



Proposed 2005-06
Mayor Greg Nickels Budget

"Making a difference in people's lives."



Budget Highlights

Mayor Greg Nickels' 2005-2006 Proposed Budget is a testament to common values we all share and moves us forward in the direction we've set for Seattle.

Overall, the 2005-2006 Proposed Budget represents a turning point in the City's fiscal fortunes. During the last three budgets, the City's General Fund has faced a gap of more than \$120 million. Through economic improvements and increased efficiencies, the proposed budget represents a sustainable level of spending that will enable us to maintain core programs and better serve Seattle's residents and businesses.

The Mayor's proposed budget closes a gap estimated at \$25 million in April – the difference between the 2005 General Fund revenue forecast and the amount needed to sustain existing programs and cover new costs.

THE PRIORITIES

- Keep our neighborhoods safe.
- Create jobs and opportunity for all.
- Build strong families and healthy communities.
- Get Seattle moving.

Most importantly, the Mayor closed the gap without cutting core City services:

- No police officers or firefighters will be cut.
- No direct services for the hungry and the needy will be cut.
- No library hours will be cut.
- Investments in neighborhoods will grow.

Budget-At-a-Glance			
2005 Proposed		2006 Proposed	
General Fund	Total Budget	General Fund	Total Budget
\$679 million	\$2.8 billion	\$693 million	\$2.8 billion

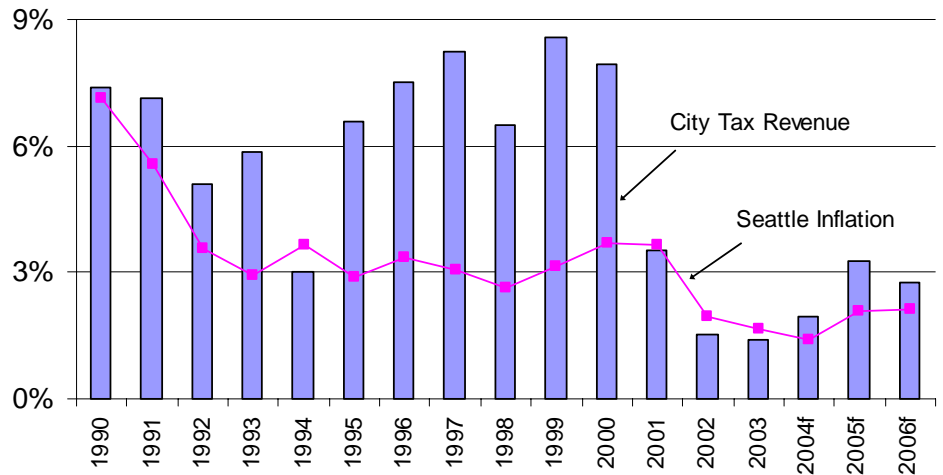
WE'RE TURNING THE CORNER

The forecast for 2004-06 projects stronger-than-inflation growth for the first time since 2000.

City tax revenues grew slower than inflation for the past three years. The forecast for 2004-06 projects slightly higher than inflation growth for the first time since 2000.

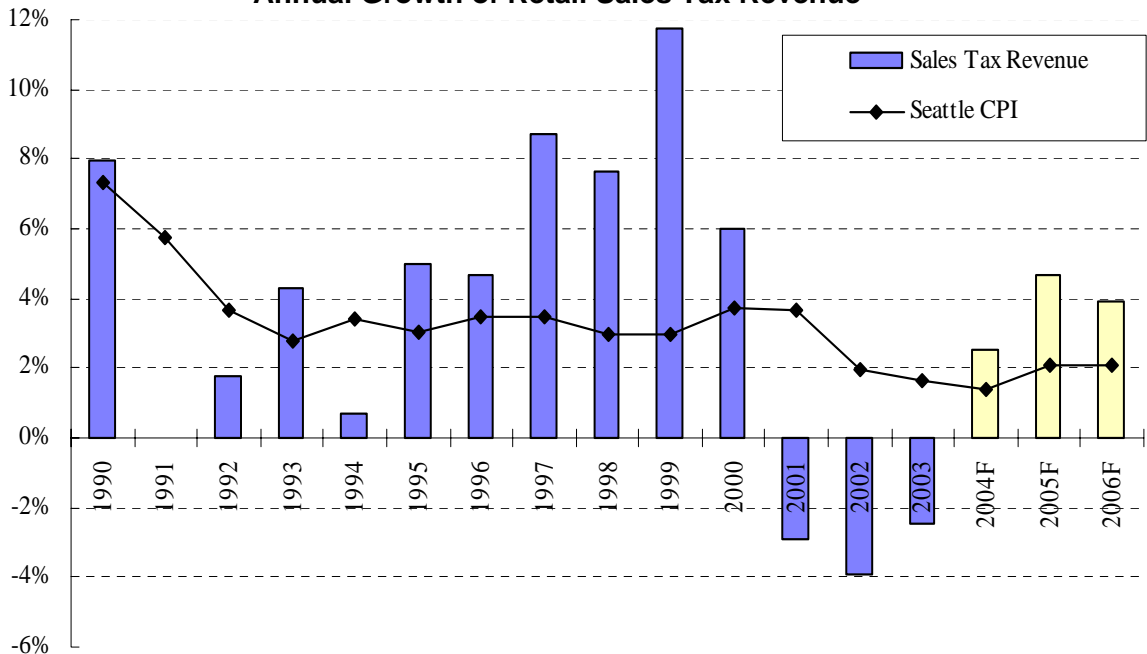
Following three years of decline, retail sales tax revenue is forecast to increase in 2004.

