



End of Year 2022 Report



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The following report is a summary review of the City funds. The actuals presented in the report are unaudited and subject to change. Encumbrances are included in the actual amounts to better compare to the budgeted amounts. Unrealized investment gains and/or losses are excluded.

2022 Economic Environment

The 2022 economy reflected continued job growth, although slower than the rebound after the pandemic experience during 2021; wage pressures unlike previous recessionary recoveries; inflation spikes due to pent-up demand and slow supply; and federal interest rate increases imposed to counter the growth in inflation.

Overall, the City's economy continued to expand during 2022, evidenced by the increase in jobs and sales tax revenue. As inflation escalated throughout the year, so did wage pressures. Workers returning to the labor market had more choices as employers competed for qualified candidates to fulfil demand, often offering bonuses.

To combat growing inflation, the Federal Reserve increased the federal interest rate to banks, who passed those increases on to consumers of financing. This led to an increase in the unemployment rate, as employers began cutting back on investments and hiring fewer employees. The increase in interest rates also caused for a slowdown in building permits, largely because of the financing costs associated with construction.

The City was not immune to higher unemployment, slower construction activity, and inflation. However, the City continued to be resilient under the circumstances largely due to its diverse economy and outperformed many national indicators.

2022 Highlights

Mayor Woodward continues her focus on community wellness, physical safety, and quality of life. As such, the City continued to proudly serve citizens, employers, and visitors through the year. Below are just a few of the many accomplishments during 2022:

- ✓ Completed the successful negotiation of four key labor agreements, of which comprise an estimated 90% of the City's workforce.
- ✓ Opened a newly expanded police precinct in the East Central Neighborhood.
- ✓ Created a Violent Crimes Task Force and Stolen Property Unit to focus policing resources on current crime trends.
- ✓ Experienced record attendance to several regional events, evidenced by the highest hotel/motel tax revenue in the City's recent history.
- ✓ Provided utility bill relief to thousands of customers who were delinquent on their City utility bills due to the pandemic.
- ✓ Opened the Trent Resource and Assistance Center to offer support services to individuals on their pathway out of homelessness that has consistently outperformed utilization expectations.
- ✓ Launched a one-year pilot program called Building Opportunity and Choices for All, to allow more housing options to be built, especially in high-poverty rate areas.

General Fund

The General Fund is the City's single largest fund supported by revenue and expenditures not accounted for in a specific-purpose or restricted fund. General municipal services, including police and criminal justice, fire and emergency response, services aimed at neighborhoods, historic preservation, and human services are provided by the City's departments within the General Fund.

General Fund Summary						
	2021 Audited Actuals *	2022 Unaudited Actuals*	2022 Final Budget	2022 Actual to 2021 Actual	2022 Actual to Budget	Variance from Budget
Resources						
Planned Use of Fund Balance	19,945,870	20,755,171	20,755,171	809,301	0	0.0%
Current Revenue	211,541,415	223,529,992	219,545,696	11,988,577	3,984,296	1.8%
Total Resources	231,487,285	244,285,163	240,300,867	12,797,878	3,984,296	
Uses						
Personnel Costs	91,895,087	99,873,252	101,328,605	7,978,165	(1,455,353)	-1.4%
Operating Costs	124,335,271	137,915,141	138,972,262	13,579,870	(1,057,121)	-0.8%
Total Expenditures	216,230,358	237,788,393	240,300,867	21,558,035	(2,512,474)	-1.0%
Net Operating Surplus/(Deficit)	15,256,927	6,496,770	-			

* Excludes Unrealized Investment Gains/(Losses) per SMC 07.08.010

The City's General Fund ended the year with a net operating surplus of \$6.5 million. This net position was the result of current revenue exceeding expectations and the underspending of anticipated expenditures.

The following summarizes the major components of the General Fund's fiscal performance.

- Total General Fund current revenues were nearly \$4.0 million more than the final budget amount and almost \$12.0 million more than the prior year. The revenue differences were due to stronger than anticipated sales tax, growth in charges for services-primarily law enforcement services due to special events, and revenue transferred in from the ARPA Fund (a special revenue fund).
- Total General Fund expenditures amounted to \$2.5 million under the budgeted amount, or 1.8% less. Compared to the prior year this was nearly \$21.6 million more due largely to the retro-active pay associated with the settlement of several labor agreements (Local 270, M&P, Local 29, and the Guild), contractual services, and risk insurance.
- After accounting for changes in designation and reservations, unappropriated and unassigned spendable resources amounted to about \$7.6 million (excluding unrealized investment gains and losses). Compared to 2021's Unappropriated and Unallocated balance of \$20.8 million, this was a decrease of \$13.2 million. Based on the Special Budget Ordinances passed during 2022, the City approved the use of \$16.4 million of unappropriated and unassigned fund balance, largely for retroactive pay related to the settlement of labor agreements. However, operational surpluses, via revenue receipts and cost savings, attributed to a lesser amount of \$9.6 million being required.

General Fund Balance

The General Fund Spendable Fund Balance is treated as one-time to ensure fiscal sustainability. City Council formally established three reserves to be funded based on certain variance criteria per Spokane Municipal Code (SMC) Section 07.08.010. The total General Fund balance is comprised of non-spendable amounts (inventories), restricted amounts (federal/state grants), encumbrances, reserves, and unappropriated. The Unappropriated Fund Balance represents the organization's discretionary resources and is the amount remaining after net operating surpluses or losses are classified to the balance sheet and other balance sheet accounts have been reconciled. The sum of reserves and unappropriated fund balance was \$36.0 million as of Dec.31, 2022 (excluding unrealized investment gains/(losses)), or 15.1% of total expenditures. Per SMC Section 07.08.010, the City's target is 25% of on-going costs (total costs less one-time costs), well above the 16.6% recommended by the Government Finance Officers Association. See Appendix A – Six-Year Review of General Fund Balance.

Fund Balance as of Dec. 31, 2022			
General Fund			
	2021	2022	Change
<i>Nonspendible & Restricted</i>	2,082,589	530,145	(1,552,444)
Encumbrances	4,626,034	3,286,971	(1,339,063)
Reserves			
Contingency Reserve	21,065,706	21,065,706	-
Revenue Replacement Reserve	7,362,902	7,362,902	-
Strategic Reserve	-	-	-
Unappropriated Fund Balance	20,823,468	7,575,426	(13,248,042)
Total Fund Balance *	55,960,699	39,821,150	(16,139,549)

* Excludes Unrealized Investment Gains/(Losses) per SMC 07.08.010

General Fund Revenues

General fund revenues are comprised of general property tax, retail sales tax, utility taxes, charges for services, and smaller groups of revenues. The City continued to experience revenue growth from the economic recovery, although at a slower pace compared to 2021.

