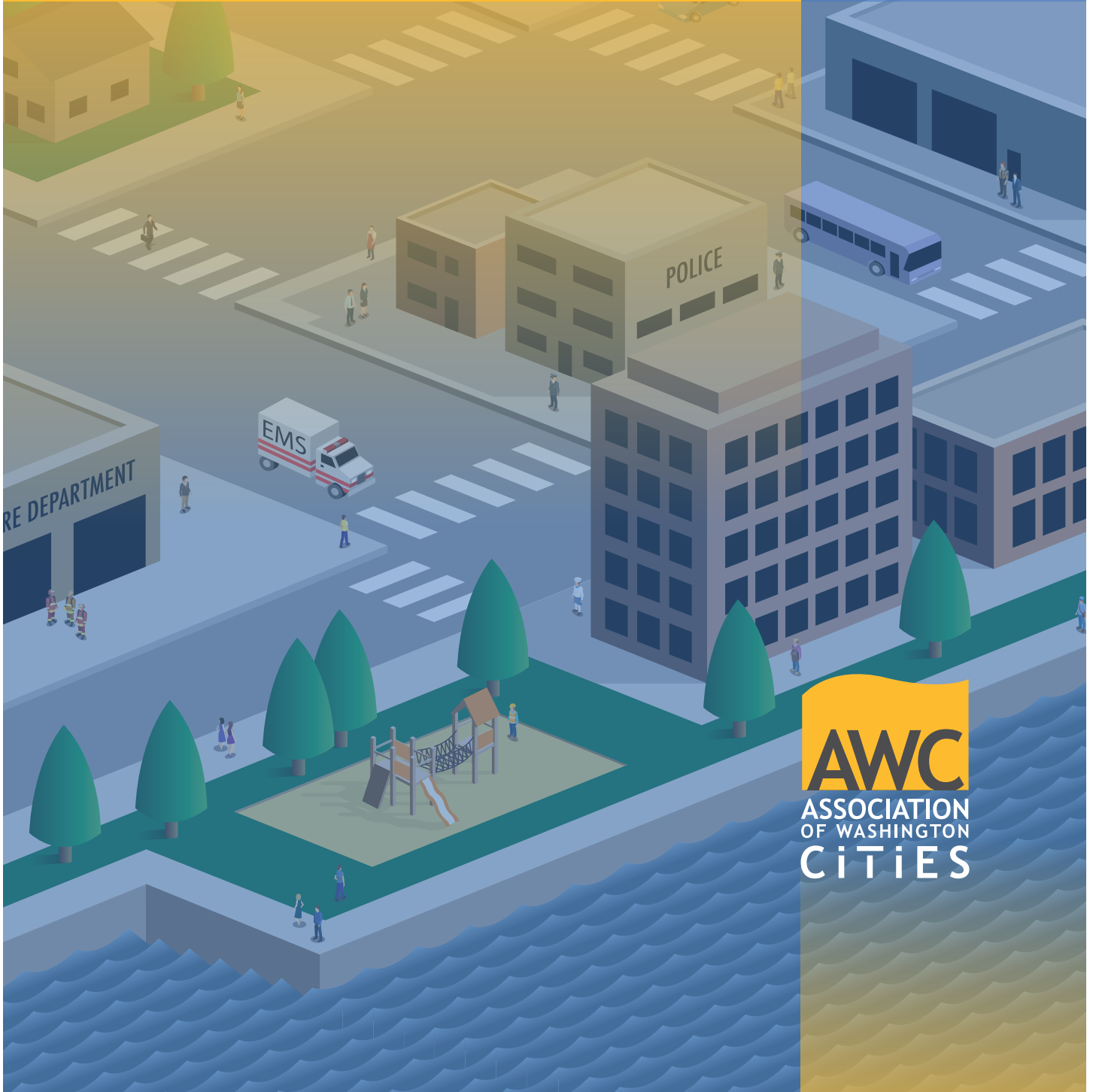


Exploring

Washington's Cities and Towns

Discover what makes a city and why it matters to you



AWC
ASSOCIATION
OF WASHINGTON
CITIES



Exploring Washington's Cities and Towns

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AWC's mission is to serve our members through advocacy,
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More than 65 percent of Washington’s people – a total of 4.8 million – live in its 281 cities, and more people commute to jobs in cities every day.

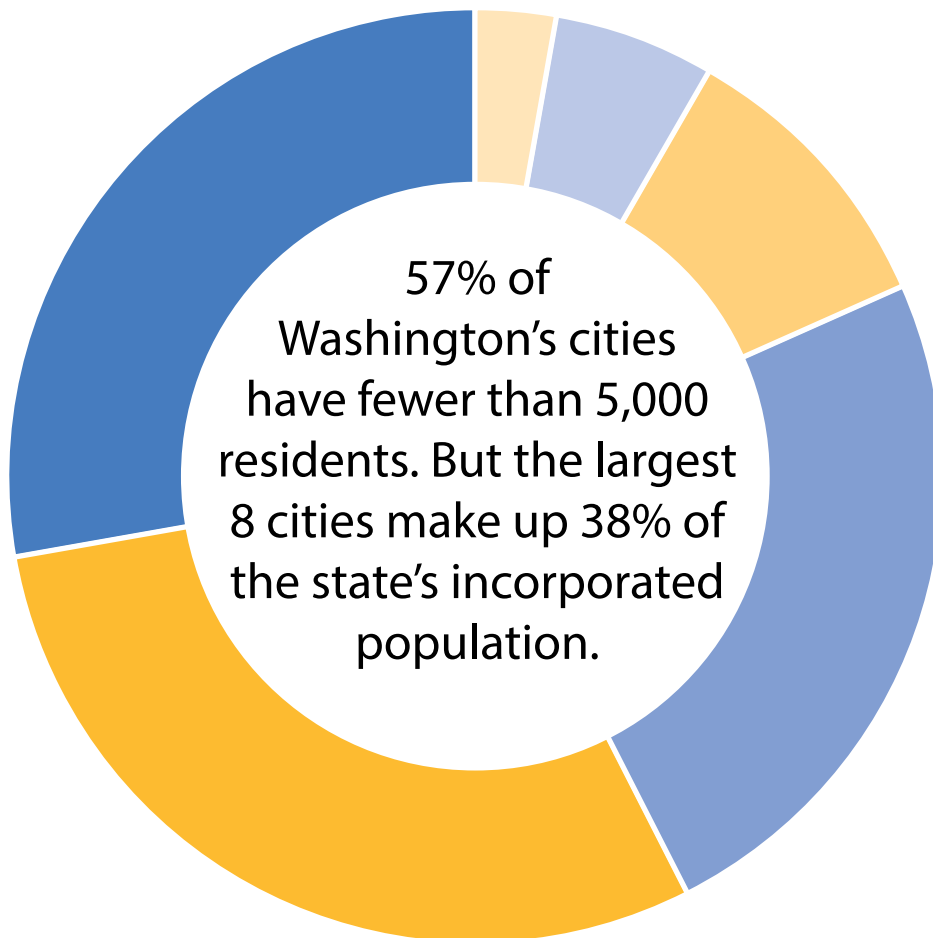
Cities are the governments closest to the people. Cities claim unique loyalty; residents have an attachment to their hometown, its schools and sports teams, the unique culture and history, the natural setting, and colorful characters, traditions, and quirks. This often translates into very high expectations for their municipal government. Washington’s cities are diverse, they range in size from 50 people to more than 700,000, and differ from regional urban economies to suburban residential to rural areas.

