



SEATTLE CITY COUNCIL

Select Budget Committee

Agenda

Wednesday, September 25, 2019

2:00 PM

Special Meeting

Council Chamber, City Hall
600 4th Avenue
Seattle, WA 98104

Sally Bagshaw, Chair
M. Lorena González, Member
Bruce Harrell, Member
Lisa Herbold, Member
Debora Juarez, Member
Teresa Mosqueda, Member
Mike O'Brien, Member
Abel Pacheco, Member
Kshama Sawant, Member

Chair Info: 206-684-8801; Sally.Bagshaw@seattle.gov
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September 25, 2019 - 2:00 PM
Special Meeting

Meeting Location:

Council Chamber, City Hall, 600 4th Avenue, Seattle, WA 98104

Committee Website:

<http://www.seattle.gov/council/committees/budget>

This meeting also constitutes a meeting of the City Council, provided that the meeting shall be conducted as a committee meeting under the Council Rules and Procedures, and Council action shall be limited to committee business.

Department Budget Overview Presentations

The City Budget Office (CBO) and City Department Directors present changes reflected in the Mayor's Proposed 2020 Budget.

A. Call To Order

B. Approval of the Agenda

C. Introductory Comments

Dan Eder, Deputy Director, Council Central Staff

D. Items of Business

1. **City Budget Office (CBO): Revenue Update and Proposed Budget Overview**

Supporting Documents: [Presentation](#)

Briefing and Discussion

Presenters: Ben Noble, Director, Jeanette Blankenship, David Hennes, CBO

Council Central Staff: Dan Eder, Deputy Director, Lise Kaye and Tom Mikesell, Budget Coordinators

2. **Seattle Public Utilities (SPU)**

Supporting Documents: [Presentation](#)

Briefing and Discussion

Presenters: Mami Hara, General Manager and CEO, and Paula Laschober, SPU; Ben Noble, Director, CBO

Council Central Staff: Brian Goodnight, Analyst, Lise Kaye and Tom Mikesell, Budget Coordinators

3. **Seattle City Light (SCL)**

Supporting Documents: [Presentation](#)

Briefing and Discussion

Presenters: Debra Smith, General Manager and CEO, and Kristy Grainger, SCL; Ben Noble, Director, CBO

Council Central Staff: Eric McConaghy, Analyst, Lise Kaye and Tom Mikesell, Budget Coordinators

