



2011 Mid-Year Budget Update

Presented to the Seattle City Council
City Budget Office - June 20, 2011



Contents

- ▶ Today's presentation will cover two topics
 - ▶ General Fund Budget Update
 - ▶ Seattle Department of Transportation Budget Update



Setting the Stage

- ▶ In March, the Mayor provided an update on the City's budget
 - ▶ 2010 ended with a better than expected positive balance of \$2.2 million
 - ▶ In contrast with 2009, which ended with a worse than expected negative balance of \$2.4 million
 - ▶ The result of
 - ▶ More economic stability in the waning months of 2010
 - ▶ Proactive monitoring of the budget throughout 2010
 - ▶ Appropriate corrective action through the 2010 mid-year reduction process
- ▶ The Mayor also identified a potential \$16 million 2011 mid-year shortfall – policy changes, modest weakness in utility tax revenues, State and Federal Budget pressures, modest expenditure pressures
- ▶ Today, as a result of positive budget developments and careful monitoring, the anticipated budget gap is down to \$10 million
 - ▶ 1% of the total budget

Budget Snapshot



▶ General Fund Balancing with 2011 mid-year changes

Amounts in \$1,000s	2011 Adopted (Nov 2010)	2011 Previous (Mar 2011)	2011 Revised (June 2011)
Beginning Unreserved Fund Balance*	100	2,243	2,243
Total Revenues	897,416	897,416	897,416
Total Expenditures and Change in Reserves	(894,964)	(894,964)	(894,964)
Parking Meter Rate Changes		(3,500)	(3,348)
Local Revenue Risk - Utility & Other Taxes		(4,000)	(4,286)
State Changes		(2,000)	(165)
Federal: Backfill for CDBG Reductions**		(2,800)	(713)
Risk: Change in Public Defense Standards		(333)	
Other		(5,635)	(2,294)
Mid-Year GF Reductions			8,743
Ending Unreserved Balance	2,552	(13,573)	2,632

* Available balance excludes policy reserves.

** Total reduction in CDBG funding is \$2.1 million relative to levels assumed in the 2011 Adopted Budget.



Closing the General Fund Gap

▶ Principles:

- ▶ Minimize impacts to direct services
- ▶ Avoid major policy and operational changes
 - ▶ These changes are best addressed in the annual budget process
 - ▶ Where necessary to achieve this objective, using one-time or 'bridge' funding to allow us to get to these discussions for 2012

- ▶ Capture on-going savings where possible
- ▶ Protect year-end fund balance
- ▶ Minimize layoffs
- ▶ Capture savings in senior-level positions
- ▶ Protect public safety and human services
- ▶ Be sensitive to race & social justice impacts
- ▶ Preserve the Rainy Day Fund at current funding levels

General Fund Reduction Highlights – Preserving Direct Services



- ▶ Many departments are meeting their reductions by ‘booking’ underspend that would normally accumulate throughout the year
 - ▶ Minimizes the impact on direct services & filled positions
 - ▶ Example: salary savings from vacant positions

- ▶ Capitalizing on overhead efficiencies
 - ▶ Fleet costs
 - ▶ Technology costs
 - ▶ Facilities maintenance costs
 - ▶ Personnel

General Fund Reduction Highlights – Preserving Direct Services



- ▶ **Parks - \$1.9 million savings; 2.4%**
 - ▶ No direct service reductions in Parks
 - ▶ Savings from a vacant senior-level position
 - ▶ Lower new facilities costs
 - ▶ Use of fund balance in preparation for implementing a new model for Community Centers as part of the 2012 budget

- ▶ **Neighborhoods - \$118,000 savings; 1.2%**
 - ▶ Miscellaneous position and operating expense savings
 - ▶ Consolidates West Seattle & Delridge Neighborhood Service Centers

- ▶ **Human Services - \$666,000 savings; 1.3%**
 - ▶ HSD's Strategic Investment Plan used to prioritize reductions
 - ▶ Miscellaneous position and operating expense savings
 - ▶ Utilizes grant funds in place of GF and reduces unencumbered contract funds
 - ▶ Limited impact to direct services

General Fund Reduction Highlights – Preserving Direct Services



- ▶ **Library - \$150,000 savings; 0.3%**
 - ▶ Operating hours maintained
 - ▶ Miscellaneous underspend

- ▶ **Fire - \$707,000 savings; 0.4%**
 - ▶ Maintains current service levels
 - ▶ Reduced recruitment efforts for 2011
 - ▶ Modest reduction in equipment replacement costs

- ▶ **Police - \$185,000 savings; 0.1%**
 - ▶ Maintains record number of officers assigned to patrol
 - ▶ Attrition savings and management efficiencies

- ▶ **Law Department - \$216,000 savings; 1.2%**
 - ▶ No positions are eliminated
 - ▶ Savings met entirely through salary savings from vacant positions

Reduction Highlights – Preserving Direct Services



- ▶ **Community Development Block Grant (CDBG)**
 - ▶ Seattle's allocation reduced by \$2.1 million or 17%
 - ▶ A collaborative effort between CBO, HSD, OH, and OED has resulted in an approach that minimizes direct service impacts and relies on only \$713,000 in General Fund

- ▶ **CDBG Rebalancing Approach:**
 - ▶ All funding for homeless services is preserved
 - ▶ Agreement with the Rainier Valley Community Development Fund (RVCDF) to delay \$1 million of Seattle's 2011 and 2012 funding commitments until 2013
 - ▶ Reduce \$250K OH Rental Housing Preservation & Production
 - ▶ Total funding is maintained significantly above 2009 levels
 - ▶ Administrative reductions and efficiencies

General Fund Position Impacts – Minimizing the Need for Layoffs



- ▶ **General Fund reductions eliminate funding for 24.5 FTEs**
 - ▶ Of these 4.5 FTEs are filled and will result in either reduced hours or layoff

 - ▶ Streamlining management ranks
 - ▶ 21% of the total FTEs are senior-level positions

 - ▶ 59% are non-represented employees; 41% represented

- ▶ Successful in minimizing the need for layoffs by proactive management of vacant positions

SDOT: Challenges Beyond the General Fund



- ▶ General Fund, captures \$190k in SDOT savings
 - ▶ less than 1% of SDOT's General Fund allocation
- ▶ SDOT facing revenue shortfalls in other revenue sources
 - ▶ Reimbursable revenues (\$1.6 million)
 - ▶ Gas Tax and Street Use revenues (\$4.4 million)
 - ▶ Partially offset by better than expected CPT revenues (\$3 million)
- ▶ To address these revenue challenges, SDOT is taking \$2.9 million in additional reductions in 2011
- ▶ SDOT budget challenges are on-going in nature.
 - ▶ A long-term plan to address these challenges will require policy discussions between the Executive and Council as part of the 2012 budget process.
 - ▶ The mid-year plan is a bridge to get to these discussions

SDOT: Challenges Beyond the General Fund



▶ Summary of SDOT Reductions

▶ Reimbursable – Economic Conditions Result in Less Work

- ▶ Eliminate 2 reimbursable street maintenance crews
- ▶ Reduce budget for reimbursable markings, signs and spot improvements
- ▶ Impacts: \$1.6 million and 31 FTE

▶ Gas Tax & Street Use Revenues

- ▶ Reductions in consultant and professional services budgets
- ▶ Software and PC replacement savings
- ▶ Elimination of 3 vacant planner positions
- ▶ Modest reductions in bike spots (\$59K), urban trail improvements (\$97K), and Rainier Greenway (\$150K)
- ▶ Impacts: \$1.4 million and 9 FTE



Implementation Plan

- ▶ **Outreach prior to this briefing:**
 - ▶ Individual Councilmember briefings
 - ▶ Labor and Cabinet briefed on Friday
 - ▶ Impacted employees notified on Friday

- ▶ **Implementation Plan**
 - ▶ Impacted employees given 30 days notice, with employment actions effective July 20, 2011
 - ▶ Other reductions implemented effective July 1, unless savings is already accumulating (i.e., vacant positions)



Looking Ahead

- ▶ CBO is currently working closely with departments and the Mayor to develop the 2012 proposed budget
- ▶ The 2012 budget will be an opportunity to engage the Council in discussions about the long-term policy and operational changes needed to continue adjusting the City's budget in this climate of constrained resources
 - ▶ Some policy discussions are already underway
- ▶ 2012 Proposed Budget will be transmitted to the Council on September 26, 2011

Questions?

