

2005
State of the Cities



Assessing the health of Washington's cities and towns

Summary





State of the Cities Report 2005
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The Association of Washington Cities (AWC) is a non-profit, membership organization that exists to create and maintain livable cities and towns throughout the state. AWC serves its members through advocacy, education and training, technical assistance, risk management and insurance services.

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Cities should be partners in government... Municipal revenues have not kept pace... Efficient cities make the state's economy strong...

Mary Place
President, AWC Board of Directors
Councilmember, City of Yakima

These statements come from a 1958 Association of Washington Cities (AWC) publication, the last time AWC undertook an extensive analysis of the fiscal needs and service challenges to cities. However they still apply to cities today.

The 2005 State of the Cities report shows that while cities and towns are working creatively to keep pace with growing needs, many communities are falling behind on basic infrastructure, transportation improvements and the ability to provide economic opportunities for a growing population.

This document is offered as a starting point for discussions with the state and other partners in providing services to Washington's citizens. Together we can meet the challenges of the future and help grow a healthy economy and quality of life for all of Washington State.

A special thank you is extended to the AWC Board of Directors, the cities and towns that participated in the survey, and to AWC Staff Meagan Eliot and Sheila Gall for coordinating this project.

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2005 State of the Cities Report



Assessing the health of Washington's cities and towns

As part of ongoing effort to support Washington's cities and towns, the Association of Washington Cities has completed an extensive analysis of the current health of our local communities. The report shows that while cities and towns are working creatively to keep pace with growing needs, many communities are falling behind on basic infrastructure, transportation improvements and the ability to provide economic opportunities for a growing population.

Cities are the backbone of our region, providing the services that create quality of life for the majority of our state's citizens: police and fire protection, parks and open space, libraries, clean drinking water, sewer systems, sidewalks, street lights and safe streets and bridges. The fundamental services our cities provide are also the building blocks upon which a strong state economy is constructed.

But now Washington's cities are stretched to the breaking point. Many communities have already made the tough choices to keep the services

that citizens say are most important. Maintenance for roads, bridges, parks, sewers and water systems can only be delayed so long before long-term costs skyrocket. And at a time when our cities need to be investing to promote greater economic development for the future, many are forced to just plug the short-term gaps and focus every available dollar on critical services.

Our cities have risen to meet these challenges head-on – finding new options to fund services and making the difficult choices to cut staff and programs, delay infrastructure investments in order to address current needs and spend down precious reserve funds.

City officials recognize that there is no one-size-fits-all solution to the challenges facing our communities. That's why the State of the Cities Report calls for flexible solutions that allow cities of all sizes to meet the needs of their citizens and continue to provide the economic activity that serves as the basis for a strong statewide economy.

Study Methodology—Analysis based on real experience.

To develop this report, the Association of Washington Cities collected and analyzed data from a variety of independent sources, such as the Local Government Finance Reporting System, and surveyed cities and towns across the state. More than seven of ten cities and towns participated in the survey, providing a representative picture of the health of our state's population centers.

All of this data was analyzed on a statewide basis and by groups of cities of similar size and basic economic characteristics. Some of the results were

common to cities statewide, while others were better understood by looking at cities in terms of their basic economic differences and identifying solutions that address these conditions.

The survey identified the following key challenges for Washington cities and towns:

- Community economic conditions deteriorated after the 1990s – some turned from bad to worse.
- Cities' ability to provide local services followed the same pattern.
- Transportation improvements are at a standstill.

- Cities are falling behind on other basic infrastructure needs.
- Dwindling resources are limiting cities' ability to invest in economic development.

The suggestions in the State of the Cities Report are the result of this extensive analysis and conversations with hundreds of local government leaders across Washington. They provide a road map for strengthening our cities and towns, rebuilding our economic base, and improving the lives of Washington's citizens.

Cities and their Communities

Polls conducted by Stuart Elway in 1997, 1998 and 1999 showed a clear majority of Washington residents believed that Washington's governments should be spending more on transportation, public schools and higher education, prisons/jails, human and social services and environmental protection.

Washington's economic future depends on our ability to shore up the health and stability of our cities and towns. Cities are home to sixty percent of Washington's residents and most of the state's jobs, which generate almost 90% of the state's Gross Domestic Product. Our economy depends on creating livable communities for workers and their families.

Cities grew rapidly from 1990 to 2000; city population increased by 39%, compared to the state's 21% growth. Much of the population growth happened in the same areas that experienced strong economic growth during the 90s – particularly urban areas, where the high tech industry boomed. Though this kind of growth is good for the state

as a whole, cities struggled to keep up with it as service demands increased, outstripping local revenue growth.

