



April 28, 2016

Seattle City Councilmembers
600 4th Ave, 2nd floor
Seattle, WA 98124

Dear Councilmembers:

In my 2016 State of the City speech I doubled my original goal for expanding the City's police force from 100 new officers to a total of 200, and I called for significant improvements at the City's 911 call center. And since then, initial work in developing the Seattle Police Department's (SPD) budget for the 2017-2018 biennium has identified the need for a number of significant information technology investments. Public safety is the paramount duty of local government. The addition of 200 officers by the end of 2019 would grow our police force to 1,464 officers, the highest in the history of SPD. As one of the fastest growing cities in America, we face serious strains on our public safety resources that must be addressed.

Last week, I announced a commitment to fund the new \$160 million North Precinct project with existing revenues. We are on a path to achieving my initial pledge of 100 new officers without any increase in taxes. While we have found efficiencies, identified budget cuts and invested General Fund growth toward public safety, I warned in my State of the City speech that these types of enhancements would come at a cost, and that new revenues would likely be needed to make all of these improvements possible.

Today, I am proposing a specific funding plan for these investments in SPD that strikes a balance between new revenues and reprioritizing existing resources. Facing on-going incremental costs of more than \$22 million per year (documented below), I am proposing new tax sources that will generate approximately \$14 million in annual revenues. This will leave the General Fund to absorb \$8 million of the incremental SPD costs, either through overall revenue growth or a reprioritization of current spending. And note that this \$8 million will be in addition to the roughly \$15 million in existing General Fund resources that will be needed to support the original 100 officers that I committed to in 2014. That initial expansion will be completed with no new tax resources.

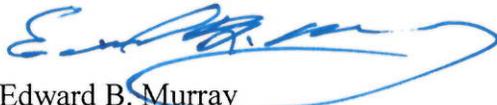
My funding proposal includes two specific revenue sources: (i) a 3.2% increase in existing Business and Occupation (B&O) tax rates, to be phased-in over two years; and (ii) a restructuring and increase in the City's Business License fee. By the time the full complement of

200 new officers are fully trained, the change in B&O rates will generate an additional \$8.4 million and the Business License fee an additional \$5.8 million, for a total of just over \$14 million. The City's B&O rates have not been increased since 1991. Rates will increase 2% in 2017 and an additional 1.2% in 2018. The restructuring of the Business License fee will establish a five-tiered structure, with annual license fees increasing with the size of the business.

I am sensitive to concerns that have been raised about the growing burden of taxes on residents and businesses in Seattle. It is with that in mind that I have chosen not to advance a Public Safety Levy to voters and elected to address a \$37 million ongoing funding need with only \$14 million in new taxes. With this proposal, we are absorbing nearly two-thirds (\$23 million) of our funding needs for public safety through existing revenue growth, budget cuts and reprioritization.

In May, I will transmit legislation to the Council that would execute this plan. I urge you to support this approach to meeting our growing policing and public safety needs. I am looking forward to answering your questions and working with all of you in the coming months on this proposal.

Sincerely,



Edward B. Murray
Mayor, City of Seattle

Attachment 1 – Additional Detail Regarding Identified Needs and Proposed Funding

SPD Funding Needs

Additional Officers. The recently completed police staffing study confirmed the concerns we have heard from the community about the need to increase police visibility, step-up direct community outreach and enhance investigatory resources. As illustrated below, we are on pace to complete the hiring and training of the original 100 officers by the end of next year. Recruiting for the second 100 officers will begin this year, and actually require some immediate funding, which will be requested in the second quarter supplemental. The first 100 new recruits will complete their full training by 2017; and by the first quarter of 2020, SPD will have trained and deployed 200 new officers above attrition.

SPD Hiring Plan - Cumulative Increase in Fully-Trained Officers

	2014	2015	2016	2017	2018	2019	2020
Initial 100 Officers	33	45	83	100	100	100	100
Additional 100 Officers	0	0	0	20	59	99	100
Total New Officers	33	45	83	120	159	199	200

Each 100 officers have an ongoing cost of approximately \$15 million per year. The cost of the first 100 additional officers will be fully absorbed by the General Fund, without any new revenues. Funding for the second 100 officers will be partially offset by the revenue proposal presented here.

911 Call Center. SPD's call center is facing a two-pronged challenge. First, increasing call volumes have placed a growing strain on the current system. Calls have increased by 13% since 2010, and recent trends show no slowing in this growth. At the same time, staffing levels have been inadequate for some time, and the level of overtime demanded of current staff cannot be sustained. Consistent with the initial recommendations from an outside assessment, SPD has proposed hiring an additional 40 staff over the next three years. The on-going cost of the additional staff will total just over \$4 million per year. A number of technology upgrades are also underway, but these one-time costs have been funded from existing resources.

Information Technology (IT). SPD is engaged in several large-scale technology projects. These include development of a Data Analysis Platform (DAP) that will allow SPD to both closely track individual officer performance, deployment of Body-Worn Cameras to all patrol

officers, and implementation of new time-tracking system that will, among other things, allow for better management of officer overtime. While funding is available for the initial purchase and development of the required technology, these initiatives will each require an increase in on-going spending associated with additional IT staff, software licensing and/or data storage. The annual costs of operating and maintaining these initiatives is expected to exceed \$3 million.

The total costs of these three emerging needs are summarized below:

Total New Funding Needed for SPD

	2016	2017	2018	2019	2020
<i>Second 100 New Officers</i>	(\$2,220,000)	(\$4,120,000)	(\$8,740,000)	(\$13,930,000)	(\$14,710,000)
<i>911 Call Center Staff</i>	\$0	(\$1,810,000)	(\$3,080,000)	(\$3,880,000)	(\$3,990,000)
<i>New IT Investments</i>	\$0	(\$3,340,000)	(\$3,410,000)	(\$3,480,000)	(\$3,550,000)
Total New Funding Required	(\$2,220,000)	(\$9,270,000)	(\$15,230,000)	(\$21,290,000)	(\$22,250,000)

Note that the expenses incurred for the new officers begin before they are fully-trained and ready for deployment because the training process is itself costly and recruits are compensated during training. At full implementation, these three areas of investment will have ongoing costs that total more than \$22 million per year. And again, this figure does not include the roughly \$15 million in annual costs associated with the first 100 additional officers.

Revenue Proposal

As noted above and illustrated in the following table, the revenue proposal will offset a share of these costs, with the remainder to be addressed by reprioritizing the use of existing General Fund resources.

	2016	2017	2018	2019	2020
Total New Funding Required	(\$2,220,000)	(\$9,270,000)	(\$15,230,000)	(\$21,290,000)	(\$22,250,000)
New B&O Revenue	\$0	\$4,780,000	\$7,960,000	\$8,220,000	\$8,420,000
New Business License Fee Revenue	\$0	\$5,500,000	\$5,610,000	\$5,720,000	\$5,830,000
Required General Fund Reprioritization	(\$2,220,000)	\$1,010,000	(\$1,660,000)	(\$7,350,000)	(\$8,000,000)

The proposal includes a 3.2% increase in existing B&O tax rates, to be phased in over 2 years, and restructuring of the City's Business License fee that will establish a five-tiered fee structure, with a larger fee assessed on businesses with greater revenues. In total, these two sources will generate \$13.7 million in 2020, when the full complement of officers is fully-trained and ready

for duty. This implies that the \$8.7 million of existing General Fund revenue will need to be reprioritized, on an on-going basis, to support these investments in SPD operations.

B&O Rates. The City currently imposes a tax on the gross receipts of all businesses in the City that earn more than \$100,000. A rate of 0.215% is applied to retail, wholesale and manufacturing industries, while a rate of 0.415% is applied to service industries and all other types of business. The proposed changes would increase those rates to 0.222% and 0.428%, respectively. The impacts of these changes would be modest for any individual business. For example, a retail firm with \$1 million in taxable revenues would see its B&O obligation increase by \$70 per year, from \$2,150 to \$2,220, once the 3.2% change is fully implemented.

The City's B&O rates were last increased in 1991, when a 1.4% increase was adopted. Overall, the new B&O rates would generate an additional \$8.4 million per year by 2020.

Business License Fee. The City currently collects a license fee from everyone operating a business in the City of Seattle. The current fee structure only offers a differential rate for truly micro-businesses, those with total annual world-wide earnings of less than \$20,000. These companies pay \$55 per year for the license, while all others pay \$110. The new structure would set the minimum annual fee at \$80 for those with taxable income less than \$20,000 and establish a fee of \$160 for those with income up to \$100,000. Businesses with taxable income of up to \$500,000 and \$2 million would pay \$240 and \$320, respectively. The final tier, for those earning \$2 million or more, would be \$580.