

Overview and Initial Issues Identification
DEPARTMENT OF INFORMATION TECHNOLOGY

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Expenditures/Revenues

	2012 Adopted	2013 Proposed	% Change '12 to '13	2014 Proposed	% Change '13 to '14
Expenditures by BCL					
Finance and Administration	\$6,299,000	\$10,713,000	70.1%	\$39,053,000	264.5%
Technology Leadership and Governance	\$1,972,000	\$2,021,000	2.5%	\$2,066,000	2.2%
Technology Infrastructure	\$33,632,000	\$35,901,000	6.7%	\$38,616,000	7.6%
Office of Electronic Communications	\$7,248,000	\$7,230,000	-0.2%	\$7,392,000	2.2%
Total Expenditures	\$49,151,000	\$55,865,000	13.7%	\$87,128,000	56.0%
Total FTEs	190.25	192.25	1.1%	192.25	0%
Revenues					
General Subfund Support	\$4,150,000	\$4,609,000	11.1%	\$4,977,000	8.0%
Cable Fund	\$7,991,000	\$8,352,000	4.5%	\$8,574,000	2.7%
City Agency – General Subfund	\$13,782,000	\$14,442,000	4.8%	\$14,810,000	2.5%
City Agency – Non-General Subfund	\$18,000,000	\$18,207,000	1.2%	\$18,420,000	1.2%
Other	\$6,133,000	\$5,374,000	-12.4%	\$5,525,000	2.8%
LTGO Bonds	\$0	\$2,625,000		\$35,635,000	1257.5%
Total Revenues	\$50,056,000	\$53,609,000	7.1%	\$87,942,000	64.0%

Introduction:

The Department of Information Technology (DoIT) is primarily an internal services department, providing communications, computer, telephone, radio, e-mail, website, and other services to City departments. It also operates seattle.gov and the Seattle Channel, oversees cable franchises, and manages technology outreach programs. DoIT is supported by funding from the General Subfund and other City funds, as City departments are charged rates or allocated costs for the DoIT services they use. DoIT is also supported in part by the Cable Television Franchise Subfund.

The large percentage increase in 2014 shown in the table above is a reflection of two proposed new CIP projects – the Next Generation Data Center (\$29.5 million in 2014) and Electronic Records Management System (\$3.0 million in 2014).

Without these two CIP projects, DoIT's overall budget grows by about 8 percent from 2012 to 2013, and by about 1 percent from 2013 to 2014.

Issues:

1. Technology Matching Fund

The Technology Matching Fund (TMF) grant program is funded from the Cable Subfund. A year ago, in fall 2011, the Mayor proposed funding the TMF at \$225,000 for 2012 (down from \$320,000 in 2011). The Council added \$95,000, so funding for 2012 is \$320,000.

For 2013 and 2014, the Mayor again proposes only \$225,000 per year for the TMF. CBO and DoIT staff explain that this decrease from 2012 was not reflected as a change because they considered the Council increase for 2012 as a one-time increase that did not affect the “base.”

The Cable Subfund is forecast to have year-end unreserved fund balance at the end of 2014 of \$489,000. Thus there is adequate fund balance to restore annual TMF funding to \$320,000 for 2013 and 2014. Note that in future years, the revenue growth in the Cable Subfund is not expected to keep pace with inflation in the costs of the programs that it supports, so there will likely need to be changes in what the Cable Subfund pays for in the future.

Option A: Restore TMF funding to \$320,000 per year in 2013 and 2014.

2. Next Generation Data Center – for information only

The City’s main data center is over ten years old and is in need of significant upgrades to address security concerns, add needed capacity, and provide for redundancy. An engineering consultant report commissioned by the City in 2012 developed preliminary options and costs for an upgraded system of data centers. Preliminary estimates suggest the costs will range from \$29 million to \$49 million depending on the choices. The project is expected to take three years to complete.

The 2013-2014 Proposed CIP for DoIT reflects anticipated spending of \$2.6 million in 2013, \$29.5 million in 2014, and \$2.6 million in 2015. Appropriations for 2013 and 2014 are included in the proposed budget, to be funded by the sale of LTGO bonds.

3. Cable Television Franchise Subfund – for information only

Franchise Fee: The City, by ordinance, imposes a franchise fee of 4.4% on cable television services. The Council raised the franchise fee from 4.2% to 4.4% two years ago. (The maximum allowable fee is 5.0%.) The fee applies only to cable television services, and not to other services (such as Internet) that may be provided by a cable company.

The cable companies operating in Seattle pay the fee to the City, and in turn collect it from each subscriber as an explicit line item on the cable bill. The revenue is deposited in the Cable Television Franchise Subfund (Cable Subfund), administered by DoIT. (The Subfund also includes some other monies specifically earmarked for particular cable-related purposes.)

Revenue: In 2013, the cable franchise fee is expected to generate about \$7.6 million.

Policies for Use of Cable Subfund: There are no externally-imposed legal restrictions on what cable franchise fee revenue may be spent for. However, the City Council and Mayor adopted Resolution 30379 in 2001, establishing financial policies for allowable expenditures from the Cable Subfund, as follows (the complete language of these policies is in Attachment A to this paper on page 4):

- Operations of DoIT’s Office of Cable Communications;
- Seattle Channel operations and capital;
- Programs and projects that promote citizen technology literacy and access;
- Use of innovative and interactive technology to provide the means for citizens to access City services and interact with elected officials and decision makers; and
- Public access television.

