

Budget Overview

Mayor Greg Nickels established four priorities when he took office in January 2002: get Seattle moving, keep our neighborhoods safe, create jobs and opportunity for all, and build strong families and healthy communities. The Mayor's 2007-2008 Proposed Budget continues to focus on these priorities. The Budget is submitted during a period of strong regional economic growth but with several looming issues that may affect the City's finances during the biennium. Thus, the Proposed Budget focuses resources on a combination of one-time investments and high-priority programs.

Strong Economy and Healthy Revenues

As described in the General Subfund Revenue Overview, the Puget Sound area's economy has rebounded strongly from the 2001 recession. Job growth in the region now exceeds that in the rest of the state and the nation as a whole. A major construction boom now under way includes office buildings, research and manufacturing facilities, housing, and public projects, such as Sound Transit light rail. This economic growth has bolstered many City revenues, including sales tax, Business and Occupation (B&O) tax, Real Estate Excise Tax (REET), electricity sales, and construction permits.

It is important to put this recent revenue growth into a longer-term context. For example, sales tax revenues are projected to grow by 7.0% in 2006, 5.5% in 2007, and 4.6% in 2008. However, this follows a period of 10 consecutive quarters of declining revenues in 2001 through 2003. When the effects of inflation are removed, Seattle's sales tax revenues did not return to 2000 levels until mid-2006. Similarly, the rapid growth in property values has not translated into large growth in property tax revenues. State law limits property tax revenue growth to 1% per year, plus the value of new construction. Because new construction has seen strong growth, overall property tax revenue has been growing by 2% to 3% per year, or about the rate of inflation.

The strong recent economic performance gives the City the opportunity to add high-priority services. However, it has not yet been sufficient to fully offset the \$120 million in General Fund budget reductions made in the first four years of this decade.

Financial Challenges

Most economic forecasters expect the national and regional economies to slow over the next few years in response to higher interest rates, a slumping housing market, higher energy prices, and other issues. This slowing is reflected in the revenue estimates used for the 2007-2008 Proposed Budget. In addition to these economic concerns, the City faces at least five significant financial challenges as it enters this biennium.

B&O Tax Law Changes

In 2003, the State Legislature passed House Bill 2030, which is now codified as Chapter 35.102 RCW. The main purpose of this law was to create more uniformity among city B&O taxes through a model ordinance. This purpose was supported by both cities and business organizations. However, Section 13 of the bill was added over the opposition of cities. This section, which becomes effective in 2008, changes how income for certain businesses is calculated for tax purposes. At the Legislature's request, the State Department of Revenue (DOR) completed a study of the fiscal effects of this change in November 2005. Using 2004 figures, DOR estimated that Washington's cities would lose approximately \$23.3 million of revenue annually, with the effect on Seattle being a loss of \$15.6 million. Projecting this to 2008 yields a loss to Seattle of about \$20 million. Independent analyses by Seattle's Department of Finance produce projected losses of the same magnitude, although there is a wide range of possible impacts depending on how businesses respond to the change in the law.

DOR's study also identified several options to mitigate the impact in full or in part. As of this writing, the Legislature had not acted on any of these mitigation measures.

The 2008 Proposed Budget assumes the projected revenue loss is fully mitigated. The City's legislative agenda includes a request that the Legislature repeal, modify, or mitigate the effects of Section 13. In addition, the Mayor

Budget Overview

is proposing legislation with this budget that would raise the existing B&O tax rates if full mitigation is not provided. The Mayor does this reluctantly because it involves increasing taxes for all businesses to offset tax cuts granted to a small subset of firms. The proposal would raise the B&O tax rate in two steps on July 1, 2007 and July 1, 2008, by the maximum amounts allowed under state law. The resulting rates would be approximately 3.5% higher than current rates, with small variations by type of business. When fully implemented, these higher rates would bring in about \$5.2 million annually. The effective dates of these increases are timed to follow the legislative session so the increases can be repealed if the Legislature provides mitigation.

