

2015 Adopted and 2016 Endorsed Budget Executive Summary

On November 14, 2014, following nearly two months of intensive review and discussion, the Seattle City Council's Budget Committee approved the 2015 Adopted and 2016 Endorsed Budget by a vote of 8-1. This vote was reaffirmed by the Full City Council 10 days later on November 24. As a result of its review and deliberations, the Council made a number of modifications to the Mayor's Proposed Budget. The purpose of this summary is to highlight the most significant elements of these changes. To provide a fuller picture of the overall 2015 Adopted and 2016 Endorsed Budget, these pages must be read in conjunction with the summary of the 2015-2016 Proposed Budget, which describes the major elements of the budget as it was proposed to the Council by the Mayor (and follows this section). What is presented here is not intended to be a full accounting of Council's actions, but rather a description of the most significant changes.

Revenue

2014 marked a year of strong growth in the local and regional economy. Thanks to an expansion in the technology sector and a boom in construction, employment and income growth built on the significant gains seen in 2013. This strong economic performance helped support a healthy growth in City revenues. The 2015-2016 Proposed Budget was balanced against a revenue forecast that relied on data available through August 2014. This forecast was revised in November, as it is each year, and the new forecast projected changes in a number of different General Fund resources. Some revenues were projected to growth and others to decline, relative to the August forecast. On net, these changes amounted to a \$2.5 million increase in resources available to the General Fund over the 2015-2016 biennium. The Council also took an affirmative action to increase biennial General Fund revenues. In particular, the Council proposed and approved legislation increasing the City's annual business license fee by \$20. This change will increase annual City revenues by \$1 million per year on an ongoing basis; implying an additional \$2 million over the current biennium. Thus, in total, forecast changes and Council actions increased the revenues available to the General Fund by \$4.5 million for the biennium.

Changes in total Appropriations

The 2015-2016 Proposed Budget included a total of more than \$4 billion in annual appropriations, of which \$1.049 billion in 2015 and \$1.068 billion in 2016 year was for the General Fund. Council actions decreased General Fund appropriations by \$678,000 in 2015 and increased it by \$3.7 million in 2016. The increased appropriations by the Council were made possible by additional General Fund revenue and the use of fund balances available for general government use. As explained in greater detail below, Council drew upon approximately \$25

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million in reserves over the biennium as an alternative to the underspend projections included in the Mayor's Proposed Budget. This change was just one of several significant actions taken by the Council. These modifications, which targeted several different policy priorities, are described below.

Approach to Anticipated Underspending In his proposed budget, the Mayor has assumed that City departments would, in aggregate, underspend their General Fund appropriations about 1.5%, or approximately \$15 million per year, consistent with historically observed underspend levels of 2-4%. The Council was not comfortable with this approach and instead developed an alternative that assumed 100% of proposed appropriations would be spent. To secure the funding needed to support this alternative, the Council took two specific actions. First, an across-the-board reduction of 0.6% of proposed General Fund spending was imposed on all departments receiving aggregate General Fund appropriations of \$10 million or more for 2015. This action provided approximately \$5.4 million in total savings. Given that the Mayor's underspend assumption provided \$30 million in effective resources over the biennium, this left \$26.4 million of required funding. The Council met this need by drawing down available fund balances. Whether this projected reduction in fund balances will ultimately be necessary will depend on how actual spending evolves and what level of underspending occurs.

Public Safety. Public Safety was a major priority for the Council during its budget deliberations and actions were taken to both increase resources in certain areas and target existing resources to specific purposes. During the period of Council's deliberations, the City confirmed the award of a grant from the federal government to support local law enforcement. When matched with a local investment of \$400,000, this \$1.25 million grant provided the funding needed to hire an additional 10 police officers. The funding for the required local match was redirected from a reserve established to address future policing needs, including the potential to match outside grants. The Council turned to the same reserve to direct \$50,000 in funding to support neighborhood policing and crime prevention. In addition, in acknowledgement of the Seattle Police Department's commitment to better manage and control the use of overtime, the Council reduced the department's overtime funding by \$500,000 per year. This reduction freed up resources for Council to direct toward other budget priorities.

Homeless Families and Youth and Young Adults. Support for the city's most needy and vulnerable residents remained a high priority for the Council. In addition to supporting the increased funding for homeless services proposed by the Mayor, the Council added more than \$400,000 in on-going funding for such services and an additional one-time investment of more than \$350,000 in 2015. On-going funding was provided to support encampments as a temporary form of shelter, expand year-round women's shelter and to maintain existing hygiene services. One-time funding was offered as an incentive to encourage regional partners

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to invest in shelter services, and to implement the recommendations of the Mayor's Task Force on Unsheltered Homeless. The Task Force's recommendations are expected in early 2015.