General Fund - Revenue by Type					
General Fund By Revenue Type	2021 Actual	2022 Actual	2022 Budget	Actual to Actual Difference	Actual to Budget Difference
310 - Taxes	176,732,687	181,877,150	179,864,841	5,144,463	2,012,309
320 - Licenses & Permits	6,898,498	6,989,937	6,791,000	91,439	198,937
330 - Intergovernmental Revenues	4,413,712	4,743,024	4,242,253	329,312	500,771
340 - Charges for Goods and Services	17,856,011	20,971,585	19,712,831	3,115,574	1,258,754
350 - Fines and Penalties	1,876,907	1,490,978	2,078,650	(385,929)	(587,672)
360 - Miscellaneous Revenues	3,612,444	4,769,386	3,751,683	1,156,942	1,017,703
397 - Transfers-In	151,156	2,687,932	3,104,438	2,536,776	(416,506)
Total Revenues	211,541,415	223,529,992	219,545,696	11,988,577	3,984,296

Note: Unrealized investment gains and/or losses are excluded.

Revenue Highlights

General Fund Revenue amounted to \$223.5 million by the end of 2022, or nearly \$12.0 million more than the prior year. This represents a strong 5.7% increase over 2021 revenues. For comparison, revenue in 2021 outpaced 2020 by 7.4%. All in all, over the course of 2020 through 2022, the City's General Fund revenues grew at an annual average of 3.5%, exceeding the historical guideline of 2.9% and less than the 10-year annual average of 3.8%.

Sales tax revenue continued to be a strong revenue growth category with an increase of more than \$5.1 million over the prior year and outpaced the budget estimates by \$2.0 million. The hospitality sector of retail sales had the largest percentage gain during 2022.

Charges for Goods and Services outperformed both the prior year and the budget, largely in reimbursement for Law Enforcement Services amounting to more than \$4.9 million, compared to the \$3.8 million that was budgeted. This was this highest amount over the past five years and appeared to be due to a return of regional special events.

Fines and Penalties underperformed by \$385,929, or 18.6%, compared to the budgeted amount. This is primarily due to lower-than-expected traffic infractions and parking fines.

Miscellaneous Revenues outpaced the budget by more than \$1.0 million, almost entirely from interest income. Due to higher interest rates, the City is earning more interest income, mainly with overnight funds held in the Local Government Investment Pool.

Transfers In amounted to \$2.7 million, slightly under the anticipated amount by \$416,506. However, compared to 2021, this was \$2.5 million more and due to a \$2.5 million transfer from the ARPA special revenue fund used to cover police overtime.

In summary, revenue for 2022 was the result of continued growth in the economy, despite inflationary pressures and rising interest rates, and the use of ARPA funding.

General Fund Expenditures

General Fund expenditures totaled \$237.8 million during 2022, a \$21.6 million increase, or 10.0%, compared to 2021 actual expenditures. However, this was less than the total budgeted for 2022 by more than \$2.5 million. The largest expenditure categories are salary and wages and operating transfers out to other funds, largely Fire/EMS, Streets, Library, Park, and Central Service Funds to support personnel and operating costs.

General Fund - Expenditures by Type					
General Fund By Cost Type	2021 Actual	2022 Actual	2022 Budget	Actual to Actual Difference	Actual to Budget Difference
51000 - Salaries and Wages	71,392,681	78,568,503	78,963,998	7,175,822	(395,495)
52000 - Employee Benefits	20,502,407	21,304,749	22,364,607	802,342	(1,059,858)
53000 - Supplies	1,532,824	1,891,620	2,083,743	358,796	(192,123)
54000 - Services	18,141,489	19,597,056	19,881,922	1,455,567	(284,866)
56000 - Capital Outlay	569,010	403,189	1,155,019	(165,821)	(751,830)
59000 - Interfund Services	10,479,770	12,478,697	11,935,632	1,998,927	543,065
80000 - Operating Transfer Out	93,612,178	103,544,579	103,915,946	9,932,401	(371,367)
Total Actual/Encumbered Expenditures	216,230,359	237,788,393	240,300,867	21,558,034	(2,512,474)

Note: The actuals presented in the report are unaudited and subject to change. Encumbrances are included in the actual amounts to better compare to the budgeted amounts.

Expenditure Highlights

Personnel costs consist of wages and benefits. The actual amount of \$78.6 million expended for Salaries and Wages was within 0.5% of the budgeted amount of \$79.0 million.

Most other categories were under the budgeted amounts. Interfund Services, however, exceeded the budgeted amount by \$543,065, or 4.5%, attributed to interfund fuel charges and fleet repairs.

General Fund Divisional Expenditures

The table labeled “General Fund – Expenditures by Division” represents an alternative view of General Fund expenditures. The General Fund expenditures and encumbrances ended the year more than \$2.5 million under budget.

General Fund - Expenditures by Division					
General Fund Division	2021 Actual	2022 Actual	2022 Budget	Actual to Actual Difference	Actual to Budget Difference
0020-Non-Departmental	6,856,410	8,264,651	8,122,177	1,408,241	142,474
0030-Police Ombudsman	433,472	469,984	470,859	36,512	(875)
0230-Civil Service	1,306,660	1,516,774	1,630,655	210,114	(113,881)
0260-City Clerk	701,419	753,203	785,622	51,784	(32,419)
0320-Council	2,156,598	2,397,889	2,709,105	241,291	(311,216)
0330-Communications	1,126,311	1,229,429	1,230,438	103,118	(1,009)
0410-Finance & Administration	1,782,155	1,919,736	2,342,494	137,581	(422,758)
0450-Neighborhood Housing and Human Se	6,493,661	6,900,842	7,003,535	407,181	(102,693)
0500-Legal	4,591,574	4,859,523	4,983,267	267,949	(123,744)
0520-Mayor's Office	925,572	1,221,141	1,586,737	295,569	(365,596)
0560-Municipal Court	5,705,038	6,042,786	6,487,181	337,748	(444,395)
0570-Hearing Examiner	240,034	261,137	268,656	21,103	(7,519)
0620-Human Resources	1,108,029	1,149,448	1,383,131	41,419	(233,683)
0680-Police	67,313,633	76,413,558	74,124,527	9,099,925	2,289,031
0700-Public Defender	3,171,649	3,093,036	3,317,238	(78,613)	(224,202)
0750-Community and Economic Developme	3,807,359	4,860,457	5,342,445	1,053,098	(481,988)
0970-Internal Service Charges	10,330,165	9,772,177	9,760,763	(557,988)	11,414
0980-Allocations	90,850,546	99,043,442	99,416,925	8,192,896	(373,483)
5200-Public Works & Utilities	7,330,074	7,619,179	9,335,112	289,105	(1,715,933)
Total Actual/Encumbered Expenditures	216,230,359	237,788,392	240,300,867	21,558,033	(2,512,475)
Less Encumbrance Roll-over	(3,757,572)	(3,364,661)			
Total Actual Expenditures	212,472,787	234,423,731	240,300,867		(5,877,136)

Note: The actuals presented in the report are unaudited and subject to change. Encumbrances are included in the actual amounts to better compare to the budgeted amounts.

