

2018 Proposed Budget Executive Summary

The 2018 Proposed Budget for the City of Seattle represents the second year of the City's 2017-2018 biennial budget process. The budget builds on the spending levels that were endorsed for 2018, and proposes changes only to the extent that policy priorities have evolved and financial circumstances have changed. That said, the City continues to develop new policy responses to existing challenges such as homelessness, growth, public safety, and effectively moving people and goods into and out of the city. This summary highlights the most significant of these changes relative to the 2018 Endorsed Budget, and describes some of the more noteworthy budgetary actions that were initiated in 2017 and will continue into 2018.

General Fund Budget Outlook

Continued growth in the local economy is providing the revenue needed to sustain existing City services in 2018 and to provide for some expansion in targeted areas. However, consistent with recent forecasts, the rate of growth in City revenues has declined relative to the rates seen in 2015 and 2016. For example, sales tax revenue growth in the first half of 2017 measured 5.4%, well below the 2016 annual growth rate of 7.8%. Overall revenues are up relative to the forecasts prepared when the Council approved the 2018 Endorsed Budget, but most of this increase is due to changes in law at either the local or state level that authorized new revenue sources rather than improved underlying economic conditions. For example, the State of Washington enacted legislation that will apply the sales tax to more online and catalog transactions, and separately eliminated the sales tax exemption for bottled water. These changes are expected to generate an additional \$5.5 million in 2018 for the City. At the same time, the City will be imposing a tax on sweetened beverages beginning in January of 2018. As detailed below, this new tax will generate nearly \$15 million per year for targeted investments in education and food access.

In general terms, local economic conditions remain strong. Seattle has been the focal point of the region's growth during the current recovery, and the economic growth in the region has outpaced that of the national economy. Local job growth has been strong, increasing by more than 20% since the end of the "Great Recession" in 2010, and unemployment in the Seattle area has fallen to just 3.4% as of June 2017. Looking forward, the economic forecast for the region calls for continued but slowing growth. The regional economic models anticipate a reduced rate of hiring in the technology sector and actual employment reductions in both the aerospace and construction sectors. This latter prediction is consistent with the City Budget Office's (CBO) forecast that the level of construction activity will begin to slowly trend downward after 2017. The statistical model CBO has developed to forecast local construction activity indicates that construction activity forecast will decline by 10.8% over the three-year period from 2018-2020. Growth in the construction sector has outstripped past forecasts, but recent data from 2017 does suggest that we have seen the peak. For example, in the second quarter of 2017, the value of permits issued for construction activity in Seattle was virtually unchanged (0.4% increase) from the same quarter a year ago.

Changes in the City's tax base are driven by regional economic activity, and thus this pattern of slowing growth is directly reflected in the forecast for City revenues. In particular, General Fund revenues are projected to grow, but at a decreasing rate. The revised forecasts for General Fund tax revenues for

Proposed Executive Summary

2017 reflect a growth rate of 4.0% relative to 2016, after correcting for the effects of new taxes and increased tax rates. For 2018, the revised forecast predicts a growth of 3.8%. This compares to growth rates of 5.0% and 5.5% seen in the 2014-2015 and 2015-2016 time periods. As revenue growth slows, the focus of the budget will be on sustaining existing services, rather than expanding existing programs or initiating new ones. The cost of providing City services generally increases at a rate slightly above inflation, driven significantly by both increasing labor costs, costly technology investments and the costs of construction in a very hot local market. Thus, unless existing General Fund revenues continue to grow above inflation or new revenue sources are identified, some actual reduction in service levels will be required in the future. The income tax recently approved by the City could provide such a source, but this tax is currently subject to a legal challenge that will likely take more than a year to resolve.

Furthermore, it is important to recognize that a shift to slower growth could happen very quickly. Both sales and B&O tax revenues have become heavily dependent on construction activity. In combination, 18.0% of the revenues from these two key General Fund sources are linked to the construction sector. This sector has proven volatile in the past and could turn quickly again. For the first five months of 2017, taxable retail sales for construction increased 3.9% from the same period a year ago. The comparable figure for 2016 was 17.0%, which illustrates just how quickly construction growth has already decelerated. As noted above, the forecast anticipates a modest downturn, but if the decline is more rapid, budget challenges will emerge quickly.

