RESEARCH

League of Oregon Cities

STATE OF THE CITIES REPORT

December 2025

2025 State of the Cities

Every two years, the League of Oregon Cities (LOC) conducts a survey to gauge the general fiscal condition of the cities in Oregon. In 2025, 70% of the 241 cities Oregon saw an increase in service demand, compared to 68% in 2023 and 56% in 2021. Additionally, the financial outlook for cities is significantly more distressing. In the past, 90% of cities were better able or able to meet their financial needs compared to the previous year. This year's survey shows only 65% respond in the same way.

For most cities, the primary sources of revenue are property taxes and utility franchise fees. Studies by the LOC for the last decade show franchise fee revenues often do not keep pace with inflation. Additionally, the property tax constraints from Measures 5 and 50 have created a system that limits the amount of tax revenue available to local governments. This means that primary revenue sources for cities are steadily shrinking, forcing local governments to either rely on alternative revenues, cut spending, or eliminate services.

Overall, the 2025 survey shows member cities are facing mounting financial strain as costs continue to rise faster than revenues. Very few cities report improved fiscal capacity, and many describe structural pressures driven by inflation, wage and benefit increases, infrastructure needs, and state mandates. In response, cities increasingly rely on fees and charges to close gaps, while new revenue sources remain scarce. Meanwhile, housing shortages and homelessness are reshaping city operations, increasing demand on police, public works, parks, and city staff.

This survey collected data between October 20, 2025, and November 14, 2025, with 49 cities responding. The respondents represent only 901,060 city residents, or 30% of the city residents in Oregon. In addition, survey respondents were overrepresented by cities in the 3rd and 5th Quintiles[1] and cities in the Metro, South Willamette Valley, and several Eastern Oregon regions.