E. Public Comment

F. Adjournment



Legislation Text

File #: Inf 1514, **Version:** 1

City Budget Office (CBO): Revenue Update and Proposed Budget Overview

2020 Proposed Budget

Seattle City Council
September 25, 2019

September 25, 2018

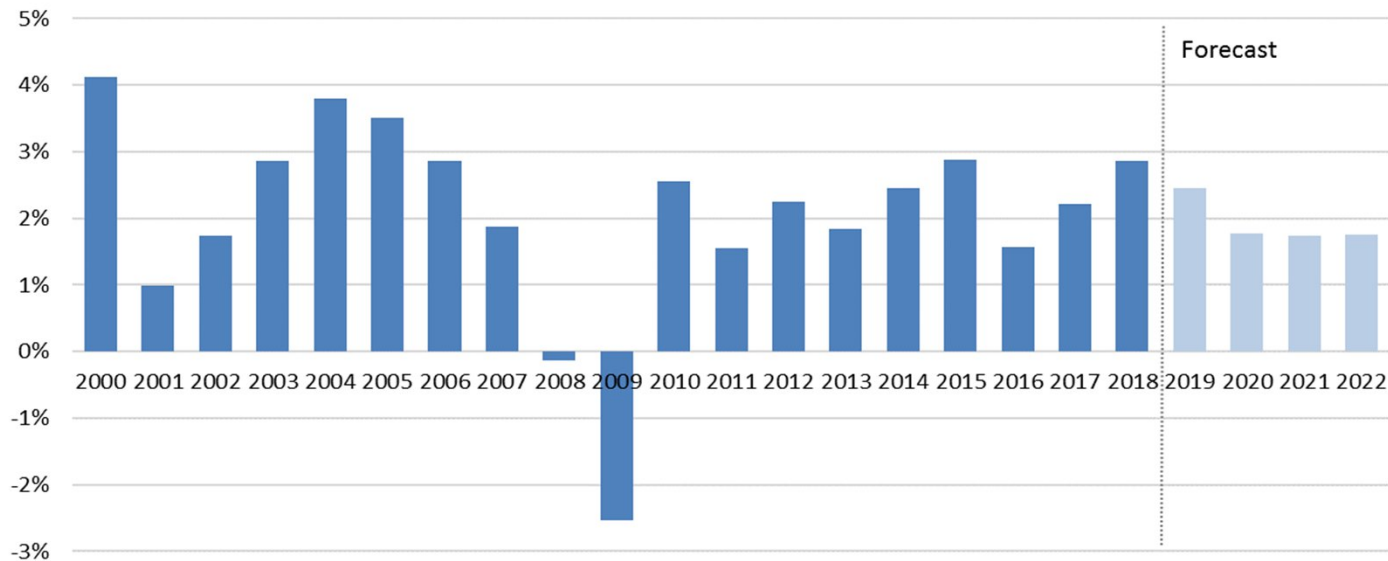
City Budget Office



City of Seattle

U.S. Economy – Modest Growth but Risk of Recession Increasing

Growth Rate of US Gross Domestic Product



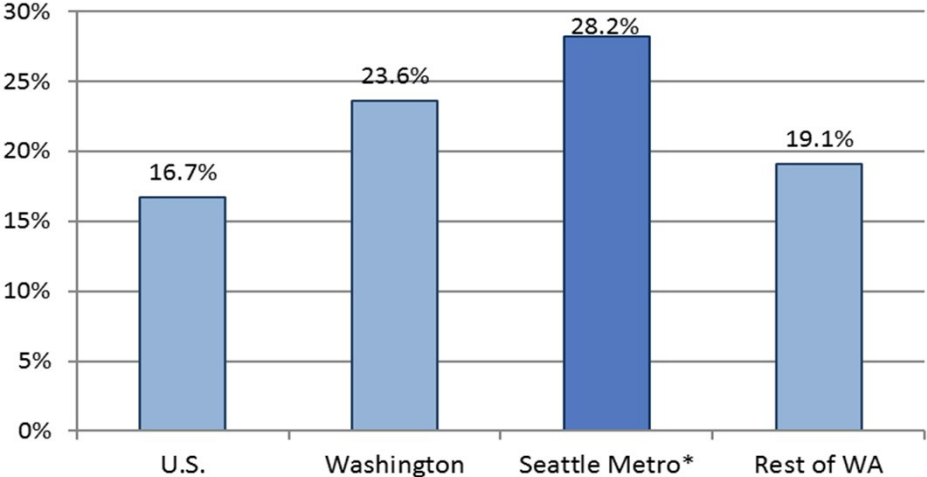
Source: U.S. Bureau of Economic Analysis, IHS Markit.

- Growth of economy projected to slow in 2020.
- Ever increasing risk of recession due to trade conflict. Recent Federal Reserve move to reduce interest rates is designed to mitigate recession risk.

Regional Economy: Strong but Trade Dependent

- State and regional economy have experienced strong growth since the “Great Recession”
- Seattle has led this growth, with significant expansion across all sectors, but strongest in technology, on-line retail and construction.
- But key sectors of the regional economy – technology, on-line retail and aerospace are trade dependent.
- And construction sector ultimately depends on the health of overall local economy.

