

City of Seattle

Mayor's

Proposed 2009-2010 Budget

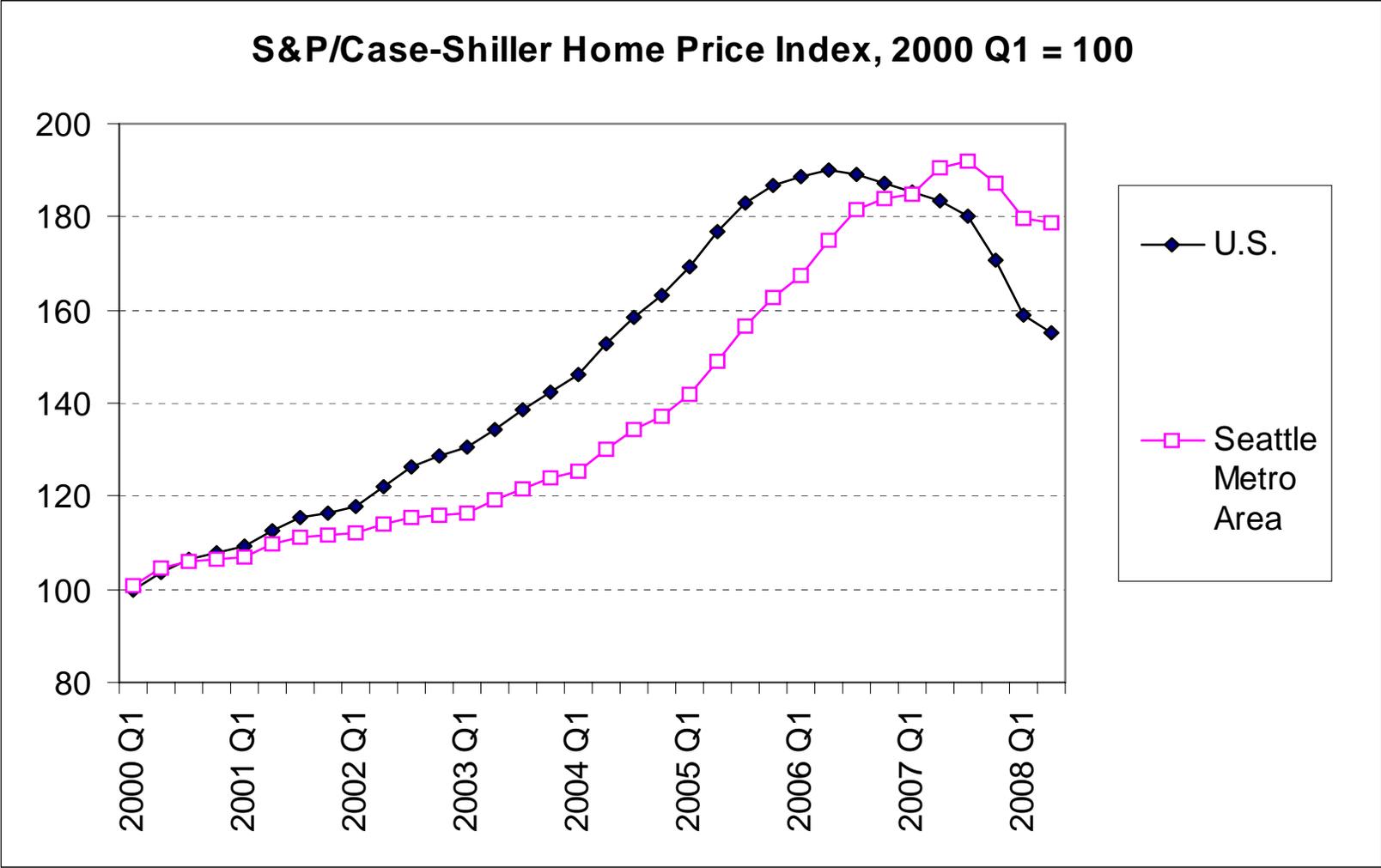
Economic Conditions & Forecast

U.S. Economy

(Note: Forecast work was done in July and August)

Housing has dominated economic landscape since 2001

- Housing prices have outpaced incomes. For 2000-06:
 - Prices rose 81% nationally
 - Median household income increased 15%
 - Made possible by low interest rates & loose lending practices
- This is sustainable only if prices keep rising
- Prices peaked in mid-2006



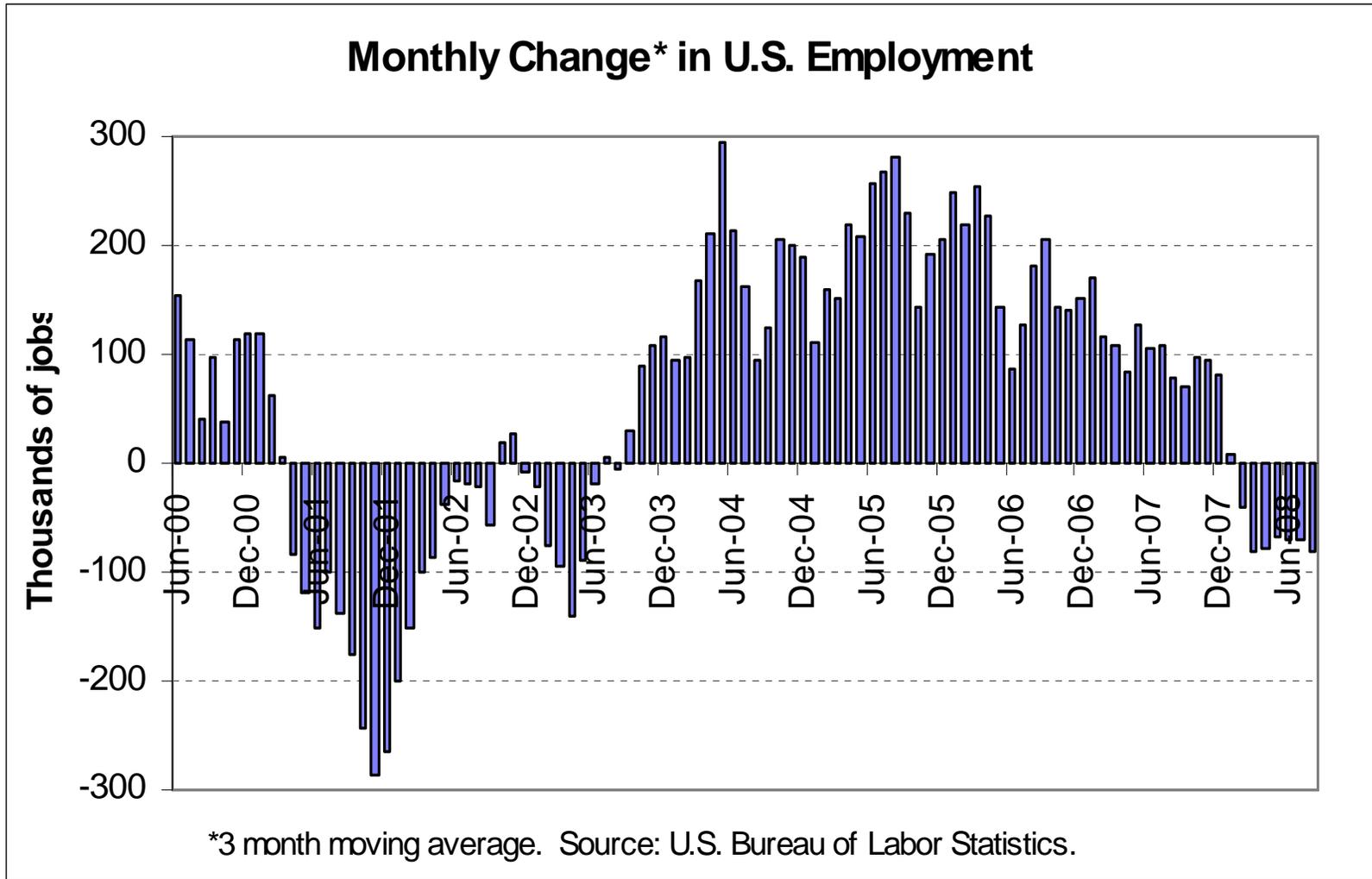
Decline from peak: 18.2% for U.S., 6.9% for Seattle Metro Area

U.S. economy has been in or near recession since 2007 Q4

- Housing starts have fallen by over 50%
- Consumer spending constrained by housing price decline
 - Wealth effect; home equity withdrawal
- High inflation for energy and food
- Some relief from \$100 billion tax rebate

Deflation of housing bubble has led to the credit crunch

- Loans were securitized and sold all over the world
 - Uncertainty about location of bad loans and value of securities
 - Banks are wary of lending to one another
 - Losses have left many banks with too little capital
- Credit has become harder to find and more costly

