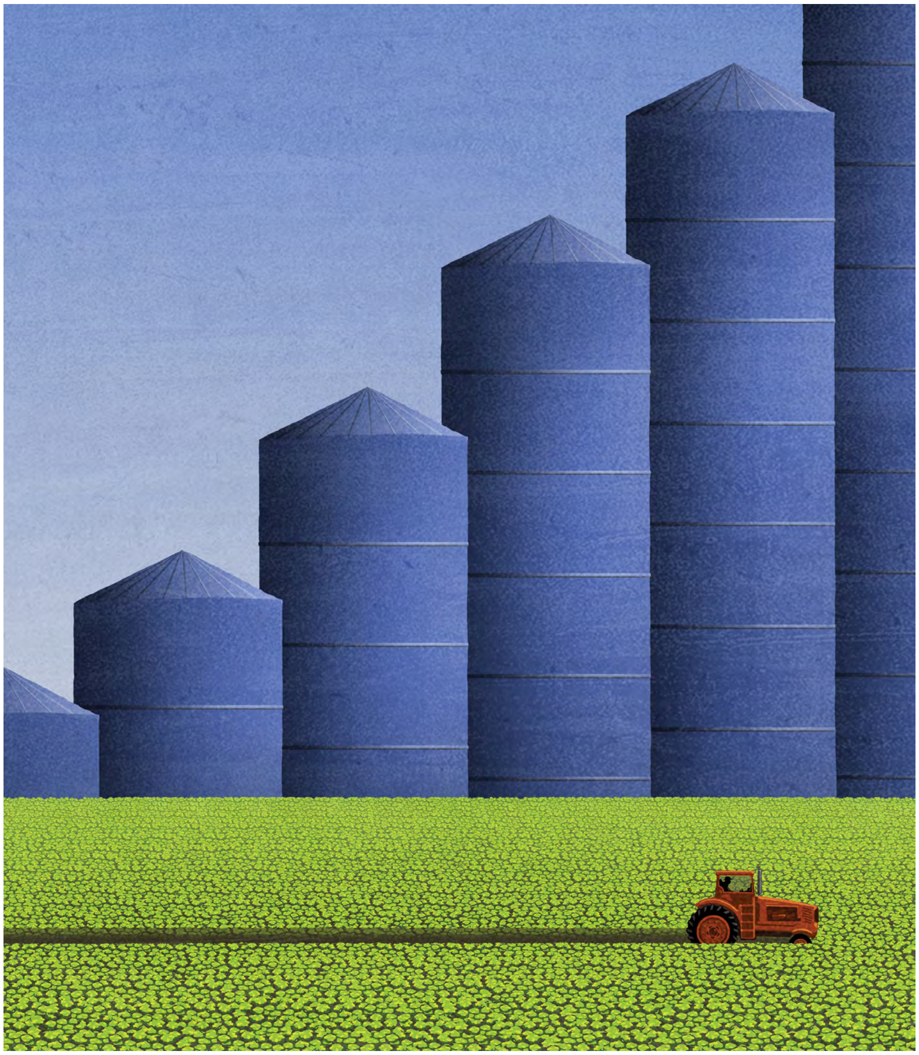

PERSPECTIVE

"Strategic Patience" Pays Dividends for Counties

BY JUSTIN MARLOWE

In Part 1 of Shakespeare's *Henry IV*, the loathsome knight Sir John Falstaff removes himself from a dangerous battle by faking his own death. When asked to explain himself, Falstaff simply says, "the better part of valour is discretion." This seems a deeply unsatisfying explanation for such a cowardly act. And yet, none other than the United States Marine Corps—an organization whose brand is valor and boldness—instills in its officers a twist on Falstaff's principle. They call it "strategic patience." In the chaos and confusion of battle, they believe, wisdom and caution go much further than reckless bravery.

Strange as it might sound, strategic patience is also at the core of one of the most important trends in local public finance today: the diverging financial trajectories of big cities and their urban counties.

