

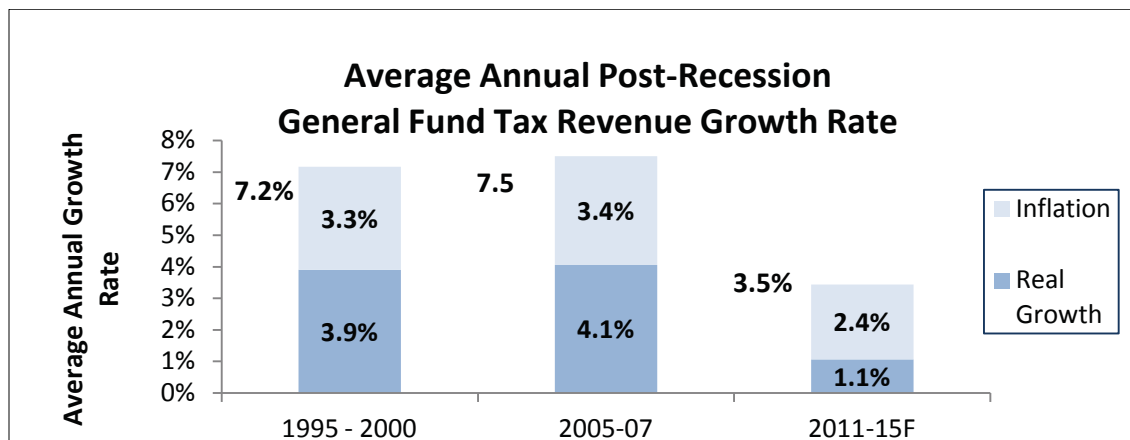
Proposed Budget Executive Summary

This section describes the 2013-2014 Proposed Budget as transmitted to the City Council by Mayor Mike McGinn in September 2012. It describes at a high level the details of the Mayor's Proposed Budget. While most of the recommendations in the Mayor's Proposed Budget remain in the 2013 Adopted and 2014 Endorsed budgets, a few proposals described in this section were altered by the City Council as it finalized the budget. Those changes are described in the previous section – the Executive Summary to the Adopted/Endorsed Budget.

The 2013-2014 Proposed Budget totals \$4 billion, including the City's \$951 million General Fund. Four years after the start of the Great Recession and three years following its lackadaisical conclusion, the City of Seattle is starting to see some easing on the General Fund budget constraints. While still not back to pre-recession levels, strength in the local economy relative to national trends, vigilant financial management over the past two years and continued efforts to find new and more efficient ways of doing business are giving the City a bit more flexibility than in recent years to make investments in emerging needs. Nonetheless, in this post-Great Recession climate, the need for financial restraint remains as revenue growth continues to be relatively subdued.

General Fund Budget Outlook:

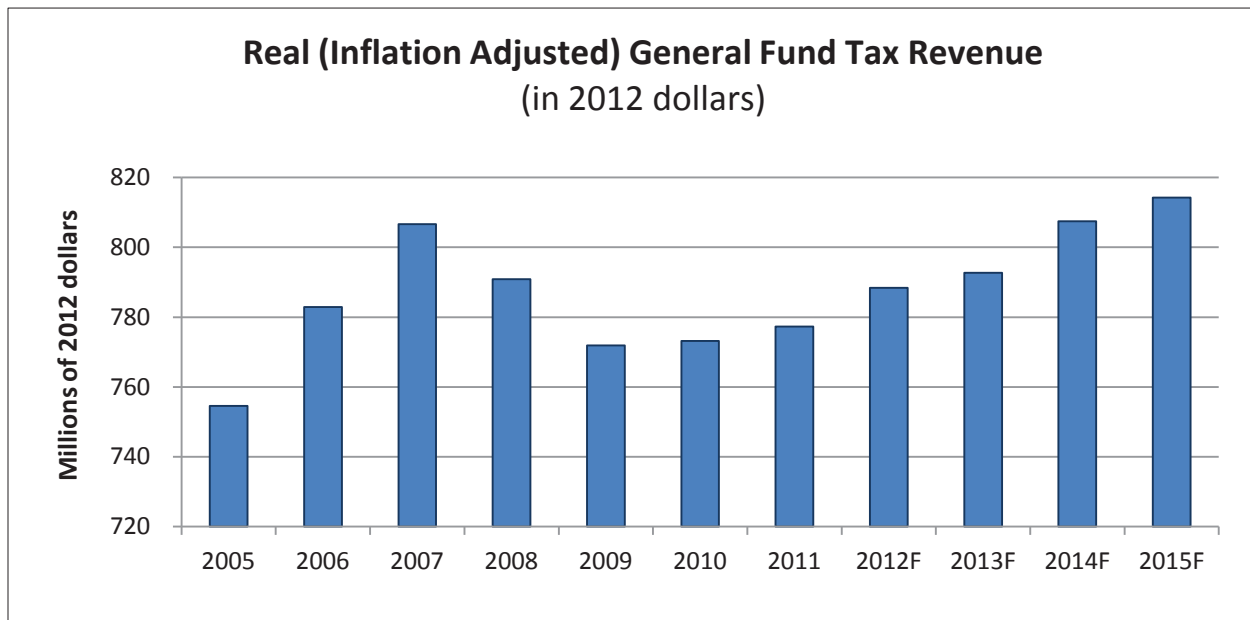
While less acute, the challenge in developing a balanced budget for the 2013-2014 biennium is the same basic one that has marked each budget since the onset of and subsequent recovery from the Great Recession. The Great Recession was longer and deeper than any recession since the Great Depression and the rate of recovery, and thus the rate of revenue growth, particularly for those revenues tied directly to the health of the economy, has remained shallow when compared to previous post-recessionary periods, resulting in an unusually protracted period of budget limitations. In previous post-recessionary periods, the City experienced average annual tax revenue growth that exceeded 7%, allowing the City to maintain existing services plus make additional investments in programs. In the current post-recessionary period, the average annual tax revenue growth is 3.5%. This growth rate has not been sufficient to maintain existing services plus respond to emerging needs, necessitating budget reductions to bring the budget into balance. The chart on below illustrates how shallow the current revenue growth is forecast to be compared to previous periods.



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The 2013-2014 Proposed Budget reflects a continuation of this trend. General Fund tax revenue growth between 2012 and 2013 is projected at 2.7%, with overall General Fund revenues growing at only 1.6% over the same period. Meanwhile, the Cost of Living Adjustment for 2013 for most City salary increases, based on the local inflation rate as defined by the Consumer Price Index (CPI-W) for the Seattle metropolitan area, is at 3.3%. Other cost drivers, such as medical and retirement benefits, are increasing at even greater rates. Direct salary and benefit costs make up 65% of the General Fund. This imbalance is compounded by the fact that the business of government is not static. Demands for government services change over time and new issues emerge, requiring investment of City dollars.

But there are indications that the degree of the City's financial challenges is easing as the distance from the end of the Great Recession grows. Forecasts suggest that the rate of real (inflation adjusted) revenue growth is slowly increasing, with the City's general tax revenues forecast to return to their pre-recession peak (2007) by 2014. In fact, in nominal terms, the pace of general tax revenue growth is projected to pick up in 2014 to 4.4% relative to 2013. While still not at the 7% rate of previous post-recessionary periods, this rate of nominal growth is rising as compared with rate of growth over the past couple of years.

