

# The City of Birch Bay: A Study of Financial Feasibilities

Prepared by the Birch Bay Incorporation Association to Help Residents Evaluate Cityhood

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## Introduction

Birch Bay has grown into one of the largest unincorporated Urban Growth Areas in Washington State, with a strong community identity and increasing interest in local representation and keeping locally generated tax dollars in Birch Bay. As our community continues to evolve, many residents have asked an important question: [Is establishing Birch Bay as an incorporated city in our best interest?](#)

Over the past three years, the Birch Bay Incorporation Association (BBIA) has explored that question through community outreach, [public surveys](#), financial analysis, and discussions with local government experts and residents. This report examines Birch Bay’s growth, governance, financial feasibility, service-level options, and opportunities associated with incorporation to help residents make an informed decision about the community’s future.

### Central Findings

**Could Birch Bay succeed as a city? The data and experience of Washington’s newest cities prove that it can, if that is the will of the voters.**

<b>Financial Feasibility</b>	Incorporation is financially viable under several realistic scenarios.
<b>Current Return on Taxes</b>	Birch Bay currently contributes more to taxes, fees, and state-shared revenues than the estimated value of services it receives.
<b>No Tax Increase Required</b>	A City of Birch Bay could improve service levels without increasing taxes.
<b>Expanded Tools</b>	Cityhood would expand access to revenue sources, grants, and local decision-making tools not currently available to Birch Bay as an unincorporated UGA.
<b>Local Accountability</b>	Local governance would provide greater accountability and better alignment with community priorities, while supporting the existing districts that already serve us well.

This report was prepared by BBIA volunteers to help residents consider the financial feasibility, service-level options, and local-control implications of incorporation. It is not intended to tell residents what conclusion to reach. Rather, it provides updated information so the community can weigh the trade-offs among cost, services, and local decision-making.

Birch Bay residents last voted on incorporation in 1992, when the community had approximately 3,062 residents. At that time, Birch Bay was still largely viewed as a smaller, seasonal vacation community, and voters chose not to incorporate. [The 1992 Incorporation Proposal is available on our website for those interested in seeing how much Birch Bay has changed, and how many of the original motivations for incorporation remain relevant today.](#)

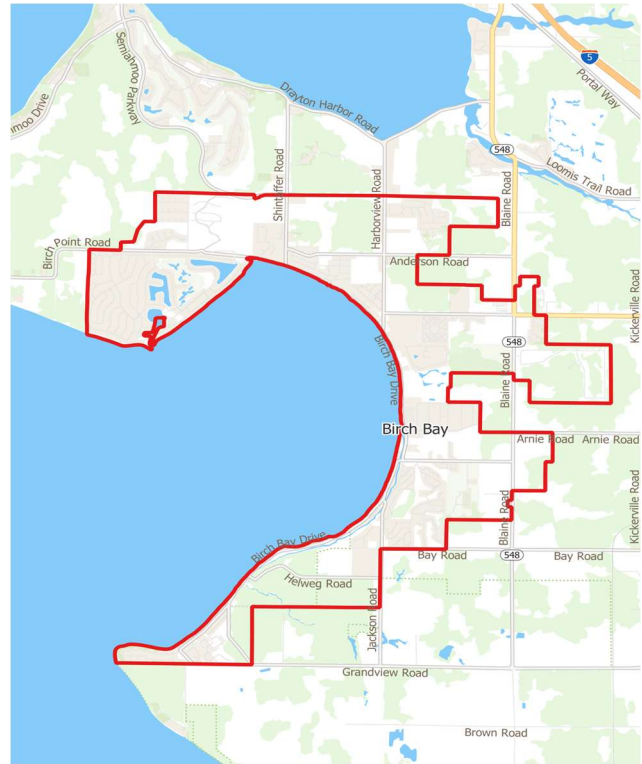
In 1997, Whatcom County designated Birch Bay as an Urban Growth Area (UGA) under Washington’s Growth Management Act. That designation planned Birch Bay for growth, and its population has continued to increase as zoning changes and state policies encouraged higher-density development.

