

Seattle COVID-19 Response and 2020 Budget Rebalancing

June 24, 2020



Challenges Facing Our City

- A public health pandemic that is killing friends, families, and neighbors and COVID-19 has disproportionately impacted communities of color. Expected spending of \$233 million on COVID-19 response, focusing on the needs of the most vulnerable and BIPOC communities.
- Economic devastation and job losses that have led to record unemployment, an unprecedented loss of \$300 million in revenue, and community needs including food access and housing assistance. Now more than ever it is critical to preserving critical budget priorities that serve communities of color and historically underserved communities.
- A movement to demand anti-racist action, to divest and rethink policing, and end institutional racism.

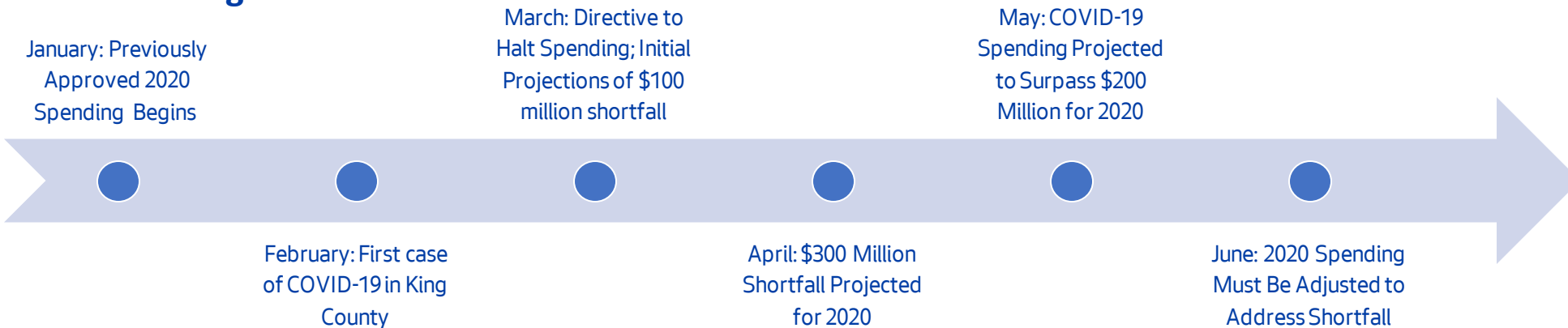


Budget Process Overview

Budget Process for 2021-2022 – *as originally planned*



COVID-19 Budget Process



Approach to COVID-19 Response

- Addressing urgent needs including meals, rental assistance, grocery vouchers, utilities, childcare, and other essential needs
- Protecting our most vulnerable neighbors experiencing homelessness in partnership with PHSKC and King County
- Assist small businesses, non-profits, artists, and cultural organizations as they struggle for survival
- Continue critical supports for First Responders & free citywide testing



Approach to SPD Budget

- SPD will face the largest budget cut among all department reductions for the General Fund
- Police spending will be reduced by \$20 million through the rest of this year
- Additional options for reductions are being developed for the 2021 budget
- We will engage community to provide substantive input on what 2021 SPD budget choices should be made



Approach to Racial Justice Investments & Priorities

- Continue critical COVID-19 investments for vulnerable and BIPOC communities like: housing, child care, testing, individuals experiencing homelessness, small businesses and support for immigrant and refugee residents
- Preserving programs to invest in community like EDI, Orca Opportunity, Youth Safety, FEPP
- Mayor has committed to invest \$100 million in BIPOC communities in 2021 budget



Near term 2020 budget actions following community conversations

- Review SPD budget options
- Redirect funding initially targeted for N. Precinct - \$4 million in capital funding
- \$5 million for mentorship programs with BIPOC youth
- 2020 budget commits \$500K to a community engagement process on policing and community investments
- Expediting land transfers (Byrd Barr, Central Area Senior Center, FS6)
- Develop a new vision for the E. Precinct area in partnership with community leaders



Rebalancing 2020 Budget: address revenue shortfall and cost of responding to COVID-19 pandemic

- The City's General Fund budget was balanced assuming almost \$1.5 billion in revenue.
- Updated forecast confirms that General Fund revenues could fall \$200 million short of the total anticipated in the 2020 adopted budget.
- The total funding gap for general government services could exceed \$300 million because other revenues, such as the soda tax, short-term rental tax, commercial parking tax, and earned revenues at the Seattle Center and Parks Department will also fall short of forecast.
- The public health challenge and economic impacts created by COVID-19 has demanded a robust response from the City. We anticipate total spending of \$233 million in response.