City of Seattle Tax Revenue Growth, 1999-2006



Retail sales tax revenue actually declined during the recession years – the first time in recent history. In 2004, retail sales tax revenue is expected to post its first annual increase since 2000, with an anticipated gain of 2.5%. Revenue growth is expected to rise to 4.7% in 2005, due in part to construction activity for Sound Transit's light rail line, and then slow to 3.9% in 2006. With inflation expected to be in the 2% range in 2004-06, revenue growth will exceed inflation in all three years.

Annual Growth of Retail Sales Tax Revenue



Note: All revenue figures reflect current accrual methods. 2004-06 are forecasts.

REVENUES: WHERE THE MONEY COMES FROM

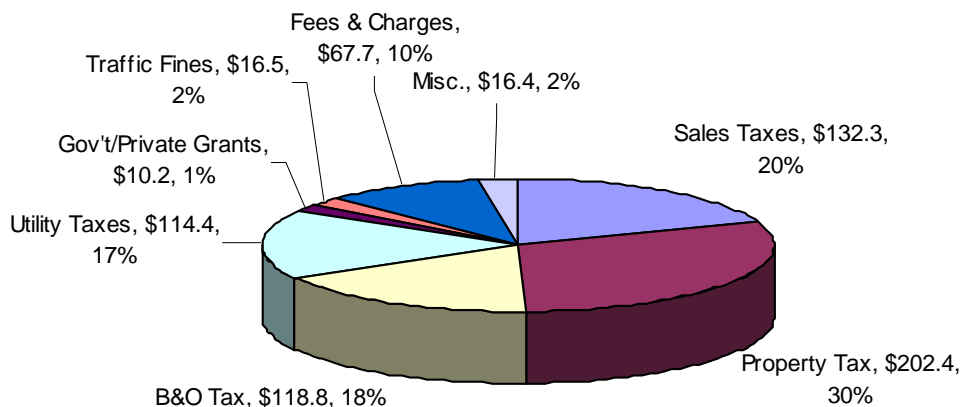
Seattle City government has four main sources of revenue supporting the services and programs the City provides its residents:

- **Taxes, license fees, and fines** support activities typically associated with City government, such as police and fire services, parks, and libraries.
- **Fees for services, regulatory fees, or dedicated property tax levies** partially or completely support certain City activities. Examples of City activities funded in whole or in part with fees include Seattle Center, parks and recreational facilities, and building inspections.
- **Grant revenues from private, state or federal agencies** support a variety of City services, including social services, street and bridge repair, and targeted police services.
- **Charges to customers for services** fund City utilities (electricity, water, drainage and wastewater, and solid waste).

In 2005, total government revenue, including utilities, is projected to total \$2.8 billion.

In 2005, general government revenue is projected to total \$679 million.

