



# Charting Your Fiscal Future

**AWC Annual Conference**

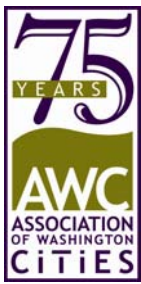
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# Fiscal Landscape

Times have changed...

- Substantial changes impacting revenue capacity
- Significant inflation in service costs
- Increased reliance on excise taxes
- Growing anti-government sentiment
- The “Russian Roulette” of initiatives
- Changing intergovernmental relationships



# A Quarter Century Ago

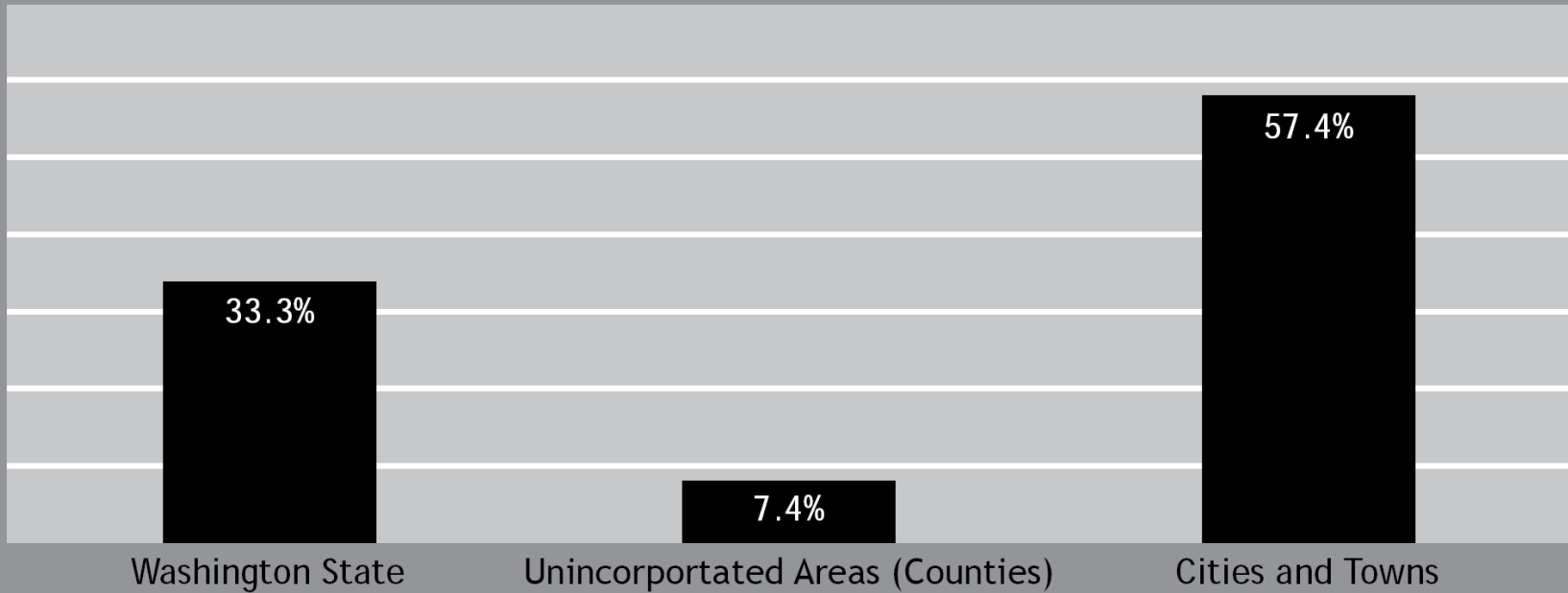
## Where have we been?

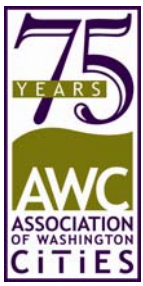
- 16 cities incorporated in last 25 years
- Incorporation population has grown by over 80% since 1983 (2007 city population: 3,975,000)
- Washingtonians residing in cities has increased from 51% in 1983 to 61% in 2008



# People Choose to Live in Cities

## City, state and county population growth since GMA (1990-2007)





# Where are we going?

Looking in the crystal ball...

Changes are concentrated in three areas:

- Demographic
- Economic/fiscal
- Societal/social contract



# Demographic Changes

- More diverse citizenry
  - ◆ May necessitate bilingual city workforce
  - ◆ May require different services
- Population is growing older
- Greater income disparity
- Increasing population concentrations in urban areas



# Economic/ Fiscal Changes

## Nationally:

- Impact of growth in the service economy
- State/federal unfunded mandates
- Growth in remote commerce
- Rapidly increasing inflation

## City:

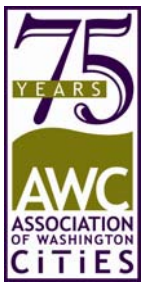
- Winnowing of the local government tax base
- Reliance on sales and excise taxes
- Growing disparity in fiscal wellbeing among cities
- Relative decline in state-shared revenues



# Economic/ Fiscal Changes

## Property Tax:

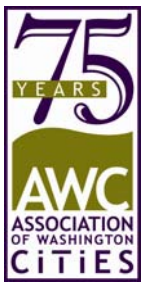
- Reduced capacity to grow in proportion to cost of services
  - ◆ Move away from manufacturing economy
  - ◆ I-747
- Recent increases due to improvements/new construction



# Economic/ Fiscal Changes

## Sales Tax:

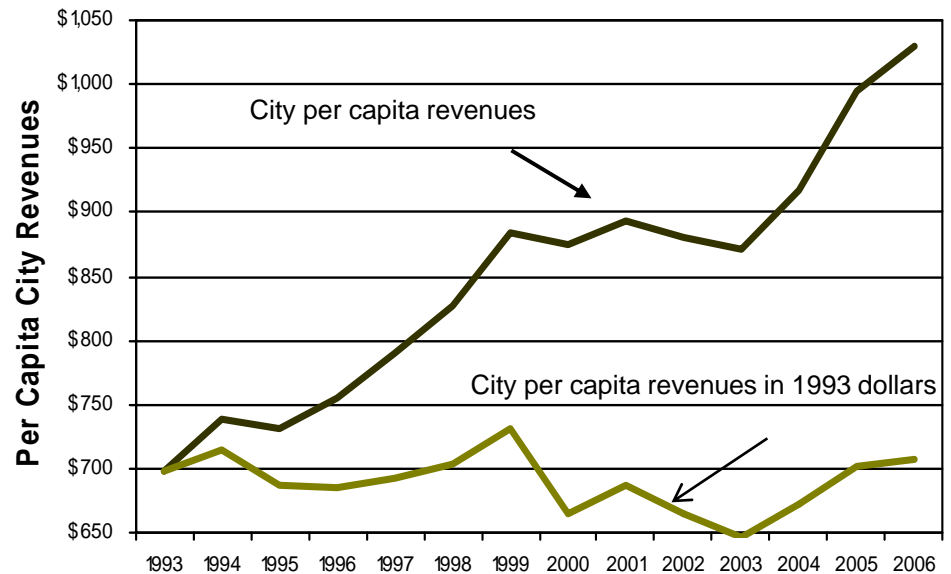
- Greater reliance on sales tax
- Increased remote sales activity (Streamlined Sales Tax Agreement)
- Inter-jurisdictional competition for sales tax base
- Loss of sales tax equalization

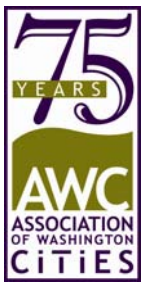


# Economic/ Fiscal Changes

Over the past 15 years, per capita revenue hardly keeps pace with inflation

|      | Per Capita Revenues* | Adjusted for Inflation |
|------|----------------------|------------------------|
| 1993 | \$698                | \$698                  |
| 1994 | \$738                | \$714                  |
| 1995 | \$731                | \$686                  |
| 1996 | \$755                | \$685                  |
| 1997 | \$791                | \$693                  |
| 1998 | \$827                | \$704                  |
| 1999 | \$884                | \$731                  |
| 2000 | \$874                | \$664                  |
| 2001 | \$893                | \$687                  |
| 2002 | \$880                | \$664                  |
| 2003 | \$871                | \$647                  |
| 2004 | \$917                | \$673                  |
| 2005 | \$994                | \$702                  |
| 2006 | \$1029               | \$708                  |





# Economic/ Fiscal Changes

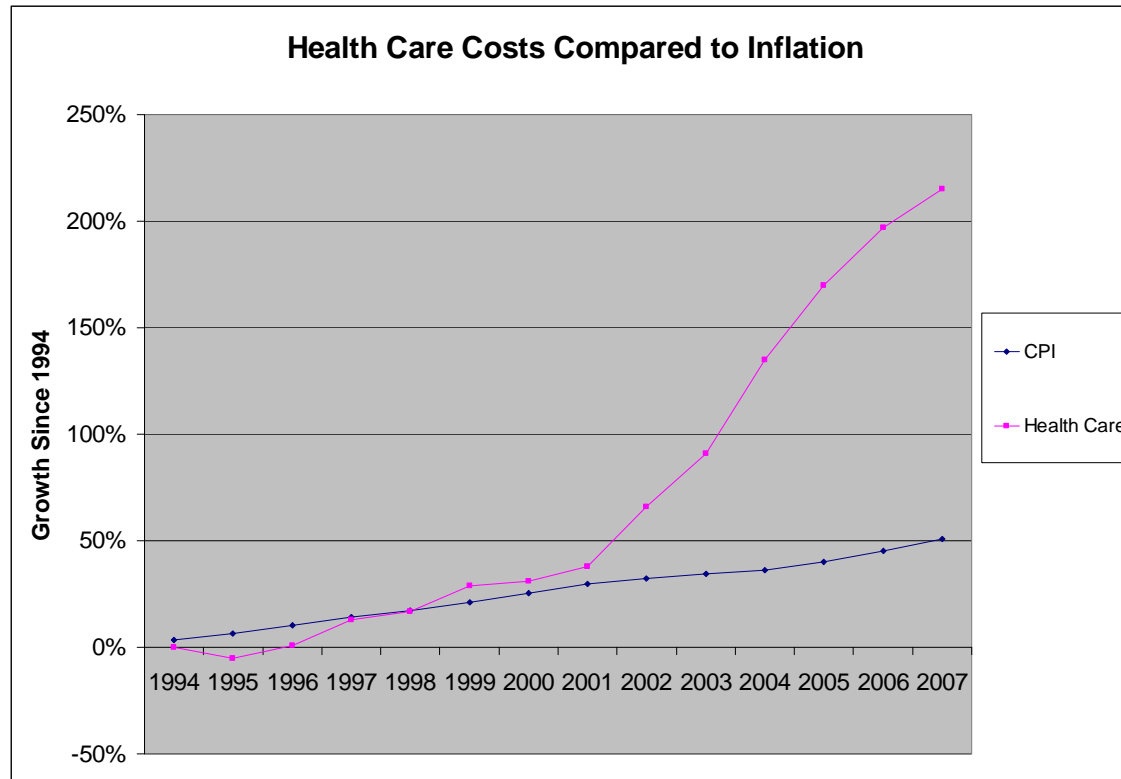
## Rising cost of service delivery

- Rising health care costs for employees
- Labor settlements
- Infrastructure construction costs
- Fuel costs
- State/federal unfunded mandates



# Economic/ Fiscal Changes

## Health care costs outpace inflation

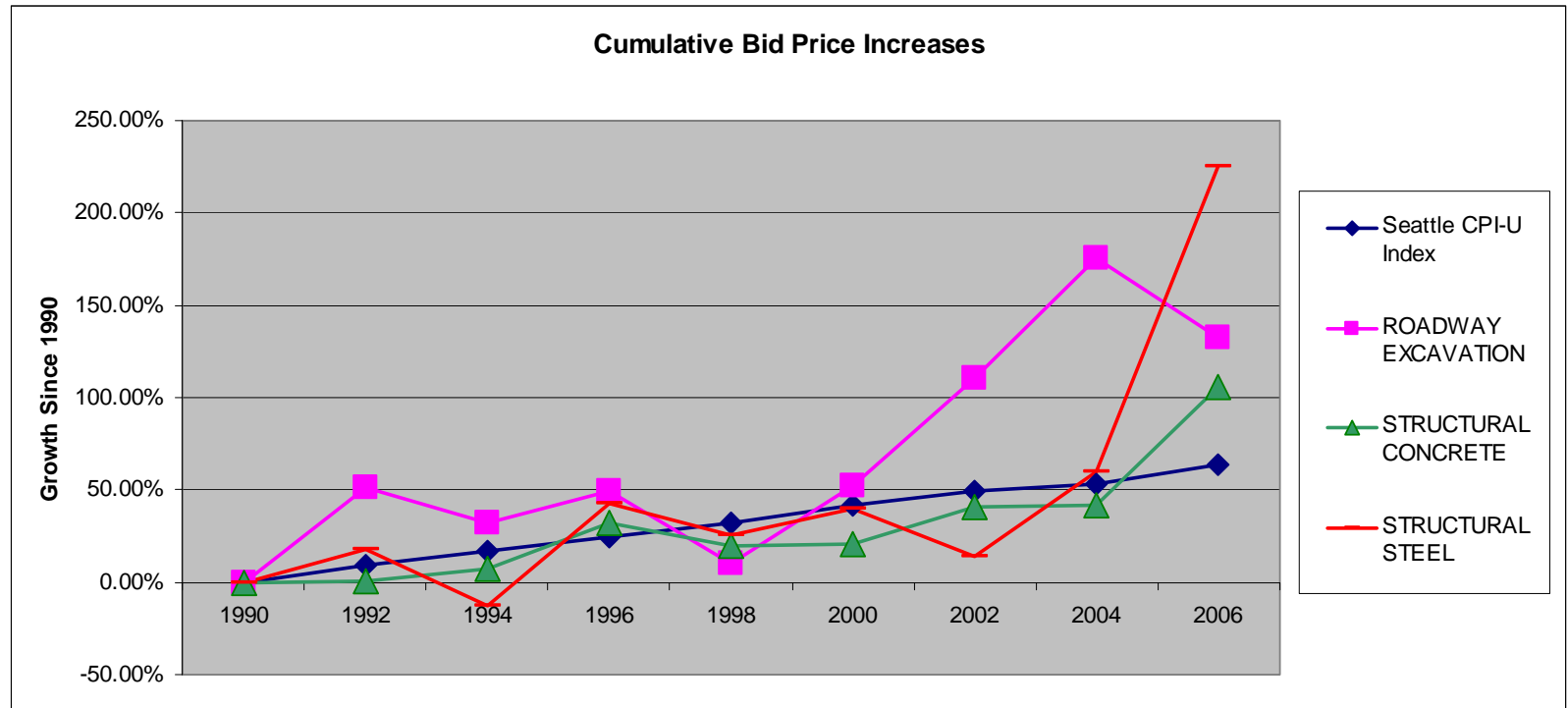


Source: AWC Trust

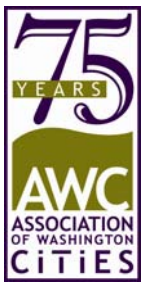


# Economic/ Fiscal Changes

## Material costs for infrastructure outpace inflation



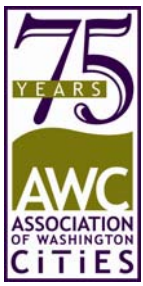
Source: Department of Transportation



# Economic/ Fiscal Changes

## State/federal unfunded mandates:

- Enhanced public safety employee pension benefits
- Increased environmental protection responsibilities
- Mandatory criminal sentencing requirements
- Implementation of GMA



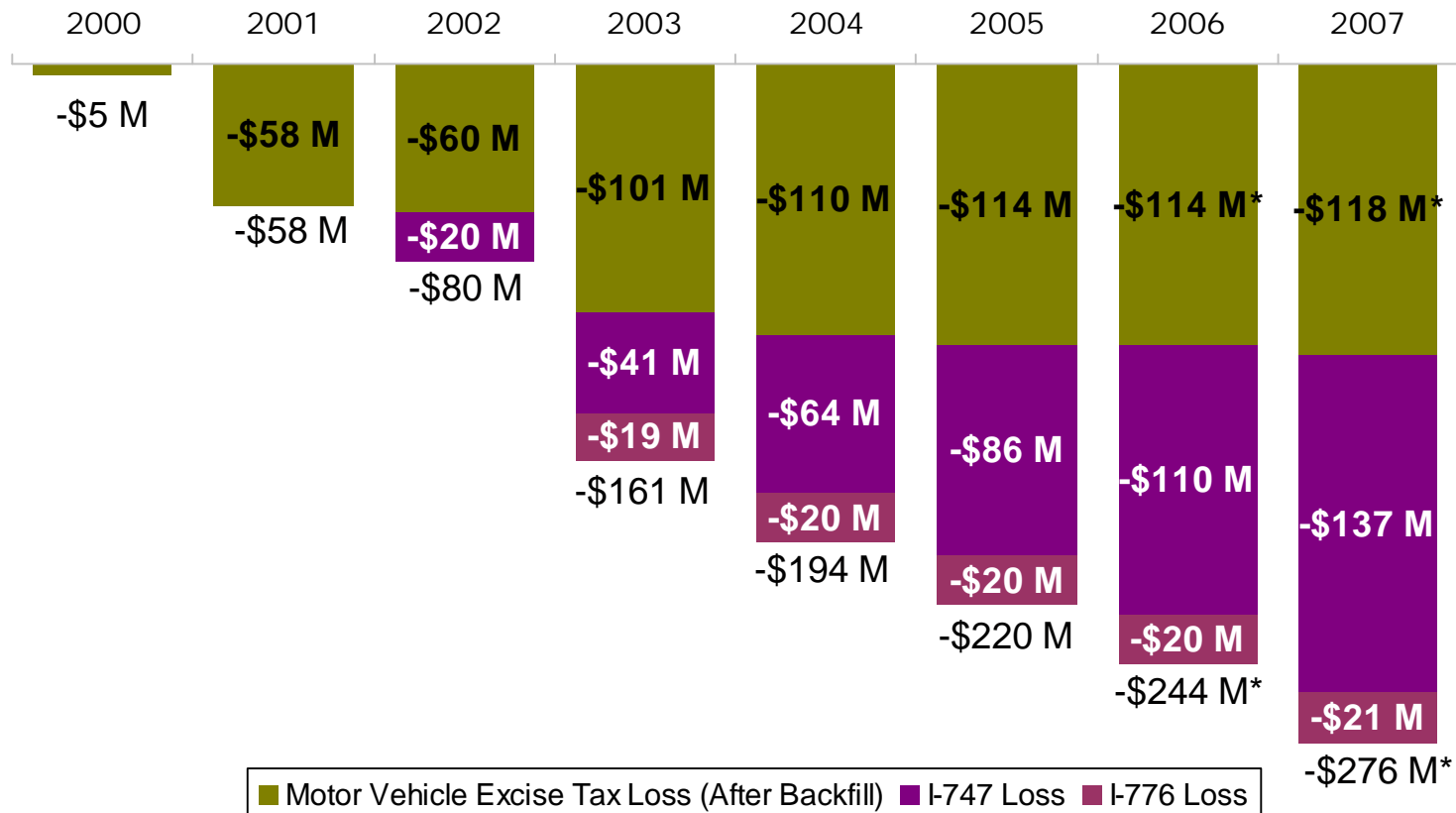
# Societal Changes

- Growing anti-government sentiment
  - ◆ Tax cutting initiatives
  - ◆ Efforts to expand open government laws
- Rising expectations and the demand for new services
- Disengaged citizenry



# Do Our Constituents Really Love Us?

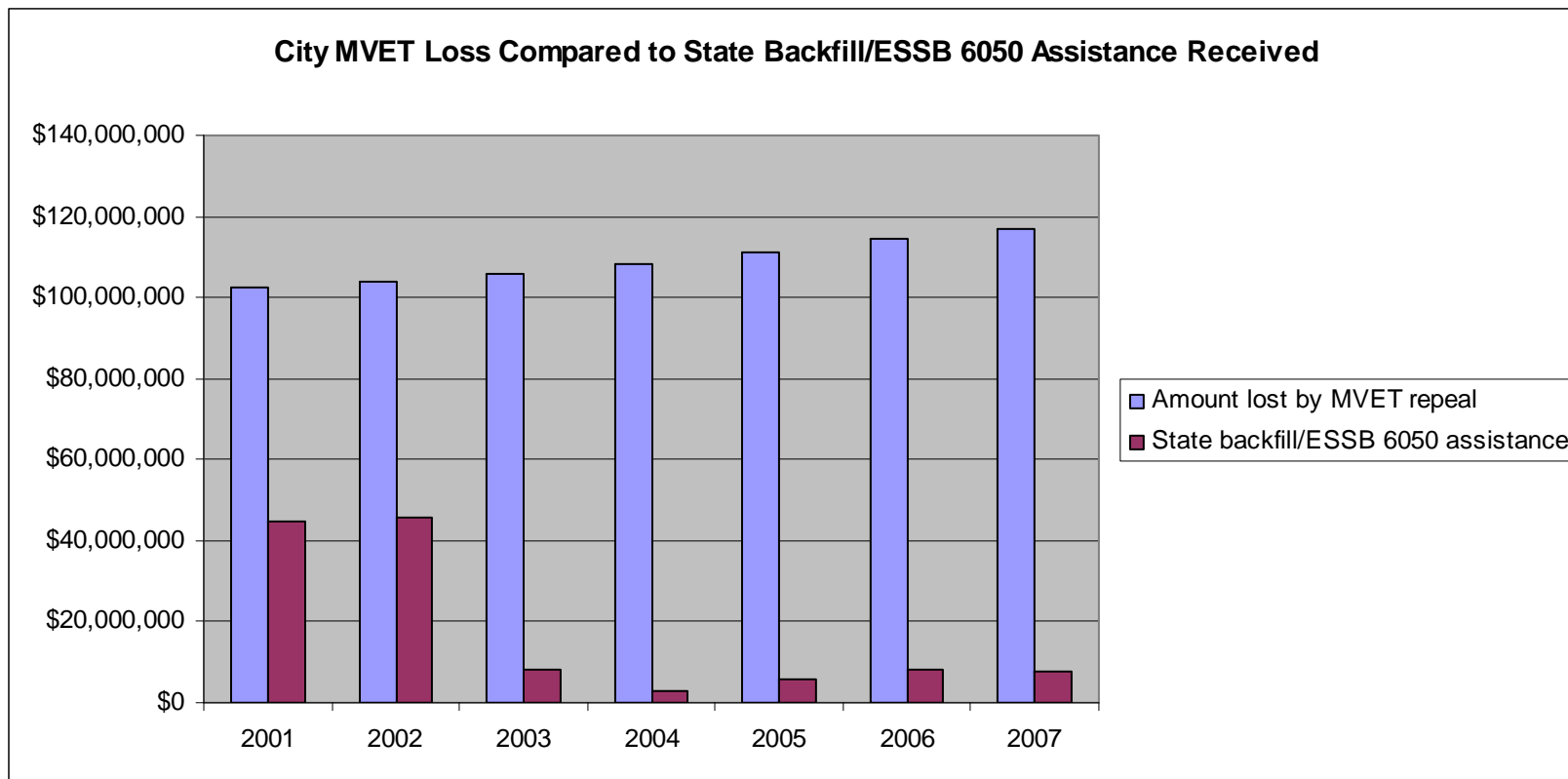
Even with ESSB 6050, cumulative initiative losses grew to \$1.2 billion in 2007



