





The City of Spokane's annual budget provides an important statement about our priorities. Where we invest precious taxpayer and ratepayer dollars must be thoughtful, sustainable, and tied to the needs and expectations of our citizens. Our joint Administration-Council Strategic Plan, One Spokane, was developed to provide the necessary guidance to allow our annual budgets to propel us toward our desired future.

One Spokane lays out four high-level goals:

- **Innovative Infrastructure.** Build and effectively manage innovative infrastructure that supports community accessibility, mobility, and resiliency.
- **Safe & Healthy.** Create a safe, healthy, supportive environment for City of Spokane residents, business, and visitors.
- **Urban Experience.** Promote significant growth that connects people to place and builds upon cultural, historical, and natural resource assets.
- **Sustainable Resources.** Make sustainable financial decisions that support strategic goals, deliver excellent customer service, and contribute to economic prosperity.

The 2020 programmatic budget relies on One Spokane's goals and ongoing initiatives to support a safer, smarter, and healthier community.

The budget adds new police officers and maintains fire personnel and supports our ongoing efforts to assist our most vulnerable populations in an integrated way. Additionally, the budget continues work to reduce property crime, to vastly improve the health of the river, and to generally deliver smarter services while maintaining affordability for citizens. Our budget also supports economic development and growth for our community to continue to lift up median household incomes and create jobs.

Here are some key investments and initiatives:

Public Safety. The 2020 programmatic budget incorporates new funding for public safety personnel approved by voters in February. The \$6.3 million raised by the public safety levy will pay for 20 new Police personnel and retain 30 firefighters which were previously funded by federal grant dollars. Addressing property crime remains a priority, with a new state pilot program for supervision of vehicle theft offenders going into effect.

Support for Vulnerable Populations. The budget supports a new targeted-capacity shelter designed to combine social services with shelter support outside the downtown core. The Spokane Resource Center, a HUD EnVision Center and a pilot for integrated social services delivery, is gaining momentum and will be supported through 2020. The work is designed to advance integration of services to provide effective, efficient, affordable, and sustainable outcomes for our citizens.



One Vision. One Plan. One Voice.

One Spokane
Safer. Smarter. Healthier.

Riverfront & North Bank. The redevelopment of Riverfront Park wraps up in 2020 with work on a new destination playground and other amenities on the North Bank. The park improvements will tie into the new SportsPlex, which also will be under construction on the bluff just north of the park.

Libraries. Construction on our libraries for the future gets under way in earnest in 2020, with the Downtown and Shadle branches being closed for renovation and expansion in the spring. This is the first construction to get under way as a result of the \$77 million bond issue voters approved in November 2018.

Infrastructure. Work to improve the health of the Spokane River will continue at the Riverside Park Water Reclamation Facility, where construction of a third level of treatment is well under way. We'll also start work on a new Post Street Bridge, complete the South Gorge Trail in Peaceful Valley, and begin a major project to address stormwater from the Cochran Basin, which contributes about half of the one billion gallons of stormwater that reaches the river each year. Meanwhile, total investment in arterial and residential streets is budgeted at more than \$24 million.

Economic Development. Work will continue to advance the development of our PDA areas in the West Plains and Hillyard. Finding new markets for recycled products is critical as the City seeks to turn products with negative commodity value into commercially viable end products. A circular economy is a way to create green jobs and repurpose waste products.

Strict adherence to our budget principles and continued economic growth, combined with continuous improvement efforts and projects to improve our efficiency and effectiveness, have supported great financial stability for our City over the last several years. We also have grown our reserve amounts. This financial stability shouldn't be taken for granted. Open contracts with City bargaining units and the growth of public safety personnel can risk that balance, leading to increases that could quickly outpace the City's traditional revenue growth rate.

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.

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

One Spokane – Building a Safer, Smarter, Healthier Community

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. The joint partnership has resulted in continued discipline in both budget and operations practices and prioritizes our efforts on promoting economic growth and vitality.

