

**Overview and Initial Issues Identification  
Human Services Department**

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***Expenditures/Revenues***

	2014 Adopted Budget	2015 Proposed Budget	% Change '14 to '15	2016 Proposed Budget	% Change '15 to '16
<b>Expenditures by BCL</b>					
Aging and Disability Services - Area Agency on Aging	\$35,193,000	\$37,189,000	5.7%	\$37,029,000	0%
CDBG - Human Services Department	\$5,153,000	\$4,952,000	-3.9%	\$4,954,000	0%
Community Support and Assistance	\$40,413,000	\$47,321,000	17.1%	\$45,556,000	-4%
Community Support and Self Sufficiency	\$0	\$0	0.0%	\$0	0%
Leadership and Administration	\$9,122,000	\$8,135,000	-10.8%	\$7,933,000	-2%
Public Health Services	\$13,729,000	\$11,561,000	-15.8%	\$11,827,000	2%
Youth and Family Empowerment	\$25,053,000	\$19,019,000	-24.1%	\$18,542,000	-3%
<b>Total Expenditures</b>	<b>\$128,663,000</b>	<b>\$128,177,000</b>	<b>0%</b>	<b>\$125,841,000</b>	<b>\$0</b>
<b>Total FTEs</b>	<b>343.85</b>	<b>327.1</b>	<b>-4.9%</b>	<b>327.1</b>	<b>0%</b>
<b>Revenues</b>					
General Subfund	\$66,562,000	\$62,551,000	-6.0%	\$62,862,000	0%
Other Revenue Sources	\$62,101,000	\$65,626,000	5.7%	\$62,979,000	-4%
<b>Total Revenues</b>	<b>\$128,663,000</b>	<b>\$128,177,000</b>	<b>0%</b>	<b>\$125,841,000</b>	<b>-2%</b>

**Introduction:**

The 2015 proposed budget includes a 6% decrease in General Subfund (GSF) appropriation to the Human Services Department (HSD). This decrease in GSF support is primarily due to transfers of functions currently in HSD to the new Department of Education and Early Learning. These transfers are proposed to be done pursuant to Council direction in the 2014 budget and include transfers of the Early Childhood Education and Assistance Program, Comprehensive Child Care Program, Child Care Assistance Program, the Nurse Family Partnership, and all Families and Education Levy-funded programs.

The proposed budget would increase investments in the social safety net. Among other things, proposed increased investments for 2015 include: 1) approximately \$1.4M to address homelessness, 2) \$70,000 for senior services, and 3) increased resources for the utility discount program.

For 2016 the proposed appropriations are somewhat provisional. It is anticipated that HSD will be one of the first departments with a performance-based budget. In anticipation of this change, HSD

will report to the Council’s Committee on Housing, Human Services, Health and Economic Resiliency (CHASER) by March 2015 on refinements to the “Outcomes Framework” for human services investment. The “Outcomes Framework” is a process whereby HSD makes data-driven investment decisions based on a clearly articulated theory of change combined with ongoing monitoring of results.

**Identified Issues:**

**Audit Findings (Freeman)**

On September 30, 2014 the Washington State Auditor’s Office (Auditor) released audit findings for 2013 related to how HSD administers federal grant funding from a variety of sources including the Supportive Housing Program, the Continuum of Care Program, and the Community Development Block Grant (CDBG) Program. Specifically, the Auditor found that inadequate contracting controls at HSD led to reimbursement of approximately \$2.6M for questionable costs.

Among other things the Auditor recommended 1) separating grant making and contract administration functions into two positions and 2) assigning contract administration responsibilities by contractor rather than by HSD division. HSD has undertaken some immediate steps to respond to the audit findings. Additionally, in 2015 HSD will undertake further steps to respond to the findings including increasing separations in job functions. These steps may come with increased administrative costs. Moreover, the Council has a stated interest in ensuring that reimbursement for costs by providers are for eligible services and activities that benefit the target population for the service.

Options:

- A. Approve a Statement of Legislative Intent (SLI) that requires reporting to the Council on progress towards completing remedial actions identified by the Auditor with estimates of how those actions might increase administrative costs.
- B. Incorporate reporting on completing remedial actions identified by the Auditor in the CHASER work program.

