



Each year, as we prepare the City of Spokane's annual budget, we look ahead to how we want to grow and change to meet the evolving needs and concerns of our citizens. The status quo isn't an option for us. That's why we have embraced performance measure reporting, continuous improvement efforts, and launched projects to improve our efficiency and effectiveness.

Football coach Lou Holtz put it this way: "In this world you're either growing or you're dying, so get in motion and grow."

For 2019, our programmatic budget lays out a strong statement of priorities and growth opportunities. It supports our stretch to reduce property crimes, to vastly improve the health of the river, to reinvent services for those experiencing homelessness, and to generally deliver smarter services while maintaining affordability for citizens. And yes, our budget also supports economic development and growth for our community to continue to lift up median household incomes and create jobs.

Our 2019 investments are propelled by the Strategic Plan developed jointly by the Administration and City Council. The plan lays out four high-level goals:

- Build and effectively manage an innovative infrastructure that supports community accessibility, mobility and resiliency.
- Foster a healthy and compassionate community where all people feel safe, empowered and welcome.
- Promote significant growth that connects people to place and builds upon cultural, historical and natural resources.
- Make sustainable financial decisions that support strategic goals, deliver excellent customer service, and contribute to economic prosperity.

Here are some key investments:

Public Safety. The 2019 programmatic budget anticipates the addition of 10 new Police officers to continue progress on the reduction of property crimes including vehicle theft. And, it proposes \$1 million to support 48 firefighters hired using federal SAFER grant funds through the conclusion of that pilot program at the end of 2019.

Homelessness model. The budget supports increased case management to help those who are homeless get into permanent supported housing, while continuing to allow for shelter support. The goal is to deliver better outcomes for those who are experiencing homelessness and the community overall.

Infrastructure. 2019 will mark the end of our major infrastructure investment to reduce overflows from combined sewers from entering the river. We'll also start work on a new Post Street Bridge and additional work on East Sprague Avenue.

Economic Development. Work will continue to advance the development of our PDA area in the West Plains and in Hillyard. And we'll continue our economic development outreach to individuals and businesses who could benefit from our quality of life advantages.

We look forward to working with the City Council through the fall to finalize the budget and address the remaining gap between anticipated expenses and revenues. With this budget, we will continue to make government more affordable to the people we serve, accountable to their expectations and aligned to their priorities. At the City of Spokane, we are in motion.

Sincerely,

David A. Condon, Mayor



Our Mission

At its most basic level, the City's mission is working every day to deliver a safer, smarter, healthier Spokane. That mission has been reaffirmed by many City Councils and Mayors. It reads:

To deliver efficient and effective services that facilitate economic opportunity and enhance quality of life.

Performance is evaluated daily and reviewed organization-wide every quarter to make sure the City is delivering "efficient and effective services" and that what we track provides relevant guidance to continue delivering the best quality services possible for the dollars the citizens of Spokane entrust to us.

Building a Safer, Smarter, Healthier Spokane

Focused and steady progress toward achieving the goals outlined in the joint City Council and Administration strategic plan has established a solid foundation for the future. Continued discipline in both budget and operations practices and focus on promoting economic growth and vitality will create new opportunities for Spokane and its citizens.

To that end, the organization's commitment to building a safer, smarter and healthier Spokane requires us to remain focused on citizen top priorities to deliver against these important goals:

- To be the safest city of our size
- To be the fastest growing job market in the Intermountain West
- To be an innovative leader in cost-effective service delivery
- To be a municipal leader in innovation
- To be unequalled in living, learning and leisure

We continue to work diligently to control the cost of City government while investing in citizen's top priorities resulting in an even safer, smarter and healthier community.

Safer – As the citizen's top priority, property crime remains a focus for the Spokane Police Department. The Vehicle Theft Task Force, launched specifically to target and prosecute offenders, continues to make progress and has started to reduce incidents of vehicle theft. Identifying new ways to further increase investments to reduce property crime through implementation of a technical resource task team or "property crime technicians" is under consideration for 2019.

The Spokane Fire Department continues to be a leader in seeking new ways to better serve the most pressing citizen needs. Fire equipment will continue to be on a regular replacement schedule utilizing the 1% property tax set aside. More than \$1M will be added to the 2019 draft budget to sustain federal SAFER grant-funded positions while alternative plans are being considered.