Our state, like many others, is becoming more urban every year. By 2025, another 833,000 people are expected to move to Washington, and the overwhelming majority of them will settle in cities. Cities are where 70 percent of job-generating businesses are located and where most state residents spend their money. City services play a critical role in making our state’s economy thrive.

Efficient and effective city governments are the foundation for vibrant communities and economic opportunities. Cities must have sufficient resources to provide infrastructure, support services, and security for residents, visitors, businesses, and their employees.

What’s the difference between a city and town?

Cities and towns incorporate under one of four classifications: first class city, second class city, town, or optional municipal code. Most cities in the state are optional code cities. Except for code cities, a city’s classification is based on its population at the time of incorporation. While all cities and towns have the same basic authority to perform general government functions, some classifications, like code cities, exercise a broader degree of self-government or “home rule” than do others. Waitsburg remains the last city in Washington to operate under a territorial charter, as revised in 1886.



Population | Number of cities

- Over 100,000 | **8**
- 50,000 - 100,000 | **16**
- 20,000 - 50,000 | **28**
- 5,000 - 20,000 | **68**
- 1,000 - 5,000 | **83**
- Less than 1,000 | **78**

In this publication, the word cities refers to both cities and towns.

Source: Office of Financial Management

City budgets

\$ How cities are funded

Property tax, sales tax, and business and utility taxes provide the majority of cities' operating revenue. These taxes go into the city's general fund which a city council can use to pay for fire departments, police departments, streets and sidewalks, parks, and other essential services. But state laws impose limits on taxes. For example, property tax is the largest city revenue source, but annual increases are capped at 1%. This means that property tax does not keep pace with inflation or population growth, which both typically grow faster than 1%.

Cities may also impose specialized taxes such as an emergency medical services tax, real estate excise tax, lodging tax and a gambling tax. However, it's important to understand that utility systems such as water and sewers are accounted for separately and funded through user fees.

Many cities struggle with a revenue structure that does not keep up with inflation and population growth. Cities' ability to raise revenue has been restricted by tax-limiting initiatives. During the recession, nearly all types of city revenue fell.

Cities receive only 13 cents of each property tax dollar.

