King County

Metropolitan King County Council
General Government Panel
of the Budget and Fiscal Management Committee
Wednesday, October 19, 2016 – 9:30 A.M.

Councilmembers: Kathy Lambert, Chair; Dave Upthegove, Vice Chair; Claudia Balducci; Rod Dembowski; Larry Gossett; Jeanne Kohl-Welles

Staff: Katherine Cortes (477-9733), Panel Lead;
Wendy Soo Hoo (477-0890), Budget Manager;
Analysts: Renita Borders (477-5707), Carolyn Busch (477-2194), Clifton Curry (477-0877), Greg Doss (477-0891), Jenny Giambattista (477-0879), Patrick Hamacher (477-0880), Christine Jensen (477-5702), Lise Kaye (477-6881), Andrew Kim (477-8495), Leah Krekel-Zoppi (477-0892), Miranda Leskinen (477-0950), Hiedi Popochock (477-1842), Mike Reed (477-0888), John Resha (477-0889), Davin Simmons (477-3644), Nick Wagner (477-0894)

Panel Assistant: Sharon Daly (477-0870)

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Briefing No. 2016-B0182

General Government Panel of the Budget and Fiscal Management Committee Overview of the Biennial Operating and Capital Budget Highlights in the Executive Proposed 2017-2018 Budget
Katherine Cortes, Panel Lead

Analyst:	Leah Krekel-Zoppi

DEPARTMENT OF ASSESSMENTS

BUDGET TABLE

	2015-2016 Revised*	2017-2018 Proposed	% Change 2015-2016 v. 2017-2018
Budget Appropriation	$51,045,315	$54,931,000	7.6%
Max FTE:	213.0	213.0	N/A
Max TLTs:	0	0	N/A
Major Revenue Sources	General fund and new internal service charges		
* Note: 2015-2016 Revised includes the 2015-2016 Adopted Budget plus adopted supplementals as of transmittal of the Executive's proposed 2017-2018 budget.			

PROGRAM DESCRIPTION AND PURPOSE

The Department of Assessments (DOA) values all properties in King County in order to produce the property tax rolls for more than 160 separate taxing districts within King County, resulting in the collection of over $4 billion in taxes for public services. DOA is led by an independently elected Assessor and staffed by 213 employees. Taxing districts served by DOA include school districts, fire and hospital districts, cities, and King County. DOA also responds to property tax appeals and provides property tax exemption services.

ISSUES

ISSUE 1 – PROPERTY TAX ADMINISTRATION SYSTEM: $504,148

Prior appropriation	N/A
2017-18 Request	$504,148
Future Request	To be determined
Total Project Cost	$504,148[1]
Fund Source	KCIT capital

Project Summary: This project would perform preliminary work towards replacing the Property Tax Administration System (PTAS), including issuance of a Request for Information (RFI) and Request for Proposals (RFP) for system replacement solutions.

In 2016, DOA's property tax administration system was successfully migrated off the mainframe, mitigating maintenance difficulties and the risk of system failure. However, the mainframe migration project did not include modernizing the outdated system. The

[1] For the RFI/RFP portion of the project. Estimates for the full cost of implementing PTAS will be determined through this portion of the project.

existing system has many inefficiencies and lacks functionality compared to a modern PTAS.

A new PTAS is expected to improve work flows by replacing manual tasks with automated ones, allowing staff time to be used for higher value purposes such as valuing increasing numbers of parcels and processing increasing volumes of senior property tax exemptions. It is also expected to improve the accuracy of levy rate calculations, improve response times to jurisdictions and customers, and make it easier to analyze data to make business and property levy decisions.

According to DOA, the RFI/RFP phase of the project would inform the business, technical, and functional requirements of the PTAS project. They plan to issue an RFP in the second quarter of 2017 and then are targeting making a supplemental budget request for the full project in the mid-biennium.

The appropriation request of $504,148 includes $368,316 for DOA and KCIT labor costs, and $90,000 for consulting services. This project would be funded by the KCIT capital fund and has a proposed contingency of ten percent. Full PTAS replacement costs are not yet known but could be in the $10 million range or could be structured as an ongoing operating cost in the range of $100,000 or more.

Review of the Benefit Achievement Plan (BAP): The primary anticipated benefits of this project would be streamlining internal processes in order to free up staff time to respond to increasing workloads and process backlogged applications and transactions. Council staff is continuing to work with DOA to improve the BAP to clarify benefits, measures, and targets. Additional work on the BAP related to the full PTAS replacement would continue if the RFI/RFP appropriation request is approved by the Council.

The project does not appear to have any policy issues requiring further analysis.

ADDITIONAL FOLLOW UP FROM WEEK 1 PANEL QUESTIONS

Councilmembers asked about revenue from web advertising.

DOA launched web advertising in May 2016. Through the end of September, DOA has received net ad revenue of $9,231. This is lower than the projected net revenue of $35,000 in the 2015-2016 Budget. DOA attributes this difference to the decision to take a slower, more deliberate start to the program to lay the groundwork for future success. DOA web advertising has had no implementation cost for the County because of the arrangement entered into with the vendor which makes those costs the responsibility of the vendor.

Councilmembers asked about costs associated with the Assessor's increased outreach related to senior citizen exemptions.

DOA has spent a total of $12,500 on activities related to senior citizen property tax exemptions in 2016. $2,500 was spent on increased outreach, while the majority of the senior exemption outreach activities have been accomplished by changing the emphasis of existing outreach efforts. In addition, DOA has spent approximately

$10,000 in overtime costs to process the higher volume of senior citizen applications that have resulted from the expanded outreach. As Councilmembers know, senior property tax exemptions do not result in any lost revenue for the County or other taxing districts, but simply redistributes the property taxes to be collected among all remaining taxpayers.

Councilmembers asked about revenue from the personal property audit program:

The total new property tax revenue collected in 2016 as a result of the Personal Property Audit Program was $376,788. The program costs $171,920 annually for the two FTE who perform the audits. In addition to the financial benefits, the audit program helps provide a level playing field for businesses by enforcing greater compliance.

Analysts:	Hiedi Popochock Jenny Giambattista

ELECTIONS

BUDGET TABLE

	2015-2016 Revised*	2017-2018 Proposed	% Change 2015-2016 v. 2017-2018
Budget Appropriation	$39,061,425	$38,334,000	(1.9%)
Max FTEs:	65.50	65.50	0%
Max TLTs:	1.0	0.0	(100%)
Estimated Revenues	N/A	N/A	N/A
Major Revenue Sources	General Fund, revenues from jurisdictions for election management		
* Note: 2015-2016 Revised includes the 2015-2016 Adopted Budget plus adopted supplementals as of transmittal of the Executive's proposed 2017-2018 budget.			

PROGRAM DESCRIPTION AND PURPOSE

The Department of Elections ("Elections") is responsible for conducting elections, maintaining voter registration records in conjunction with the State of Washington and providing election-related information to the public and other governmental entities.

In November 2008, King County voters approved Initiative 25, which established an elected County Director of Elections and established King County Elections as an executive department.

ISSUES

ISSUE 1 - ELECTION COST PROPOSED TO BE CHARGED TO PARTICIPATING JURISDICTIONS: $1.74 MILLION IN NEW REVENUE

The Washington State Auditor's Budget and Accounting Reporting System (BARS) Manual interprets the allocation and methodology of election costs as prescribed in the Revised Code of Washington. These procedures are mandatory for elections held after January 1, 2010.

RCW 29A.04.410 Every city, town, and district is liable for its proportionate share of the costs. Special election costs must be borne by the city, town, or district concerned.

RCW 29A.04.420 The state should assume a prorated share of election costs when state officers or measures are voted upon at a state primary or general election held in an odd-numbered year under RCW 29A.04.321.

RCW 29A.08.150 The expense of registration in all rural precincts must be paid by the county. The expense of registration in all precincts lying wholly within a city or town must be paid by the city or town. Registration expenses for this section include both active and inactive voters.

RCW 29A.32.270 The cost of a local voters' pamphlet shall be considered an election cost to those local jurisdictions included in the pamphlet and shall be prorated in the manner provided in RCW 29A.04.410.[1]

Allocation of Election Costs

In the BARS Manual, there are two approved methods of allocating election costs:

Method One. This method allows for recovery of additional expenditures associated with multiple offices or issues on the ballot for each jurisdiction.

Method Two. This method allocates costs based on the number of registered voters in each jurisdiction. Jurisdictions are not charged for additional offices or issues placed on the ballot.

Elections utilizes method two to allocate its election costs to jurisdictions participating in elections. Voter registration costs are not included in election costs, and thus can be allocated to jurisdictions per a separate methodology in the BARS Manual.

2017-2018 Election Cost – Depreciation Allocation Proposal

Elections estimates $1.74 million in new revenue in the 2017-2018 proposed budget. Elections staff states that the increase in revenue is due to an eligible election cost that has not been charged to participating jurisdictions in the past several years.

Executive staff explains that this cost relates specifically to the depreciation of county-owned buildings. Elections' share of depreciation is estimated at $1.74 million[2] for the 2017-2018 biennium. The proposed budget assumes that this full cost, or $870,000 annually, would be charged to participating jurisdictions. In Council staff's analysis, it was discovered that 50 percent of the depreciation amount would be charged out to other jurisdictions participating in elections since King County's share of the cost would also be 50 percent. Decreasing the depreciation amount charged to participating jurisdictions by 50 percent results in an $870,000 reduction in the proposed revenue budget for Elections in the 2017-2018 biennium.

Staff analysis on this issue is complete. The revenue adjustments can be made by staff at the direction of the Council.

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[1] BARS Manual Section 3.8.12
[2] Source: County-wide Indirect Cost Rate Plan for 2016; based on 2014 financial data.

Follow-up to Councilmember Questions from Week 1 Panel Questions:

Councilmembers asked if jurisdictions have been notified of the proposed increase in costs.

The Director of Elections state that they have not yet notified jurisdictions of the change in election cost recovery from jurisdictions. The director indicated that in any given year, and even in any given election, participation costs can vary widely depending on which jurisdictions are participating and what's on that ballot. Also, according to Elections, when Elections staff send jurisdictions their notice that details their election costs, they will highlight the change in what's included in those costs. The director asserts that this isn't something they are proposing that they start charging jurisdictions; it is something that, by law, Elections needs to be including in the costs that it recovers from jurisdictions.

ISSUE 2 – COMMUNITY-BASED ORGANIZATIONS PARTNERSHIP PROGRAM: $320,000

Elections has requested $320,000 in the 2017-2018 budget in order to provide ongoing funding for the Community-Based Organizations Partnership Program. Approximately 50 percent of the expenditures would be revenue-backed by jurisdictions participating in elections occurring in the biennium.

In early 2016, Council approved Ordinance 18239, which provided $26,000 of one-time funding for Elections to launch a Community-Based Organization Partnership Pilot Program, in partnership with The Seattle Foundation, to increase voter engagement outreach to underrepresented King County citizens. Elections utilized $82,000 of its operating appropriation in 2016, in addition to the $26,000 approved by Council, as County support to the pilot program. The Seattle Foundation contributed an additional $50,000, for a total of $140,000 of available grant funding for Phase 1 awardees. In Phase 2 of the pilot program, The Seattle Foundation provided $74,000 in grant funding and Elections provided $18,000, for a total of $92,000 in grant awards.

In 2016, the pilot program granted awards to 22 community-based organizations, by a competitive process, for each organization to implement a voter outreach field plan in its community. Table 1 lists the awardees, their target populations, and the geographic area in which they serve. Table 1 also provides the award amount and the Council district served. Larger awards were given for serving a larger population and providing voter outreach for target populations for the 2016 August Primary and General elections.

Table 1. Community-Based Organization Awardee Profiles

Organizations	Target Populations	Target Geographic Area	Districts	Award Amount
Asian Counseling and Referral Services	Chinese, Korean, Vietnamese, Asian-Pacific Islander	All of King County with an emphasis on East and South King County and Southeast Seattle	All	$24,996
Latino Community Fund of Washington State (SPIARC & Colectiva Legal Del Pueblo)	Spanish	South Park, White Center, Burien, Tukwila, Des Moines, Federal Way, Kent, Auburn, Renton, Beacon Hill	2, 5, 7, 8	$25,000
International Community Health Services	Chinese, Vietnamese, Korean, Spanish	NewHolly, Chinatown/International District, Bellevue, Shoreline	1, 6, 8, 9	$25,000
Interim Community Development Association	Chinese, Vietnamese, Korean	Chinatown/International District, Beacon Hill, Rainier Valley	2, 8	$25,000
Korean American Coalition	Korean	All of King County	All	$25,000
White Center Community Development Association (Coalition of Immigrants, Refugees & Communities of Color)	Vietnamese, Spanish, Somali and Khmer	White Center	8	$25,000
APACEvotes	Vietnamese, Chinese, Filipino (Tagalog)	South Seattle, Chinatown/International District, Bellevue, Tukwila	2, 5, 6, 8, 9	$8,000
Eritrean Community in Seattle and Vicinity	Eritrean (Tigrinya)	North Seattle, West Seattle, White Center, Southeast Seattle, Central District, Tukwila, Burien, SeaTac, Shoreline, Kent, Renton, Federal Way, Auburn	1, 2, 4, 5, 7, 8	$8,000

Iraqi Community Center and South King County Emerging Communities for Equity; Bhutanese Community Resource Center for WA, Nsanga Corporation and Partner in Employment	Central and East Africa, Arabic	South King County with a focus on Kent	5, 7, 9	$20,000
Open Doors for Multicultural Families	Spanish, Somali, Vietnamese, Korean, Khmer, African American	South King County and Seattle	1, 2, 4, 5, 7, 8, 9	$8,000
Rajana Society	Cambodian (Khmer)	South King County and Seattle	1, 2, 4, 5, 7, 8, 9	$8,000
SeaMar	Spanish	Bellevue, South Park, Seattle, White Center, Burien, Des Moines, Kent	3, 5, 8, 9	$8,000
Somali Community Services	Amharic, Oromo, Somali, Tigrinya	South Seattle, Renton, Skyway, Tukwila, SeaTac	2, 5, 8, 9	$8,000
Somali Family Safety Task Force	Somali	West Seattle and South Seattle	2, 8	$8,000
Somali Youth and Family Club	Somali, Amharic, Arabic	Renton, Skyway, Tukwila, SeaTac, Kent	2, 5, 8, 9	$8,000
Tasveer	Hindi, Punjabi, Marathi, Bangla, Nepali, Tamil, Urdu, Dari	Redmond, Sammamish, Issaquah, North Bend, Bellevue	3, 6, 9	$8,000

Ordinance 18239 (Proviso P3) also directed Elections to develop an evaluation plan by June 30, 2016 that identifies the performance measures and targets that Elections would utilize to evaluate the effectiveness of the pilot program. The evaluation plan is tentatively scheduled to be presented at the Government Accountability and Oversight Committee in December.

The community-based organizations must provide three deliverables with specified measures and outcomes. Table 2 below describes each deliverable in detail.

Table 2. Community-Based Organizations Partnership Program Deliverables

	Deliverables	Measures/Outcomes	Percent of Invoice
1	Advise King County Elections on culturally relevant voter education, outreach and engagement best practices	Regular attendance and participation in King County Election's cohort and/or subcommittee meetings - an average of 1-2 meetings/month.	40%
2	Implement field plan and work to achieve stated goals.	Report of events/activities executed as indicated on contract.	40%
3	Breadth and reach of community education, outreach, engagement and technical assistance.	Estimate total number of community members engaged with tracking and documentation of participation.	20%

Elections has collected initial data from the pilot program's community-based organizations. Table 3 summarizes the data received from by the organizations thus far. Also, Table 4 shows the number of new voter registrations by language provided by the awardees.