**Urban Rest Stop (McConaghy)**

The Low Income Housing Institute’s (LIHI) Urban Rest Stop (URS) provides restrooms, showers and laundry facilities for individuals and families at no cost to patrons. Seattle has funded hygiene services overall and URS, in particular, at the following levels since 2011:

	<b>Funding for all hygiene services</b>	<b>Portion of total funding for URS downtown location</b>
2011	\$730,000	\$193,418
2012	\$726,000	\$193,418
2013	\$740,000	\$207,508
2014	\$1,153,285*	\$609,856**
2015 proposed	\$995,203	\$415,738
2016 proposed	\$1,013,780	\$415,738

\*\$755,000 in budget plus \$398,285 one-time add for URS

\*\*\$609,856= \$211,301 base plus GSF of \$300,000 & CDBG \$98,285

The language of the 2014 contract with LIHI for URS that added \$300,000 GSF and \$98,285 CDBG funds in accordance with Ordinance 124492 stated:

“This one-time only funding ensures continuity of program services by mitigating the impact of the loss of Federal McKinney-Vento funding in this service area. The Agency is required to provide a monthly narrative that details progress toward securing revenue or other strategies to safeguard future service provision...”

HSD has not yet received any reports relating to Urban Rest Stop’s efforts to secure alternative funding.

For 2015, the Mayor’s proposed budget continues the base funding for URS at \$215,738 with a proposed budget add of \$200,000 for day and hygiene services available to the service provider, for a total of \$415,738. The proposed budget maintains the same level of funding in 2016.

Options:

- A. Approve the Mayor’s proposed budget without changes.
- B. Add funding to provide for hygiene services that HSD could apply to increase the amount of support to URS.
- C. Add funding to provide for hygiene services that HSD could apply to increase the amount of support to URS, with a proviso that the additional funding for URS is one-time, for 2015 only.

### **University Food Bank (Ratzliff)**

The University District Food Bank (UDFB) is planning to move to a new facility being built as part of a mixed-use building that includes low-income housing. This new facility will provide 6,000 square feet of office and service space and 3,000 square feet of roof top cultivated garden space. The total capital cost of the new facility is \$3.1M. As part of a capital campaign, UDFB has raised \$2.4M for the new facility, leaving a funding gap of approximately \$700,000. UDFB has applied or will be applying for further grants from a variety of foundations, businesses, etc. to complete the financing for the facility. UDFB is also working with several lenders to develop financing options that will carry them through construction (and after, if need be) as they complete their fundraising efforts. Project construction could start as early as 2015 if financing for the low-income housing project is secured.

Options:

- A. Provide \$250,000 in one time funding for the capital costs of the new UDFB facility. Funding would be allocated after receipt of a final development budget, including information confirming the amount of funding that has been secured for the project and whether there is a need for City funds. A contract for services between the City and UDFB would be required prior to release of funding.
- B. Do not provide funding for the new UDFB facility.

### **Meridian Health Center (Lee)**

The Mayor's proposed budget appropriates \$500,000 in Finance General for the Meridian Health Center. When it opens in 2015, the Meridian Health Center will provide integrated health and human services on the site of the current North Public Health Center, near Northgate, on land owned by King County. Public Health will provide Women, Infant and Children (WIC) services and maternity support services (MSS), Neighborcare will provide primary care, obstetrics/midwifery, pharmacy and dental services and Valley Cities Counseling will provide mental health and substance abuse recovery services. Additional space in the facility is provided for human service providers.

In 2014 Council approved \$250,000 for the Meridian Health Center with the proviso that Neighborcare provide a contract for public benefits and business, fundraising, development and operating plans. Neighborcare has submitted the requested information and the Mayor intends to submit a bill to Council lifting the 2014 proviso so that one contract can be executed with Neighborcare. The overall budget for Meridian is \$22.5M. They have secured a \$5M federal Health Resources Services Administration (HRSA) grant, are applying for \$5M in New Market Tax Credits, have embarked on a \$3M fundraising campaign and will debt finance the balance.

