

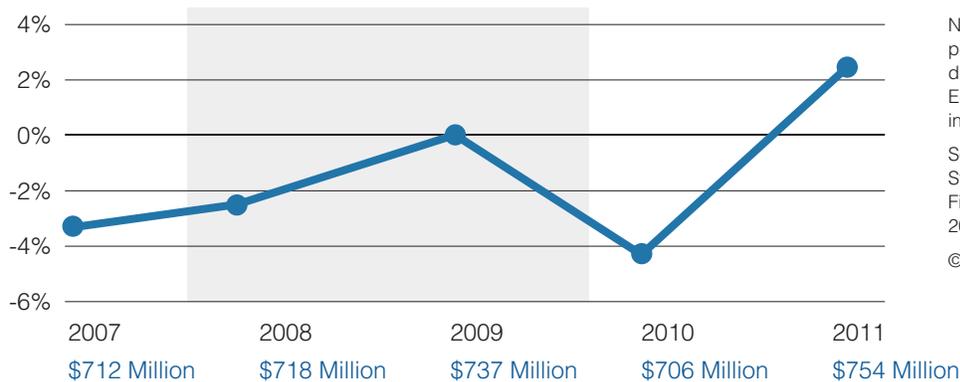
St. Louis

St. Louis bounced back two years after the Great Recession as revenue rebounded and spending was cut

St. Louis' revenue bounced back in 2011 from the Great Recession to surpass the previous peak by 2 percent, but financial challenges remain. Increases in aid from other governments and sales tax, the city's largest revenue category, drove the growth in 2011 revenue. (See Figure 1.) At the same time, operating spending decreased, helping the city bolster its reserves. Meanwhile, St. Louis' pension funding levels took a hit during the Great Recession, though reform efforts are moving forward.¹

FIGURE 1

St. Louis Governmental Revenue, Percent Change From Pre-downturn Peak, 2007-11



Note: Shaded area indicates the period of the Great Recession as defined by the National Bureau of Economic Research. Amounts are in 2011 dollars.

Source: Pew calculations from St. Louis' Comprehensive Annual Financial Reports for fiscal 2007-11.

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Total revenue dropped \$31 million from its peak in 2009 to the low point just one year later, after adjusting for inflation. The main factors in those losses were declines in the gross receipt tax and St. Louis' earnings and payroll taxes.

Despite the losses, operating spending increased \$17 million in 2010, led by housing and economic development. That spending growth forced the city to draw down reserves by 38 percent.

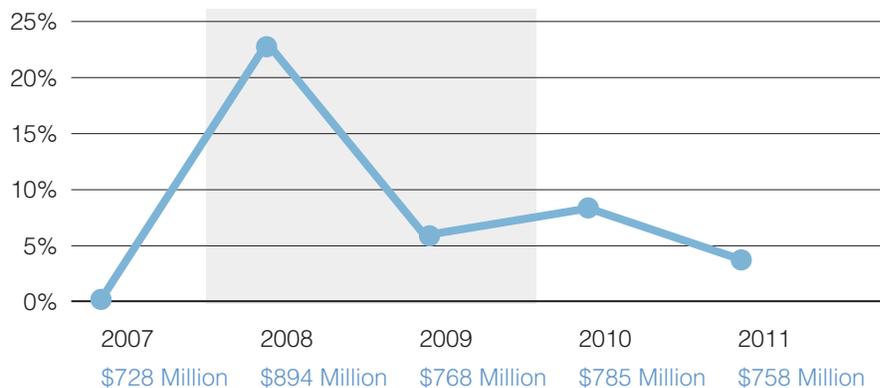
Almost every revenue stream contributed to the 2011 rebound, and spending cuts continued

Virtually all of St. Louis' revenue categories bounced back in 2011. The largest growth was a \$19 million increase in intergovernmental aid, which included some funds from the American Recovery and Reinvestment Act. Sales tax receipts rose \$11 million after an increase in the rate on the MetroLink light rail system, and a \$9 million rise in charges and fees was mainly because of new refuse collection fees.² Voters approved the continuation of the city's income tax through 2016, when another referendum will be held.³ Property tax collections were the only revenue source to decline between 2010 and 2011, though they did so by less than 1 percent.

With reserves diminished from earlier revenue losses, St. Louis cut operating spending \$27 million in 2011. (See Figure 2.) Public safety, the city's largest expenditure category, declined \$11 million in 2011, despite a voter-approved, dedicated, half-cent sales tax passed in 2007.⁴

FIGURE 2

Change From 2007 in St. Louis Operating Spending, 2007-11



Note: Shaded area indicates the period of the Great Recession as defined by the National Bureau of Economic Research.