2005 General Fund Revenue Forecast - \$678.6 million

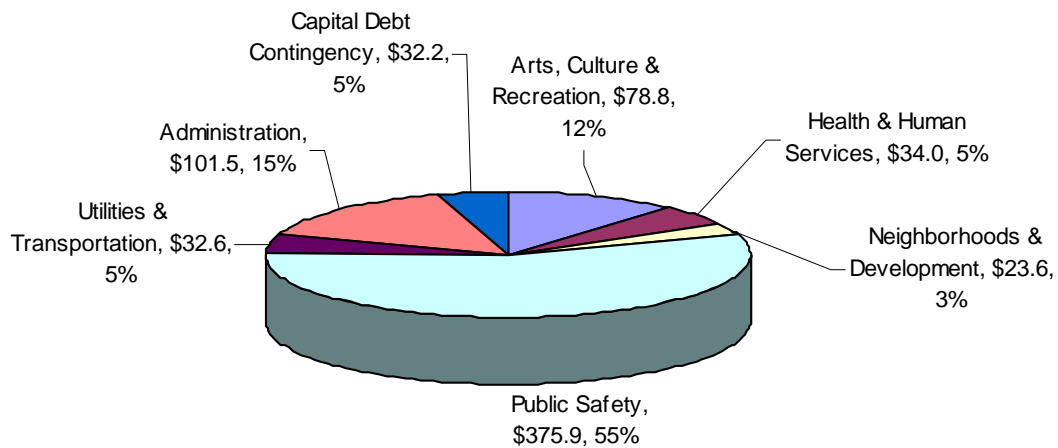


EXPENDITURES: WHERE THE MONEY GOES

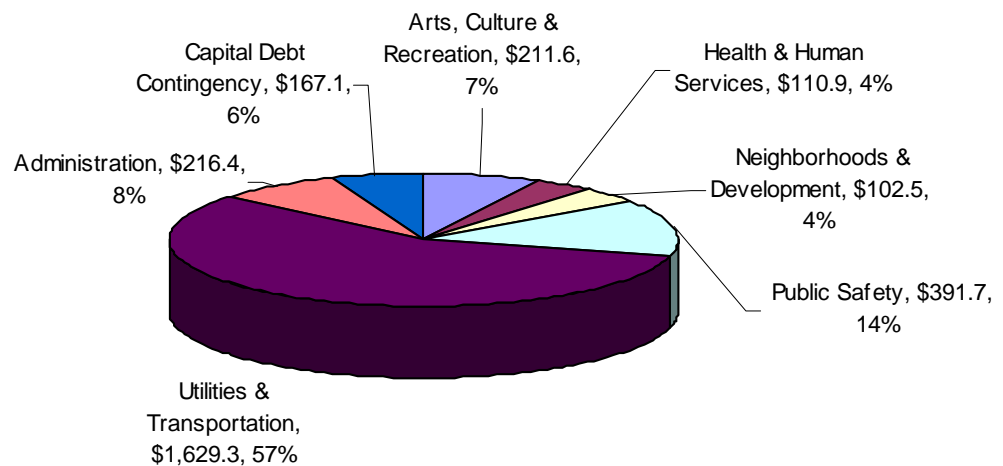
The Mayor and Council have the most discretion over operating expenditures associated with the General Fund, which pays for services such as police, fire, parks and libraries.

The following pie charts show total operating expenses for 2005 by major service category. The first chart represents General Fund expenses; the second the entire budget.

2005 Proposed General Fund Expenditures \$678.6 million



2005 Proposed Budget - \$2.8 billion

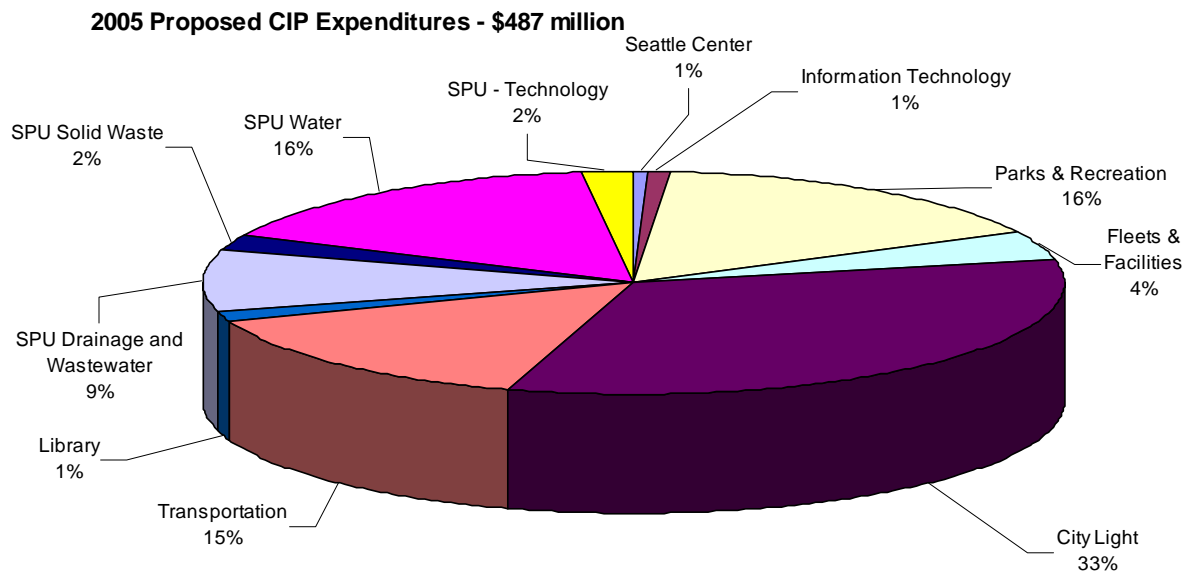


EXPENDITURES: WHERE THE MONEY GOES (CONTINUED)

A portion of the City's budget is capital spending. The Capital Improvement Program (CIP) describes the City's investments in rehabilitation, restoration, improvements, and additions to the City's capital facilities.

