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THINK GREEN.
When I learned that revenue sustainability was going to be the theme of this issue of Cityvision, I had to smile to myself. Just this past May, I sat down with our city’s clerk-treasurer, Trina Cole, to begin discussing our 2014 budget. Within a few seconds, we both had blurted out “sustainability.”

As with all cities, Dayton’s community assets are its pride and joy. We have an array of recreational opportunities: two parks, a swimming pool, a skate park, a nine-hole disc golf course, and a juvenile fishing pond. But with the continued reduction in state revenue distributions and the need to maintain spending for essentials such as law enforcement, cemetery interment services, and federal levee maintenance obligations, creating financial sustainability is one humongous balancing act. The big question is: “How are we going to be able to sustain our current services at the high standards we have established with a reduction in resources?”

This seems to be an ongoing dialogue—one that includes creating a strategic plan, backing it up with a long-term financial plan, continually prioritizing services, implementing cost-effective maintenance and operations measures, and researching and pursuing financial opportunities. All of these steps depend upon creating a platform of sustainability.

One of the main causes behind this crisis is the breakdown of the long-standing partnership Washington cities have had with the state Legislature. With tax revenue sources being removed and the majority of state shared revenues from liquor sales being curtailed, cities have a large gap to fill—and the Legislature has failed to find an alternative.

Cities have been receiving our fair share for over 80 years, and, as of the 2013–14 biannual budget, only a fraction of it is left. All Washington cities have had this funding source as an integral part of their budgets. Without this revenue, everyone’s current expense account has suffered. We all acknowledge the need (and responsibility) to support our children’s education. However, our Legislature must find a way to restore lost revenue so that our cities can do more than just “sustain” services.

Craig George
Dayton Mayor

NOVEMBER/DECEMBER 2013 | CITYVISION MAGAZINE | 1
Welcome note

CityBeat
New state funding tools, tax levies, and even tax cuts help cities meet their development goals. And in our popular NOTED feature, we belly up to the bar with perspectives on the ongoing saga of state shared liquor revenue.

Growth Curves
Revenue and funding sources have evolved constantly since cities first existed in these parts. As Washington communities seek to meet their current development goals, identifying the best tools in each situation requires creativity, initiative, and an open mind.

CityWise
Expert perspectives on one-time revenues, the lodging tax, and restricted-purpose financing. Plus, Davenport hits a home run to score a Municipal Excellence Award.

CityScape
Washington cities have survived tough times before. They’ll do it again.

FEATURE

Mayor Don Stevens and North Bonneville are considering getting into the retail marijuana business.
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WISHING YOU AND YOURS
a Safe & Happy Holiday Season, and a Joyous New Year.
A fractional cut for its largest employer yields big dividends for Westport.

The City of Westport’s business and occupation tax dates to the 1970s, when its marina was teeming with hundreds of charter boats and thousands of commercial trawlers in what was billed the Salmon Capital of the World.

“Fish processing and tourism-related recreational fishing were huge,” says city administrator Randy Lewis. “There’s no clear documentation why city leaders chose to go with a B&O tax, but it seemed to work well enough that they increased rates for a number of years until we had the highest wholesale rate in the state.”

Fast-forward half a century. Westport’s marina may be a whole lot emptier, but it’s still a destination for tourists and for commercial trawlers calling on a seafood processing plant where the machinery hums round-the-clock. Industry executives and city officials credit that development to one relatively recent change: in late 2007, when the economy and the seafood-processing industry were booming, Westport’s council voted to lower its wholesale B&O tax by 29 percent, from $3.50 per $1,000 to $2.50 per $1,000. The

continued on page 10
When the local Georgia-Pacific paper mill shut its doors in 2006, the era of heavy industry along Bellingham Bay abruptly ended. Since the 19th century, waterfront mills and plants had provided high-paying jobs for residents while boosting Bellingham’s economy.

Faced with a jobs deficit and a long-polluted shoreline, the city and the port didn’t wring their hands. Instead, they got to talking about how they might combine their respective waterfront and downtown properties to revitalize 237 acres at the heart of the city.

“Bellingham has wanted access to this waterfront for a long time,” explains Tara Sundin, the city’s economic development manager. To replace the jobs lost from the mill, Mayor Kelli Linville suggested zoning the property for light industry, as opposed to turning the waterfront into a retail-dependent marina where wages can be poor. By January 2014, the port and the city are expected to finalize their redevelopment plan: within 25 years they envision housing, mixed-use trails, habitat restoration, parks, and a bridge to ease the increased flow of traffic between the waterfront and downtown/old town.

To help fund the project, Bellingham was selected as the first recipient of the state’s Local Infrastructure Financing Tool (LIFT) to receive an additional $25 million for the project. LIFT sponsors local projects that invest in public infrastructure where long-term economic development promises an investment gain. If the project goes well, Bellingham projects that the state will see a $25 million return on the original investment.

“This plan represents a balance of our community’s interests,” Sundin adds, noting that compromises didn’t always come easily. The trail, for example, was heavily debated before it was finalized, because businesses may need to access the water. “If they don’t need access to the shipping terminal, then we can get a trail through,” she says.

Similarly, with developers itching to buy property along the bay, Sundin and Linville negotiated a requirement that 10 percent of housing be made affordable. “There must be incentives for local communities to invest with the state,” explains Linville, who helped develop LIFT as a state legislator.

Environmental groups agreed to the plan when the port arranged for habitat restoration and contamination cleanup along the waterfront. The State Department of Ecology will pay up to 50 percent of the environmental cleanup costs, with the remainder covered by an insurance policy purchased by the port.

Above all, money and people will return to old town, downtown, and eventually the waterfront. “There’s been a lot of concern that we don’t abandon our downtown again,” says Linville. If housing and commerce can complement some key established businesses, she says, “I see us coming back to having a city-center hub.”

If the redevelopment boosts Bellingham’s economy as anticipated, the pilot LIFT project could provide other cities with a realistic financial model for such endeavors. Once the plan is finalized, the city and the port intend to open up the waterfront to give residents a taste of the new horizon.

“We’re done planning,” says Linville. “We are going to start doing.”

—Cari Johnson

For more information: cob.org
Levy Heaven

Small-town Colton chips in annually to maintain its community spirit.

HIS HOMETOWN OF COLTON, Jerry Weber will tell you with pride, is the kind of place where community members embody the sentiment, “It takes a village to raise a child.” They even use those words themselves, almost as readily as they say hello—which is often, for this hospitable bunch. It takes a village to do other things, too: for more than 15 years running, Colton residents have passed a special property tax levy aimed at general upkeep and cleanup around town.

Weber was born and raised in Colton, an agricultural town of 400 some 15 miles southeast of Pullman, and has served as mayor for six years and on city council for 10 years before that. Though he isn’t certain when the excess tax levy began, he says he knows it originated as a lifeline. “It was the only way we could make improvements to our town, since we had no funding from the state,” Weber says. “People realize that we have to do upkeep, which is where the money goes.”

