AWC’s mission is to serve our members through advocacy, education, and services.

**Vision**

AWC is a highly respected voice of cities and towns before the Legislature, Congress, government agencies, and others. We are the leader in providing valuable services and continuing education for our membership. We are the catalyst for promoting communication between cities and towns, and for developing a broad public understanding of the important roles of cities and towns across the State.
A Message from the AWC CEO

I would like to extend my gratitude to the Association of Washington Cities (AWC) Board of Directors and to each city and town for your continued support of, commitment to, and trust in AWC. 2013 marked the first year of implementing our updated Strategic Plan 2013 and Beyond which was adopted by the Board in late 2012.

The Strategic Plan provides a road map for our future, and ensures AWC is committed to being continually relevant and of value to our members. Our mission remains the same, and is still the right one for AWC - serving our members through advocacy, education, and services. Our vision now provides a longer-term view of why we do what we do. The Plan provides substance, and identifies five key components which are at the core of our strategic goals: voice, services, education, communication, and outreach.

As the strategic and united voice of advocacy representing the 281 cities and towns across our State, AWC invested significant time building and strengthening our relationship with Jay Inslee, Washington’s 23rd Governor, who was sworn into office in 2013. Relationships with the Governor and his staff, especially during times of transition, are integral to ensuring that the state and local government partnership continues to grow, and is part of the quotient in state government decision-making.

During 2013, we also took the first steps towards the strategic goal of facilitating civic engagement, youth outreach, leadership development, and volunteerism which is evident through the abundance and types of educational trainings and resources made available to our membership. To further our efforts to develop strategies for effective use of technology, the Board of Directors approved the purchase of an association management software package known as Aptify. 2013 was a year of building the functionality of this new and powerful database system, with preliminary work devoted to data and information transition from former antiquated systems to the new one. Full integration of both AWC internal use and member roll out is anticipated in 2014 and 2015, respectively. Additionally, each of AWC’s member pooling programs experienced a year of membership growth, effective service, improved efficiencies, and increased partnerships and collaboration.

AWC is undoubtedly an organization of purpose. As you read through the annual report, it is my hope that the fulfillment of AWC’s mission and vision will become evident through the many efforts mentioned. I know you will be impressed with all we are striving to do!

Michael McCarty
Chief Executive Officer
Association of Washington Cities
Legislative Advocacy

The strength and success of AWC’s legislative advocacy lies in its ability to adeptly represent the interests of 281 diverse cities in Washington. One united voice, speaking on behalf of the cities and towns across the State, has a significant impact on legislators here at home as well as those in Washington, D.C.

The 2013 Legislative Session was long and challenging with two special sessions following the regular 105-day session, a new Governor, a projected budget shortfall, and a need to fund K-12 education. However, cuts to state-shared revenues were spared with the exception of liquor taxes, and the $3.6B Capital Budget was mixed with both positive and negative outcomes. While it contained many projects important to cities and towns and a new $100 million investment in stormwater, the top news of the year was a sweep of the Public Works Trust Fund that will ultimately total over a billion dollars in lost infrastructure investment.

In addition to the dozens of issue positions adopted by the AWC Board of Directors for the 2013 Legislative Session, AWC’s collective voice of cities and towns focused on three core themes:

• Ensuring Financial Sustainability and Flexibility
• Fostering and Investing in Economic Development and Infrastructure
• Enhancing Cities Ability to Provide Services

Other city interests represented by AWC during the session included:

• Preserving Existing Local Revenue Authorities
• State Transportation Funding and Local Options
• Funding City Priorities in the Capital Budget
• Advocating for Stormwater Funding
• Sustainable Personnel Related and Public Records Costs
• Resist the Transfer of Responsibilities from the State to Cities

The AWC Strategic Plan 2013 and beyond document has outlined a path for our advocacy over the next few years. Your AWC Legislative team will accomplish these strategic goals by collaborating with the State and other partners; continuing to provide credible and timely information to legislators that help them refrain from passing legislation detrimental to cities; conducting research on new opportunities and best practices for fiscal sustainability; and listening to concerns that are relevant to the membership.
Member Outreach and Education

In 2013, the Association of Washington Cities celebrated 80 years of providing services, and representing Washington’s cities and towns before the state and federal legislatures, executive branches, and regulatory agencies. We maintained 100% membership of each of the 281 incorporated cities and towns located in Washington, and continued to fulfill our mission to serve our membership through advocacy, education, and services in meaningful ways.

Membership in AWC brings with it access to a wealth of information including education, publications and resources, technical program assistance, and networking opportunities. Below is a general overview of the educational opportunities and resources available to the AWC membership.

Education
- Certificate of Municipal Leadership
- Certificate of Advanced Municipal Leadership
- Elected Officials Essentials
- Conferences
  - AWC Annual Conference, City Action Days and Labor Relations Institute
- On-Demand Training
  - Community Planning and Development, Public Sector Resource Management, Leadership
- Regional Meetings and Small City Connectors
- Low Impact Development Stormwater Management Strategy
- Trust, RMSA, Retro and D&A membership educational opportunities

Resources
- Weekly, Monthly, and Annual Publications
- City and County Employee Salary and Benefit Survey
- Tax and User Fee Survey
- State of the Cities
- Budgeting for Cities and Towns in Washington State

It is through these educational training opportunities and resources that our members are offered the latest information on emerging topics that directly impact the way they operate.

During 2013, AWC launched a Civic Engagement Campaign to help cities encourage community members to run for elected office. The campaign provides online resources focusing on diversity - age, gender, race and perspectives, and was promoted through traditional and social media. Additionally, development continued with the Washington State University Extension pilot project to provide coaching and facilitation services for small cities. Finally, AWC partnered with the Washington State Council of Firefighters and the Washington Council for Police and Sheriffs to pilot the first ever Labor and Management Summit for Police and Fire.

AWC will continue to offer educational opportunities, publications, and other resources that are relevant to our membership, assist city and town responses to emerging trends, and lead to achievement of the goals and components identified in the Strategic Plan 2013 and Beyond.
Drug & Alcohol Consortium

The AWC Drug & Alcohol Consortium (D&A) was formed in 1995 in order to help cities and towns comply with federally-mandated drug and alcohol testing regulations for carriers and commercial driver’s license holders. These regulations identify who is subject to testing, when they are tested, and in what situations. They also impose privacy protections and restrictions on employers and service agents against the use and release of sensitive drug and alcohol testing information.

Enrollment in D&A allows consortium members from multiple jurisdictions the ability to participate in more viable random sampling groups at lower costs, access additional testing services required by regulations, and provides service for non-federal testing. Annual D&A membership fees range from $100-$200. Members pay the direct cost of testing and for other services such as mobile drug testing, non-random testing services, and consultation fees.

Member benefits include: sample policies and procedures; training videos, on-site supervisor and Designated Employer Representative training; access to substance abuse professional services, access to a network of drug/alcohol testing; computer generated random testing selection and notification services; federal reporting and recordkeeping; regulatory updates; and limited legal assistance for difficult testing issues.

Membership in the consortium continues to grow. In 2013 D&A served 133 entities including cities and towns, counties, transit, fire and rescue, libraries, and other special purpose districts. The AWC Drug & Alcohol Consortium is governed by the AWC Board Executive Committee.
Workers’ Compensation Retrospective Rating Program

Mission Statement: AWC Retro provides members exemplary services dedicated to the safety of their employees. We deliver loss prevention services to reduce the frequency and severity of workplace injuries, and claims management services to reduce claims costs and bring employees safely back to work. We provide the opportunity for members to qualify for workers comp premium refunds.

Almost a decade ago, AWC officially launched a workers compensation retrospective rating program based on member requests. At that time, AWC hired a third-party-administrator to manage the program. Today, the AWC Retro Program, which is a voluntary financial incentive program that helps employers reduce their industrial insurance costs, is managed and administered in-house. Employers receive refunds, or are assessed additional premiums, based on group performance. Labor & Industry (L&I) premiums for Retro members totaled almost $13M in 2013.

AWC Retro utilizes a risk management information system that combines claim, exposure, policy, and other risk-related data to provide comprehensive views of organizational risk. In 2013, 61 of the 99 Retro members were actively utilizing this claims software for claims review, status updates, action plans, and direct communication with claims managers. AWC’s Retro Safety Academy consists of a core curriculum of classes to enhance safety awareness and practices in all city departments.

With the exception of one year, AWC Retro has given refunds to every member since it was formed in 2004. As a merit rated program, members with a better than average performance receive a larger percentage of the refund.