Many divisions, such as, Finance & Administration, Mayor’s Office, Municipal Court, Neighborhood Housing and Human Services, and Human Services had budgetary savings due to vacant positions and/or the timing to fill positions.

Non-Departmental actual costs exceeded the budgeted amount by \$142,474, due to this “division” housing all the contra salary, or negative budget, for vacancies for the whole fund. The contra budget for vacancies was \$2.2 million. Non-Departmental costs increased \$1.4 million compared to 2021 actual costs primarily due to a one-time transfer out to an internal service fund for police vehicles.

Police exceeded its budgeted amount for expenditures by nearly \$2.3 million. The primary areas of the overspend were leave payouts (\$907,000), joint law enforcement services with Spokane County (\$653,000), deferred match (\$500,000), overtime (\$300,000), fuel (\$260,000), repairs and maintenance (\$150,000), and junk RV towing (\$100,000). The Police Department has operations accounted for in other funds, most of which underspent in 2022. *See Appendix B – Police Department by Fund Summary.*

The increase of more than \$1.0 million for Community and Economic Development in 2022 compared to 2021, is due to the payments made to the public development agencies upon reconciliation of amounts owed from 2019 through 2022, totaling \$868,107.

Public Works had the largest budgetary difference of more than \$1.7 million. This was, in a large part, due to engineering services revenues not coming in, thus, not spending as anticipated.

Special Revenue Funds

The City has forty-nine special revenue funds. These funds are used to account for the collection and use of revenue that is restricted for a specific use or project. These funds can fluctuate from year to year largely due to federal and state funding awarded to the City. The City passes most of this revenue through to service providers or projects benefitting the community.

Total actual revenue amounted to \$256.9 million, while expenditures amounted to \$294.1 million. If encumbrances are excluded from expenditures, total expenditures were \$242.0. The City anticipated the use of more than \$84.4 million of reserves, or previously realized net resources, during 2022 and utilized only \$14.9 million and reserved the balance for the carried-over encumbrances.

The special revenue funds of Neighborhood Housing and Human Services primarily account for pass-through grants and program revenue. Expenditures mostly align with the revenue for grant programs. For programs that generate revenue, such as revolving loan funds, revenue and expenditure do not often align. This is because revenue received in one year is planned for use in a subsequent year. For 2022, the Community Development Block Grants (CDBG) Revolving Loan Fund (1695) exceeded the budget by \$1.2 million due to the end-of-year process of transferring funding, based on payment activity of the loans, to the CDBG Fund (1690) for programs when the cash balance exceeds \$600,000. Thus, these amounts can fluctuate significantly from year to year and is traditionally not budgeted.

Special revenue funds for Police result from grants and forfeitures. Both special revenue funds were under the budgeted amount for both revenue and expenditures.

Special revenue funds for Community and Economic Development received \$3.5 million less in revenue than anticipated, primarily in the grants fund (1360), with \$2.1 million under budget, and parking (1460), with \$1.1 million under budget. The Parking Meter Revenue Fund is an operating fund. And, while expenditures were \$430,573 under budgeted expenditures, this was not sufficient to overcome the loss of revenue and resulted an operating loss of \$885,974.

Library Fund (1300) was underspent in 2022 by \$1.1 million, or 9.4%, compared to the budget, primarily due to personnel savings. Revenue was within expectations.

Total revenue for the Parks and Recreation special revenue funds exceeded expectations by \$684,906, largely from contributions more than \$1.5 million relative to the anticipated amount of \$236,500. Savings from personnel accounts for most of the difference between the actual expenditures and budget.

Special funds for Fire account for grants; dispatch and the building shared with Spokane Regional Emergency Communications (SREC), Spokane County, and police dispatch; and Fire/EMS services. The City began contracting for fire dispatch services with SREC beginning in 2023; therefore, 2022 was the last year of operations accounted for in the Combined Communications Center Fund (1630). The shared costs for the shared building are accounted for in Communications Building M&O Fund (1640). The increase in expenditures compared to 2021 for this fund was due to capital investments in the facility. The cost of the project was funded initially by REET 1 and is anticipated to be recovered, in part, through the lease agreement with SREC and Spokane County. The Fire/EMS Fund (1970) is the primary fund that accounts for fire and emergency services. The Fire/EMS Fund was under revenue projections for 2022 by \$1.5

million due largely to the delay of permitting and inspection revenue until the unit was staffed with the additional positions approved for 2022. Vacancies also account a majority of the \$5.1 million difference between the budgeted expenditures and actual expenditures. The net operational position of the Fire/EMS fund was \$2.9 million. This operational excess, and other balance sheet adjustments, covered the prior period adjustment of \$3.6 million for the retroactive pay associated with the settlement of the Local 29 labor agreement. The ending fund balance for the Fire/EMS special revenue fund as of Dec. 31, 2022, was a deficit amount of \$169,592.

The primary Public Works special revenue fund is for streets maintenance. For 2022, revenue underperformed by \$2.6 million, largely due to lower intergovernmental service charges to other funds. This is a function of staffing capacity. Vacancies, as with many city programs, were prevalent during the year and represented \$1.3 million of the \$5.3 million difference between actual expenditures and budgeted expenditure. The remaining \$4.0 million difference was in contractual services.

Actual revenue of for the American Rescue Plan (1425), under Non-Divisional, is recognized as earned at the time it is used. As such for 2022, only \$16.7 million was recognized compared to the anticipated amount of \$40.2 million. Upon review of the expenditures, of which the City anticipated spending and/or encumbering more than \$76.6 million, only \$22.0 million was expended and/or encumbered.

The Hotel/Motel Tax Fund (1590) had a historic year in 2022. Revenues amounted to nearly \$5.3 million, exceeding the budget by \$584,832, and actual revenue in 2021 by \$1.5 million, or 42.4%. It was the most revenue the City has received and surpasses the pre-pandemic average of \$4.3 million annually. The City passes these funds through to the Public Facility District for investment into regional community facilities, such as the Podium and the Civic Center.

Housing Sales Tax Fund (1595) also had a strong revenue year, exceeding expectations by \$1.5 million. 2022 was the second year of receiving this relatively new revenue source from a local option sales tax of 1/10th of 1%. 2021 was the first year and only a partial year, explaining the increase of nearly \$3.7 million compared to 2021. Expenditures for 2022 amounted to about \$3.1 million. There were no expenditures in 2021.

The two Real Estate Excise Tax Funds (1610 and 1615) are used to account for the receipt of such tax and the use for eligible capital projects, mostly streets. Most notably for 2022 was that revenue was under expectations, demonstrating the slowdown in housing sales as interest rates increased. This revenue source is dependent on the housing market and can fluctuate by more than 25% from year to year.

Public Safety Levy Fund underspent by nearly \$1.7 million compared to the budget during 2022. This was mostly attribute to vacancy savings (\$565,000), contractual services (\$478,000), and a reserve for budget adjustment (\$321,000) that was not utilized. There are three primary departments that utilize the Public Safety Levy Fund. The \$1.7 million budgetary difference was attributed as follows by department: Fire, \$846,000; Police, \$740,000; and, Courts, \$82,000.