\*Totals adjusted for impact of ESSB 6050



# City MVET Losses, Backfill and Assistance



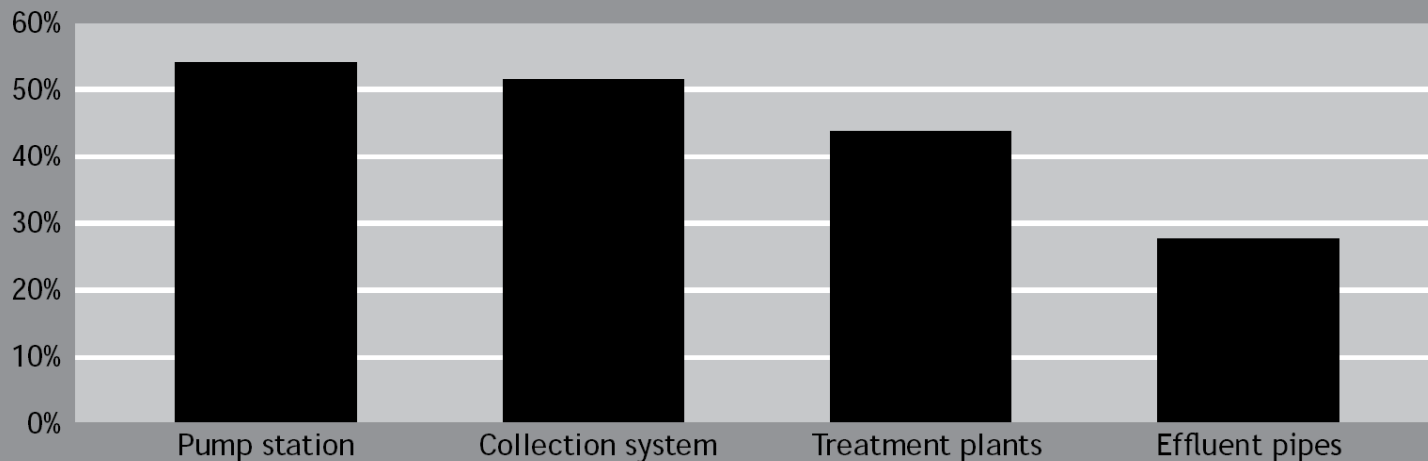
\*MVET loss increased by IPD



# Impending Infrastructure Crisis

- Water, sewer, stormwater improvement needs estimated to be \$2.39 billion between 1998 and 2003
- City transportation shortfall from 2004-2009 projected to be \$3.4 billion.
- Escalating costs exacerbate the problem

**Percentage of cities reporting which portions of their sewer/wastewater system need to be replaced within the next 10 years**





# Impending Infrastructure Crisis

Inability to keep up with demand impedes residential, industrial and commercial growth

