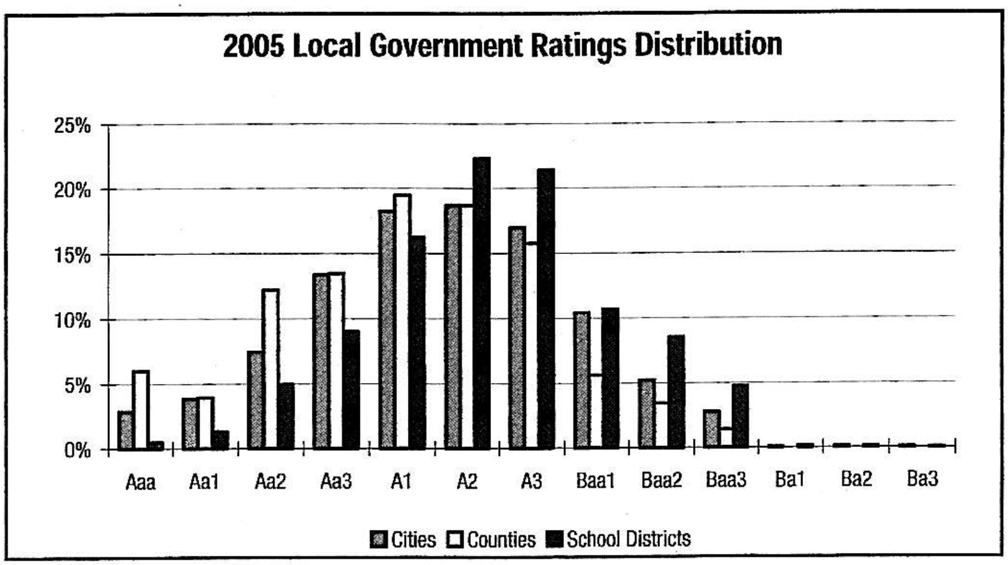
Moody's Public Finance Group is pleased to present the 2005 Local Government National Medians Report covering key statistical information concerning cities, counties and school districts rated by Moody's Regional Ratings Team. The indicators shown are based on our analysis of tax-exempt and municipal obligations across the 50 states, and are derived from the data included in the Municipal Financial Ratios Analysis (MFRA) product available to clients on our web site. MFRA has provided a statistically significant large sample size of over 6,000 issuers carrying a Moody's General Obligation Unlimited Tax or Issuer Rating for the calculation of these medians, which we believe is the largest such municipal database of its kind. The indicators used in this year's report utilize the audited fiscal 2004 financial data from MFRA for each of the issuers included in the sample set, and provides a robust analysis of key ratios used in our rating process.

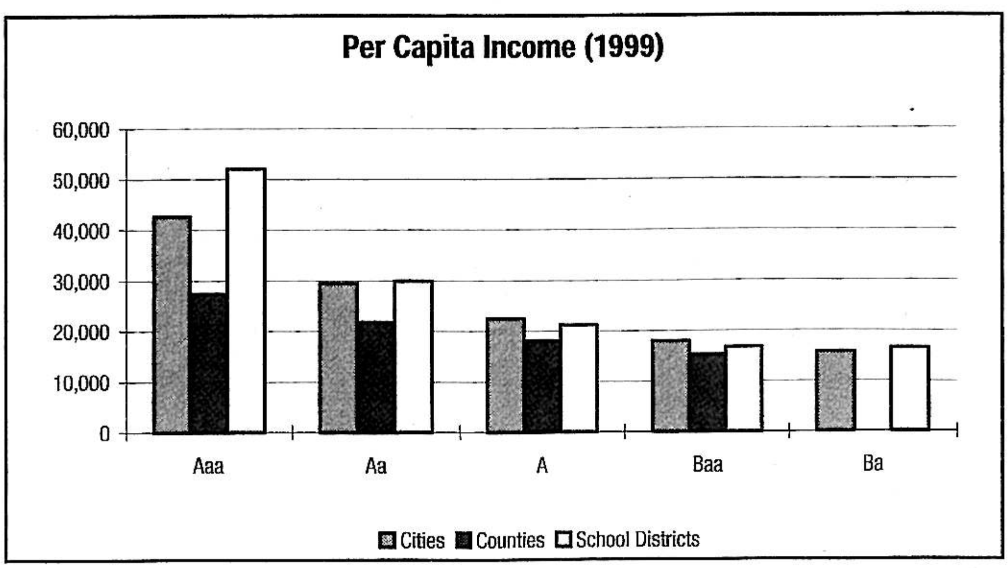
Moody's has provided overall ratio analysis for the three municipal sectors, but has further broken down each sector into distinct cohorts determined by population ranges.