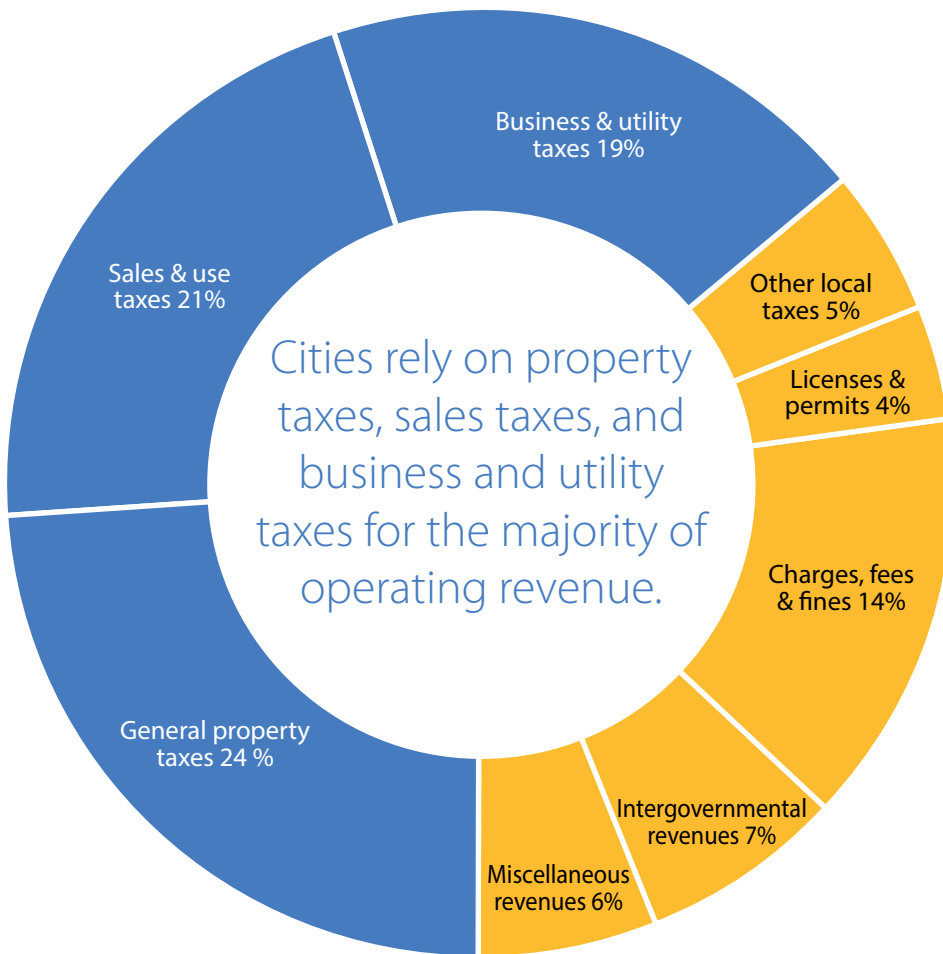


Source: Department of Revenue

City budgets

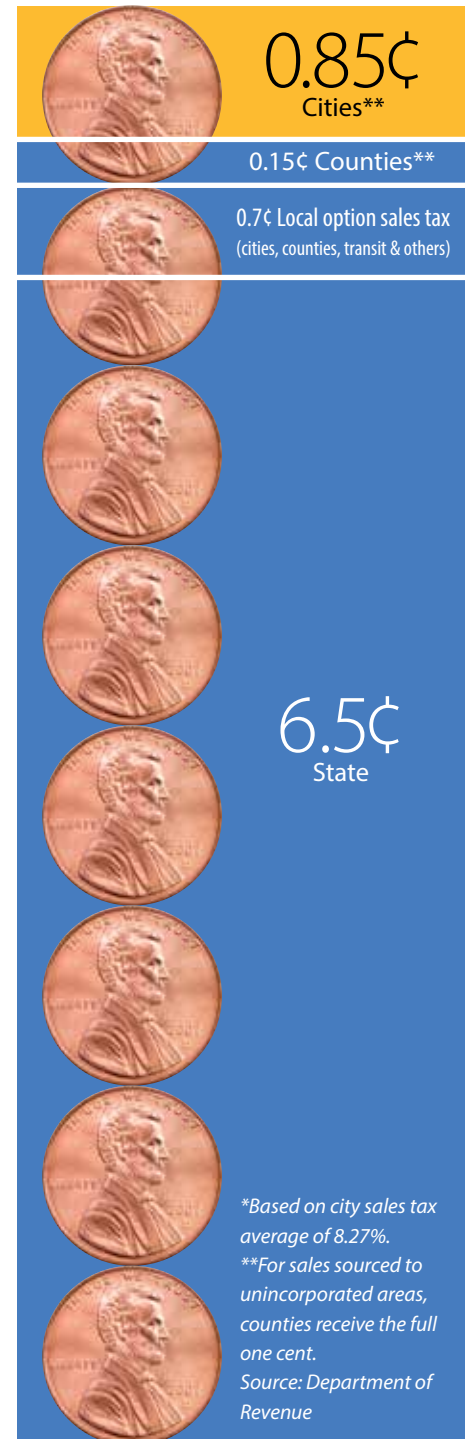
State and federal funding to cities has decreased. Cuts in state support for cities have been especially problematic. The Legislature responded to recession-era deficits and the state Supreme Court's K-12 mandate by diverting more than a billion dollars from dedicated infrastructure assistance accounts and hundreds of millions in local liquor revenue to the state's operating budget.

To help close this gap, some cities have enacted new taxes, raised fees, or increased existing taxes. However, a growing reliance on user fees creates difficulty in managing the city's budget by limiting the available uses of those new funds. While local revenues have recovered for many cities, many councils still face shortfalls when it comes to meeting community needs and demands. This trend spells problems for our communities' and our state's future.



Source: State Auditor's Office; general fund, special revenues.

For every retail dollar spent, cities receive less than one cent of the sales tax (excluding local options).*



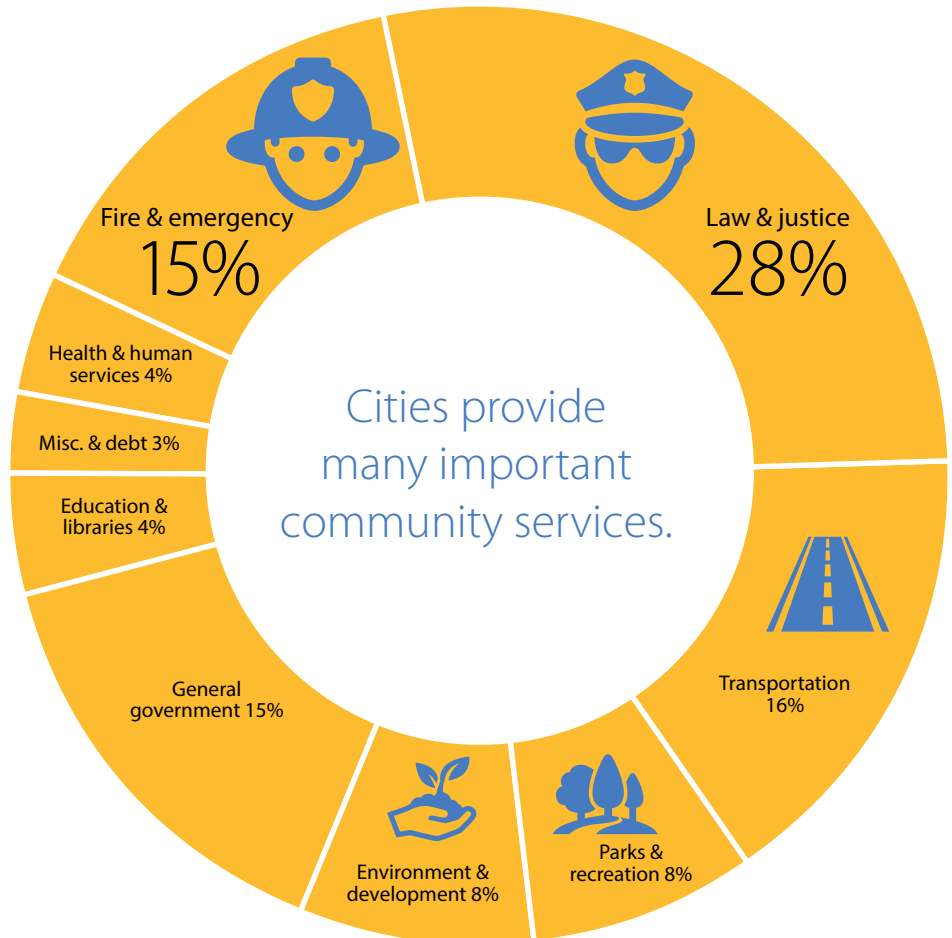
How city funds are used

On average, nearly half of a city's operating budget is spent on public safety: police officer and firefighter salaries, courts, and jails.

At 16%, another large portion pays for streets, sidewalks, and other transportation infrastructure. Unlike counties and the state, cities do not have a dedicated transportation funding source, so most of these funds come from the city operating budget.

The rest of the municipal budget is divided among other competing priorities: parks and recreation, environmental protection, economic development, libraries, community centers, and human services such as homelessness programs.

