Collaborative Planning: Implementation in Spokane County’s Metro Urban Growth Area

Appendix B
Fiscal Strategies

December 2009
Collaborative Planning: Implementation in Spokane County’s Metro Urban Growth Area

APPENDIX B: FISCAL STRATEGIES

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   (May 28, 2008)

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APPENDIX B: FISCAL STRATEGIES

I. Fiscal and Service Delivery Impacts
(May 28, 2008)
SPOKANE COUNTY
Collaborative Planning

Fiscal & Service Delivery Impacts

PRESENTATION MATERIALS
STRATEGIC AND COLLABORATIVE PLANNING

GOAL: TO FIND A WIN-WIN SOLUTION - A SOLUTION THAT SETS ALL PARTIES UP FOR LONG-TERM SUCCESS

- **Cities - Desire predictability and continuity in land-use planning.** If urban growth areas are to end up parts of cities, then clearly, cities have a strong interest in questions of cohesiveness, urban form, development patterns, and efficient infrastructure.

- **Spokane County - Desires a clear path to long-term fiscal sustainability.** All counties in Washington State face *structural* fiscal challenges, particularly from a General Fund perspective. More than 50% of the County’s General Fund *tax* revenues come from property taxes. With Washington State’s 1% limit, this tax base will deteriorate over time.

- **County and cities face an unprecedented shift in governance and service delivery.**

- **County and cities want to live up to the requirements of the Growth Management Act.**
OUR TASK

BERK & ASSOCIATE’S TASK:

FOCUS ON FISCAL AND SERVICE DELIVERY IMPACTS FOR THE URBAN GROWTH AREAS

- Clarify Spokane County’s fiscal and service delivery challenges.

- Analyze a scenario in which all of Spokane County’s current urban growth areas are incorporated.

- Look for a way forward. Do solutions exist that will put Spokane County in a position for long-term success?
Spokane County is in the midst of a transforming event.

- Spokane Valley incorporation will have far-reaching implications—both in terms of politics, and in terms of how Spokane County jurisdictions do what they do.

*Unincorporated Area Populations by County*
Among counties of similar size, Spokane County has a much higher share of incorporated population (72%)
For decades, the City of Spokane and Spokane County were more-or-less equal in terms of local service provision.

- As local service providers, Spokane and Spokane County were the two largest providers, by far, in Eastern Washington. Arrangements for service provision were relatively straightforward.

- With Spokane Valley incorporated, conceivably, Spokane County could find itself as the third largest local service provider in the county.

- With multiple parties involved, arrangements are more difficult to manage.

- With incorporation of Spokane Valley, Spokane County is a regional service provider, and a provider of local services to a much smaller urbanized area.
REGIONAL AND LOCAL SERVICES

If Spokane County is to be a *regional* service provider for the whole county, and a *local* service provider to mostly rural areas, what does that look like?

- Only the County and Spokane County’s cities can work that out.
- It may require some re-thinking about how the County and the cities do what they do.

When Spokane Valley was a large, urban, unincorporated area, Spokane County was much more urban than most other counties.

Now, Spokane County looks a lot more like other large Washington counties.

As the County and the cities think about how to set one another up for long-term success, it may be worth looking at how comparable county governments do what they do.
Whatcom County may be a useful point of comparison.

Whatcom County has roughly 80,000 unincorporated residents, in some sense the county is dominated by a large city (Bellingham), and the unincorporated area is not really urban.

How does Whatcom County govern?

- **Parks & Recreation** - The County runs a Senior Center and has a few outdoor programs but it does not run extensive recreation programs.

- **911 Dispatch** - City of Bellingham runs dispatch for most of the county and shares costs with many jurisdictions based on volumes of calls.

- **Sheriff** - Whatcom County Sheriff’s Office provides rural levels of service that are in line with most other large counties in Washington State.
Figures for Spokane County exclude staffing for the Spokane Valley contract. The Sheriff’s Office reports a total of 242 officers on staff in 2007. Of that total, the FBI figures assume that 105 officers are dedicated to providing law enforcement services to Spokane Valley or other contracting entities. Dividing the remaining 137 officers by 126,887 unincorporated residents in 2007 results in the 1.08 officers per thousand reported below. Figures for total staffing per thousand also exclude the Spokane Valley contract.

In Spokane County, in addition to serving unincorporated areas of the county, the 137 officers in question also serve the cities of Deer Park, Millwood, Rockford, Fairfield, Latah, Waverly, and Spangle. Accounting for these additional populations served, Spokane County’s ratio of officers-to-population-served is 1.03. Other counties on the list may also have issues associated with incorporated populations served and/or impacts of contractual relationships that would reduce their respective ratios.
SO WHAT WOULD THE FISCAL IMPACTS BE IF THE URBAN GROWTH AREAS WERE INCORPORATED?

ANSWER: It Depends

- Impacts on the County’s General Fund would be very different from impacts on other County funds.
  - County Road Fund would lose gas tax distributions, and it would see a reduced road levy. The County has tools available, today, to deal with any revenue shortfalls.
  - Capital Funds would see reduced Real Estate Excise Taxes. The County would also see reduced capital investment obligations, but only on the local level.
  - Recreation Fund would see reduced revenues, and with the transfer of some facilities (and the vast majority of county residents living in cities), the County might choose to re-think how it approaches recreation services.
  - The most difficult challenge for the County (whether annexations happen or not) may be the long-term sustainability of the General Fund.

<table>
<thead>
<tr>
<th>Preliminary Estimate</th>
<th>2007 Local Revenues Generated in UGAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Sales Tax</td>
<td>$6.4 Million</td>
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</tr>
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</table>
IF ALL UGAs WERE ANNEXED, IMPACTS ON GENERAL FUND WOULD ALSO DEPEND

- Impacts on General Fund depend on:
  - How does the County handle long-term planning functions?
  - What policies does the County take regarding transfer of parks?
  - What solutions can be worked out between the County and the cities for provision of big services (e.g. 911-dispatch and large-scale rescue operations)?
  - What policy choices does the County take as it shifts from being an urban service provider to providing local services to largely rural areas?

- This last question may require some strategic contingency planning:
  - To clarify the issue, County decision makers might want to ask: What would the world look like if Spokane Valley were to directly provide a full range of urban services?
  - What would a law enforcement package look like if the Sheriff’s Office provided police services for roughly 80,000 residents in the rural areas?
  - Assuming urban growth areas were annexed in a piecemeal fashion, and given that police services are inherently “lumpy”, how does the County get from here to there?

- For ALL of these questions, our assessment is that the County and the cities would be well served if they engaged in a collaborative process.
THE GOAL IS TO GET TO A WIN-WIN SOLUTION.

- The cities need continuity and predictability in land use planning.
- Spokane County and Spokane County’s cities are in the midst of a transition that started when Spokane Valley incorporated.
- Spokane County also needs a solution to its structural fiscal challenges.
- The payoff of doing strategic planning now, and engaging in a collaborative planning process, is that all parties can be set up for long-term success:
  - The County and the cities have a unique opportunity, now, to reach consensus on what the future could look like.
  - If they can do that, then the parties should be well positioned to push for a revenue solution to the County’s long-term fiscal challenges.
How might the County and the Metro-area cities move forward?

Collaborative strategic planning:

- The **County can assess its options**:
  - What does it mean to be a regional service provider and a local service provider to non-urban areas?
    - What does the Sheriff’s Office do and how is it staffed?
    - What law enforcement functions should be designated “regional services?” And what options are available to providing and funding those services?
    - How does the County approach regional, long-term planning?
    - What approach does the County take regarding parks and recreation services?
  - Given the answers to the above, what are the County’s real, long-term fiscal challenges?

- The **County can work with cities to get to a shared understanding** of a strategic plan for the future.
  - What are the options for efficient service delivery?
  - When appropriate, how can costs be equitably shared?

- **Clearly articulate Spokane County’s perspective regarding regional and local services.** Allow policy makers and citizens to understand the distinction between regional and local revenues and between regional and local services.

- **With a plan in hand**, the County and cities can **pursue a revenue solution** that addresses the County’s long-term challenges.
APPENDIX B: FISCAL STRATEGIES

2. Implications of Annexation
(June 15, 2008)
1.0 INTRODUCTION

Spokane County and the Spokane Metro Area cities are seeking to solidify and enhance interlocal agreements between the County and the cities regarding the Spokane County’s Urban Growth Areas. Ideally, such interlocal agreements would reflect a broad consensus among the jurisdictions about (1) what the future of governance looks like in Spokane County and (2) in the context of that picture, how all jurisdictions can be set up for long-term success.

Two key ingredients to this latter consensus revolve around fiscal issues:

1. Cities must have a clear understanding of how they can extend governance to new constituencies in the UGAs without undermining their fiscal sustainability; and

2. The County must have an equally clear understanding of how it can shift more towards being a regional government (and a local service provider to rural areas) while at the same time preserving its fiscally sustainability.

In other words, in order for the broader collaborative planning process to work, the County and the Metro-area cities need to identify a win-win solution—a solution that sets all jurisdictions up for success, thereby promoting the well-being of all Spokane County residents.

The goal of this Fiscal and Service Delivery Analysis is to help establish the foundation for that outcome. This analysis looks at the fiscal impacts that Spokane County would face if, or when, it transitions to focusing more on provision of regional services. With this fiscal picture in place, (assuming that challenges exist) the next step is to identify potential efficiencies and/or revenue solutions that will enhance the County’s fiscal sustainability.

Specifically, Berk & Associates’ analysis sought to answer three questions:

1. If the metro-area urban growth areas (UGAs) were to become incorporated, what revenue streams would the County no longer receive?

2. If the metro-area UGAs were to become incorporated, what service obligations (and associated costs) would go away?

3. Comparing the decrease in costs and revenues, what would be the net fiscal effect if all of the metro-area UGAs were annexed?
2.0 CONTEXT FOR ANALYSIS

In 2003, a community of more than 80,000 people, the community of Spokane Valley, incorporated to create a new city. With this incorporation, the unincorporated population in Spokane County was reduced by more than 40% (Exhibit 1). Among Washington counties, this transition of Spokane Valley to incorporated status represented, by far, the biggest percentage shift in unincorporated population in many decades, if not in the history of the state.


For decades, the jurisdictional relationships in Spokane County have been relatively stable. As local service providers, Spokane County and the City of Spokane were equals. Spokane County was the local service provider for roughly 200,000 unincorporated residents, the City of Spokane served roughly 200,000 city residents, and these two entities were, by far, the two largest service providers in Eastern Washington.

When Spokane Valley incorporated, this long-standing relationship shifted (Exhibit 2). In a single stroke, the county had three major local service providers, with the City of Spokane being the largest. As the ripple effects of this shift have played out in recent years, the County and the county’s cities have begun to recognize that some of the ways of doing business that worked in the past may not work as well as they look to the future. For example, in the past, Spokane and Spokane County built a law enforcement center that houses operations for the Spokane Police
Department and the County Sheriff’s Office. Costs for the facility were split 50-50, as was the allocation of space once the facility was completed. If replacement facilities were needed today, such a straightforward solution would no longer be possible.