[By 2007, when Whatcom County commissioned a feasibility study](#), Birch Bay’s population had grown to approximately 5,900. The study found incorporation financially viable, but the issue was not pursued due to the 2008 financial crisis.

Today, Birch Bay UGA has approximately 9,019 residents, making it larger than roughly two-thirds of Washington’s incorporated cities ([see BBIA Sound Bite #3, published May 2025](#)). It has grown from a vacation community into a year-round residential area, yet decisions about services, taxes, and development are still made at the county level.

Growth will continue, and not only because Birch Bay is a desirable place to live. Recent state laws, including [HB 1337](#) and [HB 1110](#), apply to cities and UGAs and encourage more housing, higher density, middle housing, and multiple accessory dwelling units.

Recognizing these changes, [BBIA formed in 2023 to facilitate this community discussion](#). The following year, BBIA requested an updated feasibility study, and Whatcom County hired Community Attributes, Inc. (CAI) to evaluate potential city revenues, costs, and service levels. ([For other changes, see BBIA Sound Bite #6, published July 2025](#))



**Map of the Birch Bay Urban Growth Area (UGA)**

## Why Are We Still Working on This?

A fair question has been asked: If [the County’s newest feasibility study](#) concluded incorporation was not feasible, why is BBIA still working on it?

BBIA’s concern is that the County’s final report did not tell the whole story. CAI’s draft financial model included multiple scenarios, some of which were financially feasible. However, the final report emphasized a high-service scenario showing a nearly \$2 million deficit, even though the original scope called for multiple service-level options.

BBIA also identified assumptions that materially affected the outcome, including omitted city revenues such as state-shared transportation funds, grant-related cost recovery, and franchise fees. The report also used 88.7 miles of public road, compared to 36.83 miles reported by Whatcom County Public Works, overstating a cost driver that affected projected road maintenance expenses.

Another concern is that CAI’s “same service” model does not reflect the services Birch Bay actually receives today. In some areas, the model describes a much higher level of service than exists now, including dedicated planning capacity and nine commissioned officers assigned to Birch Bay, compared to one currently assigned officer for 40 hours per week. [For more information on law enforcement levels, see BBIA Sound Bite #1, published February 2025.](#)

For these reasons, BBIA used CAI’s own model, with guidance from experienced new city manager Bob Jean<sup>1</sup>, to test alternative staffing and service assumptions. This work shows incorporation is not a single fixed outcome. Feasibility depends on the service levels residents choose and whether all available city revenue sources are considered.

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<sup>1</sup> Bob Jean has more than 35 years of city and county management experience. He served as the first city manager for the newly incorporated cities of University Place and Newcastle and has consulted on five new start-up cities in Washington State. Bob spoke to the Birch Bay community in May 2025; [see The Northern Light story recap](#).

## Summary Comparison of the Four Scenarios

The comparison below summarizes four ways to look at Birch Bay’s potential financial picture: CAI’s high-service scenario, the estimated current service level Birch Bay receives from Whatcom County, a balanced-budget city scenario with no tax increase, and a high-service scenario balanced through a property tax increase.

### Exhibit A. Summary Comparison of Four Financial Scenarios

Scenario	2027 Revenues	2027 Expenditures	General Fund Balance	What It Shows
High Service Level (CAI/County Model)	\$5,104,900	\$7,056,600	(\$1,951,700)	CAI’s published high-service assumptions create a deficit.
Current Service Level	\$4,564,034	\$2,607,796	\$1,956,238	Birch Bay tax revenues exceed County services received.
Balanced Budget (No Tax Increase)	\$5,780,600	\$5,758,500	\$22,100	Improved services can be modeled without raising taxes.
High Service Level (With Tax Increase)	\$6,957,000	\$6,857,000	\$100,000	CAI’s high-service level can be balanced with added revenue.