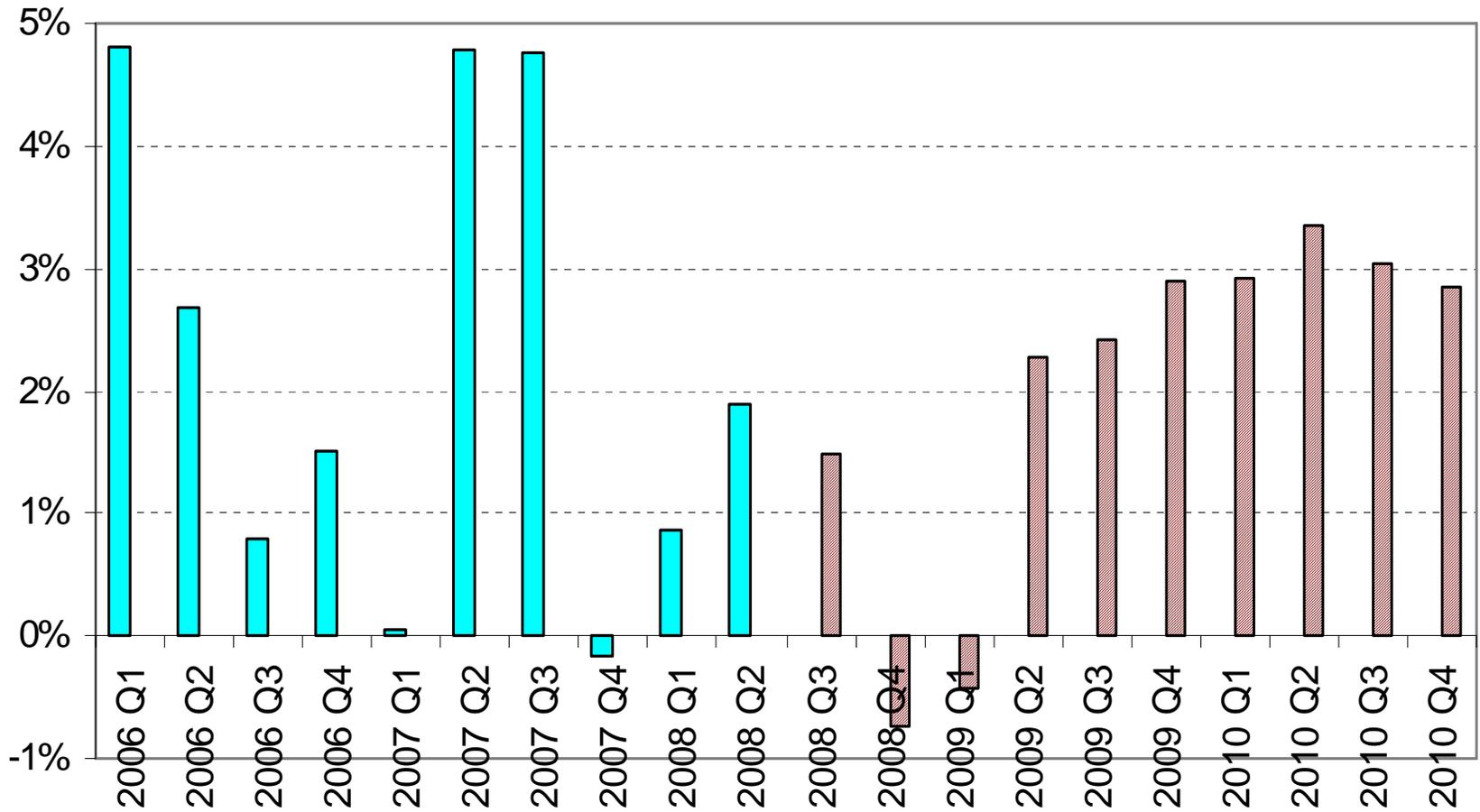


600,000 jobs lost through August

U.S. Economy: Forecast

- Economy will weaken as effects of stimulus wane
- Recovery will not begin until housing turns around
 - About 1 million excess housing units are on market
 - Prices expected to fall another 10%
- Risks and uncertainty are very high
 - Credit crunch
 - Treasury rescue plan
 - Housing market
 - Inflation

Annual Growth of U.S. Real Gross Domestic Product (GDP)*

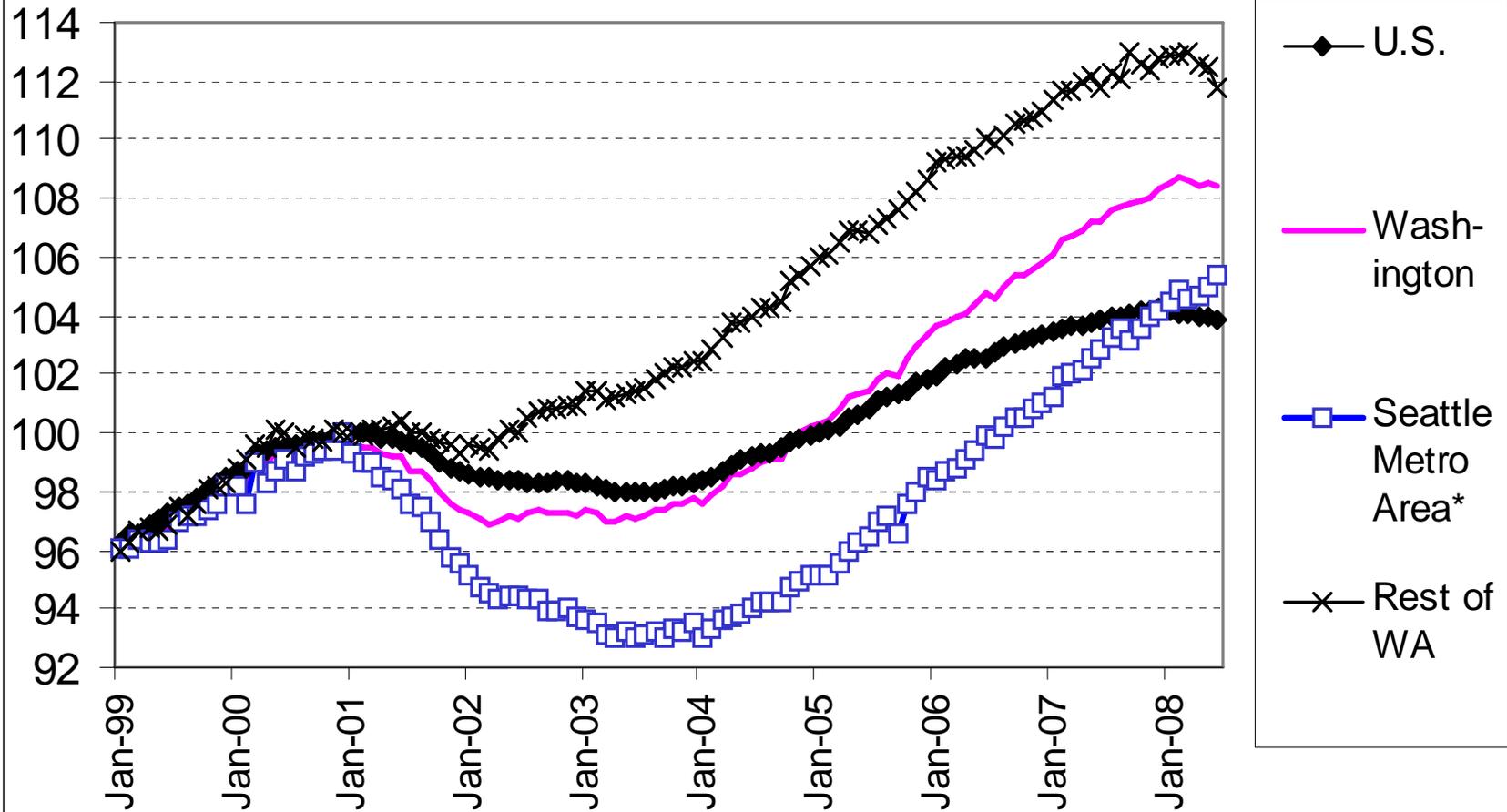


*Forecast is Global Insight's August 2008 forecast.

Puget Sound Region Economy

- Region is healthier than nation, but growth is slowing
 - Boeing and Microsoft have continued to hire
 - Region's economy slowed in 2008 Q2
 - Housing downturn
 - Effect on consumer spending
 - Construction employment peaked in 2007 Q4
 - Weak U.S. economy
- Forecast: region will escape recession, but just barely