Options:

- A. Approve the \$500,000 for the Meridian Health Center in the Mayor's proposed 2015 budget.
- B. Approve an alternative amount.

### **Public Health (Lee)**

The King County Executive's 2015 -2016 proposed Public Health-Seattle King County (Public Health) budget represents a 34% reduction from their 2013-2014 biennium budget and a reduction of over a quarter of their workforce. Even after these drastic reductions Public Health will end the 2015-2016 biennium budget with a \$2.5M budget deficit.

Several factors have contributed to this budget shortfall; 1) the lack of a dedicated funding source for Public Health since the repeal of the Motor Vehicle Excise Tax in 2000, 2) a reduction in Federal and State funding, particularly in Medicaid funding reimbursement, 3) expenditures that are growing at 6.7%-7.2% while revenue is increasing by 4.1%, and 4) Public Health budgeting miscalculations.

An audit by the King County Office of Economic and Financial Analysis led to several recommendations that Public Health has adopted such as not counting grant revenue until it is received. Public Health is also scaling back their operation of public health clinics and is seeking to transition the work to other funders.

In 2014 the City contracted with Public Health for approximately \$22M in "enhanced" services, i.e. for additional services to Seattle residents beyond the "core" services Public Health provides to all County residents. \$13.1M was from the GSF, and \$9.5M from the Families and Education Levy.

The Mayor's 2015-2016 proposed budget includes \$400,000 in 2015 and \$400,000 in 2016 in Finance General to fund additional public health services that Public Health would otherwise reduce or eliminate. The City's proposed investments are both in areas the City has been funding and in new areas. Investments are summarized and discussed in the table below.

	2015	2016	Total Public Health Budget for Activity in 2015	Discussion
<b>Mayor's Proposed Additions to Existing Areas of City Investment</b>				
<b>Gun Violence Prevention</b>	\$50,000	\$50,000	\$400,000	City investment funds analysis and study of gun violence data to identify potential preventive strategies and provides technical assistance to gun retailers on safe storage for guns. One-time funding in 2014 from the City was \$68,000.
<b>HIV/STD Education and Outreach</b>	\$50,000	\$50,000	\$14.7M	City investment funds staff to provide support and technical assistance to community based organizations in Seattle that provide HIV education, outreach and HIV prevention and intervention campaigns. Total funding from the City in 2014 was approximately \$433,000.
<b>Affordable Care Act Outreach</b>	\$100,000	\$100,000	\$2.3M	City Investment funds staff to provide support and technical assistance to community based organizations in Seattle that provide HIV education, outreach and HIV prevention and intervention campaigns. Total funding from the City in 2014 was approximately \$263,000, which included \$120,000 in one-time funding.
<b>Mayor's Proposed New Areas of City Investment</b>				
<b>Greenbridge</b>	\$150,000	\$150,000	\$2.6M	Public Health currently operates ten public health centers and 17 satellite sites. Public Health had originally proposed closing four of the centers including Greenbridge which provides family planning, MSS, and WIC services. Planned Parenthood will take over family planning services at Greenbridge and Public Health, with assistance from the City of Seattle will continue to provide MSS and WIC services. Both MSS and WIC are federally funded programs. In 2013

	2015	2016	Total Public Health Budget for Activity in 2015	Discussion
				Greenbridge served 3,500 MSS and 3,000 WIC clients. Located in White Center, approximately 25% of Greenbridge clients are Seattle residents.
<b>Family Planning Health Educators</b>	\$50,000	\$50,000	\$1.2M	City investment would fund two health educators to provide program planning and informational material for teens and high risk adults.
<b>Total:</b>	\$400,000	\$400,000		

King County has primary responsibility for public health services. As stated in the City’s most recent Interlocal Agreement in 2011, the City’s investments in public health are voluntary and for “enhanced” services for Seattle residents. Given the state of Public Health’s finances, where there arguably is not a “core” service being provided by Public Health any longer, the City’s current funding agreement should be revisited. However, it was unlikely a new interlocal agreement could be renegotiated before jobs and services would have to be eliminated on January 1, 2015.

