

July 29, 2019

MEMORANDUM

To: Members of the Finance and Neighborhoods Committee
From: Tom Mikesell, Council Central Staff
Erik Sund, Council Central Staff
Subject: Second Quarter 2019 Supplemental Budget Package Summary

The Executive has proposed Council Bills (CB) [119572](#), [119573](#), [119574](#), [119575](#) and [119576](#), which together form the first supplemental budget package for 2019. A brief description of each bill and its impact on the 2018 and 2019 adopted budgets, follows.

CB 119572, the 2018 year-end “exceptions” ordinance, amends the 2018 Adopted Budget to cover unanticipated costs realized late in 2018 that resulted in spending exceeding appropriations for a small number of Budget Control Levels (BCLs) and Capital Projects. It is typical to have an exceptions ordinance transmitted with the first supplemental adjustments of the year. The bill increases the final 2018 budget by \$13,619,032, of which \$198,875 is for direct General Fund (GF) expenses. The largest increases are technical in nature, and include:

- **Customer Requested Tenant Improvements:** \$12,135,924 increase in the Finance and Administrative Services (FAS) Fund to provide pass-through expenditure authority for tenant improvement work performed at FAS managed buildings. This increase is funded by charges to the tenant departments, which were covered by their 2018 appropriations;
- **Central Waterfront Reimbursable Expenditures:** \$1,061,460 increase in the Transportation Fund to cover reimbursable waterfront project work, including capital construction costs for the Department of Parks and Recreation’s (DPR) work at Pier 62/63 that occurred more quickly than anticipated, and Seattle City Light (SCL) work that exceeded expected spending levels. This increase is funded through reimbursements from DPR and SCL; and,
- **Seattle Police Department (SPD) expenditure miscode:** \$198,875 GF increase to cover expenditures that were incorrectly coded to the Special Fund Projects Budget Control Level (BCL) in the SPD budget. Of this amount, \$96,207 should have been charged to a different fund and will be reimbursed to the General Fund in 2019.

CB 119573, the 2019 “carryforward” appropriations ordinance, is typically used to re-appropriate funds previously provided but not yet expended for various purposes in the 2018 Adopted Budget and the various supplemental appropriations ordinances of 2018. This bill increases the 2019 Budget by approximately \$90.3 million in total (\$36.2 million GF). While these items do increase the level of authorized expenditures in 2019, the 2019 Budget was adopted on the assumption that most of these expenditures would have taken place, therefore

there is no additional impact to projected ending fund balances from approving these increases.

Significant appropriation increases in the General Fund include:

- **Equitable Development Initiative Interfund Loan:** \$13,644,119 increase to the Office of Planning and Community Development (OPCD) to contract with organizations through the Equitable Development Initiative. This amount represents the unspent portion of an interfund loan created by Council Bills 125212 and 125462 in advance of proceeds being available from the sale of the Civic Square property;
- **Seattle Promise:** \$1,731,648 increase to the Department of Education and Early Learning's (DEEL) Post-Secondary Programs, supported by a combination of \$1,381,885 of Sweetened Beverage Tax revenues and \$349,763 from a General Fund appropriation for the 13th Year Promise Scholarship Program, which preceded Seattle Promise;
- **Washington State Convention Center I-5 Lid Public Benefit Study:** \$1,500,000 increase to OPCD to study the public benefit of the Washington State Convention Center in considering the petition to vacate street and alley right-of-way as part of the project;
- **Short Term Rental Regulatory program:** \$1,561,000 increase in FAS to complete implementation of the Short-Term Rental Program, which was not completed in 2018 due to technology delays;
- **Seattle IT Communication Shop Relocation:** \$1,362,000 increase to complete relocation of the IT Communication shop after the sale of the prior location as approved by Ordinance 125534. A portion of the original \$2 million allocation was spent in 2018, with the remainder requested for carryforward to complete the project in 2019;
- **Sweetened Beverage Tax Food and Nutrition Programs:** \$1,061,598 increase in the Human Services Department (HSD) for contracts supporting food and nutrition programs. These monies were added through the supplemental process in 2018, with insufficient time to establish provider contracts last year;
- **Sweetened Beverage Tax Evaluation:** \$769,764 increase in the Office of the City Auditor to support components of the evaluation of the Sweetened Beverage Tax, which is expected to continue into 2022; and,
- Carryforward of **Finance General** reserves totaling \$3,386,414, including:
 - Safe Consumption Site Reserve: \$1,300,000
 - Equitable Development Loan Interest Reserve: \$590,690
 - Insurance Premium Payments: \$233,224
 - Lambert House Reserve: \$100,000
 - Seattle Retirement Savings Plan Study: \$162,500
 - Sweetened Beverage Tax Job Retraining Reserve: \$500,000
 - Youth Opportunity Project: \$500,000

Larger appropriation increases in other funds include:

- **Information Technology Support for Departmental Projects and Initiatives:** \$29,948,806 increase in the Information Technology Fund to fund Seattle Information Technology's (SeaIT) work on several continuing projects for City departments. This increase is funded through charges to client departments;
- **Affordable Housing Bond Proceeds:** \$7,344,973 increase in 2018 Multipurpose LTBO Taxable Bond Fund representing the portion of a bond for affordable housing loans approved in the 2018 budget, that has been awarded but could not be encumbered until the loans close;
- **Seattle Municipal Tower (SWT) Ground Lease:** \$2,753,000 increase in the FAS Fund to allow FAS to pay for adjustments to the SMT land lease once negotiations with the State of Washington are complete;
- **PREP III Project Change Order:** \$3,000,000 increase in the Constructions and Inspections Fund to support a project change order received in September 2018 that could not be implemented last year;
- **Childcare Facility Capital:** \$2,000,000 increase in the Human Services Fund to provide resources to HSD for childcare facility projects to be completed using Childcare Bonus Program funds, which represent contributions from developers in return for the authorization to build additional floor area in qualifying buildings in the downtown and South Lake Union areas of the City; and,
- **Automated Materials Handling System (AMHS) Replacement Project:** \$1,700,000 increase in the Library Fund to continue the Seattle Public Library's work on the acquisition of a new system to replace the Central Library's 13-year-old AMHS.

CB 119574, the first comprehensive grant acceptance ordinance of 2019, authorizes City departments to accept approximately \$3.7 million of funding from external sources for a range of purposes, including:

- **Washington State Recreation and Conservation Office Grants:** \$2,055,000 to the Park and Recreation Fund for several purposes, including:
 - **South Leschi Moorage:** \$1,000,000 to construct public transient moorage at the South Leschi Marina;
 - **Arboretum Waterfront Trail Replacement:** \$855,000 for construction work on the floating boardwalk trail on Foster Island in Washington Park Arboretum; and,
 - **Lowman Beach Nearshore Restoration:** \$200,000 to complete final designs for shoreline restoration at Lowman Beach Park.
- **Washington 2019-2021 State Heritage Capital Projects Grant:** \$773,000 to the City Light Fund to support the concrete restoration at the National Historical Landmark Georgetown Steam Plant;

- **FY 2017 Federal Justice Assistance Grant:** \$252,157 increase to SPD to fund three existing Crime Prevention Coordinator positions;
- **Washington State Parks and Recreation Commission:** \$166,932 from two grant programs, to SPD to support marine patrols and boater education classes, including:
 - **FFY19 Recreational Boating Safety Federal Financial Assistance:** \$36,346; and,
 - **FFY19 Vessel Registration Fees:** \$130,586.
- **King County Youth and Amateur Sports Fund Grants:** \$450,000 to the Park and Recreation Fund for:
 - **Ballard Playground Playfield Synthetic Turf:** \$200,000; and,
 - **Smith Cove Youth Playfield Construction:** \$250,000.
- **King Conservation District:** \$25,000 to the Office of Sustainability and Environment (OSE) for the Fresh Bucks program; and,
- **Washington Association of Sheriffs & Police Chiefs:** \$21,250 to SPD through the **FY19 Traffic Safety Equipment Grant** program to buy scanners and printers that interface with the platform used by the Harbor and Traffic Units to issue tickets and document traffic collisions.

CB 119575, the second quarter supplemental budget ordinance of 2019, provides expenditure authority to use the grants in the grant acceptance ordinance above (CB 119574) and for other budget revisions requested by various City departments.

The net appropriations increase proposed in the second quarter supplemental bill, including grant-backed appropriations, is approximately \$72 million, of which \$6.9 million is General Fund. Of these amounts, about \$3.7 million (\$465,339 GF) is backed by grants that would be approved in CB 119574, as described above. An additional \$19.5 of the proposed increase (\$2.3 GF) is backed by new revenues from non-grant sources, including interfund transfers and charges, reimbursements and fees. Noteworthy revenue-backed General Fund operating budget adjustments include:

- **DON-SDOT Outreach & Engagement Partnership:** \$622,000 increase in the Department of Neighborhoods to fund a pilot outreach and engagement effort in cooperation with the Seattle Department of Transportation (SDOT) that will focus on 9 transportation projects. The increase is funded with a transfer in from the Transportation Fund;
- **Key Arena Legal Services:** \$520,000 increase in the Law Department for Key Arena negotiations, funded with reimbursements from the Oak View Group;
- **Seattle Housing Authority (SHA) Funding for Community Policing:** \$600,000 increase in SPD for four existing Police Patrol positions, to provide policing services at SHA-managed housing facilities, funded with reimbursements from SHA;

- **Contracted Police Services:** \$432,886 total increase in SPD to provide services for regional partners that are funded through reimbursements. The bill includes an auto carryforward provision with each of these increases because they are funded through reimbursement agreements, the duration of which can cross fiscal years. Specific increases include:
 - **Marine Patrol Services Interlocal Agreement with the cities of Hunts Point and Medina:** \$81,000 for specified marine patrol services, funded with payments from Hunts Point and Medina;
 - **Washington State Department of Transportation (WSDOT) Coleman Ferry Terminal Traffic Control:** \$100,000 funded with reimbursements from WSDOT;
 - **WSDOT Alaskan Way Viaduct Traffic Control:** \$232,000 funded with reimbursements from WSDOT.

The bill also includes revenue-backed operating appropriation increases in other funds, including:

- **Convention Center Proceeds for Affordable Housing:** \$30 million increase in the Housing Support Program Fund, funded by proceeds from the 2018 sale of the Convention Center. The Office of Housing (OH) awarded amounts to projects in 2018; the proposed increase provides the authority to disburse funding to projects in 2019;
- **Weather and Home Repair Authority Correction:** \$1,644,750 increase in the Housing Support Program Fund for technical corrections to OH's Home Repair program, funded with net grant revenue;
- **Multifamily Tax Exemption (MFTE) Program Technology Improvements:** \$275,000 increase in the Office of Housing Fund to improve management of OH's MFTE program data and applications, funded with MFTE fees.
- **Seattle Information Technology's (SeaIT) IT Initiatives Budget Summary Level (BSL) Increases:** \$2.4 million increase in the Information Technology Fund to fund SeaIT work on department projects. These increases are pass-through in nature and will be billed to client departments. Proposed increases include:
 - **Seattle Department of Construction Inspection (SDCI) PSI Project:** \$1,630,000 (SDCI);
 - **ESRI 3D Urban Planning Tools:** \$119,776 (SDCI);
 - **HSD Budgeting System:** \$350,000 (HSD);
 - **Child Information and Provider System (CHIPS) Stabilization Project:** \$212,000 (DEEL); and,
 - **NeoGov Replacement:** \$60,800 (Seattle Department of Human Resources).
- **SeaIT Applications BSL Increases:** \$542,312 increase in SeaIT in-house projects, funded through internal service charges to customer departments, including:
 - **Reduce Accela Issue Backlog:** \$305,000;

- **Customer Engagement Applications and System Enhancement:** \$149,760;
- **Accela Quality Assurance and Testing:** \$37,552; and,
- **SharePoint Dynamics Discovery and Planning Project:** \$50,000.

