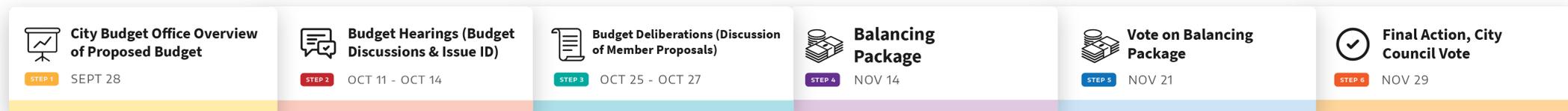


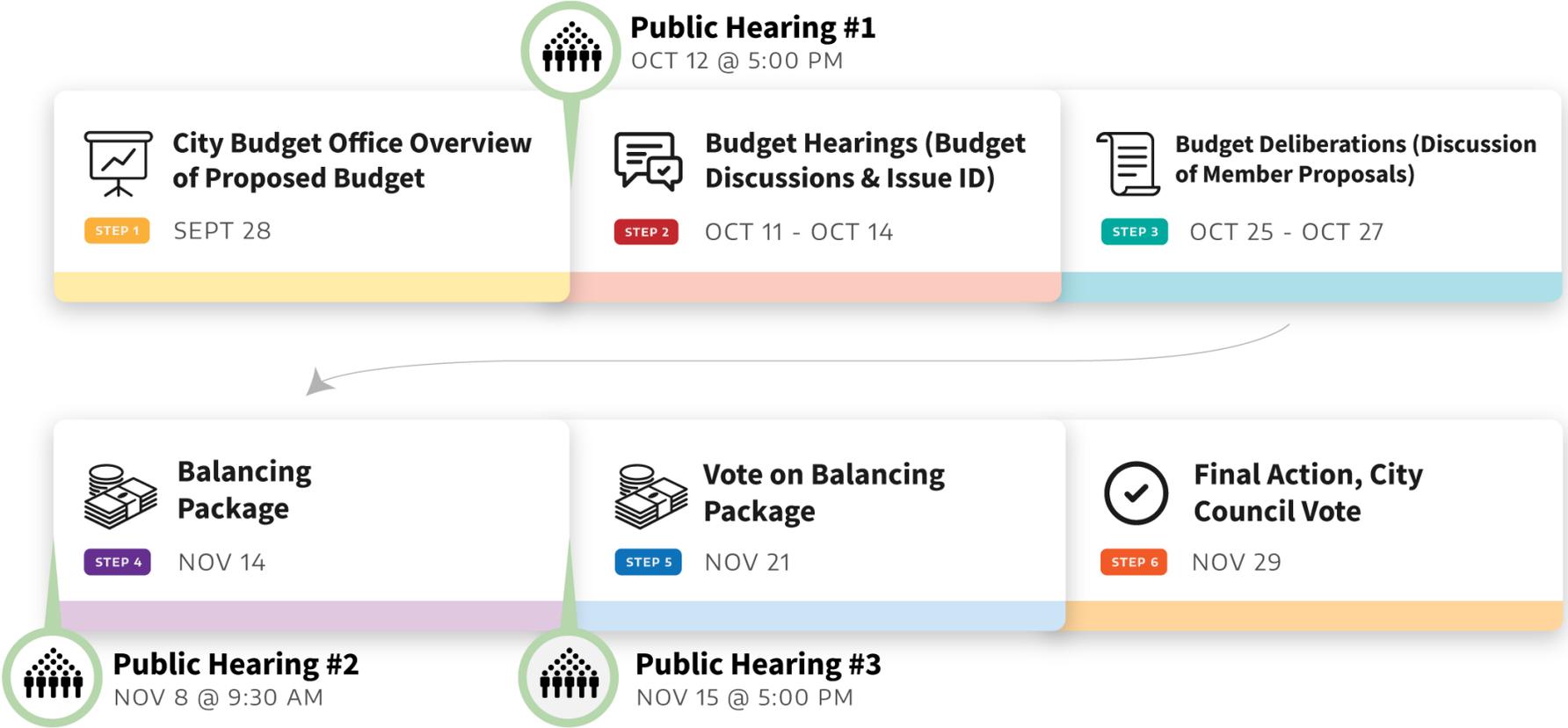
Balancing Package

Select Budget Committee | November 14, 2022

Council Central Staff



Budget Timeline | FALL 2022



Up Next:

