
CITY OF
Seattle, Washington

2005 Adopted and 2006 Endorsed Budget

Ordinance 121660



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**CITY OF SEATTLE
2005 ADOPTED and 2006 ENDORSED BUDGET**

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City of Seattle
2005 Adopted and 2006 Endorsed Budget

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Readers Guide

This reader's guide describes the structure of the 2005 Adopted and 2006 Endorsed Budget and outlines its contents. It is designed to help citizens, media, and City officials more easily understand and participate in budget deliberations. In an effort to focus on what is achieved through spending, the 2005 Adopted and 2006 Endorsed Budget includes funding levels and expected program outcomes, taking into consideration the current economic situation. This document identifies some of the most important or well established performance measures and describes them at the department level in departmental budgets.

A companion document, the 2005-2010 Adopted Capital Improvement Program (CIP), identifies adopted expenditures and fund sources associated with the development and rehabilitation of major City facilities, such as streets, parks, utilities, and buildings, over the coming six years. The CIP also shows the City's financial contribution to projects owned and operated by other jurisdictions or institutions. The CIP fulfills the budgeting and financing requirements of the Capital Facilities Element of Seattle's Comprehensive Plan by providing detailed information on the capacity impact of new and improved capital facilities.

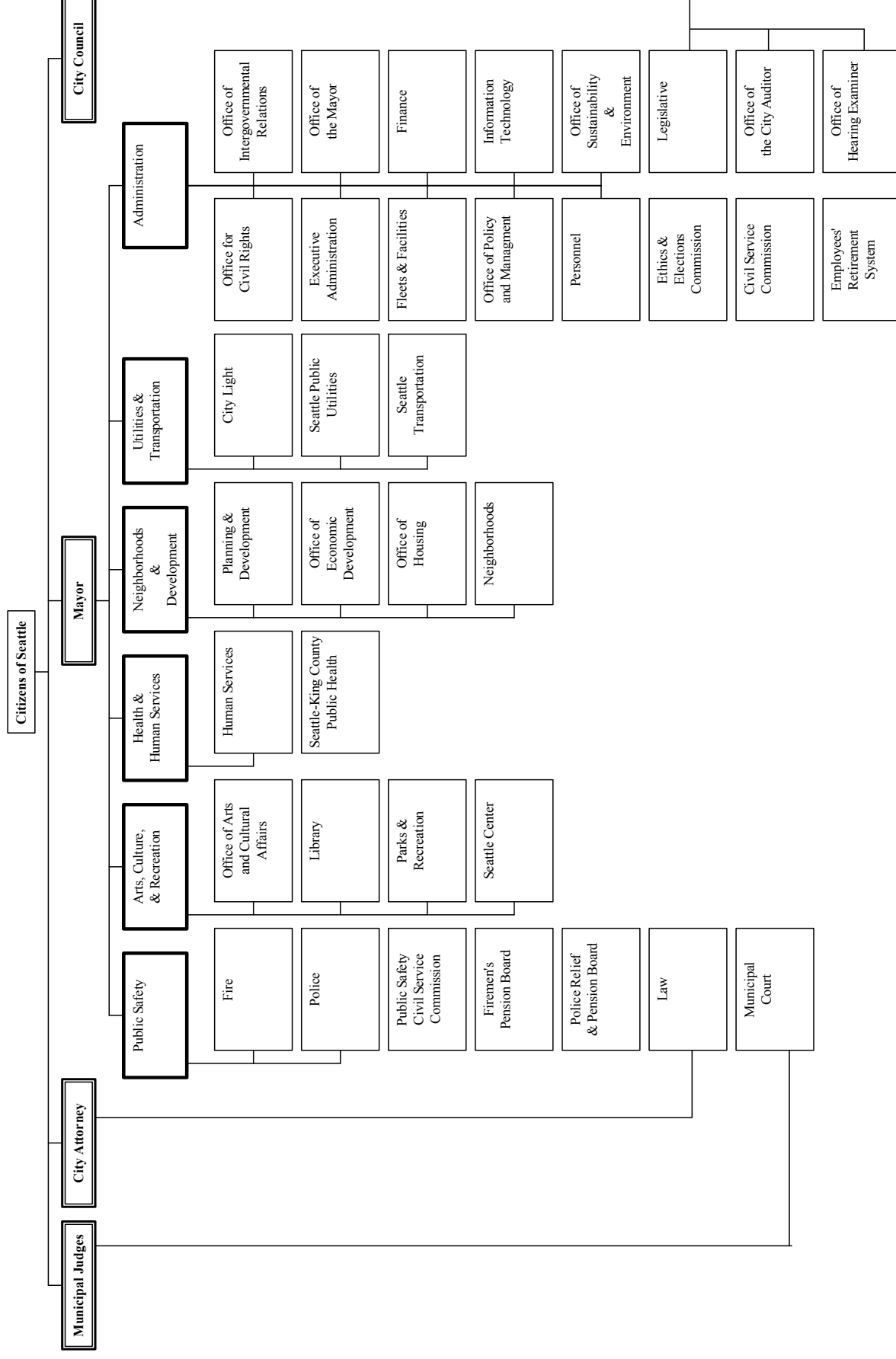
Seattle budgets on a modified biennial basis. See the "Budget Process" section for details.