Table 3. Community-Based Organization Data Summary

Number of community members reached	Number of events held	Number of new registered voters	Number of voters who changed their language preference
Approx. 10,000*	More than 75	691**	510

*CBO partners were asked to provide a lower and upper range for targets, the combined total of those ranges was 10,838 to 19,633 contacts
**Doesn't include new registrations in English, which they are also collecting

Table 4. New Voter Registrations by Language

Language	New Voter Registrations	Number of voters who changed their language preference
Chinese	283	99
English	105,356	3
Korean	39	208

Spanish	140	50
Vietnamese	229	153

Follow-up to Councilmember Questions from Week 1 Panel Questions:

Councilmembers asked for a listing of the community-based organizations and the amount awarded. Table 1 above provides detailed information including the award amounts for all community–based organizations.

The Council may wish to consider the following options:

Option 1: Reduce the 2017-2018 appropriation from $320,000 to $108,000, equal to Elections' share of contributions to the 2015-2016 CBO Partnership Pilot Program.

Option 2: Reduce the 2017-2018 appropriation from $320,000 to $108,000, equal to Elections' share of contributions to the 2015-2016 CBO Partnership Pilot Program and direct staff to draft a proviso for the director of Elections to transmit a report on the program measures and outcomes of the CBO Partnership Program by the end of 2017.

Option 3: Approve request as proposed and direct staff to draft a proviso for the director of Elections to transmit a report on the program measures and outcomes of the CBO Partnership Program by the end of 2017.

Option 4: Approve request as proposed.

ISSUE 3 – INCREASE IN DEPARTMENT EXPENDITURES: $607,307

Elections has requested $607,307 to align its appropriation authority with actual spending levels and to shift expenditure activity between cost centers and accounts. This request includes an increase in wages and benefits, a decrease in intragovernmental services and various increases/decreases in other line-items in the base budget for each year of the biennium. Table 5 below provides the line-item detail of the request.

Table 5. Department Expenditure Realignment

Description	Executive Proposed Budget Request	
	2017	2018
Wages and Benefits	107,133	104,506
Supplies	58,621	58,621
Services –Other Charges	43,500	(6,500)
Intragovernmental Services	(124,511)	(124,511)
Contingencies	(387)	(387)

Contra Expenditures	145,611	145,611
Applied Overhead	100,000	100,000
Total 2017-2018 Request	**329,967**	**277,340**

Staff analysis of this issue is ongoing.

ISSUE 4 – TABULATION SYSTEM REPLACEMENT PROJECT

Prior appropriation	$188,025
2017-2018 Request	$3,165,626
Future Request	N/A
Total Project Cost	$3,458,095[3]
Fund Source	General Fund, General Obligation Bond

Project Summary. This project would procure and replace Elections' existing tabulation system.

Elections current tabulation system was implemented in 2009 and has 16 scanners and 11 adjudication stations.[4] The system processes approximately 1,200 18" double-sided ballots per hour per scanning machine. The system operates on a Windows XP platform, which is no longer supported by Microsoft. According to Elections, upgrading the Windows platform would not be in compliance with the state and federal certification requirements of the tabulation system and therefore the system must be replaced. Elections also state that the system has exceeded its capabilities, meaning it cannot grow any further, which has caused delays in ballot processing. For example, Elections is unable to run all 16 scanners or scan and utilize the adjudication stations at the same time.

Elections indicates that the new system would not only be capable of running on current and future operating systems, but would also be capable of handling the current registered voter population (assuming all 1.2 million of register voters voted each and every election) and would have the system capacity to support more than 1.8 million voters. Elections states that the new system would allow staff to operate at least 16 scanners and 10 adjudication stations simultaneously without any system lag. In addition, Elections anticipate the new system would utilize common off-the-shelf scanning technologies, which will not only mean lower cost and maintenance for each of these machines but also doubling the speed in which the ballots are scanned.

2017-2018 Budget Request. Elections has requested approximately $3,165,626 of one-time appropriation in the 2017-2018 budget for the tabulation system replacement project in the King County Information Technology (KCIT) Office of Information

[3] This amount includes the prior appropriation of $188,025, the 2017-2018 OIRM Capital Fund request $3,165,626 plus $93,885 from Elections operating and $10,558 from KCIT Rates paid in the base budget as shown in the Cost Benefit Analysis.

[4] Adjudication stations are computers used by a two-person team to determine voter intent when it isn't clear to the scanners.

Resource Management (OIRM) Capital Fund. The appropriation would provide 100 tablets and 100 portable printers for accessible voting units, a tabulation/scan system, training and professional services and upgrade the network in tabulation and scan areas. According to Elections, the useful life of the new system is expected to be between five and seven years and the maintenance plan for the new system would cover software upgrades during that time.

In addition to the capital project request, Elections has requested approximately $170,000 in appropriation in its operating budget to pay for the incremental increase for the new tabulation system's annual license fee. This appropriation would be approximately 50 percent revenue-backed by jurisdictions participating in elections in the biennium.

In early 2016, Elections began planning for the replacement of the tabulation system. The department anticipates that the project would be completed (final acceptance and close-out) in June 2017, according to its business case.

Table 6 below provides a summary of the project milestones and expected completion dates for the project.

Table 6. Tabulation System Project Milestone Schedule

Project Milestone	Due Date	Complete?
Publish Request For Information (RFI)	1/14/2016	✓
Receive RFI Responses	2/18/2016	✓
Complete and Submit Conceptual Review Document (Appropriation)	3/15/2016	✓
Review RFI Responses	3/21/2016	✓
Complete and Submit for Early Review Complete Appropriation Submittal Package (Business Case, Benefit Achievement Plan (BAP), Cost Benefit Analysis (CBA), Complexity Matrix, and Project Alignment Paper)	5/30/2016	✓
Develop Request For Proposal	6/21/2016	✓
Complete and Submit Final Appropriation Package (Business Case, BAP, CBA, Complexity Matrix, and Project Alignment Paper)	7/1/2016	✓
Internal Review of RFP (Sponsors, Steering Committee, King County and Pierce County Election Stakeholders)	7/6/2016	✓
Publish RFP	7/27/2016	✓
Pre-Proposal Conference	8/11/2016	✓
Receive Proposals	9/27/2016	✓
Score Proposals	10/21/2016	
Top 3 Demo/Interviews	12/16/2016	
Price Review	12/19/2016	
Vendor Selection	12/20/2016	
Contract Negotiations	1/4/2017	
Design/Test/Implement	2/1/2017	
Final Acceptance/Close-out	6/30/2017	

Project Oversight. Elections has created a steering committee and a technology sub-committee for the project that is comprised of internal stakeholders (KCIT, Purchasing and Elections staff) and external stakeholders (Citizens' Elections Oversight Committee (CEOC) Chair and members). The committees meet periodically to provide status updates on the project and to address emerging issues. Elections staff also provides project updates at the CEOC meetings regularly.

Review of Benefit Achievement Plan. The primary anticipated benefit of this project is to maintain service levels by replacing and upgrading older technology in order to reduce the risk of system failure or system lag. Elections has also identified that there would be some cost savings (not quantifiable at this time) realized due to the increased efficiency of the new system.

The project does not appear to have any policy issues requiring further analysis.

Analyst:	Andrew Kim

FACILITIES MANAGEMENT INTERNAL SERVICE FUND

BUDGET TABLE

	2015-2016 Revised*	2017-2018 Proposed	% Change 2015-2016 v. 2017-2018
Budget Appropriation	$99,599,043	$113,201,000	13.7%
Max FTEs:	304.00	328.00	7.9%
Max TLTs:	4.00	2.00	(50.0%)
Major Revenue Sources	Central Rate – Facilities Management Rate		
* Note: 2015-2016 Revised includes the 2015-2016 Adopted Budget plus adopted supplementals as of transmittal of the Executive's proposed 2017-2018 budget.			

PROGRAM DESCRIPTION AND PURPOSE

The Facilities Management Internal Service Fund is the operating fund for the Facilities Management Division (FMD), which manages and maintains the County's physical and capital assets. Responsible for operation and maintenance of the County's buildings, FMD provides a range of internal services including custodial, landscaping, moving, security, HVAC, pest control, recycling, parking facilities management, routine maintenance, major maintenance, strategic planning, and capital planning. FMD also operates the County's print shop. This is an internal service fund which charges the expenses related to providing services to other County agencies on a reimbursement basis.

ISSUES

ISSUE 1 – "STREAMLINED" FACILITIES MANAGEMENT CENTRAL RATE

The FMD Internal Service Fund recoups its costs by charging County agencies for FMD's operating and capital expenses through the Facilities Management Central Rate. Currently, this rate is determined by separately calculating the operating, capital, debt service, and other miscellaneous FMD costs for a particular facility. The proposed methodology proposes a uniform (or "streamlined") rate based on common location and/or function and consolidates all the costs of that facility into a single per square foot (psf) rate. The County's 26 buildings and sites will be grouped into six categories (with three stand-alone facilities), each with distinct rates. For example, all the office buildings (Administration, Blackriver, Chinook, 4th and Jefferson, and King Street) will all have the same psf rate.

Executive staff have articulated the following rationale for this proposal:

1. Eliminates difficulties in calculating true costs for each facility
2. Establishes transparency to customers through a single uniform rate for each facility and allows customers to easily make market comparisons
3. Simplifies the budget and space planning process

4. Provides the true cost of space for all facilities without differential treatment across agencies. (Executive staff have stated that certain General Fund agencies have not had major maintenance and debt service contributions included in their central facilities rate to date.)

With this proposal, some agencies will see a higher-than-average increase to their Facilities Management Central Rate. For example, the agencies that occupy the Administration Building, which has little debt service, will see a greater-than-average increase since it is grouped with other office buildings at a uniform rate. Conversely, agencies that occupy the Chinook building, which has a high debt service, will see a lower-than-average increase.

It should be noted that the new “streamlined” Facilities Management Central Rate also incorporates additional FMD investments proposed for the new biennium. This includes additional building security, major maintenance, space planning, conservation, and a new comprehensive facilities asset management system. This will be in addition to the inflationary increases in utility and labor costs. This means that all agencies will see an overall increase in their Facilities Management Central Rate regardless of the new rate methodology.

Options regarding Facilities Management Central Rates and additional costs are provided under Issue 2 below.

ISSUE 2 – REDEFINE FMD’S BASE LEVEL OF SERVICES: $3.49 MILLION AND 20.3 FTES

The proposed budget includes an increase in FMD’s facilities portfolio. This includes two partially mothballed facilities: Yesler (114,395 sq. ft.) and Blackriver (74,280 sq. ft.), the 4th and Jefferson Building (8,000 sq. ft.) and King Street Center (320,000 sq. ft.). King Street Center, which will be managed by the County as of June 1, 2017, alone will increase the County’s building portfolio by 10 percent. FMD analysis has indicated that the current number of staff that support the King Street Center by Property Manager Wright & Runstad equates to approximately 24.5 County FTEs.

Rather than requesting this number of FTEs to support the King Street Center, FMD is requesting a smaller increase of 20.3 FTEs for the new biennium to be used across all County facilities. However, to compensate for the lower staff ratio, FMD is proposing to adjust the base level of services for County facilities in an effort to establish operational efficiencies while also addressing additional needs that were identified through tenant feedback. This means that service levels will contract for some functions and expand in others. The following list highlights some of the key adjustments for this proposal:

- Trash and food compost removal will be reduced from 5 days to 3 days per week
- Stairwell cleaning will be reduced from once per week to twice per month.
- Eliminate current practice of providing on demand service for painting jobs and implement a scheduled request fulfillment process.
- Modular furniture installations and moves will be paid for by agencies.
- Carpentry and plumbing costs will be included in the proposed “streamlined” rate.

- Increase in security presence at all downtown facilities with roving, escort, and quick response at each public entrance.

Considering that FMD is proposing to implement both the “streamlined” rate and redefinition of the base level of services for the new biennium, this will be an adjustment for all agencies and outside tenants that occupy County facilities.

Option 1: Direct staff to draft a proviso requiring a report to compare the County’s Facilities Management internal service rate and the methodology to calculate the rate with other comparable jurisdictions.

Option 2: Approve as proposed.

Analyst:	Andrew Kim

GENERAL GOVERNMENT CIP

BUDGET TABLE

	2015-2016 Revised*	2017-2018 Proposed	% Change 2015-2016 v. 2017-2018
Budget Appropriation	$127,220,529	$257,019,454	102.0%
Major Revenue Sources	• Facilities Management Central Rate • Automated Fingerprint Identification System (AFIS) Levy • Children and Family Justice Center (CFJC) Levy • General Obligation Bonds • Intergovernmental funds		
* Note: 2015-2016 Revised includes the 2015-2016 Adopted Budget plus adopted supplementals as of transmittal of the Executive's proposed 2017-2018 budget.			

PROGRAM DESCRIPTION AND PURPOSE

The General Government Capital Improvement Program covered in this staff report includes the following four capital funds:

- Long Term Lease (3310)
- Youth Services Facilities Construction (3350)
- Major Maintenance Reserve (3421)
- FMD Building Repair & Replacement (3951)

LONG TERM LEASE FUND (3310)

BUDGET TABLE

	2015-2016 Revised*	2017-2018 Proposed	% Change 2015-2016 v. 2017-2018
Budget Appropriation	$91,874,388	$32,794,623	(64.3%)
Major Revenue Sources	Facilities Management Central Rate		
* Note: 2015-2016 Revised includes the 2015-2016 Adopted Budget plus adopted supplementals as of transmittal of the Executive's proposed 2017-2018 budget.			

PROGRAM DESCRIPTION AND PURPOSE

This fund administers the lease payments for the County and its agencies for use of non-County owned facilities. All lease payments are charged to agencies through the Facilities Management Central Rate. In the proposed 2017-18 budget, debt service shifts to Harborview for the Pat Steel and Ninth and Jefferson buildings, and the King Street Center debt service shifts out of the Long-Term Lease fund as the building comes into County ownership.

Issues

Staff have identified no issues with this budget.

Youth Services Facilities Construction Fund (3350)

Budget Table

	2015-2016 Revised*	2017-2018 Proposed	% Change 2015-2016 v. 2017-2018
Budget Appropriation	$9,455,000	$191,964,731	1,930.3%
Major Revenue Sources	Children and Family Justice Center Levy		
* Note: 2015-2016 Revised includes the 2015-2016 Adopted Budget plus adopted supplementals as of transmittal of the Executive's proposed 2017-2018 budget.			

Program Description and Purpose

The Youth Services Facilities Construction Fund accounts for the revenues collected as a result of the voter-approved nine-year property tax levy lid lift to finance Phase I construction of the new Children and Family Justice Center (CFJC). Expenditure authority in this fund is double -budgeted for transfer to the construction budget that resides in the FMD Building Repair & Replacement Fund (BRR) – Children and Family Justice Center Project. By accounting for the CFJC revenues in this fund, tax proceeds are not comingled in the BRR fund. The construction management of the capital project will be managed through the CFJC project in the BRR Fund.

Issues

Issue 1 – Duplicate Appropriation: $191,964,731

The total cost of Phase 1 of the CFJC project is estimated to be approximately $212 million. However, $219.5 million has been appropriated to this fund (and to the BRR fund) to date, equal to the March 2016 Office of Economic and Financial Analysis projection for CFJC levy collections. Of the appropriation to the CFJC project in the BRR fund, $7.5 million was restricted for capital improvements supporting youth services subsequent to final acceptance of Phase 1 of the CFJC project.[1] Due to an error in accounting for the full appropriation history, the 2017-2018 Executive budget proposes appropriating an additional $192 million. This appropriation is unnecessary and would duplicate appropriation made by Ordinance 17707 in 2013. Executive staff agree that the proposed appropriation to this fund is duplicative and should be removed by amendment.

[1] Ordinance 18239.

Staff can correct the error in the budget at the Panel's direction.