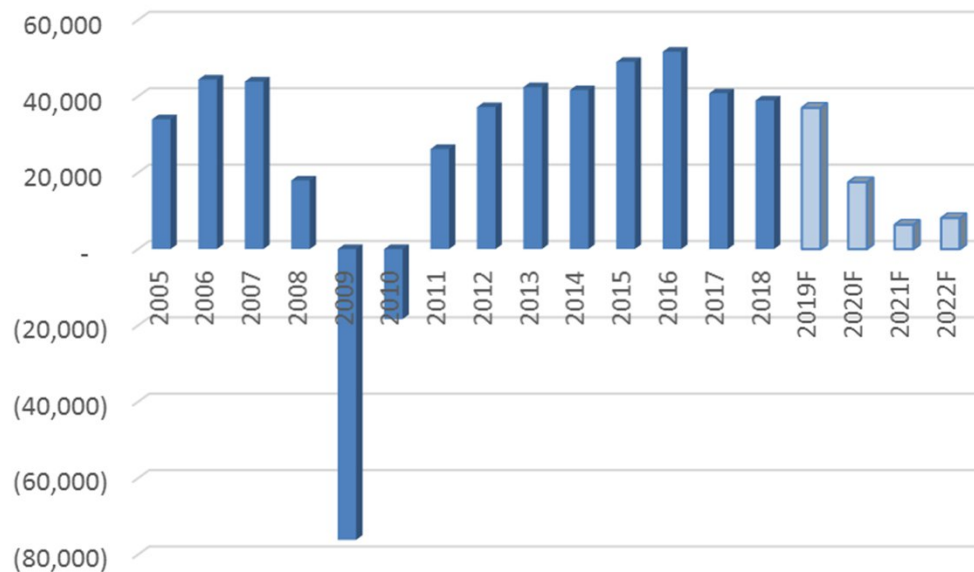
Employment Growth: 2010-2019 (Through July)



*King & Snohomish Counties.
Source: WA Employment Security Dept., U.S. Bureau of Labor Statistics.

Seattle Metro Area – Employment Forecast

Job Growth (# of jobs) in Seattle Metro Area



*King and Snohomish Counties. Source: WA ESD, City of Seattle Budget Office.

- We expect moderate employment growth in 2019; and revenue data to date suggest this forecast is accurate.
- The forecast anticipates a fairly steep slowdown in 2020 and 2021. This deceleration is driven by weakness in U.S. economy, which will slow as benefit of 2018 tax wears off, the trade war continues, and world economy slows generally.
- At the local level, the forecast assumes Amazon's growth will continue to slow and that construction employment will fall gradually.
- Boeing's 737 Max challenges are another specific risk on the employment front.

General Fund Revenue Forecast

General Fund	2018	2019		2020	
	Actuals	August	Chg from Apr	August	Chg from Apr
Property Taxes	\$311,330,000	\$320,700,000	\$0	\$345,890,000	-\$1,160,000
Sales Taxes	\$276,270,000	\$289,420,000	\$1,700,000	\$296,270,000	\$1,310,000
Business Taxes	\$274,770,000	\$289,660,000	\$1,890,000	\$296,940,000	\$310,000
Public Utility Taxes	\$159,070,000	\$163,440,000	\$380,000	\$173,010,000	\$1,520,000
Private Utility Taxes	\$55,780,000	\$56,170,000	-\$1,890,000	\$55,540,000	-\$1,960,000
Business License Fees	\$17,310,000	\$18,160,000	\$0	\$18,600,000	\$0
Court Fines	\$26,660,000	\$27,030,000	\$630,000	\$27,130,000	\$810,000
Parking Meters	\$39,010,000	\$39,120,000	-\$1,830,000	\$39,020,000	-\$860,000
Other General Subfund Revenues	\$151,070,000	\$147,790,000	\$1,640,000	\$205,210,000	\$72,660,000
General Fund - Grand Total	\$1,311,290,000	\$1,351,500,000	\$2,510,000	\$1,457,590,000	\$72,640,000
Other Notable Revenues					
Sweetened Beverage Tax	\$22,250,000	\$23,970,000	\$0	\$24,330,000	\$0
Short-term Rental Tax	\$0	\$10,500,000	\$1,700,000	\$10,500,000	\$0
Admission Tax	\$11,620,000	\$11,580,000	-\$10,000	\$11,690,000	-\$10,000
Real Estate Excise Tax	\$76,940,000	\$82,210,000	\$3,870,000	\$82,960,000	-\$170,000
Commercial Parking Tax	\$42,980,000	\$44,270,000	\$0	\$45,600,000	\$0
School Zone Camera Fund	\$12,270,000	\$9,820,000	-\$340,000	\$9,670,000	-\$220,000
TNC Tax	\$0	\$0	\$0	\$9,660,000	\$9,660,000

Budget Summary

	2018 Actuals	2019 Adopted	2020 Endorsed	2020 Proposed	\$ Change	% Change
General Fund	1,374,424	1,365,856	1,374,503	1,483,625	109,122	7.9%
Other Funds	4,145,366	4,604,410	4,812,946	4,995,997	183,051	3.8%
Total	5,519,790	5,970,266	6,187,449	6,479,622	292,173	4.7%

New Resources for Affordable Housing

Mercer Megablock Proceeds

- \$15 million for Equitable Development Initiative (EDI) projects
- \$15 million for Affordable Homeownership
- \$6 million for Affordable Accessory Dwelling Units (ADUs)
- \$42 million for Strategic Investments/Acquisitions

Local Option Housing Bill

- Up to \$4.5 million per year for the next 20 years
- Will fund 175 units of affordable housing, including associated O&M costs

Real Estate Excise Tax (REET) II

- \$25 million for affordable housing - \$5 million per year 2021-2025
- Balancing need for major maintenance investments and resources for affordable housing

Transportation Network Company (TNC) Tax

- ~\$52 million through 2025.

Sweetened Beverage Tax – Resources for Early Education and Food Access

Available Resources

- Approximately \$10.1 million in “new” ongoing Sweetened Beverage Tax (SBT) Resources
 - Budget eliminates ~\$6.3 million in general fund “swaps”
 - Revenue forecast update adds ~\$3.8 million in annual, on-going revenues.
- Additional \$4.3 million of unspent fund balance from 2018 and 2019

Proposed Uses - Ongoing

- \$3 million per year to expand Child Care Assistance Program (CCAP)
 - Expand income eligibility to 350% of federal poverty (approx. \$90K for a family of four)
 - Increase minimum subsidy from 10% to 25%
 - Provide financial incentives for providers to participate in CCAP, and also invest ~\$2 million from other sources to provide one-time capital funding to help further expand supply
 - Expect to provide vouchers to 600 additional children

Sweetened Beverage Tax - continued

Proposed Uses - Ongoing

- \$2.5 million per year for an “Healthy Food Fund” grant program to support food access
 - Administered by the Department of Neighborhoods (DON)
 - Fund will invest in community-led activities to increase access to healthy food
- \$2+ million to expand the City’s Fresh Bucks program
- Approximately \$1.1 million to expand support to food banks and additional staff at HSD to administer the program expansions funded by the Department’s SBT allocations
- \$150,000 to expand summer recreational programming for youth at the Parks Department

Proposed Uses – One-time

- \$3 million one-time grant fund to support capital investments in P-patches and community gardens
- \$2 million for a financial reserve in the newly created Sweetened Beverage Tax Fund

New Funding to Address Homelessness Emergency

Mercer Megablock - \$5 million donation – uses include:

- \$2 million for start-up costs of the King County Regional Homelessness Authority
- \$1.2 million to address potential re-siting of tiny home villages
- \$840,000 to continue funding of pilot program(s) at Mount Baker Family Center
- \$515,000 to complete SHA rental assistance pilot
- \$125,000 to support the pilot safe parking program.

Microsoft - \$5 million donation

- Replenish the region's Central Diversion Fund (CDF). The CDF was initially funded from Pearl Jam "Home Shows" donations.
- Note that these funds will not flow through the City budget, but are an important element of overall homelessness response

Other Human Service Funding Priorities

- Continued funding for Navigation Team Expansion
- Inflationary adjustments for provider wages
- King County Domestic Violence Hotline

Public Safety – Redirecting Available Funding

Seattle Police Department

- \$1.6+ million for recruitment and retention strategies
- \$800,000 for hiring incentives
- \$850,000 for continuation of emphasis patrols and force augmentation
- \$1.2 million to expand Community Service Officer program from 12 to 18 staff
- Additional mental health providers for SPD's Crisis Response Unit
- Add dedicated position as liaison to Native American community

Implement Recommendations of High Barrier Work Group (\$2 million capital, \$1.2 million for pilot programming)

- New residential treatment facility located at unused portion of King County Jail – funding for both capital and operating shared 50/50 with King County
- Targeted Re-entry pilot
- High Barrier probation pilot

Strategies to Address Low-Acuity Calls for Assistance

- Expand/augment newly created "Health One" response unit
- Fund on-site nurses for locations responsible for largest number of low-acuity calls, and a dedicated nurse call line

