Budget Town Hall

October 8, 2020

City Budget Office
## The City's Revenues - Where the $ comes from

<table>
<thead>
<tr>
<th>Sources</th>
<th>Amount in 2020 (based on 2020 adopted budget)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund (taxes and fees)</td>
<td>$1.5 billion</td>
</tr>
<tr>
<td>SPU (utility rates and wholesale revenues)</td>
<td>$1.4 billion</td>
</tr>
<tr>
<td>City Light (utility rates and wholesale revenues)</td>
<td>$1.4 billion</td>
</tr>
<tr>
<td>SDOT (non-General Fund)</td>
<td>$700 million</td>
</tr>
<tr>
<td>Other restricted sources (e.g., permit fees, user fees, dedicated taxes, grants)</td>
<td>$700 million</td>
</tr>
<tr>
<td>Voter-approved levies and Parks District</td>
<td>$300 million</td>
</tr>
<tr>
<td><strong>Total City Revenues</strong></td>
<td><strong>~$6 billion</strong></td>
</tr>
</tbody>
</table>
General Fund: $1.5 billion

The City’s most flexible revenue source to spend

• 78% of GF revenue comes from:
  • Property Taxes
  • Sales Tax
  • Business & Occupation (B&O) Tax
  • Utility Taxes

• The rest comes from miscellaneous fees, traffic fines, etc. collected by the City
General Fund Expenditures: $1.5 billion

By types of City departments

- Public Safety: 50%
- Administration: 19%
- Arts, Culture, Recreation: 12%
- Health & Human Services: 10%
- Neighborhoods & Development: 5%
- Utilities & Transportation: 4%

City departments:
- OCR
- OLS
- OIRA
- OSE
- Ombud
- CBO
- SPD
- Fire
- Law
- SMC
- OIG
- CPC
- FAS
- IT
- SDHR
- Legislative Branch
- Mayor’s Office
# How the pandemic is impacting 2020 Revenues

## General Fund Budget Shortfall - 2020

<table>
<thead>
<tr>
<th>2020 Revenue</th>
<th>Original Forecast</th>
<th>Revised</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Taxes</td>
<td>$345,100,000</td>
<td>$340,900,000</td>
<td>($4,200,000)</td>
</tr>
<tr>
<td>Sales Taxes</td>
<td>$298,800,000</td>
<td>$233,400,000</td>
<td>($65,400,000)</td>
</tr>
<tr>
<td>B&amp;O, Taxes &amp; Licenses</td>
<td>$315,500,000</td>
<td>$257,500,000</td>
<td>($58,000,000)</td>
</tr>
<tr>
<td>Utility Taxes</td>
<td>$220,600,000</td>
<td>$207,300,000</td>
<td>($13,300,000)</td>
</tr>
<tr>
<td>Court Fines/Parking</td>
<td>$65,700,000</td>
<td>$31,500,000</td>
<td>($34,200,000)</td>
</tr>
<tr>
<td>Admission Tax</td>
<td>$11,700,000</td>
<td>$3,500,000</td>
<td>($8,200,000)</td>
</tr>
<tr>
<td>All Else</td>
<td>$156,800,000</td>
<td>$145,600,000</td>
<td>($11,200,000)</td>
</tr>
<tr>
<td><strong>Revenue Sub-Total</strong></td>
<td><strong>$1,480,700,000</strong></td>
<td><strong>$1,286,200,000</strong></td>
<td><strong>($194,500,000)</strong></td>
</tr>
</tbody>
</table>

**Backfill for Lost Earned Revenues**  
($18,000,000)

**Total**  
($212,500,000)

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June interim forecast data; not yet updated for August forecast.
Strategies to Close the Gap in 2020

• Revenue shortfalls are solved in two ways – reducing expenditures or increasing revenues

• City Council passed a payroll tax for new revenues, but still have a shortfall; revenue stream is uncertain

• Depts identified opportunities for savings in budgets, which may include removing vacant positions, reducing discretionary spending, delaying projects or layoffs

• In a recession, government is often expected to meet the growing needs of community, though resources are declining
2020 Rebalancing

Key strategies and actions the Mayor took to rebalance the budget.

- Immediate spending reductions from City Departments.
- Across the board hiring freeze and a holding vacancies
- Freeze on travel and training budgets
- Tapping the Rainy Day and Emergency Funds for $29M (out of a total of $128M between the two funds), may need additional reserves
- Aggressive approach to seeking and use of Federal resources
2021 Budget Process *(Revenue Shortfall $300+M)*

- **THIS YEAR**
  - Depts Prepare Budget Proposals
  - CBO/MO Review & Finalize
  - Council Reviews, Modifies, & Adopts

- **TODAY**
  - Public hearings

- **OCT**
  - Mayor Transmits Her Proposed Budget

- **GOES INTO EFFECT**
  - Council adopts budget
Current Budget Climate

- Operating changes due to COVID-19 will persist
- Recovery to pre-virus revenue levels cannot be reasonably anticipated until 2023 and 2024, at best
- New payroll tax projected to provide an additional $200+M in annual revenue
- Multiple revenue sources are down significantly from 2020 Adopted levels
- Will rely significantly upon Rainy Day and Emergency Funds
Mayor’s Priorities in Building the 2021 Budget

• Sustaining the City’s Response to the COVID-19 Pandemic
• New $100 Million Investment in BIPOC Communities while Protecting Current BIPOC Programs like EDI
• Immediately Removing Functions Out of the Department and Create the Foundation to a New Approach to Community Safety
• Preserve Essential Public Services and Supports
• Expand Efforts to Address Homelessness and Housing Crisis
• Minimize Impact to the City’s Workforce
Balancing the General Fund Consistent with These Priorities

### 2021 General Fund Balancing - Summary

<table>
<thead>
<tr>
<th>Resources</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected General Fund Revenues (including Payroll Tax)</td>
<td>$1,475,000,000</td>
</tr>
<tr>
<td>Starting Fund Balance</td>
<td>$8,000,000</td>
</tr>
<tr>
<td>Rainy Day and Emergency Funds</td>
<td>$73,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,556,000,000</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Proposed Spending and Reductions</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base General Fund Expenditures</strong></td>
<td>$1,458,000,000</td>
</tr>
<tr>
<td>Proposed General Fund Reductions</td>
<td>($63,500,000)</td>
</tr>
<tr>
<td>COVID-19 Relief Package</td>
<td>$21,750,000</td>
</tr>
<tr>
<td>Equity Initiative</td>
<td>$100,000,000</td>
</tr>
<tr>
<td>Additional Human Services Spending</td>
<td>$19,000,000</td>
</tr>
<tr>
<td>Other Spending Additions</td>
<td>$20,800,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,556,000,000</strong></td>
</tr>
</tbody>
</table>
Sustaining COVID-19 Response

• 2021 elements of COVID-19 Relief Package total $21.75M include:
  - $8M for continued rental assistance
  - $2M to address increased costs for shelter providers (supplements provided in 2020)
  - $3.4M for grocery vouchers
  - $350K for mortgage counseling
  - $3M for small business assistance
  - $5M to sustain City operated testing sites

• 2021 Budget provides resources to continue operation of existing homelessness supports (including shelter and food programs) with appropriate social distancing and risk management.

• Also includes $6M of new General Fund to sustain expanded hygiene facilities and mobile shower services.

• Seattle Parks and Recreation is providing childcare and supports for elementary-aged children at 19 existing community center locations, as well establish teen resource hubs at seven of these facilities.
Investing in BIPOC Communities

• Proposed Budget includes $100 million Equitable Communities Fund to address systemic racial inequities in our city.

• An unallocated fund that would be used in 2021 based on community recommendations regarding investment strategies in Spring 2021.

• In 2022 and beyond, the Mayor has discussed proposing an Equity Levy or another progressive revenue to sustain funding.
Restructuring SPD and Investing in Community Safety

Reduce Police Spending and Transfer Civilian Functions Out of SPD
• Reduction in sworn officers and overtime, and savings from a civilian hiring freeze
• Transfer Parking Enforcement Officers to SDOT
• 911 Call Center to become the independent “Emergency Communications Center”
• Office of Emergency Management also to be independent office

Investing in Community Safety
• Establish joint Inter-Departmental Team to complete a review of 911 calls and all current SPD functions
• Restructure and reduce budget for Seattle Municipal Courts probation services
• Add funding for case manager services to support new Seattle Community Court
• Expand Health One pilot to include a second vehicle
Budget Reduction Strategies: City-wide and Department Specific

City-wide Strategies – consistent with approach taken this year

- Maintain vacancies for non-essential positions
- Pay freeze for APEX/SAM broad-band employees (strategic advisors, managers and executives)
- Eliminate non-essential spending on travel, training, consultants, etc.
- Defer one-time expenditures on equipment, IT systems, vehicles, etc.
- Manage vacancies and reduce staffing in ways that minimize direct services to the community.
- Re-prioritize levy and other voter-approved funding toward basic services.