

MEMORANDUM

To: Councilmember Sally Bagshaw, Chair
Councilmember Lorena González, Vice Chair
Council President Bruce Harrell, Member
Councilmember Mike O'Brien, Alternate
Finance & Neighborhoods Committee

From: Erik Sund, Council Central Staff Budget Coordinator

Date: June 13, 2018

Subject: First Quarter 2018 Supplemental Budget Package Summary

The Executive has proposed Council Bills (CBs) 119276, 119274, 119271, and 119272, which together form the first supplemental budget package for 2018. Briefly, these bills would revise the 2017 and 2018 Adopted Budgets as follows:

CB 119276, the 2017 year-end “exceptions” appropriations ordinance, amends the 2017 Adopted Budget to address unanticipated costs realized late in 2017 that resulted in spending beyond the expenditure authority previously granted for certain Budget Control Levels (BCLs) and capital projects. It is typical to have an exceptions ordinance transmitted in the first quarter of each year. The net appropriations increase is \$5,303,541, none of which is for a direct General Fund (GF) expense. Expenditure items in the ordinance include:

- \$1,980,600 in the Employees’ Retirement System to cover costs related to the implementation of a new Pension Administration System (PAS) for the Seattle City Employees’ Retirement System (SCERS). The costs were expected to be paid in 2016 but were delayed until late 2017. The PAS is expected to go live in 2019.
- \$1,646,538 in the Transportation Operating Fund (TOF) in the Department of Transportation’s (SDOT) Department Management BCL to cover an over-expenditure in Department Management overhead related to Move Seattle Levy implementation.

CB 119274, the 2017-18 “carryforward” appropriations ordinance, is typically used to re-appropriate funds previously provided for various purposes in the 2017 Adopted Budget and the various supplemental appropriations ordinances of 2017 but not yet expended, increasing 2018 Adopted Budget appropriations by approximately \$16.4 million in total (\$12.9 million GF). Specific appropriations include:

- \$6,090,690 GF in the Finance General Reserves BCL to continue support of the Equitable Development Initiative (EDI) funding program, which support investments in neighborhoods to make more equitable development outcomes. \$6.5 million was

appropriated for the EDI in 2017. The Office of Planning and Community Development expended a portion of these funds, but the remainder must remain in reserve to complete EDI project contracts.

- \$5,307,779 in the Information Technology Fund (ITF) for a variety of projects of the Seattle Information Technology Department (Seattle IT), most of which are being developed for and paid for by other departments. ITF appropriations include:
 - \$984,564 to complete upgrades to Seattle City Light's (SCL) Outage Management System, which helps manage response to power service disruptions.
 - \$985,967 to support the Seattle Department of Construction & Inspections' portion of the Permit System Integration (PSI) project.
 - \$442,409 for replacement of computers purchased for the Department of Parks and Recreation between 2008 and 2012, beyond the standard 5-year replacement cycle. This appropriation was provided in the 4th quarter supplemental budget ordinance of 2017 but the purchase was not completed before the end of the year.
 - \$400,000 for continued support for the Summit Reimplementation Project, including process documentation, report development, report testing, and end-user training for PeopleSoft 9.2.
 - \$392,611 to complete the Customer Engagement and Relationship Management (CRM) project to deploy a Citywide solution for constituent correspondence and social media management. This project was initiated in 2017 and Seattle IT has already received the necessary revenue to back this appropriation.
- \$1,504,767 in the Construction and Inspections Fund (CIF) to for the Seattle Department Construction and Inspections (SDCI) to cover overhead costs allocated to the Department due to reconfigurations and improvements to its office spaces on floors 19-22 of the Seattle Municipal Tower (SMT). These costs are all backed by permit fee revenues.
- \$1,111,855 in the CIF for SDCI to pay Seattle IT for work on the Permit Systems Integration (PSI) project. These funds were originally appropriated in the 2017 Adopted Budget but not expended as the PSI project was delayed. This appropriation will be backed by permit and related fees.
- \$1,100,503 GF to support the Seattle Fire Department's identification and implementation of a software solution to simplify and improve management of uniformed staff scheduling.
- \$1,074,000 in the TOF for SDOT to complete Thomas Street improvements being built in collaboration with Seattle City Light (SCL). Funds were previously appropriated for this project but unused due to project delays.
- \$972,000 in the Human Services Fund (HSF) for the Human Services Department (HSD) to provide bridge funding for organizations providing services to the homeless that have reduced City contracts in 2018 due to the re-bidding of contracts in the Homeless Investment RFP.

- \$877,000 in the Finance and Administrative Services Fund (FAS Fund) to carry forward accounting and budget staff resources through the 3rd quarter of 2018 to support continued system stabilization and optimization for PeopleSoft 9.2 as part of the Summit Reimplementation Project.