New Transportation Resources – Megablock, STBD and TNC Tax

Mercer Megablock Proceeds - \$50.7 million

- Mercer West Construction Loan Repayment - \$12.2 million
- South Lake Union Streetcar Operating Loan Repayment - \$3.6 million
- Center City Connector Streetcar Capital Loan Repayment - \$9.0 million
- Commercial Parking Tax Revenues Offset - \$9.2 million
- SDOT Vision Zero Priorities - \$16.7 million

Seattle Transportation Benefit District (STBD) - \$14.5 million

- Operations – \$7 million to fund additional transit hours, including first and last mile service
- Capital – \$7.5 million, including
 - Transit lanes and Multimodal Corridor investments
 - Transit corridor facilities – benches, shelters, landing pads, etc.
 - Downtown mobility projects – anticipating impacts of SR 99 tolling

Transportation Network Company (TNC) Tax

- Capital Funding for the Center City Connector

2019 Library Levy

Levy approved by voters in August will provide for a significant expansion of library services in 2020:

- Elimination of Overdue Fines (\$1.1 million)
- Increased investment in e-materials (\$630,000)
- Addition of 10,000 hours of operation at library branches (\$673,000)
- Expand Play and Learn Program (\$260,000)
- Add Community Resource Specialist for Youth (\$150,000)
- Technology upgrades (\$500,000)

Using One-Time Resources to Invest in Community Assets

Available Resources

- Washington State Convention Center street vacations
- Community Development Block Grant (CDBG) Funding
- Real Estate Excise Tax (REET) Resources

Proposed One-time Uses

- Chief Seattle Club
- Lambert House
- International Community Health Services (ICHS)
- Outdoors for All – redevelopment of former fire station at Magnuson Park
- Residential treatment facility at King County Jail
- Additional funding for Round 3 of Equitable Development Initiative (EDI) Grants
- Capital resources for childcare facilities – complement funding to expand CCAP voucher program with resources to help enhance supply of childcare as well



Legislation Text

File #: Inf 1515, **Version:** 1

Seattle Public Utilities (SPU)



Seattle Public Utilities

Mami Hara, General Manager
Paula Laschober, CFO



2020 Proposed Budget Overview

September 25, 2019

1. Legislative & Policy Framework

Change	Citation/ Source	Effects/Outcomes
Strategic Business Plan	Resolution 31760	This commits SPU to a predictable 6-year rate path and to planning investments with community input.
Combined Sewer Overflows Consent Decree	Plan to Protect Seattle's Waterways Ordinance 124766	This commitment is driving most of the costs in SPU's capital program and rate increases. SPU must complete most major investments by 2025, and all investments by 2030.
Accountability and Affordability Strategy	Resolution 31760, Amendment 14	A major effort to deliver services at a lower cost with greater transparency. Focuses on improvement strategies and actions in six key practice areas: capital planning and delivery; business process efficiency and improvement; customer assistance; partnership opportunities; regulatory alignment; and budgeting and financial management.
Risk and Resiliency Management Assessment	Resolution 31760, Amendment 14	An assessment of potential impact and disruptions to SPU business and investment strategies due to: climate change, disasters, economy, market forces, technology and workforce along with an identification of next steps and future investments.

2. Strategic Priorities for 2020

Priority	Goal(s)	Action(s) & Outcome(s) in 2020
Customer Experience and a Clean City	Deliver essential services to maintain and improve performance at the lowest cost to customers	<ul style="list-style-type: none"> Continue to enhance customer experience (Contact Center, DSO) Maintain service levels at the transfer stations Support investments in Clean City program
Capital Project Delivery	Improve the delivery of capital projects to meet regulatory requirements and provide multiple community benefits at the lowest cost to customers	<ul style="list-style-type: none"> Implement Ship Canal Water Quality Program Adjust project timelines to meet planning updates resulting in a net capital reduction from the 2020 Endorsed Budget
Accountability and Affordability	Create an organizational culture of accountability to drive decisions that decrease overall rate impact while enhancing corporate performance	<ul style="list-style-type: none"> Make Utility Discount Program, Emergency Assistance Program and Shut Off prevention improvements Partner with regulators to meet goals at the lowest cost for customers (Affordability Metric)
Line of Business and Workforce Planning	Make progress towards preparing SPU's lines of business and workforce for an adaptive and flexible future	<ul style="list-style-type: none"> Progress on DWW Integrated System Plan Make progress towards seismic resilience funding Implement workforce development improvements (succession, recruitment, hiring)

