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**Washington Cities Hit by Perfect Fiscal Storm
Strengthening Economy depends on Cities, State Working Together**

Olympia – Cities face a \$3.4 billion transportation funding gap over the next six years and nearly two-thirds (61%) of Washington cities are pessimistic about meeting their economic development needs, according to a just-released study, by the Association of Washington Cities (AWC).

“These findings are disturbing, not just for the cities that report them, but for everyone in Washington who cares about improving the health of our state’s economy,” declared AWC President Mary Place in her 2005 States of the Cities address to more than 50 state legislators gathered in Olympia.

The study and analysis, *2005 State of the Cities*, is based upon a first-of-its-kind survey of economic, city services and budget priorities in communities across Washington. Of the 281 cities and towns in Washington, 212 participated in the survey.

“Challenging times demand we think of new strategies for governing for the citizens in our communities,” added Place. “That’s why the Association of Washington Cities has undertaken the most ambitious survey research and analysis in our history. It is the basis and substance of this year’s State of Washington Cities.”

The study describes a challenging economic climate for Washington cities. 81% of Washington cities believe the overall economic conditions in their community are a major/moderate problem and 90% believe their current city budget conditions are a major/moderate problem.

“We start from a premise that strong, healthy cities are the foundation for strengthening our state’s economy and, just as importantly, preserving the quality of life that defines our communities,” added Place.

Place was joined by Tukwila Councilmember and AWC Vice President Pam Carter, Seattle City Council President and AWC Board of Director Jan Drago, and Bridgeport Mayor Steve Jenkins.

“The fact is, most cities across Washington State have been caught in the perfect financial storm,” explained Place. “At the same time Washington’s population has been growing and moving to our cities, we were hit by a severe recession, skyrocketing costs, more unfunded mandates, and tremendous cuts in state funding from initiatives.”

The city officials cited a number of specifics that have converged upon cities, both large and small, in recent years:

- **Population Shift to Cities.** 61% of Washington's population lives in 281 cities and towns – up from 52% in 1990. 39% growth in people living in Washington cities between 1990-2000, compared to 21% population growth in Washington State.
- **Health Care.** Health care costs to Washington cities have risen by 135% since 1994 – outpacing inflation and city revenue growth and are expected to rise 10-15% annually for the next several years.
- **Infrastructure.** City needs for domestic water, sanitary sewer and storm water are expected by cities to increase by 40%, to \$3.24 billion (2004-09), further widening the gap between city resources and demand.
- **Tax Limiting Measures.** The impact of tax-limiting measure I-695, I-747, and I-776 is a cumulative \$1.2 billion loss to cities by 2007.
- **Transportation.** Delaying maintenance for streets and arterials results in skyrocketing costs that double every 10-15 years. Cities pay for 69% of their transportation funding. Only 8% of the city transportation budget comes from direct state gas tax distributions. Approximately an additional 8-9% comes from competitive state grants.
- **Unfunded Mandates.** More and more unfunded state and federal mandates without resources to match.
- **Recession, Revenue Reductions.** City revenues are 5% less compared to 10 years ago, adjusted for inflation.
- **Costs of Growth Management Act.** Cities agree that GMA promotes growth in and near cities. Cities' challenges are serving that growth and keeping up with unmet infrastructure and service needs.

Nearly three out of four cities in Washington say they are less able to meet the financial needs of their communities than they were five years ago and full 82% of cities believe they will be less able to meet those needs over the next five years, according to the study.

“Many of our cities in Washington have already made the tough choices,” said AWC Board Member and Seattle City Council President Jan Drago. “Cities are working overtime with our citizens to prioritize services. There have been significant cuts in staff and services, including essential services like public safety in far too many of our communities. These are serious quality of life issues for our citizens.”

Nearly 6 in 10 cities (57%) said they have used their reserves to balance their city budgets, according to the study.

When cities were asked to identify where the greatest impacts had been on the services their city can deliver, 79% cited road deterioration, 62% cited less park maintenance, and 40% cited a decrease in police protection, according to the study.

“There's been a heavy price to pay for transportation gridlock and crumbling roads in our local cities,” noted AWC President and Tukwila Councilmember Pam Carter. “Gas tax distributions are not keeping pace with inflation.” Over the past 14 years, cities experienced a 40% decrease in per capita gas tax distributions.

“Cities face a \$3.4 billion transportation funding shortfall over the next six years and that will directly impact our state's economic future,” added Carter. “The fact is the majority of cities simply cannot afford to pay for transportation maintenance from their general funds – it's competing with essential services like police, fire and parks.”

Bridgeport Mayor Steve Jenkins addressed the issue of the ever-widening gap between costly basic infrastructure needs and the lack resources available. “City needs for domestic water, sanitary sewer and storm water have increased by 40%, to \$3.24 billion (2004-09),” noted Jenkins. “Costs continue to soar due to unfunded federal mandates. These increases are simply beyond what can be absorbed by our citizens on low and moderate incomes.”

Looking to the future, AWC President Mary Place spoke directly to legislators about solutions that call upon a shared responsibility between cities and the State of Washington.

- Continue working with citizens to prioritize services, build awareness.
- Restore state funds to strengthen cities/towns
- Implement comprehensive transportation package - enhanced direct distribution, refund Transportation Improvement Board
- Provide greater fiscal flexibility at local level
- Invest in economic development

“Washington Cities are not a special interest,” noted Place. “The state and cities must renew our partnership and shared responsibility if we are to strengthen this economy for the 3.7 million cities who live in our cities – both large and small – and preserve their quality of life here in Washington.”