Source: Pew calculations from St. Louis' Comprehensive Annual Financial Reports for fiscal 2007-11.

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Managing the future: St. Louis is working to rebuild reserves and reform its pension system

Demand for services, investment decisions, and revenue performance driven by economic activity and demographic changes will shape St. Louis' fiscal future. Long-term factors of financial health, which can be analyzed using the data available, are pensions and retiree health obligations and reserve levels.

The tax and fee increases and spending cuts helped St. Louis replenish \$3 million in reserves in 2011. Looking forward, the city's strategic financial plan recommends allocating 5 percent of total expenditures toward rainy-day funds.⁵

Although the city's pension plans were 87 percent funded in 2010,⁶ the rising cost of firefighter pensions threatened the closure of firehouses—an outcome ultimately averted in 2011 by an infusion of federal grant money.⁷ Mayor Francis Slay has focused on revising the firefighters' pension system: In 2012, city aldermen approved substantial changes that would create a city-run system with lower benefits for new hires. A recent court ruling affirmed the reform package, though the plaintiffs may appeal.⁸

See Pew's 30-city interactive at pewstates.org/City-Fiscal-Conditions-Interactive for complete data.

Endnotes

1 See the full study methodology at pewstates.org/City-Fiscal-Methodology for a detailed explanation of the terms used in this profile and view the underlying data at pewstates.org/City-Fiscal-Conditions-Interactive.

2 City of St. Louis, Missouri, *Comprehensive Annual Financial Report, Year Ended June 30, 2011* (2011), v, http://www.metrostlouis.org/Libraries/Annual_Financial_Reports/FY_2012_Comprehensive_Annual_Financial_Report.pdf.

3 David Hunn, "St. Louis Voters Overwhelmingly Approve Earnings Tax," *St. Louis Post-Dispatch* (April 6, 2011), http://www.stltoday.com/news/local/govt-and-politics/st-louis-voters-overwhelmingly-approve-earnings-tax/article_186f67d3-fdd5-5b3f-862c-6f6a726f9184.html.

4 The tax is "solely for the purpose of providing revenue for the operation of public safety departments, including police and fire departments." St. Louis City Revised Code, Chapter 5.24: Sales Tax, <http://www.slpl.lib.mo.us/cco/code/data/t0524.htm>; City of St. Louis, *Comprehensive Annual Financial Report, Year Ended June 30, 2010* (2010), 210, <http://stlouis-mo.gov/government/departments/comptroller/documents/fy10-cafr.cfm>; and David Hunn, "St. Louis Police Chief to Recommend Cutting 80 Officers," *St. Louis Post-Dispatch* (April 17, 2012), http://www.stltoday.com/news/local/govt-and-politics/political-fix/st-louis-police-chief-to-recommend-cutting-officers/article_2a4fbadc-88d3-11e1-b04f-0019bb30f31a.html.

5 City of St. Louis, *Comprehensive Annual Financial Report, Year Ended June 30, 2011* (2011), II, <http://stlouis-mo.gov/government/departments/comptroller/documents/fy11-cafr.cfm>.

6 For more information on and analysis of the state of retirement funding in the 30 cities, see The Pew Charitable Trusts, American cities project, *Cities Squeezed by Pension and Retiree Health Care Shortfalls* (March 2013), http://www.pewstates.org/uploadedFiles/PCS_Assets/2013/Pew_city_pensions_brief.pdf.

7 David Hunn, "Federal Grant Will Save St. Louis Firefighters' Jobs," *St. Louis Post-Dispatch* (March 31, 2011), http://www.stltoday.com/news/local/govt-and-politics/federal-grant-will-save-st-louis-firefighters-jobs/article_2e2303f3-81a9-54e8-ba09-c394f16297e0.html.

8 Nicholas Pistor, "Judge Upholds St. Louis Overhaul of Firefighter Pension Plan," *St. Louis Post-Dispatch* (June 3, 2013), http://www.stltoday.com/news/local/govt-and-politics/political-fix/judge-upholds-st-louis-overhaul-of-firefighter-pension-plan/article_ca9d7e6b-b482-5a51-bb2a-1fa9e19d3176.html; and David Hunn, "St. Louis Aldermen Approve Pension Cuts, but Court Battle Looms," *St. Louis Post-Dispatch* (July 14, 2012), http://www.stltoday.com/news/local/govt-and-politics/st-louis-aldermen-approve-pension-cuts-but-court-battle-looms/article_0967b2e9-932d-507e-93ce-165296120546.html.