

July 28, 2020

To: Select Budget Committee
From: Kirstan Arestad, Director, Tom Mikesell & Lise Kaye, Analysts
Subject: Rebalancing the 2020 Budget: Point-in-Time Analysis

Overview

As I previewed with the Budget Committee last Wednesday, Central Staff have created a comprehensive “point-in-time” balancing tool to evaluate the Mayor’s proposed 2020 Rebalancing Package (This analysis largely validated the City Budget Office’s (CBO’s) reported funding shortfalls). Central Staff has also prepared an amendment (Amendment A) to Council Bill (CB) 119825, the 2020 Revisions Ordinance. Amendment A would codify through appropriation, administrative reductions in the Mayor’s spending measures in the 2020 Proposed Rebalancing Package transmitted to Council on June 23, 2020. Both the balancing tool and Amendment A will allow for greater transparency and a better foundation upon which the Council can evaluate and craft a rebalanced 2020 budget. This approach will allow Council to make any future adjustments transparently as revenues fluctuate due to the COVID-19 health pandemic. Central Staff anticipates at least two more revenue forecast updates will be received between August and December of this year. These updates will inform the Executive’s proposed third and fourth quarter supplemental budgets.

Background

Amendment to CB 119825 (2020 Revisions Ordinance)

On June 23, the Mayor transmitted a package of proposed legislation to obtain Council approval of several rebalancing measures that could not be taken administratively. Together with this package, the CBO provided a summary of administrative changes made to date in which the departments adjusted spending within existing appropriation authority provided by the 2020 Adopted Budget. Central Staff prepared Amendment A to codify appropriation reductions reflected in the Mayor’s spending measures. Amendment A will provide a clear baseline against which to evaluate further balancing measure between now and the end of the year.

Balancing Tool

The Mayor’s proposed reductions responded to CBO’s April financial forecast, which projected a shortfall of \$296.3 million. In June, CBO developed an updated forecast, which showed a deeper shortfall of \$311.4 million.¹ In June, CBO reported that additional balancing measures would be required to fill an \$11 million gap. Because the Mayor’s proposed legislation was not

¹ As shown on Table 1 on page 3 of this memo, the overall percent change from the 2020 Adopted Budget worsened between the April and June forecasts by about one percent. The Admissions Tax, Short-Term Rental Tax, Commercial Parking Tax and the School Zone Camera Fund each dropped more than 15 percent in this time period. The General Fund and General Fund adjacent revenues increased by a nominal \$4,000 or 0.3 percent.

crafted to completely balance revenues and expenditures for the year, Central staff conducted a “point in time” analysis to confirm the extent of any imbalance between expenditures and revenue as of June 23, 2020. Most of the data presented by CBO to date can be reconciled with the known revenue shortfall and expenditures as of June 23, 2020. However, the Executive has not yet addressed some of the shortfall in the General Fund, Parks and Recreation Fund, the Transportation Fund and the School Zone Camera Fund.

Attachments 1 through 4 illustrate how the Mayor’s spending reductions to date and the proposed rebalancing legislation would offset the June 2020 projected revenue shortfall for the following funds:

- GF and GF “Adjacent” funds (funds supporting general government services)
- Seattle Department of Transportation funds
- Real Estate Excise Tax funds
- Utility funds

Table 1: Slow Recovery Forecast on page 3.

Attachments:

1. General Fund and Funds Supporting General Government Services (page 4)
2. Transportation Funds (page 7)
3. Real Estate Excise Tax (page 9)
4. Utilities (page 11)

Table 1: Slow Recovery Forecast (\$ in 000s)

