

2022 Seattle City Council Budget Action

Council Budget Action: Agenda

Tab	Action	Option	Version
SDOT	504	D	001

Budget Action Title: Amend and pass as amended CB 119950 - Increase Payroll Expense Tax Rate ORD; Amend and pass as amended CB 120198 - FAS Multipurpose LTGO Bonds 2022 ORD; add \$456 million in bond proceeds to OH for affordable housing investments and issuance costs; add \$85 million in payroll expense tax to OH for Green New Deal investments; and add \$33.6 million in payroll expense tax to FAS for debt service

Ongoing: No Has Budget Proviso: No

Has CIP Amendment: No Has Attachment: Yes

Primary Sponsor: Kshama Sawant

Council Members:

Staff Analyst: Dan Eder

Council Bill or Resolution: CB 119950 and CB 120198

Date		Total	LH	TM	KS	AP	DJ	DS	AL	BC	LG
	Yes	0									
	No	0									
	Abstain	0									
	Absent	0									

Summary of Dollar Effect

See the following pages for detailed technical information

	2022 Increase (Decrease)	2023 Increase (Decrease)
General Fund		
General Fund Revenues	\$0	
General Fund Expenditures	\$0	
Net Balance Effect	\$0	
Other Funds		
Payroll Expense Tax (14500)		
Revenues	\$119,300,000	
Expenditures	\$118,600,000	
Net Balance Effect	\$700,000	
2022 Multipurpose LTGO Bond Fund (36900)		
Revenues	\$489,600,000	
Expenditures	\$489,600,000	
Net Balance Effect	\$0	

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Total Budget Balance Effect	\$700,000
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Budget Action Description:

This Council Budget Action (CBA) would:

(A) Amend and recommend passage as amended Council Bill (CB) 119950, which increases the payroll expense tax (PET) rates;

(B) Amend and recommend passage as amended of CB 120198, which authorizes the Department of Finance and Administrative Services (FAS) to issue 2022 limited tax general obligation (LTGO) bonds;

(C) Increase spending as follows:

- add \$456 million in bond proceeds to the Office of Housing (OH) for affordable housing investments and issuance costs;
- add \$85.0 million PET to OH for Green New Deal investments; and
- add \$33.6 million PET to the Department of Finance and Administrative Services for 2022 debt service payments.

A. CB 119950: Payroll Tax Rate Increase:

CB 119950, as amended by this CBA, would increase the PET rates to generate an additional \$119.3 million per year of revenue from the tax. The new rates would be 51 percent higher than those currently codified in Seattle Municipal Code Section 5.38.030. The resulting additional PET revenues would be dedicated to new spending proposed in this CBA. Please see Attachment 1 to this CBA for the specific amendment language.

B. CB 120198: Authorize Issuance of 2022 LTGO Bonds

CB 120198 as introduced would provide the legal authorization to issue up to \$127.3 million of bonds in 2022 to fund projects in the 2022 Proposed Budget and the Proposed 2022-2027 Capital Improvement Program (CIP) and includes \$1.8 million of financing support to the Historic Seattle Public Development Authority (PDA) for a seismic retrofit improvement of the Good Shepherd Center. This loan will not be dispersed until bonds are issued and the City and the Historic Seattle PDA finalize a lending agreement.

This CBA would amend Section 4(b)(i) in CB 120198 to increase the maximum aggregate principal amount from \$127.3 million to \$583.3 million. This increase reflects increased principal of \$442.8 million for additional affordable housing investments and \$13.3 million of added issuance costs.

This CBA would revise Exhibit A (Description of 2022 Projects) to CB 120198 as follows:

- (1) add Affordable Housing Investments, \$442,800,000
- (2) increase the Issuance Costs and Pricing Adjustments from \$3,706,601 to \$16,989,101

Consistent with the assumptions for other projects in CB 120198, this CBA assumes a 4.0 interest rate, a 20-year term, and a three percent cost of issuance. The \$13.3 million additional cost of issuance is added to the \$442.8 million of principal for capital projects for a total increase of \$456.0 million in the aggregate principal amount.

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The City’s Debt Management Policy Advisory Committee (DMPAC) voted on October 13, 2021 recommending that the City approve the bonds that would be authorized by this legislation prior to the amendment proposed in this CBA (approving issuance of up to \$127.3 million of bonds in 2022), ; DMPAC has not reviewed or approved the increased LTGO bond authorization amount that this CBA would authorize.

C. Spending

This Council Budget Action would add:

- \$85 million of PET to OH for Green New Deal building energy conversion and weatherization programs;
- \$442,750,000 in one-time LTGO bond proceeds to OH for low-income housing. The intent is that these funds are used to fund affordable housing projects that apply to OH’s 2022 Notice of Funding Availability; and
- \$33.6 million of JumpStart funds to FAS for debt service in 2022, assuming one full year of debt service. If issued at a 4.0 percent interest rate and with repayment of principal beginning in 2023, the City would be obligated to fund approximately \$33.6 million of debt service annually in future budgets for the duration of the 20-year term and use the increased PET revenues to do so. In the event that the City owes less than a full year of debt service payments in 2022, the City could opt to make additional investments in other areas. The 4.0 percent interest rate is consistent with information provided to DMPAC in October regarding other 20-year LTGO bonds that were proposed to finance investments included in the 2022 Proposed Budget.

Budget Action Transactions

#	Transaction Description	Position Title	Number of Positions	FTE	Dept	BSL	Fund	Year	Revenue Amount	Expenditure Amount
1	Transfer for 2022 Debt Service Payment		0	0	FAS - FA000	FAS - BO-FA-DEBTISS-L - Debt Issuance Cost - LTGO	14500 - Payroll Expense Tax	2022	\$0	\$33,600,000
2	2022 Debt Service		0	0	FAS - FA000	FAS - BO-FA-DEBTISS-L - Debt Issuance Cost - LTGO	36900 - 2022 Multipurpose LTGO Bond Fund	2022	\$0	\$33,600,000
3	PET Rate increase revenue		0	0	FG - FG000	FG - BR-FG-REVENUE - Finance General - Revenue	14500 - Payroll Expense Tax	2022	\$119,300,000	\$0
4	Transfer in from PET Fund		0	0	FG - FG000	FG - BR-FG-REVENUE - Finance General - Revenue	36900 - 2022 Multipurpose LTGO Bond Fund	2022	\$33,600,000	\$0
5	Add appropriation for Green New Deal programs such as Heat Conversion Program		0	0	OH - HU000	OH - BO-HU-2000 - Homeownership & Sustainability	14500 - Payroll Expense Tax	2022	\$0	\$85,000,000
6	Add appropriation for affordable housing		0	0	OH - HU000	OH - BO-HU-3000 - Multifamily Housing	36900 - 2022 Multipurpose LTGO Bond Fund	2022	\$0	\$456,000,000
7	Bond proceeds		0	0	OH - HU000	OH - BO-HU-3000 - Multifamily Housing	36900 - 2022 Multipurpose LTGO Bond Fund	2022	\$456,000,000	\$0