Smarter – Our integrated approach that is all about the river continues to deliver better outcomes and is getting us to a cleaner river faster. The nearly \$100 million in capital investment in Wastewater planned in 2019 will contribute to the completion of our CSO plan on time to meet the 2019 deadline. Our 21st century workforce initiative continues to gain momentum and we'll continue to focus investments in employee training and wellness.

Healthier – Redevelopment of Riverfront Park is well under way with upgrades to the Pavilion and the north bank slated to be completed in 2019. We continue to make advancements in connecting the community to the river with the CSO project immediately north of the downtown Spokane Public Library and the project at the gateway of Browne's Addition. The projects will create new vistas of the river, serve as a new connection to the river gorge and planned trail loop and offer a variety of outdoor opportunities for citizens and visitors.



Our Guiding Budget Principals

The City Council has also established a set of core budget principals that guide our thinking in developing responsible, sustainable budgets across the organization. Each year, as a part of our budget process, we recommit to these principles:

- Don't spend more than you take in
- Don't spend one-time money on ongoing expenses
- Maintain prudent budget reserves
- Maintain strict controls on hiring and spending
- Fund the highest priority services first

Our Budget Philosophy: Affordable, Accountable, Aligned

We adopted a philosophy during the 2013 budget process that continues to guide our decisions to better serve citizens today. That philosophy requires us to consider affordability, accountability and alignment in all of our budget deliberations and actions.

Affordability

Fundamentally, government must be affordable to the citizens we serve. Our budget philosophy of affordability demands that we consider the financial impacts of our decisions and encourages us to consider how each dollar invested could result in multiple benefits.

Accountability

In addition to consideration of financial impacts, each action of the City and its employees must be accountable and transparent to our citizens. We must be open and easily understood, demonstrating that City resources have been invested responsibly.

Alignment

City services must align with top citizen priorities and core municipal government competencies. Other services, though they may be desired, must be supported by our partner agencies or neighboring jurisdictions.

2017 Close Out & 2018 YTD Results

The City of Spokane General Fund closed 2017 better than forecast. Overall, General Fund revenue exceeded expenditures by about \$9.6 million (including unrealized gains on investments) while the overall Fund Balance (General Fund only) increased by about 27%. Increased sales tax revenue and revenue from investments were the primary contributors to the positive variance. These positive results led to an almost \$4 million increase in the General Fund "checkbook balance" at the end of 2017. At the end of 2017, the General Fund Contingency Reserve was approximately 8% of General Fund budgeted expenditures and the General Fund Revenue Stabilization Account was at about 0.5%. Targeted funding level for these two reserves is set at 10% and 3.5% respectively. City Council approved Resolution 2015-0059, which allows the City to shift positive General Fund variances into the General Fund Contingency Reserves. In early 2018, City Council directed that these positive variances be deposited in the Revenue Stabilization Account bringing the account balance to about 50% of the funding goal.

In the first half of 2018, total General Fund revenue is tracking right on budget; however, some of the various revenue components are tracking below budget. We monitor both revenues and expenses on a monthly basis so that we can be responsive if current trends begin to shift to the point of putting the overall General Fund out of balance. We do not expect revenue to exceed the forecast at year end.



2019 Fiscal Guidance

We anticipate modest growth in 2019 and the ability to make any new investments depends entirely on the growth of the local economy. There are a number of factors to consider as we work through the 2019 budget process:

