

RESEARCH



LEAGUE OF OREGON CITIES 2025 RESEARCH REVIEW

By Paul Aljets

JANUARY 2026

2025 LOC Research Review

January 2026

Paul Aljets, Aljets Consulting

The League of Oregon Cities' 2025 research shows trends in city governance marked by ongoing structural limits, but not crisis. Oregon cities are growing more skilled and adaptable to changing circumstances. However, they struggle with a revenue-expenditure gap. This is due to limits on property taxes, low franchise and state shared revenues, and rising costs from inflation, labor, aging infrastructure, and regulations. Cities mainly use small, non-structural changes to adapt. They have increased fees, developed charges, modernized billing and asset management, and eased enforcement. Cities tend to do this instead of creating new revenue sources or expanding services. Infrastructure risks are often being put off instead of addressed. Growth-related costs are shifting financial burdens to housing. At the same time, political pressures are leading to many waivers and accommodations. Governance remains stable but demographically narrow. The findings show a path of managed austerity. Cities are keeping operations steady and maintaining trust, even in a tight and fragile financial situation.

Introduction

The League of Oregon Cities has created many research reports over the years. Some years have seen as few as six, while other years have seen more than a dozen. Often, surveys are used to collect this data. Without reading every research report from the LOC each year, it is difficult to often know which research findings stand out. For this reason, the LOC has decided to begin an annual review of research findings to give member cities and LOC staff a quick assessment of the state of research findings in the subjects studies that year.

This year, LOC conducted the following:

- State of the Cities Survey;
- Water Rates Survey;
- System Development Charges Survey;
- Franchise Fee (ROW) Survey;
- City Electeds Demographics Survey; and
- State Shared Revenue Report

This year had no incidental survey (meaning all surveys are periodically conducted on a set schedule and there were no “one-off” surveys) and most of these were more technical. The following is a recap of the key findings of each survey.

2025 State of the Cities Survey

Every two years, the LOC conducts a survey to gauge the general fiscal condition of the cities in Oregon. Sixty-eight percent of cities have seen an increase in service demand, compared to 56% in 2021. Additionally, the financial outlook is significantly more distressing. In the past, 90% of cities indicated they were better able or able to meet their financial needs compared to the previous year. This year’s survey shows only 70% respond in the same way. Overall, this year’s survey indicated a considerable lack of certainty for cities across the state.

For most cities, the primary sources of revenue are property taxes and utility franchise fees. Studies by the LOC since 2016 reveal 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 taxable revenue available to local governments. This means that traditional revenue sources for cities are steadily shrinking, forcing local governments to either rely on alternative revenues, cut spending, or eliminate services.

While most cities reported financial conditions as stable or improving over the last year, a marked decline in optimism for future fiscal health is evident. Cities have reacted by adjusting their financial practices; the majority increased fees, charges, and licenses, while maintaining or slightly increasing service levels and city employee numbers. There is a clear trend of operating cost hikes, likely due to inflation, with some cities also reporting staff and service cuts in departments such as city hall, libraries, and social services. These adjustments have not been uniformly sufficient.

Other findings include the following:

- Fiscal capacity is deteriorating: Only 10% of cities reported being better able to meet financial needs in 2025, down from 19% in 2023 and 39% in 2021.
- Service demand continues to rise: 70% of cities reported increased service demand, compared to 68% in 2023 and 56% in 2021.
- Fee reliance is widespread: 71% of cities increased fees, charges, or licenses in FY2025, up from 59% in 2023.
- Cost pressures are structural: Inflation, wages, PERS, healthcare, infrastructure, and regulatory mandates were overwhelmingly cited as drivers outpacing revenue growth.
- Trend (2021–2025): Cities reporting they are *less able* to meet financial needs rose from 10% (2021) to 19% (2023) to 35% (2025), indicating a steady decline in fiscal resilience.

