

July 9, 2019

MEMORANDUM

To: Housing, Health, Energy, and Workers' Rights Committee
From: Amy Gore, Council Central Staff
Subject: Potential Amendments for Council Bill 119542: Annual Inflation Adjustment for Human Services Department Contracts

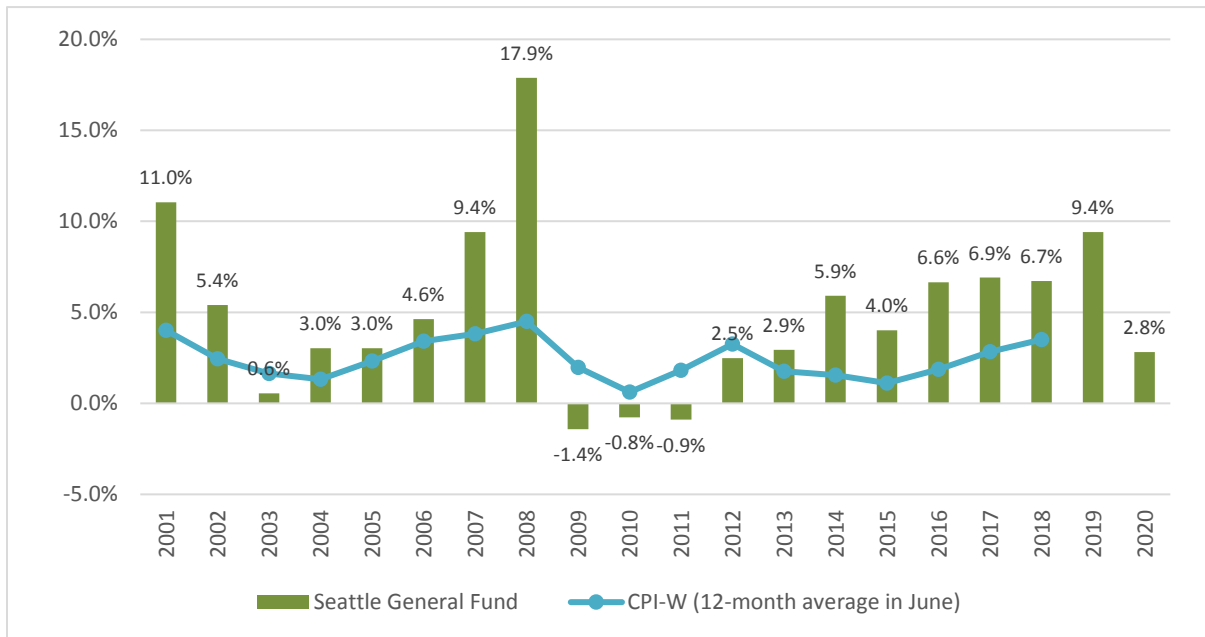
On July 11, 2019, the Housing, Health, Energy, and Workers' Rights Committee (HHEWR) will discuss and potentially vote on [Council Bill \(CB\) 119542](#), which would amend the Seattle Municipal Code (SMC) to require that the Human Services Department (HSD) include annual inflation adjustments for renewed or renegotiated contracts. The following memo presents three proposed amendments.

Proposed Amendments

1. Annual adjustment calculation methodology (*Councilmembers Mosqueda and Bagshaw*)
Proposed CB 119542 states that the annual contract adjustment "shall use" the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) to determine annual adjustments. There are several ways the CPI-W is used to calculate an adjustment. This amendment specifies that the adjustment initially reflects the change in year-over-year CPI-W 12-month average in April 2019 and then year-over-year CPI-W 12-month average in June for the ensuing years. (See Attachment 1)
2. Maximum required annual adjustment (*Councilmember Bagshaw*)
Proposed CB 119542 requires that HSD contracts include an annual inflation adjustment based on the annual change in CPI-W, with a minimum adjustment of zero percent. This amendment would add a maximum required adjustment equal to the percentage change in the General Fund over the previous year so that the adjustment is proportionate to the change in budget resources available. However, the Council would not be precluded from making additional adjustments beyond the maximum required amount. (See Attachment 2)

Chart 1 compares the annual change in CPI-W and the General Fund to demonstrate circumstances when the maximum and minimum annual adjustments would apply. From 2001 to 2018, there were five years when the change in CPI-W was higher than the change in the General Fund balance, i.e., 2003 and 2009 to 2012. For example, in 2011 the General Fund declined by 0.9 percent and CPI-W grew by 1.8 percent. In that year, the adjustment would be zero percent due to the minimum adjustment. In 2012, the General Fund increased by 2.5 percent and CPI-W increased by 3.3 percent. In that year, the required annual adjustment would be equal to the growth in the General Fund, or 2.5 percent.

