

2021 Budget

September 29, 2020



Mayor's Priorities in Building the 2021 Budget

- Sustaining the City's Response to the COVID-19 Pandemic
- New \$100 Million Investment in BIPOC Communities while Protecting Current BIPOC Programs like EDI
- Immediately Removing Functions Out of the Department and Create the Foundation to a New Approach to Community Safety
- Preserve Essential Public Services and Supports
- Expand Efforts to Address Homelessness and Housing Crisis
- Minimize Impact to the City's Workforce



Significant Challenges to 2021 Budget

- Reductions to major General Fund revenue sources: sales tax, business & occupation (B&O) tax, utility taxes, fees and fines.
- Significant reductions to department- and program-specific revenues
 - SDOT: Commercial Parking Tax, Gas Tax, Seattle Transit Benefit District
 - SPR: Earned Revenue
 - Seattle Center: Earned Revenue
 - Sweetened Beverage Tax, Short-term Rental Tax, Admission Tax
- Lack of any new federal resources
- Growing labor costs



Toplines of 2021 Budget

- The City's 2021 General Fund is expected to be \$1.5 billion in revenue. The City's budget is expected to be approximately \$6.5 billion.
- The Mayor approached balancing the budget with an all-of-the-above approach:
 - Utilizing the City's Emergency Reserves and other one-time funding
 - New Revenue Sources (i.e. payroll tax)
 - Wage freeze for non-represented salaried employees, continued hiring freeze, and reductions in discretionary spending (consultants, travel, & training)
 - Reprioritize planned capital spending, delay of non-critical capital projects and redirect resources towards sustaining operations
 - Manage vacancies and reduce staffing in ways that minimize impacts to direct services for the community



Inflexible vs Flexible Revenue Streams

Significant impact to some departments that rely more heavily on inflexible revenue streams COVID-19

Examples of Less Flexible Revenue Streams – Approximately \$5 billion of City's Resources

Constitutional Restrictions	<ul style="list-style-type: none">• Rates and fees collected by departments (e.g., SCL, SPU, SDCI)• Certain state-authorized taxes (e.g., Gas Tax)
State Law Restrictions	<ul style="list-style-type: none">• Real Estate Excise Tax• Commercial Parking Tax
Local Restrictions	<ul style="list-style-type: none">• Voter-approved Levies (e.g., Library, Housing, SDOT)• Dedication of new revenue streams to limited purposes (e.g., Sweetened Beverage Tax, Short-Term Rental Tax)

Examples of Flexible Revenue Streams – Approximately \$1.5 billion of City's Resources

General Fund resources	<ul style="list-style-type: none">• Property Taxes (non-Levy)• Business & Occupation (B&O) Taxes• Sales Tax• Utility Taxes• Other unrestricted fees & fines
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Revenue Forecast

2021 Proposed Revenues (\$1,000s)	2020 Adopted	2020 Revised	2020 Change	2021 Proposed	2021 - 2020 Adpt
General Fund Revenue Sources					
Property Taxes	\$345,085	\$340,894	(\$4,191)	\$354,041	\$8,956
Sales Taxes	\$298,842	\$231,103	(\$67,739)	\$237,008	(\$61,834)
Business & Occupation Taxes & Licenses	\$315,537	\$258,139	(\$57,398)	\$271,429	(\$44,109)
Utility Taxes	\$220,557	\$206,340	(\$14,216)	\$208,364	(\$12,192)
Payroll Tax	\$0	\$0	\$0	\$214,284	\$214,284
Parking	\$38,578	\$10,434	(\$28,144)	\$23,510	(\$15,068)
Transportation Network Company Tax	\$8,877	\$0	(\$8,877)	\$5,022	(\$3,854)
Mercer Megablock Sale	\$66,500	\$66,500	\$0	\$0	(\$66,500)
All Else	\$176,649	\$147,114	(\$29,535)	\$177,263	\$613
General Fund Total	\$1,470,626	\$1,260,524	(\$210,101)	\$1,490,920	\$20,294

Revenue Forecast

Other Resources that Support General Government Services	2020 Adopted	2020 Revised	2020 Change	2021 Proposed	2021 - 2020 Adpt
Seattle Center Revenues	\$22,033	\$12,881	(\$9,152)	\$8,809	(\$13,224)
Parks & Recreation Revenues	\$33,474	\$21,090	(\$12,384)	\$29,589	(\$3,885)
Admission Tax	\$11,691	\$1,284	(\$10,408)	\$5,457	(\$6,234)
Short-term Rental Tax	\$10,500	\$3,675	(\$6,825)	\$7,350	(\$3,150)
Sweetened Beverage Tax	\$24,329	\$15,367	(\$8,962)	\$20,772	(\$3,557)
Real Estate Excise Tax	\$82,958	\$49,626	(\$33,332)	\$62,409	(\$20,549)
Seattle Trans. Benefit District	\$31,299	\$24,185	(\$7,114)	\$19,277	(\$12,022)
Commercial Parking Tax	\$45,596	\$24,394	(\$21,202)	\$38,756	(\$6,840)
School Zone Camera Fund	\$9,666	\$2,923	(\$6,743)	\$13,903	\$4,237
Total	\$271,546	\$155,423	(\$116,123)	\$206,323	(\$65,224)
Grand Total	\$1,742,172	\$1,415,948	(\$326,224)	\$1,697,242	(\$44,930)

Toplines of 2021 Budget

2021 General Fund Balancing - Summary

Resources

Projected General Fund Revenues (including Payroll Tax)	\$1,496,400,000
Starting Fund Balance	\$18,100,000
Rainy Day and Emergency Fund	\$52,500,000
Total	\$1,567,000,000

Proposed Spending and Reductions

<i>Base General Fund Expenditures</i>	\$1,469,000,000
Proposed General Fund Reductions	(\$63,500,000)
COVID-19 Relief Package	\$21,750,000
Equity Initiative	\$100,000,000
Additional Human Services Spending	\$19,000,000
Other Spending Additions	\$20,800,000
Total	\$1,567,000,000

Further Financial Context

- General Fund is only one fund of multiple City funds. Significant additional cuts are necessary due to revenue reductions at SDOT, Parks and Recreation and Utilities.
- Additional non-General Fund resources have also been applied to the 2021 priorities, including \$26M in federal Emergency Service Grant (ESG) funding to immediately expand shelter services (\$3M in 2020; \$23M in 2021)
- The City's 2021 investments in COVID-19 response is not limited to the \$21.75M from the Relief Package. Base budgets in HSD, Parks, Fire, FAS, SDOT, DEEL, etc. have all been redirected towards these efforts.
- The Proposed Budget does not assume additional federal or state support for COVID-19 response. Additional outside resources could expand or extend the City's relief efforts.
- The proposed use of \$52.5M in Rainy Day and Emergency Funds, when combined with the \$70M that will be needed this year, will leave just \$5M in these Fiscal Reserves. As a result, the City will have limited options of their further shortfalls in revenues or unanticipated expenditures.
- If the economic recovery follows current forecast, the proposed level of General Fund spending can be sustained into the future.



COVID-19 Response

- Addressing urgent needs including meals, rental assistance, grocery vouchers, childcare, and other essential needs (\$21.75 million new in 2021 budget in addition to 2020 funding)
- Continue critical supports for First Responders and free citywide testing
- 2021 Budget provides resources to continue operation of existing homelessness supports and \$6M of new General Fund to sustain expanded hygiene facilities and mobile shower services
- Seattle Parks and Recreation will be providing childcare and supports for elementary-aged children at 19 existing community center locations, as well establish teen resource hubs at seven of these facilities.
- DEEL has taken steps to adapt to the current childcare and preschool, expanding eligibility for K-12 student homelessness and housing supports, modifying the Child Care Assistance Program provider payment structure, and adapting and expanding K-12 services and supports.
- Seattle Public Utilities and Seattle City Light continue to provide bill relief and to increase discount program enrollment.
- SDOT will continue work to repurpose streets and public rights-of-way for recreation and to provide open-air socially distanced locations for bars and restaurants.

\$100 Million for BIPOC

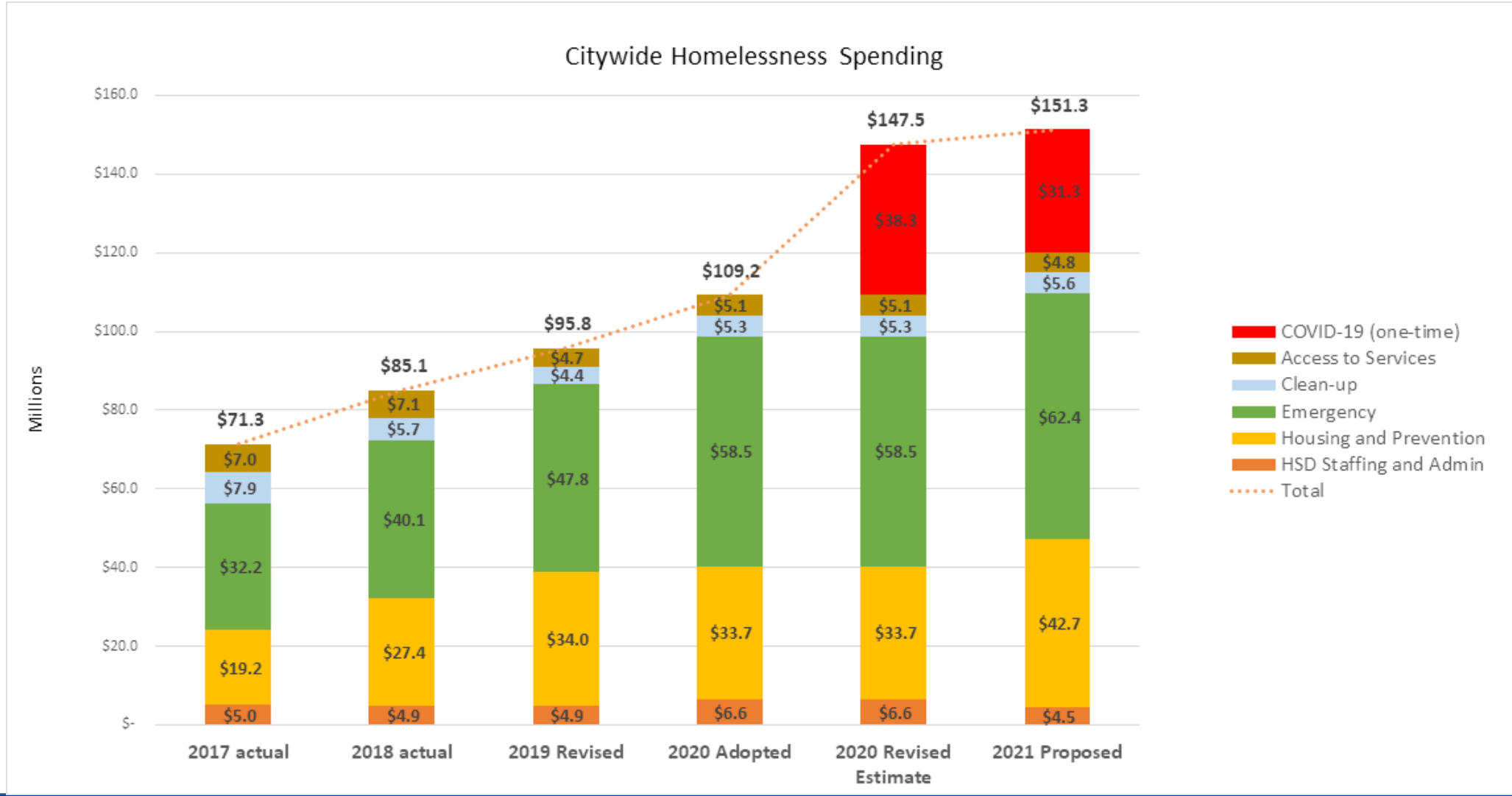
- \$100 million new Equitable Communities Fund to address systemic racial inequities in our city
- An unallocated fund that would be used in 2021 based on community recommendations regarding investment strategies in Spring 2021.
- For 2022 and beyond, the Mayor will request task force to provide recommendations regarding new revenue sources to sustain funding, including potentially an equity levy or an alternative progressive revenue source



Addressing Homelessness & Housing

- Sustain Human Services Department (HSD) funding for existing, ongoing services and programs, while streamlining and reducing internal staffing and overhead costs.
 - 2300 shelter units including 1500 24/7 enhanced and 311 tiny homes
- \$2.9M in additional funding to provide inflationary increases to HSD's contracted providers
- New \$26M in federal Emergency Service Grant (ESG) funding to immediately expand shelter services
 - This week, Mayor Durkan will announce her plan for expanded shelter and short-term shelter in 2020 and 2021 as more than 1,000 units of supportive housing comes online.

Addressing Homelessness & Housing



Restructuring SPD and Investing in Community Safety

Earlier this summer, Mayor Durkan announced a series of steps to reduce SPD's 2020 budget and Mayor will sign an Executive Order this week to outline the timeline and plan for the City's Joint IDT for 911 analysis and transformation, reform of OT policies, and minimum staffing and a new model for patrol and community policing with a final report in Spring 2021. In the 2021 proposed budget:

- Reduction in sworn officers to 1,400 and overtime, and savings from a civilian hiring freeze (-\$22.4M)
- 911 Call Center to become the independent "Emergency Communications Center" (-\$18.2M)
- Office of Emergency Management also to be independent office (-\$2.5M)
- Complete and make permanent transfer of Victim Advocates to HSD (-\$1.3M)
- Transfer Parking Enforcement Officers to SDOT (-\$14.9M)



Restructuring SPD and Investing in Community Safety

As part of the Mayor's vision of reimagining community safety, the 2021 Proposed Budget establishes a new, independent, and civilian-managed Seattle Emergency Communications Center (SECC). This Emergency Communication Center is the first step towards unifying emergency response across the City and fulfilling the community goals of reducing dispatches for service of SPD and substituting alternate responses from other City departments or community-based organizations. In addition, the Mayor is proposing a new safe and thriving Communities Division at HSD.