**Exhibit 2: Historic Populations for Unincorporated Spokane County, the City of Spokane, and the City of Spokane Valley (1980 – 2007)**

![Historic Populations Chart](chart.png)


Even from a political perspective, Spokane Valley’s incorporation is likely to have far-reaching ramifications. In the past, a large share of Spokane County residents (and voters) lived in unincorporated areas. Now, the vast majority of county residents/voters (72%) live in cities. In fact, among counties of comparable size in Washington State, Spokane County has the highest share of incorporated residents (Exhibit 3).
A Challenge and an Opportunity

What Spokane Valley’s incorporation means for Spokane County, as a whole, is that the County may now be challenged to re-evaluate how the County and the cities do business. This is a challenge, but also an opportunity. In light of the ongoing collaborative planning effort, and in light of some structural fiscal challenges the County (and all Washington State counties) face, the chance to re-think how things are done, and how to set up all jurisdictions to be successful, gives Spokane County’s jurisdictions a chance to collaborate in a way that can benefit every Spokane County resident.

The County is now in a position to really think about what it means to be both a regional service provider for the entire county and a local service provider to the unincorporated areas. What, precisely, are the regional services the County provides? What are the local services? And are there things the County and the cities can do to ensure that the County’s service obligations match up with its funding streams, both today and in the future?
The fiscal and service impact analysis summarized here fits into that broader opportunity. In 2003, Spokane County had more than 200,000 unincorporated residents. Today, Spokane County has roughly 125,000 unincorporated residents. And this analysis asks the question: What would Spokane County’s fiscal and service structure look like if the Metro-area UGAs (areas that are currently home to 48,000 residents) were to become incorporated? What would Spokane County look like if it was the local service provider for roughly 80,000 unincorporated residents?

### 3.0 SUMMARY OF FINDINGS

Berk & Associates’ analysis focused on estimating the local tax and fee revenues Spokane County collects in ten urban growth areas in the Spokane Metro-area. Combined, these ten UGAs encompass all of the designated urban growth area within the metropolitan area. In 2000, these ten areas were home to roughly 39,000 residents, in 2008, this population has grown to more than 48,000, and if the trends over the last eight years were to continue, these areas might be expected to grow to more than 69,000 residents (Exhibit 4), a rate of growth that would use up a bit more than 50% of the developable capacity in the area (according to Spokane County’s current land capacity analyses).

**Exhibit 4: Metro-area UGAs with Historical, Current, and Estimated Future Population**

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>North Metro UGA</td>
<td>13,013</td>
<td>39,462</td>
<td>55%</td>
<td>358</td>
<td>23,422</td>
<td>26,449</td>
<td>30,743</td>
</tr>
<tr>
<td>Seven Mile UGA</td>
<td>1,455</td>
<td>2,415</td>
<td>15%</td>
<td>11</td>
<td>865</td>
<td>900</td>
<td>1,091</td>
</tr>
<tr>
<td>Moran/Glenrose UGA &amp; Alcott JPA</td>
<td>1,948</td>
<td>9,369</td>
<td>95%</td>
<td>93</td>
<td>6,166</td>
<td>7,421</td>
<td>8,532</td>
</tr>
<tr>
<td>Valley UGA</td>
<td>7,775</td>
<td>11,099</td>
<td>35%</td>
<td>136</td>
<td>2,234</td>
<td>3,324</td>
<td>4,957</td>
</tr>
<tr>
<td>Upper UGA</td>
<td>1,023</td>
<td>1,999</td>
<td>40%</td>
<td>20</td>
<td>809</td>
<td>976</td>
<td>1,222</td>
</tr>
<tr>
<td>West Plains UGA</td>
<td>7,347</td>
<td>11,085</td>
<td>70%</td>
<td>257</td>
<td>1,976</td>
<td>3,738</td>
<td>6,824</td>
</tr>
<tr>
<td>Airway Heights UGA</td>
<td>1,655</td>
<td>1,666</td>
<td>5%</td>
<td>4</td>
<td>9</td>
<td>11</td>
<td>61</td>
</tr>
<tr>
<td>Shawnee UGA</td>
<td>53</td>
<td>75</td>
<td>95%</td>
<td>3</td>
<td>2</td>
<td>22</td>
<td>52</td>
</tr>
<tr>
<td>Indian Canyon UGA</td>
<td>98</td>
<td>168</td>
<td>30%</td>
<td>1</td>
<td>64</td>
<td>70</td>
<td>88</td>
</tr>
<tr>
<td>Northwood UGA</td>
<td>4,507</td>
<td>9,732</td>
<td>70%</td>
<td>164</td>
<td>3,914</td>
<td>5,225</td>
<td>7,118</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>38,873</strong></td>
<td><strong>87,069</strong></td>
<td><strong>54%</strong></td>
<td><strong>1,047</strong></td>
<td><strong>39,461</strong></td>
<td><strong>48,196</strong></td>
<td><strong>60,686</strong></td>
</tr>
</tbody>
</table>

Source: Berk & Associates analysis of Spokane County population, development, and land capacity data.

**Fiscal Impacts**

*What fiscal impacts would Spokane County see if all of these areas were incorporated in 2008?*

The answer to this question is: *It depends.*

The impacts would vary depending on the fund in question:

- The **County Road Fund** would lose gas tax distributions (roughly $1.3 million), and it would see a reduced road levy (perhaps $5.8 million in 2008). Simultaneously, the
County would see reduced service obligations as ownership of county-owned roadways in the UGAs transferred to cities.

Given Washington State’s tax structure, the County has tools at its disposal to respond to funding challenges within the Road Fund. With Spokane Valley’s incorporation, a great deal of so-called “banked capacity” was created in the County’s Unincorporated Road District Levy (and more banked capacity would be created if the UGAs were to become incorporated).¹ This means that, should unincorporated residents want a higher level of roads maintenance services, or should they want more capital investments, the County Commissioners have the ability to increase the Unincorporated Road Levy to respond to those needs.

- The County’s Real Estate Excise Tax (REET) Funds, which are dedicated to funding capital investments in the county would see reduced revenues (revenues for these funds come from a 0.5% tax on real estate transactions in unincorporated areas of the county). Preliminary analyses suggest that a large portion (roughly $3 million) of the County’s REET revenues in 2007 were generated in the UGAs.

If the UGAs were to become incorporated, the County would see reduced obligations for capital investments in these urbanizing areas. While these reduced obligations would diminish some of the demands on capital funds, the County faces many other needs for capital funds associated with regional services. Reduced REET revenue streams would mean that, all else being equal, the County would become more reliant on voted debt to cover the costs of needed infrastructure.

- The County’s General Fund (the source of funding for most general governmental services, including law and justice services) would see the most multi-faceted impacts. And, for the General Fund, the net impact of UGA transition would also depend.

  1. It would depend on how County policy makers respond to shifting service obligations. Given the shifts (and the opportunity) discussed on preceding pages, how does the County respond to a world in which it is:

      o In greater part a regional service provider to the entire county;

¹ In the wake of I-747 and subsequent legislative actions, Washington State jurisdictional property tax levies are generally limited to growing by 1% per year, plus a certain amount to account for new construction. If a jurisdiction chooses not to use their statutorily-allowed levy, that jurisdiction has the option of “banking” the unused capacity to use in future years. Because of quirks in the State statutes, if a jurisdiction’s tax base (the underlying assessed value of property) shrinks by a large amount (e.g. the assessed value of property in unincorporated areas is reduced through an incorporation) then the jurisdiction has the legal ability to raise its levy rate (the rate of taxation per $1,000 of assessed value) to a very high level in a single year. Jurisdictions generally do not choose to do this (because a chunk of their service obligations just went away), which creates banked capacity.
In lesser part, a local service provider to largely rural, unincorporated portions of the county; and

In some part, a provider of local urban services through contract with one or more cities?

2. It would also depend on the nature of the win-win solution the collaborative planning process ends up with. As will be discussed below, counties across Washington State face a structural fiscal problem. Without some form of solution (probably including both service efficiencies and new revenue streams) the County will not be in a position to succeed in the long term. What that solution looks like would dictate the County’s fiscal position in a world where the UGAs were incorporated.

What We Know and Don’t Know About General Fund Impacts

Our current analysis suggests that, in 2007, Spokane County generated roughly $7.8 million in local General Fund revenues in the Metro-area UGAs. These local revenues include retail sales taxes (the 0.85% of sales taxes that would go to a city if the area was incorporated), criminal justice sales tax distributions (the portion that goes to local jurisdictions based on the number of residents), cable TV franchise fees, and state, per-resident distributions of liquor taxes and profits (Exhibit 5).

Exhibit 5: Preliminary Estimate of Local General Fund Revenues Generated in the Metro-area Urban Growth Areas

<table>
<thead>
<tr>
<th></th>
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<td><strong>Total</strong></td>
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</table>

Source: Berk & Associates’ and Spokane County staff analyses.

In addition to losing these revenue streams if the areas were to become incorporated, the County would also see reduced local service obligations. In terms of direct local services, these reduced obligations would include reductions in law enforcement, misdemeanor jail, animal control, and parks operation and maintenance.

Berk & Associates estimates that, combined, the three smaller costs: misdemeanor jail, animal control, and parks maintenance in the UGAs, represented about $1 million in costs in 2007. The largest cost by far was for law enforcement. In the 2008 budget, the Sheriff’s office budgeted operating expenses of more than $33 million. Of this $33 million, a bit more than $15 million was reimbursed to the Sheriff’s Office for services to other jurisdictions—the vast majority of which was for contract law enforcement services to Spokane Valley. Of the remaining $18 million in
costs, a large portion of the Sheriff’s efforts were focused on providing law enforcement services to the Metro-area UGAs.

Because law enforcement services are driven by logistics, and because there are many policy choices that must be made before one can say how the Sheriff’s Office and the County would respond to incorporated UGAs, it is difficult to say precisely how much the County could save on law enforcement costs if the UGAs were no longer unincorporated.

If the County was able to reduce its non-contract Sheriff’s costs by one-third (the Metro-area UGAs represent more than 35% of the unincorporated population), then that would translate to a law enforcement savings of more than $6 million. A savings figure like this would allow the General Fund cost savings to begin to approach the loss in local revenues.

**The Bigger Picture - Promoting Spokane County’s Long-term Sustainability**

When one looks at the discussion above, the net impact on the County of losing the UGAs is debatable. Notwithstanding the importance of County policy choices, the most likely scenario is that incorporation of the UGAs would have at least some negative impact on the County budget.

While this finding is useful, it does not really capture the full breadth of the fiscal challenge the County faces. As we noted in the discussion above, Spokane County, like every other county in Washington State, faces a structural fiscal problem (particularly in regard to its General Fund).

In 2008, Spokane County will generate more than $35 million from its general fund property tax levy—a figure that represents more than half of the General Fund’s total tax revenues. Due to I-747 (and subsequent legislative actions), this crucial revenue source will increase by only 1% per year (plus a bit more to account for new construction). County costs of operation, on the other hand, tend to grow at a rate of between 4% and 5% per year.

If, in the next year, costs of service increase by 4%, but the key revenue source grows by 1%, then that disparity will generate a shortfall of more than $1 million in 2009 (3% of $35 million). And because the effects will compound over time, this shortfall will grow bigger every year—growing to more than $13 million in the tenth year (2018).