But it’s not just money: Weber regularly pitches in with preventive maintenance and general beautification with the help of community volunteers, and locals often see city council members outside getting their hands dirty. “My civic duty as a mayor is to help the community,” Weber explains on behalf of himself and his council. “I was raised knowing the importance of giving back—most people around Colton are like that.”

The efforts help keep residents united behind their elected officials, and they help maintain support for the by-now-expected annual excess levy. “New sidewalks downtown are always being refurbished, along with physical improvements to our buildings’ infrastructures,” says Guy Pitzer, 67, a resident of 14 years.

Greg Schultheis, 45, grew up in Colton and returned with his family after running a business in Spokane. “We moved back because it is a great tight-knit community, perfect for raising a family,” he says. When discussing the excess levy, Schultheis positively responds, “I am definitely in favor. It doesn’t end up amounting to much, and the money goes toward fixing up our town.”

As of this year, Weber says, Colton isn’t acting alone, with city council focusing more on receiving monetary support from grants as well as from the annual levy renewal. “The Transportation Improvement Board, which was designed to assist small towns like ours, is on our side,” the mayor says. “Through grant money, they are helping us build new roads and helping to improve the overall state of our community. It’s a huge step for us.”

Wherever the money comes from, Weber knows his council will be held accountable in a small community where there’s no room to hide. “Everyone is involved in each other’s lives,” he says with a laugh. “We could never get away with just taking money from the people!” —Alexandria Bordas
CITYBEAT 

NOTED

AWC LEGISLATIVE PRIORITY:
RESTORING CITY LIQUOR REVENUE

Since the end of Prohibition, cities, counties, and the state have shared two types of liquor revenue: liquor profits and liquor taxes. These two distinct revenue sources have different distribution mechanisms and timings, and as the Legislature has taken an increasing share of local liquor revenue to help balance the state budget, each revenue source has been altered in different ways.

Liquor profits
Liquor board profits, which are distributed through the liquor revolving fund, historically comprised revenue from permits, licenses, and liquor store sales. After the state paid for operations of the Liquor Control Board, the remaining profits were divided 50% to the state, 40% to cities, and 10% to counties. Border areas received an additional distribution. These profits had grown over time and increased even more when the profits from liquor sales were replaced by a license fee on retailers and distributors under privatization. The Liquor privatization initiative, I-1183, intended to “Maintain the current distribution of liquor revenues to local governments and dedicate a portion of the new revenues raised from liquor license fees to increase funding for local public safety programs.” Specifically, the initiative intended that local governments would continue to receive a comparable amount of liquor profits plus $10 million for public safety.

Instead, legislation enacted in 2012 froze the local government share at 2011 levels, and local governments will receive $49.4 million, distributed on a per capita basis, in future years. The revenue for local governments will no longer grow, and any additional profits generated by liquor privatization will go to the state general fund.

Liquor taxes
Liquor taxes come from a state tax to consumers and restaurant licensees. Revenues from the basic rates of 15% for consumers and 10% for restaurants have historically been shared 65% to the state, 28% to cities, and 7% to counties. On the last day of the 2012 legislative session, legislators approved ESHB 2823, which redirected local government liquor taxes to the state general fund for one year (October 2012–September 2013) and permanently diverted $10 million of the local government share. Then, with local liquor taxes set to resume (minus the $10 million permanent diversion) in October 2013, the Legislature instead took another $25 million to help balance the state budget.

If the past two Legislatures had not changed local liquor-tax distributions, cities and counties would have received approximately $67 million in the state 2013-2015 biennium. Now, local distributions are expected to be just under $25 million.

Help us deliver your message
AWC continues to urge the Legislature to reinstate the historic revenue-sharing system for liquor profits and remove the permanent $10 million diversion of liquor taxes from local governments.

Cities and counties receive this revenue because alcohol increases local public safety and health costs, but the state prevents local governments from taxing liquor to help defray these costs.

The initiative provided a windfall of liquor revenue, but cities don’t get any of it.

Inadvertently, the wording of I-1183 allowed the Legislature to take nearly $200 million of local liquor revenue over five years.

This diversion negated the $10 million for local public safety that the initiative provided.

We are asking the Legislature to restore the long-standing profit distribution formula over the next four biennia. This approach is reasonable for everyone.

The initiative enacted substantial license fees to ensure that state and local government revenue would be preserved.

Tell your legislators that liquor money is important to cities. They listen more when the message comes from home.

For more information: awcnet.org
If you could change one revenue source, what would it be and why?

GAIL HOWE  
Mayor, Pateros
If I could change one revenue source, it would be the hotel-motel revenue source. There are many restrictions on the usage of hotel-motel revenues that tie the hands of cities on how they may use these funds. Cities would have more flexibility with these funds if there were not so many restrictions.

KAREN GUZAK  
Mayor, Snohomish
Streets and parks are a part of general fund obligations, and our voters passed a Transportation Benefit District sales tax increase to help pay for street funding. But with new revenue sources uncertain, we still have unmet needs for parks. A parks bond package could provide the benefits of a greener, healthier city that can sustain quality growth.

RICK NEWBY  
Mayor, College Place
I would make two specific changes to current sales tax policy. First, give cities a larger share of the sales tax revenue generated in their communities. Cities provide the planning, infrastructure, and services, and that’s where the financial resources are most needed. Second, eliminate sales tax on all elements of capital expenditures for public projects.

CITY ACTION DAYS  
January 29–30  Olympia
AWC’s legislative conference takes on a new sense of urgency this year. On Wednesday, Jan. 29, you’ll get a comprehensive look at the critical issues facing your community, hearing from AWC’s lobbyists and the Governor. Take that info to the capitol steps on Thursday, Jan. 30, for a Washington city rally and meetings with your legislators. Come to Olympia ready to mobilize, engage, and impact the policymakers in a highly visible way. Scholarships available for small cities.

GMA CONVERSATION STARTERS
Many cities are starting their comprehensive plan updates, making decisions that will shape their communities for the next 20 years. Use AWC’s GMA Conversation Starters to get your council and planning commission talking about what they need to consider. Each short video comes with a set of thought-provoking, real-world discussion questions perfect for work sessions.

LEGAL TIME ONLINE
Training time is high on the wish list for the newly elected Class of 2014 (and for veteran mayors and councilmembers). AWC’s Elected Officials Essentials legal do’s and don’ts online training goes live January 2014. The free content keeps you grounded, and it’s set up in short segments for easy viewing; be sure to watch at awcnet.org.

WELCOME CLASS OF 2014
Congratulations to the incoming Class of 2014—all of the newly elected mayors and councilmembers who stepped up to make a difference in their communities. AWC is putting together a yearlong series of trainings and check-in events just for you. We want to help make you feel supported and connected during your first year in office.
Tax Return continued from page 5

vote came in response to a request from Westport’s largest industrial customers, including seafood processors who indicated that the savings would lead to improvements to their facilities. For Westport, where B&O taxes typically account for 25 percent of the city’s general fund, the reduction was a gamble.