- **Revenue Growth** – For the purpose of developing the 2019 General Fund budget, we are projecting revenue growth of 3%. This is consistent with our long-range revenue forecast and was the recommendation of the City’s Economic Forecast Council.
- **Median Household Income** – Following up on a significant increase in MHI in 2014 (11%), MHI in the city increased by 1.5% in 2015 and another 3% in 2016 and now sits at \$45,676. Although that is the highest MHI we have seen for the City of Spokane, it remains below our United Way ALICE (Asset Limited, Income Constrained, Employed) goal of \$54,000. We remain among the lowest MHI in both categories in Spokane County. Our focus on affordability of government remains a top priority, and all budget decisions must consider citizens ability to pay.
- **Investment in Our Employees** – Working in partnership with our labor groups we have kept the growth in labor costs in line with revenue projections. The 2019 budget will include approximately \$6.8 million in contractually obligated pay increases (cost of living increases (COLA) and longevity step increases) as well as budgeted increases in benefits costs of about \$3.4 million.
- **1% to Public Safety Capital + Matching Funds** – We remain committed to contributing the 1% property tax growth of about \$450,000 as well as the \$450,000 match from the General Fund to purchasing vehicles and equipment for public safety. City Council adopted Resolution 2014-0081 on July 14, 2014, to support this ongoing investment. We are just over halfway to our goal of creating a sustainable funding source for public safety vehicles. We will achieve this goal by continuing to commit the 1% increases through 2021. In 2021, the City will have approximately \$6.5 million annually dedicated for this purpose and will no longer need to commit future property tax increases for this purpose.
- **Investment in Public Safety Operations** – Anticipated expiration of the federal SAFER grant requires an infusion of about \$1 million of General Fund dollars to maintain these 48 positions through the end of 2019. Additionally, we continue to prioritize investment in property crime reduction and will work to invest in an additional 10 police offers, which will bring the department closer to nearly fully staffed status identified in a 2016 police staffing study.
- **Unfunded Capital** – We continue to look for solutions to the shortfall in our preliminary 2019 \$762million 6-year capital budget, which currently stands at about \$21million of projects that are unfunded and have no identified funding source.
- **Reserves** – The City Council approved Resolution 2015-0059, which established a formal plan allowing us to allocate positive General Fund variances into the General Fund Contingency Reserves. Allocating the 2017 net positive cash variance into the Revenue Stabilization Account will increase the level of funding to about 2%, just short of our 3.5% goal.
- **Interest Income** – General Fund interest income is expected to drop substantially by year end 2019 based largely on two factors: (1) decreases in the City’s investment portfolio from continued spend-down of the Wastewater “Green” revenue bonds, and the bonds for improvements in Riverfront Park, together with (2) increases in the amount of interest income credited to the utility and other non-General Fund areas of the City. (This will result in the event of anticipated continued increases in short-term interest rates on which the allocations are based).



- **2.9% Utility Rate Cap** – We are committed to supporting the Utility rate cap set by City Council at 2.9% (through 2020). The City’s long-range revenue growth as well as public works capital projects will be tied to that rate in 2019 and in future budgets. The Utilities capital plan is fully funded for 2019.
- **Impact of State & Federal Policy** – We anticipate that federal policy changes may have regulatory impacts related to the Affordable Care Act, and changes to EPA and state Department of Ecology regulations/rules could have a negative financial impact on the City budget.
- **Spokane Employee Retirement System** – City employees depend on SERS for their retirement, and it is a priority to improve the financial sustainability of SERS for currently retired employees and for future retirees. We continue to work with our employee labor groups to ensure the sustainability of this program now and into the future. During recent negotiations, the City and Bargaining Units under SERS agreed to adjust the contributions rate each year in accordance with the recommendation from the actuary, up to 1% per year for both the City and the employees.
- **Labor Contract Obligations** – City labor groups have done excellent work delivering great benefits to their represented employees while controlling cost increases. Total growth in labor contract obligations is just under 3% which is in line with our long range revenue forecast. Financial obligations related to labor contracts are outline below:

	General Fund Only		
	'19 Step Est.	'19 COLA Est.	Total
Managerial & Professional	94,683	242,971	337,654
Prosecutors	17,546	19,463	37,009
Local 270 - AFSME	142,259	506,938	649,197
Non-Represented	28,535	103,762	132,297
Lt & Cpt	4,688	61,313	66,001
Police Guild	322,529	549,796	872,325
	610,240	1,484,244	2,094,484
	City-wide Cost		
	'19 Step Est.	'19 COLA Est.	Total
Managerial & Professional	327,778	843,977	1,171,755
Prosecutors	17,546	19,463	37,009
Local 270 - AFSME	606,612	2,340,741	2,947,353
Library 270	-3,760	40,364	36,604
Non-Represented	45,500	173,746	219,246
Library Managerial	0	111,000	111,000
Spokane Assn. of Fire Officers	0	56,086	56,086
Lt & Cpt	4,688	61,313	66,001
Local 29 - Fire	327,785	896,587	1,224,372
Police Guild	322,529	557,342	879,871
Local 29 - Dispatch	21,226	43,676	64,902
	1,669,904	5,144,295	6,814,199