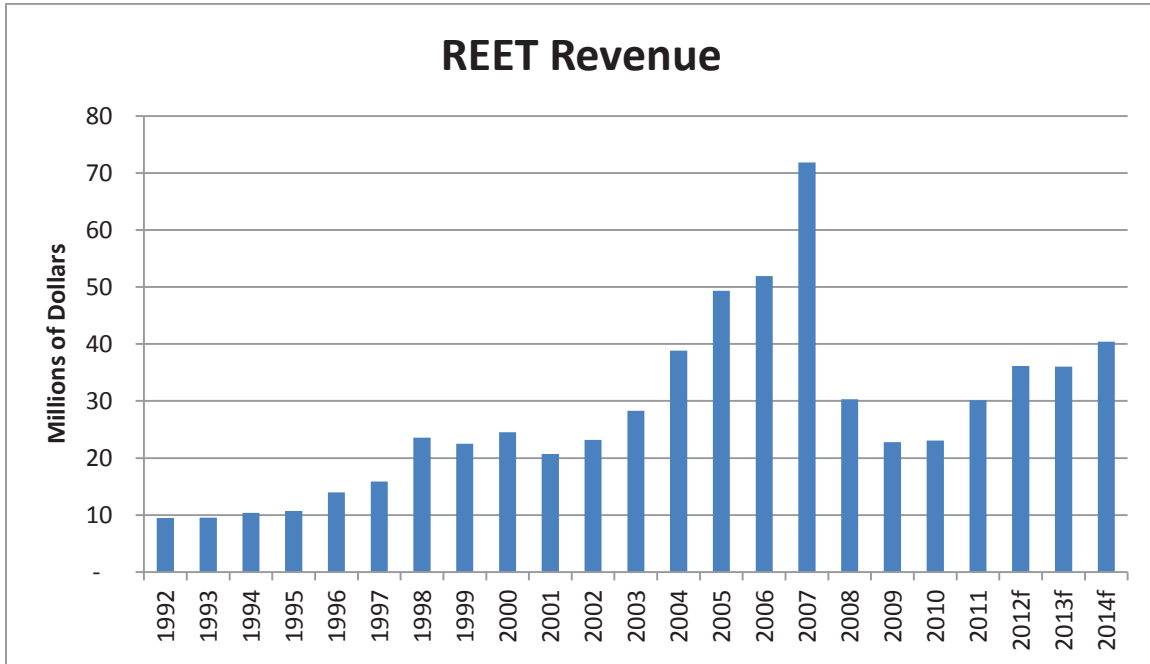


REET and CDBG Revenues are Relatively Healthy: Moreover, the City is starting to see relief in other revenue sources that were also constricting as a result of the Great Recession – including Real Estate Excise Tax (REET), a tax on real estate sales that supports the City's general government asset preservation and capital improvement programs, and the Community Development Block Grant (CDBG), a federal funding source that supports community development activities. Both of these revenue

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sources experienced significant declines since 2007 – REET saw a 68% decline between 2007 and 2009 and the CDBG entitlement is down 26% from \$12.7 million in 2007 to \$9.3 million in 2012.

While projected to still be 50% less than the peak in 2007, REET revenues for 2013 are estimated at \$6 million above 2011 actual revenue collections, with an additional \$4 million bump in 2014.



Meanwhile, CDBG is projected as stable for 2013 and 2104 relative to 2012. However, some existing CDBG funding obligations come to an end in 2013, freeing up resources to be invested elsewhere. Collectively, these developments give the City additional financial flexibility over the biennium as compared to the last four years.

Passage of the Library Levy Provides General Fund Relief: Also providing relief to the General Fund in 2013-2014 is approval by Seattle voters in August 2012 of the Library Levy. In addition to expanding Library services, including the number of hours that each branch is open, the Levy also relieves the General Fund of about \$4.2 million of annual Library costs. In addition, the Levy relieves REET of about \$820,000 annually in asset preservation costs. Given the General Fund challenges, the Library may have had to reduce its budget by these amounts were it not for approval of the Levy. By shifting these costs to the Levy, the City has more flexibility in the General Fund to support other basic services. Reflecting the importance of library services to Seattle residents, the General Fund will continue to provide \$48.0 million and \$50.1 million in support for the Library in 2013 and 2014 respectively.

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Retooling and Reprioritizing:

More than ever, it is essential that government entities continually strive to provide services in a cost-effective manner. This premise has been a fundamental underpinning of the City's recent budgets. A few examples of recent successes the City has had in achieving budget savings include:

- Consolidating administrative functions previously performed by the departments of Executive Services and Fleets and Facilities into a single department – the Department of Finance and Administrative Services – saving approximately \$1.6 million annually in labor costs.
- Entering into a long-term contract with King County to house the City's misdemeanor jail population at a lower cost and allowing the City to avoid building a jail facility, saving \$4.3 million in on-going costs and avoiding \$200 million in capital costs.
- Partnering with City employees in 2011 to reduce labor costs through COLA rates in 2011 and 2012, saving approximately \$6.5 million annually Citywide in 2012, \$2.6 million of which accrues to the General Fund, which compounds to approximately \$13 million in savings Citywide, including \$5.2 million of savings to the General Fund for 2013-2014 biennium. Cumulatively, this partnership with labor will have saved \$25.2 million Citywide over four years.

Reductions proposed for 2013-2014 are designed to have minimal impact on direct services enjoyed by Seattle residents.

While more modest in scope, the 2013-2014 Proposed Budget makes additional reductions to capitalize on further efficiencies. It also identifies a limited number of new revenue opportunities to sustain existing services. Both of these steps are important to balancing the General Fund budget, and also in freeing up resources to reprioritize and make investments in other critical services.

The savings proposed for 2013-2014 are designed to have minimal impact on the direct services the City provides to Seattle residents. The 2013-2014 Proposed Budget continues to provide most of the same basic services to Seattle residents at their 2012 levels. Examples of General Fund savings identified in the 2013-2014 Proposed Budget include:

Identifying Efficiencies in How the City Maintains its Assets: The 2013-2014 Proposed Budget also achieves savings by managing City facilities and assets more efficiently. A few examples include savings that the Department of Finance and Administrative Services (FAS) will achieve in

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utility costs by adjusting the set points for the temperature of City-operated buildings and by reducing the amount of landscaping support for the City Hall and Justice Center complexes.

FAS will also achieve savings by closing its internal vehicle maintenance parts warehouse. By using an outside vendor as the source for these parts, FAS expects to save more than \$300,000 annually starting in 2014. In addition, by liquidating the stock of parts currently in the warehouse, FAS expects to receive \$900,000 in one-time revenue in 2013. The City expects it will be more cost effective to obtain replacement parts for the City's fleet from outside vendors who have a larger and more nimble supply chain and access to a wider range of parts suppliers.

FAS will achieve \$300,000 in annual savings and \$900,000 in onetime revenue by closing its vehicle parts warehouse and relying on an outside vendor.

The Parks Department is achieving savings through efficiencies as well. In recent years, Parks has moved increasingly toward a different type of turf maintenance to provide a more environmentally appropriate level of care based on current horticultural and water conservation best practices. Rather than using vast amounts of water to keep park lawns green all summer, the Department has reduced irrigation in less frequently used parks so that some park lawns go dormant during the summer months, and then become green when the rains return in September. Important exceptions to this practice are athletic field turf, where Parks maintains vigorous growth year-round to ensure safe playing surfaces, and certain horticultural displays. Parks piloted this approach in 2012 and expects to continue with this practice in 2013 and beyond. The change is expected to save \$250,000 annually.

Management Efficiencies: Preserving public safety – including the deployment of firefighting resources – remains a paramount priority for City government. With this in mind, in 2012, the City embarked on a three-phase operational assessment of the Seattle Fire Department (SFD) to identify opportunities for operational efficiencies while still continuing to provide high-quality emergency response and prevention services. The primary recommendation of the study thus far is that SFD would benefit from a management re-organization. The study determined the current SFD organizational structure had some management gaps and in other areas had overlapping management positions. To address these concerns, the study lays out options for realigning SFD's management structure. The 2013-2014 Proposed Budget begins to implement these recommendations by eliminating one Assistant Chief position (out of four) and the Battalion Chief assigned to oversee the implementation of the Fire Facilities Levy. The responsibilities previously handled by these positions will be reassigned to remaining positions in the organization, minimizing the

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operational impacts. These changes generate approximately \$370,000 annually in savings to the General Fund.

Aligning Staff Resources with Workload Needs: The work of City government is constantly changing. Over time, workload needs evolve, and in some cases diminish. To achieve additional savings, City departments evaluated their staffing levels and identified opportunities for savings where the workload is no longer sufficient to support staffing levels. For example, the Parks Department identified \$500,000 in savings by aligning positions with its workload needs. As the 2008 Parks Levy winds down and other funding sources for capital projects remain restrained, Parks eliminates 2.5 positions in its Planning and Development division. Parks also eliminates positions and reallocates workload in its Human Resources, Accounting, and Facilities Maintenance divisions.

Similarly, the Seattle Department of Transportation (SDOT) eliminates positions in response to changing workloads, generating \$375,000 in General Fund savings. Positions eliminated include two accounting technicians and a vacant finance analyst position. Due to process improvements and report automation, the elimination of these positions will not impact service levels. As a result of decreased volumes of reimbursable work and related efficiencies, SDOT eliminates three cement finisher positions and four positions in its Maintenance Operations division.

While the 2013-2014 Proposed Budget eliminates 65 full-time equivalent (FTE) positions, the budget adds funding for 191 FTEs to address newly re-prioritized investments described later in this document. An additional net increase of 7 FTEs results from changes impacting part-time positions. In addition, for 2013-2014, an additional 25 FTE slots are added to the Personnel Department for use by other City departments to perform work that would otherwise be distributed to outside contracts.¹

Lower Salary and Benefit Costs: City employees are critical in providing essential services to Seattle residents. As such, personnel costs represent a significant portion of the General Fund budget. Approximately 65% of the General Fund is for direct salary and benefit costs. Opportunities for savings in these areas allow the City to preserve jobs and services. The 2013-2014 Proposed Budget captures savings in salary and benefit costs as a result of a couple of important developments. Approval of a new labor

The 2013-2014 budget aligns staff resources with workload needs.

¹ These FTEs are proposed to sunset after two years to allow the City to evaluate whether the workload warrants the long-term need for these positions.

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The 2013-2014 budget captures savings from salary and benefit costs in order to preserve funding for direct services.

contract by the Seattle Fire Fighters Union, Local 27, provides important salary savings to the General Fund and allows the City to maintain the size of the fire-fighting force, as well as other services. In addition, the proposed budget captures savings in the Fire Fighter Pension Fund (FPEN) and the Police Relief and Pension Fund (PPEN) as a result of increased revenues, such as Medicaid reimbursements to the funds, and lower administrative costs.

The 2013-2104 Proposed Budget continues to identify ways to contain increases in health care plan costs by implementing administrative efficiencies that have been identified by the Health Care Interdepartmental Team (HC IDT) and approved by the City's Health Care Committee (HC2). The HC IDT was formed by the City Budget Office in 2011 to foster joint Council-Executive collaboration to evaluate the City's health plan spending, and to develop a set of strategic health care policies. In 2013, the City will begin to self-insure the Group Health Standard and Deductible medical plans, similar to the approach currently taken with the medical plans administered by Aetna, resulting in annual ongoing administrative savings of approximately \$1 million.

In addition, the City's costs related to providing unemployment benefits are anticipated to decline in 2013 due to the overall improvement in economic conditions. Accumulated fund balance within the Unemployment Subfund makes it possible to partially subsidize the anticipated costs to be incurred by departments in 2013 and 2014. While anticipated claims expenses related to workers compensation are expected to increase by 5% in 2013 over 2012, accumulated fund balance within the Workers Compensation Subfund is also being used in 2013 and 2014 to partially reduce the costs incurred by City departments. By identifying administrative efficiencies related to health care plans, as well as applying fund balance to reduce unemployment and workers compensation costs incurred by departments, the City is able to reprioritize these funds toward direct services in 2013 and 2014.

New Funding Sources to Sustain City Treasures: The General Fund has been the traditional source of funding for two important City treasures – the Volunteer Park Conservatory and the Langston Hughes Performing Arts Center. To ensure that these facilities continue operations, the 2013-2014 Proposed Budget identifies new funding approaches. Following a business planning effort in early 2012, the Parks Department has identified a number of changes to the Volunteer Park Conservatory operating model that will put this facility on a more financially sustainable path. The 2013-2014 Proposed Budget assumes the results of these efforts, including

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Funding sources are identified to sustain operations of the Volunteer Park Conservatory and the Langston Hughes Performing Arts Center.

revenue from a new admissions fee to enter the facility, modestly lower staffing levels to better align operations with other comparable conservatories, and some modest capital investments that will allow the facility to generate revenue by serving as a venue for small events, such as weddings. Together, these changes are expected to provide \$174,000 of relief to the General Fund, and, more importantly, allow the City to keep this facility open.

Following conversations between the City, the Arts Commission and Langston Hughes Performing Arts Center (LHPAC) staff, the 2013-2014 Proposed Budget transfers operations of LHPAC from the Parks Department to the Office of Arts and Cultural Affairs (OACA), allowing the City to shift a portion of the facility's operating costs from the General Fund to the Admissions Tax, providing almost \$400,000 relief to the General Fund. The General Fund will continue to provide \$270,000 in funding to LHPAC. This change is achieved without any reduction to ongoing programs supported by the Admissions Tax. In addition, with this transfer, the full 75% of Admissions Tax revenues will stay with OACA.

The transfer of LHPAC achieves a number of important operational objectives that will benefit the LHPAC. First, the programming provided by LHPAC directly aligns with the mission of OACA and fits the purpose of the Admissions Tax – to fund "arts-related programs and one-time capital expenditures that keep artists living, working, and creatively challenged in Seattle." Second, transferring the facility will allow OACA to more closely manage LHPAC and incorporate the LHPAC budget into the arts funding structure. At its core, LHPAC is a performing arts facility and there is no department in the City better positioned to oversee performing arts operations than OACA. This transfer more closely aligns the center with the broader arts community. And, finally, this is an important first step in developing a plan to put LHPAC on a more financially sustainable course. 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. While LHPAC operations will transfer to OACA in 2013 to capitalize on OACA's strength in art programming and management, DPR will retain ownership of the facility and will continue to provide for its maintenance, a function it performs for many other Parks-owned facilities throughout the City.

Select Fee-Based Revenue Increases: The 2013-2014 Proposed Budget also achieves General Fund relief through adjustments to fee-based revenues, including:

SDOT preserves \$8 million of services over the biennium as a result of lower debt service costs and by leveraging fund balances.