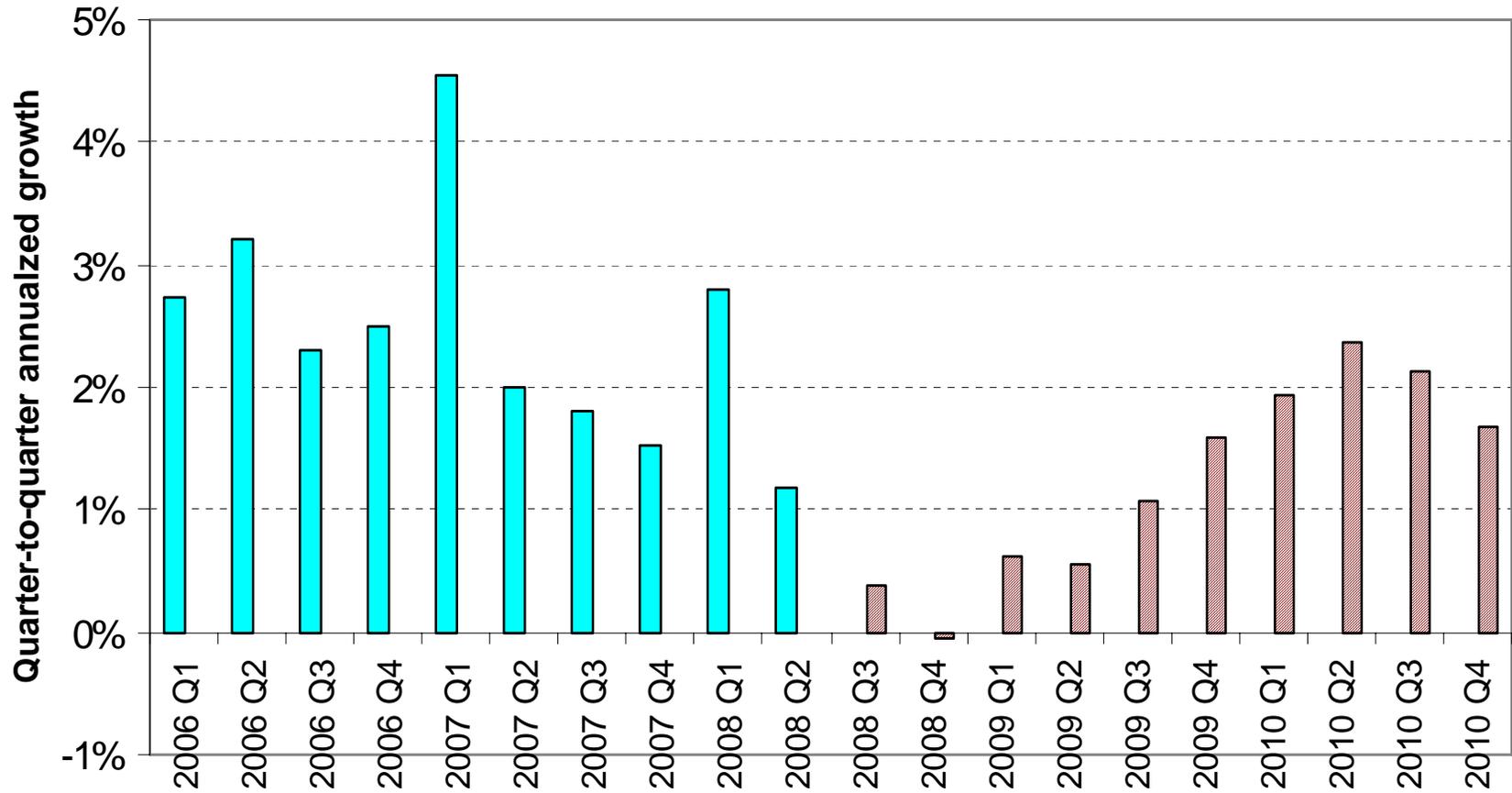
Employment: December 2000 = 100



*King & Snohomish Counties.

Data are seasonally adjusted non-agricultural wage & salary employment.

Puget Sound Region Employment Growth*

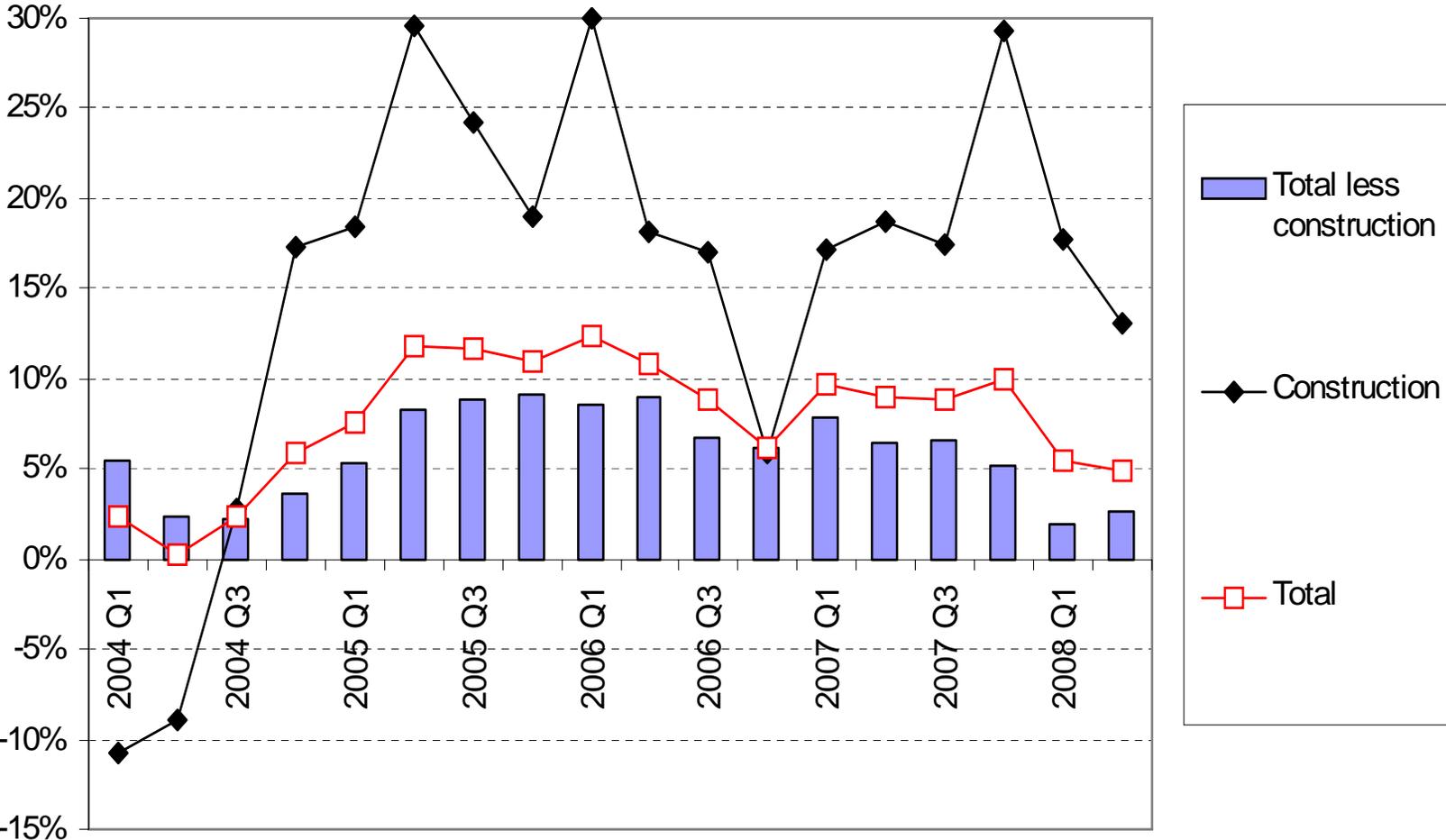


*Data are seasonally adjusted. Source: Puget Sound Economic Forecaster, June forecast.

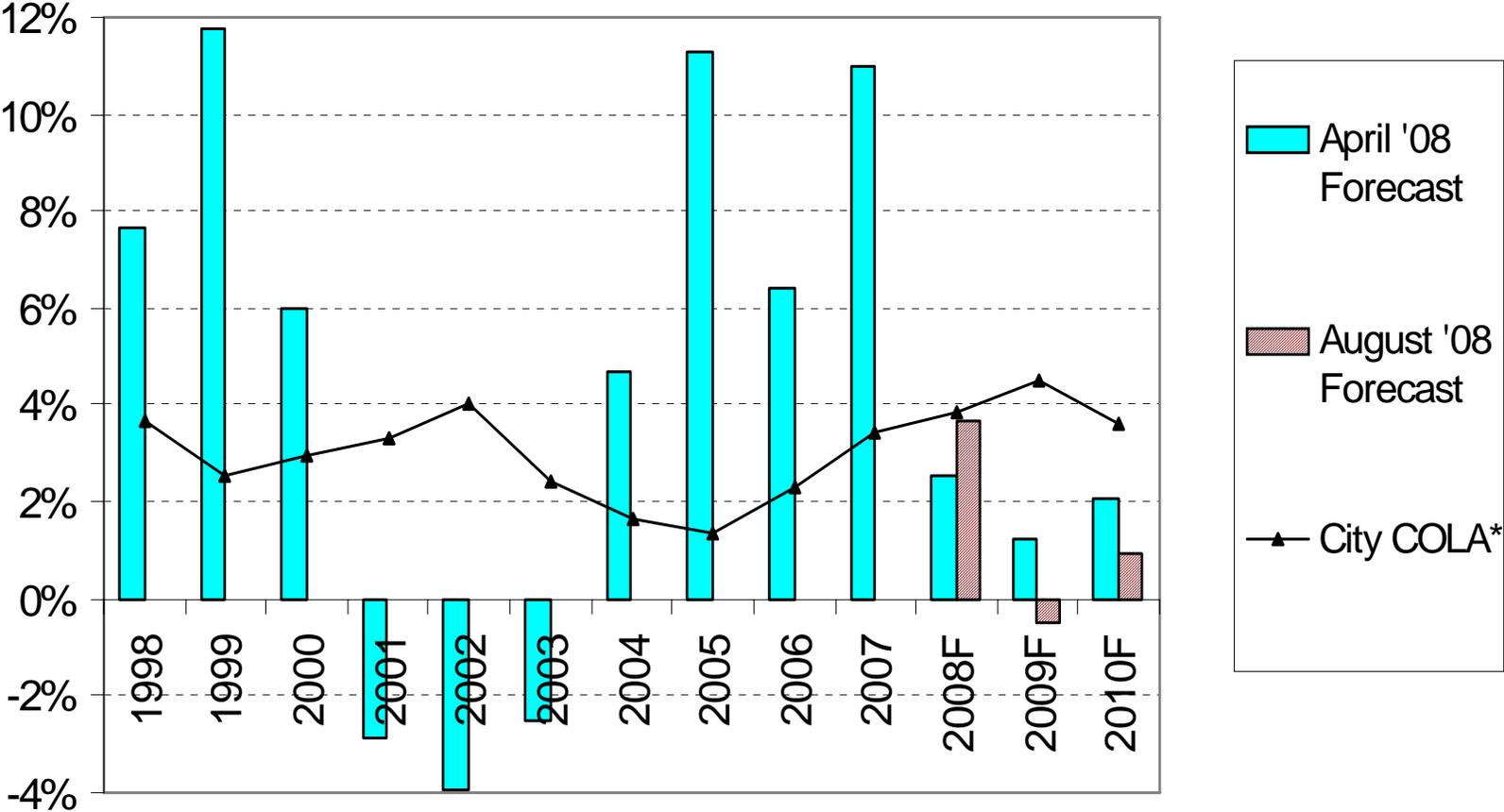
Retail Sales Tax

- Growth is slowing after 3 strong years
 - 9.5% average growth for 2005-07; 20.0% for construction
 - 2008 revenue growth through July is 5.8%
 - Seattle is doing better than most WA cities
 - Construction is up 16.3% year-to-date
 - Auto sales
- Forecast:
 - 0.5% decline in 2009; 1.0% increase in 2010
 - DOF selected low growth scenario for construction
 - Recent construction boom much stronger than U.S.
 - Decline is similar to 2001-04

