

Finance General

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Finance General

Finance General Overview

The purpose of Finance General is to allocate General Subfund resources in the form of appropriations to reserve and bond redemption funds, City department operating funds, and certain programs for which there is desire for Council, Mayor, or City Budget Office oversight.

Budget Overview

Finance General is organized to pay for ongoing City costs, subsidize the operations of City departments, and provide contributions to outside organizations. It is also an area to hold appropriations temporarily until the appropriate managing department is determined, or act as a contingency reserve to respond to unpredictable situations, or cover costs that vary with economic conditions.

The 2013-2014 Proposed Budget modifies existing programs to reflect different funding approaches, adds new programs to support outside organizations, and adjust recurring appropriations with updated cost information.

Strengthening Financial Sustainability and Financial Reporting Capabilities

The 2013-2014 Proposed Budget allocates funds needed to ensure financial sustainability. This is critical to maintaining the City's bond rating and low cost of borrowing, in addition to positioning the City to be able to respond to unanticipated changes in economic conditions or address other emerging issues that may arise in coming years. In particular, General Funds are provided to bridge a funding gap for the City-owned Pacific Place Parking Garage. Additionally, staff will work with community partners to identify a long-term financially sustainable approach to the operations of Langston Hughes Community Arts Center. Funding is transferred from Finance General to the Garage Fund and to the Office of Arts and Cultural Affairs, respectively, for these purposes.

Funds are provided to continue to support administrative costs and financial reporting requirements of the Seattle Indian Service Commission and also for preliminary work on the planned redevelopment the City's central budget systems.

Investments in Public Safety, Business Districts and Neighborhood Revitalization Efforts

The 2013-2014 Proposed Budget establishes a reserve to fund actions necessary to comply with the Department of Justice settlement agreement with the City of Seattle. This reserve will allow the City to quickly make available spending authority to implement an action agenda once a monitor and Police Commission are in place.

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Funds are also set aside to support investments in business districts as well as the revitalization of the Yesler Terrace neighborhood. Funding also is included to continue work on the proposed SODO arena project, which will involve continued partnership with a variety of stakeholders. These costs would be reimbursed by the developer.

Through strategic investments these areas and others identified in other departments, the 2013-2014 Proposed Budget targets key priorities with limited resources available.

Addressing Equal Federal Tax Treatment for City Employees

A reserve of \$185,000 has been set up to address inequities in federal tax policies for same-sex married couples that work for the City of Seattle. While the City does not have the ability to directly alter federal tax law, the City continues to promote equality and strives for just and equal treatment of all people, both in the provision of public services as well as through City employment practices.

Energy Sustainability Initiatives

Additional changes are reflected in the Finance General budget pertaining to energy initiatives, including a reduction of costs for the provision of streetlights driven by a recent switch to more energy efficient lighting. Funding is also proposed to support enhancing energy capacity in First Hill by partnering on a private district energy project.

Details on the above projects can be found below in the incremental change descriptions as well as in the relevant department sections.

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Incremental Budget Changes

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	2013		2014	
	Budget	FTE	Budget	FTE
Total 2012 Adopted Budget	\$ 380,741,122	0.00	\$ 380,741,122	0.00
Baseline Changes				
Citywide Adjustments for Standard Cost Changes	-\$ 5,861,951	0.00	-\$ 1,140,387	0.00
Proposed Policy Changes				
Budget System Planning	\$ 200,000	0.00	\$ 200,000	0.00
Department of Justice Public Safety Reserve	\$ 4,587,500	0.00	\$ 4,591,200	0.00
District Energy Feasibility Study	\$ 175,000	0.00	\$ 0	0.00
Efficiency Improvements for Streetlights	-\$ 462,813	0.00	-\$ 1,942,601	0.00
Fire Station 39 Housing Reserve	\$ 0	0.00	\$ 950,000	0.00
Langston Hughes Performing Arts Center	\$ 270,000	0.00	\$ 275,000	0.00
Neighborhood Business District Capital Projects	\$ 500,000	0.00	\$ 500,000	0.00
Pacific Place Garage Support	\$ 2,813,058	0.00	\$ 2,031,760	0.00
Same-Sex Marriage Inequitable Tax Treatment Reserve	\$ 185,000	0.00	\$ 185,000	0.00
Seattle Indian Service Commission	\$ 50,000	0.00	\$ 0	0.00
Seattle Arena Proposal Work	\$ 1,000,000	0.00	\$ 0	0.00
Yesler Terrace Project Support	\$ 150,000	0.00	\$ 0	0.00
Proposed Technical Changes				
Final Citywide Adjustments for Standard Cost Changes	\$ 3,459,006	0.00	\$ 16,536,663	0.00
Total Incremental Changes	\$ 7,064,800	0.00	\$ 22,186,635	0.00
2013 - 2014 Proposed Budget	\$ 387,805,922	0.00	\$ 402,927,756	0.00