Together, the four scenarios show that Birch Bay’s financial picture depends heavily on service-level choices and staffing assumptions. CAI’s high-service scenario produces a projected deficit because it relies on higher-cost assumptions and service levels that BBIA believes exceed what Birch Bay receives today, while omitting or understating certain revenues. The current service level scenario shows that estimated revenues exceed the estimated value of services currently provided to Birch Bay. BBIA’s balanced-budget scenario shows that improved services can be modeled without increasing taxes by adjusting staffing assumptions. The high-service-with-tax-increase scenario shows that highest service level can be balanced if voters choose to support additional revenue.

[For more information on how city councils determine the level of taxes and services, see BBIA Sound Bite #2, published April 2025.](#)

**Important note on revenues:** *The operating revenues shown in these scenarios do not represent all tax dollars generated in Birch Bay. They primarily reflect revenues available for city operating costs. Other locally generated revenues, including an estimated \$2,421,181 in 2027 [Real Estate Excise Tax \(REET\)](#) and \$340,776 in 2025 [Hotel/Motel Sales and Use Tax](#), are restricted and generally not available for ordinary operations. However, they would still provide significant local benefit by funding eligible capital projects, tourism promotion, community events, visitor facilities, parks, transportation improvements, and other investments that support Birch Bay. In other words, these restricted revenues may not balance the operating budget, but they could help fund important local improvements that would otherwise be balanced against other countywide priorities.*

**Important note on start-up timing:** *The scenarios reflect a fully staffed, fully serviced year. In practice, a new city would phase in staffing, contracts, and services over several years while receiving revenues from the outset. This start-up timing, sometimes referred to as the “bow wave effect,” could allow a new city to manage costs gradually, build reserves, and strengthen its financial position during the transition.*

## The Four Scenarios in Detail

### 1. High Service Level Scenario — CAI Model

CAI’s high-service scenario reflects the most expensive service model presented in the County’s final report. It assumes a new City of Birch Bay would begin in 2027 with a fully staffed, fully serviced municipal structure, rather than phasing in staffing and services over time.

Under this model, CAI projected \$5,104,900 in 2027 revenues and \$7,056,600 in 2027 expenditures, resulting in a projected general fund deficit of \$1,951,700. The largest cost driver is public safety. CAI assumed Birch Bay would contract for nine commissioned officers assigned to Birch Bay, plus support staff, with a total public safety budget of \$3,388,800. That amount alone is larger than the entire projected deficit.

This assumption is important because Birch Bay currently receives a much lower dedicated law enforcement service level: one officer assigned to Birch Bay for 40 hours per week. While many residents support a stronger local public safety presence, BBIA believes CAI’s high-service model exceeds both the current service level and what a new city would likely need at start-up. A future City of Birch Bay could also evaluate other law enforcement service options, including contracts with nearby cities, to determine the most effective and cost-efficient approach.

This scenario is useful because it shows the cost of beginning with a high-service model. It should not be viewed as the only path to incorporation. A future city could choose different service levels, phase in staffing, partner with existing districts and the County, and adjust expenditures based on community priorities.

#### Exhibit B. High Service Level Scenario - CAI Model

2027 Revenues - CAI High Service Level	Amount	2027 Expenditures - CAI High Service Level	Amount
Property Taxes	\$2,541,800	Public Safety	\$3,388,800
Local Retail Sales Taxes	\$995,000	Public Works	\$565,700
Other Taxes	\$642,500	Planning & Development	\$807,200
Cable TV Franchise Fees	\$127,500	Parks and Recreation	\$308,100
Building Permits and Fees	\$512,800	City Manager	\$698,200
State Shared Revenues	\$154,300	City Council	\$121,800
Charges for Services	\$17,600	Finance	\$551,900
Fines & Forfeitures	\$113,300	Legal Services	\$68,000
Grant Cost Recovery	\$0	Building Permit Desk	\$182,700
		Non-Departmental	\$364,300
<b>Total Revenue</b>	<b>\$5,104,900</b>	<b>Total Expenditures</b>	<b>\$7,056,600</b>
		<b>General Fund Balance</b>	<b>(\$1,951,700)</b>

#### Takeaway

CAI’s published high-service assumptions create a projected deficit because they assume a highly staffed, high-cost service model from the beginning. This scenario should not be viewed as the only path to incorporation.

