Overview and Initial Issues Identification
DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES

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Expenditures/Revenues

Budget Control Level	2009* Actuals	2010* Adopted	2011 Proposed	*% Change '10-'11*	2012 Proposed	*% Change '11-'12*
Budget and Central Services (BCS) See Note 1	$6,185,000	$6,483,000	$5,572,000	-14.1%	$5,727,000	2.8%
Fleet Services See Note 2	$43,112,000	$42,639,000	$39,723,000	-6.8%	$45,486,000	14.5%
Facility Services	$69,670,000	$67,382,000	$65,355,000	-3.0%	$65,947,000	0.9%
Technical Services	$4,757,000	$2,998,000	$2,855,000	-4.8%	$2,922,000	2.3%
Judgment and Claims	$477,000	$477,000	$362,000	-24.1%	$362,000	0.0%
Financial Services (FS) See Note 1	$8,152,000	$8,435,000	$9,858,000	16.9%	$10,075,000	2.2%
Business Technology	$9,908,000	$9,999,000	$8,106,000	-18.9%	$8,263,000	1.9%
Revenue and Consumer Protection	$5,394,000	$5,281,000	$4,998,000	-5.4%	$5,120,000	2.4%
Contracting and Purchasing Services	$3,427,000	$3,377,000	$3,018,000	-10.6%	$3,092,000	2.5%
Seattle Animal Shelter	$3,321,000	$3,423,000	$3,005,000	-12.2%	$3,068,000	2.1%
Office of Constituent Services (OCS) See Note 1	$0	$0	$1,150,000	NEW	$1,177,000	2.3%
Total Expenditures	$ 154,403,000	$ 150,494,000	$144,002,000	-4.3%	$151,239,000	5.0%
Total FTEs (See Note 4)	565.00	543.00	523.75	-3.5%	523.75	0.0%
Revenues						
General Subfund	$35,919,000	$36,001,000	$20,866,000	Note 3	$21,387,000	2.5%
Other	$108,823,000	$114,921,000	$127,829,000	Note 3	$130,175,000	1.8%
Total Revenues	$144,742,000	$150,922,000	$148,695,000	-1.5%	$151,562,000	1.9%

*For ease of comparison, expenditure, revenues and FTEs shown as 2009 Actuals and 2010 Adopted reflect only the budgets of DEA and FFD and do not include the current functions in FAS from DOF and DON.
Note 1 - BCS includes FFD Finance & Administration and DEA Executive Management; FS includes DEA Accounting Services, Risk Management and DOF Economics & Fiscal Management; and OCS includes DEA Constituent Services and DON Customer Service Bureau.
Note 2 - The Fleet Services BCL includes Citywide expenditures for fleet capital purchases, which fluctuate by several million dollars from year to year and skew the comparison percentages.
Note 3 - FAS is appropriated within an operating fund, whereas DEA was formerly appropriated within the General Subfund, complicating the comparison of 2011 to 2010.
Note 4 - Total 2009 and 2010 FTEs are only those positions in DEA and FFD and do not include FTEs from DOF and DON. The budget baseline FTEs from DEA, FFD, DOF and DON in 2010 in FAS is 556.25.

Introduction:

Through Ordinance 123361, which passed in July, Council created the Department Finance and Administrative Services (FAS). This new department combines the former Department of Executive Administration, the former Fleets and Facilities Department and some portions of the former Department of Finance (DOF) and the Department of Neighborhoods (DON). The new department is functionally diverse and provides services that include contracting and purchasing for the City, revenue forecasting, debt management, business licensing, designing and constructing capital facilities, and providing animal control.

Revenues for FAS come from a variety of sources including an operating fund funded, in part, by service charges internal to the City. FAS does receive some General Fund support primarily for financial services and administration of the City's business licensing program. The creation of FAS has eliminated some redundant positions and created efficiencies that are reflected in the proposed budget. Specifically, the proposed budget would eliminate approximately 32.5 FTEs from the 2010 adopted budget to the 2011 proposed and reduce General Fund support.

This overview paper identifies two potential issues under assessment that may lead to creation of green sheets or SLIs for later rounds of Council budget deliberations and discusses two bills proposed as part of the budget.

Potential Issues Under Assessment:

1. *Debt-Financed Energy Retrofit Projects for Municipal Buildings* – Central Staff are concerned that the proposed portfolio of energy retrofit projects in municipal buildings takes too long to pay back its costs and does not comply with the spirit of the City's debt policies. Possible alternatives include refining the project list to include only projects with quicker economic payoffs, or using current revenue, such as General Fund or Real Estate Excise Tax, instead of debt for some or all of the projects.

   The Proposed Budget includes $1.8 million in retrofit projects in 2011, to be financed with Limited Tax General Obligation (LTGO) debt. An additional $4.2 million is expected in 2012. The Executive has compiled a preliminary list of projects in FAS, Parks, and Seattle Center for 2011. The larger 2012 list remains to be determined.

   City debt policy memorialized in Resolution 30345 strikes a cautious tone on the use of LTGO debt in general, recommending that other funding sources be considered first. Acceptable uses include projects with positive net revenues over the life of the debt and with a reasonable expectation of being positive "within the first five years." Similarly, use of debt is acceptable for projects that are "expected to significantly reduce City operating costs within the first five years."

   The proposed 2011 project list does not achieve positive net revenue over the 10-year life of the debt. The portfolio has an average payback period of 12.2 years, seven years longer than the policy goal and 2.2 years longer than the life of the bonds. Within that average, some individual projects do not repay their capital costs through utility savings for more than 20 years, and the longest payback period on the list is almost 34 years. These savings figures are necessarily uncertain, since they will depend on how line staff operate the buildings well into the future. It is unclear whether the equipment being installed will last 20 or 34 years. And since the 2011 list presumably represents a first cut with the best projects that could be found, it is possible that the 2012 list will have even longer and more uncertain payback periods.

   The City's debt policy does allow exceptions for projects under $10 million, and the portfolio was recently approved by the Debt Management Policy Advisory Committee (DMPAC) on that basis, though the above concerns were noted and discussed. A more conservative policy would be to use current revenue instead of debt, or to rework the portfolio to include only the quicker payout projects on the list. This would provide a clearer economic margin of safety that protects the General Fund's ability to pay.

2. *Vehicle Fleet Right-Sizing* **-** The City of Seattle has a fleet of over 4000 vehicles. Many of these are special purpose vehicles needed for public safety, maintenance of City-owned utilities and facilities, and performance of regulatory duties. Others are used by employees for general governmental purposes in the course of day-to-day business. Additionally, subject to standards established in Seattle Municipal Code § 3.18.040, the City allows some personnel, primarily those involved in public safety, to take vehicles home. In 2010 there are approximately 130 take home vehicles. The Council periodically reviews the take home vehicle list and adopts a resolution establishing assignments. For some unions, take home assignments are subject to negotiation. FAS maintains and manages the fleet based on established best practices and guiding principles for fleet management, equipment replacement, and vehicle leasing.

   The vehicle leasing program is a component of the Fleet Services BCL. This program purchases vehicles for the City's fleet and administers the lease of those vehicles to departments. The proposed budget would allocate approximately $11.5 million, which is about 90% of the proposed vehicle leasing program, to replace older portions of the fleet in 2011. The remainder primarily goes towards administration. The 2012 proposed allocation for the vehicle leasing program is even larger, nearly $18 million. Assuming that 10% of that would go towards administration, then the potential cost for vehicle replacement in 2012 could be in the neighborhood of $16 million.

   The City of Seattle will be developing a climate action plan in 2011. This plan will likely include reduction targets for Vehicle Miles Traveled (VMT) by City employees in the course of conducting day-to-day business. *Should the Council through a statement of legislative intent request that FAS propose policies, internal business practices, and/or changes in City regulations that would 1) reduce the size of the fleet and ongoing capital replacement expense, 2) reduce the number of assigned take home vehicles, and 3) reduce VMT by City employees?*

Budget Legislation:

The proposed budget includes two pieces of legislation that 1) raise fees for cat licenses and 2) lower the fee for for-hire driver licenses and eliminate the fee exemption for for-hire drivers dually licensed in Seattle and King County.

Cat License Fee Bill. This proposed bill would raise the fee for an annual cat license by $5 and the fee for a 6-month license by $3. The current annual fee for an altered cat or unaltered cat is $15 or $20, respectively. Seattle last raised cat licensing fees in 2003. Proposed fees would be comparable to those of other jurisdictions. The proposed bill is expected to result in $85,000 in additional revenue to the Finance and Administrative Services Operating Fund with a corresponding offset to the General Fund. Last year the Council raised dog licensing fees through Ordinance 123153.

For-hire Driver License Fee Bill. The proposed bill would reduce the annual fee for a for-hire driver license from $75 to $50 and eliminate an exemption for license fees that applies to for-hire drivers licensed by King County. Eliminating the exemption will provide full cost recovery for the Seattle taxi-cab and for-hire driver regulatory program. The proposed bill is expected to result in $100,000 in additional revenue to the Finance and Administrative Services Operating Fund.