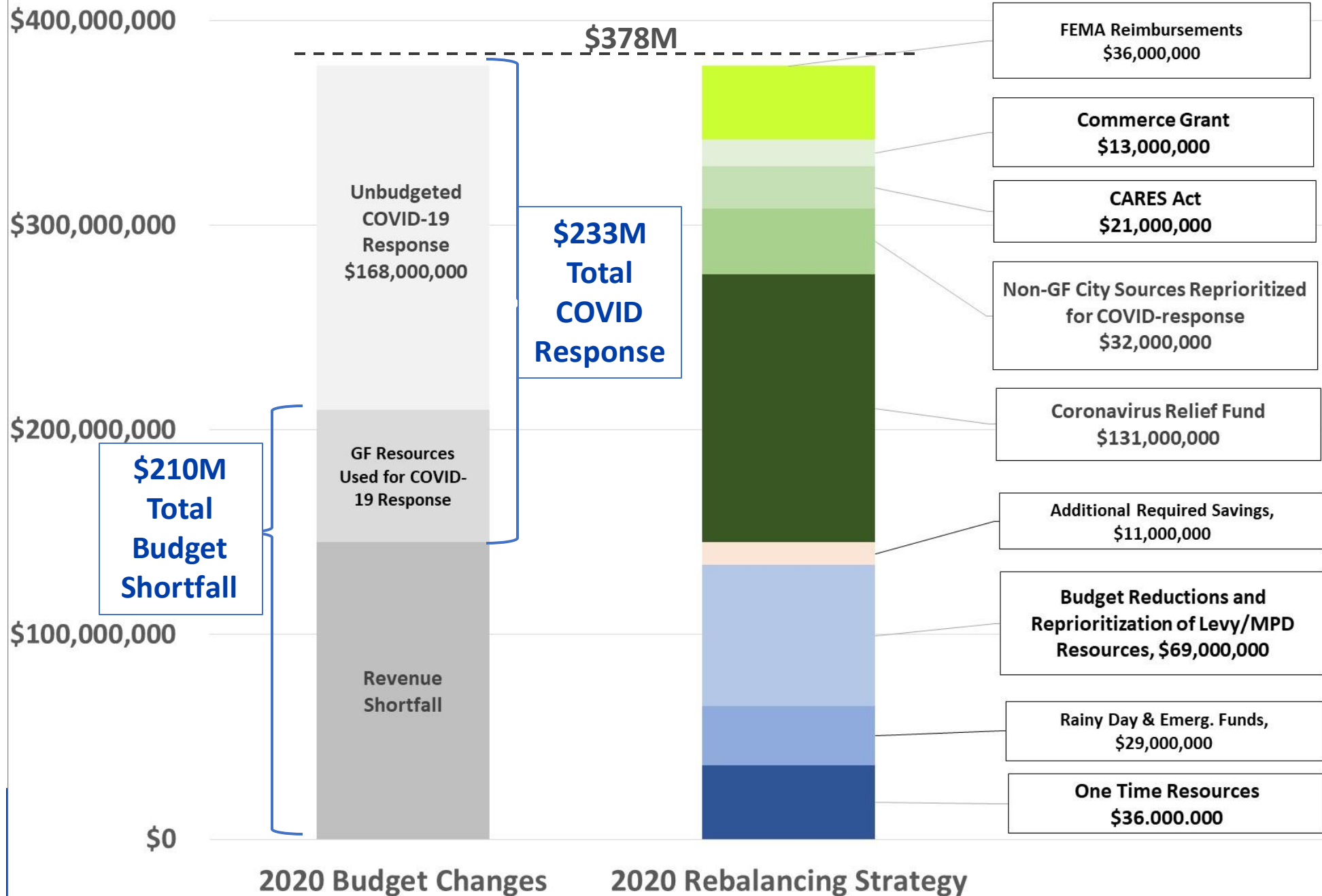
Resources to Balance

To minimize any reductions to City services or cuts to critical community programs, the City proposes utilizing state and federal resources as well as one-time sources to balance the 2020 budget.

- New State and Federal Resources (FEMA, CARES Act, Coronavirus Relief Fund, State Commerce)
- 2019 Year End Reserves (One Time Resources)
- 25% of City's Emergency Funds
- Refocus City Programs and Staff toward COVID-19
- Focused Budget Reductions, including SPD, City Hiring Freeze, and Travel
- Reprioritize use of Levy and MPD Resources



Rebalancing the 2020 Budget



Center the City's response in race and social justice to help address the disparate impact COVID-19 is having on communities of color.