The Criminal Justice Assistance Fund (1910) performed as expected for both revenue and expenditures.

Other special revenue funds performed as expected.

Special Revenue Funds - Revenue by Division					
Special Revenue Funds by Division	2021 Actual	2022 Actual	2022 Budget	Actual to Actual Difference	Actual to Budget Difference
Communications	336,257	360,332	230,430	24,075	129,902
1940 - Channel Five Equipment Reserve Fund	336,257	360,332	230,430	24,075	129,902
Neighborhood Housing and Human Services	47,399,834	46,136,045	63,555,513	(1,263,789)	(17,419,468)
1380 - Traffic Calming Measures	7,109,788	5,491,597	6,614,451	(1,618,191)	(1,122,854)
1540 - Human Services Grants Fund	11,749,884	14,038,160	20,552,672	2,288,276	(6,514,512)
1541 - Continuum Of Care	4,195,200	4,618,644	7,163,263	423,444	(2,544,619)
1650 - Community Development Fund	15,361	13,907	15,000	(1,454)	(1,093)
1690 - Community Development Block Grants	3,413,828	4,666,298	6,359,090	1,252,470	(1,692,792)
1695 - Community Development Block Grants Revolving Loan Fund	2,261,891	2,166,362	1,841,936	(95,529)	324,426
1700 - Miscellaneous Community Development Grants	17,368	6,802	391,194	(10,566)	(384,392)
1710 - Home Entitlement Program	1,179,055	153,299	3,545,969	(1,025,756)	(3,392,670)
1715 - Home Revolving Loan Fund	241,302	169,118	336,807	(72,184)	(167,689)
1720 - Housing Assistance Program	(1,211)	(10,699)	2,500	(9,488)	(13,199)
1725 - Affordable & Supportive Housing	457,428	416,357	402,274	(41,071)	14,083
1730 - Hope Acquisition Fund	501	(393)	-	(894)	(393)
1760 - Emergency Rental Assistance Grant	16,739,455	14,401,855	16,296,707	(2,337,600)	(1,894,852)
1770 - Housing Trust Grant Fund	(2,625)	(16,246)	1,600	(13,621)	(17,846)
1780 - Rental Rehabilitation Fund	22,754	20,984	32,050	(1,770)	(11,066)
1790 - Udag Fund	(145)	-	-	145	0
Municipal Court	66,061	65,913	65,108	(148)	805
1370 - Domestic Violence Prevention	1,497	981	500	(516)	481
1890 - Trial Court Improvement Fund	64,564	64,932	64,608	368	324
Police	1,962,534	2,774,870	3,775,881	812,336	(1,001,011)
1560 - Forfeitures & Contribution Fund	352,006	686,666	396,400	334,660	290,266
1620 - Public Safety & Judicial Grant	1,610,528	2,088,204	3,379,481	477,676	(1,291,277)
Community and Economic Development	6,904,661	7,272,420	10,779,728	367,759	(3,507,308)
1200 - Code Enforcement Fund	2,313,070	2,660,052	2,934,791	346,982	(274,739)
1340 - Historic Preservation Incentives Fund	7,875	7,280	9,180	(595)	(1,900)
1360 - Miscellaneous Grants Fund	300,377	387,558	2,521,757	87,181	(2,134,199)
1460 - Parking Meter Revenue Fund	4,093,594	4,026,879	5,124,000	(66,715)	(1,097,121)
1920 - Financial Partnership Fund	189,745	190,651	190,000	906	651
Library	10,964,470	11,766,004	11,674,727	801,534	91,277
1300 - Library Fund	10,964,470	11,766,004	11,674,727	801,534	91,277
Parks & Recreation	24,177,184	26,993,955	26,309,049	2,816,771	684,906
1390 - Urban Forestry Fund	(1,255)	41,797	20,000	43,052	21,797
1400 - Parks And Recreation Fund	21,561,246	24,358,656	24,100,249	2,797,410	258,407
1950 - Park Cumulative Reserve Fund	2,617,193	2,593,502	2,188,800	(23,691)	404,702
Fire	61,238,444	72,160,397	75,530,798	10,921,953	(3,370,401)
1440 - Fire Grants - Miscellaneous Fund	-	67,461	617,456	67,461	(549,995)
1510 - Spokane Regional Emergency Communication System	22,500	-	-	(22,500)	0
1630 - Combined Communications Center	2,950,326	2,961,936	3,010,225	11,610	(48,289)
1640 - Communications Bldg M&O Fund	289,657	263,865	1,487,692	(25,792)	(1,223,827)
1970 - Fire/Ems Fund	57,975,961	68,867,135	70,415,425	10,891,174	(1,548,290)
Public Works & Utilities	28,122,896	28,990,133	31,619,754	867,237	(2,629,621)
1100 - Street Maintenance Fund	24,518,699	25,385,141	27,962,139	866,442	(2,576,998)
1500 - Paths And Trails Reserve Fund	174,714	206,869	134,688	32,155	72,181
1990 - Transportation Benefit Fund	3,429,483	3,398,123	3,522,927	(31,360)	(124,804)
Non-Divisional	38,920,054	60,402,486	86,885,238	21,482,432	(26,482,752)
1350 - Pension Contributions Fund	5,676,698	6,414,516	10,544,542	737,818	(4,130,026)
1425 - American Rescue Plan	2,232,558	16,729,216	40,242,340	14,496,658	(23,513,124)
1590 - Hotel/Motel Tax Fund	3,701,968	5,271,188	4,686,356	1,569,220	584,832
1595 - Housing Sales Tax	3,670,219	7,338,284	5,800,000	3,668,065	1,538,284
1610 - Real Estate Excise Tax Fund Second Quarter Percent	6,550,613	5,588,083	6,000,000	(962,530)	(411,917)
1615 - Real Estate Excise Tax First Quarter Percent	3,627,743	5,588,083	6,000,000	1,960,340	(411,917)
1625 - Public Safety Levy Fund	6,434,545	6,574,066	6,650,000	139,521	(75,934)
1910 - Criminal Justice Assistance Fund	6,961,839	6,853,638	6,850,000	(108,201)	3,638
1980 - Defined Contribution Administration Fund	-	2,500	75,000	2,500	(72,500)
1985 - VOYA Defined Contribution Administration Fund	63,871	42,912	37,000	(20,959)	5,912
Total Special Revenue Fund Revenue	220,092,395	256,922,555	310,426,226	36,830,160	(53,503,671)