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Description of Incremental Budget Changes

Baseline Changes

Citywide Adjustments for Standard Cost Changes - (\$5,861,951)

Citywide technical adjustments made in the "Baseline Phase" include inflationary and program scope changes, movement of budgets to departments, and elimination of contingency resources. These adjustments reflect initial assumptions about these costs and inflators early in the budget process. One time funding included in the 2012 Adopted Budget is also removed for 2013 and 2014. Some notable changes include the removal of one-time 2012 funding of \$350,000 for 3rd Avenue capital improvements and \$8.1 million related to the Rubble Yard sale proceeds. Other one-time 2012 funding that is removed for 2013 and 2014 includes the License and Tax Portal Reserve of \$1.2 million, which is funded now through debt financing.

Proposed Policy Changes

Budget System Planning - \$200,000

\$200,000 has been reserved in 2013 and in 2014 to support the standardization of the City's budgeting systems in parallel with upgrades to the City's financial systems. This is necessary to ensure that department budget systems are consistent and comply with the City-wide financial system requirements. In addition, current systems are also near the end of their useful lives and require replacement.

Department of Justice Public Safety Reserve - \$4,587,500

In July 2012, the Department of Justice and the City of Seattle reached a comprehensive settlement agreement and memorandum of understanding (MOU) to ensure that police services are delivered in a manner that fully complies with the Constitution and laws of the United States. The structure of the Settlement Agreement and MOU and the timelines contained therein are such that City officials will not know precisely what resources are needed until a monitor and a Police Commission have been appointed. As such, the 2013-2014 Proposed Budget contains a \$4,400,000 reserve for implementing both the Settlement Agreement and the MOU. These funds will be appropriated out of the reserve once the monitor and Police Commission are in place and there is more clarity on the specific steps required to implement the Settlement Agreement and the MOU.

Additional details regarding the settlement agreement and MOU requirements may be found in the Seattle Police Department budget book section.

District Energy Feasibility Study - \$175,000

\$175,000 is appropriated in Finance General for possible reimbursement for a study on the feasibility of district energy expansion on First Hill. The study will analyze grade feasibility of the potential to serve the redeveloped Yesler Terrace and First Hill hospitals with a district energy system, as well as explore opportunities for service to other new development on First Hill. The City hopes the feasibility analysis will result in the development of a modern district energy system on First Hill that supports renewable and alternative fuels, provides economic benefit to Seattle through the use of local resources, and meets the energy needs of the key First Hill stakeholders - Harborview Hospital, Virginia Mason Hospital, Swedish Hospital, Seattle Housing Authority and Seattle Steam.

Efficiency Improvements for Streetlights - (\$462,813)

City Light began replacing residential streetlights with energy-efficient Light Emitting Diode (LED) streetlights in 2010, and will complete the conversion of the residential streetlight system in 2014. The new LED streetlights require less energy and on-going maintenance, and will reduce the City's streetlight bill by \$463,000 in 2013 and \$1.9 million in 2014.

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Fire Station 39 Housing Reserve

This item reserves \$950,000 in 2014 to support one-time capital costs associated with the development of the ground floor space of the former Fire Station 39 building, located in the Lake City neighborhood. This site is a City owned facility, but is being redeveloped as it is excess to the needs of the Seattle Fire Department. The building has recently been used as a temporary cold weather shelter, and in 2013, the City is involving community stakeholders in process to determine the future use of this building.