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- *Swimming Pool Fees:* The Parks Department will generate \$300,000 in revenue through modest increases in swimming pool fees, bringing those fees to levels that are comparable with other regional swimming pool facilities.
- *Parking Fees at City-Owned Garages:* The Department of Finance and Administrative Services (FAS) will increase the parking rates at the SeaPark and Seattle Municipal Tower parking garages to bring the rates more in line with market rates. This change will generate \$235,000 annually in revenue.
- *Seattle Animal Shelter Fees:* FAS makes a number of changes to how fees are collected by the Seattle Animal Shelter, which will collectively result in a \$220,000 annual increase in revenues. As part of this plan, the Seattle Animal Shelter (SAS) will implement a Pet License Partnership program, which will further enhance and coordinate pet license sales efforts in Seattle by encouraging people to license their pets. There are an estimated 250,000 unlicensed pets in Seattle. To reduce the feral cat population, in Seattle, SAS proposes to exempt the pet licensing requirement for feral cats that are brought into the shelter for sterilization. This change is expected to bring in an extra \$15,000 annually in fees charged for spaying and neutering cats.
- *Fire Marshal Fees:* The Fire Marshal's Office, which charges for fire prevention services to direct service users, is adjusting its fees in 2013 and beyond in an attempt to move toward a full-cost recovery model over time for these service-based fees.

Strategically Using Fund Balances to Preserve Services: Conservative financial management has allowed several City funds that also receive General Fund support to accumulate fund balances. These fund balances are being strategically used in the 2013-2014 Proposed Budget to sustain service levels that might otherwise be in jeopardy due to the General Fund's budget challenges. For example, both the Parks Department and the Human Services Department are relying on less General Fund in 2013-2014 as they spend down modest levels of fund balance.

Meanwhile, SDOT identified a number of alternate funding sources to preserve service levels that would have otherwise been reduced as a result of General Fund budget reductions. These sources include funds made available as a result of lower debt service costs, remaining fund balances from the now-defunct Employee Head Tax, unprogrammed 2011 fund balance from Vehicle License Fee revenues, and funds from the 2011 sale of the Rubble Yard property to the State of Washington. Collectively,

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these sources allow SDOT to preserve \$8 million of services over the course of the biennium.

Strategic Investments to Respond to Emerging Needs:

Through a combination of modest improvements in the City's General Fund revenue outlook and the savings and efficiencies described previously, the City has more flexibility for 2013-2014 to make modest investments to address emerging needs. These investments can be described in five broad categories:

- Supporting a Well-Functioning Government
- Enhancing Public Safety
- Upholding the Human Services Safety Net
- Promoting Economic Development
- Upgrading the City's Transportation Infrastructure

These five areas are identified as strategic priorities for the City because of their importance to supporting a healthy and vibrant City.

Investments to Support a Well-Functioning Government: The 2013-2014 Proposed Budget makes a number of investments to ensure the City continues to function well, including investments to promote the City's long-term financial sustainability and investments in the City's information technology backbone.

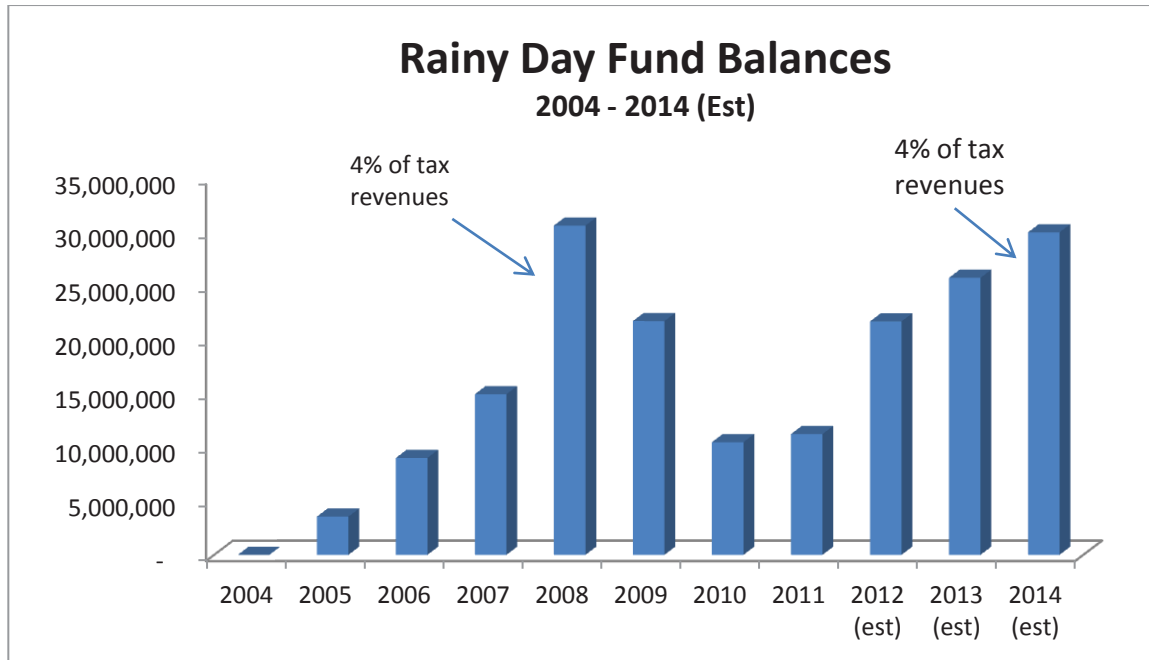
- *Saving for the Future – Restoring the Health of the Rainy Day Fund:* The City maintains a Rainy Day Fund – a savings account of sorts – to protect City services following unexpected declines in revenue. A healthy Rainy Day Fund not only protects the City in times of unexpected revenue contraction, but is also an important variable in maintaining the City's high bond rating, which helps keep the City's borrowing costs low.

The Rainy Day Fund reached its peak funding level in 2008, when it was valued at \$30.2 million, or 4% of General Fund tax revenues. At the onset of the Great Recession, the City relied heavily on the Rainy Day Fund, drawing it down to \$10.5 million by the time the 2010 budget was adopted. Since that time the City has made a concerted effort to restore the health of the fund, marked most

By 2014, the Rainy Day Fund will be replenished to \$30 million – the peak funding level, achieved in 2008.

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notably by adopting a sweeping overhaul of the policies that govern how the Rainy Day Fund is replenished in 2011.² As a result of these new policies, the City has increased its contributions to the Rainy Day Fund. The 2013-2014 Proposed Budget adds \$8.3 million to the Rainy Day Fund over the course of the biennium, bringing the 2014 balance to \$30 million, approximately the same amount that was in the fund in 2008 at its peak.



- *Continuing to Stabilize the City's Pension Fund:* When Mayor McGinn took office, he inherited a troubled pension fund – the Seattle City Employee Retirement System (SCERS). The financial market crash of 2008 left the fund with a relatively large unfunded liability and insufficient plans to address these challenges. The City of Seattle is one of the only cities in the State of Washington that runs its own pension system – most others participate in the Washington State systems.