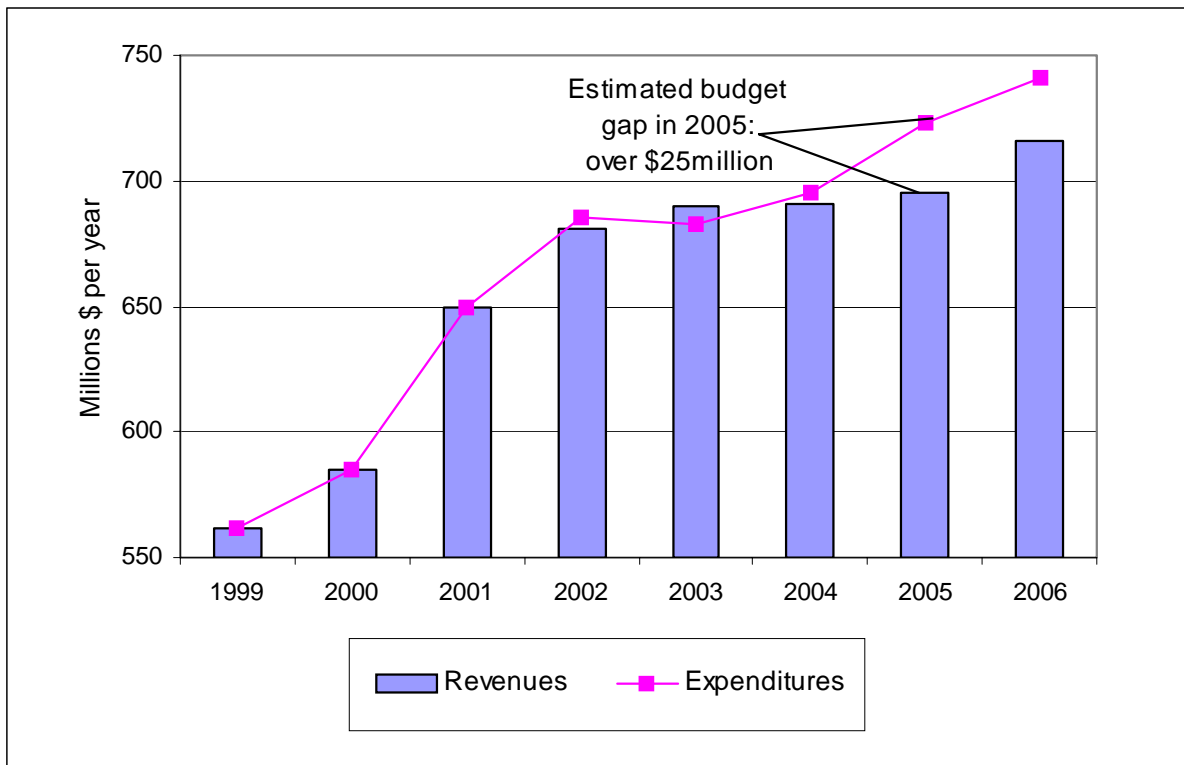
Projects in the CIP cover a wide range of capital projects, including construction of new libraries, street repairs, park restorations, and work on electrical substations. The CIP covers the six-year planning horizon for 2005-2010. It is updated each year. The CIP document is submitted to the City Council for adoption along with the City's annual budget.

The following chart shows proposed CIP expenditures by department for 2005.



THE CHALLENGE

Mayor Greg Nickels' 2005-2006 Proposed Budget closes a \$25-million gap – the difference between the 2005 General Fund revenue forecast in April and the amount needed to sustain existing programs and cover new costs. This gap stemmed mostly from slow revenue growth due to the recession, voter-approved tax limitation measures, use of one-time funds to balance the 2004 budget, and the costs to operate new libraries, community centers and other voter-approved facilities.