During this period, other communities didn't fare as well and entered the end of the decade in a very tough position. Rural and low-income communities far from Washington's urban core saw low growth in median household income and relatively high growth in unemployment and poverty over the 90s.

These communities are being left further and further behind as the national economy shifts from manufacturing and agricultural industries to a greater focus on the services, information, and intellectual property sectors.

A common-sense plan to get our cities on the road to recovery.

Five state actions to improve the health of our cities and towns:

- Financial help for struggling cities and towns
- New transportation funding for cities
- Greater flexibility in the use of existing resources
- New fiscal tools to meet citizen's needs and expectations, and
- Incentives to help stimulate economic development

Going from bad to worse.

A combination of forces – including the wave of tax-limiting initiatives starting in 1999 and the 2001 recession– turned these conditions from bad to worse. Most city officials (88%) surveyed said city services suffered since 2000 – citing deteriorating city streets (79%), and decreasing parks (62%) and police (40%) services.

Washington state has had a slower recovery from the recent downturn than the rest of the country, our unemployment rate continues to rank as one of the highest in the nation, and there's no indication that relief is coming soon. Cities could and should be a strong partner in strengthening the economy in all of Washington's regions, but they can't do it without help.

State action is needed to get us back on track. We must come together as a state to develop new policies, make strategic investments and build the infrastructure needed to enable our economic centers—our cities and towns—to create a new statewide economic recovery.

Cities are being managed responsibly, but they can't do it alone. Whether they're responding to citizen demands

or government mandates, providing economic development opportunities or working to retain current services, cities need the right tools to stay healthy and keep our state strong.

As a state, we face a critical choice. Will we watch the health of our cities continue to decline, or will we invest in our cities and help restore the economic potential of our entire state?

Washington's 281 cities are extremely diverse: from central cities to rural communities

from Seattle, population 571,900

to Kennewick, population 57,900

to Pullman, population 25,300 and from Forks, population 3,125 — to Krupp population 65.

“Our cities are where most of our jobs are.”

As cities collaborate to grow prosperity in every region of our state, their ability to take care of basic services is challenged as never before. Investment in basic city infrastructure is a requirement for our state to be as competitive as it can be.”

Bob Drewel, Executive Director, Puget Sound Regional Council

Caught in a Financial Vise

Cities face a growing gap between increasing costs and declining revenues. 73 percent of Washington cities and towns say they are less able to meet financial needs and provide basic services than they were 5 years ago. Only 13 percent say they are better off.

Even more ominous, despite the predictions of a national and state economic upswing, only 8 percent of Washington cities and towns say they expect to be more able to meet financial needs and provide services in 5 years. A staggering 82 percent say they expect to be even worse off in 5 years.

Despite generally healthy economic times in the mid-90s, city revenues experienced

relatively flat growth when adjusted for inflation, and have dropped sharply since 1999 due to the passage of tax-limiting initiatives and the economic downturn.

Regardless of how individual cities fared during the 90s, virtually every community in our state faced significant challenges as the state and national economic picture worsened and a wave of tax-limiting initiatives began in 1999. The repeal of the motor vehicle excise tax after I-695, the 1% property tax limitation in I-747 and the repeal of the local license fee that cities used to match transportation grant dollars will cumulatively cost cities over \$1.2 billion in revenue by 2007.

Compared to 10 years ago, city per capita revenues have not kept up 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	\$859	\$685
2001	\$892	\$686
2002	\$880	\$664

“We’ve lost a little in excess of fifty percent of our general fund.”

When you’re running at approximately 17% of the state average, you can’t take those types of hits. We’ve cut our police contract. We’re selling a fire truck because we can’t pay the insurance on all the equipment. We’re right down to the last. We’re cutting everything now, hoping to last another year.”

Mayor Steve Jenkins, Bridgeport

Tough times and getting tougher.

“We’ve been living on borrowed time—

reducing reserves and scraping together savings in one year to pay for expenses in the next—in an attempt to cope with lost revenues and higher costs. Now the clock has run out. To deal with a \$10 million shortfall for 2005, we identified our priorities and eliminated functions we couldn’t afford. We’ll have fewer police officers and firefighters, reduced hours at our libraries, a loss of parks programs, and many other impacts.”

- Mayor James West, Spokane

There are a number of cost drivers contributing to this pessimistic outlook: the structural problems of tax-limiting initiatives, sky-rocketing health care costs, and overall revenues not keeping pace with the cost of providing services.

As just one example, health care costs for Washington’s cities have risen by 135% percent since 1994, outpacing inflation and city revenue growth. 86% of cities cite major health care increases as significant budget drivers, with over half of survey respondents identifying these increases as one of their city’s top three negative budget influences.