MAJOR MAINTENANCE RESERVE FUND (3421)

BUDGET TABLE

	2015-2016 Revised*	2017-2018 Proposed	% Change 2015-2016 v. 2017-2018
Budget Appropriation	$12,425,118	$18,129,504	45.9%
Major Revenue Sources	Facilities Management Central Rate		
* Note: 2015-2016 Revised includes the 2015-2016 Adopted Budget plus adopted supplementals as of transmittal of the Executive's proposed 2017-2018 budget.			

PROGRAM DESCRIPTION AND PURPOSE

The Council established the Major Maintenance Reserve Fund (MMRF) in 1993 to provide a reliable source of funds for the periodic replacement and repair of County-owned buildings under the control of FMD. Major maintenance projects are characterized as those necessary to maintain the usability and maintenance standards of a building and to ensure that each building realizes its full useful life. The MMRF funding model determines the timing and the cost of projects necessary to maintain the buildings during their useful life.

ISSUES

ISSUE 1 – 24/7 FACILITY GROUP MASTER PROJECT: $5.9 MILLION

The 24/7 Facility Group Master Project is a consolidation of MMRF projects ranked in the top 10 percent of building deficiencies in the 24/7 Facility Group. The 24/7 Facility Group was established by the proposed "streamlined" Facilities Management central rate methodology as one of six categories that share the same psf Facilities Management central rate. The facilities in this group are the Maleng Regional Justice Center, King County Correctional Facility, Regional Communication and Emergency Coordination Center, Youth Service Facility, and the Ravensdale Shooting Range. These facilities were grouped based on their 24/7 operation schedule and their similarities in other operational functions.

One of the recommendations from the 2014 County Audit Report on MMRF was to establish a new budget structure to address inefficiencies (higher than necessary costs) related to phased projects and inflexible project spending. The 24/7 Facility Master Project consolidates 13 MMRF projects ranging from $63,000 to $1.5 million to avoid delays for minor budget revisions that require Council approval and provide budgeting flexibility to allow project decisions to proceed on a timely basis to reduce administrative cost and design and construction delay.

Option 1: Direct separate appropriations for the 13 MMRF projects grouped in this category to maintain oversight and accountability.

Option 2: Require reporting regarding the status of each recommendation provided by the 2014 County Auditor Report on MMRF.

Option 3: Approve as proposed.

ISSUE 2 – KING COUNTY COURTHOUSE SYSTEM REVITALIZATION: $500,000

For the 2015-2016 biennium, $1.2 million was budgeted for the King County Courthouse System Revitalization MMRF project to address the aging Courthouse infrastructure systems by beginning the process of identifying funding and phasing alternatives, as well as preparing as-built structural documentation. According to the Executive, this was a critical first step in preparation for developing a proposal for a comprehensive project which includes mechanical, electrical, plumbing and window-related work.

When appropriating the funding, the Council adopted a proviso that required an alternatives analysis as well as a list of potential projects and the cost and effort associated with each task. The analysis was completed in August 2016 by Clark Design Group and is currently waiting for Council review and approval (Proposed Ordinance 2016-0426). Approval would release $500,000 of the funds as per Ordinance 17941 Section 129 Proviso P5.

A total of $730,000 is estimated to be spent by the end of 2016 to fully pay for this analysis as well as a Downtown Civic Campus Planning Scoping Report and an update to the Real Property Asset Management Plan. It should be noted that preliminary findings from the infrastructure study identified the need to address a high priority electrical system issue that could not be postponed and the Council approved Ordinance 18341 (8/29/2016) which made emergency appropriations of $11 million to resolve this issue. The project work began immediately in September 2016.

For the new biennium, the Executive is proposing to transfer the remaining $500,000 from the Courthouse System Revitalization MMRF project to the Building Repair & Replacement Fund's Civic Campus Planning project. PSB has indicated that this is proposed due to the limited availability of General Fund resources in the new biennium and the fact that the Courthouse System Revitalization alternatives analysis was an impetus to the Civic Campus Planning efforts. High-level evaluation of the Clark Design Group findings may be valuable to determine if the remaining funds should be allocated to the Civic Campus Planning project or allocated to additional efforts for the Courthouse project. (If the appropriation is transferred to the Civic Campus Planning project, the proviso restriction on the MMRF project would no longer apply, and the funding would be available without the need for Council action on 2016-0426.)

Options related to the Courthouse Revitalization fund transfer are provided under Issue 1 for the Building Repair and Replacement below regarding the Civic Campus Planning project.

FMD BUILDING REPAIR & REPLACEMENT FUND (3951)

BUDGET TABLE

	2015-2016 Revised*	2017-2018 Proposed	% Change 2015-2016 v. 2017-2018
Budget Appropriation	$22,921,023	$14,130,596	(38.4%)
Major Revenue Sources	• Facilities Management Central Rate • Automated Fingerprint Identification System (AFIS) Levy • Intergovernmental funds • General Obligation Bonds		
* Note: 2015-2016 Revised includes the 2015-2016 Adopted Budget plus adopted supplementals as of transmittal of the Executive's proposed 2017-2018 budget.			

PROGRAM DESCRIPTION AND PURPOSE

The Building Repair and Replacement (BRR) subfund is a collection of non-maintenance related capital improvement projects managed by FMD acting as the implementing agency on behalf of other user agencies. Projects are proposed by FMD and by General Fund agencies, and may include long-term planning efforts, major revisions to existing facilities, and program-driven tenant improvements.

COMPREHENSIVE FACILITIES ASSET MANAGEMENT SYSTEM (CFAMS)

Prior appropriation	$281,625
2017-18 Request	$2,434,648
Future Request	$0
Total Project Cost	$2,716,273
Fund Source	G.O. Bonds (debt service will be paid by Facilities Management central rate via FMD Internal Service Fund)

Project Summary: This project would establish a real property asset management system to be used by the Real Estate Services (RES) section of the Facilities Management Division (FMD) to consolidate data and automate workflows to establish efficiency and effectiveness in managing, maintaining, and operating County real property assets.

FMD manages approximately 40 county-owned buildings, nearly 400 leases as either lessor or lessee, and a portfolio of over 4,000 additional parcels. Currently, FMD faces an antiquated data management system where the County's real property data are stored in multiple Excel documents and Access databases without any integration and standardization. Such disparity is due to a lack of standardized business processes (or workflows) which have caused staff to create their own individual processes and work in silos. These issues have not only resulted in inefficient processes but additional costs due to penalties from expired leases (~$400,000 per year), and forgone revenue from leases whose rents were not corrected to reflect current market rates (~$1 million per year).

The CFAMS will implement a real property asset management solution to align current real estate management and space management processes with standard industry practices and improve data quality with the intent to maximize revenues and avoid additional costs. This project is closely linked with the ongoing RES business process improvement work (RES Line of Business Planning). It should be noted that the CFMAS is also a response to a recommendation from the 2016 County Auditor's Report.[2]

The appropriation request of $2,434,648 includes approximately $1.1 million (45%) for labor costs, $534,000 (22%) for hardware and software, and $270,000 (11%) for consulting services. This includes a proposed contingency of 20 percent. Approximately $975,000 would be expended by 5/31/2017 for vendor selection and engagement, with an additional $1.1 million expended by 2/28/2018 for design and implementation, to be followed by rollout planning.

Half of the labor costs include KCIT staff to help with integration work with existing enterprise systems. However, since this will be a software-as-a-service (SaaS) cloud-based software, ongoing support from KCIT will be minimal. In addition to the capital appropriation, the Executive is also proposing $289,423 for one FTE to provide ongoing support for the new system and $440,000 for debt-service payments for the 10-year General Obligation bonds that will be issued to pay for this IT project. These costs will be incurred by the FMD Internal Service Fund and recouped through the new "streamlined" Facilities Management Central Rate.

Status of existing project: Since appropriation was made in February 2016, the project has continued to develop system specifications to be used as input for the RFP, which is on schedule to be drafted by the end of 2016.

Review of the Benefit Achievement Plan: The BAP identifies seven internal service benefits of this system of which two include reducing the percentage of leases that pay late penalties and reducing percentage of leaseholds that need market rate corrections. The other five benefits are related to compliance, efficiency and reporting that currently needs a more definitive baseline and target. Council staff will continue to work with FMD to refine these benefits.

FMD and PSB has identified some risks to the CFAMS project; however, they have committed to implementing mitigation strategies to minimize these risks. Some of these strategies include investing $62,000 in training to assist RES staff who are slow technology adopters, budgeting $270,000 of consulting services to alleviate limited in-house knowledge of real property asset management systems, incremental implementation (or "phased") approaches to alleviate limited FMD staff capacity and a

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[2] The King County Auditor issued the "Real Estate Services Should Act to Save Money, Improve Results and Prevent Fraud" Audit Report on July 26, 2016 to recommend that RES needs to evaluate fraud detection capabilities, implement a performance management system and improve accuracy of real estate information.

"progress payment" provision in the software vendor contract to allow the vendor to share some of the implementation risk.

Staff have not identified any policy issues for this IT project.

ISSUES

ISSUE 1 – CIVIC CAMPUS PLANNING: $687,232

For the 2015-2016 biennium, $1.2 million was budgeted for the King County Courthouse System Revitalization MMRF project. Recognizing the need for a more strategic investment approach for all County-owned downtown facilities, the Council issued a proviso in the 2015-2016 Biennium Supplemental Ordinance (Ordinance 18110 Section 55, Proviso 1) to require a Downtown Civic Campus Planning Scoping Report to outline the scope and cost of a Downtown Civic Campus Planning effort. The Council received and was briefed on the report on 3/29/2016 (Briefing 2016-B0069). The scoping report outlined that the planning effort would cost approximately $3.5 million and take approximately 2.7 years.

For the new biennium, the Executive is proposing to appropriate only $687,232 to support "Project Initiation" and "Facility Needs Analysis" for 2017. PSB has stated the rationale for not funding the full effort for the entire biennium is due to limited General Fund resources. FMD has also stated that additional input may be useful from the Council on the scope and direction before completing the planning efforts. Continued discussions with PSB and FMD may be necessary to further understand the scope of work for the new biennium and determine if $687,232 is the appropriate funding level for this project. Moreover, key findings from the Courthouse System Revitalization Alternative Analysis may also be useful to define the scope of the Civic Campus Planning effort for the biennium.

Option 1: Increase appropriation to fund additional planning activities.

Option 2: Approve as proposed.

ISSUE 2 - ALDER SCHOOL AT THE CHILDREN AND FAMILY JUSTICE CENTER

The proposed 2017-18 net appropriation for the Children and Family Justice (CFJC) project is zero. However, the proposed budget would increase the scope of the project to include the design and construction of the Alder School in the Children and Family Justice Center at a cost of $3.2 million. The Alder School is one of the Seattle Public School Interagency Academy schools that provide educational support to youth that are unable to attend regular school and is currently operating at the existing Youth Services Center that will be replaced by the CFJC. The Executive is proposing to recoup the $3.2 million cost of this project component and stay within current appropriation by using a portion of CFJC levy collections in excess of original projections (which are currently restricted until after the completion of Phase 1 of the CFJC, for capital improvements to support youth services under Ordinance 18239) as well as an anticipated, but not contractually obligated, $1 million contributed by Seattle Public Schools.

Option 1: Approve as proposed.

Option 2: Direct staff to revise the appropriation to reflect this addition to scope, while retaining the full $7.5 million restricted appropriation for capital improvements to support youth services after the completion of Phase 1.

Analyst:	Nick Wagner

EMPLOYEE BENEFITS

BUDGET TABLE

	2015-2016 Revised*	2017-2018 Proposed	% Change 2015-2016 v. 2017-2018
Budget Appropriation	$527,545,264	$567,052,000	7.5%
Max FTE:	12.0	15.0	25.0%
Max TLTs:	3.0	3.0	0.0%
Major Revenue Sources	Flex rate recovery; employee contributions (for supplemental benefits); premiums for COBRA and early retirees		
* Note: 2015-2016 Revised includes the 2015-2016 Adopted Budget plus adopted supplementals as of transmittal of the Executive's proposed 2017-2018 budget.			

PROGRAM DESCRIPTION AND PURPOSE

Employee Benefits is located in the County's Human Resources Division (HRD). Also included within HRD are Human Resources Management (the appropriation unit for the Office of Human Resources) and the Safety and Claims Management program, each of which is a separate appropriation unit in the Executive's proposed budget ordinance and the subject of a separate staff report.

Employee Benefits manages the County's medical benefits programs and oversees strategic initiatives to control benefit costs and improve employee health and well-being.

ISSUES

ISSUE 1 – ACCOUNTABLE CARE NETWORKS OPTION: $1,286,851; 3.0 TLTS

HRD has been exploring options for offering an accountable care network (ACN) health care benefit plan as a third option in addition to the County's two existing plans (the Regence preferred provider organization (PPO) and the Group Health health maintenance organization (HMO)). As described by Executive staff: "The ACN model brings together physicians, hospitals, and other partners into narrow networks where the amount of money the network receives for treating a population of patients is based in part on the quality of care they deliver and the patient satisfaction with the care experience. . . . Over time, it is expected that these results-based plans will deliver better care at a lower cost than the current PPO model." ACNs could potentially provide greater health care choice than an HMO at a lower cost than a PPO.

The recently-negotiated tentative agreement on total compensation with the King County Coalition of Unions includes a provision that the County's Joint Labor Management Insurance Committee (JLMIC) will "explore options that incent benefits-eligible employees to choose health care that is more effective and produces better health outcomes." One such option is ACNs. If the tentative agreement on total compensation is ratified by the unions and approved by the Council, there would be an opportunity during 2017 for the JLMIC explore ACN options and for the Council to be briefed and provide policy direction if it wished.

To support the exploration of ACN options, the Executive's proposed budget includes $1,286,851 for 3.0 TLTs, who would "help develop the new approach, work closely with vendors, and help communicate the changes to all employees." They would include:

- A Project/Program Manager III, who would develop new business processes in payroll operations related to new contract requirements;
- A Contract Specialist I, who would assist with new contracts and revising current contracts; and
- An Education Consultant II, who would help design and implement a communication plan for introducing ACNs.

Since the Council has not yet been briefed on Accountable Care Networks and the options associated with them, the Council may wish to consider conditioning part of this expenditure on the Council's approval of a report from the Executive on the options being considered for adding Accountable Care Networks as a third health plan option for County employees. This would provide an opportunity for the Council to provide policy direction to the Executive if the Council considered that appropriate.

Option 1: Approve as proposed.

Option 2: Direct staff to prepare a proviso conditioning part of this expenditure on the Council's approval of a report from the Executive on the options being considered for adding Accountable Care Networks as a third health plan option for County employees.

ISSUE 2 – EMPLOYEE ENGAGEMENT: $871,380; 2.0 FTES
[THIS IS RELATED TO ISSUE 1 IN THE HUMAN RESOURCES MANAGEMENT BUDGET.]

To support employee engagement, the Executive is proposing to add $871,380 to cover the cost of converting 2.0 TLTs to 2.0 FTEs and related professional services. The two current TLT positions are an Engagement Manager and a Communications Specialist. About $645,000 of the total funding would support creation of the FTEs, and the remaining $226,000 would be for professional services, which Executive staff describe as consisting of "Alternative Dispute Resolution facilitation, employee survey costs, and training and communication expenses."

There is a related change in the proposed budget for Human Resources Management. To support employee leadership and career development programs and an overhaul of the County's job classification system, the Executive proposes to add $1,233,567, 2.0 FTEs, and 2.0 TLTs to the HRM appropriation.

Together, these related changes originally were part of a single HRD request, entitled "Best Run Government: Employees," for biennial expenditures of $3.5 million (including $2.6 million from the General Fund and $870,000 from the Benefits Fund), with 6 FTEs and 2 TLTs from the General Fund and 2 FTEs from the Benefits Fund. HRD offered the following explanation of the need for the appropriation: “The proposed changes in this decision package allow the continuation and expansion of efforts to ensure that every employee is valued for her, their or his unique assets and experience, and that we invest in growing their talent – regardless of who they are, where they come from, and where they are in the organization.”