Some cities have never fully recovered from tax-limiting initiatives and the recession. Others are still struggling to restore projects and services as the economy recovers. Many urgently-needed infrastructure projects remain on hold. Positions in city hall that were eliminated or went unfilled have only been partially restored. Parks operate on lean maintenance budgets.



Source: State Auditor's Office; general fund, special revenues.

The city-state partnership

Local and state governments share basic values and responsibilities: both seek to provide residents with high quality, cost-effective services to support a thriving economy. State and local governments are always under pressure to produce results that create public value while keeping taxes low.

But the constrained finances of both the state and its cities have taken a toll on the partnership between these two levels of government. Successive reductions in state funding for cities'

infrastructure – and reductions in state revenue sharing that cities have counted on for decades – have strained this relationship over the last few biennia.

One of the biggest cuts eliminated cities' portion of state liquor profits and taxes, which had been a reliable revenue source for cities since the 1930s. This long-standing revenue sharing acknowledged that liquor consumption has an impact on local public safety. Yet, in 2012, the Legislature reduced this vital city revenue source by an estimated \$168 million over five years, and subsequent Legislatures have not restored it.

These cuts are counterproductive. Cities are the economic engines of our state, and investing in them yields a healthier, more productive economy and greater growth in tax revenue. In the long run, the failure to invest in our cities inhibits our state's economic growth.

In 2016, only 7% of city revenue came from intergovernmental revenue and grants. This is down from 13% in 2010. While cities hope for restoration of some state and federal funding, they recognize that they must primarily rely on their own revenue sources.

What city governments do and why it matters



Public safety

Public safety personnel and services—police, fire, emergency management services, courts, prosecution, jails, emergency medical services and 911 dispatch—consume about half of an average city's budget. In 2016, cities spent \$2.5 billion to keep their communities safe.

While traffic citations generated more than \$100 million in 2016, cities only keep a small portion of this revenue. The rest goes to the state and other dedicated programs, such as the Auto Theft Prevention task force.

Residents have strong loyalty to the community identity attached to their police and fire departments. They make it clear that they don't want cuts to these vital services. On the contrary, they want their city to provide faster response times and highly-trained personnel with the very latest technologies. However, these expectations clash with budget-driven efforts to consolidate or outsource certain services.

Cost-saving measures are also driven by rising state requirements for training that cities struggle to provide. Understandably, police are required

to receive training on interacting with people experiencing mental illness and how to better de-escalate potentially violent interactions. Fire departments, which now respond to more calls for medical assistance than fires, must have more highly-trained emergency medical technicians.

Although cities are not frontline human service providers, many of the problems associated with mental health and chemical dependency show up in our communities and on our streets. Increasingly, city staff play an expanding role in addressing these impacts.

Public safety services are only cut as a last resort, but dwindling local revenue and declining state and federal revenues have forced cuts even on basic public safety.



Source: State Auditor's Office



Source: Office of the State Actuary

What city governments do and why it matters

Transportation

Most trips in Washington begin or end on a city street. And as Washington's population grows and becomes more urban, the demand on city transportation infrastructure grows too.

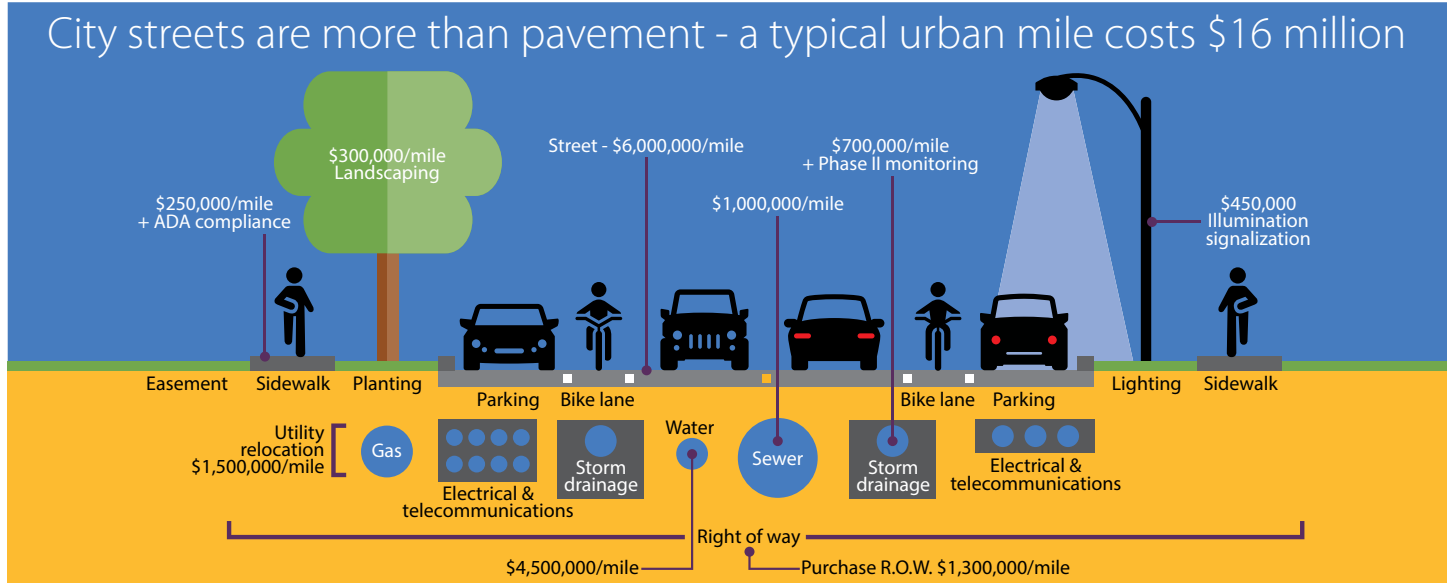
City transportation systems include not just streets, but bike lanes, sidewalks, curbs, gutters, lighting, and landscaping. Transportation systems must also accommodate below-ground sewer, water, stormwater, electric, and cable utilities. And when a street is built over a waterway, it must include a culvert – a transportation system for creatures that swim.

But city transportation systems lack a reliable and dedicated funding source. Most gas tax revenue goes to federal and state governments to pay for interstates and highways, while cities receive only a small portion.