In this context, the 2018 Proposed Budget allocates the modest increase in forecast revenues to invest further in basic services such as public safety and transportation, while also increasing the City's focus on the challenges of homelessness and serving those in need.

Homelessness

Despite the economic prosperity driving growth in the City's revenues, and in part because of it, Seattle is facing a homelessness crisis of unprecedented proportions. This is the most significant policy challenge that the City is currently facing. The 2018 budget continues the City's commitment to developing the strategies needed to address this crisis and providing the resources needed to fund these strategies. Funding to address the homelessness crisis has increased by 60% from \$39 million to more than \$63 million over the last four years, an average of \$6 million per year.

Nevertheless, nearly 4,000 individuals still sleep outside in Seattle each night. We know the ultimate solution to homelessness is housing and we are working to transform our homelessness crisis response system into one focused on achieving that goal. At the same time, the City must work to address the immediate public health and safety needs of people living unsheltered and the impacts on the surrounding environment.

In late 2016, the City convened a Task Force on Unsanctioned Encampment Cleanup Protocols to make recommendations that would improve the way in which the City responds to the needs of people living in encampments while also addressing public health and safety issues. The recommendations of the Task Force led to a set of comprehensive reforms to encampment response efforts that include:

- increasing safer, alternative places for people to stay;
- improving how people living unsheltered are connected with the services they need; and

Proposed Executive Summary

- reducing the impact of living unsheltered on individuals and the surrounding environment.

In 2017, the City used the platform of an Emergency Operations Center (EOC) activation to implement and accelerate these reforms by coordinating efforts and resources across departments. The EOC effort has shown success both in connecting more people to services and shelter and in addressing the broader sanitation and public health impacts that occur with a large population of people living unsheltered. The 2018 budget investment in homelessness takes the momentum, success and lessons learned from the Emergency Operations Center effort and sustains the effort moving forward.

Increasing safer, alternative places for people to stay. In response to feedback from people living unsheltered and in alignment with best practices, the City is moving toward more 24-hour, low-barrier shelter options that do not require sobriety or identification for admission and can accommodate couples, pets and people's possessions. These traditional barriers have negatively impacted the success of outreach efforts in the past. The Task Force on Unsanctioned Encampment Cleanup Protocols urged the City to ensure it was making "meaningful" offers of shelter to people living outdoors, meaning offers that can meet the needs of the people being offered. As part of the citywide effort to create enhanced shelter options that meets people's needs, the Human Services Department (HSD) launched two new shelters in 2017 – a 100-bed, 24-hour, low-barrier shelter in First Hill and a 75-bed, 24-hour, low-barrier Navigation Center. Both new shelters provide services such as case management and meal programs. In addition, the City stood up three more sanctioned encampments in 2017 with the capacity to provide safer spaces for up to 210 people. With better shelter and authorized encampment options in hand, the Navigation Team outreach effort is seeing improved acceptance rates from people living unsheltered. The 2018 Proposed Budget provides ongoing funding for these efforts, replacing one-time money added in the 2017 Adopted Budget. The proposed budget also expands funding for case management at existing sanctioned encampments. An encampment evaluation performed in 2017, showed that locations with case management were more effective in preparing and moving individuals into permanent housing.

The 2018 Proposed Budget also includes funding to help increase exits from homelessness to permanent housing. As part of the City's integrated and sustained response, the Office of Housing and HSD have led an effort between King County, the City of Seattle, All Home, and United Way of King County to revamp the County's Landlord Liaison Program into the Housing Resource Center. The Housing Resource Center is designed to increase the number of private market and subsidized affordable units that are made available to homeless service agencies whose clients are seeking housing. The 2018 Proposed Budget adds new resources to staff the program and risk mitigation funds to help attract property owners willing to accept referrals of tenants with barriers such as criminal records, eviction history and poor credit.

Connecting people to services they need. Intensive and persistent outreach is the critical front door to connect people living unsheltered with the homelessness response system. The City launched the Navigation Team in February 2017, partially with one-time funding, to provide this front door and add an unprecedented level of interdepartmental and interdisciplinary coordination to the City's homelessness outreach and encampment mitigation efforts. The team is comprised of specially-trained Seattle Police Department officers, an outreach coordinator who is also a licensed mental health professional, contracted outreach providers and encampment response staff, all working together in the field as a single team to offer individualized services and alternative living spaces to individuals

Proposed Executive Summary

experiencing homelessness. The Navigation Team ensures that the needs of people living unsheltered are placed front and center when the City must address public health and safety issues in an encampment.

