

2025-2026 Budget Update

Select Budget Committee
June 4, 2025

Dan Eder, Interim Director, City Budget Office



Agenda

- ✓ Budget Context
- ✓ 2025 and 2026 Direction to Departments
- ✓ Balancing 2026 Budget and Beyond

Budget Context

June 2025

City Budget Office



City of Seattle

Overview

- 2025 Adopted and 2026 Endorsed **balanced** using October 2024 forecasts:
 - 2024 revenues; and
 - 2025 and 2026 revenues
- OERF's updated forecast in April included significantly lower revenues
- CBO and Council Central Staff conclusion:
 - Combined GF/PET (after proposed Carryforward) is \$150 million lower by 2026.

Remaining Uncertainties

- Federal government
- Forecast uncertainty
- Inflationary cost pressures

General Fund (GF) and Payroll Expense Tax (PET) Deficit

How did we get here?

- The City's 2025 Adopted Budget and the 2026 Endorsed Budget were each fully balanced
- In April 2025, the **Forecast Council dramatically lowered its GF and PET forecast based on the advice of the Office of Economic and Revenue Forecasts (OERF)** due to:
 - Lower actual revenues in 2024;
 - Stock market volatility; and
 - Evolving employment patterns

What is the current projected deficit?

- Combined GF and PET deficit is \$150 through the end of 2026
- Reflects 2024 actuals and the April forecast.

What are our tools?

- **Reduce Expenses** - Evaluate reductions to staff & services
- **Raise Revenues** - Consider new taxes and right-sizing fees to allow cost recovery
- **Achieve efficiencies** - Deliver essential services with streamlined efforts



2025 and 2026 Direction to Departments



Rapid Response

- April 10: Updated forecast from OERF
- April 11: CBO/MO directed departments to freeze discretionary GF/PET spending pending further instruction
- May 2: CBO/MO directed departments to submit GF/PET proposals for
 - 2025 underspend; and
 - 2026 spending reductions
- May 12: CBO provided process for spending freeze exceptions

Immediate Steps

- On April 11, the day after the Revenue and Economic Forecast, the Mayor directed Executive departments to:
 - Freeze spending on non-essential travel or training expenses
 - Freeze spending on new contracts
 - Freeze spending on new programming
 - Extend the hiring freeze

Range of Options

- Evaluating spending reductions
 - Spending freeze and underspend in 2025
 - Reductions in 2026
- Evaluating potential revenue enhancements
 - State authorized new revenue options
 - Other progressive revenue approaches
- Other approaches to deliver services efficiently and effectively

Reduce 2025 Spending

- CBO directed that discretionary GF/PET additions will not be considered for this year's Mid-Year Supplemental.
- The Mayor and CBO sent directions to Executive Departments to quickly develop plans to underspend existing 2025 GF/PET budgets by 5%.

2026 Budget Guidance

- The 2026 Endorsed Budget included limited resources for new or expanded initiatives in 2026.
- Prescribed reduction targets for depts supported by GF + PET:
 - 2% for homelessness, public safety (PS) & PS-related depts, and certain small depts
 - 8% for all other GF/PET depts
- Requests for added funding must be offset by reductions

Improving City Operations

The City is pursuing internal reforms and smarter governance strategies aimed at doing more with existing resources. This includes:

- ✓ Phasing out low-impact or outdated programs
- ✓ Holding contractors accountable with performance-based outcomes
- ✓ Making permits faster and easier to navigate
- ✓ Streamlining administrative functions across departments
- ✓ Identifying workforce efficiencies
- ✓ Eliminating vacant and duplicative positions

Balancing the 2026 Budget and Beyond

June 2025

City Budget Office



City of Seattle

Wrap Up

- On September 23, the Mayor will propose a balanced 2026 budget
- The City will have another revenue forecast in August
- There are lots of hard decisions in front of us
- Actively seeking ideas for addressing the deficit

Questions?