- Respond to immediate impacts of the COVID-19 emergency and preserve ability to react as the situation evolves
- Protect our most vulnerable neighbors experiencing homelessness and address housing insecurity
- Support essential workers and community needs
- Assist small businesses, artists, and cultural organizations as they struggle for survival
- Continue critical supports for first responders & provide testing for residents & workers
- Maintain City services and support the City employees who provide them



Total Expenditures for COVID-19 Response

COVID-19 Spending	
Respond to Emergency COVID-19 impacts	\$38,620,000
Protect our most vulnerable neighbors experiencing homelessness and address housing insecurity	\$39,400,000
Support essential household and community needs	\$34,110,000
Assist small businesses, artists, and cultural organizations as they struggle for survival	\$5,210,000
Continue critical supports for First Responders	\$35,740,000
Maintain city services and support City employees who provide them	\$80,150,000
TOTAL (Of this total, approx. \$65 million is reprioritized General Fund)	\$233,200,000

*Total may not match due to rounding.



Respond to immediate impacts of the COVID-19 emergency and preserve ability to react as the situation evolves

COVID-19 Spending	
COVID-19 Supplies and Services	\$2,470,000
Cloth facial coverings for employees and community groups	\$790,000
Essential Workers - Hotel	\$3,070,000
Essential Workers - Childcare	\$5,450,000
COVID-19 Testing - public access sites and community test kits	\$8,790,000
Social Distance Ambassadors and social distancing in parks	\$2,040,000
Stay Healthy Streets/Street Closures	\$190,000
Cleaning of public buildings	\$100,000
COVID-19 Language Access	\$80,000
Hospital transitions to care for elderly non-Medicaid patients	\$150,000
Emergent COVID-19 response needs (June-Oct 2020)	\$15,350,000
TOTAL*	\$38,620,000

*Total may not match due to rounding.



Protect our most vulnerable neighbors experiencing homelessness and address housing insecurity

COVID-19 Spending	Total
Hygiene	3,700,000
Shower trailers, toilets and sinks	2,280,000
Reopening bathrooms at libraries	320,000
Purple bag program COVID-19 expansion	350,000
Continue hygiene service after FEMA period (2 months)	750,000
Emergency Shelter	15,580,000
NEW: RFP for shelter needs and PSH	4,850,000
Congregate sheltering	4,270,000
Noncongregate sheltering	2,530,000
Food at homeless shelters	2,080,000
Facial coverings for people experiencing homelessness & others	250,000
Shelter expansion ramp-down after FEMA period (2 months)	1,600,000
Housing and Homelessness Prevention	16,070,000
NEW: Food support for PSH Sites through December	2,500,000
Rental Assistance: City-funded Affordable Housing (NEW: \$4M)	5,410,000
Rental Assistance: Community-based Organizations and Home Base (NEW: \$5.4M)	7,730,000
Rental Assistance: Housing for People living with HIV/AIDS	430,000
Subtotal, Net New Homelessness Spending	35,350,000
PSH Operations: Short-term Rental Tax Fund Swap	3,300,000
Rental Assistance: Home for GOOD Pilot Fund Swap	750,000
Total, COVID-19 Homelessness Spending	39,400,000

*Fund swap amounts are excluded from the net budget add total because they are already counted in the base 2020 Adopted Budget.

Protect our most vulnerable neighbors experiencing homelessness and address housing insecurity

COVID-19 Spending	FEMA	CDBG	ESG	HOPWA	Housing Levy	Commerce	CRF	Total
Hygiene	1,950,000	-	-	-	-	750,000	1,000,000	3,700,000
Shower trailers, toilets and sinks	1,710,000						570,000	2,280,000
Reopening bathrooms at libraries	240,000						80,000	320,000
Purple bag program COVID-19 expansion							350,000	350,000
Continue hygiene service after FEMA period (2 months)						750,000		750,000
Emergency Shelter	5,100,000	2,080,000				6,450,000	1,950,000	15,580,000
NEW: RFP for shelter needs and PSH						4,850,000		4,850,000
Congregate sheltering	3,200,000						1,070,000	4,270,000
Noncongregate sheltering	1,900,000						630,000	2,530,000
Food at homeless shelters			2,080,000					2,080,000
Facial coverings for people experiencing homelessness & others							250,000	250,000
Shelter expansion ramp-down after FEMA period (2 months)						1,600,000		1,600,000
Housing and Homelessness Prevention		4,230,000		430,000	910,000	2,500,000	8,000,000	16,070,000
NEW: Food support for PSH Sites through December						2,500,000		2,500,000
Rental Assistance: City-funded Affordable Housing		1,410,000					4,000,000	5,410,000
Rental Assistance: Community-based Organizations and Home Base		2,820,000			910,000		4,000,000	7,730,000
Rental Assistance: Housing for People living with HIV/AIDS				430,000				430,000
Subtotal, Net New Homelessness Spending by Funding Source	7,050,000	4,230,000	2,080,000	430,000	910,000	9,700,000	10,950,000	35,350,000
PSH Operations: Short-term Rental Tax Fund Swap						3,300,000		3,300,000
Rental Assistance: Home for GOOD Pilot Fund Swap			750,000					750,000
Total, by Funding Source	7,050,000	4,230,000	2,830,000	430,000	910,000	13,000,000	10,950,000	39,400,000

Support essential household and community needs

COVID-19 Spending	
Grocery Vouchers	\$14,500,000
Food for food banks and meal programs	\$9,900,000
Supports for Food Security	\$3,000,000
Food delivery for seniors	\$2,500,000
Waiving interest charges on delinquent SPU and SCL accounts	\$4,044,000
Expenses to facilitate distance learning	\$162,000
TOTAL	\$34,106,000

Assist small businesses, artists, and cultural organizations as they struggle for survival

COVID-19 Spending	
Grants to artists and arts organizations for business interruptions due to public health measures	\$1,295,000
Grants to small businesses for business interruption caused by required closures	\$3,910,000
TOTAL	\$5,205,000



Continue critical supports for first responders

COVID-19 Spending	
First responder costs substantially shifted to COVID-19 Response	\$26,509,000
Personal Protective Equipment (PPE)	\$8,267,000
Testing - First responders	\$612,000
Hotel - First responders	\$325,000
City's COVID-19 expenses at King County jail	\$22,000
TOTAL*	\$35,735,000

*Total may not match due to rounding.



Maintain City services and support the City employees who provide them

COVID-19 Spending	
Department staff redeployed to emergency response	\$45,694,000
Overtime for staff redeployed to emergency response	\$8,411,000
Temp labor for emergency response	\$2,334,000
Expenses to improve telework capabilities	\$1,718,000
Paid Leave and Unemployment Insurance for at-risk workers	\$11,987,000
Adapting City facilities/Operations for Reopening Requirements	\$10,000,000
TOTAL*	\$80,145,000

*Total may not match due to rounding.

Total Expenditures for COVID-19 Response

COVID-19 Spending	
Respond to Emergency COVID-19 impacts	\$38,620,000
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Continue critical supports for First Responders	\$35,740,000
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TOTAL (Of this total, approx. \$65 million is reprioritized General Fund)	\$233,200,000

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Proposed State Dept. of Commerce Grant - \$13M

Three-part approach:

1. **Sustain Emergency Response** for the period after FEMA “ends” the emergency
2. **Continue support for existing PSH contracts** whose funding source has dried up
3. **Fund new critical needs**
 - **New funding to provide 2,600 daily meals at City’s PSH locations** through the end of the year
 - **New Funding for Shelter and PSH Needs (\$4.85m):**
 - Equitable approach for existing contractors
 - Identifies provider expenses that are FEMA eligible

Proposed Use	Amount
Sustain COVID-19 Response for 2 months Beyond FEMA Emergency Designation	
Hygiene Interventions	\$750,000
Shelter De-densification Operations	\$1,600,000
Continue Support for Critical Existing Program	
Permanent Supportive Housing STRT Fund Swap	\$3,300,000
New Programs	
Food support for PSH Sites through December	\$2,500,000
Shelter and PSH enhancements necessitated by COVID	\$4,850,000
Total	\$13,000,000

Proposal for CRF - \$131.5 million

Emergency Response using Coronavirus Relief Fund	Amount
Local Match for FEMA	\$11,250,000
<i>Emergency Homelessness Shelter and Hygiene</i>	<i>\$2,350,000</i>
<i>Cleaning of public buildings and testing for public</i>	<i>\$2,220,000</i>
<i>Food for Food banks and economic instability</i>	<i>\$2,480,000</i>
<i>PPE / Testing / Quarantine for First Responders</i>	<i>\$2,240,000</i>
<i>Temporary and Overtime Labor for Emergency COVID-19 Response</i>	<i>\$1,960,000</i>
Non-FEMA Eligible Emergency Response Measures	\$9,390,000
<i>Face Masks</i>	<i>\$1,040,000</i>
<i>Stay Healthy Streets/Street Closures</i>	<i>\$190,000</i>
<i>Social Distance Ambassador Program</i>	<i>\$2,040,000</i>
<i>Hotel - Essential Workers</i>	<i>\$3,070,000</i>
<i>Purple bag program COVID-19 expansion</i>	<i>\$350,000</i>
<i>Community testing kits</i>	<i>\$150,000</i>
<i>COVID Language Access</i>	<i>\$80,000</i>
<i>COVID-19 Supplies and Services</i>	<i>\$2,470,000</i>
Emergent Response Needs in July through October	\$15,350,000
Adapting City Facilities and Managing "Re-entry" of the City's Workforce	\$10,000,000
Food Security Measures and Grocery Vouchers through October - \$2.5M/Month	\$12,500,000
Rental Assistance - \$1.6M/Month through October	\$8,000,000
Redeploying City Staff and Resources for Emergency Response (Non-OT/Temp)	\$65,000,000
Total	\$131,500,000

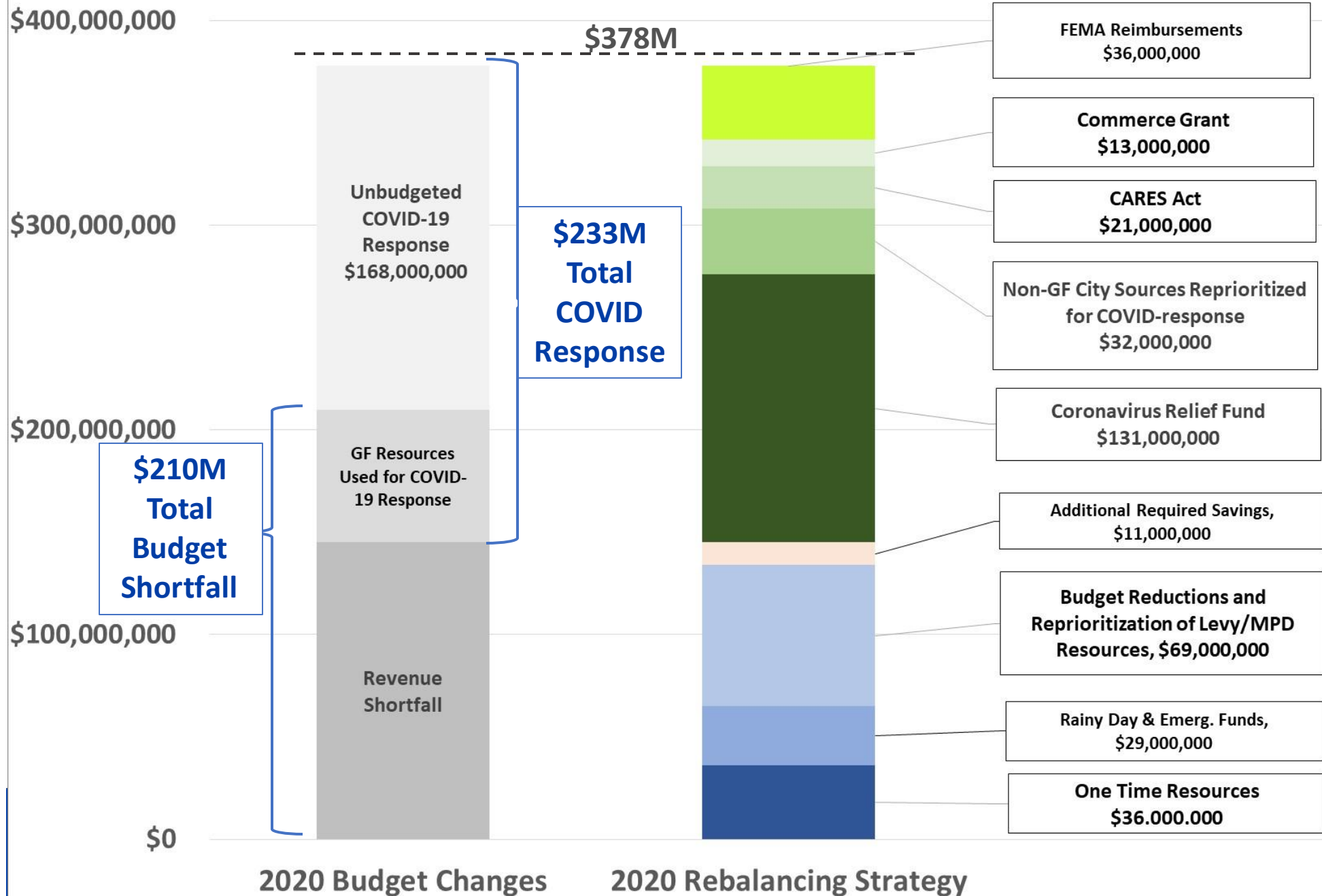
Emerging State and Federal Sources for Addressing Homelessness

1. Emergency Solutions Grant (ESG) with new COVID allocation formula - \$26 million.
 - Funds can be used through September 30, 2022
 - 100% Match Requirement has been waived
2. New formula grant from the State Commerce Department. A joint application with the County is likely to be awarded ~\$11 million.
 - Funds will be available August 2020 to June 2023

COVID-19 Impact on City Resources



Rebalancing the 2020 Budget



One Time Resources, Reserves and the CRF

Source	Amount
2019 Year-End Fund Balance and Other One-time Resources	\$36,000,000
Emergency Fund and Rainy Day Fund	\$29,000,000
Coronavirus Relief Fund	\$65,000,000
Total	\$130,000,000

- Strong financial finish to 2019 will help mitigate 2020 financial impacts
- Proposal for balancing 2020 and 2021 uses a portion of Emergency Funds for 2020 (~25%), but saves a significant share (~75%) for 2021 to mitigate impacts in 2021
- The CRF provides a means to pay for the existing City resources now being used to respond the COVID-19 crisis at a time the General Fund cannot sustain those services.



Budget Reductions and Reprioritization of Levy & MPD Resources

Source	Amount
Hold vacancies, delay hiring, reduce overtime	(\$26,500,000)
Reprioritization of Levy/MPD Resources (Details on following slide)	(\$24,500,000)
Travel, training, supplies, etc.	(\$6,100,000)
Consultants and Contracts	(\$5,500,000)
Neighborhood Matching Fund (NMF)	(\$1,500,000)
Other – including GF-funded technology and capital projects	(\$5,200,000)
Total	(\$69,300,000)



Reprioritization of Levy and MPD Resources - Detail

Source	Amount
Move Seattle Levy	\$10,000,000
Metropolitan Parks District	\$10,000,000
Families, Education, Preschool and Promise Levy	\$2,000,000
Library Levy	\$1,600,000
Reprioritize Grant Funding	\$900,000
Total	\$24,500,000

- For each of the affected departments, the revenues earned by the City will no longer provide the funding needed to pay for the base operations which the levies were intended to supplement.
- The basic budget approach is redirect funding that was to pay for capital projects or expanded programmatic funding to support these base operational costs.
- The capital projects will be deferred but could be funded again in the future.



Departmental Highlights - SPD

Seattle Police Department

- \$16 million reduction directed to rebalancing
- Pause the allocation of planning resources in the 2020 budget for a new North Precinct facility - \$4 million
- Freeze spending on vehicles and IT investments
- Immediately we will freeze hiring of sworn officers in 2021 until a new staffing model and plan is developed reflecting community priorities for public safety
- Mayor has asked for the SPD to prepare models of 20% - 30% - 50% budget reductions for community engagement

CPC, OIG and OPA

- No reductions.



Budget Changes - Departmental Highlights

Human Services Department

- Only reductions are to travel, training and vacancies.
- Services are being expanded in response to COVID-19, including food, shelter, and rental assistance, per our earlier description of the City's response COVID-19 response.

Department of Neighborhoods and Office of Economic Development

- DON and OED are working together to lead efforts on community outreach and small business assistance.
- Proposed reductions do include decreasing 2020 Neighborhood Matching (NMF) fund by \$1.5 million. A portion of NMF staff are on-loan to OED to support small business.

Office of Planning and Community Development

- Preserved full \$15 million of Mega-block proceeds for EDI projects.
- Preserve full \$5 million for 2020 EDI grants, by supplementing declining Short-term Rental Tax revenues with ~\$2 million of General Fund support.
- Shifting near-term focus of EDI toward COVID-19 response and relief to BIPOC communities from effects of pandemic.

Library

- Total General Fund reductions of \$2.9 million, but mitigated by \$1.6 million of Levy funding and \$500,000 from the Library Foundation.

Seattle Center

- Center's "earned" revenues have collapsed and basic maintenance and operations cannot be sustained without additional support.
- Rebalancing proposal thus increases 2020 General Fund support by \$9 million.



Budget Changes - Departmental Highlights

Department of Parks and Recreation

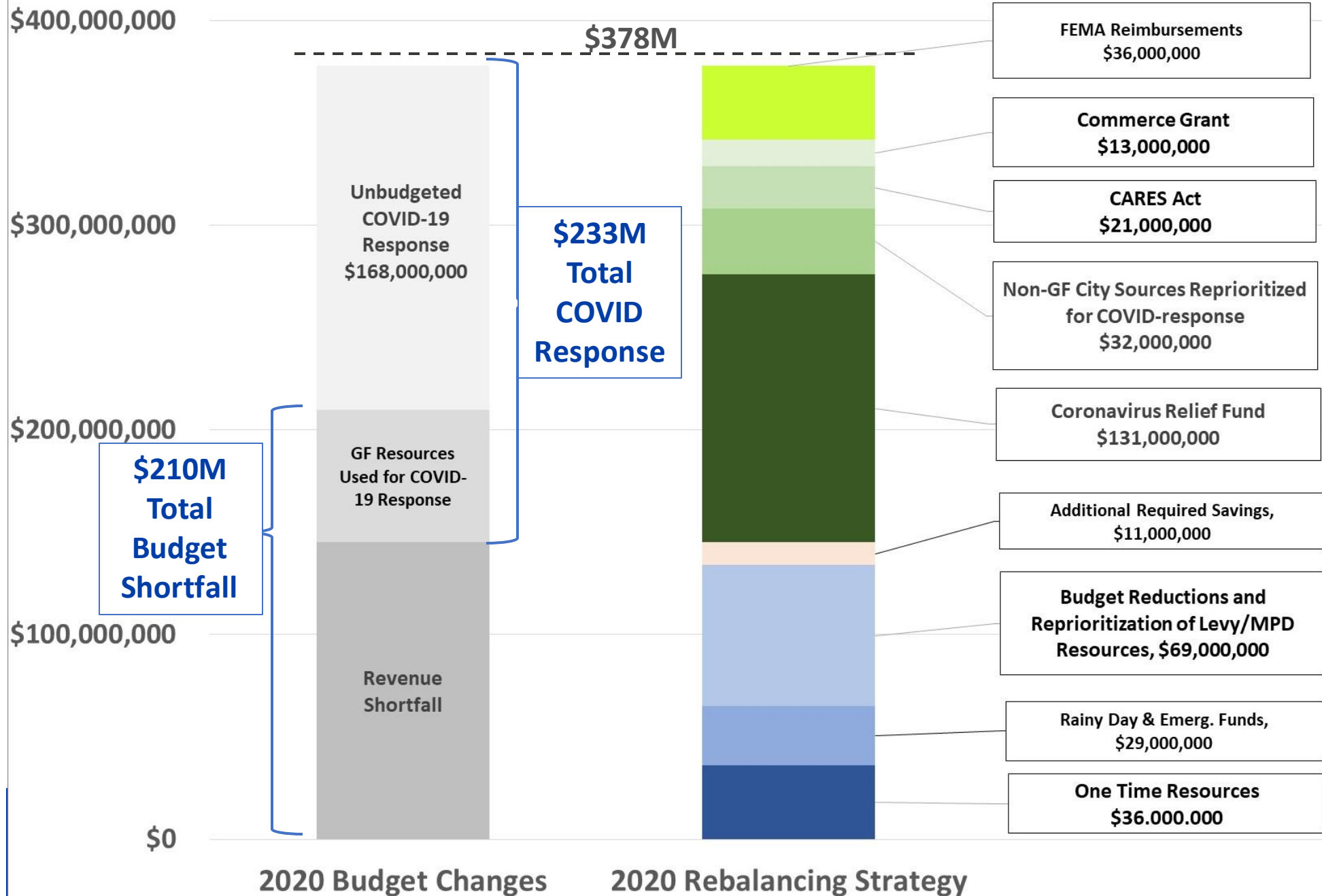
- Parks Department staff and facilities are playing a critical role in COVID-19 response.
- “Earned” revenues could fall short by \$23 million, if facilities remain closed through September; more if longer.
- Proposing to redirect \$10 million of MPD resources to help address this shortfall and to offset reduced General Fund support to the department. This will reduce funding for and lead to deferral of capital projects, including the development of land-bank parks sites and athletic field replacements.
- Decreased REET funding will further reduce resources available for capital projects.
- Parks Department is also reducing discretionary operational costs – for example reduced seasonal hiring for non-essential maintenance such as mowing, weeding, and picnic shelter cleaning.

Seattle Department of Transportation

- Overall revenue shortfall of \$50+ million, including a proposed General Fund reduction of \$13 million, a \$20 million decline in parking tax revenues, and a \$7+ million loss of street use fees.
- At the same time, SDOT is facing the unanticipated costs of the West Seattle Bridge.
- This is forcing a significant reprioritization of capital projects, and a number of projects have been “paused” while this reprioritization review is completed. This includes stopping work on the Center City Connector, and redirecting \$6 million of Mega-block proceeds to preserve funding for other transportation priorities.



Rebalancing the 2020 Budget



Legislative Action Needed for 2020 Rebalancing

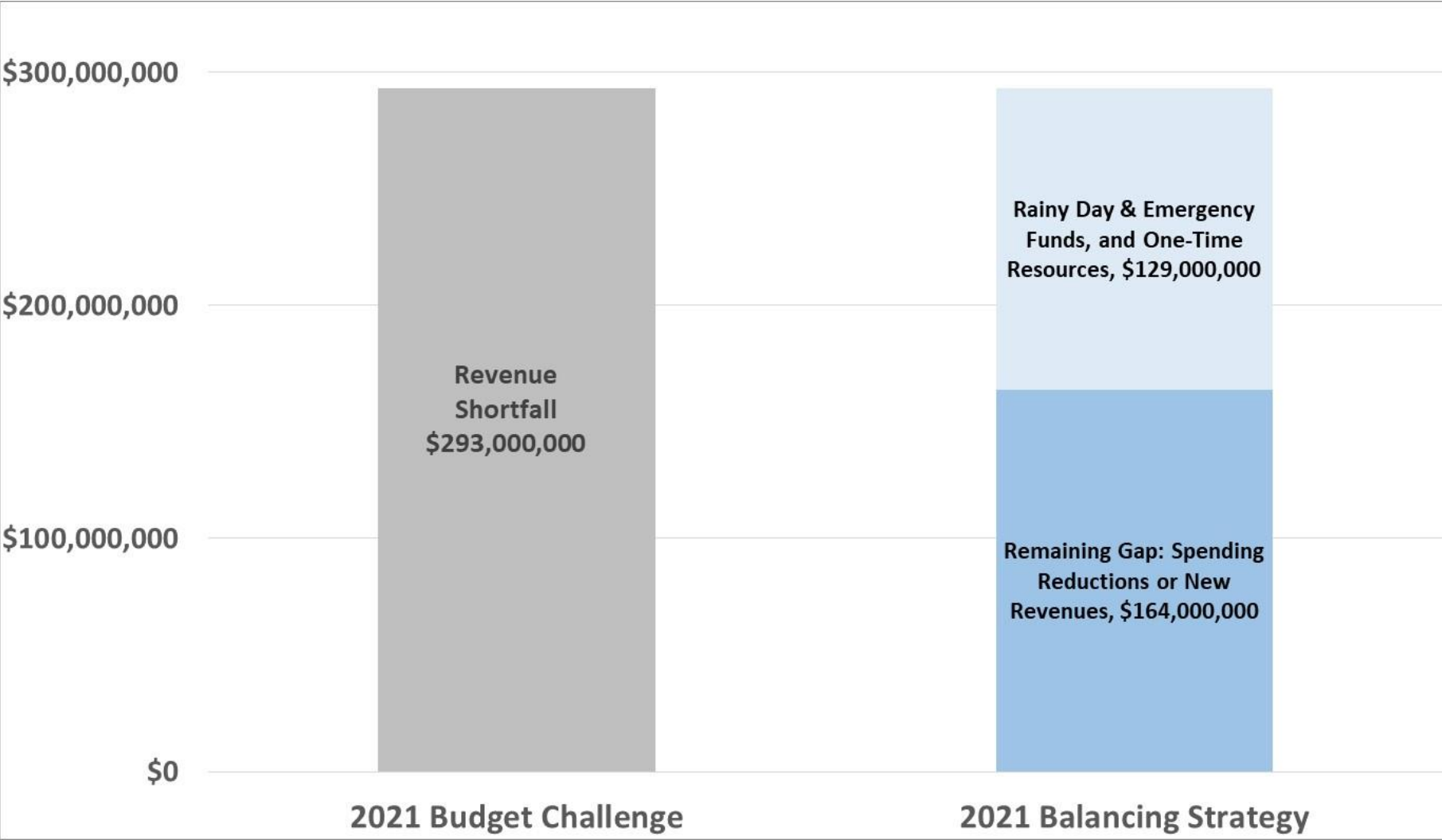
- Ordinances to reprioritize Levy and MPD resources
- Ordinance to authorize spending from the Emergency and Rainy Day Funds, and resolution to defer repayment
- Resolution to temporarily expand use of REET dollars to pay for debt service
- Second quarter supplemental and grant acceptance ordinances
- Grant acceptance and appropriation of State Commerce funding
- Grant acceptance and appropriation of Federal Coronavirus Relief Fund (CRF)
- 2020 Budget revision ordinance
- 2019 Carry Forward and Exception ordinances



2021 Outlook



Balancing the General Fund in 2021



Key Components of 2021 Strategy

- Advocacy for new state and federal resources.
- Draw down remainder of Rainy Day and Emergency Funds, and other one-time resources.
- Remaining 2021 budget gap exceeds \$160 million. New revenues may address some of this shortfall, but economic impact of COVID will still force deep reductions in City spending, and thus in City services.
- Labor costs are roughly 65% of overall General Fund spending, so impacts to the City workforce are unavoidable. Layoffs will be the most direct impacts, but negotiations with the City's unions may also provide alternative cost-savings strategies.
- Departments have been requested to develop proposals to reduce their 2021 budgets by 5%-10% relative to what would be their baseline spending. CBO will review opportunities to again redirect Levy and MPD resources.
- These strategies alone will be insufficient to rebalance. New revenues or additional cost savings will be needed to balance the 2021 budget. Likely it need to be a combination of both.
- Forecasts indicate that the economic impacts of COVID-19 will last for several years. Approach budget needs to acknowledge that this is not a short-run crisis.
- \$100 million investments in BIPOC communities will be led by community engagement process this summer.

