

**Overview and Initial Issues Identification
DEPARTMENT OF NEIGHBORHOODS (DON)
NEIGHBORHOOD MATCHING FUND (NMF)**

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Expenditures/Revenues

	2014 Adopted Budget	2015 Proposed Budget	% Change '14 to '15	2016 Proposed Budget	% Change '15 to '16
DON Expenditures by Budget Control Level (BCL)					
Community Building	\$3,842,000	\$3,612,000	-6.0%	\$3,644,000	0.9%
Director's Office	\$481,000	\$470,000	-2.2%	\$473,000	0.6%
Internal Operations	\$1,514,000	\$1,451,000	-4.2%	\$1,471,000	1.4%
Office for Education	\$908,000	\$0	N/A	\$0	N/A
Youth Violence Prevention	\$5,629,000	\$0	N/A	\$0	N/A
Total Expenditures	\$12,374,000	\$5,534,000	-55.3%	\$5,588,000	1.0%
Total FTEs	44.5	39.5	-11.2%	39.5	0.0%
DON Revenues					
General Subfund	\$12,374,000	\$5,534,000	-55.3%	\$5,588,000	1.0%
Total Revenues	\$12,374,000	\$5,534,000	-55.3%	\$5,588,000	1.0%
NMF Expenditures by BCL					
Total Expenditures	\$3,891,000	\$4,010,000	3.1%	\$4,087,000	1.9%
Total FTEs	7	8	14.3%	8	0%
NMF Revenues					
General Subfund	\$3,530,000	\$2,149,000	-39.1%	\$3,726,000	73.4%
Use of Fund Balance	\$361,000	\$1,861,000	415.5%	\$361,000	-80.6%
Total Revenues	\$3,891,000	\$4,010,000	3.1%	\$4,087,000	1.9%

Introduction:

DON fosters collaboration between Seattle's residents and City government through the Historic Preservation-Community Building, the Major Institution and Schools, Neighborhood District Coordinator, Neighborhood Planning Outreach, and P-Patch Community Gardens programs. The Mayor has proposed moving the Office for Education

and the Seattle Youth Violence Prevention to the new Department of Education and Early Learning (DEEL) in 2015. Reductions in the Community Building BCL reflect the end of one-time 2014 projects: Washington Hall renovation, the Refugee Women’s Leadership Institute pilot project, and historic resource surveys.

The NMF, housed within DON, provides matching grants to support community-initiated projects. The 2014 Proposed Budget for the NMF maintains funding for existing programs. The budget proposes moving an administrative assistant position from DON to the NMF.

Identified Issues:

NMF Fund Balance

Excerpt from NMF Financial Plans (amounts in 000s)

	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Budgeted	2015 Proposed	2016 Proposed	2017 Projected
Beginning Fund Balance	\$4,198	\$4,284	\$3,959	\$4,225	\$4,512	\$4,150	\$2,289	\$1,928
General Subfund Revenue	\$3,253	\$2,851	\$2,779	\$2,891	\$3,530	\$2,149	\$3,726	\$3,856
Use of Fund Balance		\$325			\$361	\$1,861	\$361	\$266
Budgeted Funds	\$3,253	\$3,176	\$2,779	\$2,891	\$3,891	\$4,010	\$4,087	\$4,122
Grants	\$2,301	\$2,535	\$1,812	\$1,927	\$2,988	\$3,050	\$3,120	\$3,147
Management & Staffing	\$866	\$641	\$701	\$678	\$904	\$960	\$967	\$975
Expenditures	\$3,167	\$3,176	\$2,513	\$2,605	\$3,891	\$4,010	\$4,087	\$4,122
Ending Fund Balance	\$4,284	\$3,959	\$4,225	\$4,512	\$4,150**	\$2,289	\$1,928	\$1,662
Reserves for Encumbrances (Contracted)	\$1,551	\$1,230	\$1,025	\$1,285	\$1,356	\$1,356	\$1,356	\$1,356
Reserves for Contracting in Progress*	\$2,425	\$2,415	\$2,880	\$2,865	N/A	N/A	N/A	N/A
Unreserved Fund Balance	\$309	\$314	\$320	\$362	\$2,794**	\$933	\$572	\$306
FTE	6	6	6	6	7	8	8	8

* The Mayor’s Proposed 2015-2016 Budget removes this category of reserves.

** Underspending in 2014 is likely to increase this figure by \$400,000.

The NMF is an innovative program designed to support and leverage neighborhood resources. At various points during the year, the City offers matching grants to implement neighborhood-originated projects. The funding needed for projects each year varies with the level of interest and quality of the project proposals. Each year, the Neighborhood Matching Fund receives up to \$3.5 million of General Fund (GSF) dollars. Due to underspending and conservative use of reserves, the NMF has built up a fund balance of over \$4 million.

Based on the last five years of encumbrances, DON and CBO have estimated that \$1,356,000 is an appropriate reserve for ongoing projects that span more than one year.

This leaves \$2.8 million of unreserved fund balance at the end of 2014. This unreserved fund balance is not committed to any neighborhood project. The Mayor's budget proposes to use \$1.9 million of this unreserved fund balance in 2015. The Mayor's proposed budget maintains current funding levels for grants by spending down the unreserved fund balance.

In addition, in 2014, the NMF's Large Project Fund was budgeted at \$1,475,000 but the City only approved \$1,073,000 worth of projects. If spending of the Small and Simple Fund follows recent trends of slightly underspending allocating funding, this would contribute another \$400,000 to the NMF unreserved fund balance at the end of 2014.

Even with the Mayor's proposed use of unreserved fund balance in 2015, there will be an unreserved fund balance of at least \$933,000 at the end of that year, and with the likely 2014 underspend the unreserved fund balance would be \$1,333,000.

The Mayor's budget recommends supplementing future GSF allocations to the NMF by using \$361,000 of this unreserved fund balance in 2016, and slowly spending down the unreserved fund balance through 2018. Including the likely 2014 underspend; there would still be an unreserved fund balance of \$973,000 at the end of 2016. The Council should consider further reducing GSF appropriations to the NMF to address other pressing needs in the 2015 or 2016 budget.

Options:

- a. Replace GSF revenues with unreserved fund balance in 2015 or 2016. Approximately \$970,000 of GSF would be made available for other Council priorities. Note that this would require an increased GSF allocation in 2017 to maintain the same spending levels.
- b. Decrease use of unreserved fund balance, maintaining more funds in reserve. This would require additional GSF allocations to the NMF in 2015.
- c. Approve the Mayor's Proposed Budget.

NMF Expenditures

Most years, the NMF does not use all budgeted funds for neighborhood projects. For example, in 2014, out of the \$1.5 million allocated to the Large Projects Fund, the NMF only approved grants of \$1.1 million. The Council may want to ask the Department to: a) identify additional strategies or resources needed to increase use of the NMF, b) identify and reduce impediments to community use of the NMF, or c) propose a funding level for the NMF that better matches actual use of funds.

Support for Neighborhood Conservation Districts

The Council is considering adding a new program in the Department of Neighborhoods to create Neighborhood Conservation Districts (NCDs). NCDs would be areas where existing neighborhood character, affordable housing and/or arts and cultural activities could be supported and enhanced using neighborhood-specific design guidelines. In 2014, the Council added \$65,000 for consultant surveys of two neighborhoods that may be good candidates for designation as Neighborhood Conservation Districts. The Council anticipates reviewing legislation to set up a NCD program at the end of the 1st Quarter of 2015. The Council may want to add funding to the Department of Neighborhoods in 2015 to implement this program.

Options

- a. Add a 0.5 FTE Community Development Specialist position to DON to start in the 3rd Quarter 2015 after Council reviews and adopts legislation to set up the NCD program (\$36,591). In 2016, this half-time position would cost \$59,485.
- b. Add \$40,000 to DON's budget for consultant assistance to complete design guidelines for two neighborhoods and to prepare templates for other neighborhoods interested in pursuing designation as an NCD.
- c. Add both staff and consultant resources.
- d. Approve the Mayor's Proposed Budget.

Other Changes that Do Not Warrant Analysis as "Issues":

People's Academy for Community Engagement (PACE) (\$63,025/.50 FTE)

The proposed budget includes a Planning and Development Specialist II position in the Community Building BCL to manage the PACE program. PACE provides civic leadership training to community members from across the City. Its mission is to build the skills of up-and-coming community leaders who will support existing and emerging community groups. Over half of its participants have been from historically underrepresented groups. DON has run PACE as a pilot program using existing staff resources for the last three years, but requires dedicated staff to continue. The position is intended to manage all aspects of the program, including recruitment of participants, identification and support of instructors, and developing a robust alumni program.