Taxable Retail Sales: Year-over-Year Growth



Annual Growth of Seattle Sales Tax Revenue

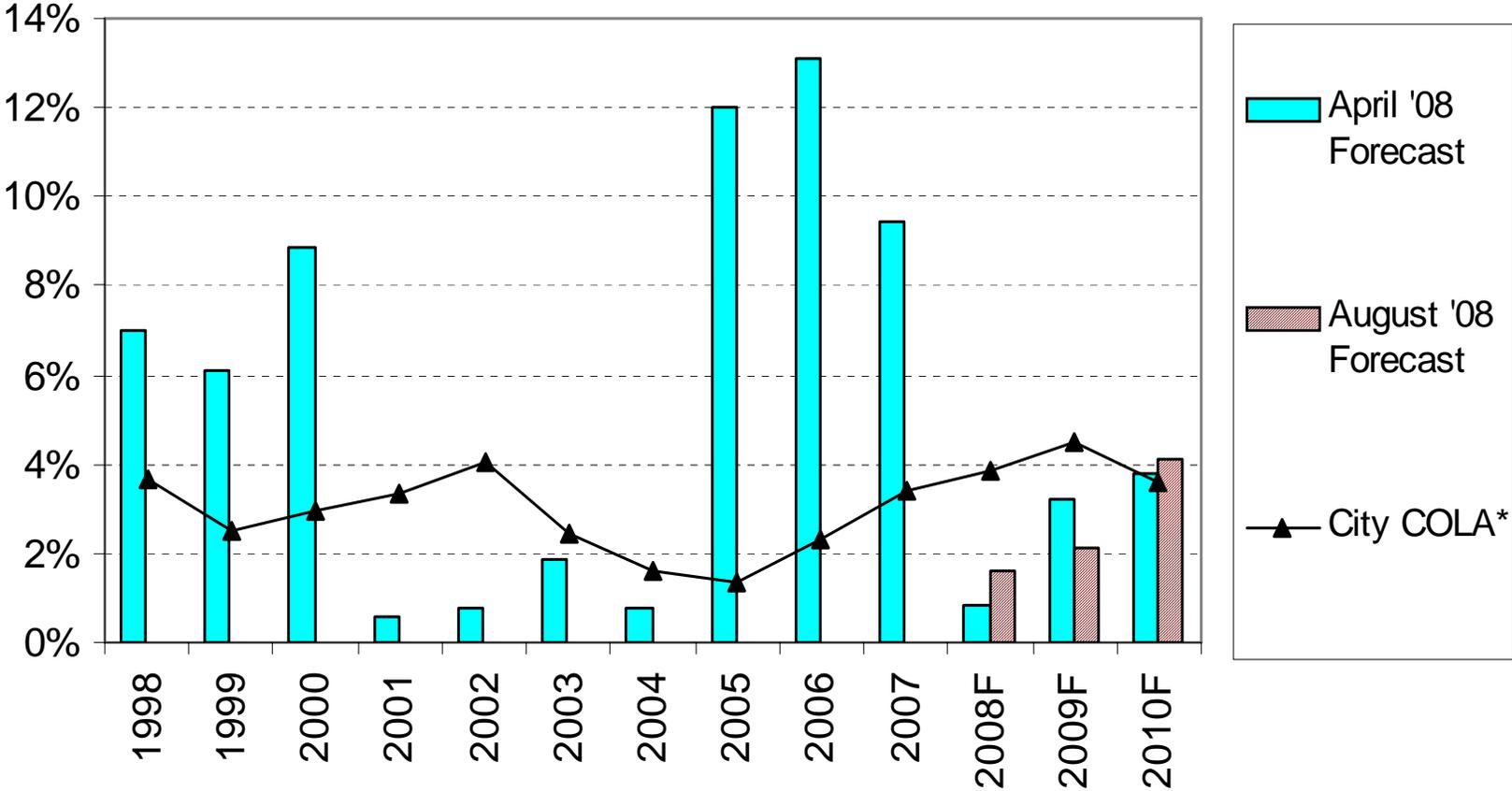


*Seattle CPI-W for 12 months ending in June of previous year.

B&O Tax (combined gross receipts and square footage tax)

- Growth of tax base is slowing after 3 strong years
 - Average growth rate for 2005-07 was 10.2%
 - Growth for 2008 Q1 (Q2 cash) was 8.3%
- Forecast:
 - Weak growth in 2008-09
 - Strong non-current revenue in 2007 lowers 2008 growth
 - Modest improvement in 2010
 - B&O less dependent on construction than sales tax

Annual Growth of Seattle B&O Tax Revenue



*Seattle CPI-W for 12 months ending in June of previous year.

Seattle Public Utilities B&O Taxes

- Seattle Public Utilities has requested a number of rate increases for its lines of business:
 - The Water Fund has requested rate increases of 18.4% for 2009 and 9.9% in 2010
 - The Solid Waste Fund has requested rate increases of 26.0% in 2009 and 8.5% in 2010
 - The Drainage Fund is expected to request a rate increase of 21.7% for 2010
 - The Wastewater Fund is expected to request a rate increase of 2.9% for 2010
- Forecast:
 - As a result of these rate increases total SPU B&O Taxes are forecast to grow by 16.5% in 2009 and 8.1% in 2010

Fines and Forfeitures

- Parking Citations:
 - 2008 citations are up 10.0% from 2007 through June
 - 2009-2010 forecasts assume eight additional PEOs
- Red-Light Camera Citations:
 - Red-light camera violations have declined; new camera installation has been delayed
 - Initiative 985 would redirect red-light camera revenue to State
- Forecast:
 - Additional PEOs increase revenue 10.5% in 2009, 15.3% in 2010
 - Red-light camera forecast reduced substantially, -12.0% in 2009 and -30.5% in 2010
 - I-985 would reduce red-light camera revenue \$5.1m in 2009, \$4.0m in 2010

Metered On-Street Parking

- Metered Parking:
 - The Proposed 2009-2010 budget includes a multi-tiered parking meter increase up to \$0.50 per hour
 - The Community Parking Program that is to increase parking stations will be delayed at least a year
- Forecast:
 - Rate increase leads to 18.5% growth in 2009 and 12.5% growth in 2010

General Subfund Revenue

Budget Name	2007 Actual	2008	2008	2009	2010
		Adopted	Revised	Proposed	Proposed
Property Tax	196,918,138	200,685,000	202,878,000	207,311,000	212,607,000
Property Tax-Medic One Levy	21,644,388	33,793,000	35,868,000	36,764,000	37,684,000
Retail Sales Tax	154,694,577	157,950,726	160,372,659	159,610,066	161,142,294
Use Tax - Brokered Natural Gas	2,742,443	2,818,000	2,983,000	3,033,000	2,946,000
Retail Sales Tax - Criminal Justice	14,409,381	14,868,279	14,625,521	14,700,990	14,973,544
Business & Occupation Tax (90%)	161,559,750	161,470,841	164,195,850	167,694,018	174,561,834
Admission Tax	7,684,673	7,097,000	7,005,000	6,026,000	6,133,000
Utilities Business Tax - Natural Gas (90%)	12,149,096	11,249,760	12,480,000	13,065,000	12,985,000
Utilities Business Tax - Solid Waste (90%)	852,728	900,000	900,000	900,000	900,000
Utilities Business Tax - Cable Television (90%)	12,041,301	11,990,000	12,834,000	13,314,000	13,704,000
Utilities Business Tax - Telephone (90%)	28,924,014	27,590,000	29,665,000	29,214,000	29,116,000
Utilities Business Tax - Steam (90%)	1,334,816	1,194,000	1,462,000	1,488,000	1,471,000
Leasehold Excise Tax	4,427,768	4,300,000	5,150,000	5,150,000	5,150,000
Gambling Tax	7,743	15,000	5,000	5,000	5,000
Gambling Tax - Punchboards & Pulltabs	655,267	650,000	550,000	500,000	500,000
Pleasure Boat Tax	182,812	175,000	175,000	175,000	175,000
Liquor Excise Tax	2,684,932	2,738,000	2,825,000	2,860,000	2,885,000
Liquor Board Profits	4,233,347	4,124,000	4,050,000	4,100,000	4,135,000
Court Fines & Forfeitures (90%)	18,643,392	20,480,400	20,163,000	23,996,000	23,252,000
Interest on Investments	9,673,870	10,764,000	5,914,000	4,884,000	6,400,000
Parking Meters	17,491,276	18,566,000	19,200,000	22,746,000	25,621,000
Utilities Business Tax - City Light (90%)	31,844,928	30,231,000	32,000,000	31,430,000	31,938,000
Utilities Business Tax - City Water (90%)	16,705,571	17,103,000	17,355,000	20,501,000	21,819,000
Utilities Business Tax - Drainage/Waste Water (90%)	21,319,058	23,352,000	23,139,000	26,217,000	28,112,000
Utilities Business Tax - City SWU (90%)	8,281,600	8,980,000	8,875,000	10,808,000	12,270,000
Total	751,106,870	773,085,006	784,670,030	806,492,074	830,485,672
All Else	83,674,542	69,856,981	69,139,977	71,590,988	72,895,256
Grand Total	834,781,411	842,941,987	853,810,007	878,083,062	903,380,928
Real Estate Excise Tax	71,832,285	51,005,747	32,980,534	36,208,859	42,903,010
Employee Hours Tax	1,822,850	4,510,000	4,781,252	5,261,136	5,647,751
Commercial Parking Tax	4,684,344	11,336,298	12,844,000	17,874,000	21,347,000