The 2005 Adopted and 2006 Endorsed Budget

This document is a detailed record of the spending plan adopted for 2005 and endorsed for 2006. It contains the following elements:

- Selected Financial Policies – a description of the policies that govern the City's approach to revenue estimation, debt management, expenditure projections, maintenance of fund balances, and other financial responsibilities;
- Budget Process – a description of the processes by which the 2005 Adopted and 2006 Endorsed Budget and 2005-2010 Adopted Capital Improvement Program were developed;
- Summary Tables – a set of tables that inventory and sum up expected revenues and planned spending for 2005-2006;
- General Subfund Revenue Overview – a narrative explaining where the City's General Subfund revenues, or those revenues available to support general government purposes, come from and the factors affecting the level of resources available to support City spending;
- Departmental Budgets – City department-level information describing significant policy and program changes from the 2004 Adopted Budget, the services provided, key performance measures, and the spending levels adopted to attain these results;
- Position List – a list of authorized positions by department;
- Cost Allocation – a summary of cost-allocation factors for internal City services; and
- Appendix – an array of supporting documents including Statements of Legislative Intent (SLI's) approved by the City Council, a glossary, and Citywide statistics.

City Organizational Chart



Budget Amendment

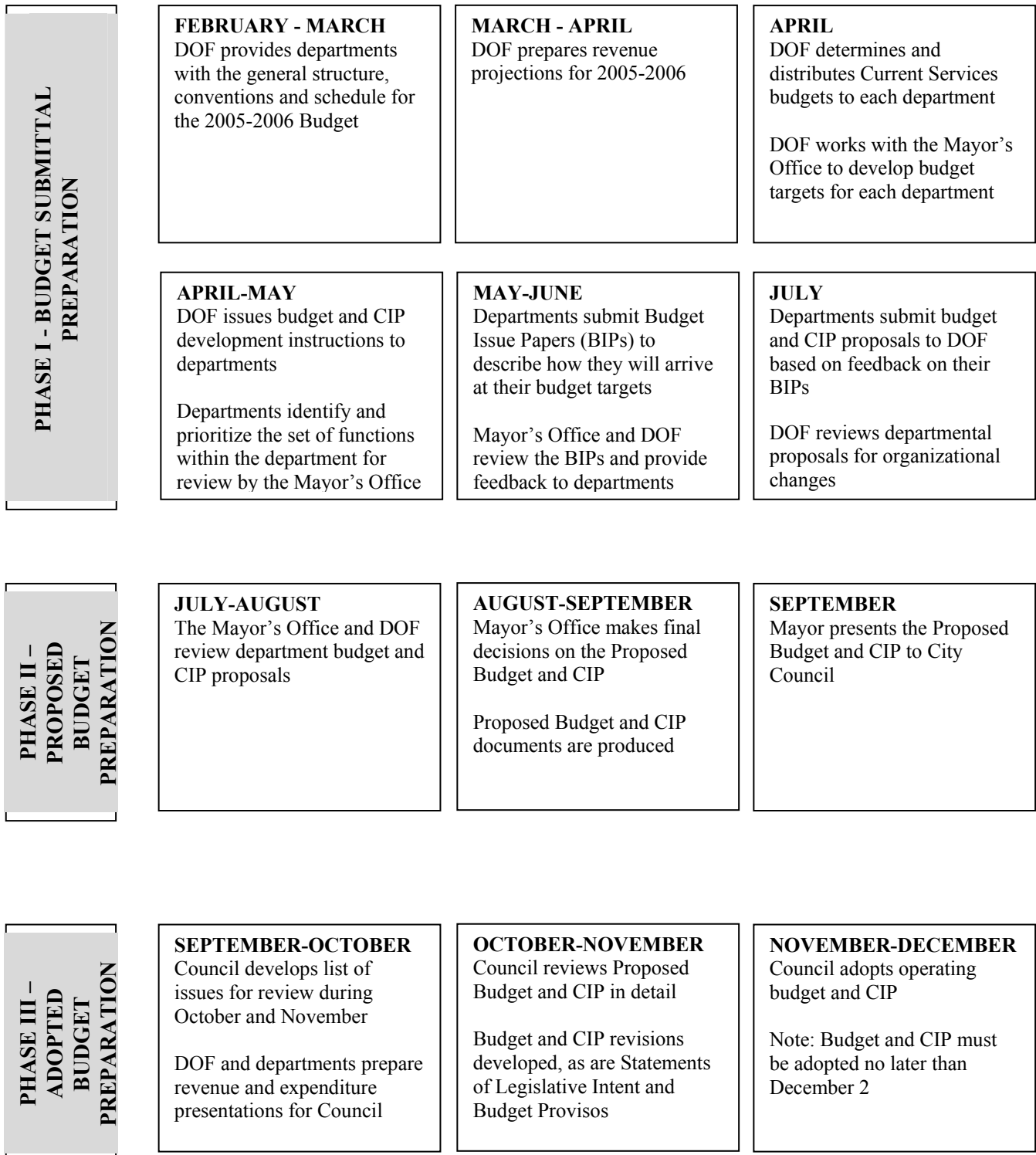
A majority of the City Council may, by ordinance, eliminate, decrease, or re-appropriate any unexpended appropriations during the year. The City Council, generally with a three-fourths vote, may also increase appropriations from available money to meet necessary expenditures that were not foreseeable earlier. Additional unforeseeable appropriations related to settlement of claims, emergency conditions, or laws enacted since passage of the annual operating budget ordinance require approval by a two-thirds vote of the City Council.

