



Local Infrastructure Issue Brief

Public Works loan repayments should be a permanent base to rebuild an infrastructure partnership, not a one-time shot in the arm to the operating budget.

Over the past several years, the Washington State Legislature responded to the Great Recession and the Supreme Court McCleary decision by using dedicated infrastructure accounts to balance the state's operating budget.

City infrastructure systems are a critical part of a larger network that serves and benefits the entire state. Diversion from programs that support basic local infrastructure means that communities cannot affordably maintain and secure new infrastructure. We need to reboot, and potentially reformulate this partnership. Abandonment should not be the only option.

Strong cities need:



Provide stable and reliable infrastructure assistance – This assistance must help cities overcome the financial challenges of building and repairing local infrastructure systems that support economic development and benefit the entire state.



Proactive state partnership in key programs – If the current programs are not workable, they need to be reformed. Cities can't do it alone.

More details

City infrastructure systems are a critical part of the larger network that serves and benefits the entire state. City streets move traffic seamlessly from one place to another. Businesses relying on city water and sewer systems create a positive impact on the entire region. Cities take on major toxic cleanup efforts to enhance our communities and bring new economic development opportunities to the state.

Collectively, the strength of Washington's local infrastructure systems creates a stronger state, better positioned for continued economic recovery.

Cities need the state to be a partner on local infrastructure
AWC is focused on maintaining and enhancing state infrastructure support because cities are:

- **Behind on the basics** – The core infrastructure systems such as streets, water, sewer and stormwater that residents and businesses depend on are aging.
- **Making tough choices** – Cities are forced to choose between funding basic city services like police and fire, and building and maintaining capital assets.
- **Struggling to accommodate a growing population** – The cities of today are building the infrastructure systems to support the next generation.

All infrastructure assistance programs are important

In order to build essential infrastructure systems, cities rely on state and federal assistance. Assistance programs include the Public Works Assistance Account, toxic cleanup accounts, Centennial Clean Water fund, and federal revolving funds. However, diversion from these programs that support basic local infrastructure leaves communities unable to affordably maintain and secure new infrastructure. For example, continued erosion of the toxic cleanup accounts as a general fund piggy bank is now endangering core projects.

User fees cannot always cover capital needs

Utility systems are operated as enterprise funds, meaning they are intended to be self-supporting through user fees. However, well-structured fees cannot always cover capital needs. Reasons include:

- It is very difficult for cities to anticipate future mandates and plan for those through reserve funds. Meeting continually strengthening environmental regulations costs money.
- Smaller communities have special challenges because they lack economies of scale, and rates can exceed their residents' ability to pay for multi-million dollar facilities. Some small communities are blazing past \$200/month utility bills, while needs still have not been met.
- Infrastructure costs have outpaced inflation and are only increasing.

[more details on back](#)

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More details cont.

2017 Infrastructure Reform Needs: The state has shown in recent years a willingness to divert all public works resources to other budget priorities. Time is running out to make critical reforms and reinvestments to ensure we have a base to rebuild a better and stronger infrastructure partnership.

1. Retain public works loan repayments and remaining 2% of Real Estate Excise Tax (REET) revenues in a reformed Public Works Trust Fund that is smaller, leaner and more focused. (HB 1677 / SB 5496)

1. Build back from the loan repayments and small amount of remaining tax revenue
2. Focus greatest assistance on small communities
3. Adopt new responsibilities for the applicants and public works board to ensure cost effective and sustainable projects

2. Establish a program to enable communities with poor debt ratings to access the private bond market. Create a program to allow communities access to the private bond market without affecting the state's debt rating. (HB 1051, HB 1324, or SB 5033)

3. Establish an interagency system improvement team with legislative oversight to improve the infrastructure funding systems of the state, to maximize value, minimize cost and provide for the optimal use of local, state and federal dollars. Especially in light of legislative interest in streamlining and minimizing investments in certain areas, we need to ensure that sufficient capacity exists across the system and resources are effectively targeted. (Sen. Rivers and Rep. Peterson bills forthcoming)

Principles for Infrastructure Investment Reform

Infrastructure provides the physical capacity to grow and sustain our communities, culture, economy and environment. Our quality of life depends on affordable access to clean, abundant water, reliable energy, a livable environment and mobility for people and goods. As we consider how to build and maintain affordable infrastructure, we see challenges and opportunities that deserve to be explored. We believe now is the time to formulate a thoughtful, systemic approach to infrastructure investment across Washington state. **We advocate the following principles for infrastructure investment for the coming years, to enable and sustain an affordable and desirable quality of life.**

1. **Build the right thing.** We can't afford to let program silos, unwise financial incentives, or a one-size-fits-all approach force us to build the wrong things.
2. **Take good care of what we build.** Use 'sustainable asset management' best practices to ensure the resilience and public value of infrastructure investments over the long term
3. **Provide the right tools for the right communities.** Infrastructure programs must be able to meet the unique needs of each community.
4. **Provide stability and predictability for infrastructure funding programs.** Infrastructure planning, funding and construction happen over multi-year periods, and should support communities for decades. Stability in funding enables smart, long-term planning.
5. **Establish smart, clear goals for Washington's infrastructure investment programs.** By bringing strategic planning to infrastructure investment programs, we can get more bang for limited bucks.
6. **Leverage private investment.** In a time of constrained public funding and growing infrastructure needs, we should engage with private sector partners to maximize project delivery efficiencies and preserve projects' value to the public.
7. **Maximize federal investment.** State and local budget constraints are seemingly ever-increasing. The State infrastructure strategy must maximize the use and leveraging of federal infrastructure dollars.

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