## 2. Current Service Level Scenario

As part of unincorporated Whatcom County, Birch Bay residents currently contribute significantly more in taxes and fees to the County than the estimated value of services Birch Bay receives. Residents pay for County services through property taxes, sales taxes, fees for services, fines and forfeitures, and other taxes and fees. Using a per-capita allocation approach, BBIA estimates that Birch Bay currently contributes more than \$4.5 million per year in County property taxes, fees, and a proportionate share of state-shared revenues that could be used to operate a city, not including restricted revenues, while receiving an estimated \$2.6 million in County services.

These estimated services include policing, a proportionate share of County Council and County Executive services, planning, permitting, public works, finance, legal services, and parks and recreation.

Public safety provides another useful example. The Whatcom County Sheriff’s Office currently assigns one commissioned officer to Birch Bay, at an estimated cost of about \$560,000 including support services. Other officers are available for special events or emergencies, as is also true for incorporated cities, but countywide deployment may require officers to travel longer distances to reach Birch Bay, which can result in longer response times.

According to CAI’s report, Whatcom County has about 1.04 commissioned officers per 1,000 residents in the unincorporated area. For Birch Bay’s 2024 population of 8,973, this would calculate to approximately 9.33 commissioned officers if assigned proportionately to Birch Bay. Because the County provides services across all unincorporated areas, Birch Bay does not receive that proportionate staffing level locally.

### Exhibit C. Current Service Level Scenario

2027 Revenues - Current Service Level	Amount	2027 Expenditures - Current Service Level	Amount
Property Taxes	\$2,541,800	Public Safety	\$756,179
Local Retail Sales Taxes	\$995,000	Public Works	\$366,000
Other Taxes	\$54,650	Planning & Development	\$313,646
Cable TV Franchise Fees	\$0	Parks and Recreation	\$251,250
Building Permits and Fees	\$512,800	City Manager	\$52,587
State Shared Revenues	\$62,769	City Council	\$110,792
Charges for Services	\$17,600	Finance	\$345,091
Fines & Forfeitures	\$53,560	Legal Services	\$68,000
Grant Cost Recovery	\$325,855	Building Permit Desk	\$182,700
		Non-Departmental	\$161,551
<b>Total Revenue</b>	<b>\$4,564,034</b>	<b>Total Expenditures</b>	<b>\$2,607,796</b>
		<b>General Fund Balance</b>	<b>\$1,956,238</b>

#### Takeaway

This scenario estimates that Birch Bay currently generates more revenue than the estimated value of services it receives from Whatcom County. It helps explain why many residents feel Birch Bay does not receive services proportionate to the revenues generated locally.

### 3. Balanced Budget Scenario — No Tax Increase

Operating as a city, Birch Bay residents could receive improved services for the same tax dollars they pay now. In this scenario, residents would have greater control over how their tax dollars are spent through a locally elected City Council whose representatives live in Birch Bay. Like other cities in Whatcom County, this would give residents a stronger voice in services such as policing, growth, land-use zoning, building permits, traffic control, environmental impacts, parks, and recreation.

Surveys conducted in Birch Bay over the past two years indicate that local control of taxes, local zoning control, watershed and flood control, and a stronger local police presence with shorter response times are among the most important issues to residents. BBIA’s balanced-budget scenario was designed around those priorities.

To determine what level of service Birch Bay could afford while maintaining the same tax revenue, BBIA and consultant Bob Jean evaluated the revenues and expenditures projected by CAI for 2027. **BBIA did not change CAI’s salary assumptions or non-labor cost assumptions. Instead, the model slightly adjusted staffing levels and included grant cost recovery to reflect a more realistic start-up city structure.**

For example, CAI’s high-service scenario assumed contracted public safety staffing of two lieutenants, seven deputies, and three records staff. BBIA reduced this to one lieutenant, five deputies, and one records staff. This would still provide Birch Bay with 24/7 assigned law enforcement coverage, which would be a significant improvement over current service levels, without requiring the full public safety cost assumed in CAI’s high-service model.