Prior to 2008, the City consistently funded SCERS at or above the actuarially recommended level of 80%. However, the erosion of the financial markets left the pension with an unfunded liability of \$1 billion and a funding ratio of only 62% at the beginning of 2010. The City had plans to partially address the funding shortfall by increasing the contribution rates of both the participating employees and the City contribution. Over two years (2011 and 2012) the contribution rates for each would increase from 8.03% to 10.03%. But this still left an unfunded liability of \$695 million and a funding ratio of only 74%. To fully address the funding needs of the system over time, the City took an even more proactive approach to SCERS funding and established a policy in 2011 to set its

² For more information about the Rainy Day Fund policies, please refer to Ordinance 123743 and the following presentation: <http://www.seattle.gov/financedepartment/documents/RainyDayFundPresentation-FINAL.pdf>

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The 2013-2014 budget adds funding to plan and design the City's next generation data center.

future contribution rates at the full actuarially recommended levels, even if above the 10.03% rate that employees contribute per agreements with the City's labor unions. For 2012, that led to a City employer contribution rate of 11.01% and in 2013 the rate will be 12.89%, while employees remain at 10.03%. Further increases in the employer contribution rate in 2014 are expected to a projected 14.28%. The City's out-year financial plans assume that the City continues to fully fund anticipated annual required contributions as will be actuarially determined.

- *Investing in the Next Generation Data Center:* The City maintains multiple data centers, including the main data center, which was relocated to the Seattle Municipal Tower (SMT) in 2000. In its current location, the main data center is nearing the end of its useful life and is in need of upgrade. In fact, during the summer of 2012, the SMT data center had to be partially shut down when some critical electrical system maintenance had to be performed in the building. In 2013, the City will invest \$3 million to begin planning and designing alternatives for a new data center that will provide more capacity, redundancy and resiliency to keep the City's critical information technology infrastructure running day-to-day and in the event of emergencies.

An engineering consultant report completed in 2012 developed preliminary options and costs for an upgraded system of data centers. The preliminary recommendation is to develop an integrated system with a new, more redundant and reliable main data center, upgrade two other existing City data centers to enhance redundancy and reliability, and to repurpose or decommission the remaining data centers. Preliminary estimates suggest the costs range from \$29 million to \$49 million, depending on which choices are made to meet the City's needs. The project is expected to take three years to complete. In planning for the City's future data center needs, the Department of Information Technology and the Department of Finance and Administrative Services, working in conjunction with other City departments, will take a holistic look at the City's comprehensive data center needs and assess the potential of serving those needs in facilities already maintained by the City. This options analysis will determine which systems should be housed in City facilities, which systems could be best accommodated in leased data center space, which applications may be candidates for cloud computing, and where the City needs

SPD will hire 10 additional police officers in 2013 and will install a gunshot locator system.

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redundancies to ensure reliable access to the City's business systems.

- *Other Information Technology Investments:* A number of other City systems are in need of upgrade, primarily because the current systems are no longer – or will soon no longer be – supported by the software makers. The 2013-2104 Proposed Budget includes funding to allow the City to upgrade to Windows 7 and Office 365. Investments to expand the City's wireless network are also proposed, along with a planning effort to replace the City's email and online records management system. The City will also make investments to continue efforts to upgrade its accounting and budgeting systems.

Enhancing Public Safety: The 2013-2014 Proposed Budget makes significant investments to enhance public safety in the City of Seattle. In fact, the budget adds as much as \$24 million over the biennium to support various efforts and initiatives by the Seattle Police Department (SPD) to reform its operations and expand its efforts to improve public safety.

- *Hiring Additional Police Officers:* The 2013-2014 Proposed Budget includes funding to allow SPD to hire 10 additional police officers, increasing the number of police officers from 1,300 to 1,310. These additional positions will allow SPD to continue meeting or exceeding the outcome objectives defined in the Neighborhood Policing Plan (NPP), as well as relieve the pressure on overtime use resulting from the increased emphasis patrols that have been activated in 2012 in response to crime “hot spots” around the city.
- *Investing in Technology to Enhance Public Safety:* The 2013-2014 Proposed Budget makes several technology investments to improve SPD's public safety capabilities. Two important investments include an automated gunfire locator system (AGLS) and replacement of SPD's in-car video (ICV) system. To support the City's AGLS system, the City will install up to 52 gunshot locator units, each having a minimum 600-foot radius range and each having the ability to stream video. Overlapping coverage and expanded two-mile radius coverage areas will enable SPD to create an automated gunshot locating network. Because the units are mobile, they can be moved to provide increased safety coverage for events such as the Torchlight Parade, the Bite of Seattle, and when Seattle hosts visiting dignitaries. The units will allow SPD to deploy more rapidly to “shots fired” locations because they are able to communicate

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Funding is allocated to allow SPD to continue to reform its operations in the spirit of the Settlement Agreement between the City and the Department of Justice.

wirelessly or via city fiber optic cabling to the central dispatch center and have the option to send alert data and video to authorized laptops in police vehicles. The units can determine if a gunshot has occurred within 4/10ths of a second, pinpoint the location to within a 50-foot radius and determine the caliber of weapon that was fired with a minimum 90% accuracy rate.

The 2013-2014 Proposed Budget also makes enhancements to SPD's in-car video program. First, the budget includes funds to replace SPDs mobile data terminals, which are nearing the end of their useful life. In addition, the budget adds to SPD's crime analysis capabilities by adding staff to analyze data to more strategically deploy SPD resources, as well as provide better access to the public police videos.

- *Implementing the Department of Justice Consent Decree:* For much of 2012, SPD has been engaged in efforts to reform and improve the way it delivers police services, including the implementation of *SPD 20/20: A Vision for the Future Plan (20/20)*.³ The 2013-2014 Proposed Budget expands on efforts already under way and provides additional funding to implement actions called for under the Settlement Agreement reached between the Department of Justice (DOJ) and the City of Seattle. The Settlement Agreement, and the accompanying Memorandum of Understanding,⁴ lays out a framework for certain reforms. While work has already begun to implement these agreements, the full scope of the costs will not be known until the monitor and Community Police Commission (CPC), both requirements of the Settlement Agreement, are in place. Both are expected to be named later in 2012. As such, the 2013-2014 Proposed Budget holds in reserve sufficient funding to allow the City to fully implement the terms of the agreement with the DOJ. As the specific cost elements are defined and agreed to by the monitor and the CPC, the funds will be appropriated.

In the meantime, SPD continues to implement the reform effort begun under 20/20. These efforts include a number of measures,

³ Information about 20/20 can be found: <http://seattle.gov/spd2020/initiatives.htm>

⁴ For access to the Settlement Agreement:
<http://www.seattle.gov/mayor/media/pdf/120727settlementagreement.pdf>
For access to the Memorandum of Understanding :
http://www.seattle.gov/mayor/media/pdf/120727FINAL_MOU.pdf

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Seven community centers will be open 10 additional hours per week to provide afternoon and late-night activities for at-risk youth.

such as the establishment and use of the Force Review Board (FRB) and Force Investigation Teams (FITs), enhancements to the Early Intervention System (EIS) and Crisis Intervention Training (CIT) training, which are now required by the Settlement Agreement as well. SPD has also made significant progress in: 1) clarifying internal policy and procedures related to ethics, policing practices, and officer accountability; 2) training supervisors to comply with the Race & Social Justice Initiative; and 3) increasing community outreach and involvement through the use of Living Room Conversations and Donut Dialogues, an expanded SPD Citizens Academy, and summer youth programs.

- *Public Safety Extends Beyond Traditional Police Services:* The 2013-2014 Proposed Budget recognizes that improving public safety extends beyond police services. Some of the most important investments the City can make are in those programs that address the root causes of crime. Funding is included in the Proposed Budget to expand two such programs – increasing after-school and late-night community center hours to increase access for at-risk youth and expanding the City’s successful Seattle Youth Violence Prevention Initiative (SYVPI) to serve more youth.