If full mitigation is not provided, the 2008 Proposed Budget will need to be modified in the mid-biennium through increases in other taxes and/or reductions in spending. A \$20 million revenue loss would account for about 3% of the General Subfund budget, once unavoidable costs such as debt service and contractual commitments are excluded. As part of the budget development process, departments were asked to provide preliminary proposals for what would be cut. These cuts focused on lower-priority services or elimination of proposed service expansions. Some of the proposed changes included:

- Postponing or reducing the plan to add firefighters so that all engines have four-person crews;
- Reducing the number of Police detectives;
- Reducing the number of domestic violence victim advocates;
- Slowing Police hiring, thereby reducing the number of officers on duty;
- Reducing the Library's collections budget, which is already below many of its peers;
- Reducing maintenance of trees and other open spaces;
- Reducing the Neighborhood Matching Fund, which provides support for citizen-initiated projects;
- Closing the Animal Shelter one day per week; and
- Reducing maintenance staff for City facilities, including community centers and Seattle Center.

Health Care Costs

The City faces rapid increases in health care costs for its employees, similar to the patterns experienced by other public- and private-sector employers. City health care expenditures are projected to grow by about \$45 million between 2005 and 2008, or about 14.4% per year. This increase affects all the City's operating departments, including General Fund agencies, the Department of Planning and Development, and the utilities. The increases are due to the health care market and changes in utilization as opposed to improvements in plan benefits.

Similarly, industrial insurance expenditures are project to grow by about 9.2% per year over the same period. This increase results from health care costs for treating injured workers, not from higher injury rates.

The Proposed Budget includes new staff and programs to help manage these cost pressures. The Personnel Department will add a position to work on health care cost containment. Personnel will also work with other departments to identify possible wellness initiatives. Several departments have initiated efforts to reduce industrial insurance costs. However, these efforts alone cannot bring health care cost escalation down to minimal levels. Federal or state action may be needed if cost containment is going to be effective.

Budget Overview

Civic Center Space Rent

In 1994, the City started the development of the new Civic Center. The City purchased Key Tower (now known as the Seattle Municipal Tower, or SMT) as the future home for most departments. Construction began later on a new Justice Center for the Police Department and Municipal Court, and on a City Hall for the Mayor's Office, Legislative Department, Law Department, and related agencies. These new facilities were completed by 2005 and replaced cramped, outmoded, and seismically unsafe buildings.

Space rent for agencies with downtown facilities grew substantially between 2006 and 2007 for two reasons. First, the costs for the new facilities are higher than for the buildings they replaced. These higher costs include the debt service on the bonds issued to build or acquire the new structures, an asset preservation reserve to ensure the new buildings are maintained appropriately (unlike their predecessors), and the operations costs for the large plazas and public areas that did not exist previously. Second, most departments have significantly more space in the new buildings than in the old ones.

For 2005 and 2006, the City held down space rents by using surpluses accumulated from private tenants in SMT. These tenants were replaced by City departments during the same period, so no surpluses remain to subsidize costs for City agencies in 2007 and beyond.

Space rent changes are also complicated by how debt service on Civic Center facilities is recovered. For years through 2006, debt service was allocated only to the "six funds" that have significant dedicated revenue sources: General Fund, Light Fund, Seattle Public Utilities (SPU) Fund, Planning and Development Fund, Transportation Fund, and Retirement Fund. General Fund departments did not pay any of this debt service directly. For 2007 and beyond, Civic Center debt service is being charged to the Fleets and Facilities Department (FFD) and is recovered through space rents. A further complication is that City Light had its own SMT lease that predated the City's ownership of the building. This lease expires at the end of 2006 and City Light will pay the same space rental rate as other departments starting in 2007.

This set of issues means that individual departments will see very different changes in space rents between 2006 and 2007. Departments with no downtown facilities, such as Parks, will have little or no change. Departments that were already being charged debt service, such as SPU and the Seattle Department of Transportation (SDOT), will see net increases in space rent of about 12%, largely due to the loss of private tenant subsidy. Departments that were not being charged debt service, such as the Department of Executive Administration (DEA), the Department of Finance (DOF), the Legislative Department, and the Office of Housing (OH) will see net increases in space rent of about 175%, which is partially offset by savings in General Subfund debt service payments elsewhere in the budget. Finally, departments that were not being charged debt service and that increased their space usage, such as the Personnel Department, will see increases in excess of 200%.

Space rent should not be a major budget driver after 2007. Subsidies have been completely eliminated and debt service is mostly a fixed cost, so space rents should grow more slowly than inflation in the future.

Parks Levy Expiration

In 2000, Seattle's voters approved the Neighborhood Parks, Green Spaces, Trails, and Zoo Levy Lid Lift to provide eight years of funding for various parks-related acquisition, development, and maintenance projects. In addition, the Levy included funding for expanded programs and services at parks and community centers. The Levy expires at the end of 2008. The Mayor does not support renewal of this levy for operating purposes. About \$9 million would need to be found starting in 2009 if all of these programs were continued.

The Parks Department has identified options for terminating, modifying, or finding other funding sources for these programs. The 2007-2008 Proposed Budget includes a plan to phase in the Levy termination gradually from 2007 through 2010 by using additional General Subfund resources in the first two years to save some Levy resources for the following biennium. The Mayor is also exploring other funding options for some programs,

Budget Overview

including support for the Woodland Park Zoo. This combination of efforts should reduce the effect of Levy termination in 2009.

Community Development Block Grant (CDBG)

CDBG is the federal government's principal source of funding to support local community development and human services programs. Federal funding has been constant or slowly declining in recent years. The president's budget for 2007 assumed a significant cut in CDBG, but it appears that Congress will at least maintain last year's funding level. The 2007-2008 Proposed Budget assumes federal CDBG funding will be similar to amounts received in 2006.

As part of the Sound Transit light rail project, the City has committed CDBG funds to the Rainier Valley Community Development Fund (RVCDF). This commitment increases by \$1.85 million between 2006 and 2007, necessitating reductions in other programs funded by CDBG. The Proposed Budget continues funding for many of these programs from other sources, including shifting costs of Housing Levy administration and some economic development programs to the General Fund. Similarly, a program that pays for parks maintenance projects and helps train homeless individuals is shifted to REET. Some lower-priority programs in the Human Services Department (HSD) are reduced in order to provide General Fund to cover CDBG cuts in high-priority human services programs serving homeless individuals.

Future uses of CDBG depend on continuing federal funding for this program. It is not likely that the City's other revenues will be able to fully offset significant cuts in CDBG funding if they occur.

Making Nonrecurring Investments

The strong economy has produced significant General Fund surpluses in 2005 and 2006. However, the challenges outlined above suggest that such surpluses will not continue indefinitely, so the City must be cautious in starting new, ongoing programs or expanding existing ones. The Mayor therefore developed the 2007-2008 Proposed Budget by focusing on one-time budget additions and high-priority programs.

Many of the one-time investments focus on improving the City's technological capabilities. These investments include:

- Further developing the Seattle Justice Information System (SEAJIS), which improves data links among the Police Department, Law Department, and Municipal Court. This eliminates duplicate data entry and improves efficiency, thereby allowing position reductions in some agencies.
- Expanding the program to install video cameras in Police cars. The Proposed Budget includes funding to put a combined camera and mobile data computer in all Police Department patrol vehicles. In addition, each officer will be issued his/her own laptop computer to be used with the new Records Management System. This deployment of technologies will improve efficiency and increase accountability.
- Purchasing and installing vehicle locators in each Police car. This system uses global positioning technology so dispatchers can see the exact location of every patrol vehicle, thereby ensuring the fastest possible response and providing additional officer safety.
- Providing regular funding for upgrading Library servers. Many of the systems supporting the Seattle Public Library's operations were purchased with capital funds through the Libraries for All ballot measure. The Proposed Budget provides a stable source of money to gradually replace and upgrade these systems.
- Replacing DEA's cash receipting, tax collection, and payroll interface systems. These investments will improve customer service and increase reliability.