BBIA also removed the two full-time parks and recreation positions included in CAI’s model. The parks Whatcom County lists as transferring to a future city (Bay Horizon Park, Bay Crest Trail, Halverson Park, and Sunset Farm Park) are not developed enough to require two full-time maintenance employees, plus Birch Bay already pays into a Parks & Recreation District. Any limited maintenance needs could be addressed through contracted services, which are already reflected in the model’s non-labor cost assumptions.

Other staffing adjustments were made to better reflect the needs of a new city. BBIA made the IT specialist a part-time position, recognizing that a new city with modern technology systems may have fewer ongoing IT needs.

Together, these adjustments show that a City of Birch Bay could operate with a leaner staffing model, improve priority services, and maintain a balanced budget without increasing taxes.

#### Staffing Comparison: CAI High Service Level vs. Balanced Budget Scenario

Function	CAI High Service Level	Balanced Budget (No Tax Increase)
Public Safety	12	7
Public Works	1	1
Planning & Development	3	3
Parks and Recreation	2	0
City Manager	3	3
City Council	7	7
Finance	3	2.5
Building Permit Desk	1	1
<b>Total</b>	<b>32 personnel</b>	<b>24.5 personnel</b>

**Exhibit D. Balanced Budget Scenario - No Tax Increase**

2027 Revenues - Balanced Budget (No Tax Increase)	Amount	2027 Expenditures - Balanced Budget (No Tax Increase)	Amount
Property Taxes	\$2,541,800	Public Safety	\$2,636,800
Local Retail Sales Taxes	\$995,000	Public Works	\$366,000
Other Taxes	\$642,500	Planning & Development	\$807,200
Cable TV Franchise Fees	\$127,500	Parks and Recreation	\$43,300
Building Permits and Fees	\$512,800	City Manager	\$698,200
State Shared Revenues	\$330,100	City Council	\$96,900
Charges for Services	\$17,600	Finance	\$495,100
Fines & Forfeitures	\$113,300	Legal Services	\$68,000
Grant Cost Recovery	\$500,000	Building Permit Desk	\$182,700
		Non-Departmental	\$364,300
<b>Total Revenue</b>	<b>\$5,780,600</b>	<b>Total Expenditures</b>	<b>\$5,758,500</b>
		<b>General Fund Balance</b>	<b>\$22,100</b>

**Takeaway**

This scenario shows that improved services can be modeled without raising taxes. Under BBIA’s adjusted staffing assumptions, Birch Bay could operate as a city, improve priority services, and balance the general fund using existing projected revenues.

**BBIA’s scenarios, other than the current service level scenario, were built using the CAI financial model developed for the County’s feasibility study. BBIA did not assume new taxes or change CAI’s salary and non-labor cost assumptions.** Its revenue updates were limited to recognizing available city revenue sources and adding 25% cost recovery for a modest amount of grant-funded work, which a new city would be expected to pursue. A newly incorporated city focused on infrastructure, public safety, planning, parks, environmental protection, and start-up needs would likely be a strong candidate for grant support. CAI’s study, however, concluded that the new city would be too busy setting itself up to apply for grants.

The primary changes were on the expense side. BBIA adjusted staffing levels and slightly reorganized departments to reflect a leaner city structure, rather than the higher-staffing model based on Blaine that was emphasized in the County’s final report. This includes aligning staffing with the services residents have identified as priorities, while avoiding unnecessary positions or duplicative functions that do not fit Birch Bay’s needs as a start-up city.

This work shows that incorporation is not a single fixed financial outcome. Using CAI’s own model, BBIA found that a City of Birch Bay could provide a higher level of local service, including greater local control over planning, permitting, public safety, parks, and community priorities, while balancing its budget using the same tax dollars residents already pay to the County.

#### 4. High Service Level Scenario — With Tax Increase

BBIA’s balanced-budget scenario shows that incorporation can be modeled without increasing current tax rates. However, BBIA also reviewed what it would take to fund the higher service level proposed in CAI’s “fully loaded” scenario, so residents can compare both approaches.