CB 119271, the first grant acceptance ordinance of 2018, authorizes City departments to accept approximately \$13.4 million of funding from external sources to support a range of purposes, including:

- \$10,000,000 as a low-interest loan from the State’s Public Works Trust Fund to SDOT to help finance the Fairview Avenue North Bridge Replacement project in South Lake Union. This project will replace two unsound bridges with a single bridge providing for motor vehicles, bicycles, and pedestrians.
- \$2,936,580 from the King County Flood Control District for Seattle Public Utilities (SPU) as reimbursement for the installation of conveyance lines to bioretention facilities to improve water quality in Thornton Creek.
- \$300,000 donated by the Jimi Hendrix Park Foundation to support DPR’s design and installation of a shadow wave wall at Jimi Hendrix Park.

CB 119272, the first quarter supplemental budget ordinance of 2018, provides expenditure authority to use the grants in the grant acceptance ordinance above (CB 119271) and for other budget revisions requested by various City departments.

- The net appropriations increase in the second quarter supplemental, including grant-backed appropriations, is approximately \$17.0 million, of which \$5.2 million is General Subfund (GSF). Of these amounts, about \$2.4 million (\$1.2 million GSF) is backed by new grant, fee, or reimbursement revenues. Among the expenditures authorized in CB 119272 are:
 - \$10,000,000 in the Judgment and Claims Fund (JCF) to cover the cost of settlements and judgments, which is expected to exceed budgeted levels in 2018. This appropriation is backed by a matching cash transfer from the General Fund. These costs are volatile and the budget for the JCF is currently established by determining the average costs over a rolling five-year period. The City Budget Office (CBO), Office of the City Attorney (LAW) and Department of Finance and Administrative Services (FAS) is currently reevaluating this methodology as a response to Statement of Legislative Intent (SLI) 356-1-A-2 (from 2017). The SLI response is due on June 15.
 - \$2,383,918 of GF spread across 19 BCLs within the Seattle Police Department (SPD) to cover the costs in 2018 of compensation increases required under the City’s labor contract with the Seattle Police Management Association (SPMA).

- \$1,800,000 in the Unrestricted Cumulative Reserve Fund (CRS-U) for DPR to support reconstruction of the Woodland Park Zoo’s Night Exhibit, which was damaged by fire in 2016. This appropriation is backed by insurance revenue.
- \$1,300,000 of GF for the Finance General Reserves to support funding for City obligations to King County for election and voter registration costs. Reserves for election expenses were reduced by higher than expected costs over the past two years. This appropriation is also intended to prepare for additional costs in 2018.
- Several net zero transfers of expenditure authority within the same fund are also authorized in the bill, including \$15,000,000 GF from Finance General Reserves to the Office of Planning and Community Development (OPCD) for contracts with organizations participating in the Equitable Development Initiative (EDI). Some of these funds will support capacity building within the organizations, while the rest will be used for planning, site acquisition, and capital projects. The original source of EDI funds is an interfund loan backed by the proceeds of the sale of the Civic Square property adjacent to City Hall.
- A net increase in authorized employment is provided for 10 new full-time positions and the transfer of 1 position between departments. The created and transferred positions are shown in the table below:

| Item | Department | New FTEs | Titles (general intended duties of positions) |
|------|---|-------------|---|
| 6.1 | Information Technology (Seattle IT) | 1.0 | IT Professional-B-BU (public disclosure request) |
| 6.2 | Police (SPD)- Office of Police Accountability | 1.0 | Administrative Specialist 1 (transcription, other duties) |
| 7.1 | | 1.0 | Manager 2 (civilianizing management) |
| 7.2 | | 2.0 | Strategic Advisor 3 (civilianizing management) |
| 6.3 | Department of Transportation (SDOT) | 1.0 | Civil Engineer, Sr (signals and lighting) |
| 6.4 | | 1.0 | Environmental Analyst, Sr (environmental permits) |
| 6.5 | | 1.0 | Real Property Agent, Sr (acquisitions & right-of-way) |
| 6.6 | | 1.0 | Strategic Advisor 2 (capital project management) |
| 6.7 | Construction & Inspections (SDCI) | 1.0 | Planning & Development Specialist, Sr |
| 8.1 | Office of Sustainability & Environment (OSE) | (1.0) | Strategic Advisor (green storm water; transfer out) |
| | Public Utilities (SPU) | 1.0 | Strategic Advisor (green storm water; transfer in) |
| | Total New Positions | 10.0 | |

- A range of net zero redistributions of expenditure authority to correct errors in the conversion of the 2018 Adopted Budget to the new PeopleSoft 9.2 system under the Summit Reimplementation Project are included in Sections 13 and 14 of the ordinance.

- Other technical corrections include the revision of the Budget Summary Level Purpose Statement for the City Finance BSL in the Department of Finance & Administrative Services (FAS) to include tax administration activities (Section 15) and correcting errors in three Capital Improvement Program(CIP) project numbers (Section 17).
- 30 previous capital projects are reestablished in the 2018-2023 CIP in Section 15 with PeopleSoft 9.2 compliant project numbers. These projects were expected to be completed before 2018 but have had or are expected to incur expenses in 2018, necessitating their inclusion in the current CIP.

The Council Central Staff review of the 1st quarter supplemental package will continue.

cc: Kirstan Arestad, Central Staff Executive Director
Dan Eder, Central Staff Deputy Director