Most of the money for city transportation systems comes from local revenue, so both maintenance and new construction must compete with police, fire, and other vital services. Deferred maintenance persists, despite the fact that it causes higher costs in the future. When pavement deteriorates to the point where it needs to be replaced, costs soar.

Even routine street maintenance is expensive, and when it's a choice between life-saving services such as police and fire and paving roads and fixing potholes, city decision-makers find themselves in difficult positions.

As cities grapple to fund priorities, they need help to ensure that transportation systems are not neglected – and now, more than ever, they need restoration of the state and federal programs that could help pay for it.



What city governments do and why it matters



Parks, recreation, and open space

Parks, trails, and open spaces can transform a city by enhancing neighborhoods, attracting customers to nearby businesses, and providing green space that make an area an attractive destination for tourism and commerce.

Parks can also include facilities such as public swimming pools, tennis courts, and ball fields for both youth and adult league play. When a public swimming pool, ball field, or park closes because of inadequate funding, communities feel it as a tragic loss.

A growing urban population will create further need for parks. However, funds for land acquisition, park development, and park maintenance are too often the first items cut from budgets in a revenue shortfall.

Today, reduced state and federal funding for cities leaves many with insufficient funds to acquire and care for parks, pools, and sports facilities. A growing number of cities have turned to separate parks districts as the only option to continue funding these services.

Parks are assets that generate economic and social returns.



Parks contribute to increased property values.



Parks promote healthy lifestyles.



Parks build social capital.



Parks lessen air and water pollution.



Parks generate tourism.



Parks create a sense of community.

Source: National League of Cities

What city governments do and why it matters



Planning, growth management, and environmental protection

The Growth Management Act (GMA) requires the fastest growing counties, and the cities within them, to plan extensively for population growth and comply with state goals. Cities strive to plan for growth to protect the environment and leave healthy communities for their children and grandchildren.

Cities are planning for the growth that is expected to come in future decades. By 2025, an additional 833,000 people are expected to move to Washington. That's the equivalent of another Richland, Vancouver, Tacoma, Spokane, Bellingham, and Yakima *combined!* With the influx of new residents, and corresponding business and tourism growth, cities must determine how they will continue to serve this growing population.

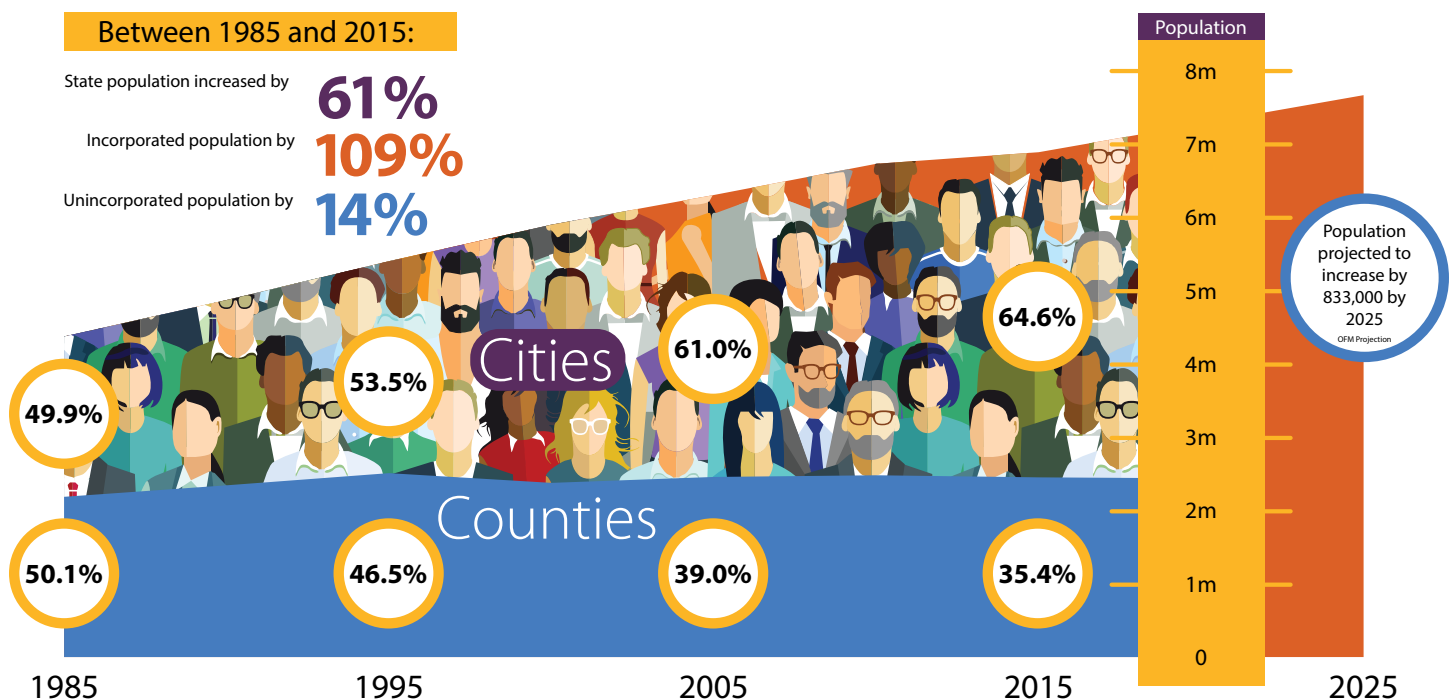
Planning processes provide a powerful way to clarify community values, needs and goals. A comprehensive plan expresses a community's vision, and is the blueprint for all subsequent land use activity.

Developing, implementing and updating a comprehensive plan allows a community to:

- **Create a vision** – Know what the community should look and be like in the future.
- **Gain a roadmap** – Guide growth and development toward the vision.
- **Achieve goals** – Attain the community's vision and desired future.

Cities large and small are also experiencing challenges with housing in their community – from shortages of affordable housing, to a lack of workforce housing, to neighborhood impacts of abandoned foreclosed properties. Cities need a variety of local option tools to address the problems of their specific local circumstances.