Public Health. Recognizing that the region's public health system provides a critical link to care for many city residents, the Council made on-going investments in enhanced health services and a one-time capital investment in the infrastructure needed to support such services. The Crisis Clinic Hotline received additional annual funding of \$100,000, while the Council also initiated City support for doula services, offering annual support of \$75,000. The Council also increased the City's support for the construction of Neighbor Care's proposed health clinic in North Seattle. Mayor Murray's budget increased the City's previous commitment of \$250,000 to \$750,000. Council's final actions increased this a further \$250,000, for a total City investment of \$1 million. The City's funding will leverage support from state, federal and private sources.

Youth Services. Programs targeted at youth development and protection of vulnerable youth have been an area of increasing investment for the City in recent years. The Council's budget actions continued this commitment in a number of ways. Complementing the increased funding for homeless services noted above, the Council provided \$150,000 in funding for outreach to homeless youth. At the same time, the Council increased by \$75,000 per year the Mayor's proposed investment in youth mentoring services, and in a separate action increased funding for grants to arts program targeting the city's youth.

Additional Human Services Actions. Council's support for human services extended to several other areas as well. More than \$350,000 in one-time funding was provided to support and expand the City's system of distributing food to those in need, with \$250,000 in capital support provided to the build-out of a new facility for the University District Food Bank. A significant on-going investment of \$300,000 per year was also provided to expand mobile support services for victims of domestic violence.

Transportation. With regard to Transportation, the Council used unallocated fund balances within the Seattle Department of Transportation's budget to increase funding for two specific programs, while at the same time providing the resources needed to explore a new potential source of transportation funding. Existing fund balances of \$1 million were directed to development of an Adaptive Signal Control system to serve South Lake Union and the Mercer Corridor. In addition, the Council added \$50,000 of General Fund support for a feasibility analysis to expand the Pronto Bike Share service into southeast Seattle. The Council also provided \$300,000 to fund an overall analysis of impact fees as a potential source of funding for transportation needs and other potential infrastructure requirements.

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Income Equality. Concern that the benefits of the region's strong economy are not being shared by all has led the City's leaders to focus on the issues of income equality. The Council took a number of steps to address this issue among the City's own employees, with agencies that are paid to provide City services and with the city's overall work force. In particular, Council added funding to move all City employees to an hourly wage of \$15 by April of 2015 and to offer a paid parental leave benefit to all City employees. Implementation of both these measures will require negotiation with the City's union-represented employees. To support increased wages among the City's human services contractors, the Council added more than \$650,000 in 2015, and \$1 million in 2016. Furthermore, to help protect the rights of workers throughout Seattle, the Council added resources to support outreach to vulnerable workers and accelerate funding to hire additional investigators for the newly-created Office of Labor standards.

Housing Development and Planning. Managing the pressures created by rapid growth and development is a topic of concern for both the Council and the Mayor. The design review process is one way the public is able to offer its perspective on proposed development projects. As the pace of development has accelerated in recent years, questions have been raised about whether the current design review process effectively serves the interests of either developers or affected neighbors. To address this issue, Council provided \$50,000 in one-time funding to support a review of the City's design review process. Targeting a more specific development issue, Council also added more than \$125,000 to support development of new zoning proposal for the 35th Avenue Northeast corridor. Perhaps most significantly, the Council allotted \$1 million in City resources to a regional fund designed to support transit-oriented development and promote more development density in close proximity to transit services.

Other Actions. The Council made a number of other changes that are not as easily characterized. For example, in terms of budget additions, the Council also provided \$137,000 per year and a new staff position to implement the City's Equity & Environment Initiative; increased annual funding for staff salaries in the City Attorney's Office by \$300,000, added \$150,000 to the City's Technology Matching Fund grant on a one-time basis for 2015, invested \$75,000 in system to assist the hearing-impaired listen to Council meetings, and expanded support for public access television by more than \$300,000 over the biennium. To help fund these and other additions, the following reductions were imposed: \$75,000 per year to support expansion of summer street festivals; \$120,000 in funding for public defenders (Council determined the Executive's projections of these costs were too conservative); and nearly \$500,000 that had been set aside for the future redevelopment of Fire Station 39 in the Lake City neighborhood.