

2020 Proposed Budget

Seattle City Council
September 25, 2019

September 25, 2018

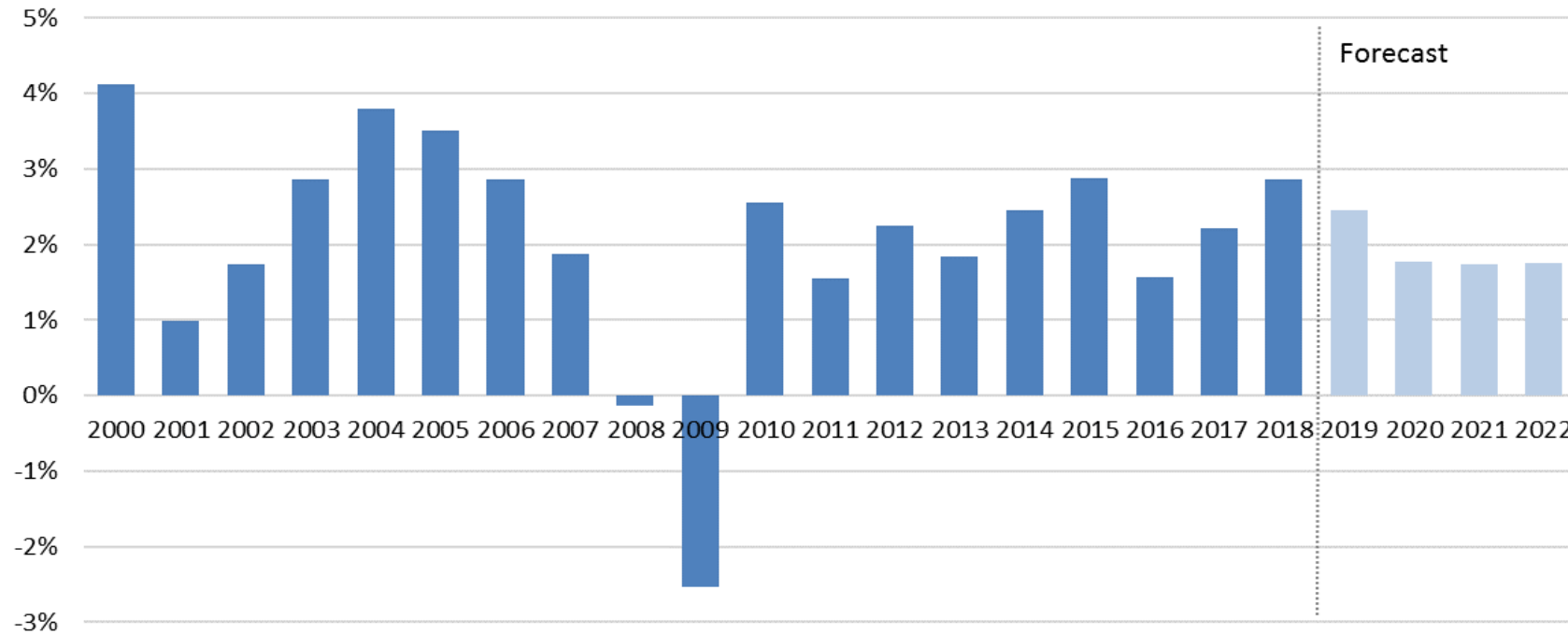
City Budget Office



City of Seattle

U.S. Economy - Modest Growth but Risk of Recession Increasing

Growth Rate of US Gross Domestic Product



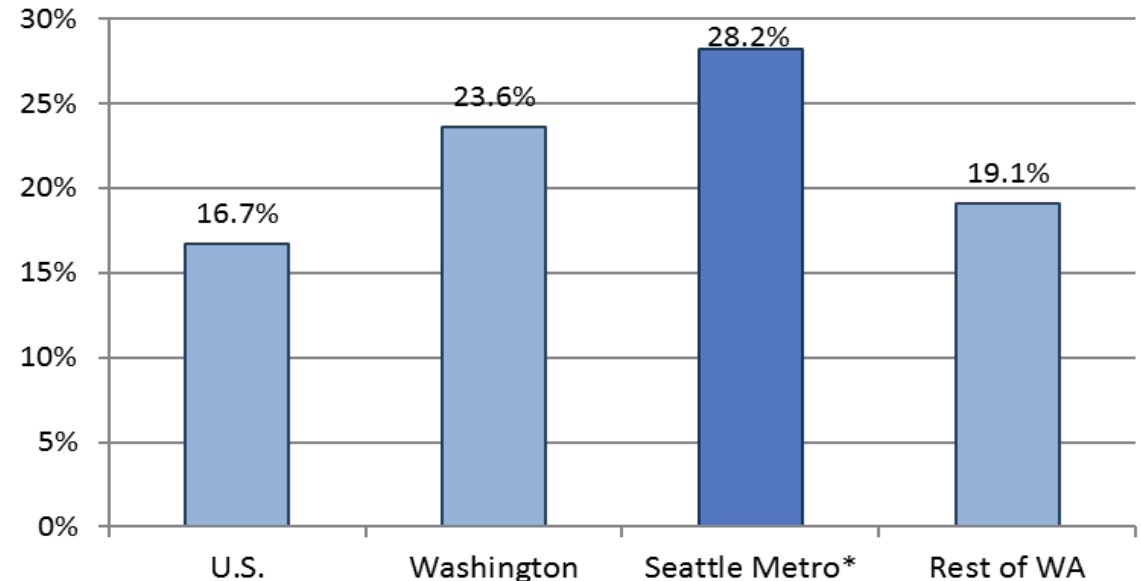
Source: U.S. Bureau of Economic Analysis, IHS Markit.

- Growth of economy projected to slow in 2020.
- Ever increasing risk of recession due to trade conflict. Recent Federal Reserve move to reduce interest rates is designed to mitigate recession risk.

Regional Economy: Strong but Trade Dependent

- State and regional economy have experienced strong growth since the “Great Recession”
- Seattle has led this growth, with significant expansion across all sectors, but strongest in technology, on-line retail and construction.
- But key sectors of the regional economy – technology, on-line retail and aerospace are trade dependent.
- And construction sector ultimately depends on the health of overall local economy.

Employment Growth: 2010-2019 (Through July)

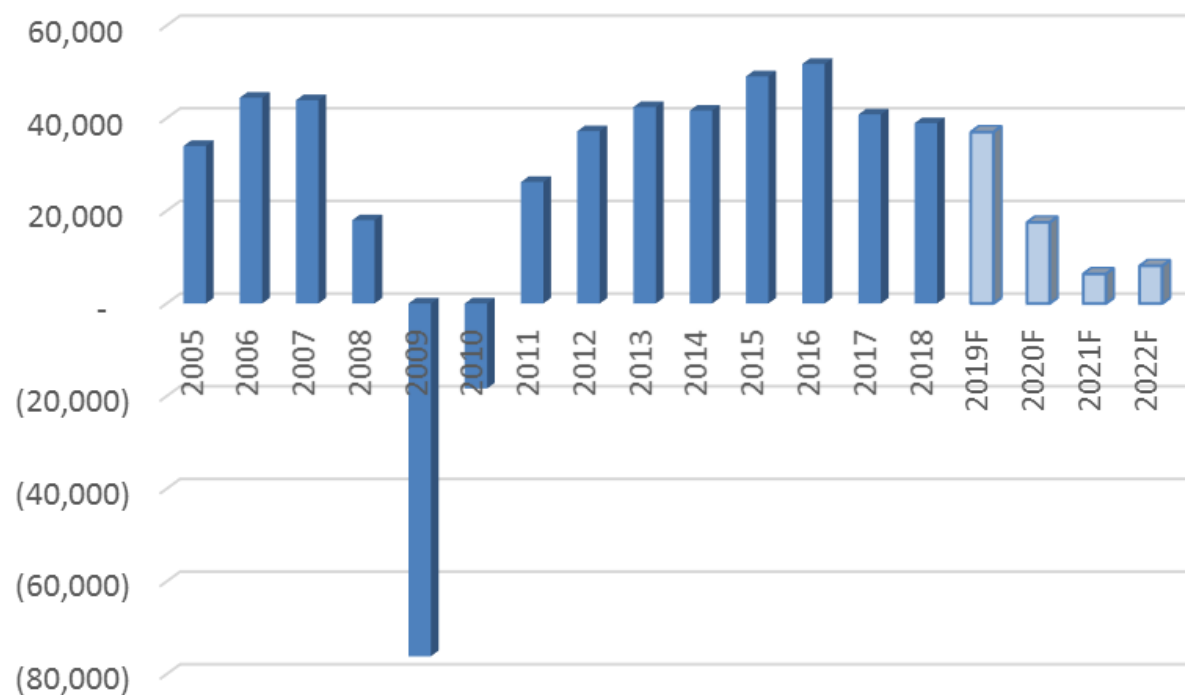


*King & Snohomish Counties.

Source: WA Employment Security Dept., U.S. Bureau of Labor Statistics.

Seattle Metro Area - Employment Forecast

Job Growth (# of jobs) in Seattle Metro Area



*King and Snohomish Counties. Source: WA ESD, City of Seattle Budget Office.

- We expect moderate employment growth in 2019; and revenue data to date suggest this forecast is accurate.
- The forecast anticipates a fairly steep slowdown in 2020 and 2021. This deceleration is driven by weakness in U.S. economy, which will slow as benefit of 2018 tax wears off, the trade war continues, and world economy slows generally.
- At the local level, the forecast assumes Amazon's growth will continue to slow and that construction employment will fall gradually.
- Boeing's 737 Max challenges are another specific risk on the employment front.

General Fund Revenue Forecast

General Fund	2018	2019		2020	
	<i>Actuals</i>	<i>August</i>	<i>Chg from Apr</i>	<i>August</i>	<i>Chg from Apr</i>
Property Taxes	\$311,330,000	\$320,700,000	\$0	\$345,890,000	-\$1,160,000
Sales Taxes	\$276,270,000	\$289,420,000	\$1,700,000	\$296,270,000	\$1,310,000
Business Taxes	\$274,770,000	\$289,660,000	\$1,890,000	\$296,940,000	\$310,000
Public Utility Taxes	\$159,070,000	\$163,440,000	\$380,000	\$173,010,000	\$1,520,000
Private Utility Taxes	\$55,780,000	\$56,170,000	-\$1,890,000	\$55,540,000	-\$1,960,000
Business License Fees	\$17,310,000	\$18,160,000	\$0	\$18,600,000	\$0
Court Fines	\$26,660,000	\$27,030,000	\$630,000	\$27,130,000	\$810,000
Parking Meters	\$39,010,000	\$39,120,000	-\$1,830,000	\$39,020,000	-\$860,000
Other General Subfund Revenues	\$151,070,000	\$147,790,000	\$1,640,000	\$205,210,000	\$72,660,000
General Fund - Grand Total	\$1,311,290,000	\$1,351,500,000	\$2,510,000	\$1,457,590,000	\$72,640,000
Other Notable Revenues					
Sweetened Beverage Tax	\$22,250,000	\$23,970,000	\$0	\$24,330,000	\$0
Short-term Rental Tax	\$0	\$10,500,000	\$1,700,000	\$10,500,000	\$0
Admission Tax	\$11,620,000	\$11,580,000	-\$10,000	\$11,690,000	-\$10,000
Real Estate Excise Tax	\$76,940,000	\$82,210,000	\$3,870,000	\$82,960,000	-\$170,000
Commercial Parking Tax	\$42,980,000	\$44,270,000	\$0	\$45,600,000	\$0
School Zone Camera Fund	\$12,270,000	\$9,820,000	-\$340,000	\$9,670,000	-\$220,000
TNC Tax	\$0	\$0	\$0	\$9,660,000	\$9,660,000

Budget Summary

	2018 Actuals	2019 Adopted	2020 Endorsed	2020 Proposed	\$ Change	% Change
General Fund	1,374,424	1,365,856	1,374,503	1,483,625	109,122	7.9%
Other Funds	4,145,366	4,604,410	4,812,946	4,995,997	183,051	3.8%
Total	5,519,790	5,970,266	6,187,449	6,479,622	292,173	4.7%

New Resources for Affordable Housing

Mercer Megablock Proceeds

- \$15 million for Equitable Development Initiative (EDI) projects
- \$15 million for Affordable Homeownership
- \$6 million for Affordable Accessory Dwelling Units (ADUs)
- \$42 million for Strategic Investments/Acquisitions

Local Option Housing Bill

- Up to \$4.5 million per year for the next 20 years
- Will fund 175 units of affordable housing, including associated O&M costs

Real Estate Excise Tax (REET) II

- \$25 million for affordable housing - \$5 million per year 2021-2025
- Balancing need for major maintenance investments and resources for affordable housing

Transportation Network Company (TNC) Tax

- ~\$52 million through 2025.

Sweetened Beverage Tax - Resources for Early Education and Food Access

Available Resources

- Approximately \$10.1 million in “new” ongoing Sweetened Beverage Tax (SBT) Resources
 - *Budget eliminates ~\$6.3 million in general fund “swaps”*
 - *Revenue forecast update adds ~\$3.8 million in annual, on-going revenues.*
- Additional \$4.3 million of unspent fund balance from 2018 and 2019

Proposed Uses - Ongoing

- \$3 million per year to expand Child Care Assistance Program (CCAP)
 - *Expand income eligibility to 350% of federal poverty (approx. \$90K for a family of four)*
 - *Increase minimum subsidy from 10% to 25%*
 - *Provide financial incentives for providers to participate in CCAP, and also invest ~\$2 million from other sources to provide one-time capital funding to help further expand supply*
 - *Expect to provide vouchers to 600 additional children*

Sweetened Beverage Tax - continued

Proposed Uses - Ongoing

- \$2.5 million per year for an “Healthy Food Fund” grant program to support food access
 - *Administered by the Department of Neighborhoods (DON)*
 - *Fund will invest in community-led activities to increase access to healthy food*
- \$2+ million to expand the City’s Fresh Bucks program
- Approximately \$1.1 million to expand support to food banks and additional staff at HSD to administer the program expansions funded by the Department’s SBT allocations
- \$150,000 to expand summer recreational programming for youth at the Parks Department

Proposed Uses – One-time

- \$3 million one-time grant fund to support capital investments in P-patches and community gardens
- \$2 million for a financial reserve in the newly created Sweetened Beverage Tax Fund

New Funding to Address Homelessness Emergency

Mercer Megablock - \$5 million donation – uses include:

- \$2 million for start-up costs of the *King County Regional Homelessness Authority*
- \$1.2 million to address potential re-siting of tiny home villages
- \$840,000 to continue funding of pilot program(s) at Mount Baker Family Center
- \$515,000 to complete SHA rental assistance pilot
- \$125,000 to support the pilot safe parking program.

Microsoft - \$5 million donation

- Replenish the region's Central Diversion Fund (CDF). The CDF was initially funded from Pearl Jam "Home Shows" donations.
- Note that these funds will not flow through the City budget, but are an important element of overall homelessness response

Other Human Service Funding Priorities

- Continued funding for Navigation Team Expansion
- Inflationary adjustments for provider wages
- King County Domestic Violence Hotline

Public Safety - Redirecting Available Funding

Seattle Police Department

- \$1.6+ million for recruitment and retention strategies
- \$800,000 for hiring incentives
- \$850,000 for continuation of emphasis patrols and force augmentation
- \$1.2 million to expand Community Service Officer program from 12 to 18 staff
- Additional mental health providers for SPD's Crisis Response Unit
- Add dedicated position as liaison to Native American community

Implement Recommendations of High Barrier Work Group (\$2 million capital, \$1.2 million for pilot programming)

- New residential treatment facility located at unused portion of King County Jail – funding for both capital and operating shared 50/50 with King County
- Targeted Re-entry pilot
- High Barrier probation pilot

Strategies to Address Low-Acuity Calls for Assistance

- Expand/augment newly created “Health One” response unit
- Fund on-site nurses for locations responsible for largest number of low-acuity calls, and a dedicated nurse call line

New Transportation Resources - Megablock, STBD and TNC Tax

Mercer Megablock Proceeds - \$50.7 million

- Mercer West Construction Loan Repayment - \$12.2 million
- South Lake Union Streetcar Operating Loan Repayment - \$3.6 million
- Center City Connector Streetcar Capital Loan Repayment - \$9.0 million
- Commercial Parking Tax Revenues Offset - \$9.2 million
- SDOT Vision Zero Priorities - \$16.7 million

Seattle Transportation Benefit District (STBD) - \$14.5 million

- Operations – \$7 million to fund additional transit hours, including first and last mile service
- Capital – \$7.5 million, including
 - *Transit lanes and Multimodal Corridor investments*
 - *Transit corridor facilities – benches, shelters, landing pads, etc.*
 - *Downtown mobility projects – anticipating impacts of SR 99 tolling*

Transportation Network Company (TNC) Tax

- Capital Funding for the Center City Connector

2019 Library Levy

Levy approved by voters in August will provide for a significant expansion of library services in 2020:

- Elimination of Overdue Fines (\$1.1 million)
- Increased investment in e-materials (\$630,000)
- Addition of 10,000 hours of operation at library branches (\$673,000)
- Expand Play and Learn Program (\$260,000)
- Add Community Resource Specialist for Youth (\$150,000)
- Technology upgrades (\$500,000)

Using One-Time Resources to Invest in Community Assets

Available Resources

- Washington State Convention Center street vacations
- Community Development Block Grant (CDBG) Funding
- Real Estate Excise Tax (REET) Resources

Proposed One-time Uses

- Chief Seattle Club
- Lambert House
- International Community Health Services (ICHS)
- Outdoors for All – redevelopment of former fire station at Magnuson Park
- Residential treatment facility at King County Jail
- Additional funding for Round 3 of Equitable Development Initiative (EDI) Grants
- Capital resources for childcare facilities – complement funding to expand CCAP voucher program with resources to help enhance supply of childcare as well