After submitting its budget request to the Executive, according to Executive staff, “HRD went through an exercise to prioritize its budget requests and then participated in an additional collaborative prioritization exercise with the Office of Equity and Social Justice and PSB. HRD narrowed its General Fund requests through this process.” In his proposed budget, the Executive reduced HRD’s original funding request by 40 percent, to $2.1 million, and reduced the FTE request by half, to 4 FTEs. All the Executive’s cuts were in the appropriation that HRD had requested for the HRM appropriation unit.

HRD considers employee engagement, training, and development, which HRD’s combined request would support, to be an important part of the County’s commitment to equity and social justice. Part of that commitment is for the County itself to be a place where employees feel valued and have an opportunity and the support to develop to their full potential. It is HRD’s assessment that the additional resources that the Executive is proposing are needed to support the County’s ESJ goals.

Option 1: Approve as proposed.

Option 2: Refer item to the Budget Leadership Team for final balancing of the budget.

Additional Follow up from Week 1 Panel Questions

1. ***How much does the County contribute toward the cost of health care coverage for each employee per month?***

Executive’s answer: For non-represented employees and for employees covered by the total compensation memorandum of agreement [Total Comp MOA] with the King County Coalition of Unions (if it is approved by the Council): $1,465 for 2017; $1,524 for 2018. For employees represented by the Amalgamated Transit Union: $1,556 for 2017 and for 2018. For employees represented by the King County Police Officers Guild: $1,609 for 2017 and for 2018. If a union group chooses not to ratify the Total Comp MOA or the related JLMIC benefits coverage, the County will seek immediately to bargain with that union.

2. ***How is it determined how much the County will contribute toward employee health benefit costs and what amount of cost-of-living or other wage adjustments employees should receive?***

Executive’s answer: For represented employees, through collective bargaining with their union representatives. For non-represented employees, the County practice has been to apply relevant terms that have been negotiated with the King County Coalition of Unions.

3. What preparations has the County made for the wave of employee retirements, and how and where is that reflected in the proposed budget?

Executive's answer: We anticipate that nearly 40% of employees will turn over in the next five years because of retirements and regular attrition. While the central Human Resources Division (HRD) has not been resourced to develop a comprehensive, countywide workforce succession plan, there are several centralized and department-specific strategies to ensure we can meet staffing requirements and ensure smooth transitions with little disruption to our operations. These include working to develop and promote our current employees, and to better attract new public service employees. Some of these are current and some are proposed in the 2017/18 budget, as indicated below.

a. Centralized efforts, led by Human Resources Division (HRD) in the Department of Executive Services

   i. Implementation of a new HR analytics program (using Tableau software and PeopleSoft data) that allows human resources professionals to more easily obtain and analyze workforce demographics – including retirement projections and vacancy rates – needed for the development of comprehensive workforce development plans.

   ii. Working to improve our hiring practices to improve the experience of both internal and external job candidates. This includes:
      - A new job application system that is more user-friendly for the applicant (i.e. the Applicant Tracking System project).
      - More transparent, standardized and efficient recruitment and hiring process
      - Improved communications about what makes King County an employer of choice on the King County jobs website, on social media and beyond. This includes better describing what King County offers employees including a competitive compensation package and a commitment to diversity, learning and development, and innovation

   iii. Increasing support of the development and promotion of current King County employees. This includes:
      - In 2017-2018 budget proposal Two FTEs to sustain the training program. One FTE will focus on development opportunities for individual contributors (those who are not currently managers or supervisor); the other will focus on strengthening managers and leaders to enable them to coach and develop their employees, while continuously improving the work of their teams.
      - Initiating a new Labor-Management partnership called, "Opportunities at Work", to focus on learning and development. This will include new apprenticeship programs for current employees in the trades and courses and one-on-one

counseling on career development offered by our Career Support Services team. This team also opened an Employee Resource Center designed to help employees create professional development plans.

- In 2017-2018 budget proposal, add wo TLTs to help update our classification system to create transparent and easy-to-understand career paths and align compensation to appropriate total compensation methodology. The improved classification system will provide a foundation for strategic workforce planning and employee career development.

iv. Helping build the capacity of the Human Resources community to build their skills in workforce planning. This will include the development of online resources and training to support agency-specific efforts around workplace planning.

b. <u>Agency-specific efforts</u>

i. Many departments and divisions have comprehensive workforce development plans. An excellent example (as noted in panel) is in DNRP's Wastewater Treatment Division. WTD analyzed workforce demographics and current and future business needs to develop a comprehensive workforce plan. They also analyzed the training time required to successfully meet the standards of the work for critical positions. Positions like Wastewater Treatment Operators require three to five years of training once they are hired to operate our plants. Based on this, WTD has implemented an on-the-job training program and a variety of leadership development and succession planning strategies to prepare our workforce for that turnover, including:

- Creating Special Duty opportunities to promote leadership experiences.
- Creating Job Shadow/Mentoring relationships for key positions.
- Proactively assigning employees to opportunities outside their regular duties.
- Rotating staff among work units to provide broader exposure to our organization.
- Implementing knowledge-collection (data) systems and knowledge-transfer strategies to retain critical information among our employees.
- Implementing Lominger leadership principles to guide and develop skills throughout the division.
- Hiring vacancies at a lower level to create opportunities for employees to serve as leaders and mentors to new hires.
- Strategically conducting recruitment through outreach and educational programs with targeted communities, schools and other institutions

ii. Other departments also have training and development programs to develop the talent they need in the future, including Transit (Vehicle Maintenance Apprenticeship Program), KCIT, and Department of Public Defense.

Analyst:	Nick Wagner

HUMAN RESOURCES MANAGEMENT

BUDGET TABLE

	2015-2016 Revised*	2017-2018 Proposed	% Change 2015-2016 v. 2017-2018
Budget Appropriation	$14,676,569	$15,398,000	4.9%
Max FTE:	38.0	40.0	5.3%
Max TLTs:	1.0	2.0	100%
Major Revenue Sources	General Fund		
* Note: 2015-2016 Revised includes the 2015-2016 Adopted Budget plus adopted supplementals as of transmittal of the Executive's proposed 2017-2018 budget.			

PROGRAM DESCRIPTION AND PURPOSE

The Human Resources Management (HRM) appropriation unit consists of the Office of Human Resources within the County's Human Resources Division (HRD). Also included within HRD are Employee Benefits and the Safety and Claims Management program, each of which is a separate appropriation unit in the Executive's proposed budget ordinance (sections 115 and 110, respectively) and the subject of a separate staff report.

The Office of Human Resources develops and administers the County's personnel system and employment policies and provides support for recruiting, hiring, developing, and retaining the County workforce.

ISSUES

ISSUE 1 – TRAINING, DEVELOPMENT, COACHING, AND MENTORING: $1,233,567; 2.0 FTEs; 2.0 TLTs. [THIS IS RELATED TO ISSUE 2 IN THE EMPLOYEE BENEFITS BUDGET.]

To support employee leadership and career development programs and an overhaul of the County's job classification system, the Executive proposes to add $1,233,567, 2.0 FTEs, and 2.0 TLTs to the HRM appropriation. The FTEs (two Educator Consultant IIs) would support the leadership and career development program. The TLTs (a Special Projects Manager and a Senior Human Resource Analyst) would support the job classification project. The remaining $150,000 of the appropriated funds would pay for consultant services and other non-labor expenses.

This item is written up as an issue with a related change in the staff report for Employee Benefits. If Council decides to amend or restrict this budget request, the HRM budget can be revised to implement that direction.

ISSUE 2 – APPLICANT TRACKING SYSTEM

Prior appropriation	$403,460 (capital)
2017-18 Request	$763,938 (capital); $76,548 (operating)
Future Request	No future capital cost; ongoing operating cost ($167,948 for 2018 and increasing by 5% per year)
Total Project Cost	$1,167,398 (capital only)
Fund Source	Countywide IT rates (CIP only)

Project Summary: This project would replace the County's current system for tracking applicants for county employment, called NEOGOV, with a new applicant tracking system (ATS).

Background: According to the business case, NEOGOV is an ATS that is designed specifically for public sector employers. It is an online product that moves applicants through the steps of the application process in a way that "ensure[s] compliance with outdated and laborious civil service standards." HRD proposes to replace the existing system because, according to the business case, the current system is inefficient to operate and not user-friendly for applicants.

Status of existing project: During the current biennium HRD has developed requirements for a new ATS, issued a Request for Proposals, reviewed the proposals that were received, and identified a preferred "software-as-a-service" product. If funding is approved, HRD intends to try to negotiate acceptable terms with the vendor in the first quarter of 2017. If the negotiations are successful, HRD expects to be able to implement the new ATS at the beginning of 2018.

Funding status: HRD has spent about $235,000 of a $403,000 capital appropriation for 2015-2016. HRD's budget request for 2017-2018 included $763,938 in capital funds, $315,048 in operating funds and 1.0 FTE (for an ATS system administrator). The Executive's proposed 2017-2018 budget for the ATS project includes $763,938 in capital funds, only $76,548 in operating funds, and no additional FTEs. According to Executive staff, the system administrator position can be covered from existing staffing resources, and HRD and PSB have determined that 0.5 FTE (rather than the originally proposed 1.0 FTE) will be adequate.

The project cost includes $400,416 for labor, $470,000 for vendor software and consulting, and $150,000 for BRC PeopleSoft Integration support. In addition, annual operating costs are expected to be $167,948 in 2018 and increase by five percent each year.

In meetings with Council staff, HRD reported there are no dedicated resources for the current NEOGOV application and this limits the ability of HRD to assist departments in using the system. The proposed ATS project budget includes limited resources for training and outreach to departments on how to use this system.

All the county staff who have been identified as working on this project have substantial other responsibilities, including the project manager, who was originally intended to be a

1.0 FTE and who, following the Executive's decision not to approve that expenditure request, will now be a 0.5 FTE.

Review of the Benefit Achievement Plan: The primary anticipated benefits of this project are to help the County attract diverse and high-quality applicants and to improve the recruitment process for applicants and for recruiters. HRD plans to measure Staff analysis of the Benefit Achievement Plan is ongoing.

Staff analysis of this project is continuing.

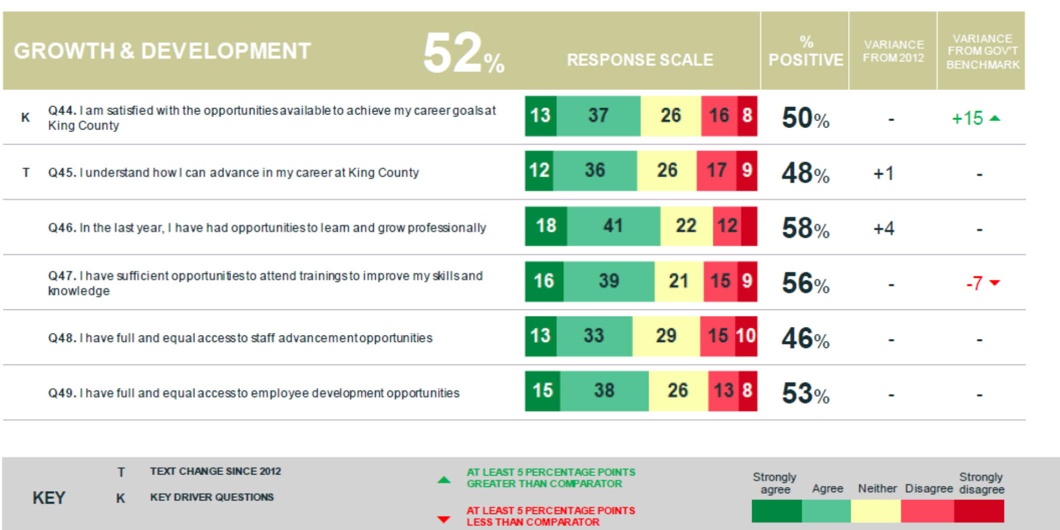
ADDITIONAL FOLLOW UP FROM WEEK 1 PANEL QUESTIONS

1. ***What input has been received from employees about the value they place on training and development?***

Executive's answer: In the 2015 employee engagement survey, employees told us that their satisfaction with the "opportunities available to achieve my career goals at King County" was a key determinant of their overall engagement. Unfortunately, only 50% of employees who responded to the survey agreed they were satisfied with the opportunities. Other questions around growth and development also hovered around the 50% satisfaction mark, as indicated in the chart below.

Results varied based on an employee's race, gender, and place in the organization. Black/African American employees, for example, were more optimistic than White employees about professional opportunities at work, yet indicated they were less likely to have had an opportunity to learn and grow in the last year.

Equitable access to learning and development was also identified as a concern and interest by more than 600 employees who participated in Equity and Social Justice workshops and focus groups in 2015-2016.



2. ***What efforts are being made in County government—in HRD or elsewhere—to make sure we are providing equality of opportunity for women and other historically disadvantaged groups in recruiting, hiring, retention, and promotion? How and where is the importance of this work reflected in the Executive's proposed budget?***

<u>Executive's answer</u>:

- In 2015, the King County Council passed a motion naming King County as a founding member of the countywide "100% Talent, a Gender Equity Initiative for King County."

- King County had developed a 2016-2022 Equity and Social Justice Strategic Plan, which calls for the County to "systematically develop and retain a more racially diverse and culturally responsive workforce at all levels: leadership, management and staff." Efforts to achieve this goal include:
    - <u>In the 2017/18 budget proposal</u>, a new web-based job application system (the Applicant Tracking System project) will support the ESJ Strategic Plan through:
        - An internal-only portal listing internal promotional opportunities and special duty assignments.
        - Accepting mobile applications to reach more diverse candidates who do not have home computer access but do have cell phone access.
        - Consistent processes, testing, and communication with candidates so both internal and external candidates feel the process is fair and equitable.
        - Training for recruiters in legal compliance and coaching.
        - Removing barriers such as requiring the same skills as the previous incumbent in a position, rather than determining the skills that are needed.
        - The ability to "mask" non-pertinent candidate information so that those making hiring decisions do not see names, locations, school names, and even previous work company names (only competencies and skills), so as to limit the effect of personal biases.

    - Through Opportunities at Work, a new partnership with King County Labor Unions, we plan to expand apprenticeship programs in the trades, focusing on women and others from historically disadvantaged communities.

    - HRD's existing budget includes a full-time Diversity and Inclusion Manager to focus on creating and assuring equitable opportunities for women and others from historically disadvantaged communities.

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- Efforts to increase employment opportunities for individuals from historically and economically disadvantaged communities include:
    - o Reflected in OESJ budget proposal: Support for a school-to-work youth pipeline for youth with greatest barriers to employment, with primary focus on youth from historically and economically disadvantaged communities.
    - o King County's Apprenticeship Program: Establishes apprenticeship requirements on selected public works projects.

3. In reference to the job classification overhaul, what is the County doing about classifications that are so broad that bumping can move people into positions for which they are not qualified due to the demands of the specific position. What steps are currently being taken to avoid that situation, and how might the job classification overhaul help prevent such a situation from occurring?

Executive's answer: Bumping is a function of the layoff process embedded in collective bargaining agreements. There is specific language in each agreement about what positions an employee may bump into as a result of a reduction in force. The common thread in the bumping language is that the person either must have worked in that classification before or shown that he or she meets the qualifications of the position he or she is bumping into. The key to assuring that employees meet the qualifications of positions they bump into rests in drafting appropriate language in collective bargaining agreements to assure that there is adequate process built into the bumping process so that an employee can either show at the outset that she meets (or doesn't meet) the qualifications or serves a trial service period to show she can (or can't) perform the job.

4. How does HRD monitor the length of time that individual TLTs are being used to make sure the County complies with its legal obligations?

Executive's answer: Every year HRD does a body of work review to determine whether Departments are complying with the code with respect to their use of term limited temporary and short-term temporary employees. HRD staff reviews the work history of TLTs and temps to insure that they have not exceeded the term of their employment (see KCC 3.12.010.JJJ and KKK as well as KCC ch.3.12A). HRD also reviews whether employees are appropriately assigned term-limited or temporary work.

Analyst:	Clifton Curry

CABLE COMMUNICATIONS

BUDGET TABLE

	2015-2016 Revised*	2017-2018 Proposed	% Change 2015-2016 v. 2017-2018
Budget Appropriation	$783,417	$769,497	(1.8%)
Max FTE:	1.5	0	(100%)
Max TLTs:	0	0	N/A
Major Revenue Sources	Cable Franchise & PEG Fees		
* Note: 2015-2016 Revised includes the 2015-2016 Adopted Budget plus adopted supplementals as of transmittal of the Executive's proposed 2017-2018 budget.			

PROGRAM DESCRIPTION AND PURPOSE

The Office of Cable Communications (cable office) assists cable television subscribers in resolving complaints and answering questions regarding their cable service in unincorporated King County. The cable office negotiates, monitors, and enforces the rules set forth in the cable television franchises granted by King County and held by cable TV companies. The office collects a franchise fee of five percent of gross revenues from the cable companies for their use of the County's rights-of-way. The cable office generates approximately $2.5 million per year for the General Fund through these franchise fee receipts. In addition, cable television companies pay Public, Education and Government (PEG) fees that support capital equipment that supports programming for governments (such as King County Television), schools, and public access.

ISSUES

ISSUE 1 – I-NET AND REGIONAL KCIT SERVICES REALIGNMENT: ($1,280) & (1.5) FTEs

The Executive is proposing to combine the resources (labor, non-labor) associated with the business function of the regional service support provided by KCIT Cable Communications and I-Net. The proposed budget change would move the current Cable Office 1.5 FTEs to the I-Net fund. This proposed change has no financial impact. The staff would still provide cable-related services and charge the Cable Communications appropriation based on time spent. According to the Executive, both Cable and I-Net have been under the Regional Services section of the department since KCIT consolidation. According to the section's organizational chart, the two functions are currently co-located and under the same Regional Manager. The proposed budget change is being proposed to align resources along an operational perspective.

K.C.C. 6.27A.260 requires that all cable-related operations be enforced by the cable office. The Code requires that the office be able to provide "staff assistance" for these functions. For the first three quarters of 2016, the office reports that it has logged a total of 125 external customer/inquiries/complaints related to unincorporated area cable service (on track for 170 for the year). The office notes that the time needed to resolve each consumer inquiry/complaint varies. The office also reports that in the past year it has seen a dramatic increase in inquiries from customers who are unable to get any cable service in their area. According to the office, to address these concerns, staff have spent time mapping out cable infrastructure in different neighborhoods and meeting with Comcast and Wave to find ways for unserved residents to obtain affordable service in relation to the terms/requirements of the cable franchises. Staff explain that, to address these concerns, it takes a significant amount of time for mapping and analysis, working with the Prosecuting Attorney's Office and cable provider customer relations. In addition to customer service work, the Cable Office reports that it communicates with staff from the Council about 3-4 times per month related to constituent concerns and receives at least one inquiry monthly from the Executive's Office. Finally, the office also gets frequent questions from other County agencies regarding service to County buildings (provided for in the franchise agreements at no cost).

According to the Executive, the Director of Information Technology is the cable manager responsible for Cable Office functions. According to materials provided by the Executive, this office will still exist and its functions will be performed by KCIT staff even though the existing FTEs will not "reside" in the Cable Communications budget. According to PSB, the move will provide flexibility for KCIT in managing the Cable Office, providing staff backup and temporarily scaling up or down staff resources as needed. Nevertheless, the current allocation of FTEs directly to the Cable Communications appropriation item allows for transparency in the budget for this oversight function and it is not known whether the transfer of these FTEs to the I-Net function will allow for that transparency in the future, especially as it relates to the provision of this "local government" service for residents of the County's unincorporated areas.

Option 1: Restore 1.5 FTEs to the Cable Communications appropriation budget and reduce 1.5 FTEs and associated funding from the I-Net budget. The restoration of these FTEs in this budget assures continued transparency for demonstrating the local government services and resources that are provided to unincorporated area residents. If the panel adopts Option 1, staff will make the corresponding changes necessary to the I-Net budget.

Option 2: Approve as proposed.

Follow-up to Councilmember Questions from Week 1 Panel Questions:

CM Gossett asked: What authority does the County have in setting cable rates?

The Executive provided the following information. Each year, and as established through a rule adopted by the Federal Communications Commission (FCC) in 1995, cable companies are required yearly to submit to the FCC and to local franchising authorities (King County) FCC Form 1240, giving them the option to make adjustments to the current rate charged for basic cable. FCC Form 1240, through a series of calculations, allows the cable company to account for their increase in costs (programming, equipment, and inflation) along with any cost projections that may increase during that year.

In King County the current rate for basic cable is $18.00 per month, which includes only local programming or the first 29 channels. According to the current franchise agreements, King County has the ability to challenge Form 1240 requests **for rate increases for basic cable only**. Any other changes in rates for premium television packages would not be subject to County review. In addition, the County's franchise agreements only cover the television portion of the services that cable companies provide and have no authority over charges for other services such as internet or telephone.

King County's franchise agreements list these requirements for a cable company to increase its rates:

- 30 day notice to all customers of an upcoming rate increase;
- Submission of updated channel cards; and,
- Notice of any changes in the channel line-up.

While the County has the option to challenge the rate increase, the cable companies are very careful, using FCC Form 1240, to keep the price of basic cable under the maximum permitted rate they are allowed to charge and avoid any challenges by the local franchising authority. If King County felt the rate was unjustified or too high, the County could challenge the filing.

Analyst:	Jenny Giambattista

FINANCE AND BUSINESS OPERATIONS DIVISION

BUDGET TABLE

	2015-2016 Revised*	2017-2018 Proposed	% Change 2015-2016 v. 2017-2018
Budget Appropriation	$58,708,197	$63,260,000	7.8%
Max FTEs:	182.1	182.5	0.2%
Max TLTs:	0	5.0	N/A
Estimated Revenues	$55,017,032	$63,695,000	15.8%
Major Revenue Sources	Central rate charges, intergovernmental fees		
* Note: 2015-2016 Revised includes the 2015-2016 Adopted Budget plus adopted supplementals as of transmittal of the Executive's proposed 2017-2018 budget.			

PROGRAM DESCRIPTION AND PURPOSE

The Finance and Business Operations Division (FBOD) manages the County's payroll, financial employee benefits, and retirement systems, as well as provides procurement, contract, and financial management services to County departments and agencies. FBOD also manages the operations of the County's Investment Pool which invests idle cash on behalf of King County departments and 100 other local governments. Revenues for FBOD operations are generated by rates charged to all General Fund (GF) and non-GF agencies and from fees charged to manage various County funds and fees charged to other local governments for investment services. FBOD's activities help to strengthen the County's top bond ratings and internal controls associated with financial systems and business processes, in support of the King County Strategic Plan's goal of sound financial stewardship.

ISSUES

ISSUE 1 – ECONOMIC OPPORTUNITY AND EMPOWERMENT PROGRAM (EOEP): $540,017 AND 1 TLT

In February 2015 the Council adopted Ordinance 17973 appropriating $1 million to develop and implement the Economic Opportunity and Empowerment Program (EOEP) for the Children and Family Justice Center (CFJC) project. The ordinance directed that the goal of the program would be to assist the contractor in achieving its small contractor and supplier utilization goals and apprenticeship targets and implementing a pilot priority hire program. With the assistance of a community advisory board (appointments to which were approved by Council) and a consultant, FBOD prepared a plan for the EOEP. Of the $1 million appropriation, FBOD reports it has spent $300,000 through June 2016 in preparation of the existing plan and related activities.

This budget request would provide resources in FBOD's 2017-2018 budget to support the portion of EOEP implementation tied to apprenticeship requirements. The design-build contractor has a requirement to ensure that 15 percent of all labor hours are performed by apprentices registered with the Washington State Apprenticeship Training Council. There are also aspirational goals for achieving apprentice participation from minorities, women, persons with disabilities and economically disadvantaged youth.

Executive staff report that the portion of EOEP implementation associated with small business participation will be addressed using existing staff resources.

Executive requests revised appropriation request

As noted during the panel discussion last week, the Executive has requested a reduced appropriation for this item from $540,000 to $411,000, largely to omit costs related to implementing targeted priority hire as part of the CFJC project. The CFJC project is a design-build project in which the design-build contractor (DB) is responsible for most aspects of labor relations, including securing a Project Labor Agreement (PLA) prior to the start of construction. The DB is not contractually required to accept or implement the recommendations of the EOEP, and previously indicated that it does not plan to implement the recommendations with respect to priority hire. However, negotiations on the PLA between labor unions and the DB continue.

The revised request would remove funds for the PLA liaison (job coordinator) recommended in the EOEP. Executive staff have indicated that if priority hire activities are included in the PLA, the balance of CFJC funding allocated to the EOEP implementation could be appropriated from the capital project to FBOD for expenditures supporting these activities.

Additionally, the Executive would like to reduce by 20 percent the funding that goes towards the Apprenticeship Coordinator position in recognition that the apprenticeship coordinator sometimes works on non-CFJC projects. The 20 percent of the costs not covered by CFJC funding will be absorbed by FBOD in 2017-2018.

The table below reflects the Executive's proposed changes in the Executive's budget proposal.

Description of change	Transmitted Budget Request 2017-2018	Updated 2017-2018
Port Jobs Contract	$150,000	$150,000
Consulting Services	$40,000	$40,000
PLA Liaison (Job Coordinator)	$65,000	$0
Apprenticeship Coordinator TLT position in Business Development and Contract Compliance (BDCC) group	$285,000	$221,000
Total	**$540,000**	**$411,000**

Option 1: Direct staff to modify the budget ordinance to reflect the requested reduction.

Option 2: Direct staff to draft an expenditure restriction on the transmitted budget amount pending resolution on the inclusion of priority hire on the CFJC project.

Option 3: Refer to Budget Leadership Team.

Option 4: Approve as proposed.

ISSUE 2 – PRIORITY HIRE PROJECT $277,449 AND 1 FTE

On May 10, 2016 the Executive issued a directive to FBOD and other departments to begin implementing a priority hire pilot program for King County capital construction projects. A “priority hire” is a worker who resides in an economically disadvantaged area of King County. These areas are identified using ZIP codes and a combination of criteria including income, education and employment data. The pilot program is intended to inform a permanent ongoing program that will carry forward into 2017-2018.

The budget is requesting a new FTE to support the design and implementation of the priority hire program with the goal of finding ways to implement the program without substantially increasing staff resources in FBOD or in agencies with capital construction projects. The budget request is funded from FBOD’s operating budget.

This position will initially target two Wastewater Treatment Division (WTD) projects. The executive has formed a task force to develop recommendations on implementing a priority hire program. The task force’s work will happen concurrently with the initial pilot WTD projects.

Follow-up to Councilmember Questions from Week 1 Panel Questions:

What activities are funded by the Priority Hire Pilot?

FBOD reports the priority hire FTE will support the design and development of a Priority Hire program for King County capital projects. The position will be responsible for the following activities:

- Creating a standard PLA template that includes the administrative details for implementing priority hire, including the role of the dispatcher to place workers on job sites.

- Designing a standard contractor education plan to ensure that prime contractors and their subcontractors understand the requirements for priority workers and how to recruit and deploy priority workers in a manner that is synched to the project’s construction schedule. The priority hire position would reach out to primes and subcontractors to explain the process, especially how it impacts the dispatching of union workers. The position would also conduct outreach to small businesses who are subcontractors and ensure they understand how to involve priority workers in their team.

- Recommending a future staffing plan and a reporting compliance system that can be used to track the program's results and make programmatic adjustments going forward.

- Carrying out a comprehensive stakeholder education strategy for the program so that there is widespread support and realistic expectations from the Executive, Council, and community stakeholder groups. Stakeholder education is with labor or trades groups, County project managers, County officials, and other interest groups on particular projects. The position would provide reports and briefings on the effectiveness of priority hire, including highlights of success stories on the job site.

- Raising any issues or identifying barriers for priority hire during construction and recommending steps to address them. In most cases the recommendations will go to the County project team or manager.

- Teaming up with the county's apprentice coordinator and regional apprentice networks to ensure there is a readily available pool of priority workers on County projects.

The pilot project will involve work on two pilot DNRP projects:

- **Sunset/Heathfield Pump Stations and Force Main Upgrade Project:** Upgrade two pump stations in Bellevue and connect sewer pipelines. The project also entails upgrading the Eastgate Trunk structure near I-90, which enables wastewater from these pump stations to get to the County's South Treatment Plant in Renton.

- **Georgetown Wet Weather Treatment Station:** Continues design on a new facility in Seattle's Georgetown neighborhood that will treat up to 70 million gallons of stormwater and sewage that currently flows directly into the Duwamish River during heavy rains.

Why isn't the Priority Hire Pilot funded from the Wastewater capital projects?

PSB reports this pilot along with input from an Executive department stakeholder group will be used to inform the design of a permanent program. PSB states that their goal for implementing the permanent program is to allocate the costs of the position to applicable capital projects, but that they consider it premature to allocate those costs to the wastewater capital projects now when the County is experimenting with how best to move forward.

Option 1: Refer to Budget Leadership Team.

Option 2: Approve as proposed.

ISSUE 3 DES COUNTYWIDE ELECTRONIC PAYMENT IMPLEMENTATION SUPPORT

DES Countywide Electronic Payment Implementation Support

2015-16 Request	$741,000
2017-18 Request	$358,000
Total Project Cost	$1,100,000
Fund Source	KCIT Rates

Project Summary: This request is for an additional $385,000 to complete the Electronic Payment project. The project will provide more options for electronic payments by customers of King County services of all types across multiple departments.

As part of the 2015-2016 Budget, the Council approved the Electronic Payment Implementation Support Project to expand the electronic payment options for King County customers. In order to address policy issues regarding electronic fee options, the Council adopted a proviso requiring a report on electronic fee payments. The report and a motion (2015-0243) adopting the report will be considered during the reconciliation process for the 2017-2018 Budget. During the consideration of Proposed Motion 2015-0243, the Council will have the opportunity to discuss policies for determining when it is appropriate for County agencies to absorb the transaction fees associated with electronic payments (which is regulated in part by state statute).

The following analysis is focused on the proposed request for the IT project, Electronic Payment Implementation Support.

In 2014, FBOD and KCIT launched a three-phased electronic payment expansion initiative in early 2014. The phases are:

(1) Inventory and assess existing electronic payment practices and policies, and develop strategic direction for expansion of electronic payment options for customers, throughout the County. This phase included an analysis to determine whether to move to an enterprise-wide vendor-supported payment engine. (The County currently has a County-supported payment engine.)
(2) Develop an RFP for a vendor enterprise solution to accept payments and interface with credit and debit card companies.
(3) Support County agencies to add new business applications with electronic payment options, or to convert current systems to a new payment engine.

FBOD had expected to complete the project in 2016, but instead has completed Phase One and Phase Two, with Phase Three now in progress. The original timeline was extended by one year due to the need to issue a second RFP for a vendor enterprise solution when the first one did not receive sufficient proposals, and also due to the need for additional analysis to determine the best solution for moving forward. As a result, FBOD needs additional appropriation authority of $358,000 for labor costs to complete the project.

According to FBOD, a new vendor for an electronic payment solution will be selected by the end of October, with contract signing by the end of December. The new vendor will provide a hosted solution so that the County no longer will electronically hold cardholder information, thus greatly reducing the County's security risks and responsibilities related to holding credit card information. FBOD staff will implement the new vendor supported payment system and migrate existing county electronic payments to that system. FBOD expects to complete the project by the end of 2017.