Langston Hughes Performing Arts Center - \$270,000

This action supports the transfer of staff and other costs associated with operating the Langston Hughes Performing Art Center (LHPAC) from the Department of Parks and Recreation (DPR) to the Office of Arts and Cultural Affairs (OACA). Funding for the program will come primarily from the Admission Tax. Other funding includes \$71,000 from LHPAC revenues for facility rentals, and \$270,000 from the General Fund (reflected here in Finance General). To capitalize on efficiencies, Parks will retain ownership of the facility and will continue to provide for its maintenance.

This transfer aligns with the mission of OACA and fits the purview of the Admission Tax, to fund "arts-related programs and one-time capital expenditures that keep artists living, working, and creatively challenged in Seattle." In 2011 and 2012, OACA provided funding for LHPAC via OACA's portion of the Admission Tax. By transferring the facility, OACA will be able to manage LHPAC and incorporate the LHPAC budget into the arts funding structure. OACA will also be working directly with LHPAC over the next two years to develop a long-term self-sustaining financial strategy for the center.

Neighborhood Business District Capital Projects - \$500,000

Under a new program proposed for 2013-2014, business districts with parking meters can apply for capital improvement grant funding through the Office of Economic Development (OED) "Only in Seattle" program to enhance their streetscapes and the pedestrian environment. Examples of eligible projects could include streetscape and parking improvements, directional signage, lighting, and drainage. Grant applications will be reviewed by an interdepartmental panel including OED, Seattle Department of Transportation, Department of Planning and Development, Parks and Recreation, and the Department of Neighborhoods. Grants will be evaluated based on the following criteria:

- project enhancement of the business district
- project need and potential impact
- engagement of business district stakeholders
- project prioritization in an existing neighborhood plan
- project completion of initial design and engineering work

Pacific Place Garage Support - \$2,813,058

Consistent with the City's commitment to conservative financial management practices, the 2013-2014 Proposed Budget allocates an average of \$2.4 million annually from the General Fund in order to cover the Pacific Place Garage Fund's annual operating shortfall. Absent this financial injection, the Garage Fund's financial position would decline without a clear path to financial stability. Please see the Parking Garage Operations Fund budget section for additional detail.

Same-Sex Marriage Inequitable Tax Treatment Reserve - \$185,000

Employees do not have to pay federal income taxes on City-sponsored health coverage for their opposite sex spouses. However, employees in same-sex marriages are required by the Internal Revenue Code (IRC) to pay income taxes on the City-paid portion of the partner's health coverage (so called "imputed income"). This inequitable tax on imputed income is a consequence of the federal Defense of Marriage Act (DOMA) effect on the IRC. The City wishes to mitigate this differential tax treatment and provide for greater equality in the benefits offered to all employees, consistent with its policy not to discriminate on the basis of sexual orientation. This reserve provides funding to rectify this inequality.

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Seattle Indian Service Commission - \$50,000

Additional \$50,000 is budgeted in 2013 to cover bookkeeping and accounting services and related emergency repairs associated with the Pearl Warren Building, which is owned by the Seattle Indian Services Commission, a City-chartered Public Development Authority.

Seattle Arena Proposal Work - \$1,000,000

Finance General includes \$1 million in funding in 2013 to support further development of transaction documents related to the SODO arena proposal. This proposal, transmitted by the Mayor to the City Council in May 2012, represents a partnership between the City, King County, and ArenaCo (a group of investors proposing to develop and operate the new arena). As part of the proposal, ArenaCo has agreed to reimburse the City and County for costs associated with development, financial and legal work on the project, and those revenues are captured in revenue estimates for the General Fund. This \$1 million represents an initial estimate of costs anticipated in 2013 related to this work. The City Council is currently considering the Mayor's arena proposal as this document goes to print.

Yesler Terrace Project Support - \$150,000

The redevelopment of Yesler Terrace is the one of the City's most significant community redevelopment/revitalization project in recent memory. This funding will leverage community partnerships for the redevelopment and revitalization of Yesler Terrace and the surrounding neighborhood through support of the Center for Community Leadership. The Seattle Foundation is creating this virtual Center to facilitate opportunities for cross-sector, multi-issue problem solving and engage and build local leadership in communities most impacted by poverty and racial disparities. The City will support the Center to convene key institutional stakeholders, philanthropic organizations, private entities, nonprofits, community development financial intermediaries and the community around a common vision and agenda for the neighborhood.