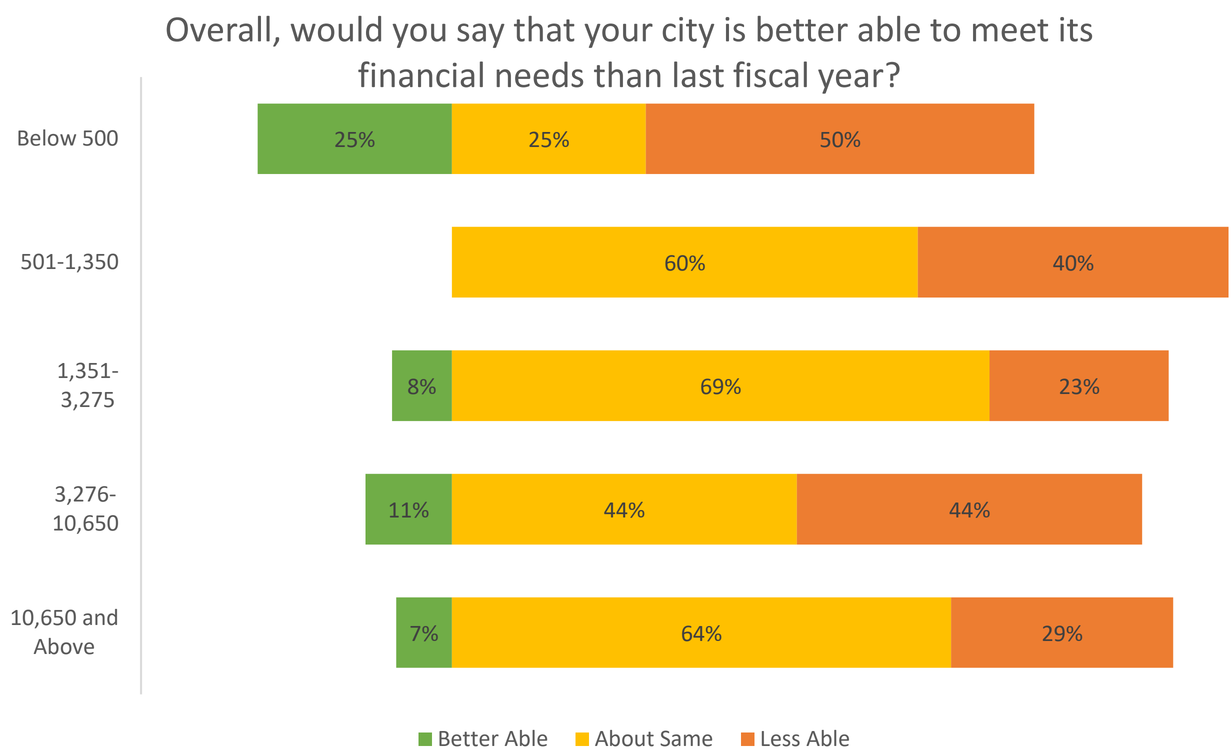
Results

Just 10% percent of responding cities reported they were better able to meet financial needs, as opposed to 19% in 2023 and 39% in 2021. This demonstrates the slow and steady decline in fiscal health for cities in Oregon. Cities with a population greater than 10,800, as well as cities with a population less than 3,276 were more likely to indicate they were "less able" to meet fiscal needs compared to the previous year. While 35% of cities overall were less able to meet fiscal needs, this number was only 10% in 2021. While the majority (55% of cities) indicated their ability to meet financial needs was about the same as previous years, this should not be misconstrued as a positive trend. By comparison, no city in the following regions reported their city is "better able" to meet financial needs: Metro, North Willamette, South Willamette, Central Coast, South Coast, Southern Oregon, Central Oregon, and South Central Oregon.

When asked to follow-up on their responses, cities across Oregon overwhelmingly reported structural financial strain driven by rising costs that consistently outpace revenue growth. Inflation, rapidly increasing labor and benefit expenses (especially PERS and health insurance) and escalating infrastructure and regulatory demands are the dominant pressures. These challenges are compounded

[1] To provide a more accurate comparison, cities are divided into population quintiles, or groups of cities representing roughly one-fifth of the 241 total cities. If the LOC randomly selected cities from each quintile, we would expect 20% to come from each of the five quintiles. See the quintile population chart on pg. 6.

by Oregon's restrictive property tax system, an ever-present concern for the LOC and its member cities. Small cities are particularly vulnerable, citing unfunded mandates, lack of staffing capacity, and project overruns.



Cities maintained or increased their financial practices from the previous year, depending on the activity. Among the surveyed actions taken in FY2025, cities most commonly:

- Increased fees/charges/licenses (71%, previously 59%);
- Maintained overall service levels (78%, same as 2023);
- Maintained city FTE's (55%, previously 59%);
- Maintained transportation infrastructure spending (37%, previously 49%);
- Maintained water infrastructure spending (51%);
- Maintained safety spending (45%, previously 47%);
- Increased operating spending (78%, previously 84%);
- Increased employee wages (78%, previously 84%); and
- Maintained employee contributions to health insurance (59%, previously 67%).

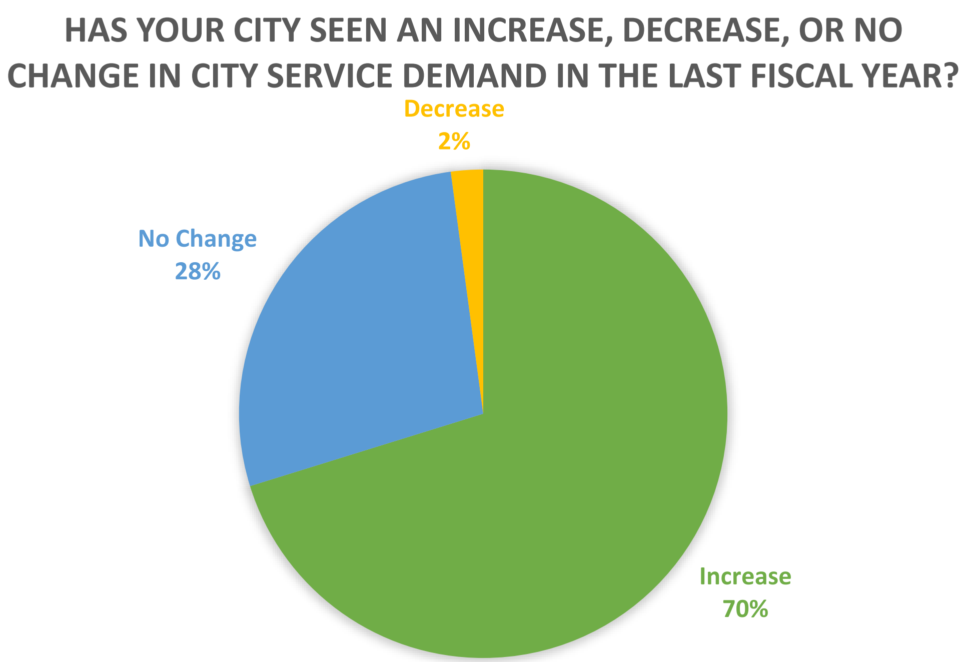
These results indicate significant increases in operating costs and wages, reportedly due to inflation. Further, the inability of other revenue sources to keep pace has resulted in an increase in fees, charges, and licenses to fill the gap. Increases of this kind increased 12% from the responses two years prior. Cities with a population greater than 10,800 were most likely to increase charges and fees.

Due to a more cautious approach among member cities, spending patterns have remained relatively identical since 2017. Only 22% of responding cities added new revenue sources in FY2025. This was the exact same response rate in 2023. These included lodging taxes, miscellaneous fees, and one reported local option levy.

Cities in Oregon have reduced staff, services and hours in some areas. But the rate of these cuts is less consistent than in some years. This could be due to hours and staff being consistently cut over the last several iterations of this survey, and there simply is less to easily scale back. Respondent cities reduced staffing, services, and/or hours of operation in the following areas:

- City Hall (17% of cities, previously 14%)
- Libraries (10%, previously 9%)
- Senior Services (0%, previously 7%)
- Planning/Permitting (15%, previously 6%)
- Public events/arts/etc. (9%, previously 12%)
- Police (15%, previously 10%)
- Fire Services (0%, previously 3%)
- Social Services (4%, previously 6%)
- Transit/transportation services (11%, previously 3%)
- Recreational facilities and/or activities (4%, previously 10%)
- Parks/green spaces/natural areas (13%, previously 10%)

The fiscal health of cities statewide is also reflected in their end-of-year general fund balances. Thirty-six percent of cities saw an increase in their general fund balance in FY2025, far less than the 52% found in 2023. Further, 32% saw a decrease, which is slightly more than 26% in 2023.



The fiscal health of cities is also determined by the demand for services. In the last year, most cities (70%) saw increases in service demand, particularly those in the Central, South Central, and Northeastern Oregon regions, as well as those in the 3rd Quintile. Further, 71% of cities expect demand to continue increasing in the future. Both responses are consistent with the previous survey, though perception of forecasted demand is slightly lower than the 78% found in 2023. This could be a localized issue or could be tied to flat population forecasts in certain regions of Oregon.

When asked to rank the most important factors in their city's financial health, LOC members listed wages, PERS contributions, and "other" as the highest cost drivers. Wages are most commonly the first most important cost driver for member cities, this year the most common answer was "other." However, responses to the survey do not provide a clear trend in "other" drivers. The fourth most important cost driver was employee healthcare.

As was true in 2023, cities were asked about housing and homelessness. These open-ended questions provided a rich narrative about the impact of housing shortages and homelessness in Oregon. Respondents suggest Oregon's housing shortage is not just driving up rents; it is reshaping the ability of cities to function. Respondents report widespread impacts on their labor markets, economic development, recruitment of city personnel, and overall livability. The current housing shortage is undermining business growth and discouraging new residents from settling in cities. Rising home prices, declining school enrollments, stalled commercial development, and demographic shifts are repeatedly cited. Even cities that do not see large homeless encampments still feel the shortage indirectly, losing younger families, essential workers, and long-term residents while growth opportunities stagnate.

