## REVISED STAFF REPORT

|  |  |  |  |
| --- | --- | --- | --- |
| **Agenda Item:** |  | **Name:** | Andrew KimCouncil Policy Staff |
| **Proposed No**.: | 2016-0519 | **Date:** | December 5, 2016 |

**COMMITTEE ACTION**

|  |
| --- |
| ***Proposed Substitute Ordinance 2016-0519.2, the Executive’s 2016 2nd Omnibus Budget Proposal, passed out of committee on November 30th with a “Do Pass” recommendation. The motion was amended in committee with Striking Amendment S1. The effects of this amendment are summarized in the “Chair’s Striker” section at the end of this staff report. Additionally, Striking Amendment S1 was amended in committee with an amendment to keep intact an expenditure restriction for Environmental Health of $113,645 and 1.0 FTE and a $650,000 proviso for Environmental Health to perform a pilot project that moved an Environmental Health septic inspector to the DPER office in Snoqualmie.*** |

**SUBJECT**

Proposed Ordinance 2016-0519 (2016 2nd Omnibus) would make net supplemental appropriations of $5.69 million to General Fund agencies, $31.45 million to non-General Fund agencies, and $12.76 million to capital fund budgets for the 2015-2016 revised biennium budget.

**SUMMARY**

Executive proposed changes for the 2016 2nd Omnibus are summarized in Table 1 and Table 2 below.

**Table 1. Summary of 2016 2nd Omnibus by Major Funds**

|  |  |  |  |
| --- | --- | --- | --- |
| **Funds** | **2015/2016 Revised Budget****(as of October 24, 2016)** | **Proposed****Appropriation** | **Total** |
| General Fund | $1.56 billion | $5.69 million | $1.57 billion |
| Non-General Fund | $6.82 billion | $31.45 million | $6.85 billion |
| Capital Improvement Programs | $1.38 billion | $12.76 million | $1.39 billion |
| **Total** | **$9.75 billion** | **$49.9 million** | **$9.80 billion** |

**Table 2. Summary of 2016 2nd Omnibus by Appropriation Unit**

|  |  |  |  |
| --- | --- | --- | --- |
| **Appropriation Unit** | **Appropriation** | **Revenues** | **Net Appropriation** |
| Prosecuting Attorney | $125,000  |  -  |  $125,000  |
| District Court |  ($256,000) |  -  |  ($256,000) |
| Elections | $650,000  |  $650,000  |  -  |
| Internal Support |  $1,200,000  |  -  |  $1,200,000  |
| General Government GF Transfer | $810,000  |  -  |  $810,000  |
| Public Defense |  $3,164,315  |  $612,315  |  $2,552,000  |
| **GF Subtotal** | **$5,693,315** | **$1,262,315** | **$4,431,000** |
| Veteran and Family Levy |  $250,000  |  -  | $250,000  |
| Housing Opportunity |  $5,000,000  | $3,000,000  |  $2,000,000  |
| Solid Waste |  $11,500,000  |  $10,000,000  |  $11,500,000  |
| Risk Management |  $5,700,000  |  -  |  $5,700,000  |
| KCIT Services |  $9,000,000  |  -  |  $9,000,000  |
| **Non-GF Subtotal** |  **$31,450,000**  |  **$13,000,000**  |  **$18,450,000**  |
| Capital Improvement Programs | $12,764,204 | n/a | $12,764,204 |
| **Total** |  **$49,907,519**  |  **$14,262,315**  |  **$35,645,204**  |

The total increase proposed in General Fund expenditures is $5.69 million, of which $1.26 million is revenue-backed. The remaining $4.43 million would come from fund balance. With the proposed increases, the cumulative total supplemental appropriation to date for the General Fund for the 2015-2016 biennium would be $65.3 million, making the cumulative total appropriation to date for the General Fund to be $1.57 billion. The Third Quarter 2016 Budget Report, transmitted by the Office of Performance, Strategy, and Budget (PSB) on November 15, 2016 (Report 2016-RPT0162), provide an updated General Fund financial plan which includes the changes proposed in this omnibus. This report is included in Attachment 7 of this staff report and the following summarizes PSB’s analysis of the financial plan:

* ***Revenues*** *through the third quarter of 2016 are forecast to be higher than those in the 2015-2016 adopted budget. The net effect of the updated revenue forecast is an increase in the 2015-2016 biennium of about $37.4 million overall when compared to the adopted budget.*
* ***Expenditures*** *have been increased by $65.3 million when compared to the adopted budget. In addition, the underexpenditure assumption has been reduced by $5.0 million from the adopted budget. This more conservative approach has been taken due to the uncertainty around expenditure behavior in a biennial budget. PSB will be monitoring expenditure levels closely as part of the financial monitoring process.*
* *Designations and Subfund balances have been calculated based on preliminary 2015 year end results; and both the Risk Mitigation reserve and CIP Supplemental reserve has been reduced to reflect the pending supplemental activity.*
* *As a result of these adjustments, the projected 2015-2016 ending* ***undesignated fund balance*** *as of the end of the third quarter was $44.1 million, which exceeds the 6 percent minimum reserve policy by $2.9 million. The* ***Rainy Day Reserve Fund*** *is maintained in a separate fund at approximately $20.3 million. The maintenance of the 6 percent target reserve, the Rainy Day Reserve, and the Risk Reserve, all support the County’s bond ratings.*

**ANALYSIS**

This section provides analysis for each of the proposed changes of the 2016 2nd Omnibus in the order as written in the Proposed Ordinance.

