



Legislative Department
Seattle City Council
Memorandum

Date: October 22, 2014
To: Councilmember Nick Licata, Budget Committee Chair
From: Kirstan Arestad, Council Central Staff Director
Subject: Budget Matters: Cross-Cutting, Issues that Don't Require Full Issue Papers; and Topics/Departments for Which Concerns Were Not Identified

This memo summarizes budget issues indicated below. These topics will be presented for discussion on the first day of "Issue Identification" for Council's direction regarding them.

Cross-Cutting Issues: A general budget issue or issue affecting more than one department. (Pages 1 – 7)

Topics that Don't Require Issue Papers: Topics requiring issue papers will be discussed separately. (Pages 7 – 8)

Topics/Departments for Which Concerns Were Not Identified: Changes in the Mayor's proposed budget are consistent with Council's policy direction or primarily technical or housekeeping in nature. (Pages 8 – 23)

I. **Cross-Cutting Issues**

A. ***Proposed 1.5% General Subfund (GSF) Underspend – Kirstan Arestad***

The Mayor's 2015-2016 proposed budget assumes departments will spend 1.5 percent less than their GSF appropriations in both 2015 and 2016, or underspends of \$15.8 million and \$16.1 million respectively.

Staff Analysis: The Mayor's generalized approach to balancing the budget raises the following issues (specific concern underlined):

- The proposed underspend is a City-wide GSF target that is not detailed by department and budget control level (BCL). The Mayor has not stated what programs would be cut in order to achieve the targeted underspend. The annual budget process articulates the City's spending priorities in a manner transparent to the public, but the proposed underspend approach does not provide clarity and delays making difficult choices.
- This Mayor and previous administrations have typically implemented Council budget priorities. This Mayor indicates that he would also do so. Nonetheless, the underspend

approach raises at least the possibility that the Council’s changes to the Mayor’s proposed budget will not be implemented by the Executive. Because the Mayor is not legally required to spend Council-approved appropriations, some or all of the Council’s budget priorities could become part of the yet-to-be-identified cuts.

- The underspend is inconsistent with past City budget practices that achieved a balance between estimated revenues and reasonably anticipated expenditures. As described in Table 1, the Other Reserves category consists of planned spending that is not appropriated. It is therefore true that the proposed *appropriations* do not exceed estimated revenues. However, the Mayor would not have set aside the Other Reserves if there were not a compelling reason to expect most or all of the Other Reserves to be spent.

Table 1 - Mayor's Proposed Budget (\$ in millions)		
General Subfund (GSF)	2015 Proposed	2016 Proposed
A. Beginning Fund Balance	\$ 33.1	\$ 39.6
B. Revenue Forecast	\$ 1,039.5	\$ 1,080.0
C. Appropriations	\$ (1,048.8)	\$ (1,067.8)
D. Expected Underexpenditure Savings	\$ 15.8	\$ 16.1
E. Ending Fund Balance	\$ 39.6	\$ 67.9
F. Other Reserves (not appropriated)	\$ (31.0)	\$ (67.9)
G. Ending Unreserved Fund Balance	\$ 8.6	\$ 0.0

- A. **Beginning Fund Balance** is the total available cash from the previous year.
- B. **Revenue Forecast** is the total revenue expected for the year for the GSF.
- C. **Appropriations** reflect the Mayor’s proposed spending level for Council authorization.
- D. **Expected Underexpenditure Savings** (assumed underspend) is the overall GSF underspend assumed in the proposed budget (the proposed budget does not indicate how this would be accomplished).
- E. **Ending Fund Balance** is the sum of Lines A, B, C, and D.
- F. **Other Reserves** is the anticipated costs for which the Mayor was not yet ready to request appropriation authority.
- G. **Ending Unreserved Fund Balance** is sum of Line E and Line F.

The Mayor’s assumed underspend approach is not detailed by department or program. Therefore staff believes this approach is not transparent to the Council, the public, or the affected departments. The proposed budget instead delays making the difficult choices about spending priorities.

The Mayor can make a pragmatic case that assuming an underspend in the annual budget adoption process is consistent with the trend of actual GSF underspending in recent years. (See Table 2) The Mayor may also argue that not having a specific underspend plan will allow departments to avoid layoffs towards the beginning of the year that could prove unnecessary if by December 31 departments have achieved the required general underspend target of 1.5%.

As shown in Table 2, the CBO indicates that in aggregate, City departments routinely spend less than their annual GSF appropriations. We are aware that in some years unforeseen situations made it difficult for some departments to spend all of their authorized appropriations such as filling positions which resulted in vacancy saving. However, in other years (e.g., 2012), the Executive has had to specifically direct departments to underspend mid-year in order to conform to reduced revenue projections.

Table 2 – GSF Lapsed Appropriations*

	2010	2011	2012	2013
Revised Budget	\$928.8 M	\$900.1 M	\$964.3 M	\$996.7 M
Actual Expenditures	\$904.7 M	\$877.4 M	\$925.1 M	\$965.9 M
Lapsed Appropriation	\$24.1 M	\$22.8 M	\$39.3 M	\$30.8 M
Percent Lapsed	2.6%	2.5%	4.1%	3.1%

Source: CBO

**Central Staff is unaware of any previous instances in which the City has included a similar underspend assumption in its annual budget adoption. However, King County’s budget has included underspend assumptions, but their required underspend targets were clearly shown in the budget for each department. Even if the Mayor’s proposal did allocate the overall underexpenditure between individual departments (which it does not), it would still not be clear to the Council or the public what programs those departments would cut if a detailed underspend plan by department is not provided.*

Options for Council’s Consideration:

1. Council could approve the Mayor’s underspend approach as proposed.
2. In keeping with the City’s customary practice of writing budgets, the Council could work with the Mayor over the next two weeks to identify a package of specific spending revisions by department and BCL equivalent to the assumed underspend in the Mayor’s Proposed Budget (\$15.8 million in 2015 and \$16.1 million in 2016).
3. In recognition of the difficulty of accomplishing Option 2 within the next two weeks, Council could impose a blanket, proportional revision to GSF appropriations in all departments and BCLs with GSF. The Council would then work with the Mayor over the next several months to identify and adopt a package of updated revenue forecasts and spending revisions by department and BCL equivalent to the assumed underspend.