HOW WE MET THE CHALLENGE

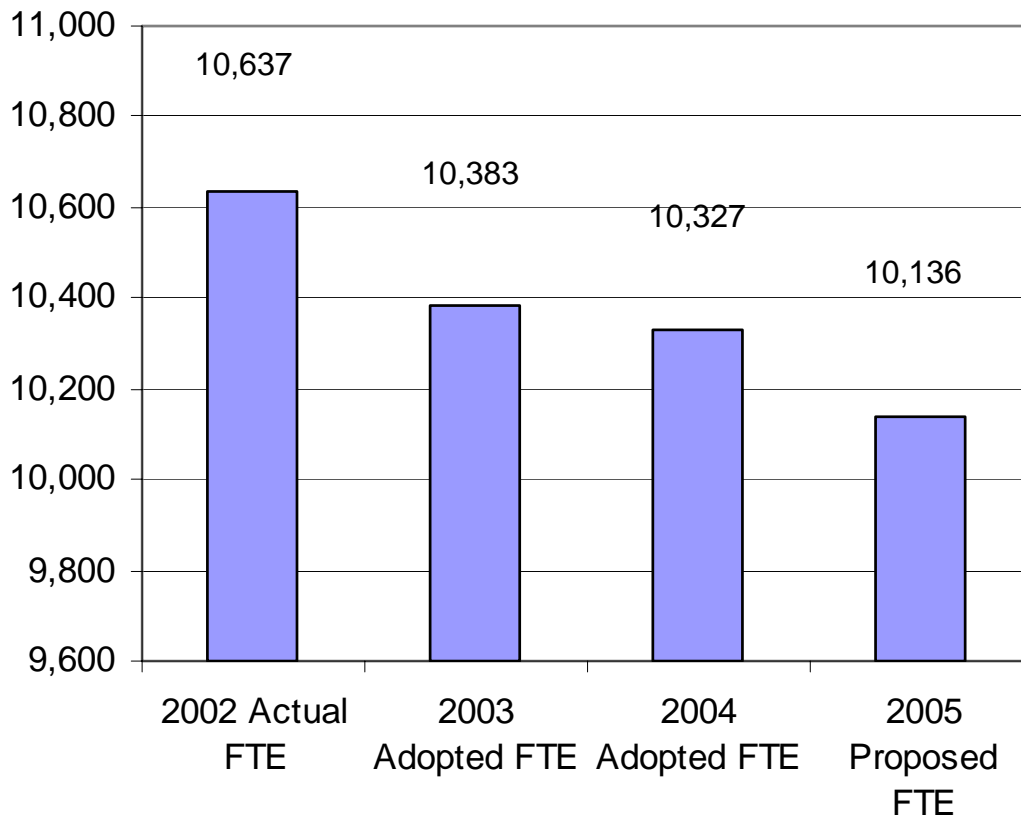
At Mayor Nickels' direction, the 2005-2006 Proposed Budget preserves high-priority direct services to the maximum extent possible. To this end, the budget development process relied on a mix of strategies:

- **Administrative cuts.** Significant reductions were identified in administrative departments, such as Fleets & Facilities and Personnel. Operating departments also made reductions in internal administration, including the Library, Human Services, Parks, Police, and Seattle Center.
- **Elimination or reduction of lines of business.** Lower-priority services were reduced or eliminated. The City Design, Print, and Copy program was closed to reduce City costs in this area. This program, which serves City departments and not the public, had been losing money.
- **Charging full cost of service.** The City has subsidized certain permit and inspections services that could be recovered from fees. The 2005-2006 Proposed Budget moves to full cost recovery for many of these services, including some of those provided by the Fire Department and the Department of Planning and Development.
- **Changing methods to contract for services.** The proposed budget reflects reforms to obtaining public health, indigent defense, and jail services that will achieve substantial savings. These approaches allow the City to obtain comparable levels of services while substantially reducing significant overhead that was charged by other agencies.

HOW WE MET THE CHALLENGE (CONTINUED)

- **Elimination of positions.** To make government more efficient, the Mayor has reduced City employment by 501 positions since 2002. For 2005, employment was reduced through the budget and by a review of all vacant positions. As a result of this work, 191 positions were eliminated in City government, saving \$10.9 million per year.

City of Seattle Regular FTE 2002 Actual - 2005 Proposed



Mayor Nickels created a sustainable 2005-2006 Proposed Budget for both the General Fund and other City funds, including the utilities. The 2005-2006 Proposed General Fund Budget puts minimal reliance on fund balances or other one-time revenue sources. Revenues from nonrecurring sources, such as property sales, are dedicated to one-time projects rather than to ongoing expenditures.

Seattle City Light

The Mayor's proposed budget for City Light continues reforms of that agency. His budget keeps a lid on rates, saves \$6 million, and invests in improved operations and reliability.

Strategies:

- **Keep rates stable.** After the 57-percent increase in rates during the Enron-manipulated energy crisis, keeping rates stable for customers and businesses is a high priority.
- **Reduce costs.** Eliminate 44 positions to reduce administrative costs and create operational efficiencies. Example: eliminate the swing shift for line workers in the downtown area; work is now completed during a regular shift.
- **Improve the network.** Invest in operations and maintenance to improve reliability and reduce outages in the electric network. Example: increase tree-trimming budget to reduce outages caused by storms.
- **Strengthen finances.** Increase cash contributions to capital budget, reducing City Light's reliance on long term debt.

Seattle Public Utilities

The Mayor's proposed budget for Seattle Public Utilities (SPU) improves services, maintains infrastructure and adds resources to high-priority programs.