One can make a persuasive argument that *this* is the key fiscal challenge facing Spokane County as it looks to the future. If so, then it would appear that *this* is the problem that must be addressed as the collaborating jurisdictions seek to find a win-win solution.

**Potential Next Steps**

To get to a consensus about what a win-win solution would look like from the County’s perspective, we suggest two next steps:

1. County policy makers and collaborating jurisdictions could frame a set of Guiding Principles. Among other things, these principles could:
   - Clarify the County’s stance towards unincorporated areas (within the framework of a win-win solution);
• Assign urban growth areas to cities;

• Explain the rationale for closely-coordinated joint planning for unincorporated urban growth areas; and

• Explicitly state the County’s vision regarding what *regional* services it will provide (and articulate why that role is necessary and important) and what *local* services it will provide to unincorporated areas.

All of these guiding principles would need to be developed with an eye towards developing a fiscal solution to the County’s structural fiscal challenge. Ideally, the County’s vision of how it approaches regional and local service provision would (1) look for opportunities to create operational efficiencies, from a countywide perspective; (2) look for opportunities for equitable sharing of costs; and (3) look for opportunities to develop new revenue streams. These revenue streams might include something like new, dedicated revenue streams to fund regional law and justice services, or simply new sources of General Fund revenues to offset erosion in the County’s property tax.

2. The County could develop foundational context for seeking a revenue solution. Among other things, such a context would paint the big fiscal picture within Spokane County, clarifying how counties in Washington State function and what forces are at work that place Spokane County in the position it now faces.
APPENDIX B: FISCAL STRATEGIES

3. Spokane County Fiscal Story
   (October 23, 2008)
SPOKANE COUNTY, CITY OF SPOKANE, CITY OF SPOKANE VALLEY, CITY OF LIBERTY LAKE, CITY OF AIRWAY HEIGHTS, CITY OF MILLWOOD

2007-2009 CTED Collaborative Planning Grant: Fiscal Issues for Spokane County Metro Urban Growth Area

Spokane County’s Fiscal Story

Spokane County and the metro cities of Spokane, Spokane Valley, Liberty Lake, Airway Heights, and Millwood are now engaged in a collaborative planning process that focuses on the Metro Urban Growth Area. This collaboration is intended to benefit all Spokane County residents and set up all jurisdictions for long-term success:

- Cities will have mechanisms to influence issues of land use, permitting, and infrastructure impacts associated with development in the unincorporated urban growth area.
- The County will have a clear service delivery/revenue structure that allows fiscal sustainability.

With these goals in mind, the collaborating jurisdictions received a grant from the Washington Department of Community, Trade, and Economic Development (CTED).

A Rare Opportunity

The goal of the collaborative planning process is to identify solutions that will set all jurisdictions up for long-term success. By pursuing this goal, Spokane County and the metro cities have recognized that many of the challenges that they face can best be tackled by working together and by taking a big picture, collaborative approach. Moreover, they have recognized that, in order for Spokane County to achieve its best future, all levels of governments in the county must be healthy and strong.

Clearly, there are daily instances across Washington State when counties, cities, and other local jurisdictions are collaborating to solve problems. Just as clear, however, are instances where it seems the prevailing attitude is one of parochialism among jurisdictions, an attitude of us-versus-them.

Among Washington’s counties, Spokane County is in an enviable position. It is a county with substantial population, and of substantial means. At the same time, the County government, and the Metro area city governments are cohesive enough and few enough in number that big picture, truly collaborative solutions are within their grasp.

If the collaborating jurisdictions can take advantage of this rare opportunity—if they are successful in resolving tricky issues of land use coordination in urban growth areas and beginning to address the deep-seated fiscal challenges that counties face—they can lead the way for other counties and cities in Washington State.

For more information about Collaborative Planning for the Spokane Metro Urban Growth Area, please contact the Boundary Review Board Office at 509/477-4237 or brb@spokanecounty.org.
Changing Fiscal Landscape

Over the past ten years, a combination of statewide initiatives and legislative actions have altered the landscape for local governments. The most sweeping changes have revolved around voters’ decisions to end the Motor Vehicle Excise Tax and create strict limits on the growth of property taxes. Across Washington State, the effect of these actions has varied by jurisdiction. Cities and local service providers like fire and library districts face one set of challenges, while Washington’s counties face another.

Cities and Special Districts Response

If one were to ask a city manager or a fire chief about the altered landscape, they would probably say three things:

1. There is always a tension between local governments’ desire to provide high levels of public services and the reality that taxpayers’ dollars face many competing demands;
2. Recent shifts in tax structure have made it more difficult to make ends meet—to balance that tension; and
3. Difficulties notwithstanding, most cities and special service districts across the state have found that they do have the tools to adapt to the shifting tax structure. The solutions (from tapping unused taxing authority, to securing voter-approved “levy-lid-lifts”) may not be easy, but they are out there.

Counties Are Different

Washington’s counties are different from cities and special service districts in fundamental ways:

1. Counties face strict limits on their taxing authority;
2. Counties are heavily reliant on property taxes (which are now eroding);
3. Counties face a long list of regional service obligations that are mandated by the state;
4. Counties have a complex set of relationships with multiple constituencies:
   - Counties collect regional taxes and provide regional services for all constituents in the county;
   - They collect local taxes and provide local services to unincorporated areas;
   - And, through contracts, they provide services for other jurisdictions in exchange for payments.

Counties’ Structural Challenge

Given this combination of factors, counties have found themselves with:

- A long list of service obligations that are non-negotiable;
- Structural erosion in their most important revenue source;
- Few statutory options for securing new revenue streams.

As they look to the future, Washington’s counties face a fundamental, structural challenge—a challenge that will become increasingly unmanageable over time.

Spokane County is no exception.

What Do Counties Do?

Cities and service providers like fire and library districts typically provide local services. They collect taxes from a single pool of constituents, and they use those revenues to provide services to those same constituents. Clearly, many cities provide services and amenities that benefit the broader region. In most instances, they do so in an elective manner. For example, the City of Spokane spends locally-generated tax dollars for operation of Riverfront Park—a facility that benefits the entire region.

In contrast to cities and special districts, counties are statutorily required to be a provider of both local and regional services. Counties collect local taxes in unincorporated areas and they provide local services like police protection, animal control, and parks services. Counties also collect regional taxes from all county residents and provide regional services to city and unincorporated residents alike.

As so-called “agents-of-the-state,” counties bear sole responsibility for providing a range of regional services. The most costly of these include:

- Juvenile Detention, Courts, and Probation;
- Superior Courts; and
- Felony Prosecution, Defense, Incarceration.

In 2006, Spokane County’s tax-supported obligations for these three regional services alone exceeded $45 million. This means that, by themselves, these three categories of regional services used up most of the regional taxes the County collected (roughly $56 million in 2006).

In addition to these big-ticket items, there are other regional services for which the County bears sole responsibility, including functions like the County Assessor and the County Medical Examiner.

Counties’ three roles, and the fact that they have different relationships with different constituencies, make it challenging for constituents, and even policy makers, to understand how all the pieces fit together.
Where Do Counties Get Their Revenue?

In addition to being different from cities in what they do, Washington’s counties have different revenue streams available with which to do it.

From a revenue perspective, counties across Washington State are much more restricted in their taxing authority than are cities. Cities generate their general operating revenues from a variety of sources, with the vast majority of their revenues coming from three key sources: property taxes, local sales taxes, and taxes on utilities and other businesses (Exhibit 1). This balance among three major sources is sometimes referred to as the three-legged stool.

Unlike cities, Washington’s counties have no statutory authority to levy business or utility taxes, and they have authority to levy local sales taxes only in unincorporated areas—areas which often tend to have relatively low levels of retail sales activity. This leaves counties in a position of being heavily reliant on regional property taxes as their principal source of general operating revenues (Exhibit 2). This, in turn, makes counties particularly vulnerable to Washington’s strict limit of one percent on property tax growth.

In terms of its mix of revenues, Spokane County is in a better fiscal position than the average county in Washington. As Exhibits 3 and 4 show, Spokane’s Metro Area cities have a mix of revenues that is generally similar to cities statewide (dominated by revenue mixes for the City of Spokane). For Spokane County, however, rather than getting 58% of its revenues from its regional property tax like the average Washington county, Spokane County generated less than 50% of General Fund revenues from property taxes in 2005. Still, Spokane County is heavily reliant on property tax—more reliant than any metro area city.
Impacts of the 1% Property Tax Limit

The reason counties’ reliance on property taxes matters so much is because of the one percent property tax limit. This restriction limits the total amount of taxes most jurisdictions can collect by an increase of only one percent per year, excluding the impact of new construction. However, a jurisdiction can go above the one percent limit, if a majority of its voters approve a so-called “levy lid lift.”

When one talks about the impact of the one percent limit, the conversation quickly gets complicated. Rather than trying to describe how all the pieces fit together, Exhibit 5 offers an illustration of how the limit stands to impact Spokane County in coming years. The bottom line is that, in terms of purchasing power, the County’s most important regional revenue source can be expected to erode, significantly, in coming years.

Putting the Pieces Together: Why Are Counties in Such a Tough Position?

Looking at cities across Washington State, responses to the new property tax limits have varied. Some cities have seen very strong retail sales tax growth over the past seven years and some of those have simply allowed sales tax growth to offset erosion in property taxes. Other cities have responded to property tax erosion by tapping previously unused taxing authority (e.g. enacting or increasing utility taxes). Other cities, still, have sought voter-approved levy lid lifts to forestall the effects of the one percent property tax limit. And finally, some cities have chosen, through their political processes, to reduce levels of services.

On the other side of the spectrum, most special service districts like fire and library districts have been able to quickly adapt to the one percent limit. As providers of a focused set of high-profile services, many fire and library districts have been successful in getting voters to approve property tax levy lid lifts, thereby immunizing themselves against the effects of the one percent limits.

Counties, on the other hand, have found themselves in the worst of both worlds. Counties are highly dependent on property taxes, so they can’t count on growth in other revenue sources to bail them out. Counties do not have statutory authority to levy new taxes. And, unlike special service districts, counties have a much more complex relationship with their constituencies.

In order for a county to secure a levy lid lift, they have to win majority approval from voters across the entire county. Voters who live in cities see their city as the primary provider of government services, and many are not even clear on what services the County provides. This makes voter-approval of a regional property tax lid lift an uphill battle.

Next Steps

Again, the goal of this folio is to inform the discussion among the collaborating jurisdictions, to articulate in broad terms the challenge Spokane County faces. The next steps in the process to further the goal of long-term fiscal sustainability for Spokane County will be to:

1. Develop a high level articulation of Spokane County’s approach to service delivery (What do we mean when we say the County is a regional service provider to all residents and a local service provider to unincorporated areas?), and

2. Develop an overview of potential solutions that may be available to the County’s fiscal challenges.

With these products in hand, the goal is for the collaborating jurisdictions to have a strategy for moving forward by the Spring of 2009.
APPENDIX B: FISCAL STRATEGIES

4. Framework for Revenue Solutions
(June 15, 2009)
Spokane County and the metro cities of Spokane, Spokane Valley, Liberty Lake, Airway Heights, and Millwood are engaged in a collaborative planning process that focuses on the Metro Urban Growth Area. The goal of this collaboration is to identify a win-win solution that benefits all Spokane County residents and sets up all jurisdictions for long-term success:

- Cities will have mechanisms to influence issues of land use, permitting, and infrastructure impacts associated with development in the Urban Growth Areas.
- The County will have clear service-delivery/revenue structure that allows fiscal sustainability.