**Prosecuting Attorney $125,000**

|  |  |
| --- | --- |
| *2015-2016 Adopted Budget:* | *$134,846,000* |
| *Supplemental Appropriations:* | *$0* |
| *Cumulative Total Appropriation to Date:* | *$134,846,000* |

***Paid Parental Leave (PPL)***

The proposed ordinance would appropriate $125,000 to reimburse the Prosecuting Attorney’s Office (PAO) for the cost of covering for attorneys who were absent on PPL during the 2016 PPL pilot program. According to the fiscal note, “Deputy Prosecuting Attorneys are using PPL at a greater-than-anticipated rate in 2016.” The PAO rate of PPL usage was about double the county average. Although the Executive has required other county departments and agencies to absorb the cost of the 2016 PPL pilot program within their existing budgets, “the Executive made a commitment to the Prosecutor to include full funding, as the PAO indicated they could not fund the PPL with existing funding,” according to executive staff. As of August 30, 2016, according to the fiscal note, the PAO’s cost of providing PPL in 2016 was projected to be $123,592. The Executive’s proposed supplemental appropriation would support the PAO’s entire cost of covering for attorneys on PPL.

**District Court ($256,000)**

|  |  |
| --- | --- |
| *2015-2016 Adopted Budget:* | *$64,554,000* |
| *Supplemental Appropriations:* | *($216,009)* |
| *Cumulative Total Appropriation to Date:* | *$64,337,991* |

***Unified Case Management System (UCMS) Training***

The proposed ordinance would disappropriate $256,000 of budget authority for the District Court UCMS project[[1]](#footnote-2). This funding was budgeted to support training for the new case management system that had originally been planned for late 2016. These training funds are not needed in 2016, but are scheduled to be used in 2017 and are included in the 2017-2018 Budget for the District Court.[[2]](#footnote-3)

The UCMS project is funded by a bond issuance with the debt service supported by the General Fund.

**Elections $650,000 (Revenue Backed)**

|  |  |
| --- | --- |
| *2015-2016 Adopted Budget:* | *$35,826,000* |
| *Supplemental Appropriations:* | *$3,052,000* |
| *Cumulative Total Appropriation to Date:* | *$38,878,000* |

***May 2016 Presidential Primary Election***

The proposed ordinance would add $650,000 of expenditure authority to allow Elections to be fully reimbursed by the State of Washington for the costs associated with the May 2016 Presidential Primary Election. The proposed supplemental budget request would be 100 percent revenue-backed by the disbursement from the state, as the state is required under the Revised Code of Washington to assume all costs associated with a presidential primary election, if it is held alone.[[3]](#footnote-4)

In the first 2016 Omnibus, Ordinance 18319, the Council appropriated an additional $1.2 million of one-time expenditure authority in the Elections biennial budget for the 2016 Presidential Primary election costs. However, the certified election costs[[4]](#footnote-5) for the Presidential Primary election measured $1.85 million, so the department is now requesting an additional $650,000 of one-time expenditure authority to cover the balance and to ensure that the department will not exceed its 2015-2016 appropriation.

 **Internal Support $1,200,000**

|  |  |
| --- | --- |
| *2015-2016 Adopted Budget:* | *$32,484,000* |
| *Supplemental Appropriations:* | *$1,131,000* |
| *Cumulative Total Appropriation to Date:* | *$33,615,000* |

***Dolan Legal Costs***

The proposed ordinance would appropriate $1.2 million of General Fund for legal costs associated with the Dolan settlement.[[5]](#footnote-6) For 2015-2016, the Council appropriated a one-time $600,000 expense in the 1st 2016 Omnibus (Ordinance 18319) to fund additional retirement costs for Department of Public Defense (DPD) employees who will now receive pension benefits as a result of the Dolan settlement. The Council approved an additional $500,000 for the 2017-2018 biennium budget (Ordinance 18409) for on-going legal costs associated with the Dolan case. Note: The Chair’s Striker proposes an additional $10.5 million expenditure authority for final payments to Department of Retirement System related to the Dolan settlement. Additional details are provided in the Chair’s Striker section of this staff report.