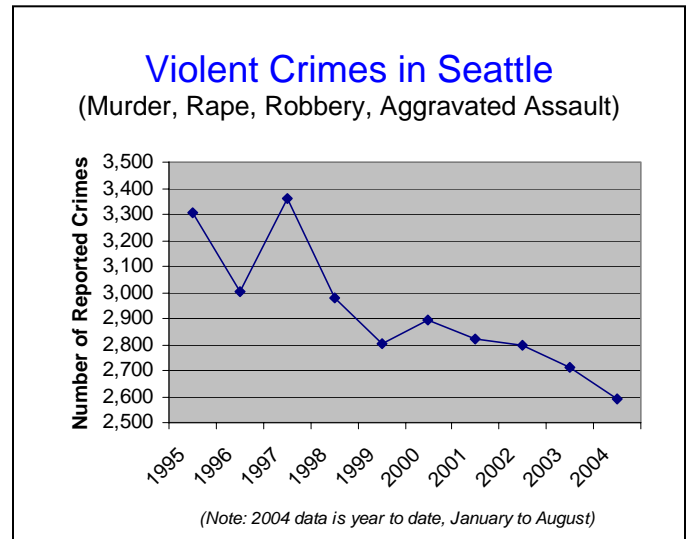
LIVING WITHIN OUR MEANS — TODAY & TOMORROW (CONTINUED)

Residential water rates will be reduced by 2.6 percent due to the administration's use of a new program called "asset management." Under the Mayor's direction, SPU launched a new strategy to control costs and more effectively manage the utility's \$4.5 billion in assets, including pipes, treatment facilities and other infrastructure. SPU employs rigorous review and oversight before investing in new equipment and programs, and closely tracks maintenance, infrastructure and programs. These measures will reduce customer bills by more than \$25 million annually by 2008.

Drainage services are being enhanced to increase street cleaning services, reduce flooding during storms, and improve water quality. The proposed budget helps fund the Mayor's Restore Our Waters Initiative to clean up our creeks and waterways in the city. Average residential rates will increase by 92 cents per month to help pay for this new level of service.

THE PRIORITIES KEEP OUR NEIGHBORHOODS SAFE

Seattle is a safer place to work, play and visit than it was three years ago. Violent crime is down. Mayor Nickels' Proposed 2005-2006 Budget maintains a strong commitment to police and maintains current levels of uniformed officers. (Note: All City General Fund officers are maintained. Expiration of a federal grant results in the loss of two police positions.)



Seattle Police Department – A new program to combat street drug crime:

- Creates a new system called NARCSTAT, which assembles data from many different sources – citizens, police, the fire department, hospitals – and helps police shut down open-air drug markets.
- Restores the Stay Out of Drug Area program to keep drug offenders out of neighborhoods.
- Creates new teams with state Department of Corrections to get frequent offenders off our streets.
- Works intensively with various partners to move addicts off the streets and into treatment.

Seattle Fire Department:

- Keeps all fire stations open and maintains current levels of uniformed firefighters.
- Starts construction of a new Joint Training Facility.



THE PRIORITIES

KEEP OUR NEIGHBORHOODS SAFE

(CONTINUED)

- Starts construction of new or remodeled fire stations and a new Fire Station 10 complex to house the Emergency Operations Center and Fire Alarm Center.
- Constructs two new fire boats.

THE PRIORITIES **CREATE JOBS AND OPPORTUNITIES FOR ALL**

Mayor Nickels has focused on creating jobs to improve the City's economy. Since 2001, he has promoted economic opportunity in Northgate, South Lake Union, the University District and Broadway. He has worked to preserve and grow our maritime and industrial businesses.

Beginning in 2005, we will add Rainier Valley and south downtown to our economic agenda.



Highlights of Mayor Nickels' proposed budget:

- Launches a new community development effort to leverage public investment in light rail to create jobs and housing opportunities in the Rainier Valley.
- Includes Pioneer Square, International District-Chinatown and the rest of south downtown in the Mayor's Center City strategy to create the opportunity for new housing and jobs in those communities.
- Increases funding in the Broadway Business District for litter and graffiti removal and street cleaning. Include Broadway in the new emphasis on removing street drug dealing.
- Maintains \$160,000 in funding for Neighborhood Business District Grants.
- Protects City Light as an economic asset by slashing long-term debt, stabilizing electric rates and ensuring Seattle's energy independence.

THE PRIORITIES
CREATE JOBS AND OPPORTUNITIES FOR ALL
(CONTINUED)

- Increases the City’s funding for “enterpriseSeattle” (the former Economic Development Council) to support efforts to attract and expand business in key industries, including biotech, high tech, and clean energy.
- Continues the *Seattle First* initiative to help manufacturing and maritime businesses.
- Maintains a strong funding commitment of almost \$2.5 million in the Seattle Jobs Initiative, Seattle’s nationally recognized workforce development program.
- Preserves the Mayor’s Business Advocate and Industrial Permit Liaison positions to serve the business community.
- Strengthens the power-supply system with improvements to the Broad Street Substation, the Massachusetts Street Substation, the First Hill Substation and the Union Street Substation.
- Maintains funding for the Mayor’s Film and Music Office to support creative industries.