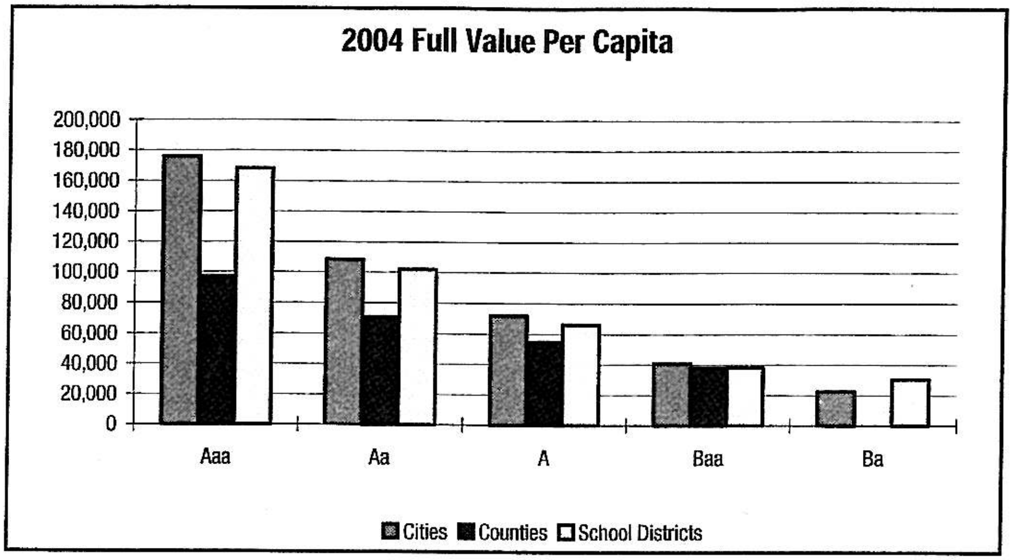
The selected indicators should be considered as broad guidelines only. Performance relative to the guidelines is not an absolute indicator of credit quality, and a bond rating cannot be inferred within this narrow context. Each municipal credit is unique, and the consideration of numerous credit factors, each weighed separately, leads to the determination of a Moody's rating.

