

2025-2026 Proposed Budget Overview

September 25, 2024

Dan Eder, Interim City Budget Director



Agenda

- Background / Context
- Mayor's Proposed Budget
- Addressing the General Fund Deficit
- Priority Investment Areas



Background / Context

SEATTLE
CITY HALL



Timeline: Developing the Budget: Process

JAN	FEB	MAR	APRIL	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	JAN
CBO Prepares Budget Guidance		Departments Prepare Budget Proposals			CBO/MO Review and Finalize				Council Reviews, Modifies, and Adopts			Goes into effect

- The process that resulted in the work presented here began in January 2024
- City departments worked closely with CBO and the Mayor's Office over the last 9 months
 - Looking for efficiencies
 - Refining ideas for new investment
 - Looking strategically to partner with others



Context

- State law requires the Mayor to propose, and the Council to adopt, a balanced budget
- Mayor proposes two one-year budgets: 2025 and 2026
- Council action will adopt 2025 and endorse 2026
- August Forecast establishes the available resources
- Operating budget and 6-year CIP



Economy and Revenue

1. Inflation has shown good progress towards the Fed's 2% target; the Fed acted this month to reduce federal funds rate by half a point.
2. Downside risks for the region are now tied to the labor market rather than inflation; employment growth in Seattle has been mixed with gains in some sectors largely offset by declines in tech.
3. Increasing office vacancy rates in Seattle are also affecting economic activity and revenues, especially in the construction sector.
4. However, still low likelihood of recession in current outlook and revenues are projected to grow, though at slower pace than previously anticipated.



Developing the Budget: Racial Equity Considerations

- Racial equity impacts are considered as part of budget deliberations
 - Each individual proposal has an opportunity to note how the change impacts Race and Social Justice Initiative (RSJI) goals
- Departments reflected on their racial equity process in preparing budget proposals
- CBO's Change Team has lead efforts along three main areas:
 - Implementing a tool to assess growth in racial equity focus in budget development
 - Partnering with departments to improve use of data to measure equity impacts of City programs, and
 - Reviewing and improving internal workforce equity conditions in the office



Overview of Mayor's Proposed Budget

September 25, 2024

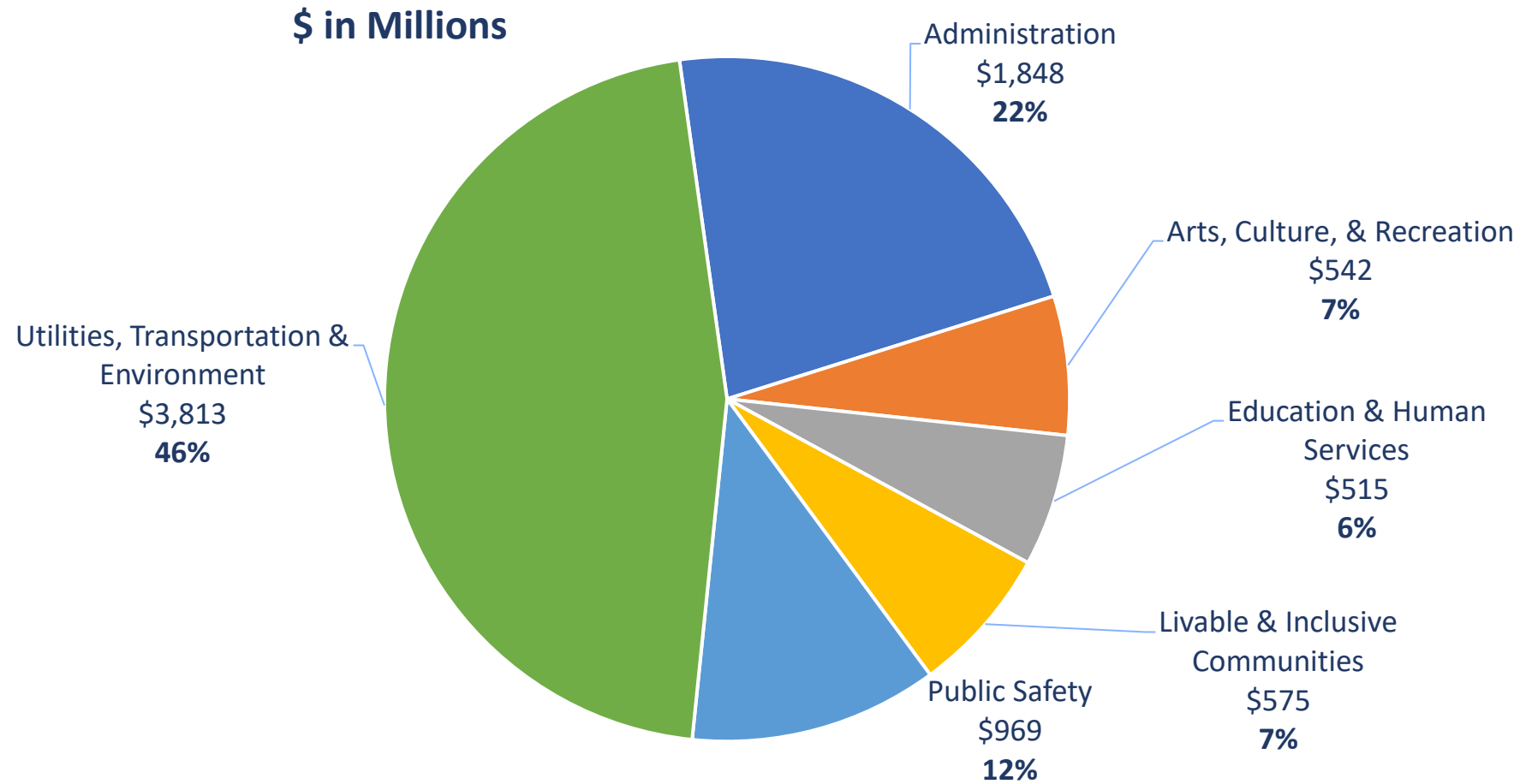
City Budget Office



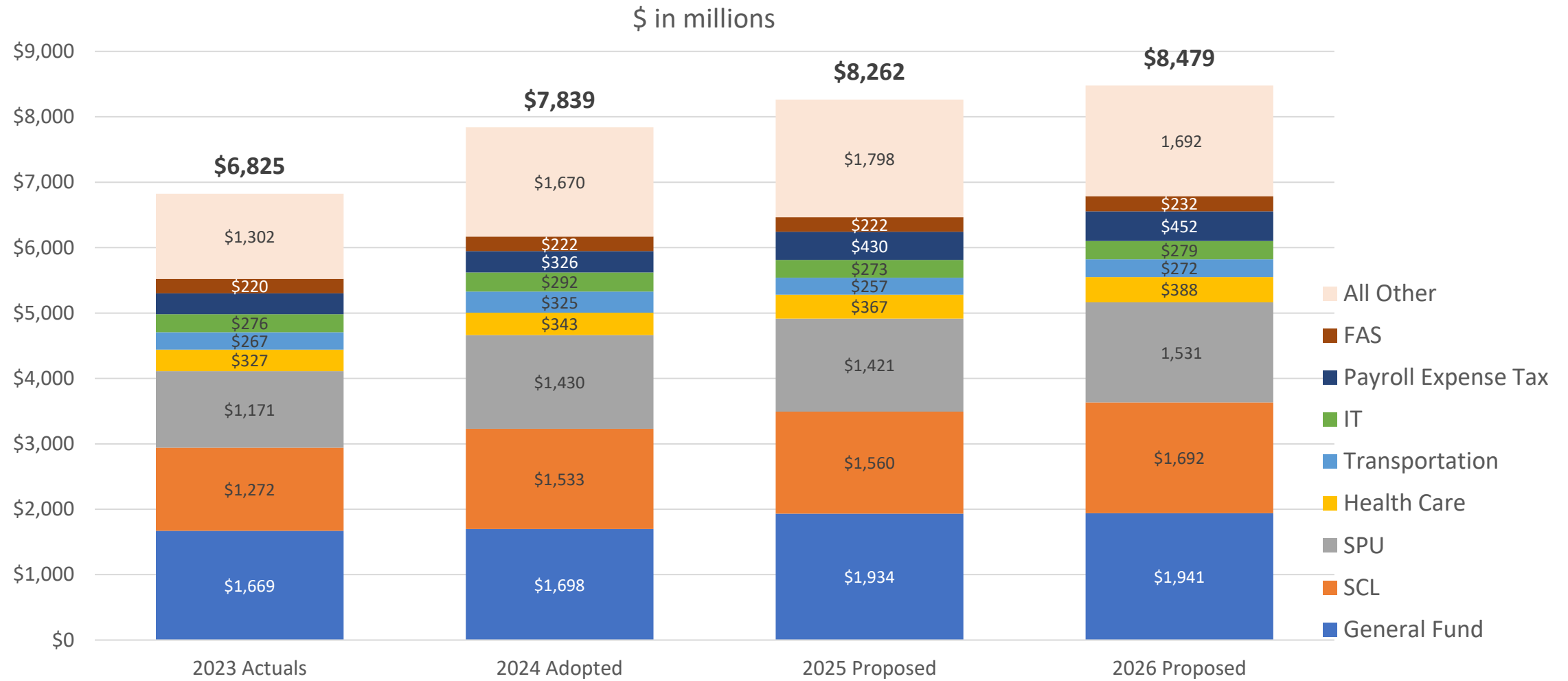
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2025 Proposed Budget

All Funds Budget Expenses by Investment Area: \$8.3 Billion

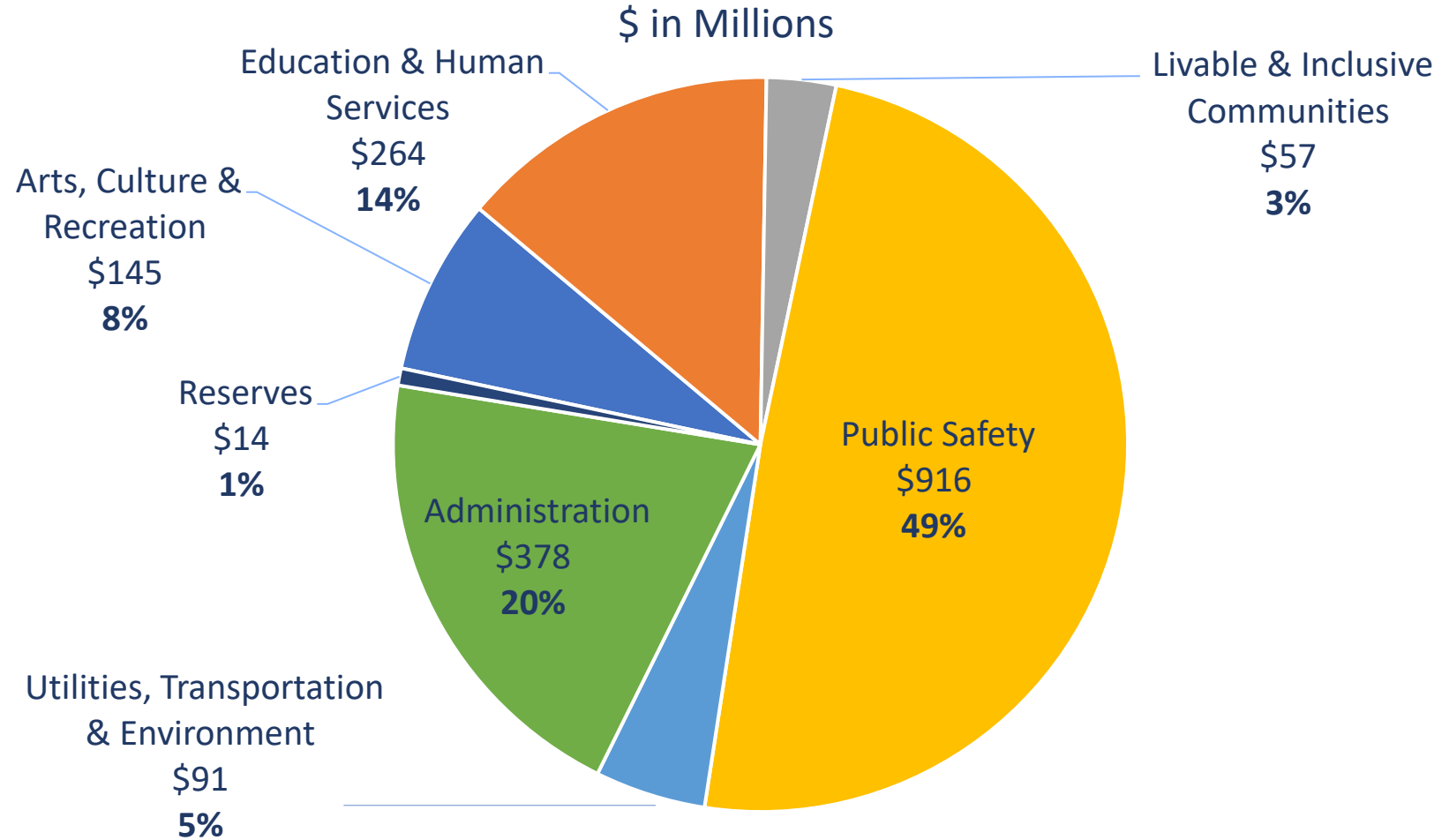


All Funds Budget Snapshot: 2023 Actuals - 2026 Proposed Revenues by Fund



2025 Proposed Budget

General Fund Expense Budget by Investment Area: \$1.9 Billion



Addressing the General Fund Deficit

September 25, 2024

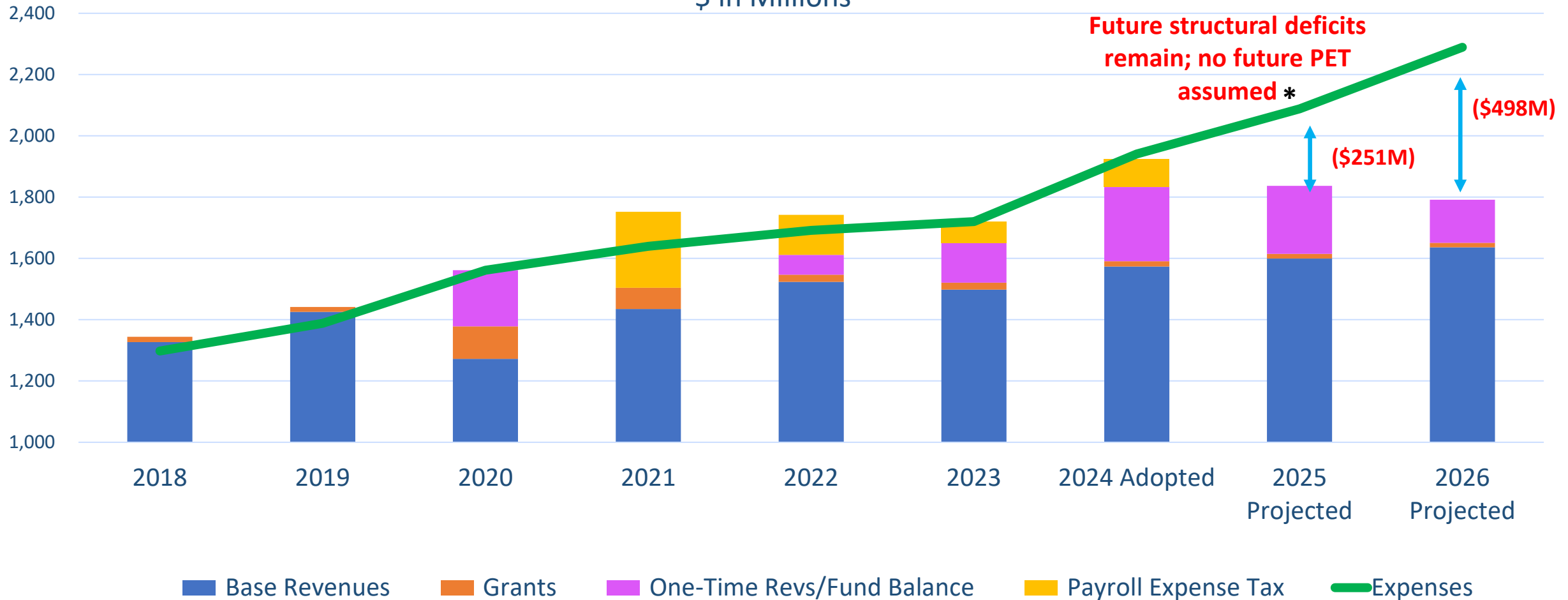
City Budget Office



City of Seattle

General Fund 6-Year Financial Plan

\$ in Millions



*Grants, one-time revenues, and fund balances are not sustainable solutions; and this chart reflects no PET transfers to the general fund after 2024 per current law



Maintained

1. Shelter beds and homelessness response
2. Affordable Housing and Equitable Development Initiative (EDI)
3. Public Safety
4. Public-facing services
 - *Libraries*
 - *Senior Centers*
 - *Community Centers*
 - *Community Service Centers*
 - *Core Parks Services*
5. Reserves (Emergency Fund, Revenue Stabilization Fund)



Challenges to closing the Deficit

- Addressing the General Fund deficit with reductions alone would have resulted in a 14% reduction in service from ALL City departments in the General Fund
- Public Safety spending accounts for 49% of the General Fund
 - Holding those departments harmless would have resulted in reducing GF support to all other departments by 30%



Addressing the General Fund deficit

1. Early initiatives in 2024

- Hiring Freeze and resulting vacancy savings
- Use Unallocated Healthcare fund Balance ("Holiday")
- Good news in August revenue forecast

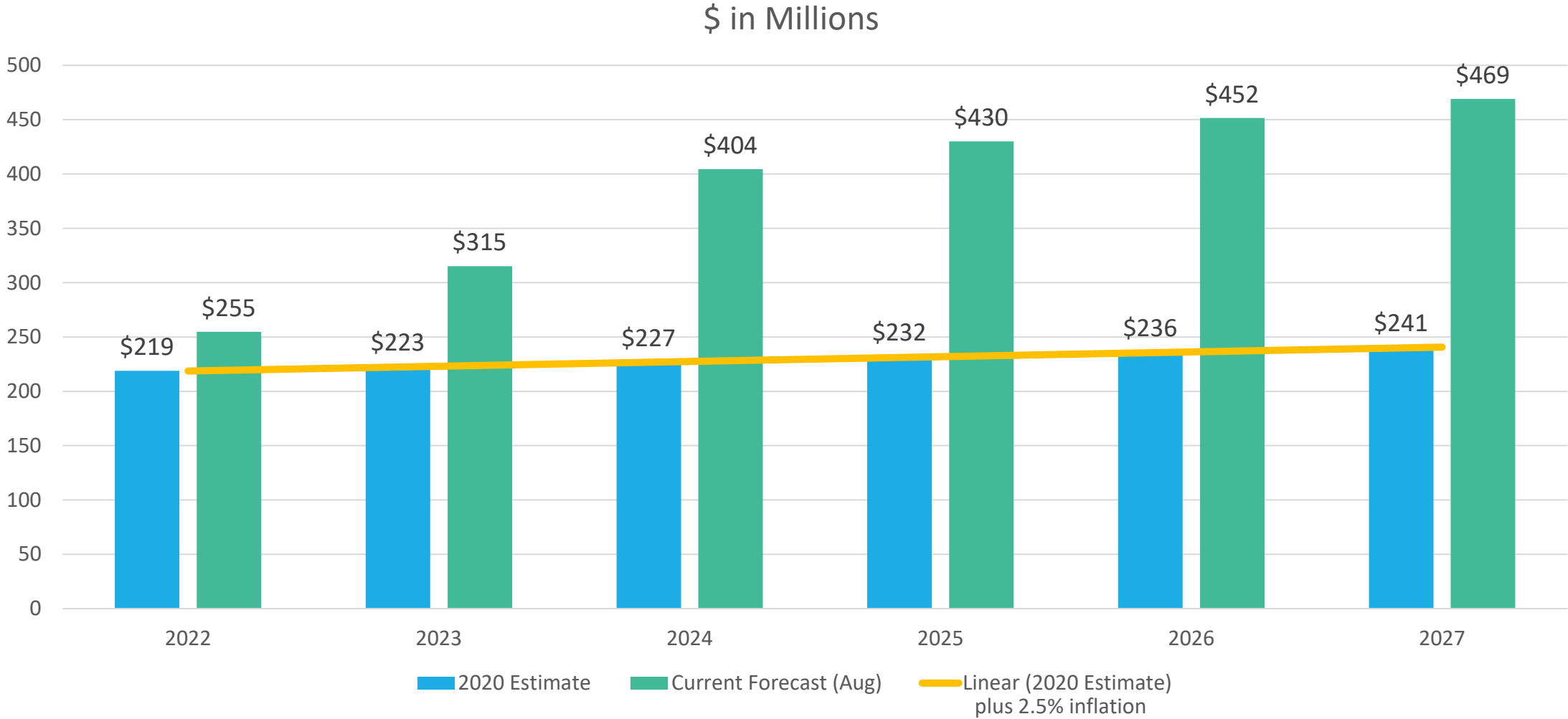
2. Changes to the Payroll Expense Tax

- Structural changes
- Significant one-time use of fund balance

3. Reductions in programmatic investments and spending



Payroll Tax: 2020 Estimate vs Current Forecast



Payroll Expense Tax: Original Spending Allocations

2022 + Beyond Proposed Spending (based on the payroll tax revenue <u>estimate</u>)			
Housing and Services	<ul style="list-style-type: none"> - 82% for construction or acquisition of rental housing serving 0-60% of Area Median Income (AMI) prioritizing serving 0-30% of AMI, including operating and services costs serving 0-30% of AMI; and - 13% for a community driven fund to invest in projects that affirmatively further fair housing and to address past discriminatory policies and practices - 5% for affordable homeownership programs serving households with incomes up to 80% of AMI 	62%	\$135 million
Equitable Development Initiative	Funding for the Equitable Development Initiative (EDI) to support the non-housing and affordable housing components of EDI projects with a goal of at least \$20 million annually.	9%	\$20 million
Economic Revitalization	Funding to support local businesses and tourism to spur the local economic recovery, and to provide economic stability for the city's workforce.	15%	\$33 million
Green New Deal	For investments that advance Seattle's Green New Deal as described in Resolution 31895.	9%	\$20 million
	Start-up costs and ongoing administration	5%	\$11 million
TOTAL ANNUAL SPENDING:		100%	\$219 million

From Resolution 31957



Structural changes to the Payroll Expense Tax

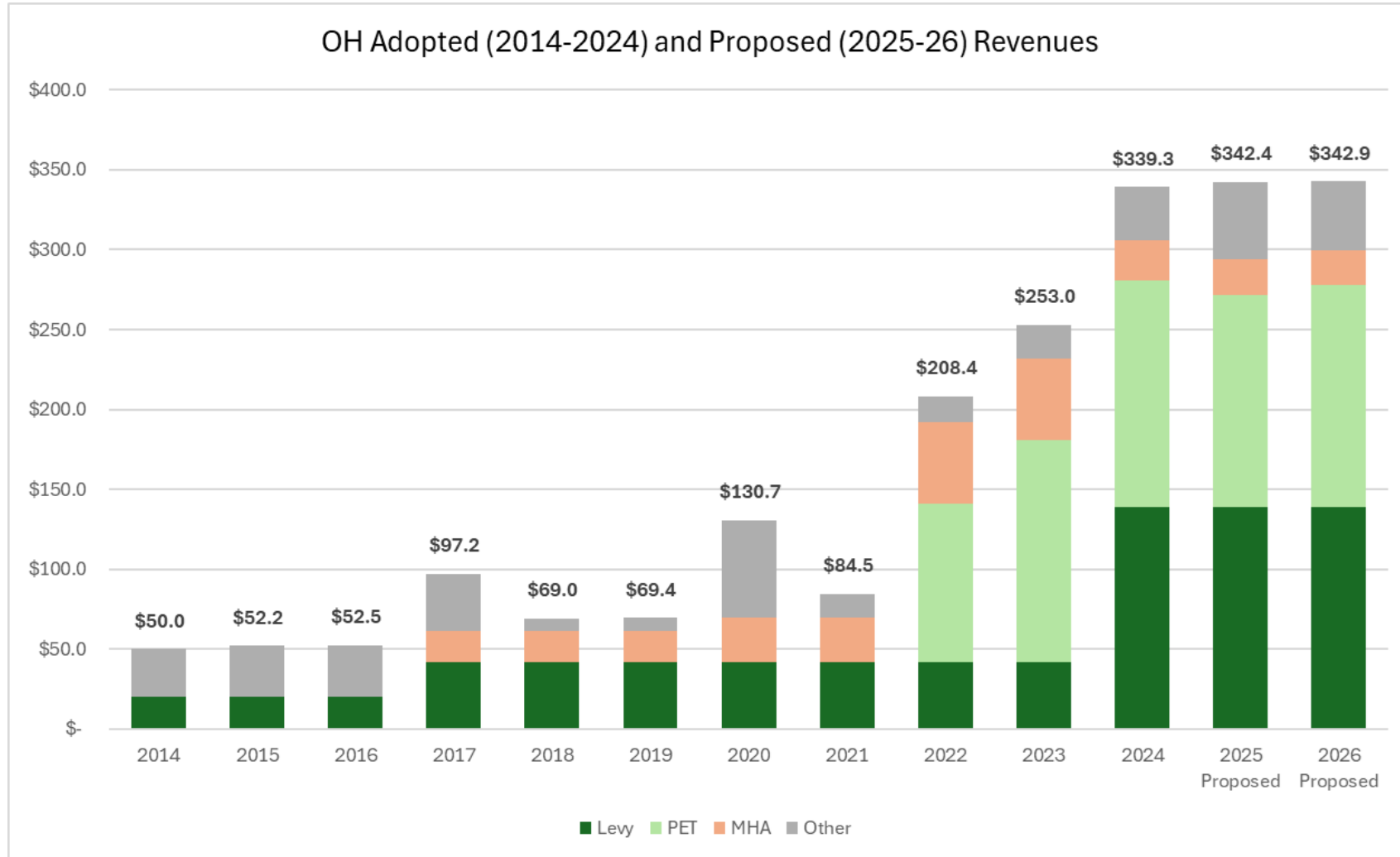
Payroll Expense Tax continues to support the General Fund
\$287m

Create and fund a new Payroll Expense Tax reserve
\$43m

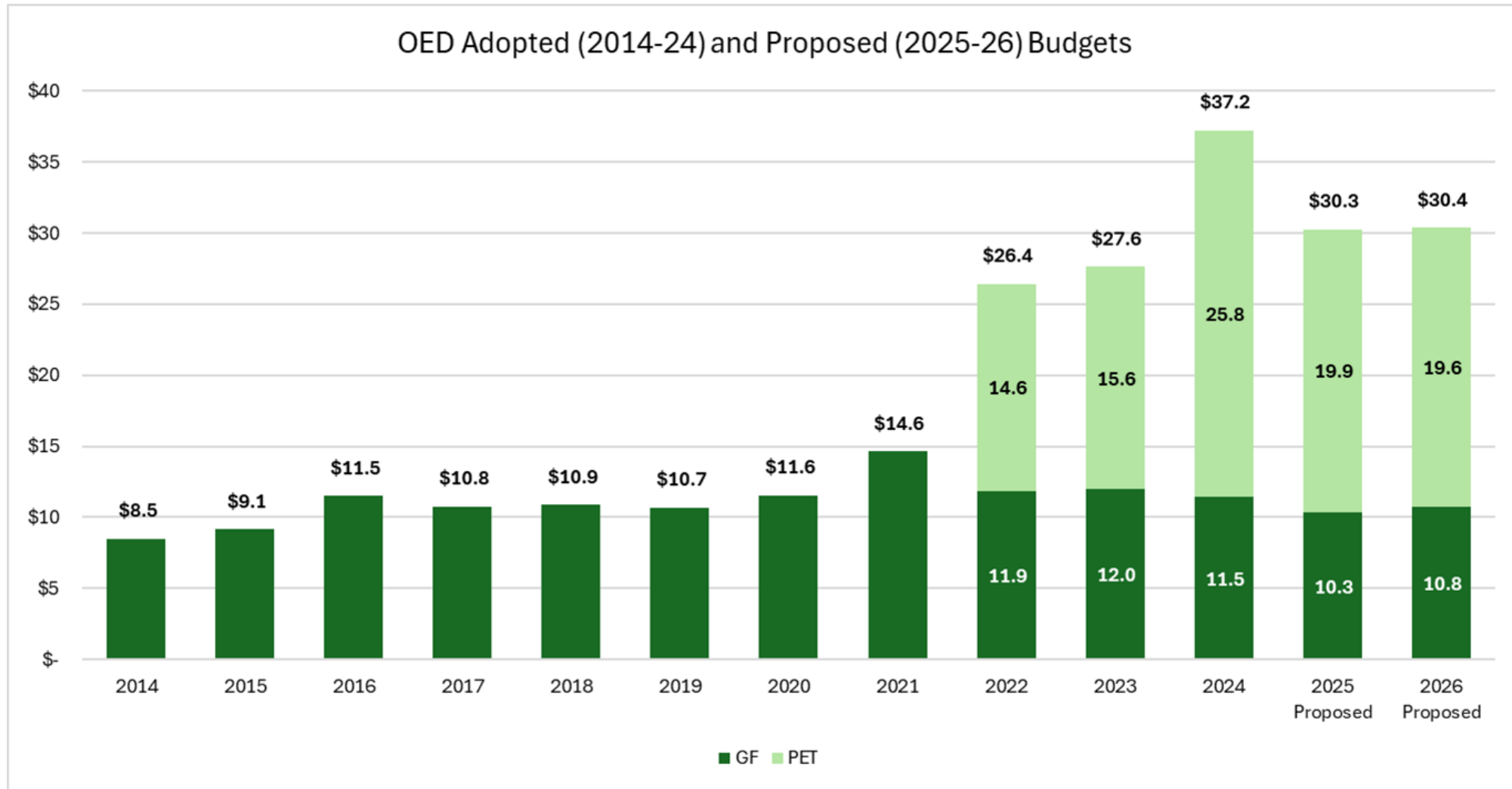
Proposed budget maintains allocations to categories
\$233m



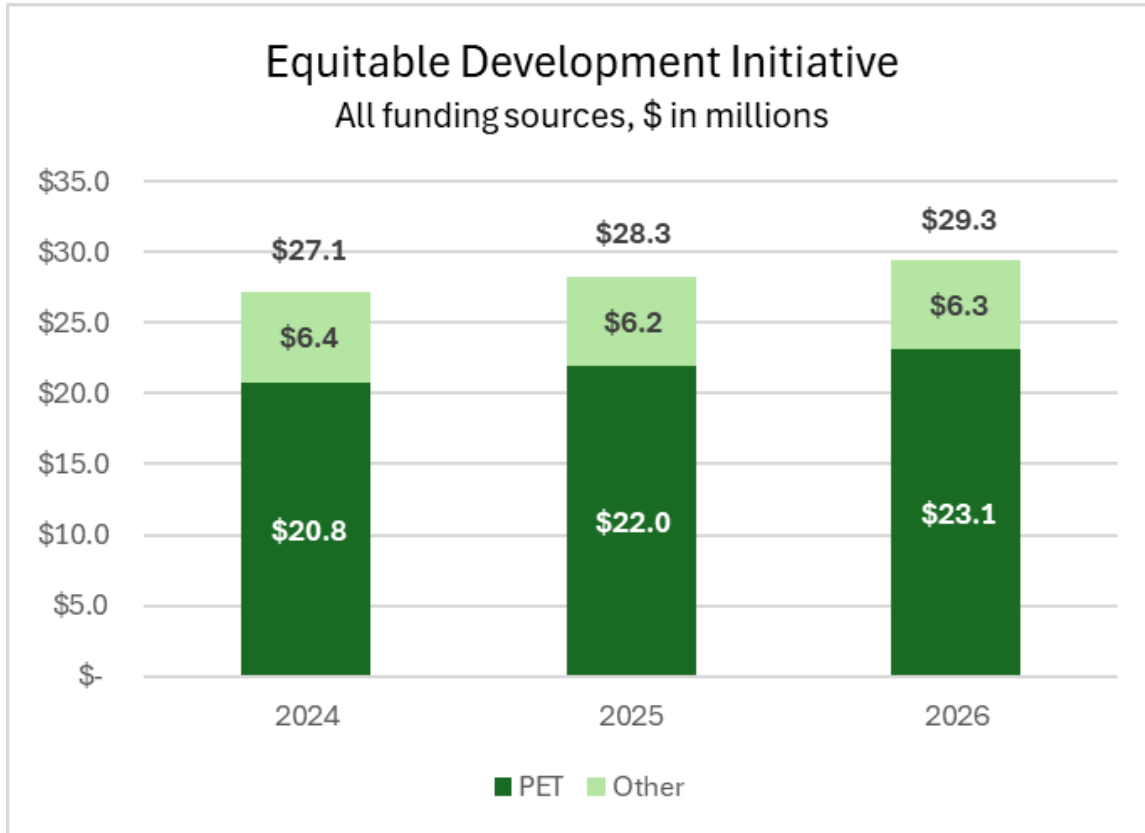
Historical High Investments in Affordable Housing



Continued Investments in Economic Development



EDI and GND Program Investments in Context



Overview of Youth Wellness

Service	Dept.	2025 (in millions)	2026 (in millions)
Student Safety	HSD	\$4.25	\$4.25
Youth Connector	SPR	\$0.50	
Red Barn	SPR	\$0.60	\$0.60
Reach Out	DEEL	\$0.56	\$0.56
Telehealth	DEEL	\$3.86	\$3.62
In-person: SBHC	DEEL	\$5.20	\$5.90
In-person: Community Hub	DEEL	\$2.40	\$2.40
Universal Screening	DEEL	\$1.50	\$1.50
Administration	DEEL	\$0.18	\$0.22
Evaluation	DEEL	\$0.20	\$0.20
Subtotal		\$19.25	\$19.25
Other Ongoing Student Safety	HSD	\$12.50	\$12.50
Grand Total		\$31.75	\$31.75



Notable Reductions/Changes

- 1.Reduced external grant programs
- 2.Declining SBT and Cable Franchise Fee revenues
- 3.Needed to make other targeted reductions



Staffing Reductions

- The Mayor's Proposed Budget reduces 159 funded positions (71 filled positions)
 - Address GF deficit
 - Prioritize preserving public-facing functions
 - Focus on internal services
 - Address slowing permit review fees



Information Technology Dept. Position Changes

Total reduction of 64 positions, with 19 filled positions

- **-6** FTE Match Cable Funded Programming to Funding
- **-17** FTE Device Support (-11) and Service Desk (-6)
- **-12** FTE Match Project Delivery Staffing to City Needs
- **-2** FTE Vacant Positions (discretionary/rationalized)
- **-4** FTE Accela Sunset Positions
- **-23** FTE CLFR (One-time) Sunset Positions



FAS and City Finance Position Changes

FAS Position Changes

- **-5** FTEs (3 filled positions)
 - -2 Purchasing and Contracting
 - -3 Various across FAS
- 2 FTEs Network Company Regulation

City Finance Position Changes

- **-21.5** FTEs (12 filled positions)
 - Remittance processing
 - Treasury Cashiers
 - Risk Management
- 5 FTEs Workday



Human Resources Position Changes

Total reduction of 10.5 FTE, with 8 filled positions

- -4 FTE Learning & Development
- -2 FTE Workforce Development
- -2 FTE Performance Management/E3
- -1.5 FTE Workforce Equity
- -1 FTE Benefits Administration



Priority Investment Areas

SEATTLE
CITY HALL

September 25, 2024

City Budget Office



City of Seattle



Investments in Public Safety

1. Ongoing funding for programs begun in 2024
 - CARE Expansion
 - Increase Firefighter and Paramedic staff
 - Pedestrian Lighting
 - Emphasis Patrols
2. SPD Civilian Support for Sworn Officers
3. Services to support survivors of commercial sexual exploitation





Investments in Housing & Homelessness

1. Increase in overall funding for affordable housing to historic highs
2. Avoid all pending closures of shelter beds
3. Expand UCT service hours in select areas





Investments in a Healthy Seattle

1. Health 99 – Post Overdose Team Expansion
2. Investments in Youth Wellness
3. Public health Strategy to Address the Opioid Crisis
(Public Health - Seattle & King County)





Investments in a Thriving Seattle

1. Investment in Arts and Culture
 - Maintain CARE and Hope Corps grants
 - Broaden use of Admissions Tax
2. Fighting displacement through EDI
3. Downtown Activation Plan investments
4. Tree Nursery



Questions?

For full detail, see the Mayor's Proposed Budget at seattle.gov/budget