The tax cut went into effect just as the Great Recession decimated the national and local economy. To balance its budget in the leanest years, the city left vacancies unfilled, enacted furloughs, and replaced police cruisers less frequently. Ultimately, the belt-tightening paid off. Ocean Companies, the city’s largest seafood processor and the largest employer in Grays Harbor County (with 125 on its payroll year-round and 500 at the peak of processing season), prospered after it invested $14.5 million in a cold storage facility that allowed it to expand production. In 2008, Westport was in the top 20 seafood landings in the nation outside of Alaska; today it’s in the top five. And the city is beginning to realize a windfall from that uptick in business; even at the reduced tax rate, in 2013 the city collected nearly $600,000 in B&O taxes from all sources, up from the $550,000 that had been projected, with almost all of the difference coming from the seafood industry.

“By lowering the B&O tax, they took a chance and encouraged us to invest in Westport,” says Ocean Companies’ safety and compliance manager, Al Carter, a former Grays Harbor County commissioner. “Our business has increased twofold to threefold, and in the long run the city will make more money, not just in B&O taxes but in increased utility taxes, because we’re using more water and sewer services. It increases the tax base for the city, and it’s great for us.”

But returns on the city’s investment in its seafood processors could be short-lived if the Legislature enacts a proposed streamlined tax statute that could ultimately force Westport to adopt the state’s industry exemption from local B&O taxes. Lewis believes a better method of simplifying tax collections already exists: File Local, a multicity business license and local tax collection portal created by five Puget Sound cities.

“We need legislators to understand that each city is very different, that what works for Seattle doesn’t necessarily work for Westport and Long Beach,” says Lewis, who notes that Westport’s general fund revenues could drop by as much as 20 percent if the streamlined tax statute passes. “Local municipalities need the ability to determine what works best for them and their businesses, and then work together.” —Ted Katauskas
Manifest Destiny

Port Angeles Mayor Cherie Kidd talks about the pioneering spirit and emerging industries that are driving local economic expansion—and the unfunded mandates that threaten it.

Q&A

You’ve been mayor of Port Angeles for two years. What made you want the job?
I’m the third generation of the Port Angeles Kidd family. My grandparents on both sides were pioneers who came out here and homesteaded, and what they taught me is to get involved in building community. They didn’t just build homes; they established our schools, our granges, our community. That’s who Port Angeles is: the spirit of neighbor helping neighbor and building a community together.

Besides running the city, you help your husband run the local U-Haul franchise.
We have our pulse on who’s coming and going. My husband primarily runs the business, but I do work in the office, and whenever someone brings in a U-Haul truck, I always ask, “Are you moving to Port Angeles?” And I extend my hand as mayor and officially welcome them. I have so much fun!
What initiatives have you championed as mayor?
One of the main projects is to update and improve our waterfront. We just finished Phase I of a new development project, $4 million to put in a beautiful promenade and overlook—not only for people who live in Port Angeles, but for people coming into the United States from Canada. Being on the northern border, we’re an international host city.

How did you manage to pay for that?
With economic development funds and working in conjunction with the Black Ball Ferry Line, which also spent $4 million on improvements to their Port Angeles terminal. We look across the water to Canada, but in our backyard is a million-acre national park that gets three million visitors a year.

Other than tourism, what’s driving the economy of Port Angeles?
My grandparents and my father used to be involved in the timber industry, but that’s changing. Now we have a high-tech corridor of companies that make composites used in the aerospace industry and yacht-building, making lots of new jobs. Nippon USA made an $85 million investment in a biomass generator at its paper mill here that will produce green energy. We’re trying to create diversity and encourage economic investment.

What’s the biggest challenge you face as mayor today?
Unfunded mandates from the state and federal government.

For example?
We have a $42 million combined sewer overflow project that’s mandated by the state Department of Ecology and is being paid for by stormwater surcharges. We’re a town of 19,000 people, but we have only 8,000 ratepayers. Everyone’s utility bill has DOE taxes, $20 a month for the combined sewer overflow, and 25 percent of our ratepayers are running behind in paying their bills. So when DOE comes to us with a new harbor cleanup study—at another $4.60 a month—that’s a significant concern.

Some people might not consider $25 a month to be a hardship.
That’s above and beyond water, sewer, garbage, and electric bills. The BPA is hiking our energy rates by 10 percent. We have no options. I feel like this is the perfect storm. Many of our seniors are on fixed incomes, and next year Social Security will only increase by 1.5 percent. And many of our residents are below the state average on income. We have to be fair to our citizens and make sure their utilities are affordable.

What needs to change?
Unfunded mandates can no longer be funded by the taxpayers. They cannot bear any further burdens. Elected officials need to talk to the DOE as I’m doing and write to the DOE as I’m doing. It’s a partnership: of course we want clean water, but we have to work within our ability to pay for it. The state Legislature has to really pay attention to this.

What can the Legislature do?
We just finished the $20 million Phase I of our combined sewer overflow project, and we’re going into Phase II, which will cost another $26 million, but the Legislature just swept the rug out from under us by sweeping the Public Works Trust Fund. We were absolutely counting on those funds for our combined sewer overflow project, and now that we’re halfway finished, they’ve taken away the tool we need to finish it. The state revenue forecast came in $358 million over what was expected, so I’m hoping the Legislature will take another look at the Public Works Trust Fund and maybe reinstate it.

Any regrets about running for mayor?
I had no idea that being a small-town mayor would bring so many challenges, adventures, and opportunities. I’m working hard, and I’m very happy and proud of Port Angeles. We are growing, and we are working through these obstacles together. One thing hasn’t changed: we are still a town with the pioneer spirit of neighbor helping neighbor.
By the Numbers

Cityvision looks at how the border city of Port Angeles is developing to keep its edge.

Population

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<th>Year</th>
<th>Total Port Angeles Residents</th>
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<td>2012</td>
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Population Data from the 2010 US Census, unless otherwise indicated.