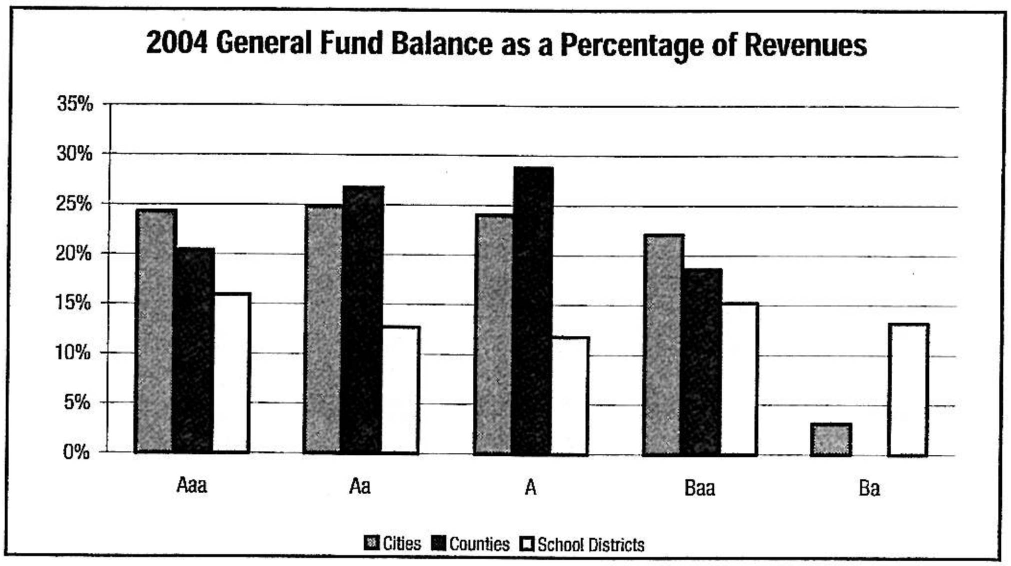
Glossary

1. *General Fund Balance as % of Revenues*- General Fund Balance (Assets-Liabilities)/Annual General Fund Revenues; an indicator of liquidity and financial health of the issuer
2. *Unreserved, Undesignated General Fund Balance as % of Revenues*- a measure of the municipal entity's most liquid reserves
3. *Direct Net Debt as % of Full Value*- total par value of the issuer's direct tax-supported debt obligations, including capital leases, divided by the full valuation of the tax base; an indicator of leverage
4. *Debt Burden*- direct and overlapping tax-supported debt for the issuer. For counties, this includes all city and school district within the county. For cities, it includes a proportional share of the county's and school district's obligations.
5. *Total Full Value*- the estimated market value of all taxable properties within the jurisdiction; does not include tax-exempt entities such as universities
6. *Full Value Per Capita*- the Total Full Value divided by the most recent population; provides an indication of socio-economic levels within the municipal entity
7. *Per Capita Income*- taken from the latest decennial US Census (1999)






2004 Full Value Per Capita
200,000
180,000
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
Aaa
Aa
A
Baa
Ba
Cities
Counties
School Districts


2004 General Fund Balance as a Percentage of Revenues
35%
30%
25%
20%
15%
10%
5%
0%
Aaa
Aa
A
Baa
Ba
Cities
Counties
School Districts

U.S. Cities

Municipal Financial Ratio Analysis - U.S. Cities (All)

Selected Medians	National Medians
Median Moody's GO/Issuer Rating	A2[1]
General Fund Balance as % of Revenues	26.20
Unreserved, Undesignated General Fund Balance as % of Revenues	17.20
Direct Net Debt as % of Full Value	1.10
Debt Burden (Overall Net Debt as % Full Value)	2.70
Total Full Value ($000)	$1,307,283
Full Value Per Capita ($)	$70,962
Population 2000 Census	15,931
Per Capita Income (2000 Census)	$22,160

(1) Median rating of A2 is lower than in 2004 Local Government Medians report due to the expansion of the sample size as Moody's continued to populate MFRA during 2004 and 2005.

Municipal Financial Ratio Analysis - U.S. Cities (All)

	Group Medians (Most Recent Available)				
Selected Medians	**Aaa**	**Aa**	**A**	**Baa**	**Ba**
General Fund Balance as % of Revenues	24.30	24.80	24.00	22.10	3.10
Unreserved, Undesignated General Fund Balance as % of Revenues	12.70	15.80	16.20	14.50	1.20
Direct Net Debt as % of Full Value	0.90	1.00	1.30	2.00	7.90
Debt Burden (Overall Net Debt as % Full Value)	1.90	2.40	2.70	3.80	10.40
Total Full Value ($000)	$6,406,363	$3,010,548	$968,018	$319,327	$1,232,353
Full Value Per Capita ($)	$175,886	$108,323	$72,090	$40,626	$22,416
Population 2000 Census	41,845	27,324	13,080	6,706	61,821
Per Capita Income (2000 Census)	$42,680	$29,477	$22,488	$18,012	$15,733