Budget Overview

- Constructing back-up cooling systems for City data centers in SMT, which will ensure continued operation in emergencies.
- Upgrading FFD's fleet and property management software.
- Purchasing and customizing a departmental budget development system that will be shared by several mid-sized City agencies.
- Supporting the Safe Harbors information management system, which helps improve service delivery to homeless individuals.
- Funding the Department of Information Technology (DoIT) to develop a business case for the Technology Infrastructure Optimization project (TIO). The purpose of TIO is to replace the City's hardware and software that support electronic mail, filing and printing, and other internal operations. The current software may not be supported by the vendor in the future and TIO will assess the cost-effectiveness of various alternatives.

The Mayor also took the opportunity to fund several other high-priority, nonrecurring items, including investments in "green" equipment and facilities (further described below), development of long-term plans for the Parks Department and Seattle Center, a housing needs assessment, and one-time equipment purchases for several departments.

The Mayor also added nonrecurring funding for several community facilities, as described below.

Addressing Major Priorities

Mayor Nickels established four major priorities when he took office five years ago. The Proposed Budget includes significant investments in each of these areas.

Get Seattle Moving

Transportation systems are a critical feature of urban areas. The City of Seattle has lost several major revenue sources devoted to transportation maintenance over the last decade as a result of court decisions or statewide initiatives. The City has expanded its support for transportation from the General Fund and REET significantly over the past five years, but still has a substantial transportation maintenance backlog. In addition, the state and region need to make investments in major corridors, including the Alaskan Way Viaduct and the Evergreen Point Bridge (SR 520). The Proposed Budget continues current transportation maintenance efforts and adds significant funding in two programs:

- Bridging the Gap. In May, the Mayor proposed a 20-year transportation maintenance and development program to be supported by a combination of a property tax levy lid lift, a commercial parking tax, and a business transportation tax calculated on employee hours worked. The Council approved a modified version of this proposal in July with a somewhat lower property tax and a gradual phase-in of the other two taxes. In September, as this Budget was being completed, the Mayor and several Councilmembers decided to propose a modified property tax measure for the November ballot. The original proposal allowed the tax revenue to grow for the first six years to compensate for construction inflation. However, under state law, such a measure could not have a definite term. The new proposal would provide for a nine-year levy but cannot grow at the rate of construction inflation.

Assuming the new approach is approved, approximately \$39.9 million and \$51.5 million would be generated by the three revenue sources for transportation investments in 2007 and 2008, respectively. These investments include significant expansions of maintenance programs, such as street paving and

Budget Overview

bridge rehabilitation; new and expanded programs to build sidewalks and bicycle lanes; support for transit operations and related capital improvements; and the City's share of the cost of four major facilities – the Spokane Street Viaduct, the Mercer Corridor, the Lander Street Overcrossing, and King Street Station. The Proposed Budget included in this volume is based on the "Bridging the Gap" financing plan approved by the Council in July. If the new proposal is adopted, a revised budget will be submitted to the Council in October.

- Alaskan Way Tunnel and Seawall. The Alaskan Way Viaduct is approximately 50 years old and has exceeded its useful life. Many parts of the structure are seismically unsafe and it sits on unstable soils. The neighboring Seawall was mostly built in the 1930s and has deteriorated under attack by marine organisms. The City has been working with the Washington State Department of Transportation (WSDOT) to develop plans for replacing these structures. The Mayor and Council have identified a tunnel as the City's preferred replacement option. The 2007 Proposed Budget includes \$24.0 million in City Light and \$5.5 million in SPU to continue planning and design for utility relocation required by the project. Actual relocations are projected to begin in 2008. In addition, the Budget proposes a \$4.0 million Councilmanic bond issue to cover a portion of SDOT's costs in 2007-2008. These costs include design work and demonstration projects related to the North Seawall. Other costs will be covered by WSDOT.

Keep Our Neighborhoods Safe

Public safety is the principal responsibility of local government. In the last three years, the City has made major new investments in public safety, including the addition of about 33 Police patrol officers and significant investments in Police technology and equipment. The City is in the process of adding firefighters so each engine has a four-person crew, which will improve safety and provide faster response to fires. This process expected to be complete in early 2008. The Fire Facilities Levy is providing funds to replace or renovate neighborhood fire stations, build a new Fire Alarm Center and Emergency Operations Center (EOC), and purchase two new fireboats. The City has also stepped up its efforts to prepare for emergencies, including disaster caches, emergency generators, emergency water supplies, and equipment and supplies needed to respond to terrorist events or natural disasters. Three major new activities are included in the 2007-2008 Proposed Budget:

- Emergency Preparedness. Several departments receive funding to expand emergency preparedness. Staff are added to the Fire Department and FFD to coordinate their departments' emergency work. The Emergency Preparedness Bureau in the Police Department will undertake a study of the City's needs to respond to a medical emergency, such as pandemic flu. The 2008 Proposed Budget includes \$250,000 in Finance General to purchase equipment or supplies identified by this study. About \$966,000 is included for DoIT to build a backup 911 dispatch center in the new EOC. In addition, the Department of Planning and Development (DPD) receives funding to conduct a study of unreinforced masonry buildings in Seattle.
- New Officers, Technology, and Vehicles. The City has received grant funding from Sound Transit to provide additional traffic control during construction of light rail in the Downtown Bus Tunnel. Some of this funding expires in 2007. The Mayor is proposing to continue current staffing levels using General Fund resources, which will add six positions to Patrol in 2007. As noted previously, the Proposed Budget makes major investments in Police Department technology, which will facilitate dispatching, recordkeeping, and accountability. These investments will improve efficiency and will support the geo-policing effort to assign officers to areas with the greatest need. Finally, the Budget provides funds to purchase 10 new patrol cars, which will provide more coverage through one-person rather than two-person vehicles.
- 48-Hour Graffiti Response. Graffiti is often an indication of deteriorating safety in a neighborhood. One of the most effective deterrents to graffiti is to ensure its prompt removal. The Proposed Budget adds resources to Parks, Seattle Center, SDOT, and SPU to ensure removal of most graffiti on public property

Budget Overview

within 48 hours. Costs in 2007 are generally higher than in future years in order to cover startup costs for vehicles and equipment.

Create Jobs and Opportunity for All

Economic development was a major focus of the City in the first part of this decade. The deep recession led the City to undertake major efforts to attract and retain employers, including lifting the development lid in the University District, changing development regulations and making public investments in the Northgate neighborhood, building infrastructure and supporting redevelopment in South Lake Union, and changing development regulations to support construction and housing downtown. The City also made a series of targeted investments in job training, business outreach, and neighborhood business districts. These efforts will continue and expand in 2007. In addition, the Mayor's Proposed Budget includes three new economic development proposals:

- Permit Processing Times. The recent boom in construction has led to delays in processing building-related permits, despite staff expansions and new systems that improve interdepartmental coordination. The Proposed Budget adds staff to DPD, Fire, and SDOT to ensure that permit processing time goals are met.
- Apprenticeship. Apprenticeship programs are one of the best ways to provide access to well-paying jobs in building trades, automotive professions, and other jobs. These programs are especially valuable for women and people of color. The City has been a leader in providing apprenticeship opportunities and a substantial expansion of these opportunities is planned for 2007. City Light will add 30 apprentice positions to begin preparing individuals to replace line workers and other electrical professionals, many of whom are expected to retire within the next decade. SPU will expand its apprentice programs in both the water and wastewater fields. FFD will restore its three auto apprentice positions. Finally, the Personnel Department's budget will include 30 unfunded apprentice positions. These will be used in the same way as the successful program for supported employees. Departments that want to create or expand an apprenticeship program can borrow a position from Personnel and use it to hire a new apprentice. This provides more flexibility and allows programs to be started quickly and efficiently.
- B&O Tax Threshold. The Mayor is proposing to raise the threshold for B&O tax payments from its current level of \$50,000 to a proposed level of \$75,000. Firms with revenues less than \$75,000 would not be subject to the City's B&O tax. The threshold has not been raised since 1994 and the Mayor believes tax relief for these small businesses is warranted.

Build Strong Families and Healthy Communities

The City of Seattle provides a wide range of services to its residents and to people from the surrounding region. The Proposed Budget includes significant expansions of efforts in many areas:

- Environmental Action Agenda. The Mayor has proposed a three-part Environmental Action Agenda. "Green Seattle" focuses on expanding the City's tree cover and ensuring that City-owned trees are maintained appropriately. The "Climate Protection Initiative" focuses on reducing greenhouse gas emissions and having Seattle achieve the goals of the Kyoto protocol by 2012. "Restore Our Waters" focuses on improving the City's streams and shorelines, and reducing adverse impacts caused by City facilities. The 2007 Proposed Budget includes about \$18.5 million of investments in these three areas, including about \$13.3 million associated with the Bridging the Gap transportation initiative. Some of the most significant investments include:

- Adding new tree crews to Parks and SDOT to maintain City-owned trees;

Budget Overview

- Adding funds to improve maintenance of trees in the City's open space areas, including removal of invasive species;
 - Purchasing "green" vehicles and equipment, including hybrid cars for Police nonpatrol uses and electric equipment for maintenance in Parks and Seattle Center, as well as further expansion of the City's use of biodiesel;
 - Reducing wastewater discharges from City facilities by covering materials storage areas and changing systems at fire stations;
 - Adding and maintaining sidewalks and bike lanes;
 - Investing in transit operations and making capital investments that improve transit reliability; and
 - Adding staff and capital funds to reduce energy and water use by City facilities.
- Ten-Year Plan to End Homelessness and the Housing First Strategy. Seattle is one of the participants in the 10-Year Plan, which calls for investments in transitional and permanent housing in order to get homeless individuals out of shelters. One aspect of this is "Housing First," a strategy that offers housing with support services to deal with homeless individuals with the most significant challenges, including drug or alcohol abuse and mental health issues. The 2007-2008 Proposed Budget includes annual funding of about \$985,000 to continue and expand support services for Housing First. In addition, about \$705,000 is included each year to continue the current level of shelter beds for this biennium until the investments in housing can begin to reduce demand. Finally, \$2 million of General Fund resources are added to OH's budget in 2007 to fund the City's share of construction of about 40 units of supported housing. The Mayor is calling on King County, suburban cities, and nonprofit organizations to match Seattle's efforts in the 10-Year Plan.
- Neighborhood Investments. The Proposed Budget expands City programs in neighborhoods facing economic uncertainty and social challenges. Three neighborhoods receive special attention:
- The 2007-2008 Proposed Budget includes approximately \$1.7 million in targeted funds for the South Park neighborhood. This includes expansion of community center hours, with a particular focus on youth programs; continuation of very successful human services and economic development programs; paving of the major street in the business district; and continued efforts to reduce drainage problems.
 - An initiative to revitalize the Broadway neighborhood began in 2005. The City provided funding through a midyear supplemental ordinance in 2006. The 2007 Budget includes \$200,000 in the Office of Economic Development (OED) to continue these efforts. Finance General is provided with \$175,000 in 2008 to fulfill the City's overall commitment of \$500,000 to this neighborhood.
 - Sound Transit light rail and other development pressures will have major effects on Southeast Seattle. The 2007-2008 Budget continues funding for efforts in OED and the Office of Policy and Management to support this neighborhood. In addition, \$75,000 is provided in Finance General each year for consultant support for a possible community revitalization effort.
- Race and Social Justice. The Mayor started his Race and Social Justice Initiative (RSJI) four years ago. The purposes of the Initiative are to ensure that City services are available to everyone and that the City works to eliminate the effects of racism within City government and the broader community. Many aspects of the 2007-2008 Proposed Budget were developed with an explicit focus on social justice issues, including the 10-Year Plan, South Park, and apprenticeship investments previously described. Other

Budget Overview

initiatives in this area include continued City support for the Contractor Development and Competitiveness Center, which helps small businesses develop skills to obtain public contracts, and funding for a new staff person in DEA to monitor compliance with wage laws by housing contractors. This responds to recent concerns that many workers on these projects, who are often immigrants and people of color, have not been paid appropriately.

➤ Community Facilities. The City has provided financial support for several development projects by nonprofit cultural or human services organizations in the last few years, including the Museum of History and Industry, the Seattle Children's Museum, the Wing Luke Museum, the Colman School project, and the Asian Counseling and Referral Services project. The Mayor is proposing to continue this practice in the 2007-2008 Budget. New investments include:

- \$1 million for the Rainier Vista Boys and Girls Club, as called for in Resolution 30817;
- \$250,000 for part of the costs of a new facility for Family Services;
- \$250,000 for the East Madison YMCA project;
- \$500,000 for the Seattle Housing Authority for a community facility at High Point; and
- \$333,333 in 2008 as the first payment of a projected \$1 million for the Nordic Heritage Museum.

➤ Seattle Center Financial Stability. Seattle Center experienced very difficult financial circumstances in the early part of this decade due to the recession and relatively poor performances by the major tenant of KeyArena. Despite cutting staffing and reducing maintenance, the Center developed a \$10 million deficit by 2005. This deficit has been filled by selling parking lots surplus to the Center's needs, but the deficit would recur quickly without further action. The Mayor appointed a citizens committee to make recommendations on the Center's future. The 2007-2008 Proposed Budget builds on these recommendations in several ways:

- Debt service on KeyArena and the revenues associated with it are removed from the Seattle Center Fund and shifted to the General Fund. This creates a net annual obligation for the General Fund of about \$2.6 million.
- Nine maintenance positions are restored to the Center's budget at an annual General Fund cost of almost \$1 million.
- The General Fund also provides money to offset revenue losses associated with the monorail. A \$4.5 million rehabilitation of the monorail is financed through Councilmanic debt to be repaid by the General Fund, operating revenues, and projected federal grants.
- Funding is provided from the Cumulative Reserve Subfund to pay for a 20-year plan for the Center's facilities and grounds. This will update existing plans that have supported the Center's rehabilitation since the early 1990s.

➤ Parks Improvements. The Proposed Budget includes several major initiatives in the Parks Department. In addition to the "green" investments that have already been described, the Budget includes a downtown parks initiative of maintenance and program expansions, plus the creation of new park rangers to improve security and service. About \$7 million of Councilmanic debt is proposed to renovate Building 27 at Sand Point to house indoor recreation programs. This debt service is expected to be covered by tenant revenues after 2009. Funds are provided for partial payment for the Capehart property in Discovery Park. An agreement on this issue is expected in early 2007. The Cumulative Reserve Subfund will cover the costs

Budget Overview

for new artificial turf fields and replacement of lights with safer, more energy-efficient, and less obtrusive structures. Finally, the rapid growth of REET in recent years allows Parks to expand its major maintenance of existing facilities.

- Library Collections and Technology. The Proposed Budget makes permanent a 2006 temporary \$500,000 annual increase in the Library collections budget. A recent patron survey found that users wanted more investment in collections rather than expansion of hours. As noted above, the Budget also includes ongoing funding to replace the Library's major information processing systems.

Conclusion

The Proposed 2007-2008 Budget reflects strong economic growth and the results of good fiscal management in the last few years. There are several major budget challenges likely in 2008 and 2009, so much of the current financial surplus is proposed to be focused on one-time investments. In addition, funds are proposed for the City's highest priorities and to offset some of the budget cuts that had to be made earlier in the decade.