2025 Water Rates Survey

The 2025 League of Oregon Cities Water Rates Survey presents a comprehensive snapshot of drinking water, wastewater, and stormwater utility practices across Oregon cities. The survey shows a system facing ongoing financial and regulatory stress. It's marked by rising rates, more use of asset management systems, and increasing complexity in infrastructure and billing practices. Cities are modernizing billing and easing delinquency enforcement. They are also increasingly adopting asset management frameworks. However, they face challenges. Aging infrastructure and rising costs from inflation are big problems. Also, uneven use of long-term planning tools, like water conservation plans, adds to the challenge.

Key findings from this survey include the following:

- Billing practices have shifted: 87% of cities bill monthly, while bi-monthly billing fell to 11%, reversing earlier small-city norms.
- Customer leniency has increased: Average time before water shutoff rose to 48.5 days, up from about 30 days in 2019.
- Penalty severity declined: Average late fees were \$14.36, and average interest rates fell sharply to 1.2%, down from 4.6% in 2023.
- Asset management adoption expanded: A majority of cities now report using formal asset management frameworks, particularly among larger jurisdictions.
- Trend (2019–2025): Cities have steadily extended delinquency timelines while reducing financial penalties, indicating a long-term shift toward affordability over enforcement.

2025 System Development Charges (SDC) Survey

The 2025 League of Oregon Cities System Development Charges (SDC) Survey highlights a continued expansion in the adoption and use of SDCs. Ninety percent of respondent cities now collect SDCs, up from 76% in 2022. Larger cities are most likely to enact SDCs, while smaller and rural areas remain less active. Revenue trends show declines in SDC collections since a 2022 peak, particularly in the largest cities, though mid-sized cities have experienced gains. Residential SDC estimates have risen sharply while non-residential charges have moderated, shifting more of the financial burden toward housing development. Waivers and accommodations remain common (offered by one-half of cities) especially to encourage affordable housing and small business

projects. Water and sewer SDCs are the most common. Parks, transportation, and stormwater SDCs differ significantly based on region and population size.

Key findings from this survey include the following:

- SDCs are now nearly universal: 90% of respondent cities collect SDCs, up from 76% in 2022 and 82% in 2019.
- Residential costs increased sharply: Estimated residential SDCs rose substantially statewide, while non-residential charges moderated.
- Revenue peaked then declined: Aggregate SDC revenue has declined since a 2022 peak, especially in the largest cities, despite rising per-unit charges.
- Accommodations are common: 50% of cities offer waivers or reductions, primarily for affordable housing and small business development.
- Trend (2016–2025): The share of cities offering SDC accommodations increased from 31% (2019) to 54% (2022) to 50% (2025), indicating normalization of fee flexibility.

2025 Franchise Agreement / Right-of-Way Survey

This 2025 League of Oregon Cities survey finds that telecommunications and cable franchises remain some of the largest city revenue sources, but the average amount is declining. Larger cities generate substantially higher revenues, though smaller cities are becoming more proactive in adopting right-of-way and permit fees. Despite this, inflation-adjusted revenues from both telecommunications and cable franchises have declined steadily since 2016—an annual loss of roughly \$3,000 to \$5,000 per franchise category. The findings suggest that franchise revenues, though vital to city budgets, are eroding in real value, and cities will need to adapt revenue frameworks to ensure fiscal sustainability in a changing digital landscape.

Key findings from this survey include the following:

- Telecom agreements dominate ROW revenue: Telecommunications franchises are the largest ROW revenue source for most cities.
- Governance is formalized: 88% of cities establish telecom franchises by ordinance, with an average term of about 10 years.
- Fee diversification increased: 37% of cities charge ROW permit fees, up from 20% in 2022, with smaller cities increasingly participating.
- City property leasing is significant: 44% of cities host telecom facilities on city property, with average lease rates around \$1,500/month.
- Trend (2015–2025): Cities have gradually expanded ROW fee tools as telecom infrastructure footprints shrink, though revenue growth has not kept pace with inflation.