Municipal Financial Ratio Analysis - U.S. Cities (Population > 500,000)

	Group Medians (Most Recent Available)				
Selected Medians	**Aaa**	**Aa**	**A[1]**	**Baa[2]**	**Ba**
General Fund Balance as % of Revenues	17.00	17.40	8.90	2.10	N/A
Unreserved, Undesignated General Fund Balance as % of Revenues	5.90	10.10	0.90	-5.30	N/A
Direct Net Debt as % of Full Value	1.50	2.10	4.10	7.50	N/A
Debt Burden (Overall Net Debt as % Full Value)	1.90	3.90	5.60	12.50	N/A
Total Full Value ($000)	$49,022,311	$53,268,701	$108,828,508	$24,083,510	N/A
Full Value Per Capita ($)	$80,802	$54,743	$84,102	$25,317	N/A
Population 2000 Census	637,422	656,562	1,223,400	951,270	N/A
Per Capita Income (2000 Census)	$22,142	$20,671	$22,402	$16,509	N/A

(1) Sample includes only 5 cities
(2) Sample includes only Detroit and Philadelphia

Municipal Financial Ratio Analysis - U.S. Cities (100,000 < Population < 500,000)

Selected Medians	Group Medians (Most Recent Available)				
	Aaa	Aa	A	Baa	Ba
General Fund Balance as % of Revenues	24.60	22.20	12.40	6.00	-10.90
Unreserved, Undesignated General Fund Balance as % of Revenues	12.20	13.30	8.80	3.40	-11.10
Direct Net Debt as % of Full Value	1.10	1.40	2.10	5.10	0.90
Debt Burden (Overall Net Debt as % Full Value)	2.50	3.20	4.10	5.80	1.80
Total Full Value ($000)	$17,854,678	$10,806,815	$7,707,701	$7,063,333	$3,727,536
Full Value Per Capita ($)	$89,205	$62,934	$42,572	$41,681	$30,987
Population 2000 Census	183,760	155,554	172,648	162,850	124,943
Per Capita Income (2000 Census)	$25,198	$20,890	$17,511	$15,904	$15,733

Municipal Financial Ratio Analysis - U.S. Cities (50,000 < Population < 100,000)

Selected Medians	Group Medians (Most Recent Available)				
	Aaa	Aa	A	Baa	Ba
General Fund Balance as % of Revenues	29.00	26.80	20.70	7.20	3.10
Unreserved, Undesignated General Fund Balance as % of Revenues	15.90	20.40	13.00	3.20	1.20
Direct Net Debt as % of Full Value	0.80	1.10	1.10	2.90	11.00
Debt Burden (Overall Net Debt as % Full Value)	2.00	2.80	3.00	4.30	12.70
Total Full Value ($000)	$9,888,184	$4,968,200	$3,486,831	$2,741,904	$1,232,353
Full Value Per Capita ($)	$148,969	$73,804	$53,377	$34,963	$22,167
Population 2000 Census	64,742	66,237	59,643	71,329	61,821
Per Capita Income (2000 Census)	$37,582	$23,242	$20,058	$16,488	$15,721

Municipal Financial Ratio Analysis - U.S. Cities (Population < 50,000)

Selected Medians	Group Medians (Most Recent Available)				
	Aaa	Aa	A	Baa	Ba
General Fund Balance as % of Revenues	26.60	25.60	25.00	24.50	N/A
Unreserved, Undesignated General Fund Balance as % of Revenues	12.80	16.90	17.20	16.20	N/A
Direct Net Debt as % of Full Value	0.70	1.00	1.30	1.90	N/A
Debt Burden (Overall Net Debt as % Full Value)	1.60	2.20	2.60	3.80	N/A
Total Full Value ($000)	$4,725,410	$2,298,426	$901,250	$277,933	N/A
Full Value Per Capita ($)	$209,118	$122,876	$74,184	$41,259	N/A
Population 2000 Census	20,810	20,784	11,786	5,882	N/A
Per Capita Income (2000 Census)	$51,795	$32,402	$22,833	$18,192	N/A

