

Seattle City Council Select Budget Committee
Proposed Budget Amendments | Tuesday, October 25,
2022

City Budget Office (CBO)

CBA #	Title	Sponsor	Packet Page
CBO-002-A-001-2023	Pass LEG 2023-2024 Use of Funds Flexibility Ordinance and realign appropriations in the 2023-2024 Proposed Budget with existing policies or the temporary flexibility provided in LEG 2023-2024 Use of Funds Flexibility Ordinance.	Mosqueda	2

2023 Seattle City Council Budget Action

Council Budget Action: Agenda

Tab	Action	Option	Version
CBO	002	A	001-2023

Budget Action Title: Pass LEG 2023-2024 Use of Funds Flexibility Ordinance and realign appropriations in the 2023-2024 Proposed Budget with existing policies or the temporary flexibility provided in LEG 2023-2024 Use of Funds Flexibility Ordinance.

Ongoing: No Has Budget Proviso: No

Has CIP Amendment: No Has Attachment: Yes

Primary Sponsor: Teresa Mosqueda

Council Members:

Staff Analyst: Aly Pennucci

Council Bill or Resolution:

Date		Total	LH	TM	KS	AP	DJ	DS	AL	BC	SN
	Yes	0									
	No	0									
	Abstain	0									
	Absent	0									

Budget Action Description:

This Council Budget Action (CBA) would:

- Reject the Mayor's proposed permanent changes to existing policies that establish the allowed use of proceeds from the JumpStart Payroll Expense Tax, Short-term Rental (STR) tax, and the Transportation Network Company (TNC) tax.
- Recommend passage of legislation that would provide temporary flexibility on use of JumpStart, STR, and TNC tax proceeds.
- Align certain proposed expenditures with current policies on use of the JumpStart Fund. This may include reducing proposed expenditures or identifying a different source of funds to support those expenditures.

Legislation to provide temporary flexibility on use of JumpStart, STR, and TNC funds

This legislation would allow flexibility on the use of these funds only to balance the 2023-2024 biennium. Specifically, the temporary provisions would allow for the following:

1. JumpStart Fund:

a. Allow a transfer from the JumpStart Fund to the GF of \$85 million in 2023, and \$84 million in 2024 to support GF expenditures. In 2023, the total transfer of \$85 million includes \$14 million from 2022 payroll expense tax revenues that came in higher than anticipated in the 2022 Adopted Budget. The remaining \$71 million in 2023, and \$85 million in 2024, is a transfer amount calculated based on the difference between current revenue forecast (August 2022) for 2023 and 2024 and the revenues estimates made for 2023 and 2024 when the payroll expense tax was first authorized in July of 2020.

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b. Allow use of the JumpStart Fund temporarily to prevent certain program reductions and preserve city services for specific expenditures. In 2025 and beyond, the source of funds for those programs and services should revert to the original funding source (in most if not all cases that will be the general fund).

2. TNC Tax Revenues: in 2023 and 2024, allow TNC tax proceeds to be used only to administer the tax and to support transportation related expenditures. After this biennium, the TNC tax proceeds could also be used to support investments in affordable housing near frequent transit as described in Resolution 31914.

3. Short-term Rental Tax Fund: Temporarily modify the policies for 2023 and 2024 to require that only the first \$4 million (rather than the first \$5 million per existing policies) of STR Tax proceeds be allocated to the Equitable Development Initiative (EDI); remaining proceeds would be allocated consistent with the proposed budget and existing STR Fund policies: \$2 million for debt service payments on bonds issued for affordable housing projects and \$3.5 million to the Human Services Department to support investments in permanent supportive housing (PSH) services. If the Council identifies other resources to support the PSH services this flexibility will not be needed, and the section would be removed from the legislation.

The temporary provisions would allow the City to balance the GF budget over the 2023-2024 biennium and provide time for the Revenue Stabilization Workgroup to make recommendations on new progressive revenues the City could implement to support GF expenditures, and for the City to continue to look for efficiencies to reduce ongoing GF spending. The directive is to identify other strategies, that do not rely on use of these revenues with defined spend plans that were established for specific uses, to maintain city services and expand programs and services to meet the needs of the community. See Attachment A to this CBA to review a draft of the proposed legislation.