If Birch Bay residents preferred CAI’s higher-service model, property taxes would need to generate approximately \$1,176,400 in additional annual revenue. For a home assessed at \$500,000, that would equal an estimated increase of about \$200 per year, or approximately \$16.67 per month.

This is generally consistent with [BBIA’s 2024 General Survey](#) responses, which indicated that many Birch Bay respondents would be willing to pay \$100 to \$400 more per year in property taxes if local services were significantly improved. That does not mean residents would necessarily choose a tax increase, but it provides useful context: even CAI’s higher-service scenario is not financially out of reach if voters decided that level of service was worth the added cost.

There may also be ways to support higher service levels outside of property tax. Economic development, local business growth, new construction, grants, franchise fees, and other city revenue sources could help fund services over time. These revenues would not eliminate the need to make careful budget choices, but they could reduce reliance on property taxes and provide additional tools for investing in Birch Bay’s future. These revenue sources are discussed in the Revenue Overview section.

#### Exhibit D. Balanced Budget Scenario - No Tax Increase

2027 Revenues - High Service Level (With Tax Increase)	Amount	2027 Expenditures - High Service Level (With Tax Increase)	Amount
Property Taxes	\$3,718,200	Public Safety	\$3,388,800
Local Retail Sales Taxes	\$995,000	Public Works	\$366,000
Other Taxes	\$642,500	Planning & Development	\$807,200
Cable TV Franchise Fees	\$127,500	Parks and Recreation	\$308,100
Building Permits and Fees	\$512,800	City Manager	\$698,200
State Shared Revenues	\$330,100	City Council	\$121,800
Charges for Services	\$17,600	Finance	\$551,900
Fines & Forfeitures	\$113,300	Legal Services	\$68,000
Grant Cost Recovery	\$500,000	Building Permit Desk	\$182,700
		Non-Departmental	\$364,300
<b>Total Revenue</b>	<b>\$6,957,000</b>	<b>Total Expenditures</b>	<b>\$6,857,000</b>
		<b>General Fund Balance</b>	<b>\$100,000</b>

#### Takeaway

This scenario shows that CAI’s high-service-level scenario could be balanced with additional revenue. It is not presented as a recommendation, but to estimate the cost if voters preferred the substantially higher service level assumed in CAI’s published scenario.

## Funding Sources Available to Cities

A key difference between remaining an unincorporated UGA and becoming a city is local control over revenue. Incorporation would not just create new costs; it would also give Birch Bay access to revenue sources, grants, and financing tools that are either unavailable or not locally controlled under the current governance structure.

As a city, Birch Bay would be able to collect, access, apply for grants, and allocate funding sources that are not available under UGA status. Incorporation provides both expanded funding access and local control over how those funds are invested, allowing revenue generated within the community to be prioritized for local infrastructure, services, and long-term planning.

### General Revenues: Flexible Funding for Essential City Services

- **Property Tax:** Property tax is one of the most stable and predictable revenue sources available to a city and supports services such as public safety, roads, parks, and general government operations.
- **State-Shared Revenues:** These include sales tax, online sales tax, Motor Vehicle Fuel Tax, and liquor tax. These revenues provide ongoing support for general operations and transportation needs.
- **Utility Taxes and Franchise Fees:** Cities may collect utility taxes and franchise fees from providers using public rights-of-way. These revenues can support roads, public safety, and essential services.
- **Building Permits and Development Fees:** These fees help cover plan review, inspections, permit processing, and administrative functions needed to manage growth.
- **Fines and Forfeitures:** These include revenue from traffic violations, code enforcement, and court-related penalties and can provide supplemental support for public safety and enforcement services.

### Restricted Revenues: Funds Legally Limited to Specific Purposes

- **Real Estate Excise Tax (REET):** REET is collected on property sales and provides a dedicated funding source for local capital improvements such as roads, sidewalks, parks, and other infrastructure.
- **Lodging Tax:** Lodging/Transient Occupancy Tax is generated from overnight stays, such as Airbnb, VRBO, hotels, and motels, and is used to fund tourism promotion, events, marketing, and tourism-related infrastructure, often through partnerships with organizations such as the Birch Bay Chamber of Commerce.
- **Impact Fees:** Impact fees are collected from new development and are used to fund infrastructure needed to support growth, such as roads, parks, and public facilities.