The increase in homelessness that follows limited housing supply produces other issues. Police, parks, code enforcement, and public works departments are affected by homelessness, absorbing costs through overtime, cleanup, and vandalism prevention. City respondents report dedicating large amounts of time to interagency coordination, social service referrals, and regulatory compliance. The shortage in housing combined with increasing homelessness has produced a compounding series of problems for some Oregon cities.

Conclusion

The 2025 State of the Cities Survey shows cities in Oregon continuing to experience a slow but steady decline in fiscal health. Only 10% of respondents report being better able to meet financial needs compared to the previous year. The number of cities reporting they are "less able" to meet their needs has risen to 35%, more than three times the rate in 2021. Notably, no city in eight of the 12 small city regions reported an improvement in financial capacity. Cities attribute their current fiscal strain to a combination of inflation, rising wages and benefit costs (especially PERS and health insurance), infrastructure needs, and regulatory demands, all compounded by Oregon's restrictive property tax system.

Despite the fiscal pressures, most cities have attempted to hold spending patterns steady, relying on fee and license increases (reported by 71% of respondents) rather than new revenue sources. While wages and operating costs have increased, reductions in staffing or services have occurred unevenly and often reflect years of prior cuts, leaving fewer areas to scale back. Meanwhile, the demand for city services continues to grow. Finally, respondents highlighted Oregon's housing shortage and the corresponding rise in homelessness as compounding threats to city financial stability. Even cities without visible encampments feel the impact through demographic shifts, declining school enrollment, and reduced capacity to attract or retain residents and staff.

Key Findings

- Cities are getting weaker financially, with far fewer able to meet their needs than in 2023.
- Rising costs are overtaking revenues, especially due to inflation, wages, benefits, and infrastructure demands.
- Cities are relying more on fees and charges instead of new revenue sources or reforms.
- Cuts to services are now more selective, as many areas have already been reduced in previous years.
- Housing shortages and homelessness are straining operations, affecting staffing, public safety, parks, and economic development.

Notable Quotes

“Inflation has continued to outpace revenue for the past several years, combined with increasing demand for public services.” – Tigard

“Each year property tax limitations (West Linn has an extremely low frozen rate) drive us closer to deficit mode. Our projected shortfall in 5 years is the largest ever.” – West Linn

“The city is being forced to hire consultants to comply with housing code mandates and DEQ mandates and OSHA compliance. Small towns do not have the personnel capabilities and financial resources to keep up with all the requirements… who is going to plow the roads and do the water and sewer testing?” – John Day

“We were unable to renew our contract with the County Sheriff’s Office… Myself and the Asst. City Recorder took temporary pay cuts. We are unable to hire anyone part-time to help with planning due to funding. – Chiloquin

“I will know that we have succeeded when city staff can afford to buy a home within city limits. As is, some commute 20+ miles daily… Many servers, cleaners, etc. live in substandard housing. In summer, many camp or live in cars.” – Yachats

Cost Driver Ranking

1	Other
2	Wage/Salary Costs
3	PERS Contributions
4	Employee Healthcare
5	Infrastructure Maintenance/Repair
6	Law Enforcement
7	Fire/Ambulance Service
8	City Insurance
9	Debt Service
10	Marijuana

Appendix A: Population Breakdowns by Quintile

Quintile Ranges		# Cities	% Cities
1st Quintile	<490	48	19.8%
2nd Quintile	491-1,350	48	19.8%
3rd Quintile	1,351-3,275	48	19.8%
4th Quintile	3,276-10,800	48	19.8%
5th Quintile	>10,800	49	20.2%
Small Cities	<5,000	161	66.5%
Top 5 %	>45,000	12	5.0%