



City of Seattle

Mayor Jenny A. Durkan

July 31, 2020

Monica Martinez Simmons
Seattle City Clerk
600 4th Avenue, 3rd Floor
Seattle, WA 98124

Dear Ms. Martinez Simmons,

I have received Council Bill 119812. This bill, together with other budget actions Council is considering, wipes out all of the City's Rainy Day and Emergency funds, leaving us with nothing to weather future storms or help close next year's even bigger deficit.

The City entered the COVID-19 pandemic with total General Fund reserves of \$127.5 million. Because of our current economic crisis, \$29 million of this was needed to close the approximate \$300 million dollar hole created in this year's 2020 budget. However, Council now wants to spend 90% of the reserves (an additional \$86 million) on new spending, and the remaining 10% (approximately \$13 million) in other spending next week.

We are in the middle of an unprecedented public health and economic emergency. While I support expanding the programs my administration created during COVID-19, it is irresponsible to spend the entirety of our rainy day and emergency funds in the first few months of what is likely a multi-year crisis. The very programs all of us support could fall off a deeper, steeper cliff at a time our most vulnerable residents will need us the most next year.

If 2020 is any indication, no one can responsibly project that Seattle will not have additional emergencies this year and next. Already this year, in addition to the health and economic crisis, we have seen a significant unplanned infrastructure emergency with the closure of the West Seattle Bridge. Other cities have seen earthquakes, the failure of infrastructure, and the ravages of wildfires. Seattle is susceptible to all such events, and we have an obligation to be as ready as possible.

My office previously urged Council to consider the following issues before they nearly depleted our emergency funds, but they declined to do so:

- *Will the budget shortfall for next year be even bigger?* The projections in our next City revenue forecast is in mid-August, including actual revenue from the first six months of the year and an assessment of how much economic and financial uncertainty remains. This will help us better understand whether the City's budget hole has grown and requires deeper cuts;
- *How much will we receive from other sources?* This is dependent on developments around upcoming Congressional action to provide the City with additional COVID-19 relief funds, which

could provide support for the same programs proposed for city investments. Additionally there is additional support from the state coming to our city;

- *The ability to even get this spending out the door to help people.* Council did little to no consultation with my office, the City Budget Office, or with relevant departments to understand if this bill can even be implemented; and
- *Developments surrounding an expected legal challenge to the payroll tax.* Even if the economy comes back sooner than expected and jobs are here to tax, a legal challenge to the tax alone could preclude the ability of the city to use that new tax to “refill” the emergency funds.

I do fully expect that over the next few years the City will need to use the vast majority of its emergency funds as it relates to COVID-19 and the economic crisis. Unfortunately, our economic crisis for this year and next is likely worse, deeper and will be longer than initially projected. To make it through the rest of this year and through 2021, the City will need to draw upon our Rainy Day and Emergency Funds, including for direct relief for our residents and to continue basic city services.

But spending nearly all of our emergency and rainy day funds leaves the City too vulnerable financially and deeply risks future support for the very programs we have built to help people. Our state may need to enter into another Stay Home order this year, which could have further devastating impacts for our economy and city budget for both this year and next. We do not know what further challenges we will face, and our current revenue forecasts for 2020 and 2021 do not reflect the impacts of measures needed to combat the current surge in cases or those that may follow.

Against this backdrop, I continue to work with our Congressional delegation, the Governor and philanthropic organizations to address the very programs in this bill. With Council’s collaboration, my administration has worked to surge \$233 million in COVID-19 programs and relief to residents. The City shifted tens of millions of financial resources and staff to address the crisis and community needs. All told, the 2020 budget rebalancing package submitted to Council funded expanded services to those experiencing homelessness, rental assistance, grocery vouchers, meal assistance, emergency child care for essential workers, and small business assistance. This is in addition to the relief being provided to Seattle residents, workers and businesses by other organizations, like All in Seattle, Schultz Family Foundation and the Seattle Foundation’s COVID-19 Response Fund to name a few. To date, those programs have raised at least \$108 million, and we have seen recent philanthropic giving in recent weeks to expand even further. Together, all programs have delivered and will continue to deliver direct relief to tens of thousands of Seattle residents and support community-based organizations.

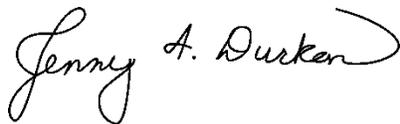
While we all support the use of the funds for COVID-19 relief, drawing down 90% of our emergency reserves now without a better understanding of our financial situation for the remainder of this year, 2021, and beyond is unwise. It also will ultimately hurt the very people we need to serve the most. I remain committed to working with Council to identify specific resources for some of the newly proposed programs, where we know there is great unmet need. For example, we continue to try to build funds and support for our immigrant and refugee communities, many of whom are left out of other benefit programs.

Council has stated that they hypothetically can restore some portion of our emergency funds with projected revenues to be earned from the recently adopted payroll tax. However, this is looking increasingly risky and unlikely. Those funds are not collected until 2022. As we sit here in July 2020, no one can responsibly project the amount of the revenues that will be collected through that tax – or even if it will be sufficient to cover next year’s already significant projected shortfall of \$300 million. The significant budget and legal risks associated with the payroll tax have only increased in the last few weeks. The economy has weakened, the pandemic has worsened and the timeframe for when we can even “come out of this” has lengthened. The longer the pandemic continues, the longer it will be before we can even begin recovery. The forecasts for how much revenue this new tax will generate, and the base General Fund revenues to which it would be additive, are subject to the economic uncertainties described above. Additionally, the new payroll tax only works if there are the jobs in Seattle to tax. That is very uncertain also. At least one large tech company has announced it will work from home until July 2021.

In plain terms, now is not the time to spend nearly all of our emergency funds. Seattle needs a cushion to make it through the next 18 months, and avoid complete austerity budgets. Even without new, unexpected emergencies, we are facing unprecedented financial challenges. Council may be willing to risk the entire cushion we need. I am not. Council may be certain that the month ahead will be emergency free. I am not. Council may be certain that we will recover from the current crisis enough to fill a \$300 million budget hole and collect \$200 million in new taxes on top of that. I am not. The facts simply say otherwise.

Thus, under my authority in Article IV, Section 12 of the Seattle City Charter, I respectfully veto this legislation and request Council to work with me to build a budget for 2021 that increases equity, provides businesses and residents critical support, and fosters a true recovery.

Sincerely,

A handwritten signature in black ink that reads "Jenny A. Durkan". The signature is written in a cursive, flowing style.

Jenny A. Durkan
Mayor of Seattle