Proposed Technical Changes

Final Citywide Adjustments for Standard Cost Changes - \$3,459,006

Citywide technical adjustments made in the "Proposed Phase" reflect changes due to inflation, central cost allocations, retirement, health care, workers' compensation, and unemployment costs. These adjustments typically reflect updates to preliminary cost assumptions established in the "Baseline Phase."

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Expenditure Overview

Appropriations	Summit Code	2011 Actual	2012 Adopted	2013 Proposed	2014 Proposed
Appropriation to General Fund Subfunds and Special Funds Budget Control					
Cumulative Reserve Subfund - Revenue Stabilization Account		750,000	1,950,000	4,058,000	4,226,000
Emergency Subfund		0	385,000	0	889,000
Finance and Administrative Services Fund		19,682,762	21,332,015	21,542,807	22,803,990
Garage Fund Loan Repayment		0	0	2,813,058	2,031,760
General Bond Interest/Redemption Fund		11,116,422	13,091,563	13,694,500	16,772,663
Housing Operating Fund		0	39,472	0	0
Information Technology Fund		3,921,162	4,149,718	4,609,011	4,977,292
Insurance		3,797,977	4,961,250	5,172,338	5,430,955
Judgment/Claims Subfund		1,191,062	1,191,062	648,080	758,323
Arts Account - Admission Tax for Art Programs		4,176,143	4,967,327	4,668,229	4,714,449
Cumulative Reserve Subfund - Capital Projects Account		0	500,000	500,000	500,000
Total	2QA00	44,635,528	52,567,407	57,706,023	63,104,432
Reserves Budget Control					
3rd Ave Initiative Capital Improvements		0	350,000	0	0
Budget System Reserve		0	0	200,000	200,000
Department of Justice Settlement Agreement Public Safety Reserve		0	0	4,587,500	4,591,200
District Energy Feasibility Study		0	0	175,000	0
Fire Station 39 Housing Services		0	0	0	950,000
Food Policy Work Coordination		0	0	0	0
Get Engaged: City Boards and Commissions		31,334	31,961	32,696	33,416
License and Tax Portal Reserve		0	1,200,000	0	0
Neighborhood Business District Capital Projects		0	0	500,000	500,000
Paid Sick Leave Reserve		0	150,000	150,000	150,000
Recurring Reserve for Portable Art Rental and Maintenance		256,743	264,186	275,536	283,802
Recurring Reserve-Dues/Memberships		13,824	0	0	0
Recurring Reserve-Election Expense		788,654	700,000	950,000	700,000
Recurring Reserve-Fire Hydrants		6,605,794	7,000,089	7,531,213	8,142,525
Recurring Reserve-Industrial Insurance Pensions Payout		1,519,719	2,500,000	2,000,000	2,000,000

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Recurring Reserve-Office of Professional Accountability Auditor	132,073	145,800	153,090	160,745
Recurring Reserve-Pacific Science Center Lease Reserve	120,000	120,000	120,000	120,000
Recurring Reserve-Puget Sound Clean Air Agency	397,964	408,493	420,000	430,000
Recurring Reserve-Shooting Review Board Civilian	0	5,000	5,000	5,000
Recurring Reserve-State Examiner	724,111	746,971	750,000	768,750
Recurring Reserve-Street Lighting	11,779,761	12,250,273	12,363,223	11,486,259
Recurring Reserve-Transit Pass Subsidy	2,946,039	3,100,000	3,225,000	3,555,000
Recurring Reserve-Voter Registration	968,724	988,380	995,000	995,000
Retirement Benefit Study	124,000	0	0	0
Same-Sex Marriage Inequitable Tax Treatment Reserve	0	0	185,000	185,000
Seattle Arts and Culture Capital Award	286,109	0	0	0
Seattle Indian Services Commission	85,299	50,000	50,000	0
SODO Arena Proposal	0	0	1,000,000	0
Tax Refund Interest Reserve	539,918	497,000	500,000	500,000
Transportation Reserve from Rubble Yard Proceeds	0	8,100,000	0	0
University of Washington Reserve	0	500,000	500,000	500,000
Yesler Terrace Project Support	0	0	150,000	0
Total	2QD00	27,320,065	39,108,153	36,818,259
Support to Community Development Budget Control				
Sound Transit Local Contribution - Sales Tax Offset	749,447	0	0	0
Wing Luke Asian Museum	28,921	0	0	0
Total	2QF00	778,368	0	0
Support to Operating Funds Budget Control				
Drainage and Wastewater Fund	1,098,502	1,205,361	1,139,072	1,166,569
Firefighters Pension Fund	17,758,533	18,874,972	18,272,657	18,060,245
Housing Operating Fund-Supp to Op Fund	504,875	0	0	0
Human Services Operating Fund	52,311,143	54,352,239	57,469,360	59,532,757
Library Fund	46,857,207	49,324,620	48,044,387	50,131,066
Low Income Housing Fund	0	46,462	0	0
Neighborhood Matching Subfund	2,851,396	2,779,022	2,991,284	3,066,138
Parks and Recreation Fund	78,129,409	81,463,580	85,480,087	90,966,676
Planning and Development Fund	8,880,445	9,195,693	9,248,550	9,546,756
Police Relief and Pension Fund	22,251,490	21,312,128	18,987,071	18,557,893
Seattle Center Fund	12,919,814	12,875,760	12,980,658	13,466,114