Vote on Balancing Package + Amendments to Package [Step 5]

- **Public hearing:** November 15, 5:00pm
- **Councilmember proposals to amend the Balancing Package:**
Due by Noon on Wednesday, November 16.
 - Proposals must be self-balancing.
 - Any required legislation needs to be introduced and referred to the Budget Committee by Tuesday, November 15.
- **Vote on Balancing Package and Amendments:** Nov 21, 9:30am

Balancing Package [Step 4]

Presentation of Balancing Package: Agenda

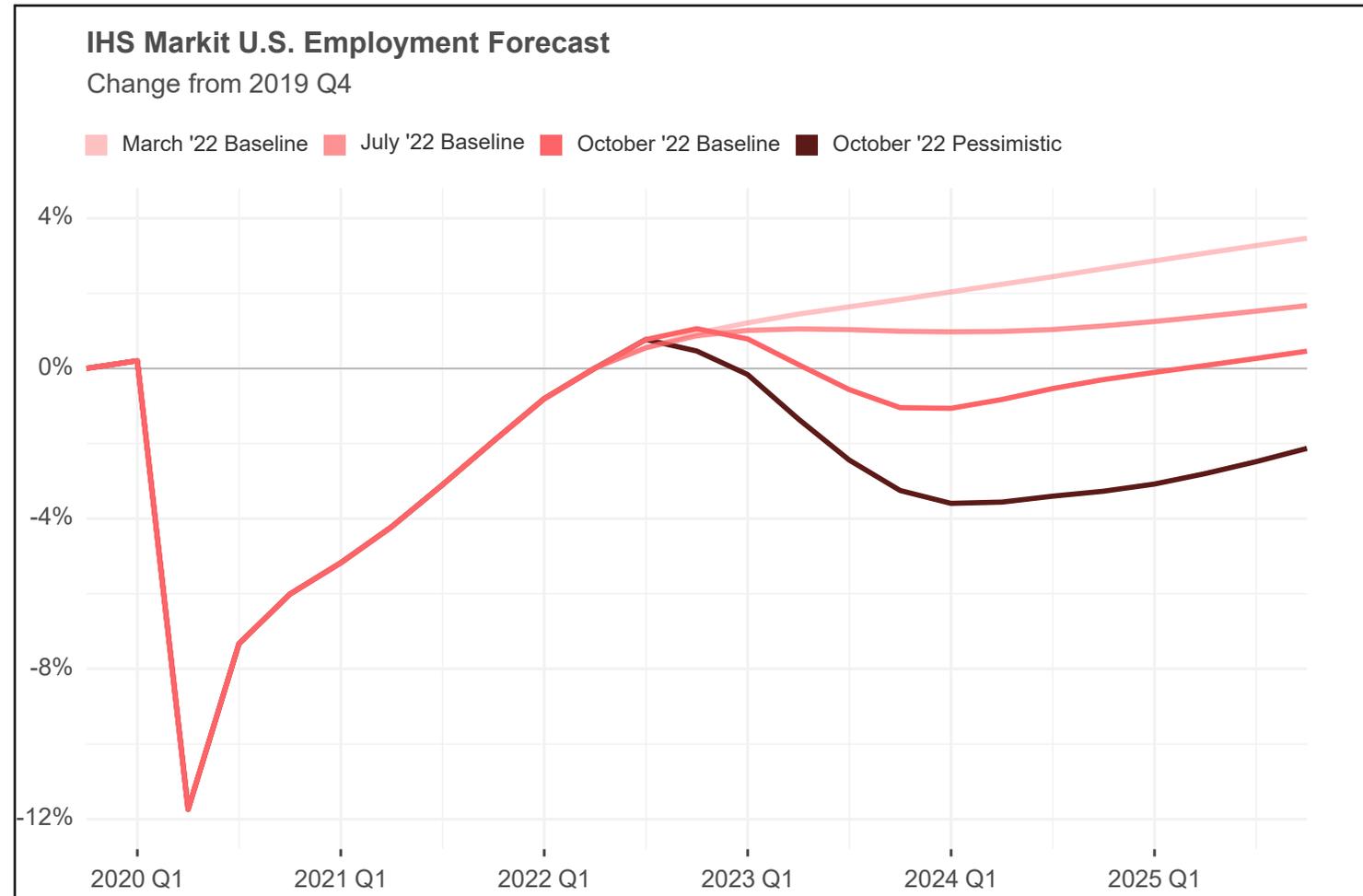
- Initial Issues in the Proposed Budget
- November Revenue Forecast Update
- Balancing Package Overview
 - Budget investments by area
 - General Fund, JumpStart, and REET resources for balancing
- Proposed changes by investment area
 - Housed and Cared For
 - Connected and Resilient
 - Healthy & Safe
 - Administration