As a result of a data-driven decision-making framework involving interdepartmental collaboration between SPD, the Parks Department, SYVPI, and the City Budget Office, the 2013-2014 Proposed Budget adds 10 additional operating hours at seven community centers that serve at-risk youth. The seven community centers targeted for the expanded hours are community centers operating at reduced hours under the City’s new community center operating model implemented in 2012. The goal of this new investment is to improve public safety by providing at-risk youth with additional safe outlets outside of school hours. Late night community center hours, in particular, are proven investments that help reduce incidents of crime and violence. Five of the community centers slated for expanded hours (Delridge, Miller, South Park, Van Asselt, and Yesler) are connected to existing SYVPI activities. The Ballard and Northgate Community Centers’ hours will expand to allow access to more late night recreational programs to teens in the north and northwest sectors of the City.

In addition, the 2013-2014 Proposed Budget adds \$1.68 million in funding to serve 450 more at-risk youth through the SYVPI, bringing

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Inflation increases are provided to human service providers for the first time since 2009.

the total number of youth served to 1,500. The SYVPI mission is to prevent and reduce youth violence, which disproportionately affects communities of color in Seattle, through coordinated, accountable mobilization to identify youth at risk of perpetuating or being a victim of violence and connect them with needed support in reaching their full potential. During its first three years, demand for SYVPI services exceeded available capacity. The new investment for 2013 and 2014 will provide adequate staffing for the existing SYVPI population of 1,050 youth within the three Neighborhood Networks to more effectively implement the current program and a new risk assessment screening process to better target interventions to youth most at risk. Enrolled youth are provided with activities, mentoring, case management, employment services, and other targeted support that addresses the needs of the youth population, which varies among the three sites in Southeast, Southwest and Central Seattle. The expansion of the Initiative's capacity, along with the new risk assessment screening process, will allow the City to have greater impact on reducing youth violence through the identification and enrollment of 1,500 high risk and gang-involved youth.

Upholding the Human Services Safety Net: The 2013-2014 Proposed Budget also makes investments to sustain and expand the human services safety net. These investments are particularly important now, as the populations who rely on these services face a dual challenge. Other government entities have scaled back their support of the human services safety net as they deal with their own budget challenges. Meanwhile, the slow recovery from the Great Recession has resulted in an increased the demand for services as more people struggle to make ends meet.

- *Contract Inflation Increases Provided for the First Time Since 2009:* Perhaps the most noteworthy aspect of the 2013-2014 Proposed Budget's commitment to supporting human services is the fact that for the first time since 2009, the budget includes funding for inflationary increases on the contracts Seattle maintains with community service providers who deliver services to those in need on behalf of the City. Inflationary increases on contract amounts are something the City of Seattle has traditionally provided. But, these increases were curtailed over the past four years. Resuming this practice for 2013 and 2014 will give community service providers more flexibility to respond to increases in their own internal costs and maintain service levels.

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Funding is increased to provide childcare subsidies to 75 more children whose families are moderate- to low-income, reducing the waiting list by nearly one-quarter.

- *Expanding Support for Homeless Families:* Providing support to the increasing number of homeless families remains a challenge. The 2013-2014 Proposed Budget expands funding to assist homeless families with children through a national best practices service model that incorporates expanded outreach and engagement, coordinated entry and assessment, family reconciliation, diversion and progressive engagement models to rapidly move families from homelessness to housing. The collection of services provided in the 2013-2014 Proposed Budget increases the City's funding commitment to these services by \$620,000, for a total investment of \$980,000.
- *Expanding Support for Childcare for Moderate- to Low-Income Families:* The 2013-2014 Proposed Budget also increases the City's support for childcare for moderate- to low-income families. Currently, there is a waiting list of 325 children whose families are seeking subsidy support for childcare costs. An investment of \$500,000 in the Proposed Budget will allow the Human Services Department to provide subsidies to 75 more children, reducing the waiting list by 23%. This is important because access to affordable childcare can be a barrier to people entering the workforce.
- *Investing in the Career Bridge Program:* The U.S. Department of Labor shows that an important determinate of socio-economic advancement is educational attainment beyond high school. To help low-income workers find better paying jobs, the 2013-2014 Proposed Budget includes a new program called *Career Bridge*. This program is a joint collaboration between the Office of Economic Development and the Human Services Department working in partnership with the Seattle Jobs Initiative (SJI). This program will focus on helping individuals who face barriers to employment - including prior incarceration or limited English skills - require additional skill building and connection to resources in order to move toward a professional degree, credential, or longer term employment opportunity. An important innovation of the *Career Bridge* program will be the integration of human and employment services tailored to meet the unique needs of the individuals served by the program. In 2013, the City will identify a Community Based Development Organization (CBDO) who will be the frontline point of contact with individual participants. The CBDO, with support from the City's Human Service Department, will connect participants to appropriate housing options, childcare and transportation services so that participants can focus on career

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building activities. The program is being funded by redirecting a portion of funds from the City's existing contract with SJI to this purpose in 2013, and by programming additional Community Development Block Grant (CDBG) funds to HSD in 2013 and 2014.

Promoting Economic Development: As Seattle slowly recovers from the Great Recession, it is critical that the City of Seattle helps keep this momentum moving by doing what it can to promote economic development and shared prosperity among all Seattle residents. The 2013-2014 Proposed Budget makes a number of strategic investments to ensure that the city's business districts flourish and residents prosper.

The 2013-2014 budget promotes economic development by increasing funding for the *Only in Seattle* and *growSeattle* programs.

- *Support for Neighborhood Business Districts:* The City's commitment to strengthen the business climate in neighborhood business districts will be enhanced in 2013-2014 through an expansion of the *Only in Seattle* program. Under the expansion, \$500,000 in grant funding will be available for projects that improve the "appearance and pedestrian environment" in business districts with parking meters.
- *Investing CDBG Funds to Promote Community Development:* The 2013-2014 Proposed Budget uses Community Development Block Grant (CDBG) funding to invest in two important community development activities. First, CDBG funds will be used to expand in 2014 the *growSeattle* program, which provides entrepreneurial training and business development support to immigrant business owners facing barriers to accessing mainstream business support programs. To date, the program has provided support to East African- and Vietnamese-owned businesses. New services offered in 2014 will include loan capital to community-based lenders to underwrite otherwise unbankable transactions to small businesses. As Seattle's economy continues to recover, it is essential that immigrant entrepreneurs be given additional support to help them navigate unfamiliar bureaucracies and financial systems so that they can thrive.

Second, new CDBG funding will assist businesses in the South Park business district in 2013 through the *Only in Seattle* program. The South Park business district has been hit hard by both the Great Recession and the temporary closure of the South Park Bridge. Through this investment, these businesses will have access to technical assistance while the South Park Bridge remains closed.

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The 2013-2014 budget invests more than \$21 million over the biennium to maintain and upgrade the City's transportation infrastructure.