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Solid Waste Fund		40,293	0	0	0
Transportation Fund		38,624,237	37,635,726	38,668,515	39,072,415
Water Fund		41,514	0	0	0
Total	2QE00	282,268,858	289,065,562	293,281,640	303,566,628
Department Total		355,002,819	380,741,122	387,805,922	402,927,756
Department Full-time Equivalents Total*		0.00	0.00	0.00	0.00

* FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Personnel Director actions outside of the budget process may not be detailed here.

Appropriations By Budget Control Level (BCL) and Program

<u>Appropriation to General Fund Subfunds and Special Funds Budget Control Level</u>				
The purpose of the Appropriation to General Fund Subfunds and Special Funds Budget Control Level is to appropriate General Subfund resources, several of which are based upon the performance of certain City revenues, to bond redemption or special purpose funds. These appropriations are implemented as operating transfers to the funds, subfunds, or accounts they support.				
Program Expenditures	2011 Actual	2012 Adopted	2013 Proposed	2014 Proposed
Arts Account - Admission Tax for Art Programs	4,176,143	4,967,327	4,668,229	4,714,449
Cumulative Reserve Subfund - Capital Projects Account	0	500,000	500,000	500,000
Cumulative Reserve Subfund - Revenue Stabilization Account	750,000	1,950,000	4,058,000	4,226,000
Emergency Subfund	0	385,000	0	889,000
Finance and Administrative Services Fund	19,682,762	21,332,015	21,542,807	22,803,990
Garage Fund Loan Repayment	0	0	2,813,058	2,031,760
General Bond Interest/Redemption Fund	11,116,422	13,091,563	13,694,500	16,772,663
Housing Operating Fund	0	39,472	0	0
Information Technology Fund	3,921,162	4,149,718	4,609,011	4,977,292
Insurance	3,797,977	4,961,250	5,172,338	5,430,955
Judgment/Claims Subfund	1,191,062	1,191,062	648,080	758,323
Total	44,635,528	52,567,407	57,706,023	63,104,432

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Reserves Budget Control Level

The purpose of the Reserves Budget Control Level is to provide appropriation authority to those programs for which there is no single appropriate managing department, or for which there is Council and/or Mayor desire for additional budget oversight.

