

Budget Hearing Overview of 2024 Proposed Budget Adjustments

Select Budget Committee | October 11, 2023

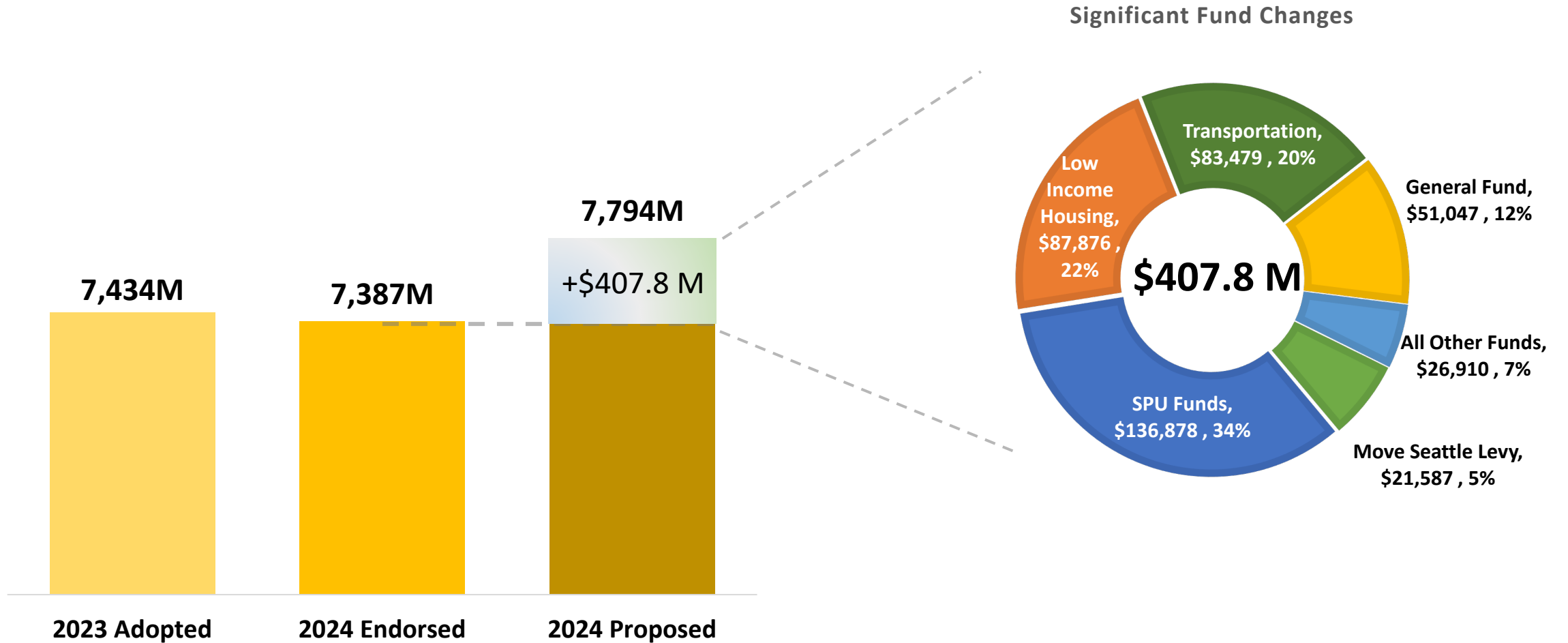
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Agenda

Proposed Adjustments Overview

- Operating Adjustments Summary
- Adjustments to Position and Personnel Budgets
- Central Services Cost Allocation Changes
- Proposed Capital Improvement Program (CIP) Adjustments
- Real Estate Excise Tax (REET) Policy Considerations

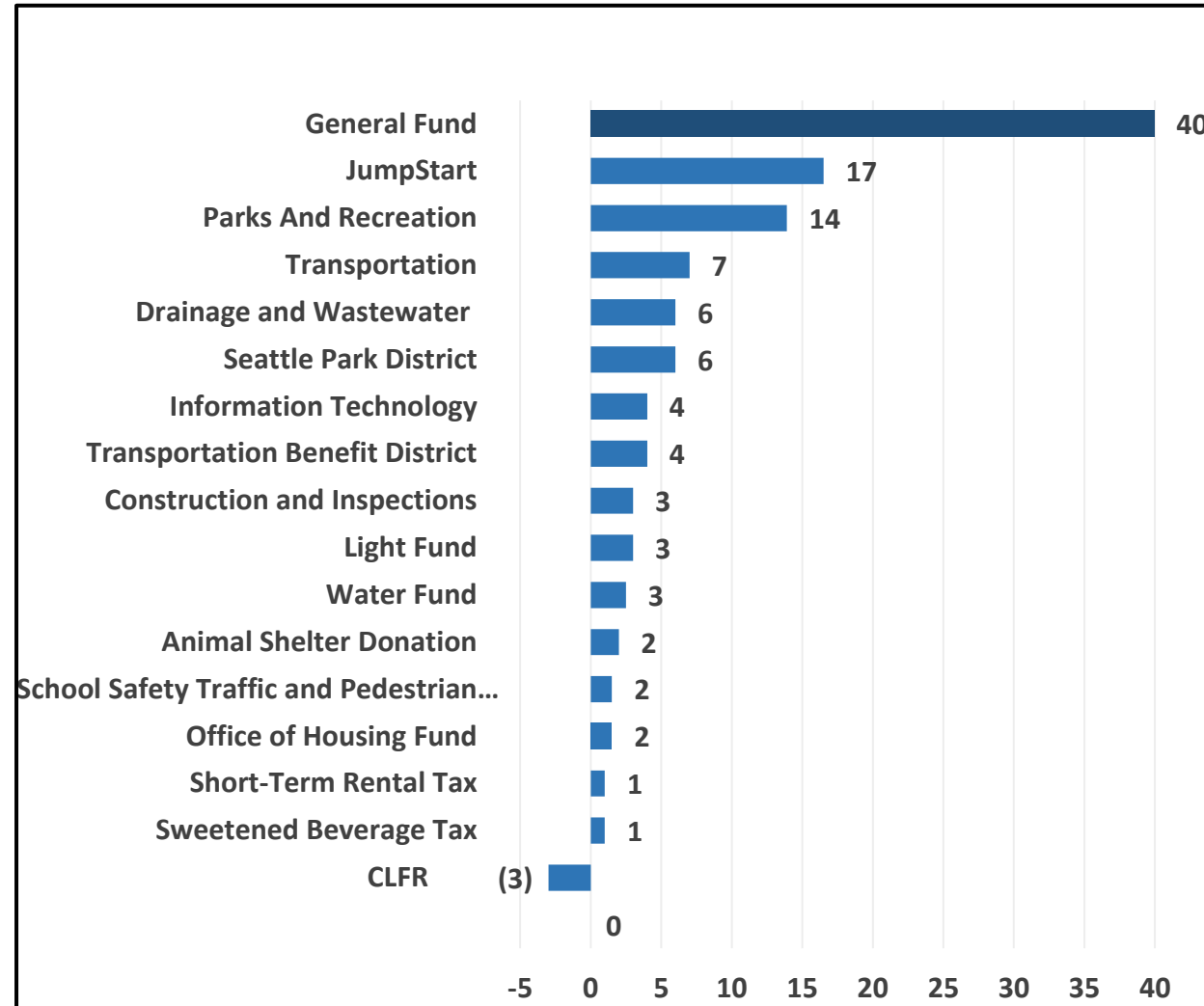
Budget Snapshot



O&M Budget Adjustments by Department

- **Office of Housing: +\$81.1M (32% increase)**
 - Assumed passage of the 2023 Seattle Housing Levy: \$88 million net increase
- **Seattle Public Utilities: +78.6M (7% increase)**
 - Solid Waste Fund balance to pay off \$60M in outstanding debt
 - \$15M Wastewater treatment contract increase with King County
- **Finance & Administrative Services: +41M (12% increase)**
 - \$18.3M for Fleet Capital Replacement Program
 - \$9.3M for Judgement & Claims liabilities
- **Human Services Department: +15.1M (5% increase)**
 - Human Services Providers' wage equity and contract inflation
 - Opioid Settlement Proceed Fund appropriations