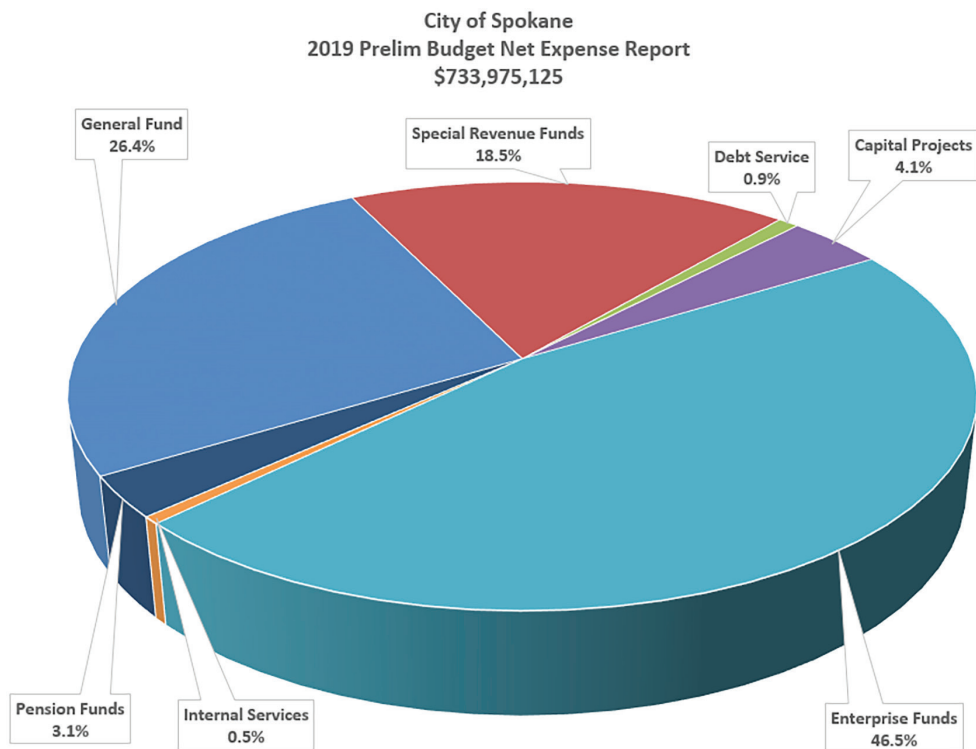
2019 General Fund Estimates

Revenue and expense estimates for the 2019 General Fund budget are outlined below. We'll continue to work with the City Council to bring expense priorities in line with revenue over the coming weeks.

2018 Adopted Budget GF Revenue	189,150,968
2019 Preliminary Budget GF Revenue	194,825,497
Available for new or increased expenses	5,674,529
2019 Proposed GF Expense changes	
Contractually Obligated	
Wages and Benefits	5,572,890
Prior Year COPS Grant – 2019 Impact	140,000
UDRA Sales Tax Allocation	350,000
Total Contractually Obligated	6,062,890
Available/(Shortfall)	(388,361)
Other Obligations/Commitments/Priorities	
SIP Public Safety Capital (1% + Match)	900,000
SAFER Grant – bridge to end of 2019	1,000,000
10 New Police Officer Positions	1,000,000
24/7 Shelter	600,000
Total Other Obligations/Commitments/Priorities	3,500,000
Preliminary Available/(Shortfall)	(3,888,361)

