Seattle
City Budget Office

November 6, 2026

Honorable Members of the Seattle City Council
2nd Floor, City Hall
Seattle, WA, 98104

Dear Councilmembers,

As the City Budget Office has completed its first review of the Chair's Initial Balancing Package, I want to provide my analysis and feedback on several issues related to budget sustainability.

First, credit to Chair Strauss for an initial balancing package that does not project a deficit in 2029 and beyond. As you know, last year's Council imposed a requirement that the Mayor present a budget that was balanced through 2030. To meet the requirement, we produced a budget that better aligns ongoing expenses with ongoing revenues in a way that had not happened since the pandemic. The Chair's Balancing Package builds on that and maintains that balance.

That said, there are some areas of concern that I want to flag as we continue to work towards our shared objective of sustainable budgeting.

One-time Adds

A major driver of the structural budget deficit has been the practice of using one-time funding to pay for ongoing items. The Initial Balancing Package increases spending in 2027 by $41.7 million, $35.8 million of which is marked as one-time spending; that decreases to $13.8 million in 2028, $6.2 million of which is one-time spending. Many items that are funded one-time in the Balancing Package were originally proposed as ongoing by Councilmembers, such as SFD overtime and the Central District and Southeast Seattle Reinvestment Program. Each of these are worthy and appropriate for ongoing support with a sustainable funding source, however, if those 12+ items were accurately reflected as ongoing investments, the Initial Balancing Package would project a deficit of $21.5 million in 2029. If all the one-time adds in 2027 were made ongoing, the projected deficit in 2029 would be $41 million.

I heard clearly from many of you over the last two months that you consider ending one-time funding as a "budget cut." So, I want to be clear with you, City employees, and community partners, that items labeled as "one-time" in the budget for 2027, 2028, or both, will be removed from the 2028 and/or 2029 baseline budget. That is **your** direction to CBO when you adopt spending as one-time. In the interest of full transparency, I will be following up with you, departments, and with community groups that are the recipients of these one-time funds to make sure that everyone understands this. In addition, given the continued economic uncertainty, and the use of fund balances and reserves, we will need to proceed very carefully with authorizing some of this new spending in 2027 so councilmembers should expect that some of the proposals may be frozen, at least until we see the April revenue forecast.

JumpStart Reserve

As part of his 2025 Proposed Budget, then Mayor Harrell funded an unofficial JumpStart Reserve of approximately $43 million. That fall, the Council used nearly that entire amount for Council priorities but

codified a requirement for the Mayor to build a reserve that equals ten percent of annual revenues "to cushion the City from unanticipated shortfalls in Payroll Expense Tax revenues" and notes that the reserve should only be used "when actual or forecast[ed] PET revenues fall below the levels anticipated in the Mayor's Proposed Budget for the year following, or assumed in the Adopted Budget for the current year" (SMC 5.38.105). It further states that if the reserve is below that 10% target level, the proposed budget must show a plan to meet that target within four years. This Mayor's proposed budget met the target in 2029; however, the Initial Balancing Package diverts $10 million from the JumpStart reserve for new Council priorities and would result in the JumpStart reserve being below the 10% target level through 2030 (the current four-year planning horizon). This would result in the JumpStart reserve funded at 6% of annual revenues in 2029 and 8% in 2030. This follows an October revenue forecast that increased, though modestly, projected JumpStart revenues compared to the August revenue forecast.

The stated intent of the JumpStart reserve is to protect JumpStart investments against future economic uncertainty, not to fund new Council priorities as it has been used two of the last three years. If the adopted budget maintains this diversion, we will need to work collaboratively in early 2027 to determine a new JumpStart reserve policy.

Earmarks

Several of the proposed amendments use "such as" language to essentially earmark funds for specific organizations. This is the practice the Council has used for many years. Councilmembers should be aware that the "such as" language is not binding and may complicate the contracting process.

The language signals the Council's intent or preference, but the Executive departments are still required to comply with applicable state and local contracting laws and policies. If a contracting process results in an award to Council's desired recipient, the "such as" language can call into question the validity of the process. If the contract is awarded to an entity other than Council's preference, the language results in a disgruntled organization that expected to receive the contract. Because of this, it would be preferable from a good governance perspective to list the purpose of the funding rather than identify a specific entity.

I provided similar guidance to the Council on this topic when I was on Council Central Staff. I am providing it again here to help set reasonable expectations with Council offices and with community partners.

I share this information to help level-set and avoid some of the confusion that has surrounded our budget discussions this year. I also want to express appreciation again that, while there is still work ahead to achieve our shared goals of long-term sustainability, the Chair's Initial Balancing Package takes meaningful steps towards sustainability compared to the 2026 Adopted Budget and I thank Chair Strauss and all of you for keeping these principles in mind as you develop and vote on amendments in the coming two weeks.



Aly Pennucci
City Budget Director