The Navigation Team is the sole referral point for people into the Navigation Center and the Compass First Hill shelter, allowing the Team to have high-quality interim housing options in hand when they are working with people in the field. In addition, the Navigation Team has access to daily vacancy information for several other shelters and the three newest authorized encampments (Georgetown, Myers Way and Licton Springs). Further, the Navigation Team offers transportation to the shelter/authorized encampment which often helps to facilitate someone's acceptance of relocating. With better shelter and authorized encampment options in hand, the Navigation Team is seeing improved acceptance rates of people living unsheltered moving to safer locations. Between February and August 2017, the Navigation Team had sustained and persistent contact with more than 1,100 individuals, with 419 people accepting an offer to reconnect with family, move to the Navigation Center or another shelter, or move to an authorized encampment. For comparison, during the entire year of 2016, the outreach efforts related to encampment response resulted in only 214 people accepting referrals. Improved and meaningful offers of shelter are being delivered by the Navigation Team.

The 2018 Proposed Budget recognizes the positive impact of the Navigation Team and provides ongoing funding: to sustain the staffing of the Navigation Team; for the contracted outreach providers; for the outreach coordinator who provides mental health consultation services and trains others in outreach best practices; and provides new funding for the overtime incurred by the Navigation Team team's SPD officers.

The City's existing Navigation Team and authorized encampments resources are focused on helping the most vulnerable individuals, those without any shelter and those living in hazardous unauthorized encampments. Yet, the data available from Count Us In 2017 shows that more than 1,500 people -- 40% of unsheltered individuals living in the City -- are living in a vehicle of some kind. The number of people living in their vehicles has increased significantly over time and has traditionally been underserved by the City's outreach efforts. The 2018 Proposed Budget provides funding to add a second Navigation Team to specifically target individuals who are living in vehicles. In order to craft the appropriate service package for this new Navigation team to offer, the City must better understand the needs of people living in vehicles. The 2018 Proposed Budget includes funds to conduct a needs assessment to identify programs and services most likely to help individuals living in their vehicles find permanent housing. Based on the outcomes of the needs assessment, the proposed funding would fund programs and services, such as increased capacity in our authorized encampment network including case management services, diversion funds and/or rapid rehousing dollars.

In addition to dedicating new resources to the Navigation Teams, the budget also provides funding for outreach services currently being provided by the Seattle Public Library. Since April 2016, the Seattle Library Foundation has supported a Community Resource Specialist who works to connect people experiencing homelessness, who rely upon the Library for day-time shelter and/or are accessing other library services, with housing, shelter, healthcare or other community based services. To date, the Community Resource Specialist efforts have been limited to the Central Library, with once a week drop-in hours at the Ballard branch. The Foundation is unable to sustain this funding, yet the demand for the services is ever increasing at multiple branches. The proposed budget provides funding that will

Proposed Executive Summary

sustain the position and expand the program through partnerships to more branches, providing more opportunities to connect with people experiencing homelessness and to direct them toward appropriate support.

The 2018 Proposed Budget also adds new resources to improve information and performance management for the City's homelessness response system, which will ensure that the City is effective and efficient in moving people out of hazardous conditions and on to a path toward permanent housing. The proposed budget provides funding to implement Homeless Management Information System (HMIS) scan cards which will, for a small investment, significantly decrease the burden on people using homeless services to provide information and decrease the burden on agencies to enter duplicative data; meanwhile, HMIS scan cards will significantly increase efficiencies in the homeless service delivery system by ensuring data quality. The homelessness response system's capacity to provide meaningful offers of shelter to individuals contacted by the Navigation Team also relies on HSD's ability to assess real-time availability of shelter options and manage provider outcomes using data. As such, the 2018 proposed budget also includes funding for two positions to increase analytical capability in HSD's Data Team.