**General Government GF Transfers $810,000**

|  |  |
| --- | --- |
| *2015-2016 Adopted Budget:* | *$51,258,000* |
| *Supplemental Appropriations:* | *$288,000* |
| *Cumulative Total Appropriation to Date:* | *$51,546,000* |

***FMD Capital Costs: Yesler Building***

The proposed ordinance would provide an additional $630,000 to pay for close-out costs for the Yesler redevelopment capital project. The costs include services rendered for tenant improvement design, project specifications, and building permits. The Yesler Building was considered as a possible option for consolidating DPD staff. However, planning efforts stalled after suitable relocation sites could not be identified for DAJD’s Community Center for Alternative Programs (CCAP) and Community Work Program (CWP), the Yesler Building’s principal remaining occupants. Executive staff have indicated that the close-out cost was negotiated down from a potential $1.1 million final close-out payment.

Close-out costs were not originally budgeted since these costs would have been absorbed by the Yesler redevelopment project if the project were to have moved forward. Instead, the Executive is proposing to lease the Dexter Horton Building (710 2nd Avenue, b/w Cherry and Columbia) to consolidate DPD. Lastly, executive staff have stated that the unoccupied space of the Yesler Building will remain mothballed.

***FMD Capital Costs: White Center Clinic for Emergency Shelter***

The proposed ordinance would provide an additional $180,000 from the General Fund to enable FMD to complete needed capital improvements to the White Center Clinic Building so that it can be used as an emergency shelter. The funding would be used to upgrade the fire safety panel, complete minor repairs, and clear brush outside the building. This is in addition to the $50,000 that was appropriated by the Council for emergency appropriations (Ordinance 18382).

**Department of Adult and Juvenile Detention**

***Proviso Amendment: Date Change for Overtime Report***

Ordinance 18239, Section 24, included provisos requiring that the Department of Adult and Juvenile Detention complete two reports on the use of overtime in the department. This requested change would shift the due date for the second required report from September 1, 2016, to September 15, 2016. The Executive transmitted the required second report and motion on September 14, 2016 (Proposed Ordinance 2016-0470). The Law and Justice Committee passed a motion to accept the report with Do Pass Consent Recommendation at its November 29th meeting.

**Public Defense $3,165,000 ($613,000 Revenue Backed)**

|  |  |
| --- | --- |
| *2015-2016 Adopted Budget:* | *$109,173,000* |
| *Supplemental Appropriations:* | *$17,848,000* |
| *Cumulative Total Appropriation to Date:* | *$127,021,000* |

***Seattle Municipal Court (SMC) Contract***

The proposed ordinance would provide $613,000 for additional resources to handle anticipated caseload for contract with SMC. King County and the City of Seattle are parties to a full-cost-recovery contract for the County's Department of Public Defense (DPD) to represent indigent defendants in SMC. As part of a renegotiation of the current contract, which expires on December 31, 2017, the parties have agreed upon the additional resources and costs as outlined in Table 3 below. According to executive staff, it is anticipated that the City of Seattle will fully reimburse the County for these additional costs.

**Table 3. Additional Resources for DPD based on SMC Contract**

|  |  |  |
| --- | --- | --- |
| **Item** | **Amount[[6]](#footnote-7)** | **FTEs** |
| Calendar attorney (no caseload) | 38,375 | 0.40 |
| Assigned counsel increase | 36,419 |  |
| On-Call Attorney (0.53; no additional FTEs needed) | 50,630 |
| Public Defense Investigators | 179,023 | 3.00 |
| Public Defense Paralegal – for assigned counsel | 31,758 | 0.50 |
| Caseload Attorneys | 276,111 | 4.18 |
| **Total** | **613,315** | **8.08** |

***Assigned Counsel and Expert Witness Costs***

The Executive is requesting an additional $2,552,000 for DPD to cover a shortfall in funding for assigned counsel and expert services. The projected 2015-2016 shortfall is summarized in Table 4 below.

**Table 4. Assigned Counsel and Expert Services Shortfall Request**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Budgeted** | **2015-2016** **Estimated Actual** | **Shortfall** |
| Assigned Counsel | 9,000,000 | 12,384,629 | (3,384,629) |
| Experts | 6,000,000 | 6,158,767 | (158,767) |
| **Total** | **15,000,000** | **18,453,396** | **(3,543,396)** |

According to executive staff, this total shortfall was partially offset by savings in labor accounts due to unfilled positions, bringing the net estimated shortfall to $2,552,000, which is the amount requested.

Though the costs of assigned counsel and expert services have been budgeted optimistically in recent years (resulting in a need for supplemental appropriations), according to executive staff, the need for this additional funding for 2015-2016 was not anticipated or reserved when the 2015-2016 budget was developed. The Executive expected that DPD's original appropriation would be sufficient due to departmental changes resulting from new leadership, the 2015 staffing proviso, and the anticipated resolution of death penalty cases. Although that proved not to be the case, executive staff notes that the average monthly cost of assigned counsel and expert services has decreased from 2015 to 2016, as shown in Table 5 below.

