

2016 Proposed Budget Executive Summary

The 2016 Proposed Budget for the City of Seattle totals \$5.1 billion, including just over \$1 billion of General Fund spending. General Fund spending will increase by approximately 4.5% relative to the 2015 Adopted Budget. Basic inflationary increases in the cost of providing existing City services are the major driver behind the increased spending, but robust growth in the local economy has also provided the resources needed to support a modest expansion in a limited number of City services. Mayor Murray has targeted these new resources to address pressing on-going needs in areas such as human services, public safety and transportation, while also proposing strategic one-time investments in essential physical infrastructure and some of Seattle's most important cultural assets. Details of these proposal are provided below, following a brief overview of City revenues.

General Fund Budget Outlook

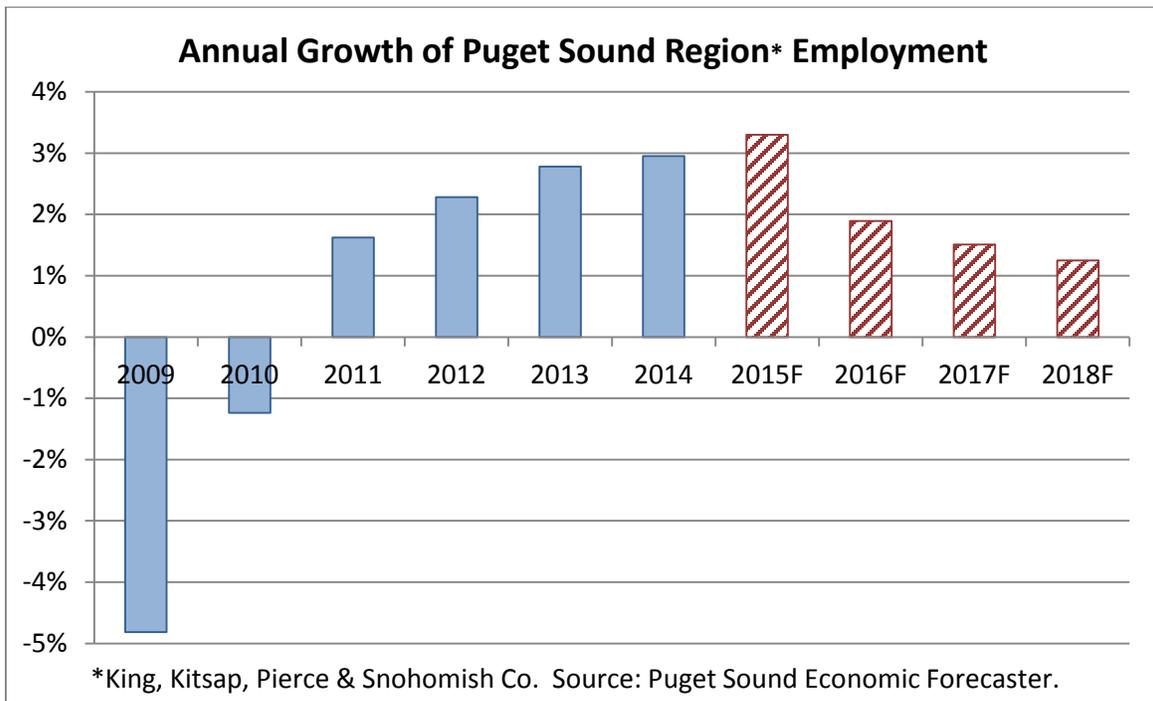
A resurgent local economy has led to revenue growth that is outpacing original forecasts for 2015. When forecast in November 2014, 2015 General Fund revenues were expected to total \$1.043 billion. Based on revenues received to date, the most current forecast anticipates an additional \$13 million, for a total of \$1.056 billion. Given the unanticipated growth experienced to date this year, the General Fund revenue forecast for 2016 has also been updated and upgraded. The forecast now anticipates annual revenue growth of 4.6% for 2016, relative to the current 2015 forecast. This rate of growth is the strongest the City has seen during this period of economic recovery. Nonetheless, revenue growth is still falling well short of the 7+% growth rates experienced in the 1995-2000 and 2005-2007 economic expansions. Furthermore, there is good reason to believe today's pace of growth may not be sustained into the future. The boom in local construction is the key driving force behind the General Fund's accelerating growth. At present, 25% of sales tax receipts are directly attributable to construction. Given the cyclical nature of the construction sector, this level of activity is not likely to be sustained for many more years. In this context, the proposed budget makes modest investments in ongoing programs, but avoids expenditures that will have a major "bow wave" of costs in future years.

The national economy is now in its seventh year of recovery, and while growth has been modest during this period, recent trends have pointed towards an acceleration in the pace of the current expansion. This is certainly true locally, where the Puget Sound regional economy continues to outperform the nation and the rest of Washington state. For example, the unemployment rate in King County currently stands at 4%, compared to 5.3% at both the state and national levels. Boeing and Amazon have become major drivers of the growth in local employment, accounting directly and indirectly for more than 40% of the jobs created in the Puget Sound since 2010. Both offer high-paying jobs that drive secondary employment in other sectors such as entertainment and services. At the same time, rapid growth in the local construction industry has driven demand for construction workers and created new jobs throughout the supply chain for materials, design and other services.

Employment growth provides the strongest evidence of the strength in the local economy. As shown below, the Puget Sound region has seen a steady increase in the rate of job growth during the recovery.

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Figure 1. Puget Sound Region* Employment: Annual Growth Rate



Looking forward, the local economic forecast anticipates continued employment growth, but projects that the rate of growth will slow. Because employment is the fundamental driver of local economic activity, which in turn drives tax revenue, this pattern of slowing growth is also seen in the forward looking forecasts of City revenue. In particular, General Fund revenue growth is projected to slow to 3.3% in 2017 and 2.9% in 2018.

Prudent Financial Management - Continued Growth in Reserves

While the proposed budget does include modest increases in spending, it continues to take a prudent approach toward planning for unforeseen circumstances by fully funding the City's established reserves. The City maintains two large reserves to help address potential financial stresses on the General Fund: the Revenue Stabilization Account, and the Emergency Subfund.

The Revenue Stabilization Account, better known as the Rainy Day Fund, buffers the General Fund from unanticipated shortfalls in revenue. By adopted policy, 0.5% of General Fund tax revenues are directed into the fund each year, until it reaches a maximum amount established as 5% of this same revenue stream. In 2015, the account reached this maximum level and currently has a balance of \$45.2 million. As General Fund tax revenues continue to grow, so will the maximum balance and the 2016 Proposed Budget funds a deposit of an additional \$2.3 million. The resulting \$47.5 million balance will represent the highest level of funding ever achieved in the Revenue Stabilization Account. A healthy Rainy Day Fund is an essential tool in creating financial stability for the City. It allows the City to preserve services in times

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of an unexpected revenue contraction, and helps protect the City's high bond rating, which in turn keeps the City's borrowing costs low.

The City's other large reserve, the Emergency Subfund (ESF), protects the General Fund from the risks of significant and unanticipated expenditures, such as recovery from a major natural disaster. By state law, the City can maintain the equivalent of up to 37.5 cents per \$1,000 of assessed property values in the ESF. The City's adopted financial policies require the fund's balance be maintained at the maximum allowed level. The proposed budget will increase the ESF balance by \$5 million to a new 2016 total of \$59 million, which will be an historic high for the fund. Between the two funds, the City will have General Fund reserves of more than \$106 million.

Planning for Growth

The vibrant local economy has provided opportunity to many, but the growth has also been uneven. Many individuals are struggling to keep pace with the increasing costs of living in Seattle and many neighborhoods are facing unprecedented levels of development and construction. The Mayor's proposed budget recognizes these strains and seeks to make the investments needed to ensure the City can establish and implement policies that will address the current crisis in affordability, while also changing the way the City plans for future growth.

Earlier this year, a committee of broadly represented stakeholders made a series of recommendations to the Mayor and City Council on how to mitigate the rapid increases in the cost of housing. The Housing Affordability and Livability Agenda (HALA) committee suggested a range of regulatory reforms, as well as an expanded role for the City in helping to fund affordable housing. From a funding perspective, Mayor Murray has called for doubling the investments made through the City's housing levy when it comes for renewal in 2016. More immediately, his proposed budget recognizes that other essential policy initiatives and regulatory changes cannot be achieved without staff to conduct outreach, process community input, develop options and bring forward implementing legislation. In total, five new positions are added to directly work in support of the HALA recommendations, with the goal of implementing meaningful policy changes as quickly as possible.

But recognizing that increased staff alone will not be sufficient to effect a paradigm shift in the way the City plans for growth, the Mayor's proposed budget also creates a new Office of Planning and Community Development (OPCD). By providing a high-level office, where City planning can be centralized and coordinated, OPCD will provide the focus needed to address the rapid growth we are now experiencing and plan for the level of density – in both jobs and housing – we can reasonably anticipate for the future. OPCD will manage a coordinated vision for growth and development so the City can make informed decisions about equitable growth, consistent with Seattle's Comprehensive Plan, and align capital investments across the city. While most of OPCD's 43 staff positions will be transferred from the existing Department of Planning and Development, an additional six positions and \$1.3 million of new funding are included in the proposed budget. Additional details about the structure of the new office are provided in OPCD's section of the proposed budget.

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Investing in Neighborhoods

At the same time that the Mayor's budget recognizes the need for better planning, it also takes immediate steps to invest in the City's neighborhoods as they exist today. This year will be first in which the Seattle Park District, as approved by the voters in August 2014, is fully implemented. An additional \$37 million will be available each year to enhance regular upkeep and major maintenance of existing parks, as well as for the development of new neighborhood parks. The proposed budget also provides more than \$400,000 to convert underutilized pieces of paved roadway into spaces for community gathering and play.

To identify and better understand some of the near-term, small-scale needs of Seattle's neighborhoods, the Mayor initiated an ongoing series of "Find it / Fix it" walks across the city. These walks provide an opportunity for residents to tour their neighborhoods with the Mayor, Councilmembers and City staff, pointing out areas of concern and opportunities for City action. The proposed budget follows-up on this work by establishing a grant fund to help implement the specific priorities identified through these community walks. Further, as described below, many of the transportation investments proposed in the budget focus specifically on neighborhood-scale improvements to mobility and safety.

More broadly, the Mayor is seeking ways to better reach out to neighborhoods and to involve residents in City government. To this end, the budget proposes funding for a "Mobile City Hall", which will bring the services now offered at a limited number of Neighborhood Service Centers to where people are already gathering. At farmer's markets, neighborhood festivals or other community events, the Mobile City Hall will provide ready answers to questions about City services and programs, as well as a convenient location to pay utility bills and conduct other City business. The Mayor's proposals for outreach also include a significant investment in Seattle's next generation of civic leaders. A pilot program to involve youth in "Participatory Budgeting" will provide a venue to engage Seattle's younger residents in a dialogue about their view of civic priorities. A total of \$500,000 in public resources has been set aside for the youth to prioritize and program. Youth will be led through a structured process to develop, evaluate and select a set of small-scale project or programs, and through actual voting the youth themselves will determine which ideas move forward to implementation. This effort will be led by the Department of Neighborhoods, with assistance from community organizers who have successfully implemented such programs elsewhere in the country.

Enhancing Transportation - Safety and Mobility

Transportation remains a priority across the city; rapid growth in both population and jobs has put a strain on the City's major commuting routes as well as its neighborhood road network. The pending expiration of the "Bridging the Gap" transportation levy will reduce the resources available to address these challenges, but the proposed budget does include a number of strategic transportation investments.

Building on Seattle voter's support of funding for the Seattle Transportation District's expansion of bus service, the 2016 proposed budget includes nearly \$1 million in capital investments to improve service

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on Metro's C and D RapidRide lines, significantly enhancing transit service to the employment centers in South Lake Union. This is in addition to the \$40+ million in new transit funding authorized last fall by Seattle voters through the Seattle Transportation District's Proposition #1. These new resources will significantly enhance transit operations, increasing the frequency, reliability and speed of service throughout the city. With limited roadway capacity available within the constraints of Seattle's underlying geography, transit provides the best long-run approach to increasing mobility in key transportation corridors.

The proposed budget also includes \$5 million to fund expansion of Pronto, the City's existing bike share service. This investment has the potential to leverage a \$10 million federal grant. In total, the resulting \$15 million could lead to the addition of 200 new bike stations. At this scale, and with the City's direct involvement in system operations, the service could play an ever-more critical role in the city's overall transportation network.

These investments in mobility will be matched by significant funding for improvements that target safety and enhanced pedestrian access. Safety overhauls for Rainier Avenue South, Lake City Way, 35th Avenue Southwest and Southwest Roxbury Street are all included in the proposed budget. These investments will be complemented by continued support from safe routes to school and new innovative proposals for more cost-effective methods for providing sidewalks in neighborhoods where they are lacking.

The proposed budget also reflects Mayor Murray's proposed approach to securing the additional \$71 million needed to complete the seawall project. This proposal includes a balanced mix of cash resources, largely from real estate excise tax revenues and long-term debt, with the resulting debt payments to be paid from commercial parking tax revenues over the next 20 years. These revenue streams would otherwise have been available to support other transportation projects, but completing the seawall is a safety project that will address significant seismic risks to downtown residents and businesses.

The Mayor's proposed budget also takes steps to address the traffic disruptions caused by increased construction activity across the city. An increase in the fees charged for right-of-way permits and construction inspection will help fund 36 new full-time positions to better manage use of the right-of-way, enhance utility construction coordination and limit unnecessary disruptions, for motorized vehicles, bicycles and pedestrians. Rapid redevelopment and surging construction activity are signs of the region's economic vibrancy, but this growth can be managed to better limit and mitigate the impacts being felt today.

Improving Public Safety

Public safety remains the most basic responsibility of local government, and Mayor Murray's 2016 Proposed Budget directs increased funding to continue his leadership in addressing this responsibility. Mayor Murray made a commitment to add 100 new fully-trained officers to the Seattle Police Department's (SPD) ranks by the end of this four-year term. To help ensure that this goal is achieved, the proposed budget includes sufficient General Fund support and anticipated grant funding to add 30 new officers in 2016, five more than originally planned. But this is only one of the proposed investments

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in SPD planned for 2016. The proposed budget also includes just over \$500,000 to fund three new civilian positions to improve outreach to Seattle residents. These individuals will leverage the more limited time of SPD's uniformed staff to build better relationships with neighborhoods and business groups.

The Mayor's proposed budget also reflects his pledge to fully implement the Department of Justice (DOJ) Settlement Agreement by improving SPD's accountability. Accordingly, the proposed budget includes sufficient funding to fully equip SPD's patrol force with body-worn cameras. A successful pilot has demonstrated this technology can be effective in protecting officers and enhancing accountability. Additional outreach and negotiation will need to be completed before the cameras can be deployed, but lack of funding will not be barrier to full implementation. On the path toward DOJ compliance, the 2016 Proposed Budget also includes funding to deploy the Data Analysis Platform needed to appropriately track officer performance and personnel management. Furthermore, funding initially approved mid-year in 2015 to add staff to the Office of Professional Accountability is included in SPD's base budget for 2016.

Management assessments by SPD's new leadership team have also identified the need to make both physical improvements and staffing additions to the City's 911 communications center. Accordingly \$200,000 is added to upgrade outdated technology, and just under \$600,000 is proposed to support a total of seven new call takers. The additional staff will help reduce the mandatory overtime that is now required to operate the 911 center, but which has proven to be an unsustainable burden on the dedicated personnel who staff the center.

The proposed budget also includes \$275,000 for a two-year pilot program on gun violence prevention. In 2013, Harborview Injury Prevention and the Research Center of the University of Washington conducted a study to evaluate the interrelationships between substance abuse, mental health diagnosis, gun ownership, gun violence injury hospital admissions, and deaths. The 2016 pilot will expand on this work, and will include: 1) intervention with gunshot wound victims during their hospital stay or at a follow-up visit; 2) dedicated case management outreach following discharge from the hospital; and 3) multi-agency attention to the gunshot wound victims.

Enhancement to SPD and steps to prevent violence, however, are not the only proposed public safety enhancements included in the Mayor's 2016 Proposed Budget. Chief Scoggins, who took over leadership of Seattle Fire Department (SFD) earlier this year, identified a number of areas where either one-time investment or modest ongoing funding could improve SFD operation.

To help ensure greater diversity among these new recruits, SFD will also implement a new program designed to reduce the barriers some individuals now face in applying to become a firefighter. Currently, all applicants must be certified Emergency Medical Technicians (EMT). Obtaining such certification can be an expensive process and thus an impediment to some. Under SFD's new program, EMT training will be provided to recruits after they have been accepted into the training program, rather than being required before one can apply.

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And recruiting will be a point of focus at SFD in 2016. Staffing levels at the Fire Department have been a concern for some time, but the need for additional recruits has reached a point where action is needed. When staffing levels drop, additional overtime must be demanded of the remaining officers to ensure that all stations are fully staffed at all times. This approach works well for short periods, but long term it puts unsustainable demands on SFD's dedicated firefighters. To address this issue, the proposed budget includes \$2.2 million in one-time funding to add 35 recruits to SFD's training class in 2016.

Another approach to reducing the unnecessary demands on City firefighters is to decrease the number of non-emergency calls to which they respond. In recent years, roughly 25% of 911 calls for service have proven to be non-emergent situations. Chief Scoggins will deploy two new positions to develop and implement a program that will target several social service agencies and even the specific individuals who generate many of these non-emergent calls.

The Mayor's proposed investments in public safety also extend to implementing recommendations from the Lesbian, Gay, Bisexual, Transgender and Queer (LGBTQ) Task Force he called together earlier this year in the wake of a series hate crimes perpetrated on Capitol Hill. The City will continue support of SPD's "Safe Place" program, while at the same time making modest investments in Project EQTY. Furthermore, the Department of Neighborhoods will improve outreach to the LGBTQ community to encourage increase participation in the City's Neighborhood Matching Fund process. The fund has the potential to support community building efforts and/or projects designed to enhance the visibility of the LGBTQ community and acknowledge its role in shaping Seattle, both of which were priorities identified by the Mayor's Task Force.

Ensuring Equity and Opportunity

Mayor Murray's commitment to equity and opportunity is one that pervades his policy agenda and budget priorities. For example: the mandatory \$15 minimum wage will enhance the wages of thousands of struggling Seattle families; the work of the HALA Committee will address the need for equitable access to housing; the Seattle Preschool Levy will provide educational opportunities for Seattle's children; the Seattle Transportation Benefit District's Proposition 1 will delivers a transit system accessible to all; and the recommendations of the afore-mentioned LGBTQ Task Force will help enhance the safety of this core Seattle community. The proposed budget builds on these major initiatives, making a number of investments to further implementation of each, while also directing resources into complementary areas where equity and opportunity can be further enhanced:

- The 2016 Proposed Budget expands the resources available to the Office of Labor Standards as it takes a lead role in implementing the \$15 minimum wage, protecting the paid sick leave now available to all Seattle workers and enforcing the City's other labor standard laws. Two additional staff positions will be added to the office, an additional \$150,000 will be provided to enhance outreach and education for local businesses and \$50,000 will be provided to enhance outreach and education for affected employees.

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- The Office of Immigrant and Refugee Affairs (OIRA) will implement a new program, called the Immigrant Family Institute to enhance relationships between Seattle’s immigrant community and the Seattle Police Department. This program will build on the success of the Refugee Women’s Institute, which successfully implemented a comparable program. The Immigrant Family Institute will expand the reach of the program to include whole families, including youth and parents.
- OIRA will also be provided additional funding to enhance the New Citizenship Program that will be transferred to the office from the Human Services Department. The existing program assists immigrants in moving along the path toward citizenship. An additional \$200,000 in funding will provide the opportunity to reach more people, host several large-scale citizenship workshops and to develop a public awareness campaign about the benefits of citizenship.
- The Office of Sustainability and the Environment will expand its Equity and Environment initiative, which is designed to enhance the diversity of those involved in the City’s various efforts to enhance environmental protection and awareness. An additional \$100,000 will be available to provide grants designed to support this effort and to support fledging organizations in neighborhoods across the City. OSE will also add staff to support implementation of the Fresh Bucks program, which increases access to health foods and supports local sustainability efforts.
- The Seattle Library will receive an additional \$140,000 to expand the current program that allows Wi-Fi hot spots to be checked out and used for portable internet access. This program has proven very popular and its expansion supports the Mayor’s digital equity initiative.
- A total of more than \$650,000 will be added to support youth employment. Of this additional funding, \$500,000 will make up for lost federal support, while an additional \$175,000 will be allocated to the Office of Economic Development to contract with a non-profit entity to become a coordinating clearinghouse for various private and public efforts to increase youth employment opportunities. Rather than competing in their efforts to recruit youth, a coordinated effort could create a more efficient and effective placement mechanism for all those committed to this effort.
- The Department of Neighborhoods will receive \$275,000 to continue support for the Duwamish Opportunity Fund. This will provide \$250,000 in grant awards and \$25,000 to administer the fund.
- The 2016 Proposed Budget increases appropriation authority by \$1,750,000 to spend Child Care Bonus funds on the construction of a new child care facility at Plaza Roberto Mestas. The facility will be located at the El Centro de La Raza Campus on Beacon Hill. The Child Care Bonus program receives contributions from real estate developers in return for increased floor area in the downtown and south Lake Union areas.

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Protecting the Most Needy

The Mayor's commitment to equity and opportunity is also manifest in ongoing support for Seattle's most needy, including those in need of shelter and food security. While expanding financial support for these most basic needs, the 2016 Proposed Budget makes investment in new and innovative strategies.

For the first time, the City will provide direct financial support for encampments to be located on City-owned property. More than \$200,000 will be used to lease property, support camp operations and provide case management and service referrals to encampment residents at up to three different locations. The City is currently working to open a new 100-bed homeless shelter in the Uptown neighborhood of Queen Anne, which was initiated in response to recommendations from the Mayor's Emergency Task Force on Unsheltered Homelessness; ongoing funding is included in this budget. In addition, the Human Services Department (HSD) will support a new 24-hour shelter in 2016. This innovative strategy will provide a place of respite and support whenever it is needed, not just overnight. Funding is also provided for the continued operation and expansion of a homeless youth shelter that operates on Capitol Hill. In part to help coordinate all these efforts, HSD will also add a full-time staff person dedicated to homelessness issues. In total, the 2016 Proposed Budget includes more than \$1.5 million of additional resources for services targeting Seattle's homeless population.

In addition to shelter, access to basic health care is another challenge for the most needy among us. Through its contracts with Seattle King County Public Health, HSD has funded expanded outreach to enroll individuals and families in health care coverage. Although this effort has been successful, and health care coverage has expanded, there continues to be a need for increased access to health and dental care. The 2016 Proposed Budget adds \$1.5 million for capital investments in new or expanded community health facilities. HSD will manage a competitive process for this funding.

HSD will also continue its efforts to develop a more accountable and outcome-focused approach to contracting with local service providers. One step in this effort will be to implement a "portfolio model" for contracting with some of its largest providers of homeless services, including the YMCA, the YWCA, the Downtown Emergency Service Center, Mary's Place and Youth Care. The goal of this effort is to target services more towards preventing the loss of housing rather than providing temporary shelter services, while at the same time streamlining HSD's current contracting approach. At the moment, all these agencies are funded through multiple contracts, each with its own reporting requirements and overhead costs. A single contract will be used to purchase a "portfolio" of services that will place an increasing emphasis on upstream efforts to prevent homelessness. As part of the overall effort to improve contracting effectiveness, the proposed budget also includes additional resources to enhance the staff at HSD who are responsible for contract administration and financial oversight. These changes are consistent with recommendations made by the State Auditor's recommendations, following a review of HSD's contracting approach.

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Pursuing Good Government

The afore-mentioned reforms at HSD are just on small component of Mayor Murray's commitment to enhancing the effectiveness and efficiency, and transparency in the basic operation of City government. For example, earlier this year announced his plan to streamline the way information technology (IT) services are provided within City government. Rather than allowing individual departments to duplicate basic functions such as email and data storage, these services will now be consolidated in the new Seattle Information Technology Department (Seattle IT). On April 6th 2016, IT positions currently housed in 15 different departments and Executive offices will join the new department. Organized into five divisions: Engineering and Operations; Leadership, Planning and Security; Digital Engagement; Business Office and Citywide IT Initiatives, the new department will provide unified strategic direction and management of the City's IT resources.

At the same time that the Mayor has provided the leadership needed to achieve IT consolidation, he has also continued to support Citywide efforts to develop and implement an all new central accounting system. This system will provide an opportunity to standardize department approaches to both day-to-day financial transactions and long-term financial planning. The new system will be an essential component of efforts to hold departments accountable for the financial resources they are provided and the outcomes they promise in return. System implementation will require more than just the installation of new software, but also a wholesale review of current business practices and financial operations. As one simple example, the City currently lacks a standardized approach to internally billing for the cost of overhead and indirect management costs. Establishing a consistent approach will facilitate centralized monitoring and decision-making, but require each department to adapt to whatever new approach is established. The cost of this system is significant – more than \$60 million over the next three years – but the City has no choice to move forward in some way; the existing system has reached the end of its useful life and is no longer supported by the manufacturer.

Implementation of the new accounting system will also require each department to adapt various "side systems" that currently provide information to the accounting system, or depend on data that the system generates. The increased functionality of the new central accounting system will displace the need for some of these side systems, but some will still be necessary. The 2016 Proposed Budget provides funding to departments across the City so they may begin planning and implementing the changes in both business processes and side systems that will be needed ensure the successful and timely deployment of the central accounting system.

These efforts will help enhance the transparency initiatives that have already marked Mayor Murray's first two years in office. The Performance Seattle portal that was unveiled earlier this year has now been expanded to provide metrics for more than 20 different City departments and Executive offices. For the first time ever, this budget book includes two pilot projects to improve financial transparency, efficiency and performance. The first project involves selecting, publishing and future tracking of budgetary performance measures for four departments, including Parks and Recreation, Arts and Culture, Human Services and Fire. The second project involves the review and publishing of some findings for two departments that accomplished a budgetary structural review of their past spending

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practices to look for anomalies and opportunities to improve how they structure their budgets. These represent the initial steps toward a more comprehensive approach toward “performance budgeting”, in which resource allocations will be linked directly to expected outputs and outcomes.