Realign Proposed Spending from the JumpStart Fund with Existing Fund Policies

The legislation to amend the JumpStart Fund Policies transmitted with the Mayor's 2023-2024 Proposed Budget included a proposed change that would remove the restriction that prohibits JumpStart funds to supplant appropriations from other funding sources. In addition, there are certain proposed appropriations that do not meet the intent of the policies for specific fund policies. In the initial balancing package, the Budget Chair intends to either (1) identify an alternative fund; or (2) reduce the proposed appropriations from the JumpStart Fund included in the Mayor's 2023-2024 Proposed Budget for the following spending areas (other items may be identified as the balancing package is developed and some items listed here may not be changed as the Budget Chair continues to work with and receive feedback from departments and external stakeholders):

- CBO Affordable Seattle Expansion and Fund Change (2023: \$289,710; 2024: \$464,922)
- FAS Women and Minority Owned Business Technical Assistance Funded by Economic Revitalization Jumpstart Payroll Expense Tax (2023: \$300,000; 2024: \$300,000)
- FAS One Seattle Day of Service (2023: \$250,000; 2024: \$250,000)
- ITD Affordable Seattle/CiviForm Expansion and Fund Change (2023: \$548,420; 2024: \$1,042,145)
- OED Seattle Jobs Center (2023: \$250,000; 2024: \$750,000)
- OED Centralized Contracts Team (\$672,065 in 2023 & 2024)
- OED Downtown Mobility Study (2023: \$350,000)
- OED Affordable Seattle Expansion (2023: \$312,026; 2024: \$312,026)
- OPCD Payroll Expense Tax Funding for EDI Labor (2023: \$280,000; 2024: \$280,000)
- OPCD Sound Transit 3 Staffing (2023: \$162,395; 2024: \$162,395)
- OPCD Regional Growth Center Subarea Plans (2023: \$820,614; 2024: \$570,614)
- OSE Citywide Climate Transportation & Electrification Position Transfer (2023: \$222,073; 2024: \$223,024)

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- OSE Duwamish River Opportunity Fund Transfer (2023: \$249,799; 2024: \$249,799)
- SDCI Change Funding Source for Eviction Legal Defense (2023: \$455,985; 2024: \$455,985)
- SDOT City Planning Efforts for Sound Transit's WSBLE Project (2023: \$2,555,208; 2024: \$5,750,021)
- Total (2023: \$7,718,295; 2024: \$11,482,996)

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

..title

AN ORDINANCE relating to adoption of the 2023 Budget and endorsement of the 2024 Proposed Budget; providing temporary flexibility on use of certain City funds to balance the City's budget over the 2023-2024 biennium.

..body

WHEREAS, the City faces a long-term structural budget General Fund deficit as existing reliable revenue streams have not grown as fast as inflation, or in some cases have even declined; and

WHEREAS, it is the intent of the Mayor and City Council to explore new progressive revenue options via the Seattle Revenue Stabilization Workgroup, which began its work in September 2022, to address that long-term structural budget deficit, with a goal of proposing progressive revenue options for consideration with the 2025 Proposed Budget; and

WHEREAS, providing short-term flexibility on the use of the JumpStart Payroll Expense Tax Funds, Transportation Network Company Tax Revenues, or Short-term Rental Tax Funds will allow the City to balance a 2023 and 2024 budget without significant reductions in services and programs that are supported by revenues that make up the City's General Fund...; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Section 5.38.055 of the Seattle Municipal Code, enacted by Ordinance 126393, is amended as follows:

5.38.055 Payroll expense tax—Allocation of proceeds

1 A. In any year where General Fund revenues from all sources approved as of January 1,
2 2020 are projected to be lower than \$1,510,029,000 an amount equal to \$1,510,029,000 minus
3 the projected General Fund collections from non-payroll expense tax sources may be transferred
4 into the General Fund to support programs and services funded by the General Fund. Projected
5 payroll expense tax revenues remaining after any transfer allowed by this subsection 5.38.055.A
6 shall only be used to either expand existing programs or create new programs, including
7 associated program cost increases, that are consistent with subsection 5.38.055.B, and the
8 amounts may not be used to supplant appropriations from other funding sources.

9 B. Amounts remaining after accounting for the allowed uses in subsection 5.38.055.A
10 shall be allocated in accordance with the spending plan adopted in Resolution 31957, and
11 outlined in Ordinance 126109 as follows:

12 1. Up to five percent of the annual JumpStart Fund revenue total is to administer
13 and evaluate the effectiveness of the payroll expense tax authorized by this Chapter 5.38, to
14 administer the investments described in subsections 5.38.055.B.2 through 5.38.055.B.5, and to
15 evaluate the effectiveness of at least those investments described in subsection 5.38.055.B.4. If
16 less than five percent of remaining funds are needed for administration and evaluation, any
17 remaining funds may be used for other programs and services described in subsections
18 5.38.055.B.2 through 5.38.055.B.5.

19 2. Sixty-two percent of the annual JumpStart Fund revenue total is for housing
20 and services, which is further allocated as follows:

21 a. Eighty-two percent of the housing and services portion is allocated for:
22 (i) capital costs associated with the construction or acquisition of rental housing serving
23 households with incomes at or below 30 percent of area median income (AMI), but may be used

1 to support housing serving households with incomes at or below 60 percent of AMI, when
2 required to support the operational costs of a proposed housing project)); (ii) operating and
3 services costs of rental housing serving households with incomes at or below 30 percent of AMI;
4 and (iii) associated infrastructure to support the ongoing operations costs for the housing, such as
5 maintenance, retrofitting, and energy efficient upgrades to support the housing.