To that end, our commitment to building a safer, smarter, and healthier Spokane requires us to remain focused on citizen's top priorities in these four strategic areas:

- **Safe & Healthy** – To create a safe, healthy, supportive environment for the City of Spokane residents, business and visitors.
- **Urban Experience** – To promote significant growth that connects people to place and builds upon cultural, historic, and natural resource assets.
- **Innovative Infrastructure** – To build and effectively manage innovative infrastructure that supports community accessibility, mobility and resiliency.
- **Sustainable Resources** – To make sustainable financial decisions that support strategic goals, deliver excellent customer service, and contribute to economic prosperity.

To build a safer, smarter, and healthier community, our 2020 budget leverages current investments to build sustainable programs and practices into the future.

Safer – Property crime remains our citizen's top priority and the top priority for the Spokane Police Department. The Vehicle Theft Task Force, launched specifically to target and prosecute offenders, continues to make progress in reducing incidents of vehicle theft. And new state legislation that requires supervision of convicted vehicle thieves will go into effect later this year. Through these efforts the community is beginning to experience a decline in vehicle thefts. To further focus efforts to reduce property crime, a multi-discipline City criminal justice team has worked to develop an initiative focused on public education and engagement to help reduce property crime at the neighborhood level. That program will launch in the 4th quarter of 2019.

The 2020 budget includes newly voted property tax revenues for public safety personnel totaling about \$6.3 million. These funds will be programmed to budget 30 firefighter positions that were previously supported by grant funds and 20 new Police positions. This one time lift of property tax will only increase by about 2% per year consistent with other property tax levy dollars, so careful consideration of the impact of these hires on future budget years will be needed, i.e., the City's expense for these positions will grow faster than the property tax revenue creating the potential of a structural gap.



One Vision. One Plan. One Voice.

One Spokane
Safer. Smarter. Healthier.

The upcoming 2020 budget will also support public safety personnel in the field by again dedicating the annual 1% increase to GF property tax revenue along with matching dollars from other General Fund resources to purchase Police and Fire equipment and vehicles. This effort, which will dedicate an additional \$990K in 2020, has been in place for five years and will remain a key strategy to deliver sustained funding for public safety priorities. About \$24 million has been invested so far. If this effort is sustained through 2021, a permanent funding source of nearly \$7 million will remain in place for this purpose once the current loans are paid off.

Smarter – Our focus on the health of the river continues to deliver better outcomes and is getting us to a cleaner river faster. We are continuing construction on a major upgrade at the Riverside Park Water Reclamation Facility and starting work to manage stormwater from the large Cochran Basin. Meanwhile, the major program to manage overflows from combined sewers is complete. While river health work will be done in the next few years, debt service on these projects will be managed for years to come without increasing utility rates more than 2.9%. Of the total \$577 million that the City has outstanding in principal and interest related to loan debt, approximately \$250 million must be paid within the parameters of the 2.9% rate growth. The amazing spaces created on top of the CSO tanks, as well as a number of amenities invested in street projects, will be enjoyed for generations.

At the same time, we continue to look for innovative ways to invest street levy dollars to get more quality streets than ever before, as always, considering all modes of transportation. Total investment in street improvements for both residential and arterial streets in 2020 will exceed \$24 million.

The Water Department continues to explore and enhance the use of machine-based learning technology to improve maintenance of the overall system. New technology for assessing and predicting the likelihood of water main failures will further enhance current leak detection tools and reduce system water loss which aligns with our strategic investment in water conservation.

Finding new markets for recycled products is critical as the City seeks to turn products with negative commodity value into commercially viable end products. A circular economy is a way to create green jobs and repurpose waste products.

The spirit of continuous improvement and innovation has taken hold at the City, and we are pleased to see our 21st Century Workforce initiative continue to gain momentum. Formalizing our investments in our Office of Performance Management (OPM) will ensure support of the City's innovative culture into the future. To help our organization continue to evolve and mature, we will also increase focus for our Human Resources Department in the areas of diversity development and wellness in 2020.

Healthier – We are optimistic about growth in the Spokane economy and household incomes in our community, but we still have work to do. We remain focused on affordability and maintaining a healthy City budget so our citizens can rely on quality services without having to pay more. Effective management of City finances requires constant attention and care.

