

2022 Seattle City Council Budget Action

Council Budget Action: Agenda

Tab	Action	Option	Version
FG	007	A	001

Budget Action Title: Recognize CBO November Forecast Update

Ongoing: Yes Has Budget Proviso: No

Has CIP Amendment: No Has Attachment: Yes

Primary Sponsor: Budget Committee

Council Members:

Staff Analyst: Tom Mikesell

Council Bill or Resolution:

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	\$(4,893,831)	
General Fund Expenditures	\$2,112,075	
Net Balance Effect	\$(7,005,906)	
Other Funds		
Sweetened Beverage Tax Fund (00155)		
Revenues	\$(518,565)	
Expenditures	\$0	
Net Balance Effect	\$(518,565)	
Arts and Culture Fund (12400)		
Revenues	\$2,094,914	
Expenditures	\$2,095,000	
Net Balance Effect	\$(86)	
Transportation Fund (13000)		
Revenues	\$(3,618,331)	
Expenditures	\$0	

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Net Balance Effect	\$(3,618,331)
Payroll Expense Tax (14500)	
Revenues	\$(755,150)
Expenditures	\$0
Net Balance Effect	\$(755,150)
School Safety Traffic and Pedestrian Improvement Fund (18500)	
Revenues	\$3,600,000
Expenditures	\$0
Net Balance Effect	\$3,600,000
REET I Capital Fund (30010)	
Revenues	\$3,775,983
Expenditures	\$0
Net Balance Effect	\$3,775,983
REET II Capital Fund (30020)	
Revenues	\$3,775,983
Expenditures	\$0
Net Balance Effect	\$3,775,983
Total Budget Balance Effect	\$(746,072)

Budget Action Description:

This budget action recognizes the results from the City Budget Office's (CBO) November 2021 forecast update. In August of each year, Council receives a revenue forecast with the Mayor's budget proposal, followed by a fall update typically received in November. Received on November 3rd, the November 2021 update indicates a \$80.7 million GF decrease in 2021 and a \$61.6 million GF increase in 2021. A large portion of the adjustment in both years is a shift from 2021 to 2022 of \$66.5 million in proceeds from the Mercer Megablock sale, which is not anticipated to close until 2022. Though legislation has not yet been transmitted, CBO indicates that inter-fund loan legislation will be submitted to cover the \$65.5 million shortfall in 2021.

After accounting for the impact of the Mercer Megablock proceeds delay, and assuming this will be remedied through an inter fund loan, the GF forecast adjustment received on November 3rd indicates a \$14.2 million reduction in 2021 and a \$4.9 million reduction in 2022. Of the 2021 amount, \$17.6 million is due to a reduction in the payroll expense tax forecast due to reported delays in full return to in-office work at Seattle businesses. For similar reasons, revenues from parking penalties have been reduced by \$7.2 million. These reductions are partially offset by a \$11.8 million improvement in the 2021 business and occupation tax forecast. In 2022, the parking penalties forecast was reduced by \$6.5 million, and the business and occupation tax forecast was reduced by \$1.4 million. These reductions were partially offset by minor increases in property taxes and parking meter revenues.

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Subsequent to receiving the November update, CBO reported an error in their calculation, which lowered the 2021 GF reduction by approximately \$4.1 million.

Notable non-General Fund revenue changes include:

- \$26M increase in Real Estate Excise Tax revenues, driven by increase prices for both commercial properties and single-family homes.
- \$5.1M increase in school zone camera revenue deposited in the School Safety Traffic and Pedestrian Fund.
- \$8.4M decrease in Commercial Parking Tax (CPT) deposited in the Transportation Fund driven by changes in commuting, tourist and retail shopping behavior related to COVID19.
- \$4.5M decrease in Sweetened Beverage Tax Fund (SBT Fund), likely due to the reduced sales of fountain and other sweetened beverages by commuters and shoppers.
- \$1.4 million increase in the admissions tax deposited in the Arts fund in 2022. This

The balancing implications due to the reductions in GF, REET, and CPT are addressed in the context of several Council Budget Actions included in the Chair's package. The sweetened beverage tax decrease, if left unaddressed, would lead to a shortfall in the SBT Fund. As such, this Council Budget action transfers \$1.4 million GF to the SBT which, combined with reserved and unreserved balances, balances the SBT Fund.

Further, while the admissions tax shows an increase, this is entirely due to a \$2.1 million increase in arena-generated revenues more than offsetting a \$723,000 reduction in revenues from other venues. According to CBO, since the forecast has already exceeded the negotiated City tax share for the admissions tax, the increase associated with the arena will be paid back to the arena and will not create an incremental resource for the Arts fund. As such, this Council Budget Action includes both the incremental new revenue (\$1.4 million) as well as the required set-aside in Finance General reserves to make the arena rent-adjustment payment (\$2.1 million). The net result of these transactions represents a \$723,000 net reduction to resources in the Arts and Culture Fund. This Council Budget Action transfers \$723,000 from the GF to the Arts and Culture Fund to address this late-breaking reduction in resources.

Attached to this Council Budget Action is the cover memorandum that CBO transmitted with the updated forecast, which explains the rationale for the adjustments.

Budget Action Transactions

#	Transaction Description	Position Title	Number of Positions	FTE	Dept	BSL	Fund	Year	Revenue Amount	Expenditure Amount
1			0	0	FG - FG000	FG - BR-FG-REVENUE - Finance General - Revenue	00100 - General Fund	2022	\$(4,893,831)	\$0
2	Transfer to Arts fund		0	0	FG - FG000	FG - BO-FG-2QA00 - Appropriation to Special Funds	00100 - General Fund	2022	\$0	\$723,000

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3	Transfer to Sweetened Beverage Tax Fund		0	0	FG - FG000	FG - BO-FG-2QA00 - Appropriation to Special Funds	00100 - General Fund	2022	\$0	\$1,389,075
4			0	0	FG - FG000	FG - BR-FG-REVENUE - Finance General - Revenue	00155 - Sweetened Beverage Tax Fund	2022	\$(1,907,640)	\$0
5	Transfer from GF		0	0	FG - FG000	FG - BR-FG-REVENUE - Finance General - Revenue	00155 - Sweetened Beverage Tax Fund	2022	\$1,389,075	\$0
6			0	0	FG - FG000	FG - BO-FG-2QD00 - General Purpose	12400 - Arts and Culture Fund	2022	\$1,371,914	\$0
7	Admissions tax rent adjustment per CBO revenue forecast update		0	0	FG - FG000	FG - BO-FG-2QD00 - General Purpose	12400 - Arts and Culture Fund	2022	\$0	\$2,095,000
8	Transfer from GF		0	0	FG - FG000	FG - BR-FG-REVENUE - Finance General - Revenue	12400 - Arts and Culture Fund	2022	\$723,000	\$0
9			0	0	FG - FG000	FG - BR-FG-REVENUE - Finance General - Revenue	13000 - Transportation Fund	2022	\$(3,618,331)	\$0
10			0	0	FG - FG000	FG - BR-FG-REVENUE - Finance General - Revenue	14500 - Payroll Expense Tax	2022	\$(755,150)	\$0
11			0	0	FG - FG000	FG - BR-FG-REVENUE - Finance General - Revenue	18500 - School Safety Traffic and Pedestrian Improvement Fund	2022	\$3,600,000	\$0
12			0	0	FG - FG000	FG - BR-FG-REVENUE - Finance General - Revenue	30010 - REET I Capital Fund	2022	\$3,775,983	\$0
13			0	0	FG - FG000	FG - BR-FG-REVENUE - Finance General - Revenue	30020 - REET II Capital Fund	2022	\$3,775,983	\$0