## STAFF REPORT

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| **Agenda Items:** | 8-10 | **Name:** | Scarlett Aldebot-Green |
| **Proposed No**.: | 2017-0470  2017-0471  2017-0472 | **Date:** | November 8, 2017 |

**SUBJECT**

Proposed Ordinance 2017-0470 and Proposed Ordinance 2017-0471 would create a special revenue fund for Veterans, Seniors and Human Services Levy (VSHSL) proceeds and appropriate $18.3 million to continue existing Veterans and Human Services Levy (VHSL) programs in 2018. These ordinances would be necessary to implement the VSHSL should the ballot measure be approved by voters on November 7, 2017.

Proposed Ordinance 2017-0472 would appropriate $1.6 million from the Veterans and Family Levy Fund and $672,000 from the Human Services Levy Fund to close-out current services in early 2018 should the ballot measure be rejected by voters.

**SUMMARY**

In July 2017, the Council approved Ordinance 18555, which placed before the voters on November 7, 2017, a proposition to provide regional health and human services to residents of King County by replacing the existing Veterans and Human Services Levy (VHSL) that is due to expire at the end of 2017 with a new six-year levy, the Veterans, Seniors and Human Services Levy (VSHSL).

Proposed Ordinance 2017-0470 would create a special revenue fund for the VSHSL proceeds. Proposed Ordinance 2017-0471 would appropriate $18.3 million from the VSHSL and authorize 16 FTEs to continue currently funded regional health and human services to veterans and military servicemembers and their respective families, and other persons in King County.

In the event the ballot measure is not approved, Proposed Ordinance 2017-0472 was also transmitted and would appropriate $1.6 million from the Veterans and Family Levy Fund and $672,000 from the Human Services Levy Fund for close-out of VHSL-funded programming.

**BACKGROUND**

Ordinance 18555, enacted in July 2017, placed before the voters on November 7, 2017, a proposition to provide regional health and human services to residents of King County by replacing the existing VHSL that is due to expire at the end of 2017 with a new six-year levy, the Veterans, Seniors and Human Services Levy (VSHSL). The outcome of that election was unknown at the writing of this staff report.

The new VSHSL initial rate would be set at $0.10 per $1,000 of assessed value in 2018. The VSHSL collections are estimated at $52.3 million in 2018 and (after allocations for technical assistance and capacity building and pro-rationing of fire and park districts) the proceeds would be divided into three equal allocations to support services for: (1) veterans, military servicemembers and their respective families; (2) seniors and their caregivers and (3) vulnerable populations. In the first year, at least 50 percent of all proceeds would be dedicated to promote housing stability, including capital facilities. In subsequent years, the housing stability distribution would fall to at least 25 percent. In addition, Ordinance 18555 requires that 50 percent of the Seniors allocation within the VSHSL be used to support seniors who are also veterans, and their caregivers and families, until either 75 percent of the number of homeless senior veterans in King County at the time Ordinance 18555 was enacted are housed or $24 million is expended to house senior homeless veterans, whichever comes first.

**Veterans, Seniors and Human Services Levy Service Continuation.** The VSHSL Ordinance 18555 authorized that, subject to appropriation, and until approval by Council of the Transition Plan, levy proceeds could be expended only to continue services provided in 2017 at 2017 service levels. Under the levy ordinance, such expenditures shall be governed by the Service Improvement Plan 2012-2017 – Veterans and Human Services Levy adopted in 2011.[[1]](#footnote-1)

Under Ordinance 18555, once a Transition Plan is adopted by ordinance, that transition plan shall govern expenditure of levy proceeds until an Implementation Plan is adopted by ordinance. The VSHSL Transition Plan was transmitted in August 2017 and the legislation adopting the plan (Proposed Ordinance 2017-0406) was referred to the Regional Policy Committee and then the Health, Housing and Human Services Committee as a mandatory referral. The VSHSL Transition Plan is anticipated to be acted on by the Regional Policy Committee on November 15, 2017 with potential action at the Health, Housing and Human Services Committee on November 21, 2017 or December 5, 2017.

**Veterans, Seniors and Human Services Levy and Transition Plan.** The VSHSL Transition Plan addresses service continuation. Under the transmitted Transition Plan, the Executive proposes the same approach to service continuation before adoption of the Transition Plan, based on this appropriation, and after adoption of the Transition Plan. Under this approach, levy activities and contract amounts would be the same under Proposed Ordinance 2017-0471 and under the Transition Plan that PO 2017-0406 would adopt. Service continuation under this appropriation and under the Transition Plan would be the same through 2018 before and after adoption of the Transition Plan is adopted. It is expected that the Implementation Plan due to Council March 2017, would not alter service continuation for 2018. The Executive has provided the following reasons for this approach:

* Maintaining the continued activities and contract amounts through 2018 as proposed would allow King County to negotiate, draft and execute with current VHSL providers one set of contract amendments.
* This approach maximizes notice and predictability for VHSL providers, whose current VHSL contracts expire with the current levy on December 31, 2017.
* Maintaining avoids the potential disruption of re-negotiating, re-drafting and re-executing a second round of contract amendments upon adoption by Council of the Transition Plan.

**ANALYSIS**

**Proposed Ordinance 2017-0470.** Proposed Ordinance 2017-0470 would create a special revenue fund for the Veterans, Seniors and Human Services property tax levy proceeds, the “Veterans, Seniors and Human Services Fund.” The fund would not be created until January 1, 2018.

**Proposed Ordinance 2017-0471.** Proposed Ordinance 2017-0471 would appropriate $18.3 million from the new proposed VSHSL fund.[[2]](#footnote-2) The 2017-2018 biennial budget did not include appropriation authority associated with VHSL funds for 2018 due to the expiration of the current levy. The 2017-2018 budget included FTE authority for five FTEs for the human services levy and 11 FTEs for the veterans and family levy. PO 2017-0471 would give FTE authority for 16 FTEs to the veterans, seniors and human services levy appropriation unit.

Service Cost Continuation Summary

Staff analysis is ongoing on alignment between the transmitted VSHSL Transition Plan and Proposed Ordinance 2017-0471 with respect to the services that would be continued.[[3]](#footnote-3) Attachment 4 summarizes most of the proposed strategies that would be continued and the funding levels for these strategies. These have been re-aligned from the VHSL allocations to the VSHSL allocations. Those that would contribute to housing stability have been identified in order to determine the amounts that would contribute toward the levy ordinance’s minimum requirement that 50 percent of funds allocated for each population-based category—Veterans Allocation, Seniors Allocation, and Vulnerable Populations Allocation—in the first year be used to “fund those capital facilities and regional health and human services that promote housing stability.”[[4]](#footnote-4)

According to the Executive, the total cost of program continuation excluding all staff cost for planning, administration, evaluation, and board support is $15,981,000.[[5]](#footnote-5) Including staff costs, $7,939,000 would be appropriated for continuing housing stability investments and $10,339,000 for continuing other investments. Of the proposed housing stability continuation investments, $3,207,000 would be for Veterans, Servicemembers and their Respective Families and $4,732,000 would be for Vulnerable Populations.

Table 1 summarizes proposed costs, excluding all county staff, per Ordinance 18555 allocation categories.

**Table 1. Summary of Continuation Costs Including All County Staff**

|  |  |  |
| --- | --- | --- |
| **Ordinance 18555 Allocation** | | **Amount** |
| Veterans, Servicemembers and their Respective Families Allocation | | $8,941,000 |
| Seniors and their Caregivers Allocation | Veteran Seniors | $178,000 |
| Seniors | $178,000 |
| Vulnerable Population Allocation | | $8,981,000 |

There are two activities funded in 2017, the funding levels of which are either not included in this appropriation or are included at different levels than their levels in 2017. Both activities will be continuing in 2018 as follows:

* Current VHSL Activity 2.6.D Veterans Internship is being continued but, according to the Executive, no additional appropriation authority is needed to continue the program in 2018. It received an allocation in the 17/18 Biennial Budget for $200,000. According to the Executive, the program's one-year budget is $100,000.
* Current VHSL Activity 3.6 Client Care Coordination is being continued at the $100,000 level. In 2017 it was funded at $140,000.

The VHSL funded 2017 expenditures that are not included in this appropriation or the Transition Plan for continuation in 2018. The Executive indicates that these additions were understood to be one-time funding allocations, rather than ongoing commitments, and has, therefore, not included these in the this appropriation or the plan for service continuation. These are described in Table 2.

**Table 2. 2017 Funded Activities not proposed for Continuation**

|  |  |  |
| --- | --- | --- |
| **Program** | **Amount** | **Council-directed during supplemental appropriation** |
| Housing Justice Project | $50,000 | Yes |
| Immigrant and Refugee Services | $360,000 | Yes |

Staff and Other Costs Summary

The proposed $18.3 million appropriation includes $2.3 million in staff costs for 16 FTEs. All of the FTEs are existing positions that were funded in the 2017-2018 biennial budget – Proposed Ordinance 2017-0470 would simply move these positions and associated appropriation authority to the new VSHSL appropriation unit. Table 3 provides a summary of these positions and their costs as they have been categorized in the proposed VSHSL Transition Plan.**[[6]](#footnote-6)**

**Table 3. Staff Costs Summary**

|  |  |  |
| --- | --- | --- |
|  | **Other Staff, Including Direct Services** | **Administration and Planning Staff** |
|  | **FTE** | **FTE** |
| **Number** | 11 | 5 |
| **Total Costs** | $1,609,000 | $687,000 |

Prohibition on supplantation

Under state law[[7]](#footnote-7), a levy lid lift proposition, such as the Veterans, Seniors and Human Services Levy, may only be used for the specific limited purpose of the levy, as identified in the ballot title.  In addition, state law allows for levy funds to be used to provide for existing programs and services, provided the levy funds are used to supplement, but not supplant existing funds.  Existing funding is determined based on actual spending in the year in which the levy is placed on the ballot; in the case of the Veterans, Seniors and Human Services Levy, existing funding would be determined using actual expenditures in 2017. Existing funding excludes lost federal funds, lost or expired state grants or loans, extraordinary events not likely to reoccur, changes in contract provisions beyond the control of the taxing district receiving the services, and major nonrecurring capital expenditures.

For the Veterans, Seniors and Human Services Levy, this prohibition on supplantation means that levy funds may be used for entirely new programs and services—in any amount over the life of the levy—and to fund existing programs and services, but only in an amount additional to the total amount the County spent on those programs or services in 2017, unless one of the exceptions noted earlier applies.

Staff analysis on supplantation is ongoing but the transmitted proposal has not yet raised any supplantation concerns.

**Proposed Ordinance 2017-0472.** Proposed Ordinance 2017-0472 would appropriate $1.6 million from the Veterans and Family Levy Fund and $672,000 from the Human Services Levy Fund for close-out of VHSL-funded programming, in the event the ballot measure is not approved by the voters on November 7, 2017. Staff analysis is ongoing.

In the adopted 2017-2018 Biennial Budget, the following appropriation units received appropriation authority for activities in 2018 assuming passage of VSHSL:

* Employment and Education Resources: $1,290,000
* Behavioral Health and Recovery Division: $1,585,000
* Housing and Community Development: $5,175,000
* Public Health: $4,045,000

Proposed Ordinance 2017-0472 does not include adjustments to these appropriation units. If the VSHSL is not approved by voters, these appropriation units may need to be adjusted in a supplemental ordinance in 2018.

Timing for Council Consideration

The three proposed ordinances are anticipated to be discussed, but not acted on at the Budget and Fiscal Management Committee’s November 8, 2017 meeting. The committee is planning a special meeting on November 21, 2017. At that time, it could choose to act on proposed ordinances 2017-0470 and -0471 if it appears that the levy has been approved by voters, or on Proposed Ordinance 2017-0472 if it appears that the levy has been rejected.

**AMENDMENTS**

Staff has drafted two technical amendment related to the levy fund name as follows: 1) an amendment to 2017-0470 to correct the levy fund name to "Veterans, Seniors and Human Services Levy Fund" and 2) an amendment to 2017-0471 to make the levy fund name and appropriation unit consistent with the amendment drafted to 2017-0470, "Veterans, Seniors and Human Services Levy Fund". Staff has drafted a third amendment to add a January 1, 2018 effective date consistent with the enactment date of Proposed Ordinance 2017-0470, to Proposed Ordinance 2017-0471.

**ATTACHMENTS**

1. Proposed Ordinance 2017-0470
   1. Transmittal Letter
   2. Fiscal Note
   3. Financial Plan
2. Proposed Ordinance 2017-0471
   1. Transmitted Letter
   2. Fiscal Note
   3. Financial Plan
3. Proposed Ordinance 2017-0472
   1. Transmittal Letter
   2. Fiscal Note Veterans Levy Fund Closeout
   3. Financial Plan Veterans Levy Fund Closeout
   4. Fiscal Note Human Services Levy Fund Closeout
   5. Financial Plan Human Services Levy Fund Closeout
4. Service Continuation Table from Transmitted VSHSL Transition Plan

**INVITED**

1. Leo Flor, Veterans and Human Services Levy Renewal Manager, DCHS

1. Ordinance 17236 [↑](#footnote-ref-1)
2. Note that a technical amendment may be necessary as the fund would not be created until January 1, 2018 under Proposed Ordinance 2017-0470. In addition, a technical amendment is needed to correct the different levy fund name used in the Proposed Ordinance 2017-0470 and -0471. [↑](#footnote-ref-2)
3. There is a technical error in the continuation numbers transmitted in the VSHSL Transition Plan. Except for this error, there is alignment between PO 2017-0471 and the services and levels proposed to be continued from 2017 into 2018. The error is duplicated in Attachment 4. Funding level for Activity 3.6 Client Care Coordination for Vulnerable Populations is $100, 00 not $70,000. [↑](#footnote-ref-3)
4. Ordinance 18555, Sections 4. B.1. through 3. [↑](#footnote-ref-4)
5. Of which $63,000 would fund supplies and other costs. [↑](#footnote-ref-5)
6. The levy ordinance required the Transition Plan to include a definition of planning and administration. The transmitted Transition Plan includes the following definition for planning: “...refers to staff positions and their related activities that research, design, prepare for and execute the fiscal, human resources and management-level direction-setting and supervision of the VSHSL as a hole. ‘Planning’ does not include staff positions and their related activities that evaluate the VSHSL and its programs, provide support for the VSHSL’s resident oversight boards, manage community partnerships and communications about the VSHSL, or that provide or implement VSHSL-funded capital and regional health and human services.” The transmitted Transition Plan includes the following definition for administration: “...means staff positions and their related activities that oversee, direct or enable the operation of multiple VSHSL programs or the VSHSL as a whole. Examples of ‘administration’ include staff and related activities that provide fiscal planning and accounting services for the levy, perform management-level supervision of VSHSL staff across multiple VSHSL programs, manage and execute procurement processes, provide administrative professional support to other levy staff, manage overall levy performance or performance among multiple levy programs, or provide other division or department-level oversight services. ‘Administration’ does not include staff positions and their related activities that evaluate the VSHSL and its programs, provide support for the VSHSL’s resident oversight boards, manage community partnerships and communications about the VSHSL, or that provide or implement VSHSL-funded capital and regional health and human services.” Transmitted Transition Plan pg. 8. [↑](#footnote-ref-6)
7. RCW 84.55.050. [↑](#footnote-ref-7)