Efforts to advance integration of services to provide effective, efficient, affordable, and sustainable outcomes for our citizens will continue in 2020. The Spokane Resource Center, a HUD EnVision Center and a pilot for integrated social services delivery, is gaining momentum and will be supported through 2020. Additional facilities and services will also be brought on line in 2020 to support our most vulnerable citizens.

We remain committed to a healthy downtown, investing resources to promote vibrancy in the core of our City. The WheelShare program and new Sportsplex will also amp up the “cool factor” in downtown, helping ensure vibrancy and support of our business community.

Redevelopment of Riverfront Park will be completed in 2020 with the final north bank elements beginning construction later this year. We continue to look for ways to better engage families in our neighborhood parks and pools and are committed to expansion of the City's system of trails. Increased attention to sustainable capital planning will be on tap for the Parks Department in 2020.



Our Guiding Budget Principals

The City Council has also established a set of core budget principles 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.



One Vision. One Plan. One Voice.

One Spokane
Safer. Smarter. Healthier.

2018 Close Out & 2019 YTD Results

The City of Spokane General Fund closed 2018 in line with forecast. Overall, General Fund revenue exceeded expenditures by about \$2.2 million or within less than 1% of what was budgeted (including unrealized loss on investments). Sales tax revenue and revenue from investments in excess of forecast were the primary contributors to the positive variance. These positive results led to a \$2.3 million increase in the General Fund “checkbook balance” at the end of 2018. At the end of 2018, the General Fund Contingency Reserve Account was approximately 7.5% of General Fund budgeted expenditures, and the General Fund Revenue Stabilization Account was at about 3.2% of General Fund budgeted revenues. Targeted funding level for these two reserves is set at 10% and 3.5% respectively.

In early 2019, City Council updated the municipal code requiring all positive General Fund variances be deposited first to the Revenue Stabilization Account and then to Contingency Reserve Account until targeted funding levels are achieved. This innovative change contributed to achieving a healthier Reserves Account balance which is now about 80% of the funding goal.

Early revenue and expense reports so far this year are suggesting we remain cautious and vigilant. In the first half of 2019, total General Fund revenue is tracking very narrowly on budget with some revenue components coming in below budget estimates. Expenses are also currently tracking on budget. We monitor both revenues and expenses on a monthly basis and will respond if we see trending data to suggest the General Fund could be at risk of closing the year out of balance. We do not anticipate revenue to exceed the budget forecast at year end and will manage expenses accordingly.

2020 Fiscal Guidance Outline

We anticipate modest growth in 2020. As always, the ability to make any new investments depends entirely on the growth of the local economy. There are a number of factors that contributed to our first look at the 2020 budget estimate:

