



Mayor Mike McGinn's 2012 Proposed Budget

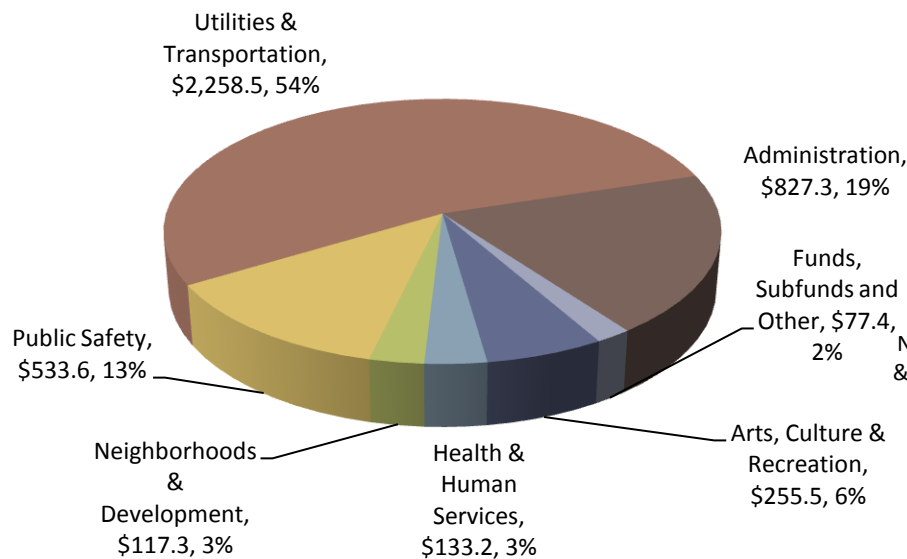
Presented to the Seattle City Council
City Budget Office – September 28, 2011

The Big Picture

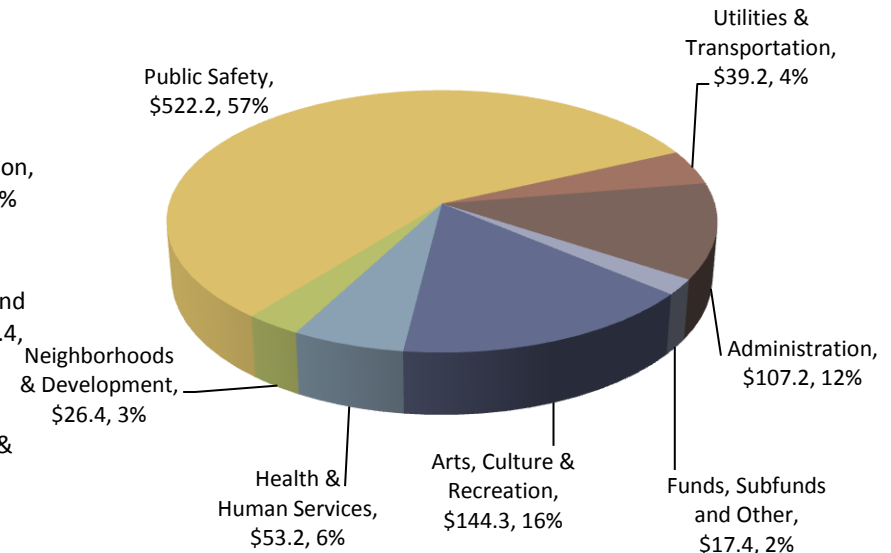


2012 Proposed Budget totals \$4.2 billion; \$910 million of which is in the General Fund
 General Fund is 1.3% (\$12 million) smaller than the 2012 Endorsed Budget

2012 Proposed Expenditures - All Funds, \$4.2 Billion
 (in millions of dollars)



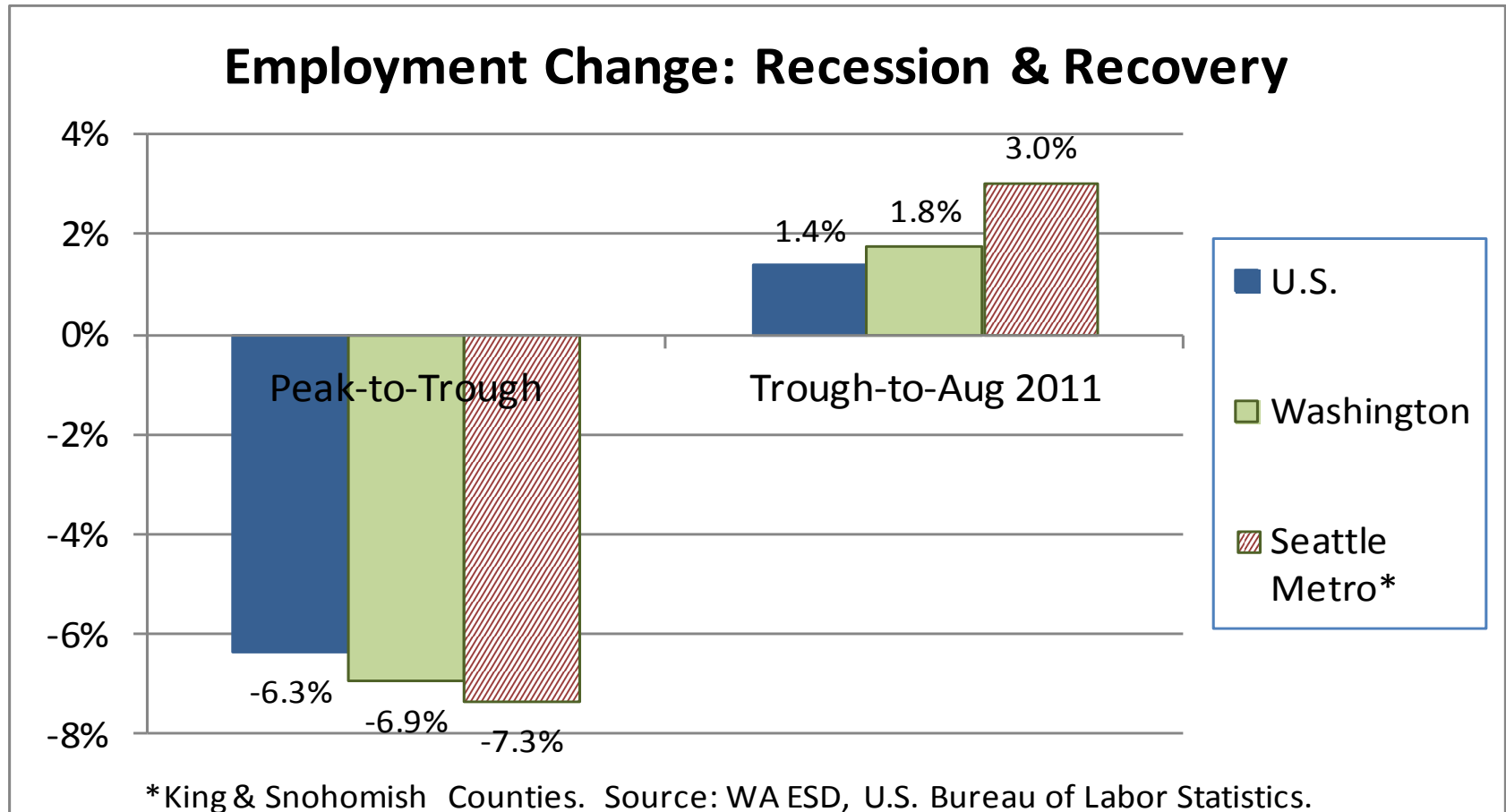
Proposed General Fund Expenditures - \$909.9 Million
 (in millions of dollars)