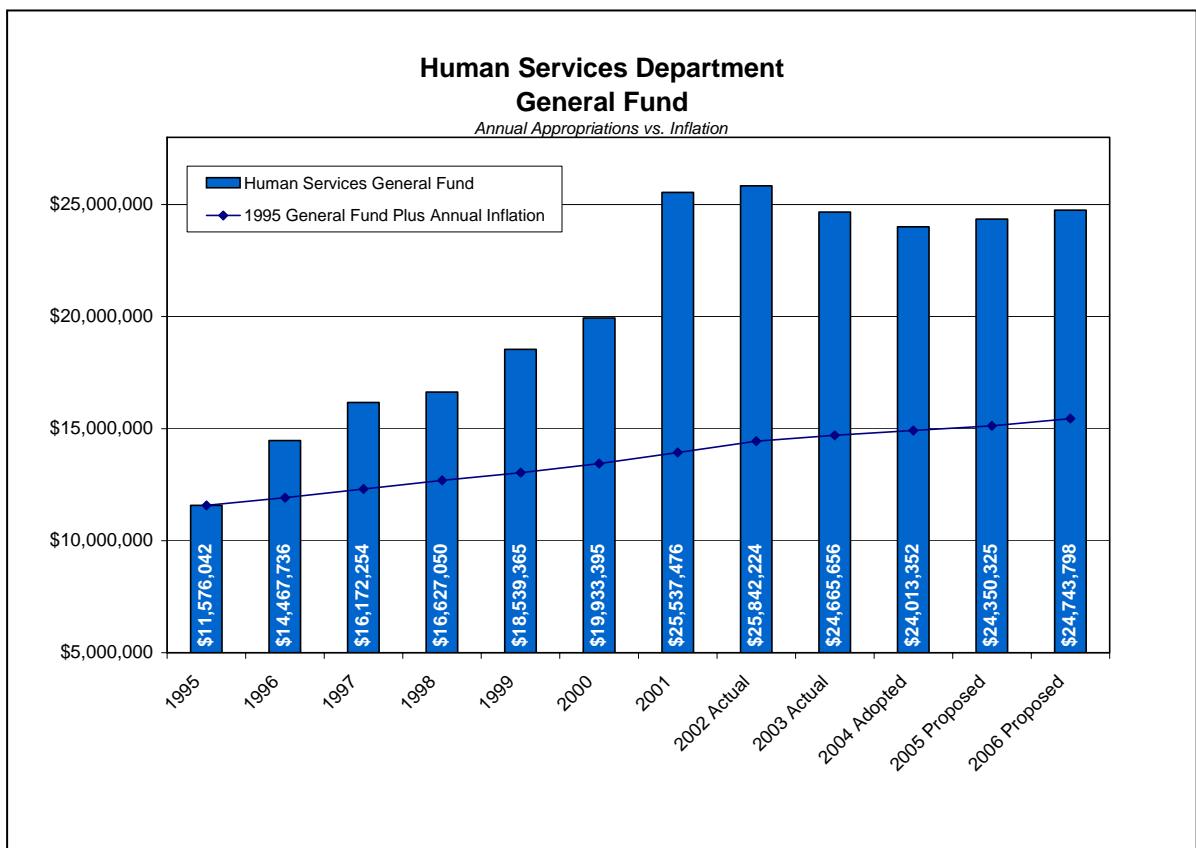


THE PRIORITIES BUILD STRONG FAMILIES AND HEALTHY COMMUNITIES

One of Mayor Nickels' highest priorities is to support Seattle's most vulnerable populations – children, the poor, the homeless and the hungry.

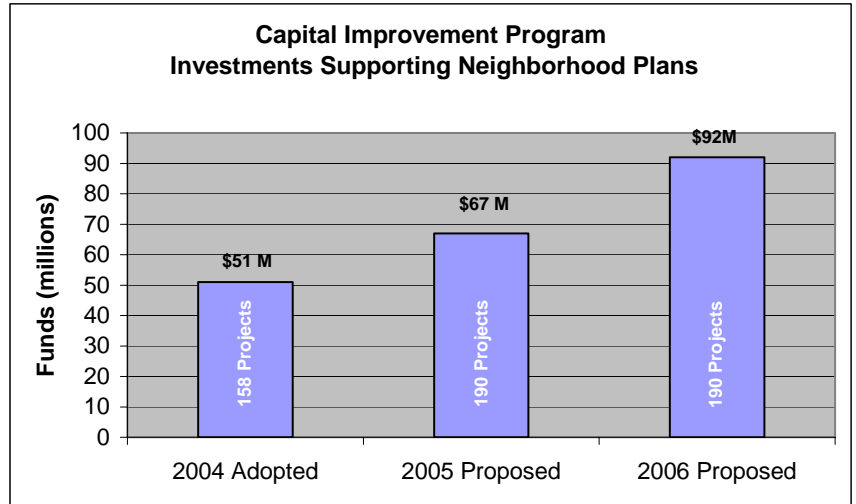
Highlights of Mayor Nickels' proposed budget:

- Increases funding levels for direct human services by reducing funding for lobbying and other agency overhead.
- Includes \$2.3 million for a new hygiene center, day center, and homeless shelter.
- Continues support for the Mayor's Race and Social Justice Initiative.
- Continues funding major maintenance of City facilities, such as pools, community centers, ball fields, and Seattle Center.
- Restores \$250,000 in 2005 and \$500,000 in 2006 to fund community arts grants.
- Adds \$1 million of Real Estate Excise Tax funds to help complete the Northgate Library, Community Center, and Park.