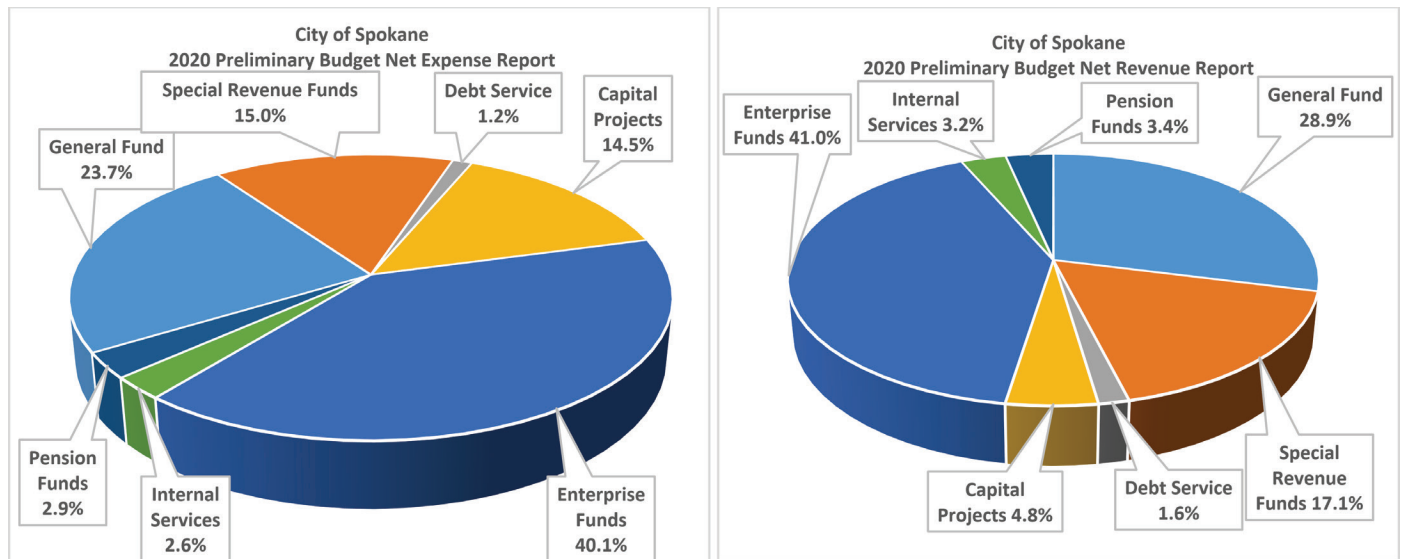
- **Revenue Growth** – For the purpose of developing the 2020 General Fund budget, we are projecting revenue growth of 2.5%. This is consistent with our long-range revenue forecast though slightly lower than last year’s 3% revenue growth estimates. The City, and nation as a whole, has enjoyed a long period of economic growth (City entering 8th year / national 10th year). This is far longer than any growth period on record, and it would be prudent to base our City’s economic/budget and service delivery planning on the possibility of an economic slowdown or contraction.
- **Household Income** – At 2.55% wage growth in the past five years, the City of Spokane continues to lag behind the State, whose five-year growth rate was 3.62%. We remain among the lowest median household income (MHI) in Spokane County. Our focus on affordability of government must remain a top priority, and all budget decisions must consider citizens’ ability to pay.
- **Investment in Our Employees** – The 2020 budget will include an increase of approximately \$6.7 million in contractually obligated pay increases (cost of living increases (COLA) and longevity step increases) as well as budgeted increases in employee benefits expense of about \$3.7 million (5% increase over 2019). There is still some uncertainty related to the City’s obligations toward Paid Family Medical Leave.
- **Labor Contract Unknown** – Labor contracts have successfully been negotiated at or below or long term revenue growth rate of about 3%. Consideration of the City’s financial capacity in 2020 and beyond should take into account that the labor contract with the Spokane Police Guild has been open since January 2017. Although the City has budgeted for the estimated costs of settling this outstanding contract, there is no assurance the actual costs of settlement will not exceed the amounts budgeted for 2017, 2018 and into the future. We will make every effort to come to agreement on a contract the City can afford and one in line with all other labor groups. All other labor contracts are up for negotiation in 2020.



- **1% to Public Safety Capital + Matching Funds** – We remain committed to contributing the 1% property tax growth, as well as General Fund matching funds, to purchasing vehicles and equipment for public safety. The total investment in the 2020 budget is just under \$7 million. With City Council support, we will achieve our goal of creating a sustainable funding source for public safety vehicles by the end of 2021. At that time, the City will have approximately \$7 million annually dedicated for this purpose and will no longer need to commit future property tax increases.
- **Investment in Public Safety Operations** – Public Safety departments continue to have steep expense growth. Since 2012, Police and Fire budgets have grown 21% and 28% respectively, including 2020 estimates with the new levy investment. Growth in expense will outpace the capacity of the new levy and may create a structural gap in coming years. City Council prohibited equipment purchases using levy dollars, putting further pressure on the General Fund.
- **Unfunded Capital** – We continue to make progress on our path to sustainable capital funding. Less than 5% of the \$774 million capital plan remains unfunded with no identified funding source. None of the capital projects planned for 2020 are unfunded.
- **Reserves** – The City Council further enhanced policy to promote healthy reserves. At the end of each fiscal year, any unappropriated balance in the General Fund must first be deposited into the General Fund Revenue Stabilization Account (GFRSA) until the account reaches its targeted funding level. The GFRSA is at 90% of its funding goal, while the Contingency Reserve Account is at 75% of its funding target.
- **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 Water-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 Utilities currently have about \$250 million in debt service for capital projects tied to Utility rates. The City's long-range revenue growth, as well as Public Works capital projects, will be tied to that rate in 2020 and in future budgets. The Utilities capital plan is fully funded utilizing the 2.9% rate.
- **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 improve the long-term health of this program now and into the future. Again, this year SERS contributions from employees and from the City budget will increase by a total of 1% through an automatic increase. At the end of 2018, the system was funded at about 58%.
- **Impact of State & Federal Policy** – We anticipate that State and Federal policy changes may have regulatory impacts that affect the City. EPA and Department of Ecology regulations/rules related to PCBs could have a negative financial impact on the City budget and on the future of maintaining affordable utility rates for our citizens.



Revenue and expense estimates for the 2020 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.



Details of contractually obligated pay increases are outlined below by labor group:

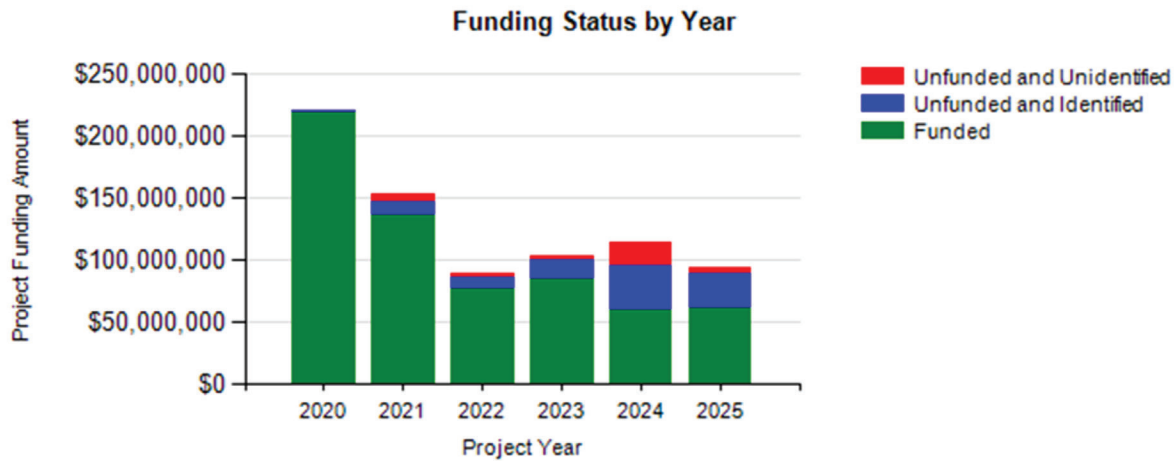
Wage/Step/Longevity Increases (Only includes longevity built into Salary Plans)

2020 Prelim Budget

General Fund Only			
	'20 Step Est.	'20 COLA Est.	Total
Managerial & Professional	102,620	263,062	365,682
Prosecutors	22,551	19,093	41,644
Local 270 - AFSME	146,457	553,438	699,895
Non-Represented	19,786	106,372	126,158
Lt & Cpt	2,010	93,850	95,860
Police Guild	390,083	868,118	1,258,201
	683,507	1,903,933	2,587,440
City-wide Cost			
	'20 Step Est.	'20 COLA Est.	Total
Managerial & Professional	34,3776	843,977	1,187,753
Prosecutors	22,551	19,463	42,014
Local 270 - AFSME	694,140	2,340,741	3,034,881
Library 270	6,938	40,364	47,302
Non-Represented	33,917	173,746	207,663
Library Managerial	0	111,000	111,000
Spokane Assn. of Fire Officers	6,974	56,086	63,060
Lt & Cpt	2,010	61,313	63,323
Local 29 - Fire	122,003	896,875	108,590
Police Guild	390,083	557,342	947,425
Local 29 - Dispatch	2,545	43,676	46,221
	1,642,937	5,144,295	6,769,232



A summary of the 2020-2025 draft capital plan is outlined below along with a chart showing funding status by year.