Other factors are putting major pressures on city revenues. For cities that provide police, courts, fire and EMS services, public safety expenses grew 71% from 1993-2002, twice the 32% growth of inflation.

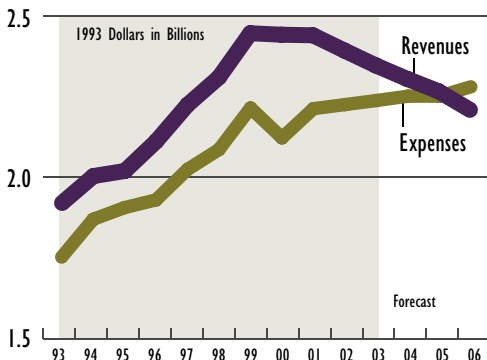
In cities like Bridgeport (population 2,070) and Steilacoom (population 6,120), declines in state funding related to the elimination of the Motor Vehicle Excise Tax and lower levels of backfill have had

a devastating impact on city budgets. Bridgeport eliminated funding for all street projects including maintenance, cut the police contract with the county below 24 hour coverage, depleted reserves, and now is looking at cutting further to survive on a year by year basis.

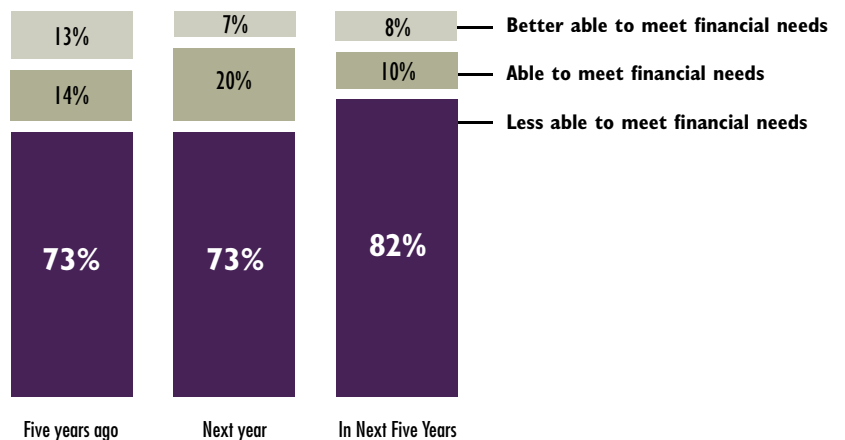
Steilacoom, Washington’s oldest town, restructured substantially in the wake of the initiatives, relocated offices to other city facilities to rent out its historic town hall, and has been pursuing economic development options for the mill that closed during the boom of the late 1990s.

Over the course of the past several decades, state and federal governments have passed an increasing number of mandates without providing cities with the means to meet these new challenges. These mandates impact every city’s bottom line, but smaller tourist centers like Ocean Shores (population 4,065) where residents have relatively low incomes and growth rate are even harder hit, since their citizens cannot absorb rate hikes to pay for mandated infrastructure upgrades.

Based on current trends city revenues cannot keep up with expenses



Cities expect to be less able to meet financial needs



Cities are also financially responsible for the lifetime medical and long-term care costs of more than 6,500 public safety employees and retirees. Since nursing home costs now run as high as \$6,000 per month, just one admission could force a small city to lay off two police officers. Additionally, expensive Homeland Security requirements are now included among city responsibilities.

As a result, some cities have nearly reached the breaking point. In Wapato, a rural community of 4,525 with an agri-

culture based economy, the combination of a declining economic base and increasing costs has pushed the city's resources to the brink. The city has virtually exhausted its reserves and has no room to increase property or utility taxes to meet rising costs.

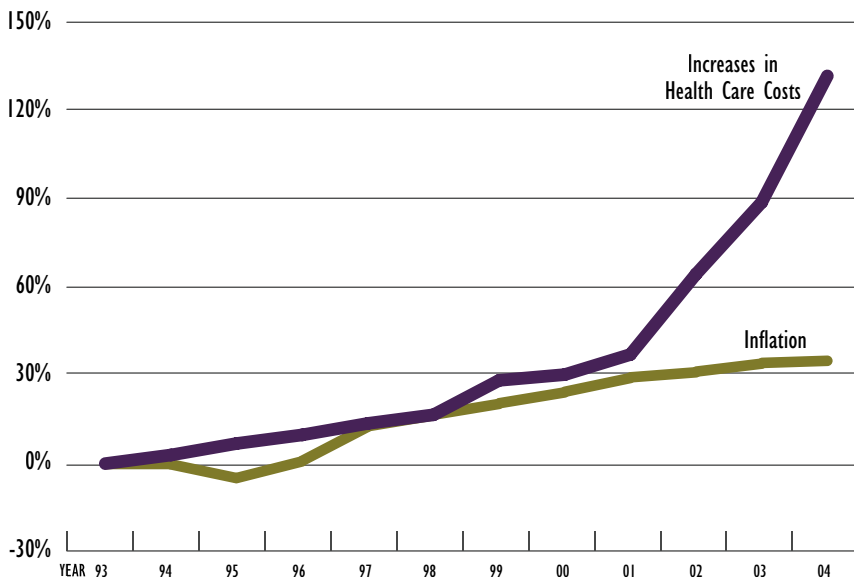
Some large cities are struggling as well. The City of Spokane, facing a major shortfall in 2005, was forced to reduce public safety services as well as those that are important for economic development.

“Cities are being strangled by health care costs.”

Fifteen years ago when cities developed their employee benefit packages, no city could have foreseen the 15 percent annual increases in health care costs or the price of prescription drugs – but they're here now, and they're real.”

– Mayor Cary Bozeman, Bremerton

Rate of Increase in Health Care Costs versus Rate of Increase in General Inflation



Local officials in Washington State now rank their transportation systems as their number one infrastructure challenge.

“Overall our roads are in fairly good shape but the problem over the last two years is that we’ve ceased chip sealing, overlays and preventative maintenance.

We’re okay now but in five to ten years, we will really be hurting because of that.”

-Randy Lewis, Westport City Administrator

In 2002, cities invested \$936 million on transportation—\$200 million for street maintenance alone—yet this covers only a portion of ongoing needs and does not address a critical maintenance backlog or major projects

Today, only one out of every three dollars of city transportation funding comes from dedicated state or federal funds. Cities supply the remaining two-thirds from their own general funds, setting up a competition for limited general fund dollars with other needed city services, such as public safety, parks and recreation and libraries. A 1998 legislative study showed Washington cities facing a \$2.42 billion shortfall in transportation infrastructure funding, and that was eight years ago!

Cities receive 2.46 cents of gas tax (roughly 9% of the total). This distribution is fixed and does not consider inflation or the fact that 60% of the state’s population resides in cities and that Washington’s cities and towns serve as the state’s employment centers. In fact, the per capita inflation adjusted value of the gas tax distribution has dropped 40% since 1991.

This trend has ominous implications for our fiscal and economic future. The longer we delay vital transportation maintenance, the more costly it becomes. By shortchanging the transportation needs of cities now, Washington State is creating an even greater transportation and budget crisis in the future.

The cost of inaction is high.

As our city streets and arterials deteriorate, the cost to repair or replace them doubles every 10 to 15 years.

“If we continue to **fall further and further behind** in the basic upkeep of our local roads and bridges, our citizens and our economy will **pay a heavy price** for decades to come.”

-Juli Wilkerson, Director, Washington State Department of Community Trade and Economic Development

Gridlock: Transportation Improvements at a Standstill

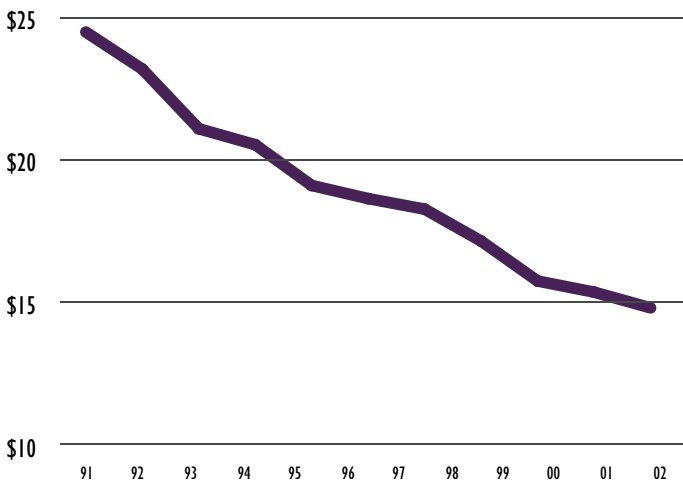
The State of the Cities report found that a significant part of the problem is the growing gap between cities' transportation needs and the funds available to address them.

With nearly every trip in this state beginning or ending on a city street, maintaining local transportation infrastructure is a key part of ensuring the health of our cities and towns. Yet Washington cities are falling dangerously

behind in maintaining city streets and bridges and meeting growing capacity and mobility needs. Significant cuts in state funding, coupled with the loss of revenue sources, have created a crisis for our local transportation systems.