Initial Issues in the Proposed Budget

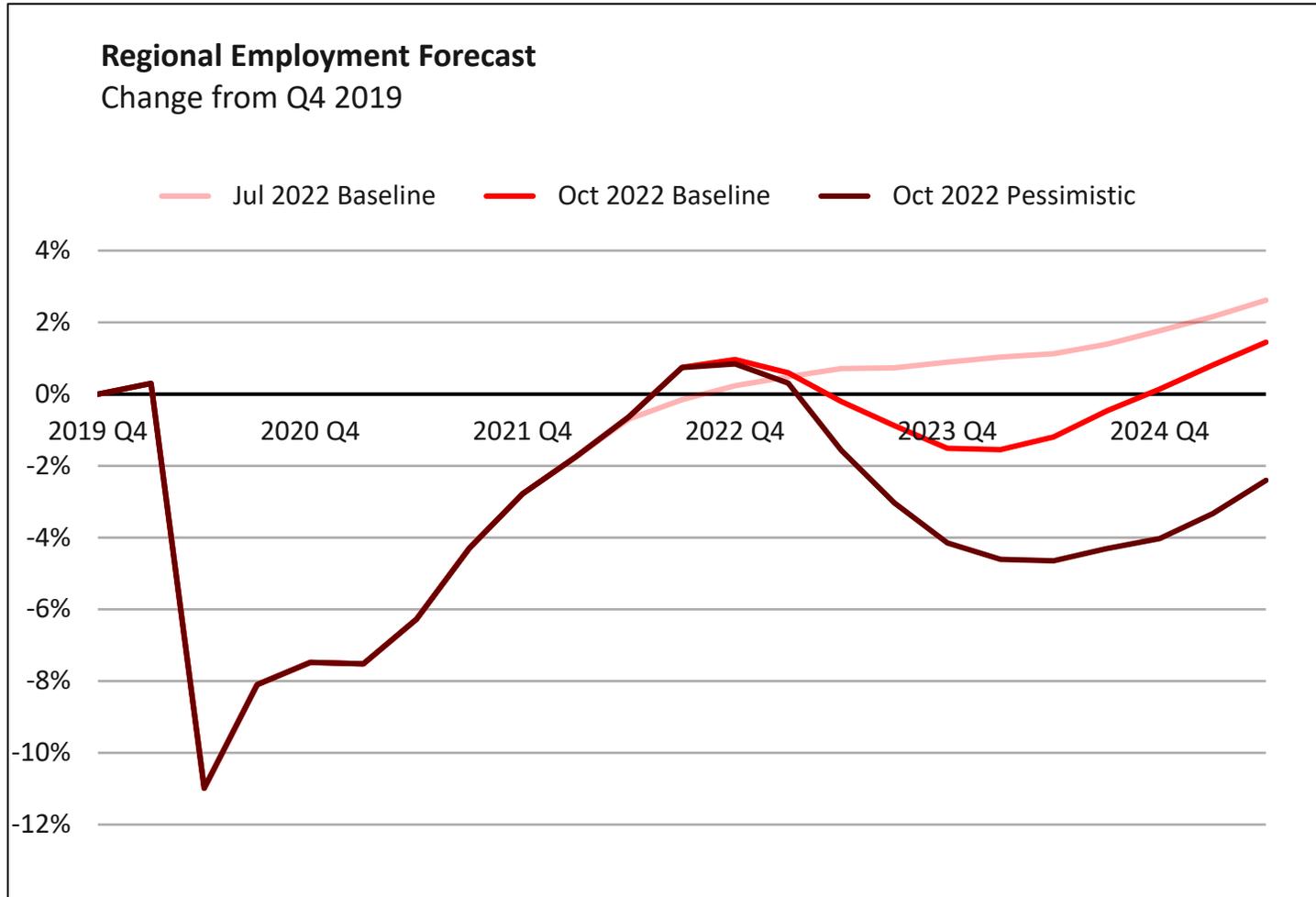
- Proposed change in law to cap inflation increases on HSD contracts at 4%
- Proposed changes in fund policies for JumpStart Fund, Short-term Rental Tax Fund and Transportation Network Companies Tax Fund
- Proposed transfer of Parking Enforcement Unit from SDOT back to SPD

National Forecast Predicts A Mild Recession in 2023

- In August, national forecast anticipated modest, 0.9% GDP growth in 2023. The latest revision anticipates that GDP will drop by 0.5%.
- The slow down is expected be short, with recovery beginning in the 2nd half of next year, but GDP growth of only 1.3% is forecast for 2024.
- As the economy slows, employment will decline, with the total job count dropping by approx. 2% before beginning a slow recovery.
- National employment not projected to reach most recent highs until 2026.



Forecasting a Comparable but Somewhat Shorter Regional Downturn



- Regional downturn is projected to have a comparable impact on employment, with regional payrolls dropping by ~2% from the current high.
- Recent announcements regarding near-term hiring slowdowns and layoffs at major technology firms and other employers indicate that regional labor has already begun to soften.
- From an employment perspective, the regional economy is forecast to recover more quickly than the national economy. Regional employment expected to return to existing levels by early 2025.
- At the regional level, the pessimistic scenario would involve job losses of 5% from current levels, and they would not recover until 2026.

November Revenue Forecast Update

General Fund Decrease	(\$9.4M)
REET 1 and REET 2 Decrease	(\$64M)
Sweetened Beverage Tax Decrease	(\$4.5M)
Commercial Parking Tax Decrease	(3.5M)

Balancing Package by Investment Areas

Priority	2023		2024	
	Adds	Reductions	Adds	Reductions
Cared for and housed	16.1M	(5.2M)	8.3M	(5.4M)
Homeless & Human Services	14.7M	(5.2M)	7.9M	(5.4M)
Affordable Housing and Tenant Services	1.5M	-	0.5M	-
Connected and Resilient	53.1M	(23.1)	33.7M	(16.0M)
Economic Revitalization and Equitable Growth	33.1M	(4.3M)	6.5M	(2.0M)
Livable, Clean, Connected Communities	12.4M	(10.4M)	24.2M	(12.2M)
Sustainability & Environment	7.6M	(8.4M)	3.0M	(1.8M)
Healthy and Safe	24.7M	(3.4M)	19.3M	(3.3M)
Community Safety, Public Safety, CLS, Alternatives	10.4M	(3.1M)	7.7M	(3.0M)
Youth, Education, Arts, Culture, Health Equity	14.3M	(0.3M)	11.6M	(0.3M)
Administration	30.7M	(61.4M)	1.0M	(74.8M)
Administration	30.7M	(62.9M)	1.0M	(74.8M)

Balancing Package – JumpStart Fund Spending

Category	2023	2024	%
Administration	\$10.9M	\$11.1 M	5%
Economic Revitalization	\$32.7M	\$33.3M	15%
Equitable Development Initiative	\$20.1M	\$20.5	9%
Green New Deal	\$18.4M	\$19.5M	9%
Housing & Services	\$137.6M	\$138.9M	62%
GF Balancing	\$100.6*	\$85.1M	-
Grand Total	\$320.2	\$307.4	100%