Program Expenditures	2011 Actual	2012 Adopted	2013 Proposed	2014 Proposed
3rd Ave Initiative Capital Improvements	0	350,000	0	0
Budget System Reserve	0	0	200,000	200,000
Department of Justice Settlement Agreement Public Safety Reserve	0	0	4,587,500	4,591,200
District Energy Feasibility Study	0	0	175,000	0
Fire Station 39 Housing Services	0	0	0	950,000
Food Policy Work Coordination	0	0	0	0
Get Engaged: City Boards and Commissions	31,334	31,961	32,696	33,416
License and Tax Portal Reserve	0	1,200,000	0	0
Neighborhood Business District Capital Projects	0	0	500,000	500,000
Paid Sick Leave Reserve	0	150,000	150,000	150,000
Recurring Reserve for Portable Art Rental and Maintenance	256,743	264,186	275,536	283,802
Recurring Reserve-Dues/Memberships	13,824	0	0	0
Recurring Reserve-Election Expense	788,654	700,000	950,000	700,000
Recurring Reserve-Fire Hydrants	6,605,794	7,000,089	7,531,213	8,142,525
Recurring Reserve-Industrial Insurance Pensions Payout	1,519,719	2,500,000	2,000,000	2,000,000
Recurring Reserve-Office of Professional Accountability Auditor	132,073	145,800	153,090	160,745
Recurring Reserve-Pacific Science Center Lease Reserve	120,000	120,000	120,000	120,000
Recurring Reserve-Puget Sound Clean Air Agency	397,964	408,493	420,000	430,000
Recurring Reserve-Shooting Review Board Civilian	0	5,000	5,000	5,000
Recurring Reserve-State Examiner	724,111	746,971	750,000	768,750
Recurring Reserve-Street Lighting	11,779,761	12,250,273	12,363,223	11,486,259
Recurring Reserve-Transit Pass Subsidy	2,946,039	3,100,000	3,225,000	3,555,000
Recurring Reserve-Voter Registration	968,724	988,380	995,000	995,000

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Reserves Budget Control Level (cont.)

The purpose of the Reserves Budget Control Level is to provide appropriation authority to those programs for which there is no single appropriate managing department, or for which there is Council and/or Mayor desire for additional budget oversight.

Retirement Benefit Study	124,000	0	0	0
Same-Sex Marriage Inequitable Tax Treatment Reserve	0	0	185,000	185,000
Seattle Arts and Culture Capital Award	286,109	0	0	0
Seattle Indian Services Commission	85,299	50,000	50,000	0
SODO Arena Proposal	0	0	1,000,000	0
Tax Refund Interest Reserve	539,918	497,000	500,000	500,000
Transportation Reserve from Rubble Yard Proceeds	0	8,100,000	0	0
University of Washington Reserve	0	500,000	500,000	500,000
Yesler Terrace Project Support	0	0	150,000	0
Total	27,320,065	39,108,153	36,818,259	36,256,696

Support to Community Development Budget Control Level

The purpose of the Support to Community Development Budget Control Level is to appropriate General Subfund resources for services or capital projects that are not directly administered by a City department.

Program Expenditures	2011 Actual	2012 Adopted	2013 Proposed	2014 Proposed
Sound Transit Local Contribution - Sales Tax Offset	749,447	0	0	0
Wing Luke Asian Museum	28,921	0	0	0
Total	778,368	0	0	0

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Support to Operating Funds Budget Control Level

The purpose of the Support to Operating Funds Budget Control Level is to appropriate General Subfund resources to support the operating costs of line departments that have their own operating funds. These appropriations are implemented as operating transfers to the funds or subfunds they support.

Program Expenditures	2011 Actual	2012 Adopted	2013 Proposed	2014 Proposed
Drainage and Wastewater Fund	1,098,502	1,205,361	1,139,072	1,166,569
Firefighters Pension Fund	17,758,533	18,874,972	18,272,657	18,060,245
Housing Operating Fund-Supp to Op Fund	504,875	0	0	0
Human Services Operating Fund	52,311,143	54,352,239	57,469,360	59,532,757
Library Fund	46,857,207	49,324,620	48,044,387	50,131,066
Low Income Housing Fund	0	46,462	0	0
Neighborhood Matching Subfund	2,851,396	2,779,022	2,991,284	3,066,138
Parks and Recreation Fund	78,129,409	81,463,580	85,480,087	90,966,676
Planning and Development Fund	8,880,445	9,195,693	9,248,550	9,546,756
Police Relief and Pension Fund	22,251,490	21,312,128	18,987,071	18,557,893
Seattle Center Fund	12,919,814	12,875,760	12,980,658	13,466,114
Solid Waste Fund	40,293	0	0	0
Transportation Fund	38,624,237	37,635,726	38,668,515	39,072,415
Water Fund	41,514	0	0	0
Total	282,268,858	289,065,562	293,281,640	303,566,628