Expenditures: For budgeting purposes, the share of DoIT’s expenditures that is paid by the Cable Subfund varies by function within DoIT. For example, the Cable Subfund pays 100% of the costs of the Office of Cable Communications and the Community Technology program, and nearly all the costs of the Seattle Channel. For the Citywide Web Team, costs are distributed to six funds and then the Cable Subfund substitutes for all of the General Subfund share. For two other BCLs, costs are distributed among seven funds (standard six plus Cable Subfund), based on the percent of DoIT’s Operating Fund revenues that come from each. And so on.

The proposed uses of the Cable Subfund in 2013 are as follows:

Amount	Use
\$5,514,569	Support to DoIT's Office of Electronic Communications BCL, including cable office, Seattle Channel, web support, video voters' guide, and other activities
\$1,571,414	Support to DoIT's Technology Infrastructure BCL, including IVR (interactive voice response) system, web-portal, Internet security costs, and e-mail
\$687,913	Support to two other DoIT BCLs – Finance and Administration BCL, and Technology Leadership and Governance BCL
\$225,000	Technology Matching Fund grants (reduced from \$320,000 in 2012)
\$187,000	Public access television
\$166,000	Community centers (computer lab hours, digital media, tech support)
\$190,000	Public-access computers at Seattle Public Library
\$8,541,896	Total

Reserves and Fund Balance: DoIT maintains several “reserves” in the Cable Subfund. In 2013, DoIT expects to draw down the reserves by about \$872,000. Most of this draw-down – about \$719,000 – is from the reserve for arts programming, youth civic involvement, and Seattle Channel capital projects – see Issue 4 below.

DoIT forecasts that the Cable Subfund's *unreserved* fund balance will be about \$854,000 at the end of 2013, and about \$489,000 at the end of 2014.

Longer-Term Outlook for Cable Subfund: DoIT has estimated Cable Subfund revenue and expenditures through 2016. Based on this analysis, DoIT estimates that in 2015, funds for arts programming, youth civic involvement, and Seattle Channel capital projects will run out – see Issue 4 below. In addition, in 2016, even with no spending in those three areas, if the Cable Subfund were to continue to pay for the costs it currently supports, it would run at a deficit.

4. Funding for Arts Programming, Youth Civic Involvement, and Seattle Channel Capital Projects – for information only

When its franchise agreement was renewed in 2006, Comcast provided funds to the City for three specific purposes: arts programming, youth civic involvement, and Seattle Channel capital projects. DoIT placed these funds in a reserve within the Cable Subfund, to earn interest and be spent over the ten-year life of the franchise agreement (through 2015).

However, due to lower-than-anticipated interest earnings, these funds will not stretch as long as originally forecast. DoIT's annual spending has been about \$494,000 on arts programming, \$50,000 on youth civic involvement, and \$175,000 on Seattle Channel capital, and DoIT plans to continue spending at these levels in 2013 and 2014. But then only about \$236,000 will remain in the reserve at the end of 2014 – not enough to continue at the same funding level for 2015. DoIT plans to revisit this issue two years from now in the context of the overall spending pressures on the Cable Subfund.

Attachment A

Resolution 30379 (adopted August 20, 2001) – Financial Policies
Exhibit D – Cable Television Franchise Subfund

CITY OF SEATTLE CABLE TELEVISION FRANCHISE SUBFUND OF THE GENERAL FUND

Introduction

On January 20, 1996 the City entered into cable television franchise agreements with Seattle area cable providers. These agreements called for new franchise fees as compensation for the right to locate cable in the public right of way. On July 1, 1996 the Council created the Cable Television Franchise Subfund in the General Fund to receive these franchise fee revenues and account for their expenditure.

Fund Structure

Policy 1. Creation of Subfund: A new Subfund in the General Fund, entitled Cable Television Franchise Subfund, is hereby created. [Ord. 118196]

Policy 2. Creation of Account: A new account, known as the Community Television Account, shall be established within the Cable Franchise Subfund of the General Fund. [Ord. 120214]

Expenditures

Policy 3. Expenditures from Subfund: Cable franchise revenues shall be used for the following purposes:

1. Funding for the Office of Cable Communications, including administration of the Cable Customer Bill of Rights and the Public, Education, and Government Access costs that the City is obligated to fund under the terms of its cable franchise agreements.
2. Support for the City's government access TV channel(s), including both operations and capital equipment.
3. Programs and projects that promote citizen technology literacy and access, including related research, analysis and evaluation.
4. Use of innovative and interactive technology, including the Internet and TV, to provide the means for citizens to access City services and easily and meaningfully interact with their elected officials and decision makers. [New Policy]

Additionally,

5. Funds from the Community Television Account shall be used solely for the purposes of supporting the operations and capital needs of public access television, including payments to the Designated Access Manager for services provided under its agreement with the City. [Ord. 120214]

Revenues

Policy 4. Revenues to Subfund: Revenues from the Cable Franchise Fee shall be deposited into the Cable Television Franchise Subfund. [Ord. 118196]

Fund Balance/Fund Management

Policy 5. Retention of Interest Earnings: In accordance with applicable state law and City investment policy, the Finance Director shall invest all funds received and held in the Community Television Account, and any interest earnings from such investments shall be deposited in this account and used for the purposes set forth in this section. [Ord. 120214]