Position & Personnel Adjustments



110 FTE Increase Citywide:

- 40 GF: 31 ongoing, 9 sunset
- 16.5 JumpStart: 14.5 ongoing, 2 sunset

Salary & benefits represent \$2.5B (one-third) of the \$7.7B Proposed Budget

- \$29.7M increase from the 2024 Endorsed Budget

Personnel Adjustments by Department

Department	Proposed FTE Increase
Fire Department	26
Parks & Recreation	14
Department of Transportation	12.5
Seattle Public Utilities	11.5
Economic Development	9
Sustainability & Environment	7
Seattle Police Department	6.5
Seattle Center	6
Construction & Inspections	4
CSCC/CARE	3
City Light	3
City Budget Office	2
Finance & Administrative Services	2
Office of Planning & Community Development	2
Office of Housing	1.5
Community Police Commission	1
Information Technology	1
Office of Immigrant & Refugee Affairs	0.5
Department of Neighborhoods	-2.5
Total FTEs Citywide:	110

Issue Identification

1. Proposed FTE Increase

Personnel costs represent approximately one-third of the \$7.7 billion proposed budget in 2024, and over half of the GF budget. Approximately 90 percent of the proposed 110 additional FTEs in the 2024 budget are permanent positions with ongoing budget impacts.

Options:

- A. Reject some or all of the proposed new positions and reduce proposed funding in those departments accordingly.
- B. Proviso the funding for these positions until Council is engaged and has made decisions about how the City will address the projected deficit for the 2025-2026 biennial budget.
- C. No change.

Central Services Cost Allocation Adjustments

- Cost allocation – process to account for the full costs of a City provided service by including indirect costs in addition to its direct costs
 - Ensures that departments and funds are fairly and accurately paying for services received

Example: All Departments contribute to maintaining the City's fleet based on their usage, which is centrally managed by FAS.
- Central Services Allocations represent approximately 15% (\$1.1B) of the 2024 Proposed Budget
 - \$34.2M overall increase (3.2 percent) compared to 2024 Endorsed

Central Services Cost Allocation Adjustments, Cont'd

	Change from Endorsed (\$ in millions)	Percent Change	Key Drivers of Change
FAS	\$4.8	2%	Baseline adjustments to account for inflation and market adjustments in fuel and external contracts, and fund mechanic positions
ITD	\$10.1	4%	Enterprise-wide security and infrastructure (\$3M), anticipated SCL and SPU projects of(\$4M), application maintenance (ArcGIS and Customer Care Billing platform - \$800k), and City Clerk's record management system upgrade (\$1.4M)
HR	\$2.9	12%	\$1.1 million (one-time) to fund the classification and compensation study. SPD recruitment resources and JumpStart Fund supported position cost allocations.
Central Service Departments	\$0.8	3%	Primarily attributed to a technical error in the 2023-2024 Adopted Budget, which inadvertently excluded the allocation of Legislative Assistants costs to departments.
Retirement Rate	\$13.7	7%	New FTE adds and increased employer retirement contribution rate (from 15.32 percent to 16.22 percent)
Other	\$1.9	n/a	Includes Judgement & Claims increase and reduced healthcare costs
Total Increase	\$34.2	3.2%	