**THE PRIORITIES
BUILD STRONG FAMILIES AND HEALTHY COMMUNITIES
(CONTINUED)**

- Invests \$159 million in 190 neighborhood projects identified throughout Seattle in each community's neighborhood plan.
- Maintains appropriations for the Neighborhood Matching Fund at \$3.2 million.

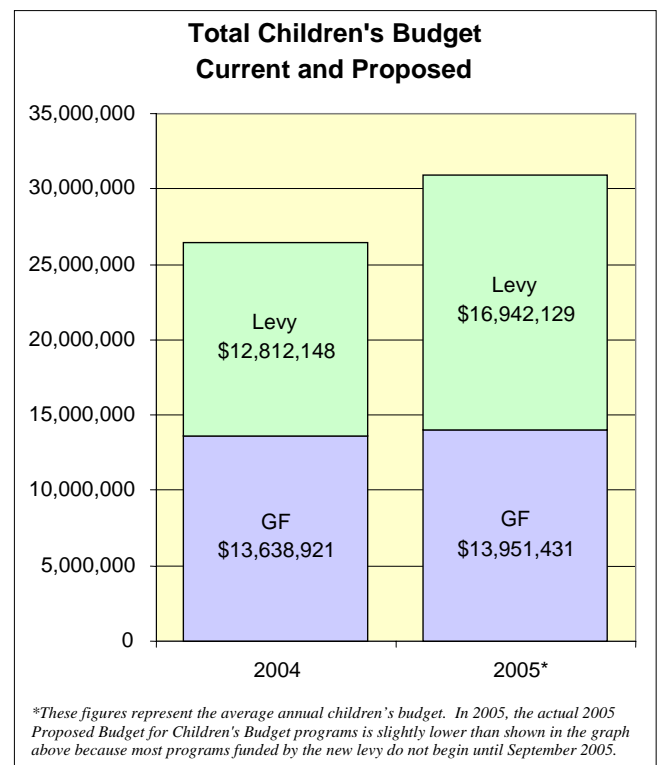


- Funds \$5 million of additional costs for operations at new and expanded libraries, community centers, and other parks facilities.

Mayor proposes new Children's Budget

The Mayor's proposed budget coordinates the General Fund and the recently-passed Families and Education Levy to give every child in every family a chance for success in our schools. The proposed budget focuses investments early in children's lives and in other programs that show measurable results.

Supported by the General Fund and the Levy, the Children's Budget invests \$31 million in services to help all of Seattle's children succeed in school, be healthy and lead successful lives.



THE PRIORITIES GET SEATTLE MOVING

Over the past three years, progress has been made on many of our most immediate transportation needs. But big challenges lie ahead. Revenues for fixing roads and bridges are declining because of losses of dedicated transportation funding sources. Despite these challenges, the 2005-2006 Proposed Budget maintains most existing transportation programs and funds significant new capital projects.



Highlights of Mayor Nickels' proposed budget:

- Increases funding for arterial paving. About 44 lane-miles will be repaved in 2005.
- Continues work on the replacement of the Alaskan Way Viaduct and Seawall.
- Funds reconstruction of the approaches to the Fremont Bridge and a variety of related improvements.
- Completes the City's work on SR-519 Phase 1 to improve freight mobility.
- Provides funds to continue work on the Mercer Corridor and Streetcar projects in the South Lake Union neighborhood.
- Funds work on major transit projects, including Sound Transit light rail and the Seattle Monorail Project.

THE PRIORITIES GET SEATTLE MOVING (CONTINUED)

The City of Seattle and other Washington cities face a long-term crisis in transportation funding. There are three causes: 1) passage of state Initiative 776, which eliminated the vehicle license fee; 2) court invalidation of the street utility fee; and 3) declining gas tax revenue. As a result, dedicated transportation dollars to fix our roads and bridges have gone from \$37 million a year to \$12 million a year.

According to a recent report by the Citizens' Transportation Advisory Committee, Seattle needs at least \$25 million a year for maintenance to prevent further deterioration of our transportation infrastructure. Mayor Nickels has brought together mayors from all over the state to make this problem their number one priority with the state Legislature.

SEATTLE'S DEDICATED TRANSPORTATION REVENUES (Adjusted to 2005 Dollars)