U.S. Counties

Municipal Financial Ratio Analysis - U.S. Counties (All)

Selected Medians	National Medians
Median Moody's GO/Issuer Rating	A1
General Fund Balance as % of Revenues	26.50
Unreserved, Undesignated General Fund Balance as % of Revenues	18.20
Direct Net Debt as % of Full Value	0.60
Debt Burden (Overall Net Debt as % Full Value)	2.10
Total Full Value ($000)	$5,137,686
Full Value Per Capita ($)	$59,978
Population 2000 Census	84,300
Per Capita Income (2000 Census)	$19,174

Municipal Financial Ratio Analysis - U.S. Counties (All)

	Group Medians (Most Recent Available)				
Selected Medians	Aaa	Aa	A	Baa	Ba
General Fund Balance as % of Revenues	20.40	26.70	28.70	18.60	N/A
Unreserved, Undesignated General Fund Balance as % of Revenues	12.70	18.40	18.80	15.70	N/A
Direct Net Debt as % of Full Value	0.50	0.50	0.60	0.90	N/A
Debt Burden (Overall Net Debt as % Full Value)	2.20	2.20	2.00	2.40	N/A
Total Full Value ($000)	$64,635,610	$14,092,695	$3,166,819	$1,025,416	N/A
Full Value Per Capita ($)	$96,630	$70,946	$54,732	$37,884	N/A
Population 2000 Census	627,846	164,988	54,433	24,054	N/A
Per Capita Income (2000 Census)	$27,352	$21,770	$18,073	$15,273	N/A

Municipal Financial Ratio Analysis - U.S. Counties (Population > 1 Million)

	Group Medians (Most Recent Available)			
Selected Medians	Aaa	Aa	A	Baa
General Fund Balance as % of Revenues	21.20	21.40	8.20	N/A
Unreserved, Undesignated General Fund Balance as % of Revenues	13.30	13.60	4.50	N/A
Direct Net Debt as % of Full Value	0.30	0.40	1.00	N/A
Debt Burden (Overall Net Debt as % Full Value)	2.90	2.80	3.30	N/A
Total Full Value ($000)	$121,604,929	$184,651,806	$107,601,020	N/A
Full Value Per Capita ($)	$85,614	$72,984	$63,117	N/A
Population 2000 Census	1,162,670	2,253,362	1,419,369	N/A
Per Capita Income (2000 Census)	$28,192	$22,272	$21,142	N/A

Municipal Financial Ratio Analysis - U.S. Counties (250,000 < Population < 1 Million)

	Group Medians (Most Recent Available)			
Selected Medians	Aaa	Aa	A	Baa[1]
General Fund Balance as % of Revenues	21.40	16.90	11.00	-2.30
Unreserved, Undesignated General Fund Balance as % of Revenues	13.30	10.70	6.80	-3.00
Direct Net Debt as % of Full Value	0.50	0.50	0.50	1.60
Debt Burden (Overall Net Debt as % Full Value)	2.10	2.50	3.10	4.20
Total Full Value ($000)	$60,945,878	$32,336,526	$19,052,145	$33,616,765
Full Value Per Capita ($)	$96,360	$66,886	$50,107	$41,683
Population 2000 Census	615,301	433,501	369,993	735,343
Per Capita Income (2000 Census)	$27,008	$22,842	$20,417	$22,821

(1) Sample includes 3 entities (Erie County, NY, Monroe County, NY, and Plymouth County, MA)

Municipal Financial Ratio Analysis - U.S. Counties (100,000 < Population < 250,000)

