

## M E M O R A N D U M

**To:** Members of the Select Budget Committee  
**From:** Calvin Chow, Legislative Analyst, Council Central Staff  
**Date:** September 18, 2017  
**Subject:** Department Overview: Seattle Department of Transportation

This paper provides an overview of the Seattle Department of Transportation's (SDOT) revenues and expenditures in the 2018 Endorsed Budget to provide background and context for reviewing the 2018 Proposed Budget. The 2018 Endorsed Budget was adopted as part of last year's budget action, and forms the baseline for changes in the 2018 Proposed Budget. The Executive is expected to transmit the 2018 Proposed Budget on September 25, 2017.

### REVENUE OVERVIEW

Table 1 summarizes SDOT's sources of revenue. Almost one-third of SDOT's revenue in the 2018 Endorsed Budget comes from various transportation taxes. These taxes include the voter-approved Move Seattle property tax levy (\$99 million) and the sales tax portion of the Seattle Transportation Benefit District (STBD) Proposition 1 measure (\$25.7 million); as well as the Commercial Parking Tax (\$42.5 million) and Motor Vehicle Fuel Tax (\$14.6 million). Federal, State, and external grants account for one-quarter of SDOT's revenue and are the main driver behind SDOT's increased revenues in the 2018 Endorsed Budget. The City's General Fund provides 7.4% of SDOT's revenue.

*Table 1: SDOT Revenues (in \$1,000's)*

Revenues (in 1,000's)	2017 Adopted	2018 Endorsed	Change 2017-2018	% of 2018 Total
a. Transportation Taxes	\$177,034	\$181,926	2.8%	32.2%
b. Grants (Anticipated)	\$0	\$81,559	**	14.4%
c. Grants (Secured)	\$11,308	\$63,162	458.6%	11.2%
d. Charges for Service	\$78,906	\$70,602	(10.5%)	12.5%
e. Bond Proceeds	\$55,296	\$42,235	(23.6%)	7.5%
f. General Fund Support	\$42,966	\$41,608	(3.2%)	7.4%
g. STBD Vehicle License Fees	\$31,845	\$32,198	1.1%	5.7%
h. Property Sales	\$10,800	\$26,300	143.5%	4.7%
i. Transfers - Other Funds	\$32,394	\$17,472	(46.1%)	3.1%
j. School Zone/Red Light Camera	\$6,419	\$4,552	(29.1%)	0.8%
k. Use of Fund Balance	\$1,412	\$3,618	156.2%	0.6%
<b>Total Revenues</b>	<b>\$448,380</b>	<b>\$565,232</b>	26.1%	100.0%

The ***Move Seattle levy*** funds basic road and bridge construction and maintenance, as well as the delivery of transit, pedestrian, bicycle, and freight infrastructure. The levy was approved by voters in 2015 and expires at the end of 2024. The levy includes a requirement that the City provide a minimum annual amount of General Fund support to SDOT.<sup>1</sup> Based on the levy-specified inflationary index, the minimum required General Fund support for 2018 is \$41.9 million, which is higher than was anticipated in the 2018 Endorsed Budget. Staff expect that the 2018 Proposed Budget will include a higher level of General Fund support to meet this threshold.

***STBD Proposition 1*** funds the purchase of King County Metro transit service throughout the City of Seattle service area through a 0.1% sales tax (\$25.7 million) and a \$60 vehicle license fee (\$24.3 million). The measure was approved by voters in 2014 and expires at the end of 2020. In 2016, the City assumed the rights and obligations of the STBD; at the time, the STBD was a separate taxing authority based on the City of Seattle's geographic boundaries. SDOT manages the STBD funds and negotiates service contracts with King County Metro. In addition to STBD Proposition 1, the STBD collects a separate \$20 vehicle license fee (\$7.9 million) that is used to fund various transportation projects.

The 2018 Endorsed Budget anticipated \$81.5 million in future anticipated grants for the Center City Connector Streetcar project and the S. Lander Street Grade Separation project. SDOT secured these funding commitments in 2017, and both projects are now fully-funded.

The ***Transfers-Other Funds*** revenue category reflects Real Estate Excise Tax (REET) proceeds (\$7.3 million in the 2018 Endorsed Budget) and contributions from Seattle City Light for the Center City Connector Streetcar (\$5.7 million) and the Street Lighting Program (\$4.5 million). REET is a highly-variable funding source, and is difficult to project for future years. The City Budget Office will provide updated REET projections over the course of the 2018 Budget deliberations. In past budget cycles, Council has directed additional REET funds to SDOT (based on updated REET projections) to support additional transportation projects, or to offset SDOT General Fund spending in order to fund other City (non-transportation) priorities.

***School Zone/Red Light Camera*** funds are anticipated to decrease by \$1.9 million. This decrease represents an anticipated change in driver behavior over time, with a corresponding reduction in infraction revenue. All infraction revenue from school zone camera violations (\$5.9 million in the 2018 Endorsed Budget) and 20% of red light camera violations (\$800,000) are deposited in the School Safety Traffic and Pedestrian Improvement Fund (SSTPIF), and are used to support school traffic and pedestrian infrastructure projects, safety education campaigns, and administrative costs for the cameras. Council increased the percentage of red light camera infraction revenues directed to the SSTPIF from 10% to 20% in the 2017 Adopted Budget. The remaining 80% of red light camera infraction revenue supports the General Fund.

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<sup>1</sup> The minimum General Fund support requirement may be waived with a 3/4 Council vote finding that economic or financial conditions prevent the City from appropriating the minimum amount required by Move Seattle.

## EXPENDITURE OVERVIEW

Table 2 summarizes SDOT's expenditures by Budget Control Level (BCL). SDOT's spending for operations and maintenance (O&M) remains largely consistent from the 2017 Adopted Budget to the 2018 Endorsed Budget, and accounts for nearly 40% of SDOT's total spending.

Capital spending was anticipated to increase by nearly 50% in the 2018 Endorsed Budget. This largely reflects the start of significant project spending on the Center City Connector Streetcar and S. Lander Grade Separation projects. Approximately 46% of SDOT's capital program is funded through grants and other external funding sources.

Table 2: SDOT Expenditures (in \$1,000's)

Expenditure BCL's (in 1,000's)	2017 Adopted	2018 Endorsed	Change 2017-2018	% of 2018 Total
a. Mobility-Operations	\$92,743	\$91,102	(1.8%)	16.1%
b. ROW Management	\$32,851	\$32,515	(1.0%)	5.8%
c. Street Maintenance	\$30,002	\$29,822	(0.6%)	5.3%
d. Bridges & Structures	\$11,760	\$12,021	2.2%	2.1%
e. Urban Forestry	\$5,586	\$5,724	2.5%	1.0%
f. Engineering Services	\$3,776	\$3,810	0.9%	0.7%
g. Department Management*	\$476	\$1,086	128.2%	0.2%
h. General Expense*	\$37,548	\$38,822	3.4%	6.9%
<b>Total O&amp;M BCL's</b>	<b>\$214,742</b>	<b>\$214,902</b>	0.1%	38.0%
i. Mobility-Capital	\$86,766	\$232,957	168.5%	41.2%
j. Major Maint/Replacement	\$73,325	\$80,232	9.4%	14.2%
k. Major Projects	\$73,547	\$37,141	(49.5%)	6.6%
<b>Total Capital BCL's</b>	<b>\$233,638</b>	<b>\$350,330</b>	49.9%	62.0%
<b>Total Expenditures</b>	<b>\$448,380</b>	<b>\$565,232</b>	26.1%	100.0%
<i>Total FTE's</i>	<i>885.5 FTE</i>	<i>885.5 FTE</i>	<i>0%</i>	

\* **Note**, Department Management and General Expense BCL's includes indirect cost recovery.

The bulk of SDOT's O&M spending is in the **Mobility-Operations BCL**. More than half of the spending in this BCL is for King County transit service for STBD Proposition 1 (\$47.8 million). Other spending in this BCL includes the operating the Traffic Management Center; managing parking, pedestrian and bicycle infrastructure; and maintaining traffic signals, roadway signs and markings.

The **ROW Management BCL** includes street use permitting and enforcement. Much of this work is supported by permit fees and charges for service. Street use expenses are managed as a discrete cost center within SDOT.

The **Street Maintenance BCL** funds emergency response, street cleaning, pavement management, and street and sidewalk repair. This category of spending does not include major road maintenance or reconstruction projects, which are identified in SDOT's capital improvement plan and funded through SDOT's capital BCL's.

The **Bridges & Structures BCL** funds operations and maintenance for the City's bridges, stairways, and retaining walls. The **Urban Forestry BCL** protects, maintains, and expands trees and urban landscaping in City right-of-way.

The **Engineering Services BCL** provides project management, engineering and design support for smaller scale projects. For larger projects, these services are included as project costs in SDOT's capital improvement plan and funded through SDOT's capital BCL's.

It is worth noting that the **Department Management BCL** and **General Expense BCL** include indirect cost recovery that is charged as overhead to the other SDOT BCL's. While Table 2 includes the net appropriations for these BCL's, actual spending is shown in Table 3 below.

Table 3: BCL Spending Offset by Indirect Cost Recovery (in \$1,000's)

Program Expenditures (in 1,000's)	2017 Adopted	2018 Endorsed	Change 2017-2018	% of 2018 Spending
<b>Division Management BCL Spending</b>	<b>\$31,756</b>	<b>\$32,972</b>	3.8%	100.0%
a. Resource Management	\$19,511	\$20,439	4.8%	62.0%
b. Division Management	\$7,600	\$7,786	2.4%	23.6%
c. Director's Office	\$2,510	\$2,561	2.0%	7.8%
d. Human Resources	\$1,061	\$1,083	2.1%	3.3%
e. Public Information	\$585	\$601	2.7%	1.8%
f. Revenue Development	\$489	\$502	2.7%	1.5%
<b>Indirect Cost Recovery</b>	<b>(\$31,280)</b>	<b>(\$31,885)</b>	1.9%	n/a
<b>Division Management BCL Appropriations</b>	<b>\$476</b>	<b>\$1,086</b>	128.4%	3.3%
<b>General Expense BCL Spending</b>	<b>\$67,923</b>	<b>\$69,615</b>	2.5%	100.0%
g. Debt Service	\$30,290	\$34,926	15.3%	50.2%
h. City Central Costs	\$34,649	\$32,099	(7.4%)	46.1%
i. Judgement & Claims	\$2,984	\$2,590	(13.2%)	3.7%
<b>Indirect Cost Recovery</b>	<b>(\$30,375)</b>	<b>(\$30,793)</b>	1.4%	n/a
<b>General Expense BCL Appropriations</b>	<b>\$37,548</b>	<b>\$38,822</b>	3.4%	55.8%

The **Division Management BCL** funds leadership and administrative support services within SDOT, such as human resources, revenue development, public information, financial and

accounting services, office management, and SDOT's safety program. Almost all of these costs (96.7%) are recovered as overhead from the other SDOT BCL's.

The **General Expense BCL** covers debt service payments, allocated City central costs (including Finance and Administration support for fleets and facilities, Seattle IT services, and general government support), and judgements and claims. Approximately half of these costs (44.2%) are recovered as overhead from the other SDOT BCL's.

Lastly, there are 3 **Capital BCL's** funds which fund SDOT's Capital Improvement Plan (CIP). SDOT's CIP identifies the department's expected capital spending for the next 6 years. Spending can vary significantly from year to year as multi-year projects progress through different stages of project delivery. SDOT's Capital BCL spending is restated in Table 4.

Table 4: SDOT Capital BCL's (in \$1,000's)

Expenditure BCL's (in 1,000's)	2017 Adopted	2018 Endorsed	Change 2017-2018	% of 2018 Capital
a. Mobility-Capital	\$86,766	\$232,957	168.5%	66.5%
b. Major Maint/Replacement	\$73,325	\$80,232	9.4%	22.9%
c. Major Projects	\$73,547	\$37,141	(49.5%)	10.6%
<b>Total Capital BCL's</b>	<b>\$233,638</b>	<b>\$350,330</b>	49.9%	62.0%

The **Mobility-Capital BCL** provides for the construction of new infrastructure; the increase in the 2018 Endorsed Budget is largely driven by the Center City Connector Streetcar and S. Lander Street Grade Separation projects. The **Major Maintenance and Replacement BCL** covers larger maintenance and reconstruction projects that are eligible as capital expenses. The **Major Projects BCL** includes interagency projects which typically involving external funding agreements; the decrease in this BCL is largely due to reduced spending on the Elliott Bay Seawall Project and Alaskan Way Main Corridor.

## NEXT STEPS

Central Staff will review the Executive's proposed budget and proposed CIP, and are available to assist Councilmembers' offices on any budget-related issues or concerns.

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