The Finance Director may approve, without ordinance, appropriation transfers within a department or agency of up to 10%, and with no more than \$500,000 of the appropriation authority for the particular budget control level or, where appropriate, line item, being increased. In addition, no transfers can reduce the appropriation authority of a budget control level by more than 25%.

In accordance with Washington state law, any unexpended appropriations for operating or ordinary maintenance expenditures automatically lapse at the close of the fiscal year, except for any appropriation continued by ordinance. Unexpended appropriations for capital outlays remaining at the close of the fiscal year are carried forward to the following year, except for any appropriation abandoned by ordinance. In developing guidelines for the transition to biennial budgeting, the City Council created a mechanism for allocating unexpended, non-capital, year-one appropriation authority. Resolution 28885 allows departments to carry forward into year two up to one-half of the unencumbered and unexpended non-capital appropriations remaining at the end of year one, with Council approval in year two's budget.

Budget Process

BUDGET PROCESS DIAGRAM – 2005-2006 BUDGET



Budget Overview

Utilities and Technology

Seattle City Light emerged from the short-term effects of the West Coast power crisis in mid-2004 by paying off the last of the short-term debt incurred to cover high energy costs resulting from poor water conditions and manipulation of the energy markets. New financial policies will gradually reduce the utility's reliance on debt to finance its capital program and will build a substantial contingency reserve. The Mayor and Council will undertake a thorough review of City Light revenue requirements and rates in 2005, culminating in a rate proposal in mid-summer. The 2005-2006 Budget maintains current rates. Approximately \$6 million of cuts are made in a variety of administrative functions and lower-priority programs to provide funds to improve reliability of the electrical distribution system and strengthen the utility's financial position.

