



Legislative Department  
Seattle City Council  
Memorandum

**Date:** December 4, 2015

**To:** Councilmember Nick Licata, Chair  
Councilmember Jean Godden, Vice Chair  
Councilmember Tim Burgess, Member  
Finance and Culture Committee

**From:** Erik Sund, Council Central Staff

**Subject:** 4th Quarter 2015 supplemental budget package

The Executive has offered Council Bills (CBs) 118581 and 118582, which together form the 4<sup>th</sup> quarter supplemental budget package. These bills would revise the 2015 Adopted Budget as follows:

**CB 118852**, the third (4<sup>th</sup> quarter) grant acceptance ordinance of 2015, authorizes City departments (notably Seattle Police Department (SPD) and the Seattle Fire Department (SFD)) to accept approximately \$14.3 million of funding from external sources to support a range of purposes, including:

- \$1,956,923 from the U.S. Department of Homeland Security (DHS) to the SPD under the Urban Area Security Initiative (UASI) for a range of disaster preparedness programs, including continued support of the Fusion Center intelligence analysis program, equipment replacement for the Seattle Emergency Operations Center, and personal preparedness equipment including bomb suits and breathing apparatus. The SFD has requested a reallocation of \$475,000 of this grant for structural collapse response training and equipment.
- \$1,671,925 of funding from the U.S. Department of Agriculture (through the Washington State Department of Health (DOH)), King Conservation District (KCD), and Public Health Seattle-King County (PHSKC) to the Office of Sustainability and the Environment (OSE) to expand the Fresh Bucks program providing improved access to healthy food for low-income residents.
- \$1,630,000 of funding from four separate grants/donations from the Seattle Housing Authority (SHA), the State of Washington, the RAVE Foundation, and the Seattle Parks Foundation to the Department of Parks and Recreation (DPR) to fund the development of a new park in the Yesler Terrace neighborhood. \$500,000 of the funding (from the RAVE Foundation) is provided to build and maintain a small soccer field at the park.
- \$1,472,458 of Port Security Grant funding from the DHS and the Federal Emergency Management Agency (FEMA) to the SFD to support specialized marine training and preventative radiological/nuclear incident response training.
- \$600,000 from the U.S. Department of Justice for the SPD (via Finance General Reserves) to fund 369 body worn cameras for use by SPD officers and related costs.

- \$500,000 from the Washington Department of Natural Resources (DNR) and the Washington State Patrol (WSP) to the SFD as reimbursement for costs related to fighting wildfires between July and October of this year.

**CB 118581**, the 4<sup>th</sup> quarter 2015 supplemental appropriations ordinance, provides expenditure authority both to use the grants in the grant acceptance ordinance above (CB 118582) and for other budget revisions requested by various City departments. The appropriations increase in the 4<sup>th</sup> quarter supplemental is approximately \$48.0 million, including “double appropriations” to move money from one fund to another before expenditure. Approximately \$23.3 million of the new appropriations are backed by grants or other new revenue. Other proposed expenditures would be backed by operating fund balances and bond proceeds. Of these amounts, \$8.9 million consists of new General Subfund (GSF) appropriations backed by largely by fund balance held in a planning reserve and \$1.9 million is reappropriated from Finance General Reserves to the SPD.

In addition to expenditure authority to utilize the grants described above, other individual appropriations of note in CB 118581 include:

- \$7,238,488 for the SPD to cover excess overtime costs, including \$846,188 associated with the visits of the President of China in September and President Obama in October.
- \$6,745,000 for the Water Fund of Seattle Public Utilities (SPU) to cover a range of unexpectedly high expenses including:
  - \$3,500,000 of additional City and State Utility Tax costs due to higher than expected retail water sales revenues.
  - \$1,750,000 of excess costs associated with a greater than expected value of bond refunds. This cost will be more than offset by long term interest savings on the refunds.
  - \$1,500,000 for the unanticipated utilization of Morse Lake pump plants in response to the recent drought.
- \$5,529,211 (Park and Recreation Fund) for DPR to compensate SPU’s Water Fund for DPR’s use of SPU properties for parks purposes. This adjustment is net of the amount owed by SPU to DPR for the use of Parks properties for Combined Sewer Overflow (CSO) management and is in compliance with a recently completed Memorandum of Understanding between the departments governing financial issues related to jointly used properties.
- \$5,428,000 for SPU’s Water Fund for replacement of a water main threatened by settlement caused by the Alaskan Way Viaduct replacement tunnel project. SPU expects that the State will reimburse the City for these costs.
- \$2,512,200 for Seattle City Light (SCL) to cover costs related to the windstorm in August and the Goodell fire.
- \$2,119,048 for the SFD to cover a range of personnel costs, including excess overtime (\$1,030,475), workers’ compensation, salary increase, and retirement leave cash out costs.
- \$1,500,000 for SPU to cover unexpected City and State Utility Tax costs due to higher than expected retail wastewater service revenues.

CB 118581 also authorizes a net increase in authorized employment levels of 10 full-time positions, specifically:

- Three positions in the Human Services Department (HSD):
  - A Senior Planner support services for the homeless, including programs related to the federal Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act.
  - A Grants and Contracts Supervisor to manage a 5-person grants and contracts unit.
  - An Assistant Finance Analyst to assist with budgeting and grant billings, to be funded primarily from grants received in the Aging and Disability Services BCL.
- Two positions in the SPD, both funded by DOJ grants:
  - A Strategic Advisor 2 to manage Department's work as part of the Washington State Internet Crimes Against Children Task Force.
  - A Management Systems Analyst funded by a DOJ grant to support the Washington Advisory Committee on Trafficking.
- Two positions in the Law Department:
  - An Assistant City Attorney position to support the Department's lead attorney on the Elliott Bay seawall replacement project and the Alaskan Way tunnel project.
  - A Senior Paralegal to support the Department's work on the seawall and tunnel projects.
- A Fire Protection Engineer in the Fire Marshal's Office in the SFD to help meet increased demand for architectural plan reviews, to be funded through permit fee revenues.
- A Strategic Advisor 2 in the Executive Department to develop a citywide strategy for addressing health and environmental disparities in Georgetown and South Park.
- An Information Technology Professional A in the Department of Information Technology (DOIT; soon to become Seattle IT) to manage integration of the new Summit financial management system with other Seattle IT applications.
- A Manager 1 in the Department of Education and Early Learning (DEEL) to manage the operations of the Early Learning Division.

### **Policy Issues for Committee Consideration**

City Budget Office (CBO) staff will brief the Finance and Culture Committee on this legislation at during the December 4<sup>th</sup> committee meeting. Additionally, the following policy issues have been identified by Council Central Staff for possible Committee discussion.

#### ***Issue: Western Avenue Water Main Replacement***

The proposed 4<sup>th</sup> quarter 2015 supplemental appropriations ordinance (CB 118581) contains a \$5,428,000 appropriation in SPU's Water Fund to pay for the replacement of a water main on Western Avenue that is threatened by settlement caused by the Alaskan Way deep bore tunnel project. This figure was based on an initial, emergency assessment of the cost of the project. SPU now expects the replacement to cost \$4.2 million more than was initially estimated and as a result has requested that the supplemental appropriation

be increased to \$9,628,000. SPU has already expended approximately \$1.6 million on the project and any supplemental appropriation will be for expenditures additional to that amount. SPU expects to recover the entire \$11.2 million cost of the project from WSDOT under terms of the City's cost sharing agreement with the State.

An amendment (**Committee Amendment 1 to CB 118581**) is available should the Committee wish to grant SPU's request for the expenditure authority needed to replace the Western Avenue water main as is proposed.

***Issue: Seattle Public Utilities Water Fund Debt Service Costs***

The proposed 4<sup>th</sup> quarter 2015 supplemental appropriations ordinance contains a \$1,750,000 appropriation in SPU's Water Fund to cover higher debt service costs resulting from a greater than expected volume of bond refunds in 2015. This funding is included in Item 1.33, which appropriates a total of \$6,745,000 in the Water Fund for debt service, utility tax payments, and costs related to the operation of the Morse Lake pump plants in response to this year's drought. In developing this funding request, SPU miscalculated of the value of interest already accrued on Water Fund bonds refunded in 2015; therefore, SPU has requested a that this appropriation be increased by an additional \$5,100,000 million to \$11,850,000, of which \$6,850,000 would be for debt service costs. The restructuring of the Water Fund debt that the bond refunding has enabled is still expected to more than offset the cost of the refinancing.

An amendment (**Committee Amendment 2 to CB 118581**) is available should the Committee wish to grant SPU's request for the additional expenditure authority necessary to cover its debt service costs in 2015.

***Issue: Seattle Police Department Overtime Costs***

The proposed 4<sup>th</sup> quarter supplemental ordinance contains \$7,238,488 of appropriations SPD to cover overtime costs in excess of the \$13,871,629 originally included in the 2015 Adopted Budget for police overtime. The additional amounts are distributed as follows:

- \$3,592,300 in the Compliance and Professional Standards Bureau Budget Control Level (BCL) for overtime costs related to training and investigations required by the DOJ Settlement Agreement.
- \$2,050,000 in the Special Operations BCL for overtime costs related to special events and protests.
- \$846,188 in the Special Operations BCL for overtime costs resulting from the visits of President Obama in October and the President of China in September.
- \$750,000 in the Field Support Administration BCL to pay for overtime related to the maintenance of minimum staffing in the Communications Center and to the hiring of additional sworn officers.

\$1,392,188 of the proposed appropriation increase in the Compliance and Professional Standards BCL is backed by use of funds previously appropriated in Finance General Reserves for DOJ Settlement

Agreement compliance costs. The remaining supplemental appropriations for overtime would use fund balance held in a planning reserve in the GSF balance sheet

Overtime has been a significant budget issue for SPD for decades. The 2016 Adopted Budget contains approximately \$16 million in overtime dispersed throughout the department’s Budget Control Levels (BCLs) and that figure does not include funds for overtime in the DOJ Settlement reserve in Finance General. SPD overtime costs were discussed in the Budget Committee during the Issue Identification phase of the Council’s development of the 2016 Adopted Budget. A shortened version of the Issue Identification report follows.

In 2014, SPD spent over \$23.6 million on a variety of overtime activities – approximately \$8.6 million (158 percent) over its \$14.4 million overtime budget. The table below summarizes the amount of overtime that SPD budgeted and used per year for the past 20 years. It shows that since 1995 there has only been one year (1999) when the department did not exceed its overtime budget. In the past two years, the overtime budget has been exceeded by more than 50 percent. Appropriations to cover the overruns have been made in 4th quarter supplemental appropriations ordinances, which are transmitted to Council after adoption of the budget for the following year.

**Overtime Per Year excluding DOJ-related Overtime**

<b>Year</b>	<b>Total Budgeted Dollars*</b>	<b>Expenditure</b>	<b>(Over)/Under Budget</b>	<b>% Over/Under</b>
1995	\$5,214,823	\$5,764,175	(\$549,352)	110.5%
1996	\$5,462,768	\$6,385,075	(\$922,307)	116.9%
1997	\$5,473,771	\$7,555,588	(\$2,081,817)	138.0%
1998	\$5,474,101	\$7,991,103	(\$2,517,002)	146.0%
1999	\$7,052,200	\$6,542,077	\$510,123	92.8%
2000	\$7,702,950	\$9,271,509	(\$1,568,559)	120.4%
2001	\$7,612,056	\$8,775,246	(\$1,163,190)	115.3%
2002	\$7,807,023	\$8,688,962	(\$881,939)	111.3%
2003	\$7,864,998	\$9,875,611	(\$2,010,613)	125.6%
2004	\$8,492,700	\$10,755,660	(\$2,262,960)	126.6%
2005	\$8,910,948	\$11,331,390	(\$2,420,442)	127.2%
2006	\$9,393,671	\$12,456,160	(\$3,062,489)	132.6%

2007	\$9,886,346	\$14,576,845	(\$4,690,499)	147.4%
2008	\$12,902,601	\$15,797,836	(\$2,895,235)	122.4%
2009	\$12,804,869	\$14,867,684	(\$2,062,815)	116.1%
2010	\$13,176,675	\$13,277,444	(\$100,769)	100.8%
2011	\$12,729,773	\$14,468,063	(\$1,738,290)	113.7%
2012	\$12,754,177	\$18,537,785	(\$5,783,608)	145.3%
2013	\$14,369,409	\$21,939,649	(\$7,570,240)	152.7%
2014	\$14,407,064	\$23,625,263	(\$8,620,637)	157.5%
2015	\$13,871,629			
2016**	\$15,966,651			

\*For 1995 through 2014, total budgeted dollars includes the original budget amount plus supplemental additions, except for fourth quarter supplemental ordinances that balanced expenditures after the fact. For 2015, the total budgeted dollars include changes made in the Q1 and Q2 Supplemental Ordinances.

\*\* Total budgeted dollars for 2016 overtime reflects the 2016 Proposed Budget.

In late 2014, the Police Chief requested that the City Auditor conduct an audit of SPD overtime use and policies. The Auditor’s report is scheduled to be completed in December 2015. SPD has also started to bring greater accountability for the use of overtime. For example, Chief Operating Officer Wagers has launched monthly fiscal accountability meetings and training for mid-level managers in finances and fiscal responsibility.

Given the amount of actual spending on overtime since 2012, the Executive realized that the overtime appropriate in the 2016 Endorsed Budget was too low. In the 2016 Proposed Budget, SPD is proposed to transfer approximately \$2 million in department savings to the overtime budget in 2016. These savings include cuts to the budget for equipment and contracts, and fuel savings from the Department’s “Idle Right” program. The Council’s 2016 Adopted Budget incorporated this proposal.

Police staffing for special events has accounted for about half of all overtime use in recent years, and is a major reason for exceeding the overtime budget. Special events include directing traffic at professional sporting events, concerts, street fairs, parades, fun runs, providing protection for visiting dignitaries, and supporting street closures for demonstrations. The General Fund is reimbursed for the cost of some events such as professional or collegiate sporting events, but until recently the City’s regulations did not provide for cost recovery for most special events.

To address this issue, the Council adopted Council Bill 118463 (now Ordinance 124860) in September of this year. This revised the City’s existing special event permit fees to better reflect the time and resources expended by the city staff to support special events. This legislation will raise fees in stages over the next three years. This should provide more General Fund revenue that could potentially be used to cover SPD

overtime costs. The ordinance also requested that the Seattle City Auditor audit how SPD staffed special events over the past six years. The City Budget Office is charged with using the audit results and recommendations to perform subsequent annual reviews through at least 2020.

**Next Steps**

The next scheduled meeting of the Finance and Culture Committee is on Wednesday, December 9<sup>th</sup>. If the Committee is prepared to vote on this legislation during that meeting, the package could be forwarded to the full Council for possible action on Monday, December 14<sup>th</sup>. There are no other Finance and Culture Committee meetings scheduled for 2015.