

Budget Overview

The City of Seattle's 2004 Proposed Budget reflects a continued commitment to the four priorities expressed by Mayor Greg Nickels: transportation, public safety, economic development, and healthy communities. These commitments have been maintained despite the deepest regional economic recession since the early 1980s.

The 2004 Proposed Budget covers the second year of the 2003-2004 biennium. As such, it is based on the 2004 Endorsed Budget approved by the Mayor and City Council in November 2002. The basic structure and funding allocations of the Endorsed Budget have been maintained, with changes made to reflect poorer economic conditions, lower inflation, and a few significant policy initiatives.

The City's General Fund provides some or all of the funding for most traditional local government services, such as police protection, fire and emergency medical services, libraries, parks, human services, and transportation. General Fund revenues for the 2003-2004 biennium are now projected to be about \$38 million lower than had been forecast in November 2002, mostly due to the continued recession. The first signs of this revenue shortfall were seen in the April 2003 revenue update. This prompted the Mayor to direct most General Fund departments (excluding Fire, Human Services, and Police) to make 1.5% cuts in 2003 budgets, which saved approximately \$3.8 million. Additional savings of at least \$3 million are expected for 2003 as a result of a hiring freeze, travel restrictions, and purchasing reviews established in August.

These 2003 actions still left a substantial challenge to rebalance the 2004 budget. The Proposed Budget includes expenditure reductions in almost all departments, except for small agencies whose budgets consist almost entirely of staff-related costs. Most departments were asked to reduce budgets to 2.75% below the 2004 Endorsed level. The Police and Fire departments were asked for reductions of 1% or less. Additional savings were found as a result of lower-than-expected inflation, which lowered costs for salaries and non-labor expenditures. All of these reductions are sustainable for future years. Approximately \$5 million of one-time actions, such as use of fund balances, completed the process of rebalancing the biennial budget.

The 2004 Proposed Budget shows a reduction of about 44 full-time equivalent (FTE) positions. This figure is a combination of several factors. Regular positions were added by converting dozens of temporary and contractor positions into regular employees in response to a review of the City's use of these types of positions. In most cases, these position conversions saved money or had no net cost. Approximately 135 positions were eliminated when management of the Woodland Park Zoo was transferred to the Zoo Society. About 15 positions were added in mid-2003 and others are added in the 2004 Proposed Budget as a result of reorganizations or external funding. If these effects are removed, over 60 FTE positions were cut in rebalancing the budget.

Transportation

Improving mobility and maintaining the City's transportation systems are major focal points of the 2004 Proposed Budget. The Budget includes funding for transportation and related planning in areas targeted for growth, including Northgate and South Lake Union. The City will continue to participate in studies for the replacement of the Alaskan Way Viaduct and improvements to the Mercer Corridor. The City will use funds from Sound Transit and the Seattle Monorail Project to review and support development of these mobility projects. The Budget also continues efforts to improve pedestrian facilities, such as sidewalks and trails.

Initiative 776, approved by the State's voters in November 2002, purported to eliminate the Vehicle License Fee (VLF) imposed by King County. The revenue generated by this fee was shared with cities and provided about \$5 million annually for Seattle. The Initiative was ruled unconstitutional by the King County Superior Court earlier this year and is currently on appeal at the State Supreme Court. The Proposed Budget does not appropriate funds from the 2003 or 2004 VLF but does show recommended projects if the Fee is restored.

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The Proposed Budget reflects a major reform of the City's on-street parking policies. The Budget includes funding for 500 new pay stations, which are devices that accept payment for multiple on-street parking spaces. The Seattle Department of Transportation (SDOT) will install these stations in the busiest parking areas and will relocate electronic parking meters to new areas or to displace older mechanical meters. Additional pay stations are planned for 2005 and 2006. The pay stations provide a wider range of payment options than meters. Rates in most neighborhoods will be raised from the current \$1.00 to \$1.50 over the course of 2004 and as the pay stations are deployed. The higher rates reflect inflationary increases since rates were last changed a decade ago, bring on-street rates closer to commercial market rates, and will increase parking availability through turnover.

SDOT is implementing a new Right of Way Management initiative through the 2004 Proposed Budget. This initiative is designed to improve coordination of projects in the street right of way, thereby reducing the number and duration of lane closures. New geographic information capabilities will be deployed that allow better planning by public and private utilities. Charges for the use of the right of way will be restructured to provide incentives for projects to be finished more quickly.