The Mayor will continue to discuss city investments in Public Health in 2015. Three Councilmembers serve on the Board of Health which may be another forum where the financial future of Public Health will be discussed. Any amendment to the Interlocal Agreement would need to be approved by Council.

Options:

- A. Approve the \$400,000 in 2015 and \$400,000 in 2016 in Finance General (Mayor’s Proposal). The Mayor would not need further Council approval before releasing the funding.
- B. Impose a budget proviso on \$200,000 of the \$400,000 in Finance General in 2015 and on \$400,000 in Finance General in 2016 until the Mayor provides and Council agrees with a time line, structure and framework for the City and County’s discussions and decisions on the City’s future funding of Public Health services.

**Potential Issues Under Assessment:**

**Minimum Wage – Related Cost Increases for Human Services Providers (Freeman)**

In June the Council passed Ordinance 124490, which establishes a new hourly minimum wage for most employers with employees that work in Seattle. Ordinance 124490 sets out a schedule for minimum wage increases that begins on April 1, 2015. There are no exceptions to minimum wage requirements for non-profit employers. For the biennium, the required minimum wage is shown in the table below

	Beginning April 1, 2015	Beginning January 1, 2016
<i>Employers with More than 500 Employees</i>	\$11 / hour	\$13 / hour*
<i>Employers with 500 or Fewer Employees</i>	\$10 / hour	\$10.50 / hour

\*Large employers that provide healthcare are given a \$.50 credit in 2016.

Many non-profit human services providers that contract with the City currently pay some of their employees less than the required minimum wage that will be applicable on April 1, 2015. Consequently, many of these providers will struggle to maintain delivery of services at current levels, which is driven for most by staffing costs, without increased revenue to maintain staffing levels.

The Seattle Human Services Coalition has requested that the City capitalize a “cost offset” fund of \$3 - \$4M to which human service providers could apply to mitigate increased staffing costs associated with the new required minimum wage. Staff’s understanding is that in concept all human service providers, not just those who provide services under contract to the City, would be eligible applicants to such a fund.

Over the biennium the cost to of City contracts for maintaining current human service delivery levels will rise because of the increased minimum wage. Inevitably the Council will have to address the trade-offs associated with the increased cost of human service delivery and available funding.

**Crisis Line (Freeman)**

The Crisis Clinic’s crisis line provides 24-hour service for people experiencing a behavioral health crisis and professionals, such as police officers, who are responding to a situation involving a person in crisis. The Crisis Clinic is currently under contract to provide human services information and referrals. Contract amounts for 2014 and 2015 are for approximately \$212,000 and \$216,000, respectively. The Crisis Clinic is seeking approximately \$93,000 in additional investment to increase capacity to provide services through the crisis line. The additional investment would allow the Crisis Clinic to increase staffing by approximately 1.5 FTE to answer and return calls to the crisis line.

**Increases to Address Homelessness (McConaghy)**

The Mayor’s proposed budget maintains funding to address homelessness, more than \$33M, with increases in some areas. The Mayor’s proposal increases in 2015 and in 2016 are shown below:

<u>Description of Proposed Increases</u>	<u>2015</u>	<u>2016</u>
Housing Navigation for Long Term Shelter Stayers	\$410,000	\$410,000
Rapid Rehousing for Single Adults	\$600,000	\$600,000
Day and Hygiene Services	\$200,000	\$200,000
Homeless outreach stabilization and transition	\$200,000	\$0
<i>Total</i>	<i>\$1,410,000</i>	<i>\$1,210,000</i>

The Mayor's proposed budget also adds \$100,000 per year in 2015 and 2016 to fund a community-based organization to serve homeless youth affected by sexual assault. The additional funding for bulk food buying for food banks, \$100,000 per year in 2015 and 2016, also benefits vulnerable populations.

There is Council interest in exploring additional funding for youth outreach and services, expanding day shelter for vulnerable populations, and for outreach and services to persons sheltering in authorized and unauthorized encampments.