B. Current Work on Gender Equity Continuing in 2015 – Patricia Lee

In 2013, the City convened the City of Seattle Gender Equity in Pay Task Force (Task Force) to examine disparities in pay at the City of Seattle and look at the causes and manifestations of gender wage disparity across City Departments. The Task Force's report recommended the City analyze its jobs and employment practices and consider ways to increase gender equity in compensation, in policies and benefits supporting family friendly workplaces, and in leadership development.

In Resolution 31524 the City affirmed its commitment to gender and racial equity, in particular the intersections of race and gender, and requested that the Seattle Department of Human Resources (SDHR) and the Seattle Office of Civil Rights (SOCR) lead the City's efforts on gender equity.

Following is a summary of the status of current work in a variety of related areas:

- **Gender and Race Pay Equity Study.** The Seattle Department of Human Resources (SDHR) has contracted with a consultant to conduct a gender and race pay equity study. This report should be finalized by the end of 2014.
- **Paid Parental Leave study.** SDHR has contracted with a consultant to review the City's existing parental leave policies and devise potential options to implement a paid parental leave program in the city. The study will also examine what other public and private jurisdictions do in this regard. The consultant's work is expected to be completed by the end of 2014.
- **Recruitment.** SDHR has hired a Gender Equity Recruiter to address gender and racial equity gaps through recruitment and outreach.
- **Training.** SDHR has hired a Gender Equity Training Facilitator to develop training and other strategies to address gender equity in the workplace. SDHR and Seattle Office of Civil Rights (SOCR) are developing strategies and ways to incorporate gender and racial bias awareness into new employee and supervisor training.
- **Leadership.** SDHR has hired a consultant to assist in the development of a leadership program for underrepresented employees.
- **Citywide efforts.** SDHR and SOCR co-lead the City's workplace equity Planning and Advisory Committee (WEPAC) which provides an opportunity for City HR staff to share expertise and develop policy.

Funding and Staffing: The Mayor's Proposed Budget does not include new funding for the City's work on gender equity; the work will continue to be funded by the prior \$1.4 million appropriation in 2014.

Table 3 shows the City’s use of this \$1.4 million in funding in 2014, and proposed use in 2015 and 2016.

Table 3: Proposed Spending on Gender Equity Issues

Staffing & Consultants	2014	2015	2016
SDHR Staffing	1 FTE – Strategic Advisor 2 (SA2) - Gender Equity Recruiter (\$68,863 – partial year) 1 FTE – SA2-Gender Equity Leadership Development Facilitator (\$68,863 – partial year)	1 FTE – SA2-Gender Equity Recruiter (\$138,000) 1 FTE – SA2-Gender Equity Leadership Development Facilitator (\$138,000)	1 FTE – SA2-Gender Equity Recruiter (\$138,000) 1 FTE – SA2-Gender Equity Leadership Development Facilitator (\$138,000)
SOCR Staffing	1 FTE – SA2 – Gender Equity Strategist (\$68,863 – partial year)	1 FTE – SA2 – Gender Equity Strategist (\$138,000)	1 FTE – SA2 – Gender Equity Strategist (\$138,000)
Consultant on employment data	\$150,000 (SDHR)		
Consultant on Paid Parental Leave study	\$100,000 (SDHR)		
Consultant on Leadership Training		\$50,000 (SDHR)	\$50,000 (SDHR)
Annual Spending	\$456,589	\$464,000	\$464,000
Cumulative Spending	\$456,589	\$920,589	\$1,384,589

C. Priority Hire – Patricia Lee

The goal of the proposed Priority Hire Program is to increase access to employment and careers in the construction industry for those individuals who have historically faced barriers in obtaining this work, such as women, people of color and otherwise disadvantaged individuals, particularly those who are also Seattle residents.

In September 2013, the Council and Mayor created a Construction Careers Advisory Committee (CCAC) composed of community, labor, general contractors, sub-contractors, minority contractors, women and minority business owners, a policy expert and apprenticeship training providers. The CCAC was asked to recommend to the Mayor and Council policies, programs and resources needed to increase career opportunities for underrepresented workers on public works projects funded by the City of Seattle. The CCAC

met during 2013 and 2014 and produced a final report which was submitted to the Mayor and City Council in July 2014.

The Mayor transmitted an ordinance in September 2014 which encompasses several strategies to increase construction career opportunities for those historically underrepresented individuals. These strategies include:

- investments in pre-apprenticeship programs and assistance to participants;
- investments in outreach and recruitment to potential workers; and
- staff to implement the requirement that city funded construction projects over \$5 million have a project labor agreement that includes a requirement that a certain percentage of work be performed by priority workers (i.e., those living in economically distressed areas). It is estimated to affect 17 projects in 2015.

The Council's Housing Affordability, Human Services and Economic Resiliency Committee had an initial briefing on the proposed ordinance at its September 18 meeting and will resume its analysis, discussion and legislative action in December.

Issue:

The fiscal note accompanying the Mayor's proposed ordinance estimates a higher implementation cost in 2015 and 2016 than what is in the Mayor's proposed budget.

Year	Mayor's Proposed Budget	Fiscal Note	Difference
2015	\$727,162	\$978,833	\$251,671
2016	\$678,962	\$1,198,389	\$519,427

In 2015 the difference will mean 4 FTEs instead of 6 FTEs will be hired to implement the program. The pre-apprenticeship coordinator and worker recruitment/referral work will be done by one staff member not two; there will be two field enforcement staff instead of three; and \$20,000 less for data collection and \$30,100 less in administrative costs (e.g., personnel start-up costs).

In 2016, four FTEs instead of eight FTEs will implement the work with one less field enforcement officer; an ombudsmen staff person will not be added; and \$36,100 less in administrative costs (e.g., personnel start-up costs).

Options

1. Approve the Mayor's Proposed Budget. This is the first year of implementation, and with the need to develop the program may not need a full year of funding.
2. Add \$251,671 in 2015 and \$519,427 in 2016 to provide the funding estimated in the fiscal note.
3. At the time the legislation authorizing the program is adopted by Council, amend the 2015 budget to reflect the staffing needed to implement the program as it is defined in the legislation. (Staffing levels will vary depending on how key policy parameters that will likely be points of debate when Council considers the legislation.)

II. Topics that Don't Require Issue Papers

A. *City Budget Office (CBO) - Traci Ratzliff*

CBO is proposing to reclassify an existing Administrative Specialist III (AS III) position to a Strategic Advisor II position. The net funding increase would be \$60,000 in GSF. It is unknown what the workload for the new SA II position is at this time. If the AS III position was abrogated and the new position was not added, the resulting savings would be \$133,000.

B. *Finance General – Traci Ratzliff*

2014 Reserve for Human Services Funding Backfill - \$225,000 is not expected to be expended in 2014 as potential State policy change impacting case management services for seniors has been postponed. The \$225,000 included in the proposed budget as 2014 Finance General reserves is no longer needed. This increases the effective amount of available unreserved fund balance in General Subfund and can be spent on other City priorities.

C. *Criminal Justice Contracted Services – Dan Eder*

The proposed budget would add \$500,000 in GSF to reduce misdemeanor caseloads for public defenders. The proposal recognizes the need for the City to comply with new 2015 public defender caseload staffing standards pursuant to a 2012 Supreme Court ruling. The City will need to pay the full, actual cost of public defenders working on City misdemeanor cases.

The City will be obligated to pay the full cost of public defense related to misdemeanor offenses. However, there is uncertainty about the projected costs, as the projected costs are dependent on a forecasted number of misdemeanor cases that are filed and

prosecuted. The number of misdemeanor cases fluctuates from year to year, and there has not been a linear trend over the past five years.

CBO estimates that 2015 costs will be between \$260,000 and \$500,000, and the proposed budget includes the high end of this range. The Council could cut \$120,000 GSF from the budget by assuming a mid-range estimate of \$380,000.

D. *Office of Intergovernmental Relations (OIR) – Dan Eder*

OIR has proposed adding \$148,000 GSF in 2015 to increase staffing by 1 FTE (from current 10.5 FTEs to a new total of 11.5 FTEs) to work on international business development. The proposed new position would develop, facilitate and track international business opportunities, innovation hubs, foreign direct investment and international funding for business venture with the City of Seattle.

E. *Duwamish Opportunity Fund – Meg Moorehead*

Public discussions of Seattle’s Duwamish Superfund clean-up have identified substantial social and economic needs in the communities along the river. Because many of those needs cannot be addressed through the federal Superfund regulatory process, the 2014 budget established a \$250,000 Duwamish Opportunity Fund in Finance General. The Fund supports efforts by Seattle, other jurisdictions or community organizations to improve the quality of life and restore the health of Duwamish area communities. Establishing criteria for using the Fund and seeking community proposals have been the primary focus in 2014. Funding for selected projects likely will be awarded in November. The proposed budget includes \$250,000 in Finance General for the Fund in 2015. It includes \$0 for 2016 because the Mayor wants to see results from the first two funding cycles to judge whether the Fund is the best way to meet community needs. However there may be Council interest in adding dollars in 2016.

III. Topics/Departments for Which Concerns Were Not Identified

A. *Seattle Public Utilities – Meg Moorehead*

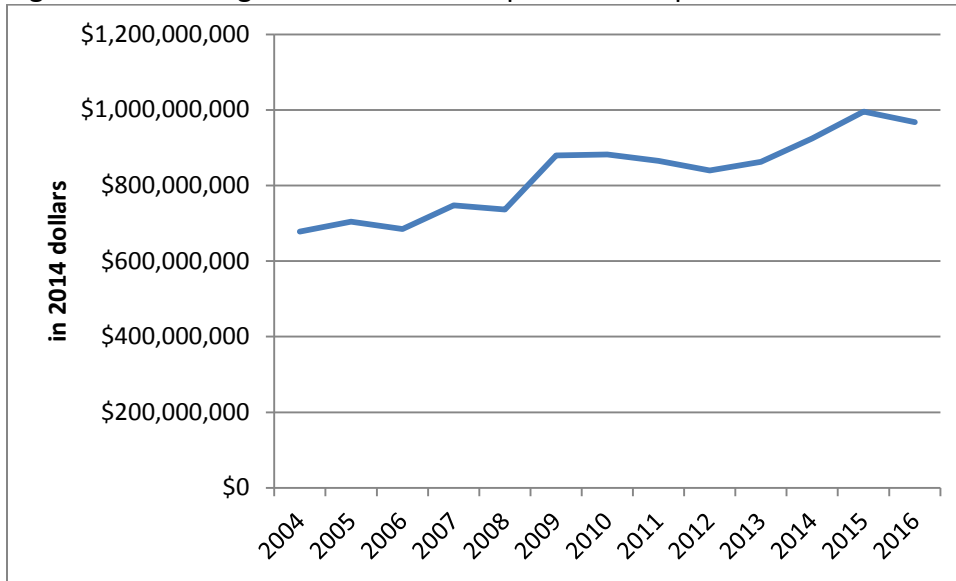
When you turn on a faucet in Seattle, drain a bathtub, put out the trash, or watch rain run off your yard into a storm drain, you are using a Seattle Public Utilities (SPU) service. SPU comprises over one-fifth of the proposed 2015-2016 City budget.

The 2015-2016 budget proposes for the first time SPU spending of over \$1 billion per year. SPU’s proposed 2015 budget spends \$91.4 million more than approved for 2014 and adds 35.5 FTE, of which 25.5 are pre-approved positions and 10 are new positions to implement the recently approved SPU Strategic Plan. The Plan includes base services, efficiencies and

service expansions that will result in average annual combined rate increases of 4.6% from 2015 through 2020.

The proposed SPU budget continues a long-term trend of increases above the Consumer Price Index (Figure 1). Sixty percent of spending is on O&M activities, with 25% allocated to the capital program and the rest spent on debt service. The proposed 2016 budget is slightly lower than 2015 due largely to completion of a once-in-a-generation effort to rebuild the City's solid waste transfer stations.

Figure 1: SPU Budgets: 2004-2014 Adopted and Proposed 2015-2016



TOPICS OF INTEREST

1. **Differences from the Strategic Plan.** Late-breaking changes in budget assumptions for retirement contributions and other factors resulted in a proposed SPU 2015 budget that is \$1.1 million more than assumed in the adopted Strategic Plan. The change means that combined SPU rates will increase 0.2% more in 2015 due to a Solid Waste rate increase in April 2015. Estimated differences in 2016 represent a 0.6% higher combined rate increase than shown in the Plan. As a result, the typical single-family monthly bill is estimated to be 40 cents higher in 2020. SPU plans to make adjustments in future years so that the average annual combined rate increase at the end of six years will meet the 4.6% target set in the Plan.
2. **Solid Waste Bond Ordinance (C.B. 118230).** A solid waste bond ordinance has been submitted as budget legislation. The \$39 million mid-2015 bond issue is smaller than the \$42.7 million assumed in adopted rates. Bond proceeds will fund about 18 months of the solid waste capital program, including rebuilding of the City's solid waste transfer stations. Debt service on the bonds is expected to be \$3 million per year starting in 2016.

Recommendation. Pass C.B. 118230. The proposed bond issue is an appropriate way to accomplish the capital program while spreading the cost of long-lived assets between current and future customers.

B. Office of Immigrant and Refugee Affairs – Brian Goodnight

The proposed 2015 budget for the Office of Immigrant and Refugee Affairs (OIRA) effectively doubles the size of its budget relative to the 2014 Supplemental, with a total of slightly less than \$1.5 million.

	2014 Adopted	2014 Supplemental	2015 Proposed	2016 Proposed
Total Budget	\$358,650	\$767,888	\$1,470,281	\$2,243,431
Staffing	3.0 FTE	5.0 FTE	7.0 FTE	8.0 FTE

Two changes account for the increase in 2015. First, the department is requesting \$230,496 for 2.0 new FTEs (a Language Access Coordinator and an Ethnic Media and Communications Coordinator) and community mapping and ethnic media tracking tools. Second, the department is proposing \$450,000 (\$400,000 Community Development Block Grant, \$50,000 General Subfund) to launch a new English as a Second Language (ESL) program, titled *Ready for Work: ESL & Computers*. The program is designed to meet the language, literacy, and job skill needs for adult immigrants and refugees who: need immediate access to jobs and have limited time to learn employment-related English, or are seeking family-sustaining jobs that require occupational skills training focused on a credential.

The proposed budget for 2015 also does not continue the Refugee Women Civic Leadership Institute pilot program that was funded through the Department of Neighborhoods in 2014. OIRA will be conducting additional rounds of evaluation of the program over the next 11 months, and will then be able to assess its effectiveness.

For 2016, the budget proposes to transfer the existing New Citizen Program (NCP) from the Human Services Department (HSD) to OIRA, including 1.0 FTE for a grants and contracts specialist currently assigned to the program. The NCP provides grants to local organizations for citizenship eligibility screening, interview preparation, application assistance, disability waivers, and referrals for legal assistance. If transferred, the program would shift approximately \$750,000 in budget authority (\$400,000 General Subfund, \$350,000 other external funds) to OIRA from HSD.

C. Creation of Department of Education and Early Learning (DEEL) – Patricia Lee & Brian Goodnight

The Mayor’s 2015-2016 Proposed Budget includes the establishment of the Department of Education and Early Learning (DEEL). This is consistent with Council’s 2014 request that the Executive “elevate the Office for Education to a separate department.” The creation of the department is accomplished by moving existing programs, funding, and staff from the Office for Education (OFE), the Human Services Department (HSD), and the Department of Neighborhoods (DON).

DEEL’s proposed budget is \$48,709,522 in 2015 and \$51,831,586 in 2016. 43.50 FTEs are proposed in 2015 and are comprised of 35 existing staff, and the following 8.5 new or modified positions:

- 1.0 FTE – Higher education liaison,
- 1.0 FTE – Data manager,
- 1.0 FTE – Early Learning Division director,
- 1.0 FTE – Manager to lead the department’s provider coaching staffing,
- 2.0 FTE – Coaches to support Step Ahead preschool providers,
- 0.5 FTE – Increase existing part-time finance analyst to full-time,
- 1.0 FTE – SYVPI to conduct training and technical assistance to providers,
- 1.0 FTE – SYVPI research and evaluation (2015 sunset).

2 of the existing positions were also scheduled to sunset at the end of 2014, but have been extended in the proposed budget:

- Community Outreach Strategic Advisor 2 – Sunset permanently lifted,
- Policy and Planning Strategic Advisor 2 – Sunset extended to the end of 2015.

The proposed budget for 2016 includes 41.50 FTEs, which accounts for the reduction of the 2.0 FTEs that are scheduled for sunset at the end of 2015.

Programs:

All OFE programs, one DON program (SYVPI) and 6 HSD early childhood programs will comprise DEEL. Three early childhood programs will remain in HSD: the first two, Farm to Table and Childcare Nutrition, are part of the City’s food policy work, and the Childcare Bonus Program is part of HSD’s capital projects work.

The following table shows the proposed 2015 DEEL programs and fund sources.

Programs	2015	Fund Source
2011 Families and Education Levy (FEL) funded programs, spanning early childhood through high school and health.	\$31.9 million	FEL
Education support programs administered by OFE, such as Read and Rise and the Early Learning Academy.	\$369,612	GSF
Seattle Youth Violence Prevention Initiative (SYVPI).	\$5.6 million	GSF
<p>Early learning and health programs currently administered by HSD:</p> <ul style="list-style-type: none"> • Early Childhood Education and Assistance Program (ECEAP) • Comprehensive Child Care Program (CCCP) • Child Care Assistance Program (CCAP) • Nurse Family Partnership • Step Ahead preschools, Parent- Child Home Program; these 2 programs are currently funded by FEL and managed by HSD 	<p>\$4 million</p> <p>\$6.4 million</p>	<p>State</p> <p>GSF</p>
New General Fund – this amount bridges the gap between DEEL costs and revenues.	\$68,000	GSF

Background & Legislation:

The Office for Education was established in the Human Services Department after the passage of the first FEL in 1990. It was subsequently moved to the Strategic Planning Office (SPO). When SPO was abrogated, OFE was moved to the Department of Neighborhoods, however, the OFE Director continued to report directly to the Mayor.

The proposed ordinance to create the Department of Education and Early Learning would abolish the Office for Education and repeal the relevant portion of the Seattle Municipal Code (subchapter V of Chapter 3.20), and would create a new chapter of Code (Chapter 3.36) establishing the new department and creating a new Education Fund. The new chapter provides DEEL with the responsibility for: early learning programs, education programs and policies, acting as a liaison for higher education, embedding Race and Social Justice Initiative goals and principles into its work, and managing the Families and Education Levy activities.

Early Childhood Ballot Measures

Two measures regarding early childhood development are on the November 4, 2015 ballot: 1A and 1B. If either of them is approved by voters, the Mayor's 2015-2016 Proposed Budget could be adjusted either as part of the 2015 budget approval process or legislated separately afterward.

D. Seattle Department of Human Resources (SDHR), and Personnel Compensation Trust Funds – Rebecca Herzfeld & Patricia Lee

There are four new items in SDHR, only one of which is funded by new GSF expenditures. The other three are either revenue neutral, use a non-GSF dedicated funding source, or were funded supplemental budget ordinances earlier in 2014. The proposed items would:

- a. Create a new citywide leadership training program by adding \$250,000 for two new Strategic Advisor 1 positions, \$250,000 for consultants, and \$300,000 in materials. The total cost of \$800,000 would be supported by pulling money from all City department training budgets, based on the number of supervisors in each department. By including the cost of materials in the citywide budget, smaller departments would not be precluded from participating due to cost constraints.
- b. Add a new 0.8 FTE Personnel Analyst position at a cost of \$83,949 to ensure that the City meets a new leave tracking requirement imposed by the federal Patient Protection and Affordable Care Act (PPACA) that will take effect January 2015. This function would decrease the City's compliance risk and associated risk of penalties. The position would be paid for by the City portion of the Health Care Subfund.
- c. Add a new Human Resources (HR) manager who would lead a two person team in SDHR that would provide human resources staffing for SDHR, Executive Offices, and small departments (approximately 378 people). The \$142,000 GSF cost of the new position would be offset by cutting half a position and approximately \$72,000 GSF in the Department of Finance and Administrative Services, which previously provided the human resources function for small departments. The new HR manager would also provide guidance on HR issues citywide.
- d. Two FTE are proposed to be added to address gender wage equity issues. These positions are discussed above in Subsection B.

There is also one piece of budget legislation related to SDHR. It would remove the sunset dates for 25 unfunded positions established in 2013 as part of a new program. These "contract-in" positions may be loaned out by SDHR to other departments to perform work that could be performed at a lower cost by city employees but that would be contracted out to private entities because the department did not enough have position authority. The legislation also changes the responsibility for tracking and submitting an annual report on the use of these positions from SDHR to CBO.

E. Libraries – Rebecca Herzfeld

For 2015-2016, there are no programmatic or operational changes for the Seattle Public Library (SPL) that affect the budget. Except for a one-time expense of \$150,000 in 2015 to conduct an evaluation of the Library's software system, the proposed increases in the SPL budget result from adjustments to citywide costs and technical changes. In 2016, the Library's Capital Improvement Program is supplemented with an additional \$500,000 of REET (one-time).

F. Department of Information Technology (DOIT) – Martha Lester & Tony Kilduff

Public Safety Emergency Radio Network (PSERN) (Martha Lester)

King County anticipates putting a proposed property tax levy on the county-wide ballot in April 2015 for the Public Safety Emergency Radio Network (PSERN). The estimated cost for a median Seattle home is \$35 to \$38 per year. The Mayor plans to submit to Council in December 2014 proposed legislation to approve two Interlocal agreements related to the proposed PSERN project.

The Next Generation Data Center (NGDC) (Tony Kilduff)

This is DoIT's most significant project. It grew out of the realization that the City's entire digital infrastructure, both physical and data topology, is antiquated and vulnerable.

Conceptual design for the NGDC began in 2013. The City opted to rent server space in commercially operated data centers rather than building and staffing its own. Commercial data centers provide redundant power, communications, and systems. A key component of the project is the re-design and consolidation of many of the City's critical business software systems.

The project will cost approximately \$41 million and should be completed by the end of 2015. This year the department focused on detailed designs for the elements of the project. Transition of business systems to the new facilities and equipment is slated for next year.

The Mayor is proposing adding two new FTEs beginning in 2015 to help in operating the new facilities and increasing the project budget by \$1.1 million in 2015 and \$373,000 in 2016. These increases seem reasonable in light of the consolidation of multiple data centers in departments which were previously independently managed into a new more cohesive operation.

Cable Television Franchise Subfund (Martha Lester)

The City imposes a franchise fee of 4.4% on cable television services, and the revenue is deposited in the Cable Television Franchise Subfund (Cable Subfund), administered by DoIT. In 2014, the cable franchise fee is expected to generate about \$8.2 million. The City Council and Mayor adopted financial policies for expenditures from the Cable Subfund; per these policies, the Cable Subfund pays some or all of the costs of various programs in DoIT, and also contributes toward programs in Parks and the Library.

The future of cable franchise fee revenue is uncertain. The fee, authorized by federal law, applies only to cable television services, and not to other services (such as Internet) nor to other providers. The trend may be away from cable – e.g., Seattle was recently identified in the news as having a high number of “cord-cutters” who are getting rid of cable service, and DoIT’s recent survey of technology access in Seattle shows that the percentage of households with cable is decreasing while the percentage with Internet is increasing. If franchise fee revenue goes down in future years, the Council and Mayor will need to decide whether to cut expenditures, re-direct other revenue, or some combination.

G. Seattle City Light – Tony Kilduff

City Light’s 2015-2016 Proposed Budget reflects the priorities in the update to the Strategic Plan adopted by the Council in June (Resolution 31529) and is supported by rate increases of 4.2% and 4.9% in 2015 and 2016 approved by the Council in October (C.B. 118194).

Although staff did not identify any issues requiring Council action, two changes relative to the 2014 Adopt Budget deserve mention.

The cost of utility infrastructure relocation for the AWV/Waterfront/Seawall project (Project ID 8307) is approximately \$52 million higher than anticipated in the 2014-2019 Adopted CIP. Over the period from 2015 to 2020, the increase in costs is as follows:

Elliott Bay Seawall	\$13.7 million
Waterfront Seattle Revitalization	\$25.5 million
SR 99 Related projects	\$12.2 million

To accommodate the cost increases City Light will defer a number of other CIP projects (listed below) and increase borrowing by approximately \$50 million.

Project	2015	2016	2017	2018	2019	2020	Total
Relaying Improvements	0	0	0	0	0	(1,000,000)	(1,000,000)
Substation Breaker Replacements & Reliability Adds	0	0	0	0	0	(1,070,638)	(1,070,638)
AWV and Seawall Replacement - Utility Relocs	3,000,179	30,753,726	20,269,596	(4,910,285)	561,301	0	49,674,517
Network Additions and Services: Broad Street Substation	0	0	0	0	0	(1,000,000)	(1,000,000)
Large Overhead and Underground Services	0	0	0	0	(1,000,000)	0	(1,000,000)
Medium Overhead and Underground Services	0	0	0	0	(1,000,000)	(2,000,000)	(3,000,000)
Small Overhead and Underground Services	0	0	0	0	(1,000,000)	(500,000)	(1,500,000)
Transportation Driven Relocations	0	0	0	0	(3,000,000)	0	(3,000,000)
First Hill - Network Load Transfer	0	0	0	0	(5,613,007)	(4,598,175)	(10,211,182)
PCB Transformer Replacement	(504,374)	(583,392)	(558,852)	(542,664)	(56,130)	0	(2,245,412)
Distribution Management System	0	0	0	0	(8,211,023)	(4,501,725)	(12,712,748)
Asset Investment and Optimization	0	0	0	0	(3,267,804)	(1,049,543)	(4,317,347)
Enterprise Software Solution Replacement Strategy	0	0	0	0	(4,529,105)	(4,623,404)	(9,152,509)

City Light’s FTE count is proposed to increase by 26 in this budget cycle. Ten of those positions are “contract-in” positions held by Personnel to support work in departments (primarily City Light, SPU and SDOT) that would otherwise be contracted out. They are intended to be limited to three-year terms. Prior to this budget cycles, these positions would have been shown in Personnel’s head count. Going forward these loaned positions will be shown as part of the FTE count for the department funding them. Although these are term-limited at present, City Light will seek to make them permanent in the future.

Legislation

There is a Council Bill authorizing City Light to issue up to \$278 million in revenue bonds in 2015.

H. Finance and Administration – Tony Kilduff

The 2015-2016 Proposed Budget for the Department of Finance and Administrative Services shows a significant increase: \$76 million over the biennium. Despite the size of the increase staff did not identify any issues or cuts. The increases appear to be consistent with, and supportive of, the Council’s priorities and are summarized below:

\$40 million	Pike Place Market Waterfront Entrance—bond supported
\$2.2 million	Central Waterfront Improvement
\$1.4 million	Priority Hire
\$1.3 million	TNC/Taxi/For Hire regulation—fee supported and \$285k of fund balance in 2015
\$1.4 million	FileLocal
\$5 million	Debt Service
\$6.5 million	Fleets replacement—on cycle and already funded by departments
\$4.3 million	Space lease—reimbursable by lessees
\$6 million	Baseline adjustment
\$6 million	Asset preservation—use of fund balance

Fund Closure Council Bill – Tony Kilduff

Council Bill to close several funds and subfunds created by prior ordinances which are no longer necessary because the projects funded by them are complete.

Council Staff recommends adoption of the proposed bill.

Forecast Advisory Committee Council Bill – Lish Whitson

The City Budget Office has proposed a bill to create a new Forecast Advisory Committee. The Forecast Advisory Committee would review and inform City decision-makers of the assumptions and risks concerning the City’s economic and revenue forecasts. The Committee would be chaired by the City Budget Director and include the Chair of the City Council’s Budget Committee, the City Finance Director, the Directors of Seattle City Light and Seattle Public Utilities, and the Director of the Council’s Central Staff.

Central Staff recommends adoption of the proposed bill.

FileLocal Agency Fund Ordinance – Lish Whitson

The FileLocal agency was created pursuant to Ordinance 122408, which authorized the creation of a multi-city business license and tax portal in cooperation with Tacoma, Bellevue and Everett. In response, FileLocal, a new agency, was created. This agency will oversee the development and operation of the portal. The FileLocal fund will collect and disperse funds to compensate the City of Seattle for loaned staff who will manage the agency.

Central Staff recommends adoption of the proposed bill.

I. Municipal Court – Traci Ratzliff

Aside from changes due to inflation and technical adjustments, the only proposed changes to the budget are:

- \$72,721 in fines generated from the school zone speed camera program are proposed to pay for an additional 0.5 FTE in 2015 and 2016 to increase the Court's capacity to administer the increasing work load (citations and hearings) associated with the expansion of this program; and
- One-time funding of \$150,000 in GSF in 2015 is set aside in Finance General to begin planning for the replacement of the aging Municipal Court Information System (MCIS). Multiple City, County and State agencies rely on the information provided by this system, which is 25 years old.

J. Office of Housing - Traci Ratzliff

Aside from changes due to inflation and technical adjustments, the only proposed changes to the budget are:

- Addition of \$124,627 in Community Development Block Grant (CDBG) funding is proposed in 2015 and 2016 to pay for 1 FTE to work on the Housing Affordability and Livability Agenda and the recommendations that will come out of the Advisory Committee's work in the Spring of 2015.
- A total of \$185,000 (\$122,000 of CDBG and \$63,000 of GSF) is proposed to be added in 2015 to fund costs associated with the planning of the next Housing Levy, including consultant reports. Consulting costs associated with the Housing Affordability and Livability Agenda could also be covered with this funding.

K. Seattle Center – Sara Belz

The most significant proposed changes to Seattle Center’s operating budget pertain to KeyArena. Specifically, Seattle Center is requesting \$702,000 in 2015 to fund additional, dedicated staff support for the facility. This includes \$595,000 for intermittent staff hours associated with events and \$107,000 to restore two permanent positions (1.5 FTE) that were cut in in 2011. An additional \$235,000 for intermittent KeyArena staff hours is requested for 2016. With KeyArena now hosting increasing numbers of more technically complex events, Seattle Center expects these additional staffing costs will be backed by required reimbursements from event promoters and/or supported by future revenue increases associated with the facility. All other proposed changes to Seattle Center’s operating budget are either technical in nature, produce cost savings or implement minor staffing changes.

On the capital side, Seattle Center’s proposed budget includes \$300,000 per year in 2015 and 2016 to support the completion of a new, campus-wide facility condition assessment. An additional \$413,000 is requested for 2016 to fund high-priority projects identified in the final assessment report. The remainder of Seattle Center’s 2015 and 2016 proposed capital budgets are comprised of funding for ongoing asset preservation and renovation projects across the campus.

The Seattle Center facilities fee ordinance legislation would (1) expand the range of event fees Seattle Center could charge for the use of certain facilities on the campus, (2) update the campus’ event fee schedule to reflect the new names of several facilities, (3) remove facilities from the event fee schedule that are no longer available for event use, and (4) make technical revisions to the campus’ event policies.

L. Office of Sustainability and the Environment – Eric McConaghy

The proposed 2015-16 budget for the Office of Sustainability and Environment (OSE) adds 2.75 FTE:

- one temporary position converted into a permanent .75 FTE Administrative Specialist III to work on enforcement of the ongoing Energy Benchmarking and Report program;
- one temporary position converted to a full-time, permanent position, Strategic Advisor 2, General Government, to work on the long-range green stormwater infrastructure (GSI) strategy; and
- one term-limited Strategic Advisor 1, Exempt converted to a permanent position (discussed below).

Council addressed the Strategic Advisor 1, Exempt position in Statement of Legislative Intent 23-1-A-1 from the 2014 Budget. In the SLI, Council expressed their intent to extend the sunset date of this term-limited position to December 31, 2014 (from December 31, 2013) to allow time for completion of the Resource Conservation Management Plan and evaluation of the ongoing body of work. In accordance with the SLI, OSE reported back to Council on the RCMP and the rationale for the position in July 2014. By taking no action on this position, Council makes an explicit choice to convert this term-limited position to a permanent position. The proposed budget abrogates the other sunset position discussed in the SLI, Planning and Development Specialist Senior.

The Resource Conservation Advisor will manage the capital improvements to municipal buildings for energy efficiency. The 2015-2020 Proposed Capital Improvement Program shows the capital investments in the Finance and Administrative Services FAS Oversight Budget Control Level. The project, called Energy Efficiency for Municipal Buildings, is funded primarily with Real Estate Excise Tax 1 revenues: \$ 1.35 million for 2015 and \$2.5 million for 2016. OSE's estimate of rebates from Seattle City Light and Puget Sound Energy resulting from the improvements are shown as revenues in future years deposited to the General Subfund, with the potential to appropriate the funds for additional energy conservation activities.

The proposed OSE budget includes an additional \$80,000 in 2015 for a new effort, the Equity and Environment Initiative. OSE has yet to develop the specific plan for this funding. In general, OSE reports that the money will buy consultant services to facilitate meetings of a Community Partners Steering Committee, described as "community members working on environmental and/or justice and equity issues," and stipends for the Community Partners Steering Committee.

The Steering Committee will be composed of leaders from communities of color, low income communities, immigrant and refugee communities and limited English communities who otherwise would be under-represented in the environmental decision-making. The Steering Committee is intended to work with Seattle city staff to produce the key outcomes, described by OSE as "a deeper understanding of who is and is not benefiting from Seattle's environmental progress...; a shared vision for environmental justice; an Action Agenda to advance environmental equity; increased capacity in to participate in environmental decision-making and solutions; and a greater understanding among mainstream environmental organizations of their role in advancing equity." By the end of 2015, OSE will report on findings and recommendations to Council.

M. Ethics and Elections – Dan Eder

Aside from changes due to inflation and technical adjustments, the only proposed changes to the budget are cuts reflecting:

- the Seattle Public Schools' decision not to renew a 3-year contract with Ethics and Elections; and

- the transfer of funding for the voter's guide costs to Finance General.

Ethics has requested additional staff resources to help process a potential higher numbers of candidates in the 2015 Council elections as the City transitions to District-based elections. This request was not incorporated in the proposed budget.

N. Judgment/Claims Subfund – Dan Eder

The Judgment/Claims Subfund (JCSF) pays actual costs of judgments and settlements for lawsuits involving the City. Seattle City Light and Seattle Public Utilities and GSF departments provide revenues into the fund annually. The City's two utilities provide revenues for actual costs of judgments and settlements through the JCSF as such costs are incurred. By contrast, GSF departments each pay an annual premium into the fund based on the average payout from the previous five years, and the JCSF is thereafter responsible for covering all costs.

The 2015-2016 proposed budget uses Judgment/Claims Subfund (JCSF) fund balance to support expected JCSF expenditures. The proposed budget uses \$5.2 million of JCSF fund balance in 2015 and another \$1.2 million in 2016. This has the effect of reducing the premiums required by GSF departments in 2015 and 2016, in turn freeing up GSF resources for other priorities.

[Resolution 30386](#) established financial policies for the JCSF. Actual JCSF costs can vary dramatically from year to year, and the financial policies established a goal of keeping the JCSF unreserved fund balance at 50 percent of expected annual costs (Policy 6). The proposed use of JCSF fund balance in 2015 and 2016 results in an unreserved JCSF fund balance above 50 percent of expected non-Utility expenditures. However, the unreserved JCSF fund balance will be below 50 percent of all expected expenditures.

The Executive's proposal appears consistent with the spirit of the financial policies. City utilities pay JCSF costs as they are incurred, and they therefore never have any call to rely on the JCSF fund balance. However, Central Staff proposes that Council consider refinements to the JCSF financial policies in its 2015 work program to provide greater clarity about how the minimum target fund balance should be calculated.

O. Law Department – Erik Sund

Aside from changes due to inflation and technical adjustments, the only proposed changes to the budget are:

- \$300,000 to pay for overlapping rent costs resulting from the Law Department's move to a consolidated office space in Columbia Center. The Department will pay rent on its current spaces in City Hall and the Seattle Municipal Tower until 2016.

- \$186,951 and 1.0 FTE for an Assistant City Attorney position to provide confidential, attorney-client privileged legal counsel to the Mayor. This position would replace a temporary emergency position created earlier this year.
- \$145,677 and 1.0 FTE for an Assistant City Attorney position to provide confidential legal advice to the Chief of Police. This proposed add is offset by an equivalent reduction in funding and position authority in the Seattle Police Department.

P. Fire Department - Erik Sund

Aside from changes due to inflation and technical adjustments, the only proposed changes to the budget are:

- \$1,433,966 and 10.0 FTEs in 2015 to add and staff an additional aid unit at Station 10 in the Pioneer Square/International District area in response to growth in Emergency Medical Service (EMS) calls in the central area of the city. The projected 2016 cost of this enhancement is \$1,021,908.
- \$773,185 to fund an additional 25-person class of firefighter recruits in order to address a historically high number of vacant positions (90+) within the Department. This shortage is currently being managed in part through the use of overtime hours. The proposed 2016 budget includes an \$891,780 reduction to reflect the savings expected from reduced use of overtime as new recruits enter service as a result of adding new recruits in the 2014 Q3 supplemental as well as the new recruits proposed in the 2015 budget..

Firefighters' Pension Fund Legislation:

The Executive has proposed an ordinance that would extend the current suspension of City contributions to the Actuarial Fund of the Firefighters' Pension Fund. The Firefighter's Pension Fund is used for the City's share of benefit costs for retired members and beneficiaries of the Law Enforcement Officers' and Firefighters' Retirement System Plan 1 (LEOFF 1) and the City's own pension and relief benefits that predated LEOFF 1. These benefits are currently funded on a pay-as-you-go basis using a combination of General Subfund support (about 93% of 2013 revenue for the fund) and other revenues.

In 1994, with the approval of Ordinance 117216, the City began to contribute to an Actuarial Account within the Firefighter's Pension Fund with the intent to eventually establish a sufficient balance to fully fund the Fund's obligations. For 2015, however, it is expected that the accrued contributions will produce investment earnings equal to just 3% of the Fund's costs, meaning that that benefits will continue to be funded primarily from the General Subfund.

This legislation would continue the suspension of further contributions to the Actuarial Account that was initiated in 2009 for another two years (through 2016). It would also direct the Seattle Firefighters' Pension Board, the Department of Finance and

Administrative Services, and the City Budget Office to work together to reexamine the funding policy for the Actuarial Account in 2015.

Q. The following Departments and Offices had no changes except those due to inflation and technical adjustments:

- Hearing Examiner
- Civil Service Commission