Issue Identification

2. Improved Transparency and Oversight of Central Service Costs

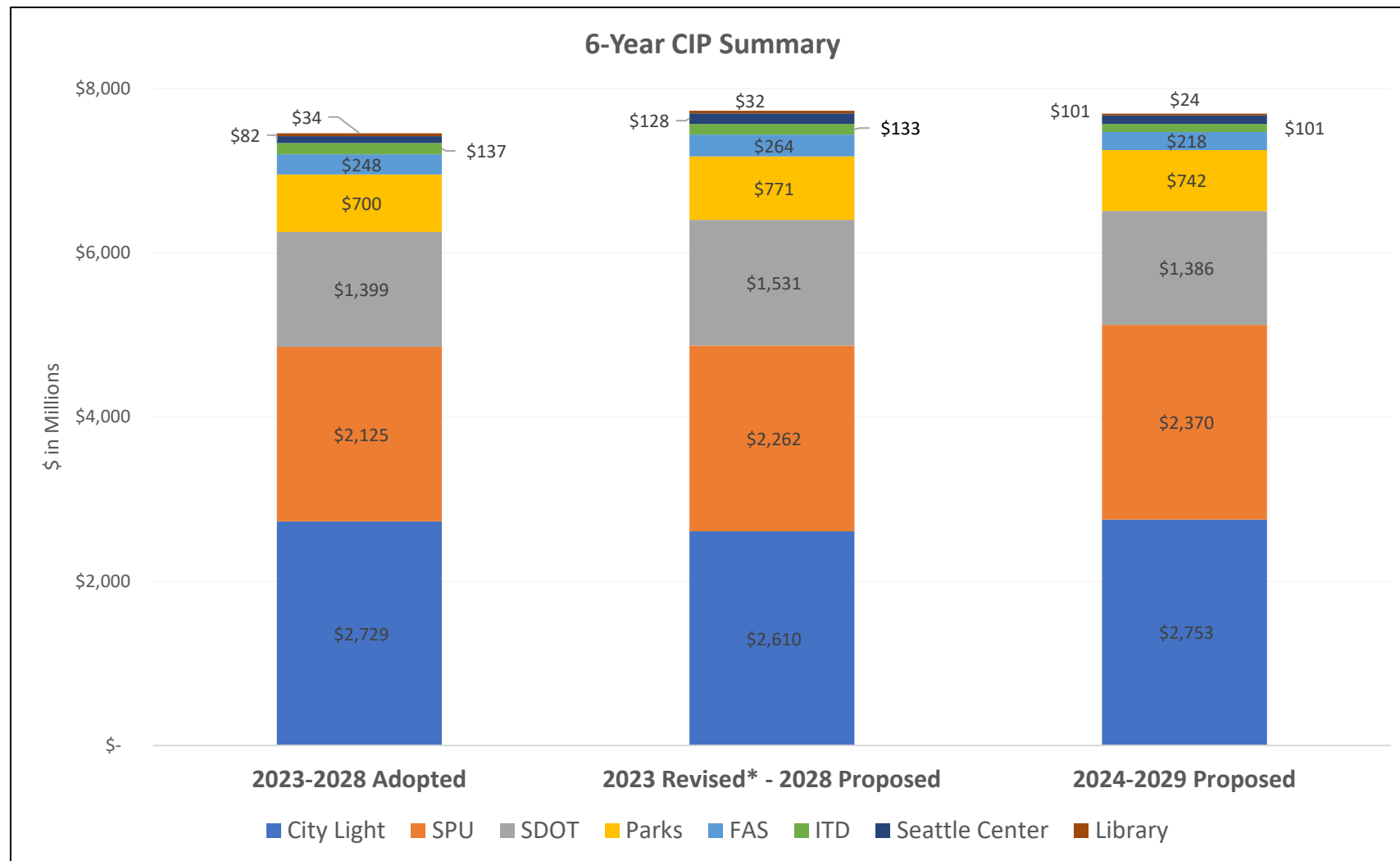
While certain central service cost changes in the budget are easy to track a comprehensive analysis of all central rates has been difficult to navigate, making it difficult for the Council to determine if this is the appropriate funding level.

Options:

- A. Adopt a SLI requesting enhanced reporting on all central Service Costs.
- B. No change.