**Table 5. Assigned Counsel and Expert Services Average Monthly Actual Costs**

|  |  |  |
| --- | --- | --- |
|  | **2015** | **2016** **(JAN – AUG)** |
| Assigned Counsel | 549,224 | 466,230 |
| Experts | 297,962 | 194,595 |

The Executive intends that by fully funding the DPD staffing model for 2017-2018, DPD will be able to avoid sending cases to assigned counsel due to insufficient capacity (as opposed to conflicts of interest), but currently-available data are insufficient to establish what portion of the 2015-2016 referrals to assigned counsel were due to insufficient capacity. The Office of Performance, Strategy, and Budget plans to monitor DPD's assigned counsel and expert services costs quarterly during the 2017-2018 biennium to assess the effect of fully funding the DPD staffing model.

**Veterans and Family Levy $250,000**

|  |  |
| --- | --- |
| *2015-2016 Adopted Budget:* | *$17,720,000* |
| *Supplemental Appropriations:* | *$179,000* |
| *Cumulative Total Appropriation to Date:* | *$17,899,000* |

***King County Veterans Program (KCVP)***

The proposed ordinance would appropriate $250,000 from the Veterans and Family Levy Fund to the Veterans Services Fund to pay for the KCVP moving costs. KCVP moved locations to co-locate with the Washington State Department of Veterans Affairs (WDVA) in downtown Seattle. By collocating with the WDVA, KCVP is able to better provide service to veterans in need of assistance. This expenditure authority will allow the Veterans and Family Levy Fund to transfer funding to the Veterans Services Fund to pay for moving costs, signage at the new location, equipment, furniture, security guards, janitorial service, and KCIT costs. This brings the total 2015-2016 Veterans and Family Levy Fund support for the KCVP to $350,000. Lastly, the Council adopted 2017-2018 biennium budget includes a $104,000 revenue from WDVA for rent.

**DPER General Public Services and Environmental Health**

***Eliminate DPER Code Enforcement and Abatement Process Evaluations Proviso***

The 2015-16 Biennial Budget (Ordinance 17941) included a $250,000 proviso that required DPER to evaluate the code enforcement and abatement process, to evaluate ways to streamline the process, make efficiencies and continue providing service at historic levels. The Executive transmitted a report and motion in response to this proviso (Proposed Motion 2015-0399). The Council has not acted on this motion. Executive staff report that if this proviso is not removed, this fund will exceed their appropriation authority by the full $250,000.

***Eliminate DPER and Environmental Health Septic Permitting Services Proviso***

The 2015-16 Biennial Budget (Ordinance 17941) included an expenditure restriction for Environmental Health of $113,645 and 1.0 FTE, a $650,000 proviso for Environmental Health, and a $100,000 proviso for DPER, to perform a pilot project that moved an Environmental Health septic inspector to the DPER office in Snoqualmie. The provisos required an evaluation of the septic permitting services and the coordination between the two departments. The Executive transmitted a report and motion in response to this proviso (Proposed Motion 2016-0344), although it was transmitted after the deadline required by Ordinance 17941. In addition, the Environmental Health septic inspector was not located at Snoqualmie for a one-year period, as required by the proviso. The Council has not acted on this motion. Executive staff report that if this proviso is not removed and if the Council does not act on the motion, DPER is at risk of exceeding its appropriation authority. Environmental Health is not expected to exceed its appropriation authority.

**Housing Opportunity[[7]](#footnote-8) $5,000,000 ($3 million Revenue Backed)**

|  |  |
| --- | --- |
| *2015-2016 Adopted Budget:* | *$63,997,000* |
| *Supplemental Appropriations:* | *$10,031,000* |
| *Cumulative Total Appropriation to Date:* | *$74,028,000* |

***HUD Continuum of Care (CoC) Grant***

The proposed ordinance would provide $3 million in revenue-backed expenditure authority in the Housing Opportunity Fund to allow use of a new Continuum of Care (CoC) grant from the U.S. Department of Housing and Urban Development. The grant will be used to fund long-term rental assistance for previously homeless people with chronic disabilities.

***Transit-Oriented Development (TOD) bond funds***

The proposed ordinance would provide $2 million in additional expenditure authority in the Housing Opportunity Fund to allow the County to move forward with an affordable housing investment to be funded with Transit-Oriented Development (TOD) bond funds. Motion 14687 included a Transit-Oriented Development Bond Allocation Plan to issue $87 million in bond financing to be backed with lodging tax revenues and to be used to develop affordable housing near transit. The Council appropriated $3 million earlier this year (Ordinance 18319) to fund an investment in Pacific Hospital Preservation & Development Authority, an affordable housing project identified in the TOD Bond Allocation Plan. The additional $2 million requested in this proposed ordinance would provide the full $5 million investment in this project from the TOD bonds.