Seattle Public Utilities completed a Solid Waste Facilities Plan and a Comprehensive Drainage Plan in 2004. The 2005-2006 Budget includes changes in water, solid waste, drainage, and wastewater rates, which result from a combination of utility rate studies and the City Council's action to increase utility tax rates by 1.5% to provide more revenue for the General Fund. Seattle Public Utilities is continuing its asset management approach and is broadening the focus to include operational practices. This new approach has led to significant reductions in project costs and utility revenue requirements.

Beginning in 2005, City departments will make a concerted effort to improve and enhance Seattle's aquatic environment through the Mayor's Restore Our Waters initiative. This initiative requires departments to get the most benefit out of projects by coordinating work and using sound scientific information to make the best investments. Examples of projects the City is undertaking in this biennium include:

- Sand Point Magnuson Park Shoreline Renovation, which will repair the bulkhead and regrade the shoreline, providing a safer habitat for small fish.
- Beer Sheva Habitat Improvement, which will create a high-quality fish refuge and rearing habitat at the mouth of Mapes Creek.
- Bitter Lake/N 137th Stormwater, which will design and construct stormwater treatment to improve the quality of water discharged into Bitter Lake. Options include wet vaults and media filters with swirl concentrators for pretreatment.
- Fish Passage Program, which will remove fish passage barriers located in Pipers Creek and Taylor Creek, allowing returning salmon to access many more miles of stream.

The Department of Information Technology (DoIT) provides technology support to City agencies and also provides an array of services to the public, including government access television (the Seattle Channel), the City's Web site (the Public Access Network), and community technology support. The DoIT budget includes a 1% increase in the cable franchise fee to expand efforts in this area. One of the biggest changes will be expansion of the City's ability to accept electronic payments. DoIT is working with the Department of Executive Administration to implement services allowing utility bills, business licenses, and other charges to be paid through a secure Internet connection. DoIT is also working with the Parks Department to expand electronic registration for Parks programs.

Budget Overview

Looking to the Future

Despite this period of economic difficulty, the City has maintained, and in many cases strengthened, its long-term financial policies for the general government and utilities. The City continues to maintain substantial Emergency Subfund and other General Fund reserves for purposes such as debt service, vehicle replacement, public safety communications, and legal claims. These policies have ensured the City maintains its very high bond ratings.

Most economic forecasts suggest the regional economy will continue to improve over the next several years. If so, the City's General Fund and utility budgets should be sustainable because the 2005-2006 Budget does not rely on any significant use of nonrecurring funds. The transportation budget will face major challenges in 2007 unless additional revenue sources become available. In addition, Seattle Center will continue to have revenue problems unless attendance at athletic and cultural programs returns to pre-2001 levels.

Overall, the 2005-2006 Budget represents a turning point in the City's fiscal fortunes. Economic improvements and increased efficiencies allow core programs to be maintained and a few new initiatives to be established to better serve Seattle's residents and businesses.

Summary Tables

REVENUE SUMMARY BY SOURCE (in thousands of dollars)

GENERAL SUBFUND

| Revenue Source | 2003 Actual | 2004 Adopted | 2004 Revised | 2005 Adopted | 2006 Endorsed |
|---|------------------|------------------|------------------|------------------|------------------|
| Total Taxes | 549,615 | 558,391 | 560,407 | 584,620 | 601,098 |
| Licenses and Permits | 12,397 | 11,325 | 11,533 | 12,455 | 12,460 |
| Parking Meters/Meter Hoods | 11,245 | 13,829 | 12,513 | 15,635 | 17,165 |
| Court Fines | 15,978 | 16,016 | 18,049 | 16,500 | 16,500 |
| Interest Income | 2,102 | 1,899 | 1,595 | 1,291 | 1,591 |
| Revenue from Other Public Entities | 14,984 | 8,969 | 9,302 | 10,178 | 10,058 |
| Service Charges & Reimbursements | 39,132 | 37,756 | 37,475 | 39,983 | 37,670 |
| All Else | 967 | 892 | 1,005 | 898 | 940 |
| Total: Revenue & Other Financing Sources | \$646,420 | \$649,076 | \$651,877 | \$681,559 | \$697,483 |
| Interfund Transfers | 5,252 | 16,660 | 13,940 | 4,353 | 912 |
| Total, General Subfund | \$651,671 | \$665,736 | \$665,817 | \$685,912 | \$698,395 |

Summary Tables

EXPENDITURE SUMMARY

(in thousands of dollars)

| Department | 2004 Adopted | | 2005 Adopted | | 2006 Endorsed | |
|--|-----------------|----------------|-----------------|----------------|-----------------|----------------|
| | General Subfund | Total Funds | General Subfund | Total Funds | General Subfund | Total Funds |
| Arts, Culture & Recreation | | | | | | |
| Office of Arts and Cultural Affairs | 2,338 | 3,115 | 1,820 | 3,742 | 1,856 | 3,557 |
| The Seattle Public Library | 32,934 | 43,595 | 36,447 | 41,222 | 37,015 | 40,770 |
| Department of Parks and Recreation | 35,688 | 106,092 | 33,174 | 105,554 | 34,457 | 108,725 |
| 2000 Parks Levy Fund | 0 | 22,888 | 0 | 20,476 | 0 | 20,235 |
| 1999 Seattle Center/Community Centers Fund | 0 | 2,784 | 0 | 3,388 | 0 | 0 |
| Seattle Center | 8,632 | 34,003 | 8,849 | 36,316 | 10,379 | 36,712 |
| SubTotal | 79,592 | 212,477 | 80,290 | 210,698 | 83,707 | 209,999 |
| Health & Human Services | | | | | | |
| Community Development Block Grant | 0 | 18,204 | 0 | 16,931 | 0 | 16,931 |
| Educational and Developmental Services Levy | 0 | 11,669 | 0 | 13,661 | 0 | 14,806 |
| Public Health - Seattle and King County ⁽¹⁾ | 10,255 | 10,255 | 0 | 0 | 0 | 0 |
| Human Services Department | 24,013 | 98,129 | 34,634 | 81,507 | 34,897 | 82,695 |
| SubTotal | 34,268 | 138,257 | 34,634 | 112,099 | 34,897 | 114,432 |
| Neighborhoods & Development | | | | | | |
| Office of Economic Development | 5,871 | 5,871 | 5,668 | 5,668 | 5,716 | 5,716 |
| Office of Housing | 0 | 37,633 | 0 | 33,174 | 0 | 30,574 |
| Department of Neighborhoods | 7,142 | 7,142 | 6,838 | 6,838 | 7,038 | 7,038 |
| Neighborhood Matching Subfund | 3,168 | 3,555 | 3,197 | 3,551 | 3,268 | 3,268 |
| Department of Planning and Development | 9,754 | 49,972 | 8,251 | 53,474 | 7,848 | 53,949 |
| SubTotal | 25,935 | 104,173 | 23,954 | 102,705 | 23,870 | 100,545 |
| Public Safety | | | | | | |
| Criminal Justice Contracted Services | 20,963 | 20,963 | 17,426 | 17,426 | 18,566 | 18,566 |
| Fire Facilities Fund | 0 | 0 | 0 | 12,324 | 0 | 19,344 |
| Firemen's Pension | 16,329 | 16,900 | 16,206 | 17,458 | 16,980 | 17,707 |
| Law Department | 12,613 | 12,613 | 12,994 | 12,994 | 13,411 | 13,411 |
| Police Relief and Pension | 15,678 | 15,913 | 15,345 | 17,558 | 16,082 | 16,382 |
| Public Safety Civil Service Commission | 124 | 124 | 116 | 116 | 119 | 119 |
| Seattle Fire Department | 113,317 | 113,317 | 117,597 | 117,597 | 121,001 | 121,001 |
| Seattle Municipal Court | 19,505 | 19,505 | 18,958 | 18,958 | 19,540 | 19,540 |
| Seattle Police Department | 174,284 | 174,284 | 178,702 | 178,702 | 182,750 | 182,750 |
| SubTotal | 372,813 | 373,619 | 377,344 | 393,133 | 388,449 | 408,820 |