Special Revenue Funds - Expenditures by Division					
	2021 Actual	2022 Actual	2022 Budget	Actual to Actual Difference	Actual to Budget Difference
Communications	181,822	268,622	304,683	86,800	(36,061)
1940 - Channel Five Equipment Reserve Fund	181,822	268,622	304,683	86,800	(36,061)
Neighborhood Housing and Human Services	63,976,449	72,133,594	89,635,838	8,157,145	(17,502,244)
1380 - Traffic Calming Measures	5,475,259	6,652,040	9,358,210	1,176,781	(2,706,170)
1540 - Human Services Grants Fund	19,437,339	23,118,739	30,520,881	3,681,400	(7,402,142)
1541 - Continuum Of Care	6,718,359	8,973,406	9,677,719	2,255,047	(704,313)
1650 - Community Development Fund	10,196	10,000	40,000	(196)	(30,000)
1680 - Community Housing & Human Services Fund	(53,382)	188,360	122,436	241,742	65,924
1690 - Community Development Block Grants	8,029,492	7,652,331	10,780,742	(377,161)	(3,128,411)
1695 - Community Development Block Grants Revolving Loan Fund	4,273,263	5,080,181	3,891,483	806,918	1,188,698
1700 - Miscellaneous Community Development Grants	1,456,846	1,617,283	1,665,538	160,437	(48,255)
1710 - Home Entitlement Program	1,319,512	243,788	3,669,901	(1,075,724)	(3,426,113)
1715 - Home Revolving Loan Fund	793,633	307,867	819,807	(485,766)	(511,940)
1720 - Housing Assistance Program	1,050	-	3,852	(1,050)	(3,852)
1725 - Affordable & Supportive Housing	-	964,890	1,062,274	964,890	(97,384)
1730 - Hope Acquisition Fund	175,077	704	-	(174,373)	704
1760 - Emergency Rental Assistance Grant	15,817,773	17,319,236	17,461,345	1,501,463	(142,109)
1770 - Housing Trust Grant Fund	5,508	-	204,600	(5,508)	(204,600)
1780 - Rental Rehabilitation Fund	516,524	4,769	357,050	(511,755)	(352,281)
Municipal Court	64,564	64,932	65,108	368	(176)
1370 - Domestic Violence Prevention	-	-	500	0	(500)
1890 - Trial Court Improvement Fund	64,564	64,932	64,608	368	324
Police	2,369,080	3,084,222	4,864,116	715,142	(1,779,894)
1560 - Forfeitures & Contribution Fund	336,266	624,546	850,668	288,280	(226,122)
1620 - Public Safety & Judicial Grant	2,032,814	2,459,676	4,013,448	426,862	(1,553,772)
Community and Economic Development	8,566,703	9,772,076	12,122,621	1,205,373	(2,350,545)
1200 - Code Enforcement Fund	2,338,119	2,804,429	3,049,179	466,310	(244,750)
1340 - Historic Preservation Incentives Fund	18,532	19,675	24,675	1,143	(5,000)
1360 - Miscellaneous Grants Fund	338,377	965,905	2,521,757	627,528	(1,555,852)
1460 - Parking Meter Revenue Fund	4,802,427	4,912,854	5,343,427	110,427	(430,573)
1920 - Financial Partnership Fund	1,069,248	1,069,213	1,183,583	(35)	(114,370)
Library	9,839,640	10,666,108	11,778,914	826,468	(1,112,806)
1300 - Library Fund	9,839,640	10,666,108	11,778,914	826,468	(1,112,806)
Parks & Recreation	25,218,066	28,565,355	29,874,258	3,347,289	(1,308,903)
1390 - Urban Forestry Fund	1,092	17,557	20,000	16,465	(2,443)
1400 - Parks And Recreation Fund	21,400,228	25,414,312	26,195,779	4,014,084	(781,467)
1950 - Park Cumulative Reserve Fund	3,816,746	3,133,486	3,658,479	(683,260)	(524,993)
Fire	60,274,801	70,729,360	77,146,403	10,502,995	(6,417,043)
1440 - Fire Grants - Miscellaneous	-	67,461	640,491	67,461	(573,030)
1510 - Spokane Regional Emergency Communication System	48,503	67	-	-	67
1630 - Combined Communications Center	2,688,585	3,324,694	3,901,522	636,109	(576,828)
1640 - Communications Bldg M&O Fund	390,994	1,383,517	1,513,480	992,523	(129,963)
1970 - Fire/Ems Fund	57,146,719	65,953,621	71,090,910	8,806,902	(5,137,289)
Public Works & Utilities	28,254,227	35,531,121	42,436,212	7,276,894	(6,905,091)
1100 - Street Maintenance Fund	24,111,289	28,758,358	33,998,036	4,647,069	(5,239,678)
1500 - Paths And Trails Reserve Fund	250,839	308,398	670,015	57,559	(361,617)
1990 - Transportation Benefit Fund	3,892,099	6,464,365	7,768,161	2,572,266	(1,303,796)
Non-Divisional	22,752,848	63,308,665	126,585,888	40,555,817	(63,277,223)
1350 - Pension Contributions Fund	5,675,105	6,200,603	10,544,542	525,498	(4,343,939)
1425 - American Rescue Plan	2,159,580	22,002,105	76,641,869	19,842,525	(54,639,764)
1570 - Intermodal Facility Operation	17,508	-	-	(17,508)	0
1590 - Hotel/Motel Tax Fund	3,653,015	5,216,936	4,862,018	1,563,921	354,918
1595 - Housing Sales Tax	-	3,084,271	3,100,000	3,084,271	(15,729)
1610 - Real Estate Excise Tax Fund Second Quarter Percent	1,487,911	2,230,415	2,230,415	742,504	0
1615 - Real Estate Excise Tax First Quarter Percent	-	5,090,451	7,952,205	5,090,451	(2,861,754)
1625 - Public Safety Levy Fund	4,267,477	5,206,671	6,872,773	939,194	(1,666,102)
1910 - Criminal Justice Assistance Fund	5,395,430	14,182,200	14,278,291	8,786,770	(96,091)
1980 - Defined Contribution Administration Fund	65,838	65,509	68,717	(329)	(3,208)
1985 - VOYA Defined Contribution Administration Fund	30,984	29,504	35,058	(1,480)	(5,554)
Total Actual and Encumbered Expenditures	221,498,200	294,124,055	394,814,041	72,625,855	(100,689,986)
Less Encumbrance Roll-over	(28,449,853)	(52,101,906)			
Total Actual Expenditures	193,048,347	242,022,149	394,814,041		(152,791,892)

Note: The actuals presented in the report are unaudited and subject to change. Encumbrances are included in the actual amounts to better compare to the budgeted amounts.

Enterprise Funds

The City has six enterprise funds. These funds are used to account for the City's business-like activities in which a user pays a fee or rate for services. The City's enterprise operations include water, solid waste, sewer, integrated capital management, development services, and golf. These funds can fluctuate from year to year depending on capital infrastructure.

Enterprise Funds - Revenue by Division					
Enterprise Funds by Division	2021 Actual	2022 Actual	2022 Budget	Actual to Actual Difference	Actual to Budget Difference
Community and Economic Development	8,514,396	9,056,877	9,376,350	542,481	(319,473)
4700 - Development Svcs Center	8,514,396	9,056,877	9,376,350	542,481	(319,473)
Parks & Recreation	5,129,156	5,434,922	4,025,270	305,766	1,409,652
4600 - Golf Fund	5,129,156	5,434,922	4,025,270	305,766	1,409,652
Public Works & Utilities	300,084,447	337,441,191	289,968,837	37,356,744	47,472,354
4100 - Water Division	60,787,607	73,503,414	51,661,479	12,715,807	21,841,935
4210 - Water/Ww Debt Service Fund	13,547,528	13,549,778	13,549,778	2,250	0
4250 - Intergrated Capital Management	52,092,932	64,616,484	75,780,527	12,523,552	(11,164,043)
4300 - Sewer Fund	90,338,173	101,017,227	65,907,127	10,679,054	35,110,100
4480 - Solid Waste Fund	83,318,207	84,754,288	83,069,926	1,436,081	1,684,362
Total Enterprise Fund Revenue	313,727,999	351,932,990	303,370,457	38,204,991	48,562,533

Total enterprise revenue amounted to \$303.6 million and total expenditures totaled \$431.9 million, with a planned use of \$81.0 million in retained earnings for capital outlay projects.

Enterprise revenue exceeded expectations, except for Integrated Capital Management (4250). Integrated Capital Management was under revenue expectations due to nonreceipt of funding from Department of Ecology (\$6.3 million), Loan Proceeds (\$6.6 million), and Engineering Services Revenue (\$1.3 million). Water revenue came in stronger than anticipated, by about \$2.5 million, in the Integrated Capital Management Fund to compensate for some of the underperformance in other revenue accounts.

Enterprise Funds - Expenditures by Division					
Enterprise Funds by Division	2021 Actual	2022 Actual	2022 Budget	Actual to Actual Difference	Actual to Budget Difference
Community and Economic Development	9,114,281	9,330,823	10,452,672	216,542	(1,121,849)
4700 - Development Svcs Center	9,114,281	9,330,823	10,452,672	216,542	(1,121,849)
Parks & Recreation	4,643,669	5,949,139	4,939,125	1,305,470	1,010,014
4600 - Golf Fund	4,643,669	5,949,139	4,939,125	1,305,470	1,010,014
Public Works & Utilities	363,096,965	416,584,963	367,721,033	53,487,998	48,863,930
4100 - Water Division	58,117,441	59,387,523	60,423,157	1,270,082	(1,035,634)
4210 - Water/Ww Debt Service Fund	12,015,701	11,869,726	13,549,778	(145,975)	(1,680,052)
4250 - Intergrated Capital Management	115,745,726	139,362,123	122,196,001	23,616,397	17,166,122
4300 - Sewer Fund	87,997,651	106,291,387	72,516,547	18,293,736	33,774,840
4480 - Solid Waste Fund	89,220,446	99,674,204	99,035,550	10,453,758	638,654
Total Enterprise Fund Expenditures	376,854,915	431,864,925	383,112,830	55,010,010	48,752,095
Less Encumbrance Roll-over	(54,072,414)	(52,449,116)			
Total Actual Expenditures	322,782,501	379,415,809	383,112,830		(3,697,021)

Note: The actuals presented in the report are unaudited and subject to change. Encumbrances are included in the actual amounts to better compare to the budgeted amounts.

Development Services Center underspent during 2022 compared to the budget by \$1.1 million, primarily in personnel costs. As in 2021, Development Services Center carries a \$1.0 million encumbrance for Impact Fee Waivers.

The Golf Fund exceeded the 2022 budget by more than \$1.0 million. However, this is largely because the City does not budget depreciation (\$396,500) and capital transferred to another fund (\$560,300). Otherwise, the Golf Fund was within \$50,000 of the budget.

The \$17.1 million over budget for Integrated Capital Management Fund is due to the transfer of capital assets to the appropriate public works fund upon completion. The City does not budget for this expense because it cannot be estimated and is standard practice for the enterprise funds.

The \$33.7 million over budget for the Sewer Fund is attributed to unbudgeted items - \$25.6 million of depreciation and \$15.0 million for transferred capital.

Internal Services Funds

The City has eighteen internal services funds that account for business-like services provided to other departments, such as Fleet, Facilities, My Spokane, Accounting, Purchasing, IT, various insurance programs, and employee benefits.

Internal Services Funds - Revenue by Division					
Internal Service Funds by Division	2021 Actual	2022 Actual	2022 Budget	Actual to Actual Difference	Actual to Budget Difference
Communications	1,989,712	2,062,166	2,283,010	72,454	(220,844)
5400 - Reprographics Fund	646,560	538,720	712,695	(107,840)	(173,975)
5700 - My Spokane	1,343,152	1,523,446	1,570,315	180,294	(46,869)
Finance & Administration	44,294,336	45,077,563	45,101,381	783,227	(23,818)
5100 - Fleet Services Fund	13,731,771	16,389,887	16,003,122	2,658,116	386,765
5110 - Fleet Svcs Equip Repl Fund	2,184,702	2,582,131	2,341,497	397,429	240,634
5500 - Purchasing & Stores Fund	900,147	904,904	930,730	4,757	(25,826)
5600 - Accounting Services	4,490,924	4,770,766	4,721,209	279,842	49,557
5750 - Office Of Performance Mgmt	1,571,958	1,212,763	1,406,211	(359,195)	(193,448)
5800 - Risk Management Fund	2,140,200	3,963,844	3,862,000	1,823,644	101,844
5900 - Facilities Operating Fund	4,159,074	4,323,162	4,522,794	164,088	(199,632)
5901 - SIP Debt Fund	15,115,560	9,285,681	9,256,818	(5,829,879)	28,863
5904 - Facilities Capital	0	1,644,425	2,057,000	1,644,425	(412,575)
Human Resources	48,189,977	50,437,910	51,551,854	2,247,933	(1,113,944)
5810 - Workers' Compensation Fund	5,970,196	6,062,561	5,477,500	92,365	585,061
5820 - Unemployment Compensation Fund	309,375	300,112	304,000	(9,263)	(3,888)
5830 - Employees Benefits Fund	41,910,406	44,075,237	45,770,354	2,164,831	(1,695,117)
Police	1,664,924	4,304,640	6,352,000	2,639,716	(2,047,360)
5902-Police Capital Fund	1,664,924	4,304,640	6,352,000	2,639,716	(2,047,360)
Fire	1,449,167	852,640	4,557,869	(596,527)	(3,705,229)
5903-Fire Capital Fund	1,449,167	852,640	4,557,869	(596,527)	(3,705,229)
Public Works & Utilities	5,001,478	6,888,841	7,152,471	1,887,363	(263,630)
5200-Public Works & Utilities	5,001,478	6,888,841	7,152,471	1,887,363	(263,630)
Innovation & Technology Services	13,246,214	14,841,150	14,409,166	1,594,936	431,984
5300 - IT Fund	11,641,236	12,820,530	12,841,075	1,179,294	(20,545)
5310 - IT Capital Replacement Fund	1,604,978	2,020,620	1,568,091	415,642	452,529
Total Internal Services Funds Revenue	115,835,808	124,464,910	131,407,751	8,629,102	(6,942,841)

Total revenue for the internal services funds underperformed by \$6.9 million, largely due to delayed transfer of funds from the ARPA Fund planned for Police and Fire equipment. The equipment was ordered in 2022 (encumbered), and when the equipment is delivered and invoices are ready to pay, the funds will be transferred from the ARPA fund to the Police and Fire capital funds.

Internal Services Funds - Expenditures by Division					
Internal Services Funds - Expenditures by Division	2021 Actual	2022 Actual	2022 Budget	Actual to Actual Difference	Actual to Budget Difference
Communications	1,973,327	1,756,631	2,385,373	(216,696)	(628,742)
5400 - Reprographics Fund	689,725	492,584	657,734	(197,141)	(165,150)
5700 - My Spokane	1,283,602	1,264,047	1,727,639	(19,555)	(463,592)
Finance & Administration	60,783,590	57,149,343	56,603,055	(3,634,247)	546,288
5100 - Fleet Services Fund	14,618,209	16,659,992	17,112,468	2,041,783	(452,476)
5110 - Fleet Svcs Equip Repl Fund	3,866,414	5,511,033	4,348,020	1,644,619	1,163,013
5500 - Purchasing & Stores Fund	921,889	811,176	959,219	(110,713)	(148,043)
5600 - Accounting Services	4,345,308	4,314,540	4,802,955	(30,768)	(488,415)
5750 - Office Of Performance Mgmt	1,565,804	1,129,015	1,348,044	(436,789)	(219,029)
5800 - Risk Management Fund	6,747,151	5,932,283	7,156,704	(814,868)	(1,224,421)
5900 - Facilities Operating Fund	3,590,787	4,539,296	5,261,018	948,509	(721,722)
5901 - SIP Debt Fund	25,128,028	16,443,952	13,557,627	(8,684,076)	2,886,325
5904 - Facilities Capital	0	1,808,056	2,057,000	1,808,056	(248,944)
Human Resources	48,765,308	49,526,725	54,721,598	761,417	(5,194,873)
5810 - Workers' Compensation Fund	5,507,357	6,095,880	6,778,009	588,523	(682,129)
5820 - Unemployment Compensation Fund	217,394	270,379	592,364	52,985	(321,985)
5830 - Employees Benefits Fund	43,040,557	43,160,466	47,351,225	119,909	(4,190,759)
Police	3,165,309	7,864,715	7,484,708	4,699,406	380,007
5902-Police Capital Fund	3,165,309	7,864,715	7,484,708	4,699,406	380,007
Fire	3,904,255	6,607,889	7,393,887	2,703,634	(785,998)
5903-Fire Capital Fund	3,904,255	6,607,889	7,393,887	2,703,634	(785,998)
Public Works & Utilities	5,063,997	6,626,032	7,291,155	1,562,035	(665,123)
5200-Public Works & Utilities	5,063,997	6,626,032	7,291,155	1,562,035	(665,123)
Innovation & Technology Services	17,485,957	16,795,223	18,871,613	(690,734)	(2,076,390)
5300 - IT Fund	12,773,341	13,360,431	14,392,892	587,090	(1,032,461)
5310 - IT Capital Replacement Fund	4,712,616	3,434,792	4,478,721	(1,277,824)	(1,043,929)
Total Internal Services Funds Expenditures	141,141,743	146,326,558	154,751,389	5,184,815	(8,424,831)
Less Encumbrance Roll-over	(9,415,716)	(15,042,674)			
Total Actual Expenditures	131,726,027	131,283,884	154,751,389		(23,467,505)

Note: The actuals presented in the report are unaudited and subject to change. Encumbrances are included in the actual amounts to better compare to the budgeted amounts.

Total internal service funds expenditures underspent relative to the budget by \$8.4 million. Most of the funds were underbudget due to personnel savings, which attributes to the \$5.2 million difference for the Human Resources internal service funds. Personnel savings amounted to \$1.58 million in those funds that have staffing costs, i.e. Reprographics, My Spokane, Fleet, Purchasing, Accounting, Performance Management, Facilities Operations, Public Works, and IT, Fleet Services, had personnel savings. The SIP Debt Fund (5901) and Police Capital Fund (5902) exceeded the budgeted amount only because of depreciation, which the City does not budget. Excluding depreciation expense for all internal service funds (again, it is not budgeted), the actual to budget variance is more accurately \$16.8 million, largely attributed lower than expected insurance claims, contractual services, and personnel.

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APPENDIX A – Six-Year Review of General Fund Balance

The following table represents audited actual revenue and expenditures for years 2017-2022. Expenditures include encumbered amounts for comparability and revenues exclude unrealized investment gains and losses.

General Fund Summary						
	2017 Audited Actuals *	2018 Audited Actuals *	2019 Audited Actuals *	2020 Audited Actuals *	2021 Audited Actuals *	2022 Unaudited Actuals*
Resources						
Planned Use of Fund Balance	1,404,108	4,576,595	7,210,037	4,397,396	19,945,870	20,755,171
Current Revenue	189,487,089	194,325,926	201,922,086	226,020,276	211,541,415	223,529,992
Total Resources	190,891,197	198,902,521	209,132,123	230,417,672	231,487,285	244,285,163
Uses						
Personnel Costs	79,385,211	82,085,643	84,256,020	90,246,956	91,895,087	99,873,252
Operating Costs	102,462,693	106,628,398	114,402,067	143,956,002	124,335,271	137,915,141
Total Uses	181,847,904	188,714,041	198,658,087	234,202,958	216,230,358	237,788,393
Net Operating Surplus/(Deficit)	9,043,293	10,188,480	10,474,036	(3,785,286)	15,256,927	6,496,770
<small>* Excludes Unrealized Investment Gains/(Losses) per SMC 07.08.010</small>						

As shown in the “General Fund Summary”, the City experienced an operating deficit in 2020, attributed to the loss of sales tax revenue due to the economic shut down. During 2020, the City received CARES funding and proceeds for refinanced debt, resulting in current revenue exceeding that in 2019 by \$24.0 million. The expending of the CARES funding and debt issuance from refinancing are reflected in the operating expenditures for 2020. Fiscal year 2021, with an operating surplus of more than \$15.2 million reflects the strong economic recovering following the pandemic.

Fund Balance as of Dec. 31 of Fiscal Year General Fund						
	2017	2018	2019	2020	2021	2022
<i>Nonspendable & Restricted</i>	1,558,766	1,751,454	2,225,078	3,552,791	2,082,589	530,145
Encumbrances	1,357,853	3,973,210	2,989,424	4,182,559	4,626,034	3,286,971
Reserves						
Contingency Reserve	14,571,080	14,879,422	20,691,843	21,065,706	21,065,706	21,065,706
Revenue Replacement Reserve	716,397	3,954,998	7,248,506	7,362,902	7,362,902	7,362,902
Strategic Reserve	-	-	-	-	-	-
Unappropriated Fund Balance	25,549,873	28,342,684	19,609,967	15,467,769	20,823,468	7,575,426
Total Fund Balance *	43,753,969	52,901,769	52,764,818	51,631,727	55,960,699	39,821,150
Reserves/Unappropriated % of Exp.	22.5%	25.0%	23.9%	18.7%	22.8%	15.1%
<small>* Excludes Unrealized Investment Gains/(Losses) per SMC 07.08.010</small>						

The fund balance for the General Fund remained positive through the pandemic and peaked during 2018, with a total fund balance of \$52.9 million. The sum of reserves and unappropriated balance equated to 25.0% of expenditures – the highest in recent years, largely due to the accumulation of funds in anticipation of settling back pay obligations related to open and unresolved labor contracts. The recommendation of the Government Finance Officers Association is 16.6%. Per SMC 07.08.010, the City’s target is 25.0%. While the City has achieved the 25.0% level, it is worth noting that it was largely due to

the near five years to settle the Police Guild contract. If the contract has been settled during 2017, and expenditures paid annually as anticipated rather than a prior period adjustment made in 2020, the peak percentage would have been an estimated 23.1%.

General Fund Reserve Target

The following table, “General Fund Reserve Target”, shows the current balances of reserves, the target amounts per SMS, the difference between current balances and the target amounts, and a recommendation to reallocate amounts from the unappropriated balance to the designated reserves.

General Fund Reserve Target					
Spendable General Fund Balances	2022 Year-End		2023 Target **	Target Difference	2023 Recommendation
	Balance *	Target %			
Reserves					
Contingency Reserve	21,065,706	10.0%	22,868,917	1,803,211	22,868,917
Revenue Replacement Reserve	7,362,902	3.5%	8,010,880	647,978	8,010,880
Strategic Reserve	-	1.0%	2,286,892	2,286,892	2,286,892
Unappropriated	7,575,426	10.5%	24,005,604	16,430,178	2,837,345
Total Reserves & Unappropriated Balances	36,004,034		57,172,293	21,168,259	36,004,034

* Excludes Unrealized Investment Gains/(Losses) per SMC 07.08.010
 ** The target amounts do not represent actual balances.

Per SMC, reserve balances are increased when there are operating surpluses, excluding planned use of fund balance and unrealized investment gains or losses. This is the reason the reserve balances have not changed since 2020 and can cause the reserves to deviate from the target amounts. The Administration recommends that \$4.7 million of the unappropriated fund balance be allocated to fully fund the Contingency, Revenue Replacement, and Strategic Reserves according to the amounts listed in the above table as “2023 Recommendation”.

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APPENDIX B – Police Summary by Fund

The program revenue and costs are accounted for in four separate funds for the Police Department. Two of the funds, General Fund and Public Safety Levy Fund, support policing operations. Two other funds, Police Capital and Forfeitures and Contribution Funds are not operational funds and used primarily for capital acquisition and/or special expenditures.

Police Operations by Fund Summary for 2022								
	General Fund		Public Safety Levy		Total			
	Budget	Actual	Budget	Actual	Budget	Actual	Difference	% of Budget
Resources								
Planned Use of Fund Balance	2,118,163	2,118,163	-	-	2,118,163	2,118,163	-	0.0%
Planned Use of Shared Revenue	59,389,640	59,389,640	3,591,050	3,591,050	62,980,690	62,980,690	-	0.0%
ARPA Funding	2,500,000	2,500,000	-	-	2,500,000	2,500,000	-	0.0%
Police Program Revenue	10,116,724	11,286,463	-	-	10,116,724	11,286,463	1,169,739	11.6%
Total Resources	74,124,527	75,294,266	3,591,050	3,591,050	77,715,577	78,885,316	1,169,739	1.5%
Uses								
Personnel Costs	65,989,699	67,158,705	2,591,309	2,533,084	68,581,008	69,691,789	1,110,781	1.6%
Operating Costs	8,134,828	9,254,852	999,741	319,855	9,134,569	9,574,707	440,138	4.8%
Total Uses	74,124,527	76,413,557	3,591,050	2,852,939	77,715,577	79,266,496	1,550,919	2.0%
Net Operating Surplus/(Deficit)	-	(1,119,291)	-	738,111	-	(381,180)	(381,180)	

Police Operations

Overall, the net operational impact of Police was a deficit of \$381,180, comprised of a net operating deficit of \$1.1 million in the General Fund and a \$738,000 surplus in the Public Safety Levy Fund. The General Fund net operating deficit was the result of \$1.2 million in revenue that exceeded the budgeted amount, due largely from reimbursement from policing services; and, \$2.3 million over the expenditure budget. A significant amount of the overspend in the General Fund was attributed to expenditures that occurred at year-end and were not anticipated, such as leave payouts (\$907,000) and joint programming with Spokane County (\$653,000). There was a 49% increase in police overtime during 2022, resulting in a total of \$5.7 million expended compared to the average of \$3.6 million for years 2020 and 2021. The Police Department has reported that this was due to recruiting challenges to fill vacant positions and an unusually high number of officers on light duty.

Police Non-Operations by Fund Summary for 2022								
	Forefeitures & Contributions		Police Capital		Total			
	Budget	Actual	Budget	Actual	Budget	Actual	Difference	Budget
Resources								
Planned Use of Fund Balance	454,268	454,268	4,260,708	4,260,708	4,714,976	4,714,976	-	0.0%
ARPA Funding	-	-	2,374,000	287,689	2,374,000	287,689	(2,086,311)	-87.9%
Police Program Revenue	396,400	686,666	850,000	888,951	1,246,400	1,575,617	329,217	26.4%
Total Resources	850,668	1,140,934	7,484,708	5,437,348	8,335,376	6,578,282	(1,757,094)	-21.1%
Uses								
Personnel Costs	-	-	-	-	-	-	-	0.0%
Operating Costs *	850,668	624,546	7,484,708	7,118,653	8,335,376	7,743,199	(592,177)	-7.1%
Total Uses	850,668	624,546	7,484,708	7,118,653	8,335,376	7,743,199	(592,177)	-7.1%
Net Operating Surplus/(Deficit)	-	516,388	-	(1,681,305)	-	(1,164,917)	(1,164,917)	

* Excluded depreciation expense in actual amounts for Police Capital Fund.

Police Restricted Funding and Capital

Police restricted funds, Forfeitures and Contributions, ended 2022 with an operating surplus of \$516,388. These funds are reserved for future allowable expenditures. The revenue for this fund exceeded expectations by more than \$290,000 and underspent the budgeted amount by \$226,000.

Police Capital Fund had a net deficit of \$1.7 million. This was due to the full ARPA funding of about \$2.4 million not being transferred during 2022. The equipment, i.e., police vehicles, was ordered in 2022 and represented as an encumbrance in the actual amounts. The encumbered amount was rolled over into 2023. When the police vehicles are received and the invoice is presented for payment, staff will transfer the ARPA funding accordingly. If the ARPA funding has been transferred in 2022 and reflected in actual revenue, the net impact would have been a \$405,000 surplus.

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