General Fund Expenditure Changes: 2008 Adopted – 2009 Proposed

Police	+ 7.76%
Fire & Police Pension	+ 7.24%
Parks & Recreation	+ 5.77%
Municipal Court	+ 4.58%
Legislative	+ 4.50%
Neighborhoods	+ 3.99%
Finance	+ 3.86%
Fire	+ 3.01%
Jail & Indigent Defense	+ 2.83%
Executive Administration	+ 2.61%
Seattle Center	+ 2.51%
Mayor's Office	+ 1.84%
Library	+ 1.77%
Law	+ 1.65%
Human Services	+ 0.93%
Total General Fund	- 0.65%
Personnel	- 1.10%
Planning & Development	- 4.83%
Arts & Cultural Affairs	- 6.33%
Transportation	- 7.34%
Reserve Funds	- 16.64%
All Other	- 20.72%
Finance General	- 38.88%

General Fund Expenditure Changes: 2008 Adopted – 2009 Proposed

- Overall General Fund expenditures decrease slightly.
- Public safety costs escalate significantly.
- Parks expenditures increase to reflect end of ProParks Levy.
- Departments whose budgets are mostly for employees typically have larger spending increases.
- Many one-time 2008 items were eliminated, as seen most notably in large decreases in Finance General and All Other.
- No contribution is assumed for the “Rainy Day Fund” in 2009, leading to the decrease in Reserve Funds.

General Fund Expenditure Changes: 2001 Adopted – 2009 Proposed

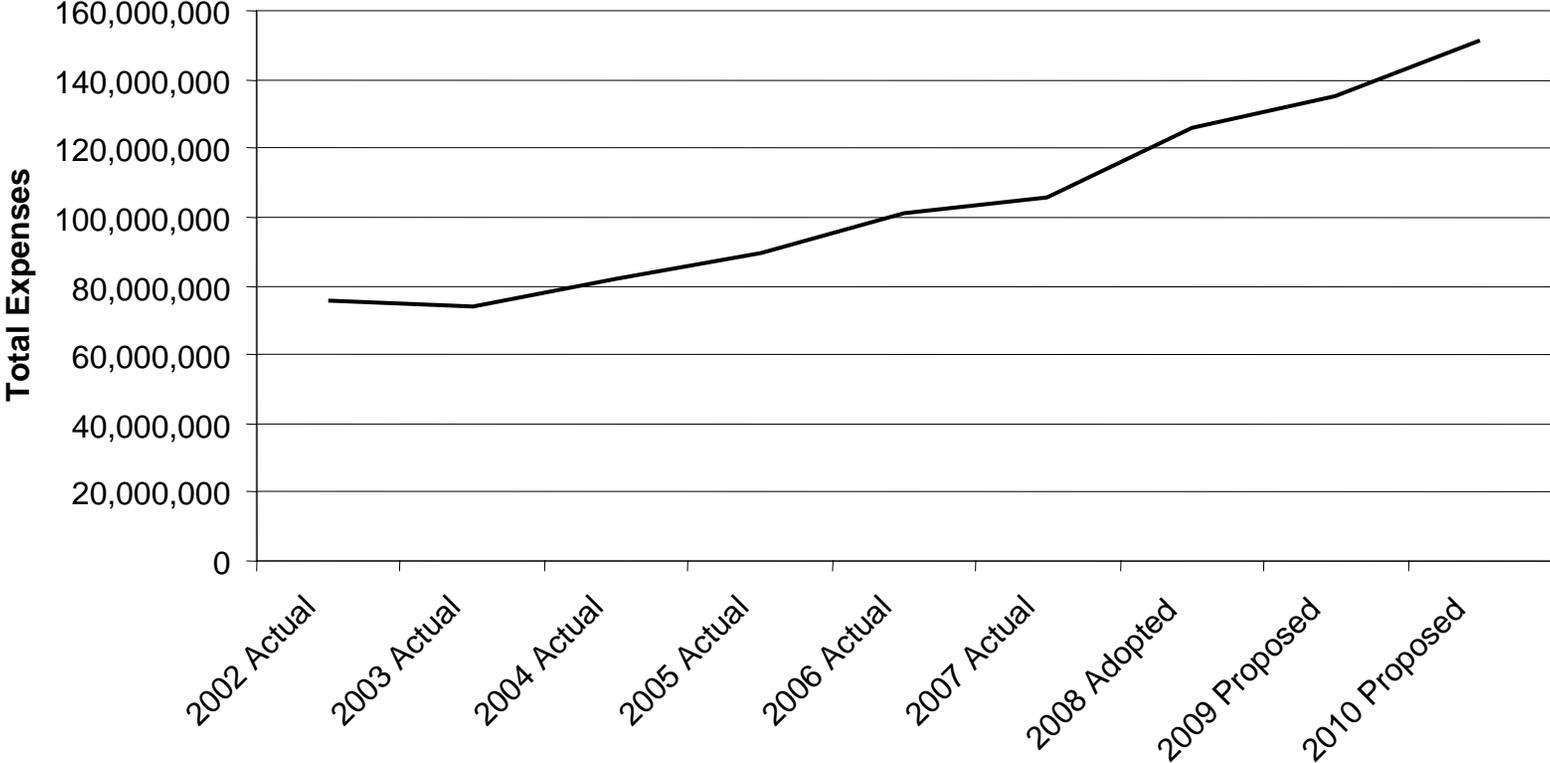
Legislative	+89.82%
Human Services (1)	+64.46%
Seattle Center	+58.82%
Fire	+58.79%
Police	+52.96%
Fire & Police Pension	+46.34%
Library	+45.59%
Parks & Recreation	+42.76%
Debt Service	+41.65%
Total General Fund	+39.68%
Law	+38.60%
Municipal Court	+38.24%
Mayor's Office	+37.10%
Internal Services (2)	+31.40%
Planning & Development	+31.36%
Arts & Cultural Affairs (3)	+28.72%
Jail & Indigent Defense	+25.96%
Transportation	+21.82%
Neighborhoods	+15.00%
All Other	+14.13%
Finance General	+ 6.07%

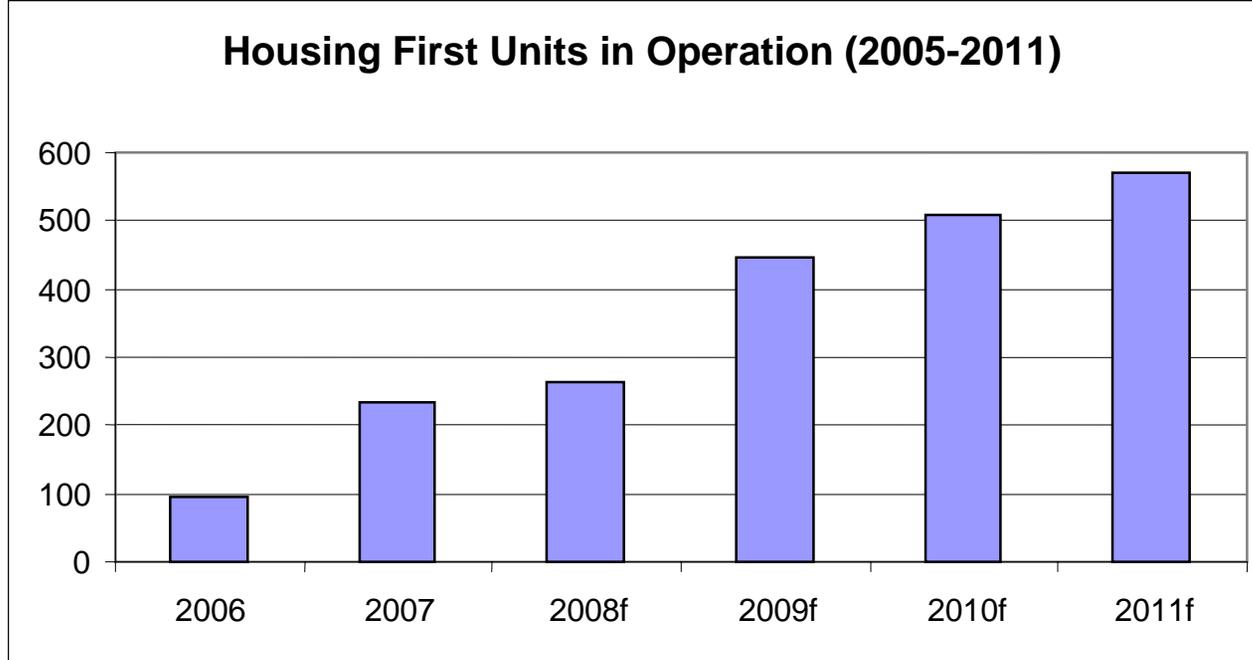
NOTES: (1) Not including public health spending.
 (2) Includes 8 departments that have been reorganized since 2001.
 (3) Includes Arts Account (admissions tax set-aside).

