

small city UPDATE



Volume 4, No. 2
July 2008

Charting Your Financial Future Small City Budgets: 2009



During the past two months, the Association conducted a number of Small City Round-Ups which were well attended by city officials and staff from throughout the state. At each Round-Up, an issue continually raised was the shrinking fiscal resources available to many smaller cities. Whether it was attributable to the absence of a sales tax base; the impacts of the 101% property tax limit; or the rising costs of motor vehicle fuel and other purchases, the reality is that many smaller cities simply don't have the resources to sustain services, let alone address critical infrastructure costs.

Compounding the difficulty is the shrinking yield of the real estate excise tax. The tax is the funding base for the state's assistance to financially distressed cities and counties. For many cities beginning to develop their 2009 budgets, the picture is

bleak. Some city officials are even pondering whether they can continue to exist.

While it may not be comforting to know, small cities are not alone. The state is facing a \$2 billion dollar shortfall next biennium, a number of counties are facing reductions in law enforcement personnel, and some of our larger cities are also facing tight budgets. In a nutshell, the combination of shrinking revenues and rising costs is impacting all levels of government and cities from the largest to the very small.

2009 Economic Trends/Budgets

Early indications are that the current economic softening will continue through at least the first half of 2009. While Washington has been somewhat sheltered from the severe impacts of the national credit crunch and rising unemployment, the state is

affected by high inflation, especially in the costs of gas and food. Expectations are that the downturn in the housing market will not reverse itself until at least 2010, and that inflation will be in the 3-5% range.

Concurrently, we will continue to see ongoing increases in the costs of motor vehicle fuel, food products, and construction materials. The early indication is that health insurance costs will increase between 8-10% for 2009.

As city officials begin preparing next year's budget, the caution on the street is that one should be conservative. Clearly for entitled cities, state assistance for distressed communities will be reduced as the real estate excise tax yield declines. The 101% property tax limit is taking a toll on cities devoid of a commercial base, and unless there has been a utility rate

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increase, utility tax yields are pretty flat. 2009 will be a tough year for many cities.

Are There Fiscal Survival Strategies?

While there is no magic bullet that will enable cities in dire financial straits to overcome their immediate budget problems, the following approaches might provide relief:

Utility tax increases - While many city officials are reluctant to raise taxes, a modest utility tax increase helps maintain services while not severely impacting taxpayers.

Service "cutbacks" - Actually reducing services sends a clear message to the citizenry that the

city can't sustain services. This could be a catalyst to securing voter approval for a property tax lid lift.

Partnerships - Small cities must determine whether self provision of services is the most cost effective means of addressing needs. Inter-local contracts and public-private arrangements may be more cost effective.

Utility rate reviews/adjustments - Frequently, city officials fail to periodically review their water and or sewer rates to determine whether they are covering all costs, including deterioration of the system. Rate studies determine when adjustment of rates is warranted.

Ferretting out capital assistance programs - Myriads of state assistance programs can help address capital needs, but often they go untapped because city officials are unaware of their existence or don't have the staff to complete applications. City officials should actively pursue these funding options.

While these options aren't an exhaustive list to help city officials through difficult times, they do help smaller city officials recognize that as bleak as your budget may appear, there are survival strategies that can be pursued.

JLARC Study of City-County Assistance Account

In 2005, the Legislature passed **ESSB 6050**, providing financial assistance to cities, towns and counties. This bill established the city-county assistance account from which 173 cities currently receive distributions.

This legislation requires the Joint Legislative Audit and Review Committee (JLARC) to review distributions to cities and counties and determine the extent to which they target the needs of cities and counties for which the repeal of

the motor vehicle excise tax had the greatest fiscal impact. The law also requires JLARC to solicit input from cities and counties in creating their report. A report is due to the Legislature by the end of this year that includes findings as well as recommendations for changes to the distribution formula.

JLARC is collecting feedback from cities through discussion groups (which took place at the AWC conference) and a survey.

Cities should expect to see the survey soon. It is very important that cities now receiving distributions from this account complete the survey. This will be the primary opportunity for cities to provide feedback about whether or not these distributions targeted cities' needs since the repeal of the MVET.

For more specific information about the formula, MVET history and city distributions, visit AWC's website at www.awcnet.org/ESSB6050.

New Shared Small Public Works & Consultant Rosters!

MRSC Rosters (www.mrscrosters.org)

MRSC Rosters makes it easier for your city to utilize small public works and consultant rosters in just a few clicks!

Traditionally, Washington municipalities managed individual contractor rosters for their small public works and consultant bidding needs. Now with MRSC's (Municipal Research and Services Center of Washington) statewide shared roster system, municipalities have a cost-effective and more efficient way to maintain rosters.

MRSC Rosters is an online database for Washington State municipalities to search and solicit work from contractors eligible to bid on small public works projects (projects under \$200,000) and consultants. As a shared roster system, MRSC Rosters manage account information for cities current contractors/consultants while also offering a broader pool of contractors countywide or even statewide. This system also gives contractors/consultants the opportunity to apply with multiple rosters in a one step process.

Advantages of MRSC Rosters

- Efficiency in government
- Shared costs with other agencies
- Reduced individual agency staffing needs
- Access to a much larger pool of contractors/consultants
- Ease of electronic search and notification
- More and lower bids from qualified contractors/consultants

How does it work?

1. MRSC Rosters accepts and processes electronic applications from contractors/consultants and checks them for compliance with the new mandatory bidder responsibility criteria.
2. Once a contractor/consultant is verified, their account is activated and participating cities can search for them by service category or alphabetically.
3. After generating an email list of potential bidders, cities can send out Requests for Proposals, review responses, and contact contractors/consultants.

4. To fulfill the Washington State statute, MRSC Rosters advertise that a city is participating in MRSC Rosters as their small public works roster.

Who is Involved?

Overwhelmingly, cities and other municipalities have been eager to participate in MRSC Rosters. Currently, 73 municipalities, 621 contractors, and 359 consultants participating with more joining daily. So far most of the cities are located within the Puget Sound region, but we are gradually expanding throughout the state.

To see the full list of participating municipalities and learn more about registering for the new MRSC Rosters, please visit www.mrscrosters.org!

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Small Cities Advisory Committee Member Joins AWC Board

Micki Harnois, councilmember from the Town of Rockford, was recently appointed to the AWC Board of Directors. Micki had been a member of the statewide Small City Advisory Committee and brings with her a strong background in urban and regional planning from working in a variety of government positions. A long-time Rockford area resident, she is committed to her community through raising community spirit and working with other cities to build strong partnerships. She has a bachelor's degree in Social Science from Washington State University and completed coursework in the graduate program for Urban and Regional Planning at Eastern Washington University. Micki represents the eastern small cities on the Board. Congratulations Micki!

Thanks for Everything Barbara

After serving over six years on the AWC Board and as Small City Advisory Committee chair, Barbara Harrah, Mayor of Herrer, decided at the end of her term to not run for re-election. All of us at AWC would like to send a special thank you for all her efforts in helping small cities succeed. However, Barbara is not retiring. In addition to her duties as mayor, Barbara is passionately active in her community. Good luck Barbara, you'll be missed. We'd also like to thank Robert Gilman, Mayor Pro-Tem for the City of Langley for assuming the Small City Advisory Committee chair role.



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