6 b. Thirteen percent of the housing and services portion is allocated for
7 community focused acquisition and development of affordable housing, and to support
8 affirmative marketing efforts and development and implementation of community preference
9 plans.

10 c. Five percent of the housing and services portion is allocated for
11 permanently affordable homeownership opportunities serving households with incomes at or
12 below 80 percent of AMI.

13 3. Nine percent of the annual JumpStart Fund revenue total is to support the
14 Equitable Development Initiative (EDI) that supports community-initiated equitable
15 development projects that advance economic mobility and opportunity, prevent residential,
16 commercial, and cultural displacement, build on local cultural assets, promote transportation
17 mobility and connectivity, develop healthy and safe neighborhoods, and enable equitable access
18 to all neighborhoods.

19 4. Fifteen percent of the annual JumpStart Fund revenue total is to support local
20 businesses and tourism to spur the local economic recovery, and to provide economic stability
21 for the city's workforce.

22 5. Nine percent of the annual JumpStart Fund revenue total is for investments that
23 advance Seattle's Green New Deal as described in Resolution 31895.

1 C. Except as provided in subsection 5.38.055.A, all uses of Payroll Expense Tax revenues
2 as proscribed in subsection 5.38.055.B shall be in addition to funding levels for similar or the
3 same programs as included in the City's 2020 Adopted Budget and shall not supplant existing
4 funding from any City fund or revenue source.

5 D. Notwithstanding contrary provisions in subsections 5.38.055.A, 5.38.055.B, and
6 5.38.055.C, in the 2023 and 2024 budget for The City of Seattle, payroll expense tax revenues
7 may be used as follows:

8 1. Up to \$85,862,280 in 2023 and \$84,053,126 in 2024 may be transferred into
9 the General Fund to support programs and services funded by the General Fund;

10 2. Amounts remaining after accounting for the allowed uses in subsection
11 5.38.055.D.1 shall be allocated in accordance with subsection 5.38.055.B;

12 3. Up to \$ _____ million may be used to supplant existing funding for City programs
13 and services.

14 Section 2. Resolution 31914 is amended as follows:

15 Section 1. **Spending Plan.** The City shall use the proceeds of the transportation
16 network company (TNC) tax imposed by Chapter 5.39 of the Seattle Municipal Code to
17 accelerate affordable housing production for low-wage workers and their families at
18 locations that are within the frequent transit network, make investments in transportation,
19 including transit, and provide for workplace protections. Eligible expenditures include:

20 A. Funding of the administration of the TNC tax and regulations related to
21 TNC drivers up to \$2,000,000 in the first year and up to \$1,500,000 in the second, third,
22 and fourth years. Beginning in year five, this amount may increase each year, subject to
23 appropriations, to reflect the cost of administering the TNC tax and regulations.

* * *

Section 4. Notwithstanding contrary provisions in this resolution, in the 2023 and 2024 budget for The City of Seattle, TNC tax revenues may be used as follows:

A. Funding of the administration of the TNC tax and regulations related to TNCs up to five percent of the annual anticipated revenues from the TNC tax.

B. After administrative costs related to the tax and regulations related to TNCs as described in subsection 4.A of this resolution, the remainder of revenue collected shall be used to make investments in transportation, including transit, and to support other City General Fund activities.

C. Consistent with Washington Chapter 281, Laws of 2022, which creates a state level Transportation Network Company tax and preempts the City from enforcing the TNC Driver Minimum Compensation and TNC Driver Deactivation Rights Ordinances starting on January 1, 2023, no City funds shall be used for enforcing the TNC Driver Minimum Compensation and TNC Driver Deactivation Rights Ordinances.

Section 3. Ordinance 125872 is amended as follows:

Section 5. Notwithstanding contrary provisions in this ordinance, in the 2023 and 2024 budget for The City of Seattle, proceeds from the Short-term rental tax may be used as follows:

A. The first \$4,000,000 of proceeds shall be directed to the Office of Planning and Community Development for grants made to organizations for investments in community-initiated equitable development projects. Grants made to organizations for community-initiated equitable development projects can be used for community capacity building and project development;

Aly Pennucci

LEG 2023-2024 Use of Funds Flexibility ORD

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1 B. The next \$2,009,000 of proceeds shall be directed to debt service payments on bonds
2 issued for affordable housing projects until that debt is retired;

3 C. The next \$3,535,000 of the proceeds shall be directed to the Human Services
4 Department to support investments in permanent supportive housing;

5 D. Any remaining funds shall be directed to grants made to organizations for investments
6 in community-initiated equitable development projects.

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Section 4. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the _____ day of _____, 2022,
and signed by me in open session in authentication of its passage this _____ day of _____, 2022.

President _____ of the City Council

Approved / returned unsigned / vetoed this _____ day of _____, 2022.

Bruce A. Harrell, Mayor

Filed by me this _____ day of _____, 2022.

Elizabeth M. Adkisson, Interim City Clerk

(Seal)

Attachments: