



City of Seattle Budget Update: Mid-Year Reduction Results & 2011 Budget Strategy

Presentation to the Seattle City Council Budget Committee
Beth Goldberg, Acting Director, City Budget Office – June 14, 2010





How We Got Here

- ▶ Based on the April budget forecast, the City Budget Office projected a \$11.7 million mid-year General Fund shortfall for 2010, as a result of:
 - ▶ 2009 ended with a negative balance of nearly \$4 million, \$5 million below original projections
 - ▶ Additional weakness in 2010 revenues, causing a nearly \$2 million decline in available resources
 - ▶ 2010 expenditure risks totaling over \$5 million
- ▶ In addition, a \$56 million General Fund shortfall is forecast for 2011



Mid-Year Reductions

- ▶ In April, the Mayor asked most City departments to develop mid-year reduction proposals totaling 3%
- ▶ Recognizing the importance of public safety and human services, Police, Fire and Human Services were assigned reduction targets of 1.5%
 - ▶ In light of the tragic events over the weekend, the Mayor is not proposing any reductions to the Fire Department to give us an opportunity to fully review the safety implications of any changes made to the Fire Department's budget
- ▶ Based on proposals developed by departments, the Mayor is prepared to capture \$12.4 million in mid-year changes
 - ▶ Exceeds the 2010 shortfall by \$700,000
 - ▶ Emphasis on-going savings allows us to begin to put a small dent in the 2011 shortfall; but still a long way to go



Guiding Principles

- ▶ Seek to preserve remaining one-time resources, such as the 'Rainy Day' fund
 - ▶ Only \$10 million remains, down from \$30 million at the beginning of 2009
- ▶ Wherever possible seek on-going reductions that will continue into 2011 and beyond
 - ▶ Nearly 73% of the mid-year reductions are on-going
- ▶ Savings from vacant positions and overhead costs (i.e. travel and training) emphasized in order to preserve funding for direct services
- ▶ Race & Social Justice lens used to help guide decisions

General Fund Balancing



\$ Millions

As of
April 19, 2010

	2010 Adopted	2010 Estimate	2010 Revised	2011 Estimate	2012 Estimate
Beginning Unreserved Fund Balance	\$1.1	(\$3.8)	(\$3.1)	\$0.0*	\$0.0*
Revenues	\$893.6	\$891.8	\$891.8	\$908.0	\$942.7
Rainy Day Fund Support	\$11.3	\$11.3	\$11.3		
Subtotal	\$904.8	\$903.0	\$903.0	\$908.0	\$942.7
Expenditures	(\$905.6)	(\$905.6)	(\$905.6)	(\$964.2)	(\$995.4)
2010 Mid-Year Reductions**			\$10.4	\$7.6	\$7.6
2010 Travel / Training Review			\$0.3		
Expenditure Risk		(\$5.3)	(\$4.3)	(\$1.3)	(\$1.3)
Subtotal	(\$905.6)	(\$910.9)	(\$899.2)	(\$957.9)	(\$989.1)
Ending Unreserved Fund Balance	\$0.4	(\$11.7)	\$0.7	(\$49.8)	(\$46.3)

*Previous year's surplus/deficit excluded

** Potential for additional SDOT reductions in the coming weeks

Summary of Reductions by Department



<u>Department</u>	<u>Midyear Reductions</u>	<u>Travel / Training Review Reduction</u>	<u>% Total Reduction</u>	<u>Department</u>	<u>Midyear Reductions</u>	<u>Travel / Training Review Reduction</u>	<u>% Total Reduction</u>
City Auditor	\$35		-3.0%	Library	\$1,173		-2.4%
Civil Rights	\$68		-3.0%	Mayor's Office	\$111		-3.0%
Economic Development	\$270		-4.4%	Municipal Court	\$812		-3.0%
Finance	\$153		-3.0%	Neighborhood Match. Fund	\$101		-3.0%
Finance and Admin Services	\$841	\$35	-2.4%	Neighborhoods	\$299		-2.5%
Fire*				Parks	\$1,670		-2.0%
Housing	\$100	\$11	-16.6%	Personnel	\$333		-2.8%
Human Services **	\$246		-0.5%	Planning & Development	\$263	\$78	-3.4%
Information Technology	\$301		-11.3%	Police	\$2,154	\$112	-0.9%
Intergovernmental Relations	\$94		-4.4%	Seattle Center	\$391	\$14	-3.1%
Law	\$287		-1.6%	Sustainability & Environment	\$42		-3.0%
Legislative	\$366		-3.0%	Transportation ***	\$279		-0.7%

*No reductions are proposed for Fire

** HSD reduction represents 1.7% of its non-contract budget.

***Preliminary SDOT 2010 Mid-Year reductions. Additional reductions forthcoming.

No General Fund Savings From Reductions:

Arts & Cultural Affairs	\$113	-3.0%
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Highlights of Significant Reductions



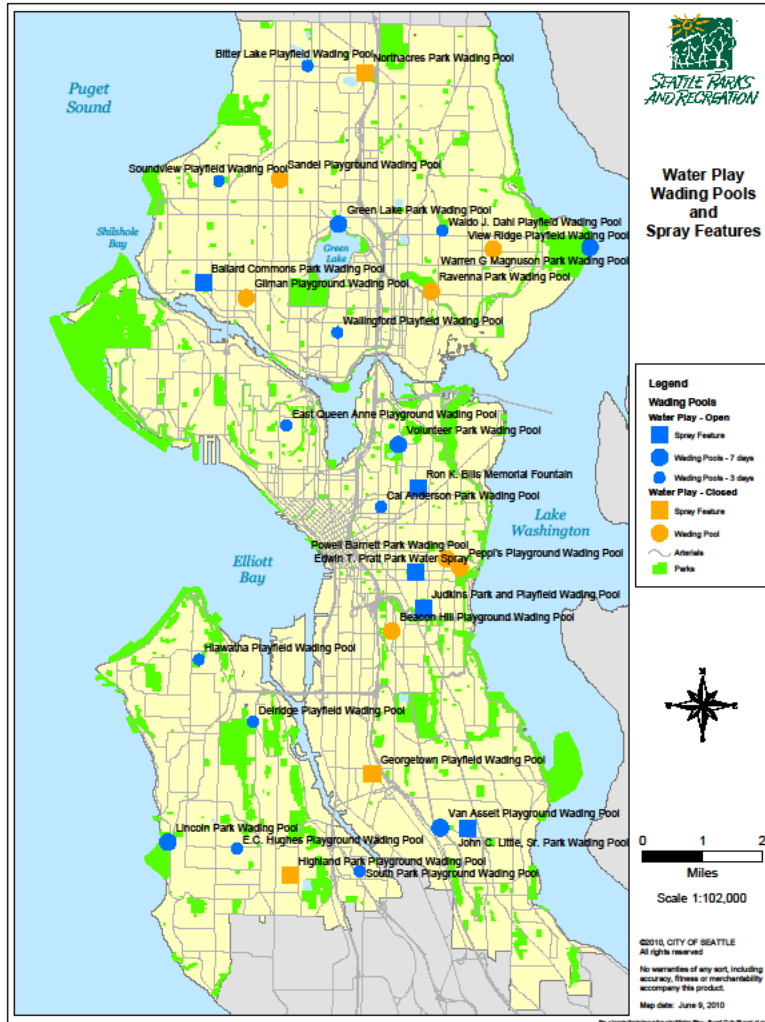
- ▶ Mid-year reductions emphasize the importance of protecting public safety and preserving the safety net
 - ▶ Smaller reductions taken to these budgets than other City services
- ▶ Human Services: Achieves \$246,000, or 0.5%, in savings (1.7% of non-contract budget)
 - ▶ Achieved through salary and other miscellaneous operating savings
 - ▶ Preserves funding levels for all human services contracts in 2010
- ▶ Police: Achieves \$2.27 million, or 0.9%, in savings
 - ▶ Leaves 21 new sworn officer positions related to the neighborhood policing program vacant, saving \$2.1 million
 - ▶ Number of funded sworn officers in SPD remains at **record levels**, including 556 sworn officers to respond to 911 calls
- ▶ Fire: No reductions