Cutting the Wire

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<td>Wireless access points for city broadband network</td>
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<tr>
<td>61</td>
<td>City, county, fire district, and tribal vehicles connected to network</td>
</tr>
<tr>
<td>1</td>
<td>Hour of free daily access for each citizen</td>
</tr>
</tbody>
</table>

Source: City of Port Angeles

Ethnic Makeup

- **86.4%** White
- **4.3%** Two or more races
- **4%** Hispanic or Latino (of any race)
- **2%** Asian/Pacific Islander
- **0.8%** Black/African American
- **3.2%** Native American/Alaska Native

Priming the Grid

- **160k** Megawatt hours produced by biomass cogeneration plant sold back to grid annually
- **20–25%** Equivalent of city’s total electricity use in 2012

Source: City of Port Angeles

Rates on the Rise

- **$18** Monthly residential combined sewer overflow fee
- **29%** Of total wastewater bill for customers with consumption of less than 430 cubic feet

Source: City of Port Angeles

Welcome Mat

- **400k** Passengers traveling between Port Angeles and Victoria, BC, in 2012
- **$44M** Total local economic impact
- **$308** Average local spending per visitor

Source: Black Ball Ferry Line

All Aboard

- **87.5M** Board feet of lumber exported through Port of Port Angeles in 2013
- **46%** Revenue increase in log exports projected for 2014

Source: Port of Port Angeles
FROM AN ECONOMIC development perspective, the City of North Bonneville faces more than its per capita share of challenges. Blame it on history, with an assist from the Army Corps of Engineers.

When the Corps needed to build a new power station at the Bonneville Dam in 1978, it relocated the small community of North Bonneville downstream to a site high above the floodplain. Then the Corps rerouted State Highway 14 so that nettlesome traffic would bypass the improved location; by charter, 40 percent of Washington’s bucolic new Columbia River Gorge city, which lacked a Main Street or any discernible commercial center, was to be protected from development in perpetuity. Nearly four decades later, tourists heading to Stevenson (a guidebook destination six miles east) on Highway 14 stop in North Bonneville just long enough to purchase a tank of gas and maybe a side of jojos at North Bonneville’s most prominent landmark.

“When tourists drive by they see the Chevron station, and that’s it,” says Mayor Don Stevens (pictured at right), who works in sales and marketing at Gorge Delights, a North Bonneville snack-bar company founded by a collective of pear farmers with orchards across the Columbia in Oregon’s thriving Hood River. “State Highway 14 goes right through downtown Stevenson, and when it does the speed limit is reduced, which lends itself for businesses setting up. Stevenson has 10 or 12
aging pump stations, but a temporary 4 percent utility tax increase enacted in 2013, along with a $5.75-per-month increase in household water and sewer rates, will go not as a down payment for that upgrade but to balance the $1.3 million general fund and shore up the utility fund.

“It’s like most smaller cities: North Bonneville doesn’t have a lot of wherewithal, and it needs a lot of love and attention,” says Steven Hasson, the city’s new administrator, who came to work in North Bonneville after serving a stint as the first-ever manager of La Pine, Oregon (incorporated in 2006). “Here’s where God quit when he was satisfied: you have this wonderful city with all of these alluring features—it looks more like a park district than a city—but there are a lot of challenges… There isn’t much commercial activity, and it has an older population so there’s not a lot of tax dollars to sustain services. It has a lot of infrastructure in decline. We have got to get very good and competitive at securing loans and grants, or we need to be able to expand our revenue base and find new income streams.”

ENTER INITIATIVE 502. In the fall of 2013, a year after Washington voters legalized the sale and distribution of marijuana, the state Liquor Control Board announced that it would begin accepting applications from individuals who wished to obtain licenses to open and operate one or more of the 334 retail stores envisioned for the state, which would be allotted on a per capita basis by county. Under the rules, Skamania County would be granted two retail licenses. Since there are only two cities in Skamania County (North Bonneville and Stevenson), and given location restrictions that prohibit the stores from being sited near schools, recreation centers, libraries, and other public places frequented by children, it seemed likely that North Bonneville would be required to host one, if not both, of Skamania County’s state-sanctioned retail pot outlets.

North Bonneville’s council decided on a proactive approach: it began exploring the possibility of forming a Public Development Authority (PDA) that would obtain a license and open and run a marijuana retail outlet in North Bonneville on behalf of the city. Since 1972, some five dozen PDAs—public corporations created to facilitate and manage municipal economic development projects—have been chartered around the state, from the Pike Place Market Preservation and Development Authority (created in 1973 to redevelop and oversee Seattle’s Pike Place...
Market Historical District) to the Mercer Island Development Authority (established in 1988 to finance, develop, and maintain Mercer Island’s city hall). But, unsurprisingly, this would be the first time a PDA would be created to peddle marijuana.

“The genesis of the idea was that through the formation of a PDA, we would be able to have some oversight as to how things were done,” Stevens explains, “whereas if we sat back, there potentially would be someone whose first goal might not be the health and safety of our residents.”

In a town where roughly 55 percent of residents voted in favor of I-502, a November public hearing convened at city hall attracted a relatively sizable (for North Bonneville) crowd of 25, most of whom spoke in favor of opening a city-backed marijuana outlet. That month, the city chartered a PDA and elected five board members (with Mayor Stevens serving as a nonvoting ex officio) to run the organization, which would lease a pole barn at a former sand-and-gravel business on the outskirts of town and refurbish it as a marijuana retail outlet. The city earmarked $15,000 from its tourism fund as seed money, an advance toward the projected $150,000 start-up tab.

Although a consultant projected the store would reap $65,000 a year in profits, under its charter with the PDA the city would receive no direct revenue from the operation, although profits could be used to offset the city’s public safety costs. Considering that the city spends nearly a tenth of its budget—around $100,000—on its contract with the sheriff’s office, Hasson doesn’t downplay the potential impact the store might have on North Bonneville’s bottom line.

“Community policing takes up a big sum of our revenue base,” he says. “Any revenues that come from this should be available to help the city defray its community policing costs. If that scenario plays out, what the city spends on courts and public safety can be redirected to help pay for roads and sewer and water, and hopefully we can leverage that for grants and loans… That’s why this whole idea of pursuing a retail marijuana operation is a good financial strategy: instead of hiding our head in the sand and why this whole idea of pursuing a retail marijuana operation is a hopefully we can leverage that for grants and loans… That’s Bonneville’s bottom line.

“In a town where roughly 55 percent of residents voted in favor of I-502, a November public hearing convened at city hall attracted a relatively sizable (for North Bonneville) crowd of 25, most of whom spoke in favor of opening a city-backed marijuana outlet. That month, the city chartered a PDA and elected five board members (with Mayor Stevens serving as a nonvoting ex officio) to run the organization, which would lease a pole barn at a former sand-and-gravel business on the outskirts of town and refurbish it as a marijuana retail outlet. The city earmarked $15,000 from its tourism fund as seed money, an advance toward the projected $150,000 start-up tab.

Although a consultant projected the store would reap $65,000 a year in profits, under its charter with the PDA the city would receive no direct revenue from the operation, although profits could be used to offset the city’s public safety costs. Considering that the city spends nearly a tenth of its budget—around $100,000—on its contract with the sheriff’s office, Hasson doesn’t downplay the potential impact the store might have on North Bonneville’s bottom line.

“Community policing takes up a big sum of our revenue base,” he says. “Any revenues that come from this should be available to help the city defray its community policing costs. If that scenario plays out, what the city spends on courts and public safety can be redirected to help pay for roads and sewer and water, and hopefully we can leverage that for grants and loans… That’s why this whole idea of pursuing a retail marijuana operation is a good financial strategy: instead of hiding our head in the sand and kicking the can down the road, we’re going to drive this thing.”

**O AUGMENT** its flagging revenues at the onset of the recession, the City of Kennewick sought a more conventional approach: developing a 2,200-acre parcel of land on its southern border, criss-crossed by Interstate 82 and US Route 395, as a retail/office/medical/residential/recreational hub it dubbed Southridge. But unlike North Bonneville, which found initial financing for its marijuana PDA in-house, Kennewick jump-started Southridge with funding from the state’s Local Revitalization Financing (LRF) program. This economic development pilot project, adopted by the Legislature in 2009, authorized cities and counties to impose a local sales and use tax whose revenues would pay off bonds that financed improvements in local “revitalization areas.” The state committed $2.5 million in tax increment revenues that

**MONEY MATTERS**

Q&A WITH MIKE BAILEY

As a peer reviewer on the Government Finance Officers Association’s budget committee, Mike Bailey analyzes 300 municipal budgets from across the country every year. Bailey, the City of Redmond’s finance director, talks about the most common financial pitfalls other cities encounter, and how you can avoid them.

When it comes to revenues, how are Washington cities faring compared to cities in other states?

For many cities outside of Washington, the majority of revenues are passed along from the state. They become very dependent on the state’s fiscal condition and politics to maintain what they do. In Washington, we’re still reliant on state shared revenues, but not nearly to the degree that you see across the rest of the country.

So that independence is a good thing for Washington cities?

Dependence on state shared revenues can turn on you in a heartbeat and leave you with few options. Personally, I think we’re a lot better off being a little more independent from the state. But that creates another problem.

What’s that?

Here in Washington, we have communities that are not able to provide the same level of services that others have because they just don’t have adequate revenue sources. Tukwila might be perceived as a fairly well-off city because of its large retail base [for more, see page 19], but in many rural areas that’s not the case.

What is the case?

You see a lot of utility taxes, whether they’re private utilities like natural gas or electricity or public utilities like water and wastewater. It’s a higher revenue source for the more rural communities, because they just don’t have retail sales at the same level, and they don’t have revenue from other kinds of taxes, like B&O tax and businesses license fees.

Looking at that urban/rural revenue disparity, are there different considerations when it comes to economic development?

Cities that have a large retail base need to recognize that retail sectors over time are going to evolve, and if you can’t make infrastructure investments, retailers are going to move on to the place that does. In Lynnwood, the city contributed significantly to build an interchange and overpass

continued on page 19 →
would be awarded on a first-come, first-served basis to the first five cities or counties that submitted applications electronically; each demonstration project would be eligible to receive a maximum of $500,000 that would be doled out annually over 25 years.

To be eligible, Kennewick obtained a letter of commitment from a private developer that owned land in the area. The city also partnered with the Port of Kennewick, Benton County, and its hospital district (which planned to build a $126 million hospital), all of which committed their shares of the new local tax to help the city service its debt. In addition, the city was required to prove that the development would generate at least $500,000 in sales and property taxes annually for the state, which would be used to fund the program. To maximize its chances of success, at the exact moment the state’s electronic call for entries opened that September, the city transmitted identical applications simultaneously from three different computers; all available funds were awarded in the first five seconds, and Kennewick’s Southridge LRF Demonstration Project was one of the winners.

The city issued $13.6 million in bonds and used the money to finance the construction of roads, roundabouts, sidewalks, sewers, and other infrastructure that was needed to prime the area for rapid development.

“What the LRF was meant to do is spur development, and it did just that,” observes Kennewick’s city manager, Marie Mosely. “Development usually occurs piece by piece as developers hook up infrastructure. LRF allowed us to build out streets and sewers so we didn’t have to wait for a developer to come to us. Had we waited for developers, in the heart of the recession, this never would have happened.”

Instead, over the past four years Southridge has blossomed, with nine new retail businesses (including a brewpub, a pizzeria, and a winery), a public sports and recreation complex, an apartment complex, and a retirement home. A bevy of other projects are currently under construction, including a $1 million carousel for the rec center, Kennewick General Hospital (which alone is projected to add another $5 million to Southridge’s sales and use tax revenues when it opens in June 2014), and an eco-friendly subdivision with 450 new homes that will be geothermally heated. Through 2012, Southridge generated $8.4 million in newly assessed property and 86 full-time jobs (worth $2.73 million in wages and benefits), along with $48.2 million in taxable sales activity. Overall, the $867,000 in LRF funding the state has contributed to the project to date has yielded $3 million in tax revenue for the state.

“We are very proud of what we did here; it’s a huge success story,” Mosely says. “Everything lined up perfectly. We had a great project ready to go, and it really did generate the economic development we had expected and what the state was hoping to do by implementing the LRF program. It’s a great example of how tax increment financing really does work.”

Given that the Legislature swept Public Works Trust Fund loans Kennewick had planned to use to extend roads and sewers to prime the development of a new industrial and warehouse district, Mosely hopes the Legislature might consider reviving...
the LRF program, on the strength of revenue-generation results like her city’s.

“From our perspective, given that the state does not provide a lot of options for economic development, we’re looking for anything we can that would keep this community moving forward,” she says. “If the state would allow another LRF program, we have projects ready to go that will generate a significant number of jobs for our community—and revenue for the state.”

STILL, DEVELOPMENT of a retail hub doesn’t guarantee economic success. Consider Tukwila, home to Southcenter, a 1.7-million-square-foot mall that’s Puget Sound’s largest. Even with Southcenter, and to a certain degree because of it, the city struggles financially to cope with its dramatically fluctuating population: 175,000 by day and 19,000 by night. With only 19,000 taxpaying residents, Tukwila, a city as populous as Port Angeles, must provide services (including police and fire protection) for a city the size of Vancouver.

“We have to provide the infrastructure, the streets, the water, the sewer, police, and fire protection for the larger city,” says Mayor Jim Haggerton. “I’m very involved with the National League of Cities, and many people ask me how many police officers we have. When I say we have 72, and when I tell them we have a population of 19,000, they’re just horrified. They say, ‘How can you have 72 police officers for a city of 19,000?’”

Complicating matters, the median income of those 19,000 residents is just $40,718, 32 percent below the state median; 12.7 percent of the population falls below the federal poverty level; the local school district (where 80 percent of children qualify for free or reduced lunch) was recently designated the most diverse in the nation; the city’s nine neighborhoods, defined by cross-cutting freeways, are as fragmented as fiefdoms separated by moats; and Tukwila’s crime rate is nearly three times that of its neighbor Des Moines.