As part of the prior appropriation FBOD and KCIT staff developed an updated set of policies and procedures (Executive policy FIN 8-5-1-EP) to help agencies make business decisions with respect to electronic payments. FBOD also developed an Electronic Payment Strategic Plan.

King County Code (KCC, 4A.601, Electronic Payments) requires that the Executive annually provide the Council with a list of all agencies offering electronic payment options. For those agencies absorbing service fees, either the actual or budgeted costs of absorbing these fees must be shown, as applicable, for the previous fiscal year, the present budget year and the upcoming budget year. The Executive has prepared this list as part of the budget transmittal and policy implications will be discussed during Reconciliation as part of the fee ordinance discussion.

This project would be funded out of countywide IT project rates and includes a contingency of 20 percent based on the level of risk associated with this project.

Review of the Benefit Achievement Plan: The primary anticipated benefits of this project are improved customer service due to the ability to offer more electronic payment options for an increased array of King County services and products. FBOD will measure the number of services offering electronic payment and the types of payments offered.

Fee policy issues will be discussed in Reconciliation. Staff have identified no further issues for this CIP project.

Analyst:	Jenny Giambattista

BUSINESS RESOURCE CENTER

BUDGET TABLE

	2015-2016 Revised*	2017-2018 Proposed	% Change 2015-2016 v. 2017-2018
Budget Appropriation	$37,415,635	$36,260,000	(3.1%)
Max FTEs:	49	57	16.3%
Max TLTs:	0	0	N/A
Estimated Revenues	$33,235,216	$40,220,670	21.0%
Major Revenue Sources	Internal service rates		
* Note: 2015-2016 Revised includes the 2015-2016 Adopted Budget plus adopted supplementals as of transmittal of the Executive's proposed 2017-2018 budget.			

PROGRAM DESCRIPTION AND PURPOSE

The Business Resource Center (BRC) is located within the Department of Executive Services. The BRC was established in 2012 to maintain and enhance the business applications provided by the Accountable Business Transformation (ABT) program. The BRC supports the PeopleSoft payroll system, the Human Capital Management System, the Oracle EBS (Enterprise Business Suite) and Hyperion (the budget and performance management module).

ISSUES

ISSUE 1 – ACCOUNTABILITY FOR IMPROVING BUSINESS SYSTEMS

Achieving improvements in internal business practices can keep the cost of doing business down and allow for those resources to be spent on county services. As part of the 2015-2016 Budget Ordinance, the Council requested a report documenting the County's progress in transforming the County's financial, human resource/payroll, and budgets systems into a modern, integrated cost effective system. The report provided to the Council included a detailed discussion on status and improvements in each of the County's core business process areas. As noted in the proviso response, while much progress has been made, there is still much work to do.

Overall, the proviso reports have been a valuable tool for the Council to monitor progress in improving internal operations. The Council may wish to consider requiring continued reporting in order to monitor the ongoing efforts to make the County's business systems efficient and effective.

Option One: Approve budget as proposed.

Option Two: Direct staff to develop a proviso requiring continued reporting on the County's progress in transforming the financial, budgeting, and human resource systems into a modern, integrated cost effective system.

ISSUE 2 – Hyperion Upgrade

Prior appropriation	None
2017-18 Request	$1,108,081
Future Request	$0
Total Project Cost	$1,108,081
Fund Source	Internal rates

Project Summary: This project will upgrade the County's budgeting software, Hyperion, which is used for budget planning and preparation to support the transmittal, analysis and adoption of the biennial budget ordinance.

The County has been using a 2010 version of the Hyperion (version 11.1.2.1) budgeting application since 2012. Because this is an older version, Oracle offers limited support or patches to keep pace with the current versions of Java, Microsoft Office, and Internet Explorer, which are on most County computers running Hyperion. Thus, there is a risk of compatibility issues which would could disrupt the County's budget process and development.

This project will migrate the County to the most recent version of Hyperion (version 11.1.2.1.4), which was issued in 2015. According to executive staff, the County can expect to receive a high level of support—patches to keep pace with Java, Office, and Internet Explorer—until 2020 and potentially until 2022 based on past practices.

The project costs are largely for the labor and consulting costs to install a new version of Hyperion. The licensing costs for the new version are covered as part of our existing licensing agreement. The project also includes $100,000 for hardware such as servers and infrastructure which are necessary to run the applications.

The first phase of this project ($50,000) is currently underway: assessing whether the County will use a cloud solution, maintain our software and hardware on site, or select a vendor to manage Hyperion software and hardware. The first phase was funded from the BRC operating budget.

The next phase of the project is to migrate to the new upgraded version of Hyperion. The migration is expected to be completed at the end of April 2017. The last phase of the project ($500,000) is to develop new functionality and features. This phase is expected to be completed by the end of September 2017.

Contingency: The project would be funded by the BRC rates and as proposed includes a contingency of 20 percent based upon the level of risk associated with this project.

Review of the Benefit Achievement Plan (BAP): The primary benefit of this project is reducing the risk of disruption of the budget system. There is also expected to be improvement in the ease of use of the system and increased functionality such as the ability to report actuals. PSB plans to survey budget users to determine the increase or decrease in their satisfaction with using the upgraded application and measure whether additional financial monitoring is happening as a result of the newer version of Hyperion.

Staff analysis on the project expenditures continues.

Follow-up to Councilmember Questions from Week 1 Panel Questions:

How long have we been using Hyperion and what upgrades are in the contract?

We have been using the current version of Hyperion since 2012. As part of our contract to purchase Hyperion, the County signed an agreement with Oracle for annual licensing fees. The payment of licensing fees means the county has access to all the patches and upgrades for as long as the version is supported by Oracle, which is generally five years. As part of the licensing costs, new versions are available to customers at no charge. However, customers are responsible for installing these new versions and any costs associated with the installation.

Analyst:	Jenny Giambattista

I-NET

BUDGET TABLE

	2015-2016 Revised*	2017-2018 Proposed	% Change 2015-2016 v. 2017-2018
Budget Appropriation	$4,882,967	$6,934,000	42.0%
Max FTEs:	8	2.5	(68.8%)
Max TLTs:	0	0	N/A
Estimated Revenues	$5,497,310	$6,716,000	22.2%
Major Revenue Sources	User fees and PEG[1] fees		
* Note: 2015-2016 Revised includes the 2015-2016 Adopted Budget plus adopted supplementals as of transmittal of the Executive's proposed 2017-2018 budget.			

[1] PEG fees, authorized by the 1984 Federal Cable Franchise Policy and Communications Act, are paid by the cable operator to support public, educational, and governmental use of the fiber network licensed.

PROGRAM DESCRIPTION AND PURPOSE

King County Information Technology manages the county's institutional fiber optic network, which is known as I-Net. I-Net services are available and supported across a secure private network of more than 2,000 miles of fiber, delivering scalable high-speed bandwidth for data, voice, video and Internet access to King County and hundreds of public, education, and municipal partners in the Puget Sound region. I-Net is funded through direct user charges and fees paid by cable television subscribers in unincorporated King County.

ISSUES

The budget proposes to transfer 1.5 FTE from Cable Communications to the I-Net budget, and add expenditure authority to I-Net to charge the Cable Communications budget for their work related to cable communications functions. This issue was discussed in the Cable Communications staff report. If the panel rejects this transfer in the Cable Communications budget, Council staff will make the necessary adjustments in the I-Net budget to reflect this change. Otherwise, no further issues have been identified.

Analyst:	Christine Jensen

DEPARTMENT OF PERMITTING AND ENVIRONMENTAL REVIEW (DPER)

BUDGET TABLE

	2015-2016 Revised*	2017-2018 Proposed	% Change 2015-2016 v. 2017-2018
Planning and Permitting Budget Appropriation	$27,367,250	$28,918,000	5.7%
Max FTE:	77.6	77.6	N/A
Max TLTs:	0.0	0.0	N/A
General Public Services Budget Appropriation	$4,171,438	$4,089,000	(2.0%)
Max FTE:	9.0	9.0	N/A
Max TLTs:	0.0	1.0	100%
Abatement Services Budget Appropriation	$593,020	$1,318,000	122.2%
Max FTE:	0.0	1.0	100%
Max TLTs:	0.0	0.0	N/A
Total DPER Budget Appropriation	$32,131,708	$34,325,000	6.8%
Max FTE:	86.6	87.6	1.2%
Max TLTs:	0.0	1.1	100%
Major Revenue Sources	Permit fees, civil penalties, General Fund, and interagency transfers.		
* Note: 2015-2016 Revised includes the 2015-2016 Adopted Budget plus adopted supplementals as of transmittal of the Executive's proposed 2017-2018 budget.			

PROGRAM DESCRIPTION AND PURPOSE

The Department of Permitting and Environmental Review (DPER) is a local government agency responsible for regulating and permitting all building and land use activity in unincorporated King County, including permit review, inspections, and code enforcement. About 85 percent of DPER's operating budget is funded by permit fees. The 2015-2016 adopted budget includes three appropriation units that constitutes DPER's total budget:

Planning and Permitting. The Planning and Permitting appropriation unit within DPER contains 85 percent of department staff and is responsible for all stages of approving land use and development proposals, and is funded mainly through permit fees.

General Public Services. The General Public Services unit is a separate appropriation that provides for local land use planning and response to code enforcement complaints. This appropriation is supported by the General Fund.

Abatement Services. DPER's Abatement Services unit is a separate appropriation that provides the funding for work on nuisance and life/safety hazard abatement code enforcement properties. This appropriation is currently funded through civil penalties and liens for contracted abatement work.

ISSUES

ISSUE 1 – PROPOSED FEE INCREASE

DPER proposes to increase permit fees by approximately 20 percent for the 2017-2018 biennium in order to fund services in the Planning and Permitting appropriation unit. A summary of the fee increase is included in the following table. Proposed Ordinance 2016-0478, which would implement the proposed fee increases, was transmitted with the Executive's proposed 2017-2018 Budget.

Table 1. 2017-2018 Proposed DPER Fee Increase

Purpose	Percent Increase	Estimated Revenues
Pro Forma		
- Labor	7.87%	$1,803,000
- Supplies and Services	1.66%	$380,000
- Central rates	3.08%	$705,000
Pro Forma Total	**12.61%**	**$2,888,000**
Administrative Service Changes		
- Bank credit card fees	1.66%	$380,000
- MyBuildingPermit.com	1.86%	$426,000
- 2017-2018 retirement costs	1.66%	$380,000
- Fund Balance	2.18%	$500,000
Administrative Service Changes Total	**7.36%**	**$1,686,000**
2017-2018 Proposed Fee Increase Total	**19.97%**[1]	**$4,574,000**

12.6 percent Pro Forma fee increase. The majority of the 2017-2018 fee increase – approximately 12.6 percent – is proposed to fund "Pro Forma" costs, including approximately 7.9 percent for labor, 1.7 percent for supplies and services, and 3.1 percent in central rates. The Executive's proposed rationale for the Pro Forma fee increase is discussed in more detail in the following sections.

Current operating deficit

A portion of the Pro Forma fee increase is due to general inflation costs for the 2017-2018 biennium. DPER also indicates that the Pro Forma increase is intended to address an existing deficit in operating revenues needed to match current expenditures.

[1] Proposed Ordinance 2016-0478 (permit fees) uses 20% as the escalation rate for the proposed 2017-2018 fee increase.

Currently, DPER is expected to end the 2015-2016 biennium with a negative ending fund balance, which is due to factors that were unanticipated when the 2015-2016 Budget was adopted.

One of the unforeseen factors was that DPER's actual 2015 beginning fund balance was over $2 million less than the estimated beginning fund balance that was used in the creation of the 2015-2016 budget. This reduction in the beginning fund balance was due to uncollectable accounts,[2] payments to the PAO for abatement services, and deferred permitting revenue due to uncompleted permitting services in the 2013-2014 biennium.

Also impacting the current operating deficit were changes to central rates for the 2015-2016 biennium that were not anticipated in the 2015-2016 Adopted Budget. Executive staff note that this was due to a time lag between when the agency budgets were submitted and when the central rates were finalized. This lag resulted in an unanticipated and unbudgeted 50 percent increase in central rates for Planning and Permitting (approximately $800,000 in additional costs per year).[3]

As a result, DPER will not only have zero reserves available for the 2017-2018 biennium, but will also begin 2017 with an imbalance in operating costs versus revenues.

Labor considerations
Also of note in the Pro Forma fee increase are labor and consulting costs. There are no proposed staffing level increases for Planning and Permitting in the 2017-2018 proposed budget. DPER has stated that, in an effort to avoid large rounds of hiring or firing that often follow the ebbs and flows of the economy and related development cycles, they've chosen to create and maintain a stable staffing model. As a result, staffing levels in Planning and Permitting have remained relatively constant since 2012. Instead, DPER has relied on filling vacancies, restructures and efficiencies, and offering overtime for customer requests for expedited permit reviews when application volumes are up.

However, due to a recent increase in permit volumes, DPER is currently experiencing an estimated 20-week backlog in permit processing. In an effort to maintain DPER's desire for stable staffing levels while also addressing the permit backlog, DPER started contracting with outside firms to perform permit reviews and related services.[4] DPER intends to continue utilizing contracted services until the backlog is addressed, and the 2017-2018 Pro Forma fee increase includes funding for this ongoing use. Future use of contracted services beyond current backlog will be considered on an as-needed basis in response to permit volumes.

7.4 percent administrative service change fee increase. The remaining approximately 7.4 percent of the overall proposed 20 percent fee increase would

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[2] A combination of permit fees, civil penalties, and abatement charges deemed unrecoverable.
[3] Executive staff have noted that the overall central rate process has since been improved for the 2017-2018 Budget in hopes of preventing this problem from occurring in the future.
[4] Following discussions with labor, contracted services began in June 2016.

address the following proposed administrative service changes. A breakdown of this portion of the fee increase is discussed in the following sections.

Bank credit card fees
This 7.4 percent includes a 1.7 percent fee increase to fund the cost of bank credit card fees that would allow DPER to accept payments by credit card. At its customer service counter, DPER currently only allows payments via check or cash. The proposed budget would allow DPER to accept credit card payments, and to absorb the associated bank fees into the underlying fixed fees for all permits.

DPER's estimate[5] is that 50 percent of permit fees will be paid for via credit card. DPER proposes that the bank fees associated credit card payments be distributed across all permit applicants, rather than charging a pass-through fee where the applicable bank fee is charged to the individual customer at the time of each credit card payment. DPER notes that this is because they would like to be consistent with other County agencies and local jurisdictions. For example, as noted in the next item, DPER proposes to join the intergovernmental online permitting entity MyBuildingPermit.com (MBP);[6] DPER notes that all of the 14 jurisdictions that participate in MBP both accept credit card payments and do not pass through the bank fees to the individual customer.

MyBuildingPermit.com (MBP)
Also included in the proposed budget is a 1.9 percent fee increase to enable DPER to join and utilize the online permitting capability of MBP. The proposed fee increase would fund the costs to bridge the County's current online permitting system in Accela with MBP, work with MBP staff to set up the service, a late-comer investment fee into MBP, and an annual subscription fee, as shown in the table below.