- *Investing in the Downtown Core:* The Mayor's Center City Initiative will receive increased financial support in 2013-2014 to implement a new approach to address street disorder and support the health and vitality of downtown neighborhoods. The new Outreach and Engagement Team will offer access to services and interventions for individuals who may exhibit signs of mental illness or substance abuse issues, aggressive or intimidating behavior, and apparent homelessness in the Belltown, Commercial Core, Pioneer Square, and Chinatown/International District neighborhoods. This team will include collaborative participation and support from the Seattle Police Department (SPD), the Human Services Department (HSD), King County Metro Transit Police, the Washington State Department of Corrections (DOC), and the private sector, to provide specific interventions, such as a mental health professional funded by the Union Gospel Mission and the Metropolitan Improvement District, to address the underlying issues impacting those individuals identified by the Outreach and Engagement Teams. SPD will receive \$150,000 annually to provide officers for the Outreach and Engagement Team. HSD will receive \$133,000 in funding to contract with and deploy formerly homeless individuals as peer-to-peer liaisons working under the supervision of an outreach case manager, a position that will also be contracted through HSD. In collaboration with the CCI Outreach and Engagement Team, the liaisons will help identify and engage homeless people living in downtown streets or in places not suitable for human habitation on a personal level and connect them with specialized and targeted services.

Upgrading the City's Transportation Infrastructure: As Seattle's transportation infrastructure ages, it is important that the City makes investments to maintain the City's assets, as well as upgrade the system to support multi-modal transportation to ensure people and goods can move efficiently through the city. The budget invests more than \$21 million over the biennium, using multiple revenue sources, including General Fund, REET, Commercial Parking Tax, and one-time Bridging the Gap fund balance, to support critical transportation infrastructure needs.

- Transit Master Plan Implementation
- Pedestrian and Bike Master Plan Investments
- Third Avenue Corridor Upgrades
- Freight Mobility Enhancements
- Asset Preservation and Maintenance

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The 2013-2014 budget includes funding for three *Safe Routes to Schools* projects.

- *Transit Master Plan Implementation:* The 2013-2014 Proposed Budget makes significant investments to begin implementation of the recently completed Transit Master Plan, with an emphasis on developing high-capacity transit options. The budget includes a \$2 million investment to develop a conceptual design of high-capacity transit options in the Eastlake corridor, and \$850,000 over the biennium to develop conceptual design options for the Madison corridor. Using \$500,000 of REET, SDOT will also develop conceptual designs for integrated pedestrian, bicycle and transit crossings of the Lake Union ship canal. To manage these projects and address existing staffing deficiencies, the budget also includes funding for 3 additional FTEs. Finally, in 2014, \$2.5 million is designated in a reserve outside of SDOT's budget for further implementation of the Transit Master Plan.
- *Pedestrian and Bike Master Plan Investments:* Enhancements to pedestrian and bicycle mobility are a key component of the 2013-2014 Proposed Budget. The biennial budget includes: \$800,000 for three Safe Routes to School projects, which improve safety along school walking and biking routes; \$600,000 for sidewalk safety repair, emphasizing projects located in Urban Villages and supporting low-income communities; \$325,000 for the creation of the Center City Mobility Plan, a joint effort with the Downtown Seattle Association that will consolidate relevant transportation plan information for the center city area, with \$150,000 of this funding dedicated to developing bicycle corridors through downtown; \$300,000 for further work on the extension of the Burke-Gilman Trail; and \$208,000 annually for greenway development and related community outreach.
- *Third Avenue Corridor Upgrades:* The Third Avenue Corridor overlaps multiple modal plans, and is proposed to receive \$1 million of REET. With this funding SDOT will make important capital upgrades to Third Avenue in downtown. This corridor is a key part of the Mayor's Center City Initiative, which aims to create downtown Seattle streets that are safe, inviting and vibrant. These improvements include a major sidewalk expansion and enhancement near Macy's department store, upgrading all remaining pedestrian signals to countdown signals, and re-marking all faded crosswalks in the corridor.

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The 2013-2014 budget increases the City's annual investment street repair and maintenance investment by \$5 million.

- *Freight Mobility Enhancements:* Recognizing the critical importance of freight mobility to the economic vitality of the city, the 2013-2014 Proposed Budget adds \$486,000 over the biennium for freight mobility enhancements. The existing Freight Spot Improvements capital project, which makes small-scale freight mobility improvements to the City's street system, is increased by \$235,000 in 2014, and \$251,000 over the biennium is added to support the new Freight Master Plan, as planning for the City's freight investments needs has not been examined since 2005.
- *Asset Preservation and Maintenance:* Investments to address the maintenance backlog are critical because deferred maintenance leads to costly repairs in the long-run, and, due to funding constraints, the City lags far behind industry standards for repair and replacement cycles in many functional areas. Most notably, the budget increases the City's annual investment for street repair and maintenance from 2012 funding levels by more than \$5 million. This includes funding for arterial major maintenance projects, which are repairs that span one-to-three city blocks and are performed by SDOT crews, as well as funding to supplement repair work on non-arterial streets in neighborhoods throughout the city. The 2013-2014 Proposed Budget also reinstates support for the chip seal program and creates a related-crack seal program.

Beyond street maintenance, the budget also includes funding for asset preservation related to bridges, traffic signals and signs. In recognition of SDOT's critical role in maintaining bridges, the 2013-2014 Proposed Budget includes \$270,000 to repair the automated control operations system for the University Bridge, and \$95,000 to develop criteria and a methodology for prioritizing bridge seismic upgrades. The budget also programs more than \$1.1 million over the biennium to address major maintenance needs on aging traffic signals and destination signs throughout the City. Finally, the budget adds \$336,000 of General Fund to support the City's ability to respond to storm events.

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Other City Funds:

The Great Recession also left its mark on other City funds, including the Department of Planning and Development (DPD), Seattle City Light (SCL), and Seattle Public Utilities (SPU). However, three years following the end of the Great Recession, each of these funds is now much healthier and stable. In the case of DPD, it is even in a position to expand as the building and permit climate in Seattle improves.

The 2013-2014 budget restores funding to allow DPD to hire 16 permit revenue-supported positions to respond to the growing demand for building and land use permits in the City of Seattle.

Department of Planning and Development: As the regional economy slowly but steadily recovers from the Great Recession, the rate of building development growth in the Puget Sound region is significantly stronger than the national rate. An especially bright spot locally is in the apartment market. Apartment vacancy rates have fallen and rents are beginning to rise, spurring construction for increasingly large apartment building projects. For DPD, this growth translates into increased building permit revenues. While still below historical peak levels, construction permit revenues are projected to continue to grow in 2013 and 2014. In 2009, building permit revenues reached a low point, totaling only \$12.7 million, down from a peak of \$29.2 million in 2007 – a drop of nearly 57% in two years. Since then, revenues have been increasing, with building permit revenues expected to reach \$21.8 million in 2012. As a result of this increase in building permit activity and revenue trend, the 2013-2014 Proposed Budget restores funding for 16 previously unfunded permit revenue-backed positions to help meet demand. As is the case each year, DPD will continue to evaluate its revenue and permit activity, and will adjust its expenditures if needed during 2013.

Seattle City Light: In 2012, the City adopted a six-year Strategic Plan for City Light ([Resolution 31383](#)) that identified long-term infrastructure needs, investments to meet changing customer expectations, and internal efficiencies to reduce costs. The Strategic Plan was vetted by the public and the City Light Review Panel, a committee of stakeholders representing City Light's customers, and provides a stable and predictable path for future electricity rates. The 2013-2014 Proposed Budget begins implementation of the Strategic Plan, and includes funding for a new Denny Substation to support economic growth in South Lake Union, reliability improvements for the transmission and distribution systems, and improved training and safety programs. The Proposed Budget also includes efficiency initiatives that are expected to save \$18 million a year

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by 2015. To support the Strategic Plan, the City Council is considering proposed rate increases of 4.4% in 2013 and 5.6% in 2014.