Given the limited resources of its official population, sales tax tops the list of income sources for Tukwila’s general fund, which from 2013 to 2014 is projected to decline from $59.6 million to $56.4 million. Haggerton, who never tires of pointing out that his city receives just 0.84 percent of its 9.5 percent sales tax (6.5 percent goes to the state), blames much of this decline on the Streamlined Sales and Use Tax Agreement (SSUTA) the Legislature enacted in 2007, a destination-based sales tax adopted by 43 other states that attempts to level the playing field between brick-and-mortar stores and Internet-based retailers by shunting sales tax payments from the point of purchase to the ultimate destination of all goods and services. From 2007 to 2008 (the year the SSUTA took effect), Tukwila’s sales tax revenues declined from $19.3 million to $17.7 million; by 2010, sales tax revenues has plummeted to a low of $14.25 million. From 2008 to 2012, annual mitigation payments Tukwila received from the state averaged $1.12 million, less than half the city’s average shortfall, and Haggerton worries that those funds may evaporate in 2014 on the interstate in order to build out and continue to support its retail base.

What about the rural side?
The question that needs to be asked is, What does that community want to be? There was a period of time when many rural communities treasured the lifestyle they had: they didn’t want the traffic, and they didn’t want the growth. All of this financial planning really needs to serve the vision that the community has for itself. If it’s a quiet community today, but it aspires to be an active urban center, that’s going to present some challenges because the tax base that’s needed isn’t going to be there to prime that pump.

So economic development needs to support a visioning process, not vice versa.
The Growth Management Act and comprehensive planning requirements that are in state law really make a lot of sense, because what they say is: the conversation starts with, “Who are you? Is that who you want to continue to be?” And then everything else should line up with that.

How do cities get into trouble financially?
It’s not intentional, but I’ve seen several examples around the state where the economic initiatives of cities have not gone as they had hoped. Most often it’s an endeavor, like creating a new downtown, that increases risk, and those risks end up hurting the city financially.

A city works from the premise of “If you built it, they will come.” And then they don’t come.
Wenatchee’s sports arena is a good example; unfortunately, there’s a half-dozen projects like that I can think of off the top of my head, where a city was working to be proactive in trying to create something that would have a positive economic benefit but the risks caught up to them, especially during this latest recession.

How can cities mitigate those risks?
The GFOA has created a committee on economic development to address this issue: how do we as finance officers do a good job of assessing these risks and give decision-makers the balanced information they need so we can avoid these problems?

What’s your long-range financial forecast for Washington cities?
I saw it in our city council discussion last night: Redmond is a pretty vibrant urban community with lots of things going on, yet we still can’t keep using the same tax rates and revenue base to keep paying the bills for the services that the community expects from us.

And that means?
Your community cannot be on autopilot; you have to take some sort of initiative. … All of us need to be thinking about how we see our financial well-being five years from now. What’s it going to take for us to get there, to be who we want to be as a community?

And how do you get there?
The resources available also are different for every city, so the answer needs to be worked out within the context of each of these unique and very different cities. It’s different for every community, and that’s the beauty of city government.
if the Legislature decides to curtail mitigation payments to help balance the state’s budget.

To make matters worse, from 2011 to 2012 Tukwila’s portion of liquor sales and other state shared revenues (which are distributed to cities on a per capita basis) dropped by nearly 25 percent, from $408,000 to $308,000. Meanwhile, in 2012 Des Moines, a bedroom community of 30,000 just to the southwest, received state shared revenues totaling $619,797.

“They are receiving more funding in state shared revenues than Tukwila is, and we need to provide services to a larger number of people,” says government relations director Kimberly Matej, factoring in Tukwila’s unofficial daytime population of 175,000. “The distribution of state shared revenues hurts Tukwila tremendously. . . . We would like to see the state Legislature look at maybe roadway miles traveled, so it’s not just based on per capita.”

At the height of the economic downturn, having exhausted every revenue-generating device in its overextended toolbox, Tukwila’s council adopted a “head tax” of $55 on all full-time employees who work in the city. However, as a result of the number of half-timers employed at Southcenter, collections averaged less than $2 million a year, far short of what had been anticipated.

And not nearly enough to deal with Tukwila’s infrastructure challenges. The Boeing Access Road Bridge, a structurally deficient arterial over the Burlington Northern/Union Pacific main-line railway that serves the Tukwila Manufacturing/Industrial Center (home to Boeing, the city’s largest employer), carries 40,000 vehicles a day and needs to be replaced, at a cost of $12.2 million. In December 2012, the city secured a $9.7 million federal grant, then landed a $2.5 million loan from the state’s Public Works Trust Fund (PWTF) to pay for the balance, as required by the grant. But that money disappeared when the Legislature swept the PWTF to balance the state budget; if the city is unable to find an alternate source of revenue by the end of the coming year, it must forfeit its federal loan, putting the bridge project in jeopardy.

“That will affect us for years to come,” Matej stresses. “If you drove through our city right now, heading south on I-5 from Seattle to Portland, you would look to the east and see all the cars at the mall and think, ‘That city has it made.’ But we want people to see who the city of Tukwila really is, that we are facing the same challenges as everybody else.”

**FOR ITS PART,** North Bonneville hopes to remake itself from a Chevron pit stop on Highway 14 into a legitimate post-I-502 tourist destination. At press time, the city’s PDA had yet to file its application with the Liquor Control Board, and it potentially faced other hurdles in its quest to become the first city in Washington—and the USA—to indirectly run a recreational pot outlet. (Chief among them: in the event that the LCB receives multiple applications for a retail license, the license will be awarded via lottery.) But Hasson remains optimistic, because even if the PDA doesn’t receive a license, North Bonneville will still be a pioneer—one that’s made international headlines.

“One of the messages that I hope resonates is that we are business-friendly,” Hasson says. “We have a lot of industrial land that is all built and ready for development, 30 acres in this most gorgeous setting. . . . We want people to know that we are not parochial, that we are trying to reinvent ourselves and embrace the entrepreneurial spirit.”

Be it pot shops, industrial parks, or shopping malls, that’s the lesson to be learned, he adds, when it comes to economic development.

“The world is changing awfully fast, and if we are not geared to accommodate an ever-changing society and ever-changing viewpoints, then we are going to be left behind,” Hasson explains. “I’m not saying people should be risky, but they should be visionary. Cities should be looking for ways to keep their economies sound and stable. If you just use the tried-and-true methods in this day and age, then you are going to be left behind.”

Still daunted by the challenges of postrecession economic development? Hasson counsels thinking about it this way:

“You want to feel like Charles Lindbergh crossing the Atlantic. There’s ice forming on the wings, and you’re not sure where France is, but you’ve got to keep going.”