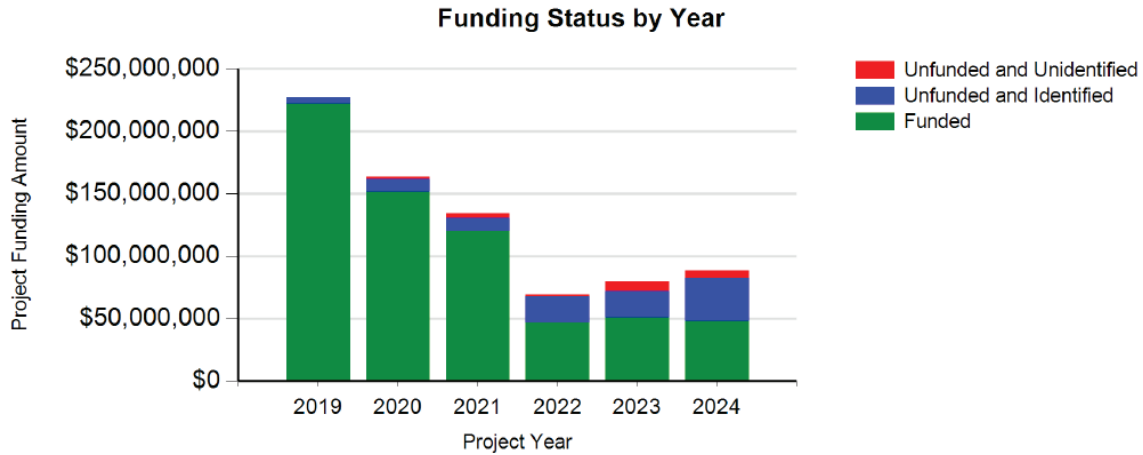
2019 Expense Estimates

Expense estimates by category are outlined below:



Summary of 6 Year Capital Budget

The current capital budget summary (2019-2024) is as follows: (Preliminary amounts as of 7/27/18)



Details of the 6 Year Capital Plan are outlined below:

Department	2019	2020	2021	2022	2023	2024	Total
Asset Management	27,566,999	18,741,229	65,098,292	4,803,844	2,580,000	3,860,000	122,650,364
Fire	4,802,349	1,254,623	1,646,769	1,479,257	1,601,219	6,988,676	17,772,893
Information Technology	3,729,000	2,122,827	1,381,853	1,398,278	1,427,113	1,254,685	11,313,756
Library	0	62,000	0	0	0	0	62,000
Parks and Recreation	18,077,290	7,601,290	5,247,314	9,442,500	6,377,500	1,947,500	48,693,394
Police	2,603,718	2,595,356	2,498,601	2,225,612	2,132,118	2,398,022	14,453,427
Solid Waste Collection	3,320,000	2,566,000	3,500,000	4,400,000	4,630,000	3,820,000	22,236,000
Solid Waste Disposal	5,254,500	3,083,000	3,743,000	3,710,000	735,000	3,600,000	20,125,500
Streets	46,049,403	29,041,605	16,055,207	22,868,501	36,537,248	46,400,035	196,951,999
Wastewater	91,952,377	75,231,815	25,499,029	10,568,833	10,340,000	11,682,000	225,274,054
Water	23,755,000	21,224,500	9,749,000	8,195,000	13,607,000	6,295,000	82,825,500
Total	227,110,636	163,524,254	134,419,065	69,091,825	79,967,198	88,245,918	762,358,887
Unfunded / Unidentified	0.00%	1.17%	3.01%	2.01%	9.91%	6.76%	2.79%
Unfunded / Identified	2.26%	6.35%	7.69%	30.57%	26.59%	39.14%	13.48%
Funded	97.74%	92.48%	89.30%	67.42%	63.50%	54.10%	83.73%



Spokane 2019 Program Budget Proposal

An investment in a safer, smarter, and healthier Spokane

Safer The safest city of our size



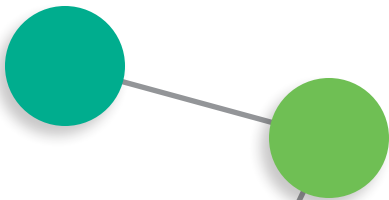
10
more police officers



\$1 Mil
Continued support
for grant-funded
firefighters pilot



Build more
tools to combat
property crime



Continue to
dedicate property
tax growth for public
safety vehicles and
equipment



\$600K
Invest in
homelessness
outreach and
new shelter

Smarter An innovative leader in cost-effective service delivery



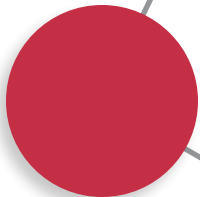
2.9%
Keep utility
rates affordable



\$227 Mil
Invest in capital and
street construction



Update utility
and 311 software
systems for
improved service



Continue to
maintain prudent
reserves and
budget discipline
for the future



Market targeted
growth in PDAs
in Hillyard &
West Plains

Healthier Unequaled in living, learning and leisure



\$77 Mil
Rebuild the Library
System (Bond issue
on ballot)



Partner with
Spokane Schools
to update and
add schools



Proceed with
Riverfront Spokane
and North Bank
Revitalization



\$92 Mil
Invest in a cleaner
river faster



Work to connect
to the river
through Great
Gorge Loop Trail



Invest in a diverse
and healthy
workforce