**Solid Waste $11,500,000 ($10 million Revenue Backed)**

|  |  |
| --- | --- |
| *2015-2016 Adopted Budget:* | *$220,016,000* |
| *Supplemental Appropriations:* | *$411,688* |
| *Cumulative Total Appropriation to Date:* | *$220,427,688* |

***Tonnage-Driven Operational Cost Increases***

The proposed ordinance would provide $5 million of expenditure authority to cover increased tonnage forecasted for the County’s Shoreline and Recycling Transfer Station. This appropriation will be offset by increased revenues generated from fee revenue associated with increased tonnage. The 2015-2016 budget for the Solid Waste Division was based, in part, on tonnage projections of 1,657,400 tons for the biennium; however, actuals are now projected to be 1,801,525 tons by the end of the biennium. Part of this is due to the extended closure of the City of Seattle North transfer station for facility reconstruction displacing Seattle North self-haulers to the County’s Shoreline Recycling and Transfer Station. Resulting operational impacts include increased personnel costs for managing tonnage at transfer stations, transporting tonnage to Cedar Hills Regional Landfill, and increased costs associated with vehicle supplies. Table 6 below details the operational cost increases.

**Table 6. Proposed Appropriation Details for Solid Waste Operating Costs**

|  |  |  |  |
| --- | --- | --- | --- |
| **Expenditure** | **2015-2016 Budget** | **2015-2016 Forecast** | **Proposed Appropriation**  |
| Career Service Salary (net of vacancy rate) | $36,522,320 | $37,065,312 | $542,992 |
| Short-term Temps | $106,734 | $232,100 | $125,366 |
| Overtime | $3,393,846 | $6,662,311 | $3,268,465 |
| Employee Benefits | $19,889,463 | $20,342,069 | $452,606 |
| **Total Labor** | **$4,389,429** |
| Vehicle Supplies | $3,414,996 | $4,070,663 | $655,667 |
| **Total Non-Labor** |  **$655,667** |
| **Grand Total** |  **$5,045,096** |

Most of the cost increases, as detailed above, were personnel costs. Of those, most were for overtime costs for truck drivers, transporting unforeseen loads to Cedar Hills, as detailed in Table 7 below. The 2017-2018 biennium budget includes additional truck drivers to minimize or avoid similar overtime expenses.

**Table 7. Percentage of Proposed Overtime Expenditures by Personnel Classification**

|  |  |
| --- | --- |
| **Classification** | **% of Overtime****Expenditure**  |
| Truck Drivers | 41% |
| Transfer Station Operators | 27% |
| Equipment Operators | 13% |
| Shop Personnel (Prev. Maint. Spec., Fabricators, Machinists) | 7% |
| Scale Operators | 5% |
| All other Title Codes combined | 7% |
| **Total** | **100%** |

***Tonnage-Driven Increase to Landfill Reserve Fund***

The proposed ordinance would transfer $5 million of additional revenue associated with increased tonnage from the Solid Waste Fund to the Landfill Reserve Fund. The Solid Waste Division manages the Landfill Reserve Fund for several purposes related to the Cedar Hills Regional Landfill; these include funding the closure of landfill deposition cells that have reached capacity, funding development of new deposition cells and related facility relocation, and supporting reserves for management and monitoring the facility after its closure. Contributions to the Landfill Reserve Fund are made from the Solid Waste Fund on a per-ton basis. Of the current $120.17 per ton tipping fee, $16.7627 per ton is directed to the Landfill Reserve Fund. As noted in the analysis above regarding the increase of tonnage volumes for the 2015-2016 biennium beyond projections, this also results in an increased allocation to the Landfill Reserve Fund. Table 8 below details the projected expenditure of the allocation.

**Table 8. Price per Ton Allocation of proposed appropriation to Landfill Reserve Fund**

|  |  |
| --- | --- |
| **Landfill Reserve Fund Account** | **Price Per Ton Allocation** |
| Area Closure Projects | $9.3309 |
| Landfill Post-Closure Reserve | $2.3129 |
| New Area Development | $4.2438 |
| Facility Relocation and Improvement | $0.8751 |
| **Total** | **$16.7627** |

***Resolution of Pipeline Rupture Impacts***

The proposed ordinance would provide $1.5 million of expenditure authority from the Solid Waste Fund balance to resolve a settlement regarding the Cedar Hills Regional Landfill. In December 2013, a pipeline conveying landfill gas for processing at the Cedar Hills Regional Landfill experienced a rupture, resulting in the short-term escape of landfill gas from the pipeline. The gas flow was diverted from the line expeditiously, and repairs were completed over the following week. For most of the perimeter of the landfill, there is a 1000-foot buffer between the landfill disposal footprint and any privately-owned property, to mitigate against any impacts associated with landfill operations. Several decades ago, however, landfilling occurred along the eastern perimeter near the site of this pipeline rupture, such as to reduce the extent of the buffer. In response to the rupture and associated input from area residents, the Division has been in discussions with two homeowners regarding widening the buffer in this area, which would involve acquiring and closing the two homes. This appropriation, would provide support for that acquisition. Any unexpended revenues not required for the acquisition would be returned to Solid Waste fund balance.