Starting in the early 2000s, young people flocked to New York City, Chicago, Atlanta, Seattle, and other big cities that had otherwise struggled financially throughout the 1980s and 1990s. Life in the bars, clubs, and public spaces of these metros seemed like an endless stream of glamorous, "Instagram-able" moments. City finances reaped the benefits. Budget surpluses and major capital investments were the norm. Every big city, it seemed, added a new signature public amenity—the High Line in New York City, Millennium Park in Chicago, Atlanta's BeltLine, and Discovery Green in Houston, among others. According to the National League of Cities' City Fiscal Conditions Report, from 2000 through 2024 (excluding the Great Recession and COVID years), each year more than two-thirds of city leaders around the country reported being "better able" to balance future budgets compared to past budgets.

Meanwhile, life was far less alluring in the urban county governments that surrounded this city renaissance. Tasked with mundane and overlooked services like public health, the justice system, election administration, and emergency preparedness, and hobbled by tight statutory restrictions on revenue growth and dwindling state support, urban counties lurched from one fiscal year to the next. Each month was a fight to balance the budget, avoid major cuts to core services, and stay relevant.

Fast forward to today, and the tables have turned.

Chicago is Exhibit A. In December 2024, following a bruising three-month long fight between the mayor and city council, the City of Chicago, Illinois, passed a FY25 budget that closed a nearly $700 million gap—12 percent of its general fund—primarily with one-time revenue maneuvers like

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sweeping its tax increment financing district surpluses. FY26 will be much worse, with a projected deficit of well over $1 billion and no chance of returning to those same one-time fixes. S&P downgraded the city's general obligation credit rating in January 2025, and the other ratings agencies have placed it on negative outlook. The future is bleak.

Meanwhile, surrounding Cook County is the exact opposite. It has maintained stable property tax rates and balanced budgets for more than a decade. It boasts healthy reserves, a formal disaster preparedness fund, consistent pension contributions, and state-of-the art debt management practices. The ratings agencies have taken note. It enjoys general obligation credit ratings three to five notches higher than the City of Chicago, and in the past year it was upgraded by both Moody's and S&P.

This is not just a Chicago story. The City of Los Angeles, California, is facing a half billion-dollar deficit for its 2024 to 2025 budget, and even larger deficits over the next three years. Comptroller Kenneth Mejia characterized the outlook as "It's not looking good," and the people of Los Angeles will suffer based on decisions that City Hall makes. But by contrast, Los Angeles County has consistently run balanced budgets, is now AAA-rated by S&P and Fitch, and just reconfigured its governance structure to include an elected executive with even broader powers to set and execute an ever-widening array of effective financial management practices. We see the same pattern of chronic budget problems in Houston, Phoenix, Seattle, and other large cities, in contrast to a positive financial outlook in Harris County, Maricopa County, King County, and elsewhere.

What explains that divergence? Shifting regional economies and demographics are part of the story. Taxpayers leaving post-COVID cities and fanning out across the surrounding county have benefited the latter at the expense of the former. Revenue structure is also a key factor. Property taxes, the mainstay of county revenues, have been much more stable and reliable than the sales taxes and income taxes that are core to most big cities.

But the best explanation is strategic patience.

COVID brought county services out of the background and into the foreground. Virtually overnight, taxpayers suddenly cared deeply about public health, mental health, and emergency preparedness. With their rediscovered notoriety, county officials had ample opportunity to grab an outsized share of the state and federal support that poured into localities throughout the pandemic. They also had plenty of incentives. In March 2020, county public health services were operating at roughly one-half of what their staffing levels were before the Great Recession. Mental health services, election administration, and many other county services had suffered through similar savage cuts in the preceding decade. For them, COVID was a once-in-a-generation strategy to not just rebuild, but to expand and assert their influence.

But they didn't. Chastened by decades of cutbacks and constrained revenues, county leaders leaned into the "essential" in essential public services. They rebuilt core capacities. They kept their nonprofit partner organizations afloat. They stood up emergency relief services for essential workers and first responders. For the most part, they treated the federal and state support as one-time dollars and avoided the temptation to plan for ongoing spending. In short, they resisted the urge to overextend themselves during their moment in the limelight. They practiced strategic patience.

And we see the results today. Big city leaders, as they struggle through their new post-COVID financial reality, could take a lesson from Lord Falstaff, the Marines, and most importantly, from the county leaders up the block.

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