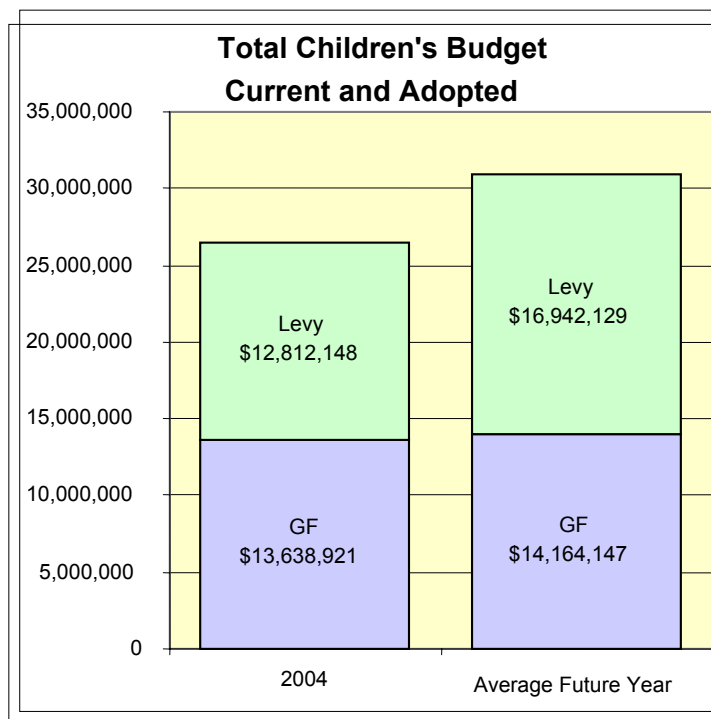
(1) Public Health Services has been transferred to the Human Services Department and is budgeted at \$9,509,334 in 2005 and \$9,258,675 in 2006.

Children's Budget

Over the last two years, the City has developed a results-oriented investment strategy for funding programs for children and youth. The goals of this effort, called the Children's Budget, are to improve school readiness, academic achievement, and health for all children and youth, with particular emphasis on reducing disproportionate outcomes by race and income level. The key elements of the Children's Budget strategy are:

- Invest in best practices and tested-effective programs whenever possible;
- Track the progress of children and youth toward improved academic achievement and health;
- Use the knowledge gained by measuring and monitoring to improve programs and make better decisions about how to invest in children and youth in the future;
- Coordinate budgeting and planning for children and youth programs across City departments to allow City's policy-makers to make more strategic decisions, increase efficiencies, and, ultimately, improve outcomes for children and youth; and
- Keep the public informed about how the City's children and youth are faring, and the effects of City-funded programs.

The City invests in children and youth through the budgets of five City departments: the Office of Arts and Cultural Affairs, the Seattle Public Library, the Departments of Neighborhoods, the Department of Parks and Recreation, and the Human Services Department (which also contracts with a number of public health agencies in 2005). The recommended overall annual Children's Budget for 2005-2006 is approximately \$31 million, an increase from the 2004 level of \$26.5 million. City funding sources include the General Subfund, the Families and Education Levy, and the federal Community Development Block Grant (CDBG). The Families and Education Levy, renewed by Seattle voters in September 2004, will provide \$116.8 million for children and youth during the next seven years. The City's adopted annual General Subfund commitment is approximately \$14.2 million, an amount about \$213,000 greater than the City's 2004 General Subfund budget contribution inflated to 2005 levels.



Children's Budget

The Children's Budget is organized into five major investment areas: Early Learning, Family Involvement and Support, Out-of-School Time, Support for High-Risk Middle and High School Age Youth, and Student Health. The funding changes and examples of the programs in each investment area are provided below.

Early Learning – Increase both General Subfund and Levy investments, increasing the total Early Learning amount from \$2.6 million to \$6.5 million. Program elements include preschool classes for low-income children, childcare for low-income families, and preschool and childcare teacher training.

