



# King County

## Metropolitan King County Council

### Health, Human Service & Internal Service Panel of the Budget and Fiscal Management Committee

**Tuesday, October 14, 2014 – 9:30 A.M.**

**Councilmembers:** Jane Hague, Chair; Joe McDermott, Vice Chair; Rod Dembowski, Reagan Dunn, Larry Gossett, Kathy Lambert, Dave Upthegrove

**Kelli Carroll (477-0876), Panel Lead**

**Patrick Hamacher (477-0880), Budget Manager**

**Wendy Soo Hoo (477-0890), Deputy Budget Manager**

**Analysts:** Mary Bourguignon (477-0873), Rachelle Celebrezze (477-0897), Katherine Cortes (477-9733),

**Clifton Curry (477-0877), Jenny Giambattista (477-0879), Christine Jensen (477-5702),**

**Polly St. John (477-0891), Amy Tsai (477-0893), Nick Wagner (477-0894), Leah Zoppi (477-0892)**

**Panel Assistant: Angelica Calderon (477-0874)**

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<b>Analyst:</b>	<b>Rachelle Celebrezze</b>
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### CENTRAL RATES

#### BUDGET TABLE

	2013-2014 Adopted	2015-2016 Proposed	% Change 2013-2014 v. 2015-2016
Employee Benefits	\$656,859,233	\$706,306,015	7.5%
Equipment	\$512,095	\$1,333,852	160.5%
Facilities	\$120,713,692	\$130,868,524	8.4%
Finance	\$279,419,777	\$305,860,645	9.5%
Fleet	\$47,752,978	\$47,250,112	-1.1%
General Fund	\$95,028,338	\$110,035,716	15.8%
KCIT <sup>1</sup>	\$160,217,520	\$174,415,586	8.9%
Total	\$1,360,503,633	\$1,476,070,450	8.5%

### WEEK TWO PANEL FOLLOW-UP

**Panel Question/Follow-up:** What steps have agencies taken to control the growth in central rates? For example, have any agencies undergone Lean processes or other strategic initiatives?

**Response:** Several of the internal service agencies have carried out Lean processes and other strategic initiatives in an effort to control the growth in central rates. According to the Office of Performance, Strategy, and Budget (PSB), the Human Resources Division (HRD), the Finance and Business Operations Division (FBOD), KCIT, the Office of Risk Management (ORM), and Fleet have engaged in Lean processes and other efforts that have helped to contain, and in some cases, reduce, central rates.

Highlights of these Lean processes and other initiatives include:

- In 2012, Fleet and the Facilities Management Division (FMD) conducted a LEAN kaizen event to better define roles and responsibilities of the County's surplus operations. This event resulted in a significant reduction in the amount of warehouse space used to store unused furniture. The work also informed the new rate model for the surplus program.<sup>2</sup>
- In 2013 and 2014, ORM engaged with PSB to develop a Line of Business Report that has guided budget and rate development for 2014-2016 and set strategic direction for ORM. Based on this process, ORM made changes to the claim and

<sup>1</sup> The figure for KCIT has been updated to adjust for double-budgeting in the telecommunications ongoing charge, some of which is now being recouped through workstation services, and other technical changes.

<sup>2</sup> The Lean process also led to the development of an ESJ initiative to deliver surplus furniture to qualified nonprofits, which is included in the 2015-2016 proposed budget for FMD.

settlements rate model to better incentivize clients to reduce costs by implementing incentive-based rates.

- KCIT is currently participating in a Lean process. One result of that ongoing process is a product catalog that provides transparency to clients about the services provided. KCIT also allows client agencies to control costs through customization of work products.
- FBOD is currently engaging in a number of standardization initiatives as part of a Lean process. Some of the objectives of the process include the standardization of pay practices in payroll and standardization of cash management practices. FBOD has also taken steps to control the rate of growth in its central rate charges by drawing down fund balances to reduce the amount of FBOD's expense budget that needs to be recovered through central rates.
- HRD has partnered with the Joint Labor Management Insurance Committee (JLMIC) to contain cost growth in Employee Benefits. The goal developed by HRD and JLMIC is to keep growth in benefits costs at or below 4 percent per employee per year.
- Lean events carried out by HRD relating to safety and claims management led to a new practice that returns injured employees to work as soon as medically ready, resulting in a lower central rate.

While the Facilities Management Division has not engaged in a Lean process, the reorganization of the Facilities Management Division proposed in the 2015-2016 budget would, if enacted, also result in reduced central rates for the strategic initiatives fee and the major maintenance reserve fund.

**Panel Question/Follow-up:** What are the historical rates of growth in central rate charges?

**Response:** Historically, central rate charges have varied over time. As shown in Table 1, which includes selected central rates, some central rate charges have decreased biennium over biennium, while others have decreased.

The results of the Lean processes and other strategic initiatives can be seen in many of the central rates included in Table 1. For example, risk management central rates are expected to decrease in 2015-2016 by 0.74 percent over 2013-2014, and workers' compensation rates have been consistently decreasing, first by 0.71 percent in 2013-2014, as compared to 2015-2016, and then by almost 27 percent in 2015-2016, as compared to 2013-2014.

Some of the central rates are projected to decrease in 2015-2016 as a result of policy choices included in the proposed budget. Central rates for weapons screening, for example, is projected to decrease by 4.5 percent due to the proposed elimination of screeners in the tunnel that connects the Administration Building to the King County Courthouse. Similarly, the strategic initiative fee charged by is projected to decrease in 2015-2016 as a result of the proposed reorganization of FMD.

A few central rate charges, such as retirement central rates, are set externally. In the case of retirement rates, the 2015-2016 proposed budget reflects a PERS employer contribution rate of 10.2 percent in 2015 and 11.18 percent in 2016, PSERS rates of

11.04 percent in 2015 and 11.54 percent in 2016, and LEOFF II rates of 5.23 percent in both years. These retirement rates are set by the Washington State Legislature.

*Table 1: Selected Central Rates, 2011-2012 through 2015-2016* <sup>3</sup>

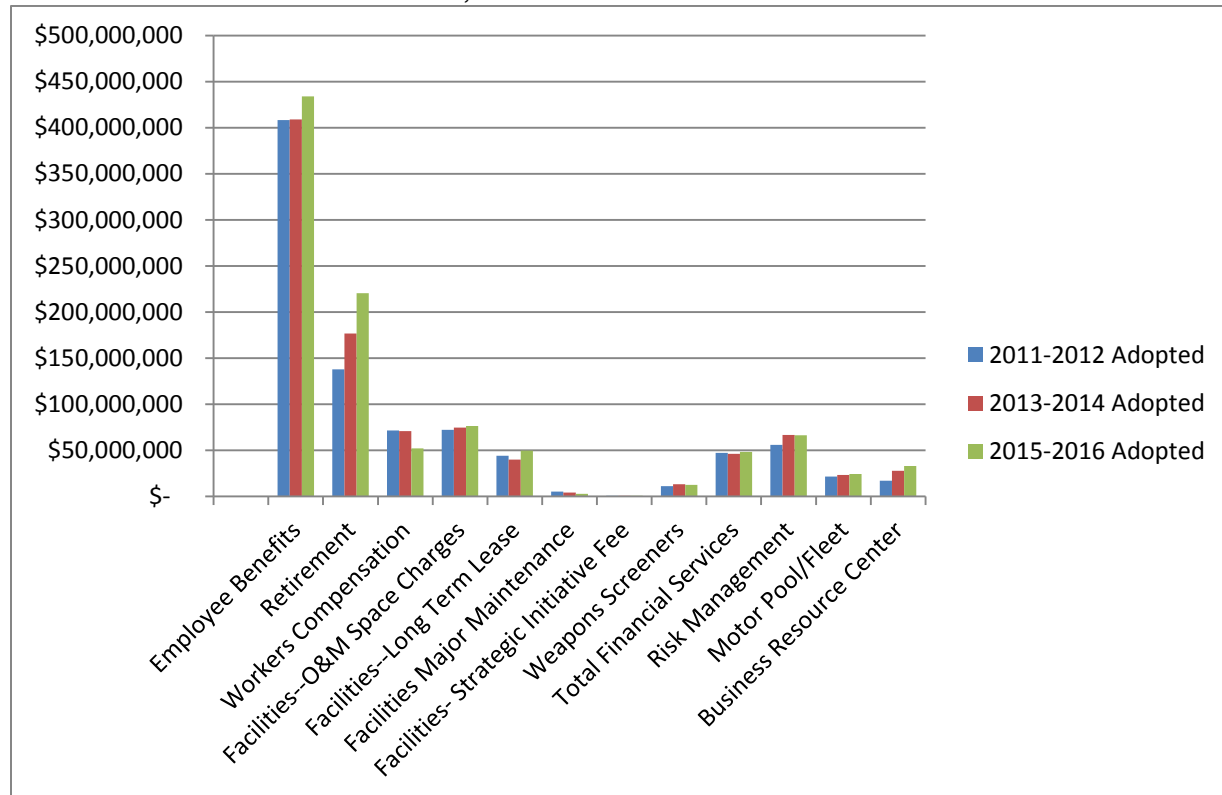
	2011-2012 Adopted	2013-2014 Adopted	2015-2016 Proposed	% Change 2011- 2012 v. 2013- 2014	% Change 2013- 2014 v. 2015- 2016
Employee Benefits <sup>4</sup>	\$408,226,765	\$408,950,693	\$433,810,382	0.18%	6.08%
Retirement	\$137,956,569	\$176,877,162	\$220,413,898	28.21%	24.61%
Workers Compensation	\$71,540,030	\$71,031,378	\$52,081,735	-0.71%	-26.68%
Facilities - O&M Space Charges	\$72,344,764	\$74,646,442	\$76,321,288	3.18%	2.24%
Facilities – Long Term Lease	\$44,240,208	\$39,943,022	\$49,788,891	-9.71%	24.65%
Facilities Major Maintenance	\$5,407,316	\$4,344,096	\$2,772,962	-19.66%	-36.17%
Facilities Strategic Initiative Fee	\$879,649	\$914,249	\$682,835	3.93%	-25.3%
Weapons Screeners	\$11,228,772	\$13,314,068	\$12,709,750	18.57%	-4.54%
Financial Services	\$47,243,261	\$46,420,645	\$48,421,919	-1.74%	4.31%
Risk Management	\$56,172,586	\$66,795,244	\$66,302,772	18.91%	-0.74%
Motor Pool	\$21,799,264	\$28,079,943	\$33,234,644	7.14%	4.81%
Business Resource Center	\$17,027,662	\$28,079,943	\$33,234,644	64.91%	18.36%

<sup>3</sup> Information Technology has been excluded from this chart, as the reorganization and centralization of information technology in KCIT, which occurred in 2013, makes historical analysis challenging.

<sup>4</sup> Employee benefits includes all payments into the Employment Benefits Fund for medical, dental, and vision benefits.

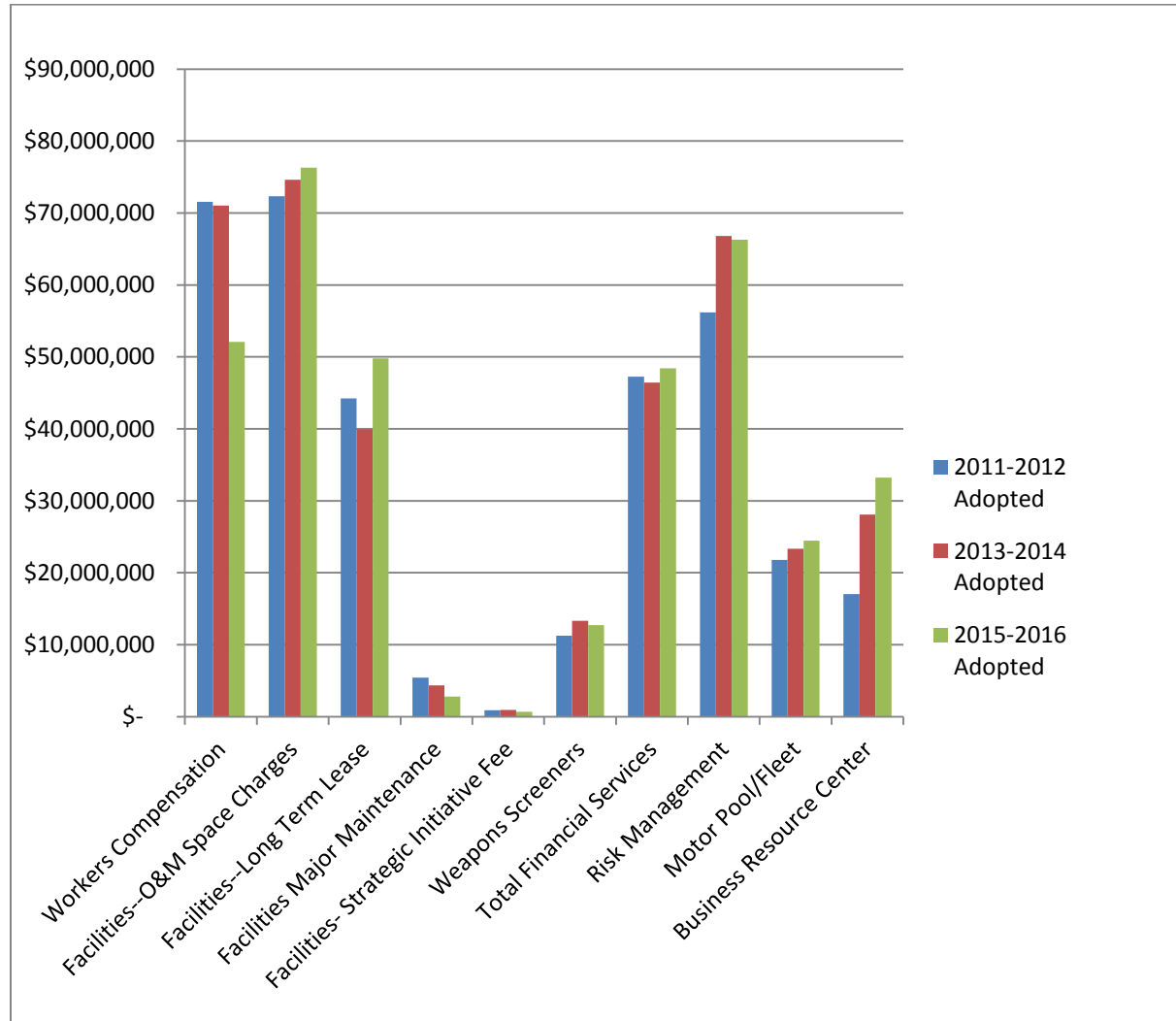
Employee benefits and retirement central rates are two of the largest components of the County's central rates. As shown in Chart 1, growth in the employee benefits rate remained steady for the 2011-2012 and 2013-2014 biennia, growing by 0.18 percent; in 2015-2016, the central rate charged for employee benefits is projected to increase by 6.1 percent, as compared to 2013-2014. This slower projected rate of growth represents a change from historical experience, when the County experienced annual growth in employee benefits costs of more than 10 percent.

*Chart 1: Selected Central Rates, Historical Trends*



If employee benefits and retirement central rates are excluded, as shown in Chart 2, the County's success in containing growth rates, and in some instances reducing growth rates, is clearer.

*Chart 2: Selected Central Rates (Excluding Employee Benefits and Retirement), Historical Trends*



**Panel Question/Follow-up:** Which central rates use salary and wages in the methodology to calculate central rates?

**Response:** According to PSB, none of internal service agency rates (or central rates) are allocated to central rate-paying agencies based on salary and wages. One possible exception is the state-mandated retirement central rate, which is charged based on salary. PSB does not consider this rate to be an internal service agency rate, per se, as the aim of the central rate is not to allow a County internal service agency to recoup costs for services provided to another County agency.

The Facilities Management rate model uses business line salaries as the basis for allocating director office overhead in computing the total cost for the business line to be allocated in development of the division's central rates.

**Panel Question/Follow-up:** Have the Fleet central rates been changed in response to recent audits?

**Response:** Staff has learned that the most recent completed report on Fleet by the Auditor's Office occurred in 2007. The Auditor's Office will be undertaking an audit of Fleet in the 2015-2016 biennium, and is still in the planning stages of that Audit. The Auditor's Office has indicated that as the scope of the audit has not been completed and can be updated to address the Council's needs.



<b>Analyst:</b>	<b>Rachelle Celebrezze</b>
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**GENERAL FUND OVERHEAD ALLOCATION POOLS**

**BUDGET TABLE**

	2013-2014 Adopted	2015-2016 Proposed	% Change 2013-2014 v. 2015-2016
General Fund <sup>1</sup>	\$47,763,642	\$56,871,589	19.1%
Non-General Fund	\$66,931,847	\$80,184,860	19.8%
Total	\$114,695,489	\$137,056,449	19.5%

**WEEK TWO PANEL FOLLOW-UP**

**Panel Question/Follow-up:** Please provide more information about the rebate issued to non-General Fund agencies.

**Response:** The Office of Performance, Strategy and Budget (PSB) compared the 2013 adopted budget for each of the cost pools to actual expenditures for 2013 for each cost pool. The results of that reconciliation indicated that the adopted General Fund overhead allocation pool exceeded actual expenditures by \$541,472. Since only non-General Fund agencies are charged under the General Fund overhead allocation model, only the non-General Fund agencies received a rebate. PSB calculated that non-General Fund agencies constitute 66 percent of total expenditures, so the rebate was \$360,802, or 66 percent of the excess.

**Panel Question/Follow-up:** Is a growth rate of approximately 10 percent per year in General Fund overhead in line with historical trends?

**Response:** Staff has learned that General Fund overhead allocations charged to non-General Fund agencies have varied greatly since 2011, but the growth rate has been somewhat smaller in previous years. One of the main drivers of the seemingly large increase in General Fund overhead between 2015-2016 and 2013-2014 is the fact that the General Fund overhead cost allocation model was last prepared in 2012 for the 2013-2014 biennial budget. The General Fund overhead model was not updated in 2014. As a result, the 2015-2016 budget includes all adjustments necessary to account for changes made in 2014 that were not captured in the original budget projections. PSB also provided data on each cost pool, including the adopted and proposed budgets for 2013-2014 and 2015-2016, respectively. The data provided by PSB, including information on the factors driving the projected increase for some of the cost pools, is included in Table 1.

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<sup>1</sup> This table has been adjusted and updated since Week 1. An error was found in the underlying model, affecting the projections for the portion of the Overhead pool allocated to the General Fund. It is important to note that since the General Fund allocation is not charged to General Fund agencies, the adjustment has no effect on the proposed budget.

Table 1: Cost Pools

Cost Pool	2013-2014 Adopted	2015-2016 Projected	% Change	Notes
General Government	\$ 47,368,188	\$56,497,116	19%	Increases in Council Administration and Office of the Executive. 2015-2016 includes the ESJ and LEP initiative.
Personnel Services	\$ 17,275,937	\$ 19,409,099	12%	Reflects additional training staff added in the 2014 budget.
Bus Pass Subsidy	\$9,364,525	\$ 9,813,300	5%	
Ombudsman	\$ 2,596,088	\$ 2,698,967	4%	
Fixed Assets Management	\$1,894,248	\$ 1,806,671	-5%	
Mail Services	\$1,119,175	\$ 1,305,377	17%	
State Auditor	\$1,868,914	\$ 1,973,146	6%	
Budget	\$15,359,842	\$ 20,583,610	34%	Countywide Lean and planning positions were moved into the PSB office.
Records Management	\$ 2,816,184	\$ 3,657,568	30%	Mostly driven by a KCIT rate increase.
Emergency Services	\$4,795,077	\$ 4,962,809	3%	
Membership & Dues / Federal Lobbying	\$ 2,015,545	\$ 2,033,024	1%	

The increase in the General Government cost pool is a good example of how biennial budgeting for 2013-2014 impacted the 2015-2016 proposed budget. When the General Government cost model was run in preparation for the 2013-2014 biennial budget, the Limited English Proficiency (LEP) and Equity and Social Justice (ESJ) programs, which began in 2014, had not been included in the original model. Similarly, although the Budget cost pool included some funding for Lean positions for the 2013-2014 budget, the Lean initiative expanded in 2014, the costs of which are fully accounted for in the 2015-2016 base budget.

**Panel Question/Follow-up:** How has the building occupancy rate changed the General Fund overhead cost allocation model?

**Response:** According to PSB, the square footage for non-General Fund agencies (the only agencies charged under the model) has not changed significantly since 2013, the last time the General Fund overhead allocation model was run. The largest single

difference in that portion of the cost pool is the Department of Permitting and Environmental Review's (DPER) move from the Blackriver Building to leased space. That move resulted in a decrease in DPER's building occupancy charge.

It is also noteworthy that the County's total occupied square footage has been steadily decreasing since 2010. Table 2 shows the County's total occupied square footage beginning in 2008 and ending with the projected occupancy in 2015 and 2016. Since most of the square footage reductions were driven by consolidations of General Fund agencies, the reduction in the County's total occupied square footage is not immediately apparent in the General Fund overhead cost allocation model.

Year	Total County Occupied Square Footage	% Change, Year over Year
2008	2,811,791	
2009	2,835,385	0.8%
2010	2,816,747	-0.7%
2011	2,809,652	-0.3%
2012	2,771,566	-1.4%
2013	2,636,151	-4.9%
2014	2,638,720	0.1%
2015	2,609,134	-1.1%
2016	2,602,496	-0.3%

**Panel Question/Follow-up:** How has the move from the use of traditional mail services to email impacted the mail services cost pool?

**Response:** Mail Services provides two types of service to County agencies: 1) the pickup and delivery of internal mail from agency to agency (commonly known as interoffice mail); and 2) the pickup of outbound United States mail for metering at discounted rates.

According to PSB, the quantity of outbound United States Mail processed by Mail Services has steadily increased since 2012. In addition, the number of customer accounts established has grown over the past several years. Much of the increase in quantity of mail processed by Mail Services can be explained by the fact that County agencies have shifted from metering mail in-house, which required those agencies to lease (or own) postage metering equipment, to centralizing mail metering with Mail Services. The centralization of mail metering in Mail Services allowed customer agencies to avoid future mail metering equipment lease or replacement costs, free up staff time, and reprioritize the space previously dedicated to metering mail.

Mail Services also increased the number of locations at which interoffice mail is picked up over the past 3 years as more agencies began using Mail Services to transport documents rather than using a private courier service or dedicated FTE.

<b>Analyst:</b>	<b>Nick Wagner</b>
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**EMPLOYEE BENEFITS**

**BUDGET TABLE**

	2013-2014 Adopted	2015-2016 Proposed	% Change 2013-2014 v. 2015-2016
Budget Appropriation	\$476,998,507	\$527,546,000	10.6%
FTE:	12.0	12.0	0.0%
TLTs:	0.0	3.0	N/A
Estimated Revenues	\$454,735,506	\$497,736,642	9.5%
Major Revenue Sources	Flexrate recovery; employee contributions (for supplemental benefits); premiums for COBRA and early retirees		

**WEEK TWO PANEL FOLLOW-UP**

**Panel Question/Follow-up 1:** At the first panel meeting, Councilmembers requested more information about the increasing number of county employees who are retiring and how the Benefits Navigator position will help to meet their needs.

**Response:** According to executive staff, potentially 46 percent of the King County workforce is expected to leave within the next five years due to retirements, layoffs, and normal turnover. The proposed new Benefits Navigator position would provide a single point of contact for employees leaving county employment and would: (1) help them navigate the post-employment transition to resources such as COBRA (Consolidated Omnibus Budget Reconciliation Act) continuation of health benefits at the employee's expense for up to 18 months following termination); VEBA (Voluntary Employees' Beneficiary Association) (health care cost reimbursement plan), and the Washington Health Benefit Exchange (part of national health care reform), thereby avoiding breaks in health care coverage; (2) help them build transition plans to retirement or disability separation and choose retirement payout options; (3) provide retirement service credit verification with the state Department of Retirement Services; and (4) provide education sessions related to retirement.

**Panel Question/Follow-up 2:** In considering the proposed addition of 2.0 TLTs that would be supported by the Rainy Day Fund, Councilmembers asked whether they should be concerned that the Rainy Day Fund is projected to reach a zero balance sometime during the 2017-2018 biennium.

**Response:** King County Budget Director Dively responded to this question during his comments at the end of the panel meeting. Mr. Dively observed that the Employee Benefit Fund balances are relatively easy to forecast for 2015-2016, because they are based on existing labor agreements, and that through collaborative efforts with its employees the County has been successful in controlling the rate of increase in health

care costs. Beyond 2016, however, because labor agreements for those years have not yet been negotiated and health care costs are harder to predict, the fund balances are more uncertain. It is in recognition of that uncertainty that the positions proposed to be funded from the Employee Benefits Fund are term-limited.

In further response to the Councilmembers' question, the Joint Labor Management Insurance Committee meets regularly to discuss whether further adjustments to the County's benefit plan are needed. Those discussions can be expected to include, as they have in the past, consideration of current projections concerning the Employee Benefits Fund.

Staff analysis has identified no issues with this budget.

<b>Analyst:</b>	<b>Christine Jensen</b>
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**OFFICE OF RISK MANAGEMENT (ORM)**

**BUDGET TABLE**

	2013-2014 Adopted	2015-2016 Proposed	% Change 2013-2014 v. 2015-2016
Budget Appropriation	\$62,919,789	\$66,730,000	6.1%
FTE:	20.00	21.00	5.0%
TLTs:	0.00	0.00	0.0%
Estimated Revenues	\$67,385,311	\$63,051,000	-6.4%
Major Revenue Sources	Central rate charge and interest		

**ISSUE 1 – STATUS OF 2013 PERFORMANCE AUDIT**

ORM has made substantial progress in addressing the seven recommendations identified in their 2013 Performance Audit. Four of the audit recommendations have been fully addressed. These efforts, including the establishment and pilot implementation of Enterprise Risk Management (ERM) in 2014, have significantly addressed major risks faced by the County.

However, additional actions are still needed to fully resolve three remaining audit recommendations. The three partially completed recommendations are:

**Audit Recommendation # 2: Develop an ERM implementation plan.**

*Unresolved Item:* Develop a schedule for ERM implementation within all county departments and agencies (beyond the initial pilot agencies: Sheriff's Office, Transit, Public Health, and Roads).

*Current Status:* This is anticipated to be addressed through the ERM Work Group, which is comprised of senior managers from agencies selected based on factors such as loss history and leadership interest and is overseeing implementation of ERM. Timeline of completion is uncertain.

**Audit Recommendation #3: Collect vehicle accident data for non-transit vehicles and establish annual performance targets for reducing accidents.**

*Unresolved Item:* Establish performance goals for reduced non-transit accidents.

*Current Status:* ORM is currently conducting data analysis, and will be developing targets from that work. Timeline of completion is uncertain.

Audit Recommendation #5: Require annual bus driver safety retraining consistent with transit agency best practices.

*Unresolved Item:* Creation of annual transit operator training program components and criteria.

*Current Status:* Training components are currently under development in concert with other regional transit organizations. Timeline of completion is uncertain.

It's clear that some progress has been made on these items, and ORM has identified how it intends to eventually resolve the remaining actions. However, it is unclear when this work will be completed in order to bring closure to all recommendations identified in the June 2013 Audit.

**Option 1: Continue analysis and bring options to Reconciliation.**

**Option 2: Approve as proposed.**

**Option 3: Direct staff to develop a proviso that requires a plan, including specific timelines, for resolution of these unresolved audit items.**

<b>Analyst:</b>	<b>Leah Zoppi Jenny Giambattista</b>
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**DIVISION/PROGRAM NAME- KING COUNTY INFORMATION TECHNOLOGY**

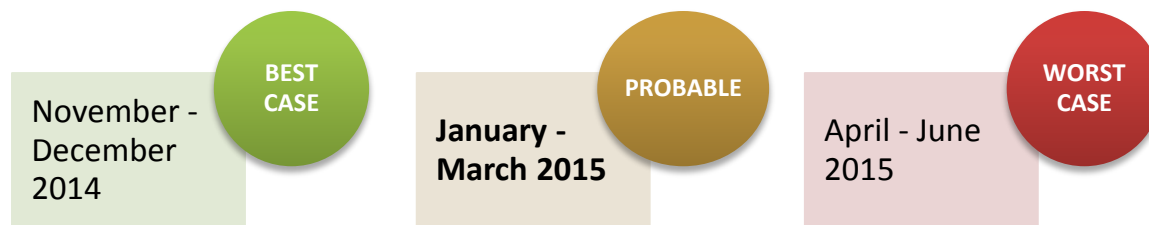
**BUDGET TABLE**

	2013-2014 Adopted	2015-2016 Proposed	% Change 2013-2014 v. 2015-2016
Budget Appropriation	\$129,699,891	\$175,669,000	35.4 %
FTE:	321.7	341.1	6.2%
TLTs	7	5	28.6%
Estimated Revenues	\$125,334,892	\$170,823,000	36.3%
Major Revenue Sources	Internal service rates		

**ISSUE 1 – MAINFRAME RETIREMENT**

The mainframe is scheduled to be retired by the end of 2014, resulting in \$1.9 million in savings reflected in KCIT's 2015-2016 budget. If applications remain on the mainframe after the end of 2014, this will impact the 2015-2016 budget. KCIT reports that it is probable that applications will not be fully transferred off the mainframe by the end of 2014, resulting in less savings than reflected in the proposed budget, as depicted in Figure 1.

**Figure 1. Mainframe retirement projected completion**



In addition to the \$1.9 million in savings to KCIT from retiring the mainframe, savings for agencies being migrated off the mainframe are reflected in their 2015-2016 central rate charges. The total savings to agencies reflected in the 2015-2016 budget is \$2 million. The mainframe agencies that will see the largest savings are Business Resource Center (\$828,405), Department of Adult and Juvenile Detention (\$556,929), Department of Assessments (\$103,085), and Department of Finance (\$96,099). Depending on how costs associated with project delay are allocated, the 2015-2016 savings to KCIT and mainframe agencies could be less than budgeted if the project is not completed in 2014.

**Staff has not identified issues with this request.**

Panel Question/Follow-up: Is the PAO off the mainframe? Staff should also monitor their progress transitioning off the mainframe.



Response: While the PAO is mostly migrated off the mainframe, they do still infrequently use it. The PAO is part of the Law, Safety, and Justice phase of the mainframe migration project, which was scheduled to be completed by the end of 2014 but now is anticipated to be completed in the first quarter of 2014. Staff is meeting periodically with the CIO to monitor progress of the mainframe migration project.

## **ISSUE 2 – CENTRAL RATE CHANGES IN 2015 AND THEIR IMPACT ON COUNTY AGENCIES**

Central rates and services impact all County agencies and their ability to provide direct services to the public. Examining the overhead allocation and central rate methodologies and charges for services provided by central service agencies, including KCIT, was the subject of a proviso in the 2014 Budget Ordinance 17695, Section 18, P2.

Overall, County agencies will experience a nine percent increase in KCIT service costs in the 2015-2016 biennium compared to the 2013-2014 biennium. Considering only information technology charges, the rate increased 4.33 percent, or 2.9 percent per year. The main reasons for agencies seeing increases are for ordering additional services. The main drivers of service cost decreases were reductions in telecommunication charges due to the Unified Communications project and reductions in application services. Five agencies will see reductions in their KCIT service costs in 2015-2016, while all others will see increases.

Of the various types of services KCIT charges for, two types of services account for 81 percent of agencies' KCIT service costs: workstation and application services. Agencies' application service charges (charges related to software management) will decrease by three percent between 2013-2014 and 2015-2016, although the application service rates are increasing slightly. Workstation rates (charged for services related to desktop and laptop computers used by employees) will increase 6.1 percent between 2014 and 2016. This is primarily due to the inclusion of Unified Communications bond payments<sup>1</sup> in the workstation rates beginning in 2015.

### **KCIT Rate Changes**

In 2011, information technology services were consolidated in the Executive branch (Ordinance 17142). This consolidation allowed KCIT to develop standard rates for its services beginning with the 2013-2014 biennial budget. In 2015-2016, KCIT has made further refinements to their rates based on the estimated demand and cost to provide services. Major changes to IT service rates in 2015-2016 include:

- **Increased standardization:** All agencies will be charged one standard rate for workstation services, rather than a low, middle, and high rate charged to different agencies in 2013/2014.
- **Greater flexibility in workstation options:** KCIT is offering new, lower cost workstation options through the inclusion of kiosks (a desktop with limited

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<sup>1</sup> Bonds for the Unified Communications project are scheduled to be paid off in 2019.

components) and seasonal workstations, allowing agencies to better tailor services to their needs.

- **Transition from voice to Unified Communication:** Reflecting the implementation of the Unified Communications project (also known as Lync), agencies will no longer see separate charges for phone and workstation services. Unified Communications charges, including bond repayment charges, will now be included in workstation rates.

KCIT states that their criteria for developing their rates methodology are: simplicity, ease of understanding, fair allocation, analytics of cost drivers, and benefit for the customers. Analysis indicates that KCIT's rates are complex and further refinement may be beneficial for improving rate simplicity. The KCIT rate methodology appears to comply with all other stated criteria. The agency has made a significant effort to increase customer understanding; for example, they developed a service catalog to explain services and pricing to customers.

**Staff has not identified any issues with this request. If Councilmembers make any changes to the KCIT budget that would affect the appropriation, staff will adjust the budget accordingly.**

Panel Question/Follow-up: What lean processes have central rate agencies undertaken and what efforts are they making to try to reduce central rates, if any?

Response: KCIT is participating in a Lean process to standardize core work processes and products. In 2015 KCIT plans to embark on an Activity Based Costing model to better understand the full costs of its products and services, and identify opportunities to reduce costs.

KCIT has implemented a rates-by-services model that provides transparency to customers about the IT products and services they consume. This transparency allows agencies to make informed decisions about IT products and services that can lead to opportunities to reduce central rate costs. For example, Public Health was able to lower its workstation costs by almost \$700,000 in 2015-2016 by transitioning 190 workstations to kiosks, a new service offering of KCIT that provides lower cost workstations with fewer functions. Five agencies were able to use KCIT's transparent rates by service approach to lower their 2015-2016 KCIT service costs compared to 2014.

KCIT is also attempting to control service cost growth through utilization of new technology, such as moving to cloud services to avoid over \$3 million in server costs. New technology has also allowed KCIT to reduce staff by six vacant FTEs without impacting service quality. Technology investments in Lync and mainframe migration will begin providing savings in 2019 when bonds are paid off for both projects.

**ISSUE 3 – ALTERNATE DATA CENTER—WAITING FOR COST ESTIMATES; BUDGET INCLUDES \$400,000**

As part of its emergency preparedness efforts, KCIT has an alternative data center in Olympia operated by the State of Washington to serve as an emergency backup in the event of a disaster at the County's primary data center at a Sabey facility located in Tukwila. The proposal is to move the alternative data center to the Quincy in Eastern Washington to another Sabey facility to ensure the County's critical IT systems will operate continuously in the event of a regional disaster. It is a standard IT best practice to have a back-up data center located outside of the region of the primary data center to avoid both centers being impacted by a single event. Furthermore, KCIT reports the County would need to relocate to a new facility because the state will be moving its data center to a new facility in Olympia. The operational costs at Quincy are expected to be very similar to the current cost of \$5,728 a month for the space at the State facility in Olympia.

At panel last week, KCIT was still awaiting final cost estimates for this project. Those cost estimates have been received. The cost is \$153,000 higher than the \$400,000 appropriation requested, for a total appropriation request of \$553,000. The funds are available in KCIT's fund reserve, but KCIT requires appropriation authority to use the funds for the Alternative Data Center project. The additional project cost is for redundant connectivity that KCIT considers critical for the site to function effectively as an emergency backup data center.

**Option 1: Increase budget request by \$153,000.**

**Option 2: Approve as proposed (a supplemental appropriation request would likely be transmitted).**

<b>Analyst:</b>	<b>Giambattista</b>
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**DIVISION/PROGRAM NAME- BUSINESS RESOURCE CENTER**

**BUDGET TABLE**

	2013-2014 Adopted	2015-2016 Proposed	% Change 2013-2014 v. 2015-2016
Budget Appropriation	\$30,324,445	\$25,696,000	-15.3%
FTE:	49	49	0
TLTs	0	0	N/A
Estimated Revenues	\$27,985,174	\$33,235,216	18.8 %
Major Revenue Sources	Internal rates		

**ISSUES**

**ISSUE 1 –ACCOUNTABILITY FOR IMPROVING BUSINESS SYSTEMS**

In 2012 the County completed the Accountable Business Transformation Program (ABT) project, which replaced the County's legacy financial, human resource/payroll, and budget systems with a modern, integrated system. As the name of the program suggests, it was not solely about the software replacement, but aimed to transform the way the County conducts business, with integrated enterprise systems as the core of the effort. From a technology perspective, the County achieved the ABT Program vision of countywide, integrated 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.

However, a 2012 King County Auditor's report found that considerable work remains to make the systems efficient and effective and to maximize the value from the multi-million dollar investment.

To monitor progress in this area, the Council established proviso requirements in the 2013 and 2014 budgets. The Council required a report documenting the County's progress in solving issues and implementing further improvements. The report provided to the Council included a detailed discussion on status and improvements in each of the County's core business process areas. Overall, the proviso reports have been a valuable tool for the Council to monitor progress in achieving benefits from this multi-million dollar investment in ABT. 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 1: Approve BRC budget as proposed.**

**Option 2: Direct staff to draft a proviso requiring continued reporting on the progress to improve the county's business systems.**

## **WEEK TWO PANEL FOLLOW-UP**

**Panel Question/Follow-up:** Why doesn't the BRC budget show a reduction in FTEs after the implementation of ABT?

**Response:** As shown in the table below, the reductions in the staffing necessary to support the enterprise systems occurred in the year following ABT implementation.

	<b>ABT Go Live</b>	<b>Support &amp; Stabilization</b>		
	<b>Jan-12</b>	<b>Jun-12</b>	<b>2013</b>	<b>2014</b>
Staff	27	50	46	49
Consultants	41	9	1	
Contractors			7	2
TLTs	55	32	2	1
Special Duty FTE			2	1
Total Staffing	123	91	58	53

Additionally, while earlier executive reports on the benefits of ABT discussed FTE reductions across multiple departments as a result ABT implementation, the Executive's current strategy is to focus on measureable improvements in the County's business processes. Monitoring the progress of these improvements is the subject of the proviso discussed above in Issue 1.

<b>Analyst:</b>	<b>Giambattista/Zoppi</b>
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**DIVISION/PROGRAM NAME- TECHNOLOGY CIP**

**BUDGET TABLE**

	2013-2014 Adopted	2015-2016 Proposed	% Change 2013-2014 v. 2015-2016
Budget Appropriation	\$21,408,478	\$43,142,115	50.4%

**Table 1: 2015-2016 Executive Proposed Technology Projects**

Dept	Project Name	2015-16 Request <sup>1</sup>	Fund Source
<b>Panel Approved in Week 1</b>			
DPH	Emergency Medical Dispatch—CPR Quality Improvement Application Replacement	\$134,463	EMS Levy
KCIT	IP Fax Service Project	\$120,000	KCIT Rates
KCIT	Westin Network Upgrade	\$432,716	KCIT Rates
KCIT	Enhance Wireless Connectivity	\$1,329,265	KCIT Rates
<b>Ready for Panel Review in Week 2</b>			
DCHS	DDD Fiscal Improvement Program	\$484,753	Developmental Disabilities Fund Balance
DES	Replacement of NEOGOV	\$403,460	General Fund
DNRP	Transfer Station Transaction Upgrade	\$890,651	Solid Waste Account
DOT	HASTUS Planning Module	\$398,539	Public Transportation Fund
DOT	Vanpool Information System Modernization	\$0 <sup>2</sup>	Public Transportation Fund
DOT	Power & Facilities Timekeeping	\$216,978	Public Transportation Fund
KCIT	GIS Regional Aerials Project	\$1,993,238	KCGIS O&M Rates, Imagery Fund Reserve, External Funding
<b>Staff Analysis Continues</b>			
DES	Records & Licensing Software Application Replacement Project	\$2,735,261	General Fund, Recorder's O&M eREET Technology Reserve
DES	Managerial Accounting Software	\$430,000	KCIT Rates
DES	Countywide Electronic Payment	\$741,000	KCIT Rates
DJA	SCOMIS Replacement	\$1,987,000	Debt Service—General Fund
DNRP	Parks Facilities Scheduling System Replacement	\$401,921	Parks & Rec Operating (Parks Levy)
DOT	Transit Business Intelligence Reporting Database	\$936,633	Public Transportation Fund
DOT	ORCA Replacement Planning	\$884,000	Public Transportation Fund
DOT	Replacement of 4.9 Network and Mobile Access Routers	\$14,711,713	Public Transportation Fund
DOT	Transit Signal Priority	\$683,460	Public Transportation Fund
DOT	Vehicle Maintenance Dispatch	\$1,853,305	Public Transportation Fund
DOT	Capital Management and Reporting	\$2,520,460	Public Transportation Fund
DOT	Real Time Improvement	\$625,565	Public Transportation Fund
DOT	Mobile Ticketing Pilot	\$0 <sup>2</sup>	Public Transportation Fund
KCDC	District Court Unified Case Management	\$7,660,242	Debt service – General Fund
KCE	Elections Management System Replacement	\$468,000	Elections Operating Fund
	<b>Total</b>	<b>\$43,142,115</b>	

<sup>1</sup>The amounts in the 2015-2016 Request column are from Attachment A to the 2015-2016 Budget.

<sup>2</sup> There is no appropriation request for 2015-2016. Projects have prior appropriations and are seeking Council review of business case, cost-benefit analysis, and benefit achievement plan which not included as part of earlier appropriation request.

## **ISSUES**

This staff report organizes the CIP technology issues into four areas: (1) a discussion of contingency amounts, (2) projects for which staff analysis is complete (3) a discussion of large Transit investments, and (4) projects for which staff analysis is ongoing.

### **ISSUE 1 – PROJECT CONTINGENCIES (NEW)**

To determine appropriate technology project contingencies, project sponsors are asked to self-rate the project against Project Review Board -established risk factors of project size, team experience, project manager experience, and project type. (The Project Review Board (PRB) oversees King County's Information Technology (KCIT) projects. The PRB reviews project status, plans and progress and approves the release of funding so that projects can continue to completion.)

Recommended contingencies range from ten to 30 percent depending on their combined score for area of risk. Most projects in the budget include 10 to 20 percent contingencies, with the exception of Transit projects most of which have proposed contingencies of 30 percent.

Staff requested that Transit consult with the CIO on countywide contingency practices and revise project contingencies accordingly. DOT and KCIT have since reviewed the contingencies and Transit has submitted revised project contingencies for all projects.

Staff will be including a discussion of the revised contingencies in the analysis of each Transit project.

### **ISSUE 2 – PROJECTS FOR WHICH COUNCIL STAFF ANALYSIS IS COMPLETE**

Council staff have reviewed each of the projects identified in Table 1 to determine whether the project is based on a sound business case and has a completed Benefit Achievement Plan that clearly identifies the value of the project and includes measures for assessing whether those benefits have achieved. Staff will also review the contingency amount included in each project budget. The contingency amount is determined by each department, using guidelines from KCIT, to assess the risks to the project budget associated with each project.

In Week 1, the Panel approved the following projects: Emergency Medical Dispatch—CPR Quality Improvement Application Replacement, IP Fax Service, Westin Network Upgrade, and Enhance Wireless Connectivity. The Panel agreed staff would continue to work off-line to assist projects in improving their Benefit Achievement Plans.

For Week 2, staff analysis, notwithstanding the benefit achievement plan refinement, is complete on the following 7 projects: (DCHS) Fiscal Improvement Program, (DES) Replacement of NEOGOV, (DNRP) Transfer Station Transaction Upgrade, (DOT) Hastus Planning Module, (DOT) Vanpool Information Systems, (3) Power and Facilities Timekeeping, and ( KCIT) GIS Regional Aerials Project.

## Department of Community and Human Services Developmental Disabilities Fiscal Improvement Program

2015-2016 Request	\$484,753
Total Project Cost	\$484,753
Fund Source	Developmental Disabilities Fund Balance

*Project Summary:* This project would replace multiple manual processes and stand-alone data sources (spreadsheets) for contracting, billing, reconciliation, and report activities for the division.

According to the business case, the Developmental Disabilities Division manages over ten types of services supporting people with developmental disabilities and their families. The services are provided by over 60 contractors, and supported by multiple funding streams. The division currently utilizes multiple manual processes and stand-alone spreadsheets for preparing contractor billing, conducting fiscal reporting, and managing the contracting processes. Consequently, the division reports that the manual procedures are labor intensive, repetitive, and prone to errors that are time consuming to correct. Data is moved between four systems into multiple Excel files, with some data not merging seamlessly between systems, resulting in manual reconciliation between systems.

In 2013, the division completed a Lean process that showed the potential for increasing efficiency through utilizing a technology solution for manual processes. This project would implement a technology solution to enable contractors to directly enter billing information into a single database via a web-based interface, provide for comprehensive data validation, and automated data transfer between the county and the state. This single point of entry web-based interface would eliminate the current process of creating and e-mailing billing workbooks to contractors and then entering the data from the returned workbooks into a separate database. The system would allow for review by a program manager and with one click approval, greatly simplify the payment process. The new application would also facilitate enhanced reporting and allow for contract tracking at level that has not been done before.

The division has proposed that the existing software program, ClientTrack, be modified by in-house King County IT staff. The budget assumes they would enhance an existing product. The first phase of the project would be an analysis of the current systems and the development of requirements for future system. As part of this analysis, the Division would decide whether to procure an off the shelf system, configure their current systems, or develop their own custom solution. The division plans to launch this product in the first quarter of 2016.

The 2015-2016 appropriation request is \$484,783. The division also reports there is an additional cost of 1 FTE (\$152,000) that is not part of this appropriation request because it is an existing position within the operating budget. This project would be funded from the fund balance of the Developmental Disabilities Fund. The project contingency is 20 percent of the total project cost, at just over \$100,000.

*Review of the Benefit Achievement Plan (BAP):* The department reports many benefits of this project including increased productivity and efficiency, quicker and more accurate processing of contracts, improved reporting, increased data accuracy, and efficiencies for



both contractors and King County staff. The division also indicates improved customer service outcomes. Council staff review of the Benefit Achievement Plan continues with an emphasis on better understanding the benefits of this project and how those benefits would be measured by the Department of Community and Human Services.

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

**Option 1: Approve as proposed**

**Option 2: Direct staff to delete funding**

**DES/HRD Replacement of NEOGOV with a different Applicant Tracking System**

2015-2016 Request	\$403,460
Total Project Cost	\$403,460,
Fund Source	General Fund

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

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. According to the business case, HRD is currently looking at all the ATS systems to select the system that best meets the County's needs.

HRD is already working on development of requirements for a new ATS and expects to finish that work before the end of this year. The proposed new funding for the 2015-2016 biennium would be used for the following tasks, beginning in early 2015:

- Field research and development of a Request for Proposal
- Review and assessment of the ATS proposals that are received and selection and purchase of the best proposal
- Installation, configuration, and implementation of the ATS
- Training and roll-out of the ATS

The funding request is based on the possibility that the chosen ATS will be a "software-as-a-service" product, for which there would be an annual fee, which HRD estimates at \$140,000, to be paid for in 2016 and the future in HRD's operating budget. This would be slightly higher than the current annual fee of about \$100,000 for using NEOGOV.

Although HRD is planning to complete these steps during 2015, executive staff have said it is possible that they could extend into 2016. This project would be funded from the General Fund. The project budget includes a 20 percent contingency largely because the cost of the ATS that is chosen could be different than what is currently planned.

*Review of the Benefit Achievement Plan (BAP):* According to the BAP the primary benefit of the project is the replacement of an outdated and inefficient ATS with a new ATS that would:

- be more user-friendly and efficient for applicants and for County recruiters;
- present the County to applicants in a better light (as more advanced technologically); and
- make the County more competitive as an employer, and would include the capability of reaching out and recruiting potential candidates who have not yet applied for County employment.

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

**Option 1: Approve as proposed**

**Option 2: Direct staff to delete funding**

**DNRP Solid Waste Paradigm Upgrade—Transfer Station Transactions System**

2015-2016 Request	\$890,651
Total Project Cost	\$890,651
Fund Source	Solid Waste Account

*Project Summary:* This project would upgrade the existing cashiering system at Solid Waste Division transfer stations, by which commercial and self-haul waste loads are received and accounted for.

Commercial and self-haul customers of the solid waste system deliver loads of waste to transfer stations throughout the county, for consolidation and transfer to Cedar Hills; customers pay a fee at the gate for acceptance of the waste, which is received and accounted for using the current Paradigm cashiering system.

The agency has been notified that the operating system and the software that support this cashiering system (the calculator for the transactions) will reach end of life in 2015, and will no longer be supported. According to the business case, this project would upgrade the current transfer station cashiering system by replacing the current operating system and software as well as the infrastructure needed for both the software and hardware. The business case indicates that this project would prevent any service interruptions and avoid potential financial impacts resulting from interrupted waste stream flow and associated acceptance fees. The business case also indicates that the project would improve transaction times at scale houses, resulting in lesser wait times and shorter lines for transfer station customers. Additionally, some processes that are currently manual would be automated, resulting in an improvement to the business process.

The Executive indicates that this would be a two-phase project; the hardware transition phase (\$432,272) is underway, and was funded from the Solid Waste Operating Fund in 2014. (There was not a CIP appropriation request for this project in 2014.) According to

Solid Waste, the hardware needed to be replaced in 2014 because of a mandatory requirement from KCIT to retire Windows Server 2003 operating systems.

The software replacement phase (\$458,379) is scheduled for implementation in 2015. The timing on this project is driven by vendor support termination dates, which for hardware and operating system is scheduled for next spring; support for the current software continues through the end of 2015.

Further staff communications with the Executive confirms that, of the \$890,651 appropriation request, \$432,272 has been spent in 2014, from the Solid Waste Operating Fund; \$458,379 is needed for completion of the software upgrade phase in 2015. Executive staff concur that the project could be reduced by \$432,272 and the excess funds returned to the Solid Waste Operating Fund.

Staff notes that the solid waste transfer network is undergoing a major upgrade process; staff has inquired whether the new cashiering system responds to the evolving needs of the upgraded transfer network. The Executive states that this update would continue to serve the evolving needs of the transfer station network.

The project would be funded from Solid Waste funds and includes a contingency of 20 percent based on the department's assessment risk associated with this project.

*Review of the Benefit Achievement Plan:* The primary benefits identified by the BAP are the reduction of risk associated with a transfer station cashiering system that has several components that are aging, for which vendor support will end in 2015. Council staff will work with Solid Waste to integrate the measurements for the operational benefits into the BAP prior to the adoption of the budget.

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

**Option 1: Direct staff to reduce funding for this project by \$432,272 to reflect the portion of the work already completed with 2014 operating funds, and approve a CIP amount of \$458,379.**

**Option 2: Approve as proposed.**

#### **DOT Transit HASTUS Planning Module**

2015-2016 Request	\$398,539
2017-2018	\$75,360
Total Project Cost	\$473,899
Fund Source	Public Transportation Fund

*Project Summary:* HASTUS is the software suite used to produce vehicle and operator schedules. This proposal would add a module to Transit's HASTUS suite for use by the Transit Service Planning staff.

The Transit Performance Audit identified additional functionality of HASTUS as a useful tool to find operational savings. This project would fund the purchase and implementation of a new Hastus module to replace the current procedure for developing initial service change proposals, a labor-intensive Excel-based process that creates draft timetables to evaluate the benefits and costs of projected service changes. When this material is transmitted to other staff groups for implementation, it must be manually recreated. The purpose of the new module is to save staff time and create a data product that can be shared among staff groups.

Service Development and Systems Development & Operations staff would work with the software vendor, GIRO, to evaluate out-of-the-box functionality, identify any shortcomings, and customize the software module as necessary to meet the agency's specific needs. Transit plans to begin work on this project in 2016 after the upgrade of the existing Hastus Modules is completed.

The project would be funded by the Public Transportation Fund and as proposed includes a contingency of 30 percent. Subsequent to the budget submittal, Transit has consulted with KCIT on an appropriate contingency level for this project and is now requesting a contingency of 15 percent based on the level of risk associated with this project. If this project is approved, Council staff will reduce the appropriation request to reflect this revised contingency.

*Review of the Benefit Achievement Plan (BAP):* The BAP explains the disadvantages of current practices and how the new HASTUS module would improve efficiency by reducing the need for manual input of data.

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

**Option 1: Approve and direct staff to reduce the appropriation request to reflect the revised contingency**

**Option 2: Direct staff to delete funding**

#### **DOT Transit Vanpool Information System Modernization**

Prior Appropriation	\$250,000
2015-2016 Request	\$0
Total Project Cost	\$250,000
Fund Source	Public Transportation Fund

*Project Summary:* This project would replace the Vanpool Information System (VIS) and Vanshare desktop applications to meet current King County IT standards. It also addresses the risk that the unsupported VIS program may fail.

The Vanpool Program is the largest such public program in the U.S., with over 1,300 vanpool groups serving 10,057 customers, VIS and Vanshare are used to set up and manage vanpool groups, track mileage, schedule maintenance, and collect monthly

payments. The VIS system was built in 1995 using Visual Basic 6, which Microsoft stopped supporting in 2008. Vanshare is a work-around added in 2004. DOT reports that replacing this system is essential in order to have a stable system to manage essential vanpool functions (establishment of groups, ensuring timely maintenance, processing fees).

Transit is not requesting a new appropriation for this project. The project has a 2013-2014 appropriation for \$250,000 which will cover the cost of this project. As part of the 2013-2014 appropriation request, the Executive's budget did not identify this project as part of the technology investments and thus Transit did not prepare a business case, cost-benefit analysis, or benefit achievement plan. After the budget adoption, Transit became aware the requested documents had not been prepared and has done so as part of this budget process. Those documents have been transmitted and reviewed by Council staff as part of this appropriation request and no issues have been identified.

The project is funded from the Public Transportation Fund. The project budget includes a contingency of 24 percent. Subsequent to the budget submittal, Transit has consulted with KCIT on an appropriate contingency level for this project and is now requesting a contingency of 20 percent based on the level of risk associated with this project.

As this project already has existing appropriation, unless there is an objection from the Council, Transit intends to begin work on this project prior to the 2015/2016 budget adoption.

*Review of the Benefit Achievement Plan (BAP):* The BAP states the primary benefit of this project is replacing a system that is not operationally stable.

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

**Option 1: Approve as proposed.**

**Option 2: Direct staff to delete prior appropriation**

#### **DOT Transit Power & Facilities Timekeeping via EAM**

2015-2016 Request	\$216,978
Total Project Cost	\$216,978
Fund Source	Public Transportation Fund

*Project Summary:* This project would replace Transit's stand-alone, outdated system for reporting employee payroll time entry by making modifications to Transit's existing asset management system to include managing timekeeping.

According to the business case, Transit's system (ETTS) for providing timekeeping for the Power & Facilities section is thirteen years old, is no longer supported by the vendor, and running with an outdated operating system. The system also requires redundant data entry and approval processes. Rather than upgrading the current system, Transit determined it would be more cost effective to modify their existing asset management system (EAM),

which contains work order data, to generate time and labor entries. This project would require EAM to interface with PeopleSoft.

The project would be funded by the Public Transportation Fund and as proposed includes a contingency of 30 percent. Subsequent to the budget submittal, Transit has consulted with KCIT on an appropriate contingency level for this project and is now requesting a contingency of 15 percent based on the level of risk associated with this project. If this project is approved, Council staff will reduce the appropriation request to reflect this revised contingency.

*Review of the Benefit Achievement Plan (BAP):* The BAP states this project will improve internal operations by eliminating redundant data entry and approval processes, which would save time and improve accuracy, and by allowing the outdated timekeeping system to be retired, which would also reduce system maintenance. Staff review of the Benefit Achievement Plan continues with an emphasis on better understanding how the operational improvements from this project will benefit the agency.

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

**Option 1: Approve and direct staff to reduce the appropriation request to reflect the revised contingency**

**Option 2: Direct staff to delete funding**

#### **KCIT GIS Regional Aerials Project**

2015-16 Request	\$1,993,238
Total Project Cost	\$1,993,238
Fund Source	KCGIS O&M Rates, Imagery Fund Reserve, External funding

*Project Summary:* This project is a continuation of the County's digital imagery acquisition program and proposes to replace the county's aging aerial imagery (orthophotography).

The County's aerial photos are used for regular operations within multiple county agencies (e.g. King County Parks, Road Services, Wastewater Treatment, Water and Land Resources, Assessments, Permitting and Environmental Review, E-911, and Emergency Management), as well as external agencies and the general public. The King County Geographic Information System (KCGIS) Technical and Oversight committees have identified a two year replacement cycle for these photos due to continual changes in on-the-ground physical conditions and development; however, the county has not updated its aerial imagery since 2012.

The project proposes to acquire the imagery through a cost-share of more than 50 regional agencies, which is anticipated to result in approximately 75 percent savings to the county and higher quality imagery compared to if the county opted to pursue the project independently. This approach is consistent with the 2012 imagery acquisition project and

regional cost-sharing. Planning work for the 2015 project has already begun and an RFP has been issued.

The majority of the project budget (\$1.65 million) is for the actual cost of the aerial imagery acquisition. This project is primarily funded by external partners. Of the \$1.9 million, \$1.38 million is from external funding. The remainder would be funded with \$256,000 from GIS operating rates and \$236,000 from the GIS Imagery Fund Reserve. The annual ongoing maintenance costs are less than \$5,000. The project budget includes a contingency of 15 percent, which is reasonable based on the level of risk associated with this project.

*Review of the Benefit Achievement Plan (BAP):* The primary benefits of this project are continuation of the county's access to high-quality aerial imagery in order to help inform decisions to serve the public by having a better understanding of up-to-date ground conditions.

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

**Option 1: Approve as proposed.**

**Option 2: Direct staff to eliminate funding for this project.**

### **ISSUE 3 – LARGE TECHNOLOGY INVESTMENTS MAY MERIT A STRATEGIC TRANSIT TECHNOLOGY ROADMAP (NEW ISSUE)**

Technology has become an essential part of delivering transit services. The Transit Division has been a pioneer among transit agencies in implementing technology to plan routes and schedules, collect fares, communicate between the base and buses, and provide customers information. The development of applications over time to address different functions has resulted in a multitude of interdependent technology applications, some of which need replacement.

The proposed budget includes 11 Transit technology projects totaling \$23.6 million in appropriation requests. These projects range from timekeeping proposals, to replacement of the ORCA card technology, changing the wireless network used for transit systems communications, capital management planning, and mobile ticketing technology. In evaluating the specific proposals to be discussed below, staff sought to understand how these projects fit into an overall technology plan for Transit.

Over the last year, Transit has embarked on an effort to map and identify all of their existing technologies and show the relationships between them. This effort allows Transit to document and understand their business processes, systems, data, and technology investments. This work is valuable in helping to plan and implement technology solutions because it tells Transit what applications and operations will be impacted by changes to another application. Additionally, they recently formed a Transit Technology Oversight Steering Committee made up of internal managers to evaluate and prioritize technology project requests.

What appears to be missing from Transit's technology requests is a technology roadmap for the next three to five years that would help Council and other stakeholders understand

where transit technology will go and what the technologies will look like for Transit over the next three to five years. Such a roadmap could help Transit, the Executive, and the Council evaluate and prioritize technology investments and ensure technology investments are based on a planned, integrated, and forward-looking understanding of evolving technology needs and solutions. This type of planning effort may be more appropriate for a third party evaluator in order to gain the benefits from outside expertise.

**Option 1: Continue analysis of Transit IT capital requests on a project-by-project basis.**

**Option 2: Direct staff to develop a proviso that calls for development of a Transit Strategic Technology Plan, and request that staff analysis of the DOT technology projects consider how to phase or integrate projects around development of such a plan.**

Staff analysis continues on the projects discussed below.

#### **DOT Transit Business Intelligence Reporting Database (T-Bird)**

2015-2016 Request	\$936,633
Total Project Cost	\$936,633
Fund Source	Public Transportation Fund

*Project Summary:* This project would consolidate multiple data sources into a single database allowing Metro staff to easily and quickly access key data about bus service.

According to the business case, Metro's sources of performance data are scattered across the agency in many different databases and formats. The ability to match and integrate data from different sources is highly specialized and limited to only a few staff across the agency. When integration is done, it is not automated, very time-consuming, and subject to differences in staff judgment and methodology. This lack of integration limits the ability of Metro to answer questions which could help in strategic planning such as:

- What are some of the least reliable travel corridors in the system?
- Which routes have the highest/lowest percentage of ORCA use?

The project would be funded by the Public Transportation Fund and as proposed includes a contingency of 30 percent. Subsequent to the budget submittal, Transit has consulted with KCIT on an appropriate contingency level for this project and is now requesting a contingency of 20 percent based on the level of risk associated with this project. If this project is approved, Council staff will reduce the appropriation request to reflect this revised contingency.

*Review of the Benefit Achievement Plan (BAP):* Staff review of the Benefit Achievement Plan continues with an emphasis on better understanding the internal service benefits of this project and those benefits will be measured by Transit.

Staff analysis continues on this project.



## DOT Transit ORCA Replacement Planning

2015-2016 Request	\$884,000
2017-2018	\$28,116,000
Total Project Cost	\$30,000,000
Fund Source	Public Transportation Fund

*Project Summary:* ORCA is a multi-agency smart card fare payment system overseen by a Joint Board (the CEOs and General Managers). The agencies' participation is governed by the terms of the Interlocal Agreement for the Regional Fare Coordination System. The existing system was deployed in 2009 and includes a central clearinghouse for ORCA data and fare revenue distribution. The vendor operates the clearinghouse under a contract that ends in 2020.

The ORCA Joint Board has concluded that a replacement system will be needed because the existing vendor relationship is not likely to be renewed, hardware is becoming antiquated, and a new system presents opportunities for lower costs and faster implementation of upgrades. The decision on a lead agency for implementation of the replacement project has not yet been made. Planning activities are being led by Sound Transit, the ORCA Regional Program Administering Agency.

The Joint Board has identified the following objectives for the replacement project:

- (1) Improved customer experience;
- (2) Increased ORCA usage;
- (3) Fiscal responsibility (lower total cost of ownership, lower upgrade and improvement costs); and
- (4) Operational efficiency (roll out upgrades faster, make data more accessible).

The 2015-2016 budget request is for Metro's share of planning activities in which all ORCA agencies will participate. From January 2015 through June 2016, \$260,000 is allotted for Planning. From July-December 2016, \$624,000 is allotted for Preliminary Design. The 2017-2018 and 2019-2020 amounts are placeholders for project implementation; a detailed budget request is anticipated in the 2017-2018 biennium.

The project would be funded by the Public Transportation Fund and as proposed includes a contingency of 30 percent. Subsequent to the budget submittal, Transit has consulted with KCIT on an appropriate contingency level for this project and is now requesting a contingency of 10 percent based on the level of risk associated with this project's 2015-2016 request for planning and preliminary design. If this project is approved, Council staff will reduce the appropriation request to reflect this revised contingency.

For Metro, it is essential that the ORCA replacement be compatible with the replacement for the 4.9 MHz Network, the means by which fare payment data is downloaded from the buses.

Transit staff believes that implementation of this regional project is low risk because the agencies have successfully worked together for over ten years under the terms of the Interlocal Agreement.

*Review of the Benefit Achievement Plan (BAP):* The BAP identifies the primary benefit of this project as identifying a second-generation ORCA strategy that addresses multi-agency needs and achieves the Joint Board's priority objectives. The BAP identifies priority requirements for the new system and emphasizes that this is a planning project that Metro needs to participate in to ensure that ORCA meets Metro's needs.

Staff analysis continues on this project with an emphasis on better understanding how a replacement system will be identified and managed within the ORCA consortium.

### **DOT Transit Replacement of 4.9 Network and Mobile Access Routers**

2015-2016 Request	\$14,711,713
2017-2018	\$1,510,495
Total Project Cost	\$16,222,208
Fund Source	Public Transportation Fund

*Project Summary:* This project is to replace a wireless network used to transmit important data such as ORCA fare revenues between buses and centralized systems.

In 2009, Transit installed a 4.9 MHz wireless network to connect bus on-board systems with "back office systems" at the seven operating bases to obtain daily on-time performance data, passenger counts, fare transactions, ORCA card reloads, fare tables, daily on-board bus schedules, stop announcements and other on-board configuration data. The network processes more than 60 percent of fare revenue and potential failure could result in the loss of fare revenue if data cannot be downloaded before its seven day expiration deadline. The 4.9 Network also provides data for RapidRide route signal priority and Real Time Information Systems.

The 4.9 Network consists of Cisco proprietary equipment and software. Due to lower than projected sales, Cisco notified customers in late 2013 that it will end support in 2017. According to the BAP, the County is already experiencing maintenance and operations issues "due to the lack of spare parts and Cisco's delayed turnaround on warranty repairs." These problems are expected to increase in frequency over time. A second issue identified in the Business Case is that the 4.9 MHz frequency may not be available indefinitely as the Federal Communications Commission has been asked to consider allocating this frequency for use in controlling drones.

The project is anticipated to replace 1,450 mobile routers on buses, 140 routers on RapidRide corridors, 44 access points at transit bases, and 241 access points on RapidRide corridors and other Intelligent Transportation System (ITS) corridors.

The funding request includes \$1.5 million in 2015 for Requirements Analysis and Design, \$460,000 in January-September 2016 for Procurement, \$13.9 million in January 2016-March 2018 for Installation and Testing, and \$365,000 in 2018 (breakdown includes

anticipated 2017-2018 appropriation). The project schedule is driven by the goal of replacing the 4.9 MHz Network when Cisco support ends in 2017. For this reason, the proposed 2015-2016 appropriation includes the funding for replacement equipment.

The Requirements Analysis and Design phase includes a market survey and technology assessment, potential integration with the City of Seattle's 4.9 MHz network, consideration of additional functions that could be supported by the replacement network, and development of a plan to insure continuity by installing the replacement network while the existing 4.9 Network is still in operation. As noted in the ORCA Replacement project discussion, this project must be compatible with the existing ORCA system and with the replacement ORCA system targeted for 2020. The Transit Signal Priority project also needs to be aligned with the 4.9 Network replacement.

Given the schedule, complexity, and need for coordination with other projects, Transit has identified a close working relationship with KCIT throughout this process. Council staff continues to evaluate if there is sufficient opportunity for review and feedback at project milestones.

The project would be funded by the Public Transportation Fund and as proposed includes a contingency of 30 percent. Subsequent to the budget submittal, Transit has consulted with KCIT on an appropriate contingency level for this project and is now requesting a contingency of 20 percent based on the level of risk associated with this project. If this project is approved, Council staff will reduce the appropriation request to reflect this revised contingency.

*Review of the Benefit Achievement Plan (BAP):* The BAP discusses the project history and resulting need for a replacement prior to system failure. The BAP notes that the replacement could provide new customer benefits such as ORCA enhancements if these are agreed to by the ORCA Joint Board. Other potential new benefits are expansion of Transit Signal Priority and Real Time Information Systems.

Staff review continues with an emphasis on better understanding how KCIT and Transit would identify a replacement system and assess its risks.

### **DOT Transit Signal Priority Equipment Replacement**

2015-2016 Request	\$683,460
Total Project Cost	\$683,460
Fund Source	Public Transportation Fund

*Project Summary:* Transit Signal Priority (TSP) is a technology that improves bus schedule reliability and speed by monitoring intersections and when appropriate changing the signal cycle so a bus can move through an intersection without delay. RapidRide Lines and some other bus routes use TSP.

According to the business case, the TSP equipment platform was updated in the past two years but is based on 20-year old technology and must be replaced. Repair parts are not available, the system has reliability issues, and new installations are not possible because the 4.9 MHz Network equipment is no longer sold. This funding request is for planning

(\$106,500) and preliminary design (\$576,960) and includes a consultant contract. The planning effort is to be coordinated with the 4.9 MHz Network and Mobile Router project.

The project would be funded by the Public Transportation Fund and as proposed includes a contingency of 30 percent. Subsequent to the budget submittal, Transit has consulted with KCIT on an appropriate contingency level for this project and is now requesting a contingency of 10 percent based on the level of risk associated with this project. If this project is approved, Council staff will reduce the appropriation request to reflect this revised contingency.

*Review of the Benefit Achievement Plan (BAP):* The BAP discusses the purpose of TSP systems and identifies operational practices. Council staff worked with DOT to identify any expected system improvements that would happen as a result of this project; however, as it is a planning project that relies on the outcome of the 4.9 Network project, there is no certainty on that point. An estimated cost of procurement and deployment of the replacement system is expected to be generated as part of this project

Staff review of the Benefit Achievement Plan continues with an emphasis on better understanding the scope and schedule and the process for identifying a replacement system. The planning for this project is closely linked with the 4.9 MHz Network project work effort.

### **DOT Transit Vehicle Maintenance Dispatch Replacement**

2015-2016 Request	\$1,853,305
Total Project Cost	\$1,853,305
Fund Source	Public Transportation Fund

*Project Summary:* This project would replace the outdated system that dispatches Metro's buses.

According to the business case, the system that allows Metro to accurately locate, maintain, and dispatch its more than 1,300 buses at seven operating bases is outdated and needs to be replaced. The current system is more than eighteen years old, no longer supported by the vendor, and is incompatible with newer operating systems. The system introduces risk of failure that would disrupt base operations and potentially result in higher operating costs. This project would replace the dispatch system.

The project would be funded by the Public Transportation Fund and as proposed includes a contingency of 30 percent. Subsequent to the budget submittal, Transit has consulted with KCIT on an appropriate contingency level for this project and is now requesting a contingency of 15 percent based on the level of risk associated with this project. If this project is approved, Council staff will reduce the appropriation request to reflect this revised contingency.

*Review of the Benefit Achievement Plan (BAP):* The primary benefit of this project is that it would reduce the risks associated with the current system. Staff review of the Benefit

Achievement Plan continues with an emphasis on better understanding the risks of the current system.

Staff analysis continues on this project with an emphasis on how this project fits into Transit's other technology needs.

### **DOT Transit Capital Management and Reporting System**

Prior Appropriation	\$600,000
2015-2016 Request	\$2,520,460
Total Project Cost	\$3,120,460
Fund Source	Public Transportation Fund

Project Summary: This project would provide Metro with an integrated, streamlined tool for managing its \$1.4 billion Capital Improvement Program (CIP).

Metro's CIP data is currently maintained in disperse, non-integrated, mostly manual systems, and creating consolidated CIP reporting is time-consuming and produces unreliable data. The need for improved CIP reporting and practices has been a finding of several performance audits of Metro dating back to 1999.

Transit is requesting \$2,520,460 for this project which would be combined with an earlier appropriation of \$600,000 for this project. For the earlier appropriation, Transit did not prepare a business case, cost-benefit analysis, or benefit achievement plan. As part of the 2015-2016 budget, Transit submitted all three documents, although the business case remains incomplete.

The project would be funded by the Public Transportation Fund and as proposed includes a contingency of 20 percent. At the request of Council staff, subsequent to the budget submittal, Transit consulted with KCIT to validate an appropriate contingency level for this project. KCIT has validated the 20 percent contingency request based on the review of the project.

*Review of the Benefit Achievement Plan (BAP):* The BAP states that a new Capital Management and Reporting System would improve internal operations by allowing for the establishment of uniform project management standards, providing efficiencies in compiling data, improving accuracy and timeliness of project reporting, and improving project delivery rates. Staff review of the Benefit Achievement Plan continues with an emphasis on better understanding the expected benefits for project delivery rates.

Staff analysis continues on this project with an emphasis on understanding project scope, cost, technology alignment and considerations, and project planning and alternatives analysis.

### **DOT Real-Time Improvements**

2015-2016 Request	\$625,565
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2017-2018	\$628,148
Total Project Cost	\$1,253,713
Fund Source	Public Transportation Fund

*Project Summary:* This project would implement changes to the systems Metro customers use to access real-time bus arrival information in order to improve the information about reroutes, stop closures, and service cancellations.

According to the business case, Metro customers use a variety of systems to look up bus schedule and status information, including Metro Online, the Automated Trip Planner, the Interactive Voice Response system, Real Time Information Signs, and applications such as OneBusAway. Many customers also receive Transit Alerts via email, text, Twitter, and Facebook. These systems do not provide consistent information about changes that may affect customers' trips, such as reroutes, stop closures, and service cancellations. Providing this information to customers requires redundant inputs by multiple staff members and is not easy for customers to find or understand. This project would allow Metro to conduct a comprehensive analysis of customer information systems and make changes that would improve the information quality and streamline the operational processes involved in conveying the information to customers.

The project would be funded by the Public Transportation Fund and as proposed includes a contingency of 30 percent. Subsequent to the budget submittal, Transit has consulted with KCIT on an appropriate contingency level for this project and is now requesting a contingency of 20 percent based on the level of risk associated with this project. If this project is approved, Council staff will reduce the appropriation request to reflect this revised contingency.

*Review of the Benefit Achievement Plan (BAP):* The primary benefit of this project would be improving the reliability of real-time information. Staff review of the Benefit Achievement Plan continues with an emphasis on better understanding how the external and internal benefits of this project would be measured by Transit.

Staff analysis continues on this project with an emphasis on how this project coordinates with the efforts of partner agencies, what alternatives are under consideration, and how this project integrates with Metro's other technology needs.

### **DOT Transit Mobile Ticketing Pilot Project**

Prior Appropriation	\$3,315,000
2017-2018	No appropriation request
Total Project Cost	Unknown at this time
Fund Source	Public Transportation Fund

*Project Summary:* The Transit Mobile Ticketing Pilot Project (\$470,938) is a proposed demonstration that would allow a self-identified group of customers to use their smartphones to pay transit fares.

In 2013-2014 Transit budget, Council appropriated funding (\$3,315,000) for a project titled “Orca Self-Service Kiosk.” The project has since changed scope and Transit has prepared a new business case, a cost-benefit analysis, and a benefit achievement plan for a new pilot project with a budget of \$470,938. However, Transit has a total appropriation authority for this project of \$3,315,000. While the project has expenditure authority, spending has not begun on the project. The budget review process is an opportunity for Council to evaluate this new project.

Mobile ticketing technology provides customers the ability to pay their transit fares using their smartphones. The most common application is where a “ticket” is purchased with a mobile phone (or computer), and a graphic is displayed on the phone that can be shown to a bus driver or fare inspector to show that it is valid. This application requires no reader infrastructure on the vehicles so it can be implemented quickly and with relatively low capital cost. This project would pilot the implementation of mobile ticketing technology for use throughout the Metro system, using up to 10,000 participants for a period of six months extensible by another six months. An assessment following the Pilot would evaluate the fare collection approach as to its suitability for a cashless operating environment.

The project would be funded by the Public Transportation Fund and as proposed includes a contingency of 20 percent. Subsequent to the budget submittal, Transit has consulted with KCIT on an appropriate contingency level for this project. Transit reports KCIT has validated the 20 percent contingency level and thus Transit is not seeking to change the contingency for this project.

*Review of the Benefit Achievement Plan (BAP):* The BAP also includes a discussion of the costs of a future new farebox system, because Metro staff hopes the pilot project will provide an option for reduced dependence on cash fare payments. Council staff will work with Transit to further refine the BAP.

Staff review of this project continues.

#### **ISSUE 4 – NON TRANSIT PROJECTS FOR WHICH STAFF ANALYSIS IS ONGOING**

Staff analysis for the following projects is ongoing. Options will be provided for these projects at next week’s panel meeting.

##### **Records & Licensing Software Application Replacement Project**

2015-2016 Request	\$2,735,261
Total Project Cost	\$2,735,261
Fund Source	General Fund, Recorder's O&M eREET Technology Reserve

*Project Summary:* This project would replace the technology used by the Recorder’s Office, to maintain and store electronic images of recorded documents, and to process and allocate real estate excise taxes.

The software that is currently in place to support these functions was first implemented in 1999, with the last major upgrade in 2002. The vendor has eliminated support for the software, except maintenance support or changes required by law. The business case states that the current software has limited functionality for online access to electronic recording and fee processing; that certified copies of electronic documents are not available online (only unofficial copies); and that the current method for indexing of documents leads to a significant delay in searching for the documents online. This results in inefficiencies in recording public documents, and exposes the County to potential litigation as a result of inaccuracies and delays in the recording process, especially related to property transfers. Further, the division has identified lean process improvements that cannot be implemented using the current software. The business case states that new, modern software would have this functionality.

This project would implement an off the shelf solution for a records and tax collection software. The preliminary project schedule calls for issuing an RFP in May 2015, beginning implementation in July 2015, and closing out the project by March 2016. The project has done a detailed cost estimate and the budget includes \$1.27 million for hardware and software costs, \$700,000 for consulting services, and \$281,000 for KCIT and departmental labor costs. The ongoing operating costs are estimated to be \$230,000 in 2016, including KCIT labor costs and hardware and software maintenance fees. The software and hardware maintenance fees are approximately 40 percent higher than the current software. The project budget includes a 20 percent contingency based on the department's assessment of the risk of implementing new software.

Electronic filing would include additional use of credit card payments. Records and Licensing has not determined how to cover the associated transaction fees with credit card usage. There is a separate IT project proposed by FBOD in this budget titled Countywide Electronic Payment. That project is intended to provide guidance and analysis to departments in making the technical decisions about how to set up electronic payment solutions and evaluate the policy and business impacts of different transaction fee recovery scenarios. Staff analysis continues on the extent to which the electronic payment component of this project proposal is aligned with the Countywide Electronic Payment project.

The project is proposed to be funded by the General Fund, using bond financing, as well as \$600,000 from the eREET Technology Reserve (funded from real estate fees) in the Recorder's Operations and Maintenance fund.

*Review of the Benefit Achievement Plan (BAP):* The BAP identifies the primary improvements as increasing the number of self-service transactions available on-line (marriage license applications, recording documents, accessing certified electronic documents). The BAP also notes the project will streamline internal business processes by automating recording functions, improve accuracy through automated functions, and minimize risk when meeting the County's legal requirements for recording documents in a timely manner. Additionally, the BAP reports staff time will be freed up to spend more time on quality assurance activities, and to provide additional hours of customer service at the downtown office and potentially at the county's community service center located in Kent. Council staff will work with RALS to include direct feedback from customers to measure improvement in customer service.



## DES Activity-Based Costing / Managerial Accounting Software Pilot Expansion

2015-16 Request	\$430,000
Total Project Cost	\$430,000
Fund Source	KCIT Rates

*Project Summary:* This project would expand the use of a software tool to help County agencies estimate the cost of products, processes and services. Those agencies would then use that cost information to inform decisions about whether to deliver various products and services, and at what level to set fees for those services.

The Office of Performance, Strategy and Budget (PSB) and the Finance and Business Operations Division (FBOD) of the Department of Executive Services are jointly sponsoring this project. FBOD and Jail Health Services have done some initial work with the software vendor (Prodacapo) to demonstrate the value of this tool in understanding the cost drivers of the internal business practices for those two organizations.

The 2015-16 proposal would expand this pilot work with the Prodacapo software to three other product lines in 2015, and five more in 2016. Three organizations have been identified to begin ABC modeling in 2015:

- Solid Waste
- Employment programs in the Department of Community and Human Services
- Application Support in King County Information Technology

The capital appropriation would fund license fees (5 in 2015 and 6 in 2016 at approximately \$22,000 each) to use the software application, and also cover KCIT travel for the Prodacapo consultants and KCIT support. FBOD would contribute in-kind labor in the form of 2 TLT positions in FBOD beginning at mid-year 2015, and a third TLT position in 2016.

This project would not replace any existing systems. It would enable Executive staff to analyze and understand data in a way that, according to Executive staff, is more useful to managers and decision makers. An ABC model isolates a baseline cost of providing a service, which can guide managers to focus on reducing costs where they are highest. For example, ABC provides information on how much it costs King County to produce a manual paycheck (\$355, or approximately seven hours of staff time) versus an electronic paycheck (\$1.96). If King County reduces the number of manual paychecks, the total staff devoted to producing paychecks may be reduced through attrition or redeployed to other functions.

Another example comes from Jail Health Services. In developing a baseline model around their triage services, JHS found that it might be less costly to have a doctor directly treat the patient rather than have a (less expensive) nurse triage the treatment first. As a result of this, JHS plans to pilot an alternative service delivery model that may reduce costs.

The revenue source for this project is the Countywide IT project central rate, charged to all County agencies, because the benefits of pilot agencies learning and applying this

software tool are expected to spread throughout the County. The total project budget includes no contingency because it expands the use of an existing software tool.

The project proposal does not specify a value for anticipated cost savings. PSB and FBOD anticipate that financial benefits from ABC would accrue over time as focused improvement initiatives reduce labor on inefficient processes, and staff may be reallocated to perform other activities. Agencies may be able to generate cost savings through attrition as well as non-labor efficiencies.

*Review of the Benefit Achievement Plan:* The project has completed a BAP. The primary anticipated benefits of this project are efficiencies in internal services: better information on cost drivers should support prioritization of areas for Lean efforts and business process review. Staff review of the BAP continues, including exploration of any cost avoidance benefits to this project.

### **DES Countywide Electronic Payment Implementation Support**

2015-16 Request	\$741,000
Total Project Cost	\$741,000
Fund Source	KCIT Rates

**Project Summary:** This project would enable more options for electronic payments by customers of King County services of all types across multiple departments.

This project is jointly sponsored by the Finance and Business Operations Division (FBOD) of the Department of Executive Services, and King County Information Technology (KCIT)

King County's electronic commerce management plan dates back to 2004, when the County first began accepting online payments for a handful of pilot programs, including pet licenses and property taxes. This plan opened up both payment pathways (online and kiosk options) and payment types (credit/debit/e-check) available to King County customers. At the time, King County decided to build a payment engine ("shopping cart" function) in-house, and to set a policy that County agencies needing this function would have to use the in-house engine unless granted an exception by the FBOD director.

Since then, more options for both payment pathways and payment types have become widely available, and the service packages available may represent better business models (less risk and higher predictability) for King County than maintaining its own payment engine. In addition, customer demand for electronic payment options has increased and spread to additional King County services.

To respond to these changes and offer the most cost-effective and equitable options to King County customers, FBOD conceived the electronic payment expansion initiative, launched in early 2014, with three phases:

- (I) Inventory and assess existing electronic payment practices and policies, and develop strategic direction for expansion of electronic payment options for customers, throughout the County;
- (II) Develop and let an RFP for a vendor enterprise solution to accept payments and interface with credit and debit card companies; and

(III) Support County agencies to add new business applications with electronic payment options, or to convert current systems to the new payment engine.

2014 FBOD operating savings are expected to cover the costs of phase I (approximately \$50,000, plus staff time) and some or all of phase II (approximately \$80,000, plus staff time). This appropriation request is to cover the balance of phase II and phase III.

Specifically, the \$741,000 2015-2016 capital appropriation would cover KCIT staff time, pooled funding to meet agency-specific needs (supporting new applications in agencies, or migrating current applications to the new payment engine), and project contingency.

The entire project cost is proposed to include additional in-kind staff time within FBOD's operating appropriation. Project staff would comprise 2.0 TLT financial coordinators in FBOD to provide economic and business analysis for agencies, as well as portions of multiple KCIT positions to provide technical support for interfaces between individual agency and centralized vendor-supported payment solutions.

In addition to this technical framework, FBOD would also provide an updated set of policies and procedures to help agencies make business decisions with respect to electronic payments. These policies will include fee and cost recovery principles, which will help agencies determine how to set fee policies in compliance with state law and County Code and policy, and so that fees are transparent and do not present unreasonable barriers to service access.

The capital project expenditure would be funded out of countywide IT project rates and includes a contingency of 20 percent. KCIT/FBOD determined the contingency level based on their preliminary assessment of risks related to the migration of current electronic payment application to a vendor-supported payment application.

*Review of the Benefit Achievement Plan:* The primary anticipated benefits of this project are improved customer service due to the ability to offer electronic payment options for an increased array of King County services and products.

### **Superior Court Management Information System (SCOMIS) Replacement Project**

2015-16 Request	\$1,987,000
2017-18	\$1,974,000
Total Project Cost	\$3,960,829
Fund Source	Debt Service—General Fund

*Project Summary:* This project would replace the record keeping solution for Superior Court records and facilitate public and government access to those records.

The Department of Judicial Administration (DJA) has the statutory responsibility to track and index Superior Court records and facilitate public and government access to those records. The Superior Court Management Information System (SCOMIS), is the statewide system through which DJA has fulfilled those responsibilities. SCOMIS is engineered from extremely old and inflexible mainframe technology, the functional limitations of which have forced the establishment of multiple IT systems in order to facilitate performance of DJA's

record-keeping and case management responsibilities. DJA is also dependent upon an AOC finance module that is decades old and limited by the platform upon which it is constructed.

The State is scheduled to replace SCOMIS and the finance module within the next three to four years. Therefore, DJA needs to either migrate to the new AOC's systems, or implement their own solutions. According to DJA, after extensive analysis, the department determined the state's replacement systems will not meet DJA's high case volume and complex business needs.

The proposed project includes three components:

- 1) a case management system (SCOMIS)
- 2) a financial management system
- 3) a data exchange with AOC's new SCOMIS solution

DJA anticipates purchasing an off the shelf solution and doing minor customization. DJA has already begun work developing the requirements and the business case anticipates issuing an RFP in January 2015. DJA is confident the functionality of the product they are seeking will far exceed the capabilities of AOC's current system or future solution.

DJA is also evaluating combining this project with a 2012 appropriation for \$2.2 million to replace DJA's Electronic Court Record (ECR) system. Ideally, a system could be implemented that meets the case management system needs (SCOMIS), financial management, and electronic court records needs. However, it is unknown at this time if a reasonable technology solution is available to cover all of those needs.

The proposed project includes an appropriation request of \$1,987,000 for 2015-2016 and Attachment A to the budget ordinance shows a 2017-2018 appropriation request of \$1,974,000. The project would be debt financed and supported by the General Fund. The project budget includes a contingency of 20 percent.

*Review of the Benefit Achievement Plan:* The primary anticipated benefit of this project is the ability to maintain service levels by replacing older technology. Secondary benefits anticipated include improved customer service (better public access to information and payments of Legal Financial Obligations) and internal services (reduction in manual entry and enhanced ability to respond to business changes). Staff is working with DJA to better understand any potential operational improvements and efficiencies that may also result from this project.

#### **Parks Division Facilities Scheduling Upgrade (CLASS Replacement)**

2015-16 Request	\$401,921
Total Project Cost	\$401,921
Fund Source	Parks & Rec Operating (Parks Levy)

*Project Summary:* This project would replace the Parks scheduling software used to manage registration, scheduling, user fees, and entrepreneurial activities

The Parks Division currently uses an information system from CLASS Software Solutions (now called The Active Network) to manage registration, scheduling, user fees, and entrepreneurial activities for Parks facilities. The Division currently processes over 26,000 bookings, 3,000 user groups, and \$4 million in revenue annually through this system.

The Active Network is phasing out CLASS Software Solutions and has announced that it will no longer support the software system beyond 2017. As a result, the Parks Division is seeking a replacement software solution to support registration, scheduling, user fees, and business functions. The new solution would be designed to interact with County systems such as Oracle and E-commerce (the current CLASS software does not). This scheduling system would also allow for a new feature of on-line park reservations and scheduling.

Parks has not yet determined how to cover the associated transaction fees with credit with credit card usage. There is a separate IT project proposed by FBOD in this budget titled Countywide Electronic Payment. That project is intended to provide guidance and analysis to departments in making the technical decisions about how to set up electronic payment solutions and evaluate the policy and business impacts of different transaction fee recovery scenarios. Staff analysis continues on the extent to which the electronic payment component of this project proposal is aligned with the Countywide Electronic Payment project.

This project would be funded by Parks & Recreation Operating Funds raised by the Parks Levy and has a proposed contingency of 10 percent.

*Review of the Benefit Achievement Plan:* The primary anticipated benefits of this project are avoiding system failures and providing new services – such as on-line scheduling and reservations – to the public (although Parks staff notes that it will continue to accept reservations and bookings to be made over the phone and in person to provide multiple options for community members). The Parks Division has committed that the BAP will be updated to include benefits to the public prior to the budget adoption. Parks notes that there are several methods that could measure public satisfaction with the new system, including a survey at the end of the online reservation process or direction to existing feedback mechanisms.

### **District Court Unified Case Management System**

2015-2016 Request	\$7,660,242
Total Project Cost	\$7,660,242
Fund Source	Debt Service – General Fund

*Project Summary:* This project would replace District Court's reliance on an outdated 34-year old case filing system and several side systems with an integrated case management system that is expected to significantly improve operations enabling District Court to reduce personnel costs.

According to the business case, District Court's current case management system has deficiencies that lead to false arrests, dismissals due to speedy trial errors, and redundant data entry and document scanning that consumes court resources. The system also lacks

important functions like eFiling and the ability to run reports and metrics that assist with business planning. This project will implement a new case management system by 2016. It would also replace several outdated and stand-alone systems with one integrated system that includes: an eFiling program, a probation management system, a court calendaring system, a document management system, a financial system, witness management, a search warrant database, and interpreter web.

District Court has done extensive preparation, planning, and research for this budget submittal and prepared a detailed benefit achievement plan and business case. This project would be debt financed and supported by the General Fund. It includes a 20 percent contingency based on the associated project risk.

*Review of the Benefit Achievement Plan (BAP):* District Court has spent considerable time developing the BAP for this project and integrating staff comments. They identified significant benefits such as improving convenience to the public through the option to eFile, freeing up staff time by improving business processes, and improving accuracy by reducing redundant data entry. The project is expected to pay for itself six years after implementation through operating efficiencies and reduced FTE needs.

### **Elections Management System Replacement**

2015-16 Request	\$468,000
Total Project Cost	\$468,000
Fund Source	Elections Operating Funds

*Project Summary:* Elections is seeking to implement a new Election Management System, the hardware and software that allows Elections to maintain a voter registration database and perform other election management functions from candidate filing up to tabulation of votes.

This project would replace the current solution in use by Elections, which the department indicates has not kept pace with changes in elections processes in King County, nor the department's standards for statistical and quality assurance tracking and reporting. As a result, Elections staff has needed to customize and support system modifications in-house; they expect that the new EMS product would eliminate the need for such modifications.

Elections states that the total project budget will be \$1.28 million, including a contingency of 20 percent based on the risk associated with this project. The \$468,000 appropriation request is proposed to be debt financed with the payments coming from the Elections operating budget. Staff is working with PSB and Elections to determine the correct appropriation amount based on the project work remaining.

*Review of the Benefit Achievement Plan:* The project has completed a BAP. The primary anticipated benefits of this project would be improved internal services, specifically documented and streamlined processes within the software solution that eliminate the need for customized process development and support by Elections. Staff review of the BAP continues.

<b>Analyst:</b>	<b>Katherine Cortes</b>
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**FINANCE AND BUSINESS OPERATIONS DIVISION**

**BUDGET TABLE**

	2013-2014 Adopted	2015-2016 Proposed	% Change 2013-2014 v. 2015-2016
Budget Appropriation	\$56,070,712	\$57,166,000	2.0%
FTE:	186.92	180.41	-3.5%
TLTs:	2.5	5.0	100%
Estimated Revenues	\$53,063,668	\$55,018,000	3.7%
Major Revenue Sources	Central rate charges, intergovernmental fees		

**ISSUE 1 – FUNDING MODEL AND ORGANIZATION FOR FBOD CAPITAL PROJECTS**

The Activity Based Costing (ABC) pilot is sponsored and coordinated by the Executive Office, with in-kind staffing support from FBOD (three TLT Business and Finance Officer positions phased in through 2016). Specific amounts or areas of benefits or savings are expected to be identified by each participating agency in the year following the identification of baseline costs using the ABC software. The capital appropriation for this project is proposed to be funded through the IT projects central rate. Activities and benefits of this project are further discussed in the technology CIP budget.

The electronic payment expansion project includes FBOD and KCIT staffing support, and pooled funding for application support, for County agencies offering or seeking to offer electronic payment options. The capital appropriation for this project is proposed to be funded through the IT projects central rate. Activities and benefits of this project are further discussed in the technology CIP budget.

**Option 1: Approve the FBOD budget and review this project in the context of the Technology CIP.**

**Option 2: Provide direction to staff regarding areas for additional analysis.**

**ISSUE 2 – CORRECT POSITION ERROR**

FBOD and PSB requested correction of input error in the FBOD budget with respect to positions. Instead of eliminating 2.0 FTE positions as transmitted, FBOD would propose to eliminate 2.0 TLT positions in its Procure to Pay value stream.. This change would result in a total proposed 2015-2016 position count for FBOD of 182.41 FTEs and 3.00 TLTs.

**Option 1: Direct staff to make this technical change to the budget.**

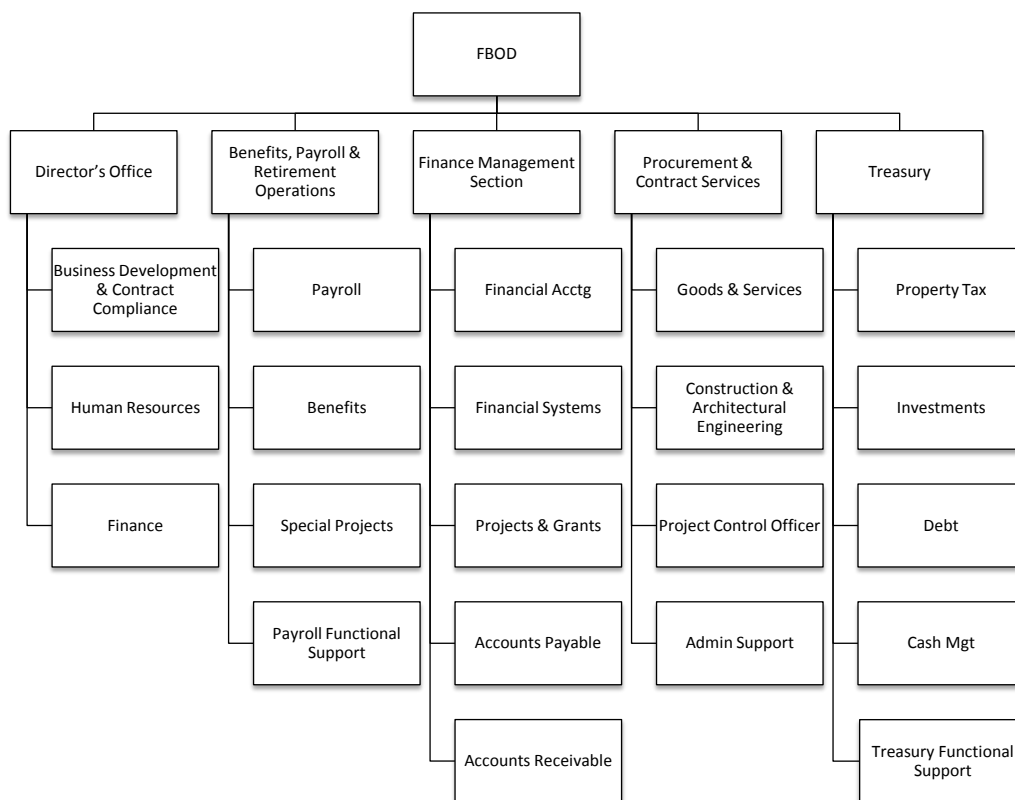
**Option 2: Reject this correction and approve as proposed.**

### **WEEK TWO PANEL FOLLOW-UP**

Panel Question/Follow-up: Staff were asked to provide a description of the full spectrum of work performed by FBOD, including any recent expansions of that scope of work. Staff were also asked to provide an organization chart.

Response: FBOD has provided the current organization chart included below. FBOD and PSB staff indicate that there have been no significant programmatic or service additions to the Department's scope of work in recent years.

### **Finance & Business Operations Division 2014 Organization Chart**





<b>Analyst:</b>	<b>Rachelle Celebrezze</b>
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**FACILITIES MANAGEMENT DIVISION**

**BUDGET TABLE**

	2013-2014 Adopted	2015-2016 Proposed	% Change 2013-2014 v. 2015-2016
Budget Appropriation	\$97,313,210	\$97,844,000	0.5%
FTE:	315.17	307.02	-2.6%
TLTs:	1.00	3.00	200.0%
Estimated Revenues	\$97,964,875	\$97,239,000	-0.7%
Major Revenue Sources	FMD Central Rates		

**ISSUE 1 – REORGANIZATION OF FMD**

FMD's proposed budget for 2015-2016 would, if adopted, would result in a net reduction in staff and significant changes to the department's executive organizational structure. The strategic initiatives unit would be eliminated and the major projects group would be consolidated with the capital projects unit. In addition, the human resources section would be absorbed within the operations section, which under the new organizational plan will report to the Deputy Director.

FMD has provided an organizational chart that outlines the current management structure of the department, as a well as an organizational chart of what FMD will look like in 2015 if the proposed budget is adopted.

Currently, the strategic initiatives unit has primary responsibility for preparing and publishing the Real Property Asset Management Plan (RAMP)<sup>1</sup> as well as aligning the management and performance of owned or leased property assets with the King County Strategic Plan.

According to FMD, the elimination of the strategic initiatives unit may require FMD to scale back the implementation of RAMP strategies in 2015-2016 and reduce the resources available to FMD to participate in and carry out cross-jurisdictional planning efforts.<sup>2</sup> In addition, FMD has indicated that eliminating the strategic initiatives unit could reduce the ability of the department to effectively carry out facility planning efforts for the King County Sheriff's Office, the Department of Public Health – Seattle & King County, the Department of Adult and Juvenile Detention, and the Department of Executive Services. Finally, FMD has indicated that the department's ability to address emerging facility needs will likely be restricted by the proposed reorganization.

<sup>1</sup> The current RAMP was adopted by the Council on July 7, 2014 (Ordinance 17839).

<sup>2</sup> Examples of cross-jurisdictional planning efforts FMD participated in include the Road Facility Master Plan and space planning for Transit Police.

The strategic initiatives unit is staffed by 2.5 FTEs. Restoration of funding for all 2.5 FTE positions would require an increase in the FMD budget of approximately \$860,000. The expenditure requirements by position are included in the table below.

*Table 1: Strategic Initiatives Unit Staffing*

<b>Position</b>	<b>Total Compensation</b>	<b>FTE</b>
Project/Program Manager IV	(\$291,190)	(1.00)
Special Projects Manager	(\$369,149)	(1.00)
Special Projects Manager	(\$201,819)	(0.50)
<b>Total</b>	<b>(\$862,158)</b>	<b>(2.5)</b>

Because FMD is an internal service agency, the costs of the restored positions would be recovered by FMD through either increased billings to capital projects or through increases in the strategic initiatives fee, a central rate that is billed to all operating appropriations on an FTE basis.

**Option 1: Direct staff to develop a proviso that would require FMD to report on the impact of the reorganization.**

**Option 2: Direct staff to prepare a work plan item to be included in the auditor's work plan to study the impact of the reorganization.**

**Option 3: Approve as proposed.**

### **WEEK TWO PANEL FOLLOW-UP**

**Panel Question/Follow-up:** Please provide more detail on the proposed surplus furniture delivery program.

**Response:** According to FMD, the proposed program would support 0.5 FTE to provide free delivery of surplus furniture to qualified nonprofit organizations. The Executive's proposed budget indicates that this program would have positive equity and social justice impacts by providing delivery of surplus furniture to qualified nonprofits that serve many of King County's most vulnerable populations at no cost to the nonprofit. The free delivery service would allow the nonprofit to preserve the funds the nonprofit would have expended on delivery of the furniture for the provision of direct services.

FMD piloted the program in the 2013-2014 biennium at 2 surplus storage facilities: Pendleton Mill Warehouse on Harbor Island and Blackriver Corporate Park in Renton. Surplus furniture was offered to the approximately 400 nonprofits that participate in the King County Employee Giving Program. The nonprofits that participated in the pilot program include the Refugee Women's Alliance, Boys and Girls Clubs, Literary Source,

Auburn Youth Resources, Solid Ground, SKCAC Industries & Employment Services, and Youth Care.

The costs for the pilot project associated with the Harbor Island move were paid out of several related capital projects (the surplus furniture stored at Harbor Island was the result of several moves over a number of years). The Blackriver pilot project costs were paid for primarily out of CIP funds related to the Department of Permitting and Environmental Review (DPER)'s move to Snoqualmie.

The request for additional appropriation of \$106,000 for 2015-2016 would support 0.5 FTE. In 2015-2016, FMD intends to expand the program to include direct delivery from King County Surplus.

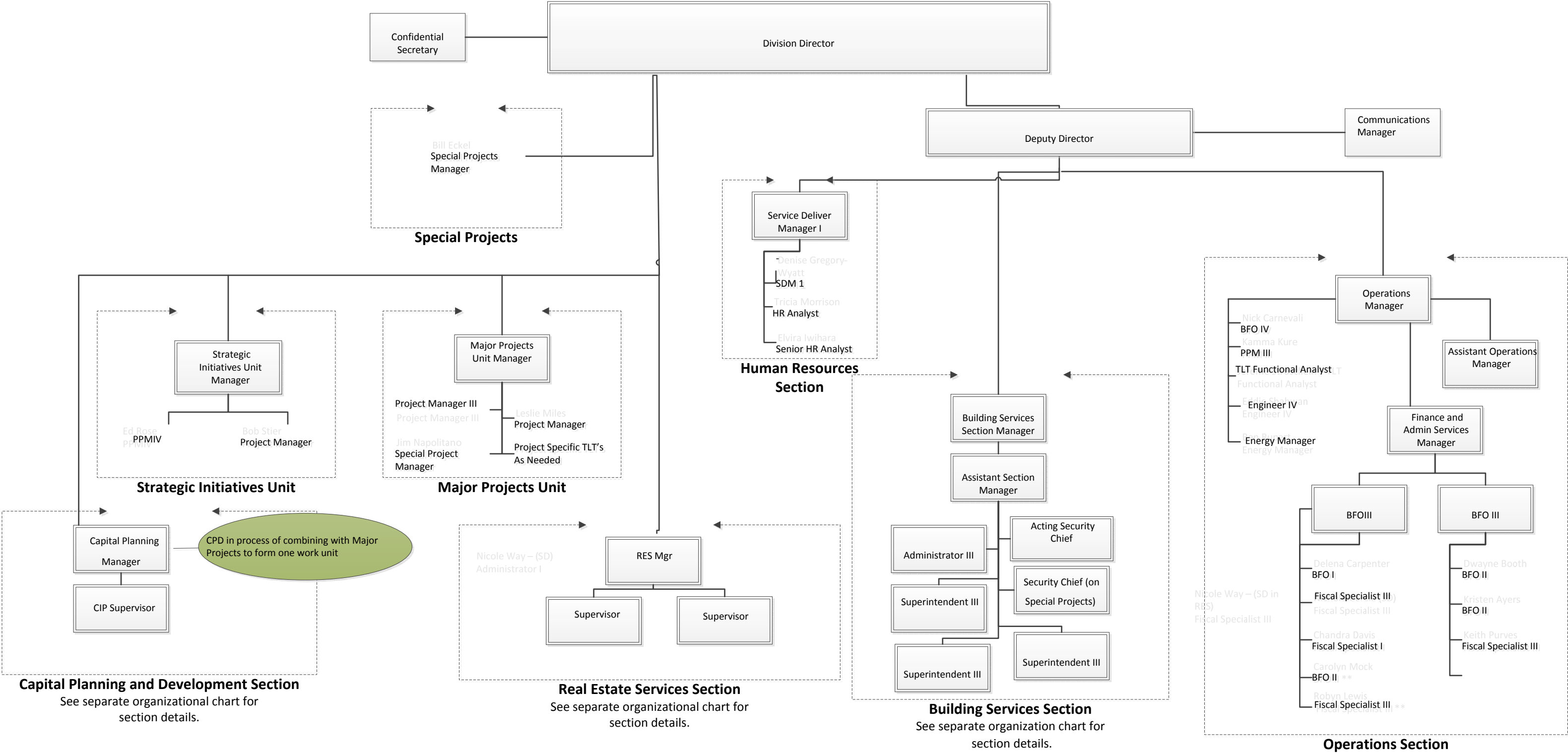
According to FMD, there is an additional environmental benefit to the program, since the reuse of surplus furniture will reduce the amount of surplus furniture that would be sent to a landfill or metal recycler.

If the program is funded, FMD would focus the 0.5 FTE on delivering surplus furniture directly from the facility at which the surplus furniture is held to the qualified nonprofit organization. In this manner, FMD would be able to reduce the amount of surplus furniture that requires storage as well as streamline the process and reduce expenditures by eliminating the need for storage.

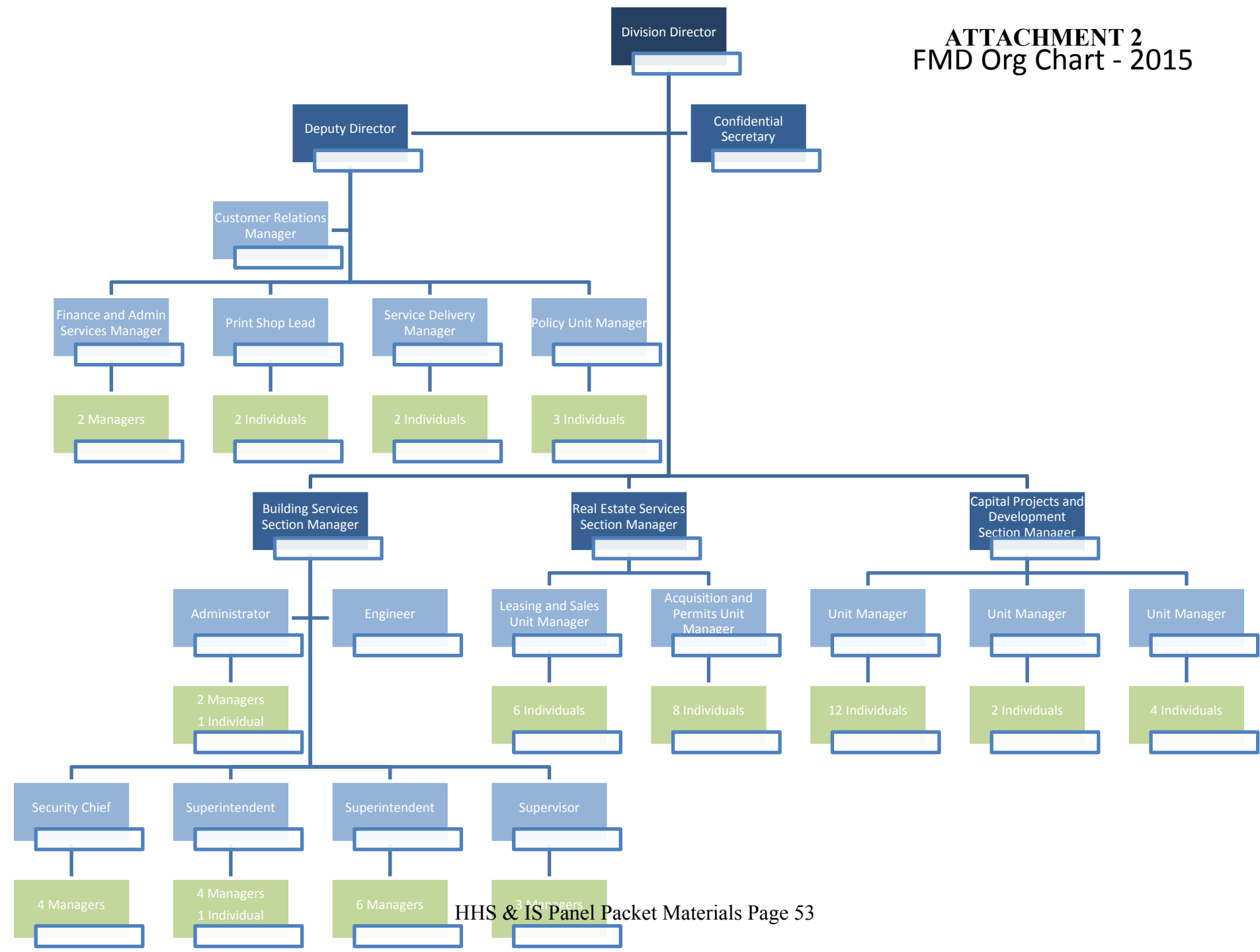
FMD anticipates that surplus furniture for the initiative will be available over the 2015-2016 biennium as a result of FMD activities at several facilities, including:

- Redevelopment of the Yesler Building (90,000 square feet of surplus furniture)
- Department of Public Defense leaseholds (65,000 square feet of surplus furniture)
- Demolition of North District Multi-Service Center (30,000 square feet of surplus furniture)
- Sale of Renton District Court (11,000 square feet of surplus furniture)

Facilities Management Division Organizational Chart - October 2014



# ATTACHMENT 2 FMD Org Chart - 2015



<b>Analyst:</b>	<b>Rachelle Celebrezze</b>
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**REAL ESTATE SERVICES**

**BUDGET TABLE**

	2013-2014 Adopted	2015-2016 Proposed	% Change 2013-2014 v. 2015-2016
Budget Appropriation	\$7,047,736	\$7,666,000	8.8%
FTE:	18.0	18.0	0.0%
TLTs:	0.0	2.0 <sup>1</sup>	200.0%
Estimated Revenues	\$16,432,186	\$8,268,000	-49.7%
Major Revenue Sources	General Fund, interfund charges		

**ISSUE 1 – RES PROPOSES TO ADD 2.0 TLTs DUE TO UNANTICIPATED LEASING AND PROPERTY SALES TRANSACTIONS**

The five-year workload plan for Real Estate Services (RES) that was implemented in 2014 assumed a decrease in property acquisitions driven by Road Fund reductions, an increase in real property sales to bring sales revenues into the Road Fund, and increased permitting work associated with the Eastside Rail Corridor. In recognition of the projected overall decrease in workload, staffing for RES was reduced to 18.0 FTEs in 2014.<sup>2</sup>

Since the workplan was developed, several significant, unanticipated events have greatly increased RES's workload levels beyond those included in the workplan. Those events include the following:

- The creation of the new Department of Public Defense (DPD). DPD, at its inception, had approximately 400 employees spread across the County in multiple privately owned buildings with existing leases. RES was tasked with renegotiating all of the leases for the new DPD.
- The redevelopment of the Yesler Building and planned consolidation of DPD. The County intends to consolidate DPD functions in the Yesler Building, making it necessary for RES to move the Community Corrections Division from the Yesler Building into new space.
- Reductions in Public Health funding have increased RES's workload relating to property sales and leasing transactions.
- Increased Department of Natural Resources property sales and lease transactions.
- The consolidation of operations for the Road Services Division (RSD). In addition to the reductions in funding for RSD and associated reduction in RES

<sup>1</sup> The Council provided funding for 2.0 TLTs in the mid-year omnibus supplemental appropriation (Ordinance 17855) on July 28, 2014.

<sup>2</sup> The five-year workload plan is included in the report transmitted by Real Estate Services in response to a proviso and adopted by the Council in Motion 2013-0409.

acquisition work for RSD that was accounted for in the workplan, RSD plans to consolidate its operations. RES is partnering with RSD to evaluate, develop, and implement a combination of property sales and lease strategies to facilitate RSD's long-term consolidation strategy.

- An increase in the number of tax title parcels transferred to RES stewardship. RES has custodial responsibility for properties that fail to sell at the Assessor's foreclosure auctions. The number of these properties—known as tax title parcels—for which RES has custodial responsibility has grown dramatically as a result of the recent countrywide economic downturn. In 2008, 7 tax title properties were transferred to RES stewardship. For the past four years, the number of tax title properties transferred to RES averaged 63.5 per year. Currently, RES has custodial responsibility for 1,170 tax title properties. Although interest has been expressed in the acquisition of some of these parcels, RES has limited staffing capacity to respond.<sup>3</sup>
- Leasing and property acquisition transactions associated with the voter-approved Automated Fingerprint Information System (AFIS) levy.

The mid-year omnibus supplemental appropriation (Ordinance 17855) approved by Council on July 28, 2014, provided funding for 2.0 TLT positions—one for leasing transactions and one for property sales transactions—to address this unanticipated workload. If approved, the 2015-2016 budget would provide continued funding for these 2.0 TLT positions.

**Option 1: Approve as proposed.**

**Option 2: Direct staff to develop a proviso that restricts expenditures for Real Estate Services until the Council approves a report that analyzes Real Estate Services' expected workload and updates the workplan adopted in Motion 2013-0409 (Enactment 13998) based on that analysis.**

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<sup>3</sup> Also noteworthy is the fact that these tax title properties represent a liability to the County and require ongoing property management costs for their upkeep.

<b>Analyst:</b>	<b>Wendy Soo Hoo</b>
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**PUBLIC HEALTH – SEATTLE & KING COUNTY**

**BUDGET TABLE**

	2013-2014 Adopted	2015-2016 Proposed	% Change 2013-2014 v. 2015-2016
Budget Appropriation*	\$481,753,452	\$317,003,000	-34.2%
FTE:	1,115.6	812.13	-27.2%
TLTs:	11.8	9.5	-19.7%
Estimated Revenues*	\$480,906,558	\$323,662,000	-32.7%
Major Revenue Sources	General Fund, state and federal funding, the City of Seattle and grants		

*Note: The changes from 2013-2014 Adopted to 2015-2016 Proposed also reflect the establishment of a separate Environmental Health Fund and appropriation unit.*

**ISSUES**

**ISSUE 1 – REDUCTION AND ELIMINATION OF SOME PUBLIC HEALTH CENTERS**

To address Public Health’s \$30 million budget gap for 2015/2016, the Executive’s proposed budget includes the closure of public health centers in Auburn and Bothell (Northshore). The proposal also transitions primary care to community partners and eliminates stand-alone family planning services at the Columbia and North Public Health Centers. In total, these changes would reduce Public Health expenditures and revenues by \$27.4 million and \$18.1 million respectively.

The Executive’s proposed budget would restore two clinics that were proposed to close in the department’s budget request – Federal Way and Greenbridge – with Planned Parenthood providing family planning services and assuming space at Greenbridge.

The Executive’s proposed restorations of the Greenbridge and Federal Way centers were partly enabled by partnerships with the City of Federal Way, and with Planned Parenthood and the City of Seattle in the case of Greenbridge.<sup>1</sup> In addition, partnership with labor yielded concessions (applied to represented and non-represented employees) resulting in \$2.1 million in savings across the entire public health system and enabled the buy-back of the Federal Way center.<sup>2</sup>

<sup>1</sup> The Executive’s proposed budget assumes \$800,000 in revenue from the City of Seattle over the biennium to support specific Seattle-based programs, such as the Greenbridge Public Health Center, the Gun Violence Prevention Program, the HIV/STD program, and the Access and Outreach program. The proposed budget assumes \$221,000 from the City of Federal Way to support the Federal Way Public Health Center for 2015/2016.

<sup>2</sup> At Greenbridge, 89 percent of clients have incomes below 200 percent of the Federal Poverty Level and 78 percent are people of color. At the Federal Way center, 92 percent have incomes below 200 percent of the Federal Poverty Level and 69 percent are people of color.



The Auburn and Northshore centers are still slated to close at this time, along with Auburn's satellite centers located on the Muckleshoot reservation and in Enumclaw. These centers currently provide Maternity Support Services (MSS), Special Supplemental Nutrition Program for Women, Infants and Children (WIC) and stand-alone family planning. Loss of these services would have the most impact on people with low incomes and people of color. At the Auburn center, 97 percent of clients have incomes below 200 percent of the Federal Poverty Level and 59 percent are people of color. At Northshore, 92 percent have incomes below 200 percent of the Federal Poverty Level and 58 percent are people of color.

According to Executive staff, the ongoing funding gap for the Auburn center is about \$2.5 million. However, if closed, the county would be required to pay an early termination lease penalty of about \$500,000. The penalty would be avoided if the Auburn center remained open, so the funding needed to restore the Auburn center for the 2015/2016 biennium would be approximately \$2 million. Council and Executive staff are in discussions with the City of Auburn and other entities to discuss strategies for keeping the Auburn clinic open.

Executive staff have not estimated restoration costs for Northshore. About two-thirds of the building has been vacant since HealthPoint moved out of Northshore and into its own new facility. The Executive plans to propose the sale of the Northshore property with the proceeds being directed to the Public Health Fund.<sup>3</sup>

#### Panel Question/Follow-up:

Staff has followed-up on several questions asked by councilmembers at the last panel meeting.

1. *A question was raised about the demographics of clients being seen at the public health centers.* The following data was provided by Public Health.

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<sup>3</sup> As discussed in the July 15, 2014 staff report for 2014-B0108, the public health center properties owned by the counties are General Fund properties. The Executive's proposed budget assumes \$6 million in revenue from the sales of the Auburn, Renton and Northshore public health center properties.

	PHC Clients <sup>1</sup>	Income <200% Federal Poverty Level	People of Color	Homeless	Uninsured family planning clients	Interpretation provided at visit	MSS pregnant with drug/alcohol
Auburn	10,700	97%	59%	11%	42%	9%	29%
Columbia	15,100	97%	95%	13%	36%	16%	28%
Downtown	14,200	88%	59%	41%	N/A	17%	35%
Eastgate	15,100	95%	70%	8%	58%	20%	N/A
Federal Way	13,700	92%	69%	7%	51%	10%	20%
Kent	11,400	92%	74%	13%	N/A	7%	18%
North	15,000	89%	68%	10%	N/A	9%	13%
Northshore	4,200	92%	58%	8%	N/A	12%	21%
Renton	13,000	90%	72%	10%	51%	10%	21%
White Center (Greenbridge)	8,600	89%	78%	11%	51%	12%	16%
Total	121,000						

<sup>[1]</sup> Note: Some clients receive services from multiple programs

2. Questions were asked regarding the public health centers' operating model and whether alternative models had been explored to improve the health centers' financial sustainability.

Public Health has sought to reduce its operating costs by shifting some services to partners, such as the proposed primary care partnerships with Neighborcare at the Columbia and North public health centers and the proposed family planning partnership with Planned Parenthood at Greenbridge. Although Public Health would no longer receive revenues for clients who seek services from these partners, it would reduce costs by even more.

Staff is continuing to work with Executive staff to obtain information on the revenues and costs associated with each service area.

## **ISSUE 2 – ADDITIONAL EXECUTIVE PROPOSED RESTORATIONS NOT INCLUDED IN THE DEPARTMENTAL REQUEST**

The Executive also proposes to restore the following regional services (as compared to the department's proposal) in the following areas:

	<b>Department Proposed Level</b>	<b>Executive Proposed Level</b>	<b>Cost of Restoration</b>	<b>Restoration Funding Source</b>
Health Educators	2.0 FTE (a reduction of 5.8 FTE)	4.0 FTE (restores 2.0 FTE)	\$0.4M	Labor concessions, additional administrative reductions & City of Seattle
Nurse Family Partnership (King County – not Seattle)	9.0 FTE (a reduction of 4.0 FTE)	11.0 FTE (restores 2.0 FTE)	\$0.6M	Labor concessions & additional administrative reductions
Gun Violence Prevention/Child Death Review	0 TLT (a reduction of 1.5 TLT)	1.0 TLT (restores 1.0 TLT)	\$0.3M	General Fund (\$196,000) and City of Seattle
Access and Outreach	10.0 FTE (A reduction of 3.0 FTE)	13.0 FTE & 1.0 TLT (Restores 3.0 FTE & adds 1.0 TLT)	\$0.8M	Transit partnership for Low Income Fare Program
HIV/STD Program	54.6 FTE (A reduction of 5.6 FTE)	57.6 Restores 3.0 FTE	\$1.0M	Labor concessions, additional administrative reductions and City of Seattle

The Health Educators provide evidence-based health education and outreach related to family planning. This is a service provided by Public Health for which no community capacity or expertise exists. While partially restored in the Executive's proposed budget, 3.8 FTE remain to be cut. *Follow-up from Week 1: The restored Health Educators would be based at the Downtown and Kent public health centers and would provide services to Eastgate, Kent, Federal Way, and the City of Seattle*

The Nurse Family Partnership is an evidence-based, intensive program that serves first-time, young, low-income mothers. Public Health nurses visit clients in their homes approximately twice a month, from early pregnancy through the first two years of the child's life. While partially restored in the Executive's proposed budget, 2.0 FTE remain to be cut. *Follow-up from Week 1: The restored staff would be based in the Downtown Public Health Center.*

The Gun Violence Prevention/Child Death Review program was initiated in 2013 and is a program supported by the county General Fund and the City of Seattle. In 2013 and 2014, the program collected and analyzed gun violence data and promoted responsible gun ownership. Under the Executive's proposal for 2015/2016, the program would generally continue these activities on a smaller scale at 1.0 TLT, compared to 1.5 TLT in 2014. *Follow-up from Week 1: The restored staff would be based in the Chinook Building.*

The Executive's proposed budget would also restore 3.0 FTE for Access and Outreach and add 1.0 TLT for a net increase of 1.0 TLT compared to 2014. These four positions would be supported by Metro Transit for work related to the Low-Income Fare Program. *Follow-up from Week 1: The restored access and outreach staff would be based at the*

*Chinook building and the Kent Public Health Center, but on a day-to-day basis, they would work at sites throughout King County.*

The primary functions of the HIV/STD Program are to plan for and assure HIV care and prevention services, STD clinic services, HIV/STD partner services, syringe exchange, HIV/STD education and technical assistance, HIV/STD surveillance and epidemiology, and laboratory testing. Public Health had proposed to eliminate 5.6 FTE, but the Executive's budget would restore 3.0 FTE. Two of the three positions that would be eliminated in the Executive's proposal are associated with reduced demand for laboratory services and an efficiency reduction in STD clinic hours at Harborview. Based on client visit data, the reduction in clinic hours is expected to have no significant service impact. The third position proposed for elimination is an educator consultant; Public Health indicates that this would result in less promotional activity pertaining to HIV prevention, although the proposed budget does continue support for two FTE providing education and promotional activities. *Follow-up from Week 1: The restored staff would be based in the Chinook Building and at the STD clinic.*

**Option 1: Approve as proposed.**

**Option 2: Direct staff to eliminate funding and FTE authority associated with one or more of the Executive's proposed restorations.**

**Option 3: Defer to the Chair's striking amendment.**

Panel Question/Follow-up:

*The panel asked a question regarding the reduction in the HIV/STD program and whether any reductions in treatment services were proposed.*

Executive staff indicate that no reductions in HIV/STD treatment services would result from the FTE reduction in the HIV/STD program.

### **ISSUE 3 – EQUITY AND SOCIAL JUSTICE PROGRAM ADD IN PUBLIC HEALTH: \$1.13 MILLION AND 3.0 FTE**

The Public Health budget includes an addition for "Advancing Equity and Social Justice in King County." This proposal would provide funding for Equity and Social Justice and Limited English Proficiency efforts to better include marginalized communities in county decision making and to increase their access to county services. The proposal includes \$1.1 million in revenue, with approximately 67 percent (\$737,000) being recouped from other funds through the General Fund overhead model. Approximately \$363,000 would actually be supported by the General Fund.

Executive staff indicated that the proposal should have included 2.5 FTE rather than 3.0 FTE. The positions would be:

- 1.0 FTE Equity and Social Justice Manager
- 1.0 FTE inclusion coordinator for Limited English Proficiency efforts

- 0.5 support position

In 2014, 0.5 FTE in Public Health has been dedicated to countywide ESJ work, so this proposal would augment these efforts by 2.0 FTE with the costs being recovered through the General Fund overhead model. If the council approves of this proposed program, the council may wish to consider whether Public Health is the appropriate organization to house the program staff. Executive staff indicated that the program could be housed in the Office of Performance, Strategy and Budget, the Department of Community and Human Services, or a new appropriation unit in the General Fund.

**Option 1: Approve as proposed.**

**Option 2: Approve of program, but direct staff to consider alternate organizational options.**

**Option 3: Direct staff to eliminate funding and FTE authority associated with one or more of the proposed positions.**

**Option 4: Defer to the Chair's striking amendment.**

**ISSUE 4 – PROPOSED BUDGET MAINTAINS SUPPORT FOR THE HEALTH AND HUMAN SERVICES TRANSFORMATION PLAN: \$952,000 TOTAL ACROSS PUBLIC HEALTH AND THE DEPARTMENT OF COMMUNITY AND HUMAN SERVICES**

The Executive's proposed budget continues support for Health and Human Services Transformation Plan efforts at \$952,000, with the budgetary authority evenly split between Public Health and the Department of Community and Human Services (DCHS). The Transformation Plan work is supported by the General Fund. No Health and Human Services Catalyst Fund is proposed for 2015/2016.

The program costs are detailed in the table below.

	<b>Public Health</b>	<b>DCHS</b>	<b>Biennium Total</b>
Program Project Manager 4 (1.0 TLT)	\$264,291		\$264,291
Admin Support (0.5 TLT)	\$115,689		\$115,689
Epidemiologist 2 (1.0 TLT)	\$121,801	\$121,801	\$243,603
Miscellaneous Costs	\$12,040		\$12,040
Lease Costs (five cubes)	\$89,126		\$89,126
Consulting Costs		\$83,000	
Indirect charges	\$144,251		\$144,251
<b>Total</b>	<b>\$747,199</b>	<b>\$204,801</b>	<b>\$952,000</b>

An interfund transfer would be made from DCHS to Public Health to fully cover the costs incurred by Public Health.

According to Executive staff, the HHSTP and its 2014 Catalyst Fund investment has leveraged additional financial support from local and national foundations:

1. \$100,000 Living Cities<sup>4</sup> grant supports the efforts to improve community health and well-being through collaboration and increased alignment of the County's efforts with local partners.
2. \$3.26 million Seattle Foundation Communities of Opportunity place-based initiative blends funds with the Catalyst funds to make grants to communities. The first small grants from this funding stream will be announced Oct. 2014, with a second funding round to occur in December.

Executive staff indicated that “not funding this proposal would limit measureable progress on the Transformation Plan and would signal to community partners that King County does not prioritize this important work... Continued staff capacity is essential in order to take advantage of these fast-moving opportunities.”

Staff asked what the impact would be if the transformation efforts were funded at 50 percent of the proposed level. Executive staff indicated that “with half the budget, we would have to eliminate the Transformation Plan Project Coordinator and Admin Support positions. These positions are especially critical to the Communities of Opportunity work. This would jeopardize our partnership with The Seattle Foundation and the additional funding The Seattle Foundation brings to Communities of Opportunity.”

Staff also asked about the impacts of funding the transformation efforts, but only through 2015. Executive staff indicated that funding these efforts for only part of the biennium would jeopardize the ability to achieve the overall goals of the transformation efforts, as well as the partnership with The Seattle Foundation.

**Option 1: Approve as proposed.**

**Option 2: Direct staff to eliminate funding and FTE authority associated with one or more of the proposed positions.**

**Option 3: Defer to the Chair's striking amendment.**

#### **ISSUE 5 – SINCE TRANSMITTAL OF PROPOSED BUDGET, PUBLIC HEALTH WAS AWARDED A \$9 MILLION GRANT**

Public Health received notice in late September of receipt of a grant from the U.S. Centers for Disease Control and Prevention. Under the grant, Public Health would lead

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<sup>4</sup> Living Cities is a consortium of 22 national philanthropic organizations focused on improving the well-being of low income individuals and families. <https://www.livingcities.org/about/>

a coalition of cities, school districts, community organizations and businesses to help offer communities healthier options and combat the effects of marketing that promotes high-calorie fast food, sodas and tobacco products.

The grant would augment Public Health's existing staff of nine FTEs and \$3.3 million in funding to support healthy eating/active living and tobacco prevention. (Of the \$3.3 million, \$3.1 million is supported by state and county flexible funding.)

The grant was not included in the Executive's proposed budget, so to allow for implementation of the grant, the appropriation authority would need to be added to the budget.

**Option 1: Direct staff to adjust the Public Health budget to include appropriation and position authority associated with the grant.**

**Option 2: Adopted as proposed. Funding for the program could be added via a supplemental request.**

### **WEEK TWO PANEL FOLLOW-UP**

Panel Question/Follow-up: The panel asked whether the 2017-2018 ending fund balance of -\$11 million included continuation of the \$2 million unallocated reduction.

Response: Executive staff indicated that the 2017-2018 ending fund balance does not include continuation of the contra.

<b>Analyst:</b>	<b>Wendy Soo Hoo</b>
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**MEDICAL EXAMINER'S OFFICE**

**BUDGET TABLE**

	2013-2014 Adopted	2015-2016 Proposed	% Change 2013-2014 v. 2015-2016
Budget Appropriation	\$12,972,953	\$11,245,000	-13.3%
FTE:	27.99	28.4	1.5%
TLTs:	N/A	N/A	N/A
Estimated Revenues	\$12,974,860	\$11,040,000	-14.7%
Major Revenue Sources	General Fund, fees for services		

**ISSUES**

**ISSUE 1 – EXECUTIVE PROPOSED BUDGET INCREASES GENERAL FUND SUPPORT FOR THE MEO**

The proposed budget includes an increase of \$480,000 in General Fund support for mandated services. These funds would offset increased expenditures related to rising service demand due to population growth, as well as fee revenue shortfalls. This increase is in addition to a \$420,687 inflationary adjustment in General Fund support for the MEO. Altogether the increase in General Fund support would be \$900,687.

The MEO budget is largely personnel, so if the GF contribution were reduced, there would likely be a corresponding reduction in personnel of about one FTE. According to Executive staff, potential service impact alternatives would be:

1. *Decrease scene investigations and delay pick-up of bodies, such as ceasing pick-up during night-time hours and minimizing on-scene investigation.* This would result in increased work by law enforcement partners who would be required to stay on scene until MEO staff arrived. This would also delay communication with families and funeral homes and increase workload for daytime staff.
2. *Reduce autopsy staff.* This would result in delays in autopsy performance. This would threaten or cause the loss of accreditation as it would increase the number of autopsies each staff member would perform.
3. *Cease performing autopsies on Saturdays.* This would mean no autopsies would be performed on weekends and would result in delays. This could also delay release of remains to families, which could conflict with some cultural beliefs.



(Note that a request to implement this strategy was proposed in 2013, but the Council chose to restore Saturday autopsy service.)

**Option 1: Approve as proposed.**

**Option 2: Direct staff to reduce General Fund contribution to the MEO and reduce the MEO's appropriation authority accordingly.**

**Analyst:****Amy Tsai****ENVIRONMENTAL HEALTH SERVICES****BUDGET TABLE**

	2013-2014 Adopted	2015-2016 Proposed	% Change 2013-2014 v. 2015-2016
Budget Appropriation	\$44,553,016	\$47,592,000	6.8%
FTE:	133.25	145.5	9.2%
TLTs:	0.0	0.0	N/A
Estimated Revenues	\$54,990,683	\$48,238,000	-12.3%
Major Revenue Sources	Fees, grants, charges for services, general fund		

**ISSUE 1 – POSITION ADDS THAT RESULT IN RATE INCREASES**

EHS's inspectors reside in two main sections within EHS. The Food and Facilities Section conducts inspections of food establishments and water recreation (pools, spas). The Community Environmental Health Section conducts inspections of wastewater (on-site septic systems, wells), pet businesses, and solid waste services.

The proposed budget includes an increase of 14.25 positions, including nine new inspectors, one new performance manager, four new administrative or managerial positions, and the transfer of 0.25 of the existing Veterinarian from the Public Health fund to EHS. These position proposals are all fee-supported.

**Positions with No Proposed Rate Impact:** The inspector positions are proposed to be supported by an increase in workload, so do not have an associated increase in the hourly rates to fund the positions. EHS states that the performance manager, a position within the Local Hazardous Waste Management Program (LHWMP), also would not require a fee increase to support the position, as LHWMP has existing revenue to fund it.

**Table 2. Proposed Positions with no Rate Impacts**

<b><u>POSITIONS</u></b>	<b><u>2015/2016 COST</u></b>	<b><u>FTEs</u></b>
1. Food Program Senior Inspector (Local 17)	\$243,843	1.0
2. Food Program Inspectors (Local 17)	\$359,875	3.0
3. Plumbing and Gas Piping Inspectors (Local 32)	\$324,265	3.0
4. Solid Waste Inspector (Local 17)	\$235,331	1.0
5. Performance Manager for Local Hazardous Waste	\$280,340	1.0
6. On-Site Septic System Inspector (Local 17) <sup>1</sup>	\$227,290	1.0

<sup>1</sup> The proposed budget for the on-site septic inspector includes an additional \$250,000 in one-time program development costs

Positions Supported by a Rate Increase: The remaining 4.25 administrative and managerial positions are also fee-supported, but the duties are largely not fee generating. Therefore, the proposed budget includes an assumed hourly rate charge increase to permit applicants in order to fully fund these 4.25 positions. The hourly rates assumed in the proposed budget are being considered by a Board of Health rate subcommittee, and the recommended 2015 EHS fee schedule will be before the Board of Health later this year for adoption.

**Table 3. Proposed Positions with Rate Impacts**

<b><u>POSITIONS</u></b>	<b><u>2015/2016 COST</u></b>	<b><u>FTEs</u></b>	<b><u>Impact on Rates<sup>1</sup></u></b>
1. Food Program Supervisor (Local 17) <sup>2</sup>	\$262,680	1.0	<\$2.50
2. Section Manager for Chemical Hazards and Solid Waste	\$316,352	3.0	<\$5.00
3. Accountant	\$201,961	1.0	~\$1.00
4. Paralegal	\$190,771	1.0	~\$1.00
5. Veterinarian <sup>3</sup>	\$88,682	0.25	<\$0.40

<sup>1</sup> Fees are rates multiplied by inspector hours. Positions with rate impacts are those for which EHS has assumed a rate increase to support the cost of the position.

<sup>2</sup> The proposed budget for the food program positions includes an additional \$150,000 in one-time program development costs described more fully below.

<sup>3</sup> The proposed budget also includes \$406,000 to fund an existing body of environmental health-related work performed by the Prevention Division, described more fully below.

This staff report focuses on the proposed positions that have an impact on fees. At the panel's request, staff can provide more information offline or next week on other positions.

- 1. Food Program Supervisor 1.0 FTE Add** – This position would have slightly less than a \$2.50 impact on the hourly rate, or about one percent of the rate.<sup>1</sup> The Food and Facilities Program conducts inspections of food establishments, pools and spas. Each supervisor currently oversees 17 staff and this proposal would bring the ratio to 1 supervisor for 12 staff. An independent program review conducted by a consultant recommended the addition of a supervisor to bring the span of control to 1 supervisor for 10 direct staff. EHS states that this ratio is needed for quality assurance and quality control in a program that has diverse food establishments and multiple complex code applications to oversee.

As part of this request, the proposed budget also includes a one-time \$150,000 for program development to identify the feasibility and cost of implementing recommended projects from a consultant's food program review. The recommended projects include a restaurant window report card, web site

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<sup>1</sup> Fees are rates multiplied by inspector hours. The number of hours varies depending on the type of permit. It can be under an hour for simple food permits and over five hours for more complicated permits that have a higher volume of business or greater risk category. The proposed budget assumes a food inspector hourly rate of \$225.

upgrades for restaurant inspection reporting and program efficiencies such as electronic plan review.

- 2. Section Manager for Chemical Hazards and Solid Waste 1.0 FTE Add** – This position would have slightly less than a \$5.00 impact on the hourly rate, or about 2.6 percent of the rate.<sup>2</sup> The Chemical Hazards and Solid Waste section would encompass the chemical hazards and solid waste inspection duties currently contained with the Community Environmental Health Section. This position was eliminated in 2010 as part of budget cuts. EHS states that increasing inspector workloads has increased need for oversight of the new work. In addition, EHS reports that the topics and expertise needed in these program areas are very diverse and require Public Health representation at many statewide and countywide policy discussions which are difficult for one section manager alone to attend. The breadth of programs in the Community Environmental Health Section appears to support the need for an additional section manager. However, it should be noted that funding this position has the largest impact on rates, representing slightly less than five dollars of a recommended \$190 hourly rate charge, or 2.6 percent.
- 3. Accountant 1.0 FTE Add** – This position would have about a \$1 impact on the hourly rate. This position is proposed to address increases and shifts in workload over the past several years within EHS. Although Public Health had its accounting practices analyzed by a consultant as part of the recent funding crisis, EHS reports that this position request is unrelated to the outcome of that report. . In particular, EHS reports a significant increase in reconciliation of on-line permit payments due to increases in plumbing and other permits, the need to strengthen internal controls due to more frequent reconciliation between the division's invoicing system and the general ledger, and increased complexity of grant reimbursement policies over the last few years.
- 4. Paralegal 1.0 FTE Add** – This position would have about a \$1 impact on the hourly rate. This position would assist with enforcement-related tasks such as investigation, research, gathering and organizing evidence, assisting with case monitoring, and other supportive legal functions. EHS states that this position would assist with enforcement cases that are backlogged, some as long as several months. EHS also reports delays in Notice of Violations processes that would be reduced by this position. The position would also assist with code updates that EHS reports have a consistent backlog of up to eight codes for the past three years, including the Water Recreation code in need of updates identified by federal regulations in 2008. The Board of Health also recently passed new Secure Medicine Return legislation that EHS predicts will generate a new body of work. As some of the identified backlogs represent longstanding issues, there appears to be a strong ongoing need but not an urgent time-sensitive need for legal support.
- 5. Veterinarian 0.25 FTE Add** – This position would have a \$0.33 impact on the hourly rate. The Pet Business program permits and inspects animal shelters,

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<sup>2</sup> The proposed budget assumes a community environmental health inspector hourly rate of \$190.

commercial kennels, pet daycares, pet food retail businesses, pet grooming services, pet shops, satellite pet adoption facilities and poultry retailers for compliance with environmental requirements and infection control procedures. This position request transfers the fee-supported portion of an existing Veterinarian from the Public Health fund to the Environmental Health fund. The 0.25 portion of this position involves educating pet business owners, providing pet business inspection permit assistance, reviewing and revising applicable Board of Health codes, and ensuring infection control.

Note that if the Council does not approve one of the positions impacting the fees but the Board of Health adopts the fees, EHS states that the rates and proposed fee schedule would not change for 2015. Instead, because fees are affected by a number of factors (such as workload and efficiencies), EHS would reconcile the revenues and expenditures at the end of 2015 and adjust 2016 fees accordingly. Thus, according to EHS, the effect of any savings from the Council not approving a position addition would occur at the end of 2015.

### **WEEK TWO PANEL FOLLOW-UP**

Panel Question/Follow-up: Provide information on recommended 2015 EHS fee schedules that are pending Board of Health adoption.

Response: The Board of Health currently has a rate subcommittee that will be making recommendations to the Board on EHS's hourly rate structure. Those recommendations and a proposed 2015 EHS fee schedule will likely be presented at the December Board of Health meeting. Adoption of the fees by the Board of Health is unlikely to occur prior to Council adoption of the 2015-2016 budget.

As described previously, some of the positions requested in the proposed budget are proposed to be funded by fee increases.<sup>3</sup> The proposed budget assumes that those increases will be adopted by the Board of Health for 2015. If there is a discrepancy between Council's budget actions and the fees adopted by the Board, EHS would reconcile the revenues and expenditures at the end of 2015 and adjust 2016 fees accordingly. Thus, the effect of any savings from the Council not approving a position addition would occur at the end of 2015.

EHS has proposed new fee schedules for 2015 that are pending Board of Health approval. Fees under review by the Board of Health include the following:

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<sup>3</sup> EHS has provided estimates of the impact of the position additions on the hourly rates. Fees are computed by multiplying the hourly rate by the number of hours of inspection work to be performed.

**Table 4. Permit Types, Volume and Proposed Fee Ranges**

<b>Permit Types</b>	<b>2013 Number of Permits Issued</b>
<ul style="list-style-type: none"><li>Food and Facilities (inspection of eating establishments, grocery stores, mobiles, caterers, temporary events, farmer's markets)</li></ul>	14,716
<ul style="list-style-type: none"><li>Water Recreation Facilities (inspection of pools, spas, water parks)</li></ul>	1,739
<ul style="list-style-type: none"><li>Pet Businesses (inspection of pet stores, pet care facilities, animal shelters, breeders, petting zoos)</li></ul>	411
<ul style="list-style-type: none"><li>On-Site Septic (inspection of septic systems, private wells)</li></ul>	4,162
<ul style="list-style-type: none"><li>Solid Waste (inspection of transfer stations, haulers, recycling facilities)</li></ul>	67

EHS fees are intended to cover actual costs of providing regulatory services, such as inspections of pools and food establishments.<sup>4</sup> In September 2013, the County Auditor conducted a performance audit of EHS's fees and fee-setting process. The audit recommended, among other things, that EHS re-evaluate its policy of having a unified rate for all programs (reconciling rates to reflect actual costs) and look for efficiencies in delivering inspection services as ways to drive total costs down. In response, EHS conducted a rate study in order to align fees with updated actual costs. That rate study informed the proposed rates and fees<sup>5</sup> that are being considered by a Board of Health environmental fee subcommittee. EHS also hired consultants to do a comprehensive review of the food program.<sup>6</sup>

The permit fees to be adopted by the Board encompass approximately 150 permit types and range from \$28 to \$26,598. With over 150 different types of permits, there are too many fees to list all of them. Almost every fee is proposed to change, some slightly and some significantly.

The figure below shows the average fee increase for the main categories of permits.

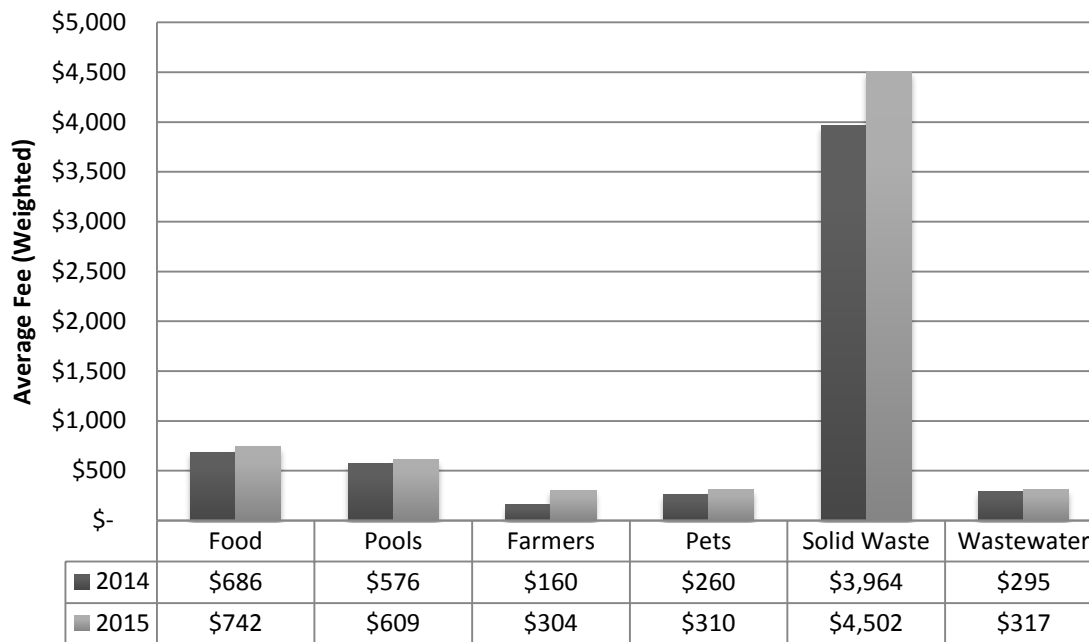
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<sup>4</sup> See, e.g., BOH 2.06.008 "...the fees for services shall not exceed the actual cost of providing the services." By state law, the fees established by the Board of Health cannot exceed the actual cost of providing the services. RCW 70.05.060(7).

<sup>5</sup> Rates are the cost per hour of providing services. Fees are rates multiplied by service hours.

<sup>6</sup> Other steps being taken in response to the audit include a business process review of staffing methodology. The audit also made a recommendation regarding the need to develop a financial plan and to revise the fund balance and reserve policy. Parts of that recommendation that are still unresolved are the issues of the timing over which reserves should be built up and how to avoid cross-subsidization of programs when reserves are drawn down and replenished. The BOH rate subcommittee is also examining the issue of rate reserves. Building reserves would have fee impacts as well.

## Weighted Average of Permit Fees by Permit Category (2014 Actual and 2015 Proposed)



**Question/Follow-up:** What is the proposed increase to farmer's market fees?

**Response:** There are three types of farmers market permit fees shown in the table below.

- Temporary Food permits are a common type of permit for farmers market vendors.
- Temporary Food Limited permits are for vendors serving a limited type of food on a designated list, such as strawberry shortcakes or deep fried peanut butter and jelly sandwiches.
- There is also a fee for the farmers market coordinator who, among other things, is responsible for ensuring all vendors at the market have the required permits.

It is important to note that a vendor may sell food at multiple farmers markets. Under the current scheme, the vendor must pay the permit fee for each market at which the vendor operates.

**Table 5. Proposed Farmers Market Fee Schedules**

	2013 Permit Count	2014 Fee	2015 Proposed Fee	Change	Percent Change
<b>Food Fee Schedule</b>					
Temporary Food	1,573	\$281	\$400	\$119	42%
Temporary Food – Limited types of food	1,928	\$55	\$200	\$145	263%
Farmers Market Recurring Coordinator	42	\$502	\$1,162	\$660	131%

Panel Question/Follow-up: What is the intersection between County functions, particularly Environmental Health, and water quality monitoring and response, that can inform prevention of future incidents such as occurred with the Mercer Island boil water event?

Response: At the end of September, Seattle Public Utilities, the water provider for Mercer Island, found presence of *E. coli* in routine test samples of the Mercer Island water distribution system.<sup>7</sup> According to EHS, multiple state and local agencies play a collaborative role in water quality assurance in emergencies such as the Mercer Island boil water event. EHS reports that typically, the local health department plays the role of coordinating the response among the response parties, which is in line with the local health department's responsibility for the health of residents within its jurisdiction under the health officer.

The agencies and some of their duties as described by EHS are summarized below:

- Washington State Department of Health (DOH) – DOH regulates Group A water systems (15 or more connections) such as Mercer Island. It provides technical guidance to water systems and has the regulatory authority and responsibility to issue and rescind boil water advisories.
- The water purveyor (often Seattle Public Utilities or SPU) – SPU provides laboratory testing for its water customers, including Mercer Island, on a routine basis.
- The water utility (in this case, Mercer Island) – The water utility is responsible for working with state regulators and the water quality lab to assure that the water they provide to residents and businesses meet state standards.
- Public Health - Seattle & King County (PHSKC) –
  - EHS - EHS has a regulatory responsibility for retail eating establishments, including prohibiting restaurants from operating without potable water. There were 29 food program staff involved in providing on-call and on-site support to ensure that all restaurants understood the boil water order. EHS worked with individual restaurants to help them to remain open during the boil advisory.
  - Preparedness Section and Communications Unit – Helped coordinate emergency operations and communications.
  - Communicable Disease – Staff provided health advice and guidance and investigated the case of a child with *E. Coli* on Mercer Island.
  - Health Officer – Provided overall guidance to Public Health's response and assuring that all parties were making correct decisions.

Public Health has an active and intensive role as part of a coordinated multijurisdictional response. Water quality and regulatory controls for drinking water reside with the state and other local utilities as identified above.

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<sup>7</sup> E.g., "Boil water advisory on Mercer Island", Q13 Fox News, Sept. 27, 2014.



<b>Analyst:</b>	<b>Polly St. John Rachelle Celebrezze</b>
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### **EMERGENCY MEDICAL SERVICES (EMS)**

#### **BUDGET TABLE**

	2013-2014 Adopted	2015-2016 Proposed	% Change 2013-2014 v. 2015-2016
Budget Appropriation	\$145,455,165	\$149,616,000	2.86%
FTE:	124.25	142.05	14.33%
TLT:	0	0	0%
Estimated Revenues	\$131,501,855	\$147,982,000	12.53%
Major Revenue Sources	EMS Levy		

#### **ISSUE 1 – CHANGES IN BLS ALLOCATION**

A \$3 million increase for the BLS Allocation is proposed. Half of the increase – or \$1.5 million – is for a new Core Services Support Program to provide additional training and equipment to maintain first-on-scene service medical protocols. Criteria and procedures have not been developed to determine under what circumstances this funding will be accessed and disbursed to BLS agencies. The Council may wish to consider a proviso to establish criteria for access prior to disbursement of the funds.

**Option 1: Approve as proposed.**

**Option 2: Direct staff to develop a proviso that would require criteria to be identified for accessing BLS services support, including criteria and procedures for disbursement of funds.**

#### **ISSUE 2 – CENTRAL RATE SERVICES AND OVERHEAD**

Overall, the EMS budget is proposed to grow by 2.86 percent in 2015-2016. Included in the budget increase for the first time are the full costs for providing county services to the EMS division. In past budgets, many of the direct service costs were not passed on in full to EMS by the Department of Public Health – Seattle & King County. The 2015-2016 proposed EMS budget also reflects revisions to technology overhead costs based on increased usage of technology services by the division that were previously underestimated in past budgets.

Central rates, overhead costs and direct service charges for EMS total \$10.4 million for the biennium, or 6.9 percent of the total EMS appropriation request. The components of charges include overhead allocation for county services, departmental administrative overhead, and the costs for direct services used by the division. The table below shows

the categories of service costs and the amount of change from 2013-2014 to 2015-2016.

A	B	C	D	E	F
Row	Description	2013-2014	2015-2016	\$ Change	% Change
1	GIS O & M	53,517	61,829	8,312	16%
2	GIS Client Services	18,900	0	(18,900)	
3	Prosecuting Attorney	44,700	333,865	289,165	647%
4	Overhead Cost Allocation	1,136,934	1,530,444	393,510	35%
5	LTD GO Bond Redemption Srv.	179,544	179,540	(4)	
6	Financial Management Services	308,702	265,033	(43,669)	-14%
7	FMD Strategic Initiative Fee	8,806	6,645	(2,161)	-25%
8	Insurance	473,578	125,516	(348,062)	-73%
9	Financial Mgmt. Srvs. Rebate	10,656	(7,061)	(17,717)	-166%
10	Business Resource Center	251,133	357,300	106,167	42%
11	Transfer for OIRM CIP	29,150	46,324	17,174	59%
12	PH Administrative OH	2,091,723	2,344,082	252,359	12%
13	PH Workstations/e-Government	1,765,594	2,927,318	1,161,724	66%
14	KCIT Radio Rates	56,734	147,337	85,602	151%
15	KCIT Application Services - direct	1,585,431	2,115,620	530,189	33%
16	<b>EMS Fund Overhead/Direct Total</b>	<b>8,015,102</b>	<b>10,428,792</b>	<b>2,413,689</b>	<b>30%</b>

Public Health departmental administrative costs are allocated to all its division budgets based upon the percentage each division represents of the Public Health department as a whole<sup>1</sup>. For 2015-2016, EMS accounts for 16.7 percent of the Public Health department; these administrative costs are shown in line 12 of the table. These administrative costs range from human resource and payroll services to diversity initiatives. The administrative overhead costs, excluding KCIT, are increasing by \$250,000 or approximately 12 percent over the biennium.

As shown in lines 13-15 of the table, the full costs for technology are categorized and assessed to the division. Public Health's allocation of technology costs is increasing by \$1.166 million. This budget increase anticipates some increased use of technology programs, as well as accounting for an increase in the number of workstations supported by KCIT. Further, in 2013-2014, the number of workstations was severely underestimated and a proper accounting of stations contributes to the increase and a true up of costs that must be repaid to KCIT. These workstation adjustments for rates and services total \$592,137.

KCIT Application Services increases, shown on line 15 of the table, are related to the costs associated with support for 7.00 FTEs in KCIT that are dedicated to EMS web maintenance and development of EMS programs. These services include:

- Development and ongoing support to maintain the Web training courses for Paramedic certifications courses across the region and nation (EMSONline)
- Regional EMS 911 Standardized Dispatch Application Services

<sup>1</sup> Public Health is organized into five operating divisions that include Community Health Services, Emergency Medical Services, Environmental Health Services, Jail Health Services, and Prevention Services. Jail Health Services, EMS, Local Hazardous Waste, and the Medical Examiner's Office all have separate appropriations and budgets.

- Database and real-time reporting for tracking ALS and BLS outcomes
- Database and interface support to manage the complex schedules of Medic One personnel
- Technology support for Medic One vehicles and more

It is assumed that in the 2017-2018 biennium these technology costs will stabilize.

Financial Plan: The financial plan for EMS reflects a \$7.2 million increase in expected revenues. The increase is due to the new levy rate for the 2014-2019 levy period and to higher than anticipated property tax collections, as adopted by the Forecast Council in August. Allocations for Advanced Life Support (ALS) and Basic Life Support (BLS) service provision that flows to Medic One partners within the system will not be affected. The EMS financial plan supports these proposed costs while maintaining \$21 million for reserves and designations. In addition, the ending undesignated fund balance shows an additional \$14.9 million. The proposed EMS budget includes the overhead costs and maintains a total of \$36 million in levy proceeds that can be used to meet unanticipated needs over the levy period. Proposed changes in the overhead rates should not strain the fund's capacity to provide services to county citizens or to its Medic One partners.

**Option 1: Approve as proposed.**

**Option 2: Direct staff to develop a proviso that would require Public Health to work with the Office of Performance, Strategy and Budget to report on how Public Health administrative costs that are passed on to its divisions will be standardized in the future.**

<b>Analyst:</b>	<b>Rachelle Celebrezze</b>
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**EMPLOYMENT AND EDUCATION RESOURCES**

**BUDGET TABLE**

	2013-2014 Adopted	2015-2016 Proposed	% Change 2013-2014 v. 2015-2016
Budget Appropriation	\$23,431,575	\$22,681,000	-3.2%
FTE:	55.28	36.50	-34.0%
TLTs:	1.0	0.0	-100.0%
Estimated Revenues	\$23,473,776	\$22,433,000	-4.4%
Major Revenue Sources	General Fund		

Staff have identified no issues with this budget.

**WEEK TWO PANEL FOLLOW-UP**

**Panel Question 1:** What is the rationale for ending the Veterans Aerospace Manufacturing Program (AMP) in 2014? Can the program continue without the 1.0 FTE, as proposed in the Employment and Education Resources (EER) budget? What are the results of the pilot program?

**Response:** Staff has learned that the Department of Community and Human Services (DCHS) is planning to continue the AMP in 2015-2016 under the Veterans Program.

The AMP was established as a pilot program to create education and employment pathways for veterans to obtain jobs in King County's aerospace and manufacturing industries and funded under the EER program for 2012 through 2014. DCHS intends to continue the AMP in 2015-2016 at the AMP's existing locations—one in Seattle and one at Worksource Renton. In 2015-2016, DCHS will carry out the AMP under the Veterans Program rather than the EER program.

Currently, there are 4.0 FTEs associated with the AMP; in 2015-2016, 3.0 FTEs will be retained. The position proposed to be eliminated is administrative in nature. DCHS anticipates that there will be no reduction in services provided under the AMP program as a result of the proposed reduction in FTEs.

DCHS issued a preliminary project evaluation of the AMP pilot program in May 2014. According to the preliminary project evaluation, between the pilot program's launch and the end of 2013, the AMP provided 217 clients with services. Overall, 143 of the AMP's clients (75 percent) obtained a job, at an average hourly wage of \$17.79.

During that period, the AMP served two categories of clients: 1) dislocated workers (individuals with recent employment history who were collecting unemployment) and 2)

veterans with higher barriers to employment (such as homelessness and disability). Of the dislocated workers served, 35 regained employment at an average hourly wage of \$22.35, while of the veterans served with higher barriers to employment, 148 were served, with 73 percent obtaining new jobs.

**Panel Question 2:** Are there are opportunities for federal reimbursement relating to providing services to veterans and their families that are not being fully captured by the EER program?

**Response:** DCHS is currently seeking opportunities to maximize revenues and ensure the sustainability of the EER program. As DCHS stated in the transmitted proviso response report submitted to the Council and for which the Council acknowledged receipt in Motion 2014-0300, DCHS intends to increase federal reimbursements for veterans and their families in 2015-2016 through expansion of the Basic Food Education and Training (BFET) program to veterans and their families.

Funding for BFET originates at the Department of Agriculture and is meant to work in tandem with the Supplemental Nutrition Assistance Program (SNAP). BFET assists work-ready individuals enrolled in SNAP and provides funding for the necessary education and training to move those individuals from the SNAP program to sustainable employment.

DCHS projects that the expansion of the BFET program will result in an additional \$600,000 in revenues for the 2015-2016 biennium. While the BFET program is not limited to veterans, DCHS has targeted veterans and their families for the pilot program and plans to expand the program to all populations in the coming years.

In addition to the revenue maximization measures DCHS has already identified, DCHS intends to pursue the following opportunities that, if granted, would include services for veterans and their families:

- United States Department of Labor grants for veterans employment and training services from government and private agencies.
- Maximizing benefits provided under the GI Bill, including benefits transfer, tuition assistance and tuition reimbursement, as well as benefits to family members of deceased service members.
- Accessing National Guard state tuition waivers and reimbursement benefits, particularly given the fact that some deployment veterans are still in the National Guard and can access both United States Department of Defense and Veterans Affairs programs, with dependent eligibility.
- Federally funded vocational training resources that lead to trade-focused employment. Many vocational training resource programs are open for both veterans and their dependents.

**Panel Question 3:** For youth served by the EER program that have individual education plans (IEPs), are there opportunities for state or federal reimbursement that are not being fully captured by the EER program?

**Response:** Staff has learned that DCHS does not currently track whether youth served by the EER program have individual education plans (IEPs). DCHS has indicated that school districts retain the responsibility for the provision of special education services in accordance with the federal and state law, including the Individuals with Disabilities Education Act (IDEA). In cases where school districts provide special education in partnership with EER Youthsource or other EER reengagement programs, the school districts retain 100 percent of the enhancement funding for special education services.

DCHS has indicated that the department plans to revisit the issue and consider whether there may be opportunities for funding and reimbursement relating to serving youth who have IEPs for the 2016-2017 school year.

Staff have identified no issues with this budget.

<b>Analyst:</b>	<b>Kelli Carroll</b>
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**DEPARTMENT OF COMMUNITY AND HUMAN SERVICES ADMINISTRATION**

**BUDGET TABLE**

	2013-2014 Adopted	2015-2016 Proposed	% Change 2013-2014 v. 2015-2016
Budget Appropriation	\$ 6,814,265	\$10,736,000	36.5%
FTE:	15.0	22.25	32.6%
TLTs	0.0	1.00	100.0%
Estimated Revenues	\$ 6,292,653	\$10,472,000	39.9%
Major Revenue Sources	Departmental Overhead Housing Funds Veterans and Human Services Levy		

**ISSUES**

**ISSUE 1 – CONTINUING GENERAL FUND SUPPORT OF HEALTH AND HUMAN SERVICES TRANSFORMATION PLAN**

In November 2012, the King County Council recognized via Motion 13768, that despite progress on some measures of health and well-being, significant and unacceptable disparities persist in King County—by geography, by race and ethnicity, and by other social factors. The Transformation Plan grew out of the Council’s request that the Executive use the health and human services system to improve outcomes for King County residents. It charts a five-year course to a better performing health and human service system for the residents and communities of King County.

General Fund support for staffing of the Health and Human Services Transformation Plan (HHSTP) is proposed to be continued for the biennium at the 2014 budgeted level of \$476,000 in DCHS-A. There is also a budget request in the Public Health fund related to HHSTP work. Support for the catalyst fund (\$500,000) ends at the end of 2014 and is not renewed for the biennium.

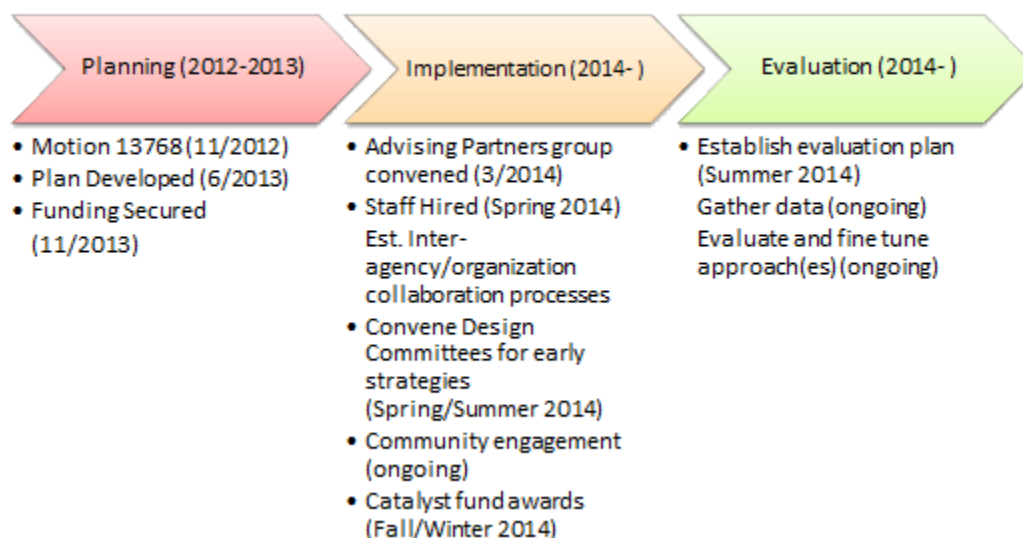
Executive staff indicate that funds will support staffing capacity in DCHS and Public Health to support the collective impact model of funders, providers, and community members as they track shared outcomes and strategies to achieve the two “go first” strategies of the HHSTP. The two early strategies are:

1. Improving outcomes for adults with complex health and social issues
2. Improving outcomes for communities facing health and social challenges

For the upcoming period, these funds would enable staff to initiate the performance measurement and evaluation framework, including data collection methodologies and tools as well as gather and report on data.

No catalyst funding is proposed for 2015-2016.

#### HHS Transformation Project Phases



*Panel Follow Up: Staff were asked to clarify the proposed increases of General Fund for 2015-2016 the HHSTP of \$476,000 in DCHS and Public Health.*

Response: The Executive's proposed budget continues support for Health and Human Services Transformation Plan efforts at \$952,000 for the biennium, with the budgetary authority evenly split between Public Health and the Department of Community and Human Services (DCHS).

The program costs are detailed in the table below.

	Public Health	DCHS	Biennium Total
Program Project Manager 4 (1.0 TLT)	\$264,291		\$264,291
Admin Support (0.5 TLT)	\$115,689		\$115,689
Epidemiologist 2 (1.0 TLT)	\$121,801	\$121,801	\$243,603
Miscellaneous Costs	\$12,040		\$12,040
Lease Costs (five cubes)	\$89,126		\$89,126
Consulting Costs		\$83,000	
Indirect charges	\$144,251		\$144,251
<b>Total</b>	<b>\$747,199</b>	<b>\$204,801</b>	<b>\$952,000</b>



Information provided by Executive staff shows that the HHSTP and its 2014 Catalyst Fund investment has resulted in leveraged financial support from local and national foundations:

1. \$100,000 Living Cities<sup>1</sup> grant supports the efforts to improve community health and well-being through collaboration and increased alignment of the County's efforts with local partners.
2. \$3.26 million Seattle Foundation Communities of Opportunity place-based initiative blends funds with the Catalyst funds to make grants to communities. The first small grants from this funding stream will be announced Oct. 2014, with a second funding round to occur in December.

Executive staff indicated that “not funding this proposal would limit measureable progress on the Transformation Plan and would signal to community partners that King County does not prioritize this important work... Continued staff capacity is essential in order to take advantage of these fast-moving opportunities.”

Staff asked what the impact would be if the transformation efforts were funded at 50 percent of the proposed level. Executive staff indicated that “with half the budget, we would have to eliminate the Transformation Plan Project Coordinator and Admin Support positions. These positions are especially critical to the Communities of Opportunity work. This would jeopardize our partnership with The Seattle Foundation and the additional funding The Seattle Foundation brings to Communities of Opportunity.”

Staff also asked about the impacts of funding the transformation efforts, but only through 2015. Executive staff indicated that funding these efforts for only part of the biennium would jeopardize the ability to achieve the overall goals of the transformation efforts, as well as the partnership with The Seattle Foundation.

**Option 1: Approve as proposed.**

**Option 2: Direct staff to eliminate funding and FTE authority associated with one or more of the proposed positions.**

**Option 3: Defer to the Chair's striking amendment.**

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<sup>1</sup> Living Cities is a consortium of 22 national philanthropic organizations focused on improving the well-being of low income individuals and families. <https://www.livingcities.org/about/>

<b>Analyst:</b>	<b>Kelli Carroll</b>
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**COMMUNITY SERVICES OPERATING FUND**

**BUDGET TABLE**

	2013-2014 Adopted	2015-2016 Proposed	% Change 2013-2014 v. 2015-2016
Budget Appropriation	\$9,549,236	\$9,877,000	3.3%
FTE:	12.5	11.5	-8.7%
TLTs	0.0	0.0	0.0%
Estimated Revenues <sup>1</sup>	\$3,849,240	\$9,149,000	57.9%
Major Revenue Sources	General Fund, Departmental Overhead, MIDD		

**ISSUE 1 – HUMAN SERVICE CONTRACT INCREASES**

The proposed budget for 2015-2016 includes over \$5.3 million in support for human services contracts, which is just over an 11 percent increase for the same contracts funded in the 2013-2014 budget.

The proposed budget for 2015-2016 includes increases to the base funding and/or cost of living (COLA) adjustments for the following contract areas as shown in table 1 below. Contract increases are proposed to be backed by General Fund revenue. The 2015-2016 budget would see the first COLA increases to human service providers in many years.

Table 1.

<b>Service Area</b>	<b>Add to the Base</b>	<b>COLA</b>	<b>One Time Adds</b>
Domestic Violence Services	<b>X</b>	<b>X</b>	
Sexual Assault Services		<b>X</b>	
Legal Services		<b>X</b>	
Winter Shelter Services	<b>X</b>	<b>X</b>	
Senior Center Services		<b>X</b>	
DAWN		<b>X</b>	<b>X</b>
Team Child		<b>X</b>	<b>X</b>

In addition, the budget proposes to utilize \$664,204 of fund balance to continue one-time 2013-2014 Council support to the Domestic Abuse Women's Network (DAWN) and Team Child. The funding amount also includes COLA for the agencies.

With regard to the winter shelter services funding, the Executive notes that,

<sup>1</sup> From 2013-2014 Executive budget book estimated revenues pg. 411.

*For the past several years one-time supplemental budget requests have been used to increase funding for this program to meet community needs. This request proposes increasing the base budget to provide continuity and consistency for this program. This proposal is based on the estimated cost to run the winter shelter at its current location in the King County Administration Building for 5.5 months per year (November through mid-April) and 9.5 hours per night (8:30pm-6:00am). This request covers the DCHS contracted services portion of winter shelter operations. Additional facility and security costs are incurred by the Facilities Management Division<sup>2</sup>.*

**Option 1: Approve as proposed.**

**Option 2: Direct staff to eliminate funding for this item.**

**Option 3: Defer to the Chair's Striking Amendment.**

## **ISSUE 2 – COMPETITIVE PROCESS FOR HUMAN SERVICE CONTRACTS**

While the 2015 proposed budget would continue to directly allocate funds to certain human service agencies as has been historical practice, the Executive proposes in 2016 that a competitive Request for Proposal (RFP) process be utilized for human service contracts. The amount of these contracts would be put into competitive funding rounds for that particular service in 2015 for 2016 allocation by type as follows:

- Domestic Violence Survivor Services
- Sexual Assault Victim Services
- Legal Services
- Senior Services

Executive staff state that

*“...a fair, transparent, competitive process will produce better programs through higher levels of accountability. In addition, opening up the process for competition will allow (more) community based organizations to participate in funding opportunities, thereby promoting a more equitable distribution of services, especially in traditionally underserved areas and potentially, underserved cultural groups.”*

In response to Council staff inquiries, Executive staff provided additional information on the proposal. If approved, the competitive process would adhere to the following principles:

- Maintain available funding in existing major categories, with future adjustments made to categories of service rather than specific providers or agencies.

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<sup>2</sup> Executive Book, pg. 413.

- Ensure that overall levels of service are maintained or increased through award decisions.
- Provide for a range of criteria will be incorporated into the fair and transparent process including, but not limited to, program performance, populations served, and regional need for specific services.

This proposal reflects a 2006 Council Audit report that recommended DCHS engage in a competitive process for human service contracts.

**Option 1: Approve as proposed.**

**Option 2: Direct staff to develop a proviso that restricts 2016 expenditure of revenue for human services contracts until the Council approves a report specifying the process, criteria, and timelines for a proposed request for proposal process for human service contracts.**

**Option 3: Directly allocate 2016 funds to specific human service providers without the request for proposal process.**

**Option 4: Defer to the Chair's Striking Amendment.**

### **ISSUE 3 – RESTRUCTURING & RENAMING OF THE COMMUNITY SERVICES OPERATING FUND**

A foundational component of the Executive's 2015-2016 budget for human services is the overhaul of the Community Services Operating Fund (the Children and Family Services Fund). The Executive proposes a number of administrative changes to the fund to increase transparency and efficiency and simplify revenue transfers.

Currently, the fund receives revenue from five sources: General Fund, sales tax collections, parking garage revenue, marriage license fees, and divorce filing fees. The Executive proposes redirecting these revenues to the General Fund and replacing those revenues in equal amounts with a General Fund transfer to the fund. The Executive proposes eliminating two of the fund's three appropriation units and replacing the double, and in some cases, triple budgeting of funds between appropriation units, with a direct General Fund transfer. All revenues and expenditures would be consolidated in the remaining single appropriation unit. From a staff perspective, these actions appear to be quite reasonable and would have a positive impact on transparency and efficiency.

As noted above, Proposed Ordinance (PO) 2014-0411 transmitted with the Executive's proposed budget would change the name of the fund. The PO would also make a key policy change to K.C.C. by eliminating the provision that a portion of parking garage revenues be allocated to human services. Executive staff indicate that the primary goal of increasing transparency is driving the change to the set-aside of parking garage revenue to human services and that the commitment of the Executive is to fund human service programs to the greatest extent possible with General Fund support, even in revenue constricted environments.

The Council will have the opportunity to discuss this policy question in detail as it takes up Proposed Ordinance 2014-0411.

During panel discussions, staff was asked to research the thinking behind establishing a set aside for human services from a portion of parking garage revenues. While staff was able to locate the 1988 originating legislation of the set aside (Ordinance 8753), staff reports or other materials were not located by the time that this staff report was drafted. Broadly speaking, the Council established the set aside to ensure an ongoing source of funds for human services. Staff continue to research archives for pertinent related information.

**Options regarding this issue will be brought forward as part of the analysis of Proposed Ordinance 2014-0411, which will be discussed in more detail later in the budget process.**

<b>Analyst:</b>	<b>Kelli Carroll</b>
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**MENTAL HEALTH FUND**

**BUDGET TABLE**

	2013-2014 Adopted	2015-2016 Proposed	% Change 2013-2014 v. 2015- 2016
Budget Appropriation	\$341,848,040	\$421,281,000	18.9%
FTE:	78.3	73.5	-6.5%
TLTs	1.0	1.0	0.0%
Estimated Revenues	\$341,087,366	\$417,945,000	18.4%
Major Revenue Sources	State and Federal Contracts-Medicaid and Non-Medicaid		

**ISSUES**

**ISSUE 1 – INCREASING INVOLUNTARY TREATMENT BED CAPACITY**

The Mental Health fund is proposed to receive \$1.2 million of Mental Illness and Drug Dependency (MIDD) funds to support costs associated with developing a 16-bed inpatient E&T facility.

In light of the boarding crisis, the county has received permission from the State to construct two 16-bed free-standing mental health inpatient E&T facilities. The State appropriated \$1.1 million in start-up funds in the last legislative session for one 16-bed King County E&T, covering the costs of site acquisition and development, design and permitting, licenses and certifications, and equipment purchases. The \$1.2 million of MIDD support proposed by the Executive in the 2015-2016 budget would fund acquisition and development of a second site.

The involuntary treatment boarding crisis is detailed in the following MIDD Fund section of this report. The budgets for both the Mental Health Fund and MIDD need to reflect the same policy decision of the County Council. Please refer to the MIDD section for options to address this issue.

<b>Analyst:</b>	<b>Kelli Carroll</b>
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**MENTAL ILLNESS AND DRUG DEPENDENCY FUND**

**BUDGET TABLE**

	2013-2014 Adopted	2015-2016 Proposed	% Change 2013-2014 v. 2015-2016
Budget Appropriation	\$115,785,749	\$113,385,403	-2.1%
FTE:	75	87	13.8%
Estimated Revenues	\$99,778,701	\$111,222,000	10.3%
Major Revenue Sources	Sales Tax		

**PROGRAM DESCRIPTION AND PURPOSE:**

The Mental Illness and Drug Dependency (MIDD) fund is comprised of sales tax revenue dedicated by state law to supporting new or expanded chemical dependency or mental health treatment programs and services and for the operation of therapeutic court programs and services. MIDD funds also support programs and services formerly supported by other revenue such as county General Fund. This particular MIDD support is known as “supplantation” and is subject to certain rules established by the State Legislature. Supplantation is discussed below.

King County established policy goals for the MIDD funds, with the overarching goals of the programs and services supported by the MIDD fund are to prevent and reduce chronic homelessness and unnecessary involvement in the criminal justice and emergency medical systems and promote recovery for persons with disabling mental illness and chemical dependency by implementing a full continuum of treatment, housing, and case management services.

MIDD funds are allocated to 35 strategies established in the MIDD Action Plan approved by the Council in 2007. The strategies correspond broadly to three areas: community based care strategies, strategies for youth, and jail and hospital diversion strategies. Of the 35 strategies, all but three have been funded and are operational. The three strategies have not been funded in the past due to supplantation demands and lower than expected revenue receipts to the fund.

The programs and services supported by MIDD funds are fundamentally integrated with the County's equity and social justice goals, as its programs and services are provided primarily to the most vulnerable county residents.

**SUMMARY OF PROPOSED BUDGET AND CHANGES**

The proposed MIDD operating budget for 2015-2016 is \$113 million, including funding for 87 FTEs. Overall, the MIDD budget is reduced by just over 2 percent, while FTEs supported by the MIDD increase by 12 FTE. The \$133 million budget proposal includes funding for both supplantation and previously funded MIDD strategies, with the three

previously unfunded strategies are proposed to remain on hold in the biennium. In 2015-2016, MIDD is proposed to supplant just over \$16 million of formerly General Fund backed programs. The 2015-2016 budget reflects just over a 10 percent increase in estimated revenues as adopted by the Forecast Council in August, to \$111,222,000 from just over \$99 million in the previous biennium.

The MIDD budget changes include:

1. Technical adjustments from the 2013-2014 adopted MIDD appropriation units reflecting salary and COLA updates, central adjustments, removal of budget contras, adjustments related to Medicaid expansion, and changes to contracts.
2. Addition of 12 FTE, 10.5 of which reflect the addition of Department of Public Defense staff as county employees rather than through contracts with the four previous public defense entities. The balance of the added FTEs are associated with the District Court MIDD that support Mental Health Court, reflecting the addition of a Mental Health Court Specialist and Court Clerk based on growing caseloads.
3. A reduction in supplantation support in 2016 for Jail Health Psychiatric nursing of \$1.8 million due to the state law required ramp down in supplantation levels. Supplantation is discussed below.
4. Proposed use of \$1.2 million in MIDD funds for the development of a 16-bed psychiatric evaluation and treatment facility. This issue is discussed below.

The MIDD financial plan shows a new reserve in 2015-2016 of \$3.6 million, \$1 million of which is reserved for future technology upgrades necessitated by the State mandated mental health and substance abuse integration, and \$2.6 million in reserve for involuntary treatment bed capacity. The reserves are discussed below.

For the 2017-2018 biennium, the MIDD financial plan shows the impact of the elimination of supplantation on the MIDD fund, based on the assumptions that 1) the MIDD tax is renewed and 2) supplantation is no longer allowed by state statute. In 2017, \$11.4 million of services would be eliminated or would need to be picked up by the General Fund or other funding source; in 2018, the amount is \$11.9 million. Services such as Jail Health Psychiatric nursing, non-Medicaid supported mental health and substance abuse services, the county's Step Up program, and mental health services for survivors of domestic violence and sexual assault, among other services would be impacted.

## **ISSUES**

### **ISSUE 1 – MIDD FUNDING OF INVOLUNTARY TREATMENT BED CAPACITY**

The boarding of psychiatric patients in hospital emergency rooms and acute care centers because space is not available at certified psychiatric treatment facilities is a major problem in King County and across the state, with over 64 percent of involuntarily detained individuals boarded in King County in 2012<sup>1</sup>. When psychiatric beds are not

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<sup>1</sup> June 9, 2014 Department of Community and Human Services presentation to Law, Justice, Health and Human Services Committee.



available and individuals are detained in hospital emergency rooms or medical beds psychiatric care is not provided or provided consistently.

On August 7<sup>th</sup>, the Washington State Supreme Court ruled that hospital boarding of individuals in mental health crisis, absent medical need, is unlawful. The Court has temporarily stayed its order until December 26, 2014 to allow time for the publically funded mental health system to respond.

In light of the boarding crisis, the county has received permission from the State to construct two 16-bed free-standing mental health inpatient evaluation and treatment (E&T) facilities. The State appropriated \$1.1 million in start-up funds in the last legislative session for one 16-bed King County E&T, covering the costs of site acquisition and development, design and permitting, licenses and certifications, and equipment purchases. The \$1.2 million of MIDD support proposed by the Executive in the 2015-2016 budget would fund acquisition and development of a second site.

The MIDD funds that would support this proposal would come from fund balance and not through reducing allocations to funded and operational MIDD strategies. Though using MIDD funds in this manner is allowable under the RCW that established the MIDD sales tax, concerns have been raised by some members of the MIDD Oversight Committee that these MIDD funds should be used to pay for the three strategies that have remained on hold first due to supplantation, then due to declining revenues, rather than on the boarding crisis. Now that the MIDD fund has a fund balance, it has been argued that the fund should be used on planned MIDD activities rather than on non-MIDD strategies.

The County, as the Regional Support Network, has a statutory requirement to provide appropriate involuntary psychiatric treatment beds. The County does not have another revenue source to utilize for responding to the boarding crisis and Supreme Court decision other than the MIDD. Consequently, without the \$1.2 million from the MIDD to support the development of the second 16-bed E&T facility, the likelihood that the county could not detain individuals in beds with appropriate psychiatric care in accordance with the law, is greater.

It is noteworthy that while the State has received a waiver from Medicaid regarding the 16-bed facility limit, this waiver is time limited, approved for only two years. Thus, for the next two years, the County can involuntarily detain a mentally ill individual in facilities with more than 16 beds and have that bed paid for by Medicaid rather than with continuously reduced state-only non-Medicaid funds. After the two year period, if the waiver is not reinstated, the demand for 16-bed or smaller facilities will expand. Further, even with the ability to place individuals in facilities larger than 16 beds, there is a grave lack of psychiatric treatment bed capacity (both voluntary and involuntary) in all facilities throughout King County.

**Option 1: Approve as proposed.**

**Option 2: Direct staff to develop a proviso that restricts expenditure of these funds until the Council receives a report from the Executive and MIDD**

**Oversight Committee that reviews and comments on the proposed expenditure.**

**Option 3: Direct staff to eliminate funding for this item.**

**Option 4: Defer to the Chair's striking amendment.**

**ISSUE 2 – SUPPLANTATION**

State law<sup>2</sup> specifies rules about supplantation of MIDD funds. Per the statute in 2015, up to 20 percent of MIDD revenues may be supplanted and 10 percent in 2016, to zero in 2017 (unless renewed by Councilmanic vote, the MIDD will expire at the end of 2016). The proposed budget plans for reduction in supplantation in 2016, with no reductions in supplantation planned in 2015. The 2016 supplantation reduction decreases supplanted funds to Jail Health psychiatric nursing by \$1,888,887.

No reductions are needed in 2015 primarily due to a change in state law that allows therapeutic courts such as Family Treatment Court, Juvenile Drug Court, Mental Health Court, Regional Veterans Mental Health Court to be funded by MIDD without being considered under the supplantation cap. Thus in 2015-2016, the county's therapeutic courts continue to be MIDD supported without being counted as supplanted, freeing up supplantation "capacity" that results in no reductions to supplantation in 2015. Additional revenue projections also play a part in enabling supplantation amounts to remain steady in 2015.

During analysis of the 2015-2016 MIDD proposed budget, Council and PSB staff identified an oversight in the 2016 supplantation budget where \$362,000 of supplantation funding was inadvertently left out of the calculation. While these funds are budgeted and included in the supplantation amounts for 2015, this expenditure is not included in 2016. The mid-biennial budget update will provide an opportunity to correct the error, potentially without the use of General Fund or exceeding the supplantation cap should revenues continue to increase.

**Staff have identified no issues with this request.**

**ISSUE 3 – RESERVES**

The Executive's 2015-2016 budget for the MIDD fund assumes financial plan reserves of \$3.6 million. Due to both supplantation and very tight revenues over the past five years, the MIDD fund has not had fund balance available for reserve or for programming beyond the revenue stabilization reserve.

Executive staff reports that the reserves shown in the 2015-2016 financial plan transmitted with the proposed budget are intended for two purposes: 1) \$1 million of reserved for future technology upgrades necessitated by the State mandated mental health and substance abuse integration, and 2) \$2.6 million in reserve for involuntary treatment bed capacity. The reserves are detailed as follows:

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<sup>2</sup> RCW 82.14.460

- **Behavioral Health Integration Technology \$1.0 million Reserve** - The State of Washington has mandated that Mental Health and Substance Abuse Services are to be purchased through an integrated managed care contract with a single regional Behavioral Health Organization (BHO) by April 2016. Executive staff state that:

*King County MCADSD is positioning itself to proposing to act as the BHO for the King County region. Currently, MHCADSD has a single data system for mental health data and substance abuse data is managed by the state Division of Behavioral Health and Recovery. Under the required BHO model, MHCADSD will need to develop a single integrated data system for mental health and substance abuse data that supports the necessary payments, data gathering, managed care utilization functions, and exchange/reporting requirements with our provider networks and with the state agencies.*

*This proposal requests to reserve \$1 million of the MIDD fund balance to develop an integrated data system that can support the county's new, required role as a managed care BHO in compliance with the state's mandate under ESSB 6312.*

*Washington State has applied to CMS for a State Innovation Models (SIM) grant of approximately \$92 million to fund the overall cost of behavioral health integration. Should these funds be awarded and appropriated to King County, this funding would be released from reserve into fund balance.*

The substance abuse data base is State managed and operated while the mental health data base is County (RSN) managed and operated. The two are separate systems and do not share information at this time, nor produce similar reports.

Executive staff state that they will be developing an IT project proposal once they have better understanding of the scope and requirements from the State around behavioral health integration. The proposal will include all documents required for normal project submission:

- A Business Case (BC)
- A Benefit Achievement Plan (BAP)
- A Cost Benefit Analysis (CBA)

- **Funding for Additional Capacity of Inpatient Psychiatric Beds: \$2,658,569 Reserve** – Given the uncertainty around State funding, the timeline of bringing additional bed capacity on line, and the potential for risk should the County not provide the legally mandated type of bed and treatment, Executive staff indicate that this reserve would be held as a contingency to provide additional capacity of psychiatric inpatient beds should the need arise. Further, Executive staff have stated that should these funds not be needed for psychiatric bed capacity, they will be released to fund balance and or programming.

It is important to note that while reserves may be called out in a financial plan, the utilization of reserves requires authorization via a supplemental approved by the Council. Thus, there are no options noted for this issue since, should the Executive wish to spend reserved fund balance on these items, the Council would have the opportunity to review the request(s) and modify if desired.