General Fund Expenditure Changes: 2001 Adopted – 2009 Proposed

- General Fund spending has grown at an average of about 4.3% per year.
- Public safety spending has grown considerably faster than the overall budget. Police, Fire, and related pensions accounted for 42.8% of the General Fund budget in 2001, compared with 47.3% in 2009.
- Human services spending has grown rapidly due to program expansion.
- General Fund support to Seattle Center has grown due to lower than expected revenues from the Sonics.
- General Fund support for Parks and Library has grown due to new facilities.
- Most administrative departments have grown more slowly than the overall budget.

City of Seattle Health Care Subfund

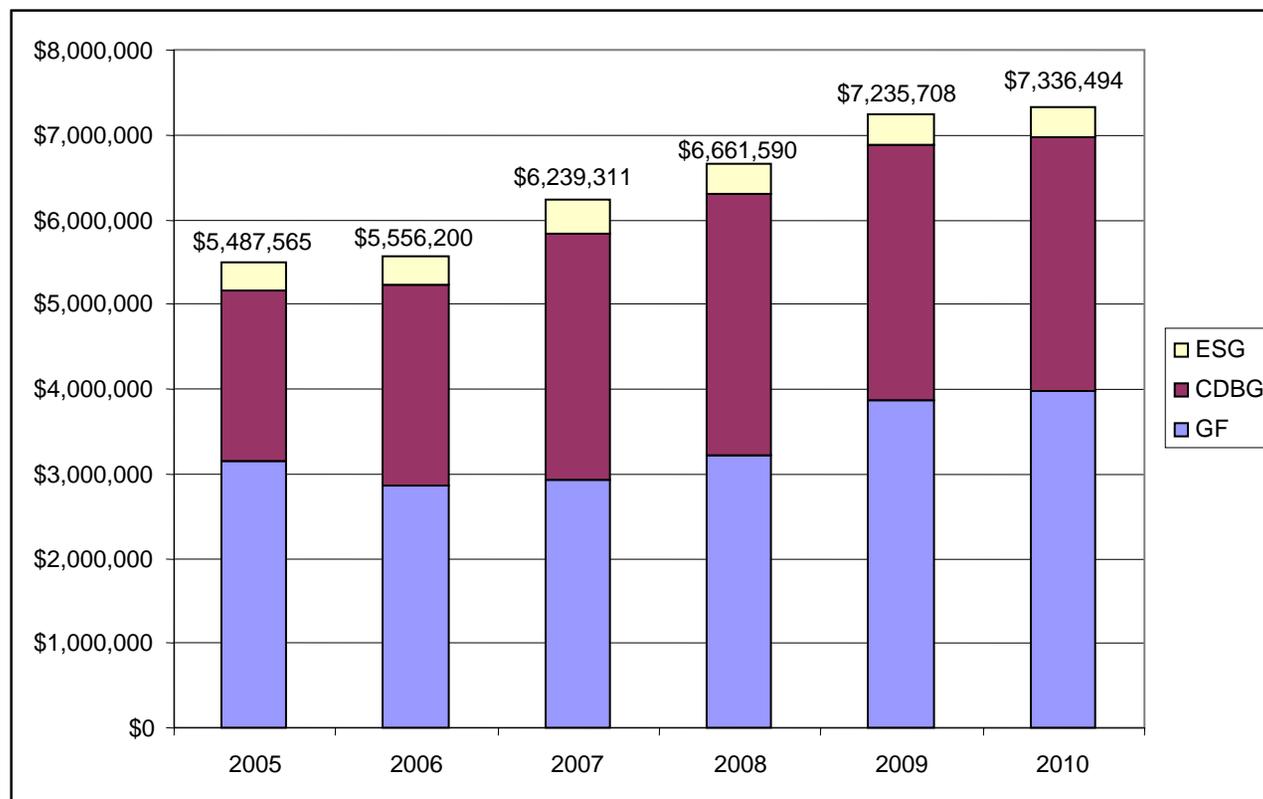




Housing First places chronically homeless individuals into permanent supportive housing, and provides intensive and flexible services to support housing tenure.

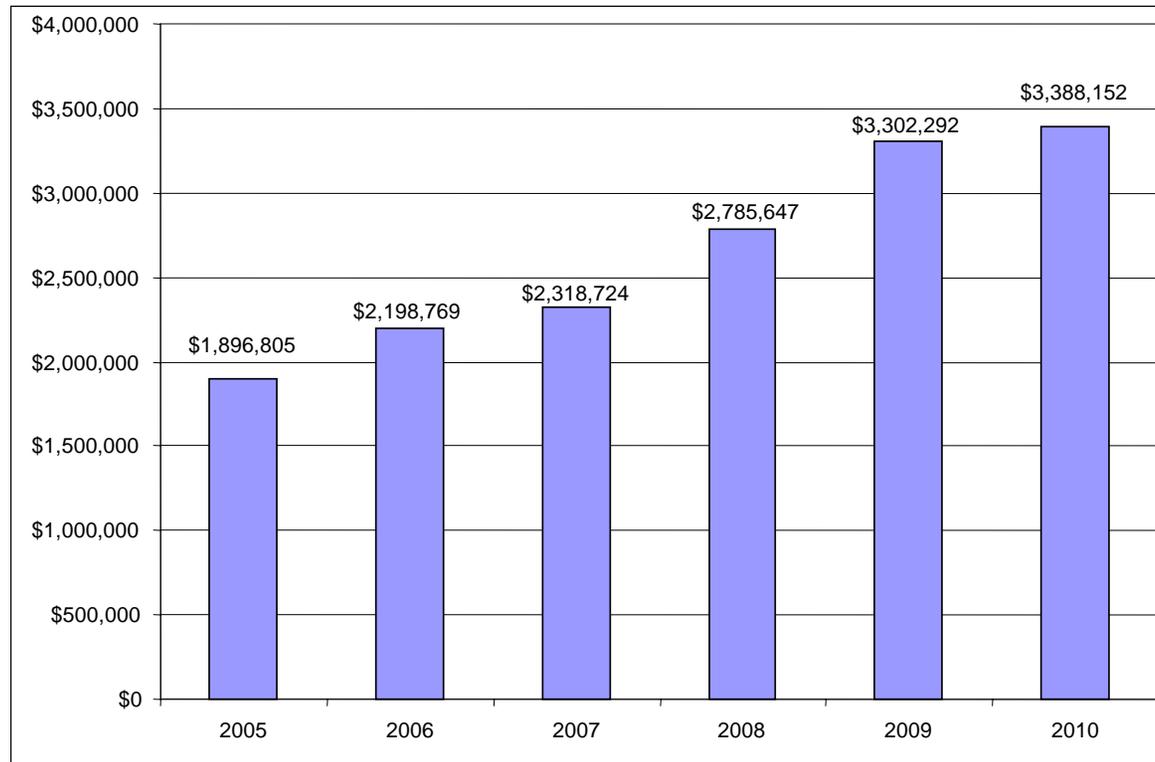
- The City invested in the first Housing First project, 1811 Eastlake, in 2001 and has substantially increased its support since adoption of the Ten Year Plan to End Homelessness in 2005.
- Since 2005, the City has since invested approximately \$18.3 million in GF resources, including approximately \$8.6 million for capital, and \$9.6 million for operating and supportive services. Every GF dollar invested leverages 3-4 times that amount in non-City funds.
- Between 2005-2008, approximately 265 Housing First units have been produced or leased and are now in operation using the Housing First model. By 2011, 569 Housing First units are anticipated to be in operation.
- The 2009-2010 Proposed Budget adds nearly \$3 million in General Fund to support Housing First outcomes: \$1.83 million in 2009 for capital funding in the Office of Housing budget, and an additional \$300,000 in 2009 and \$515,000 in 2010 in the Human Services budget for services to support Housing First units.

City Investments in Emergency Shelter

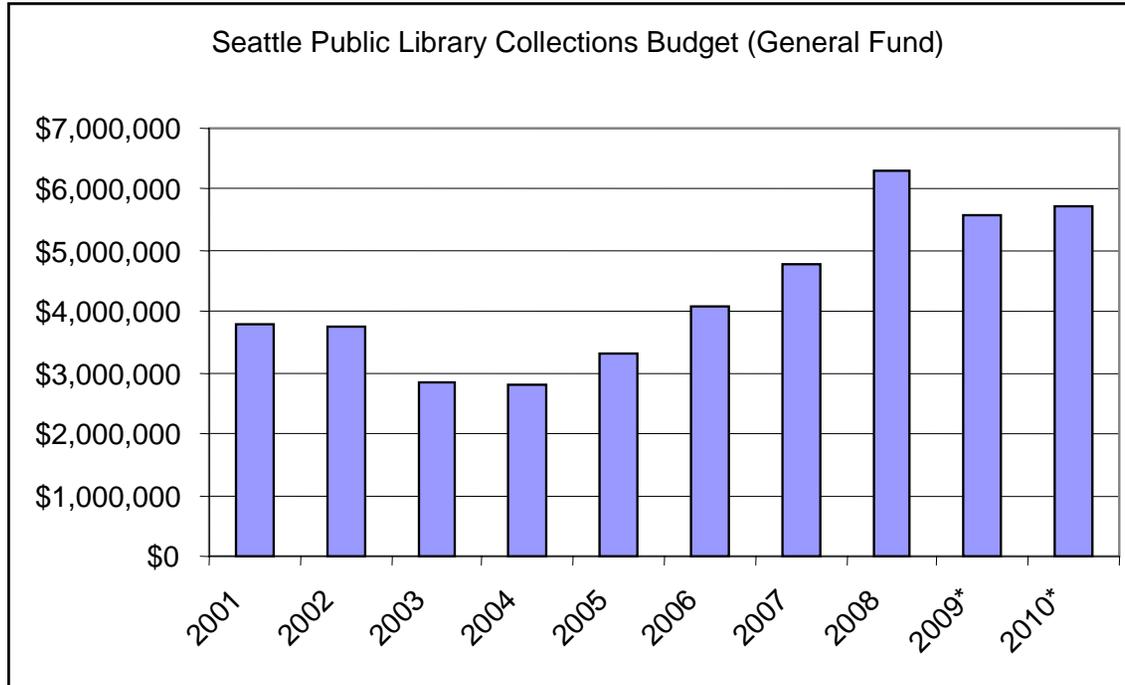


- The 2009 Proposed Budget includes an additional \$537,000 for shelter for men and women who previously lived in encampments, and adds \$40,000 for late-night emergency shelter for families through the YWCA.
- This does not include domestic violence shelters, transitional housing, or permanent housing.
- This does not include services for the homeless, such as day centers and hygiene programs. In the category of day centers not represented on this chart, the 2009 Proposed Budget adds \$350,000 for the Family and Adult Service Center Day Program operated by Compass Center.
- Outreach services to those living in encampments are not included, though shelter for these individuals is included.

