

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
Legislative	Amy Gore/x69107	N/A

* Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to contracting by the Human Services Department; providing that the Seattle Human Services Department provide a cost increase when renewing or renegotiating contracts to address escalation in costs and specifying how and when to apply the increase; amending Section 20.60.102 of the Seattle Municipal Code to exempt human services contracts from the provisions of Chapter 20.60; and adding a new Section 3.20.060 to the Seattle Municipal Code.

Summary and background of the Legislation: This legislation requires that the Human Services Department include an annual increase to renegotiated or renewed contracts. The increase will be based on the annual change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) issued by the Bureau of Labor Statistics.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ___ Yes X No

If yes, please fill out the table below and attach a new (if creating a project) or marked-up (if amending) CIP Page to the Council Bill. Please include the spending plan as part of the attached CIP Page. If no, please delete the table.

Project Name:	Project I.D.:	Project Location:	Start Date:	End Date:	Total Project Cost Through 2023:

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? ___ Yes X No

If there are no changes to appropriations, revenues, or positions, please delete the table below.

Appropriation change (\$):	General Fund \$		Other \$	
	2019	2020	2019	2020
Estimated revenue change (\$):	Revenue to General Fund		Revenue to Other Funds	
	2019	2020	2019	2020
Positions affected:	No. of Positions		Total FTE Change	
	2019	2020	2019	2020

Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?

If so, describe the nature of the impacts. This could include increased operating and maintenance costs, for example.

The proposal will have budgetary impacts in 2020 and beyond.

Two Percent Adjustments in 2019 and 2020

The 2019 Adopted Budget included a total of \$2,597,782 for a two percent inflationary adjustment for both General Fund (GF) and non-General Fund (non-GF) HSD contracts. This included \$1,694,692 in the Mayor’s proposed budget for GF contracts¹ and \$903,090 added by the Council for non-GF contracts². Due to exemptions for some contracts, the actual cost of the non-GF two percent adjustment was \$634,791, for a total cost of \$2,329,483 for the two percent adjustment in 2019.

According to CBO, in 2019 HSD is administering \$134,368,563 in contracts that would be eligible for contract adjustments, including \$102,629,020 of GF contracts and \$31,739,543 in non-GF contracts. Therefore, the actual cost of providing a further two percent adjustment in 2020 (on top of continuing to fund the 2 percent increase from 2019) would be \$2,052,580 for GF contracts and \$634,791 for non-GF contracts, for a total cost of \$2,687,371. The 2020 Endorsed Budget included \$1,928,585 for a two percent increase for GF-contracts in 2020 and does not include funding for a two percent increase for non-GF contracts. An additional \$758,786 is needed to fully fund a two percent increase in 2020. If the unspent funds from 2019 are applied to this budget item, the remaining shortfall is \$490,487.

Impacts to 2020 Endorsed Budget

Two Percent Adjustment	GF	Non-GF	Total
2019			
Cost of 2% Adjustment in 2019	\$1,694,692	\$634,791	\$2,329,483
Budgeted funds for 2% Adjustment in 2019	\$1,694,692	\$903,090	\$2,597,782
Difference in Cost of 2019 Increase and Budget	\$0	\$268,299	\$268,299
2020			
<i>Base 2019 HSD Contracts Eligible for Adjustment</i>	<i>\$102,629,020</i>	<i>\$31,739,543</i>	<i>\$134,368,563</i>
Cost of 2% Adjustment in 2020	\$2,052,580	\$634,791	\$2,687,371
Budgeted funds for 2% Adjustment in 2020	\$1,928,585	\$0	\$1,928,585
Difference in Cost of 2020 Increase and Budget	(\$123,995)	(\$634,791)	(\$758,786)

¹ BIP HSD-142

² GS 14-9-D-1

2.9 Percent Adjustment in 2020

The most recent CPI-W for Seattle-Tacoma-Bremerton is from April 2019 and the increase in the 12-month average from April 2018 to April 2019 was 2.9 percent. The cost of providing a 2.9 percent adjustment in 2020 would be \$2,976,242 for GF contracts and \$920,447 for non-GF contracts, for a total increase of \$3,896,688. The 2020 Endorsed Budget includes \$1,928,585 for the 2020 adjustment. Therefore, if the adjustment is increased to 2.9 percent in 2020, there would be a shortfall of \$1,968,103. If the unspent funds from 2019 is applied to this budget item, the total remaining shortfall is \$1,660,286.

Impacts to 2020 Endorsed Budget

2 Percent Adjustment (2019) & 2.9 Percent Adjustment (2020)	GF	Non-GF	Total
2019			
2% Adjustment in 2019	\$1,694,692	\$634,791	\$2,329,483
Budgeted funds for 2% Adjustment in 2019	\$1,694,692	\$903,090	\$2,597,782
Difference of 2019 Increase and Budget	\$0	\$268,299	\$268,299
2020			
<i>Base 2019 HSD Contracts Eligible for Adjustment</i>	<i>\$102,629,020</i>	<i>\$31,739,543</i>	<i>\$134,368,563</i>
2.9% Adjustment in 2020	\$2,976,242	\$920,447	\$3,896,688
Budgeted funds for 2% Adjustment in 2020	\$1,928,585	\$0	\$1,928,585
Difference of 2020 Increase and Budget	(\$1,047,657)	(\$920,447)	(\$1,968,103)

Is there financial cost or other impacts of *not* implementing the legislation?