Public Safety

The 2004 Proposed Budget maintains the commitment to ensuring public safety. Uniformed police and fire staffing is kept at 2003 levels. Some reductions are made to non-uniformed positions and several reorganizations are made in the Police Department to reduce overhead.

The City of Seattle received preliminary federal approval for nearly \$30 million of Homeland Security funding in 2003, some of which will be shared with regional partners. This money will be spent in phases to conduct threat assessments, provide improved equipment for first responders, enhance training, and improve communications and response infrastructure. Appropriations are not reflected in the 2004 Proposed Budget but will be done through separate ordinances.

A proposed \$167.2 million fire facilities levy lid lift is on the November ballot. If approved, this lid lift would be combined with other funding sources to build or remodel 32 neighborhood fire stations, a new Fire Alarm Center, a new Emergency Operations Center, and a new Joint Training Facility. New emergency water supply hookups would be developed, backup power supplies would be purchased for emergency shelters, and new disaster supply caches would be created. The existing fire boat *Chief Seattle* would be rehabilitated to serve on fresh water and a new boat would be built to serve on Elliott Bay. Appropriations for these projects are not included in the Proposed Budget but would be added by separate ordinance if the voters approve the levy lid lift in November.

Economic Development

The long-term solution for the regional economic slump is to create jobs to replace those lost in the 2001-2003 recession. Higher employment will boost wages and gradually increase tax revenues. The 2004 Proposed Budget continues efforts to stimulate economic development, including transportation improvements in urban centers, façade improvements and business development efforts in neighborhood business districts, and a new business retention program in the Office of Economic Development.

The Department of Planning and Development, formerly known as the Department of Design, Construction and Land Use, will add two staff to prepare the required 10-year update of the City's Comprehensive Plan. This Plan is Seattle's blueprint for growth and provides guidance for land use policies, transportation and infrastructure projects, housing, and other City activities. The Department of Finance will develop ways to improve

coordination between the Comprehensive Plan and the City's capital projects to lay the foundation for the 2005-2010 Capital Improvement Plan.

Healthy Communities

Thirty-eight Seattle neighborhoods developed plans in the 1990s outlining each area's desires for housing growth, economic development, infrastructure, parks, and other facilities. The City has devoted substantial funding to plan implementation, including voter-approved funding from the "Libraries for All" bond measure and two levy lid lifts. The City has also prioritized existing capital funds toward neighborhood plan implementation. The 2004 Proposed Budget includes approximately \$53 million to implement projects identified in neighborhood plans.

The Proposed Budget establishes a new account in the Neighborhood Matching Subfund to support projects in neighborhoods that have accepted growth in excess of the targets set out in the 1994 Comprehensive Plan. The Budget includes \$900,000 of Real Estate Excise Tax funds for projects in the 12th Avenue, Greenwood, Madison/Miller, and Pike/Pine neighborhoods. The projects to be funded were selected from high priorities identified in the neighborhood plans. The Budget continues funding for other portions of the Neighborhood Matching Subfund at about \$3.2 million for 2004, which is the same level as provided in 2003 after mid-year reductions were implemented.

Human service and public health programs are also a major component of healthy communities. The Proposed Budget maintains the City's commitment to human service programs. No mid-year 2003 cuts were made and 2004 cuts were restricted to a small set of programs. In 2004, \$450,000 of new funding is added to provide replacement and expanded hygiene facilities to offset the temporary closure of two existing facilities.

Approximately \$400,000 is added to the budget for community health and public health clinics in 2004 to partially offset cuts included in the 2004 Endorsed Budget. Some of this added money is due to reduced administrative expenses in the Health Department and the remainder represents redirected General Fund.

Utilities

The City's utilities have also been affected by the ongoing recession. Demand for electricity, water, and sewer services has declined due to reduced business activity. In August, the Mayor proposed an average 8.5% increase in sewer rates to reflect a combination of reduced demand, changes in capital programs, and implementation of new financial policies. A typical single family customer will pay an additional \$2.44 per month and a typical small business will pay an additional \$9.40 per month under this proposal. The Mayor also proposed an average 14% increase in drainage rates. A typical single family customer will pay 89 cents more per month for drainage services while a business on a heavily developed one acre parcel will pay \$10.64 more per month. These rate increases are assumed in the Proposed Budget.

Seattle Public Utilities (SPU) embarked on a major restructuring in 2003. This effort initially focused on asset management studies of the utility's capital program, which have identified many lower-cost options for implementing needed capital facilities. The effort now is extending to operating activities and will lead to changes in staffing and service delivery. The initial results of these efforts are reflected in the Proposed Budget.

Seattle City Light continues to be on track in recovering from the West Coast power crisis of 2000-2001. City Light repaid \$182 million of short-term borrowing earlier this year and will repay the remaining \$125 million of short-term debt in November. Current forecasts predict that City Light will fully recover from the crisis and will have built up the cash reserves called for in its new financial policies by the third quarter of 2004. No rate

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changes are proposed as part of the 2004 budget. The budget reflects mid-2003 cuts in both capital and operating costs in order to maintain the schedule for financial recovery.

Capital Programs

Many City capital programs culminate in 2003 and 2004. The “Libraries for All” voter-approved bond measure will replace or renovate almost all of the City’s libraries. The new Central Library will open in the spring of 2004. In addition, the Beacon Hill, Columbia, Fremont, Green Lake, High Point, International District/Chinatown, Lake City, Northeast, Rainier Beach, and West Seattle branch libraries will open at varying times throughout the year.

The Seattle Center and Community Centers levy, approved in 1999, provided funds to renovate the Opera House into the Marion Oliver McCaw Hall. The new Hall opened to rave reviews in June 2003. The same levy also provided funding to expand and replace several community centers. The Parks Department expects to complete projects at High Point, Jefferson Park, International District/Chinatown, Sand Point, and Yesler community centers in 2004.

The Civic Center project is a three-block redevelopment of the City’s downtown office facilities. The Justice Center, housing the Seattle Municipal Court and Police Headquarters, opened in the fall of 2002. The new City Hall opened in June 2003. The old Municipal Building will be demolished in late 2003 and a public plaza connected to the City Hall will be built in 2004. Demolition of the old Public Safety Building will probably occur in 2004 with redevelopment to begin the following year. Remodeling of the Park 90/5 facility to house many of the Police Department’s support functions is on schedule to be completed in mid-2004 so those units can relocate from the Public Safety Building.

The Department of Finance completed an asset preservation study in 2003 that reviewed the City’s approach and funding for maintaining general government facilities, such as police precincts, fire stations, community centers, swimming pools, office buildings, and performance venues. The study recommended changes in the City’s approach to asset preservation and identified several possible funding mechanisms. These ideas will be considered for implementation in the 2005-2006 biennial budget.

The City’s utilities have significant capital programs to preserve infrastructure and enhance services. As noted above, Seattle Public Utilities is employing an asset management approach to set priorities among projects and to identify lower-cost options when possible. In 2004, the largest single utility project is the continued development of the Cedar Treatment Facility, which will improve water quality for the region’s largest water supply source. This project is being developed using a design-build-operate contract, which proved to be very cost-effective for the Tolt treatment project two years ago. SPU is also continuing its projects to cover remaining open reservoirs.

Looking to the Future

The 2004 budget represents the fourth year of difficult economic circumstances for the Seattle metropolitan area. The City has had to make significant reductions in its budget to reflect lower revenues, the West Coast power crisis, and other economic factors. The Mayor and City Council have made these cuts by establishing priorities that preserved core services as much as possible, including public safety, human services, and basic infrastructure. Lower priority areas and administration have received the largest reductions.

Despite this period of economic difficulty, the City has maintained and in many cases strengthened its long-term financial policies. The City’s General Fund continues to have an Emergency Subfund that is funded to the



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maximum level allowed by State law, or about \$30 million for 2004. Other General Fund reserves are maintained for purposes such as debt service, vehicle replacement, public safety communications, and legal claims. These policies have ensured that the City maintains its very high bond ratings.

Similarly, the City's utilities are strengthening their financial policies. As noted above, City Light will establish a cash reserve and more conservative financial policies as it emerges from the final effects of the West Coast power crisis in 2004. SPU has set new financial policies for some of its individual utilities that have the common theme of generating more revenue for reserves and cash contributions to the capital program. These policies have the benefit of lowering long-term rates by reducing the amount of borrowing needed.

These commitments to long-term fiscal stability will position Seattle well for the expected economic growth later in this decade.