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*One of the messages that I hope resonates is that we are business-friendly. We want people to know that we are not parochial, that we are trying to reinvent ourselves and embrace the entrepreneurial spirit.*

**—STEVEN HASSON**
**NORTH BONNEVILLE CITY ADMINISTRATOR**
The question is: do we do ourselves any favors by perpetuating the myth that the ‘color of money’ increases transparency or builds trust in a community?
IN THESE ECONOMIC TIMES, cities must avoid budgeting by crisis. A big temptation—and a big mistake—is to use one-time revenues to fund permanent operations. A permanent operation continues into the next budget, but one-time revenues do not—and when that happens, a budget gap develops. Now you've got a problem. The Government Finance Officers Association’s best practices suggest that permanent programs be funded with stable revenues and one-time revenues be applied only to one-time projects. To make your decision-making easier and more predictable, your city should adopt a policy limiting the use of one-time revenues for ongoing expenditures.

Examples of one-time revenues include infrequent sales of government assets, bond refunding savings, infrequent revenues from development, and grants. These revenues may be available for more than one year (e.g., a three-year grant), but are expected to be nonrecurring.

So where do you land in the one-time revenue debate? Take the “Spend, or Thrift?” quiz at left, and let's dig deeper into your answers.

**Question 1**

Other examples of sensible expenditures from one-time revenues include fixed or movable tangible assets, start-up costs, stabilization (to cover expenditures that temporarily exceed revenues), early debt retirement, and capital purchases. Uses that add to the ongoing expenditure base should be carefully reviewed and minimized, e.g., capital expenditures that significantly increase ongoing operating expenses without an offsetting long-term revenue plan.

**Question 2**

Sales tax derived from new construction is always one-time money. You may, of course, get additional revenues from new construction the next year or the following year, but at some point new construction will stop and your sales tax revenues will drop back to a normal amount. While it's tempting to spend this one-time money on ongoing expenditures when, say, your city needs more police officers, if you use one-time money to hire them, you will probably need to lay them off when the new construction stops.

A perfectly good use for one-time revenues is debt reduction. Many cities set up programs to use more cash to replace infrastructure. As one-time revenues become available, cities can use the funds to replace sewers or repair streets, reducing the need to borrow and saving taxpayers money in a consistent, long-term way. Bond-rating agencies like this approach; cities that employ it are often able to borrow what money they do need at a lower rate, which helps keep taxes down.
MUTUAL FUNDING

CITIES AND THEIR COUNTY TEAM UP TO BOOST LOCAL TOURISM.

ANY DIE-HARD Washington sports fan who also doubles as an elected official will appreciate the origins of the state’s lodging tax: it made the scene in 1967 as a funding mechanism for the Kingdome. Not a bad beginning. Today the funds can be used for tourism marketing, special events and festivals, and tourism-related facilities.

Kittitas County, along with the cities of Ellensburg, Cle Elum, and Roslyn, recently put a new twist on this traditional source of tourism support. Thinking strategically, regionally, and practically, the four local governments consolidated their lodging tax grants (for 2014 grants are available in the consolidated process only for events and festival funding) into one funding-review and selection process. The new process combines city and county lodging tax money and proposals into a single application with the same timeline and review structure. The goal was to make it easier for applicants to participate in the grant cycle, with one set of rules and standards and one point of contact.

The county and three cities started the consolidation discussions in July, with Kittitas County commissioners attending council meetings in the three cities to brief everyone on the consolidation plan. After lengthy discussions, all three cities signed a memorandum of understanding outlining the mechanisms by which the program would be run, approved a common application form, and agreed to a combined review process. Though the process is now consolidated, each jurisdiction still retains its own lodging tax committee, and each legislative body still has final say over fund distributions.

And the process still starts locally. Each jurisdiction’s grant group creates its own recommendation list for funding awards, using the same ranking system to prioritize. The recommendations then go to a countywide work group with three representatives from each jurisdiction for a public discussion. After the work group makes a final list of recommendations, that list goes to the participating jurisdictions’ councils for final decisions.

Advantages of the consolidated system include bringing more voices to the table and improving communication among neighbors about event plans. It also allows for greater distribution of funds to events and festivals taking place throughout the county, as each year each jurisdiction will make funding available from its lodging tax revenues; for 2014 Kittitas County provided $200,000, Ellensburg authorized $30,000, Cle Elum approved $8,000, and Roslyn contributed $3,000.

The key factor in this initiative’s success is making sure applicants understand the new consolidated process; to that end, the Kittitas County Chamber of Commerce hosted several well-attended training sessions. In addition, each jurisdiction’s website features the common application, all of the committee and council meetings have been public, and local media covered the thinking, from start to finish.

Ellensburg councilmember Jill Scheffer chairs the city’s lodging tax committee and is the founder of the Kittitas Environmental Education Network.

JILL SCHEFFER, Councilmember, Ellensburg

Tourism Track
Cities and counties use lodging tax revenues to initiate a cycle that, when complete, can generate still more lodging tax revenues.

People also buy gas, food, souvenirs, gifts, tickets, meals.

Revenue used for special events, festivals, marketing, and tourism-related facilities (arts, sports, culture, recreation)

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Revenue helps community remain a destination.

For more information: cl.ellensburg.wa.us

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DIAMONDS IN THE ROUGH
A TEAM PROJECT IN DAVENPORT PROMOTES ECONOMIC DEVELOPMENT.

DAVENPORT’S Sports Complex and Business Park project grew out of a Field of Dreams–inspired proposal driven by the local youth baseball league, which didn’t have a safe place to play. When the league couldn’t make the dream a reality on its own, it turned to the city for help.

Working with Lincoln County, the county economic development commission (EDC), the Davenport School District, and other community groups, Davenport transformed a 40-acre lot covered in sagebrush and rocks into a regional sports complex with an adjoining commercial park. Teamwork was the key: the city owned the property, the county bulldozed the site, the school district donated funds, a local engineering firm donated a preliminary design and construction estimates, and the EDC awarded grants for a binding site plan for the commercial portion.

Once the property was bulldozed, Davenport had to consider construction financing. The city couldn’t apply for Recreation and Conservation Office funding because of time constraints, and technically by clearing the land, it had already started the project. State rural development funds wouldn’t work—the city’s income level wasn’t low enough to qualify. But councilmembers did realize that the city could support a little debt. To float a small councilmanic bond, the city produced a comprehensive multi-year budget, keeping in mind the extra support the city would need to complete the project. With a $750,000 bond and another $125,000 from its water fund, Davenport started construction. The city and county jointly paved an access road, community groups donated labor, and a local developer used his park impact fee obligation to prep the area for a disc golf course.

A key element of the complex, for both funding and community expectations, was that it include something for everyone: three baseball fields (a college-size field for the local high school and two youth fields), a disc golf course, a basketball court, a picnic shelter, a pedestrian/bike lane, and a 60-space parking lot—the largest in town. The city is already experiencing record turnouts for youth and adult softball leagues and has plans to market the complex for regional tournaments.

Alongside the sports complex, adjoining land with state highway frontage was set aside for a business park. Davenport, in the unique position of operating in the black with full downtown storefronts, needed space for commercial expansion. The business park is build-ready, and the EDC is working to bring in businesses and services compatible with the sports complex. The city-owned commercial property allows Davenport to increase revenue through lot leases.