In June of 2008, the collaborating jurisdictions developed a road map to achieving these goals. This road map called for completion of four foundational elements:

1. **City influence on land-use decisions**: Develop a workable solution to facilitate coordination between cities and Spokane County regarding land-use decisions and managing infrastructure impacts.
2. **Articulate Spokane County’s fiscal story**: In a clear and succinct format, articulate the nature of Spokane County’s long-term fiscal challenge. Describe why counties are different from cities and other local service providers, and describe why the County faces a structural fiscal problem.
3. **Articulate Spokane County’s approach to service delivery**: What does it mean when one says that Spokane County is a local service provider to unincorporated areas of the county, a regional service provider to the entire county, and a provider of contract services to local jurisdictions? Given a broad goal of efficiently using tax dollars, how does this vision dovetail with the service delivery needs of other jurisdictions?
4. **Identify potential service/revenue solutions**: In light of the service delivery vision, and in light of the County’s fiscal story, what solutions might make sense? Is there a case that Spokane County’s collaborating jurisdictions can make for legislative solutions?

To date, the collaborative planning team has completed the first three of the above foundational elements.

In light of the findings of the DRAFT Approach to Service Delivery (which speaks to the third element), and in light of the proposed annexation of the West Plains unincorporated area by the cities of Spokane and Airway Heights, the Spokane County Board of Commissioners has committed resources to a more in-depth assessment of its regional, local, and contract “lines of business”. The County’s so-called, “line-of-business” analysis will outline the specific fiscal
status of each of their three businesses, comparing in-flows of annual revenues (based on the County’s 2009 budget) with annual expenditures for provision of services.

With this information in hand, Spokane County and its partner jurisdictions in the Collaborative Planning process will be in a better position to formulate a short- and long-term strategy for addressing Spokane County’s current and future fiscal challenges.

This document is intended to (briefly) outline some of the possible components of that strategy.

**Spokane County’s Three Lines of Business**

Before moving into a discussion of the potential components of a County service/revenue solution, the Collaborative Planning Team would like to briefly remind readers of the lines of distinction the Team has settled on to distinguish between Spokane County’s three lines of business: **regional, local, and contract** services.

As a regional service provider, Spokane County provides a suite of services to, and collects tax and fee revenues from, all residents and visitors within Spokane County, without regard for municipal boundaries.

In addition to this regional line of business, Spokane County also provides local services to, and collects local taxes and fee revenues from, unincorporated areas within the county—a line of business that is affected by changes in municipal boundaries. Finally, as part of its contract line of business, the County provides services for (or to) local jurisdictions in exchange for payments.

Given the above landscape, the lines of distinction the collaborative planning team has settled on are straightforward:

- If a service obligation (or a revenue stream) is not affected by changes in municipal boundaries, then it is a **regional** service or revenue.
- If an obligation or revenue stream is affected by changes in municipal boundaries, then it is **local**.
- If the County receives payments from local jurisdictions for a provided service, then it is a **contract** service.¹

All of Spokane County’s core revenues and services (i.e. those that fall under the General or Road funds) can be ascribed to one of these three categories.

**Two Ways to Get to Sustainability**

In the end, if one accepts that Spokane County is in an untenable fiscal position today, there are only two possible paths to get to fiscal sustainability:

1. **Cost Controls**: Spokane County can reconfigure or rethink the services it provides, or it can be more aggressive in controlling the escalation of its costs of service; and/or

¹ Note that, under this construct, a given County department or office may be engaged in all three lines of business. For example, the Spokane County Elections Office provides regional services (administering national, state, and countywide elections); contract services (administering elections for local jurisdictions in exchange for payments); and, potentially, local (administering votes of unincorporated area residents).
2. **Revenue Enhancements**: Spokane County can enhance (or halt the erosion) of its revenue streams.

The following discussion assesses potential components that could serve as building blocks for each of these two paths.

**Service Delivery**

Within any large-scale operation, it is almost always possible to identify potential efficiencies in how services are provided. Given Spokane County’s current fiscal crunch, the County is deeply engaged in the process of trying to identify and exploit such efficiencies.

Within the grand scheme, the largest expenditure categories in the County budget revolve around (1) jail and courts and (2) provision of law enforcement services. For different reasons, both of these service categories have been the subject of discussions in recent months.

*Court and Jail Services*

As Spokane County and Spokane County’s cities consider their options for addressing long-term jail facility needs, the County has recently completed a draft study of Spokane County’s jail and court operations. The goals of this study were (1) to identify improvements the County could make in its legal adjudication and incarceration processes, and (2) to assess the County’s long-term need for incarceration facilities. This *Spokane County Corrections Needs Assessment Master Plan Draft* identified a range of possible enhancements and efficiencies Spokane County could pursue.

Spokane County and metro-area cities are now engaged in conversations about how to best move forward to pursue those enhancements, and how development of a new jail facility will compliment (and relate to) those initiatives.

*Law Enforcement Services*

Given Spokane County’s recent budgetary shortfall, and given the announcement by the cities of Spokane and Airway Heights that they intend to annex the large West Plains urban growth area, Spokane County has begun to consider potential impacts to its law enforcement services.

The pending West Plains annexation will result in a significant reduction in Spokane County’s local revenue production and a significant reduction in demands for local services. As it plans for its response to the West Plains annexation, the County is now assessing both the loss in local revenues and the potential cost savings associated with reduced demand for local services.

When it comes to law enforcement services (which is by far the largest local service expenditure the County makes in the West Plains area) the key question revolves around:

> *What adjustments can the County make to its service provision structure (in the short- and long-term) to respond to the eliminated responsibility for local service provision?*

**Opportunities for Broad Reconfiguration of County Services**

Beyond the ongoing challenge of searching for efficiencies, counties also have opportunities to pursue more fundamental restructuring of service delivery. Within Spokane County, such fundamental opportunities have been the subject of ongoing conversations for years, often under an umbrella notion of “Metropolitan” government services.
Because the vast majority of Spokane County’s residents live in a centralized metropolitan area, many have argued that the logistics of metropolitan services make a lot of sense. When one gets down to the details, however, the particulars and politics of getting to something like a metropolitan police agency become more challenging. The obstacles are not unsurpassable, but neither will they be easily overcome.

Looking to the immediate future, however, it appears that there are a few areas of (relatively) low-hanging fruit when it comes to potential consolidation of services.

911/Dispatch

Within Spokane County, 911 services are already offered regionally, and Spokane County and the City of Spokane have taken steps to begin to regionalize dispatch services. However, the county continues to have opportunities to combine 911 and dispatch functions under a single organization, and/or to combine County and Spokane City dispatch functions for fire and police within a single operation.

When one considers the fiscal/service impact associated with the West Plains annexation, it becomes clear why consolidation of 911 and dispatch services would be of benefit to Spokane County. As they stand today, Spokane County’s law-enforcement dispatch services are largely a fixed-cost operation. It takes a certain set of resources and a certain number of staff to deliver dispatch services for the Sheriff’s Office. In instances like the West Plains annexation, where a certain portion of law enforcement service demand goes away, the County’s opportunities to enjoy cost savings are minimized by fixed costs like the dispatch center.

If Spokane County was to have a regional dispatch center—where the costs of running the center were shared among many jurisdictions on a per-call basis—Spokane County’s fixed-cost problem would go away. The West Plains annexation would translate into fewer dispatch calls which would directly translate to reduced service costs.

Regional Parks District

Although they are the exception rather than the norm, regional parks districts can be found across Washington State. These districts are often funded through a separate parks district levy. In some instances, the parks district may be the sole provider of parks and recreation services within its jurisdiction. In other areas, a parks district may serve to augment county and/or city parks and recreation programs. Regional parks districts generally encompass only a part of a county, and in many instances, they are created to fund and manage specific regional park assets.

A number of barriers exist that make it difficult to create a truly regional parks and recreation district. Typically, different jurisdictions will have different expectations regarding levels of service, and different policies regarding subsidizing recreation programs. Specifically, most cities do subsidize recreation programs while many counties do not (and some counties run only the most modest recreation programs).

Barriers notwithstanding, however, if one or more jurisdictions are successful at creating a parks district, the removal of parks and recreation costs from a jurisdiction’s general fund budget can help improve the strength of the jurisdiction’s general fund. Parks and recreation programs also often benefit from not having to compete on a yearly basis for sometimes scarce general fund dollars.
Road Operation and Maintenance - Traffic Signals

In regard to road operation and maintenance, perhaps the best candidate for regionalization of services would be in the operation and maintenance of traffic signals. With signal technology beginning to converge towards a common technology, opportunities for consolidation of signal maintenance are better now than they have been in the past (when Spokane County and the City of Spokane used different signal technologies). Further, if the City of Spokane Valley decided that it wanted to go in a different direction with signal maintenance, the County would be in a position of operating only a small number of remaining signals. At that point, given that the location of most of the County’s signals is to the north of Spokane, it might make sense to contract with the City of Spokane for signal maintenance.

Potential Revenue Solutions

Depending on the outcome of Spokane County’s Line-of-Business assessment (which is currently underway) the County may be in a position of needing to identify both local and regional revenue enhancements. For purposes of discussing potential strategies, it is useful to consider such enhancements by distinguishing (1) options for which existing authority exists and (2) options that would require new statutory authority (or statutory relief from existing constraints).

Exhibit 1, on the following page, summarizes potential revenue enhancements that have been identified in collaborative planning conversations to date. The Collaborative Planning Team anticipates that, with the completion of Spokane County’s Line-of-Business analysis (and a clearer understanding of the problem/problems the County needs to solve, these and other, newly-surfaced options will be the center of collaborative conversations.
Exhibit 1: Potential Revenue Enhancements

<table>
<thead>
<tr>
<th>SUPPORT FOR REGIONAL SERVICES</th>
<th>Existing Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Additional sales taxes (voted)</td>
</tr>
<tr>
<td></td>
<td>• Levy lid lifts for General Fund levy (voted)</td>
</tr>
<tr>
<td></td>
<td>• Insulate General Fund from Road Fund</td>
</tr>
<tr>
<td></td>
<td>• Ensure Road Fund pays fair share of administrative overhead in General Fund</td>
</tr>
<tr>
<td></td>
<td>• Voted bonds for capital facilities</td>
</tr>
<tr>
<td></td>
<td>Seek New Authority/Legislative Relief</td>
</tr>
<tr>
<td></td>
<td>• Countywide utility tax</td>
</tr>
<tr>
<td></td>
<td>• Remove counties from 1% property tax limit</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>SUPPORT FOR LOCAL SERVICE PROVISION IN UNINCORPORATED AREAS</th>
<th>Existing Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Revenue sharing (for managing transitions)</td>
</tr>
<tr>
<td></td>
<td>• Public safety levy for unincorporated areas</td>
</tr>
<tr>
<td></td>
<td>• Tap Road Levy banked capacity</td>
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<tr>
<td></td>
<td>Seek New Authority/Legislative Relief</td>
</tr>
<tr>
<td></td>
<td>• Utility tax for unincorporated areas</td>
</tr>
<tr>
<td></td>
<td>• Sales tax credit</td>
</tr>
</tbody>
</table>
APPENDIX B: FISCAL STRATEGIES

5. Spokane County Line of Business Study
   (September 15, 2009)
Collaborative Planning for Spokane County’s Metro Urban Growth Area

Spokane County Line of Business Allocation: Summary of Findings

September 15, 2009
INTRODUCTION

For roughly two years, Spokane County and the Metro-area cities have engaged in a collaborative planning process regarding Urban Growth Areas. The goal of this process has been to better position the jurisdictions for long-term success—to develop win-win solutions for the Metro-area cities and for Spokane County as a whole:

1. Cities will see increased coordination and certainty regarding land use, development, and planning in Urban Growth Areas.
2. The County will have broad-based support as it seeks a sustainable service-delivery/revenue structure.