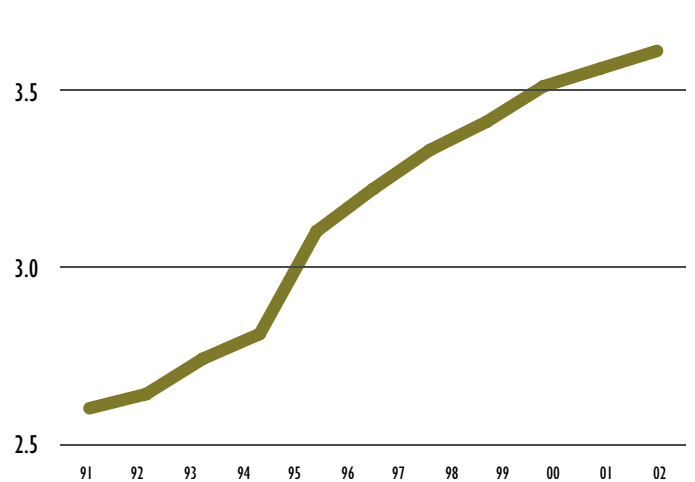
Gas Tax distributions per person have fallen...

Per-Capita Distribution of Gas Tax in 1991 Dollars

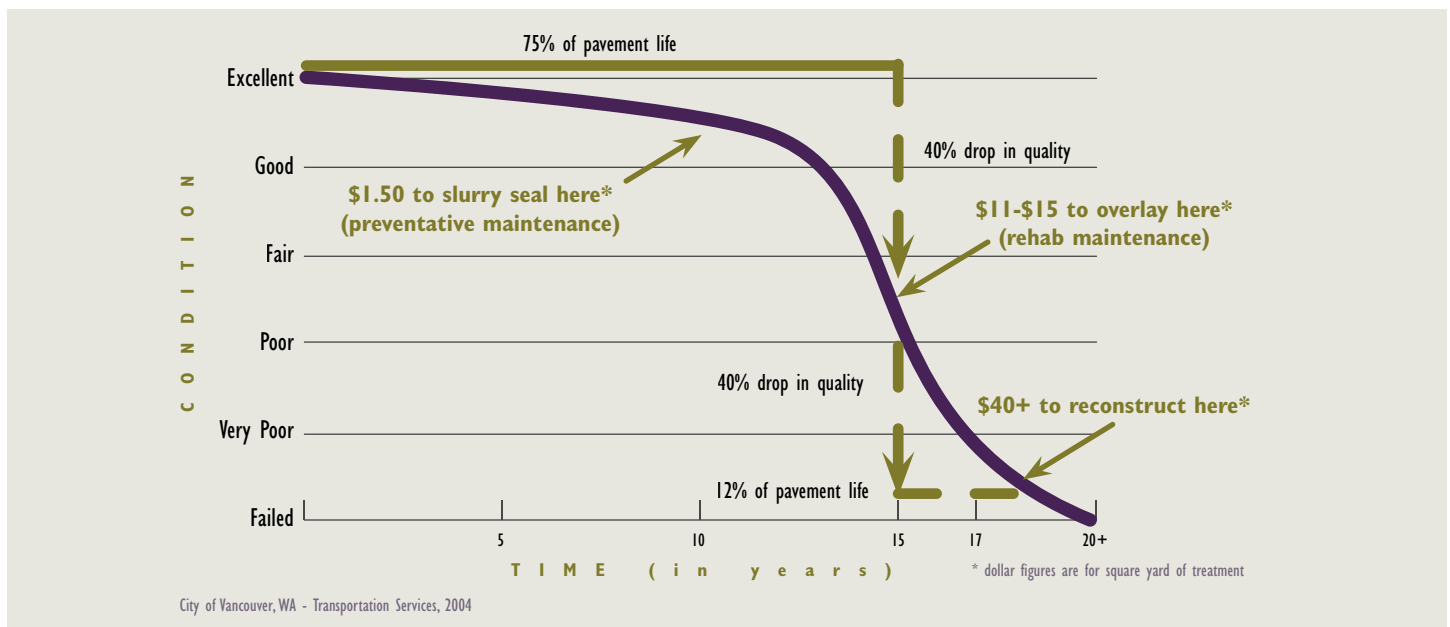


Even as the population of cities has grown

Statewide Municipal Population in Millions



Pavement Life Curve – As repairs are delayed costs go up and roads decay



The transportation crisis has been growing over the last decade.

How Did We Get Here?