Reducing impacts of living unsheltered on individuals and surrounding community. The nearly 4,000 people living outdoors in the city generate a significant public health problem from garbage and human waste for both people living unsheltered and the surrounding community. In addition, large unauthorized encampments can attract criminal behavior that victimizes already vulnerable individuals experiencing homelessness and the surrounding community. Through the Emergency Operations Center (EOC) activation, HSD, SPD, the Department of Finance and Administrative Services (FAS), Seattle Public Utilities (SPU) and the Department of Parks and Recreation (DPR) identified the need for a unified citywide structure and dedicated, consistent resources to adequately address the public safety and public health issues associated with the homelessness crisis. The Navigation Team ensures that the needs of people living unsheltered are placed front and center when these resources must be deployed to address public health and safety issues in an encampment. All efforts are done in accordance with the City's Multi-Departmental Administrative Rule (MDAR) 17-01 with requirements for appropriate notice, adequate outreach, offers for safer alternative sites and management and potentially storage of possessions consistent with the Rule.

In 2018, FAS will reproduce, on a permanent basis, the EOC structure in a newly created Emergency Homelessness Response program, which will coordinate all Citywide actions and operationalize the policies regarding the city's homelessness response. The goal of this program is to move unsheltered individuals to safe living alternatives, prioritizing the most hazardous encampments, in order to improve the health and safety of encampment occupants and the community surrounding encampments. Success will be measured through the collection of data on camp sites and encampments, including data on reduction of these sites, the number of sites successfully cleaned up and the success of referring occupants to authorized shelter alternatives. The [Multidepartment Administrative Rules \(MDARs\)](#) will guide those policies' execution. To manage this central function, the 2018 Proposed Budget transfers the City Director of Homelessness position from the Office of the Mayor to FAS – providing a direct cabinet-level focus on the work within FAS – and adds another position to oversee MDAR compliance. The Emergency Homelessness Response Program will receive and assess information from the City's Customer Service Bureau (CSB) about locations that might warrant Navigation Team services. direct site coordinators to assess hazardous conditions at encampment locations, and prioritize high-risk locations

Proposed Executive Summary

for Navigation Team deployment and remediation of public safety and public health concerns at encampment sites. Two dedicated crews in DPR will perform site remediation. This unified structure ensures:

- The City's encampment response is managed by a single agency.
- Sites are prioritized for cleanup to address the most severe individual safety, public safety or public health conditions.
- Individuals living in affected encampments receive adequate outreach and are offered a safer alternative location.
- Individuals living in encampments interact with a consistent, well-trained group of City staff who are well-versed in crisis intervention as well as the City's MDARs.
- The City can direct encampment-cleanup resources at the appropriate staff level to the locations where they are most needed.

HSD's 2018 Proposed Budget includes funding for one position to manage homelessness program communications and community engagement. The work includes media communications and citywide coordination of community engagement for the City's homelessness response efforts. Demand for public accountability and community conversations has increased significantly due to challenges with siting encampments and shelters as well as rebidding homelessness investments.

Separately, additional staff are also requested to better manage HSD's existing portfolio of grants and contracts. Every year, HSD executes hundreds of contracts and must monitor each for compliance with city, county, state and federal regulations, while also tracking the performance of each relative agreed performance standards. Since 2012, HSD has seen budget for contracted services grow by more than 35%, with only a 3% growth in associated staffing.

Further Investments in Human Services and Education - Sweetened Beverage Tax Revenues

In addition to new funding for the homeless services, the 2018 Proposed Budget includes additional resources to fund services that promote healthy food choices, expand access to healthy and affordable food, reduce disparities in social, development and education readiness and learning for children, assist high school graduates to enter college, and expand services for the birth-to-five population and their families. These resources come from the new tax that City has imposed on the distribution of sweetened beverages. The tax, which goes into effect January 1, 2018, is expected to generate \$14.8 million during its first year.

Per the terms of the authorizing ordinance, 20% (\$2.9 million) of this total will be dedicated to one-time expenditures, recognizing that revenues are likely to decline over time as the tax has the desired impact of reducing the consumption of unhealthy beverages. The authorizing ordinance provides specific guidance regarding the use of these on time resources. Consistent with this direction, the 2018 Proposed Budget directs \$1 million toward one-time tax administration costs, \$1.4 million to the 13th year scholarship program, and \$500,000 for job training for individuals adversely affected by the reduction in beverage sales. This leaves \$11.9 million available to support the other intended policy priorities.