### **Mayor's Task Force on Unsheltered Homeless (McConaghy)**

The Mayor has announced an Emergency Task Force on Unsheltered Homeless to begin work in October 2014, with recommendations in December 2014. The Mayor has asked the Task Force for short-term recommendations with no or minimal budget impact. This could include land use regulatory changes to authorize encampments. There is Council interest in making funding available to advance recommendations of the task force that Council determines are consistent with best practices, promote a regional approach to increasing shelter capacity, and are likely to effectively shelter more people.

### **Diversions from Homelessness for Families (McConaghy)**

Seattle and Building Changes (a Seattle-based, non-profit organization) funded a pilot program meant to divert families who are living in places not meant for human habitation to permanent housing. The objective of this approach is to move vulnerable families quickly to housing while making limited shelter resources available for those families.

Funding for this diversion service would decrease by approximately \$650,000 in 2015. This includes reductions of \$532,500 of funding from Building Changes associated with completion of the pilot program and a City funding decrease of \$117,480. In 2014, HSD invested approximately \$240,000 in funding for diversion. The Mayor's proposed budget provides \$122,520 of funding for the program in 2015.

HSD has reported positive outcomes from the pilot. There is Council interest to provide additional funding for diversion services. More information is pending from HSD regarding the number of families served, the cost per family, and the proportions of the 2014 diversion funding that were spent on staff training, overhead and infrastructure, case management services, housing assistance, and other costs.

### **Incentivize Regional Partners to Develop Shelter (McConaghy)**

The Single Adult Working Group (Working Group) organized by the King County Committee to End Homeless (CEH) presented its report on strengthening the response to the homelessness crisis to the CEH Interagency Council in June 2014. In the report, the Working Group recommended cataloging "county-wide opportunities to expand shelter capacity" and "identifying community assets that might be used for shelters including vacant properties and government-owned buildings."



The Working Group also recommended “focus on a regional response to shelter needs” and “supporting efforts outside the City of Seattle to increase shelter capacity.” This report is consistent with recommendations of the Single Adult Shelter Task Force report in 2013 that found 91% of the shelter beds in King County were located in the City of Seattle, mostly in the downtown core, and recommended increasing shelter capacity outside Seattle.

There is Council interest to make funding available to provide incentives to Seattle’s regional partners to increase shelter capacity. This funding could pay for cataloging opportunities, identifying possible public properties suitable for shelter across King County, and for the development of new shelter capacity across the region.

### **Fruit Gleaning (McConaghy)**

Gleaned fruit is fruit grown in private yards and public orchards that would otherwise not be harvested and would go to waste. In the budget for 2014, Council added \$28,000 GSF for fruit gleaning. The Mayor’s proposed budget does not include funding for fruit gleaning.

There is Council interest in providing funding for fruit gleaning intended to increase fresh fruit available to food banks and meal programs.

### **Other Changes that Do Not Warrant Analysis as “Issues”:**

#### **Career Bridge (Belz)**

First established in late 2012, Career Bridge is an interdepartmental effort by the Human Services Department (HSD) and the Office of Economic Development that seeks to improve educational and employment outcomes for men of color who face significant barriers to economic stability. The 2015-2016 proposed budget for HSD includes \$400,000 per year in GSF support for Career Bridge. This same level of funding was provided for the program in 2014; however, the 2014 adopted budget originally allocated Career Bridge \$400,000 in Community Development Block Grant funds. HSD later used its budget authority to perform a fund swap that allowed Career Bridge to instead be funded with an equivalent amount of more flexible GSF resources.

In April 2014, HSD executed a service contract that transferred responsibility for managing Career Bridge to the Urban League of Metropolitan Seattle. MEF Associates, a consultancy selected by the Office of the City Auditor and Council Staff via a competitive process, is currently completing an analysis of the program’s performance under its new organizational structure. The consultants expect to submit their final report to the City in March 2015. As no funding increases are proposed for Career Bridge in 2015 or 2016, and MEF Associates’ report will not be complete for several more months, Central Staff recommends the Council approve the Mayor’s budget proposal for Career Bridge and refrain from making funding or program modifications until Councilmembers have had an opportunity to review the forthcoming evaluation.