As the collaborating jurisdictions have looked for ways to put Spokane County on more sustainable fiscal ground—as they have sought to define the County’s challenge, it has become clear that, really, Spokane County faces two intertwined challenges.

**The County’s Intertwined Challenges**

Spokane County faces two difficult and fundamental challenges:

**Challenge # 1 – An Unsustainable Regional Revenue/Service Structure**

Spokane County’s main source of countywide tax revenues—by far—is its general property tax levy. With Washington State’s 1% property tax limits, Spokane County is between a rock and a hard place. The County’s main revenue source is only growing by a bit less than 3% per year (growth beyond 1% comes from the effects of new construction), while the fundamental costs of providing regional services grows at, perhaps, 5% per year. The compounding effect of this discrepancy translates to millions of dollars of shortfalls in only a handful of years.

In the short-term, the County may be able to forestall a fiscal meltdown by wringing efficiencies out of the system and/or drawing down its cash reserves. In the long-run, however, experience suggests that the continued erosion of the purchasing power of the County’s property tax revenues is unsupportable.

**Challenge # 2 – Spokane County’s Shifting Role as a Local Service Provider**

For many decades, Spokane County and the City of Spokane were the two major local service providers in Eastern Washington. In 2002, unincorporated Spokane County was home to more than 200,000 residents and large commercial centers. With Spokane Valley’s incorporation in 2003, the County’s unincorporated population (and its local service obligations) were cut nearly in half. In the modern day, no other county in Washington State has ever seen such a dramatic shift.

With the contemplated West Plains annexation, and with other potential large-scale annexations on the horizon, it is entirely possible that Spokane County could continue to see its role as a local service provider diminish.
For law enforcement in particular, the process of transitioning from being a large, urban agency to being a smaller, more rural-focused agency is exceedingly painful. Given the importance of logistics, and given the implications on things like response times and officer safety, such a shift reflects a process of weighing unpleasant trade-offs and making excruciating choices, year after year after year.

**Why do we say these two challenges are intertwined?**

Not to put too fine a point on it, consider the perspective of a hypothetical councilmember for the City of ___, or of an informed voter who lives inside the limits of one of Spokane County’s cities. These stakeholders might say something like the following:

1. I fully appreciate the importance of finding a sustainable solution for the County’s regional services;
2. I want to support Spokane County in getting to that solution;
3. BUT…How can I have confidence that revenues I help secure will be used to re-enforce regional services, and not used to subsidize or avoid making hard decisions about local services for Spokane County’s unincorporated areas?

When we consider this perspective, it becomes clear that the County’s the two challenges are intertwined—the County’s local service challenges complicate the process of solving its regional challenge.

**Clarifying the Issue**

As the collaborating jurisdictions identified the challenges discussed above, the Spokane County Board of Commissioners stepped forward and committed resources to clarify the issue. The Board of Commissioners hired BERK—a fiscal, economic, and strategic planning consulting firm—to dissect the County’s 2009 General Fund operating budget.

The goal of this analysis is to answer the following question:

*If one thinks of Spokane County as being in three separate “lines of business” (regional services, local services, and contract services), then how do those three lines of business stack up?*

1. How much regional (countywide) revenue does the County expect to collect in 2009, and how much does the County expect to spend to provide regional services?
2. How much local revenue does the County expect, and how much does the County expect to spend to provide local services to its unincorporated areas? and
3. How much contract revenue does the County collect from other jurisdictions or entities, and how much does it expect to spend to provide contracted services?
Defining Terms: What, precisely, do we mean when we use the terms regional, local, and contract services?

As a regional service provider, Spokane County provides a suite of services for the benefit of all constituents within Spokane County. In theory, every Spokane County constituent benefits from the County’s region-wide services like Superior Court; regional, state, and federal elections; and juvenile detention. Likewise, every constituent within the county pays regional taxes and fees to support these services. These countywide taxes and fees are paid by all taxpayers in Spokane County, regardless of where they live, work, or shop.

In addition to this regional line of business, Spokane County also provides local services to, and collects local tax and fee revenues from, unincorporated areas within the county. Because it is local in nature, this is a line of business that is affected by changes in municipal boundaries.

Finally, as part of its third line of business, the County provides services for (or to) local jurisdictions in exchange for payments. We refer to this line as Spokane County’s contract services.

Given the above landscape of services, the lines of distinction that Spokane County and the Metro cities have identified for discussions of regional, local, and contract services are straightforward:

- If a service obligation (or a revenue stream) is countywide and is not affected by changes in municipal boundaries, then it is a regional service or revenue.
- If an obligation or revenue stream is confined to unincorporated areas of Spokane County and is affected by changes in municipal boundaries, then it is local.
- If the County receives payments from local jurisdictions or other agencies for a provided service, then it is a contract service or revenue.

More than 99% of Spokane County’s core revenues and services (i.e. those that fall under the General, Road, Building and Planning, and Geiger funds) can be ascribed to one of these three categories. A small portion of revenues and expenditures (a fraction of 1%) represent revenues or expenditures that are difficult to pigeonhole in any given category and are counted in a fourth category: “Other.”

Analytic Approach

While an analysis of Spokane County’s “lines of business” sounds like it would be a relatively straightforward task, in practice, such an analysis is complex and requires a good deal of unraveling of departmental budgets. The Spokane County Jail, for example, provides component services that fall under all three lines of business:

1. As a regional service, the jail handles pre-trial felony detainees for the entire county and it also bears the responsibility to house any detainees who were arrested within the county by Washington State Patrol;
2. As a local service, the jail handles misdemeanor detainees who are arrested in unincorporated parts of the county. (Detention of those arrested on misdemeanor charges are the responsibility of the local government, which in the case of unincorporated Spokane County, is the County.); and

3. As a contract service, the jail handles misdemeanor detainees who are arrested within the city limits of any of Spokane County’s cities. (For these services, the jail charges the city in question—the local governments who bear the responsibility for detention of misdemeanor arrests within their city limits.)

To provide an accurate assessment of how Spokane County’s three lines of business stack up, it is necessary to unravel the county’s jail costs (and revenues) to ensure that the appropriate shares of costs are allocated to the appropriate line of business. To do this, BERK staff analyzed documentation of Spokane County’s budgets and historical activity and we consulted with County staff both within the County Budget Office and within each of the departments in question.

For a detailed breakdown of analytic findings, readers should look to the Technical Appendix accompanying this Summary of Findings for a line-by-line breakdown of how revenues and costs are allocated to the regional, local, or contract line of business.
Exhibit 1: Budgeted General Fund Costs and Revenues for Regional, Local, and Contract Services (from Spokane County 2009 Adopted Budget [as of March 17th, 2009])

Source: BERK
FINDINGS

Exhibit 1 on the preceding page provides a graphic summary of how Spokane County’s three lines of business stack up. These findings point to a handful of big-picture conclusions:

**Conclusion #1.** Comparing yearly inflows and outflows, Spokane County’s overall General Fund budget for 2009 is out of balance. Outflows for the year exceeding inflows by nearly $6 million. Within the budget, this shortfall was made up by drawing down some of the accumulated cash (reserves) that Spokane County had built up in previous years and by taking advantage of a one-time windfall.

**Conclusion #2.** Regional Services is Spokane County’s biggest line of business, by far. Out of nearly $148 million of General Fund expenditures that were allocated, roughly $87.5 million in expenditures fell in the County’s regional line of business (compared with roughly $30 million in expenditures each for local and contract services).

**Conclusion #3.** The County’s regional and contract lines of business were, to a large degree, in alignment. In the grand scheme of things, the County’s regional revenues and expenditures came very close to matching, as did the County’s revenues and expenditures for contract services. Regional revenues exceeded regional costs by $2.8 million (roughly 3% of the $87.5 million of regional costs). Contract revenues fell short of contract service costs by roughly $1.7 million (roughly 6% of the $29.6 million budgeted costs).

**Conclusion #4.** The County’s local line of business (the costs of providing local governmental services to unincorporated parts of the county) was more significantly out of alignment. Costs for local services exceeded revenues by nearly $7 million, which means that local revenues (as defined for this analysis) would need to increase by 30% to fully cover the $30 million cost of providing local services.

In light of the above conclusions, one point in particular is worth bearing out. Although the analysis suggests that the County’s regional line of service is in the black for 2009, the structural challenge presented by Washington’s 1% property tax limit means that this line of business is heading for trouble. If there exists a 2% gap between the rate of inflation and the growth in property taxes, that means that the purchasing power of the County’s property tax decreases by nearly $1 million per year.1 With regional property tax revenues eroding at that rate, the regional line of business is unlikely to stay in balance without positive action by residents of Spokane County.

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1 If property taxes on a typical property can only go up by 1% per year but costs of providing the same levels of service to that property increase with inflation at a rate of 3% per year, that would translate to a gap of 2%. Alternatively, from a countywide perspective, if overall property tax revenues increase by 3% per year (with anything over the 1% limit coming from growth) and costs of providing regional services increase by 5% per year (again, recognizing the overall growth in the population served), then that too would translate to a gap of 2%.
STEPPING BACK: So what do these findings mean in the broader context of solving Spokane County’s fiscal challenges?

Through their process of collaboration, the County and the metro-area cities have worked to identify the two major challenges that Spokane County faces. In light of these challenges, the collaborating jurisdictions acknowledged that a first step towards overcoming Spokane County’s fiscal obstacles was to develop a baseline understanding of where the County stands today.

As a leading partner in the collaboration, the Board of County Commissioners committed County resources to developing the information presented in this *Summary of Findings*. With this foundational data in hand, the County and the collaborating cities are now in a position to map out a consensus on how best to address Spokane County’s challenges and put the County in a position of long-term sustainability.