Family Involvement and Family Support – Continue the overall funding commitment, approximately \$4.6 million per year. Program elements include helping parents help their children to achieve academically, and helping parents, especially immigrant and refugee parents, to get basic services such as food, shelter, and clothing.

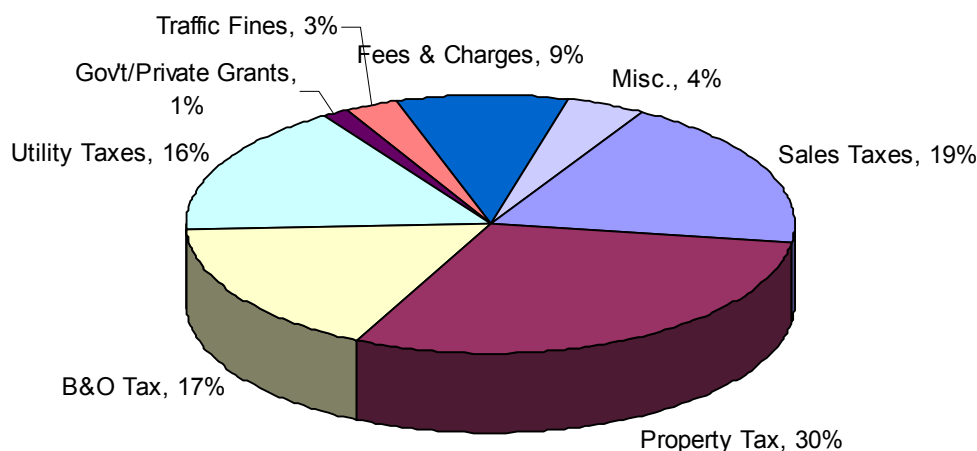
Out-of-School Time – Increase both General Subfund and Levy investments, increasing the total Out-of-School Time investment from \$8.4 million to \$9.8 million. Program elements include after-school activities with an academic focus for elementary and middle school students, arts training for middle and high school students, summer day camp scholarships for low-income children, and library programs for children and teens.

Support for High-Risk Middle and High School Students – Program elements includes nearly \$4.4 million a year for case management to help teens access public services, truancy prevention to help youth at risk of dropping out of school, and counseling for high-risk middle school students.

Student Health – Program elements include more than \$5.1 million a year for school-based health centers and school nurses in four middle schools and 10 high schools, school nurses, mental health counseling for high-risk youth, and dental care for elementary school students.

General Subfund Revenue Overview

Figure 1. 2004-Revised General Subfund Revenue Forecast by Source - \$665.8M



The National and Local Economy

Current Economic Conditions and Outlook

The recovery from the 2001 recession has been weak and uneven. The decade of the 1990s saw the longest national economic expansion on record, one that lasted a full 10 years. The expansion was characterized by rising productivity, a booming stock market, an expanding high-tech sector, and rising investment. During the high-growth years of the late 1990s, optimists talked of the arrival of a “new economy,” which would usher in a future characterized by rapid economic growth, soaring incomes, and an end to the business cycle.

However, the dream of a “new economy” ended in early 2000, when the stock market bubble burst. With stock prices no longer rising, businesses cut back on investment spending. Consumer spending also slowed as falling stock prices led to declining household wealth. The slowing economy slipped into recession in March 2001, and was weakened further by the September 11 terrorist attacks. Due to aggressive interest rate cuts by the Federal Reserve, the recession was both short and mild. The recovery began in December 2001.

In its early stages, the recovery was led by consumer spending, which was supported by tax cuts and low interest rates, and by growth in federal government spending. However, in the second quarter of 2003, business investment began to expand, and exports have been growing at a healthy pace since third quarter 2003.

Employment has been expanding since September 2003, though the rate of growth has slowed since peaking in March and April 2004. Despite this recent growth, as of December 2004 employment was still 241,000 jobs below the pre-recession peak reached in March 2001. Job growth has been particularly disappointing when compared to other recoveries. As illustrated in Figure 2, which shows employment growth following the end of the past three recessions, only 1.4 million jobs have been created in the 37 months that have elapsed since the end of the 2001 recession, compared to 9.8 and 4.9 million following the 1981-82 and 1990-91 recessions, respectively.