

August 2, 2021

MEMORANDUM

To: Finance & Housing Committee
From: Dan Eder, Interim Director
Subject: CB 120131 – Equitable Communities Initiative Task Force Recommendations

On August 3, 2021, the Finance & Housing Committee will discuss and may vote on [Council Bill \(CB\) 120131](#) that would lift two provisos on a cumulative \$29.9 million in Finance General Reserves. CB 120131 would also authorize spending \$30 million on a variety of purposes that support recommendations from the Equitable Communities Initiative (ECI) Task Force, a group of stakeholders convened by the Mayor that included Councilmember Juarez as an ex-officio member.

Background

ECI Task Force

In 2020, the Mayor convened the ECI Task Force in recognition of the “need to address the many disparities across housing, health, education, criminal legal system, and wealth that disproportionately impacts [sic] communities of color, particularly the Black and Indigenous community.”¹

The 2020 3rd Quarter Supplemental ([Ordinance 126210](#)) amended the 2020 Adopted Budget to add \$100,000 for facilitation costs related to deliberations by the ECI Task Force. The 2021 Adopted Budget included \$29.9 million in Finance General Reserves to be used for funding based on the ECI Task Force’s recommendations.

The 2021 Adopted Budget imposed the following two provisos on the \$29.9 million related to the ECI Task Force recommendations:

“Of the appropriation in the 2021 budget for Finance General Reserves, \$29,500,000 is appropriated solely to fund the Equitable Communities Initiative and actions recommended to the City by the Equitable Communities Task Force and may be spent for no other purpose. Furthermore, none of the money so appropriated may be spent until authorized by future ordinance. The Council anticipates that such authority will not be granted until the Executive submits to the Council a plan for spending the funds that describes how the allocations were informed. The Council expects that there will be alignment between the Task Force and the Participatory Budgeting process to ensure that investments are coordinated.”

¹ [Background - Equitable Communities Initiative | seattle.gov](#)

“Of the appropriation in the 2021 budget for Finance General Reserves, \$400,000 is appropriated solely to fund develop a robust facilitation process and convene community for the purpose of providing recommendations for the Equitable Communities Initiative and may be spent for no other purpose.”

At the July 20, 2021 meeting of the Finance & Housing Committee, members of the ECI Task Force presented [recommendations](#) for how the City should spend \$30 million. The recommendations addressed four spending categories: Business, Education, Health, and Housing.

Black Brilliance Research Project

On November 18, 2020, the Council entered into a \$3 million contract with the Freedom Project to conduct research and make recommendations regarding a process, approach, and proposed spending priorities for Participatory Budgeting to promote public safety informed by community needs.

The Freedom Project delivered its [final report](#) to the City on February 20, 2021. In brief, the report recommended that Participatory Budgeting provide input to the City for investing in the following spending categories: Housing and Physical Spaces, Mental Health, Youth and Children, Crisis and Wellness, and Economic Development.

Participatory Budgeting

The 2021 Adopted Budget included \$28.3 million for a Participatory Budgeting process. The 2021 Adopted Budget included a proviso limiting spending the \$28.3 million pending the Council’s review of a spending plan and approach for Participatory Budgeting.

On March 30, 2021, Deputy Mayor Washington sent a letter to the City Council outlining two potential models for proceeding with Participatory Budgeting (see Attachment 1). Deputy Mayor Washington’s letter identified a number of potential concerns. Specifically, the letter indicated that:

“Because the work [of the Black Brilliance Research Project] was conducted independently ... it proceeded without the usual input from the City Attorney’s Office and City departments regarding legal and implementation factors that impact the design, timing, and implementation of the [investments that will be made through a future Participatory Budgeting] program. These include issues relating to timeline, staffing, budget, voting, and legal impacts of contracting, hiring, I-200 and the gift of public funds” (emphasis added).

On June 1, 2021, the City Council passed [CB 120087](#) which lifted the spending restrictions on a portion of the \$28.3 million for Participatory Budgeting. Specifically, the Council authorized spending \$1,050,900 for the Seattle Office for Civil Rights to proceed with a Request for Proposals for implementing a Participatory Budgeting process.

Race & Social Justice Initiative Considerations

CB 120131 would fund efforts to address systemic and government-sanctioned racism by improving outcomes for Black, Indigenous, and people of color communities (BIPOC).

The 2021 Adopted Budget included significant funding for several related initiatives intended to bolster the City's support for the needs of BIPOC communities in a variety of ways. For example, the budget included \$29.9 million for the ECI Task Force recommendations and \$28.3 million for the Participatory Budgeting process. Both these initiatives are City efforts to solicit input from representatives of BIPOC communities and BIPOC individuals who have been directly affected by systemic and government-sanctioned racism.

Policy Considerations

1. Coordination with Participatory Budgeting

One of the two provisos that CB 120131 would lift includes the following statement: "The Council expects that there will be alignment between the [ECI] Task Force and the Participatory Budgeting process to ensure that investments are coordinated."

The Black Brilliance Research Project's final report identifies spending priorities that have common ground with the spending categories identified by the ECI Task Force. For instance, both recommend prioritizing Housing and Economic Development investments. However, final decisions will not be made until after the City receives Participatory Budgeting recommendations in the future. The two processes are on different timelines; and it is not yet clear whether and how the spending priorities will align, overlap, or diverge.

2. \$30M vs. \$29.9M

CB 120131 would lift provisos related to \$29.9 million and then appropriate \$30 million to support the program spending recommendations from the ECI Task Force. The 2021 Adopted Budget included only \$29.9 million for implementing the ECI Task Force recommendations. The source for the proposed additional \$100,000 (the difference between \$30 million in CB 120131 and the \$29.9 million in the 2021 Adopted Budget) is underspend in Finance General that – if not spent for ECI Task Force purposes – would be available to support other municipal priorities.

3. Staffing – FTEs and costs

In order to implement the proposed spending in CB 120131, the City will incur administrative costs, including City staffing for coordination of Requests for Proposals, contract oversight, and other purposes. If these administrative costs are paid for from the \$30 million proposed to be spent through CB 120131, then the balance would be available for direct spending on community investments.

4. New Revenues and Ongoing Funding

The Mayor's website for the ECI Task Force indicates that the "Mayor intends to work with communities to develop a long-term, sustainable, and progressive revenue source for the [\$29.9 million that was included in the 2021 Adopted Budget related to the ECI Task Force recommendations]." ²

There is currently no public-facing proposal for a long-term, sustainable, and progressive revenue source for this purpose. It is not yet resolved how the City would support ongoing investments that were included in the ECI Task Force's recommendations. Assuming approval of CB 120131, the 2022 budget will address whether and how to fund continuing investments in 2022.

A 2020 [Central Staff memo](#) concluded that the Mayor's proposal for the 2021 ECI Task Force investments and other expenditures with similar policy objectives were supported by one-time use of the City's fiscal reserves and other one-time General Fund revenues. Fiscal reserves are significantly reduced from their 2020 levels, generally support emergency expenditures, and backfill revenue shortfalls during recessions.

Base 2021 General Fund revenues included \$214 million from the ongoing JumpStart Seattle payroll expense tax revenues. Council passed a spending plan and took other actions that may not be consistent with using JumpStart Seattle revenues for some of the ongoing programs that are included in CB 120131. On July 6, 2020, the Council passed Ordinance [126109](#) establishing authorized uses for the JumpStart Seattle payroll expense tax; and on July 15, 2020, Council adopted [Resolution 31957](#) which included spending details by year and program area. These actions allowed for a portion of the new payroll expense tax revenues to be used in 2021 to support General Fund services that would otherwise have been reduced due the economic recession caused by the Covid-19 pandemic. These actions will fully allocate the JumpStart Seattle payroll expense tax revenues to new purposes beginning in 2022.

The Council subsequently passed [CB 120118](#) which created a JumpStart Fund and requires that spending in 2022 and beyond be consistent with the spending plan included in Resolution 31957 and Ordinance 126109. Recognizing that General Fund revenues may not have returned to pre-pandemic levels, CB 120118 allows a portion of the payroll expense tax proceeds to be transferred to the General Fund to backfill 2022 revenues in line with pre-pandemic forecasts.

Some of the ECI Task Force recommendations appear to be in alignment with the investment categories included the JumpStart spending plan and JumpStart Fund purposes. For example, \$4.6 million is proposed to fund development of permanently affordable homes that will be marketed to BIPOC households. Other ECI Task Force recommendations

² [Background - Equitable Communities Initiative | seattle.gov](#)

do not appear to align with these priorities, raising questions about whether and how the City would be able to continue funding for these ongoing expenditures. For example, the ECI Task Force proposes to spend \$6.2 million for a variety of investments in ongoing health programs. Since this initiative does not appear to be included in the JumpStart spending plan, it is not yet clear how any ongoing investments would be funded in the Mayor's 2022 Proposed Budget.

5. Legal Constraints

In the event the Council votes to pass CB 120131, the Executive will need to ensure that the City navigates the same constraints that Deputy Mayor Washington's letter highlighted about Participatory Budgeting. In particular, the City would need to ensure that it complies with all the "legal impacts of contracting, hiring, I-200 and the gift of public funds."

The Council might consider requesting that the Executive provides information to the Council identifying approaches and processes to implement the ECI Task Force recommendations. The Executive will have valuable information highlighting the City's future steps for remaining within the legal constraints on these and other contracting requirements. This information could inform how the City proceeds with future investments through the Participatory Budgeting program.

6. Timing

It is possible that some of the \$30 million proposed in CB 120131 will not be spent in the remaining months of 2021. In that event, CB 120131 includes language that would automatically carry forward any unspent appropriations into 2022.

Potential Amendments

Councilmember Mosqueda may be interested in moving two potential amendments as attached and summarized below.

- **Amendment #1** would add a new section to the bill with findings about ongoing disparities and a declaration about the City's intent to remedy those disparities.
- **Amendment #2** would add a new section to the bill that memorializes the Council's intent that implementation steps be consistent with all applicable legal limitations.

Next Steps

If the Finance & Housing Committee votes on CB 120131 on August 3, 2021, then the Council could vote on the bill as soon as August 9, 2021.

Attachments

1. Deputy Mayor Washington's Letter to Council

cc: Aly Pennucci, Policy and Budget Manager



Dear Council President Gonzalez and Councilmember Morales:

In 2020, you appropriated \$3 million dollars directly to City Council to "fund a community-led process to create a roadmap to life without policing." The Council then passed a final budget for 2021 that redesigned the Executive's proposed \$100 million investment in BIPOC communities to designate and additional \$30 million of the funds to a participatory budgeting process.

The Council entered into a \$3 million in a direct contract with the Freedom Project, which was entitled "The King County Equity Now (KCEN) Community Research Project." This contract funded the Freedom Project, KCEN, and the Black Brilliance Research Project, which delivered a report to Council and presented the report at Council on February 26, 2021. The funding was to be formally appropriated by follow-up action by the City Council after the research project was complete.

The project, powered by young black community leaders, intentionally included the experience, and input from a range of community organizations and individuals often not centered in government deliberations. This has great benefit in our mutual work to redesign community safety alternatives that respond to community needs and experience.

Because the work was conducted independently, however, it proceeded without the usual input from the City Attorney's Office and City departments regarding legal and implementation factors that impact the design, timing, and implementation of the program. These include issues relating to timeline, staffing, budget, voting, and legal impacts of contracting, hiring, I-200 and the gift of public funds.

The Mayor's Office and Executive Departments have met with some of the project leaders and Councilmember Morales to discuss the findings and recommendations; they also have reviewed the Black Brilliance Research Project's final report. Those conversations have yielded two potential options for Council to consider in its legislation authorizing the \$30 million for a Participatory Budgeting process. Each has pros and cons. Both will need further input from the City Attorney's Office to resolve legal and implementation issues as Council considers its ordinance.

We are mindful that Council decided that it wanted to control and approve the framework for this process and believe Council can detail into an ordinance the process, budget, and timeline with this feedback.

The following table outlines the two possible options including potential roles and timelines. Option One tracks the BBP recommendations, but avoids significant issues raised by hiring steering committee members as city employees. Option Two attempts to capture key input and elements, while ensuring more funding for the projects themselves. Under both options, all phases, including steering committee selection, voting and project/contract approval will have to follow state and city laws. As noted below, the process envisioned by the report results in approximately \$4.8 million less actually going into projects, and more into conducting the process. We appreciate Council may have additional alternatives envisioned for their ordinance too.