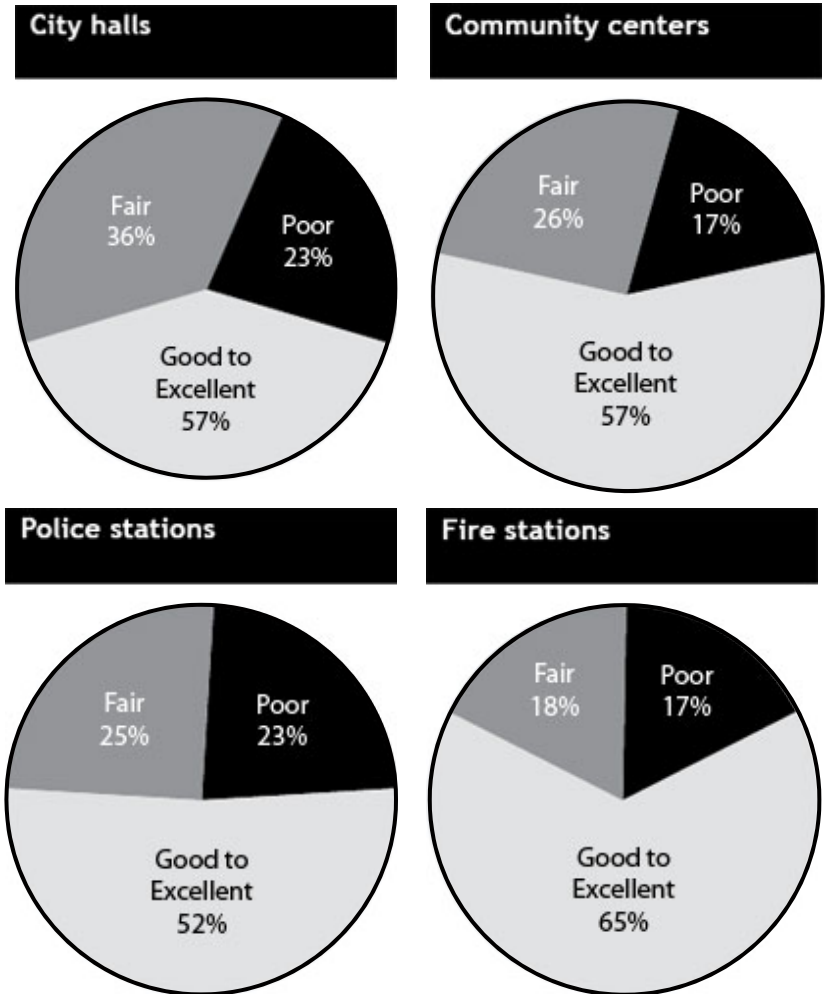
Cities report that capacity issues are a barrier to economic development:

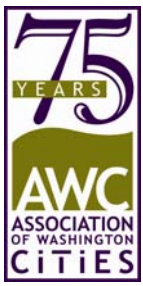
- 1 in 3 cities lack street capacity
- 1 in 4 lack sewer/waste water capacity
- 1 in 5 lack of drinking water capacity

# Impending Infrastructure Crisis

## City capital facilities are deteriorating

Of those with fair or poor facilities most report it is due to aging facilities, inadequate capacity, need for seismic/ADA upgrades





# Growing Disparity for Cities

- Growing disparity in fiscal wellbeing for cities—factors resulting in fiscal stress for some cities:
  - ◆ Loss of sales tax equalization
  - ◆ Lower growth rates and little or no new construction or improvements
  - ◆ Disproportionate income levels of population
  - ◆ Absence of a strong commercial base



# Charting Our Fiscal Future

- Reduced reliance on state partnership for fiscal resources
- Increased focus on addressing infrastructure needs
- Increased disparities between cities
  - ◆ the haves and the have-nots



# Charting Our Fiscal Future

- Need for new strategies to address funding
  - ◆ Doing more with less/cutback management strategies
  - ◆ Redefining the roles/responsibilities of the State, counties and cities
  - ◆ Increased reliance on fees and charges
  - ◆ Re-engagement with constituencies/citizenry
  - ◆ Managing expectations
  - ◆ Fostering inter-local and public/private partnerships