A reality that has been acknowledged through the collaborative planning process is that Spokane County (as a governing entity and provider of foundational governmental services for the county as a whole) will be in a much better position to succeed if it can pursue sustainability with the support of cities. Whether the solution includes seeking legislative relief from Olympia, seeking voted relief from the 1% property tax limit, or seeking to reduce costs by regionalizing services, the County will be in a much stronger position if it can pursue those solutions with the full support of the county’s cities.
DRAFT - TECHNICAL APPENDIX

SPOKANE COUNTY GENERAL FUND - LINES OF BUSINESS ALLOCATION

Key to Detailed Allocation Table

INTRODUCTION

This technical appendix document provides a line-by-line description of the approach used and assumptions made for allocations of revenues and costs to Spokane County’s regional, local, and contract “lines of business”. This description is intended to accompany the detailed allocation table entitled *Detailed Allocation of Spokane County 2009 Adopted Budget*. In the table that follows, the row number specified in the table corresponds to the row number in the *Detailed Allocation Table* for the revenue or cost in question.

FRAMEWORK

As a *regional service* provider, Spokane County provides a suite of services for the benefit of all constituents within Spokane County. In theory, every Spokane County constituent benefits from the County’s region-wide services like Superior Court; regional, state, and federal elections; and juvenile detention. Likewise, every constituent within the county pays regional taxes and fees to support these services. These countywide taxes and fees are paid by all taxpayers in Spokane County, regardless of where they live, work, or shop.

In addition to this regional line of business, Spokane County also provides *local services* to, and collects local tax and fee revenues from, unincorporated areas within the county. Because it is local in nature, this is a line of business that *is* affected by changes in municipal boundaries.

Finally, as part of its third line of business, the County provides services for (or to) local jurisdictions in exchange for payments. We refer to this line as Spokane County’s *contract services*.

Given the above landscape of services, the lines of distinction that Spokane County and the Metro cities have identified for discussions of regional, local, and contract services are straightforward:

- If a service obligation (or a revenue stream) is not affected by changes in municipal boundaries, then it is a regional service or revenue.
- If an obligation or revenue stream is affected by changes in municipal boundaries, then it is local.
If the County receives payments from local jurisdictions or other agencies for a provided service, then it is a contract service.

More than 99% of Spokane County’s core revenues and services (i.e., those that fall under the General, Road, Building and Planning, and Geiger funds) can be ascribed to one of these three categories. A small portion of revenues and expenditures (a fraction of 1%) represent revenues or expenditures that are difficult to pigeonhole in any given category and are counted in a fourth category: “Other.”

The following pages provide a brief, line-by-line discussion of the rationale and mechanisms BERK used for allocating costs and revenues to one of Spokane County’s three lines of business. These rationales and allocation mechanisms are based on coordinated analyses and detailed discussions with County budget staff and with many County departments.

### REVENUES

<table>
<thead>
<tr>
<th>Row #</th>
<th>Source</th>
<th>Results</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Property Tax</td>
<td>100% Regional</td>
<td>Would not be affected by changes in municipal boundaries.</td>
</tr>
<tr>
<td>2.</td>
<td>Sales Tax</td>
<td>70% Regional; 30% Local</td>
<td>Regional revenues include:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• All juvenile jail and public safety sales taxes that flow to Spokane</td>
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<td></td>
<td></td>
<td></td>
<td>County (shares that accrue to County and are unaffected by changes in</td>
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<td></td>
<td></td>
<td></td>
<td>municipal boundaries);</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• The County’s 15% share of the 1.0% local retail sales taxes (a share</td>
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<td></td>
<td></td>
<td></td>
<td>that is collected countywide); and</td>
</tr>
<tr>
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<td></td>
<td></td>
<td>• The County’s 10% share of City criminal justice sales taxes that</td>
</tr>
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<td></td>
<td></td>
<td>flow to Spokane County before the remaining 90% of criminal justice sales</td>
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<tr>
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<td></td>
<td></td>
<td>taxes are distributed to the County and cities on a per-resident basis.</td>
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<td></td>
<td></td>
<td></td>
<td>Local components include:</td>
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<td></td>
<td></td>
<td></td>
<td>• The County’s 85% share of the 1.0% local sales taxes collected in the</td>
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<tr>
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<td></td>
<td></td>
<td>unincorporated area of the county; and</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Spokane County’s share of the criminal justice sales taxes that</td>
</tr>
<tr>
<td></td>
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<td>are distributed based on counts of unincorporated residents.</td>
</tr>
</tbody>
</table>
### REVENUES

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<tr>
<th>Row #</th>
<th>Source</th>
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</thead>
</table>
| 3.    | Sheriff      | 3% Regional; 10% Local; 85% Contract; 2% Other | Includes contracts with Spokane Valley, Deputies for Deer Park, and dispatch services to the Small Cities.  
Local includes Diverted County Road Taxes and traffic school fees.  
Regional and other include State and Federal Grant monies that support programs such as the Gang Enforcement Team. Other also includes State and Federal ISU/DEA seizure revenues. Civil revenues are included as regional. |
| 4.    | Intergovernmental | 27% Regional; 52% Local; 21% Contract | Regional includes a pro-rata share of indirect charges to other County funds. Leaseholder’s excise taxes and treasury collection fees are also included as regional revenues.  
Local includes many of the per-capita distributions from State for liquor excise, etc.  
Contract revenues include overhead revenues for General Fund’s contracted services to outside cities and entities. |
| 5.    | District Court | 46% Regional; 31% Local; 24% Contract | Fines and forfeitures for misdemeanors, felonies, civil, and small claims.  
Regional revenues include felony, civil, and small claims fines as well as an operating transfer to offset Mental Health Court support.  
Infraction allocations were based on the Court’s 2008 caseload by jurisdiction. Regional infractions include all of felony and probable cause cases. Local includes misdemeanor infractions associated with the unincorporated areas.  
Also includes contract revenues from the City of Spokane, City of Liberty Lake, and the City of Spokane Valley. |
## REVENUES

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>6.</td>
<td>Jail</td>
<td>4% Regional; 1% Local; 95% Contract</td>
<td>Room and Board revenues allocated based on billed detention hours for City of Spokane, City of Spokane Valley, Small Cities (Medical Lake, Airway Heights, Deer Park, and Cheney), State Department of Corrections, U.S. Marshalls, and U.S. Bureau of Prisons.</td>
</tr>
<tr>
<td>7.</td>
<td>Auditor</td>
<td>80% Regional; 20% Contract</td>
<td>Contract includes election revenues. Regional includes recording and licensing fees.</td>
</tr>
<tr>
<td>8.</td>
<td>Superior Court Clerk</td>
<td>100% Regional</td>
<td>Would not be affected by changes in municipal boundaries.</td>
</tr>
<tr>
<td>9.</td>
<td>Prosecutor</td>
<td>83% Regional; 3% Local; 14% Contract</td>
<td>Regional includes grants for Family Law and would not be affected by changes in municipal boundaries. Local includes payments for interfund legal services. Contract revenue from City of Spokane Valley, City of Spokane, and Small Cities.</td>
</tr>
<tr>
<td>10.</td>
<td>Treasurer</td>
<td>100% Regional</td>
<td>Would not be affected by changes in municipal boundaries.</td>
</tr>
<tr>
<td>11.</td>
<td>SCRAPS</td>
<td>38% Local; 62% Contract</td>
<td>Contracts with City of Spokane Valley and Small Cities. Allocation of all other revenues based on Jul 07 - June 08 Time Study of SCRAP services.</td>
</tr>
<tr>
<td>12.</td>
<td>Public Defender</td>
<td>34% Regional; 66% Contract</td>
<td>Regional includes reimbursements from the Superior and Mental Health Courts. Contracts with City of Spokane Valley and Small Cities.</td>
</tr>
</tbody>
</table>
## REVENUES

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</tr>
</thead>
<tbody>
<tr>
<td>13.</td>
<td>Parks</td>
<td>70% Regional; 30% Local;</td>
<td>Regional includes activity fees and concessions for the two aquatic facilities.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Local includes activity revenues for local parks.</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>Fees for recreation programs flow into the County’s Recreation enterprise fund, where they are used to defray the costs of running the County recreation programs. Because these revenues flow into an enterprise fund, they are not reflected in this allocation of costs and revenues.</td>
</tr>
<tr>
<td>14.</td>
<td>Purchasing</td>
<td>79% Regional; 14% Local; 7%</td>
<td>Based on 2008 mail center billings.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Contract</td>
<td>Contracts include postage charges for elections.</td>
</tr>
<tr>
<td>15.</td>
<td>Medical Examiner</td>
<td>100% Regional</td>
<td>Would not be affected by changes in municipal boundaries.</td>
</tr>
<tr>
<td>16.</td>
<td>Communications</td>
<td>8% Regional; 20% Local; 72%</td>
<td>Provides regional, local, and contract communication services. Revenues are allocated based on estimated revenue billings for 2009.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Contract</td>
<td>Regional revenues include estimated billings to the 911 Fund.</td>
</tr>
<tr>
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<td>Local revenues include billings to the Utility and Road Funds as well as local service departments in the General Fund.</td>
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<td></td>
<td></td>
<td></td>
<td>Contract revenues include billings to City of Spokane Valley and Small Cities.</td>
</tr>
<tr>
<td>17.</td>
<td>Emergency Management</td>
<td>29% Local; 71% Contract</td>
<td>Emergency services and interlocal operations are allocated based on OFM’s 2008 population estimates for the County.</td>
</tr>
<tr>
<td>18.</td>
<td>Juvenile</td>
<td>100% Regional</td>
<td>Would not be affected by changes in municipal boundaries.</td>
</tr>
<tr>
<td>Row #</td>
<td>Source</td>
<td>Results</td>
<td>Rationale</td>
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</tr>
</tbody>
</table>
| 19.   | Hearing Examiner     | 84% Local; 16% Contract | Contracts with the City of Spokane Valley.  
All other revenues (local) are the result of transfers from the Building and Planning Fund. |
| 20.   | Other Misc           | 57% Regional; 7% Local; 35% Contract | Majority of revenues are facility maintenance charges to Health District; which would not be affected by changes in municipal boundaries.  
Contract includes facility maintenance work outside of district |
| 21.   | Cooperative Extension| 100% Regional    | User Fees; Would not be affected by changes in municipal boundaries.                                                                       |
| 22.   | Ballpark             | 100% Regional    | User Fees; Would not be affected by changes in municipal boundaries.                                                                       |
| 23.   | Pre-Trial Services   | 100% Contract    | Department provides regional, local, and contract services. The only revenues received are contract revenues from cities of Spokane Valley and Liberty Lake. |
## EXPENDITURES

<table>
<thead>
<tr>
<th>Row #</th>
<th>Department</th>
<th>Description of Services</th>
<th>Results</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Assessor</td>
<td>Property assessments and revaluations for entire County</td>
<td>100% Regional</td>
<td>Services would not be affected by changes in municipal boundaries.</td>
</tr>
<tr>
<td>2</td>
<td>Auditor</td>
<td>Responsible for the administration of County Recording, Financial Services, Auto License, and Elections</td>
<td>78% Regional; 22% Contract</td>
<td>Regional services include County Recording, Financial Services, and Auto License. These services would not be affected by changes in municipal boundaries. Elections includes regional; contract; and in theory, local components (e.g. a vote for a levy lid lift for Spokane County's Road Levy [which applies only to unincorporated areas of the county] would qualify as a local election cost). Estimated contract costs reflect costs of elections for local jurisdictions. Estimated contract revenues are basis for allocation. It is assumed that 100% of the departmental pro-rata share of election costs is charged to the contracting jurisdictions.</td>
</tr>
<tr>
<td>3</td>
<td>Ballpark</td>
<td>Costs related to a professional quality baseball stadium for both spectators and players of amateur and professional baseball</td>
<td>100% Regional</td>
<td>Services would not be affected by changes in municipal boundaries.</td>
</tr>
<tr>
<td>4</td>
<td>Board of Equalization (BOE)</td>
<td>Independent of the Assessor’s office the BOE is responsible for assuring that all valuations entered on the County’s assessment roll is at “fair value”</td>
<td>100% Regional</td>
<td>Services would not be affected by changes in municipal boundaries.</td>
</tr>
</tbody>
</table>
## EXPENDITURES

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</thead>
<tbody>
<tr>
<td>5.</td>
<td>Boundary Review Board (BRB)</td>
<td>The BRB provides information and assistance to the County, cities and special districts for annexations, incorporations, and related proposals.</td>
<td>100%</td>
<td>Services would not be affected by changes in municipal boundaries.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Regional</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Cooperative Extension</td>
<td>A public education agency funded by the County, Washington State University and the United States Department of Agriculture</td>
<td>100%</td>
<td>Services would not be affected by changes in municipal boundaries.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Regional</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Courthouse Security</td>
<td>Provides security services for the County's campus and Courts</td>
<td>100%</td>
<td>Services would not be affected by changes in municipal boundaries.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Regional</td>
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</tr>
</thead>
</table>
| 8.    | District Court | The Court processes criminal felony, civil, small claims, probable cause, and various misdemeanors cases. The Court also processes cases for the mental health therapeutic court and early case resolution programs | 50% Regional; 24% Local; 26% Contract | Mental health therapeutic court and early case resolution are 100% regional programs and would not be affected by changes in municipal boundaries.  
Judicial Offices, Operations, and Court Clerk costs are allocated to regional, local, and contract lines of business based on the Court’s 2008 distribution of caseload by jurisdiction.  
The County contracts with the City of Liberty Lake and the City of Spokane Valley for processing misdemeanors, and it contracted with the City of Spokane for municipal court services for a portion of 2009 before Spokane created its own municipal court.  
Local costs are based on misdemeanor cases related to the unincorporated areas of the County.  
Regional costs include all felony, civil, small claims, and probable cause cases. Also included in the regional costs are misdemeanor and probable cause cases processed for State agencies such as the Washington State Patrol—court responsibilities that lie with Spokane County regardless of where in the county the case originated. |
## EXPENDITURES

<table>
<thead>
<tr>
<th>Row #</th>
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<th>Description of Services</th>
<th>Results</th>
<th>Rationale</th>
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</thead>
<tbody>
<tr>
<td>9.</td>
<td>Emergency Management</td>
<td>Coordinate and facilitate resources to minimize the impacts of major emergencies and disasters on people, property and the environment.</td>
<td>29% Local; 71% Contract, &lt;1% Other</td>
<td>Spokane County fulfills its coordination obligations jointly with the City of Spokane. Costs of operating this office are allocated to Spokane cities and the county on pro-rata basis, based on OFM’s estimated Population of Cities, Towns, and Counties. Local share of costs is based on population in unincorporated areas. Contracts include all incorporated cities in the County except for Fairfield, Latah, Rockford, Spangle, and Waverly. Because Spokane County has chosen not to press for contributions from these towns, the (small) share of costs that is associated with these uncollected contributions have been classified as “Other”.</td>
</tr>
<tr>
<td>10.</td>
<td>Health District</td>
<td>Accounts for Spokane County’s contribution to the Spokane County Health District</td>
<td>100% Regional</td>
<td>Services would not be affected by changes in municipal boundaries.</td>
</tr>
<tr>
<td>11.</td>
<td>Hearing Examiner</td>
<td>To hear and decide land use applications and other quasi-judicial hearing matters in a fair, legal and expedient manner.</td>
<td>84% Local; 16% Contract</td>
<td>Contracts with the City of Spokane Valley. It is assumed that 100% of the departmental pro-rata share of examiner costs is charged to the contracting jurisdiction. The remainder of Department costs are allocated to local expenditures and are funded by a transfer from the Building and Planning Fund.</td>
</tr>
<tr>
<td>Row #</td>
<td>Department</td>
<td>Description of Services</td>
<td>Results</td>
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</tbody>
</table>
| 12.   | Jail       | To provide staff, inmates, the community, and the Criminal Justice System a safe and secure environment for the incarceration of suspected and convicted offenders. | 65% Regional; 6% Local; 29% Contract | Regional includes the cost of incarcerating and managing all pre-trial felonies, the housing of in-transit inmates for other counties, State Agencies, and the Washington State Patrol.  
Local component includes all misdemeanors within the unincorporated area of the County, excluding misdemeanors originating from the Washington State Patrol (which reflect a regional obligation).  
Regional, local, and contract allocations are based on 2008 detention hours for felonies and misdemeanors.  
The County contracts with City of Spokane, City of Spokane Valley, Small Cities (Medical Lake, Airway Heights, Deer Park, and Cheney), State Department of Corrections, U.S. Marshalls, and U.S. Bureau of Prisons. |
| 13.   | Geiger Confinement | Represents the County’s General Fund share of the Geiger fund expenditures. | 80% Regional; 20% Local | Spokane County’s Geiger facility houses and manages inmates for work-release. Geiger also monitors almost 10% of its inmates through a GPS electronic monitoring system. The facility also operates a federal work-release and electronic monitoring program for the Bureau of Prisons.  
A portion of Geiger’s costs are born by contracting jurisdictions and outside agencies that utilize its services. The remaining portion of Geiger costs are billed to the County’s General Fund. These allocated costs—the costs that are reflected here—are for a combination of local costs (housing and management of misdemeanor cases from unincorporated Spokane County), and the remainder are for felony or other cases that reflect the County’s regional responsibility.  
Regional and local are based on 2008 billed days for Geiger Confinement. |
<table>
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<tr>
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<th>Rationale</th>
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</thead>
<tbody>
<tr>
<td>14.</td>
<td>Juvenile</td>
<td>Public safety, accountability and positive change for delinquent, dependent, at-risk children, and their families.</td>
<td>100%</td>
<td>Regional</td>
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<td></td>
<td></td>
<td></td>
<td>100%</td>
<td>Regional</td>
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<td></td>
<td></td>
<td>Services would not be affected by changes in municipal boundaries.</td>
</tr>
<tr>
<td>15.</td>
<td>Martin Hall</td>
<td>Multiple counties, entered into an interlocal agreement to renovate and operate Martin Hall as a detention and rehabilitation center of juvenile law offenders.</td>
<td>100%</td>
<td>Regional</td>
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<td></td>
<td></td>
<td></td>
<td>100%</td>
<td>Regional</td>
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<tr>
<td></td>
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<td></td>
<td></td>
<td>Costs reflect Spokane County’s ongoing costs of leasing beds in the Martin Hall facility. Services would not be affected by changes in municipal boundaries.</td>
</tr>
<tr>
<td>16.</td>
<td>Medical Examiner</td>
<td>A regional forensic medicine center striving for continued excellence in providing scientific, compassionate, and professional services in the investigation of unexpected death.</td>
<td>100%</td>
<td>Regional</td>
</tr>
<tr>
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<td></td>
<td>100%</td>
<td>Regional</td>
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<tr>
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<td></td>
<td></td>
<td></td>
<td>Services would not be affected by changes in municipal boundaries.</td>
</tr>
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</tr>
<tr>
<td>17.</td>
<td>Parks</td>
<td>Providing high quality parks, recreation, open space and cultural opportunities.</td>
<td>85% Regional; 15% Local</td>
<td>As a matter of policy, Spokane County provides both regional and local parks facilities. In concept, regional park department facilities include those facilities that serve large portions of Spokane County constituents. Regional parks include facilities like the Northside and Southside aquatic facilities and the Motorsports Park. Parks administration and maintenance costs are allocated based on Parks Department estimate of parks acres that are local and those that are regional. Costs for recreation programs are reflected in an enterprise fund, where they are supported by recreation fees, and are not reflected in this allocation of costs and revenues.</td>
</tr>
<tr>
<td>18.</td>
<td>Civil Service</td>
<td>Conducts recruitment, testing, and hiring for the Sheriff’s Office</td>
<td>58% Local; 42% Contract</td>
<td>Regional and local are based on 2009 commissioned Sheriff officers. Contract with City of Spokane Valley.</td>
</tr>
<tr>
<td>19.</td>
<td>Court Clerk</td>
<td>Responsible for processing and managing all Superior Court records and financial transactions, including Juvenile Court and Civil Commitment matters</td>
<td>100% Regional</td>
<td>Services would not be affected by changes in municipal boundaries.</td>
</tr>
<tr>
<td>20.</td>
<td>General Obligation Debt</td>
<td>Bond payments for general obligation debt.</td>
<td>100% Regional</td>
<td>Services would not be affected by changes in municipal boundaries.</td>
</tr>
</tbody>
</table>
### EXPENDITURES

<table>
<thead>
<tr>
<th>Row #</th>
<th>Department</th>
<th>Description of Services</th>
<th>Results</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>21a.</td>
<td>Transfer to Building &amp; Planning Fund</td>
<td>To support Long-Range Planning</td>
<td>50% Regional; 50% Local</td>
<td>Estimate of long-range planning issues.</td>
</tr>
<tr>
<td>21b.</td>
<td>Transfer to Campus Capital Improvements</td>
<td></td>
<td>100% Local</td>
<td>Would be affected by changes in municipal boundaries.</td>
</tr>
<tr>
<td>21c.</td>
<td>Transfer to County Road Fund</td>
<td></td>
<td>100% Local</td>
<td>Would be affected by changes in municipal boundaries.</td>
</tr>
<tr>
<td>22.</td>
<td>Treasurer</td>
<td>Maintains public funds.</td>
<td>100% Regional</td>
<td>Services would not be affected by changes in municipal boundaries.</td>
</tr>
<tr>
<td>23.</td>
<td>Counsel for Defense</td>
<td>Representation include adult felony crimes as well as juvenile crimes whether felony or misdemeanor.</td>
<td>100% Regional</td>
<td>Services would not be affected by changes in municipal boundaries.</td>
</tr>
<tr>
<td>24.</td>
<td>Pre-Trial Services</td>
<td>Assists the Superior and District Courts by determining a person’s eligibility for Public Defender.</td>
<td>63% Regional; 25% Local; 12% Contract</td>
<td>Allocations based on 2007 Pre-trial workload. Contracts with cities of Spokane Valley and Liberty Lake. Contracts are assumed to cover 100% of the departmental pro-rata share of Pre-trial costs.</td>
</tr>
<tr>
<td>25.</td>
<td>Probation</td>
<td>This department accounts for the General Fund contribution to the Probation Fund which provides supportive services to the Court.</td>
<td>100% Local</td>
<td>Would be affected by changes in municipal boundaries.</td>
</tr>
</tbody>
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<tr>
<td>26.</td>
<td>Prosecutor</td>
<td>The office of the prosecuting attorney is dedicated to assuring justice in the administration of civil and criminal cases. Also early case resolution, and unified drug court.</td>
<td>89% Regional; 7% Local; 4% Contract</td>
<td>Costs for prosecuting felonies, misdemeanors, infractions, and domestic violence cases are allocated to regional, local, and contract allocations based on FY 2008 Prosecutor caseload. Other regional services include unified drug court, community relicensing, early case resolution, family law, and civil commitment. Regional costs include County-wide felonies, civil commitment, early case resolution, and unified drug court services. Local and contract includes misdemeanor, infraction, and domestic violence cases. Contracts include City of Spokane Valley, City of Spokane, and Small Cities. Contracts are assumed to cover 100% of the departmental pro-rata share of Prosecutor costs.</td>
</tr>
<tr>
<td>27.</td>
<td>Public Defender</td>
<td>Includes basic Public Defender services as well as civil commitment, early case resolution, and unified drug court.</td>
<td>83% Regional; 11% Local; 6% Contract</td>
<td>Regional, local, and contract allocations are based on 2007 Public Defender caseload. Regional includes civil commitment, early case resolution, and unified drug court services would not be affected by changes in municipal boundaries. Contracts with City of Spokane Valley and Small Cities. Contracts are assumed to cover 100% of the departmental pro-rata share of Public Defender costs.</td>
</tr>
<tr>
<td>28.</td>
<td>SCOPE/SIRT M&amp;O</td>
<td>Community Oriented Policing &amp; Sheriff Incident Response Team</td>
<td>75% Local; 25% Contract</td>
<td>Based on Sheriff contract with City of Spokane Valley.</td>
</tr>
</tbody>
</table>
## EXPENDITURES