Proposed Executive Summary

This legislation also created a Sweetened Beverage Tax Community Advisory Board that will advise and make recommendations to the Mayor and City Council on how to fund programs that benefit Seattle's populations who experience the greatest education and health inequities. In developing proposals for the remaining \$11.9 million in new revenues, the proposed budget seeks to strike a balance - recognizing the role of the Advisory Board, while at the same time seeking to address several immediate funding needs that are entirely consistent with the goals set out for the use of Sweetened Beverage Tax revenues. Accordingly, for the initial year of funding, the Proposed Budget: (i) directly allocates \$5 million to several pressing needs and clear policy priorities; (ii) recommends the uses of an additional \$4.1 million, but subjects these recommendations to review by the Advisory Board; and (iii) reserves \$2.8 million unprogrammed and fully within the Board's discretion.

The \$5 million that is directly appropriated is allocated as follows:

- \$2.4 million for the Office of Sustainability and Environment (OSE) to immediately expand the Fresh Bucks program. This expansion will increase the capacity of OSE to grow the number of local groceries, community clinics, and farmers market incentives available to program participants. This funding will also support a position to continue the work of updating and implementing the citywide Food Action Plan, an integral project in coordinating other city departments on Fresh Bucks as well as broader food policy, as well as a position to support the administration of the advisory committee tasked with overseeing the allocation of the Sweetened Beverage Tax revenue.
- \$1.9 million to continue programs in the Department of Education and Early Learning (DEEL) and the Department of Parks and Recreation that were included in the 2017 Adopted Budget but with funding for only one year. These programs include the Parent-Child Home Program which provides literacy education to two- and three-year old children from low-income families; school-based mentoring; an innovation high school; summer learning; and helping college-bound students enroll in college.
- \$500,000 to conduct an evaluation of the effects of the tax.
- \$200,000 for on-going tax administration.

The \$4.1 million appropriated in the budget, but subject to a proviso that will allow for Advisory Board review, includes the following:

- \$2.7 million for birth-to-five services in DEEL. This proposed funding would support two new early learning programs to provide support to family child care and birth-to-3 child care providers. Family child care is home-based care provided in a private family home. Often these providers and the children in their care are of ethnic minority or immigrant background. The family child care program support will include curriculum training, expanded nurse health support, operational funding to provider networks, and expanding the Parent-Child Home Program to 12 new providers. Comprehensive program support for birth-to-3 child care providers will include items such as early child behavioral intervention support, professional development, public health nurse support, and a pilot program providing support and monitoring for families whose children do not qualify for birth-to-3 child intervention services.

Proposed Executive Summary

- \$1.4 million for food access programs in the Human Services Department. This proposed funding would expand four existing food programs. This includes doubling the number of children served through the Fresh Bucks to Go program which provides families free or low-cost fresh food bags of local fruit and vegetables every other week at preschool programs serving low-income families across Seattle. It would also fund a 40% increase in the number of children served through the Farm to Table Program, expand funding for food banks and meals programs as well as create a year-round summer and after school meal program for children and youth who may not have access to sufficient food at home.

The \$2.8 million reserved specifically for Board recommendation items could be used to increase funding for the specific items listed here, or to pursue new policy options consistent with the general goals set out in the legislation authorizing the new tax.

Continued Investments in Public Safety

The 2018 Proposed Budget also reflects the City's continued commitment to public safety, both by addressing the needs created by a rapidly growing population and by reforming the way public safety services are managed and accountability is enforced. Building on investments that were made in the Seattle Fire Department (SFD) for 2017, the 2018 Proposed Budget includes funding for an additional firefighter recruit class, expanded paramedic training, a second peak-time Aid Unit, increased staffing at the Fire Alarm Center and replacement of SFD's backup dispatch system. The Department's aging workforce and increasing levels of retirements mean that additional recruits are needed to meet required staffing levels, and for the same reason additional resources are needed to train new paramedics to replace those who are retiring. At the same time, increasing call volumes have necessitated the addition of 4.0 FTE at the Fire Alarm Center, where call volumes have increased by 25% since 2003, and the addition of new peak-time Aid Unit.

Additional resources are also proposed for the Seattle Police Department (SPD). Consistent with commitments made in the 2018 Endorsed Budget, the budget proposed for SPD has the funding needed to fulfill the City's commitment to expand the police force by 200 officers, relative to 2013 staffing levels. This will represent a 15% increase in SPD's uniformed personnel. Additional staff is also provided at SPD's 911 Communications Center. The 2017 Adopted and 2018 Endorsed Budget provided for an additional 25 staff to address increased volumes and improve call response times. The 2018 Proposed Budget builds on that commitment by providing funding for new civilian management and modifying existing supervisor positions to allow for more flexible coverage. This initiative is consistent with a 2016 assessment of the 911 Communications Center that confirmed the need for increased management oversight. To date, the investments made in the 911 Communications Center have produced real results. In the first half of 2017, the 911 Communications Center exceeded state standards, answering 90% of all 911 calls in 10 seconds or less more than 90% of the time, a sharp turn-around from years previous.