2025 City Elected Officials Demographics Survey

The 2025 City Electeds Demographics Survey reveals that Oregon’s city officials are predominantly older, well-educated, and more affluent than the general population, with a growing representation of women in elected roles. While most officials are over 60 and nearly one-half are retired, some regions, like Northeastern Oregon, show notable involvement of younger residents. Female

officials now slightly outnumber males, particularly in smaller cities, marking a continued shift since 2018. The majority of elected officials statewide identify as White/Caucasian, and most hold at least a bachelor's degree, though educational attainment has slightly declined since 2022. Politically, elected officials trend as liberal overall, especially in larger cities, while smaller cities remain more conservative. Support for local autonomy remains strong, though slightly diminished compared to previous surveys.

Key findings from this survey include the following:

- Officials skew older: Most respondents are over age 60, and nearly 50% are retired, especially in cities under 490 population.
- Gender composition shifted: Women now represent 53% of elected officials, up from 47% male, reversing prior patterns.
- Educational attainment remains high: About 60% hold at least a bachelor's degree, though this declined from about 68% in 2022.
- Racial diversity remains limited: 89% of respondents identify as White/Caucasian, broadly consistent across city sizes.
- Politically, officials in larger cities trend liberal, while smaller cities trend conservative, reinforcing urban–rural ideological differences.

2025 State Shared Revenue Report

State shared revenues remain a foundational but insufficient component of city general funds. Highway Trust Fund revenues provide the largest per-capita distribution and have benefited from past transportation legislation, though long-term growth is uncertain due to vehicle efficiency and electrification. Liquor revenues continue to grow modestly but are offset by rising state-level costs that reduce net distributions to cities.

Marijuana tax revenues remain substantially reduced under the post-Measure 110 distribution formula, and cigarette tax revenues continue a long-term decline. The 9-1-1 tax increase has improved funding for emergency communications but does not fully cover system costs and is time limited. Overall, state shared revenues provide stability but do not materially improve cities' fiscal capacity or offset structural revenue constraints.

Key findings from this survey include the following:

- Highway Trust Fund revenues remain the largest state shared revenue source, totaling approximately \$238 million for cities statewide.
- Liquor revenues distributed to cities total roughly \$36.9 million, but net distributions are reduced by rising state-level costs, including OLCC capital projects.
- Marijuana tax distributions to cities fell by approximately 74% after Measure 110, and now total about \$4.5 million annually, indexed to inflation.
- Cigarette tax revenues continue a long-term decline, with cities receiving only about 2 cents per pack sold.
- 9-1-1 tax revenues increased following rate hikes but still cover less than 25% of total PSAP operating costs statewide.

Analysis of All Findings

If we integrate the findings in all subject areas studied in 2025, we see a pattern emerge in the data that is likely familiar to city electeds and staff alike. Cities are not experiencing sudden fiscal collapse but are also not recovering capacity. Instead, they are maintaining service continuity through incremental adjustments while core constraints remain unresolved.

Persistent Revenue–Expenditure Gap

Across all reports, a consistent finding is that costs are outpacing revenue growth. Inflation, employee wages and benefits (including PERS), infrastructure maintenance, and regulatory mandates continue to rise faster than legally constrained revenues. Only 10% of cities report being better able to meet financial needs than the prior year, while 35% report being less able, and the majority report being “about the same,” a condition that reflects stasis rather than stability. Property taxes remain capped by Measures 5 and 50, and neither franchise fees nor state shared revenues have grown sufficiently to offset these pressures. This is also likely the case for other secondary revenue sources that were not studied this year.

Increasing Reliance on Fees and Charges

With property tax limitations, cities increasingly rely on fees as fiscal adjustment tools. This pattern is evident across water rates, SDCs, franchise fees, and licenses. For example, 71% of cities increased fees or charges in FY2025, while only 22% added any new revenue source. Water and sewer utilities show steady rate increases, while SDC adoption has expanded to 90% of respondent cities, up from 76% in 2022. These tools boost revenue slightly, but don’t change cities’ long-term financial strength.

Infrastructure Stress and Deferred Risk

Infrastructure finance is a central concern across reports. Utility systems face aging assets and rising capital needs, yet rate increases remain difficult. Cities have improved technical management (adopting asset management systems and modern billing) but financial gaps persist. Utilities are getting more flexible with customers. In 2025, the average wait time before a water shutoff is 48.5 days. Late fees have dropped to around \$14. Plus, interest rates are at 1.2%, down from 4.6% in 2023. These practices preserve affordability but shift financial risk back onto cities.

Growth-related infrastructure funding increasingly depends on SDCs, particularly for housing. Residential SDC estimates have risen sharply, while non-residential charges have moderated, shifting more infrastructure cost to housing development. Half of cities now provide SDC waivers or accommodations, mainly for affordable housing. This shows the tension between funding infrastructure and making development easier. The result is a partial undercut of city revenue.

Constrained but Stabilizing Revenue Sources

Franchise fees and state shared revenues remain essential but (adjusted for inflation) in steady decline. Telecom franchises usually last around 10 years and are based on local laws. About 45% of cities have telecom facilities on public land. These generate average lease revenues of about \$1,500 a month for each site. However, technological changes and inflation have limited growth. State shared revenues provide some baseline stability but are insufficient to cover the gap. Even the largest shared source, the Highway Trust Fund (about \$238 million statewide), faces long-term uncertainty due to fuel efficiency and electrification.

Governance Capacity and Demographic Stability

Local governance maintains institutional stability, although it appears to lack demographic diversity. Elected officials are mostly older and well-educated. Most are over 60, and nearly half are retired, especially in smaller cities. Women now comprise 53% of elected officials statewide, marking a meaningful shift since 2018. Racial and ethnic diversity remains limited, with 89% identifying as White/Caucasian. These findings are mostly expected. However, they also raise questions about long-term representation and leadership renewal.

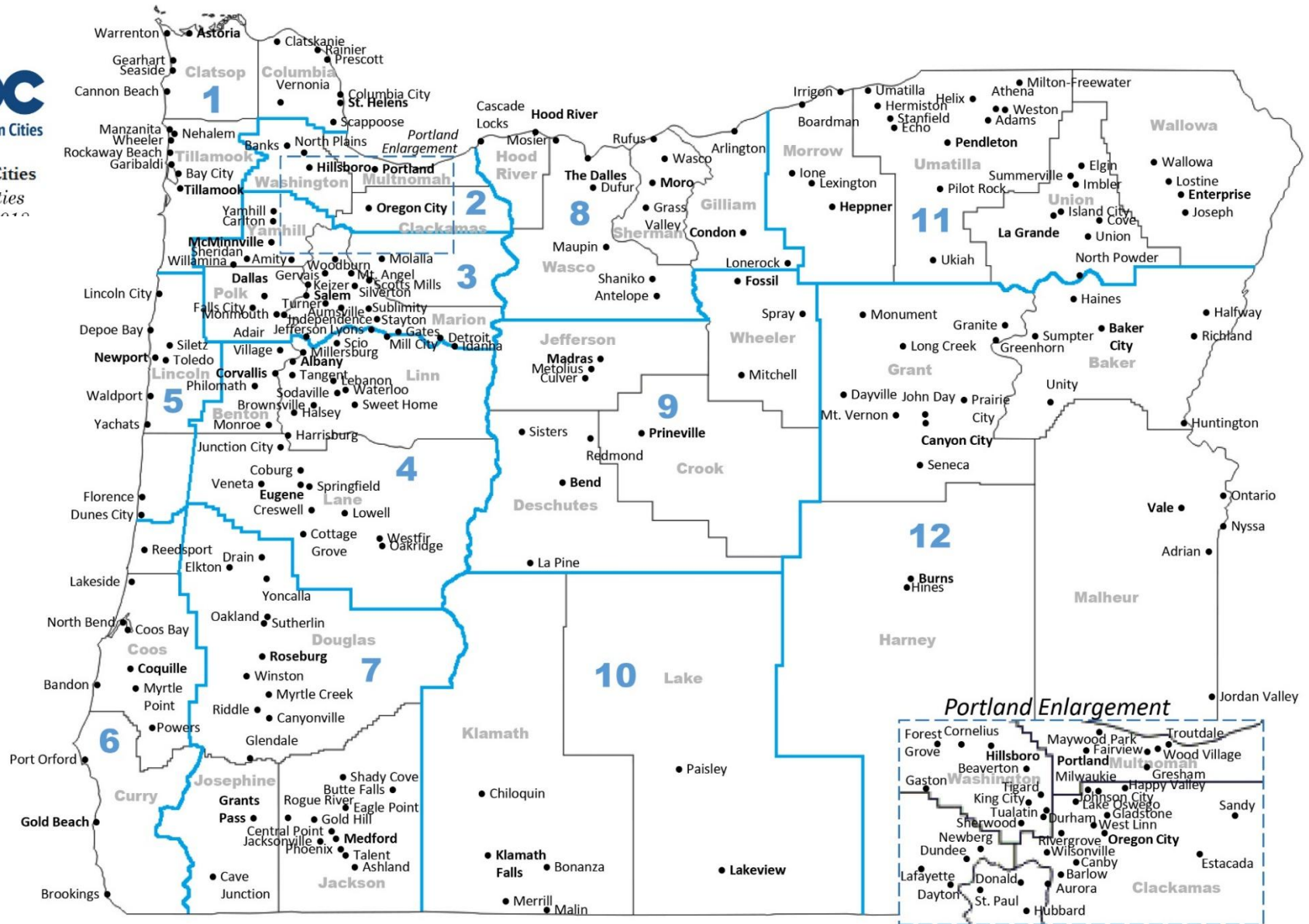
Overall City Trends in 2025

When combined, the LOC research findings point to a pattern of managed austerity. Cities are changing by using tech upgrades, adjusting fees, and being careful with enforcement. They are not focusing on major fiscal reforms as these are often beyond their control. Infrastructure risks are being deferred, service levels are largely held flat revenue is constrained. This trajectory is sustainable in the short term but gradually may erode fiscal resilience, particularly for smaller cities with limited administrative capacity and fewer revenue options. In short, Oregon cities in 2025 are managing well despite budget cuts. They keep operations stable and maintain public trust. However, their ability to handle unexpected issues or invest in future needs is shrinking.

Appendix A: Map of Small Cities Regions



Member Cities
Small Cities
Region 2010



Appendix B: Population Quintile and Regional Breakdowns

Quintile Ranges	# Cities	% Cities
1st Quintile <500	48	19.8%
2nd Quintile 501-1350	48	19.8%
3rd Quintile 1351-3275	48	19.8%
4th Quintile 3276-10650	48	19.8%
5th Quintile >10650	49	20.2%
Small Cities <5000	161	66.5%
Top 5 % >45000	12	5.0%

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	Region 7	Region 8	Region 9	Region 10	Region 11	Region 12	TOTALS
	N. Coast	Metro	N. Willamette	S. Willamette	C. Coast	S. Coast	S. Oregon	Gorge	C. Oregon	SC Oregon	NE Oregon	E. Oregon	
1st Quintile	3	1	4	3	0	0	2	9	3	2	8	13	48
2nd Quintile	2	4	5	7	2	2	5	3	1	3	10	4	48
3rd Quintile	8	2	9	4	3	3	6	1	2	1	5	4	48
4th Quintile	5	5	10	6	3	5	6	1	2	0	3	2	48
5th Quintile	1	19	7	6	1	1	5	1	3	1	3	1	49
TOTALS	19	31	35	26	9	11	24	15	11	7	29	24	241
	8%	13%	15%	11%	4%	5%	10%	6%	5%	3%	12%	10%	100%