



2010 City of Spokane Budget Facts & Frequently Asked Questions

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Background:

The City of Spokane is working to craft a balanced budget for 2010 that avoids employee layoffs and reduced City services. We have known for some time that the City's 2010 budget would be challenging, and we expect more impacts in 2011. While Spokane has fared better than many cities, we are not immune to the effects of the national recession with its high unemployment, slumping retail sales, and reduction in real estate and construction activity.

The City's Finance Division has identified a budget shortfall of about \$7 million in the General Fund for 2010. This number has grown over time. Last October, we expected a shortfall of \$2.5 million. By March, the number had grown to \$5.5 million, and now, with the drop in wholesale natural gas prices, we are anticipating that \$7 million shortfall.

How will we make up the shortfall?

The City is proposing that the \$7 million shortfall be covered through a combination of items including efficiencies and alternative service delivery options, non-personnel cuts, some revenue increases, and reserves, along with employee participation. A number of options have been suggested, and others are a possibility. The cost of labor—wages and benefits—accounts for the vast majority of expenditures in the General Fund and must be a consideration for dealing with this problem.

Why doesn't the City do an across-the-board cut?

An across-the-board cut would require reductions equivalent to between 4 and 5 percent. That level of cuts would require layoffs, service reductions, and possibly program eliminations. Following the 2004 and 2005 reductions, we don't have extra people or fat in the budget. Cuts of this nature would be devastating. Without employee participation, we will be left with this alternative.

Why can't the City use reserves to fill the entire \$7 million gap?

Unfortunately, reserve funds are one-time money. Whatever budget hole we fill with reserves simply moves the problem out a year. To make matters worse, we believe the effects of the national recession will continue into 2011 and that will mean additional budget challenges, even without moving a significant portion of the 2010 problem into 2011.

When will the decisions be made?

Mayor Verner would like to reach a conclusion on a general outline of the 2010 budget—with all reductions identified and presented to the City Council this summer. Then, the detailed budget work would progress. By law, the Mayor must file a proposed budget by November 1, and the City Council must adopt a balanced budget prior to the end of the year.

How is the City of Spokane faring compared to other jurisdictions?

Here are some figures to consider:

- Spokane Public Schools notified 103 teachers in May that they could be laid off as part of \$9 million in reductions for its next budget year.
- Spokane County reduced hours in its Building & Planning Department to 32 hours a week, reducing salaries for those workers following some layoffs in 2008.
- Many Kitsap County staff are facing cuts in hours and salary of 10 to 25 percent.
- Federal Way's revenues are down \$3 million—about 7 percent of its General Fund revenues.
- In Tacoma, revenues are down \$4 million through the first quarter of 2009, while expenditures are up \$734,000.
- Island County, Wash., is eliminating the equivalent of 22 positions through layoffs, reduced hours for some workers, and furlough days.
- King County estimates that its 2010 budget is \$40 to \$50 million out of balance.
- Metro Transit in Seattle is anticipating as much as a \$100 million shortfall for 2010, equivalent to what's needed to provide service for 75,000 passengers a day.
- In Cowlitz County, 25 workers are being laid off and another 17 jobs are being left vacant. Non-union workers took a 5 to 10 percent pay/benefit cut, but the bargaining units voted the proposal down, leading to the loss of 12 to 15 of the jobs.

Equally important, from a community perspective, are the private sector workforce, wage, and other reductions that have led to high unemployment and other consequences.