



State of the City Address 2010
City of Spokane
Mayor Mary B. Verner
February 12, 2010

VIDEO – CityCable 5 to roll video upon cue from Mayor; about 2 minutes.

It's just another day.

Day in and day out. Our City of Spokane employees are there for ***you*** in more ways than most of us consider very often.

Sure, it's easy to remember the folks who provide emergency medical response and fill potholes, but what about the ones who:

- Suction out clogged storm drains and replace broken water valves.
- Make sure our vendors and contractors are paid.
- Repair books to return them to library shelves.
- Guarantee you actually get a gallon of gas when you pay for one.
- Distribute and monitor federal grant money for affordable housing and human services.

Our employees take pride in what they do, and they care about the health of the City and the community. In an unprecedented economic downturn, the City of Spokane balanced its 2010 budget without layoffs and without significant service reductions.

We were able to achieve this victory because our employees gave up wage increases, changed benefits, and devised other ways to save the City money. We eliminated nearly half of our anticipated shortfall through these measures.

City employees, as a group, personify what I call the Spirit of Spokane. A somewhat intangible quality I see all around us. It is a feeling of community, of helping others, of banding together when times are tough. It is resilience and kindness and graciousness. It is who we are at our essence. It is Spokane.

Everett Dirksen, a Republican Senator from Illinois who helped craft the Civil Rights Act of 1964, wisely spoke:

“When all is said and done, the real citadel of strength of any community is in the hearts and minds and desires of those who dwell there.”

Our community is full of examples of those who represent the Spirit of Spokane. Allow me to point out a few:

- **Lorinda Knight.** Most of you know Lorinda. She hosted more than 100 exhibitions of artists' works in the Lorinda Knight Galley for some 16 years. Some exhibits were for commercial purposes, and some because Lorinda wanted to showcase some of the best art in the Northwest. She has been a driving force in the Davenport District, and the creation and growth of the Spokane International Film Festival (SpIFF), the Visual Arts Tour, and First Fridays. She also has been a huge supporter of the MAC, and among other things, donated a sizeable collection of Rick Singer photographs to the museum. She has been tireless.
- **Steve Dahlstrom.** Steve, of course, is president and CEO of Spokane Teachers Credit Union. He exemplifies business engagement in the civic life of our community. As leader of the largest credit union in Eastern Washington, he takes his business into our community and supports a myriad of programs that create opportunities for our citizens. Steve has served as chair of the Spokane Area Workforce Development Council and on the Executive Committee of GSI and understands the linkages between a healthy economy and a skilled workforce. One example of Steve's support in our community is the Focus Scholarship program that STCU funds and annually provides \$3,000 scholarships to career and technical education high school students who will continue their education beyond high school. Steve is a strong force for strengthening our community, and
- **Nancy MacKerrow.** Since her daughter, Susie Stephens, passed on in 2002, Ms. MacKerrow has been planting trees in honor of her daughter, naming her project: "The Susie Forest." To date, there have been approximately 100 *Susie Forest* trees planted in Spokane, as well as in Canada, Australia, New Zealand, Iran, and other locations. Nancy tells us, "Susie was a believer in livable cities, so I started planting trees in her memory."
- **Sophie Tonasket.** Sophie is another tireless contributor to our community. She has been the Director of the American Indian Community Center for more than 23 years, bringing in more than \$1 million in grant money to provide vital human services to thousands of Native and non-Native individuals in our community. Her nurturing spirit and unwavering support for the center and the community have left an incredible legacy.

These people are quiet heroes. They don't think about being a driving force; they just are. For them, it's just another day.

From these heroes, we at the City will take our inspiration for the coming year. As we go about our business in 2010, we are going to provide all the programs and services you've come to expect from us, while pushing ahead in creative and innovative ways to achieve a balanced budget for the following year —and pave the way for the future.

Basically, we're going to take to heart the old adage:

“Be like a duck - calm on the surface, but always paddling like the dickens.”

We're going to be paddling like the dickens:

- Developing new ways of doing business.
- Maintaining our financial strength.
- And, bolstering our local economy. (Which has to be about creating jobs!)