Table 2. MBP 2017-2018 Expenses

Purpose	2017	2018	Total
Interface between Accela and MBP	$48,000	-	$48,000
On-boarding services by MBP	$60,000	-	$60,000
Late-comer investment fee	$108,000	-	$108,000
Annual subscription fee	-	$210,000	$210,000
MBP total	**$216,000**	**$210,000**	**$426,000**

In 2012, DPER launched an online permitting system,[7] Accela, and began offering residential mechanical permit applications online in the spring of 2016.[8] Over 80 percent of this type of permit are now applied for online, which represents 30 percent of DPER's overall permit applications. DPER has indicated that implementation of online permitting through Accela has been challenging, and that significant reconfigurations would be needed in order to expand the system to a broader range of permit application

[5] Based on 2015 actuals for the Snohomish County Planning and Development Services Department, by dollar value.
[6] A single, regional permitting web portal hosted by the eCityGov Alliance, which includes membership by the cities of Bellevue, Burien, Issaquah, Kirkland, Renton, and Snoqualmie, and Snohomish County
[7] Part of the "Permit Integration Project" that began in 2009, with planning dating back to 2007.
[8] This permit type includes water heaters, home furnaces, etc and represents the largest percentage of DPER's permit applications.

offerings to customers. Given this, DPER proposes to join MBP to provide DPER's external online permitting services.

As part of the 2015-2016 budget, DPER proposed a fee increase to fund expansion of its online permitting application offerings. In response to this, the Council adopted a budget proviso directing development of a plan for potential participation in MBP.[9] In turn, on June 24, 2015, DPER transmitted Proposed Motion 2015-0424, which would have approved the required MBP plan. The Budget and Fiscal Management Committee has not taken action on the proposed plan. It is worth noting that the proviso response contemplated the need for a new TLT position in order to implement the transition to MBP; DPER now notes that that this work could be accommodated within existing DPER staffing levels, and no additional TLT or FTE authority is requested as part of the 2017-2018 budget.

If the funding for membership in MBP is approved in the 2017-2018 budget, DPER indicates that the following permits would be available via MBP by January 2018 and that 80 percent of these permits are anticipated to be applied for online: registered plans for basic homes, basic home permits, residential HVAC permits, residential sprinkler permits, and residential tank permits. Additional work would occur to bring more development permit offerings online in the future, which DPER estimates could occur over the next three years. Some DPER permits and services may continue to only be offered off-line, such as fire operational permits, business licensing, and code enforcement.

Adoption of an interlocal agreement (ILA) between the County and MBP would be required for the County to join the Alliance and to utilize MBP's services. DPER indicates that transmittal could occur within 60 days of budgetary authorization, with the goal of adoption by the Council in the first quarter of 2017. All work related to transitioning to MBP would wait until after adoption of the ILA. If adoption of the ILA is delayed, then the timeline for online permit offerings noted above would be impacted.

It is worth noting that Accela is currently used by several County departments, and will continue to be used internally to process permits by County staff. However, if approved, MBP would become the new outward facing portal that connects customers to the County's internal Accela system. Additionally, the County currently has an information technology project Benefit Achievement Plan (BAP) for the Permit Integration and online permitting system project. The BAP was mostly recently updated in 2016 and includes metrics to measure the efficacy of online permitting. While participation in MBP would be an ongoing operating expense as a web service subscription and not a new capital project, DPER has stated that they would continue to update and report on the BAP as the transition to MBP is implemented.

2017-2018 retirement costs

A 1.7 percent fee increase is included in the proposed budget to fund anticipated retirement payouts in 2017 and 2018. DPER notes that there are 12 retirees expected in the next biennium, and expects that there will be fewer retirees in future years. Beyond 2018, the unused revenues from this portion of the ongoing fee increase could

[9] Ordinance 17941, Section 83, P1, restricting $600,000 of DPER's Planning and Permitting fund.

potentially be used to address future fluctuations in inflationary increases in expenses; however, that is yet to be determined.

Fund balance
Lastly, the 7.4 percent includes a 2.2 percent fee increase to replenish DPER's fund balance and associated reserves. King County's Comprehensive Financial Plan Management Policies, as adopted by the Council in Motion 14110, specifies that Enterprise Funds should maintain a Rainy Day reserve of 30-60 days of expenditures. DPER currently budgets for 45 days of reserves.

It is estimated that the 2015-2016 biennium will end with a $2.5 million reserve shortfall. If the proposed fee increase is approved, the reserves are expected to improve slightly to a $2.2 million shortfall by the end of 2018 and then return a positive balance equivalent to 45 days of expenditures by the end 2020. Beyond 2020, the undesignated fund balance revenues from this portion of the ongoing fee increase could potentially be used to address future fluctuations in inflationary increases in expenses; however, that is yet to be determined.

Permanence of temporary surcharge. It is worth noting that there is currently a 4.63 percent temporary permit fee surcharge that began in 2011 and is currently set to expire at the end of 2016.[10] Under a status-quo budget scenario (if the proposed 2017-2018 fee increase was not adopted), the current permit fee rates would continue into the biennium without the surcharge. This would result in the fee payments by customers being reduced by 4.63 percent starting in 2017. If the 2017-2018 fee increase is adopted, this 4.63 percent reduction in fee charges would be offset by the proposed 20 permanent fee increase as outlined above.

Proposed Ordinance 2016-0478. The proposed 20 percent fee increase will be further discussed in Reconciliation when the committee is briefed on the Executive's proposed 2017-2018 permit fees in Proposed Ordinance 2016-0478. If the proposed fee increases in the ordinance are not approved, either in whole or in part, then the proposed 2017-2018 Planning and Permitting unit budget expenditures would need to be adjusted.

ISSUE 2 – SCAP GREEN BUILDING POSITION: $286,371 AND 1.0 TLT

The Executive proposes to add a new TLT position within the General Public Services appropriation unit of the DPER budget to implement the 2015 Strategic Climate Action Plan (SCAP). Motion 14449, which adopted the SCAP, included a "Priority Action" for the Executive to prepare proposed green building code updates for private development in unincorporated areas by the end of 2017.[11] Other related Priority Actions included

[10] Originally adopted for use in 2011-2014 for relocating DPER to Snoqualmie, funding the Permit Integration project, and funding reserves. The surcharge was then extended to 2016 to fund one-time business process improvements for proposed customer service enhancements, as well as to fully fund DPER's 45-day reserve.

[11] Possible strategies indicated by Executive staff include: solar readiness of buildings, construction and demolition, and energy efficiency; preparing a demonstration ordinance for Living Building Challenge certification; codes tailored to development types and customer base in unincorporated King County; development of pre-approved code packages for green building techniques.

education and outreach with DPER customers to promote green building practices, developing pre-approved permit packages for green building techniques for development proposals, and partnering with the Regional Code Collaboration (RCC) to develop stronger and more consistent green building regulations[12] throughout the region. This TLT position proposes to implement this SCAP direction. This position would also assist with green-building-related issues that are regulated by Public Health – Seattle & King County, such as water usage.

It is worth noting that the Council amended the transmitted 2015 SCAP motion to include language clarifying that adoption of the SCAP did not indicate commitments for future staffing resources for implementation of the Plan:

> "Implementation of the King County Strategic Climate Action Plan may lead to the need for additional resources. However, any additional FTE/TLT requests are subject to approval through the county budget process."

This TLT was previously proposed in Proposed Ordinance 2015-0417 that was transmitted in October 2015 as part of the mid-biennial budget package, which would have authorized a transfer from the General Fund to DPER to provide 50 percent of 2016 funding for the position, with the other 50 percent coming from solid waste fees. The Council's Budget and Fiscal Management Committee has not taken action on Proposed Ordinance 2015-0417, and thus the TLT was not funded as part of the mid-biennial budget.[13]

The 2017-2018 funding for this position is again proposed to be split evenly between the General Fund and solid waste fees. Information provided by Executive staff indicate that funds from the Solid Waste Division will reallocate existing resources to support the work with the cities via the RCC, and the General Fund backed portion of the position will support development of the green building codes and public engagement. If the TLT and General Fund funding of the position is removed from the DPER budget, the Council would need to evaluate whether to: 1) also remove the related funding from the Solid Waste budget or 2) continue to fund the Solid Waste portion of the work.[14]

DPER estimates, without this TLT position, it would take 2.5 to 4.5 years to develop and transmit to the Council the green building code changes called for in the SCAP. DPER also indicates that resources for outreach as directed by the SCAP would also be limited. If the position is adopted, it is anticipated that the code changes would be able to be transmitted by the end of 2017, as contemplated by the SCAP.

Option 1: Direct staff to remove the TLT and associated General Fund revenues from the General Public Services appropriation. Direct staff to also remove the funding from the Solid Waste budget.

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[12] Such as: green building standards, construction and demolition requirements, promoting reuse and recycling of building materials, reduce waste during construction, extending building life, and reduce need for maintenance and repair.

[13] The solid waste funded portion of the position was also not approved in the mid-biennial budget.

[14] Either at half-time for two years, or full time for 1 year. This may require moving the TLT position into the Solid Waste budget instead of in the DPER budget.

Option 2: Direct staff to remove the TLT and associated General Fund revenues from the General Public Services appropriation. Approve funding in the Solid Waste budget and direct staff to add a 0.5 TLT to Solid Waste.

Option 3: Refer to Budget Leadership Team.

Option 4: Approve as proposed.

Analyst:	Lise Kaye

SAFETY AND CLAIMS MANAGEMENT

BUDGET TABLE

	2015-2016 Revised*	2017-2018 Proposed	% Change 2015-2016 v. 2017-2018
Budget Appropriation	$73,808,533	$73,399,000	(0.6%)
Max FTEs:	30.0	51.0	70%
Max TLTs:	0	0	N/A
Major Revenue Sources	Industrial insurance rates; interest		
* Note: 2015-2016 Revised includes the 2015-2016 Adopted Budget plus adopted supplementals as of transmittal of the Executive's proposed 2017-2018 budget.			

PROGRAM DESCRIPTION AND PURPOSE

Safety and Claims Management oversees the County's self-insured workers' compensation and employee safety programs. Employer-paid Industrial Insurance rates support the self-insured workers' compensation programs paid through the Safety & Claims Internal Service Fund. Agencies pay hourly rates assessed on budgeted labor. The County hires an actuary to develop claim expenditure and reserve projections, upon which the departmental Industrial Insurance rates are established.

ISSUE

ISSUE 1 – SUPPORTED EMPLOYMENT PROGRAM UNFUNDED POSITION ADDS: 20 FTE

King County created the Supported Employment Program (SEP) in 1990 with a mission to provide employment opportunities to disabled persons. According to Executive staff, more than half of the original supported employee positions have been lost (converted to non-supported positions) since 1996, with 44 individuals in supported employment positions in King County in 2015. The proposed budget would add 20 unfunded FTE positions to increase the number of supported employees over the new biennial budget cycle. (It would also convert the TLT Supported Employment Program Manager to a career service FTE position, as a separate decision package.)

The Executive is proposing to replicate a staffing technique used by the City of Seattle's Supported Employment Program. The FTE authority would be located in the Safety and Claims budget and reserved only to place supported employees. According to Executive staff, once filled, the hiring department would fund the position from salary savings, other expenditure savings and/or existing and new revenue streams. The positions would be "loaned" to hiring departments for the tenure of the supported employee or until the department created a permanent position for that individual through the budget process.

Employees in SEP perform administration, custodial and maintenance tasks, corresponding to classifications as SEP Associate I, II, II and Park Specialist. According to Executive staff, the classifications allow for a high level of flexibility and customization to meet the needs of King County as well as play to the various strengths and abilities of candidates with developmental disabilities. Additional classifications may be required as the Program Manager continues to work with the Office of Labor Relations and the Coalition of Unions.

Fiscal Impacts. Table 1 shows average salary and benefit costs in 2017 for an FTE in the SEP. Minimum costs for 20 employees (if they are all at the lowest classification) would be approximately $1.15 million per year. According to Executive staff, once filled, the hiring department would fund the position from salary savings, other expenditure savings and/or existing and new revenue streams.

Table 1: Average Costs (Salary + Benefits) for SEP FTEs

Job Classification	Pay Range	2017 Salary & Benefits (step 1)
SEP Associate I	25	$57,420
SEP Associate II	30	$62,334
SEP Associate III	33	$65,574
SEP Park Specialist	35	$69,288

Source: Executive staff

Race and Social Justice Impacts. According to Executive staff, the population of individuals with developmental and intellectual disabilities have higher rates of unemployment and underemployment because candidates need more customized tasks and tend not to be competitive across typical job openings. The SEP provides higher wage employment for a group of individuals historically denied such opportunities. The Executive reports that, in 2009, nearly 4,000 people in King County of job-seeking age (between the ages of 21 and 61) participated in the state Developmental Disabilities Administration individual employment program.

Collective Bargaining Impacts. The Executive and labor unions worked together to develop a Memorandum of Agreement (MOA) addressing job classifications and employee transitions for the SEP. Coalition Unions that have signed include: ACOG, IBEW Local 77, JCC, PSEU, PTE Local 17, SEIU 925, and Teamsters Local 117. The Supported Employment manager is working with other unions to set up a supported employment classification/MOA for unions that are not a part of the Coalition. The MOA may be part of future Total Compensation bargaining.

Follow-up to Councilmember Questions from Week 1 Panel Questions:

Councilmembers asked whether the "loaned FTE" approach to staffing the SEP would impact job stability for SEP employees.

According to Executive staff, one of the objectives of the 'loaned FTE' model is to provide more stability for SEP employees and for the program. The Supported Employee will be hired to fill a specific job in a specific agency. The difference is that if there is a vacancy in a supported position it would need to be re-filled with a supported employee. The FTE is not available to be re-purposed to a non-supported position by the funding agency. If the funding agency chooses to not re-fill a supported position, the position would then revert to the central pool of FTEs in Safety and Claims.

Option 1: Approve as proposed.

Option 2: Direct staff to prepare a proviso directing the Executive to report back by January 1, 2018 on staffing levels achieved through the 'loaned FTE' approach.

Analyst:	**Leah Krekel-Zoppi Katherine Cortes**

OFFICE OF RISK MANAGEMENT

BUDGET TABLE

	2015-2016 Revised*	2017-2018 Proposed	% Change 2015-2016 v. 2017-2018
Budget Appropriation	$67,035,026	$85,796,000	28.0%
Max FTEs:	21.0	26.0	23.8%
Max TLTs:	0	0	N/A
Major Revenue Sources	Internal service charges		
* Note: 2015-2016 Revised includes the 2015-2016 Adopted Budget plus adopted supplementals as of transmittal of the Executive's proposed 2017-2018 budget.			

PROGRAM DESCRIPTION AND PURPOSE

The Office of Risk Management (ORM) works with County agencies to control and minimize losses, protect assets, and manage liability claims against the County. ORM also maintains a self-insurance program and purchases insurance for the County. The ORM budget is funded by internal service charges to County agencies, allocated based on an agencies' historic loss experience. The majority of ORM budgetary funding requirements (including claims costs and insurance premiums) are determined annually by an actuary.

In 2014, ORM began implementation of Enterprise Risk Management (ERM), which is a proactive and integrated approach to working with agencies to orient business practices toward managing risks and reducing long-term exposures.

ISSUES

ISSUE 1 – CONSOLIDATION OF ORM AND OCROG: $1,852,552 AND 5 FTES

This proposed consolidation would transfer the Office of Civil Rights and Open Government (OCROG) budget and four FTEs from the General Fund to the Insurance Fund, funded by the internal service rates which also back Risk Management.

The OCROG is responsible for investigating and resolving complaints of discrimination within King County government and against employers, housing providers, and businesses in unincorporated King County. Their work in these investigations is guided by the federal Civil Rights Act; King County Code concerning fair contracting, employment, housing, and accommodations; and the King County employee code of ethics. They also provide education and offer technical assistance on civil rights matters, and manage complex public records requests. Specific open government responsibilities added to this office in 2012 include the Ethics Program and Board of

Ethics, Public Records Program, Lobbyist Disclosure Program and Boards and Commissions.

Executive staff state that “the primary services provided by OCROG are in service to County agencies.” They specifically note the public records and ethics programs as providing “advice and training to [C]ounty employees and elected officials,” and also that “the majority of OCROG’s Civil Rights customers are either [C]ounty agencies or customers of the [C]ounty.”

Fiscal Impact

The consolidation is not expected to produce any savings, but would shift the funding source for OCROG from the General Fund to internal service rates, providing ongoing General Fund savings totaling approximately $1.36 million in 2017-2018. This proposed cost shift is part of the overall strategy for balancing the General Fund. There is also a very limited amount of federal funding available to OCROG ($25,000 in 2015) which Executive staff indicate would be unaffected. Executive staff further state that “Risk Management does not foresee an impact on self-insurance requirements or insurance premiums” from the consolidation with OCROG.

Also included in the proposal is the addition of one FTE, an increase of $120,660. The purpose of the additional FTE is to provide administrative support to roles that are currently unsupported within OCROG. One-time moving costs estimated at $250,000 are also included in the ORM budget proposal to accommodate this consolidation.

Policy Implications

The consolidation proposal was evaluated and recommended by a joint assessment team made up of representatives from ORM and OCROG, who consulted with representatives from the Human Resources Division and Prosecuting Attorney’s Office.

The team identified several benefits, including:

- Improved awareness, early intervention, information gathering, communication, and decision-making for situations concerning specific incidents and challenges with potential high impact to the County,
- Opportunities for cross-training and best practice sharing between both groups,
- Administrative support for currently unsupported roles within OCROG.

According to Executive staff, the functions of OCROG and ORM are aligned in that “OCROG operates on the leading edge of interactions with likely future claimants. When OCROG identifies areas for improvement on the County’s part, those recommendations and outcomes represent effective risk management practices which apply across the County’s operations. Furthermore, OCROG often complies with a request or investigates a complaint in anticipation and preparation for related litigation.”

The team also identified a potentially significant risk in that the OCROG has a commitment to neutral interactions (serving as an arbitrator) with external stakeholders, while ORM, in its role of managing County risk, must often advocate for County interests in interactions with external stakeholders. The difference in these missions could impact the public perception of OCROG’s neutrality in civil rights investigations and responses to open government requests. The review team believes this risk can be mitigated through proactive communication to stakeholders and work practices. Executive staff specifically identified that the public perception of neutrality could be at risk during an employment investigation when the parties go to mediation and Risk Management is representing the interests of the County. In that situation, they state, “the plan to mitigate the neutrality perception risk for these cases is to have the OCR staff report to the DES Deputy Director. The DES Deputy Director will authorize decisions to avoid any appearance of a conflict that the OCR is no longer neutral.”

Legal Review

Preliminary review by Council legal counsel established that Council action by ordinance amending the County Code is necessary to carry out this proposed consolidation. Under the Charter Section 220.20, the council establishes, abolishes, combines and divides administrative offices and establishes those offices’ powers and responsibilities, while under Charter Section 320.20, the executive assigns the duties to administrative offices which are not specifically assigned by the charter ordinance. Both OCR and ORM are administrative offices that were created by ordinance. The Executive has not transmitted an ordinance related to this proposed consolidation.

Additionally, in order to implement this consolidation, changes would be needed to the definition of the Risk Management fund in County Code (KCC 4A.200.630) to include OCROG functions supported by this fund.

Option 1: Approve as proposed and direct staff to prepare an ordinance making the necessary changes to King County Code.

Option 2: Reject consolidation of ORM and OCROG and direct staff to revise the budget appropriation and restore OCROG to the General Fund.

Analyst:	Miranda Leskinen

REGIONAL ANIMAL SERVICES OF KING COUNTY

BUDGET TABLE

	2015-2016 Revised*	2017-2018 Proposed	% Change 2015-2016 v. 2017-2018
Budget Appropriation	$14,302,794	$14,646,000	2.4%
Max FTEs:	43.2	43.2	0%
Max TLTs:	0.0	0.0	N/A
Estimated Revenues	$13,714,161	$14,475,000	5.5%
Major Revenue Sources	Pet licensing, General Fund, city contributions		
* Note: 2015-2016 Revised includes the 2015-2016 Adopted Budget plus adopted supplementals as of transmittal of the Executive's proposed 2017-2018 budget.			

PROGRAM DESCRIPTION AND PURPOSE:

Regional Animal Services of King County (RASKC) provides regional animal services (including field response, sheltering and licensing) to unincorporated areas of the county and to 25 contract cities via interlocal agreement (ILA). The current ILAs continue through 2017. Discussions with partner cities regarding new ILAs are underway, and contract negotiations will continue into 2017 until a new agreement is finalized.

FOLLOW UP FROM WEEK 1 PANEL QUESTIONS

Councilmembers asked the number of animals served by RASKC.

Below is a summary of RASKC recent service levels by service category.

Animal Control/Field Response Services. Animal control/field response services include the operation of a public call center, the dispatch of animal control officers in response to calls, and the handling of calls in the field by animal control officers, including the collection and delivery of animals to the Kent shelter (or other shelters included in the ILA). Animal control/field control services are divided into three service districts, with unincorporated areas represented in each of the three service districts.

Executive staff state that RASKC utilizes best efforts to ensure call response for the more than 5,000 animal control services field requests received each year within the guidelines set for call response by the Joint City/County Collaboration Committee (JC4). Table 1 below shows the call types for 2015 by priority code[1], response goal and percentage of calls that met those call response goals.

[1] Executive staff indicate that high priority calls include calls that pose an emergent threat to the community including humans (priority 1) and animals (priority 2), while lower priority calls include non-emergent service requests for issues such as possible leash law violations or barking dogs.

Table 1. 2015 Aggregate Call Response (by Priority Code)

Call Priority Code	Number of Calls	Average Response Time (HRS)	Response Goal (HRS)	Number of Responses Meeting Goal	Percentage of Responses Meeting Goal
Priority 1	103	1.14	1	78	75.73%
Priority 2	570	1.03	2	527	92.46%
Priority 3	976	17.81	4	549	56.25%
Priority 4	2,124	60.19	24	1,173	55.23%
Priority 5	1,512	67.11	72	1,258	83.20%

Shelter Services. Shelter services include the general care, cleaning, medical care and nourishment of owner-released, lost or stray animals in preparation for returning those animals to their guardian or placing them in new homes. Services are provided year-round at the County's animal shelter located in Kent or at other shelter locations utilized by the County in accordance with the ILAs. The shelter program also receives support from volunteer foster care providers who provide care for kittens that are too young for adoption and for sick or injured animals until those animals are ready for adoption. In 2015, over 1,200 animals were placed with volunteer foster care providers.

Additionally, the RASKC shelter program maintains a veterinary clinic that provides incoming animals with medical attention. For context, the RASKC clinic performs over 2,000 spay and neuter surgeries annually, in addition to caring for the day-to-day medical needs of resident shelter animals.

Licensing Services. Licensing services include the operation and maintenance of a unified system to license pets in contracting cities. RASKC licenses over 100,000 cats and dogs each year, working with more than 450 contract sales partners including city halls, licensing agencies, pet stores, veterinary clinics, animal shelters and grocery stores.

Councilmembers asked for additional information about the proposed 2017-2018 General Fund support for RASKC and ILA shelter credits.

RASKC General Fund support consists of three main categories: program allocated costs for services in unincorporated areas of the County; support to high shelter-intake cities; and support to enhance shelter outcomes and cover unallocated cost increases outside of the ILA cost allocation model. Table 2 below identifies the proposed 2017-2018 General Fund support for RASKC by category.

Table 2. 2017-2018 Proposed General Fund Support for RASKC

Type	Category	2017/18 Biennium
Fee for Service	Unincorporated King County Net Cost:	$1,828,588
Program Support	ILA Shelter Credits	$1,797,228
	GF Model Program:	$1,464,623
	Subtotal Program support	$3,261,851
Executive Proposed		$5,090,439

The ILA Shelter Credit is allocated to participating jurisdictions with the highest per capita animal intakes into the shelter. Executive staff indicate that while there are two credits, a shelter credit and a transition credit, they are essentially both allocated to cities with the highest per capita animal intakes into the RASKC shelter. The cities receiving credits include: Kent, SeaTac, Tukwila, Covington, Enumclaw, Maple Valley, Black Diamond, North Bend, and Carnation.

Councilmembers asked for additional information about the use of private charitable donations to support animal services.

Private charitable donations from the Animal Bequest Fund account for approximately three percent of budgeted revenues in the 2017-2018 proposed RASKC budget. Of note, there are four accounts for animal services support within the Animal Bequest Fund including the Spay/Neuter Fund; the Help the Animals 'Angel' Fund (shelter and veterinary care for abused animals); the Animal Retention Fund (responsible pet ownership support); and the Benefit Bequest Fund (all-purpose support fund for programs and services). Contributions may be undesignated (are then routed to the Benefit Bequest account) or designated for a specific account(s). More information is available at http://www.kingcounty.gov/depts/regional-animal-services/get-involved/donate.aspx.

Additionally, RASKC maintains a number of partnerships with community organizations, animal-related businesses and nonprofit animal providers, such as Pasado's Safe Haven Spay Station and Northwest Spay and Neuter Clinic to expand the availability of lower cost or free spay and neuter services in south and east King County.

General Fund Overview for 2017-2018

In early 2016, the Executive projected a General Fund deficit of $50 million for the 2017-2018 biennium. The Executive Summary to the proposed 2017-2018 biennial budget summarizes how the Executive balanced the General Fund.[1]

2017-2018 General Fund Balancing Summary (as shown in Executive Summary, Figure 16)	
Starting Gap	**$50,000,000**
Forecast Error	$4,000,000
Changes in Revenue Forecasts	($22,200,000)
Fund Balance Target Adjustment	$6,300,000
Required Cost Increases	$14,200,000
Policy Driven Revenue Changes	($19,800,000)
Reduction in Central Rates from Baseline	($6,300,000)
Efficiencies	($13,700,000)
Cost Shifts	($11,100,000)
New/Expanded Investments	$7,300,000
Service Reductions	($8,700,000)
Balance	**$0**

A forecast error (largely related to labor cost projections) of $4 million increased the gap. The Executive's approach to balancing the General Fund involved both reductions in costs, changes in revenue forecasts, and various new investments. Several examples for each category are summarized below.

<u>Changes in Revenue Forecasts</u>

The primary changes in revenue forecasts were increases in projected sales tax revenue ($13.6 million), Sheriff and Department of Adult and Juvenile Detention contract revenues ($5.6 million), and Records and Licensing Services revenues ($5.5 million).

<u>Fund Balance Target Adjustment</u>

The Executive proposes to increase the General Fund's undesignated fund balance from 6.5 percent to 8.0 percent by the end of 2018 – this would mean reserving an additional $6.3 million in the General Fund. As described in the Executive Summary, the Executive's intent is to help preserve the County's bond ratings, which allows the County to issue debt at lower interest rates, and to prepare for the next recession.

<u>Required Cost Increases</u>

The Executive's proposed budget categorizes some increased expenditures as "Required Cost Increases," including:

[1] Executive Summary, Page 31, Figure 16.

- $1.5 million for promotions for 35 public defense attorneys as required by a collective bargaining agreement;
- $1.2 million for debt service associated with costs to consolidate space for the Department of Public Defense at the Dexter Horton building – note that the Executive anticipates transmitting the long-term lease for Council approval this month and Executive staff have indicated that Councilmembers have been briefed on this move, as has the Joint Advisory Group on Capital Projects (JAG);
- $1.7 million to add Department of Adult and Juvenile Detention staffing to address increased jail population and to reduce the use of overtime;
- $1.0 million for debt service associated with the repairs to the King County Courthouse electrical repairs; and
- $0.9 million to replace Sheriff's Office vehicles.

<u>Policy Driven Revenue Changes</u>

This category includes revenue proposals such as:

- $3.7 million in increased revenue from changes in parking rates and other fees;
- $3.0 million in increased revenue to the General Fund from other funds due to changes in the General Fund overhead model;
- $3.0 million from shifting interest earnings from internal service and other funds to the General Fund;
- $3.0 million from increasing the transfer from the Roads Fund to the General Fund to support traffic enforcement activities in the King County Sheriff's Office;
- $1.9 million from creating a central rate to support the Department of Assessments' GIS services;
- $1.8 million from adjusting assumptions of property tax collections from 97.25 percent to 97.5 percent based on actual collection rates in recent years;
- $1.2 million in revenue from King County Metro Transit and Sound Transit to support District Court processing infractions and adjudicating criminal filings issued by transit police; and
- $1.1 million in net new revenue assumed in the budget for Elections.

Several of these revenue proposals will require Council approval of legislation to be implemented, including parking rates and other fees, as well as shifting interest earnings from internal service and other funds to the General Fund. The Budget and Fiscal Management Committee will begin discussions of ordinances necessary to implement the 2017-2018 budget next week.

<u>Reduction in Central Rates from Baseline</u>

The proposed budget assumes a reduction of $6.3 million in central rate costs to General Fund agencies. For example, the Department of Adult and Juvenile Detention was able to reduce its KCIT charges by approximately $1.0 million by eliminating systems and reducing support where possible.

Efficiencies

Several reductions are characterized as efficiencies, which Executive staff indicate are not expected to substantially impact service delivery. For example, Superior Court will increase reliance on audio/visual recording equipment, which would allow two court reporter positions to be eliminated. Also in Superior Court, a commissioner who currently hears the criminal plea calendar at the Maleng Regional Justice Center (MRJC) would be eliminated with the plea calendar coverage being absorbed by judges at the MRJC.

In total, efficiencies of $13.7 million were identified.

Cost Shifts

The proposed budget also reflects costs shifts from the General Fund to other funds. Some costs associated with therapeutic courts were previously being absorbed by the Prosecuting Attorney, Superior Court, District Court and the Department of Public Defense – these costs (about $1.1 million in total) are proposed to be shifted to the Mental Illness and Drug Dependency sales tax.

Another example is the proposal to consolidate the Office of Civil Rights and Open Government with Risk Management, including shifting the costs to the Risk Management internal service rate. This would reduce General Fund costs by $1.4 million.

Other examples include shifting debt service costs for the County's data center to KCIT rates and for the Eastside Rail Corridor to Conservation Futures funding.

Cost shifts totaling $11.1 million have been proposed in the Executive's budget.

New/Expanded Investments

The proposed budget also includes several new services or investments that would increase General Fund costs:

- $1.2 million (about two-thirds would be backed by other county funds) in Human Resources Management for training, development, coaching and mentoring as part of the Executive's Best Run Government initiative[2];
- $0.9 million to implement a new records management system in the Sheriff's Office;
- $0.7 million (about two-thirds would be backed by other county funds) in increased funding for the Office of Equity and Social Justice;
- $800,000 ($160,000 would be backed by revenues from Metro Transit and Sound Transit) for Anti-bias Training in the Sheriff's Office;

[2] Note that the proposed budget also includes $871,000 in the Employee Benefits appropriation unit, which is not budgeted in the General Fund, to support employee engagement activities as part of the Executive's Best Run Government initiative. Two-thirds of this amount would also be backed by county funds other than the General Fund.

- $760,000 in debt service for IT projects;
- $574,000 in increased General Fund support for Facilities Management Division shelter costs; and
- $488,000 to increase STD clinic hours.

In total, $7.3 million in new General Fund spending is being proposed by the Executive.

Service Reductions

As discussed in more detail in the staff reports on the Prosecuting Attorney's Office, Department of Adult and Juvenile Detention and the King County Sheriff's Office, several significant reductions are included in the Executive's proposed budget:

- $2.0 million decrease in the Prosecuting Attorney's Office – the Prosecutor has not identified specific service reductions;
- $1.6 million reduction associated with closure of bookings at the MRJC beginning in 2018;
- $1.4 million reduction associated with elimination of the Air Support Unit in the Sheriff's Office in 2018;
- $0.8 million reduction associated with elimination of the Marine Unit in the Sheriff's Office in 2018; and
- $0.7 million reduction associated with closure of the Fourth Avenue entrance to the King County Courthouse.

The Executive's budget proposes approximately $8.7 million in service reductions.