Other Notable Projects

Normandy Park – City Scene
When Normandy Park wanted to improve citizen communications and promote local businesses, it turned to a resident who owned a regional publishing company to create a free magazine of city- and citizen-supplied content. Published three times a year, City Scene is mailed directly to Normandy Park’s 6,600 residents, and the publishing company handles administrative functions, design, production, and advertising sales. Designed to pay for itself, City Scene had revenues exceed expenditures in its first issue, so the city and company founded an independent, nonprofit foundation, using net proceeds to promote local businesses and community events.

Woodinville – Celebrate Woodinville
Partnering with the Chamber of Commerce, the Woodinville Wine Country Association, and other community members, Woodinville transformed a poorly attended noontime summer concert series into weekend family-oriented events featuring local bands alongside local food vendors and wineries. The city used little staff, publicized the events widely, and held costs for five concerts in 2012 to just $44,340, funded mostly through the city’s hotel-motel tax and general fund dollars. Attendance increased by 167 percent, attesting to the benefits of community ownership and decision-making.

For more information: davenportwa.us
THE COLOR OF MONEY

DOES RESTRICTED-PURPOSE TRANSPARENCY INCREASE TRUST?

IT’S NO SECRET that Washington’s property tax system is among the most complex in the country. We have more than 60 different types of regular property taxes that can be levied by overlapping taxing districts. Those levies are subject to individual and aggregate rate limitations, and they are further subject to initiative-imposed amount limitations. Add to that the fact that local government taxing authority (property tax or other local option tax) is frequently restricted to a specific purpose, and it’s no wonder that taxpayer confusion and criticism abound.

I sometimes refer to the trend of restricting revenues to specific purposes as a “color of money” problem. In government, unlike in most other sectors, every dollar that comes in is figuratively dyed a different color that prescribes how it can be spent—and the rarest of all is the unrestricted green dollar.

The question is: do we do ourselves any favors by perpetuating the myth that the “color of money” increases transparency or builds trust in a community? The approach is appealing on the surface. It seems congruent with a sense of social contract: the taxpayer supposedly knows what he or she is paying for. But consider, for example, the State Auditor’s 2011 look at city overhead cost allocation practices. Tracing each dyed dollar to an appropriately hued share of a larger cost takes time and effort, which itself is an added cost. In the end, is it really true that the taxpayer is any better enlightened?

The other danger lurking in the “color of money” problem is that it can lead to a fee-for-service approach to government. Let’s remember: a primary justification for government to provide a service is the fact that many government services simply can’t be supported by a private-sector fee-based approach. And it’s hardly equitable to ask those most in need of the services to bear their full cost.

Historically, we have had a clear distinction between “taxes,” which are amounts paid for the general support of government, including paying for things that benefit the common good, and “fees,” which relate specifically to receiving a service or regulating an activity. The State Supreme Court has written many decisions on this topic, in recent years sliding down a slippery slope toward the conventional wisdom that more painted dollars (and fewer unrestricted green ones) is better. This conventional wisdom is also reflected in the initiative movement and in the trend toward more “levy lid lifts” (which are a way of asking voters to approve limited increases in taxes on the condition that those dollars be spent in a specific way) and other voter-approved special-purpose taxes.

There may be no way to buck this trend, but it is worth being aware...
of the direction in which we are sliding. As pressures build to restrict the dollars coming in the door, we leave ourselves with less and less flexibility to respond to the changing needs of communities and constituents. In budgeting circles, the buzz is all about “priorities of government.” Nearly every city conducts some sort of community outreach to inform its annual budget process. But it becomes less and less possible to respond to these community priorities when the dollars available come with a predetermined priority of their own.

In my experience, I have seen many communities struggle with explaining to their constituents why a large sum of money is available for one thing but not another, particularly where the latter involves salaries and benefits for public safety officers or providing more community services. These are not easily quantifiable in a fee-for-service universe.

When faced with this dilemma, I have urged public officials to resist the temptation of restricting all new revenue sources. Set a minimum level for unrestricted general revenues, and focus on really engaging the community in determining how these revenues are spent. Get the community to buy into increasing the size of the “unrestricted” pie—rather than shrinking the pie by carving up more and more of it for restricted purposes. When drafting ballot propositions for levy lid lifts or other voter-approved taxes, incorporate flexible language that will both communicate the intent and provide for the revenues to be adjusted to reflect the needs of the community in the future. See “Write Right” (page 25) for additional concrete tips.

In the end, local government officials can provide leadership in supporting local options and local choices. But they should be wary of limiting flexibility by accepting (or self-imposing) restrictions on their revenue sources that will last well into the future.

As pressures build to restrict the dollars coming in the door, we leave ourselves with less and less flexibility.
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Even when funding mechanisms may seem in disrepair, cities keep looking for ways to build toward the future.

It’s not all gloom and doom. Cities aren’t facing desolation. If anything, cities and towns across the state are working harder than ever to get the maximum benefit out of the revenue sources they have at their disposal. So why end this issue of Cityvision with such a grim photo?

Over the past several years, it’s become increasingly obvious to cities that the current method of funding services is fundamentally broken. Many of the available revenue options are constricted (property and utility tax caps), unpredictable (volatile sales tax collections), or subject to approval by other political bodies (state shared revenues and federal funds).

Census data show that at the current rate of growth, Washington’s population will increase by 766,543 over the next 10 years. Most of the new arrivals will live in cities. The big question: how will cities provide services to a growing population with revenue streams that can’t keep pace? In the wake of the recent recession, the delivery of some services will be changed forever.

The answer is long-term: strategic changes that tackle structural reforms, tactical solutions that delve into the legislative arena, and policy solutions that provide relief or flexibility with daily operations. All of this takes education of voters and legislators. But the futurescape isn’t bleak; cities are prepared to pitch camp and dig in to greet the good years ahead. In the meantime, they just need some sustainable revenue sunshine.
Sustainability Initiatives

Waste Connections recognizes the importance to our community and our stakeholders of our continuing efforts to minimize our impact on the environment by:

- Encouraging materials recycling and reuse;
- Using waste to generate clean, renewable energy;
- Reducing our carbon footprint and use of fossil fuels; and
- Pursuing alternatives to landfill disposal.

For more information please contact:

Eddie Westmoreland,
Western Region VP of Governmental Affairs
(253) 896-3282
That’s reason for celebration!

The AWC Employee Benefit Trust is going from fully-insured to self-insured on medical, dental (WDS) and vision programs effective January 1, 2014. That’s great news for cities that purchase health benefits from the Trust, with no health insurance rate increase this year. The change is expected to save cities millions of dollars in premiums – not only this year, but for years to come.

And while the funding mechanism is changing, members still get what they expect from AWC’s Employee Benefit Trust – the same great choice in benefits, top-notch communications, and excellent service. If your municipality isn’t already a member, give the Trust a call today.

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