Chart 1: Percentage Change in General Fund and CPI-W, 2001 to 2020



3. Report in 2022 (Councilmember Mosqueda)

This amendment would require a report by March 31, 2022 examining the impacts of the annual contract adjustments, as well as require the Council to outline next steps or additional actions Council plans to take in light of the report’s findings. (See Attachment 3)

Next Steps

The HHEWR Committee will continue discussion of CB 119542 and consider the proposed amendments during a special committee meeting on July 11, 2019.

Attachments:

1. Amendment 1 – Annual Adjustment Calculation Methodology
2. Amendment 2 – Maximum Required Annual Adjustment
3. Amendment 3 – Report in 2022

cc: Kirstan Arestad, Central Staff Director
 Aly Pennucci, Supervising Analyst

Amendment 1: Annual Adjustment Calculation Methodology

Sponsors: CM Mosqueda and CM Bagshaw

Background: Proposed CB 119542 states that the annual contract adjustment “shall use” the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) to determine the annual adjustment. There are several ways to use the CPI-W to calculate an adjustment. This amendment would specify that the calculation is year-over-year change in the CPI-W 12-month average for April in 2019 and for June in following years.

Notes:

Double underlines indicate new language proposed to be added.

~~Double strikethroughs~~ indicate language proposed to be removed.

Amendment

Amend Section 1 of Council Bill 119542 as follows:

Section 1. A new Section 3.20.060 of the Seattle Municipal Code is added to Subchapter I of Chapter 3.20 as follows:

* * *

D. For contracts renewed or renegotiated after the effective date of this ordinance and through June 30, 2020, the Department shall use ~~the percentage change in the Seattle-Tacoma-Bellevue Consumer Price Index for Urban Wage Earners and Clerical Workers (issued by the Bureau of Labor Statistics)~~ 100 percent of the annual average growth rate of the bi-monthly Seattle-Tacoma-Bellevue Area Consumer Price Index for Urban Wage Earners and Clerical Workers, termed CPI-W, during the prior 12 month period ending in April for 2019 as a measure of how much the costs of services have increased, ~~with a minimum increase of zero percent if the index change is negative.~~ For contracts renewed or renegotiated after June 30, 2020, the Department shall use 100 percent of the annual average growth rate of the bi-monthly CPI-W during the prior 12 month period ending in June of each year. The Department shall use a minimum increase of zero percent if the index change is negative.

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Amendment 2: Maximum Required Annual Adjustment
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Amendment 2: Maximum Required Annual Adjustment

Sponsor: CM Bagshaw

Background: Proposed CB 119542 requires that HSD contracts include an annual inflation adjustment based on the annual change in CPI-W, with a minimum adjustment of zero percent. This amendment would add a maximum adjustment equal to the change in the General Fund over the previous year so that the contract adjustment is proportionate to the change in budget resources available.

Notes:

Double underlines indicate new language proposed to be added.

~~Double strikethroughs~~ indicate language proposed to be removed.

Amendment

Amend Section 1 of Council Bill 119542 as follows:

Section 1. A new Section 3.20.060 of the Seattle Municipal Code is added to Subchapter I of Chapter 3.20 as follows:

* * *

D. The Department shall use the percentage change in the Seattle-Tacoma-Bellevue Consumer Price Index for Urban Wage Earners and Clerical Workers (issued by the Bureau of Labor Statistics) as a measure of how much the costs of services have increased, with a minimum increase of zero percent if the index change is negative, and a maximum increase equal to the percentage increase in General Fund revenues from the previous year found in the adopted budget unless City Council provides for a different percentage increase in the adopted budget.

Amendment 3: Report in 2022

Sponsor: CM Mosqueda

Background: This amendment would add a report back requirement in 2022, including information about the impact of the required annual adjustments on both contracted partner organizations and the City, as well as require a response from the Council outlining next steps or additional actions.

Notes:

Double underlines indicate new language proposed to be added.

~~Double strikethroughs~~ indicate language proposed to be removed.

Amendment

Add new Sections 3 and 4 to Council Bill 119542 as follows, renumbering other bill sections accordingly:

Section 3. The Human Services Department shall provide a report, informed by early, robust and equitable stakeholder engagement reflecting organizational capacity, to the City Council committee with oversight of workers' rights or the Human Services Department, by March 31, 2022. The report shall address:

A. Impacts of required annual adjustments on contracted partner organizations' financial stability, employee wages, employee retention, services provided, and the City budget;

B. Evaluation of the CPI-W as a measure of changes in the costs of providing services;
and

C. Recommendations for changes, if any, to regulations requiring annual contract adjustments.

Section 4. The City Council committee will respond to recommendations in the report within 120 days of the receipt of the report. Their written responses to the recommendations should identify any:

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A. Policies or legislation the committee intends to put before the City Council for approval;

B. Further information the committee would like from the Human Services Department;

C. Alternatives the committee would like the Human Services Department to develop;

and

D. Recommendations that the committee intends to reject or consider on a longer timeline, and the reasons therefor.