**Risk Management $5,700,000**

|  |  |
| --- | --- |
| *2015-2016 Adopted Budget:* | *$66,730,000* |
| *Supplemental Appropriations:* | *$282,732* |
| *Cumulative Total Appropriation to Date:* | *$67,012,732* |

***Additional Settlement Costs***

The proposed ordinance would provide $5.7 million of expenditure authority in the Risk Management (Insurance) Fund for two settlements involving Metro Transit. Executive staff have stated that these were both high severity transit injury claims that typically take on average five years to resolve, based on the individual’s injuries, treatment plan and recovery. However, the two settlements did not follow the standard loss development timeline and were resolved in less than two years, which resulted in the supplemental appropriation request. The costs will be paid out of the Risk Management (Insurance) Fund balance, which is projected to have a fund balance of $95 million at the end of the biennium. This fund balance will be enough to cover the projected Actuarial Incurred Liability Reserve of $77 million.

**KCIT Services $9,000,000**

|  |  |
| --- | --- |
| *2015-2016 Adopted Budget:* | *$176,761,000* |
| *Supplemental Appropriations:* | *$702,591* |
| *Cumulative Total Appropriation to Date:* | *$177,463,591* |

***Defeasance of Bonds – Sabey Data Center***

The proposed ordinance would provide $9 million of expenditure authority in the KCIT Services fund to defease all remaining bonds related to the tenant improvements at the Sabey data center. A bond defeasance is a provision to nullify the bond agreements by allowing the borrower to set aside cash to pay off the outstanding debt. For this case, the County will transfer cash to an escrow account that is managed outside of County government until the debts are paid off. The executive staff have indicated that the defeasance is the result of needing less space at the Sabey data center due to the decommissioning of the mainframe servers and successful efforts to virtualize servers (i.e. cloud servers) across the County. Relatedly, Proposed Ordinance 2016-0532 and 2016-0531, which is also being considered by the Budget and Finance Management Committee, proposes a new lease for the Sabey Data Center and a supplemental appropriation that corresponds to the new lease.

Executive staff have indicated that the defeasance is estimated to save approximately $1.8 million for the County since not defeasing the bond would require a $740,000 per year debt service from 2017 to 2030 for a total of $10.4 million. It should be noted that this one-time cost will result in a reserve shortfall between $3 million to $6 million for the KCIT Services Fund until 2023. However, the Executive Finance Committee (EFC) has approved an interfund loan borrowing up to $8 million until 2023, which will offset the temporarily negative fund balance. KCIT will recoup the fund balance through KCIT central rates as they include this one-time cost in their rate formula through 2023. Note: The Chair’s Striker proposes a decrease amount of $8.6 million based on updated figures since the ordinance was transmitted. Additional details are provided in the Chair’s Striker section of this staff report.

**Major Maintenance Reserve Fund (MMRF) CIP $6,729,148**

|  |  |
| --- | --- |
| *2015-2016 Adopted Budget:* | *$11,210,502* |
| *Supplemental Appropriations:* | *$11,624,603* |
| *Cumulative Total Appropriation to Date:* | *$22,835,105* |

***Transfer to General Fund***

The proposed ordinance would transfer $6 million from the MMRF CIP to the General Fund to ensure that the 2016 year end General Fund balance, which will be published in the Comprehensive Annual Financial Report (CAFR), reflects all unspent General fund dollars. Executive staff have confirmed that since these funds are designated to specific MMRF capital projects, it will be part of the designated General Fund balance and will transfer back to MMRF once capital costs are incurred. If this transfer is approved, the projected MMRF balance at the end of the year would be $450,000.

***White Center Clinic for Emergency Shelter***

The proposed ordinance would provide $229,148 of expenditure authority to complete needed capital improvements to the White Center Clinic Building so that it can be used as an emergency shelter. This corresponds to the $180,000 of General funds proposed through this omnibus and the $50,000 of General funds that the Council appropriated in October through emergency appropriations (Ordinance 18382). As mentioned above, the funding would be used to upgrade the fire safety panel, complete minor repairs, and clear brush outside the building.

**Wastewater Treatment (Water Quality Construction) CIP $0**

|  |  |
| --- | --- |
| *2015-2016 Adopted Budget:* | *$242,462,142* |
| *Supplemental Appropriations:* | *$58,542,345* |
| *Cumulative Total Appropriation to Date:* | *$301,004,487* |

***WTD Joint Ship Canal Combined Sewer Overflow (CSO)***

In July 2016, the Council approved an interlocal agreement authorizing the County’s participation in the Joint Ship Canal CSO project, which would manage combined stormwater and wastewater for two county discharge sites, as well as three discharge sites owned by Seattle. In addition to the authorization to proceed, the Council approved Ordinance 18318, which provided $14,190,219 to address the County’s share of costs already incurred by the project in the planning and design process. In addressing these costs, the Council approved them under the Executive-proposed project number, Project 1126444. The Executive has indicated that that project number is incorrect; the correct project number is 1127126. The proposed ordinance would disappropriate the $14,290,219 under Project 1126444, and re-appropriate that same amount under the correct number, 1127126. There is no new funding or new project scope associated with this request.