In 2013, AWC Retro helped members receive almost $327,500 in reimbursements from the Washington State Department of Labor & Industries Stay at Work program. The L&I Stay at Work program partially reimburses employers for the cost of bringing injured workers back to safe, light-duty jobs before they are medically cleared to return to their job of injury.

Annual service fees for Retro program membership are based on a percentage of the previous year’s L&I premiums. The AWC Retro program is governed by the AWC Board Executive Committee.
Employee Benefit Trust

Mission Statement: Provide quality benefit programs and insurance services to Washington cities and towns in an efficient and cost-effective manner through timely information, technical assistance, member education and advocacy.

In 2013, AWC Employee Benefit Trust marked its 44th year by providing an array of medical, dental, vision, life and long-term disability insurance, as well as long-term care insurance and an employee assistance program to 225 municipalities and 44 quasi-municipal jurisdictions totaling approximately 35,000 employees and family members statewide.

Board of Trustees meetings in 2013 were dedicated to learning about the pros and cons of transitioning the Trust from fully insured plans to self-insurance, and hearing in-depth analysis from benefit, legal, and actuarial consultants. In August, a self-insurance application was submitted to and approved by the Washington State Risk Manager. Transitioning medical, dental (delta dental), and vision to self-insurance in 2014 is anticipated to save member employers $20M in premiums in the first year alone. The Trust retains the same carriers and benefit plans, while avoiding a 2% state tax and 2-3% federal insurance taxes, and takes advantage of other financial efficiencies. Trust members also take advantage of their own trend line, and benefit from health promotion efforts.

Member communication continues to be a high priority for the Trust. Members received multiple communications regarding changes to self-insurance, ensuring a smooth transition for employers and employees. Since The Affordable Care Act continues to pose challenges, we have remained attentive to the changing healthcare environment, and the needs of our membership by providing ample educational opportunities since 2010.

The Trust is governed by a regionally-elected Board of Trustees, with the AWC Board President and Vice President serving as the Chair and Vice Chair, respectively. The Board of Trustees contract with AWC for professional administrative services and licensing fees.
Risk Management Service Agency

*Mission Statement: Protecting employees, assets, and officials of Washington cities and towns through security, stability, and service.*

The Risk Management Service Agency (RMSA) celebrated 25 years of providing a property and liability risk pooling to its membership during 2013. On January 1, 1989, the AWC Board of Directors formed RMSA with just 35 cities, which has grown to a robust 92 members in 2013.

Member relationships are a priority for RMSA. We offer solid support with complicated claims, and address day-to-day practices that help ensure safer communities. Enhancing coverage to meet the needs of today and tomorrow is paramount. Controlling costs continues to be a major focus. By implementing proactive initiatives that are tailored for our memberships, RMSA helps members eliminate claims before they happen.

Member benefits include relevant trainings across the state, RMSA U on-demand training, onsite training sessions, and loss prevention inspections. Loss prevention funding tailored to members needs is available annually, and our contract review and pre-litigation program aids in reducing unnecessary, expensive litigation.

2013 was truly a banner year for AWC RMSA. Our robust loss prevention and training programs contributed to a very low volume of claims submitted - 280 as compared to 315 claims just five years ago. Financially, $1.4 million was added to our net position, increasing our statutory confidence level to 98%, far exceeding the minimum statutory level of 70%. Factors contributing to these positive results are reduction in claims reserves, positive trends in claim development, receipt of grant funds, and decreases in excess and reinsurance costs.

The RMSA is governed by a seven member board of directors, elected at-large, by the RMSA membership. The RMSA Board of Directors contracts with AWC for professional administrative services and licensing fees.
# Association of Washington Cities
## Statement of Financial Position

as of December 31, 2012 and 2011

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
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</thead>
<tbody>
<tr>
<td><strong>ASSETS:</strong></td>
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<tr>
<td>Total Current Assets</td>
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<td>Property and Equipment (net of depreciation)</td>
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<td>Long-Term Investments</td>
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<td><strong>Liabilities and Net Assets:</strong></td>
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<tr>
<td>Total Current Liabilities</td>
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<td>Long-Term Liabilities (Retro Refunds)</td>
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<td>Long-Term Debt (new building addition)</td>
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<td><strong>Net Assets</strong></td>
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<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td>10,077,912</td>
<td>10,418,335</td>
</tr>
</tbody>
</table>

The condensed financial information shown is derived from audited financial statements for 2012, 2013 and do not include notes and supplemental schedules.
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Association of Washington Cities

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