The 2018 Proposed Budget for SPD also includes funding needed to continue reforms in police accountability. In May 2017, the City Council passed landmark legislation to strengthen civilian oversight of SPD. The ordinance aims to institute a comprehensive and lasting police oversight system that balances different oversight responsibilities among the Office of Police Accountability (OPA), the Office of the Inspector General (OIG), and the Community Police Commission (CPC). In accordance with that

Proposed Executive Summary

legislation, the 2018 Proposed Budget funds new positions for each of these critical functions. Civilian staff added to OPA will serve as Complaint Navigators and offer a specific point of contact for community members to file complaints and obtain support related to the OPA process. For the OIG, an initial budget was established as part of the 2017 legislation that created this new function. Based on a further assessment of the potential workload for this office, funding sufficient to add four new positions has been included in the 2018 Proposed Budget. The Budget anticipates that the Council will appoint an Inspector General in late 2017 and hiring of additional staff will commence in early 2018. CPC's role was also refined through the accountability legislation referenced. In response, additional funding and authority for two FTE have been proposed for the CPC's budget

Managing and Preparing for Growth

The last several years has been a period of remarkable growth in Seattle, with explosive increases in both population and employment. Managing that growth and preparing the City to accept more growth has been a consistent priority of City departments and officials. In 2016, the Office of Planning and Community Development (OPCD) was created to coordinate planning efforts and help align the City's infrastructure and programmatic investments toward addressing the impacts of growth.

As part of that work, the City has placed a particular focus on equitable development and ensuring that parts of the City that have been neglected in the past receive the support needed to manage and foster growth. The City's Duwamish Action Team, a collaboration between OPCD and the Office of Sustainability and Environment (OSE), has piloted an area-wide planning approach to address such needs. The 2018 Proposed Budget includes several funding proposals to support implementation of the recommendations that have emerged from the Action Team's engagement with Duwamish Valley residents, including those living in South Park and Georgetown. For example, additional funding is provided to target asthma prevention and to ensure that culturally appropriate outreach is available to link residents to existing City-funded asthma prevention programs. To complement this work, the Office of Housing will receive \$50,000 of additional funding to expand existing weatherization programs to include asthma-prevention measures, such as improved ventilation, pest reduction and carpet replacement. The Department of Neighborhoods and Office of Planning and Community Development will receive \$100,000 in one-time funding to support community capacity building in the area, with the goal of developing partners who can work with the City to take over management, operation and ownership of the South Park Community Center. Additionally, The Department of Parks and Recreation (DPR) will be provided approximately \$200,000 to begin development of a South Park land-banked parks site and an off-leash area in Georgetown.

Parks and Recreation facilities are also a focus of neighborhood investment at both Magnuson Park and in the Lake City neighborhood. In addition to serving as a regional recreation asset, Magnuson Park is home to a significant community of affordable housing with additional housing investments to come on line in 2019. As the number of families in the area has grown, the limitations of the existing community center at Magnuson Park have become apparent. Aided by a \$1 million investment from King County, the 2018 Proposed Budget includes an additional \$1.15 million of City funds for a total of \$2.15 million to support a renovation of the existing facility. A similar situation has arisen in Lake City. The existing Community Center facility is no longer sufficient for the needs of this growing neighborhood. In support of the development of a new Lake City facility, the budget includes \$3 million in 2018. Per the plans set

Proposed Executive Summary

out in the Proposed 2018-2023 Capital Improvement Plan (CIP), an additional \$2 million of City funding is anticipated in 2019, and there is the prospect for additional state and private funding. With the City's funding commitment in place, the DPR will begin to work with the community to design an appropriate facility.