**OIRM Capital Fund (KCIT) CIP $3,400,000**

|  |  |
| --- | --- |
| *2015-2016 Adopted Budget:* | *$16,212,004* |
| *Supplemental Appropriations:* | *$23,147,352* |
| *Cumulative Total Appropriation to Date:* | *$39,359,356* |

***Transfer to General Fund***

The proposed ordinance would transfer $3.4 million from the OIRM (KCIT) Capital CIP to the General Fund to ensure that the 2016 year end General Fund balance, which will be published in the Comprehensive Annual Financial Report (CAFR), reflects all unspent General fund dollars. Executive staff have confirmed that since these funds are designated to specific KCIT capital projects, it will be part of the designated General Fund balance and will transfer back to the OIRM Capital Fund once capital costs are incurred. If this transfer is approved, the projected OIRM Capital Fund balance at the end of the year would be $12.2 million.

**Building Repair/Replacement Fund CIP $2,635,056**

|  |  |
| --- | --- |
| *2015-2016 Adopted Budget:* | *$5,339,887* |
| *Supplemental Appropriations:* | *$19,470,042* |
| *Cumulative Total Appropriation to Date:* | *$24,809,929* |

***FMD Capital Costs: Yesler Building***

The proposed ordinance would provide $630,000 of expenditure authority to pay for close-out costs for the Yesler redevelopment capital project. This corresponds to the $630,000 of General funds appropriated through the General Government GF Transfers appropriation unit as detailed above.

***Department of Public Defense (DPD) Consolidation***

The proposed ordinance would provide $2 million of expenditure authority to pay for Phase 1 of the DPD Consolidation efforts to the Dexter Horton Building (710 2nd Avenue, b/w Cherry and Columbia). Currently DPD staff, divided into four divisions, are located in leased spaces at various sites in Settle and one in Kent.[[8]](#footnote-9) DPD's fifth division, the Director's Office, is split between two floors in the Chinook Building and the Prefontaine Building.

As noted previously, the Yesler Building was considered as a possible consolidated location for DPD, but suitable relocation sites could not be identified for DAJD’s community corrections programs. Instead, the Executive has proposed leasing 86,000 square feet at the Dexter Horton Building based on proximity to the County Courthouse and availability of adequate space that would accommodate the entire DPD department.

The $2 million proposed in the omnibus for Phase 1 will cover the design costs for tenant improvements[[9]](#footnote-10) and moving costs associated with the DPD Director’s Office (Administrative) staff that currently occupy the Administration Building and the Prefontaine Building, and also DPD staff that currently occupy the Prefontaine Building. The Prefontaine Building’s lease will expire at the end of 2016.

Note that Facilities Management Division plans to execute a short-term lease, which does not require Council approval, for temporary space at the Dexter Horton Building for the DPD Director’s Office staff and the Associated Counsel for the Accused (ACA) DPD division. The short-term lease would expire upon commencement of a long-term lease, which was transmitted on November 23, 2016 (Proposed Ordinance 2016-0552) along with a supplemental appropriation (Proposed Ordinance 2016-0551) for Phase 2 of the consolidation efforts. The Council’s adopted 2017-2018 biennial budget (Ordinance 18409) already includes $4.5 million in the Long Term Lease Capital Fund for the Dexter Horton Building lease payments. The Executive is proposing to finance the entire DPD Consolidation project through bond proceeds with debt service payments to be paid by the General Fund. The Executive is also proposing to request interfund borrowing from the EFC to cover the costs while waiting for the bonds to be issued.

**CHAIR’S STRIKING AMENDMENT**

At the direction of the Budget and Fiscal Management Committee Chair, staff has prepared a striking amendment that makes the following changes (that have been identified thus far) to the Executive’s transmitted legislation. Staff continue to draft the striking amendment as decisions are finalized.

1. **Sheriff: Appropriate $147,000 to support implementation of CBA**

Proposed Ordinance 2016-0535, a net supplemental appropriation for $147,000 to support the implementation of the Collective Bargaining Agreement for Non-Commissioned Professional Employees of the King County Sheriff’s Office, was transmitted on November 14, 2016. Rather than addressing this ordinance separately, the Chair’s striker includes the appropriation authority in the omnibus. The additional appropriation would support the following:

* 1. Increase the wage rate for the Sheriff’s Data Technician job class due to a material change in the work and internal alignment. This change is retroactive to July 12, 2014, and affects 17 current and former employees.
	2. Add the classification of Payroll Specialist and setting the wage rate for this job class. Three employees were reclassified into this job class, retroactive to April 11, 2015.
1. **Sheriff: Expenditure Restriction of $84,000 for Marine Unit Rescue Boat**

The Sheriff’s Marine unit has requested authority to purchase a new jet rescue boat that will facilitate rescues of citizens that are trapped by flood waters or are otherwise endangered by hazardous river conditions. This add is 50% backed by revenue from the King County Flood District. The remaining General Fund costs would be absorbed by the Sheriff’s Office.