Proposed CIP Adjustments Overview

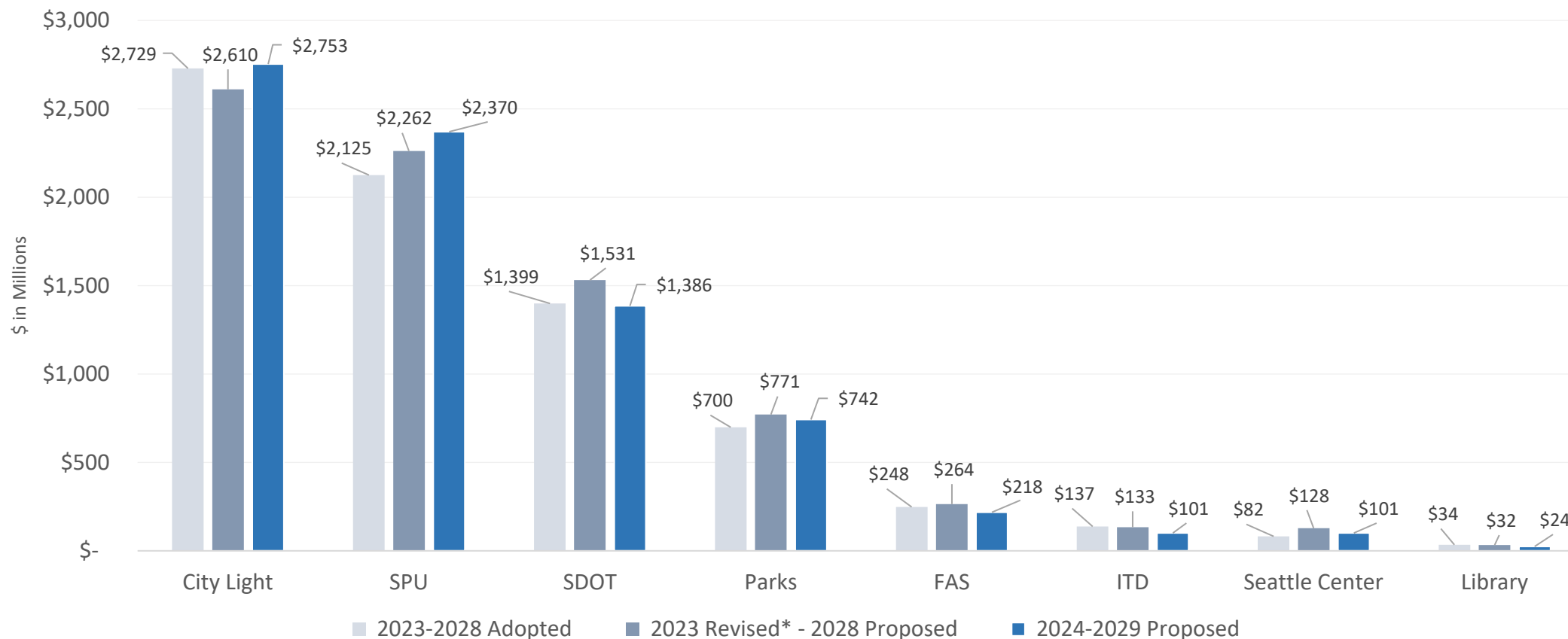
- 2024 Proposed CIP totals \$1.4B; represents an increase of \$153M (12%) over the Endorsed Budget
- \$277M overall increase between 2023-2028 Proposed* (\$7.7B) and 2023-2028 Adopted CIP (\$7.4B) after adjusting for 2023 changes



* 2023 Revised CIP budget accounts for the 2023 supplemental budget changes and excludes the 2022 Carry Forward to achieve a more direct comparison between the 2023-2028 Adopted CIP and Proposed Adjustments over the same six-year period.

CIP Adjustments Highlights by Department

6-Year CIP Summary Chart



* 2023 Revised CIP budget accounts for the 2023 supplemental budget changes and excludes the 2022 Carry Forward to achieve a more direct comparison between the 2023-2028 Adopted CIP and Proposed Adjustments over the same six-year period.

Real Estate Excise Tax (REET)

- REET is a significant source of funding for CIP and related Debt Service: approximately two-thirds of REET fund Parks and Transportation CIP projects.
- Compared to the 2023-2024 Adopted Budget, REET revenue projections are lower by \$17.4M and \$32.1M respectively.

RES 32075 policy limits governing use of REET for debt service.

\$ in 000s	2023	2024	2025	2026	2027	2028*	2029*	Average
REET Revenue Forecast	\$50,677	\$53,925	\$65,203	\$81,008	\$92,240	\$99,283	\$99,283	\$81,824
Debt Service	\$20,942	\$20,427	\$21,524	\$21,298	\$22,180			\$21,357
Percentage	41%	38%	33%	26%	24%			30%

**CS is working with CBO on obtaining the 2028-2029 debt service payment amounts, which are expected to be at, or below 30 percent average ratio in order to meet the maximum requirements set by the REET fiscal policy.*

Questions?