Department	2020	2021	2022	2023	2024	2025	Total
Asset Management	4,093,000	9,206,898	10,136,503	24,233,858	39,643,148	1,010,000	88,323,407
AM—Library Capital	42,515,999	25,094,798	2,055,234	750,000	0	0	70,416,031
Fire	4,280,140	1,609,426	1,309,659	2,087,988	3,107,728	3,500,502	15,895,443
Information Technology	3,520,283	2,643,264	2,531,306	2,629,202	2,385,534	2,427,011	16,136,600
Library Other	0	70,000	0	0	0	0	70,000
Neighborhood Services	0	90,000	0	0	0	0	90,000
Parks and Recreation	14,178,790	3,914,314	7,185,000	5,310,000	13,555,000	865,000	45,008,104
Police	2,809,922	8,529,776	2,219,035	2,428,201	24,508,789	2,561,110	14,998,923
Solid Waste Collection	2,566,000	3,500,000	4,400,000	4,630,000	3,820,000	39,000,000	22,816,000
Solid Waste Disposal	4,353,500	5,205,500	4,400,000	4,630,000	3,820,000	3,900,000	23,989,000
Streets	38,109,714	35,909,227	23,681,477	32,431,420	25,152,219	43,162,000	198,445,517
Wastewater	72,372,082	41,303,490	15,770,500	12,604,500	8,628,000	20,255,000	170,903,572
Water	31,760,115	21,953,000	16,142,000	12,939,000	11,365,000	12,640,000	106,799,115
Total	220,559,005	153,029,693	89,315,714	103,531,669	113,665,008	93,800,623	773,891,712
Unfunded / Unidentified	0.00%	3.99%	3.86%	2.56%	15.62%	4.66%	4.41%
Unfunded / Identified	0.86%	7.56%	9.42%	16.26%	32.56%	30.77%	13.52%
Funded	99.14%	88.45%	86.71%	81.17%	51.82%	64.76%	82.07%



Draft Estimate for General Fund 2020 Budget as of August 27, 2019.

2019 Adopted Budget GF Revenue	\$197,869,961
2020 Preliminary Budget GF Revenue	204,322,035
Available for New or Increased Expenditures	6,452,074
2020 Proposed GF Expense Changes	
Contractually Obligated	
Wages and Benefits	5,203,770
Total Contractually Obligated	5,203,770
Available/(Shortfall)	1,248,304
Other Obligations/Commitments/Priorities	
GF Support/Allocation Changes	3,917,009
SIP Public Safety Capital (1% + Match)	990,000
Combined Communications Center Support	579,475
Civil Service Requests	240,000
24/7 Shelter Options	32,500
Less One-Time 2019 Budget Item(s) - 24/7 Shelter Funding	(1,000,000)
Total Other Obligations/Commitments/Priorities	4,758,984
Preliminary Available/(Shortfall)	(\$3,510,680)



Spokane 2020 Program Budget Proposal

An investment in a safer, smarter, and healthier Spokane

Safer The safest city of our size



20 More
police personnel



Retain 30
firefighters that had
been grant funded



Build more
tools to combat
property crime



Prioritize needs
for safe routes
to schools



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



Focus on
downtown
safety needs

Smarter An innovative leader in cost-effective service delivery



2.9%
Keep utility
rates affordable



\$220 Mil
Invest in capital and
street construction



Invest in a
diverse, healthy,
and innovative
workforce



Support a
circular economy



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



Grow and
promote new
targeted-capacity
shelter



Support HUD
EnVision Center
through 2020



Proceed with
Riverfront Spokane
and North Bank
Revitalization



\$47 Mil
Invest in a cleaner
river faster



Work to connect
to the river through
South Gorge Trail



Launch
construction on
next-generation
libraries



One Vision. One Plan. One Voice.

One Spokane
Safer. Smarter. Healthier.