

16 U.S. Cities Could Face Bankruptcy in 2011

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2011 will be the year of the municipal default. At least that's what analysts like Meredith Whitney predict, as do bond investors that have been fleeing the muni market.

There are many reasons to be worried. First, the expiration of Build America Bonds will make it harder for cities to raise funds.

Second, city revenues are crashing and keep getting worse. Property taxes haven't reflected the total damage from the housing crash. High joblessness is cutting into city revenues, while increasing costs for services.

The next default could be a major city like Detroit, or it could be one of hundreds of small cities that are on the brink. Did we leave off your ailing city? Let us know in the comments.

San Diego, Ca.

Deficit through June 2012 : \$73 million

Budget in FY2011: \$2.85 billion

Annualized gap: 1.7%

The city's official have tried curbing the deficit by increasing sales taxes, but residents of the city strongly oppose this and have voted it down.

San Diego already cut over \$200 million over the past two years, so these cuts won't come easy.

New York, NY

Deficit through June 2012: \$2 billion

Budget in FY2010: \$63.1 billion

Annualized gap: 2.1%

Estimates of the NYC deficit range from \$3.6 billion according to Comptroller John Liu to around \$2 billion according to the Independent Budget Office. Everyone agrees that the deficit will be worse if New York state cuts aid as part of its own deficit reduction plan.

Mayor Bloomberg has already started to address the FY2012 deficit, calling for layoffs in all city agencies, closing 20 fire departments at night, and reducing services for seniors, libraries and cultural centers.

San Jose, Ca.

Deficit through June 2012: \$90 million

Budget in FY2010: \$2.7 billion

Annualized gap: 2.2%

After an audit of the San Jose police department, city officials found it to have too many high paid supervisors, costing the city too much money. The answer to this is converting some of those upper ranked officers to patrol positions. This could reduce the city's debt by \$33 million.

Last year's deficit was \$116 million, leading to brutal cuts including nearly 900 layoffs.

Cincinnati, Oh.

Deficit through December 2012: \$60 million

Biennial budget FY2009/2010: \$2.5 billion

Annualized gap: 2.4%

Helping the budget in Cincinnati depends largely on changes in the police and fire departments. The city can either get \$20 million in concessions from the two unions, lay off 216 firefighters, or outsource the police force to neighboring city, Hamilton.

Honolulu, Hi.

Deficit through June 2012: \$100 million

Budget in FY2011: \$1.8 billion

Annualized gap: 3.7%

Mayor Peter Carlisle said police officers and fire fighters will be asked to make concessions in the upcoming budget and he will also end furloughs of two days per month for public workers. This will require the 2,900 officers to give back their 6% pay raises they have received in each of the past four years.

Last year Honolulu raised some property taxes to fill a huge \$140 million deficit.

San Francisco, Ca.

Deficit through June 2012: \$380 million

Budget in FY2011: \$6.55 billion

Annualized gap: 3.9%

Mayor Gavin Newsom says this year's deficit is completely manageable. Last year's deficit approached \$500 million and the city did not need to lay off any police or firemen. While Newsom's term is coming to an end, he says he and his colleagues will leave detailed

options for the incoming mayor.

Last year's cuts were even larger, eliminating a \$438 million deficit. The city is down to the bone.

Los Angeles, Ca.

Deficit through June 2012: \$438 million

Budget in FY2011: \$6.7 billion

Annualized gap: 4.4%

The Los Angeles City Administration Office plans to cut 225 civilian positions in the LAPD, reduce firefighting staffing, and eliminate a dozen positions in the City Attorney's Office and General Service Department. The deficit will only get worse unless an effort to privatize parking garages is approved. If not, the city will require more layoffs, furloughs, and curtailed hiring.

Last year's deficit was even larger, totalling nearly \$700,000.

Washington, D.C.

Deficit through September 2012: \$688 million

Budget in FY2011: \$8.89 billion

Annualized gap: 4.4%

Council member Tommy Wells proposed tax rate increases which were voted down, but Wells says he will continue to push his proposal. Wells' proposal seems reasonable as residents making \$100,000 a year would only pay \$63 more in taxes per year. This is a small price to pay that would benefit the city immensely.

Newark, NJ

Deficit through December 2011: \$30.5 million

Budget in FY2010: \$677 million

Annualized gap: 4.5%

Newark's deficit was \$83 million before Mayor Cory Booker initiated a plan to sell city-owned buildings, raise property taxes to 16 percent and decimate the police force. Nonetheless, Moody's cut Newark's rating to A3 citing its \$30.5 million remaining deficit.

Detroit, Mi

Deficit through June 2011: \$85 million

Budget in FY2011: \$3.1 billion

Annualized gap: 5.5%

Detroit's city government has cut costs with layoffs and by leaving currently vacant positions open. Mayor Bing's emergency fiscal plan includes demolishing houses and cutting police and trash services to 20% of the city.

Last year the city council pushed through severe cuts to fill an over \$700 million deficit.

Reading, Pa

Deficit through December 2011: \$7.5 million

Budget in FY2010: \$120 million

Annualized gap: 6.3%

One of Pennsylvania's several distressed municipalities, which receive state aid, Reading has been running an operating deficit for years. In September the city council said their deficit was bigger than expected, soaring to \$7.5 million for the current year, which means they will have to borrow around \$17 million from the state to pay off total debts.

Joliet, Il

Deficit through December 2011: \$21 million

Budget in FY2010: \$274 million

Annualized gap: 7.7%

Last year, the city increased property tax by over 12 percent and hiked water and sewer rates by 45 percent over three years to help with the deficit. The city council also cut police and public sector jobs.

Camden, NJ

Deficit through December 2011: \$26.5 million

Budget in FY2010: \$178 million

Annualized gap: 15%

Despite holding title of second most dangerous city in America, Camden recently received approval to lay off half of its police force.

Hamtramck, Mi

Deficit through June 2012: \$4.7 million

Budget in FY2011: \$18 million

Annualized gap: 17%

City manager Bill Cooper was denied permission to declare bankruptcy. He says the city is owed millions of dollars in tax dollars from Detroit from a shared facility. The state offered the city a loan to stave off bankruptcy.

Cooper says he has already cut almost everything possible, going so far as to lay off the city's five crossing guards.

Hamtramck might avoid bankruptcy, but also-broke Michigan can't afford many of these deals. That's why Gov. Rick Snyder predicts "hundreds of jurisdictions" going bankrupt in the next four years.

Central Falls, RI

Deficit through June 2012: \$7 million

Budget in FY2011: \$21 million

Annualized gap: 22%

Central Falls has been put in state receivership due to critical budget problems. State-appointed receiver Mark Pfeiffer thinks the best solution is for Central Falls to be annexed by its neighboring city, Pawtucket.

Paterson, N.J.

Deficit through December 2011: \$54 million

Budget for FY2010: \$225 million

Annualized gap: 24%

As a "last resort," Paterson is considering laying off 30 percent of its police force, said councilman Steve Olimpio. This will put 150 police officers out of work.

BONUS: Chicago, IL

Deficit through December 2011: \$654 million Closed

Budget in FY2010: \$6.8 billion

Annualized gap: 9.6%

Mayor Richard Daley has balanced the budget, but absolutely ruined Chicago finances from here on.

His FY2011 plan uses up nearly the entire revenue from a long-term lease of the local parking system and airport, which he passed in 2008. The multi-billion lease deal was supposed to last for decades, but it only lasted two years. The best hope for the future is building a city-owned casino.

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