New Ways of Doing Business

The reality of today is that we must change if we are to stay healthy and strong for the 205,000 citizens of the City of Spokane. We're going to be tackling big issues that reduce costs while reforming how we deliver services.

Of course, we already started on this path. While our budget situation restricts our ability to add or expand programs, it does not limit our ability to be creative and solution-oriented. In fact, the situation demands it.

Our **Employee-Led Innovation (ELI) program** is one of these strategies. Adapted from Lean SixSigma techniques used very effectively in the private sector, Employee-Led Innovation is designed to make us more nimble and move our focus to “value-added” activities for our citizens. Ideas for making us better and more efficient will come from our employees—those who know the work best.

For example, employees in the Police Department brought forward changes that resulted in **overtime savings of \$485,000** in 2009, along with another \$125,000 from changes to training, shifting, and cell phones, and creating a single point of contact for court appearances by officers.

We saved \$15,000 in the cost of **recycling glass**, trying employees' ideas to crush the glass into aggregate for paving streets. We used this aggregate mix as part of the reconstruction of Market Street. And, another \$4,000 a year comes from recycling the refrigerant, Freon, captured at the Fleet Services Department.

At the Library, we reopened the **Downtown Branch on Mondays** last month, thanks to savings that resulted from adding self-checkout machines. We've reduced the turnaround time in the bindery area by four weeks, which means more books are on the shelves and ready to be checked out.

We expect to **save about \$250,000 annually on overtime costs** at solid waste transfer stations by restructuring a confusing schedule of extended hours (that were not being used by many customers) with a standardized schedule that better fits those customers' needs. We've already posted a \$28,000 savings with security-related changes at the transfer stations, too.

We're streamlining the somewhat mundane processes of government, saving steps when we process contracts, arrange business travel, and forward items for the City Council agenda.

We're headed to other projects now, including: **re-routing of garbage trucks** to save time and fuel; revising plan review and permit processes to aid our customers; and, improving debt collection.

Meanwhile, we continue to pursue models to bring us long-term budget change. Multiple local governments provide parallel services that may make sense to combine. It is prudent to explore these ideas now to ensure our local governments can continue to provide the services our citizens need.

With the County and the Sheriff, we're fleshing out a comprehensive approach to criminal justice, to minimize jail costs and provide alternatives to incarceration, while remaining tough on crime.

At the City, we adapted quickly and organized pilot **alternatives to incarceration** when Spokane County eliminated electronic home monitoring, day reporting, and similar programs in the County's budget cuts for 2010. Alternatives are especially efficient for the group we are responsible for—misdemeanants. Work crews, supervised by the Department of Corrections, get value from offender labor while imbuing job and social skills to reduce recidivism.

The new "blended" daily rate at the County Jail is \$120 a day. We must reduce this cost, and the City, County, and Sheriff are committed to finding solutions.

As I mentioned, with County budget cuts, the City is piloting an **electronic home monitoring** program out of our Municipal Probation Department with project employees, starting in the second quarter of the year. Our **day reporting** program also will start this month, in collaboration with the Community Colleges of Spokane, Spokane Federal Credit Union, Spokane Public Library, and SNAP. The program will provide a series of basic life skill courses—everything from resume writing to budgeting to anger management.

These programs follow our very successful establishment of the **City Municipal Court**. We're streamlining docketing. Police officers are inserting court dates right on tickets, saving the step of coming to court to get a court date. We're adding more convenient times for our customers.

Saturday Court sessions for mitigation of tickets began in December. In three Saturday afternoons, nearly 100 people had their cases resolved, at a time that was convenient for them! The Municipal Court motto is "Better Justice Sooner." And, our judges—who were elected by City voters during the November election—are continually seeking improvement across the criminal justice system.

Opportunities for efficiencies and collaboration don't stop with the criminal justice system, of course. We are exploring ways to further collaborate communitywide in the areas of **housing and transitioning people from homelessness**.