1. **Sheriff: Delete Proviso Regarding Testing Sexual Assault Kits**

The first 2015 Omnibus Budget (Ordinance 18110) included a $200,000 budget proviso that required the King County Sheriff’s Office to identify and submit for testing all of the sexual assault kits in its possession. The Sheriff’s Office submitted in August 2016 a final report indicating that the paperwork on all kits had been submitted. The Council passed Motion 14728, which indicated the Council’s intent to release the KCSO from the proviso. The Chair’s Striker would delete this proviso and release the restricted $200,000.

1. **Community Services Operating Allocation Changes**
2. **Natural Resources & Parks Administration: Delete SCAP Proviso**

The proposed ordinance proposes to amend Proviso P1, regarding updates to Strategic Climate Action Plan (SCAP), by deleting the requirement that the SCAP be adopted by the Council, and changing the executive filing date of the ordinance from October 30, 2016 to September 30, 2016. However, Proposed Ordinance 2016-0489, an ordinance to adopt the SCAP was transmitted by the executive on September 26, 2016, and the Council adopted Ordinance 18392 on November 7, 2016 to approve the SCAP. Therefore, the Chair’s Striker deletes Proviso P1 and releases $200,000 of expenditure authority to the Natural Resources & Park Administration fund.

1. **Finance and Business Operation Division: Delete E-Payments Proviso:**

The 2015-16 Biennial Budget (Ordinance 17941) included a $200,000 budget proviso that required the Finance & Business Operations Division to identify fee and cost recovery principles for electronic payments as well as the criteria used to grant exceptions to those policies. The Executive transmitted a report and motion that was responsive to the proviso requirements (Proposed Motion 2015-0243). The Council did not act on the Proposed Motion, and instead adopted as part of the 2017-18 budget process an ordinance that codified the County’s intent to absorb certain existing and proposed fees (2016-0399). The Chair’s Striker deletes the original proviso and restores $200,000 to the FBOD budget.

1. **KCIT Services: Change to Bond Defeasance Amount**

Since the omnibus was transmitted, the Sabey Data Center bond defeasance amount decreased from $9 million to $8.6 million and the Chair’s Striker would amend the appropriation to KCIT Services to make this correction.

1. **Building Repair/Replacement CIP: Amends CFJC Proviso**

Reduces the amount of the expenditure restriction from $7.5 million to $5.3 million on the Children and Family Justice Center (CFJC)capital project to account for reduction in forecast collections and inclusion of Alder Academy design and construction within project scope.

1. **Risk Abatement/2006 Fund:** **Dolan Settlement Costs**

The Chair’s Striker would provide $10.5 million of expenditure authority to the Risk Abatement/2006 Fund to fund payment to Department of Retirement Systems (DRS) as a result of the Dolan settlement. Executive staff have stated that this was finalized after the omnibus was transmitted and paying it as soon as possible would avoid any additional interest charges. Consistent with the 2017-2018 adopted biennium budget, the County will reimburse the Risk Abatement Fund with bond proceeds next year and pay the resulting debt service over 10 years from the General Fund.

1. The Unified Case Management System project will replace District Court’s 34-year old case filing system and side systems with an integrated case management system. The new system is expected to go live in 2017. [↑](#footnote-ref-2)
2. In the 2015-2016 Adopted Budget (Ordinance 17941), the Council approved $916,186 to provide budget authority for the operating expenses associated with the planning and implementation of the case management system replacement. However, the court delayed its request for proposals (RFP) to select a vendor due to other large courts issuing similar RFPs. [↑](#footnote-ref-3)
3. RCW 29A.56.060. [↑](#footnote-ref-4)
4. RCW 29A.04.410. [↑](#footnote-ref-5)
5. Dolan v. King County class action lawsuit involves claims against King County on behalf of the current and former attorneys and staff of the non-profit agencies that provide its public defense services. The settlement comes after a ruling in 2013 from the Washington Supreme Court requiring King County to enroll class members for pension benefits in the Washington Public Employees Retirement System (PERS) and recognize the class members who are then employed as public defense employees as employees of King County with full employee benefits for their positions. The total costs of the settlement for retroactive PERS payment was approximately $31 million. [↑](#footnote-ref-6)
6. The reason why some of the dollar amounts are small in relation to the corresponding FTE numbers is that the contract changes did not take effect until July 1, 2016. [↑](#footnote-ref-7)
7. Note that per Ordinance 18387, the Housing Opportunity Fund and the Federal Housing and Community Development Fund were combined and renamed the Housing and Community Development Fund. [↑](#footnote-ref-8)
8. 2016 King County Real Property Asset Management Plan (RAMP) Section III.D.5. The RAMP provides the overall policy direction for FMD and amends the 2013 RAMP, which was adopted by Ordinance 17839 on June 23, 2013. The 2016 RAMP (Legislation 2016-0159) was unanimously adopted by the Transportation, Economy and Environment Committee with a Do Pass recommendation on September 20, 2016 and is currently awaiting approval by Full Council. [↑](#footnote-ref-9)
9. Executive staff have indicated that design consultants were just selected and due to limited time to design and determine total costs, there is potential that the preliminary cost estimate will not be sufficient. [↑](#footnote-ref-10)