City General Fund Investments in Food Programs



- The 2009 Proposed Budget adds \$250,000 in General Fund for both bulk buy and home delivery, and includes a one-time add of \$75,000 for food distribution capital improvements.
- During 2005-2010, General Fund funding is approximately as follows: food banks (55%), food distributors (10%), meal programs (25%), the summer breakfast and lunch program (5%; this is largely supported by grant funds), and food system support (5%).
- Expected outcomes of 2008 investments are: 475,000 households (duplicated) served by food banks; 525,000 pounds distributed by major food distributors; 390,000 meals served by meal programs; and 5,200 children served by the summer breakfast and lunch program.

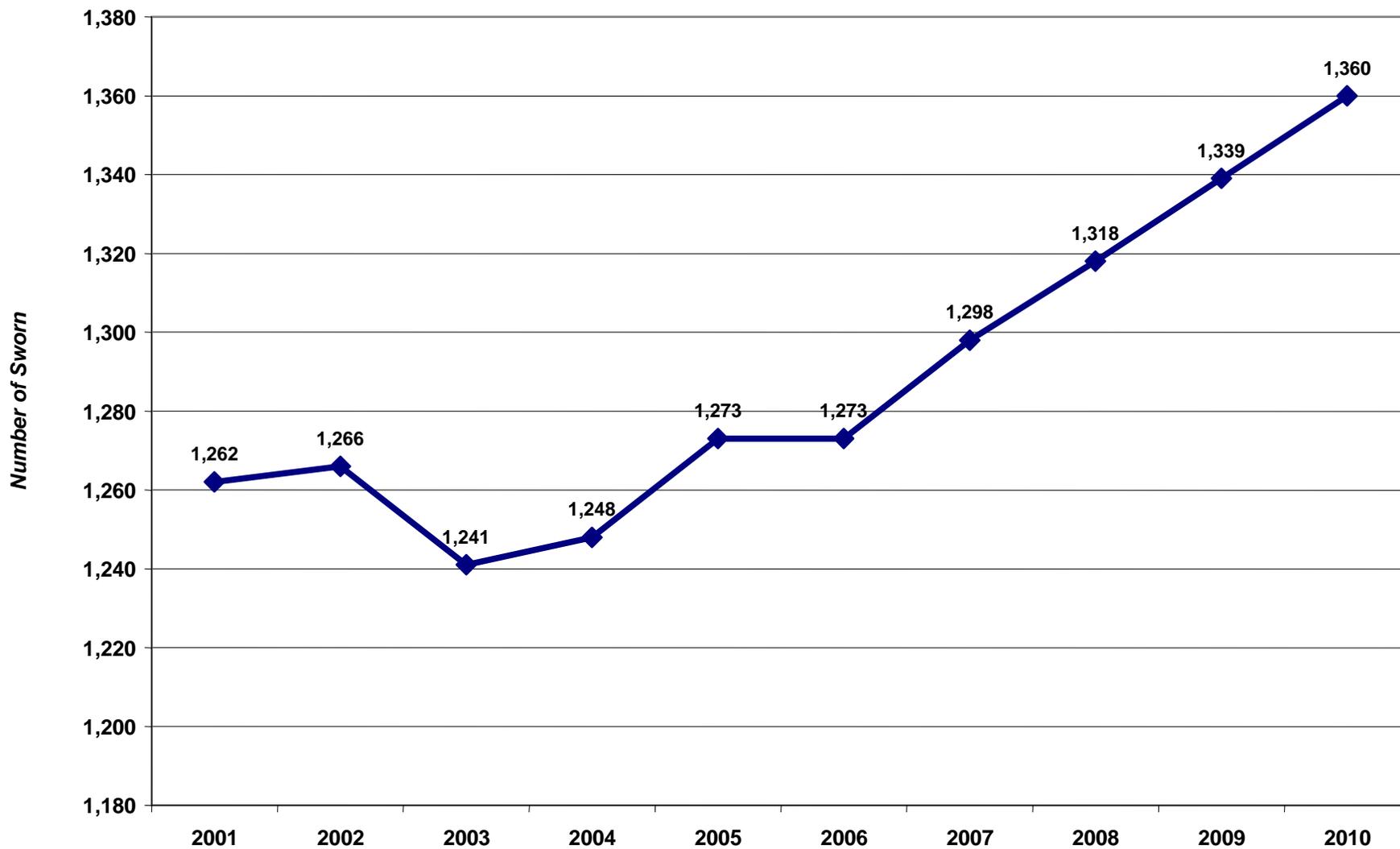


* The 2009-2010 Budget is proposed.

The Collections budget grew between 1998 and 2001 then remained level for 2002. After sustaining reductions in 2003-2004, the budget experienced incremental growth since 2005 with the largest incremental growth in 2008.

- In 2003, the budget was cut by \$900,000 due to citywide cuts to budget during recessionary times.
- Between 2005 to 2007, the budget received incremental adds between \$500,000 to \$1 million each year.
- In 2008, Council provided a one-time add of \$2 million which is not continued into 2009-2010.
- The 2009-2010 Proposed Budget includes an increase of \$500,000 each year.

Seattle Police Department Sworn Staffing: 2001-2010



Arterial Paving Lane-Miles

(Counted by substantial completion, not by budget year)

2003	2004	2005	2006	2007	2008 Proj.	2009 Proj.
11.2	19.6	4.1	35.8	30.8	44.6	25.1

Average 2003 – 2006 (Pre-BTG): 17.7 Lane-Miles

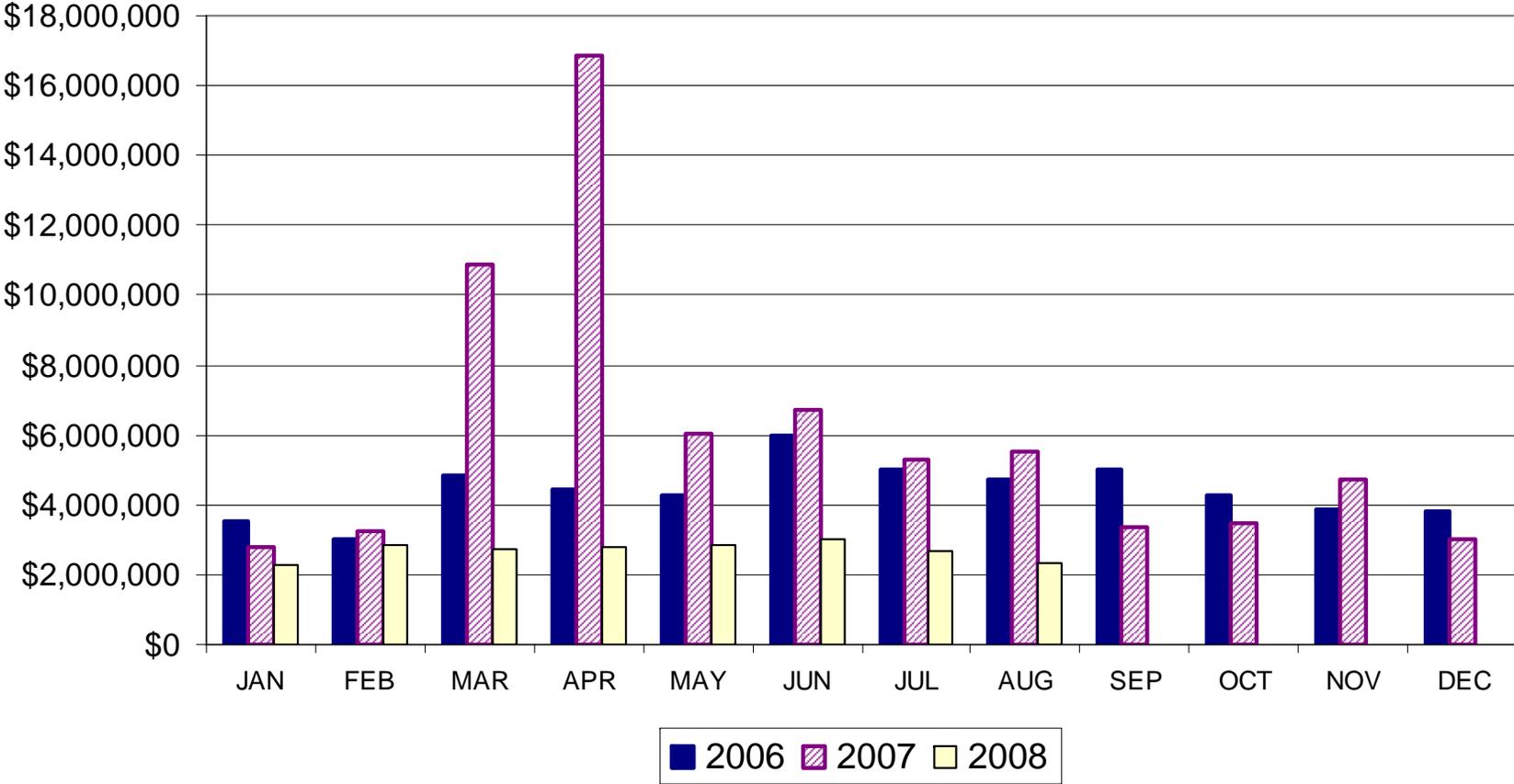
Average 2007 – 2009 (BTG): 33.5 Lane-Miles

Note: The numbers above include Arterial Asphalt and Concrete Program and Arterial Major Maintenance. SDOT completed other paving during these years not included in this account, such as specific CIP projects, other right-of-way paving, and non-arterial paving. SDOT counts paving accomplishments at substantial completion not by budget year (a lot of 2005 work is recorded in 2006).