Ron Sims, former Spokaneite and King County Executive, who now works as Deputy Undersecretary for the U.S. Department of Housing & Urban Development (HUD), tells us that federal funds we rely on will be awarded through much more competitive processes, and only regions that collaborate among jurisdictions will successfully compete for federal funds.

We already are working collaboratively in this area, of course. Following the work of the Regional Affordable Housing Task Force in 2008, an implementation group is meeting monthly to continue work on these issues. There has been progress. During 2009, an additional **170 affordable housing units** in four projects were opened through collaborative partnerships that included the City, Spokane County, financing institutions, and development organizations.

We also can benefit from broader thinking around infrastructure projects.

With the Street Bond project to **rehabilitate Market Street from Garland to Francis**, we acquired grant dollars and put together LIDs, allowing us to pave dirt streets, upgrade water service lines to businesses, and replace sidewalk and curbing in the Hillyard neighborhood. This significant investment will help revitalize the Hillyard business district and build long-term potential for private investment.

On **Lincoln Street**, we worked with neighbors and developed a project that addresses neighborhood concerns around stormwater, planting strips, pedestrian and bicycle safety, and traffic calming. We delayed the project a bit, with the bulk of the work now planned for this spring, but we have a superior project that even solves the leaky pond in Cannon Hill Park to save drinking water.

This kind of collaboration will naturally grow toward a concept of **“complete streets”** that considers how people move, whether in or out of motorized vehicles.

Most of you have heard me speak of the value of collaboration. Our very successful collaborative effort toward the **West Plains annexation** is a model for the state. Spokane County, Airway Heights, and the City of Spokane spent a year in meetings that culminated in an unprecedented joint legislative session of all three jurisdictions where the interlocal agreement for the annexation was adopted.

Another good example of collaboration is the Fire Department's **CARES program** to help those who routinely call 9-1-1 to get basic assistance. The Fire Department now links EWU social work students with EMS incident patients to arrange appropriate social service programs. This assists the patients and reduces emergency response calls by Fire and EMS personnel.

None of this is easy, though. Collaboration doesn't just happen. It takes real work.

Have you ever seen the get-fit-quick ads that say “Completely tone up in 10 minutes a day with a few easy exercises . . .”? Sounds good! Until we read the fine print: “For better results, add 30 minutes of cardio 3 to 5 days a week.” The concept is easy, but real results require hard work.

Likewise with adopting new ways of doing business to give you, our citizens, a bigger bang for your buck. The concepts are easy. But achieving results requires us to put in the work.

Maintain our Financial Strength

Speaking of hard work ... the City's heaviest lifting has gone into maintaining our financial strength.

Late last month, Standard & Poor's announced that they had upgraded the **City's bond rating to a “AA”** from a “AA-”. That sounds easy -- just remove the minus sign, right? But this rating improvement was predicated on hard work we've done over the last few years, budgeting conservatively, building reserves, and adhering to strict financial policies.

Later this year, when we sell the last of the bonds associated with the \$117 million 10-Year Street Bond that was passed in 2004, we expect to see an immediate reduction in our interest rate of 20 to 40 basis points, as a result of our improved bond rating change.

The ability to deliver needed infrastructure projects depends heavily on our ability to obtain necessary financing at an interest rate we can afford. What kinds of projects?

In 2009, we undertook more than **40 significant public construction projects, totaling \$60 million**—that's economic stimulus! We rehabilitated Five Mile Road, Southeast Boulevard, 37th Avenue, and Market Street, to name a few. We have another 40 projects totaling \$61 million slated for 2010.

Our bonded projects also include facilities that improve our quality of life. **Six new swimming pools** will be ready come June. Sports playfields, spray pads, and other recreational facilities at the Albi Complex will be completed throughout the summer.

Other projects keep our environment healthy and meet the requirements of regulators—including hundreds of millions of dollars in improvements that are required for our **wastewater and stormwater systems**.

Financial stability clearly is important when we ask voters to support various measures that include a cost to them.

This year, we will ask you to approve the **continuation** of the **City's EMS Levy**. This levy provides basic emergency response to our citizens. The cost will remain at 50 cents per \$1,000 of assessed property value, and it must be renewed every six years. This levy will raise about \$8 million annually for things like first medical response, firefighter EMTs and paramedics, and field medical supplies. To put the need for dollars in context of the need for services, our Fire Department responded to more than 23,000 EMS incidents in 2009. I urge you to support this measure.