The 2018 Proposed Budget also includes funding for further implementation of the City's Equitable Development Initiative (EDI) program. The EDI is intended to help guide strategic City investments in neighborhoods where residents and businesses are at high risk of displacement, and is informed by working directly with impacted community groups and organizations. The EDI will be funded with the \$16 million in proceeds from the sale of surplus property known as the Civic Square Block. With the 2017 Adopted Budget, the Council authorized an interfund loan of up to \$6.5 million to support the implementation of the first round of EDI projects in advance of the sale of the Civic Square Block. Earlier in 2017, Council granted authorized sale of the property, and proceeds are expected by December 31, 2019. In anticipation of continuing EDI work in the interim period, the proposed budget includes legislation to increase the interfund loan to \$16 million.

The City's rapid growth has also put significant pressure on residential rental rates across the City, and at the same time the City has taken steps that change the regulatory framework that governs the relationship between tenants and landlords. For example, several years ago the City established a rental inspection program, and more recently passed legislation banning discrimination against renters because of the source of their income, and requiring landlords to provide housing to qualified renters on a first-come, first-served basis. In this context, the City has recognized the need to provide better and more easily accessible information to both tenants and landlords. To address this need, the Proposed Budget includes \$200,000 for the Seattle Department of Construction and Inspections (SDCI) to establish a Tenant Landlord Resource Center to assist with renting in Seattle. The funding will support a position to coordinate and lead the work, and provide for the development and distribution of printed materials, an informational video, translation and narration in multiple languages, and increased outreach to historically underrepresented communities. This budget addition is directly responsive to [Council SLI 144-1-A-1](#).

Transportation

The City's rapid economic growth, and that of the entire region, continues to put increasing pressure on the City's transportation network. The need to move an ever-growing number of people and accommodate an ever-increasing volume of commercial activity requires continual vigilant maintenance of the existing system, as well as infrastructure investments that can enhance the capacity of the overall network. The 2018 Proposed Budget includes both. Basic street paving and resurfacing will receive nearly \$17 million in funding, sufficient to pave approximately 31 lane miles of roadway. A comparable level of funding will support implementation of the City's Pedestrian Master Plan, including investments in new sidewalks, school safety projects, public stairways and curb ramps. Pedestrian mobility will also be enhanced by a \$500,000 allocation for the Market to MOHAI project, which seeks to provide an enhanced pedestrian streetscape as a link between Pike Place Market and the Museum of History and Industry at Lake Union Park. The Bicycle Master Plan will be funded at just over \$13.1 million, including \$9.4 million for protected bike lanes, \$2.7 million for neighborhood greenways, and \$1 million for spot

Proposed Executive Summary

improvements to existing facilities. An additional \$1 million is also provided to address landslide issues that affect access to public rights of way.

In addition to these system-wide improvements, the budget for the Seattle Department of Transportation (SDOT) includes significant, targeted investments in several large freight and transit projects. A total of \$125.5 million will be needed to complete the Lander Street Grade Separation project. The Proposed 2018-2023 CIP reflects a total City investment of \$36 million, with the remaining funding provided by the State of Washington, the federal government, the Port of Seattle and BNSF Railway. In terms of transit, the Proposed Budget for SDOT includes \$36.4 million for the Center City Connector Streetcar. SDOT's total budget for this project is \$158 million, with the City's share expected to total \$75.2 million over the next three years. Funding is also provided for the Madison Bus Rapid Transit and Roosevelt Multimodal Corridor projects. A smaller scale funding commitment of \$500,000 will allow for the acquisition of the capital equipment needed to implement ORCA-enabled rides on the Seattle Monorail. Technology investments are also planned in several other areas of SDOT's budget. Three million dollars is allocated to a bridge system enhancements pilot, which, if successful, would provide for the automated operation of the City's bascule bridges. This could lead to annual financial savings of \$1 million, and potentially reduce the number of bridge openings as well as the traffic delays associated with these openings. Funding is also proposed to improve the data that underlies SDOT's market-driven parking program, to improve management of employee safety, and to complete a Technology Strategic Plan to guide further Information Technology investments at SDOT.