Highlights of Significant Reductions



- ▶ Mid-year reductions also recognize the importance of Parks to residents of Seattle
 - ▶ Facility closures kept to a minimum for the balance of 2010
- ▶ Parks: Achieves \$1.67 million, or 2%, in savings
 - ▶ Draws down fund balance by \$822,500 (nearly half of total reduction)
 - ▶ Reduces maintenance of parks facilities by 5%, saving \$225,000
 - ▶ Reduces travel and training budget by over 25%
 - ▶ Other management and personnel reductions - \$313,000
 - ▶ Partially closes wading pools, saving \$203,000
 - ▶ Allows us to keep all swimming pools and community centers open for the balance of 2010; lifeguard funding also preserved

Highlights of Significant Reductions



Revised Wading Pool Availability

Open 7 Days per week

Greenlake
Lincoln
Magnuson
Van Asselt
Volunteer Park

Closed

Beacon Hill **
Georgetown *
Gillman
Highland Park *
Northacres *
Peppi's Playground
Powell Barnett
Ravenna
Sandel **
View Ridge

Open 3 Days per week

Bitter Lake
Cal Anderson
Dahl
Delridge
E. C. Hughes
East Queen Anne
Hiawatha
South Park
Soundview
Wallingford

* Closed for conversion to spray features
** Closed for construction

Highlights of Significant Reductions



- ▶ **Library: Achieves \$1.17 million, or 2.4% in savings**
 - ▶ Reduces janitorial, human resources, and technology staffing and equipment by \$235,000
 - ▶ Reduces public services staffing by \$149,000
 - ▶ Reduces library fund balance by \$251,000
 - ▶ Achieves \$38,000 in savings through internal efficiencies in patron account notification
 - ▶ Reduces funding for the library collection by \$500,000; \$5.3 million in funding remains
 - ▶ Will allow the library to maintain current hours at all branches
- ▶ **Mayor's Office, City Budget Office and Legislative Branch:**
 - ▶ All achieve 3% savings target through salary and other savings



Personnel Impacts

- ▶ **The mid-year reductions capture savings by unfunding 53.2 FTEs**
 - ▶ Of this total 9.3 FTEs (13 positions) are currently filled
 - ▶ The remaining 43.9 FTEs are vacant

- ▶ **All levels of positions are impacted**
 - ▶ 17 FTEs (32%) are APEX/SAM positions
 - ▶ 27.9 FTEs (51%) are represented employees

- ▶ **Layoffs effective July 20, 2010**
 - ▶ Impacted employees have been notified, as have the unions



Span of Control Update

- ▶ Mayor continues to meet the intent of the span of control Statement of Legislative Intent (SLI) included in the 2010 adopted budget
 - ▶ 17 senior-level positions unfunded through mid-year reductions; represents 32% of unfunded positions
 - ▶ Additional reductions will be submitted as part of the 2011-2012 budget
- ▶ In mid-May, CBO met with representatives of the Coalition of City Labor Unions to hear their input on ways of addressing span of control
 - ▶ CBO is currently following up on those suggestions

Some Reductions Offset by Supplemental Appropriation Needs



- ▶ Departments often have supplemental appropriation needs throughout the year
 - ▶ Typically transmitted to the Council for approval through quarterly supplemental ordinances
 - ▶ With mid-year reductions, we can address these needs through existing appropriations by offsetting a small portion (\$1.25 million) of mid-year cuts
 - ▶ Supplementals listed here are technical in nature

Department	Mid-Year Reductions	Supplemental/ Carryforward Requests	Net Reduction
Economic Development	\$270	(\$270)	\$0
Legislative	\$366	(\$180)	\$186
Parks and Recreation	\$1,670	(\$568)	\$1,102
Seattle Center	\$391	(\$232)	\$159
Total	\$2,697	(\$1,250)	\$1,447

SDOT Facing Broader Financial Challenges



- ▶ CBO has been reporting that SDOT is facing financial challenges
- ▶ SDOT's financial challenges are the result of *both* the General Fund shortfall *and* other internal SDOT funding challenges, creating a 2010 gap of \$7.8 million
 - ▶ Mid-year General Fund reduction target - \$1.2 million
 - ▶ SDOT's internal 2010 shortfall - \$6.6 million
- ▶ Purpose of this update is to provide additional details about the causes of the financial challenges
- ▶ In the next couple of weeks, will have a plan for closing these gaps, including the potential for additional General Fund reductions

Causes of SDOT's Internal Financial Challenges



- ▶ **Causes of the \$6.6 Million Internal SDOT Shortfall**
 - ▶ Gas tax reserves depleted in 2009 earlier than planned
 - ▶ 2010 adopted budget relies on reserves for ongoing operations
 - ▶ Reserves were drawn down faster than expected due to:
 - ▶ Unbudgeted expenses related to the snowstorm and homeless encampment cleanups.
 - ▶ Gas tax collections coming in lower than anticipated. Revenue has declined over the last 14 years and at the current level of \$13.4 million, is \$3.3 million (or 25%) lower than the amount received in 1996.

Total Impact on SDOT's 2010 Budget - \$7.8 Million



▶ One-time shortfall - \$3.1 million

- ▶ **2009 Fund Balance \$1.1 million:** Lower gas tax collections and unbudgeted snowstorm and homeless encampment cleanup expenses resulted in SDOT ending 2009 with a \$1.1 million negative fund balance in its General/Gas Tax subfunds.
- ▶ **Emergency Response Contingency \$600k:** The Emergency Response budget has been historically underfunded and this was one of the major reasons for SDOT's budget shortfall in 2009.
- ▶ **2009 Internal Cost Recovery \$1.4M:** Under-recovery in 2009 that must be corrected in 2010 to achieve full cost recovery.

▶ On-going shortfall - \$4.7 million

- ▶ **Early depletion of Gas Tax reserves \$3.5M:** On-going gas tax revenues not sufficient to address on-going need. Anticipated one-time reserves to help sustain programs in 2010 are no longer available due to early depletion.
- ▶ **City's General Fund Reduction Target \$1.2M:** These cuts were requested by the Budget Office to help close the City's General Fund gap.



Looking Ahead to 2011

- ▶ Direct service impacts and number of layoffs have been kept to a minimum for the 2010 mid-year reductions
- ▶ Bigger challenges lie ahead – a \$50 million General Fund shortfall for 2011 remains after mid-year reductions
 - ▶ With one-time tools largely exhausted, the City is not likely to have the same outcome with regard to direct services and layoffs for 2011
- ▶ Other funds also facing challenges
 - ▶ Seattle Public Utilities
 - ▶ Department of Planning and Development
 - ▶ Seattle Department of Transportation
 - ▶ Seattle City Light



Looking Ahead to 2011

- ▶ General Fund departments have been asked to develop 2011 budget proposals with a range of reductions in order to have a full discussion on funding priorities and trade-offs; public safety and human services continue as a priority
 - ▶ Police and Fire – 1-5% reductions
 - ▶ Human Services – 5-10% reductions
 - ▶ Other agencies – 9.5-14.5% reductions
- ▶ Also exploring revenue options
- ▶ Unions approached about potential savings in labor costs
- ▶ The extent that these options can be realized, we can minimize impacts to direct services
- ▶ Results of this work will be transmitted to the Council on September 27, 2010

Questions