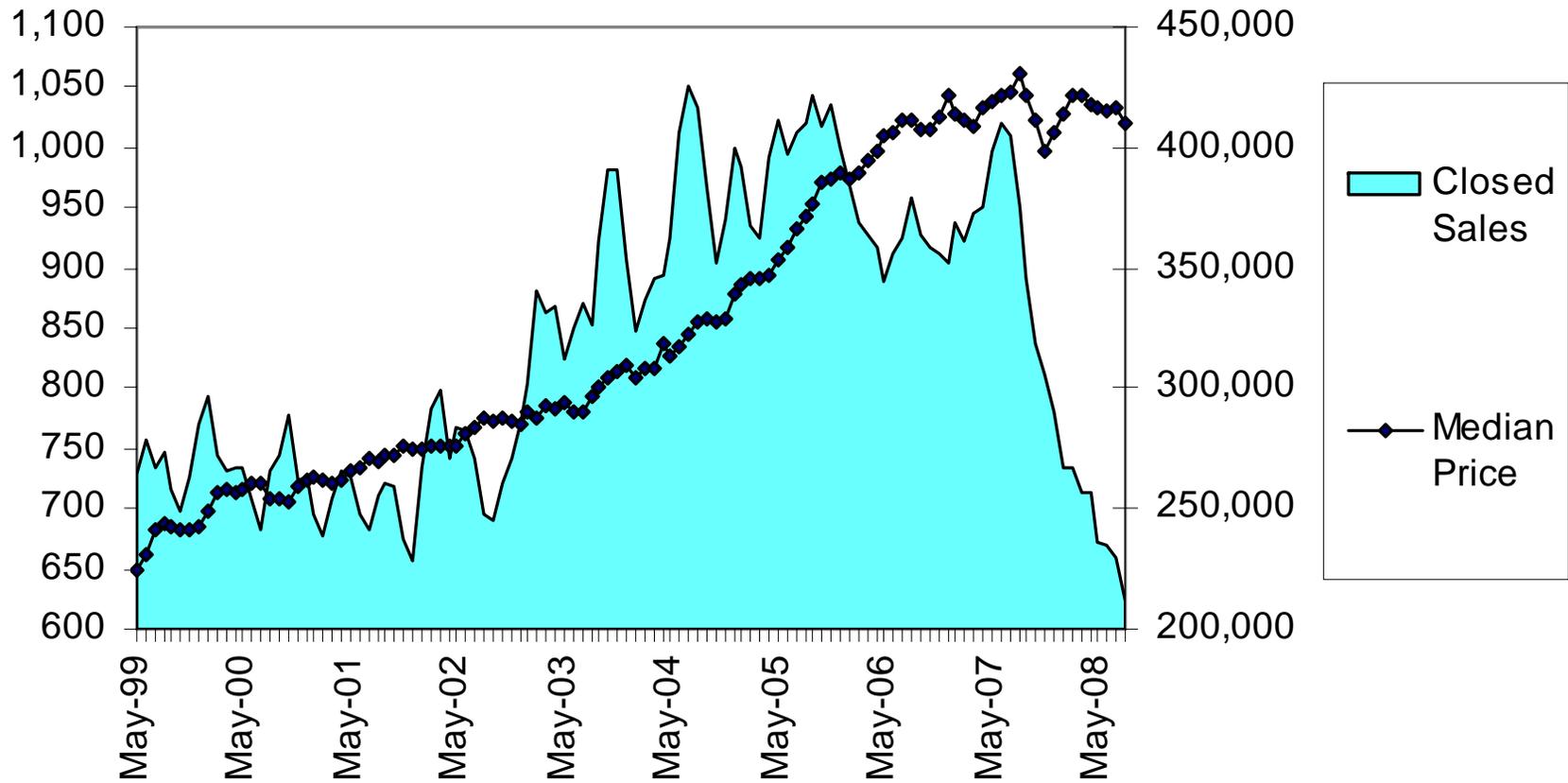
Real Estate Excise Taxes

- Real estate transactions have slowed significantly:
 - 2008 revenue is down 62.3% through August versus 2007
 - Across all sectors, real estate activity is down
 - Commercial sales have fallen after a banner 2007
 - More single-family and condo homes are on the market
 - Single-family and condo prices have fallen 9% year-over-year, further price declines are expected
- Forecast:
 - The bottom of the real estate market should be Q1 2009
 - -35% change in 2008 from Adopted to Revised; then 9.8% and 18.5% increases in 2009 and 2010
 - Housing and credit markets continue to be REET's largest outstanding risks

REIT Revenues

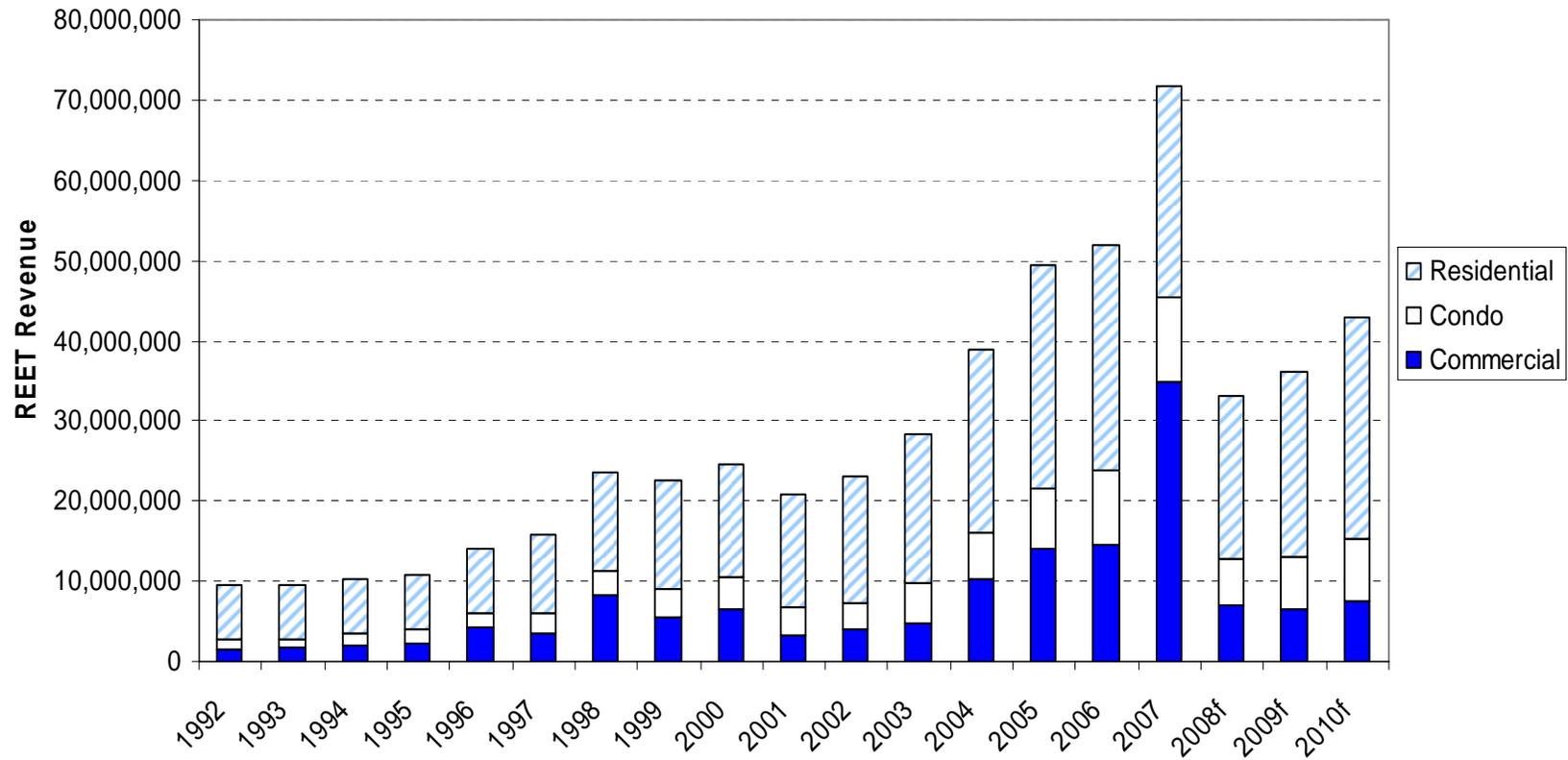


Seattle Residential and Condominium Closed Sales



Source: NW Multiple Listing Service; 3 month moving average of seasonally adjusted series.

REET by Sales Type



REET I and REET II Appropriations by Department (\$ in thousands)