### Grant Funding, Financing, and Local Tools

- **State and Federal Grants:** A City of Birch Bay could apply directly for state and federal grants through programs such as the Transportation Improvement Board, Recreation and Conservation Office, and Washington State Department of Commerce.
- **Planning and Capacity Grants:** These grants can help new cities establish planning, staffing, and administrative systems during the early years of city formation.
- **Public Works Board Loans:** These low-interest loans can help cities complete infrastructure projects by spreading costs over time.
- **Local Improvement Districts:** LIDs allow cities to fund specific infrastructure projects by sharing costs with property owners who directly benefit.

#### Takeaway

Birch Bay generates a strong and diverse mix of revenues. Incorporation would give the community a more complete financial framework to support higher service levels, invest in infrastructure, pursue grants, and plan for inevitable growth.

## Local Control, Community Priorities, and Concerns About Change

Financial feasibility is only one part of the incorporation question. For many residents, the larger issue is whether Birch Bay should have a local government directly accountable to the people who live, work, and own property here.

Many concerns about incorporation come from a desire to protect Birch Bay, not change it. Residents want to preserve the community's natural beauty, identity, traditions, and small-town sense of community. At the same time, Birch Bay is already affected by decisions about growth, zoning, permitting, public safety, roads, parks, and infrastructure. Impactful decisions are made through countywide or regional systems that must balance Birch Bay's interests against other communities and less local priorities.

Incorporation would give Birch Bay residents a more direct voice in these decisions. Local planning authority would help the community shape future growth, protect against unwanted impacts from the development of neighboring jurisdictions, and ensure that locally generated revenue is more directly retained and reinvested in Birch Bay.

**No form of government can guarantee that every decision will please everyone. However, decisions about Birch Bay's future are more likely to reflect Birch Bay's values when they are made by the people who live here.**

## Partnering With Existing Service Providers

Incorporation would not replace the agencies and organizations that already serve Birch Bay well. A new City of Birch Bay would partner with and strengthen existing districts, agencies, and community organizations, including Birch Bay Water & Sewer District, Blaine-Birch Bay Park and Recreation District, Blaine School District, Whatcom County Fire Districts 7 and 21, BBWARM, the Whatcom County Library System, the Birch Bay Chamber of Commerce, and other special-purpose districts and public agencies that already serve the community.

Birch Bay already receives many of the types of services provided in cities, but without a locally elected government to represent the community, set priorities, or direct more locally generated tax dollars toward local needs. Incorporation would create local representation, while existing service providers would continue operating in their current roles with greater support.

## What Has Been the Experience of Washington's Newest Cities?

Washington's newest cities show that incorporation can be successful when communities use local control to match services, taxes, and priorities to local needs. Since 1990, 15 new cities have been incorporated in Washington: Spokane Valley, Liberty Lake, Sammamish, Kenmore, Maple Valley, Covington, Edgewood, Lakewood, University Place, Shoreline, Newcastle, Burien, Woodinville, Federal Way, and SeaTac. According to Bob Jean, an experienced city and county manager who helped launch or advise several of those cities, the most common reasons communities chose incorporation were local control, growth management, public safety, streets, and parks.

That experience is relevant to Birch Bay. Many of Washington's newest cities incorporated because they had grown into urban communities and wanted decisions about services, development, public safety, and local revenues made closer to home. Birch Bay is now facing a similar question.

The record also shows that incorporation does not automatically mean higher property tax rates. Of Washington's six most recently incorporated cities, five currently pay a lower city property tax rate than their county's general rate. Looking more broadly, 76% of the 17 Washington cities incorporated since 1983 pay, on average, 10.6% less than their host county rate ([see BBIA Sound Bite #4, published May 2025](#)). The key point is that city councils, elected by local residents, determine the level of property tax and the services those taxes support.

This all reflects a basic principle recognized in Washington law: cities are generally the most appropriate form of government to provide urban services. Counties are designed to serve large rural areas, while cities are structured to provide more localized governance for more densely populated communities.

Both CAI's financial model and BBIA's additional analysis show that Birch Bay incorporation can be financially feasible, depending on the service levels residents choose and whether all available city revenue sources are included. Like Washington's other new cities, Birch Bay could choose to incorporate successfully, improve local decision-making, partner with existing districts and the County, and keep more of its locally generated tax dollars focused on local priorities.

## Conclusion

The analysis shows that Birch Bay could operate as a city with a balanced budget, depending on the level of service the community chooses. It also shows that incorporation does not require a tax increase. A City of Birch Bay could improve service levels using existing projected revenues, while giving the community greater control over taxes, spending, planning, infrastructure, and local priorities.

The analysis indicates that Birch Bay currently contributes more in taxes, fees, and state-shared revenues than the estimated value of services it receives. Cityhood would allow more locally generated revenue to be retained and reinvested in Birch Bay, while expanding access to revenue sources, grants, and decision-making tools not currently available to Birch Bay as an unincorporated UGA.

**Ultimately, the question is not whether Birch Bay can afford to become a city. It is whether Birch Bay residents want greater local accountability and a government more directly aligned with the community's priorities, service expectations, and character.**

BBIA thanks residents for taking the time to consider this information and encourages everyone to review the findings, ask questions, and reach their own conclusions about the future of Birch Bay.

[For more information on potential next steps, please review BBIA Sound Bite #6, published September 2025.](#)

Respectfully submitted by the Birch Bay Incorporation Association Steering Committee



## Detailed Budget Comparison

### 2027 Revenues

Line Item	High Service Level (CAI)	Current Service Level	Balanced Budget (No Tax Increase)	High Service Level (With Tax Increase)
Property Taxes	\$2,541,800	\$2,541,800	\$2,541,800	\$3,718,200
Local Retail Sales Taxes	\$995,000	\$995,000	\$995,000	\$995,000
Other Taxes	\$642,500	\$54,650	\$642,500	\$642,500
Cable TV Franchise Fees	\$127,500	\$0	\$127,500	\$127,500
Building Permits and Fees	\$512,800	\$512,800	\$512,800	\$512,800
State Shared Revenues	\$154,300	\$62,769	\$330,100	\$330,100
Charges for Services	\$17,600	\$17,600	\$17,600	\$17,600
Fines & Forfeitures	\$113,300	\$53,560	\$113,300	\$113,300
Grant Cost Recovery	\$0	\$325,855	\$500,000	\$500,000
<b>Total Revenue</b>	<b>\$5,104,900</b>	<b>\$4,564,034</b>	<b>\$5,780,600</b>	<b>\$6,957,000</b>

### 2027 Expenditures

Line Item	High Service Level (CAI)	Current Service Level	Balanced Budget (No Tax Increase)	High Service Level (With Tax Increase)
Public Safety	\$3,388,800	\$756,179	\$2,636,800	\$3,388,800
Public Works	\$565,700	\$366,000	\$366,000	\$366,000
Planning & Development	\$807,200	\$313,646	\$807,200	\$807,200
Parks and Recreation	\$308,100	\$251,250	\$43,300	\$308,100
City Manager	\$698,200	\$52,587	\$698,200	\$698,200
City Council	\$121,800	\$110,792	\$96,900	\$121,800
Finance	\$551,900	\$345,091	\$495,100	\$551,900
Legal Services	\$68,000	\$68,000	\$68,000	\$68,000
Building Permit Desk	\$182,700	\$182,700	\$182,700	\$182,700
Non-Departmental	\$364,300	\$161,551	\$364,300	\$364,300
<b>Total Expenditures</b>	<b>\$7,056,600</b>	<b>\$2,607,796</b>	<b>\$5,758,500</b>	<b>\$6,857,000</b>
<b>General Fund Balance</b>	<b>(\$1,951,700)</b>	<b>\$1,956,238</b>	<b>\$22,100</b>	<b>\$100,000</b>