Chart 1: Two Options for administration of Participatory Budget Process

<p style="text-align: center;">Option 1: Third Party Administration (as proposed by the BBP)</p>	<p style="text-align: center;">Option 2: City Administration via DON & multi-department IDT</p>
<ul style="list-style-type: none"> • Third-Party Administrator (TPA) hires and manages a 26-person Steering Committee for one year with each committee member earning a recommended \$112,000 inclusive of benefits. • Administrator manages funds to reduce barriers to participation, including digital equity initiatives (\$2.6 million) and youth fellowships (\$450,000) • City provides administrative, data and logistical support as requested. (up to \$375,000) 	<ul style="list-style-type: none"> • DON administers a community-driven process as outlined by Black Brilliance Research the Participatory Budgeting Project, to advertise and identify a paid 15-person independent contractor Steering Committee (this budget assumes each member earning \$75/hr. based on input)

<p>Timeline (5-8 months to launch; 6-10 months for process):</p> <ul style="list-style-type: none"> • Step One - DON drafts and releases an RFP for the TPA and a vendor is selected. (3-6 months) • Step Two – DON negotiates, develops, and signs contract with selected TPA. (1 month) • Step Three – TPA hires 26-person steering committee according to process laid out in their contract. (1-2 months) • Step Four – TPA leads engagement, proposal development, voting, implementation, evaluation (6-10 months) 		<p>Timeline (3-4 months to launch; 6-10 months for process):</p> <ul style="list-style-type: none"> • Step One – Based on Council and community input, DON advertises, develops scoring criteria and selection process to select the 15-members committee. (1-2 months) • Step Two – DON identifies and secures contracts with 15 independent contractors to serve on the steering committee. (1-2 months) • Step Three – DON onboards steering committee. (1 month) • Step Four – DON leads engagement, proposal development, voting, implementation, evaluation (6-10 months) 	
Total Budget:	\$7,475,000	Total Budget:	\$2,630,000
Remaining for Project Proposals:	\$20,825,000	Remaining for Project Proposals:	\$25,170,000

Third party administration: items to address as part of the ordinance:

- RSJI considerations, citywide representation, and legal issues regarding selection criteria for Steering Committee members. Some of the criteria suggested by the report may not be legal or inclusive enough.
- Internal pay equity to ensure that the 26 new “hires” for the Steering Committee salaries are fair and equitable in comparison to other staff that may be doing or supporting the work.
- Internal capacity of an organization to hire and onboard 26 new, qualified staff within a short amount of time, develop rules and procedures, and conduct training and sufficient oversight. It typically takes a CBO 1-3 months to hire one person.
- Identifying required resources such as such as space, equipment, transportation, etc.
- Required resources and time to design and implement a citywide participatory budgeting process, that complies with state and city laws.

- Depending on design, projects that are selected by “vote” may still need to go through city contracting process, including RFP or other competitive bid process.
- Legal risks around eligibility of voting and gift of public funds.

City administration: issues that need to be addressed as part of the ordinance:

- Legal Guidance on the proposed Steering Committee qualifications criteria and consistency with city consultant procurement processes which because of I-200 must be race neutral. Some of the criteria suggested by the report may not be legal or inclusive enough. At least one is discordant with established relationships with sovereign Tribal governments.
- Ensure that the steering committee members have the required documentation to operate as independent contractors (business license, WA state ID, SS card, insurance, ability to set aside funds for required taxes, etc.)
- Realistic implementation timeline.
- Potential legal risk related to employment status and scope of work if the independent contractors are performing work and acting in a capacity that is essentially a City employer and employee relationship.
- The RSJI and other unintended legal and budget consequences of not equitably compensating other volunteer city boards and commission members at a similar rate.
- Legal risks around eligibility of voting and gift of public funds.
- Process for evaluation of projects ahead of voting. This is particularly important given the need to be guided by community voice.

As the City Council determines the next steps on the Participatory Budgeting process, we stand ready to discuss any issues that must be addressed as part of City Council's ordinance. Mayor Durkan, the city Departments, and I are very supportive of participatory budget and want to see the ordinance passed as soon as possible. However, I know we all are equally committed to ensuring they are implemented in a thoughtful and legal manner that maximizes our ability to change outcomes and disparities while being transparent using \$30 million of public resources.

Sincerely,



Tiffany Washington

CC: Councilmember Herbold
Councilmember Sawant
Councilmember Pedersen
Councilmember Juarez
Councilmember Strauss
Councilmember Lewis
Councilmember Mosqueda
Senior Deputy Mayor Fong
Stephanie Formas
Kylie Rolf
Ben Noble
Adrienne Thompson
Director Andres Mantilla