- Continued support for HSD Youth Safety Programs
- Restructure and reduce budget for Seattle Municipal Courts probation services (-\$1.4M)
- Add funding for case manager services to support new Seattle Community Court (\$100K)
- Continue Funding for Crisis Connections "OneCall" service (\$400K)
- Continue Funding for Community Critical Incident Responders pilot program (\$430K)
- Expand Health One pilot to include a second vehicle (\$575K)
- Additional funding for OIG, OPA and CPC



New Revenue Commitments

- Payroll Tax Spending Proposal (\$216 Million for 2020 and 2021)
 - 80% Continuity of Services and Programs in 2020 and 2021
 - \$86 million for continuity of services and COVID-19 Relief
 - \$96 million for continuity of services and programs that residents rely on to serve our community at large and provide support for low-income families
 - 20% COVID-19 Relief Programs in 2021
 - \$26 million for continued COVID-19 relief
- Fare Share (\$5 million in 2021)
 - \$3.5 million for Driver Resolution Center // OLS
 - \$1.5 million for SDOT
- Heating Oil Tax (\$800K in 2021)



Budget Reduction Strategies Across Departments

- Maintain vacancies for non-essential positions
- Pay freeze for APEX/SAM broad-band employees (strategic advisors, managers and executives)
- Eliminate non-essential spending on travel, training, consultants, etc.
- Defer one-time expenditures on equipment, IT systems, vehicles, etc.
- Reduce staffing in ways that minimize direct services to the community (Approximately 40 layoffs)
- Re-prioritize levy and other voter-approved funding toward basic services.



Budget Changes - SDOT

- \$85 million revenue shortfall; \$60 million in reductions and project delays and \$25 million in a loan to mitigate impacts
 - Proposed budget does not assume voter approval of November ballot measure that would provide continued funding for the Seattle Transportation Benefit District.
 - Budget also does not include revenues from the voter-approved Vehicle License Fees (VLF) that are the subject of case currently before the State Supreme Court.
- Largest impacts will be on capital spending, including both system enhancements and basic maintenance. Examples include:
 - Delays of major grant-dependent projects (e.g. Northlake Retaining Wall and the Heavy Haul Network);
 - Reductions in paving, as well as bike, ped and transit infrastructure projects; and
 - Sustain funding for bridge maintenance, but current financial constraints limit opportunity to expand funding.
- Debt service for \$100 million in bond funding for West Seattle Bridge-related activities.

Budget Changes - Seattle Parks

- Total revenue impact was a loss of \$22M in operating revenue (\$11.4M of General Fund and \$10.6M of “earned” revenues) and \$19+M in REET for capital investments. A total revenue loss of more than \$40M.
- Seattle Parks and Recreation anticipates operating under COVID-19 restrictions into next summer. The department will reduce hiring of seasonal workers, and some facilities will not be reopened in 2021. Currently planning to operate 4 of 10 swimming pools. Other facilities, such as the Community Centers have been refocused to support COVID-19 relief efforts. And 5 community centers will be closed to complete planned capital renovations.
- The most significant impacts are to the Department’s planned capital investments
 - Major maintenance spending will be reduced;
 - Recreational field conversion, play areas, and replacement projects will be deferred;
 - Development of sites “land-banked” for future parks will slow; and
 - Funding of new land acquisition will be reduced, as will the Major Projects Challenge Fund.
- These cuts to capital spending will create very real pressure to increase the funding provided by the Parks District as we move forward to develop a new multi-year spending plan. The Parks Districted property tax revenue can be increased by Council vote.

Budget Changes - Other Department Highlights

Department of Neighborhoods and Office of Economic Development

- DON: Launch \$1.5 million health food fund, reduce Neighborhood Matching Fund and increase efficiencies
- OED: Reduction in discretionary spending, contracts and staffing

Office of Planning and Community Development

- Preserves full \$5 million for EDI grants, by supplementing declining Short-term Rental Tax revenues with ~3.1 million of General Fund support. Preserved full \$15 million of Mega-block proceeds for Equitable Development Initiative projects in 2020 (carry forward partially in 2021).

Library

- Shifts funding from General Fund base to alternative resources (levy)

Seattle Center

- Center's "earned" revenues have collapsed and basic maintenance and operations cannot be sustained without additional support.



Progressive Revenue for Beyond 2021

The 2020 and 2021 budget reflect the City's dependency on volatile sales and business taxes.

- While an income tax could not be fully implemented in 2021, Mayor's Office is currently exploring potential policies as part of an income tax proposal to build wealth among historically overtaxed communities, which could include direct payments or programs through redistribution and lowering of regressive taxes on our residents and businesses.

Q&A