In addition to capital projects increases backed by grant revenues accepted in CB 119574, the bill includes capital projects increases supported by other new revenues, including:

- **Customer Requested Tenant Improvement Program Authority Increase:** \$5.4 million increase in the FAS Fund to provide capital expenditure authority to complete space management work completed by FAS on behalf of other City departments. This is funded by charges to other departments;
- **Bike Master Plan: Protected Bike Lanes:** \$3.5 million increase in the Transportation Fund to support the construction phase of the N 34th St Protected Bike Lane (\$856,000) and Melrose Protected Bike Lane & Neighborhood Greenway (\$2,604,441) grant projects, supported by Federal Highway Administration grants that have already been accepted by the City Council through Ordinance 125346;
- **Arterial Asphalt and Concrete Phase 2:** \$1.3 million increase in the Transportation Fund due to a signed memorandum of agreement between SDOT and SPU for construction and design for the SW Avalon Way and 35th Ave SW project. This appropriation is fully reimbursable by Seattle Public Utilities where SPU Water will reimburse \$1,047,082 and SPU Drainage/Wastewater will reimburse \$209,771.

The bill includes a \$721,000 reduction in the **SPD Body Worn Camera project** in Seattle IT. In the 2019-24 CIP, \$721,000 was appropriated from the SPD Body Worn Camera project to the In-Car Video project, however the former project was not decreased in the process. This decrease corrects for that omission.

The bill includes approximately \$13 million of operating appropriations without adding a specific new revenue source, of which approximately \$3.9 million is in the GF. These items are funded through favorable revenue and expenditure variances in 2018, and in most cases represent the expenditure of monies that have been reserved for a specific use according to statutory requirements.

General Fund increases include:

- **Food Bank Facility Improvements:** \$1.2 million increase in the HSD to support contracts with community-based agencies to support facility improvements at food banks and food and nutrition services. Funding comes from Sweetened Beverage tax revenue received in 2018;
- **Fresh Bucks Increased Utilization:** \$680,000 increase in the Office of Sustainability and Environment (OSE) to support increased utilization in the Fresh Bucks program. Funding comes from the Sweetened Beverage Tax revenues;

- **Fresh Bucks Eligibility Pilots:** \$489,000 increase in OSE to support pilot efforts to expand Fresh Bucks eligibility. Funding comes from Sweetened Beverage tax revenues received in 2018;
- **Transfer of Trial Court Improvement Account (TCIA) funds:** \$775,000 increase in the Seattle Municipal Court for Court-wide training to advance the Race and Social Justice Initiative. Funding is from balances of TCIA distributions from the State Administrative Office of the Courts;
- **Restore \$250,000 Salary Savings in Law department:** \$250,000 increase in the Law Department to restore salary savings cut that was included in the 2019 Adopted Budget. The Law department is expecting very little vacancy savings in 2019 and is not expecting to be able to meet this reduction; and,
- **2017 CDBG Audit Finding Correction:** \$219,508 increase in the Office of Economic to repay the 2017 Community Development Block Grant (CDBG) funds expended by the department's Only in Seattle program but later found to be ineligible in a Department of Housing and Urban Development audit.

Increases in other funds, without a specific new revenue source, include:

- **Development Subsidies to Create Affordable Units for First-Time Homebuyers:** \$6,915,884 increase in the 2002 Levy Multipurpose Fund in OH to support the creation of housing units for first-time buyers. Funding comes from unspent balances from three prior housing levies and repaid down payment assistance loans;
- **KeyArena Closure Settlements:** \$425,000 increase in the Seattle Center KeyArena Fund to pay for costs associated with terminating contractual agreements with Seattle University (Seattle U) and the University of Washington (UW) for the use of KeyArena for Seattle U men's basketball games and a hosted UW event, respectively;
- **McCaw Hall Reserve Fund Expenses:** \$404,000 increase in the Seattle Center McCaw Hall Fund to disburse a portion of accumulated operating reserve balances to Seattle Center, the Pacific Northwest Ballet, and the Seattle Opera.

Several net-zero transfers of expenditure authority within the same fund are also authorized in the bill. Transfers within the General Fund include:

- **Youth Opportunity Center:** \$500,000 from Finance General to HSD to support the Broadway Youth Opportunity project through a contract with a community-based agency;
- **Re-entry Workgroup:** \$250,000 from Finance General to HSD for a request for qualifications process to deploy a pilot process for resettling indigenous people to their communities after incarceration; and,

- **Sweetened Beverage Tax Audit Technical Assistance:** \$488,528 transfer from the City Auditor to HSD to support technical assistance to partner organizations that will expand their ability to evaluate SBT-funded programs.

The bill authorizes 26 new full-time positions in four departments, as shown in the following table.

Table 1. Authorized new full-time positions

| Item | Dept. | New Positions | Titles (general intended duties of positions) |
|------|-------|---------------|--|
| 11.1 | FAS | 1.0 | Accounting Tech III to support the continued management of PeopleSoft 9.2 and the increased work volume for small departments |
| 11.2 | FAS | 2.0 | Accounting Tech III and Senior Management System Analyst to support the continued management of PeopleSoft 9.2 and the enhanced capabilities for Purchasing and Contracting |
| 11.3 | FAS | 2.0 | Strategic Advisor I and Assistant Capital Projects Coordinator to support PeopleSoft 9.2 and the enhanced capabilities for Purchasing and Contracting |
| 11.4 | SDCI | 13.0 | 11.0 Land Use Planner IIIs, 1.0 Land Use Planner IV, and 1.0 Permit Spec II with sunset dates of 12/31/2022 to address high volume of construction and master use permit requests |
| 11.5 | SPD | 1.0 | Administrative Specialist II to provide administrative support to the Internet Crimes Against Children (ICAC) Unit, including assisting with the unit's increased workload and supporting special projects |
| 11.6 | SPD | 1.0 | Administrative Staff Assistant in the Legal Unit to conduct research and organize records in response to legal requests and public disclosure requests |
| 11.7 | SPD | 1.0 | Administrative Staff Analyst in the Chief of Police BSL to conduct research and organize records in response to legal requests, public disclosure requests and public disclosure appeals |
| 11.8 | SDHR | 1.0 | Strategic Advisor II position responsible for the intake, investigation, and completion of EEO complaints for the Seattle Police Department |
| 12.1 | SDHR | 1.0 | Strategic Advisor 1 position to provide full-service HR support to additional small City offices |
| 12.2 | SDHR | 1.0 | 1.0 FTE full-time Strategic Advisor 1 position to manage emergency response coordination, logistics and continuity of operations functions for which the department is responsible under Section 10.02.090 of the Seattle Municipal Code, RCW 38.52.310 and the City of Seattle Comprehensive Emergency Management Plan. |
| 12.3 | SDHR | 2.0 | 2.0 FTE full-time Strategic Advisor 1 and 1.0 FTE full-time Management Systems Analyst positions in the newly created SDHR HR Investigation Unit (HRIU). Executive Order 2018-04 directed SDHR to "establish a new Investigation Unit, which will transition all executive branch workplace misconduct investigations currently taking place inside departments to the SDHR Investigation Unit." <i>Description as introduced is inconsistent with position total and may be subject to future technical amendment.</i> |
| | Total | 26.0 | |

CB 119576, the capital and grants abandonment ordinance, abandons non-lapsing appropriation authority from prior years because it was unused, is no longer needed, or was re-appropriated in the 2019 Adopted Budget.

Initial discussion of this package is scheduled on the agenda of the July 31, 2019 Finance and Neighborhoods Committee. A Committee vote is scheduled for August 9, 2019, with full City Council consideration on August 12, 2019.

cc: Kirstan Arestad, Central Staff Director
Erik Sund, Budget Supervisor