Washington State population growth



What city governments do and why it matters



Stormwater

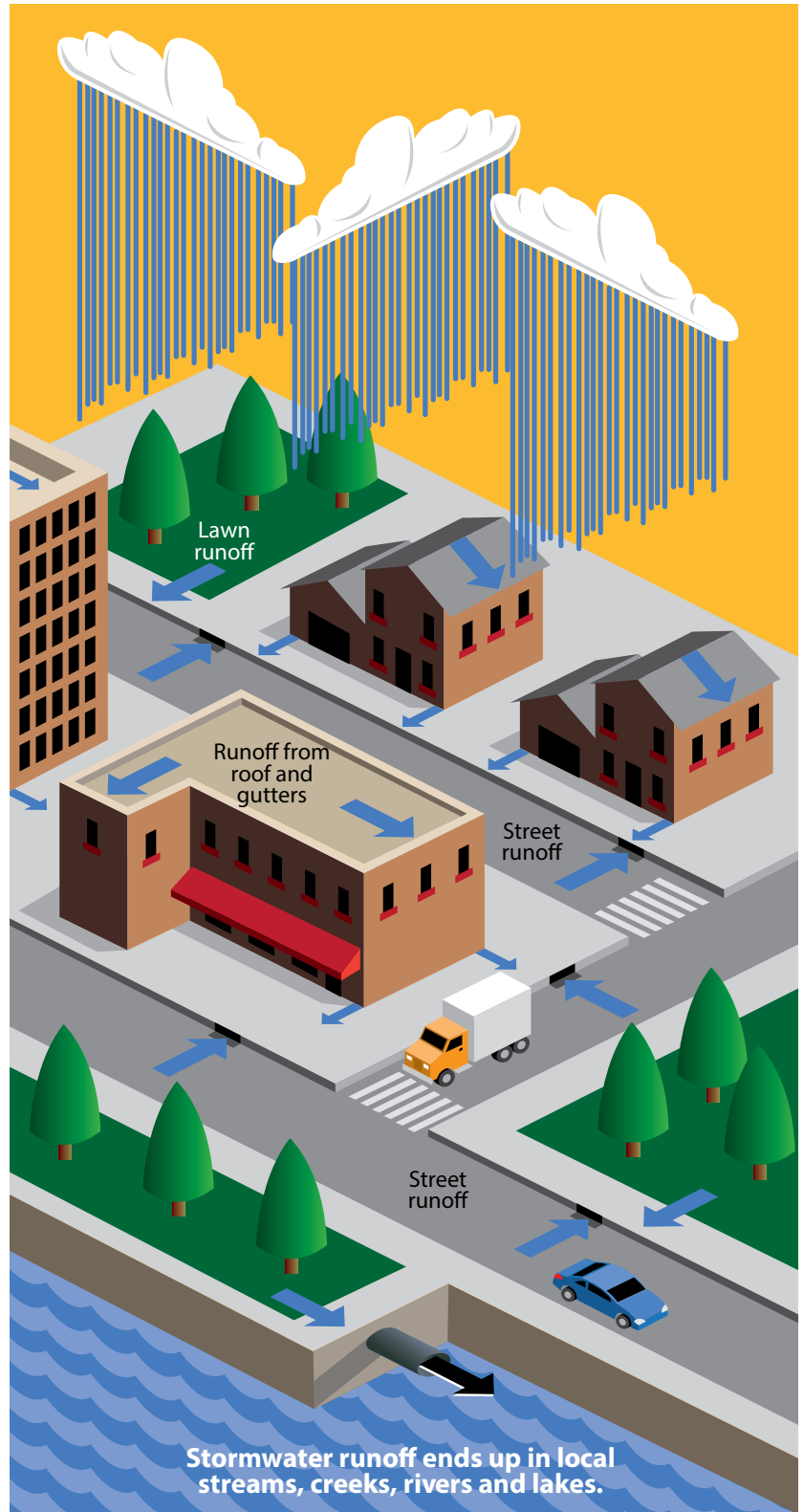
Managing stormwater is one of the most costly, challenging, and complex environmental issues facing cities today.

Originally, city stormwater systems were built to reduce flooding. Runoff was captured with storm drains and directed to local water bodies, or sometimes into sanitary sewer systems. More recently, it became clear that stormwater picks up pollutants as it travels over pavement and other hard surfaces, and deposits those pollutants in lakes, streams, and marine waters.

The challenge now is how to both prevent flooding and solve a major water quality problem. To do this, many cities have established a stormwater utility, charging their residents and businesses a fee based on the concept that every property contributes to stormwater runoff. Stormwater management programs involve planning, public education, illicit discharge detection programs, and local ordinances to reduce stormwater pollution.

Many cities are currently implementing a newer approach to stormwater management known as Low-Impact Development (LID). Rather than directing stormwater offsite through drains and pipes, LID emphasizes use of on-site natural features such as ponds, swales, or rain gardens that provide a place for rain to soak into the ground where it lands.

While LID is promising, there is still a lot to be learned about long-term effectiveness and ongoing maintenance of these smaller dispersed stormwater facilities. And it is challenging and expensive to retrofit already-developed urban environments with LID features. There is a limit to the amount city stormwater utility customers can pay. Ongoing and reliable funding assistance from the state is necessary for long-term success.



What city governments do and why it matters

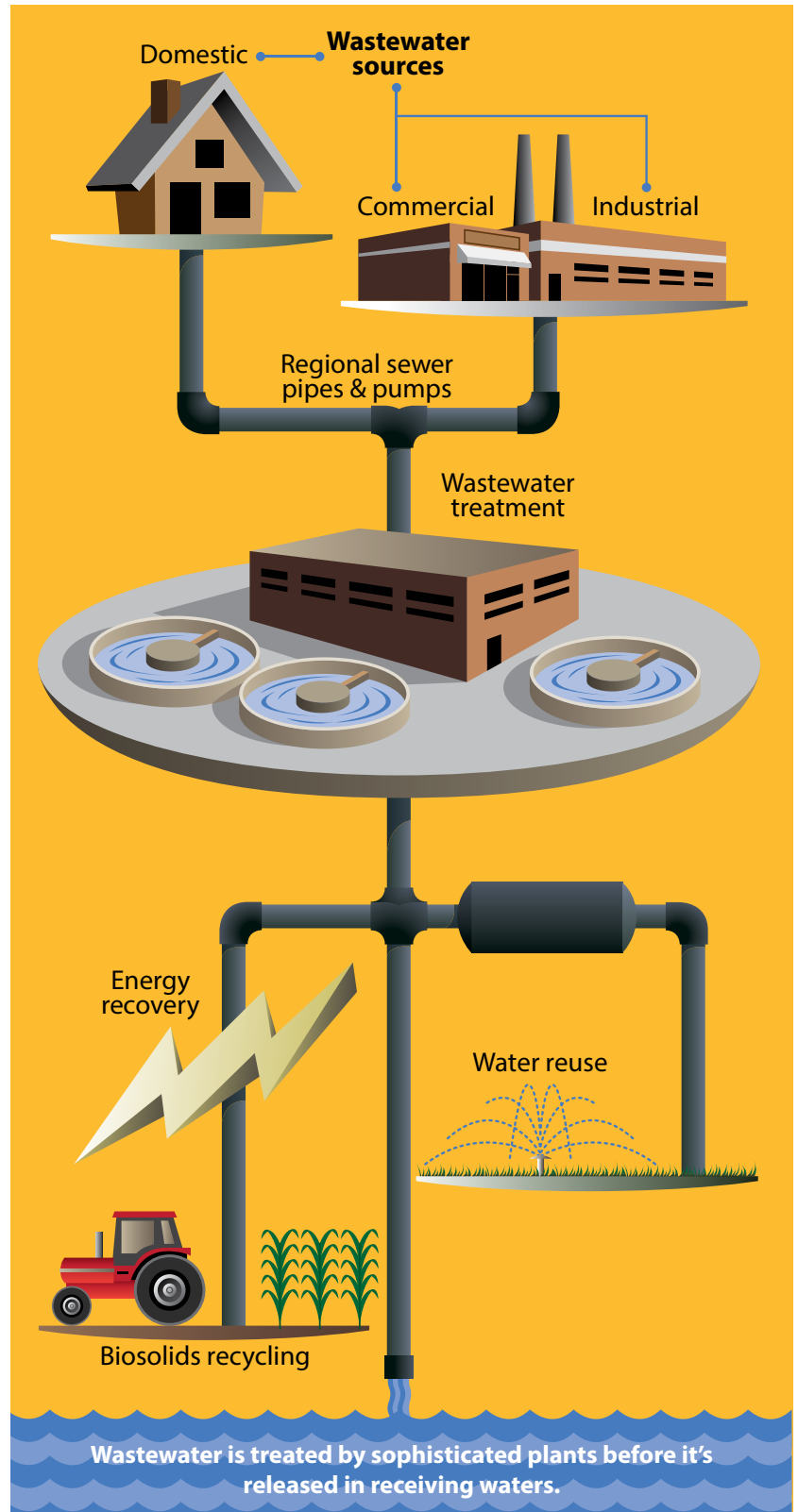


Water and wastewater

People take water and sewer systems for granted because they are mostly out of sight and service failures are rare. But providing clean, reliable drinking water and collecting and treating sewage are essential services that provide vital public health benefits. Increasingly sophisticated sewage treatment systems protect and improve water quality in our lakes, streams, and marine waters. These crucial services benefit residents, public institutions such as schools and hospitals, and every private sector business.

Cities face many challenges in providing this basic infrastructure. Many existing pipes, pumps and treatment facilities are aging and need repair. Population growth is creating demand for more infrastructure. Equally challenging, ever more stringent water quality regulations are hard to anticipate and often require expensive upgrades. The cost of providing this infrastructure far outpaces inflation.

Funding to meet these needs is inadequate. To fill budget gaps, the Legislature has diverted well over a billion dollars from dedicated infrastructure assistance accounts for cities to the state's operating budget. Continued reductions in state support mean customers must pay more. In some communities, the costs simply exceed their residents' ability to pay. Other communities see growth and economic development stymied as projects are delayed or canceled. Cities have a critical need for a stronger state partnership in funding local infrastructure for the benefit of our state's health, for the protection of our environment, and for our capacity for economic growth.



Cities are the foundation of democracy

Cities are one of the governments that work closest to the people they serve. In fact, research shows that Americans trust their local governments more than their state and federal counterparts.

The close relationship between municipal governments and residents is at the heart of Washington city government, and keeping that relationship healthy is critical to the future of our democracy. To preserve public trust and encourage an engaged citizenry, city governments must respond to their community's legitimate

expectations for professional and high-quality services.

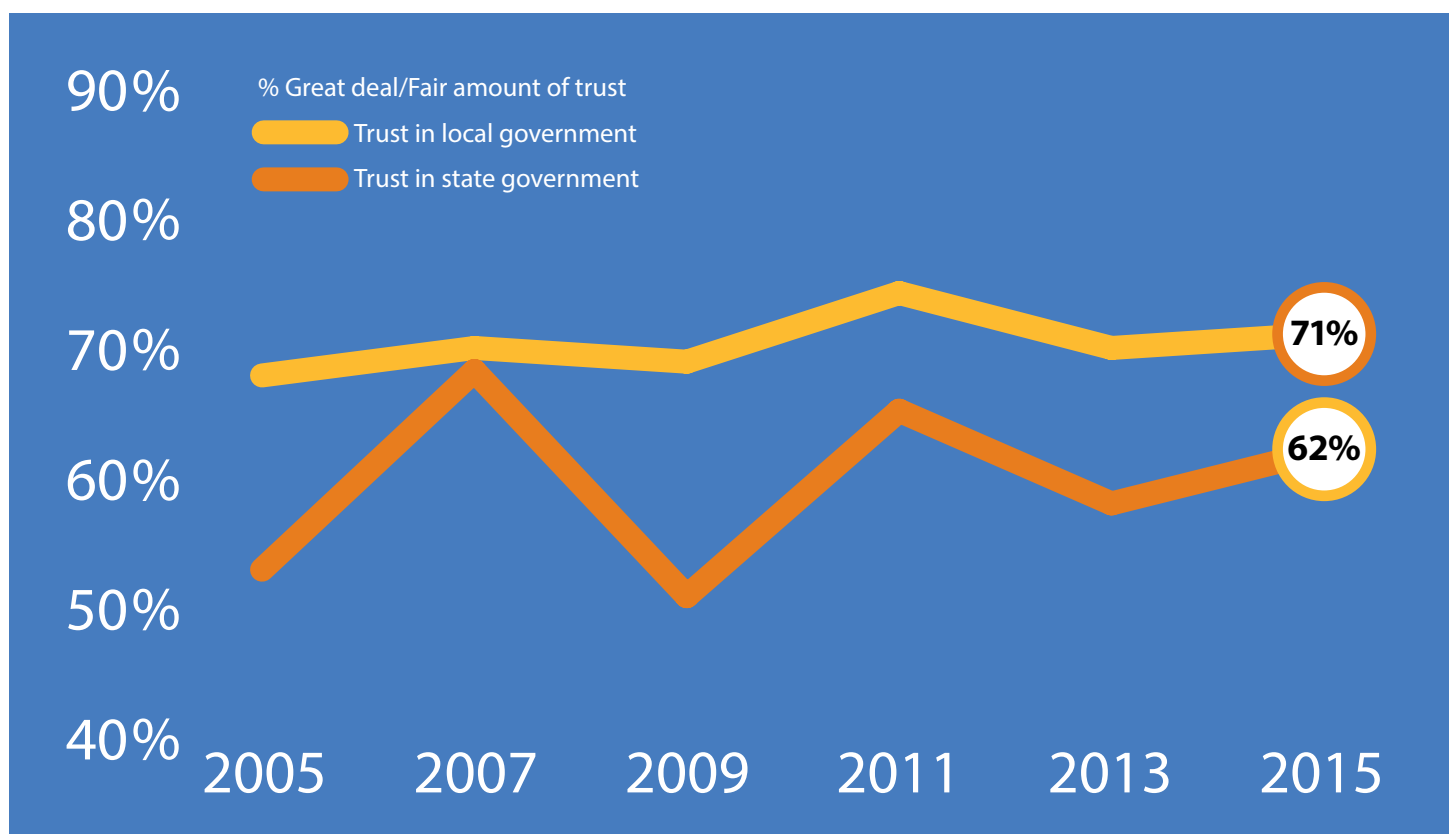
Not only do the majority of Washingtonians live, learn, work, and play in cities, they also serve at the local level to make the government function. Local community members who serve their cities as volunteers, advisory committee members, or elected officials are vital to the success of city government.

Local residents also make up the city workforce; more than 36,000 individuals

bring city services to their community. They are firefighters, police officers, public works and parks employees, planners, engineers, maintenance workers, clerks, accountants, and city administrators.

City residents, volunteers, employees, and elected leaders are the foundation of our democracy. That's why ensuring that city governments have the resources they need to succeed is vital to our future.

How much trust and confidence do you have in government?



Source: Gallup, 2016

The people behind the services

A typical city spends half its budget on staff. These are the people who invest their time and energy in their communities to deliver the best services to their neighbors and make a difference in their communities. Great employees are the key to providing excellent city services.

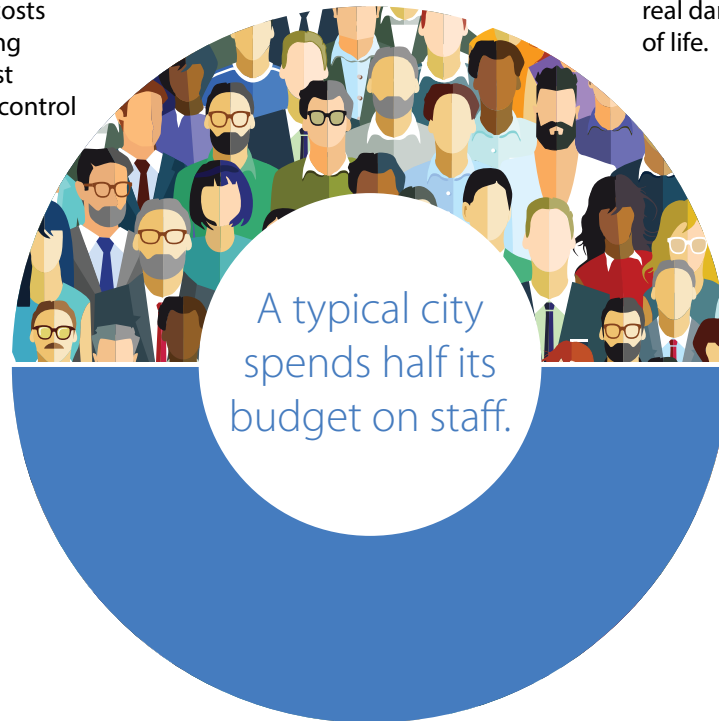
Employee pay has not always kept pace with inflation, and rising costs of employee benefits have further strained city budgets. Workers' compensation costs have seen double-digit increases in some areas, and health care costs are surging. Collective bargaining agreements and binding interest arbitration limit cities' ability to control staff costs.

Cities have tried to control costs by requiring employees to share health care premium costs, offering wellness programs to reduce claims, and offering higher deductible insurance plans. But for city employees at the lower end of the wage scale, these measures can cause financial hardship.

Cities are also seeing dramatic shifts in the workforce as a wave of baby boomer retirements creates gaps in knowledge

and initiates a need to bring a new generation into public service.

Lean times make cities sharpen their pencils, focus on essential services, and increase efficiency, but there are limits to how much these measures can accomplish. At some point, multiple years of cuts cause morale to plummet and cities begin to lose experienced, dedicated staff to better-paying jobs. It also becomes harder to compete with the private sector to recruit qualified staff. This reduces efficiency, and can do real damage to a city's safety and quality of life.



Source: State Auditor's Office

Conclusion

Cities play a key role in making Washington a great place to live, learn, work, and play, and serve as an exemplar of professional and high-quality government. But cities can't do it alone.

Since the 1930s, the state and cities have enjoyed a strong revenue sharing partnership, which has eroded as the

state struggles with budget challenges and continues to cut traditional supports for city governments.

Population growth and urbanization are driving greater demand for city services while state support for cities has decreased. To ensure clean water, public health and safety, environmental protection, and cohesive communities, this trend must be reversed.

We all want our cities to help sustain a robust economy that provides opportunities for our growing population now and into the future. Vibrant cities need reliable and stable revenue. We all need to work together to ensure that we can fund the many things we love about our cities.

Cities are the economic engines of our state, serving as hubs for regional economies.



4.8 million people

65% of the state's population and growing



96% of gross state product

86% of all retail sales

69% of job-generating businesses



72% of state's local law enforcement

43% of operating revenue spent on public safety



\$8.3 billion in sales tax to the state general fund annually

\$2.8 billion of state's B&O tax generated

\$1.4 billion in property taxes for the state school levy annually



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