Selected Medians	Group Medians (Most Recent Available)			
	Aaa	Aa	A	Baa
General Fund Balance as % of Revenues	18.90	29.30	19.30	9.90
Unreserved, Undesignated General Fund Balance as % of Revenues	6.70	21.10	14.10	6.00
Direct Net Debt as % of Full Value	1.50	0.50	0.50	0.30
Debt Burden (Overall Net Debt as % Full Value)	2.30	2.10	2.40	3.10
Total Full Value ($000)	$29,067,193	$11,001,652	$7,045,273	$5,536,106
Full Value Per Capita ($)	$123,539	$69,606	$50,061	$32,818
Population 2000 Census	189,453	149,577	134,768	165,889
Per Capita Income (2000 Census)	$24,939	$21,582	$18,885	$17,474

Municipal Financial Ratio Analysis - U.S. Counties (Population < 100,000)

Selected Medians	Group Medians (Most Recent Available)			
	Aaa[1]	Aa	A	Baa
General Fund Balance as % of Revenues	13.70	35.50	33.80	20.70
Unreserved, Undesignated General Fund Balance as % of Revenues	12.80	23.00	22.40	17.80
Direct Net Debt as % of Full Value	1.10	0.50	0.60	0.90
Debt Burden (Overall Net Debt as % Full Value)	1.20	1.50	1.80	2.40
Total Full Value ($000)	$9,555,000	$5,908,365	$2,464,823	$980,797
Full Value Per Capita ($)	$108,984	$73,046	$57,046	$38,025
Population 2000 Census	79,236	75,555	42,516	22,601
Per Capita Income (2000 Census)	$28,852	$21,110	$17,863	$14,975

(1) Sample includes only one entity, Albemarle County, VA

U.S. School Districts

Municipal Financial Ratio Analysis - U.S. School Districts (All)

Selected Medians	National Medians
Median Moody's GO/Issuer Rating	A2
General Fund Balance as % of Revenues	13.50
Unreserved, Undesignated General Fund Balance as % of Revenues	7.20
Direct Net Debt as % of Full Value	1.50
Debt Burden (Overall Net Debt as % Full Value)	2.80
Total Full Value ($000)	$1,200,034
Full Value Per Capita ($)	$62,243
Population 2000 Census	14,352
Per Capita Income (2000 Census)	$19,214

Municipal Financial Ratio Analysis - U.S. School Districts (All)

	Group Medians (Most Recent Available)				
Selected Medians	Aaa	Aa	A	Baa	Ba
General Fund Balance as % of Revenues	15.90	12.70	11.80	15.20	13.20
Unreserved, Undesignated General Fund Balance as % of Revenues	11.20	5.00	5.60	8.10	0.20
Direct Net Debt as % of Full Value	0.90	1.10	1.60	2.30	2.30
Debt Burden (Overall Net Debt as % Full Value)	1.90	2.50	2.80	3.80	3.30
Total Full Value ($000)	$6,551,448	$5,444,569	$1,499,872	$340,740	$111,634
Full Value Per Capita ($)	$168,127	$101,789	$66,150	$38,132	$30,364
Population 2000 Census	59,018	49,112	21,439	8,051	2,132
Per Capita Income (2000 Census)	$52,023	$29,989	$21,172	$16,731	$16,509

Municipal Financial Ratio Analysis - U.S. School Districts (Population > 200,000)

	Group Medians (Most Recent Available)				
Selected Medians	Aaa	Aa	A	Baa	Ba[1]
General Fund Balance as % of Revenues	18.60	9.20	7.90	-3.20	2.50
Unreserved, Undesignated General Fund Balance as % of Revenues	9.60	4.30	2.70	-4.20	0.20
Direct Net Debt as % of Full Value	0.90	1.10	1.10	1.70	5.00
Debt Burden (Overall Net Debt as % Full Value)	1.90	2.60	3.10	7.90	14.90
Total Full Value ($000)	$6,522,314	$23,313,649	$18,315,792	$20,597,288	$46,079,000
Full Value Per Capita ($)	$172,276	$69,137	$61,002	$35,571	$30,364
Population 2000 Census	393,550	296,949	324,315	480,612	1,517,550
Per Capita Income (2000 Census)	$55,761	$21,580	$18,531	$14,717	$16,509