Revenue Source	2020 Adopted	April 2020 Forecast			June 2020 Forecast			
		April 2020	\$ Change from Adopted	% Change from Adopted	June 2020	% Change April to June	\$ Change from Adopted	% Change from Adopted
GENERAL FUND REVENUES								
Property Taxes	\$345,085	\$340,888	(\$4,197)	(1.2%)	\$340,894	0.0%	(\$4,191)	(1.2%)
Sales Taxes	\$298,842	\$233,423	(\$65,419)	(21.9%)	\$243,496	4.3%	(\$55,346)	(18.5%)
Business & Occupation Tax	\$315,537	\$257,531	(\$58,006)	(18.4%)	\$267,919	4.0%	(\$47,618)	(15.1%)
Utility Taxes	\$220,557	\$207,286	(\$13,271)	(6.0%)	\$204,397	(1.4%)	(\$16,160)	(7.3%)
Court Fines/ Parking	\$65,705	\$31,459	(\$34,246)	(52.1%)	\$27,653	(12.1%)	(\$38,052)	(57.9%)
All Else	\$158,400	\$145,567	(\$12,833)	(8.1%)	\$135,717	(6.8%)	(\$22,683)	(14.3%)
GENERAL FUND TOTAL	\$1,404,126	\$1,216,154	(\$187,972)	(13.4%)	\$1,220,076	0.3%	(\$184,050)	(13.1%)
Seattle Center	\$22,033	\$12,881	(\$9,152)	(41.5%)	\$12,881	0.0%	(\$9,152)	(41.5%)
Parks & Recreation	\$33,474	\$10,474	(\$23,000)	(68.7%)	\$10,474	0.0%	(\$23,000)	(68.7%)
OTHER GENERAL GOVT REVENUES								
Admission Tax	\$11,691	\$3,462	(\$8,229)	(70.4%)	\$2,845	(17.8%)	(\$8,846)	(75.7%)
Short-term Rental	\$10,500	\$5,600	(\$4,900)	(46.7%)	\$3,675	(34.4%)	(\$6,825)	(65.0%)
Sweetened Beverage	\$24,329	\$16,876	(\$7,453)	(30.6%)	\$15,367	(8.9%)	(\$8,962)	(36.8%)
Mercer Mega block	\$66,500	\$66,500	\$0	0.0%	\$66,500	0.0%	0	0.0%
REET	\$82,958	\$48,313	(\$34,645)	(41.8%)	\$42,734	(11.5%)	(\$40,224)	(48.5%)
STBD	\$31,299	\$27,829	(\$3,470)	(11.1%)	\$25,482	(8.4%)	(\$5,817)	(18.6%)
Commercial Parking Tax	\$45,596	\$30,321	(\$15,275)	(33.5%)	\$25,458	(16.0%)	(\$20,138)	(44.2%)
School Zone Camera Fund	\$9,666	\$7,440	(\$2,226)	(23.0%)	\$5,314	(28.6%)	(\$4,352)	(45.0%)
Total Other General Gov't	\$282,539	\$206,341	(\$76,198)	(27.0%)	\$187,375	(9.2%)	(\$95,164)	(33.7%)
GRAND TOTAL	1,742,172	1,445,850	(\$296,322)	(17.0%)	\$1,430,806	(1.0%)	(\$311,366)	(17.9%)

Source: CBO June 23, 2020. Minor discrepancies due to rounding.

Attachment 1: General Fund and Funds Supporting General Government Services

Resources in the City's General Fund support a broad range of City services, including police and fire. Main revenue sources include Property Taxes, Business & Occupation Taxes, and Sales & Use Taxes.

The City uses over 90 Special Revenue Funds (also known as Operating Funds). These Operating Funds are used in conjunction with General Fund resources to support City programs. For example, the Sweetened Beverage Tax supports programs in Department of Early Learning, Human Services Department, Office of Sustainability and Environment, Seattle Parks and Recreation, and the City Auditor's Office. CBO includes several of these Operating Funds as "General Fund-Adjacent" funds in its presentations of the Mayor's rebalancing measures: the Seattle Center Fund, Parks and Recreation Fund, the Short-term Rental Tax fund, the Sweetened Beverage Tax Fund and the Arts and Culture Fund.

As shown in the comparison of the April and June revenue forecasts (Table 1 in the memo), for both the April and June revenue forecasts, the Seattle Center Fund shows a 41.5 percent reduction in revenue (from \$22 million to \$13 million). The Parks and Recreation Fund was dropped almost 69 percent (from \$33 million to \$10.5 million). CB 119825 would reduce \$6.4 million of appropriation authority from the Seattle Center Fund and increase appropriation by the same amount in the General Fund to offset the revenue reductions. Though not in currently proposed legislation, the Executive identified the need for \$2.6 million in additional General Fund revenue or expenditure reductions to address future potential deficits in the Seattle Center fund. The Parks and Recreation Fund deficit of \$23 million would largely not be addressed by the current proposed legislation, although similar to the proposal for Seattle Center the Executive identifies a need to identify \$7 million in additional General Fund revenue or reductions to help balance against Park Fund shortfalls..

Mayor's Proposed Legislation

CB [119824](#), the Coronavirus Relief Fund (CRF) Ordinance, and CB 119825, the 2020 Budget Revisions Ordinance, would make most General Fund appropriation changes from the rebalancing measures submitted to Council on June 23. More detailed descriptions of the bills may be found in [Appendix B](#) to Central Staff's June 15 memo to Council.

The CRF Ordinance would accept a \$131.5 million into several City funds, such as the General Fund, Utilities, and Internal Services fund. The proposed bill would appropriate \$66.5 million of the total award. The remaining \$65 million (difference between the "Amount Accepted" and the 'Amount Appropriated") represents the use of the CRF to support regular employees' non-overtime work duties diverted to substantially different COVID-19 emergency response functions. However, the \$65 million appropriation authority exists in the 2020 Adopted General

Fund budget, but for a distinctly different purpose.¹ Examples include:

- Human Services Department staff work to de-intensify shelter crowding to reduce the risk of spreading the disease;
- Seattle Fire Department staff work responding to health emergencies and community testing; and,
- Office of Economic Development staff work processing small business support applications and distributing funds out to awardees.

The 2020 Budget Revisions Ordinance would adjust and increase appropriations to several projects and/or funds to offset decreased revenues. As described in Attachment 3, the bill would make a number of fund transfers and adjustments to offset reduced General Fund revenue. It would also use General Fund resources to offset lower than anticipated revenue in the Seattle Center Fund. The bill would also increase appropriations by \$31 million due to the transfer of funds from the Revenue Stabilization Fund (\$13.8 million) and the Emergency Fund (\$15.2 million) and backfill reduced revenue (\$1.9 million) appropriated for the Equitable Development Initiative from the Short-Term Rental Tax. Subsequent to the transmittal of CB 119825, Council approved CB 119812, which fully appropriated the Emergency Fund, such that, if Council wishes to appropriate \$31 million, the full amount will need to come from the Revenue Stabilization Fund.

Table for Attachment 1 on page 6.

¹ The Council provides appropriation authority at the 'Budget Summary Level' or 'BSL.' A BSL may include multiple programs both within and across departments.

Table for Attachment 1: General Fund and Funds Supporting General Government Services

	General Fund ¹	Park & Recreation Fund ³	Seattle Center Fund	Short Term Rental Tax	Sweetened Beverage Tax Fund	Arts & Culture Fund	Subtotal - General Fund/Adjacent
REVENUES							
CBO June Forecast Update Revenue Shortfall	(\$192,896,773)	(\$23,000,000)	(\$9,152,463)	(\$6,825,000)	(\$8,962,125)	-	(\$240,836,361)
Other Revenue Shortfalls (CBO Memos)	-	(\$660,000)	(\$431,188)	\$704,693	-	-	(\$386,495)
Fund Balance / Other One Time	\$35,742,099	-	\$1,764,471	\$4,242,905	\$5,818,656	-	\$47,568,131
Legislated Revenue Changes							
Coronavirus Relief Fund (CB119824)	\$107,950,174	-	-	-	-	-	\$107,950,174
Budget Revisions Ordinance (CB119825) ²	\$29,030,000	-	-	-	-	-	\$29,030,000
Subtotal - Legislated Revenue Changes	\$136,980,174	-	-	-	-	-	\$136,980,174
EXPENDITURES							
Legislated Expenditure Changes							
Budget Revisions Ordinance (CB119825)	\$5,331,855	-	6,400,000	-	-	-	\$11,731,855
Coronavirus Relief Fund (CB 119824) ³	(\$42,950,174)	2,600,000	-	-	-	-	(\$40,350,174)
Subtotal - Legislated Changes	(\$37,618,319)	2,600,000	6,400,000	-	-	-	(\$28,618,319)
Proposed Amendment Expenditure Changes:							
CB 119825 Capital	\$1,569,000	-	-	-	-	-	\$1,569,000
CB 119825 Operating	\$53,508,041	-	\$1,419,180	\$1,900,000	\$3,143,469	\$138,000	\$60,108,690
Subtotal, Non-legislated Changes	\$55,077,041	-	\$1,419,180	\$1,900,000	\$3,143,469	\$138,000	\$61,677,690
Shortfall Based on Current Legislation	(\$2,715,779)	(\$21,060,00)	-	\$22,598	-	\$138,000	(\$23,615,181)
Proposed Support To/From Other Funds:							
FG Hold for Center	(\$2,600,000)						(\$2,600,000)
FG hold for Parks Fund	(\$7,000,000)						(\$7,000,000)
FG hold for Arts & Culture	(\$138,000)						(\$138,000)
FAS Fund future rebate	\$382,578						
Remaining Balance/ (Shortfall)	(\$12,071,201)	(\$21,060,000)	-	\$22,598	-	\$138,000	(\$32,970,603)

¹June Forecast number includes \$8.9 million reduction in Admissions Tax revenues.

² Use of Revenue Stabilization/Emergency Fund.

³\$2.4M of coronavirus relief fund appropriations in GF will support COVID work by Parks & Recreation Fund staff.

Attachment 2: Transportation Funds

The Proposed 2020 Rebalancing Package identified a revenue shortfall of \$58.7 million in the Seattle Department of Transportation's (SDOT) 2020 adopted budget, including \$42.1 million in SDOT-specific funds (Transportation Fund, Move Seattle Fund, School Zone Camera Fund, and Seattle Transportation Benefit District Fund) and \$16.6 million of General Fund allocations to SDOT (General Fund, Transportation Network Company Tax, and Real Estate Excise Tax). To offset these reduced revenues, the proposed rebalancing package identified \$58.3 million of spending reductions in SDOT. The proposed rebalancing package would implement the bulk of these spending reductions administratively, except for the \$10 million of General Fund reductions to be backfilled by \$10 million from the Move Seattle Fund that is proposed in CB 119825.

While the proposed rebalancing package is close to being balanced across SDOT as a department (total reduced revenues exceed total spending cuts by \$441,000), the proposal does not balance individual SDOT-specific funds. Because the proposal does not reduce appropriations, SDOT would have some administrative flexibility to move eligible program expenses between funds (subject to the spending restrictions of each fund) and could draw on fund balance to support the revised spending plan. If Council legislates the spending reductions and reduces appropriations by fund, as proposed in the draft amendment to CB 119825, SDOT would need to seek future supplemental budget authority to make any adjustments to program appropriations or to draw on fund balance.

Table for Attachment 2 on page 8.

Table for Attachment 2: Transportation Funds

	Transportation Fund	Move Seattle Levy Fund ^{1,2}	School Zone Camera Fund	Transportation Benefit District Fund	Subtotal - Transportation
REVENUES					
CBO June Forecast Update Revenue Shortfall	(\$20,138,453)	-	(\$4,351,746)	(\$5,817,452)	(\$30,307,651)
Other Revenue Shortfalls (CBO Memos)	(\$9,327,362)	(\$614,532)	(\$962,761)	(\$887,716)	(\$11,792,371)
FUND BALANCE/ Other One Time	-	-	-	-	-
Legislated Revenue Changes					
Coronavirus Relief Fund (CB119824)	-	-	-	-	-
Budget Revisions Ordinance (CB119825)	-	-	-	-	-
Subtotal - Legislated Revenue Changes	-	-	-	-	-
EXPENDITURES					
Legislated Expenditure Changes					
Budget Revisions Ordinance (CB119825)	-	-	-	-	-
Coronavirus Relief Fund (CB119824)	-	-	-	-	-
Subtotal - Legislated Changes	-	-	-	-	-
Proposed Amendment Expenditure Changes					
CB 119825 Capital	\$13,616,185	\$10,199,578	\$480,869	\$7,882,954	\$32,179,586
CB 119825 Operating	\$6,185,271	\$91,988	\$112,500	-	\$6,389,759
Subtotal – Non-Legislated Changes	\$19,801,456	\$10,291,566	\$593,369	\$7,882,954	\$38,569,345
Other/Follow-up					
	-	-	-	-	-
Remaining Balance/ (Shortfall)³	(\$9,664,359)	\$9,677,034	(\$4,721,138)	\$1,177,786	(\$3,530,677)

¹CB 119825 shifted \$10M of capital appropriation to operating uses, to backfill a \$10M reduction in GF appropriations for Transportation.

²CB 119820 allocated \$2.3M or CARES FTA grant to Monorail/Streetcar support that does not show in this analysis.

³Use of existing fund balances will be part of future Executive proposals to alleviate identified shortfalls.

Attachment 3: Real Estate Excise Tax

The Real Estate Excise Tax (REET) I & II Funds support capital projects, with a primary focus on maintaining and rehabilitating existing City Facilities. The two funds are each supported by a separate 0.25 percent tax on real estate transactions and may be used for capital projects authorized by state law. Per [Resolution 31083](#), the City maintains a reserve balance of \$5 million in each of the two REET funds.

[Resolution 31952](#) would revise the City's financial policies for the Cumulative Reserve Subfund of the General Fund to allow REET revenues to fund a broader portion of the City's debt service. The current financial policies allow for REET revenues to pay debt service for public safety facilities and for previously issued debt for other eligible capital projects. The revised financial policies that would be adopted by this resolution would expand the permitted uses to also cover:

- Debt service for the repair or replacement of the West Seattle Bridge;
- Debt service payment as of January 1, 2020 on bonds issued prior to 2020 for eligible capital projects; and
- New debt services for any bonds issued for eligible capital projects in 2021 and 2022.

As shown in Table 1, the April revenue forecast showed REET revenues were 42 percent below the adopted 2020 budget levels, then dropped to 49 percent in the June forecast. To balance, the Mayor proposes to reduce combined REET I and II expenditures by \$21.2 million (\$9 million of which is a delay in the City's contribution to the Aquarium Expansion project), use \$3.5 million to pay for existing debt service (that would otherwise be paid out of the General Fund), and use \$19 million of better than expected 2019 revenues, and draw \$2 million from each the two funds' \$5 million reserves.

Table for Attachment 3 on page 10.

Table for Attachment 3: Real Estate Excise Tax (REET)

	REET I Capital Fund	REET II Capital Fund	Subtotal - REET
REVENUES			
CBO June Forecast Update Revenue Shortfall	(\$20,111,966)	(\$20,111,966)	(\$40,223,932)
Other Revenue Shortfalls (CBO Memos)	-	-	-
FUND BALANCE/ Other One Time	\$8,963,431	\$9,189,570	\$18,153,001
Legislated Revenue Changes			
Coronavirus Relief Fund (CB119824)			-
Budget Revisions Ordinance (CB119825)			-
Subtotal - Legislated Revenue Changes	-	-	-
EXPENDITURES			
Legislated Expenditure Changes			
Budget Revisions Ordinance (CB119825)	(\$2,124,329)	(\$1,227,576)	(\$3,351,905)
Coronavirus Relief Fund (CB119824)	-	-	-
Subtotal - Legislated Changes	(\$2,124,329)	(\$1,227,576)	(\$3,351,905)
Proposed Amendment Expenditure Changes			
CB 119825 Capital	\$10,971,364	\$9,749,972	\$20,721,336
CB 119825 Operating	\$301,500	-	\$301,500
Subtotal – Non-Legislated Changes	\$11,272,864	\$9,749,972	\$21,022,836
Other/Follow-up:			
REET reserve Use	\$2,000,000	\$2,400,000	\$4,400,000
Remaining Balance/ (Shortfall)	-	-	-

Attachment 4: Utilities

Seattle Public Utilities (SPU) manages three enterprise Funds in support of drainage and wastewater, solid waste, and water. SPU's budget is supported primarily by ratepayer revenue that may only be used for utility purposes and that is deposited into one of its three enterprise funds. The department also manages a suite of programs under the moniker of Clean City that are funded by the General Fund.

SPU has proposed \$7.4 million in executive-directed spending reductions and expects to draw from reserves to address the remaining revenue shortfall. SPU would receive \$71,153 for emergency-related spending if the Coronavirus Relief Fund Bill is adopted.

Seattle City Light's (SCL) primary revenue sources are retail customers and wholesale customers who purchase surplus energy. All revenue is managed in the City Light Fund and may only be used for utility purposes. SCL anticipates at least \$12.5 million in executive-directed spending reductions for operating expenses to fully offset reduced income due to the COVID emergency. According to SCL staff, the cuts will not significantly impact services to customers.

The Executive has proposed SCL capital appropriation changes in the transmitted Second Quarter Supplemental Budget Bill (CB 119818) and the Second Quarter Grant Acceptance Bill (CB 119819). The proposed capital appropriation changes are balanced, with grant or revenue-backed increases to appropriations and technical adjustments balanced among budget summary levels.

Table for Attachment 4 on page 12.

Table for Attachment 4: Utilities

	Light Fund	Water Fund	Drainage and Wastewater Fund	Solid Waste Fund	Subtotal - Utilities
REVENUES					
CBO June Forecast Update Revenue Shortfall	-	-	-	-	-
Other Revenue Shortfalls (CBO Memos)	(\$12,451,117)	(\$7,746,050)	(\$7,086,305)	(\$4,778,278)	(\$32,061,750)
FUND BALANCE/ Other One Time	-	\$5,596,165	\$3,821,863	\$2,798,842	\$12,216,870
Legislated Revenue Changes					
Coronavirus Relief Fund (CB119824)	-	\$29,318	\$31,728	\$10,107	\$71,153
Budget Revisions Ordinance (CB119825)	-	-	-	-	-
Subtotal - Legislated Revenue Changes	-	\$29,318	\$31,728	\$10,107	\$71,153
EXPENDITURES					
Legislated Expenditure Changes					
Budget Revisions Ordinance (CB119825)	-	-	-	-	-
Coronavirus Relief Fund (CB119824)	-	(\$29,318)	(\$31,728)	(\$10,107)	(\$71,153)
Subtotal - Legislated Changes	-	(\$29,318)	(\$31,728)	(\$10,107)	(\$71,153)
Proposed Amendment Expenditure Changes					
CB 119825 Capital	-	-	-	-	-
CB 119825 Operating	\$12,451,117	\$2,149,886	\$3,264,442	\$1,979,436	\$19,844,881
Subtotal – Non-Legislated Changes	\$12,451,117	\$2,149,886	\$3,264,442	\$1,979,436	\$19,844,881
Other/Follow-up:					
	-	-	-	-	-
Remaining Balance/ (Shortfall)	-	-	-	-	-