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<tr>
<td>29.</td>
<td>SCRAPS</td>
<td>County’s animal control</td>
<td>48% Local; 52% Contract</td>
<td>Allocation based on Jul 07 - June 08 Time Study of SCRAP services. Contracts with City of Spokane Valley and Small Cities.</td>
</tr>
</tbody>
</table>
| 30.   | Sheriff    | Provides law enforcement services. Much of the Sheriff’s Office provides local service. Another large component is contracted through Spokane Valley. A few distinct services are regional and certain services are provided regardless of jurisdictional boundaries and have been classified as “Other”. “Other” also includes programs that are jointly served in conjunction with the Spokane Police Department. | 2% Regional; 54% Local; 41% Contract; 2% Other | Under state law, the Sheriff has the authority (and ultimate responsibility) to provide law enforcement services in all areas of the county. In most instances, cities choose to take primary responsibility for provision of law enforcement within city boundaries, but if a city chose not to provide those services, the final responsibility would fall to the Spokane County Sheriff. Notwithstanding the Sheriff’s statutory responsibilities, in practice, the configuration of law enforcement in Spokane County is such that the Sheriff’s Office principally provides law enforcement services in unincorporated areas and via contract with cities. This means that most of the services the Sheriff’s Office provides would be affected by changes in municipal boundaries. Therefore, most of what the Sheriff’s Office does falls within the “local” and “contract” lines of business. **Regional Services:** Most regional services are provided through the Civil Division, which provides services to the courts including serving subpoenas, court orders, as well as evictions and protection orders. **Strictly Local Services:** Law enforcement services that were allocated 100% Local include:  
- Marine Unit – Enforcement of boating and marine restrictions in the unincorporated areas.  
- Reservists – Department volunteers  
- Explorers mentoring program  
- Traffic School – Traffic safety classes offered as an alternative to |
### EXPENDITURES

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- paying fines for motorists who receive minor traffic violations within the unincorporated area.

**Services Split Between Local and Contract:** The cities of Spokane Valley, Deer Park, Medical Lake, and Millwood contract with the Spokane County Sheriff's Office for provision of law enforcement services. A portion of services include personnel that are explicitly assigned to Spokane Valley. Spokane Valley pays the salaries and benefits of these personnel through explicit line items in their contract. These include:
  - Patrol;
  - Detectives;
  - Traffic;
  - K-9;
  - ISU; and
  - School Resource Officers – Four officers are assigned to serve unincorporated Spokane County schools and four are assigned to serve Spokane Valley schools.

In a parallel structure, the Sheriff's Office also has dedicated Patrol, Detectives, Traffic, K-9, and ISU resources that are principally occupied with providing law enforcement in unincorporated areas of the county. The cities of Deer Park, Medical Lake, and Millwood also pay a portion of these salaries and benefits.

Patrol services are also provided by the Sheriff's Office to the small cities of Fairfield, Latah, Rockford, Spangle, and Waverly. These cities pay a pro-rata share of patrol labor and non-labor costs based on population.

The County also contracts with the City of Deer Park for Deputy services.

Beyond these front-line staff, there are a number of support/command
## EXPENDITURES

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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>functions whose costs are shared between the County and the cities of Spokane Valley, Deer Park, Medical Lake, and Millwood. These services include:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Forensic Unit;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Garage;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Sheriff Office’s Budget, Accounting, and Admin/Clerical Support;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• 2 Undersherrifs;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Investigations and Crime Analysis;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Office of Professional Standards;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Radio (allocated based on dispatch activity);</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Gang Enforcement;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Spokane Incident Response Team (S.I.R.T); and</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Sheriff Community Oriented Policing Effort (S.C.O.P.E.)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Yet another category of Sheriff’s Office costs that are shared between the Sheriff’s Office and Spokane Valley are the maintenance and operation (M&amp;O) costs for:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Budget, Accounting, and Admin/Clerical Support;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Detectives, Patrol, K-9, ISU, and Traffic Investigation;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Training;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Fleet Lease;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Crime Check;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Radio</td>
</tr>
</tbody>
</table>
|       |            |                         |         | **Other Services:** The Sheriff’s Office provides certain services that are difficult to fit into a single “bucket” (i.e. they are difficult to characterize as regional, local, or contract). These services tend to have some combination of four defining characteristics:
## EXPENDITURES

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</tr>
</thead>
</table>

- They are services in support of local law enforcement;
- They may be partially grant-supported;
- They may be provided through a multi-jurisdictional partnership; and/or
- They might be candidates for contracted services (e.g. when a team responds to a small city or outside of the county) but costs of such responses are currently not recouped.

These “Other” services include:
- 2009 Meth Initiative;
- Federal Drug Enforcement (DEA);
- State Drug Enforcement (State-ISU);
- State grant-funded Washington Auto Theft Prevention Authority
- Helicopter costs; and
- Community Services.

Drug Enforcement within the County falls into three tiers. Local enforcement; State Enforcement (State ISU; Seizures); and Federal (Drug Enforcement Agency; DEA). Since much of the State and Federal services span beyond jurisdictional boundaries and we allocated these costs to “Other”.
<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>31.</td>
<td>Superior Court</td>
<td>Hears felony criminal cases, domestic/family law, juvenile and civil matters.</td>
<td>100% Regional</td>
<td>Services would not be affected by changes in municipal boundaries.</td>
</tr>
</tbody>
</table>
| 32.   | Communications   | Provides reliable communications, security, microwaves, and county-wide paging systems. | 4% Regional; 59% Local; 37% Contract | Allocated to regional and contract based on 2009 estimated billing revenues to the 911 Fund (regional), City of Spokane Valley (contract), and Small Cities (contract).  
Local includes support of General Fund local services. Local is also based on estimated billing revenues to the Utility and County Road funds. |
| 33-40. | Support Services |                                                                                       | 60% Regional; 22% Local; 17% Contract; 1% Other | Allocations for Admin Services, Human Resources, and Commissioners reflect that these departments support other funds beyond the General Fund. The level of support is based on General Fund and Non-General Fund FTEs.  
Information Systems allocations were based on departmental billings for 2008.  
Non-mail center Purchasing allocations were based on departmental FTEs within the General Fund and the services that these departments provide. Purchasing expenditures associated with the mail-center were allocated based on departmental mail-center billings for 2008.  
All other support services (Facilities, State Examiners, and Liability Insurance) were allocated based on FTEs within the General Fund and the services that these departments provide. |
### OTHER FUNDS WITH GENERAL FUND EXPOSURE

<table>
<thead>
<tr>
<th>Row #</th>
<th>Fund</th>
<th>Results</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 &amp; 4.</td>
<td>Building &amp; Planning Fund</td>
<td>9% Regional; 91% Local</td>
<td>Long-Range planning costs are deemed to encompass both local and regional components, although precise lines of distinction are difficult to identify. Lacking concrete lines of distinction, revenues (like long-range planning costs) are allocated 50% regional and 50% local. All other services are local. Revenues include General Fund transfer of $500,000 for Long-Range planning.</td>
</tr>
<tr>
<td>2 &amp; 5.</td>
<td>Geiger Fund</td>
<td>44% Regional; 11% Local; 45% Contract</td>
<td>Regional &amp; local represent General Fund’s share of Geiger’s expenditures. Contracts with City of Spokane, City of Spokane Valley, Small Cities (Medical Lake, Airway Heights, and Cheney), State Department of Corrections, and U.S. Bureau of Prisons.</td>
</tr>
<tr>
<td>3 &amp; 6.</td>
<td>County Road Fund</td>
<td>100% Local</td>
<td>Would be affected by changes in municipal boundaries.</td>
</tr>
</tbody>
</table>
### General Fund Summary

**Revenues**

<table>
<thead>
<tr>
<th>Source</th>
<th>Regional</th>
<th>Local</th>
<th>Contract</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund Revenues for Allocation</td>
<td>90,382,863</td>
<td>23,133,827</td>
<td>27,931,830</td>
<td>473,594</td>
<td>141,922,114</td>
</tr>
</tbody>
</table>

**Expenditures**

<table>
<thead>
<tr>
<th>Source</th>
<th>Regional</th>
<th>Local</th>
<th>Contract</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund Expenditures</td>
<td>87,566,283</td>
<td>30,074,936</td>
<td>29,619,563</td>
<td>636,329</td>
<td>147,897,111</td>
</tr>
</tbody>
</table>

**Net Surplus/(Deficit)**

<table>
<thead>
<tr>
<th>Source</th>
<th>Total General Fund Revenues</th>
<th>Other Funds with General Fund Exposure</th>
<th>General Fund Expenditures</th>
<th>General Fund Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Surplus/(Deficit)</td>
<td>2,816,580</td>
<td>(6,941,109)</td>
<td>(1,687,733)</td>
<td>(162,735)</td>
</tr>
</tbody>
</table>

### General Fund Expenditures & Revenues Not Allocated

<table>
<thead>
<tr>
<th>Source</th>
<th>Regional</th>
<th>Local</th>
<th>Contract</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures Not Allocated</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>General Fund Expenditures &amp; Revenues Not Allocated Total</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Collaborative Planning:
Implementation in Spokane County’s Metro Urban Growth Area

Spokane County ■ City of Spokane ■ City of Spokane Valley
City of Liberty Lake ■ City of Airway Heights ■ City of Millwood

December 2009