Seattle Public Utilities: The 2013-2014 Proposed Budget enables Seattle Public Utilities (SPU) to continue to meet federal and state mandates and provide core services. Funding is provided for SPU to comply with combined sewer overflow and stormwater regulatory requirements, pay for capital financing expenses, and cover costs to develop and operate new solid waste facilities. The budget also reflects SPU's continued efforts to find more efficient and effective ways to deliver services by prioritizing staffing resources and needs and reducing support costs, including costs for professional services and equipment maintenance. SPU's budget is supported by proposed rate increases for drainage, wastewater and solid waste, currently under consideration by the City Council.

Based on current forecasts, the General Fund is in balance for the 2015-2016 biennium.

Looking Ahead:

Three years following the end of the Great Recession, the 2013-2014 Proposed Budget is not nearly as constrained as recent budgets. Based on current forecasts, the General Fund is in balance for the 2015-2016 biennium. That said, in times of relatively subdued revenue growth, the City needs to continually find more efficient ways of doing business. Moreover, the Great Recession has taught us that things can change very quickly. While still recovering, the economy remains relatively fragile. Disruptions to the global economy could negatively impact current revenue forecasts, as could disruptions to the national economy resulting from upcoming debates in Washington D.C. regarding U.S. fiscal policy. Similarly, a run-up in fuel prices due to disruptions to the oil supply chain or growing demand could have a dampening effect on the out-year budget outlook as a result of increased inflationary pressure. While the 2013-2014 Proposed Budget begins to make important investments to address emerging needs, demand for greater investments remains. For example, the City still faces a backlog in road maintenance and asset preservation, as well as pressure to make additional investments to improve multi-modal transportation throughout the city.

Thus, as 2013-2014 approaches, it remains critical that the City continue efforts taken over the past couple of years to ensure it is delivering services in the most efficient manner possible and that its investments are producing the desired results. In 2013-2014 the City will continue or begin a number of efforts designed to allow this process to continue, including:

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To identify future efficiencies, the City will embark on a number of efforts in 2013, including examining internal service costs and space planning.

Examining Internal Service Costs: Central administrative costs essential to running the government are allocated to City funds to recoup the costs equitably and in compliance with state law. To ensure these costs remain as low as possible so as to preserve as much funding as possible for direct service, the City Budget Office, collaborating with the Department of Finance and Administrative Services (FAS), the Department of Information Technology, and client departments, will embark on a process in 2013 to evaluate how these services are provided and whether there are opportunities to improve service delivery at a lower cost. This effort will be guided by best practices and could include an examination of unit cost of services, whether services are being duplicated in other parts of City government, or whether there are lines of business that are better performed by others.

Citywide Space Planning: The size of City government is smaller today than it was before the Great Recession as a result of successive years of budget reductions. Thus, this is a good time to evaluate the allocation of City-owned space, particularly within the Seattle Municipal Tower (SMT), to determine if there are opportunities to consolidate space to either bring City employees who are occupying leased space into SMT or to free up sufficient blocks of space in SMT for leasing to outside tenants, particularly as the vacancy rate in the downtown core begins to drop and demand for office space increases. The 2013-2014 Proposed Budget provides FAS with funding to embark on a comprehensive space planning effort.

Fire Study: In 2012, the City Budget Office, working collaboratively with the City Council, the Seattle Fire Department (SFD) and representatives of the labor unions representing SFD personnel, embarked on a study of Fire Department operations to identify efficiencies. Some of the recommendations identified in the study's first two phases, which focused on the management structure of the organization, are incorporated in the Proposed Budget. Phase III of the study, which will focus in a data-driven manner on operations and deployment models, will begin in October 2012 and conclude in early 2013. The underlying objective with all phases of this study is to ensure that public safety is protected.

Seattle Department of Transportation Efficiency Analysis: The Executive and the City Council have embarked on a joint two-part consultant review of the Seattle Department of Transportation (SDOT). The first phase of the project, to be completed in early 2013, will include an initial assessment of SDOT's operations to identify areas for more in-depth review. The second phase, to be completed by the end of 2013, will examine operational

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The City is measuring the effectiveness of its investments in helping achieve grade-level reading attainment in a pilot project at Northgate Elementary.

changes and efficiencies intended to provide ongoing benefits to Seattle residents and taxpayers. This review will focus on program-level improvements and recommendations, with the goal of identifying changes to operational approaches and management practices that could yield greater budget efficiencies, more productivity, and/or better outcomes for maintaining and improving the City's transportation infrastructure.

Ensuring City Investments Achieve Intended Outcomes: The City is obligated to ensure that taxpayer dollars are invested wisely. Especially because funding remains constrained, it is essential that City government evaluate and assess the outcomes of its investments. The City's initial efforts in this area focus primarily on funding that is targeted to youth and families. A 2011 inventory conducted by the City Budget Office determined that the City spends \$85 million across 130 different City programs to meet the needs of youth and families along the *Road Map for Success*, a continuum of indicators from birth to adulthood that are important predictors for an individual's success and self-sufficiency. The inventory highlighted the need to evaluate the effectiveness of City programs as part of a larger, coordinated approach toward strategically aligning investments with measurable outcomes.

With this in mind, the City began a pilot project in 2011, working with the Parks Department, Seattle Public Library, the Department of Neighborhoods, the Human Services Department, the Office for Education and Seattle Public Schools, to move from tracking activities to measuring and evaluating how effective the City's youth and family investments were in influencing third grade reading attainment – a key metric in predicting high school graduation – at Northgate Elementary School, an ethnically and racially diverse school with 87% of the student body qualifying for the free/reduced lunch program and 41% English language learners, and where only 30% of the student body is reading at grade level.

Interestingly, what was learned from this effort is that the City is not in a position to measure the impact of these investments on reading attainment at Northgate Elementary because it became clear that Northgate students and their families were not accessing City services on a wide-scale basis as a means to help the children achieve grade-level reading standards. Due to geographic and language barriers, students and families at Northgate were not using the resources of the Northgate Branch Library, for example, nor were they using the Northgate Community Center – both valuable community resources, but only when taken advantage of. So, measuring the impact of these services on third-

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grade reading attainment was the wrong approach. Instead, the interdepartmental effort evolved into a process to determine how to better link City investments with the actual needs of the students and their families.

What resulted is the *Northgate READS* program, a six-week reading and enrichment program on-site at Northgate Elementary. City of Seattle departments collaborated to re-program and re-focus existing resources to meet the actual needs of the students and families by working in partnership with community groups and parents. The program aligned all available resources to meet the goal of having each child be reading at grade-level by the end of third grade. Services offered included:

Northgate READS is a six-week reading and enrichment program using existing City resources to promote grade-level reading.

- Eleven hours per week of intensive small-group reading instruction supported by more than 45 community providers; and
- Weekly parent learning groups, focusing on strategies for supporting reading development, with on-site childcare for younger siblings.

This program was launched during the summer of 2012. Assessment test scores from the fall of 2012 will be used to evaluate the success of the program and will serve as the basis for determining how the City can continue to realign services and investments specifically in the Northgate area, but also possibly at other schools citywide. In times where the need for services outpaces the availability of funds supporting those services, it is essential to measure the effectiveness of the City's investments in achieving intended outcomes. The Northgate project is an important first step in this on-going effort.