Maintaining our financial strength requires ongoing vigilance. We are coordinating and leveraging **nearly \$20 million in federal stimulus funding** that we've either received or will receive in the near future, and we continue to apply for competitive dollars through the stimulus program.

With stimulus funds from the Department of Energy, we are engaged in a collaborative project with Avista to provide home energy audits to help our residents save money on their utility bills. Using federal funds, we're paying for energy upgrades in City facilities, programs to prevent homelessness, public safety programs, extensions of technology, and transportation projects.

As in important aside, federal and state funds for transportation projects are shrinking, leading us to defer necessary maintenance. Two million dollars of the City's \$10 million budget challenge results from street maintenance needs now unmet due to declines in **Real Estate Excise Tax**, with no other source of replacement funding. We must address this challenge at a local level.

The City is working with other local jurisdictions to develop **regional transportation funding mechanisms** for major capital projects and ongoing maintenance and operations. We have made progress focusing on solutions within reach, including a transportation benefit district and street utility concept.

In 2009, we completed our first-ever comprehensive **utility rate study**, ensuring we have a long-term plan to pay for capital and operational needs while being accountable for reasonable utility rates.

And on top of our to-do list this year is completion of a **capital facilities plan** for General Fund assets. This will help us address pressing facility needs – from a regional animal control facility to a structure to house irreplaceable law enforcement evidence that is crucial to prosecuting criminal cases.

Internal financial vigilance has included completing a **dependent care audit** within our medical insurance coverage to ensure we weren't covering people who didn't qualify for our plan. We have centralized our accounting processes and personnel to provide greater controls over taxpayer and ratepayer dollars.

Our focus on the City's financial health is imperative. We all rely on the critical services provided by the City, and they all have dollars associated with them.

Through **vigilant financial planning**, we have been able to do things like:

- Add a Bike-Ped Coordinator to help us transform our streets into a multimodal transportation system;
- Add and fill the Police Ombudsman position; and,
- Restore Crime Check.

We're also able to improve delivery of the basics, from adding dual-armed garbage trucks, to shared bike lanes called "sharrows" on 37th Avenue and Southeast Boulevard, to launching a new snow removal plan.

A healthy balance sheet helps keep the City moving, so our citizens can rely on us and know we are there, day after day.

Bolstering Our Local Economy

Supporting the City's private economy is equally important. Especially when activity is sluggish, businesses need stability in local government in order to maintain an economy that is sustainable and predictable for citizens. We want to encourage growth according to the Comprehensive Plan, attract and grow businesses that are sustainable, and build on our strengths.

We certainly are affected by national and international conditions, and our revenues have dipped markedly. But we're still celebrating the successes of our local businesses, including the opening of North Town Square, Grassroots Salon, Cassano's Market, the new downtown Main Street Co-Op, and others. The Lighthouse for the Blind won the Governor's Aerospace Company of the Year award. **Our local businesses are to be commended** for smart management and good judgment to weather these times.

We are working to create an environment that encourages job creation and retention for the people of Spokane.

The U.S. Conference of Mayors unveiled a report last month on the economies of the nation's 363 metropolitan areas. The report says Spokane ranks 110th among metropolitan areas with a **gross metropolitan product of \$17.6 billion** in 2009. That's good.

The study also says that Spokane's peak employment was in the first quarter of 2008. Since then, Spokane has lost 9,200 jobs, a decline of 4.2 percent. The report anticipates that Spokane won't return to peak employment until the first quarter of 2012. That's still a couple of years away and requires our ongoing diligence to make that mark.

Our **Workforce Development Office** certainly is doing its part. In 2009, they enrolled more than 1,150 people in employment and training programs, placed 402 into jobs earning between \$13 and \$16 an hour on average, and provided 450 youth between the ages of 16 and 24 with jobs through the Summer Youth Employment Program.

City Council soon will vote to accept a state workforce grant for \$1.4 million to train workers in high demand occupations related to **clean technology and energy efficiency**.

Through a Renew Washington grant, we've been able to open our computer lab in the Downtown Library as a **WorkSource Connection** site, assisting those looking for work.

Of course, the City's primary role in job creation is to support business, and we've made considerable strides this year.

Take the University District, for example, where we have developed the **University District Revitalization Area**, a mechanism like tax-increment financing that will help bring new public infrastructure projects, including the **Division Street Gateway** and the **new pedestrian/bicycle bridge** over the railroad viaduct.

Also in the University District, we will break ground in the spring on the **Riverside Avenue Extension Project**. I thank you for your support to rename this section of street after **Dr. Martin Luther King, Jr.**

The University District is an example of our strategy called **Targeted Area Development**. Because we have limited resources, we are focusing our efforts in key areas where we believe there are immediate potentials and partnerships already in place. The expanding effect of the University District into the **East Sprague International District**, where Impact Capital is applying resources, is an example.

Other 2010 target areas include the **East Hillyard industrial area**, and the **West Plains "Energy District,"** that includes Airport Industrial Park properties adjacent to our Waste-to-Energy facility.

We are continuing to promote and develop green and sustainable businesses. As a community, we have added **clean technology and energy efficiency** as our third priority industry cluster. It joins aerospace and health care.

And an important by-the-way: All of us owe a large debt of gratitude to those working diligently, and successfully, to expand the **WWAMI program to a full 4-year medical school**. This will catalyze growth in Spokane's health care sector at precisely the moment in history when health care is burgeoning as a growth industry nationwide. As we see simultaneous national and international interest in the clean energy economy, we are positioning Spokane's clean energy cluster for exponential growth. Spokane was selected for the U.S. State Department's **Asia Pacific Partnership**, through which we are seeking international business partners to share technology and grow jobs. And we

continue to recognize and promote the expansion of our Spokane-based clean energy/clean-tech companies.

Accepting responsibility to walk our own talk on energy efficiency, the City is taking a number of steps. A couple of examples from a long and growing list:

- The City purchased a product that **optimizes power consumption** of our PCs and monitors. With 1,300 computers, we're expecting some power savings!
- And the Water Department has created an **"energy tracker" program** that's monitoring energy use in all Water Department facilities.

The lists go on of common sense actions that are good for the environment, good for the economy, and save taxpayer dollars.

And as I mentioned earlier, we reinvest local revenue in local companies.

Spokane-area contractors bid competitively and are awarded most of our large construction projects, from design to ribbon-cutting. And in our energy-efficiency efforts, we are pleased to find local suppliers have just the products we need for meter reading and network upgrades.

To pursue these and other initiatives, and to better serve Spokane's businesses, we are becoming more nimble in our organizational structure. Earlier this month, I implemented **organizational changes** to combine our Engineering Services, Building Services, and Planning functions, creating a one-stop shop for developers and builders. We're breaking down silos so we can help businesses grow.

Conclusion

2010 will not be an easy year for our business community or for City government. We face another enormous budgetary challenge as we work toward a balanced 2011 City budget. We are facing a shortfall for 2011 of about \$10 million, according to the City's Finance Division.

But we have plans in place and work under way to take control of this situation for the health of the City and the community.

My son, Daniel, is playing youth hockey these days. As you would imagine, I've been spending a lot of time sitting on hard seats in cold rinks, rooting for the team, and there on the cold bleachers I have learned a thing or two.

One of the greatest lessons came from the kids' coach helping the players shake off a hard check or a bad fall. Coach says: "Take the hit, then make a goal with the puck."

The hit in our case is the dismal economic forecast for the foreseeable future. We have no choice but to take this hard hit. It came, and we took it. But we at the City are ready to take the puck and score for our community.

We're:

- Developing new ways of doing business.
- Maintaining our financial strength.
- And, bolstering our local economy.

That's what makes sense. That's how I am spending my time this year. I hope you will join me in these efforts, in the Spirit of Spokane, for the good of the community, our economy, and our citizens.

Thank you!