(1) Sample includes one entity, Philadelphia School District, PA

Municipal Financial Ratio Analysis - U.S. School Districts (100,00 < Population < 200,000)

	Group Medians (Most Recent Available)				
Selected Medians	Aaa	Aa	A	Baa	Ba
General Fund Balance as % of Revenues	10.60	12.30	9.10	13.40	N/A
Unreserved, Undesignated General Fund Balance as % of Revenues	6.70	6.10	4.80	8.40	N/A
Direct Net Debt as % of Full Value	0.60	1.30	1.10	1.90	N/A
Debt Burden (Overall Net Debt as % Full Value)	1.30	2.60	2.80	4.70	N/A
Total Full Value ($000)	$12,637,503	$11,640,000	$7,677,180	$6,199,489	N/A
Full Value Per Capita ($)	$81,418	$85,931	$56,636	$51,698	N/A
Population 2000 Census	143,543	132,078	122,067	113,776	N/A
Per Capita Income (2000 Census)	$16,980	$25,253	$19,794	$13,493	N/A

Municipal Financial Ratio Analysis - U.S. School Districts (50,000 < Population < 100,000)

Selected Medians	Group Medians (Most Recent Available)				
	Aaa	Aa	A	Baa	Ba
General Fund Balance as % of Revenues	23.00	13.40	10.00	10.70	13.20
Unreserved, Undesignated General Fund Balance as % of Revenues	29.90	7.60	5.40	3.40	12.50
Direct Net Debt as % of Full Value	0.60	1.20	1.30	2.50	2.50
Debt Burden (Overall Net Debt as % Full Value)	2.70	2.50	2.90	4.50	5.40
Total Full Value ($000)	$10,271,048	$6,150,750	$4,058,972	$2,382,068	$961,905
Full Value Per Capita ($)	$167,113	$86,575	$58,818	$30,124	$17,883
Population 2000 Census	64,083	70,894	67,664	62,637	53,789
Per Capita Income (2000 Census)	$52,023	$27,453	$19,952	$16,697	$11,283

Municipal Financial Ratio Analysis - U.S. School Districts (10,000 < Population < 50,000)

Selected Medians	Group Medians (Most Recent Available)				
	Aaa	Aa	A	Baa	Ba
General Fund Balance as % of Revenues	15.90	13.80	11.60	12.30	N/A
Unreserved, Undesignated General Fund Balance as % of Revenues	3.60	3.00	5.50	7.30	N/A
Direct Net Debt as % of Full Value	1.00	1.00	1.70	2.30	N/A
Debt Burden (Overall Net Debt as % Full Value)	1.40	2.40	2.80	3.80	N/A
Total Full Value ($000)	$6,231,245	$3,202,370	$1,426,414	$660,312	N/A
Full Value Per Capita ($)	$201,237	$124,457	$66,738	$36,166	N/A
Population 2000 Census	28,283	25,014	21,409	15,697	N/A
Per Capita Income (2000 Census)	$64,202	$36,847	$21,450	$16,812	N/A

Municipal Financial Ratio Analysis - U.S. School Districts (Population < 10,000)

Selected Medians	Group Medians (Most Recent Available)				
	Aaa	Aa	A	Baa	Ba
General Fund Balance as % of Revenues	N/A	15.90	16.80	17.10	32.50
Unreserved, Undesignated General Fund Balance as % of Revenues	N/A	5.90	7.30	9.20	-4.30
Direct Net Debt as % of Full Value	N/A	0.90	1.80	2.40	2.00
Debt Burden (Overall Net Debt as % Full Value)	N/A	1.80	2.80	3.70	2.40
Total Full Value ($000)	N/A	$1,313,953	$539,256	$205,333	$50,028
Full Value Per Capita ($)	N/A	$220,372	$76,529	$39,947	$30,920
Population 2000 Census	N/A	7,137	7,068	5,084	1,674
Per Capita Income (2000 Census)	N/A	$48,637	$21,470	$16,841	$17,189

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