- Drastic funding cuts from statewide initiatives, with city losses projected at \$1.2 billion by 2007.
- Discontinuation of the Small City Paving program, which funded 157 cities and paved 160 miles of streets.
- Transportation Improvement Board revenues are limited – only \$1 was granted for every \$8 requested.
- Loss of the street utility fee and the vehicle-licensing fee and the absence of dedicated freight mobility funds.
- An un-funded state mandate requiring larger cities to assume additional responsibilities for state highways, in addition to their own streets.
- A 40% decrease in per capita inflation adjusted state gas tax distributions over the past 12 years.

Today, nine out of ten city leaders cite transportation as one of the top three challenges facing their community. Cities and towns throughout the state face a broad range of transportation needs:

- Larger economic centers need major improvements for congestion relief, freight mobility, and earthquake protection.
- Many intermediate and smaller cities serve as a through corridor for commuting workers, resulting in extraordinary congestion.
- Small rural communities are unable to fund the most basic resurfacing projects and cannot afford even modest improvements to their streets without State assistance. Those cities that have received state assistance are the only cities reporting improvements in their transportation systems.

- Eastern Washington cities face freeze/thaw cycles that accelerate street deterioration.

Streets in newly incorporated and annexed cities need major investments to meet urban standards such as sidewalks and street lighting.

Providing adequate funding for these local transportation improvements is critical to the social and economic prosperity of our cities and towns and, by extension, the entire state.

And transportation isn't the only area in which cities are struggling to keep up with infrastructure and maintenance needs. Basic systems like water and sewer are also a challenge for cities that have seen their populations grow while their capacity declines.

Falling Behind on the Basics

Washington cities are finding it more and more difficult just to fund the basic infrastructure required to keep our local communities healthy. Unfunded federal and state mandates, competing demands on city general fund dollars and increasing competition among jurisdictions for limited state and federal

dollars have limited cities' ability to keep pace with needed infrastructure improvements. As infrastructure ages, local leaders find themselves grappling with the need for major capital improvements without adequate funding to address them.

The infrastructure necessary to sustain a city is diverse, and includes systems such as domestic water, sanitary sewer, storm sewer, solid waste and recycling, public safety facilities, parks and libraries. The State of the Cities report focuses on the need for timely investment in water, sewer and storm water infrastructure.

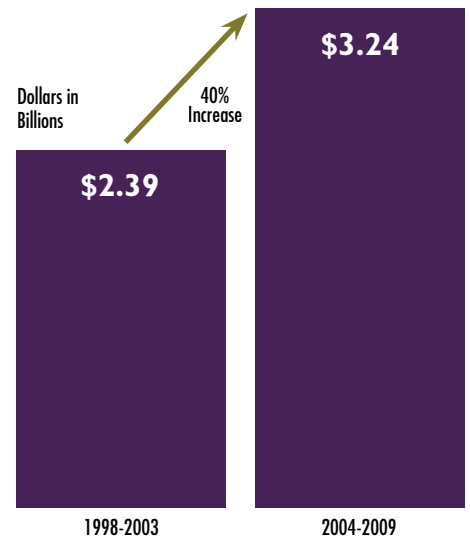
The needs are significant.

A 1999 study conducted by the Public Works Board at the request of the Legislature identified a \$2.39 billion need for improvements to local sanitary sewer, domestic water and storm water

systems for 1998-2003. An updated analysis suggests that needs will increase by 40%, to \$3.24 billion, for the 2004 - 2009 period, further widening the gap between city resources and demand.

System improvement needs have increased by 40 percent

Domestic water, sanitary sewer and storm water systems



Total Funding Needs by Infrastructure Category (Cities Only) 2004 - 2009

	Domestic Water	Sanitary Sewer	Storm Water	Total Needs
Funding needs reported	\$.75 billion	\$.72 billion	\$.20 billion	\$ 1.67 billion
% Of population reporting represented by cities	54%	52%	43%	
Estimated	\$ 1.39 billion	\$ 1.39 billion	\$.46 billion	\$ 3.24 billion

Unfunded mandates increase financial pressures on cities.

“We are living in a trickle down era—

responsibilities trickle down from the feds to the state and from the state to the locals.”

— Carolyn Powers,
Port Orchard Councilmember

Standards for water, sewer and storm water systems are based on community priorities and federal and state mandates such as the Clean Water Act. In most cities, user fees are the primary means of paying for infrastructure such as water and sewer. But unfunded mandates place an additional burden on local governments. This is particularly true in smaller cities and towns where lower incomes, stagnant economic growth, unemployment and a limited population make rate increases unsustainable. Users cannot afford to pay higher rates. In these cities, elected officials must divert money from other services in order to upgrade facilities.

In one case study, the City of Vader (population 610) faces two sanitary sewer improvement projects to comply with state and federal mandates: a wastewater treatment plant and biosolids removal project (est. \$4.6 M) and new in-street sewers (est. \$677K). Even with a USDA Rural Development loan, a Department of Ecology Loan, a Public Works Trust Fund loan, and Community Development Block Grants, the city would need to raise their current \$27.50 monthly rate to between \$74.10 and \$80.10 to pay the remaining costs, an increase of 170% to 190%.

Adequate infrastructure is needed to accommodate growth

The population of Washington State is projected to grow by more than 1.7 million people by 2025. The Growth Management Act (GMA) requires local governments in 29 counties to plan for and accommodate growth. Each city and county must develop detailed plans outlining how they will provide and fund the infrastructure needed to accommodate growth. Based on those plans, the needs continue to expand faster than the resources that are available. If cities and towns are to succeed in meeting the requirements of federal and state mandates and to maintain quality of life in their communities, that trend must be reversed.

Grants and loans are potential sources of funding for cities' infrastructure upgrades. But both are becoming increasingly competitive among jurisdictions and infrastructure types, and resources are not adequate to keep up with demand. The 2004 city applications for the Public Works Trust Fund totaled \$292 million, with the agency only having enough funds to approve \$154 million in loans for projects.

But even with improvements, these programs are not enough. Washington's cities need help to develop an economic development program that can serve as the basis for increasing direct revenues to cities while also providing the state with added property and sales tax revenues.

“If you can't provide potable water

or stop polluting the lake because you can't afford to fix your water and sewer systems, maybe you've got to go out of business because there's no other alternative.

What happens then?”

— Jack Collins,
Northwest Small Cities Services

Washington's Economic Health Begins at the Local Level

The state's economy depends on healthy economic activity in our cities. Cities can and should be a valuable partner in promoting economic development throughout the state. We have a shared responsibility to work together to enable cities to devote time and resources toward the development of economic opportunities.

During the economic boom of the 1990s, the state focused its economic

development tools at rural communities because they were not experiencing as much growth, on average, as the urban areas. With the downturn in the economy starting around 1999, particularly in aerospace and the technology sector, urban areas are now also hard-hit. The state's economic development programs need to recognize this new reality, and provide an expanded effort to assist urban as well as rural areas.

While the mid-90s saw significant economic activity in some areas, the overall unemployment rate for Washington's cities increased substantially between 1990 and 2000, and many communities were impacted.

Budgetary pressures, especially those caused by crumbling infrastructure, are hampering cities' ability to invest in economic development.

Additional tools are needed to spur economic growth in cities.

Economic development is a complex interaction of factors involving many partners, long timelines, and unique expertise. The state can play a critical role by providing cities with additional tools and funding options to help promote economic growth. In addition, the rules about what cities can and cannot do to promote economic development need to be clarified.

Every city and town needs to transition to the new global/information-based economy, but many communities have

limited time, resources and expertise, and are unsure how to start. Given the nature of the problem, each city shouldn't have to invent the wheel themselves. State government has the opportunity to step up and provide tools that can jump-start every city's efforts to move toward an information-based economic model.

State leadership is particularly important given the regional nature of the economic development challenge.

What can cities do?

“The single greatest economic challenge is attracting family wage jobs to our community.”

- Mayor John Tarrant, Shelton

There are some actions cities can undertake to begin to reverse this trend. According to principles for economic development released in The Metropolitan New Economy Index, cities will have the most success if they undertake the following strategies, which involve partnering with the state and their regions:

- Understand the region's economic function in the global economy.
- Work with their partners, education community, and the state to create a skilled workforce for that role.
- Focus on investing in an infrastructure for innovation.
- Create a great quality of life.
- Foster an innovative business climate.

- Focus on reinventing - and digitizing – government.
- Take regional governance and partnerships seriously.

But cities cannot turn the situation around on their own. State leadership is needed to help cities turn the corner.

Every city and town would like to have a broader economic base and more family-wage jobs, but most cities are so consumed by the challenges of maintaining vital services in the face of declining revenues that they are unable to devote much time, energy or resources to long-term economic development.

“We need to work in partnership with other governments, with private businesses, with education, with everyone. We need to ask what can we do to make this work better for all of us? What are the barriers?”

We must find a way to get through this so we can better work in partnership to meet the needs of our citizenry.”

– AWC President Mary Place, Yakima Councilmember

Cities Have Already Taken the First Step

Faced with a tightening budget vise, city leaders have worked in a variety of ways to try to sustain the most vital services in the face of dwindling resources. More and more cities are asking citizens to help prioritize critical services—the elements that are essential for their city.

Many cities have tapped into reserve funds to preserve services for the short-term. Others have had to impose user fees or local tax increases. A number of cities and towns have eliminated staff positions, despite population growth and increasing demands for services. And many communities have either reduced services, diverted services from some populations, or eliminated certain services entirely.

Prioritizing a reduction in service levels.

Cities have also been working with citizens to prioritize services. Most city officials who said in a recent survey that they had raised taxes in recent years (86%) said they worked with their citizens through a public vote, public hearings or other community processes to prioritize services and determine appropriate tax increases to preserve prioritized services.

For example, the City of Toppenish, faced with a potential budget deficit of over 15% and dwindling state backfill with the loss of sales tax equalization, chose to use reserves to maintain services and embarked on a proactive four-month community outreach process to

prioritize services and budget options. By going directly to the people, the city gained public support and understanding for revenue increases – an action that surely would have been greeted with public opposition had the city responded independently. Instead of opposition to the eventual choice of higher utility taxes to maintain services, Toppenish had multiple municipal supporters throughout the community, equipped with a basic understanding of the budget situation, and prepared to enlighten their fellow citizen.

Cities can't cut deeper without hurting their economic well-being and the quality of life of their citizens. Cost-cutting, user fees and service reductions can only take our communities so far – unless we give our cities and towns the tools they need, the result will be slow but steady erosion in our economic competitiveness as a state and a similar decline in our overall quality of life.

To take the next step, city leaders must work with the state to identify and implement actions that will improve the health of our cities and ensure that our citizens can continue to enjoy a high quality of life.

Cities have responded by tapping reserves, cutting services and raising fees.

Cities have taken strong steps to close the funding gap.

54% tapped into reserve funds

46% increased user fees

39% eliminated staff positions

30% reduced services

12% eliminated some services

Cities report user fee increases for many popular services.

43% parks, recreation, pools, senior/youth fees

35% building/development fees

15% utility fees

4% library late fees

Cities report that key services have suffered since 2000.

79% road deterioration

62% less park maintenance

40% decreased police service

19% reduced library hours

13% increased fire response time

Where We Go From

Here: Maintaining our Cities' Fiscal Health

Based on a thorough analysis of Washington cities' fiscal condition, the full State of the Cities Report offers clear, common-sense recommendations to allow cities to continue to provide badly-needed services for citizens and create the economic opportunities necessary for our state to thrive.

Investing in the health of our cities and towns today will ensure that our state enjoys strong economic growth in the decades to come.

These proposals for forward-looking state policies and increased funding are key to ensuring Washington's cities and

towns have the ability to meet rising costs, provide high quality services for residents and continue to serve as the state's economic driver.

1. Allocate state funding to struggling cities and towns

Washington's cities and towns have shown that they know how to make the tough choices and squeeze the maximum level of service out of their limited resources. But cost-cutting and user fees can only take our communities so far – unless we give our cities and towns the tools they need, the result will be a

slow but steady erosion in our economic competitiveness as a state and a similar decline in our overall quality of life.

The key is to provide resources to the cities and towns that need them most, and ensure that these communities do not continue to fall further behind in

the delivery of basic services. As one example, smaller cities need better access to grants and loans, especially when they don't have the rate base to meet mandate costs or support loan paybacks.

2. Implement a comprehensive transportation package

Nine out of ten Washington cities believe that increased state funding for transportation is critical to address transportation backlogs and growing needs. City streets provide

infrastructure critical to the economic success of the entire state. We can't afford to let our local transportation needs continue to go unmet. Direct

state funding, as well as increased local funding options, are critical to enabling cities to meet a diverse range of short and long-term transportation needs.

3. Provide greater flexibility in the use of existing resources

State programs should be restructured to provide realistic funding options for cities and towns. A greater level of flexibility will ensure that the officials closest to the community – and most

accountable to the voters – can make the decisions about where to invest those dollars to ensure the right mix of services and the right level of investment in future economic opportunity.

4. Develop new fiscal tools to address the inadequacy of current revenues to meet needs

Washington cities and towns need an infusion of direct state dollars and new local funding options to meet a wide range of needs. Stable, strong financing is

needed to provide a sound infrastructure that will ensure Washington's economic vitality and the health and safety of its citizens.

5. Invest in economic development

Both urban and rural cities need more tools to use in pursuing economic development, while moving into the “new economy” of information technology and services sectors.

By helping to relieve other budgetary pressures on cities and providing a direct investment in economic development opportunities, the state will allow cities to devote more time and energy to longer-term economic development efforts.

Taken together, these changes will help build economically competitive cities and towns with a good quality of life for all our state's residents. These actions would have an immediate and significant impact on our ability to compete in the new global economy, leading to a stronger Washington for all our citizens.



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