**The proposed budget included a \$30M reserve in the JumpStart (JS) Fund, an \$85M transfer from the JumpStart Fund to the GF in 2023 using \$71M of anticipated 2023 JS revenues and \$14M from higher than anticipated 2022 JS Revenues, and \$84 million from anticipated 2024 JS Revenues. The balancing package increases the 2023 transfer by ~\$15 million, reducing the JS reserve accordingly.*

GF Balancing

Resources to address forecast update & to fund Councilmember priorities

Area of Reduction	2023	2024
2022 Underspend (amendments to Year-End Supplemental Budget ORD)	\$7.3 million	-
Technical Adjustments & Fund Swaps	\$8.3 million	\$7.8 million
Limit the expansion of new programs & realign policy	\$7 million	\$6 million
Reduce new and vacant positions	\$0.9 million	\$1.2 million
Revisit Reserves	\$21 million	\$12 million
Total	\$44.6million	\$27 million

Other GF Balancing Strategies:

Limited use of other funds to balance the GF

Pass CB 120463 to provide short-term and limited flexibility on use of certain City funds to balance the City's budget over the 2023-2024 biennium

- Allow transfer from the JumpStart fund to the GF in 2023 and 2024 using higher than anticipated revenues
- Allow limited use of JumpStart administration funds to support critical investments in food, planning, eviction legal defense, and mental health services in schools in 2023 and 2024
- Suspend requirement that would direct a portion of TNC Tax revenues to affordable housing near transit
- Modify required short-term rental fund support for the Equitable Development Initiative to \$4.4 million annually

REET Balancing: Strategies to address forecast update (\$64M)

Reduce reserves

- Revenue Stabilization Reserve (\$15M)

Revisit Newly Proposed Major Capital Projects

- Memorial Stadium: Reduce proposed \$20M REET in 2023; debt finance \$20M for this project beginning in 2023 (versus 2024)
- Waterfront Operations Tribal Interpretive Center (Bakun Building): Reduce \$13M REET in 2023 and increase Debt service by \$937k in 2023, and approximately \$1.3M in 2024 and beyond

Swap REET Funding for Other Sources

- Transportation: SWAP REET Funding in SDOT with other transportation funds (VLF and CPT) (\$1.9M)

Reduce REET spending across capital departments

- See details next slide (\$45.9M)

REET Balancing (1 of 2)

Resources to address forecast update – department specific reductions

Area of Reduction	2023	2024
Finance & Administrative Services <ul style="list-style-type: none"> – Defer or reduce proposed FAS facility maintenance and improvements – Reduce cash funding for Waterfront Operations Tribal Interpretive Center, add debt service 	(\$13 million)	(\$1.4 million)
Housing <ul style="list-style-type: none"> – Swap REET payments for affordable housing with MHA 	(\$5 million)	(\$5 million)
Libraries <ul style="list-style-type: none"> – Reduce funds in 2024 for building upgrades 	-	(\$0.3 million)
Parks <ul style="list-style-type: none"> – Reduce funding for the Major Maintenance and Asset Management CIP + Green Seattle Partnership – Defer funding for ADA compliance and play area renovations to 2025 – Reduce and swap the fund source for City Hall Park improvements 	(\$4.7 million)	(\$8.6 million)
Seattle Center <ul style="list-style-type: none"> – Reduce funding for multiple CIP projects expected to have low to medium impacts – Reduce cash funding for Memorial Stadium, add debt service for \$20 million of debt financing in 2023 	(\$4.2 million)	(\$4 million)
Transportation <ul style="list-style-type: none"> – Reduce funding for bridge painting CIP and sidewalk safety CIP – Modify appropriations and change fund source for certain investments to address other SDOT revenue shortfalls 	\$1.2 million	0.75 million
Grand Total	\$25.8 million	\$20.1 million

Other fund balancing

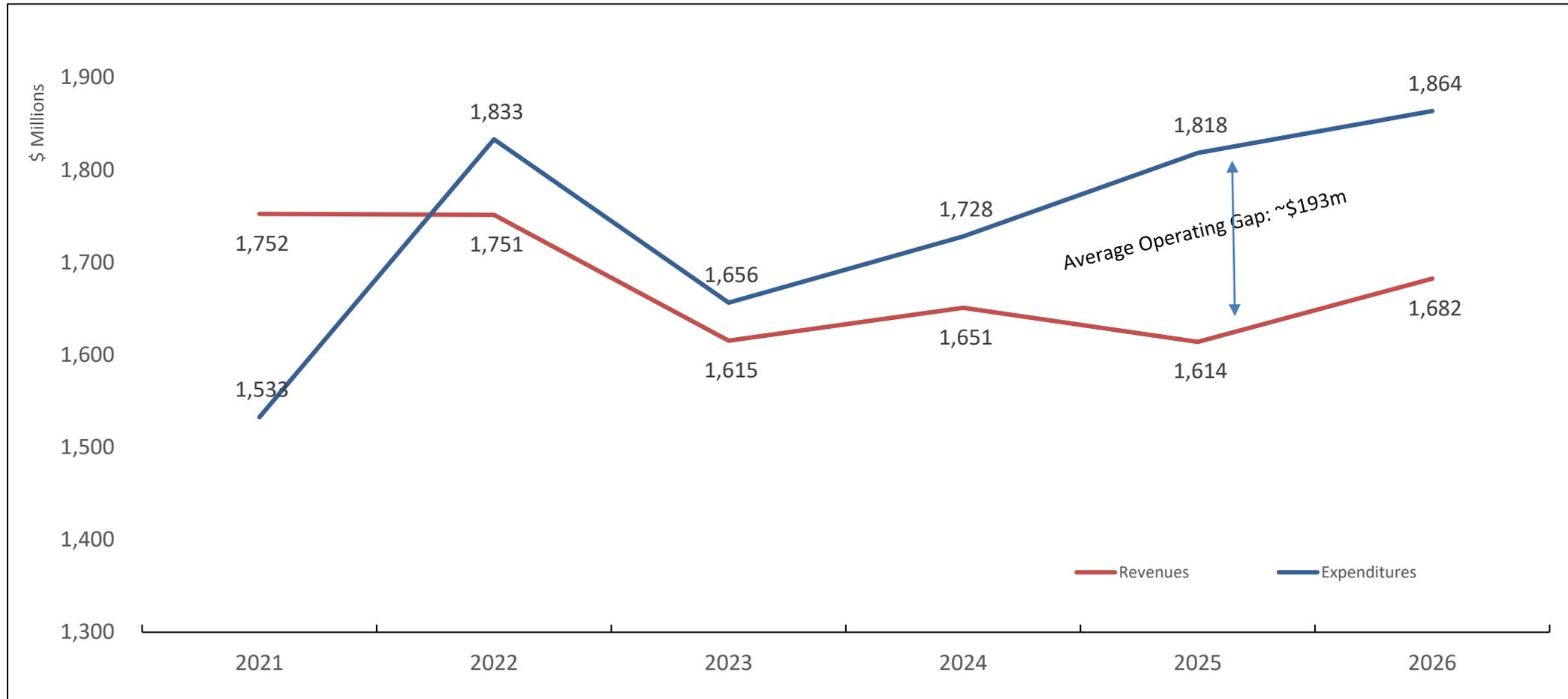
Sweetened Beverage Tax

- Reduce reserves and use JumpStart funds to temporarily backfill projected revenue shortfall to avoid reductions in critical programs and services

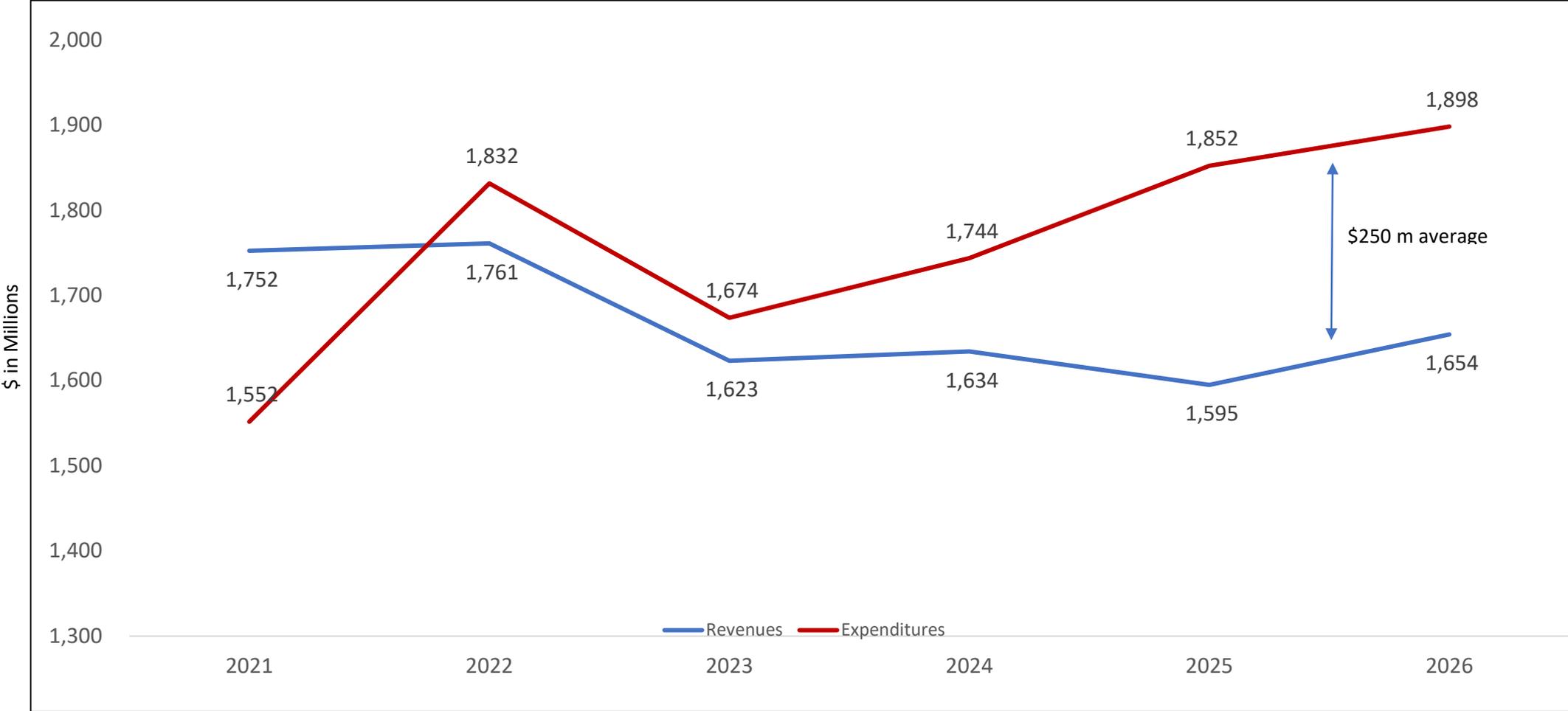
Commercial Parking Tax

- Address the CPT reduction through a combination of reductions in REET spending, and other GF reductions to minimize impacts to SDOTs capital projects and operations

Proposed Budget: 2025-2026 Projected GF Sustainability



Initial Balancing Package: 2025-2026 Projected GF Sustainability



*Note: current estimate may understate the problem in 2025 and 2026 as not all growth assumptions are factored in to 2025 and 2026. Central Staff will continue to refine after Council takes final action

Strategies to Address Sustainability

- Continue to review and right-size budgets to match revenues
- Central Staff and City Budget Office Workgroup to review policies for budget development, management and financial planning
- Revenue Stabilization Workgroup: discussing potential new General Fund revenue sources

Questions?

Budget Timeline | FALL 2022