3. Four-Year Budget Summary

	2017 Actual (\$000s)	2018 Actual (\$000s)	2019 Adopted (\$000s)	2020 Proposed (\$000s)
Appropriation (GF)	\$ 9,734	\$ 9,179	\$ 10,041	\$ 11,752
Change Year to Year (in \$, %)		\$ (555) -6%	\$ 862 9%	\$ 1,710 17%
Appropriation (Other)	\$ 940,708	\$ 827,467	\$ 893,567	\$ 923,226
Change Year to Year (\$, %)			\$ 66,100 8%	\$ 29,659 3%
Appropriation (Capital)	Included Above	\$ 174,275	\$ 360,230	\$ 416,412
Change Year to Year (\$, %)			\$ 185,955 107%	\$ 56,182 16%
Employment (FTEs)	1359.1	1398.6	1414.6	1433.3
Change Year to Year (Count, %)		39.5 3%	16.0 1%	18.8 1%

4. Major Proposed 2020 Budget Changes

Change	2019 Adopted (\$000s)	2020 Proposed (\$000s)	Change (\$000s)	Change (%)
Clean City program	8,888	10,529	1,641	18%
Operating Costs (non-GF): including debt service, taxes and major contracts	893,567	923,226	29,659	3%
Capital Projects: Growth year-over-year is predominately related to projects moving into and completing construction	360,230	416,412	56,182	16%



Legislation Text

File #: Inf 1516, **Version:** 1

Seattle City Light (SCL)



City Light

Debra Smith, General Manager and CEO



2020 Proposed Budget Overview
September 25, 2019

1. Legislative & Policy Framework

Change	Citation/Source	Effects/Outcomes
Authority to incentivize transportation electrification	Washington State HB 1512	Adding programs to support electrification (shift surplus budget from conservation)
Transition to 100% carbon-neutral electricity by 2030	Washington State SB 5116	No near-term impact for City Light, already 100% GHG neutral
Pilot programs	Pending Ordinance	Authority to introduce rate pilot programs

2. Strategic Priorities for 2020

Priority	Goal(s)	Action(s)	Outcome(s) in 2020
1. Create a customer centric culture	Simple, clear, and efficient customer journeys	<ul style="list-style-type: none"> - Customer Experience Road Map - New digital platform and workflows - AMI full integration 	<ul style="list-style-type: none"> - Implementation plan for improving customer experience - New self-service options
2. Enhance employee experience	Workplace culture aligned with core values	<ul style="list-style-type: none"> - New employee experience team, use existing funding/FTE's - Continue and expand Operational Excellence (OpX) training 	<ul style="list-style-type: none"> - Workplan, new tools and programs - Clearer pathways for employee resources

2. Strategic Priorities for 2020

Priority	Goal(s)	Action(s)	Outcome(s) in 2020
3. Revenue stabilization through rate design	New rate structure in 2021	-Implement pilot programs (budget neutral) -Develop new rate structure	- Four new pilot programs - Rate ordinance for 2021-2022
4. Innovation is electrification	Decarbonization and increased retail sales	-Organizational realignment - Develop electrification of transportation plan per HB1512	- Electrification & Innovation division - New programs and incentives

3. Four-Year Budget Summary

	2017 Actual (\$000s)	2018 Actual (\$000s)	2019 Adopted (\$000s)	2020 Proposed (\$000s)
Appropriation (Other)	\$1,367,870	\$1,344,063	\$1,374,524	\$1,432,987
Change Year to Year (\$, %)		(\$23,807) (1.7%)	\$30,461 2.3%	\$58,463 4.2%
Employment (FTEs)	1,779.8	1,816.8	1,791.3	1,792.8
Change Year to Year (Count, %)		37 2.0%	(25.5) (1.4%)	1.5 0.0%

4. Major Proposed 2020 Budget Changes

Change	2019 Adopted (\$000s)	2020 Proposed (\$000s)	Change (\$000s)	Change (%)
Transportation Electrification	\$166	\$1,141	\$975	587%
Pole Attachment/Telecom Work	\$6,518	\$16,614	\$10,096	155%