Estimate the costs to the City of not implementing the legislation, including estimated costs to maintain or expand an existing facility or the cost avoidance due to replacement of an existing facility, potential conflicts with regulatory requirements, or other potential costs or consequences.

The nonprofit organizations that contract with HSD report that stagnating contracts amounts do not cover the rapidly increasing operating expenses in Seattle, which leads to an inability to hire, retain and train employees, pay for basic expenses like transportation, facilities and insurance. High employee turnover and position vacancies diminish the quality of service to the vulnerable residents who rely on our nonprofit partner organizations.

If there are no changes to appropriations, revenues, or positions, please delete sections 3.a., 3.b., and 3.c. and answer the questions in Section 4.

3.a. Appropriations

_____ This legislation adds, changes, or deletes appropriations.

If this box is checked, please complete this section. If this box is not checked, please proceed to Revenues/Reimbursements.

Fund Name and number	Dept	Budget Control Level Name/#*	2019 Appropriation Change	2020 Estimated Appropriation Change
TOTAL				

*See budget book to obtain the appropriate Budget Control Level for your department.

This table should reflect appropriations that are a direct result of this legislation. In the event that the project/programs associated with this ordinance had, or will have, appropriations in other legislation please provide details in the Appropriation Notes section below. If the appropriation is not completely supported by revenue/reimbursements listed below, please identify the funding source (e.g. available fund balance) to cover this appropriation in the notes section. Also indicate if the legislation changes appropriations one-time, ongoing, or both.

Is this change one-time or ongoing?

Please explain any complicated scenarios – e.g. three-year funding agreement but not permanent ongoing.

Appropriations Notes:

3.b. Revenues/Reimbursements

_____ This legislation adds, changes, or deletes revenues or reimbursements.

If this box is checked, please complete this section. If this box is not checked, please proceed to Positions.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2019 Revenue	2020 Estimated Revenue
TOTAL				

This table should reflect revenues/reimbursements that are a direct result of this legislation. In the event that the issues/projects associated with this ordinance/resolution have revenues or reimbursements that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below. Do the revenue sources have match requirements? If so, what are they?

Is this change one-time or ongoing?

Please explain any complicated scenarios – e.g. three-year funding agreement but not permanent ongoing.

Revenue/Reimbursement Notes:

3.c. Positions

_____ This legislation adds, changes, or deletes positions.

If this box is checked, please complete this section. If this box is not checked, please proceed to Other Implications.

Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact:

Position # for Existing Positions	Position Title & Department*	Fund Name & #	Program & BCL	PT/FT	2019 Positions	2019 FTE	Does it sunset? (If yes, explain below in Position Notes)
TOTAL							

* List each position separately

This table should only reflect the actual number of positions created by this legislation. In the event that positions have been, or will be, created as a result of previous or future legislation or budget actions, please provide details in the Notes section below.

Position Notes:

4. OTHER IMPLICATIONS

a. Does this legislation affect any departments besides the originating department?

If so, please list the affected department(s) and the nature of the impact (financial, operational, etc.).

Yes. This legislation impacts the Human Services Department as described above.

b. Is a public hearing required for this legislation?

If yes, what public hearing(s) have been held to date, and/or what public hearing(s) are planned/required in the future?

No.

c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?

If yes, please describe the measures taken to comply with RCW 64.06.080.

No.

d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

For example, legislation related to sale of surplus property, condemnation, or certain capital projects with private partners may require publication of notice. If you aren't sure, please check with your lawyer. If publication of notice is required, describe any steps taken to comply with that requirement.

No.

e. Does this legislation affect a piece of property?

If yes, and if a map or other visual representation of the property is not already included as an exhibit or attachment to the legislation itself, then you must include a map and/or other visual representation of the property and its location as an attachment to the fiscal note. Place a note on the map attached to the fiscal note that indicates the map is intended for illustrative or informational purposes only and is not intended to modify anything in the legislation.

No.

f. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?

If yes, please explain how this legislation may impact vulnerable or historically disadvantaged communities. Using the racial equity toolkit is one way to help determine the legislation's impact on certain communities. If any aspect of the legislation involves communication or outreach to the public, please describe the plan for communicating with non-English speakers.

HSD contracted partners provide critical services to Seattle's most vulnerable residents, including low-income families, people experiencing homelessness, and survivors of domestic violence and sexual assault. Many of these vulnerable populations are disproportionately persons of color relative to the population as a whole, for example:

- According to the Seattle/King County Count Us In Point-In-Time County of Persons Experiencing Homelessness "in 2019, the majority of individuals experiencing homelessness in Seattle/King County identified as people of color. When compared to the racial demographics of the county's general population, the largest disparities were observed among those identifying as Black or African American (32% in the Point-in-Time Count compared to 6% in the general King County population), Hispanic or Latino (15% compared to 10%), American Indian/Alaskan Native (10% compared to <1%)."
- According to HSD's Safety RFP, of the 11 to 17-year-old individuals with felony offenses referred to the King County Prosecuting Attorney's Office (KCPAO), 70% are Black/African American.
- According to the Washington State Behavioral Risk Factor Surveillance System (BRFSS), Native Hawaiian/Pacific Islander and Black/African American households are most likely to experience food insecurity in Seattle.

Service providers report high staff turnover, difficulty retaining trained staff, and high position vacancy due to stagnant wages from non-inflated contracts. Staff turnover in the human services industry has been shown to lessening the effectiveness of services. Reducing the effectiveness of service providers disproportionately, negatively impacts people of color.

g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s).

This answer should highlight measurable outputs and outcomes.

List attachments/exhibits below: