

# Appointment Questions

## Interim Director Aly Pennucci, City Budget Office

1. **What drew you back to the City of Seattle and makes you want to take on this important role?**

I left Seattle 1.5 years ago for the opportunity to help lead an Executive team in Whatcom County. The experience brought me great appreciation for the responsibilities of managing a public enterprise under stressful conditions and serious fiscal restraints. My time in Whatcom County solidified my passion for local government budgeting. Faced with urgent financial decisions, I became more acutely aware of the central role the budget plays in serving the community. And I learned the necessity of making the budget process as clear and accessible as possible for those within and outside government.

I've returned to Seattle to help meet the challenges this city I love faces in a moment of uncertainty and opportunity. Seattle is home to friends, family, and a diverse community with rich histories and untold strengths. Seattle has been very good to me and many like me but, like most major American cities, it is beset by significant social challenges, many of which are financial in origin. We are a wealthy city that faces a structural budget deficit and growing needs in our community due to the ever-expanding income gap. The fact is that the City Budget Office will play an important role in any attempt to address the impending and deepening problems at our doorstep. So I am drawn back to Seattle because I believe that, with the help of the many brilliant and committed civil servants that work for the City of Seattle, I can help shape a budget and budget process that soberly assesses the unfolding difficulties of our historical moment without giving way on the promise of government improving the lives of all its people.

This commitment is what I recognize in Mayor Wilson's vision of making Seattle more affordable, more compassionate to our most vulnerable neighbors, and more transparent, for all.

2. **You have served in number of positions focused on budgeting, both with the City of Seattle and Whatcom County Executive's Office. That includes helping lead the Seattle City Council's budget process. In your experience, what have Seattle's past budget processes done well and what do you believe can be improved?**

The budget process works best when the Legislative and Executive work collaboratively to develop a budget that reflects a sense of shared values based on the priorities identified by the communities we serve. This collaboration is most effective when both branches are as explicit as possible about their goals and are open about their competing visions for the

budget. The goal is not to resolve every disagreement but to ensure everyone has access to common context-setting and key considerations to help inform deliberations and decision-making regarding how public resources are appropriated and deployed.

The development and amending of the budget early in the pandemic, for instance, exemplified this through the collective effort between both the legislative and executive branches to distribute and leverage federal COVID response funding toward shared policy goals at a moment of acute crisis. Another particularly effective strategy was a budget website that tracked amendments in a user-friendly way during the Council's annual process, helping the public understand choices under consideration and weigh in before adoption.

The budget process breaks down when accurate information isn't delivered and shared between the branches and with the public. When one or both branches exchange incomplete information or present decisions as given realities rather than intentional policy positions, trust is lost on all sides. There may be inherent tensions between the branches and various constituencies but there are always opportunities to improve upon how we present information and share our decisions. I believe strongly in transparency, and, to me, this means clearly articulating the assumptions built into a budget and explaining the reasons that motivate budget priorities in relation to policy goals. We will not always agree on a proposal or decision, and I believe it is best to openly acknowledge those differing opinions, and then reinforce our shared purpose of improving the lives of those who we serve by facilitating substantive and constructive debate around the strategies to get us there.

3. The City of Seattle continues to face a major structural budget deficit in 2027 and beyond. As part of the 2026 budget, the Council passed a Statement of Legislative Intent (CBO-100-A) that requests Central Staff and the City Budget Office collaborate to create terms and concepts around sustainable budgeting decisions. What do you view as the main causes of that deficit? What strategies do you think are necessary to address it?

In simple terms, the deficit is the result of the cost of essential services outpacing annual revenue growth. This structural imbalance unfolded over the last decade and is driven by intersecting, complex historical events and a shifting economic environment that shaped the various responses. I believe the following factors contributed the most to our structural deficit:

- Extended economic growth of the post-Great Recession period (2013-2019): Annual revenue consistently outpaced inflation during this boom period establishing the

expectation that the city had long term capacity to expand services to offset the rising inequality that accompanied the boom. This tied services closely to continual wealth growth and budget decisions reflected this dynamic.

- Pandemic and aftermath (2020-2023): The City experienced, along with everyone else, an abrupt revenue decrease early in the pandemic, followed by historically high inflation. Even as revenues slowly climbed back to pre-pandemic levels, and the introduction of new revenues — most significantly the JumpStart Payroll Expense Tax — the persistent inflationary impact left the city barely treading water. A cycle of relying on one-time resources for ongoing expenses to address the imbalance furthered a pattern of growing structural imbalance.
- Growing community needs (2020-2025): Not only did the pandemic result in a contraction of revenue, it also compounded the rising community needs already putting pressure on the city's fiscal position. The rapid growth of high-wage workers and general population that was already driving a widening income gap and attendant housing and homelessness crisis, accelerated during the pandemic leading to a generalized sense of competing needs and social disorder.
- External uncertainty (2023-today): The increase in visible and urgent needs occurred in the context of increasingly changing and complex economic conditions, and reductions in, and uncertainty around, the level of federal and state funding. The City was compelled to continue to make budgetary choices to address the increase of people living in crisis on the ground, amidst a growing backdrop and sense of disorder, and insufficient revenues or external support.

The circumstances above have led to budget processes marked by cycles of reductions and one-time solutions in response to inflationary and policy-driven cost increases that are now embedded as a structural aspect of the budget. Confronting this reality requires putting options on the table that have been previously unpalatable for various constituencies and undertaking a clear-eyed multi-year process to resolve the structural deficit by exploring both cost savings and progressive revenue.

We also need to recognize that this will mean, in some cases, limiting our ability to address some community needs immediately to provide time to reach a longer-term, more sustainable solution. In those cases, we need to be honest about the choices we're making and commit to creating plans to get to a solution. We also must recognize that sometimes we need to prioritize addressing urgent needs even absent a long-term sustainable funding strategy. While I believe we all share a goal of adopting a city budget that provides certainty - to the community that services won't be cut, to addresses emergent needs, to provide stability to community partners who deliver key services, and to offer stability to our

workforce - we also know that we have to be agile in responding to urgent and dynamic needs which may mean less certainty and risk for the future.

4. What do you see as the biggest challenges facing the City Budget Office over the next five years and how do you plan to approach them?

Broadly speaking, the major challenge is how to prioritize our public investments to address the breadth and depth of the needs our community is grappling with in a sustainable, fiscally responsible manner.

Our efforts to respond to this overarching challenge are complicated by compounding issues of the existing structural imbalance and ongoing uncertainty surrounding federal revenue streams. The first is something we can address if the city commits to matching ongoing services with ongoing revenues by continuing to identify opportunities to reduce expenses while also producing new progressive revenues. Ultimately, we must prioritize our investments in services to the spectrum of need by making hard choices about what we must achieve now, what we need to build towards for the future, and how we justly distribute the burden of balancing the budget. This means putting all our cards on the table, asking everyone to be honest about their priorities and commitments, as well as being innovative in identifying ways to address these issues and evaluating what is and is not working.

The task of addressing the structural imbalance is complicated by the second challenge, which is trickier. The City relies on significant federal funding, either sent directly or via state or county passthroughs, which we have no direct control over. We've been deploying a variety of strategies, including litigation, building fiscal reserves, and, when consistent with our values, complying with new federal requirements. However, the uncertainty persists and the tools available to counter this instability at the Federal level are limited. We should continue to collaborate across all branches of government, with other local jurisdictions, and mobilize the public to demand access to these much-needed resources.

The City Budget Office is comprised of an incredible team whose expertise and dedication is a valuable asset to address the budget challenges. As we work to address this structural deficit, I want to recognize that it isn't just about finding savings and new revenues, it is also about leveraging and growing the talent I have on my team in CBO and that exists across City departments including with the Legislative branch. The team in CBO brings deep institutional knowledge, technical skills, and creative problem-solving abilities that haven't always been fully leveraged. My approach is to try to find opportunities to invest in their continued growth and development. This work demands our best thinking and investing in

retaining talent and stabilizing this team is a key component to addressing the difficult issues facing the City.

5. As someone who has extensive experience working with the Council to pass budgets, what do you see as the keys to a strong working relationship between the Council and City Budget Office? How do you plan to ensure those things happen?

My policy and budgetary philosophy is based on clearly articulating policy goals, critically analyzing existing processes, exploring solutions, and honestly assessing and disclosing the risks of policy choices in an environment of scarce fiscal resources. Being transparent about priorities and the trade-offs involved in budget decisions is the cornerstone for building a collaborative relationship between the Legislative and Executive branches.

I'm committed to continuously improving transparency through honest dialogue where all participants disclose their assumptions, identify the priorities driving their key decisions, and work together in good faith toward shared solutions.

I will do my best to live by this philosophy, taking the time upfront to explain the "what, why, and how" informing the decisions. I will be direct when we are at an impasse on specific issues and respect what is and is not within the Executive's purview to decide. My job is to support and advance the Mayor's budget proposal and ultimately help implement and oversee the budget adopted by the City Council. I believe the best way to do this is by presenting both the choices reflected in the Mayor's proposed budget and the choices confronting the Council.

6. What are the opportunities for partnership in managing the unique relationship that CBO has with both the Executive and Legislative branches? CBO reports to the Mayor's Office, and helps create the Mayor's budget proposal, but at the same time Council relies on CBO to get fiscal information by which to make informed decisions about passing a budget.

There are inherent tensions in the City Budget Office's role as the Executive department charged with both creating the Mayor's budget and administering the budget the Council adopts. Nonetheless, these tensions are also opportunities for constructive partnership in the service of shared goals.

Helping to develop the Mayor's budget proposal and providing Council with honest fiscal analysis follow the same principle: informed decision-making that serves the city well. The challenge is maintaining credibility with both branches while navigating their different perspectives and priorities.

Working with the Mayor's office, the CBO director shapes and advances executive priorities through rigorous analysis of policy options and their fiscal implications while developing technically sound and strategically aligned budget proposals.

The fiscal analysis CBO provides to the Council reflects genuine professional judgment. This means soberly presenting the assumptions, uncertainties, and methods that inform CBO's analysis to help Council and understand the tradeoffs any budget decision entails. While CBO structurally operates within the executive branch, we have the dual responsibility of providing objective technical assistance and clear, complete information to Council. The reality is that some tension is inherent and healthy in this arrangement; finding the correct balance requires open communication and trust in leadership in both branches as well as faith that CBO can serve as a responsible information broker and steward for city resources.

7. Facing structural budget deficits, the City of Seattle has been relying on underspending the budget approved by the Council to help address shortfalls projected for the following year. Looking ahead to another large budget deficit next year, how will you approach underspending? How will you communicate with Council throughout the year regarding underspend? What alternatives are there to avoid relying on underspend and how would you propose to improve the sustainability of the City's budget?

In my first ~60 days as City Budget Director, I'm still learning and working to understand the assumptions underlying the General Fund budget and weighing the risks and benefits of relying on assumed underspend. I need more time to evaluate underspend and whether, and to what extent, it is a tool I'll continue to recommend in the upcoming budget. My hope and recommendation is that, per SLI CBO-100-A, the Executive and Council form a shared understanding and agreement on the use or elimination of underspend assumptions in both Proposed and Adopted budgets beginning with the 2027-2028 biennium.

In terms of alternatives to relying on underspend, the starting point is to refine the actual costs and revenues needed to support the City's business and to eliminate areas where we may have over- or under-budgeted. This will mean less flexibility with department budgets to respond to emergent needs but may be the way to avoid blanket assumptions in the future.

8. Accountability and determining best practices are key aspects in city budgeting. Regular review of programs for deliverables and outcomes is critical, not only in determining how to prioritize city spending, but in building and maintaining trust with city residents and taxpayers. How will you support accountability and what steps will you take toward

ensuring best practices and program efficacy in city spending? What approaches will you take to address and anticipate budget shortfalls while not putting at risk the economic health of the city?

The primary role of the City Budget Office is to provide analysis and information to support informed budget decisions for our policy makers. As noted in previous answers, I believe transparency is fundamental to all public service, and the work of CBO is no different. Being forthcoming and clear about how and why public dollars are being used, providing accessible explanations of the priorities driving key decisions, and sharing their intended outcomes are foundational to establishing trust and credibility. I will support accountability by continuing to reinforce these core principles.

The ultimate goal is to produce a balanced 2027-28 budget with the goal of meeting public needs in a sustainable way. Meeting this obligation and goal will require: exploring ongoing revenue options, identifying ongoing and sustainable reductions, thoroughly investigating patterns of under- and overspend to right size budgets, analyzing reserves and fund balances, etc. Ultimately addressing a structural imbalance formed over multiple budgets may not be possible in one budget cycle, at least not without significant, potentially catastrophic, impacts to the community. I am committed to working with Mayor Wilson, departments, and the City Council to create sustainable strategies that allow the City to continue to deliver critical services while building its capacity to respond to emergent needs and shortfalls.

All budget choices have consequences, both expected and unexpected, that will ripple throughout the community. We know that deep cuts to necessary services and significant workforce reductions will affect Seattle's competitiveness and quality of life. At the same time, fiscal instability itself creates uncertainty that can undermine economic confidence, and we need to carefully consider the cumulative impact increasing revenues has on taxpayers.

There are no easy answers when resources are constrained. CBO's goal is to work with Mayor Wilson to advance a vision of stability that serves the community and addresses the many inequities facing this city. Relative to the Council, CBO's role is – working with your offices and Central Staff – to clearly articulate the budgetary tradeoffs and implications of policy decisions, placing economic considerations alongside other factors to provide as complete a picture as possible. Sometimes protecting economic health means making difficult cuts in some areas to maintain fiscal sustainability. Other times it means protecting strategic investments even when budget pressures are significant.

9. How can you ensure that Council priority projects are delivered, on schedule and on budget, ie, how will you work to align and implement Council priorities including those established during the annual budget process?

I see my roles as helping to establish new systems (or strengthening existing systems) to clearly identify policy priorities and goals during the budget process and to track these priorities and goals throughout the year. To succeed, any system will include processes for maintaining consistent communication between the Mayor's office, departments, and Council. Ultimately, my role is to facilitate the development of the annual budget and provide oversight and monitoring of the budget throughout the year. Though CBO plays a role, departments and the Mayor's Operation Team are ultimately in the lead on implementing programs, services, and capital projects, and keeping the Council informed when key milestones are achieved and plans are successfully implemented or when challenges arise.

Even with strong systems, competing demands, capacity constraints, and unforeseen circumstances will create difficulties and potential failures at various levels, leading to delays, misalignment, and unintended consequences, regardless of whether it is a council or mayoral priority. In any case, my role would be to help navigate those challenges transparently, keeping Council updated, providing recommendations for budget adjustments if necessary, and supporting the Operations team and departments to problem-solve when barriers emerge.

10. Seattle often emphasizes equity and outcomes-based budgeting, but implementation can be uneven. How will you evaluate whether budget decisions are producing better outcomes for residents, particularly those most impacted by cuts or disinvestment especially under this federal administration, and how will you adjust when they are not?

The gap between equity commitments and measurable outcomes is a challenge many jurisdictions face and closing that gap requires ongoing effort and honest assessment of what's working and what's not working.

Where possible my approach will focus on strengthening our current capacity to track outcomes. This means working with departments to identify or highlight existing indicators tied to budget investments. However, I also recognize that to truly evaluate equity commitments we need to develop robust and creative measurement systems to capture benefits and consequences that escape standard measurements; this will take time and resources – both of which are in short supply at this moment.

Nonetheless, we must continue to invest in this area while constantly evaluating the efficacy of city-funded services and interventions to address highly complex and multi-layered problems within the context of a massively unequal society and limited resources to deal with systemic issues. Risks and barriers to achieving desired outcomes are sometimes due to implementation challenges that we have more control to address; sometimes it reflects resource constraints or external factors beyond our control; or sometimes it means the underlying approach needs reconsideration. Creating space for those honest conversations, with departments, with Council, and with community, is important even when solutions aren't immediately clear.

Under a federal administration that may continue to reduce support for vulnerable populations and core functions, the pressure on City resources will likely intensify. This makes it even more important to evaluate what's producing meaningful outcomes, while recognizing that some investments serve important values even when outcomes are difficult to quantify. It also means trying to do this work in an increasingly more constrained and stressed environment.

11. During periods of structural deficit, difficult tradeoffs are inevitable. How do you plan to make those tradeoffs more transparent to the Council and the public, and what principles will guide decisions about what to protect, reduce, or potentially eliminate?

Structural deficits require difficult choices. The process for making those choices should be as transparent as possible, even while acknowledging that perfect transparency is an ideal we work toward rather than something fully achievable.

For transparency, the Mayor, the Council and the public need clear information about the scope of budget challenges and what different approaches to closing gaps would mean in practical terms. This might include a scenario analysis showing various levels of reductions and their impacts.

Being clear about the principles and priorities that guide budget proposals can help create consistency and allows for public dialogue about priorities. These might include considerations like protecting core public safety and community health functions, maintaining essential services for vulnerable residents, meeting legal obligations, and evaluating efficiency opportunities before making cuts to effective programs. However, principles can only guide decisions - they don't eliminate the difficulty of choosing between competing priorities.

The reality of structural deficits is that no set of principles eliminates the pain of difficult tradeoffs. Some cuts will have significant consequences regardless of how carefully they're

considered. I see my role as helping to provide good information to decision-makers and the public about implications and tradeoffs, that the reasoning behind recommendations is clear, and that we're honest with the public about what budget constraints mean for delivery of services. The process itself, even when outcomes are difficult, can either build or erode public trust and I hope that I can be part of building that trust.