Judgment and Claims

One of the most significant emerging budgetary challenges for the City's General Fund is the financial pressure on the Judgment and Claims Subfund. The Judgment/Claims Subfund provides for the payment of legal claims and suits brought against the City government. The Subfund receives revenues from the General Fund and the utilities (Seattle City Light and Seattle Public Utilities) to pay judgments, settlements, claims and other eligible expenses. Consistent with current financial policies, the 2017 Adopted and 2018 Endorsed Budget was developed using a five-year rolling average of expenditures from 2012-2015, when annual expenditures ranged from \$8 million to \$10 million. Starting in 2016, expenditures were showing a higher trend in the settlement and judgments in tort cases and the use of outside counsel, and this continued in 2017. Through August 2017, expenses paid from the Fund had exceeded the amount anticipated for the entire year by almost \$4 million. Looking forward for the remainder of 2017, additional expenditures are forecast at roughly \$8 million. Accordingly, an additional \$12 million will be appropriated through the 2017 3rd Quarter Supplemental Budget Ordinance. Based on assessment of currently outstanding claims and judgments and their potential costs, it is likely that this trend will continue into 2018. To help address potential funding shortfalls next year, the 2018 Proposed Budget appropriates an additional \$1.4 million for the Subfund.

Recognizing that unanticipated expenditures of this magnitude are difficult to manage, in the first quarter of 2018, the City Budget Office will coordinate a comprehensive review (with the Law Department, Council Central Staff and Risk Management) of the financial policies that currently govern the Subfund. The existing policies date to 2001, and the proposed review will touch on all elements of these policies, including how the fund is budgeted, whether the approach of funding to a five-year

Proposed Executive Summary

rolling average is still appropriate, the limits played on the accumulation of fund balance, and the City's overall approach to mitigating the risks that generate claims and lawsuits.

Good Government

The City has a committed focus on building a more effective and efficient government, and the 2018 Proposed Budget continues to strengthen this commitment. Implementation of the City's new accounting system, a project known as Summit Reimplementation (SRI), is scheduled to be complete by January 2, 2018. The Proposed Budget includes funding to support the initial period of transition when supplementary resources will be needed to ensure a smooth transition to the new accounting system.

The ongoing work to develop a consolidated Seattle Department of Human Resources (SDHR) will continue as well, with an additional staff position provided to SDHR to further coordinate this transition. And, for the first time, the 2018 Proposed Budget reflects a fully centralized information technology function housed at the Seattle Information Technology Department.

The focus on effective government has also included a specific commitment to tracking and measuring performance. In January 2016, the City launched the Citywide Performance Team, whose mission is to expand the use of data and analytics in decision making. Performance work falls into three broad categories: aligning financial resources and results, actively managing on the basis of performance data, and gleaning insights from data to improve operations and develop more efficient and effective processes.

Continuing to expand pilot performance budgeting work done for the last three budgets, the Citywide Performance Team, in concert with the City Budget Office (CBO), is further aligning the City's budget, spending, and results by ensuring clear and measurable results are established for new and existing programs, initiatives, and contracted service providers. These results are now being explicitly reviewed by CBO analysts when making funding decisions. In addition to funding decisions, CBO is developing systems for ongoing evaluation and executive oversight of baseline programs and services. Budget Performance Measures provide a systematic look at budget and spending attached to measurable results. As the City continues to modernize its technical infrastructure the Citywide Performance Team is prepared to automate and scale this effort Citywide. For more information, see the Budget Performance Measures section in the 2018 Proposed Budget Introduction section.

As part of the City's commitment to transparency around voter-approved initiatives, two new public facing websites were launched in September 2017 for the Seattle Preschool Program and the Housing Levy. These sites contribute to a growing body of work that provides transparency to voters by describing progress toward stated goals and commitments. Other transparency sites include the Move Seattle Dashboard, Seattle Transit Benefit District Budget Performance Measures, and the Park District budget transparency site.

To provide decision-makers throughout City Government access to timely and actionable information, the Citywide Performance team has worked with many departments, including Finance and Administrative Services, Human Services, Education and Early Learning, Transportation, Seattle City Light, and Seattle Public Utilities to identify data, measures and related spending as part of a consistent, Citywide framework of performance management. In addition, the Citywide Performance Team has

Proposed Executive Summary

actively supported priority issues such as homelessness response to ensure data is made available for active progress tracking and decision making.

The City is on a path to glean insights from data to continually improve operations. The Citywide Performance Team has been awarded in-kind resources from What Works Cities, the Harvard Kennedy School's Ash Center for Democratic Governance and Innovation, the John and Laura Arnold Foundation and the Harvard Kennedy School's Government Performance Lab to do behavioral insights and analytics projects. In partnership with various departments across the City, these projects build capacity across the government to use more advanced performance and data techniques such as randomized control trials, behavioral economics, data science and results-driven contracting to help improve City operations.