Regional Economy



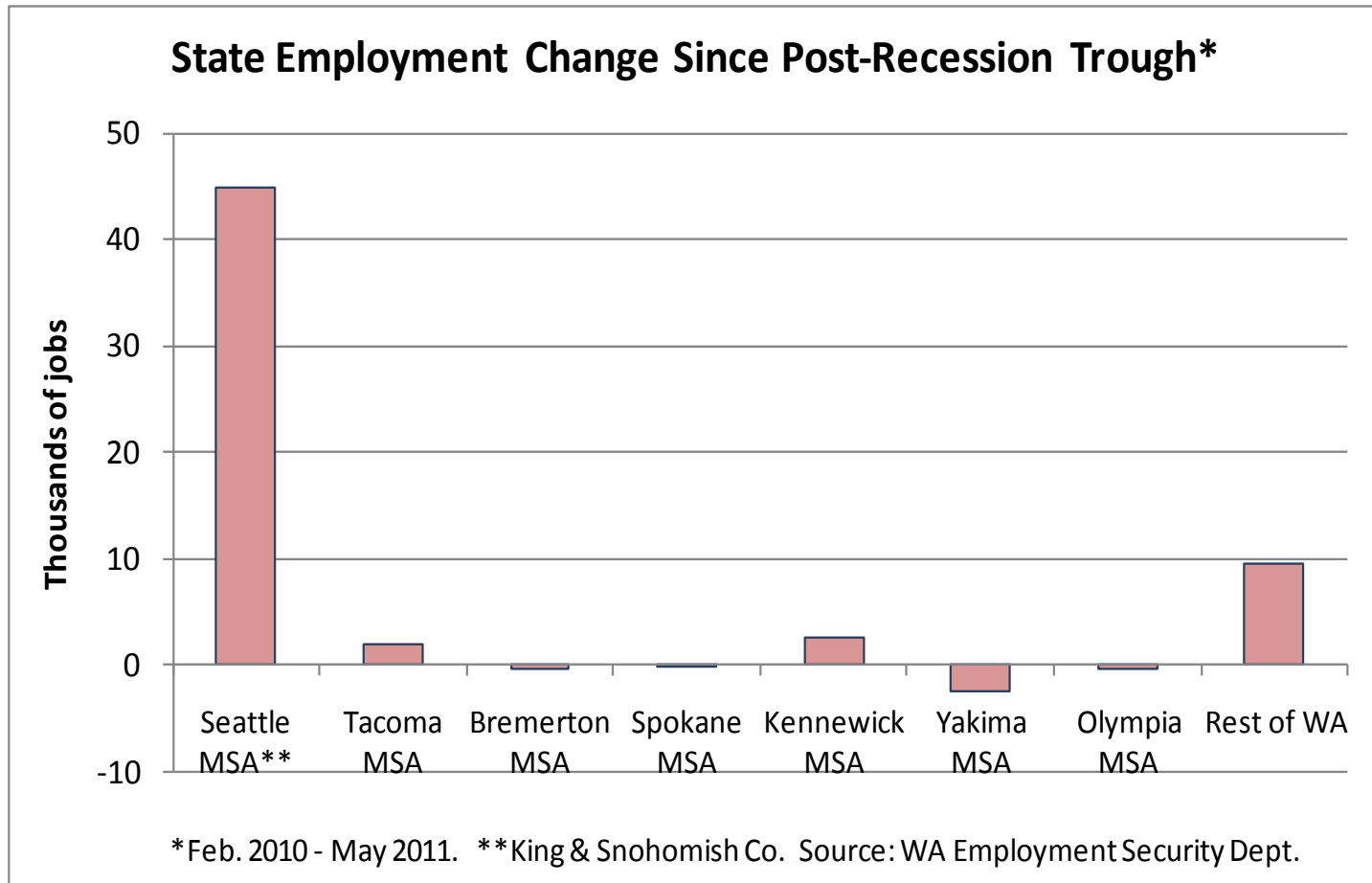
- ▶ Region is growing faster than the U.S. and Washington



Regional Economy



- ▶ Washington employment growth centered in Seattle MSA



Regional Economy



- ▶ Metro Area* lost 8.2% of jobs (approximately 121,800 jobs) during the recession, but has since gained back approximately 55,500 jobs

*King & Snohomish Counties

Seattle Metro Area Employment Change for Selected Industries: Increase from post-recession trough

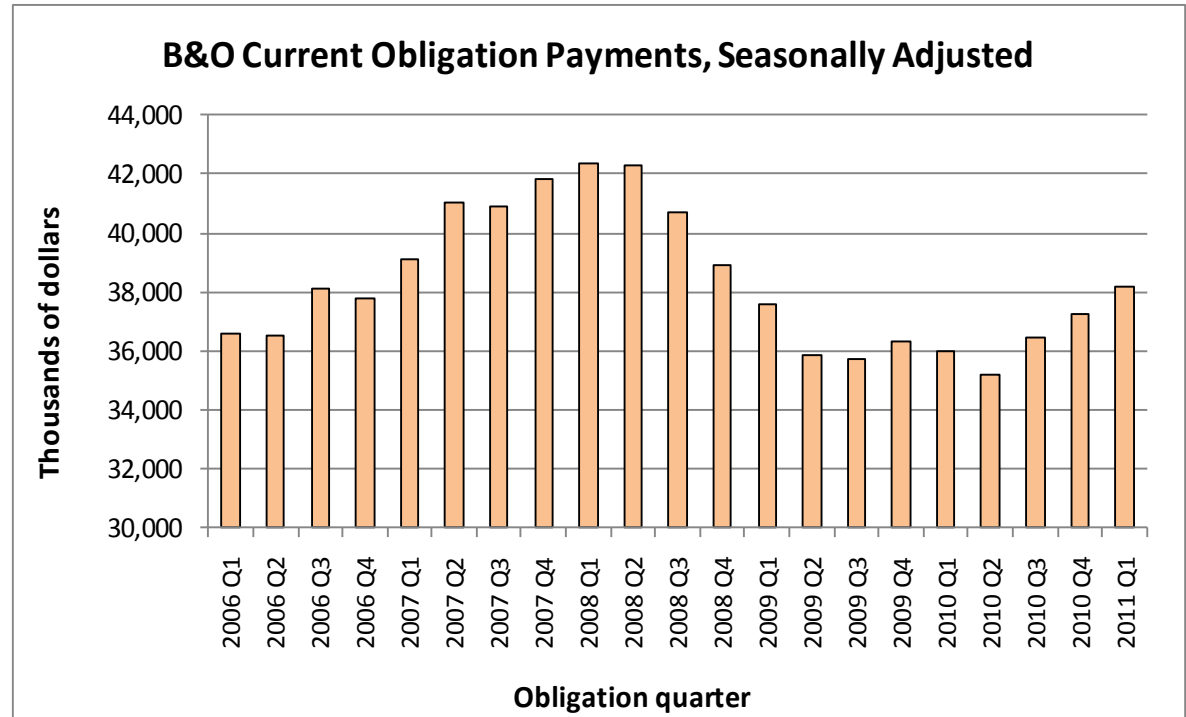
Aerospace	5,300
Retail trade	7,700
Software publishers	2,500
Professional, scientific, technical services	17,300
Health services	6,300
Food services & drinking places	4,200
Other	12,200
Total private sector	55,500

Data are seasonally adjusted. Source: WA ESD.

B&O Tax: Change Since April



- ▶ B&O tax base has grown faster than was forecast in April



Year-over-year growth rate of B&O tax base:

	<u>April forecast</u>	<u>Actual</u>	<u>Difference</u>
2010 Q4	1.3%	2.7%	1.4%
2011 Q1	3.0%	6.2%	3.2%

Sales Tax: Change Since April



- ▶ Revenue is \$3.2 mil. over forecast for Jan - May
- ▶ \$2.6 mil. is from WA tax amnesty
- ▶ \$600,000 due to growth above forecast



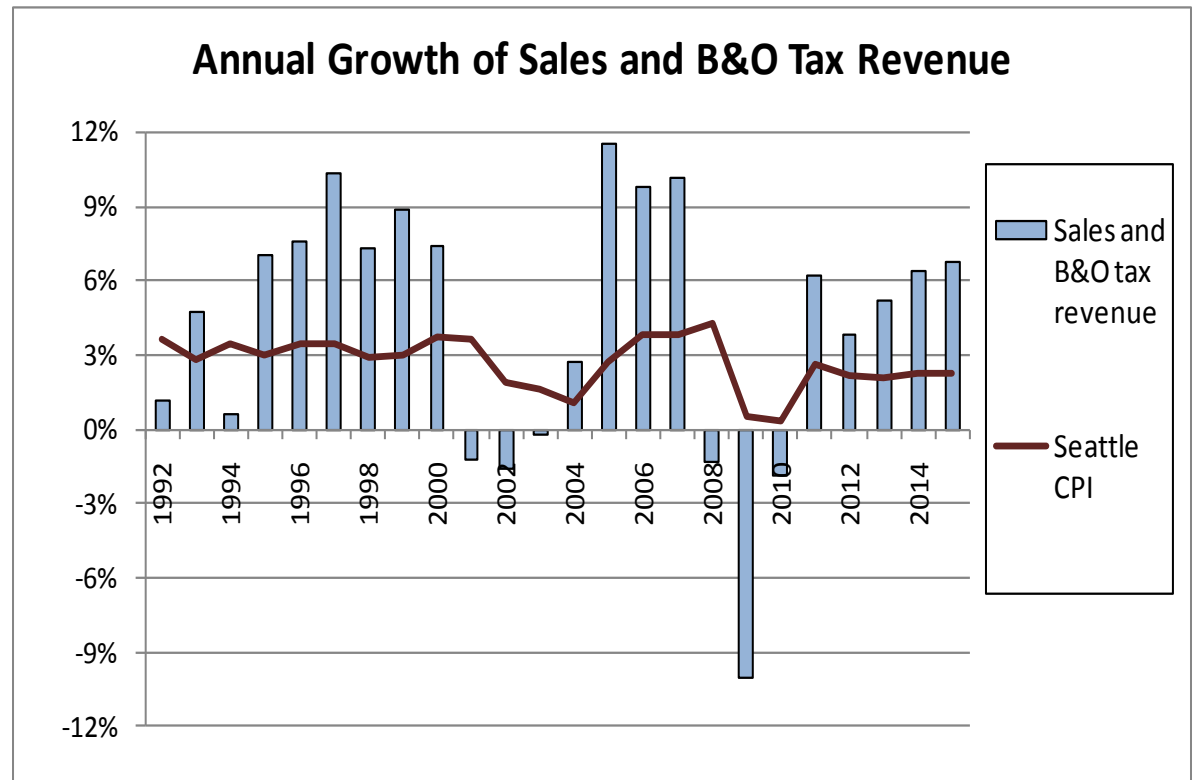
- ▶ Amnesty also added approx. \$250,000 to criminal justice sales tax revenue
- ▶ Construction has been relatively flat since mid-2010

Sales and B&O Tax: Forecast



▶ Real* growth during expansion periods:

- 1995-00 4.8%
- 2005-07 7.0%
- 2011-15 3.3%



* Growth above the rate of inflation

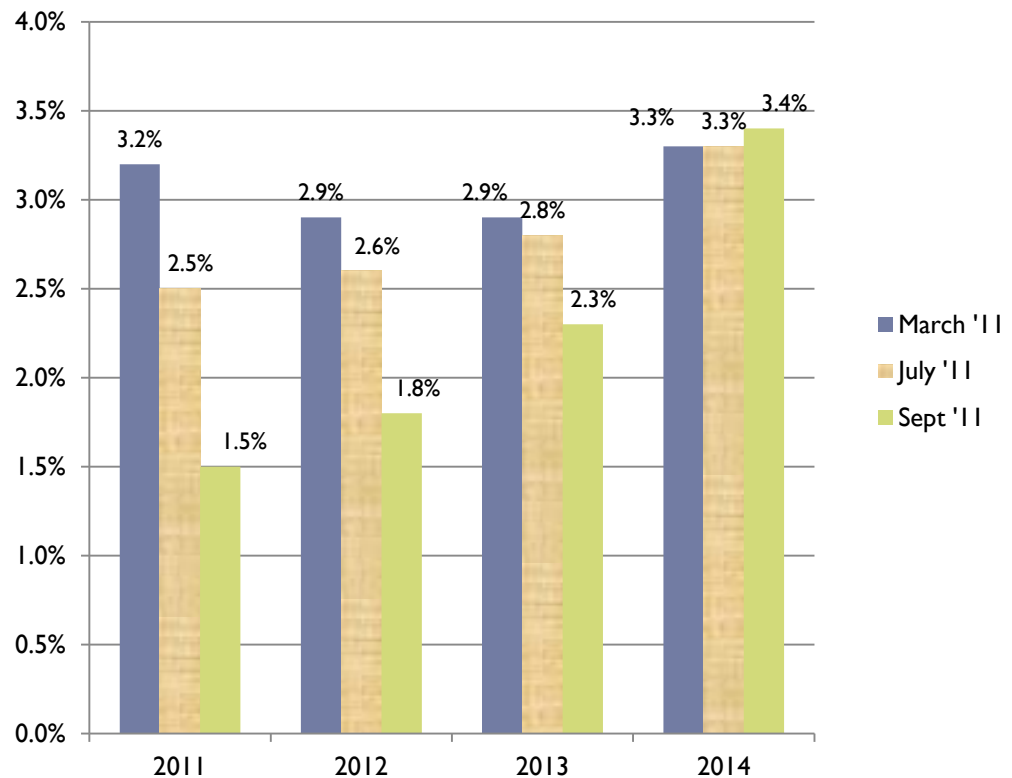
U.S. Economy: Change Since March



▶ Causes of recent slowdown:

- Commodity price increases
- Japan earthquake
- More European debt troubles
- U.S. debt limit debate
- Concerns over global demand

U.S. GDP Growth Forecasts



Source: Global Insight

August Forecast & the 2012 Proposed Budget

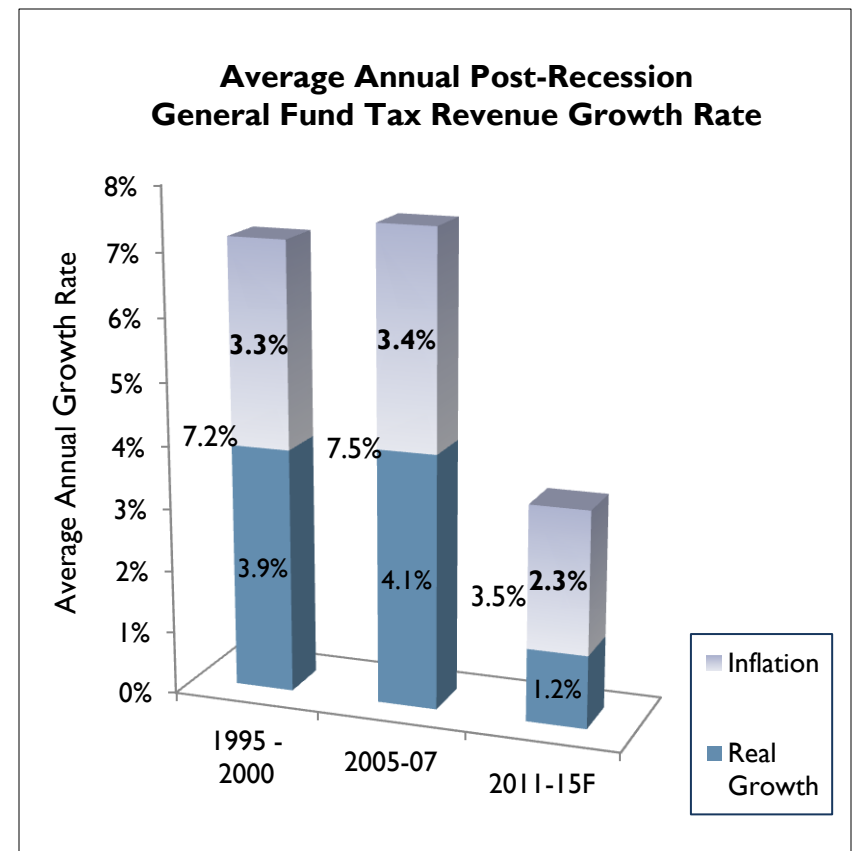


- ▶ Slowing national and regional growth forecasts between March and July were countered by a local economy that generated greater than expected actual 2011 revenues
- ▶ Overall effect for balancing was modestly reduced revenues for the proposed budget relative to April
- ▶ National and regional forecasts and data subsequent to July, indicate further slowing and likely downward revisions in 2012 revenues
 - ▶ Question: How will the relative strength of the local economy withstand these new pressure? Data through September will help inform this assessment.
- ▶ Probability of descending into a double-dip recession has increased

New Economic Reality



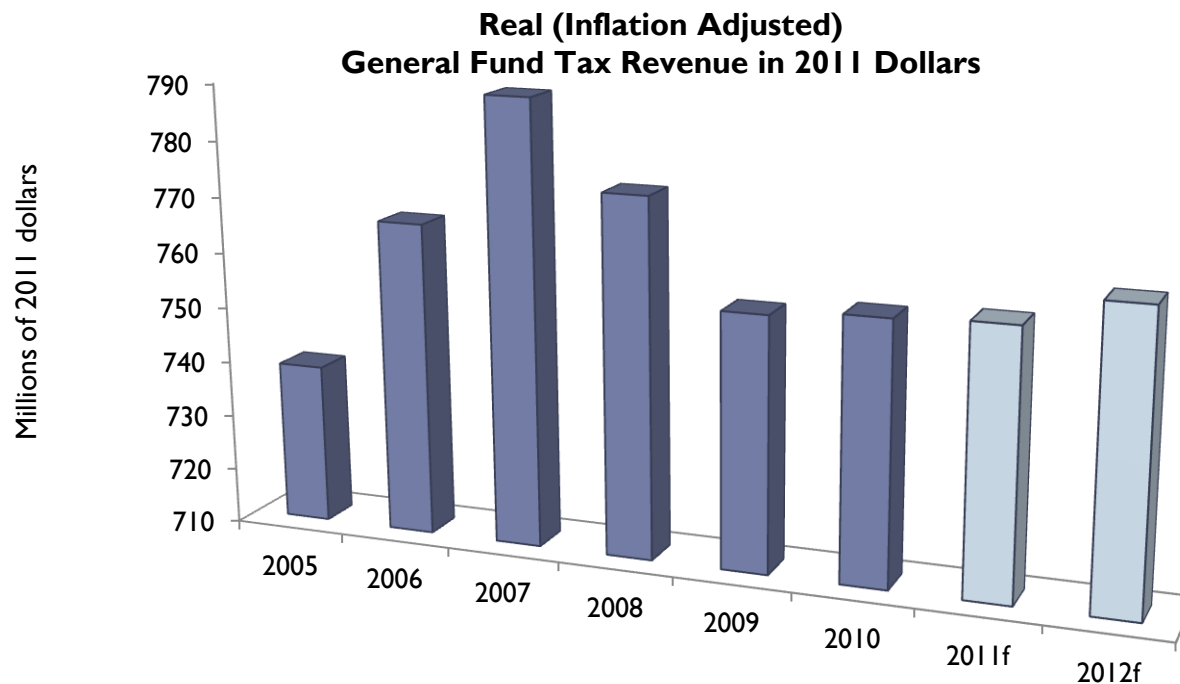
- ▶ General fund revenues growing at a subdued rate
 - ▶ Rate not sufficient to sustain existing services and respond to emergent needs
- ▶ 2012 is the fourth consecutive year of General Fund budget reductions
 - ▶ And, challenges are expected to persist into 2013 and 2014 as economic weakness continues



New Economic Reality



- ▶ 2012 forecasted tax revenues are below the 2006 level and \$27 million below the 2007 peak





The Challenge

- ▶ **The gap between revenues and expenditures in 2012 is \$25 million**
 - ▶ Approximately \$7 million mitigated by better-than-anticipated 2011 fund balance
 - ▶ Results in a 2012 shortfall of \$18 million

- ▶ **Deficit drivers**
 - ▶ Reduced parking meter revenue
 - ▶ Reduced federal and state funding levels
 - ▶ Cost drivers, such as higher-than-anticipated inflation, retirement costs, and other cost drivers

- ▶ **Projected 2013 and 2014 shortfalls are \$32.8 million and \$39.2 million respectively**



Labor Impacts

- ▶ **2012 Proposed Budget eliminates 155 FTE**
 - ▶ 96 are filled FTE
 - ▶ 82.4 FTE laid off and 13.4 FTE with reduced hours
 - ▶ 66% of the filled FTEs (66.5 FTE) are represented; lower percent than the represented share of the City workforce 76%
 - ▶ Layoffs effective January 3, 2012

- ▶ **Budget adds 43 FTE, for a net total reduction of 112 FTE**
 - ▶ 58% (24.8 FTE) of the added FTEs are in represented job classes

- ▶ **Of the net positions eliminated, 19 FTE, or 17%, are senior-level positions**
 - ▶ Considering senior level positions make up only 8.9% of the City workforce, a disproportionate number of the eliminated positions are from the senior-level ranks
 - ▶ Since 2010, the number of senior level positions has shrunk by 110 FTE, reflecting an emphasis on expanding spans of control

Transforming How We Do Business



- ▶ Making incremental cuts on the margins risks degrading service quality
- ▶ Instead, the 2012 budget reflects a concerted effort to **reform, reorganize and reinvent** how the City does business to preserve direct services
 - ▶ Forges new partnerships
 - ▶ Consolidates functions
 - ▶ Uses outcome data to strategically guide allocation of resources
 - ▶ Proactively manages labor costs
 - ▶ Invests strategically to support City's priorities and to promote the City's long-term financial health
 - ▶ Strengthens long-term financial management practices and lays the foundation for addressing future challenges

Meeting Seattle's Priorities



- ▶ This is by no means an “all cuts budget”
 - ▶ Maintains commitments to public safety
 - ▶ Library will continue 2011 hours of operations; collections budget maintained at the 2012 endorsed levels
 - ▶ Lifeguards will remain on beaches and all swimming pools will remain open; maintains 2011 operating hours for wading pools
 - ▶ Funding for Human Services contracts remains at 2011 levels, including money to backfill the loss of CDBG funding for homeless shelters
 - ▶ Preserves investments in youth and job training programs
 - ▶ Makes modest increases in community grants and low-income housing assistance
 - ▶ Allocates money to help provide more long-term financial stability for the General Fund

Forging Partnerships: New Jail Contract



- ▶ **New long-term jail contract with King County will save the City \$5.3 million in 2012**
 - ▶ Lower booking fees
 - ▶ Avoiding transportation costs

- ▶ **Over the long term, the City can avoid building a new jail until at least 2030**
 - ▶ It could cost the City \$200 million to site and build its own jail
 - ▶ Under the new contract, the City's costs for jail expansion, if needed, would be about \$6 million in today's costs

- ▶ **Lower than anticipated jail population will save the City an additional \$700,000**

Consolidating Functions to Preserve Direct Services



- ▶ Builds on Mayor McGinn's success with the creation of the Department of Finance & Administrative Services (FAS)
 - ▶ Efficiencies have allowed FAS to reduce its workforce by 11%, or 61 positions, including 17 in the 2012 Proposed Budget, for a 2012 savings of \$1.6 million
- ▶ Grant Consolidation
 - ▶ Consolidating grant administration in the Department of Neighborhoods will allow the City to increase the amount dedicated to grants and decrease administrative costs

	<u>2011</u>	<u>2012</u>
Grant Awards	\$6.2 million	\$6.4 million
Overhead Costs	\$1.5 million	\$1.1 million
Overhead Rate	23.5%	17.8%

Consolidating Functions to Preserve Direct Services



- ▶ **Department of Housing & Economic Development**
 - ▶ Aligns two elements critical to growing healthy & vibrant communities – access to affordable housing and job creation
 - ▶ Capitalizes on similarities between the two functions. The seed funding and financing tools provided by these functions improve the well-being of individuals and support the building blocks of a thriving community. Both receive CDBG funding.
 - ▶ Provides managerial and administrative savings
 - ▶ Saves \$338,000; \$210,00 of which is invested into low-income rental assistance programs, helping offset reductions in CDBG dollars

Consolidating Functions to Preserve Direct Services



- ▶ **Merging administrative offices of the Civil Service Commission and the Public Safety Civil Service Commission**
 - ▶ The City currently supports two administrative offices with two Executive Directors
 - ▶ By consolidating the administrative functions into one shared unit, the City can save more than \$50,000

Measuring for Results: Community Center Staffing Model



- ▶ Utilization data informs how community centers will operate in 2012
 - ▶ Heavily utilized centers will see increased hours in 2012; while centers with lower utilization rates will see reduced hours
 - ▶ By targeting hours to more heavily utilized centers, **the City will provide access to as many – if not more – people in 2012 as 2011**
 - ▶ New model will save the General Fund \$1.2 million

Geo Team 1	Geo Team 2
Bitter Lake (1) Loyal Heights (1) Green Lake (2a) Ballard (2b) Magnolia (2b)	Meadowbrook (1) Northgate (2a) Rav-Eck (2a) Laurelhurst (2b) Magnuson (2b)
Geo Team 3	Geo Team 4
Garfield (1) Montlake (2a) Queen Anne (2a) Yesler (2a) Miller (2b)	High Point (1) Delridge (2a) Hiawatha (2a) South Park (2a) Alki (2b)
Geo Team 5	Organizational Change
Jefferson (1) Rainer (1) IDCC (2b) Van Asselt (2b) Rainer Beach (due to come online in 2013)	Southwest (Teen Center Only)

Measuring for Results: Seattle Police Department



- ▶ Even with lower staffing levels, Seattle Police Department is **exceeding** Neighborhood Policing Plan objectives

	NPP Goal	Actual Results Through June	As Compared to the NPP Goal
Priority 1 Call Response Time	7 minutes or less	6.3 minutes	Exceeding Goal
Average Proactive Time Available	30% of On-Duty Time	34% of On-Duty Time	Exceeding Goal
Increased Number of Backup Vehicles	10 Units Citywide	10 Units Citywide	Meeting Goal

- ▶ Allows the City to save \$2.4 million in 2012 by continuing to hold 26 positions vacant
- ▶ Maintenance hiring will resume in 2012 to support a sworn police force of 1,301, with a near record 545 sworn officers dedicated to patrol functions
 - ▶ Will continue to closely monitor performance data and the department will adjust staffing allocations as needed

Measuring for Results: On-Street Paid Parking



- ▶ **2011 Performance-Based Parking Pricing Study informs 2012 adjustments to the paid on-street parking program**
 - ▶ In neighborhoods where parking rates increased, City achieved its objective of creating 1 - 2 open spaces per block face

- ▶ **For 2012, the Budget recommends the following changes**
 - ▶ Geographic boundary adjustments
 - ▶ Rate changes
 - ▶ Time limit changes; including three-hour time limits after 5 p.m.
 - ▶ Pay-by-cellphone program

- ▶ **Collective adjustments, including the loss of spaces as a result of the Alaskan Way Viaduct construction, result in a *\$7.5 million revenue decrease* from the Endorsed Budget**

Measuring for Results: Expanded Use of Outcome Measures



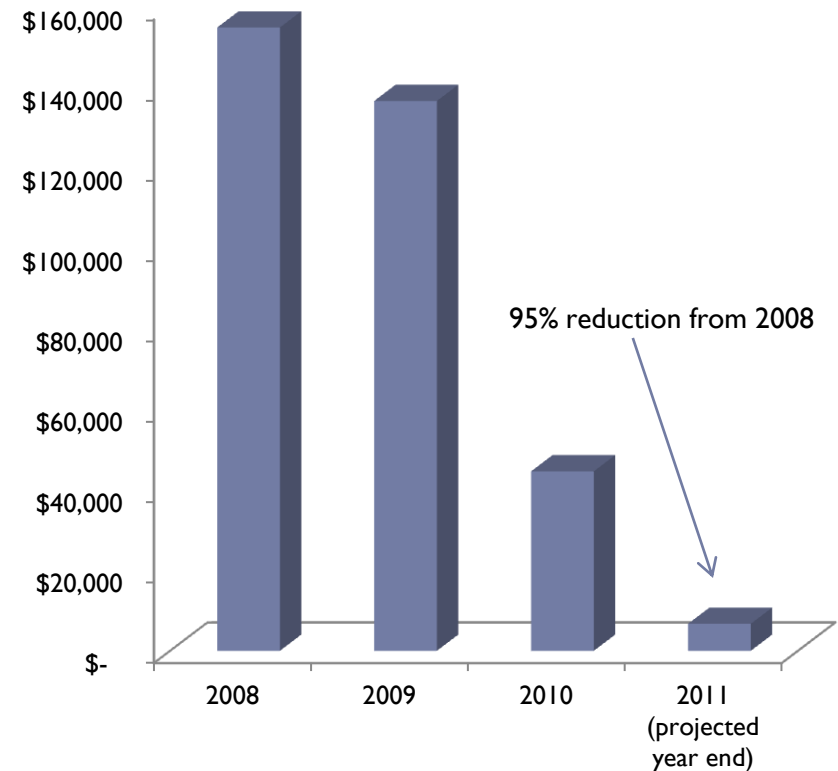
- ▶ The City Budget Office will lead an effort, working with HSD, DON, and OFE, to develop an outcome-based tool to assess the effectiveness of investments
 - ▶ City spends more than \$85 million a year on 130 programs to support youth and families
 - ▶ Can tell you how many people are served, but *not* whether the investments achieve the intended outcomes
- ▶ Evaluate a small segment of youth and family investments that promote higher third grade reading achievement at Northgate Elementary School
- ▶ Once established, will form the basis of a broader outcome-based budgeting approach for other City investments

Proactively Managing Labor Costs



- ▶ 2010 agreement with the Coalition of City Labor Unions to eliminate the COLA floors has saved the City \$12.2 million over two years
- ▶ Healthcare costs are \$6.2 million lower than what was assumed in the 2012 Endorsed Budget
 - ▶ Healthcare Management IDT identified additional changes to save the City between \$1 million and \$4 million starting in 2013. Labor has agreed to these changes.
- ▶ Overtime savings in SDOT & SPU

SDOT Lane Line and Crosswalk Overtime





Investing in the Future

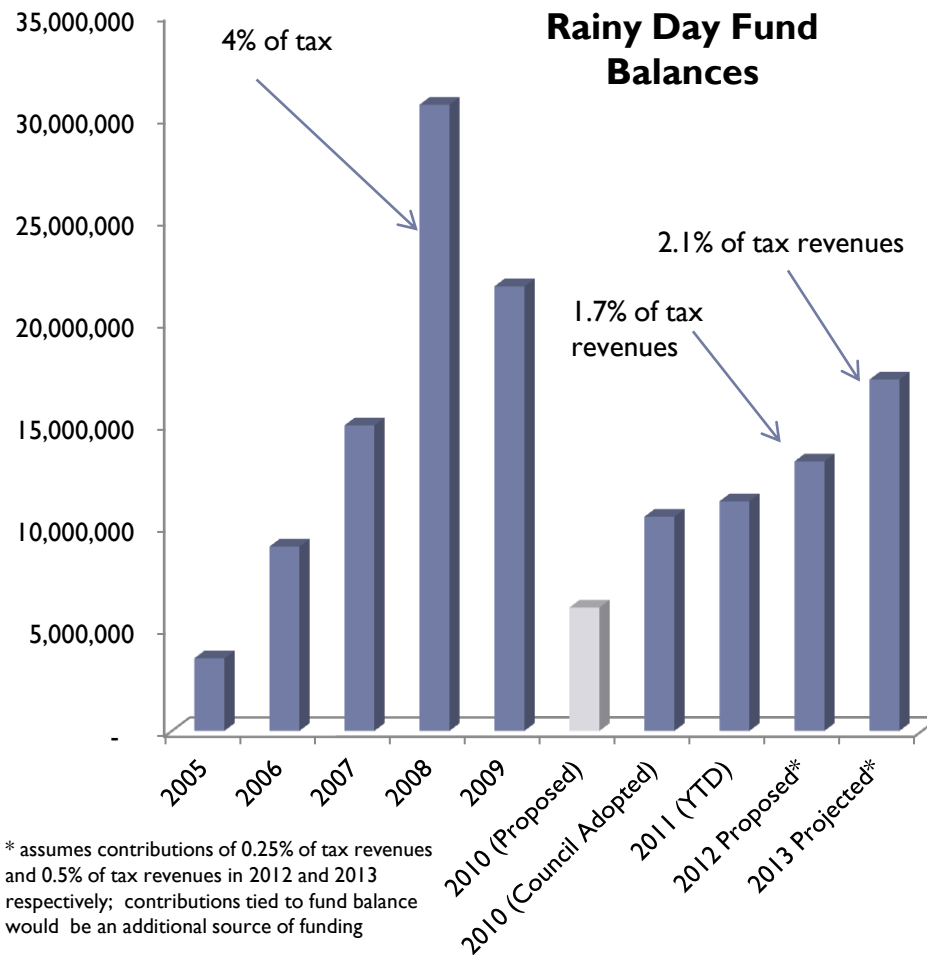
- ▶ **Fixes Deteriorating Community Assets**
 - ▶ \$1.9 million insurance settlement for roof replacements for 6 City-owned community buildings
 - ▶ \$9.8 million of Parks Levy inflation savings for 17 Parks asset preservation projects
 - ▶ Magnuson Park's Building 30 renovation
 - ▶ Rubble Yard proceeds to meet street maintenance needs

- ▶ **Allocating resources to DPD to promote job-creating green building development**
- ▶ **Investing Volunteer Park Conservatory fund balance to explore a more self-sustaining operating model for the Conservatory**
- ▶ **Funding to study high-capacity rail**

Strengthening the City's Financial Management Practices



- ▶ Budget assumes Council adopts Mayor's proposed Rainy Day Fund enhancements
 - ▶ Builds in fiscal discipline to help protect the City from future revenue disruptions
 - ▶ 2012 contribution – \$1.95 million, bringing the Fund up to \$13.2 million
 - ▶ By 2013 the Fund would be valued at \$17.2 million
- ▶ Retirement system is supported to the full actuarially recommended level





Non-General Fund Budgets

- ▶ In contrast to 2011, many of the City's non-General Fund dependent budgets have stabilized for 2012
 - ▶ Department of Planning and Development
 - ▶ Seattle City Light
 - ▶ Seattle Public Utilities

- ▶ Seattle Department of Transportation (SDOT) is the exception
 - ▶ Gas tax, street use, and reimbursable revenues remain weak
 - ▶ 2012 Proposed Budget closes a \$10 million budget gap

CIP Overview



- ▶ **2012-2017 CIP totals \$4.3 billion**
 - ▶ 61% utility projects
 - ▶ 31% transportation projects
 - ▶ 8% general government projects

- ▶ **Funding for asset preservation remains scarce**
 - ▶ REET revenue unlikely to rebound to historic highs
 - ▶ Investing one-time resources into asset preservation where feasible

- ▶ **Funding for strategic investments will be needed; voters will need to weigh in**
 - ▶ Seawall replacement funding
 - ▶ Investments in City’s modal transportation plans
 - ▶ Asset preservation and major facility replacement during the 6-year planning horizon

Department (Spending in \$ millions)	2012 Proposed	2012-17 Total
Finance and Administrative Services	30.1	123.0
Information Technology	7.9	60.4
Parks and Recreation	51.7	130.0
Seattle Center	3.2	40.2
Seattle Public Library	1.6	9.66
Seattle Transportation	189.0	1,339.4
Subtotal	283.5	1,702.6
City-owned Utilities		
Seattle City Light	260.7	1,514.5
SPU - Drainage & Wastewater	89.0	541.0
SPU - Solid Waste	16.8	148.3
SPU - Technology Projects	11.8	92.5
SPU – Water	50.1	339.6
Subtotal	428.5	2,635.9
City Total	711.9	4,338.6

Looking Ahead: Economy Remains Fragile



- ▶ As is typical, Proposed Budget relies on the August revenue forecast, which is based on data through July

- ▶ In August & September, increased signs that the economy is weaker than national economists previously anticipated
 - ▶ Great Recession deeper than previously thought; recovery weaker
 - ▶ Debt ceiling debate and U.S. sovereign debt downgrade undermined consumer confidence
 - ▶ Concern over Europe increased
 - ▶ Stock market tumbled; erasing the gains achieved in the 1st half of 2011
 - ▶ National forecasts released in August & September gloomier than in July

- ▶ As a result, the City revenue team anticipates a modest erosion of General Fund revenues when the forecast is updated in November
 - ▶ Budget sets aside a reserve in preparation for potential revenue weakness
 - ▶ Erosion in revenues will likely also increase the size of the 2013 and 2014 deficits
 - ▶ City must take a long-term view in evaluating near-term budget decisions

Questions

